

produce, proceeded to obtain a written form of consent as to an equitable basis for dealing with the proceeds of that produce ; several hundred suppliers signed that form, leaving only one outstanding signatory, who can and might take action at any time and so frustrate the wishes of the whole of his fellow-suppliers.

75. The dairy industry has always been on the alert for new products to manufacture from milk, cream, or butterfat. With every advance or change comes the need for new rules for the companies so engaged. *What, therefore, might be an excellent Article to-day may be restrictive and unjust in the extreme to-morrow.*

76. The position as we see it is that the need for a method of *easily and equitably* altering the Articles to meet the changing needs of co-operative groups of dairy-farmers is just as imperative as the need to bring up to date the now obsolete Articles of the majority of our dairy companies.

77. There is, we think, a satisfactory means of achieving both these ends. It is by providing that in the case of co-operative dairy companies *the majority decision of the supplying members shall bind all members of the company*, even if that decision should override contractual relationships created or evidenced by the Articles. The Committee, however, does not for one moment recommend that any individual *written* contract not contained in the Articles between a company and its members should be overridden at the behest of the majority.

78. We recognize that there must be some limitation upon companies as to the extent they can increase the share liability of any dissenting member, but to say that a company cannot increase its share standard at all at the instance of the majority is to place a brake on the efficiency, let alone the expansion, of the company. (As will be seen later, we suggest that the share standard may be increased by a three-fourths majority decision, provided that such increase shall not incur any dissenting member in a greater liability for share capital than his original responsibility, *plus 25 per cent. thereof.*) Some companies have urged that all supplying members should be required to fall in with the wishes of the majority, whatever the result, and stress the need at times for greatly increased shareholding in the event of rebuilding programmes, particularly following destruction of factories by fire ; but we think that persons joining co-operative dairy companies should know the ultimate extent to which they can be made to take up shares by a majority decision. In other words, they are entitled to know the extent of their financial obligations. On the other hand, limitations now imposed by section 35 of the Companies Act, 1933, are, for the reasons we have mentioned, too restrictive to permit of the true functioning of a co-operative industry.

79. We have set out in Appendix III a model set of Articles containing, we think, all the existing powers now enjoyed by most companies and, in addition, many necessary additional powers which few companies, if any, now have.

80. If authority is given to the present wet shareholders of every company by a three-fourths majority vote to adopt those model Articles in lieu of its own Articles, *to be binding upon all shareholders*, then every such company taking advantage of that authority will have its *Rules, Regulations, and Articles* as up to date as possible.

81. If the suggestion contained in paragraph 77 is given statutory effect, then any of those companies may at any later date alter, as it thinks best, the provisions of that model set similarly by a three-fourths majority decision, and so on, thus permitting in the future elasticity in the management of dairy co-operatives while retaining to each its individuality so desirable in primary enterprises.

82. The model set is made up of those Articles which have in the main stood the test of time as to their practicability and fairness. There is, however, one departure from the practice of many of the older companies. It is in connection with the basis