

of shareholding. In this case the Articles have been framed to enable shareholding in a company to be based *solely* on the supply of butterfat. Many of the existing Articles require a minimum number of shares to be held, even if the supply from that member may never reach the quantity normally required to warrant the holding of those minimum shares. Again, a few companies fix a maximum shareholding, even if the supply from a member may warrant a very much greater holding.

*We say emphatically that every member's shareholding in a company should be related to his actual maximum supply.* If, therefore, he is required to hold one share for, say, every 100 lb. of butterfat, then if he supplies 12,000 lb. of butterfat he shall hold 120 shares; if his butterfat a few seasons later increases, then he should be required to hold the additional shares.

83. To enable companies to get in more share capital, provision is made in the model Articles for an increase in the share standard up to 25 per cent. of the basic figure as set out in the original Articles. Any further increase must be with the consent of the individual members.

84. We have so drawn the model Articles that the butterfat income must be distributed only on a butterfat basis and not as to any part as a *dividend* on shares.

To give companies, however, partly a simple means of collecting their members' share dues and partly an equalization of the position between shareholders and suppliers who are not shareholders, there is provision for a share bonus, a system which has been found to work excellently wherever tried. Such a share bonus is available only on the pounds of butterfat supplied *and covered by shares* and does not in any way result in a return on shares which are not covered by butterfat in the particular financial year of the company. In other words, there is no financial return on surplus shares—only on those shares actually related to the butterfat of the particular year.

85. One of the problems in the industry is the very small, and what might be termed the itinerant, supplier. He supplies a small quantity of fat at a time when the manufacturing facilities are used almost to their maximum, and in the beginning and towards the end of season, when every pound of supply is needed, he ceases to supply. The cost of handling, testing, and administration of his supply is out of proportion when compared with even the smaller genuine dairy-farmers. Many schemes are in being to adjust this tax on the genuine supplier, but as conditions and practices from district to district vary so widely, we have suggested that the Articles of a company should merely contain power to make such adjustments if any, in this respect as the company shall think fit in order to return to each member his true proportion of the net returns of the company.

86. We have included power to conduct separate groups of suppliers within a company such as dried milk, casein, evaporated milk, cheese, town milk, and the like, either as virtually separate entities with their own payouts, or upon a premium basis for particular types of produce, or in such manner as the company shall deem equitable, and with power to amalgamate or vary these groups as changing circumstances might dictate.

87. Broadly speaking, if such a set of Articles is adopted, every *bona fide* supplier of milk, cream, or butterfat to a company will be a member thereof to the extent of his supply; he will be entitled to his proportionate voice in its management and treatment as a supplier on sound co-operative lines, and when he retires, if the first part of this report is made effective, to a refund or resumption of his share capital within a reasonable time and on a fair basis.

88. Any company which adopts these Articles and has for its principal objects the manufacture of dairy-produce should automatically be entitled to registration under Part III of the Dairy Industry Act, 1908, inasmuch as it thus becomes a co-operative dairy company in the fullest form.