

APPENDIX II

Dairy Legislation Committee,

P.O. Box 3004,
Wellington, 21st May, 1948.

Circular to All Dairy Companies.

ON behalf of the Committee I wish to thank those dairy companies which have already forwarded submissions to the Committee in regard to their own company's affairs. These have been particularly helpful in a preliminary consideration of the "dry" share and administrative problems which are of concern to the Industry at the present time.

I would urge those companies which have not yet forwarded their submissions to do so at the earliest possible date. If they have not any particular problem, would they be good enough to give the statistical information requested by the Circular from the Chairman of the Dairy Board, and which is referred to on page 27 of the April "Exporter."

The Committee is of the opinion that it might be helpful to those companies who have not yet furnished their submissions for the Committee to give a précis of some of the problems and suggestions already received, that those companies might have an opportunity of commenting thereon.

If those companies which have already forwarded submissions desire to submit further comments on those points, these will be particularly welcomed by the Committee. As previously requested, please send in five copies to the Secretary at the above address. The following is the précis to which I have referred, the first two paragraphs being a *résumé* of what appears to be the statistical position.

DRY SHARES

1. The proportion of "dry" shares in individual companies is in most cases rather heavy compared with "wet" shares.

2. The number of "dry" shares in most cases appears to be on the increase.

3. Even if the 20% proportion now permitted to be resumed by the Dairy Industry Act, 1908, is increased, the present position would not be relieved to the extent anticipated by some companies for the reasons—

(a) That many companies are unable to find the necessary cash for the consequential resumption.

(b) That they consider it is not equitable that "dry" shares should be resumed at 20s. in the £, particularly when loyal shareholders in the past have been receiving much less than 20s.

(c) That as their "dry" shares do not carry a dividend, there is no real advantage to the company in finding now the necessary money to pay out those "dry" shares.

(d) That even where dividends are now being paid it is better to continue to do so and retain the use of that "dry" share money.

(e) That most companies consider that the dividend or interest rate should be reduced, if not altogether waived.

4. Some companies maintain that the "dry" shareholder is entitled to 20s. in the £, he having contributed his share of maintenance during his period of supply. Other companies maintain that the disloyal shareholder, by the withdrawal of his supply, caused a deterioration of the assets of the company and an increase in the manufacturing costs of the produce of the remaining shareholders.

5. The true function of a co-operative dairy company is submitted by some companies as being the processing of the raw material of the shareholders and not the earning of dividends or interest, and that on withdrawal of the supply of any shareholder he should be entitled then only to that rate of share resumption which he would get, assuming the company then liquidated, with an appropriate deduction in the case of a disloyal shareholder, and that the presence of dividend or interest earning "dry" shares is bringing into the Industry interests incompatible with true co-operation.

6. Suggestions have been received that all dairy companies should set aside a sum each season based on their butterfat turnover to provide a Reserve to meet the cost of share resumptions and also that companies should be enabled compulsorily to resume "dry" shares at their market rates and in the case of shareholders whose whereabouts are unknown the proceeds of such resumption to be transferred to a Reserve Account in the Company or a Public Account or forfeited to the Company.

7. It has also been suggested that "dry" shareholders shall not have a vote on any matters affecting the company or, again, that all "dry" shares be converted into unsecured debts (without, however, conferring any priority over "wet" shares on liquidation), and a rate of interest be paid thereon not exceeding Savings Bank rate.