PROCEDURE OF COMMITTEE

8. The Committee, having then formed an opinion upon certain major principles and suggestions for remedying the position, visited the main dairying centres set out below and discussed those suggested remedies with the interested parties. All companies in each particular area were invited by letter to attend a general meeting arranged either by the Committee or, where a Dairy Companies' Association existed, by the Association. After each such general meeting individual companies were also invited to meet the Committee in private for a discussion of their own particular problems, and many companies availed themselves of the opportunity. In this way every company in New Zealand was given an opportunity of being present at such a meeting and of meeting the Committee. Indicative of the interest taken in these matters, it can be said that over 200 of the 262 companies operating in New Zealand were represented at these meetings.

The centres visited were Whangarei, Palmerston North, Stratford, Hamilton, Gisborne, Carterton, Blenheim, Christchurch, Dunedin, and Invercargill.

HISTORICAL OUTLINE

9. The first co-operative dairy company to be formed in New Zealand is thought to be the Otago Peninsula Co-operative Cheese Factory Co., Ltd., which came into being in 1871. With the advent of refrigeration a large number of companies, both co-operative and proprietary, rapidly sprang up in various parts of New Zealand, and a surprising number of the companies in existence to-day date back fifty years or more.

10. As will be seen under the subsequent discussion on Articles of Association, many of the provisions in the constitution of those companies, although admirably suited to the then conditions, are now out of date and are having a definite restrictive effect on the efficient management of those companies. On the other hand, many of the principles laid down in those early days were particularly sound and it has been only carelessness in subsequent administration that has given rise to some of the present-day difficulties.

11. While it may have been the aim of those early companies to find the whole of necessary capital by the requirement that the supplying farmers should take up shares in proportion to the number of cows milked or to the number of pounds of butterfat supplied by them, this was not always possible, with the result that a part of the capital was subscribed by local townspeople and by the more financial or enthusiastic farmers accepting much greater share responsibilities than their supply required.

12. To give a return to those non-supplying subscribers and to adjust the position between members holding excess shares, it was usual to provide in the Articles of Association for either a compulsory or permissive dividend on shares, generally at the rate of 5 per cent. or 6 per cent. It must be conceded that without some such inducement many companies would not have come into being or, at the best, would have experienced serious financial embarrassment.

13. Again, as the cost of money in those days was mainly in the vicinity of 5 per cent. or 6 per cent., the payment of such a dividend did not involve the companies in any greater financial burden than would have been the case if those moneys had been borrowed from the banks, remembering that, as most of the produce was sold on consignment, there was a considerable lapse of time before the companies actually received in cash the full realizations, thus necessitating a greater dependence on capital or overdraft than is now the case.

14. On the other hand, quite a number of companies came into being without the requirement of a compulsory dividend, although in many cases there is a provision that some dividend shall be paid, generally with a restriction as to a maximum rate. Again, the Articles of some companies leave the question of a dividend at the option of the