

directors or general meeting, while a few companies provide that the only return on the capital subscribed should be by way of a share bonus related to the actual supply of butterfat of each member in the particular financial year.

PROPRIETARY COMPANIES

15. Until about 1936 a number of proprietary companies operated in competition with co-operative dairy companies, but following upon the report of the Dairy Commission of 1934 and the enactment of the Dairy Factory Supply Regulations 1936 (administered by the Executive Commission of Agriculture) these companies went out of business, their supply being purchased by the neighbouring co-operative companies or by newly-formed co-operative companies, and it may now be said that the dairy industry of New Zealand is, in the main, in the hands of co-operative groups of farmers who are now supplying their particular company or, having previously supplied, still hold shares therein. No butter or cheese is manufactured by proprietary dairy companies in New Zealand to-day.

DRY SHAREHOLDING

16. For the sake of brevity the shares of those members who do not now supply milk, cream, or butterfat to their company are referred to in this report as "dry shares" and the shares of those members who do so supply are referred to as "wet shares."

17. While many of the earliest-formed companies had initially related their shareholding to the estimated butterfat-supply of the members, they soon found they were not able to keep it so because of the inability or refusal of all of the outgoing members to transfer their shares—the inability to transfer being probably due to a fall in supply to the company, through land going out of dairy production, or through loss of its supply to an opposition company—the refusal to transfer being probably because of the attachment of a favourable dividend to the shares.

18. To enable co-operative companies to meet this position and to confine their shareholding, as far as possible, to current suppliers, the Co-operative Dairy Companies Act, 1907 (now the Dairy Industry Act, 1908, sections 50 to 53), gave any co-operative dairy company the power to buy in or to resume the shares of its members so long as the number of shares so surrendered to the company and not reissued did not at any time exceed 20 per cent. of the total issued shares of the company, exclusive of surrendered and non-reissued shares. The price payable on such a surrender is a matter for the holder and his company. If the holder is not prepared to accept the figure offered by the company, he cannot be made to do so.

19. Section 54 of that Act, however, does enable a co-operative company to require a shareholder to accept the surrender of his shares at not less than their paid-up value, plus interest at 5 per cent. from the end of the previous financial year to the date of surrender, *should such a request be supported by a special resolution of the shareholders of the company*. In the course of its investigations the Committee did not learn of any instance where the provisions of this section 54 had ever been invoked.

20. It will thus be seen that no co-operative dairy company is able to buy back its shares at less than par if the holder is not agreeable to sell, nor can it under any circumstances accept the surrender of more than 20 per cent. of its issued capital except to the extent it resells shares surrendered to it to other holders.

21. Theoretically the applications of these provisions of the Dairy Industry Act, 1908, should have enabled any co-operative dairy company to have resumed its dry shares as these became dry and to have sold these shares to incoming suppliers, thus at all times keeping the number of shares surrendered but still not reissued to less than 20 per cent. of the total issued capital of the company, but the statistics set out below show a very different position.