

companies may have been pursuing a satisfactory policy of resuming the shares of their legitimately retiring members, the number of dry shares belonging to disloyal members has grown apace, frequently to be purchased privately by incoming suppliers and often at a very low figure. It will be unnecessary to emphasize that there must be some deterrent to disloyalty, and companies have found that a refusal to resume the shares of their disloyal members does tend to hold supply. In any case, if a member by merely transferring his supply to an opposition company could obtain a cash resumption of his shares, the temptation to do so would be great, especially in a time of financial embarrassment. Because of subsequent zoning, the disloyal shareholder may not now be able to come back to his former company. If he could, he would be deemed disloyal by his present company. It is a fact that many farmers to-day hold shares in several competing companies.

28. The companies thus engaged in competition have tended over the years to strain every resource to make a competitive payout. This has resulted in insufficient attention being paid to the maintenance of the capital position of the company, with the result that on any liquidation of the company the shares may not be worth par. *In fact, it could be said that many of the dry shareholders have received in these higher payouts some of the capital nominally represented by their shares.* No matter from what point of view this problem is approached, it is inescapable that the only *REAL* asset a dairy company has is its day-to-day supply. Its plant and equipment, particularly buildings (mostly concrete structures), situated as these mostly are some distance from centres of population, have little or no commercial value other than as a dairy unit.

(c) LAXITY ON PART OF A COMPANY IN PURSUING A SOUND RESUMPTION POLICY

29. Many companies have been lax in meeting their undoubted moral obligation to resume dry shares, particularly where there is no dividend payable. We think it must be conceded that where a supplier has loyally supported his company by supplying the whole of his milk or cream to that company during his period of active farming in the district, and has thus met through his supply his share of the maintenance and upkeep of the company's assets, perhaps even his share of substantial capital improvements, the company should refund to that farmer his proportion of the share capital, or at least his share of its estimated value. Too often companies, having got the use of share capital of their dry shareholders without cost, are reluctant to make any return thereon or to refund it, even at a discount. Quite a number of companies have, of course, set out to pay a small dividend so as to return to the dry shareholder what they considered the use of his money to be worth. *The correct solution is the prompt resumption of the shares upon a member ceasing to supply his company.* Very many companies did, however, attempt to lay down a resumption policy, and it can be said that, while a few companies have resumed the shares of their retiring members at par, this is unusual. Quite a common rate in some districts is 15s. in the pound, but in other districts, particularly the older districts where supply has not been on the increase, there is a wide divergence in resumption rates—some as low as 4s. in the pound, and many about 10s. in the pound. Because of this want of a sound resumption policy, shares have changed hands in the district at widely differing rates. Very many wet shareholders have not only acquired shares from their company (mostly by annual deductions from their butterfat cheques), when they, of course, met the full cost of 20s. in the pound, but have also bought shares from other members at varying rates, sometimes as low as even 2s. 6d. in the pound. It is probably because this has been done that companies have not felt disposed to grant substantial resumption rates. Partly because of this attitude the dry-share position in so many companies has now got out of hand. In some cases there is imminent danger of the dry shareholders taking charge, but very little can be done about it under the present state of the law.