

ALLOTMENT OF SHARES

35. It is also relevant to refer briefly to the method of allotting shares. The most general practice has been for companies to estimate the quantity of butterfat likely to be supplied by the farmer seeking membership and to allot him sufficient shares to cover such a supply. Either a call of so much per share was made or shares were called up in full and deductions were made from butterfat payments to meet the calls, or at the end of each financial year a dividend or a share bonus was declared and the proceeds thereof were then applied in and towards payment of the cost of the shares so allotted. In this way the supplying farmer did not actually make a direct cash payment to his company; he acquired the shares by deduction from his butterfat returns. As we have seen, theoretically every member is required to accept share responsibility in accordance with his maximum supply, but supply naturally fluctuates substantially from season to season and more often than not the supplier is holding more shares than he is required to do for that particular season. Some companies have actually refunded such surplus shares when satisfied that these suppliers were not likely again to supply up to their previous maximums. *It is well, therefore, to remember that, although the shares of farmers now supplying dairy companies are regarded as being wholly wet shares, in point of fact a substantial proportion of those shares are actually dry,* inasmuch as there is not sufficient butterfat being supplied by those members to justify the actual shareholding. Because it does not attempt to distinguish between the shares of supplying and non-supplying members, it was obviously the intention of the Legislature when it enacted the surrender or resumption provisions of the Dairy Industry Act, 1908, that co-operative dairy companies should be able to resume the shares of both the retiring farmers and the surplus shares of current supplying farmers. If it is agreed that the principal functions of a co-operative dairy company are to make that company a service organization for the supplying farmer, then it must surely follow that when this farmer legitimately ceases to require the services of that company he should receive a refund of his capital contributions. If by proper provisions for maintenance of the capital assets and by the continuation of sufficient milk or cream into the factory the company is enabled to continue to function as an economic unit, the monetary refund of the shares should undoubtedly be at par.

36. It seems to us that the ideal system would be to treat the actual supply from any farmer as being an irrevocable application by him for shares in the company to which he sends his produce, such shares to be issued in accordance with the rules and share standards of the company—that is to say, so many shares for so much butterfat, usually in the vicinity of one share for 100 lb. of butterfat. The company would then allow out of this butterfat income a credit of, say, $\frac{1}{4}$ d. per pound butterfat supplied in each financial year and credit that sum towards payment for the shares so required. In this way the company would receive from each supplier in less than ten years full payment of share subscriptions. If it were necessary to get in share capital sooner, the deductions could be increased. When the supplying farmer ceased to supply, the company would then be in a position to refund to him such share capital either at par or at such discount as the shareholder and the company mutually agreed upon.

POSSIBLE REMEDIES

37. We now come to what appears to be the crux of the problem: What statutory rights, if any, should be given to such shareholders upon their cessation of supply to demand a return of their capital? *The Committee definitely recommends that some such right should be granted.* One of the reasons for this conclusion is that with the advent of zoning many dairy companies have been granted, or by inter dairy company agreements have obtained, virtual monopolies in their particular districts, and the Committee considers that there should be a very definite obligation upon every dairy company to