

PRICES 1937/38 SEASON.

The prices fixed for all butter and cheese exported after the 31st July, 1937, and which is manufactured from milk or cream delivered to a dairy factory on or before the 31st July, 1938, were based on the formula set out in section 20 of the Primary Products Marketing Act, the appropriate subsections being as follows:—

(4) In fixing prices under this section in respect of dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, regard shall be had to the prices fixed under this section in respect of dairy-produce exported before that date, and to the following additional considerations, namely:—

- (a) The necessity in the public interest of maintaining the stability and efficiency of the dairy industry:
- (b) The costs involved in the efficient production of dairy-produce:
- (c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand:
- (d) The estimated cost to the Department of marketing the dairy-produce concerned, and also the cost of the general administration of this Act:
- (e) Any other matters deemed to be relevant.

(5) Due regard having been paid to the several matters mentioned in subsection four hereof, the prices fixed in respect of any dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort.

The guaranteed price had to be such as would maintain both the stability and the efficiency of the dairy industry; both could be destroyed by a price that is either too high or too low.

Some 21,500 return forms were sent to farmers under the direction of the Government Statistician. Based on 19,307 full and complete returns sent in by farmers the following information was derived: Variation in size of herds, average butterfat-yield per cow and per acre, the dairy-farm population, the incidence of employment on dairy-farms under the headings of male and female family labour and hired labour, and the distribution of male labour according to size of herd. This was the first comprehensive view ever obtained of the New Zealand dairy industry.

A more detailed and intensive investigation was made of dairy-farms by the Department of Agriculture from the point of view of cost analysis; 75 per cent. of these consisted of farms investigated by the Department on behalf of the Dairy Industry Commission, 1934. The information supplemented and confirmed the broader survey of the Government Statistician. A detailed analysis was also made of dairy-factory costs.

A production per acre of from 100 lb. to 175 lb. of butterfat was regarded as the standard which could readily be realized by an efficient producer operating under usual conditions and in normal circumstances. On the basis of using adult male labour, 12,500 lb. of butterfat was taken as the labour standard of efficiency for two units. Per cow efficiency was taken at 258 lb. of butterfat, and capitalization (including unimproved value, improvements, and stock and chattels) at £73 a cow. The standard rate of interest applied to determine total interest charges was $4\frac{1}{2}$ per cent. The standard allowance for working and maintenance costs was 5·07d. per pound of butterfat. The full statement of working and maintenance costs is shown on page 6.

The detailed figures of working and maintenance costs are as follows:—

WORKING AND MAINTENANCE COSTS PER POUND OF BUTTERFAT: MEAN SMOOTHED DATA FOR THREE FAT GROUPS (100–125, 125–150, AND 150–175 LB. BUTTERFAT PER ACRE).

	Butter. d.	Cheese. d.
1. Cultivation and harvesting (special costs)	0·228	0·172
2. Grass and other seeds	0·132	0·152
3. Fertilizer and lime	1·107	1·171
4. Fencing repairs and renewals	0·223	0·202
5. Water-supply (repairs and maintenance)	0·069	0·066
6. Drainage (repairs and maintenance)	0·040	0·038
7. Noxious-weeds control	0·025	0·061
8. Rabbit control (poison and Board rates)	0·003	0·002
9. Casual labour (items 2 to 8)	0·094	0·071
10. Cow-covers used (repairs and replacements)	0·044	0·040
11. Veterinary expenses for cows and pigs only	0·064	0·061
12. Implements, &c.: Repairs and spare parts	0·109	0·106
13. Horse expenses	0·052	0·106
14. Tractor and/or truck expenses	0·079	0·040
15. Farm-building expenses	0·129	0·121
16. Milking-plant repairs	0·124	0·106
17. Milking-shed power and heating	0·326	0·293
18. Milking-shed materials used	0·069	0·065
19. Main working-expenses (items 1 to 18)	2·917	2·873