Dairy Industry Account.

The financial operations of the Dairy Industry Account for the export season have not yet been completed, but on present indications the deficit should not exceed £650,000.

Origin of guaranteed price.

The guaranteed-price procedure, with the new system of marketing, is of such profound importance to the future of the Dominion that a recital of its origin may be of interest.

In 1934 the Commission set up by a previous Government to investigate the dairy industry reported that at least one-half of the dairy-farmers engaged in the industry were in varying degree unable, at that time, to meet in full their financial commitments. Investigation revealed that within a period of six years overseas butter prices had declined from 184s. to 66s. 6d. per hundredweight.

With this information the Prime Minister and other members of the present Government pledged themselves that, if elected, they would institute a procedure that would give the farmer a guaranteed share of the national income, and would take the responsibility for marketing the produce overseas.

The purpose and promise were clear. It was to endeavour to find a measure that would give to the working-farmer an income measured in price for his product equal, as far as is humanly ascertainable, to the payment for like work in other fields of production. No more—no less—than equal treatment for all workers in town or country.

That promise has been kept to its limit. Endeavours to give special privileges to any section, whether to farmer, other worker, to finance or to commerce, in a democracy, inevitably bring their own Nemesis.

With this philosophy guiding their actions the Government on entering office decided to buy all butter and cheese placed on board a ship for export at prices slightly in excess of the average realization during the ten years ended 31st July, 1935.

Season's results.

The average for the ten years was 12·73d. per pound of butterfat for butter. The Government decided to purchase the butter and cheese at prices that would enable efficient dairy-factory companies to pay 13·04d. per pound for butterfat for butter, and to provide for a premium of 1½d. per pound for suppliers of butterfat for cheese-manufacture.

An overestimate of the costs of butter-manufacture resulted in a lesser differential than the 1½d. promised. The Government have noted this disparity, and, when full information of the year's working is available from all the dairy companies, will take the necessary steps to carry out their undertaking.

The year's working, whilst showing an estimated deficiency of £650,000 between pay-out and realizations, has given to the dairy-farmer an element of confidence and security that could not have been obtained under any system previously in operation.

The foregoing covers the first year, during which the prices were based on previous averages.

For the production-year just commenced, the procedure to determine the price is set out in section 20 of the Primary Products Marketing Act. Subsection (5) of the same section sets out the objective of the Government. It is to give to efficient dairy-farmers a price for their product that will provide a net income sufficient to maintain themselves and their families in a reasonable state of comfort.

To achieve this objective the Act provides that the Government must take into account prices realized in previous years; the necessity to maintain the stability and efficiency of the industry; the costs involved in efficient production; the costs of marketing; and, in particular, that the general standard of living of farmers and dairy-factory workers should be based on and be equal to the general standard of living in the Dominion.