

security of tenure of occupational income enjoyed by an efficient dairy-farmer under usual conditions and in normal circumstances, as compared with that of artisans, storekeepers, professional men, and others whose capital and income may be imperilled through casualness of employment, slackness of trade, competition, and other contingencies. Regard should also be had to the fact that the dairy-farmer is assured of housing accommodation, and can provide on his own property for certain of the food requirements of himself and his family.

It is to be noted that the term “efficient *producer*” is used in subsection (5). This means something more than a man who is efficient in himself: it means a man who is *producing* efficiently. That this is the intention of the Legislature is made clear when subsection (5) is read with paragraph (b) of subsection (4), which requires that regard shall be had to the costs of efficient production. Subject to the provisions of subsection (4), it is necessary to decide on standards of productive efficiency “under usual conditions and in normal circumstances.” Conditions are the pre-requisite factors of production, and circumstances are the more adventitious, accessory, environing factors that may influence results. “Usual conditions” relate to the suitability of the land farmed, the quality of the management of the farm, the methods of farming used, the adequacy of the labour employed, the provision of stock, plant, and equipment of a reasonable standard, and similar matters. “Normal circumstances” include such factors as ordinary seasonal and weather conditions and an average incidence of pests and animal diseases.

Subsection (4) sets out certain considerations to which regard must be had before prices are fixed under subsection (5). The general requirement of subsection (4) that regard is to be had to prices fixed in respect of dairy-produce exported on or before 31st July, 1937, is necessarily linked with paragraph (e), which requires consideration to be given to “any other matters deemed to be relevant.” These matters include the prices fixed for the 1937–38 season and the prices realized by the Department for that season. Regard should also be had to the trend of the United Kingdom market and the general trend of world trade, and their probable effect on future realizations.

Paragraph (a) of subsection (4) refers to the necessity of maintaining both the stability and the efficiency of the dairying industry. It is accepted that the dairying industry is an essential industry, and that therefore it must be maintained. Stability is both internal and external. Within the industry itself, it is important that stability should be maintained between butter-production and cheese-production, for it is desirable that New Zealand should retain her share of the cheese market of the United Kingdom and that the butter market should not be overloaded as a result of a change-over from cheesemaking to buttermaking. Prices, therefore, should not be fixed at levels so low as to endanger the external stability of the dairying industry as a whole by rendering it uneconomical in relation to other industries; and the relative prices of butter and cheese should be so adjusted as to enable a balanced production to be maintained and the internal stability of the industry to be preserved. It is necessary, too, that prices should not be fixed at levels so high as to lead to inefficiency through neglect of pig-rearing, non-utilization of by-products, employment of wasteful methods, &c.

Paragraph (b) requires that regard shall be had to the costs involved in the efficient production of dairy-produce. These cover farm and factory costs to f.o.b. The use of the word “efficient” renders it unnecessary for the purposes of this paragraph to consider the costs of farms, farmers, and factories that are not efficient in themselves or are not employing efficient methods.

Paragraph (c) should be contrasted with subsection (5). The latter, as has been shown, requires the fixation of prices designed to provide a reasonable state of comfort for an efficient producer. The former requires that regard shall be had to the general standard of living of all persons (employers, members of employers’ families, and hired employees) engaged in the dairying industry in comparison with the general standard of living throughout New Zealand—that is, the general standard of living of the community generally. Paragraph (c) requires, in broad terms, that the reward of persons engaged in the dairying industry should, as far as possible, be sufficient to enable them to maintain, in their several degrees, a standard of living commensurate with that of the rest of the community, regard being had to the relative value of the services rendered by each section of the community. It must be remembered in fixing prices that if prices are fixed at an unduly high level in relation to sales realizations, the persons engaged in the dairying industry may have their standard of living raised above that of the rest of the community, for a continued and cumulative deficit in the Dairy Industry Account must be borne by the community as a whole.

Paragraph (d) requires that regard shall be had to the Department’s cost of marketing and the cost of the administration of the Act. These matters call for no special comment.

Paragraph (e) covers all other matters deemed to be relevant. Specific references to such matters have been made earlier in this report. An important relevant matter is the necessity of attracting to and retaining on dairy-farms an adequate supply of suitable labour. A further relevant matter is the necessity of ensuring that prices shall not be fixed at such levels as will cause the breakdown of the system of guaranteed prices, which has been designed to stabilize the incomes of persons engaged in the dairying industry and to afford an insurance against the seasonal and inter-seasonal fluctuations of a world market. It will be impossible to ensure the continuance of a reasonable state of comfort if prices are fixed at levels so high as to render it impossible to avoid deficits in the Dairy Industry Account of such magnitude as necessarily to react to the detriment of the general standard of living of the community, though it is accepted that the community as a whole will bear such deficits as it may be necessary to meet in order to maintain the persons referred to in subsection (5) in a reasonable state of comfort.

The functions of the Committee were (i) to investigate as fully as possible, and in accordance with its order of reference, the several matters that it was required to consider, (ii) to determine reasonable standards of efficiency, and (iii) to make recommendations based on the results obtained from a consideration of all relevant data.