

(b) EVIDENCE.

The Committee had available to it a more comprehensive range of evidence and statistical data than was available to the Committee set up to recommend prices for the 1937–38 export season, and had the benefit of the experience of that season's operations. In particular it had placed before it a survey, prepared for the New Zealand Dairy Board, of 2,487 dairy-farms in the Waikato and surrounding districts, and a more detailed analysis of costs and returns for 156 dairy-farms in the Waikato and Te Aroha districts. Statements regarding capitalization, costs, and standards applicable to the industry generally were submitted by the New Zealand Dairy Board. The New Zealand Farmers' Union, the South Island Dairy Association, and representatives of the Southland dairy-farmers also submitted statements bearing on these and cognate matters. Evidence as to the movement of dairy-factory costs was given on behalf of the New Zealand Co-operative Dairy Co., Ltd., and the Eltham Co-operative Dairy Factory Co., Ltd., and information collected from dairy-factory companies by the Primary Products Marketing Department on this subject was made available to the Committee. The Valuer-General supplied details of current valuations of dairy-farm land in the different land districts. The Land and Income Tax Department supplied tabulated data regarding the returns of income made for Employment Tax assessment purposes by dairy-farmers the unimproved value of whose farms did not exceed £3,000. The Government Statistician presented further statistical data relating to the survey, covering 19,307 farms, made by him in 1936–37 for the former Committee. The Department of Agriculture submitted details of a comprehensive analysis of returns from a number of representative dairy-farms in different parts of the Dominion. A large percentage of these farms were included in the farms surveyed by the Department for the Dairy Industry Commission of 1934, and the survey and analysis had been amplified and brought up to date. In practically every case the written statements and statistical data submitted by the different bodies and departments were supplemented by oral evidence given before the Committee.

A number of industry witnesses were inclined to question the representative nature of the farms covered by the returns submitted by the Department of Agriculture. The Committee recognizes the extremely valuable nature of the information collected by the Department, and recognizes also the important bearing that the method of collection and checking has on accuracy. The only serious objection that can be made to the Department's returns is that the selection of farms, though doubtless made with perfect fairness, does not satisfy all sections of the industry as to its representative nature. It is therefore recommended that in future years specially appointed representatives of the dairy industry organizations be associated with the Department in the selection of farms and the checking of data on the farms.

In weighing the evidence it was necessary to make allowance for certain factors. Owing to variations in soil, climate, types, and methods of farming, and other matters, it was impossible to accept statistics relating to any single locality as typical of the Dominion. The information submitted by the Department of Agriculture was the most complete and accurate, all returns from individual farmers having been carefully checked, both on the farm and in the Department's offices, by experienced officers. The number of farms (486) included in the sample was, however, too small to justify a definite conclusion as to their representative nature, though the Committee was satisfied that the Department had endeavoured to select farms that were reasonably representative of the districts in which they were situated. The larger number of farms (19,307) included in the Government Statistician's Dairy-Farm Survey of 1936–37 was more representative, but it included farms on which, to a greater or less degree, mixed farming was carried on. The survey was conducted through the post, and the results could not be checked as fully as those of the survey conducted by the Department of Agriculture through its officers. A measure of estimation and inaccuracy must be allowed for, because most dairy-farmers do not keep sufficient books and records to enable them to supply the detailed information required by the Government Statistician. The evidence given by the Deputy Commissioner of Taxes illustrates the tendency of dairy-farmers to overstate items of expenditure and understate items of revenue, though it is not suggested that in the majority of cases there is any deliberate attempt to mislead.

Regarding the standard of living of the dairy-farmer as compared with that of other sections of the community, the Committee desires to point out that the only evidence tendered as to the net income of the dairy-farmer was that of the Deputy Commissioner of Taxes, but that the figures submitted by that officer included, under the heading of "net income," the value of unpaid family labour and interest on the farmer's own capital.

In the determination of the prices required to be paid for butter and cheese in order to give the efficient producer a net return sufficient to ensure the state of comfort intended by subsection (5), regard must be had to the operation, during the past few years, of factors beyond the farmer's control. The return referred to in the subsection is a net return, which represents the margin between the costs he has to meet in production and the prices he receives for his product. Over the past two years wages throughout the Dominion have risen substantially, and the wage-increases have been accompanied by a reduction of hours of work and a more liberal provision for holidays, &c. This has affected costs of production generally.

The first effect on the dairy-farmer has been to increase the cost of materials entering into his working and maintenance costs, and to increase the cost of manufacturing his product. The increase in manufacturing costs is particularly noticeable in the case of cheese-factories. The second effect is that this change has raised substantially the wages the farmer has to pay and has necessitated an improvement in the conditions as to holidays, &c., that he must offer to meet competition for labour and to attract labour to the farm and to the dairy factory. The third effect is that the general raising of standards has meant that the farmer must be given a higher net return, after all his costs have been met, in order to ensure to him a standard of living comparable with that of the rest of the community.