3. Standard of Per-cow Efficiency.

The range of butterfat-production per cow is exceedingly wide. The Government Statistician (Year-Book, 1938, page 435) schedules groups ranging from under 100 lb. per cow to over 360 lb. per cow. Eight out of ten members of the former Committee accepted the figure of 258 lb. quoted by the Department of Agriculture as a reasonable standard of per-cow efficiency. The present Committee has had the advantage of having more detailed information for its assistance, and has decided not to adopt a unit figure, but to take a group figure as its standard of per-cow efficiency. The group figure that it has decided to adopt is that for 220 lb. to 260 lb. of butterfat per cow. This is a factory figure, not a gross farm figure. It is thought that the adoption of a group figure instead of a unit figure is more appropriate for the purpose of assessing a Dominion standard, more especially because no one standard can be separately applied in the case of any particular farm or district, and because all the standards adopted by the Committee are inter-related.

4. Standard of Capitalization per Cow.

The former Committee adopted a capitalization of £73 per cow. The present Committee finds this standard to be approximately correct, but the information now available leads to the conclusion that £75 per cow is a more exact figure. The Committee has accordingly fixed £75 as the standard of capitalization per cow.

5. Standard Rate of Interest.

The Committee, after considering the varying interest rates properly applicable to the producer's own capital employed in dairy-farming and to capital borrowed on the security of land, stock, and plant, and making a due apportionment among the different items, adopted a standard interest rate of $4\frac{1}{2}$ per cent., to be applied to the capitalization of £75 per cow. This is the same rate as was adopted by the former Committee, and is equivalent to 3·375d. per pound of butterfat.

6. Standard Working and Maintenance Costs.

The Committee devoted considerable time to the consideration of a standard measure of working and maintenance costs. Every item that could properly be regarded as coming within this category was separately discussed and was given its due weight. Certain items which bulk largely in the costs of particular classes of farms in certain districts are of less importance in the case of other farms in other districts, and accordingly an endeavour was made to construct a standard measure, which, though not applicable in detail to any particular farm, would in gross be of general application to all reasonably efficient farms. The Committee has decided that the standard amount per pound of butterfat to be allowed for working and maintenance costs, including depreciation, is 5·695d. An ascertained increase in costs since 1936–37 and the inclusion of new items have brought the figure unanimously adopted by the former Committee from 5·07d. to 5·695d. The amount allowed for depreciation is 0·95d. per pound of butterfat. The Committee is of the opinion that this is a reasonable amount to fix as a standard, and that the allowance for depreciation should be regarded as a fixed allowance, especially when it is borne in mind that depreciation in respect of any farm is an item that does not vary in amount in exact ratio to increases and reductions in the volume of butterfat produced on that farm.

7. Standard of Pig Returns.

All costs of pig-rearing are covered by the allowances made for general working and maintenance costs and for capital charges, and the amount to be credited as representing the return from pigs must accordingly be a gross figure. The former Committee had less complete information than is now available regarding the returns obtainable from pigs on whole-milk producing farms. A majority of its members adopted a figure of 1·54d. per pound on butterfat-production as representing pig returns on cream-producing farms. This Committee is satisfied that that figure is correct, and it has adopted it. It finds, however, that pig returns on whole-milk producing farms are higher than was considered last year to be the case, and that they represent approximately 0·75d. per pound on butterfat-production. However, in view of the fact that all standards are based on cream-producing farms only, milk-producing farms being protected by the provision of an assumed differential butterfat margin of 2d. per pound, this aspect need not be elaborated in this section of the report, but will be referred to later.

The figure of 1·54d. per pound of butterfat for pig returns represents a Dominion average of returns from cream-producing farms of all degrees of efficiency, including farms on which no pigs are kept. It is exceeded where conditions are suitable and management is efficient. In many cases low returns from pigs are balanced by high returns from sales of surplus stock and other miscellaneous sales. In other cases low returns from pigs are due either to inferior management of pigs or to failure to keep as many pigs as can be efficiently handled, or to both causes. The Committee is satisfied that the figure of 1·54d. per pound of butterfat for pig returns on cream-producing farms represents a reasonable standard of efficiency.

8. Standard Allowance for Housing and Perquisites.

The Committee has decided to adopt the existing allowance of £1 10s. per week as fairly representing the value of housing and items of food requirements available on the farm for the dairy-farmer and his family.