9. Standard of Dairy-factory Costs.

The Committee had placed before it evidence regarding a general increase in dairy-factory costs during the season 1937–38. It also took into consideration the effect on costs for the 1938–39 season of increased wages rates and improved conditions of labour prescribed by recent awards of the Court of Arbitration.

In the case of manufacture of butter, the Committee considers that, even with these increases, the present standard allowance of 2·25d. per pound of butterfat for costs from farm gate to f.o.b. ocean steamer is sufficient to meet the costs of a reasonably efficient butter-factory. It considers, also, that the existing standard manufacturing overrun of 21·75 per cent. should remain unaltered.

In the case of the manufacture of cheese, the present standard allowance of 3·25d. per pound of butterfat for costs from factory stage to f.o.b. ocean steamer is insufficient to meet for the season 1938–39 the increase in costs that has taken place during the 1937–38 season. This is due largely to the fact that the labour requirements of a cheese-factory are, per unit of butterfat, considerably greater than those of a butter-factory and that the processes of cheese-manufacture involve labour conditions less capable of calculation and control. There is the further circumstance that, on the average, cheese-factories have smaller outputs than butter-factories. This tends to raise costs per unit of butterfat. The Committee considers that the standard allowance for cheese-factory costs from factory stage to f.o.b. ocean steamer should be raised to 3·50d. per pound of butterfat, to meet ascertained costs increases. The present standard net cheese yield of 2·45 lb. of cheese per pound of butterfat should not, in the opinion of the Committee, be varied.

FURTHER CONSIDERATIONS AFFECTING STANDARDS.

The Committee has already expressed the opinion that standards, once definitely established, should not be varied at short intervals and without cogent reasons. This applies particularly to standards of pure efficiency, for progressive reduction of such standards tends to encourage inefficiency, and progressive raising of such standards imposes a penalty on improved efficiency.

1. Per-cow and Per-acre Production.

The evidence considered by the Committee led to the conclusion that low butterfat-production per cow and per acre was often associated with relatively high returns from sales of surplus stock and other sources. In adopting as a standard the butterfat-production range of 100 lb. to 175 lb. per acre, the Committee allowed for the rearing of 20 per cent. of replacement stock. The evidence indicates that, over the Dominion as a whole, replacements are more than balanced by sales of surplus stock, but it is found that, where butterfat-production per acre is high, there is a tendency to purchase replacement stock as a matter of farm-management policy.

2. Butterfat-production Prospects.

Some well-informed witnesses who appeared before the Committee were concerned about the trend and the prospects of butterfat-production. The season 1936–37 was an exceptionally favourable one, and both total production and production per cow achieved new high records. The 1937–38 season has been less favourable, total production has declined somewhat, and it is estimated that production per cow will be less than in the preceding year. There is also evidence of some change-over from dairying to sheep-farming. While few farmers have made the complete change-over, many are running more sheep than formerly and are giving relatively more attention to sheep.

A further matter affecting production, and meriting investigation, arises from the opinion expressed by a witness that production per cow had now reached its maximum under present conditions. The grounds for this opinion are, first, that the average butterfat per cow supplied to factories from tested cows is now little higher than the New Zealand average from all cows; and, second, that the production from average pedigree herds is little, if any, higher than that from grade herds. If this is correct, it means that the present average pedigree sire cannot be expected substantially to increase the butterfat-production of the average herd. It would appear that, in order to obtain a further increase, methods must be devised for improving the butterfat standard of herd sires.

3. Differential Payments and Allowances.

The Committee was requested by some cheese-factory interests to recommend, in the case of small cheese-factories, an increase in the existing differential margin of 2d. per pound in favour of butterfat supplied for cheese-making, or, alternatively, to recommend the adoption of higher costs allowances for those cheese-factories. The Committee considers that it would be impracticable to adopt standards varying with the outputs of factories. It is to be noted that it frequently happens that the higher costs of a small cheese-factory are balanced by a higher cheese-yield. The Committee recognizes that any differentiation made in favour of the smaller cheese-factories, whether in regard to the marginal butterfat allowance or to the factory costs, would lead logically to similar claims being made on behalf of the smaller butter-factories. In the final issue, it is conceivable that claims for special consideration would be made for some factories in every district.

The attention of the Committee was specifically drawn to the generally higher costs of cheese-manufacture in Southland. For the 1936–37 season the Dominion average of cheese-factory costs was 3·139d. per pound of butterfat, and the Southland average was 3·616d. per pound of butterfat. However, notwithstanding the higher manufacturing costs, the average pay-out per pound of butterfat of the