

the factory in which the produce was manufactured or processed, on account of the producers, a price fixed pursuant to the provisions of section 20 of the Act, which price has been called the “guaranteed price.” That price is fixed having regard to prices fixed in respect of dairy-produce previously exported, and to various additional considerations, namely :—

- (a) The necessity in the public interest of maintaining the stability and efficiency of the dairy industry :
- (b) The costs involved in the efficient production of dairy-produce :
- (c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand :
- (d) The estimated cost to the Department of marketing the dairy-produce concerned, and also the cost of the general administration of this Act :
- (e) Any other matters deemed to be relevant.

Subsection (5) of section 20 of the Act is in the following terms :—

Due regard having been paid to the several matters mentioned in subsection four hereof, the prices fixed in respect of any dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort.

The price to be paid by the Crown in respect of dairy-produce exported—that is, the guaranteed price—is required by section 20 (1) to be from time to time fixed by the Governor-General by Order in Council.

Inasmuch as it might generally be expected that the selling-price of the butter overseas would be in excess of the guaranteed price paid to the producers, the Government stood to make a substantial profit. In that profit the producers had absolutely no interest, as the produce became the property of the Government. If, however, the Government perchance made a loss in any year, such loss would be a community loss, though, taking one year with another, the probability always was that there never would be any real loss, as it might reasonably be expected that a loss in one year would be more than counterbalanced by a surplus in another. Approximately five-sixths of the butter produced in New Zealand was exported, and about one-sixth absorbed and consumed on the local market.

The locally consumed butter was dealt with differently altogether from the exported butter. With possible occasional exceptions, which may be regarded as negligible and which do not affect the matter into which we have been inquiring, it was disposed of to the retailers by the factories to or through licensed wholesale distributors. All this wholesale marketing was done under the control of the Internal Marketing Division, though the ownership of the butter did not pass to the Crown, but remained in the owners of the factories. Under section 22 of the Marketing Act, after fixation of prices in respect of dairy-produce exported or to be exported, the Governor-General had power by Order in Council to fix prices in respect of dairy-produce intended for consumption in New Zealand, and by subsection (3) of the same section it was enacted that in fixing such last-mentioned price to be paid to the dairy company the general purpose was to ensure to the producer a net return from his produce equivalent to the return that he would have received if such dairy-produce had been acquired by the Crown for export—that is to say, the “guaranteed price.” The wholesale price chargeable by the dairy factories to the distributors was fixed from time to time, but, by reason of the Butter Marketing Regulations 1937, the factory was not entitled to retain the whole of the price so fixed. In point of fact, all that the factory actually retains is the equivalent of the “guaranteed price”—that is to say, it actually retains only the same price as it would have received if the butter had been exported, plus certain additional items which may be regarded as out-of-pocket expenses.

The regulations require that there shall be added to the “guaranteed price” such additional cost as may be incurred for preparing the butter for local consumption, and there is then deducted the amount of the savings which are effected by not having to