

production varies in every case according to the circumstances and situation of each mill, and an exact amount cannot therefore be given; 17s. 6d. is therefore put forward as a fair rate. A careful persual of the tables for 1902 and 1903 will, it is contended, satisfy the most sceptical that the association did not in either of those years abuse its powers by raising prices to an unreasonable level. During the whole period there is only one month—namely, that of February, 1903—when profits apparently reached a high level. This result is accounted for by the fact that millers were unable to manufacture flour from the new season's wheat, and were consequently grinding old wheat, which had cost them 5s. 4d. per bushel, whereas in the table the price is taken at 4s. 9d., which was the average cost for that month.

Secondly, the association aims at apportioning the trade rateably amongst its members in accordance with the relative capacities of their mills, and in accordance with the demand for flour. This is done by testing the capacity of each mill, such test forming the basis of proportion throughout. The association in its capacity of a selling agent receives all orders and passes them on to the various mill-owners. The owners execute these orders out of their individual stocks, and send in daily returns of their deliveries to the association. At the end of each month these returns are made up, and each miller's actual deliveries are shown, and the fact is displayed as to whether he has delivered more or less than his proportionate quantity. A copy of this return is sent to each miller. A return for one month is attached hereto as an example of the method. Each miller is then paid by the association at the ruling price upon all his deliveries up to his proper proportion. Any miller not having received his proper proportion receives compensation in accordance with the terms of his agreement.

Thirdly and fourthly, the elimination of bad debts and the abolition of forward sales. These results are brought about by placing the trade upon practically a cash basis. In all doubtful cases cash is insisted upon, and in no case is flour sold for forward delivery. Prior to the institution of the association competition was so excessive that a system of long credit and forward selling had grown up which is unknown in any produce trade in any other part of the world. The bakers' trade was in a lamentable condition, and the losses in bad debts were consequently enormous. Forward selling at fixed prices was an almost universal custom. In the great majority of cases the millers had on a falling wheat-market to lower the price in sympathy with the market, but they always had to deliver at the contract price on a rising market. On the other hand, they had to purchase wheat for cash in order to cover their forward sales, and unless the individual was in a strong enough financial position to lay in sufficient stocks his business was reduced to mere gambling. Instances have been given by various witnesses of the extent and nature of these gambling transactions, which in one individual case alone used to reach the enormous total of upwards of £40,000 per annum. It is estimated that the sum total of these transactions in the past must have exceeded a quarter of a million pounds sterling per annum at least. It is obvious that no trade could flourish under such circumstances, and it is confidently asserted that had the association not intervened to prevent this evil, when wheat rose from 2s. 10d. to 5s. 4d. in the year 1902, a large number of New Zealand millers would have been ruined. When it is taken into consideration that the association only charges the millers a commission of 5 per cent., and out of that allows to the customers $2\frac{1}{2}$ per cent. as a cash discount, conducts all sales, collects and pays all moneys, and guarantees against all loss by way of bad debts, it is manifest that an enormous economy to the millers results. It may be further observed that if the association pays a dividend, the commission is by that amount reduced.

Fifthly, the improvement in the quality of flour is an undoubted fact. The causes are manifest. In the first place, each miller is bound under agreement with the association to produce only a first-class article. In the second place, the industry being put upon a fairly payable basis millers can afford to purchase first-class wheat instead of being tempted by unhealthy competition to mix into the raw material quantities of wheat of an inferior quality, a custom which largely prevailed before the inauguration of the association. The evidence of bakers upon the subject of improvement in quality is practically unanimous.

Sixthly, it is contended that the constitution of the association is trade-unionism pure and simple. Prices are fixed and rules are laid down for the regulation of trade, but not in any sense for its restriction. Any miller can join the association, and there is nothing to prevent new mills being started and their owners joining the association. Each miller carries on his business without the slightest interference. He buys his own wheat when and where he pleases, and manages his mill free of all control. There is no attempt to influence the price of the raw material. It is urged that trade-unionism on similar lines, or practically so, is recognised as being legitimate and unobjectionable in other trades and industries which affect the general public quite as closely as does the milling trade. It is generally considered reasonable, natural, and proper that sawmillers, brickmakers, fire-insurance companies, accident-insurance companies (including a Government Department), soft-goods trades, shipping companies, newspapers, farmers, and other trades, even including butchers and bakers, should combine to keep up prices and otherwise regulate the conduct of their trades. Why, then, should flour-millers be singled out for special attack? It is true that in the case of the Flour-millers' Association the combination is registered as a corporate body under the Companies Act, but this is in itself unobjectionable, and is necessary for the purpose of enforcing the terms of the agreement and for securing the trade from the extraordinary evils that had crept into it. It is most strongly urged that the association is based strictly upon the general lines of "trade-unionism" as applied to the other trades, and that it is unfair and unjust to single it out for special attack. It is presumed that the present attack is the result of an entire misconception of the objects and methods of the association, and the purport of this reply is to honestly and completely disclose them.

Seventhly, it is confidently contended that the milling industry prior to the inauguration of the association was reduced to such a condition that it was rapidly becoming a question of the