

the responsibility of familiarizing themselves with all the different duties in connection with it, and we maintain that in that connection you have your suppliers of the dairy companies electing their directors, and then the directors electing the members of the Council, and then the Council electing the members of the Board. We think that that will be more practicable, because it will be handled all the time by the men who are in a position to have the most intelligent grip of the requirements of the position. Now, some criticism was extended on the question of storing supplies to equalize the supplies to the market. Mr. Pacey said that they recognized that the position obtaining in the English market before the war gave New Zealand its specially strong position. He said that they tried storing butter before the war to regulate supplies to the English market—to have an even quantity throughout the year. I do not know who he did that. For the sake of their reputation for intelligence I am glad that I do not know, because it is obvious that ten years ago the fact that our produce was available during the British winter was an important feature in the position that New Zealand occupied in connection with the British market. In 1912 25 per cent. of the butter and 24 per cent. of the cheese that was imported into Britain came from the Southern Hemisphere, and the consequence of that arriving upon the market at a time when there was a natural shortage of the Northern Hemisphere supplies placed New Zealand in a very strong position. But, gentlemen, what was the position last year? 55 per cent. of the butter and 53 per cent. of the cheese that entered the British market came from the Southern Hemisphere. And this occurred when Finland and Denmark diverted large quantities of their produce to the British market which would ordinarily have gone into Germany. They diverted it to the British market owing to the trouble in the Ruhr district. That produce would not have gone to Britain in the ordinary course. It is clear to me that if it had not been for that our proportion supplied last year to Britain would have been somewhere in the neighbourhood of 60 per cent. of the total importation of dairy-produce. Now, Mr. Pacey stated that the position that was obtaining ten years ago would be obtaining again in another two years. He said he recognized that during the last two years our butter was securing better prices upon the English summer market than upon their winter market, but he said that in two years' time things will be back again to normal, and we shall then again be enjoying the position that we occupied before the war regarding that market. Now, gentlemen, we in the industry here are looking forward quite confidently for a very considerable increase in our production. Does Mr. Pacey mean to say that it is not going to be increased, and that we are going to get back to the level of 25 per cent on the British market? Gentlemen, it is unthinkable. Then, does Mr. Pacey infer that the importations from the Northern Hemisphere are going to be so increasingly large as to bring us back to that proportion of 25 per cent? Gentlemen, it is ridiculous. The Southern Hemisphere production is going to increase much more rapidly than it has already increased, and in the course of a few years I maintain that we shall find that the figures have been absolutely reversed on the British market—that we shall be supplying 75 per cent., and the Northern Hemisphere will be supplying 25 per cent. Now, if 75 per cent of the produce of the Southern Hemisphere is dumped upon the British market in the winter-time, without organization, who is going to say what is going to come about? We know full well that chaos is going to be the result. And Mr. Pacey's prophecy must necessarily be all out. We are often reminded that a prophet has no honour in his own country: that has been said many a time. And that is the natural retribution that such a gentleman ought to have when he prophesies such an absolutely ridiculous prophecy as that we are presently going to be back to only a 25-per-cent. proportion of the importations into Great Britain. That is one of the very serious points that we have to consider, and it is only by organizing in the interests of the industry as a whole that we can hope to get anything approaching the best out of the business. Now, sir, I think I will now traverse the points that were made by Mr. Dear. Now, Mr. Dear is an accountant, and he gave his evidence here with precision and care, and he started off very well indeed. He stated that produce is the only thing upon which we finance, and then afterwards he began to speak about the supplementary securities which were at present enjoyed by the industry, and were assisting in the finance. Now, we recognize these supplementary securities, gentlemen, but let no one be under any misunderstanding regarding why and how those supplementary securities are given. They are given in anticipation of a satisfactory realization of the produce. No merchant will issue any letter of credit unless he thinks it is going to be a good thing for him from a business point of view. And consequently it is the final realization of the produce which is the basis of the whole thing. We do not recognize as our own idea what has been maintained by so many of our critics, that we are going to scrap the whole of the present financial organization. If the present arrangement cannot be improved upon, then it is not going to be interfered with. But we think that by the organization which will be brought about as the result of the establishment of this Board that certain improvements will be secured which will be of immediate benefit to the industry. Now, the general basis upon which advances have been arranged—that is on a consignment basis—has been an advance of 80 per cent. against the estimated value of the produce. Some of our critics have said that they have secured an advance of 100 per cent. In fact, one of our critics stated that he had secured an advance of over 100 per cent.—

4. *Mr. Masters.*] They produced figures?—Now, no one will say, gentlemen, that that is a sound business arrangement—if they secured 100 per cent. simply because of the collapse of the market that has taken place. There were plenty of people able to secure an advance of 1s. 5d. against their butter some months ago, which did not realize anything approaching 1s. 5d. when it came to be sold. As a consequence such figures are only misleading. No financial house can be expected to advance a full 100 per cent. There must be a margin of safety, and that margin of safety among the financial institutions has been roughly about 20 per cent. They make an advance of 80 per cent. against an estimated value, which provides a 20-per-cent. margin of safety. Now, we maintain that if, by a sound organization, and by an equalization of the supply, we can remove some of the fluctuations in the prices—because the fluctuations in the prices are a very essential point in the margin of safety—if by steadying supplies we can reduce those fluctuations, we ought to automatically reduce the