

The great advantage of such an organization is the completeness of service that it offers at a very low cost. It provides the means whereby a co-operative attack over extensive areas could be efficiently and cheaply made. It places the costs where they properly belong—that is, on the industry; but it should, once it is fully operating, show a net gain to the industry through a reduction in the large total annual losses now occurring through want of proper veterinary services. The system of making a general levy on all suppliers to meet those costs of the service which are in excess of receipts from service and dispensary fees is sound in principle, for every supplier will benefit directly and indirectly through a reduction in his disease risk. At the same time, a special fee is justly chargeable to suppliers when they make use of the veterinary service.

ECONOMIES OF COLLECTION, PROCESSING, AND DISTRIBUTION.

244. Standardized Balance-sheets, Statements of Accounts, and Statistical Records :

The organization of the dairy industry is almost entirely co-operative, and the purpose and objectives of the individual manufacturing units are, generally speaking, identical. Proprietary trading concerns in competition with one another must of necessity maintain a degree of reserve regarding the results of their trading; but in a co-operatively organized industry such as the New Zealand dairy industry the circumstances are entirely different. There is, in the transactions of a co-operative dairy company, no conception of “profit,” in the sense in which the term is used by an ordinary trading company, because the payments or returns to shareholder-suppliers of milk or cream depend on the prices realized for the resultant produce. In a season of poor market prices, the pay-out to the suppliers is low, and in a season of higher market prices the pay-out is correspondingly increased, but no question of profit or loss arises. Similar methods of conducting manufacturing and marketing operations are followed by all the companies, and there is no need for secrecy respecting the results of their operations. A unique opportunity exists for the promotion of efficiency in the operations of all co-operative dairy companies, by means of the adoption of standard forms of accounts, statements, and balance-sheets, which will enable sound comparisons of results to be made and points of weakness detected.

245. Necessity of Sound Basis for Comparison of Results :

It was inevitable that, in the development of the industry on co-operative lines, directors and suppliers should compare their results with those of neighbouring companies, and it was to be expected that their comparisons would be based on the financial and statistical information published in and with the annual accounts of the respective companies. The weakness of comparisons so made lay in the absence of uniformity of method in presenting the information, and it is clear that unsound conclusions were often reached as to the relative efficiency of different companies. It is certain that, if full and accurate information were made available, in the form of comparable statements and accounts, of the relative financial position and efficiency of all co-operative dairy companies, suppliers would be less liable to make disturbing and capricious transfers of their supplies. At present such transfers are often made without a full knowledge of the real position, and cause considerable confusion and ill feeling, and give rise to undesirable methods of competition by companies for supplies.

The Commission ascertained that about thirty co-operative cheese-manufacturing companies in Taranaki adopted in 1925 a standard form of accounts and statement of statistics, which has been in use since that date. Much benefit has resulted, and directors, managers, and secretaries of the different companies have been enabled to compare their results with those of their neighbours, and to concentrate upon apparent weaknesses revealed by the comparisons.

246. Suggested Form of Standardized Statements :

The standard form adopted by the Taranaki factories permits of comparisons of costs and manufacturing yields being made in respect of—

- (a) Itemized costs of manufacture :
- (b) Itemized costs from factory to f.o.b. ocean steamer :
- (c) Itemized overhead charges :
- (d) Total cost to f.o.b. ocean steamer :
- (e) Yield results in cheese-manufacture :
- (f) “Overrun” or yield results in butter-manufacture.

The Commission considers that the Taranaki practice of adopting the pound of butterfat as the unit of production for costing purposes should be adopted. If a comparison of results on the lines indicated is made possible, dairy-company directors and officials have a satisfactory means of judging the relative efficiency of their operations in all departments.

The Commission considers that standard forms of accounts and statistical statements for both butter and cheese manufacturing companies are necessary in order to enable a sound interpretation of the operations of companies to be given.

247. Recommendation for Adoption of Standardized Forms :

The evidence shows that there is a general desire for uniformity in this matter, and it is recommended that the Dairy-produce Control Board be empowered to require all dairy companies to keep standardized books of account, and to prepare and submit standardized balance-sheets, statements of account, and statistical statements and other information in such form as may from