

time to time be directed by the Board; also that the Board be empowered to examine books and records. It is further suggested that the Board, in deciding upon the particular form of standardized accounts and statistical statements, might adopt the form used successfully in Taranaki, where it has been found that a simple, practical, uniform system is all that is required.

#### **248. Overlapping in Cream-collection :**

From evidence submitted to the Commission it seems clear that no very serious problem exists in regard to overlapping in the supply of milk to cheese-factories. It is probably true that in some instances neighbouring cheese-factories are in competition in the same area, and that a saving could be effected by amalgamation. Nevertheless, the limited distance over which a farmer supplying whole milk for cheesemaking can economically cart his milk has prevented a serious overlapping problem. It has been stated that some cheese-factories are operating with a milk-supply too small to permit of economic manufacture, and that the suppliers to such factories would be more efficiently served if they were to separate their milk and supply the cream to a butter-factory. There should be available to the directors and suppliers of cheese-manufacturing companies sufficient clearly stated information regarding costs of manufacture and pay-out returns from buttermaking to enable them to make a sound decision as to the course of action they should adopt.

#### **249. Causes and Effects of Overlapping :**

In the collection of cream for butter-manufacture, however, a definite overlapping problem exists, and there is abundant evidence of the necessity for action in the interests of the industry as a whole. In the early days of the dairy industry, whole milk from farms was carted to butter-factories or creameries, which were erected at points that could be conveniently reached by a sufficiently large number of dairy-farmers to provide the supply necessary for economic manufacture. These factories, once established, have in most cases remained, notwithstanding that the introduction of the home separation system, the evolution of motor transport, and the provision of good roads have entirely altered the situation, and rendered it unnecessary to maintain a large number of small factories. Butter-manufacturing companies, in their anxiety to continue their operations, and under stress of competition, have gone beyond their own territories to obtain larger supplies of cream in order to secure increased outputs and thereby reduce their costs of manufacture. Improvements in factory plant and equipment have enabled manufacturers to handle larger quantities of cream, and competition for supplies has become intense. Stated shortly, the position is that though development in butter-manufacture during recent years has been consistently towards larger manufacturing units and a wider range of collection of supplies, the multiplicity of factories has remained, and has led to vicious and uneconomic competition.

The effects of overlapping in cream-collection may be summarized as follows:—

- (1) Quality is impaired. This feature is fully dealt with in the special section of the report dealing with quality of dairy-produce;
- (2) Cream-collecting lorries of different companies traverse the same roads, with resultant increase in cost of cream-collection, and damage to the roads;
- (3) Under the stress of competition, officials of companies have sometimes, in an endeavour to attract supplies, resorted to practices that are not in the best interests of the industry. The most frequently reported malpractices were as follows: lowering the standard of grading of cream; manipulation of weights and butterfat tests of cream with a view to showing a more favourable pay-out per pound of butterfat; relaxation of the co-operative principle that suppliers should hold shares in accordance with their butterfat-supply; granting loans on inadequate security to suppliers in order to secure their cream-supply; and departure from the system of daily cream collection that is vital in the interests of quality.

#### **250. Investigation made by the Transport Department into Costs of Cream-collection :**

At the request of the Commission, the Transport Department conducted a detailed inquiry covering the Manawatu and Waikato dairying districts, it being considered that these two areas would provide reasonably typical examples from which general conclusions could be drawn regarding costs of cream-collection and the possibilities of savings by rationalization or zoning of supplies.

In conducting the inquiry, the Transport Department secured the assistance of secretaries and other officials of the dairy companies operating in the areas investigated, and proceeded on the following lines:—

- (1) Maps were prepared and numbered squares were plotted thereon, each square representing an area of approximately four square miles or 2,500 acres.
- (2) The secretaries of the companies concerned were asked to supply the information respecting—
  - (a) The frequency of cream-collection from each supplier during the summer and winter months respectively;
  - (b) The total butterfat recorded for each supplier for a period of twelve months, and the location of each supplier's farm;
  - (c) Details of the mileage of collection trucks during the period, giving the classification of the trucks and the costs of operation;
  - (d) Particulars of contracts for cream collection, with classification of trucks used, distances travelled, frequency of trips and contract prices.