

PART IV.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.

335. (a) Conclusions :

(1) The conditions confronting the New Zealand Dairy Industry have assumed the proportions of a national crisis. The gravity of the position is revealed in the present London quotations for New Zealand dairy-produce, which are so low that farmers must expect a correspondingly lower pay-out for the current season than they received last season.

(2) Those dairy-farmers who found it difficult to carry on during the past two seasons with an average pay-out of approximately 9d. per pound will find it impossible to meet their full interest charges from a lower pay-out. The number of farmers who can produce butterfat and meet wages and living-expenses and provide any interest surplus on a substantially lower pay-out is negligible.

(3) Unless early and effective measures are taken, the result will be a general breakdown of the financial relations of mortgagors and mortgagees in the Dominion, and consequently it will become difficult, probably impossible, for New Zealand to meet in full its overseas interest charges.

(4) The critical position in regard to prices has been brought about through the flooding of the United Kingdom market by the dumping of subsidized dairy-produce from the Northern Hemisphere and Australia, and by the increase in our own supply.

(5) New Zealand's position is aggravated by the facts that no markets of importance outside the United Kingdom are available to us at the present time, that such new markets as might be developed could not possibly be immediately profitable, and that the possibilities of increasing the local consumption of dairy-products are very limited.

(6) Diversified and supplementary production on dairy-farms offers little or no prospect of relief owing to the prevalence of external trading restrictions and quotas.

(7) The general conclusion in regard to the external aspects of the present problem is that an early approach must be made by the Government of New Zealand to the Government of the United Kingdom to arrive at a preliminary understanding and provide a basis for further negotiations.

(8) The general conclusions in regard to the internal aspects of the problem are that immediate action must be taken by the Government of New Zealand to stabilize the financial position of dairy-farmers and that, as a means towards the evolution of a long-term policy of reconstruction, the industry must be reorganized.

336. (b) Recommendations :

(1) We recommend the setting-up at an early date of a Rural Mortgage Corporation, through which farmers will be able to obtain long-term mortgage credit at the lowest current rates of interest and on easy terms of repayment. The recommendation provides for existing mortgages being taken over by the Corporation in exchange for bonds carrying a State guarantee for the payment of interest. It is recommended that the rates of interest payable on bonds and on mortgages shall be adjusted triennially, in order to afford to bondholders the current rates of returns on Government securities and to give to mortgagors the benefit of the lowest possible current rates of interest. The recommendation makes provision for the taking-over by the Corporation of existing mortgages, and for differentiating between the sound and the less sound portions of mortgages taken over by the Corporation. It is proposed that the portions against which bonds cannot be issued be placed in a suspense account, and that the farming operations of those mortgagors whose surplus indebtedness is so dealt with be efficiently supervised in their own interests and in the interests of their creditors. The setting-up of expert bodies is recommended for the purpose of ascertaining which farming propositions are basically sound, and arranging compromises with mortgagees and other creditors where necessary.

(2) In the belief that the factors of efficiency of production and quality of product are of paramount importance in meeting competition in oversupplied markets, and building up an increasing preferential demand for New Zealand dairy-produce, we recommend that early steps be taken to improve its quality, and that the Government make available, at low rates of interest, to farmers and dairy-factory companies sufficient funds to enable farm and factory equipment and appliances to be modernized and rendered efficient for the production and manufacture of dairy-produce of the highest possible quality. We also recommend a comprehensive attack on animal diseases, which at the present time are the cause of considerable direct loss to the industry and have a bearing on the quality of dairy-produce. We further recommend that farm and factory instruction, research work, and herd-testing be placed on a sound basis, with the object of giving the dairy industry all possible assistance towards efficient economic production. In order to provide part of the finance required for the improvement of quality, we recommend that the Dairy-produce Control Board be empowered to control the local marketing of butter and cheese, and thereby to save, for the benefit of the industry as a whole, a large sum that is lost annually through wasteful competitive practices, which are considered to be specially undesirable in a co-operatively organized industry. Our detailed recommendations regarding improvement of quality are summarized in Section 234 of this report.

(3) In order that the dairying industry may be efficiently organized in all its phases and operations—instruction, production, manufacturing, and local and export marketing—we recommend the setting-up of a new Dairy-produce Control Board with a different constitution and wider powers than that of the present Board. It is intended that the new Board shall be so constituted and be given such powers as to enable it to deal effectively, in the interests of producers and of the State, with all the activities and problems of the dairying industry.