

figure was left undecided by the Committee, and after careful examination of the returns of efficient farmers and other information the Government feels justified in adopting the figure of 250 lb. of butterfat per cow, which is well within the range adopted by the Committee, in place of the figure of 240 lb. accepted by it.

“The acceptance of this standard does not affect the recommendation of the Committee relative to labour reward. It still provides, in respect of a farm employing two adult workers, for £4 10s. per week, plus £1 10s. value of house, &c., for the working farmer, and for £4 per week for the adult male employee.

“*Comparative Living Standards.*—After careful consideration of the report and other relative information, the Government is of opinion that in making their recommendation the Committee has not given full weight to the central feature of the order of reference which is set out in paragraph (c). This paragraph provides that regard shall be had to :—

“(c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand.”

“If this factor is not given its correct weight, a disparity will arise that it will not be possible to overcome.

“In the opinion of the Government, evidence submitted to the Committee indicated that, were its recommendations given effect to in their entirety, such a disparity would inevitably follow.

“There is the further factor stressed by the Committee of which the Government is bound to take cognizance—namely, the financial implications of the price determined upon. This is a matter which the Committee considered did not come within the scope of its order of reference, but which the Government, however, cannot ignore in considering the Committee’s recommendation.

“Heavy deficits, moreover, if repeated, must inevitably wreck the whole guaranteed-prices procedure. This statement is supported by the Committee’s report where on page 7 it says :—

“‘A further relevant matter is the necessity of ensuring that prices shall not be fixed at such levels as will cause the breakdown of the system of guaranteed prices, which has been designed to stabilize the incomes of persons engaged in the dairying industry and to afford an insurance against the seasonal and inter-seasonal fluctuations of a world market. It will be impossible to ensure the continuance of a reasonable state of comfort if prices are fixed at levels so high as to render it impossible to avoid deficits in the Dairy Industry Account of such magnitude as necessarily to react to the detriment of the general standard of living of the community; though it is accepted that the community as a whole will bear such deficits as it may be necessary to meet in order to maintain the persons referred to in subsection (5) in a reasonable state of comfort.’

“The Government is satisfied that the working dairy-farmer does not wish to end the guaranteed-prices procedure. It recognizes, however, that he desires and is entitled to recover the increased costs that have been experienced, and a better labour reward, in accord with the general improvement in living standards.

“Having regard to these considerations and to present price levels and living standards in New Zealand, the Government is of the opinion that the prices that should be paid this season to lift the farmers’ standards in reasonable relationship with other standards are 14-89d. per pound for butter and 8-42d. per pound for cheese.

“*The Increased Pay-outs.*—These prices will allow the average efficient dairy-factory company to pay to its suppliers 15-88d. per pound for butterfat for butter and 17-88d. per pound for butterfat for cheese.

“The make-up of this price is as follows :—

	d.			
“Working and maintenance costs .. ..	..	..	..	5-34
“Capital charges (interest) .. ..	..	..	..	3-24
“Labour reward .. ..	..	..	..	8-84
				<hr/> 17-42
“Less return from pigs .. ..	..	..	..	1-54
				<hr/> 15-88

“On the estimate of a continuance of last year’s realizations for butter and cheese, these prices will result in a deficit of £1,535,000. If from this sum is deducted the estimated surplus for last season of £600,000, to which I will refer later, the net deficiency at the end of the 1938-39 season will be approximately £935,000.

“The Government, to provide a sure return to the dairy-farmer and to maintain the stability of the industry, is accepting the responsibility of paying these prices.”