though at one time a small portion was distributed in bottles, at the present time it is all distributed loose. Complaints have been made by the Health Department concerning the quality of milk in the Hutt, and criticism has been encountered in this direction. At the same time it is difficult to decide just where the responsibility for this unsatisfactory milk lies. The Wellington Dairy Farmers' Co-operative Association, Ltd., which is the main source of supply to the Hutt City vendors, has set a high standard in the quality of milk delivered to the Wellington City Council, and it is difficult to see why the quality of the milk delivered to the Hutt vendors should differ in this respect. At the same time it does appear that the receiving depot for milk in the Hutt and the can-washing facilities are by no means good. The Wellington Dairy Farmers' Co-operative Association, Ltd., have indicated that they intend to carry out considerable improvements in this direction, but the Commission is of opinion that adequate consideration should be given to the question of whether a pasteurizing-plant should be established for the Hutt Valley and bays area. The vendors in this area, being individual vendors, come under the discussion which follows on vendors generally.

Summarizing, the Commission's recommendations as to margins for treating and distributing companies, on the assumption that all the savings outlined properly accrue to the treating-house or vendor, are as follows:—

	Auckland.	Christchurch.	Dunedin.	Wellington.
	d.	d.	d.	d.
Cost of pasteurizing	$1\frac{1}{2}$	$1\frac{1}{2}$	$1\frac{1}{2}$	2*
Cost of bottling	2	2	2	2
Cost of distributing	$9\frac{1}{2}$	$8\frac{1}{2}$	$8\frac{1}{2}$	$6\frac{3}{4}$

* Including cost of Rahui.

The Commission is opposed to the practice of the retail distribution of pasteurized loose milk and is not prepared to recommend that a special margin be allowed to vendors to distribute this type of milk. In the appropriate section the Commission has stated the case for all pasteurized milk purchased by vendors being bottled.

(*b*) *Individual Vendors' Distribution Costs*

The problem with individual vendors in each area is, roughly, the same, and there is little need to discuss the application of the Commission's findings separately for each area. The margin for the vendor in each area, except Auckland, has been fixed by the cost of treating and distributing pasteurized bottled milk, so that the vendor of loose raw milk retains the full unearned margin of the cost of pasteurizing and bottling. The Commission can see no reason whatever, and the vendors in evidence have advanced no good reason, why this margin should be retained by the vendor. In Auckland the Metropolitan Milk Council has overcome the difficulty by requiring the vendor to pay the particular margin to the producer, but this is paid to an individual producer and it does not follow by any means that the producer himself has done anything to earn the margin in question. The Milk Council in Auckland submitted that because his milk is of higher standard than that of producers generally the individual producer had done something to earn the margin, but there was little or no evidence to support this submission. Consequently, the Commission is of opinion that the appropriate unearned margins should be paid by the individual vendors to the Dairy Farmers' Co-operative Supply Association for the general improvement of the milk standard for the district as a whole. If the vendor is purchasing milk through a treating and distributing house, he would be purchasing bottled pasteurized milk, and in such case there would be no unearned margin. If the vendor purchases his milk from the Supply Association he will automatically pay any unearned margin, plus the quota cost of the milk, to the Supply Association.

Typical costs for an individual vendor are shown in the Appendix. From these costs it will be seen that the present margins of 10d. in Auckland, and between 12d. and 13d. in Hutt, Christchurch, and Dunedin, is greatly in excess of the actual cost plus a reasonable allowance for interest on capital invested. Consequently the Commission recommends that the Central Authority examine this question with a view to reducing the margin to an appropriate level. The Central Authority should, in so doing, assess a reasonable return as interest on capital invested, but should endeavour to eliminate goodwill altogether or to reduce it to a minimum in any consideration of margins. If interest on goodwill were to be allowed in costs of distribution, then increasing margins would command increasing goodwills, and a spiralling cost would result.

If possible, small rounds should be consolidated, and consideration might well be given either to co-operative distribution by existing interests or, if serious difficulties were encountered in securing distribution at a margin of not more than $9\frac{1}{2}$d., then the Milk Council should consider organizing distribution in co-operation with existing interests.

It is worth while at this point making a comparison between the producer who produces 60 gallons and the vendor who vends 60 gallons:—

	Producer.	Vendor.
Capital required	£4,400	£725
Number of labour units required	2	1

There can be little doubt that the labour units on the supply farm each work considerably longer hours than the vendor of 60 gallons. The expenses of producing 60 gallons thus involve not only many times the capital costs of vending 60 gallons, but must also include considerably more than twice the number of labour-hours.

Consequently it is difficult to determine why the individual vendor should secure the same margin, and in many cases a greater margin, than goes to the producer and his assistant as the gross return for producing 60 gallons. Vendors have claimed that a gallonage of 50 gallons per round is a reasonable round to take as a standard, but the Commission is unable to accept this figure. Sixty gallons is itself a relatively small round considering the time involved in the actual vending and attention to the affairs of the round. If the Commission allows a greater margin to the vendor it becomes difficult to assess a reasonable reward to the producer, and, whilst a comparison on these lines must of necessity take into full consideration the different conditions of country and city costs, the Commission is satisfied that a better apportionment of returns would be a return of approximately 13d. per gallon gross reward to the producer for all milk sold, and approximately 9d. to the vendor for his labour and administration in delivering 60 gallons.

In Auckland the Metropolitan Milk Council has adequately safeguarded this position by allowing the vendor only the same vending margin as is allowed to any company.