

## ADEQUACY OF SUPPLY

The Commission was concerned to discover that severe cuts had been made in the supply to Armed Forces both at Auckland and at Wellington. These were due in part to circumstances adversely affecting production. In both areas the reduction in the amount of fertilizer available and, more seriously, the shortage of labour have had serious effects. In Auckland a severe and prolonged dry season has reduced production throughout the province. In both areas, in the opinion of the Commission, the policy pursued not only before but also since the outbreak of war has rendered the organization of adequate supplies to the Armed Forces difficult. In Auckland there appears to have been a failure to appreciate the importance of maintaining an adequate surplus and the failure also to encourage a nearer approach by dairy-farmers to an all-the-year-round-level supply. In Wellington the Milk Department has hesitated to commit itself to contracts adequate to meet the needs of the community. Failure on the part of all concerned to contemplate and to deal with the supply to the Armed Forces as a separate supply service having distinctive features and presenting unique problems has been, in our opinion, a contributing factor to the failure to maintain adequate supplies.

## STANDARD OF MILK-SUPPLY

The Commission was also concerned that there had been complaints concerning quality of the milk-supply and that a number of these had been justified. In Auckland, Allied Forces have refused for some time to draw milk from one of the large treating-houses, and in May of this year stopped all supply from another of the large treating-houses. This is not surprising in view of the conditions of the processing-plants and of the fact that a large part of the milk in Auckland was drawn from accommodation sources—that is, from dairy-farmers whose herds and sheds are not subject to the same control as are the herds and sheds of regular town suppliers. Reports from the Health Department show that in July of last year, of fourteen samples taken in Christchurch from the supplies drawn from one of the treating-houses, four showed a deficiency in butterfat, all four being below 2 per cent. and one as low as 1.03 per cent. On the other hand, a number showed high butterfat content, one as high as 6.12 per cent. A number were defective in solids other than fat, and eleven showed 6 per cent. or 7 per cent. of added water. In November, twelve samples collected from milk supplied to the Armed Forces by the same treating-house showed an improvement, but all twelve were deficient in butterfat, though in the worst case the butterfat content was 3.01 per cent.

Apparently the trouble in Christchurch has been removed. In Auckland the outside or accommodation supplies will cease for the year almost immediately, and it is hoped that steps will be taken to prevent a renewal of the practice of drawing such supplies.

Structural alterations with a view to ensuring better equipment and a higher standard of treatment are being carried out in the processing-plant at Auckland, supplies from which were stopped in May, and it is anticipated that there will be a marked improvement in this respect.

If the recommendations that we make are adopted, the supply to all Armed Forces should be assured and its quality prove satisfactory all the year round.

## MILK TO BE DRAWN FROM METROPOLITAN AREAS

In order to ensure supplies of high-standard milk it is necessary in the main to draw those supplies from sources catering for the metropolitan areas. It is only such sources that have a sufficient number of dairies licensed by the Department of Agriculture as suitable for town supply and prepared by long association with the town supply to produce milk of the standard required. It is only in such areas that the milk can be treated by pasteurizing-plants with capacities sufficient for the purpose. It is also desirable to protect the freshness of the milk by avoiding long journeys on collection and delivery.

## FLUCTUATIONS IN DEMAND

The demand for liquid milk by the Armed Forces is a demand that is subject to sudden and severe fluctuations. Not only may the demand fluctuate widely from day to day or from week to week, but the alternating periods with high demand and low demand are extremely irregular and often prolonged. This is inevitable and must be accepted as a feature of such supply. To deal effectively with the problem presented, allowance must be made for this fact in fixing the conditions of contract. There are three respects in which the quantities of milk required at the periods of highest demand and the extreme fluctuations in demand affect supply and the costs of supply. First, the milk required at the height of demand in any one area forms an appreciable proportion of the total quantity required in that area. If the high demand occurs in the period of low production, a considerable increase is necessary in the number of suppliers who must be drawn upon for milk. Secondly, in practice this increase means extending the area from which milk is drawn, as all the milk being produced in the area and not already absorbed in the town supply is delivered to cheese-factories and butter-factories. Thirdly, the fluctuations in demand increase, and increase considerably, the surplus supply that must be sold at factory rates. If a substantial supply of this nature were drawn from an individual dairy-farmer, he would be obliged to fix his price at a level that would cover the loss on surplus milk. If he did not do this, he would be liable himself to suffer a very heavy loss when the demand dropped and remained at a low level for a lengthy period or ceased altogether. When the supplies are drawn from a treating-house and extra expense is incurred in securing the additional supply, that expense must fall on one or more parties in the industry or on the general consumer. When it results in a substantial increase in the surplus, the consequent loss probably falls on the general body of producers.

## PROPOSED BASIS OF CONTRACTS

In view of these facts, the Commission has considered and has discussed with representatives of the New Zealand and Allied Forces a proposal that each contract in respect of the Armed Forces should have regard to these fluctuations. The proposal involves the following terms:—

- (1) That the quantity required to meet peak requirements each year should be estimated and stated by the purchasing authority as the basis of the contract:
- (2) That the quantity so estimated and stated should be made available at all times throughout the year by the supply authority:
- (3) That the milk delivered should be charged for at a reasonable price fixed in the terms of the contract:
- (4) That the purchasing authority should indemnify the supply authority against any loss that may be unavoidably sustained: