

essential to guard against precautions and safeguards so elaborate as to increase the price of milk to the consumer beyond a point at which the quantity of milk consumed would be seriously reduced. The consumer must, however, be prepared to pay a price which is sufficient to cover all essential costs necessary in the production of high-quality milk and to cover the cost of the vigilance, care, and treatment needed to ensure that the high quality is maintained at least until it reaches the consumer. The Commission's considerations of a reasonable price must therefore be sufficient to ensure—

- (a) Adequate supplies of milk of high standard from healthy cows :
- (b) That the milk is produced under the best possible conditions of hygiene in the milking-shed :
- (c) That the milk is rapidly cooled after milking and held prior to collection at a temperature sufficiently low to inhibit the growth of disease-producing organisms :
- (d) That the milk is collected from the farm dairy and conveyed to the processing-plant or distributing centre as soon as possible after milking :
- (e) That the milk is properly processed in order to ensure the destruction of disease-producing organisms :
- (f) That after processing it is distributed as quickly as possible to the consumer under conditions of maximum safety and hygiene.

(a), (b), and (c) above are essentially functions of the producer and consequently can be considered under the general heading of prices to producers.

#### PRICES TO PRODUCERS

The first function of price to the producers must be to ensure that a sufficient number of suppliers will be induced to provide adequate quantities of high-quality milk. The ultimate test of the adequacy of price is whether or not sufficient quantities of high-standard milk are readily available. This means that the price to the producer must be competitive with other forms of primary production open to such producer. A price below the real costs of production will undoubtedly lead to further reduction in the quantity being supplied or a partial or complete diversion of the land to other primary production. The Commission has had considerable evidence placed before it from a number of sources indicating that at the present time, particularly in Christchurch and Dunedin, there is a strong trend away from city-milk production.

This trend is, in the opinion of the Commission, due largely to two important factors :—

- (1) The economic attractiveness of other forms of primary production—*e.g.*, sheep, dairy-factory supply, and cropping :
- (2) The considerable discomfort and hardship accompanying winter milking and the comparatively long hours associated with continuous milking for 365 days in the year. (There is no doubt whatever that the city-milk supplier who is attempting to achieve a level supply is working under conditions which are, to say the least, distinctly unenviable compared with those of any other primary industry.)

Much evidence was given on the question of alternative sources of revenue, particularly in the Christchurch area, where part of the farm can be diverted to cropping, thereby causing a reduction in the number of cows carried and consequently in the milk-supply. It is also true that to some extent the alternative to city-milk production can be, and has been, somewhat overstressed, but the evidence from producers, Stock Inspectors, and other reliable sources compels the Commission to give due weight to the importance of this factor at the present time and under present conditions.

There does undoubtedly exist a strong *prima facie* case as to the present relatively unattractive economic condition of city milk-production.

In a previous survey of the liquid-milk-supply position in the main centres (Fawcett, Munro, O'Shea, Cowell, 1942), the following comments are included :—

“*Present Supply.*—It can be accepted that the supply position has been unsatisfactory in various centres for a number of years past, and that rapid deterioration has taken place under intensifying war conditions. As evidence of this it is necessary only to state :—

- “ (1) The Price Tribunal has had numerous applications for revision of producer prices :
- “ (2) The Price Tribunal has been unable to effect other than temporary relief in that its functions preclude that body from arranging sources of supply, and as milk is a stabilized commodity prices to consumers cannot be altered. Even though consumer prices may in certain instances be reasonably high, the Tribunal has difficulty in influencing distribution organizations even where it is considered savings could be made :
- “ (3) Certain metropolitan areas have been forced to draw supplies from long distances and from unregistered dairies. This has been detrimental to quality and wasteful in transport :
- “ (4) During the present winter children have been to a great extent deprived of liquid milk in schools in order that city and Army requirements might be met.

“The position which has developed has been accentuated under war conditions, but is not wholly attributable to such causes.”

In Dunedin particularly, but also in Christchurch, the evidence clearly indicates that the present price is too low to be sufficiently attractive to ensure adequate supplies. In Auckland the competitive nature of dairy-factory supply is strongly in evidence, and the position of the East Tamaki Pool of suppliers, where seasonal supply is much more marked than in other pools (see Chapter 2), is such that the pool pay-out is below that of other pools. At the same time the producers claim that their net profit position is as good as, if not better, than that of suppliers who attempt to achieve a better continuity of supply throughout the winter. This indicates that the present winter price is not sufficient to induce suppliers to attempt to cater for anything approaching a level supply.

Certain qualifications governing an adequate price to the producer could be summarized at this point :—

- (a) The price must be competitive with other forms of primary production available to the particular supplier concerned :
- (b) The principal interest competing with city-milk supply is the butter or cheese factory ; consequently the price to the producer must be related to the price paid to the ordinary dairy-factory supplier, but must not be set so high as to result in a considerable swing over from dairy-factory production to city-milk production, with the consequent provision of too great a surplus of city milk ;