

1948
NEW ZEALAND

FRESH MEAT SUPPLIES COMMISSION

(REPORT OF)

Laid on the Table of the House by Command of His Excellency

Warrant appointing Commission to inquire into Position regarding Fresh Meat Supplies

B. C. FREYBERG, Governor-General

TO ALL to whom these presents shall come and to :

Archibald Albany McLachlan, of Christchurch, Stipendiary Magistrate,
Alexander Paterson O'Shea, of Wellington, Secretary,
James William Perry, of Auckland, Butcher,
William Gardner Simpson, of Wellington, Liaison Officer in the Department of Labour and Employment,
Robert Browne Tennent, of Wellington, Assistant Director-General of Agriculture, and
Leicester Chisholm Webb, of Wellington, Director of Stabilization :

GREETING.

KNOW YE that pursuant to the powers vested in me by the Commissions of Inquiry Act, 1908, I, Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council, do hereby appoint you, the said

Archibald Albany McLachlan,
Alexander Paterson O'Shea,
James William Perry,
William Gardner Simpson,
Robert Browne Tennent, and
Leicester Chisholm Webb

to be a Commission to inquire into and report upon the following matters :—

1. Whether the supplies of fresh meat available for the New Zealand retail market are adequate at all times of the year.

2. If your findings on the matter aforesaid be in the negative, whether steps should be taken under the regulations specified in the Schedule to the Supply Regulations Act, 1947, or otherwise, to make so available at certain times of the year additional quantities of fresh meat or (if this be not thought possible) chilled or frozen meat.

3. Whether it is practicable to provide for butchers to purchase meat for local consumption by means of a schedule similar to that adopted for the export trade and, if so, what margin (if any) should be paid over and above the export schedule price.

4. If the purchase of meat for the local market on a schedule basis is deemed desirable and practicable whether the auction system of disposing of stock for the local market should be continued and if so to what extent.

5. Whether, in the event of the auction system being continued, it is desirable to encourage the practice of group buying by butchers.

6. Whether the extension of the practice on the part of freezing companies of entering into the wholesale and retail butchery trade is desirable and to what extent this practice affects the operations of abattoirs maintained by local authorities under the Meat Act, 1939.

And generally upon other matters affecting producers, wholesalers, retailers, and consumers of meat, or affecting one or more of such classes of persons as may come to your notice in the course of your inquiries and which you consider should be the subject of opinions expressed by you in your report.

And in exercise of the powers and authorities aforesaid and with the like advice and consent I do hereby appoint you the said

Archibald Albany McLachlan

to be Chairman of the said Commission.

And for the better enabling you to carry these presents into effect you are hereby authorized and empowered to make and conduct any inquiry under these presents at such times and places as you deem expedient with power to adjourn from time to time and place to place as you may think fit and so that these presents shall continue in force the inquiry may at any time and place be resumed although not regularly adjourned from time to time or place to place.

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose save to me in pursuance of these presents or by my direction the contents of any reports so made or to be made by you or any evidence or information obtained by you in the exercise of the powers hereby conferred upon you except such evidence or information as is received in the course of a sitting open to the public.

And I further direct you to consider whether in the circumstances any of the costs of your inquiry or the costs of any person made party to the inquiry should be borne by any individuals and if you think fit so to do to make provision for citation of parties and to make orders for payment of costs accordingly, pursuant to the powers conferred by the Commissions of Inquiry Act, 1908.

And using all diligence you are required to report to me within thirty days of the date hereof your findings and opinions on the matters aforesaid together with such recommendations as you think fit to make in respect thereof.

Given in Executive Council under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 21st day of April, 1948.

A. H. NORDMEYER,
Minister of Industries and Commerce.

T. J. SHERRARD, Clerk of the Executive Council.

*Extending Time within which Commission appointed to inquire into
Position regarding Fresh Meat Supplies shall report*

B. C. FREYBERG, Governor-General

To all to whom these presents shall come and to :

Archibald Albany McLachlan, of Christchurch, Stipendiary
Magistrate,
Alexander Paterson O'Shea, of Wellington, Secretary,
James William Perry, of Auckland, Butcher,
William Gardner Simpson, of Wellington, Liaison Officer in
the Department of Labour and Employment,
Robert Browne Tennent, of Wellington, Assistant Director-
General of Agriculture, and
Leicester Chisholm Webb, of Wellington, Director of
Stabilization :

GREETING.

WHEREAS by Warrant issued on the twenty-first day of April, one thousand nine hundred and forty-eight, under the hand of the Governor-General and the Seal of the Dominion, with the advice and consent of the Executive Council, you were appointed under the authority of the Commissions of Inquiry Act, 1908, to be a Commission to inquire into and report upon the adequacy of fresh meat supplies available for the New Zealand retail market and kindred matters as set forth in the said Warrant :

And whereas by the said Warrant you were required to report within thirty days of the date thereof your findings and opinions on the matters referred to you together with such recommendations as you might think fit to make :

And whereas it is expedient that the time for so reporting should be extended as hereinafter provided :

Now, therefore, I, Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in exercise of the powers conferred on me by the Commissions of Inquiry Act, 1908, and all other powers and authorities enabling me in this behalf, and acting by and with the consent of the Executive Council, do hereby extend until the thirtieth day of June, one thousand nine hundred and forty-eight, the time within which you are so required to report :

And, in further pursuance of the said powers and authorities and with the like advice and consent, I do hereby confirm the said Warrant and the Commission thereby constituted save as modified by these presents.

Given in Executive Council under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 19th day of May, 1948.

A. H. NORDMEYER,

Minister of Industries and Commerce.

Approved in Council—

T. J. SHERRARD,

Clerk of the Executive Council.

*Extending Time within which Commission appointed to inquire into
Position regarding Fresh Meat Supplies shall report*

B. C. FREYBERG, Governor-General

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And whereas by the said Warrant you were required to report within thirty days of the date thereof your findings and opinions on the matters referred to you together with such recommendations as you might think fit to make :

And whereas by Warrant issued on the nineteenth day of May, one thousand nine hundred and forty-eight, the time within which you were required to report was extended to the thirtieth day of June, one thousand nine hundred and forty-eight :

And whereas it is expedient that the time for so reporting should be further extended as hereinafter provided :

Now, therefore, I, Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in exercise of the powers conferred on me by the Commissions of Inquiry Act, 1908, and all other powers and authorities enabling me in this behalf, and acting by and with the consent of the Executive Council, do hereby extend until the thirty-first day of July, one thousand nine hundred and forty-eight, the time within which you are so required to report :

And, in further pursuance of the said powers and authorities and with the like advice and consent, I do hereby confirm the said Warrant and the Commission thereby constituted save as modified by these presents.

Given in Executive Council under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 23rd day of June, 1948.

A. H. NORDMEYER,
Minister of Industries and Commerce.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.

To His Excellency Sir Bernard Freyberg, Knight Grand Cross of the Most Distinguished Order of St. Michael and St. George; Knight Commander of the Most Honourable Order of the Bath; Knight Commander of the Most Excellent Order of the British Empire; Companion of the Most Distinguished Service Order; Lieutenant-General upon whom has been conferred the decoration of the Victoria Cross; Governor-General and Commander-in-Chief in and over the Dominion of New Zealand and its dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

Your Excellency's Commission, dated the 21st of April, 1948, with which you were pleased to favour us directed us to inquire into and report upon the following matters:—

1. Whether the supplies of fresh meat available for the New Zealand retail market are adequate at all times of the year.
2. If your findings on the matter aforesaid be in the negative, whether steps should be taken under the regulations specified in the Schedule to the Supply Regulations Act, 1947, or otherwise, to make so available at certain times of the year additional quantities of fresh meat or (if this be not thought possible) chilled or frozen meat.
3. Whether it is practicable to provide for butchers to purchase meat for local consumption by means of a schedule similar to that adopted for the export trade; and, if so, what margin (if any) should be paid over and above the export schedule price.
4. If the purchase of meat for the local market on a schedule basis is deemed desirable and practicable, whether the auction system of disposing of stock for the local market should be continued; and, if so, to what extent.
5. Whether, in the event of the auction system being continued, it is desirable to encourage the practice of group buying by butchers.
6. Whether the extension of the practice on the part of freezing companies of entering into the wholesale and retail butchery trade is desirable, and to what extent this practice affects the operations of abattoirs maintained by local authorities under the Meat Act, 1939.

And generally upon other matters affecting producers, wholesalers, retailers and consumers of meat, or affecting one or more of such classes of persons as may come to your notice in the course of your inquiries and which you consider should be the subject of opinions expressed by you in your report.

Your Excellency's further warrants dated respectively the 19th May, 1948, and 23rd of June, 1948, extended the time within which we were required to report to the 31st day of July, 1948.

The procedure adopted by the Commission was to invite by public advertisement all interested persons and organizations who desired to give evidence to advise the Secretary to the Commission. Public sittings for the purpose of taking evidence were then held in Auckland, Wellington, Christchurch, and Dunedin, and a great number of witnesses, appearing either as individuals or on behalf of organizations, were examined.

The Commission regrets that it has not been possible to reach a unanimous decision on all the matters raised in its inquiry. Four members are in agreement on all matters and submit a majority report. Mr. J. W. Perry finds that he is unable to agree with the majority, and he accordingly submits a minority report.

The sixth member of the Commission, Mr. W. G. Simpson, was required to proceed to London on official duty early in June, and he is therefore not a party to the present report.

Our detail reports and recommendations to the questions set out in our Warrant are as follows :—

1. *Whether the supplies of fresh meat available for the New Zealand retail market are adequate at all times of the year.*

In considering this question the Commission has assumed that there is implied the qualification as to whether the supplies are adequate “at a reasonable price”—that is, at a price which can be reasonably related to the fixed retail prices allowed the butchers under the current price orders.

The evidence showed that there is an adequate volume of fresh meat available for the New Zealand retail market at all times of the year. Indeed, the Commission was impressed by the fact that, in spite of the difficulties of winter feeding and in spite of climatic fluctuations, the supply of meat for domestic consumption in the various localities has remained remarkably consistent.

Much evidence, however, was to the effect that in recent months supplies of fresh meat, particularly in the winter, and more especially in the South Island, were being obtained at prices which it was claimed by a large majority of butchers did not enable them to make a profit under the current retail price order.

Our answer to the first question is therefore as follows : The supplies of fresh meat available for the New Zealand retail market are in the main adequate at all times of the year, subject to the following reservations :—

- (1) Exceptional seasonal conditions may create temporary shortages at any time in a particular area which have invariably been met by transporting from other favoured areas, admittedly at extra cost.
- (2) Transport difficulties and costs over the past few years, particularly between the North and South Islands, tended to accentuate the butchers' difficulties in obtaining supplies at satisfactory prices.
- (3) It would appear that in the winter period, particularly in the South Island, the price of stock is too high for the butchers to make a reasonable profit in that period under the existing retail price order.

2. *If your findings on the matter aforesaid be in the negative, whether steps should be taken under the regulations specified in the Schedule to the Supply Regulations Act, 1947, or otherwise, to make so available at certain times of the year additional quantities of fresh meat or (if this be not thought possible) chilled or frozen meat.*

Although we are of the opinion that generally the supplies of fresh meat are adequate, we consider that the practice which has obtained to some extent in the past of releasing supplies of frozen meat for local consumption during periods of shortage should be allowed to continue.

We understand that freezing companies are already authorized by the Marketing Department to reserve supplies of frozen meat from export stocks on application by any butcher. Furthermore, the Food Controller is empowered to require butchers in any locality to use a percentage of frozen meat over any determined period. The Commission is of the opinion that supplies of frozen meat should continue to be reserved from export for the retail trade and, further, that when fat-stock prices in any area become excessive the Food Controller should, in consultation with the appropriate butchers' organizations, require all butchers concerned to use a percentage of frozen meat. The exercise of these powers appears to the Commission to require the conferring of authority on the appropriate department to maintain continuous supervision of the domestic meat-supply situation and of the arrangements necessary to relieve the situation.

The Commission noted from the evidence submitted by many organizations and individuals that there appeared to be a fairly general prejudice against the use of frozen meat. The Commission doubts whether this prejudice is well founded, and is satisfied

that the use of frozen meat during periods of real shortage is the only way to meet such a situation satisfactorily and feels that the full co-operation of the butchers and of the consuming public in the matter of using frozen meat during these periods would assist materially.

The possibility of using meat as chilled for export was investigated, but expert evidence submitted showed clearly that the handling of chilled meat at the present time for the local market was not practicable.

There is no doubt, however, that meat held in cool store for a short period at abattoirs or freezing works is of material advantage in providing against short-term fluctuations of supply.

3. *Whether it is practicable to provide for butchers to purchase meat for local consumption by means of a schedule similar to that adopted for the export trade; and, if so, what margin (if any) should be paid over and above the export schedule price.*

To judge from the evidence advanced on this question, it would appear that there are three main types of domestic schedule :—

- (1) It might be made compulsory for fat stock sold for local consumption to be sold on a weight-and-grade basis under a domestic price schedule. This scheme would imply the abolition of fat-stock auctions.
- (2) A domestic schedule might be declared for fat stock required for domestic consumption, it being optional for butchers to buy, and producers to sell, either at schedule or at auction. Under this scheme prices at auction would indicate the level at which the domestic schedule would have to be fixed in order to bring forward supplies. This schedule would require to be varied weekly.
- (3) A third type of domestic schedule is a local and voluntary application of the type of schedule in (2) above. A local schedule of this sort is operated in the Auckland district by a co-operative organization of producers and butchers.

In their first statement to the Commission the New Zealand Master Butchers' Federation advocated a compulsory schedule on the lines of (1) above. They later advocated the voluntary type of schedule, presumably in the hope of securing the co-operation of producers' organizations. In the closing stages of the Commission's inquiry the federation reverted to its original advocacy of a compulsory schedule, possibly because agreement with producers' interests on any large scale appeared out of the question.

The Commission has examined this very important question closely, and it is of the opinion that at the present time it is impracticable to provide for butchers to purchase meat for local consumption by means of a schedule similar to that adopted for the export trade, and the following points have influenced it in arriving at this decision :—

- (1) Any such schedule would have to arrive exactly at the prices which would bring forward the approximate amount of stock necessary at any particular time to meet the demand. If too low a price were fixed, the amount of stock forthcoming would not be adequate. On the other hand, if the price were too high and too great a supply resulted, the difficulties of dealing with the surplus stock would be very considerable. In addition, the difficulties of avoiding substantial over and under supplies with a compulsory schedule would be very great because of unpredictable variations in feed-supplies due to seasonal conditions.
- (2) The Commission considers that an essential prerequisite to the institution of a Dominion-wide domestic schedule is the setting-up of organizations of producers and butchers to arrange for the collection, slaughtering, and distribution of stock. An example of the probable type of organization required is available in the Primary Producers' Co-operative Society, Ltd., and the Farmers' and Butchers' Co-operative Society, Ltd., which operate at present on a voluntary basis in the Auckland area. The Primary Producers' Co-operative Society, Ltd., acts as the field organization and arranges for the

purchase and collection of fat stock on the basis of a weekly schedule which is fixed in consultation with the Farmers' and Butchers' Co-operative Society and having regard to current prices at auction and in the field. The Farmers' and Butchers' Co-operative Society arranges for the killing and distribution and acts as a wholesaler to the individual butchers.

No evidence was advanced to indicate that any significant steps had been taken in other areas to set up some such organization, which, the Commission considers, is an essential part of the set up of a domestic schedule.

In the absence of such organizations the Commission is of the opinion that the institution of a domestic schedule would create serious difficulties and would be largely ineffectual.

- (3) It should be remembered that the functions of breeding and fattening are often carried out by separate individuals. The fattener is in most cases unaware of the price he will have to pay for his store cattle and this will vary according to the season. Under these circumstances the difficulties of fixing a schedule price well ahead would appear to be considerable. It should be pointed out that unless such schedule were fixed well ahead no advantage would accrue.
- (4) It should be remembered that the fattening of stock for export is carried out at the favourable season of the year and that in the normal course of events the great majority of farmers have to have their stock killed when they are fat. In fattening for the local trade in the off season of the year it is a matter of providing an inducement for the farmer to make provision for winter feed, and unless the exact price were arrived at the position set out in (2) above would obtain. An export schedule works mainly because it does not have to make provision for special circumstances. A schedule for locally-consumed meat would have to make such provision and would have to apply to widely varying circumstances which arise under our very considerable range of climate in the Dominion.
- (5) A compulsory schedule for fat stock means the elimination of fat-stock auctions. The evidence of the stock and station agents was that this would be seriously detrimental to the system of store-stock auctions. Moreover, farmers' organizations unanimously and emphatically expressed their desire for the retention of fat-stock auctions. It will be realized that the auction of store sheep must be allowed to continue. It would be impossible to do without the auction system for this purpose. The difficulties of having the auction system for store stock and of forbidding it for fat stock will be obvious.
- (6) Under any schedule system there would be considerable difficulties in the allocating of the highest qualities of meat amongst individual butchers as these supplies are strictly limited.
- (7) There is not unanimity amongst butchers in the desire for a change from the auction system. A number of the most successful butchers in the Dominion are strongly of the opinion that the auction system should be retained. It must be reiterated, however, that the New Zealand Master Butchers' Federation officially advocates a compulsory domestic schedule.
- (8) If the domestic schedule were instituted on a compulsory basis we consider that there would be an implied guarantee that a producer would be able to sell his stock at any time at the appropriate schedule price. The difficulty which would arise in any period of oversupply, such as occurred in Canterbury in 1946, is obvious and is one which would not be easy of solution.

In addition to the above, suggestions were made that the domestic schedule could be operated by having an auction with a ceiling price. This system has been tried in the case of pigs and has been found to be unsatisfactory, and therefore the Commission does not recommend it.

4. *If the purchase of meat for the local market on a schedule basis is deemed desirable and practicable, whether the auction system of disposing of stock for the local market should be continued; and if so, to what extent.*

As stated, we do not recommend the purchase of meat for the local market on a schedule system. We consider that under existing conditions auction sales play an essential part in New Zealand's farm economy and should be maintained.

More particularly it was claimed, with some justification, principally by farming organizations, stock firms, and freezing companies :—

- (a) That through the operation of the auction system the farmer receives an incentive to retain his stock in a prime condition. This tends to ensure an even distribution of supplies in the winter and early spring months.
- (b) That in the South Island in particular the larger saleyards would cease to function if fat stock were not sold there and they were limited to the sale of store stock.
- (c) That the auction system facilitates the purchases of stock by graziers and fatteners for fattening, which has the effect of providing a greater supply of fat stock.
- (d) That the auction system as operated in New Zealand gives farmers at all times an immediate opportunity to dispose of their stock; and the large saleyards, being central points, give purchasers a wide selection to fill their particular requirements.
- (e) That the auction system has had many years of trial and has been found successful and workable. It has provided, in the main, a fair and constant distribution of fresh meat for the public, and its abolition may lead to a decrease in production.

Evidence before us showed that, particularly in the South Island, a very high proportion of all fat stock sold to butchers is purchased through the various saleyards, and the Commission considers that to eliminate saleyards at the present time would lead to chaotic conditions.

5. *Whether, in the event of the auction system being continued, it is desirable to encourage the practice of group buying by butchers.*

From the evidence submitted there appeared to be three main types of group buying, namely :—

- (i) A single butcher or agent going to the saleyard or into the field and buying on behalf of a group of butchers.

This form of buying obviously provides savings on overhead costs to the members of the group and, in addition, it tends to modify price-fluctuations.

- (ii) A co-operative organization of butchers and producers.

The Commission heard evidence on an Auckland scheme under which a group of butchers and producers had formed a co-operative concern on a voluntary basis for the supply of fat stock. This organization appears to have been quite successful and of value to the butchers and farmers alike. We consider that the further extension on a voluntary basis of these butcher-producer co-operatives is a worthwhile development and should be fully explored by the butchers.

(iii) Any form of buying from wholesalers (including freezing companies).

Evidence before the Commission indicated that there has been an increasing tendency for butchers to purchase from a wholesaler, which method of purchase is a form of group buying. It was stated that many of the recruits into the butchery trade in the last few years have neither the knowledge nor experience necessary to buy at auction or in the field and that the services of a wholesaler who supplies at an "on the hooks" basis are consequently of the utmost importance to this class of butcher.

While each form of group buying has its merits, we do not consider that any special action by the State in this regard is necessary. We consider that this is a matter for the butchers themselves either to encourage or discourage.

Under group buying the butcher is relieved of the responsibility of purchasing his own stock and can apply himself entirely to the conduct of his own retail business. On the other hand, it is highly desirable that nothing should be done to discourage the individual family butcher who knows the requirements of his customers and who can best give effect to those requirements by seeing the stock on the hoof. We have had evidence from most competent butchers that it is highly desirable for the butcher conducting the highest-grade business to see his stock on the hoof, since by doing so he is, in his opinion, best able to judge its quality.

There is nothing at present to prevent butchers from adopting one or other of the systems of group buying if they desire to do so, provided always that the provisions of the Commercial Trusts Act, 1910, are not violated. We therefore consider, as stated, that the matter should be left to the butchers themselves.

6. (a) *Whether the extension of the practice on the part of freezing companies of entering into the wholesale and retail butchery trade is desirable, and to what extent this practice affects the operations of abattoirs maintained by local authorities under the Meat Act, 1939.*

Dealing with the first portion of this question relating to the desirability of freezing companies entering into the wholesale and retail butchery trade, the Commission has had evidence on the part of many organizations and persons appearing before it that this practice is undesirable in that it tends towards a monopoly in the provision of meat for local consumption. The butchers generally appear to be apprehensive of the possibility of the freezing companies extending their activities into the retail field. It appears that there has been some extension of the activities of the freezing companies in this direction, but it did not appear to be very widespread. No witness, however, was prepared to advocate the licensing of retail shops, nor does the Commission advocate such a step.

On the other hand, we have had evidence that the practice of freezing companies entering the wholesale trade enables them through their over-all operations to provide meat to the requirements of the butcher at a competitive price on a weight-and-grade basis.

As with the retail trade, fears have been expressed by many witnesses that freezing companies might obtain a monopoly of the local wholesale trade, but here again no evidence was produced to show that a monopoly was imminent or, for that matter, even contemplated.

While the Commission is satisfied that the value accruing to the butchers from the wholesaling of meat by freezing companies is very real it fully appreciates that any concerted action by freezing companies to capture the local wholesale trade would seriously affect the position of abattoirs and might ultimately detrimentally affect the position of butchers. There is also the fact that the handling of meat by freezing companies tends to bring the quality of meat to a general level. The Commission, however, is of the opinion that no positive action is required at the present time, but the position is one that requires watching by the appropriate authority.

With regard to the second portion of the question, which relates to the effect upon the operations of municipal abattoirs, the Commission noted the following points from the evidence submitted :—

- (i) The abattoirs are now handling a smaller percentage of the domestic kill.
- (ii) The facilities at abattoirs have not kept pace with those of export houses.
- (iii) The butchers have certain advantages in dealing with export houses—*e.g.*, in procuring offals, and broken meats, &c.
- (iv) The grading for local market was stated to be less strict in export houses.
- (v) The export houses have the advantage of revenue from processing by-products.
- (vi) The domestic trade is only a small part of the export houses' business.

These factors have contributed largely to a decline of the abattoir system, and, unless countervailing factors intervene, will probably put the finances of abattoirs in a difficult position.

A majority of witnesses, including representatives of the Master Butchers' Federation, of certain district farmers' organizations, and of the Stock and Station Agents' Association, were against the export houses acquiring a complete or a partial monopoly of killing for the domestic market. Representatives of the Municipal Association advocated that all killing for the domestic market should be brought back to the abattoirs, though they admitted that considerable extension and improvements of abattoir facilities in some districts would be necessary to enable this to be done. The Municipal Association's case was based mainly on the contention that the obligation to erect abattoirs had been placed on municipalities by law, that this obligation had involved them in heavy capital investment for the benefit of the local meat trade, and that it was inequitable that, through competition of export houses, this investment should be endangered.

On the other hand, the Freezing-works' Association and some other witnesses strongly opposed the suggestion that municipal abattoirs should be given a monopoly of killing for the domestic market.

A factor in the present situation which must be given considerable weight is that, while there is an acute shortage of building material and labour, it may be difficult to justify substantial additions to abattoirs in areas where freezing-works are able to provide by arrangement the necessary killing space.

In the view of the Commission the terms of the abattoir question must necessarily vary with locality. In the case of a local body which has an undischarged obligation to provide abattoir accommodation, and where there is situated in the district a suitable freezing-works with sufficient capacity to undertake the local kill, the Commission considers that the local authority should exercise its powers of delegation.

In the case where an abattoir already exists in a district where there are also freezing-works the question is more complex, but the Commission is of the opinion that work carried out for the purpose of modernizing the abattoir and bringing it up to the standard of the freezing-works would generally be justified. Whether or not large-scale extensions should be made to such abattoirs is, however, a different matter and is one on which the Commission finds it difficult to generalize. The Commission is of the opinion that any such cases should be examined individually by the appropriate authorities and decided on the merits of the particular case.

A development which the Commission noted with some interest was that in Wangauni and New Plymouth butchers' co-operative organizations have taken over the operations of the abattoirs. It is understood that similar developments are contemplated in other centres.

It seems to the Commission that an extension of this practice may help to solve some of the problems confronting the butchers. Moreover, it is obviously desirable that the abattoir system should be more closely integrated with the meat industry as a whole

since one of its weaknesses is that it is concerned with only one aspect of the industry—*i.e.*, slaughtering under inspection. This closer integration could ensure to the butchery trade the financial benefits to be derived from ancillary operations such as the processing and handling of by-products.

In this connection the Commission would refer also to its previous remarks on the necessity for the organization of both butchers and producers if any system of schedule buying for the domestic market is contemplated. It is obvious that any organization of butchers for this purpose would be strengthened if it operated abattoirs and the ancillary processing of by-products.

The Commission is unable to recommend that all killing for the domestic market should be done at abattoirs, but it fully appreciates that if the present drift of butchers away from the abattoirs continues, then the local bodies cannot be expected to maintain the abattoirs at a high standard. The Commission is of the opinion that, in general, the most satisfactory solution would be for abattoirs and the ancillary operations to be taken over by co-operative organizations of butchers.

6. (b) *And generally upon other matters affecting producers, wholesalers, retailers, and consumers of meat, or affecting one or more of such classes of persons as may come to our notice in the course of our inquiries and which we consider should be the subject of opinions expressed by us in our report.*

By-products.—We must reiterate that we are of the opinion that butchers could very well help themselves by a greater application to the matter of dealing efficiently with their by-products. Where this is the case it is noticeable that the complaints of the butchers have been very much less than where efficient processing of by-products did not obtain. We are of the opinion that butchers, in conjunction with abattoirs, should receive every encouragement to undertake efficient processing and selling of by-products.

Meat Grading for Local Consumption.—The regulations under which meat for sale on the local market is marked with stripes according to quality came in for a considerable amount of comment from many witnesses. It was generally contended that the public had now become “red-stripe conscious,” with the result that there was now a much greater demand for ox beef and wether mutton which tended to raise the price of that class of meat. A relaxation of the present grading regulations was widely advocated, but in no instance was any practicable method by which this could be accomplished placed before the Commission. We could not help noting that there appeared to be a general lack of understanding on the part of most witnesses of the basis and scope of the present meat-grading regulations.

After thoroughly examining this problem of grading, we are satisfied that the present meat-grading regulations covering the sale of meat on the local market are basically sound. The master butchers have not asked for any variation, and we consider that the grading is of benefit to the consumer.

We do feel, however, that the operation of the grading regulations in some freezing companies should be under stricter supervision and that a greater degree of uniformity should be aimed at in the grading in various districts.

We are also of the opinion that a super grade of beef should be introduced. We visualize that this grade would be one which was comprised of animals of recognized beef types, within very strict age-limits similar to the chiller grade that used to exist for export.

We recommend, therefore, that the Meat Grading Committee should examine this proposal.

If such a grade were introduced it would of necessity command a premium over prime-quality beef, and we consider that the possibility of treating it on a similar basis to early lamb should be examined—that is, it should not be subject to price order during the winter period for three months in the North Island and four months in the South Island.

The introduction of such a grade would have several advantages. In particular, it would induce the production of higher-quality beef, the encouragement of which has been lacking since the abandonment of chilling for export.

Price Order.—In Dunedin it was stated specifically by the representative of the local Master Butchers' Association that many of its members did break the price order. In other centres there was a general implication that the current price order was being evaded extensively, and that this was the reason why some butchers had been able to carry on successfully.

The Commission feels justified in concluding from the evidence that in fact breaches of the price order are fairly widespread. The Commission deplores this state of affairs, but, owing to lack of satisfactory evidence on the point, does not conclude that it is impossible for butchers to operate over the whole year at a reasonable profit under the present retail prices. Indeed, some butchers said that their profits were reasonable; and one firm operating a chain of shops said further that their profits were better under control than previously. The position seems to be that the accountancy methods of most butchers do not enable them to determine from month to month whether or not their profit position is satisfactory. There is no certainty that, if the present level of retail prices were raised, the butchers would be more disposed to observe the price order.

The master butchers maintain that the current price order, which is still based on the original order made in 1941, is no longer adequate because conditions in the industry have altered considerably in the past seven years owing to such changes as rationing, grading, extension of meat-export houses in the local wholesale trade, and increased wages and costs generally. The butchers consider that the price order should be completely revised in the light of present-day conditions.

The Commission is not in the position to carry out the extensive survey required to make recommendations as to detailed prices, nor would such action be desirable as it would conflict with the functions of the Price Tribunal.

We understand that an application for a review of the price order has already been lodged with the Director of Price Control by the New Zealand Master Butchers' Federation, and that the review is being held in abeyance pending the findings of this Commission.

We consider that the review should be proceeded with immediately and that when the investigation is being made the Price Tribunal should closely examine and give due consideration to the effect on the industry of the following matters:—

- (a) The alleged widespread evasion of the price order.
- (b) Rationing.
- (c) Grading.
- (d) The extension of the export houses in the local meat trade.
- (e) The high winter price for stock, particularly in the South Island, and the seasonal retail price increases in both Islands which, it is contended by the master butchers, are inadequate as to amount and duration.

Rationing of Meat.—The Commission had evidence that the saving of meat through rationing was out of proportion to the expense and inconvenience involved. However, statistical evidence as to the actual saving through rationing was conflicting, and in the time at its disposal the Commission was unable to resolve the conflict.

The Commission's view is that the abolition of rationing would assist the butchery trade and that a report should therefore be obtained from the Government Statistician, acting in conjunction with the other Government Departments concerned. If this report shows that the saving from rationing is not material, it should be abolished.

GENERAL

The marked trend of butchers away from abattoir killing to purchase from meat-export houses seems to the Commission to be largely due to an increasing preference by butchers for buying on a weight-and-grade basis.

If the trend continues, it must over a long period diminish the importance of the auction system and increase the incentive to butchers to organize group buying and to seek the co-operation of groups of fat-stock producers in ensuring supplies. Ultimately, therefore, the forces now at work in the meat trade may lead to the adoption of a Dominion-wide domestic schedule such as is now advocated by the butchers. But it is clear to the Commission that an attempt now to anticipate these developments would involve State action on a large scale and would require butchers, fat-stock producers, and, indeed, all sections of the meat trade to submit to a wide measure of State control and supervision.

On this point the analogy of the national milk scheme is most relevant. For reasons which are social as well as economic, the Commission does not think it desirable that the State should seek to do for the butchers what the butchers, given a spirit of co-operativeness and wide leadership, are capable of doing for themselves.

CONCLUSION

In conclusion, the Commission would express its appreciation of all the assistance which it has received. Had it not been for this assistance the work of the Commission would have been very considerably increased and the time of its deliberations would have been materially lengthened.

We would thank all the witnesses and counsel who co-operated so willingly with us, and we would express particular appreciation of the excellent and hard work of the typistes (Misses J. C. Strachan and M. Trimble). Finally, we would place on record the excellent work of the Secretary (Mr. J. D. Lang). It was mainly due to his efforts that the work of the Commission functioned smoothly and efficiently.

We would like the appreciation of the work of these three people to be conveyed to the appropriate authorities.

We have the honour to be,
Your Excellency's most obedient servants,

A. A. McLACHLAN (Chairman).
A. P. O'SHEA.
R. B. TENNENT.
L. C. WEBB.

23rd July, 1948.

MINORITY REPORT

I find myself unable to agree with the statements and recommendations contained in the foregoing report in their entirety, and therefore submit the following report on subjects on which I find myself holding opinions at variance with the majority report of the Commission :—

1. *Whether the supplies of fresh meat available for the New Zealand retail market are adequate at all times of the year.*

I am in agreement with the three opening paragraphs of the majority report which deal with availability of supplies, with the exception of the phrase "in recent months." This denotes the period in which prices paid for live-stock were excessive when related to the retail price order, and I am of the opinion that submissions and evidence indicate a longer period of excessive live-stock prices.

I agree with clauses 1 and 2 of the answers to the first question, but disagree with clause 3, and therefore substitute in its stead the following clauses :—

3. It would appear that the inflated values of live-stock throughout the year, and particularly during the winter period, are too high to permit the retail butchers to make a reasonable profit under the existing price order. Export activity, particularly at the end of the export season when premiums over and above the export schedule are offered, sets an inflated range of values which exceed the related maximum purchase price of the retail butcher. Again, during the winter season meat wholesalers, both export company and other local wholesalers, are able to purchase live-stock at inflated values and resell carcass meats to the retail butcher at prices which are in excess of levels which permit recovery of purchase-price at retail sales under price order. This practice is possible in the absence of any control over the retailers' purchase-prices or wholesale-meat prices.

Evidence given under cross-examination by the Commission of representatives of freezing companies, export houses, and their wholesale departments showed that payments in excess of export schedule rates had been a regular practice.

4. The submissions of producer organizations indicate that future supplies of fresh meat will be assured provided that production continues to proceed on the principles of supply and demand.
 5. It is my considered opinion that this question is primarily an economic one—*i.e.*, supplies at a price—and it is therefore contended that it is primarily a question of economic policy rather than supply or production.
2. *If your findings of the matter aforesaid be in the negative, whether steps should be taken under the regulations specified in the Schedule to the Supply Regulations Act, 1947, or otherwise, to make so available at certain times of the year additional quantities of fresh meat or (if this be not thought possible) chilled or frozen meat.*

I am in agreement with the opinions expressed on the advisability of continuing the practice of releasing supplies of frozen meat for local consumption during periods of shortage occasioned by drought, floods, or stock epidemic, but am completely at variance with the suggestions regarding the authority to which or whom power would be delegated to exercise and maintain continuous supervision of the domestic meat situation.

In my opinion it is in error to suggest that such authority should be given to a temporary establishment such as the office of the Food Controller, and I contend that the authority established for the purpose of making periodic surveys of fresh-meat supplies and, where necessary, to arrange for the withdrawal of meat from export stocks for use on the domestic meat market should be composed of officers of the Marketing Department and of the New Zealand Master Butchers' Federation.

It is apparent that with the cessation of meat-rationing there would be no method of compelling the retail butchers to accept frozen meat, and the governing factor would therefore be the price at which frozen meat was released by the freezing companies.

This contention is borne out by submissions by the New Zealand Master Butchers' Federation to the effect that last winter, when a percentage of frozen meat was used in an endeavour to counteract excessively high live-stock prices, it was found—

- (a) That the quality of the frozen meat was not satisfactory; the greater part of the beef was in a boneless state; and
- (b) The price at which the frozen meat was released bore too closely to the current local wholesale fresh-meat prices to be of any value as a check to excessively high fresh-meat prices.

It would therefore appear to be necessary for such supplies of frozen meat as would be required to be set aside in the grades and qualities required and at the f.o.b. price, plus freezing and storage charges.

I am in agreement with the statement made in the majority report regarding the evidence submitted to the Commission which showed a very definite general prejudice against the use of frozen meat, also with the statement on the impracticability of using meat chilled for export on the local market due to the lack of suitable facilities for chilling the small quantities of meat which would be required at any one time.

I also agree that where it is possible to hold meat in cold store for a short period at abattoirs or freezing-works such practice could be of material advantage in providing against short-term fluctuations of supplies of butchers' meat, but it was noted that cool rooms are not established at the majority of abattoirs, thereby not permitting the retail butchers to take advantage of such a practice.

3. *Whether it is practicable to provide for butchers to purchase meat for local consumption by means of a schedule similar to that adopted for the export trade; and, if so, what margin (if any) should be paid over and above the export schedule price?*

I find myself unable to agree with the greater part of this section, and so submit the following report, which enumerates and includes such portions of the majority report as I am in partial or complete agreement with:—

This question of the practicability or otherwise of providing for the obtainment of supplies for the local meat trade by means of a buying schedule similar to that adopted for the purchase of meat for export has been the subject of much discussion, and submissions have come forward for and against the proposal. It is apparent that the word "similar" in the sense of "same as" has influenced the considerations of the producer witnesses as reference has been made to purchase of aged stock at the same price as young stock of the same class.

On the other hand, the New Zealand Master Butchers' Federation apparently envisaged a schedule based on, and providing for, payment on weight and grade in line with the requirements of the trade and the provisions of the price order. This organization, in its reply in favour of a schedule, advanced a proposal which showed preference for a co-operative movement between producer and retailer to arrive at a schedule, but it was made clear that such a proposal was not acceptable to the other parties.

The latter submissions made by the New Zealand Master Butchers' Federation which requested that a domestic buying schedule be introduced by regulation must be considered reasonable when viewed in the light of present-day trading conditions in the retail meat trade—namely, the necessity for purchase on an uncontrolled market and selling at a fixed retail price, as it is surely reasonable to ask that if the Government policy of stabilization is to continue then partial control of any commodity which creates an injustice upon any section of the community, should be extended and all parties brought within the scope of such regulations or that control entirely removed.

It is clearly apparent that the master butchers are in the main concerned only with the purchase-price of their stock, and consider it immaterial whether the schedule is voluntary or by regulation, as long as it is effective.

In my opinion, a voluntary schedule is preferable, as evidence shows that the master butchers have not the organizations established with which to handle stock under schedule by regulation conditions, and such schedule by regulation would therefore place all live-stock supplies in the freezing companies—a monopolistic trend which is strongly objected to by the stock and station agents, the producer organizations, and the master butchers.

It would therefore appear that the proposals of the master butchers must be viewed, as they are probably intended, in the light of a long-term policy and could not be affected until such time as—

- (1) Abattoirs are modernized and brought up to such state of efficiency as will permit the complete processing of meat, wholesaling operations, and processing of by-products.
- (2) Butcher organizations are established which could implement the conditions contingent upon the introduction of a schedule by regulation.

Evidence showed that no significant and widespread steps have as yet been taken by the butchers to form such co-operative wholesale organizations as would be essential to the implementation of a domestic schedule on a Dominion basis.

Under such circumstances as obviously prevail I would therefore recommend as preferable to either a voluntary schedule or schedule by regulation a Meat Wholesale Price Order as the only alternative practical method which could be adopted at the present time to have the effect of establishing a basic buying-price to which the retail price of meat could be adjusted with equity to the retail trade.

Such a measure would establish a basic buying-price which, as mentioned in a preceding paragraph, seems to be the primary concern of the master butchers, and at the same time would not interfere with the varied buying and selling practices at present favoured by the majority of interested parties.

The auction sales would continue, as would sales by private treaty, but the establishment of the Wholesale (Carcass) Price Order would have a steadying influence on auction prices, also on prices paid in the field by export wholesalers, as recovery from the retailer in the form of carcass-prices in excess of the Wholesale Price Order would no longer be possible.

It is assumed that such Wholesale Price Order would be based on the export schedule, as is the Retail Order.

The wholesalers would then be obliged to purchase live-stock at values closely related to the export schedule during the season, and in the winter period at export schedule plus such additional seasonal increases as might be permitted under the price-structure, or absorb any loss occasioned by the difference in price-levels due to excessive live-stock payments being made.

The alternative to carrying such loss caused by payment of excessive live-stock prices would be to reduce the prices paid for stock in both field and auction.

The adoption of this method of control over the basic price of carcass meat would establish trading margins for the meat-retailer and would in all probability bring back the excessive prices paid for live-stock to a closer proximity to the Retail Price Order levels.

Summarized briefly, the main features of the above paragraphs are—

- (1) A Wholesale Price Order would partially govern, or influence to a great degree, the purchase-price of live-stock.
- (2) Auction sales and sales by private treaty would continue.
- (3) The individual trader would be free to purchase supplies by either method, live-stock or carcass meat.
- (4) Any purchases made by the trade at auction in excess of values calculated from the wholesale carcass-price would be his individual responsibility, when alternative markets for the purchase of supplies at a basic cost-price are available.

The Wholesale Price Order would, in effect, establish a buying schedule, as the purchasers of live-stock would know that with the carcass-price per 100 lb. of beef at 48s. 4d., offal, hide, &c., values at 2s. 8d. per 100 lb., and auction commission, &c., fees at 2s. per 100 lb., this price could not be exceeded if retail sales were to be made at price-order levels, and purchases of meat should then be made from wholesalers at the basic wholesale price.

With the institution of the Wholesale Price Order which would set the basic price and so establish a buying schedule, opportunity would be afforded the master butchers to create their own wholesaling organizations wherever they so desired.

I am in agreement with the finding contained in the majority report, clause 2, page 8, which refers to the establishment of farmer and butcher co-operative wholesale companies, with the exception of the closing paragraph, as, while I consider that organizations of the type outlined there to be beneficial to both parties, it would still be possible for both such combined co-operative companies and butcher (only) co-operative companies to operate successfully and administer supplies under a voluntary domestic schedule were it to be based on and governed by a Wholesale (Carcass-meat) Price Order.

While in agreement with clause 7, page 9, which refers to the lack of unanimity amongst butchers on the question of obtainment of supplies, I would qualify this statement by adding that, while a number of butchers wish to retain auction sales and sales by private treaty as buying systems, it is clear that they all desire to purchase their supplies at prices in conformity with the retail-price order.

Strong objection was registered against any system which would compel purchase of supplies to be made only from export and freezing company wholesalers, and this objection is the reason for the desire to retain alternative avenues of purchase.

I do not agree with clauses 3, 4, and 5, which refer to difficulties experienced by fat- and store-stock producers, for, while conditions such as are mentioned in these clauses have prevailed in the producer community in the past, the opinion of national leaders of the stock-producers of this country and of countries overseas is that a greater measure of stability and planned production must be the aim of all producers.

Extract of statement made by Mr. W. N. Perry, president of Federated Farmers of New Zealand (Inc.) at a meeting of the International Federation of Agricultural Producers in Paris in May of this year:—

New Zealand farmers felt, said Mr. Perry, that the international federation could do a great deal to help by bringing pressure to bear on Governments and other organizations to ensure not only that the maximum quantity of food was produced, but also that prices were stabilized. New Zealand farmers did not want prices which bore too heavily upon the consumer, but they felt they were equally entitled to expect prices sufficiently high to ensure maximum production.

Two fundamentals must be recognized, said Mr. Perry. First, that we, as agricultural producers, have a duty to utilize our land so as to produce as much as possible; secondly, that Governments and consumers must recognize that we are entitled to prices which will give us stability and a feeling of long-term security. If these facts are recognized by all sections of the community I feel production all over the world can be increased.

In further disagreement with the statement in clause 4, which states that inducement must be given to the farmer to make supplies of feed available for the holding of fat stock in the winter or off season, I must point out that since 1940 increased costs have been recovered by the producer to the extent of a 50-per-cent. increase in the export schedule, and in the winter or off season the realization value permitted under retail-price-order increases for beef is to a peak increase of 25 per cent. over the export schedule rate in the South Island and approximately 10 per cent. over a six-weekly period in the North Island.

Even with the inducement of these increases higher prices are still sought, and it would appear that there is no limit to the inducement expected by many producers.

I contend that fat-stock production should be on a business basis of sale at a stable price which would show a reasonable profit for the undertaking, rather than speculation for the maximum "inducement," regardless of the final marketable value of the product.

I must disagree with clause 6, page 9, as in the first place the statement of the difficulty of allocating supplies which is advanced in this clause is in conflict with references made to the increasing tendency on the part of butchers to purchase carcass requirements of meat on a weight-and-grade basis, which surely indicates that supplies on such basis are satisfactory and obtained as economically, if not more economically and satisfactorily.

Further to this increasing practice on the part of butchers, I must further disagree as from personal experience in a wholesale organization which buys and sells on a schedule, such difficulties as are expressed in clause 6 are found to be non-existent.

4. *If the purchase of meat for the local market on a schedule basis is deemed desirable and practicable, whether the auction system of disposing of stock for the local market should be continued, and, if so, to what extent.*

I am in disagreement with clause (a) of the replies to this question, in that under the present system of retail-price control there is no provision for incentive payments to be made to producers who hold stock for sale by auction.

Under a system of supply and demand this statement would be correct, but under the retail-price structure there is no margin that would allow for such incentive payments to be made.

Clause (c) is acknowledged when applicable to the true grazier who fattens unfinished stock, but this same system gives opportunity for the manipulation of rising markets when the dealer holding fertile land in close proximity to the saleyards could anticipate the state of the market at that particular time and regulate the flow of stock, so causing inflated values.

While in agreement with the operations of the practice as set out in clause (d), I disagree with the principle as requirements of live-stock may be obtained by this practice, but not at prices which have an equitable relationship to the retail selling-price.

I would agree with clause (e) in so far as the auction system has been proved over many years of trial to be a successful and workable system under free marketing conditions, but, with the application of restrictions on the retail sale of the product, the buying side of the auction system cannot be termed successful and workable. On the other hand, the sale element may be deemed successful, but at the expense of the purchaser while the product is in demand and the resale price restricted.

It is apparent from evidence and submissions that the auction system for the disposal of fat stock is a very vexed question when it is related to a controlled commodity market as auction and control are an antithesis each of the other.

In the main, individual master butchers who buy in small lots support the auction system because the only alternative is to purchase "on the hook" from an export-house wholesaler, whereas larger operators can purchase in the field. This latter activity must reduce both the number and selection of stock forwarded to auction, also as a result of these operations competition must develop in the field and so create increased values for such stock as comes forward to auction.

After due consideration of all relevant factors it would appear that, in the absence of any alternative practical method of sale on a Dominion-wide basis, it is necessary for the auction-sale system to continue, but for the protection of retailer margins and consumer prices some governing or influencing factor must be established. It would therefore seem that the introduction of a basic carcass price per pound from which a live-stock-buying schedule could be calculated without difficulty by all purchasers is the only method of applying a check to inflationary tendencies in the auction saleyards.

5. *Whether, in the event of the auction system being continued, it is desirable to encourage the practice of group buying by butchers.*

I am in agreement with opinions expressed in the majority report relative to clauses (1) and (2), which refer to and describe types of group-buying systems, but cannot agree in full with clause (3) in that, while, conceding the importance of availability of meat-supplies on a hook basis, for such numbers of master butchers who do not or are not able to purchase live-stock I am of the opinion that such supplies should be price-controlled in direct relation to the retail recovery value.

I agree with the summary to these clauses where it states that each of the expressed forms of group buying has merit and while also agreeing that action by the State toward the extension of any of the named forms of group buying may not be required, I do consider that the State should take action under the provisions of the Control of Prices Act, 1947, to the effect stated in the ultimate paragraph of the preceding clause.

I also agree with the comments that under a group-buying system the butcher is relieved of the responsibility of purchasing his own stock and can apply himself entirely to the conduct of his own retail business.

This aspect of a changing and increasing tendency on the part of the retailer has been referred to at various stages in the report, and evidence from wholesalers indicated that preference for supplies on a carcass basis, according to weight and grade, was increasing. The necessity for accuracy in purchase while meat is subject to grading and price-control is probably the greatest factor influencing master butchers to make this change of buying practice.

While agreeing that opportunity should exist for individual master butchers to see and select stock on the hoof, I disagree with the opinions expressed that one can best judge quality on the hoof, as in my opinion—

- (1) Selection of type and condition only can be done on the hoof.
- (2) Quality and grade are factors that can only be determined with accuracy after slaughter.
- (3) The vast majority of export purchases are made on the hooks on a weight-and-grade basis. This would appear to indicate which method of purchase is most accurate and gives the maximum protection to both purchaser and vendor.
- (4) Under a system of weight and grade purchase the producer receives the true value for his product and the butcher purchases his requirements with accuracy.
- (5) Error in judgment in selection and purchase of live-stock, followed by subsequent grading down after slaughter, causes financial loss to the butcher which influences him to change his method of purchase to the more accurate method of carcass buying from a wholesaler.
- (6) It is stressed, however, that those butchers who desire to buy alive can do so by purchasing on the hoof, thereby pitting their judgment against the alternative method of carcass purchase, which conveys security of purchase.

In my opinion, the final paragraph of this section of the majority report contains a direct negative to former recommendations made—that the butcher should himself help to save on costs and to modify price-fluctuations by the formation of buying groups—as prohibition of any such action on the part of the master butchers which would effectively maintain stock values at levels directly related to the retail selling-price is threatened by reference to the Commercial Trusts Act, 1910, which prohibits any attempt by any person or persons, &c., to wholly or partially influence or control the supply or demand or price of any goods, as any action on the part of master butchers to form buying groups would be ineffectual unless live-stock values could be steadied and maintained in close proximity to a basic wholesale price calculated through to retail-price-order values.

6. (a) *Whether the extension of the practice on the part of freezing companies of entering into the wholesale and retail butchery trade is desirable, and to what extent this practice affects the operations of abattoirs maintained by local authorities under the Meat Act, 1939.*

I am in agreement with such portion of the majority report as deals with freezing companies operating in the retail trade, but disagree with the paragraphs on wholesaling operations, where it is stated that "no evidence was produced to show that monopoly was imminent or for that matter contemplated."

The graph which was submitted to the Commission by the manager of the Auckland Municipal Abattoirs shows clearly that export or freezing companies operations have been extended over the past eight years. This extension has been shown as an increase of 19 per cent. of abattoir fees paid by export-house wholesalers to the Auckland City Treasury, in total equivalent in 1947-48 to 41 per cent. of the carcass meat sold in Auckland. Similar figures were submitted by the Municipal Association of New Zealand (Inc.) and showed that current abattoir killings at Wellington were reduced by 33 per cent. in beef and 32 per cent. in mutton as against pre-war killings.

These reductions in abattoir killings are primarily due to export and freezing company wholesalers' activities and must indicate that securement of at least a major portion of the local wholesale trade must be of interest to these Companies.

It is apparent that with the present growing tendency on the part of retailers to purchase carcass meats and the continued extension of wholesale operations at a similar rate over a similar number of years on almost complete monopoly of the wholesale trade in Auckland and probably the other metropolitan areas, will have been established by these Companies.

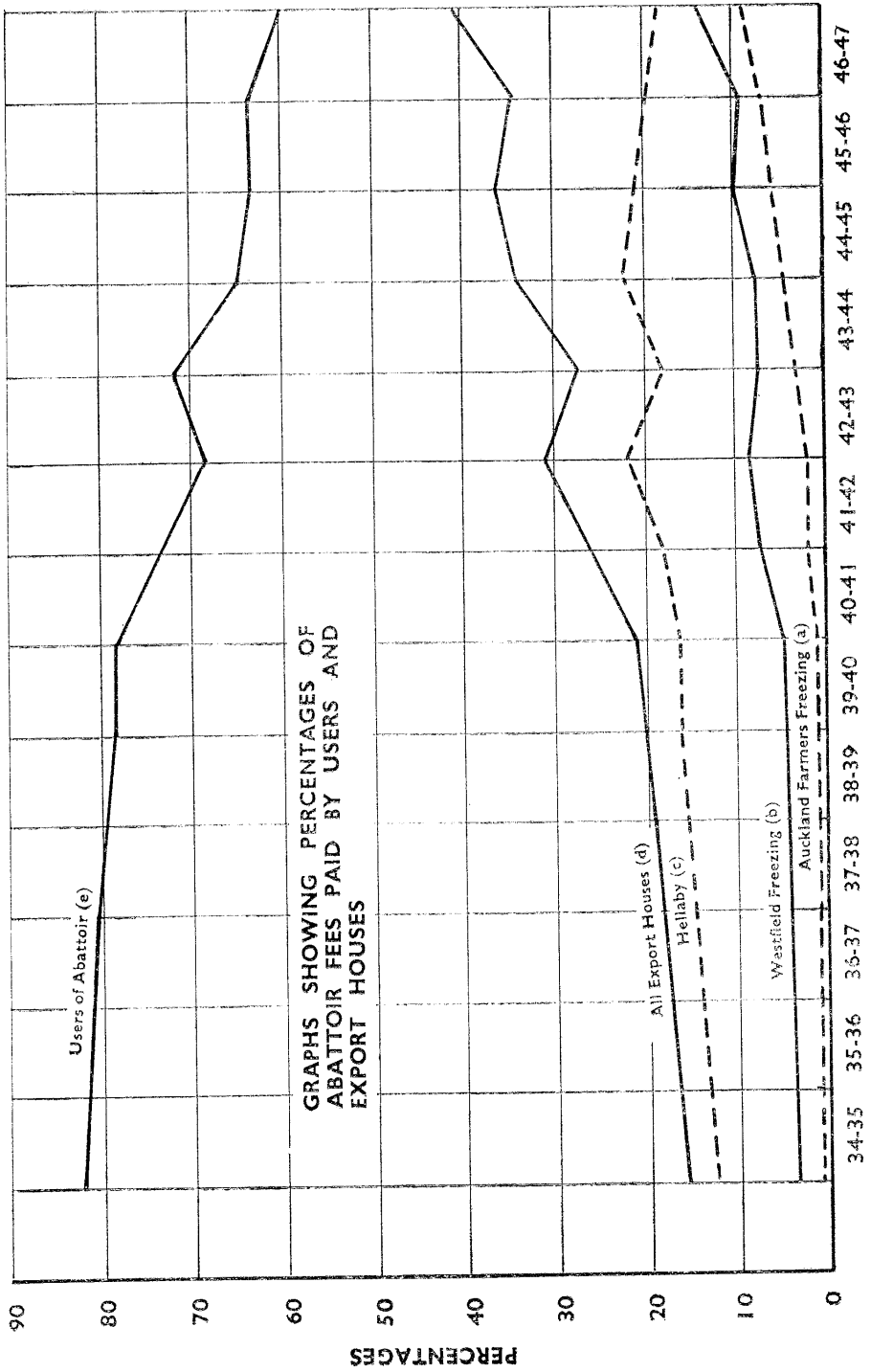
I cannot agree with the statement "that no positive action is required at the present time, but is one that requires watching by the appropriate authorities," but contend that the position is such that it should be investigated by the appropriate authority and, if necessary, action taken to check any monopolistic trend that would jeopardize the financial stability of the abattoir undertakings.

I am in agreement with the second portion of the question as contained in the majority report which refers to the effect of such wholesale operations upon the operations of the municipal abattoirs, but would add the following recommendations: That the abattoirs, where considered advisable by the appropriate authority, are modernized and equipped to the standard of meat-processing works to include the necessary ancillary by-products plant, rather than left as slaughterhouses, before such lease or delegation of authority be given to the master butchers who by their subsequent operations should be able to recover a substantial portion of wholesale trade to the abattoir and so ensure the financial stability of the abattoir and ancillary undertakings.

6. (b) *And generally upon other matters affecting producers, wholesalers, retailers, and consumers of meat or affecting one or more of such classes of persons as may come to our notice in the course of our inquiries and which we consider should be the subject of opinions expressed by us in our report.*

By-products.—I agree with the reply as contained in the majority report under this heading, provided that such by-product activities would be an integral part of the operations of a modernized abattoir and would operate as ancillary to the abattoir.

Grading.—I am in agreement with the statements contained in the majority report under the above heading, up to and including the recommendation that the proposal for the introduction of a super grade of beef should be passed to the Meat Grades Committee for their consideration, but I strongly oppose the suggestion that this class of beef should be classified as a parallel to early lamb and should not be subject to price-control during the winter period.



I am of the opinion that such chiller-type beef should rather be classified on the same basis as "hogget" mutton, to be subject to price-control at all times of the year and to carry an additional premium purchase and sale value in recognition of its quality over and above standard first-grade beef.

I also agree with the closing paragraph of this section of the majority report, provided that the conditions as outlined in the preceding paragraphs are observed. I would further recommend that the Meat Grades Committee, in co-operation with the Department of Agriculture, conduct a thorough investigation into the application of the grading system, particularly in regard to the comment contained in the majority report that "the operation of the Grading Regulations in the various freezing companies should be under stricter supervision and that a greater degree of uniformity should be aimed at in the grading in various districts."

Price Order.—I agree with the opening paragraph under this heading in the majority report that evidence indicated that the price order was being evaded, and join with the associate members of the Commission in deploring this state of affairs, but I equally deplore that conditions of trading have been imposed upon the retail meat industry such as would make widespread evasions of the price order necessary.

I do not agree with the statements contained in the second paragraph of the majority report that "owing to lack of satisfactory evidence on the point the Commission does not conclude that it is impossible for butchers to operate over the whole year at a reasonable profit under the present retail prices," as, in the face of widespread evidence that the price order was evaded so that a profit might be made, it must be indicated that there is a serious fault in the price-order structure. Had such evasions been infrequent rather than widespread it might safely be assumed that these were due to one of the human frailties, that of acquiring the maximum pecuniary gain even at the risk of prosecution.

As regards "satisfactory evidence" and "reasonable profit" which are difficult terms to interpret, financial accounts were requested from the master butchers and a number were submitted to the Commission in its closing stages, but these received little attention, possibly due to a late decision by the Commission that study of such matters was more correctly a function of the Price Control Division.

Under such circumstances, and particularly in view of the establishment of the master butchers' contentions regarding the current price order and present-day trading conditions as described in paragraph 3 of the majority report, I am of the opinion that when the Price Control Division has investigated the points (a) to (e) and their effect on the retail meat industry as the majority report recommends, that an entirely new price order should be constructed which would be based upon present-day trading conditions and compiled in relation to the cost per pound of processing meat for retail sale which would be established in the course of the Division's investigations.

For instance, the Commission established the factor that the seasonal increases allowed in the retail price order covering the winter period have not been reviewed since they were first incorporated into the price order.

Again, of all the cost increases which have arisen in the retail meat trade due to changed conditions brought about by the introduction of controls such as rationing, grading, and price-control, only a small fraction of a penny per pound has been recovered by the trade, this in October, 1945, to compensate for increases in wages to that date.

In respect to the position as commented on in the latter portion of the second paragraph of the majority report, "the position seems to be that the accountancy methods of most butchers do not enable them to determine from month to month whether or not their profit position is satisfactory and there is no certainty that if the present level of retail prices was raised the butchers would be more disposed to observe the price order," it is commented that the improvement of accountancy methods would not necessarily

prevent evasion of the price order as if a loss were imminent it is almost certain that it would be made good before the loss was established. I consider that a question raised by the New Zealand Master Butchers' Federation in its original submissions is most relevant, and that question was, What was the reason for the removal of the basic wholesale price from the retail price order? It is surely reasonable to assume that the meat-retailer should know from what wholesale-price levels the retail price order is calculated.

Further to this comment, I would repeat recommendations made in earlier portions of this report, that the wholesale price of meat should be established and maintained to provide an adequate trading margin for the meat retailer.

In my opinion, such action would do more to ensure that the price order was observed than would any other temporary measure, such as increasing prices, while unrestricted and uncertain methods of purchase continue.

The further comment made in paragraph two that "some butchers said their profits were reasonable and one firm operating a chain of shops said further that their profits were better under control than previously," can, in my opinion, be partially, if not completely, discounted for the same reason that has been applied to the reverse statement made by the majority of smaller butchers, that of the lack of any evidence that such is the case, also that the organization referred to in this paragraph of the majority report was not prepared to comment on the current year's activities as such current annual accounts were not finalized and, further, another firm of similar size and organization said in reply to a question from the Commission, "the position was not as good this year." It would therefore appear that such larger firms are in a position similar to that attributed to the smaller master butcher by paragraph two of the majority report, which reads "that accountancy methods of most butchers do not enable them to determine from month to month whether or not their position is satisfactory."

It therefore appears that if such statement is applicable it applies generally to almost all sizes and types of firms and it would seem to indicate that determination of the periodical financial position of meat retailers is complicated by the absence of a firm basis of calculation which may be presumed to be the basic wholesale price in relation to the retail price order, or, alternatively, the knowledge that this basic price has been exceeded in purchase-price influences the trader to defer making recorded calculations.

Summary.—(1) The alleged widespread evasions of the price order are deplored.

(2) The conditions of trading which obviously cause such evasions are equally deplored.

(3) The lack of a basic wholesale price which would be of utmost importance to the retailer is most noticeable.

(4) The establishment of a basic wholesale price which would allow adequate trading margins would at least assist materially in the observance of the price order.

(5) Trading conditions have changed so materially that there can be no doubt that the present price order is basically obsolete, as establishment of the claim that the basis of the present meat price order—that is, the conditions of trading due to changing trade practices and to increased costs—has not been reviewed, with the exception of a small allowance for wages increase in 1945, since its introduction in 1941.

(6) A new price order calculated from current basic wholesale prices and inclusive of present-day costs of processing meat for retail sale is apparently required.

(7) The investigation by the Price Control Division into the effect on the industry of such matters as rationing, grading, wholesaler activities, seasonal increases during the winter period, and other costs contingent upon the retail sale of meat would reveal and establish the cost per pound of processing meat for retail sale and does appear to warranted and necessary.

Meat-rationing.—I am in general agreement with the majority report on this subject, but am of the opinion that a more detailed report should have been presented in view of the evidence submitted, even though counter statistical evidence of savings made under rationing was not complete for presentation by the administering authority, and I therefore add the following points :—

- (1) Attention was drawn to the heavy increase in the consumption of unrationed offals and small-goods which tends to offset any saving of rationed meats. It has been pointed out that such offals are eagerly sought after by the consumer public of the United Kingdom as a welcome change in the monotony of their diet.
- (2) It was pointed out that the system of granting manufacturing permits to larger firms has prevented the smaller trader from operating on the same basis as he did prior to rationing. The allowance for manufacturing purposes of 4 per cent. of carcass-supplies does not permit the smaller trader to provide a sufficient quantity of small-goods to meet the requirements of his customers. The result must be that he loses custom to the larger firm or, by manufacturing additional small-goods from what should be coupon-returning meat to meet consumer demand, he must deteriorate in coupon bankings and ultimately be penalized by the Office of the Rationing Controller.
- (3) It has been indicated that rationing has created a greater demand from consumers for smaller joints of meat, which in turn has compelled the butcher to purchase lighter-weight carcasses, resulting in a greater demand on the available supplies of this class of stock, which tends to create higher market values. This consequently raises the purchase-price of the carcass which is the butcher's first cost and thereby creates further difficulties for the retail meat trade while it is subject to retail-price control.
- (4) It was also given in evidence by the master butchers that the time factor involved in the carrying-out of the requirements of the rationing system has been a source of annoyance, also of hardship to them, as such traders who do not employ clerical staff must of necessity carry out the duties of compilation of returns, counting, and packaging of coupons during the week-end preparatory to banking them on the following working day.

Complementary to these duties performed outside of business hours there is the time and labour factor necessitated by the collection of coupons for meat sold by shop-assistants which was stated to be an unrecoverable sales cost.

It is apparent that this strictly enforced system of rationing has required a staff of considerable numbers to administer the regulations, also provision of additional monetary expenses attendant upon the administration of the scheme, such as remuneration to banking houses for their services, publicity, printing costs of ration books, &c., also salaries and travelling-expenses of the staff.

I would endorse the concluding paragraph of the majority report on this subject, but would add that, in my opinion, the expense of administering the system should be taken into account when the quantity of meat saved by the system is investigated, and should the expense be such as would outweigh the value of any saving of meat the system should be abolished without delay and the meat-retailer relieved of such added costs as are caused by the rationing system.

General.—I am in agreement with this section of the majority report, but would comment on the closing phrases of the second paragraph as, in my opinion, if economic stabilization is to be applied to an industry it should not be partial control only which may react adversely on any one section of industry, but if applied should be applied equally over all sections of such industry.

In reference to the closing phrases of this section I consider that it should be appreciated by all concerned that to establish an organization capable of fulfilling the full requirements of the retail meat industry of to-day, such as have been recommended more than once in the pages of the majority report, is no matter to be entered into lightly as it would involve considerable capital outlay where abattoirs are outmoded and inefficient and not capable of fulfilling the functions of a meat-processing works such as would be required to carry out a possible future policy as is indicated in this section.

When considered in the light of the above comments it would appear that the regulations governing the functions of abattoirs and their establishment require reviewing and amendment so that such abattoirs may operate in the manner required of them by the retail-meat industry of to-day and of the future.

GENERAL SUMMARY

Before closing this report I consider it necessary to comment on the many intricate problems which are an integral part of the retail-meat industry as it is today.

The lack of knowledge of these problems on the part of many who were associated with the Commission of Inquiry was most evident as the inquiry proceeded, and I strongly advocate the establishment of a closer relationship between the retail-meat industry and other affected or interested parties. I consider such a relationship to be both desirable and necessary as the technique or practices of the retail-meat industry are of considerable importance in the economic life and structure of the Dominion, as its function is primarily to provide consumer service on an efficient and economic basis.

I view with concern the changing conditions of marketing systems, the method of purchase, and the processing of meat generally, all of which are inevitable if consumer demands are to be met. These changes must affect trading conditions, and I consider they should be watched closely during the transitional stages. It is apparent that many of the problems which exist to-day can be directly attributed to failure on the part of the authorities to adjust conditions such as have been referred to during the course of this inquiry.

The major points noted are—

- (1) Retail price order to-day has no longer any basic relationship to that price order which was introduced in 1940.
- (2) Meat-grading lacks adequate supervision and is noticeably lacking in uniformity of application.
- (3) Municipal abattoirs make no provision for the processing of meat past the stage of slaughter and inspection.
- (4) Freezing-works exceeding export-schedule prices during the export season and the wholesaling of carcass meat which has been purchased on an uncontrolled live-stock market to a distributive industry which is subject to retail-sales price-control.

I would recommend that a Committee should be established whose members would be drawn from the authorities concerned, and whose function would be—

- (1) To advise the Government on all matters relating to the retail-meat industry.
- (2) To collaborate and co-operate with the Departments of Health and Agriculture on all matters affecting the retail-meat industry, including the abattoirs; also the Standards Institute on matters affecting the defining of grades of meat used in the processing of meat for retail distribution, and all other matters relevant to the functions of that Division.
- (3) To collaborate and co-operate with the Marketing Department in the making of periodic surveys of the availability of fresh-meat supplies and the allocating of frozen-meat supplies to such areas as may be required.

In my opinion, the establishment of such a Committee would effectively prevent the development of many of the difficulties and problems that have been brought to the notice of the Commission, as this Committee would review such tendencies in their early stages and by recommendations made to the appropriate authorities check any development which might be detrimental to any of the parties concerned.

CONCLUSION

In conclusion, I wish to join with the other members of the Commission in expressing my thanks, firstly, to all witnesses and counsel for their willing co-operation, and, secondly, to the typistes (Misses J. C. Strachan and M. Trimble) and the Secretary (Mr. J. D. Lang) for their excellent and efficient work, without which the Commission would not have functioned smoothly.

I have the honour to be,

Your Excellency's most obedient servant,

J. W. PERRY.

29th July, 1948.