

PART II.—ALTERATION AND REORGANIZATION IN METHODS OF SUPPLY, COLLECTION, TREATMENT, AND DISTRIBUTION

CHAPTER 6.—INTRODUCTION

In the second term of reference the Commission is directed to report on "alteration and reorganization in methods of supply, collection, treatment, and distribution that may be necessary in such areas to ensure at reasonable prices adequate supplies of milk of high standard."

The obligation is thus placed upon the Commission, after examining the existing conditions in each metropolitan area, to determine whether these are entirely satisfactory for the purpose of—

- (1) Providing adequate supplies of milk;
- (2) Ensuring that the milk is of high standard;
- (3) Maintaining prices at a reasonable level to the consumer;

and if unsatisfactory to report on the alterations and reorganization necessary. Part I has stated the Commission's views on the adequacy of existing services, and it remains for Part II to deal with the steps necessary to ensure that all three objectives are achieved.

The problems involved are mainly problems of organization and price. In this country for the most part completely adequate supplies of milk are within easy reach of all populated centres. It is remarkable, therefore, that, considering the outstanding success of co-operative organization in the dairy industry, there should exist such a lack of directive organization in so important a national industry as the liquid-milk trade.

New Zealand's dairy industry is organized on a practically 100 per cent. co-operative basis, with the producers controlling the production, supply, and, through their co-operative factories, the processing of practically all butter and cheese produced in the Dominion. The dairy industry can justly claim a leading position for efficiency of production and manufacture, and has achieved this by co-operative organization.

The liquid-milk industry whilst only a small part of the dairy industry—a total of approximately 120,000 to 150,000 of the Dominion's 1,750,000 cows would probably supply the needs of the liquid-milk trade—is nevertheless the most important section from a national health point of view, and for that reason should occupy pride of place in the control, quality, and safety of its product. Unfortunately, it does not occupy that place, and the reason may lie partly in the fact that the influence of the co-operative movement has not extended, either in its type of organization or in the control of processing, to the liquid-milk industry as a whole. In Wellington the existence of a powerful and well-organized co-operative association of city-milk suppliers is an exception which goes far to prove the rule. In neither Christchurch nor Auckland is there a similar co-operative group of suppliers. The association started in Dunedin in 1942 has not been in operation sufficiently long to illustrate likely advantages of co-operative organization.

Nevertheless, despite this lack of unity among city-milk producers and their tardiness in adopting co-operative principles of organization, the firmly-established co-operative movement in the dairy industry as a whole would justifiably resist any attempt to introduce proprietary interests into the industry or other than co-operative control over producers. It is for this reason that the Commission's considerations (as they affect the producers' responsibility) must of necessity take into full consideration the type of organization in the dairy industry generally. Whilst being informed and instructed by the experience of milk schemes in other countries, the Commission must be prepared to adapt any lessons to be learnt from such schemes to the success of typical systems prevailing in New Zealand.

The first part of the Commission's work under this second term of reference falls therefore under three main headings:—

- (1) Methods of organization;
- (2) Prices to producers, margins to vendors, and prices to consumers;
- (3) Problems of supply.

ORGANIZATION

Central Authority

The outstanding fact which has been forced upon the attention of the Commission is the absence of any national planning in the liquid-milk industry, and the Commission in Chapter 7 outlines its reasons for recommending that a Central or National Authority be set up. Such a Central Authority would act on behalf of the industry in advising the Government on industry problems and would in turn interpret Government policy towards the liquid-milk industry as a whole. It would exercise a controlling and guiding influence over the welfare and future organization of the industry.

There are important reasons why the Central Authority should be an independent and impartial body, and this aspect must be given full weight in its appointment. If the recommendations of the Commission are adopted, price-fixing would be the responsibility of the Central Authority, and it is essential to remove price-bargaining influences from the industry as rapidly as possible. It may be necessary under certain circumstances to allocate funds by way of grants in one form or another, and it should be the function of the Central Authority to see that these are properly used.

The Central Authority should exercise a guiding control over the industry through Dairy Farmers' Co-operative Milk Supply Associations and through Milk Councils (or, as in the case of Wellington, through the City Council).

Milk Councils

The importance of ensuring proper control over the treatment and distribution of milk is a public responsibility, and the Commission cannot ignore the present urgent necessity for recommending some form of local-authority control in each metropolitan area. In the case of Wellington City, where a municipal milk authority operates, adequate provision for control already exists over the treatment and distribution of all milk. But consideration should be given to the setting-up of similar control over milk treatment and distribution in the neighbouring City of Hutt and its adjacent areas.

Auckland is already well served by the Metropolitan Milk Council, but consideration should also be given in this area to the question of control over the adjacent boroughs and areas not at present included within the Metropolitan Milk Council's area.

In Christchurch and Dunedin the setting-up of a Metropolitan Milk Council is an urgent necessity, and the treatment of milk in Dunedin is a matter for urgent reorganization.