

1947
NEW ZEALAND

MILK MARKETING DIVISION

REPORT OF THE DIRECTOR OF MILK MARKETING FOR THE PERIOD ENDED
31ST AUGUST, 1946

*Presented to both Houses of the General Assembly pursuant to Provisions
of the Marketing Act, 1936*

The DIRECTOR OF MILK MARKETING to the Hon. the MINISTER OF MARKETING.

Wellington, 15th July, 1947.

I HAVE the honour to present herewith, pursuant to the provisions of the Marketing Act, 1936, a report of the operations of the Milk Marketing Division for the period ended 31st August, 1946.

I have, &c.,

H. H. INNES,

Director of Milk Marketing.

The Hon. the Minister of Marketing.

REPORT

INTRODUCTION

FROM 1935 onwards, and particularly during the early war years, representations were made to the Government by town milk producers stating that they were dissatisfied with the prices being paid for town milk and the general lack of stability throughout the industry as a whole.

Producers, particularly during the period preceding the introduction of guaranteed prices, when depressed prices operated, were either offering milk to vendors at prices substantially below the real cost of production or were otherwise selling their own product direct to the consumer at cut rates. Consequently, the low standards adopted through these cut-rate methods unfortunately became the ruling standards. During the 1942-43 year in particular it was evident that producers, particularly in the South Island, were not prepared to operate under the existing circumstances any longer, and the curtailment of all milk-supplies to certain areas was at one time during this period a strong possibility. In these circumstances the Government decided that the whole situation should immediately be subject to investigation and report by a qualified tribunal, and on the 10th March, 1943, a Milk Commission was constituted under the provisions of the Commission of Inquiry Act, 1908, and the Commission of Inquiry Regulations 1941. The Milk Commission 1943 consisted of—

William Robert Tuck, Esq., of Auckland (Barrister and Solicitor), as Chairman.

George William Dell, Esq., of Christchurch (Secretary), Member.

Arthur Hugh Ward, Esq., of Wellington (Dairy Economist), Member.

The main points of the Commission's report and recommendations, which were made available to the Government before the end of 1943, were:—

- (1) The creation of a Central Authority to guide and control the proper development of the industry:
- (2) The setting-up of local Milk Authorities to ensure adequate organization of the liquid milk industry in each specified milk district:
- (3) The encouragement of town milk producer supply associations established on a co-operative basis in order to bring about unity and stability on the production side:
- (4) The determination on a national basis of such prices and conditions which, in the opinion of the Commission, would be sufficient to attract an adequate supply of good-quality milk throughout the year.

Prior to the appointment of the Milk Commission the Government had announced its policy of economic stabilization and had set up the Economic Stabilization Commission for the purpose of administering its stabilization policy. Milk was one of the main stabilized commodities, and therefore, when the report of the Commission was made available, it was referred immediately to the Economic Stabilization Commission for full consideration with a view to recommending to the Government the appropriate action that should be taken. The subsequent recommendations of the Economic Stabilization Commission envisaged the adoption by the Government of a short-term and long-term policy. The main features of the short-term policy were as follows:—

- (1) The immediate raising of the price payable to liquid-milk producers in Christchurch and Dunedin from the yearly averages of 11-17d. and 10-3d. respectively to a level of 11-5d. per gallon for both

centres; all the increases necessary to raise this level to be applied during the winter months:

- (2) The immediate payment to all town milk producers of a farm-costs allowance of 0.33d. per gallon, being the gallanage equivalent of the farm-costs allowance of 0.767d. per pound butterfat granted to the butter and cheese suppliers during the 1943-44 season:
- (3) The setting-up of an interim Central Authority in the form of a Town Milk Office and the appointment of a Town Milk Officer to carry out the following main functions:—
 - (a) To administer the subsidy claims involved in the payment of the 0.33d. per gallon farm-costs allowance and the increases due to the Christchurch and Dunedin producers;
 - (b) To develop, in consultation with the Economic Stabilization Commission, a National Milk Scheme to be introduced as a long-term policy;
 - (c) To prepare the necessary legislation for submission to Parliament which would provide for—
 - (1) Creation of a permanent Central Milk Authority.
 - (2) Establishment of local Milk Authorities.
 - (3) Organization of town milk supply co-operatives.

ESTABLISHMENT OF TOWN MILK OFFICE

The Government accepted the recommendations of the Economic Stabilization Commission and established the Town Milk Office as the interim Central Authority, Mr. H. H. Innes, Liaison Officer to the Ministers of Agriculture and Marketing, being appointed Town Milk Officer, and Mr. W. A. Cowell, Milk Officer of the Department of Health, acting as Technical Adviser. Mr. L. C. Nisbet, F.P.A.N.Z., was appointed to the Town Milk Office as Consulting Accountant.

PROGRAMME FOR THE PERIOD 1ST MARCH, 1944, TO THE 31ST AUGUST, 1944

(1) *Economic Assistance to Town Milk Producers supplying the Christchurch and Dunedin Areas*

From the Milk Commission's report it was clear that in Christchurch and Dunedin some immediate price adjustment to producers for the winter months was necessary in order to prevent a further deterioration in the supply position. The Government announced that, for liquid milk and sweet cream sold in the metropolitan areas of Christchurch and Dunedin respectively, the prices payable to town milk producers for the period 1st March to 31st August, 1944, would be as follows:—

	Christchurch.		Dunedin.	
	Price recommended.	Increase.	Price recommended.	Increase.
	d.	d.	d.	d.
March	11	..	11	1
April	11	..	11	1
May	15½	1	15½	3½
June	15½	1	15½	3
July	15½	1	15½	3
August	15½	1	15½	3

Fixation of these prices involved, in terms of the economic stabilization policy, subsidy payments to the producers, and this function was administered by the Town Milk Office. The cost was met by the War Expenses Account, and the amount involved for the period totalled £12,753.

(2) Payment of 1943-44 Farm-costs Allowance to Town Milk Producers

Concurrently with the payment of special winter price subsidies to the Christchurch and Dunedin producers, the Town Milk Office was also charged with the responsibility of administering the payment to producers of milk for the metropolitan areas of Auckland, Wellington, Christchurch, and Dunedin, of the town milk equivalent of the 0.767d. per pound butterfat farm-costs allowance granted during the 1943-44 season to suppliers to butter and cheese companies.

The town milk equivalent of this increase was 0.33d. per gallon. This payment was also met by the War Expenses Account, and the total cost to the 31st August, 1944, was £18,035.

Basis of National Milk Scheme and Preparation of the Milk Bill

The report of the Milk Commission had strongly recommended the desirability of the adoption of a national price payable to producers as a guaranteed price and directly related to the existing formula and standards operating for the dairy industry under the guaranteed prices scheme. This recommendation was adopted by the Minister of Marketing in consultation with the Economic Stabilization Commission, and the further decision was made to fix an official town milk year commencing on the 1st September in each year and ending on the 31st August of the subsequent year.

These decisions were finally embodied in a national milk scheme to be administered by the Town Milk Office as from the 1st September, 1944.

Parallel with the development of a national milk scheme which determined the economic basis for the industry, a Milk Bill determining the general organizational pattern for the town milk industry was prepared for submission to Parliament. This Bill was introduced to the House of Representatives in November, 1944, and became the Milk Act, 1944, on the 15th of the following month.

On the economic side, the main provision of the Act was the establishment of the Milk Marketing Division of the Marketing Department as the State Department charged with the responsibility for the supervision of the economic welfare of the town milk industry, and replacing the temporary Town Milk Office. In addition, a Central Milk Council was set up under the Act to become the Central Authority to guide and control the organizational development of the industry in terms of the general pattern recommended by the Commission.

The Milk Marketing Division also became the administrative Department for the Central Milk Council.

Relationship between the Marketing Department and the Central Milk Council

The Marketing Department, through the Milk Marketing Division, is primarily interested in ensuring the economic stability of the town milk industry, whilst the Central Milk Council is more particularly concerned with creating satisfactory organization through local Milk Authorities so as to safeguard the aspects of quality and service relating to the production, treatment, and distribution of town milk.

The Minister of Marketing is in effect the price-fixing authority for the industry, and the Central Milk Council possesses no powers in this regard. On the other hand, the authority determining the organizational pattern of the industry rests with the Central Milk Council, and not with the Minister of Marketing.

These two phases are not, however, kept in watertight compartments, as the Milk Marketing Division is the administrative Department for both the Minister of Marketing and the Central Milk Council.

PROGRAMME FOR THE MILK YEAR ENDING 31ST AUGUST, 1945

(1) *Fixation of the National Price to Town Milk Producers*

In determining the national price to be paid to town milk producers for the 1944-45 milk year the guaranteed price payment to the standard dairy factory supply farm for the season was taken as the basis. To this basis were added the additional rewards and other alterations in standards as recommended by the Milk Commission. For instance, the labour reward on the standard town milk farm was increased to the owner by £1 5s. 6d. per week over the factory supply farm, and the farm employee was likewise increased by 15s. per week. The interest on capital was assessed at 4½ per cent. on a capitalization of £110 per cow, as against £75 per cow on the factory supply farm. The general standard of two men to forty-eight cows on the factory supply farm was reduced to two men for forty cows on the town supply farm, and in place of the guaranteed price formula of 12,000 lb. of butterfat annual production from the standard farm the town milk standard of 20,000 gallons per annum of milk averaging 4·3 per cent. butterfat was adopted. The effect of all these adjustments was the determination of a national town milk price of 12·97d. per gallon for milk averaging 4·3 per cent. butterfat. This was an at the farm-gate price, and all further costs were additions to that price.

At the commencement of this year further increases were made to the standard price of 12·97d. per gallon by granting to the industry the milk equivalents of the additional costs allowances given to the dairy industry for the 1944-45 season. The national town milk prices to producers for the milk year ending 31st August, 1945, were, therefore, fixed as follows:—

North Island and those parts of the South Island qualifying with the North Island: 14·24d. per gallon for an average 4·3 per cent. test milk.

The remainder of the South Island: 13·94d. per gallon for an average 4 per cent. test milk.

The fixation of the South Island price was arrived at by adopting the factor recommended by the Milk Commission of reducing the return to the producer by 0·1d. per gallon for every 0·1 per cent. of butterfat content below the 4·3 per cent. average.

(2) *National Milk Scheme: Administrative Procedure*

In announcing the national milk prices for the 1944-45 season the Minister of Marketing, in consultation with the executive of the Town Milk Producers Federation of New Zealand, determined the following conditions of qualification before producers would receive the above prices:—

- (1) National milk prices will only be paid to producer organizations approved by the Minister of Marketing.

- (2) Producer organizations must give proof to the satisfaction of the Minister of Marketing that they are able to provide an "all-the-year-round" supply of quality milk which in respect of quantity was, in the opinion of the Minister of Marketing, sufficient to meet their proportion of the season's requirements.
- (3) Each organization had to give a satisfactory undertaking of its ability to provide suitable alternative supplies of milk if it failed to meet the requirements as set out in (2) above, and to defray the cost of same; also obtain signed agreements with its members for supply, with appropriate penalties for default.
- (4) Lodge with the Town Milk Officer an application for approval as a producer organization and supply:—
 - (a) Written acceptance of the national town milk prices for the 1944-45 season as set out above:
 - (b) Full information as to the daily gallonage of milk the organization was at that time responsible for supplying, and also any estimate of any variation which could be anticipated during the balance of the year ending 31st August, 1945:
 - (c) A statement of the penalties to be imposed on members for default in supplying daily quantities agreed upon:
 - (d) A schedule setting out the minimum daily gallonage of milk which members then supplying town milk had agreed under penalty for non-fulfilment to supply for the season ending 31st August, 1945.

(3) Fixation of Margins for Collection, Treatment, and Distribution for the Period up to 31st August, 1945

The recommendations of the Milk Commission in regard to the above margins were fully considered, and it was decided that—

(1) From the 1st September, 1944, to 28th February, 1945, the difference between the town milk prices and the prices actually received from milk vendors by producers who were members of approved producer associations should be paid by way of direct subsidy by the Milk Marketing Division.

(2) From the 1st March to 31st August, 1945, the complete National Milk Prices Scheme should be put into operation. This meant the placing of treatment houses and vendors on defined margins as payment for specified services performed. The margins payable under this heading were determined as follows:—

- (a) *For Collection from Farm-gate to Vendor's Depot*—
1d. per gallon, subject to alteration on proved actual costs.
- (b) *For Treatment and Bottling*—
2d. per gallon for pasteurization.
0.33d. per gallon for chilling.
2d. per gallon for bottling.
½d. subsidy additional where consumer does not pay for bottles.
- (c) *For Distribution*—
To householders, 9d. per gallon.
For delivery to shop dairies, 3½d. per gallon.
For delivery to bulk consumers (hotels, restaurants, &c.), 3½d. to 5½d. per gallon, according to the quantity delivered.
- (d) *For Collection by Vendor from the Central Depot*—½d. per gallon.

The margin for distribution to households of 9d. per gallon is based on a vendor operating on his own account and distributing 60 gallons of retail loose milk per day, the basis used being the standard round set out in Appendix 2, pages 113–14, of the Milk Commission's report.

Margins were fixed pursuant to section 6 of the Marketing Amendment Act, 1937, by the Minister of Marketing giving notice in writing to all interested persons.

(4) *Summary of 1944–45 Operations*

(a) On the 31st August, 1945, there were twenty-six producer organizations guaranteeing 61,400 gallons of milk per day. A schedule detailing each organization and the daily quantity of milk guaranteed is contained in Appendix A of this report.

(b) The total expenditure by way of subsidy payments on milk supplied for human consumption for the period December, 1944, to 31st August, 1945, amounted to £250,917. See Appendix B of this report.

PROGRAMME FOR THE SECOND YEAR OF THE NATIONAL MILK SCHEME, ENDING THE 31ST AUGUST, 1946

(1) *Increase in National Town Milk Producer Price*

In keeping with the procedure adopted in previous years, the increases paid to the dairy industry were passed on to the producers of milk for town supply. The increases involved in the 1945–46 season were 5s. per week increase in the labour reward both to the owner and to the employee, and an increase of £25 per year in farm-costs, increasing the total return to the town milk producer from £1,187 2s. 7d. in 1944–45 to £1,238 2s. 7d. in 1945–46, the equivalent increase on a town milk supply basis being 0·61d. per gallon. Therefore, the Minister of Marketing advised producer associations that he approved of the following average yearly prices being paid to organizations approved under the National Milk Scheme:—

North Island and those parts of the South Island qualifying with the North Island for an average			
4·3 per cent. test milk	..	..	14·85d. per gallon.
Remainder of the South Island for an average			
4 per cent. test milk	..	..	14·55d. per gallon.

The above average prices were payable in practice in accordance with the following seasonal differentials, all prices being on the basis of per gallon "at the farm-gate":—

(a) All places adjudged to have a 4·3 per cent. B.F. test—

September–January (inclusive)	..	..	12d.
February–April (inclusive)	..	..	15d.
May–August (inclusive)	..	..	18·3d.

(b) All other places—

September–February (inclusive)	..	..	12d.
March–April (inclusive)	..	..	13·3d.
May–August (inclusive)	..	..	19d.

These seasonal differential prices were arrived at by agreement between the Minister of Marketing and the Executive of the Town Milk Producers' Federation, and were subject to variation in any particular district where the circumstances warranted a departure from the general scheme.

In fixing the seasonal differential the producers affected made their representations; and the South Island representatives on the Executive preferred the second set of prices. In regard to these seasonal differential prices there might appear to be an anomaly in that during the winter period producers

in the South Island with an estimated butterfat content milk of 4 per cent. are receiving 19d. per gallon, whilst the North Island producers with an estimated butterfat content milk of 4·3 per cent. are only receiving 18·3d. per gallon; but there is another factor in that the winters in the South are perhaps harder than in the North, and the heavier weighting on the winter price has a good effect in maintaining winter supplies.

(2) *Extension of National Milk Scheme to cover Payment for
“Surplus Milk”*

The main point of distinction between the operation of the National Milk Scheme during the 1945–46 year as compared with the previous milk year was the recognition by the Government that some payment for surplus milk was necessary—i.e., milk produced for town consumption, but in excess of actual consumption at any time.

The experience gained from the organized marketing of town milk during the first year of the national milk scheme revealed the fact that the peak requirements of town milk for human consumption were from Monday to Friday inclusive of each week. During the week-end, owing particularly to the closing of shops and offices, there was a marked falling off in sales; this factor was intensified by the non-delivery of milk to schools not only during the week-ends, but also during school holidays.

In consultation with the Town Milk Producers' Federation, the principle was adopted that if adequate provision had to be made for the full supply of milk during the peak of the week, the producer should not be required to take the full burden of the falling-off of sales during week-ends and school holidays.

The further point was also recognized that as the national milk scheme required each producer who was a member of a supply association to guarantee a daily nominated quantity at the lowest point of his production, there would be a surplus above this daily nominated quantity during the flush of the season and that such surplus would be inevitable if the guaranteed quantity was to be maintained at the lowest point. The Town Milk Producers' Federation suggested that the problem should be met by the addition to the 1945–46 national milk prices of a 1d. loading to cover the surplus milk factor, but, after a conference with the Milk Marketing Division on this point, the following procedure was agreed upon:—

- (a) The Minister of Marketing, through the Milk Marketing Division, agreed to purchase daily a fixed gallonage of milk from each supply association, based on the average of Monday to Friday consumption:
- (b) In addition to this contract quantity (called the nominated quantity) the Minister of Marketing further agreed to purchase an additional 10 per cent. of that quantity if produced at any time during the milk year.

This, in effect, meant that the Government agreed that producer associations would be entitled to payment of the full national town milk prices up to the nominated quantity, plus 10 per cent., or actual sales, whichever was the greater.

The detailed agreement entered into between the Minister of Marketing and the Executive of the Town Milk Producers' Federation in respect of the 1945–46 milk year as it applied to approved producer associations is set out in Appendix C included in this report.

Acceptance by the Government of the responsibility of paying the national town milk price up to the nominated quantity, plus 10 per cent., raised the problem, as far as the Government was concerned, of handling all surplus milk, this problem hitherto having been one for the producer associations themselves.

The Milk Marketing Division had to endeavour to get the very best returns on behalf of the Government for milk surplus to town and school milk sales and up to the nominated quantity, plus 10 per cent., if available. The Division therefore negotiated and made the following arrangements with the industry as to the basis on which the Division would receive credits on surplus milk for:—

- (a) Milk or cream for sweet cream: 13s. per gallon of cream.
- (b) Milk or cream for ice-cream: 30d. per pound of butterfat.
- (c) Cheese—
 - 8-6d. per gallon, North Island.
 - 8d. per gallon, South Island.
- (d) Butter—
 - 7-8d. per gallon, North Island.
 - 7d. per gallon, South Island.

The prices in respect of butter and cheese to be “at the farm-gate.”

The cost involved in handling of surplus milk was £34,894 2s. 2d., or 0-2795d. per gallon on town milk sales.

(3) *Prices and Distributing Margins*

The margins for collection, treatment, and distribution for the milk year ending 31st August, 1946, remained unchanged, with the exception of a chilling margin included and paid to those persons or companies providing chilling facilities, which included receiving, weighing, testing, cleansing, and chilling by mechanical refrigeration. The Minister of Marketing approved of the payment of 1d. per gallon for these services. The only other change in the margins was one of redefinition and not of price, “pasteurization” being defined as including receiving, weighing, testing, cleansing, heating, and chilling by mechanical refrigeration.

(4) *Price Orders*

The Division arranged with the Price Tribunal for Price Orders to be issued for each district where there was a producers’ association operating. The Division advised all trade interests that payment of prices and margins by this Division would be based on Price Order prices, less the margins scheduled in the letter each organization received at the commencement of the milk year from the Minister of Marketing advising them of the margins fixed by him under the powers conferred on the Marketing Department under section 6 of the Marketing Amendment Act, 1937.

(5) *Zoning*

Section 57, clause (2), of the Milk Act, 1944, states:—

It shall be the duty of each Milk Authority to put into effect as soon as practicable an economic system for the consolidation or zoning of milk rounds in so far as no such system is in existence at the time of the constitution of the district.

Since the cessation of hostilities all Delivery Emergency Regulations, except those relating to milk, have been revoked, and the Milk Delivery Emergency Regulations 1945 have been invoked; the responsibility for control of zoning, except in those areas where a local Milk Authority is operating, is

now one for the Milk Marketing Division. It was felt necessary to arrange for zoning to continue because the margins for distribution were based on zoned deliveries, and it was felt that the only effect of releasing zoning would mean application for increase in margins, thus increasing the amount of money to be found by the Government by way of subsidy.

(6) *Organization of Emergency Milk Supplies*

During the 1945-46 milk year widespread drought conditions were experienced during the summer and autumn periods in the following milk districts: Whangarei, Auckland, Hamilton, Rotorua, Gisborne, Napier, Hastings, and Nelson. In order to avoid a severe rationing of milk-supplies to the public, the Milk Marketing Division, in collaboration with the producer associations and local Milk Authorities in each area, organized, wherever possible, a supply of additional quantities of milk to meet the emergency. These efforts succeeded, and actual rationing to the public was avoided in all areas. However, the success was achieved only by going very much farther afield to secure milk and thereby incurring heavy additional transport and handling charges. This expenditure had to be met by special vote from the Consolidated Fund. The total quantity of emergency milk purchased and transported to consuming areas during this period was 1,063,857 gallons, and a further quantity of 23,137 gallons was held available, but was separated at the production point because of non-usage.

(7) *Wellington City Council Milk Department: Alteration to Price-fixing Procedure*

Prior to the introduction of the Economic Stabilization Emergency Regulations, the Wellington City Council purchased their milk from producer associations by annual contract which covered not only conditions of supply, but all prices payable to producers. The legislative authority validating this procedure made provision, in the event of the City Council and the producers failing to reach agreement on prices, for the matter to be determined by arbitration.

With the introduction of the Government's economic stabilization policy the Minister of Marketing became the price fixing authority and determined prices payable by the Wellington City Council to their suppliers. At the same time, after consultation with the Wellington City Council, the Milk Department was placed on a marginal basis as other plants in respect of the collection, treatment, bottling, and distribution of their milk-supplies.

By agreement with the City Council, margins for each of these defined services were fixed, and if the difference between the price payable to the producers and the return from the sale to the public at stabilized prices proved insufficient to cover marginal payments, the Council was reimbursed to the extent of the deficiency by subsidy payments from the Consolidated Fund, through the Milk Marketing Division.

During the 1945-46 milk year it was found that, by placing the Wellington City Council on a marginal basis as from the 1st September, 1945, it had become involved in a trading loss of some £11,545, which could not be recovered by the Council during the subsequent summer season. The trading year of the Council commences on the 1st April of each year, and in the past it had been the practice of the Council to carry a deficit in the Trading Account at the end of the winter period when high prices were payable to the producers, and to recover this amount during the following summer period

when low prices to the producers prevailed. Once the Council, however, were placed on fixed margins covering their operations over the whole year the usual recovery could not be made.

When the situation was made clear to the Government, special authority was given to the Milk Marketing Division to make payment of this loss for the change-over period.

(8) *Payment of Administrative Margin to Producers' Associations*

With the introduction of the full national milk scheme it became evident that a considerable amount of accountancy work would be associated with the purchase and sale of milk in each milk district.

As an alternative to the establishment of district offices to handle this work, the Milk Marketing Division entered into an agreement with each producer association whereby the monthly returns required by the Division for administrative purposes were completed by the secretarial staff attached to each association. As recompense for this service each producer association was paid an administrative levy of $\frac{1}{4}$ d. per gallon on milk sold direct to vendors for distribution and $\frac{1}{8}$ d. per gallon on milk sold to treatment houses for processing.

(9) *Payment of Local-body Levies*

In terms of sections 73 and 74 of the Milk Act, 1944, each local Milk Authority may, in consultation with the Central Milk Council in order to meet administrative costs, impose a levy on milk sales within each milk district up to $\frac{1}{4}$ d. per gallon, or, under special circumstances and with the written consent of the Central Milk Council, up to $\frac{1}{2}$ d. per gallon. This levy is payable by sellers of milk within the district, but as all vendors and treatment houses under the national milk scheme have been placed on fixed service margins the payment of the local Milk Authority levy is reimbursed to all sellers by the Milk Marketing Division.

(10) *Wellington Thirty-mile Milk Producers: Payment of Special Winter Feed Allowance*

The report of the Milk Commission, 1943, had made special reference to the increased costs of winter feed incurred by town milk producers operating within the thirty-mile radius of Wellington. This situation was the subject of a cost investigation during the early part of 1945, and, after consideration the Minister of Marketing, in recognition of additional costs involved in producing milk from this area for supply to the Wellington Metropolitan Milk District, agreed to a special payment of $\frac{1}{2}$ d. per gallon on all sales made by the Wellington Dairy Farmers' Association during the 1945-46 milk year.

(11) *Summary of 1945-46 Operations*

(a) On the 31st August, 1946, there were in operation thirty-three producer associations guaranteeing 73,229 gallons of milk per day, an increase of seven in the number of organizations and an increase of 11,829 in gallonage over the figures for the previous milk year. A schedule detailing the names of the organizations and the daily quantity of milk guaranteed is contained in Appendix D of this report.

(b) Sales of the various types of milk purchased and sold under the national milk scheme were as follows: raw, 9,207,492 gallons; pasteurized, 20,665,957 gallons; bottled, 14,180,588 gallons; loose, 15,692,861 gallons.

(c) Total expenditure for the period amounted to £397,782, and details of expenditure are contained in Appendix E included in this report.

APPENDICES

APPENDIX A.—LIST OF PRODUCER ORGANIZATIONS APPROVED OF BY MINISTER OF MARKETING, 1944-45 MILK YEAR

Name of Organization.	Amount of Milk responsible for Daily, in Gallons.
Whangarei Co-operative, Ltd.	950
Auckland Groups—	
Stonex Co-operative, Ltd.	5,500
Auckland Milk Co.	4,118
New Zealand Co-operative Dairy Co.	12,084
North Shore Co-operative, Ltd.	2,300
Hamilton Group—	
New Zealand Co-operative Dairy	780
Hamilton Co-operative, Ltd.	2,300
Rotorua Co-operative	560
Poverty Bay Co-operative	1,000
Napier Co-operative, Ltd.	1,570
Hastings Co-operative	1,200
Maharahara Co-operative Dairy Co.	500
Manawatu Co-operative, Ltd.	1,935
New Plymouth Milk Supply Association, Ltd.	1,900
Feilding Co-operative, Ltd.	320
Wanganui Co-operative, Ltd.	2,588
Nelson Co-operative, Ltd.	1,550
Christchurch Group—	
Canterbury Dairy Farmers' Co-operative	6,770
Christchurch Metropolitan Milk Co-operative	4,750
South Canterbury Co-operative Association	1,400
North Otago Producers' Association	250
Bruce Scott, Mataura	110
Dunedin Group—	
Dairy Farmers' Co-operative	2,800
Town Milk (Dunedin), Ltd.	2,340
Southland Producers' Association	1,450
Westport United Dairies	375

26 associations = 61,400 gallons.

APPENDIX B.—PAYMENTS MADE BY THE MILK MARKETING DIVISION IN RESPECT OF MILK SUPPLIED FOR HUMAN CONSUMPTION DURING THE PERIOD DECEMBER, 1944, TO 31ST AUGUST, 1945

Particulars.	Net Amount expended.
Special winter price payment to producers in Christchurch and Dunedin (see page 4)	£ 12,753
Payment of 1943-44 farm-costs allowance to town milk producers (see page 4)	18,035
Payments made to producers' associations and treatment houses under the National Milk Scheme (see page 7)	190,129
Equalization payments to Wellington City Council to cover operational costs to the 31st August, 1945 (see page 10)	30,000
	250,917

APPENDIX C.—BASIS OF PARTICIPATION IN THE NATIONAL MILK SCHEME, 1945-46.
BY APPROVED SUPPLY ASSOCIATION

(Points of Agreement made between the Minister of Marketing and the
Executive of the Town Milk Producers' Federation)

1. To qualify for participation in the National Milk Scheme organizations of town milk producers must be approved by the Minister of Marketing as supply associations for any given area. Where more than one association of town milk producers is responsible for the supply of milk to any given area the organizations concerned will be required to form a committee of supply, and this committee will constitute the supply association.

2. The Milk Marketing Division will, as early as practicable, nominate the daily quantity of milk which supply associations are required to make available for town requirements in respect of each defined milk area with a penalty for non-performance.

3. Such nominated quantity to be an amount fixed after consultation with the producers association compiled on a normal average of town and school requirements (Monday to Friday consumption) and subject where necessary to adjustment to meet exceptional seasonal variations.

4. No winter nominated quantity assessment is to be higher than the summer assessment, unless such arrangement is made by mutual agreement with the relative supply association.

5. Revision of nominated quantities can be made at any time by agreement between the Milk Marketing Division and the supply association. In the event of any disagreement arising between the Milk Marketing Division and the supply association the matter shall be referred to the Executive of the Town Milk Producers' Federation for final determination in consultation with the Director.

6. "Defined area" means a milk district constituted under the Milk Act with such additions as may be agreed upon between the Milk Marketing Division and the supply association, such agreement to be subject to undertakings as to vendors' margins.

7. *Penalty Provisions.*—Supply Associations will be liable to pay a penalty of 1d. per gallon on all milk short supplied for town requirements, such short supply to be calculated on a seven day basis commencing each Sunday and ending on Saturday, the nominated daily amount to be multiplied by 7 to ascertain the total weekly obligation, and the amount of penalty to be paid to be on the difference between that figure and the amount actually made available for town requirements during that seven day period.

8. Exemptions from penalty provisions to be granted on the recommendation of the Minister of Agriculture and in respect of events determined by the Minister as being beyond the reasonable control of producer associations.

9. Where there is a committee of supply each constituent member shall be responsible for its proportionate part only of the undertaking.

10. *Surplus Milk.*—Supply Associations shall be entitled to payment of the full national milk price up to the nominated quantities, plus 10 per centum or actual sales, whichever is the greater. In estimating that 10 per centum a calendar monthly basis shall be adopted so that if for the calendar month as a whole the supply association certifies with a supporting statutory declaration (or declarations in the case of a Committee of Supply) that it had available from quoted suppliers 10 per centum of milk in addition to the nominated quantity, it shall qualify for payment in respect of the full 10 per centum irrespective of daily fluctuations during the calendar month in question.

11. *Requirements for Supply Association seeking Approval.*—An undertaking in writing will be required in respect of the following:—

- (a) That responsibility is accepted to make available the daily nominated quantity of milk as nominated by the Milk Marketing Division:
- (b) That from all members of the supply association individual quota guarantees based on the most suitable production period as determined by the supply association have been secured to the total amount of the nominated quantity:
- (c) To lodge with the Milk Marketing Division a schedule setting out the daily quotas of the individual members of each supply association, together with a standard copy of the supplier's agreement covering such quotas:
- (d) To give written acceptance of the national town milk producer prices as announced by the Minister of Marketing:
- (e) To give written acceptance of the penalty provisions.

12. The Government is in respect of each calendar month to be entitled in relief of its responsibility to the benefit of all sales of town milk and to the benefit of all sales of sweet cream, and milk and cream for ice-cream manufacture at the prices fixed by Price Order for such milk and cream less all reasonable collection, distributing and other necessary charges.

The basis of conversion of cream to a milk equivalent shall be 10 gals. milk to 1 of cream in the North Island and those parts of the South Island which rank equally with the North. If the Government agrees to raise the South Island price of milk, then the South Island will accept the basis of 10 gallons to 1 for the purpose of cream conversion; failing such increase the basis to be 11 gallons to 1.

13. In the North Island and those parts of the South Island which qualify for the North Island national milk price credit is to be given to the Government in respect of milk converted into cheese at the rate of 8-6d. per gallon, and milk converted into butter at the rate of 7-8d. per gallon, the credits in other parts of the South Island to be 8d. and 7d. respectively (*all prices at the farm gates*). Wherever reasonably practicable milk for manufacturing shall be diverted to cheese rather than butter.

14. When supply associations utilize surplus milk for the manufacture of dried milk actual net realization shall be given credit for.

15. For the milk year 1945-46 supply associations are to have the right to dispose of all their milk subject to giving the appropriate credits as herein provided.

APPENDIX D.—LIST OF PRODUCER ASSOCIATIONS, MILK YEAR ENDED 31ST AUGUST, 1946

District.	Name of Association.	Daily Nominated Quantity.
Whangarei ..	Whangarei Milk Producers' Association	Gallons. 1,050
Auckland ..	Auckland Milk Co., Ltd.	4,970
	Stonex Milk Producers Co., Ltd.	6,850
	New Zealand Co-operative Dairy Co., Ltd.	14,200
	North Shore Milk Producers' Association, Ltd.	2,200
Hamilton ..	Hamilton Milk Producers Co., Ltd.	2,550
	New Zealand Co-operative Dairy Co., Ltd.	820
Rotorua ..	Rotorua Co-operative Milk Producers' Co., Ltd.	1,000
Tauranga ..	Tauranga Producers' Association	655
Gisborne ..	Gisborne Co-operative Milk Producers' Association, Ltd.	1,590
Hawke's Bay ..	Hawke's Bay Raw Milk Producers' Co-operative, Ltd.	3,000
Dannevirke ..	Maharahara Co-operative Dairy Co., Ltd.	675
Palmerston North ..	Manawatu Co-operative Milk Producers' Co., Ltd.	2,405
Stratford ..	Stratford Co-operative Milk Supply Association, Ltd.	405
New Plymouth ..	New Plymouth Dairy Farmers' Co-operative Milk Supply Association, Ltd.	1,516
Eltham ..	Eltham Milk Producers' Association	110
Wanganui ..	Wanganui Co-operative Milk Supply, Ltd.	1,616
Raetihi ..	Raetihi Milk Producers' Association	230
Nelson ..	Nelson Co-operative Milk Producers' Association, Ltd.	1,595
Westport ..	Westport United Dairies, Ltd.	400
Christchurch ..	Christchurch Metropolitan Milk Suppliers' Co-operative Association, Ltd.	2,700
	Canterbury Dairy Farmers' Co-operative Milk Supply Co., Ltd.	10,400
Timaru ..	The South Canterbury Co-operative Milk Supply Co., Ltd.	1,900
Oamaru ..	North Otago Milk Producers' Association	466
Dunedin ..	Town Milk (Dunedin), Ltd.	1,650
	Dairy Farmers' Co-operative Milk Supply Co., Ltd.	5,000
Invercargill ..	Southland Wholesale Milk Producers' Association	2,450
Mount Maunganui ..	Mount Maunganui Milk Producers' Association	88
Hawera ..	Hawera Co-operative Milk Supply Association, Ltd.	270
Waimate ..	South Canterbury Co-operative	200
Ashburton ..	Ashburton T.M.P.	286
Waipukurau ..	Waipukurau Milk Producers	120
Blenheim ..	Blenheim Milk Producers	320

33 associations = 73,329 gallons.

APPENDIX E.—PAYMENTS MADE BY THE MILK MARKETING DIVISION IN RESPECT OF MILK SUPPLIED FOR HUMAN CONSUMPTION FOR THE PERIOD 1ST SEPTEMBER, 1945, TO 31ST AUGUST, 1946

Particulars.	Net Amount expended.
	£
Payments made to producers' associations and treatment houses under the National Milk Scheme (see pages 7 to 9)	255,045
Loss on disposal of surplus milk acquired under the National Milk Scheme (see page 9)	34,894
(NOTE.—The total cost of purchase of surplus milk at national milk prices against actual realization was the equivalent of 0.2795d. per gallon.)	
Payment of administrative levy to producers' associations (see page 11) ..	7,342
Reimbursement of local-body levies (see page 11)	2,505
Payment of special winter feed allowance to Wellington thirty-mile producers (see page 11)	6,900
Equalization payments to Wellington City Council to cover operational costs (see page 10)	68,773
Payments to Wellington City Council : recovery of trading losses (see page 10)	11,545
Payments of additional transport and handling costs incurred in obtaining emergency milk supplies (see page 10)	10,778
	397,782

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