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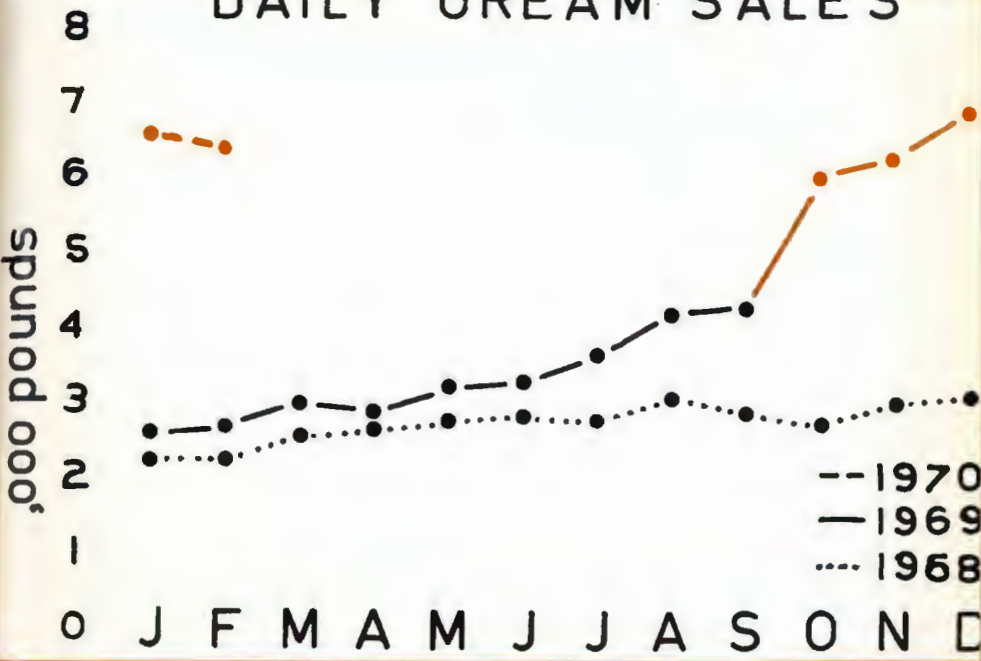


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Adelaide, JANUARY-FEBRUARY, 1970

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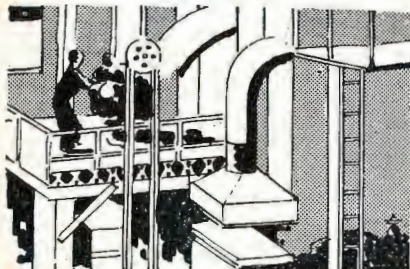
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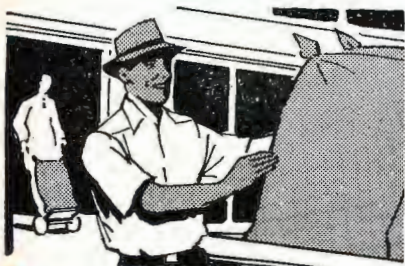


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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



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**THE SOUTH AUSTRALIAN DAIRYMEN'S ASSOCIATION
INCORPORATED**

Aston House, 13 Leigh Street, Adelaide. 51 3034

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N. M. GREEN

General Secretary:
DAVID J. HIGBED

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RECEIPTS TAX AND THE DAIRY FARMER SHOULD THE TAX BE PAID ON MILK? "NO," SAYS ASSOCIATION'S SOLICITOR

Just a year ago, on 1st February, 1969, the State Government introduced legislation which required stamp duty to be paid in respect of all moneys received, irrespective of their amount or source except for some specific cases of which wages and salaries were probably the most common.

Very strong opposition was voiced against this tax by primary producer organizations, chiefly on the ground that it was a tax on turnover and not on profit, so that it would be paid even when the taxpayer was incurring a loss, and the South Australian Dairymen's Association was represented on a deputation that protested to the Premier (Hon. R. Steele Hall) at this aspect of the tax, and at the discrimination it made between self-employed persons and those receiving salaries or wages.

The deputation was, however, given no satisfaction by the Premier, and as taxes of the same type were being adopted by State Governments throughout the Commonwealth no further action could be taken (or so it seemed to us).

But late in 1969 the Hamersley iron-mining corporation challenged, in the High Court, the ability of the West Australian Government to impose its stamp duty on transactions originating across the State boundary, and the High Court found in favour of Hamersley.

This case was followed by another appeal to the High Court, by Chamberlain Industries, again involving the West Australian Government, but this time the refusal to pay stamp duty was based on the grounds that a duty imposed on goods produced for consumption is an excise, and in the terms of the Federal Constitution, an excise duty can be levied only by the Commonwealth Government not by a State Government. As this decision of the High Court concerned every State Government and involved a substantial portion of the transactions on which Stamp Duty were being paid fears were expressed that the amount of tax received would be greatly reduced if other persons took heed of the decision and refused to pay tax, so the Commonwealth Government, after rejecting proposals by the States for a more reasonable and equitable means of providing finance, promised to pass legislation at Federal level which would take the place of the now discredited State taxes.

This legislation would be retrospective to the time of the High Court decision, so that there would be point in persons refusing to pay the Stamp Duty on the grounds that the State legislation was invalid, as they would subsequently be forced to pay, and retrospectively too, by the forthcoming Federal law.

The Federal law would not, of course, overcome the objections of primary producers. It would still be a tax on turnover, and a tax on losses as well as profits, and it would still be an additional tax imposed at a time when primary producers are having a hard time paying the previous taxes.

But the Federal law has not yet been passed; there is no indication when it will be passed; circumstances may intervene to change the Commonwealth Government's plans.

In the meantime Stamp Duty is being paid under an invalid law where it is paid on goods for consumption.

Does milk come within this category?

The Association sought the advice of its solicitors on this point, and the solicitors' answer is as follows:

"There does not seem to be much doubt that a tax on milk produced on a dairy farm is a duty of excise. Your principal question is whether your Association may advise members not to pay the duty, for the time being, on the sale of milk. In the light of the High Court judgement, it seems to us that your Association should so advise its members. In so advising, however, it would be wise to inform the members of the announcement of the Prime Minister that the Commonwealth Government will legislate in this field and that the legislation will be retroactive. We suggest that in addition to this the members be advised to keep separate from their trading accounts an amount sufficient to meet the duty if and when the Commonwealth enacts its Act."

PRODUCTION CONTROL FOR DAIRYING

IS THE DAIRYING INDUSTRY TO FOLLOW THE WHEAT INDUSTRY IN ADOPTING A FORM OF PRODUCTION CONTROL?

The Minister for Primary Industry (Mr. J. D. Anthony) implied that such action would be necessary if the Government was to continue the present level of underwriting, as uncontrolled increases in the production of butter which could not be sold would involve the Government in heavy expenditure to support the present underwritten value of 34 cents per pound commercial butter.

The Minister's statements were made at a meeting of dairyfarmers held at Warrambool, Victoria, on 16th February, 1970, and jointly convened by the Victorian Dairyfarmers' Association, the Victorian Farmers' Union and the Nestles' Suppliers Association.

The purpose of the meeting was to discuss the plight of the dairying industry and to put before the Minister a request that the Commonwealth Government's underwriting of opening values be increased from 34 cents lb.c.b. to 52 cents.

(NOTE: The purpose of the underwriting is to allow the Commonwealth Dairy Produce Equalization Committee Limited to pay higher opening values than if these values were to be limited to the levels resulting from initial sales. There has been no time since the Commonwealth Government's underwriting was first provided that final rates have fallen below 34 cents lb.c.b.—equivalent to 41.2 cents per pound butterfat—but present production indications and the uncertainty of world butter markets may result in a final return lower than 34 cents. In such a case the Government, in honouring its underwriting, would provide the money necessary to bridge the gap between the final rate received and the original figure of 34 cents.)

The underwritten value of 52 cents, as requested by the meeting, would require a payment by the Government of \$35,400,000 in addition to the present subsidy, devaluation compensation, research subsidies, and the proposed dairy reconstruction fund.)

In replying to the request the Minister said that any proposal to increase the return to the producer by additional Government assistance would benefit the big producer more than the small producer and would encourage even greater production, resulting in even more surpluses.

He explained:

"Our objective should be not to encourage production

"There is going to have to be some pretty drastic thinking.. Maybe we might have to go into the question of production quotas in Australia. So a bit of very dramatic, new, bold thinking is required if the dairy industry is to get itself out of trouble."

PRODUCTION CONTROL POLICY

This is probably the first time on which a Government spokesman of the status of a Minister has appeared to regard production control as a possibility.

The Dairy Industry Committee of Enquiry (the McCarthy Committee) heard much evidence in favour of production control, and gave earnest consideration to the principle, but stated

"Where there are controls there will be law-breakers, and the Committee sees no need to add to the number of either,"

adding

" . . . it would be an admission of defeat . . . it would reduce the total return available for distribution and . . . it would increase the costs of producing and manufacturing the smaller quantity."

The Committee's final rejection of production controls was on moral grounds: "Australia has the conditions for large production of milk and its derivatives and has some moral obligation to use these resources to add to the world's supply of food."

But 10 years later we can look back at the Committee's judgements and criticize them in detail. The "hungry world" is now viewed in a different light; the problem is being tackled, and solved internally; the starving countries are rapidly increasing their own food supplies, mainly through the development of new grain varieties, wheat, rice, and corn, and they no longer depend on developed countries to supply them with food on non-commercial terms. Even if they did, their demands would not include butter.

In the matter of processing costs, an acceptable production control scheme would not curb the output of dairy produce outside the limits set by the domestic participation quotas, and there is every likelihood that total production in economic dairying regions would not decline much if at all, so that factory processing costs would not be affected.

It was less than three years after the McCarthy Committee's Report was published that the dairy industry had cause to question its opinions. In 1963 unsold stocks of cheese in Australia rose to a level that led the Australian Dairy Produce Board to request all factories to cut cheddar cheese production by 10 per cent, and in the period of intensive investigation that followed this request the Executive Committee of the South Australian Dairymen's Association examined the various plans for production control and recommended to the Central

Council that "it considered that some form of industry reconstruction is necessary in order to overcome the problems of surplus dairy produce and recommends that the Gruen Plan be further explored as a possible means of achieving this result." (For an explanation of the Gruen Plan refer to the Sept.-Oct. 1968 issue of this Journal.)

The Executive Committee's recommendation was endorsed by the Central Council on 12th May, 1963 and submitted to the Australian Dairy Farmers' Federation.

The A.D.F.F. subsequently resolved "that no action be taken to introduce a domestic sales quota scheme at present", adding the rider "its introduction would be unlikely unless it had the almost unanimous support of the industry in every State of the Commonwealth, (and) the A.D.F.F. considers that this support would not be forthcoming at the present time. However it is of the opinion that **further consideration should be given to the quota proposal in the light of production trends in the future** and that consideration should be given also to the advantages and disadvantages of controlling the licensing of dairy farms as an alternative."

The Executive Committee studied the A.D.F.F. resolution and recommended to the Central Council "that this clause be supported, but that the S.A.D.A. is opposed to the restrictive licensing of dairy farms as an alternative to a domestic sales quota, and that a further examination be undertaken by the appropriate organizations of the implications and the possible administrative processes involved in a domestic quota scheme."

The Executive Committee's recommendation was endorsed by the Central Council on 27th June, 1963, but the further examination called for was never carried out, as with the passing of the "cheese crisis" the A.D.F.F. did not take the matter further, and no further mention was made of production control until, in August, 1968, the A.D.P.B.'s Director of Marketing Research (Mr. M. Singh) at the Second National Butter Marketing Conference, suggested that a study of a domestic market quota plan would be worthwhile because of the growing problems of butter surplus. The subject was not, however, pursued.

In November, 1968, the Australian Primary Producers' Union submitted to the Minister for Primary Industry a plan for the dairying industry which embodied a production control plan based on the evidence given by the "Sydney Group" of agricultural economists to the McCarthy Committee. (An explanation of the "Sydney Group's" scheme and an appraisal of the A.P.P.U. Plan is also given in the Sept.-Oct. 1968 issue of this Journal.)

Although this Association's proposal to the A.D.F.F. in 1963 had been rejected by that body, the Association had never rescinded its support for the Gruen plan, and when the report of Mr. Anthony's statement at Warrambool was considered by the Executive Committee, it was decided to recommend to the Central Council that the South Australian Dairymen's Association support the immediate introduction of a two-price domestic market participation scheme similar to the Gruen plan for all milk other than whole milk, a decision that was subsequently endorsed by the Central Council and will now be placed before the A.D.F.F. for consideration.

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THE CREAM CAMPAIGN

The upsurge which followed the launching of the Cream Campaign and which, within three months, practically doubled the sales of South Australian Cream, has been replaced by a levelling off in volume at a little over twice that of the same period in 1969.

This result is gratifying, and credit must be given to all who participated in achieving it, but there is no cause for our efforts to be relaxed now.

As the increased sales were achieved by a combination of promotional publicity and price adjustment, the financial return to the South Australian industry is not reflected in the sales figures, and daily sales of nearly twice those of the preceding year are necessary for the scheme to be a financial success.

This level was reached and passed during December and January, but early figures for February indicate a decline.

Admittedly the weather in February, being rather warmer than last year's, was not conducive to cream selling, as we have found from previous experience, where, after December (perhaps because of Christmas pudding), sales tend to fall and not to rise again until late Autumn, that a spell of hot weather will depress sales even further.

Nevertheless, and whatever the reason, immediate action should be taken to ascertain the reason for the fall, and to apply corrective measures.

UNITY

. A REPORT OF PROGRESS

At its meeting on 12th June, 1969, the Central Council empowered the Executive Committee to negotiate with the Dairy Section Executive of the U.F.G.S.A. up to the point of a final proposal for submission to the Central Council.

However, difficulties were encountered in discussing with the Dairy Section Executive on financial and constitutional matters, and the Council later decided that negotiation should take place with the senior officers of the U.F.G.S.A. concerning a possible affiliation between the two organizations on the lines set out in the July-August 1969 issue of this Journal.

The U.F.G.S.A. delegates, although receptive to much of the contents of the proposals, particularly the form of administration, bluntly rejected any possibility of "affiliation", stating that they would accept no other relationship than full amalgamation.

Although amalgamation would mean the disappearance of the S.A.D.A. as a separate body the provisions in the U.F.G.S.A. Constitution concerning the autonomous administration of commodity sections allowed the drafting of alternative proposals which, whilst based on amalgamation, retained all the effectiveness of the S.A.D.A. system of administration (with control coming directly from members through Districts, the sending of delegates to Central Council, which is the governing body, and the carrying out of work by an Executive Committee answering to the Central Council) and allowed this system to be applied to the whole dairy section throughout the State by the creation of three Regions, each having a Regional Council and Executive, with overall control being vested in a representative State Dairy Council.

These alternative proposals will form the basis for discussion at the next meeting of the combined Negotiating Committee in April. In the meantime a meeting has been held between the Executive Committee of the S.A.D.A. and the South Eastern Dairymen's Association to see whether a three-way amalgamation could be achieved simultaneously. Although the S.E.D.A. required time for further consideration of the proposal by their Central Council, it appears that they could be sympathetic to the scheme. Such a decision would be welcomed by the S.A.D.A. as we have been colleagues with the S.E.D.A. ever since their formation, and if an amalgamation came about between the S.A.D.A. and the U.F.G.S.A., the Dairy Section, which the S.A.D.A. would then compose, would be in competition with our erstwhile colleagues and fellow-members of the A.D.F.F.

THE ROLE OF THE DAIRYMEN'S JOURNAL

The South Australian Dairymen's Journal, now in its eighth year, has attracted considerable commendation here and in other States, for its presentation and for the quality of the material it contains. Our policy has been to provide information not available elsewhere which would enable the dairyfarmer to have a better knowledge of his industry in order that he might be better equipped to make reasoned judgements concerning the progress of the industry and participate more effectively in the affairs of the Association.

The Journal was not intended to teach our members how to be better dairyfarmers—this job is done by the Agricultural Bureau and the Journal of Agriculture, and by the specialist primary industry newspapers—although it did, on

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occasions, publish news of the latest advances in farming techniques, or new developments in agricultural machinery where such news seemed to hold promise of being applicable eventually to local conditions.

We believe the technical side of dairyfarming was well-enough served not to need our contributions—there were ample sources from which our members could obtain the information they needed on running a dairyfarm. But there was no regular means by which they could be informed on these subjects which, in the end, are as important to the industry and to the farmers themselves,—prices, marketing, trade, legislation—any of which can have as great an influence on a producer's income as the technical aspects of dairyfarming.

There has been, however, one feature of this aspect that we have tended to dismiss—the part the Association plays in bringing about developments in this non-technical field, and the reason has been the slowness with which such developments are evolved, and often the many failures that are encountered before something worthwhile is achieved.

A perusal of the minutes of Central Council meetings will reveal the extremely long period of time that elapses between the generating of an idea and its eventual materialisation into something that will actually have a direct effect on a dairy farmer. In many cases this evolutionary process will extend over some years, each step being debated by the Central Council, each interim decision of the Council being taken further by the Executive Committee, or by a Special Committee set up for the purpose, and each move taken by these bodies being further developed in conferences with Government Ministers, State Departments or other bodies.

And when the subject is one that has a Federal, rather than a local application, other links—the Australian Dairy Farmers Federation, the Australian Dairy Industry Council, and Commonwealth Ministers and Departments—must be added to the chain of development, and the time extended accordingly.

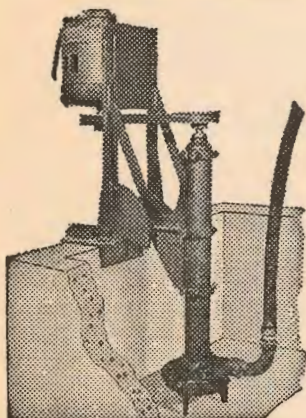
Moreover, not all these moves are successful. Although we pride ourselves with the responsible attitude that we adopt, in not seeking the impossible or the impractical, there are occasions on which we have not achieved what we wanted, and the chronicling of debate and decision on these matters, with a report on the final rejection by the authority concerned, would make tiresome and unrewarding reading.

Nevertheless we have received an increasing number of requests from Districts to have the work of the Association, through its Central Council and its Executive, published in the Journal so that members can see for themselves what is being done, particularly when resolutions from Districts are involved.

The number of resolutions received from District meetings varies considerably. At times they are very few, at other times many. At times they are a reflection of District opinion, in support or opposition, concerning a matter that is already being considered by Council or Executive; at other times they put forward a completely new idea. District members believe they are entitled to know what happened to their ideas, and they believe the best way is through the Journal.

So, from now on (and for how long depends on the progress of talks on unity, and whatever decision is made, if the proposals for unity are acceptable, concerning the future of the Journal) the Journal will contain a far greater content relating to the work of the Association, through its Council, its Executive, and its Special Committees.

Perhaps by adopting this policy we may overcome the problem that we so often encounter, that of ignorance, among our members, of just what we are doing. From time to time we receive news, either by letter from the member, which is the correct method, or by advice from a factory or a bank, that a person no longer wishes to be a member. On these occasions we visit or telephone the



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member concerned, and ask why. Almost invariably the answer is "Because the Association is not doing enough." Sometimes the answer is even "Because the Association is not doing anything!" Those of us who participate actively in the work of the Association as delegates to Central Council, as members of the Executive Committee, as Directors on the Board of the Equalisation Committee, as representatives of the Association on a number of statutory Boards and Committees, and as members of the Special Committees several of which are always functioning at any one time know how untrue these statements are. We know how much has been done, how much is being done, and how much is still to be done, for everyone of our members, and for dairyfarmers generally. We can point to such things as increased returns over the last 10 years, to higher bounty for cheese, to action concerning marketing, legislation and other matters, that have been the direct result of initiation or participation by the Association.

But perhaps those who are not so active, who see the Association only as something that costs them three dollars or so per year, for which they can see no results, can be excused for thinking that the advantages they have obtained in very many matters pertaining to their farming operations, are the result of some sort of Dairy Farmers' Santa Claus, if we do not demonstrate what we are doing for them while we are doing it. It is probably our fault if these people, when they read that the Board has announced this . . . or the Minister announced that . . . think that these actions were the result of Boards, or Departments, or Ministers, saying "What can we do for our poor dairyfarmers this time?" It will be the job of the Journal to show that their thinking is wrong.

SENSE AND NONSENSE ABOUT DAIRY FOODS

The statements below, produced by Prof. J. Yudkin (United Kingdom) were supported—at a meeting held in Paris on 4th March, 1969—by a group of Nutritionists comprising, together with Prof. Yudkin, Dr. B. H. Blanc (Switzerland), Prof. Dr. W. H. Halden (Austria), Prof. Dr. C. den Hartog (Netherlands), Pro. Dr. A. Lembke (Fed. Germany) and Prof. J. Trémolières (France).

1. There are still an awful lot of misconceptions about milk, and also about cream, butter, cheese and yogurt.
2. Milk more than any other single food supplies protein, vitamins and minerals, and is a great provider of energy.
3. Nutritionists and doctors have given pride of place to milk as a food for adults as well as for children and young people, and we too regard it as the most nearly perfect food.
4. As far as energy goes, milk has fat and carbohydrates (milk sugar). As well as energy, milk contains much more of the important nutrients than most other foods. For example, the protein in a litre of milk is about one half of what an adult would need in a day—quite a reasonable contribution from only one food. It so happens too, that the protein from milk has a very good assortment of amino acids, just the sort that the body requires. Of the vitamins, milk has a rich assortment, but not all of them in the same proportions. For example, a litre of milk supplies about 25% of your daily needs of vitamin A and vitamin B, and about 75% of your daily needs of riboflavin, one of the vitamins of the B group. It has 16% of your daily needs of vitamin C and nicotinic acid, and is a good food for supplying vitamin D, and particularly vitamin B12, which you will not get in any vegetable food.
Thus, milk has overall a better assortment of nutrients, in quite significant amounts, than any other one food. The more children eat of other foods, the more it is possible that the foods that supply the proteins, vitamins and minerals they need will be crowded out of their diet.

Anyone who poses the question as to whether milk, cream and butter are fattening does not really understand what makes people fat, and what they should do to get thin again. No single food makes you fat. An excessive amount of foods of all sorts is needed to do this. Fat people are usually those who eat too much of the foods containing carbohydrate. That means starch and sugar. And fat people invariably lose weight when they eat a diet that is low in carbohydrate.

What overweight people should eat is just as important as what they should not eat. They need fewer calories but they need just the same amount of protein and of other nutrients as everyone else. The best way of doing this is to choose foods that have a high proportion of nutrients relative to the calories they contain. The inclusion of milk in a diet is one good way of ensuring that such a diet still contains all the nutrients needed for health and well being.

5. The chief function of **butter** in the diet is as a good supply of energy. It also contains the vitamins which go with the fat of milk, chiefly vitamins A and D. Cream, from which it is made, consists of a lot of tiny fat droplets suspended in a watery solution, and which, when churned, allows the droplets to collect together, and the water solution to separate out. The fluid is called buttermilk, and is widely consumed directly as a valuable food.
6. Some years ago, a suggestion was put forward that coronary thrombosis was caused mainly by an excessive consumption of animal fats. However, research experiments using normal quantities, not excessive quantities, of animal fats in the diet have left the theory quite unproven. Coronary thrombosis is on the whole a disease of affluence, and affluent countries differ from poorer countries in many ways, not only in eating more fat. Diet is not the whole story. For example, people who lead sedentary lives seem to be more prone to coronary thrombosis than those who are physically active. Recent research suggests that other dietary factors than fat may be involved.

Fats of vegetable, fish or whale-oil origin, though of some nutritional value, do not themselves possess some of the valuable vitamins contained in butter. Furthermore, there is evidence that some vegetable fats are associated with arteriosclerosis.

7. The nutritional value of **cheese** depends largely on the nutritional value of the milk from which it is made, and whether the process of cheesemaking has been with full cream milk, or with skimmed or partly skimmed milk.

As the added rennet turns the milk to curds and whey, one of the most important proteins, casein, brings down the calcium and the fat, and the vitamins dissolved in the fat. By some curious phenomena, some of the vitamins which are soluble in water, get stuck on the curd and come with it. As a result the nutritional value of cheese is extremely high. Particular cheeses, traditional to each country, are tremendous nutritional bargains. They are rich in protein and in fat, have large amounts of calcium and riboflavin (one of the B vitamins) and useful amounts of vitamins A and D. In fact you get more for your money in all these things than you do from almost any other food.

8. **Yogurt** is a rather special sort of fermented milk. It is special because of the particular variety of the lactic acid producing bacteria that are used to make the ferment. Many doctors recommend regular consumption of yogurt. From the point of view of its nutrients, it is almost exactly the equivalent of the milk from which it is made except that some of the milk sugar in it has been used up by the bacteria in making the lactic acid. The amounts of minerals, protein and vitamins are virtually the same as in ordinary milk. This is a very good reason why you should eat yogurt because nutritionally it is as good as milk, which means it is very good indeed.

FARM IMPLEMENTS AND COMPULSORY INSURANCE

The Motor Vehicles Act of South Australia exempts certain farm vehicles and implements from having to have Compulsory Third Party Insurance.

To assist S.A. Dairymen's Association members, a summary of farm vehicles not requiring registration and insurance is set out.

Tractors: Farm tractors may be driven on roads within 25 miles of the owner's farm for the following purposes:

- (1) delivery after purchase or disposal on sale of the vehicle
- (2) to and from a workshop for repairs
- (3) drawing farm implements
- (4) proceeding to where implements are to be attached or removed
- (5) drawing a **registered and insured** trailer between two or more portions of the farm.

If there is no repairer within 25 miles then the tractor is allowed to go to the nearest repairer.

Farm Implements: Can be drawn on roads by a tractor or motor vehicle within 25 miles of the farm occupied by the owner.

Self Propelled Farm Implements: Can be driven on roads within 25 miles of the farm occupied by the owner.

If there is no repairer within 25 miles the implement is allowed to go to the nearest repairer.

Trailers: These vehicles are not classed as farm implements and require registration and insurance if they are to be used on roads.

As compulsory insurance is not required Federation Insurance have looked after the Farmer by their Special Farmers Public Liability Policy. Unlike most public Liability policies this one does include protection for claims caused by vehicles not requiring Compulsory insurance. As an additional benefit it also covers property damage caused by the vehicle whereas the Third Party policy only looks after death or personal injury.

We suggest that you discuss your Insurance problems or needs with the Company recommended by your Executive. Simply contact Federation Insurance Limited at the corner King William Street and South Terrace; 'Phone 8 4541 or your nearest District Secretary for help.

FINNISH "SOIL BANK"

Finland has launched a new "farm retirement" programme to reduce surplus production.

Almost 250,000 acres are expected to be "retired" over the next two years at a cost of about \$6 million.

Under the programme, farmers over 60 years old with small farms may voluntarily stop farming from 5.5 to 34.6 acres each and receive annual compensation of the equivalent of about \$30 (Aust.) per acre. This is roughly equal to the estimated income per acre on the farm affected.

The government launched the programme in an effort to stop further accumulation of surpluses, especially grains and butter.

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Prices and Statistics

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Total since July 1		Total since Jan. 1	
	1968	1969	1968/69	1969/70	1968	1969
Dec.	5,170	5,519	30,111	33,371	50,735	56,489
	1969	1970	1968/69	1969/70	1969	1970
Jan.	4,448	5,080	34,559	38,451	4,448	5,080

MILK SALES (000 gallons)

	For month		Total since July 1		RATIO per cent		C.M.B. cents	
	1968	1969	1968/69	1969/70	1968	1969	1968	1969
Dec.	1,747	1,781	10,703	10,824	33.8	32.3	20.91	21.28
	1969	1970	1968/69	1969/70	1969	1970	1969	1970
Jan.	1,780	1,729	12,483	12,553	40.0	34.0	24.46	22.19

Moving average ratio for 12 months ended 31/12/69, 38.52%;
31/1/70, 38.00%.

INTERIM PRICES TO LICENSED SUPPLIERS

(All prices are interim only and subject to adjustment by retrospective payment)

	Basic	C.M.B.	Total	3.5%	4%	4.5%	5%
1969							
Dec.	36.89	21.28	58.17	21.0	24.0	27.0	30.0
1970	(cents per lb. butterfat)			(cents per gallon)			
Jan.	36.89	22.19	59.08	21.3	24.4	27.4	30.5

LONDON PROVISION EXCHANGE QUOTATIONS

(Sterling Currency per cwt.)

		December		January	
		1968	1969	1969	1970
Butter—Choicest Australian	300/—	300/—	300/—	300/—
Cheese—Rindless Australian	230/—	230/—	230/—	230/—

EAT DAIRY FOODS OR CRUMBLE INSIDE

Nutritionists say that children need 24 fluid ounces, or more, of milk daily; adults 16; teenagers and expectant mothers 32 or more. An equivalent dairy product could be eaten.

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Calcium supplies can be obtained from other sources; but lactose and certain proteins are not present, as in milk, to promote absorption of calcium. Therefore, without milk or milk products, little calcium enters the blood for bone formation, growth and fertility.

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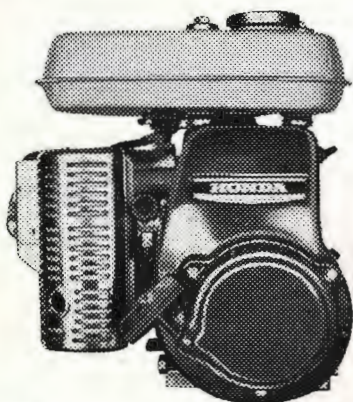
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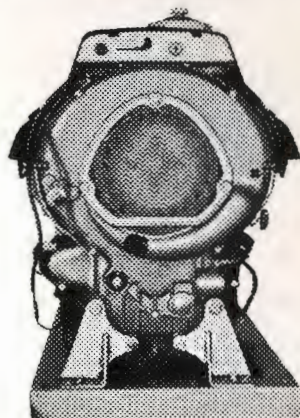
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THE SOUTH AUSTRALIAN
DAIRYMEN'S . . .

Journal



The Official Publication of the

Published Bi-monthly

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Adelaide, MARCH-APRIL, 1970



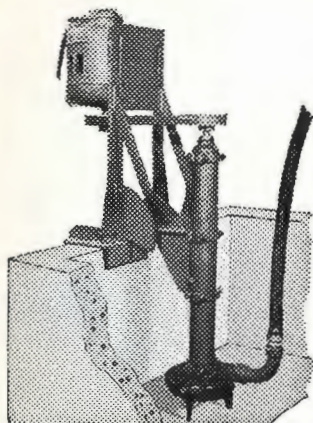
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CREAM SALES

The sales of "Fresh as the Morning" South Australian Cream supplied by licensed dairyfarms in the Adelaide Milk Supply area continue at a level just below twice that prevailing at the same time in the previous year.

In the charts shown on the covers of the previous two Journals, although the increase is quite spectacularly apparent, the amount of increase is not readily calculated. The chart on the cover of this issue shows the amount by which sales have increased in each month of the campaign, which commenced in October, compared with the same month of the previous year. The dotted line shows the total increase at the end of each month for the whole period since the campaign began.

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The Handbook won high praise throughout Australia, being described by the manager of one of the nation's largest dairy companies, with years of experience in bulk milk handling as "the best thing ever published on bulk milk."

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THE DAIRY CRISIS

AT THE CROSSROADS?

It is a truism to say that the Australian dairy industry is at the crossroads. It has been at the crossroads before.

It was at the crossroads in the immediate post-war years when a combination of pressures—the necessity to re-equip farms and factories after the war-time restrictions, the onset of galloping inflationary pressures caused by the sudden release of pent-up demands for consumer and capital goods, and the urgent need for a massive lift in food production—brought about an economic crisis that was checked (it was never completely cured) by the setting-up of the Joint Dairying Industry Advisory Committee and the introduction of the first of the 5-year Federal Dairy Stabilisation Schemes that are now (though the present 5-year scheme which will efflux in 1973 may be the last in that form) a permanent part of the Australian dairy scene.

It was at the crossroads in 1963 when, owing to over-production generally throughout the dairying countries of the world, we faced the problem of an unsaleable surplus of cheese, and received an urgent request from the Australian Dairy Produce Board to cut cheese production by 10 per cent, a request which the industry found hard to meet and which, whilst we were still desperately trying to find ways to achieve the necessary reduction, was withdrawn because a drought during the Northern Hemisphere summer caused a world shortage of cheese.

The industry was at the crossroads a year later when it seemed certain that Britain would enter the European Economic Community, the so-called "Common Market", and we were confronted by the possibility of losing, with at best a phasing-out period of a few years, almost the whole of our export market for dairy produce. The industry took urgent action, looked elsewhere for markets and, in the case of cheese, found a market in Japan which has now outstripped that of the United Kingdom whilst butter is sold in a score of countries never before considered.

The cross-roads were encountered again in 1969 when the Australian Dairy Produce Board, this time acting in advance of a crisis position, sought to prevent a repetition of the 1963 situation by imposing production quotas on cheese factories, by limiting its advances on cheese for export.

OVER-PRODUCTION NOT THE CAUSE

Each of these crises was surmounted by contrived or fortuitous action. The present crisis is different. The Federal Government has issued a demand—the industry must restructure itself or face consequences which could, almost certainly would, bring about a disruption which would leave only the strongest surviving.

But one fact which must be clearly recognised, and publicised on every possible occasion, is this—the claptrap that is voiced about over-production and irresponsible expansion, whilst it is true of many primary industries, does not apply to the dairy industry. The following table, which lists Australia's seven problem commodities shows that, during the last 10 years, production in the dairying industry has increased at little more than half the growth rate of the population, which increased by 20 per cent over the same interval.

INCREASES IN TOTAL PRODUCTION — AUSTRALIA

Commodity	Unit	1958/9	1968/9	Per cent Increase
Wheat	million bushels	215	544	153
Citrus	thousand bushels	7,302	14,586	100
Sugar	thousand tons	1,412	2,500	77
Eggs	million dozen	95	165	74
Apples	thousand bushels	13,044	22,174	70
Wool	million lbs.	1,591	1,953	23
Dairy	million gallons	1,370	1,526	11

Certainly we have (or would have had, but for the restrictive measures now being applied) "over-production" in the sense that portion (though probably a smaller portion than is generally claimed) of our dairy produce is being sold on export markets at less than the average cost of production and we may find that even the present restrictions will not prevent the accumulation of a small unsaleable surplus of butter, but the "over-production" is not the result of irresponsible expansion. It is caused almost entirely by the reduction in export markets brought about by the massive price support schemes applied by the E.E.C. countries, particularly France, which have so expanded dairy produce output in those countries that the huge surpluses are being peddled throughout the world at prices that cover little more than the costs of distribution.

EFFICIENCY AND PRODUCTIVITY

Of course it may be argued that, faced with such a situation, and with the possibility of Britain's entry into the E.E.C. still unresolved, the Australian dairy industry should not have expanded by even a modest 11 per cent. Against this must be set the fact that increased cost efficiency can come only through increased productivity; the capital and fixed costs of the enterprise must be applied to a greater output.

That this aim of greater efficiency has been achieved is demonstrated most effectively in productivity per cow which, over the 5-year period 1964 to 1969, has increased, in total, by 12 per cent, from 467 gallons to 522 gallons annual average. But this result, laudable though it is, is dwarfed by the performance of South Australia, the "driest State in the world's driest continent", the leading State in 1964 with 614 gallons which has, during that period, increased productivity per cow by 15.5 per cent to a staggering 709 gallons average, a figure which not only makes it the first Australian State to exceed 700 gallons average, but also puts South Australia ahead of such other world dairy leaders as New Zealand (600 gallons), Eire (520 gallons), France (640 gallons), as well as all the dairying countries in Eastern Europe, these leaders having, for many years, been held up to us as examples we should follow if we were ever to be efficient in dairying.

Claims to efficiency cannot, however, solve the problem which now faces the industry, in fact efficiency may even have added to the problem—for it is our efficiency, in terms of productivity, that has led the Federal Government to demand that the industry impose on itself some form of restriction.

"UNDERWRITING"

The present "crisis" has resulted from the Federal Government's assessment of its possible liability under the "underwriting" arrangement which it has provided for the Australian dairy industry during the last 11 years.

Prior to 1958 it was the custom for the Commonwealth Dairy Produce Equalisation Committee to determine, at the beginning of each financial year, an opening rate of payment for butter and cheese set conservatively at a level which could be safely financed by the return from sales from the new season's production, with price "step-ups" being provided whenever returns from sales had mounted up sufficiently to justify an increased rate of payment.

The industry thus became accustomed to an initial rate which was very considerably less than the final rate, which was eventually achieved by several "step-ups", applied retrospectively, of relatively large size. In 1958 the Federal Government offered, as part of its Stabilisation Scheme, to "underwrite", by arrangement with the Reserve Bank, the payment of an opening rate based on a conservative forecast of the final rate, thus allowing the payment of a higher opening rate, and a consequent reduction in the size of the "step-ups" by which the interim price was moved up to the final price.

The opening rate in the first year of underwriting (1958-59) was 34 cents lb. commercial butter equivalent (equal to approximately 41 cents lb. butterfat) and the underwritten value has remained unchanged for the past 11 years. However, the final rate during that period has, through declining export values, decreased, so that, when sales for the 1969-70 season are complete, the final rate for butter factory suppliers will be only fractionally higher than the opening rate at the underwritten value.

THE PROSPECT OF SURPLUS

It was with this knowledge that the Commonwealth Equalisation Committee and the Department of Primary Industry looked at the production and marketing forecasts for the 1970-71 season. Already it seemed that butter production for 1969-70 would reach the record total of 220,000 tons, and seasonal conditions and production trends pointed to figures at least 10,000 tons higher in the coming season. Although production in N.S.W. and Queensland would not, owing to the continuation of dry conditions, reach the levels prevailing prior to 1967, there were signs of a further massive increase in Victoria where output had increased by 30 per cent in two years, to reach 64 per cent of total Australian output. Tasmania, too, was showing a rate of increase which, though not as spectacular as that of Victoria, was steady. In South Australia and Western Australia, both of which were in any case, with N.S.W., net butter importers, producing less than domestic consumption, production was steady, and showed no signs of rising above the general levels of earlier years.

The industry consequently faced the prospect of a butter output in 1970-71 some 15,000 tons higher than the total of domestic and export markets. In such a case the Commonwealth Government found itself in a position when an underwritten figure of 34 cents would be greater than the actual return, and although it had never been intended that the "underwriting" should involve an actual payment by the Government, this situation would require the provision of \$20.5 million to make up the difference.

THE GOVERNMENT'S REACTION

The Commonwealth Government consequently drew the dairy industry's attention to the alternative—either a return of 30 cents per lb. commercial butter (4 cents less than the previous year) on an estimated output of 230,000

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tons, with 15,000 tons added to the estimated 5,000 tons surplus from 1969-70 or a scheme to control production at a volume related to the expected market demand of 215,000 tons. "Clearly," said the Government, "the position has now been reached, as with wheat, when production controls are required. It is just not logical or realistic to allow the position to drift further. To do otherwise would lead to the industry's being placed in an intolerable position:

"This conclusion does not even take account of the problems that will be posed by Britain's entry into the E.E.C., which could require the industry to take very drastic measures to meet the situation within quite a short period.

"From the Government's point of view a case for 34 cents underwriting is insupportable in the circumstances unless the industry leaders, as in the case of wheat, are prepared to face up to the situation and come up with some logical proposals in the long term interests of the industry to curtail production."

ACTION BY A.D.I.C.

With this ultimatum put to it, the industry had no more than a few weeks to examine, agree upon, and implement a scheme of production control which would at least enable arrangements to be made for the new season's opening values, and it is no wonder that its initial proposals were tenuous and uncoordinated. From a series of meetings of member organisations the Australian Dairy Industry Council (the industry's "Parliament" and contact with the Commonwealth Government) submitted to the Minister for Primary Industry a series of proposals designed to apply immediate control on production in the coming (1970-71) season and perhaps to be incorporated in controls extending into the future, as follows:—

"As the maintenance of an Australian price structure for butter and cheese, irrespective of the level of overseas values, is essential to ensure stability in dairy farmers' returns, and as this structure can be assured only by the equalisation of returns from domestic sales and exports, the passing of the legislation buttressing the Commonwealth Dairy Equalisation Scheme, and the acceptance of the legislation by dairy farmers at a referendum, must be given high priority in any plan of action to overcome industry problems.

"The Dairy Industry Council considers that, to be successful, in fact to be acceptable to dairy farmers, any plan designed to increase producers' incomes by containing total production at existing or reduced levels must include provisions for supporting action to be taken by both Commonwealth and State Governments, including—

- (i) an immediate stop to the development by State Governments of new farms for dairy production;
- (ii) the immediate licensing of all existing dairy farmers, with provision that no new licences be issued except by agreement at the Australian Agricultural Council after consideration has been given to the market requirements for dairy products;
- (iii) the introduction by all State Governments (other than Victoria and Tasmania) of legislation to control the production and sale of cooking margarine colored and flavored to resemble butter, along similar lines to the legislation implemented in Victoria and Tasmania; and the introduction by all State Governments (other than Victoria) of legislation to control the production and sale of imitation milk, along similar lines to the legislation implemented in Victoria;

- (iv) a prohibition on the importation of cheese until Australian milk production levels are adjusted to meet domestic and overseas market requirements for dairy products;
- (v) a continuation of bounty on processed milk products exported and an extension of the bounty to cover all full cream processed milk products;
- (vi) the provision of devaluation compensation on all dairy products other than butter and cheese.

"If the Commonwealth Government will underwrite returns to producers of butter and cheese for 1970-71 at 34 cents per lb. commercial butter equivalent, and give an assurance that efforts will be made in association with the A.D.I. Council, as soon as practicable, to obtain the implementation of the essential provisions outlined in the second paragraph the Council will take action—

- (i) in association with the Australian Dairy Produce Board to obtain the support of Victorian and Tasmanian dairy farmers' organizations and State Departments of Agriculture, for a plan to **encourage individual Victorian and Tasmanian dairy farmers to limit their production of milk during 1970-71, with the objective of containing total Australian production during the year to 220,000 tons of butter and 70,000 tons of cheese**, such action to include, if found desirable and practicable, a limitation on the advances made to dairy factories in Victoria and Tasmania to specific quantities of butter and cheese submitted for export, on a basis designed to meet the overall production objectives for each product;
- (ii) to recommend that the introduction of the Marginal Dairy Farms Reconstruction Plan by all State Governments be expedited;
- (iii) to expedite the examination of the industry's structure for the marketing of butter within Australia with a view to recommending the reorganisation of the structure to meet the changed methods of marketing and merchandising which has taken place during recent years;
- (iv) to recommend that the Australian Dairy Produce Board's research programme be reviewed with the object of allocating an increased proportion of the available funds towards basic research on butter, butter fat fractionation, the spreadability of butter and the development of new products to compete with vegetable oil and animal fat products now available for household and industrial uses."

In the explanation accompanying the proposals the Council said:

"Despite the difficulties which are inherent in the proposal the Council is of the opinion that action as outlined, in association with the Dairy Board, with the co-operation of dairy factory managers and directors, State Departments of Agriculture and State dairyfarmers' organizations, would be the only means available to the industry of containing production in the short term."

IDEAS FOR THE FUTURE

Having set down its proposals for production control in the coming season, the Council's submission continued:

"With an assurance that the underwriting of butter values will be at the rate of 34 cents per lb. commercial butter equivalent for 1970-71, the

Council will undertake to examine proposals designed to reduce overall production over a period. Although there might be a number of other ways of effectively limiting milk production, at this stage the Council is examining the advantages and disadvantages of three alternatives and the practicability of their introduction. These are:—

- **A two-price scheme for all manufactured dairy products;**
- **A scheme for the compensation of dairy farmers prepared to enter into an agreement to cease milk or cream production;**
- **A scheme for the payment of a bounty on the slaughter of dairy cows or the rearing of dairy heifers for veal or dairy beef, to dairy farmers entering into an agreement of reduce production."**

SECURING INDUSTRY CO-OPERATION

Immediately after the proposals had been submitted to the Minister the Council began to seek the co-operation of the industry and the State Governments, and at the same time the Federal Government proceeded to put to both Houses of Parliament the legislation intended to buttress the Commonwealth equalisation scheme.

THE GOVERNMENT'S REACTION

However, although the acquiescence of the dairy factory organizations and the dairy farmer organizations appeared to be readily forthcoming, it appears that the Minister may not have been convinced that a scheme containing so many diverse factors, and requiring the participation of so many bodies, from State Governments to producer organizations, would be a workable scheme, and he placed the responsibility of ensuring a reasonable return squarely on the industry, by the simple expedient of increasing the Federal bounty on butter and cheese by \$15.9 million (to a total of \$42.9 million).

This amount, as the Minister explained, would allow returns to producers in 1970-71 to be maintained at 34 cents per lb. commercial butter equivalent if production was held to 220,000 tons of butter and 70,000 tons of cheese, and was provided in place of the previous underwriting arrangements. In addition a grant of \$3.4 million would be made to the industry for distribution as bounty on 1970-71 exports of skim milk powder, casein and other non-fat products.

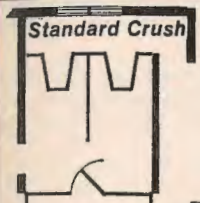
Mr. Anthony said: "As the Government is concerned that the industry should not get into a surplus situation like the wheat industry, the arrangements for 1970-71 have been designed to place the fullest responsibility on the industry to restrict production by **requiring it to make its own arrangements to maintain producers' returns at the 34 cents level.**

"If the industry does not control production within the limits set by the Australian Dairy Industry Council, producers' returns will fall below the 34 cents level."

DEVALUATION COMPENSATION WITHDRAWN

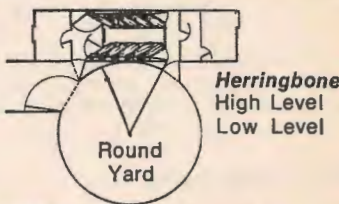
In the circumstances the action taken by the Minister was fair and reasonable, but as the grant of a single sum replaced both the underwriting arrangement and the devaluation compensation which had been paid to the dairy industry by the Commonwealth Government since the devaluation of the £ sterling in November 1967, it was unfortunate that the newspapers should have used the announcement of the grant as the basis for a spate of articles accusing the dairying industry of taking yet another "handout" from the taxpayers' pockets.

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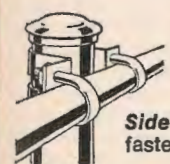


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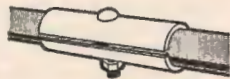
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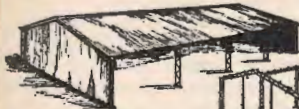
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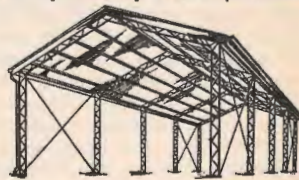
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PLANNING IN THE LONG TERM

The dairying industry is now, by reason of the grant, left to its own devices. The grant has solved the Federal Government's problem, for this year at least, but the industry now faces the unenviable task of trying to curb production to avoid a disastrous fall in unit return in a season that already shows signs of eclipsing previous records.

But the control of production in the current season is of minor importance compared with the problem of devising an acceptable, workable scheme for production control in the long term.

The Australian Dairy Industry Council has already (refer page 8) submitted three proposals for study, but more will, no doubt, be submitted by State organizations. Many will be impractical or impossible to administer. Others may be of limited application only.

COMPENSATION PLANS

Of the Council's proposals, two relate to compensation for, in the first case, a voluntary undertaking to withdraw from dairy farming, in the second case a voluntary withdrawal of cattle from dairy production, either by slaughter or by diversion to veal or beef raising. The effectiveness of either of these schemes is questionable. Each would have to be adopted by a very large number of dairy farmers before any influence on dairy output could be detected. Furthermore, as the compensation would be paid from a levy on all dairy production it is possible that in the short term at least the final return to producers after paying a levy for compensation might be no greater than if production had been allowed to continue undiminished by any withdrawal of either dairy farms or dairy cattle, and the total revenue from home and export markets spread over the consequently greater output. There is also the possibility of unfavorable public reaction against the dairying industry if a plan based on the large-scale slaughter of dairy cattle is proposed. But the greatest objection to compensatory schemes of this nature, although they have their counterparts in some European countries at least, is the opportunity they give for malpractice and connivance. Although it may be possible to include in such schemes measures designed to curb malpractices the controls are likely to be cumbersome and probably ineffective. The McCarthy Committee (Dairy Industry Committee of Enquiry) stated that "controls also bring lawbreakers, and the Committee sees no need to add to the number of either."

THE TWO-PRICE SCHEME

Of the three initial proposals made by the Council the one receiving the greatest consideration so far has been the "two price plan", one form of which is the "Gruen Plan", devised by a group of agricultural economists including Professor Fred Gruen and Dr. Allen Lloyd, and fully described in the September-October 1968 issue of this Journal, as well as more recently in "The Chronicle". This plan was first supported by the S.A. Dairymen's Association during the "cheese crisis" of May 1963, and in the intervening years the Association has regarded it as the most satisfactory scheme for adoption should an over-production crisis occur, the latest enunciation of policy being earlier this year, when the Central Council, at its meeting on 25 March 1970, resolved "that this Association support the immediate introduction of a two-price domestic market participation scheme similar to the Gruen Plan for all milk other than whole milk."

The basis of the plan is simple enough; each producer is given an "entitlement certificate" for a certain amount, calculated by applying the ratio of the sales of dairy produce on the Australian market to the total of all home and export sales to his "qualifying quantity", so that if, for example, sales on the home market are 60 per cent of total sales, a dairyfarmer with a "qualifying quantity" of 10,000 lbs. butterfat will receive an "entitlement" of 6,000 lbs.,

for which he will receive a return, based on Australian sales, of about 56 cents lbs. butterfat, whilst receiving for the remaining 4,000 lbs. (or more, or less, as he may decide) a return, based on export sales, of about 26 cents lb. butterfat. It is in the administration that problems begin to emerge and as yet no step-by-step procedure has been drafted. The extent to which the plan can, or should, cover all dairy produce, or whether it can, or should, be applied only to butter, cheese, skim milk powder and casein is yet to be determined. Other details to be decided are the questions of transferability and the issue of new entitlements in step with increases in domestic sales. The Association's policy has been to favor complete "negotiability" (i.e. free sale by the holder at a negotiated price between buyer and seller) and to allot additional entitlements by denominating entitlement certificates in "points", the value of a "point" being declared at the beginning of each season. But there are other viewpoints which will need to be taken into consideration, such as whether entitlements should be transferable anywhere in Australia, or only within States, whether any upper limits should be placed on entitlement holdings, and many other factors which can only be decided within the industry by a complete and thorough examination of all the implications.

PROBLEMS OF A TWO-PRICE PLAN

However, there are other aspects which must also be considered, of which the following are probably the most important.

1. **Pressure for Equalisation.** Although when the two-price plan is introduced all producers will receive equitable treatment in the granting of entitlements, as all entitlements granted will be calculated on a single fraction of their "qualifying quantities", after some years there will come into existence a group of producers who have no entitlements, being either newcomers to the industry (and hence not holding an entitlement, unless they obtain an entitlement by purchase) or long-standing producers who have sold the entitlements which they were originally granted. These producers will contrast their low returns from export unfavorably with the higher returns received by entitlement holders, and may press for a reversion to equalisation.
2. **Pressure for Price Reduction.** Under equalisation the disparity between the price received from the domestic market and that received from the export market is hidden in the "equalised return". With a two-price scheme official recognition will be given to a much higher return for domestic sales (at present about 56 cents lb. butterfat in butter) and a much lower return from export sales (probably less than 26 cents lb. butterfat). Consumer interests may bring pressure to have domestic retail prices based on the lower figure on the grounds that butterfat being sold at the lower price, should be used for production for the home market.
3. **Town Milk.** The purpose of a two-price plan is to "freeze" the situation, so that a producer who, after the introduction of a two-price scheme, does not alter his production schedule, will receive exactly the same return as before (only producers who increase or decrease output will receive returns which differ from what they would have been without the two-price plan), and it is not intended that the introduction of such a scheme will provide a cloak behind which the industry will be restructured. Nevertheless proposals have been made in several quarters that the contracts of town-milk supplies should be included in their domestic entitlements.

"SINGLE QUOTA" SCHEME

These three problems are eliminated by the use of a single quota, the use of which has been advocated by the Executive Committee of the Association.

A single quota would be obtained by adding together the "qualifying quantities" of all producers, and dividing the total of all "qualifying quantities" with

the production target set for the dairying industry for the coming year. The resultant fraction (which, in a situation of over-production, would be less than 1) would be applied to each producer's "qualifying quantity" to yield an amount which would be his "single quota". For example, the total qualifying quantities of all producers in Australia might be 1.25 times the Commonwealth production target (or State targets may be used if preferred). The fraction would thus be 0.8, so that a producer with a "qualifying quantity" of 10,000 lbs, butterfat would receive a "single quota" of 8,000 lbs., for which he would receive the equalized price plus Commonwealth bounty.

In the case of a "single quota", the treatment of over-quota production presents a problem. Unlike wheat, over-quota milk cannot be stored on the farm, nor is it possible to schedule a year's production to achieve only the quota without a surplus. There are two possible alternatives—one is to allow the dairy factory to take all over-quota milk (which will be produced during the last few weeks of the year, after the quota has been filled) and to pay to the producer whatever amount, if any, the factory has been able to derive from its use; — the other is to allow no over-quota milk; as soon as the quota is supplied no further delivery is taken. In this second alternative factories would probably be picking up no milk at all during the last few weeks of the year, as most producers would have already fulfilled their quota. A workable, but problematical, solution is to have staggered "years", with the "quota-year" of one-twelfth of the producers beginning in July, one-twelfth beginning in August, and so on. Thus in every month of the year some producers will reach their quota and be required to withhold supply.

NEED FOR CONTINUAL RE-APPRAISAL

Despite the Central Council's endorsement, on 23 July, of the Executive Committee's "single quota" proposal, several Districts have already re-declared their support of the "Gruen" two-price plan. **It is essential that as great a degree of unanimity as possible in favor of one plan or the other be achieved** so that the delegates of S.A. Dairymen's Association at the Australian Dairy Farmers' Federation can be certain of the Association's policy. It is proposed that all State organisations composing the A.D.F.F. submit their plans to the Secretary of the A.D.F.F. before November. A special meeting of the Federation beginning on 21st November, will then consider all the proposals until finality is reached, and a plan put by the Federation to the Australian Dairy Industry Council.

OTHER PLANS

In order that a decision may be reached that will have the widest possible acceptance it is proposed to publish, either in the Journal, or by notifying District and Branch Secretaries and Presidents, any other plans that are devised by organizations in other States. Discussions of such plans, and appraisal of the plans already being examined, at District and Branch meetings early in November would enable the Central Council to make an informed decision just prior to the A.D.F.F. meeting.

STOP PRESS

Milk Board to "Freeze" Licences

No further milk producers' licences will be issued by the Metropolitan Milk Board during the present Federal dairy crisis. The position will be reviewed in the light of whatever decisions are made by the Dairy Industry Council early in 1971.

How Davey won the Bore War.

Before Davey came along, farmers were fighting a losing battle against dryness.

Sure they had plenty of water underground, but their pumps were too slow, underpowered, low capacity and prone to regular blocking-up and breakdowns. If the wind died down, they'd have no water at all.

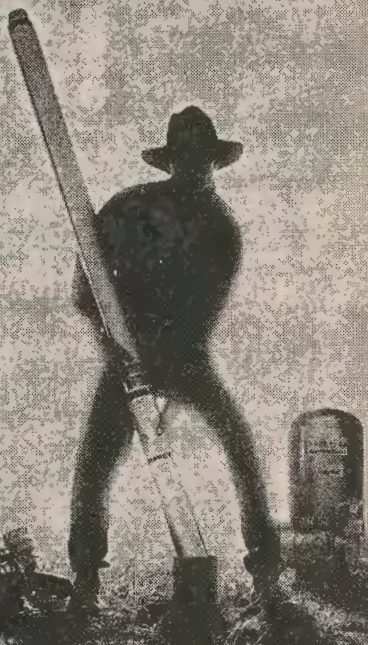
In short, their water supply rate wasn't keeping up with modern requirements.

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THE BASIS OF QUOTA ALLOCATION 1970-71 Production to be Excluded

Milk and cream production during 1970-71 will not be taken into account in any scheme to control production in the future which might be drawn up by the Australian Dairy Farmers' Federation.

This was decided as a matter of policy, at a meeting of the Federation Council held in Melbourne in June.

The President of the Federation, Mr. H. A. Stone, O.B.E., said after the meeting, that delegates from every State decided unanimously that, in the event of any restriction being placed on production in the future as part of a long-term plan to stabilise the industry, production during 1970-71 would not be taken into account in the formulation of such a plan, except where there were circumstances of exceptional hardship in individual cases for existing dairy farmers.

The Federation Council supported fully the plans of the Australian Dairy Industry Council for containing Australian production during 1970-71 to 220,000 tons of butter and 70,000 tons of cheese, Mr. Stone said. Under this plan dairy farmers had been asked to restrict their production during the coming year, on a voluntary basis. If they did not do this, and the overall production of butter and cheese exceeded the maximum targets set, returns for the year would be substantially lower and the additional production would create a surplus for which no markets were available.

It had come to the notice of the Federation, Mr. Stone said, that there were some farmers who proposed entering the industry this year and others who were planning to increase their production for the specific purpose of establishing a production entitlement for the future. Such action would nullify the industry's plans for containing production this year and, so far as the Federation is concerned it would, in fact, react against the farmer concerned in any scheme for production control in the future.

If the United Kingdom joined the European Economic Community, and there was every indication that this would happen in the not too distant future, Mr. Stone said, Australian dairy farmers could lose their market for about 70,000 tons of butter and 12,000 tons of cheese. Under the circumstances, some form of production control would be essential to prevent the economic collapse of the industry.

The Australian Dairy Industry Council and the Federation were at present examining alternative proposals which were designed to ensure for existing Australian dairy farmers an equitable share of available markets for Australian dairy products.

MILK BOARD TO UNDERTAKE PROMOTION Public Relations Officer Appointed

Late in 1969 the Metropolitan Milk Board began discussions with sectors of the dairying industry concerning the desirability of the Board's engaging in promotional activities through public relations. The Board believed that there was a wide field of contact with the consuming public, State authorities, health and fitness organizations, schools, young people's groups, and other bodies which would be receptive to a message about the value of milk and cream in the diet, the ways in which these products could be used, and their proper handling.

Although a campaign designed to cover all fields would take considerable preparation, the Board felt that, if the proposal met with the approval of all sectors of the industry, an immediate start could be made on such subjects as:

- Project material on milk and cream for primary and secondary schools;
- Milk promotion through 2,750 milk shops, milk bars and delicatessens in the metropolitan area;
- Promotion of milk as a drink mixer with alcohol, aimed at the late 'teenage and early twenties group;
- Expansion of school milk refrigeration, and the training of teachers in the correct way to operate the free milk scheme;
- Milk promotion at the 1970 Royal Adelaide Show;
- Consumer education in the identity and uses of homogenized milk;
- A comprehensive survey of the market for various types of cream.

The Association's Executive Committee and Central Council gave considerable thought to the proposal, and eventually agreed, subject to the following conditions:

- that the appointment be initially for a period of three years;
- that the rate of contribution to be paid by licensed producers to finance the operations of the public relations officer be not more than 0.05 cent per gallon during the whole of the three-year period;
- that the Board take note of the fact that the Dairymen's Association deplores the action of the Milk Vendors' Association in supporting the proposal but refusing to contribute unless the amount of the contribution is reimbursed by an increased margin.

The Association also expressed the opinion that the Board should not engage in the advertising of milk and cream through press, radio, television, outdoor signs and similar advertising media, not only because the Association was, from experience in other promotions, doubtful of the value of advertising of this nature, but also because it saw the futility of a product being advertised by a Board which was not engaged in the actual marketing or distributing of the product.

With this reservation, the Association supported the idea of promotion through education in the value of milk and cream as foods, the varieties of milk and cream available or potentially available, and the multifarious uses of milk and cream in all their varieties, and promotion designed to upgrade the images of milk and cream as sophisticated and palatable additions to the diet of the whole family.

Following the acceptance of the proposal by other sectors of the industry, the Chairman of the Metropolitan Milk Board, Mr. B. D. Hannaford, announced the appointment of Mr. David J. Barratt as the Board's Public Relations Officer.

Following R.A.A.F. service, Mr. Barratt who has had previous journalistic experience, was engaged in sales promotion with a large industrial organisation. For several years he has been the Board's Zoning Officer responsible for the vending section of the industry and liaison between the Board and consumers.

Overall guidance of promotional activity would be provided by a Milk and Cream Promotion Committee consisting of

- The Chairman of the Metropolitan Milk Board
- Two representatives of producers
- Two representatives of the merchants
- Two representatives of the retail vendors
- A Secretary.

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INSURANCE AGAINST BREAK-DOWN ON BULK TANKS

Federation Provides New Service

Federation Insurance Limited, the S.A. Dairymen's Association's approved insurance company, has announced that it is now able by arrangement with the Engineering Dept. of the Queensland Insurance Co. to provide insurance cover on breakdown in refrigerated farm bulk milk tanks.

The policy covers electrical and mechanical breakdown, through damage, whether caused internally or externally, occurring to the compressor and the compressor motor, the agitator motor, shaft and blade, the evaporator, the condenser, and all switchgear and wiring. Loss of gas from compressor, evaporator or condenser damage is also covered, but not loss of gas from seal leaks, or slack or worn joints.

The premium varies with the volumetric capacity of the tank, the rating of the refrigerating unit, and the horsepower of the motors, and consequently it would be misleading to put forward a figure as representative of the average premium.

However it can be said that this new service is the answer to a request that is being made by a growing number of producers, as the use of refrigerated bulk tanks extends.

As with all insurance, the greatest advantage of this service is the peace of mind that comes from the knowledge that what would otherwise seem to be a disaster can be remedied on the spot, within a short time, without having to meet a heavy repair bill when possibly no ready funds are to hand.

OTHER FARM EQUIPMENT

Insurance cover is also available on breakdown in all other mechanical farm equipment, including mobile implements and pumping gear.

We strongly recommend to members that they contact their Federation representative for a full discussion of this and other Federation services.

YOU WILL BE SURPRISED

Most people consider that the sum insured on the contents of their home is quite adequate in the event of a loss. When insuring they made a quick calculation of the value of furniture, appliances, etc., and placed what they considered to be an accurate figure on these items.

If you allowed yourself a little time and really checked the true value of your contents against the Sum Insured you might have a shock.

Apart from the obvious items—kitchen, lounge and bedroom suites, television set, refrigerator, carpets and curtain—there are many items completely ignored.

To help you, have you really considered the value of the following:

Kitchen — cutlery, crockery, food stocks.

Lounge — records, books, ornaments, wall mirrors.

Bedrooms — clothing, blankets, sheets, jewellery.

Miscellaneous — floor coverings, towels and other manchester, suitcases, paintings, portable radios.

Garage — domestic tools, lawnmower, garden implements.

It will pay you to then call the approved Insurer of your Association. The Federation Insurance Limited at 84541 and have an inspector call to help you out by placing a more realistic figure on your property.

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VIBRIOSIS — CAN IT BE MADE A NOTIFIABLE DISEASE?

Considerable concern has been expressed in recent years about the possibly increasing incidence of vibriosis, and the Central Council has, in recent months, been examining whether control measures could be used to check the spread of the disease into clean herds.

It is known that, once a herd becomes infected, the adult cows eventually achieve an immunity and cease to be troubled with infertility problems, but there is always, in an infected herd, a permanent problem with heifers mated for the first time, and considerable economic loss ensues, as well as a disruption (which may never be corrected) of the herd's calving schedule.

But probably the most spectacular disruption and loss occurs in a previously clean herd. There is an early financial loss when cows fail to calve on schedule (plus a few pretty hefty bills for veterinary service), and a continuing loss as the calving schedule for the whole herd is displaced on the calendar, probably to many months later in the season, a setback from which the herd may take years to recover, unless the disease can be eradicated.

The Council has conferred with the Chief Inspector of Stock (Dr. W. S. Smith) on all these aspects, in an attempt to devise some form of control, either by making vibriosis a notifiable disease, or by requiring, by regulation, all herds or individual cows offered for sale to be tested prior to sale, and issued with a certificate verifying absence from infection if such is the case.

Because of the difficulty in accurately diagnosing the disease (the causative organism is very short-lived), Dr. Smith does not think that control measures of this type are possible at the present stage of veterinary knowledge, and he believes that to make the disease notifiable would be likely to lead to owners deciding not to seek veterinary advice when an animal is suspected to be suffering from vibriosis rather than run the risk of having his herd quarantined and so rendered unsaleable.

Dr. Smith believes, however, that on-the-farm control is possible, and, at our request, has supplied the following report.

VIBRIOSIS OF CATTLE

The suggestion has been put forward that an effort be made to control the sale, other than for slaughter, of cattle affected with vibriosis.

Although vibriosis is one of the notifiable diseases under the Stock Diseases Act, there is no practicable step which can be taken to control this disease by legislation.

It is estimated that 50% to 60% of dairy herds, and possibly more, and many beef herds are affected with vibriosis, not only in South Australia but also throughout Australia. Therefore any action to place affected properties in quarantine, and prohibit sales except for slaughter, would result in chaos.

The usual tests for vibriosis are useful only to identify affected herds, but are not satisfactory to identify individual infected cattle. A positive result to the test is of value, but it may be due occasionally to other species of vibrio. A single negative test does not necessarily mean that the animal is free of vibriosis. The tests must be done in a laboratory on material collected from the breeding tract of females or the sheath of bulls. This means that the test is expensive and time consuming.

Vibriosis is spread by the bull, and therefore a single infected male can be responsible for widespread dissemination. So also can a single infected cow or heifer. A control programme based on a two herd system whereby the unbred heifers are kept isolated and mated only with previously unused bulls may be successful, but isolation needs to be complete. A stray bull or the herd bull straying into an infected herd could lead to the breakdown of years of work.

Vibriosis introduced into a clean herd results in delayed conception, repeated matings and some abortions. After a time, the herd settles down, immunity develops and little trouble may then be experienced in the adult cows. Trouble will usually continue in the heifers and the conception rate may be reduced to 20%-30% early in the season.

Infected bulls remain apparently normal and their semen is not affected. The causal organism is restricted to the sheath and the outer surface of the penis, and it is from here that they spread the disease to clean cows. Many bulls apparently become free of infection without treatment. Antibiotic treatment is also successful in most cases.

Treatment of females is possible, but would generally be too expensive.

Five courses are open to owners of infected herds.

1. Treatment of all mated animals in the herd. This would be expensive and could not be guaranteed to eradicate the disease.
2. A two herd system whereby all unbred females are isolated and mated only with a previously unused bull. This system is subject to breakdown.
3. Let the disease run its course and wait for the natural herd immunity to develop.
4. Vaccination particularly of the heifers. Vibriosis vaccines are now available through veterinary surgeons and these have a fair degree of efficiency.
5. Use of artificial insemination where this is available, using semen from an approved centre, is the most efficient control measure, and its use is strongly recommended.

CATTLE COMPENSATION ACT

Compensation to be Increased

The Cattle Compensation Act provides for compensation to be paid (out of a fund financed by a tax on cattle sold for slaughter) when any beast is compulsorily slaughtered after having been diagnosed as suffering from, or suspected as suffering from, certain notifiable diseases, namely

- contagious pleuro-pneumonia
- tuberculosis
- trichomoniasis
- actinomycosis, including actinobacillosis (lumpy jaw, wooden tongue, etc.)
- Johne's disease
- any other disease affecting cattle which the Governor declares by proclamation to be a disease for the purposes of the Act.

In the original Act, when a beast was found, after slaughter, to have **not** been diseased, compensation of the full market value was payable, but where the beast was found to have been diseased compensation of only three-quarters of the market value.

However, "market value" in the present Act is subject to a maximum of \$120, so that the maximum payable for a diseased cow is only \$90.

Although these rates have been increased on two occasions since the original Act, in which the maximum value was \$40, was passed in 1939, the increases being to \$60 in 1948, and to the present \$120 in 1951, a maximum value reflecting today's market prices would be considerably in excess of that figure.

It has now been agreed by the Director of Agriculture, following discussions with the S.A. Dairymen's Association and the Stockowners' Association, that the maximum valuation for any beast, whether found, after slaughter, to be diseased or not, should be \$200, and it is expected that the Act will be amended accordingly in the near future.

BRANDING OF STOCK FOR IDENTIFICATION

Proposed Amendments to Brands Act

Numerals or letters applied either by fire brands, acid branding, or, in recent years, "freeze branding", are now widely used for the identifying of individual cattle, particularly for herd testing and artificial breeding. Valuable though this practice is, there have been doubts as to whether it contravenes the Brands Act, an act which is intended to cover the use of branding for the identifying of ownership but which, with the passage of time, may now be preventing the free use of readily available branding techniques for a purpose entirely unconnected with ownership and free from any possibility of the abuse which the Brands Act was designed to prevent.

In order to allow the free use of these techniques, the S.A. Dairymen's Association requested the Minister of Agriculture to examine the possibility of amending the Brands Act to ensure that no contravention would occur.

The Minister has replied that, in response to this and several other requests, the Chief Inspector of Stock has proposed that the Brands Act be amended to allow for the free use of numerals and systems of signs such as the TVI system and the < system for identifying individual animals.

The amendments will allow numerals and system signs to be used provided they are not placed over any existing brand, or used in such manner as to indicate ownership.

The near and off ribs will be deleted as sites for placing registered brands, and the use, without registration, of the TVI or other systems of individual animal identification (as approved by the Registrar of Brands) will be permitted provided such brands are placed only on the off or near ribs.

The Dairymen's Association has notified the Minister of its acceptance of the proposals.

(Note.—The "TVI system" uses the 2 letters T and V in 4 positions, and the letter I in 2 positions, to indicate the numbers 1 to 0, thus—

1	2	3	4	5	6	7	8	9	0
T	—	⊥	—	V	<	^	>	I	—

Only three freeze-branding irons are therefore needed to provide a full numerical system.

The < system employs the single letter V in ten positions around an imaginary clock face, the advantage being that only one iron is required, against which the system suffers from lack of clarity when compared with the TVI system.

Other systems of single iron branding have been devised and adopted with more or less satisfactory results, but it must be noted that any such system should first have the approval of the Registrar of Brands.

A MESSAGE TO ROYAL SHOW EXHIBITORS

After 14 years in charge of the photographic section of "The Pastoral Review", I have now commenced operation as a freelance stock photographer. During my years with "The P.R." I was responsible for the creation of the "PASTORAL" symbol, which became an integral part of stud publicity in Australia.

During September I will be operating at Adelaide and Melbourne Royal Shows and be available to provide a photographic coverage to you. Working from a mobile processing unit I will be able to despatch photographs the morning after they are taken.

The charge will be \$4.00 per print supplied.

MAX G. STEPHENS.

STRAIN 19 VACCINATION Alternative to Ear Punching

On several occasions dairyfarmers in the Adelaide Milk Supply area have raised the problem of the possibility of contagious abortion being introduced into herds in this area from heifers raised by persons who are not licensed dairyfarmers and who, consequently, are not compelled to have the heifers inoculated against contagious abortion by vaccination with Strain 19.

Admittedly the same problem exists with heifers that are purchased from outside the milk supply area, but in those cases the purchasers are aware that Strain 19 vaccination is not compulsory in outside areas; when buying within the milk supply area they are more likely to take vaccination for granted.

The Association asked the Chief Inspector of Stock what action could be taken to ensure that all dairy heifers in the milk supply area were vaccinated. The reply received was that no compulsion existed at present and that **the best safeguard a dairyfarmer could adopt was to ensure that all dairy calves and heifers purchased carried the 3-hole ear punch which signified vaccination with Strain 19.**

However, it has now been pointed out that soon after the regulations requiring vaccination were introduced, stud breeders requested that ear-punching be not carried out on pedigreed stock as the punch holes disfigured the ears and marred the cattle for show purposes. It was also stated that, unless considerable care was taken, the tattoos could be made indecipherable.

It was consequently agreed (but without the regulations being amended accordingly) that a pedigreed heifer could, at the request of the breeder, be excluded from ear-punching provided that the tattoo, or in the case of a Friesian heifer, the name, was recorded. A record of all such tattoos or names is held by the Department of Agriculture and kept up-to-date by advice from the veterinary practitioners carrying out the vaccination service.

Licensed dairy farmers in the Adelaide milk supply area should, therefore, buy only heifers which carry the regulation 3-hole ear-punching, unless the heifers they are purchasing are registered pedigreed stock, in which case they should refer the tattoos or the name of the heifers to the Department of Agriculture to ascertain whether vaccination has been carried out.

BULK TANKS NOW COMPULSORY FOR NEW PRODUCERS

The Metropolitan Milk Board has made the installation of a refrigerated bulk milk vat a pre-requisite condition to the granting of new Milk Producers' Licences.

The Board's Chairman, Mr. B. D. Hannaford, said that the Board is of the opinion that further expansion of milk can transport will prevent the industry as a whole from benefiting from the economic advantages of refrigerated bulk milk transport.

The Board wished to make it quite clear that this policy will apply to new applicants only. It will not apply to those producers already licensed by the Board.

Mr. Hannaford said that the Board would honour any recent assurances it had given to prospective licensed producers. However, the Board feels that in most cases it may not be either economical or practical for these producers to install can cooling equipment at this stage because it is likely that the installation of refrigerated bulk milk vats will eventually become necessary for all producers who supply milk for human consumption within the Adelaide Metropolitan Area.

To achieve this goal a joint committee comprising the South Australia Dairymen's Association and the Wholesale Milk Buyers' Distributors Association has been formed. This committee will evolve a programme which would enable the industry to move in a planned manner towards universal bulk milk refrigeration. (See also page 12.)

CHEESE — A GROWTH MARKET FOR THE DAIRY INDUSTRY

By **GEOFF WILSON,**

Public Relations Manager, Australian Dairy Produce Board.

Australians are just beginning to "discover" cheese and to appreciate the home country freshness of local varieties.

Up until now cheese has not been fully recognised in Australia either as a basic cooking food or for its gourmet appeal. It has been very much like Australian wine which remain virtually "undiscovered" by the general public until 10 or 15 years ago.

Cheese has been described as the "adult form of milk". It is also said to be "milk's leap into immortality" and as the food that most resembles wine.

This is indeed the case.

Like wine, cheese:

- is a cultured or fermented product
- is a living product which matures over its life span
- has a wide range of flavours
- requires great skill in making.

But recognition for cheese is fast developing in Australia under the influence of a number of factors. Among these are:

- The new varieties of cheese being made in Australia. At the present time these number more than 40 and are expanding as cheese manufacturers see new marketing opportunities.
- A migrant population which knows cheese already and is eager to buy the many different varieties other than Cheddar.
- A rising standard of living which is tending to lead people's interest in food away from the basic food items and towards the more exciting food products such as cheese.
- Wine lovers are looking at cheese as an extension of their wine knowledge. Cheese and wine are natural partners and as people learn about wine they find their interest broadening towards other gourmet foods.
- Imports of cheese from many overseas countries have helped to stimulate interest in the wider range of cheese other than Cheddar.
- Cheese promotion has undoubtedly assisted in increasing consumer interest in cheese generally.

These are a few of the important factors involved in increasing interest in the gourmet aspects of cheese.

They put the cheese industry in a similar position to that of the Australian wine industry 10-15 years ago.

About that time Australian wines were not sufficiently appreciated and faced a "price barrier" and consumer resistance because of this.

Imported wines were often wrongly regarded as being superior, and the so-called "image" of the industry was not as good as it should have been.

Part of the problem lay in the marketing and distribution of Australian wines and in the wine industry's organisation of its promotional effort.

As we know, this situation has changed completely and the wine industry in Australia is now in a very enviable position as a result of its initiative in taking advantage of increased consumer interest in wines.

I believe that the Australian cheese industry is currently at the stage at which the Australian wine industry found itself at that time. We have almost an exact parallel in both the product and in its marketing problems.

And there can be no doubt that Australian cheese has tremendous market potential and is one of the "growth" products of the dairy industry.

For example, 30 years ago Australians ate less than 4½ lbs. of cheese per head of population per year. By 1961 this had risen to a little over 6½ lbs. a head while at the present time there is just on 8 lbs. per head per year being consumed.

However, compared to overseas cheese-eating countries Australia is very backward. In all English-speaking countries where cheese is eaten, consumption varies between 10 lb. and 14 lb. per head a year.

On this basis alone, we have a significant leeway to make up—and the extra two to three pounds a head represents about 16,000 tons of cheese a year that could be sold. However, the potential is even greater than this.

Whereas 10 years ago the cheese-eating countries of the world averaged 11 lb. per head per year in consumption, they now average about 15 lb. per head, and the figure is rising all the time.

In European countries where cheese is well appreciated consumption varies between 15 and 30 lbs. per head a year.

To my mind the significance of these figures is that the Australian cheese industry has the prospect of being able to sell a great deal more cheese on the home market than it sells now.

And significant also is the fact that we have a large proportion of migrants in our population who like cheese and consume it in the quantities that are normally eaten in their countries of origin.

Fortunately, the Australian cheese industry is developing new varieties of cheese to help meet this demand.

But we still have quite a long way to go.

I say this because there are some 1,200 named cheeses throughout the world and experts estimate that up to 2,000 different cheeses exist. Five hundred are really distinct types and at least 200 are first class cheeses of interest to the discerning cheese lover.

France alone makes more than 400 different varieties of cheese. In the U.S. cheese makers produce 120 different varieties while in England more than 100 are offered to the public. However, while Australia's 40 or more varieties may appear small beside these figures, the Australian production does have the advantage of being the best selection of types. We have been able to pick and choose the kinds of cheese we produce to suit the developing taste of the Australian population.

Nevertheless, the information I have just given provides some idea of what could happen in future in the Australian cheese industry.

In Australia, just on 100 factories make cheese. This is worth about \$20 million a year in export income, and very much more than this in retailer sales on the home market.

Victoria produces most cheese—approximately half of Australia's production, or about 30,000 tons a year. S.A. is next, with the production of about 20,000 tons, followed by Queensland with 8,000 tons, Tasmania 5,500 tons, N.S.W. 4,000 tons and W.A. 2,000 tons.

This brings Australian production at the present time to about 70,000 tons a year, about half of which is exported. Victoria, incidentally, has about 60 per cent of the export cheese business and S.A. about 25 per cent.

In the export field the United Kingdom has been the biggest cheese market and has taken up to 18,000 tons in the good years. But the relative importance of the British cheese market is declining and with voluntary restraints leading to quotas on imports our prospects of increasing the market have temporarily disappeared.

As has been the case with our wool exports, Japan appears to superseding Britain as a market for Australian cheese. In the 1969-70 season, for example, it is expected that Australian cheese exports to Japan will probably equal those to Britain.

Whereas about 10 years ago Australia sold less than 100 tons of cheese to Japan, it is now well over 10,000 tons and could go to about 13,000 tons in the 1969-70 season.

The Japanese cheese processors regard our natural cheese as a raw material. They process it into many products and have now even made a flavoured cheese drink marketed as "Cheese Ade" and a cheese and wine drink. A cheese soup has also been developed, containing 20 per cent cheese powder, 20 per cent milk powder and 60 per cent rice powder.

One of the major reasons for this upsurge in Japanese interest in cheese has been the awareness of the need to introduce more protein into the Japanese diet. Here, the Australian dairy industry has won many friends in Japan by being an active supporter of the Japan School Lunch Programme, in which Japanese school children are introduced to cheese and develop a taste for cheese.

Other significant export markets are parts of S.E. Asia and Middle Eastern countries which take about 10,000 tons a year.

This provides a good picture of the industry's exports. But the most important "growth" area for the cheese industry is the home market.

This is because of the home market's potential for a significant per capita consumption increase, from the 8 lb. per head of the present time to at least the 10 to 14 lb. per head experienced in other English speaking countries.

Allied to this is the undoubted upsurge in Australian consumer interest in cheese, particularly as a gourmet product to be eaten in its natural state at the table.

We can see this in the recent entry into cheese packaging and marketing by at least one large food marketing company and the known interest by other food marketing companies in entering the same market.

It can also be seen in the greater attention being paid to cheese by the supermarkets themselves.

These two factors alone will lead to greater promotion of cheese and many new brands and new packaging.

Further evidence of this increasing interest in cheese is the establishment of cheese clubs throughout Australia. They have met with overwhelming support by a wide range of people in the Australian community. These people, from what I can observe, are the "trend-setters" and I am confident we will hear a lot more about cheese clubs in future. The clubs are now established in Melbourne, Adelaide, Perth, Sydney and Brisbane and are basically social clubs like the food and wine societies.

These important developments in the home market are extremely interesting to the Australian dairy industry as a whole. Cheese is a product which is more easily promoted than many other dairy products and offers great potential for completely new products. It has no direct limitation in Australia and is an important area for the disposal of butterfat. For every three pounds of cheese sold the industry sells one pound of butterfat more profitably than as butter.

So you can see that this growth in the cheese industry is of great importance to the half million or so Australians dependent on dairying for a living, particularly in view of the possible entry of Britain into the Common Market and the economic "straight-jacket" that is shackling many dairy farmers.

THE OTHER SIDE OF THE MILK BUSINESS

Aspects of Retail Distribution of Milk within the Metropolitan Milk Board Area

By R. J. W. TILMOUTH, A.R.S.H. Diploma in Public Health Inspection
Assistant Zoning Officer, Metropolitan Milk Board

Over a twelve monthly period more than 1,000 telephone calls pertaining to retail milk delivery are received at the Metropolitan Milk Board offices. These calls can be placed into three categories: approximately 45% seeking the name of the vendor, 35% complaining of service and the remainder concerning a variety of general enquiries.

The Board's office staff have compiled retail delivery zone maps showing approximately 85% of the milk rounds within the Board's area. These maps have proved invaluable in dealing with the public enquiries and have been a time-saver to both the enquirer and the Board's staff.

Problems arise in the outlying suburbs that come within the retail zoned area. I refer to the Tea Tree Gully, Noarlunga and Meadows Council districts where housing generally consists of a number of scattered estates all varying in size, forcing vendors to cover a wide area if they wish to build up or maintain a round of sizeable gallonage. In doing this the situation frequently arises where there is more than one vendor delivering in a street thus making it almost impossible to keep accurate records for reference purposes. Apart from these difficulties the rounds situated in the higher density housing areas have all been mapped successfully.

Many of the complaints received on poor vendor service were probably justified, however, a greater percentage appeared to be due to some over-sight or misunderstanding between vendor and customer.

Perhaps one of the greatest causes for dissatisfaction amongst customers is the vendor who does not complete his round until eight to eight thirty in the morning. Whilst he is within the delivery times as set out in the Metropolitan Milk Supply Act, the majority of consumers who are affected say they prefer to use the milk delivered that morning for breakfast and others, more particularly the man with the young family, say they cannot consistently keep a spare bottle over night.

The greater percentage of requests for another vendor appear to be prompted by a situation such as this, and although the public has the right to a choice of vendor, if orderly delivery through the concentration of rounds is to be retained, such changes should be kept to a minimum. For instance the problem of later delivery can generally be overcome when it is pointed out to the complainant that another vendor has customers at the end of his round also who are not particularly happy and he is therefore sure to serve them before delivering elsewhere. Vendors themselves can, on most occasions, avoid friction with their customers if they care to take time to personally straighten out any misunderstanding. Nevertheless, isolated situations do arise when the only solution is to direct another vendor in to serve.

Vendors' attitudes towards their rounds and customers vary with the individual, however, the biggest single factor to influence their thinking is whether they own or lease their round. The owner vendor naturally enough is most anxious to keep his customers as any he loses means not only a loss in weekly turnover but also a drop in the value of his round. The lessee might not look at it in the same light as the loss of a few customers results only in a slight drop in his turnover.

A vendor can make his task a lot easier if he takes the trouble to make himself known to his customers. This takes time but a sound policy in aiming towards this objective is to let the customers know when he takes over the round. Account customers find this out through the bill-heads but cash customers will never know unless the vendor leaves a circular with the appropriate information. He can become better acquainted if he collects the account money during the day time rather than in the early hours, so that if any complaints arise he has the opportunity to speak to the customer personally.

It is extremely difficult for vendors to maintain good public relations with some of their customers. I refer more particularly to the customers who make unreasonable demands including those who continually fail to settle overdue accounts and in some cases move out of the area without paying same or leaving a forwarding address.

Situations such as these are sometimes revealed when a member of the public requests the services of another vendor and unless time is taken to trace down the basic cause of the complaint, an injustice can be done to the current vendor.

A considerable amount of time and effort is necessary by Milk Board officers to attend to these complaints which frequently necessitate the interviewing of complainants at their homes.

Before the introduction of zoning, rounds were established by vendors canvassing for customers in a wide area and as a result, the position arose on a number of occasions where two or more vendors served customers in the one street. With view to eliminating this situation, much time has been spent in conjunction with the Milk Vendors' Association's various branches in consolidating round areas. The advantages to the vendor are great especially from the economic point of view. With rounds concentrated into smaller areas travelling is reduced as is the time taken for deliveries. It has also enabled wholesale companies to build milk depots in strategic positions so that vendors are not required to travel too far to collect their milk and return empties. With the same vendor serving all the customers in one street, there is less inclination for other vendors to move into his area to canvass for customers. Also the concentration of rounds assists in determining zone boundaries.

Round consolidation takes place within the one zone and generally affects every vendor licensed for that particular zone. Basically speaking, the process entails the exchange of customers from one vendor to another in an effort to concentrate round areas. This means that each vendor needs to co-operate if the move is to be successful and this alone can create a number of problems. Many vendors are naturally concerned that in the changeover process they may lose gallonage or perhaps be allotted customers who are poor payers. Householders, too, have been known to complain about the change in vendors. In many instances a few customers or an odd street may be all that requires reallocation whilst in other cases a complete round can be affected.

Consolidation has been carried out successfully in the majority of zones within the Metropolitan Milk Board retail delivery area.

Consolidation has also introduced one problem with the arrival of a number of new dairy products on the market that can be distributed by the vendor. Where a customer prefers a particular brand for example of yoghurt she may find on enquiry that her vendor handles the products of another company. Inter wholesale transfer of goods from one wholesaler to another is a remedy for this situation.

At the moment the pressures on the milk vending industry from those wishing to cash in on a daily household delivery service are great. Having built up an efficient service the Metropolitan Milk Board will jealously guard any intrusions, providing the Board continue to have the support of all sections of the industry.

MORE BULK TANKS GAIN S.E.C.V. APPROVAL

The following table lists all refrigerated farm milk tank units tested by the State Electricity Commission of Victoria and certified as being in accordance with Standard AS N46 up to 30th June, 1970.

A. Fully Refrigerated Tank-Units

Supplier	Brand Name	Capacity	Compressor Motor h.p.	Condensing Unit	Tank Supplier	Certificate No.
Alfa-Laval Pty. Ltd.	Alfa-Laval	580 gal.	15	Terry	Mytton	CP69 C12
	"	5,000 lb.	10	"	"	CP69 C1
	"	400 gal. (squat)	7½	Kelvinator	"	CP69 C13
	"	4,000 lb.	7½	"	"	CP67 C12
	"	3,500 lb.	7½	Amat-ice	"	CP68 C14
	"	3,000 lb.	5	Kelvinator	"	CP68 C5
	"	2,500 lb.	5	Amat-ice	"	CP68 C12
"	2,010 lb.	5	"	"	CP64 C2	
Anderson Equipment Co-op. Ltd.	Anderson	500 gal.	10	Kelvinator Terry	Anderson	CP66 C9
	"	400 gal.	7½	"	"	CP66 C9A
	"	300 gal.	7½	"	"	CP66 C13
	"	250 gal. R250L	5	"	"	CP66 C13A
	"	250 gal. RH250	5	"	"	CP66 C8
	"	200 gal.	5	"	"	CP66 C8A
	"	200 gal.	5	"	"	CP66 C10
	"	200 gal.	5	"	"	CP66 C10
	"	200 gal.	5	Kelv. Y490 Terry	"	A.T. CP66 C11
	"	200 gal.	5	Kelv. Y370 Terry	"	CP66 11A
"	150 gal.	3	Kelvinator Terry	"	CP66 C4	
Brambles Metal Products	Coldvert	200 gal.	4	Terry	Brambles	CP66 C4A
	"	200 gal.	5	"	"	CP66 C3
Frigrite Vic. Pty. Ltd.	Frigrite	6,000 lb.	15	Kelvinator	Frigrite	CP65 C9
	"	5,020 lb.	10	"	Wilson	CP65 C9A
	Wilson-Tyler	4,000 lb.	7½	"	Tyler	CP67 C6
	"	3,500 lb.	7½	"	"	CP67 C25
	"	350 gal.	7½	"	"	CP67 C22
	"	3,000 lb.	7½	"	"	CP67 C3
	"	2,500 lb.	5	"	"	CP67 C5
	"	2,010 lb.	5	"	"	CP67 C5

Supplier	Brand Name	Capacity	Compressor Motor h.p.	Condensing Unit	Tank Supplier	Certificate No.
M. J. Marshall Dairy Pty. Ltd.	Dairy-Kold	1,010 gal.	2 x 10	Tecumseh	M. J. Marshall	CP70 C4
	"	720 gal.	12.5	"	"	CP68 C17/1
	As	700 gal.	"	"	"	CP68 C17
	"	600 gal.	"	"	"	CP68 C7
	As	500 gal.	10	"	"	CP68 C2
	"	400 gal.	7½	"	"	CP68 C1
	"	350 gal.	7½	Terry	"	CP67 C15
	"	3,000 lb.	7½	"	"	CP67 C9
	"	250 gal.	5	Ellis & Judge	"	CP67 C3
	"	210 gal. (circular)	5	"	"	CP68 C18
	"	2,100 lb.	5	"	"	CP67 C2
	"	150 gal.	3	"	"	CP67 C6
Milkwell Pty. Ltd.	Milkwell	5,020 lb.	10	Tecumseh	Mytton	CP70 C/2
	"	4,000 lb.	10	"	"	CP70 C/3
	"	3,000 lb.	7½	"	"	CP68 C11
	"	2,500 lb.	5	"	"	CP68 C21
	"	2,010 lb.	5	"	"	CP68 C22
	"	1,500 lb.	4	"	"	CP69 C7
Mobile Equip. Pty. Ltd.	Sunset	2,500 lb.	5	Terry	Sunset	CP67 C19
Nizer Refrigeration Pty. Ltd.	Nizer	400 gal.	2 x 3	Tecumseh	Nizer	CP68 C8
	"	300 gal.	5	"	"	CP67 C21
	"	210 gal.	4	"	"	CP69 C8
Pioneer Refrigeration Pty. Ltd.	Pioneer (Mirra)	2,500 lb.	5	Kelvinator	Mirra	CP66 C6
Truscott, NZ	Milkoola	300 gal.	7½	Terry	Truscott	CP65 C8
A. E. Truscott Metal Ind. Pty. Ltd.	Milkoola	500 gal.	12½	Ajax	Truscott	CP69 C6
	"	480 gal.	10	Terry	"	CP68 C6
	"	4,000 lb.	7½	Kelvinator	"	CP67 C17
	"	250 gal. (dome top)	5	Terry	"	CP67 C17A
	"	200 gal.	5	"	"	CP69 C10
	"	150 gal.	3	Ajax	"	CP69 C5
	"	"	"	Terry	"	CP69 C9
F. V. Way Industries	Way	5,100 lb.	10	Terry	Way	CP69 C14
	"	4,100 lb.	7½	"	"	CP68 C24
	"	350 gal.	7½	"	"	CP69 C15
	"	3,100 lb.	7½	"	"	CP69 C2
	"	2,600 lb.	5	"	"	CP68 C4
	"	2,100 lb.	5	"	"	CP69 C3
	"	150 gal.	3	"	"	CP69 C16

B. Water Assistance Required With Refrigeration

Supplier	Brand Name	Capacity	Compressor Motor h.p.	Condensing Unit	Tank Supplier	Certificate No.
F. V. Way Industries	Way	2,600 lb.	3½	Terry	Way	CP65 C7

C. Milk is Water Cooled from 95°F to 70°F, with Refrigeration from 70°F to 40°F

Milkwell Pty. Ltd.	Milkwell	2,400 lb.	2 x 1	Tecumseh	Mytton	CP65 C6
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DO YOU ENJOY PAYING TAXES?

Our businesses are taxed with stamp duties, sales taxes, income taxes and various other imposts—often including a profits retention tax that hits many of us. Personally, we pay stamp duties, gift duties, sales taxes, excise duty, income tax and finally, death or estate duties. And this is not a complete list.

We must also recognise, for our own sakes, that the tax provisions governing our financial lives are not "once-for-all-time" enactments. They change over time and it is generally true that greater restrictions are imposed as time passes. An ever present danger, particularly with estate duties is that tax changes can be retroactive. Plans made thoroughly and carefully, say, ten years ago, to legitimately avoid tax may be set aside by some later alterations to the Acts concerned. So realism demands that we make periodic reviews of our business and family financial arrangements.

We, as South Australian Dairymen's Association members, have available to us the tried and proven resources of our approved Company, Federation Insurance Limited. Over many years this organisation has given to our members an unexcelled general insurance service and since the beginning of 1964, the Company has been actively engaged in the Life Assurance field also. Thus, we received from Federation Insurance Limited a comprehensive insurance service covering all fields of insurance. It is necessary to realise that it was in response to the interest displayed by its many affiliated Associations, that Federation Insurance Limited entered the Life Assurance field and, further, set up self-employed persons and employees Retirement/Superannuation Funds of a type particularly designed to meet our needs. It is an extension of this service that, in the last two to three years, our approved Company has made an extensive survey of the Income Tax and Death or Estate Duty Legislations of the Commonwealth and Australian States. This was done because estate planning is essential if taxes are to be legitimately avoided to the maximum and accumulated estates preserved, so far as it is possible, for the benefit of our heirs and successors.

We urge, that you take full advantage of the service which is freely available to you in order to ensure that:

- You are paying no more income tax than is necessary.
- That your estate is protected to the maximum against estate or death duty inroads.
- That you are making the best possible use of taxation provisions for the tax free accumulation of adequate retirement or superannuation benefits.

Unless you are absolutely certain nothing further can be done for you in the three areas named above, it is strongly recommended that you contact Federation Insurance Limited as soon as it is reasonably possible for you to do so and get from this Company their advice with regard to your own situation. You may be sure that it will be expert advice, in the best traditions of Federation Insurance Limited service.

Prices and Statistics

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Total since July 1		Total since Jan. 1	
	1969	1970	1968/69	1969/70	1969	1970
February	3,523	4,089	38,082	42,540	7,971	9,169
March	3,948	3,857	42,030	46,397	11,919	13,026

MILK SALES (000 gallons)

	For month		Total since July 1		RATIO per cent		C.M.B. cents	
	1969	1970	1968/69	1969/70	1969	1970	1969	1970
Feb.	1,745	1,805	14,228	14,358	49.5	44.1	29.90	28.41
Mar.	1,935	1,954	16,163	16,312	49.0	50.7	28.51	31.71

Moving average ratio for 12 months ended 28/2/70, 37.74%;
31/3/70, 37.83%.

INTERIM PRICES TO LICENSED SUPPLIERS

(All prices are interim only and subject to adjustment by retrospective payment)

1970	Basic	C.M.B.	Total	3.5%	4%	4.5%	5%
	(cents per lb. butterfat)			(cents per gallon)			
Feb.	36.89	28.41	65.30	23.59	26.96	30.33	33.69
Mar.	36.89	31.71	68.60	24.78	28.32	31.86	35.40

LONDON PROVISION EXCHANGE QUOTATIONS

(Sterling Currency per cwt.)

	February		March	
	1969	1970	1969	1970
Butter—Choicest Australian	300/—	295/—	300/—	295/—
Cheese—Rindless Australian	225/—	230/—	225/—	230/—

DAIRY PRODUCT ESTIMATES FOR 1970-71

Estimates for 1970-71 for Australian production of three non-fat dairy products have been released by the Australian Dairy Produce Board.

The estimates were based on a total production for the 1970-71 season of 220,000 tons of butter and 70,000 tons of cheese.

The three non-fat dairy products were:—

Dried skim milk	95,000 tons
Casein	31,000 tons
Co-precipitates	1,000 tons



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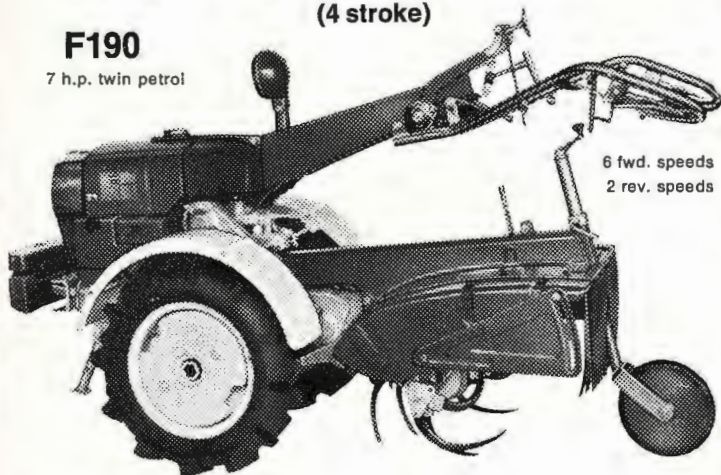
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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



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**THE SOUTH AUSTRALIAN DAIRYMEN'S ASSOCIATION
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THE FARMERS UNION BUTTER BOX

While most housewives agree that butter is superior to other edible fats, it is obvious that, when confronted by the broad display in supermarkets, they do not always make the wisest choice. There may be many occasions when a gentle, on-the-spot reminder could influence purchases, and this is the prime objective of the 'Farmers Union Butter Box'.

This is a mobile unit from which cooking methods may be demonstrated, recipes distributed, and enquiries answered. Locations will be sought at shopping centres and supermarkets particularly, so that people may approach the dairy cabinet with the aroma and flavour of butter fresh in their senses.

Southern Farmers have the services of experts in food preparation, and hope to develop a closer association with consumers in major populated areas.

The 'Butter Box' is of attractive design, painted outside to suggest the product it advertises, while the interior simulates a modern kitchen—a kitchen that most women will want to view at close quarters. The lighting and sound equipment installed should ensure that everyone with a moment to spare will stop, look, taste and, let's hope, be persuaded that 'Butter is the Best of All'.

For another view of the Farmers' Union 'Butter Box', turn to page 28.

THE FRONT COVER

of this Journal is available to successful exhibitors at the Adelaide Royal and country shows to bring to dairyfarmers and others the news of their success, and to demonstrate the characteristics that make their cattle champions. Rates are: For Front Cover illustration, together with title, and one inch of descriptive material displayed on page 1—\$16 (less 25% for members of S.A.D.A., or for Breed Societies and Show Societies). This cost includes block-making, and the block will be available, free of cost, to the advertiser after publication.

ORDERLY MARKETING LEGISLATION

Statutory Backing Given to Equalisation

For nearly 40 years now the Commonwealth Dairy Produce Equalization Scheme for butter and cheese (to which skim-milk powder and casein have been added in recent years) has operated on a voluntary basis, with the conditional assistance of the Federal dairy subsidy which is paid only to the factories which participate in the Equalization Scheme.

Although each factory is aware that there is no compulsion to equalise, and that the return to be had from selling exclusively on the home market is far greater than accepting the arranged return from home and export markets, the recognition that the break-away of one factory from equalisation, with the intention of selling all its output locally without having to pay the equalisation levy on all such sales, will immediately be followed by similar action from other factories, each of which will be prepared to bid for the home market with lower prices, which will lead to cut-throat competition and the eventual reduction of ALL prices and ALL returns to the level of the lowest overseas price, has been enough to hold all but a small handful of specialised factories in the scheme.

Today conditions are changing. The Federal bounty was once worth 6d. per lb. butter when butter was about 2/- per lb. Today the bounty is still worth 6d. (or 5 cents) with butter 11 times this price, and the possibility of being denied the bounty payments is no longer a deterrent to any factory thinking of withdrawing from Equalization.

Now another change has occurred, with the introduction of production control measures now being applied, particularly in Victoria and Tasmania, which, although at present voluntary, may cause factories whose operations are being curbed to look at the possibility of an all-out selling attack on the home market at prices lower than the official levels. Next year, when the voluntary production control measures will almost certainly be replaced with some more formal arrangement, the temptation to make a quick killing across the border could become almost irresistible without some form of legislative backing to curb such action.

This legislative backing is provided in a series of Bills introduced by the Minister for Primary Industry (Hon. J. D. Anthony) into the Federal Parliament.

These Bills are designed to implement proposals for statutory support for the dairying industry equalisation arrangements, submitted to the Government by the Australian Dairy Industry Council. The proposals relate to the continuation of the existing equalisation scheme. The industry has sought no variation in its existing arrangements. The proposals do not involve the Commonwealth in any financial commitment.

The first three Bills are the main Bills which give effect to the basic elements of the scheme and the fourth Bill provides that the implementation of the main Bills is conditional on a majority of producers voting at a poll being in favour of this course. The other Bills involve consequential amendments to existing Acts.

The attention of our readers is drawn particularly to the Dairying Industry Equalization Legislation Referendum Bill.

(Since this foreword was written the Bills have passed both Houses of the Commonwealth Parliament, and have now become law, the word "Bill" in the title of each being replaced by the word "Act". However, a referendum of all dairyfarmers must take place before the legislation can be introduced.)

OBJECTIVE

The object of the Bills is to provide a firmer foundation for the industry's organisation by giving statutory support to the present equalisation scheme through the establishment of a fund by way of a levy on the production of dairy produce to provide the necessary finance for equalisation payments. It is emphasised that it is intended essentially that the legislation should provide a buttress to the equalisation structure in its present form and that it will only be implemented if there is a specific need involving a breakdown of the equalisation structure.

SUPPORT FOR LEGISLATION

The proposals to seek statutory support for equalisation were unanimously endorsed by the Australian Dairy Industry Council. The Council which comprises representatives of the Australian Dairy Farmers' Federation, the Australian Dairy Produce Board and the Commonwealth Dairy Produce Equalisation Committee Ltd., is recognised by the Government as being the forum of the Australian dairying industry which formulates policy and makes recommendations to the Government on matters affecting the dairying industry.

The proposals submitted by the Council have also received the approval of the Australian Agricultural Council.

FUNCTION OF EQUALISATION

The equalisation scheme which operates separately for butter, cheese and casein is an annual pooling of local and export returns so that all factories receive the same return for their product irrespective of the market on which it is sold. The equalisation scheme enables the industry to maintain the local price for butter and cheese relative to the Australian economy and free from the influence of world market prices. The stability which has resulted from equalisation has proved of great value to dairy farmers. While there are some deficiencies in the present arrangements, until some scheme can be introduced which will more adequately meet the needs of the industry (e.g. a two-price scheme involving State legislation), their continuation is essential for the stability of the industry.

NEED FOR LEGISLATION

The present equalisation scheme is based on a system of voluntary agreements between the Equalisation Committee and manufacturers. This dependence on voluntary agreements is an inherent weakness in the Scheme as manufacturers may give notice of withdrawal at any time. The small cheese factories which operate outside equalisation at present do not constitute a threat to the scheme but the withdrawal by a significant producer could result in the breakdown of the arrangements with disastrous consequences for the industry as it would inevitably result in price cutting on the local market and lead to a complete loss of price stability as the domestic price would inevitably be forced down to the level of export parity.

The Government makes eligibility for bounty payments on butter and cheese under the stabilisation arrangements conditional on factory participation in equalisation. The strength of this support has diminished over the years with

the reduction in the average rate of bounty payable and a gradual widening in the gap between equalisation values and the return from the local market. In view of these factors which make non-participation increasingly attractive for an individual manufacturer, the likelihood of withdrawal by a large manufacturer is increasing.

The vulnerability of the equalisation structure has been prejudicial to the long term planning of the industry. For many years the industry has felt the need to buttress the equalisation scheme and has sought ways and means of achieving this. The equalisation scheme is the cornerstone of the orderly marketing arrangements of the dairying industry and the proposed legislative support is necessary to provide a firmer foundation for the industry's organisation.

REFERENDUM

The provision for a poll of producers was not sought by the industry and the Government is satisfied that there is general producer acceptance for the proposed legislation. However, in view of doubts that have been expressed in Parliament on the level of industry acceptance for proposals for other industries, the Government considers it desirable to provide that the implementation of the main legislation be conditional on a simple majority vote of dairy producers, cast at a poll being in favour of this course. It is intended to hold the poll as soon as practicable after the Bills are enacted.

IMPLEMENTATION OF LEGISLATION

If the legislation is supported by a poll of producers it is hoped that the passage of the legislation will act as a sufficient deterrent to any substantial withdrawal from the scheme. Consequently, the voluntary arrangements will continue to operate even after the legislation has been passed by Parliament and there will be no compulsory equalisation arrangement. It is emphasised that the legislation will be implemented only if there is a specific need involving a breakdown of the equalisation structure. The Bills have been prepared to enable the compulsory equalisation scheme to be applied in respect of a single product or a number of products as circumstances warrant.

ADAPTATION OF LEGISLATIVE PROVISIONS TO EXISTING SCHEME

The Bills have been designed so that they can be adapted with a minimum of interference to existing equalisation arrangements. Provision has been made for the Commonwealth Government to make arrangements with the Equalisation Committee to collect levies and disburse equalisation payments on its behalf. This will enable factories already in equalisation to continue their existing arrangements with the Equalisation Committee if they so wish. In effect they will continue to make payments to the Equalisation Committee when market realisations exceed the average equalisation value out of which the Committee will pay the levy on behalf of member factories. In turn the equalisation payment will be offset against levy commitments. Other factories may opt to pay the levy direct to the Commonwealth or the Equalisation Committee, and receive equalisation payments where eligible.

POSITION OF SMALL FANCY CHEESE PRODUCERS

There is sufficient flexibility in the legislation to ensure that the small high-cost fancy cheese manufacturers operating outside equalisation are not forced out of business through the introduction of a compulsory levy by way of the exemption provision which provides flexibility as to the amount of product exempted. There is also provision for particular classes of cheese to be exempted and in addition, provision for concessional payments to be made to fancy cheese producers for product development purposes.



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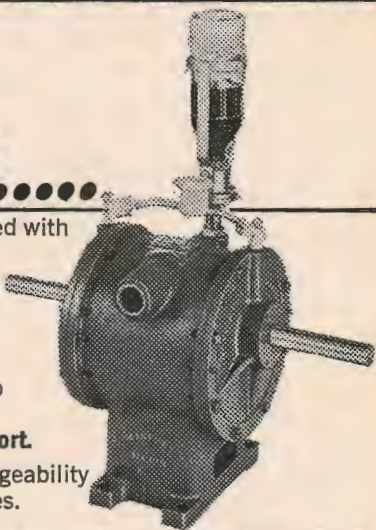
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PAYMENT OF BOUNTY ON BUTTER AND CHEESE UNDER STABILISATION ARRANGEMENTS

As the levy under the proposed legislation will be payable by all factories, provision has been made to amend the Dairying Industry Act to enable the payment of the stabilisation bounty to be made on the production of all butter and cheese on which levy has been imposed.

ACCESS PROVISIONS

In the past, strong criticism has been voiced in the Parliament on the nature of access provisions which have been included in Bills. The standard type of access provision has provided for the entry to premises of an authorised person at all reasonable times. Concern has been expressed on the need to ensure that such provisions do not infringe on the civil liberties of the community. Accordingly a new provision has been included in three of the accompanying Bills to provide for reference to a Justice of the Peace for a warrant to enter premises in which dairy produce is produced if the consent of the occupier is not forthcoming. This provision should ensure that the civil liberties of the community are protected and, at the same time, permit the proper enforcement of the legislation.

An outline of the main provisions of the Bills follows.

DAIRYING INDUSTRY LEVY BILL 1970

This Bill provides for a separate levy to be imposed on the production of butter, butteroil, cheese, casein and such other dairy products as may be prescribed. The levy may be imposed on one product or a number of products as circumstances warrant. Condensery products have been excluded because there is no support from this sector for an equalisation scheme.

The levy will apply from a date to be prescribed for each type of dairy produce and will be payable by the proprietor of the factory.

The rate of levy for each product will be prescribed after recommendation to the Minister by the A.D.I.C. The maximum rates of levy as recommended to the Government by the A.D.I.C. are specified in the Bill.

The levy will be related to a production period normally covering the twelve months ending June. The levy proceeds will be used essentially to make equalisation payments on exports to bridge the gap between the export return and the level of the domestic return. Consequently, as the rate of levy will depend essentially on the amount of equalisation payments made in respect of sales from the relevant production period, it cannot be determined for some months after the end of the production period. The Bill provides for the rate of levy to be prescribed between 6 months and 2 years after the end of the production period.

For the purpose of securing the collection of the levy and to enable equalisation payments to be made during the interim period, there will be imposed a provisional levy which will enable funds to be collected for equalisation purposes as the season progresses. This arrangement is similar to the "pay as you earn" taxation collection arrangement.

There is provision to exempt from the levy prescribed classes of dairy produce.

DAIRYING INDUSTRY LEVY COLLECTION BILL 1970

This Bill provides the machinery for collecting the levy and provisional levy.

The Government is enabled to make an arrangement with the Equalisation Committee to collect levy and provisional levy on its behalf. This provision will permit the existing arrangements for factories already in equalisation to be continued. Other factories can opt to pay levy and provisional levy direct to the Commonwealth or the Equalisation Committee.

POSITION VACANT

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The arrangement will obviate the necessity for a large administrative staff to be employed by the Commonwealth as virtually all of the administration of collecting the levy will be carried out by the Equalisation Committee.

Provisional levy in respect of a production period will be offset against the manufacturers' levy commitment for that production period. Any provisional levy collected in excess of that commitment will be refunded.

The levy and provisional levy is imposed on the product at the time of production and as there is frequently a weight loss in the case of cheese during the maturation process, provision has been made for the levy and the provisional levy to be calculated on the weight of the cheese at the end of the maturation process.

DAIRYING INDUSTRY EQUALISATION BILL 1970

This Bill creates a Dairy Produce Equalisation Trust Account into which will be paid amounts equal to the amounts collected as levy and provisional levy under the Dairying Industry Levy Bill.

The Bill also makes provision for the distribution of the money in the Account. Equalisation payments will be made on the export of—

- (a) dairy produce subject to the levy; and
- (b) products made from dairy produce subject to the levy (such as processed cheese)

at the rate required to increase the export return to the level of the domestic return. Equalisation payments will also be made on the **production** of products made from dairy produce subject to the levy. This will permit the industry to continue its long-standing practice of making concessional sales to manufacturers of certain products—notably ice cream manufacturers.

In addition to the equalisation payments mentioned, the levy proceeds will also be used to meet cold storage and other marketing and administration costs incurred by the Equalisation Committee. This will enable the Committee to continue its present important function of ensuring the maintenance of supplies of butter and cheese to meet requirements throughout Australia all the year round without additional costs to the consumer. The levy proceeds will also be used to meet costs incurred in the withholding of export surpluses and subsequent planned shipments to the United Kingdom to ensure continuity of supply on that market.

Interim rates of equalisation payments will be fixed by the Minister for Primary Industry from time to time after taking into account any recommendations by the Australian Dairy Industry Council while the final rates of equalisation payments will be fixed by regulation.

The Government is enabled to enter into an arrangement with the Equalisation Committee to make equalisation payments to proprietors of factories on its behalf. This provision complements the arrangements for the collection of levy which are designed to permit the existing arrangements for factories already in equalisation to be continued. Other factories can opt to receive the equalisation payments direct from the Commonwealth or from the Equalisation Committee.

There is provision for an Annual Report to be submitted to Parliament on the operation of the Act.

THE DAIRYING INDUSTRY EQUALISATION LEGISLATION REFERENDUM BILL 1970

This Bill makes the legislative arrangements for a referendum to be conducted on the question of whether the Dairying Industry Levy Act, the Dairying Industry Levy Collection Act and the Dairying Industry Equalisation Act should be brought into operation. The Bill provides that the Acts cannot be implemented unless a simple majority of the votes cast at a poll of producers is in favour of this course.

A producer will be entitled to a vote if during the year preceding the polling day he supplied milk or cream to a butter or cheese factory and at the time of voting owned cows for this purpose. Where milk or cream is supplied to a factory by a partnership, each partner will be entitled to a vote. In the case of companies, each company will receive a vote.

Voting at the referendum will be compulsory and only persons who have attained the age of 21 years will be allowed to vote.

The Bill provides that the Minister for Primary Industry shall prepare a pamphlet containing authorised arguments in favour of an affirmative or a negative answer to the question to be decided by the poll. The pamphlet will be distributed to all eligible voters with their ballot papers.

THE DAIRYING INDUSTRY BILL 1970

This Bill provides for the amendment of the Dairying Industry Act, 1962-1967 to enable the payment of the stabilisation bounty provided under that Act to be paid on the production of all butter and cheese on which levy has been imposed. The amendment may be implemented separately in respect of butter or cheese in the event that levy is imposed on only one of these products.

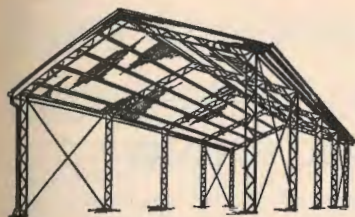
A further amendment arises from an industry request that bounty be paid at a uniform rate on a butterfat basis on both butter and cheese. There are administrative difficulties in achieving a uniform rate of bounty under the present provisions of the Act which require two separate appropriations to be made for butter and cheese. At the time of appropriation it is impossible to forecast what amounts should be appropriate to yield a uniform bounty rate as the production year is then only beginning. The alternative formula proposed provides for the appropriation of a single amount for butter and cheese which will automatically determine one rate for butterfat on both butter and cheese.

The Bill makes provision for the withholding of bounty payments on butter and cheese on the recommendation of the Australian Dairy Industry Council where provisional levy or levy is owed for more than three months.

The existing provision covering access to premises is replaced by the new provisions outlined above.

THE PROCESSED MILK PRODUCTS BOUNTY BILL 1970

This Bill amends the Processed Milk Products Bounty Act 1962-1968 to enable the alternative formula in the proposed Dairying Industry Bill to be used in the determination of the rate of bounty payable in respect of any processed milk product exports consistent with the present requirement that the rate of bounty payable shall not be greater than the rate applicable to butterfat used in the production of butter in the same year.



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45	840	400
60	1060	500
75	1280	600
90	1500	700
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	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.
25 ft.	544	588	208	226	593	661	223	241	733	797	278	307
37 ft. 6 in.	712	762	284	308	796	858	296	328	937	1002	372	402
50 ft.	864	920	344	374	989	1039	369	399	1125	1217	450	487
62 ft. 6 in.	1024	1090	412	448	1162	1228	442	478	1331	1425	536	580
75 ft.	1182	1251	480	522	1335	1409	515	557	1537	1628	622	673
87 ft. 6 in.	1342	1411	547	589	1502	1584	582	629	1727	1829	702	759
100 ft.	1497	1577	610	663	1675	1768	655	708	1923	2034	788	859
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PRODUCTION CONTROL SCHEMES

In the review of the current dairy crisis published in the March-April 1970 issue of this Journal reference was made to the measures being examined by the Australian Dairy Industry Council for the long-term control of dairy production in Australia.

These measures were:

- A two price scheme for all manufactured dairy produce;
- A scheme for the compensation of dairyfarmers prepared to enter into an agreement to cease milk or cream production;
- A scheme for the payment of a bounty on the slaughter of dairy cows or the rearing of dairy heifers for veal or dairy beef, to dairy farmers entering into an agreement to reduce production.

As to the first of these measures, a two price scheme such as the "Gruen Plan", studies are being made concerning the practicability of its application and the techniques of its administration. Neither of these may be as simple as the scheme's proponents appear to believe.

But there is no doubt concerning the other two schemes. They can be applied—they have been applied in other countries. Have they worked? We have our doubts. The following article from the U.S. periodical, "Hoard's Dairyman" is hardly designed to turn us into ardent supporters of either proposition.

● THE BIG MASSACRE

Cow Slaughter in Europe A Bureaucratic Boondoggle?

Common Market is paying farmers to slaughter their cows before April 30 in the hope of reducing a huge butter surplus. Goal is removal of 500,000 head but observers are highly sceptical plan will really work.

by FRED E. BRETH

(From Hoard's Dairyman, Feb. 25)

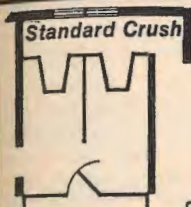
"La grande tuerie!" (The big massacre!) "Rinderdord in Europa!" (Cattle murder in Europe!).

"Premio di abbattimento: Fonte di perplessita per gli imprenditori agricoli Italiani!" (Slaughter premium leaves Italian farmers baffled!)

These are only some of the headlines which have appeared in the Common Market farm press during the past year. They refer, of course, to the projected slaughter of 500,000 milk cows. The measure was designed to stem the annual flood of milk and was approved, October 6, 1969, by the delegates of the six member states.

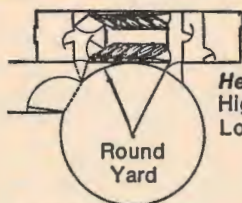
Terms of the measure were first reported in Hoard's Dairyman in the October 25, 1969 issue. Here is a short summary:

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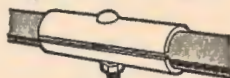


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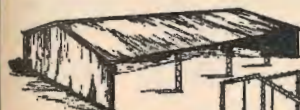
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SHEDS

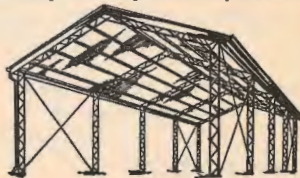
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Farmers with more than 2 cows, but not more than 10 cows, receive \$200 per cow over the beef price if they slaughter their entire herd before April 30, 1970, and abstain from re-entering the dairy field for at least five years. Without killing a single animal, farmers with herds of over 10 cows are also entitled to the maximum premium (\$2,000) on condition that they abandon all commercial milk or dairy products deliveries and use their entire production for the raising of veal and beef calves.

COMMOTION

Actually, this is what the commotion is all about: There is a staggering surplus of milk and dairy products (mostly butter and skim milk) and an acute shortage of beef. Butter, even if given away, cannot find a taker. Yet beef has to be imported in huge quantities from a score of countries outside the Common Market, such as Ireland, Denmark, Yugoslavia, Hungary, and River Plate countries of South America, and so forth.

The size of the present Common Market dairy surplus is revealed in just two figures: At the end of September 1969, butter in stock in EEC refrigerated warehouses amounted to almost one billion pounds, and skim milk powder stocks were 880 million pounds.

CHEAP BUTTER

To enumerate the many ideas which were tried, and abandoned, to get rid of these stocks would fill pages. Among them were:

- sales of butter to food processors at 11¼ cents per pound.
- sales to hospitals, prisons, schools, the armed forces at 14½ cents per pound.
- export sales to certain developing countries at 6½ cents per pound.

GIVEAWAYS

● Giveaways of both butter and skim milk to FAO and the Red Cross, with the Common Market treasury, on top of everything else, paying a good part of the transportation costs.

All this has been of no avail. Spurred on politically motivated subsidies, farmers just keep producing and the mountains of butter and skim milk just keep growing and growing.

The annual rate of milk deliveries slowed somewhat in 1969, but this may have been due to the poor 1968 hay crop and the late start of the pasturing season last spring.

Will the slaughtering plan bring an end to chaotic conditions in the Common Market dairy economy?

WORLD INTERESTS

In the interest of not only Common Market farmers but the world's entire dairy community, one would certainly hope so. Unfortunately, except for the Brussels originators of the measure, few people in the milk business in western Europe share this hope.

In fact, Common Market dairy economists are downright sceptical that the measure will accomplish anything except to set back the Agricultural Fund (FEOGA) and the six state treasuries by the neat sum of \$100 million. FEOGA must pay half the cost.

To date, Dutch Minister of Agriculture Lardinois, made the most optimistic estimate as to the current effect which the measure will have on current butter stocks. He thinks they will drop by 130 million pounds.

CAUTIOUS

Much less hopeful is former German Minister of Agriculture, Herman Hoehrl, who estimates a reduction of 110 million pounds. Most cautious is the man who ought to know better than anybody else, Common Market vice-president, Sicco Mansholt. He anticipated a reduction of not more than 66 million pounds.

Mansholt . . . who, incidentally, was luke warm to the idea . . . feels the whole measure will come to naught since, as he maintains, the remaining higher producing cows will raise the annual milk output by 220 million pounds.

NO DIFFERENT

As to dairy farmers in the six member states . . . well, they are no different than American dairymen. They just smile and, not unexpectedly, try to make the best of it. Of course, reaction of farmers to the measure, as anticipated by the Brussels "Euro-crats," may be one thing, but what the French "producteur de lait," the German "milch-bauer," and the Italian "produttore di latte" will do may be something else. It all depends on local economic conditions, which, by the way, are by no means identical in the six states.

First, let's have a look at the French dairy farmer. There are about 6½ million dairy cows in France, most of them in herds smaller than 10 cows on farms smaller than 50 acres. France, theoretically at least, could be the country where numerous small farmers might be tempted to take advantage of the provisions of the slaughter legislation.

ASTUTENESS

Those who know the astuteness of the French farmer, among them the widely read weekly, "La France Agricole," say: "Sure they will. But here is what they are going to do. These farm families have been living in small villages for generations. They are all related to each other.

"Suppose the oldest one—let us call him Pierre—has 6 cows of which 2 are old, ready to be culled, slaughter measure or no slaughter measure. The first thing he will do is to sell the 4 good ones to his son, Dominique, who farms nearby and has 15 cows. Dominique trades him his 3 lowest producers and a heifer that just lost her calf. These 6 animals are then offered for culling at a premium of \$200 per head.

REMAINS IN BUSINESS

"Dominique remains in business with better cows, on the average, than he ever had before, while old man Pierre comes down every day to help him with the milking and the chores. Also Pierre rents him his pasture and sells him his entire hay and silage crop.

"The law is obeyed, old man Pierre got \$1,200, and everybody continues in the dairy business as before."

German dairy farmers are not unaware of the shrewdness of their colleagues across the Rhine River and are afraid of them. In Germany, a great deal of money has been invested in the modernisation of dairy farms. Counting on increased milk output, private, as well as co-operative, dairies have purchased and installed ultramodern processing plants.

SWITCH

The switch from dairy to beef may be more difficult in Germany than in the other EEC member states, not only because farm costs are higher but also because there is less idle grazing land than in France. Many German farmers know only dairying; they would have to be taught beef raising.

Last, but by no means least, there is the ever-persisting, and not entirely unjustified, suspicion that one of the "friendly" neighbours and partners in the Common Market might get around the slaughter proposition by some kind of subterfuge, cashing in on the premium and flooding the remaining Common Market countries with milk just the same.

This does not mean that Karl Heinz, the German farmer, would have to be taught how to have his cake and eat it, too . . . there is always a buyer for a good milker. To sell a half-dozen good milkers and then turn around and buy the same number of culls in an auction sale or from neighbours is not a particularly difficult trick.

Farmers also, are aware that an army of inspectors would be required to make certain farmers who have accepted the maximum premium and, thus are theoretically out of the dairy business, actually use all their milk for the raising of veal calves.

"TAKING A CHANCE"

We are all inclined to take a chance in some things — we buy a lottery ticket, attempt a controlled slice at golf, enter a new business venture — but the man with good sense does not risk the loss of his livelihood, nor jeopardize the security of his family.

In this respect, the employer is in a special category. He does not have the protection of such legislation as the "Workmen's Compensation Act" and, further, if he is prevented by some disablement from attending to his business affairs, there is the possibility that his trading operations would have to cease.

There is one convenient measure which can be taken to ensure that such a personal misfortune is averted, if provision can be made to maintain the income whilst earning power is depleted, and funds are available for medical expenses, the effect of accident or illness can be mitigated to a great extent.

A Personal Accident & Sickness Policy grants benefits to the holder in the event of his suffering disablement through accident or sickness sustained during working hours or not.

In passing, it is interesting to note that almost half the accidents causing personal injury, occur in "safe" places, such as offices, stores and houses.

The Personal Accident and Sickness Policy, which gives lump sum benefits for death or loss of an eye or limb, and weekly benefits for temporary disablement, is the best method of ensuring adequate finance to cover such emergencies.

The Table of Benefits can be varied to suit the individual, and it is also possible to obtain a policy granting weekly compensation for temporary total disablement.

To depend on money in the bank or assets to provide the necessary cash under such circumstances is obviously "bad business", and the low cost of a Personal Accident or Sickness Policy, coupled with the small amount of trouble in arranging it, clinches the argument that this Policy cover is the best way to avoid "taking a chance" unnecessarily.

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METROPOLITAN WATERSHEDS

Water Pollution Control

Probably no action by a Government or Government department on a matter not related to the dairying industry in South Australia will have as much effect on milk producers as the proposed control of the metropolitan water supply catchment areas to arrest the growing problem of pollution of the city's reservoirs. Because of the issues involved it has been thought desirable to print, in full, the text of an explanatory document issued by the Engineering and Water Supply Department.

No maps have been included, but a telephone call to the South Australian Dairymen's Association (51 3034) or to the Metropolitan Milk Board (23 2277) will enable any producer to ascertain whether his property is in Zone 1, Zone 2, or completely unaffected. In addition separate copies of this document, complete with maps and tables are obtainable from the Association's office, Aston House, 13 Leigh St. on personal application (i.e. not posted).

INTRODUCTION

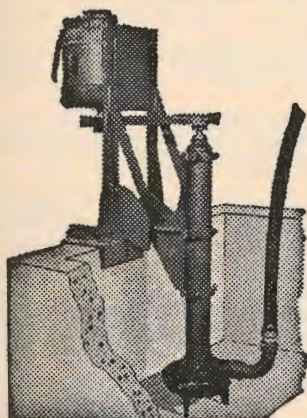
The Engineering and Water Supply Department is responsible for the provision of public water supply and sewerage services throughout South Australia. To discharge this responsibility and to fully exploit the State's limited water resources, the Department must exercise control of water pollution which it does under the Waterworks Act. This ensures that uniform regional policy is adopted in the various areas of concern and is in line with accepted overseas practice.

In every developed country, action has or is being taken to attack the water pollution problem on a regional or river basin basis in order to achieve rational management of the water catchment, pollution control, storage, allocation, treatment, reticulation and reclamation and re-use within a watershed or group of watersheds. The successful river authorities of the United Kingdom and Germany are prime examples of this concept. In the United States of America, water pollution control at the federal level has recently been placed under the control of the new Federal Water Pollution Control Administration (Secretary of the Interior) with regional and river basin administrations throughout the country. These administrations are providing co-ordinated direction, engineering and scientific expertise and financial inducement to the States to overcome the severe water pollution problems facing the nation and which have resulted from fragmentation of responsibility at all levels.

The five main areas of water pollution in South Australia are coastal and estuarine waters, country reservoir watersheds, underground waters, the River Murray and the watersheds of Metropolitan Adelaide. Generally speaking, water pollution in the first three areas listed is not considered a serious problem although the position is being carefully watched. The situation on the River Murray is also satisfactory and the Department is working towards the elimination of the few remaining foci of significant pollution.

The most difficult water pollution control problem facing the Engineering and Water Supply Department exists on the watersheds of the Metropolitan reservoirs which provide approximately 48% of South Australia's reticulated water supplies and prior to the Mannum-Adelaide pipeline (1954) supplied all water reticulated to Adelaide.

This report outlines the nature and mechanics of watershed pollution and also the particular water pollution problems on the Metropolitan watersheds. It also describes action being taken to evaluate and control pollution on the Metropolitan water supply watersheds — both existing and proposed — together with the current policy of the Department.



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THE NATURE AND MECHANICS OF WATERSHED POLLUTION

Water pollution may be defined as any alteration of the physical, chemical and/or biological properties of any water which impairs or is likely to impair the suitability of such water for its most beneficial use.

The principal types of pollution causing concern on the Metropolitan watersheds are:—

1. Pollution by bacteria, viruses and other organisms in sewage, sewage effluents and other human and animal wastes.
2. Pollution by plant nutrients (nitrogen, phosphorus, potassium, etc.) derived from decomposing organic matter, farm animal wastes, fertilisers, domestic sewage, detergents and industrial wastes.

The other recognised forms of pollution such as pollution by inorganic salts (salinity), pollution by oily materials, pollution by toxic agents (metal salts, pesticides, weedicides, radio-active substances, etc.) and thermal pollution do not constitute a significant problem at this time.

Pollution by bacteria and viruses in sewage effluent is controllable by disinfection and this ensures protection against any public health hazard arising from human contact with such effluents. Disinfection of reticulated water supplies, as practised in South Australia, provides a final line of defence in the provision of safe water supplies.

More important today is pollution by plant nutrients and it is this aspect of water pollution which is of greatest concern to the Department.

Throughout the world, streams and lakes used as water supplies or for other purposes have been receiving increasing quantities of sewage and other pollutants which serve not only to lower the bacteriological quality of the water but also act as nutrients for excessive biological growths (mainly algae).

Algae in surface waters are mostly greenish, microscopic, free-floating organisms. In fertile waters they "bloom" in great numbers giving rise to uncontrollable problems of odour, taste, turbidity, colour and general unsightliness. Upon their death and decay they contribute to oxygen depletion with its foul sulphide taste and odour. In some cases, this has proceeded to an extent such as to seriously limit the use of the water for public water supply, irrigation and even recreation.

Nutrients which support algal growths in reservoirs and lakes originate in the surrounding watershed and enter with the run-off. If the soil is fertile, nutrients for algae are likely to be more abundant. Even the time and pattern of applying fertilizer to agricultural land may influence the contribution of nutrients to the aquatic environment.

Algae utilise the mineral nutrients that have come from the land as well as carbon dioxide dissolved from the air or released in decay of organic matter. During warm seasons when growing conditions are otherwise favourable, algal production slows down and finally is stopped by depletion of any one nutrient element. Because nitrogen and phosphorus are not abundant in most surface waters, more commonly than other elements they seem to act as a brake on further rapid growth as the season progresses. Thus, although some naturally fertile lakes habitually develop algal blooms from year to year, as a rule such blooms are less frequent and objectionable than in lakes polluted with sewage and similar organic wastes.

The main nutrients (macronutrients) contained in sewage are nitrogen (20–50 p.p.m.), phosphorus (1–13 p.p.m.), carbon (70–100 p.p.m.) and potassium

(15-50 p.p.m.) but sewage also contains certain trace elements (micronutrients) which are also believed to stimulate algal growth.

Unfortunately, while sewage and sewage treatment of human wastes may solve the public health problem, they are not the complete answer to the water pollution problem. The objectives of conventional sewage treatment are the stabilisation of organic material and removal of suspended solids and dangerous microorganisms in order to make the effluent acceptable for discharge to surface waters as far as health, aesthetic and most re-use considerations are concerned. However, removal of algal nutrients is negligible and they are discharged with the effluent.

All lakes and reservoirs undergo natural ageing by accumulating sediments and nutrients, becoming shallower, more fertile and productive and thus qualify to be called "eutrophic". Excessive blooms of algae are the first sign that the wheels of the ageing process are fully in motion and the lake is headed for extinction.

Normally, the ageing process is extremely slow and is not measurable in the human life span but significant sewage pollution dramatically accelerates the process. Over the past 25 years, the international technical press has documented many examples of enrichment of surface waters by farm wastes, sewage, sewage effluents and urban storm waters with consequent changes from being attractive, clear and sparkling to becoming malodorous, unsightly and near useless to useless. It is of particular interest that where a real problem exists, the discharge of sewage or sewage effluents is always involved and the usual steps are (1) introduction of raw or treated sewage, (2) replacement of game fish with coarse fish and (3) dramatic increases in algal and other undesirable biological growths resulting in serious interference in the utilisation of the water resource for public water supplies, irrigation, tourism and recreation.

Lake Zurich in Switzerland is one of the best known examples of induced eutrophication. The lake is composed of two basins separated by a narrow passage. The upper basin received no sewage and remained essentially unchanged, whereas the lower basin, receiving the sewage from a group of small communities with more than 100,000 people, underwent typical changes as described above. In addition to adverse aesthetic considerations, seasonal blooms of blue green algae cause great difficulties in water treatment works operation (filtration) resulting in increased costs of treatment.

Other alpine lakes are reported to have shared the same fate, as have also lakes and impoundments in Sweden and England. Even more documented and spectacular is the induced eutrophication of natural and impounded lakes of the United States of America. Possibly Lake Erie is the most publicised but the Madison Lakes (Wisconsin), Lake Zoar (an impoundment on the Housatonic River, Connecticut) and Lake Washington (Washington) have all undergone advanced eutrophication under the influence of sewage and industrial wastes discharge. Plans for diverting sewage effluents away from Lake Washington are now in hand at an estimated cost of US\$80 million.

Nor is it necessary to go overseas for instances of concern regarding induced eutrophication by sewage and sewage effluents. In Queensland, the Redlands Shire Council (Brisbane) has just completed the Leslie Harrison Water Supply Dam on Tingalpa Creek. The watershed of the dam is approximately 35 square miles and lies partly in each of three local areas (Redlands Shire, Albert Shire and Brisbane City Council). Following proposed improved access by new highways, rapid subdivisional development is taking place in Albert Shire. While the three local authorities are co-operating in an effort to provide maximum protection of the watershed by control of land use, they are under increasing pressure to re-zone rural land on the watershed. Investigations are still proceeding but it has already been suggested by the Department of Local Government that the solution may be to provide as much protection as practicable for as long as

possible and then consider the advantages of purchasing treated water from the Brisbane City Council in preference to the difficulties of treating a polluted supply. It will be appreciated, however, that this fortunate alternative water supply resource is not available to Adelaide.

THE METROPOLITAN WATERSHEDS

The existing and proposed watersheds of the Mount Lofty Ranges are shown on Plan A. Except for the small Hindmarsh River and Angas River watersheds, all of the watersheds serve or will serve Metropolitan Adelaide.

In their present locations and at their present levels, the Metropolitan reservoirs are an integral and irreplaceable part of the whole distribution system for Metropolitan Adelaide and irrespective of the source from which the water is derived, the reservoirs must be maintained free from significant pollution. There is, of course, the considerable economic advantage of the water derived from the watersheds and impounded in the reservoirs. During the past six years, the average natural yield of the existing reservoirs was 19,000 million gallons per annum and this could be increased to approximately 30,000 million gallons per annum by the construction of further reservoirs in the Mount Lofty Ranges provided the system is supplemented by River Murray water. The estimated annual cost, including operating and capital charges, of an additional pipeline to pump 30,000 million gallons of water from the River Murray (if the water was available) is \$4,500,000. However, the pumping of River Murray water to a distribution system, the storages of which are polluted, is completely unacceptable.

Departmentally controlled reservoir reserves surround each of the major reservoirs. Visitors and members of the public have access only to approved look-out areas and are prohibited from access to the water or to any other part of the reserves. The extent of these reserves varies from reservoir to reservoir and, in fact, reflects the policy of the Department at the time the reservoir was constructed. Where the existing buffer area is inadequate, some extension of the existing reservoir reserve has been approved by the Government. In planning for the acquisition of land for new reservoirs, it is generally proposed to acquire all land within at least $\frac{1}{2}$ mile of the full supply level of the reservoir.

Certain parts of the reserves have been placed under the control of the Woods and Forests Department which has planted suitable commercial timber producing trees. The remainder have been preserved with vegetation in its undisturbed natural state except for any clearing carried out prior to or during the establishment of the reservoir.

With the exception of these reserves, the Metropolitan watersheds are extremely vulnerable to pollution. In the first instance they are inhabited and comprise some of the most attractive, fertile and productive land in the State. They are also uncomfortably close to the Metropolitan area and extremely accessible which makes them attractive for commuter living. Furthermore, the watersheds themselves are large (500 square miles) in relation to the relatively small small storages (40,000 million gallons) which means a higher than normal pollution potential.

All of these factors contribute to the Department's concern regarding all aspects of human activities on the watersheds such as increased subdivisional and industrial development, intensive animal husbandry, intensive agriculture, quarrying and recreational activities. Fortunately, the situation in South Australia has not yet reached the desperate state of affairs existing in both the United States of America and Europe where it is quite clear that vast sums of money will have to be expended by both Government and private interests if the widespread incidence of extreme water pollution is to be relieved. On the other hand, strong action is already necessary to ensure that the metropolitan watersheds do not degenerate to a similar state.

Until a few years ago, the population of the Adelaide Hills was almost entirely rural with only a few small relatively stable villages scattered throughout the area. The townships of Lobethal and Gumeracha were fully sewered to control pollution from domestic sewage and to fully treat the strong wastes from the woollen mills, cheese factory, slaughter-houses and fruit processing works in those two townships. In the case of Lobethal, domestic sewage and industrial wastes are pumped out of the watershed for final treatment and discharged to a watercourse not contributing to a water supply reservoir.

However, the pattern of development of the Adelaide Hills has changed markedly in the last few years. This has been largely as a result of the vastly improved access afforded by the Hills Freeway and by the provision of excellent secondary roads which together bring the metropolitan catchments closer to the city (in terms of travelling time) than many of the outer plain suburbs. It is important to realise that the watersheds are less than 10 miles from the inner city and this is to be compared with Sydney (40 miles), Melbourne (45 miles), Brisbane (80 miles) and Perth (20 miles).

This accessibility, combined with good public transportation, has given rise to increased urban development by city commuters and the State Planning Authority has predicted that this trend will accelerate.

In addition to urbanisation, improved access and increased demand for primary products by the metropolitan area have stimulated animal husbandry and agricultural activities such as pig and poultry raising, dairying, sheep and cattle grazing, market gardening and orcharding. Virgin land has been extensively cleared and with modern technology, the land requirements for an economic unit have become smaller. Until recently, piggeries were a great problem and the Department has carried out up to five investigations each week into proposals for new piggeries on metropolitan watersheds. However, through the excellent co-operation of various District Councils on the watersheds, persons applying for permits to erect pig-sties (or embark on other ventures likely to pollute water supplies) are advised to discuss their proposals with the Department. All enquiries are investigated on site by senior scientific officers of the Department in co-operation with Council officers and in many cases it is possible to encourage landowners to establish their piggeries outside the watershed or, at least, to obtain the best siting and waste handling provisions. There is, however, no economical way of adequately treating piggery wastes and these piggeries constitute, in effect, large unsewered communities, the wastes from which are washed into the streams at times of reservoir intake. (Note: The organic pollutional loading of one pig is equivalent to approximately three people and piggeries on the metropolitan watersheds normally cover a range of 50-1,500 pigs).

In view of these trends on the metropolitan watersheds, the question may well be asked—how much more pollution can the metropolitan reservoirs assimilate without causing undesirable enrichment of the stored water?

At this stage it is not possible to give a quantitative answer to this difficult question. Nor is it likely that a reasonably sensible answer could be given at an early date because of the complex and variable interaction of nutrient leaching from the fertile soils of the Adelaide Hills, the existing and future pattern of usage of phosphatic and nitrogenous fertilizers; the type of future rural development on the watersheds; population trends and distribution; waste disposal from existing and future subdivisional and industrial development; and climatic conditions.

A water pollution survey has already been put in hand by the Water and Water Pollution Control Laboratory at Bolivar. An experienced biologist, together with technical staff, has been assigned the task of evaluating nutrient levels and related biological activity in a programme aimed at monitoring trends

in the enrichment of metropolitan surface water supplies and relating these trends to watershed development. However, overseas experience indicates that it will be 5-10 years before confident quantitative predictions can be made.

There is qualitative evidence, however, that due to the naturally fertile watersheds and their calcereous nature, the metropolitan reservoirs are susceptible to eutrophication and a number of symptoms are already evident.

The first time copper sulphate was needed to control algae was a single dose in Hope Valley Reservoir in 1924. It was not until 1937 that the next algal problem occurred (again at Hope Valley) and systematic quantitative surveys were subsequently initiated. Over the past few years, copper sulphate dosing of reservoirs to control excessive algal growths has become routine. In 1969, 90 tons were used representing an annual cost of \$45,000 for materials only.

Some measure of the deterioration of water quality is evidenced also by the increase in chlorine demand of the water. In the period 1961 to 1968 the weighted average chlorine dose has risen by 50% from 2.1 p.p.m. to 3.2 p.p.m. to ensure the distribution of a safe water supply to metropolitan consumers. This is a measure of the oxygen demand of the water due to organic enrichment which includes that attributable to the lowered bacteriological quality of the raw water.

A recent laboratory test series was done on oxygen depletion of the relatively nutrient-free (and algae-free) River Murray water and this showed that this water could be stored for at least 3-4 weeks in a main without significant change in dissolved oxygen levels or palatability. By comparison, metropolitan reservoir water is usually devoid of oxygen after a week, is unpalatable and gives rise to many consumer complaints.

These symptoms of impending eutrophication are similar to those which were ignored in the United States of America and Europe 15 to 20 years ago and are therefore cause for alarm in South Australia.

In determining its immediate course of action, the Department has satisfied itself that the problem of water pollution must be tackled on the watersheds and everything that is physically and economically possible should be done to control those human activities which will result in further impairment of the quality of the water. If these water resources are to be preserved, it is no longer a matter of how much waste can be put into (and assimilated by) the reservoirs, but how much can be kept out.

It is believed that undesirable rural activities can be contained by legislation and amendments to the Waterworks Act have been submitted to the Government. In effect, these amendments propose the division of the watersheds into zones. It is proposed that no new intensive animal husbandry projects, e.g. piggeries, feedlots, etc. will be permitted on the watersheds and it is hoped that existing piggeries in Zone I will eventually be phased out. Existing piggeries in Zone II will be permitted to remain provided they are not enlarged and provided that approved waste disposal facilities are installed and properly maintained. (Note: Piggeries are entirely prohibited from the watersheds serving other Australian capital cities.)

The amendments also propose that new cowyards, poultry sheds, stables, etc. will not be permitted in Zone I and that such projects in Zone II shall be subject to approval with regard to location (in respect of watercourses) and to waste disposal facilities. Existing cowyards, poultry sheds, stables, etc. will be permitted to remain in Zone I, provided they are not enlarged and provided that approved waste disposal facilities are installed and properly maintained.

No other special restrictions on rural activities on the watersheds are proposed.

With regard to human occupation, the Department's reports to the Director of Planning on proposals to subdivide or resubdivide lands in the watersheds in the past have been based on the same considerations as applied in other areas. Where it has been practicable, subdividers and resubdividers have been required to make financial arrangements for the provision of a water supply for the allotments which they create. Where the land has been remote from the water supply system, making supply impracticable, the Director of Planning has been advised but this has not necessarily resulted in the refusal of the proposal to subdivide or to resubdivide.

However, overseas experience of bacteriological impairment and nutrient enrichment of surface waters due to man-made pollution, supported by similar trends on the metropolitan watersheds, has emphasised the need for a review of the Department's attitude to residential development on the watersheds and the related policy regarding provision of reticulated water supplies and sewerage in these areas.

It is clear that population on the watersheds could be actively restricted and any urban type development should be confined to specific areas allowing sewage to be collected, treated and disposed of as necessary. In the final analysis this may involve either pumping treated effluent out of the area or providing nutrient stripping facilities to limit the quantity of nutrients discharged to streams. Either alternative would be very expensive and in any case would be only a partial solution to the problem of urban wastes disposal.

Elsewhere in the watersheds, the Department considers that the population should be limited to those pursuing rural activities.

To fit these requirements the Department considers that:—

1. The Country Living Area (1962 Development Plan) should be limited largely to the existing subdivided areas.
2. The existing watershed townships should be limited in extent. There is no point in limiting one area to find development shifting to other centres on the watersheds.
3. With certain exceptions (see Sub-section 6. Subdivisional Activity), further subdivision in the remainder of the watersheds be limited to allotments of 20 acres minimum.

The adoption of 20 acres is based on the judgement that it will control the rate of development to such an extent that trends in pollution of the watersheds may be assessed and that water treatment and advancing technology in water pollution control should be able to maintain an acceptable water supply for Metropolitan Adelaide in the interim. It is quite possible, however, that evidence obtained from the water pollution survey, together with trends in water quality, may call for even more rigorous limitations on subdivisional development of the Metropolitan watersheds before full development occurs.

SUMMARY OF POLICY

The Department's detailed policy on the metropolitan watersheds is aimed at absolute minimum interference with existing activities. The two main areas of concern involve the trends in intensive animal husbandry and subdivisional activity.

A summary of the current policy is given below:—

1. Reservoir Reserves

The public will continue to be excluded from reservoir reserves except at defined lookout points.

Reserves around new reservoirs will provide for buffer zones at least $\frac{1}{2}$ mile wide to high water level. In certain situations some additional land will be purchased at existing reservoirs to provide adequate protection.

2. Agricultural Activities

The Department has no plans for any restriction on agricultural activities (market gardening, orchards, field crops, etc.) on the watersheds.

Some concern has been expressed that the increasing use of nitrogenous fertilizers may warrant some restriction on agricultural activities if used to excess. Whilst this aspect will be kept under surveillance, the Department does not anticipate a significant problem from this source.

3. Animal Husbandry

(a) Intensive Animal Husbandry

The Department is opposed to the establishment of new piggeries or other intensive animal husbandry projects (e.g. confined feeding) on the watersheds. This is in line with accepted practices elsewhere which prohibit piggeries from any water supply catchment.

It is hoped that the few existing piggeries in Watershed Zone I will eventually be phased out. However, the Department is not opposed to the existing piggeries in Watershed Zone II provided that the pigs are held in approved sties (i.e. not free ranging); provided that the piggeries are not modified, extended or relocated; and provided that approved waste disposal facilities are installed and properly maintained.

(b) Dairies

The Department is not opposed to the continuation of existing dairies with free-ranging stock on any part of the watersheds provided that milking sheds and holding yards are located well away from watercourses and that the associated concentrations of wastes are disposed of in an approved manner to minimise entry to watercourses.

The Department is opposed to the establishment of new dairies in Watershed Zone I but is not opposed to new dairies with free-ranging stock in Watershed Zone II provided that milking sheds and holding yards are constructed in approved locations well away from watercourses and provided that the associated concentrations of wastes are disposed of in an approved manner to minimise entry to watercourses.

(c) Poultry Farms

The Department is not opposed to the continuation of the existing poultry farms on the watersheds provided that they are located well away from watercourses and provided that all wastes are collected and disposed of in an approved manner to prevent entry to watercourses.

The Department is opposed to the establishment of new poultry farms in Watershed Zone I but it is not opposed to poultry farms in Watershed Zone II provided that the poultry sheds are constructed in approved locations well away from watercourses and that the associated wastes are collected and disposed of in an approved manner to prevent entry to watercourses.

(d) Grazing

The Department is not opposed to normal stock grazing on the watersheds.

4. Industry

The Department is opposed to the establishment of new industries having strong organic or other wastes which are difficult (if not impossible) to treat to the required standards for discharge. Such industries include fruit and vegetable processing, wineries and distilleries, dairy products, wool processing, abattoirs, etc. Treatment on the watersheds would prove economically unattractive to such industry and treatment would not remove the nutrients discharged with the effluent.

Quarrying and mining enterprises are not opposed by the Department provided that associated operations do not pollute, or are not likely to pollute, water-courses on the watersheds.

5. Recreational Activities

The Department foresees no need to place special restrictions on current recreational activities on the watersheds. There will, of course, be continued surveillance of such activities and, as in the past, the Department will need to take action as necessary, e.g. where sewage disposal facilities are overloaded during peak usage.

6. Subdivisional Activity

The Government has authorised the following Departmental policy regarding subdivision and resubdivision on the Metropolitan watersheds:—

- (a) The Department will not oppose the creation of urban or other type allotments within well built-up watershed townships.

Note: The Department is currently examining watershed township areas and, following consultation with the Director of Planning, State Planning Authority, will shortly define the exact limits within which no objection will be raised to urban or other type subdivision and resubdivision.

- (b) Outside well built-up watershed township areas, the Department will strongly oppose all subdivision and resubdivision proposals which would create an allotment of less than 20 acres except that:

- (i) Owners of parcels of land of not less than 20 acres covered by a single current title which existed at 1st April, 1970, will be permitted to create one (1) only additional allotment of not less than one acre in area provided that such allotment shall be created prior to any further subdivision or resubdivision of the land.

- (ii) Owners of any allotment on which there were two or more dwelling houses existing or under construction at 1st April, 1970, will be permitted to create allotments of not less than one (1) acre in area provided that each allotment so created contains at least one such dwelling house. An allotment means a parcel of land for which only one title could be issued.

This means that any allotment containing, say, three dwelling houses at 1st April, 1970, will be permitted to be divided into a maximum of **three** allotments provided that each allotment contains at least one of the houses and exceeds one (1) acre in area.

The Department has also recommended that action be taken to amend the Planning and Development Act, 1966/67, to give the Director of Planning specific power to refuse applications to subdivide or resubdivide land on the

grounds that approval of the proposal would be likely to give rise to pollution of a public water supply resource.

7. Water Supply Policy

Except within those township areas where the Department will raise no objection to subdivision and resubdivision, the Department's policy is not to extend water mains or grant indirect services.

8. Sewerage Policy

The policy of the Department continues to aim at treatment of all watershed township waste waters. Priorities are being investigated by the Drainage Co-ordinating Committee and depending on the requirements of the situation, Departmental sewerage schemes or Council financed septic tank effluent drainage schemes will be recommended.

★

ANOTHER VIEW OF THE FARMERS' UNION 'BUTTER BOX'



★

CHEESE EXPORTS TO JAPAN RISE Highest Ever in 1969-70

The quantity of Australian cheese exported to Japan exceeded 10,000 tons for the first time in 1969-70.

The 10,645 tons exported to Japan represents a large fraction of the 25,101 tons exported to countries other than the United Kingdom (Saudi Arabia was next to Japan with 2,391 tons) and although it is well below the 15,157 tons exported to U.K., the upward trend of sales to Japan may soon make it Australia's most important market for cheese.

DUBIOUS NITROGEN

Nitrogen is one of the oldest words in agricultural scientific literature. Its appearance in the annals more or less marks the beginning of informed farming. Earlier still, the discovery of the element in 1772, by Daniel Rutherford, described by him as the famous "phlogisticated air", ushered in the chemical age, which has made an inestimable contribution to agricultural production. Lavoisier, sacrificed during the pursuit of *liberte, egalite et fraternite* in the French Revolution and generally regarded as one of the founding fathers of modern chemistry, defined the properties and agricultural importance of the element, calling it "azote". To this day, French and Italian farmers speak about azotic manure, meaning nitrogenous fertiliser.

Before this era began, farmers were, of course, making empirical use of nitrogenous fertilisers. The most ancient of them was a salt formed from the excrement of camels where they congregated. The main source was a comsite near an oasis in the Libyan Desert, where the temple of Zeus and Ammon stood. Hence the origin of the term "sal ammonicum", which we now know to be ammonium chloride. According to the testimony of Pliny the Elder, the form of cereal agriculture followed by the Romans was basically the same as that practised by Australian wheatgrowers today. They were the first ley farmers alternating the grazing of legumes with grain cropping, and the sinews of Roman strength and civilisation were fastened to the efficiency and stability of agriculture in her local provinces.

In view of the long history of practical and scientific knowledge of the place of nitrogen in agriculture, it is scandalous that the use of nitrogenous fertiliser in Australia should now be a controversial matter. The mysterious decision three Federal Budgets ago to grant a subsidy on bag nitrogen has enticed many farmers to buy it trusting that its application has official blessing. Overproduction of artificial nitrogen resulting from the sudden expansion here of manufacturing plant to an unwarranted extent has created a thrusting market, with sales agents pushing every possible argument favouring their cause. Their job has been made all the easier for them due to the remissness of our army of agricultural experimenters on independent field stations. Generally, there is a dearth of objective information, so that it is often impossible to say definitely whether a farmer stands to gain or lose by applying nitrogen in any particular situation. However, the weight of the evidence available from the field trials that have been done in the wheat-sheep zone bears heavily against application. In these areas the Roman system is still unquestionably the best system.

Ten years ago, long before the rush to erect nitrogen factories started, Professor Donald at the University of Adelaide estimated from soil studies that a million tons of nitrogen accumulated annually under Australia's leguminous pastures. (The area involved was much smaller than it is now.) To replace this with artificial nitrogen, 2 or 3 times the amount would have to be applied to make up for losses by volatilisation, leaching, erosion and degradation by various denitrifying processes. The cost would exceed \$500 million—an outlay clearly beyond the scale of agricultural economics in southern Australia where legumes are grown.

Another experimental finding which never seems to be mentioned outside the walls of erudite agricultural learning is one made by Dr. Lloyd-Davies in Western Australia some years ago. It stands like stone in the path of the agricultural salesman. He applied dressings of ammonium sulphate at different rates up to a generous level for five years to ley land near Kojanup. Only in the first year did he record greater production from the sheep on the fertilised paddocks. In the subsequent years the animals grazing the plots that did not receive an application of nitrogen yielded progressively more meat and wool as the years went by.

Yet another scandal obtains from the fact that much of the increased production of artificial nitrogen is in the form of urea. Experimental results from many trials at different times and places show quite emphatically that this is commonly the least effective of all forms. Thus, Dr. J. R. Simpson, who conducted comparative trials with several solid forms of nitrogenous fertilisers on the southern tablelands of New South Wales, found that urea produced the poorest response from pasture, and sodium nitrate the best. Results varied somewhat from year to year. If rain fell very soon after the urea was put out, pasture growth was about the same as that when the other fertilisers were used. It is best applied while rain is actually falling but who wants that for a job, all the while trying to keep the powder dry. Measurements made by Simpson revealed that up to 60 per cent of the nitrogen in the urea was quickly changed into gas and escaped to the atmosphere. When urea is incorporated into the soil rather than just replaced on the surface, gaseous loss is greatly diminished.

Incidentally, it is often said that grazing animals "enrich the soil" because of the urea in their urine. A human excretes about an ounce of urea a day, a sheep 1½ oz. and a cow 5 oz. Australia's sheep population therefore would deposit about 7,000 tons of urea on the soil surface every day. But in view of what we have seen to be the fate of manufactured urea placed on the soil we may conclude that animals, far from enriching the soil, may, in fact, be responsible for substantial losses of nitrogen to the air. Obviously, an animal cannot put anything new into the soil. What it has to offer has been taken from the soil in the first place and it can only attempt to return what it has taken. Nitrogenous fertilisers have a place on special crops, but the total area of these in Australia is small. They may also be useful on irrigation pastures and in the higher rainfall dairying districts. Even in these situations the farmer must be a skilled manager to turn into money the extra plant growth obtained.

—THE BULLETIN, August 30, 1969.

CREAMERY FOR THE ELECTRONIC AGE

"The latest creamery built by Britain's Milk Marketing Board is geared to handle 100,000 gallons a day with all round help from electronic equipment.

"One man on his own can check every stage of each process in spray drying of milk and butter making while television cameras scan the reception bays and computers store intake data.

"The Board claim that the new creamery at Alfreton, Derbyshire is a world leader in modern methods of control and sets a standard for the future. It has been planned to deal with the peaks of the U.K. dairy year and can literally be 'switched' on to manufacture from the 'summer' milk. A small staff works full time with no need to recruit much additional help at peak periods.

"Modern dairy plant is already highly automated but at Alfreton a master sequence controller cuts out the need for an operator to integrate various pieces of equipment in a particular process or to select flow lines and services. One operator in the central control room can check local control panels by closed circuit television with a radio call system direct to key staff. Should any part of the system fail these local control panels can be operated manually.

"Milk arrives by tanker and at the factory gate the driver telephones the central control room and sends on his delivery note by air tube. He is directed to one of six reception bays where the milk is agitated and tested and once cleared he moves to the discharge area where the tanker is weighed.

"The gross weight is recorded and stored on a small computer and the milk is pumped out and the vehicle re-weighed. The computer calculates and prints out the gallonage and the driver receives his copy of this information by air tube. When the tanker has been washed automatically, the driver leaves. Meanwhile central control room has made use of closed circuit television to check the tanker on the weighing platform, made sure hose connections are correct and that the tanker is cleaned and disconnected."

SLOW PROGRESS ON MARGINAL FARM SCHEME

It is now nearly three years since the Federal Minister for Primary Industry (Hon. J. D. Anthony) announced his intention to allot \$25 million to a scheme designed to help out of the industry, with the minimum of economic loss, dairy farmers whose properties were too small to provide a reasonable return from a conjunction of today's prices and costs. The Minister also promised that other farmers, whose properties were less than economic size, could be assisted to increase their holdings by the addition of properties vacated under the Scheme.

Despite discussions by the Australian Agricultural Council and within the dairying industry, little progress was made in the two years following the news of the proposal. State Governments saw the Scheme as taking away their sovereignty, or as imposing financial burdens which would not be fully recouped from Federal funds, or as intruding into a field where a State scheme was already operating.

The Department of Primary Industry, however, and the Federal and State dairy organizations, including the South Australian Dairymen's Association, continued to develop the scheme, and early in 1970 it was announced that the Western Australian Government has agreed to participate in the scheme on terms laid down in a Draft Agreement between the Federal Government and the Government of that State. This Agreement provided that the State Government would consider applications from dairy farmers whose properties conformed with the definition of a "marginal farm" for the Government to purchase the farms.

The money for purchase would be provided by the Federal Government in two amounts; an outright grant to pay for the surplus structural improvements and a grant in the form of a loan repayable by the State Government over a period for the purchase of the land. If the State Government accepted an application it would proceed with the purchase, thus enabling the owner to vacate the property (and leave the industry), and would then decide what use to make of the property—whether to sell it to an adjoining farmer to enlarge his holding to economic size, or to retain it for afforestation, or recreational purposes, or some other use.

Farms eligible for purchase are defined as those in which not less than one half of the gross income is obtained from the production of milk or cream, from not less than 20 lactating cows, sold for the manufacture of butter, cheese, or other products, and which, **if used only for dairying**, is not reasonably capable of producing 12,000 lbs. butterfat annually.

A plan which will enable South Australian dairyfarmers to participate in the Scheme is now being drafted, and details will be published as soon as available.

METHYLENE BLUE STANDARD RAISED

On June 11th, 1970, the Metropolitan Milk Supply Regulations were amended to provide for a 5½ hour methylene blue reductase test standard for city milk. The new standard applies to milk received from licensed producers in cans or from unrefrigerated farm bulk tanks.

(The new standard does not apply to refrigerated bulk milk, which currently is subjected to a pre-incubated methylene blue reductase test.)

To allow licensed producers to adapt their milking techniques to the higher standard it is proposed that from the first methylene blue test date in September (Sept. 2nd) the methylene blue reductase test be taken to 6 hours, and producers be informed of the results.

No penalties will be imposed during the period September 2nd, 1970 to June 30th, 1971 if the milk supplied by a licensed producer complies with the existing standard of 4+ hours.

Prices and Statistics

ADELAIDE METROPOLITAN MILK SUPPLY AREA

	PRODUCTION (000 gallons)				Total since July 1		Total since Jan. 1	
	1969	1970	1968/69	1969/70	1969	1970	1969	1970
April	3,632	3,673	45,662	50,070	15,551	16,699		
May	3,801	4,125	49,463	54,195	19,352	20,824		

	MILK SALES (000 gallons)				RATIO		C.M.B.	
	1969	1970	1968/69	1969/70	1969	1970	1969	1970
April	1,823	1,907	17,986	18,219	50.2	51.9	29.37	32.17
May	1,848	1,830	19,834	20,053	48.6	44.4	28.91	27.54

	MOVING AVERAGE RATIO for 12 months ended			
	1969	1970	1969	1970
30th April ...	41.43%	37.95%	31st May ...	41.03% 37.70%

	CREAM PROMOTION CAMPAIGN	
	1970	Since beginning of campaign (1/10/69)
April	1.888	1.938
May	1.939	1.939

	INTERIM PRICES TO LICENSED SUPPLIERS						
	(Prices are interim only and subject to retrospective adjustment)						
1970	Basic	C.M.B.	Total	3.5%	4%	4.5%	5%
April	36.89	32.17	69.06	24.94	28.52	32.07	35.63
May	36.89	27.54	64.43	23.27	26.60	29.92	33.25

	LONDON PROVISION EXCHANGE QUOTATIONS					
	(Sterling Currency per cwt.)					
	April		May		1970	
Butter—Choicest Australian	1969	1970	1969	1970	1969	1970
Cheese—Rindless Australian	300/—	295/—	300/—	295/—	300/—	295/—
	225/—	230/—	225/—	255/—		

THE DAIRY SIRE—

A Bonus or just a Bull?

"A determined effort needs to be made by dairymen to obtain access to sires of known ability," writes the dairy husbandry officer (Mr. G. R. Norman) in the Extension Bulletin recently released by the Department of Agriculture, "The dairy sire—a bonus or a bull?"

"For those who are not herd recording, this is their only means of improving the genetic level of the herd."

Mr. Norman explains that, "by means of computer, it has been possible to conduct surveys on 491 dairy bulls in use in S.A. herds."

"Information from the survey showed that only 33 p.c. of the bulls in use were increasing herd production."

"On a State basis, it means that 3,500 bulls should be replaced with sires capable of improving herd production."

Mr. Norman explains the importance of sire ratings and then discusses sire replacements and the effect a good sire can have on production.

He then explains why a proven sire is more effective, and how they can be obtained.

The Extension Bulletin 23.70, "The dairy sire—a bonus or just a bull?", is available from the Department of Agriculture, Box 901 E, G.P.O., Adelaide. 5001.

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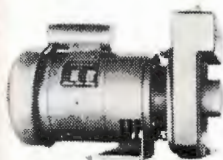
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Journal

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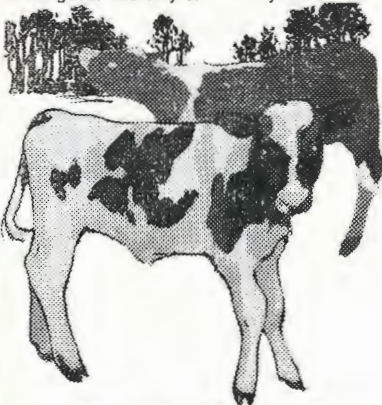
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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



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General Secretary:
DAVID J. HIGBED

Advertising Rates on application

NO RECEIPTS TAX FOR PRODUCE Premier Endorses Association's Advice

In our January-February 1970 issue we published the opinion of the Association's legal adviser on the payment of Receipts Tax by primary producers. This opinion was that primary producers were not liable to pay Receipts Tax to the South Australian Government on milk and other farm produce.

Since publishing the article we have received a number of enquiries which seem to indicate that some of our members are doubtful as to whether the legal advice should be taken. We therefore publish a reply given recently by the Premier in the House of Assembly to a question on this subject. It will be seen that the Premier's reply fully supports the Association's advice.

Readers are asked to note the words in the Premier's reply printed in heavy type.

The possibility of supporting legislation being introduced by the Commonwealth Government must not be overlooked, but the chances of such action appear, at this time, to be remote.

Mr. RODDA: Has the Treasurer a reply to the question I asked last week about the receipts tax?

The Hon. D. A. DUNSTAN: The Chief Secretary made the following reply in another place, following a question asked there on this matter:

The extent to which the State duty is invalid is limited to where the payments concerned are considered to be excises because they are for new goods produced in Australia. In these circumstances, taxpayers must decide whether they should refuse or continue to pay the duty. If they refuse payment, they will still have to make returns relating to those other payments which are not in the nature of an excise. **If, then, the Commonwealth Bill, which is to be resubmitted next month, becomes law, taxpayers will have to make payments of duty previously omitted.** If they continue to pay the duty in respect of new locally-produced goods they have been assured that they will receive refunds if the Commonwealth Parliament does not pass the Bill with operation retrospectively.

In answer to the specific question asked by the honourable member, the State does not have the power to enforce payment of duty in relation to moneys received by primary producers, or their agents or by dealers marketing their products, in relation to the sale of wool, sheep, cattle, grain or other items of primary production. The duty does, however, continue to be payable in respect of all other transactions including services of all kinds, fees, commissions, interest, dividends, rents, payments and repayments of loans and other debts, and all payments for land, real property, second-hand goods and imported goods. This remains the situation.

GENERAL PRESIDENT'S ANNUAL REPORT

Gentlemen,—The year just passed was, without doubt, both for the Association as such and for its members as dairyfarmers, one of unprecedented activity,

MILK PRODUCTION AND SALES

The dairyfarmers licensed by the Metropolitan Milk Board produced yet another record total, 58,505,000 gallons of milk, so continuing the upsurge in productivity which, apart from the slight check imposed by the 1967 drought, has prevailed since 1959 and now provides a total of almost twice the annual output of 10 years ago.

For the producer increasing output has been a logical step in the face of unchecked factor price increases, and, through this action, the average producer in the Adelaide milk supply area has lifted productivity per cow to an unsurpassed 750 gallons, a figure well in excess of the State average of 709 gallons which, nevertheless is far ahead of productivity in every other State, none of which has ever approached 700 gallons, and exceeds by a substantial margin such vaunted leaders in the international dairy scene as New Zealand, Eire, France, and all the Eastern European dairying countries.

In marketing we have, predictably, been less successful, the total milk sales of 21,891,000 gallons being only 2.5 per cent above those of the previous year and 25 per cent greater than those of 10 years ago.

CHEESE PRODUCTION

Despite the record output of milk, cheese production was less than that of the previous year, owing to the imposition by the Australian Dairy Produce Board, early in the season, of quotas on cheese exports, the effect of which was to compel several companies to divert their milk supplies away from cheese manufacture to less profitable products such as casein powder, and the decreased returns from these alternative uses will undoubtedly be reflected in the subsequent distribution of factory "bonuses".

The quota restrictions were, fortunately, removed later in the season and full cheese production was resumed by all factories, the quality of the cheese produced during the year being extremely high, thus reflecting the increase in milk quality brought about by the growing use of refrigeration, and resulting in substantially greater allocations to factories in the Adelaide milk supply area for cheese to be supplied to the Japanese market.

CREAM PROMOTION CAMPAIGN

Undoubtedly the outstanding marketing feature of the past year was the Cream Promotion Campaign. The prelude to this goes back some 12 years to the invasion of the Adelaide market by cream from Victoria which, whatever interpretation Section 92 of the Commonwealth Constitution may apply to the breach of the Metropolitan Milk Supply Act committed by the Victorian suppliers, was an unequivocal violation of the Regulations under the Food and Drugs Act, as well as an offence against morality and reasonable standards of business behaviour, by blatantly deceptive labelling and the use of prohibited thickening agents; facts which should never be overlooked in any future dealings with Victorian interests.

But whatever the background, the important fact was the decision of the Association to provide the initiative and the funds for a massive promotion campaign for South Australian cream. Despite the problems encountered in its form-

active stages, the effect of the Campaign, combined with an aggressive marketing policy which was heavily supported by the producers, reached a peak in January, 1970, when sales of South Australian cream were nearly 2½ times those of the same month in the previous year. For reasons which cannot be elicited sales declined during the following months, and at the close of the financial year total sales during the nine months of the Campaign were only 1.9 times those of the same period in the previous year, a performance which must be surpassed if participation in a continuation of the Campaign in the coming year is to be fully effective.

UNITY NEGOTIATIONS

The Cream Promotion Campaign has been one of the most spectacular and most demanding of the activities of the Association in the year under review, but it has certainly not monopolised the Association's attention.

An item involving almost as much discussion and time and with repercussions perhaps of equal eventual magnitude has been that of unity with our fellow organisation, the United Farmers and Graziers' Association, which will be reported by the General Secretary in a separate report.

As well as these more demanding activities the Association has continued to work for the well-being of its members, and of dairyfarmers in general, in a number of fields, in some of which I am pleased to be able to report successful finality or near finality, whilst in others deliberations must continue for some time to come.

MILK PROMOTION

Reference has already been made to the Cream Campaign, but the Association has not lost sight of the urgent necessity of marketing improvement in every other commodity produced by the dairying industry. We are therefore pleased to be able to announce that the Milk Board, acting under the powers granted to it by the amendment to the Metropolitan Milk Supply Act passed in 1967 in response to the Association's request, is now engaging in the promotion of milk sales through public relations, and has appointed Mr. David Barratt to be in charge of these activities. We wish Mr. Barratt every success and congratulate the Board on its action.

But in the field of milk promotion two projects rank at least equally with the Board's new activity. The first of these, long sought by the Association, is the provision of refrigerating equipment for milk supplied under the Free Milk Scheme. This Scheme, which was introduced after World War II as a contribution towards ensuring sound nutritional habits among school children, came to the end of its 10 year currency during the year just passed, and we are gratified that the renewal of the Scheme has followed negotiations between the Governments of the Commonwealth and all States. However in South Australia, where summer temperatures tend to be higher than in the settled areas of other States, the quality and palatability of the milk supplied to schools has been frequently criticized by teachers and parents' associations. Moves towards the provision of refrigeration, in which the Association has played a leading part, are gratifying, and should do much towards simultaneously increasing the acceptance of milk by school children, and maintaining the practice of milk drinking in later life.

The second is the Milk Board's investigation, with the active support of the Association, into the marketing of a wider range of types of milk. The successful sale of flavoured milks during the past few years, and the more recent ready acceptance of homogenized milk in cartons, must cause us to ask how long the industry should continue to market only a restricted range of types, and active consideration, and the support of the processing companies, must be given to the introduction of such milk types, freely available in other countries of similar living standards, as high-fat milk, low-fat milk, high protein (2/10) milk, and that

acme of flavour and nutrition that goes so well with the typically Australian cereal-based breakfast, 'half-and-half'.

BUTTER MARKETING

Despite the continued contribution by producers of $\frac{3}{4}$ of a cent per pound butter for a Butter Marketing Incentive Fund approaching \$2 million per year, sales of butter continued to decline, particularly in South Australia, through the growing use of the so-called 'cooking spread' margarines. In order to increase the effectiveness of the Fund and to provide, for the exchange of ideas among butter marketers, quarterly meetings, at which the Association has been represented, have been convened by a Federal Butter Marketing Liaison Committee. It is apparent from these meetings that the industry's need lies in the field of effective marketing rather than in media advertising alone, and the Association is consequently seeking to have media advertising removed from the marketing operations for which the Fund may be used.

This action must not be seen as restricting marketing activities but rather as strengthening the methods by which the industry may curb the inroads of margarine into the "spread" market. Media advertising is certainly no way to counter the competition of a very sophisticated rival; the methods to be used are rather those used by the competitors themselves: improved packaging, improved presentation, and a close application to merchandising techniques. It is unfortunate that other State Governments, including our own, have not seen fit to follow the examples of Victoria and Tasmania in prohibiting the use of coloring and flavoring substances in cooking margarines, the effect of which has been a marked rise in butter sales, and although we may concur with those who believe that the consumers' freedom of choice should not be unreasonably restricted, we may query the morality of a product which, in purpose, color, flavor, and presentation, relies on a degree of blatant counterfeiting of another product which would not be tolerated in other industries.

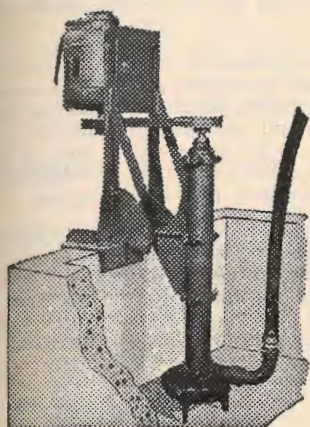
CHEESE MARKETING

Although, as it is not declining, the Australian cheese market is less cause for concern than is the butter market, consumption per head has, after an encouraging upswing in the early 1960's, stabilized at about 8 pounds per head, in contrast to the increasing sale of imported cheese, and the Association believes, and this belief is shared by others, that there is a potential for a massive increase in the sales of Australian cheese on the domestic market, a belief that is confirmed by the knowledge that Australian cheese, especially South Australian cheese, is equal to the world's best, as demonstrated by the recent spate of prizes won in the international field by our own companies, for which performance we offer our congratulations. But, as with butter, the marketing performance of the companies involved does not match the quality of their products and the Association has, during the whole of the year under review, been actively campaigning for a Cheese Marketing Fund similar to that already existing for butter. Although support has been slow in coming it is hoped that, with the co-operation which the Cheese Manufacturers Association has offered, acceptance of the proposal will not be long delayed.

MILK REFRIGERATION

Mention has already been made of the contribution of refrigerated bulk handling to the quality of dairy produce. The Association believes that this technique has a potential contribution also to the industry's economics by reducing the charges for transport which, for several years, have been rising faster than any other factor of manufacturing cost.

However, although the influence of bulk handling on the quality of milk and dairy products is related directly to the extent to which bulk handling is employed, its effect on transport charges is perverse whilst two systems, bulk hand-



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ling and cartage in cans, are employed together, and the industry will gain no economies in transport whilst there are any routes on which this duplication continues.

The Association has consequently formed, in conjunction with the Wholesale Milk Buyers and Distributors Association, a Joint Committee on Bulk Transport, the purpose of which is to devise a scheme or schemes which will eventually enable all dairyfarmers to share in the advantages and economies of bulk handling in any area where both systems are now in use. It is heartening, in view of this action, to observe that the Milk Board now makes the installation of refrigerated bulk tanks mandatory for all new applicants for a milk producer's licence.

The increasing use of bulk milk tanks has, however, as well as bringing savings in labor and costs, and the very great advantage of permitting the checking of factory weights, added another cost, that for the periodical verification of dipsticks, the inequities of which have caused great concern among dairyfarmers in the past year. It is pleasing to be able to report that the Department of Weights and Measures has now adopted for this work a scale of charges suggested by this Association.

ANIMAL HEALTH

The Association has continued to be vigilant in the fields of animal production and animal health, particularly in its interest in the Artificial Breeding Board, in the establishing of which the Association played a major part. We note with approbation the appointment of the Director of Agriculture (Mr. Marshal Irving) to the position of Chairman of the Board and we have, at the invitation of the Minister of Agriculture, submitted our nominations for the positions to be filled by breeders of livestock. With these changes in the administration of the Board we look forward to a marked increase in the use of the Board's services and the Board's contribution to enhanced dairyfarm efficiency. We also anticipate, during the coming session of Parliament, amendments to the Cattle Compensation Act, the Dairy Cattle Improvement Act, and the Stock and Brands Act, in the drafting of which the Association played a significant role, whilst we continue to investigate the possibility of controlling the incidence and spread of vibriosis.

PRODUCTION CONTROL

Important though these activities have been to the progress of the industry and the welfare of the dairyfarmer, they are now overshadowed by the necessity for a major portion of the Association's attention to be directed towards the imminence of a market crisis, and the need for control against overproduction. When contrasted with other primary commodities now suffering from market problems caused by overproduction, of which wheat, with a production increase of 150 per cent during the last 10 years is the outstanding example, the dairying industry's growth of 11 per cent in the same period must be seen as quite modest when related to a population growth of just twice this amount, but, as we have long learned to our cost, the industry's problems are generated not at home but overseas, where the reckless price-support policies of the European Economic Community countries have created a situation which has virtually eliminated economic reason from world dairy produce trade.

The growing oversupply of markets has been predictably accompanied by falling prices which, when non-varying margins have been subtracted, have greatly reduced the return to the producer, the last link in the supply chain. At the same time technological advances have increased the dairyfarmer's ability to produce, with the result that a threatened over-supply of butter has, as the Council is well aware, induced a change in the Federal Government's policy for the industry and a demand from the Minister for Primary Industry for the imposition of production controls. The Association has, as always, been in the forefront in examining the situation and its implications and solutions, but other producer organs

sations have shown less alacrity, and there is, at this time, no indication of the form of production control that will eventually receive the support of the dairy industry at the national level, or be endorsed as an acceptable scheme by Commonwealth and State governments. Every proposal must be examined for fairness and practicability, and for its effectiveness in relation to production control, but it will be regrettable if the present situation is used as a device to impose changes which demand a long-sighted consideration that is impossible in the current context.

RESTRICTION OF LICENCES

Although we cannot, at present, predict the final form of whatever control measures are adopted, it would be irresponsible to adopt other than a cautionary attitude at this stage, and we applaud the Milk Board's recent decision to withhold the issuing of additional milk producers' licences, particularly in view of the Australian Dairy Farmers Federation's policy that, if the industry adopts a production control scheme involving quotas, no production after 30th June, 1970 will be taken into account for the calculation of entitlements.

MARGINAL DAIRY FARM SCHEME

We also note favorably the imminent participation by our State Government in the Federal Government's Marginal Dairy Farm Reconstruction Scheme, on terms which this Association has helped to negotiate. Whilst, in the three years that have elapsed since it was first propounded, doubts have been expressed concerning the effectiveness of the scheme, it may now prove to be of particular value in resolving some of the problems that are being generated by recent moves to control pollution in the metropolitan water catchment area where a very large number of our most productive dairyfarms are situated.

Inevitably, in view of the number, size and complexity of the problems facing the industry, this report is one of progress rather than of achievement. Some of our actions have reached finality, others continue to require unremitting attention. Nevertheless the Association has continued to move forward, and to play a leading role in ensuring the well-being of the industry. In this we have received the full and ready co-operation of Government Departments, the Metropolitan Milk Board, and members of the industry boards and committees on which the Association is represented. To all of these we express our gratitude.

We also express our congratulations and best wishes to the newly appointed Minister of Agriculture, the Honorable T. M. Casey, M.L.C., who, in a brief span of time, has shown that he is following in the footsteps of a group of Ministers whose sympathetic and co-operative attitude has been an outstanding characteristic of the incumbents of that office. To his immediate predecessor, the Honorable C. Ross Story, M.L.C., we also express our thanks for the assistance and support he gave us.

To the members of the Central Council, and to the Executive Committee, whose single minded devotion to the industry and to the Association can never be questioned by any who have worked with them, as well as to the staff, I give my personal thanks.

—N. M. GREEN, General President.

RECEIPTS TAX ON STOCK SALES

Although there should now be no doubt in the minds of any primary producer concerning the imposition of Receipts Tax on primary produce (refer to page 1 of this Journal), many members are confused about the sale of livestock, as receipts tax is deducted by the selling agent before payment is made to the seller.

The position in this case is the same—no receipts tax is payable, and stock agents should be immediately instructed, in writing, that they are not to deduct receipts tax from amount sales.

NO EXPANSION OF MILK SUPPLY AREA

. . . . says the Minister of Agriculture, the Honourable T. M. Casey, when opening the Annual Meeting of the Central Council on August 26.

I welcome this opportunity to speak here today as I want to outline to you some of the Government's thinking in various areas of policy that affect the Dairy Industry in this State.

MERCHANDISING

I feel that the Dairy Industry has not done enough in promoting its own products. Whether we like it or not, this is an affluent age where advertising gimmicks and sophisticated presentation will sell a product rather than the natural qualities of the product.

The presentation and packaging of dairy goods is probably the most unsophisticated of any consumer product in Australia today. It may be a commendable attitude to rely upon the natural goodness and wholesomeness of dairy produce to sell itself, but in this day and age sophisticated packaging, promotion and advertising are needed.

Packaging is one particular area that I feel the Dairy Industry is allowing itself to have circles run around it by its competitors like the margarine industry. It is just not a matter of asking the local milk-factory manager to design a new package in his spare time. You must be willing to spend large amounts of money to hire the **best** designers, marketing consultants and advertisers available. These experts must be given a free hand to bring about the best possible results. This kind of expertise is not cheap and you cannot afford to be penny-pinching when you make funds available for this kind of work.

This is the age of the specialist expert and the Dairy Industry like any other industry that wishes to survive, must be prepared to pay for and use these experts.

MILK SUPPLY AREA

In recent months there have been various suggestions that the present Metropolitan Milk Board Area and its whole milk equalisation scheme should be extended to include the South-East milk producing area. The Government's attitude to this suggestion is quite clear. **We cannot see any overall benefit to the Dairy Industry by carrying out such an extension of the town milk area, and we have no intention of extending it at all. My own opinion is that such an extension would only create more problems than it would solve.**

I have one suggestion to make to the dairy farmers of the South East. The Government would be very interested in investigating the possibility of establishing a Wholemilk Equalisation Scheme in the South-East along similar lines to the present Metropolitan Equalisation Scheme. At present the towns of Mt. Gambier, Millicent, Penola and Naracoorte consume over 2,000 gallons of whole milk daily. This area has a great future and we can only expect the urban centres of the South-East to continue to expand, thereby providing an ever-increasing consumption of whole milk. So an equalisation scheme for the South-East could prove a more efficient marketing system for the producers in the area.

DAIRY FACTORIES

Another important issue facing the Dairy Industry at the moment is the rationalisation of dairy factories and the rationalisation of milk pick-ups. If these problems are tackled, and solved, I feel that we will put the dairy industry on a sounder long-term economic footing.

The Government favours any moves by dairy factories to amalgamate, if the amalgamation will provide adequate and efficient service to the producer as well as providing economic efficiency in production. There are too many dairy factories providing competition. What the dairy industry must realise today is that competition should not be between particular dairy factories but between all dairy products and its synthetic competitors, competing against margarine not against fellow producers and manufacturers. The Government's policy speech of May this year given by Don Dunstan, included a scheme whereby the State Government would invest finance in under-capitalised South Australian industry, especially in country area. I feel that the amalgamation of dairy factories could be a distinct possibility under this scheme.

RATIONALISATION OF MILK CARTAGE

Just as the Government favours rationalisation of dairy factories, we feel that there must be greater rationalisation of milk pick-up. Every one agrees that the industry is facing a difficult economic situation, so the industry must be ready to use all possible means to make it more solidly based economically.

Organisations like the Dairymen's Association have a fair amount of say in what policies the dairy industry will follow. I would be very happy to hear any suggestions from the Association on how greater milk pick-up rationalisation can occur.

INTERSTATE MILK TRADE

The Government has always believed in orderly marketing, not only for South Australia but for Australia as a whole. The Government would most strenuously protest against any interstate company using Section 92 of the Constitution to dump dairy produce into this State at cut-rate prices.

If this problem does occur I can assure you that I will bring it to the notice of the Australian Agricultural Council and demand that some action be taken to stop such practices. I hope that, in the not-to-distant future, sanity can be brought to bear on this problem of interstate marketing.

DEMONSTRATION FARMS

During the past months I have received requests from the Association for the Department of Agriculture to set up a Demonstration Farm in the Adelaide Hills, which can put into practice, on a commercial basis, the results of the Northfield Research Farm. I agree that this idea has merit but I cannot agree with the Association that the Department of Agriculture should be responsible for its financing and running. It is not that the Government objects to expending money. I think that, for a Demonstration Farm to be fully effective, the ordinary dairy farmer must feel that he has a financial stake, and a management role, in its running. The McGarrie Demonstration Farm in Gippsland, Victoria, has proved an outstanding success because it was financed by, and is run by, the local farmers.

At the moment the Government is not keen on setting up a Demonstration Farm without the dairy industry having some direct connection with it, both financially and managerially. The Department of Agriculture and myself will be happy to hear further suggestions from the industry on such a Demonstration Farm.

Before leaving the subject I would like to briefly mention a suggestion put to me by the Department of Agriculture. They suggest that a number of farmers offer their farms to become deeply involved in the extension activity of the Department. This would enable extension officers to put into practice the latest methods, in co-operation with the practical-minded farmer. This is the type of

liaison I want to see develop. If we can get information flowing in both directions from the Department to the farmer and from the farmer to the Department, then I think many of our problems might be solved.

MARGINAL DAIRY FARMS SCHEME

I now would like to give a report on the present stage of negotiations between the State and the Commonwealth Government on the Marginal Dairy Farms Reconstruction Scheme.

Last week the Director of Agriculture received a draft of the scheme, prepared by the Commonwealth, for application to South Australia. At the moment the Director is consulting with the Treasury, the Director of Lands, and the Parliamentary Draftsmen to ensure that the proposed scheme is studied from every possible angle. There are a few problems that have to be ironed out. The major one is getting a proper definition of a marginal farm as related to South Australia and setting out what is a proper definition of a minimum economic unit, as relates to South Australia. A particular problem is finding a suitable formula which covers the area bounded by the equalised whole milk scheme in this State.

I hope that, in the very near future, the details of the scheme can be released. Before moving off this subject I would like to emphasise that this scheme will be purely voluntary, and that no farmer is under any compulsion to leave his farm.

MARGARINE CONTROL

I now want to turn to the Government's attitude on this whole issue of margarine. Firstly I want to draw the distinction between Table Margarine and Cooking Margarine spreads as this will save a lot of confusion.

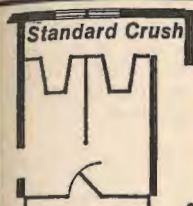
Table margarine is approximately 90@ vegetable oils. At the moment the State has a production quota for Table margarine at around 520 tons. However, the Department of Agriculture estimate that at least 600 tons is imported annually from interstate. This importation cannot be stopped because of Section 92 of the Constitution. Therefore I can see no logical reason why the present quota cannot be increased so that our own South Australian manufacturers of margarine can provide effective competition to the interstate manufacturers. If people are going to eat margarine, and no one has a right to stop them, I would rather they eat margarine manufactured in South Australia than imported from interstate.

Over the past year or so there has been a tremendous increase in the sales of cooking-margarine spreads which are made up of 90@ animal fat (dripping), flavoured and coloured so that most consumers cannot detect it from butter. There are no quotas imposed on cooking-margarine spreads at the moment and the Government does not intend to introduce quotas because they are a rather negative way to try to control and meet the challenge from margarine. Nor does the Government favour trying to ban the artificial flavouring and colouring of cooking-margarine spreads. Tasmania has attempted this course of action and at the moment a case challenging the legality of the legislation is pending in the High Court. The South Australian Government's legal advisers are of the opinion that it is probably not legally possible to ban flavouring and colouring, and legislation of this nature is not favoured by the South Australian Government.

LABELLING OF MARGARINE

What the Government does favour is that all margarine, whether table margarine or cooking-spread, sold to consumers must be very clearly labelled to indicate every ingredient that makes it up. I have asked the margarine manufac-

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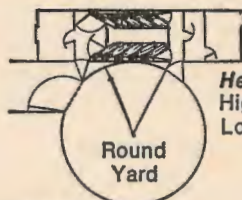


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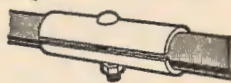


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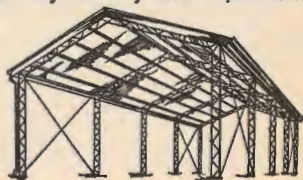
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turers to either agree to this course of action voluntarily, or the Government will legislate to make them.

I believe that this labelling is **the only fair consumer protection which is fully in line with the Government's general consumer protection policies.**

DAIRY RESEARCH CENTRE

Moving on a less controversial area now, I'm happy to be able to say that the new Northfield Dairy Research Centre will be ready by the end of the year. I hope most dairy farmers realise the importance of research work that is carried out at Northfield. Also I want to invite as many farmers as possible to visit the Northfield Research Centre and see the work being carried out there.

SOUTH AUSTRALIAN CHEESE

Finally, Mr. Chairman, I would like to end on an optimistic note. The dairy industry is to be congratulated on the excellent cheese that is manufactured in South Australia. It is pleasing to see such a strong market for our cheese in Japan. The industry must be doing everything possible to develop this very important and significant market.

This developing Japanese market shows that, with increasing affluence, Asian people can develop a taste for Westernised foods. The Australian dairy industry must be quite aggressive in searching for new markets in Asia. Places like Singapore, Hong Kong, Phillipines, and Malaysia have great potential.

I thank you for listening to me today. I don't expect you have agreed with everything I have said, but I hope you are quite clear what the Government's attitude is in various areas. I always believe in frankness when discussing problems, otherwise we only fool ourselves.

I wish you all well for the future.

NEW TYPE OF PLOUGH

A new type of plough reported from South Africa may have a place in farming in Australia as conditions in the two countries are very similar.

The new vibrator plough does not turn over the upper layers of the soil like the conventional plough but vibrates so as to loosen the ground.

Although penetrating deep into the soil, the plough is easy to pull. A 22 h.p. tractor can pull a four-share vibrator plough.

As the soil is not turned over, it retains its moisture longer and is more resistant to drought. In dry areas much less soil will blow away and this should reduce the prevalence of dust storms.

Erosion is further reduced as rain water sinks into the deeply ploughed ground, thus reducing surface runoff.

Since the vibrator plough does not plough weeds into the soil, the seeds germinate quickly and the young weeds can easily be destroyed. The fertile surface soil remains on the surface.

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"MARKETING - - THE MISSING LINK"

by Mr. G. W. WAYE

**Manager, Advertising and Publicity, Australian Dairy Produce Board,
presented at the Annual Meeting of the Central Council on 26th
August, 1970.**

In a recent report issued by the National Bank of Australasia entitled "Competition and the Consumer in the Seventies", the following statement was made—

"Figures from our national accounts reveal that last financial year (1968/69), the amount people spent on consumption goods and services average out at about \$47 million per day, excluding Sundays and national holidays. This financial year (1969/70), the figures will rise to at least \$50 million per day on our present estimates. This vast flow of spending, equivalent to \$5.80 spent per working day by every person aged 15 years or more, far exceeds any other section of expenditure and is an overwhelming force in our competitive market. Spent daily on a 'million' different things and services, no business enterprise can survive for long unless it is able to satisfy, competitively, some fraction of this huge demand"

To me, the key phrase in that statement is the very last one—"no business enterprise can survive for long unless it is able to satisfy, competitively, some fraction of this huge demand".

In this fast-moving and mad, mad world of today, competition is desperately keen for a share of that \$5.80 spent every working day by every person in Australia aged 15 years and over, and the competitor who succeeds is the one who most ably satisfies the consumer's needs.

Whilst our dairy industry is keenly aware of the problems and competition in the market place for its own products, especially butter, is it doing all it should to find out what the consumer wants, not only today, but in the years ahead?

For some time now, I have been searching amongst the leaders of our industry, searching, prying, questioning, in an endeavour to have defined for me the Australian dairy industry's future objectives and the most positive statement I have been able to pin down is . . . "ta survive".

This brings us back to where we started, namely, "no business enterprise can survive for long unless it is able to satisfy, competitively, some fraction of this huge demand."

I do not propose in this address to tell you how this can be done. Over the past few years, there have been industry seminars and conferences on all of our major products, as well as on special subjects such as product diversification, butter spreadability, and so on. Technical men are researching, quality improvement is being achieved in laboratories and vital information is passed on to the factories. Technical perfection is the aim, and yet, regrettably, that is only half the story.

I have heard seminars and conferences of the type to which I referred rather crudely described as back-slapping exercises, where the members of the dairy industry gather simply to tell each other how good we are. If this is so, it is not confined to Australia, but is common to the dairying countries of the world, if one studies the programme of the XVIII International Dairy Congress to be held in Sydney in October of this year.

A study of the programme for the Congress reveals that, almost without exception, the papers to be presented deal with technical matters all related to processing, manufacture, animal husbandry and milk production.

Practically no mention is made of that vitally-important sector which our industry has neglected too long—marketing. This, to me, is the fundamental weakness of our industry all over the world—the generally stand-still attitude in a world of increasing change, the thinking that is confined by the four walls of the factory where the product is made, the thinking that does not consider that all-important area of getting the product from the factory door into the consumer's shopping bag.

Interestingly enough, trends in recent years for certain of our products show that the market is there if we tailor the product to the consumer's requirements. I speak of yoghurt, originally a food favoured by a minority group of health nuts, but by the addition of fruit flavourings, imaginative packaging and aggressive marketing, has reached boom proportions in sales throughout Australia.

Now aboard the same boom band-waggon are cultured cheese products like cream cheese and cottage cheese. There is a tremendous market potential for these and here a little warning bell is ringing.

The big men are moving in. Really big men like international food combines, national retail chains, who can see the potential for specialised dairy foods to meet the continually changing dietary habits of the Australian people. Is this a sign of things to come? At some time, in the not-so-distant future, will membership of industry committees, associations, federations and even the Australian Dairy Produce Board consist of representatives from the big corporations who, today, are taking over control of food manufacture and marketing?

I suggest, therefore, that now is the time to take stock of what we are doing, where we are going. Speaking in generalities, in the fields of butter and cheese which are our primary interests, **very little is or has been done to improve that area known as marketing.** Here is a summary of reports, comments and statements that repeatedly and consistently reach the Board from many outside sources criticising the industry's performance in marketing. And by marketing, I mean the whole area of distribution, packaging, presentation and promotion.

- **The industry does not appear to adopt an overall industry approach,** attitude or outlook towards promoting the general welfare of the industry. Individual interests override the overall.
- **The old order prevails** in an era demanding ultra-modern techniques.
- **There is evidence of lack of enthusiasm,** sales drive, initiative and enterprise in marketing our products.
- **Does our system of Equalisation have any bearing on the issue** with pre-determined margins and overall Equalisation of the same return to all manufacturers?
- **Does our concept of marketing,** where all are required to observe the same rules and prices, **have any effect?**
- Does the basis on which the industry's .75 cent butter promotion allowance is made available **rob the marketer of any initiative or purposefulness?**
- Because the butter marketer receives the allowance provided he abides by the rules (remember it is someone else's money he is using), **does he care whether the application of the funds is not necessarily the most efficient way of using them?**

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- Because in the past, dairy products have largely sold themselves, are marketers still trying to get by in the same way they did fifty years ago, and failing to recognise that in this red-hot, high-pressure, competitive world of today, **we must market our products if we are to survive?**

I am not going to give the answer to these extremely pertinent questions because only the manufacturers and marketers themselves can answer them honestly. What I am going to do, however, is enlarge on what is the modern definition of marketing so that we can measure the industry's efforts against the scientific reasoning of experts.

All too often, the butter marketer, for instance, salves his conscience by telling himself, his directors, his factories and his suppliers that he is doing **everything possible** to maintain and increase sales of butter **by spending all of his .75 cent marketing allowance**. He is advertising!!!!

But advertising is only one part of the marketing syndrome. All the advertising in the world is not going to sell the product if the quality is inconsistent, the packaging poor, the salesmanship and servicing, right through to the point of sale, is deficient or even non-existent.

I am reminded of an occurrence which caused a local furore in Melbourne some months ago. An early-morning worker heading for the railway station through a suburban shopping centre, passed a supermarket on whose doorstep had been deposited a stack of widely-advertised bread (no brand-names, of course). It must have been a pre-dawn delivery, hence the reason for depositing it on the step of the locked-up supermarket. However, what upset the passer-by and subsequently caused him to write an irate letter to his local newspaper and to complain loudly to his local council, was the sight of a dog lifting his hind leg on the helpless and unattended bread.

Admittedly, that was an extreme case, and, certainly, lousy marketing, but it does pose the question . . . **what happens to our products from the time they leave the factory to the time they reach the consumer?**

Now, all that I have said has been diagrammatically demonstrated in what is known as "The Wheel of Marketing". This is no gimmick thought up especially for this occasion. Rather, the Wheel of Marketing is the result of long study of all aspects of marketing in the United States of America, and presented by Mr. Joe Peckham, a senior executive of A. C. Nielsen Company, in a paper to the 1968 Annual Meeting in Sydney of the Grocery Manufacturers of Australia.

The hub of the wheel is THE BRAND,—and the spokes which support the hub are Personal Selling, Store Promotions, Consumer Promotions, Consumer Price, Product Improvement and Advertising.

Note again that advertising is not the be-all and end-all, but is only one of the six spokes of the Marketing Wheel.

So let us start with The Brand as the hub around which everything revolves. Ideally, when we speak of The Brand, we do not mean just a name or a label, but rather a carefully-produced, well-advertised and strongly-promoted product—hopefully one which delivers a "consumer plus"—some added value or believable claim which consumers can recognise, appreciate and be favourably influenced by when seen on the supermarket shelves.

Without this hub, the strength and quality of the marketing spokes are of little consequence.

Now, to the first spoke—Personal Selling. With the competition today, mass marketing through supermarkets and the almost total trend to self-service, the need for personal sales work with the retailer is of especial importance. Can the service to him be improved, can he be given definite information of advertising and promotion activity to increase turnover in his store? In a study in America, an analysis showed that the reason for retail buyer acceptance was definite information on stock movements, advertising budgets, advantages and value of the item from a consumer viewpoint, and that the prime reason for retail buyer rejection was lack of such information.

At the National Sales Promotion Conference organised by the Board in February, 1966, and attended by over 80 industry representatives from all States, the prime complaint on lack of personal selling came from one of the speakers, Mr. Athol Jolley, Operations Director of Foodland Holdings Ltd., who **could not remember the last occasion when anybody from a butter manufacturer had visited any of his retailers with the intention of helping him improve turnover at the point-of-sale.**

The Second Spoke is Store Promotions. This would include displays, menu ideas, recipe leaflets or recipe contests, co-operative promotions and tastings with a marketer of related items—such as biscuits, bread or flour; in fact, general in-store activity in which the potential purchaser can be introduced to Your Brand.

The Third Spoke is Consumer Promotions. The pros and cons of consumer promotions have been the subject of vigorous debate for many years and by consumer promotions, I am referring to those consumer-oriented activities which try to establish a special incentive for the consumer to buy a given brand or product.

As far as the activities of the Dairy Board are concerned, significant and now-established consumer promotions include the Butter/White Wings Bake-Off and the Carnival of Australian Cheese, which have been accepted by grocery retailers as national promotions.

Studies carried out in the United States show that consumer promotions are most effective

- On new brands or on established brands with a major product improvement readily recognisable by the consumer.
- In conjunction with a sales drive to increase store distribution.
- As an addition to, rather than a replacement of, brand advertising support.

The Fourth Spoke, Consumer Price, leads us on to more delicate ground as far as the industry's products, particularly butter, are concerned. Butter, for instance, is generally regarded as expensive, and this is given emphasis by the comparatively low price of certain margarines, against which the cost of butter can be measured. On the other hand, butter has an unquestioned "quality" image, and, therefore, the housewife, either consciously or unconsciously, assesses these factors in making her selection.

However, her decision to favour butter against the cheap substitute can be influenced by believable brand advertising messages which justify the premium price for the superior product. Please note, though, that **any such brand claims or messages must be followed through by the product's actual performance.**

In summary, then, the consumer becomes willing to pay a specific price for the value that her favourite brand represents to her, this value being the net result of her satisfaction in using the product.

Product Improvement, the Fifth Spoke. In the overall marketing concept, keeping one's brand up-to-date is almost as essential in keeping the wheel of marketing rolling. This can be done either by incorporating the improvement in the original brand, by bringing out an entirely new brand, or perhaps, by doing both.

But, a word of warning. The improvement must represent a **real** improvement—a demonstrable and merchandisable "consumer plus" that the consumer can easily recognise on use—a **value** over and above what she formerly has been using and not just a somewhat similar product with the words, "New!" "Improved!", or "Now Better Than Ever!" on the label.

And another word of warning as far as this industry is concerned. **Now is the time to unlock that strong padlock of industry thinking that because we have been doing something in a certain way for the past fifty years, it is the right way.** Let us honestly face the fact that we can further improve and diversify our products and do something about it now to meet the rapidly-changing requirements of the World of Today instead of the World of Yesterday.

The final spoke which completes the full turn of the Wheel is Advertising. Once upon a time, one of the early advocates of advertising made the following observation

"Half of my advertising money is wasted,
but the only difficulty is, I don't know which half."

Since that observation was made, literally millions of dollars have been spent in an attempt to sort out the two halves, and the answer is as far away as ever.

However, there is unanimous agreement that there is no alternative to a strong, sustained advertising programme in addition to the activities already outlined to complete the circle of the Wheel of Marketing.

Advertising is a full and complete subject in itself and the industry as a whole has gathered considerable experience in this particular activity through its involvement in the .75 cent butter marketing allowance.

However, I can say this. Sheer weight of advertising or advertising for the sake of advertising, isn't everything. But what we say and how we say it does make a difference—provided we ensure that the built-in product characteristics and honest selling advantages are exploited in the best possible manner.

I hope this dissertation has been of interest to you as a very important section of the dairying industry, vitally interested in the success of those who process and market your produce, and I will summarise all of my verbiage in a solemn pronouncement that so ably, so simply and yet so challengingly puts the case to the industry today

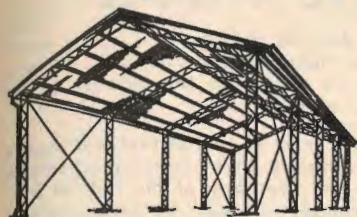
Marketing Success is directly
proportionate to Marketing Effort!

EFFECT OF CAPITAL TAXATION

Select Committee Set-Up

The Legislative Council has appointed a Select Committee to inquire into the effect of Capital Taxation upon Business and Industry in South Australia.

The Committee has asked the Association whether it wishes to make a submission on this very important matter, and the General Secretary has been instructed by the Executive Committee to prepare a draft case for examination prior to presentation.



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	\$		\$	
30	610		300	
45	840		400	
60	1060		500	
75	1280		600	
90	1500		700	
105	1600		800	
120	1700		900	

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14 ft. eaves

15 ft. bays

WALL SHEETING—25c per sq. ft.

Machinery Sheeting—Roof, Rear and 2 Ends

Length	22 ft. SPAN				26 ft. SPAN				30 ft. SPAN			
	Complete		Frame Only		Complete		Frame Only		Complete		Frame Only	
	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.
25 ft.	544	588	208	226	593	661	223	241	733	797	278	307
37 ft. 6 in.	712	762	284	308	796	858	296	328	937	1002	372	402
50 ft.	864	920	344	374	989	1039	369	399	1125	1217	450	487
62 ft. 6 in.	1024	1090	412	448	1162	1228	442	478	1331	1425	536	580
75 ft.	1182	1251	480	522	1335	1409	515	557	1537	1628	622	673
87 ft. 6 in.	1342	1411	547	589	1502	1584	582	629	1727	1829	702	759
100 ft.	1497	1577	610	663	1675	1768	655	708	1923	2034	788	859
Extras												
25 ft. Opening	\$30				\$30				\$35			
SLIDING DOORS—(G.C. Iron) with single track—70c per sq. ft. twin track—80c per sq. ft.												
6 BLADE LOUVRE WINDOW IN FRAME—\$14												
P.A. DOOR—L & B with fittings \$17; Steel \$21												

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HELPING US TO MAKE A CHOICE

Within the next few weeks the Australian dairying industry will, unless something quite unforeseen happens, be required to make at least a majority decision concerning the form of production control to be applied to the industry in the hope of maintaining at least the present level of returns.

At the moment there is no certainty as to the form of control that will receive the dairyfarmers' support, nor is there any certainty that whatever scheme is supported by the producers will necessarily have the approval of the Federal Government. A scheme must be more than acceptable—it must be both workable and effective.

So far several schemes have been suggested—variations of the two-price scheme in either the "Gruen Plan" or the "Sydney Group" form, a single quota scheme, a "withdrawal compensation" scheme, a cattle-slaughter scheme. Each has its apparent advantages; there will undoubtedly be more of greater or lesser complexity and imagined effectiveness.

Choosing between the alternatives is the responsibility of every dairyfarmer; a responsibility not to be taken lightly, as the final decision will affect the industry, and the individuals in it, for many years to come. The choice must be made intelligently, with regard to ease (or even possibility) of operation (some apparently good ideas will founder because of ignorance of what is, or is not, legislatively or administratively possible) and to the effectiveness of the scheme, which is, after all, intended to achieve only one purpose—the stabilizing of returns to the producers now engaged in the industry.

In a recent address to the Farmwriters' and Broadcasters' Society of Victoria, Professor A. G. Lloyd, one of the authors of what is generally known as the "Gruen Plan", discussed what he termed "economic illiteracy" in connection with farm policy issues.

We should not be asked to accept all of Professor Lloyd's statements, particularly those concerning inflation and the "cost-price squeeze" but his views on land policy are particularly appropriate to the present rural situation, and a study of the whole of Professor Lloyd's address, whether we agree or not with each particular argument, is a worthwhile prelude to the examination of the proposals that will shortly be part of the dairying industry.

ECONOMIC ILLITERACY

Fallacies in Farm Policy

There is a large amount of economic illiteracy and irrationality on policy issues served up to farmers by farm leaders and politicians.

Today, I will briefly discuss a few agricultural policy issues which illustrate this confusion and irrationality.

I am aware that my comments will not contribute to the popularity of the economics profession, but this is an inevitable occupational hazard. It has been said that popular economist can be likened to a popular tax-gatherer in some of the less developed countries; he is probably not doing his job.

THE COST-PRICE SQUEEZE

Until the nineteen sixties, Australia was "the Lucky Country", in that it had no serious 'farm problem' defining this as a situation in which average

farm income is markedly lower than average income in other sectors. The disease has spread. We now seem to have an emerging farm problem, generally referred to in Australia as the 'cost-price squeeze', although if we define it as above, in terms of relative income, it is a minor problem compared with overseas.

Clearly it stems from the same long-term causes that have affected the farm sector in all other developed countries. In common with the other developed countries, but to a lesser degree, we have a surplus of farmers, resulting from:

- (i) Rapid technical progress, with many of the new techniques calling for larger farms.
- (ii) **A slowly expanding demand for farm products at home and overseas**—a demand which is increasingly price-inelastic and income-inelastic and is increasingly being met by 'substitutes'.
- (iii) Changing relative prices for resources, **with labour becoming dearer** relative to capital goods such as machinery and fertilizer and with new and improved forms of capital being developed. Thus farm labour must either move out, or be disadvantaged or subsidised.
- (iv) However, the immobility of farm labour impedes this moving out process. There is an understandable reluctance to change jobs when this involves a drastic change in the way of life and the place of living.

The above explanation of the farm problem would be accepted with virtual unanimity by professional agricultural economists, and has been widely discussed for years. Yet my impression is that they have either not heard the message, or they have not understood it. Some treat it as defeatist ("the Government could fix these problems if it really wanted to"). Many seek an alternative explanation of the farm problem which offers more hope, the most commonly chosen scapegoat being the arbitration court-tariffs-inflation complex.

It is understandable that the economists' gloomy account of the farm problem, when it is not ignored, should arouse antagonism, and be branded as 'defeatist'. It is not so long ago that couriers bearing bad tidings were, on occasions, executed. The economists' diagnosis, prophecies and prescriptions are interpreted by many as an attack on a hallowed set of values, verbally enshrined in phrases like 'the family farm' and 'sturdy independence'. As Mr. Al Grassby, M.H.R. for the Riverina warned recently, "People won't vote themselves out of existence". I found that a recent gathering of farmers was not unanimously amused by my story that a U.S. economist had done a light-hearted extrapolation of the fall in the number of U.S. farmers and the proliferation of agricultural economists, **and had found that the economists would outnumber the farmers in a few decades.**

Farm leaders and rural politicians offer a simpler and more palatable explanation of the 'cost-price squeeze' in Australian agriculture: *viz.*, that it results from inflation, instigated by irresponsible Arbitration Court and a suicidal tariff policy. This is linked with the proposition that everybody else can pass on cost increases in the local market, whereas farmers sell on an unprotected world market. The index of prices paid by farmers is compared with the index of prices received, and it is shown that the farmers' terms of trade inexorably decline, with costs rising and prices received barely holding. From this it is deduced that inflation is the root cause of the problem. But surely the critical point is not that costs (i.e. all other prices) are rising, **but that the prices paid for farm products are virtually the only prices that are not rising.** This, of course, reflects consumers' valuations and productivity trends—the factors outlined in the economists' explanation of the problem.

To identify rising costs rather than lagging prices as the problem, with its implication that the rest of the army should get back into step, is to divert attention from the real causes.

It must be pointed out that we are certainly inflating at a slower rate than most other relevant countries, and that our non-agricultural exports (minerals and manufactures) are coping very well with our rate of inflation. This suggests that our agricultural exports are in increasing trouble because they are agricultural, not because they are exports.

Many manufacturers selling locally are also subject to a cost-price squeeze which they are meeting through productivity increases. This is hardly surprising when it is remembered that rising living standards mean that wages, which are a major cost item from the producers viewpoint, are rising faster than consumer prices. In this situation a cost-price squeeze is general, with farmers having the heaviest dose.

And surely it is unrealistic for farm leaders to imply that our wage levels should be held down to what our farm export industries believe they can afford to pay, since, after all, they employ 7% of the work force, our balance of payments position is certainly not critical, and what farmers can afford to pay is geared to a world farm problem stemming from the fact that there are too many of them. Furthermore, the sort of price stability needed to bolster marginal farmers would almost certainly involve massive unemployment.

When everything reasonable had been done to curtail inflation (and excessive tariffs, and restrictive practices) Australian agriculture would still be left with a serious adjustment problem.

Associated with the inflation argument are the propositions that farm export industries are the only one precluded from passing on increases in costs, and that world prices for farm products are 'unfair', since they are the result of dumping, and are the prices paid for only a very small proportion of what is produced.

Farm leaders propagate some simplistic notions about the 'passing on' process. Admittedly, there are some situations where restrictive practices, or monopoly power make the passing on of cost increases a very painless process. This calls for government intervention. But for the thousands of small firms in reasonably competitive domestic markets 'passing on' presents problems. And what of manufacturing exports and mineral exports?

On the question of 'unfair world prices', I do not know how to measure the 'fairness' of a price. One way, perhaps, is to ask producers. Some U.S. researchers, with tongues in cheeks, did this some time ago. At different times they asked different types of farmers the same question and got a surprisingly uniform answer. It seems that, at any time, and for any product, a 'fair' price is a price about 20% higher than the current level.

Low world prices may be 'unfair', but they will be with us for some time, for reasons the economists have outlined, and they will be what we actually get for an increasing proportion of our total farm production. To alter the situation would require world-wide production controls, which many farmers and presumably, most consumers would oppose.

The Federal Country Party and the Federal Labor Party have a simple answer to low world prices—subsidise them up to a fair level. This is a combination of mateship with economic masochism. Why compete in the dumping game? The rational reaction to an 'unfair' game is to deal yourself out—or at least to move in that direction.

You cannot simultaneously set agricultural prices which provide 'fair' incomes, and also expect prices to do their job of attracting labour and other resources to where they are needed, from where they are not needed. Farm incomes, fixed by Arbitration Courts, represent profits. For a Government to guarantee a certain 'fair' level of profit to all enterprises, regardless of what they produced, regardless of whether the output could be sold, and at what price, would produce economic chaos, a nightmare of shortages and surpluses. The price system as a method of allocating resources between industries is admittedly very imperfect, but becomes even more muddled if it also has to take account of welfare considerations ('fairness') in income distribution. Welfare considerations surely must be handled separately, by taxes, pensions, grants, etc., **on an individual basis**. You cannot do 'justice' to an industry. It is too heterogeneous.

The lightly-protected farm industries can base a reasonable, general case for aid on the existence of heavy protection elsewhere in the economy. 'Compensatory' protection to offset tariffs is much more tenable than compensation for inflation. The best solution would seem to be to eliminate excessive tariff protection, rather than to attempt to offset it. This seems to be the Tariff Board's objective, but admittedly it is a very long-run solution.

Farm leaders would have a reasonable case, on both equity and efficiency grounds, if they sought policies and forms of aid which would speed up the necessary structural adjustments needed in agriculture, such as farm reconstruction and retraining schemes, and transferable quota schemes in some industries. The restructuring of agriculture is a necessary complement to measures aimed at hastening the discovery and adoption of improved techniques. With increasing productivity and no change in the number and size of farms, the benefits of technical progress will largely accrue to consumers, and to those producing storage facilities for unsaleable products. Whilst it will be open to the **individual** farmer to produce his way out of the cost-price squeeze and many are successfully doing so, it will not be open to **all** farmers, particularly in those industries facing problems of market access.

LAND POLICY AND TAX CONCESSIONS

For years agricultural economists have been attacking Closer Settlement in already settled areas and, querying the national urgency of opening up new land. The pioneer belief dies hard that progress can be equated with the plough, that virgin land and any trees thereon stands as a challenge to right-thinking men, and as a symbol of wasteful neglect of God-given resources. Nevertheless, a trend towards rationality is apparent, though sternly opposed by those rural politicians who have an eye to the electoral appeal of the 'dynamic developer' image.

One would expect that grower organisations would realise that it is in the interests of existing farmers that they take a 'closed shop' attitude to schemes aiming to create more farmers. It is surely obvious that additional farmers would bid up the prices of some farm inputs, especially livestock and provide extra competition in the sale of produce. Some industry organisations are certainly unenthusiastic about more dairyfarmers. Of course they have the example of dairying in the E.E.C. where the latest quip is: "The only good cow is a dead cow".

I suspect that urban tax payers are becoming increasingly aware that Closer Settlement and the opening-up of unpromising new areas, is not in **their** interests

either. From their viewpoint, we should concentrate on helping many existing farmers out of their difficulties, rather than creating more potential welfare cases.

Some unsatisfactory aspects of land policy continue unabated, in particular the 'give-away' approach to publicly-owned land. Settlers are commonly 'sold' land at a fraction of its market price, or given highly concessional rentals. Sale of other publicly-owned assets at concessional prices would create an immense public scandal, but in the case of land, concessional prices to a privileged few, often selected administratively, seems to carry no odium. As one example, settlers in Victoria's Heytesbury project, a civilian Closer Settlement Scheme based on dairying, are being charged only land development costs. The value of virgin land, which is 'thrown in', has been around \$60 per acre. If we value it at only \$40, the hand-out is equal to \$8,000 per 200 acre farm, or a total of \$4 million if the threatened 500 farms eventuate.

The Victorian Government's determination to continue creating new dairy farms at Heytesbury and Rochester **can only be classified as economic lunacy**; by comparison, the Little Desert proposals look almost sensible. The Government has ignored opposition to the Heytesbury Scheme not only from agricultural economists, but also from conservationists, dairyfarmer organisations and from the Federal Government.

I believe that the Heytesbury development, with which I am familiar, has been conducted with considerable **technical** efficiency, but with complete disregard of the public interest and the interests of established dairy farmers who are already faced with the problem of over-production. The Heytesbury settlers are prospering, partly because of technical efficiency but also because of the considerable financial concessions they are given, and because of the general subsidy given to dairying (of which they are claiming a share at the expense of other dairy farmers). They are probably producing at a cost well under 40 cents per lb. (commercial butter basis) even after debiting 7% interest on capital. This means that Heytesbury is relatively efficient, compared to most other Australian dairying. Yet butterfat produced from extra Heytesbury farms (in fact **any** additional butterfat we produce) must be sold overseas at prices equivalent to a return to the farmer of **less than 12 cents per lb. commercial butter**. And there is the growing danger that very soon most of our dairy exports will be unsaleable even at these give-away prices. (Most Heytesbury milk goes to cheese, but export prices for cheese are nearly as low as for butter and market prospects are nearly as bad.)

Clearly, the Heytesbury fiasco and the Rochester development must be stopped. I hope that when the new Land Utilisation Advisory Council is set up, Heytesbury will be first on its agenda.

Tax concessions provide a considerable incentive for the uneconomic development of virgin land, and, perhaps less seriously, of existing farms. As an example, the proposed 'anti-development' of the Little Desert in Victoria probably would have yielded a return a little above or below zero, before tax, but might have been quite profitable if tax savings were included in the evaluation. We are a long way away from a tax system which does not distort investment decisions, to the detriment of national income. Surely our agricultural tax system needs re-examination. The objective of 'encouraging agricultural investment', which is still used to defend some of our tax concessions, is no longer compelling. To create misallocation costs, as well as a burden on taxpayers, in order to expand output which then must be subsidised a second time, is not obviously desirable. Nor is the tax loophole that is created; a loophole which many regard as a 'racket'.

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CHEESE CLUB OF AUSTRALIA ADELAIDE BRANCH FORMED

The Adelaide Branch of the CHEESE CLUB OF AUSTRALIA, launched in Melbourne late last year, has now been formed and is away to a good start.

Following an exploratory meeting of likely supporters and the setting-up of a Steering Committee, the Inaugural Meeting was eventually held on July 23rd, with an enthusiastic attendance of 80 people, most of whom became foundation members, thus putting the Club well on its way towards its full membership of 100 as limited by the Constitution.

The Premier and the Leader of the Opposition, both keen cheese connoisseurs, who have demonstrated their interest in the Club, were unable to be present, but were represented by the Hon. Frank Kneebone, and the Hon. C. Ross Story respectively.

Dr. J. M. Dwyer was elected President and Mr. A. G. Itzerrott was appointed to the important post of Cheesemaster.

The first outdoor function was held in mid-August, when members, friends, wives and children numbering nearly 200 attended a barbecue and visit of inspection at the newly-equipped Charleston factory of Dairy Vale Co-op.

There are now three Branches flourishing in Australia, in Melbourne (The Pioneer Club), Adelaide and Sydney, and their establishment has been welcomed by Mr. E. G. Roberts, Chairman of the Australian Dairy Produce Board.

He said that although the clubs studied all cheeses they deserved the full support of the Australian cheese industry.

Mr. Roberts explained that the clubs were completely independent bodies of cheese-lovers whose members were recognisable as trendsetters in the Australian community.

It had become obvious that the clubs were developing in all States of Australia as a result of increasing interest in cheese as a gourmet food.

"In fact many people regarded cheese knowledge as an extension of their knowledge of wines," Mr. Roberts said.

Since August, 1969, when the first club was established in Melbourne, clubs had been formed in Perth, Adelaide, Sydney and Brisbane. Interest had also been shown in Canberra, Hobart, Launceston, Bunbury, Mount Gambier, Toowoomba and other centres.

Mr. Roberts said that the Board had been actively assisting cheese clubs in their development, but it had been careful not to intrude too far lest spontaneity of interest be destroyed. Nevertheless, there was great scope for Australian cheese manufacturers to offer their cheeses to the Clubs for special tastings.

"We at the Board believe the cheese industry to be in a similar position to the wine industry 10 to 15 years ago. Wine and cheese have many similarities and a close affinity when taken together."

"Like wine, cheese:

- Is a cultured or fermented product.
- Is a living product which matures over its life span.
- Has a wide range of flavours—some delicate and subtle; some strong and bold.
- Requires great skill in making.

"Indeed, wine lovers extending their interest to cheese have been surprised to find how similar the two products are in manufacture and appreciation."

Mr. Roberts predicted that the trend towards cheese as a gourmet food would have important implications for not only the dairy industry, but also for food marketers, wholesalers and retailers.

This could be seen already in the more progressive supermarkets where extensive cheese cabinets were being installed at considerable expense.

Mr. Roberts also predicted important developments in the cheese manufacturing industry. Australia already produced more than 40 different varieties or types of cheese other than Cheddar and more and more companies are becoming interested in producing these and others.

He added that Australians had a significant leeway to make up in their cheese appreciation. Whereas the average Australian currently ate about 8 lb. of cheese a year, people in every other English speaking country ate between 10 and 14 lb. The average for the major cheese eating countries was about 15 lb. a head while the French—who had more than 300 cheese varieties to choose from—ate an average of 30 lb. a year.

GENERAL SECRETARY'S REPORT ON UNITY

In the previous Report on Unity (27/8/69) I stated that personal observation of Branch and District meetings had indicated the existence of considerable support for formal connection between the S.A.D.A. and the U.F.G.S.A.

I believe this support has not diminished during the year and I feel justified in adding my personal opinion, derived from acquaintance with the workings of primary producers' organizations here and in other States, that unity is desirable not only because it will prevent wasteful duplication of effort but, more importantly, because it will eliminate the persistent confrontation that now prevents the formulation of policies which can be claimed to be representative of dairy-farmer opinion.

At the time of presenting the 1969 Report considerable progress had been made in the series of conferences with the Dairy Committee of the U.F.G.S.A. that had followed the meeting of the Joint Unity Committee in December, 1968 at which it had been unanimously resolved "THAT IT BE A RECOMMENDATION FROM THIS COMMITTEE THAT THE TWO BODIES UNITE UNDER THE NAME OF S.A.D.A. WHICH WOULD THEN BECOME THE DAIRYING SECTION OF THE U.F.G."

With the exception of matters which could be decided after unity had been achieved, the only obstacle remaining to the implementation of this joint policy was the inability of the Dairy Committee to assure that the amendments to the Constitution of the U.F.G.S.A. necessary to enable the decision of the Joint Unity Committee to be put into effect could be undertaken.

For this reason the Central Council decided that negotiations beyond this stage should be continued with representatives who could discuss constitutional matters and accordingly a Joint Negotiating Committee was formed comprising the General President, the Senior Vice President, the General Secretary and one additional member, of each organization, these being, from the U.F.G.S.A., Messrs. Roacke, Gore, Andrews and Adams, and, from the S.A.D.A., Messrs. Green, Turner, Higbed and Oliver.

At the first meeting of the new body, in December, 1969, it was made apparent that the Governing Council of the U.F.G.S.A. would not be likely to approve the constitutional changes which would be necessary for any form of unity other than the complete amalgamation of the S.A.D.A. into the U.F.G.S.A., and in order to allow progress to continue a draft Amalgamation Agreement was prepared.

This proposal was subjected to very long and close scrutiny by the S.A.D.A. Executive Committee and was eventually incorporated into a working proposal, which, after being cleared by the Association's legal adviser, was submitted to the next meeting of the Joint Negotiating Committee in April, 1970.

The working proposal provided that the S.A.D.A. organisation should be completely integrated into the U.F.G.S.A. with its members becoming full members of the larger body. The U.F.G.S.A. would take over ownership of the assets of the S.A.D.A. with the exception of its financial reserves which would be put into a trust fund for three years. The present staff of the S.A.D.A. would be employed by the U.F.G.S.A. on the same terms and conditions as at present. The location of the office of what would now become the Dairy Section of the U.F.G.S.A. would be decided by the State Dairy Council which would be formed after the amalgamation.

The working proposal also provided means whereby the present form of administration of the S.A.D.A. would be engrafted into the Dairy Section on a State-wide basis, by dividing the State into three Regions (East, Central and West), each having a Regional Council (similar in composition and powers to the present Central Council of the S.A.D.A.) and a Regional Executive of seven members (likewise similar to the present Executive Committee of the S.A.D.A.

Co-ordination of the work of the Regional Councils and Regional Executive Committees on a State-wide basis (it being proposed that each Regional organisation be responsible for decisions on matters affecting the Region only) would be through a "State Dairy Council" comprising three delegates from each Region.

It was also proposed that the Dairy Section be financed by a per capita grant provided out of the subscription paid by each member.

At the meeting of the Joint Negotiating Committee a considerable measure of agreement was reached concerning the terms of the working proposal, which was then referred to the U.F.G.S.A.'s Finance and Administration Committee (F.A.C.) for consideration of the financial and constitutional aspects.

The financial proposals were not entirely acceptable to the F.A.C. and further proposals on a revised basis, in which the per capita grant was deleted, were submitted.

The present position is that agreement has been reached on some issues; on other issues, particularly those relating to the internal administration of the Section including the Regional arrangement, it has been agreed that a final decision will be made either at the time of amalgamation or as an early item of business following amalgamation.

There remain some items, of greater or lesser importance, on which no agreement has been reached, and on which further negotiation is required.

It is important that these items be negotiated in the right spirit, which is to have, as the only target, an organisation possessing the maximum effectiveness in achieving the well-being of its dairyfarmer members. If the S.A.D.A. appears to be obstinate on certain points it is because we believe the Association has, over a very long period, been an effective organisation.

The dairying industry is unique among all primary industries because of its continuous, daily, relationship with its sole customer, the processing sector, whilst it also has, because of the diversity of its produce, a greater body of regulatory legislation with its allied statutory and technological control, than applies to any other commodity.

These two factors combine to require, in dairy farmer associations, a greater degree of organisational activity, both administrative and representative, than appears to be necessary for other commodities. In addition the S.A.D.A. has maintained a policy of service to the individual member which we believe to be necessitated by the complexities of the industry and which require involvement in matters that might otherwise be thought to lie outside the scope of a commodity association.

It is, therefore, necessary that the amalgamation of the S.A.D.A. into the U.F.G.S.A. leave this effectiveness and involvement undiminished, and no condition should be demanded that goes beyond this, no compromise should be accepted that falls below it.

NEW AUTOMATIC MILKING SYSTEM

A mobile system for the automatic milking of up to 180 cows an hour by one man has been developed by Alfa Laval in Sweden.

The system, called Unilactor, comprises a U-shaped moving belt of milking stalls, which run on rails. The cows one at a time enter a stall, and the operator attaches a milking unit. The stall then moves off and the next cow in line enters the next stall.

By the time each of the slowly-moving stalls reaches the exit point the milking is complete, the milking unit is removed and the milk jar is emptied into an interceptor vessel for transportation to a cooling tank. Milking jars and units are then automatically disinfected.

The system can easily be expanded, and new rail sections and stalls added as required.

The milking operation itself begins at low vacuum, but this increases as the milk begins to flow. When the udder is nearly emptied the vacuum is eased once more, which obviates the risk of over-milking and consequent injuries to the udder. The highly-standardised procedure ensures that the entire process is always executed in exactly the same way. This means that cows, who are upset by changes in routine, remain placid and contented.

Prices and Statistics

ADELAIDE METROPOLITAN MILK SUPPLY AREA

	PRODUCTION (000 gallons)					
	For month		Total since July 1		Total since Jan. 1	
	1969	1970	1968/69	1969/70	1969	1970
June	3,766	4,310	53,229	58,505	23,118	25,134
	1969	1970	1969/70	1970/71	1969	1970
July	4,367	4,787	4,367	4,787	27,485	24,921

	MILK SALES (000 gallons)				RATIO		C.M.B.	
	For month		Total since July 1		per cent		cents	
	1969	1970	1968/69	1969/70	1969	1970	1969	1970
June	1,804	1,838	21,638	21,891	47.9	42.6	28.47	26.69
	1969	1970	1969/70	1970/71	1969	1970	1969	1970
July	1,844	1,874	1,844	1,874	42.2	39.1	25.65	25.22

	MOVING AVERAGE RATIO for 12 months ended					
	1969		1970			
	1969	1970	1969	1970		
30th June	40.65%	37.42%	—	31st July	40.30%	37.20%

CREAM PROMOTION CAMPAIGN

	Sales expressed as multiples of sales for same period in previous year	
	1970	Since beginning of Campaign (1/10/69)
June	1.921	1.937
July	1.822	1.923

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only and subject to retrospective adjustment)

	Basic	C.M.B.	Total	3.5%	4%	4.5%	5%
1970	(cents per lb. butterfat)			(cents per gallon)			
June	36.89	26.69	63.58	22.97	26.25	29.53	32.81
July	35.97	25.22	61.19	22.10	25.26	28.42	31.57

LONDON PROVISION EXCHANGE QUOTATIONS

(Sterling Currency per cwt.)

	1969	1970	1969	1970
	April		May	
Butter—Choicest Australian	300/—	310/—	300/—	310/—
Cheese—Rindless Australian	225/—	255/—	225/—	257/—

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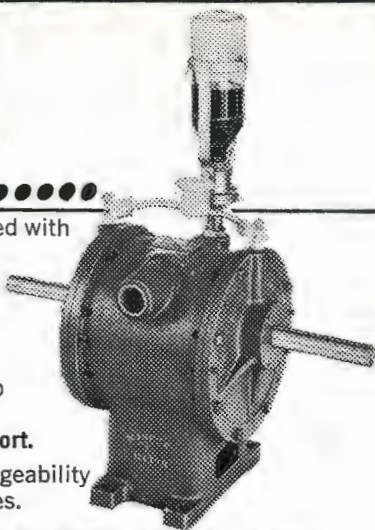
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THE SOUTH AUSTRALIAN

DAIRYMEN'S . . .

Journal



The Official Publication of the

Published Bi-monthly

Vol. 10, No. 2

Adelaide, SEPTEMBER- OCTOBER, 1970

PRODUCTION CONTROL!

An Analysis of all
The Proposals

SPECIAL MEETING OF THE AUSTRALIAN DAIRY FARMERS
ASSOCIATION WILL BE HELD ON NOVEMBER 13 TO DISCUSS ALL
PROPOSALS FOR PRODUCTION CONTROL SO FAR SUBMITTED.

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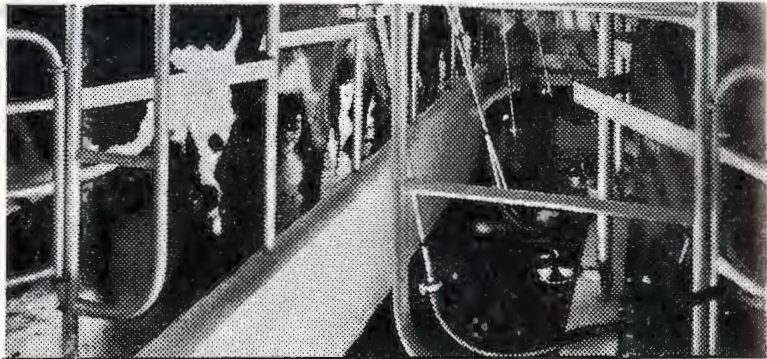
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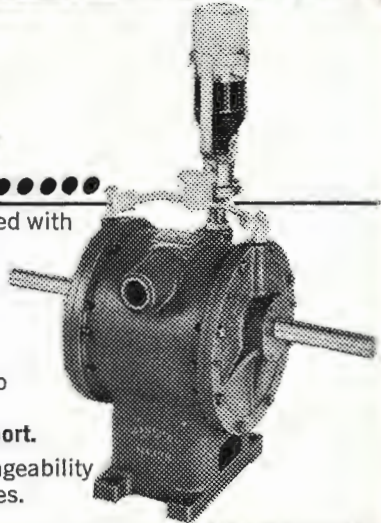
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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

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CONTROLLING AUSTRALIA'S DAIRY PRODUCTION

ALTERNATIVE PLANS

An Analysis

BACKGROUND

WORLD MARKETS

The instability of the world's dairy produce markets is not of Australia's making. Our contribution is slight. There are in Australia today less dairy cows than there were in 1933, and we have never, in the last 25 years, exceeded by more than a few per cent the level of the pre-war years. Certainly productivity per cow has increased quite spectacularly; nevertheless the nation's total milk output last year was only 28 per cent above that of 1938.

Many other traditional dairying countries too, despite popular opinion to the contrary, have had similar modest achievements.

It is in only a handful of European countries, led by the United Kingdom, with its doubled post-war output, that spectacular production increases have occurred which have induced a fiercely competitive world market situation and disrupted the economics of the dairying industry in dairy produce exporting countries.

The disruption began to be evident when the export return for butter, after rising steadily as demand increased, following the cessation of World War II, suddenly, in 1953, reversed its trend, and by 1958 had fallen to below the return of 10 years before.

BREEDERS AND BREED SOCIETIES

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UNDERWRITING

As a gesture of support to the industry the Commonwealth Government, in 1958, agreed to underwrite returns to ensure a minimum overall return to dairy farmers of 40d. (34c) per pound commercial butter equivalent.

The final returns for 1958-59 were substantially higher than the underwritten figure, but in the years that followed the returns came closer and closer to the amount of 34 cents which the Commonwealth Government had left unchanged and by 1969-70 the estimated final price (not yet completely realised) was no more than marginally above 34 cents.

Production estimates for 1970-71 indicated that butter output for the whole of the Commonwealth would be some 10,000 tons greater than the total produced in 1969-70, and as export prices gave no indication of improvement, the equalised return on a total of 230,000 tons was calculated to be considerably less than the prevailing underwritten figure of 34 cents per pound commercial butter equivalent, possibly no more than 30 cents. Consequently the Minister for Primary Industry (the Hon. J. D. Anthony) warned the Australian dairy industry that the Commonwealth Government would not underwrite returns in the coming year at the previous rate unless the industry imposed on itself an acceptable form of production control.

INTERIM MEASURES

Because of the complexity of the industry it was not possible in the time available to devise and implement any method of control which could be regarded as permanent and in the event the Government's endorsement (as demonstrated by a change in the method by which support was given to the industry whereby bounty, underwriting and devaluation compensation were aggregated into a single grant) was given to an interim plan which involved a reduction in output only in Victoria and Tasmania, in both States being accomplished by means which did not involve overt compulsion, with other States agreeing to operate within present limits.

But the present arrangements—and it is too early to judge how effective they have been—are, and are intended to be, no more than a stop-gap.

The Government has, for its part, provided a grant that permits a holding operation to be maintained during the current year, and has expedited the passing of legislation to support the dairy produce equalisation scheme against attack when a more comprehensive plan is introduced.

THE LONG-TERM PLAN

The industry now has the job of devising a scheme that is workable, acceptable and effective, and for many months now the dairyfarmer organisations have been examining the means by which such a scheme may be achieved. There must be no misunderstanding—such a scheme will not be a simple one—and it is to be hoped that the parallel drawn by the Commonwealth Government between the dairying industry and the wheat industry. ("**Clearly,**" said the Minister for Primary Industry, "**the position has now been reached, as with wheat, when production controls are required**") does not induce the belief that a scheme as simple as the wheat quota scheme can be applied to the dairying industry. The vast number and dissimilarity of dairy products, ranging from liquid milk through a bewildering variety of foodstuffs to industrial raw materials, the symbiosis between producer and processor, and the impossibility of on-farm storage of the raw material make a comparison between the two industries impossible. Among primary industries the dairying industry is unique; a workable scheme of production control will, likewise, be unique.

THE PLANS

Two Tier Plan (the "Gruen" Plan)

HISTORY

The "Gruen Plan" is not really a plan. It is a principle that has been applied in similar circumstances to primary commodities in other countries, but it is doubtful whether it has ever been applied (and it has certainly never been successfully applied) to such a wide range of diverse products as the total output of the Australian dairy industry. Nevertheless, because the principle is one that would apply a strong disincentive to over-production, it is seen in some quarters as being particularly appropriate to the present Australian situation, and an industry group appointed by the Australian Dairy Industry Council (AD-IC) has, since early October, been conferring with Professor Gruen and Professor Lloyd, two of the original 7 co-authors of the original "Plan".

The "Gruen Plan" has been explained in detail in several earlier issues of this Journal, namely February, 1963, September-October, 1968 and March-April, 1970, but a brief explanation of the "Plan" is included in this issue in order to provide a complete record.

BASIS OF THE PLAN

The "Plan" is based on the fact that portion of Australia's dairy production is sold on the home market and the remainder is sold on the export market, the price obtained for that portion sold on the home market being higher than for that exported, although this difference in prices is concealed from the dairy-farmer because he receives an "equalised" (i.e. arranged) price.

Under the "Plan" a producer would be given an "entitlement certificate", calculated by multiplying his annual output (or his best output in the last 3 years, or his best output in 3 of the last 5 years, or some other agreed and equitable base period) by the fraction obtained by dividing the total sales on the Australian market by total Australian production. Thus, if home sales are 60 per cent of total Australian production, a producer whose average annual output (or best in 3, etc. etc.) is 10,000 lbs. butterfat, will receive an "entitlement certificate" which will permit him to receive the higher home price on 6,000 lbs. of his output, the remaining 4,000 lbs. (or more, or less, as he decides, in the light of the price he will receive) bringing a return based on whatever price the export market will yield.

At approximate current prices (referring to butter only) the two rates of return could be assumed, for the purpose of this example, to be 50 cents lb. butterfat in butter sold on the home market and 25 cents lb. butterfat in butter exported. The subsidy, which now amounts to 9c lb. butterfat, would no longer be paid on all production as its overt payment on butter for export would be taken to be a breach of international trading agreements, and it would therefore be paid only on the butter for home consumption, at the rate of 15c lb., thus raising the return on butter sold on the home market to 65c lb. butterfat.

The producer would then be able to compare the price received from the export market with his cost of production and with the returns from alternative commodities such as beef, mutton, etc., and would be able to reduce (or eliminate entirely) the amount he produced for a return of 20c lb., without in any way jeopardising the quantity (6,000 lbs.) for which he was receiving a total price, including subsidy, of 65c.

PROBLEMS OF IMPLEMENTATION

Unfortunately a workable production control plan needs considerable expansion beyond this simple and attractive example. It cannot, for instance, be applied only to one commodity (e.g. butter, as above) as strong pressure will be induced to divert the raw material going into low-priced export butter to other dairy products for the home market, thus disrupting areas of the industry which are not at present subject to over-production. An apparently logical solution to this problem would be to limit the plan to the four products which are closely related as far as production is concerned, and which rank highest in the list of Australian dairy produce exports, namely butter, cheese, and the by-products of butter, skim-milk powder and casein. Nevertheless this solution is complicated by the varied (and varying, from year to year) proportion of each which is exported (ranging from approximately 40 per cent butter to 90 per cent of casein, and the wide ranges between the home prices and between the export prices of each product.

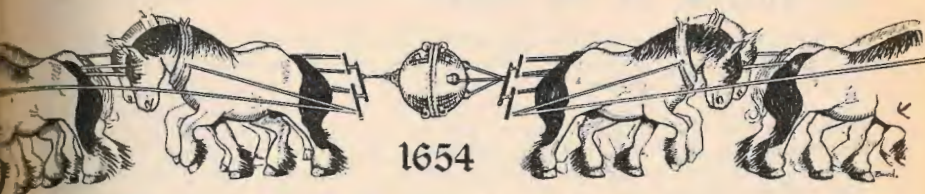
SOME PROPOSALS

However, some of the proponents of this "Plan" consider it should cover or at least possess the ability to cover, all processed dairy products which are sold on both home and export markets, the price paid to entitlement holder being an equalised return, from all Australian sales whether of butter, cheese, infants food, or what. Recognising the difficulties involved in administering a scheme covering such a wide range and variety of products, the proposers consider that the necessary legislation should permit individual dairy products to be included in the scheme by proclamation as the need to do so became apparent. The equalised return to the entitlement holder would be calculated from the value of the butterfat content of each product so proclaimed, so that the higher prices now paid to suppliers by processors whose product is not in over-supply would still be received from the processors in the form of "bonuses" or other payments reflecting the premium price above butterfat value enjoyed by the particular product.

(A simple example can be seen in the Adelaide milk supply area, in which the producers are paid for milk for cheese manufacture on a butterfat basis, the rate being about 6 cents lb. higher than that paid to producers who supply cream for butter. In fact the 6 cents represents the value of the non-fat constituents of the milk, and the use of an overall butterfat basis is for convenience only. Under the above proposal for the two-tier plan the value of the non-fat constituents would be paid to the producers directly by the processors, and not included in the higher "tier" price.)

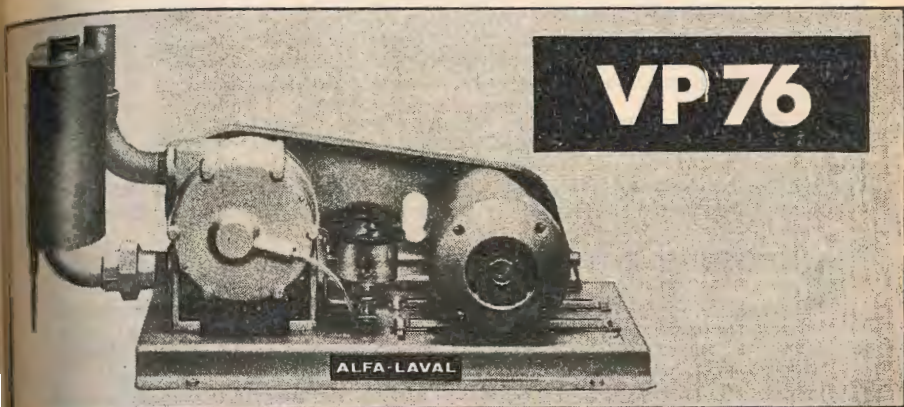
THE POSITION OF TOWN-MILK SUPPLIERS

From the point of view of suppliers to town milk markets, the most alarming aspect is that, in calculating "entitlements" (i.e. the quantity on which a producer is paid the higher price received from sales on the Australian market), it is proposed (and, again, it must be emphasised that these are proposals only and have not yet been considered in detail by, or accepted by, the constituent organisations of the Australian Dairy Farmers' Federation), that the quantity of town-milk supplied by the holder of a town-milk licence be counted towards his "entitlement", either wholly, in part, or on a sliding scale. Thus, whereas a dairyfarmer with a qualifying production quantity (i.e. average, or best year in 3, etc. etc.) of 10,000 lbs. butterfat supplied to a processor for manufacture would receive an "entitlement" of 6,000 lbs on which he would receive the higher, home, price; a town-milk supplier producing the same average annual output but supplying 40 per cent to the town-milk market would receive an "entitlement" only for an additional 2,000 lbs., and would, under the "Plan" suffer a very considerable and permanent reduction in income.



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THE PURPOSE OF THE PLAN

Although to the "butterfat farmer" the position of the town-milk supplier is seen as one of relative prosperity (disregarding, for the moment, the higher cost of land, the higher standard of premises, etc.), the first purpose of any production control scheme must be to prevent further deterioration by "freezing" the status quo, so that after a scheme has been introduced the position of each dairyfarmer is unaltered, the only difference being that if he now chooses to vary his production programme, by increasing, or reducing, his output, his eventual return will be lower, or higher (as the case may be), than it would have been had the scheme not been introduced.

The present crisis should not be used as a weapon to force a restructuring of the relation between town-milk suppliers and butterfat suppliers. The whole effort of the dairying industry should be directed towards devising a method of production control which will be effective, acceptable and practicable, with the absolute minimum of disruption. When that has been achieved, it will then be the time, in the calmer atmosphere that will then prevail, to examine the structure of the industry and the means by which the butterfat supplier can be enabled to share in the relative prosperity of the town-milk producer.

The production control scheme itself may make a contribution in this direction, but there will be other ways, such as permitting the butterfat sector to share in the growth of the town-milk markets, by which the apparent disparity between the sectors may be reduced without the sudden financial loss that would be suffered by the town-milk supplier if the above proposal were put into effect.

TRANSFERRING ENTITLEMENTS

As has been stated above, under a "two-tier" plan each dairy farmer would receive an "entitlement certificate", based on past performance, which would allow him to receive, for the volume of output shown on the "entitlement", a price for his milk based on the return from sales on the Australian market. For the remainder of his output (and he could, if he so wished, reduce his output to the point where he was producing his "entitlement" quantity only, with no remainder), he would receive a price derived from the averaging of returns from all export markets.

(Note: "Three-Tier Plan". Proposals have been made for a "Three-Tier Plan" in which the first price would be based on the home price, the second on the more reliable export markets such as Japan, and the third on the much lower returns from intermittent markets to which Australian dairy produce is occasionally exported in competition with the cut-throat prices at which European dairy surplus is sold. The general principles are the same as for a "two-tier" scheme.)

What happens to a producer's "entitlement" if he dies, or voluntarily goes out of dairying, or sells his property?

What happens when, either with rising population or as the result of promotion, or both, the volume of the home market expands?

What is to be done when newcomers wish to enter the industry, or a son grows up and wants to go farming on his own?

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THE VALUE OF AN ENTITLEMENT

Before these questions can be answered attention must be drawn to value of an "entitlement" to its holder. In the example cited earlier it was stated that for milk produced within his entitlement quantity the dairyfarmer would receive 65 cents lb. butterfat, whilst he would receive 20 cents for the remainder. The possession of an "entitlement" thus enables the holder to receive **45 cents lb. butterfat more** than he would otherwise get, and if "entitlements" were saleable, a producer would be prepared to pay a substantial price, perhaps as high as \$4.50 per lb. butterfat for an additional entitlement. (As the milk would cost no more to produce whether it was within an "entitlement" or not, the producer would see this as a riskless investment which he would be prepared to purchase at 10 per cent capitalisation at least.)

Thus the owner of a dairy farm producing 10,000 lbs. butterfat and moderately valued (in a butterfat area) at, say, \$25,000 w.i.w.o. would, on receiving an "entitlement certificate" for 6,000 lbs., find that he had a paper asset worth more than his whole enterprise had been worth previously.

EFFECT ON FARM VALUES

As his farm, without the "entitlement", still has a value for producing other commodities, or just as a residence, the effect of "negotiable" (i.e. freely saleable) "entitlements" would be a sharp and substantial rise in dairy farm prices, and a possibly disruptive effect on rural land values generally.

But negotiable "entitlements" would have a much wider impact than on farm values. Clearly the dairyfarmer whose production costs are least could afford to bid higher for an "entitlement", and if "entitlements" were freely saleable we would see a steady reduction in dairying in high-cost areas such as Queensland and northern New South Wales, as "entitlements" were purchased by producers in the southern States. Doubtless this would be seen by many as being in Australia's interests, but the effect on the States, the communities, and the people in the regions from which dairying had retreated must be at least considered.

ALTERNATIVE MEANS OF TRANSFER

"Entitlements" need not be negotiable. They may be made transferable, either with the property, or separately with the approval of an administering body.

Such systems of transfer would avoid the disruptive effects on farm values and on State and community economies that would accompany negotiability of entitlements, but would bring the added problems that are inseparable from administering the issue and transfer of valuable permits (as, in the eyes of a producer, the value, to him, of an entitlement is not diminished merely because it cannot be bought and sold), and malpractices extending from favoritism through bribery to such dodges as paying vast sums for worthless equipment just to obtain a piece of paper may be difficult to prevent.

THE DANGERS

Apart from the difficulty of administration (which must be accepted if the scheme is otherwise satisfactory and effective) a "two-tier" scheme may introduce new threats to the prosperity and stability of the dairying industry, of which the three following may be the most serious.

1. **Pressure for Price Reduction.** Under equalisation the disparity between the price received from the domestic market and that received from the export

market is hidden in the "equalised return". With a two-price scheme official recognition will be given to a much higher return from domestic sales (at present more than 50 cents lb. butterfat in butter, exclusive of bounty) and a much lower return from export sales (probably much less than 20 cents lb. butterfat when averaged over all export markets).

Consumer interests may bring pressure to have domestic retail prices based on the lower figure on the grounds that butterfat being voluntarily produced at the lower price should be used for production for the home market.

2. **Reduction of Government support.** At present the Federal dairy subsidy (\$46 million for the current year, having been recently raised from \$27 million) goes some way towards bridging the widening gap between total returns and the ever-increasing cost of production. There is at present no estimate of average production cost that can be taken as authoritative but it would certainly be higher than the current equalised return of about 41 cents lb. butterfat. It is certainly not higher than the return that would be received for produce sold at the higher ("entitlement") price, perhaps 65 cents lb. butterfat, **including bounty**, of a two-tier scheme, and it is almost inevitable that pressure would be applied to the Commonwealth Government for the subsidy to be reduced or even withdrawn. The effect would be to reduce the return received from production within the "entitlement" quantity, and consequently the total income received by each producer (the income received from production above the "entitlement" quantity and for which the lower, export price is received would not be affected, as this price would not include subsidy).

The producer's instinctive reaction to such a move would be to attempt to regain his original gross income position by immediately increasing production, even though he would receive for the additional quantity only the lower, export price.

3. **"Splash-Over".** The purpose of a production control scheme is seen differently by different persons. Some see it as being a scheme **designed to reduce production** by the inclusion of a strong disincentive force, and tending towards an eventual output target of little more than home consumption plus a working margin.

Others see it as a scheme designed to bring economic stability to the industry, reducing the incentives for increased production but not containing any element which would induce substantial reductions in output.

In the first case it must be realised that any strong tendency towards reduction in output, whilst it may seem at first to be in the interests of producers, will, in a fairly short time have a "splash-over" effect extending far beyond the producers but involving them also. The "splash-over" will be seen first in the reduction of through-put in dairy factories, caused either by the general cut-back in production or by the movement of producers out of the industry.

The immediate result will be an increase in factory cost per unit output (due to the necessity to absorb fixed costs by a smaller production volume and the less efficient use of labor), leading to a reduction in returns to the producers supplying such factories. The eventual result will be a rationalisation of factories by amalgamation into larger units, with the accompanying closing down of the smaller plants.

Although this may appear desirable in the long term interests of the industry, the effect on the population of townships in dairying areas, in cases where the main industry (and often the sole reason for the township's existence) is the dairy factory, will be disastrously disruptive, and may eventually have a deleterious effect on dairyfarm values as well as on the social life and job opportunities of the dairy farmers' families.

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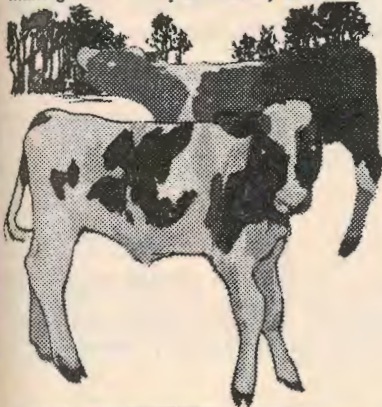
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ATTITUDES OF ORGANISATIONS

The following dairyfarmer organisations support the two-tier plan described above subject to such modifications or qualifications as are appended:

1. United Farmers' & Graziers of S.A.—Dairy Section.

This organisation proposes a two-tier plan of the "Gruen" type, with "entitlements" calculated from the production quota of each State, "entitlements" being based on the best year in the last three. The scheme would be administered by a State Authority of five members, all of whom would be dairyfarmers.

"Entitlements" would be negotiable (i.e. saleable) in whole or in part under permit from the State Authority to the buyer and the seller. Permission would not be granted where the quantity of "entitlement" purchased would result in the buyer possessing an "entitlement" 25 per cent greater than the average "entitlement" in the State.

When a farm was sold the buyer of the property would have the option to buy the "entitlement" at the ruling price.

Producers licensed by a Milk Board would be required to include their town-milk sales in their "entitlement" quantity provided that where a producer's town-milk contract was greater than his "entitlement" he would sell the excess above "entitlement" at town-milk price.

2. Primary Producers' Union (New South Wales):

This organisation supports a two-tier plan with "entitlements" calculated from the production quota of each State and administered by the dairy factories. "Entitlements" would be based on past performance except that no "entitlement" would be less than 12,000 lbs. butterfat.

Milk supplied as town-milk would be included in the entitlement.

The organisation has not indicated its policy on "entitlement" transfer, but as it proposes that in the event of a farm ceasing to supply the "entitlement" shall be divided among existing entitlement holders it is assumed that negotiability is not permitted.

3. Tasmanian Farmers' Federation:

This organisation appears to favour a version of a two-tier plan similar to that proposed by the Dairy Section of the U.F.G.S.A. except that it is opposed to negotiability for "entitlements", and that administration of the "entitlement" scheme should be carried out by the dairy factories.

4. Western Australian Farmers' Union

In July, 1969 the W.A.F.U. resolved that it supported the immediate introduction of a two-tier plan based on home consumption, with all excess production being paid at the rate received from export realisations.

Producers holding town-milk contracts would be paid the export realisation price.

This organisation has not submitted any proposal in connection with the current industry discussions concerning production control, and has not stated whether its policy is the same as that of July, 1969.

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MARKET EXPANSION NEEDED

The V.D.A. believes, however, that, whilst, in the short term, the dairying industry must endeavour to equate production with current available markets, it is important that vigorous action be taken to expand the market for Australian dairy produce by every possible means.

It sees these means as including:

- improving the quality of dairy produce by uniform grading methods and designations throughout Australia and a more active policing of quality standards;
- expanding of the home market by reorganising marketing methods, by introducing new types and sizes of packages and by extending the varieties of dairy products available;
- expanding overseas markets, increasing Government food-aid programmes for needy nations, and consolidating export prices by international agreement;
- prohibiting all cheese imports until Australian production levels are adjusted to meet domestic and overseas market requirements;
- changing the method of payment for milk to comprise the protein content as well as the butterfat.

The V.D.A. states that it is opposed to a two-tier plan.

STATE QUOTAS

THE Q.D.O. PLAN

Because each State differs in respect to its contribution to the current dairy surplus situation, its potential for additional production, its production record in recent years, and its status as a net exporter or net importer of butter or cheese there has been considerable support from many industry spokesmen for a production control plan in which the Federal role would be limited to setting State production quotas, whilst each State would adopt and administer whichever method of production control was favoured by the producers in that State.

The Queensland Dairymen's Organisation has adopted this principle for its submission to the Australian Dairyfarmers' Federation. The Q.D.O. proposal is as follows:

1. **A Closed Industry:** That the dairy industry be closed, that all dairyfarmers be registered, and that no new licenses be issued for the introduction of dairying, provided that the undermentioned considerations are taken into account:—
 - Dairyfarmers who have been forced to cease production through prevailing drought conditions (**the current drought in Queensland is now in its seventh year**), or who have been deregistered under existing State legislation for similar reasons, will not be regarded as new applicants;

- Any dairyfarmer who comes within either of the two categories above will be required to signify within three months of the declaration of the closing of the industry, whether he intends to resume dairyfarming. If he states that it is his intention to resume dairyfarming, his eligibility to re-enter the industry will be conditional on his resuming dairyfarming within 12 months of the lifting of the drought in his respective area.

2. **State Quotas:** That a principle of production quotas on a State State by State basis be accepted, provided that individual State quotas are directly related to a ratio established in accordance with the State quota entitlement allocation determined on a voluntary basis for 1970-71 as listed hereunder:

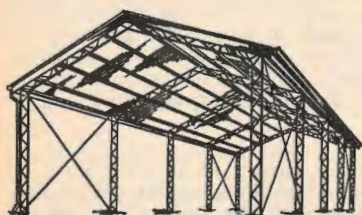
	Butter (tons)	Cheese (tons)
New South Wales	30,000	7,000
Victoria	136,000	29,000
Queensland	26,000	9,500
South Australia	7,000	17,500
Western Australia	6,500	2,000
Tasmania	14,500	5,000
Total Australia	220,000	70,000

3. **Level of Subsidy:** That it be a prerequisite of any industry plan for production controls in the longer term that the Commonwealth Government undertake to maintain the level of bounty payment to the Australian dairy-industry at \$46.25 million in order to return to producers a minimum of 34 cents per lb. commercial butter on a production of 220,000 tons of butter and 70,000 tons of cheese, and incorporating the following provisions:

- Any decrease in production would have the effect of increasing the return to producers;
- Any production above the quota entitlement should not be eligible for bounty payment;
- Payment for any production above quota entitlement be determined at a level of low export realization value, and, being outside the framework of the Equalisation Scheme, this would not affect the bounty structure.

4. **State Responsibility:** That it be a recommendation that the implementation and the policy of allocation of individual State production quotas should be determined initially as the internal responsibility of the respective States.

5. **Milk Solids:** That it be a recommendation to the milk solids section of the industry that the present devaluation compensation payments from the Federal Government be protected within its own Commonwealth pools.



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25 ft.	544	588	208	226	593	661	223	241	733	797	278	307
37 ft. 6 in.	712	762	284	308	796	858	296	328	937	1002	372	402
50 ft.	864	920	344	374	989	1039	369	399	1125	1217	450	487
62 ft. 6 in.	1024	1090	412	448	1162	1228	442	478	1331	1425	536	580
75 ft.	1182	1251	480	522	1335	1409	515	557	1537	1628	622	673
87 ft. 6 in.	1342	1411	547	589	1502	1584	582	629	1727	1829	702	759
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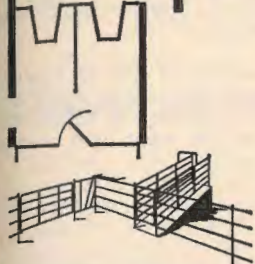
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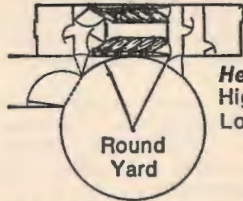
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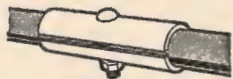
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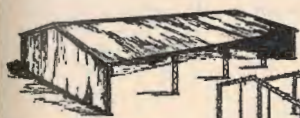
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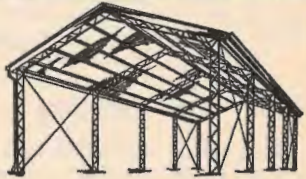
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THE SINGLE QUOTA PLAN

THE SOUTH AUSTRALIAN PLAN — ITS BACKGROUND

In May, 1963 a general conference of all sectors of the Australian dairying industry was convened to examine what action could be taken to cope with the over-supply position that had developed on the United Kingdom cheese market, and after a long and searching consideration of the issues raised by the conference, the South Australian Dairymen's Association declared itself as supporting the form of two-tier price system known as the "Gruen Plan".

The onset of a severe drought in the dairying countries of Europe resolved the crisis situation before the Australian dairying industry was able to apply any form of restrictive control. Nevertheless, the S.A.D.A. continued to regard the "Gruen Plan" as being a workable remedy to apply in the event of a surplus condition again arising.

THE 1970 SITUATION

The re-emergence, in March, 1970, of a surplus position, this time involving butter, brought a demand from the Federal Government that the Australian dairy industry be "prepared to face up to the situation and come up with some logical proposals, in the long term interests of the industry, to curtail production", and a re-examination by the Association of its previous policy resulted in a re-endorsement of the "Gruen Plan".

However, although it was known that a two-tier price plan, in one form or another, was supported by several organisations as well as by the Federal Government's advisers, the problems of devising and implementing a scheme of such tremendous complexity, which would require supporting legislation to be passed by the Federal Government and all State Governments, made it impossible for any consideration to be given to introducing such a scheme in the coming (1970-71) season. Consequently it was necessary for some form of interim control to be devised to hold production at acceptable economic levels whilst a more comprehensive long-term plan was prepared.

The Australian Dairy Industry Council prepared a wide-ranging submission for this purpose (refer March-April, 1970 issue of this Journal), some of the items of which were, in the opinion of the Executive Committee of the S.A.D.A., not likely to be politically acceptable. The Executive Committee consequently drafted a simple "single quota" scheme which, it believed, could be applied immediately, in time for the 1970-71 season, and which would require the minimum of administration and legislative backing.

A SHORT TERM PROPOSAL

The scheme was simply one in which each producer was given a quota, calculated by multiplying the output of his farm during a base period (the best of the preceding three years) by the fraction obtained by dividing the planned national production target for the coming season by the combined base period totals of all producers, which he could deliver to the dairy factory.

Thus, if the planned output of manufactured dairy products during the coming season was 200,000 tons butterfat equivalent and the totals of the best year's output in the last three years for each producer amounted to 50,000 tons of butterfat, a producer whose base period output was 10,000 lbs. b.f. would receive a single quota of $\frac{4}{5}$ of this amount, or 8,000 lbs.

Production above the quota was not eligible for delivery, and it was the responsibility of the producer to reduce his output to the quota quantity or to dispose of the excess milk in some way other than to a factory.

In the event, however, neither the A.D.I.C. submissions nor the S.A.D.A. short-term proposal were called upon. Instead, the Federal Government cut the Gordian knot by the simple expedient of consolidating into a lump sum of \$46.25 million the amounts previously represented as bounty, devaluation compensation and underwriting, and offering that total to the industry as a backing for the imposition of a scheme of voluntary output restriction to apply during the 1970-71 season.

RE-THINKING LONG-TERM PLANS

But, although it was no longer necessary to consider a short-term quota plan, the principles of the Executive Committee's plan had received such support from the members of the S.A.D.A. that it seemed appropriate to examine the proposal as a possible long-term plan. Furthermore the action of the Federal Government in increasing the bounty to \$46.25 million had introduced a condition which would result in a dangerously large differential between the two prices in a two-tier plan. Whereas, in 1963, the differential between the home price and the export return was of the order of 25 cents or so, and the capitalised value of a negotiable entitlement could be considered as being about \$2.50 per pound of butterfat, the increased bounty (all of which would be applied to the home price) would raise the differential to almost twice the previous figure, and the value of a negotiable entitlement would move up to almost equal the value of the farm itself. The effects of a differential of this magnitude have been discussed earlier in this Journal.

THE SINGLE QUOTA PLAN

Because of these and other factors which had arisen from a deeper examination of the "Gruen Plan", the Central Council of the S.A.D.A. adopted the single quota plan as its proposal to the industry for the long-term control of dairy production, although leaving the question of over-quota milk for further refinement, the alternatives being seen as:

- that the factory does not take delivery of any further milk once the quota quantity has been produced. It is the job of the dairy farmer either to reduce his output to match his quota or to use his milk for alternative purposes such as stock-rearing. Because of the necessity for factory through-put to remain relatively constant it would be necessary to introduce a "staggered year" system of accounting, with equal proportions of producers beginning their financial years on 1st July, 1st August, 1st September, and so on throughout the year;
- that the factory accepts over-quota milk, and uses it for whatever purposes it can, returning to the producer the net return, if any, derived from this use;
- that the factory accepts over-quota milk for manufacture into the factory's normal production (e.g. cheese, butter, etc.) to be sold for whatever they will bring on export markets outside those included in normal production planning, the returns being equalised and paid to the suppliers of over-quota milk.

NEGOTIABILITY AND THE SINGLE QUOTA

The original policy of the S.A.D.A. concerning transfers of "entitlements" in the "Gruen Plan" was to support full, free Commonwealth wide, negotiability (i.e. free transfer between buyers and sellers) at prices determined by supply and demand, but the subsequent developments which predicated the possibility of dangerously high prices being created for "entitlements", augmented by the strong opposition that would emanate from Governments in States where free negotiability could be expected to reduce the volume of dairy production, necessitated a re-examination of this policy.

In the case of the Single Quota, both the desirability and the practicability of negotiable transfer must be examined, and it is possible if the "absolute" basis is adopted, with over-quota milk prevented from being accepted by the dairy factory, that Quotas will be transferable only with the property. If either of the other alternatives is considered, that is for over-quota milk either to be purchased by the factory for what it will bring, or to be manufactured and sold on an equalised, low-priced export market, the Quotas will have a value in that they will enable additional milk to return a higher price than will otherwise be the case, and the value of the Quota will be assessed in the same way as the value of an "entitlement" under the "Gruen Plan", namely by capitalising the differential between the two levels of return at a reasonable rate.

The differences in return from Quota milk and over-quota milk will, however, be much less, as the Quota quantity includes the major portion of the production currently being sold, and although it is impossible to estimate the range of returns that could be expected from factory utilisation of the over-quota milk, if the lower price was based on the equalised return from low-priced export markets, a differential of perhaps 30 cents lb. b.f. could be expected.

Against this must be set the fact that under the "Gruen Plan", a producer will, at the inception of the Plan, be receiving the lower price for almost half his output, will be prepared to purchase Quotas immediately to bring a bigger yield from the milk produced above his entitlement, whereas with a Single Quota the amount produced above the Quota quantity at the inception of the scheme will be no more than 10 per cent or so of his total output, and although there will certainly be an incentive to obtain a higher price for this surplus by purchasing a Quota, the demand generated by a wish to increase the return on 10 per cent of a producer's output will be far less than that generated by a lower price on almost half his output.

THE "SMITH PLAN"

ANOTHER SINGLE QUOTA PLAN

A plan similar in concept to the S.A.D.A. plan has been submitted for consideration by Mr. K. G. Smith, Vice President of the Milk Zone Dairymen's Union of N.S.W., Federal President of the Milk Producers' Association of Australia and New Zealand and Chairman of the now one-year old Milk Council of the Australian Dairy Farmers' Federation.

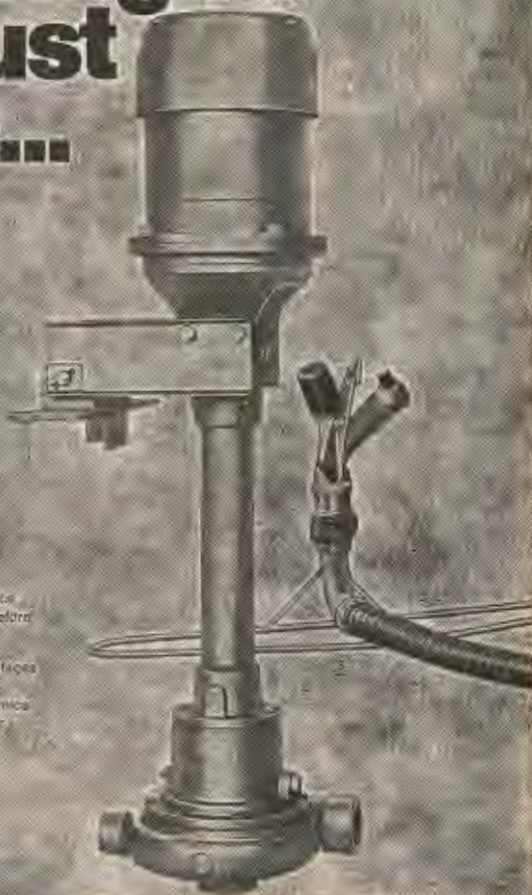
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OBJECTIONS TO TWO TIER PRICE PLAN

In his submission Mr. Smith states that a two-tier price plan, although it appears to contain a disincentive to produce, and hence might be expected to bring about the desired reduction in total output, may not, in the long run, achieve any reduction at all, as there is no restriction on the quantity of milk that a dairyfarmer can produce, and although the price for the "second-tier" milk would be less than half that received for milk produced within his entitlement quantity, many farmers will not be deterred by this factor alone from increasing production, and even less will they be induced to reduce output below their present levels.

A further problem seen by Mr. Smith is in the method of payment to be used in a "two-tier" scheme. If milk is paid for during the year at whatever prices are currently being received from the quantities being sold at home and export prices the "average" price will vary according to the relative proportion of export produce being sold at any particular time, and the disincentive intended to be applied from the lower price would not even be known, let alone recognised, until the end of each year. If, on the other hand, the producer was paid at the higher, home price for all his output until his "entitlement" was filled, and all subsequent output paid for at export price, the funds required to maintain the system during the year would be very great, and could impose severe financing problems.

"ABSOLUTE" QUOTAS

The answer to these objections is seen by Mr. Smith as being provided by an "absolute" quota plan, under which each producer would be entitled to supply a fixed output of which, say, 55 per cent would be paid for at "domestic" price and the balance would receive "export" price. The two percentages and the price for the export component would be set at the commencement of each year, and would be subject to a Government bounty as at present.

The surplus production over and above the quota, which is bound to occur, would be paid for at whatever price was realised when the produce was sold (compare the S.A.D.A. price). If there were no available export market for the butterfat in this surplus output it might have to be dumped and perhaps only the skim milk be used. The return to the producer would, in this case, be very small indeed, and this would certainly act as a strong deterrent against the production of milk over quota.

ESTIMATING RETURNS

With an "absolute" quota of this type it would be possible to estimate an average price for all quota milk at the beginning of each year. In fact, it would be on a similar basis to the present arrangements, but with the price and quota tied to whatever level of total production is determined. Quota milk would be paid for as received, as under the present financing arrangements, with milk produce above the "absolute" quota being paid for at whatever export price was received, after it was sold (i.e. no advances to factories on delivery).

SETTING OF QUOTAS

As with the S.A.D.A. Single Quota Scheme, each producer would receive a single "absolute" quota, based on past performance, and related to the total planned requirements of the dairying industry for home and export markets.

The total planned requirements would be divided between the States in the form of "State production quotas", in proportions related either to average output during recent years ("which," Mr. Smith rightly states, "would probably not be greeted with enthusiasm in Victoria"), or, perhaps more realistically, to the State targets under which the industry is operating during 1970-71.

Since any scheme would have to be implemented by the States it would be best to **allocate individual quotas within State quotas.**

PENALTIES

Mr. Smith, drawing, no doubt, on his town-milk quota experience, states that the question as to whether there should be penalties against farmers who do not fulfil their "absolute" quotas would need to be studied closely, because the aim of the quota system is to reduce production, and it would be unwise to force a producer, under threat of penalty, to produce his full quota. Probably, says Mr. Smith, a tolerance of 10—20 per cent below quota could be allowed before a producer's quota was re-assessed.

(Editor's note: The necessity to impose a penalty for failure to fulfil quota is refuted. Although the total planned production would be calculated to include all export marketing contracts, a safety margin would be needed above this amount to cope with such contingencies as unfavourable seasonal conditions, and the effect of the failure of a few producers to fulfil quota could be absorbed in the safety margin and result in a slightly increased overall return. In the event of the failure of a number of producers to fulfil quota, due to seasonal conditions or natural disaster, or in the event of a substantial and permanent increase in demand caused by the opening-up of a new export market, an increase of quota quantity could be applied, during the course of the year, to all quota holders.—D.J.H.)

REDUCTION OF SUPPLY AND NUMBER OF PRODUCERS

A major subject for the consideration of the dairying industry is the desirability of reducing production. It is probable that the present target of 220,000 tons of butter is the absolute maximum for the foreseeable future, and there is no guarantee that the Government will continue to support the present price beyond June, 1971. Furthermore, the possible entry of the United Kingdom into the European Economic Community must always be borne in mind, and any production control plan should have provision to cushion these effects to some extent.

Consequently the scheme should be designed to be capable of reducing production progressively over the next few years, with some producers being persuaded to leave the industry whilst those remaining operate under a system which gives them a reasonable standard of living, and allows them to cope with rising costs whilst there is little prospect of increased prices.

Mr. Smith proposes that this should be achieved by allowing quotas to be freely negotiable, the return from the sale of the quota being a greater incentive to leave the industry than either the "Golden Handshake" or the two alternative schemes (exit compensation and cattle-slaughter compensation) suggested by the Australian Dairy Industry Council and described in the March/April, 1970 issue of this Journal.

The return from the sale of quotas could also be added to compensation from the Marginal Dairy Farm Reconstruction Scheme to induce greater participation in that scheme.

In addition, Mr. Smith suggests that, where producers wish to get out of dairying but remain on their properties, either engaging in other forms of primary production, or using the farm solely as a dwelling area, the quota could be purchased by the Commonwealth Government and cancelled, without re-issue, thus reducing the total production of dairy produce and marginally increasing the returns to those remaining in the industry.

THE "SINGH PLAN"

A MODIFIED TWO TIER PLAN

The modification proposed by Mr. Mohindra Singh, the Australian Dairy Produce Board's Director of Marketing Research, to the basic two-tier price plan of the "Gruen Plan" type, and first proposed by him at the 2nd National Butter Conference in August, 1968, is a downward extension of the first tier to include, as well as the domestic sales on the Australian market, the planned export sales to the most profitable, stable, or expanding Asian markets such as the United Kingdom (at present), Japan, and some other Asian countries, with the return from all other export markets forming a second tier.

QUANTITATIVE COMPARISON

Taking, as an example only, butter and cheese as the sole commodities coming within the scope of the various plans (and there is no general agreement as to how wide a range of products would be included in any of the plans), the quantities for which first tier and second tier prices would be received would be approximately:—

Gruen Plan:

First Tier—Return from sales on the Australian market of 115,000 tons butter and 44,000 tons cheese, plus a safety margin of, say, 5 per cent of each of these quantities, totalling 260 million lbs. butterfat=65 cents.
Second Tier—Return from sales on all export markets (except the safety margin included in the first tier), at present totalling 200 million lbs. butterfat=15 cents.

Single Quota:

Quota Price—Return from sales on the Australian market as above plus all existing stable export markets, comprising, say, 210,000 tons butter and 70,000 tons cheese, containing, in all, 450 million lbs. butterfat=43 cents.
Over Quota Price—Return from sales, if any, on "opportunity markets"=less than 10 cents.

Singh Plan:

First Tier—Return from sales on the Australian market as above plus the most profitable, stable or expanding export markets, comprising, say, 170,000 tons butter and 64,000 tons cheese, containing 370 million lbs. butterfat=52 cents.

Second Tier—Returns from sales on all other export markets, at present totalling 90 million lbs. butterfat=10 cents.

OTHER DETAILS

At the time of writing other details of the "Singh Plan" are not available.

The "SEDA Plan"

A LONG TERM PLAN FOR THE DAIRY INDUSTRY

The South Eastern Dairymen's Association of S.A. sees the hope for the future stability of the Australian dairying industry as lying in the direction of minimal administrative control within the industry, with the provision of more positive Government activity in protecting the industry whilst not involving additional financial assistance.

The plan is as follows:

- **New Dairy Farms:** A cessation of the development of new dairy farms by State Governments;
- **Licensing:** The licensing of all existing dairy farms and the controlled issue of new licences by agreement with the Australian Agricultural Council;
- **Imported Cheese:** A prohibition of the importation of cheese until the production levels of Australian cheese are such that they meet the full requirements of local and export markets;
- **Dairy Farm Reconstruction Scheme:** The implementation of the Commonwealth Marginal Dairy Farm Reconstruction Scheme to assist dairyfarmers who wish to leave the industry to do so;
- **Federal Bounty:** An undertaking by the Commonwealth Government to maintain the bounty payment of \$46.25 million, in order to return to producers a minimum of 34 cents per lb. commercial butter equivalent on a production of 220,000 tons butter and 70,000 tons cheese, and to give an increased return in the event of a reduction in total output.

THE COMMON ISSUES

DIFFERING ATTITUDES

There are, in the proposals submitted, many common issues, although they are not always stated (e.g. "registration", see below), and in some cases are seen as being extraneous to the proposal itself (e.g. cheese imports, see below). But although the issues are common, the attitudes are not uniform and are, in some cases, antithetical to those in other proposals. The common issues are seen as including:

- **Registration (or Licensing):** Several of the proposals refer to the necessity to license, or register, all dairies, and not to increase the number except by agreement with the Australian Agricultural Council. From the industry's viewpoint restrictive licensing (i.e. a "closed" industry) is desirable, because it will inhibit the entry of newcomers, but unless accompanied by quantitative restriction, such as a two-tier plan or a quota plan, restrictive licensing alone will impose no limit on the activities of producers already in the industry.

The single-quota plans both imply restrictive control as the quota itself is tantamount to a restrictive licence, and separate mention of licensing has not been thought necessary, but the use of restrictive licensing is not seen as a necessary part of the two-tier plans, which, in their basic form, would allow free entry into the industry for persons prepared to receive export price for all their output. However, there is no reason why restrictive licensing should not be included in a two-tier plan.

Careful thought must be given to the provision for expanding the number of licenses. There seem no need, in the foreseeable future, for even the conditional provision for expansion "in consultation with the Australian Agricultural Council", and the industry should try to avoid the dangerous arbitrariness that must accompany the granting of new licences.

- **Negotiability: Negotiable** (i.e. freely saleable) entitlements are a basic feature of the two-tier plans, but some variants of these plans attempt to impose restrictions on the extent of the transferability of the entitlement. Free negotiability is an economically desirable feature of any plan in the national interest, but its desirability in the eyes of State Governments, regional authorities, and factory management is doubtful.

The alternative is some form of administered transfer, with all the dangers of unfairness, favoritism, and even corruption that will be inevitably involved. The McCarthy Committee's warning in this context should be constantly borne in mind—"Where there are controls there will be law-breakers, and the Committee sees no need to add to the number of either."

- **Administration:** There is a wide range of opinion concerning the status and composition of the administrative function, ranging from a "Single Authority" (i.e. a statutory body set up by State legislation, probably

representative in composition) through administration by factories (presumably under the overall control of an existing, or newly-created instrumentality), to producer control (again, presumably acting under powers granted by legislation).

Without seeking to influence opinion, the industry should be reminded of the fable of the frogs who wanted a king.

- **Welfare Aspects:** At least one of the proposals contains a welfare aspect, in which the allocation of "entitlements" is to be at differential rates, depending on the annual output of the producer, so that a producer with a low annual output will receive a proportionately higher allocation than a producer with a higher annual output.

Whilst the sentiment is commendable the dangers are immense, and the final result of such a scheme could be vastly different from that which its proponents intended.

The immediate purpose of any scheme of production control should be to stabilise the industry at its present level of output and return without attempting to cure social and economic problems relative to size of operation that are not confined solely to the dairying industry. There should be no attempt to include, in such scheme, conditions which will immediately the scheme is introduced, make some producers relatively better off at the expense of the remainder, as will be the case if a welfare basis is used.

- **Town Milk Producers:** Several of the schemes contain proposals of a punitive nature concerning producers who are engaged in town-milk supply. The same objections must be made to such proposals as are made to the welfare proposals above, that is, **whatever scheme is introduced should not be designed to improve, immediately, the position of some producers at the expense of others. If it is believed that there are inequities in the present relationship between town-milk producers and butterfat producers, the solution should be sought in the relatively calm atmosphere that will, we trust, follow the application of an effective and acceptable scheme of production control.**
- **Cheese Imports:** Several of the schemes proposed appear to be designed to cure all the dairying industry's ills at one stroke, and it may be argued that danger lies in seeking to include, in a production control scheme, items that are extraneous to the scheme per se.

The frequent appearance in the schemes of a demand for the prohibition of the importation of cheese is an outstanding example. There is no doubt whatsoever that the dairying industry deserves far better treatment from the Federal Government than it so far has received in the matter of cheese imports. The case for greater tariff protection is unquestionable, the revocation of the regulations relating to unpasteurised cheese is unforgivable, and, on the basis of precedents established in countries which have closed their doors to the export of Australian cheese, the prohibition of importation of most varieties of cheese is justified.

But this subject should be dealt with outside the issue of production control, otherwise the industry faces the possibility of undue delay whilst such irrelevancies as these are argued.

FEASIBILITY AND ADMINISTRATION

THE "WHEAT QUOTA" ANALOGY

In the foregoing, and in earlier studies in previous issues of this Journal (April 1963, Sept./Oct. 1968, Mar./Apr. 1969), frequent reference has been made to the fact that none of the proposals so far submitted by either of the two groups of agricultural economists (the "Gruen" plan and the "Sydney Group" plan) or by dairyfarmer organisations has contained precise details of the step-by-step operations by which the scheme will be applied and administered, except for the proposal, contained in the "Reconstruction Plan for the Dairy Industry", submitted by the A.P.P.U. in 1968 (and subsequently abandoned by the A.P.P.U. in favor of a scheme based on the "Gruen Plan"), that the Australian Dairy Produce Board be expanded to become a single marketing authority for all dairy produce produced in the Commonwealth, whether for domestic or export markets, a proposal which, however, contained no indication as to the procedure which such authority would follow in administering the Plan.

It must be realised, at all stages, that there is a grave danger (and we hope that Mr. Anthony, in urging that the dairying industry follow the example set by the wheat industry, sees no parallel between the two other than in the marketing situation, and even here the comparison is far from exact — the "surplus crisis" of the dairying industry, which has, **within less than half a season, already become a deficit situation**, has never approached that of the wheat industry in magnitude or effect) in assuming that the relatively simple application of a production control scheme to wheat can be copied by the dairying industry.

The wheat industry produces a single commodity, which is sold in an unprocessed state to a single, Commonwealth-wide authority, the Australian Wheat Board, and is, in turn, sold by that authority, at home and overseas, in its unprocessed form. It is capable of being held by the authority for periods extending far beyond the season in which it was produced, and, if produced beyond the controlled quantities, can be stored with relative ease and economy on the property on which it was produced.

In contrast the dairying industry produces a commodity which exhibits wide variations in composition and quality from the moment of its production, is treated by processes of varying complexity, from the simplest to the most involved, into a vast range of products of an equally varied span of uses, the products themselves being, in most cases, capable of only limited storage life, whilst the raw material is completely incapable of being stored by the producer in any manner at all.

PROCEDURAL PLANNING

This is not to say that a production control scheme for the dairying industry is not feasible, provided it is realized that every step in the administration of a scheme must be planned beforehand, in the minutest detail.

For this reason there is merit in adopting a plan that requires the least interference in the administrative processes by which the industry now functions, and, in fact, a feasible plan may best be devised by proceeding backwards from what is known to be workable towards a scheme that may have the desired effect.

There may, of course, be merit in the ideas underlying some the more radical proposals, but the industry can hardly afford to experiment with ideas that may eventually prove to have failed in their purpose and have, in the process, disrupted the industry to the extent that it cannot revert to the system which they replaced.

COMBINED SINGLE QUOTA/COMPENSATION PLAN

Of all the proposals so far submitted (excluding that of the S.E.D.A., which is more a "holding operation" than a method of control), the S.A.D.A. Single Quota plan is probably the most simply applied. This is obviously due to the fact that it was originally intended as a short-term plan, to apply during 1970-71 whilst a more comprehensive long-term plan was being devised, and it is for this reason that the plan in its initial form did not contain any positive factor designed to reduce production.

It is submitted that the S.A.D.A. plan is capable of being expanded into a fully operational production control scheme which could be combined with a compensation plan, such as the "Golden Handshake" of the V.D.A. (from a fund set up, within the industry, by a levy on production), or the "Singh Plan" (by the provision of a Commonwealth grant of \$15 million per year) to induce producers to withdraw from the industry, to the benefit of those producers who remain.

The principal features of such a scheme would be as follows:

- (i) **Registration:** the registering of all existing and operational dairy farms in accordance with substantially uniform legislation passed by each State Government;
- (ii) **Quotas:** the issuing to each dairyfarm of a quota based on past performances (best year in the last 3, or else 1969/70 with right of appeal), the amount of the quota being related to the combined quantity of those commodities which form the bulk of exported dairy produce (e.g. butter and butter oil, cheese, condensed milk, whole milk powder), produced by the factory or factories to which the dairyfarm has supplied milk through the years. The combined quotas of all dairyfarms will thus equal the target quantity of the above commodities for the coming season. For milk supplied within the quota, the equalised price plus Government bounty will be paid.
- (iii) **Su.plus Milk:** Milk used in the production of commodities other than those forming the bulk of dairy produce exports will not be subject to quota and will continue to be supplied in such quantities, and at such prices, as are dictated by competition between the factories concerned. The price paid will be determined by the return received by the factory as and when sold. It seems neither practical nor necessary to attempt to devise and administer a scheme which covers, simultaneously, almost a quarter of a million tons of butter and at the other extreme probably no more than the same number of ounces of cultured buttermilk, with the multitudinous variety of non-exported dairy products in an equally wide range of quantities lying between these two extremes.

- (iv) **Value of Quotas:** It is suggested that the quantitative values of quotas could be denominated in "points", with a value for each "point" declared at the beginning of the season, being determined by the production target for the coming year together with the combined values of the quotas surrendered in the previous year. Thus in the first year of operation a logical value for the quota "point" would be 1 lb. butterfat, but, in subsequent years increased markets and surrendered quotas could combine to raise the value of a quota "point" to 1.2 lb. butterfat, and so on. A method of this nature would be far more simply applied than one which required a frequent re-issuing of new quotas in accordance with market demand and the residual number of registered dairy farms.
- (v) **Transfer of Quotas:** There is some merit in tying quotas to dairy farms and preventing them from being sold separately, to avoid the disruptive effect of negotiable quotas on farm prices, and the possibility of aggregation of large quota quantities in very few hands, particularly in the development of vertical integration by large marketing companies seeking to control the whole production, manufacturing, selling complex. Consideration should be given to the transfer of quotas, including the admission of new entrants (if such is desired) being possible only through a process of surrender, with compensation, and the subsequent sale by the controlling authority by tender, the money so obtained going to the compensation fund.
- (vi) **Compensation:** The V.D.A. proposal is that producers surrendering their licences (and under a system of controlled registration surrender of a licence would prevent a producer from coming back into the industry later) should be compensated from a fund obtained by a levy on all production, at a rate applied to his production in the previous period. The "Singh Plan" suggests compensation in a similar manner (except that compensation shall be paid for the surrendered quota rather than on past production) from an annual Government grant of \$15 million. There is probably little difference between the two schemes if the total Government grant, either as a subsidy only, or as a subsidy and a compensation grant, totals \$45 million.
- (vii) **New Entrants:** If quotas are not negotiable the means of entry into the industry must be carefully considered. Any scheme involving controlled entry requires a waiting list, and cries out for maladministration, favoritism, and corruption. There seems to be considerable merit in a totally "closed shop", permitting existing dairy farms (the premises, not the producer) to increase gross revenue as markets expand and the number of registered farms declines, and to increase net income as the industry becomes more closely integrated.

Is Production Control Necessary?

A production control plan is feasible, though it may be more complex, and far less satisfactory, than the above suggestion indicates. But the question must be asked, again and again, before too much effort is put into a plan and before too much disturbance is caused to the industry, — is production control what the Australian dairying industry needs?

May not a better, simpler, more humane and more profitable solution be found in a genuine and intelligent attempt to market as efficiently as the dairy-farmer produces?

"THE WELL-LAID PLANS . . ."

Restrictions Lifted on Butter and Cheese Production

In order to restrict the production of butter and cheese during 1970-71 to 220,000 tons and 70,000 respectively, factory managers and dairyfarmers in Victoria and Tasmania had been asked to reduce output, voluntarily, by 3.5 per cent. The Chairman of the Australian Dairy Industry Council, Mr. H. A. Stone has now, four months after the imposition of the restrictions, issued the following statement:

"Due to adverse seasonal conditions in some States, Australian butter production was not as high as anticipated in June last, when the Australian Dairy Industry Council formulated its plan for containing overall production during 1970-71, to 220,000 tons of butter and 70,000 tons of cheese. Because of this, the Council has advised factory managers that they could ease restrictions on the supply of milk to their factories.

"Butter production in Victoria for the first three months of the current season was slightly above the quantity manufactured during the corresponding period in 1969-70, but there was a downward trend during the first half of October. Production in all of the other States was below last year's level and, unless the position improved considerably in Queensland and New South Wales, those States would be substantially below their targets under the Council's plan.

"While overall cheese production was in line with expectations, the industry's immediate concern was for sufficient butter to meet established export market requirements.

"The Council's action to modify its 1970-71 plan at this time, does not represent any breaking down of its policy of containing overall production to a level to meet market requirements. This policy remains unchanged.

"The Council is fully aware of the drastic structural changes which would be necessary in the industry should the United Kingdom enter the European Economic Community, and it is currently examining proposals to control the level of production, from time to time in the future, to that required to service available markets. These proposals include the licensing of dairy farms with a restriction on the issuing of a licence for a new dairy farm.

"The Council appreciated the excellent co-operation it had received from dairy farmers, dairy factory directors and managers and State Departments of Agriculture. It believed that, if similar favourable seasonal conditions to those experienced in 1969-70 had continued into the current year, as was anticipated in June last, the efforts made by the industry, with the assistance of the Departments of Agriculture, would have achieved the desired reduction in production."

WANTED

Copies of the September-October, 1968 issue of this Journal. Please contact 51 3034.

Prices and Statistics

ADELAIDE METROPOLITAN MILK SUPPLY AREA

	PRODUCTION (000 gallons)				Total since July 1		Total since Jan. 1	
	For month		Total since July 1		1969	1970	1969	1970
August	5,158	5,314	9,525	10,101	32,643	35,235		
September	5,787	5,774	15,312	15,875	38,430	41,009		

	MILK SALES (000 gallons)				RATIO		C.M.B.	
	For month		Total since July 1		per cent		cents	
	1969	1970	1969/70	1970/71	1969	1970	1969	1970
Aug.	1,822	1,844	3,666	3,718	35.3	34.7	22.56	22.53
Sept.	1,730	1,773	5,396	5,491	29.9	30.7	19.64	20.30

MOVING AVERAGE RATIO for 12 months ended			
	1969	1970	
31st Aug.	39.76%	37.14%	30th Sept.
			39.35%
			37.22%

CREAM PROMOTION CAMPAIGN

Sales expressed as multiples of sales for same period in previous year			
	For month		Since beginning of Campaign (1/10/69)
1970			
August	1.67		1.89
September	1.71		1.87

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only and subject to retrospective adjustment)

1970	Basic C.M.B.		Total	3.5%	4%	4.5%	5%
	(cents per lb. butterfat)	(cents per gallon)					
August	35.97	22.53	58.50	21.13	24.15	27.17	30.19
September . . .	35.97	20.30	56.27	20.32	23.23	26.13	29.04

LONDON PROVISION EXCHANGE QUOTATIONS

(Sterling Currency per cwt.)

		August		September	
		1969	1970	1969	1970
Butter—Choicest	Australian	300/-	313/-	300/-	315/-
Cheese—Rindless	Australian	225/-	260/-	230/-	275/-

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DAIRYMEN'S . . .

Journal



The Official Publication of the

Published Bi-monthly

Vol. 10, No. 3

Adelaide, NOVEMBER-DECEMBER, 1970



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DAIRYING INDUSTRY EQUALIZATION LEGISLATION
REFERENDUM ACT AND REGULATIONS 1970.

In accordance with the provisions of the above-mentioned Act and Regulations a

Referendum of Dairy Farmers.

who supply milk or cream to butter or cheese factories is being held to determine whether they are in favour of the Dairying Industry Equalization Act 1970; the Dairying Industry Levy Act 1970 and the Dairying Industry Levy Collection Act 1970 being brought into operation.

Ballot papers were posted on 25th January, 1971, to all those whose names appear on the roll of producers. A producer is eligible to vote if he

- has reached the age of 21 years
- is the owner or one of the owners of cows that are kept wholly or partly for the purpose of the production of milk for the supply of milk or cream to a butter factory or to a cheese factory in Australia.
- has at any time in the 12 months immediately preceding February 24, 1971, the closing day of the poll, supplied milk or cream to a butter factory or to a cheese factory in Australia.

Receipt of a ballot-paper by an individual producer indicates that he is enrolled and he is not required to do anything further about enrolling.

If any producer (including each member of partnerships) who is entitled to vote does not receive a ballot-paper by **FEBRUARY 3, 1971**, he must apply for enrolment by filling in and posting an enrolment application card within 7 days. Supplies of these cards are available at Post Offices. **Enrolment is Compulsory.**

Producers who are obliged to apply for enrolment should do so immediately after **FEBRUARY 3**, and not wait the 7 day period.

Details of enrolling and voting entitlements and procedures for all classes of voters are set out in an explanatory pamphlet—"Enrolling and Voting Entitlement" which is available at Post Offices.

VOTING at the referendum is **COMPULSORY** for those entitled to vote.

THE POLL CLOSES AT 12 O'CLOCK NOON, FEBRUARY 24, 1971.

Enquiries regarding enrolling and voting should be directed to:

**The Deputy Returning Officer,
The Commonwealth Electoral Office,
South British Insurance Co. Building,
83-89 Currie Street,
ADELAIDE, S.A. 5000. Tel. 51.6286.**

THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



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51 3034

President:

General Secretary:

N. M. GREEN, Esq.

DAVID J. HIGBED, B.Ec.

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The Referendum on Dairy Produce Equalisation

There would be very few Australian dairymen today who have experienced a time when the returns from the domestic and export markets for butter and cheese were not subject to some form of equalisation, either under the original "Paterson Plan" or under the much more comprehensive system that followed it and which has grown into the complex but smoothly operating procedure now administered by the Commonwealth Dairy Produce Equalisation Committee Limited.

Because of the many years during which the system has operated without any apparent check in its smooth routine, dairymen may be excused for overlooking the fact that participation in the scheme is completely voluntary, and could be upset by the decision of a number of manufacturers to withdraw.

Legislation has now been passed by the Commonwealth Parliament which can be used, when the need arises, to make participation in the equalisation scheme compulsory, so that the interests of dairymen can be given statutory protection. (A detailed explanation of the legislation was published in the May-June, 1970 issue of this Journal.)

But before the legislation can be made effective it must first receive the approval of a majority of the dairymen throughout Australia, and a referen-

DELRINGA LAURETTA

This 10-year-old Guernsey Cow, exhibited for the first time, was the winner of the R. J. Finlayson Memorial Trophy at the Royal Adelaide Show in 1970. The trophy was open to all breeds of South Australian dairy cattle, which must have qualified for either the Intermediate, Merit or Elite sections of the Record of Merit. DELRINGA LAURETTA, sired by GLENBROOK NOLA'S BOY, out of GLENBROOK LAURETTA, holds the State Guernsey butterfat records for J2 and J3 and held the mature record for four years until 1969. Her top production is 760 lb. fat with a life-time production of 4,201 lbs. fat in seven lactations.

dum, through which the producers can express their support, must be conducted. On the inside front cover of this Journal can be seen the official announcement of the Referendum and the obligations of dairyfarmers, and following this introduction are the arguments in favour of the proposal.

South Australian dairyfarmers are urged to ensure that this legislation is passed, so that the stability of the markets for manufactured dairy products can be safeguarded.

Note.—Producers licensed by the Metropolitan Milk Board to supply the Adelaide area are asked to note that this referendum has absolutely no connection with the milk equalisation scheme operating in South Australia.

ARGUMENTS IN FAVOUR OF STATUTORY SUPPORT FOR THE COMMONWEALTH DAIRY PRODUCE EQUALISATION ARRANGEMENTS

Statement prepared by
THE AUSTRALIAN DAIRY INDUSTRY COUNCIL
with the backing of—

The Australian Dairy Farmers' Federation;
The Australian Dairy Produce Board;
The Commonwealth Dairy Produce Equalisation Committee Ltd.;
The Australian Butter Manufacturers' Federation;
The Australian Cheese Manufacturers' Federation;
The Australian Casein Manufacturers' Association;
The Skim Milk Powder Equalisation Advisory Committee.

Prepared in accordance with Section 7 of the Dairy Industry Equalisation Referendum Act 1970.

WITHOUT THE DAIRY PRODUCE EQUALISATION PLAN YOUR INCOME AS A DAIRY FARMER WOULD BE LOWER.

This plain statement of fact gives the reason why you should vote "YES" to the question:

"Are you in favour of the Dairying Industry Equalisation Act 1970; the Dairying Industry Levy Act 1970 and the Dairying Industry Collection Act 1970 being brought into operation?"

The legislation gives effect to the basic provisions of the proposals submitted to the Commonwealth Government by the Australian Dairy Industry Council to provide statutory support for the existing Dairy Industry Equalisation Arrangements. **The main purpose of the legislation is to provide a buttress to the equalisation structure in its present form. It will only be implemented if there is a specific development which threatens a breakdown of the existing equalisation structure.**

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THE REASONS FOR EQUALISATION:

The equalisation of returns from Australian and export sales of butter, cheese, casein and skim milk powder, enables the industry to maintain Australian wholesale prices for these products on the Australian market, **free from the influence of world market prices.**

Without the equalisation plan, the wholesale prices of all manufactured dairy products sold within Australia, would be closely related to the net returns received from export sales. **AS AN EXAMPLE, THIS COULD MEAN THAT YOUR INCOME FROM BUTTER COULD BE CUT BY AT LEAST ONE THIRD.**

The equalisation plan, by covering the costs of storage and transport, ensures adequate stocks of butter and cheese to meet consumer requirements in all areas of the Commonwealth at all times. Without this provision, there would be shortages in some areas at certain periods of the year and **butter sales in these areas would, undoubtedly, be lost to substitute spreads.**

THE REASONS FOR LEGISLATION:

The present equalisation plan is based on **voluntary** agreements between the Commonwealth Dairy Produce Equalisation Committee and manufacturers. This dependence on voluntary agreements **is an inherent weakness in the plan, as manufacturers may give notice of withdrawal at any time.**

The fact that the Commonwealth Government makes eligibility for bounty payments conditional on a manufacturer's participation in equalisation, has strengthened support for the plan in the past. **However, this position could change with the gradual widening of the gap between equalisation values and the return from the local market, and the inevitable pressures which would arise in the marketing section of the industry should the United Kingdom enter the European Economic Community.**

A few comparatively small manufacturers operate outside the plan. They do not constitute a threat to its effectiveness at present. But the withdrawal of even one large manufacturer in the future could result in the complete breakdown of the industry's orderly marketing structure. **This would have disastrous consequences on dairy farmers' returns. It would lead to marketing chaos in which dairyfarmers would suffer most.**

There has been some criticism of the plan for the equalisation of returns on the grounds that it tends to encourage uneconomic production and discourage initiative by manufacturers and distributors. **Such criticism ignores the proven advantages of the equalisation arrangements which far outweigh any disadvantages.**

While the question of ensuring the most economic production and containing overall Australian production to a level sufficient to meet market requirements, is being examined by the Council, it is entirely separate from the vital issues for decision by this referendum. So far as marketing is concerned, the equalisation price structure makes provision for special incentives to encourage manufacturers and distributors to promote the sale of dairy products, improve packaging and marketing methods and to introduce new products. **Most manufacturers and distributors are taking advantage of this provision.**

THE EFFECT OF THE LEGISLATION:

Realising that the equalisation of returns is the greatest single factor in stabilising producers' returns, Federal and State dairy farmers' organisations and the Australian Dairy Industry Council, sought ways and means of effectively buttressing the equalisation plan. With your support, the legislation passed by the Commonwealth Parliament in June, 1970, will do this, because it can be brought into operation if the need arises.

Acceptance of the legislation by dairy farmers will not change the current equalisation arrangements because the legislation will only be implemented if the effectiveness of the plan is threatened by the withdrawal of an important manufacturer. Even if the legislation is implemented, the provisions have been designed to enable manufacturers already in Equalisation to continue their existing arrangements with the Equalisation Committee, if they so wish.

IN EFFECT, THE LEGISLATION IS AN INSURANCE POLICY DESIGNED TO PROTECT YOUR RETURNS IN THE FUTURE. IT MAY NEVER BE NECESSARY TO "CLAIM" UNDER THIS POLICY, BUT, LIKE ALL FORMS OF INSURANCE, IT WILL BE THERE SHOULD IT BE NEEDED.

THE EFFECT OF YOUR VOTE:

The strengthening of the equalisation arrangements will provide a sound basis for long-term planning for the industry, and you are being asked to vote on a straight-forward question. By voting "Yes" you will indicate nothing more than your support for the legislation buttressing the equalisation plan which has ensured the orderly marketing of dairy products for many years.

Simply stated, your choice for your industry is—

STABILITY or CHAOS

In Your Own Interests

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576 St. Kilda Road, Melbourne, Victoria. 3004.

POSITION VACANT

For young man, about 18, preferably with milking experience, on large dairy farm. Apply in the first instance to to this office, telephone 51 3034.

RELIEF MILKING SERVICE

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> SOME VACANCIES in late November, early December <

For CHARGES, CONDITIONS, BOOKINGS —

S.A. DAIRYMEN'S ASSOCIATION

TELEPHONE 51 3034 (EMERGENCY 61 4508)

ECC BUTTER STOCKS FALL

In twelve months official stocks of butter in the EEC for which the common agricultural fund is paying the expenses dropped by a half. The figure for these official stocks on September 1, 1969 was 427,644 tons; on the same date this year it was 213,000 tons.

It must be emphasised that these figures issued by the Commission are only for those stocks which have been bought up with Community funds through the intervention machinery. Total stocks are considerably higher; figures for four countries (France, West Germany, the Netherlands and Belgium) at the end of August were 349,000 tons as against 444,400 in 1969. West German and Belgian stocks were roughly the same as twelve months previously and the reduction has come in the stocks held by the Netherlands and France, more particularly the latter country; French stocks at the end of August were provisionally quoted at 138,000 tons, compared with almost 209,000 tons at the same time in 1969.

According to the West German ministry current production there is not sufficient to meet demand and stocks are being still further reduced. Earlier reports in June of this year both from Germany and the Netherlands, indicated that cold-stored butter offered to the market at reduced prices was running short and some commentators think that the fall in milk production and the increase in consumption of fresh milk products may have been under-estimated by the EEC authorities.

The stock position in other European countries is generally similar. Of those for which figures are available only Denmark had about the same quantity in stock as in 1969; Sweden had only half the quantity. Finnish stocks were down from 24,000 to 19,000 tons and showed a much lower rate of build-up in the summer months; UK stocks have been between 15,000 and 20,000 tons lower each month since May; Irish stocks are lower by 6,500 tons at 18,000; and Swiss stocks are down from 5,700 to 4,700. All these figures relate to the end of August.

Pressure on world market prices has also lessened and with this improvement the EEC authorities have been able to reduce both the import levies and the export subsidies on butter during September. Levies were reduced from September 15 by 17/- per cwt. for butter with a fat content of between 82 and 84 per cent and the export subsidies have been lower from September 3; the reduction here was 34/- per cwt. to 529/5d. per cwt., which is the rate currently in force.

PRICES RISE ON LONDON MARKET

Prices for Australian butter and cheese rose spectacularly towards the close of 1970.

Butter was quoted at 330/- (sterling) per cwt. compared with 300/- to 310/- during the earlier part of the year, and 300/- for the same period in 1969.

The position for cheese was even better, reaching the unprecedented level of 295/- (sterling) per cwt., against a prevailing price of 255/- during the earlier part of the year, and 225/- for the same period in 1969.

WANTED TO BUY

refrigerated farm vat, in near-new condition, 200 gallons or more capacity. Apply in the first instance to this office, telephone 51 3034.

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AUROFAC-D*

ensures full profitability of your stock.

Aurofac D is now famous amongst Australian dairy men in disease prevention. It provides protection against scours . . . gives your heifers a good start and paves the way for full productivity.

If your calves develop scours early in life you are liable to suffer losses that you can never make good. The only satisfactory answer to

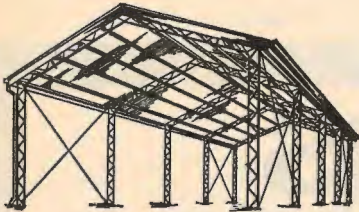
scours is: don't let it happen. Prevent it. This you can do, easily, at a cost of less than \$1 a head with Aurofac D. You add it to liquid and dry feed while the calves grow up to 12 weeks. Thus animals are protected against infection during the critical period. A springing heifer these days can be worth over \$100. Isn't it worth spending \$1 to protect your profits.



● BUY A MILK REPLACER WITH AUROFAC . . . OR ASK FOR AUROFAC D IN 10 LB. OR 50 LB. PACKS.

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- Fully galvanised 1½" pipe frames eliminate maintenance
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- Continuous Custom Orb sheeting —long length gutters, downpipe, ridge and barge caps.

Length Feet	Complete Shed \$	Frame Only \$
30	610	300
45	840	400
60	1060	500
75	1280	600
90	1500	700
105	1600	800
120	1700	900

Hay

30 ft. clear spans
14 ft. eaves
15 ft. bays
WALL SHEETING—25c per sq. ft.

Machinery Sheeting—Roof, Rear and 2 Ends

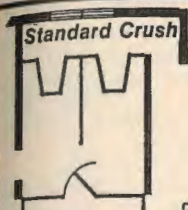
Length	22 ft. SPAN				26 ft. SPAN				30 ft. SPAN			
	Complete		Frame Only		Complete		Frame Only		Complete		Frame Only	
	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.	10 ft.	12 ft.
25 ft.	544	588	208	226	593	661	223	241	733	797	278	307
37 ft. 6 in.	712	762	284	308	796	858	296	328	937	1002	372	402
50 ft.	864	920	344	374	989	1039	369	399	1125	1217	450	487
62 ft. 6 in.	1024	1090	412	448	1162	1228	442	478	1331	1425	536	580
75 ft.	1182	1251	480	622	1335	1409	515	557	1537	1628	622	673
87 ft. 6 in.	1342	1411	547	589	1502	1584	582	629	1727	1829	702	759
100 ft.	1497	1577	610	663	1675	1768	655	708	1923	2034	788	859
Extras												
25 ft. Opening	\$30				\$30				\$35			
SLIDING DOORS—(G.C. Iron) with single track—70c per sq. ft. twin track—80c per sq. ft.												
6 BLADE LOUVRE WINDOW IN FRAME—\$14												
P.A. DOOR—L & B with fittings \$17; Steel \$21												

Steriline

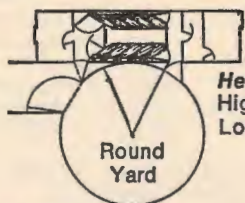
Distributors Pty. Ltd.

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Dairy Equipment and Accessories by *Steriline*



BAILS



4 rail yard with Entrance Gate, Built-in Veterinary Ball and Elevating Race.

YARDS

Continuous Rail to suit your requirements

- Pre-curved rails to radius required.
- Prefabricated Veterinary Bails, Elevating Races, etc.
- Heavy duty galvanized gates.

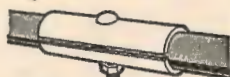


Section of Round Yard with Truss type backing-up Gate-Hinges allow gate to follow floor. Rubber-tyred wheel can be motor driven.



Side-Rail Clamps—stronger, faster, cheaper construction

Clamp - on galvanized Purlin Cleats for $\frac{3}{4}$ ", 1" $1\frac{1}{4}$ ", $1\frac{1}{2}$ " pipe.



Joint Clamps—no threading



Weld-on Purlin Cleats (Black or Galvanized).

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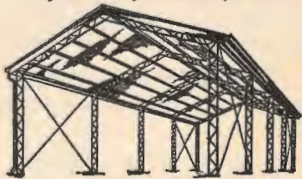
Complete or Frames only for Hay and Implements.



IMPLEMENT



FRAME



HAY

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ROTARY STOP/START MILKING PLANT

A rotary stop/start milking plant, claimed by its British manufacturer to halve labour costs, enables one operator to handle 150 cows in two hours.

The 8-cow "Carousel" is specially designed for herd sizes ranging from 80 to about 150 cows.

When the plant is stationary, the operator opens the gate and the cow enters a stall. The gate is closed, the operator feeds the cow with any type of feeder, washes the udder, takes the foremilk and attaches the teat cups. Only one feeder per plant is needed because each stall in turn passes the feeding point. A pedal is operated and the stalls move on, automatically stopping when the next empty stall is opposite the operator, ready for another cow.

Eventually, a full stall is presented to the operator, who satisfies himself that the cow is milked out, removes the teat cups, opens a gate at the front of the cow which allows her to leave before the rear gate is opened for a repeat process.

The milk is discharged from standard recorder jars when the plant is stationary, so the rotary milk valves required by a constantly rotating tandem are unnecessary.

All the milking equipment can be washed in-place while the plant is stationary using the normal acidified boiling water system.

The main cow platform is in nine sections, one for each standing cow and one for the operator's entrance. Each section is manufactured from 4 in. x 3 in. rolled steel channel forming a rigid frame, and topped by a non-slip steel chequer plate $\frac{3}{4}$ in. thick.

Stalling is fabricated from $1\frac{1}{4}$ in. galvanised steel tube and of all-welded construction designed for maximum cow accessibility. The stall end divisions are of $\frac{1}{8}$ in. galvanised sheet steel with provision made for the addition of a heavy gauge manger.

The main vacuum line is mounted on top of the stalling. This line also acts as the main bracing line to ensure maximum rigidity of the stalling structure.

The structure is mounted on eight 12 in. diameter cast steel wheels four of which have a side guide roller designed to give maximum mobility without any side float of the platform. The wheel bearings are sealed for life.

The whole platform revolves on a curved channel rail mounted on sleepers well clear of the ground for easy cleaning. All parts are hot dip galvanised or zinc sprayed and finished aluminium.

The plant is powered by a 1 h.p. electric motor through a reduction gear box, and a polyurethane faced friction wheel drives on the underside of the platform.

Movement of the Carousel is controlled from the centre of the plant. A simple foot switch starts the plant, and an automatic stop ensures correct positioning at each station. An emergency stop button is also fitted and all electrical controls are low voltage.

A vacuum pump located outside the milking plant supplies the unit via an overhead line through a bronze self-aligning swivel seal, leaving the centre of the plant clear.

The Australian agents for the manufacturers (R. J. Fullwood and Bland Ltd.) are Country Dairy Supplies, 319 Mair Street, Ballarat, Vic. 3350.

Throwing all bulldust aside...

Nothing can move manure like Davey. The Davey high pressure manure pump can transfer manure directly from your dairy pit to a sprinkler up to 100 feet away. It will spread your manure evenly over a 90 foot diameter circle. Through regular whirling of the sprinkler, you can fertilize whole paddocks without contaminating the grass. Your cows won't mind feeding from these paddocks at all.

The Davey manure pumps are completely self-priming and have been designed for easy installation, maintenance, and to ensure that solids are broken up before reaching the sprinkler.

Provided that you don't require the advantages of the sprinkler, there's a Davey medium pressure manure pump that's very economical to purchase and operate, and will transfer manure to distances up to 800 feet.

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Original dairy washdown pump



Australia's top-selling Dairy Washdown pumps. Davey Prime Flo's provide 30-40 or 50 P.S.I. for Dairy washdown, depending on the model selected. Prime Flo's advanced diffuser vein design gives excellent performance and eliminates priming difficulties. Just ask your neighbour how good it is. Send for your free brochure now!

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and water pressure
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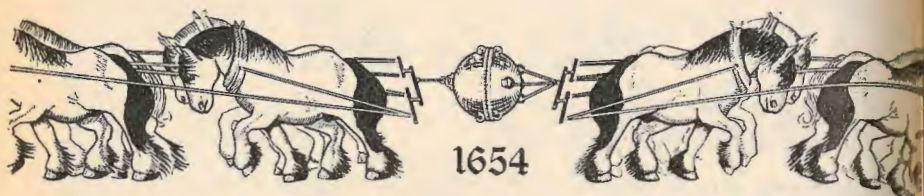
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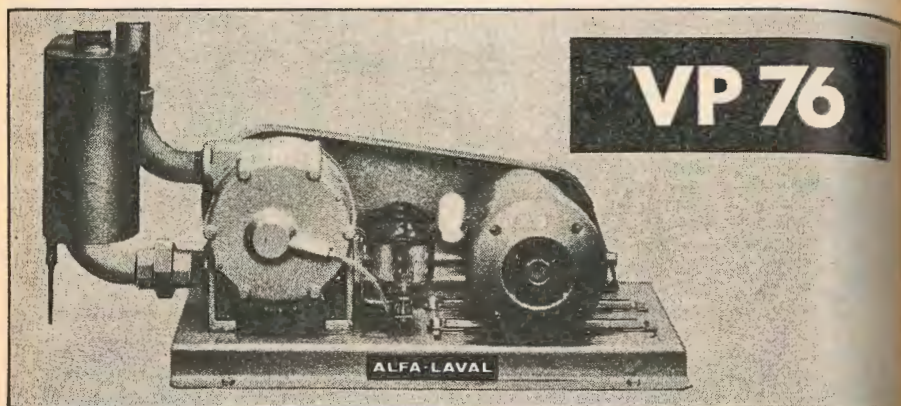
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THE MAGDEBURG HEMISPHERES

316 years ago Otto Van Guericke developed a pump capable of exhausting air from two hemispheres. It is recorded that in 1654, in the presence of Ferdinand III of Germany, a demonstration was given in which 15 horses a side failed to break these vacuum joined hemispheres.



AN ENTIRELY NEW VACUUM PUMP ALFA-LAVAL DESIGNED AND BUILT

- ★ A new high efficiency, high speed, four-vane pump maintaining unfluctuating air flow.
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- ★ Simple to maintain.
- ★ 12-month Alfa-Laval warranty.
- ★ Fully competitive in price.

- ★ Compact in size and easy to instal, with these features included as standard:—

*Combined oil separator and muffler.
Non-return valve for plant protection.
Belt guard protecting pump and motor drives.
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Motor slide rails.
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Exhaust system.
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6 INCH, 5-PLY RUBBER HOSE, 10 ft., unused. Cost \$53 wholesale.
Offers to this office—51 3034.

MILK AND MENTAL ALERTNESS

By Dr. W. A. MCGILLIVRAY,
Director, N.Z. Dairy Research Institute

In discussions on the nutritive value of high quality protein it is usual to think in terms of the requirements in developing or under-developed countries. We tend to forget that even in developed areas a proportion of the population may actually be deficient in protein, or would at least benefit from some additional intake of high-quality protein.

Typical evidence of sub-optimal intake of high-quality protein is fatigue, decreased initiative, and difficulty in concentrating for long on any particular task. These are symptoms which are not uncommon amongst some individuals even in the most affluent societies. The problem appears, however, **to reach highest proportions in the younger age groups, and there is some evidence that learning ability can be seriously impaired as a result** of this marginal protein deficiency. Recent studies in Great Britain have highlighted the extent of malnutrition amongst school children and the effect which this may be having on their schooling. The results of a similar investigation recently carried out in Holland and reviewed in a recent issue of Dairy Industries are also very interesting:

"The study covered a total of 1,200 children in the third and sixth forms of the primary schools in the Dutch towns of Apeldoorn, Emmen, Groningen and the lower Drenthe region. It was divided into two sections, the first (involving 800 children) serving primarily as a method of orientation, and the second serving as a control, to see if the results obtained could be confirmed by another method. The fields covered by the study were arithmetical aptitude, verbal intelligence, flexibility of thought, rhythm, precision and spontaneity of memory. A whole series of psychological tests were employed, such as comprehension tests and verbal and figure analogies. The results showed that the taking of milk during the morning break had a definite beneficial effect on the pupils' mental alertness during the remainder of the day.

"In the third class, this was particularly noticeable in arithmetical aptitude, verbal intelligence and mental flexibility, while in the sixth class, arithmetical aptitude, verbal intelligence and accuracy were most improved. The group of psychologists carrying out the study found that in both cases there was clear evidence of a favourable effect of milk in the sphere of logic and abstract thought, a form of intelligence considered the most representative of general ability."

It is, of course, well recognised that **milk protein is the most nutritionally valuable of all proteins**, and therefore the one likely to be most useful for "topping up" an otherwise marginally deficient diet. When the beneficial effects of milk are carefully appraised medically, as has been the case with the New Zealand Wholemilk Biscuit, one is forced to the conclusion that the general comments on improved well-being, mental alertness, etc., of the children are out of proportion to the amount of added protein. In looking at these results one cannot help but wonder whether milk, and milk proteins in particular, do not have some particular value beyond the normally recognised constituents, such as essential amino acids, etc., which they contain. It is quite possible that casein in particular, as a phosphoprotein, may have some special value in increasing mental alertness and improving learning ability. This is clearly a very fruitful field for further research investigation, and the results will be followed with considerable interest.

NEW ZEALAND DAIRY SHIFT

New Zealand is trying to shift from dairy to beef cattle to meet the problem of surplus production of dairy products.

Under a government plan, dairy farmers will be eligible for low cost credit to help them shift part of their output to meat. They also will receive a payment of the equivalent of \$10.00 (U.S.) for each calf raised for meat on farms producing more than 6,000 pounds of butterfat. Calves born or brought in on farms before the end of December, 1969 were eligible for two assists from the government. These two assists are as follows:

- (1) A diversification incentive payment of \$10.00 paid through dairy companies to the farmer on and after October 1, 1970, with the condition that male stock have been retained continuously on the farm to at least September 30, 1970, or that female stock have been retained and slaughtered at any time between September 30 and June 30, 1971.
- (2) Loan advances, designed to bridge loss of milk sales, will be available at a rate of 3% interest and up to \$30 per calf, repayable through dairy companies within 30 days of disposal of cattle concerned, but in no case later than July 7, 1971. These loans will be available in two \$15.00 instalments, the first at any time after November 20, 1969 and the second after March 20, 1970.

AUSTRALIAN CHEESES IN WORLD CLASS

At a luncheon given recently by the Minister of Agriculture (the Hon. T. M. Casey) in honour of Sir Richard Trehane, Chairman of the U.K. Milk Marketing Board, Sir Richard's eyebrows rose visibly when the Minister claimed that "Australia made the best cheese in the world".

This bold statement was later endorsed when news was received that two Australian entrants were among the top scorers in the 1970 World's Cheddar Cheese contest held in the United States in November.

The Wisconsin Cheesemakers' Association conducted the contest at its annual convention.

The two Australian entrants, Mr. Thomas Kelly of the Warwick Co-operative Dairy Association Ltd. and Mr. Douglas Rostrom of Murray Goulbourn Co-operative Co. Ltd. scored 96.16 and 93.66 points respectively, for their cheeses.

The winner of the contest was an entrant from Iowa, U.S.A.

However, according to Mr. T. W. McCabe, chief of the Import Branch of the U.S. Department of Agriculture: "Some of the entrants from Australia had very good scores".

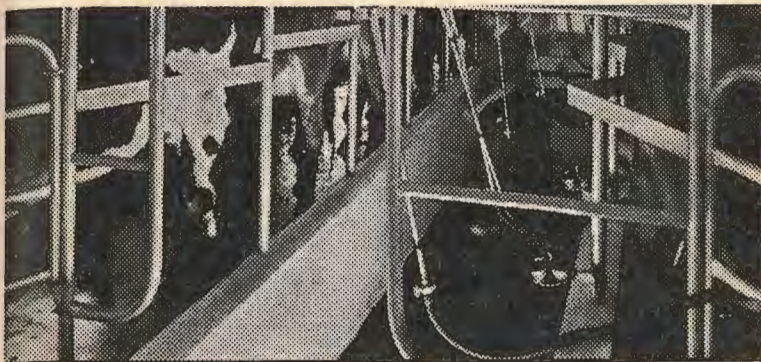
Mr. E. G. Roberts, chairman of the Australian Dairy Produce Board, said it was very pleasing to see Australian cheeses continuing to do so well in international competition.

The Warwick factory recently won an award at the Royal Dairy Show, London, for the best exhibit of rinded cheddar cheese produced in the Commonwealth.



MASPORT

the quiet vacuum pump from New Zealand



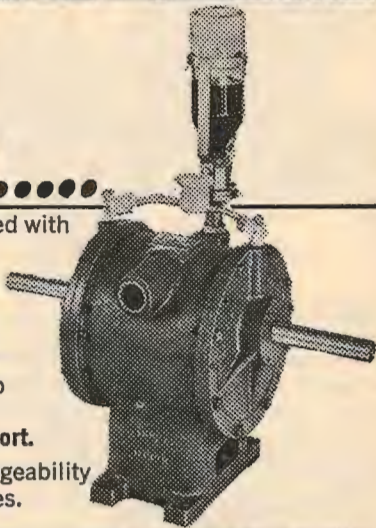
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When you need to replace the pump you are now using, follow the lead of the champs — choose Masport.

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