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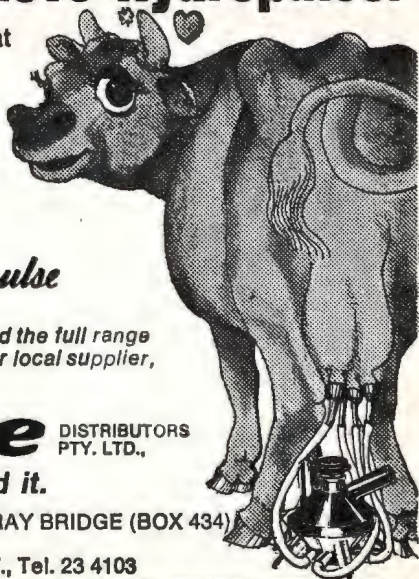
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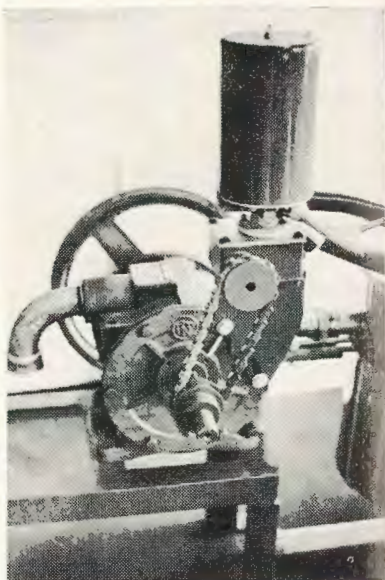
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THE DAIRY PRODUCTS ENTITLEMENT PLAN

The Latest Proposal for Production Control

Fifteen months after the Australian Dairy Industry "unanimously" adopted the Australian Dairy Industry Council's Two Price Quota Scheme, the industry is still unable to agree on the necessity for production control and the means by which it should be imposed. The latest proposal, prepared by the Australian Dairy Industry Council, accepted, after modification, by the Australian Dairy Farmers' Federation, and subsequently accepted, but certainly not "unanimously", by a general meeting of industry representatives, is the "Dairy Products Entitlement Plan". Although this Plan is supported by the ADFF it has not been given detailed study by the Central Council of the South Australian Dairymen's Association, nor have decisions been made concerning those features of the Plan which are yet to be determined, at Federal level, or by the States individually.

The following article re-states the background of the moves toward production control, the alternative proposals that have been examined, and the details of the latest Plan. It is expected that a conference between the industry and the Federal Government will take place within the next three months before action is taken to pass the enabling legislation through the Federal Parliament.

BACKGROUND

It is now three years since the then Prime Minister, John Gorton, said that "it was time the dairy industry followed the example of the wheat growers, and introduced production control."

The intention underlying his statement was clear enough—the dairy industry was approaching an over-production situation, as the wheat industry had done a year earlier—but the Prime Minister, in so saying, overlooked the differences between the two industries and the two commodities they produce. Wheat, handled and sold in the form it is grown, as an unprocessed raw material, capable of being stored in silos for relatively long periods whilst it awaits sale, and capable, also, if produced in excess of quota, of being stored on the farm at very little cost either to be added to next season's quota or to await some unexpected change in demand, is very different from dairy produce which, produced on the farm as milk or cream, is extremely perishable, costly to store for even a short period and incapable of being stored for more than a few days, and must be processed, by methods ranging from complex to highly sophisticated, into a bewildering diversity of products destined for an equally wide range of home and export markets.

It is this difference in the nature and handling of the two products, as much as any other factor, that has led to the apparent slowness with which the dairy

industry has responded to the Federal Government's demand for a scheme to control the industry's production. The industry's complex nature and the fact that production decisions on the farm are not linked with action in the marketplace, have been responsible for the time spent in attempting to devise a workable, acceptable scheme, and for the many plans that have been proposed and studied, rather than the industry's obstinacy and opposition, as is often claimed, and the eventual outcome of the work of a year and a half, the Australian Dairy Industry Council's "Two Price Quota Scheme", is still far from being a precisely delineated blueprint for the industry's guidance.

But factors other than obstinacy, and genuine doubts concerning the adequacy and workability of the ADIC's Plan have intruded into the situation since March, 1970 when the Department of Primary Industry first forecast the imminence of a record production of butter and the probability of an even greater unsaleable surplus than that which already appeared likely to remain from the output of 1969-70.

CHANGES IN THE DAIRY SITUATION

These factors were a sudden change in the patterns of world dairy production and trade and the onset of a protracted period of unfavorable seasons in the major dairying regions of Australia. Thus at a time when overseas markets were seeking supplies, and prices offered were reacting accordingly, Australia's annual output of milk fell, from the 1969-70 output of 1,654.8 million gallons, the highest figure ever recorded, first by 4 per cent to 1,594.6 million gallons in 1970-71, and then by a further 2 per cent to 1,568.4 million gallons (and at this time, a further 1 per cent reduction appears likely for the current season, 1972-73).

Understandably, though perhaps shortsightedly, the dairy industry in Australia began to turn its attention away from schemes for controlling production to means for preventing its further decline. Those States which produce less dairy produce than they consume began to question the logic of proposals intended to reduce their output even further and make them more reliant than ever on dairy produce imported from other States whilst the returns to their own dairy-farmers were being eroded by an equalisation system which bolstered the incomes of producers in the exporting States.

Other States which claimed the ability to produce more efficiently, and economically, than the remainder of the Commonwealth wondered why their ability, and willingness, to turn out increasing quantities of butter and cheese, and to cope with reducing returns, should be restricted in the interests of States which were less fortunately endowed.

THE ADIC TWO PRICE QUOTA SCHEME

In the meantime the dairy industry, by command of the Federal Government, was committed to the preparation of a plan, the outcome of which was the ADIC's Hwo Price Quota Scheme, the fruit of much hard work, revision and re-revision, criticism and commendation, but ostensibly accepted "unanimously" (the description was applied by the Minister for Primary Industry) despite the considerable misgivings of the industry itself.

The misgivings sprang only partly from opposition to the idea of control; less freely voiced concern related to obscurities within the Scheme; obscurities in the conditions which were only hinted at in the Scheme and would be more positively defined only when the introduction of the Scheme was imminent, these conditions relating mainly to the method by which the Australian butterfat quota would be derived, the time bases on which the State quotas and the farm quotas would be allotted, and the extent to which market milk would, or would not, be taken into account when calculating farm quotas, although beyond all these obscurities were other areas of doubt about the possibility of forcing on dairy factories observance of the conditions necessary to make the Scheme effective.



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The dairy industry's doubts were, naturally, reflected in the minds of the States' Ministers and Departments of Agriculture, and a conference of State and Federal dairy officials convened in March, 1972 was unable to reach agreement on the introduction of the Scheme; rather, two States, W.A. and Victoria, submitted revolutionary alternative proposals each based on very different principles.

NEW PROPOSALS

The W.A. proposal, which obtained no support from other States, called for quotas, in those States which had a deficit in dairy production, to be based on consumption rather than output, a principle which would, if applied, have created, in deficit States, a "hot-house" situation of production expansion, and a great disparity in producers' returns in favor of the deficit States.

The Victorian proposal, more restrained, sought only to replace the Australian butterfat quota (which, in the ADIC Scheme, comprised home consumption and some exports) with product quotas based on home consumption only, allotted to States and hence to factories, but without further allotment in the form of farm quotas, with factories paying to their suppliers an average price derived from the higher price received by the factory for production within the quota, or "product entitlement", and a generally lower price for production in excess of the "entitlement".

The failure of this conference to support the ADIC Scheme or either of the latest alternatives led to the Australian Agricultural Council's (comprising the Federal Minister for Primary Industry and the States' Ministers of Agriculture) calling for a further meeting of State and Federal officials to attempt to break the deadlock that now prevailed. The meeting, held in September, 1972, examined the extent to which the Victorian proposal could be modified, or engrafted into the ADIC Scheme, to produce a plan that would be acceptable to the industry and to the other States, and, above all, workable.

AUSTRALIAN PREFERRED PRICE QUOTA

The result was a plan intended to overcome the reservations held concerning some features of the Victorian proposal and to simplify the application of the ADIC Scheme, and although it might be termed a compromise it was really a new plan in its application and certainly different in its intention, as is seen in the following details—

- (a) The scheme would provide for an **Australian preferred price quota** based on the **estimated domestic consumption** of the three main products groups—**butter, cheese and processed milks**—expressed on a butterfat basis.
- (b) The Australian Dairy Industry Council (ADIC) **as reconstituted** would recommend the level of the Australian preferred price quota before the commencement of each year.
- (c) The ADIC should be reconstituted to provide for **producer and factory representation on a State basis** rather than on an organisational basis as at present. (Note—the present composition of the ADIC is — 3 representatives of the Australian Dairy Farmers' Federation having 2 votes each, 3 representatives of the Australian Dairy Produce Board, 3 representatives of the Commonwealth Dairy Produce Equalisation Committee.—Ed.)
- (d) The Australian Preferred Price Quota would be **allotted among the States** on a **basis determined** by the ADIC.

- (e) The contributions made by each State through the levy collections would be limited by providing that at least **x per cent of each State's levy contribution** on each product group was refunded to that State. (*Note—the purpose of this clause was to limit, to an extent determined by the magnitude of the unspecified "x per cent", the outflow of funds from States where consumption was high in relation to production, e.g. N.S.W. and W.A., to States where production exceeded consumption, e.g. N.S.W. and Tas., so that producers in the States with relatively high local sales did not "subsidize" the returns to producers whose output was mainly sold on lower priced export markets.—Ed.*)
- (f) **Each State** would decide whether its butterfat quota would be allotted as **factory quotas** or as **individual farm quotas**.
- (g) The allotting of quotas within a State would be a matter for the respective State authorities. (*Note—it is unfortunate that the use of the term "State dairy authorities" in the original ADIC Scheme led to the belief that the intention was to create, in each State, a "dairy authority" similar to the then newly formed N.S.W. State Dairy Authority, with wide powers including the regulating of activities of every dairy company. On this subject the ADIC itself has since said "The Council does not envisage that it should be necessary to set up costly permanent authorities for this purpose", and in the above clause it is assumed that its authors, the Standing Committee of the Australian Agricultural Council, use the term "authorities" in its dictionary form, namely, existing Government and statutory bodies.—Ed.*)
- (h) Within the butterfat quota it received, **each factory** would be **free to determine** what proportion it produced of the **various products**.
- (i) The factory or farm quotas would be varied as necessary each year to reflect any changes in the Australian preferred price quota based on Australian domestic consumption.
- (k) The functions of the various State authorities would vary depending on whether farm or factory quotas were applied.

The financing of the scheme was to be similar to that of the ADIC's Scheme, namely through the application of a Commonwealth levy on production (but now subject to the provision to limit the contributions to this levy in the case of States with relatively high consumption) but the differences between the schemes were such that the then Minister for Primary Industry (Hon. Ian Sinclair) could say, "The proposed scheme, in effect, represents a modification of the existing equalisation arrangements in a way which should largely prevent the erosion of the returns in non-exporting States by excessive production in the other States when overseas market prices are depressed."

The Minister's statement demonstrated the change in emphasis that had ensued from the passage of time. The purpose of the ADIC Scheme, and the intention of the Federal Government at the time, was to provide a means whereby each dairyfarmer could be made to realize that, of his total output, a fairly stable portion was sold on the home market for a relatively high return, and the remainder, the volume of which fluctuated widely from year to year, was sold on export markets at prices which ranged from fairly satisfactory (but, except for processed and powder products, never equal to or higher than the home market price) to disastrously low, and could even, in the case of unsaleable surpluses or extremely low "dumping" prices, yield "negative" returns to the producer. With this realization the Scheme also provided the means whereby a farmer could change his production pattern, whilst not endangering his share of the higher priced market, by reducing the volume of output for which he received the lower price and diverting his productive factors into other, more profitable, activities of his choice.

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He was thus equipped with the ability to take evasive action, and to protect himself to a limited degree (assuming that there were alternatives, more payable, opportunities available to him, which may not inevitably be so) against falls in export returns, against the results of increased output by his neighbours or new comers into the industry, and against the results of increased output in other States.

The decline in output in all but two States, and the accompanying reduction in the number of dairyfarmers, each of which appears to be irreversible, has fostered a belief that the second condition is no longer a threat in four States, and a, perhaps unjustified, hope that the industry can cope, satisfactorily, with a somewhat declining volume of surplus produce, appears to leave only the last as a critical aspect of the present dairy situation.

THE DAIRY PRODUCTS ENTITLEMENT PLAN

It was this last aspect, the effect of increased output in other States, that motivated the Australian Dairy Industry Council, in its examination of the "Preferred Price Quota" Scheme, to offer instead yet another proposal.

The ADIC conceded that "even though current production (in December, 1972) is in line with total demand, it (the ADIC) considers that 1973-74 may provide some exporting marketing difficulties which could bring pressure on local market price structures—particularly for butter. It is desirable, therefore, to have early agreement on some plan which could be put into force if and when necessary."

The ADIC felt that "to ensure industry stability and prevent a further erosion of returns by expansion of production in some areas, it appears that some modifications of the existing equalisation agreements should be made. This could be done by adopting some of the basic provisions of the plans (i.e. "Preferred Price" Scheme) now under consideration. Such a step would have the added benefit of providing the framework for more positive action should the need arise."

"With such a plan, however," the ADIC continued, correcting an omission which the Agricultural Council has always perpetrated, "it would be essential for action to be taken to protect the interests of existing dairyfarmers, by controlling the entry of new farmers into the industry. This would require action by all State Governments to license existing dairyfarmers, with provision that no new licences be issued, except under a policy agreed to at the Australian Agricultural Council after consultation with the ADIC, and taking into consideration market requirements for dairy products."

The new proposal was considered first by the Australian Dairy Farmers' Federation and then by a meeting of representatives of dairyfarmer and factory organisations, at each of which amendments of some importance were made to the basic proposals. In submitting the plan to the general meeting the Secretary of the ADIC, Mr. Athol Baird, said:—

"... The equalisation arrangement has been, and still is, the greatest single stabilizing influence on producers' returns. However, with the upward trend in production in some areas and a downward trend in other areas, and with the comparatively low returns for some exports, the weaknesses in the equalisation arrangement are becoming more apparent. It could be time for consideration to be given to the modification of equalisation.

"The Agricultural Council's 'Preferred Price Plan' and the ADIC's 'Dairy Products Entitlement Plan' are both designed to modify equalisation and minimise the erosion of returns to producers in some areas.

"The introduction of a plan along the lines outlined by the ADIC, . . . (although) not a production control arrangement, would have the added benefit of providing the framework for a production restraint mechanism if or when such became necessary."

The plan finally adopted by the general meeting, and set out below in bold type, has been submitted to the Australian Agricultural Council for consideration. It differs from the original proposal in several details, some of which are of major importance, and should be further reviewed, and these changes, the reasons for them, and the possible results of the changes are referred to in the comments that follow the details of the plan. The notes in brackets form part of the plan as adopted.

- (1) **The plan shall be called a "Dairy Products Entitlement Plan."**
- (2) **The plan shall cover "prescribed products" but shall apply initially only to butter and cheese.**
- (3) **The Australian entitlement shall consist of domestic consumption of each prescribed product, plus a quantity for export markets to be determined.** (It was agreed that, for a period of 3 years, the Australian Entitlement for butter should be not less than 160,000 tons and for cheese not less than 75,000 tons, with the actual figures to be determined annually.)
- (4) **The State entitlements shall be determined and adjusted annually by the Australian Agricultural Council after consultation with the industry, and then allotted by the States.** (Consultation with the industry for the purpose of advising the Australian Agricultural Council on the Australian and States' entitlements could be through a meeting of State representatives of producers and factories, convened by the ADIC.)
- (5) **The general application of the plan shall be covered by a modification of the existing equalisation legislation on the Commonwealth Statute Books.** (The modification would include provision for the distribution of net levy collections in the form of a dairy products entitlement payment.)
- (6) **Commonwealth assistance to the industry (bounty) shall be paid as part of the dairy products entitlement payment.**

In addition to the details of the plan as set out above, the general meeting decided (having rejected a proposal by the ADFF that the plan be implemented from July 1st, 1973 for a period of 3 years, and the position be reviewed by the industry in 1975-76), **that it be a recommendation to the Australian Agricultural Council that Commonwealth and State Governments be asked to introduce enabling legislation, as a matter of urgency, in their next parliamentary sittings, so that the plan can be implemented when deemed advisable by the industry.**

THE EFFECTS OF CHANGES TO THE PLAN

The ADFF and the subsequent general meeting made, between them, four amendments to the ADIC's proposal, each of which had the effect of changing either the application or the purpose of the Entitlement Plan. The amendments related to the products to be covered by the Plan, the method of allotment of State entitlements, the frequency of adjustment of the entitlements, and the method of payment by factories, each of which is discussed in detail below.

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THE PRODUCTS TO BE INCLUDED

It was originally proposed that, although the Plan should be capable of covering an unspecified range of "prescribed products", it should apply initially only to butter, as this product alone was considered to be at risk at present. The application of the Plan to butter only would induce a considerable swing to cheese manufacture, and as a diversion of only 10,000 tons of butter, or **approximately 5 per cent of current output**, would lift cheese production by nearly **30 per cent**, cheese in turn, would be put at risk, and its inclusion, from the inception of the Plan, is essential to protect the cheese manufacturing sector.

Diversification into processed milk products is less readily undertaken, the market situation for these products is not critical, and their current exclusion enables the Plan to avoid the complexities introduced by their inclusion in the Two Price Quota Scheme.

Unlike the Two Price Quota Scheme, there is, with the Plan, **no doubt about market milk and table cream; neither commodity is included or affected**, not because of any change in relation to market milk but because its inclusion in a limited scheme, with factory entitlements, is impractical.

ALLOTMENT AND ADJUSTMENT OF STATE ENTITLEMENTS

Major changes to Clause (3) of the original proposal, which read:—"State entitlements to be determined by the Australian Agricultural Council after consultation with the industry, and then allotted to factories by the States," were made by adding, after "... determined . . .", the words "... and adjusted annually . . ." and by deleting "... to factories . . ."

BASIS OF ALLOTTING STATE ENTITLEMENTS

This problem has plagued every proposal so far put forward; States with declining output favor allotment based on earlier years, when their production was higher: States with a run of bad seasons have called for an average based on a wide range of years, or with the right to choose the best years out of a range; States with rising production want allotments which take account of their latest performance. The Standing Committee on Agriculture (comprising the Federal and State officials who advise the Australian Agricultural Council) recommended "best 3 out of the last 7 years", but their recommendation was not supported by those States which considered they would be disadvantages by this formula.

In seeking an equitable formula it must be asked whether a State with a declining output, when such decline is not the result of drought, can reasonably claim an allotment based on a period when the industry in that State contained more producers, as to make those now in the industry, an allotment based on the bygone performance of a large number of producers, would be to give larger present producers an immediate monetary advantage which they had not earned. Alternatively, where the decline in output is due to unfavorable seasonal conditions, it is difficult to calculate an allotment which can take this factor into account when seasons vary so greatly from year to year, particularly when, at the same time, the number of producers is also declining.

Alternative proposals have since been examined, of which the most promising is that submitted by the editor of this Journal, in which production during the latest complete year for which statistics are available (i.e. at present, 1971-72) is corrected for seasonal variations by multiplying the factor obtained by dividing the highest average productivity per cow ever recorded (with the exception of W.A. in which the highest productivity per cow was recorded in 1971-1972, in every other State this figure was obtained in 1969-70) by the average productivity per cow in the latest complete year. The entitlement for each State is then obtained by allotting the total entitlement to States proportionally to the adjusted total for each product. (In the following table the means whereby the cheese entitlement is allotted has been omitted for simplicity.)

	Production per Cow (gallons)			Butter (tons)		Cheese (tons)	
	Highest	Latest*	Ratio	Latest*	Adjusted	Entitle't	Entitlement
N.S.W.	465	461	1.0087	19,033	19,198	15,445	6,866
Vic.	712	686	1.0379	128,480	133,350	107,280	35,391
Qld.	374	363	1.0303	17,916	18,458	14,849	7,705
S.A.	724	687	1.0539	6,292	6,630	5,334	17,783
W.A.	568	568	1.00	5,883	5,883	4,733	1,752
Tas.	650	638	1.0188	15,076	15,359	12,356	5,507
Aust.				192,679	198,878	160,000	75,000

* 1971-72

The effect of using the latest statistics available at the time of the introduction of the Plan will be to "freeze" the relativity of the States at that stage, neither giving to declining States a bonus earned by producers no longer in the industry, nor providing any compensation for the greater contribution made to the "entitlement premium pool" by States with a high ratio of consumption to production, (the first alternative has been suggested by the ADIC as a preferred substitute to the Council's "contribution limitation" proposal), as the result of either such course would be to give to producers in declining States an increase in return immediately the Plan was introduced.

FREQUENCY OF ADJUSTMENT

The effect of the proposal by the Australian Agricultural Council, in its "Preferred Price Quota Scheme", to limit the contributions made to the "premium pool" by States with a high ratio of consumption to production would, as stated in the previous section, be to give to all producers in such States an immediate increase in returns as soon as the Scheme was introduced. Such effect may be considered undesirable, and was possibly not so intended by the Agricultural Council. Nevertheless the aim of that Scheme, as of the new proposal, was to bring dairy production more nearly into balance with payable markets by curbing further increases in output.

Any scheme which, annually, divided a projected national entitlement (or "quota") among States relative to their output in the previous year would do no more than subsidize the increase in any State at the expense of States in which production had been restrained, and would, consequently, be pointless, and expensive. The effectiveness of a production restraint scheme depends on refraining from penalizing declining States through continually reducing their entitlements, and it follows that maximum effectiveness is achieved if the entitlements are maintained at the initial level for a very long time. (Even if a State's output falls below its entitlement all other States will continue to benefit proportionately without the necessity to re-allot the deficit.)

It is consequently unnecessary, undesirable, and inconsistent with the purpose of the Plan, for State entitlements to be adjusted annually, as now required by the Plan, if this adjustment is other than merely allotting the next year's Australian entitlement to the States in the same, predetermined, proportion. A stable (proportionate) entitlement will, with the passage of time, bring about the result intended by the Agricultural Council which is the essence of a workable Plan.

FACTORY OR FARM QUOTAS

The ADIC's original proposal "that basic and Dairy Products Entitlement payments be 'equalised' by factories in making their payments to suppliers" was deleted by the ADFF and by the general meeting, and, in addition, as stated in the previous section, the words "... to factories ..." were also deleted from Clause (4) in order to provide for the allotment of entitlements to farms should such be preferred by any State whilst permitting other States to retain the principle of allotting entitlements only to factories.

The reason for the original proposal was because the Entitlement Plan differed, in both principle and purpose, from early "supply management" plans.

The Two Price Quota Scheme and its variants had a two-fold purpose, to enable each dairy farmer to decide whether he would engage in enterprises that were more profitable than the lower price received for his "over-quota" production without jeopardising the return for his "quota" production, and to protect the return on his quota production from erosion caused by increased production on neighbouring farms or in other States.

But the ADIC now believes that, in four States at least, the scale of the industry is shrinking; there are now fewer farmers, fewer cows, and reduced output; individual dairyfarm incomes are no longer threatened by the ambitious plans of neighbours or newcomers, and there is now no necessity for a plan intended to inhibit, uniformly, the whole Australian dairy industry. Instead the need is seen for a scheme that does no more than protect the returns of dairyfarmers in declining States from the effect of continued expansion in Victoria, and perhaps Tasmania, without the complex administration machinery necessitated by farm quotas. Furthermore the ADIC believes, with reason, that **a farm quota scheme cannot be limited to butter and cheese but would have to cover all manufactured butterfat products** (most of which have only a negligible export component) and contain the provisions relating to these products which were among the most doubtful features of the Two Price Quota Scheme, as well as reviving the inclusion of market milk supply in the calculation of farm quotas.

The rejection of the ADIC's basis, and the re-insertion of optional provision for farm quotas is certainly the most contentious aspect of the Dairy Products Entitlement Plan as it now stands. The ADIC believes that it would be desirable (perhaps not essential) to have uniformity between States on either farm or factory entitlements. **The resolution of the matter in the interests of all needs closer thinking and a firm grasp of the issues involved.**

THE EFFECT ON MILK EQUALISATION IN SOUTH AUSTRALIA

Of all the schemes so far seriously considered by the industry, the Entitlement Plan is the only one which does not jeopardize the continuation of the milk equalisation scheme, and the adoption of the Plan in the Adelaide milk supply area could be facilitated by a pooling of entitlements by the equalising companies.

MARGINAL DAIRY FARM RECONSTRUCTION SCHEME

As we enter the last year of the Federal Government's 4-year, \$25,000,000 Marginal Dairy Farm Reconstruction Scheme, it is disturbing to learn that, in South Australia, only 24 applications for assistance were made by dairyfarmers wishing to leave the industry because their properties were inadequate. Of these, 14 were ineligible, being either too large or too small (the requirements are—at least 20 milking cows but producing less than 10,000 pounds of butterfat), and the 10 which were successful have enabled South Australia to draw only \$200,000 from the Scheme, compared with Queensland's massive \$10,000,000 share so far.

If you feel you want to leave the industry for any reason, and your property meets the standards stated above (or very nearly) you are invited to notify this office (telephone 51 3034) of the fact, so that approaches can be made to parties likely to be interested (purchase by an adjoining farmer is not the only course available).

But please note that the Scheme is intended only for dairyfarmers whose properties are marginal and who wish to leave the industry. Farmers who wish to enlarge their properties cannot take advantage of the Scheme unless they can be paired with a dairyfarmer who wants to use the Scheme to get out. Certainly, if a farmer wishing to leave the industry, and eligible for assistance under the Scheme, can make contact with a neighbouring or nearby farmer who is prepared to purchase the property, at a concessional price, to add to his present holding, the possibility of his application being accepted is greatly increased. But the initiative must come from the intending seller.

BULK MILK COOLERS AND THE THERMODURIC COUNT

In previous discussions on the level of thermoduric bacteria in milk, the importance of cleaning the milking machine and the bulk milk tank has been highly stressed. However, until recently little has been available in the way of an efficient washing system for the bulk tank which has a very large surface area and is thus a very likely source of bacteria, if not efficiently cleaned. Whereas in the milking machine the cleansing solutions are sucked through the lines by vacuum, ensuring an efficient cleaning action, cleaning of the bulk tank has been mainly a case of hosing down and manual scrubbing with mops and brushes. The farmer must ensure that he effectively cleans all surfaces including the underside of lids and bridges, and if done correctly, it is a tedious and time consuming operation.

A washing system is now available which overcomes these problems and provides the means of efficiently cleaning the tank, including under the lids and bridges with the very minimum of labour. This is the Thermojet in-place automatic washing system, in place meaning that the washing equipment is installed in the tank and operates with the lids closed. Basically, the system comprises an arrangement of two stainless steel high speed high pressure, rotating jets installed in the tank, and arranged to reach every corner whether round or rectangular. The jets are fed via an overhead stainless steel line from a high pressure pump unit mounted on the milk room wall, drawing various cleansing solutions from a stainless steel tank, mounted adjacent. The pump is controlled by a single push-button timer, such that it runs for a sufficient period to deliver the cleansing solution at high pressure to the jet sprays and shut-off automatically. With manual cleaning it is left to the tanker driver to hose down tank after he has emptied it. With the Thermojet system, he is required only to open the feed valve to the pump and press the start button. The tank is then rinsed out automatically by the high pressure jets. For this initial wash a non-ionic post milking rinse additive is recommended to ensure the maximum possible removal of milk residues. The initial rinse is followed by a hot water solution of bulk vat cleaner or liquid sanitiser and finally a hot rinse. The tank will then be in a fully cleansed and hygienic condition. Nevertheless, it is recommended that prior to milking, the tank is sanitised by spraying with an iodophor solution.

Even with manual washing of bulk milk tanks, a similar four-stage washing sequence should be followed if maximum conditions of sanitation and minimum thermoduric bacteria levels are to be achieved. However, the procedure is tedious and time consuming and as a result, one or more of these steps are sometimes eliminated. With the Thermojet system each step of the washing cycle takes approximately 40-50 seconds, plus the time taken to fill the wash tank and add the detergent or chemicals, say 1½ mins. per cycle. As the first wash is initiated by the tanker driver and the last iodophor rinse is carried out whilst the milking machine is being cleaned, the additional time required adds up to only 3 minutes. Thus there is no necessity to take short cuts and complete tank hygiene is ensured.

The standard Thermojet system of two rotating jets can be fitted to any tank, round or rectangular, up to 700 gallons capacity. Larger tanks can be catered for by a special arrangement of jets to suit the particular requirements. Installation is quite straight forward and is carried out in the period between the tank being emptied and the next milking, so that there is no interference with the milking routine. Sole Australian Distributors for the Thermojet bulk tank washer are Jaques McDonald Pty. Ltd., 299 Prospect Road, Blair Athol, S.A. 5084. Phone 44 6117.

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PRICES & STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1971	1972	1971	1972	1971	1972
November	6,254	5,950	208.5	198.3	57,161	55,660
December	5,822	5,349	187.8	172.6	57,330	55,187

MILK SALES (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1971	1972	1971	1972	1971	1972
November	1,819	1,883	60.6	62.8	22,210	22,490
December	1,812	1,880	58.5	60.7	22,198	22,558

RATIO (Sales to Production, per cent)

	For Month				12 Months' Cumulative		C.M.B. (Cents)	
	1971		1972		1971	1972	1971	1972
	November	29.1	31.6	38.9	40.4	18.95	20.78	
December	31.1	35.2	38.7	40.9	20.36	23.03		

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only, and subject to retrospective adjustment.)

1972	Basic C.M.B.		Total	3.5% 4% 4.5% 5%			
	(cents per lb. butterfat)			(cents per gallon at above test)			
November	44.17	20.78	64.95	23.46	26.81	30.16	33.51
December	44.17	23.03	67.20	24.27	27.74	31.21	34.68

AUSTRALIA

TOTAL MILK PRODUCED (million gallons)

Twelve months ended NOVEMBER

	N.S.W.	Vic	Qld.	S.A.	W.A.	Tas.	Aust.
1971	264.3	873.7	163.7	100.9	57.3	100.8	1561.4
1972	273.4	848.4	167.7	96.5	58.3	99.5	1574.6
% Change	+3.5	-2.9	+2.4	-4.4	+1.9	-1.3	+0.8

HOUSEHOLD BUTTER CONSUMPTION (lbs. per household)

Month of DECEMBER

	1971	1972	These figures are based on a private survey and show trends only.
7-City Average	4.71	4.48	
Adelaide	4.06	3.66	

AUSTRALIAN IMPORTS OF CHEESE (by types, in thousand kilograms)

Month of OCTOBER

	For Month		12 Months' Cumulative			For Month		12 Months' Cumulative	
	1971	1972	1971	1972		1971	1972	1971	1972
Cheddar	133	89	894	812	Feta	234	97	1216	940
Dutch	45	59	636	639	Kasseri	14	5	123	190
Italian	39	38	261	298	Pastes-Cheddar ...	12	19	281	139
Swiss	21	13	170	137	Pastes-Other ...	49	75	429	544
Blue	34	44	317	293	Other	170	282	1424	2114
Camembert	13	25	129	173	TOTAL	763	746	5876	6190

* 1000 Kg = 1 ton approximately (2205 lbs.)

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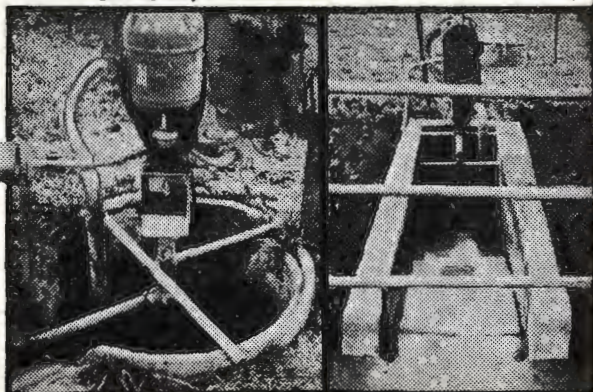
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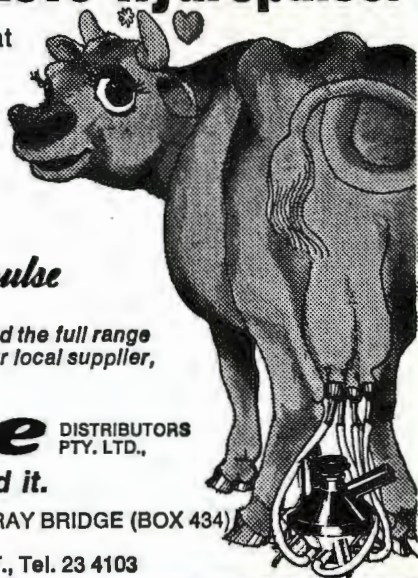
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PAYMENT FOR MILK BY COMPOSITION
A Review of the Committee's Proposal

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PAYMENT FOR MILK BY COMPOSITION

A Review of the REPORT OF THE COMMITTEE OF ENQUIRY INTO THE BASIS OF PAYMENT FOR MILK FOR MANUFACTURE

BACKGROUND

The payment for milk in accordance with its butterfat content is a relic of the time when butter was the only factory-made dairy product and butterfat the only constituent with any commercial value, with most of the residual constituents of the cream going to waste in the buttermilk as a by-product with no commercial value.

The development of factory cheese-making, and the consequent need for whole milk as its raw material, no doubt led to the payment of a higher price which compensated the supplier of whole milk for the skim milk which he could no longer retain for the raising of livestock (in which pigs predominated), and as the constituents for which the higher price was paid were the non-fatty solids in the skim milk, it can be said that, from the beginning of factory cheese-making, payment has been made for all the constituents of whole milk used in manufacture.

The increasing demand for whole milk which accompanied the development of milk-powder and casein manufacture likewise required a price which did no more than attract further supply from livestock raising industries, so that the cost of the raw material (and perhaps, in the early years, the price of the product), reflected the dairyfarmers' assessment of the profitability of alternatives, and to this extent provided payment for all the constituents of the milk.

Such a system of payment did not, however, allow for variations in the amount of the non-fat solids relative to the fat content of the milk. Mainly, perhaps solely, for technical reasons, as there was no method as simple as the Babcock test for butterfat for measuring either the total non-fat solids or the individual constituents, compensation for the additional constituents in whole milk was provided in the form of an enhanced butterfat price, without regard to the varying proportions of non-fat solids which the milk might contain.

The growth of world markets for milk-powder and casein, both as foodstuffs and for industrial purposes, resulted in the prices for these products being set by competition with other sources of protein rather than by the relative profitability of pig-raising, whilst, at the same time, quality and technical requirements imposed minimum or optimum levels of non-fat constituents. Each of these factors combined to create a belief that the pricing of whole milk by way of a premium on its butterfat content above the value of butterfat for buttermaking was neither satisfactory to the processor nor entirely fair to the dairy-farmer, or conducive to the production, by feeding or breeding, of a proportionately greater output of the raw material for powder processing.

This belief was reinforced when, from 1951, overseas prices for butter began to decline to the extent that, in 1957-58, the export value of Australian butter fell to little more than half that of six years before, and increased only slightly in the years that followed, whilst, during the same period, world prices for milk powder and casein tended to increase, and it was in this situation that the then Chairman of the Australian Dairy Produce Board (Mr. Eric Roberts) referred to the possibility that "one day milk may be priced in accordance with its more valuable constituent (i.e. milk protein), with butter being regarded as a by-product to be priced competitively with its substitutes".

In using the phrase "more valuable" Mr. Roberts was speaking in terms of human nutrition and the needs of the developing nations, which are measures that are not always recognised in commercial transactions, for, at that time (1964) the relative values of butterfat and protein, as reflected in export prices for the respective commodities, were approximately 2 to 1.

Today, in contrast, the relative values of the two constituents, in terms of **export returns** (the local prices for butter and protein products are not related to world prices but are set by agreement within the industry, with regard to the market situation at the time) tend towards an inversion of this ratio, and, in fact, did, for a period in 1972, actually attain the relative values of 1 to 2.

THE COMMITTEE OF ENQUIRY

It was not, however, the certainty of today's situation (although it may have been hoped for), that led the Australian Dairy Industry Council, in December 1967, to recommend to the Australian Agricultural Council the setting-up of a **Joint Committee to investigate and report on the basis of payment for milk for manufacture**. The ADIC believed that, as the introduction of bulk milk handling had greatly increased the supply of milk to dairy factories (by displacing cream supply), the resultant greater use of non-fat solids had similarly increased the monetary returns to dairy factories. Although the world demand for non-fat milk products was clearly recognised, there still existed strong competition for butterfat products, and the ADIC recommended a thorough investigation, by a joint Government/Industry Committee, **of the practicability and advisability of giving greater (financial) emphasis to the s.n.f. constituents of milk**.

The Committee which resulted from this recommendation consisted of one representative from each of the Commonwealth Department of Primary Industry, the N.S.W. Department of Agriculture, the Victorian Department of Agriculture, and the ADIC, the secretary of the Committee also coming from the Department of Primary Industry. In June 1970, after two years' enquiry, the Committee published a Progress Report, in which it indicated that, after full consideration of all factors it had decided that **the only alternative system of payment worthy of consideration was that of a fat and protein basis**, as the other constituents had minor commercial value.

The scope of the Committee's investigations was limited by an apparent absence of data on manufacturing costs for the various dairy products, and for this reason its final recommendations are somewhat tentative, as, although selling prices for the products themselves are readily available, the Committee was able only to guess at the actual return to the producer from the constituents in each product. (It should be realised that "manufacturing cost" is, in any case, not an absolute figure, but is determined by the accounting practice adopted by a company and the extent to which the indirect and non-variable costs of the factory are allotted to each product).

The Committee's investigations indicated that **the existing method of payment (i.e. on butterfat only) had not resulted in any serious disparities in the distribution among producers of market realizations for each of the different dairy products**. Nevertheless the Committee believed that, although, in the short term, the prices of butterfat and protein products may tend to fluctuate together, **in the longer term the demand for protein products is likely to increase at a faster rate than that for fat products**.

As a decline in demand for butterfat products might lead to a fall in the availability of skim milk for manufacture into protein products, with a consequent favorable effect on the price of the latter, the Committee believed that the basis of payment to producers should directly reflect the prices of the different products as determined by market forces, and that this principle would become increasingly important in view of the relatively better long-term outlook for milk proteins in comparison with butterfat as it would enable the dairyfarmer to adjust his enterprise to maximise his return from the market.

THE COMMITTEE'S RECOMMENDATION AND ITS EFFECTS

On these grounds the Committee recommended that the basis of payment for milk for manufacturing purposes should be made up of two components, one for the weight of butterfat and one for the weight of protein.

In view of this very positive conclusion, and overlooking the fact that it would have been more reasonable for the Committee to have taken the net values of the components, excluding the costs of processing, rather than "the prices of the different products as determined by market forces", it is necessary to examine the likely immediate and long-term effects of the adoption of the committee's recommendation on the Australian dairy industry, with all its many ramifications, and on the individual dairyfarmers who supply milk or cream to the various sectors.

In such an examination it is difficult to avoid the conclusion that the Committee, during its four years of existence, set out to confirm a preconceived opinion rather than to employ investigating methods to arrive at a reasoned result.

The Committee demonstrated its assessment of the effects of its recommendation by providing tables intended to show the relative gains or losses that would be enjoyed or suffered by various proportions of dairyfarmers in several regions, depending on the relative amounts of fat and protein in the milk supplied, over a range of ratios between the values of fat and protein extending from 9 F : 1 P (i.e. when the value of fat, per pound, is nine times that of protein, per pound) to 1 F : 2 P (i.e. when the value of fat is half that of protein), and compared with 1 F : 0 P (i.e. when payment is made for the fat content only).

VALUES OF FAT AND PROTEIN

The Committee estimated that during the last five years the ratio of values of the two components had been within the range of 4 F : 1 P to 1 F : 1 P, but it should be noted that these values are derived from the values of the manufactured product and may not reflect the return to the producer, and the Committee's apologetic reference to the "the absence of appropriate data on manufacturing costs" is an inadequate excuse for a major omission from what purports to be an authoritative study. If, however, it is assumed (and, however inaccurate, some such assumption is necessary) that the cost of manufacture of protein-containing products is approximately equal to that of fat-containing products; per weight of component, the return to producers at current equalised returns is of the order 4 F : 3 P. Export values, on the other hand, at present yield returns to producers at a ratio of about 2 F : 3 P and may again reach the extreme of 1 F : 2 P recorded in 1972. Nevertheless as local prices are set with regard to both market demand and industry stability, and are little, if at all, affected by overseas price levels or fluctuations, it is very doubtful whether the combined ("equalised") returns from local and export sales would ever reach such an extreme as 1 F : 2 P, or even 1 F : 1.5 P, and a farmer's likely lower limit, at least within the foreseeable future, would be of the order 1 F : 1 P.

VARIATIONS IN MILK COMPOSITION

In tests carried out in four widely-scatter regions (two in Queensland, one each in Victoria and W.A.), the Committee found, in milk supplied to factories, an average ratio of fat to protein of approximately 1.25 to 1, with maximum and minimum ratios of approximately 1.55 to 1 and 1.10 to 1 respectively. Because of absence of information it is not possible to say whether the average and extreme ratios recorded in these tests are typical of the values which may be expected throughout Australia, but studies carried out by the Dairy Research Centre at Northfield appear to indicate that, in the Adelaide Hills the average ratio of fat to protein is considerably higher than that found by the Committee in the four regions tested, but with the extremes approximating similar positions around the higher average. In one small sample the range was from 1.28 : 1 to 1.67 : 1.

SHORT-TERM EFFECTS ON MANUFACTURING MILK PRODUCERS

Disregarding the incomplete South Australian data, and using only the results of the Committee's tests described in the previous paragraph, if the price range 4 F : 3 P to 1 F : 1 P is applied to this compositional range, and the two extreme results compared with the present system of payment for butterfat only, we find the following:

CHANGE IN RETURN, RELATIVE TO PAYMENT FOR FAT ONLY

Ratio of Fat to Protein	Price 4 F : 3 P	Price 1 F : 1 P
1.25 : 1 (average)	no change	no change
1.55 : 1 (high)	7% less	8.5% less
1.10 : 1 (low)	5% more	6% more

The ranges of the fat-to-protein ratio in the above table are, however, extreme, and relate to probably less than 5 per cent of producers. A more representative situation is demonstrated by stating that relative to the present method of payment for fat only, approximately one fifth of all producers would receive an increase in returns of 2 per cent or more, and the returns of a similar number would be decreased by at least 2 per cent.

LONG-TERM EFFECTS

The variations in revenue stated above would occur immediately the change was made from payment for butterfat only to payment for fat and protein, but the duration of the situation would depend on the rapidity with which producers could apply new feeding and management techniques to increase the protein production of their herds.

There would be no advantage in merely increasing the protein-to-fat ratio, as no monetary gain would be received unless the total amount of milk constituents per gallon was increased, and it is here that we encounter doubts concerning the idealistic simplicity of the Committee's recommendation.

Although protein productivity is heritable, and a breeding program to raise protein output would eventually be successful, early increases would, as in any breeding program, be small, and it is quite impossible to guess how many years would elapse before a measurable change was achieved in the protein output of the total Australian dairy herd. It is far more likely that feeding will provide earlier and more certain results, but, again, the extent by which changed dietaries can influence protein output, and the costs of achieving greater output through feeding, cannot be assessed with any certainty, and possibly several years' intensive research will be needed before satisfactory answers are available.

EFFECTS ON CREAM SUPPLIERS

The task given to the Committee was to determine whether a change was desirable in the system of **payment for milk for manufacture**, and at no time does the Committee refer to the payment for cream supplied to butter factories, or the effect that its recommendation would have on cream producers. Contrary to common belief, there is still a large number of dairymen supplying cream to butter factories, and in 1972 the Australian Dairy Industry Council estimated that these producers supplied cream sufficient to make 50,000 tons of butter annually, over one quarter of Australia's total output.

As the Committee's recommendation is based on the declining importance of butterfat relative to protein, it would be illogical to retain a system which would permit the payment to cream producers of a price for butterfat which was considerably higher than that received by producers of milk for manufacture. (The higher price now paid for butterfat in milk for manufacture, compared with butterfat in cream is designed to compensate, in part, for the value of the non-fat solids, and is a rough-and-ready means of achieving the result of the Committee's recommendation.)

The result of the application of the Committee's recommendation to cream suppliers, with payment for butterfat at the same rate as that paid to producers of milk for manufacture, would be severe (a drop of at least 5 cents lb. fat) but, in the absence of some as yet unstated alternative, unavoidable, and such an effect would be in accordance with the philosophy on which the dual-payment system is based (and note E. G. Roberts' comment, stated earlier).

EFFECT ON MARKET MILK SUPPLIERS

The Committee, noting that payment for liquid milk for domestic purposes ("market milk") is outside the terms of reference, and noting also that "the payment for market milk is on a gallonage basis" (it is not to the discredit of the Committee that, among other omissions in its enquiry, it did not become aware that in the Adelaide milk supply area, although the price for market milk is notionally fixed on a gallonage basis, it is paid to the producer on a butterfat basis), nevertheless suggested that, "in considering any change in the basis of payment for manufacturing milk, **account might be taken of the basis of payment for market milk with a view to rationalising the procedures for testing for milk constituents (and) . . . consideration . . . be given to changing the present compositional standard for market milk from solids-not-fat to a protein basis.**"

Certainly, in the Adelaide supply area, in the event of the adoption of a two-part system of payment for milk for manufacture, the continuation of the milk prices equalisation scheme would require a similar change to be made to the pricing of market milk, by either the Metropolitan Milk Board's fixing its prices in terms of composition, or by the use of appropriately representative factors. There is no doubt that a change of this nature could be undertaken, and such difficulties as might arise would result only from the greatly increased work of recording and calculating.

EFFECT ON THE PRICING OF "PERISHABLE MILK PRODUCTS"

The term "perishable milk products" is here used conveniently to describe the growing range of dairy products that lie between market milk and such basic, storable commodities as butter, cheese, milk powders, casein and the processed (i.e. condensed, etc.) milk products. In this range are included flavoured milks, yoghurt, the various "cultured" milk products, cottage and cream-cheeses, and the so-called "modified milks" such as high-fat, low-fat, non-fat and protein-fortified milks. At present the milk from which these products are made is treated as manufacturing milk, the return to the dairyfarmer consequently being considerably lower than that received from market milk, although the selling prices are related to, and generally much higher than, the retail price

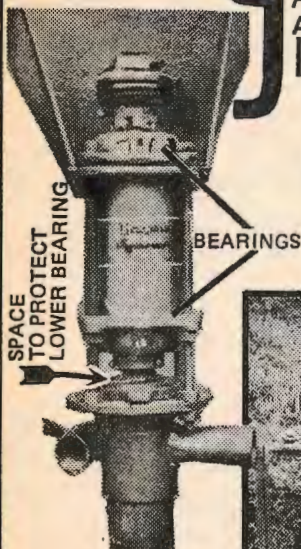
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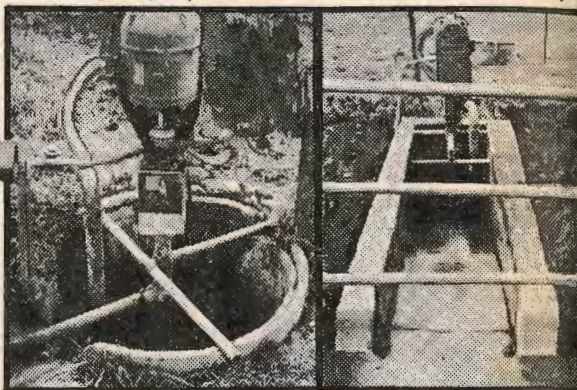
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of market milk. In most cases the raw material for the perishable milk products ranges from a relatively low-fat milk down to skim-milk, and, on a butterfat basis, the return to the dairyfarmer is correspondingly low and in no way reflecting the price of the commodity.

The protein content of these low-fat to non-fat milks is, however, very much higher than that of either market milk or manufacturing milk, and the adoption of a scheme of payment by composition, which cannot be prevented from affecting all dairy products, will have a very market effect on the value of the raw material going into the perishable milk products, by increasing considerably the return received by the dairyfarmer.

These "perishable milk products", if properly promoted and marketed, may well prove to be more acceptable to a community which regards itself as being increasingly sophisticated than some of the traditional dairy products, and the effect of a change in the method of payment for milk, on the economics of this sector of the industry must be carefully studied.

TYPES OF PROTEIN, AND "TAILORED MILK"

For all the time that it took in arriving at its recommendation (or in gathering evidence to support its already-held belief), the Committee left unexamined several aspects of the subject which could at least have been mentioned. Of these the chief is the varying value of the different proteins (mentioned by the Committee, briefly, as "casein, albumin, etc.") to the cheese-making and powder-processing sectors of the industry.

In making cheese the casein only is used, the remainder of the protein ("albumin, etc.") being lost in the whey, or, if recovered, being of much less value. Consequently the adoption of payment for fat and total protein will affect the relative profitability of competing factories making cheese and powder, whilst, at the same time, the "injustices" which the present system imposes on producers of milk of various ratios of fat to protein will be transferred, although perhaps on a lesser scale, to the producers of milk of various ratios of casein to other proteins.

Nor would the injustices be removed by adopting a scheme of payment for fat and casein, as this would amount to virtually a bonus for competing powder factories.

A more logical, but even more administratively complicated, solution would be provided by a three-part system of payment, for fat, casein, and other proteins, so that the price paid for each, in accordance with the Committee's criterion, "reflects the prices of the different products as determined by market forces".

Such a scheme would take the dairy industry a step nearer to "tailored milk", or milk produced by breeding, with a specific end-use in mind, on which research has been in progress at Northfield for several years. It is too early to make more than passing reference to the possible revolution in industry economics that the application of the results of this research might bring about, but in an increasingly competitive and selective market, with the emergence of large-scale multi-commodity dairy factories able to vary their output as the demands of the market (or the composition of the milk supply) may dictate, the dairy industry may be provided with the means (and the desire) for a massive restructuring and rationalisation that will demonstrate that it is, after all, a secondary (i.e. manufacturing) industry as much as it is a primary industry.

THE QUESTION OF URGENCY, AND A CONCLUSION

The Committee was set up, at the request of the Australian Dairy Industry Council, by the Standing Committee on Agriculture, a Federal body comprising representatives of State Departments of Agriculture and the Commonwealth Department of Primary Industry, and its deliberations extended through some four years, its final report being issued in September 1972.

The Australian dairy industry was then asked to submit its comments by mid-March 1973, and a request by the industry to extend the dead-line to the end of June was answered by the setting of mid-May as the final date for receipt of the industry's opinion.

The subject is so wide-ranging, and, at present, despite the Committee's four years of study, so incomplete that we must wonder at the urgency with which the industry is being asked to make its views known. The adoption or rejection (or amendment) of the Committee's proposal appear to be matters that concern the industry almost exclusively, and the interest of State and Federal authorities would seem to be more reasonably academic than is indicated by the insistence on an early (and perhaps misplaced) decision.

Much of the data needed has been gathered (or was already available) but much more needs to be known, and the monumental changes in recording, testing, accounting and costing that will accompany the adoption of the new technique (or some variant of it) should be made in the light of knowledge rather than in the anticipation of it.

INTERNATIONAL ARRANGEMENT ON MILK FAT

Many people in the dairy industry were sceptical of the "Model Agreement for World Dairy Products Trade" produced in 1971, after 3 years' work, by an expert committee appointed by the International Dairy Federation, believing that the chance of obtaining agreement among the competing dairy countries of the world was remote, in view of the fate of earlier attempts.

It has, however, now been announced that agreement has been reached in Geneva, by a GATT Working Party on Dairy Products for an international Arrangement for a minimum export price on milk fat.

The Arrangement, which was now open for acceptance by Governments, would place a floor of \$US68 per 100 kg under world prices for **anhydrous milk fat** and **butteroil**, both of which are used extensively in the production of recombined milks, ice cream and butter, and ghee which is a cooking oil. It would come into force on 14th May for the Governments which have accepted it by that date, but certain major trading countries have been observing the new arrangement on a *de facto* basis since 9th April.

In making the announcement, Dr. J. F. Cairns, Minister for Overseas Trade and Secondary Industry, said that Australia had been a member of the Working Party since it was established in 1967, and had taken a very active part in the negotiations.

The proposed Arrangement was somewhat similar to the Arrangement for Skim Milk Powder which had been negotiated in the Working Party late in 1969 and was operating successfully. A third agreement, which had been in force for some years, was administered by the OECD and applied to exports of whole milk powder.

HOW THE MARGARINE QUOTAS WERE ALTERED

Production Quotas for Table Margarine were raised by the Australian Agricultural Council in February. The chart compares the quotas allotted to each State since the introduction of quotas in 1940.

State	1940	1941	1952 (Jan.)	1952 (Aug.)	1953	1954	1955 (July)	1955 (Oct.)	1956 (Nov.)	1973 (Feb.)	Per cent Increase		
											1940	1956	1973 on 1956 lbs. per head
New South Wales	1,248	1,248	2,500	2,500	2,500	2,500	2,500	9,000	9,000	10,800	765	20	5.19
Victoria	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	3,400	184	184	2.15
Queensland	468	546	1,600	4,340	6,860	4,236	4,236	4,236	4,236	5,100	990	20	6.11
South Australia	312	312	312	312	468	468	468	468	528	700	124	33	1.32
Western Australia	364	364	364	364	600	600	800(a)	800(a)	800(a)	1,400	285	75	2.95
Tasmania	208	208	208	208	208	208	208	208	312	600	189	92	3.43
Total	3,796	3,973	6,180	8,920	11,832	9,208	9,408	15,908	16,072	22,000(b)			

(a) Including 200 tons not allocated until March 1967.

(b) There is a possibility that this quantity will be augmented by a quota of 300 tons to be allocated to A.C.T.

THE DAIRY PRODUCTS ENTITLEMENT PLAN

The Agricultural Council Asks Some Questions

The Dairy Products Entitlement Plan described in the previous issue of this Journal was submitted, as a proposal having the general support of the industry, to the Australian Agricultural Council (consisting of the Ministers of Agriculture from all States and the Federal Minister for Primary Industry), and considered by the Agricultural Council at its meeting in February.

The Ministers were reported as having been disappointed that the industry had not presented firm proposals on a number of what they considered to be important issues, and the Agricultural Council consequently decided to ask the industry to indicate how the proposed Plan would operate, and in particular:

- (a) the basis on which the national entitlement figures for butter and cheese were proposed;
- (b) the basis on which the industry proposed to allocate the national entitlement between States;
- (c) the meaning of "when deemed advisable by the industry" in relation to the commencement of the Plan.

It is rather surprising that the Ministers, and their advisers, felt it necessary to ask how the proposed Plan would operate, as probably every proposal, from the two plans put to the Dairy Industry Committee of Enquiry in 1959 to the ADIC Two Price Quota Scheme and its subsequent variants, has contained the same administrative procedure, namely the setting up of a Dairy Fund financed from a tax (excise) on home consumption which is then disbursed pro rata to the value of the quotas or entitlements held. Nevertheless it would have been as presumptuous of the industry to have replied in this vein, as to have given the obvious answer to the question concerning the national entitlement.

As the Agricultural Council meeting was held at the same time as the industry meetings, the Ministers' questions were not received in time to prepare answers or to arrange for a special meeting, but in early March a request was made by the Minister for Primary Industry for the industry's replies to the questions to be provided "at an early date", because, as the Minister put it **"the Commonwealth Government will, within a short time, need to consider what financial arrangements are to be made for assistance to the dairy industry in the 1973/74 production season. For some 3 years now its assistance has continued on the understanding that the industry would formulate proposals for a production control mechanism to be implemented when necessary. Whilst considerable thought has obviously been given, in industry circles, to a production control plan, no complete and unanimous endorsed proposal has yet come forward. This could become a consideration in arriving at a decision about future assistance."**

It is hardly surprising that a special meeting of the ADFF was called at short notice to produce some specific answers to the Minister's queries, and the answers which resulted (and which were far from being unanimously supported) were referred to the industry's top organisation, the Australian Dairy Industry Council, for further consideration prior to submission to the Minister.

The ADIC made further revisions to the answers proposed by the ADFF, but was not, because of the conflicting currents of opinion, able to do more than convene a meeting of representatives of producers and manufacturers from each State, to be held early in May.

The answers which will be submitted by the ADIC to the Special Meeting may be summarised thus:

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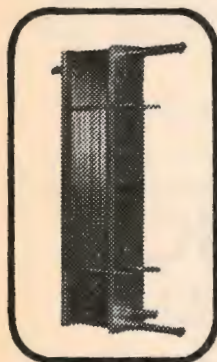
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(a) **How the Plan Would Operate**

The Australian butter and cheese entitlements, having been determined each year by the Australian Agricultural Council on the recommendation of the ADIC, would be allocated to each State on an agreed formula (see below). The scheme would then be administered in very much the same manner as that proposed for the Two Price Quota Plan (refer Sept./Oct. 1971 issue of this Journal, pages, 11, 12, 14).

(b) **The Basis on Which the National Entitlements Were Proposed**

In assessing the level of the Australian Entitlements in any year the industry would take into account:

Estimates of Australian production and consumption of butter and cheese;

The expected availability of export markets which would provide a reasonable return to producers;

Estimated returns on entitlement quantities.

(The industry believes that there will be continuing and developing markets available at reasonable prices within Australia and overseas for at least 160,000 tons of butter and 75,000 tons of cheese.)

(c) **The Basis for Allotting the National Entitlement Between States**

To be based on the average production of butter or cheese (as the case may be) for the 5-year period ended 30 June immediately preceding the introduction of the Plan.

(d) **The Meaning of "When Deemed Advisable by the Industry"**

As soon as practicable.

It is, at this moment, impossible to forecast whether the Special Meeting will support, either unanimously or by a majority, the ADIC's proposed answers, or whether it will further amend them, or even whether the principle of the Entitlement Plan, which is intended to be not a product disincentive scheme but "a modification of the existing equalisation arrangement for butter and cheese intended to minimise the erosion of returns to producers in some areas" will be maintained, or whether the insistence, on the part of some States, for the entitlements to be carried through to the dairyfarm level will result in the abandoning of a centrally administered, elementary plan and a revival of the far more complex Two Price Quota Scheme.

The fact that the Australian Agricultural Council appeared sufficiently interested in the Entitlement Plan to submit questions concerning its operation must not be taken as demonstrating that the Agricultural Council supports the Plan, either in principle or detail. Although, as stated in the previous article (Jan.-Feb., 1973), there is some resemblance between the Entitlement Plan and the Agricultural Council's own "Preferred Price Plan", in that each is designed more to curb the outflow of Equalisation levies from the high consuming States to the exporting States than to provide a disincentive to production, it should be remembered that a change of Government has taken place since the Preferred Price Plan was drafted.

It is possible that the new Federal Government may not be satisfied with either a "modification of equalisation" which is not really intended to control production, or a production control plan, such as the ADIC's Two Price Quota Scheme, which is based on "the preservation of a viable dairy industry in each State", but will demand a "Gruen" plan, with a National Quota set on domestic consumption only and quotas freely negotiable between farms and across borders, as being the only type of plan that might be expected to "restructure" the industry.

Alternatively, as the industry cannot, now, be regarded as being in a crisis (other than an emotional crisis), the modest aims of the Entitlement Plan may suffice.

CENTRAL COUNCIL PROCEEDINGS

Although the opinion is frequently expressed that the doings of the Central Council, which is the policy-forming body of the Association, should be more fully reported in the Journal, and certainly the Journal was instituted with this in mind, it appears to be at least equally important that members should be adequately informed about important issues, such as production control plans, that will affect their future, and technical and legal matters, such as thermiduric standards, that affect the management of their enterprises.

To give priority to these current issues means that we have insufficient space for the summaries of Council debates that help in understanding why certain decisions were taken, but, in the absence of space for this explanatory material, it is hoped that reports of the resolutions passed by the Council will at least provide a guide to the Council's activities.

RESOLUTIONS PASSED BY CENTRAL COUNCIL 19th DECEMBER, 1972

BASIC PRICE: That, if by the end of the next three months we have not received satisfaction concerning an acceptable formula for the basic price, it be a recommendation to the Executive Committee than an arbitrator be appointed to investigate the validity of the basic price.

FIRE FIGHTING EQUIPMENT (concerning a proposal for the subsidising, by the Government, of privately-owned fire-fighting equipment, as carried out in Victoria): That the General Secretary write to the Minister of Agriculture asking what action the Minister proposes to take, and when.

(The Minister has since replied that he is "... prepared to make a further examination of the proposal but can give no undertaking that such a scheme, even if accepted, would be introduced before the proposed re-organisation of country fire services has been implemented.")

FINANCIAL YEAR: That . . . the Financial Year of the Association be from 1st April in each year to 31st March in each following year.

MILK TRANSPORT RATIONALIZATION (following a report that the Joint Committee on Transport Rationalization had agreed that, in view of the economies already achieved, further study on the subject could be deferred): That the Joint Committee on Transport Rationalization continue its investigations.

MILK CARTAGE COSTS: That . . . the Association seek an assurance that the present bulk tank premium continue indefinitely and that if this assurance is not forthcoming, the amount now included in the transport allowance be added to the basic price.

FARM TANK TESTING: That the Secretary ascertain details of the farm tank verification program as carried out in Victoria, namely the amount charged for verification, the number of tanks tested per day and the number of persons in each testing gang, and the number of tanks found to be in error, and convene a meeting of dairyfarmers with the Warden of Standards in attendance in the form of a field day on a farm equipped with a bulk tank, at a suitable time early in 1973.

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13th MARCH, 1973

WORLD FOOD CORPORATION: That the South Australian Dairymen's Association submit the Plan put forward by the Australian Society of Dairy Technology, together with the comments put forward by Mr. G. Loftus Hills, to the Australian Dairy Farmers Federation for consideration, emphasizing three main points from the Plan and Mr. Loftus Hills' comments, namely:

- (i) it seek by all means in its power, and with an appropriate sense of urgency to instigate and support action to see that food is produced and supplied to those who need it;
- (ii) the organisation could consist of a central directorate and branches in every supporting and supported country, with possibly regional advisory councils;
- (iii) what we decide to do will not be determined in any one place at any one time, but by the decisions of many people in many places;
- (iv) none of the financing schemes mentioned by Mr. Loftus Hills are immediately practical and are beyond the Australian sphere of activity.

(The Plan to which the foregoing resolution refers was adopted by the Federal Council of the Australian Society of Dairy Technology at its 24th Annual Conference, and reads:

"Taking account of the following facts:

That, even assuming world population is reasonably stabilized by the year 2000, the world faces over the next 30 years an acute problem of malnutrition in the poorer 30-50% of its population;

That this malnutrition affects most severely the weaning infants and young children, and combined with accompanying infections of all kinds, including internal parasites, it causes appallingly high morbidity (including blindness) and mortality in this age group;

That even where the sufferer from severe malnutrition survives, he or she is most likely to be both mentally and physically stunted, and so to be a liability rather than an asset to an advancing society;

That food production in some countries is being deliberately restricted;

That substantial technical means are already available, to provide the protein, calories and other nutrients that are needed;

That existing international and national efforts to increase food production and supply are not effective. FAO/WHO Expert Committee on Nutrition said in 1966: Since 1962 increase in world food production has failed to keep pace with population increase; indeed the per caput world food production has decreased since 1962-63;

That tremendous financial resources could be set free and used for an attack on malnutrition, by a reallocation of national resources;

We submit to the Australian Government the following request:

"That it seek by all means in its power, and with an appropriate sense of urgency, to instigate and support action to see that food is produced and supplied to those who need it. We suggest particularly that the feasibility and effectiveness of an international food corporation under the United Nations be considered by that organization. Such a corporation or commission would make full use of large international commercial firms. It would work closely with such existing international organizations as FAO, WHO and UNICEF. It would operate within a country when requested by a national government, working wherever possible with the countries' own structures."

RESOLUTIONS PASSED BY CENTRAL COUNCIL

13th MARCH, 1973 (Continued)

MILK QUALITY STANDARDS: That no suspension of licences (for failure to achieve thermoduric standard) take place until 12 months after licensed producers have been notified monthly of their thermoduric counts and the Association has had opportunity to discuss the question of penalties at least three months prior to the introduction of licence suspensions.

PRODUCTION CONTROL: That the Australian Dairy Farmers' Federation ask the Federal Government to close the dairy industry until the future of the export market for dairy products at a reasonable return becomes assured (such action being in accordance with the policy of the ADFF as stated in the proposal of a Long Term Plan for the dairy industry).

ENTILEMENT PLAN: That this Association support the implementation of the Dairy Products Entitlement Plan on a State basis.

FREE MILK FOR SCHOOLS: That the Association make every endeavour to speed up the addition of flavoring to milk supplied under the Free Milk to Schools scheme.

COMPULSORY THIRD PARTY INSURANCE: That the Association seek to have third party concession rates available to primary producers in the metropolitan area.

That the Association take up with the Minister of Transport the possibility of compulsory third party bodily injury insurance being attached to the driving licence instead of to the vehicle.

MARGARINE QUOTAS: That the Association seek greater publicity concerning its attitude to margarine quotas.

MASTITIS: That the Association ask Northfield Dairy Research Centre to investigate a method of early detection of mastitis.

BASIS OF PAYMENT FOR MILK: That the Secretary's review of the report of the Committee of Enquiry into the Basis of Payment for Milk for Manufacture be printed in the Journal, and that, in the meantime, the Executive Committee decide the matter and report back to the Central Council.

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In the early days of its publication the "Digest" was available only to dairyfarmers in Victoria, but persons in other States can now receive the "Digest" for an annual subscription of \$1 (or \$2.50 for 3 years) post free.

Members wishing to subscribe to the "Dairyfarming Digest" should forward their requests, with the appropriate subscription (\$1.00 for 3 issues, \$2.50 for 9 issues) to:—The Director, Department of Agriculture, P.O. Box 4041, Melbourne, Vic. 3001.

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	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
January	5,065	4,545	163.4	146.6	57,437	54,667
February	4,112	3,725	141.8	133.0	57,727	54,280
March	3,885	3,721	125.3	120.0	57,864	54,116

MILK SALES (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
January	1,751	1,936	56.5	62.4	22,139	22,743
February	1,887	1,836	65.1	65.6	22,200	22,692
March	1,993	2,009	64.3	64.8	22,109	22,708

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only, and subject to retrospective adjustment.)

1973	Basic	C.M.B.	Total*	3.5%	4%	4.5%	5%
	(cents per lb. butterfat)			(cents per gallon at above test)			
January	43.81	27.17	70.98	25.64	29.30	32.96	36.62
February	46.09	30.20	76.29	27.56	31.49	35.43	39.37
March	46.09	32.64	78.73	28.44	32.50	36.56	40.62

* Total Price

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		(Cents lb. bf.)	
	1972	1973	1972	1973	1972	1973
January	34.6	42.6	38.5	41.6	63.44	70.98
February	45.9	49.3	38.5	41.8	72.81	76.29
March	51.3	54.0	38.2	42.0	75.80	78.73

AUSTRALIA

TOTAL MILK PRODUCED (million gallons)

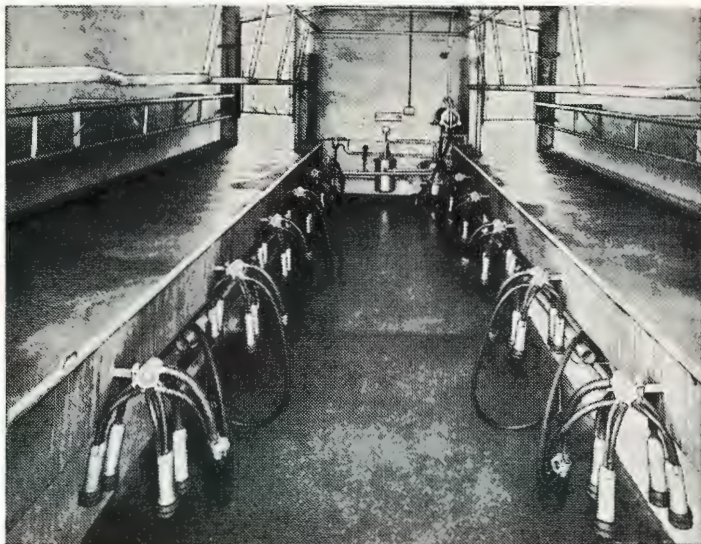
Twelve months ended JANUARY

	N.S.W.	Vic	Qld.	S.A.	W.A.	Tas.	Aust.
1972	259.1	899.1	165.1	103.8	55.9	99.9	1595.7
1973	263.4	860.1	165.7	98.6	57.4	95.7	1542.0
% Change	+1.7	-4.3	+0.4	-5.0	+2.7	-4.2	-3.4

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Month of DECEMBER

	1972	1973	These figures are based on a private survey and show trends only.
7-City Average	4.46	4.22	
Adelaide	3.59	3.55	



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Journal

The Official Publication of the



Published Bi-monthly

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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

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

Aston House, 13 Leigh Street, Adelaide, 5000. 51 3034

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N. M. GREEN, Esq., J.P. DAVID J. HIGBED, B.Ec.
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GENERAL PRESIDENT'S ANNUAL REPORT FOR YEAR ENDED 31st MARCH, 1973

NATIONAL AND REGIONAL TRENDS:

To say that the Australian dairy industry stands at the crossroads, with its implication of a choice of goals, is both a simplification and a distortion of the position, for, although the industry can decide the direction it will take, there exists, at this moment, a greater number of imponderables than usually plagues an industry in which the only certainty is its uncertainty. Due, probably, to less than favorable conditions during most of the current season, the production of milk in Australia has, for the third successive year, fallen below the record output achieved in 1969-70, so continuing the trend that has followed the sudden cessation, in that year, of the steady increase that had prevailed since 1953.

Seasonal conditions throughout Australia have now improved as we approach the beginning of another year, and milk production is reacting accordingly, but climatic factors are no longer the chief determinant of the industry's activity. The dramatic resurgence of the prosperity of alternative enterprises, and uncertainty about the Federal Government's plans for the industry, are exerting, and will continue to exert, much greater influence on dairyfarmers' production strategies than ever did the uncertainty of seasons or of markets.

In the Adelaide milk supply area the situation has, in recent years, very closely reflected national conditions, with a downward trend from peak production in 1969-70 replacing a steady growth in output up to that year, accompanied by an equally steady fall in the number of dairy farms, although, unlike the national scene, the numbers of dairy cattle have increased slightly.

Milk production by producers in the Adelaide milk supply area in the 12 months ended 31st March 1973 was 54,116,000 gallons, 6.5 per cent below that of the same period in the previous (1971-72) season, and 7.5 per cent less than the record 58,505,000 gallons produced in 1969-70. But during the same interval (1969-70 to 1972-73) the number of producers has fallen from

PIZZA PARTICIPATION

Using Dairy Vale's newly developed Mozzarella cheese, male members tried their hands at baking pizzas at the Cheese Club's meeting in the auditorium of the S.A. Gas Company on 13th April. One of the most successful creations was that of the Minister of Agriculture (Hon. T. M. Casey, M.L.C.) who is seen on the front cover showing the very colorful (and appetizing) results of his handiwork to the Club's President, Mrs. Noeleen Matheson.

1954 to 1640, so that productivity per farm has continued to rise, although an annual increase of 3 per cent has, in the last 3 years, replaced the steady 10 per cent productivity growth of the previous 7 years. The reduction in the rate of increase of output per farm has, on the other hand, been accompanied, in this present year, by a fall in the rate at which producers are leaving the industry. In the early years of the Milk Board's operation the number of producers declined rapidly; then an almost stable position existed for 15 years, from 1952 to 1965, the number of producers falling during this interval by only 181 (from 2401 to 2286), an average of less than 15 per year, but from 1966 the reduction of 620, to 1666 at 1st July 1972, represented an average of more than 100 per year. Although the current total of 1640 licensed producers will be reduced by an unknown number of non-renewals at the beginning of the next financial year, the reduction during the present 12 month period may be somewhat less than previously. This relative stability in the number of producers, and a far better seasonal opening than has been experienced for several years, may, in the coming year, slow down, if not halt, the declining output of the last three years.

MILK AND CREAM SALES:

Lower production and greater sales of milk and cream have combined to give a sales-to-production ratio of 42.0 per cent for the whole year, (the highest since the 45.7 per cent recorded in the drought year of 1966/67) but, unfortunately, lower production contributed more to this reversal in the trend in ratios than did the relatively small increase in sales.

Mention must, nevertheless, be made of the sales of table cream, the total for the 12 months ended 31 March 1973 being 2,845,000 pints, 9 per cent above the total for the same period in the previous year, thus adding to the spectacular success of the Cream Marketing Campaign carried out in 1969 and 1970, to the extent that annual sales are now almost three times what they were when the campaign began, a figure which now accounts for the surprisingly large fraction of one-sixth of the butterfat content of all milk sales, and which is even more gratifying when viewed in relation to the increase, from last November, of 2.5 cents per pound butterfat in the return to the producers.

Milk sale in the 12 months to 31st March, 1973 reached the record total of 22,352,000 gallons, 2.6 per cent above that of the same period in the previous year, restoring the upward trend which, with the exceptions only of the preceding year (1971-72), when an industrial dispute resulted in considerable loss of recorded sales, and 1968/69, in which abnormally cool summer conditions were experienced, has, by virtue of a population growth rate exceeding the rate of decline in consumption per head, prevailed during the last 25 years.

MILK PROMOTION:

This continuing growth pattern has not, however, been so uniform as to enable an assessment to be made of the results of the Milk Promotion Campaign carried out by the Metropolitan Milk Board, with the guidance of the Milk and Cream Promotion Advisory Committee, since July 1970.

Annual expenditure on promotion during this period has approximated \$30,000, and the average increase in sales in each of the three years has been just over 1 per cent, a rate which is much lower than that achieved without promotion in the years prior to 1966, but slightly better than the natural growth since then.

The Association agreed, when promotion was first proposed, to support the campaign, initially, for a trial period of three years which has now almost effluxed, and your representatives on the Advisory Committee have been disappointed at the results during that time. It must, however, be agreed that the Advisory Committee has had little more to guide it than common sense; certainly we have not been able to look for guidance to the larger capital cities, where vastly greater sums are spent for even less results, and the Committee's decision to obtain expert advice concerning the potential of promotion for milk, and

advice in the course to be followed if milk is found to be a commodity which can be profitably promoted, should be allowed to come to fruition before any decision is made about continued participation by the producing sector. Although, in absolute terms, a yearly expenditure of \$30,000 may seem large, when it is seen that a sales increase of only one-fifth of one per cent (assuming such increase comes about through promotion, and not from some unrelated cause) is sufficient to recoup the producers' contribution to the promotion fund, a further year's participation is not unreasonable.

SCHOOL MILK REFRIGERATION:

Attracting less publicity than the promotion campaign, but perhaps of more enduring significance, has been the installation of refrigerated storage in schools supplied with milk under the Federal Government's School Milk Scheme, a project which is the culmination of many years' campaigning by the Association, and is almost completed except for a few schools where the necessary structural work has not yet been carried out by the Public Buildings Department. Despite occasional criticism of the Free Milk Scheme it still plays an important, even vital, part in the nutrition of children during their growing years, as a recent study by the N.S.W. Department of Public Health revealed. It is a bitter commentary on our society that, although starvation in the dictionary sense may be regarded as applying only to the very poor (who, nevertheless, make up the great majority of the world's people), in the clinical sense, as malnutrition, it afflicts the affluent also, and the daily issue of one-third of a pint of milk may often be the only truly nutritious component of the school-day diet of a child given 50 cents to spend on the products of the pastrycook and the confectioner. It is hoped that, as soon as the results of this project have been gauged (the installations being too recent for precise statistics to be available yet), consideration can be given to increasing the number of children benefitting from the Free Milk Scheme by adding flavoring to make the milk even more attractive.

OUTLOOK FOR CHEESE:

Market milk, despite its higher unit price, nevertheless contributes less than half of the total revenue received by producers in the Adelaide milk supply area, as butter and cheese, although returning less per pound butterfat, make up a marginally greater part of the gross income. It is therefore pleasing to record a continuation of the upward trend of Australian cheese consumption which may, this year, reach 10 pounds per head. A significant contribution to this commendable situation has been made by the dairy companies supplied by the Association's members, which, whilst continuing to produce cheese of extremely high quality, as shown by their outstanding record of cheese gradings in comparison with those in other States, are now actively expanding their domestic marketing, and supplying a greater range of varieties to meet the increasing demand for fancy cheeses. The operation of dairy produce equalisation prevents more than a fraction of the benefits of the higher-priced local sales from being shared directly by the suppliers to the companies making the sales, but increased prices for cheese sold in Australia, and higher export returns (tempered somewhat by the effects of revaluation), will yield an average value in the current year in excess of \$31 per cwt., although much of the gain will be absorbed by increased wage rates, and other labor costs, which have been incurred by the dairy companies.

BUTTER AND MARGARINE:

No such modestly optimistic view can be taken of the butter situation in South Australia. Although Adelaide's position as the capital city having the lowest consumption of butter per head, and the fastest rate of decline, has now been taken over by Sydney, the record we gained, in November 1972, of being the first capital city in which the consumption of butter fell below that of margarine (49.2 and 50.8 per cent respectively) will stand forever.

The reason is not hard to find—a combination of near-falsehood and clever publicity matched with the availability of extremely cheap grades of product for

which health claims, however ill-founded, were never made, but with which they are nevertheless so credited by an unsophisticated public. However much we deplore the tactics employed by our competitors, whether in the claims made and the advertising used, or in the techniques by which the appearance and flavor of butter are counterfeited, we must now admit that the means whereby State and Federal legislatures sought to give some protection to the dairy industry, through quantitative and qualitative restrictions on the production of margarine, are no longer effective, if indeed they ever were, and the fact of their continuation is cleverly manipulated to erode the standing of our industry.

The cheapness and imagined health attributes of margarine are not, however, the only reason for its growing popularity—its superior cold-spreadability makes it attractive to the busy housewife, and we applaud the action that is now being taken to modify our traditional product to conform with consumer demand, by manufacturing the butter-vegetable oil mixture developed by the Northfield Dairy Research Centre.

BUTTER PRICES:

It is, however, probable, that price has contributed more to the swing to margarine than either health claims or spreadability, and though we cannot expect to win back the patronage of those who buy the lowest grades of cooking margarine for sometimes one-third of the price of butter, the forecast increase in the prices of other grades of margarine provides the dairy industry with an opportunity to recover lost ground. Although farm (and factory!) costs have risen by perhaps 10 per cent since the last price increase in 1971, the effect of that increase on consumer spending has been shown, by household purchasing surveys, to be such as to merit the adoption of a policy of restraint in pricing which could, in view of the predictions for margarine, be to our advantage.

FEDERAL STABILISATION:

The holding of butter prices at present levels can, of course, only be achieved if the Federal bounty is also maintained at, at least, its present level. Since the bounty was stabilized, in 1956, at \$27,000,000 per year, an amount which has been retained in all subsequent years except 1971-72, its value has declined by 65 per cent in real terms, and the extent to which it has subsidized prices has been correspondingly reduced. Nevertheless the bounty still permits the price of butter in Australia to be among the lowest in the world (possibly only New Zealand and the United Kingdom having lower, with the U.K. soon to vacate this position if its price moves up to match those of its E.E.C. colleagues) and the reduction, or withdrawal, of the Federal bounty must result in an increased retail price if dairy farmers are not to suffer a crippling loss of income and equity.

PRODUCTION CONTROL:

The continuation of the Federal bounty has been stated by the Minister for Primary Industry to be conditional on the industry's formulating an acceptable scheme of production control, the Minister's stand on this subject reflecting that taken by his two immediate predecessors, with an added implication that the absence of a scheme, after three years' Ministerial prodding, is the fault of the industry. The fact that the industry, at a fully representative meeting eighteen months ago, unanimously adopted the ADIC's Two Price Quota Scheme, and has never revoked that decision, appears to have been overlooked, as has the fact that the continuing search for a scheme "in an acceptable form", and the delay of which the Minister complains, have resulted from opposition by governments not by the industry.

But the dairy situation in Australia is now very different from that which was forecast (and did not materialize) in 1970; production is declining and appears to be likely to continue in that direction as dairyfarms are engulfed by urban growth or farmers turn their hands to less tediously demanding forms of primary industry, and, as the consumption of every dairy product, except butter, increases (and even in the case of butter declining consumption per head is almost offset

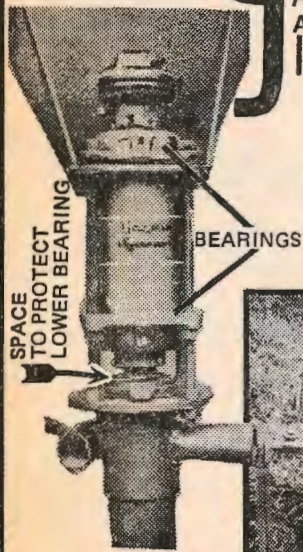
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REASONS WHY

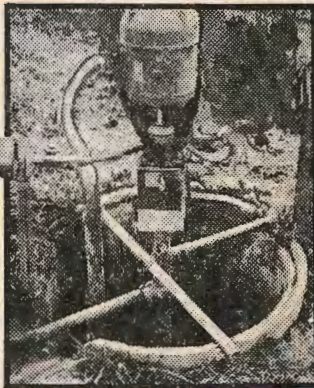
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by growing population), the surplus available for export declines, so that butter exports are now at their lowest for 20 years, whilst cheese exports, although approximating the average of the last five years, are tending to decline despite growing market opportunities.

THE DAIRY PRODUCT ENTITLEMENT PLAN:

These changing circumstances, have led to the devising of a new scheme, the Dairy Products Entitlement Plan, with a new rationale, not to curb production, but to redress what is seen as a long-standing wrong (and remember that the idea for such a scheme came not from the industry but from the Agricultural Council). So the Entitlement Plan differs as much, in purpose and operation, from the Two Price Quota Plan as that Plan differed from those of Gruen and the "Sydney Group" which preceded it.

THE ASSOCIATION'S ROLE:

Meanwhile, South Australia holds to a middle course, with relatively stable output as measured over recent years, roughly self-sufficient in dairy production as measured in butterfat terms, commendably efficient as measured by productivity per cow. Possibly the effect of any Plan, or of no Plan, will be minimal for this State. But this does not mean that we are indifferent to the forces that are moulding the industry. Rather the Association, a foundation member of the Australian Dairy Farmers' Federation, is a most active participant in the Federation's deliberations, particularly in market milk matters which are the concern of the Federation's Milk Council.

For this reason we welcome the suppliers to the Golden North Dairy Company who have become members of the Association, and whose cause and interests we share. Their support strengthens the Association's ability to deal with the many matters that affect the dairyfarming sector.

APPRECIATION:

We are grateful that this ability is enhanced by the co-operation we receive from the Minister of Agriculture, the Honorable T. M. Casey, and his staff, the members and staff of the Metropolitan Milk Board, the Director and the officers of the Department of Agriculture, and those members of the manufacturing and marketing sectors who are colleagues on the industry bodies on which the Association is represented.

As the dairy industry becomes more complex with the passage of time and the advancement of technology, the tasks of the Central Council and of the Executive Committee become more demanding. To the members of the Council and the Executive, and to the staff, I give my thanks for the effectiveness with which these tasks are carried out.

NORMAN M. GREEN, President.

APPENDIX TO THE GENERAL PRESIDENT'S REPORT 1972/73

SELECTED STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

	Production	Milk Sales	Cream Sales	Ratio %	Basic Price	Equalised Price
	000 galls.	000 gls.	000 pints		c lb.b.f.	c lb.b.f.
1967/68	48,089	21,849	1,003	45.7	42.55	66.26
1968/69	53,229	21,500	1,100	40.7	42.79	65.02
1969/70	58,505	21,645	1,957	37.4	43.46	64.55
1970/71	58,026	22,059	2,526	38.6	47.32	67.65
1971/72	57,631	21,827	2,683	38.5	51.51**	71.92**
1972/73*	54,116	22,652	2,845	42.0	46.09**	70.84**

* 12 months to 31/3/73.

** approximate and interim only, subject to increase.

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STATISTICS (continued)

ADELAIDE METROPOLITAN MILK SUPPLY AREA

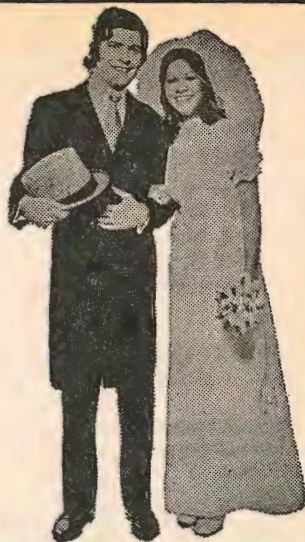
	Producers at 1st July	Dairy Cattle incl. heifers	Refrigerators incl. bulk tanks	Bulk Tanks
1967/68	2122	110,075	883	n.a.
1968/69	2042	108,593	1032	n.a.
1969/70	1968	112,845	1969	n.a.
1970/71	1870	116,656	1268	n.a.
1971/72	1760	114,629	1309	n.a.
1972/73	1666	114,999	n.a.	1144

BUTTER AND CHEESE PRODUCTION

	Butter—Aust. Tons	Butter—S.A. Tons	Cheese—Aust. Tons	Cheese—S.A. Tons
1967/68	182,849	5,283	64,500	14,146
1968/69	195,944	5,342	67,841	18,376
1969/70	220,489	7,580	69,601	17,174
1970/71	199,880	6,384	70,867	18,095
1971/72	192,676	6,168	72,021	17,540
8 months— July to February:				
1971/73	158,868	4,802	62,371	14,744
1972/73	146,163	3,680	69,317	13,083

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HIGHER WAGE RATES FOR FARM LABOR

Wage rates payable under the **Pastoral Industry (South Australia) Award**, which covers most farm labor, including workers employed on dairy farms, and which was published in summarized form in the July-August 1972 issue of this Journal, were increased from 7th May, 1973 and again by the national wage case increase from the **fi.st poy period** after 29th May/ 1973. The revised rates are as follows:

ADULT WAGE RATES—Adult wage rates are subject to the aver-riding condition that from 7th May, 1973, an adult male employe shall be paid not less than the minimum wage of \$59.60 per week of 44 hours.

Without Keep: Per Week

	From 7/5/73	From 29/5/73
Less than 1 year's experience	\$52.10	\$55.64
More than 1 year's experience, but not a General Hand General Hand, who has had at least 2 years' experience and is capable of performing efficiently without supervision any task which might normally be re- quired of them	\$52.90	\$56.46
	\$53.70	\$57.27

With Keep:

From 7th May, 1973, the above rates less \$11.94.

Daily Engagement Without Keep:

From 7th May, 1973, a minimum of \$10.40.

JUVENILE WAGE RATES—Juvenile rates are based on a sliding scale proportional to the adult rate, showing in the following table as "Percentage".

Without Keep: Per Week*

Age	Percentage	From 7/5/73	From 29/5/73
At 15 years of age	45	\$23.44	\$25.04
At 16 years of age	50	\$26.45	\$28.23
At 17 years of age	55	\$29.10	\$31.05
At 18 years of age	65	\$34.39	\$34.70
At 19 years of age	75	\$39.68	\$42.35
At 20 years of age	90	\$47.61	\$50.81

*calculated as percentage of male rate for less than 1 year's experience at 15 years of age and of male rate for more than 1 years' experience for other ages. When the juvenile has had less than 1 year's experience and is 16 years of age or more, or when the juvenile has the responsibility and capability of a General Hand (see definition under ADULT WAGE RATES) the rate should be calculated as a percentage of the appropriate adult rate.

With Keep:

From 7th May, 1973, the above rates less \$11.94.

Daily Engagement Without Keep:

Age	Percentage	From 7/5/73
At 15 years of age	50	\$4.68
At 16 years of age	50	\$5.20
At 17 years of age	55	\$5.72
At 18 years of age	65	\$6.76
At 19 years of age	75	\$7.80
At 20 years of oge	90	\$9.36

"A MOST EFFICIENT AND PROGRESSIVE ORGANISATION"

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"ORDERLY MARKETING ESSENTIAL"

In his address to the Central Council's annual meeting, the Minister of Agriculture, the Honorable T. M. Casey, M.L.C., said that the dairyfarmers in the region served by the Association were among the most progressive and efficient in Australia, a fact which had been demonstrated by production figures over the years, and which he emphasized at meetings of the Agricultural Council to the discomfort of other States. One of the reasons for this situation was the existence of the milk price equalisation scheme, which had worked very well in the State and was envied by other States. Mr. Casey said that he believed in orderly marketing, which, today, was essential to all primary industries; and although it was difficult to establish, and, once established, was under continual attack from people who, for some reason or another, wanted to abolish it, all economic and clear-thinking people with a knowledge of the complexity of an industry would agree that the only way to market our primary products is in an orderly manner. The apple industry in Australia was an outstanding example of this principle, when eighteen exporters were operating in Tasmania alone, the result being that the industry became completely fragmented, competing against itself on local and overseas markets, a situation that would be absolutely detrimental to any industry.

S.A. AN EXAMPLE TO BE FOLLOWED

The time had come, the Minister believed, when all primary industry had re-arrange its thinking, in a way which the dairy industry in this State had already done, and he hoped it would continue to follow this policy. The primary producer in every country of the world needed to be a jack-of-all-trades on his property, but he should confine his activities to producing the goods and experts market them for him.

DEVELOPMENT OF NEW DAIRY SPREAD

The Minister then referred to the development of a spread consisting of butteroil and polyunsaturated vegetable oil at the Northfield Research Centre which, although it had been a long-drawn-out project, had resulted in a very satisfactory product and was now at the stage of assessing the possibility of commercial production, which the butter manufacturers in this State were keen to investigate. But we could not go ahead without the all-clear from the Agricultural Council, because all legislation was geared to the principle that butter and margarine were two quite different products, and there was, at this moment no provision for the manufacture of a product of this nature in a butter factory.

"BLENDS" BENEFIT FARMERS

Mr. Casey said he was prepared to change this situation, in the interests of the consuming public and of the dairy industry, because the use of a product containing 80 per cent butterfat, which was the best formula, the remainder being either soya-bean or sunflower oil, would, if it were a "gaer" because of improved spreadability, benefit the dairyfarmer. The woollen industry had found that the decision to blend the advantages of wool with the advantages of synthetics had given the customer an article he wanted without depriving him the right to buy the pure wool article if he wished.

Just recently the embargo on margarine had been lifted in New Zealand without quotas, which he believed, would eventually go in Australia, and they had found that with a very high class promotion, polyunsaturated margarine, even at a price of 51 cents, was more than competing against butter at 33 cents the chief reason, other than novelty, being its spreadability.

RATIONALIZATION NEEDED

The support which the Association had given to him and to the Government generally during the time he had been Minister had, Mr. Casey said, been appreciated, and the Association's approaches had been rational, progressive and well prepared.

Prior to the last elections, the Government had declared, in its policy, the need for rationalizing the dairy processing and manufacturing sectors of the industry. The S.A. dairy industry was one of the most efficient in Australia, and always willing to adopt new ideas.

In order to put this rationalization policy into effect he had taken certain steps, to ask the Industrial Development Branch of the Premier's Department to prepare a report outlining what the Government can do and what should be the specific and obtainable goals at which we should aim; and he was hopeful of a positive outcome, although we could not expect anything of major importance to happen immediately, as there were a lot of extremely complex issues at stake.

Nevertheless he believed that when the social, economic, industrial and political aspects were taken into consideration, this was the path that the industry should be following, and he was sure the industry could adapt itself to, and would welcome these changes.

The Minister then thanked the President and the Council for the co-operation he had received during the year, adding the promise that any proposition put to him would receive earnest and sympathetic consideration, and that he would do everything he possibly could to further the interests of the Association and the dairy industry in this State.

CENTRAL COUNCIL MAKES CHANGES

New Executive Member and M.M.E.C. Directors

At its Annual Meeting on 31st May the Central Council elected Mr. Michael Diener, of Page's Flat, to the Executive Committee in place of Mr. Geoff Oliver, who has sold his property, and elected Mr. Tony Kenny, of Ponde, as a Director of the Metropolitan Milk Equalisation Committee Limited in place of Mr. Clarry Easton, whose property is on the market. Mr. Aub. Kretschmer, of Balhannah, took Mr. Kenny's place as Alternate Director of M.M.E.C.

The officers elected for 1973-74 are:

General President: Mr. Norman Green (Monteith);

Senior Vice-President: Mr. David Turner (Inman Valley);

Junior Vice-President: Mr. Tony Kenny (Ponde).

Additional Members of Executive Committee:

Mr. Michael Diener (Page's Flat), Mr. Aub. Kretschmer (Balhannah),

Mr. Gorth Temby (Jervois), Mr. Ken Turvey (Milang).

Directors, Metropolitan Milk Equalisation Committee Limited:

Mr. N. M. Green (Chairman of Directors), Mr. A. A. Kenny, Mr. D.

W. Turner, Mr. K. J. Turvey, and Mr. A. G. Kretschmer (Alternate).

CONSTITUTIONAL REVISION REJECTED

A proposal, submitted by the Jervois District, to increase the size of the Executive Committee and to reduce the minimum number of Central Council meetings from 4 per year to 2 was not supported by the Central Council at the Annual Meeting.

FEDERATION MANAGER PRESENTS COMMISSION CHEQUE

Because of the change in the Association's financial year, the Financial Statement presented at the Annual Meeting contained only 6 months' commission from the Association's approved insurance company, Federation Insurance Limited, but the Central Council was pleasantly surprised when Mr. G. Schlank, Federation's South Australian manager attended the meeting and presented a cheque for \$2,897, being a further 6 months' commission, bringing the year's total to \$5,654.

THE BOUNTY AND ITS RELEVANCE TODAY

As the end of the financial year approaches, bringing with it the end of the \$27 million bounty payment for the first year of the current Five Year Dairy Stabilization Scheme, there is still no indication of the action which the present Federal Government will take concerning the continuation of financial support for the industry, other than an occasional finger-wagging or a veiled warning to avoid being over-optimistic, and an occasional hint about the benefits of trans-Tasman trade.

The dairy industry can, then, be excused for a sense of uncertainty, and possibly a feeling that we might be better off if we actually knew that support would be withdrawn rather than living in hopeful doubt, with some hardy spirits suggesting that the industry should take the initiative and eschew any Federal assistance.

The following article, from the Victorian Department of Agriculture's "Dairy Farming Digest", puts the point of view of a man who has always been in the forefront of positive thinking in dairy industry matters.

WHO MILKS THE COW CALLED BOUNTY?

K. M. SILLCOCK, Deputy Chief, Division of of Dairying, Victoria.

Dairy foods to the value of \$428.5 million are sold annually to Australians.

The consumers pay directly \$400 million, and the remainder indirectly through the Commonwealth bounty. They get good value for money so spent, as the nutrients in dairy foods are cheap compared with those in other foods and drinks.

"Nevertheless, dairy farmers could well ask, "Who gets the benefit of the bounty?" Discussion groups could profitably spend some time considering the subject.

HISTORY OF THE BOUNTY

The bounty on butter and cheese was first introduced by the Commonwealth in 1942, and, according to dairying leaders of the time, was neither sought nor wanted by the industry. It was part of a plan to encourage production of food for Britain during the second world war.

From 1952 the bounty was paid through a series of five-year stabilisation plans for the industry. The Commonwealth agreed at that time to provide an amount sufficient to ensure that the producers would get a reasonable return based on the cost of efficient production. This cost was determined on the advice of a Dairy Industry Investigation Committee.

In 1962 and subsequent years the Commonwealth Government provided a bounty at the fixed level of \$27 million, and a determination of cost of production was not then required.

When sterling currency was devalued late in 1967, compensation was granted to the exporting primary industries to offset their loss of returns brought about by the decision to hold the Australian dollar at its previous level.

This compensation later became a part of the bounty, which in 1970-71 became \$42.882 million.

In 1971-72 the bounty was reduced to \$40 million, and at the time of writing \$28.5 million is the assured figure for 1972-73.

In addition, a bounty of \$3.379m on non-fat products export was introduced in 1970-71.

In 1960 a Dairy Industry Committee of Enquiry recommended that the bounty should be phased out over the following ten years and that some of the funds should be used instead in a dairy farm reconstruction scheme.

The proposal was to assist marginally economic units to become viable and to help farms to leave the industry, should they wish, where their farms lacked potential to become profitable dairying businesses.

THIRTY YEARS LATER

Who really gets the bounty now, thirty years after its introduction?

A typical 70 cow farm business producing wholly for manufacture probably receives about \$1,500 a year as its share of the bounty at the present rate. This is equal to the return on a capital investment of \$18,750 at 8 per cent interest.

If a farmer borrowed that sum in order to buy his farm, and had to service the loan at 8 per cent interest and sinking fund, could he have done equally well without the bounty if he had paid \$18,750 less for the farm?

This he might well have been able to do if the bounty had been phased out as recommended by the Dairy Industry Committee of Enquiry.

MOVEMENT OF CAPITAL COSTS

A recent survey has indicated that from 1964 to 1970 the market value of such a farm in Victoria rose by more than \$42,600. The value of the land itself rose by \$27,800 and the remainder of the increase was due to additional or more expensive, stock and facilities.

In New South Wales a farm business of similar size rose in value by more than \$34,700, and the value of the land itself increased by \$18,800.

There was therefore scope for the farm value to be held down by \$18,750 through buyer resistance which might have been generated by a move to phase out the bounty.

WHO GETS THE BOUNTY NOW?

When a farm changes hands, does the new farmer get the bounty for himself, or does he merely pass it to the outgoing farmer and to the financier who lends him money for farm purchases?

Has most of the benefit of the bounty now disappeared in the form of capital gains to the original recipients who have since sold out?

Do the newcomers lose in other ways because the bounty has influenced farm values? Do they pay higher land tax and municipal rates? Does probate duty or gift tax take a greater toll as the family farm is handed down? And how much of the bounty income returns to its source in income tax?

CAN DAIRYING DISMOUNT FROM THE TIGER?

Manifestly, those who bought dairy farms in the last five years cannot suddenly forgo the bounty, as it has become built into their debt servicing costs. Those with longer tenure would be affected, though less drastically.

Can the bounty be phased out, fairly painlessly, as recommended in resolutions carried in 1972 by two conferences of dairy farmers?

Dairy farms appear to change hands, or at least change management or partnership arrangements, at an average of once every 20 years.

Were the bounty to be phased out over 20 years, most farmers at the end of phasing out would have had the opportunity to eliminate its effect from their debt-servicing costs by paying less for their farms.

Would even a ten year phasing out period be too drastic if some of the funds were diverted, instead, into relief for those farmers most affected? Such relief might be in forms such as debt reconstruction which would reduce the inroads on the farmer's income.

WHO CAN TAKE THE INITIATIVE?

Finally if thoughtful dairy farmers, after due discussion, should conclude that the bounty is an unprofitable embarrassment or a hindrance to negotiation of stabilisation plans, as some appear to think, from whence can come the initiative to have it phased out?

Neither political nor industry leaders can be expected to make the first move while they remain uncertain of the reaction it would provoke. Only a well informed and large body of dairy farmers who are prepared to state their views could initiate the changes proposed in the conference resolutions.

That is why this article poses questions for earnest consideration by discussion groups and others.

BE PROUD OF YOUR PRODUCT ! (It Does a Great Job)

The following article, written by the Editor of this Journal, was printed in a recent issue of the "Diabetic Journal" under the title "Diet and Dairy Foods". References to milk in a diabetic diet have been omitted in this report.

Advertising, in today's world, has become almost an hysteria, as the hucksters strive to outdo each other by the stridency of their voices and the dazzle of their displays. In such an atmosphere merit alone has little chance of even being seen, much less of being recognized, and the vignerons who believe that "good wine needs no bush" will face early bankruptcy if he allows his belief to influence his actions, whilst the writers of better books, the preachers of better sermons, and the makers of better mouse-traps must now rely on a lawn-mower if they are to still keep clear the pathway that the world once beat to their door.

So the dairy industry's adoption of the same methods as its competitors must be seen only as necessary to remind the public that there is still available in the market place a variety of honest, natural, nutritious, additive-free and extremely cheap foodstuffs, and not as an attempt to out-do those who seek to persuade the gullible that a spoonful of concentrate in a bucketful of base material, with a drop of coloring, a dash of flavoring, a pinch of extender, and a little bit of stabilizer, represents value for money, with health, longevity and beauty thrown in as bonuses.

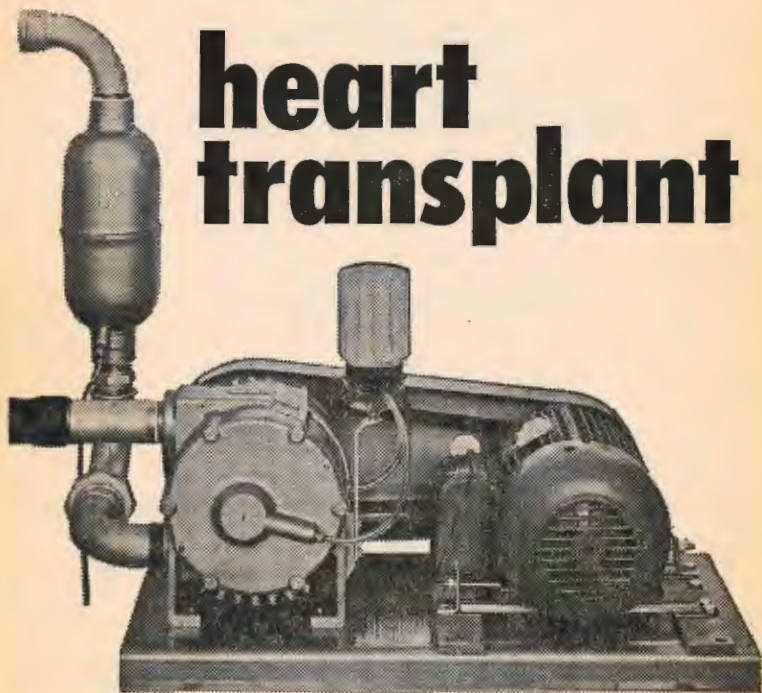
Milk, which is the source of all dairy produce, as well as an article of diet itself, is, as we all know, the sole food provided by Nature for the young of the mammalian class of animals, in which Man is included, and the logical assumption that milk contains all the nutrients required to sustain life in the infant creature, and to supply the even greater demands of the very rapid bodily growth that takes place during this period, can hardly be contradicted.

The obvious and inevitable counters to this claim, "Yes, but we are not infants", and "Yes, but we are not calves", overlook the fact that there is little difference, other than in quantity, between the needs of an adult and of a child for fuel to provide energy for body and nervous system, and equally little difference between the materials required, in the case of the adult, to replace tissue and, in the case of the infant, to provide growth, whilst the substances which form the flesh and bone of cows and calves are essentially similar in composition to those of Man.

The proof of the pudding, and of the milk is, of course, in the eating, and although monotony in a diet is to be avoided, particularly by those whose diet is, by necessity, restricted, scientific proof of the ability of cow's milk to sustain adult human life exists in plenty, the best known case being that of Drs. Hecker and Andrews, of Liverpool, who, for a period in 1953, lived on nothing else but milk. Although described by them as "monotonous but healthy", this diet gave them all the nourishment they needed to carry out their normal rounds of heavy professional commitments, and to play, in one case, tournament tennis regularly, and maintained, exactly, the body weight of 11 stone Dr. Hecker, whilst the heavier, 14 stone, Dr. Andrews gained five pounds from his extra two pints daily. The case of the Adelaide doctor, who lived on milk whilst his wife was overseas, is less well documented, as it was not carried out in the course of Science but "to avoid washing-up."

Despite the importance of calcium in the building of bone and teeth and in the functioning of the nervous system, and the value of the fat-soluble vitamins A and D contained in the milk fat, milk's chief role is as a source of amino-acids, the basic ingredients of the body proteins which are in a continuous state

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of build-up and breakdown. There are about 26 amino-acids involved in human metabolism, and 10 of them are essential—lysine, tryptophane, phenylalanine, leucine, isoleucine, threonine, methionine, valine, histidine and arginine—and milk is second only to the egg as a source of these amino-acids, which are needed in continuous intake during the whole life period, for no amount in later years will make up for their lack during the growing period.

Certainly milk is probably unexcelled as a source of calcium, as witnessed by the greater height and weight of children in most of the Western world and Japan since the end of World War II, a period during which the importance of milk has been increasingly recognized in those countries, and often supplied through a school milk scheme, but milk's other mineral elements, of which potassium, phosphorus, and magnesium are most abundant, play far from negligible parts in the complex inter-relations of bodily growth and function.

Although whole milk, as an almost complete food, ranks highest in nutritive value, probably of greater interest to adults are the other foodstuffs derived from it, of which the chief is cheese, containing virtually all the important nutrients of milk, in altered quantities and form, as the removal of most of the water leaves the remaining constituents in a highly concentrated form, so that, weight for weight, cheese contains about eight times as much protein, calcium, and vitamin A as the milk from which it was made, whilst the lactose (or milk sugar) is removed with the water during the cheese-making process.

Butter, that much maligned product (the denigration comes from its competitors rather than from the medical profession), is of less importance as an item of diet. Certainly no one could live on butter alone, and health would not be impaired if butter was completely abjured (and the same can be said of its imitator, margarine). Nevertheless, butter is a palatable product, which adds appeal to cheap, nourishing foods such as breads, and enhances the flavor and nutriment of vegetables, meats, fish, and other cooked dishes. This is not to say that butter is without value as an article of diet; it is an excellent source of vitamins A and D (which must be added to margarine if that substance is to be comparable with butter in this respect), and of some of the essential fatty acids of which linoleic and arachidonic are the most important.

These traditional, natural, basic dairy products, milk, cheese, and butter, although most important in terms of quantity and value, far from exhaust a wide and evergrowing range of dairy foods which include skim milk, buttermilk and whey, the cultured products—yoghurt, cultured cream and cultured buttermilk—the dried forms (to which, as well as dried full cream milk and skim milk, are now added butter-powder and cheese-powder),—concentrated and condensed milks, and infants' and invalids' foods of many kinds.

TODAY'S VALUES

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PRICES & STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
April	1,806	1,873	62.1	62.4	22,050	22,689
May	1,906	1,906	61.5	61.5	22,091	22,722

MILK SALES (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
April	3,549	3,505	118.3	116.8	57,944	54,072
May	3,804	3,959	122.7	127.1	57,965	54,227

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only, and subject to retrospective adjustment.)

1973	Basic	C.M.B.	Total*	3.5%	4%	4.5%	5%
	(cents per lb. butterfat)			(cents per gallon at above test)			
April	46.09	31.04	77.13	27.86	31.84	35.82	39.80
May	46.09	29.03	75.12	27.13	31.01	34.89	38.76

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		Total Price *	
	1972	1973	1972	1973	1972	1973
April	52.5	62.6	38.1	42.0	74.90	77.13
May	50.1	48.1	38.1	41.9	74.47	75.12

* Interim only, subject to retrospective increase

AUSTRALIA

TOTAL MILK PRODUCED (million gallons)

Twelve months ended JANUARY

	N.S.W.	Vic	Qld.	S.A.	W.A.	Tas.	Aust.
1969-70*	310.9	886.1	191.4	106.2	55.9	103.2	1654.8
1970-71	272.2	893.5	169.5	103.3	56.3	98.9	1594.6
1971-72	265.3	874.2	167.3	101.6	58.4	100.9	1568.4

* Peak year for total Australian production, also S.A. and Tas.

Month of MARCH

1972	23.2	58.9	15.5	6.0	3.0	7.9	114.6
1973	22.4	67.1	14.2	5.6	3.0	7.7	120.0
% Change	-3.4	+13.9	-8.4	-6.7	—	-2.5	+4.7

Twelve months ended MARCH

1972	261.7	871.4	162.4	102.2	58.0	102.0	1558.1
1973	267.6	864.3	148.5	92.6	56.8	92.0	1541.2
% Change	+2.3	-0.8	-8.6	-9.4	-2.1	-9.8	-1.1

— WORLD BUTTER AND CHEESE STOCKS UP —

World butter stocks at the beginning of the northern hemisphere summer approximately 50 per cent greater than a year ago, with E.C.C. stocks standing at 441,000 tons compared with 216,000 in April, 1972. Cheese stocks, in non-E.E.C. countries, were 10 per cent higher than the previous year, figures for E.E.C. countries not being available.

PRICES & STATISTICS

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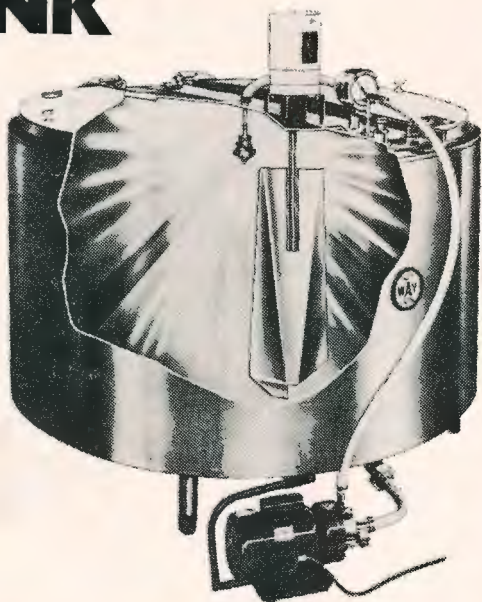
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IMPRESSIONS OF A RECENT STUDY TOUR

B. D. HANNAFORD, Chairman Metropolitan Milk Board

SCANDANAVIA

With nineteen fellow Australians and forty New Zealanders I attended a conference and study tour in Denmark and Sweden during the first week of May 1973. The conference was hosted by the Danish Government and several Danish Companies with Niro Atomizer and Foss Electric both playing a prominent part.

Danish dairy technology and factory and laboratory electronic equipment were highlighted.

Foss Electric — Hillerod

Foss is a relatively young company founded in 1956. It invoices 96% of its sales outside of Denmark and has an annual turnover of approximately \$A9 million. Foss has a staff of 320 including 60 engaged in research and development with an annual budget of approximately \$1 million.

After being greeted by Mr. Jens W. Werner, the managing director, Mr. N. Kofoed Hansen, sales manager, explained the current trends in sales, use and production of Milko Testers and Pro Milk units.

Professor A. Neimann Sorensen spoke about changes in the basis of payment for milk. Previously butterfat was seven times more valuable than protein as most of the solids-not-fat were used for stock feed. The butter mountain in Europe three years ago forced Denmark to have a re-look at the position.

The changes in the milk yielding qualities of the Danish breeds (Red Danish, Friesian and Jersey) from 1945/46 to 1970/71 are illustrated in round figures as follows:

	Total Production		Total Butterfat		Total Protein	
	Per Cow in Kg.		Per Cow in Kg.		Per Cow in Kg.	
	1946	1971	1946	1971	1961	1971
Red Danish	4,000	5,700	180	260	170	210
Friesian	4,000	5,700	170	260	170	210
Jersey	3,400	3,800	190	260	140	150

The Professor's experimental work thus far has shown that:

1. Heritability of protein is the same as for butter-fat.
2. Genetic variation of protein is more variable than butterfat.
3. Feeding and husbandry practices show that protein and butterfat move in concert.

Thus the conclusion is that if you increase butterfat production you also increase protein, but at a slightly slower rate.

A basis of payment of butterfat to protein of 2.25 : 1.0 is to be introduced in some areas of Denmark in late 1973. The 2.25 : 1.0 ratio is indicative of current E.E.C. prices.

New Factory

A modern Niro spray dryer installation was inspected at Kagerod in Sweden. This factory has been in operation for three years and the construction from the ground up incorporates many new developments. The processing building is devoid of windows giving an almost totally enclosed but controlled environment manufacturing area. On the day of our visit the plant had an intake of 125,000 gallons of skim milk, the processes of condensing, drying and bagging were operated by a staff of eight men working a four day week. The receive area, boilers and ancillaries employed an additional four.

Raw skim milk consignments from neighbouring factories were organoleptically graded and a pH value recorded. The sample was then submitted for bacteriological analysis and Mr. Mazetti, the managing director, explained that the aim was for less than 10,000 standard plate count, less than 3,000 thermotolerant count and less than 10 coliform per ml. The raw milk was received in bulk milk tankers, some being fitted with Siemens milk meters.

The plant produced approximately 15% of Sweden's milk powder and the more exotic products included:

- fat enriched skim powder containing 75% vegetable fat in the dry matter (rape seed oil).
- yoghurt powder used as a pig feed.
- whey powder.
- calf milk powder with a mixture of animal and vegetable fat 25% in the dry matter and added vitamins.

Trifolium Co-op. Dairy Society

This factory supplies 27% of Copenhagen's dairy milk and also makes butter, sour milk products and ice cream. The buildings were completed in 1966.

Production in round figures

	Tonnes per day	Butterfat
Light Milk	35	1.5%
Standard Whole Milk	60	3.5%
Skim Milk	20	0.5%
Butter Milk	20	1.0%
Ymer (Sour Milk)	6	3.0%
Whipping Cream	5	38.0%
Coffee Cream	5	13.0%
Yoghurt	} 6	3.8%
Fruit Yoghurt		3.2%
Acidophilus Milk		3.5%
Quark		5.0% in Dry matter

A feature of the plant is the automatic volumetric milk metering system for raw milk receive and the automated system of milk standardisation.

A D.D.S. reverse osmosis system has been installed and the sour milk product Ymer is produced. This hyperfiltration of skim milk retains all solids. Increased yield and economy of operation are claimed by the equipment manufacturers.

The policy of Trifolium is to show the "filling" date and the "sell by" date on each product. Whole milk, light milk and skim milk showed four day intervals between the dates, other products had longer intervals.

Door to door delivery by milk vendors has almost ceased in Copenhagen. Some shops, however, will deliver to the doorstep, adding a delivery fee.

Milk Metering Equipment

Returning to Foss Electric at Hillerod, Mr. Mills from Foss America Inc. introduced the new turbine meter. The dairy industry has had positive displacement types of meters for some years. This to the writer's knowledge, is the first turbine type to become available.

The meters are constructed of 316 stainless steel with vented stellite bearings. Advantages claimed outside include size (it can be held in the palm of the

hand), flow rates of 7-8,000 gallons per hour, C.I.P. and accuracy. On a farm bulk milk pick up tanker an accuracy of $\pm 0.35\%$ is claimed. An electronic print out mechanism and totalizing unit is also available.

Automatic Cell Counter

Mr. M. Spinell, senior research engineer, introduced the prototype of an automatic cell counting machine. Previous automatic cell counters have been restricted to particle counters and therefore do not accurately distinguish between cells and other debris. The new prototype was said to overcome this difficulty.

Finally we were shown the Biomatic—an automatic counter of bacteriological colonies on petric plates. The unit has a colony size discriminator and can count colonies down to 0.2 mm. in size. A T.V. camera detects the colonies and an electronic read out and printing system gives the result depending on the dilution ratio of the plate.

IMPORTANCE OF MILK QUALITY

From a simple processing industry, distributing a staple food the milk industry in Europe and the United Kingdom is becoming more versatile with modern marketing and effective advertising and promotion. New products call for active marketing and longer shelf life. New shopping habits mean less shopping excursions and bulk buying which means longer shelf life. Longer shelf life calls for better raw milk quality from producers.

Raw milk quality programs must be continually updated by controlling authorities so that the raw material that the factory receives can be relied on 365 days of each year.

THERMODURIC STANDARDS

The Metropolitan Milk Board in South Australia has come in for some criticism from a minority of producers over the introduction of the Thermoduric Count on raw milk. I am pleased to say that now many of these same producers who were critical are more than pleased with the program as it has become a yardstick consistent with today's methods of production. Although the program has only been in operation for eight months the number of producers who are not complying with the standard has fallen dramatically, from approximately 25% to less than 8% and I expect it to fall further.

The Adelaide consumer is now getting a bacteriologically better product with a longer shelf life.

CHANGES IN FOOD HABITS

Six weeks in Europe hardly qualifies me as an expert on the European consumer, but I noted that leisure time is increasing with the result that more people are eating away from home. People are mobile and there is an increasing demand for convenience food.

What could be more convenient than milk — a meal in a moment.

Consumerism in Europe is not just a passing fashion — people are price conscious and balance price against quality and service. Better education and the influence of the media means that the present day consumer acts with better judgment than before.

Liquid milk in real terms is inexpensive in Europe and the United Kingdom and industry leaders agree that because of social implications of the product price adjustments must be minimal if per capita consumption is to be maintained.

The world's urban population is rising at record speed 6.5% per year. This statistic implies that the world's urban population will double with the space of 11 years (Source: Vries and Thyse, Institute of Social Science, The Hague). Producers who supply cities are assured of a future provided quality, price, service, packaging, promotion and marketing move with the times.

NEW PROCEDURES FOR THERMODURIC TESTING

Prior to the implementation of thermoduric testing, the Metropolitan Milk Board stated that the position would be reviewed in September 1973, in the light of experience gained in South Australia and the procedure being carried out in Victoria.

This review has now been carried out by the Board, and the Board's views discussed by a conference of representatives of the producing and processing sectors, at which the following proposals were agreed to:

- (1) It was agreed that the sampling and testing procedure for treatment plants and milk receival depots was proceeding smoothly. The Board was of the opinion that all milk in cans as well as all bulk milk should be tested as from the 1st July, 1974.
- (2) Suspension of producers was due to commence on the 1st January, 1974. It was agreed that each case would have to be examined individually. The suspension to be based on those producers who had been under test for twelve months. Producer to be suspended until such time that a satisfactory result is obtained on a weekly test. Notification of suspension to be in the normal way as for added water and antibiotics.
- (3) The method of testing to be the plate count method as set out in the Regulations with the exception that the incubation period be amended from 48 hours to 72 hours (the Australian Standard Method 1095 Part 2 Section 1). The Board to amend the Regulations accordingly, as soon as practical.
- (4) It was agreed that the frequency of testing should be for producers getting good results (below 30,000) to continue to be tested once every two months. This frequency to be increased to once per month for any producer below standard. Frequency of testing tankers, once per month. Notification of results to be made as soon as each batch is completed. This means that the Board will need to be notified at the very minimum on a weekly basis. Producers to be notified of all results by the Wholesalers as soon as practical after testing.
- (5) The preliminary incubation methylene blue test to continue in its present form and under the existing frequency of testing. The Chairman said that the P.I.M.B. test detected different bacteria and as the vast majority of producers were only going to be tested with the Thermoduric count once every two months producers needed a more frequent test. The Board intended to amend the Regulations to have the P.I.M.B. test made a legal standard.
- (6) The existing standard for total count on raw milk from producers was 250,000. The Board proposed eventually to alter this to a more realistic standard of 50,000 orgs./ml. It was also proposed to amend the pasteurised milk standard to 50,000.

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LOW THERMODURIC COUNT MILK

How a Queensland Dairy Farmer Solved the Problem

When the Metropolitan Milk Board announced, in 1972, the introduction of a program to improve the thermoduric count of Adelaide's milk supply, dairy-farmers were generally in the dark concerning the quality of their milk in relation to this standard and the way in which improvement could be achieved.

Considerable help was supplied by the Association by a reprinting, in the Sept.-Oct. and Nov.-Dec. 1972 issues of this Journal, an article written by the Chief of the Victorian Division of Dairying (Mr. Ian Howey), which explained the steps that should be followed in achieving a satisfactory thermoduric count.

Whatever the methods followed, dairyfarmers in the Adelaide milk supply area succeeded in substantially reducing the overall thermoduric count, but there are still instances of failure to achieve the required standard (which is far from being severe by comparison with overseas practice), and there are still many unexplained cases of wide variations in thermoduric counts despite the use of approved methods.

As we may imagine, such problems are not confined to South Australia, and the experiences of a Queensland farmer, Mr. William Aplin, of Maleny, as described by him in a letter to the "G & N Co-operator" is printed here for the information of our members who may have wondered whether there were available equally satisfactory, or even superior methods of control.



I have been reading with some interest official advice given through your columns for the production of low count thermoduric milk.

Perhaps my own experience may be of interest to your readers.

When I changed from cream to bulk refrigerated milk, the only advice I could get concerning thermodurics was, "keep the machines clean and sterilise with boiling water." Good theoretical advice, no doubt, but in practice it so often happens that there is no boiling water due either to power failure or more often forgetting to turn the switch to boil. Moreover, I soon found that hot water of any temperature above 160 F (the coagulation point of protein) caused milk stone and milk stone meant high thermodurics.

So reasoning that hot water (between 160 F and 170 F) created an almost pure culture of thermoduric bacteria nicely sealed in an insoluble milk film and each succeeding milking added to this film more rapidly than the preceding one because of the rough surface created, I decided to experiment with cold water only.

Using an iodine phosphoric acid product of which there are many on the market, it was necessary to use the brush more and more frequently as this product left a deposit on the surface of both rubber and metal which attracted the milk.

NO SUCCESS

I tried caustic and washing soda, both with non-ionic detergents without success.

Finally, because of its much higher cost, I used Hysan and this with water as it comes from the tap, summer and winter, is entirely successful (successful to me means that I not only get a consistently low count 1000-ml to 3000-ml (if none are found it is recorded as 1000-ml.), but the machine rubberware never has to be dismantled or brushed in place over its entire life which may be up to two years if you get a good batch.

Hysan is a product containing both the carbonate and bicarbonate of soda, ammonium chloride, and a detergent. There probably are other alkaline sanitiser detergents on the market equally as effective.

The procedure is simplicity itself, and the machines are kept running until it is completed:

1. The outside of the claw, cups and vertical milk line are washed with a brush and cold water.
2. A small amount of cold water (no detergent added), about 1-3 gal., is drawn through each machine and discarded.
3. Cold water and Hysan (pre-mixed about half an hour before use) is drawn through each unit (I find 1-3 gal. per unit sufficient).
4. The machines are turned off.
5. The releaser and vat, etc. are washed in the same mix and re-assembled. The air line from the releaser to the vacuum tank, the vacuum tank, and that part of the milk line between the plug and the first sight bowl, and both plugs are brushed once each day. The torpedo brush is used once a month. The machines are kept sealed and, therefore, wet between milkings, and thus the sanitising agent is doing its work over the whole of this period.

Failure to pass the methylene blue test or a fail below 5 plus in this test poses quite a different problem, and I find that when this happens the only thing to do is to submit each quarter of each cow to the Rapid Mammitis Test. Positives do not show up in most cases by visual examination either with the strip cup or any other method.

Except where sickness is the cause (in which case the milk will become normal when the cow recovers) these cases do not respond to treatment, or if they do, are prone to relapse. They are cows anatomically unsuited for machine milking and are best disposed of or used for calf rearing.

Do you want a copy of "The Yellow Book"?

Members who were engaged in dairy farming before 1960 will be well aware of the book "DAIRY FARMING IN AUSTRALIA", first published by the Commonwealth Department of Primary Industry in association with the South Australian Department of Agriculture in 1952 and reprinted, in a revised edition, in 1960.

The book, which was available free to most dairyfarmers, contained nearly 700 pages, and covered the whole field of dairy farming husbandry and methods, with a particularly valuable and detailed section of over 100 pages, on "Diseases of Dairy Cattle".

Because the number of dairy farmers is now declining, and few, if any, newcomers are entering the industry, the Department of Primary Industry wishes to dispose of the stock of these books that it is still holding.

Admittedly the book, even in its revised version, is now 13 years old, the statistics are out-of-date, the financial tables read rather oddly (some up, some down how about a "minimum rate of 40 pence per lb. commercial butter"?), and it is a long time since anyone paid \$3/2/0 for a ton of wheaten hay, but acetonaemia is still acetonaemia, and calves still scour.

So a copy of the book is still valuable, even if you do have to discount some of the statement that are no longer quite so relevant as they were then.

Copies can be obtained, **Free**, at the office of the Department of Primary Industry, National Mutual Building, 80 King William Street (corner of Grenfell Street), or at the Association's office.

10

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MILK PRICES INCREASED

Retail prices and margins for milk sold in the Metropolitan Area were increased by the Metropolitan Milk Board, to be effective on and from 12th August, 1973.

The increase in the retail price of pint bottles, which represent by far the greatest proportion of all milk sold, from 11 cents to 12 cents, was 9.09 per cent.

Increases in the returns and margins for the sectors of the industry in relation to this unit are:

Producers	from 46.5 cents gall. to 49.5 cents—	6.54 per cent
Processors	from 20.0 cents gall. to 22.0 cents—	10.00 per cent
Vendors	from 21.5 cents gall. to 24.5 cents—	13.95 per cent
Shops	from 14.5 cents gall. to 16.0 cents—	10.34 per cent

The relationship between the latest prices and those which became effective with the introduction of decimal currency in February, 1966, in respect of each sector are:

Producers	from 39.0 cents gall. to 49.5 cents—	26.9 per cent
Processors	from 16.5 cents gall. to 22.0 cents—	33.3 per cent
Vendors	from 16.5 cents gall. to 24.5 cents—	48.5 per cent
Shops	from 11.75 cents gall. to 16.0 cents—	36.2 per cent
Retail (bottle)	from 9 cents per pint to 12 cents—	33.3 per cent

THOSE NEW ZEALANDERS!

We know that New Zealand dairyfarmers do not receive subsidies for butter and cheese (and Australian dairyfarmers will be in the same situation by 1976), but, to be fair, there should be a clear understanding regarding the subsidy paid on market milk in New Zealand.

The following table is reprinted from the August, 1973, issue of "Town Milk", the journal of the New Zealand Milk Board.

COST OF TOWN MILK SUBSIDY DOUBLES OVER TWO-YEAR PERIOD

The cost of subsidy on town milk more than doubled in the last two years. The rate rose from an average of 2.46 cents per pint for the year ended 31st August 1970 to an average of 5.068 cents per pint for the year ended 31st August 1972.

At this figure subsidy exceeds the retail price of milk.

Year Ended	Total	Per	Per	Per
31st August	\$	Gallon	Pint	Litre
		Cents	Cents	Cents
1967	14,829,935	19.931	2.491	4.38
1968	13,828,397	18.215	2.277	4.01
1969	12,998,186	16.754	2.094	3.69
1970	15,796,068	19.676	2.460	4.33
1971	22,181,346	26.825	3.353	5.90
1972	34,098,386	40.543	5.068	8.92

(The population of New Zealand is less than 3 million!)

DEVELOPMENT BANK WIDENS LENDING POLICY

Much criticism has been levelled at the Commonwealth Development Bank during its 14 years of existence, because of the emphasis that it has placed on development rather than on improved efficiency, and some observers have regarded the Bank as having contributed to the dual problems of over-supply and high production cost that have plagued Australia's rural industries in the 60's and 70's (although the over-supply situation appears to have receded for the moment).

The action of the Federal Government to remedy these problems, by means of the Rural Reconstruction Scheme, reduced the Bank's emphasis on development, transferring it, instead, to reconstruction, but still making inadequate provision for efficiency improvement that did not fall within either of those two categories.

We are now pleased to learn that the Bank has widened its lending policy, full details of which have now been released.

4th October, 1973.

In a new statement of its lending policy published during September, the Commonwealth Development Bank has given more detail of the purposes for which it provides rural finance. The new statement follows an announcement made by the Treasurer and the Minister for Primary Industry in May last and action taken by the Australian Government to augment the resources of the Bank through the provision of \$20 million in the 1973/74 budget.

Additional purposes for which loans are now being provided are:

- Property purchases in appropriate circumstances other than for development and farm build-up.
- Assistance to hold together a farming enterprise upon the death of a farm proprietor.
- Repayment of unsuitably short-term private mortgage debt and similar obligations under contracts of sale.

The Bank continues to consider applications for the full range of normal farm development purposes such as clearing, fencing, farm buildings and basic stocking.

The General Manager of the Bank, Mr. R. S. Elliott, said today that lending for the new purposes was subject to the existing statutory provisions, including the provision which requires the Bank to satisfy itself that the funds are not otherwise available to the applicant on reasonable and suitable terms and conditions.

The Bank has already made a considerable number of loans in terms of its widened policy.

For the members who may wish to avail themselves of the facilities now offered by the Bank we publish the detailed statement to which the above release referred.

COMMONWEALTH DEVELOPMENT BANK OF AUSTRALIA LENDING POLICY

(As published in September, 1973)

Functions

1. The functions of the Commonwealth Development Bank of Australia are set out in Sections 72 and 73 of the Commonwealth Banks Act 1959-1973 and are as follows:

"Section 72—**(a) to provide finance for persons—**

- (i) for the purposes of primary production; or
- (ii) for the establishment or development of industrial undertakings, particularly small undertakings,

in cases where, in the opinion of the Development Bank, the provision of the finance is desirable and the finance would not otherwise be available on reasonable and suitable terms and conditions; and

- (b) to provide advice and assistance with a view to promoting the efficient organisation and conduct of primary production or of industrial undertakings.

Section 73—

- (1) In determining whether or not finance shall be provided for a person, the Development Bank shall have regard primarily to the prospects of the operations of that person becoming, or continuing to be, successful and shall not necessarily have regard to the value of the security available in respect of that finance.
- (2) The Development Bank shall not provide finance for a person to enable that person to acquire goods for use otherwise than in the course of his business."

(Note — the term "persons" includes incorporated and unincorporated enterprises.)

TERM LOANS**Primary Production**

2. The Development Bank provides loans for fishing, mining, forestry and all forms of rural activity.
3. In relation to rural activities, the Bank considers applications for finance for:
 - Farm development such as clearing, fencing, irrigation, water conservation, pasture improvement, provision of stock, the erection of farm buildings (including dwellings) where these are necessary for the efficient working of a property and the acquisition of additional plant.
 - The purchase of property for farm development or to enable a farmer with a marginally economic holding to build up his area to the extent reasonably required for economic operation in the longer term.
 - The purchase of farm properties in other circumstances considered appropriate.
 - The holding together of a farming enterprise upon the death of a farm proprietor.
 - Repayment of unsuitably short-term private mortgage debt and similar obligations.

The Bank normally expects applicants for rural loans to be actually or prospectively engaged in rural production as a principal activity.

4. In relation to loans in the fields of fishing, mining and forestry, it is the normal expectation of the Bank that the finance it provides will lead to increased production or improved efficiency in the industry concerned.

Industrial Undertakings

5. The words "industrial undertakings" are interpreted by the Development Bank as applying in the main to enterprises directly engaged in the production of goods, industrial processing, industrial transportation and industrial storage. In considering the acceptability of proposals from enterprises engaged in other activities of an industrial character, the Bank pays particular regard to the industrial significance of the activities concerned.
6. The Bank is particularly concerned with assisting smaller undertakings and expects that the finance it provides to industrial enterprises will lead to increased production or improved productivity. Except in special circumstances, the Bank does not approve loans which merely involve change of ownership of assets or the taking over of debt from another lender.

General

7. All applications for finance are required to conform to the advance policy (if any) laid down by the Reserve Bank of Australia from time to time.
8. It is necessary for prospective borrowers to establish to the satisfaction of the Development Bank that the finance sought is not otherwise available on reasonable and suitable terms and conditions.
9. No maximum amount has been set for loans but, because of the nature of the Bank's functions, loans are rarely approved for an amount in excess of \$200,000 for any one borrower. In the absence of exceptional circumstances, applicants are expected to have a reasonable equity in their undertakings.
10. Efficiency, managerial capacity and integrity of the applicant, as well as prospects of the industry in which the applicant is engaged or intends to become engaged, are important considerations in the assessment of proposals.
11. Within the above broad outlines, an over-riding consideration in determining the administrative policy of the Development Bank is the need to ensure that the funds it has available for lending from time to time are applied towards those proposals which have the more important developmental and economic features.

Method of Lending and Repayment Arrangements

12. Finance is usually made available by way of medium to long term loan repayable over a period suited to the circumstances of each individual borrower.
13. Repayment is usually required by half-yearly instalments of equal amount covering principal and interest or, alternatively, of equal amounts of principal, plus interest. Where a new enterprise is involved, or in other appropriate cases, the first instalment date is a matter for special consideration.
14. Progressive loans which may be drawn over a reasonable period are provided where appropriate.

Security

15. No specific lending margins against particular types of security are set and each case is considered on its merits. The Bank seeks, however, the best security available up to the point where it is reasonably secured for the assistance it provides.

Interest Rates

16. Interest rates on loans are determined according to the purpose/s for which funds are provided and the circumstances of the borrower. Rates are within the maximum rate for terms from the commercial banking system as determined from time to time by the Reserve Bank of Australia.

Application Fees

17. A fee of \$20 is payable on lodgment of an application for a loan. If the application after consideration is declined without investigation, this fee is refunded; if approved, it is applied towards meeting the fee payable by the borrower in respect of establishing the relative loan.

Lodgment of Applications

18. Applications for loans are received at branches of the Commonwealth Development Bank, the Commonwealth Trading Bank, or the Commonwealth Savings Bank. In addition, as the respective banks have been appointed agents of the major private trading banks, the Rural Bank of New South Wales, The Rural & Industries Bank of Western Australia, The State Bank of South Australia and The State Savings Bank of Victoria.

EQUIPMENT FINANCE

19. In suitable cases, the Development Bank provides finance under hire purchase or other appropriate instalment payment arrangements for the acquisition of producer goods such as machine tools, factory equipment, industrial and farm tractors, agricultural equipment and transport vehicles other than passenger motor cars. The maximum available term under such arrangements depends on the type of goods financed.
20. The frequency of instalments on equipment finance is determined according to the income pattern of the person being financed.
21. The basic financing charge for new goods (as at 1st September, 1973) is 5.25% p.a. flat. Rates are subject to variation from time to time.
22. Applications for equipment finance are received at branches of the Commonwealth Development Bank, the Commonwealth Savings Bank or the Commonwealth Trading Bank.

FEWER SMALL HERDS

The continuing reduction in the number of dairyfarmers in the Adelaide milk producing area is tending towards a consolidation of owner-operator farms carrying 30 to 50 milking cows, with a marked decline in the number of farms carrying less than 30 cows. The relationship between the size of the milking herd and the number of dairy farms licensed by the Metropolitan Milk Board at the end of the last two financial years is shown hereunder:

Herd Size (excluding heifers)	30/6/72	30/6/73	Herd Size (excluding heifers)	30/6/72	30/6/73
1—10	46	34	71—80	122	119
10—20	147	110	81—90	72	83
21—30	218	177	91—100	51	46
31—40	258	250	101—150	78	84
41—50	241	221	151—200	19	16
51—60	199	189	Over 200	4	6
61—70	195	181	Not stated	16	10
Total	362	364	Total	1,304	1,162
Grand Total:	30/6/72	1,666	—	30/6/73	1,526

MILKY WAY

Each week a youngster would bring home from Sunday School an illustrated card that dramatised one of the Ten Commandments. The first week the card depicted people worshipping at church. Another week to illustrate the precept "Thou shalt not kill", the picture showed Cain the act of slaying Abel.

"I waited with considerable alarm for the seventh week," reports the child's father. But fortunately tact and delicacy prevailed. Under the caption 'Thou shalt not commit adultery' was a picture of a dairyman lereing villianously as he poured a huge bucket of water into a can of milk!"

—"Reader's Digest"

REMOVAL OF CHEESE-DUMPING DUTIES

Early in September the Minister for Customs and Excise, Senator Murphy, under the powers vested in him by the Customs Tariff (Dumping and Subsidies) Act, which do not require him to refer the matter to the Tariff Board, revoked the anti-dumping duties which had been imposed on imported non-cheddar cheese in 1970.

Sharp protests were sent, in the form of telegrams, by both the Secretary of the Australian Dairy Farmers' Federation, Mr. Athol Baird, and the Secretary of the Cheese Manufacturers' Federation, Mr. Martin Treney, to Senator Murphy.

In a letter confirming his telegram Mr. Treney explained the reasons which led to the protest.

"It was with deep concern that we learned from press reports of the decision to terminate anti-dumping duties on imported non-cheddar cheese.

As you will be aware, the anti-dumping duties were imposed following an open enquiry by the Tariff Board at which all parties concerned gave evidence. The finding of the Tariff Board was in effect that dumping was taking place and the Australian Cheese Industry was being adversely affected as a result.

It is therefore, in our view, completely inequitable that, within a period of three years of proving our case and without any opportunity of discussing our situation with you, an arbitrary decision is made to reverse the finding of the Tariff Board.

This in itself is sufficiently disturbing but it becomes even more so when, on examination of the statement to the press, it appears that the Government has been misinformed as to the likely result which will follow the decision.

Firstly we do not agree that circumstances have changed completely since September, 1970. There have been some changes certainly but surely these are the type of developments which were to be expected when our industry ceased to be subject to unfair competition from outside sources.

Looking at the position that obtained then and as it is now, imports of cheese have increased to higher level (1972/73 was the highest total on record) while Australian manufacture has also developed steadily, as was the forecast in our submission to the Tariff Board at its Inquiry in 1970.

It is to be borne in mind that the manufacture and marketing of non-cheddar varieties of cheese just cannot be accomplished in a short space of time. However, it can be justly claimed that during the intervening three years, our manufacturers have responded to the establishment of fair competition by lifting production and providing a variety of quality products which, by reason of increased sales, obviously meet with acceptance by the consuming public. Nevertheless there is still room for substantial expansion of output in our factories making non-cheddar varieties.

As part of an industry policy, efforts have been made by the Australian Cheese Industry to support the fancy cheese manufacturer. A special allowance of 3 cents per lb. to meet higher costs and promotion is made in Equalisation to manufacturers of approved types of cheese other than cheddar. The Advertising and Promotion Section of the Australian Dairy Produce Board has organised an Australian Cheese Carnival annually and has regularly planned promotions for Australian cheese in order to promote sales. Unavoidably, of course, some of the publicity rubs off on to the imported cheese but that cannot be avoided.

It is mentioned that prices generally are high. This is, of course, a relative term and when consideration is given to the competition which must be met by a non-cheddar manufacturer both in regard to milk supplies for his factory and imported cheese, and the hazards associated with the making of such types of product, the returns are by no means out of line with today's general level.

With regard to the competition which is desired to foster, this already present and the decision to remove dumping duties will not alter the position in that regard. The retail prices for imported cheeses are already established and, as sales are continuing to grow at that price level, those prices will almost certainly not be reduced. A reduction in the landed cost of the imports will provide, therefore, a greater profit margin for the importer and re-seller which, in turn, will give greater incentive to pushing the imported varieties at consumer purchasing level as against the Australian product. This, in effect, will be a reversion to the pre-September, 1970 position which we strived for years to overcome.

Your statement also refers to Government policy to attack inflation. Naturally our Industry, like all other sections of the community, is concerned with inflation but it must be admitted that it is extremely difficult to imagine that the lifting of dumping duties on imports of non-cheddar cheese is going to make any noticeable impression on the general economy, but it will certainly affect our own Australian factories with loss of turnover and consequent higher costs per unit of production.

In looking at the situation of our Industry, it is worthy of note that overseas countries are allowed to ship in as much cheese as they can sell in Australia subject only to a very nominal rate of tariff duty. Presumably the previous rate of 5 cents - 6 cents per lb. was cut by 25% making it 3.75 cents - 4.5 cents per lb. which, at today's price levels, virtually means duty free. On the other hand, practically every country which exports cheese to Australia has tariff barriers or other effected devices which make it impossible for us to sell any Australian cheese in their home markets.

In the light of the foregoing, we feel that you will appreciate our concern. All we are asking for really is the maintenance of fair trading practices which were established after an open inquiry with equal opportunity for all involved.

We will be prepared to supplement our statements with personal representations should you deem such to be desirable but, meanwhile, we sincerely trust that further deep consideration will be given to the continuation of anti-dumping action against unfairly priced non-cheddar cheese imports."

So far no reply has been received from Senator Murphy, but the Secretary of the Caucus Primary Industry Committee, Mr. R. Whan, advised, in a telegram dated September 12, 1973 that the Committee "shares your concern in regard to the lifting of anti-dumping duties on imports of non-cheddar cheese stop the Committee has made urgent representations to the Minister for Customs and Excise for a review of this decision."

THE MAY-DAY COW PLANNER

Offer Wanted for Damaged Unit

Considerable interest has been shown by dairyfarmers in the spectacular "Cow Planner" displayed in the Association's office, and described in an earlier issue of this Journal.

The "Cow Planner", which is made in England by Mayday Agricultural Services, is a sophisticated version of the circular breeding calendar recommended by the Department of Agriculture, and is calibrated in a manner which, with the aid of distinctive colored sections, enables the progress of each cow in the herd to be kept constantly under scrutiny.

Because of the high quality of the product and the material of which it is made the price of the "Cow Planner" may be regarded as relatively high, the list price being \$80.

However, one of a consignment of 4 "Planners" recently received is damaged in that the white background has blistered over an area of a few square inches, and, rather than go to the trouble of returning the instrument to England the Australian agent has instructed us to call for offers for its purchase in an "as is" condition.

The "Planner" may be inspected at the Association's office.

"FEDERATION LIFE" DOUBLES BUSINESS

Federation Insurance Limited, the Association's approved insurance company, have released a statement concerning results of their Life Company as follows:—

"Federation Manufacturers Life Assurance Company of Australasia Limited has announced that for the financial year which ended on 30th June last, record new business amounting to \$53 million in new sums assured was written. This is an increase of over 100% on the previous year.

Business now in force exceeds \$136 million whilst gross premium revenue increased from \$1.45 million to \$2 million. Policyholders will be gratified to learn that the Directors have also increased the rates of bonus for permanent business by \$2.50 per one thousand dollars of sum assured.

The Chairman of Directors has also commented that the results to date are most encouraging and that the future for this young Company looks particularly promising."

MILK AND CREAM QUALITY

Possibly in a new country nothing is quite as good as its equivalent "back home", and criticism is often made of the range and quality of dairy products available in South Australia in comparison with those in England where, as we are told, several grades of milk and cream are always readily available.

But it is always helpful to have the facts, just in case we have the opportunity for refutation, and the following letter, written by the Metropolitan Milk Board's Public Relations Officer (Mr. David Barratt) in reply to a letter of complaint to the Adelaide "News" provides information that will be of interest, and may be of value to our readers in an argument.

"OUR MILK IS TOP GRADE"

Sir,—I writeregarding statements made by F. A. Barker (The News 25.7.73).

The claim that A grade milk is unknown here is correct — it is now also unknown in England. Grade A was TB tested milk labelled as such during World War II.

English silver top standard milk is identical to our bottle milk and the English red top milk is identical with our homogenised milk in cartons.

Their gold top Channel Island milk has a higher cream content and is consequently dearer. Consumer demand is however so low for this product that it is being withdrawn from sale in an increasing number of areas.

Pure rich South Australian cream is identical with the English double cream, the top pure product now marketed. Rich pure South Australian cream is available from many milk vendors as well as most delicatessens and supermarkets.

Despite the extremes of our climate South Australia has good reason, on world standards, to be proud of the high quality of its milk and cream.

POSITION WANTED IN VACATION

by Final Year Agricultural Science student, aged 21. Telephone West 43 6398, or this office 51 3034.

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PRICES & STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
June	3,658	3,954	121.9	131.8	57,631	54,523
July	3,717	4,423	119.9	142.7	56,817	55,229

MILK SALES (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
June	1,885	1,870	62.8	62.3	22,131	22,707
July	1,907	1,927	61.5	62.2	22,178	22,727

(NOTE—Statistics of Production and Milk Sales for April and May 1973 were transposed in the May/June issue of this Journal)

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only, and subject to retrospective adjustment.)

1973	Basic (cents per lb. butterfat)	C.M.B.	Total*	3.5% 4% 4.5% 5% (cents per gallon at above test)			
				June	46.09	27.87	73.96	26.71	30.53	34.35	38.16
July	44.29	27.11	73.20	26.44	30.22	33.99	37.77

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		Total Price *	
	1972	1973	1972	1973	1972	1973
June	51.5	47.3	38.4	41.6	76.09	73.96
July	51.3	43.6	39.0	41.2	75.55	71.40

* Interim only, subject to retrospective increase

AUSTRALIA

TOTAL MILK PRODUCED (million gallons)

Twelve months ended JUNE

	N.S.W.	Vic	Qld.	S.A.	W.A.	Tas.	Aust.
1969-70*	310.9	886.1	191.4	106.2	55.9	103.2	1654.8
1970-71	272.2	893.5	169.5	103.3	56.3	98.9	1594.6
1971-72	265.3	874.2	167.3	101.6	58.4	100.9	1568.4
1972-73	263.6	891.7	161.6	93.6	55.9	93.9	1561.1

* Peak year for total Australian production, also S.A. and Tas.

PRODUCTION OF FACTORY BUTTER (million pounds)

1970-71	46.9	299.5	41.4	14.6	12.0	33.7	448.0
1971-72	42.6	287.8	40.1	14.1	13.2	33.8	431.6
1972-73	38.7	282.3	35.0	11.4	11.8	28.5	407.6

PRODUCTION OF FACTORY CHEESE (million pounds)

1970-71	17.0	78.9	16.9	41.7	4.2	12.2	171.0
1971-72	16.4	82.2	18.1	40.7	4.2	13.0	174.6
1972-73	20.4	108.0	19.3	38.2	4.1	16.0	206.0

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THE SOUTH AUSTRALIAN

DAIRYMEN'S . . .

*Journal**The Official Publication of the**Published Bi-monthly*

Vol. 13 No. 2

Adelaide, SEPTEMBER/OCTOBER, 1973

LOW THERMODURIC COUNT MILK

The number of enquiries received concerning the article in the July-August issue of the Journal on how a Queensland dairy farmer solved the problem of high thermoduric count milk indicates a wide-spread interest in the process described and, perhaps, a desire to experiment.

The article was reprinted entirely from the Victorian paper "The G & N Cooperator" and we do not accept responsibility for the apparent error in the description of the composition of the cleaning substance used. The composition of the product "Hysan" was stated to include "ammonium chloride"; it is almost certain that "quaternary ammonium" was intended.

It appears that the product "Hysan" is not available in South Australia, but it is probable that its formulation closely resembles that of other quaternary ammonium compounds which are readily available in this State, and intended for dairy farm use.

Experience has, however, indicated that milk which is grossly contaminated with quaternary ammonium can cause considerable trouble in cheese factories, by preventing "starter" activity, and the use of such products is not always regarded favourably by dairy factory managers.

We strongly recommend that any dairy farmer who considers using a quaternary ammonium compound in his sanitizing program discuss the desirability of this action with his Milk Board or Department of Agriculture adviser.

PRICE

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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



Published by
**THE SOUTH AUSTRALIAN DAIRYMEN'S ASSOCIATION
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A TESTING TIME FOR AUSTRALIAN DAIRYING

ANNUAL REPORT OF THE PRESIDENT OF AUSTRALIAN DAIRY FARMERS' FEDERATION

Events in the Australian dairy industry have, in the past year, moved so rapidly and, at times, so unexpectedly, that any review of the immediate past and any assessment of the current position and tend to be out of date almost before they are made.

Nevertheless the 1973 Annual Report of the President of the Australian Dairy Farmers' Federation (Mr. H. A. Stone, O.B.E.), presented to the Annual Meeting of the Federation's Council, in Melbourne, on October 29 and 30, presents a clear exposition of the activities of the Federation and of the Australian Dairy Industry Council during the past year, and reflects the trends which are taking place within the industry.

From an economic point of view, 1973 has been one of the most difficult years ever experienced by Australian dairy farmers. They have had to cope with inflationary conditions and economic pressures to a greater extent than at any time since the 1930's and, because of changes in Government policy many of them are uncertain of their future prospects in the industry.

During a period of escalating costs, dairy farmers' incomes have been reduced by the cut in Commonwealth bounty and by Australian and overseas currency adjustments. In addition, increased table margarine quotas, the lifting of anti-dumping duties on imported cheese, the loss of taxation concessions, increased telephone and postal charges, and higher interest rates, will all have long-term adverse effects on the economy of dairy production.

While we anticipated that there would be a review of established rural industry policies following the change of Government in December last, few, if any of us expected that the resultant policy changes would be so devastating in effect or so sudden.

DAIRY STABILISATION AND BOUNTY

Dairy Farming is essentially a long-term industry and, to be efficient, milk production must be planned over a period — it cannot be turned off and on at short notice. For this reason, each dairy stabilisation plan, including the first one introduced by the Chifley Government in 1947, has covered a period of five years. **When the current plan, which commenced on July 1, 1972, was negotiated, the Government gave an assurance that the minimum amount of bounty to be made available each year of the plan for payment on butter and cheese production would be \$27 million.**

This assurance was accepted by dairy farmers in good faith, and it was taken into account by them when they were planning the economy of their farms for the five year period. All of them believed that, if this policy was to be changed, they would be given adequate warning to enable them to adjust farm production patterns and farm economies. However, this was not the position, and Senator Wriedt's press announcement on July 23 last was the first official indication dairy farmers had of a change in the agreed stabilisation arrangements. In this statement butter and cheese producers were told that instead of an amount of \$27 million for 1973-74, they would receive \$18 million only.

The \$9 million bounty reduction meant a **loss of income of about \$300 to every farmer producing 15,000 lbs. of butterfat**, which was the average production of farms in the manufacturing sector of the B.A.E. 1967-1970 dairy survey. Although the incomes of all butter and cheese producers will be less because of the Government's action, there are many dairy farmers who will be able to absorb the loss within the economy of their farms without suffering severe economic problems. This is mainly because of the present relatively higher values for milk proteins. There are, however, many more producers who will not be able to absorb the loss of income without hardship.

With the decision by the Government to phase-out bounty over a two year period, it is perhaps worth stating once again that **the introduction of bounty was opposed by the Federation**. By resolution at a meeting on October 16, 1942, the Federation — "registered its keen disappointment at the Federal Government's decision to meet the needs of the dairy industry by instituting a subsidy in lieu of a price increase as sought". The minutes of this meeting also recorded that the representatives of every State expressed grave concern with regard to the Government's action. Despite the Federation's opposition, **bounty was introduced at that time as a consumers' subsidy**.

The greatest concern at the present Government's decision to discontinue bounty is that the change from a policy of an assured minimum annual amount to an immediate reduction was made without giving dairy farmers — the people directly concerned — any time to adjust their farm production pattern to the new policy. It was, in fact, a retrospective decision as the reduction applied from July 1, but the decision to make the reduction was not announced until July 23.

RECONSTRUCTION — HOW & WHERE?

The decision to place **greater emphasis on industry reconstruction** and to make more money available for this purpose, will no doubt assist some producers, provided it is not a matter of "too little — too late". However, this will be of long-term benefit only, and it is unlikely to provide the immediate relief needed by dairy farmers who are not in a position to absorb the loss of income brought about by the bounty reduction. These producers need special assistance and more time to make the adjustments necessary for them to continue in the industry.

In his letter advising the industry of the bounty decision, Senator Wriedt said that it was the Government's view that, in the longer term the decision must be in the best interests of the dairy industry. This may be correct but, in the short term, because of the immediate reduction in income and the shortness of the phasing-out period, the economy of many dairy farms and the standard of living of many dairy farmers, will be seriously effected.

DAIRY PRODUCTS ENTITLEMENT PLAN AND REVIEW OF EQUALISATION ARRANGEMENTS

During the year, members of the Federation and the A.D.I.C. have been involved in a lot of work and effort on industry proposals under the headings "**Dairy Products Entitlement Plan**" and "**A Review of the Operations of the Equalisation Plan.**"

In October 1972, the Australian Agricultural Council (A.A.C.) agreed, in principle, to proposals for a production control scheme for the manufacturing section of the dairy industry. The A.A.C.'s proposals were a **modification of the**

two price quota scheme advanced by the A.D.I.C. and the alternative plan put forward by Victoria. The A.A.C. proposals were submitted to industry organisations for consideration and an expressions of views.

The A.D.I.C. prepared comments on the A.A.C.'s proposals and also prepared basic proposals for a "Dairy Products Entitlement Plan". These were adopted, at a meeting of State representatives of producers and factories, and members of the A.D.I.C., in December 1972. This meeting also carried a resolution expressing the opinion that **action should be taken to modify existing equalisation arrangements to minimise the erosion of returns to producers by an expansion of production in some areas.**

At its meeting in February 1973, the A.A.C. decided to ask the industry to indicate how the proposed entitlement plan would operate, and to answer a number of questions relating to the operation of the plan.

The A.D.I.C. prepared answers to the Agricultural Council's questions which were adopted by a majority decision at a meeting of State representatives of producers and manufacturers, and A.D.I.C. members, in Adelaide in May 1973. These answers were submitted for consideration by the A.A.C. at its meeting in August last.

On August 2 a meeting in Sydney of dairy industry personnel and A.D.I.C. members, carried a resolution recommending to the A.D.I.C. that the A.A.C. be advised again of dairy industry support for the Dairy Products Entitlement Plan. The A.D.I.C. agreed to do this. However, the A.A.C. decided that it would be premature to continue at this stage with examination of the Entitlement Plan.

In a letter dated August 22, 1973, to the A.D.I.C., Senator Wriedt said:—

"I am writing to let you know the outcome of the Australian Agricultural Council's consideration, at its August meeting, of the Dairy Products Entitlement Plan.

During its discussions the Council took into account the industry's view that **production control was not immediately necessary or advisable and that the Plan was advanced as a method of modifying equalisation.** It noted also your indication that the Plan, as presented, was based on the assumption of continuing Australian Government bounty at then existing levels.

The Australian Agricultural Council was also aware that the Australian Dairy Industry Council had, immediately before the Australian Agricultural Council meeting, initiated two separate studies — first, of the position of the industry in the light of a possible price increase, the loss of the UK market, and the withdrawal of bounty; and second, of possible variations in existing equalisation arrangements with a view to **securing a viable industry in each State**

Because of these developments there was a feeling that it would be premature to continue at this stage with examination of the Entitlement Plan. Ministers expressed considerable interest in the investigations proposed by the A.D.I.C., particularly in the equalisation study, and their outcome would clearly be relevant to future consideration of an Entitlement Plan by the Council.

For this reason and because of my overall interest in the dairy industry I would be pleased if you were able to advise me in due course of the A.D.I.C.'s conclusions on these two matters."

MODIFICATION OF EQUALISATION

One of the objectives (if not the main objective) of the industry's "Two-Price Quota Scheme" and "Dairy Products Entitlement Plan" was to **modify the equalisation arrangements in a way that would help to overcome the problem of the erosion of returns to producers in areas where production had decreased, because of increased production in other areas.** While the erosion of returns under such circumstances is one of the few disadvantages of the equalisation scheme, it has only become a major problem during recent years. The changes in the relative production levels between States (particularly the upsurge in butter production in Victoria and Tasmania) has brought pressures on the equalisation scheme

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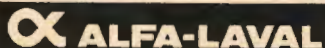
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- The preparation of **comments on the Agricultural Council's proposals for a production control scheme** for the manufacturing section of the industry, and the preparation of basic proposals for a **"Dairy Products Entitlement Plan"**. The convening of meetings of State representatives of producers and manufacturers and A.D.I.C. members to consider the proposals, and the submission of the proposals adopted at the industry meetings to the Agricultural Council.
- The appointment of an A.D.I.C. Committee to **review the operations of the Commonwealth dairy produce equalisation plan**. This Committee is expected to submit a progress report to the Council meeting early in November.
- The preparation of a submission to Sir John Crawford in relation to **the Government's proposal to establish a Protection Commission** which would be responsible for providing advice on assistance to both primary and secondary industry and discussion with Sir John Crawford on the Council's submission. The "Industries Assistance Commission Bill 1973" which was introduced into the Federal Parliament on September 27, 1973, was based on Sir John Crawford's report.
- Advice covering **the allocation of Commonwealth bounty between butter and cheese**.
- Representatives in relation to proposals for the introduction of a **butterfat-vegetable oil blend**, and the preparation of guidelines for the manufacture and sale of such blends, for consideration by the Australian Agricultural Council.
- The appointment of a Committee to consider **the overall marketing situation in relation to dairy products at the national level**. This Committee will be submitting a progress report to the November meeting of the Council.
- Representations to the Australian Government following the decision to discontinue **anti-dumping duties on certain cheese imports**.
- The administration of the **Butter Industry Fighting Fund** and general supervision of the **Butter Sales Marketing Allowance scheme**.
- Representation on the expert Committee considering **the basis of payment for milk for manufacture**.

BASIS OF PAYMENT FOR MILK

In December 1972, industry organisations were invited to forward their comments on the report of the Basis of Payment for Milk for Manufacture Committee to the Committee before March 31, 1973.

In its report dated September 1972, the Committee recommended that **the basis of payment for milk for manufacturing purposes be made up of two components, one for the weight of fat and one for the weight of protein**.

At its February 1973 meeting the Federation Council decided to ask the Committee to extend the time for receipt of comments. This was granted, and in May the Federation Council carried the following resolution:—

"That the implementation of the Committee's recommendation in relation to the basis of payment for milk be deferred until July 1975 and that, in the meantime, factories be encouraged to test for protein as well as for butterfat, and make the results of the tests available to suppliers."

The A.D.I.C. also considered the Committee's request for comments in May, and decided to recommend **the implementation of a "protein improvement programme"** for a trial period to evaluate its effects before deciding upon the use of protein as a basis for payment, as **the cost to the industry of the implementation of the Committee's recommendation would appear to far outweigh the foreseeable advantages**.

The Secretary of the Committee advised that the Federation's comments would be examined by the Committee and considered at the earliest practicable meeting of the Standing Committee on Agriculture.

BUTTERFAT-VEGETABLE OIL BLENDS

In 1970, with the long term object of increasing local sales of butterfat and meeting a possible future demand by consumers for new types of dairy spread, a research project designed to develop an acceptable "spread" consisting of a blend of butterfat and vegetable oils was sponsored by the industry under the dairy research programme.

Good progress has been made on this research which was carried out at the South Australian Department of Agriculture's Research Centre at Northfield.

The South Australian Government indicated interest in the blend and decided, as part of its rural policy for the State election early in the year, to remove the legislative restrictions on the production of such a product, and to seek the co-operation of members of the Australian Agricultural Council.

At its July meeting the A.D.F.F. Council decided to support in principle the introduction of a butterfat-vegetable oil spread.

The A.D.I.C. meeting on August 2 gave the proposal qualified support, and carried the following resolution:—

"That, in the view of the fact that a butterfat-vegetable oil blend has been developed as a special research project initiated by dairy farmers and financed under the dairy research programme, and in view of the vital interest of the Australian Dairy Industry Council in maximising returns to dairy farmers through the sale of butterfat, the Australian Agricultural Council be asked to confer with the A.D.I.C. in relation to dairy industry control, and the necessary guidelines covering the manufacture and marketing of such product, before action is taken by any State to introduce any form of butterfat-vegetable oil blend."

On August 6 1973, the Agricultural Council accepted, in principle, the manufacturing and marketing of a blended spread containing milk fat and vegetable oil. Senator Wriedt said, after the meeting, that the matter would be discussed at the next meeting of the A.A.C. when a detailed report on the spread would be examined by State and Commonwealth Ministers.

At a meeting on October 11, the A.D.I.C. adopted guidelines for the manufacture and sale of a spread containing a blend of butterfat and vegetable oils. These guidelines have been forwarded to State Ministers of Agriculture and the Commonwealth Minister for Primary Industry for consideration prior to the A.A.C. meeting early in November.

The Australian and South Australian Governments are applying for patent rights covering the blend developed at Northfield. It is understood that, if this is granted, the Australian Dairy Produce Board will be responsible for licensing production.

SUBSTITUTES

On February 6 1973, the Australian Agricultural Council agreed to increase the national table margarine quota by about 6,000 tons to 22,000 tons.

The split-up of the 22,000 tons among the States was:—

New South Wales — 10,000 tons; Victoria — 3,400 tons;

Queensland — 5,100 tons; South Australia — 700 tons;

Western Australia — 1,400 tons and Tasmania — 600 tons.

In May the Agricultural Council ratified a 300 tons table margarine quota for the Australian Capital Territory. The Council agreed that the quota would be included as part of the total Australian quota which, as a result, would rise from 22,150 to 22,450 tons. The minister for the Capital Territory at the time, Mr. Enderby, gave an assurance to the A.A.C. that the A.C.T. quota would not be increased without prior discussion within the Council, in accordance with long standing practice.

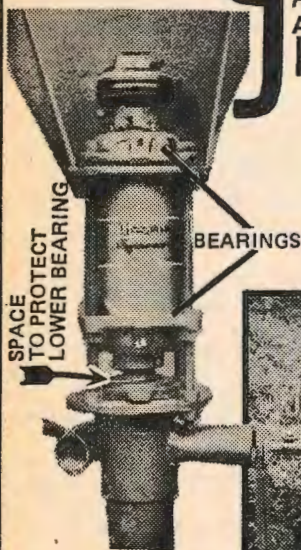
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REASONS WHY

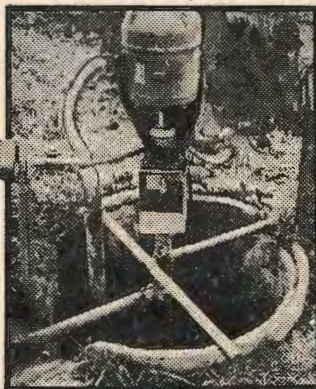
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Following the A.A.C. meeting on August 6 1973, the Minister for Primary Industry, Senator K. S. Wriedt, said that the Council had decided **not to take any action to further relax table margarine production quotas** at that stage. He said that margarine quotas would be discussed again at the February 1974 meeting and that, in the meantime, the effect of the new quotas introduced in February would be evaluated.

AUSTRALIAN DAIRY PRODUCE BOARD

As agreed with the Minister at the time of my reappointment as a member of the Board on July, 1, 1972, I resigned as a Board member representing the dairy farmers of Australia on June 30, 1973. Mr. R. G. Murdock was recently appointed by the Minister to fill the vacancy.

Following the death of Mr. D. W. Gray in November 1972, Mr. J. G. Spinkston was appointed as a representative of Co-operative Butter and Cheese Factories.

With the loss of the United Kingdom market following the entry of the U.K. into the E.E.C., the Board has given much greater emphasis than in the past to dairy product marketing and market development. From the industry's point of view export quality has now assumed greater importance, as the quality standards required for many of the alternative, and possible alternative, markets, are higher than those previously required for exports to the U.K.

The market for butter and cheese which the Board has developed in Japan depends almost entirely upon the availability of adequate supplies of suitable quality products. This applies also to some other alternative export markets, particularly Canada and U.S.A., which are both showing increasing interest in Australian dairy products.

In his 1973 Annual Report the Chairman of the Board, Mr. A. P. Beatty, stated that— "It is believed that the U.S.A. market development has arisen from a persistent declining tendency in their milk production in the face of rapidly rising food prices. While the Canadian butter development has arisen from intermittent weather, influenced shortages, the trend in Canadian milk production under their production quota arrangements nevertheless appears to be running along a similar line to the U.S.A., which could point to future opportunities for Australian butter in Canada."

Mr. Beatty also said in his report that the Board's overseas milk recombining plants, which play vital nutritional and employment roles in developing countries, have faced serious cost problems during the year. "However, these have been slightly alleviated by retail price increases and duty reductions. As their uptake of skim milk powder has increased, their cost squeeze has been reflected in their reduced purchases of butterfat. However, with rising vegetable oil prices, a swing back to butterfat may be possible in the future."

Some problems arose, for a short period during the year under review, in relation to the quantity of butter available to meet the Australian market and also supply available export markets. The problems were overcome, however, with the development by the Board of its supply management function on behalf of the industry.

With the assistance of the Australian Government, on its own behalf, and, in some cases, in association with exporters, the Board has continued to promote the sale of Australian dairy products in overseas markets. In Australia the industry's promotion programmes have been designed to create the greatest possible consumer impact through co-ordinated media and provide commodity umbrella promotion support to brand promotions.

You will remember that, at a meeting in December last year, the A.D.F.F. decided to recommend to the Minister for Primary Industry that early action be taken to amend the Dairy Produce Export Control Act, to give the Board authority to market Australian dairy products on the Japanese market, along similar lines to the authority the Board held to market dairy products in the United Kingdom.



Simple

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In his reply, the Minister said that he understood that the Board had sought the views of other interested dairy industry organisations, and that a delegation of Board members would be visiting Japan early in February to review the present marketing arrangements in that country. He said that the Government would need to consider the matter in the light of the views expressed by the various organisations concerned.

RESEARCH

The most significant change in the 1973-74 dairy research programme is the increased emphasis being given to studies relating to the marketing of dairy products. This is in line with long-standing A.D.F.F. policy.

In addition to current work on householder purchasing habits and consumer attitudes, new investigations are to be undertaken into domestic opportunities for the local marketing of cheese, the industrial uses for butter, and into stimulating fresh outlets for milk and milk products.

Allocations in the main categories for the 1973-74 programme were:—

Manufacturing	.....	.....	.....	.....	\$334,662
Farm	.....	.....	.....	.....	326,767
Marketing	.....	.....	.....	.....	140,696
Administration	.....	.....	.....	.....	47,993
Education	.....	.....	.....	.....	50,000
Miscellaneous	.....	.....	.....	.....	37,265
					<hr/>
					\$937,383
					<hr/>

Two new projects recommended by the Federation have been included this year. They are a "Cheese Householder Consumption Analysis" and research into the "Industrial Market for Butter".

In addition to research into the socio-economic aspects of cheese consumption, the cheese project will explore ways for the Australian cheese industry to promote its product more effectively.

The areas for investigation for the study include:—

- the relationship between current levels, forms, awareness and effectiveness of promotion to the current level of cheese consumption (level of cheese consumption to be related to area, season, type, type of use, type of household — i.e. income, size, age, education, occupation, ethnic origin);
- how cheese perceived in household/housewife e.g. as: food, source of nutrition, taste, substitute for meat, (for cooking, for children, for entertaining, etc.)
- factors (including market influences) changing consumer attitudes, opinions, and behaviour to cheese.

The information obtained in this section of the cheese research programme could be invaluable to the A.D.F.F. when considering the question of producers contributing to cheese promotion.

CONCLUSION

On behalf of the Federation, I extend appreciation to Federal and State Ministers, Departmental Officers, members and officers of industry organisations and others, for the courtesy and consideration shown to the Federation throughout the year.

Finally I record my thanks to members of the Executive, all members of the Federation Council, and the Secretary for their assistance to me in our work on behalf of dairy farmers.

H. A. STONE,
President.

CENTRAL COUNCIL MEETING

Extracts from Minutes of 11th September, 1973.

HERD TESTING FEES

At the Central Council Meeting of 31.5.73 it had been resolved "that a letter be written to Mr. Camac and Mr. Goodrich, being the Association's representatives on the Dairy Cattle Improvement Committee, asking them to seek increased financial support from the State Government to replace that previously provided by the Federal Government, asking them, when so doing, to draw the attention of the Committee to the aspects of the Herd Testing Scheme which are to the benefit of other than the dairyfarmers using the Scheme, in particularly higher dairy productivity, and rural employment, and to inform the Committee of the insecurity which is being felt by the Herd Testers in view of proposed changes, and to report to the Central Council on the matter".

Mr. Camac, replying on behalf of the Association's two nominees, stated that, in his opinion, major changes, and increased costs, would be encountered during the next two years, and it was perhaps premature to discuss them at this stage.

Mr. Goodrich, the Association's other nominee, stated that the Committee was aware that costs could be reduced by using other techniques, such as the a.m./p.m. method, which would, in addition, allow twice as many herds to be tested, with results having an accuracy no less than that obtainable under the present method, with advantages to the dairyfarmer in the less frequent upset caused to the milking routine.

A Central Testing Station would also provide an advantage where there was a concentration of dairy herds, allowing the testing of butterfat, s.n.f. and proteins, mastitis control, contagious abortion and bovine t.b. diagnosis, with a staff as few as 4 doing many times the number of tests, and at a faster rate, than at present, eliminating the need for herd recorders to test milk, leaving only the sampling and dispatch to be done in the field.

Although concern was constantly being expressed about increasing costs of herd testing, the potential savings from mastitis control, which was closely linked with herd recording, would far outweigh the costs of herd recording if the two activities were linked through central testing.

BULL LICENSING

Legislation recently passed by the State Government imposes a fee \$4 per year for bulls used as dairy herd sires, the presumed intention being that the money so raised should go toward the overall costs of herd recording.

Following a request from the Mt. Barker District, "that the Association seek the revocation of the bull licensing provision in the Dairy Cattle Improvement Act", it being the opinion of the Mt. Barker District that the costs of herd recording, other than those met by State and Commonwealth Governments, should be borne directly by the farmers participating, the Executive Committee had resolved that the Association seek the revocation of the bull licensing provision in the Dairy Cattle Improvement Act.

Mr. Camac stated that the Association was not alone in holding this opinion; several other organisations, including Breed Societies, had expressed similar views, and there was a likelihood that action would be taken to revoke the bull licensing provision. He recommended that the Association make its views known to the Minister, asking for a revocation of bull licensing, on the grounds that it is sectional in its application, both within the industry, and between the dairy industry and the beef cattle industry.

Mr. Temby stated that he did not consider the bull licensing legislation to be completely unfair or sectional, as herd testing enabled the providing of bulls, which was to the advantage of all dairyfarmers. In any case we had been informed that action to remove the legislation was likely, and it would appear reasonable for the Association not to proceed at the moment with the decision made by the Executive Committee.

He therefore moved "that implementation of the resolution of the Executive Committee concerning the bull licensing legislation be postponed". Seconded by Mr. Iles and carried.

PRICE FOR MANUFACTURING MILK

The Central Council, at its meeting of 31.5.73, had resolved "that the Association ask the Milk Board to declare a minimum price for manufacturing milk, or that an independent arbitrator be appointed, in order that the Basic Price would not be reduced, and thus the dairyfarmers would not be deprived of their share in any price rise".

The Secretary that he had discussed the substance of this motion with the full Milk Board, but the members of the Board were of the opinion that the matter lay outside their powers. He had taken no action concerning the second half of the resolution.

Mr. Turvey said that he was the instigator of this proposal, which he had based on the experience we had encountered following the milk price rise in September 1971, where the increase granted by the Milk Board to producers had been almost exactly cancelled out by a reduction in the Basic Price, which could be attributed to action by the Merchants who did not have a large share of the milk trade to gain a compensating advantage through the Basic Price. Mr. Turvey then moved "that we take no action at present concerning the appointing of an independent arbitrator, but, that, in the meantime, the Executive Committee invite a representative of the Wine Grape Grower's Council to attend a meeting to explain the procedure followed by the Prices Commissioner in relation to wine grapes". Seconded by Mr. Temby.

The Secretary stated there were important differences between the Milk Industry and the Wine Industry which made the participation of the Prices Commissioner less appropriate in this case, and he was of the opinion that no major action should be taken in this matter until the results of the study made by the Industries Development Department into the integration and rationalization of dairy factories had been made known.

The motion was then carried.

MARKETING ARRANGEMENTS

Mr. Turner stated that the matters raised in the previous subject extended beyond the mere question of assessing the Basic Price; both the producing and the manufacturing sector of the dairying industry were facing greatly increased costs, to which, in the case of the producing sector, must be added the reduction and eventual elimination of the federal subsidy. For this reason we should do all in our power to maintain the price levels for dairy produce commensurate with the inflationary trend. Although we had managed to obtain an increase in the price of cheese in May, we had failed to do the same for butter even though the public was expecting such an increase and would not have reacted unfavorably. He therefore moved "that it be a recommendation to the Australian Dairy Farmers Federation that the price of butter be increased by 2 to 3 cents per lb. at every possible opportunity until the industry has made up the loss which it has suffered by the withdrawal of the Federal subsidy". Seconded by Mr. Temby.

The Secretary stated that a factor which should be considered before accepting such a wide ranging policy was that, as the industry could take action only to influence the price of butter and cheese on the wholesale market, and as domestic consumption of butter and cheese was approximately 50% of the total, if the industry were to maintain prices in line with inflationary trends it would be necessary to increase the wholesale price charged in Australia by twice the increase in unit cost. In the case of a product with a relatively low price elasticity, such as cheese, such action might not have a deleterious effect, and, in fact, every opportunity had been taken during recent years to increase cheese prices of 45.5%. The case of butter was, however, very different; butter had a close, and cheaper, substitute, and was therefore far more price elastic than cheese, as demonstrated by the fact that although a fall in consumption following each price increase had been accompanied by a slight increase in total revenue, this experience had not been repeated after the butter price increase made on 3.8.71; since this period the reduction in consumption had outweighed the price increase, and the total revenue received from the sale of butter in Australia was declining at a rate comparable with the decline in sales. For this reason butter price increases, if any, should be approached with extreme caution. He believed that a more satisfactory line to take would be to press for a reduction in total dairy produce output, to reduce, if not to eliminate, the affect of export prices, over which the industry had no control. This, in his opinion, would be a far more effective way of dealing with the current situation than the proposal made by the Dairy Farmers' Federation to seek government assistance to enable

cream suppliers to change over to wholemilk supply, which would only result in either an increase in skim powder production, with no decrease in butter output, or else to a fantastically large increase in cheese output and consequently cheese exports. Such action would also avoid the dangers inherent in a resurrection of the Two Price Quota Scheme, which was being advocated in some quarters.

Mr. Turvey said that although we would like to put the price of butter and cheese up as far as possible, we must realize the existence of consumer opposition and the growing trend to margarine, and rely on the opinion of experts concerning the desirability or otherwise of imposing price increases.

Mr. Turner's motion was then put and carried by a small majority.

MILK PRICES

Retail prices of milk in the metropolitan area were increased, by the Metropolitan Milk Board, from 12.8.73, by 8c per gallon, a distribution of the increase being — Producers 3 cents; Processors 2 cents; Vendors 3 cents. The increase in the retail price was 9.1% whilst the increase gained by each sector as a percentage of the previous margins were — Producers 6.5%; Processors 10%; Vendors 14%. In the case which the Association submitted to the Board it was pointed out that, as indicated by the Board's Production Cost Survey, average costs had risen, in the last two years by 14.1%, and that, as it was likely that the costs of other sectors had risen by some similar order, an increase of 12c per gallon (1½c per pint) would be necessary to cover the increased costs in their entirety. The Association had then proposed that as an increase of this magnitude would probably be politically unacceptable an increase of 8 cents per gallon (1c per pint) should be apportioned proportionately to each sector. The Board's decision, which was contrary to the submission, was to be regretted, and the Minister of Agriculture had been informed of the Association's dissatisfaction.

EARLY DETECTION OF MASTITIS

Following a resolution passed by the Central Council, "that we request Northfield Research Centre to conduct investigations into the method of early detection of mastitis", talks had been held with the Director of Research (Mr. J. Feagan) and a proposition had been submitted by Northfield for a mastitis control programme involving, first, monitoring of the cell count of all milk, to be followed, where such action was indicated, by dry cow therapy treatment carried out by the local veterinary practitioner.

Monitoring would be undertaken only on the understanding that post-milking teat dipping would be carried out. The costs of monitoring would be borne mainly by the Department of Agriculture, with the Association making a small contribution. Costs of drugs for dry cow therapy would be the responsibility of the farmer. Officers of the Metropolitan Milk Board and the Chief Dairy Officer had been involved in the discussions, which were continuing.

Mr. Ancell said that the Central Council's resolution arose out of his request for a means whereby cows could be detected sufficiently early. Some years ago he had been in desperate straits with a very high incidence of mastitis and had obtained assistance from the Department of Agriculture, but this assistance had been augmented by other action, such as the elimination of back flushing and the changing of relief valves. The situation now was that although the incidence of mastitis in his herd was at a satisfactory low level, he was unable to detect new outbreaks in time for the most effective treatment.

Mr. Kretschmer said that, whatever the theories relating to the cause of mastitis might be, there was no doubt that the machine played a large influence, and he believed we should request the Milk Board to put an adviser on full-time milk machine testing, not only for routine testing of machines but to enable a producer to have his machine tested whenever some replacement or major adjustment was undertaken.

Mr. Diener said that it should be realized that the pilot scheme should be regarded partly as experimental and partly as a survey; there was no doubt about the importance of mastitis and the economic loss that resulted from it, and successful control was of great importance to the industry. But before this control could be applied it was necessary to have a background of experience which would be supplied by the survey without any compulsion on the producers and at relatively low cost.

Mr. Turvey then moved — "that the Association participate in the mastitis control programme proposed by the Northfield Dairy Research Centre". Seconded by Mr. Dierer and carried.

THIRD PARTY INSURANCE

The Secretary reported that the Central Council had, in recent months, considered three matters connected with Third Party (Bodily Injury) Insurance premiums; first, the unsatisfactory nature of the zone differentials for premiums; second, the sharp increase in premiums for farm motorcycles; third, the possibility of attaching the Third Party Insurance to the driver's licence instead of to a vehicle registration.

These matters had been brought to the attention of the Minister of Transport, who had, in his reply, stated, among other things, "I acknowledge the point you have made in relation to the inclusion of farm motorcycles in the general category of motorcycles, and the somewhat arbitrary line which is drawn between rural and metropolitan areas. On this score I can advise you that I have asked the Chairman of the Premium Committee to take into account the points you have made at the time of the next review of premiums". On the third point, the Minister firmly holds the view (which is supported by the General Manager of the Royal Automobile Association) that the attaching of the T.P.B.I. insurance to the drivers' licence, although appearing to be to the advantage of primary producers, who may generally be regarded as having a high proportion of vehicles to licences, might cause hardship to the majority of private motorists.

The Secretary's report was noted, and Mr. Winter moved — "that the Minister of Transport be asked when the next review of premiums will take place, or if such review has already taken place, what were the results therefrom". Seconded by Mr. Silver and carried.

FREE MILK FOR SCHOOLS SCHEME

The Secretary reported that the Central Council had asked that the Merchants consider the addition of flavoring to milk supplied under the Free Milk Scheme, as was done in Tasmania with very good results. The reply had been received from the Merchants that they did not wish to take this action until they had determined, by a sufficiently long trial period, the effect of the installation of refrigeration equipment for school milk. Subsequent examination had revealed that, during the last four years, the amount of milk supplied under the Scheme by Adelaide Companies had declined, both in absolute amount and per pupil.

Advice had now been given by the Federal Government that it intended, from the 1st January 1974 or as soon thereafter as possible, to eliminate the Scheme except for school in certain areas or where a need could be demonstrated. The effect of the complete elimination of the Scheme on the income of the average producer in the Adelaide Milk Supply Area would be a loss of approximately \$150 per year. The Minister of Education had been interviewed, and a letter sent to him setting out the nutritional and other grounds on which the Association considered a case should be made to the Federal Government for the retention of the Scheme. Support for this move had also been given by the Merchants. It was subsequently learned that a meeting of State Ministers of Health would be held in Canberra, and arrangements had been made to present a submission to the Honorable D. H. Banfield, South Australian Minister for Health, putting forward the Association's views for the retention of the Scheme and drawing his attention to the fact that abolition of the Scheme will result in a loss to South Australia of \$1.2m of Federal funds per year.

BASIS OF PAYMENT FOR MILK

The Secretary gave an interim report in which he said that the general consensus of opinion among dairying and manufacturing organisations, as the results of discussions during the 12 months since the publication of the Report of the Special Committee on the Basis of Payment for Milk for Manufacture, was that any change in the basis of payment for milk from payment for butterfat to payment for fat and protein, as recommended by the Special Committee, was, perhaps, two years premature. In the meantime evidence was being collected concerning proposals elsewhere. In New Zealand the current proposal was for a 3 tier scheme, A + B - C, where A represented the return for butterfat products less the cost of manufacture, B represented the return for non-fat products less the cost of manufacture, and C represented the cost of transporting and processing milk in its liquid form on a volume basis. The Danish scheme was also being studied. A proposal had been put forward that, instead of a change to a two component payment, the change be from fat a single component to protein as a single component, on two grounds, the most important of which was the removal from the industry of its "fat" image in the eyes of the public.

BUTTER-VEGETABLE OIL MIXTURE

The Secretary reported that the research into this product had now moved from the laboratory scale to the commercial scale, and that full development at this level could occupy the next 12 months. In the meantime consideration was being given to the most appropriate method of amending the legislation to enable the product to be made, as its manufacture and its sale were, at present, illegal. The intention was for the Australian Agricultural Council to endorse a proposal which would then be adopted uniformly in all States.

In the meantime an investigation was being undertaken into the possibility of patenting the process; the Swedish product, "Bregott" was believed to be patented by what was known as the "Olsen" patent, and it was believed that the locally developed process was sufficiently different from the "Bregott" process to warrant patenting in its own right. Unless some protection such as this was available there appeared to be no reason why the product should not be manufactured by margarine interests. Although in relation to the magnitude of the project, the choice of a name might appear of minor importance, he felt that an early attempt should be made to devise a name, either through a competition, or in some other way, in order to assist in public acceptability. He considered that the use of the term "butterine", which had been used in the Media should be avoided, and it would be desirable to adopt a name that did not contain any reference to butter or any similar implication.

DEPARTMENT OF AGRICULTURE — FUNCTION AND LOCATION

The Executive Committee had been asked to prepare a submission to be presented to Sir Alan Callaghan, who was conducting an enquiry into the functions of the Department of Agriculture. The Executive had also been examining the proposed transfer of the Department of Agriculture from Gawler Place to Monarto.

Mr. Easton said that the Association had, on many occasions and over a long period of time, expressed its concern that the Research Centre at Northfield was located in an area that could not be described as typical dairying country, and he had, without success, recommended the setting up of "demonstration farms", which would be sited in typical dairying areas. If the Government's intention in regard to the Department of Agriculture involved the Research Centre also, we might find that such a transfer would result in a situation that was even less suitable than the present, as the Monarto region could not be, in any sense, regarded as dairy country.

THE DATING OF PERISHABLE FOODSTUFFS

The Secretary reported that several meetings had been convened by the Metropolitan Milk Board which had been attended by representatives of the Merchants, the Vendors, and this Association, concerning proposals for the date marking of perishable foodstuffs. The industry had resolved to support a "use by" dating system instead of the alternative "sell by" scheme, with the proviso that the "use by" date would be valid only if the product had been stored in strict compliance with storage instructions printed on the container. This decision had been referred to the State Department of Public Health and no reply had yet been received from that body.

It was intended that the system should apply only to cartoned and packaged foodstuffs, and not to bottled milk.

TRANSPORT RATIONALIZATION

No further action had been taken on this subject, pending the outcome of the enquiry now being conducted by the Industries Development Department into the rationalization of dairy factory operations.

Mr. Len. Schubert said that, despite the governmental enquiry, we should not lose sight of the importance of transport rationalization as instanced by the situation in the Lakes area, where two companies were picking up from farms which were up to 14 miles apart, requiring large mileages to be traversed with tankers which were only half full. For the mileages involved the contractors were being paid very high fees, and one company with 11 suppliers was traversing 230 miles twice daily. The service which was thus being given to the producers in that area was at tremendous cost which was borne by the remainder of the producers and should not be allowed to carry on, as it was undoubtedly getting worse.

Mr. Whitford said that a different circumstance prevailed in the Myponga area which, until a few years ago was almost exclusively serviced by Myponga trucks whereas now, in addition to the Myponga vehicles, three other tankers, one each from Amscol, Southern Farmers and Dairy Vale passed along the same route, each going to one supplier only.

Mr. Winter stated that we should not necessarily wait on the result of the enquiry by the Industries Development Department, as savings from transport rationalization might appear to them to be sources for savings to be passed on to the consumer, whereas action taken by ourselves would provide savings which could be passed on to the producers.

FIRE FIGHTING EQUIPMENT SUBSIDY

Following the proposals for changes in the administration of the Emergency Fire Service, the Minister of Agriculture was again asked by the Association to consider providing a subsidy scheme for privately-owned fire fighting equipment of approved standard. The Minister had replied, expressing his report, and undertaking to examine the proposals sympathetically under the new set up.

It was agreed that a letter be sent to the Minister of Agriculture drawing his attention to the greatly increased need for such action as a result of the growing fire hazard resulting from subdivisional activity, which required both greater vigilance and more equipment.

COST SURVEY

The Secretary stated that as result of increasing concern at the extent to which the Milk Board's Cost Survey failed to reflect an "average" licensed supplier, a formal request had been made to the Board by the Executive Committee, that the Board abandon its biased open-ended sample in favor of a representative sample of "modal" farms clustering around a herd of 45 milking cows, but no reply had yet been received from the Board.

Mr. Camac said that the matter of allowance for probate insurance be included in the Cost Survey should be taken up with the Board. Although Mr. Marceau had stated, at the meeting at Meadows, that this was done, Mr. Camac said that this item was not included in the costs taken by the Board on his property, even though it was an item which he paid.

Mr. Len. Schubert said that the labor allowance should be increased by adding a provision for Long Service Leave to the owner-operator and other labor provisions. Long Service Leave was now a requirement under virtually every Award, and the period of qualification had been reduced to 10 years, and although it might be argued that a dairyfarmer might not elect to take Long Service Leave, the provision should be made as though he were working under all the conditions of the Award, and he would move accordingly.

The motion was Seconded by Mr. Turner and carried.

The Secretary stated that, in addition to the specific items raised, he would insure that all the provisions in the Pastoral (S.A.) Award were taken into account in assessing both the owner-operator and other labor provisions.

CATTLE COMPENSATION

The Secretary reported that Dr. Mackie of the Department of Agriculture, had conferred with the Executive Committee on the necessity to increase charges relating to cattle compensation, in order to provide adequate cover for compensation, particularly in connection with the t.b. eradication campaign. As a result the Executive Committee had agreed to the proposal to increase the Stamp Duty in connection with the Cattle Compensation Fund to 5c per \$20 of sale price with a maximum of 50c per animal.

Mr. Kretschmer said that, supplementary to this matter, it would be advisable for the Association to ascertain the state of the Cattle Compensation Fund, and the use to which the Fund had been put, and he consequently moved — "that the Association instruct the Secretary to look into the state and usage of the Cattle Compensation Fund". Seconded by Mr. Camac and carried.

T.B. ERADICATION CAMPAIGN

Mr. Diener asked whether there was any likelihood of our being charged for t.b. testing on the same Scheme as was applied in the Eastern States.

It was agreed that the Secretary ascertain the Department's intentions concerning charging for t.b. testing, and that the answer be published in the Journal.

BULK MILK PREMIUM

In reply to a question from the Central Council, the Wholesale Milk Buyers' Association had replied that it had no intention of discontinuing the present premium paid on bulk milk tanks.

The secretary said that, although, when it had previously considered this subject, the Central Council had rejected the proposal for the abolition of the premium in favor of a Basic Price based on bulk milk, the anomalies that existed in relation to the premium were such that reconsideration of this matter would not be out of place.



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PRICES & STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
August	4 381	5,117	141.3	165.1	56,132	55,965
September	5,436	5,704	181.2	190.1	56,118	56,233
October	6,281	6,441	202.6	207.8	55,964	56,393

MILK SALES (000 gallons)

	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
August	1,911	1,887	61.6	60.9	22,220	22,703
September	1,800	1,797	60.0	59.9	22,375	22,700
October	1,893	1,896	61.1	61.2	22,426	22,703

INTERIM PRICES TO LICENSED SUPPLIERS

(Prices are interim only, and subject to retrospective adjustment.)

1973	Basic	C.M.B.	Total*	3.5%	4%	4.5%	5%
	(cents per lb. butterfat)			(cents per gallon at above test)			
August	44.29	24.94	69.28	25.02	28.60	32.17	35.75
September	44.29	22.29	66.58	24.05	27.48	30.92	34.36
October	43.00	21.41	64.41	23.26	26.59	29.91	33.24

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		Total Price *	
	1972	1973	1972	1973	1972	1973
August	43.6	36.9	39.5	40.6	72.20	69.23
September	33.1	31.5	39.9	40.4	66.18	66.58
October	30.1	29.4	40.1	40.3	64.39	64.41

AUSTRALIA

IMPORTS OF CHEESE, BY TYPES (in thousand Kilograms)

	Year ended JUNE			1972	1973
	1972	1973			
Cheddar	986	978	Feta	1,031	1,133
Dutch	601	745	Kasseri	164	142
Italian	328	332	Paster-Cheddar	107	668
Swiss	91	165	Paster-Other	454	558
Blue	311	331	Other	1,520	2,275
Camembert	167	190	TOTAL	5,873	7,509

Total Value of Imported Cheese, 1972, \$6,748,000; 1973, \$8,484,000

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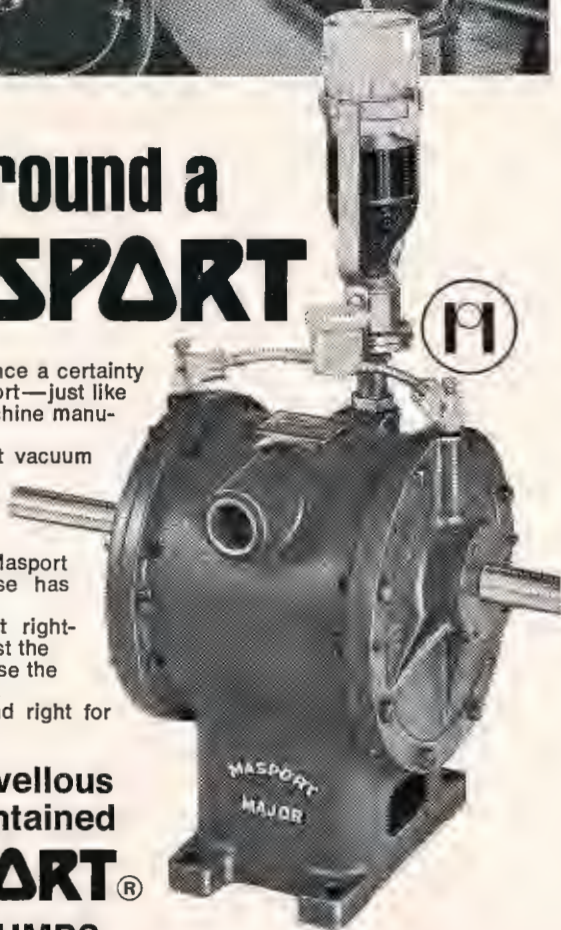
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PRICES & STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

	PRODUCTION (000 gallons)					
	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
November	5,950	5,939	198.3	198.0	55,660	56,382
December	5,349	5,282	172.6	170.4	55,187	56,315

	MILK SALES (000 gallons)					
	For Month		Daily Average		12 Months' Cumulative	
	1972	1973	1972	1973	1972	1973
November	1,883	1,867	62.8	62.2	22,490	22,687
December	1,880	1,860	60.7	60.0	22,558	22,667

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%
	(cents per lb. butterfat) (cents per gallon at above test) 1973						
November	44.14	22.52	66.68	24.08	27.53	30.97	34.41
December	44.14	24.78	68.92	24.89	28.45	32.01	35.56

	RATIO (Sales to Production, per cent)				Total Price *	
	For Month		12 Months' Cumulative		(Cents lb. bf.)	
	1972	1973	1972	1973	1972	1973
November	31.6	31.4	40.4	40.2	65.35	66.68
December	35.2	35.2	40.9	40.3	67.20	68.92

In this issue —

- The Fall in the Basic Price
- Payment for Milk by Composition — A Further Study
- Wage Rates for Dairyfarm Workers
- Returns from Our Export Markets

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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

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THE FALL IN THE BASIC PRICE

The Reason for the Reduction in October

Considerable concern has been shown by producers in the reduction of 1.29 cents lb. butterfat which occurred in October, when the Interim Basic Price for milk for manufacture fell from 44.29 cents to 43.00 cents, and it is possible that corresponding interest, though less concern, will be shown in the reason for an increase to 44.14 cents for November.

Although any reductions in producers' returns are to be deplored, particularly in such periods of violently accelerating inflation as now seem to be an inevitable feature of the economy, the explanation in this case is simple and the circumstances may be regarded as being in the producers' interests.

The Interim Basic Price to be paid to producers for milk for manufacture is negotiated by reference to the Interim Cheese Value declared by the Commonwealth Dairy Produce Equalisation Committee, (this being the notional value which each dairy factory receives for the cheese which it makes) and the assessed costs of cheese manufactured and milk cartage from farm to factory.

The Interim Cheese Value is so-called because, prior to the commencement of each financial year, the Commonwealth Equalisation Committee, from the forecasts of cheese production, domestic sales, and export sales, in the coming year, and the prices which are likely to be received from domestic and export markets, calculates the rate of payment which can safely be made, at the beginning of the new season, for milk to be made into cheese, considering that the payment for cheese made will not be received for quite some time, particularly in the case of matured cheese. This calculation determines the opening Interim Value, and, as revenue is received from the sales of cheese during the season, the Commonwealth Equalisation Committee, from time to time, makes what are known as "step-ups" in the Interim Cheese Value, whereby the value is increased from that time and a retrospective payment made which brings the price paid for all manufacturing milk supplied since the beginning of the season up to the new value.

This process can occur several times during a season, so that by the end of the season, in June, the Interim Cheese Value, and consequently the Interim Basic Price, will be higher (sometimes, but not always, depending on season and markets, considerably higher) than those at the beginning of the season in July of the previous year.

Even at the end of the season the value is still referred to as "interim" because it takes up to a further year and a half before all returns have been received and we can speak of a Final Cheese Value, during which period further "step-ups" are distributed as retrospective payments although, by that time, we are into a new season and receiving new interim returns.

Prior to July 1971, the Assessed Cost of Cheese Manufacture, (which, with the cost of cartage inwards is subtracted from the Interim Cheese Value to give the Interim Basic Price) was derived, by an indirect and not very satisfactory formula, from an assessed cost of butter manufacture made by the Commonwealth Equalisation Committee in conjunction with the Bureau of Agricultural Economics, but by that time it was beginning to appear that the figures collected by Committee, which related to a period two years earlier, were no longer applicable to the rapidly changing nature of manufacturing costs.

Eventually, after many months of deliberation, general agreement was reached on a method of assessing manufacturing costs based on the preceding year, and although this method is still undergoing refinement, the Interim Basic Price has, during the last two years, been calculated from the manufacturing costs of the previous season.

To collect and evaluate the data takes time, and a new cost cannot be assessed before September, but in the meantime it is necessary to have an Interim Basic Price for the new season, beginning in July, based on the new Interim Cheese Value, so the previous manufacturing cost assessment is used for this purpose.

The effect, in a period of rising costs, such as the present, is to give an opening Interim Basic Price, for July, August and September, which is higher than that which would result from the use of the manufacturing cost for the year just passed, and which is being calculated during this period. When the new manufacturing cost is calculated, and deducted from the Interim Cheese Value, the result is a reduction in October's Interim Basic Price.

In 1973 this reduction was short-lived; a re-assessment by the Commonwealth Equalisation Committee resulted in a step-up in the value for November, and an increase in the Interim Basic Price to 44.14 cents, just a little less than the value of 44.29 cents for the first three months of the season.

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PAYMENT FOR MILK BY COMPOSITION

A Further Study of its Principles and Problems

THE COMMITTEE AND ITS RECOMMENDATIONS

During the four years between its formation in 1968 and the publication of its Report in 1972 the finding of the Committee of Enquiry into the Basis of Payment for Milk for Manufacture was awaited with an eager anticipation which was, nevertheless, strongly tinged with a feeling of certainty that the Committee would declare itself in favour of a form of payment that would recognise the value of the non-fat solids of milk. This, after all, was the reason for the Committee's formation — "to consider the practicability and advisability of giving greater emphasis to the s.n.f. constituents of milk". In fact the terms of reference given to the Committee quite clearly foreshadowed the recommendation which the Committee was expected to make, and which, after four years, the Committee did make, excepting only that the Committee, for well-argued reasons, proposed to place the greater emphasis on the protein component of milk rather than on all the non-fat constituents.

The Committee's inevitable recommendation was greeted with foreseeable commendation, and at that stage the only question unanswered was "When?", until the dairy industry started to look behind the recommendation, to assess the problems involved in the methods of measuring, recording and accounting, to compare the size of the apparent gains, and the proportion of dairy farmers who would receive them, against the added costs incurred, and, above all, to calculate the effect, if any, that the change might have on the breeding, and feeding techniques of dairy farmers.

The combined result of these enquiries was a feeling that the industry had become too excited too soon, and a more sober attitude towards the possible advantages to be gained, culminating in a belief, generally adopted by both the dairy farming and the manufacturing sectors, that more time was needed to measure the gains and the losses.

In the meantime, as always in the dairy industry, circumstances have not remained unchanged. Prices for milk-fat products and for milk-solids products have moved, in varying directions and by varying amounts, on world markets and at home; the Federal dairy bounty, which was regarded as a Key factor in the new scheme, has been reduced, and will soon disappear; and the industry has begun to acquire a lot more Knowledge about milk proteins — their types, their occurrence, their uses, their relationship to lactation, and the extent to which they can be varied by feeding or other means.

OTHER COUNTRIES

Simultaneously the industry has become aware of similar work, and of similar uncertainties, in other dairying countries, and from those countries, and from further studies here, has come the opinion that the economic logic and simplicity of a fat-plus protein system of payment is less self-evident than was originally supposed. Although the basic values of the fat and the protein components of milk, as expressed in the commercial values of butter and milk-powder products, can be assessed with reasonable accuracy, the widely differing costs incurred in collection and processing, some of which are related to the volume of the milk itself, such as cartage, testing, pasteurization, separation (or, in the case of cheese-making, standardization), and dehydration, while others, notably churning in butter-making and the whole cheese-making process from vat to wrapping are related to the components to which the value of the commodity is related.

Thus, in **Denmark**, a study carried out over many years culminated in 1972, in a proposal for a method of payment for milk which incorporates a value for protein to be introduced at the time of Denmark's entry into the European Economic Community early in 1973.

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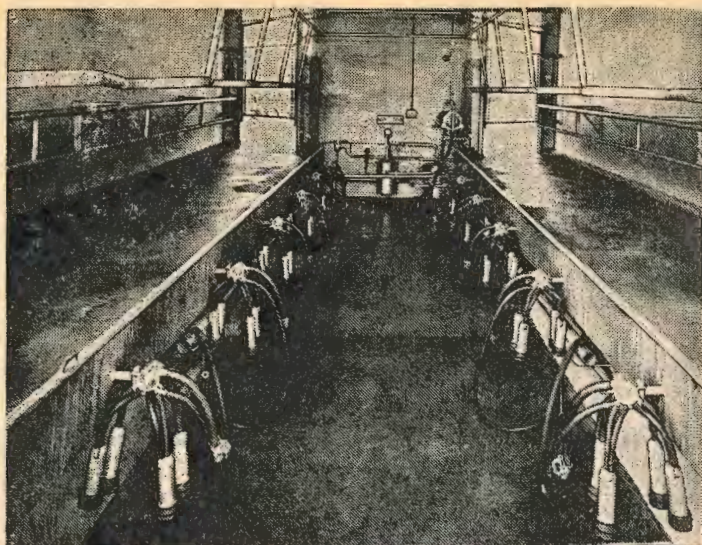
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The values of the fat and protein were to be calculated from the "intervention prices" of butter and skim-milk powder which are, at any time, common to all the E.E.C. countries, and which are varied by degree, thus avoiding the very great problem faced by countries outside the E.E.C. in having to vary, from time to time and possibly quite frequently, the values ascribed to fat and protein in conformity with movements, in domestic and world prices, of the values of the commodities into which they are made.

The uniformity in the Danish scheme is not confined to the value of the products but applies also to manufacturing costs, to manufacturing factors such as over-run and composition, and, rather surprisingly, to the cost of transport from farm to factory, the purpose of the scheme being to provide uniform rates of payment for fat and protein at the farm gate.

So far, so good. As the explanation of the scheme states, the formula, which will be adjusted from time to time, can be used by all dairy factories to provide uniform base payments. But the explanation goes on to state that "additional prices and for additional payments will be determined by conditions relating to the separate dairy associations", and, as well as these "additions" which, it is recommended should be made during the course of the year, the suggestion is made for the introduction of a seasonal factor designed to encourage a more uniform supply of milk throughout the year.

Thus the complicated but readily understood formula by which the uniform farm-gate price is calculated is followed by three unquantified factors each of which will be determined by factory management (or by the dairy association), if not empirically, certainly not with any expected degree of uniformity which could be written into the formula.

NEW ZEALAND

It is in New Zealand that probably the most searching work has been done and early in 1967 Dr. W. A. McGillivray, the Director of the N. Z. Dairy Research Institute, warned that the subject was not as simple, or as commendable, as might be supposed, "that an alternative system of payment does not merely mean an increased payment for some farmers; there must be a corresponding reduction in the payout for other farmers. Proponents of s.n.f. payment schemes have tended to overlook this fact, and indeed, unless we see some fairly revolutionary approach to milk testing which significantly reduces the costs involved, any new system is likely to slightly reduce the total payout as a result of increased testing and administration charges."

It is possible that since that was written the "approach to milk testing which significantly reduces the costs involved" may have been successful, though opinions are not unanimous on that. In the meantime, perhaps anticipating success in this area, Dr. McGillivray and his colleagues at the Institute, in a spirit of scientific detachment, and in collaboration with a Dairy Board Committee, have carried out investigational work with the objective of devising "a system of payment which would return to each supplier as nearly as possible the true value of his milk in terms of the products which the company he supplied could make from that milk."

But this apparently simple objective is in danger of being over simplified, and, as Dr. McGillivray warns, "two opposing factors are involved here: on the one hand, low-test milk contains relatively more solids-not-fat than high-test milk, and is therefore potentially more valuable; but, at the same time, it also contains more water, which is expensive to collect and process."

THE "THREE-FACTOR" SCHEME

Bearing this most important fact in mind, the Institute devised a three factor scheme in which, from the combined values of fat and protein, were subtracted the costs of transporting and processing the milk whilst in a liquid state, the grounds for the proposal being that, whereas "the costs in the latter part of the process of manufacturing all dairy products were related to handling, storage, and initial processing were related entirely to the weight of milk handled."

At the time when, in 1968, this formula was first devised, the Institute believed it to be, theoretically, superior to the alternatives then in use which mainly involved either a sliding scale payment for fat (in which the price per pound fat declined as the test increased, to give rough recognition to the value of protein), or a system of premiums and penalties for fat below or above a "standard" test, but the Institute added a warning that although the new formula worked well enough for factories producing butter, casein and butter-milk powder, it was less satisfactory than a simple fat-plus-protein system for factories making cheese or butter and skim milk powder, because cheese yield is not directly related to protein but involves, in a complex manner, fat and casein, whilst the weight of skim milk powder produced is related to the total s.n.f. content which, in turn, is not directly related to the protein content.

Therefore, it was concluded that, **"substantial reduction of the inequities of the present fat-only system of payment would involve the use of relatively complex formulae which might be difficult to operate in practice."**

The ensuing 5 years have not, however, brought a better solution, and the 3-factor scheme is still seen as the most equitable, fulfilling as far as possible the requirements "that each supplier should receive **full value for all of the solids his milk contains**, in terms of the products that his company can make from the milk, but at the same time he should pay his **full share of the costs associated with converting that milk into the various products**. In other words, a low-test supplier gets the **benefit of the higher ratio of skim-milk solids to fat** in his milk, but at the same time pays for the **extra costs of collecting and processing low-test milk.**"

The Institute justifies its continued adherence to this proposal by contrasting it with alternative schemes, seemingly more simple and lying between the extremes of the present fat-only system and the 3-factor system, but which still produced substantial inequities, stating that "in several instances they switch the inequity from the present system — which, on average, tends to underpay some low-test suppliers — to one in which high-test suppliers are penalized"

CALCULATING THE VALUES OF THE FACTORS

The 3-factor scheme is translated, for actual use, into the formula: **Payout = weight of fat x A + weight of protein x B — weight of milk x C.** But to state a formula is one thing; to put values in place of figures is another; the Institute's method of doing this is as follows:

"the realizations for butter and other fat-containing products, less the costs of manufacturing those, divided by the total weight of fat processed, gives us the factor A in the formula. The realizations from non-fat products, less those costs of manufacture associated with the weight of products produced, divided by the total weight of protein processed, gives us the factor B. All of the volume costs (i.e. costs incurred whilst the milk is stored or treated in the form as received) plus milk collection costs, divided by the total weight of milk collected, give us the factor C, which is deducted from the A and B portion of the equation."

Calculations and accounting need, however not be as complicated as might be imagined as, at least in its original scheme, the Institute suggested that, although fat and protein would be determined from composite samples in each 10-day period, payment would be made in two parts — an interim payment based on fat supplied, as at present, and an end-of-season adjustment based on the weights of fat, protein, and milk supplied, as calculated from the formula. The acceptability, to producers, of such a method of payment would, we presume, depend on the extent to which the factory was prepared to "make a stab" at a likely final return, as, otherwise, it appears that the interim rate of payment might, at present values for fat and protein, fall well short of the final value, unless (which is hardly likely) the milk processing and transporting costs (factor C) came close to the return for protein (factor B).

A REVOLUTIONARY IDEA

The goal of all the studies that have been carried out, and of the schemes that have been put into action, has been to reduce (or, more hopefully, to eliminate) the apparent injustice done to producers of low-test milk by paying only for fat, without (at least in the case of New Zealand) so increasing costs that high-test producers lose more than low-test producers gain, if in fact there is any gain. What about a system that does not increase costs, in which only one component, as now is measured, recorded, and paid for, but in which this one component is protein instead of fat?

No reports of work into a system of this nature have come to our attention, but the idea has at least a superficial merit, as its revolutionary nature partly conforms with a revolution in the relativity of dairy product prices and a revolution in community attitudes. The reasoning behind such a system would be as follows:—

There is a widely held, and generally correct, view that one of the major crises facing the world is that of epidemic starvation, or at least malnutrition, among the people of the undeveloped nations, and that the outstanding need in these areas is for protein. At the same time, with probably less validity, there is a belief that many of the people of the developed nations suffer from dietary deficiencies which result from excessive consumption of fats and sugars, with a corresponding lack of protein.

In Australia recurring surpluses of butter coupled with regular industry requests to the Government for continued financial assistance, and for protection from competition by substitute edible fats, has given the dairy industry a poor image, which is not improved by the controversy over the role of animal fats in heart health.

The adoption of a scheme of payment for milk for manufacture involving the fat and protein content, and the necessary testing for both constituents, would incur added costs for the industry. On the other hand it would demonstrate to the community that the industry was prepared to adopt itself to a need, and so bring about an improvement to its public image.

Overall, the production of fat and protein are correlated, and so in a breeding program, selection for either one or the other will tend to raise the production of both, (although there are sure to be exceptions in the case of individual cows). The image, and, with it, the future of the Australian dairy industry, would be improved if it demonstrated to the community its intention to change the basis of payment, and its breeding programs, to encourage the production of more protein. Such a change would align it more with world thinking on nutrition and the planning of food output to satisfy current and future needs.

But the effectiveness of such a demonstration would be greatly enhanced if **the emphasis were on protein only**, and a considerable growth in the industry's stature would be gained at a lesser cost than that of testing for both fat and protein; perhaps, with the techniques now available, at a cost little more than that of testing for fat alone.

It would be a radical but not unprecedented action, as, since, in the past, payment for fat has included realizations earned by non-fat products, a scheme involving payment for protein which included realizations from butter-fat products would merely shift the basis from one component to the other.

Is it too much to think that such an approach would rejuvenate the industry, giving it new objectives, and providing more cogent arguments and more convincing justification for the existence of an Australian dairy industry? There is no doubt that, properly handled, such action could be used to convince the community that the industry was prepared to adopt, and so to improve its image.

THE COST TO THE INDUSTRY

Compared with the extra costs which would follow the adoption of a system of payment for fat plus protein, the costs of a move from payment for fat only to payment for protein only might be quite insignificant; no greater than the possibly small extra cost involved in testing for protein instead of fat, and the cost of changing, once and for all, factory and farm accounting, and herd recording systems.

But the magnitude of the effect on individual producers would be much higher than that involved in the additional cost of testing and accounting; there would be a marked shift in returns, in favour of low test producers at the expense of high test producers.

Such a shift, if limited to payment for protein in milk at prices derived from the values of protein-containing dairy products, would be quite unacceptable, as it would imply, incorrectly that fat has no commercial value, but the inclusion of the costs of transporting and processing the volume of milk, in calculating the payment for milk, the proposal to an extent that enables it to be seriously considered.

EFFECTS OF PAYMENT BY COMPOSITION — A CAUTIONARY NOTE

Ideally the adoption of any scheme for payment by composition should be brought about through recognition of the intrinsic fairness of the proposal, but practicability at least will probably demand that other factors be taken into account.

The "cost to the industry", as stated in the previous paragraph will, naturally, be the first of these. To adopt, merely because of its fairness, a scheme which costs so much to run that the returns to all producers, whether high or low protein-testing, are reduced would be pointless. But even where there is a gain to a section of the producers (and as a change in the system of payment will not increase the total revenue received, a gain to one section must be at the expense of another) the support for a change will tend to depend on the relative proportions of the producers who will gain and those who will suffer, and the magnitudes of the gains and losses. (We will leave for later examination the effect of differences in the protein constituents of milk from the various producers, which will result in some producers' milk being more valuable to cheese factories than that of other producers, and less valuable to milk powder plants, even though the total protein contents may be exactly the same).

The determination of gains and losses is however, most difficult. It depends on the relative values of fat and protein at any time, values which change, often by quite large amounts, from time to time; relative values which differ greatly depending on whether the milk is to be used for the manufacturing of cheese or for the manufacture of butter and powder products; which, again, may differ quite as widely depending on whether the products are to be sold in Australia or overseas; and, ultimately, particularly in the case of New Zealand's "three-factor scheme," the sophistication of which is inseparable from absolute fairness yet makes its adoption even more complex, differences in industry and factory costing procedures and relative production costs.

The Committee of Enquiry cleverly, and unforgivably, dodged the problem by setting out the "results" of a change in the system of payment in the form of a table in which the price of protein, relative to that of fat, ranged from 0 to 2. It is quite impossible to derive any idea of the effect of the adoption of a "three-factor" scheme from the Committee's findings.

RESULTS OF A "THREE-FACTOR" SCHEME

If, however, we take representative equalised values for cheese and butter, and make some not unreasonable guesses concerning processing and transport costs we obtain the following approximate values for the "three-factor" scheme: A = 35.5c lb fat, B = 21.0c lb protein, C = 5.25c per 10lb milk.

Applying these values to what might be regarded as fairly typical "high test" and "low test" milks, containing, in the first case, 5.0 per cent fat and 3.8 per cent protein (ratio of fat to protein — 1.32) and, in the second case, 3.5 per cent fat and 3.2 per cent protein (ratio 1.09), the result of the use of the "three-factor" scheme for milk for cheese, with the cream from standardisation being used for butter manufacture (the results from other product "mixes" could differ widely from the result of this example), is a return equivalent to 41 cents per pound fat (20.5 cents per gallon) for the "high test" milk and 40 cents per pound fat (14 cents per gallon) for the "low test" milk, compared with a uniform price of 40.25 cents per pound fat under the present method.

RESULTS OF A "PROTEIN ONLY" SCHEME

The use of a "protein only" scheme of payment, if based on the same representative cheese values as those used in the foregoing example, would give a price of approximately 64 cents per pound protein as the factor "B", which would be the only positive factor in this scheme. (As the value of the butter produced has been taken into the total return from which the protein value is calculated there is no factor A).

The factor C remains unchanged at 5.25 cents per 10 pounds of milk.

The results of the application of this scheme, at the value stated, would be to give to the "high test" producer a return equivalent to 38.3 cents per pound fat, and to the "low test" producer a return equivalent to 43.7 cents per pound fat.

WHY NOT A "CASEIN ONLY" SCHEME?

As stated earlier (and the fact must never be overlooked in considering "payment by composition"), the arguments in favour of a change from payment for fat only to payment for fat and protein are, in a cheese-based industry, such as in South Australia, at least equally, if not more, applicable to a scheme which takes casein into account. Although the casein portion of milk is about three times greater than the other proteins, the variations in the proportions of the casein and non-casein proteins are relatively quite as wide as those in the total protein content, and as the non-casein proteins are, in cheese-making, discarded (along with a small fraction of the casein) in the whey any change in the method of payment for milk for cheese manufacture should ideally, take account of casein instead of the total proteins.

In the foregoing examples the values used for casein content as a proportion of total protein are not extreme, and the use of a "casein only" scheme alters the results only slightly, giving a value for casein of 81.6 cents per pound, and changing the "fat equivalent" returns to 38.5 cents and 43.3 cents respectively.

But wide casein: total protein ratios are possible, and if we are genuine in our search for a logical system of payment, the use of this constituent only should be given due consideration.

A WORD OF WARNING

The values used in the foregoing examples, although hypothetical, approximate actual present returns and costs related to the manufacture of cheddar cheese, with the fat resulting from standardization being used for butter manufacture.

It must be realized that the results derived from the examples will differ if conditions differ; if the returns for butter and cheese vary, separately or together, inversely or in the same direction; if costs of manufacture or of transport change markedly; if the milk is used for non-cheddar cheese, or if the cheese yield is markedly different from average.

The system of payment for fat only is also subject to changes of these types, and the adoption of a more logical scheme should not be inhibited merely for this reason. Nevertheless it should be understood that the apparent gains or losses received by high test and low test producers as shown in the examples, are illustrative only, and a change in circumstances could alter the position both absolutely and relatively.

(The complete valuations and calculations used in the examples are available from the Editor).

ABOLITION OF SCHOOL MILK SCHEME

Although the dairy industry organisations in every state made submissions to their Health and Education Ministers for the intention of the School Milk Scheme, the cases presented from State Governments were apparently not sufficiently convincing to persuade the Australian Government to continue the Scheme in its existing form. But even more disturbing was the failure to provide support for the introduction of a modified scheme on a "needs" basis, which had been tentatively offered by the Australian Government as a replacement for the full scale Scheme which was costing about \$12 million per year.

The reasons adduced for the Government's decision are set out in the answer given by the Minister for Health (Dr. Everingham) in Parliament on December 13th.

Dr. EVERINGHAM — There is no disputing the fact that milk is one of the major valuable elements in the Australian diet. As I pointed out in my earlier answers, there has been no demonstration that the consumption of milk rose with the operation of the school milk scheme; on the contrary, Australia's average consumption per head of population actually fell slightly during the period of the operation of that scheme. The nutritional standards in Australia are among the highest in the world. We are interested in maintaining and extending those standards, and it is in the light of that intention that we have invited the States to make further submissions regarding areas of particular need for milk as milk. But we have decided, on the advice of experts in the National Health and Medical Research Council and in the School of Public Health and Tropical Medicine in Sydney who have actually sponsored surveys in this area using school medical services and other sources, that it would be more productive to use the money which has been dissipated in this area to upgrade the services available to families that are in fact suffering from malnutrition.

Despite the school milk scheme and despite all the other schemes which have been adopted on an across the board basis, we believe that the proper way to assist families that are nutritionally in trouble is through the Australian Assistance Plan which will discriminate in favour of those families that need help and give them the sort of help they need. Very often school milk has been left to get warm, unpalatable and unattractive to the pupils, many of whom reject it. Many teachers have complained about the system being ineffective in getting milk to those students who need it most. One of the main disadvantages of milk in this regard is that very often the pupils who most need protein and calcium in their diet, for which milk is the best vehicle, are unable or unwilling to take milk.

The only identifiable group of children of school age that is of concern to me in needing particularly protein and calcium but in fact all vital elements of nutrition are Aboriginal children. Aboriginal children have by and large been the group which contains the biggest percentage of children who cannot take milk. Unless milk has been a regular item of diet from the time of weaning until school age — and it very often is not in Aboriginal communities — there is a high incidence of intolerance to milk. It is not a natural food after the age of weaning and unless people have continued to take it as a regular item of diet between weaning and school age it can actually be positively harmful.

WAGE RATES FOR DAIRYFARM WORKERS

Not affected by Latest Pastoral Award Changes

Pay increases and other changes granted by the Industrial Commission in the Pastoral Industry (South Australia) Award on 25th September, 1973 did not apply to "Station Hands" which is the definition which includes persons employed on dairy farms.

The rates of pay for station hands are still as set out in the May-June issue of this Journal, and are repeated here for the convenience of our members.

The slight differences between the rates below and those in the earlier Journal are due to the differing effect of rounding used by the Commission and the Association in calculating the 2 per cent rise granted by the Conciliation and Arbitration Commission in May.

ADULT WAGE RATES — Adult wage rates are subject to the over-riding condition that, from 7th May, 1973, an adult male employee shall be paid not less than the minimum wage of \$59.60 per week of 44 hours.

Without Keep : Per Week.

1. Station Hand with less than twelve months' experience in the industry \$55.60
2. Station Hand with twelve months' experience or more in the industry (but who does not conform to the definition of General Station Hand, as below) \$56.50
3. General Station Hand (an employee who has had at least two years' experience in the pastoral industry as a station hand and who is capable of performing efficiently, without supervision, any task, including driving a tractor and motor vehicle, and operating forming machinery, which might reasonably be required of him as a station hand on the property where he is employed) \$57.30

With Keep:

The above rates less \$11.94

Daily Engagement Without Keep:

A minimum of \$10.40

JUVENILE WAGE RATES — Juvenile rates are based on a sliding scale proportional to the adult rate, showing in the following table as "Percentage".

Without Keep : Per Week.

Age	Percentage	Less than 1 Year	More than 1 Year	General Hand
At 15 years of Age	45	\$25.02	\$25.42	\$25.79
At 16 years of Age	50	\$27.80	\$28.25	\$28.65
At 17 years of Age	55	\$30.58	\$31.08	\$31.52
At 18 years of Age	65	\$36.14	\$36.72	\$37.25
At 19 years of Age	75	\$41.70	\$42.38	\$42.98
At 20 years of Age	90	\$50.04	\$50.85	\$51.57

With Keep:

The above rates less \$11.94

Daily Engagement Without Keep:

Age	Percentage	Per Day
At 15 years of Age	45	\$4.68
At 16 years of Age	50	\$5.20
At 17 years of Age	55	\$5.72
At 18 years of Age	65	\$6.76
At 19 years of Age	75	\$7.80
At 20 years of Age	90	\$9.36

RETURNS FROM OUR EXPORT MARKETS

and the Effect on the Industry

On 24th October 1973, in his answer to a wide-ranging question asked by Senator Devitt, the Minister for Primary Industry, Senator Wreidt, referred to "a very large purchase recently by the Soviet Union of 200,000 tons of butter from the European Economic Community countries at the give-away price of 22 cents per pound" adding the comment "I do not think that Australia should ever place itself in a position where it is producing a product to be sold at that price level."

Ironically, such is the obscurity that surrounds the returns which the Australian dairy industry receives from its export markets, the Minister whilst deprecating the E.E.C.'s bargain-basement salesmanship, was apparently unaware that, in the previous month (September), Australia had sold 1288 tonnes (1268 tons) of butter to Canada for 27.1 cents per pound, just a little over 5 cents more than the Russian deal, and had exceeded even this generosity with a sale to Japan of 701 tonnes (688 tons) at 26.4 cents.

These low values are not isolated examples; the two quantities shipped in September are the first consignments of two contracts negotiated by the Dairy Board in recent months, for the sale to Canada and Japan of butter worth a total of about \$2 million; the contracts being described by the Board's Chairman, Mr. A. P. Beatty, as "highlighting a new level of buoyancy in the marketing of the current Season's dairy produce".

It should be realized, also, that values of this magnitude (if that is the appropriate word) may conceal even lower returns, as they may represent average values which are derived from both higher and lower figures which are not available in the published statistics. For example, the average return of 25.1 cents per pound received for the 2276 tonnes of cheddar cheese exported to Japan during the quarter ended 30/9/73 does not appear to be so very much below the average of 26 cents per pound received for all cheddar cheese exported during that period, but that average figure is derived from some sales at probably around 30 cents per pound and others as low as, perhaps, about two-thirds of that figure (the actual values being available, if at all, only a considerable time after the sales have taken place). So far this financial year records do not reveal any cheddar cheese having been sold for export at prices lower than those received from the Japanese market, but within the last 5 years quite substantial quantities have been sold at prices that would yield a nil return to the dairy farmers from whose milk the products were made.

There are, at times, good reasons for sales at prices of this order; for example dairy produce of unsatisfactory quality, whether so classified on arrival or else dispatched as such, cannot command the same price as top quality, and the sale, at concessional prices, of surplus produce already made must generally be applauded whatever the return, as any price is to be preferred to no price at all, particularly in the case of commodities as perishable as most dairy products, which cost money to hold in storage so that it could, in extreme cases, be regarded as more "profitable" to give them away rather than to continue to incur the high costs of holding in store.

But these conditions do not apply to the greater portion of the export sales of Australian dairy produce. On the contrary, as far as quality is concerned, the standards demanded of the product, and of the factories wherein the product is made, are higher for our prestige export markets such as Japan than the standards for the produce sold on the local market for something like twice the return.

So we are given even more cause to wonder at the excitement with which each sales coup is greeted, and which gives rise to inducements to dairy farmers to

expand output to meet these markets, excitement which is reflected in an announcement made in July by the Chairman of the Australian Dairy Produce Board, and headed "Growing World Demand for Dairy Products **Must Be Met**".

Mr. Beatty concluded his statement with ". . . in these circumstances it was vital for Australia to maintain a healthy dairy industry on a scale which would guarantee efficient production of all items for the home market, and also meet the rapidly growing world demand for its products."

A month later, in August, Mr. Beatty preached another sermon on the same text, saying that ". . . the overseas demand for butter and cheese indicated the need for stimulated production." "I am confident" he added, "that there are ample markets to absorb any increase in production, provided the quality of the product continues to meet customers' requirements."

It requires only a little thought to see how dangerous such advice is.

Few would be so foolish as to propose any single figure as representing the "cost of production" against which to measure the dairy farmer's return, but even in the absence of such a standard there is no doubt that the Australian dairy farmer is not, at this moment, enjoying any marked degree of prosperity (the phasing-out of the Federal bounty will cut his net income by perhaps 20 per cent). Similarly there is no doubt that in the near future and perhaps for much longer, his factor costs will rise, probably at faster rates than in the past.

The logical way to keep abreast of cost increases is to raise prices, but the only price over which the industry has any control (overlooking, for the moment, the possible effect of the Prices Justification Tribunal, which is another story) is that of dairy produce sold on the Australian market. The prices of Australian dairy produce sold on export markets are set by ruling world prices, or else, to use Mr. Beatty's explanation, by striking "a balance between obtaining the best short-term returns for farmers and maintaining viable long-term outlets", which could easily be taken as meaning "less than ruling world prices".

Consequently, as exports of butter and cheese are approximately 40 per cent of the total production of each commodity, any action to keep dairy farm returns in line with increasing costs by raising prices is confined to domestic prices only and these prices must be increased by almost twice the cost increase, if total (i.e. average) returns are to be kept in line. (e.g. if production costs increase by 1 cent per unit, the price of the 60 per cent of output sold on the domestic market must be raised by 1.7 cents to give an overall increase of 1 cent).

But such action will tend (to a very large extent in the case of butter; less so in the case of cheese) further reduce the amount sold on the domestic market, so that, if the purpose of the action is to be achieved, the domestic price should be increased by more than the amount calculated in the above example, if it were not that such greater increase would have an even greater inhibiting effect on domestic sales, and so on, and so on and so on.

This does not mean that exports of butter and cheese should cease, that production of these commodities should forthwith be reduced by 40 per cent, or that all export prices should be increased to the level of domestic prices. None of these actions is possible immediately or in the near future.

But if the Australian dairy industry is ever to rise beyond a subsistence level, it does mean that the glamor which is attached to selling on the export market should be eliminated, that the emotional demands for greater production every time we negotiate an export "deal" should be firmly suppressed, and the export market seen for what it is, namely an outlet for dairy produce that we cannot consume ourselves, to be used whilst we are in the process of adjusting production to domestic demand.

WAGE RATES AND THE DAIRY INDUSTRY

On page 13 attention is drawn to the fact that certain recent increases in wage rates payable under the Pastoral (S.A.) Award do not apply to "station hands", a definition which covers employed labor on dairy farms. But this does not mean that the dairy industry is immune from wage rises as an application has been lodged by the Australian Workers' Union for very considerable increases in the rates for "station hands", the hearing of which has, for the time, been adjourned.

There is little doubt that the dairy industry will not, in the near future, share the buoyancy that is now being experienced by the beef and sheep industries, but it will, nevertheless, have to bear the burden of high wage rates based on the beef and sheep sectors' ability to pay, unless the dairy industry decides to negotiate for a separate award.

In the meantime, whilst we consider the wisdom of this proposal, we may wonder what portents there are for the dairy industry in the fact that during the 14 years that have elapsed since the Dairy Industry Committee of Enquiry made, in 1960 the observations below, nothing has happened, under whatever Governments have been in power to correct the conditions then observed or to give hope for any improvement.

THE EFFECT OF INDUSTRIAL LAWS

(Extract From Report of Dairy Industry Committee of Enquiry)

847. In common with many other industries dairying has been hard hit by post-war wages decisions.

848. It is a labour intensive industry yet one repugnant to labour. Its wide spread of working hours every day of the week and for a big proportion of producers, every week of the year, the necessity frequently to work uncomfortably in the elements, the part-time and casual nature of the employment that is oftentimes offered and other unattractive features of shed life mean that, apart from some few animal lovers and men seeking experience, interested and efficient hired help is difficult to obtain in competition with urban employers.

849. The industry feels that the trend in industrial awards has helped build up this situation; that the concept of "capacity of industry to pay" has been misapplied by wages tribunals in that too much weight has been given to engineering and metal trades and too little to primary industries and services.

850. It was claimed by the industry that there is a weakness in Australia's processes of wage fixing. In advancing this view, Mr. E. G. Roberts, Chairman of the Australian Dairy Industry Council, said—

"The Council fully agrees with the views expressed by Sir John Latham some years ago In drawing attention to a vital weakness in Australia's wage-fixing method, Sir John pointed out that, although the Government was responsible for the well-being of the nation's economy, the Government had no control over wages; on the other hand the Arbitration Court controlled wages but was not responsible to anybody in regard to the impact of their awards upon the national economy".

851. It might be argued the industry lays too much stress on the importance of industrial awards because it is true that the bulk of the labour employed on dairy farms is supplied by the farmer and his family and that increases approved by wage tribunals do not greatly affect his outgoing. But the effect of wage increases is far reaching. It inevitably results in the farmer examining his own position to ascertain if he would not be more profitably employed in some other occupation. Dissatisfaction with his lot conducive to maximum efficiency.

852. A second and palpable effect of increased wages is the increased cost of the many articles and services the farmer has to obtain. This is just as real as deductions from a pay envelope and supports the claim that the owner-operator is not relieved in any way from the effects of general wage increases. Whether direct or indirect, these have to be absorbed by export rural industry; they cannot be passed on. Each rise makes it more difficult for the dairy farmer to meet his commitments and to secure a net return that will compensate him for his capital outlay, and for his own contributions in labour and management.

853. By no means an unimportant result in the eyes of the industry is that an ever-increasing number of the children of dairyfarmers are leaving their parents' farms for more attractive and better paid jobs in urban areas.

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