

THE SOUTH AUSTRALIAN

DAIRYMEN'S ...

Journal

The Official Publication of the



Published Bi-monthly

Vol. 16, No. 4

Adelaide, JANUARY/FEBRUARY, 1977

COMMITTEE OF INQUIRY INTO DAIRY INDUSTRY

The Minister of Agriculture (Hon. B. A. Chatterton) has named the three persons who will conduct the inquiry into South Australia's dairy industry (see page 1).

They are:

- **Professor Roy Webb**, Professor of Economics with the Faculty of Commerce and Economics at the Melbourne University,
- **Mr. Robert J. K. Barker**, Assistant General Manager (Dairy) with Southern Farmers Cooperative Ltd.,
- **Mr. Stan A. Fulton**, dairyfarmer, of Mount McKenzie.

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THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

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INCORPORATED

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

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INQUIRY INTO S.A. DAIRY INDUSTRY

Early in 1975 the then Minister of Agriculture (Hon. T. M. Casey, L.M.C.) instituted an inquiry, under the chairmanship of Mr. B. D. Hannaford, Chairman of the Metropolitan Milk Board, into the question of a single statutory authority for the milk industry of South Australia.

The result of the inquiry was a series of recommendations by the chairman of the inquiry, but neither the industry nor the Minister (Hon. B. A. Chatterton, M.L.C., replaced Mr. Casey as Minister of Agriculture at the time the report was published) demonstrated any inclination to take action on the recommendations.

The outcome of the recent meeting of the Australian Agricultural Council, which will lead at least to a national scheme of compulsory equalisation and the possible adoption of a market share entitlement scheme have made timely a further examination of the need for integration of industry administration and control in this State, and the means by which entitlements, if such a scheme is introduced, will be allotted and transferred.

The State Government has consequently established a Committee of Inquiry into the South Australian dairy industry.

The Minister of Agriculture, in announcing the Government's action said that the need for this type of inquiry has been discussed with industry representatives and had their support.

"The inquiry is to look at the present structure of the South Australian dairy industry and from this will come recommendations as to how a proposed national farm entitlement scheme will be administered in South Australia."

The national dairy marketing plan discussed by State Ministers of Agriculture at a meeting of the Australian Agricultural Council in Launceston earlier this month had recommended a national market quota to be administered as a farm entitlement scheme within each State.

"While it is possible to administer an entitlement scheme through a Statutory Committee, we have a unique opportunity to review and rationalise the present industry" the Minister said.

The inquiry will study the following areas:—

1. How farm entitlements can be disbursed within the State; how they can be transferred and the effect this will have on market milk.
2. How any new authority can be financed.
3. The method of payment for milk.

The Committee which will consist of three people and will be headed by an independent chairman from another State, has been asked to report by the end of April 1977.

"... WELL-LAID SCHEMES ..."

THE STORY SO FAR:

Early in 1974 the Prime Minister at the time asked the Industries Assistance Commission to report on what assistance should be given, by the Federal Government, to the Australian dairy industry after 30 June, 1976, the date which would mark the termination of the Dairy Stabilisation Scheme and the subsidy which was in the process of being phased out over a three year period.

The I.A.C.'s recommendation, which followed a public inquiry into the dairy industry, was quite simple — that legislative support be provided, by the Federal Government, for a scheme of compulsory equalisation very little different from the legislation which had been passed by Parliament 5 years before, in 1970, and overwhelmingly endorsed by a subsequent referendum of dairyfarmers, but not put into effect at the time.

Adoption of the I.A.C.'s recommendation might have made little change in the industry's immediate economic position, but it would have removed the paralysing uncertainty that was then plaguing the industry (and has continued to do so, since), and would have opened the way for longer term measures that, linked with the restructuring that was taking place within the industry without Government intervention, could have brought the stability that is so badly needed.

But, sadly, the I.A.C.'s recommendation was not even considered (perhaps because its release coincided with the change in the Federal Government which occurred at the close of 1975) and early in 1976 the dairy industry was presented with the first of what was to become almost a plague of proposals — and being the brain-child of the fledgling Australian Dairy Corporation and bearing the bold title "The Plan". This proposal was for an administratively complex scheme aimed at reducing fluctuations in dairy-farm incomes (though with no promise of increases in those incomes in total) through a stabilization fund and transfers of revenue between commodity posts.

Hot on the heels of "The Plan" came the "Spectrum" proposal, produced largely by a firm of marketing consultants, similar to "The Plan" in its immediate application, but leading to a subsequent more radical restructuring. Finally, as a counter to both the proposals then in play, came the Commonwealth Dairy Produce Equalisation Committee's exercise in self-purgation, following somewhat the same path, with variations.

The enthusiasm of the dairy industry generally for any of the proposals was, to say the least, muted, for, by then, concern for whatever changes might be desirable for the industry's future was replaced by anxiety for the industry's present, as the effect of the earlier collapse of skim milk powder prices began to be exacerbated by signs of a poor production season.

So, at this stage, the Federal Government instructed the Industries Assistance Commission to conduct another inquiry, this time into "whether specific measures of assistance should be provided for the marketing of Australian dairy products to achieve a stable and viable basis of operation for the Australian dairy industry."

The Australian Dairy Farmers' Federation took note of what it believed to be a very significant difference between the terms of reference for this inquiry ("assistance... for the marketing of Australian dairy produce to achieve a stable and viable... industry") and that for the inquiry which had

been initiated by the previous Government which had asked only "what assistance should be provided to the... industry" and for how long. The Federation, aware that the industry's (and, more especially, the dairy farmer's) well-being depends on the ability to sell more of its output on the home market, and less on export markets, presented to the I.A.C. a two-part submission, proposing first, an improvement in domestic selling, (including direct participation by the Australian Dairy Corporation in distribution and sale on the home market) and second, an equitable disbursement of the returns from this market by a centrally controlled, simply managed, Market Share Entitlement Scheme.

The Commission's report, inexplicably, made no reference to the Federation's submission on domestic marketing, but adopted the proposal for a Market Share Entitlement Scheme almost without change, except that it was to be preceded by the compulsory equalisation scheme recommended by the Commission a year before.

In preparing its submission, the Federation had (from its knowledge of the earlier ADIC proposal for a Two Price Quota Scheme) been apprehensive of the problems which could plague a Market Share Entitlement Scheme if any attempt were made to interpose State entitlements, and State participation in administration of the Scheme, between the single, national controlling body and the individual dairyfarmers, and it is important to note that the I.A.C.'s recommendation similarly avoided intervention at State level.

But it became evident, immediately the I.A.C.'s report came under consideration by the Australian Agricultural Council (which consists of the Ministers of Agriculture from each State and the Federal Minister for Primary Industry) that the Market Share Entitlement Scheme was not going to be allowed to operate in the manner proposed by the Federation and endorsed by the I.A.C., State interests were going to play a part in any scheme approved by the A.A.C.

So a specialist Working Party was established to prepare from the principles in the I.A.C.'s report, a fully detailed "blue print" for adoption by the industry, with full recognition being given to State interests. This "blue print" was studied by the A.A.C. at its recent meeting in Launceston, given general approval, and thrust at the industry with a time table for its adoption.

NOW READ ON.

THE AUSTRALIAN AGRICULTURAL COUNCIL'S PROPOSAL

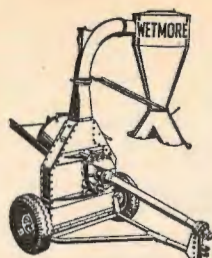
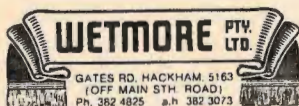
STAGE I — COMPULSORY EQUALISATION

The Australian Agricultural Council's proposal is for the introduction, from 1st July, 1977, of a first phase (Stage I), involving a legislatively supported compulsory equalisation scheme for all "prescribed products", practically identical with Stage I of the I.A.C.'s latest report and with the main recommendation contained in the I.A.C.'s first (1975) report, except for the inclusion, among the "prescribed" products ("prescribed" means only that the product is officially declared as coming within the compulsory equalisation scheme) of all cheese (instead of cheddar cheese only, as proposed by the I.A.C.) — with provision for exemption where the manufacturer or distributor can support his claim that his product should not be subject to levy — and of wholemilk powder, the proposed prescribed products thus being butter and butter-oil, cheese (see above), casein, and milk powders (whole milk powder, skim milk powder and others) with provision for other dairy products to be included in the scheme (i.e. "prescribed") if thought desirable.

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ADMINISTRATION

As in the I.A.C.'s proposal, administration will be by the Australian Dairy Corporation, which is expected to recruit "the appropriate **expertise**", presumably from the present staff of the Commonwealth Dairy Produce Equalisation Committee.

The Australian Dairy Corporation will also review all allowances and incentives (to be abolished under the I.A.C.'s proposal) which will then be subject to approval by the Minister for Primary Industry.

MARKET MILK PROTECTION UNRESOLVED

The inclusion of a possible provision for a levy on market milk, as proposed by the I.A.C. to protect the domestic fluid milk market, was not endorsed at this time by the Ministers at the A.A.C., because they wished to know how the levy might operate (and how the revenue from the levy would be used) before committing themselves on this legislation.

STAGE II — MARKET SHARE ENTITLEMENT

It is in the details of Stage II, which comprises a Market Share Entitlement Scheme, that the A.A.C.'s views differ most from those of the I.A.C., first, by restricting the "prescribed products to those in Stage I plus condensery products (with provision for other products to be prescribed) where the I.A.C., with good reason, prescribes "all dairy products", thus eliminating the problem of whether dairyfarmers supplying a factory making exempt products are to be allotted entitlements, and of the level of payments which such dairyfarmers would receive if they had entitlements, or if they did not.

STATE ENTITLEMENTS

From the aggregate national entitlement, State entitlements are to be calculated, and the total of each State's entitlement is to be allotted to individual dairy farmers within each State, on a basis to be determined by each State, including the possibility of a State deciding **not** to allot the entitlements to individual dairy farmers, but to allot them to factories, or else to retain all entitlements at State level, as part of a State dairy produce equalisation scheme.

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ENTITLEMENT TRANSFERS

The sale ("negotiability") of entitlements between dairyfarmers within a State is regarded as being permissible, subject to the transfers being controlled, but negotiability of entitlements between dairyfarmers in different States is to be left for decision between relevant State authorities in any States which operate systems sufficiently compatible to facilitate interstate transfers.

HOW MANY POOLS? — A VEXED QUESTION

A question unresolved by the A.A.C. was whether the levies on domestic sales (which make up the Dairy Fund from which the premiums are paid to entitlement holders in accordance with the size of their entitlements) should go into a single pool (i.e. all levies going into one fund, so that the premium paid to each dairyfarmer on his entitlement is the same, regardless of the product, or product-mix, produced by the factory which he supplied — as proposed by the A.D.F.F. and by the I.A.C.) or into separate product pools, so that the premium paid on the entitlement of a dairyfarmer supplying a factory making one product, or mix differs from that paid to the supplier to a factory making some other product, the domestic return for which is, **at that time**, lower than that from the product made by the first factory.

THE DISBURSEMENT OF PREMIUMS — ANOTHER VEXED QUESTION

The merits of these alternatives must be considered in the light of the necessity for the premiums, in a separate product pool system, to be paid through the factories, and of the extreme complexity induced by the fact that most dairy products cannot be manufactured in isolation, but are accompanied by subsidiary products, the market values of which differ from those of the major product, with fluctuations in the values of all the products.

HOW BIG AN ENTITLEMENT? A VITAL PRINCIPLE

But by far the greatest difference in impact, as compared with differences in principle or in administration, between the three proposals (for, in this case, the I.A.C.'s recommendation differs from the A.D.F.F.'s submission) is in the calculation of the National Aggregate Entitlement (N.A.E.).

The impact of a Market Share Entitlement Scheme depends on the size of the premium and the consequent difference in returns for "entitlement" and "over-entitlement" milk, i.e. the greater the premium, and the greater the difference between returns, the greater will be the inducement to a dairyfarmer to reduce his milk production down to near his "entitlement" quantity, and the greater will be the opportunity for him to reduce costs at the same time, and so come nearer to equality between costs and returns.

The A.D.F.F. proposed that the N.A.E. should be as close as possible to aggregate domestic sales (thus maximising the entitlement premium) modified by a "safety margin" of 15 per cent to avoid the risk of total output falling below the domestic market requirements in a widespread unfavorable season.

The I.A.C. proposed that the N.A.E. should be the total of domestic sales plus sales to "preferred export markets", overlooking the problem of defining "preferred markets" and the fact that the returns from some of our "glamor" export markets are not necessarily among the highest export prices.

THE A.A.C.'S (AND THE INDUSTRY'S) DILEMMA

The A.A.C., playing very, very safe, presumably to ensure that dairyfarmers do not make drastic cuts in their milk production, and so seriously damage the manufacturing sector, proposed that "initially" the N.A.E. will be based on average domestic consumption of prescribed products for the three years ended 30th June, 1976 plus 40 per cent thereof.

The decision demonstrates the dilemma which faces the Australian dairy industry, and which is shared with the industry by State and Federal Governments. An entitlement scheme, with aggregate entitlements considerably lower than the industry's present level of milk production, can be claimed as affording some advantage to dairyfarmers, but such a scheme would be disastrous to the manufacturing sector, would mean the laying-off of a substantial proportion of the industry's work-force, and would bring depression to many country townships which exist because of, and are part of, the dairying industry.

A POINTLESS SCHEME

A National Aggregate Entitlement of the size proposed by the A.A.C., plus the total market milk requirements in all States, adds up to 5,710 million litres, or 300 million litres more than the predicted total milk production in 1976-77, and quite probably more than in any future year.

The adoption of a Market Share Entitlement Scheme, on such a basis, even though this basis is stated to be "initially" and so, presumably, to be subject to adjustment) would achieve nothing other than to impose on the industry (i.e. on the dairyfarmer, the ultimate payer of all industry costs) an expensive and totally pointless, administrative nightmare.

THE A.D.F.F.'S COUNTER PROPOSAL

A SIMPLER SCHEME

The very great differences between the principles and the operation of the very much more complex A.A.C. scheme and the Australian Dairy Farmers Federation's very much simpler, and probably more effective scheme which it submitted to the I.A.C., have led the Federation to re-examine its attitude to a national market share entitlement scheme.

This re-examination, which has taken particular notice of the trend in Australian milk production in the 9 months which have elapsed since the Federation drafted its submission, has been directed towards finding a simple, but effective, means of curbing production increases, particularly occurring in one or two States with a very damaging effect on the dairyfarm returns in those States which held or reduced production.

IDENTIFIABLE STATE ENTITLEMENTS NOW

The outcome is a proposal for identifiable State entitlements to be introduced concurrently with Stage I, with the implication that it would be the prerogative of each State to decide whether it would divide the State entitlement into individual farm entitlements or use the State entitlement as a limited equalisation scheme, with any production above the entitlement receiving a return based on some export price and consequently lowering the equalised return in the responsible State.

Such a plan would protect a State in which dairy production was static or decreasing, from the results of a resurgence of expansion in another State, without the need for a complex and massively-staffed, centralized authority, with an accompanying net-work of State administration.

EFFECT ON PRODUCERS

In its simplest form (i.e. State entitlements only), the impact on the individual dairyfarmer would be to protect him from the effect of a production upsurge in another State or States. He would receive a single, equalised, return, as now, the rate of the return depending on the magnitude of the State entitlement, compared with the State's current output, with any production above, the State entitlement returning only an export based price, which would be integrated into the equalised return.

There would be no bar to a State adopting a full market share entitlement scheme by allotting the State entitlement among the dairyfarmers in the State, but the necessity for this amplification of the scheme is diminished to vanishing by the A.A.C.'s policy concerning the magnitude of the national entitlement.

MARKET MILK PROTECTION SOUGHT

The Federation's proposal to the Minister for Primary Industry is not limited to the simplified entitlement scheme. The Federation has demonstrated its concern at the A.A.C.'s putting aside of the I.A.C.'s recommendation that levy legislation be provided to protect the stability of market milk throughout Australia, State Ministers at the A.A.C. meeting having indicated that they "wished to know how the levy on market milk might operate" before committing themselves on the proposed legislation.

The Federation expressed its strongly-held opinion (and sought to clarify the purpose of the legislation for the education of the State Ministers) that "separate legislative provision should be made for a fluid milk levy designed **only** to ensure the continuation of orderly marketing of market milk with the legislation allowing the use of the levy **only** for the purpose for which it is designed, such legislation to be introduced at the same time as legislative provision is made for the new marketing arrangements covering manufactured dairy products.

CONTINUED FINANCE ALSO SOUGHT

In addition to the foregoing, the Federation has made, **as a condition of its acceptance of any change in the present marketing arrangements** (i.e. Commonwealth equalisation), a request that the Federal Government give a commitment to provide financial assistance to the dairy industry for an adequate period after 30 June, 1977.

It must be realized by every dairyfarmer that, however desperate the plight of the industry may be at present, the A.A.C. proposal give the dairyfarming sector **nothing** except legislation to impose a scheme to bring about production restraint. The Federation believe that the beneficial effects of the scheme are far from assured, and that **some** financial assistance in the form of underwriting, floor price, or similar, should be provided as well, to give more assurance of the success of what will be a very restrictive, complex scheme.

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What offers?

DAIRY PRODUCES REVIEW WORLD MARKET

Discuss Plan for Dairy Products Agreement

Representatives of dairy producers from all major producing and trading countries met in London on 27th October in the course of a regular meeting of the International Dairy Committee (IFAP).

In their review of the world dairy situation, they noted that world supplies in major producing countries could be marginally higher (+0.5%) in 1976 than in 1975. Major elements in this situation are the heavy falls in production of milk in Canada (-12%) and Australia (-15%), and a rise of 10% in production of manufacturing milk in Ireland. The rains in the third quarter of the year in Europe could lead to a slightly higher total increase overall. Consumption is expected to increase by a higher percentage than production for most products, with the chief exception of butter. Thus, there may be a modest improvement in market balance in early 1977, though the situation remains serious.

The Committee also examined the means of promoting the adaption of its proposals for an international agreement on dairy products. These proposals were first made public in 1971 and have recently been modified with respect to the food aid element, already included in the original proposal. The IDC was the first organization to put forward proposals for such an agreement and its proposals remain the most complete in their coverage of the various products and uses.

NEW PIPING UNDER TEST

Polypropylene pipes and fittings have shown up well in early trials as milking bail airlines, according to a New Zealand report.

High density plastic piping is being tested and early results indicate polypropylene may be suitable as an alternative to stainless steel pipes and fittings.

S.A. LAGS BEHIND IN DAIRY AID

Less Than Proportionate Share of Adjustment Program

The reason may be that South Australian dairyfarmers are more prosperous than those in other States — or, perhaps, they are too far gone to be worth saving — or, perhaps, they are too proud, and just won't ask.

Whatever the reason, we wonder why this State lags so far behind the others in the amount of assistance given under the Commonwealth Government's **Dairy Adjustment Program**.

The latest figures available show that 6.9 per cent of the rural holdings carrying dairy cattle are in South Australia (1974: 2104 out of a Commonwealth total of 30445) and that in a "normal" year we produce about 6.6 per cent of Australia's total milk output.

But the latest (31 October, 1976) progress report of assistance given under the Dairy Adjustment Program reveals that we are way below these percentages in applications for assistance, and even further below on the number of applications granted.

The table printed below shows the number of applications received for the major types of aid (amalgamation, development, and carry-on finance), the number of rejections and approvals, and the total value of the assistance provided. The figures in bold show the percentage share of the national total for each category, for comparison with each State's percentage share of the Australian dairy industry.

	N.S.W.	VIC.	QLD.	S.A.	W.A.	TAS.	AUST.
SHARE OF INDUSTRY							
Dairy farms*	5323	14696	5138	2104	1131	2044	30445
%	17.8	48.3	16.9	6.9	3.7	6.7	100
Total milk**	958	3745	658	426	246	461	6497
%	14.7	57.6	10.1	6.6	3.8	7.1	100
AMALGAMATION							
Applications	20	277	137	16	35	40	525
%	3.8	52.8	26.1	3.1	6.7	7.6	100
Approved	13	166	78	9	18	21	305
%	4.3	54.4	25.6	3.0	5.9	6.9	100
Rejected	7	108	55	7	17	19	213
%	3.3	50.7	25.8	3.3	8.0	8.9	100
Value \$000	490	5910	1685	319	993	335	9731
%	5.0	60.7	17.3	3.3	10.2	3.4	100
Average per case \$000	38	36	22	35	55	16	32
DEVELOPMENT							
Applications	25	462	439	30	99	101	1041
%	2.4	33.3	42.2	2.9	9.5	10	100
Approved	18	189	326	7	46	50	636
%	2.8	29.7	51.3	1.1	7.2	7.9	100
Rejected	7	147	105	23	51	51	304
%	2.3	48.4	34.5	7.6	16.8	16.8	100
Value \$000	116	1523	1652	84	327	216	3917
%	3.0	38.9	42.2	2.1	8.4	5.5	100
Average per case \$000	6	8	5	12	7	4	6
CARRY-ON							
Applications	99	2506	18	44	12	189	2868
%	3.5	87.4	0.6	1.5	0.4	6.6	100
Approved	37	1662	11	15	5	145	1875
%	2.0	88.6	0.6	0.8	0.3	7.7	100
Rejected	52	808	6	4	6	30	906
%	5.7	89.2	0.7	0.4	0.7	3.3	100
Value \$000	145	5135	31	58	20	538	5926
%	2.5	86.7	0.5	1.0	0.3	9.1	100
Average per case \$000	4	3	3	4	4	4	3
TOTAL ASSISTANCE (including Assistance to Factories)							
Total approved by States \$000	2001	21904	5329	981	3380	3070	36665
%	5.5	59.7	14.5	2.7	9.2	8.4	100
Commonwealth share of total approved \$000	1929	19336	5313	959	3370	2802	33701
%	5.7	57.4	15.8	2.8	10.0	8.3	100

* Dairy Farms = Rural holdings carrying 30 or more dairy cattle — 31.374.

** Total Milk Production (million litres) 1974-75, to exclude drought effects.

AG. COUNCIL FAVORS PAYMENT BY COMPOSITION

At its meeting in Launceston in February, the Australian Agricultural Council endorsed the principle that payment to dairyfarmers should be based on the composition of the milk produced, and it was announced that consultations would now take place with state authorities and with industry bodies to facilitate implementation of the system favored by the Council, namely payment for fat and protein.

There is no doubt that payment by composition has much merit; protein is a component of great, and increasing, value, and its exclusion from the payment system now employed is not in the interests of the industry or of dairyfarmers.

But it must be noted that this decision of the Agricultural Council was made at the same time that the Council declared itself in favor of the early adoption of a national Market Share Entitlement Scheme.

The complexities of a Market Share Entitlement Scheme based on butterfat are mind-numbing. To add, to a Market Share Entitlement Scheme, payment for protein as well would blow the fuse in every computer in Australia.

The Council has not specifically stated that payment by composition should be included in its proposed Market Share Entitlement Scheme, but as it officially favors both, it is hard to see how it can avoid favoring the combination (unless its support for one, or the other, is only luke-warm).

BASIS OF PAYMENT FOR MILK

The Australian Agricultural Council, at its 100th meeting in Launceston, endorsed the principle that payment to dairy farmers be made on the composition of the milk produced.

The Chairman of the Council said that consultations would now take place with State authorities and with industry bodies to facilitate implementation of the recommended system.

The system favoured by Council is one where payment is based on the content of fat and of protein.

At present, payment for milk for manufacture is related solely to the fat content of milk delivered, with no separate accounting for non-fat components. Protein is the most valuable of these components.

Most market milk is paid for on a volume basis, subject to minimum standards for fat and solids-not-fat. These minimum standards for fat vary from one State to another.

Council indicated that although it would be feasible to continue the practice of paying for manufacturing milk on a compositional basis and for market milk on a volume basis, account ought to be taken, however, of the longer-term outlook for milk components, especially for protein.

There are also the questions of improved equity between producers, and the significance of payments systems in influencing breeding programmes.

On these and other grounds, Council considered it would be preferable that all milk be paid on the basis of fat and protein composition plus, in the case of market milk, a financial adjustment to make up the residual market value.

Automated testing equipment is available which would enable compositional payment to become effective at low capital and running cost for the testing involved.

The move by Council for a more uniform system of payment comes after a lengthy study of the implications of change in the payments system.

This work was carried out by the Basis of Payments Committee, on which the States and the Commonwealth were represented.

The study originated from a request by the Australian Dairy Industry Council.

Opportunity would also be taken at these talks to examine further the issues involved in the standardisation of market milk, and the modification or removal of the present compositional requirements on the production of market milk.

This would enable a range of milks to be sold to consumers on the basis of stated nutritional content.

MILK SALES DOWN AGAIN

And Area Change Eliminates Comparison

RISE NOT MAINTAINED

The improvement in Metropolitan milk sales, late in 1976, reported in the previous issue of this Journal, was not maintained during the end of the year and in early 1977, even in the 3-month moving average figure used to iron out the "lumpy" effect of the number of week-ends in each month.

It can be seen, from the following table, that an apparent improvement in the moving average occurred in the 3 months to 31 October, 1976 and continued but at lower levels, in the next two periods, to be replaced, in the 3 months ended 31 January, 1977, by a downturn.

The brief occurrence of higher sales was, however, sufficient to lift the average throughout 1976 above that of the previous year.

MILK SALES IN THE METROPOLITAN AREA

3-Month Moving Average — Litres per Day		
3 months ended	1975	1976
July	248 752	244 414
August	246 595	242 887
September	242 774	242 171
October	238 296	240 548
November	239 979	243 067
December	240 530	241 579
	1976	1977
January	241 200	238 816
Annual Average — Litres per Day		
	1975	1976
Whole Year	244 532	244 852

QUESTIONABLE EFFECT OF PROMOTION

It is probably unwise to draw any conclusions from these statistics. The changes are neither sufficiently great nor sustained to merit any in-depth analysis, but it does appear possible that the apparent improvement in the last quarter of 1976, to which the previous Journal article referred, was not due to the television campaign, "Milk is a Natural" so much as to a downward trend during the same period in the year before, which gave to the relatively stable figures in 1976 the appearance of being on "improvement".

We can, in part, regret that, with two radio campaigns added to the television campaign, it will not be possible to continue to compare sales trends in the "metropolitan area", as a measure of the effectiveness of current milk promotion.

Under the provisions of the Metropolitan Milk Supply Act, the "metropolitan area" in which the Milk Board exercises control over the sale of milk may be varied, from time to time, by regulation.

BOARD AREA ENLARGED

Using this power, the Milk Board has continually enlarged the "metropolitan area", in step with urban expansion. The latest change, effective from 1st February, 1977, expands the area so that it now stretches from the southern boundary of the District Council of Willunga to north of, and including the town of Gawler.

Because of the considerably larger number of households that are now included in the "metropolitan area" because of this change, there is no point in comparing milk sales after 1st February, 1977 with those in any other previous period.

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PRODUCTION & SALES STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
January	19 927	19 273	642.8	621.7	246 024	220 066
February	16 351	15 086	563.8	538.8	246 116	218 896

MILK SALES (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
January	8 216	8 342	265.0	269.1	98 799	99 273
February	8 080*	8 034	278.6	286.9	98 802	99 227

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		BASIC PRICE (Cents kg b.f.)	
	1976	1977	1976	1977	1976	1977
January	41.2	43.3	40.2	45.1	124.01	126.76
February	49.4	53.3	40.1	45.3	124.01	126.76

* 29 days, equivalent to 7 757 thousand litres in 28 days.

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is at least 25
per cent cheaper
than whole milk.**

SAFE!

Denkavit is made to a proven safe formula under strict laboratory control. It does not contain any cheap substitute ingredients.

SURE!

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DENKAVIT**

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Please send me a copy of the Denkavit Calf Booklet.

NAME

ADDRESS

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THE SOUTH AUSTRALIAN

DAIRYMEN'S ...

Journal



Official Publication of the

Published Bi-monthly

Vol. 16, No. 5

Adelaide, MARCH/APRIL, 1977

PRODUCTION & SALES STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
March	15 792	13 754	509.4	444.7	246 283	216 858
April	13 818	13 321	460.6	444.0	244 397	216 361

MILK SALES (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
March	8 634	8 942	278.5	288.5	98 926	99 535
April	8 361	8 260	278.7	275.3	98 780	99 439

RATIO (Sales to Production, per cent)

BASIC PRICE

	For Month		12 Months' Cumulative		BASIC PRICE (Cents kg b.f.)	
	1976	1977	1976	1977	1976	1977
March	54.7	65.0	40.2	45.9	124.01	126.76
April	60.5	62.0	40.4	46.0	124.01	126.76

In this issue—

More About Dairy Adjustment

Heifers Wanted for Export

Research into Milk Allergy

Central Council Proceedings

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JENNY BLACKETT JOINS MILK BOARD STAFF

Members will recall Miss Jennifer Blackett, who provided the Association's first relief milking service, and who gained a well-deserved reputation for all-round efficiency in dairy farming that went far beyond the milking operation.

From relief milking Miss Blackett moved to private employment as a manager/share farmer on an Adelaide Hills dairy property, and subsequently gained further practical experience and academic training here and overseas.

On the basis of her practical and theoretical qualifications, which include the National Certificate of Agriculture and the British Dairyfarmers' Association Certificate in Dairying, the Metropolitan Milk Board has appointed Miss Blackett to the position of District Supervisor at Murray Bridge, so making her the first woman member of the Board's field staff.

Mr. Malcolm Timberlake, who has been District Supervisor at Murray Bridge for the past 10 years has been transferred to the Victor Harbor area, replacing Mr. Jim Coppin, who has retired after 29 years service with the Board.

F.I.L.'s 50th ANNIVERSARY

It is almost 41 years since the Central Council meeting on 11th August, 1936 which was the beginning of the South Australian Dairymen's Association's connexion with The Federation Insurance Limited, which recently celebrated its 50th year of operation.

The Federation Insurance Limited commenced operation on the 26th April, 1927 and was formed by the Victorian Employers Federation with the aim of providing economical insurance to Members of affiliated trade and rural organizations and financial support to such organizations where their members insured with it.

F.I.L., as the Company is commonly known, has retained its Australian identity, of which it is justly proud, and ranks highly amongst Australian Insurers.

During 1976/77 F.I.L. paid commission in excess of \$2.1 million to affiliated organizations and its assets exceeded \$43 million.

Apart from providing general insurance service to Members F.I.L. has a large interest in FML Assurance Ltd. which specialises in superannuation benefits for self employed persons and employees in addition to providing a large range of life assurance contracts.

We congratulate F.I.L. on the occasion of its 50th anniversary.

THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL



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

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

President: N. M. GREEN, Esq., J.P. General Secretary: DAVID J. HIGBED, B.Ec.
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MORE ABOUT DAIRY ADJUSTMENT

Now that the special assistance provided by the Commonwealth Government to the dairy industry, through the original Marginal Dairy Farms Reconstruction Scheme and the subsequent Dairy Adjustment Program, has now been absorbed into an all-inclusive rural adjustment scheme covering all rural industries, there will be no point in attempting to compare the assistance given to dairy farmers in South Australia with that given to those in other States.

But, for some time at least, reports of the progress of the Dairy Adjustment Program will continue to be received, and can be compared, and the latest (to 31st December, 1976) shows no change in either the number of applications, or the number of approvals, for **Amalgamation** or for **Development**, with the relationship to the Australian figures dropping in each case, as the whole of applications and approvals rise in every other State except for Amalgamation in W.A., which is also static.

In the case of **Carry-on** assistance, South Australia's figures rose to 63 applications (an increase of 19) and 27 approvals (an increase of 12), and percentages of the national total rose from 1.5 to 2.1 and 0.8 to 1.4 respectively.

However, in the total value of assistance received, despite increases of \$48000 and \$17000 in the "Total Assistance Approved" and "Commonwealth Share of Total Approved," percentages fell by 0.1 in each case, to 2.6 and 2.7 respectively, because of proportionally larger increases in other States.

Since the publication of the table showing dairy assistance, State by State, the question has been asked: "How did South Australia fare in the original Marginal Dairy Farms Reconstruction Scheme?"

The answer is: "About the same," although, in that scheme, Tasmania with a dairy industry about the same size as South Australia's fared even worse.

The number of amalgamations approved in each State, under the original scheme, and the value of Commonwealth expenditure, was as under:

% of dairyfarms	17.8	48.3	16.9	6.9	3.7	6.7	100
% of milk output	14.7	57.6	10.1	6.6	3.8	7.1	100
Applications approved	64	25	426	10	37	14	576
% of National total	11.1	4.3	74.0	1.7	6.4	2.4	100
Expenditure, \$000	1750	563	11134	210	1212	174	15043
% of National total	11.6	3.7	74.0	1.4	8.1	1.2	100

THE "RATIO"

In March this year the "ratio" shown on the account sales of dairy farmers supplying milk to Adelaide-based companies was 65 per cent, compared with 54.7 per cent in the previous year and 58.8 per cent in March 1975. It was, in fact, the highest March ratio since 1961, and the highest ratio for any month since April 1963.

Yet, surprisingly, it has been recently reported that the meaning of the term "ratio" is not clear to some dairy farmers, and that an explanation would be appreciated.

The explanation is quite simply made. The "ratio" represents the amount of the total production for the month that has been sold as market milk and table cream. So, as production declines, as we approach the autumn lean period, the "ratio" rises, because milk and cream sales tend to be fairly constant, and a "ratio" that is higher than that for the same month in the previous year indicates a poor season. (It could, of course, indicate an increase in milk and cream sales, but that is far less likely.)

The downward trend in milk production since the peak year of 1969-70, brought about mainly by the decline in the number of dairy farmers, is reflected in an upward trend in the average "ratio" for each successive year.

	Production (000 litres)	Ratio %		Production (000 litres)	Ratio %
1969-70	266	37.4	1973-74	256	39.8
1970-71	264	38.6	1974-75	250	39.7
1971-72	262	38.5	1975-76	237	41.6
1972-73	248	41.6	1976-77*	217	45.9

* 12 months to 31.3.77.

HEIFERS WANTED FOR EXPORT MARKET

There is a growing world demand for dairy heifers to support the livestock programmes of developing countries.

Southern Farmers recently dispatched 800 eighteen to twenty month old in-calf Friesian heifers to Korea, but unfortunately, because they were unable to find enough suitable stock in South Australia, they had to fill half the order with Victorian stock.

An expansion in the trade seems certain as currently Southern Farmers are looking for dairy heifers to fill one contract for 200 six to eight month old Friesian heifers to be airfreighted to Korea in June, and 800 fifteen to twenty month old Jersey or Jersey/Friesian cross heifers suitable for a December shipment to Sri Lanka. Interest has also been shown by a number of Middle East countries and Rumania in the purchase of pure bred Friesian heifers, while Malaysia has a contract for the purchase of Sahiwal cross heifers from Australia.

South Australian farmers have a chance to supply a part of the Malaysian contract if enough dairy farmers are willing to inseminate a portion of their herd with Sahiwal semen.

Southern Farmers, who are acting as sub agents for MacTaggart, a Queensland stock firm, are willing to sign a contract with farmers for \$80 a head, delivery to be made to a central place designated by the agents. The conditions of the contract are as follows:

1. To breed heifer calves from Friesian, Jersey or Friesian/Jersey cows with an average of not less than 6 000 lbs milk per lactation of 305 days, inseminated using Sahiwal frozen semen provided free of charge by the agents. The cost of insemination to be borne by the farmer.

2. Only female calves of the first cross which are the outcome of the above breeding, having size and conformation for their age and type are to be selected for supply and delivery. All calves must be healthy and free of any physical defects.
3. Insemination to take place in the period **1st July 1977 - 15th August, 1977.**
4. Delivery to take place when the calves are 4-6 months of age.
5. Health requirements have been agreed on by the Malaysian Government and a summary of these are set out below:
 - (a) Milk supply herds would be accepted if their herds were negative to Brucellosis on a milk ring test during the year 1976-1977.
 - (b) That no case of Johne's disease or Tuberculosis had occurred on the farm.
 - (c) That all calves between the ages of 3-6 months were vaccinated with Strain 19 Brucella vaccine and are suitably identified as such.
 - (d) That, immediately prior to export, all the calves were dewormed.

In order to warrant this venture, Southern Farmers would need to be assured that at least 1000 dairy cows have been inseminated with Sahiwal semen. If enough South Australian farmers show their interest in this first shipment, then it would be possible for organisations in South Australia to negotiate directly with Malaysia and other South East Asian countries for contracts in subsequent years. (If farmers do not wish to rear their own calves and would prefer to sell them to a third party as bobby calves, then possibly this could be arranged.)

If you are interested in breeding these calves, then please complete the form below and return it to the South Australian Dairymen's Association or to David R. Harvey, Convenor EXSAB, South Australian Department of Agriculture, Grenfell Building, Adelaide, by Friday, 24th June.

DAIRY HEIFER EXPORT MARKET

1. Name

Address

2. I would be prepared to inseminate cows with Sahiwal semen between 1st July and 15th August, 1977.

3. The breed of my herd is

4. In 1975-76 my herd had an average lactation of per cow.

5. I will/will not be rearing the heifer calves on my farm (delete where necessary).

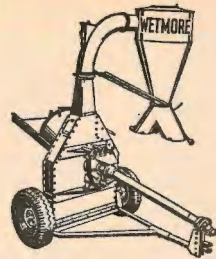
6. I would/would not like to sell my bobby heifer calves to a third party at a price to be negotiated before insemination (delete where necessary).

Signature

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S.A. RESEARCH INTO 'MILK ALLERGY'

Among the most distressing and persistent diseases of childhood are infant eczema and other complaints, which the lay public almost invariably, and the medical profession quite often, blame on intolerance to cows' milk in the juvenile diet.

Because of this widespread belief, the first and perhaps only remedy tried is the removal of cows' milk from the diet, and its replacement with goats' milk or some other milk substitute, such as soy-bean "milk" from a non-animal source. As these substitutes are used to "cure" the supposed milk-induced condition (in fact, the cure, if such is achieved, is brought about by the **removal of the causative substance, not** by the substitution of another substance) they are, if prescribed by the medical profession, subsidised by the Commonwealth Government as a "medicine" and the following table shows the cost of the subsidy during the past 9 years:

		Cost (\$)
1968-69	99 174	243 018
1969-70	162 975	441 223
1970-71	186 159	552 645
1971-72	263 363	859 988
1972-73	338 339	1 258 831
1973-74	423 844	1 590 844
1974-75	568 320	2 217 405
1975-76	700 581	3 102 217

But some members of the medical profession have not been satisfied that cows' milk is the villain in every case for which milk is blamed, and a proposal put forward by the Metropolitan Milk Board to the Dairy Research Committee for research into the incidence of milk allergy has been approved, and a research program has now been commenced by a South Australian specialist, Dr. R. M. Douglas, M.A., M.D., F.R.A.C.P., senior lecturer in the Department of Community Medicine at the University of Adelaide.

Early results indicate that, contrary to general belief, reaction to cows' milk is a very infrequent cause of the infantile complaints normally attributed to that source.

CENTRAL COUNCIL PROCEEDINGS

Meeting held on 24th March, 1977

PRESENT

The General President (Mr. N. M. Green) in the Chair, Messrs. D. Zweck, J. Cock (Mid North), B. Woodman, H. Perry (Myponga), A. Kenny, I. Winter, M. Diener (River Murray), P. Kuchel, S. Schofield, M. Brazzalotto (Central Hills), C. Blacker, K. Watkins (Willunga), P. Cellier, G. Camac (Lakes), A. Sargent, K. Sowerby (Mt. Barker), K. Turvey (Milang), D. Hurrell, A. McEwin (South Coast), A. Kretschmer, R. Ielasi (Jervois), A. Manning, E. Stewart (Torrens Valley), R. Long (Gawler), M. Green, S. Schoell (Onkaparinga), M. Klemm, W. Kerr (Barossa), R. Fiebiger (Spring Valley).

APOLOGIES

Mrs. D. Freebairn (Gawler), Messrs. R. Harper (Central Hills), P. Silver (Mt. Barker), A. Parker (Milang), R. Reid (South Coast).

BASIC PRICE

The General Secretary explained that, during the present season, interim values for butter and cheese had not been set in relation to market and disposal situations, but at levels supported by Commonwealth Government "underwriting", the "underwritten" values being those which, the Commonwealth Government claimed, would allow dairy factories of average efficiency to pay farm gate prices of 50c. lb. b.f. from 1st July, 1976, 55c. from October, and 65c. currently. However, because the opening rate would have resulted in an interim basic price that was lower than was considered acceptable, the dairy companies had agreed not to use updated manufacturing costs as the basis of negotiations, but to allow the costs for the year before last to be used instead. With the increased interim value for cheese arising from the latest increase in underwriting, the dairy companies had asked that manufacturing costs incurred during 1975-76 be taken into account in negotiating the new basic price, and it had been agreed that part of the manufacturing cost increase would be met.

The result of the negotiations had been an agreement that the new interim basic price would be 126.76c. kg b.f. at the farm gate. However, it should be realised, that, to compare the interim basic price in the Adelaide region, with basic prices paid elsewhere for manufacturing milk, it was necessary to add to the new figure the farm tank premium, which, although it was paid at the rate of 4c. kg b.f. for all milk, should in fact, be added to the basic price at an adjusted rate of 8.1c. kg, to make an effective basic price of approximately 134.9c. kg b.f.

The dairy companies had agreed that they would not seek further adjustments in manufacturing costs during the remainder of the financial year, and, on that basis, it was expected that the final basic price for the year would be in excess of 135c. kg.

Mr. McEwin said that, although it was not possible to contest the fact that manufacturing cost had risen, it was a very great pity that our farmers were forced to take whatever was left after costs further along the chain had been met, and the new basic price, although considerably higher than that with which the season opened, in no way reflected increases in the dairy farmers costs, which had been taking place continuously, and which showed no signs of abating.

I.A.C. REPORT

The General Secretary stated that, following the receipt of the Report of the Industries Assistance Commission on "Dairy Marketing Arrangements", the Australian Agricultural Council had considered the recommendations, and had decided that the Market Share Entitlement Scheme proposed by the I.A.C. would not be acceptable to the States if the States were not included in the allotting of entitlements and in the disbursing of premium payments. The A.A.C. had also objected to some other administrative aspects of the proposed Entitlement Scheme, and had, consequently, set up a Working Party of departmental officers, to redraft the Entitlement Scheme in a form more acceptable to State Ministers.

The Working Party's report had been considered by the A.A.C. at its meeting early in February, and had been accepted as Stage II of the new Arrangements for which Federal legislation would eventually be drafted. There were considerable differences between the new Arrangements and those proposed by the I.A.C., but these differences had been described in the Journal which would be published very shortly.

Mr. McEwin asked whether, in view of the very complicated legislation that was required, and the fact that the legislation must first be drafted, and then debated in Federal Parliament, it was possible to expect the new scheme to begin on 1st July which was only a little over three months away. He feared that, because of the short time available, it might not be possible to start Stage I from the 1st July.

In answer to a question from Mr. Winter, asking whether there was any indication that the legislation to protect market milk would be introduced in time, the Secretary stated that the Commonwealth Government had given no undertaking that it would introduce this legislation at the same time as Stage I, because the members of the A.A.C. could not agree among themselves as to what the I.A.C. meant by its proposal for legislation to protect market milk.

STATE DAIRY INQUIRY

The Secretary tabled a press release issued by the Minister of Agriculture, stating that a Committee of Inquiry would be set up to inquire into the dairy industry in South Australia, with particular reference to the basis on which entitlements would be allotted, in the event of Stage II being introduced, the composition of the allotting and appeal bodies, and the procedure for transfers of entitlements, but inquiring also into the most efficient means of administering the dairy industry in this State. Other items for inquiry were the method of financing the administering body, and the method of payment for milk, which included payment by composition. The Minister intended to appoint, as Chairman, a person from outside the State, with a knowledge of the industry, and two other members, one representing the dairy manufacturing sector and the other representing dairy farmers. Though appointments had yet been made, the Minister had stated that he required the Committee to report to him by 30th April.

The Secretary stated that the Executive Committee had given some thought to the basic concepts contained in the Minister's statement, but there was no point in preparing a submission until the terms of reference were known in far more precise detail. However, it should be noted that the whole theme of the inquiry was into how the industry should be administered, which by implication, meant administration by legislation.

As in the case of the proposed Federal scheme, the only contribution from the State Government would be the legislation there would be no other input to assist or stabilise the industry. For this reason it was essential that the Association be very clear on the extent to which it would support Government intervention, or whether it favored the maximum amount of self-regulation. Although there appeared to be some advantages in a statutory Dairy Authority it should be realised that the changes made by such an Authority would be only in the way the cake was cut up; it would not increase the size of the cake.

Mr. McEwin said that we should adopt a policy of minimum control and minimum cost. We were being asked to support and finance a scheme to stabilise the dairy industry in this State, and whilst control was necessary in the interests of all parties, it should be realised that the cost of a control would depend on its complexity.

Mr. Blacker asked whether the Executive Committee had determined a policy on payment by composition. He stated that Mr. Feagan had explained to the Willunga District that it was proposed that a volume factor be used in payment for manufacturing milk, but not for market milk. He believed that a volume factor was necessary if the inequity that now existed in respect to payments for butterfat only was not to be included, in another direction, in payment for fat and protein.

Mr. Kenny said that the Executive had examined this matter, and believed that, in the present state of the industry, payment for butter fat was good enough. Payment by composition was a step of such major proportions that its introduction

should be delayed until such time as the imponderables had been fully explored and dairy farmers had much more ready access to data as to how the change would affect them. He believed that the present state of the industry presented us with enough problems that it was unnecessary to add the complications of payment by composition at this time.

Mr. Zweck said that it was clear that there was not sufficient evidence to support a change in the method of payment at present. Although the existence of inequities was recognised, we could not guess at their size, and we should not abandon the present scheme, with which we were all familiar, until it had been proved, conclusively, that a change was warranted.

Mr. Diener said that there was no point in instituting a change to payment by composition until the industry was equipped to test for both components, and dairy farmers had access to the means of evaluating the potentialities of their herds.

Mr. Schoell said that one of the reasons why the Department supported payment by composition was the public demand for foods containing protein. It seemed that, if we were to adopt a system of payment that included protein, we should make sure that the consumer was aware of the protein content of dairy foods, and the way to do this would be to have all dairy foods labelled with their protein content.

Mr. Manning said that payment by composition was not as important as the other matters to be considered by the Committee of Inquiry, and, because of its complex nature, should not be adopted until it could be shown to be to the advantage of the industry. The most important of the matters to be considered by the Committee was the Authority, and its powers, and he believed that, whatever form the Authority eventually took, the dairy farming sector should play a major role in its control.

Mr. Zweck said that, although it appeared, at present, that Golden North suppliers would not receive entitlements, which was a matter that concerned them greatly, as their future was in doubt, he believed that the negotiability of entitlements would not be in the best interests of the dairy industry, as it would lead to the situation now applying in the egg industry, where there was unproductive trading in permits.

Mr. Turvey said that by far the most important matter before the Committee will be the question of the South East having access to the Adelaide milk market. This would be difficult to prevent, and if the Committee decided in favor of participation by the South East, there should be farm entitlements for the whole of the State. These entitlements should relate to production during the best year of the last three years, which differed from the I.A.C.'s recommendation for the average of three years, because the use of the best year would eliminate most of the appeals, which would be a good thing, as it would be undesirable to have too many appeals, as the result would be a generally feeling of uncertainty and dissatisfaction. Entitlements should not be transferable other than when sold with a property and, in the event of a property going out of dairy farming, the entitlement should be surrendered, as this would assist in reducing State output, although there could be merit in allowing a two-year cooling off period between the surrender of a title and its final cancellation, to allow an entitlement holder to change his mind. This flexibility could also assist to reduce production, as it would provide dairy farmers with the opportunity of getting out of the industry without making an irrevocable decision.

Mr. Zweck said that there were many problems to be considered, such as the recent introduction of bulk transport in the Golden North area. If entitlements were based on performance in the distant past it would not give such people a fair go, as their entitlement would be based on a level of performance that was inadequate to support a bulk tank. If the South East were to be permitted access to milk markets, it could only be on a basis of entitlement, to curb any increase in production from that area in expectation of higher returns.

Mr. Kuchel said that he doubted whether there would be an increase in production in the South East; despite their low costs of production, the large herds that were milked in that area were bringing about a disillusion with the dairy industry and a strong trend to small seeds production. It was significant that a large proportion of the dairy farmers in the South East were fairly recent arrivals from the Adelaide area.

SEASONAL CONDITIONS

The Secretary reported that production for 1977 was considerably below that of the previous year, and the season showed no signs of improving. Although the average daily intake in February was only 5% below that of the same month of the previous year, total production for 12 months ended 28.2.77 was 11% below that of the previous year. One interesting aspect was that, for the same period, butterfat production was 13% lower. Milk sales for the 12 months period were just less than 1% above that for the previous 12 months, due mainly to sales to Golden North, which was experiencing a shortage of milk. The ratio of combined sales to production for the past 12 months was 45.3%, compared with 40.1% for the previous period.

HERD RECORDING

The Secretary stated that delegates would now be fully aware that the Minister of Agriculture had rejected the recommendation of the Committee of Inquiry into Herd Recording in South Australia for a continuation of a Government administered scheme, in favor of the proposal for a co-operative scheme which had been put forward as a stop gap to avoid leaving the industry without any herd recording system at all. The Government had promised to supply some support for the co-operative scheme, which would ease the problems of transfer from one scheme to another, and make the proposal more attractive to dairy farmers. However, the success of the new scheme would depend on the support that was given to it by dairy farmers.

In answer to a question from Mr. Manning, as to whether the Minister had given his reasons for rejecting the Committee's recommendation, the Secretary stated that no reason had been given, but it was apparent that the Minister believed that the potential of the Government administered scheme had not been adequately utilized, and that, if the industry were thrown onto its own resources, a greater effort might be made to use the results more productively.

Mr. Woodman said that, as Chairman of Directors of the Co-op., he was able to state that, at this stage, applications to join the Co-op. had been received from a larger number of dairy farmers than had been using herd recording in the previous year. As the Secretary had said, the success of the project depended on the support given to it by dairy farmers, who should at least give it initial support; if it was only of limited value, they could leave it later. Unfortunately there had been some disturbing rumours about lack of support for the Co-op., and these rumours might be causing people to hesitate about joining, but the rumours were quite unfounded. The Directors believed that the performance of the Co-op. would be as good as, or even better than the Government scheme, particularly in the speed of returning information, which was almost as important as the information itself.

Mr. Watkins said that he agreed with Mr. Woodman about the need for the earlier return of results. If the Co-op. failed to improve on the performance of the Departments scheme, the support now given to the Co-op. by dairy farmers would soon be withdrawn.

MILK PRICES

The Secretary reported that prices and margins for milk in the Adelaide area would be increased from 27th March 1977, the retail price being increased from 19c. to 20c. per 600 ml bottle, the equivalent of 1.67c. per litre. The price to producers would be increased by 0.8c. litre, from 15.5c. to 16.3c., representing 48% of the retail price increase, which would cause a very small drop, from 48.95% to 48.90%, in dairy farmer's share of the retail price. Retail prices in Victoria had recently been increased by 5c. litre, bringing the price of a 600 ml bottle to 20c. which was equal to the new Adelaide price.

FARM TANK INCENTIVE PAYMENTS

The Secretary stated that, at the previous meeting of the Central Council, it had been decided to ascertain whether, as it was now paid on all milk, the farm tank incentive payment could be discontinued, and incorporated in the basic price. This possibility had been examined, and it had been found that such action would act differentially on dairy companies, involving a heavier payout

by those companies with a high proportion of their intake being used for manufacture, with a lower pay out for companies with a high proportion of market milk. For this reason it had been decided not to proceed further with the proposal.

FLAVORED MILK SALES

The Secretary reported that the Dairy Industry Authority of N.S.W. had now set a producer price for flavored milk, at 80% of the price of market milk, the difference being due to the inclusion of flavoring and sweeteners. The wholesale and retail price had not been fixed by the Authority, but the retail price had been increased by the companies themselves. However the increase appeared, so far, to have had no effect on the volume of sales, although it should be realised that, since the action by the Authority, temperatures had tended to be above average.

In the Adelaide Metropolitan Area sales during the December quarter were 5% below those in the same quarter last year, and no action had been taken by the Executive Committee to seek a gazetted price.

EXTENSION OF METROPOLITAN AREA

The Secretary reported that the Metropolitan Area as defined in the Metropolitan Milk Supply Act had been extended, by the Board, by a regulation which took the boundary of the new area to just north of Gawler, and south to Willunga. Although this action greatly increased the area of the Milk Board's administration, it did not include a very large number of customers, in proportion to those in the previous Metropolitan Area. The chief advantage of the change was the elimination of some problem areas on the fringe, where prices which had not been set by the Board were in operation.

MILK SALES

The Secretary tabled a report showing metropolitan milk sales during 1975-76 compared with the present season as shown.

(thousand litres)

	1975/76	1976/77		1975/76	1976/77
July	7631	7626	Nov.	7426	7302
Aug.	7511	7313	Dec.	7484	7447
Sept.	7193	7341	Jan.	7281	7222
Oct.	7219	7476	Feb.	7173	89538
12 months to end February 1976	— 89,069.		1977	— 89,538.	

Because of the influence exerted on sales by the number of weekends in each month, as most vendors did not deliver on Sundays, but sold extra milk on Saturdays, no precise conclusions could be drawn from monthly figures, as there were not the same number of weekends in each month. The apparent increases in September and October 1976 co-incided with the introduction of the T.V. campaign "Milk is a Natural," but the increases had not been sustained in subsequent months.

BUTTERFAT TESTS

The Secretary stated that a Fact Sheet had recently been issued by the Department of Agriculture, purporting to explain the difference that was now occurring between fat tests as measured by dairy factories, and those measured by herd recorders, there being, in general, a difference of approximately 0.1%, the herd recorder's figure being the higher. The reason was that the herd recorders were using a new pipette, which contained a greater volume of milk, in order that the reading would give the weight of butterfat as a percentage of the volume of milk, instead of the weight of butter fat as a percentage of the weight of milk as previously, and as still required by the standards under the Food and Drugs Act and the Metropolitan Milk Supply Act. The change had come about during metrication, and it appeared that, eventually, standards would be changed to conform to the new volume/weight method, and factory testing would be brought into line.

Mr. Zweck said that he was not pleased with the Fact Sheet, because it told only half the story. The other explanation, and one more likely in the case of large differences between the factory test and the recorders test, was the considerable fluctuation in daily tests that was known to exist. He consequently moved "that the Department of Agriculture be asked to conduct a series of daily tests, over periods of 10 days, to demonstrate the possible variations in milk fat content between daily tests and 10 day tests."

The motion was seconded by Mr. Perry, who said that, if the test was done at the Northfield Research Centre, it could be related to feed and weather changes.

Mr. Blacker said that he believed the reason for the variation between factory and recorder tests was more one of farm management than factory management. Last September he had requested to be put on a daily test, and he was quite satisfied with what he had learned from this.

Mr. Diener said that, during the last 18 months, there had, in some areas, been a general 0.5% drop, which was too great. In a ten day period we could expect perhaps plus or minus 0.4% each side of a ten day mean, but there must be a very great difference between the maximum high and the minimum low to give a consistent variation of this magnitude between the ten day tests.

MILK PROMOTION

The Secretary reported that, as the T.V. campaign was not continuous, the Milk and Cream Promotion Advisory Committee had agreed to fill the gap in the campaign with a radio promotion through Station 5KA, using the same theme, but it was too early, yet, to assess its effect. A second radio campaign through Station 5AA would follow the end of the T.V. campaign. The Advisory Committee, which was composed of representatives of the dairy farmers, dairy companies, and milk vendors, with the Chairman of the Milk Board as its chairman, would then consider what promotion should be undertaken next financial year.

Mr. Blacker said that he wondered whether the Advisory Committee was adopting the right policy, in promoting milk as a food when, in reality, people drank it because they liked it.

This indicated that milk should be promoted as a likeable drink with food value, rather than just because it had food value.

Mr. McEwin said he supported Mr. Blacker's idea about milk as a pleasant drink, and believed that we should follow this line. It would be defeatist to abandon promotion even if it seemed to be unproductive, and we would get a better measure of its effectiveness if we could get feed-back from the market place: He believed the question was not whether we should continue promotion but whether it would be better to put our promotion behind new products, particularly products which had high mark-ups, which would ensure that our efforts were supported by retail sellers.

Mr. Turvey said that, before we spent any more on promotion, we should carry out market research to see whether the milk was actually reaching the market we were aiming at. It appeared to him that, in many cases, lack of sales was due to unavailability of stocks, and we should ascertain how well the market was being serviced. Perhaps an increase in the seller's margin would make them more eager to sell it.

Mr. Kuchel said that he believed the daily purchase of a fixed quantity of of milk from the milk vendor made the housewife more conscious of the price than if it were just one item in a collection of purchases, and tended to cause her to wonder whether she could cut down the amount she bought each day.

Mr. Kretschmer said that he agreed that we needed to research the market, and we should spend a reasonable amount on this before spending any more on promotion, but he believed that research should be directed first at the vendor; he knew the buying habits of his customers, and could give us a lead on why sales were going up or down.

Mr. Diener said that there was no gain in promoting flavored milk, perhaps to the detriment of white milk, whilst we received only manufacture price for it, but we could consider having a price fixed for flavored milk and returning a large part of the increase to the promotion of flavored milk.

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DAIRY BLEND

Mr. Watkins asked what progress had been made with the manufacture and marketing of Dairy Blend, because he believed that putting a product such as this on the market was more important than attempting to promote butter.

Mr. Manning said that he, too, believed that there was a considerable scope for Dairy Blend to make up some of the losses in butter sales, and he believed that the industry was doing far too little to resolve the patent problem.

The Secretary replied that it appeared that the Australian Dairy Corporation was not very enthusiastic about the Dairy Blend, and although action was being taken to transfer the patent from the Commonwealth and the South Australian Governments to the Corporation, it did not appear that this action would produce satisfactory results. However it was known that Murray-Goulburn was interested in making Dairy Blend, and if that Company pursued the subject with the same vigor that it showed in other fields, we could expect some results.

CALF SALES

Mr. Hurrell stated that the opinion was being expressed that all dairy farmers should withhold bobby calves from the market, in order to increase prices, and he believed that the Association should make a policy statement to this effect, to induce dairy farmers to follow this course until such time as meat buyers responded satisfactorily.

Mr. McEwin said that he agreed with the suggestion. Of all the participants in the trade, only the dairy farmers were not getting their share, and, because the prices were so low, the withholding of stock from the market would not cost us very much in lost sales, and we would, at least, gain favorable publicity, whether we received a price increase or not.

Mr. Turvey said that, rather than recommending that dairy farmers withhold bobby calves, we should assess the support for a total boycott, and he suggested that the Secretary be instructed to write to the Districts and Branches to see whether they would support a boycott.

Mr. Zweck said that the problem was not confined to bobby calves; it also applied to cows, and it was clearly the policy of the buyers to offer as low a price as possible, as the readiness of farmers to supply the market meant that there was no reason why they should pay a higher price than they were doing. He considered that a recent article in the Stock Journal was virtually an invitation to set a reserve price, and we should accept this invitation collectively. Unfortunately for a boycott to be effective would require dairy farmers to picket the abattoirs against their fellow farmers.

Mr. Schofield said that in New Zealand, although markets were not as buoyant as they had been earlier, calves still brought \$20-22 and chopper cows \$80-120. He did not know how, but it appeared that dairy farmers in that country had "got the game sown up."

Mr. McEwin said collective action to enforce a reserve price would be productive only if we held back inferior stock, and supplied only stock of a quality that deserved the reserve price that we had set. He therefore moved: "that the Secretary be directed to submit an article to the rural press, outlining the economic loss suffered in selling low value calves, and suggesting that farmers supply on calves of marketable quality, at a reserve price."

He believed that the reserve price should be not less than \$7.

The motion was seconded by Mr. Long and carried.

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BOVINE TUBERCULOSIS AND BRUCELLOSIS CONTROL

The Australian Agricultural Council at its meeting in Launceston on 2 February reviewed control programs for the States and Territories and finance necessary for 1977-78, the second year in the eight year program.

The State Ministers of Agriculture, who, with the Federal Minister for Primary industry, compose the Council, re-affirmed the importance of achieving provisional freedom from Brucellosis by 1984, which they regarded as being essential to ensuring Australia's continued access to our most valuable beef export markets in the U.S.A., Canada, Japan, and the E.E.C.

The Ministers approved the allocation of finance for the next financial year, when at least \$20 million will be needed if operations are to be effective.

State and Commonwealth Governments will be asked to increase their contributions to the cost of the program by 25% during the current year, in which special allocations will be made to Queensland and N.S.W.

Since the control programs began in January 1970, expenditure has totalled over \$60 million, contributed approximately equally from the Commonwealth, States, and the cattle industry through a slaughter levy.

The Council again emphasised the need for adequate finance to meet the eradication targets and to ensure the most effective use of the funds, although several States expressed the strong view that the proposed level of funding would be insufficient to meet the 1984 target date.

Experience in Tasmania and in overseas countries has consistently shown that with Brucellosis, slow progress in the early years of a campaign leads to higher total costs than if rapid progress is made from the inception.

It is now estimated that the national incidence of Tuberculosis has been reduced to less than 0.06 per cent, and that large areas of Australia are either free or provisionally-free, whilst the national incidence of Brucellosis is now below 2 per cent.

(Mr. W. B. Kerr is the Association's representative on the South Australian T.B. and Brucellosis Eradication Committee.)

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Journal

The Official Publication of the



Published Bi-monthly

Vol. 16, No.6/Vol. 17, No.1

Adelaide, MAY/JUNE, JULY/AUGUST, 1977

REPORT

OF THE

COMMITTEE OF INQUIRY

INTO THE SOUTH AUSTRALIAN DAIRY INDUSTRY

Its Recommendations and Implications

(SEE INSIDE FRONT COVER FOR DETAILS OF REGIONAL MEETINGS)

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REGIONAL MEETINGS

TO DISCUSS THE

RECOMMENDATIONS AND IMPLICATIONS
OF THE REPORT OF THE COMMITTEE OF INQUIRY
INTO THE SOUTH AUSTRALIAN DAIRY INDUSTRY

WILL BE HELD AT

BIRDWOOD in the Birdwood Institute

at 8 p.m. on **Wednesday, 12th October, 1977**



MURRAY BRIDGE in the Council Chambers

at 8 p.m. on **Thursday, 13th October, 1977**



MOUNT COMPASS in the Mt. Compass Hall

at 8 p.m. on **Wednesday, 19th October, 1977**



MOUNT BARKER in the Mt. Barker Institute

at 8 p.m. on **Thursday, 20th October, 1977**



The Committee's recommendations will have a very direct and enduring effect on the dairy industry and on your own position and well-being.

You are urged, in your own interest, to attend.



THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

Published by

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THE DROUGHT, RURAL ASSISTANCE AND THE CONSULTATIVE COMMITTEE

Although observation gives clear evidence that South Australia is in the grip of a drought, the third in a row, and perhaps one of the worst yet, its effect on the dairy industry in this State is not yet obvious. Milk production has been, for the past 3 months, substantially (almost 8 per cent) higher than during the same period last year, although the total for the whole of the past 12 months, at 218,464,000 litres, is the same 8 per cent below that of the corresponding period a year earlier.

The statistical picture is, unfortunately, further obscured by absence of any knowledge of the effect of the continually declining numbers of dairy farmers on total milk output.

But there is no doubt that conditions are becoming grave and may well get worse; far worse, because of the drain on alternative fodder resources caused by a series of bad years, than we have encountered in the past 10 years.

The answer to the question "What can be done about it?" is hard to find; even harder to find is the answer to "What assistance is the State Government going to provide?"

For one thing, we cannot, with certainty, predict which political party will be in power when the first steps to assistance need to be taken.

There is, however, one welcome pointer to the future; the transfer of the Rural Adjustment Function from the Department of Lands to the Department of Agriculture, a transfer that has been constantly urged by the Association, and included in its submission to the recent Committee of Inquiry into the Dairy Industry in South Australia (the report of which has not yet been released).

This transfer will, we believe, expedite the provision of adjustment and, we hope, bring a more liberal attitude to consideration of applications for assistance, among which will be requests for assistance in cases of hardship caused by the drought.

CONSULTATIVE COMMITTEE

One of the first actions taken by the Minister of Agriculture, since this function has come under his control, is the setting up of a Drought Assistance Consultative Committee, representing primary producer organisations, and State Government Departments and statutory bodies.

The Association's representative on the Consultative Committee is Mr. A. Kretschmer, of Wellington.

APPLICATION FORMS

Application Forms for the forms of drought assistance currently available, namely carry-on finance, freight subsidy for fodder (rail or road) and freight subsidy for cattle for agistment (rail or road) are available from the office (phone 51 3034).

GENERAL PRESIDENT'S ANNUAL REPORT, 1976-77

EFFECT OF INDUSTRY CHANGES

The changes which the Australian dairy industry will undergo, with the introduction, from 1st July, 1977, of Stage I of the new Dairy Marketing Arrangements, and the subsequent introduction of Stage II of the Arrangements, perhaps from 1st July, 1978 (if a reversal on the now long-sustained plunge in milk production warrants the imposition of such a complex restraint mechanism), are without parallel in the industry's history, and will, in turn, bring about other changes, inside and outside the industry, the nature and extent of which can, at this time, only be guessed at.

Whether the changes now imposed are the best to meet the industry's situation is a matter of opinion. Arising out of economic tensions of the previous 3 years, the industry has, during the year under review, been the subject of intensive scrutiny in the form of an inquiry by the Industries Assistance Commission, followed by further scrutiny from the Australian Agricultural Council, examining the effect that the Commission's proposals might have on the fortunes of the dairy industry in each of the States. It may now be questioned whether the changes proposed, which seem now to be inevitable, are not unnecessarily drastic, having regard to the probably irreversible changes that had already taken place within the industry, as the result of external factors, prior to and during the period of examination.

THE I.A.C. INQUIRIES

When, in April 1974, the Prime Minister of the day gave, to the then recently-formed Industries Assistance Commission, the first reference for an inquiry into "the assistance that should be given to the Australian dairy industry," to replace the dairy stabilization bounty then in the process of being terminated, the industry was in the fourth year of a continuing decline in milk production at an average yearly rate of just under 3 per cent, from a peak of 7523 million litres in 1969-70 to 6756 million litres in 1973-74.

By the time the Commission had completed its inquiry, and presented its report, the rate of decline had accelerated, and milk production was then, at 6497 million litres, 4 per cent lower than in the previous year, a factor which appeared to influence the Commissioners in recommending, as the major remedy for the industry's ills, the imposition of a compulsory equalisation scheme, with the comment that "in current circumstances . . . the advantages of a two-price quota scheme are now less significant."

In so recommending, the Commission endorsed the opinion which dairy farmers had expressed in the national dairy referendum early in 1971, but for reasons that are probably related to the industry's own inertia, the Commission's first proposal was never seriously studied, and the dairy industry became, again, the subject of a much less leisurely study, at the beginning of the period under review.

The irony of the position is that, although, in its second proposal, the Commission recommended the eventual introduction of the much more positive production restraint mechanism that it had previously rejected, widespread and continuing unfavorable seasonal conditions, and the economic pressures that resulted, had more than doubled the rate of decline in milk production throughout Australia, with annual milk production falling below 6000 million litres.

FUTURE PRODUCTION AND CHANGES IN ADMINISTRATION

The extent to which milk production may, from now on, increase should be the determinant for the introduction of Stage II of the "marketing arrangements" proposed by the Australian Agricultural Council, a much more complex, and probably less readily comprehended, scheme than the single pool, centrally administered, Market Share Entitlement scheme proposed by the Industries Assistance Commission, but there appears to be no indication that, even in the absence of any increase in milk production, the Council will now agree to defer

the introduction of a scheme which is intended perhaps not so much to respond to so-called "market signals" as to provide protection against an upsurge of milk production in Victoria and Tasmania.

In the meanwhile the Australian dairy industry, at the time of the presentation of this Report, will be adjusting to the procedural and administrative changes required by the compulsory equalisation scheme embodied in Stage I of the Commission's proposals.

To most dairy farmers the transition from the previous voluntary equalisation scheme, administered by the Commonwealth Dairy Produce Equalisation Committee Limited, and embracing the great majority of dairy companies, to the new compulsory scheme administered by the Australian Dairy Corporation, will probably pass unnoticed; the differences are in the means, rather than in the results, but the next transition, to Stage II, must be expected to impose much greater changes, affecting every sector and every participant in the industry.

INQUIRY INTO S.A. INDUSTRY

It was the nature and effect of these changes that impelled the South Australian Minister of Agriculture and Fisheries to establish a Committee of Inquiry into the South Australian dairy industry, primarily to recommend the most suitable processes for administering Stage II in this State, and, almost equally important, to recommend whatever revisions are appropriate in the legislative and regulatory control of the local industry, in view of the many changes that have occurred, in recent years, in its structure and composition.

The thrust of the Association's submission to the Committee was for the industry to be allowed the greatest possible degree of self-administration, and for government intervention to be limited to those areas where the interests of the community are affected.

This principle represents a continuation of the course followed by the industry in South Australia (now the only State without an all-pervading statutory Dairy Authority), and conforms with the advice offered by the Minister earlier this year, that we should, if we are to ensure our survival, "develop a framework of stable prices and market controls."

The Committee of Inquiry has, at this moment, not yet published its Report, and it is impossible to predict what the Report will contain, nor is it possible to forecast the extent to which the Committee's proposals will be adopted by the State Government.

PARADOXICAL POSITION IN S.A.

But we should not, for that reason, mark time. The dairy industry in South Australia is in a paradoxical position. The quality of its produce is such that it has not, in recent years, contributed to the stock-piles of surplus commodities which periodically plague the industry, yet its rate of decline (at 9.5 per cent per year during the past 3 years, from 426 million litres, or 6.6 per cent of the national output, to less than 350 million litres, or 6.1 per cent) is the highest of any State in the Commonwealth, and is the subject of a plea by the Department of Agriculture and Fisheries, in its periodical bulletin "The State of Agriculture," for dairy farmers to "retain a greater percentage of this year's calves to arrest the potential decline in milk production."

It is not possible to ascertain readily which factor, of the many that contribute to a reduction in dairy farm numbers and resultant milk production, predominates, but the low level of economic return is undoubtedly in the forefront.

POTENTIAL FOR IMPROVEMENT

A lifting of commodity prices would, at least in the short term, raise the level of farm income, but, except for market milk, the price of which is set by regulation, prices for other dairy products can be varied only by national action, and although this Association, as a member of the Australian Dairy Farmers' Federation, participates in initiating action for price increases, the impact of such action is slow to be felt.

There are, however, two areas in which worthwhile action can be taken, by the dairy industry in this State, acting independently of Federal bodies or Government intervention. These are the rationalization of manufacturing activities, including transport, the savings from which would contribute directly to improving dairy farm income, and the improving and integrating of distribution and marketing operation, to achieve wider, more effective and more economical market coverage. Both these areas are the subject of study by a group comprising dairy company and Association representation, and although the current negotiations concerning the future of the Amscol group of companies have brought a temporary halt to the study, it will be resumed as soon as the situation is resolved.

PRODUCT PROMOTION

Arising out of the study, in connexion with marketing, is the question of promotion. The promotion of market milk has, during the past 6 years, been carried out by the Metropolitan Milk Board, under the guidance of the representative Milk and Cream Promotion Advisory Committee, with finance provided by levy, or directly, from the dairy-farming, milk processing, and vending sectors of the industry, the total expenditure during this period being in excess of \$200,000.

Yet, paradoxically, the inception of the promotion campaign was followed, in the next year, by a substantial, though temporary, decline in total milk sales, and although the upward trend which had generally prevailed hitherto was resumed, for a period of just over a year, milk sales for the past 2 years have remained almost static, at a level no higher than that of 10 years ago.

It must be realised that this decline is due to a number of factors which are beyond the industry's control; the slowing of the previous rate of population growth, the growing proportion of unemployed persons, the termination of the school milk scheme, and the introduction, by the milk vendors, of 6-day vending. Other than in the case of the school milk scheme, it is impossible to measure the contribution which each of these factors has made to the reduction in the previous rate of increase in milk sales, and to the present low level of sales, and it is equally impossible to measure the effect, if any, that the industry's promotional activity had in preventing an even greater reduction in sales.

To this extent the performance of milk promotion in this State is measurably neither better nor worse than in other States, but the Milk and Cream Promotion Advisory Committee believes that this unproductive comparison should not be taken as implying that improvement is not possible.

A NEW APPROACH TO PROMOTION

The Committee has consequently decided to attempt to define the direction which should be taken in promotional activities, by commissioning a professional study into the composition of the market and the means whereby changes may be made in the volume of sales for milk and the many products that are closely allied to milk.

It is unthinkable that the results of this study will indicate that promotional activity, and funds, could be more profitably applied other than to market milk alone, and will, consequently, raise the question of the appropriateness of the Metropolitan Milk Board's role in this activity.

The Association's submission to the Committee of Inquiry stated that "the promotion of a commodity is not a function that should be performed by a statutory authority, as the manipulation of consumer demand is not an appropriate subject for the exercise of legislative power" and proposed that "promotion should be undertaken by the industry itself," through the agency of a representative body similar to the present Milk and Cream Promotion Advisory Committee . . ." adding that "such promotion need not be confined to market milk and allied products," concluding with a proposal for "the removal of this function from statutory powers."

The subject of promotion, including the promotion of milk, but extending to the other milk products which do not come within the scope of the Board's

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powers, and even to the promotion, by other than media advertising, of manufactured dairy products such as butter and cheese, is being considered by the representative group, which has, as a successful example of the industry's own activity in this field, the Cream Marketing Campaign carried out jointly by the dairy-farming and manufacturing sectors, without external participation, in 1969 and 1970.

CONTROL OF THE INDUSTRY

It is in the area of marketing that the Association's submission to the Committee of Inquiry differed most from the submission made by the Department of Agriculture and Fisheries, which proposed that a Statutory Dairy Authority be created to be "involved in market research and development, and the promotion of milk and dairy products."

The Association's submission concurred, however, with the Department's proposal that the function of dairy-farm supervision be withdrawn from the Metropolitan Milk Board and transferred to the Department which should then, in the words of the Department's submission, "be responsible for licensing and regulatory control, and advisory services, and have an input in technical research for farms..."

The Department's view of its own role followed from its proposal that the Metropolitan Milk Board be abolished, and its functions be shared between the Consumer Affairs Branch, the Department of Public Health, the Department itself, and its proposed State Dairy Authority (a view which was counter to that of the Association, which proposed that the operations of the Metropolitan Milk Board be extended to cover milk processing, pricing, and vending throughout the State, with only promotion and dairy-farm supervision being deleted), but the Association's proposal was based on a very different, and, we believe, more positive, principle.

ECONOMIC IMPROVEMENT OF FARMING SECTOR

This principle was the importance of "extension" (or "advisory services," in the Department's submission), which the Association saw as being of major economic importance to the dairy-farming sector, submitting, in support of its view, the very great differences in economic performance of dairy-farmers as demonstrated in the Metropolitan Milk Board's production cost survey, which showed a sixfold range in the factor "net cash income per cow," and "profitability" levels, on capital employed, from 10.6 per cent to minus 26.4 per cent.

The Association saw the ability of a Departmental adviser to compare the managerial methods used by a dairy-farmer with those which, from his observation in the field, have produced superior results, as providing the means for raising the economic status of dairy-farmers more certainly than by efforts to increase production, which, hitherto, have often been the only solution seen by the dairy-farmer himself or suggested by the Department.

FML ASSURANCE SETS RECORD

FML Assurance Limited has announced that for the financial year which ended on 30th June, 1977, new business sums assured had increased by 20% to \$95 million. This is a record level of production for the company, set in a year which was a difficult one for the industry. Claims payments in respect of deaths of policyholders and settlements of maturing policies exceeded \$1 million for the first time.

Business in force now exceeds \$350 million, whilst premiums before reinsurance advanced to \$4.5 million, an increase of 24%. Assets of the company now exceed \$15 million.

The company is owned by The Chamber of Manufacturers Insurance Limited, The Federation Insurance Limited and Manufacturers' Mutual Insurance Limited. The Chairman of Directors is Mr. E. R. Beattie.

Such a combination of regulatory and advisory functions would, the Association claimed, be superior to the present situation, in which the Board's staff have neither an advisory role nor the skill to perform it, as advice and assistance given by the Departmental staff would follow from, and be linked to, observations made during routine regulatory control, such observations not being limited, as they are at present in the case of the Board's staff, merely to the condition of the milk premises. But, however important the improving of economic performance may be, its effect would be nullified by the marked downturn in revenue that would follow a reduction in the market milk component of the returns received by dairy-farmers represented by the Association, and it is pleasing to be able to report a common theme in the submissions of the Association and of the Department of Agriculture, concerning the Committee of Inquiry's task of considering "the present distribution of markets for market milk between various regions in South Australia."

REGIONAL EQUALISATION

In supporting its recommendation that "regional equalisation for liquid milk purposes be retained" the Department stated that "in South Australia, the fluid milk market has been shared equally by farmers within a region in terms of the price received per unit of milk produced . . . this scheme has worked well and equitably and maintained a high degree of viability among its farmers . . . it also allows milk to be transported between areas where peak production may occur at differing times, e.g. irrigated and non-irrigated areas . . . milk transport distances have been kept to a minimum and the expense of maintaining daily quotas has been avoided . . . as such the price of fluid milk to the consumer has been kept at a level which compares favorably with the price paid for fluid milk in other States." To this supporting statement the Department added the warning that "State-wide equalisation would lower returns to many farmers . . . (who) would probably be forced out of dairying, resulting in high transport costs . . . and subsequently higher prices to the consumer, with little extra benefit to farmers remaining in the industry."

The Association's submission differed only in the words used, claiming that the present equalisation scheme provided "the potential for least-cost production and equitability in returns . . . (and) enables conformity with market requirements without an arbitrary system of incentives or penalties."

MARKET SHARE ENTITLEMENTS AND MILK EQUALISATION

One further area of agreement between the Association and the Department was in the compatibility of a milk prices equalisation scheme with the individual market share entitlements that will accompany the introduction of Stage II of the Dairy Marketing Arrangements, in that both bodies gave evidence that milk equalisation could continue hand-in-hand with farm entitlements. These opinions will, no doubt, be reinforced by Victoria which, from 1st July 1977, is replacing its milk contract scheme by milk price equalisation, and, possibly, by Tasmania, which having just established a Statutory Dairy Authority, is examining milk price equalisation with a view to its early adoption.

The views of the Association, and of the Department, however parallel, cannot, unfortunately, predict the course that will be followed by the dairy industry in South Australia. This course will be dictated in part by the recommendations of the Committee of Inquiry, yet to be released, the policy of the State Government, the policies of the Federal Government and the Australian Agricultural Council, economic conditions generally and as affecting the dairy industry, and, independent of all these, seasonal conditions and other natural factors.

INDUSTRY TRENDS

Economic conditions have resulted in an exit of dairy-farmers from the industry at least as rapid as that in other States, and, although precise statistics for the State are not available at this stage, the 7 per cent annual reduction in the number of dairy farmers licensed by the Metropolitan Milk Board is probably reflected in other dairying regions, and, on present indication, will increase in

EXCHANGE OF DAIRY JOURNALS

Mr. R. W. Park, a New Zealand dairy farmer, would like to exchange periodicals and other publications dealing with dairyfarming with a South Australian dairy farmer. His address is

Mr. R. W. PARK, R.D.2, RAGLAN, WAIKATO, N.Z.

the coming year. Unlike the years prior to 1969-70, when a declining number of dairy-farmers succeeded, by better husbandry and increasing herd sizes, in actually raising milk output, the reduction in the number of dairy-farmers in the past 7 years has been accompanied by a slightly lesser decline in production.

Certainly, at the same time, prices, both for market milk, and for milk for manufacture, have risen, to an extent sufficient to offset the fall in production, but not sufficient to offset either the increase in production factor costs or the erosion of money values resulting from now seemingly incurable inflation. So the stability, and profitability, of the industry cannot be restored merely by increasing productivity per farm, or by increasing the number of dairy-farmers.

The practice employed by the Metropolitan Milk Board (and, we believe, by the Department of Agriculture), in conformity with the policy determined by the Australian Agricultural Council, of refusing to issue dairy farm licenses to applicants for entry to the industry, must continue, and the industry must become more stable, and more profitable, by close attention to production costs and management practices in both the dairy-farming and manufacturing sectors, in combination with a joint effort to increase the proportions of the two most profitable markets, for market milk, and for domestic sales of the industry's other products.

PRICES IMPROVE

In an attempt to bring some brightness into the picture, it should be noted that, although the interim basic price for milk for manufacture, 126.76c kg fat, is, at the close of the 1976-77 season, only 2.2 per cent above the basic price of 124.01c at the same time in the previous season, the final price for the year under review can be expected to be increased by at least 20c, to nearly 11 per cent greater than the estimated final price for the previous year. As is customary, these final values will not be achieved until some time after the close of the production year, but initial retrospective payments of just under 3c kg (equalised) for 1975-76 and 4.5c kg (equalised) for 1976-77 will be made in the near future.

Unfortunately it is not possible to forecast, with any accuracy, the opening basic price for the coming season, because of the changes accompanying the introduction of Stage I of the Dairy Marketing Arrangements, nor will it be possible, for a long time, to assess the correctness of the statement of the Chairman of the Australian Dairy Corporation (Mr. A. A. S. Webster) that "the new dairy marketing arrangements to operate from 1st July 1977 are the first steps in a scheme to restore profitability to the industry through more orderly marketing arrangements."

Nevertheless, overlooking the problems that may occur in the early period of the new arrangements, the Federal Government's underwriting of the values for the industry's major commodities may produce an opening basic price somewhat higher than that at the close of the year just passed, particularly in view of the \$30 per tonne increase in the domestic wholesale price for cheese which becomes effective at the same time.

Returns from market milk which are derived from cost surveys, may be expected to follow more closely the general economic trend, although the rate of increase has, during the past 10 years, been somewhat less than the rate of inflation, and it is hoped that the Association's recent application for an increase in this price, to match known and assessed production cost increases, will be granted in the near future.

SEASONAL CONDITIONS

In the meantime the continuation of unfavorable climatic conditions, for what may be regarded as the third consecutive season, creates a situation in which the gains from higher returns are dissipated in lowered production and higher costs, whilst, in the near future, a large and vital portion of the industry faces the uncertainty that will follow the new inevitable infestation of their properties by lucerne aphid.

The prompt action taken by the Minister and his Department to meet this threat is commendable and appreciated, and is an example of the action that causes us to look forward to the early setting up of the Consultative Committee which the Minister has proposed as a means to enable the industry to be guided, from its own and outside resources, in coping with the many other problems which it will encounter in the coming season and subsequent years.

THE ASSOCIATION'S POSITION

In the past year the Association has played an active, and often initiative, part in directing the course of the dairy industry in this State, on behalf of its members, and also on behalf of the still regrettably large number of dairy-farmers in the Adelaide milk supply area who choose to benefit, without participation or cost, from the Association's activities in their interests.

The policy of the Association is determined by the delegates to this Central Council, in accordance with the views of the members whom they represent, but the task of translating the policy into action is borne by the Executive Committee, for whose loyal efforts, and on your behalf, I give my thanks.

Also on behalf of the Association, I express my gratitude to the Minister of Agriculture and Fisheries (Hon. B. A. Chatterton, M.L.C.) and his staff, to the Director of Agriculture and Fisheries (Mr. J. Mc. Coll) and his Department, the Chairman (Mr. B. D. Hannaford), the members, and the staff of the Metropolitan Milk Board, and the management and staff of the Dairy Companies with which we are in constant communication.

VALEDICTION — E. M. GARRETT

There remains one person to whom, as I recall, no direct acknowledgement has been given in my previous Annual Reports or in those of my predecessors, and, again on your behalf, and on my own, I acknowledge the Association's debts to Mr. E. Mostyn Garrett, whose term of service to the dairy industry is such as to justify for him the title of "elder statesman."

Mr. Garrett believes that the nature of the changes which have now been set in motion, and of the other changes which may be assumed to follow, makes timely his withdrawal from the dairy industry's affairs and his retirement from his accountancy practice. Our best wishes go with him.

In closing, I express the hope that the contributions made, in the past year, to the dairy industry in this State, by those whom I have acknowledged, and the many others who are unnamed, will, in this year, perhaps, or later, lead to an industry that is stable and profitable for those who participate in it, and of benefit to the community whose needs we seek to serve.

N. M. GREEN, General President.

DROUGHT ASSISTANCE FORMS

are available from the Association's office.
See page 1.

ONLY ONE CHANGE IN OFFICE BEARERS

Alan Manning Replaces Ron Reid

The replacement of Mr. Ron Reid (South Coast), who had declined to accept nomination, by Mr. Alan Manning (Torrens Valley District) as a member of the Executive Committee, was the only change made to the Association's office holders by the Central Council at its 42nd Annual Meeting, held on 18th July.

CENTRAL COUNCIL PROCEEDINGS

42nd Annual Meeting Held on 19th July

ELECTION OF OFFICERS

The Chairman thanked the Vice Presidents and the Members of the Executive Committee for their work and support during the past year, and declared all offices vacant.

In the ensuing elections the nominations and the persons elected were as follows:—

Office	Nominations	Elected
General President	Mr. N. M. Green	Mr. N. M. Green
Snr. Vice President	Mr. A. A. Kenny	Mr. A. A. Kenny
Jnr. Vice President	Mr. Turvey	Mr. Turvey
Executive Committee		
Members	Mr. A. Kretschmer	Mr. A. Kretschmer
	Mr. W. Kerr	Mr. W. Kerr
	Mr. M. Diener	Mr. M. Diener
	Mr. R. Hurrell	Mr. A. Manning
	Mr. G. Camac	
	Mr. A. Manning	

RESIGNATION OF MR. GARRETT

The Secretary tabled a letter from Mr. E. Mostyn Garrett, tendering his resignation as auditor of the Association, and expressing his appreciation of the confidence and friendship of the President and members of the Association.

Mr. Watkins moved, and Mr. Silver seconded, that the Central Council express its appreciation of Mr. E. Mostyn Garrett's contribution to the South Australian Dairymen's Association by an appropriate gift to be chosen by the Executive Committee. The motion was carried.

QUESTIONS — MOLASSES, AMALGAMATION, CHEESE PRICES

Mr. Manning asked whether the General Secretary was aware of any movements in the price of molasses, as, although he had been led to believe that the price for this commodity was very low in Queensland, local supplies were escalating in price rapidly, having increased recently from 40c to 72c per gallon delivered in bulk.

The General Secretary replied that he did not have precise information concerning prices from alternative sources, but would undertake an investigation.

Mr. Schofield asked what would be the position of producers currently supplying Amscol in the event of that Company being taken over by another Company; would they be bound to the new Company for 12 months?

The General Secretary stated that, following the precedent seen in recent amalgamations, a producers position would be exactly the same as before, that is, he would be required to give 12 months notice before he could change wholesaler, the actual condition in the Agreement being not a restriction on the ability of a producer to change from one company to another, but on the Companies, who were prevented from taking a producer from another Company unless that producer had given 12 months notice.

Cheese Prices

Mr. Schoell asked whether the General Secretary could explain the two price increases that appeared to have applied to cheese recently.

The General Secretary replied that there was no fixed wholesale price for cheese; the so-called "bulk wholesale price" was a figure set purely for the purpose of levy calculation. The "bulk wholesale price" had been increased by \$30 per tonne from 1st July, but dairy companies had, of their own volition, increased their own wholesale cheese prices from time to time.

BASIC PRICE

The opening basic price, in July, would be the first basic price to be negotiated under the new Dairy Marketing Arrangements, in which the previous voluntary equalisation scheme, administered by the Commonwealth Dairy Produce Equal-

isation Committee Ltd., was replaced by a compulsory equalisation scheme administered by the Australian Dairy Corporation. The change in the system would be accompanied by a change in procedure, and the payment to dairy farmers would consist of two parts, a "basic price" based on the "assessed export value" and a "stabilization price" which would be added to form the total payment. However, despite the change in procedure, and the two-part payment, as the opening values for most products had been underwritten by the Federal Government, it was probable that the result would be no different from the previous situation.

The opening price for cheese had been underwritten by the Federal Government at \$860 per tonne, which was \$40 per tonne higher than the level at the close of 1976-77, and it was expected that the opening basic price would not be lower than that of June 1977. The underwritten value was, as usual, conservative, particularly in view of the new domestic bulk wholesale price for cheese, which had been increased by \$30 per tonne (the equivalent of 7.65c/kg fat) to \$1150.

DAIRY MARKETING ARRANGEMENTS

Under the voluntary equalisation scheme the C.D.P.E.C. had estimated an interim equalisation value, which was then maintained by a system of levies and rebates. This had been replaced by a two-part price, the first part being an "assessed export value", to which was later added a "stabilization price" derived from the levies paid on all domestic sales, the levy being the difference between the bulk wholesale price and the "a.e.p." The "a.e.p." would remain constant throughout the year, and any improvement in export returns would be paid into the stabilization fund. There would, consequently, be retrospective payments similar to those paid previously.

These Dairy Marketing Arrangements were Stage I of the changes recommended by the Industries Assistance Committee. It was the intention of the Australian Agriculture Council that Stage I should continue until at least 1.1.78 before being replaced by Stage II, but it was almost certain that Stage I would continue until 30.6.78. Whether Stage II would be implemented then, if at all, would depend on decisions made at a meeting of the A.A.C. to be held early in August, and, perhaps, on seasonal trends. Although there had been an improvement in seasonal conditions within the last three months, total milk production in each State was well below the level of previous years.

INQUIRY INTO S.A. DAIRY INDUSTRY (WEBB COMMITTEE)

The Committee of Inquiry into the South Australian Dairy Industry, established by the Minister of Agriculture, and chaired by Professor L. R. Webb, of the Department of Economics, University of Melbourne (the other members being Mr. R. Barker, and Mr. S. Fulton) had received written submissions and taken oral evidence from more than 20 organisations and individuals, and its Report was now in, the course of preparation for eventual submission to the Minister. The timing of the release of the Committee's Report was not known, but, as soon as it was released by the Minister, a series of Regional Meetings would be held, at which a full discussion of the Report would be undertaken and the Association's views made known to the Minister. In its Submission the Association had urged the minimum of Government intervention in the affairs of the dairy industry, and had opposed the setting up of a single Statutory Authority, proposing instead, the extension of the powers of the Metropolitan Milk Board to cover market milk processing, pricing and distribution throughout the State, with all other functions, including farm licensing and inspection, being carried out by the Department of Agriculture. The Association had proposed that the administration of fluid milk marketing continue under the present "regional equalisation schemes" with the addition of a "regional equalisation scheme" to be set up in the South East to cover fluid milk sales in that area.

MILK PRICES

The retail price of milk had been increased by the Metropolitan Milk Board, on 27th March 1977, by 1.67c per litre, bringing the price of a 600 ml bottle from 19c to 20c. The producers' price had been increased from 15.8c/litre to 16.3c.

The Metropolitan Milk Board had now received applications from all sectors of the industry for a further increase, to take account of cost increases which were not covered by the March revision, which had really been the second part of a two part increase, the increase granted on 2.5.76 having been described as "interim."

BUTTERFAT TESTS

The request from the Central Council for the Department of Agriculture to conduct a series of daily tests, over periods of 10 days, to demonstrate the possible variations in milk fat content between daily tests and 10 day tests, had been refused by the Department on the grounds that the workload on the Northfield Dairy Research Centre was, at present, too heavy to enable any further work to be undertaken.

The General Secretary said that the Central Council should realise that the subject contained two separate, basically unrelated, problems, both leading to possible conflict, but having different causes, and different solutions.

The first was the difference between tests taken by herd recorders and those taken by dairy factories and by the Metropolitan Milk Board and the Department of Agriculture. Tests taken by the herd recorders, using the 18 ml pipette were in conformity with the new Australian Standard, introduced as the result of metrication, which purported to measure the weight of butterfat in a standard volume of milk. The tests carried out by dairy factories and also those carried out by the Metropolitan Milk Board and the Department of Agriculture were in accordance with the previous standard method which measured the weight of fat in a standard weight of milk. That test conformed with the standards set for milk and cream in the Regulations under the Metropolitan Milk Supply Act and under the Foods and Drugs Act. Once the existence of this difference was realised, a compensation could be made, and no problems should arise. The more serious problem was that which arose from apparent fluctuations in butterfat tests, and the request made to the Department of Agriculture for the Northfield Research Centre to conduct a series of daily tests on its dairy herd, noting the weather conditions, feeding program, and other aspects on each day, should be maintained, as fluctuations in fat tests were a continuing source of complaint, and the information gained from such an experiment would be more convincing than that contained in the Fact Sheet.

Mr. Zweck moved that we again request the Northfield Dairy Research Centre to carry out daily testing for a period, to determine the degree of variation in fat tests. The motion was seconded by Mr. Reid and carried.

MILK SAMPLES

Following several complaints that tanker drivers had refused to give sub-samples to dairy-farmers, the Executive Committee had asked the dairy companies for the reasons for this practice. One company had stated that it was prepared to allow sub-samples to be taken, but the other two companies had expressed their opposition on the grounds that sub-samples were generally required for check tests, to be made by herd recorders, and as it was not possible to oversee the conditions under which these samples were kept, no reliability could be placed on the accuracy of the check tests, which were often used as grounds for giving notice of intention to change wholesaler. The Executive Committee had examined these replies, and had asked the two companies to reconsider their attitude, for the reason that it would be generally recognised that check tests taken on such sub-samples could not be accepted as reliable. The companies concerned had since replied that they would agree to the taking of sub-samples, provided the dairy-farmers concerned indicated that they wished to be allowed to retain a sub-sample.

FLAVORED MILK PRICING

It was noted that no action had been taken by the Executive Committee to request the Milk Board to set a price for flavored milk. However, the matter would be re-examined, following the completion of a market survey which was now being conducted.

THE LATE MR. F. E. MEISSNER

Mr. Kuchel moved a motion submitted by the Central Hills District "that the South Australian Dairymen's Association place on record its appreciation of the services rendered to the dairying industry in South Australia by the late Mr. F. E. Meissner, and that Mr. Meissner's family be informed of the Association's gratitude in an appropriate form."

He said that Mr. Meissner had been made a delegate to the Central Council of the Association in 1938. In 1941 he had been appointed as a representative of the Association on a sub-committee formed to revise the operation of the milk equalisation system, the revision leading to the Metropolitan Milk Equalisation Committee which now exists. In 1949 Mr. Meissner had been elected to the Executive Committee and had served continuously to 1959. Although records were not readily available, it was seen that Mr. Meissner was President of the Meadows District for at least 30 years, and, during all that time, had been a very active campaigner in the interests of the Association and of the industry, particularly in the hills.

The motion was seconded by Mr. Schofield, and carried.

COMPOSITIONAL TESTING OF MILK

Mr. M. Green moved a motion from the Onkaparinga District "that the Association support the use of an independent central testing laboratory for testing the butterfat and other compositional content of milk for the purpose of payment to suppliers."

He said that expressions of dissatisfaction with the testing of milk for butterfat were quite frequent and were possibly one of the major reasons inducing suppliers to change factories. This dissatisfaction arose generally from one of two causes, a difference between the factory test and the herd recorder's test, or a marked variation in test from one ten-day period to another. Although it was recognised that the herd recorder's test was taken on a single sample of milk, whereas the factory test was taken on a composite test, and hence a wide discrepancy might, on occasions, be present, there appeared to be occasions in which the herd recorder's test was above the factory test for a very long period, by an amount too great to be explained by the use of the 18 ml pipette, although this explanation had been recently put forward by the Department of Agriculture. For these reasons the view had occasionally been expressed that the testing of milk for the butterfat content for the purpose of payment should be independent of the factory, either being carried out by a Government tester in the factory laboratory, or being carried out in an independent Central Testing Laboratory. The possible introduction of payment for protein as well as for fat would require the expenditure of very large sums of money to equip each factory with the necessary equipment for testing for protein, and it seemed reasonable to consider whether this capital expenditure could be avoided, and, at the same time, unsatisfactory factory testing be eliminated, if testing for payment was carried out in an independent Central Testing Laboratory operated by the Department of Agriculture.

The motion was seconded by Mr. Schoell.

Mr. Kretschmer said he wondered about the practicability of the proposal in view of the problems that could arise with the taking and transporting of samples. Whilst dairy farmers undoubtedly were worried, at times, about the reliability of tests, the factories, which would be responsible for the payments, could equally, be disturbed about the skill or care of the staff of a central testing laboratory which would not be under their supervision.

Mr. Diener said that each dairy factory must have a laboratory for process control, and, if protein testing were introduced, the factories would need protein testing equipment in order to provide accurate accounting of their protein usage. Consequently testing through a central laboratory would impose a double cost, rather than a saving. For producers who were in doubt about the accuracy of factory testing there was always the opportunity to have samples counter-checked.

Mr. Kretschmer then moved an amendment "that the Association investigate the comparative costs and advantages, if any, other than improved credibility, of the adoption of central testing for fat and other components."

Mr. Zweck seconded the amendment.

Mr. Perry said the advantages of a central laboratory would be diminished if the situation arose where there were only two companies operating.

The amendment was carried.

MARKETING OF CALVES

Following the previous meeting of the Central Council, the Secretary had issued a press release, concerning the decision reached by the Council, and the press release had been published in the "Stock Journal."

Mr. Turvey said that the subject had been discussed at length at a recent meeting of the Milang District, where the view had been expressed that the bobby calf market should be boycotted by all dairy-farmers until an alternative scheme could be arranged, and that the South Eastern Dairymen's Association should be asked whether they would be prepared to join such a boycott.

A reply had been received from the South Eastern Dairymen's Association, stating that their members had decided that, because it appeared that the returns for calves were higher in the South East, they would not be prepared to join in a boycott.

Mr. Turvey then moved "that the Executive Committee investigate whether a more satisfactory method of marketing bobby calves can be arranged."

He said that the dairy industry in New Zealand had managed to devise a scheme which appeared to be successful and the details of the legislation under which the New Zealand scheme operated had now been received by the Association. It was possible that something similar could be arranged directly with the companies engaged in the smallgoods trade.

The motion was seconded by Mr. Zweck.

Mr. Silver said that, when the subject was discussed at the Mount Barker District, it had been recommended that all dairy farmers take their calves to Chapmans, where prices were alleged to be higher than those paid by Adelaide Bacon.

Mr. Reid said that the price itself was not the point at issue. What did matter was the actual value of the calf; if bobby calves were worth a certain figure to the manufacturer, by withholding bobby calves until a reasonable price related to this value could be negotiated, we would have succeeded in achieving what we wanted, and it appears that a boycott was the only weapon we had. He recommended that the Executive Committee keep this fact in mind when they looked at the possibility of a direct agreement with the buyers for a price to prevail from the beginning of next season.

Mr. Hurrell said that the most effective means appeared to be for the Association to go directly to the two companies and say "if we don't get a reasonable price, then no calves will be supplied by 1,400 members." Whether we used this or some other strategy, we should aim at a definite price for the next season.

Mr. Blacker said that he supported Mr. Hurrell and Mr. Reid, but we should not overlook an attractive alternative to selling bobby calves, which was to produce and raise calves that would satisfy the growing dairy heifer export market for Jersey types, at present to Korea and Sri Lanka, and for Sahiwal cross heifers for Malaysia. He believed that the Association should get behind the Sahiwal cross project, and other crosses that may be required from time to time.

The motion was carried.

WATER IN MILK

Mr. Fiebiger moved the motion from Spring Valley District "that the Association request the Research Section of the Department of Agriculture to investigate the apparently high incidence of added water in milk produced in this District during certain months of the year, and endeavour to ascertain the reasons and possible remedies."

He said that the motion was the result of a very large number of instances of apparently "added water" occurring in the Spring Valley District in the early Autumn. The problem had been so widespread that the matter had been discussed with the Milk Board's Adviser, and the general impression had been gained that the problem was nutritional, relating to the quality of the natural growth at the time. It was most unfortunate that this should be branded as "added water" which implied that dishonest practices had been undertaken.

The motion was seconded by Mr. Forest.

The General Secretary said that, following the receipt of the motion from the Spring Valley District, the matter had been taken up with the Metropolitan Milk Board, in order to provide the Central Council with information. The Board had stated "it appears that results of freezing point tests have become somewhat misunderstood by producers, and the Board would appreciate an opportunity to discuss the matter at a future meeting." The Executive Committee had agreed to discuss the matter with the Board, and, in particular, whether the figure issued by the Board should imply that water has been added, or merely state that the freezing point differed from standard, which was really all that the test could indicate.

Mr. Manning said that the problem had been widespread in the Torrens Valley District also, and had been discussed with members of the Board staff, from whom the opinion had been gained that knowledge of the problem was inadequate. For this reason he believed that the action called for by the Spring Valley District should be supported.

Mr. Kretschmer said that the motion really should be seen as containing two parts; the first part asked for research to be carried out, and, because this was a problem that occurred frequently, and on a wide scale, research should certainly be undertaken, to ascertain whether it is possible to find a solution, or whether, on the other hand, the standard is one that cannot be achieved with reasonable levels of husbandry at certain times of the year. The second problem was that referred to by the General Secretary, relating to the rather offensive implication that a non-standard freezing point was the result of dishonest practice.

Mr. Reid said that several alternative suggestions had been offered as reasons for elevated freezing point during the Autumn, such as the possibility of condensation on vat walls when the milk level in the tank was low at this time of the year.

Mr. Manning said this could not have taken place in the cases to which he referred, as the tests were done on herd test samples, which, not having been in the vat, would not have been adulterated by condensation from the vat walls, nor had been subject to freezing and subsequent thawing.

The motion was carried.

DAIRY BLEND

Mr. Fiebiger moved a motion from Spring Valley District:—"that the Association obtain all the facts relating to Dairy Blend, for discussion by the Central Council and the taking of positive action if appropriate."

The motion was seconded by Mr. Forrest.

The General Secretary reported that, following the receipt of this motion from the Spring Valley District, he had asked the Australian Dairy Corporation to provide a report. A report had been received from the Corporation, which stated

that commercial quantities of Dairy Blend had been produced at Werribee. These quantities were being used in a comprehensive marketing research program to measure consumer acceptability in the environment of 1977, it being the Corporation's view that consumer attitudes may have changed since the Dairy Blend was first market tested in 1970 or thereabouts. Research results were expected by the end of June, and, until those results were available and had been analysed, the Corporation was unable to make any statement concerning the product's acceptability or the effect on butter sales. A great deal of interest had been shown by various manufacturers throughout Australia, and they, too, were awaiting the completion of the marketing feasibility study, and the findings by the Corporation. The Patent Attorneys were preparing their report and recommendations on the alternative courses of action that could be taken to minimise conflict with the Swedish patent.

The motion was carried.

PROMOTION OF DAIRY PRODUCTS

Mr. Fiebiger moved a motion from the Spring Valley District:—"that action be taken to terminate the levy imposed by the Metropolitan Milk Board for the purpose of promotion, and that, instead, a joint committee be set up between the Association and the Merchants to promote our dairy products (not just white milk) to be financed by a levy to be collected by the industry."

He said that the meeting of the Spring Valley District had been very emphatic about this motion, and the view had been expressed that we had virtually nothing to show for the money that had been spent during the years that promotion had been undertaken by the Board. The members of the Spring Valley District had queried whether milk was the best product to spend promotional money on, anyway. One member had proposed that the Association, or whatever body might be formed, could place particular emphasis on providing a range of dairy products to be used in domestic science classes, as this was where the housewives of the future learned their buying habits. Another idea that had been put forward was that the Dairy Foods Information Centre be replaced by a dairy food shop, located in the Rundle Mall, and run by whatever joint body could be set up.

The General Secretary said that the Executive Committee was well aware of the problems and apparent failure of promotion, and kept the subject under constant review. During the last 6 years milk promotion had been carried out in the name of the Metropolitan Milk Board, but actually in accordance with advice and instructions given to the Board by the Milk & Cream Promotion Advisory Committee. For the first three years, the promotional funds were provided equally by the three sectors, at the rate of \$10,000 per year each, to give an annual total of \$30,000. In later years finance had been provided predominantly from the dairy farming sector, by a special surcharge on the Milk Board levy, which, currently, gave an income of approximately \$50,000 per year. It was because of the apparent failure of the promotional campaign during those six years, in which, if anything, milk consumption had declined, that the Executive Committee had decided that no promotion campaign should be undertaken in the present financial year until a market survey had been carried out to ascertain the effectiveness, if any, of the promotion of milk only, or whether the same or some other amount of money could better be spent on promoting some other dairy product or products. In the meantime discussion had been held with the Merchants along the lines proposed by the Spring Valley District's motion.

Mr. Kretschmer said that he believed that a combined commercial and promotional outlet was a valuable promotional tool, and if the Rundle Mall was found to be impractical consideration could be given to being established in the new food centre to be erected in North Adelaide.

Mr. Watkins then moved an amendment "that the Executive Committee conduct further investigation into the action proposed by the Spring Valley District," which was seconded by Mr. Stewart.

The amendment was lost, and the motion was then carried.



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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REPORT OF THE COMMITTEE OF INQUIRY INTO THE SOUTH AUSTRALIAN DAIRY INDUSTRY

Comments On The Recommendations

INTRODUCTION

The Committee of Inquiry into the South Australian Dairy Industry was set up by the Minister of Agriculture in March 1977, its membership being Professor L. R. Webb (Chairman) and Messrs. R. K. Barker and S. A. Fulton, Mr. Barker being the Assistant General Manager of Southern Farmers Co-op. Ltd., and Mr. Fulton being a dairy farmer of Eden Valley.

The prime purpose for which the Committee was instituted was to make recommendations concerning the introduction of the Market Share Entitlement Scheme proposed by the Industries Assistance Commission as Stage II of the Dairy Industry Marketing Arrangements which were to be introduced to replace the existing voluntary equalisation scheme.

However, because of the trend in other States to placing the administration of their dairy industry in the hands of a single statutory Authority, and because discussions had already been held in South Australia, without reaching any finality, concerning the desirability of embracing all administrative and regulatory functions within the powers of a single Authority, and the relationship that such an Authority would have to the present Metropolitan Milk Equalisation Limited, the Minister broadened the terms of reference to include the question of administration generally, beyond those aspects dealing solely with the Market Share Entitlement Scheme.

Terms of Reference

The Terms of Reference give to the Committee were:—

(i) with respect to the disbursement of the State entitlement among individual farmers, the Inquiry should consider:

- (a) the basis on which such entitlements to farmers should be allocated
- (b) appeal procedures for any possible anomalies that might arise as a result of the allocation
- (c) the question of whether entitlements should be transferable between farmers in South Australia, and if so, the method by which transfers should be effected

(ii) having regard to the possible effect of the establishment of individual farm entitlements for manufacturing milk on existing arrangements for market milk, the Inquiry should recommend what changes, if any, should be made to the existing system in South Australia.

The Inquiry should also consider the present distribution of markets for market milk between various regions in South Australia

(iii) Having regard to the present organisational structure of the Industry and to the recommendations made under (i) and (ii) above, the Committee should make recommendations on the future organisation of the Dairy Industry with a view to achieving efficient administration. These recommendations should encompass not only the powers and functions of any proposed administering body, but should also make recommendations on the financing of such a body.

(iv) in addition to the main tasks outlined in (i) to (iii) above, the Committee should make a recommendation as to the particular basis for payment of milk in South Australia.

THE INQUIRY AND THE REPORT

Between its first meeting on 28th March and the publication of its Report on 12th August, the Committee received written submissions, heard oral evidence and subjected witnesses to cross-examination, and inspected dairy farms, milk processing plants and dairy factories, and conducted a thorough survey into all aspects of the dairy industry in South Australia.

Thirty-eight written submissions were received, and 29 persons discussed their submissions at the public hearings.

As may be expected, the submissions covered a very wide range of opinions and proposals, but, surprisingly, there were no really extremist views, and it is possible that the Committee's work was made easier than it might otherwise have been by a solid core of consensus in the major submissions.

The Committee's Report, which has, so far, been restricted to a limited circulation, contains 178 pages, and deals very comprehensively with the background and history of the dairying industry in South Australia, as well as with the terms of reference to which its work was specifically directed.

THE COMMITTEE'S RECOMMENDATIONS

Disbursement Of The State Aggregate Entitlement — Basis Of Allocation

1. Individual market entitlement should be allocated to producers on the basis of their total manufacturing milk production.
2. In the case of producers who participate in market milk equalisation schemes, individual entitlements should be allocated on the basis of the share of manufacturing milk in the total milk supplied to the equalisation scheme.
3. Entitlement production should be measured on a calendar-year rather than a fiscal-year basis.
4. Individual market entitlements should be allocated only to producers licensed with the Department of Agriculture & Fisheries or the Metropolitan Milk Board.
5. The basis of allocation of entitlements to individual farmers should be 79 per cent of average production of manufacturing milk for the three years ending 30th June, 1976. Cream producers throughout South Australia should receive entitlements on the basis of 79 per cent of average production over three years ending 30th June, 1976.
7. Entitlements should be registered with a factory for a minimum period of 12 months.
8. Companies participating in inter-company market milk equalisation schemes should pool their entitlement premiums and the entitlement premiums should be equalised across all entitlements registered with the member companies of the scheme.
9. Entitlements should be allocated in the Adelaide Hills-Murray Swamps and South East Regions, but not in the Mid-North, Riverland and Port Lincoln Regions.

State Aggregate Entitlement — Appeal Procedures

10. An independent Appeals Tribunal should be established to hear and determine appeals against the initial allocation of individual market entitlements.

11. The Appeals Tribunal should consist of three people, namely a Chairman with a legal background, two members with a knowledge of the dairy industry and farm management, but not persons who are currently dairy farmers. Manufacturers and consultants with dairy industry clients should also be ineligible.

12. In order to provide the Appeals Tribunal with suitable flexibility in the treatment of appeals, the initial allocation of entitlements should not exhaust the State Aggregate Entitlement. Any part of the reserve entitlement not issued after all appeals have been heard should be allocated to all entitlement holders on a proportionate basis.

State Aggregate Entitlement — Transfer of Entitlements

13. Full negotiability of entitlements should not be introduced immediately.

14. Initially, an arrangement similar to that governing the transfer of Metropolitan Milk Board licences should be introduced for individual market entitlements for manufacturing milk. Thus, entitlements should be transferable to the purchaser of a farm in respect of which an entitlement has been allocated. Alternatively, an entitlement holder should be able to transfer his entitlement to a new farm when changing his location.

15. Following a period of experience with this limited form of negotiability described in the previous recommendation, the possibility of less restricted forms of transfer should be considered.

Arrangements for Market Milk

16. A market milk equalisation scheme should be established in the South East region of South Australia. The details of the scheme should be determined by the various parties to the agreement which leads to the establishment of the scheme.

17. The South East market milk equalisation scheme, when established, should be augmented by funds from the market milk levy pool generated by the Metropolitan Milk Equalisation Committee. The essential principle in the proposal is that the rate of transfer of funds to the South East should be geared to the decline in production in the Adelaide Hills area.

18. The Committee recommends that, should the market milk percentage in the Metropolitan milk area, measured on an annual basis, reach 45 per cent or more in any year following the first year of operation of the South East regional equalisation scheme, the city milk bonus value in the Metropolitan Milk equalisation scheme should not be allowed to rise above the value which would apply at the 45 per cent level for the market milk share. The funds which would otherwise have resulted in an increased city milk bonus should then be channelled through the South Australian Dairy Authority to the South East regional market milk equalisation scheme.

19. In each succeeding year of operation of the South East market milk equalisation scheme, the augmentation amount should be reviewed.

20. The augmentation principle should not be reversible. That is, any recovery in production in the Metropolitan milk area should not be allowed to reduce the flow of augmentation funds to the South East.

21. In relation to the augmentation of the South East regional scheme, funds should be collected in the Metropolitan Milk area in the spring and disbursed in the South East in the autumn.

22. The South East market milk equalisation scheme, initially, should include factories making prescribed products whether or not such factories have market milk sales.

Organisation Structure of the Industry

23. A South Australian Dairy Authority should be established with responsibility for two main areas:

- (i) the monitoring of all market milk equalisation schemes, and
- (ii) the management of the individual market entitlement scheme for manufacturing milk.

24. The South Australian Dairy Authority should consist of part-time members as follows:

- a Chairman appointed by the Minister of Agriculture:
- a consumer, or representative of a consumer organisation, appointed by the Minister of Agriculture:
- an independent representative experienced in business management, especially marketing, appointed by the Minister of Agriculture:
(The above two members should be chosen by the Minister from a short list of not less than five persons for each position, put forward from organisations involved in the South Australian dairy industry.)
- a producer member elected by all licensed producers:
- a manufacturing member elected by all licensed manufacturers:
- the Director of Agriculture and Fisheries, or his nominee, and the General Manager of the South Australian Dairy Authority shall have the right to attend all Authority meetings but have no voting rights.

25. The initial allocation of individual market entitlements for manufacturing milk should be carried out by the Department of Agriculture and Fisheries.

26. Following the finalisation of appeals in respect of the initial allocation, the continuing responsibility for the maintenance of the entitlement register and any transfers therein should be the responsibility of the South Australian Authority.

27. The farm and manufacturing licensing and regulatory function of the Metropolitan Milk Board should be transferred to the Department of Agriculture and Fisheries.

28. Regional market milk equalisation schemes should be required to report regularly on their affairs to the South Australian Dairy Authority.

29. The South Australian Dairy Authority should be given suitable powers to implement the Committee's proposal that the South East market milk equalisation scheme should be augmented by funds from the Metropolitan milk equalisation scheme.

30. The South Australian Dairy Authority should be financed by arrangements similar to those which at present apply to the Metropolitan Milk Board, except that the arrangements should be expanded to include all dairying regions in the State.

31. The functions of the Metropolitan Milk Board, with respect to price determination, should be transferred to the South Australian Dairy Authority. The South Australian Dairy Authority should be required to submit its proposals for price changes to the Commissioner for Consumer Affairs for approval.

32. A delivery charge should be introduced for milk delivered to private households. The precise form of the charge, and its magnitude, should be decided in the light of experience in other States where a delivery charge has been operating for some time.

Basis of Payment

33. The Committee believes that it would be inappropriate, at the present time, to introduce a new basis of payment for milk. The matter should, nevertheless, be kept under review in the light of experience in other countries where protein is included in the basis of payment.

IMPLICATIONS OF THE PROPOSALS

Implications For The Industry And S.A.D.A. Members

THE RELEVANCE OF A MARKET SHARE ENTITLEMENT SCHEME

As stated in the introduction, the prime purpose for the Inquiry was to make recommendations concerning the implementation of the Market Share Entitlement Scheme which the Australian Agriculture Council believes should be introduced as soon as possible, after 1st January, 1978 (although it is now obviously impossible to introduce this Scheme before 1st July, 1978), and the Committee has, accordingly, devoted a considerable portion of its Report to this subject.

But it is very significant that the Committee, although recognising the ground on which the Industries Assistance Commission based its recommendations for an entitlement scheme, that is to say, the ability of a dairy farmer to adjust his production in accordance with his view of market potential, stated, quite emphatically, that, **if the allocation of individual farm entitlements were shown to be incompatible with the Committee's other proposals, individual farm entitlements should not be allocated.** The Committee's view was that there was real doubt concerning the ability of a dairy farmer to respond to "market signals" within a meaningful time and they saw no reason why the industry should be prevented from obtaining the advantages of the Committee's other proposals merely by the necessity to conform with that single requirement.

The Committee's doubts in this area can, perhaps, be now seen as supporting the opinion that a Market Share Entitlement Scheme is no longer relevant to the Australian dairy industry. If the principle of individual market entitlements is not firmly entrenched that the Committee can seriously advocate its abandonment, it is far from unreasonable to ask whether the trend in milk production has not been of such an extent as to render the introduction of a scheme as complicated and confusing as Stage II, quite unnecessary. Total milk output throughout Australia has now declined to a level considerably below that proposed in February this year, by the Australian Agricultural Council, as being the National Aggregate Entitlement (an amount **down** to which the Market Share Entitlement Scheme was intended to reduce production), and the economic and social effects of a succession of unfavorable seasons, though not all as severe or as long sustained as in South Australia, will probably prevent anything more than a very modest recovery in output.

It can, consequently, be argued most strongly that the target date of 1st July, 1978, for the introduction of Stage II, should be abandoned, and that Stage II should be deferred indefinitely, until such time, if ever, as total milk output throughout Australia reaches such a level as to present a major problem with unsaleable surpluses. A motion asking the Federal Minister for Primary Industry and the Australian Agricultural Council to defer Stage II on the ground that it is no longer relevant to the Australian dairy industry will be discussed by the Australian Dairy Farmers Federation at its meeting late in October.

ENTITLEMENT ALLOCATION

If the introduction of a Market Share Entitlement Scheme is regarded as desirable, or inevitable, the Committee's proposals must be regarded as being based on practical common sense. Market milk is excluded from the proposed calculation, and, although the inclusion of market milk in the allocation of entitlements is not without merit, a proposal other than that put forward by the Committee would be contrary to at least the majority thinking of the Australian Agricultural Council.

The Committee's suggestion that entitlement production should be measured on a calendar year, rather than a fiscal year basis, does, however, introduce problems. The Committee states, quite emphatically, that **"If it is not possible to introduce a method of measuring production of entitlement milk on a calendar year basis, the Committee would wish to withdraw its recommendation that the individual market entitlements be allocated."**

In making this statement the Committee demonstrates that it is aware of the problem which it faces, that is to say, the industry in South Australia would be out of step with the dairy industry in other States, and with the administration of the Dairy Marketing Arrangements carried out by the Australian Dairy Corporation. Nevertheless, the Committee believes that the handicaps which would be placed on the industry in this State by a system which could bring about a greater downturn during the Autumn (which is the likely result of an entitlement scheme operated on a fiscal year basis) than is now the case are of such a magnitude as to warrant the abandonment of individual entitlements.

The Committee does not appear to have seen any reason why concessions should be given to dairy farmers who entered the industry after 1976, although the exclusion of such persons from access to the Appeals Tribunal does not seem to be barred.

Running throughout the Committee's recommendations concerning entitlements is the constant theme that **the integrity of the market milk producing regions must be preserved**, as demonstrated by the clear statement that entitlements would not be given to dairy farmers in cases where no portion of their milk was used for manufacture, (as in the Mid-North, Riverland and Port Lincoln Regions). Clearly, if these dairy farmers are not, on the one hand, to be given the guarantee that their interests in market milk are to be preserved, and on the other hand, are to be denied an entitlement, their future will, indeed, be grim. The Committee's attitude to the interest of this sector is both realistic and commendable.

Perhaps the most novel and enlightened of the Committees proposals is that which takes the equalisation principle into the field of entitlement premiums, the Committee recommending that **"companies participating in inter-company market milk equalisation schemes should pool their entitlement premiums and the entitlement premiums should be equalised across all entitlements registered with the member companies of the scheme."**

ENTITLEMENTS — APPEAL PROCEDURES

The proposed three-person Appeals Tribunal conforms closely with the proposal submitted by the Association, except that the Committee does not specifically propose, as a member, a person practising in the field of accounting or economics, but, instead, proposes that there be, as well as the chairman, two members with knowledge of the dairy industry and farm management, provided such persons are not currently dairy farmers, or dairy produce manufacturers, or consultants having dairy industry clients. This composition does not contradict the Association's proposal concerning an accountant or an economist, providing that the other requirement, namely knowledge of the industry, is met.

Perhaps the widest divergence between the Committees proposal and the submission made by the Association, in respect to appeals, relates to the period of qualification for entitlement. The Association proposed that the qualifying period be the "best" year (that is, the year of highest production) of the three years preceeding 30th June, 1976. In proposing the "best" year, the Association believed that this would eliminate a large number of appeals, as the great majority of appeals will be based on the fact that their average production during the three year period was, in one way or another, depressed by some temporary condition, such as an outbreak of disease, a protracted period of infertility, or an unfavorable season. The Committee's proposal that the period of qualification be the full three years means that virtually any dairy farmer whose output fluctuated during the three-year period may be tempted to appeal on the grounds that at least one of these years was not typical.

TRANSFER OF ENTITLEMENTS

The Committee has, very wisely, proceeded cautiously in this matter, and its recommendation endorses the submission made by the Association, that entitlements should be transferred only in the case of farm purchase, or to a new farm when a farmer changes his location. The Committee states that, in making this proposal, it has not merely closed its eyes to the possible advantages of full

negotiability, as recommended by the Industries Assistance Commission, in fact, it believes that the full benefits of an individual market entitlement scheme can be realised only if entitlements are made negotiable, but it was aware that the great preponderance of opinions in the submissions put to it were extremely wary about negotiability of entitlements, and, for this reason, adopted cautious attitude, while still leaving the door open for changes in the future, if such were seen to be desirable.

ARRANGEMENTS FOR MARKET MILK

The Committee's proposal to establish a market milk equalisation scheme in the South East would, if adopted, be the last step in bringing all market milk production in the State into regional equalisation.

However, it should be understood that the proportion of milk sold as market milk in the South East is very small, and will not markedly change the magnitude of the returns to dairy farmers in this region, and it can almost be said that the main advantage of such a move would be to facilitate the proposal for phasing in the participation of the South East in the metropolitan market milk supply.

The gradual participation of the South East into the metropolitan milk market will follow the trend already adopted in all other States, where the previously protected position of dairy farmers adjacent to capital cities has been eroded, and a more or less gradual process of integration of all dairy farms is now under way.

Naturally, the first thought of all licensed producers will be "how much will this cost me?", to which an answer cannot possibly be given until such time as the change becomes imminent. It can, nevertheless, be said that the method proposed by the Committee will not have the grossly damaging effect on the incomes of licensed producers that might have resulted from other phasing-in procedures, and, on the surface, the Committee's proposal must be seen as a reasonable compromise.

That is not to say that there are no implications that should be looked at by the Association. Possibly the chief of these is the question of whether the benefits received by the South East from its eventual participation in the metropolitan market milk supply should be modified by the subtraction of a notional transport cost. The Committee does not propose that, when the market milk ratio in the metropolitan milk producing area reaches the ceiling of 45 per cent, milk should be physically transported from the South East into the metropolitan area; the proposal is merely that, when the 45 per cent ceiling is reached, the city milk bonus monies derived from the market milk sales in excess of 45 per cent should be paid into the South East equalisation pool for distribution to South East dairy farmers. This means first, that the participation of the South East will be purely theoretical, and will not involve the costs that would result if milk was required to be actually drawn from that area, and, second, that cheese factories in the South East will have a cost advantage (which will benefit their suppliers) over factories in the central region because their milk supply will not be reduced, during the Autumn, by the necessity to provide for market milk requirements. There are, consequently, very good grounds for claiming that the funds transferred to the South East equalisation pool should be of the transport costs that would be incurred in the event of physical transfer.

The second matter for consideration is the relation of assessed production costs to equalised returns. At present it is realised that, although the producers' price for market milk reflects the assessed production cost, the equalised return received by dairy farmers is considerably lower than production cost because only portion of the total output is used for market milk, a realisation that is, at present, tempered by the hope that, eventually, the proportion of market milk may increase to a point where the equalised return comes closer to the assessed cost of production. The placing of a ceiling on the market milk ratio means that producers in the central region will never, in the future, be able to reach a position where the equalised return approximates the production cost except in the very unlikely situation where the return from milk for manufacture increases to a sufficient extent to bridge the gap.

Because of this restriction that is placed on dairy farmers in the central region, it may not be unreasonable to examine whether the phasing-in of the South East should be only in respect to the Metropolitan Milk Equalisation Scheme. As the returns received by dairy farmers in the three other regional equalisation schemes are higher than those in the central region, there could be merit in examining whether, when the 45 per cent ceiling is reached, there should not be a move toward wider interregion of returns from that point onwards.

THE STATUTORY AUTHORITY

As stated earlier, the Committee's proposal for a Statutory Dairy Authority does not follow the pattern of Authorities in other States, which, in theory, though not, so far, in practice, have legislative power to control the whole of the dairy industry. The Dairy Authority proposed by the Committee has two main functions; first, the monitoring of all market milk equalisation schemes, and, second, the management of the individual market entitlement scheme for manufacturing milk should such a scheme be introduced.

But it is implied, in the Committee's Report, that the Authority would, in some respects, be similar to the existing Metropolitan Milk Board, but Statewide in scope, and should, in addition to the two main functions stated above, be responsible also for the setting of market milk prices and margins throughout the State.

The Report is silent on whether the Authority should carry out other functions now performed by the Board in connection with marketing and distribution, such as the zoning of retail members, but the Committee refers to a number of omissions from the Report as being due to insufficient time to form opinions in these areas.

Whether a representative membership is superior to an independent membership is a matter of opinion. The Committee states that the submissions which were received were divided on this point, and, although the Committee could see some advantages in having an independent Authority, there was also something to be said for an Authority which reflects, within its own membership, the main sectors involved in the industry."

FUNCTION OF DEPARTMENT OF AGRICULTURE

The Committee proposes that all functions dealing with the production of milk on the farm, the processing of market milk and the manufacture of dairy products, should be carried out by the Department of Agriculture.

The merit in this proposal, which differs slightly from the submission made by the Association, is that there is no break in the continuity of administration and extension from the farm to the finished product, but the Committee is silent on that major aspect of the Association's submission which called for the introduction of a formal program of extension and farm management education in conjunction with the licensing and inspecting role performed by the Department.

THE LEVEL OF GOVERNMENT INTERVENTION

One of the most noteworthy statements made by the Committee in its Report, which should be seen by the industry in this State as a guide to the course which it should follow, is the following:—

"the Committee wishes to emphasise that, in its view, the South Australian dairy industry has operated successfully, over many years, with a relatively small amount of Government intervention, compared with other States of Australia. High quality production standards have been achieved and maintained, and the industry has been much more stable than in other States. The Committee would not wish its recommendations about organisation to be taken as an indication that it believes there to be the need for a significant increase in the level of governmental intervention in the industry at the State level. Rather the Committee sees its recommendations as embodying those minimal amounts of State Government involvement compatible with the introduction of new Commonwealth dairy marketing arrangements, and the efficient allocation of functions within the industry."

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As well as being a most commendable indication of the principles on which the Committee based its Report, the statement provides an interpretation of the Committee's view in areas on which the Report is silent, such as the overall marketing and distribution function, including promotion of the industry's products.

BASIS OF PAYMENT FOR MILK

The Committee refers to the slight ambiguity of the final term of reference ("the Committee should make a recommendation as to the particular basis for payment of milk in South Australia") by noting that the most common interpretation was that this reference concerned the possible adoption of a method of payment for both fat and protein.

The tenor of most of the submissions, namely, that the apparent advantages of a system of which provided for payment for both fat and protein were recognised, but were regarded as being insufficient to warrant the early introduction of what would undoubtedly be a very complex scheme induced the Committee to recommend a cautious approach.

But the Committee made specific reference to two submissions which differed from the generality in their interpretation of the last term of reference. The Department of Public Health suggested that solids-not-fat as distinct from protein, could be included as a basis of payment, on the ground that the seasonal problem of milk failing to meet the required compositional standard at certain times of the year might be overcome thereby. Amocol, on the other hand, proposed the introduction of a "bulk milk allowance" for refrigerated milk, such that the frequency of collection of milk from a producer (for example — every other day, daily, or twice daily) was reflected in the price received by the producer.

In respect to this latter proposal, the Committee remained true to the principle which it had earlier adopted, concerning Government intervention offering the suggestion that the introduction of differential bulk milk allowances was a matter to be determined between dairy companies and their suppliers.

WHERE DO WE GO NOW?**Plans For Study And Discussion**

Although most of the Committees proposals are closely parallel to the views of the Association, there are some areas which require study, both as regards their acceptability and the manner in which they may be adopted into the industry's administrative pattern. As well, there is the necessity to demonstrate the Association's support of those proposals which can either be endorsed immediately, or are supported following discussion.

Initially, it is intended to hold a special meeting of the Central Council late in September, which will probably be followed, if the Central Council is of this opinion, by a series of Regional Meetings. The venues and dates of the Regional Meetings will be announced as soon as arrangements have been made.

HIGHEST EVER OPENING BASIC PRICE

Revision Likely Later in Year

The opening basic price for the 1977-78 season, of 136.96 cents per kilogram fat is the highest ever recorded, and arises from the Commonwealth Government's decision to underwrite the new season's opening value for cheese at \$860 per tonne, \$40 more than the underwriting for the 1976-77 season it is, however, likely that a reduction in this figure may follow an examination of manufacturing cost figures in September or October, as higher wage rates (due to several National Wage Case increases) had combined with an abnormally low level of production, due to most unfavorable seasonal conditions in late summer on autumn, to produce very high factory costs, which the dairy companies will seek to recoup from current cheese values.

The effect of these cost rises will be more than offset by subsequent increases in cheese values whether underwritten or not, as the equalised cheese value can be expected to increase by as much as \$104 per tonne (equivalent to 26.5c kg fat) if the forecast by the dairy produce exporters, David Lavery and Son, of \$964 per tonne is achieved.

In the meantime, retrospective payments for the 1976-77 season just ended will be received during the next 18 months, while the pool is being finalised, perhaps as much as 20 cents kg (about 12 cents equalised), the first of these retrospective payments (2.7c kg fat equalised) being included in the cheques received early in October.

Further payments would also be received for production during the 1975-76 season, including one at the rate of 2.65c kg fat (equalised) to be included in the September cheque.

MILK PRICES RISE

Milk prices in the Adelaide metropolitan area have been increased, for the second time in 1977, from 28th August.

The rise takes the retail price of the 600 ml bottle from 20 cents (raised from 19 cents on 27th March) to 22 cents, equivalent to 36.67 cents per litre, an increase of 10 per cent.

The producer's price goes from 16.30 cents per litre (15.50 cents until 27th March) to 18.05 cents, the 1.75 cents increase (10.75 per cent) lifting the producer's share of the retail price from 48.90 per cent (down from 48.95 per cent prior to 27th March) to 49.23 per cent.

. . . and in Victoria also

where the newly created Victorian Dairy Industry Authority has increased the retail price of a 600 ml bottle from 20 cents to 23 cents, thus taking the Victorian price to 1 cent above the new South Australian price.

The producer's price in Victoria is, unfortunately, not directly comparable with that received by licensed producers in South Australia, because of the intervention previously of the Victorian Milk Board and now of the new Dairy Authority, in the price structure. The price received by a Victorian dairy farmer holding a milk contract depends on the location of his property and, prior to the new price determination, ranged from 14.16 cents to 15.47 cents per litre **at the factory door**. This range of producer prices has now been increased by a uniform 1.13 cent per litre to a minimum of 15.29 cents and a maximum of 16.60 cents per litre, again **at the factory door**, (the cartage deduction from these prices appears to be 0.71c), compared with the Adelaide producers' farm gate price of 18.05 cents per litre (previously 16.30 cents).

PRODUCTION & SALES STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
	May	13 664	14 534	440.8	468.8	240 988
June	13 628	14 660	454.3	488.7	237 017	218 263
July	15 739	16 686	507.7	538.2	234 049	218 464
August	17 674	19 633	570.1	633.3	230 572	220 425

MILK SALES (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
	May	8 466	8 597	273.1	277.3	98 447
June	8 249	8 355	275.0	278.5	98 675	99 671
July	8 537	8 429	275.4	271.9	98 876	99 563
August	8 224	8 584	265.3	276.9	98 984	99 923

RATIO (Sales to Production, per cent)

BASIC PRICE

	For Month		12 Months' Cumulative		BASIC PRICE (Cents kg b.f.)	
	1976	1977	1976	1977	1976	1977
	May	62.0	59.2	40.9	45.8	124.01
June	60.5	57.0	41.6	45.7	124.01	126.76
July	54.2	50.5	42.2	45.6	101.06	136.96
August	46.5	43.7	42.9	45.3	102.01	136.96

DAIRY INDUSTRY FIELD DAY

At The Northfield Research Centre

Invitations are extended, by the Chief Dairy Officer (Mr. A. G. Itzerott) on behalf of the Director of Agriculture and Fisheries, to all South Australian dairy farmers, to attend a Dairy Industry Field Day and the Official Opening of the Dairy Research Offices at the Northfield Research Centre on **Monday, 17th October, 1977.**

The Field Day will commence at noon, and the opening ceremony will be performed at 2 p.m.

DON'T BE CAUGHT!

Here, from the claim files of Federation Insurance, are some examples of how you can be caught.

Claim A.

Dwelling destroyed by fire. Contents insured for \$3,000, actual assessed loss, \$5,800.

Claim B.

Machinery and Plant destroyed by fire. Insured for \$3,000, actual assessed loss, \$7,500.

Claim C.

Dwelling destroyed by fire. Dwelling AND Contents insured for \$25,000, actual assessed loss, \$46,000.

You may possibly imagine, Federation Insurance is ultra-cautious or just out for a sale, by constantly reminding you of these dangers, but years of experience have taught us the counsel and advice offered, is not taken; with the result, that claims are settled on an unsatisfactory basis from both the Client's and Federation's viewpoint.

There is an absolute necessity to review often, the amount of insurance which is held on buildings and contents, both commercial and domestic, including loss of profits, where applicable.

Have **YOU** considered your position?

Are you fully satisfied that your insurance policies would protect you in the event of loss?

If you are in doubt, do not hesitate to contact our Service Department, 440 King William Street, Adelaide, 5000. Phone 212 4541, your Organisation's approved insurer.

FIRE CAN COST YOU!

Unfortunately for many, warnings to guard against the drift between old insurance policies and rising property values, are ignored.

A house insured for its full value of say, \$25,000, several years ago, may now be worth \$30,000 — perhaps more.

What happens if the owners have neglected to increase the insurance in the intervening years and fire totally destroys the lot.

How many average families can afford such a totally unnecessary \$5,000 loss.

Property values fluctuate so much that it is a good rule to obtain periodic valuations. That way, you can maintain an insurance cover which you can be certain will provide adequate compensation in line with prevailing prices.

Don't be caught by the trap many brick home owners fall into — under-insuring — in the belief that they cannot be destroyed by fire.

The theory is that brick walls leave a shell which serves as a base for rebuilding.

This is a bad mistake — in most cases, bricks are so weakened by heat, that they have to be bulldozed to the ground.

Don't let this happen to you, before you are faced with the problem of under-insurance, contact your approved insurer, Federation Insurance Limited, 440 King William Street, Adelaide, or telephone the Service Department at 212 4541.

An accident on your premises can ruin your finances



Public Liability Insurances provide protection and peace of mind — at a reasonable premium too.

The experienced Company who knows the economical answer. Contact us now.

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To the Manager:
Please contact me:

62

NAME: _____

ADDRESS: _____

THE SOUTH AUSTRALIAN

DAIRYMEN'S . . .

Journal



The Official Publication of the

Published Bi-monthly

Vol. 17, No. 2

Adelaide, SEPTEMBER/OCTOBER, 1977

PRODUCTION & SALES STATISTICS

ADELAIDE METROPOLITAN MILK SUPPLY AREA

PRODUCTION (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
September ...	20 996	22 555	699.9	751.8	227 091	221 983
October ...	24 885	26 181	802.7	844.5	224 688	223 279
November ...	25 109	23 733	837.0	791.1	222 291	221.903

MILK SALES (000 litres)

	For Month		Daily Average		12 Months' Cumulative	
	1976	1977	1976	1977	1976	1977
September ...	8 089	8 042	269.6	268.1	99 173	99 876
October ...	8 121	8 161	262.0	263.3	99 305	99 916
November ...	7 954	8 120	265.2	270.7	99 288	100 082

RATIO (Sales to Production, per cent)

	For Month		12 Months' Cumulative		BASIC PRICE (Cents kg b.f.)	
	1976	1977	1976	1977	1976	1977
September ...	38.5	35.7	43.7	45.0	102.01	136.96
October ...	32.6	31.2	44.2	44.7	102.01	136.96
November ...	31.7	34.2	44.7	45.1	114.76	136.96

PRICE

40c

Dairy Vale

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DAIRY LISTINGS — COUNTRY PROPERTIES

Our Real Estate Section which handles the sale of Dairy Properties is continually receiving enquiries for viable dairies and also small acreage properties suitable for rural retirement or as a hobby farm. If you have such a property Dairy Vale can be of assistance to you.

We are presently seeking a property with good pastures and a substantial home suitable for horses in the \$150,000 price range.

Dairy farms with City Milk Licence are still an attractive proposition and if you are considering selling we can assure you of prompt professional service.

On the other hand, if you are contemplating the purchase of real estate Dairy Vale can assist you in selection and advice.

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Clarence Gardens, S.A. 5039

Phone 297 2211

A/Hrs. Alex McMillan 339 3769
Gordon Pallant 277 1652

THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

Volume 17, No 2 Adelaide SEPT/OCT 1977

Price 40¢. \$2.40 per year, post paid

Published by the South Australian Dairymen's Association Inc.
Aston House, 13 Leigh Street, Adelaide, 5000 51 3034

President: N.M.Green Esq. J.P. General Secretary: David J. Higbed B.Ec.

Registered at GPO Adelaide for transmission by post as a periodical
Category A

ORGANIZATION - AND INFORMATION

An organization which does not keep its members informed fails on two counts; first, because members are entitled to know what is going on, how their interests are being affected, or threatened, and what is being done about it; second, because, in the absence of information, members' lose interest, their support for the organization diminishes even to the extent where membership numbers decline, and the organization finds itself without the power-base which created it in the first place.

Yet, ironically, there may be times when so much is happening that the organization is so busily involved in what is going on that it doesn't leave enough time to keep its members informed of what is being done. Even

effort must be put into correcting information already given, and there is, then, the temptation to with-hold all communication until finality is reached.

This is the problem which has plagued the dairy industry, and this Association, during the past year or so. The recommendations of the Industries Assistance Commission, the decisions of the Australian Agricultural Council, the Calculation of the Working Party set up by the Standing Committee on Agriculture, the report and recommendations of the Committee of Inquiry into the Dairy Industry in South Australia, the attitudes of the Minister of Agriculture and of the industry sectors to these recommendations, and the proposals for new dairy legislation to be introduced in the State and the Commonwealth Parliaments, have all been so interwoven, yet often so contradictory, that it has been virtually impossible to state with certainty, at any time, "This is the position at present....."

Now the tempo has, at least for the moment, diminished. The Australian Agricultural Council has made certain decisions which will almost certainly be translated into Federal legislation in the present session of the Commonwealth Parliament.

CHANGES IN THE PASTORAL INDUSTRY (SA) AWARD

Hours of Work

The ordinary hours of work for employed persons working on dairy farms ("station hands") were reduced from 44 per week to 40 per week, on and from 23rd December, 1977. The ordinary hours of work shall not exceed 160 hours in any consecutive period of 4 weeks, all working time outside this arrangement being regarded as overtime.

Annual Leave

The annual leave provision has also been changed, so that employees are now entitled to 4 weeks leave for every completed year of service after 1st January 1977. Before going on annual leave the employee is to be paid 4 weeks wages at ordinary time plus a loading of 17½ per cent.

In the event of an employee leaving, or being discharged, before completing a year's service, he shall be paid an accrued annual leave allowance of one-twelfth of a week's wage for each week's service.

Rates of Pay

On and from the first pay period in March 1978, the rates of pay for station hands engaged by the week, without keep, shall be:

production and mailing charges, has shrunk to a tiny handful of loyal supporters.

If, after this experiment, we decide to continue with this mode of production, we hope that the "Journal", though diminished in glamor, may still provide them with a profitable medium for their message, and that the change will be acceptable both to our members and to our advertisers.

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RETROSPECTIVE PAYMENTS - AND FORECASTS

Further progress has been made by the Commonwealth Dairy Produce Equalisation Committee towards finalizing the 1975-76 and 1976-77 pools, and interim cheese values for these years have been increased by \$10 and \$25 per tonne respectively, raising the basic milk prices by 2.55¢ and 6.375¢ kg fat.

These step-ups will be paid on all milk produced in each of those years at the equalised rates of 1.3¢ kg fat for 1975-76, to be paid early in May, and 2.8¢ kg fat for 1976-77 to be paid early in April.

Finalization is expected to result in further increases of \$9 and \$20 per tonne respectively, with additional basic price step-ups of 2.3¢ and 5.1% kg fat, equalised at around 1.1¢ and 2.2¢ kg fat on all production during those years.

FEDERAL GOVERNMENT LIFTS UNDERWRITING

The Australian Dairy Farmers' Federation has pressed the Federal Government very strongly for an increase in the level of underwriting for the current year, which was originally set at a level "which would enable efficient manufacturers to pay their suppliers around 65¢ per lb. butter fat at the farm gate".

The ADFF asked for an increase from 65¢ to 80¢, on the grounds of rising costs and other economic and social pressures on the industry, but the Federal Government has now announced that it intends only to lift the underwriting by 10¢, to 75¢ lb. and then only for production during the period January to June 1978.

It should be realised that the underwriting does not guarantee a return to the producer; it guarantees a return to dairy companies, and is accompanied by the claim (for which substantiation has so far, not been forthcoming) that this return should permit an "efficient" manufacturer to pay its suppliers a certain return.

The new levels of underwriting are \$1,240 per tonne for butter and \$955 per tonne for cheese, the new rates for cheese being \$95 per tonne cheese, (equivalent to 24.225¢ kg fat) above the previous underwritten level of \$860. most of the increase apparently being to compensate

More than " " " "	-	\$128.30
General hand	-	\$129.51

When keep is provided, deduct \$26.60 from the above.

Juvenile Rates

15 years -	\$57.14	18 years -	\$82.52
16 years -	\$63.44	19 years -	\$95.21
17 years -	\$69.83	20 years -	\$114.19

When keep is provided, deduct \$26.60 from the above.

Daily Rates

When employed by the day, adults shall be paid \$25.38 and juveniles one-fifth of the appropriate weekly rate.

FEDERAL GOVERNMENT LIFTS UNDERWRITING

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The actual return for cheese in the current season will be well above the original underwritten value, reaching, perhaps, at least \$940, but we cannot, at this stage, tell whether the final return will be above the new underwritten level; in other words, whether the Government will have to actually pay out any money. Remember, too, that with the new underwriting applying only to the second half of the production season, the amount of cheese made will be quite small, most of the production having taken place in the flush season, so that even if a pay-out is required, it will be on only a small fraction of a full year's output.

It is too early to say what effect the higher underwriting will have on the basic milk price; the position is complicated by the underwriting being on the second six months instead of the whole year.

One interesting aspect of the relation between the Government's announcement and the ADFF's request is the possible attitude of the ADFF to Stage II (Market Share Entitlement Scheme) of the Dairy Marketing Arrangements.

The ADFF's support for Stage II is conditional on the Government's underwriting entitlements for the first year of Stage II (1978-79) at \$2.20 per kg butter fat. As the Government has rejected the ADFF's request for the current year, and has increased the underwriting by only two-thirds of the

rate sought, and then for only half the period, we cannot be all that optimistic about the chances of having underwriting increased next year by 33 per cent to \$2.20 kg).

In view of its declared insistence that without underwriting at \$2.20 per kg, it will not support Stage II, it will be interesting to see what action the ADFP will take with respect to Stage II and the Federal legislation if the full rate of underwriting is not forthcoming.

PRODUCTION & SALES STATISTICS

Adelaide Metropolitan Milk Supply Area

PRODUCTION (000 litres)

	For Month				Daily Average		12 months' Cumulative	
	1976		1977		1976	1977	1976	1977
December	22 440	21 490	723.9	693.2	220 769	220 953		
	1977	1978	1977	1978	1977	1978		
January	19 319	18 444	623.2	595.0	220 161	220 078		
February	15 086	14 198	538.8	507.1	218 896	219 190		

MILK SALES (000 litres)

	For Month				Daily Average		12 months' Cumulative	
	1976		1977		1976	1977	1976	1977
December	8 270	8 543	266.8	275.6	99 147	100 355		

	1976	1977	1977	1978	1977	1978
January	8 342	8 208	269.1	264.8	99 273	100 221
February	8 016	7 963	286.3	284.4	99 209	100 168
	RATIO (Sales to Production, per cent)				BASIC PRICE	
	For Month		12 months' Cumulative		Cents Kg b.f.	
	1976	1977	1976	1977	1976	1977
December	36.9	39.8	44.9	45.4	114.76	136.96
	1977	1978	1977	1978	1977	1978
January	43.3	44.5	45.1	45.5	126.76	144.61
February	53.1	56.1	45.3	45.7	126.76	144.61

CHIEF SUPERVISOR RETIRES

Mr. W.J. Taylor, Chief Supervisor with the Metropolitan Milk Board, will retire on March 30th, after 29 years service, the Board Chairman Mr. B.D. Hannaford announced today.

Mr. Taylor had served the dairy industry well, said Mr. Hannaford, who on behalf of the Board extended best wishes on his retirement.

An active turf cricketer for many years before changing to bowls, Mr. Taylor now intends to devote more time to his home, family, golf and bowls.

STAGE II,MARKET SHARE ENTITLEMENTS,AND SO ON

Progress and Problems with the New Marketing Arrangements

Where, and what, is the dairy industry up to now?

A good starting point for explanation is provided by the questionnaire recently sent by the Department of Agriculture to each dairy farmer, asking, mainly, (the other information being not really relevant), for the dairy farmer to state which dairy factory, or factories, he supplied in recent years.

The purpose of the questionnaire was to assist the Department to obtain, from each factory, production figures for every supplier, in order to calculate each farmer's Individual Market Entitlement (IME).

The farmer's IME will be calculated (perhaps from his average production in the past 3 years, or the best 2 years in the past 3, or even the best single year in the past 3) as a fraction of the State Aggregate Entitlement, which, for the first year of the scheme, scheduled to be on 1st July 1978, will be 7,300 tonnes of butterfat in "prescribed products", out of a National Aggregate Entitlement of 145,200 tonnes of butterfat in prescribed products.

whole milk powder, ~~Deter~~ milk powder, and casein, cheddar cheese, gouda cheese, stirred-curd cheese and granular cheese, and condensed milk products. The non-prescribed, or "exempt" products, will be market milk, table cream, and perishable milk products, and all non-cheddar cheese varieties except gouda.

Stage II will, in theory, then proceed as follows, assuming, that is, that the Federal legislation is drafted along the lines so far, more or less, agreed upon.

First, Stage I will continue to operate as it does at present, by the estimation for each "prescribed product", of an "Assessed Export Price" (AEP) which is deducted from the official domestic bulk wholesale price to give a "stabilization levy" which must be paid on all sales of "prescribed products" sold on the domestic market.

The "stabilization levies" are collected in "stabilization funds", one for each prescribed product group, for eventual payment, through the factories, to dairy farmers.

The price a dairy farmer receives from the factory for milk supplied for manufacture (although, more accurately, for milk supplied for manufacture into "prescribed products") is derived by deducting, from the AEP, a margin to cover the dairy factory's costs of manufacturing and marketing, and then

adding the "stabilization fund" payment (from which the dairy factory may make no deduction), the result being, in local terminology, the "basic price".

The "basic price" is then paid for all milk supplied for manufacture into prescribed products; regardless of the quantity shown on the supplier's IME.

From here on the system becomes more complicated, because of the need for a delicate inter-play between Federal and State legislation, and the Federal/State financial relationship, but the result of this complicated system will be similar to what would happen if the following procedure were used -

After the close of the production season (30th June) each factory matches the amount of butterfat contained in "prescribed products" made by the factory during the year, against the total butterfat quantity shown on all the IMEs issued to its suppliers, and lodged with it by the suppliers. If the quantity of butterfat in "prescribed products" exceeds the total quantity shown on all IMEs lodged with it, the factory will pay an "over-entitlement tax" equal to the difference between the AEP and the average of the AEP plus the stabilization fund payment, the amount left to the factory being roughly (probably very roughly) equal to the export value of the "prescribed product" which has been produced

Theoretically, the factory then deducts, from all its suppliers who produced more than their IME quantity, their proportionate share of the "over-entitlement tax". But, unless the legislation forces it to do so, a factory may prefer not to penalize the "over-producers" and will average the tax over all its suppliers. Remember, too, that before it pays tax, the factory will have gone to great trouble to see whether it could claim that the over-entitlement milk had, quite legitimately (and without incurring tax), gone into "exempt" products such as market milk, flavored milk, yoghurts and other perishable milk products, or into fancy (i.e. "non-prescribed") cheeses. And, of course, ideally, the factory would have kept a close watch on the relation between production and IME total, and switched to "exempt" products if there was a likelihood of over-producing "prescribed products".

It may well be assumed that, so far, the system is not all that difficult to follow, and not all that unreasonable, having regard to the aim of the scheme. But consider further. South Australia's SAE of 7,300 tonnes (of butterfat in prescribed products) is equal to about 93 per cent of the State's production of prescribed products in 1976-77, and as the State's milk production is currently running 11 per cent below that of 1976-77, we may fail even to reach the 7,300 tonnes of our SAE, in the

current 1977-1978) year, before the scheme has even started, with an almost absolute certainty that, next year, production will be lower still.

What, then, if one factory produces over the total of the IMEs which are lodged with it, whilst other factories fall below their IME totals? Will we be happy for that factory to be taxed when the State, as a whole, should have incurred no tax?

In immediately practical terms the effect of this "over-production/under production" situation can, perhaps, be avoided by juggling entitlement between factories. As one factory appears likely to produce over its IME total, IME quantity will be transferred to it from a factory that appears to be under-producing, so that the State can finish the year in a nil tax position.

Such a procedure would be relatively easy if factories were given entitlements; the factory entitlements could then be shuffled without much trouble. But the limitations imposed on factories are not through adjustable entitlements; the limitations are the total of the IMEs lodged with each factory by its suppliers, and the juggling of entitlements between factories without using "press-gang" tactics on suppliers will make a total farce out of a system that has already been deprived of any practical value by the continued collapse of dairy production throughout the Commonwealth.

proposed an equitable sharing of the proceeds from the domestic market, leaving the servicing of the export market to those who were prepared to produce at the lower return, or who had no option to diversify. Under such a scheme the return from domestic sales at current cheese values, would be in excess of 180¢ kg fat, perhaps even above 190¢, depending on the method used to allot "pool" costs, whilst the return from export markets would, again depending on "pool" allocation, be from 104¢ to 124¢ kg fat.

In the Stage II scheme now being imposed on the industry, in which the entitlement return is diluted by a 40 per cent "safety margin" the difference between the returns from entitlement and over-entitlement milk is reduced to about 30¢ kg, a difference too small, having regard to the hazards of seasonal and bovine behaviour to permit the making of adjustments with any assurance of maximising returns.

The cost and complexity of Stage II, particularly when it is remembered that Stage I, a very much simpler scheme, is still far from funning with the smoothness necessary to control an industry as diverse as the dairy industry, are such that the only reasonable action to be taken now is, at least, to defer its implementation until that day, which will probably never come, when we are again threatened by an upsurge in milk production and the prospect of massive, unsaleable surplus.

SOUTH-EAST PARTICIPATION

It is only a few years ago that every Australian capital city was supplied with its market milk requirements from a "milk zone" immediately adjacent to the city, the location of the "milk zone" having been determined by the keeping quality of water-cooled milk, and the necessity to transport the milk in cans over the shortest possible distances in the least possible time.

The introduction of refrigerated farm tanks and bulk tanker transport eliminated these restrictions, and, during the past 5 years, legislative changes have resulted in access to capital city markets milk becoming increasingly available to dairy farmers, who are able to meet the standards for premises and milk quality, but who are outside the traditional milk zone.

Only in South Australia, where the supply of milk to Adelaide is restricted to dairy farmers located in the Metropolitan Producing District, is a substantial portion of a State's dairy farmers denied access to the higher priced market.

The barrier which prevents the "outsiders" from supplying the Adelaide market is no longer the technological barrier of milk-keeping quality, but a much weaker legislative barrier, the Metropolitan Milk Supply Act, and it is not unnatural that dairy farmers in the South East began to ask why they,

the distance involved was constantly demonstrated by the Adelaide-based dairy companies in their own inter-factory transporting arrangements.

The apparent logic of the South-East's claim was recognised by the Committee of Inquiry into the South Australian Dairy Industry, which, late in 1977, recommended that "a market milk equalisation scheme should be established in the South-East....(and) augmented by funds from the market milk levy pool generated by the Metropolitan Milk Equalisation Committee..... the essential principle.....(being) that the rate of transfer of funds to the South-East should be geared to the decline in production in the Adelaide Hills area".

In making this recommendation the Committee endorsed the opinion which the Minister of Agriculture was known to hold, and which, it is believed, had been the basis of promises made by him to the South-East.

The Committee, however, went further than expressing an opinion - the Committee recommended a policy to be adopted, and, later in its Report, suggested a method by which the transfer should be made.

The Association was well aware of the views of the South-East, and of the Minister's reported attitude, and it was not surprised at the tone of the Committee's recommendation. It was aware, too, that the proposed

"transfer of funds" was virtually "one-way traffic" - the sole contributors to the scheme would be the dairy farmers in the metropolitan milk producing district, with no active involvement demanded of the South-East.

But, although it would be utterly false to say that the Association in any way liked the proposal, it saw it as "politically inescapable", and devoted almost the whole time during the next three meetings of the Central Council to considering the policy which should be adopted, and the procedures which should be followed to best protect the long-term interests of its members.

The Central Council came to the conclusion that, if the Association remained inactive, or did no more than express its opposition, it was certain that the matter would be decided legislatively or politically, at the cost of the Adelaide area. The Council and the Executive Committee consequently set about devising a scheme which, whilst not being unacceptable to the South East, would provide the greatest protection for, and the least possible loss to Association members.

The principle of the Committee of Inquiry's recommendation was that the premium from the market milk share of every licensed producer leaving the Adelaide area should be transferred to the South East regional equalisation scheme, instead of being spread, as it had in the past, among the remaining licensed producers.

ing licensed producers because the transfer would not penalize the remaining licensed producers because the transfer would not be made out of their share, but the scheme was opposed by the Central Council on the ground that it deprived the remaining licensed producers of any chance of increasing the market milk proportion of their production.

Instead, a counter proposal was made for a sliding scale scheme, to take place over a predetermined period, with an upper limit on the share of the pool to be transferred, the limit being based on a number of factors where the South East has an economic or technical advantage which would warrant different levels of return between the two regions.

These proposals, now being discussed with the South-East, simply recognize a fact of life that it would be foolish to disregard — that the Adelaide milk market is extremely vulnerable, and that the best way to protect the interests of its suppliers is through negotiating an understanding with their fellow dairy farmers who are outside that so-far protected market.

It should, furthermore, not be overlooked that an approach to the yet-to-be-formed State Dairy Authority for compensation could be favorably answered, as has happened in other States.

Positive steps of the type now being taken will generate far more chance of this or some other productive reaction happening than will result from merely "opposing" any change whatsoever.

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You can contact our Field Officers by phoning Adelaide **262 1649** or, after hours, **Mount Pleasant 168 (Mr. Mick Pohl)**; Adelaide **264 1509 (Mr. Kevin Smith)**, or by a request transmitted through the Dairy Factory which you supply.

**This NIGHTINGALE Service is available to you
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THE SOUTH AUSTRALIAN

DAIRYMEN'S . . .



Journal

The Official Publication of the



Published Bi-monthly

Vol.17, No. 3

Adelaide, NOV/DEC. 1977

PRODUCTION AND SALES STATISTICS

Adelaide Metropolitan Milk Supply Area....

For Month	Daily	Av.	12 Month	Cumulative
1977	1978	1977	1978	1978

PRODUCTION (000 litres)

Mar.	13 754	13 283	443.7	428.5	216 858	218 719
April	13 321	12 319	444.0	410.6	216 361	217 717

MILK SALES (000 litres)

Mar.	8 942	8 953	288.5	288.8	99 517	100 179
April	8 260	8 308	275.3	276.9	99 434	100 227

RATIO (Sales to Production %)

For Month	12 Mths.Cum.
1977	1978

BASIC PRICE

(Cents kg bf)
1977

Mar.	65.0	67.4	45.9	45.8	126.76	144.61
April	62.0	67.4	46.0	46.0	125.76	144.61

PRICE

40c



THE SOUTH AUSTRALIAN DAIRYMEN'S JOURNAL

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

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

President: N. M. GREEN, Esq., J.P. General Secretary: DAVID J. HIGBED, B.Ec.

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STAGE TWO - AND EIGHT WEEKS TO GO

Farm Entitlements - Yes or No?

It is now quite possible that Stage II of the Dairy Marketing Arrangements, due to be introduced from 1st July 1978, (and requiring legislation which must, between now and that date, be debated and passed by both Houses of the Commonwealth Parliament) will not include farm entitlements (IME's) or any other echo of the once-imminent Market Share Entitlement Scheme.

Although, on the surface, the reason for the move away from a Market Share Entitlement Scheme was the opposition of the Victorian Minister of Agriculture, an at least equally important cause is the continuing decline in milk production, nationally and in every State, which brought the proposed National Aggregate Entitlement (providing a 40 per cent safety margin above domestic requirements) so close to actual output as to render an Entitlement Scheme virtually meaningless, and, in South Australia at least, more difficult to administer than would have been the case in earlier years.

The merits of a Market Share Entitlement Scheme cannot be contradicted; it is the only means of bringing dairyfarm revenue into line with costs in a

inflationary economy, because it enables each dairy farmer to bring his production into that range, namely the domestic market, where prices can be kept in step with declining money values. But this is true only where the total of all farm entitlements is very close to the needs of the domestic market. Any expansion of total entitlements beyond the domestic market diminishes the ability to match costs with returns. It is significant that the relatively successful Canadian scheme has a margin ("sleeve" as it is called there) of 5 per cent; the Australian Dairy Farmers' Federation proposed 15 per cent (with 10 per cent strongly favored). The adoption, by the Australian Agricultural Council, of a margin of 40 per cent destroyed the credibility of its scheme, though the choice appears to have been between an ineffective scheme and the wiping-out of a large part of the industry's manufacturing sector.

Long-prevailing drought and economic pressures, since the Ag. Council made their decision nearly 2 years ago, have wiped out a large part of the industry's manufacturing sector anyway, and a large part of the dairy-farming sector, too, so that, in some States, milk production in the coming season may not even reach the State Entitlement, which is only a few per cent less than expected production in the present season.

Why then, taking into account, also, Victoria's opposition, because it believes it has been treated unfairly in its Entitlement allocation, continue with a Scheme that appears no longer to have any relevance?

This, despite the near-agreement reached by the Ag. Council in January, appears to be the question asked by the Commonwealth Government (which is also conscious of the possibility of a High Court challenge by an aggrieved State) which has dual aims, - to bring some measure of stability to the dairy industry, and to limit the amount of the direct financial contribution required to do so.

A study of the alternative ways by which these aims may be achieved has led to the devising of "Option V", a scheme of "selective underwriting".

This scheme would provide underwriting for each prescribed dairy product to a level of output related to its "profitability". Thus, for example, an "unprofitable" commodity would be underwritten at a lower percentage of its output in a base period than that for a "profitable" commodity - (perhaps another explanation would be that the underwriting would apply to a lesser or a greater amount above domestic requirements, depending, inversely, on the relative return from the export market).

The underwriting would be paid to factories proportionately to their output of each product in the base period, and the effect would be to induce factories not to produce a product above its underwritten level, but to diversify into a product with a wider underwritten base.

The scheme has merits, faults, and problems, the first problem being that the "Working Party" appointed by the Ag. Council to examine all the various Stage II proposals so far proposed, has failed to reach agreement on details.

The Australian Dairy Farmers' Federation has decided to support the principle of selective underwriting provided the rate of underwriting is not less than 176¢ kg fat, (against the Federal Government's offer of 165¢).

It is possible that, as the States, through the "Working Party", have failed to endorse the scheme, it will be introduced directly into the Commonwealth Parliament, to be debated, and decided, there.

PAYMENT BY COMPOSITION - OR PROTEIN?
Another Look at the Other Option

The subject of payment by composition has been more or less actively studied in Australia since the late 1960's, and a Technical Committee produced, last year, a massive volume which recorded its investigations during a 7 year period, and its recommendations for more or less immediate adoption.

Meanwhile we heard stories of what was being done, in Europe, to eliminate the irrational method of payment for butterfat in a protein-hungry world, and what was going to be done, in New Zealand, or in Canada, or in the U.S.A., though we were never really certain that any changes really were made, or that, if made, they had been so outstandingly successful that they had spread across the country with the speed of an introduced insect pest.

But the subject was raised again, recently, in this State, during the visit of the Chairman of the Australian Dairy Corporation, Mr. Tony Webster, who asked why South Australia, a pre-eminent cheese producing State, should have an above-average proportion of high-testing breeds?

It is true that payment for butterfat (which in South Australia, is the method used for both manufacturing milk and market milk) does encourage the use of high-testing breeds, and it is equally true that, in a State in which by far the greatest proportion of the milk produced goes into either market milk or into cheese, a higher average percentage of protein would have decided advantages.

On the otherhand, the somewhat complicated three-component formula, (or the Technical Committee's no less complicated variant), seems to threaten to introduce as many problems (and perhaps

What, then, about payment for protein alone? It is no more inequitable than payment for fat alone, and makes more sense in a cheese-making State, not to mention a protein-hungry world (regrettably without the money to pay for the protein it needs).

The idea was put forward, two or three years ago, by the then Director of Agriculture, Dr. Marshall Irving. Now we are in a position to re-examine Dr. Irving's proposal with some knowledge of relative fat and protein contents in the Adelaide Hills at least.

Tests carried out on 15 commercial herds situated around Ambleside showed a year-round average of 4.527% fat and 3.267% protein, giving an average ratio of 1(fat) to 0.722 (protein), but with a range of ratios, among the herds, from a high of 1:0.84 to a low of 1:0.56.

There was a very strong negative correlation between fat test and fat:protein ratio; almost without exception the highest fat tests produced the lowest ratios, and the lowest fat tests the highest ratios. But this did not mean that the lowest fat-testing milk had the highest absolute protein test; rather, the highest fat-testing milk was, predominantly, the highest protein-testing, and the reverse was almost equally true.

So the replacing of payment for fat by payment for protein would reduce but not eliminate, the differential (or inequity, if it is so regarded). Assuming current prices for dairy products, had each of the 15 herds produced 100 000 litres of milk in the past year, there would have been, with payment for fat, a difference of \$6600 between the highest total revenue (\$16,600, for 6.0% fat, 3.36% protein, 1:0.56 ratio) and the lowest total revenue \$10,000, for 3.6% fat, 3.03% protein, 1:0.84 ratio), for payment for fat.

Payment for protein would have narrowed this disparity to \$1,570 between the highest \$13,200, for 5.3% fat, 3.44% protein, 1:0.65 ratio) and the lowest (\$11,600 for 3.6% fat, 3.03% protein, 1:0.84 ratio).

It is of interest, and perhaps of significance, to note that, for each method of payment, the same herd occupied lowest place, but the top herd was not the same for each method; the highest earning herd with payment for fat had dropped to 4th place with payment by protein. Nevertheless, first place with payment by protein was taken by the herd which had held second place for payment by fat.

It is of the utmost interest to note, therefore that there was very little difference in the order of revenue-earning whether payment was for fat or for protein. What was significant was the difference in revenue received by the herds, between the two methods of payment.

The greatest loss (suffered by the top fat-testing herd, which dropped to 4th place with payment for protein) was \$3,700. The herd which moved from 2nd place with payment for fat to 1st place with payment for protein, dropped \$1,600 in revenue.

The lowest revenue-earning herd with payment for fat was still lowest with payment for protein, but had gained \$1,600 in revenue, whilst an even greater gain (\$1,800) was made by the second lowest revenue-earner with payment for fat, which, with 3.8% fat, 3.21% protein, and the highest fat:protein ratio of 1:0.84.

BACTERIAL COUNT TESTING Existing Standard-- New Test

Technical advances in milking procedures, transport and storage, in recent years have not been accompanied by corresponding improvement in the quality of milk ex farms, or in the quality of market milk and dairy produce. Rather it has almost seemed, at times, that the reverse was the case; that all our attempts to achieve greater efficiency and to cut costs have led to a reduction in overall quality, at all levels.

A Working Committee of the Department of Agriculture, set up in July 1976 to review milk quality tests has recommended the State-wide adoption of the Total Bacterial Count as being "the most suitable for detecting the maximum number of all types of quality spoiling micro-organisms in milk".

It is proposed that this test would replace the methylene-blue test, and would also replace the Thermoduric Count as a routine test, although tests for thermoduric bacteria, as well as for psychrotrophic and coliform bacteria, would continue to be used when necessary to assist in the solving of special problems.

The proposed standard is for a count of 50 000 colonies per millilitre, a standard which already exists for "city milk" in the regulations under the Metropolitan Milk Supply Act, but has not yet been applied as a regulatory test, although it is used as a monitoring test on milk produced by licensed suppliers in the Metropolitan Milk Board Area.

The Total Bacterial Count is not included in the standards that apply outside the Milk Board area, in the regulations under either the Dairy Industry Act or the Food and Drugs Act, but its adoption as a uniform

standard would mean that, eventually, all dairy farmers in the State would be required to conform to the same standard.

The monitoring tests carried out by the Milk Board show, during the past 3 years, a higher level of failure for the Total Bacterial Count than for the Thermoduric Count, but this is, without doubt, due to the fact that, as the Total Bacterial Count is not, at present, a regulatory standard, dairy farmers are not under the same pressure to take corrective action as they are in the case of the Thermoduric Count.

In the 9 months ended 31st March, 1978 77% of milk samples tested conformed with the standard, compared with 85% of samples conforming with the Thermoduric standard.

Although this level is somewhat below previous years (89% in 1975-76, 85% in 1976-77); it is considerably better than in the State's other dairying areas, where, because the standard does not yet apply, monitoring has only commenced recently.

The Working Party's recommendations go beyond merely setting the new standard. They include a proposal for payment by grade, with a monetary penalty being imposed for second-grade milk (50 000 to 100 000 colonies) after the second confirmed failure, the testing period being reduced from 20 days to 10 days after the first indication of trouble. Milk having a count of more than 100 000 would be rejected.

LIFT IN BASIC PRICE

A substantial lift in the basic price for May and June, with a corresponding retrospective payment, will follow the Federal Government's increase in underwriting values.

HELPING YOU - AND THEM

Subsidized Youth Employment Training Program

The dairy farmer's attitude to employing labor is understandable - adult wage rates and "on-costs" are higher than the farm income can afford, and although the wage rates for juveniles are less, the ability and reliability of young people often are not sufficient to make their employment worthwhile.

There is, however, a possibility that these shortcomings could be overcome, in part, by the Commonwealth Government's Subsidized Youth Employment Training Program.

Under this program an employer who is prepared to employ a young person, under certain conditions, will receive a subsidy (currently \$66 per week) which will assist him to pay the employee's wages. In fact, for employees 15 and 16 years of age, under the Pastoral Industry (SA) Award, the subsidy will cover the whole of the weekly wages which are, respectively, \$57.14 and \$63.44. In these cases, understandably, the amount of the subsidy will be limited to the actual wage paid.

For employees above 16 years of age under this Award, the SYETP will allow a dairy farmer to employ a 17 year-old for \$3.83 per week, an 18 year-old for \$16.52, and a 19 year-old for \$29.21.

The conditions to be met by the EMPLOYER are that he must be prepared to:

- *provide work experience and training for a young person in a fulltime job for 6 months;
- *agree to a training plan for each trainee;
- *pay trainees at least the award wage for the job;

It is emphasized that the training plan to be worked out will not be complex; all that is required is that the employee will be gaining experience and skills which will be of help in future employment situations; not necessarily precisely the same situation as that in the Program. Although learning to drive a motor vehicle, to operate a tractor; to milk, to handle livestock, and to undertake the countless other tasks involved in dairy farming are valuable skills for a person continuing in this field, just learning how to work under supervision, to take orders, and to demonstrate reliability and responsibility are skills that are applicable to every employment situation, and potential employers and potential employees alike should not be deterred from entering into a 6 months period of employment only on the grounds that the young person may not intend to make a life-time career in primary industry.

The conditions to be met by the EMPLOYEE are:

- *to be from 15 to 24 years old;
- *to have been away from full-time education for at least 4 of the last 12 months;
- *to have been registered with the Commonwealth Employment Service (i.e. "unemployed") for not less than 4 months (not necessarily a continuous period) or be able to provide evidence that they have been unemployed for 4 months (again, not necessarily a continuous period) during the last 12 months.
- *to be currently registered with CES.

To take advantage of this scheme, the first step is to make a request to the local CES office, which has a knowledge of the availability of labor in the area. This initial request should bring about the appropriate response, but if there is any delay or any failure to provide reasonable satisfaction, a phone call to this office would be appreciated, so that the matter can be aired at official level.

CHEESE IMPORTS STILL RISING Higher Protection Sought by ADFF

Whilst the returns to Australian dairy farmers are diminished by the lower returns received for the 40 per cent of Australian cheese production that is exported, imports of cheese, from New Zealand and Europe, continue to rise. In the seven month period July 1977 to January 1978 the quantity of cheese imported rose by 7 per cent above the same period in the previous financial year, from 6,270 to 6,700 tonnes. The value of the cheese imported in 1976-77 reached nearly \$20 million f.o.b. value, and is certain to exceed that figure considerably in the current year.

The greatest offender was New Zealand, which supplied nearly one quarter of the total cheese imported during the 7 months period, followed, surprisingly, by Bulgaria and then Denmark, each with approximately one-eighth of the total.

The Australian Dairy Farmers' Federation has, on numerous occasions, sought to have curbs placed on imported cheese, either by higher tariff (the present tariff which has been unchanged since 1928 is less than 10¢ kg) or by import quotas.

The Federal Government has now agreed to examine the position, and it is hoped that a reference for an inquiry will shortly be given to the Industries Assistance Commission.

DAIRY BLEND TO BE LAUNCHED HERE

Despite delays in arranging for manufacture, the long-awaited "Dairy Blend", containing 4 to 1 mix of butterfat and vegetable oils will be test marketed in Adelaide later this year.

DAIRY FARM EXPERIENCE FOR U.K. STUDENT

Would any member like to give employment for a month or so to a University Student from U. K. who is seeking experience in dairying in each Australian State during this year?

Miss Kathryn Wharton, who is 18 years old, lives on an 800 h.a. farm in Norfolk, on which 400 Friesians, in 2 herds, produce 1,800,000 litres of milk annually (with fruit growing, crop raising, beef, pigs and broilers on the side).

Award rates are not compulsory for bona-fide university students working on farms.

FLAVORED MILK SALES

The Victorian Dairy Industry Authority's "BIG M" campaign, promoting flavored milk in that State, has now, after only two months, achieved a very high degree of success, although precise sales' figures are still awaited.

But the Victorian campaign had in its favor the fact that it started from a very low figure, perhaps no more than the equivalent of 1 per cent of plain milk sales. By contrast, flavored milk sales in South Australia have been growing, although slowly, ever since flavored milk was introduced in the 1960's, and the latest available statistics, for the December quarter of 1977, show sales at the equivalent of 8.7 per cent of plain milk sales.

Total sales of flavored milk during the December quarter were 27 per cent higher than for the December quarter in the previous year, and for the calendar year 1977 are 8 per cent above 1976 and more than twice that of 5 years ago.

"MINI" DAIRY BILL PASSED

Because of a long agenda it was not possible for the proposed new dairy legislation to be passed in the autumn session of State Parliament. A "mini" bill, the Dairy Industry Assistance (Special Provisions) Act, was consequently passed to permit South Australia to take whatever action will be necessary at State level to connection with Stage II of the Federal Dairy Marketing Arrangements.

SAHIWAL-CROSS HEIFERS STILL WANTED

Last year, in autumn, we published an article about a contract with Malaysia for Sahiwal-cross heifers, and the possible advantages that could be obtained by dairy farmers inseminating some of their cows to supply this demand.

The contract is to continue for some years, and the state of the dairy industry, (and of the market for dairy calves,) has not altered to an extent that would lessen whatever attractiveness this action originally had.

The Sahiwal semen is provided free of charge and the conditions of supply are unchanged from those printed in the March/April 1977 issue of this Journal.

If you wish to participate in this project you may complete the following coupon and return it to Mr. David K. Harvey, Convener EXSAB, Department of Agriculture, Box 1671, G.P.O., Adelaide, S.A.5001.

Alternatively, if you wish to learn more about the project, you may telephone Mr. Alan Heading of Southern Farmers Co-~~o~~.Ltd., at 510171.

DAIRY HEIFER EXPORT MARKET

1. Name.....
Address.....
2. I would be prepared to inseminate cows with Sahiwal semen between 1st July and 15th August, 1978.
3. The breed of my herd is
4. In 1975-76 my herd had an average lactation oflitres of milk per cow.
5. I will/will not be rearing the heifer calves on my farm (delete where necessary).
6. I would/would not like to sell my bobby heifer calves to a third party at a price to be negotiated before insemination (delete where necessary).

Signature.....

RISE IN DOG REGISTRATION

The Executive Committee is concerned at the possibility of dairy farmers incurring added costs following the suggested increase in dog registration fees, to \$15 per animal, as there are many cases where several working dogs, including young and retired dogs may be held on the one property.

A written submission has been made to the Investigating Committee, and oral evidence will be presented later.

RETROSPECTIVE FOR 1976-77

A retrospective payment of \$20 per tonne cheese, equivalent to 5.1¢ kg fat (approximately 3¢ equalized) will be paid later in the season for all milk produced during the 1976-77 season.

EXTENDING THE COLOSTRUM SUPPLY Saving Money, and Healthier Calves

The absolute importance of ensuring that calves receive an adequate intake of colostrum in the first few days after they are born, and the value of colostrum as a calf food beyond that period, are both universally accepted.

The first principle is relatively simple to observe, but the second presents problems as the supply of colostrum during the calving period generally considerably exceeds the needs of the calves that are being kept for rearing.

Two methods of storing colostrum so that it continues to be available beyond the calf-drop period are described in the latest issue of the Victorian Department of Agriculture's "Dairyfarming Digest".

Formalin Treatment

The first method is preservation by the addition of formalin, as carried out in trials at a research station in northern N.S.W.

In the first experiment, calves were reared on either whole milk, fresh colostrum, or preserved colostrum. In the second trial, calves were reared on whole milk or preserved colostrum. The preserved colostrum diet contained 0.1 per cent formalin. All diets were offered at 12 per cent of liveweight daily. Preserved colostrum was stored for up to 24 days.

The preserved colostrum was generally acceptable to the calves and did not influence the incidence of scours. It did reduce liveweight gain to some extent, but the average difference in

total liveweight gain over 28 days between calves reared on whole milk or preserved colostrum was only 1.4 kilograms.

The trial showed that formalin treatment offers a low cost means of preserving surplus colostrum, thereby improving its use for calf rearing on dairy farms. Where large herds of cows are calved over a short period it is likely that large quantities of colostrum will be available for rearing calves. If this colostrum is to be fully used in calf diets, a reliable, short-term preservation method (such as the use of formalin) is needed.

In the trials the calves were trained to drink from open buckets at two days of age. They were then placed on their respective diets. The diets were offered daily as two equal feeds. Throughout both trials the calves had access to pasture.

Colostrum was first taken from cows 12 to 18 hours after calving and then twice daily. The colostrum to be preserved was placed in 46-litre plastic bins and formalin (40 per cent solution of formaldehyde) was added. The contents of each bin were stirred every second day. Preserved colostrum was left for at least a week before it was fed to calves. High temperatures and the presence of blood are two factors which can result in poor preservation of formalin-treated colostrum. The added formalin did not completely stop microbial activity but the wastage of 16 per cent of stored colostrum was low.

Fermentation

The second method was reported from the Ruakura Agricultural Research Centre Conference in New Zealand last year, where a research

scientist recommended the use of fermented colostrum, which, despite its unpleasant odour, was of high food value and accepted by most calves.

The scientist stated that, by this means, the period when colostrum was available was extended, giving the calves a better start, and saving on the costs of milk or formulated calf foods.

If colostrum is stored at ordinary temperature, natural bacteria ferment the milk sugar to lactic acid, which then acts as a preservative. It can be stored in a steel or plastic container and does not need any additives. If the steel drum is tarnished, it can be lined with a large plastic bag.

Fresh colostrum can be added to the "stock-pot" as it becomes available. Whatever is needed for feeding is taken out as required. Daily stirring is advisable to stop a crust forming on the top. If this is not done, the colostrum may become so lumpy that it is not possible to feed it through teats. Colostrum should probably not be stored for more than two months.

Fermented colostrum has a similar feed value to fresh wholemilk, so it should be fed in about the same quantities to get comparable growth rates. With colostrum stored for more than two weeks, adding hot water to raise the temperature makes it more acceptable at initial servings to calves.

GRASS TETANY IN CATTLE
A New Fact Sheet Available

Page

Grass Tetany (or grass staggers), being a fatal disease of cattle is, fortunately, not common in the Adelaide Hills or River Murray areas, but may cause trouble in the Lakes region.

A fact sheet, "Grass Tetany in Cattle", number 17/78 now available from the Department of Agriculture, describes the causes and symptoms; and recommends the supply of additional magnesium to the diet, in the form of 56 grams of magnesium oxide or calcined magnesium per day, mixed with molasses or sprayed, as a solution in water, or salted, on hay. An alternative, where a trough is the sole source of drinking water, is to add 56 grams of magnesium sulphate per day, per cow, to the drinking water.

CANADIANS GET \$329 MILLION

Whilst the Australian dairy industry is asking for underwriting at 176¢ kg fat, which will cost the Federal Government something less than \$40 million, and the Government has stated that it is prepared to underwrite (selectively underwrite that is) at 165¢ kg, costing something over \$20 million, perhaps \$25 million, to which, in all fairness, must be added the Federal contribution for dairy research, we learn that Canadian dairy farmers will, in 1978-79, be receiving \$(Canadian)329 million in support from their Federal Government.

This is down from the current year's \$477 million, but, nevertheless, is expected to yield a target return of 27.3¢ (Canadian) per litre for entitlement milk.