REPORT
of
ROYAL COMMISSION
into
Matters Relating to the Marketing and Distribution of Potatoes

Presented to both Houses of Parliament

PERTH:

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1955
REPORT ON POTATO INQUIRY.

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SECTION 1.

History and Constitution of the Potato Marketing Board.

From official figures, it would appear that the average area under potatoes in Western Australia for the ten seasons between 1929 to 1938 was 4,839 acres, the annual return being approximately 22,335 tons.

During the war, it became essential to boost the production of potatoes in Australia generally, and the organisation and administration of the industry were, by virtue of the National Security Regulations, placed in the hands of the Australian Potato Committee. This committee was appointed by the Commonwealth Government.

Production in all States increased very considerably, especially as the Commonwealth Government paid a subsidy on every ton of potatoes. This had its effect in Western Australia, so that in 1944-45 there were 11,375 acres under crop in this State, with a yield of 51,190 tons.

With the need gone in 1946 to supply our own and Allied Services, it was quite obvious that if acreages were to increase any further, huge surpluses of potatoes would be created which could not be sold locally and for which an adequate interstate or overseas market could not be found.

In 1946, with the approaching expiry of the National Security Regulations and the consequent dissolution of the Australian Potato Committee, it was recognised in Western Australia that it would be necessary to formulate some scheme whereby acreages could be limited, surpluses adequately dealt with and a fair price to growers maintained. The latter was especially necessary as the Commonwealth Government subsidy was no longer to be paid.

With the above matters in mind, the Western Australian Parliament passed the Marketing of Potatoes Act, 1946, to which there has been only one amendment since.

The Potato Marketing Board was constituted under the Act and commenced to operate on the 18th October, 1948, on the expiry of the Australian Potato Committee.

The Potato Marketing Board is comprised of the following personnel, appointed in accordance with Section 7 of the Act:

Chairman—Mr. C. C. Hillary.
The Board is empowered under Section 21 of the Act to appoint registered agents to take delivery of potatoes from growers or sell or distribute potatoes on behalf of the Board.

The State has been divided into a number of potato zones:

- Albany
- Manjimup
- Marybrook
- Donnybrook
- Dardanup
- Benger
- Harvey
- Waroona
- Metropolian

Agents known as “primary agents” have been appointed by the Board to operate in the various zones. The primary agents and the zones in which they operate are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell, E. &amp; Co.</td>
<td>Albany</td>
<td>Albany</td>
</tr>
<tr>
<td>Berryman, F. H.</td>
<td>Marybrook</td>
<td>Marybrook</td>
</tr>
<tr>
<td>Bolt, C. E. Pty, Ltd.</td>
<td>Albany</td>
<td>Albany</td>
</tr>
<tr>
<td>Crickell, G. H.</td>
<td>Donnybrook</td>
<td>Donnybrook</td>
</tr>
<tr>
<td>Davis, E. &amp; Son</td>
<td>Harvey</td>
<td>Harvey</td>
</tr>
<tr>
<td>Fry, H. P.</td>
<td>Benger</td>
<td>Harvey</td>
</tr>
<tr>
<td>Harris, G.</td>
<td>Donnybrook</td>
<td>Donnybrook</td>
</tr>
<tr>
<td>Thomas, H. P.</td>
<td>Benger</td>
<td>Donnybrook</td>
</tr>
<tr>
<td>Pugh, F. R. H. &amp; Son</td>
<td>Albany</td>
<td>Albany</td>
</tr>
<tr>
<td>Saleen, J.</td>
<td>Waroona</td>
<td>Waroona</td>
</tr>
<tr>
<td>Westralian Farmers Co-op, Ltd.</td>
<td>Albany</td>
<td>Albany</td>
</tr>
<tr>
<td>Westralian Farmers Co-op, Ltd.</td>
<td>Bridgetown</td>
<td>Donnybrook</td>
</tr>
<tr>
<td>Westralian Farmers Co-op, Ltd.</td>
<td>Perth</td>
<td>Metropolitan</td>
</tr>
<tr>
<td>Westralian Farmers Co-op, Ltd.</td>
<td>Waroona</td>
<td>Waroona</td>
</tr>
<tr>
<td>Wright &amp; Emmett Bunbury</td>
<td>Dardanup and Marybrook</td>
<td></td>
</tr>
</tbody>
</table>

The priorities are as follows:

1. Established farmers owning and farming their own land and who held a licence the previous year for the late planting.
2. Farmers who are actively engaged full-time in farming their own property and who did not hold a licence the previous year.
3. A subsidiary licence. This will be granted only to a son of a property-owner who must be nominated by his father. The nominee must be actively engaged full-time on his father's property. The nominator must hold a current licence and the acreage allotted to the nominee will not exceed 25 per cent. of the licence.
4. Growers who do not own land but who are British subjects and held a licence the previous year and are occupied full-time in farming operations.
5. Farm property-owners who are engaged in full-time occupations other than farming.
6. Persons who do not own land but who are British subjects and are part-time farm workers.
7. Naturalised persons not farming their own land.

The abovementioned priorities have been set out in full because it is considered, for reasons which will be given later, that some of the poor-quality potatoes that reach the market are grown by classes (4), (5), (6) and (7), particularly (4), (6) and (7). This is not to say, however, that poor-quality potatoes do not sometimes come from the other classes.

SECTION 2.

Planned Production and Target Acreages.

In order to get a complete picture of the industry and the marketing problems confronting it, it is necessary to understand the various planting and harvesting seasons:

1. An early crop is planted between the 1st June and the 15th July, and is normally harvested during October and November. This is known as the Early Season Crop.
2. A midseason crop is—
   (a) One that is planted between the 16th July and the 30th September and normally harvested during December, January and February. This is known as the Early Mid-Crop.
   (b) One that is planted between the 1st October and the 15th November and normally harvested during February and March. This is known as the Late Mid-Crop.
(3) A late crop is one planted between the 16th November and the 30th April, and is normally harvested during April, May, June, July, August and September. This is known as the Late Crop.

The latest period at which the late crop is harvested is early June. It is, therefore, to be seen that practically no potatoes are produced in Western Australia from early June till October. This means that in order to supply the consuming public of Western Australia during this period it is necessary to produce and store sufficient potatoes from the late crop, or alternatively import potatoes from the Eastern States.

In order to avoid importing potatoes, each year the Board sets a target acreage for production, spread over the various seasons. This target is based on what the Board estimates the local requirements will be, plus a surplus of approximately 12,000 tons to meet eventualities, such as adverse seasonal conditions, crop failures and the like. I shall deal with the surplus in detail later and show how it is inextricably woven up with the price paid to the grower.

The acreages, average yields and tonnages for the last five years are as follows:—

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Acreage</th>
<th>Average Yield per Acre</th>
<th>Total Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949-50</td>
<td>6,906</td>
<td>5·2</td>
<td>35,797</td>
</tr>
<tr>
<td>1950-51</td>
<td>7,418</td>
<td>6·2</td>
<td>36,611</td>
</tr>
<tr>
<td>1951-52</td>
<td>6,884</td>
<td>6·5</td>
<td>44,830</td>
</tr>
<tr>
<td>1952-53</td>
<td>8,053</td>
<td>5·95</td>
<td>47,594</td>
</tr>
<tr>
<td>1953-54</td>
<td>8,063</td>
<td>6·02</td>
<td>48,520</td>
</tr>
</tbody>
</table>

These figures include a small amount of seed potatoes.

The average yields in Western Australia are the highest in the Commonwealth. In 1953, the last composite figures available, our yield was 6.53 tons to the acre. In New South Wales, it was 2.82; in Queensland, 3.01; in South Australia, 4.75; and in Tasmania, 3.24. The Commonwealth average was 3.18 (See page 118 of the evidence).

Since the Board commenced operations in 1948, its policy of planned production seems to have borne considerable fruit. In order to ensure sufficient supplies for the late period, the Board has made it a condition of granting a licence for the early or mid season that a late crop be grown. The late crop has, therefore, increased by 1,200 acres since 1948, as compared with an increase in the early and mid-crops combined, of 400 acres.

It is pointed out that the early and mid crops give a higher yield to the acre than the late. For instance, the average assessed in April last for the early and mid was 7.97 tons to the acre, and for the last late, 5.2 tons to the acre.

Up till and including 1950, potatoes were always imported to tide the State over the lean period. In 1950, 3,286 tons were imported at a cost of £80,399. It was found necessary for the Western Australian Government to subsidise this importation to the extent of approximately £21,443.

Since 1950 up till this year, the late crop has always been sufficient to meet fully the State's requirements from June until October when the early crop is harvested. It is to be noted that the potato year commences in October.

In order to attain the target acreages, growers are licensed to grow the specific acreages set out in their licences.

Before setting out the channels of distribution and the margins of the various persons engaged in the industry, it is necessary to know that growers are paid £33 10s. per ton, less certain deductions for potatoes sold on the local market, the overall price is very vitally affected by the export price. The whole price question, however, will be dealt with in detail at a later stage under the heading of "Price Structure."

SECTION 3.

Channels of Distribution.

Potatoes are distributed from the grower to the consumer through the following channels:—

(a) The primary agents.

(b) The Board through its distributing company, Potato Distributors (W.A.) Pty. Limited.

(c) The primary wholesale merchants and, in some cases, secondary wholesale merchants known as "Packers."

(d) Retailers.

(a) The Primary Agents.

Within 14 days after the completion of planting, a grower is required to complete and return to the Board a planting statement. This shows the area planted and the actual location of the planted crop. Planting statements are sent to the agent by the Board, and it is the agent's duty to see that the forms are completed correctly and returned to the Board by the due date. During the growing period, these areas are inspected and checked by the Board's field officer.

When the crop is nearing maturity, the grower is required to inform his agent, within 14 days before beginning his harvesting, the estimated tonnage he expects from his crop and the quantity he will have available for his first quota. This information is passed on to the Board by the agent in an "Agent's Advice of Potatoes for Sale," which is posted by the agent each week when he has potatoes available.

The method of ordering potatoes from growers is by means of quotas. These are based on tons per licensed acre or actual planted acreage, whichever is the less, and according to the month of planting.
The quantity ordered from growers each week is determined from orders placed with the Board's distributing company by the wholesale merchants throughout the State. Further quotas will also be delivered according to the quantity required for export.

Quotas are issued to growers with due consideration to the saving of rail freight wherever possible. Each agent receives a quota sheet for his growers, and the Board's distributing company is provided with a copy. Each agent then receives instructions where each grower's potatoes are to be delivered.

The agent is responsible for the ordering of railway trucks and the making out of the consignment notes and truck cards for each grower's consignment. Immediately a truck is consigned, the agent must complete a "Potato Consignment Advice" showing, inter alia, the grower's name, the number of bags, truck number and the destination. This is posted to the Board's distributing company.

At the end of each quota week, the agent must complete and forward to the Board a "Weekly Delivery Advice." This shows the various growers who have consigned potatoes during the particular quota, also the quantities, names of consignees and the destination of the potatoes.

The remuneration of primary agents is approximately 8s. 6d. per ton. In order to understand how this figure is arrived at, it is necessary to understand the relationship of the agents to potato Distributors Pty. Limited, which, as I said, acts as a distributing company on behalf of the Board.

(b) Potato Distributors (W.A.) Pty. Limited.

This company comprises the 21 primary agents. Each member other than Mr. A. C. Fowler holds one fully paid £1 share, and Mr. Fowler holds three. In addition, each member holds debentures in proportion to the tonnages handled by him. This provides the sum of £5,450. Each member further holds £1 shares paid up to 2s. and corresponding in amount to the debentures held. Thus, the amount uncalled on the shares is £4,905, representing additional security.

The company was appointed the distributing agent of the Board in accordance with Section 21 of the Act and, very shortly, its duties are to distribute potatoes on behalf of the Board. The company is a del credere agent and any default on its part is secured by a fidelity bond of £5,000. The indenture of agreement of 1/10/48 between the company and the Board and the fidelity bond has also been similarly entered into by Alex Murray Pty. Ltd.

It is the duty of the distribution manager to keep in close contact with the wholesale merchants and receive their weekly orders for potatoes so that the agents, through the Board, may be advised as to the quantity required for delivery.

On receiving advice from the primary agents as to the potatoes being consigned, it is the duty of the distribution manager to allocate the deliveries to the merchants. This necessitates daily attendance at the railway goods yard in Perth, to ensure that deliveries are properly accepted by the merchants.

In addition, the distribution manager has to see that all potatoes exported to the Eastern States are marshalled and he must make arrangements for shipping bills of lading, and pay the necessary freight. The Board immediately reimburses the freight.

The Board pays commission on every ton of potatoes handled to Potato Distributors (W.A.) Pty. Limited which, in turn allocates the commission between the primary agents and its distribution manager, less its own administrative expenses. Actually, no monies have ever been paid by the Board directly to the agents or the distribution manager, although the company has always consulted the Board in the allocation of the commission.

Initially, in 1948, the Board paid the company 8s. 6d. per ton, out of which the company paid 2s. 8d. per ton to the distribution manager and an interim payment of 5s. per ton to the primary agents. Final payments were made to the primary agents representing the difference between the balance of 10d. per ton and the company's operating costs.

Over the years, the rate of commission to the company has been increased as follows:

- 1/4/1950: 10 0
- 1/3/1951: 12 8
- 1/4/1952: 14 0
- 1/10/1953: 15 0

The present rate paid to the company is 15s.

For the year ended 31/5/54, the company was paid commission as follows:

<table>
<thead>
<tr>
<th>Tons</th>
<th>Rate per ton</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,957</td>
<td>14s.</td>
<td>£11,171</td>
</tr>
<tr>
<td>33,714</td>
<td>15s.</td>
<td>£25,285</td>
</tr>
</tbody>
</table>

Total: £36,456

Out of this, interim commissioners were paid to primary agents, as follows:

<table>
<thead>
<tr>
<th>Tons</th>
<th>Rate per ton</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,957</td>
<td>7s. 9d.</td>
<td>£6,184</td>
</tr>
<tr>
<td>33,714</td>
<td>8s. 4d.</td>
<td>£14,047</td>
</tr>
</tbody>
</table>

Total: £20,231
Final distribution of commission paid to primary agents on 49,871 tons worked out at 4.379d. per ton, totalling a further £906.

Commission paid by the company to the distribution manager was £13,394. It is to be noted that during the year the commission paid to the company was increased from 14s. to 15s. The company's administrative expenses amounted to £1,949.

As this report is being written, the figures for the 1954-5 year are not available, but the 15s. per ton commission is allocated as follows:

- Distribution manager, 5s. 4d. per ton.
- Primary agents, interim payments of 8s. 6d. plus final payments of the difference between the company's administrative expenses and 1s. 2d. per ton.

The individual tonnages handled by agents for the 1954-55 season were as follows:

<table>
<thead>
<tr>
<th>Agent</th>
<th>Tons</th>
<th>cwts</th>
<th>qrs</th>
<th>lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Bell &amp; Co.</td>
<td>Albany</td>
<td>372</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>F. H. Berryman</td>
<td>Marybrooke</td>
<td>3,720</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>C. E. Bolt Pty., Ltd.</td>
<td>Albany</td>
<td>957</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Eric Davis &amp; Son</td>
<td>Harvey</td>
<td>4,292</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>H. P. Fry</td>
<td>Benger</td>
<td>1,333</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>George Harris &amp; Son</td>
<td>Dardanup</td>
<td>938</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Harvey Co-op., Ltd.</td>
<td>Harvey</td>
<td>333</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Thos. Hayward Pty., Bunbury</td>
<td></td>
<td>3,266</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>A. R. Kelly</td>
<td>Pemberton</td>
<td>4,073</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Manjimup Trading</td>
<td>Manjimup</td>
<td>4,181</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Co., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. H. Cracknell</td>
<td>Donnybrook</td>
<td>3,560</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>T. H. Newman</td>
<td>Lowden</td>
<td>334</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>L. &amp; R. A. Pinner</td>
<td>Benger</td>
<td>4,393</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Preston Producers</td>
<td>Donnybrook</td>
<td>1,073</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Co-op.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. R. H. Pugh &amp; Son</td>
<td>Narrikup</td>
<td>474</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>J. Saleman</td>
<td>Waroona</td>
<td>883</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Westralian Farmers</td>
<td>Albany</td>
<td>2,554</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>Co-op., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westralian Farmers</td>
<td>Bridgetown</td>
<td>39</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Co-op., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westralian Farmers</td>
<td>Perth</td>
<td>4,680</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Co-op., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westralian Farmers</td>
<td>Waroona</td>
<td>2,032</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Co-op., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wight &amp; Emmett</td>
<td>Bunbury</td>
<td>2,741</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Pty., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Primary Wholesale Merchants.

The primary wholesale merchants, twenty-six in number, form another link in the chain of distribution and are licensed by the Board to operate in accordance with the terms and conditions set out in their licences. It is a condition precedent to their appointment that they should handle at least one truck (approximately six tons) of potatoes per week.

It is the duty of the merchants to receive and store potatoes as they are made available by the distribution manager and to distribute them either to the retailers or to the secondary merchants, who are known as "Packers."

Potatoes are sold by the Board to the primary wholesalers at £33 10s. per ton free on rails, and this is known as the Board price.

The primary merchants sell to retailers ex store at £36 10s. per ton. This figure is inclusive of cartage costs into store, and gives an actual trading margin of £2 12s. 6d. per ton. This margin is ex store only, and if delivery is effected, outwards cartage costs are added. Certain adjustments are made on sales to secondary merchants.

(d) Secondary Merchants.

These wholesalers are supposed to be licensed by the Board to ensure that in times of scarcity they will get their proper share of potatoes. Neither the Board nor the secondary merchants seem to worry about these licences, however, and the Board does not appear to insist on their being kept up to date.

The secondary merchants cannot obtain their potatoes direct from the Board and must purchase from the primary merchants. They pay somewhere about £3 per ton, and sell ex store for £35 10s per ton. I shall deal with all the above margins in some considerable detail later in my report.

(e) The Retailers.

The retail margin is said to be 25 per cent. on cost into store, but is not calculated on 2,240 lbs. per ton but after allowing 5 per cent thereon for wastage. At the time of preparation of this report, the retail prices are listed as follows:

- One lb.—54d.
- Two lbs.—11d.
- Quarter stone—1s. 7d.; which equals 5.4d. per lb.
- Half stone—3s. 1d.; which equals 5.3d. per lb.
- One stone—6s. 1d.—; which represents 5.2d. per lb.

The retail margins will be discussed in considerable detail at a later stage.

SECTION 4.

The Potato Marketing Board as the Medium of Organised Production and Organised Marketing.

In order to maintain a well organised potato industry within the State, it is essential to control both production and marketing. Without the control of production, there can be no orderly marketing, and it is vital that both functions be entrusted to a board constituted along the lines of the Potato Marketing Board. "The Potato Marketing Board" is a misnomer because in reality it is an industry board with many of its most important functions and certainly many of its chief difficulties wrapped up in production rather than marketing.

From the evidence and my own observations, I have no hesitation in saying that growers who have been in the industry for many years are almost to a man in favour of both organised production and organised marketing. Their experiences are too vivid and fresh in their minds to want to revert to the uncertainties of free marketing, and
these are the very men who, if it came to a case of survival of the fittest under free marketing, would certainly be the ones to survive.

No one likes controls, and there is something to be said for the philosophy of Mr. Salvatore Torrissi, a witness from Donnybrook, who does not like orderly marketing and who wants to gamble on the market with absolute freedom to go "broke" if he so desires. That is, I think, the enunciation of the principles of democracy at their very best. His sentiments, however, are not shared by the majority of growers who feel that in producing one of the most staple items of the people's food there should be no gamble. They further feel that under free marketing they might very easily go "broke," and for that reason they prefer to cling to controlled marketing, even though at times controls prove rather irksome and savour of bureaucracy.

There are some growers who do not like the administrative methods of the Board; some who consider the Board is wrong in points of policy; some who consider they have been unfairly treated by the Board, particularly in the allocation of quotas; some who consider the Board all at odds with the producers; but 99 per cent. of the industry wants organised marketing of some sort.

During my tour of the potato zones, I even found growers who had actually signed a petition for the abolition of the Board, but when it came to give evidence on oath, swore they were in favour of the Board.

There is a very small minority of growers, but a very noisy one, which deliberately shuts its eyes to the problems of the industry and wants all the benefits of organised marketing without assuming any of its obligations.

Practically all the growers comprising this minority were not in the industry in free marketing days and, if they had been, would probably not have been able to sell their potatoes, due to their poor quality. Many of this small minority are what might be called itinerant growers, with no storage facilities of any kind, who have absolutely no quality consciousness and do not want to have it. If the inspectors on the Department of Agriculture reject their consignments, they take umbrages, are loud in their protestations, and they even convince some of the public that they have been harshly treated. Poor quality, however, is not restricted to this class of grower, but I shall deal with this aspect under its own heading.

The aversion of the industry to free marketing is not without just cause, and I am satisfied, from the evidence given by many producers, agents and merchants, that potato-growers under free marketing were selling their produce under very hazardous conditions. There was no price stability, merchants went out into the country and bought forward and, in reality, gambled in potatoes as if they were so many stocks and shares.

To give but one example: Mr. T. R. Sawle, a grower, of South Coogee, who is, in my opinion, one of the most respected men in the industry, says that in pre-war and pre-Board days he received from £2 to £12 or £13 per ton for his potatoes. The latter two sums may have been reasonable in those days, but it was the violent fluctuation in price to which he objected.

Mr. F. H. Berryman, a grower and a very conscientious and thorough potato agent, of Marybrook, remembers the time when as a grower he received £3 a ton for his potatoes; the next week he received £7 a ton, and the next week £9 a ton. During all this time, potatoes were being exported at very good prices and also being sold locally at prices to consumers which were exorbitant in comparison with those given to growers.

Mr. Hard, the Board manager, who is an ex-grower, has received from £1 10s. to £18 per ton for his potatoes.

Some witnesses have deposed that there were seasons in which they failed to sell portion of their crop at all.

I could go on repeating cases such as I have quoted at great length, but I have illustrated the position under free marketing, and little purpose would be served in taking the matter further.

So far, I have discussed orderly marketing from the aspect of those within the industry, but a marketing board is not justified unless it provides some benefit to the community as a whole.

This year, due to shortages and other reasons, many of the public have not been inclined to consider that the Board has brought any advantages to the community at all. As a matter of fact, the Board has been blamed for many things which cannot be rightly laid at its door.

Over the year, however, orderly marketing, through the Board, has brought undeniable benefits to the community. It has made quite a considerable contribution to the State economy. It has certainly stabilised prices and it has provided regular employment for an important section of primary producers with a reasonable guarantee of an equitable return for their efforts. It stands on its own feet without Government assistance in the way of subsidies and price supports as received by some other industries.

The potato industry contributes more than a humble share to the State's internal economy because, according to the figures of the distributing company, in 1952 it produced 46,736 tons of potatoes to the value of £1,219,350. In 1953, it produced 45,714 tons to the value of £1,425,154, and in 1954 it produced 49,671 tons at a value of £1,716,955.
The following figures, taken from the Quarterly Statistical Abstract, 1954, and kindly brought up to date by the Government Statistician, show that the industry in 1952-53 exported 253,147 hundredweight of potatoes to the value of £375,073. In 1953-54, it exported 315,470 hundredweight to the value of £650,233, and in 1954-55, 177,561 hundredweight to the value of £256,056. Included in the above figures are ships' stores. If these export figures are compared with those I have set out in the egg section of my report, I think it can be fairly said that the potato industry is worth fostering.

The export figures I have quoted are important not only because of values, but because they show that the trend is for surpluses to diminish. It is a very healthy sign to see the industry controlling the surpluses, not the surpluses controlling the industry, as in the case of the onion and egg industries. After the war, large surpluses began to threaten the industry, but careful planning has reduced them to their present reasonable limit. At the end of the 1954-55 season, there were no surplus potatoes on hand, due to the extraordinary seasonal conditions which applied during the season. All these matters, however, I shall discuss later in my report.

The industry is not asking for financial help from anyone. All it wants is a board financed by the industry itself which can provide for the orderly marketing of potatoes. Parliament has given it such a board and unless it has failed in its duty to the industry and the public generally, the Board should be allowed to continue. I am not saying the Board system is free from weaknesses and that its functioning cannot be improved in many ways, but I do say that, over the years, it has proved to be of benefit to the State. To be successful in the future, however, the Board must take a very firm stand in many matters of important policy and endeavour to eradicate or very seriously curtail some of the undesirable features inherent in a system of controlled marketing. For example, there is a tendency under this system for the inefficient to be carried along with the efficient, and there is a tendency for the efficient to lose their individuality, and some might be even tempted to grade their product down to a level rather than to a step above. All these tendencies must receive immediate consideration. The first step is to oust the inefficient from the industry and the second is to offer some premium for quality and efficiency to those who remain in the industry.

SECTION 5.

Control of Acreage with Relation to the Elimination of Over-production.

Without controlled acreage as a means to controlled production, the potato industry would soon find itself in the unhappy position of the onion industry. If this were allowed to occur, it would be a sorry thing for the industry and the State generally. There are some growers who would prefer a system of controlled tonnages rather than controlled acreages, but this system is too open to abuse and too difficult to control. There are a few growers, who are also onion growers, who would welcome controlled tonnages as a means of exploiting the black market.

After giving the matter some considerable thought, I cannot see any alternative to the control of acreages as a means to achieving sensible and well-balanced production. It is essential, however, that this system be fairly and equitably administered. Some complaints have been made to the Commission that the licensing system is unfairly administered, but I have been unable to point a finger at any irregularities. As a matter of fact, my only comment is that it has been too gently administered and should be used more rigidly to rid the industry of some of the highly inefficient growers. Mr. Hard says that growers who infringe the conditions of their licences are penalised the following year in a reduction of their licences or are even refused a licence altogether. No evidence, however, was forthcoming as to any individual having been ousted from the industry, but there were certainly complaints brought to the Commission by growers whose licences reduced. In each case, in my opinion, there was justification for the reduction.

In a controlled system of production and marketing, there is no room within the industry for growers who are unwilling to cooperate with the Board and to adapt themselves to the conditions of the industry. There are plenty of would-be growers who desire a licence to grow potatoes, and I consider that the licensing system is elastic enough to permit of their entry into the industry. Many of these prospective growers could well take the place of some of the inefficient growers who still have a licence and who are being carried along nicely on the back of the industry.

Certain conditions of entry must be imposed, however, and it is not unfair to require a newcomer into the industry to grow a late crop as one condition of his entry. The reason for this is that it is necessary to produce a fairly heavy late crop so that there will be a sufficient supply to carry the State over the lean period of the year.

With the new grower, the maximum acreage granted is two acres and, provided the grower shows he is an efficient and co-operative grower, the Board will gradually increase his acreage.

From past experience, the Board has to be wary in granting licences to newcomers. In my opinion, no new licence should be granted unless the applicant satisfies the Board that he has adequate storage facilities to preserve the quality of his potatoes.

Summing up the licensing question, it is not a bit of use the Board manager or the Board members talking about the severity
of their attitude to inefficient growers unless by stern action they show the people they really mean what they say.

SECTION 6.

Licensing as Applied to Certain Potato-growing Districts.

I understand that in some countries licences are restricted to those areas which are capable of producing the best potatoes. This system has considerable merit because some types of land are better suited to growing potatoes than others. This system is perhaps too drastic to be introduced into Western Australia. In this State, good potatoes can actually be grown in every potato area, but it is more difficult to produce good potatoes in the irrigation areas. Unless there is a radical improvement in the general standard from these areas, consideration will have to be given to licensing only those growers with proved reputations for efficiency and good quality potatoes.

It is generally admitted by those best fitted to judge, including Mr. Hard and Mr. J. P. Eckersley, Officer-in-charge of the Vegetable Branch, Department of Agriculture, that the general standard of potatoes from the Harvey area has for some considerable time been of very poor quality. The trouble is due partly to the growers themselves and partly to the conditions under which the potatoes are grown.

Quite a few newcomers to the industry, including a fair percentage of "New Australians", try out their luck in the Harvey district. They have been engaged in some other form of work not necessarily in a primary industry and have been able to get a piece of land and commence growing potatoes. Some of them are most inexperienced, they have to pay up to £10 an acre for their land and produce their potatoes in far from ideal conditions. They have such a small acreage that it is economically impossible for them to make a living solely out of potatoes, and they then blame the Board because they have been unable to earn a living wage.

Many of these new growers, particularly those of foreign extraction, do not understand the system of marketing, have not any idea of its problems and are quite unable to appreciate why the Board cannot take their potatoes the moment they are dug out of the ground. Some of these men, aided and abetted by a few of the older and more experienced in the industry, don't hesitate, should the occasion arise, to sell their potatoes on the black market.

Apart from the temperament and attitude of the growers, various other factors have to be taken into consideration in the growing of potatoes in irrigation areas. Potatoes grown under irrigation can be just as good as those not so grown, but they must be grown by real experts who know all the pitfalls.

There is no-one better fitted to sum up the position of potato-growing in Harvey than Mr. Eckersley. He not only knows the district officially as an officer of the Department of Agriculture, but has lived in the district and now owns a farm there. Mr. Eckersley has outlined a number of factors which he considers affect potato production in this area. They may be summed up as follows:—

1. There are greater hazards in producing a good quality potato in an irrigation area. Due to the clayey nature of the soil, should the grower over-irrigate or be caught with winter rains, rapid deterioration of quality can take place.

2. Quite a number of the growers are not land-owners or owners of very small areas and their methods are not as up-to-date as they should be. Their waterings are too heavy and tend to cause suffocation of the potatoes.

3. There is a lack of knowledge, on the part of growers, of the proper use of insecticides to control moth and early blight. In the case of moth, the growers seem to prefer irrigation as a form of control rather than the use of insecticides. I might add that the cost of production formula includes an allowance for the cost of spraying. The effect of this lack of knowledge, of course, reflects in the ultimate quality of the potatoes and the growers have a high number of rejections, due to infestation by moths. Furthermore, the potatoes are waterlogged and of poor keeping quality.

4. Many of the non-landowners or small holders have no proper storage facilities. On a survey made two years ago, the chief complaint about rejections for quality came from Harvey. Inspection disclosed that 1,500 tons of potatoes were stored in the open. The mouths of the bags had not been tightly sewn and the potatoes became badly greened and the moth obtained access and caused serious loss. The storage facilities in the district are, generally speaking, extremely bad.

5. Owing to the best land in the district being devoted to the production of whole milk and beef, many potato-growers are being forced out on to the poorer areas where the soil is heavier and, generally speaking, not highly suitable for the production of good quality potatoes.

6. Some growers have grown potatoes on the self-same land year after year over a period of many years, and it now needs resting.
In order to acquire big yields, some growers “push” their potatoes too much with sulphate of ammonia or other fertiliser, with the result that, like onions so treated, the keeping quality is very poor. This treatment of potatoes is, of course, not restricted to Harvey.

In the last two years, 1,300 tons of potatoes from the Harvey district have been rejected by the Department of Agriculture on the ground of quality. Quite a fair proportion must have slipped through, however, judging by the complaints in the trade about Harvey potatoes. These complaints are fairly widespread and the Secretary of the Commission, Mr. Logue and myself in our inspections of retail and wholesale premises, have found quite a deep-seated prejudice against Harvey potatoes.

Other districts, on occasions, have had heavier rejections than Harvey, but not nearly with the same consistency. Usually, these can be traced to seasonal conditions, and there is some underlying reason for them.

The Osborne Park district grows a very considerable proportion of its crop under some form of irrigation and for this reason many growers have the same difficulties as those in Harvey. Good potatoes which will keep over a long period can be grown in Osborne Park, and this has been admirably demonstrated to us by Mr. Armando Guelfi, President of the Market Gardeners’ Association of Western Australia (Inc.). The district has an excellent average yield of somewhere between 13 to 16 tons to the acre, yet it markets potatoes of generally poor standard, due to poor husbandry and lack of proper storage facilities.

Mr. Guelfi says there are neglectful growers in the district and they should know better. He alleges that they pull their potatoes in the sun and bag them in the heat. At page 397 of the transcript, this is what he says about the inefficient grower, “I think the inefficient grower ought to be eliminated. His licence ought to be taken from him. There are too many, even in the vegetable industry, who grow all the rubbish in the world. They are only a menace to the industry really.”

Poor growers are not confined to the two areas I have mentioned, and there is a fair sprinkling of them in every district. According to Mr. Hard, the Board is well acquainted with the growers who are consistently consigning poor quality potatoes to the Board. If this is so, earnest consideration must be given to the cancellation or drastic whittling down of their licences. The other alternative is to penalise these growers by hitting their pockets very hard every time they have a rejection. If this is done, they might find it more profitable to get out of the industry and grow some other form of produce.

The Allocation of Growers, Orders or “Quotas”.

It is obvious that throughout the year, all growers cannot deliver their potatoes to the Board at whim. If they did this, the underlying principle of orderly marketing would be defeated. The Board which has an overall picture of production and the general availability of potatoes, is the best judge as to what quotas are to be allocated and as to the zones and growers that should receive them.

Many complaints have been made to the Commission by growers that they have been allocated insufficient orders. In spite of very strong invitation by myself, they have all said that they were quite unable to point to partiality or any form of discrimination to others. This was so, right throughout the metropolitan sittings and in every country area visited by the Commission.

A great number of complaints have been received from the Osborne Park district concerning lack of quotas and there has been a considerable amount of unrest in the district particularly over the last year. I am not saying that this year there was not a dearth of quotas, but it has been such an unusual year in so many respects that the Board has had extreme difficulty in its allocation of orders. Mr. Guelfi is quite a notable person in this district and when it comes to discussing local affairs, he speaks with no little authority. Whilst admitting lack of orders he can point to no discrimination. I consider that some of his evidence can be quoted verbatim to great advantage.

At page 393, I put the following question:— “Under the Board do you think that every grower is getting his fair quota?”

Answer:—“Speaking for my district, we would be getting our quota. This year we have had a lot of letters to the effect ‘No spuds this week, none next week,’ but I have not known of any favouritism. It is generally worked according to the time when the potatoes are planted; the Board fixes the quota according to that. I cannot see that there has been any favouritism; we all get our quota.” What eloquent testimony this is to the integrity of the Board and its officers, coming as it does from a man who has the confidence of growers in his own district and who knows better than anyone else, their state of mind.

I have inspected the Board’s Order Books and they were minutely examined by Mr. Logue and I am satisfied that they do not show the slightest sign of malpractice or partiality.

Many growers who produce poor keeping quality potatoes, expect them to be taken off their hands by the Board, the moment they are dug from the ground. I am glad to say the Board does not adopt this policy.
which would amount to granting a premium for poor quality. I heartily agree with Mr. Hard when he says, "It is just too bad for the man who cannot store his potatoes properly. It is his business to grow the right quality. If we were to give him preference we would be encouraging inefficiency." (P. 61.)

The Board's policy is not entirely inelastic, however, and if there are extenuating circumstances and the grower can obtain a recommendation from his local branch of the Potato Growers' Association the Board will show him some preference.

It is not fair to efficient growers that they should have to wait and perhaps risk deterioration of their potatoes whilst the inefficient growers are busy fulfilling all their orders for poor quality potatoes.

There have been complaints that in December, 1954, and January, 1955, the Board was well behind in its allocation of orders with the result that growers lost quite a proportion of their potatoes due to deterioration. These complaints were chiefly from Harvey and Osborne Park and there is no doubt that orders to growers were delayed. For reasons I shall give later when I discuss the potato situation in the last 12 months, the Board was not blameworthy in the matter. At this stage, I shall confine myself to saying that if better quality potatoes had been produced in these two districts and storage facilities had been available, they would have lasted until the Board was in a position to take them.

As I pointed out previously, the late crop is harvested up till the first or second week in June and from then until October, the potatoes have to be stored on the properties of the growers, themselves, to await the allocations of orders by the Board.

It is usually during the above period that the poor quality potatoes break down and rejections by the Department of Agriculture inspectors are at their highest. This is where the efficient and quality conscious grower comes into his own because his potatoes will keep in pretty fair condition right up till October. To do this, however, proper storage facilities have to be provided and the efficient grower provides himself with these facilities. The late crop is stored of course mostly during the winter and spring months and the proper form of storage is in a shed, barn or other covered place sufficient to protect the potatoes from the elements. Summer storage is usually best in the open air under pine trees.

In order to encourage growers to store their potatoes, the Board, according to the length of storage, offers an incentive in the way of "late storage premiums." Many good growers, particularly in the Marybrook zone, prefer postponing their allocations in order to obtain these premiums. In this way, the Board is enabled to allocate orders to other growers who are more than willing to get rid of their potatoes.

Having looked at the matter from every angle, I am confident that every grower has been given his quota throughout the various seasons on the basis of acreage and month of planting and nothing can be fairer than this.

SECTION 8.

Comment on Primary Potato Agents.

Wherever I went in the various potato zones, it was taken for granted by growers that primary agents were an integral part of the potato industry. Some growers commented that they earned their money rather easily, other suggested they were a close combine and that their ranks should be opened up whilst others were very lukewarm in their estimate of particular agents, but not a single grower suggested that their services were not necessary.

Several witnesses suggested that they would prefer to buy potatoes direct from the growers, but in pre-Board days at least eighty per cent. of potatoes were sold through country or city agents and I feel sure the same thing would happen again under free-marketing.

The agents are a close combine, twenty-one in number and many of them are more than generously paid for their services at 8s. 6d. per ton commission. Under any form of marketing, however, agents are, in my opinion, indispensable links in the chain of distribution from the grower to the consumer.

The alternative to agents under the Board system, is the establishment of Board branches throughout the various zones. This would necessitate the setting up of offices and the provision of salaried officers with motor cars. Motor cars are essential in the every-day life of agents who are required to travel many miles in the course of their business. For example, Mr. Kelly of Pemberton, one of the ablest and most conscientious agents, travels 30,000 miles a year in the course of his business. This is certainly not all on Board work, but a fair percentage of it would be.

The Board would, therefore, be faced with considerable expense in setting up its own establishments throughout the country.

Criticism is levelled at the Board for only appointing a limited number of agents throughout the various zones. In my opinion, however, it would be sadly lacking in business acumen if it did not carefully select its agents. After all, the primary agents are agents of the Board and not of the growers. Commercial institutions do not appoint all and sundry as their agents in a town or district.

As will be seen from the list of agents and the zones in which they operate, some zones have several agents through whom growers may sell their potatoes whilst others are limited to one agent. It is a matter entirely for the discretion of the Board, but the Board should at all times see that the
agents are faithfully carrying out their duties and that the wishes of the growers are being met.

It is time the Board revised its list of agents and culled out those who are no longer serving the interests of the Board or the welfare of the growers. There are plenty of men in the country who can take the place of these men. In certain zones, however, it may not be necessary to make any new appointments providing the Board is satisfied that after the “culls” are made, the existing agents can satisfactorily carry out the work. Every eight shillings and sixpence paid to the agents by way of commission is included in the price formula and is eventually paid by the consumer not the grower.

In the Board’s existence, there has never been a new agent except by succession of title and I think this fact speaks for itself. There has been too much of a mutual admiration society, at least on the surface, between the Board, the primary agents and Potato Distributors (W.A.) Pty. Limited, of which the primary agents form a constituent part. The set up is such that too much “mumbo jumbo” has to be gone through by anyone wishing to break into the ranks of the primary agents and so far no one has been successful in doing this.

Every applicant has to join the company and take up one fully paid share. This means he would have to pay £150 in debentures and take up another 150 shares paid up to 2s. per share or a total of £165. If the applicant is prepared to do this, he must then be “vetted” by the company, the shareholders of which are the present agents themselves. One may be well pardoned for thinking that all this procedure is adopted to prevent new agents being appointed. To be perfectly frank about it, I think this myself.

Furthermore, nothing appears to have been done under this set up to get rid of the inefficient agents or to prevent some agents acting not only as agents, but as wholesaleiers and retailers and drawing all three margins.

It is little short of disgraceful that this sort of thing should have been allowed to exist. It is no wonder, therefore, that Mr. J. Lowes, a Government nominee on the Board, a director of W.A. Potato Distributors Pty. Ltd. and also an officer of Westralian Farmers Ltd., agrees with me that it is improper for a primary agent to draw three margins and that the practice should be stopped. Mr. Lowes further agrees with me that a primary agent in drawing his commission and his wholesale and retail margins does not make so very much less per ton out of potatoes than the man who grows them.

Out of twenty-one agents, only three are not wholesalers. Five of the twenty-one are both wholesaleiers and retailers and are as follows:

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<th>Westralian Farmers, Ltd.</th>
<th>Harvey Co-operative Ltd.</th>
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<td>Westralian Farmers, Ltd.</td>
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<td>Bridgetown</td>
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Harvey Co-operative Ltd., in the twelve months from 1st October, 1953, to 30th September, 1954, only handled 33 tons 11 cwt. of potatoes as a primary agent and only had 10 growers on its books. It actually sold over the counter, about 100 tons of potatoes all of which were bought, so it is said, at the Board price of £33 10 s. Seventy per cent. of these were sold at the retail rate of £51 10 s. per ton and the balance at the wholesale rate. In my opinion, any firm which handles only 10 tons of potatoes a year as a primary agent is hardly worthy of a licence.

The Manjimup Trading Company between 1st October, 1953 and 30th September, 1954, according to board records, handled 4,181 tons of potatoes as a primary agent and as a wholesaler somewhere about 250 tons. Mr. Javens who handles the potatoes on behalf of the firm, says it does not retail them at all in the Manjimup district. They are retailed, however, by Foy and Gibson Ltd., which according to Mr. Javens, controls the Manjimup Trading Company although it is claimed they are both separate organisations.

Westralian Farmers Co-operative Ltd., Bridgetown, in the twelve months ending 30th September, 1954, only handled 39 tons of potatoes. On these figures it would hardly seem worth while keeping this firm on as an agent. This is the way it appears on the face of it, although there may be good reason for doing so.

Westralian Farmers Co-operative Ltd. act as the Board’s agent in the metropolitan zone and at present has 308 growers on its books. In the twelve months, ending 30th September, 1954, it handled 4,650 tons of potatoes and these are the highest figures for any agent in the State. This means that it drew approximately £1,569 commission.

The officer handling the potato business on behalf of the company is most inexperienced and in my opinion it is absolutely unnecessary for the Board to have a metropolitan agent at all. Mr. Hard agrees that this is so and that the Board, situated as it is, in Perth, can quite easily do all the necessary work.

Immediate steps should be taken by the Board to carry out this policy. Any savings caused thereby should be passed on to the consumers.

Primary potato agents build up very successful and lucrative businesses simply by the fact that they hold primary agents’ licences. For example, they sell to the growers, bags and fertilisers and a multiplicity of other items required by growers for the production of potatoes. Very often, they carry growers by giving them extended credit or actual advances, but the very fact that they are able to do this, shows that they have flourishing businesses and are themselves in a sound financial way. It can, therefore, be seen that an agent’s licence is a very valuable asset and means a great deal more than the eight shillings and sixpence he draws by way of commission on every ton of potatoes handled by him.
The efficiency of agents, as in every walk of life, varies considerably. Agents being representatives of the Board are supposed to help the growers in many ways and some are very helpful, but evidence discloses that growers see very little of some agents who carry out the barest minimum requirements to earn their commission. The time is, therefore, ripe to see that all agents carry out their duties thoroughly and conscientiously. Furthermore, the whole question of agents' remuneration should be review by the Board. I myself consider that for the actual work done by agents, their remuneration should not exceed 7s. 6d. per ton. I don't think it is right to challenge their commission simply on the ground that they make a good thing out of their agency. The real question is, "What is the value of the services supplied?" It is on that basis that I have formed my estimate and in my opinion they have been very well paid for their services ever since the days of the Australian Potato Committee.

In my opinion an agent who receives his commission as a primary agent, plus a wholesale and retail margin, is exploiting the industry. He is entitled to something extra for his labour in getting the potatoes to the consumers, but certainly not on the present basis.

I therefore recommend that it be a condition precedent to the granting of a primary potato agent's licence, that the licensee refrain from acting as a wholesaler and/or retailer of potatoes.

SECTION 9.

Comments as to Why the Agreement Between Potato Distributors (W.A.) Pty. Limited and the Potato Marketing Board Should be Terminated.

Potato Distributors (W.A.) Pty. Limited is a nexus between the primary agents and Alex Murray Pty. Ltd. Whatever its functions may have been under the Australian Potato Committee, the only purpose it serves at the present moment is to provide for the auditing of the books of Alex Murray Pty. Ltd. through its chartered accountants, Messrs. Merry and Merry.

Many specious arguments have been raised in favour of the company's continued existence, but I consider it an incubus on the industry and the sooner its agreement with the Board is cancelled in accordance with Clause 1 of such Agreement, the better it will be for both the industry and the consumers.

The moving spirit behind the whole economic set up of Potato Distributors (W.A.) Pty. Limited is Mr. H. W. Soothill, a partner in the firm of Messrs. Merry and Merry. Mr. Soothill would really have me believe that if the company is dissolved, the whole economic structure of the potato industry will disintegrate. Nothing, however, could be further from the truth.

Mr. Soothill stresses the hold which the company has on each primary agent and he draws attention to the terms of agreement between the agents and the company.

Mr. Soothill further stresses the hold which the company has on Alex Murray Pty. Ltd. and points to the fact that the latter is held under bond to the company in case of default.

Again, he stresses how it has been necessary for the company in the past to stand behind the Board financially.

Again, he stresses the benefits that accrue from a continuous audit of the Distribution Manager's accounts and he points out how a fool proof system of accounting has been evolved.

Mr. Soothill is altogether too naive when he says he company controls the agents. The company is in fact the agents and the agents control the company. The company hardly controls the agents. It is obvious to everybody that the Board can very readily control the agents by the mere fact that it licenses them to operate.

It can lay down any terms it likes in the licence without even the necessity for an agreement. The Board and not the company is the proper body to control the agents.

The Board can very easily control Alex Murray Pty. Ltd. and tie him up with any form of agreement it likes. It does not need an incorporated company of agents to do it.

Mr. R. F. Rose, Chairman of the Wholesale Potato and Onion Merchants Association of Western Australia (Inc.) denies that Potato Distributors finances the Board and says, in fact, his association finances Potato Distributors. What happens is this: The merchants grant extended credit to the retailers, but in the meantime pay Potato Distributors in cash for their potatoes. Potato Distributors then pass the money on to the Board and this enables the Board to make advance payments promptly to the growers. The primary merchants are tied up with a bond to Potato Distributors, but they are licensed by the Board. Surely no one can suggest that the Board cannot tie them up.

There is no doubt that the Distribution Manager's accounts are subject to a continuous audit and the system works very well. There is no reason whatever why an adequate check cannot be provided without the intervention of the company. Mr. Hard who was at first rather hesitant about the whole matter, later on, quite enthusiastically admitted that the Board and the controlled system of marketing could well work without the assistance of the company.

Mr. Lowes who is a director of Potato Distributors was pressed very closely by myself to tell me exactly what functions the company actually fulfilled and on what grounds he could justify its existence. When asked what the company does, at page 945 of the transcript of evidence, he said, "We have quarterly meetings and meetings in the country occasionally." In addition to this, all he was able to tell me was that the company
kept control of the agents and audited the books. I have come to the conclusion that the company merely audits the books of Alex Murray Pty. Ltd. and serves no other purpose to the industry or the people.

In the year ending 31st May, 1954, as we have seen, the Board paid commission to Potato Distributors at the rate of 14s. per ton for portion of the year and 15s. per ton for the balance of the year. Out of the commission, the company set aside the sum of 1s. 2d. per ton for administration expenses. These, however, amounted to £1,649, which left, as we have also seen, a balance of £906 to be distributed by way of a final payment of commission to the agents.

An analysis of the administration expenses is quite interesting:

<table>
<thead>
<tr>
<th>Description</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors' Fees were</td>
<td>88</td>
</tr>
<tr>
<td>Directors' Expenses were</td>
<td>199</td>
</tr>
<tr>
<td>Travelling Expenses were</td>
<td>238</td>
</tr>
<tr>
<td>General Expenses were</td>
<td>200</td>
</tr>
<tr>
<td>Secretarial Fees were</td>
<td>341</td>
</tr>
<tr>
<td>Accountancy Fees were</td>
<td>210</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>383</td>
</tr>
<tr>
<td>(Distribution Manager's accounts)</td>
<td>£1,659</td>
</tr>
<tr>
<td>Loss Interest on deposit</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>£1,649</td>
</tr>
</tbody>
</table>

Over a period of three years the average administrative expenses of the company amounted to £1,788 made up as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on debentures</td>
<td>273</td>
</tr>
<tr>
<td>Audit of Distribution Manager's</td>
<td>371</td>
</tr>
<tr>
<td>Accounts</td>
<td></td>
</tr>
<tr>
<td>Secretarial</td>
<td>510</td>
</tr>
<tr>
<td>Directors' fees, subscription to</td>
<td>634</td>
</tr>
<tr>
<td>Commonwealth Association, travelling</td>
<td></td>
</tr>
<tr>
<td>and other expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>£1,788</td>
</tr>
</tbody>
</table>

Surely a very fair inference from all the above figures is that the company serves only two purposes, the provision of quarterly meetings of the agents and the audit of the Distribution Manager's accounts. It is interesting to note that directors' fees and expenses and travelling expenses amounted to £236, whilst the general expenses of the company were only £200. This, I think speaks for itself.

I consider that if the agents want an association then they should be quite entitled to proceed with its organisation—at the personal expense of the agents. The audit of the books of account of Alex Murray Pty. Ltd.—a very necessary procedure—should be a direct charge against the company. At the present moment, however, all these expenses are included in the cost of production formula and are being paid for by the consumers.

Every sum of £1,788 that can be saved, cheapens the cost of potatoes. I have no hesitation, therefore, in saying that whatever usefulness the company ever served, has long since disappeared and that immediate steps should be taken to disband it.

SECTION 10.

Comments on Alex Murray Pty. Ltd. and Reasons why the Firm should be Retained as the Board's Distributing Agent.

The position of Alex Murray Pty. Ltd. in the economic framework of the potato industry has given me some considerable difficulty. Not unnaturally, many people have identified it as a constituent part of Potato Distributors, but it is an entirely separate entity and can quite well function without the backing of Potato Distributors.

Technically, it has been tied up with the latter by agreement, but in reality it has always been the Board's distributing agent.

Many consider that Alex Murray Pty. Ltd. is an unnecessary link in the chain of distribution and that the Board should do its own distribution. They further consider that the firm is on too good a "wicket" and making too much money out of its position as the Board's distributing agent. They therefore suggest that, if it is necessary to retain the firm's services at all, it should be employed as a servant of the Board—not an agent.

The Managing director of the Company is Mr. Alex Murray, and without any doubt he is recognised as one of the most knowledgeable and experienced potato men not only in Western Australia, but the whole of the Commonwealth.

After giving the matter very careful thought, I am satisfied that Mr. Murray has his finger on the pulse of the various Australian potato markets and that if there is a ton of potatoes to be sold anywhere in the Commonwealth he is the man to sell them.

After hearing the evidence of the merchants, and after visiting them in their own premises as a means of seeking knowledge of the industry, I am sure that Mr. Murray sometimes pushes potatoes on to the merchants in excess of their actual requirements. I verified this myself at the Board premises by a perusal of the books. In almost the first weekly order I picked up, I noticed where the merchants had ordered 750 tons for the following week, but Mr. Murray sold them 800 tons. From the viewpoint of the Board and growers this was, of course, excellent.

After hearing the evidence, I am not saying that the firm of Alex Murray Pty. Ltd. is not very well paid, but in my opinion it does supply excellent service to the Board.

The firm does not physically handle any potatoes. These are loaded by the growers and unloaded by the wholesale merchants.
or other consignees. Somethimes, the Board takes delivery of potatoes into store, but in such cases, itself controls the storage. The duties of the company are to sell potatoes on behalf of the Board and to arrange delivery into store and ex store to merchants as directed.

For the year ended 30th June, 1954, the company received total commission of £13,240 made up at the rate of 5/4.05 a ton on a total tonnage of 49,607. These figures are taken from Exhibit "V" submitted by Mr. Keith Murray on behalf of Alex Murray Pty. Ltd. and they do not quite correspond with those submitted on behalf of Potato Distributors, due, I think, to the latter calculating their year to 31st May. This year, commission is expected to be drawn on 41,000 tons only and is estimated to be approximately £11,275. Subsequent events have proved this estimate of a very much reduced tonnage to be correct.

In 1954, out of the £13,240 commission received, £10,433 was applied to expenses. This left a net profit of £2,807.

For the four years 1950-51 to 1953-54 inclusive, the average commission earned was £10,965 and the net profit was £1,702 which was divided between the proprietors and directors of the company, Mr. Alex Murray, his brother, Mr. Keith Murray, and Mr. Kenneth Murray, Alex Murray's son. The average net expenses were £9,263. Included in the latter sum is £6,459 for wages and salaries. Of the £6,459, £3,300 represents fees and salaries paid to the three directors.

In addition to the three directors who also work full time on the company's work, there are employed two male clerks, two female clerks and two typists, all of whom are engaged on potato distribution work.

The question is, can the Board do all this work itself and dispense with the services of Alex Murray Pty Ltd.? I think the work could be done by the Board, but it would certainly necessitate the employment of further staff and, what is more, not mere clerks. Someone of the calibre of the Murrays would be required and, as the saying goes, you don't get these men for "peanuts." Mr. Hard himself has enough to do as it is and he should be concentrating more and more on the production and quality side of the industry to effect certain very necessary improvements.

The company earned over the last four years, up to 1953-54, an average yearly commission of £10,965 on average yearly gross sales of £1,425,351. I think it is very much open to question that the Board could actually save money by dispensing with the services of its distributing agent. If the Board, however, by doing all its own distribution, were to save even half the commission paid to Alex Murray Pty. Ltd., I doubt whether such saving would be commensurate with losses that would occur in other ways.

For example, I feel sure sales would drop. Mr. Alex Murray knows the industry so well and the capacity of the market so well, that working on commission, as his firm does, he is able to keep sales of potatoes up to their maximum. Furthermore, Mr. Murray is a strong man, and, from my observations, a strong man is required in a position such as his. The industry knows him and exactly where he stands with it and where the industry stands with him. I have heard sufficient evidence and made sufficient inquiries from every quarter of the industry to make up my mind that Mr. Murray's integrity has never been questioned. The industry is such that if suggestions to this effect had been made, I would have heard them.

I have come to the conclusion that the employment of Mr. Murray or his firm on a salary instead of a commission basis would be a great mistake. The incentive to sell more potatoes is ever present under a commission basis and for this reason I don't think it wise to interfere with the present system. After all, the Board is empowered under the Act to employ agents and in every sphere of commercial activity the sale of a commodity on commission is an accepted practice.

I have to be frank about the matter, and when I first undertook this inquiry I no more liked the economic framework of Potato Distributors (W.A.) Pty. Limited than did the 1940 Parliamentary Select Committee. Having delved into the question, however, I think the objectionable part of the whole set-up was Potato Distributors itself, not its component parts. One's feelings towards this company might colour one's thoughts about Alex Murray Pty. Ltd.

Under orderly or controlled marketing, whichever we call it, there must be able distribution. Without the framework of Potato Distributors, the distributing agent would, of course, become directly responsible to the Board and this is at it should be. It may be that under these circumstances a completely new agreement between Alex. Murray Pty. Ltd. and the Board can be drawn up and the question of remuneration gone into afresh.

SECTION 11.

Wholesalers as a Necessary Link in the Chain of Distribution.

I have heard it said from time to time that the Board should distribute its own potatoes in the same way as the Egg Marketing Board distributes its eggs. There is a very great difference between the two types of merchandise, however, and it would be necessary for the Board to have a large central store in which potatoes could be always available to the trade. The Board would have to acquire further premises, employ a very large staff and would also have to create its own delivery service or entrust delivery to an independent firm of cartage contractors.

What the cost would be of setting up the above scheme is anybody's guess, but it would certainly be very expensive and involve con-
siderable capitalisation. This is the very sort of thing the public is against and it would not care to see a fleet of trucks carrying the name "Western Australian Potato Marketing Board."

In my opinion it would be entirely wrong for the Board even to attempt the physical handling of local potatoes and I am sure that such a venture would be a failure. I can see no alternative but to carry on with the present system under which sales and deliveries to retailers are effected by the wholesalers.

I think this is an opportune time to quote a statement of Sir Stafford Cripps, when President of the Board of Trade, on the functions of wholesalers:—

Distribution is a very essential part of the whole process of providing the public with what they need or want, and in industries where there is a very large number of producers and retail distributors there is a need for some intermediary pool into which supplies can flow in bulk and out of which they can go in small parcels. That is the wholesale pool.

I think this statement very accurately sets out the necessity for wholesale distribution in an industry such as the potato industry of Western Australia. In my opinion, the wholesalers play an essential part in the distribution of potatoes and it is impossible to dispense with their services.

As I previously pointed out, primary merchants are licensed by the Board. The Act does not specifically empower the Board to license primary merchants, but the Board has always adopted this practice.

One of the conditions of such licence is that a merchant shall not import potatoes without the authority of the Board. The reason for this is to restrict the importation of potatoes because if merchants were allowed to import at will, the Board would not be able to sell the local potatoes and the whole system of orderly marketing would break down.

The merchants have honourably abided by the restriction not to import. There was one case where a merchant did import a few potatoes contrary to his licence, but there were extenuating circumstances and the matter has been cleared up to the satisfaction of the Board.

The requirement that a primary merchant must purchase a weekly minimum of a truck of potatoes (i.e., approximately 6 tons) is not always rigidly enforced and in my opinion has often been more honoured in the breach than the observance. Specific instances of this were drawn to my attention. A minimum must be set up or otherwise the Board's distributing agent would be engaged in selling potatoes by the bag or half bag at the rail-head and this is, of course, impossible.

Originally the minimum requirement of 10 tons was imposed, in my opinion, to prevent all and sundry from becoming merchants. I consider that there should be no distinction between primary and secondary merchants and that the latter should, subject to certain conditions, be permitted to purchase direct from the Board.

The secondary merchants or packers have their own association which consists of 28 members. Seven of these members actually hold primary licences. The packers have been in the industry for some considerable time and fulfil a necessary want. Despite this, however, like the Biblical character of old, they have to be satisfied with the crumbs that fall from the tables of the primary merchants.

I therefore recommend that the packers be given full rights as merchants and allowed to purchase potatoes direct from the Board's distributing agent. The granting of a licence, however, should be contingent on three things:—

(1) A merchant must purchase 3 tons of potatoes a week. The evidence discloses that some primary merchants would only purchase this quantity per week.

(2) A merchant must not retail.

(3) A licence must be restricted to bona fide potato merchants.

SECTION 12.

Wholesale Margins.

The primary merchants purchase their potatoes from the Board at £33 1os. per ton and the following reselling prices prevail:—

<table>
<thead>
<tr>
<th>Per ton</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price delivered to retailers</td>
<td>37 5 0</td>
</tr>
<tr>
<td>Price delivered f.a.r. Perth for country retailers</td>
<td>36 10 0</td>
</tr>
<tr>
<td>Price to retailers ex store</td>
<td>36 10 0</td>
</tr>
<tr>
<td>Price delivered to secondary merchants' store direct ex rail</td>
<td>35 10 0</td>
</tr>
<tr>
<td>Price ex rail to secondary merchants</td>
<td>35 5 0</td>
</tr>
</tbody>
</table>

After deducting cartage of 7s. 6d. per ton into store, the margin received by the primary merchant for the sale of potatoes to retailers is £2 12s. 6d. per ton ex store. If potatoes are delivered, cartage is charged at the rate of 10s. per ton to rail and 15s. per ton to resellers' stores in the metropolitan area. The margin of £2 12s. 6d. represents 7.191 per cent. on a selling price of £36 10s.

In selling to the packers at £35 5s. ex rail, the primary merchants have a margin of £1 15s., and as the packers resell for £36 10s. ex store they would make a margin of £1 5s. It is to be noted that the price to packers delivered to their stores direct ex rail is
£36 10s. As there is only one delivery cost of 15s. the primary merchant in this case makes an extra margin of 10s. bringing it up to £2 5s.

The practice of the primary merchants in selling and delivering ex rail to the secondary merchants amounts to pure exploitation of the industry. It means that the primary merchants never handle the potatoes in store at all and draw a margin merely for placing an order with the Board. If the secondary merchants are allowed to purchase direct from the Board, this exploitation will cease.

Up till 1st April, 1955, 5s. was charged for cartage into store and 15s. for delivery out of store, whilst the margin on sales was £1 15s. On the 1st April, however, the prevailing rates were introduced so that the cost of cartage into store was increased to 7s. 6d. per ton and the margin was increased to £2 12s. 6d. There was a total increase, therefore, of £1.

This overall increase in merchants' rates coincides with the Board's increase of potatoes from £28 10s. to £33 10s. Every year on the 1st April the Board makes a price adjustment because different factors have to be considered in fixing the Board price for the late crop as distinct from the early and mid.

It has been suggested that had the wholesale margin been increased earlier or even later in the year, it would not have evoked much comment. I myself, however, consider it is a matter for considerable comment.

Most fruit and vegetables are sold in Western Australia on an agency basis with the agent standing no loss in weight or deterioration in quality. All agents, with one exception, charge 9½ per cent. on sales. In the Eastern States the rate is said to be 10 per cent. It is argued by the primary merchants, therefore, that their own rate of 7.191 per cent. on sales is very fair in comparison. They do not point out, however, that agents get a variable return according to the selling price whilst the potato merchants work on a fixed margin of £2 12s. 6d., whatever the selling price may be. In any case, in comparing the merchants' rates with agency commissions, it is well to remember that fruit and vegetable growers have been complaining for years about the high agency charges.

Figures were quoted to me by Mr. R. F. Rose, President of the Wholesale Potato and Onion Merchants' Association, showing that between February, 1952, and April, 1955, the basic wage increased by £2 2s. 6d. or, roughly, 20 per cent. whilst merchants' rates remained more or less static. Mr. Rose further pointed out the impact which this wage increase had on the wages of drivers, storemen and clerical employees, and that costs generally had very materially increased.

The figures quoted by Mr. Rose sounded most impressive but they were not co-related in any way with the very large overall increase of £1 in the reselling rate of potatoes. Mr. Rose's Association sells other items of produce but no evidence has been forthcoming to show what proportion of the cost increases has been borne by these other items.

The 17s. 6d. increase on a margin of £1 15s. is exactly 50 per cent. whilst the increase of 2s. 6d. on cartage is also 50 per cent. The outwards cartage could scarcely be increased seeing that the Board's contractors effect delivery of potatoes from rail in Perth to the Board's store in Fremantle for 12s. per ton. The Board only pays 6s. 6d. per ton from rail in Fremantle to its Fremantle store over approximately the same distance as that from rail to the merchants' stores.

As a matter of comparison in general costs, the Board's administration has risen from 4s. 4d. per ton to 5s. 4d. per ton.

In my opinion the merchants' increases were sufficient not only to cover actual increases in cost but to give substantial profits in addition. In all fairness they were entitled to some increases but the actual increases of 1st April, 1955, were excessive. An increase of 25 per cent. or perhaps a fraction over would have been ample. I have no hesitation in saying that the maximum increase should have been:

<table>
<thead>
<tr>
<th>Description</th>
<th>s.  d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inwards cartage</td>
<td>1 6</td>
</tr>
<tr>
<td>Selling margin</td>
<td>10 6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 0</strong></td>
</tr>
</tbody>
</table>

These margins would have been more in keeping with other increases throughout the industry.

The Board has no power under the Act to fix wholesale margins and in my opinion it should have such power. I would have expected frank discussion of the wholesale margins by persons in the industry who were really in a position to say whether or not they were fair. It was most apparent, however, that the Board manager, representatives of Potato Distributors and the merchants were all extremely reticent when it came to discussing one another's margins. There was a general atmosphere of pleasant amiability as if the question of margins were taboo. I, therefore, received very little help in the matter from anyone in the industry.

I can do nothing except to say that the present wholesale margins are too high and draw attention of the Government to this fact. I recommend accordingly that the Act be amended to give the Board the necessary power to fix the margin. Failing this meeting with the Government approval or the approval of the Legislature, the matter will have to be negotiated between the Board and the wholesalers themselves.

**SECTION 13. Retail Margins.**

Without any doubt, retailers are a very necessary link in the chain of distribution of potatoes, and they provide a real convenience to the potato-consuming public.
Many retailers regard potatoes solely as a “goodwill” line, and say that there is no profit in them at all. Even so, they attract custom and are therefore a “catch line” which the great percentage of retailers like to have.

There are certain disadvantages in the handling of potatoes, particularly in the case of grocers who, in order to conform with modern economic practices, like to have everything they sell pre-packed. One particular disadvantage is that female employees, who comprise the bulk of the staff in retail grocers' shops, do not like handling them.

Many grocers say that they do not like stocking potatoes, but because their rivals up the road sell them, they have to do the same. This argument could, of course, be applied to many other items handled by retail grocers.

The quality of the potatoes, which is not always satisfactory, also has a bearing on the antipathy of the grocers towards this particular commodity.

Bearing all these things in mind, many retailers obviously consider that they should receive a fairly substantial margin of profit on the sale of potatoes. On the other hand, others are well satisfied with the present margin, and one witness, Mr. J. G. McAlinden, a storekeeper of Maylands, is so satisfied with the margin that he would like to be selling potatoes “all day and half the night.”

One feature that has impressed me in every section of this inquiry is that the men in the industry who go to the greatest pains and trouble to produce or sell a first quality item, are those most satisfied with their margin of profit. Mr. McAlinden is one of these men. He has a small store—it may be even said to be a humble store—but as a retailer of potatoes he is a leader of his fellows. I shall have more to say about him under the heading of “Quality.” Attitude of mind plays a big part in a retailer's reaction to the retail margin.

Evidence was given by Mr. A. C. Kirby, secretary of the Retail Grocers' and Storekeepers' Association as to how retail margins are arrived at.

Mr. Kirby states that this Association fixes the retail rate of 25 per cent. on “Cost into store.” At page 301 he says, “I will amplify that, as this may be relevant in mentioning that the mark up on which we work has been followed on by the Association and the retail trade in exactly the same way as applied under prices control.”

He then draws attention to the fact that at the present time the recovery value of bags would range from 17s. per dozen, down to as low as 2s. per dozen.

Mr. Kirby states that representation was made to the Prices Commission for an increase in the 20 per cent. margin over cost into store, on the grounds that it was not sufficient to cover such items as excess dirt, poor quality potatoes, and the non-recovery of the estimated value of second-hand bags. Failing these representations, he says that the Prices Commissioner advised him by letter on the 13th November, 1951, that a new schedule would be gazetted, providing for a margin averaging 25 per cent. on cost into store. Mr. Kirby produced a copy of this letter, which supports his statement. This letter specifically states, however, “When computing retail prices, provision of 5 per cent. allowance for dirt is taken into the calculations.” He further states that the margin of 25 per cent. has continued to be applied, but that the recovery value of bags has not been taken into account, as it is now of negligible effect because of their low value.

I want to stress this alleged 25 per cent. margin, because it will be shown that in fact a higher overall margin is worked on.

The formula worked on by Mr. Kirby is as follows:—To the cost into store, delivered ( £ 3 7 5 s.), he adds 25 per cent. ( £ 9 6 s. 3 d.), which in turn gives a total of £ 4 6 11 s. 3 d., or 11175 pence. He says that there has always been an allowance of 5 per cent. under price control to cover waste. Accordingly, he deducts 5 per cent. of 2240 pounds (112 pounds), leaving a net 2128 pounds, which he considers to be a fair estimate of the quantity of potatoes sold by a retailer out of each ton purchased. The 2128 pounds is then divided into the 11175 pence, which gives a result of 5.25 pence per pound. This then becomes the basis on which retail prices are calculated, as follows:—

| 1 pound | 5d. |
| 2 pounds | 1ld. |
| 3½ pounds | 1s. 7d. (which equal 5.4d. per lb.) |
| 7 pounds | 3s. 1d. (which equals 5.3d. per lb.) |
| 14 pounds | 6s. 1d. (which equals 5.2d. per lb.) |

(The great bulk of potatoes are sold in ½ stone or ¼ stone lots).

Mr. Kirby states that the average overhead expenses incurred in running a grocery store are about 18 per cent. on cost of goods sold. On this basis, and employing the formula previously quoted, the net profit per ton on sales in lots of ½ stone would be £ 4 3s. 7d., and the net profit per ton on sales of ¼ stone lots would be £ 2 10s. 9d.

On the face of it, Mr. Kirby has set up a good argument, but his historical background, particularly with regard to margins allowed by the Prices Commissioner, is not quite accurate. Furthermore, his rates in comparison with those formerly allowed by
and the mark up is not the same as under the Commissioner.

Mr. Kirby's formula makes no allowance for the resale of bags, but from information supplied to me, I find that today's price is 34s. 6d. per dozen, compared with the 55s. 9d. per dozen in 1951 as quoted to me by Mr. Kirby. According to these figures, the proceeds of the sale of bags would realise up to £2 11s. 9d. per ton. It can be accepted that all bags have a resale value even as dunnage, and can be resold at a minimum rate of 2½d. per pound. In any case at the latter end of price fixing the resale value of bags was not taken into account by the Prices Commissioner in fixing the retail margins.

Evidently the Commissioner did not act on his intention set out in his letter of the 13th November, 1951, to Mr. Kirby's Association, because Prices Control Order No. 898 which was gazetted in the "Government Gazette" of the 30th October, 1953, and which was the last order issued by the Commissioner, appears to have the effect of allowing an average margin of 22½ per cent. on purchase price. Furthermore, the wastage of 5 per cent. was taken into consideration and included in the 22½ per cent.

This contention is supported by paragraph 3 of Price Control Order No. 898, in which "Cost into store of the retail seller" is defined as being "The price paid or payable by the retail seller for the potatoes, computed on the basis of the full weight of the potatoes, bag and any earth contained therein, and without any allowance for waste".

Mr. Kirby therefore did not adopt the same method of calculation as the Commissioner. The former calculates a 25 per cent. margin on cost into store, and then claims a further 5 per cent. allowance for waste, whereas the latter specifically includes waste as part of his formula.

In addition, the selling prices which Mr. Kirby has quoted give more than a 25 per cent. margin on cost, and this is using his own method of calculation, and providing for sales not of 2240 pounds in every ton, but only 2128 pounds.

This is illustrated by the following table:—

<table>
<thead>
<tr>
<th>Selling Price, s. d.</th>
<th>Quantity</th>
<th>Percentage on Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 6½</td>
<td>1 lb. or 2 lb.</td>
<td>31</td>
</tr>
<tr>
<td>1 7</td>
<td>3 lb.</td>
<td>29</td>
</tr>
<tr>
<td>3 ½</td>
<td>5 lb.</td>
<td>27</td>
</tr>
<tr>
<td>6</td>
<td>7 lb.</td>
<td>25</td>
</tr>
</tbody>
</table>

The average selling price throughout the whole range therefore gives 28 per cent. after 5 per cent. for waste has already been deducted.

If the allowance for wastage is included in the formula, the selling prices quoted by Mr. Kirby represent:—

| 5½d. on 1-lb. and 2-lb. lots | 37½ |
| 1s. 7d. on $\frac{1}{2}$ stone lots | 35 |
| 3s. 1d. on $\frac{1}{2}$ stone lots | 32½ |
| 6s. 1d. on stone lots | 30 |

In an endeavour to give an average return of 22½ per cent. on cost, the maximum retail prices were set out in the schedule to Prices Control Order No. 898. The relevant portion of the schedule which affects the present discussion is set out as follows:—

<table>
<thead>
<tr>
<th>Cost into Store of the Retail Seller.</th>
<th>Price in Pence for—</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over £26 15s. but not exceeding £27 15s.</td>
<td>5 10 15 17½ 35 70</td>
</tr>
</tbody>
</table>

It will be noted that the retail selling prices as supplied by Mr. Kirby only give 25 per cent. on cost when the potatoes are sold in 14-lb. lots and this is after 5 per cent. for waste has been allowed. The Prices Control Commissioner calculated his percentage on 1-lb. lots and he made slight modifications in the case of sales in larger lots depending on the variation of cost into store.

At all times, it has been open to Mr. Kirby and his Association to say that they were dissatisfied with the price control formula and that they had based their prices on a system of their own. This has not been done, however, and Mr. Kirby says the Association has adopted the self-same formula and applied it in exactly the same way as the Commissioner. I can only assume from this that the Association considers the price control margins to be fair and equitable. The Association by calculating the additional 5 per cent. for waste has misapplied the formula. There can be no valid objection therefore, if I recommend the same formula properly applied.

I do not know anything about the Commissioner's fixations in other industries but in those touched by this inquiry he has been more than generous. If he has erred at all it has not been on the side of parsimony.

Following the Commissioner's margins, the undermentioned selling prices should prevail on a cost of £27 5s. into store and these are the prices which I strongly recommend:—

| 1 lb.—5d. (Retail grocers' and store-keepers' price, 5½d.) | 2 lb.—10d. (Retail grocers' and store-keepers' price, 11d.) |
| 3 lb.—15d. (Retail grocers' and store-keepers' price, 11d.) | 3½ lb.—17½d. (Retail grocers' and store-keepers' price, 19d.) |
| 7 lb.—35d. (Retail grocers' and store-keepers' price, 37½d.) | 14 lb.—70d. (Retail grocers' and store-keepers' price, 73½d.) |

If potatoes are sold in 1 lb. and 2 lb. lots, retailers charged £4 13s. 4d. per ton more than under the Prices Control Formula.

If potatoes are sold in 3½ lb. lots, retailers charge £4 per ton more than under the formula.
If potatoes are sold in 7 lb. lots, retailers charge £2 13s. 4d. per ton more than under the formula.

If potatoes are sold in 14 lb. lots, retailers charge £2 per ton more than under the formula.

These figures when taken on the total tonnages of potatoes sold on the local market amount to many thousands of pounds and reduction to the margins recommended would effect huge savings to the industry and the people of Western Australia generally. For example, in the year 1953-54, the local consumption of potatoes was somewhere in the vicinity of 35,000 tons. The reduced margins would have effected the following approximate savings:

1 and 2 lb. lots ..... 160,000
3½ lb. ..... 140,000
7 lb. ..... 86,000
14 lb. ..... 75,000

On the 14th November, 1955, the Board price of potatoes was reduced from £33 10s. to £28 and new retail prices were announced in "The West Australian" as follows:

s. d.
Sales of 3½ lb. ..... 1 4
Sales of 7 lb. ..... 2 7
Sales of 14 lb. ..... 5 2

No announcement was made about rates for 1 lb., 2 lb. or 3 lb. lots.

The merchants made no announcements whatever about any reduction in their margins, so it can be taken that they do not intend to make any reduction. This in my opinion calls for very adverse comment.

The cost into store to the retailer would therefore be £31 15s. and the selling prices should be:

1 lb.—4½d.
2 lb.—8½d.
3 lb.—13d.
3½ lb.—15d. (Retail grocers' and storekeepers' price, 16d.)
7 lb.—29d. (Retail grocers' and storekeepers' price, 3½d.)
14 lb.—58d. (Retail grocers' and storekeepers' price, 62d.)

It is most unfair to saddle the public with an extra charge of 5 per cent. to cover wastage which after all is due to the fault of the industry itself. The Prices Control Commissioner has always taken this view but I cannot help but feel that when he increased the margin from 20 per cent. as per his letter of the 13th November, 1951, he virtually granted the retailers an allowance for waste and they have had the benefit of it ever since. If, therefore, they want a further allowance let them get it from the industry, not the consuming public.

It is apparent that with their present margins, the retailers are well recompensed and they will suffer no injustice if amended margins along the lines I have recommended are adopted.

In my opinion, the Board, which, in reality, is an industry Board, should have the power to fix margins for the retailers as well as for everyone else engaged in the handling of potatoes. The Milk Board has similar powers and exercises them for the benefit not only of the milk industry but the community as a whole. In the potato industry, justice cannot be done to the community generally merely by fixing the Board price. What happens from there on is beyond the control of the Board and is entirely in the hands of the merchants and retailers.

Every halfpenny rise per pound in the cost of potatoes can effect an increase of 3½ per week in the basic wage. This is because 7 lb. of potatoes are included in the regimen of the "C" Series index.

If my recommended economies within the industry could be carried out and necessary adjustments made to the various margins, the Board would have no difficulty in reducing the price of potatoes by something in the vicinity of £4 per ton. If, therefore, on the 14th November, 1955, when the Board price was reduced by £5 per ton, a further reduction of £4 would have been of very considerable benefit to the State of Western Australia.

SECTION 14.

The Price Structure—Cost of Production.

In the year 1950, a comprehensive survey into the cost of production of Western Australia grown potatoes was undertaken by the Prices Control Commissioner after consultation with the Potato Marketing Board, the Potato Growers' Association and representatives of the various zone councils.

A questionnaire was drawn up and 800 copies were sent to 410 growers nominated by the Potato Growers' Association. The replies received were collated, further meetings between the above groups were arranged and, as a consequence, further information was obtained. Finally, a cost of production formula was arrived at and has been the basis of all prices paid to the growers ever since.

Included in the cost of production formula are direct and all indirect costs and nothing has been omitted which could in any way affect a single factor of production.

Prices based on a cost of production formula are usually most unsatisfactory simply because it is very difficult to strike an average cost of production throughout an industry. Furthermore, according to the economists, price determines cost—not cost the price. Due to the vagaries of the egg industry it was impossible to strike an average cost production.

In the potato industry, yields vary according to the types of land, the districts and the personal husbandry methods of the growers,
but I feel that the cost of production formula is very generous and, if a grower cannot normally grow potatoes with an adequate profit to himself, he is inefficient and should not be growing them. Generally speaking, the growers throughout the various potato zones are well satisfied with the price of potatoes. As in the onion and egg industries, the export market is very unstable and frequently low export prices have the effect of reducing overall prices to the growers. There are times, however, when this market is very profitable.

Most of the complaints about the price of potatoes to the growers come from this industry who are usually the most inefficient and who produce poor quality potatoes.

Without any doubt the bulk of complaints comes from the Harvey, Osborne Park and Spearwood districts, with a sprinkling coming from other areas.

The cost of production formula gives a different price for the early-mid crops and the late. The following summary of potato production cost “early” and “mid” crops 1954-55 will show how the fixed price of £28 5s. was achieved.

The following summary will show how the price of £33 10s. for the “late” crop 1954-55 was arrived at.

### SUMMARY OF POTATO PRODUCTION COSTS.

#### Late Crop, 1954-55.

<table>
<thead>
<tr>
<th>Direct Cost—</th>
<th>£ s. d.</th>
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<tbody>
<tr>
<td>Cover Crop</td>
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</tr>
<tr>
<td>Fertiliser</td>
<td>24 17 1</td>
</tr>
<tr>
<td>Seed</td>
<td>16 8 2</td>
</tr>
<tr>
<td>Dipping of Seed</td>
<td>1 9 7</td>
</tr>
<tr>
<td>Cultivating and Planting</td>
<td>31 9 3</td>
</tr>
<tr>
<td>Cultivating and Planting</td>
<td>9 11</td>
</tr>
<tr>
<td>Horses</td>
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<tr>
<td>Rent</td>
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<tr>
<td>Irrigation</td>
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<tr>
<td>Drainage</td>
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Cost per acre

<table>
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Coverted to per ton basis at 5-2 tons per acre

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<td>3 3</td>
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<tr>
<td>25 15 0</td>
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Indirect Costs—

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<td>1 11</td>
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<td>3 5</td>
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<td>29 9 4</td>
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### SUMMARY OF POTATO PRODUCTION COST.

#### “Early” and “Mid” Crops, 1954-55.

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<td>Baiting</td>
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<td>Horses</td>
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<td>Irrigation</td>
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<td>Cartage</td>
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Cost per acre

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<tr>
<td>96 0 1</td>
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Converted to per ton at 7-97 tons

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<tr>
<td>3 7</td>
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<tr>
<td>1 4 0</td>
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</table>

Price fixed—£26 5s.

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It is necessary to explain the premiums which have been referred to in the price formula. Premiums are of two kinds, “early digging” and “late storage.”

Early digging premiums are given to growers in order to encourage them to dig their potatoes immature until supplies come forward beyond the requirements of the local market. Early digging means a smaller yield and it is for this reason that the premiums are given. This year, when potatoes have been so scarce, early digging premiums up to £15. per ton have been offered to growers. Late storage premiums are given to growers to encourage them to store their potatoes from early June until the early crop starts to come in, as from the beginning of October.

As I pointed out previously, many growers have excellent storage facilities and like to store their potatoes in order to get these premiums.

The money to pay the premiums is found by loading the price to the consumers in the first six months of the year (October-March) by an estimated amount per ton to cover the early digging premium in the No. 1 Pool, coal storage costs in the No. 2 Pool and portion of the premiums for the No. 3 Pool. (The pool system will be explained later.)
The amount of loading has varied between 15s. per ton in 1950, to £1 4s. per ton in 1954. I have no evidence before me as to what premiums will be required for the 1955-56 season.

No price loading at all is made in the No. 3 Pool. Any surplus in the premium fund carried forward from the No. 1 and No. 2 Pools is credited to the No. 3 Pool and the balance which is required to meet late storage premiums is charged against the No. 3 Pool itself.

In 1954-55 there was a surplus of £7,000 carried forward from the No. 2 Pool and this meant that 7s. 9d. per ton was deducted from the growers' price, which in turn reflected itself in the ultimate price to the consumers. By this means the consumers received some of the benefit of the extra amount they had been charged in the earlier pools.

Price control was lifted on the 31st December, 1953, and since that date the Board itself has fixed the price of potatoes to the grower. With one or two exceptions, the Board has adopted exactly the same price-fixing formula. Variations have been made in hourly labour rates and costs of materials and some items have been whittled down or added to a little, whilst one or two have been deleted and new ones substituted therefore. In the main, however, the Commission's formula is unaltered.

Without altering the general principles of the formula, some due consideration should be given to a revision thereof based on mechanisation rather than the use of horses as provided for in the formula. Mechanisation in the industry, generally, must come. Where the land is suitable, mechanised production is more economical and the grower is not at the mercy of diggers who charge up to £8 per day. The price formula allows for 4s. 6d. to 5s. 6d. a bag and there are 16 bags in a ton, but a grower is extremely lucky to get diggers at this rate. Digging is hard work but this does not excuse the diggers from exploiting the industry as they are doing at the moment. Mechanical diggers, which can be purchased for £250 or thereabouts are the answer to this exploitation.

The Board fixed the price of potatoes to the grower for the first time on the 1st April, 1954. Only one alteration was made to the formula. The Board allowed 12s. 9d. per ton for the cost of digging one ton per acre over the average marketed and this, in my opinion, is reasonable. Growers have to pay diggers for all potatoes dug irrespective of quality but there is always a percentage that cannot be marketed. Notwithstanding the inclusion of this additional factor, the price for the 1953-54 late crop was fixed at £31 16s. 8d. per ton, compared with £32 2s. 6d. per ton fixed by the Prices Commissioner for the late crop in the 1952-53 season.

On the 25th October, 1954, the price was next adjusted by the Board for the early crop. It was assessed strictly in accordance with the Prices Commission formula and accordingly it was reduced to £26 5s. per ton. This compared very favourably with the £28 15s. fixed by the Prices Control Commission for the corresponding crop the year before.

On the 1st April, 1955, the price was adjusted by the Board for the late crop and was fixed at £33 10s. which was £1 15s. higher than the previous year. This was due to increases chiefly in labour costs. The Potato Growers' Association claimed an increase of 20 per cent. for this item but the Board, working on the marginal increases granted to its own staff, allowed 8½ per cent.

An amount of £1 0s. 8d. per acre was allowed for spraying and this was the first time it was included in the formula. On the other hand, as the Board considered that "baiting" was not being done by more than half the growers, an allowance for this item was halved and reduced to 9s. 11d. The £1 0s. 8d. was assessed without any real investigation and was more or less a guess. It may be all right, however, but it should be carefully reviewed in the next price fixation.

It will be noted that under the formula, a greater price is always fixed for the late crop than the early or mid. This is chiefly due to the difference in yield. For example, in the year 1954-55, the yield for the early and mid was 7.97 tons to the acre, whilst the late was only 5.2 tons. This factor, taken in conjunction with the variation in other cost items, accounts for the difference in the two prices. I shall quote just one or two instances to show the difference.

Far more re-grading is necessary for the late crop which has to be stored, hence a greater allowance is made for this. A cover crop is essential before the late crop is planted but not necessary for the early crop and for only half of the mid-season crop. Cartage varies, as in the early crop most of the potatoes can be transported from the paddock to the siding. The mid crop is twice handled and about two-thirds of the late crop at least is so handled.

It is impossible to arrive at a formula, every item of which is exactly applicable to every grower or even to every part of the one district. The land itself varies so much and the personal element varies to such an extent that it is extremely difficult to strike a norm. I feel, however, that the Prices Control Commission made a most comprehensive survey and in the formula has created a "brain child" of which it can well be proud.

One unfortunate feature of the formula is that some growers get paid for what they do not do, but as most of these items in the formula go towards making a better quality potato, the real penalty to those growers is not in price at all but in the rejection of their potatoes.

There are growers who are not satisfied with the general principles of the formula and consider it is not sufficiently generous. The answer to these is that they are inef-
cient and the sooner they get out of the industry, the better for the industry it will be. I am quite satisfied that with some potato and onion growers the only system which will appeal to them is one which guarantees them £1 or £2 more than either of their neighbours.

The efficient growers with good yielding land naturally find the formula very satisfactory. Some of these men get very large yields to the acre and up to 13 tons is not uncommon. The average yield in Osborne Park is 13 to 15 tons to the acre. The formula, therefore, to these men is most generous, yet when one tries to omit any single item, he can scarcely do so without injustice to the growers.

It is said that in the late crop it takes about four tons to the acre to cover the actual cost of production and that anything over that figure is profit. Growers of the heavier-yielding early and mid crops should, therefore, do even better than this.

Whilst the formula may be on the generous side to some of the industry, it must be remembered that in common with other primary producers, the growers have to contend with the hazards of the elements. This year, for instance, many growers lost the whole of their crops due to the February rains. There is always a likelihood of this and growers should not be pinned down to a very penny. Furthermore, whilst mechanical digging has so many advantages, it cannot be used in certain soils. In Osborne Park, for instance, the growers dig the potatoes with their bare hands and this process is known as "bandicooting." Any little generosity in the formula is counterbalanced by having to pay such large sums to diggers. The Board, however, has to face up to the situation that those growers who still use archaic methods and cannot, therefore, produce economically, will eventually be forced out of the industry.

There is a tendency in every system where price is based on a cost of production formula, to grant a rise in price every time the cost rises, however small such rise may be. This is merely a sop to the producer who will then make no real attempt to reduce his costs of production by economic and more efficient methods.

I would, therefore, like to see the price remain stable and increases in the items of the formula should not be lightly granted by the Board. Constant review should be made of these items, not with a view to increasing the cost thereof but reducing it. If this is done, there is a greater incentive to more economic production.

The Board has not allowed prices to skyrocket and this can be seen by a comparison of its prices with those under price fixing. Whilst Board prices have remained fairly static, the wholesale and retail margins have actually increased.

The price for the early crop of the 1955-56 season is now due for review and should be reduced as soon as possible in accordance with the formula and the principles I have discussed. In addition to the seasonal re-

duction of the growers, I am firmly of the opinion that decreased margins to both wholesalers and retailers along the lines I have suggested, should be made.

In the egg section of my report, I recommended that the Auditor General be empowered to criticise the economic working of the Egg Marketing Board and I consider he should have the same powers with regard to the Potato Marketing Board. In particular, he should be empowered to comment on the price mechanism generally.

The alternative to the present price-fixing basis is, of course, to allow the price to be determined by the ordinary law of supply and demand. As the very essence of controlled marketing is the regulation of supply throughout the year, no true law of supply and demand can operate when one arm of the law is controlled and the other is free. Where supply and demand operate in the industry in other States, there have been violent fluctuations in price throughout the year, there have been gluts in potato famines and the quality of the potatoes has evidently been no better than here.

Even admitting that the present retail price can come down, a maximum of 5d. per lb. under Board control compares more than favourably with interstate retail prices.

Apart from Western Australia, the Sydney price of potatoes seems to govern the whole Australian price structure.

Over the last couple of years, Victorian retail prices have fluctuated considerably, being as low as 3½d. per lb. and as high as 1s. Fluctuations occur there because potatoes are being imported and exported all the year round. (As a matter of interest, Victoria is the largest producer of potatoes in Australia.)

In Tasmania, the price has varied from 2d. per lb. for the main crop to 1s. per lb. for early new potatoes.

In South Australia, prices have ranged between 2½d. per lb. to 9d. per lb. During the last six months, the wholesale price has varied between £26 per ton and the present price of £48 per ton.

In New South Wales, which is relatively small producing State but a very large consumer of potatoes, wholesale prices fluctuate and vary as much as £10 and £15 in a week. Retail prices have varied between 4d. and 1s. per lb.

I have a letter before me from the Manager of P.L.C. Pty. Limited, Sydney, dated the 11th October, 1955. This company handles most of the importation of potatoes into New South Wales. The letter states that on the previous Thursday a small quantity of potatoes from Frederick Town (central North Coast of New South Wales) were available and were sold at auction for £86 16s. a ton.

There was also a trailer of potatoes from Queensland which were sold by private treaty at £85 a ton. On the following day 200 bags of new season’s potatoes fetched £80 a ton.
On the 10th October, 1955, there was a quantity of new season's potatoes available. In the one day the price varied from £70 down to £55.

On the 11th October, 1955, new potatoes were selling at prices ranging from £55 to £60 a ton.

The following are the headlines of an article in the Sydney “Sun” of the 20th July, 1955:- “Gifts Given to Get Potatoes” “Prices Soar in ‘War’.”

The article then went on to say that some merchants were sending expensive gifts to growers’ wives and children in order to get potatoes. Incentives such as loans for machinery and promises of hard-to-get goods in Sydney were also offered.

The following is a further quotation:—

“The wholesale price of potatoes has risen by £16 a ton, about 14d. lb., because of the ‘potato war’ in the last 14 days.”

The final quotation I shall make is most pertinent: “Potatoes were £60 a ton on the wharves today, and are expected to reach £80 within a month.”

All this sort of thing should make the Western Australian public a little happier about the potato price in the State.

SECTION 15.

Payments to Growers—The Pool System.

Three pools have been established throughout the year from which payments are made to the growers.

The first pool is known as the “No. 1 Pool” and operates between October and December.

The second pool, known as the “No. 2 Pool,” operates between January and March.

The third pool, known as the “No. 3 Pool,” operates between April and September.

In the No. 1 and No. 2 Pools, a first payment is made to growers on delivery, a second payment is made at the end of the pool and a final payment at the end of the financial year.

In the No. 3 Pool, a first payment is made on delivery and a final payment made at the end of the pool which is also the end of the financial year. Any premiums which are payable at the time of delivery are included in the first payment.

The first payment is based on the estimated surplus in any pool, taking into consideration the state of the market in the other States and the estimated returns which can be expected for the export surplus. The second payment is made pro-rata from whatever moneys remain in the pool to within 10s. per ton. This is held in reserve to cover any costs which cannot be determined till the year is finalised. Whatever is remaining at the end of the year is all paid out pro-rata as a final payment.

It is not fair to the grower or the Board merely to quote the returns to growers for a single year. Seasons vary, yields vary, the surpluses vary, the export market varies and consequently a fair picture can only be obtained by taking a period of three to five years. Accordingly, I have included a table showing the growers’ return for the three pools over the last five years.

This table shows how exports affect the growers’ price. For example, if there are 4,000 tons in a pool and only 2,000 are required for local consumption, the other 2,000 have to be exported. If the local fixed price is £30 per ton f.o.r. metropolitan area and the average t.o.b. export price is £20 per ton, the overall average selling price becomes £25 per ton.


No. 1 POOL.

Analysis of Selling Price and Payment to Growers over Five Years.

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<td>£70,934</td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

* At least 4,000 tons of exports lost through Waterside Workers’ Strike.
† Average payments to growers including premiums for above period of five years (this figure includes an estimated final payment of £1 per ton from the 1954 pool, £22 17s. 8d. Average yield for five years, 7½ tons per acre.
Average net return per acre for above period, £171 12s. 6d. per acre.
All freights from growers’ siding to metropolitan area are paid by the Board and are included in the difference between growers’ payments and selling price.
No. 2 POOL.

Analysis of Selling Price and Payments to Growers over Five Years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tons in Pool</th>
<th>Local Fixed Selling Price per ton</th>
<th>Tons Exported</th>
<th>Average f.o.b. Selling Price per ton</th>
<th>Overall Average Selling Price per ton</th>
<th>Average Growers’ Payments per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>10,185</td>
<td>£ 20 5 0</td>
<td>Not available</td>
<td>£ 24 4 0</td>
<td>£ 24 16 0</td>
<td>£ 17 15 6</td>
</tr>
<tr>
<td>1952</td>
<td>9,961</td>
<td>28 10 0</td>
<td>3,466</td>
<td>16 17 0</td>
<td>24 16 0</td>
<td>24 4 3</td>
</tr>
<tr>
<td>1953</td>
<td>12,164</td>
<td>28 15 0</td>
<td>3,946</td>
<td>16 17 0</td>
<td>24 16 0</td>
<td>21 1 9</td>
</tr>
<tr>
<td>1954</td>
<td>11,915</td>
<td>26 5 0</td>
<td>4,157</td>
<td>*16 0 0</td>
<td>*22 8 0</td>
<td>18 10 0</td>
</tr>
<tr>
<td>1955</td>
<td>11,064</td>
<td></td>
<td>55,289</td>
<td><strong>£129 15 0</strong></td>
<td><strong>£104 7 7</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Compete figures not yet available (estimated).
† Based on estimated f.o.b. price.
Average payment to growers for above period of 5 years (this figure includes an estimated final payment of £1 per ton from the 1955 Pool), £20 4s. 6d.
Average yield for five years, 7-5 tons per acre.
Average net return per acre for above period, £126 11s. 3d. per acre.
All freight from growers' siding to metropolitan area are paid by the Board and are included in the difference between growers' payments and selling price.

No. 3 POOL.

Analysis of Selling Price and Payment to Grower over Five Years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tons in Pool</th>
<th>Local Fixed Selling Price per ton</th>
<th>Premiums Paid</th>
<th>Average Growers’ Payments including premiums per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>12,106</td>
<td>£ 19 5 0</td>
<td>£ 11,050</td>
<td>£ 18 0 9</td>
</tr>
<tr>
<td>1951</td>
<td>20,522</td>
<td>22 12 6</td>
<td>39,886</td>
<td>21 0 2</td>
</tr>
<tr>
<td>1952</td>
<td>17,894</td>
<td>30 7 6</td>
<td>32,798</td>
<td>28 5 8</td>
</tr>
<tr>
<td>1953</td>
<td>20,733</td>
<td>31 10 0</td>
<td>45,565</td>
<td>29 18 9</td>
</tr>
<tr>
<td>1954</td>
<td>19,216</td>
<td>31 15 0</td>
<td>38,713</td>
<td>28 15 6</td>
</tr>
<tr>
<td></td>
<td>90,471</td>
<td>£135 10 0</td>
<td><strong>£167,812</strong></td>
<td><strong>£126 0 10</strong></td>
</tr>
</tbody>
</table>

Average selling price, £27 2s. per ton.
Average payment to growers, including premiums, £35 4s. 2d. per ton.
Average yield for five years, 4.9 tons per acre.
Average net return per acre for above period, £123 10s. 5d. per acre.
All freight from growers’ siding to metropolitan area are paid by the Board and are included in the difference between growers’ payment and selling price.

Many people, including growers, cannot understand the gap between the “Board Price” and the overall price paid to growers. I have heard members of the public say, “I wouldn’t mind paying 9d. or Is. a pound for potatoes providing the grower gets the money.” These people fail to realise the significance of the surplus and its effect on the overall price and the above table should explain what happens to the proceeds of sale.

The position should be better understood by an analysis of the distribution of the proceeds of sale of potatoes for the year ended 22nd October, 1954. The total proceeds of sale were £1,488,011 and were distributed as follows:—

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to Growers</td>
<td>£85,611</td>
</tr>
<tr>
<td>Payments to Growers’ Trust Fund</td>
<td>...</td>
</tr>
<tr>
<td>Railage</td>
<td>£5,676</td>
</tr>
<tr>
<td>Shipping Frets and Charges</td>
<td>£4,097</td>
</tr>
<tr>
<td>Board Administration</td>
<td>£2,794</td>
</tr>
<tr>
<td>Marketing Charges :</td>
<td>£1,450</td>
</tr>
<tr>
<td>Agents’ Commissions</td>
<td>£2,838</td>
</tr>
<tr>
<td>Storage Charges</td>
<td>£1,088</td>
</tr>
<tr>
<td>Weighings and Allowances</td>
<td>£54</td>
</tr>
<tr>
<td>100 per cent.</td>
<td></td>
</tr>
</tbody>
</table>

SECTION 16.

Board Administration Charges.

It will be noted that included in the cost of production formula is an item “Board charges, £1 6s. 4d.” This sum is made up of the 15s. per ton paid to Potato Distributors (W.A.) Pty. Limited and 5s. 4d. representing Board administration charges. I have already explained the first item and the second does not require very much elaboration.

In my opinion, this sum of 5s. 4d. per ton is reasonable. As far as I can see, the Board has not been extravagant in its administration. Its offices are unpretentious, it is not overloaded with staff and there does not appear to be any duplication of effort. The Board’s books are audited by the Auditor General who is quite satisfied with the accounting system and the books of account.

The annual turnover of the Board is not very much below that of the Egg Marketing Board, and the Manager has a very difficult and exacting task. Whilst the Manager of the Egg Marketing Board has many difficulties in marketing, the Potato Board’s Man-
Mr. Hard is a competent and conscientious officer. There is no better man anywhere who can fill the position he occupies today. He is an ex-grower of many year's experience, he fathered orderly marketing in the industry, he understands the problems confronting the industry, he understands the various types of growers and whilst there are many who don't agree with him in some matters, he has a reputation for integrity from one end of the industry to the other.

SECTION 17.
Quality of Western Australian Potatoes Generally.

Without any doubt, allegations as to the poor quality of Western Australian potatoes helped to bring about this Royal Commission. I have not had the advantage of making personal inquiries in other States and thus getting first-hand information, but I have made inquiries and heard evidence from witnesses who are not unfamiliar with the position, and I feel sure that the quality of potatoes here is as good as anywhere else in Australia. As a matter of fact, many of our potatoes go to the other States and bear a very good reputation there. The Board is actually exporting at the moment.

The general quality of potatoes in this State is satisfactory, but some potatoes are sold to consumers which are a disgrace to the industry. I estimate the proportion of inferior potatoes in Western Australia to be about five per cent. of those marketed. In some parts of the year the proportion may be a little less and perhaps towards the end of the storage period of the late crop, a little more. On the whole, however, the proportion throughout the year would not exceed five per cent.

In coming to the above conclusion, I am relying not only on the evidence but on my own observations. Practically every wholesaler and retailer who gave evidence said the proportion of inferior potatoes would not exceed one bag in 20. This, of course, is five per cent. I myself inspected wholesale and retail establishments chiefly during the late storage period and my estimate is five per cent.—no more.

I am satisfied from the evidence that the general quality of potatoes marketed today is on the whole superior to pre-Board days.

Mr. Richard Etherington, a partner in the wholesale firm of Cheney & Co., has been in the potato industry in Western Australia since 1911 and prior to that in the trade in England. Mr. Etherington say poor quality potatoes were always sold to the public and that a merchant might have four qualities of potatoes selling at different prices at the same time. Some retailers used to mix the poor quality potatoes with the best and sell them all at the one price. Mr. Etherington is of the opinion that the quality generally today is better than it was. Other witnesses have given evidence along the same lines as Mr. Etherington and they also were men who knew what they were talking about.

In pre-Board days, however, merchants had a choice of growers and the good ones only bought from good growers. Their complaint today, however, is that this choice no longer remains with them. This is true and is, of course, an inherent weakness of the system which cannot be very well eradicated. Growers also, formerly had some individuality and some acquired high reputations for quality. Today they have lost this but benefit insofar as they receive less rejections for quality than the poorer growers.

The fact that poor potatoes do get through to the public is, of course, unanswerable. Although it is only a small percentage, it frequently happens that a consumer might get more than five per cent. wastage in an individual purchase of potatoes and this is the reason there has been such an outcry against quality. If an unscrupulous grower is successful in getting through a bag of "duds" to the consumer, one such consumer might buy a stone of potatoes, all of which are useless. The same thing can happen if there is a breakdown of the potatoes in transit or whilst in store.

SECTION 18.
The Quality and Grade of Potatoes as Prescribed by the Agricultural Products Act, 1929-40, and Regulations Thereunder.

Regulation 20 prescribes the various grades of potatoes grown in Western Australia and intended for sale.

"Grade 1" means "sound potatoes of similar varietal characteristics, weighing not less than 3 ounces each, mature and reasonably free from dirt or other foreign matter, second growth, digging injury, damage caused by disease, sunburn, insects, or greening from exposure."

"Grade 1A" are of exactly the same quality as "Grade 1" except they shall weigh not less than 2 ounces nor more than 3½ ounces each.

"Grade 2" means potatoes of similar varietal characteristics, weighing not less than 3 ounces each and reasonably free from wet or dry rot, dirt or other foreign matter. The term includes potatoes in which a light infection of common scab, second growth, insect injury or other skin blemish occurs if the damage resulting from the said causes can be removed by the ordinary process of paring without appreciable increase in waste over that which would occur if the potato were perfect.

There are other grades which for the moment don't affect the position.
Under Regulation 20 (3), potatoes contained in any one parcel shall be deemed to comply with the standard of grade if at least 95 per centum thereof by weight comply with the standard. This tolerance of five per cent. is reasonable and is, I know, adopted in several other States. Some unscrupulous growers, however, use this tolerance to “top up” with “rubbish.” In actual fact, they don’t “top up” but put the “rubbish” in the bottom of the bags.

Regulation 22 provides that “The bags or other containers in which potatoes intended for sale are packed shall have legibly marked on the outside thereof and in a conspicuous place the name and address of the grower, followed by the word “Potatoes” and the grade thereof.” This regulation is very frequently disobeyed and it is impossible to ascertain in some cases the names and addresses of the growers. Sometimes the bags are marked with several names and once the potatoes are taken in store by wholesalers or retailer, it is impossible to trace them back to a particular grower. They have had the same difficulty in other States with no proper branding of the bags and it is something which must be stopped. Growers should be warned, and failing results, prosecutions should be launched against offenders. The Department of Agriculture has not been nearly strict enough in this matter.

It is obvious that the Agricultural Products Act and the Regulations thereunder, are intended to protect the public against poor quality potatoes and are therefore meant to apply to every phase of marketing from the farms to the consumers. This being so, the onus must be on some body or other to see that the Act and Regulations are being properly adhered to by growers, merchants, retailers and in fact everybody who has anything to do with the marketing of potatoes.

Mr. Eckersley takes the view that the Act is intended to regulate the marketing of agricultural products and to provide for various grades of potatoes. He says it has never been clearly put to him that it is the duty of the Department to carry out inspections under the Act. There is no doubt, however, that the Department of Agriculture has always administered the Act and Regulations since they became law in 1929 and this was of course long before the advent of the Potato Marketing Board. Department of Agriculture inspectors check the potatoes on their arrival in Perth and this shows that the department recognises its responsibility as the necessary policing authority.

Apart from inspections at the Perth rail-head, the only check ever made on retailers is when a complaint is made about quality. I will readily agree that it seems a long way from the counter, but in my opinion that is the liability which the Act imposes.

Perhaps the duties of the Department should end at the Perth rail-head and from then on the Board, which is charged with the marketing of the potatoes, should be required to take over the necessary policing of the Act. Board employees could be gazetted inspectors under the Agricultural Products Act. It is really a matter of policy for the Government as to what body it desires to enforce the provisions of the Act.

It has been suggested that a good percentage of the poor quality potatoes is due to the black market or the retailers not purchasing potatoes sufficiently regularly and thus allowing them to deteriorate in their shops. Without any doubt, however, the whole industry has to become more quality-conscious.

Much of the trouble actually occurs on the farms themselves and after the potatoes leave the farms insufficient checks thereof are made by all those in any way engaged in the industry.

SECTION 19.
Quality of Potatoes on the Farms—Methods of Improvement.

To grow good potatoes, the seed must be of the finest quality procurable and the Department of Agriculture is maintaining a good standard with its policy of “certified” or “approved” seed.

The seed question, however, has very little to do with marketing and I can sum up the position by saying that poor quality potatoes, as the public knows them, have very little to do with poor quality seed.

As I pointed out under the licensing section of my report, the quality of potatoes depends on cultivation methods, condition of the land where they are grown and the steps that are taken to preserve them once they are harvested. From the evidence, I am satisfied that many growers know their potatoes are of poor quality when they leave their farms or that they will be likely to break down in transit or at some stage before they are marketed. This applies particularly to potatoes grown under irrigation or in swampy land which have become water-logged. I have come to this opinion as a result of strong evidence given by men in the industry who should be in a position to know.

On the other hand, break-down can occur for various reasons which would be beyond the knowledge of the growers when they actually consigned their potatoes.

Some growers are most quality-conscious and I instance one case which I actually saw myself. Mr. J. W. Littlefair, of Manjimup, has different types of land, including some swampy ground. There had been some considerable rain and all the potatoes from the swampy land were stacked on one side as suspect. He was very doubtful about marketing these potatoes at all. This impressed me as a distinct contrast with some growers who would be beside themselves till they were able to get rid of their potatoes from whatever part of their land they came.

Many growers are inexperienced and do actually need guidance in better cultural methods and would improve their general standards after such guidance.
Greater attention must be paid to grading on the farms because I am sure this is not being conscientiously done by all growers. There is really a liability on the part of growers, apart from pride in their product, to grade their potatoes, because an allowance for this is made in the cost of production formula.

Many growers are certainly in the hands of careless or unscrupulous diggers who are paid for every potato dug and bagged. As it is customary with the early and mid crops to do most of the grading in the paddocks, it is not to be unexpected that some very poor quality potatoes leave the properties. Greater supervision over these men is required.

In connection with the late crop, it is usual amongst good growers to grade all potatoes on a grading bench or with a grading machine. As the season progresses, each consignment is re-graded in case of break-down during storage.

Some growers don’t even possess a grading bench, the cost of which to build would be infinitesimal. It is only a table which can be made from any old wood and has spaces between the battens through which the dust and dirt can fall to the ground.

Grading machines can be purchased with engine and all necessary attachments for up to £250 and in some zones, Albany in particular, they are used on a co-operative basis. This would be impossible in some zones where there is no spirit of co-operation and all the neighbours are too busy wondering how much more than the others they can get for their potatoes.

It has been suggested that there should be a central grading shed in each zone where all potatoes could be graded before being sent to market. Except, perhaps, in the Donnybrook zone, this would be expensive and I really believe impracticable. In the Manjimup-Pemberton area, some growers would have to cart their potatoes many miles to a central shed and with the high cost of transport it would not be a paying proposition.

Donnybrook has its packing sheds available for fruit and these could unquestionably be used for grading potatoes. The whole central packing scheme would be practicable in this area but some growers would have to transport their potatoes considerable distances. In my own opinion, a scheme such as this is a matter for co-operation between all the growers in the particular zone. It is something which the growers concerned should finance and should not be made the burden of the industry. Many growers do their own grading on their farms in a satisfactory manner and they should not be required to bolster up growers who fall down on their jobs.

Those growers who want a central system of grading must be prepared to pay for it themselves.

Some growers are not satisfied unless they sell every potato that comes out of the ground, good or bad. Why this attitude should exist is beyond me. In the apple industry, growers know they cannot market every apple that comes off the tree. I was informed by a manager of one of the packing sheds in Donnybrook that about 89 per cent. only of the apple crop is marketed and that there must always be culls.

I have seen whole bags of potatoes in retail stores which have contained a mixture of sound and poor quality potatoes with obviously a few culls thrown in for good measure. Some bags contain potatoes which have received severe mechanical damage, deep fork cuts and other injuries and which in my opinion should not be sold for human consumption.

I saw one bag of potatoes quite obviously comprised entirely of culls. This bag may have left the farm in error or it may have been a deliberate case of swindling but the fact remains it went right through to the retailer.

Mrs. Williams of Dimminup purchased a bag of potatoes from a retailer and the Board itself, after inspection, was satisfied they were culls.

Some potatoes are of excellent quality when they come out of the ground but rapidly deteriorate because the particular growers have not adequate storage facilities and take no steps to store them adequately.

Some growers harvest their potatoes in fierce summer heat and they are sunburned before they are bagged and hence break down before marketed.

Some growers don’t sew the mouths of the bags properly and the potatoes become greened. Most consumers have seen potatoes so affected at some time or other.

SECTION 20.

Department of Agriculture Advisers.

Is there any remedy for all this trouble on the farms? In my opinion much of it can be mitigated. In every area I visited growers welcomed the suggestion of a resident adviser from the Department of Agriculture. The idea is not new and already there is such an adviser in the Albany-Denmark area who is of great assistance to the growers of ware and seed potatoes. He is respected and the growers listen to him. There have also been such advisers in the Harvey district. The last one, however, had no tact and only antagonised the growers.

The advisory scheme should, however, be extended to every area. The adviser could also be a fruit and vegetable expert. When I say expert, I don’t necessarily mean that he should be a Bachelor of Agricultural Science and I don’t think that is necessary. Such adviser may be able to cover more than one zone. I have put the proposition to Mr. Eckersley and he agrees that if steps are taken along these lines, decided improvement in quality should be effected. I under-
stand there is already a fruit expert in the Donnybrook area and his services might be utilised.

The first duty of the adviser would be to go round among the growers, visit their properties, discuss their problems, inspect their growing crops, advise them in the matter of plant diseases and infections, inspect the crops when being harvested and advise whether or not potatoes about to be consigned will pass the necessary inspection tests.

A great deal of trouble and expense could be saved to all concerned if sound advice could prevent the despatch of poor quality potatoes. Furthermore, where possible, some inspection should be carried out at the railing point before the potatoes actually leave the zone.

It is undesirable that Departmental officers should have to act as advisers and inspectors, and I commented about this in my report on the egg section of this inquiry. In the country districts, however, there must be some over-lapping because it is certain that both an inspector and an adviser cannot be economically retained in a district. A tactful adviser, however, will achieve wonders without having to be dictatorial. I, therefore, strongly recommend the appointment of such advisers as soon as possible.

The expense of maintaining these advisers should be borne by the industry and should not be provided for in any cost of production formula and then eventually passed on to the consumers.

Both the Department of Agriculture and the Board realise that further inspectors must be employed throughout the industry and it has been agreed that the Board should pay an inspection fee of Is. 6d. per ton. A similar arrangement could be entered into with regard to the country advisers.

SECTION 21.
Inspection of Potatoes for Quality on Arrival at Perth Goods Yards.

The evidence shows that the transport of potatoes from the various zones to the Perth rail-head is satisfactory. If a break-down in potatoes occurs en route, I think is is due to the inherent qualities of the potatoes rather than to the method of conveyance. Louvred vans are used where possible and growers themselves do not blame the Railways.

All potatoes are supposed to be inspected for quality on their arrival at the Perth Goods Yards by Department of Agriculture inspectors, but with the available facilities it is absolutely impossible to carry out a proper check. The growers know that there can only be a perfunctory check and many of them consign potatoes knowing that there is a chance of poor quality stuff getting through.

I want to say this, at the outset, that it is not through lack of efficiency on the part of the inspectors that poor quality potatoes slip through. They are conscientious and are doing their best but can only inspect a small percentage of the potatoes that arrive in Perth by rail.

Sometimes the trucks are loaded within two feet of the top but normally there is sufficient room to move around once the inspectors get in the van. Usually there are two inspectors to do the necessary inspections. They open three bags at the top of the truck and should anything be found that gives rise to doubt, they open more bags, but normally only three bags are opened.

Mr. F. H. Tonkin, one of the inspectors who gave evidence, says it is very difficult to see anything except the bags just in the doorway and those immediately on top of the truck itself. He is an honest witness and I believe him when he says some growers, knowing the method of inspection, see to it that when the trucks are loaded at the various railing points, the “crook” stuff is put at the bottom. On occasions when he has re-inspected the potatoes in the presence of the growers and questioned them, they have known the whereabouts of the “crook” stuff.

Mr. Tonkin has been associated with the potato industry since 1914 and was the first man in Western Australia to have certified seed. As an inspector, he has formed the same opinion of the Marybrook growers as myself. As a body they are most jealous of their reputations and feel that to have a consignment of potatoes rejected is more or less letting the district down. I myself could add that growers in the Dardanup and most of the Albany and Manjimup zones feel the same way.

Mr. Tonkin, from his experience, has not formed a very high opinion of the quality consciousness of merchants generally and he says there are only isolated instances where the merchants go to the railway yards every morning to check the quality of potatoes allocated to them from a particular truck.

At page 168 he says, “It is marvellous to see the number of people who go to the railway, pick up their quotas of potatoes, go straight off and deliver them.” He further says at the same page that some merchants send the potatoes direct to the retailers without any check whatsoever. To use his own words, “Sometimes on delivery they would allocate the potatoes and the trucks will take the stuff, straight away.” As I pointed out, the primary merchants draw substantial margins for deliveries ex rail, yet do nothing whatsoever to check the quality of the potatoes before passing them on to the secondary merchants or retailers.

This position is very clear, that the potatoes at the bottom of the truck seldom get inspected. Mr. Tonkin says there is only one way to ensure a thorough inspection and that is as the truck is being emptied, to open and check more bags. There appears to be in-
It is a matter of surprise that more poor quality potatoes don’t get through to the public. The only mitigating factor against this is the fact that the inspectors know the growers with poor reputations for quality and accordingly, as far as they are able, keep a better watch on their product. On the other hand, potatoes from any grower, however careful and efficient he may be, are likely to break down now and again and it is essential, therefore, that an adequate check be kept on all potatoes.

Many growers argue that inspection of the potatoes in Perth is too far removed from the farms and that it is not fair to condemn the potatoes in Perth. If potatoes won’t last until they arrive in Perth there is something inherently wrong with them. In any case, inspections are made as a protection to the consumers, not the growers.

The inspection in Perth, therefore, is in my opinion absolutely essential, but it must be something more than the hit-and-miss method adopted now. A proper covered platform should be made available where the potatoes can be taken from the truck and properly examined. These facilities are available in Melbourne and have been so for nearly 30 years. Are the Victorian public any more entitled to good quality potatoes than our public? Until better facilities for testing are provided at the Perth rail-head, the public will always get its proportion of poor quality potatoes. Immediate steps should be taken to rectify the position.

SECTION 22.
Quality of the Potato with Regard to Merchants.

Some merchants are far more quality-conscious than others and really take some trouble to see that as far as possible, only good potatoes are sold to the retailers. They visit the rail-head and see for themselves what is going on and endeavour to get the good potatoes. When they take delivery of the potatoes, they grade and check a good proportion of them in their own premises.

Mr. Etherington, for instance, does not hesitate to call an inspector as soon as he suspects there is anything wrong with a consignment of potatoes. Only a day or two before he gave evidence he had 64 bags picked over in an inspector’s presence, and rejects and soil average 9 lb. per bag. If he had not been so thorough, 9 lb. per bag of useless stuff would have gone to a retailer, who, in turn, might have passed some of this on to 20 or 30 customers.

Mr. Etherington believes that the best remedy for stopping complaints is to prevent poor quality potatoes being passed on to his clients. If all merchants adopted this attitude and really earned their margins, there would be an immediate improvement in the overall quality of potatoes sold to the retailers.

SECTION 23.
Retailers and Quality.

The very fact that the public is able to buy potatoes badly cut and marked by forks, or severely damaged by mechanical diggers, is a commentary on the whole industry and shows very definitely that no proper checks are carried out. It is certain in such circumstances that the retailers pass them on to the public in exactly the same condition as they themselves receive them.

Very few retailers ever realise the effect of Regulation 23 of the Regulations under the Agricultural Products Act which is as follows:—

"Potatoes intended for sale, whether wholesale or retail, and not exhibited in the original containers, shall be exhibited in containers marked in a conspicuous manner defining the grade thereof."

How many consumers have seen potatoes exhibited in this fashion? As a matter of fact, it is an exception to the rule to see them so exhibited. If the Regulation were properly policed so that retailers were made to comply with it, it would mean that they would be offering to the public some tangible proof of their bona fides.

If potatoes are re-bagged by retailers into 1-lb., 2-lb., 1-ton and 1-ton lots, it is obvious that the potatoes could be checked in the course of re-bagging. Mr. McAlinden has his own grading bench and goes through every consignment of potatoes and consumers in the Maylands area can rest assured they won’t buy poor quality potatoes from him. If they do, then it is not through the fault of Mr. McAlinden.

Potatoes are perishables and likely to deteriorate fairly rapidly in the hot summer months, especially if improperly stored. Retailers should therefore purchase their stocks regularly and keep them in a cool, well ventilated place.

The onus is on the retailers as well as anyone else who handles potatoes for sale, to ensure that the product is up to the required standard, and if they discover poor potatoes they should not be passed on to the public together with the comment, “That’s the Board for you.” As in the egg industry, the Board is often a very convenient “Aunt Sally” and the public have come to take a proportion of bad potatoes as part of their lot.
The whole trouble centring around poor quality potatoes may be put down to the fact that many engaged in the industry are just too complacent and too tired to check the quality of the potatoes they handle. This attitude is just not good enough and more inspections of wholesale and retail establishments are required.

The Board will take responsibility for poor quality providing a claim is made within 48 hours of delivery where delivery is effected in the metropolitan area, and within 72 hours where delivery is effected in country districts. In genuine cases, even after these times, the Board will make good the loss, if the circumstances are warranted. These times are fixed so that the growers may be paid for their potatoes as soon as practicable after delivery to the Board's distributing agent.

Retailers very often claim against wholesale for excessive soil in the bags and for poor quality potatoes, but I have some doubts if these benefits are generally passed on to the consumers.

SECTION 24.

The Black Market and Poor Quality Potatoes.

Some considerable quantity of poor quality potatoes are bought by the retailers on the black market. The growers who usually sell on the black market are generally those who produce the poor quality potatoes and want to get rid of them before they break down. They have no Board charges to meet and it pays them to sell under the Board price. It is said that most of the black marketeers come from the metropolitan area and the Harvey district. The Board files, which I have read very carefully, bear this out. Just as the receiver is worse than the thief, so is the purchaser on the black market worse than the seller. Purchasers on the black market should, if discovered, be prosecuted relentlessly.

SECTION 25.

Consumers and Quality.

Many consumers never inspect their purchases of potatoes for quality. They merely ask for a half-stone of potatoes or whatever the quantity may be, hand over their money and pick up their pre-bagged parcel of potatoes.

Some witnesses before the Commission say they always inspect their potatoes in the retail shop and don't wait till they get them home to find that some of them are bad. Prudent buyers, I suppose, do this, but if the retailers were doing their job it would not be necessary to do it.

It is not much consolation that many retailers will make good the loss in quality because no-one likes the trouble of having to return poor quality goods all the time. Anyone who gets poor quality potatoes should make an official complaint forthwith and by doing so it will help the Board and the industry considerably.

SECTION 26.

Poor Quality Brought About by Handling 140-lb. Bags.

At the present moment the industry uses bags of approximately 140 lb. capacity. These bags are extremely heavy and very hard to handle. Everyone from the growers to the retailers must be fully aware of this. Bags are handled roughly and are frequently dropped and the contents become bruised and damaged. In Holland, one of the world's greatest potato-producing countries, the size of the bag was reduced from 140 lb. to 100 lb. with wonderful benefit to the industry generally.

I have put the suggestion to many in the industry that the 100 lb. bag should be introduced, and whilst they can see its advantages they raise all sorts of difficulties in its introduction, including added cost. All the same objections were raised in Holland, but once the smaller bag was introduced its great advantages were immediately apparent and no-one there now wants to revert to the bigger bag.

The smaller bags would be a boon to the grower who has to lift them into the trucks; there would be less strain on the growers, and the potatoes themselves could be more easily handled with less tendency to be damaged.

SECTION 27.

Quality of Potatoes Generally Throughout Australia.

I hear many people say, "If the quality of Western Australian potatoes is no good, why don't we import good potatoes from somewhere else?" Every other State has the same trouble with quality as we do ourselves and the odds are that if we did import, the quality would probably be no better than ours and most likely worse. Any potatoes which are imported from June to October would be stored from late crops because seasons in the other States more or less correspond with our own.

In 1954 a Joint Committee of both Houses of the Tasmanian Parliament inquired into the Tasmanian potato industry. Here is an extract from the report:

The Tasmanian-grown potato is losing in competition with the mainland product although at its best the red soil Brownell potato is superior and can command a higher price and keener demand. The following defects are responsible for slackening demand by mainland buyers:

1. The Potato:
   (a) Quality varies widely even in small lots.
   (b) High percentage of inferior potatoes, dirt, etc.
   (c) Injury (fork stab, frost injury, squashed in ships' holds, etc.).
   (d) Defective tuber (hollow, sprouts, rot, etc.).
   (e) Wet and unsightly through excessive soil and mud.
Practically every factor which I have quoted from the report has already been discussed in my report on the Western Australian industry.

The position in the mainland States is exactly the same. South Australia, New South Wales and Victoria import Western Australian potatoes which are able to compete with the best. Most of the States other than Western Australia and Tasmania are importing and exporting throughout the year. I have spoken to many people from other States and they all seem to agree that the quality of potatoes is very variable, especially during the late storage period.

I shall sum up the question of quality generally by saying that the public would not mind paying even higher prices for potatoes if they knew that by doing so they would get only first-class potatoes.

**SECTION 28.**

**The New Potato Position.**

Complaints have been made to the Commission that new potatoes are not made available to the public in sufficient quantities. I have come to the conclusion, however, that there is no substance in these complaints.

Under the Agricultural Products Regulations, a new grade potato is one that does not have a mature skin, and under Regulation 20 (3) a potato is “mature” when its outer skin does not loosen or “feather” readily during the ordinary methods of handling.

Mr. Alex. Murray says that new potatoes are being delivered to the market for nine months of the year, whilst Mr. Hard says there are always new potatoes from October to March. Mr. Murray calls a new potato one with a set skin, whilst the potato to which the public knows as a new potato is really immature.

The fact that the Board always offers an early digging premium for the early crop shows that new potatoes, or rather immature potatoes, are marketed normally in October. I am quite sure that in the early portion of each successive crop a quantity of new potatoes is always available.

Some members of the public are too inclined to make very sweeping statements about organised marketing in general and the Board in particular. The year 1954-55 was an unfortunate year in many respects and people are inclined to use this as a criterion and identify the working of the whole system of organised marketing over the years with the happenings in one particular year. This applies particularly to the new potato position.

At the end of July, 1954, there was a surplus of 3,000 to 3,000 tons of the late crop and this had to be held over and the season extended with the result that the new potatoes from the early crop could not be brought on to the market. I shall explain all this in detail under the next heading. Apart from this particular year, I feel that it is an exaggeration to say no new potatoes are usually available.

It has been suggested by Osborne Park growers that there should be a free market at some time of the year to allow new sand-grown potatoes to come on to the market. As the growers themselves, however, want £60 to £80 a ton for these potatoes, they would not be of general appeal to the public.

**SECTION 29.**

**The Potato Position, 1954-55.**

At the beginning of the 1954-55 potato season the Board was faced with a serious dilemma. There was a surplus of 2,000 to 3,000 tons from the 1953-54 late crop, which the Board could not sell. The Board was then faced with the alternatives of dumping these potatoes, leaving them on the growers’ hands, or extending the season for another three weeks in the hope of disposing of the potatoes and so not wasting them. Whatever choice the Board made would leave it open to violent criticism from some quarter or other.

If the Board dumped the potatoes I can well imagine what the public outcry would be. If the potatoes were left in the hands of the growers, there would be an outcry from them, and if the Board prolonged the season by three weeks, the consuming public, instead of buying feathery-skin potatoes, would have had to take them three weeks older. The Board, in my opinion, very wisely chose the last course and extended the season. In doing this, it was able to sell all the old season potatoes with the exception of a very few odd tons. Actually what happened was that some 600 or 700 tons were sold to pig第一节 as pig food as the season could not be extended any further.

The question might be asked, however, as to how the Board was left with 2,000 to 3,000 tons of potatoes on hand and why it could not dispose of them? The whole position cannot be understood until regard is had to the potato position in Australia generally.

There is in existence a Federal body known as the Potato Co-ordinating Committee which meets every two or three months when the potato position throughout Australia is reviewed.

From information available to the Committee, it was apparent at the end of June that by the end of July there would be an overall surplus throughout Australia of somewhere in the vicinity of 30,000 tons. This could not be put down to over-planting because, in fact, the planting throughout Australia was less than the previous year but was due to the extraordinarily good season in Tasmania, Victoria and Western Australia. Tasmania actually had the best yield in its history.

Normally, if there is a surplus from the late crop (which is very unusual), it can be disposed of in the other States because gener-
ally at that time there is a shortage everywhere in the Commonwealth. Finally, when the Board did obtain a market in the other States, the shipping strike occurred and it was unable to export. Actually the strike commenced whilst the ship carrying the first load of potatoes was on its way from Perth to Sydney.

When the waterside hold-up was eventually settled, there was an accumulation of cargo it be disposed of and very little space available for potatoes. In all, the Board lost about seven weeks, during which time no potatoes were exported.

This meant that it had about 4,000 tons of potatoes on its hands which resulted in at least a month’s delay in the distribution of orders to growers. The Harvey and Osborne Park districts were fairly hard hit by this because I have pointed out that their potatoes won’t, as a rule, keep for any length of time.

Normally, the Board would have been able to dispose of the 4,000 tons of potatoes before Christmas, but it was always a few weeks behind right up to the February floods. I feel sure that but for the industrial trouble, the whole position would have been rectified much earlier.

The tragic irony of the whole year was that, whilst the industry started off with a surplus, the position finally deteriorated to such an extent that by the end of the year there were not sufficient potatoes to meet the full public requirements.

The February floods had a disastrous effect on the industry. Approximately 1,000 acres of potatoes were totally destroyed and many hundreds of acres suffered damage. Altogether between 6,000 and 7,000 tons of potatoes were lost.

Even with the serious loss of up to 7,000 tons, the Board would still have been able to keep the public fully supplied with potatoes right up to the early crop coming in. The industry, however, once again experienced a most abnormal season, there were heavy rains with an extended winter and no spring weather at all in the growing areas. I understand that never before in the growing areas has there been such a combination of extreme weather conditions in any one year. The early crops of the 1955-56 season became delayed by at least three weeks and then the extreme wet weather would not permit the potatoes to be harvested.

Despite all the adverse conditions, the Board was unable to supply the full public requirements within 1,800 tons, and in the circumstances this must be considered a very creditable performance.

The Board was prepared to permit merchants to import potatoes from the Eastern States. Supplies over there, however, were scarce and, as I have pointed out, prices were extremely high. Merchants were unwilling to take the risk of importing not only on account of the high prices but because they realised if the rain stopped and we had ten days of warm weather, local supplies of potatoes would be on the market. One merchant did bring in 50 tons of potatoes and about a further 15 tons were brought in by outsiders.

At the time there were no potatoes available in South Australia, and I have been reliably informed that the South Australian merchants would have imported from here had any supplies been available. This meant that merchants in Western Australia who did want to import would have had to bring potatoes from Victoria and New South Wales. As it takes about two weeks to get them here, merchants considered that the whole business was too risky, especially as it would have been necessary to retail the potatoes at 10d. and 11d. per lb. which is about double the local retail price.

The potato situation in the Eastern States was serious, so much so that the Commonwealth Government permitted some 1,300 to 2,000 tons to be imported from New Zealand. These potatoes were, of course, not new season potatoes and I understand that when they arrived in Australia they were as soft as tennis balls.

It has been suggested that too many potatoes are produced in the early-mid and late-mid crops and the Board has been criticised for budgeting for too large a surplus. The criticism has been offered in a friendly way and a proposal was submitted in evidence that the overall surplus should be cut from approximately 12,000 to 11,000 tons. I myself consider that under normal conditions 10,000 tons would be sufficient, but who is to say that a year like 1954-55 won’t at any time descend upon the industry?

It must be remembered that surpluses are not always exported at a loss and figures have been produced to the Commission showing that the export market has on occasions been very profitable and some growers have actually been paid an overall price greater than the local Board price. As I write this section of my report, (16/11/55), the Board is actually exporting potatoes to South Australia at £40 per ton f.o.r. Perth.

In my opinion the Board, which has the overall picture of the industry, must have the discretion to budget for a production figure which will allow a safe margin over and above what it considers necessary for local requirements. When exercising this discretion, however, the Board should bear in mind the vagaries of the export market. If the licensing of acreages is rigidly enforced and the inefficient growers ousted from the industry, the surplus will very nearly take care of itself.

SECTION 30.

Potato Research by the Department of Agriculture.

Research into the production of potatoes has been carried on by the Department of Agriculture for some years with quite considerable success. Investigations have been carried out with a view to improving seed
and over 150 varieties of potatoes have been tested for yield, quality and resistance to disease. The tests, however, have not compared favourably with the “Delaware” which is practically the only variety commercially marketed in Western Australia. Some varieties have shown promise in certain aspects but, on overall considerations, have not been good enough to supplant the Delaware.

The Delaware has its critics from an epicurean point of view and they say it is not quite so floury as some varieties and inclined to be on the soapy side. English people who are used to a very floury type of potato are rather critical of it, but on the other hand there are those who prefer the Delaware type to all others. It is really a matter of individual taste and I am firmly convinced that there is quite a variation within the variety itself due to different soils and moisture contents. The fact remains, however, that it is well able to compete with all other varieties on the Eastern States markets. It is very popular in Malaya but competition from countries producing a very cheap potato has forced us off that market.

Some growers have carried out individual experiments with different varieties of potatoes and have achieved some success. Amongst these are Messrs. Packer Brothers, who, are very keen and enthusiastic growers. They are constantly experimenting on their various properties and have spent considerable sums of money in purchasing seed from the Eastern States. I have seen very fine specimens of “Sebago,” “Brownell,” “Sequoia,” “Bismark” and “Monarch” grown by the Packers and they are to be praised for the splendid work they are doing.

The “Sebago” has long ago been tested by the Department and found wanting, chiefly on the ground that it develops “hollow heart.” The Packers, however, have found that “hollow heart” is peculiar to the larger potatoes and seldom, if ever, found in the smaller potatoes. By planting seed closer together than normal, they say they get a good uniform potato, not too large, and which does not develop “hollow heart.” They claim that the “Sebago” is at least a 20 per cent. better yielding potato than the “Delaware,” does not develop second growth (known in the industry as “knobblies”) and is more floury. They say they have tried it in Northampton and Pemberton with equally good results.

The Packers may have hit upon something or they may not have, but it shows the value of experiment. There should be very close collaboration between the Department of Agriculture and all those growers willing to experiment, and such collaboration should be of very great benefit to all concerned.

I am satisfied that the Department of Agriculture has played a very big part in increasing the yield of Western Australian potatoes. When certified seed was introduced into the State in 1928, it yielded an average of 2.5 tons to the acre, whilst today it gives an average yield of 6½ tons to the acre. An “analysis” of research carried out by the Department was tendered in evidence and it convinces me that adequate steps have always been taken to eradicate, as far as possible, the various virus, fungus and vermin infections which are always liable to affect the potato crops.

SECTION 31.

Consideration of Potato Growing in Areas North of Perth.

The year 1954-55 has shown that potatoes can be grown successfully in the Northampton area.

During the recent shortage the Board bought approximately 200 tons of new potatoes which had been grown in Northampton by the Packer Brothers. These potatoes were put on the market many weeks before the South-West crop was ready to be dug.

Mr. Arthur Packer says that in a normal season, Northampton potatoes can be put on the market in the middle of—or certainly not later than the end of—August.

From inquiries I have made from men who know the district well, potatoes can be grown there in commercial quantities and there is considerable merit in any suggestion that will result in new potatoes being put on the market much earlier than at present.

I know that there will be some criticism of the suggestion, especially from some growers in the South-West who like to receive substantial late storage premiums towards the end of the potato year. I feel that the Board might give due consideration to the encouragement of the Northampton area and that in doing so it would not be doing an injustice to anyone.

SECTION 32.

Potato Supplies to North-West Ports.

I consider there are ample grounds for complaint about the condition of potatoes which arrive at North-West ports. If potatoes could be shipped to Singapore and arrive there in perfect condition, there is no excuse for them not arriving in the North-West in exactly the same condition.

Mr. C. W. D. Barker, M.L.C., painted a very dismal picture of the potato position in the North-West and unfortunately it is all too true. The position is so bad that it must be remedied at once and it can be remedied to a certain extent.

Mr. Barker says that about 50 per cent. of the potatoes which arrive in the North-West are in an appalling condition, and in my opinion this is due to a number of factors.

On the North-West trip, vessels have to load and unload cargo, port by port. Vessels which have no between-decks have to carry the various items of cargo one on top of the other. Cargo, therefore, destined for the last port of call has to be the first loaded into the ship. Sometimes, due to this, potatoes are
waiting at the Fremantle wharf at least six days before they are even put on the ship.

I am indebted to Mr. Hard for information as to what happens to the potatoes in handling.

Mr. Hard went as far as Darwin and inspected potatoes on their arrival. He says it was evident that the potatoes were subjected to rough handling. A big percentage of potatoes in bags was broken and crushed and many crates of potatoes were broken. It is not hard to wonder why they soon break down in quality, especially in the summer.

At one port where Mr. Hard watched potatoes being unloaded, he saw a stack of potatoes in 56 lb. bags being used as a ramp on which slings were being loaded with drums and cases.

Some merchants, and even retailers, forward supplies to the North-West and the balance is supplied by the Board itself. Many traders who consign potatoes to the North-West obtain their supplies direct from the railway trucks and very often these are not of a suitable quality to stand up to the tropical climate. After personal investigation, therefore, Mr. Hard agrees with Mr. Barker that the only way to ensure a standard quality is for all supplies intended for the North-West to be provided through the Board's store. The Board's potatoes for the North-West are all selected from good growers in good districts.

Greater care must be exercised in the handling of the potatoes to North-West ports. It is useless selecting special potatoes if they are going to be ruined by rough handling. An experimental shipment of potatoes packed in 56 lb. bags was placed in the cool store of the "Kabbarli" for Darwin. They were unloaded into the cool store in Darwin and were personally inspected by Mr. Hard. They were in perfect condition except that some of the bags had been badly knocked about and contained a big percentage of broken and crushed potatoes.

The cost of sending potatoes to Darwin under refrigeration and keeping them in cool store for a month, including handling in and out of store, is less than sending them in crates as ordinary cargo.

Unfortunately, refrigeration is not the answer to the North-West potato problem within Western Australia. The potatoes can quite easily be sent under refrigeration but once they are taken out of the cool store must be used fairly rapidly. There are no cool storage facilities at North-West ports, so it is not much good sending potatoes under refrigeration if they are to break down very soon after being taken off the ship.

Mr. Hard is of the opinion that negotiations with the State Shipping Service may result in potatoes not having to remain at Fremantle so long before they are loaded on to the ship. Something tangible must be done about this even if it means that potatoes are not shipped on vessels having no between-decks.

I also understand that negotiations are being entered into with the Waterside Workers' Federation with a view to arriving at an arrangement as to the best means of handling the potatoes.

SECTION 33.

The Potato Situation in Collie.

The time is more than ripe for the appointment of a licensed wholesaler in Collie.

The Collie people are, without any doubt, getting very poor quality potatoes. Retailers in the district have to have potatoes railed from Donnybrook or the surrounding districts and have no wholesaler in their own town from whom they may purchase. This is ridiculous and it is time the position was remedied.

From the evidence, and also from the Board's files, I have no hesitation in concluding that Collie is the "black marketeer's" paradise and some of the poor quality potatoes are reaching Collie consumers via the black market. One of the Board inspectors found potatoes being sold for human consumption in a Collie cafe which were only fit for pig food.

I feel that if a wholesaler is appointed in Collie it will be of real advantage not only to the district but to the industry as well. The wholesaler can keep his eye on things and help to police the Act and more potatoes should be sold in the district legitimately, thus benefitting everybody.

I have made these comments regarding the Collie requirements simply because the situation as it exists in that town has been brought to my notice. A similar situation may exist in other country towns, and the Board should take immediate steps to investigate the possibilities of improving the wholesale facilities throughout the country districts.

SECTION 34.

The Co-operative System as Pertaining to the Potato Industry.

I believe in the principle of co-operative marketing of primary products but there are a few growers within the potato industry who completely lack the spirit of co-operation. These men are few in number but nevertheless sufficient to wreck any voluntary scheme of orderly marketing.

Mr. L. J. Cruickshank, who gave evidence at some length on the advantages of the co-operative scheme, prefaced his remarks with this statement (page 342 of the transcript): "The mere fact that a Board was created shows lack of confidence in the ability of the producer to organise his own marketing system."

Again, at page 343, he says, "For a potato co-operative marketing scheme to be successful it would be necessary to have an Act of Parliament passed so that there would not occur a state of affairs such as has occurred in our own producers' market."
In my opinion, the organised potato marketing scheme in Western Australia today is in reality a large-scale co-operative system backed by legislative sanction.

My report is based on the fact that the Potato Marketing Board is an industry Board which should work for the community as a whole. A co-operative system usually operates under the complete guidance and control of the growers themselves and not unnaturally the highest price possible is sought from the consuming public. No one can ever say that this has happened under the Potato Marketing Board up to the stage where it itself is responsible for prices.

SECTION 35.
Potato Marketing Schemes Generally.

A potato marketing scheme is not peculiar to Western Australia and such schemes have been operating in other States of the Commonwealth and in other countries.

Potato Marketing Boards have operated in other States but the proximity of the various interstate markets has made it very difficult for such Boards to work successfully. No State has established the exact system as ours and lack of proper control has been evident.

Western Australia, due to its comparative isolation from the main Australian markets, is ideally suited for organised potato marketing. The price of potatoes is governed by local conditions and not dictated, as in other States, by the Sydney price.

In England, a potato marketing scheme has been established under "The Potato Marketing Scheme (Approval) Order, 1955."

Under the scheme, a Potato Marketing Board with wide powers was established, Growers, buyers, agents and grower-sales- ment are all required to be registered. The Board may regulate the quality, description and grading of potatoes, and may declare quota years in which the acreages of individual growers may be "prescribed." A system of price support as distinct from price guarantee has been introduced and this price varies according to the districts in which the potatoes are grown.

Reading the Order, carefully, it appears to me that the British Government has been striving to bring about an effect which our own Western Australia legislation has succeeded in creating here.

SECTION 36.
Generalisation.

In addition to taking sworn evidence, I have seen every phase of the potato industry, from the growing of the seed to the sale of potatoes in the retail shops.

I have seen the seed prepared and planted, I have seen the growing crops, and the harvesting, grading, bagging and storage of the potatoes. I have seen potatoes in course of transit and the methods of inspection by officers of the Department of Agriculture. Over a period of months, I have discussed the various problems of the industry with the growers on their own properties, the primary agents, the merchants, packers, distributors, retailers, officers of the Department of Agriculture, members of the Board and, finally, the manager and staff of the Board. From all I have received the greatest cooperation, and this has helped very considerably in my investigations.

As a result of these investigations, I consider that there are two matters of paramount importance which should receive urgent consideration by the Government, as follows:—

(1) The fixing of reasonable trading margins for all persons engaged in the handling of potatoes from the growers down to the retailers.

(2) The appointment of more inspectors under the Agricultural Products Act and the provision of better facilities at the Perth Goods Yards.

SECTION 37.
Appreciation.

I desire to thank the Potato Marketing Board and the Department of Agriculture for their assistance to me during the inquiry.

In particular, I desire to record my appreciation of all that the Board manager, Mr. Hard, did for the Commission. There was no aspect of the inquiry in respect of which he was not prepared to help and offer invaluable information and data.

I would also like to thank Mr. J. P. Eckersley, whose assistance on the technical side of this inquiry was most helpful.

Mr. O. B. Synnot, secretary of the Potato Growers' Association, was most helpful and I desire to record my thanks to him and to his Association.

Every witness, whatever section of the industry he represented, helped me in gaining a picture of the industry which otherwise I would never have obtained.

I would also like to thank those growers who interviewed me on their own farms and who gave me such practical assistance.

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