

1948
WESTERN AUSTRALIA.

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REPORT OF ROYAL COMMISSION

Appointed to Inquire into and Report upon the Financial
and Economic Position of the

MILK INDUSTRY in Western Australia

Together with Appendix.

COMMISSIONER :
WILLIAM EDGAR STANNARD, Esq.,
Chairman, Milk Board of Western Australia.

Assisted by WILL ADAMS, Esq.,
Inspector, State Audit Department.

Presented to both Houses of Parliament by His Excellency's Command.

[SECOND SESSION OF THE NINETEENTH PARLIAMENT.]

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1948

ROYAL COMMISSION.

WESTERN AUSTRALIA, } By His Excellency The Honourable Sir James
TO WIT. } Mitchell, Knight Grand Cross of the Most Dis-
JAMES MITCHELL, } tinguished Order of Saint Michael and Saint
Lieutenant-Governor. } George, Lieutenant-Governor in and over the
[L.S.] } State of Western Australia and its Dependencies
in the Commonwealth of Australia.

To William Edgar Stannard, Esquire, of 36 Long-royd Street, Mount Lawley, Chairman of the Milk Board of Western Australia:

I, the said Lieutenant-Governor, acting with the advice and consent of the Executive Council, do hereby appoint you, William Edgar Stannard, to be a Royal Commissioner to inquire into and report upon the following matters and things in relation to milk as defined in section six of the Milk Act, namely:—

1. The cost of production, transport, treatment and distribution of milk.
2. The prices to be paid to dairymen for milk.
3. The prices to be charged—(a) by milk vendors to other milk vendors, and (b) by milk vendors to consumers.
4. The charges to be made in respect of the transport and the treatment of milk.
5. Any other matter incidental to or connected with the foregoing which the Hon. Minister for Agriculture shall approve as being within the scope of this Commission.

And I declare that you shall by virtue of this Commission be a Royal Commission within the Royal Commissioner's Powers Act, 1902, as reprinted in the Appendix to the Sessional Volume of the Statutes for the year 1928, and that you shall have the powers of a Royal Commission and the Chairman thereof under that Act. And I hereby request you as soon as reasonably may be to report to me in writing the result of this your Commission.

Given under my hand and the Public Seal of the said State, at Perth, this 5th day of November, 1947.

By His Excellency's Command.

(Sgd.) ROSS McLARTY,
Premier.

GOD SAVE THE KING! ! !

Report of the Royal Commission on the Financial and Economic Position of the Milk Industry.

To His Excellency the Honourable Sir James Mitchell, G.C.M.G., Lieutenant-Governor in and over the State of Western Australia and its Dependencies in the Commonwealth of Australia.

May it please Your Excellency—

An inquiry has been made in accordance with the terms of reference of my Commission.

In view of the termination of the Commonwealth subsidy on the 31st January, 1948, and the necessity of determining new prices to operate as from 1st February, 1948, it was necessary for my findings to be made before that date. I would have preferred greater time to enable a more extensive study to be made of the various aspects. However, every endeavour was made to make the inquiry comprehensive and as searching as possible in the time available.

Evidence was invited from all interested parties. A number of witnesses from the various sections of the milk industry and secretaries of organisations concerned with the industry attended before the Commission, gave sworn evidence and were examined. All witnesses attended voluntarily. Balance sheets, financial statements and taxation returns were submitted and have been reviewed. Several farms and treatment plants were visited.

Only one witness producing and vending milk outside the area supplying milk to the metropolitan area gave evidence.

I made it known that I was prepared to accept statutory declarations and taxation returns from persons in outer areas who could not attend and give evidence, but so few were received that they were of no assistance. Recommendations regarding prices in the outer districts are therefore based on general knowledge, and bearing in mind the submission of persons involved in the metropolitan supply.

The majority of farmers who gave evidence were from districts concerned with the supply of milk to country treatment plants for re-sale to the metropolitan area.

Producers' Price.

To arrive at the true cost of production of any primary product is generally regarded as difficult, and my endeavours were no exception.

Conditions in this State differ widely between the dry farming districts and irrigation areas, but apart from these major differences, conditions and costs varied from district to district and from farm to farm. However, there were compensating differences, and reverse or corresponding advantages. Apart from diverse productive capacity of the various farms, husbandry or the personal element is a major factor affecting costs.

Having considered the evidence tendered by farmers, I have reached some conclusions which may be of general interest, and which have a bearing on the cost of producing milk and they are included in this Report.

Production Per Cow.

Very few farmer witnesses had any record, and unfortunately even no general knowledge of the production of their individual cows.

Without this important information the farmer is handicapped greatly. It may mean that he is feeding and maintaining unprofitable cows which results in an unwarranted increase in his costs of production, particularly where concentrates are purchased and hand-feeding is necessary.

The value to the farmer of regular and complete records of the production of his cows cannot be emphasised too strongly.

As an example of what can be achieved by improved farming methods and the study of the production of the herd, one producer witness instanced how he had increased the production per cow from 437 gallons per year to 457 gallons by better regulation of calving. He milked 33 cows and his increased production represented 660 gallons yearly.

The types of cattle owned by witnesses were variable. According to evidence the average production per cow of the herds ranged from 360 to 647 gallons yearly. On information obtained, the average overall was 473 gallons. The producer averaging 647 gallons is not included in the overall figures, as the information supplied by him was insufficient.

It seems apparent that many farmers can increase their production efficiency, but they require organised and co-ordinated assistance. The first aim should be to increase the productive capacity per cow in many cases.

Farmers should be assisted by the regular testing of all their cows for the quality and quantity of their milk. The productive capacity of each cow has an important bearing on the cost of milk, and as the price is fixed under statute, herd testing should be compulsory and not optional, at least in the preliminary years.

Low testing animals should be replaced by higher producers and greater attention paid to breeding from better type cows with bulls of proved strain.

I endeavoured to ascertain the effect of summer calving on production, dairymen witnesses were

requested to supply the number of cows which calved each month and the production of their cows each month. Unfortunately none was able to give this information. I am aware that certain percentages have been stated in relation to cows calving in various months, but no formula can be laid down as affecting a whole herd without particulars of the calving month and production during the whole of the lactation period. It is necessary to strike a properly weighted average over a herd.

I recommend dairymen, for their own guidance, to make a practice of keeping regularly, details of calving and particulars of production. The information obtained will be useful to themselves and will be a guide for any future inquiry.

Fodder.

Many farmers stressed the difficulty experienced by them in obtaining mill offal, and contended that prepared foods containing bran and pollard as basic constituents were fairly readily obtainable, but at a greatly enhanced price.

Since the taking of evidence concluded, there has been a reported rise in the price of bran and pollard, and this increase has been taken into consideration.

It was also clear that large sums had been spent by some farmers on fodder without a corresponding increase in net income. They were working under the belief that increased fodder meant increased production, and consequent increased income.

The productive values of fodders and pastures should be a source of continued study by farmers.

Greater attention should be paid to improved farming methods, particularly with a view to growing and conserving more fodder rather than relying on purchased food which is fairly costly and at times in short supply.

I am aware of the desirability of using outside produced foodstuffs with a view to restoring the fertility of the soil and maintaining the health and productive capacity of stock; but probably any decreased mineral and other nutrients in the soil could be replaced by the more judicious use of suitable fertilisers.

Labour on Farms.

The majority of producer witnesses emphasised that they had experienced great difficulty in obtaining suitable labour. The only exceptions were those who could provide houses for married workers. There is no doubt that improved working conditions, particularly the shorter working week now enjoyed by workers in most industries, will inevitably cause a further drift of employees from the milk industry, unless preventive steps can be taken. The situation cannot be viewed with equanimity.

Better working conditions and more social amenities need to be provided; the possibility of shift work on the farms should be explored.

Several dairymen witnesses stated that it was necessary for their wives to assist them in the conduct of their dairies. The work performed by these wives was not only in connection with the actual milking, but included more arduous tasks, such as tractor driving. Such a state of affairs is not con-

sistent, so far as I understand it, with what is termed the Australian way of life, nor with the aspirations of workers in other industries.

It has been difficult to assess the value on a monetary basis of the work performed by wives and children, but it does represent a contribution which can come only from the general return to the farmer, and should be considered.

Farm Machinery.

Most farmers now milk by machine, but greater advantage must be taken of mechanical aids on the farms. The fairly high price of some machinery and equipment places them outside the range of certain farmers and their cost may raise unduly the capital invested, particularly on small farms.

The formation of machinery pools, particularly for hay bailers, tractors and other major movable equipment, should be encouraged.

Capital Cost.

The price of land also has a very important bearing on the capital cost per cow, and the importance of controlling land values cannot be overlooked. The farmer is entitled to a just reward for all improvements carried out by him. However, there is a danger to the consumer and possibly to the farmer where the capital cost of land is used as a unit in determining costs. Any rise in prices of milk may increase the price of dairy farms, thereby increasing the capital cost on which future prices are calculated.

So that without some control, a set of circumstances may arise whereby increasing prices cause conditions whereby the price causes itself to increase.

The alternative is to determine an amount as the capital cost per cow as a basic figure.

Incidence of Disease.

It was claimed that heavy losses were sustained by producers through disease in stock, particularly mastitis, and requests were made that an amount be allowed per gallon as compensation. On the other hand, some witnesses stated that mastitis in serious proportions had not occurred in their herds.

There is no doubt that mastitis has caused a heavy economic loss to some farmers, not only through decline in production, but also by the sale of infected animals. I do not consider that a particular amount should be allowed per gallon as compensation for loss through disease; as such losses, where they have occurred, are reflected in the general income and expenditure of farmers trading, and have been taken into consideration.

Requests were made that additional veterinary assistance be made available to dairy farmers, to assist in detecting and controlling disease and thereby reducing costs of production.

The experience and comments of producers who have been relatively free from mastitis indicate that the spread of the infection can be prevented by rigid attention and care in milking, and the price to producers which is recommended will assist in enabling them to provide the labour necessary.

Production in Avon Valley.

One witness, who is a competent and successful farmer, stated he could produce milk in the Avon Valley at less cost than in the irrigation district. That more young cattle could be reared by him in the Avon Valley, where they were practically free from disease and saw very little mastitis, which was one of the worst of their troubles in the irrigation area. He produced milk in both districts.

No milk is at present sent to the metropolitan area from the Avon Valley, and the possibility of developing this supply should be investigated.

Determination of Price to Producers.

I do not consider it a sound method to determine the producer's price solely on an arithmetical basis, by striking an average of the costs of various farmers. Actually such a calculation should be spread over all farmers for a number of years, and is impracticable; furthermore, other factors have to be considered.

We are experiencing a period of economic instability and some industrial unrest. There is an atmosphere of uncertainty. The general trend is for improved working conditions. Labour is in great demand and insufficient to meet all needs. The full impact of the 40-hour week in industry cannot be fully gauged.

Despite these disabilities, farms must be kept in production and the industry maintained. It is necessary that farmers should be in a position to withstand the competition for labour by other industries, particularly seasonal occupations which at times offer attractive rates.

I consider that the producer should receive a price adequate to provide himself and his family with a fair measure of comfort, and an adequate reward for his industry and capital invested, which also will enable him to employ sufficient suitable labour under reasonable conditions, and to maintain his farm at a proper standard of efficiency.

The price should be based at a figure that enables the more efficient farmer to derive a higher reward for his skill and enterprise, but should not be so high that it could encourage a large percentage of inefficient farmers to continue in production at the expense of consumers. I have therefore endeavoured to arrive at what I regard as a fair price for good quality milk produced hygienically.

COSTS INVOLVED IN MILK PRODUCTION.

Milk is produced for the metropolitan supply in three distinct areas, which can be described briefly as metropolitan, dry farming, and irrigation.

Some difficulty was experienced in arriving at present-day values to determine capital, an amount of interest as a cost at 4½ per cent. on calculated values has been allowed. I have been informed that producers consider the capital cost per milking cow, including all items such as land, stock and buildings, is £80 and 5 per cent. interest was desired. The comparison is as follows:—

Capital according to calculated values, at 4½%
= £6,327, or 2d. per gallon.

Capital cost at £80 per cow on 1,605 cows, (number milked by witnesses) at 5% = £6,420, or 2.02d. per gallon.

Stated values of farms showed a progressive increase through the years, so that it is evident that a percentage of costs, including wages, was directed towards improvement and development representing indirect income.

Owner's wages have been assessed at £9 per week, excluding an amount for house rent and farm produce.

In the appendix are statements of milk production costs calculated on evidence tendered and information obtained.

Incomplete information was submitted and abnormal conditions existed in certain cases, and their figures have not been included.

Income was derived by some farmers in addition to the amount received from the sale of liquid milk, and allowance has been made accordingly.

I am recommending a minimum price of 1s. 8d. per gallon to be paid farmers for milk delivered to country treatment plants, and an amount of 1s. 11d. per gallon for milk supplied from farmers north of Pinjarra to metropolitan treatment plants.

These amounts are in excess of the costs of production as disclosed by figures for the financial year ended 30th June, 1947. It purposely errs in favour of producers for the several reasons I have already stated.

Producers Supplying Country Treatment Plants.

Special consideration has been given to the position of farmers supplying country treatment plants. It appears possible to give them a particular concession. The cost of brine cooling their milk and costs of weighing, recording, etc., is borne by these farmers in the amount imposed on them for treatment by country plants. Some percentage should therefore be allowed to those farmers out of the amount allowed metropolitan treatment plants, which includes the cost of weighing, recording, etc. Farmers supplying country treatment plants should not be required to pay indirectly twice for the one service.

According to tests carried out on an abnormally hot day when the temperature was 99.8°F., the temperature of milk in a tanker on arrival at a metropolitan treatment plant was 41°F. It is therefore obvious that there should be practically no material rise in temperature of the milk between the country and metropolitan treatment plants. The cost to metropolitan treatment plants of handling tanker milk must be considerably less per gallon than in handling milk received in drums direct from farmers. The farmer should receive this benefit. It is therefore considered that the cost to metropolitan treatment plants of milk received from country treatment plants should be ½d. per gallon more than milk received direct from farmers, and the amount of ½d. must be paid to the farmers who supplied this milk to the country treatment plants.

Where the milk is not subsequently pasteurised, the saving to a metropolitan milk treatment plant in receiving pre brine cooled milk, is considerable; but even where the milk is pasteurised, there is a saving to the metropolitan treatment plant where the regenerative system of pasteurising is in use, and it is assumed that all plants will be equipped with this

type of pasteuriser before very long. However, there are definite and material savings to the metropolitan plant in handling tanker milk previously brine cooled, and delivered at a low temperature.

I am aware that a regulation made under the Metropolitan Milk Act requires all milk, except that sold by a dairyman vendor of his own production, to be brine cooled in the metropolitan area before sale to consumers, and I recommend that this regulation be replaced by a regulation making this service unnecessary where the milk arrives from country treatment plants at a temperature of not greater than 45°F.

Taking all factors into consideration, I am of opinion that the concession recommended should apply immediately.

TRANSPORT OF MILK.

Road transport services for the cartage of milk are in three distinct sections. One service is the cartage of milk from farms to country treatment plants, the second is the cartage from country treatment plants to metropolitan treatment plants, and the third is the cartage of milk direct from dairymen north of Pinjarra to metropolitan treatment plants.

Transport from Country Treatment Plants.

Milk from the Brunswick Junction treatment plant is at present carried in drums to the metropolitan area, the bulk of the milk from the other country treatment plants is conveyed in insulated tankers.

It is understood that proposals are at present under consideration by the Brunswick Junction treatment plant proprietors to provide a road tanker.

Milk from the Wagerup treatment plant is carried by the proprietor, milk is conveyed from the Harvey treatment plant to the metropolitan area by a common carrier.

The transport of milk by road from country treatment plants to metropolitan treatment plants has been in operation for less than 12 months and the figures and costs submitted in evidence are not a sufficiently informative guide to arrive at definite costing.

The carrier operating from the Harvey treatment plant has a tanker of 2,500 gallons capacity and receives a rate of 1½d. per gallon or an amount of £15 8s. 4. per day or £5,627 1s. 8d. per year. There appears no doubt that on this basis the business is a very remunerative one.

Another witness stated that the cost per gallon of tanker-borne milk was 1.3707d. Included in his statement on running expenses were amounts for initial overhaul, repairs, etc., tyres and tubes totalling £657, or approximately one-third of the total expenses of £1,833. The vehicle was secondhand when purchased and the bulk of the amount of £657 should more properly be a capital item and not a running expense, as the sum expended was used to place the vehicle in sound running order.

I understand that the continuance of the large 2,500 gallon tanker is in doubt owing to certain departmental requirements, and pending a final decision on this point and also the provision of a tanker to operate from the Brunswick Junction treatment plant, I consider that a maximum rate of 1½d. per gallon be allowed for the transport of all milk from

country treatment plants to metropolitan treatment plants whether by road or rail. Very little milk is now transported by rail from country treatment plants to the metropolitan area, but any further cost involved in this service is more than offset by advantages derived from road cartage.

Transport to Country Treatment Plants.

I recommend that a maximum rate of ½d. per gallon be fixed for the cartage of milk from farms in country districts to country treatment plants.

Transport from Farms North of Pinjarra.

The cartage of milk direct from farms north of Pinjarra represents a very important service to producers. The consolidation of the purchase of milk in treatment plants has reduced the running of trucks after arrival in the metropolitan area and, generally speaking, the production in dairy areas is increasing, tending to increase the gallonage carted to peak loads.

I therefore recommend a maximum rate of 1½d. per gallon for cartage of milk in drums from farms north of Pinjarra.

This rate is the maximum and no increase is recommended where the milk is at present carted at a lower rate.

I recommend a maximum rate of 2d. per gallon for cartage from the Rockingham Peel Estate area to Perth in view of the relatively low gallonage carted. The desirability of this milk being delivered solely in Fremantle should receive serious consideration with a view to saving in freight.

This rate also is intended as the maximum, with no increase where the amount charged at present is lower.

According to evidence, overhead on trucks can be reduced by the use of diesels in lieu of petrol-driven trucks, and their greater use by transport operators would assist in keeping costs down.

Carriers should be required to keep a proper record of costs, and their operations could then be reviewed at the end of each financial year.

TREATMENT PLANTS.

Treatment plants at present are undergoing comprehensive alterations and only one plant in the metropolitan area could be regarded as being reasonably equipped according to modern standards, but even this plant has not reached its complete development. Several owners of treatment plants stated they were not in a position to submit proper costs, as no system of costing was in use. In any case, as the majority are undergoing a transitional stage, past costs would be of little value in determining fair returns for the several functions.

Treatment plants concerned in the metropolitan milk supply are of two distinct types. One class is situated in country districts, where milk is received from farmers, brine cooled and despatched to the treatment plants in the metropolitan area. In the other class are the metropolitan treatment plants which receive milk from farmers and from country treatment plants, brine cool, pasteurise and bottle milk and store it prior to distribution.

The determining of a fair margin for the various services involved in milk treatment has given me considerable concern in view of the lack of reliable information available. Here again it is desirable to fix rates which will enable hygienic methods to be employed commensurate with reasonable economy and efficiency. I was informed that new and expensive treatment equipment was being purchased which would increase materially the capital employed. However, such equipment should bring about much greater efficiency and economy in labour and man hours. Up to the present time very little has been done by the majority of treatment plant proprietors to keep abreast of the improvements which modern methods and machinery can provide.

Efficient, adequately equipped treatment plants conducted with a full sense of responsibility to consumers from the standpoint of hygiene and reliable service can make a substantial contribution to a clean and safe milk supply.

If, however, the foregoing qualities are lacking in any degree, the purity and safety of the milk can be jeopardised.

High profits should not be made out of the treatment of milk, but margins should be sufficient to enable treatment plants to render the services required of them.

In view of the reorganisation at present taking place in various treatment plants, I do not consider that the present rate of treatment should be changed except in the case of milk obtained from country treatment plants which has previously been brine-cooled.

I therefore recommend that a maximum rate of 2d. per gallon be fixed for the treatment of milk by brine-cooling, this amount to include storage and services necessary in the sale to milk vendors and a rate of 6d. per gallon for pasteurisation and bottling of milk, this amount also to include storage and services necessary in the sale to milk vendors,—a rate of 6d. per gallon where milk is brine-cooled and bottled.

I have not recommended any variation between the rates for bottled raw milk and pasteurised milk as I assume that the only raw milk which will be permitted by the Milk Board to be sold will be T.T. accredited milk in accordance with the provisions of the Milk Act and the requirements of the Board, and such milk will necessitate great care in treatment and handling which, to a considerable extent, will equal the cost of pasteurising.

In making these recommendations, however, I wish it to be understood clearly that the treatment for which these rates are payable must be carried out in accordance with the standard and requirements laid down by the Milk Board.

It was stated in evidence by the Secretary of the company operating one country treatment plant that a proper system of costing was in operation. He admitted that the cost of treatment per gallon was 1.282d. This plant is not properly equipped according to modern standards, and their methods are probably not as economical as could be expected from an efficiently conducted up-to-date plant adequately equipped.

Under the Milk Act, treatment plants are now required to pay an amount of ½d. per gallon to the Compensation Fund on all milk treated for the liquid milk market, and where milk is sold also a further ½d. per gallon is payable.

I therefore recommend that a maximum amount of 2d. per gallon be allowed for the treatment of milk at country treatment plants. This amount leaves a reasonable margin as an incentive for closer attention to hygiene, will provide sufficient to take care of any likely additional services which may be required, and leave a balance to off-set any extra wages costs by the introduction of the 40-hour week and other possible extra costs.

Costing systems should be introduced and maintained by all treatment plants. Their present absence is not satisfactory to the management of these concerns or to the milk industry.

Treatment plants constitute an integral part of the milk industry. Under the Milk Board's policy for the restriction of treatment licenses they enjoy considerable privileges, but on them also rests a great responsibility. They are under the obligation to purchase milk from farmers, treat it under hygienic conditions and have milk available for sale to other milk vendors or to consumers on every day throughout the year.

I consider the amount provides the required incentive for the treatment to be performed and the service to be rendered on the highest possible standard and sufficient to offset any anticipated rise in costs. Furthermore, any reduction in hours for workers can to a great extent be compensated by the use of more efficient mechanical aids and more modern methods, machinery and equipment than are at present in operation at several treatment plants.

THE DISTRIBUTION OF MILK.

It is obvious from the evidence tendered and from the examination of trading accounts, that considerable profits have been made by milk vendors and that the business of owner-drivers has been very remunerative.

Owner-drivers and employers of labour provide a definite contrast. Employers stated they had experienced difficulty in obtaining drivers and they are required to observe arbitration awards and conditions. The owner-driver, however, is entitled to a remuneration commensurate with the time worked by him, provided it is spent within reasonably efficient bounds. There was no means of checking claims by some owner-drivers for the hours taken up with certain aspects of their work, which compared with those who employed labour, appeared excessive.

In the relative cost per gallon distributed, there were marked variations between motor and horse-drawn vehicles. The highest amount for repairs and replacements and fuel for motor distribution exclusively was 2.83d. per gallon, as against the average of 1.57d. per gallon for repairs and replacements, fodder and shoeing, where horses only were used, a difference of 1.26d. per gallon. According to the last report of the Milk Board, 76 motor vehicles and 258 horse-drawn vehicles were used in milk distribution.

Hours and Wages of Distribution.

As wages represent the major cost in the distribution of milk, I have given special thought to this aspect, in view of the recently introduced 40-hour week for milk carters.

One large distributor stated he supplied 495 gallons daily from 8 carts to 1863 customers, one vehicle only delivered to 180 customers. Shops received 60 gallons daily, leaving a balance of 435 gallons to retail customers.

The average number of customers was 233 per cart, delivering an average of 54 gallons 3 pints to householders, or an average of 1.87 pints approximately, and an average of 7½ gallons to shops. At one customer per minute, deliveries would take 3 hours 53 minutes.

With retail deliveries, taking 4 hours daily there remains to keep within 40 hours weekly, 1 5/7 hours daily to deliver the average amount of 7½ gallons to shops, harness and load up, book in and unharness. I do not express any view as to whether one minute per customer is reasonable or not; that is the time I have been informed is what a man in good physical condition could do deliveries, and I have borne in mind the time actually taken. It only remains to determine whether the amount of 1 5/7 hours daily is reasonable or not to do the work other than the household deliveries.

The foregoing witness stated his carters spent approximately ¾ hour daily in harnessing up and booking in and a separate staff was employed to do clerical work, whose costs have been included in his wages.

Another large employer stated that he had a good deal of experience in actual milk distribution and that what he regarded as an average round was 85 gallons, on which 70 gallons were retail, should take about 4½ to 5 hours actual deliveries. His employees were classed as working 46 hours per week. He considered 85 gallons was a reasonable amount for a man to deliver under closely organised conditions. Much of this vendor's business is in fairly densely populated areas.

The secretary of the Retail Dairymen's Industrial Union of Employers stated in evidence that according to an investigation made by him, the average amount of milk distributed daily per cart by twenty-one retailers, was 63.3 gallons, of which 49.6 gallons were retail and 13.7 gallons wholesale; that the average amount delivered per household was 1.7 pints and that it took one minute to serve each customer. On this basis, it is clear that it takes slightly less than 4 hours to deliver the milk to householders, of what the retailers' secretary stated is the average round of those investigated by him, leaving the remainder of the driver's time to deliver 13.7 gallons wholesale, harness up, book in, and do the sundry tasks.

It is therefore obvious that the introduction of the 40-hour week should not increase materially, if at all, wages costs in distribution. Nevertheless, an allowance has been made in the margin recommended.

It was claimed by the retailers' secretary that the cost of wages, including holiday and sick pay on a basis of £6 0s. 3d. per week for milk carters and £6 5s. 3d. for motor drivers and 3 4/7 weeks paid

holiday, and sick pay per year, was 4.3d. per gallon on a basis of 50 gallons distributed per cart, or 3.4d. per gallon on his average of 63.3 gallons.

According to evidence tendered by employer milk vendors, the cost of wages, holiday pay and sick pay was 4.18d. per gallon during the financial year ended 30th June, 1947. This amount is based on actual wages paid and includes relief drivers and amounts paid to new employees learning rounds; that is to say, in includes all amounts relating to wages.

In view of this evidence, it will be possible to determine in the future the effect on the cost of milk distributed of any increase in wages or improved conditions to milk carters.

Summarised Distribution Costs.

Summarised average major costs in milk distribution per gallon, excluding businesses using solely motor vehicles, are as follows:—

	d.
Wages, including holiday pay, sick pay, relief drivers, etc.	4.18
Fodder and shoeing	1.13
Spillage . . . . .	.5
Repairs and replacements . . . . .	.44
Milk Board levy, at new rate . . . . .	.41
Sundries . . . . .	.77
	<hr/>
	7.43
	<hr/>

One large distributor claimed amounts which represent the following costs per gallon:—

	d.
Office salaries . . . . .	.96
Wages	4.84
Fodder and shoeing . . . . .	.84
Petrol . . . . .	.44
Repairs and replacements . . . . .	.3
Office expenses . . . . .	.3
Milk Board levy, at new rate . . . . .	.41
Other expenses, excluding bottle losses . . . . .	.55
	<hr/>
	8.64
	<hr/>

These figures were not included in the summary, as the items office salaries and wages are regarded as excessive.

A number of this concern's carts were delivering only an average of 45 gallons daily. I was informed the business was being re-organised and it is hoped by the management that the number of carts used daily will be reduced from 58 to 46, a reduction of approximately 20 per cent., which should result in a substantial saving in costs. To take this firm's past costs into any average figure when fixing margins I consider would be unfair to consumers.

Margin of Milk Vendors.

The price received per gallon by milk vendors averaged 2s. 6.39d. with maximum prices of 2s. 8d. bulk, and 3s. bottles, price averages ranged from 2s. 5.7d. to 2s. 7.1d.

There appears to be a tendency for vendors to sell milk to shops at a cut rate. Many sold a very small percentage of bottled milk. It has been proved that cash sales were not always recorded and in-

cluded in sales, but claimed as spillage. This applies also to the amount used domestically by owner-drivers.

Consequently, the average gross return of vendors was higher than was submitted.

Some vendors purchased bulk milk at 1s. 7d. per gallon, others at 1s. 6½d. On some rounds, the percentage of shop trade was small.

It would therefore appear that the margin received by vendors was or could be not less than 1/- per gallon, as I have made allowance as a cost for spillage, assuming it exists at the proportion claimed.

It was claimed that heavy losses were incurred by milk vendors through the non-return of bottles by some consumers, and breakages. In one case, the cost was considered to be equal to .384d. per gallon on all milk distributed. I had no means of investigating this claim. If, however, it is correct, then it suggests that the loss per gallon on actual bottles distributed would be very great. The claim of course could be an over-statement, or the result of lack of enterprise or carelessness by this very large distributor.

A great number of consumers return their milk bottles regularly. It would be unfair to them if the price they are charged included an amount for losses through non-returns by other consumers. The only amount allowable is whatever is represented by actual breakages by distributors. This quantity would be so small as to have no great bearing on the cost per gallon of all milk distributed.

In considering the price of bulk milk to consumers, I have not allowed any amount for loss on bottles. If it can be demonstrated they are retained unduly by some consumers, the loss could be overcome by charging an amount for each bottle not returned. The price recommended for bottled milk is 4d. per gallon higher than for bulk milk. This margin allows for losses.

I do not consider that interest on goodwill is a fair charge against milk distribution. One milk vendor stated in evidence that recently he was offered £21 per gallon for a round of 38 gallons he purchased two years ago for £12 10s. per gallon. In effect, his goodwill has increased by £323 in two years.

Milk vendors have a close preserve, enjoy freedom from competition by newcomers and have made substantial profits. It is probably because of this combination of circumstances that the goodwill of milk rounds has been enhanced so greatly. The only interest, if any, which in my opinion could fairly be allowed against retail distribution would be interest on capital invested in tangible assets such as horses, carts, harness and milk drums. The amount per gallon is so small as to be of no importance.

However, I do not believe that the margin for retail distribution should be confined to actual costs, and I consider that the owner of a milk vending business should receive a fair margin of profit and should be in a position to extend to his employees the customary amenities and working conditions and render adequate and hygienic service to consumers.

There are also small and relatively scattered rounds to be considered; but these are not usually

served by small operators; they form part of the business of the larger concerns, which, however, have also compact larger rounds, the higher income from which offsets any greater cost per gallon on the smaller rounds.

In the margin I am recommending, the foregoing have been taken into consideration, and the sum is sufficiently great to take care of a reasonable amount if costs rise in the sections which have been enumerated.

The amount allowed is more than sufficient to bear the impact of the 40-hour week, all known present costs, and to provide reasonable profits and meet a fair measure of any likely increased costs, and this should be borne in mind whenever the next review is made.

Furthermore, evidence was submitted that various businesses had been purchased recently, rounds were being re-organised, and further consolidated, tending to bring about still greater efficiency and economy.

I am recommending only the maximum prices to be charged consumers. During the sitting of the Commission, Parliament passed a Bill to amend the Milk Act, which enables the Milk Board to fix prices according to the quantity purchased. Early consideration should be given by the Board to determining variable prices within the maximum recommended by me to give some concession to householders who purchase larger quantities. Purchasers of small quantities are expensive units in delivery costs, and the higher expense per gallon which they involve is not a fair charge on the balance of consumers, who, in the main, include those with families.

VESTING OF MILK IN MILK BOARD.

That milk be vested in the Milk Board was advocated by a number of dairymen and by the President and Secretary of the Milk Section of the Farmers' Union. Under a scheme whereby milk wholesale was vested in the Milk Board or proceeds from the sale of milk wholesale were pooled the price to farmers could be equalised, margins readily adjusted and fractional rises in costs absorbed within the industry. Vesting was not supported by the Secretary of the Milk Producers' Association who stated, "I do not like the idea of milk being vested in the Board by any means."

The principle of vesting or pooling has much to commend it and the proposal is worthy of consideration.

Purchase of Milk on Quality Basis.

Representations were made that milk be purchased on a quality basis. The proposal was not endorsed on behalf of producers. The suggestion is not without merit. As the whole aim of milk legislation in this State is to improve the quality of the product, it seems only reasonable that all practical steps towards this end should be adopted.

I have recommended a price payable for milk of good quality and there is no doubt that the cost of production per gallon to the owner of cows of high gallonage production, but of low testing quality will derive an advantage greater than is intended over his fellow producers who supply high testing milk from cows giving a lower gallonage. Similarly the

producer of milk of a higher bacterial content than is desirable could be penalised financially with a view to compelling immediate remedial action. Milk of an excessive bacterial content should not be purchased and is not considered in this recommendation.

SUMMARY OF PRICES AND RATES
RECOMMENDED.

Metropolitan Dairy Area and South-West Coastal Dairy Area.

	Per Gallon. s. d.
Maximum charge for transport of milk from farms to country treatment plants—	0 0½
Minimum price to be paid to dairymen at country treatment plants	1 8
Maximum charges for the treatment of milk at country treatment plants	0 2
Maximum charge for the transport of milk from country treatment plants to metropolitan treatment plants	0 1½
Maximum price to be charged milk vendors at treatment plants in the metropolitan area for milk received for treatment from country treatment plants	1 11½
Maximum charge for transport of milk from farms north of Pinjarra to the metropolitan area	0 1½
Maximum charge for transport of milk from farms in Peel Estate-Roekingham area to the metropolitan area	0 2
Minimum price to be paid to dairymen for milk supplied direct to milk vendors at metropolitan treatment plants	1 11
Maximum price to be charged by milk vendors for bulk milk supplied to other milk vendors (milkmen)	2 1
Maximum price to be charged by milk vendors for bottled milk supplied to other milk vendors (milkmen).. .. .	2 5
Maximum price to be charged by milk vendors for bulk milk supplied to other milk vendors (milk shops)	2 7
Maximum price to be charged by milk vendors for bottled milk supplied to other milk vendors (milk shops)	2 11
Maximum price to be charged consumers for bulk milk	3 0
Maximum price to be charged consumers for bottled milk	3 4

South Coastal Dairy Area.

Minimum price to be paid to dairymen by milk vendors	1 8
Maximum price to be charged by milk vendors for milk supplied to other milk vendors (milk shops)	2 3
Maximum price to be charged consumers	2 8

Inner Wheat Belt Dairy Area.

Minimum price to be paid to dairymen by milk vendors	1 11
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Per
Gallon.
s. d.

Maximum price to be charged by milk vendors for milk supplied to other milk vendors (milk shops)	2 7
Maximum price to be charged consumers	3 0

Central Dairy Area.

Minimum price to be paid to dairymen by milk vendors	2 3
Maximum price to be charged by milk vendors for milk supplied to other milk vendors (milk shops)	2 11
Maximum price to be charged consumers	3 4

Eastern Goldfields Dairy Area.

Minimum price to be paid to dairymen by milk vendors	2 5
Maximum price to be charged by milk vendors for milk supplied to other milk vendors (milk shops)	3 6
Maximum price to be charged consumers	4 0

SUMMARY OF RECOMMENDATIONS.

Herd testing for quality and quantity be introduced for whole milk producers.

Producers be encouraged to keep complete records of calving and production.

Consideration be given to a scheme whereby mill offal can be made available to producers as a first priority over the supply to manufacturers of prepared stock foods.

Consideration be given to the provision of greater amenities for producers and their employees.

Machinery pools to be organised for farmers.

The continued control of land values to be considered, or alternatively, the capital cost per milking cow be pegged at £80 for cost determination.

Greater assistance be given producers in the detection and control of disease in stock, particularly mastitis.

Treatment plants be required to instal and keep proper costing systems.

Tankers only be permitted for the road transport of milk from country treatment plants to metropolitan treatment plants.

Transport operators be required to instal and keep proper costing systems.

Consideration be given to the vesting of milk in the Milk Board or the pooling of the wholesale purchase of milk.

Consideration be given to the purchase of milk from producers on a quality basis.

The possibility of developing the supply of milk to the metropolitan area from the Avon Valley be investigated.

Early consideration be given by the Milk Board to fixing variations in prices to give concessions to consumers purchasing larger quantities.

Milk Board Regulation requiring milk to be brine-cooled in the metropolitan area be repealed.

CONCLUSION.

In conclusion I wish to state that I consider that the vital importance of attention to hygiene in the milk industry makes it desirable to provide reasonable margins above costs as an encouragement for quality. The industry should not be forced to sacrifice hygiene in the interests of economy. On the other hand all reasonable steps should be taken to avoid wasteful and inefficient methods.

In emphasising its requests, the milk industry should not lose sight of the greatest factor of all, that is the desire and the ability of consumers to pay prices which may be determined.

The liquid milk industry has a serious competitor in the form of dried whole milk. Milk for this purpose, I understand, is purchased at slightly above butterfat rates, can be obtained mainly in the period of flush production and processed and stored for fairly lengthy periods. At present it is produced and manufactured solely in the Eastern States.

In its own interests the liquid milk industry should at all times endeavour to become more efficient, and to effect economies and obtain benefits within itself with the continuous view of meeting any rising costs by increased efficiency and thereby avoiding any unnecessary rise to consumers.

ACKNOWLEDGMENT.

I desire to place on record my acknowledgment of the services rendered by Mr. W. Adams of the State Audit Department, who was appointed by the Government to assist me. The work of the Commission was arduous, involving long hours in the dissection of financial statements and review of costs. Mr. Adams displayed ability, unremitting industry and thoroughness. I appreciate very much the assistance given by him.

I wish to express my appreciation of the cordial co-operation of the Chief "Hansard" Reporter, Mr. H. Carew-Reid and the assistance received from him and the "Hansard" Staff during a period which must have been particularly difficult.

I have the honour to be,

Your Excellency's obedient servant.

W. E. STANNARD,
Royal Commissioner.

Perth, Western Australia,
January, 28th, 1948.

APPENDIX.
STATEMENT OF MILK PRODUCTION COSTS.
Dry Farming—North of Pinjarra.

	1.	2.	3.	4.	5.	6.	7.	8.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Wages (owner where fully engaged estimated at £9 per week) ...	0 7-51	0 7-29	0 6-38	0 6-73	0 8-62	0 7-36	0 6-04	0 5-87
Fodder, Fertiliser and Seed ...	0 5-19	0 7-74	0 7-81	0 4-34	0 6-16	0 4-92	0 6-3	0 6-51
Repairs and Replacements ...	0 1-35	0 2-06	0 1-18	0 0-57	0 1-08	0 0-13	0 1-57	0 0-9
Fuel, Cartage, Rates and Sundries	0 3-33	0 3-89	0 2-0	0 2-37	0 4-12	0 0-58	0 1-38	0 1-67
Depreciation ...	0 0-92	0 0-71	0 0-75	0 1-04	0 1-46	0 0-45	0 0-54	0 0-4
Milk Board Levy ...	0 0-32	0 0-32	0 0-32	0 0-32	0 0-32	0 0-32	0 0-32	0 0-32
Interest ...	0 2-25	0 2-03	0 2-26	0 2-11	0 2-09	0 2-21	0 2-2	0 1-85
Total ...	1 8-07	2 0-04	1 8-7	1 5-48	1 11-85	1 3-07	1 6-35	1 5-52
Herd Replacement ...	...	...	...	...	...	0 0-24	...	...
						1 4-21		
Less Income from sources other than Sale of Milk ...	0 0-62	0 3-97	0 1-16	0 1-03	0 0-56	...	0 2-33	0 0-7
	*1 7-45	*1 8-07	1 7-54	1 4-45	*1 11-29	1 4-21	1 4-02	*1 4-82

*Apparently includes cartage of milk to Metropolitan Area.

Dry Farming—South of Pinjarra.

	1.	2.	3.	4.
	s. d.	s. d.	s. d.	s. d.
Wages (owner where fully engaged estimated at £9 per week) ...	0 8-11	0 4-56	0 8-09	0 5-63
Fodder, Fertiliser and Seed ...	0 5-94	0 4-26	0 4-64	0 5-96
Repairs and Replacements ...	0 0-81	0 1-93	0 0-94	0 1-23
Fuel, Cartage, Rates, Taxes and Sundries* ...	0 1-05	0 1-93	0 0-92	0 0-66
Depreciation ...	0 0-48	0 0-32	0 0-56	0 0-37
Milk Board Levy ...	0 0-28	0 0-28	0 0-28	0 0-28
Interest ...	0 2-1	0 1-84	0 2-37	0 2-37
Total ...	1 6-97	1 3-12	1 5-8	1 4-5
Herd Replacement ...	...	0 1-52	...	0 2-27
		1 4-64	...	1 6-77
Less Income from sources other than Sale of Milk ...	0 1-18	...	...	0 0-03
	1 5-79	1 4-64	1 5-8	1 6-74

*In some cases costs apparently include cartage of milk to Country Treatment Plant.

Irrigation Area.

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Wages (owner where fully engaged estimated at £9 per week) ...	0 6-95	0 6-1	0 6-08	0 6-32	0 6-1	0 6-11	0 9-45	0 10-41	0 5-97	0 8-18	0 4-86	0 6-78
Fodder, Fertiliser, Seed and Irrigation Rates ...	0 1-69	0 3-48	0 3-4	0 3-39	0 7-27	0 3-44	0 4-01	0 5-85	0 5-61	0 3-96	0 5-6	0 4-79
Repairs and Replacements	0 2-22	0 1-21	0 1-09	0 1-15	0 0-79	0 0-48	0 0-53	0 0-87	0 0-3	0 0-11	0 2-77	0 0-86
Fuel, Cartage, Rates and Taxes, and Sundries (b)	0 1-72	0 2-68	0 3-41	0 1-7	0 2-48	0 2-55	0 3-25	0 2-1	0 2-15	0 1-38	0 2-24	0 2-25
Depreciation ...	0 0-39	0 1-03	0 0-73	0 1-02	0 0-75	0 0-9	0 0-16	0 0-33	0 0-58	...	0 0-57	0 0-4
Milk Board Levy ...	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28	0 0-28
Interest ...	0 1-71	0 1-91	0 1-86	0 1-58	0 2-43	0 1-66	0 2-38	0 1-36	0 1-6	0 1-73	0 1-81	0 1-68
Total ...	1 2-96	1 4-69	1 4-85	1 3-94	1 8-05	1 3-42	1 8-06	1 9-2	1 4-49	1 3-64	1 6-13	1 5-04
Herd Replacement (c) ...	...	...	...	0 0-13	...	...	...	0 3-94	0 3-81	0 3-65	0 0-59	...
				1 4-07				2 1-14	1 8-3	1 7-29	1 6-72	
Less Income from sources other than sale of Milk	0 1-04	0 0-5	0 2-41	0 1-1	0 1-05	...	0 4-8	0 0-56	0 0-08	...	0 0-05	0 0-26
	1 1-92	1 4-19	1 2-44	1 2-97	1 7 (a)	1 3-42	1 3-26	2 0-58	1 8-22	1 7-29	1 6-65	1 4-78

(a) Brine cooled on farm, which increases costs but saves Country Treatment charge 2d. per gallon. (b) In some cases costs apparently include cartage of milk to Country Treatment Plants. (c) No. 8 increased herd by 80% during the year. Nos. 9 and 10 commenced production during 1946. These amounts are probably partly herd establishment.