

had on their Council men of foresight and determination and the producers had among their leaders men of capacity. The Municipal Milk Department of the City Council and the Wellington Dairy Farmers' Association were established, and these two bodies, by their enterprise and co-operation, have guided and controlled the development of the industry since that date. In Dunedin the Dairy Farmers' Co-operative Milk Supply Co., Ltd., has been called into existence because of the really deplorable condition into which the work of production had fallen and the consequent danger of collapse to which the town supply was exposed. Christchurch conditions have never been so bad as they became in Wellington in 1918 nor so depressed as they have been in Dunedin. In spite of the open hostility between sections of the industry, the milk-supply of Christchurch has not been exposed to the same danger of ruinous competition as that that developed in Auckland, and no special development of organization has taken place.

The conditions under which any important reorganization takes place may be expected not only to determine the nature of that reorganization, but to exercise a controlling influence over future development. In Auckland the principal determining influence was exercised by the apprehension of the ill results of unrestricted competition and the Milk Council, and the industry to-day adhere to the principle of tight pools. In Wellington the urgency of securing an assured supply and of maintaining a high standard possibly accounts for the Council's adherence to the system of control of supplies and to the butterfat-content standard for all milk, whether that milk is purchased in summer and autumn from its regular suppliers or in winter from factory suppliers with fortnightly milk. In Dunedin there has not been sufficient time to permit the new supply association to develop distinctive characteristics, but it may be expected to concern itself with the maintenance of unity and co-operation of all suppliers and with the effective control of supply. The characteristic of Christchurch at present is its state of disorganization.

One feature is common to all systems at present in operation. The development of productive activities is determined by commercial considerations as interpreted by the vendors. It is to and through the vendors that the demand for milk is made. They organize the industry to meet the demand. They call for the supply. They determine the times and quantities of that supply; and they shape the conditions. In Auckland, though two of the pools are formed on the co-operative principle and one has introduced a co-operative principle into its constitution, the most powerful of these pools does not retail milk in the Milk Council's area; and in the other two cases, as well as in the cases of the two proprietary companies, the commercial interests of the vendors as vendors shape and order the policy. In Wellington the general statement requires modification because of two facts. The City Council does not operate primarily for profit and the Dairy Farmers' Association is sufficiently powerful to protect the interests of the producers. But even in Wellington the Milk Department avows a policy of freedom to control supplies and to shape its policy so as to receive profit from its undertaking as well as to protect its capital rather than to ensure adequate supplies of milk of high standard. In Christchurch suppliers to treating-houses and suppliers to other vendors of milk and cream have had to accept the terms and conditions that the business of distribution dictates. In Dunedin this dependence of the producers on the policy dictated by vendor interests has been pronounced. How far that policy will be modified by the strength of the new association remains to be determined.

ADEQUACY OF SUPPLY

It cannot be claimed that the industry as at present organized has ensured adequate supplies of milk of a high standard to meet present demands at all seasons of the year. Reference may be made to later chapters of this part of the report for particulars of shortages and of supplies drawn from non-licensed or not fully licensed suppliers to factories. In the matter of supply of milk to schools all the areas have suffered. In Auckland in 1942 the supply of milk to high and technical schools was cut off in May and June and on odd days primary schools were rationed. Since the opening of the schools in February of the present year until the latter half of July no school-children other than those attending kindergarten received any milk. In Wellington in 1942 the only cut lasted for three weeks, but in 1943 schools were rationed in February and March, and from April onwards no milk was supplied except to kindergarten schools. In Christchurch rationing of school supplies during the winter months was resorted to during the years 1938 to 1942 inclusive. In 1943 there was no cut. In Dunedin during the years 1938, 1939, 1940, and 1941 supplies to schools were rationed in the early part of winter and were stopped in May, June, and July. In 1942 the Government paid for supplies from Balclutha, but deliveries to schools ceased during July and August. There were no supplies to schools in Dunedin this year from April to July.

There have been further cuts in 1943 in supplies to the Armed Forces and to milk-shops and milk-bars in Auckland and Wellington, and severe rationing of supplies to householders in Auckland. The total cut in Wellington during the period of most acute shortage was 2,500 gallons per day. In Auckland school milk was suspended from secondary schools on 8th June and from 18th June all school supplies ceased. The supply to primary schools was restored on 4th July and to secondary schools on 12th July. On 25th May the supply to the general public was cut 10 per cent. and on 21st June the cut was increased to from 20 per cent. to 25 per cent. Wholesale supplies were rationed in the same way as retail, and the Armed Forces stood the same ration as the civilian population, but hospitals, naval and mercantile shipping were not cut.

This shortage occurred notwithstanding the heavy drainage on the unsatisfactory—in some cases the highly unsatisfactory—supplies from outside factories. According to returns furnished by the New Zealand Co-operative Dairy Co., Ltd., that company supplied as milk or cream computed in its equivalent as milk, in 1938, 42,648 gallons; in 1939, 437,435 gallons; in 1942, 203,393 gallons; and during the months of February, March, April, and May in 1943, 680,576 gallons. The supplies drawn by Wellington from outside factories increased during the period of most acute shortage, this year to 2,700 gallons per day. Christchurch has not drawn supplies from these outside sources as the other centres have done, but during the winter it has had resort to suppliers in the normal supply area whose sheds were not up to standard and to whom the Department of Agriculture has been unwilling to grant anything more than temporary licenses. Dunedin has drawn on suppliers to the factory in the Stirling district for three years in succession, and on occasions from factories as far distant as Edendale.

It is recognized that adverse factors have operated to produce the shortages. The state of war has caused a marked increase in demand and has also operated to restrict production. The demand for the Armed Forces has been a heavy demand and an irregular one. The Forces have not only