

that pasteurization is effective as a means of safeguarding the health of consumers. But the methods at present employed by a number of houses leave much to be desired and fail to maintain that standard of cleanliness, freshness, and safety that pasteurization was designed to protect.

#### COSTS AND PRICES

It is obvious that accurate knowledge and a clear appreciation of the cost of any form of service or supply is necessary to the determination of prices to be paid and as a guide to the organization of an industry. Unfortunately, the records heretofore kept by producers and vendors alike have not been such as to provide the information required. The need for an alteration in this respect forms the subject of a recommendation in a later part of this report. In the absence of satisfactory returns the Commission has conducted an investigation that has enabled it to collect sufficient information to form a basis for judgment on the questions as to the prices that ought to be paid to producers and those that ought to be charged to consumers respectively. In this investigation it has had the ready co-operation of all parties and the skilled assistance of an experienced costing accountant.

In an Appendix to this report, the seasons into which the year is divided in the several districts, the prices paid to the producers, and the prices charged to the consumers will be found set out in detail. The table distinguishes between the prices charged for milk retailed, for that sold in wholesale quantities, and for that sold under the various classes of contract. Various features of this return will be discussed in the following Chapters of this part of the report, and certain of the recommendations contained in Part II are based on the facts set out in the table. At this stage attention is directed to certain features that may assist an understanding of the relative position in the several areas.

##### (1) *Prices to Producers*

These are remarkable for their variation both in respect of the periods into which the year is divided and in respect of the prices paid during the several periods. They are remarkable also for the lack of correspondence between these variations and the varying costs of production in the different areas. Doubtless the variations within each area are due in part to the need to encourage production in the periods when production is the more expensive. But even in this matter there does not appear to be an adequate appreciation of the need for, or any close approximation to, a correspondence between the prices actually fixed and those needed to provide sufficient inducement to achieve the result. No doubt the differences in prices are affected by the differences in the quality of the milk produced. In Wellington, where payment is made on the butterfat content, tests show that the average of that content throughout the year is 4.6 per cent. These tests are not taken elsewhere with the same regularity as they are taken in Wellington, but, as stated above, the samples taken by the officers of the Health Department and tested by the Government Analyst show an average butterfat content for Auckland of 4.31 per cent., for Christchurch of 4.21 per cent., and for Dunedin of 3.98 per cent. If allowance is made for this difference in quality, the disparity in producer prices based on gallonage alone would not be nearly so marked. But it must be remembered that the farmers in the Dunedin supply area have not been asked to produce a high-quality article; and it is not certain that the lower quality implies anything like a corresponding reduction in costs.

##### (2) *Price to Consumers*

A marked disparity in prices to consumers in the four areas is disclosed by the table. Not only do the prices themselves vary, but there are noticeable differences in the margins allowed to vendors. The figures quoted need to be studied with care, and notice must be taken of the explanatory notes to the table. The difference in costs between pasteurized and raw milk and bottled and loose milk is apparent and must be allowed for. And it is to be expected that in cases in which a large proportion of the supply is pasteurized and bottled retail prices generally will reflect the influence of the costs of the treating-houses. But here again there is a lack of correspondence between differences in cost and differences in price. Two other influences have to be appreciated. The first is a difference in costs of different vending-houses, both in treating costs and costs of distribution. It is not thought proper to include details of the costs of particular persons or companies; but differences do exist in this respect and justify a requirement that appropriate costing accounts be kept in all cases in the future. The second influence to be appreciated is that of organization. Where the producers are a well-organized body, as in Wellington, they have been able to protect their own interests much more effectively than the hitherto disorganized dairy-farmers in Dunedin have been able to protect theirs. And this difference is reflected in the prices the farmers have received and in the margin obtained by the vendor.

##### (3) *Retail, Wholesale, and Special Contract Prices*

Liquid milk is sold at retail rates to the household consumer. Large quantities are sold at wholesale rates to hotels, restaurants, shops, and milk-bars. Other quantities are sold under special contract rates to institutions such as hospitals; to shipping companies; to manufacturers of ice-cream, chocolate, and other milk products; for milk in schools; and for the Armed Forces. Considerable quantities are separated to supply the market with sweet cream. The Commission has endeavoured to ascertain how in each area the milk produced is divided between these different purposes, and the relation between prices charged in the several cases. The result of the inquiry is shown in the table in the Appendix. Its importance can be readily appreciated. Obviously there ought to be a correspondence between the scale of prices and the costs of production. If the wholesale price is too low relatively to the retail price, then either the household consumer or the producer suffers unfairly. Equally important is the possibility that special prices under contract may be cut and unduly depress the price to the producer or raise the price to other classes of purchasers. There does not appear to be any consistent or just relation between the prices to the different classes and consideration has been given to the question of adjustment of the scale, and recommendations on the matter are contained in Part II of this report.

#### UTILIZATION OF SURPLUS

Intimately connected with the question of price is the question of utilization of surplus milk. The matter of concern to the farmer is the total return that he receives for his total production. For part of that he receives the specified town-milk price. For part, he receives factory price. The part for which the factory price is paid is supposed to be the part which is surplus to town-milk requirements, and which must, therefore, be sent to the factory. But in some of the places in which a "winter quota" or "declared quantity" contract is adopted, any amount in excess of that adopted quota or quantity is