

1947

NEW ZEALAND

CENTRAL MILK COUNCIL

REPORT OF THE DIRECTOR OF MILK MARKETING FOR THE PERIOD ENDED
31ST MARCH, 1947

*Presented to both Houses of the General Assembly pursuant to Section 112
of the Milk Act, 1944*

The DIRECTOR OF MILK MARKETING to the Hon. the MINISTER OF HEALTH.

MADAM,—

Wellington, 10th July, 1947.

I have the honour to present herewith, pursuant to section 112 of the Milk Act, 1944, a report of the operations of the Central Milk Council for the period ended 31st March, 1947.

I have, &c.,

H. H. INNES,

Director of Milk Marketing.

The Hon. Minister of Health.

REPORT

INTRODUCTION

Background to the Establishment of the Council

IN 1943 a Royal Commission was set up for the purpose of making an inquiry into and reporting upon the then present circumstances of the supply of milk to the four metropolitan areas of Auckland, Wellington, Christchurch, and Dunedin, and to such other areas as might be directed from time to time by the Minister of Agriculture, and upon other specified matters.

The Commission was also directed to make recommendations to the Government in regard to the future organization of the town milk industry so as to ensure that at all times an adequate quantity of high-quality milk was available to the consuming public at a reasonable price.

On presenting a report on the 16th August, 1943, to His Excellency the Governor-General the Commission stated that the first essential to the attainment of the threefold object of adequacy, high standard, and reasonable price was the reorganization of methods of control and direction of the town milk industry which would involve three major developments—viz., (1) the creation of a Central Authority to guide and control the conduct and developments of the industry; (2) the appointment of Metropolitan Milk Councils as local authorities for each of the four main centres, and (3) the establishment of producer supply associations for each defined area of consumption.

Upon receipt of these recommendations the Government, in March, 1944, as a preliminary step, established a Town Milk Office as a section of the Department of Agriculture to act as the interim Central Authority and to carry out the following functions:—

- (a) To develop, in consultation with the Economic Stabilization Commission, a national milk scheme to be introduced as a long-term policy.
- (b) To prepare the necessary legislation for submission to Parliament which would create a permanent Central Authority, together with provision for the establishment of local authorities and the formation of co-operative town milk producer supply associations. Subsequently, on the 15th December, 1944, the Milk Act was passed establishing a Central Milk Council as the permanent central authority for the industry. Provision was also made for setting up local authorities in respect of declared milk districts and the official recognition of producer supply associations.

Objects, Functions, and Constitution of the Central Milk Council

In accordance with the provisions of sections 96 to 106 of the Milk Act, 1944, the Central Milk Council was gazetted in January, 1945, and the first meeting of the Council was held on the 27th and 28th February of the same year.

The objects for which the Council was established were the provision of an adequate supply of milk of good quality for human consumption and the organization of production, treatment, and distribution on an economic basis. The main objects of the Council are—

- (a) To carry on research and investigation relating to milk and milk products, including chemical, physical, bacteriological, and economic research:
- (b) To devise and promote as far as practicable improved methods of producing, collecting, treating, carrying, delivering, and distributing milk, including the distribution of milk in sealed containers:
- (c) To report to the Government from time to time upon matters affecting the objects for which the Council was established and to make recommendations to the Government as to the constitution, union, alteration, or operation of milk districts and milk authorities:
- (d) To guide and supervise the activities of Milk Authorities and to make inquiries and recommendations on any matters referred to it by the Government.

The personnel and constitution of the first Council were as follows:—

Chairman, the Hon. A. H. Nordmeyer, as Minister of Health.

Dr. Muriel Bell, representing the interests of women and children, appointed on the recommendation of the Minister of Health.

Mr. M. E. Lyons, Deputy Mayor of Christchurch and representative of the Municipal Association of New Zealand (Incorporated), appointed on the recommendation of the Minister of Health.

Messrs. K. K. Montgomerie and C. J. McFadden, representatives respectively of North and South Island Town Milk Producer Associations, and appointed on the recommendation of the Minister of Agriculture.

Mr. H. E. Combs, M.P., appointed on the recommendation of the Minister of Health.

Mr. H. H. Innes, as Director of Milk Marketing.

The Milk Act, 1944, also made provision for the establishment of a Milk Marketing Division of the Marketing Department. This Division became the administrative Department for the Central Milk Council, and Mr. W. A. Cowell, Secretary to the Division, was also appointed Secretary to the Council.

Since the Council commenced to function in February, 1945, nineteen meetings have been held to the 31st March, 1947, and the personnel of the Council has remained unchanged.

DECLARATION OF MILK DISTRICTS AND THE ESTABLISHMENT OF LOCAL MILK AUTHORITIES

One of the first tasks confronting the Central Milk Council was to secure the definition of appropriate milk districts covering the major areas of consumption throughout the Dominion and to secure as far as possible the effective establishment of a local Milk Authority for each milk district.

Section 8 of the Milk Act, 1944, provides that for every milk district there shall be a Milk Authority, which may be a Borough Council or a Metropolitan Milk Board, as may be prescribed by the Governor-General by Order in Council.

As at the 31st March, 1947, the following is a schedule of the declared milk districts and established local authorities:—

District.	Authority.	Date constituted or Date of First Election.
Auckland Metropolitan	Auckland Metropolitan Milk Board	{ 15/7/45 14/8/45
Christchurch Metropolitan	Christchurch Metropolitan Milk Board	{ 15/7/45 14/8/45
Dunedin Metropolitan	Dunedin Metropolitan Milk Board	{ 15/7/45 14/8/45
Hutt Valley and Bays Metropolitan	Hutt Valley and Bays Metropolitan Milk Board	{ 20/12/45 23/1/46
Palmerston North Metropolitan	Palmerston North Metropolitan Milk Board	{ 15/7/45 14/8/45
Ashburton	Ashburton Borough Council	24/8/45
Balclutha	Balclutha Borough Council	14/9/45
Blenheim	Blenheim Borough Council	17/8/45
Dannevirke	Dannevirke Borough Council	15/7/45
Feilding	Feilding Borough Council	15/7/45
Hamilton	Hamilton City Council	24/8/45
Hastings	Hastings Borough Council	15/7/45
Invercargill	Invercargill City Council	7/9/45
Lyttelton	Lyttelton Borough Council	1/3/46
Mataura	Mataura Borough Council	14/9/45
Mount Maunganui	Mount Maunganui Borough Council	15/2/46
Napier	Napier Borough Council	24/8/45
Nelson	Nelson City Council	14/6/46
Oamaru	Oamaru Borough Council	24/8/45
Stratford	Stratford Borough Council	24/8/45
Tauranga	Tauranga Borough Council	22/3/46
Timaru	Timaru Borough Council	17/8/45
Wanganui	Wanganui City Council	15/7/45
Whangarei	Whangarei Borough Council	15/7/45

POWERS AND DUTIES OF LOCAL MILK AUTHORITIES

The principal function of each Milk Authority is to ensure for the inhabitants of the milk district an adequate supply of milk of a standard of quality not less than the standard for the time being prescribed under the Sale of Food and Drugs Act, 1908.

Each Milk Authority has the power to buy and sell milk, to treat milk, and to provide generally for the cool storage of milk and milk products. It is also the duty of each Milk Authority to put into effect as soon as practicable an economic system for the consolidation or zoning of milk rounds, in so far as no such system is in existence at the time of constitution of the district.

From and after such date as may be fixed by a Milk Authority by special order it is not lawful for any person in respect of a particular milk district to sell or deliver milk to the district, or to have milk in his possession for sale in the district, or to pasteurize or subject milk to any treatment, or to use a milk store, except under a licence issued by the Milk Authority and in accordance with the terms established by such special order.

A Milk Authority may also from time to time make by-laws providing for—

- (a) Different kinds of licences:
- (b) Operating a zoning scheme:
- (c) Prescribing methods to be followed in the treatment, carriage, storage, distribution, or sale of milk:
- (d) Generally fixing standards of quality that must be observed in respect of a particular milk district.

Under section 74 (1) of the Milk Act, 1944, expenditure made by local Milk Authorities is recovered by way of levy imposed on milk sold in the district; the rate of the levy is one-eighth of a penny per gallon, but, with prior written consent of the Central Milk Council, the levy may exceed one-eighth of a penny per gallon, but may not exceed one-quarter of a penny per gallon.

RELATIONSHIP OF THE CENTRAL MILK COUNCIL TO LOCAL MILK AUTHORITIES

Whilst in this regard the main function of the Central Milk Council is to guide and supervise the activities of local Milk Authorities, it should be noted that the Central Milk Council has certain overriding authority, but only in respect of the following:—

- (1) In terms of section 102 of the Milk Act, in any case where, after a local inquiry, the Central Milk Council is of opinion that a Milk Authority should acquire or establish and maintain a milk treatment station, the Council shall have power to direct the local Milk Authority accordingly.
- (2) Section 104 of the Milk Act provides that in any case where a dispute or difference arises between a Milk Authority and any supply association or association of milk producers or of milk vendors, as to the terms of licences or contracts relating to the supply and sale of milk, any party to the dispute or difference may refer the matter to the Central Milk Council. The findings of any committee of inquiry established by the Council under this section shall be final and binding on the parties to the dispute or difference.
- (3) In terms of section 105, the Central Milk Council may, after consultation with the Milk Authority of any district, fix in respect of that district the maximum amount that may be paid for the goodwill of the business of any milk vendor.
- (4) Finally, under section 92, the Central Milk Council may approve, after consultation with the Milk Authority, any association of milk producers to be a Supply Association, provided that the Council

is satisfied that that association is able to maintain an adequate supply of good-quality milk sufficient all the year round to meet requirements of the whole of the district. When a producer association has received the recognition of the Central Milk Council as a Supply Association, no other milk, other than milk produced by producer-vendors on farms within a three-mile radius of the boundary of each milk district, may be brought into that district except through such recognized Supply Association.

In all other matters of essentially local significance, particularly those relating to the operation of milk zoning schemes, the supervision of licensing of milk vendors, treatment houses, milk shops, milk bars, &c., and the establishment of general conditions and standards under which milk is to be sold in any particular milk district, authority rests entirely with the Milk Authority for that area and is not subject to overriding direction by the Central Milk Council.

LIAISON BETWEEN LOCAL MILK AUTHORITIES AND THE DEPARTMENTS OF HEALTH AND AGRICULTURE

The Milk Act also makes provision for representatives of the Minister of Health and of the Minister of Agriculture to be appointed as *ex officio* members of each local authority. This course was adopted in order to ensure the effective liaison between the functions of each local authority and the national responsibilities of the Departments of Health and Agriculture so as to avoid any conflict between the local standards which a Milk Authority may set in respect of its particular milk district and the general responsibilities of those Departments to ensure observance of national standards particularly in terms of the Dairy (Milk Supply) Regulations 1939, the Sale of Food and Drugs Act, 1908, and the Milk Treatment Regulations 1945.

As at the 31st March, 1947, appropriate departmental appointments had been made in respect of each local Milk Authority throughout the Dominion.

PUBLIC INQUIRIES CONDUCTED BY THE CENTRAL MILK COUNCIL

(1) *Inquiry into the Organization of Milk-supplies in the Hutt Valley and Bays Area.*

This was the first public inquiry conducted by a committee of inquiry established by the Central Milk Council in accordance with the provisions of section 103 of the Milk Act, 1944. The committee on this occasion consisted of Mr. M. E. Lyons (Chairman), Mr. L. C. Nisbet, F.P.A.N.Z. (Consulting Accountant), and Mr. H. E. Combs, M.P., as members.

Evidence from all interested sections of the industry was heard at Parliament Buildings, Wellington, on 19th, 20th, and 21st September, 1945, and in submitting a report to the Central Milk Council the committee made the following recommendations:—

- (a) That a Metropolitan Milk Authority should be established for the Hutt Valley and Bays area:
- (b) That the supply of bottled pasteurized milk for the Hutt Valley area should be continued to be drawn from the Wellington City Council plant:
- (c) That more factual data was necessary in order to determine whether the establishment of a separate milk treatment plant in the Hutt Valley was warranted.

Appropriate action in accordance with these recommendations was subsequently taken by the Central Milk Council in setting up, firstly, the Hutt Valley and Bays Metropolitan Milk Board, and, secondly, confirming an agreement for the supply of bottled pasteurized milk between the Wellington City Council Milk Department and the Hutt Valley and Bays Milk Vendors' Association.

This was followed by an economic survey undertaken at the direction of the Council to compare the relative cost of maintaining on a permanent basis the supply of bottled milk for the Hutt Valley area from the Wellington City Council as against the establishment and operational costs of a separate milk treatment plant to be essentially situated in the Hutt area.

This investigation favoured the economy of erecting a new plant in the Hutt Valley, and negotiations are now proceeding with the objective of setting up a corporation representative of producer and consumer interests to undertake the public treatment of milk for that area in a modern plant to be erected in the Taita Light Industrial Area.

(2) Inquiry into the Circumstances of Milk Treatment in the Auckland Metropolitan Milk District.

This inquiry was held on the 26th, 27th, and 28th November, 1945, in Auckland, and the committee of inquiry on this occasion consisted of Mr. M. E. Lyons (Chairman), Mr. L. C. Nisbet, F.P.A.N.Z. (Consulting Accountant), and Mr. J. S. McFerran (Plant Engineer to the Wellington City Council Milk Department) as members.

As the result of this inquiry the Committee reported in January to the Council that, in respect of all four existing treatment houses operating in the Auckland area, the present buildings and sites were unsuitable for the continued treatment of milk on any long-term policy. The committee recommended that the district should ultimately be serviced by three new treatment houses—two plants on the Auckland side of the harbour and one plant on the North Shore side. The capacity of the plants on the Auckland side to be not less than 20,000 gallons per day, and on the North Shore side not less than 3,000 gallons per day.

In this regard action has already been taken in arranging for the purchase by the Crown of three of the four existing plants and the establishment of the Auckland Milk Treatment Corporation, charged with the responsibility of planning the future development of milk treatment facilities for the area as a whole.

(3) Inquiry into a Dispute between the Christchurch Metropolitan Milk Board and an Association of Christchurch Milk Vendors in respect of Milk Zoning.

This inquiry was held in Christchurch on the 6th February, 1947, and the committee of inquiry consisted of the Central Milk Council as a whole, with the exception of Mr. M. E. Lyons, who presented the case for the Christchurch Metropolitan Milk Board.

Public submissions were presented to the Council by the Christchurch Metropolitan Milk Board in favour of a proposed new zoning scheme, giving householders a choice of milk vendors within certain limits, and arguments against this scheme were presented by representatives of Christchurch vendors.

The committee subsequently announced a decision on the 24th March, 1947, to the effect that the objections of the vendors to the proposals of the Christchurch Metropolitan Milk Board were on the whole justified, and that the Milk Authority should not proceed with the suggested rezoning scheme.

ESTABLISHMENT OF TECHNICAL COMMITTEES

On the 28th February, 1945, the Central Milk Council, by resolution, invited the following persons, under the chairmanship of Dr. Muriel Bell, to become members of the Advisory Technical Committee:—

Dr. Helen Deem, Medical Adviser to the Plunket Society.

Dr. Elizabeth Gregory, Dean of the Home Science Faculty, Otago University.

Dr. G. Moir, Dairy Chemist, Department of Agriculture Laboratory, Wallaceville, Wellington.

Dr. M. L. Edson, Associate Professor in Bio-chemistry and Travis Trust Fellow for Research in Tuberculosis, Medical School, Dunedin.

Mr. O. H. Keys, Analyst, Department of Scientific and Industrial Research, Dunedin.

Mr. J. Sargent, B.Sc., Dairy Research Institute, Palmerston North.

This Committee met at Dunedin on the 15th April, 1945, and subsequently presented a full report with detailed recommendations in respect of quality standards for town milk. The Committee recommended the desirability of making a survey of the laboratory facilities available in the four main centres in order to discover what bacteriological tests were suitable and practicable to determine the daily quality of town milk. This survey has already been undertaken by Dr. G. Moir, and as soon as practicable adequate milk testing facilities, where necessary, will be installed in all major milk treatment plants.

SUPERVISION OF NATIONAL STANDARDS RELATING TO MILK PRODUCTION, TREATMENT, AND DISTRIBUTION: DIVISION OF RESPONSIBILITY AS BETWEEN THE DEPARTMENTS OF HEALTH AND AGRICULTURE

After full consideration of the major factors involved, the Central Milk Council recommended to the Government, in December, 1946, that the division of responsibility for the maintenance of national standards for milk production, treatment, and distribution as between the Departments of Health and Agriculture should be determined as follows:—

- (1) The Department of Agriculture to be solely responsible for the supervision and maintenance of adequate production standards on all town milk farms—this included milk-shed registration and all farm inspection:
- (2) In regard to town milk produced by producer-vendors, or producers supplying direct to vendors, the supervision of the Department of Agriculture to extend only to the farm-gate. Thereafter from this point to the consumer the responsibility for supervision to rest with the Department of Health:
- (3) In respect of milk produced and delivered to treatment houses or central depots, the supervision of the Department of Agriculture to extend beyond the farm-gate and to the point of delivery ex the plant to vendors for distribution. Thereafter the responsibility to be assumed by the Department of Health to the point of consumption.

These proposals were subsequently endorsed by the Ministers of Health and Agriculture.

Subsequently, in consultation with the Central Milk Council, the Department of Agriculture advertised throughout the United Kingdom calling for applications for appointment to the position of milk treatment plant supervisor whose responsibility it would be to see that the milk treatment plants met the requirements of the Dairy (Milk Treatment) Regulations 1946. In January, 1947, Mr. T. P. J. Twomey, who has had wide experience in Britain in processing and treating milk, was appointed to the position in the Dairy Division of the Department of Agriculture. He arrived in New Zealand in March, 1947, after having visited the Continent to investigate the latest methods of handling of town milk-supplies.

TESTING OF TOWN MILK HERDS FOR TUBERCULOSIS INFECTION

The report of the Technical Advisory Committee had strongly emphasized the advisability of the compulsory T.B. testing of town milk herds. This recommendation was referred to the Government for consideration. Subsequently, by amendment to the Stock Act, a programme of compulsory testing for tuberculosis was inaugurated, and has now commenced under the auspices of the Live-stock Division of the Department of Agriculture.

THE PUBLIC TREATMENT OF MILK

The problem of ensuring an effective system of milk treatment which would secure high-quality standards both in regard to plant equipment and milk treatment has received the very full consideration of the Council since its inception. After a full review of all existing circumstances, the Council, on the 27th March, 1945, resolved as follows:—

“In the opinion of this Council, milk treatment plants in the four main centres—namely, Auckland, the Hutt Valley and Bays, Christchurch, and Dunedin Metropolitan Milk Districts should be owned, controlled, and operated by the local Milk Authority.”

This resolution was communicated to all the local bodies concerned in these areas.

Later, on the 22nd November, 1945, the following further resolution was announced by the Council:—

“That in areas where conditions demanded a change of ownership of the treating house, there should be two alternatives:—

“(1) That where the population was 20,000 or over, a request should be made to the local bodies concerned to become the owners and operators of the treating house:

“(2) That in the event of the local authority refusing to accept the request of the Central Milk Council, the Crown take the necessary action in providing all the finance for the undertaking and to set up a local board of management or public utility consisting of representatives of local and Government interests.”

These resolutions were presented to the Government for consideration; Cabinet approved of them in principle on the understanding that voluntary agreements between the Crown and owners of milk-treatment houses to sell could be negotiated.

Acting under the general directions of the Central Milk Council, the Director of Milk Marketing commenced negotiations with a number of treatment-house owners, who had indicated their willingness to sell in order to make way for the public treatment of milk along the lines desired by the Council.

The following is a schedule of the plants already purchased by the Crown as at the 31st March, 1947, for the purpose of their conversion to public control either under the direction of a local authority or public utility corporation representative of producer, consumer, and Government interests:—

Name of Plant.	District.	Total Payment.
		£ s. d.
1. Sothorn and Co.	Whangarei	26,638 17 8
2. Stonex Bros.	Auckland	59,474 1 3
3. Model Dairy, Ltd.	Wanganui	32,237 13 3
4. Napier Dairy, Ltd.	Napier	24,363 6 6
5. Manawatu Milk and Cream Co.	Palmerston North	25,189 18 6
6. A. E. Sadd, Ltd.	Blenheim	9,410 14 2
7. Nelson Dairies, Ltd.	Nelson	20,219 17 0
8. Supreme Dairies	Timaru	25,191 15 7

The additional list as set out hereunder covers treatment plants not yet purchased by the Crown as at the 31st March, 1947, but in respect of which a basis for sale and purchase had been successfully established between the existing owners and the Crown:—

Name of Plant.	District.
1. Auckland Milk Co.	Auckland.
2. Taieri and Peninsula Milk Supply Co., Ltd.	Dunedin.
3. South Dunedin Co-operative Milk Supply Co., Ltd.	Dunedin.
4. Dunedin Wholesale Milk Supply Co., Ltd.	Dunedin.
5. C. L. Baikie and Co.	Timaru.

The intention of the Central Milk Council is to ensure that these plants when purchased are, first of all, if necessary, brought up to a satisfactory standard in respect of buildings and equipment, and, thereafter, are to be made available to suitable local authorities, who will become directly responsible for their continued operation.

ESTABLISHMENT OF MILK TREATMENT CORPORATIONS

As at the 31st March, 1947, the following milk treatment corporations have been established to undertake the public treatment of milk on a non-profit-seeking basis in their respective milk districts:—

Name.	When established.	Directorate.
1. Auckland Milk Treatment Corporation	27/2/47	Two producers on the nomination of the supply association; two consumers on the nomination of the Auckland Metropolitan Milk Board; one Government representative.
2. Wanganui Milk Treatment Corporation	10/10/47	Two producers on the nomination of the supply association; two consumers on the nomination of the Wanganui City Council; one producer-vendor; and one vendor on the joint nomination of the Producers and Vendors Associations.
3. Timaru Milk Treatment Corporation	10/4/47	Three producers on the nomination of the supply association; three consumers on the nomination of the Timaru Borough Council; one Government representative.
4. Nelson Milk Treatment Corporation . .	10/4/47	One producer on the nomination of the supply association; one consumer on the nomination of the Nelson City Council; one vendor on the nomination of the Vendors Association; one Government representative.

In addition, regulations have been gazetted providing for the establishment of the Hawke's Bay Milk Treatment Corporation, the directors of which have not yet been appointed. Negotiations are also proceeding for the setting-up of a Hutt Valley Milk Treatment Corporation on the basis of equal partnership between producers and consumer representatives appointed by the Government.

Arrangements have also been finalized making provision for the Whangarei Borough Council to purchase from the Crown the treatment plant of Sothern and Co., Ltd., together with milk distributive rights, as it is the intention of the Whangarei Borough Council to engage in milk treatment and distribution as a municipal undertaking.

THE FIXATION OF GOODWILL FOR MILK ROUNDS

At the present time the Council is engaged in securing sufficient data to determine maximum goodwill payments for milk rounds in the main milk districts.

After consultation with the Auckland Metropolitan Milk Board, the maximum goodwill payment of £12 per gallon for retail deliveries and £4 per gallon for wholesale deliveries has been fixed to operate throughout the Auckland Metropolitan Milk District.

FARM COOLING OF MILK BY REFRIGERATION

In August, 1946, the Central Milk Council recommended to the Government that some economic encouragement should be given to town milk producers who were prepared to install adequate refrigeration on their farms for the cooling of milk.

This recommendation was accepted, and the 1946-47 National Milk Scheme incorporated a special allowance of 0.33d. per gallon payable to all producers chilling their milk on the farm by mechanical refrigeration.

MISCELLANEOUS

Other matters to which the Central Milk Council has already given consideration to or made decisions upon are:—

- (1) In consultation with the Director of the Dairy Research Institute, have discussed plans with a view to ensuring the maintenance and extension of training schemes to provide properly qualified key personnel to be associated with the quality testing of milk in treatment plants.
- (2) With the Standards Institute, discussing the definition of adequate standards for milk-bottles and milk-caps.
- (3) Have sought the co-operation of the Department of Agriculture to provide publicity per medium of the *Journal of Agriculture* to assist the producer in the problems of town milk production.
- (4) Have approved of appointment of Inspectors under section 72 of the Milk Act.
- (5) Approved the setting-up of a Committee to ensure the utilization to the best advantage of plant being purchased under the Milk Treatment Corporation Plan and also plant to be imported.
- (6) Have had the co-operation of the Director of Animal Husbandry, Canterbury College, Lincoln, in that he provided a very full report dealing with the problem of low solids-not-fat content of Christchurch milk. This report was made available to Canterbury producers.

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