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The Dairy Honorary Royal Commission Report

By **R. S. Kingwell**, Policy and Marketing adviser

The report of the Honorary Royal Commission into dairy products and market milk was released in late December 1982. The report's many recommendations for change will be the focus of Western Australian dairy industry debate in 1983. This article surveys the report's main recommendations and contrasts them with current dairy industry policy. It is not a critical review of those recommendations or of current dairy policy.

QUOTAS

Recommendations

- Entitlements *Quotas should be replaced with entitlements. If implemented this would mean a producer would not necessarily be paid the market milk price for 100 per cent of his entitlement. Depending on sales a producer may receive market milk prices for more or less than 100 per cent of his entitlement.*
- Negotiability *Entitlements should be conditionally negotiable. The Commission recommended that no upper limit be imposed on the level of entitlement held by any one producer. Entitlements could be negotiable on the condition that those wishing to purchase further entitlements first proved they could produce at least 20 per cent per day more than their existing entitlements for a designated period.*
- Grants *No free entitlements should be granted to producers entering the industry. Any producer entering the market milk sector should have to purchase an entitlement.*
- SMP *Special milk products (SMP) quotas should be abandoned.*

Current situation

- Entitlements *Market milk production is based on a quota system that ensures that each producer's quota production is never priced at less than the going market milk rate. To equate the demand and supply of market milk the Dairy Industry Authority (DIA) uses, if necessary, other classes of milk to meet extra demand and the Dairy Assistance Fund (DAF) for payment support. In effect the DIA operates a buffer scheme to ensure market milk income stability for producers.*
- Negotiability *Except in the case of intra-family transfers, quotas are negotiable only where a dairy farm and quota are purchased on a walk-in-walk-out basis. Further, a producer's total quota holding when built up by this means cannot exceed 1,100 litres daily. However this restriction does not apply if or when the DIA sells small amounts of quota to dairymen.*
- Grants *Quotas of 245 litres daily are granted occasionally to new entrants to the market milk sector, partly to compensate for the withdrawal of dairy farms from the industry.*

PRICING

Recommendations

- Seasonal price *The price producers receive for market milk should be seasonally variable. In the season of highest costs of production the market milk price received by farmers would also be the highest.*
- Consumer levy *The 1.76 cents per litre charge to consumers which finances the Dairy Assistance Fund should be phased out.*

Current situation

- Seasonal price *Variations in the price producers receive for market milk are not based on time of the year.*

Consumer levy In 1982 the DAF totalled \$4.3 million of which \$1.17 was spent in such ways as bolstering manufacturing, SMP and market milk prices; issuing free minimum quotas; paying the manufacturing milk bonus; paying the autumn SMP premium; paying the Department of Agriculture for supervisory and laboratory services; equalising butter and cheese stabilisation payments, and freight assistance between Albany and Esperance.

THE DAIRY INDUSTRY AUTHORITY (DIA)

Recommendations

DIA structure *The DIA be replaced by a three member authority independent of sectional interests and served by an Industry Advisory Group.*

Control area *The DIA's area of control be extended to all of Western Australia.*

Current situation

DIA structure The DIA consists of a Chairman, who also represents consumers; four producers, two manufacturers and one milk vendor, and one non-voting Department of Agriculture representative.

Control area The DIA's area of total control is restricted to areas roughly south of a line from Shark Bay to Eucla. However it controls the price paid to producers for all quota milk bought in dairy areas, no matter where in the State it might be sold.

PROCESSING

Recommendations

Decentralisation *Decentralised processing plants should be encouraged.*

Restrictions *Any approved manufacturer should be able to produce milk for his own company or purchase milk from farmers, and potential processors should not be prevented from entering the industry.*

UHT plant *The Government should encourage the establishment of an ultra heat treatment (UHT) plant.*

Zoning *Sales to the Metropolitan area should be divided between the Masters and Brownes companies, who would have a conditional sole franchise of market milk supply.*

Current situation

Decentralisation Most milk processing is centralised in Perth. In recent years many dairy product manufacturing plants outside Perth have closed.

Restrictions If a manufacturer has access to dairy premises registered for manufacturing milk production with the Department of Agriculture, and can obtain a license from the DIA for a particular product, he may be allowed to buy from farmers or use milk he has produced.

UHT plant As yet commercial interest has been insufficient to start development of a UHT plant.

Zoning A consumer may request either brand of milk from his vendor. Shops and supermarkets usually stock one brand only.

VENDING

Recommendations

Delivery *Vendors should provide a six day week household delivery.*

Rounds *Vending should be encouraged as a full-time occupation. Part-time and leased rounds should be discouraged.*

Processors *Processors should be excluded from both distribution (wholesale) and retail vending.*

Supervision *Vending should be supervised by the DIA.*

Current situation

- Delivery Vendors are legally required to provide a five day week household delivery. All undertake at least some deliveries on the stipulated days.
- Rounds In recent years leasing or operating household rounds part-time has increased.
- Processors As at June 30, 1982, processors held 13 percent of issued milk vendor (household) licences and 23 percent of milk distributor (shop) licences.
- Supervision The Department of Agriculture is responsible for most vending supervision. The DIA licenses milk vendors and distributors.

MARKETING

Recommendations

- Cream *A national cream marketing programme be adopted.*
- Asian market *Asian markets for dairy products should be developed further.*
- Local sales *Further marketing programmes should be developed to increase market milk consumption, especially among school age children.*
- North west *Further studies should be started to explore milk markets in the north of the State.*

Current situation

- Cream Inter-state discussions to formulate a national cream marketing programme are well advanced.
- Asian market Very little Western Australian milk and milk products are sold in today's highly competitive Asian markets.
- Local sales The DIA's annual promotion programme includes addresses to school children.
- North west The Department of Agriculture has sought funds to research frozen milk problems . . . so far without success.

EDUCATION, TRAINING AND RESEARCH

Recommendations

- Training *A milking school to train part-time and relief milkers be established.*
- Vending *An induction course for prospective milk vendors should be introduced. It should be a condition of new vendors' licences that they complete the course.*
- Research funds *Tertiary centres in Western Australia be encouraged to apply for Australian Dairy Research Grants.*

Current situation

- Training No formal training is available for relief milkers.
- Vending Though occasional induction courses and literature are provided for prospective milk vendors, course attendance is not a pre-requisite for licensing.
- Research funds Western Australia produces four percent of Australia's milk, but in the last three years has received less than one per cent of research funds administered by the Australian Dairy Research Committee.