

## **The Future Outlook 1963/64**

Certainly, as this report was presented, the outlook is less gloomy than it has been recently. Rises in the retail prices of butter and cheese, the first for many years, although undoubtedly to be accompanied by some degree of consumer resistance, will result in an improvement in the return from domestic sales. The buoyancy of the London market, and the growth of Asian markets through the enterprise of the Australian Dairy Produce Board lead to optimism which is reflected, through the agency of the Federal Government's continued underwriting of the opening price, in an unprecedentedly high interim basic price of 43d. lb. for the coming season. At the same time the association, following the presentation of a case for an increase of 4d. per gallon in the price paid to the producer for whole milk, waits confidently for the announcement from the Metropolitan Milk Board, but it would be foolish to assume that these conditions are more than temporary.

A move into dairying by other primary producers, a good European season, or a drift in home consumption could accelerate the onset of a reassurance of the surplus problem which is, without some form of intervention, inevitable, and to which must be added unless unforeseen factors intervene, the continuation for many years yet, of a low whole milk quota for licensed producers.

In view of these circumstances he said the producers believed that the industry as a whole will have to display a greater concern for promotion for the produce very level and in every level and in every possible way of the produce of our dairy farms and factories, not only in Australia but in profitable overseas.

### **Consumption**

Despite the continuous expenditure of a great amount of money on market research, promotion, and advertising, the domestic consumption of dairy produce is no more than stable, at figures considerably lower than those in some other Western Countries with comparable standards of living, a circumstance which, as regard to cheese, with which this Association is mostly concerned, we believe may be due to haphazard marketing, in that continuous supplies of cheese of acceptable quality and maturity appear to be not readily available to the consumer.

In an effort to correct this the Association has given considerable study to the possibility of grading cheese for the domestic market, a practice which is carried out in many cheese-producing countries overseas, and which is analogous to grading for export.

The results of this study, and of our collaboration with acknowledged authorities in cheese technology, will shortly be presented to the Australian Dairy Produce Board.

This stricture, however, applies entirely to cheddar cheese, which forms by far the greatest proportion of our output. The consumption of fancy cheeses is increasing at an extremely rapid rate, having more than doubled both in total and per head of population in the three years to 1962/63.

It is therefore a cause for concern that the Australian production of these varieties appear to have done little more than remain stable during that period, a state of affairs which the Minister of Primary Industry described as "hardly satisfactory".

An attempt to provide a more favourable economic situation for the production of fancy cheeses by increased tariff protection has so far met with little success because of the lack of adequate supporting data.

### **Production**

The output of milk from licenced producers in the Metropolitan supply area reached a record total of 44,395,000 gallons, and continued the run of record outputs that have been the pattern of production from this area since 1961.

Nevertheless, the rate of increase in production has far outstripped the growth in consumption and the resultant fall in the proportion of milk sold as whole milk has had the effect of depressing the equalised return to a considerably lower figure than that prevailing in the years immediately preceding 1961.

### **Market Difficulties**

At the beginning of the period under review the Australian dairy industry faced a crisis caused by large stocks of butter and cheese, held in cold store, in excess of domestic requirements and for which no commercial overseas outlets appeared to be available, and in an effort to divert disruption of the industry which could have culminated in the complete Breakdown of the Commonwealth Equalisation Scheme.

The Australian Dairy Produce Board called for a substantial reduction in cheese production. Our Association, endeavouring to make a contribution towards the goal, requested the Metropolitan Milk Board to cease issuing further licences for city milk production until consumption more readily equated the production from current licensees, as an increase in the total number of licences had been apparent in the last two years due, the Association believed, to the higher price that resulted from the pooling of returns from liquid milk and cheese manufacturing, but having the effect only of adding to the already large volume of surplus milk.

The Metropolitan Milk Board refused the request, but in the meantime the greatly reduced European production that had resulted from the previous severe winter caused an increased demand, that within a very short period, entirely absorbed what had hitherto been a surplus.

The Australian Dairy Industry is indeed fortunate that Europe's loss was our gain, but the treat of a recurrence of even greater surpluses in the near future must be kept constantly in mind.

### **Milk Prices**

The Secretary tabled a schedule of revised milk prices and margarine to take effect from 6th September 1964 in the Metropolitan area.

The secretary said that although it was pleasing to be able to report an increase of 2½d. per gallon in the price to producers, this figure was not as high as the 4d. asked for and hoped for.

However it should be realised that the increase was granted by the Board despite the fact that no similar increase had been revealed in the assessed cost of production, and although we believed we had strong moral backing for the case concerning the 26-30 cow producer, which the board had rejected, we should accept the fact that the Board was reluctant to submit to Cabinet a proposal which it could not fully support, and to this extent we should be grateful for the surplus margin, even though the price that eventually did not encompass the whole of the surplus margin, it would have been the highest such allowance in Australia, as other States where it was allowed it was just over 2d.

