

New Zealand Society of Animal Production online archive

This paper is from the New Zealand Society for Animal Production online archive. NZSAP holds a regular annual conference in June or July each year for the presentation of technical and applied topics in animal production. NZSAP plays an important role as a forum fostering research in all areas of animal production including production systems, nutrition, meat science, animal welfare, wool science, animal breeding and genetics.

An invitation is extended to all those involved in the field of animal production to apply for membership of the New Zealand Society of Animal Production at our website www.nzsap.org.nz

[View All Proceedings](#)

[Next Conference](#)

[Join NZSAP](#)

The New Zealand Society of Animal Production in publishing the conference proceedings is engaged in disseminating information, not rendering professional advice or services. The views expressed herein do not necessarily represent the views of the New Zealand Society of Animal Production and the New Zealand Society of Animal Production expressly disclaims any form of liability with respect to anything done or omitted to be done in reliance upon the contents of these proceedings.

This work is licensed under a [Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License](http://creativecommons.org/licenses/by-nc-nd/4.0/).



You are free to:

Share— copy and redistribute the material in any medium or format

Under the following terms:

Attribution — You must give [appropriate credit](#), provide a link to the license, and [indicate if changes were made](#). You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

NonCommercial — You may not use the material for [commercial purposes](#).

NoDerivatives — If you [remix, transform, or build upon](#) the material, you may not distribute the modified material.

<http://creativecommons.org.nz/licences/licences-explained/>

The Future of Dairying in New Zealand

W. N. PERRY

In tackling a subject like this there are some facts that we know for certain while there are others that are a matter for guess-work. In spite of this, I propose to take some risks and to state the position as I see it. In any case there are only a few things about this subject that are not matters for conjecture. In such cases one man's guess is frequently as good as another's and some of us may finish up by agreeing to differ. On the other hand there are quite a number of facts which will assist in making a fairly reliable guess. Guesses can be shots in the dark or they can be well informed ones. There should be enough well informed people present at this Conference to enable us after discussion to come to the position where most of the facts and the possibilities in connection with the industry's future have been examined.

The future of our industry is governed by two separate and distinct sets of factors:—

- (1) Those which are of internal origin, and
- (2) External ones.

I propose to look at the question from the point of view of our main products, viz: butter, cheese, casein and milk powder. There are several other important products such as sugar of milk for example which will probably occupy a more important place in the industry as time goes on and as greater emphasis comes to be placed on the value of the non-fat solids in milk. (Specialised types of cheese is another). But unless we are to traverse the question at greater length than time permits to-day, it will not be possible to deal with these matters. I mention them, however, to indicate that they should not be dismissed completely. There are numbers of people who have consistently advocated greater diversification of dairy production in New Zealand. It must be admitted that there is a good deal in favour of their argument. The canning of cream is one activity which seems to me to be well worth exploring. But the limitations which present internal economic policies impose (and which I shall touch on later) rather restricted opportunities for diversification. Not least of these is our policy of full employment and penal conditions in awards for work outside the strict 40 hour week. These are not conducive to the encouragement of new products requiring close and constant care, as is the case with specialised types of cheeses. Before dealing with the factors which in my opinion will govern the future of the industry let us have a brief look at some historical facts.

In the 1919-20 season we had 783,000 dairy cows in milk in New Zealand. By the 1931-32 season this number had been doubled. In 1951-53 we had 1,901,000 and in January 1953 was 1,960,000 so that there has been no spectacular rise since the slump period. In the last 30 years, however, the average yield of butterfat "at the pail" has increased from 174 to 270 odd lb. This increase is of course largely due to the improvement of pastures, pasture conservation methods in New Zealand. In 1920 the total area topdressed in New Zealand was exceedingly small by present day standards (or in fact by any standards). Actually topdressing statistics were not compiled until 1926-27 which would appear to indicate that up till that date its importance had not been fully realised. The total area topdressed with lime and fertilisers at that date was only about 1,500,000 acres. In 1952 nearly 6½ million acres of land in

the Dominion were topdressed. I should imagine that this latter figure would include almost all the dairying land.

It would appear from the facts above that the period of spectacular advancement in the dairy industry is over. There are no huge areas of land suitable for dairying still to be broken in although there are still blocks of pumice and swamp land which will be developed. Expansion I believe there will be, but it seems to me that increases in production are likely to be steady rather than strong, and that they will come in the main from improvements in the breeding of our stock and from the steady trend of pasture improvement and more efficient and economical management and utilisation. This latter will consist more and more of bringing the least efficient nearer to the most efficient. In other words consolidation will be the process rather than exception, provided that the industry can continue to maintain its present economic position relative to other branches of farming and to other sections of industry in New Zealand. Our future will depend on two things:—

- (1) Internal conditions (which will provide favourable conditions for production)
- (2) External conditions (which will govern the markets for our products).

Let us examine the matter under these two main headings.

(i) FAVOURABLE CONDITIONS FOR PRODUCTION:

So far as the physical factors are concerned we have not a great deal to worry about in New Zealand. There is at least 50 years supply of phosphate available from the Pacific Islands and the deposits of raw phosphate in North Africa are enormous. Potash supplies will present no problems in the foreseeable future and in New Zealand itself we have adequate supplies of lime.

Veterinary science in the form of contagious abortion inoculation, blackleg vaccination and T.B. eradication have contributed in the past and will in the future tend further towards healthier herds.

We come to this position then that it is the economic factors rather than the physical ones that are going to determine the future of the industry. This will be found to be the case both on the production and on the marketing sides. There has always been competition for dairying from meat production and it is probable that there always will be. I do not anticipate that this competition will be intensified in the future unless conditions change radically in a way which cannot be foreseen. The dairy industry has always had one great advantage over meat production in that income is received over a much greater period of the year than is the case with meat and wool. A monthly cheque is a great attraction in spite of the fact that dairying is a seven days a week job. The dairy farmer, however, must always be at a disadvantage therefore in competing for labour but with the family unit looming ever larger in our industry this problem is not a great one.

On the economic side, however, the position is different. So long as we have a full (or overfull) employment policy there must always be difficulty in staffing a seven day a week industry alongside highly protected manufacturing industry which can virtually set its own conditions for a nominal 40 hour 5 day week. Men cannot be blamed for choosing the easier life. Whatever were the rosy theories some people once held about the capacity of the State to "carry" the dairy industry, few people adhere to them now. There is a general realisation that except over a very short term overseas conditions must govern the rewards and conditions of the dairy industry.

On the other hand, industries with complete or almost complete protection are not subject to these external influences. This indicates that our industry can be affected in two ways. Firstly, by competition for labour, secondly, by the impact of locally determined costs. It is worth noting that although the accepted belief is that the Dairy Commission fixes the dairyfarmers' guaranteed price, we have periodical evidence of the fact (once again in recent months) that the Retail Price Index and the Arbitration Court also have a finger in the pie. So far as labour is concerned we have got over this in our factories to a certain extent by the employment of immigrants. Whether or not this can continue to provide a solution is anyone's guess. My own belief is that with the continuation of a full employment policy we must come to a stage where immigration will cease to provide the solution. It will not be practicable to rely on it as a perpetual solution. So far as costs are concerned we cannot lose sight of the fact that each immigrant involves a considerable capital investment which must be diverted from some other necessary capital development so that immigrants while solving some problems create others. I do not think that we can continue to produce and sell better if we keep on pushing up our internal cost structure. If we do, the synthetics will beat us. This really comes under the heading of marketing. I shall have more to say of this later. I would observe in passing, however, that I do not anticipate any real competition to butter from margarine produced locally. If it follows the normal pattern of New Zealand manufactured goods it would probably be more expensive than the natural product which it seeks to replace.

Generally speaking, then, production difficulties are not likely to be great except in regard to labour, but internal conditions could prejudice our ability to produce a product at a reasonable price which would permit us to compete in overseas markets. It cannot be over-emphasised in regard to internal conditions that we should always remember what happened to coal in New Zealand. The miner priced his product out of the market. If it happens to dairy produce the fault is not likely to lie with the dairy farmer.

(ii) **EXTERNAL CONDITIONS:**

It is from abroad that we shall find our greatest threat. To increase our production and to sell the increased production overseas, we must have—

Ready access to markets where people are able and willing to pay a profitable price for our products.

I have set out the above proposition because it covers within a short compass a complete statement of our problem. You all remember the newspaper editor who wrote of a contemporary issue of a rival paper that "it contains much that is new and much that is true. Unfortunately that which is true is not new, and that which is new is not true." Something similar could be said about prospective markets. There are quite a number of small markets all over the world to which we have ready access and where the people are willing and able to pay a profitable price for our produce. But really there are only two large markets where the people are able and willing to pay a profitable price for our product. These are North America and the United Kingdom. Unfortunately we do not have ready access to the North American market although the people there would be "able and willing" to pay what would be to us a "profitable price." So far as the United Kingdom is concerned we have the continued threat of margarine. In fact that threat of margarine is greatest in these which are to us the best potential markets as the following table taken from the Commonwealth Economic Committee's Bulletin for May 1953 will show:

PER CAPITA CONSUMPTION OF BUTTER AND MARGARINE
IN LB.

	1938		1950		1951		1952	
	Butter:	Margn.	Butter:	Margn.	Butter:	Margn.	Butter:	Margn.
U.K.	24.1	10.0	16.8	16.7	14.6	18.3	10.9	18.9
Canada	31.9	—	23.5	6.8	22.6	7.4	22.1	7.3
U.S.A.	16.4	2.9	10.8	6.1	9.7	6.5	8.7	7.7
N.Z.	42.8	4.3	33.0	8.2	39.2	8.1	42.7	N.A.

NOTE: New Zealand margarine is not of the table variety.

From the above table it will be seen that table margarine consumption is making very considerable strides in the greatest potential markets for butter. The real reason for this is undoubtedly price. In an address to the American Dairy Association in Chicago on 23rd March last Mr. Ezra Benson, U.S. Secretary for Agriculture said that "if the present trend is allowed to continue, butter is on the way out." Mr. Benson went on to say that "Many say that butter has been 'priced out of the market.'" The table quoted above would appear to prove the point.

So far as our other main products are concerned, it would appear that there is less cause for apprehension. Cheese is not subject to competition from synthetics. At 1/7d. per lb. it compares quite favourably with beef at 1/4d. So far as casein is concerned it is a product for which new and expanding uses are likely to be found. For plastics alone it has wide and varied uses. So far as milk powder is concerned the trouble again is to find people "able and willing" to pay a profitable price. There are millions of people who would like to acquire this product, but they cannot afford to pay for it. The paradox is that milk in powder form is most suitable in tropical climates like India, Pakistan and Ceylon where the storage of other types of dairy produce is a problem, while it is just these countries where the purchasing power of the masses is so low that milk powder remains in a luxury class. The expansion of production in regard to this depends as with many other products on rising living standards throughout the world. These again are dependent on greater production and the utilisation of improved methods, but in the sterling area the tendency to-day is to put leisure before productivity and therefore even ahead of pleasure. There is one possible future market to which I have not referred and this is Australia. The Commonwealth is a country with a great industrial potential—it could eventually have a population of 20 millions. The discovery of oil could easily bring this closer. If and when Australia's population does increase through industrialisation we could well have a profitable market there for dairy produce.

To my mind there are no doubts about the future of the dairy industry, provided that we as a people use common sense in our economic policies and provided we adopt sound and progressive marketing methods. Again to quote Ezra Benson "There is no over-all surplus of dairy products. Actually there exists a great shortage of milk to meet our full needs. We cannot escape this fact. What we have is a lack of adjustments to the markets—so that not all of the butter, cheese and dried milk is being consumed. If adjustments are made and milk and milk products are backed by the selling that their merits justify, the surplus problem will be gone.

U.S.A. is the greatest potential market for dairy produce in the world. Nowhere else are people with the money—able and willing—to buy such amounts of dairy produce. But as Mr. Benson suggests "adjustments" must be made. I believe that we can help with those adjustments. Federated Farmers have a scheme which is now supported by the Dairy Commission and the Dairy Board to

promote a goodwill tour of New Zealand by American farm leaders. I am certain that if leading American dairyfarmers were to see the streamlined production methods used by the New Zealand dairy farmer, they could reduce their production costs very considerably. Let me again give you some extracts from the address by Mr. Benson from which I quoted previously:

"Feed costs in producing milk can be cut much lower . . . Farmers can get as much as 85 per cent. of the milk productive capacity of cows without the use of costly grains and other supplemented feeds. Couple that with the rapid progress that is being made in grassland improvement and you will see the possibilities of increasing the profit of dairy farmers while lowering the costs of milk to the producers. There is need to speed up changes in dairy farm operations such as milking direct through pipe lines into cooler tanks. No longer is it necessary to do the back-breaking work of handling milk in cans."

All these things are in operation in New Zealand. Their adoption in the U.S.A. could assist to bring down the price of dairy products there very considerably. I suggest that we have a vital interest in getting the U.S. dairyfarmer to adopt them. If he can reduce his production costs not only can he recapture the market for butter but he could expand it. It is to our interest to do everything possible to help him towards this end. The population of the U.S.A. is increasing at the rate of 2 million a year—equal to the whole population of New Zealand. What an opportunity! In helping the U.S. farmer to take it we should be able to ensure a market for some of our produce. But we can only do this if we approach the matter from the point of view of making our industry complementary to U.S.A. dairy farming and not competitive with it. This approach calls for vision and a long term view.

I do not believe that butter can be rivalled for quality by margarine. I have never heard of any dish that suffers from the use of butter in its preparation. But you try margarine on your potatoes! What we have to do is form an alliance with farmers who are threatened by the competition of all synthetics. We have to convince them that we are their friends. We must form a common front whenever possible for the protection and the advancement of the natural product. If we do this I think that not only can we hold our own, but that the outlook will be rosy indeed for

"The future of the Dairy Industry"