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Dynamics of the Dairy Industry

**DYNAMICS**

**OF**

**THE DAIRY INDUSTRY**

**Q G Poole**

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## PREFACE

The wholesale changes to economic life in the past six years have affected the dairy industry as much as any other sector within New Zealand. Changes to:

- (a) Taxation eg. Taxation of co-operative profits,
- (b) Commercial activity as seen in no longer having tied supplies (until the July 1990 regulations!)
- (c) Trying to define ownership of assets without incurring additional taxation has forced the dairy industry to question many of its basic tenets it was previously so comfortable with.

The evolution of the New Zealand Dairy Industry to its present form has relied on the dynamics of supply and demand expressed in statutory power thus to look beyond with specific questions one must examine these in relation to the historical facts or forces before any scenarios can be promoted. This is to confirm or deny the original base premise is correct, or to give the precedent for a present relationship.

Hence, in examining present and future ownership, control and representation of the structure known as the New Zealand Dairy Board: Let us examine the historical evolution of the present structure known as the New Zealand Dairy Board.

# CHAPTER 1

## THE BASE (HISTORICAL)

The early development of dairying in the 1800's saw the parallel development of both co-operative and proprietary interests. At first there was a great deal of assistance between the two styles of factories, but as the competition for milk supplies increased, so did the conflict between the two emerge.

The major point of contention was the milk supply, required to keep a factory fully operational.

It was the eventual co-ordination of the co-operative units that won the day - the relentless suspicion of outside interests by the supplier fashioned by the personal sacrifice and farming hardship of the pioneering settler. These inbuilt loyalties, which became the norm of self-centred rural communities, led to an unjustified mistrust of other organisations including even other co-operative groups.

This loose amalgam of groups consolidated, to form an industry voice especially the co-operatives, so that by 1900, the primary role in Industry Affairs was held by the National Dairy Association (NDA) in the North Island and two associations in the South Island. The consolidation continued with the two South Island associations becoming the South Island Dairy Association (SIDA). These two organisations became the national representative body of the dairy industry under the aegis of NDA until their administrative role and functions were taken over by the NZ Dairy Control Board in 1924.

The assembly of co-operatives channelled through to the NDA enabled better organisational growth. Mr C.W. Burnard summarised the early development of the NDA:

*"Up till the time this association was formed, there was no one body which could be consulted by the Government on questions of grading, inspection of dairies and the like, but once the Association was operating it was the body which expressed the views of the Industry as a whole. There was hardly a property connected with the Industry which it did not handle in one way or another, whether it was the institution of the Dairy schools which played a notable part in the training of the managers of the time, or the decisions as to the shape and style of butter box to be used for New Zealand dairy produce."*

It is interesting to note that the Directors of the NDA had to provide personal promissory notes as bank security on overdraft; these reaching up to the sum of 400 pounds each!

The start of the 1914-15 season saw the North Auckland dairy companies institute a voluntary agreement where by a supplier rejected at one factory by defects in cream grading could not change supply to another factory. These voluntary agreements were not enacted into legislation until another thirty years had passed and were, in consequence, a major bone of contention between co-operatives that is still visible today.

The Dairy - Produce Export Control Act 1923 provided for a NZ Dairy Control Board consisting of twelve members - nine to be representatives of dairy producers (six North Island, three South Island), two Government representatives and one to represent the proprietary dairy factories and export sellers of dairy produce. The election of Dairy Control Board Members was by a tonnage vote by the directors of dairy companies within each ward. ("Wards" were defined Geographical areas.) The power of the Board included the control of the export, sale and distribution of NZ dairy produce, such control to be either absolute or limited as it saw fit. The Act provided the mechanisms for the establishment of a London agency to work under the directions of the Board.

The Act's extension into marketing was a logical progression following the success of the Co-operatives in production. Following reports to the Board, absolute control of dairy produce for export was assumed, beginning in 1926. Savings in freight and insurance rates were quickly the apparent advantages of national administrative control.\*

The Board's London agency set minimum prices for cheese and butter in 1926 (Australian Wool Board 1989-90) but by 1927 large stocks within its hands forced the abandonment of the policy. Thus, the Board relinquished control of the export trade back to the private importers of Tooley Street, London, Co-operative Wholesale Society (CWS) of London, NZ Producers Co-operative Marketing and NZCDC's marketing arm. - In other terms this resulted in free trade.

Following the Ottawa Imperial Conference of 1933, where Britain unsuccessfully sought to impose quotas on imports a royal commission was set up in NZ to report on this state of the Dairy Industry. The Dairy Industry Commission 1934 conclusions and recommendation included:

- 1) *Rural Mortgage Corporation.*
- 2) *Improved quality in factory and farm. The Dairy - Produce Control Board be empowered to control local marketing of butter and cheese.*
- 3) *Setting up of a "NEW" Dairy - produce Control Board with a different constitution and wider powers than that of the present board.*

On the guaranteed price issue, the Commission concluded:

*"Proposals of this kind, however attractive they may appear on the surface, are inherently unsound and hedged round with serious administrative difficulties, and any experimentation with them cannot be recommended."* (Note: Two years later a guaranteed price scheme was in operation.)

Under the Agriculture (emergency powers) Act 1934, a reconstituted dairy board of seven members was formed with three Government nominees, 1 member representing NZCDC and three to represent all other dairy companies. The new Board was appointed on the 4th April 1935 and took office that day: its title being the New Zealand Dairy Board. The act gave the Board the authority to "regulate and control production of dairy produce in New Zealand and the handling, marketing, transport and distribution of dairy produce intended for consumption in New Zealand." But in relation to export dairy produce, the Boards powers were still limited to functions excluding the actual control of marketing eg licensing, transport, insurance, advertising etc

The continued erratic prices on the London market for butter caused by weak selling by agents and merchant houses caused consternation within the New Zealand Dairy Board. It's London manager, Mr Davis, in reporting to the 1935 Dominion Dairy Conference, identified the following marketing matters:-

*"Many meetings of importers have been convened by the London office in recent years, frequently convened at the request of various importers, in an endeavour to obtain some stability.....The absence of any authority whatsoever on the part of the Industry's representatives in London nullifies the effect of any concerted efforts which they have may agreed to make.....In a period of heavy supplies and increasing stocks, an importer cannot afford, under present conditions, to hold even quite moderate stocks.....Importers cannot be blamed for these conditions. They are INHERENT in the system of unregulated marketing and keen competition for factory outputs."*

NOTE: *these savings have been estimated to yield over 500,000 pounds with a total administrative cost of less than 50,000 pounds!*

A scheme was developed where by product would be "group" marketed but "control" would be retained by the Board until the group organisations could exercise the marketing powers and duties conferred on them. The proposals were approved by the general industry but the change to a Labour Government in 1936 stymied the reforms. Instead as a result of their election policy, the Government enacted the Primary Products Marketing Act 1936. The Act's aim was that: " It was considered essential in the public interest that producers of primary products should, as far as possible, be protected from the effects of fluctuations in market prices". This was an invitation to the NZ dairy farmer to concentrate on his standard of living within NZ and to disregard the export market place. With the transfer of authority for marketing removed from the Dairy Board, the government reduced the Board's size to 5 members:- the reduction being in the number of government nominees.

The next 11 years were a turbulent time for the industry as both the government and the industry came to grips with state marketing and guaranteed prices. The major problem was the attempt to isolate the internal costs of production within New Zealand from the export market. By 1942-43 most of the problems were resolved by the Dairy Industry Cost Adjustment Committee. Another major problem in this era was that the Government tended to agree to a price for butterfat based on cost, not one related to what was being paid to other suppliers ie the market.

By 1947 the costs of the internal economy were affecting stabilisation of the costs of the dairy industry to such a point that the agitation led to the formation the Dairy Products Marketing Commission Act 1942. This Commission took over all the functions of the export and internal divisions of the state marketing department subject to complying with general trade policy of the government. It was also empowered to fix the guaranteed price. The Authority had 3 government representatives and and 3 from industry whilst the chairman was government appointed.

In 1941 due to increasing responsibilities, the Government agreed to the enlargement of the Dairy Board to eight including the one government member. The seven producer members were elected by the Dairy Companies of:

North Auckland (one member)

South Auckland (one member)

Taranaki (one member)

Wellington - Hawkes Bay - Marlborough - Nelson (one member)

South Island (one member)

NZCDC (two members)

1952 saw the agreement between the Board and Commission on marketing policy for products other than cheese and butter. By 1953 it was recognised by the Commission that a unified marketing policy for these products was required. Also in 1953, it was recognised that the decontrol of marketing of milk products in the United Kingdom was drawing closer - the Commission purchased from NZCDC

a) A butter packing factory plus the rights to use the "Anchor Brand"

b) Empire Dairys Ltd for the cheese and butter distribution trade

It also set up a company known as Milk Products (NZ) Ltd to deal in milk powders.

By 1956 it was realised that there must be a separation of price fixing from marketing. Thus, the Dairy Products Marketing Commission Act was amended in 1957 to provide four industry and three Government representatives with the Chairman to be elected from within the Commission whilst to provide for a price fixing mechanism, the Dairy Products Prices Authority 1957 was enacted.

In 1961, in response from pressure within the industry, the amalgamation of the Dairy Board and Marketing Commission was completed. The united body was formed from representatives of:

North Auckland (two members)

NZCDC (three members)

Waikato (one member)

Bay of Plenty - East Coast (one member)

Taranaki (two members)

Wellington - Hawkes Bay - Marlborough - Nelson (one member)

South Island (one member)

Government nominees (two members)

Under the empowering legislation with the title of Dairy Production and Marketing Board Act 1961 the joint title was also conferred on the Board.

Finally the title New Zealand Dairy Board was re-enacted, with no change in membership in 1965.

## CHAPTER 2

### COMPANY MACHINATIONS

Just as the past six years have been traumatic for the farming community of New Zealand so are some of the issues presently being confronted within the Dairy Industry.

The first issue to be explored is the possibility of a single company, by a series of amalgamations, gaining control of the New Zealand Dairy Board and the ramifications of such control. At present, under the Dairy Board Act, the Board shall comprise -

- a) *Two directors appointed by the Governor General on the recommendation of the Minister.*
- b) *Seven directors of whom one shall be elected for each of the wards described in the first schedule to this Act, and 2 shall be elected for each of the wards described in the second schedule to this Act*

<i>First schedule defines</i>	<i>i) Northern Ward</i>
	<i>ii) South Auckland</i>
	<i>iii) Eastern</i>
	<i>iv) Wellington</i>
	<i>v) Southern</i>
<i>Second schedule defines</i>	<i>i) Taranaki Ward</i>

- c) *A director elected in a manner determined by the Board for the purpose of this paragraph*
- d) *Three directors appointed by the New Zealand Co-operative Dairy Company Limited*

Thus it is quickly seen that, with the amalgamations within ward areas, wards are becoming redundant. For example, the North Island Eastern Ward comprises solely of Bay Milk, the Northern Ward is solely the Northland Dairy Co-operative whilst the South Auckland Ward, Taranaki and Wellington Wards comprises more than one manufacturer there is only one dominant and controlling player in each e.g. Kiwi in Taranaki, Waikato Valley's in South Auckland and Tui in the Wellington Ward. **In fact, it is only the South Island Ward where an election is truly necessary on the basis of supply of milkfat as laid down in the Act.**

#### SUPPLYING COMPANIES IN THE SOUTH ISLAND WARD

	(kg MF)
Kaikora	860,000
Westland	6,498,000
Plains	525,000
Alpine	8,457,000
Otago	2,102,000
Southland	3,966,000

Although the five North Island wards are not completely one Regional Company, as mooted way back in 1957 by Mr Hayward, acting chairman of NZDB, yet they are regionalised for representation to the Dairy Board. NB. New Zealand Dairies (NZCDC) in reality have their own ward based on the wording of the Dairy Board Act.

With the control of the North Island Wards by a single manufacturer any further Company amalgamations could lead to control of the New Zealand Dairy Board.



This scenario caused a fair degree of agitation within supplier ranks and led to some parochial stands. However, the ramifications are not necessarily as dangerous as on first glance. The marketing of dairy produce on the world market is becoming more and more inelastic as regards demand. As demand becomes more inelastic - price becomes the determinant of supply. Therefore, any small manufacturer from New Zealand could threaten the entire structure of the New Zealand Dairy Board by undermining the pricing structure of the Board on the open market.

This threat is adequate and sufficient to hold in check any monopoly that may develop and control the Dairy Board. Also the co-operative background of the Dairy Industry will temper any monopoly. Another threat of the same ilk often espoused is that of corporate entities attempting to gain a foothold into the marketing of New Zealand dairy produce. Again, the perceived threat would be to undermine the pricing structures of the whole industry i.e. operate as a 'weak' seller.

The major factor in negation of this possibility lies firstly in the Dairy Board Act Section 17:

**Powers of Board as to acquisition and marketing of export produce - (1)** Without limiting any of the powers conferred on the Board by this Act or otherwise howsoever, the Board shall have full authority to make and carry out such arrangements as it thinks proper for any of the following purposes:

- a) for the acquisition and marketing by the Board of Export Produce: (where export produce means any goods or produce manufactured in New Zealand that contains more than 30% by weight of dairy produce)
- b) for the handling, pooling, transport and storage of export produce:
- c) for the consignment of export produce on such terms and in such quantities as it thinks fit
- h) for prohibiting, restricting and controlling the export of any export produce other than by the Board:

AND

1A) Without limiting any of the powers conferred on the Board by this Act or otherwise howsoever, the Board shall have full authority to make and carry out such arrangements as it thinks proper for prohibiting, restricting and controlling the export otherwise than by the Board to any country specified in that behalf by the Governor General by Order in Council of any compound or mixture (packed otherwise than for retail sale without further processing or packaging, and otherwise than in units of 2 kg or less) that -

- a) Contain not less than 60% by weight of dairy produce:
- b) In the opinion of the Board is used or capable of being used substantially in substitution for that dairy produce contained in it, or for any component of the dairy produce.

And secondly in section 43 of the Commerce Act which states the Commerce Act does not take precedence over any other Act that has definitive clauses concerning marketing.

This is certainly the case with Section 17 of the Dairy Board Act. Thus the status quo will remain as long as the intent of both sections of their respective Acts are not repealed.

## CHAPTER 3

### DAIRY BOARD STRUCTURE

The evolution of the Board to its present form has been detailed in the historical section of this report but what must be considered is whether the structure is appropriate to today's requirement of accountability and representation and into tomorrow's environment.

#### PRESENT FUNCTIONS

The present functions of the New Zealand Dairy Board consists of a mixture of commercial, regulatory and servicing activities that are initially described in the empowering legislation.

#### COMMERCIAL ACTIVITIES

The structure of the Dairy Board's commercial activities emanates directly from the four product division (proteins, milkpowders, cream and cheese) from and through these divisions, marketing and distribution is organised to get the produce into the market.

#### REGULATORY ACTIVITIES

The Board is empowered with vesting orders for control over storage, grading, processing and transport. These powers extend into export licensing.

#### SERVICING ACTIVITIES

Within this sphere, the Board accepts responsibility to the supplier in providing "commercial" services. This in the greater part is organised under the umbrella of the Livestock Improvement Council and contains herd testing, provision of artificial breeding requirements and consulting office service.

A recent development in the servicing field is the joint venture between the NZDB and MAF for the continuation of research based primarily at Ruakura and Taranaki Agriculture Research Stations.

#### LEVIES

The Board is empowered to levy the manufacturing companies on dairy produce manufactured under section 41 of the Act. At present levies are collected and applied in the following cases:

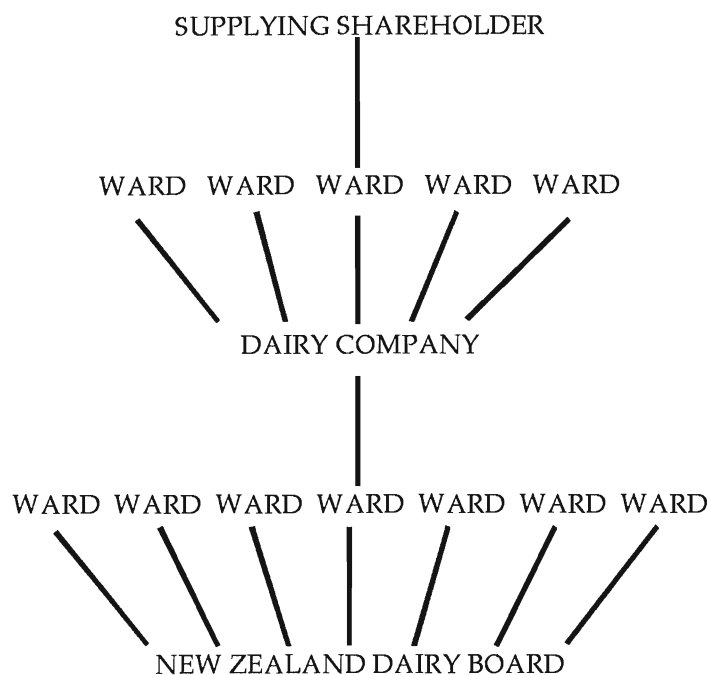
- a) Production Levy
- b) Superannuation Levy
- c) Research and development Levy
- d) Dairy Industry employers association
- c) Strike claim Levy

#### PRESENT STRUCTURE

The present representation on the New Zealand Dairy Board is determined by the Dairy Board Act 1961 section 3. As has been previously stated, (see chapter 2) the five North Island wards have evolved to where there is one single company dominant (greater than 50% of milk fat supplied) within each ward. Thus each of the companies can appoint directors to the Dairy Board rather than having a necessity for elections which was the original intention of creating wards. At present the Southern ward is the only ward still exhibiting the original objectives of the creation of Wards.

NAME OF WARD	DOMINANT COMPANY
Northern	Northland Dairy Co-op
South Auckland	Waikato Valley's
Eastern	Bay Milk
Wellington	Tui
Taranaki	Kiwi

Under the present scheme, a supplying shareholder in a manufacturing company has the right to vote for the directors to represent him/her within the company structure. In reality, most shareholders can only influence the election of part of their Board as most companies conduct their elections within the framework of the ward system. Thus:-



The present structure for representation has developed from the initial premise that the NZDB was the marketing arm of the companies - therefore the representation reflects that aim.

Under the present structure, the supplier has no direct representation; only, an indirect control of the board via the company directorship. The suppliers' mandate to his/her company is limited in most cases on two levels.

**Firstly**, the supplier usually can only vote within a ward for the company director's - usually a maximum of three directors of a total board of twelve to sixteen members. (see appendix I - directors responsibilities)

**Secondly** the franchise a supplier can exercise is further limited by some companies, by controlling the maximum number of votes an individual entity can cast in an election. (N.B. generally a supplier has a voting entitlement that is based on milkfat supplied to the company in the proceeding season. The entitlement is expressed as: one vote/ x kg of milkfat)

**Thirdly**, if that individual's supply is within the boundaries of the five North Island wards, but does not supply Northland, Bay Milk, Waikato Valley's, New Zealand Dairies, Kiwi or Tui, they are effectively disenfranchised from representation on the New Zealand Dairy Board.

None of these "problems" were a worry for the supplier whilst the Industry was working within the guidelines of the Primary Products Marketing Act 1936. The Act provided: -

*"In fixing prices under the section in respect of Dairy Produce exporting before that date, and to the following additional considerations, namely:*

*The necessity in the public interest of maintaining the stability and efficiency of the Dairy Industry.*

*The costs involved in the efficient production of dairy produce.*

*The general standard of living of persons engaged in the Dairy Industry in comparison with the general standard of living throughout New Zealand.*

*The estimated cost of the department of marketing the dairy produce concerned, and also the cost of the general administration of this Act. Any other matters defined to be relevant.*

*Due regard having been paid to the several matters mentioned, the prices fixed in respect of any dairy produce exported after the 31st July 1937 shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a REASONABLE STATE OF COMFORT!*

In other words, a dairy supplier was a social welfare beneficiary!! As such, the Government distributed the returns to the supplier with the added security of a guaranteed prices policy. The Guaranteed Prices and Stabilisation Scheme, funded by the Reserve Bank of New Zealand, continued through to when the New Zealand Dairy Board resumed responsibility in 1986.

Thus the dairy suppliers of New Zealand were wards of the New Zealand Government: cossetted and protected from the vagaries of world trade; their direct mandate was assumed by the Government of New Zealand who exercised their mandate by the statutory appointment of directors to the New Zealand Dairy Board.

Since the abolition of the Guaranteed Prices and Stabilisation Scheme in 1986, the individual supplier has no direct representation on the Dairy Board. Yet the board has assumed the responsibility of declaring each years payout to which each company adds its own efficiency component and adjusts the final returns to the supplier.

NZDB \$ payout + company \$ efficiency = \$ return to supplier

For instance in the 1989/90 year the figures were:

\$5.80 + \$0.50 = \$6.30  
(average)

(see appendix III)

Thus the NZ Dairy Board directly announced in the vicinity of 80 - 90% of the annual income derived from milkfat of the individual supplier with the manufacturing companies responsible for the balance.

But the argument often espoused is that without the manufacturing companies there would be no one available to convert the raw material into a saleable product. This is patently obvious as is the necessity of a marketing arm that can place the saleable product and reflect the markets's requirements back to the manufacturer. However, neither of these two, the manufacturer and marketer, are necessary or viable without the supplier of the raw material. In fact the two former are a direct result of the supply of milk being initiated.

Therefore, the supplier of milk is the major ingredient in the equation of the structures of the dairy industry. Yet, the present structure does not directly represent the supplier and will not therefore reflect their asset investment within the industry.

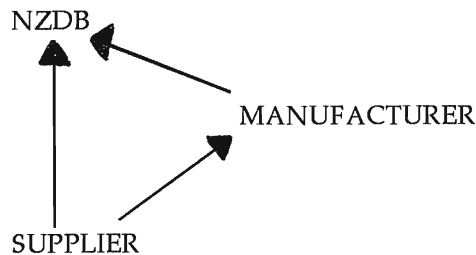
## CHAPTER 4

### ALTERNATIVE STRUCTURES

The proceeding chapter has shown serious flaws over the direct control the suppliers of dairy produce can exert. Thus new options must be considered to see if they add to the suppliers security, whilst still containing representation for the manufacturers.

#### DIRECT SUPPLIERS REPRESENTATION

The ward system would be retained within the industry to allow elections from both the manufacturers and the suppliers to the board.



For the purpose of an example within this scenario allow one representative / manufacturer / ward with two representatives to NZ Dairies Ltd, giving a total of 8 directors elected from this source. From the seven wards (consider the suppliers of NZ Dairies as one ward) seven director's representing the suppliers would form the remainder of the Board, thus as equitable solution for representing both parties to the New Zealand Dairy Board is found.

#### MECHANISM'S FOR THE SUPPLIER MANDATE

If the supplier's direct vote is retained to only one ward, a similar charge of under representation can be levied against this scheme. To counter this possibility, it is proposed that the election of representatives from wards can be elected by a preferential voting system as detailed in appendix II (Note: This system has already been used in the Dairy Industry to elect representatives to the Dairy Products Marketing Commission in 1948.) Thus the suppliers from a ward would know that their elected representatives won the majority of votes cast within the ward.

#### OWNERSHIP OF ASSETS

The definition of ownership of assets of the NZDB are presently ill-defined. With a change in structure of representation as commented above; it would make equitable sense to hold the assets in trust for the present and future suppliers. It is recognised that the industry assets have grown from the past endeavours of dairy farmers, to be utilised by the present dairy farmers. This takes cognizance of the reality that the assets of the industry are available for use by the present suppliers without being a charge against them. Conversely, when leaving the Industry, a supplier has no rights to realise the portion of the industry assets nominally apportioned to him/her.

Therefore, the proposal is to hold the industry assets in suppliers names rather than the manufacturers.

## CHAPTER 5

### CONCLUSION

At present the Dairy Board Act says "Obligation to lenders must take precedence over payments to farmers for supply ie. payment for supply of products is a residual obligation." Thus the proposal is:-

1. **Election of representatives to the New Zealand Dairy Board be split between**
  - a) **The Suppliers**
  - b) **The Manufacturers**
  
2. **Assets owned by the Industry be nominally held by the suppliers.**

Therefore the criteria for direct recognition within the industry is attained by both groups.

## APPENDIX I

### THE FIDUCIARY POSITION OF THE DIRECTOR

*Directors are Trustees of the property of the company under their control and must account to the company for all such property. In the exercise of their powers, they must act in the best interest of the company.*

- Hallsbury Law's of England.

## APPENDIX II

### THE PREFERENTIAL VOTING SYSTEM IN SINGLE-MEMBER CONSTITUENCIES

"Object of the Preferential Vote: The object of the preferential vote in single-member constituencies is to ensure, without having recourse to a second ballot, that the candidate elected shall have an absolute majority of the votes polled.

"How to give effect to the Preferential Method of Voting: In marking his ballot-paper, the elector is required to place the figure 1 opposite the name of the candidate for whom he votes as his first preference, and he may give contingent votes for the remaining candidates by placing the figures 2, 3, 4 (and so on, as the case requires) opposite their names respectively, so as to indicate the order of his preference for such candidates in the event of the candidate of his first choice not being elected.

(The marking of contingent votes is, of course, only necessary when there are more than two candidates standing).

#### Example of Ballot-Paper Preferentially Marked.

3	BROWN
1	JONES
2	SMITH
4	WATSON

"Method of counting the Votes under Preferential Voting System. If, on counting the votes after the poll, it is found that no candidate has received an absolute majority of first-preference votes, the candidate with the lowest number of first preferences is declared defeated, and his ballot-papers distributed among the remaining candidates according to the second preferences marked thereon.

"If no candidate then has an absolute majority of votes, the procedure of declaring the candidate who has the lowest votes to be defeated and distributing his ballot-papers among the non-defeated candidates next in order of the voters' preference is repeated, and the votes recounted after every such redistribution until some candidate is found to have an absolute majority of votes.

"It will thus be seen that by means of the preferential vote the elector retains his influence upon the result until the candidate is finally elected.

"Effect of marking second and further preferences: The marking of a ballot-paper with second, third, or further preferences does not in any way injure the prospects of the candidate for whom the first preference vote is given. An elector's second preference becomes operative only after the candidate in whose favour he recorded his first preference is declared defeated; and in like manner, a third preference becomes operative only when the candidates who received the first and second preference votes have been declared defeated.



## ILLUSTRATION OF PREFERENTIAL COUNT:

The procedure at an official count of the votes may be illustrated as follows:

	Jones	Smith	Brown	Watson	<i>total</i>
<b>First Count - First preference votes</b>	1826	1358	1149	1090	5423
No candidate having received an "absolute majority" of first preference votes, the lowest candidate, Watson, is declared defeated, and his ballot-papers distributed among the remaining candidates according to the second preferences marked thereon, thus	249	526	315	-	1090
<b>Result of Second Count</b>	2075	1884	1464	-	5423
<b>Result of Second Count</b>	Jones	Smith	Brown	Watson	<i>total</i>
As no candidate has yet an "absolute majority" the lowest candidate, Brown, is declared defeated, and his ballot-papers (including those transferred to him from Weston, the former defeated candidate) distributed between Jones and Smith according to the preferences marked thereon in favour of these candidates, thus					
<b>Result of Third and Final Count</b>	507	957	-	-	1464
<b>Totals</b>	2582	2841	-	-	5423

Smith having attained an "absolute majority", is declared elected.

Mr C P Agar asked whether it was not the intention of the committee that the NZ Co-op Dairy Company should continue to have one representative on the Dairy Commission.

Mr A Hayward (NZ Co-op Dairy Co.) said that his company did not have a special delegate on the Commission, and at the previous year's Conference Mr Agar himself had said that it would be better if they did not have any particular dairy company represented, or any parochial feeling, but that he could not conceive that there would not be a NZ Dairy Company man on it. There was not at the present nor had there been, any understanding that the NZ Dairy Company should have a delegate on the Commission.

Mr C P Agar said his impression had been that because of the size of the NZ Dairy Company's organisation they should have had a delegate on the Commission, but apparently the matter was not handled that way. (Continuation of the discussion on this subject will be found below).

**Remit No. 1 withdrawn by request.**

As the luncheon adjournment had been nearly reached it was decided to defer discussion of the report until the afternoon. Conference then dealt with Remit No. 1, from the Morrinsville Ward Conference, this reading as follows:

**"That all members of the Dairy Industry Council, whether elected delegates to the Conference or not, should be accorded the right to vote upon all matters, as well as to speak in regard to proposals which may be before the Conference."**

Mr Hale said he thought there had been a little misunderstanding on the matter. Mr Alexander had discussed the matter with him that morning, and he (Mr Hale) understood that it was desired to withdraw the remit.

Mr A G Alexander (Northern Ward) said that the position had been misunderstood at the time the remit went before the Morrinsville Conference. They were satisfied that the decision made by the Dominion Conference the previous year was a sound one, and the delegates from the Northern Ward all agreed that the present position was satisfactory. He therefore asked leave to withdraw the remit.

The remit was withdrawn and Conference adjourned till 2.00 pm.

## PAYOUT AT FARMGATE (Provisional)

Dairy Company	1989/90 Season			1988/89 Season			1987/88 Season			Comments:
	Adv. Price:	580.00 c/kg		Adv. Price:	530.00 c/kg		Adv. Price:	360.00 c/kg		
	Farmgate Payout	Variation Adv.Price	% Variation	Farmgate Payout	Variation Adv.Price	% Variation	Farmgate Payout	Variation Adv.Price	% Variation	
Alpine Dairy Prod	580.00	.00	0%	510.00	(20.00)	-3.8%	385.00	25.00	6.9%	
Bay Milk Prod	640.00	60.00	10.3%	500.00	(30.00)	-5.7%	406.11	46.11	12.8%	
East Tamaki	650.00	70.00	12.1%	592.00	62.00	11.7%	427.00	67.00	18.6%	
Kaikoura	610.00	30.00	5.2%	550.00	20.00	3.8%	360.62	0.62	0.2%	
Kiwi	645.00	65.00	11.2%	590.00	60.00	11.3%	415.00	55.00	15.3%	
Marlborough Cheese	605.00	25.00	4.3%	557.00	27.00	5.1%	367.41	7.41	2.1%	
Moanui	635.00	55.00	9.5%	578.30	48.30	9.1%	408.63	48.63	13.5%	88/89,87/88-Avge Moanui/Egmont
M.T.V.	640.00	60.00	10.3%	570.00	40.00	7.5%	415.00	55.00	15.3%	
N.Z.C.D.C.	640.00	60.00	10.3%	577.00	47.00	8.9%	415.00	55.00	15.3%	
Northland	595.00	15.00	2.6%	567.25	37.25	7.0%	385.11	25.11	7.0%	88/89,87/88-Avge N'land/N Wairoa
Otago Coop	645.00	65.00	11.2%	625.00	95.00	17.9%	437.00	77.00	21.4%	
Otago Cheese	575.00	(5.00)	-0.9%	559.00	29.00	5.5%	367.00	7.00	1.9%	
Southland	620.00	40.00	6.9%	590.00	60.00	11.3%	415.00	55.00	15.3%	
Tasman	580.00	.00	0%	524.00	(6.00)	-1.1%	373.00	13.00	3.6%	
Tatua	650.00	70.00	12.1%	590.00	60.00	11.3%	428.00	68.00	18.9%	
Tui	615.00	35.00	6.0%	578.85	48.85	9.2%	404.46	44.46	12.3%	88/89,87/88-Avge Tui/Manawatu
Westland	620.20	40.20	6.9%	555.00	25.00	4.7%	380.00	20.00	5.6%	
Waikato	640.00	60.00	10.3%	585.00	55.00	10.4%	400.00	40.00	11.1%	(88/89 Includes 15.00 c/kg paid 87/88)
Awatuna				585.00	55.00	10.4%	412.30	52.30	14.5%	
Average (weighted)	630.05	50.05	8.6%	569.71	39.71	7.5%	406.44	46.44	12.9%	

(Average based on 100.0% Milkfat ex Own Suppliers)

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