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REPORT OF MILK ENQUIRY BOARD.



*Presented to the States on 2nd December, 1980 by the
Agriculture and Fisheries Committee.*



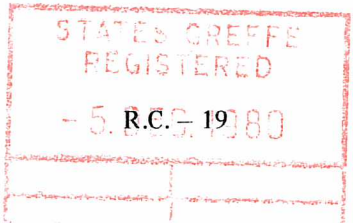
STATES OF JERSEY

STATES GREFFE

1980

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Milk Enquiry Board Members.

J.R.F. Best, *Chairman.*

Deputy N.S. Le Brocq, *Vice-Chairman.*

C.G. Pile, *Vice-Chairman.*

P.R. Daubeney.

B.L. Dubras.

H.J. de Gruchy.

B.R. Le Marquand.

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Interpretation.

The following expressions in the Report shall have the following meanings, that is to say:-

“Board” means Members of the Jersey Milk Marketing Board;

“Committee” means Agriculture and Fisheries Committee of the States of Jersey;

“Enquiry” means Milk Enquiry Board;

“J.M.M.B.” means Jersey Milk Marketing Board;

“Law” means Agricultural Marketing (Jersey) Law, 1953, and amendments;

“Management” means Management of Jersey Milk Marketing Board;

“Milk Scheme” means Milk Marketing Scheme (Approval) (Jersey) Act, 1954, and amendments;

“Nominees” means persons nominated by Agriculture & Fisheries Committee to serve on the Board;

“Prescriptive resolution” means a resolution of the Board embodying a determination of the Board and which is recorded in the record provided for in paragraph 61 of the Milk Scheme;

“Producers” means producers of milk;

“Registered producers” means producers of milk registered under the Milk Scheme;

“R.R.B.” means Resources Recovery Board;

“We” means Milk Enquiry Board.

Preface.

The Enquiry wishes to state that this report is based upon the evidence it has received verbally at interview, by correspondence, also through opinion obtained by a survey of half of the producers and a controlled consumer survey.

It wishes to acknowledge with gratitude assistance from the following individuals, groups and organisations who were interviewed—

States' Agriculture and Fisheries Committee.

States' Tourism Committee.

States' Social Security Committee.

States' Impôts.

States' Education Committee.

States' Public Health Committee.

States' Economic Adviser.

Ex-Nominee Member.

Auditors to the Jersey Milk Marketing Board.

Producer members of the Jersey Milk Marketing Board.

Nominee members of the Jersey Milk Marketing Board.

General Manager of the Jersey Milk Marketing Board.

Production Manager of the Jersey Milk Marketing Board.

Commercial Manager of the Jersey Milk Marketing Board.

Transport Manager of the Jersey Milk Marketing Board.

The Jersey Milk Marketing Board.

Royal Jersey Agricultural and Horticultural Society.

The Council of the Jersey Farmers' Union.

Agricultural Advisers to the Agriculture and Fisheries Committee.

Managers of a Jersey Manufacturer using milk products.

Manageress of the Market Shop.

Representatives of the Jersey Hotel and Guest House Association.

Representatives of the Standing Conference of Women's Organisations.

Two small general food store proprietors.

Senior Management of two Supermarket Groups.

Two Deputies of the States of Jersey.

A member of a previous Enquiry into the J.M.M.B.

Chief Chemist to the Resources Recovery Board.

Clark John Associates Ltd.

Jersey Communist Party.

Jersey Democratic Movement.

An employee of the Jersey Milk Marketing Board.

Staff of the J.M.M.B. representing Garage Section.

Staff of the J.M.M.B. representing Lorry Drivers' Section.

Staff of the J.M.M.B. representing Engineers' Section.

Staff of the J.M.M.B. representing Factory Section.

Staff of the J.M.M.B. representing Distribution Sections.

Three consumers.

Jersey Dairy Farmers' Group.

Four milk producers.

Farms Liaison Officer of the J.M.M.B.

Retired Veterinary Surgeon.

Laboratory Technician of the J.M.M.B.

A.D.A.S. Dairy Officer, U.K.

Veterinary Surgeon.

The Enquiry's recommendations are made to the Agriculture and Fisheries Committee in order to provide the means by which the problems disclosed by the evidence can be resolved.

Terms of Reference.

To review the action required to secure a long term, profitable, future for milk producers and for the Milk Marketing Board at least cost to the consumer of milk and to the taxpayer, having regard to the overall objective agreed by the States in 1977 that all local milk requirements be met from the Jersey herd within the Island; and in particular to examine—

- (1) the present level of dairy farm incomes, and to determine the degree to which these incomes and the present herd structure, method and quality of milk production, are such as to ensure the long term, optimum, supply of the required quantity of liquid milk;
- (2) the Milk Marketing Scheme under the Agricultural Marketing (Jersey) Law, 1953, and the operations of the Jersey Milk Marketing Board, and to identify the need for changes in the Board's operations and structure in order to provide adequately for its long term financial viability and to ensure the best possible return to producers at least cost to the consumer;
- (3) the degree of satisfaction on the part of the consumer as to the quality and price of fresh milk, and of the present supply arrangements, and the action needed to maintain and/or enhance retail sales of fresh milk and milk products in the future;
- (4) the present level and structure of States support to the dairy industry and the need for changes in the present arrangements where necessary to obtain the required production of liquid milk from year to year at least cost to the consumer and taxpayer.

Historical Background.

1. The Milk Marketing Scheme (Approval) (Jersey) Act, 1954, was approved and came into force in October of that year.
2. This Milk Scheme prohibited sales of milk by farmers to anyone except their families and staff. All milk had to be sold to the Jersey Milk Marketing Board (J.M.M.B.) and through it to its agents, who were the existing dairies.
3. The dairies sold liquid milk and the J.M.M.B.'s work was to process the surplus— so they never thought there would be a necessity to control the surplus.
4. The J.M.M.B. later bought out the dairies and built the present dairy at Five Oaks and equipped it to treat milk and manufacture milk products. This was paid for by borrowing from farmers and the J.M.M.B.'s bankers; the amount paid in interest and H.P. charges from formation to 1st January, 1980, has amounted to £516,551.
5. The Board at that time consisted of twelve elected producers and not less than two and not more than three persons appointed as nominees by the Committee. The Committee, by an amendment to the Law and the Milk Scheme, may now appoint five nominees, who are not producers, to the Board.
6. The only persons who can be elected to the Board are producers. In consequence the Board must always be producer controlled. The Board annually elects from amongst its Number a Chairman and Vice-Chairman, who have been producers since the inception of the Milk Scheme.

**The Agricultural Marketing (Jersey) Law, 1953
and
The Milk Marketing Scheme (Approval) (Jersey) Act, 1954.**

7. The Law and the Milk Scheme were drawn up in the 1950's when it was thought that producer controlled non-profit making co-operatives were the way forward for the marketing of agricultural products.

8. We consider that the Law and the Milk Scheme are now the main causes of the problems that face the J.M.M.B., problems which they have been unable to resolve.

9. A few of the criticisms of the Milk Scheme are that—

- (a) it assumes that a producer dominated Board possesses the necessary abilities to control the business of processing, manufacturing and selling currently upwards of £4 million of products to the consumer public of Jersey;
- (b) it assumes that Jersey consumers of milk will accept the product as regards quality, presentation and price;
- (c) sixteen Board members are excessive by any standard. Agreements and decisions are difficult to achieve, and the Nominees' influence is very small;
- (d) it never contemplated that the economic stability of the early days would give way to inflation and the necessity to build up reserves;
- (e) the J.M.M.B. cannot be said to be directly owned by anyone, so no one has a financial stake in its success or failure;
- (f) it has created a manufacturing and processing unit for milk, the volume of which it is unable to control;
- (g) any changes in the Milk Scheme require a two-third majority of votes cast by 241 registered producers, each having votes in proportion to the quantity of milk sold through the J.M.M.B. in its previous financial year;

- (h) it has established a monopoly in Law over which the Committee and the States have relied on their Nominees for surveillance. Their influence at best has been to advise, without achieving policy changes, which producer members of the Board disliked;
- (i) only one third of all those in milk production at this time have to rely on milk as the main or only source of income, consequently two thirds of producers may have voting control and determine the destinies of those whose livelihood is entirely dependent upon milk. In consequence the future of the Milk industry, so far as the J.M.M.B. is concerned, could be regulated by decisions taken by a Board, which may not be totally committed to milk;
- (j) the Law and the Milk Scheme are two separate, long and complicated documents, which the Board and its Management do not fully understand. For example, when the Board submitted to the Department of Agriculture and Fisheries, in August, 1980, written proposals to amend the Milk Scheme, at least two of their major proposals were contrary to the Law governing the Milk Scheme.

LAW AND MILK SCHEME—RECOMMENDATIONS.

10. *We have made recommendations for consideration before any further producer controlled Scheme is set up under our "Supplementary Recommendations to the Committee" on page 27, paragraph 115.*

The Board.

11. The Enquiry finds that, because the Board is controlled by producers, the Nominees have had a minimal influence on Board decisions, although their presence has been stated to be of great value. The Board, at present consisting of sixteen people, admitted it was too large.

12. To overcome this, the Board introduced a seven man Executive Committee in order to make the policy decisions, but this proved ineffectual because all their decisions had again to receive the approval of the full Board under the terms of the Milk Scheme 14(2).

13. The Board's activities have been very time consuming. In 1979 the Executive Committee met 29 times and the full Board met 19 times. We have been informed that the Board Members spend over five hours each week, and the Chairman and Vice-Chairman at least three full days each week on J.M.M.B. business.

14. The Chairman and Vice-Chairman, by their excessive involvement in pure management matters, have usurped and disrupted the functions of the Managers.

15. We have to report that in general the producers and the consumers have no confidence in the Board. Some Board Members have said to us that they do not consider that they have been truthfully informed about all matters and problems at the dairy.

16. Many producers and groups within the community, when consulted by us, complained that they were unable to get satisfactory answers or explanations to their queries and enquiries from the Board or Management. Some considered that the affairs of the J.M.M.B. were being decided by the Chairman, Vice-Chairman and the General Manager.

17. The Enquiry must accept this opinion because the Board made a written submission to the Department of Agriculture and Fisheries in August, 1980, which proposed that in future work hitherto undertaken by the Executive Committee would "revert to the Chairman, Vice-Chairman and General Manager". We must conclude that the Board agreed that decisions affecting producers and consumers should be made by two producers and the General Manager.

18. We consider that this proposal would contravene the Law and the Milk Scheme.

19. The Enquiry considers that the Board consists of individuals of integrity, who have devoted a great amount of time and energy to the affairs of the J.M.M.B..

20. We have studied the advisability of the States of Jersey taking over complete control of the Dairy. This received very little producer or consumer support. The Enquiry does not consider that it would be helpful or desirable, in the present conditions, for the States to control the Dairy.

21. In summary, we consider that the Board has failed and will continue to fail in the successful administration of a large manufacturing and selling operation because, with its producer majority—

- (a) it admits it is too large and has not the financial or business expertise to take decisions needed for an enterprise of the size of the J.M.M.B.;
- (b) it has adopted far too independent an approach, having rejected technically qualified advice offered without cost, when it should have been apparent that assistance was needed, preferring to solve the problems without outside consultation;
- (c) it has failed to take decisions which could adversely affect its members' income prospects or their popularity with other producers;
- (d) individually the members have no capital at commercial risk in the enterprise;
- (e) it has permitted a defensive and negative attitude of mind throughout the undertaking and in consequence has very poor relations with producers, consumers, and trade customers.

THE BOARD—RECOMMENDATIONS.

We recommend that—

22. *the industry shall not wait the lengthy period that would be necessary to effect major amendments to the Law and Milk Scheme;*

23. *the Board with the support of the producers shall, under the powers of the Milk Scheme Part 4.33 and Part 7.61(1), by prescriptive resolution appoint the Company " Ltd.", as an agency of the J.M.M.B. for the total commercial operation. The freehold and leasehold*

property, at Five Oaks or elsewhere, to be let on a full repairing basis, with a long contract lease at a nominal annual rental. All plant and equipment to be let on a full repairing, maintenance and replacement basis;

24. the Memorandum and Articles of Association of the Company shall include that—

(a) the Directors of " Ltd." shall consist of—

(i) five Directors appointed by the Committee in consultation with the J.M.M.B. for their proven ability in finance, business and marketing, one of whom shall serve as a Chief Executive and one other shall be a States Member; and

(ii) two Directors to be appointed by the J.M.M.B.;

(b) the Chairman shall be elected from the body of seven Directors;

(c) the Agency will agree the financial remuneration for all Directors, who will serve for a term of three years but no more than two consecutive terms;

25. shares in " Ltd." shall be owned by the J.M.M.B. At some future time it will be desirable to transfer the assets of the J.M.M.B. to " Ltd." and to wind up the Milk Scheme, when the producers would become the shareholders;

26. on the appointment of the Agency the Board's functions shall become those involving—

(a) the administration and any rewording of the Law and the Milk Scheme,

(b) negotiations between the producers, the Committee and the Agency;

27. the Agency shall then operate as a commercial enterprise to maximise sales with quality products acceptable to its customers.

Quantity of Milk produced.

28. The surplus of production over falling liquid milk sales is not unique to Jersey but is endemic throughout the E.E.C.

29. The Enquiry received overwhelming evidence that a major problem facing the J.M.M.B. is the scale of this surplus production and its inability to control it.

30. The surplus for the 39 weeks to 27th September, 1980, was 32.40% of all milk collected. This compares with 30.65% in the same period in 1979. The Guernsey States Dairy surplus was 14.03% in 1979.

31. There are only two solutions, the first is to increase sales of liquid milk, an achievement only possible with a radical improvement in quality and packaging. The second solution is effectively to control milk production on the farms.

32. The Board recently issued a questionnaire to all producers to ascertain their intentions to increase or decrease their herd size in the immediate future. By 8th August, the Board had received 78 replies:

38 replied there was to be no change;

37 replied they were increasing by 367 animals;

3 replied they were decreasing by 15 animals;

Net increases in animals from less than $\frac{1}{3}$ of all producers = 352.

33. If these replies are a fair sample on which to base the producers intentions then it follows that the number of milking cows could soon increase by some 1,000 head, which would produce a 23 per cent increase on the 1979 total number of milkers.

34. This does not indicate a lack of optimism in the future profitability of dairying and this is confirmed by the fact that very few complaints were received from producers about the inadequacy of profit return.

35. If herds are increased on this scale the resultant surplus will cause the dairy to have more gallonage to dispose of at a reduced return per gallon to every producer.

36. It would mean the present problem becoming worse at every stage inviting an inevitable state of insolvency thus resulting in the need for the States to inject funds constantly into the dairy industry.

37. The Enquiry does not consider that it can make recommendations to apply quotas on milk production or restrictions on herd size, which in its opinion would be equitable.

38. However, the situation must be controlled in the interest of the taxpayers and the producers.

39. The Enquiry has evidence that the consumers did not object to the level of financial support given to producers.

40. Conversely, the public will not accept that States financial aid or the proceeds from the rise in the retail price shall result in encouraging producers to more overproduction.

41. The Enquiry considers that it must make recommendations, which would discourage over-production of milk, yet meet the demand with a reduced level of surplus.

42. We regret that we have been unable to establish the real extent of the wastage from the dairy but we have been informed as follows—

- (a) the R.R.B. estimates that the equivalent of 1,250 gallons of liquid skim milk is discharged into the drains daily;
- (b) large quantities of milky effluent have been seen in the adjacent brook;
- (c) the General Manager informs us that 166,161 lbs. of skimmed milk powder equivalent are wasted or unaccounted for.

QUANTITY OF MILK PRODUCED—RECOMMENDATIONS.

We recommend that—

43. *the amount of recording and incentive bonuses etc. paid to producers in 1979 shall be made available in 1981 by the Committee, but shall be distributed in the following manner—*

- (a) £80,000 shall be used to double the present winter bonus;

(b) *the recording incentive bonuses shall cease to be paid on total milk production, but shall only be paid on the certified liquid milk sales by the Agency in each month. Based on 1979 there would be £252,940 available;*

(c) *the incentive bonus based on liquid milk sales will not be paid if—*

(i) *the producer is not in the Milk Recording Scheme or the animals are not registered in the Herd Book;*

(ii) *the producer supplies less than 300 gallons of milk during that month;*

(d) *if those producers, who do not receive bonuses because of (c)(ii) above, wish to give up cattle then the Committee shall compensate those producers who agree to withdraw completely from milk production and allocate up to £100,000 for this purpose over the period that this policy is required;*

44. *the Committee shall continue the Milk Recording Scheme but it shall—*

- (a) *charge £20 per herd irrespective of size at current money levels, to be reviewed from time to time;*
- (b) *cease to record any cow whose two consecutive lactations fail to meet an agreed annual production target, which shall be reviewed annually;*
- (c) *herd test regularly for mastitis using a Coulter Counter in order to identify and then reduce sub-clinical mastitis;*

45. *the Committee shall reconsider the wisdom and consequences of granting loans to applicants wishing to extend milk production.*

Quality of Milk produced.

46. We do not believe that the producer members of the Board realise the level of dissatisfaction in the Island at the quality and packaging of milk and the possibility that this could lead to demands by consumers for competitive imports, possibly at lower prices.

47. The Enquiry believes that the Board should have been more aware of these criticisms much earlier than January 1979, when new quality standards were implemented. These new standards at the dairy are still unsatisfactory, being well below those of the U.K.

48. The Enquiry was made persistently aware of the most serious effect on sales caused by the globulation problems in full cream milk. Sales cannot be expected to improve until the quality of milk is beyond question. The solution by homogenisation will not be found acceptable by consumers.

49. The Enquiry finds that a large amount of the milk which the consumers receive is not "fresh". Up to four days can elapse between milking and delivery to the doorstep or into the retail shop.

50. The Enquiry believes that this again illustrates the weakness of a producer run co-operative, which fails to set for its fellow producers acceptance standards, which they may find difficult to achieve without improving their standards of hygiene and the up-grading of their milking methods, both at some cost to themselves.

51. Jersey has a high reputation for the quality of its agricultural produce, which has been achieved in respect of crops, by the licensing of premises and producers and the establishment of an inspection system. This has not been applied to the milk industry.

52. We find it totally unacceptable that—

- (a) both residents and visitors should be asked to accept a staple diet, milk, at a quality which is below the standards required in the United Kingdom; and
- (b) milk can take as long after milking to be delivered on a local doorstep as the time it takes for a Jersey potato to get to a London retail shop from digging.

53. The Enquiry received strong evidence that the level of hygiene at some farms is poor in respect of the buildings in which milking is conducted, the milking techniques, equipment and the animals themselves. This has presented the Board with unnecessary difficulties.

54. There was even evidence of water used to cleanse utensils and pipelines being contaminated. In many instances bulk tanks, which receive milk from the cow, are themselves installed inside the cow stables.

55. We were told that the churn coolers owned and serviced by the J.M.M.B. are not effective and milk in churns is being collected when not adequately cooled. Churn collection points are frequently in full sun.

56. We have evidence that tankers are collecting milk from bulk tanks before it has been adequately cooled.

57. We have seen that pasteurisation temperatures have been exceeded. The dairy has stamped the next day's date on Tetrapaks.

58. Many of those giving evidence stated that they wished to obtain raw milk. There was no evidence that farmers or their staff had suffered from consuming raw milk. However, the Public Health Committee maintained there was a need for pasteurisation.

59. The quality and hygiene standards for milk production, farms and dairies are covered by the Food and Drugs (Jersey) Law, 1966.

60. The Enquiry finds that the Public Health Committee, which is responsible for the operation of this Law, has made no Order under Article 29 of the Law. This has left the producers and the Board to devise and apply their own standards, which we find are totally inadequate and unacceptable.

QUALITY OF MILK—RECOMMENDATIONS.

We recommend that—

61. *the Public Health Committee, in co-operation with the Committee, shall make an Order under Article 29 of the Food and Drugs (Jersey) Law, 1966. This Order shall be simpler and briefer than the U.K.'s Milk and Dairies (General) Regulations, 1959, but shall include at least the following provisions—*

- (a) *all milk producers shall be licensed;*

- (b) *producers using churns shall install an efficient milk cooler;*
- (c) *no bulk milk storage tank shall be installed in a cow stable;*
- (d) *all milk shall be collected by the dairy daily;*
- (e) *no milk shall be pumped into a bulk tanker at a higher temperature than 5° C;*
- (f) *the J.M.M.B. or its Agency shall apply the same test procedures and standards for milk quality as set by the U.K. Authorities;*
- (g) *milk containing antibiotics or added water shall be rejected and producers of such milk shall be refused further acceptance until their milk is proved free of both;*
- (h) *the dairy shall not depart from the recognised procedure for pasteurisation;*

62. *the Board or its Agency shall impose severe financial penalties on producers whose milk does not reach the set quality standard;*

63. *the Committee shall commission a study of the current operation of the dairy and make available to the Board and its Agency detailed recommendations from such a study for implementation;*

64. *this study shall in particular determine the causes of globulation, which the Enquiry considers is caused by incorrect mechanical handling associated with the milk temperature. This can be checked by comparative tests at each stage of mechanical handling from the cow to the container;*

65. *the Agency shall ensure that milk delivered to retail shops or to the doorstep shall be no more than 48 hours from milking. Collection, distribution and processing hours of work shall be altered to achieve this requirement;*

66. *the J.M.M.B. or its Agency shall cease using two dates on packs filled the same day. All containers shall be dated the day they are filled.*

Management and Staff.

67. Senior Management comprises the General Manager, Production, Commercial, and Transport Managers.

68. (a) The General Manager has overall responsibility for the total daily operation and is much involved with all of the many Board and Sub-Committee meetings;

(b) he has established in conjunction with the Auditors a system of financial and budgetary control. The Enquiry received suggestions that there was need for a reinforcement of this by the appointment of a qualified financial controller. In the present circumstances the Enquiry finds little merit in so doing;

(c) however, the Enquiry considers that the General Manager should be freed of much of the routine work undertaken by him to give more time for important management matters.

69. The Production Manager is responsible for organising the collection and processing of milk, the manufacture of by-products and for quality control of all the dairy's products having at his disposal for this purpose a technically staffed laboratory.

70. The Commercial Manager has overall responsibility for all sales to households, shops and bulk purchasers (hotels, etc.) and for organising doorstep rounds and delivery generally for products he requisitions from the Production Manager.

71. The Transport Manager is responsible for the maintenance and roadworthiness of all dairy vehicles.

72. These Managers control a total staff of 170 persons, a number which has remained fairly constant in recent years both in winter and summer.

73. The Staff Pension Scheme was non-contributory. The Pension Scheme has now become contributory for new staff with the resultant considerable future saving.

74. We found the general level of productivity at the dairy to be low, and management controls to be such as not to inspire a proper awareness of commercial realities in the staff.

75. Compared with other businesses operating over a seven day week and with similar problems, staffing levels appear to be unreasonably high. Some examples are—

- (a) there are seven engineers serving the dairy plant. The Enquiry has been informed that four, including one electrician, would be considered elsewhere as more than sufficient, particularly as the plant is operating for a relatively short shift per day;
- (b) for the vehicle fleet size, taking into account that a large percentage is electric powered, a manager and six mechanics is double the number normally found in other comparable fleets;
- (c) roundsmen are in many cases actually delivering milk for as few as six hours a day. This makes for very low utilisation of the vehicles involved. There is no acceptable reason for this low utilisation, the timing of deliveries appears to be for the convenience of the dairy, rather than for consumers;
- (d) the present total number of management, staff and franchise holders at the Guernsey States Dairy is 82 compared with Jersey's total of 174. Jersey's total milk collection in 1979 was 5,695,589 pots and Guernsey's was 3,623,000 pots.

76. The staffing of rounds is little different in summer from winter and is geared to the summer peak demand contrary to the practice in other industries supplying perishable foods. The mixing of domestic and trade customers in the same rounds is also the dairy's normal practice. If these two significantly different round requirements were separated, the regular number of trade rounds would be supplemented in summer by operating for longer hours or by the use of seasonal staff. The introduction of this method of distribution would effect considerable economies.

77. Under utilisation of collection vehicles is also very apparent, some being on the road for no more than four hours per day. By a proper re-organisation of times of collection and of the actual rounds, these vehicles could be operational for more hours each day, possibly over two shifts.

78. The level of clerical staff at 27 to 30 also appears to be unreasonably high, but it is perhaps the result of the other practices, which are all contributing to poor efficiency of operation.

79. We were made aware that restrictive practices were permitted by the Board when shops applied for supplies to resell, or redeliver milk. Whatever the merits of the case put by distribution staff in favour of these restrictions, we cannot support any such policy.

80. All the evidence that the Enquiry has shows that demoralisation of the staff stems from public criticism rather than an unwillingness to give of their best.

81. The terms and conditions of employment are negotiated annually. These are then embodied in a detailed agreement between the Board and the Transport and General Workers Union. The Garage Section's terms and conditions are those agreed by the Motor Trades Association.

82. We were informed that economies in the milk distribution costs were agreed and planned to come into effect when the 2.5% milk was introduced. We have, however, still not been given the full details of the rearranged rounds, nor been told if they have been introduced.

MANAGEMENT AND STAFF— RECOMMENDATIONS.

83. *We recommend that the Board and the Agency shall—*

- (a) *rearrange the staffs' working hours to ensure the quick collection, processing, and delivery of liquid milk and dairy products;*
- (b) *examine staffing levels closely to provide for a more economical operation of the dairy;*
- (c) *relate future increases in wages and salaries to the ability of the Dairy to operate without affecting sales, producer or consumer prices;*
- (d) *devise systems to encourage sales, reduce costs and eliminate waste in every way;*
- (e) *give the highest priority to the above measures and other means of effecting economies.*

Processing of Milk and its By-Products.

84. The Board investigated various methods for the utilisation and sale of surplus milk and whilst the Enquiry accepts that processing of milk can never be as economically viable as the sale of liquid milk, wrong decisions were taken based upon untested advice with regard to the best possible returns from manufacturing.

85. The introduction of 2.5 per cent milk in July, 1980, was intended to increase the overall sale of all liquid milk and at the same time provide more extracted fat for manufacture. This was not achieved due to there being little reliable market research, an unsound promotional programme and initially a product of poor quality.

86. Seeking further ways of utilising the surplus, the J.M.M.B. has manufactured butter, cream, ice-cream, long-life milk, Slimcea, chocolate milk, 2.5% milk, skimmed milk powder, yoghurt, cheesecake and dairy dessert. Recently the less viable of these products have been withdrawn. The level of diversification of manufacture took little account of the cost effectiveness and marketability of the products into which the Board ventured.

87. The Board proposed to the Committee in August, 1980 that imports of milk products should be restricted. The Enquiry does not believe that this would be acceptable to the public of Jersey.

PROCESSING OF MILK AND ITS BY-PRODUCTS—RECOMMENDATIONS.

We recommend that—

88. *the Board and the Agency shall reduce the number of products manufactured, and concentrate on liquid milk, cream, butter, yoghurt, dairy ice-cream and skim milk powder. In addition the production of hard cheese shall be actively investigated.*

89. *the Committee shall obtain from the Agricultural Development Advisory Service and make available details of the many unusual and highly profitable milk by-products now being made in dairies in the U.K. and which might be produced at the dairy in the future.*

Marketing, Price and Milk Containers.

(A) MARKETING.

90. In any manufacturing or processing business, one of the most important aspects of control must be in successful marketing and sales. This becomes more evident in the dairy industry when the liquid sales percentage of total milk production is allowed to fall.

91. The sales and marketing policy of the Board endeavoured to give the impression that all was being done to maximise sales of liquid milk and other dairy products. We consider that no effective steps have been taken to implement this policy. The selling operation has had a low priority within the organisation.

92. There has been little or no work done on customer or consumer surveys. The emphasis has been on selling what the dairy wished to make, instead of what the market required.

93. Sales promotion has been through a high consumer advertising expenditure, with the anticipation that sales would develop from the doorstep delivery service. We believe that more sales opportunities would exist if roundsmen were not delivering well before most householders have risen.

94. At present the Board employs one sales representative with responsibility for some 800 trade customers. This means that he has an impossible task to visit all outlets with acceptable frequency.

95. We note with concern that the sales representative appears to spend much time on generating sales of non-J.M.M.B. manufactured products such as imported cheese, butter portions and non-dairy cream.

96. More concentration of sales effort should be directed towards trade customers with the consequent feedback of the market's requirements for the dairy's own products.

(B) PRICE OF MILK.

97. Any change in the retail price of milk must first be referred to the Agriculture and Fisheries Committee, in accordance with the Milk Scheme.

98. The procedure in the past has been for the dairy management statistics, administered by the Committee, to be used to assist in the determination of this price.

99. These statistics are at present obtained from 33 milk producers with about 29% of the total Island herd and thus the retail price of milk has been determined by the analysis of costs from a minority of producers and cows.

100. The Enquiry considers that any producer who wishes to enjoy incentive bonuses shall be willing to enter the Dairy Management Scheme, if so requested.

101. During the Enquiry pure full cream Jersey milk was retailing at 23p per pint and the U.K. Channel Island milk, by comparison, was selling retail at 18½p, in both instances delivered to the doorstep.

(C) MILK CONTAINERS.

102. The container used by the J.M.M.B. for liquid milk is the Tetrapak. A vast majority of people interviewed had a considerable dislike for this package because of its awkwardness of shape and difficulty in storing.

103. We heard many complaints of the small amount of cream in the milk. We were also given visual evidence of a very faint cream line when the milk was poured into a bottle.

104. We therefore decided to carry out an analysis, under the direction of the States Analyst, of one Tetrapak whose contents were scraped and the other whose contents were shaken and poured.

105. The result of this test showed that 17% of the cream was left adhering to the inside of the unscraped Tetrapak.

106. Consumers' opinions were quite definite. They desired, if possible, a container through which the milk was visible, which could be easily housed in a refrigerator door and which discharged all its contents.

MARKETING, PRICE AND MILK CONTAINERS—
RECOMMENDATIONS.

We recommend that—

107. *the Board and the Agency shall employ extra sales representatives, whose work will be to build up trade sales of liquid milk and other local dairy manufactured products;*

108. *the price to be paid to producers shall be determined by the Committee and the Board using an agreed model drawn up by the States' Economic Adviser. This model shall be more widely based than at present on the statistics obtained from producers who are efficient;*

109. *the Board and its Agency shall call in expert advice on alternative packaging of milk, and consult with consumers and customers before deciding on the future packaging;*

110. *the Committee shall not pay incentive bonuses to producers who refuse to enter the Dairy Management Scheme.*

SUPPLEMENTARY RECOMMENDATIONS TO THE COMMITTEE.

The Enquiry's supplementary recommendations to the Committee are that—

111. *it shall treat the main recommendations contained in the text of this Report as a whole and not in isolation one from another;*

112. *if the J.M.M.B. rejects the recommendations contained in this Report, the Committee shall not increase the present amount of public financial aid or support further increases in the retail price of milk, but shall leave the economic forces to operate on the producers and the J.M.M.B.;*

113. *it shall encourage all catering establishments to have fresh Jersey milk readily available, and that in particular it shall ask the States to require all concessionaires on States property to serve only fresh Jersey milk, with notices displayed to this effect;*

114. *it shall encourage and financially assist, where necessary—*

(a) *grassland improvement schemes using proven mixtures;*

(b) *drainage and fencing schemes;*

(c) *bull proving schemes;*

(d) *group exporting of live cattle;*

115. *before any new producer controlled Scheme is set up under the Law serious thought shall be given by the Committee to the desirability that the Scheme provide for—*

(a) *a States Member representation;*

(b) *the operation to be conducted on a business and commercial basis with the producers having an individual financial stake and limited representation;*

- (c) *Board members to serve for a limited continuous period of office;*
- (d) *the size of the Board to be small;*
- (e) *the creation and retention of reserves;*
- (f) *controlling the volume of the product;*

116. *it shall intensify its Advisory Information Services to producers on methods to improve hygiene standards and milking procedures.*

Acknowledgements and Thanks.

We wish particularly to thank the States Committees and all those who came before us, not only for the time which they gave, but also for their complete frankness and willingness to answer our questions.

We express to the Royal Jersey Agricultural and Horticultural Society our thanks for their kindness in allowing us to use their Boardroom.

We thank the Economic Adviser and his staff for their assistance and for conducting and analysing the Consumer Survey.

Our secretary Miss S. Dobbs has carried out most thoroughly and carefully the arrangement of these meetings and their minuting, which extends over 260 pages of A4 typescript. We thank her for so ably discharging this vast amount of work, including the Producer Survey, with meetings often extending to late in the evening.

The States Greffe, in addition to providing our secretary, also agreed to take on, at very short notice, the extra correspondence, filing and typing of the minutes and the very many preliminary drafts of the Report. We are extremely grateful to the Greffier of the States and all in his Department for their assistance.

Signatures: J.R.F. BEST.

NORMAN LE BROCCQ.

C.G. PILE.

P.R. DAUBENEY.

B.L. DUBRAS.

H.J. DE GRUCHY.

B.R. LE MARQUAND.

PRODUCER QUESTIONNAIRES

STATES GREFFE
States Building,
Royal Square,
Jersey.

25th July, 1980.

Dear Producer,

We have been appointed to enquire into every aspect of milk production, processing, distribution, consumption and the extent of States support required by the milk producers.

It is essential for the Enquiry Board to obtain the widest opinion of milk producers, whose future livelihood could depend on their expressing to us their opinions of a wide range of matters.

We therefore enclose a *strictly confidential* questionnaire form, which we would ask you *in your interest* to complete and return by 9th August, 1980.

If you are unable to answer the question just write "not known" and on a separate note add any opinion of yours which is not covered by the questionnaire and you consider important to the Enquiry.

Yours faithfully,

J.R.F. Best.

Chairman.

RESULTS OF QUESTIONNAIRE FOR MILK PRODUCERS.

Number of registered Milk Producers	241
Number of questionnaires returned	122
Number of cows and heifers in milk kept	3009
Average herd size	24.66

	YES	NO	DON'T KNOW
BOARD			
1. Are you generally satisfied with the performance of the Jersey Milk Marketing Board ?	30	85	7
2. Do you consider that the Jersey Milk Marketing Board is too large?	88	29	5
3. Do you consider that management is efficient?	29	72	21
4. Do you believe that the staff is generally efficient?	41	56	25
5. Do you consider it helpful to have Agriculture Committee nominated Jersey Milk Marketing Board Members?	95	15	12
6. Do you think that all Jersey Milk Marketing Board Members should serve for a fixed number of years?	75	42	5
7. Would you accept a non-producer as Chairman of the Jersey Milk Marketing Board?	73	47	2
8. Do you consider that the control and structure of the Jersey Milk Marketing Board should be altered and would you favour one of the following -	70	43	9
(a) replaced by a States Committee	6		
(b) replaced by a States appointed Board with producers	32		
(c) no change - remain a producer co-operative	13		
(d) establish a new producer owned commercial company	25		
9. Have you been conducted around the Five Oaks Dairy?	74	48	
10. I attended the Annual General Meeting of the Jersey Milk Marketing Board in -			
(a) 1978	59	63	
(b) 1979	57	65	
(c) 1980	72	50	

PRODUCER	YES	NO	DON'T KNOW
11. I believe that the fundamental problem of the Industry is surplus production	49	59	14
12. Should the milk which is surplus to the liquid milk requirements of the Island be reduced?	60	50	12
If the answer is 'yes' please indicate how this could be achieved -			
(a) culling, with compensation, poor milkers	23		
(b) cease incentives based upon volume production and establish incentive bonus based on solids/fats	35		
13. If the States discontinued the present incentive and bonus schemes thereby reducing your income, what action would you take?			
(a) discontinue dairy farming	46		} 33
(b) increase production to maintain income	43		
14. Are you proposing to reduce the size of your herd?	9	109	4
If the answer is 'yes' please indicate why:			
(a) not financially rewarding but I will keep a few cows	5		
(b) I can make better use of my capital and time	2		
(c) I am getting older and find the task too demanding	5		
15. Are you proposing to increase the size of your herd?	38	80	4
If the answer is 'yes' please indicate why:			
(a) I believe the return to be much better with a larger herd	20		
(b) I consider crop prospects to be poor in the immediate future	15		
(c) I anticipate smaller producers will give up and I have spare capacity which does not need more capital	9		
16. If you had more pasture would you reduce your use of concentrates?	48	65	9

FINANCE	YES	NO	DON'T KNOW
17. When the present Milk Marketing Scheme was set up there were smaller surpluses of milk. Incentives have tended to alter the position. Do you now envisage a change in the method of States incentives based, as at present, on volume?	63	39	20
18. Do you accept the alternative of incentives based on solids/fats?	58	49	15
19. Do you believe that sales of milk will further reduce and so increase the surplus more?	59	38	25
20. What action do you consider would increase the return to producers and be acceptable to the consumers?			
(a) reduce retail price to increase sales	37		} 13
(b) investigate distribution system to reduce costs	91		
(c) increase retail price to improve my income	10		
21. The milk costings carried out by the Department of Agriculture are obtained from a few volunteers among producers. Do you consider that these details and figures give a true reflection of the production costs of all milk producers?	74	30	18
22. Would you be prepared to let the Enquiry Board have a copy of your accounts for the past year or a copy of your financial statement for last year? If the answer is 'yes' the figures will be completely confidential to the Enquiry Board under a code number known only to an independant accountant.	45	66	11
PUBLIC			
23. In your opinion, will further reasonable retail price increases reduce sales?	74	36	12
24. The high fat content of Jersey Milk restricts its sale?	26	87	9
25. The 2.5% milk now introduced will assist overall sales of liquid milk and reduce surpluses	52	45	25

	YES	NO	DON'T KNOW
26. The importation of liquid milk is vested, by law, in the Jersey Milk Marketing Board. Do you consider this restriction to free importation will remain enforceable under E.E.C. regulations?	50	26	46
27. Do you feel that limitation of importation should extend, if legal and possible, to other milk products?	76	32	14
28. In the event of unrestricted liquid milk importation, I believe that the effect on the dairy industry in the Island would be a disaster	116	4	2
29. Do you consider that the Jersey Milk Marketing Board is lacking in its commercial attitude to sales promotion of liquid milk and manufactured products?	74	34	14
30. My view is that increased sales of liquid milk and manufactured products could be achieved by -			
(a) reduction in the retail prices to reduce surplus	42		} 18
(b) special consumer offers for quantity purchasers	79		

FUTURE

31. I would approve of the importation of Jersey semen	38	74	10
32. I would approve of the importation of semen from beef breeds	41	75	6
33. Are you aware of growers who intend starting a dairy herd?	6	111	5
34. Should the Jersey Milk Marketing Board limit by quota the milk it accepts from producers?	20	94	8
35. Should all producers be licenced?	64	46	12

N.B. In a few cases the number of answers to supplementary questions may not total 122. This was caused by producers answering more than one of the supplementary questions or omitting to state they "Don't Know".

CONSUMER SURVEY

Results of a Survey carried out for the Milk Enquiry Board on consumer attitudes towards milk and milk products sold by the Milk Marketing Board in Jersey by the Office of the Economic Adviser in August 1980.

1. METHOD

At the request of the Milk Enquiry Board the Economic Adviser's Office organised a survey of consumer attitudes towards milk and milk products sold by the Milk Marketing Board in Jersey, based on a questionnaire prepared by the Enquiry. The survey was carried out in the week beginning 18th August, 1980, and involved the interviewing of 300 persons responsible for buying milk for themselves and their family. The interviews were carried out on each day of the week and at chosen interview points throughout the Island.

2. SAMPLE

Details of the sample obtained are set out in the attached Table. By reference to the 1976 Census of population it can be confirmed that the geographical spread, the age distribution and the accommodation distribution are such as to suggest that the results of the survey have not been distorted by an unrepresentative sample. The main area of omission in the survey is that relating to the single person living in lodging house and private rented accommodation (i.e., the immigrant employee category). For the most part, therefore, the survey should be seen as representing the attitudes of those responsible for buying milk for established family households. This is also reflected in the fact that the average household size was 3.05 persons whereas in 1976 Census the average was 2.6.

3. RESULTS

Question 1.

Do you have a door step delivery service 6 days a week?

Two-thirds of those interviewed had a 6 day per week door step delivery of milk. The proportion for those with children aged 0 to 4 and those aged 65 plus was significantly higher at 78% and 75% respectively.

Question 2.

Are you satisfied with the door step delivery service?

The majority (80%) of those with a door step delivery (and this includes those who have a delivery on less than 6 days a week) were satisfied with the service.

Of those who were not satisfied the reason given by the majority (i.e., 52% of those not satisfied) was that the delivery time was inconvenient. Only 11% gave the reason that they did not see the deliveryman.

Question 3.

How many pints do you have delivered daily?

Of the total amount of milk delivered to the door step—

73% was full cream

24% was 2.5% milk

3% was Slimcea

No long-life milk was taken by those interviewed.

The above proportions were little different for those with children aged 0 to 4 and those aged 65 plus.

The average quantity of milk delivered daily was 2 pints a day, with the 65 plus group having a daily average of 1.5 pints.

Question 4.

How many pints do you buy at the supermarket/shop daily?

Of the total amount of milk bought from supermarkets and shops on a daily basis—

65% was full cream

29% was 2.5% milk

7% was Slimcea

Purchases of long-life milk were negligible.

Of all the milk bought daily by those interviewed the milk bought regularly from the supermarket/shop accounted for 28%. For the 65 plus group the percentage was similar at 25% and for those with children aged 0 to 4 the percentage was significantly lower at 15%.

Question 5.

Do you buy milk regularly from the supermarket/shop?

In addition to those who bought milk regularly from the supermarket/shop 40% of those interviewed bought irregularly from the supermarket.

Question 6.

Would you be just as content if there would be no door step deliveries?

Of those interviewed 40% said they would be quite happy if there was no door step delivery. However, this proportion is little different from that of those who do not have a regular door step delivery and there are very few of those who have a 6 day delivery who would be happy at the loss of this service.

Question 7.

Are you buying as many pints of liquid milk as one year ago?

Of those interviewed 76% were buying as much milk as a year ago. Of the 24% who were buying less—

36% said it was because of the price

25% said it was because they dislike the high fat level of full-cream milk

22% said it was because there was less people in the household, and,

19% said it was because they used alternative milk powder.

While the price factor is certainly most mentioned by those who were buying less milk only 8% of those interviewed were buying less milk because of the price.

Question 8.

Now that the 2.5% milk is available I intend using only this form of liquid milk.

Of those interviewed 74% said they did not intend use *only* 2.5% milk now that it was available. The proportion was smaller in the case of those with children 0 to 4 (64%) and higher for the 65 plus group (82%).

While, therefore, the answers to Questions 3 and 4 show that 2.5% milk is being bought, there remains an attachment to full-cream milk on the part of the majority of those interviewed. For those intending to switch entirely to 2.5% milk the main reason for doing as because they preferred low fat milk (85%). Only 27% indicated an intention to do so because of the price (or only 7% of all those interviewed).

The answers to this Question would suggest that in the context of price changes over the past year health or dietary factors are a greater motivation than price in determining demand levels for 2.5% milk. This might be taken to suggest that relatively small price reductions, or price stability, must not have any significant effect on the total level of milk sales to the private consumer.

Question 9.

I am satisfied with the quality of Jersey full-cream milk.

Of those interviewed 64% were dissatisfied with the quality of the full-cream milk, but the degree of dissatisfaction was less with the 65 plus group i.e., 54% of those in this group.

The main reason given for dissatisfaction was the fat globulation— this was mentioned by nearly everyone (99%) of those interviewed who said they were dissatisfied with the full-cream milk.

Question 10.

I am satisfied with the Tetrapack container of Jersey liquid milk.

Of those interviewed 68% were dissatisfied with the Tetrapack container.

Question 11.

I buy regularly the following Jersey Dairy Products.

The Dairy Product bought most was cream, but then only by 44% of those interviewed. The proportion was slightly higher for those with children under 4— 49% and lower for those aged 65 plus— 37%.

Yoghurt was bought by 39% of those interviewed but by only 19% of those aged 65 plus.

Butter was bought by 27%, but only by 22% of those with children aged 0 to 4.

Ice-cream was bought by 22% but by 29% of those with children aged 0 to 4 and by only 16% of those in the 65 plus age group.

Fruit Juices were bought by 13% but by only 7% of the 65 plus group.

Dairy desserts were bought by 2% and not at all by those aged 65 plus.

Nearly all sales were from shops. The product most often bought from the roundsman was cream (3% of those interviewed) and fruit juices (2%).

Question 12.

I do not buy the above dairy products because—

The reason why dairy products were not bought was equally that of expense (26% of those interviewed) and quality (24%); that is the products were not thought to be good value for money. No person said they did not buy the products because they disliked the packaging.

Question 13.

I would buy Jersey butter regularly if reasonably priced and if always available from the supermarket/shop.

Of those interviewed 33% said they would buy Jersey butter if it was reasonably priced and available from the supermarket/shop.

Question 14.

I would buy Jersey butter if I had a choice.

Relatively few of those interviewed showed any interest in buying Jersey butter if they had a choice e.g.

if it was non-salt— 7% of those interviewed

if it was demi-sel flavour— 15%

if it was blended— 10%.

Question 15.

I have been buying Slimcea milk and intend changing to 2.5% milk.

There was no evidence of any intention to switch to 2.5% milk from Slimcea.

Question 16.

How do you pay for the milk delivered to your home?

Of those obtaining deliveries at home—

61% paid regularly each week

21% had a credit account

18% paid the roundsman irregularly.

Question 17.

I believe that the Jersey Milk Marketing Board should try harder to sell their products.

Perhaps not surprisingly of those who thought the Milk Marketing Board should try harder to sell their products the majority thought it should be through special offers— 66%. Encouragement by recipe information was mentioned by 12% and the offer of quantity discounts for larger domestic users were also mentioned by 12%. However, a similar proportion (10%) freely stated to the interviewer that they thought nothing should be done.

Question 18.

I would buy more dairy products if I saw my roundsman regularly.

There appeared to be no evidence that dairy products would be bought more if the roundsman was seen more regularly. Only 7% of those interviewed said they would do so, although for those with children aged 0 to 4 the proportion was much higher at 15%.

TABLE
SAMPLE DISTRIBUTION OF PERSONS INTERVIEWED

PARISH OF RESIDENCE		AGE			%
Grouville	7	2.33	15-24	36	12.00
St. Brelade	46	15.33	25-34	72	24.00
St. Clement	25	8.33	35-44	61	20.33
St. Helier	99	33.00	45-64	73	24.33
St. John	16	5.33	65+	58	19.33
St. Lawrence	13	4.33		300	100.00
St. Martin	14	4.67			
St. Mary	3	1.00			
St. Ouen	27	9.00	<i>MARITAL STATUS</i>		
St. Peter	19	6.33	Married	262	87.33
St. Saviour	26	8.67	Single	34	11.33
Trinity	4	1.33	Not given	4	1.33
Not given	1	0.33			
	300	100.00		300	100.00
<i>ACCOMMODATION</i>			<i>HOUSEHOLD SIZE</i>		
		%			%
Owner Occupied					
-- States Loan	65	21.67	1	27	9.0
-- Other	119	39.67	2	86	28.67
States Rental	48	16.00	3	74	24.67
			4	75	25.00
Private--					
-- Unfurnished	53	17.67	5	26	8.67
-- Furnished	14	4.67	6	8	2.67
Not given	1	0.33	6+	2	0.67
	300	100.00	Not given	2	0.67
				300	100.00