

Memorandum to the Cabineton"The scarcity of milk during period of
low production"Fixing a
Standard
Quota

The Standard Quota introduced in 1959 has effectively controlled production relating it to the market demand for liquid milk. For the year ending 31st March, 1959, when the sales figure stood at 3.2 million gallons the standard quota was fixed at 4 million gallons, leaving a margin of 800,000 gallons to make allowance for seasonal fluctuations. Milk produced in excess of this quota was bought at the low manufacturing price of 2/6 per gallon.

Increased
sales

Sustained propaganda and improved ways of distribution by M.M.U. raised liquid sales to 3.9 million gallons during 1964/65. Provided enough milk is available, sales this year may reach 4.1 million gallons. (attached statement A refers).

Measures
adopted

With the rise in sales measures had to be taken by Government to restore the balance between supply and demand. In 1963 the quota was raised to 4,055,150 gallons. Lately the price of milk from Gozo was increased by 1d per gallon to compensate for fodder transport charges, and that of all milk supplied in excess of quota by 3d - (2/9 vice 2/6d).

Ineffect-
iveness of
past
measures

Despite these measures production has fallen to exceptionally low levels resulting in a drop, at times, of about 400 gallons a day (Appendix B). Already a shortage is being felt particularly of goats' milk. Reconstituted powdered milk is substituting fresh milk in schools. £19,346 in 1964/65 and £22,916 this year were spent abroad on purchases of powdered milk. Milk production is a long-term process and if radical measures are not taken now this shortage will assume disquieting proportions next year.

High cost
of fodder

The cause of this downward trend is the ever increasing costs of milk production. Labour costs increase with every wage award made to Government employees. The constant rise in the cost of living also affects the producer's earnings. But the most serious factor is the abnormal rise in the price of fodder.

Since 1959 the quota price of milk has remained unchanged at 4/10 per gallon while fodder costs have risen as follows:-

	<u>1959</u>	<u>1964</u>	<u>1965</u>
Beans	52/8½	54/-	69/6 per qantar
Barley	37/10	43/-	44/- " "
Cake	36/7½	42/-	47/6 " "
Bran	20/-	18/-	18/- " "
Sulla	20/10	31/3	28/- " "

/.....

Consequent
reactions

The direct consequence is that milk producers either feed less or reduce the number of animals in the herd or go out of production altogether. During the last 18 months 121 producers have left the industry.

First
proposal

The first measure to be introduced should aim at arresting this downward trend. A subsidy on fodder would definitely have this effect. Whilst milk prices paid to hardmen have remained pegged down at the 1958/59 level fodder costs have risen by 8.4d a gallon. Attached as an appendix "C" is a computation of how cow feeding costs based on fodder prices have risen since 1959.

An increase of 8½d in the price of raw milk is out of the question but a payment of 2d per gallon on all quota milk to compensate for the rise in fodder costs that has taken place during 1965 would be fully justified. This would cost the local exchequer £33,793.

2nd
proposal

Another measure to be introduced should serve as an incentive to increase production. It is proposed to increase the present quota of 4,055,150 gallons by 5%. Based on present levels of supply and taking into account seasonal fluctuations the additional quantity would cost another £16,520.

Financial
implica-
tions

What is recommended therefore is a combination of an increase of 2d per gallon on all milk within the standard quota and the raising of that quota by 5%. The total cost of the two measures would be about £50,300.

As the subject is of national importance Honorable Ministers are requested to agree to the early implementation of the measures recommended.

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Estimated Sales in 1965/66

Appendix A

<u>1965</u>	<u>Fresh</u>	<u>Flavoured</u>	<u>Reconstituted</u>	<u>Total</u>
April	283,099	13,589	-	296,688
May	305,726	20,626	-	326,352
June	308,445	26,761	-	335,206
July	330,359	41,201	-	371,560
August	312,542	43,599	-	356,141
Sept.	293,638	35,054	6,823	335,515
Oct.	311,392	29,387	44,392	385,171
Nov.	269,000	21,500	44,500	355,000
Dec.	283,000	16,500	34,500	334,000
Jan. 1966	278,000	14,000	40,000	332,000
Feb.	256,000	12,000	40,000	308,000
March	308,000	15,000	41,000	364,000
TOTAL	3,559,201	289,817	251,215	4,099,633

Note: Figures from November onwards are estimated.

Raw Milk Purchases
(Gallons)

Month		1964	1965	- Decrease + Increase
April	(Actual)	406,142	413,794	+
May	(")	427,032	425,740	+
June	(")	403,802	405,359	+
July	(")	413,122	405,596	-
August	(")	386,987	389,256	+
September	(")	344,719	346,913	+
TOTAL		2,381,804	2,386,658	+ 4,854
October		336,908	329,590	-- 7,318
November		315,496	303,000 (Est.)	- 12,496 (1)
December		333,381	324,000 (")	- 9,381
TOTAL		985,785	956,590	-29,195

(i) Actual figures for the first week in November show daily decreases of up to 400 gallons.

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DOM FEEDING COSTS

Daily Maintenance ration to produce 457 Gallons:-

	1959	1964	1965
Peasns 3 rtsal	Per genter @ 52/8½ -	(54/- -	@ 69/6 -
Barley 3 rtsal	@ 37/10 -	@ 43/- -	@ 44/- -
Brer 3 rtsal	@ 20/- -	@ 18/- -	@ 18/- -
Gulls 9 rtsal	@ 20/10 -	@ 31/3 -	@ 28/- -
	<u>62.97d</u>	<u>75.15</u>	<u>77.58</u>
	62.294. x 355 = <u>£94.14.7.65d.</u>	75.15 x 365 = <u>£114.5.9.75</u>	77.58 x 355 days = <u>£117.19.8.3</u>

Production ration to produce 265 Gallons:-

Peasns 3 rtsal	@ 52/8½ -	@ 54/- -	@ 69/6 -
Barley 3 rtsal	@ 37/10 -	@ 43/- -	@ 44/- -
Brer 3 rtsal	@ 20/- -	@ 18/- -	@ 18/- -
Gulls 1 rtsal	@ 36/7½ -	@ 42/- -	@ 47/6 -
	<u>44.18d.</u>	<u>46.44d.</u>	<u>53.04d.</u>

Feeding 2½ rtsal of the above costing 11.64d. per Gallon all cost 11.61 x 285 Gallons £13.13.9.65d.

Maintenance £114.5.9.75d.
Production £13.13.9.65d.
£127.19.7.38d.

41.51d. - 3) 5.5d.

2½ rtsal costing 13.26d. per Gallon all cost 13.26 x 285 Gallons £15.12.6.6d.

Maintenance £117.19.8.7
Production £15.12.8.6
£133.12.5.3d.

43.3d. - 38.7.3d.

Cost per gallon on field of 740 Galls, 34.94d. - 28.10.4d.