

REPORT.

I HAVE the honour to submit the annual report and statement of accounts of the Marketing Department (Export Division) for the year ended 31st July, 1941.

The report for the year ended 31st July, 1940, covered the arrangements made by the New Zealand Government upon the outbreak of war in regard to the sale and export to the United Kingdom of essential food and other supplies, and the extension of the scope and duties of the Export Division as the authority in New Zealand responsible for the bulk purchases and shipment of the various food and other products.

This report relates to the 1940-41 production season (the second year of war), and the transactions in respect of dairy-produce, meat, wool, tallow, woolly sheep-skins, hides, fruit, linen flax, and scheelite are reviewed under the appropriate headings.

CONTRACTS BETWEEN THE UNITED KINGDOM AND THE NEW ZEALAND GOVERNMENTS FOR THE SECOND YEAR OF WAR 1940-41.

In the case of wool and woolly sheep-skins the only matter for discussion was sale prices, because the contracts entered into upon the outbreak of war covered the full war period, with provision for review of prices in May of each year.

In the case of dairy-produce, meat, tallow, fruit, and scheelite, the contracts and arrangements were for the first year of war only, and discussions on new contracts were necessary.

Following an exchange of views between the Australian and the New Zealand Governments on the question of second year of war contracts, it was arranged that the Hon. W. Nash, Minister of Finance (then Minister of Marketing also), should visit Australia to discuss the issues involved, and agree upon a joint basis of negotiation with the United Kingdom Government. However, owing to the opening of Parliament, the Hon. W. Nash was unable to go to Australia. The New Zealand delegation comprised Mr. G. A. Duncan (Director of Export Marketing) and Mr. H. H. Innes, of the office of the Minister of Marketing, and they were joined in Australia by Mr. F. R. Picot (Director of Internal Marketing). The discussions between the New Zealand delegation and the Australian representatives were declared by both Governments to be mutually helpful, and complete and satisfactory agreement was reached in regard to the basis of negotiations with the United Kingdom Government for contracts covering dairy-produce and meat. Stated shortly, the approach of the Australian and New Zealand Governments was as follows:—

- (a) Period of contract should be for the duration of the war and a suitable period thereafter, provision being made for the management of the market during the post-war period of the contract until a position is reached when trading could be resumed on a normal peace-time basis:
- (b) Contract should relate to total quantity available for export to the United Kingdom:
- (c) Provision should be made for review of prices in May of each year:
- (d) Provision should be made for payment on account and for storage charges in the event of undue delay in shipment:
- (e) There should be no pressure on the United Kingdom Government for increases in the prices fixed for the first year of war, and both Governments expressed their reluctance, under existing conditions, to press for anything involving increased payment by the United Kingdom Government.

The contract arrangements finally entered into for the second year of war are given under the appropriate headings in this report. In general no radical changes were made in the terms of the original agreements, alterations being confined almost entirely to export quantities, and in the case of meat products to some minor changes in prices. The tallow agreement was not renewed, but arrangements were made for the purchase, by the New Zealand Government, on behalf of the United Kingdom Government, of United Kingdom requirements. A new contract was entered into covering linen flax, dried milk, and scheelite.

This report will now review the transactions during the year ended 31st July, 1941, in respect of the products handled by the Export Division of the Department.

DAIRY-PRODUCE.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR 1939-40 SEASON.

The accounts presented with the report for the 1939-40 season covered purchases of butter and cheese by the Department up to 31st July, 1940. The following table shows the quantities stated to be purchased, the total season's production for export, and the stocks in store awaiting purchase and shipment at 31st July, 1940:—

				Purchases up to 31st July, 1940.	Remaining in Store, 31st July, 1940.	Total Season's Pro- duction for Export.
				Boxes.	Boxes.	Boxes.
Creamery butter	..	..	..	4,608,018	515,670	5,123,688
Whey butter	..	..	..	76,848	6,982	83,830
Total butter	..	..	..	4,684,866	522,652	5,207,518
				Crates.	Crates.	Crates.
Cheese	..	..	..	1,190,596	99,970	1,290,566