"The Department will obtain from freezing companies and supply to the canneries details of stocks of loins and briskets as at the end of each week.

"Settlement for these loins and briskets will be made by the cannery company to the Department as and when the corned beef is shipped.

"The cannery companies are to submit their costs and records to an audit to be conducted by an officer of the Audit Department to determine the fairness of their required prices of:—

"7s. 6d. per dozen f.o.b. sterling for 12 oz. taper tins:

"43s. 6d. per dozen f.o.b. sterling for 6 lb. first-quality taper tins:

"41s. per dozen f.o.b. sterling for 6 lb. second-quality taper tins.

"It is agreed that any increase in labour-costs during the currency of the contract or any increase in prices of tin plate purchased to enable completion of the contract will affect the foregoing prices."

It will be noted that this agreement provided for the canning of the briskets and loins only from cow beef, because at that time the export of boneless cow beef had not been restricted by the United Kingdom Government. However, when advice was received from the United Kingdom that boneless cow beef, along with baconer pigs and certain other classes of meat, were restricted from export it then became necessary to can all boner cow beef. The agreement outlined above was, therefore, superseded by a further agreement which enabled canners to purchase and can boner cow beef "in the straight run." The following letter sent by the Marketing Department to the various canners concerned constitutes the new agreement entered into in this respect:—

"*Canning*.—I have pleasure in advising that the Hon. the Minister of Marketing has given his approval to the purchase of boner cow beef by canneries engaged in the production of canned corned beef included in the New Zealand Government contract with the United Kingdom Food Ministry at a price of 3⅛d. per pound delivered at canneries, for boner cow beef, delivered in a straight run of cuts derived from cows killed on and after Monday, 7th April, the date on which the killing restriction on boner cows was lifted.

"Freezing companies will continue to debit the Department for this meat on the basis of the current f.o.b. prices, converted to an 'ex works basis,' which in the case of the boneless cow beef delivered in a straight run of cuts is 4d. per pound over all, reduced by the appropriate f.o.b. charges not incurred, and the Marketing Department will continue to absorb the transport charges from freezing-works to canneries. In the case of boner cow beef delivered to canneries from related or adjacent freezing-works an appropriate allowance is to be made to the Marketing Department by the freezing company concerned for any charges not incurred, such as freezing and bagging.

"The purchase-price of 3⅛d. per pound delivered at canneries is to be subject to an audit check in, say, two months' time in order to establish the relative merits of this price in comparison with the actual costings ascertained from the canning-works, and the final price is then to be determined. Any adjustment, upward or downward, as between the provisional price of 3⅛d. per pound and the final agreed price to have retrospective application to all boner cow beef purchased in a straight run of cuts since 7th April.

"The price of the boner cow beef supplied to canneries having been determined as above, the prices payable by the Marketing Department for canned corned beef will be the United Kingdom Government contract prices—namely, 43s. 6d. sterling f.o.b. per dozen for first-quality taper sixes and 6s. 9d. sterling f.o.b. per dozen for first-quality taper 12 oz. It is recognized, however, that the 12 oz. size is more costly to produce than the larger sizes, and to meet this increase-cost factor the canneries concerned will furnish the Department weekly with production figures showing the quantity of each pack produced during the week and the quantity of boneless meat used in the production thereof. The audit check will determine the appropriate adjustment to be made in the price charged for boneless beef which goes into the 12 oz. tins, and this adjustment will be made weekly from the foregoing information. Until this adjustment can be made payment will continue to be made for the 12 oz. size at the rate of 7s. 6d. sterling f.o.b. per dozen and the price of 3⅛d. will be charged to canneries, as for the boneless beef which goes into the 6 lb. cans.

"The foregoing procedure and price basis refer entirely to the present season's production—that is, to meat of exportable quality which is now in store in freezing-works or is still to be killed during the current season in accordance with the terms of the Government's arrangements."

It will be noted that in this agreement provision was made for canners to purchase boneless cow beef at a definite price delivered at canneries, and this meant that the Marketing Department then absorbed the difference between the price paid by the canners and the actual f.o.b. value of the meat based on the United Kingdom price schedules. This price of 3⅛d. payable by the canners was the price which at the time was assessed to be a fair one which the canners could pay and at the same time supply the canned meat to the Marketing Department at prices equivalent to the contract prices entered into. The f.o.b. equivalent value of boneless cow beef was approximately 4d. per pound, and therefore the Marketing Department was to absorb a loss of approximately ⅞d. per pound during the continuation of the contract. The total amount involved is estimated at £200,000.

This new basis was accepted by the canneries and is now operative.