

1941.
NEW ZEALAND.

MARKETING DEPARTMENT

(EXPORT DIVISION).

ANNUAL REPORT (FIFTH) AND ACCOUNTS FOR THE YEAR ENDED 31st JULY, 1941.

*Presented to both Houses of the General Assembly pursuant to the Provisions of the
Marketing Act, 1936.*

CONTENTS.

ACCOUNTS—	PAGE
Balance-sheet	39
Dairy-produce	16, 34, 35
Fruit	38
Hides	31
Meat	25, 36, 37
Scheelite	32, 38
Tallow	30, 38
War Office Contracts	38
Wool	28, 37
Woolly Sheep-skins	29, 39
CONTRACTS BETWEEN THE UNITED KINGDOM AND THE NEW ZEALAND GOVERNMENTS FOR THE SECOND YEAR OF WAR, 1940-41	3
CO-OPERATION OF BOARDS AND ORGANIZATIONS WITH MARKETING DEPARTMENT	33
GENERAL	33
REPORTS—	
Dairy-produce—	
Accounts	16, 34, 35
Advertising Publicity and Sales Promotion	14
Bulk Purchase of 1940-41 Season's Butter and Cheese by United Kingdom Government	6
Completed Financial Operations for 1939-40 Season	3
Costs in Manufacture and Delivery of Butter and Cheese to f.o.b. Overseas Steamer	15, 16
Distribution of Butter and Cheese in United Kingdom under War Conditions	12
Exports: Quantities of Butter and Cheese exported	11
Freight Rates	14
Grading—	
Percentages of Butter and Cheese of Various Grades	10
Premiums for Quality	8
Quantities of Butter and Cheese graded	10
Quantities of Butter and Cheese paid for at Differential Prices	8, 9
Guaranteed Prices—	
1940-41 Season	7
1936-37 to 1941-42 Seasons	7
Marine Insurance	14
Payments by Dairy Companies for Butterfat-supplies	8, 15
Production: Increased Production of Cheese for Shipment to United Kingdom, and Change-over in New Zealand from Buttermaking to Cheesemaking	11
Sales of Butter and Cheese to Markets other than United Kingdom	13
Saving in Shipping-space, Methods of, and Alternative Processing Methods	13
Shipping	13
Storage: Erection of Emergency Cool Storage	11
Summary of Results of Purchase and Sale of Butter and Cheese for 1939-40 Season	5
Supervision and Inspection of Shipping, Transport, and Storage of Dairy-produce	14

REPORTS—continued.

PAGE

Fruit—

Accounts	38
Shipping Space	33
Staff of Fruit Sales Division, London	33

Hides—

Committee	30
Report of Hides Committee on Operations for Period ending 31st March, 1941	30
Accounts	31
Alterations to Regulations	31
Equalization Levy	30
Export Markets	31
Export Quantities	31
Tanners' Claims	31

Linen Flax—

Committee : Linen Flax Management	32
Production	32
Sale, Terms of, to the United Kingdom Government	32
Sales and Shipments	32

Meat—

Accounts	25, 36, 37
Bulk Purchase of 1940-41 Season's Meat by United Kingdom Government	16
Canned Meat	23
Completed Financial Operations for the 1939-40 Season	16
General	25
Grading, Quality, Dressing, and Packing	21
Killings for Export	21
Prices	18, 19
Purchase and Sale Procedure	17
Quantities purchased to 31st July, 1941	20
Saving of Shipping and Storage Space by De-boning and Trimming of Export Meat and by Processing	22
Shipments to Outside Markets	25
Shipping	22
Stocks in Store	22
Storage : Emergency Cool Storage	23
Survey of Season	21

Scheelite—

Accounts	32, 38
Agreement with United Kingdom Government	32
Quantity and Value of Exports	32

Tallow—

Accounts	30, 38
Grading, Quality, and Packing	29
Permits granted to Shippers to Various Overseas Countries	30
Purchase by United Kingdom Government of 1940-41 Season's Tallow	29
Quantities purchased by United Kingdom Government and shipped from 1st August, 1940, to 31st July, 1941	30
Requirements for Local Soapmakers	30
Shipments to India	30
Value of Shipments to United Kingdom	30

War Office, Sundry Supplies to—

Accounts	38
Negotiations for Purchase	33
Shipping Arrangements	33
Value of Products shipped	33

Wool—

Accounts	28, 37
Appraisal Procedure	26
Bulk Purchase of Wool by the United Kingdom Government and Purchase and Sale Procedure	25
Exports, Destination of	27
Quantities and Values of Wool appraised	26
Scouring of Wool	27
Shipping Arrangements	27
Survey of Wool Season	27

Woolly Sheep-skins—

Accounts	29, 39
Bulk Purchase of Woolly Sheep-skins by the United Kingdom Government	28
Quantities and Values of Woolly Sheep-skins exported	28
Report of Controller	29

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

The purchase and sale transactions up to 31st July, 1940, showed a surplus of £49,788.

The total quantities purchased from the season's production were slightly greater than those mentioned in the 1939-40 season's report, the difference representing the release for export of produce previously held back to safeguard local market requirements. The actual quantities purchased from the 1939-40 season's production were :—

							Boxes.
Creamery butter	..	..	..	..	..	..	5,130,936
Whey butter	..	..	..	..	..	..	83,814
Total ..							5,214,750
							Crates.
Cheese	..	..	..	..	..	..	1,295,110

The final results of the operations for the complete 1939-40 season were :—

							£
Deficit on creamery butter	..	..	..	..	..	..	25,883
							£
Surplus on cheese	..	..	..	..	..	..	88,487
Less deficit on whey butter	..	..	..	..	..	..	400
							88,087
							£62,204
Recoveries from manufacturers of special milk products	..	..	..	..	..	..	159
Net surplus for 1939-40 season							£62,363

The final accounts for the 1939-40 season are shown in detail on page 34 of this report, and a tabulated statement of realizations is shown on page 5.

SUMMARY OF RESULTS OF PURCHASE AND SALE OF BUTTER AND CHEESE FOR 1939-40 SEASON.

The following tabulation shows the summarized details of the purchase and sale operations for the 1939-40 season in respect of creamery butter, cheese, and whey butter :—

SUMMARY OF PURCHASE AND SALE OF DAIRY-PRODUCE, 1939-40 SEASON.

	Creamery Butter.				Whey Butter.				Cheese.				Total.
	Boxes.		Tons (Purchase Weight).		Boxes.		Tons (Purchase Weight).		Crates.		Tons (Sale Weight).		
	Amount. £	Per Hundredweight. s. d.	Per Pound. d.	Amount. £	Per Hundredweight. s. d.	Per Pound. d.	Amount. £	Per Hundredweight. s. d.	Per Pound. d.	Amount. £	Per Hundredweight. s. d.	Per Pound. d.	
Quantity to United Kingdom	5,044,694	112 3.128	12.028	218,809	104 5.321	11.190	83,814	2,095	1,293,522	64 2.684	91,610	6.881	219,811
Quantity to other destinations	86,242	27 4.360	2.931	53,335	25 5.499	2.728	..	..	1,588	15 7.132	109	1.671	2,266
	5,130,936	139 7.488	14.959	272,144	129 10.820	13.918	83,814	2,095	1,295,110	79 9.816	91,719	8.552	222,077
		146 0.194	15.645	..	..	..				77 2.760		8.275	
Sales to United Kingdom Ministry of Food : Sterling	14,156,670	139 8.772	14.971	272,144	129 10.820	13.918			7,320,362	79 9.755		8.551	25,514,822
Plus exchange on remittances to New Zealand	3,450,689	43,359	0.036	677	3.878	0.035			17,196	2.250		0.020	61,232
Realized New Zealand currency	17,607,359	139 4.716	14.935	271,467	129 9.233	13.883			7,303,166	79 7.505		8.531	25,453,590
Sales to other destinations : New Zealand currency	314,957	139 7.136	14.956	271,867	..	..			7,214,679	78 7.928		8.428	25,391,386
Total realized all sales : Net f.o.b., New Zealand	17,922,316	..	..	..	..	..						..	..
Less administration, interest, &c.	43,359	..	..	..	..	..						..	..
Final net realizations, all sales	17,878,957	..	..	..	..	..						..	..
Purchase-cost at 1939-40 guaranteed prices	17,904,840	..	..	..	..	..						..	..
Surplus, 1939-40 season	..	2.420	0.021	..	2.291	0.020			88,487	11.577		0.103	62,204
Deficit, 1939-40 season	25,883	..	..	400	..	..			..	..		..	..
Recoveries from manufacturers of special milk products	..	..	..	..	..	..			..	..		..	159
Final surplus, Dairy Industry Account, 1939-40 season	..	..	..	..	..	..			..	..		..	62,363

BULK PURCHASE OF 1940-41 SEASON'S BUTTER AND CHEESE BY UNITED KINGDOM GOVERNMENT.

No formal contract was completed between the United Kingdom and the New Zealand Governments for the bulk purchase of the 1940-41 season's butter and cheese. The conditions of purchase and sale were settled in exchanges between the two Governments, the short details being as follows :—

Butter.

Quantity.—One hundred and twenty thousand tons from production 1940-41 season, with shipments extending from 1st September, 1940, to 31st August, 1941.

Price—

Creamery Finest Grade, 93 points and over: 112s. 6d. sterling per hundredweight delivered f.o.b. ocean steamer.

Creamery Finest Grade, 90 to 92½ points: 111s. 3d. sterling per hundredweight f.o.b.

Creamery Second Grade: 107s. 6d. sterling per hundredweight f.o.b.

Whey First Grade: 104s. 6d. sterling per hundredweight f.o.b.

Whey Second Grade: 100s. 6d. sterling per hundredweight f.o.b.

Payment.—In the event of delay in shipment owing to the inability of the Ministry of Food to provide ocean-going ships, the Ministry of Food undertakes to make payment on account amounting to 50 per cent. of the value of any butter which has had to remain in cold store one month longer than would have been required by the agreed monthly shipping schedule.

Storage.—The New Zealand Government will be responsible for storing butter in suitable stores at suitable temperature in New Zealand and will be responsible for placing butter on board steamers for shipment as they become available.

The United Kingdom Government undertake that, in the event of butter having to be kept in store in New Zealand for an unduly long period owing to the inability of the Ministry to provide ocean-going ships, they will be prepared to make payments towards the consequential additional costs of storage in accordance with arrangements to be agreed with the New Zealand Government in the light of actual experience.

Cheese.

Quantity.—One hundred and seven thousand tons from production 1940-41 season, with shipments extending from 1st September, 1940, to 31st August, 1941.

Price—

Finest and First Grade, 91 points and over, 64s. 3d. sterling per hundredweight delivered f.o.b. ocean steamer.

Second Grade, 62s. 3d. sterling per hundredweight f.o.b.

(All cheese to be white and unwaxed.)

Payment.—In the event of delay in shipment owing to the inability of the Ministry of Food to provide ocean-going ships, the Ministry of Food undertakes to make payment on account amounting to 50 per cent. of the value of any cheese which has had to remain in cold store one month longer than would have been required by the agreed monthly shipping schedule.

Storage.—The New Zealand Government will be responsible for storing cheese in suitable stores at suitable temperature in New Zealand, and will be responsible for placing cheese on board steamers for shipment as they become available.

The Ministry undertake that, in the event of cheese having to be kept in store in New Zealand for an unduly long period owing to the inability of the Ministry to provide ocean-going ships, they will be prepared to make payments towards the consequential additional costs of storage in accordance with arrangements to be agreed with the New Zealand Government in the light of actual experience.

Shrinkage in Weight.—Shrinkage at the rate of 2½ per cent. will be deducted from the checked packed weights of cheese. Should the actual shrinkages, as ascertained in London, in respect of the cheese from any particular dairy company prove to be consistently higher than 2½ per cent., the shrinkage deduction on subsequent shipments will be increased accordingly unless it is evident that such excess shrinkage arises from abnormal periods of storage.

During negotiations on contracts for the second year of war the New Zealand Government had again urged that the contract arrangements should cover the period of the war and a suitable period thereafter. The United Kingdom Government was unwilling to agree to this course, but as an alternative the Minister of Food (Lord Woolton) agreed that the following letter from him to the New Zealand Government should be attached to, and read with the contracts :—

"We have undertaken to purchase 107,000 tons of cheese, this being the maximum quantity which you consider would be available in the forthcoming season.

"With regard to butter, I understand that it is the desire of your Government to contract 130,000 tons, but we felt it necessary, for reasons of which you are aware, to insert a figure 120,000 tons in the head of agreements. I wish to assure you, however, that it is our intention, subject to our ability to take delivery, to accept additional quantities, and we are in fact arranging our shipping schedule on this basis. It is understood between us that our general arrangements for purchase and sales of butter and cheese will continue for the duration of the war and for a period thereafter to be agreed upon. The quantity to be purchased under arrangement will be as nearly as possible practicable (subject to shipping and other considerations) to the maximum for which you are able to contract, the price being determined by negotiations between our two Governments in May of each year.

"We should like to be informed beforehand if arrangements being made in New Zealand look like producing more butter than we are taking at present. We should then try to give you an indication whether there was any hope of our being able to take delivery of increased amount, but we should probably be unable to give you any very clear idea, and in any case the risk of any interruption of trade occasioned by the war must remain one to be shared as may be agreed between the parties.

"It is understood further that our marketing arrangements after the war will be a matter for discussion between our two Governments, the object being to arrive by orderly steps at a satisfactory peacetime basis."

GUARANTEED PRICES, 1940-41 SEASON.

The guaranteed purchase prices for butter and cheese manufactured during the 1940-41 season and exported were: Butter (basic price), 14·89d. per pound; and cheese (basic price), 8·42d. per pound. The prices to be paid for the 1941-42 season are the same as those paid for the 1940-41 season.

The detailed prices are as follows:—

Creamery butter—

Finest Grade—

94 points and over: 15·015d. per pound.

93 points and under 94 points: 14·89d. per pound (basic price).

First Grade—

92 points and under 93 points: 14·8275d. per pound.

90 points and under 92 points: 14·64d. per pound.

Second Grade: 14·14d. per pound.

Whey butter—

First Grade: 13·89d. per pound.

Second Grade: 13·39d. per pound.

Cheese—

Finest Grade—

94 points and over: 8·57625d. per pound.

93 points and under 94 points: 8·545d. per pound.

First Grade—

92 points and under 93 points: 8·42d. per pound (basic price).

91 points and under 92 points: 8·3575d. per pound.

Second Grade: 8·17d. per pound.

GUARANTEED F.O.B. (BASIC) PURCHASE PRICES FOR BUTTER AND CHEESE.

Grade.	1936-37 Season.* Butter and Cheese manufactured on and after 1st August, 1936, and exported on or before 31st July, 1937.	1937-38 Season.† Butter and Cheese exported after 31st July, 1937, and which is manufactured on or before 31st July, 1938.	1938-39 Season. Butter and Cheese manufactured from 1st August, 1938, to 31st July, 1939, and exported.	1939-40 Season; 1940-41 Season; 1941-42 Season. Butter and Cheese manufactured from 1st August, 1939, to 31st July, 1940, and exported.
<i>Creamery Butter.</i>				
	Per Pound. d.	Per Pound. d.	Per Pound. d.	Per Pound. d.
<i>Finest Grade—</i> 93 to 93½ points ..	12·5625‡ ‡ Basic price; equivalent to 106s. 6d. sterling per hundredweight on London market.	13·66‡ ‡ Basic price; equivalent to 115s. sterling per hundredweight on London market.	14·89‡ ‡ Basic price; equivalent to 124s. sterling per hundredweight on London market.	14·89‡ ‡ Basic price; equivalent to 124s. sterling per hundredweight on London market, on basis costs at 1st August, 1939.
<i>Whey Butter.</i>				
<i>First Grade</i> ..	11·5625	12·66	13·89	13·89
<i>Cheese.</i>				
<i>First Grade—</i> 92 to 92½ points ..	7·0625‡ ‡ Basic price; equivalent to 68s. 3d. sterling per hundredweight on London market.	7·75‡ ‡ Basic price; equivalent to 68s. 3d. sterling per hundredweight on London market.	8·42‡ ‡ Basic price; equivalent to 73s. 6d. sterling per hundredweight on London market.	8·42‡ ‡ Basic price; equivalent to 73s. 6d. sterling per hundredweight on London market, on basis costs at 1st August, 1939.

* It was estimated that the purchase prices originally fixed for cheese for the 1936-37 season (basic price, 6·8125d. per pound) would enable efficient cheese-manufacturing companies to pay, on average, to the suppliers for butterfat 1½d. per pound in excess of the corresponding average payment made by butter-manufacturing companies. The differential of 1½d. per pound butterfat was not realized, and the Government made a further payment to cheese-manufacturing companies of ½d. per pound of cheese. The purchase prices for cheese for the 1936-37 season shown above include this further payment.

† The purchase prices originally fixed for butter and cheese for the 1937-38 season (butter basic price, 13·25d. per pound; cheese basic price, 7·54d. per pound) were increased by 0·41d. per pound for butter and 0·21d. per pound for cheese. The purchase prices for butter and cheese for the 1937-38 season shown above include these price increases.

The conversion formulæ used in the determination of the 1941-42 season prices shown above are—

Butter.			Cheese.		
Over-run	21.75 per cent.		Yield	2.51 gross.	
Costs of manufacture and delivery to f.o.b. .. }	2.25d. per pound butterfat.			2.45 net.	
			Return from whey butter	0.75d. per pound butterfat.	
			Costs of manufacture and delivery to f.o.b. }	3.5d. per pound butterfat.	

RESULTING AVERAGE PAYMENTS BY DAIRY COMPANIES FOR BUTTERFAT-SUPPLIES.

	1936-37 Season: Payout per Pound Butterfat.	1937-38 Season: Payout per Pound Butterfat.	1938-39 Season: Payout per Pound Butterfat.	1939-40 Season: Payout per Pound Butterfat.	1940-41 Season: Payout per Pound Butterfat.	1941-42 Season: Payout per Pound Butterfat.
	d.	d.	d.	d.	d.	d.
For buttermaking	13.558	14.812	16.087	16.179	16.106	15.88 (est.)
For cheesemaking (including whey butter)	15.176	16.389	18.060	18.091	18.043	17.88 (est.)

PREMIUMS FOR QUALITY, AND QUANTITIES OF BUTTER AND CHEESE PAID FOR (OR TO BE PAID FOR) AT DIFFERENTIAL PRICES.

Under the Dairy-produce Export Prices Order 1939 provision is made for additions to or deductions from the basic purchase prices for butter and cheese according to quality as disclosed by the grading-points awarded to the dairy-produce. This system of price differentials is intended to provide a stimulus to the production of dairy-produce of higher quality.

The following tables show for the 1940-41 season the quantities of butter and cheese purchased and to be purchased and paid for at the respective differential prices. For comparison purposes the totals for the previous four seasons are also shown :—

CREAMERY BUTTER (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.	Total.	Finest Grade.		First Grade.		Second Grade.
		94 Points and over.	93 to 93½ Points. (Basic Price.)	92 to 92½ Points.	90 to 91½ Points.	
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Auckland	103,868	27,497	53,839	12,205	9,721	606
Bluff	75	..	..	..	46	29
Dunedin	162	14	83	49	3	13
Gisborne	2,249	1,328	809	71	38	3
Lyttelton	1,067	539	398	79	20	31
Napier	1,523	869	625	..	29	..
New Plymouth	7,495	3,426	3,013	727	329	..
Patea	289	157	81	33	18	..
Timaru	271	69	170	16	2	14
Wanganui	2,116	1,004	913	158	41	..
Wellington	14,222	8,666	3,539	1,490	510	17
Grand totals—						
1940-41	133,337	43,569	63,470	14,828	10,757	713
1939-40	128,274	51,624	51,004	15,437	9,570	639
1938-39	116,431	48,803	49,759	9,928	7,429	512
1937-38	137,555	55,611	57,275	15,399	8,753	517
1936-37	149,810	53,844	66,717	15,550	13,192	507
Percentages of Qualities—						
1940-41	100	32.67	47.60	11.12	8.07	0.54
1939-40	100	40.25	39.76	12.03	7.46	0.50
1938-39	100	41.91	42.74	8.53	6.38	0.44
1937-38	100	40.43	41.64	11.19	6.36	0.38
1936-37	100	35.94	44.53	10.38	8.81	0.34

Butter figures calculated at 40 boxes to a ton.

WHEY BUTTER (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.				Total.	First Grade.	Second Grade.
				Tons.	Tons.	Tons.
Auckland	..	..	..	886	749	137
Bluff	..	..	..	51	49	2
Dunedin	..	..	..	33	24	9
New Plymouth	..	..	..	625	622	3
Patea	..	..	..	743	742	1
Timaru	..	..	..	27	27	..
Wellington	..	..	..	490	482	8
Grand totals—						
1940-41	..	..	..	2,855	2,695	160
1939-40	..	..	..	2,095	2,063	32
1938-39	..	..	..	1,700	1,610	90
1937-38	..	..	..	1,795	1,613	182
1936-37	..	..	..	1,436	1,249	187
Percentage of qualities—						
1940-41	..	..	..	100	94.39	5.61
1939-40	..	..	..	100	98.47	1.53
1938-39	..	..	..	100	94.71	5.29
1937-38	..	..	..	100	89.86	10.14
1936-37	..	..	..	100	86.98	13.02

CHEESE (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.		Total.	Finest Grade.		First Grade.		Second Grade.
			94 Points and over.	93 to 93½ Points.	92 to 92½ Points. (Basic Price.)	91 to 91½ Points.	
		Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Auckland	..	29,193	64	1,115	14,469	8,895	4,650
Bluff	..	11,965	108	2,351	7,047	2,168	291
Dunedin	..	1,721	50	323	1,130	206	12
Gisborne	..	138	..	..	70	65	3
Lyttelton	..	857	36	403	369	40	9
Napier	..	189	..	81	94	14	..
New Plymouth	..	25,908	165	10,425	12,778	2,503	37
Patea	..	25,986	90	5,675	17,580	2,424	217
Timaru	..	788	138	305	328	14	3
Wanganui	..	3,347	14	282	2,191	792	68
Wellington	..	17,706	236	1,941	11,069	4,157	303
Grand totals—							
1940-41	..	117,798	901	22,901	67,125	21,278	5,593
1939-40	..	92,508	951	16,820	56,071	15,274	3,392
1938-39	..	80,214	1,364	13,518	49,745	13,736	1,851
1937-38	..	83,784	385	7,350	53,658	18,023	4,368
1936-37	..	86,708	2,079	15,768	48,045	18,561	2,255
Percentage of qualities—							
1940-41	..	100	0.76	19.45	56.98	18.06	4.75
1939-40	..	100	1.03	18.18	60.61	16.51	3.67
1938-39	..	100	1.70	16.85	62.01	17.12	2.32
1937-38	..	100	0.46	8.77	64.05	21.51	5.21
1936-37	..	100	2.40	18.18	55.41	21.41	2.60

Cheese figures calculated at fourteen crates to a ton.

GRADING OF DAIRY-PRODUCE FOR EXPORT: PERCENTAGES OF NEW ZEALAND BUTTER AND CHEESE OF THE VARIOUS GRADES.

Year.	Butter.				Cheese.			
	Finest.	First.	Second.	Total.	Finest.	First.	Second.	Total.
1940-41	Per Cent. 80·28	Per Cent. 19·19	Per Cent. 0·53	Per Cent. 100·00	Per Cent. 20·21	Per Cent. 75·05	Per Cent. 4·74	Per Cent. 100·00
1939-40	80·21	19·23	0·56	100·00	19·26	77·07	3·67	100·00
1938-39	84·37	15·10	0·52	100·00	18·54	79·16	2·29	100·00
1937-38	82·00	17·44	0·56	100·00	9·22	85·55	5·23	100·00
1936-37	79·98	19·12	0·90	100·00	20·58	76·81	2·61	100·00
1935-36	76·48	22·36	1·16	100·00	19·47	77·18	3·35	100·00
1934-35	77·04	21·66	1·30	100·00	20·60	76·27	3·13	100·00

QUANTITIES OF BUTTER AND CHEESE GRADED FOR EXPORT.

The total gradings of butter and cheese for export for the twelve months ended 31st July, 1941, are shown below, also the comparative gradings for the 1936-37, 1937-38, 1938-39, and 1939-40 seasons :—

—	1936-37.	1937-38.	1938-39.	1939-40.	1940-41
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Butter (in Tons).

Salted ..	147,168	136,023	117,832	133,124	139,310
Unsalted ..	7,396	6,812	4,440	179	134
	154,564	142,835	122,272	133,303	139,444

Cheese (in Tons).

White ..	59,337	56,752	53,619	89,996	118,816
Coloured ..	28,885	28,718	27,888	3,700	83
	88,222	85,470	81,507	93,696	118,899

Butter gradings for the 1940-41 season show an increase of 4·61 per cent., and cheese gradings an increase of 26·90 per cent. Expressed in terms of butterfat, the total increase in gradings is 10·353 per cent.

The following table shows the grading figures for the past six years and the percentages of increase or decrease each year :—

BUTTER AND CHEESE GRADINGS.

	Butter.		Cheese.	
	Tons.	Increase or Decrease on Previous Year.	Tons.	Increase or Decrease on Previous Year.
		Per Cent.		Per Cent.
1940-41	139,444	4·61 (increase)	118,899	26·90 (increase)
1939-40	133,303	9·02 (increase)	93,696	14·96 (increase)
1938-39	122,272	14·39 (decrease)	81,507	4·63 (decrease)
1937-38	142,835	7·59 (decrease)	85,470	3·12 (decrease)
1936-37	154,564	5·37 (increase)	88,222	3·12 (increase)
1935-36	146,687	7·69 (increase)	85,555	7·68 (decrease)
1934-35	136,217	2·86 (decrease)	92,673	10·62 (decrease)

QUANTITIES OF BUTTER AND CHEESE EXPORTED.

The quantities of butter and cheese exported from the various grading ports of the Dominion are shown in the following tabulation :—

BUTTER AND CHEESE EXPORTS FROM 1ST AUGUST, 1940, TO 31ST JULY, 1941.

Grading Ports.	Great Britain.		U.S.A. and Canada.		Other Destinations.		Total Exports.		Percentage.	
	Boxes Butter.	Crates Cheese.	Boxes Butter.	Crates Cheese.	Boxes Butter.	Crates Cheese.	Boxes Butter.	Crates Cheese.	Butter.	Cheese.
Auckland ..	3,972,615	391,586	22,612	800	71,118	880	4,066,345	393,266	76.43	24.43
New Plymouth ..	354,323	346,094	..	..	..	..	354,323	346,094	6.66	21.50
Patea ..	55,186	375,122	..	..	..	..	55,186	375,122	1.04	23.31
Wanganui ..	83,286	40,524	..	..	..	..	83,286	40,524	1.57	2.52
Wellington ..	545,595	235,378	1,800	..	3,973	316	551,368	235,694	10.36	14.65
Gisborne ..	83,901	1,358	..	..	..	..	83,901	1,358	1.58	0.09
Napier ..	60,900	3,232	..	..	..	..	60,900	3,232	1.14	0.20
North Island totals	5,155,806	1,393,294	24,412	800	75,091	1,196	5,255,309	1,395,290	98.78	86.70
Lyttelton ..	40,190	11,837	..	..	..	5	40,190	11,842	0.76	0.74
Timaru ..	12,119	11,611	..	..	..	..	12,119	11,611	0.23	0.72
Dunedin ..	7,827	25,175	..	..	..	..	7,827	25,175	0.14	1.56
Bluff ..	5,024	165,337	..	..	..	3	5,024	165,340	0.09	10.28
South Island totals	65,160	213,960	..	..	..	8	65,160	213,968	1.22	13.30
Dominion totals..	5,220,966	1,607,254	24,412	800	75,091	1,204	5,320,469	1,609,258	100.00	100.00

INCREASED PRODUCTION OF CHEESE FOR SHIPMENT TO UNITED KINGDOM, AND CHANGE-OVER IN NEW ZEALAND FROM BUTTERMAKING TO CHEESEMAKING.

During the negotiations on second year of war contracts the United Kingdom Government urged that New Zealand should, if possible, increase the production of cheese for export beyond the quantity of 107,000 tons named in the contract. In his advices on this point the High Commissioner for New Zealand advised that "Ministry would welcome even greater export of cheese, and anxious to have your best information on possibilities of next season." Responding to this request, the Government conferred with the New Zealand Dairy Board in regard to the appropriate action to secure the maximum cheese-production for the 1940-41 season. It is satisfactory to record that the dairy-farmers gave their full co-operation, and an additional quantity of 11,899 tons of cheese was produced for export, making an increase of 25,203 tons above the production for export for the 1939-40 season. The Government made finance available to dairy companies and dairy-factory suppliers to meet expenditure in connection with the change-over from buttermaking to cheesemaking, and made a grant to individual suppliers changing over to cheesemaking as a war effort, of an amount of up to £20 towards the cost of certain items of equipment which would have little or no residual value at the expiry of the period of emergency.

Further assistance was given by the Government to dairy companies under the following formulæ for compensation for increased costs due to the change-over of supply from buttermaking to cheesemaking :—

"Where butter-manufacturing companies have lost supply by diversion of whole-milk to cheese-manufacturing companies it is proposed to arrange the payment of compensation for the consequent costs increases of such companies on the following basis :—

- "(i) Where the costs to f.o.b. of a butter-manufacturing company for the season 1939-40 were below 2.25d. per pound butterfat, compensation payable will be the amount of the increase of the costs to f.o.b. for the 1940-41 season above 2.25d. per pound butterfat which can be demonstrated to have been caused by the diversion of supply to a cheese-manufacturing company :
- "(ii) Where the costs to f.o.b. of a butter-manufacturing company for the season 1939-40 were above 2.25d. per pound butterfat, compensation payable will be the amount of the increase of the costs to f.o.b. for the 1940-41 season above costs for the 1939-40 season which can be demonstrated to have been caused by the diversion of supply to a cheese-manufacturing company."

The New Zealand Dairy Board, during the discussions in regard to increased production of cheese, raised with the Government the question of a variation of the guaranteed-price procedure for payment for dairy-produce at the point of f.o.b. ocean steamers, and suggested the alternative method of payment "in store." In reply, the Government stated that as soon as necessity arose steps would be taken to ensure that producers were paid for dairy-produce required by the United Kingdom which, owing to shipping and other difficulties, might not be exported. It subsequently transpired that liftings of dairy-produce by overseas ships were so satisfactory that no necessity arose for a change in the method of payment.

ERECTION OF EMERGENCY COOL STORAGE.

In order that congestion in butter and cheese stores might be avoided the New Zealand Government arranged for the erection of emergency cool storage by way of additions to existing cool stores. The Government (if required) agreed to provide the necessary finance and to assume full liability for the final loss due to redundancy at the end of the war period. In the Auckland district 1,000,000 cubic feet

of additional space, capable of holding 15,625 tons of butter, is to be erected, and in Wellington 227,000 cubic feet to hold 3,500 tons of butter. When these emergency stores are completed the storage space available for dairy-produce will be for butter 74,000 tons and for cheese 48,800 tons.

DISTRIBUTION OF BUTTER AND CHEESE IN THE UNITED KINGDOM UNDER WAR CONDITIONS.

Distribution of butter and cheese continues to be made by the Ministry of Food through first-hand importers, wholesalers, and retailers, on the basis of registrations of retailers with wholesalers, and wholesalers with first-hand importers. All table butters are sold as "National" butter irrespective of brands. Margarine-manufacturers in the United Kingdom have pooled their resources and have also discontinued their individual brands, and they operate as one company under the name of "Marcom Ltd."

A recent development is the formation of a company by the first-hand distributors of butter and cheese which include the Tooley Street merchants, the idea being that by means of the company the interests of first-hand distributors would be protected and equalization of remuneration secured. The broad outline of the plan is stated by the Committee of the first-hand distributors in the following terms :—

"In order to release man-power and to minimize the work and transport in connection with the distribution of butter and cheese it is considered to be urgent and essential that the distribution should be reorganized. To achieve this object the governing principle of the scheme is one buyer one supplier only, in each area as far as practicable."

Based on the quantities sold during specified datum periods, the company will reorganize distribution on an area basis, limiting the number of customers to individual first-hand distributors. Allocations are to be equalized on a tonnage basis, and there will be a financial equalization in respect of small balances. The scheme, which is a wartime measure to stabilize quantities and avoid competition for supplies, is intended to be compulsory, and the representatives of the Ministry of Food on the board of the company are to have the controlling vote.

The present policy of the Ministry is to provide a fat ration of 8 oz. weekly per head for civilian consumers. The ration may be taken in butter, margarine, and cooking fats, but not more than 2 oz. shall be butter.

Cheese is rationed on the basis of 3 oz. weekly per head for civilian consumers, with a special ration of 8 oz. maximum per week for vegetarians, agricultural workers, and underground workers. In deciding the wartime order of precedence for imported foodstuffs the Ministry of Food has given a high place to cheese because of its high nutritive value and because of the relatively lesser shipping-space taken up by cheese compared with certain other foodstuffs. The Ministry has indicated its desire to take as much cheese as New Zealand can produce.

The following are the marginal prices operating in the United Kingdom as fixed by the Ministry of Food on and after 18th September, 1941 :—

	Butter (per Hundredweight Sterling).		Cheese (per Hundredweight Sterling).	
	s.	d.	s.	d.
First-hand importers' selling commission	2	3	1	6
Wholesalers' purchase price ex store	142	0	92	2
Retailers' purchase price delivered ..	150	0	99	2
Maximum retail price to consumer ..	177	4 (1s. 7d. per pound)	121	4 (1s. 1d. per pound).

PROCESSED MILK.

In the last annual report mention was made of discussions with the United Kingdom Ministry of Food for the sale to the United Kingdom Government of New Zealand's normal export of full-cream milk-powder, skim-milk powder, and evaporated milk (unsweetened).

These discussions resulted in the sale to the United Kingdom Ministry of Food of the normal export of skim-milk powder at £36 per ton sterling f.o.b. The equivalent of this price in New Zealand currency was paid to the manufacturers, less $\frac{1}{2}$ per cent. to cover the Department's administrative expenses.

No bulk sale of evaporated milk was effected, but the Department arranged the sale of substantial quantities to the Department of Supply of British India and the British War Office for shipment to various destinations.

The quantities and values handled by the Department were as follows :—

—	Destination.	Quantity.	Weight.	Value.
		Cases.	Tons.	£
Skim-milk powder ..	United Kingdom ..	114,293	5,715	234,168
Evaporated milk ..	India ..	47,256		
	Egypt ..	18,014		
	Malaya ..	15,744		
	Hong Kong ..	1,807		
		82,821	1,695	100,143

No bulk sale of full-cream milk-powder was arranged, but the United Kingdom Ministry of Food agreed that this product should be imported into the United Kingdom under license on account of manufacturers.

SALES OF BUTTER AND CHEESE TO MARKETS OTHER THAN THE UNITED KINGDOM.

Shipments of butter from New Zealand to countries outside the United Kingdom have in total increased in the season 1940-41 over the previous two seasons, although shipments to some points have decreased. Shipments to China have materially declined due to war conditions, and shipments to India have also declined on account of shipping difficulties. A gratifying development has been substantial increases in shipments to the British West Indies, where direct shipments from New Zealand have replaced shipments which formerly were transhipped at London.

Cheese shipments have remained at the low level ruling for a number of years, and in view of the demand from the United Kingdom sales outside the United Kingdom have been discouraged rather than encouraged.

The following table shows the quantities of butter and cheese shipped from New Zealand to markets other than the United Kingdom:—

Destination.	Butter (Boxes).				Cheese (Crates).			
	1937-38.	1938-39.	1939-40.	1940-41.	1937-38.	1938-39.	1939-40.	1940-41.
Japan	720	6	..	..	..	..	..	..
China	14,089	13,123	6,170	2,630	350	75	60	20
French Coochin China ..	1,153	1,576	1,893	345	..	..	..	..
Thailand	..	45	..	..	..	..	..	..
Philippine Islands ..	4,920	2,225	5,090	4,700	..	..	..	..
Straits Settlements ..	9,425	11,016	12,328	11,276	..	..	..	..
Dutch East Indies ..	83	93	277	213	..	..	..	42
India	7,946	9,131	10,730	8,548	3	131	127	369
Hawaii	17,247	11,435	11,884	10,933	..	..	..	..
United States of America	5,283	3,400	1,448	..	..	..	..	..
Canada	58,550	..	..	4,880	565	150	1,166	800
Panama Canal Zone ..	27,590	16,200	15,400	16,000	100	..	..	..
British West Indies ..	16,410	11,179	17,171	38,238	208	60	..	..
Falkland Islands ..	91	80	..	..	..	..	..	..
South Africa	..	9,000	2,200	..	..	..	..	..
Others	..	..	..	92	..	..	..	..
	163,507	88,509	84,591	97,855	1,226	416	1,353	1,231

ALTERNATIVE PROCESSING METHODS AND METHODS OF SAVING SHIPPING SPACE.

Experiments are being conducted in the conversion of butter into pure butterfat for shipment in non-refrigerated shipping space. The United Kingdom Ministry of Food has shown an interest in these experiments and a desire to assist. To this end the Ministry is taking a 25-ton trial consignment of pure butterfat, following the receipt of small samples of the product. It is hoped that the pure butterfat will be acceptable to manufacturers in the United Kingdom.

The experiments in the preparation of this pure butterfat are being conducted by the Dairy Research Institute with assistance from research officers in the United Kingdom and with the co-operation of the Dairy Division of the Department of Agriculture. It is hoped that by this means New Zealand's difficulty in respect of whey butter and second-grade butter (which may not now be shipped to the United Kingdom) may be overcome.

Much experimentation has been made in regard to the sending of butter in boxes, which take up less space than does the standard butter-box. The greatest space saving would accrue from the use of fibre-board or fiberite boxes. It is considered that if this box can be used it will weigh about 2 lb., against 8 lb. for the standard box, thus saving 12 lb. net weight per hundredweight, or 10 per cent. on the weight of our present butter exports. In total figures this would represent about 9,000 tons space for extra butter, meat, or cheese. In addition, this type of box would occupy over 10 per cent. less space in stores and in ships. A trial shipment of 3,000 boxes of butter in fibre-board boxes is being made.

A number of shipments of cheese have been made in non-refrigerated space under varying conditions. Cheese shipped in our regular steamers was stowed in 'tween deck general cargo space. This cheese comprised full-cream and standardized cheese, and in the case of both, quantities were packed in ordinary crates and in boxes with sawdust. It was considered that the standardized cheese was of poorer quality on arrival, and it certainly showed no advantages over the full-cream cheese. The full-cream cheese arrived in quite good condition, and was pronounced by those present at the inspection as of very good quality. The full-cream cheese packed in boxes with sawdust disclosed no advantages in condition or quality to justify the additional cost of the boxes and the loss of space through the more bulky package. As a result of the success of these trial shipments the Ministry of Food has asked for further and increased quantities.

SHIPPING.

It is undesirable under war conditions that the shipping situation during the past season should be the subject of the customary full review. The aim of the Department, in conjunction with the Overseas Shipowners' Allotment Committee, has continued to be to reduce the number of ports of loading to the minimum, in order to give the quickest "turn-round" for overseas vessels. The carrying-out of this policy has been greatly assisted by the use of the two feeder vessels made available to New Zealand by the United Kingdom Ministry of Shipping, and by the New Zealand Railways Department, which has given its full co-operation and has provided special rail facilities for main port loadings of overseas vessels.

During the season 84 despatches of ships were made, with an average of "ports per vessel" of 2, compared with "ports per vessel" of 2.92 for the previous season. The following is a tabulation of "vessels loaded" and "average ports per vessel" for the past seven seasons :—

Season.	Vessels loaded.	Average Ports per Vessel.
1934-35	111	4.00
1935-36	104	3.98
1936-37	108	3.67
1937-38	111	3.35
1938-39	107	3.41
1939-40	106	2.92
1940-41	84	2.00

SUPERVISION AND INSPECTION OF SHIPPING, TRANSPORT, AND STORAGE OF DAIRY-PRODUCE.

Every endeavour has been made to ensure the arrival of butter and cheese in good condition by the continuance both in New Zealand and in the United Kingdom of inspection of the methods of handling, transport, and storage, but conditions in the United Kingdom during this season have limited this inspection work. Both in New Zealand and in the United Kingdom the Department's officers have been engaged on matters relating to the provision of storage for export products and alternative processing methods and methods of saving shipping space.

MARINE INSURANCE.

The Department has continued to arrange insurance protection for butter and cheese on behalf of dairy companies until their risk ceases. The insurance contract covers cream and milk which is made into butter and cheese intended for export and which is identifiable as such from the time such cream and milk is received at the factory until the produce is placed f.o.b. ocean steamer. Until the cream and milk is manufactured into butter and cheese the cover is against fire risk only.

The premium for the risk up to f.o.b. is charged to dairy companies on the following basis :—

Butter	0.565d. per box.
Cheese	0.935d. per crate.

Owing to the accumulation of produce in cool stores at certain periods of the year the Department has found it necessary to take out special excess covers, but the cost of these has not been passed on to dairy companies.

FREIGHT RATES.

In the last annual report mention was made of the increased freight rates on butter and cheese of :—

Butter	At 5s. sterling per box (1.07d. sterling per pound)
Cheese	At 1.125d. sterling per pound.

These rates have since been increased by 15 per cent., and therefore are now subject to this surcharge.

The bulk purchase by the United Kingdom Government leaves the responsibility of the freight charge with the United Kingdom Ministry of Food.

ADVERTISING, PUBLICITY, AND SALES PROMOTION.

Shortly after the outbreak of war suggestions were made that the pre-war advertising of butter should be maintained as far as possible. This question was fully considered and decision reached that advertising under present conditions of rationed supply of butter would serve no useful purpose. The importance of maintaining trade contacts to preserve the goodwill for New Zealand butter is fully appreciated, and the Department has maintained, for this purpose, the nucleus of the advertising section which will, after the war, recommence its full-scale activity.

The Advertising Manager (Mr. Hill) has been retained with two assistants. The objective has been to keep together as much as possible of the trade goodwill built up in pre-war days, and to have plans and machinery in readiness for a quick resumption of full-scale operations when the war is over.

Trade contacts have necessarily been limited, but it is considered good work has been done in maintaining them as far as possible. In a report Mr. Hill mentions the following points which have arisen from the contacts he made with distributors both retail and wholesale :—

- (1) Maintenance of quality. It is clear that even in these times maintenance of quality does not pass unnoticed. There have been many spontaneous expressions of appreciation and few complaints.
- (2) The pre-war prejudice against box butters in certain northern areas, where New Zealand and other box butters are now going automatically into distribution, is gradually being broken down. More important still, consumers are now differentiating between box butters, and are showing a noticeable leaning towards New Zealand.
- (3) Whenever during the past year the butter ration has been on the liberal side, retailers almost without exception have enjoyed maximum sales when their allocations have been New Zealand :
- (4) It is considered that butter will not be seriously challenged by margarine after the war, provided its claims are vigorously sponsored and prices remain reasonable. Butter will not lack its champions amongst the trade or amongst consumers :

- (5) Increasing use of terms such as "Empire," "Commonwealth," "Dominion" in newspaper announcements and radio broadcasts and poster campaigns will call for vigorous measures to establish the word "New Zealand" as a synonym of butter quality and not merely an indication of origin:
- (6) New Zealand cheese is going into consumption without very much in the way of complaint. Traders are not unmindful of efforts made by New Zealand or of difficulties and dangers in transit, and appreciate the manner in which supplies are being maintained.
- (7) On the Cheshire side of Manchester opinion has been expressed that New Zealand cheese will very likely retain a stronger hold on the market than ever before, because many consumers have been obliged to purchase it due to shortage of local Cheshire and Lancashire variety, and have been agreeably surprised with it:
- (8) Summing up the operational side of the trade relationship work during the past year, distributors appreciate the spirit in which the advertising programme was conceived and are favourably impressed by New Zealand's desire to maintain a lively interest in her productions and those through whose hands they pass.

PAYMENTS MADE BY DAIRY-FACTORY COMPANIES FOR BUTTERFAT-SUPPLIES.

The following tabulation shows the average butterfat-prices paid to suppliers of butter- and cheese-manufacturing companies in respect of the 1936-37, 1937-38, 1938-39, 1939-40, and 1940-41 seasons. The dairy companies are grouped for purposes of averaging under the appropriate dairy-produce grading ports.

It should be borne in mind that when making comparison of butterfat payouts of companies it is necessary to take into consideration the location of the factories and special circumstances pertaining to individual companies, as those factors reflect appreciably on manufacturing and transport costs:—

PAYMENTS BY DAIRY COMPANIES FOR BUTTERFAT-SUPPLIES. (In pence per pound of butterfat.)

	Season 1936-37.		Season 1937-38.		Season 1938-39.		Season 1939-40.		Season 1940-41.	
	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.
Auckland ..	13.642	15.546	14.870	16.514	16.164	18.328	16.257	18.436	16.180	18.258
New Plymouth ..	13.615	15.139	14.776	16.449	15.910	17.815	16.023	17.960	15.909	17.880
Patea-Wanganui ..	13.453	15.203	14.588	16.602	15.799	18.057	15.916	18.065	15.904	17.958
Hawke's Bay-Gisborne ..	13.386	14.425	14.557	15.697	15.721	17.392	15.726	17.544	15.747	17.594
Wellington ..	13.610	14.923	14.935	16.151	16.301	17.885	16.394	18.106	16.241	18.146
Marlborough-Nelson-Westland ..	12.918	14.266	14.254	15.514	15.670	17.488	15.516	16.845	15.562	17.683
Canterbury ..	12.861	14.836	14.764	16.353	15.933	17.865	16.207	18.014	15.958	18.136
Otago ..	12.831	14.398	14.195	16.166	15.210	17.984	15.161	18.091	15.244	17.908
Southland ..	12.310	15.393	13.724	16.128	15.062	18.409	14.516	17.946	14.831	18.162
New Zealand average	13.558	15.176	14.812	16.389	16.087	18.060	16.179	18.091	16.106	18.043

The following tabulation shows the average costs of butter- and cheese-manufacturing companies for the 1940-41 season, the companies being grouped, for the purpose of averaging, under the appropriate dairy-produce grading ports. The New Zealand averages for the four previous seasons are also shown:—

SEASON 1940-41: COSTS IN MANUFACTURE AND DELIVERY OF BUTTER TO F.O.B. OVERSEAS STEAMERS. (In pence per pound of butterfat.)

	Cream-collection.	Manufacturing Charges.	Depreciation.	Repairs and Maintenance.	Charges: Factory to f.o.b.	Overhead Charges.	Total Charges.
Auckland ..	0.372	0.968	0.063	0.061	0.460	0.144	2.068
New Plymouth ..	0.321	1.254	0.120	0.090	0.318	0.194	2.297
Patea-Wanganui ..	0.492	1.185	0.165	0.058	0.343	0.269	2.512
Hawke's Bay-Gisborne ..	0.508	1.142	0.113	0.060	0.473	0.330	2.626
Wellington ..	0.397	1.040	0.070	0.052	0.350	0.198	2.107
Marlborough-Nelson-Westland ..	0.481	1.233	0.175	0.074	0.551	0.302	2.816
Canterbury ..	0.848	1.100	0.092	0.071	0.268	0.695	3.074
Otago ..	1.120	1.601	0.097	0.084	0.280	0.949	4.131
Southland ..	0.937	1.926	0.406	0.092	0.313	1.012	4.686
New Zealand average—							
1940-41 season ..	0.405	1.023	0.077	0.063	0.437	0.192	2.197
1939-40 season ..	0.398	0.977	0.084	0.063	0.418	0.187	2.127
1938-39 season ..	0.402	1.019	0.085	0.098	0.394	0.208	2.206
1937-38 season ..	0.381	0.953	0.075	0.076	0.384	0.178	2.047
1936-37 season ..	0.352	0.927	0.072	0.088	0.398	0.147	1.984

SEASON 1940-41: COSTS IN MANUFACTURE AND DELIVERY OF CHEESE TO F.O.B. OVERSEAS STEAMERS.
(In pence per pound of butterfat.)

	Manu- facturing Charges.	Depreciation.	Repairs and Maintenance.	Charges: Factory to f.o.b.	Overhead Charges.	Total Charges.
Auckland	2.182	0.145	0.255	0.684	0.198	3.464
New Plymouth	2.283	0.144	0.122	0.500	0.221	3.270
Patea-Wanganui	2.293	0.131	0.175	0.558	0.244	3.401
Hawke's Bay-Gisborne	2.334	0.137	0.179	0.834	0.340	3.824
Wellington	2.313	0.131	0.170	0.690	0.256	3.560
Marlborough-Nelson-Westland	2.665	0.181	0.181	0.886	0.386	4.299
Canterbury	2.585	0.220	0.143	0.626	0.514	4.088
Otago	2.669	0.191	0.192	0.747	0.449	4.248
Southland	2.719	0.174	0.187	0.675	0.407	4.162
New Zealand average—						
1940-41 season	2.323	0.144	0.184	0.620	0.258	3.529
1939-40 season	2.259	0.148	0.180	0.624	0.299	3.510
1938-39 season	2.289	0.157	0.203	0.617	0.326	3.592
1937-38 season	2.151	0.141	0.166	0.589	0.290	3.337
1936-37 season	2.056	0.134	0.146	0.577	0.226	3.139

ACCOUNTS.

The dairy-produce accounts covering the completed operations for the 1939-40 season and the operations for the 1940-41 season are shown in the accounts section at the end of this report, pages 34 and 35.

The completed operations for the 1939-40 season are referred to on page 4 of this report. In last year's report the surplus on 1939-40 season's dairy-produce purchased up to 31st July, 1940, was shown as £49,788. After sale of the balance of the 1939-40 season's dairy-produce which was in store at 31st July, 1940, the final result of the operations for the complete 1939-40 season is a surplus of £62,363.

The accounts now presented for the 1940-41 season cover purchases of butter and cheese by the Department up to 31st July, 1941. The following table shows the quantities so purchased, the total season's production for export, and the stocks in store awaiting purchase and shipment at 31st July, 1941:—

	Purchases up to 31st July, 1941.	Remaining in Store, 31st July, 1941.	Total Season's Production for Export.
	Boxes.	Boxes.	Boxes.
Creamery butter	4,625,481	708,007	5,333,488
Whey butter	102,355	11,865	114,220
Total butter	4,727,836	719,872	5,447,708
	Crates.	Crates.	Crates.
Cheese	1,505,569	143,603	1,649,172

The accounts for the 1940-41 season comprise Purchase and Sale and Revenue Accounts, and Administration and General Expenses Account.

It will be observed from the accounts that the purchase and sale transactions to 31st July, 1941, show a surplus of £130,799 after allowance has been made for administration and general expenses. Against this surplus must be set the contingent liability on produce not yet shipped. The Dairy Produce Account at 31st July, 1941, is shown on page 35 to be in debit £1,745,003.

MEAT.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR THE 1939-40 SEASON.

The Accounts presented with the report for the 1939-40 season covered purchases of meat by the Department up to 31st July, 1940. These accounts showed a surplus of £59,411. On page 36 of this report accounts are shown covering the purchase and sale transactions in respect of the 1939-40 season's meat, which took place after 31st July, 1940. These accounts show that the final net surplus on purchase and sale of the complete 1939-40 season's meat was £74,748.

BULK PURCHASE OF 1940-41 SEASON'S MEAT BY UNITED KINGDOM GOVERNMENT.

In terms of the contract for the first year of war the United Kingdom Ministry of Food undertook to purchase 300,000 tons of frozen meat from the production of the season ending 30th September, 1940, and from the carry-over from the previous season, which amounted to 45,000 tons. The actual liftings of meat for this first contract year were 351,000 tons, which left a carry-over in store at 30th September, 1940, of 39,938 tons.

The discussions between the United Kingdom and the New Zealand Governments in regard to the meat contract for the 1940-41 season (the second year of war) were protracted, and although the terms of the agreement ultimately reached differed little from the agreement for the first year of war, there was a considerable reduction in the quantity of meat which the United Kingdom Government ultimately agreed to purchase. The uncertainty of the position in regard to shipment of meat from Australia and New Zealand as revealed in the exchanges with the United Kingdom Government led to a visit to New Zealand by a delegation from Australia comprising the Hon. H. L. Anthony, Assistant Treasurer and Assistant Minister of Commerce, and Mr. A. C. Fiskin, Chairman of the Australian Meat Board. The discussions on the export meat situation as affecting both countries resulted in a joint approach to the United Kingdom Government for a basis for contracts upon which the meat-production policy in Australia and New Zealand could be determined.

The agreement finally completed between the United Kingdom and the New Zealand Governments for the 1940-41 season (the second year of war) provided for the purchase of 248,000 tons of meat shipped or unshipped from the production year ending 30th September, 1941. The general conditions of the agreement, including shipment and payment procedure, remained unaltered. Purchase-prices were unchanged except for minor alterations in regard to certain types of baconer cuts and boned meat. The full range of f.o.b. meat-prices payable by the United Kingdom Government is shown on page 14 of the parliamentary paper H.—30B, 1940.

It is estimated that the total quantity of meat lifted (and thus sold to the United Kingdom Government) during the 1940-41 season will be 265,397 tons, and that the carry-over of meat for export at 30th September, 1941, will be 78,000 tons.

PURCHASE AND SALE PROCEDURE.

During the early part of the 1940-41 season the normal arrangements for purchase of meat for export were continued by the Marketing Department, but in January, 1941, the North and South Island Freezing Companies' Association expressed concern about their position in regard to the buying of fat stock, in view of the published reports about shipping space likely to be available for meat, and the arrangements with the United Kingdom Government about the 1940-41 season's meat-supplies. A letter addressed to the Primary Industries Controller by the association stated, *inter alia*, that "the companies feel that they cannot continue buying and paying for the new season's meat without some definite understanding with the Government as to their position in regard to payment, storage charges, quality claims, and weight claims. It is proposed to hold a meeting of the freezing companies and exporters on the 29th January, and it is hoped that your Minister will be in a position at that time to discuss with the trade the terms and conditions proposed to meet the new circumstances so that they may be in a position to make arrangements for continuity of buying from the producer. From the information available to the companies at the moment it would appear that the majority, if not all, of the exporters will find it impossible to continue operating on the present basis beyond the end of this month."

In view of this statement by the freezing companies and exporters that they could not continue to purchase stock from the producers, the Government called a conference of the representatives of all interests, and the Minister of Marketing announced the decision of the Government to give a guarantee of purchase which would enable meat-buying operations to continue. The whole position was examined, and finally, in March, 1941, the Government announced that it would purchase all meat killed for export during the 1940-41 season. The terms of this purchase arrangement were accepted as constituting agreement between the freezing companies, the meat-exporters, the Meat Board acting on behalf of the meat-producers, and the Government, and they were embodied in a letter addressed by the Minister of Marketing to the President of the North and South Island Freezing Companies' Association as follows:—

"With reference to my letter of the 4th instant and your reply of the 17th idem, the suggestions made by you have now been discussed between you and Mr. Rowlands representing the freezing companies, and Messrs. Cockayne, Duncan, and Reid, and I understand that agreement has been reached on the points raised. The terms, which are accepted as constituting agreement between the freezing companies, the meat-exporters, and the Meat Board acting on behalf of producers who have their meat killed on their own account, as vendors, and the Government as purchaser, will therefore be in the following terms, and this letter will be in substitution for my letter of the 4th March:—

- "(1) The Government agrees to purchase all meat and edible offals killed and passed for export during the 1940-41 season ending on the 30th September, 1941, of the types, at the prices and on the conditions contained in the now current Marketing Department Prices Orders and circular letters of instructions.

Payment will be made as follows:—

- "(a) All meat shipped within six months of killing will be paid for f.o.b. under the provisions of the now current Meat Marketing Order, Price Orders, and Department's circulars, less any amounts previously paid by the Government on account of that meat.

“(b) If, at the expiration of three calendar months from the date of killing (based on the weekly killing returns of each freezing company), any meat is still in store the Government will then make an advance to the owner reasonably equivalent to 50 per cent. of the price of the meat. When any meat has been in store for six calendar months after the date of killing the Government will then purchase the meat and pay the balance of the price reduced by the costs between the freezing companies' store and f.o.b. If any meat is destroyed or damaged after an advance has been made in respect of it and before the Government purchases it, the owner will allow or repay to the Government the whole or part of the advance proportionate to the extent to which the meat is destroyed or damaged, other than damage caused by ordinary depreciation through long storage.

“(c) Payment will be made on weights in accordance with the normal custom of the trade as settled by the Primary Industries Controller. Companies will be responsible for condition and quality of all meat in store at any time whether before or after the date of purchase of the meat by the Government, in accordance with the warranty given by the companies as follows :—

“*Warranty.*—‘The companies will exercise all reasonable care and diligence in treating, freezing, handling, and taking care of the meat entrusted to them and in maintaining in good working-order the premises and plant used for that purpose. It is understood that goods held in refrigerated stores become stale as a result of lengthy storage, and this factor must be recognized as an unavoidable source of deterioration of goods so stored for which the freezing companies cannot be held responsible. If any damage occurs or any defect arises as a result of a breach of this warranty, the freezing companies will pay to the Government the loss arising from that damage or defect.’

“(2) The Government will act as insurer of the freezing companies and other owners in respect of war risk on meat in store after the expiration of three calendar months from the date of killing on payment by the freezing companies or owners of the appropriate insurance premium at the general war-risk rate determined by the Government.

“(3) Storage on meat suitable for export within the terms of the now current Price Order which remains in store shall be payable by the Government after the expiration of six calendar months after the date of killing at a rate to be settled by agreement when the result of investigations now proceeding is known, and not to exceed $\frac{1}{16}$ d. per pound per month.

“(4) It is understood that the meat interests will be given the benefit of any better terms than those now arranged which may be secured by the New Zealand Government in its negotiations with the United Kingdom Government.

“(5) It is understood that details of procedure in terms of this agreement will be settled by the Primary Industries Controller after consultation with the Marketing Department and the Meat Producers Board.

“(6) Any question to be settled or dispute arising under this arrangement will, if no other provision is made above, and if the parties cannot agree, be settled by arbitration under the Arbitration Act.

“The object of this agreement is to enable buyers of export meat to continue to purchase in the usual way and to enable freezing companies to continue to slaughter and freeze for export without alteration of the procedure now operating. This is made without prejudice to freezing charges. The export buyers and freezing companies therefore agree to give to the Government the earliest possible notice if changing conditions in any way prejudice the attainment of this objective. It is also understood that buying schedules will be maintained at the fullest possible rate, and any reduction in schedule rates will be made only if the Primary Industries Controller is satisfied that such a reduction is justified. Full information will be supplied promptly by the export buyers and freezing companies to the Primary Industries Controller to enable him to satisfy himself that this understanding is being carried out.

“As stated in my letter of 4th March, the Government appreciates the manner and spirit in which the negotiations have been conducted by all parties, and I have every hope that the co-operation already afforded to me as Minister of Marketing will continue in the future.”

It will be noted that the foregoing agreement, in addition to providing for purchase by the Government of all meat killed and passed for export during the 1940-41 season, provided (in the event of undue delay in shipment) for payment for meat in store and for payment of storage charges.

It is pleasing to record that the procedure agreed upon worked smoothly and that meat buying from producers was continued as usual.

PRICES.

The f.o.b. (New Zealand currency) purchase-prices payable to freezing companies and meat-exporters for the 1940-41 season are as follows:—

Classes and Grades.	Basic Values (New Zealand Currency).	Classes and Grades.	Basic Values (New Zealand Currency).
Lamb (range 23/56 lb.)—	Per lb. d.	Boneless beef and veal—continued.	Per lb. d.
Prime Down Cross—		Cow—	
2's	7 $\frac{1}{2}$	Sides	4
8's	7 $\frac{1}{2}$	Shoulders	4
4's	7 $\frac{1}{2}$	Loins and flanks	3 $\frac{3}{16}$
Tegs	6 $\frac{1}{16}$	Buttocks and rumps	4 $\frac{1}{2}$
Prime Canterbury—		Briskets	3 $\frac{1}{16}$
2's	7 $\frac{1}{16}$	Shins	4 $\frac{1}{16}$
8's	7 $\frac{1}{16}$	Veal	4 $\frac{1}{16}$
4's	7 $\frac{1}{16}$	Bobby veal	5 $\frac{1}{8}$
Tegs	6 $\frac{1}{16}$	Baconers (121/180 lb.)—	
Prime Crossbred—		Carcasses—	
2's	7 $\frac{1}{16}$	First quality, singed	7 $\frac{1}{2}$
8's	7 $\frac{1}{16}$	Second quality, singed	7 $\frac{3}{16}$
4's	7 $\frac{1}{16}$	Wiltshire sides—	
Tegs	6 $\frac{1}{2}$	First quality, singed	8 $\frac{1}{2}$
Second quality—		Second quality, singed	8 $\frac{3}{16}$
36 and under	7 $\frac{1}{2}$	Spencers, singed	7 $\frac{1}{2}$
Over 36	6 $\frac{1}{16}$	Shoulder square cuts, singed	5 $\frac{7}{8}$
		Middles, singed	8 $\frac{3}{4}$
		Boston butts, singed	6 $\frac{7}{8}$
		Gammons, singed	11 $\frac{1}{2}$
Mutton—		Porkers (60/120 lb.)—	
Prime wether and maiden ewe—		Carcasses—	
1's	5 $\frac{5}{16}$	First quality, unsinged	7 $\frac{7}{16}$
7's	4 $\frac{1}{16}$	Second quality, unsinged	7 $\frac{1}{8}$
3's	4 $\frac{1}{16}$	Headless sides—	
9's	4 $\frac{1}{16}$	First quality, unsinged	7 $\frac{1}{16}$
5's and overs	3 $\frac{1}{16}$	Second quality, unsinged	7 $\frac{1}{2}$
Second wether—		Choppers (181 lb. and over), (excluding boars)—	
56 and under	4 $\frac{9}{16}$	Carcasses	4 $\frac{1}{16}$
57/72	4 $\frac{1}{16}$	Sides	4 $\frac{1}{16}$
Ewe—		Boned chopper	6 $\frac{1}{16}$
64 and under	3 $\frac{3}{8}$	Frozen edible offals—	
65/72	2 $\frac{1}{16}$	Ox and beef—	
Boned ewe over 72 lb.	4 $\frac{1}{4}$	Kidneys	9 $\frac{7}{8}$
Quarter beef (bone in)—		Livers	6 $\frac{1}{16}$
Ox and heifer G.A.Q.—		Tails	5 $\frac{1}{16}$
210 and under—		Hearts (sound)	4
Hinds	5 $\frac{7}{16}$	Cut hearts	3 $\frac{1}{2}$
Fores	3 $\frac{3}{16}$	Cheeks	3 $\frac{1}{8}$
Over 210—		Throat breads	5 $\frac{9}{16}$
Hinds	5 $\frac{3}{16}$	Thick skirts	5 $\frac{1}{4}$
Fores	2 $\frac{1}{16}$	Thin skirts	3 $\frac{3}{8}$
Ox and heifer F.A.Q., all weights—		Tongues (short cut)	10 $\frac{1}{2}$
Hinds	4 $\frac{1}{4}$	Tongue roots (trimmed to standard)	4 $\frac{1}{16}$
Fores	3 $\frac{1}{8}$	Tripe (raw)	1 $\frac{1}{4}$
Cow G.A.Q., all weights—		Sheep—	
Hinds	4	Hearts (sound)	5 $\frac{1}{4}$
Fores	3	Cut hearts	4 $\frac{1}{2}$
Boned quarter beef—		Kidneys (special)	13 $\frac{5}{8}$
Ox and heifer G.A.Q.—		Kidneys (small)	13
210 and under—		Tongues	6 $\frac{3}{16}$
Hinds	6 $\frac{3}{16}$	Livers (in pails or rubber bags)	8 $\frac{5}{8}$
Fores	4 $\frac{3}{16}$	Livers (bags or boxes)	7 $\frac{1}{16}$
Over 210—		Lamb—	
Hinds	6 $\frac{3}{16}$	Breads	9 $\frac{5}{16}$
Fores	4 $\frac{3}{16}$	Livers (in pails or rubber bags)	9 $\frac{1}{16}$
Ox and heifer F.A.Q., all weights—		Livers (bags or boxes)	8 $\frac{5}{8}$
Hinds	5 $\frac{1}{16}$	Hearts (sound)	4 $\frac{6}{16}$
Fores	4 $\frac{9}{16}$	Cut hearts	3 $\frac{1}{16}$
Ribs and ponies (bone in)—		Tongues	7 $\frac{1}{8}$
Ox G.A.Q.	4	Pork—	
Cow G.A.Q.	3 $\frac{7}{8}$	Hearts (sound)	4 $\frac{1}{2}$
Boneless beef and veal—		Cut hearts	4
Ox and heifer—		Kidneys	7 $\frac{7}{16}$
Sides	4 $\frac{5}{8}$	Livers (in pails or rubber bags)	7 $\frac{1}{16}$
Shoulders	4 $\frac{5}{8}$	Livers (bags or boxes)	6 $\frac{1}{2}$
Loins and flanks	3 $\frac{1}{16}$	Tongues	6 $\frac{3}{16}$
Buttocks and rumps	5 $\frac{1}{8}$	Calf—	
Briskets	4 $\frac{1}{16}$	Hearts (sound)	3 $\frac{1}{16}$
Shins	4 $\frac{1}{16}$	Cut hearts	3 $\frac{1}{16}$
Bull—		Kidneys	8 $\frac{1}{16}$
Sides	4 $\frac{1}{2}$	Tongues (short cut)	10 $\frac{1}{2}$
Shoulders	4 $\frac{1}{2}$	Tongue roots (trimmed to standard)	4 $\frac{1}{16}$
Loins and flanks	3 $\frac{3}{8}$	Throat breads	6 $\frac{1}{16}$
Buttocks and rumps	4 $\frac{1}{16}$	Livers (in pails or rubber bags)	11 $\frac{1}{8}$
Briskets	4 $\frac{3}{16}$	Livers (bags or boxes)	7 $\frac{1}{2}$
Shins	4 $\frac{1}{16}$	Bobby hearts (sound)	4 $\frac{1}{16}$
		Cut bobby hearts	3 $\frac{1}{16}$

With a few minor exceptions, these prices are the same as those paid for the 1939-40 season.

Purchases made by the Department from freezing companies and exporters for the twelve months ended 31st July, 1941, totalled £16,125,187 (New Zealand currency). Debits to the United Kingdom Ministry of Food totalled £16,223,768 (New Zealand currency) for the same period. The total weight of meat purchased for shipment was 267,426 tons, giving an average payout to freezing companies and meat-exporters of 6 $\frac{7}{16}$ d. per pound for all descriptions of meat and edible offals.

The following table shows particulars of meat purchased during the twelve months ending 31st July, 1941, classified under ports and main descriptions of meat purchased:—

MEAT PURCHASED FOR PERIOD 1ST AUGUST, 1940, TO 31ST JULY, 1941.

Port.	Lamb.		Mutton.		Quarter Beef.		Boneless Beef.		Pork.		Sundries.		Total Weight.		Purchase (New Zealand Currency).	
	Carcasses.	lb.	Bags.	Carcasses.	lb.	Bags.	Quarters.	lb.	Bags.	lb.	lb.	lb.	lb.	lb.	£	£
Opua ..	5,991	197,295	..	1,086	52,579	..	19,530	2,628,765	42,249	3,745,740	1,850,995	478,850	8,954,224	195,703		
Auckland ..	1,141,361	39,710,589	..	169,825	9,754,378	10,741	168,921	28,053,560	183,738	17,874,891	31,421,856	7,178,390	133,993,664	3,480,114		
Chaborne ..	189,561	6,101,244	..	120,523	6,443,144	..	31,740	4,823,481	13,974	1,368,440	761,098	814,136	20,311,543	462,212		
Tokomaru Bay ..	16,594	543,632	..	23,551	1,215,787	..	9,041	1,307,853	2,046	236,401	4,895	58,371	3,366,939	67,380		
Napier ..	1,160,797	40,527,287	7,686	272,000	15,469,984	43,146	95,652	17,564,443	24,352	2,759,995	2,113,619	3,500,536	81,935,864	2,126,249		
New Plymouth ..	360,173	12,595,108	2,398	101,695	5,994,758	25,964	52,556	10,298,658	75,847	7,694,809	11,341,341	2,353,763	50,278,437	1,296,882		
Wanganui ..	364,155	12,325,449	..	72,615	3,884,878	..	32,573	5,119,789	12,184	1,328,324	8,967	1,179,528	23,846,635	612,276		
Wellington ..	1,408,900	48,132,155	2,755	213,954	12,053,996	4,861	114,777	19,107,134	49,644	4,830,637	5,302,231	3,818,098	93,244,251	2,478,029		
Pictou ..	155,509	5,178,397	..	25,485	1,174,583	..	248	34,600	2,655	265,635	164,251	263,820	7,081,286	207,157		
Nelson ..	65,038	2,181,232	3	12,737	612,598	..	318	37,547	1,825	239,901	1,168,477	114,119	4,353,874	127,485		
Lyttelton ..	1,376,254	46,107,852	..	103,564	4,700,439	..	329	38,829	8,475	827,115	559,741	2,469,534	54,703,510	1,663,023		
Oamaru ..	126,683	4,291,107	..	16,044	787,223	..	..	..	113	11,448	..	3,862	5,093,640	151,711		
Timaru ..	478,488	15,793,947	..	118,374	5,603,187	..	..	..	2,144	229,420	..	867,993	22,494,847	623,249		
Port Chalmers ..	880,207	31,062,895	..	54,657	2,826,321	..	235	31,012	2,706	268,548	11,178	1,961,293	36,161,247	1,109,345		
Bluff ..	1,119,997	40,965,072	..	152,485	8,715,739	3,084	3,226	690,225	10,944	1,135,843	157,463	1,551,024	53,215,366	1,530,172		
Totals ..	8,849,708	305,713,261	12,895	1,458,595	79,289,594	87,796	529,146	89,735,896	432,896	42,817,147	54,866,112	26,613,317	599,035,327	16,131,047		
Tons ..	136,479		35,397		40,060				19,115		24,494	11,881	267,426	..		
Purchase (N.Z. currency)	9,787,960		1,307,222		1,580,278				816,360		1,796,024	843,203	..	16,131,047		

In addition to the foregoing relating to the purchase of frozen meat and frozen edible offals, the Department purchased for the twelve months ended 31st July, 1941, canned meat valued at £101,217 (New Zealand currency) and beef for canning valued at £176,179 (New Zealand currency).

GRADING, QUALITY, DRESSING, AND PACKING.

The general conditions of purchase in respect of grading and quality, as laid down in the original contract with the United Kingdom Ministry of Food, were maintained in the second year of the war. The grading standards continue to be supervised by the New Zealand Meat-producers Board. Claims by the United Kingdom Ministry of Food were practically non-existent during the year, which reflects credit upon the freezing companies and all those responsible for the handling of export meat, including the Railways Department and the shipping companies.

No meat may be tendered for shipment unless it is in good condition, and the Ministry of Food has the right to survey meat upon arrival for quality, as well as the right to weigh cargo upon arrival. Any agreed claims are recoverable by the Marketing Department from the sellers. Instructions issued by the Department from time to time to freezing companies and meat-exporters regarding packing, cutting, trimming, and general get-up of meat for export have been closely observed.

SURVEY OF SEASON.

On the whole, climatic conditions during the season under review were favourable, and a particularly good fattening season was experienced in practically all districts.

Killings, both in numbers and in average weights, were well up to previous figures and quality was well maintained.

In regard to lambs a new record was established, the number of lambs killed for export during the season amounting to 11,240,001 carcasses, which represented an increase of 852,864 carcasses over the previous season.

The seriousness of the shipping situation in February and March, 1941, led the United Kingdom Government to impose a prohibition on the export of baconers, boneless beef (except G.A.Q. ox and cow), boneless veal, chopper pigs, boneless chopper pork, and boneless ewe mutton. This action by the United Kingdom Government necessitated a rationing scheme to regulate the flow of stock to freezing-works, and the Minister of Marketing announced (23rd March, 1941) that the acceptance of stock for freezing for export would be confined to lambs, prime beef, and porker pigs up to 120 lb. weight. This restriction was justified by the necessity for ensuring that no unmanageable position of congestion at freezing-works would occur. It was recognized by the Government that the restrictions created a hardship, particularly for bacon-producers, and as early as possible (having regard to the shipping situation) these restrictions were considerably eased.

At the commencement of the season there was in store in New Zealand and in vessels loading on the coast a quantity of approximately 39,938 tons of past season's meat. The 1940-41 season's contract was for 248,000 tons, from carry-over stocks of 39,938 tons, and from killings for the production year ended 30th September, 1941. The contract contained a proviso that the Ministry of Food, subject to freight being available, would use its best endeavours to lift additional quantities available for export within the limit of its requirements; such quantities to be paid for in terms of the agreement.

It is anticipated that the actual liftings for the twelve months ended 30th September, 1941, will be approximately 265,000 tons, which represents a substantial improvement upon the contract quantity, and will result in a carry-over at 30th September, 1941, of 78,000 tons of export meat.

In addition to the foregoing stocks which will be available for shipment to the United Kingdom in the third year of war, there will be in store on 30th September, 1941, approximately 8,000 tons of boneless beef and boneless ewe mutton awaiting canning. It is expected that this meat will be required to keep the canneries fully employed during the off-season pending the receipt of 1941-42 season's supplies of cow beef and ewe mutton.

STATISTICS.

Weekly returns are obtained by the Department from all freezing companies showing full statistical details in regard to killings, shipments, and stocks in store of all grades and descriptions of meat.

The following statement shows the killings at all works of the various classes of meat from the 1st October, 1940, to the 26th July, 1941. The comparative figures to the nearest date of the previous season are also shown :—

KILLINGS FOR EXPORT.

	North Island.		South Island.		Dominion.	
	To 26th July, 1941.	To 27th July, 1940.	To 26th July, 1941.	To 27th July, 1940.	To 26th July, 1941.	To 27th July, 1940.
Lamb (carcasses)	5,809,004	5,305,659	5,405,719	5,073,397	11,214,723	10,379,056
Wether mutton (carcasses) ..	515,963	1,131,700	99,808	175,706	615,771	1,307,406
Ewe mutton (carcasses) ..	860,670	1,219,338	674,897	700,231	1,535,567	1,919,569
Beef (quarters)	685,045	672,638	5,905	14,543	690,950	687,181
Boneless (60lb. freight carcasses)	563,590	905,507	42,621	72,646	606,211	978,153
Pork (freight carcasses) ..	972,732	871,682	34,714	33,690	1,007,446	905,372
Offals (freight carcasses) ..	286,507	294,197	111,643	115,551	398,150	409,758
Total (freight carcasses) ..	8,021,833	8,913,030	3,986,551	3,833,871	12,008,384	12,746,901

The stocks of meat held in store in the Dominion at the 26th July were as follows. The comparative figures to the nearest date of the previous season are also shown :—

STOCKS IN STORE.

	North Island.		South Island.		Dominion.	
	26th July, 1941.	27th July, 1940.	26th July, 1941.	27th July, 1940.	26th July, 1941.	27th July, 1940.
Lamb (carcasses) ..	1,858,051	754,660	2,425,238	1,195,913	4,283,289	1,950,573
Wether mutton (carcasses) ..	287,427	307,190	73,760	75,668	361,187	382,858
Ewe mutton (carcasses) ..	639,512	267,397	659,981	372,697	1,299,493	640,094
Beef (quarters) ..	414,203	318,572	3,940	4,723	418,143	323,295
Boneless (60 lb. freight carcasses)	384,402	343,407	23,914	18,910	408,316	362,317
Pork (freight carcasses) ..	240,120	141,982	8,664	10,766	248,784	152,748
Offals (freight carcasses) ..	26,920	58,724	3,153	10,473	30,073	69,197
Total (freight carcasses) ..	3,420,835	2,249,574	2,044,813	1,090,068	5,465,648	3,339,642

SHIPPING.

The much restricted shipping programme for meat for the second year of war created many difficulties in the planning of shipping allocations to avoid congestion at freezing-works. Sudden changes in shipping programmes have at times occasioned inconvenience to shippers, which has, however, been cheerfully accepted by them as due to war conditions. The Department continued during the season to allocate the shipping space as equitably as possible amongst all shippers in proportion to the stocks awaiting shipment. This objective could not, however, be completely realized as the more important requirements were to obtain the quickest "turn-round" of overseas ships and to make the best use of available shipping tonnage to prevent works from becoming congested to an extent which would stop killings at a time when stock were ready for killing. The Department records its thanks to the Overseas Shipowners' Allotment Committee for its help in this vital matter.

The United Kingdom Ministry of Food's monthly priority requirements of dairy-produce were also a factor which influenced the ships' itineraries and the space available for frozen meat, and consequently affected the meat programmes at various ports.

The reduction in the number of ports of loading per vessel effected in the interest of expeditious loading and despatch of overseas vessels, accentuated the difficulties of obtaining an even flow of meat from all works. These difficulties were, however, mitigated to an appreciable extent by the employment of the two feeder vessels placed at New Zealand's disposal by arrangement with the United Kingdom Ministry of Shipping, also by the greater use of rail transport in bringing meat from inland works to main ports. The New Zealand Railways Department's action in granting special facilities and special reductions in railrage rates, and the United Kingdom Ministry of Shipping decision to pay extra charges occasioned by the longer haul, enabled what may be described as a major change in New Zealand's meat-shipping arrangements to take place without extra cost to the freezing companies concerned. The thanks of the Department are given to the New Zealand Railways Department for its organization of rail transport arrangements to provide main port loadings of ships. There has been constant consultation with the Railways Department throughout the season.

The additional storage space erected by freezing-works during the first year of war proved of very real benefit, whilst close packing, which was introduced from the beginning of the season, also assisted materially in conserving storage space. Economies in packing, such as boning-out of quarter beef and the converting of baconer pigs into Wiltshire sides, were factors which contributed to the most effective utilization of storage space at freezing-works and on overseas ships.

SAVING OF SHIPPING AND STORAGE SPACE BY DE-BONING AND TRIMMING OF EXPORT MEAT AND BY PROCESSING.

The restricted shipping programme for export meat from New Zealand during the 1940-41 season stimulated the development of every economy which would reduce the bulk of the meat to be shipped overseas. During the 1939-40 season a major step in this direction was the telescoping of all carcasses of mutton and lamb, resulting in a saving of space equal to 25 per cent. over all.

Early in 1940 a trial shipment of boned ox beef was made to the United Kingdom, and this proved so successful from the point of view of saving of shipping space and quality that instructions were later given that all ox beef and prime cow beef should be boned for shipment instead of being shipped in quarters. In addition, an order has been secured for regular monthly shipments of packaged ox beef.

Further economies resulted from the following restrictive requirements in regard to shipment of mutton, lamb, and pig-meat :—

- (a) Shipment of 5's and overs wether and ewe mutton to be limited to the 1938-39 proportion of total mutton export, and the boning of all ewes over 72 lb. :
- (b) Weight-range of lambs to be restricted to 23 lb. minimum and 56 lb. maximum :
- (c) All headless porkers to be shipped as sides, and headless baconers as Wiltshire sides.

In addition, experimental shipments of boned lamb, mutton, and pork were made.

Experimental shipments, on a commercial scale, of dried meat are also being made, and shipments of certain classes of meat in special packs in non-refrigerated shipping space.

EMERGENCY COOL STORAGE.

One of the major problems directly associated with the sale and purchase of primary products to the United Kingdom Government during the war period was the necessity for the provision of additional cool-storage facilities relating particularly to meat, but embracing also dairy-produce and fruit.

At the outbreak of war (September, 1939) the New Zealand Government had already taken the necessary steps to ensure that, as a condition of their slaughtering and export license, all freezing-works should immediately, and at their own expense, provide sufficient cool-storage space for the holding of 60 per cent. of their average kill of meat. This undertaking resulted in the provision of an additional 3,558,574 cubic feet, capable of holding 37,668 tons of meat. In addition, however, very shortly after the outbreak of war the New Zealand Government took steps to arrange for the purchase and importation on Government account of sufficient quantities of insulating-material to enable emergency cool stores to be erected. The Controller of Primary Industries and the Department of Agriculture were charged with the responsibility of making a general survey of the cool-storage position and of recommending the sites on which additional emergency cool storage should be erected. When this investigation was completed the New Zealand Government then provided a formula by which this emergency cool storage would be erected as additions to existing cool stores, the Government (if required) providing the necessary finance and agreeing to assume full liability for the final loss due to redundancy at the end of the war period. This further programme resulted in the erection of an additional 4,843,926 cubic feet capable of holding 51,292 tons of meat. The completion of this second programme then ensured a total storage-capacity for meat in the Dominion of 253,000 tons, excluding freezer space, which would provide a further 57,000 tons in an emergency.

CANNED MEAT.

Early in the 1940-41 season it became obvious that New Zealand should assist in the disposal of meat available for export by canning to the maximum with existing plants, and should also extend canning facilities by assisting the purchase of additional canning-plants. To this end the New Zealand Government informed the Ministry of Food in regard to canning potentialities and requested that contracts should be arranged for the purchase of specific quantities of canned meat. The result was a contract for the supply of 6,000 tons of canned corned beef. This contract proved of great value to New Zealand as a means of disposal of boneless cow beef, shipment of which in frozen form was prohibited from March, 1941. Discussions in regard to price revealed that the figure necessary to cover New Zealand costs for the 12 oz. tins could not be paid by the United Kingdom Government. After consideration the New Zealand Government decided to meet the price offered by the United Kingdom Ministry of Food, notwithstanding that some financial assistance to the canneries was thereby rendered necessary.

The canning agreement with the United Kingdom Government provided :—

- (1) Purchase by the United Kingdom Government from the New Zealand Government of a quantity of 6,000 tons of canned corned beef for the production year ending 30th September, 1941 :
- (2) Details of prices and quantities as follows :—
 - 146,770 cases, 12 by 6 lb. : First-quality taper, 43s. 6d. sterling per dozen f.o.b.
 - 15,000 cases, 12 by 6 lb. : Second-grade taper, 41s. sterling per dozen f.o.b.
 - 50,000 cases, 48 by 12 oz. : First-quality taper, 6s. 9d. sterling per dozen f.o.b.

The contract called for 3 per cent. of the total in the form of brisket beef, and $3\frac{1}{2}$ per cent. in the form of beef-extract. (NOTE.—Beef-extract is an essential by-product of the canning operations, and unless an export market was assured, production-costs would have been greatly increased.)

Upon the confirmation of this contract the New Zealand Government entered into negotiations with representatives of the meat-canneries in New Zealand with a view to commencing immediate production on this order, which was to be completed by the end of August, 1941.

The agreement entered into by the New Zealand Government with the cannery companies was as follows :—

“ The Marketing Department will buy the cow beef (briskets and loins) from the various North Island freezing-works at the f.o.b. contract prices, less the costs from works to f.o.b. and will charge the canneries these ‘ net works ’ prices. The railage (or coastal freight) incurred in transporting the meat from the freezing-works to the canneries will be borne by the Department.

“ The cannery companies will secure from the freezing-works the loins and briskets required, undertaking their own transport arrangements. In this regard you have assured us that there is no difficulty regarding deterioration in the meat as the result of the necessary transport.

"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 3½d. 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 3½d. 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 3½d. 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 3½d. 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 3½d. 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 ½d. 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.

For the 1941-42 season (the third year of war) the New Zealand Government has accepted contracts for canned meat of 12,000 tons corned beef and 10,500 tons corned mutton. These contracts will absorb the whole season's production of boneless cow beef and ewe mutton. All ewes of exportable quality killed since 5th May, 1941, have been boned and trimmed for canning. These ewes will be canned during the coming season.

From 1st October, 1941, no frozen tongues will be permitted shipment to the United Kingdom, and a contract is being arranged for canned tongues which will cover the exportable surplus of tongues.

The various canned-meat contracts will come under the bulk-purchase arrangements between the United Kingdom Ministry of Food and the New Zealand Government, and shipments of canned meat to private consignees are discontinued.

SHIPMENTS TO OUTSIDE MARKETS.

Owing to the changed circumstances of a restricted outlet of meat to the United Kingdom every effort has been made during the season to extend outlets in other countries, especially Canada and the United States of America. The total quantity disposed of in this way was 90,500 freight carcasses, comprising 27,000 carcasses of lamb, 11,200 carcasses mutton, 10,100 quarters of beef, and 12,700 bags of boneless beef. Shipment of lambs has been mainly to Canada. Shipments to the United States comprised mutton, quarter beef, boneless beef, boneless veal, and edible offals. There has been a good demand from the sources indicated, but the limiting factor has been the shortage of refrigerated space. All available refrigerated space has been fully utilized and orders are in excess of the space available.

GENERAL.

During the season many conferences and discussions have taken place between the New Zealand Meat-producers Board and representatives of the Departments of Agriculture and Marketing. Helpful co-operation has been extended to this Department from these sources.

The Freezing Companies Committee has given the Government the benefit of its knowledge and advice on all matters relating to meat-prices, processing, packaging, and storage, and their services have been most valuable. The season has been a difficult one, and new and complex problems have been continually arising, necessitating continuous consultation and co-operation between the interests referred to.

The Department desires to acknowledge the very effective help it has received from the High Commissioner in London and from the Official Secretary and his assistants. It is pleasing to record that the arrangements for processing, purchase, and shipment of meat have proceeded smoothly, and that the requirements of the Ministry of Food have been satisfactorily met.

ACCOUNTS.

The meat accounts covering the completed operations for the 1939-40 season, and the operations for the 1940-41 season, are shown in the accounts section at the end of this report, pages 36 and 37. The completed operations for the 1939-40 season are referred to on page 36 of this report, the final surplus being shown as £74,748.

The accounts for the 1940-41 season cover purchases of meat by the Department up to 31st July, 1941, and they comprise Purchase and Sale Account and Revenue Account. It will be observed from the accounts that the purchase and sale transactions to 31st July, 1941, show a surplus of £68,633, after allowance has been made for administration and general expenses. Against this surplus must be set an estimated loss of £300,000, which has still to come to charge, resulting from the canning and other disposal of certain classes of meat produced for export during the 1940-41 season, shipment of which in the frozen form to the United Kingdom is no longer possible.

WOOL.

BULK PURCHASE OF WOOL BY THE UNITED KINGDOM GOVERNMENT, AND PURCHASE AND SALE PROCEDURE.

The annual report of the Department for the 1939-40 season gives details of the bulk purchase and sale arrangements between the United Kingdom and the New Zealand Governments for greasy and slipe wool, and of the agreements between the New Zealand Government and the woolbrokers, woolbuyers, and woolscourers, covering services to be performed by them respectively in the preparation of wool for appraisal, the appraisement of wool, and the scouring of wool selected for that purpose.

The terms and conditions governing the purchase of wool by the New Zealand Government are set out in the Purchase of Wool Emergency Regulations 1939.

Payment for greasy wool is made to woolbrokers on behalf of woolgrowers, and for slipe wool to freezing companies and exporters. In each case payment is made fourteen days after date of appraisal. The appraisal values are calculated after allowance for actual tare, and when payment is made the retention-moneys (5 per cent. in the case of greasy wool and 10 per cent.—now reduced to 5 per cent.—in the case of slipe wool) are deducted.

In July, 1941, the final payments were made for greasy and slipe wool. These final payments represent the full amounts of the retention-moneys on greasy and slipe wool, plus the differences in price necessary to bring the over-all average of the appraisement prices for both greasy and slipe wool up to the over-all average prices—12·25d. per pound greasy wool and 16·9766d. per pound slipe wool—represented by the sale prices to the United Kingdom Government. Accordingly the final payment on greasy wool totalled 5·1816488 per cent. of the appraisal values, and the final payment on slipe wool totalled 11·2715733 per cent. of the appraisal values.

Payment for wool (other than wool sold to local manufacturers) is made by the United Kingdom Government on appraisal at the sale prices of 10·55d. per pound sterling for greasy and 13·75d. per pound sterling for slipe. Originally a flat tare of 10 lb. per bale was allowed, but since September, 1940, actual tares have been allowed for.

Payment by local manufacturers is made on “ prompt ” date at appraisal values, plus the standard charges of brokers, appraisers, and Marketing Department.

The contract for sale of wool by the New Zealand Government is with the United Kingdom Ministry of Supply, but all instructions regarding shipment and accounting for wool are given by the Wool Control at Bradford.

APPRAISAL PROCEDURE.

The woolbrokers are responsible for the preparation of wool for appraisal. The appraisers classify the wool as to type, and estimate the clean-wool content—i.e., the yield—of each lot. From these data the price is determined. All such estimates are later checked by the senior appraisers, and the price-calculations checked by independent appraisers. The checked prices are subsequently issued to the brokers, who in turn issue them to the woolgrowers concerned. Woolgrowers have the right of appeal against appraisals if they consider their prices too low. The procedure governing appeals is laid down in the Purchase of Wool Emergency Regulations 1939. It is to be noted that during the season very few appeals were made.

The following tables show the quantities and values of wool appraised at the various appraisal points during the year ended 30th June, 1941. In comparing these figures with those printed in the 1939–40 report it should be borne in mind that these did not represent a full twelve months’ appraisals, as they excluded wool sold at crutchings sales during the months of July and August, 1939 :—

GREASY WOOL.

Appraisal Centre.	Purchased for Sale to United Kingdom Ministry of Supply.				Purchased for Sale to Local Mills.		Total Appraisals.		
	For Shipment in the Grease.		For Scouring.						Appraisal Value
	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	
Auckland ..	78,558	26,993,529	18,406	6,989,331	1,353	483,139	98,317	34,465,999	£ 1,703,158 1 2
Tokomaru Bay ..	6,756	2,390,596	960	372,088	14	4,813	7,730	2,767,497	141,211 6 3
Tolaga Bay ..	3,722	1,289,293	523	214,103	134	45,445	4,379	1,548,841	77,591 1 11
Gisborne ..	35,316	11,829,731	6,296	2,322,465	160	55,359	41,772	14,207,555	705,069 8 2
Napier ..	87,882	29,794,962	21,067	7,878,050	2,049	764,764	110,998	38,437,776	1,930,126 15 8
Wanganui ..	67,767	24,237,471	18,611	7,331,278	967	350,810	87,345	31,919,559	1,676,417 2 5
Wellington ..	92,964	33,790,861	15,889	6,280,278	6,362	2,429,948	115,215	42,501,087	2,194,316 18 3
Nelson ..	8,039	2,496,197	625	215,408	47	15,177	8,711	2,726,782	138,274 7 9
Blenheim ..	16,698	5,245,833	2,483	848,204	1,106	360,208	20,287	6,454,245	348,045 10 7
Christchurch ..	57,562	17,806,605	16,929	5,864,815	14,072	4,458,878	88,823	28,220,666	1,490,488 8 11
			260M	90,368M					
Timaru ..	30,584	9,858,988	7,693	2,772,623	6,713	2,249,477	44,990	14,881,088	764,542 2 1
			3*	777*	12*	2,254*	15*	3,031*	207 16 3*
Oamaru ..	12,925	4,265,321	2,915	1,119,246	2,483	839,174	18,348	6,232,675	330,991 0 6
			25M	8,934M					
Dunedin ..	59,214	18,609,967	12,295	4,616,368	7,861	2,634,048	79,445	25,883,973	1,341,266 4 3
			75M	23,590M					
Invercargill ..	61,128	19,246,898	10,176	3,653,609	2,369	760,451	73,811	23,707,087	1,205,130 14 2
			138M	46,129M					
Total ..	619,115	207,856,252	134,868	50,477,866	45,690	15,451,691	800,171	273,954,830	13,946,629 2 1
			498M	169,021M					
			3*	777*	13*	2,332*	16*	3,109*	214 9 6*
	619,115	207,856,252	135,369	50,647,664	45,703	15,454,023	800,187	273,957,939	13,946,843 11 7
Additional (final) payment									25,333 17 7
									0 7 10*
									13,972,177 17 0

* 1938–39 season’s scoured wool. M = matchings.

SLIPE WOOL.

Appraisal Centre.	Purchased for Sale to United Kingdom Ministry of Supply.		Purchased for Sale to Local Mills.		Total Appraisals.		
	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	Appraisal Value.
							£ s. d.
Auckland	21,469	6,845,998	..	..	21,469	6,845,998	465,345 6 1
Opua	908	279,367	..	..	908	279,367	18,100 4 6
Tokomaru Bay ..	721	196,767	..	..	721	196,767	11,686 16 5
Gisborne	3,946	1,328,454	..	..	3,946	1,328,454	84,793 15 11
Wairoa	1,668	490,503	..	..	1,668	490,503	31,661 16 11
Napier	13,401	4,527,981	..	..	13,401	4,527,981	311,346 10 8
Wanganui	6,595	2,220,806	..	..	6,595	2,220,806	149,995 9 11
New Plymouth ..	2,240	853,823	..	..	2,240	853,823	55,004 14 3
Wellington	19,429	6,646,472	..	..	19,429	6,646,472	470,998 16 11
Nelson	2	480	..	..	2	480	29 9 3
Blenheim	2,804	914,168	..	..	2,804	914,168	60,504 12 0
Christchurch ..	17,146	5,637,534	56	18,939	17,202	5,656,473	397,909 9 10
Timaru	18,041	5,683,934	74	26,233	18,115	5,710,167	409,302 16 1
Oamaru	5,772	1,705,708	282	85,777	6,054	1,791,485	124,927 16 6
Dunedin	8,388	2,792,523	110	39,296	8,498	2,831,819	199,842 9 6
Invercargill ..	17,728	6,365,385	..	..	17,728	6,365,385	468,203 17 10
Total	140,258	46,489,903	522	170,245	140,780	46,660,148	3,259,654 2 7
Additional (final) payment	..	..	..	..	..	..	41,448 17 10
							3,301,103 0 5

SCOURING OF WOOL.

The arrangements entered into with the United Kingdom Government for the 1940-41 season provided for the scouring of up to 130,000 bales at a cost of 1 $\frac{7}{16}$ d. per pound greasy basis. The allowance of 1 $\frac{7}{16}$ d. per pound covers transport to scouring-works, scouring charges, and delivery of the scoured wool to the point of f.o.b. ocean steamer. Under the contract 135,296 bales of wool were allotted for scouring up to 30th June, 1941.

SURVEY OF WOOL SEASON.

Following upon an exceptionally favourable winter, with suitable climatic conditions following, the wool-clip for the 1940-41 season showed an increase in quantity over the 1939-40 season of over 10 per cent.

Messrs. Dalgety and Co.'s figures for the past three seasons show comparative production as follows:—

				1st July to 30th June,		
				1940-41. Bales.	1939-40. Bales.	1938-39. Bales.
Greasy	..	..	..	800,006	740,622	803,831
Slipé	..	..	..	140,780	120,990	117,290
				940,786	861,612	921,121

SHIPPING ARRANGEMENTS.

The decreased amount of shipping space available has resulted in smaller shipments of wool to the United Kingdom. Shipments to other countries have increased, but the total shipments are 186,363 bales less than the quantity recorded in last year's report. This does not fully represent the position, as last year's figures did not cover a complete twelve months' period. A system of priorities was in operation for shipments to the United Kingdom, under which wools most suitable for military purposes were shipped first. The position resulting is that at 30th June, 1941, stocks of wool unshipped or held for scouring were 315,704 bales, compared with 23,556 bales at 30th June, 1940.

DESTINATION OF WOOL EXPORTS.

As mentioned in last year's report, the United Kingdom Wool Control released certain quantities of wool for shipment to France, Canada, Australia, and India. With the collapse of France, shipments of wool to that country ceased, but during the 1940-41 season shipments to Canada, Australia, and India have increased, mostly for military requirements.

During the season certain quantities were released for shipment to the United States and also to Greece. The selection of wool for shipment to destinations other than the United Kingdom is made by the Government appraisers in terms of their contract with the New Zealand Government. When orders are received a New Zealand agent is nominated by the firm placing the order, and the agent advises the Marketing Department in regard to the appraisal types required. This information as to types is then given to the Government appraisers, and special wools suitable to the market concerned are selected by the appraisers most suitable for selecting in fulfilment of these orders.

The following tabulation shows the quantities of past season's wool shipped to 30th June, 1941, and the destinations :—

Destination.	Greasy.	Scoured.	Slipe.	Total.
	Bales.	Bales.	Bales.	Bales.
United Kingdom	331,169	40,002	54,812	425,983
Canada	62,200	13,030	10,533	85,763
Australia	12,054*	284	..	12,338
India	32,247	11,338	2,833	46,418
Greece	5,353	..	..	5,353
U.S.A.	6,228	376	978	7,582
Total	449,251	65,030	69,156	583,437
1939-40	613,185	35,562	121,053	769,800
Quantity unshipped or held for scouring at 30th June, 1941				315,704
Quantity unshipped or held for scouring at 30th June, 1940				23,556

* Includes wool shipped to Australia for making into tops for re-shipment to India.

ACCOUNTS.

The wool accounts are shown in the accounts section at the end of this report, page 37. The accounts cover appraisals of wool up to the close of the wool year (30th June, 1941), and they comprise Purchase and Sale Account, and Charges, Expenses, and Administration Account.

It will be observed from the accounts that the Purchase and Sale transactions to 30th June, 1941, show a surplus of £115,987 after allowance has been made for expenses and charges, and for a credit to the United Kingdom Wool Control of £11,608, representing an adjustment for the seasons 1939-40 and 1940-41 to bring the value of the whole wool-clip (used in local manufacture as well as export) to the average contract prices of 12-25d. per pound greasy wool and 16-976d. per pound slipe wool. Against the surplus in the Wool Account must be set the contingent liability for charges on wool unshipped.

WOOLLY SHEEP-SKINS.

The previous annual report records that the necessary authority to conduct the control, purchase, and sale of sheep-skins on behalf of the Marketing Department was given to Mr. R. C. Burgess, of Dunedin, by the Minister of Marketing pursuant to the Marketing Act. The conditions attaching to the Control were advised to be :—

- (1) The purchase and sale of skins would be carried out in such a manner as would ensure the maximum return to the producer, the prevention of the taking of excess profits by any person, and the use, as far as possible, of the normal channels of buying, selling, and processing :
- (2) In the allocation of any work to fellmongers and other persons for the acquisition and processing of sheep-skins a regard would be had for the services normally provided by such persons before the introduction of the Control :
- (3) The profits from the sale of the accumulated stocks at the time of the introduction of the Control would go to the War Expenses Account.

BULK PURCHASE OF WOOLLY SHEEP-SKINS BY THE UNITED KINGDOM GOVERNMENT.

The previous annual report gives details of the agreement for purchase by the United Kingdom Wool Control (Ministry of Supply) of woolly sheep-skins. The period of the agreement extends to and terminates on the date of termination of the wool purchase agreement—namely, the period of the war and the following season's clip.

QUANTITIES AND VALUES OF WOOLLY SHEEP-SKINS EXPORTED.

The following table shows the quantities and values of woolly sheep-skins exported to various destinations on behalf of the United Kingdom Wool Control up to 31st July, 1941 :—

Destination.	Number of Dumps.	Number of Skins.	Weight (Pounds Net).	Sale Value (New Zealand Currency).
				£ s. d.
United Kingdom	2,475	196,385	1,363,495	49,858 5 7
Canada	4,920	324,226	2,791,417	127,153 13 10
U.S.A.	4,205	299,988	2,279,735	103,406 13 5
	11,600	820,599	6,434,647	280,418 12 10

REPORT OF CONTROLLER.

"I beg to report to you on the operations of the sheep-skin control for the fifteen months ended 30th June, 1941. The balance date was altered to bring it into line with that of the Marketing Department (Export Division).

"As you are aware, the Control Pool is worked in three-monthly periods which coincide with the three-monthly selling-price periods under the arrangement with the United Kingdom. It is impossible to balance the pool exactly, the principal uncertain factor being the price of pickled pelts, and adjustment has to be made of any surpluses or deficiencies from three months to three-months.

"The normal exportable surplus is still defined by the skins left available for export after fellmongering normal quantities in New Zealand. Overseas sales on behalf of and under instructions from Wool Control, Bradford, especially latterly, have been chiefly to U.S.A. and Canada. Deliveries to the United Kingdom have been of special types only. Since the downfall of France skins, mostly of lower types, which previously went there, have had to be disposed of elsewhere. This has been done partly by fellmongering more in New Zealand, and partly by requiring U.S.A. and Canadian buyers to take a portion of these types along with those they had been accustomed to take.

"*Buying Schedule.*—This is altered approximately every three months to reflect changes in pickled-pelt prices. New schedules were issued as follows:—

" Third schedule	..	..	..	..	..	29th April, 1940.
" Fourth schedule	..	..	..	..	..	27th July, 1940.
" Fifth schedule	..	..	..	..	..	4th November, 1940.
" Sixth schedule	..	..	..	..	..	17th May, 1941.
" Seventh schedule	..	..	..	..	..	25th May, 1941.

"The fourth and fifth schedules reflected a drop in price of pickled pelts. The fifth schedule held for six months, reflecting no movement in these prices. The sixth schedule reflected the increased activity in the pelt market, and a continuation of the upward price was also reflected in the seventh schedule.

"One important point producers should not overlook is that sales of skins and of pelts are only made when the goods can be shipped.

"Copies of each new schedule immediately when issued were sent to all branches of the Farmers' Union and to the Master Butchers' Association and to all brokers. The prices of the principal types were also published in all the leading newspapers. No objections to these buying schedules have been received.

"Other matters which might have been included in this report are dealt with in the report of the Sheep-skin Investigation Committee.

"I wish to acknowledge the loyalty, enthusiasm, and team-work with which the members of the Control staff have carried out their work.

"R. C. BURGESS, Controller."

ACCOUNTS.

The accounts of the Sheep-skin Control covering a fifteen months' period ending 30th June, 1941, are shown in the accounts section at the end of this report, page 39.

The extension of the period to 30th June brings the accounts into line with the wool year under the purchase agreement with the United Kingdom Wool Control.

It will be observed that the purchase and sale transactions show a surplus of £10,137, and, after deducting the deficit of £2,941 on operations during the previous period, a net surplus is shown of £7,196. Against this surplus must be set the contingent liability on sheep-skins unshipped.

TALLOW.

PURCHASES BY UNITED KINGDOM GOVERNMENT OF 1940-41 SEASON'S TALLOW.

The report for the 1939-40 season gave details of the purchase by the United Kingdom Ministry of Food of all surplus tallow available for export from New Zealand from the production up to 30th September, 1940. Shipment of the quantities covered by this contract was completed in January, 1941.

Early in October, 1941, discussions took place with the United Kingdom Ministry of Food in regard to the renewal of the contract for a further year to 30th September, 1941. Pending decision regarding a renewal of the contract, the Ministry of Food intimated that they would continue to accept shipments at last contract prices. Subsequently, on 14th November, 1940, the Ministry cabled indicating that until the question of the continuation of the contract was settled they could not accept any shipment after 21st November, 1940, of grades below fair to good colour mixed, for the reason that they were accumulating a large stock of undesirable low-grade tallows. After a number of cables had been exchanged the Ministry finally cabled an order for 2,000 tons of assorted grades for January-February shipment, and continued to cable similar orders as shipping space was available, and these orders were allocated as fairly as possible between all suppliers. Early in April, 1941, inquiries were received from Australia, and later there was a demand from the United States of America and Canada.

The position in regard to the 1940-41 season, therefore, was that the Ministry of Food purchased its requirements from time to time, and producers were free to sell quantities and grades which were surplus to United Kingdom requirements. The policy of the New Zealand Government was to give first preference to the requirements of the United Kingdom Government, and all sales were made at the schedule prices which applied for the 1939-40 season.

GRADING, QUALITY, AND PACKING.

During the year ending 31st July, 1941, very few claims were received from London, and in all cases these were recovered from shippers. The quality of the tallow has been maintained, and some shippers have improved their grades considerably. There have been some difficulties in obtaining standard white-pine casks, and consequently other timbers have been used which have resulted in tares heavier than usual, thus increasing the freight charges.

STATISTICS.

The following table shows the quantities of tallow purchased by the United Kingdom Government, and shipped from 1st August, 1940, to 31st July, 1941 :—

	Tons (Net).		Tons (Net).
First beef	1,500	Superior stearine	420
First mutton	2,068	Pig-fat, inedible	18
Good bright mixed	992	Hog-grease	60
Good colour mixed	3,536	Edible mixed.. ..	56
Fair to good mixed	1,565	Edible lard	35
Fair mixed	959	Hide-grease	51
Good gut	1,881		
Medium gut	717		14,345
Low gut	487		

The total value of the shipment quantities quoted above is £312,913 (New Zealand currency). Permits were granted to shippers to various overseas countries from 1st August, 1940, to 31st July, 1941, as under :—

To	Tons.
United States of America	6,010
India	5,792
Australia	1,400
Canada	500
	13,702

Shippers to India were hampered by shortage of shipping space, and some of the tallow included in the above-mentioned quantity has not yet been shipped.

TALLOW REQUIREMENTS FOR LOCAL SOAPMAKERS.

The local soapmakers have continued to obtain their supplies through their usual channels at the fixed local prices for tallow.

ACCOUNTS.

The tallow accounts are shown in the accounts section at the end of this report, page 38. The accounts cover purchases of tallow by the Department up to the 31st July, 1941, and they comprise Purchase and Sale Account, and Revenue Account.

It will be observed from the accounts that the purchase and sale transactions to 31st July, 1941, show a surplus of £91 after allowance has been made for administration and general expenses.

HIDES.

The report for the 1939-40 season gave details of the action taken by the Government in regard to control of export of hides and stabilization of prices of hides for local requirements, and equalization of values of hides for local use and for export by a levy on exports to even up the difference between local "standard domestic values" fixed at 1st September, 1939, prices plus 25 per cent., and export values. This procedure is embodied in the Hides Emergency Regulations 1940, and the administration of the regulations is entrusted to a Hides Committee, which operates under authority conferred on it by the Minister of Marketing.

REPORT OF HIDES COMMITTEE ON OPERATIONS FOR PERIOD ENDING 31st MARCH, 1941.

The following report has been submitted to the Minister of Marketing on behalf of the Hides Committee by the Chairman, Mr. A. P. O'Shea :—

"I have pleasure in submitting the first annual report and Statement of Equalization Fund covering the period from the inception of the Hides Committee on the 8th March, 1940, to 31st March, 1941.

"*Export Levy.*—An interim equalization levy of 10 per cent. on the value of all hides for export was fixed at the outset of the operations of the Committee and pending full consideration of the exact amount of levy necessary for equalization purposes in terms of the regulations. The amount of the levy has been varied from time to time in accordance with variations in the f.o.b. export value of hides to which the levy relates.

"The following table sets out the particulars of the various changes in the rate of levy during the year :—

Dates of Changes : Effective on and after—	Rates of Levy.				
	Ox Hides.	Cow Hides.	Bull Hides.	Yearlings.	Calf-skins (other than Freezers).
1940.	d.	d.	d.	d.	d.
8th March ..	$\frac{5}{8}$	$\frac{5}{8}$	$\frac{1}{2}$	$\frac{3}{4}$	1
14th June ..	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{3}{8}$	$\frac{1}{2}$
29th June ..	$\frac{1}{16}$	$\frac{1}{16}$	$\frac{1}{16}$	$\frac{1}{16}$	$\frac{1}{4}$
19th December ..	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{1}{2}$	1

"The amount of levy payable is calculated on the weights invoiced to overseas buyers, and such weights are declared on the Customs Department export entries. (NOTE.—Just after the 31st March, 1941, it was found necessary to increase the levy to the following figures—ox and cow hides, $\frac{3}{4}$ d.; bull hides, $\frac{3}{4}$ d.; yearlings, $\frac{3}{4}$ d.; calf-skins (other than freezers), 3d. per pound. This increase was due to heavy claiming of hides by tanners and an increase in the export values.)

"When the Committee commenced to function the export of hides from New Zealand was confined to the United Kingdom and to Canada, but when, during the second half of June, 1940, the overseas markets declined suddenly below standard domestic prices, the Hon. the Minister of Marketing was requested to allow the export of hides to the United States of America and Australia. The Minister immediately agreed to this request, and the widening of export markets which resulted was of great value to the New Zealand producers. From the last week of November, 1940, export prices began to rise steadily, and about the middle of March a good demand developed from Canada, United States of America, and Australia, and to-day there is a steady market.

"*Alterations to Regulations.*—When export prices fell below standard domestic prices it was found that some freezing companies and exporters were not having their hides so freely claimed by tanners as were others, and in consequence were placed at a disadvantage. To meet this situation an extension of the powers in the regulations was necessary to enable the Committee to equalize standard domestic prices and export prices not only when export prices are above standard domestic prices, but also when export prices are below standard domestic prices.

"The Hides Committee on 27th September, 1940, appointed a sub-committee to arrange for the drafting of the amendment to the regulations giving the extension of powers referred to, and correcting certain anomalies which were found to exist in regard to tendering for hides and sales at auction. Finally a complete recasting and consolidation of the regulations was prepared and was approved by the Hides Committee. These new regulations were sanctioned by the Minister and were gazetted on the 24th December, 1940.

"In the meantime an upward movement in the market had again brought export prices somewhat above standard domestic prices, and it was not necessary to pay an export bonus for equalization purposes.

"*Statistics.*—The following table shows the number of hides claimed by tanners and the number freed for export under the regulations:—

—	Ox.	Cow.	Bulls.	Yearlings.	Calf-skins.
Tanners claims ..	119,723	181,958	2,801	41,035	29,406
Hides freed for export	128,060	335,910	34,953	38,371	73,617
Totals ..	247,783	517,868	37,754	79,406	103,023

"Grand Totals—

"Tanners 374,923 hides and calf-skins.

"Exporters 610,911 hides and calf-skins.

985,834

"*Financial Report.*—The following summary shows the position of the Equalization Fund as at 31st March, 1941:—

	£	s.	d.	£	s.	d.
"Levy received from H.M. Customs	17,136	4	6			
"Less 2 per cent. collection charges	342	14	4			
	16,793	10	2			
"Less claims paid to tanners, freezing companies, and exporters	15,533	5	0			
"Balance	1,260	5	2			
"Expenses to 31st March, 1941—	£	s.	d.			
"Salaries	951	0	10			
"Telegrams, stamps, and petty expenses	26	18	9			
"Travelling-expenses	31	11	3			
"Sundries (rent, telephone, cleaning, &c.)	96	16	6			
	1,106	7	4			
"Cash in bank, 31st March, 1941				153	17	10
"To this must be added estimated levy due on hides which have not been shipped or for which payment has not yet been received from H.M. Customs as at 31st March	5,200	0	0			
"From this amount must be deducted claims which are finalized and awaiting payment	2,337	0	0			
"Plus estimated claims not yet completed	1,500	0	0			
	3,837	0	0			
"Leaving estimated balance to be collected	1,363	0	0			
"and leaving an estimated surplus in hand of	£1,516	17	10			

Cost of Administration.—The total cost of administering the Hides Equalization Fund during the period ending 31st March, 1941, is £1,106 7s. 4d., as shown in the statement of accounts. This figure compares favourably with the annual cost which the Chairman of the Committee had estimated—namely, £1,100.

“Based on the quantity of hides handled in terms of the regulations, the cost per hide is slightly less than one-third of a penny.

General.—The full co-operation of all interested parties has been given to the Hides Committee in the administration of the regulations, and this co-operation has been a major factor in the success of the equalization plan.

“I desire to express my sincere thanks to the members of the Committee, to all sections of the trade, and to Government Departments concerned for their assistance at all times.”

LINEN FLAX.

During this past season the Marketing Department has added linen-flax fibre to the products and goods for which it is arranging shipment to the United Kingdom. Shipment is made in terms of a contract of sale with the Ministry of Supply (Flax Control), from whom payment is collected. The sums collected are paid over to the Linen Flax Management Committee at Christchurch, which controls the production and manufacture in New Zealand. The Committee is representative of the Departments of Agriculture, Industries and Commerce, Scientific and Industrial Research, and of Treasury, and its report appears as part of the annual report of the Department of Industries and Commerce, Tourist and Publicity.

For the 1940–41 season 13,000 acres were sown, and for the 1941–42 season this is being increased to 25,000 acres.

The terms of sale to the United Kingdom Ministry of Supply were as follows:—

- (1) The United Kingdom Government will buy the flax from 25,000 acres during the war and one year thereafter, covering flax from that acreage which has been sown or for which cultivation has been put in hand before the close of hostilities between the British Empire and Germany.
- (2) The purchase will be at already agreed prices for seasons 1941–42 and 1942–43, and thereafter at prices to be mutually agreed. (NOTE.—The prices paid are equal to those paid for similar quality Irish flax.)
- (3) Payment to be made in full on receipt of telegraphic advice of grading.
- (4) United Kingdom Government insurance cover commences when flax placed on board ocean steamer.
- (5) Ministry of Supply to bear storage and insurance charges on flax after a period of three calendar months from date of delivery to port of shipment.

Shipments up to 31st July, 1941, were 806 bales of flax-fibre and 26 bales of tow, weighing 85 tons 2 cwt. 1 qr. 7 lb., value f.o.b., £13,101 17s. 7d. (New Zealand currency).

No bulk contracts for the sale of linen-flax seed could be arranged, but the following sales were made and shipments effected to the Governments in the following countries:—

	Sacks.
United Kingdom	710
Australia	4,549
India	504
	5,763

weighing 512 tons 17 cwt. 1 qr. 17 lb., value f.o.b., £27,336 7s. 6d.

SCHEELITE.

The annual report for the year ended 31st July, 1940, gives particulars of the agreement between the United Kingdom and the New Zealand Governments for the purchase of the output of New Zealand scheelite up to 31st March, 1941. This agreement was renewed for a further twelve months to 31st March, 1942, on the same terms and conditions. The quantity of scheelite exported by the Department for the twelve months ending 31st July, 1941, was 71 tons 1 cwt. 2 qr., and the provisional payment value in New Zealand currency is £14,663.

ACCOUNTS.

The scheelite accounts, which are published in the accounts section at the end of this report, page 38, show a Purchase and Sale Account covering operations for the period ended 31st July, 1941. To this account is charged the cost of administration of the purchase and export of scheelite, amounting, in terms of the Purchase of Scheelite Order 1940, to 2½ per cent. of the purchase-price.

SUNDRY SUPPLIES FOR WAR OFFICE.

During the year inquiries were received through the High Commissioner for sundry supplies of foodstuffs for War Office requirements.

It was agreed that negotiations for the purchase of these supplies from New Zealand manufacturers should be made by the Food Controller except in respect of such produce as was being purchased by

the Export Division under contract with the United Kingdom Ministry of Food—namely, butter and cheese, processed milk, frozen meat, canned corned beef, and mutton.

The shipping arrangements for all food products required by the War Office were, however, to be carried out by the Export Division.

The value of these products shipped during the period ending 31st July, 1941, is £77,077.

FRUIT.

It is to be regretted that owing to shortage of refrigerated shipping space it was not found possible to ship any apples or pears to the United Kingdom or North America during the past season.

The staff of the Fruit Sales Division, London, is now being used in connection with the general work entailed by contracts for other products with the Ministry of Food and Ministry of Supply.

SUMMARY OF VOLUME AND VALUE OF SALES BY THE DEPARTMENT OF PRODUCTS FOR EXPORT FOR THE TWELVE MONTHS ENDED 31st JULY, 1941.

Product.	Volume.	Equivalent Weight (in Tons).	Value f.o.b. (in New Zealand Currency).
			£
Butter	5,257,720 boxes	131,443	18,336,263
Cheese	1,611,168 crates	115,083	9,108,330
Frozen meat	..	267,426	16,223,768
Wool*	894,742 bales	136,158	17,810,805
Tallow	..	14,345	312,913
Woolly sheep-skins	820,599 skins	2,872	280,419
Canned meat	42,331 cases	1,125	98,680
Scheelite	..	71	14,663
War Office contracts	..	..	77,077
Skim-milk powder	104,598 cases	5,230	234,168
Evaporated milk	82,821 cases	1,695	100,143
Linen-flax fibre	832 bales	85	13,102
Linen-flax seed	5,763 sacks	513	27,336
Totals	..	676,046	62,637,667

*Totals of wool appraised for twelve months to 30th June, 1941, at f.o.b. value.

GENERAL.

In presenting this report covering the operations of the Export Division of the Department for the year ended 31st July, 1941, it is pleasing to record that the arrangements of the 1940-41 season in respect of production, handling, payment, and shipment of the various products have proceeded smoothly, and all interests concerned have co-operated in meeting the difficulties inherent in the present war situation.

I desire on behalf of the Government to thank the farming industry for their assistance in maintaining production of the various commodities at satisfactory levels, the management and staffs of the manufacturing interests, the storage and transport interests, the handling and loading interests, and the shipping interests for maintaining their respective services, which are all contributing factors to the success of the past season's operations.

As Minister of Marketing, I wish to mention the assistance always forthcoming from organizations with which the Export Division of the Department is in daily contact—the Meat and Dairy Boards, the Freezing Companies' Association, the Overseas Shipowners' Allotment Committee, the Woolbrokers', Woolbuyers', and Woolscourers' associations, and the Cool Stores' Association. The knowledge of the representatives of these organizations has been freely given and has been most valuable to the Department and to the Government.

I desire again to pay tribute to the officers and men of the mercantile marine and the Royal Navy who have been responsible for the transport of the large volume of exports from New Zealand. The people of New Zealand are mindful of the hazards of this fine achievement, and are accordingly grateful.

Finally, I wish to mention the Government representatives in the United Kingdom and the New Zealand staff of the Export Division of the Marketing Department. Our representatives in the United Kingdom have carried out their increased duties most efficiently, notwithstanding the difficulties of the present situation.

The nature and scope of the duties of the New Zealand staff are evident from a perusal of this report, and I take this opportunity of thanking them for their support and co-operation during a difficult period. The release of male members of the staff for service with the armed forces has greatly increased the responsibilities of the junior and female officers, and all members of the staff have responded most willingly and effectively.

J. G. Barclay

Minister of Marketing.

DAIRY-PRODUCE.

ADMINISTRATION AND GENERAL EXPENSES ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1941.

Dr.	United Kingdom.	New Zealand.	Total.
	£	£	£
Salaries	6,300	8,485	14,785
Legal expenses	5		5
Office rent, maintenance, cleaning, telephone, and sundry expenses	822	1,601	2,423
Postage, cables, and printing and stationery	204	1,470	1,674
Travelling-expenses	3	76	79
Subscriptions, donations, and entertainment	24		24
Shipping inspection	1,670	975	2,645
Agency expenses: Lyttelton		225	225
Audit fees		270	270
Depreciation	290	225	515
	<u>£9,318</u>	<u>£13,327</u>	<u>£22,645</u>
Advertising in United Kingdom			2,663
Miscellaneous expenses			320
		£	
Cost of remittances to dairy companies		8,984	
Interest on overdraft at Reserve Bank		23,381	
		<u>32,365</u>	
Subsidy, Public Service Superannuation Fund			349
			<u>£58,342</u>

FINAL PURCHASE AND SALE AND REVENUE ACCOUNTS, 1939-40 SEASON'S DAIRY-PRODUCE.

	Creamery Butter.	Whley Butter.	Cheese.	Total.
	£	£	£	£
Purchases net f.o.b. after 31st July, 1940 ..	1,808,954	22,601	584,721	2,416,276
Gross surplus on transactions after 31st July, 1940, carried down ..	9,157	8	9,275	18,440
	<u>£1,818,111</u>	<u>£22,609</u>	<u>£593,996</u>	<u>£2,434,716</u>
Administration and general expenses ..	4,394	56	1,724	6,174
Net surpluses on transactions after 31st July, 1940, carried down ..	4,763	48*	7,551	12,266
	<u>£9,157</u>	<u>£8</u>	<u>£9,275</u>	<u>£18,440</u>
Balance, being final surplus on purchase and sale of 1939-40 season's production carried to dairy-produce Account ..	..	..	..	62,363
	<u>£1,818,111</u>	<u>£22,609</u>	<u>£593,996</u>	<u>£2,434,716</u>
	<u>£1,818,111</u>	<u>£22,609</u>	<u>£593,996</u>	<u>£2,434,716</u>
Sales net f.o.b. after 31st July, 1940, to United Kingdom ..	1,793,522	22,609	593,911	2,410,042
Sales net f.o.b. after 31st July, 1940 to other destinations ..	24,589	..	85	24,674
	<u>£1,818,111</u>	<u>£22,609</u>	<u>£593,996</u>	<u>£2,434,716</u>
Gross surpluses on transactions after 31st July, 1940, brought down ..	9,157	8	9,275	18,440
	<u>£9,157</u>	<u>£8</u>	<u>£9,275</u>	<u>£18,440</u>
Net surpluses and deficits on transactions after 31st July, 1940, brought down ..	4,763	48*	7,551	12,266
Net surpluses and deficits on transactions up to 31st July, 1940 (as shown in accounts for year ended 31st July, 1940) ..	*30,646	352*	80,936	49,938
Net surpluses and deficits on 1939-40 season's production ..	£25,883*	£400*	£38,487	£62,204
Recoveries due from manufacturers of special milk products ..	..	..	..	159
	<u>£92,363</u>	<u>£62,363</u>	<u>£62,363</u>	<u>£62,363</u>

* Deficit.

MEAT.

ADMINISTRATION AND GENERAL EXPENSES ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Salaries	5,067	Allocations of net expenses to Purchase and Sale	
Office rent, maintenance, cleaning, telephones and sundry expenses	671	Accounts—	
Postages, cables, and printing and stationery	1,264	1939–40 season's killings	15,028
Travelling-expenses	47	1940–41 season's killings	35,332
Shipping inspection and refrigeration supervision	1,100		
Audit fees	636		
Depreciation (office and departmental equipment)	73		
Marketing and experimental expenses	59		
Cost of remittances to freezing companies and others	4,452		
Interest on overdraft at Reserve Bank	6,971		
Payment to New Zealand Meat-producers' Board	30,000		
Subsidy, Public Service Superannuation Fund	20		
	<u>£50,360</u>		<u>£50,360</u>

FINAL PURCHASE AND SALE AND REVENUE ACCOUNTS, 1939–40 SEASON'S KILLINGS.

Dr.	£	£	Cr.	£
Purchases after 31st July, 1940—			Sales after 31st July, 1940—	
Lamb	2,086,816		Lamb	2,097,874
Mutton	859,212		Mutton	867,148
Beef and veal	1,440,402		Beef and veal	1,448,493
Pork	319,609		Pork	321,149
Offals	167,065		Offals	168,688
Tinned meat	23,300		Tinned meat	23,417
		4,896,404		
Gross surplus on transactions after 31st July, 1940, carried down		30,365		
		<u>£4,926,769</u>		<u>£4,926,769</u>
	£			£
Administration and general expenses	15,028		Gross surplus on transactions after 31st July, 1940, brought down	30,365
Net surplus on transactions after 31st July, 1940, carried down	15,337			
	<u>£30,365</u>			<u>£30,365</u>
Final net surplus on purchase of 1939–40 season's killings carried to Meat Account	74,748		Net surplus on transactions after 31st July, 1940, brought down	15,337
	<u>£74,748</u>		Net surplus on transactions up to 31st July, 1940 (as shown in accounts for year ended 31st July, 1940)	59,411
				<u>£74,748</u>

PURCHASE AND SALE AND REVENUE ACCOUNTS, 1940–41, SEASON'S KILLINGS PURCHASED UP TO 31ST, JULY 1941.

Dr.	£	Cr.	£
Purchases—		Sales—	
Lamb	7,701,144	Lamb	7,738,186
Mutton	448,010	Mutton	451,502
Beef and veal	956,236	Beef and veal	962,621
Pork	1,476,415	Pork	1,484,297
Offals	676,138	Offals	683,810
Tinned meat	77,917	Tinned meat	75,263
Beef for canning	176,179	Beef for canning	145,577
	11,512,039		
Gross surplus carried down	29,217		
	<u>£11,541,256</u>		<u>£11,541,256</u>
	£		£
Administration and general expenses	35,332	Gross surplus brought down	29,217
	<u>£35,332</u>	Deficit on 1940–41 season's killings purchased up to 31st July, 1941, carried to Meat Account	6,115
			<u>£35,332</u>

MEAT ACCOUNT.

Dr.	£	Cr.	£
Deficit on 1940-41 season's killings purchased up to 31st July, 1941	6,115	Final net surplus on 1939-40 season's killings	74,748
Balance, being net surplus from commencement of purchase up to 31st July, 1941	68,633		
	<u>£74,748</u>		<u>£74,748</u>

WOOL.

PURCHASE AND SALE ACCOUNT FOR THE WOOL YEAR ENDED 30TH JUNE, 1941.

Dr.	Greasy Wool. £	Slipe Wool. £	Total. £	Cr.	Greasy Wool. £	Slipe Wool. £	Total. £
Purchases—				Sales—			
Appraisal value ..	13,946,267	3,259,654	17,205,921	To United Kingdom			
Final payments ..	25,334	41,449	66,783	Wool Control ..	13,194,381	3,288,893	16,483,274
				To New Zealand mills	777,220	12,210	789,430
	<u>£13,971,601</u>	<u>£3,301,103</u>	<u>£17,272,704</u>		<u>£13,971,601</u>	<u>£3,301,103</u>	<u>£17,272,704</u>

CHARGES, EXPENSES, AND ADMINISTRATION ACCOUNT FOR THE WOOL YEAR ENDED 30TH JUNE, 1941.

Dr.	£	Cr.	£
Brokers' charges	713,432	Allowance in sale-price for charges and expenses and recoveries including amount of wool levy	1,327,531
Appraisal costs	72,468		
Wool levy paid on behalf of growers	22,861		
Charges and expenses to f.o.b.	179,668		
Scouring charges	316,329		
	<u>1,304,758</u>		
Balance carried down	22,773		
	<u>£1,327,531</u>		<u>£1,327,531</u>
Salaries	5,428	Balance brought down	22,773
Office rent, maintenance, cleaning, telephone, and sundry expenses	768	Interest	9,812
Postages, cables, printing and stationery	3,074		
Travelling-expenses	40		
Audit fees	275		
Depreciation	73		
Cost of remittances to brokers and others	2,149		
Subsidy, Public Service Superannuation Fund	21		
	<u>11,828</u>		
Net surplus for year	20,757		
	<u>£32,585</u>		<u>£32,585</u>

WOOL ACCOUNT.

Dr.	£	Cr.	£
Refund of overpayment by United Kingdom Government* ..	11,608	Net surpluses—	
Balance	115,987	1939-40 wool year	106,838
		1940-41 wool year	20,757
	<u>£127,595</u>		<u>£127,595</u>

* The United Kingdom Government paid an average of 12.25d. per pound greasy wool and 16.976d. per pound slipe wool on the quantities exported. It is now agreed that these average prices apply to the whole wool-clip (used for local manufacture as well as export), and the above payment represents the adjustment for the 1939-40 and the 1940-41 seasons.

TALLOW.

PURCHASE AND SALE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Purchases	310,179	Sales	312,913
Gross surplus carried down	2,734		
	<u>£312,913</u>		<u>£312,913</u>

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Salaries	875	Gross surplus brought down	2,734
Office rent, maintenance, cleaning, telephone, and sundry expenses	201		
Postages, cables, and printing and stationery	276		
Travelling-expenses	31		
Audit fees	60		
Cost of remittances to manufacturers and others	272		
Interest on overdraft at Reserve Bank	928		
Net surplus for year carried to Tallow Account	91		
	<u>£2,734</u>		<u>£2,734</u>

TALLOW ACCOUNT.

Dr.	£	Cr.	£
Balance, being net surplus from commencement of purchase to 31st July, 1941	2,048	Net surpluses— Period ended 31st July, 1940	1,957
		Year ended 31st July, 1941	91
	<u>£2,048</u>		<u>£2,048</u>

SCHEELITE.

PURCHASE AND SALE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Purchases	14,296	Sales	14,663
Cost of administration	367		
	<u>£14,663</u>		<u>£14,663</u>

FRUIT.

FINAL REVENUE ACCOUNT FOR THE 1939-40 EXPORT SEASON.

Dr.	£	Cr.	£
Advance payment to Internal Marketing Division	200,000	Estimated surplus in published accounts, 31st July, 1940	218,592
Balance due to Internal Marketing Division	29,224	Further net surplus on final realization	10,632
	<u>£229,224</u>		<u>£229,224</u>

WAR OFFICE CONTRACTS.

PURCHASE AND SALE ACCOUNT FOR THE PERIOD ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Purchases	76,635	Sales	77,077
Gross surplus carried down	442		
	<u>£77,077</u>		<u>£77,077</u>

REVENUE ACCOUNT FOR THE PERIOD ENDED 31ST JULY, 1941.

Dr.	£	Cr.	£
Interest	184	Gross surplus brought down	442
Salaries	200	Deficit for the period ended 31st July, 1941	136
Postages, cables, printing and stationery	131		
Travelling-expenses	15		
Telephones, rents, sundry expenses	48		
	<u>£578</u>		<u>£578</u>

NEW ZEALAND SHEEP-SKIN CONTROL.

PURCHASE AND SALE AND REVENUE ACCOUNT FOR FIFTEEN MONTHS, 1ST APRIL, 1940, TO 30TH JUNE, 1941.

Dr.	£	Cr.	£
Stocks, 1st April, 1940	67,494	Sales—	
Purchases	652,022	Skins, pelts and wool	643,389
Gross surplus	25,383	Stocks, 30th June, 1941.	101,510
	<u>£744,899</u>		<u>£744,899</u>
Administration expenses—	£	Gross surplus	£ 25,383
Salaries	9,482		
Travelling-expenses	2,049		
Post and telegrams	609		
Telephones	668		
Stationery	432		
Exchange	42		
Interest	1,030		
Sundry expenses	317		
Rent	617		
	<u>15,246</u>		
Net surplus	10,137		
	<u>£25,383</u>		<u>£25,383</u>

BALANCE-SHEET AS AT 30TH JUNE, 1941.

Liabilities.	£	Assets.	£
Profit on exporters' stock	17,448	Fixed assets (cost less depreciation)—	
Sundry Products Account: Overdraft	105,768	Furniture and fittings	90
Sundry creditors	21,873	Motor-car	246
	£		336
Pool Account	10,137	Floating assets: Stocks—	
Less debit balance, 1st April, 1940	2,941	Dry sheep-skins	44,692
	<u>7,196</u>	Fellmongers' stocks	50,602
		Pickled Pelts Consignment Account	6,216
			101,510
	<u>£152,285</u>	Sundry debtors	50,244
		Cash on hand	195
			<u>£152,285</u>

R. C. BURGESS, Controller.

MARKETING DEPARTMENT (EXPORT DIVISION).

BALANCE-SHEET AS AT 31ST JULY, 1941.

Liabilities.	£	Assets.	£
Reserve Bank of New Zealand—		Sundry debtors for produce and amounts accrued	
Dairy Industry Account	2,030,662	due	3,682,501
Meat Industry Account	2,878,602	Stocks	54,709
Sundry Products Account—	£	Office and departmental equipment	5,014
Tallow	51,968	Advances to Sheep-skin Controller	71,938
Sheep-skins	71,938	Deficits—	
Scheelite	2,474	Dairy-produce Account	1,745,003
War Office contracts	33,626	War Office Contracts Account	136
	<u>160,006</u>		1,745,139
Less fruit (credit)	26,678		
	<u>133,328</u>		
	<u>5,042,592</u>		
Less Wool Industry Account (credit)	321,897		
	<u>4,720,695</u>		
Less cash held in London	2,572		
	<u>4,718,123</u>		
Sundry creditors for accrued charges and			
sundry credit balances	654,510		
Net surpluses—			
Meat Account	68,633		
Wool Account	115,987		
Tallow Account	2,048		
	<u>186,668</u>		
	<u>£5,559,301</u>		<u>£5,559,301</u>

G. A. DUNCAN, Director.

R. J. WELLS, Accountant.

I hereby certify that the several Purchase and Sale and Revenue Accounts, Administration and General Expenses Accounts, together with the Balance-sheet as at 31st July, 1941, have been examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby. The values of the Sheep-skin control stocks have been fixed by the Sheep-skin Controller—CYRIL G. COLLINS, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (1,367 copies) £75.

By Authority: E. V. PAUL, Government Printer, Wellington.—1942.

