

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, 1942.

This report, which is abbreviated to effect the maximum saving of paper, relates to the 1941-42 production season (the third year of war), and the transactions in respect of dairy-produce, meat, wool, tallow, woolly sheep-skins, hides, linen flax, and scheelite are reviewed under the appropriate headings.

CONTRACTS BETWEEN THE UNITED KINGDOM AND THE NEW ZEALAND GOVERNMENTS FOR THE THIRD YEAR OF WAR, 1941-42.

The contracts of purchase of wool and woolly sheep-skins by the United Kingdom Government run for the period of the war, and include the following season's wool-clip and production of woolly sheep-skins. There is provision in the contracts for review of prices in May of each year, but for the 1941-42 season prices remained unaltered.

In the case of dairy-produce, meat, tallow, and scheelite, discussions on new contracts for the 1941-42 season were necessary. The accumulation in New Zealand by the end of May, 1941, of stocks of butter, cheese, and meat awaiting shipment caused some concern to the New Zealand Government, and led to discussions with the United Kingdom Government in regard to the handling of surpluses. These discussions were continued when the Right Hon. the Prime Minister visited London in June, 1941. Finally an agreement was reached, the terms of which are given in a paper issued by the United Kingdom Government as follows:—

“STATEMENT OF POLICY IN REGARD TO NEW ZEALAND SURPLUSES.

“His Majesty's Governments in the United Kingdom and New Zealand, in consultation, have agreed upon the following statement of principles for dealing, on a basis of co-operation, with the surplus produce of New Zealand for the period of the war:

“His Majesty's Government in the United Kingdom fully recognize the grave difficulties created for New Zealand industries by the shortage of shipping. They are anxious to continue taking all the New Zealand produce that can be shipped. They also appreciate the serious effect upon New Zealand's economic and financial structure which these difficulties are causing. With a view to minimizing these effects and preventing the impairment of New Zealand's war effort, the United Kingdom Government are prepared to join with the New Zealand Government in co-operative arrangements to ease the burden falling on New Zealand during the war, framed on lines that will not prejudice the post-war position.

“The two Governments have agreed that the following principles should be applied as a basis for such co-operation:—

“(1) The United Kingdom Government to purchase the New Zealand produce that can be shipped and to pay for such produce at the price and upon such terms and conditions as are from time to time agreed with the Ministry of Food

“(2) The New Zealand industries to make every effort to adapt their production to shipping possibilities—*e.g.*, deboning, canning, or pressing meat.

“(3) Alternative markets to be developed wherever possible.

“(4) Reserve stocks of storable foodstuffs to be created up to certain quantities to be agreed.

“(5) The quantities to be stored to be determined in relation—

“(a) To probable demand during or after the war:

“(b) To the importance of the industry to New Zealand.

“(6) The financial burden of acquiring and holding these reserve stocks, pending their disposal, to be shared equally between the two Governments.

“(7) The payments to be made for produce acquired for the reserve stocks to be agreed between the two Governments. While it will be necessary to take due account of such matters as costs of storage, depreciation, &c., it is intended that the payments shall be fixed on such a basis as will so far as practicable achieve the objective of keeping the industry operating efficiently while avoiding the creation of unmanageable surpluses.

“(8) The detailed application of the above principles to be referred to competent representatives from the two countries.

“The New Zealand Government will be ready to collaborate in any discussions which may be convened within the British Commonwealth or internationally to consider marketing or related problems.”

NOTE.—In a letter addressed to the Right Hon. the Prime Minister, the Secretary of State for Dominion Affairs referred to the Prime Minister's desire that production in New Zealand should, so far as possible, be maintained at pre-war levels, and gave an assurance that the United Kingdom Government fully appreciated the importance which New Zealand attached to this point, and stated that within the limits of physical possibility the United Kingdom Government readily agreed that account should be taken of pre-war levels of production in determining amounts to be stored in accordance with paragraph (5) of the Statement of Policy in regard to New Zealand surpluses.

A parallel agreement in regard to surpluses was concluded between the United Kingdom Government and the Australian Government. It should be noted that the expectations of continuing large stocks in New Zealand of butter and meat during 1942 have not materialized, and at this date (31st August, 1942) liftings have been so satisfactory that stocks are below normal peace-time levels.