In May, 1941, the Hon. Frank Langstone (accompanied by Mr. G. A. Duncan, Director of Export Marketing) went to the United States of America to inquire into the possibilities of shipment to that country and to Canada of surplus meat and butter. Mr. Duncan subsequently went on to London to take part, with the Prime Minister, in discussions with the United Kingdom Ministeries of Food, Shipping, and Economic Warfare in regard to contracts for the sale of export products, particularly butter, cheese, and meat, and arrangements for dealing on a co-operative basis with surplus New Zealand products for the period of the war.

The object of the discussions was to establish a basis or target figure of annual production of cheese, butter, and meat for the period of the war and one year thereafter—this in order that farmers and the Government could plan for the future (subject to the inevitable exigencies of war) with some degree of certainty. The presence of the Prime Minister in London made possible discussions and decisions which came within the Ministerial sphere, and greatly assisted the securing of contracts for cheese, butter, and meat for the period of the war and one year thereafter. These contracts are outlined under appropriate headings in this report.

DAIRY-PRODUCE.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR THE 1940–41 SEASON.

The accounts presented with the report for the 1940–41 season covered purchases and sales of butter and cheese by the Department up to 31st July, 1941. These purchase and sale transactions showed a surplus of £130,799.

The final results of the operations for the complete 1940–41 season were :—

		£
Surplus on creamery butter		29,866
	£	
Surplus on cheese	118,829	
Less deficit on whey butter	81	
		118,748
Surplus on processed milk		3,067
		151,681
Recoveries from manufacturers of special milk products		308
Net surplus for 1940–41 season		£151,989

The final accounts for the 1940–41 season are shown in detail on page 21 of this report.

BULK PURCHASE OF 1941–42 SEASON'S BUTTER AND CHEESE BY UNITED KINGDOM GOVERNMENT.

The short details of the contracts for purchase and sale of butter and cheese are as follows :—

Butter.

(1) For the period of the war and one year thereafter New Zealand will aim to limit production of creamery butter for export to approximately 115,000 tons per annum, this figure to be reviewed annually in the light of the storage and shipping situations. The United Kingdom Goverment undertakes either (i) to lift this quantity as a Ministry of Food purchase, or (ii) to share responsibility under the agreed arrangement for dealing with surplus produce.

(2) Prices for creamery and whey butter to be the same as those ruling for the 1940–41 season. The full range of these prices is given on page 6 of the Department's annual report for the year ended 31st July, 1941, the basic purchase price for creamery butter (Finest Grade, 93 points and over) being 112s. 6d. sterling per hundredweight, delivered f.o.b. ocean steamer.

(3) Payment to be made in London as to 90 per cent. on shipment and 10 per cent. within twenty-eight days after arrival or estimated due date of arrival.

(4) The New Zealand Government to be responsible for storing butter and for placing butter on board steamers. In the event of storage capacity being in danger of becoming full, the two Governments to consult on measures best adapted to meet the situation.

Cheese.

(1) For the period of the war and one year thereafter, New Zealand to produce for export and the United Kingdom Government to purchase 160,000 tons of cheese annually. In the event of unexpected shipping difficulties, this contract to be reviewed.

(2) Prices to be: Finest and First Grade, 91 points and over, 70s. sterling per hundredweight, delivered f.o.b. ocean steamer ; Second Grade, 2s. per hundredweight less. These prices to be reviewed in May of each year, regard being given to changes in prices paid by the Ministry of Food to other sources of supply. (Note.—These prices represent an increase of 5s. 9d. sterling per hundredweight on the prices ruling for the 1940–41 contract, the increase being granted to meet costs in New Zealand of the change-over of supply from butter to cheese manufacture to attain the objective of 160,000 tons of cheese for export.)

(3) Payment to be made in London as to 90 per cent. on shipment and 10 per cent. within twenty-eight days after arrival or estimated due date of arrival. In the event of delay in shipment, the Ministry of Food undertakes to make payment amounting to 50 per cent. of the value of any cheese which has had to remain in store one month longer than would have been required by the agreed shipping schedules, and to make a further payment amounting to 40 per cent. of the value of any cheese which has had to remain in store three months longer than would have been required by the shipping schedule.