

Other details of the contracts for purchase and sale of creamery butter and cheese covering grading, storage, insurance, and weights are in accordance with the contracts for the 1940–41 season. It should be noted that the Ministry of Food excluded whey butter and Second Grade creamery butter from the contract of purchase, with a view to the processing of these butters into dehydrated butterfat in New Zealand for export to the United Kingdom. The development of the export of dehydrated butterfat is dealt with later in this report, and details are given of the contract with the Ministry of Food for the purchase of 10,000 tons in the period ending 31st July, 1943.

GUARANTEED PRICES, 1941–42 SEASON.

The guaranteed purchase-prices paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1941–42 season and exported were :—

					Per Pound. d.
Creamery butter (basic price)	..	..	..	..	14·89
Cheese (basic price)	..	..	..	..	8·42
Whey butter (First Grade)	..	..	..	..	13·89

The full range of guaranteed purchase-prices according to grade of the produce, and the conversion formulae used, are given on pages 7 and 8 of the Department's annual report for the year ended 31st July, 1941.

The purchase and payment procedure for dairy-produce was varied for the 1941–42 season, the new arrangements providing for payment to be made by the Marketing Department "in store" instead of at the point of f.o.b. ocean steamer as formerly. The terms of this new arrangement are as follows :—

- (a) Ownership will pass to the Government on the 11th day of the second calendar month after the month of grading, or on prior shipment; thus all August gradings not shipped before 11th October will become the property of the Crown on that date, September gradings on 11th November, and so on.
- (b) Payment in full to dairy companies will be made on the 11th day of the second calendar month after the month of grading, whether the relative produce has been shipped or not. (NOTE.—This arrangement represents, on average, payment eight weeks after grading.)
- (c) The procedure for payment, as it affects dairy companies, will be the same as that which operated in the past when making payments on shipment—i.e., remittances will be forwarded through companies' usual bankers and credit notes setting out full details of the payments will be posted direct to companies. The new procedure will not interfere in any way with obtaining of advances from banks on store warrants.
- (d) The Marketing Department will assume responsibility for payment of all storage charges and costs of placing produce f.o.b., and will deduct from payments due to dairy companies the equivalent of the first two months' storage and f.o.b. charges. These charges will be calculated on the rates current at the port of loading during the appropriate two-monthly period.

NOTE.—(1) The guaranteed purchase-prices to be paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1942–43 season and exported are: Creamery butter (basic price), 15·39d. per pound; cheese (basic price), 8·73d. per pound; and whey butter (First Grade), 13·89d. per pound. These purchase-prices represent increases for creamery butter of 0·5d. per pound and for cheese of 0·31d. per pound, and they raise the standard resulting average payments by dairy companies to their suppliers for butterfat for the 1942–43 season to 16·49d. per pound of butterfat for butter-manufacture and to 18·49d. per pound of butterfat for cheese-manufacture. The increases in the 1942–43 season guaranteed prices which have been referred to were granted as a war-cost allowance on the following bases :—

- (a) *Butter.*— $\frac{1}{2}$ d. per pound on creamery butter represents 0·61d. per pound of butterfat, of which 0·44d. per pound butterfat is 5 per cent. on the labour-reward factor (8·84d. in the guaranteed-price compilation), leaving 0·17d. per pound butterfat to offset other costs incurred.
- (b) *Cheese.*—0·31d. per pound on cheese represents 0·76d. per pound of butterfat, of which 0·44d. per pound butterfat is 5 per cent. on the labour-reward as in the case of butter, and 0·17d. per pound butterfat is allowed for other costs incurred. The remaining amount of 0·15d. per pound butterfat represents an increase in the allowance for cheese-factory costs from 3·5d. to 3·65d. per pound butterfat. This adjustment has been made to maintain the 2d. differential payment on a butterfat basis between butter and cheese suppliers.

(2) The conversion formulae used in the determination of the 1942–43 season prices as shown in note (1) above are :—

Butter.—Overrun, 21·75 per cent.; costs of manufacture and delivery to f.o.b., 2·25d. per pound butterfat.

Cheese.—Yield, 2·51 gross, 2·45 net; return from whey butter, 0·75d. per pound butterfat costs of manufacture and delivery to f.o.b., 3·65d. per pound butterfat.

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.