

7. If any increase credited to a stabilization account is paid specifically to cover increases in costs, including increase in costs held by subsidy paid or payable before the determined date, the account will also be debited with any part of that earlier subsidy which relates to increases specifically covered.
8. Any debit still remaining in a stabilization account on the closing of the account will be transferred to War Expenses Account.
9. Any credit still remaining in a stabilization account on the closing of the account will be used for the benefit of the appropriate industry after consultation with representatives of that industry, and no payment will be paid out of the account pursuant to this clause except with the consent of the producers' organization dealing with any products concerned; it being understood (i) that this shall not be construed as an undertaking that credits will be used at the time the scheme of stabilization ends; and (ii) that such credits will not be paid out in respect of produce sold during the period when the scheme of economic stabilization was in operation, (iii) that agreement will be reached within twelve months of the closing of the account.
10. Reasonable information concerning stabilization accounts will be made available to the producers organization dealing with the particular product. Reasonable information concerning the basis on which any increases under clause 5 have been arranged will be furnished from time to time to the Farmers' Federation.
11. The "determined date" will be 15th December, 1942, unless by agreement between the producers' organizations and the Government a different date is fixed to meet particular circumstances.
12. While this stabilization policy continues, prices for farm products be not allowed to fall below the level of prices ruling at the date that stabilization became effective (15th December, 1942), irrespective of the effect of internal or external markets.

I am pleased that agreement has been reached in these terms, which I formally approve, and I would be grateful to have your confirmation as early as possible.

Yours faithfully,
(Sgd.) D. G. SULLIVAN,
Minister of Industries and Commerce.

Letter dated 18th June, 1943, addressed by the Chairman of the Farmers' Federation to the Hon. the Minister of Industries and Commerce:

The Farmers' Federation,
Box 715, Wellington C. 1, 18th June, 1943.

The Honourable the Minister in Charge of Stabilization, Wellington.
SIR,—

I acknowledge receipt of your memorandum of the 18th June *re* Farm Products Stabilization Accounts, and I have to say that I have discussed the proposals contained therein with members of my Federation and am now in a position to agree to all of them as now set out.

Would you please accept this letter as confirmation of the acceptance by the Farmers' Federation of the terms, which I observe you have formally approved.

I am pleased, with you, that this agreement has been satisfactorily arrived at.

I have the honour to be,
Sir,
Your obedient servant,
(Sgd.) W. W. MULHOLLAND, Chairman.

Attention is directed to the Economic Stabilization Emergency Regulations 1942, and amendments to these regulations.

DAIRY-PRODUCE

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR THE 1941-42 SEASON

The accounts presented with the report for the 1941-42 season covered purchases and sales of butter, cheese, and processed milk by the Department up to 31st July, 1942. These purchase and sale transactions showed a surplus of £186,846.

The final results of the operations for the complete 1941-42 season were:—

	£	£
Surplus on creamery butter	26,668	
Surplus on cheese	204,461	
Surplus on processed milk	1,973	
	233,102	
Balance of Cheese "Change-over" Account, 31st July, 1942 ..	539,897	
Recoveries from manufacturers of special milk products ..	253	
Net surplus for 1941-42 season	773,252	

NOTE.—By agreement with representatives of the dairy industry the Cheese "Change-over" Account was discontinued and the balance at 31st July, 1942, transferred to the Dairy Industry Account. The final accounts for the 1941-42 season are shown in detail on page 29 of this report.

BULK PURCHASE OF 1942-43 SEASON'S BUTTER AND CHEESE BY UNITED KINGDOM GOVERNMENT

The outstanding feature of the negotiations between the New Zealand and the United Kingdom Governments in regard to details of the arrangements for export of butter and cheese for the 1942-43 season was the request of the United Kingdom Government that butter-supplies should be increased and cheese-supplies decreased. This request represented a reversal of the previously expressed desire of the United Kingdom Government that New Zealand should "change-over" from butter-manufacture to cheese-manufacture, and it necessitated arrangements with the dairy industry for a "change-back" from cheese-manufacture to butter-manufacture. In making the request the United Kingdom Ministry of Food explained that the "vicissitudes of war have fundamentally changed our dairy-produce position. Since we requested you to increase cheese-supplies at the expense of butter our fat position has been prejudiced by the loss of raw materials for margarine . . . while unexpectedly heavy quantities of cheese are now available on short haul from North America."

The Government and the dairy industry responded to the request, and a "change-back" from cheese-manufacture to butter-manufacture was made, details of which are given later in this report, page 11.

The short details of the contracts for purchase and sale of butter and cheese for export during the 1942-43 season are as follows:—