

audit work connected with the Division's trading has had to be curtailed or eliminated during the war years. It is hoped, with the return of staff, to commence this once more in the coming year.

During the year the Division decentralized its accounting procedure and now has self-contained accounting offices in Auckland, Hastings, Wellington, Nelson, and Christchurch.

Following the policy of the Public Service Commissioner, comprehensive staff-training within the Department has been inaugurated, as well as a full scheme to assist members of the Division who are returning after service with the Armed Forces.

Internal Marketing staff operates the Armed Forces' canteens. However, since their policy is determined by a Canteen Board, of which the Hon. the Minister of Defence is Chairman, their operations are made the subject of a separate report.

BUTTER SECTION

This year's problems, while in certain respects simplified by war conditions, have, on the other hand, presented new difficulties of their own. Butter rationing has enabled the Division to forecast the nation's requirements with much greater accuracy and has created important savings; but staff has become progressively more difficult to obtain or retain, laying considerably increased duties on those remaining. In consequence, several operations which were of great value to the Division and to the industry have had to be temporarily discontinued, particularly the comparisons of return between the factories with large local sales and those whose major output is exported. Rationing has made available the full anticipated quantity of butter for our kinsfolk overseas. (The figures of butter graded for export do not reveal the full saving, since they do not include sales to the Pacific Forces, which are made through the Division.) Moreover, without rationing, our local sales would probably have been increased by the general shortage of substitute fats for cooking and manufacturing. It appears at present that the need for edible animal fats overseas will be greater in the period immediately after hostilities. Should this cause a further decrease in the New Zealand butter ration, the Division's system of recording and accounting could handle this situation quickly in conjunction with the Food Controller.

Now that manufacturing dairy companies know from week to week the quantities they require for local sale, export cool stores can expeditiously allocate their space in accordance with anticipated arrivals. The Division can also more accurately assess the quantities required for storage for the winter period, when production is insufficient to supply local demand. Owing to the long winter, particularly in the South Island, it has been difficult in previous years to find sufficient storage near the large centres of consumption and from time to time it has been necessary to forward considerable quantities of butter from North Island sources to South Island consumption areas. Under rationing, less butter has been stored for winter and transfers have been negligible, with a saving in costs accordingly. The South Island during the year under review has actually had more production than sufficient for its own consumption needs and has been able to make quantities available for export.

EQUALIZATION

The Butter Equalization Account naturally has been affected by rationing, but it has not been lowered to the extent that might have been expected. The very favourable production weather in autumn and the lesser costs of holding butter for winter requirements and of transfers account for considerable saving. Civilian consumption was reduced by approximately 11,000,000 lb. of butter during the year, but as against this there was an increase in the sales for Armed Forces in the Pacific of approximately 4,000,000 lb. These Pacific sales are almost entirely in patted form and are handled by the Internal Marketing Division. Here the differential—*i.e.*, the difference between the export price for butter and that paid for butter consumed locally—accrues to the