it remained until the 1942–43 season, when it was fixed at 15·39d. The extra halfpenny is shown by other documentary evidence, though it is not so stated in the Order in Council itself, as representing compensation for increased cost of production. That price of 15·39d. stands until a further Order is made. In fact, no further Order has been made, and consequently there has been no alteration in the "guaranteed price," which has therefore remained unchanged at 15·39d. per pound. In the season of 1939–40 the New Zealand wholesale price for butter for local consumption was fixed at 16·5d. per pound, at which figure it has remained ever since. The retail price for butter for local consumption was fixed for the first time in 1941. It was fixed at 18d. per pound, and that price has ever since remained unchanged.

In the 1943–44 season, costs of production having increased, a system was adopted by the Government of making payment to the factories of what were called "costs allowances." In that particular season the costs allowance so paid was at the rate of 1·036d. per pound of *butterfat*. That represented the increase in the cost of production on the farm and in the factory. In the 1944–45 season the payment on account of costs allowance was increased to 3·178d. per pound of butterfat, and in the 1945–46 season it was further increased to 4·315d. per pound of butterfat. As already stated, the wholesale and retail prices for butter sold for local consumption were not increased during these periods.

It is to be observed that the article which the Government acquired for export and sold overseas was butter, *not butterfat*, and the Marketing Act, by necessary implication requires that what is called in the trade, though not by the statute, the "guaranteed price," shall be fixed in respect of the article so acquired and sold. It is a fact not without importance that while the guaranteed price is fixed in respect of the manufactured article, in the present case *butter*, the costs allowance is based upon *butterfat*, which is the unprocessed material. It need scarcely be pointed out that butter and butterfat are two different things, and that a pound of butterfat produces more than a pound of butter; and, as counsel for the industry admitted in reference to the guaranteed price and the costs allowance, "You cannot add them together, because one is butter and the other butterfat."

Every producer, whether his butter was exported or sold locally, has been paid the same price—that is to say, the guaranteed price fixed by Order in Council. In addition, the producer who has sold for local consumption has received the small extra payment representing the adjustment as between his additional cost of preparation of the butter for the local market and his saving in respect of cost of preparation had the butter been exported—we mention this item though it is of no importance on the aspect of the matter that we are now discusing. In addition to the guaranteed price as fixed by Order in Council, each producer, whether of exported butter or butter sold locally, has been paid or credited by the factory, as representing costs allowance, the amount allowed in respect of that item in each year from the 1943–44 season onwards. These costs allowances amount to a very large sum, and the Government claims that it is entitled to debit that sum to the Dairy Industry Stabilization Account. This claim, in so far as it represents costs allowance in respect of butter sold for local consumption, the industry disputes.

The Government has also, since the agreement was made, paid moneys by way of subsidy to the manufacturers or suppliers of various materials, some of such subsidies being new and some representing increases beyond the amounts paid as subsidies on subsidized articles prior to the 15th December, 1942. The Government claims the right to debit the whole of these moneys to the Dairy Industry Stabilization Account, and here again the industry contends that the Government is not entitled to debit so much of this item as is referable to butter which has been sold for local consumption.

As already stated, during all these seasons when costs allowances were paid, the guaranteed price under the last Order in Council—namely, the Order in Council of the