

between the British and New Zealand Governments in proportion to the value of fibre sold and shipped to the British Ministry of Supply and that sold to the local spinner. Negotiations are proceeding in regard to the valuation of the six factories which will be retained and operated by the Linen Flax Corporation. The fibre produced will be sold to Messrs. Donaghy's Rope and Twine Co., and the Linen Thread Co., who are proposing to open a spinning-factory in Dunedin. The fibre processed by these companies will be utilized in the production of various kinds of thread for the footwear and tailoring trades, seaming-twine, ham-cords, and a wide range of other cordage. In addition, the companies will produce yarn suitable for the weaving of canvas, fire-hose, and other woven-flax fabrics.

In production of linen-flax fibre the seed remains as a by-product available for the production of linseed-oil and cattle-cake. This has led to the establishment of a linseed-oil-producing plant in this country, which has absorbed all surplus seed from the linen-flax plants. To the end of March, 1946, the output of linseed-oil from the local factory exceeded 1,000,000 gallons. This has been a most welcome addition to our linseed-oil supplies, because the available quantities of this oil are far below the level of world demand.

TOBACCO

The 1945 harvest resulted in a record-breaking total of leaf, a very satisfactory and desirable achievement, in view of the aim of the Government and of the Tobacco Board to effect an increase in the percentage of domestic leaf, which manufacturers are required to use over their total manufacture.

The basic average prices of tobacco leaf for the 1945 harvest were 2s. 0½d. per pound for flue-cured and 1s. 9½d. per pound for air-dried leaf, and were fixed by the issue of a Price Order by the Price Tribunal. These prices were 1d. in advance of those of the previous season. Prices were increased still further in respect of the 1946 crop to 2s. 2d. (flue-cured) and 1s. 11d. (air-dried).

Climatic conditions during the 1944-45 season were, in the main, abnormal. Temperatures during the spring and early summer months were much below average, and right throughout the season night temperatures were relatively cool. Sunshine was also less than usual. On the other hand, the rainfall was consistently high during the growing period and even on the coarser sands it was not necessary to irrigate. A frost on the 20th March spoilt some leaf, particularly in the Tapawera and Stanley Brook districts. In view of the seasonal conditions that obtained, the quality of the crop, in the main, was good.

During the year under review the Board contributed £530 14s. towards the cost of the programme of tobacco-research work carried out by the Tobacco Research Station. The total amount so far contributed by the Board for this is £6,848.

During the year covered by this report a fund was established for the purpose of compensating tobacco-growers for loss of leaf caused by frost, hail, and flood. On the recommendation of the Hon. Minister of Industries and Commerce, Cabinet decided to assist in the establishment of an Insurance Fund by way of guaranteeing any deficiency in the amount of the fund up to a specific limit for a period of five years after its establishment. The limit of the Government's liability in each of the first five years will be the difference between the amount of the fund and £10,000, which was considered a reasonable figure to enable the fund to be maintained by the growers themselves. The Government guarantee was granted subject to the Tobacco Board being willing to set aside £2,500 from its Accumulated Fund, and to increase levies which it makes on the tobacco-growers, so as to provide a further amount of not less than £1,500 per annum to assist in the building-up of the fund. The necessary measures were taken by the Board to comply with the Government's guarantee, and regulations under the Tobacco-growing Industry Act, 1935, were gazetted on the 14th June, 1945, providing for compensation in respect of leaf of the 1945 crop that was totally destroyed by frost, hail, or flood.