some major producing countries in the Northern Hemisphere due to the accumulation of excessive inventories, especially in the lower grades, but there is little doubt that much of this timber would move into consumption if the labour-cost element in building-work were stabilized at reasonable levels. While the net effect naturally has been to depress prices slightly in these countries, elsewhere there has been little alteration, although it is the general consensus of opinion that the peak of timber prices has been passed. On the other hand, it is far from impossible that once currency difficulties are overcome and building-labour costs reduced by an improvement in the supply of both man-power and raw materials the full force of the pent-up demand will send prices higher still.

Not until supply comes into balance with demand in about ten years' time is any marked stability in prices likely to be attained. Recent estimates as to the level of such prices range from 30 per cent. to 50 per cent. above pre-war f.o.b. values, with shipping freights from 50 per cent. to 100 per cent. above pre-war figures. Meantime, prices are estimated to remain at fairly high levels, and there is little doubt that over this period New Zealand exotic softwoods should be strongly competitive on the Australian and Eastern markets. It is even conceivable that if demand does develop to the high level anticipated, and particularly if currency difficulties persist, New Zealand timber could be sold on the British markets.

The forward shortage in respect to world pulp and paper supplies does not appear to be nearly so acute. This was the finding of both FAO and the fifth British Empire Forestry Conference, and it is an inescapable conclusion that any establishment or expansion of the pulp and paper industry in New Zealand for other than domestic consumption should be approached much more cautiously than the expansion of the exotic softwood industry for general export. Of paramount interest to the Dominion is the great importance attached by the fifth British Empire Forestry Conference to the principle of integrating the various forest products industries—sawmill, veneer, pulp, and paper mills, &c.—so as to use the whole of the raw forest material to maximum economic effect.

The task of utilizing the huge exotic forest resource calls for a bold and audacious attack. All previous conceptions of logging, sawmilling, and other means of utilizing either the indigenous or exotic forest resources must be abandoned. The immensity of the task, as measured both by the output and by the operating economy which must be achieved, makes it virtually impossible for the rugged individualism of the *laissez-faire* period to be any longer capable either physically or financially of adequately coping with the problem. A new class of organization with the character of a public corporation, in which private enterprise and Government shall be associated, is suggested as the best means of developing the sawmilling and pulp and paper industry on a scale and to a standard commensurate with the resources and markets available. The present and the immediate future offer an unparalleled opportunity of development and constitute a challenge to the enterprise and resourcefulness of the Dominion. Forest products, in fact, have greater potentialities than any other product—either primary or secondary—for improving the country's external trade balance, particularly with Australia, and this advantage, combined with that of high employment, promises a substantial contribution to New Zealand's social and economic progress.

11. *Forest Finance.*—The financial concept of the Forests Act is undoubtedly the poorest of all the provisions of the enabling legislation. Under its provisions all activities of the Forest Service have been financed by loans in so far as revenue has been insufficient to meet full costs, and this regardless of the fact that projects may or may not have been proper investments for loan-moneys. Revenue from the exploitation of indigenous forests has been treated as a fund for meeting the general administrative expenses and for assisting General Government and local-body finance, and the financial responsibility for replacing the exploited forests has never been recognized