contracts to 30th September, 1950, was reached in terms of the following extracts from letters exchanged between the New Zealand Government and the United Kingdom Minister of Food :—

Extract from letter from United Kingdom Minister of Food (dated 19th July, 1946) to the High Commissioner for New Zealand :—

Ministry of Food
Montagu House,
Whitehall,
London, S.W. 1.
19th July, 1946.

DEAR JORDAN,—

Following our talk with Mr. Nash on the 3rd June in connection with the review of the existing contracts for the supply of meat and dairy produce, Mr. H. E. Davis submitted on the 7th June your detailed proposals for meat and these were considered at meetings on 20th June and 3rd July between our respective officers.

As a result of the discussion that then took place, I am now able to make the following proposals ; if they are agreeable to you, I think we may then regard the general principles and the more important details as having been settled between us, leaving the loose ends to be clewed up departmentally.

PRICES

You submitted data showing the movements in costs of meat production since 1939 and on the basis of that data asked for an increase of 43⅓ per cent. on B.P. 1 prices as compared with the increase of 33⅓ per cent. agreed for the first two years of the current contract. The figures submitted were very comprehensive and no doubt you will realize that without much more information about the conditions in New Zealand we were not able to examine them in any detail. We noted the paragraph at the end of the accountants' covering memorandum about the effect of increased wool prices on increased costs and also the explanation of your officers on this, which was developed further in Mr. H. E. Davis' letter of 1st July to the effect that the increased wool prices should not, for the purposes of our discussion, be regarded as an offset to the increased costs of meat production. We might wish to revert to this question in a subsequent review but for the purposes of the current review we will accept the submitted figures as they stand as evidence of your increased costs.

We note that in your submission you mention "a moderate addition to the costs shown in the survey is taken into account" to assist in the replacement, at higher than pre-war costs, of fertility reserves that have been run down during the war. In the discussion between officials, we pointed out that your published accounts showed that certain monies out of the prices wer were paying were being retained by the New Zealand Government for the benefit of the industry and we suggested that this was inconsistent with the present claim that higher prices were required to meet increased costs. Mr. Ashwin explained that these monies were being held for payment to farmers at a later date so that they could undertake essential renewals without inflating prices. It seems to us that we should reserve the right to reconsider this particular aspect of the matter at any future price review.

All this notwithstanding, we accept your figures as a basis for the increase in the prices to be paid during the meat year, 1st October, 1946–30th September, 1947.

Either party is, of course, at liberty under the contract to raise the question again next year in respect of the price for supplies in the following meat year, but I would not like, at this stage, to agree that in future reviews we would necessarily follow any further increases in production costs. I think I made it clear at our talk that in my opinion prices must always be the subject of negotiation and that factors other than production costs may have to be taken into account at future price reviews. At the same time I readily agree that changes in the costs of production must always be regarded as an important factor and will always be taken into account.

Exceptionally, you asked for a further 5 per cent. increase for pig meat, making a total increase of 48⅓ per cent. over B.P. 1. We were reluctant to agree to this in today's conditions, having regard to the fact that the pig is generally a competitor for grains which are so urgently needed for direct human consumption. We were told, however, that pigs in your country are fed mainly on dairy factory by-products, which cannot at present be processed for human consumption, and on green feed and roots, and that your request was based mainly on an exceptional increase in the costs of labour in what has proved difficult and uncongenial work. On your assurance that the increased price will not lead to any increase in the consumption by your pig herds of grain which otherwise would be available for human consumption, we are prepared to agree to the increase for which you ask.

As regards the prices to be paid for offals, including pig offals, it seemed to us that, as meat offals are a by-product only in the processing of meat, there should be no further increase in these prices and that the extra price to be paid for meat should be regarded as fully satisfying the need for covering your increased meat production costs. In view, however, of the discussion on the 3rd July with your officers on this point, we are agreeable to an increase of 43⅓ per cent. over B.P. 1 prices for all offals, including pig offals, on the distinct understanding that you ship to us the whole of the offals arising from your meat exports. A formula to assess the quantity of offals we should receive under such an arrangement can be left for settlement between our officers.