

processed cheese was in some areas taking the place of cheddar cheese, accumulated stocks of cheddar cheese in excess of their own market requirements. Some quantity of matured cheese in the Auckland area was exported in order to relieve merchants. There was no particular difficulty in regard to the export of these quantities except that it reflected some loss to the merchants concerned and was not entirely satisfactory to the Export Division. The situation, however, was immediately brought into order by the Food Controller altering the procedure from an annual basis to a three-monthly permission for each cheese-factory in regard to quantities manufactured for the New Zealand market. This new procedure reflects an improvement on previous conditions and enables the Food Controller, in conjunction with the Division, to take action at any time during the year to deal with what would otherwise be an accumulation of cheese-stocks.

During the period under review arrangements were finalized between the dairy industry and the Government for a change in the method of payment to producers whereby the payment of subsidy on butterfat was discontinued, and payment is now made comprising the full-grade guaranteed price per pound of cheese. Payments for export quantities are made direct by the Dairy Products Marketing Commission, but the return from local sales is received in the form of the wholesale price to the agent or retailer, the cheese local price having been adjusted to conform to the guaranteed price returned plus allowed costs, so that no subsidy is now payable and no equalization takes place.

It is anticipated that as soon as the Dairy Products Marketing Commission has completed its regulations, the Commission will take over the organization of the local sales of cheese, and there are some problems facing the Commission which have not been completely solved by the Division. One of these will be to give consideration to some system of encouragement for a higher-grade quality of cheese, which, though not at present pressing, will become more so in post-war marketing.

Consideration is also being given to the place of processed cheese in the general organization of the cheese industry. This matter was brought forward for discussion at the Dairy Board's annual conference, and no doubt will be discussed with the Commission, as under future conditions it appears that processed cheese will come more and more into competition with cheddar varieties, and at the present time it appears obvious that the local market will absorb greater quantities of processed cheese, which is increasing in popularity with the consuming public.

A further matter will be some consideration of other varieties of cheese for which there will be a market in New Zealand. At the present time, with the requirements of Great Britain in view, it would be inopportune to commence manufacture on any large-scale method other varieties of cheese. At the same time, in the future it would appear that cheese such as Cheshire, Stilton, and possibly other varieties again would find a ready and consistent sale which might be of interest and advantage to the whole industry.

These matters, however, will not come into prominence in the meantime, but it is suggested that some investigation and probably experimental quantities could be produced in advance of the time when it would be advisable to supply them to the New Zealand market.

The Internal Marketing Division has been instructed by the Hon. the Minister of Marketing to work in close conjunction with the Commission and to carry out any work required by the Commission. Discussions have taken place in regard to the usage of cheese-crates which may be unnecessary in many instances for local sale of cheese as the use of crates where they are not strictly necessary reflects an uneconomic waste. The Commission is anxious that the situation should be surveyed and that any steps which may be taken to eliminate waste in this direction should be taken as early as possible.

In the wholesale price for local cheese the use of crates was taken into consideration, and the price for crated cheese is not so attractive as that for uncrated quantities. There would appear to be no particular reason why uncrated cheese should be shipped