

1948
NEW ZEALAND

LINEN FLAX CORPORATION OF NEW ZEALAND

(SECOND ANNUAL REPORT OF THE)

Presented to both Houses of the General Assembly by Act

YOUR EXCELLENCY,—

Wellington, 13th July, 1948.

I have the honour to submit for your Excellency's information the second report of the Linen Flax Corporation of New Zealand for the period ended 31st December, 1947.

I have, &c.,

A. H. NORDMEYER,

Minister of Industries and Commerce.

His Excellency the Governor-General of the Dominion of New Zealand.

SIR,—

Wellington, 13th July, 1948.

I have the honour to submit the second annual report of the Linen Flax Corporation. This report deals with the principal operations of the Corporation for the period ended 31st December, 1947.

I have, &c.,

F. JOHNSON, Chairman of Directors,

Linen Flax Corporation.

The Hon. A. H. Nordmeyer,

Minister of Industries and Commerce.

REPORT

INTRODUCTION

THE 1947-48 season, which opened most favourably, proved ultimately to be one of the most disappointing experienced by the industry. This was due to an attack of flax-rust (*Melampsora lini*) of greater severity than ever before experienced or considered possible. Only in the Winton district of Southland did the crop escape, and here the yields were slightly above the average. In Canterbury, however, yields were reduced from a previous average of 2 tons per acre to one of 1.2 tons per acre, accompanied by a serious depreciation in fibre-quality. The only redeeming feature lay in

the fact that, although severely attacked by rust, the fibre content was maintained at a reasonably high level, and, since the crop is valued and purchased on a basis of fibre content and quality, growers received a satisfactory price per ton of crop.

The area sown amounted to 4,536 acres, of which 3,954 acres, or 87 per cent., was harvested for fibre. This proportion is somewhat lower than usual, occasioned by the fact that only 61 per cent. of the crop in the Methven district proved suitable for fibre production, the balance failing to attain the requisite height.

The area harvested for fibre yielded 5,387 tons of crop, or 1.36 tons per acre over all factories, a marked reduction below the average of previous seasons, which has exceeded 2 tons per acre. The crop was purchased on a fibre-percentage basis of 10.47 as against that of 11.06 for the 1946-47 crop. Since the 1947-48 crop will be processed during 1948-49 it will have no influence on the financial results for 1947 presented in this report.

FACTORY PRODUCTION, 1947

During the year 8,534 tons of crop was processed, and this yielded 623 tons of fibre equivalent to 7.3 per cent. on crop weight.

In the following table is recorded the tonnage of various products :—

	<i>Production, 1947</i>				Tons.
Scutched fibre	..	..	..	..	623
Rescutched tow	..	..	..	..	367
Upholsterer's tow	..	..	..	..	130
Seed	..	..	..	..	801
Meal	..	..	..	..	526
Total	..	..	..	..	2,447

EMPLOYMENT

The Corporation employed 267 workers at the six factories, and paid wages amounting to £92,466.

Administrative staff at factories and Head Office, Christchurch, numbered 36, and salaries paid were £17,140.

SALES

Arising out of a wartime agreement, extended after the cessation of hostilities with Germany, the Corporation shipped to the British Government in the period under review 347 tons fibre and 285 tons of tow. Sales to Donaghy's Rope and Twine Co., Ltd., accounted for 271 tons of fibre and 141 tons of tow. Nine hundred and eleven tons of seed were sold, including 116 tons shipped to the Commonwealth of Australia for resowing purposes. Five hundred and eighty-three tons of linmeal were disposed of in New Zealand, used as an ingredient in stock-foods.

Total value of all sales amounted to £226,168.

FINANCIAL RESULT

The 1947 financial year opened with work in progress comprising crops grown for the British Government, and closed with straw stocks of the 1946-47 crop, the exclusive property of the Corporation. Thus during 1947 approximately 50 per cent. of the straw processed was the property of the British Government, the other 50 per cent. was processed by the Corporation, and from it has derived its first source of revenue.

After providing interest at 4 per cent. on loan capital, representing a payment of £6,092, the accounts show a net profit of £329. This small profit is due to the conservative policy of the Directors in having work in progress valued at the lowest possible figure.

LIQUIDATION OF CAPITAL ASSETS

The liquidation of factories other than those retained by the Corporation (six) is nearing completion. The agreement with the British Government is that the capital loss will be shared in the relation of total fibre sold to local spinners and the value exported to the United Kingdom. The ratio will be approximately 85 per cent. to 15 per cent., the latter being the liability of the New Zealand Government.

SELLING-PRICE

The average selling-price fixed by the British Board of Trade for the supply of fibre is approximately £247 10s., and a small quantity of 15 tons will complete the agreement with the British Government. Irish growers are receiving £(N.Z.)324 12s. for their 1948 crop. The average selling-price of fibre by the Corporation to the local spinners is £294 6s. At this price the local company can supply seaming-twine, ham cords, &c., at prices lower than can be imported for similar grades.

SALES OVERSEAS

The Corporation has appointed Messrs. Malcolm and Co. as selling agents in the United Kingdom and the Continent of Europe, and various parcels of tow have been disposed of at satisfactory prices. In addition, the Corporation recently shipped 50 tons of machine-scutched tow to Oregon (U.S.A.) Flax Textiles, Inc.

The following is an extract of a letter recently received from Oregon Textiles (Inc.), U.S.A. :—

This shipment (50 tons of tow) finally reached our hands and we found it very satisfactory. We are deeply interested in your product and hope to be able to purchase more of it in successive crops.

The growing and processing of linen-flax fibre in New Zealand can be described as a "natural" industry as it combines a primary with a secondary industry and is providing an essential requirement for primary industries at lower prices than can be obtained under present conditions from overseas.

The establishment of the industry in New Zealand in 1940 on behalf of the British Government has demonstrated the possibility of this industry being carried on on a permanent basis. Of the sixteen factories which were erected during the war period, six have been retained to supply New Zealand's requirements of fibre for the production of spun products, such as seaming-twine, ham cords and heavier type of sewing threads, &c. All these products are being produced by Messrs. Donaghy's Rope and Twine Co., Ltd., who have met the position by the installation of further spinning machinery at a substantial capital cost, and the company is now able to meet all the requirements of the Dominion in the above products, which are, in the main, used by the farming community.

A further development of the industry lies along the lines of weaving suitable yarn into canvas, fire hose, and other woven products, and the Directors propose to give this further development careful consideration in the future as an extension of the present spinning activities.

F. JOHNSON, Chairman of Directors.

J. W. HADFIELD, General Manager.

THE LINEN FLAX CORPORATION OF NEW ZEALAND
STRAW PURCHASE ACCOUNT, YEAR ENDED 31ST DECEMBER, 1947
(Figures to the nearest pound)

<i>Dr.</i>	£	<i>Cr.</i>	£
Crop purchases	73,978	Cartage in (recoveries)	818
Pulling	1,689	(Cost of Production Account (prime cost transferred))	82,387
Labour supplied to grower	109		
Expenses of fibre determination	1,328		
Interest to growers	104		
Stacking	4,782		
Minimum payments on reject crops	1,215		
	<u>£83,205</u>		<u>£83,205</u>

COST OF PRODUCTION ACCOUNT, YEAR ENDED 31ST DECEMBER, 1947

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchases of straw (prime cost transferred)	82,387	Work in progress (31st December, 1947)	44,319
Work in progress (1st January, 1947)	44,575	Stocks of tow, seed, and meal	11,776
Stocks of tow, seed, and meal (1st January, 1947)	10,807	Sales of—	
Factory salaries	11,780	Seed	29,922
Power and light	3,195	Tow	27,046
Cartage	7,251	Meal	4,562
Rents, rates, and taxes	817	Rents received and sundry revenue	1,693
(Compensation and workers accident insurance	1,708	Trading Account (cost of production transferred)	152,325
Processing	74,339		
Maintenance	17,944		
Fire insurance reserve	2,481		
Depreciation	6,992		
Factory, office, and travelling expenses	1,275		
Interest on loan capital	6,092		
	<u>£271,643</u>		<u>£271,643</u>

TRADING ACCOUNT, YEAR ENDED 31ST DECEMBER, 1947

<i>Dr.</i>	£	<i>Cr.</i>	£
Cost of Production Account	..	Sales of fibre	..
Stocks of fibre (1st January, 1947)	..	Stocks of fibre	..
Export charges and fibre store insurance	..		..
Profit and Loss Account (gross profit transferred)	..		..
	<u>£167,274</u>		<u>164,638</u>
			<u>2,636</u>

PROFIT AND LOSS ACCOUNT, YEAR ENDED 31ST DECEMBER, 1947

<i>Dr.</i>	£	<i>Cr.</i>	£
Salaries	..	Trading Account	..
Travelling-expenses	..		..
Directors' fees and expenses	..		..
Audit fees	..		..
General expenses, telephones, and postages, stationery, Head Office rent, heat and light, exchange, discount	..		..
Profit and Loss Appropriation Account (net profit transferred)	..		..
	<u>£10,368</u>		<u>10,368</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT, YEAR ENDED 31ST DECEMBER, 1947

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance (net loss on United Kingdom crops processed, 1946)	..	Claims Account (United Kingdom share, 1946 trading loss after charging 3 per cent. interest on capital)	..
Balance	..	Profit and Loss Account (net profit transferred)	..
	<u>£6,375</u>		<u>6,448</u>
			<u>329</u>
			<u>£6,375</u>

