1915. In this month the Government statistics of wheat-production, based on the threshing returns, were published. These disclosed a considerable surplus, and the price of wheat steadily declined until November, 1915, when it had receded to 4s. In December, 1915, wheat rose again as high as 6s., as there was a fear that the late frost and the continued dry weather had affected the growing crops. In January of the present year prices fell sharply to 5s. 3d., 5s. 4d., and towards the end of February to 4s. 5d. and 4s. 7d. During March the price varied from 4s. 4d. to 4s. 7d.

5. Although the price of flour naturally follows the price of wheat, the prices of bran and pollard vary independently of the price of wheat from extraneous causes—*e.g.*, demand in Australia and New Zealand for the purpose of feeding stock. During 1912 and until the end of March, 1913, flour remained steady at £8 10s. a ton. In April, 1913, it rose to £9, and remained at this price until February, 1914, when there was a further rise to £10 ; in June and July the price mounted rapidly to £12, and in August, prior to the war, it was £12 10s. Immediately war broke out there was a further rise to £13. During the month of September the price receded to £11 15s., followed by an immediate rise to £13, at which figure it remained until January, 1915, when it rose to £15 10s., in February to £16 10s., and in March to £17 10s., and remained at this level to July, when the price rapidly receded to £15, and continued falling during August and September, when it touched £12 10s. In November a further drop to £11 10s. took place, followed in December by a recovery to £13 10s., at which price it remained until March of the present year, when it again dropped to £13 in Christchurch and £12 10s. f.o.b. Timaru and Lyttelton.

6. The price of pollard exhibited somewhat similar fluctuations to the price of flour. During 1912, and until June, 1914, pollard remained at £6 per ton, and in July, 1914, rose by 10s. From the outbreak of the war till January, 1915, the price mounted steadily until it reached £9 per ton, and six months later a further increase to £9 10s. occurred. In August the price dropped suddenly to £8 per ton, and in September was back to the original level of £6. In October the price again rose to £7 10s. ; in November to £9, at which figure it remained till March of this year, when it dropped to £6 10s. When our inquiry opened in March–April of this year the average price was £6 per ton.

7. During 1912–13, and to the outbreak of the war, the price of bran was never higher than £4 10s. per ton and never lower than £3 10s. In September following the outbreak of the war it reached £5 15s., and rose rapidly during October and November to £7. It remained at this figure until April, 1915, when a further rise to £7 10s. took place, and during May, June, and July the price mounted rapidly till it reached £8 10s., at which figure it remained till September, when it fell with equal rapidity to £6 10s., in October to £5 10s., in December to £5 ; and, with the exception of a rise of 10s. in February, 1916, it has continued to fall until the opening of our inquiry of this year, when the price reached a level as low as in 1912—viz., £4.

8. The price of bread in Christchurch from June, 1912, to March, 1914, was 6½d. delivered. On the 2nd April, 1914, the price rose to 7d., and remained at this price until the 10th September, 1914, when it was advanced to 7½d. In January, 1915, a further rise to 8½d. took place, and in March of the same year bread was selling at 10d. This price was maintained till July, when it dropped to 9½d., in August to 9d., and on the 15th September to 8½d. From this date till our inquiry opened on the 29th March, 1916, the price remained at this figure.

The cost of delivery, in the opinion of the majority of the master bakers examined, amounted to at least 1½d. An examination of the delivery costs of a number of bakers convinces us that in an average business this is not an unreasonable charge to make. It could, of course, be considerably reduced if the delivery were made from one distributing-centre. In Nelson we were assured by one baker it costs only half the amount set out above where motor delivery has superseded delivery by horse and cart.

In most bakery businesses over-the-counter sales are discouraged, the reason given being that they disorganize the delivery without reducing its cost. We are of the opinion, however, that over-the-counter sales should be encouraged, and that a relative over-the-counter price should be insisted on by legal enactment. Where people are willing to call for their bread and pay cash they should not be penalized by having to pay the same amount as if it were delivered at their door. In another part of this report we make a recommendation dealing with this aspect of the question.

9. As a good deal of discussion has taken place on the disparity in price between, say, the quantity of wheat sufficient to make a ton of flour and the price the ultimate consumer pays for the manufactured article, we have thought it advisable to set out the facts as accurately as they could be obtained from the evidence before us. We take it as established that 46 bushels of good milling-wheat will produce a ton of flour, but many millers in giving evidence allowed 48 bushels to the ton, and probably this season, owing to the poor quality of the wheat, 48 bushels is not too much to allow. We further take it as established that 670 4 lb. loaves can be produced from a ton of flour weighing 2,000 lb. Various estimates ranging from 640 to 710 loaves were given by bakers. We believe, however, that 670 loaves is a fair average. The prices obtainable by farmers for milling-wheat at the time of our inquiry ranged from 4s. 4d. to 4s. 9d. according to grade, and would average 4s. 7d. a bushel. The farmer would therefore receive for his wheat on the basis we have assumed 46 times 4s. 7d. = £10 10s. 10d. Railage to mill and commission average 3d. per bushel = 11s. 6d. The miller therefore pays for his wheat at the mill £11 2s. 4d. plus the cost of sacks.

The cost of manufacture into flour differs considerably according to the capacity, output, and efficiency of the plant. In fact, no two mills gave similar results. After comparing the whole of the returns furnished us and closely analysing the items included, we have come to the conclusion that the manufacturing cost per ton of a plant with an output of 5,000 tons yearly, working on the average two shifts, amounts to £1 7s. 6d. An addition must be made for charges to f.o.b., and selling commissions and discounts, and an allowance for offal must be taken into account.