

Taking as the basis of calculation 46 bushels of wheat to a ton of flour, the cost of a ton of flour will work out as follows :—

	£	s.	d.
46 bushels at 4s. 10d.	11	2	4
Cost of manufacture*	1	7	6
Railage to f.o.b.	0	3	7½
Commission and discount as on selling-price of £13	0	13	0
	13	6	5½
Less allowance for offal at mill	1	7	8
	£11	18	9½

Interest on capital has not been included in the above calculation, and no allowance has been made for bad debts.

The above shows a profit to the miller of £1 1s. 2½d. per ton. If 48 bushels is taken as the basis the profit would amount to 9s. 8d. less.

Turning now to the manufacture of the flour into bread, and taking the conditions in Christchurch as a standard, we find the cost to be as follows :—

	£	s.	d.
Flour	12	13	6
Potatoes	0	8	0
Yeast	0	3	6
Salt	0	2	0
Improvers	0	5	0
Firing	0	12	6
Lighting	0	1	6
Power	0	1	0
Depreciation	0	5	0
Rent	0	10	0
Wages	2	10	0
Stationery and rates	0	1	6
Insurance	0	1	6
Incidental	0	2	6
	17	17	6
Delivery	4	2	6
	£22	0	0

At 8½d. delivered the profit to the baker would amount to £1 10s. 5d. per ton. An average bakery would deal with 3 tons of flour per week, and the profit shown, in our opinion, is reasonable.

10. Fluctuations in local prices are the result of causes which operate not in New Zealand alone but throughout the whole economic world. A comparison between New Zealand and England wheat-price movements over a long period shows that they rise and fall in unison, and this sympathy of movement is too pronounced to be merely coincidence. Prior to the outbreak of the war the prices of wheat and flour showed a tendency to rise throughout the world, owing to a decrease in world production, and New Zealand prices were rising in sympathy. This movement was totally unconnected with the question of whether there was or was not a sufficiency in the local market for home consumption.

11. On the outbreak of the war, however, world prices soared rapidly, due to five main causes :—

- (a.) There was an immediate rise in freights between wheat-exporting countries and England, due mainly to increased war risks and the withdrawal of tonnage from mercantile to war purposes.
- (b.) There was an obstruction of supplies not only in the zone of conflict but in eastern Europe, due to the closing of the Dardanelles.
- (c.) The shortage of supplies mentioned above was now generally known, the amount of the world shortage being at least 10 per cent. in comparison with the year immediately preceding.
- (d.) There was an actual destruction of growing supplies in both France and Poland by the invading Germans.
- (e.) Lastly, the psychological factor—the fear of famine prices—caused somewhat of a panic in the chief wheat-markets.

12. In normal years the price of wheat in New Zealand reaches its maximum in the months of October and November, and begins to fall in December in anticipation of the new season's yields. In 1914, however, it was known by December that the Australian crop would be a complete failure; underestimates of New Zealand's wheat acreage were given general credence in spite of reassuring statements to the contrary from semi-official sources. These two local factors accelerated the upward price movement, and accentuated the difficulties of a position already acute for the reasons detailed in the preceding paragraphs. By September wheat was selling at 5s. per bushel and flour at £13 per ton, a rise of 25 per cent. and 20 per cent. respectively on the prices ruling immediately prior to the outbreak of war.

* Includes wages, sacks, power, depreciation, interest on stocks, management and clerical, rates and taxes, and other charges.