Up to the end of October, 1916, no substantial rise took place in the prices of wheat or flour. On the 26th October the price of wheat was 4s. 10d. to 5s. 2d. f.o.b. Lyttelton; the price of flour £12 f.o.b. at the same port. There was enough wheat in the Dominion according to the returns of the Government Statistician to meet our normal requirements until the end of February, and the prospects of the coming harvest were at this date particularly bright. The regulating influence of Australia on the prices of these two necessary commodities was still felt, but on the 31st October a strike occurred in Australia which threatened to disarrange shipping between Australia and New Zealand, and during the month of November the prices of wheat and flour rose as follows: Wheat, from 5s. 2d. to 6s. 3d. and 6s. 6d. f.o.b. Lyttelton; flour, from £12 to £15 f.o.b. Lyttelton.

As far as the Board could ascertain, the threatened interruption of our communications with Australia and the difficulty of orders for wheat and flour being fulfilled there, as the result of the strike, were the only explanations of these abnormal rises in prices. The opportunity occurred to the holders of wheat and flour to take advantage of the situation created by the Australian strike suddenly to advance prices, and they availed themselves of it. On the 7th December the Board was furnished by the Government Statistician with the following figures, showing the result of his annual wheat and flour census taken on the 30th November each year:—

STOCKS OF WHEAT AND FLOUR.

—	Flour.	Wheat.		
		In Grain.		In Stack.
		Milling.	Other.	
	Tons.	Bushels.	Bushels.	Bushels.
Millers	3,116	1,055,923	17,155	..
Merchants	2,162	443,182	61,568	30
Farmers	170	222,075	53,019	16,652
	5,448	1,721,180	131,742	16,682

With the above data available, disclosing the actual holders of the bulk of the wheat and flour to be the millers and merchants, the Board recommended on the 8th December, as a temporary expedient, that the duty on flour should be remitted. Unfortunately the return did not show the ownership of the wheat or flour in store, and it was therefore impossible to say that the millers and merchants were alone responsible for the movements in prices during November to the detriment of the consuming public.

It appeared to the Board at this stage that the time had arrived when Government control of the wheat trade in New Zealand was both necessary and desirable in the public interests. November's experience showed the danger of the policy of non-interference. With the object in view of evolving a scheme of control that, whilst being effective, would stabilize prices and disturb trade as little as possible, and also with the object of encouraging the production in New Zealand of sufficient wheat to satisfy local requirements, the appointed members of the Board recommended the Acting-President of the Board, the Hon. W. D. S. MacDonald, to call a conference of wheat-growers in Christchurch and discuss the matter with them. A conference was accordingly held on the 14th December, and, after the Acting-President had outlined the situation to the delegates, a sub-committee was chosen to meet the appointed members. The sub-committee subsequently reported the result of its deliberations to the full conference, and the following resolutions were adopted:—

(1.) It is desirable for the Government to fix the maximum price of wheat for the period of the war and the season after.

(2.) That in carrying out the scheme all wheat and flour shall be handled at reasonable rates by merchants, millers, and bakers, and thus ensure that the consumer gets the product at reasonable prices.

(3.) That the maximum price for best-quality milling-wheat shall be 6s. 3d. on trucks at country stations.

(4.) That in the opinion of the conference the Government should do all in its power to arrange an adequate supply of teamsters and ploughmen throughout the year.

The resolutions hardly conveyed the trend of the discussion, the underlying idea of which was the necessity of the Government guaranteeing that the grower should receive the price fixed irrespective of the quantity grown; but whether this could best be accomplished by the Government becoming the absolute purchasers of the whole crop, or by the fixation of maximum prices, or in some other manner, was a question of detail. It was felt that in the then unsettled state of the world's prices, if the farmer was to take the risks of cropping, the prices in New Zealand should be assured for the period of the war and a season after.

The Board invited from the conference evidence regarding the cost of production of wheat during the war period as compared with pre-war conditions. Nineteen representative farmers attended before the appointed members and supplied estimates of the cost of production under present conditions, varying from £5 10s. to £8 per acre. Included in the cost in every case was an allowance for interest at from 5 per cent. to 6 per cent. on the value of the wheat land for a period varying from one and a half to two years.