What was a fair and reasonable price to fix for wheat in the circumstances detailed above was a matter of considerable controversy, and the Board could not reach unanimity on the point. Eventually the matter was determined by the Government agreeing to the fixation of prices as gazetted on the 6th February, 1917, for this season's output, and a guarantee to the grower for next season's crop at 5s. 10d. f.o.b. To give effect to the decision of the Government regarding the 1916–17 crop Orders in Council were gazetted. (See Appendix A of this report.)

Although the maximum prices for wheat, flour, bran, and pollard were fixed, the Board deemed it inexpedient to recommend the fixation of maximum prices for bread. Owing to varying conditions in different centres and towns in New Zealand it was decided to allow the prices to be governed by ordinary competitive methods, subject always to investigation by the Board where the price was alleged to be unreasonable. This method has worked on the whole satisfactorily, and practically no complaints have been received by the Board as to the excessive price of bread since the new scale of flour-prices came into existence.

Early in December reports reached the Board from reliable sources that owing to the effect of the drought in Canterbury the average yield of wheat over the last ten years—namely, 28½ bushels—was unlikely to be realized; and, as stated above, the actual average turned out to be 23·09 bushels. The Board therefore recommended the Government to acquire an option over 1,500,000 bushels of Australian wheat to make up the expected shortage.*

BUTTER.

In consequence of the record prices ruling in Great Britain for New Zealand's primary products—wool, meat, butter, cheese, hides, and tallow—the local prices rose in sympathy. Comparative tables showing the rises in value of these commodities for the years 1914 to March, 1917, inclusive, are given later in this report, and a chart showing the wholesale prices of New Zealand butter on the London market since 1913 is included in the appendix (D)

The first of these commodities to receive attention at the hands of the Board was butter. Complaints regarding the high prices culminated in September, when the retail price had risen in the main centres and secondary towns to 1s. 8d., and in the outlying districts to 1d. and 2d. per pound higher. After exhaustive inquiry the Board was of opinion that some steps should be taken to prevent continual increases in the price of butter taking place, as wholesalers were threatening further rises, and retailers informed the Board that the retail price would have to be advanced to 1s. 11d. and 2s. per pound unless something was done. The factories supplying the local market threatened, on the other hand, if prices were interfered with they would withdraw supplies from the local market entirely and export their whole output.

Section 10 of the Regulation of Trade and Commerce Act, which reads as follows—"Nothing in this Act relative to maximum prices shall extend or apply to the sale of goods which are destined by the purchaser, or believed by the seller on reasonable grounds to be so destined, for exportation and not for consumption in New Zealand"—precluded the remedy of the fixation of maximum prices by gazetted regulation. After an exhaustive study of the whole position the Board submitted a report to His Excellency the Governor under section 6 (*c*) of the Cost of Living Act, and this report is as follows:—

Since the Board's appointment in March of this year, numerous complaints have been received that the consumer in New Zealand is paying an unreasonably high price for butter. The Board in consequence has made extensive inquiries into all phases of the butter question. Evidence was taken from representative traders and producers in Wellington, Auckland, Thames, Christchurch, and Dunedin, and reports and statistics dealing with the world's markets were considered.

2. During the winter months restrictions were placed by the Government on the export of butter, but in spite of these restrictions the local wholesale price moved in sympathy with the world's markets, and the retail price went from 1s. 6d. in March to 1s. 7d. in June and 1s. 8d. in August. Even this price did not bring the local wholesale price during the period covered by our investigations up to the f.o.b. equivalent, as the retail price of butter would have needed to be by the end of September 1s. 10d. Since the beginning of the war the factories supplying the local market have done so at a disadvantage as compared with export of from ½d. to 1⅝d. per pound, as the following table will show:—

TABLE SHOWING MARGIN IN FAVOUR OF BUTTER FOR EXPORT.

Month.	Net Price to Retailers per Pound.	Net Price to Factories per Pound.	Export Value per Pound.	Margin in Favour of Export per Pound.
1914–15.	s. d.	s. d.	s. d.	s. d.
September to March	1 1½	1 0⅝	1 1⅛	0 0½
1915.				
April	1 3	1 2⅛	1 3½	0 1⅜
May	1 5	1 4⅛	1 5½	0 1⅜
June	1 5	1 4⅛	1 5¾	0 1⅝
July	1 6	1 5⅛	1 6⅛	0 1
August	1 5	1 4⅛	No exports	..
September	1 3	1 2⅛	1 3¼	0 1⅛

NOTE.—Average disadvantage on local market for twelve months as compared with net return from other markets, 0·82d. per pound.

* Since the end of the financial year a million bushels of Australian wheat have been purchased, and the Board is now engaged in its sale and distribution.