approximately 100,000 tons of flour, the Consolidated Fund would have to find £250,000 (approximately).

"(10.) Against this sum could be set the profit on Australian wheat, estimated at 7d per bushel on all wheat delivered to North Island millers, who will take approximately 2,000,000 bushels provided shipping is available. This profit will amount to £58,000. There was a net profit on last year's wheat transactions of £11,000, and this year it is estimated that the Wheat Control Office should show a profit of £5,000 on New Zealand wheat. As the prices suggested in paragraph (5) give the miller an extra profit of 2s. 9d. per ton, this could also be allowed for in any subsidy and would amount to approximately £13,000.

"The Government's total liability would therefore be £163,000, made up as follows:---

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				£	£
Subsidy on flour					250,000
Less Wheat Control Office profits-1918				11,000	
,, 1919				5,000	
Profits, Australian purchase, 1919				58,000	
Millers' extra return, 1919				13,000	
				and the second second	87,000
Government's total liab	ility				£163,000
					•

"(11.) The bakers maintain that the present prices of bread do not return them a fair profit, and in many instances they claim that they are working at a loss, and they suggest that flour should be reduced 10s. per ton.

"The Board is of opinion that they have been hit hard by increased cost of fuel and labour and delivery charges since bread prices were fixed, and that this demand for a reduction in flour-prices is reasonable. To give effect to this demand would mean a further outlay of £50,000."

This report was considered by the Government on the 18th and 25th February, and the Government eventually decided to reduce the price of flour by 10s. per ton, making the price f.o.b. southern ports £15 and a price equivalent elsewhere in New Zealand, and necessitating the payment of approximately £213,000 by way of subsidy to millers, on the understanding that flour was not to exceed, during the year ending 28th February, 1920, the price fixed, and that the cash price of bread was to remain constant for the same period.

## SUGAR.

Negotiations for the continuance of the arrangement for New Zealand's requirements in sugar were opened towards the end of January last with Mr. A. Astley, representative of the Colonial Sugar Company, and resulted in an agreement between the company and the Board for the supply of all sugar required for New Zealand's home consumption for the nine months ending 31st March, 1920, at the wholesale price of £23 15s. f.o.b. Auckland for No. 1a, other grades in correspondence, subject to the condition that nothing happens to prevent the manufacture of sugar or its transportation to the Auckland refinery. Dealing with the increase in price over last year—viz., £1 5s. per ton—the following are the causes for the increase: The sugar crop in Fiji was a partial failure, and the company had to secure supplies of raw sugar from Java for refining in the Auckland works. Last year's agreement with the company, made on the 12th April, 1918, and which expired on the 30th June, 1919, was completed by the company under the impression that it would have ample supplies of its own sugar available from Fiji. The estimate of this crop, however, proved excessive to the extent of approximately 22,000 tons, and it became necessary for the company to refine between 3,000 and 4,000 tons of Java sugar to supply the Dominion's June requirements, at a loss to themselves of from £5 to £5 10s. per ton. The company stood this loss and did not ask for any variation of the existing agreement.

Bad as the Fiji crop had been in 1919, it was anticipated in February last that next year's crop would be worse, and it was already evident that no supplies would be available from Fiji for the Dominion's July (1919) requirements. To avoid a shortage of sugar during that month the company purchased a further 5,000 tons of Java raw sugar, which cost £24 per ton in the ship's slings at Auckland, and which, when refined, could not be sold without loss under £29 10s. per ton.

To raise the price of sugar £7 per ton throughout July, even if the price again dropped when the Fiji supplies were available, would tend to seriously disorganize trade, and in order to avoid this the company proposed that a new agreement should be made for the nine months from 1st July, 1919, to 31st March, 1920, which would increase the price of sugar by a sum that would recoup their July loss of approximately £35,000 during and spread over this period.

Besides the direct loss of £35,000 anticipated in July, which amounts to about 17s. 6d. per ton during nine months' supplies, the company finds that their manufacturing costs have increased by at least 7s. 6d. per ton, principally made up by the increased cost of coal and the increased cost of hessian for bags.

As showing the advantage reaped by the users of sugar in New Zealand under the proposed arrangement, the Board submits the following comparative figures showing the wholesale price of sugar in various countries:—

				zos.	u.
New Zealand		 	 	 $23 \ 15$	0
New South Wales		 	 	 29 - 5	0
Victoria		 	 	 29 - 7	6
South Australia		 	 	 $29 \ 15$	6
Western Australia		 	 	 31 - 0	0
America, f.o.b. New Yo	$\mathbf{r}\mathbf{k}$	 	 	 Nomir	al
Great Britain		 • •	 	 57 10	O