

BUTTER.

The prices fixed for the purchase of the 1919–20 season's output are as follows :—

Creamery Butter.—First grade, 181s. per hundredweight, with a reduction of 6d. per hundredweight for each half grade point by which the butter falls below first grade.

Whey and Dairy Butter.—First grade, 162s. 4d. per hundredweight, with a reduction of $\frac{1}{2}$ d. per pound for second grade.

Milled Butter.—First grade, 148s. 4d. per hundredweight, with a reduction of $\frac{1}{2}$ d. per pound for second grade.

No provision was included in this contract regarding any division of profits, and the prices quoted above represent the final payment to the exporting factories.

As in the case of cheese, arrangements were made for the payment of advances representing 90 per cent. of the purchase price in respect of produce which had remained in store for a period of fourteen days.

Insurance risks are borne by factories until the butter has been placed f.o.b. ocean steamer, but liability for storage is accepted by the Imperial Government beyond an average period of two months based over all consignments throughout the season.

The following table shows the number of boxes and the value of all butter purchased from the inception of the requisition up to the 31st March, 1920 :—

Season.	Number of Boxes.	Value. £
1917–18	724,699	2,829,032
1918–19	667,114	2,926,139
1919–20	483,099	2,387,929
	1,874,912	£8,143,100

The figures for the present season include 77,482 boxes in store advanced against and awaiting shipment on the 31st March.

The present contract for the purchase of butter by the Imperial Government expires on the 31st July, 1920.

EQUALIZATION FUNDS.

As indicated in my previous annual report, the 50-per-cent. profits arising out of the proceeds of butter requisitioned by the Imperial Government for the 1917–18 season formed an Equalization Fund for the purpose of equalizing the profits of the manufacturers who sold creamery butter for local consumption with those who exported their produce under the requisition scheme.

The amount of such fund was £307,919, and from this sum payments were made to manufacturers representing approximately $1\frac{3}{4}$ d. per pound in respect of all creamery butter exported, and of $\frac{3}{4}$ d. per pound in respect of butter sold locally, equalizing the returns to factories for export or local sales to 1s. $5\frac{3}{4}$ d. per pound at factory-door.

Under the authority of section 16 of the Appropriation Act, 1919, the New Zealand Government assumed the liability of equalizing the profits on local butter-sales, the sum of £340,000 being appropriated for this purpose by Parliament for the 1918–19 and 1919–20 seasons.

The rate required to be paid to such manufacturers amounted to 1·955d. per pound, and this was duly distributed on 1918–19 season's creamery butter sold for local consumption, after the returns of all factories throughout the Dominion had been duly audited by the Department's travelling auditors. The total payments made out of the fund in respect of this season amounted to £211,815.

A similar arrangement obtains in respect of the 1919–20 season, and an interim payment of $1\frac{3}{4}$ d. per pound is being made on monthly returns forwarded by the factories. The payments made on account of this season to date total £64,344.

The provisions contained in the *Gazette* governing the distribution of moneys from the Equalization Fund have recently been amended in the direction of authorizing the Department to make equalization payments in respect of sales made at prices in excess of the equivalent of 1s. 5d., factory-door (the price fixed by Order in Council dated 16th April, 1918), subject to a deduction to the extent of such excess.