Diagrams Nos. 1 and 2 represent the period from the 1st December, 1920, to the 31st May, 1921, and the corresponding months the previous year. During this six-monthly period more than one of the large exporters have gone off the market and practically closed down operations. The others have bought as little as possible, and then only—as naturally might be expected—to suit their own convenience.

In Fig. 1 the dark portion represents the amount of money spent on purchases of gum during the six months ending 31st May, 1921 ; the light hatched portion represents the purchases for the same period twelve months ago.

In Fig. 2 the dark portion represents the amount obtained from shipments made abroad for the period ending 31st May, 1920, the light hatched portion representing the proceeds from shipments for the same six months this year.

The position is very clear. With virtually no sales this year the purchases have been twice as heavy as in the same period last year, when sales were being freely made at good prices.

The question might now be raised as to who got all this money. This is very easily answered. On Fig. 3 the light hatched portion represents cash paid out to brokers, gum-merchants, dealers, storekeepers, gum-washing companies, syndicates, &c., for the purchase of gum. The dark portion represents the amount paid by way of direct purchases from gum-diggers, in each case for the period 1st December, 1920, to 31st May, 1921—the first six months of the present slump.

Some Indirect Results of the Department's Operations.

It has been said that the operations of the Department in one district do not benefit the diggers in another district ; but this is very far from being correct. To a great extent the district where the best prices are being paid sets the standard of prices all round. Quotations freely pass round from one district to another, and a digger will know that his gum is worth so-much more or so-much less than that from another district, and will expect payment accordingly. To avoid undue competition buyers will also operate as far as possible in different districts, and the fact that gum is supposed to be going cheap in one district will at once bring other buyers along.

Probably the most important fact in connection with the Department's buying is that holdings of gum are never unloaded so as to unduly interfere with production, or the sale of gum being dug at any particular time. So far as the prices on the fields are concerned, this is a very important factor. Just how it works out is instanced by an offer made and turned down in 1920. A local firm of exporters wanted to purchase 50 tons or more of a grading we held in large quantities. They offered £80 per ton for it. At the time this class of gum was selling at about £65 per ton in Auckland. It would have been a very simple matter to have sold the line and then replaced a portion of it at less than £70 per ton. As it was, the merchant was forced into the open market. Before purchasing the quantity he wanted he found himself in competition with another buyer who also wanted this grading. The result was that the price rose to as high as £135 per ton. It is not suggested that in this case the very high price paid was, on the whole, a good thing for the industry, but those diggers who were fortunate enough to dispose of holdings at this rate would have their own opinion on the matter. This extreme instance, however, illustrates the position generally. The same thing is going on all the year round, but on a much smaller scale. One strong competitor in the industry makes all the difference.

Numerous similar offers to purchase part of our stocks made by local exporters have been refused. The idea seems to have been to limit competition and take advantage of the fact that most diggers will give the Government the preference when prices are equal. Such business as has been done with local exporters has been mostly in the way of buying from them gum graded for export which we could place and which they were willing to sell. Our sales to local exporters have been confined pretty well to a few odd lots for which they were being pressed and which were very scarce.

The Influence of the State Department on the New York Market.

During the first three months of the present year China wood-oil and most grades of resins "on spot" in New York slumped to below the replacement value in the primary markets. *Kauri-gum was the only exception.* Whilst not selling to any great degree, it was not being given away. As an indication of prices I cannot do better than take China wood-oil, which is the most important product in the varnish trade. This sold as high as 22 cents a pound on the New York market about the middle of 1920. In February and March of this year it was going begging at less than 9 cents a pound, at a time when the replacing value in the primary market in China was in excess of 10 cents a pound.

These facts are very significant, and clearly indicate that the New York holders of kauri-gum were well aware that the Government Department was holding the industry together at this end and that its stocks would not be sacrificed. When it was found necessary to cut prices to force sales there was not the inducement to realize on kauri-gum as on other resins where the position in the primary market was in doubt. The position of kauri-gum on the New York market at the present time is the best possible illustration of the value of this Department to the industry as a whole.

The Result of the Year's Transactions.

It will be seen from the accounts published in another part of the report that, after making provision for interest on debentures, the net profit for the year ended the 31st March, 1921, amounts to £6,552 11s. 6d., this being an increase of £1,953 12s. 6d. on the net profits made last year. The losses incurred in the early stages of the business, when the circumstances demanded prompt action, irrespective of whether on good business lines or not, have now been reduced to a little over £4,000. At this date the slump in kauri-gum still continues, but with the resumption of overseas orders, now expected at any time, a very considerable amount of business should be done during the rest of the