Provided that future wheat harvests are adequate to the needs of the Dominion, and following upon the decision of the Government to terminate the system of guaranteed wheat-prices, there should be no further need for restrictive control over prices of wheat products and of bread, and the matter can, from the end of the current season, be left to the normal play of economic forces.

TIMBER.

When the year opened the outlook for the timber trade was most encouraging, and although all sawmills were working at full pressure the output was inadequate to meet the demand, which had increased enormously during the preceding year and showed no signs of abating. This excessive demand, with prices on a reasonably remunerative basis, naturally attracted further capital to the industry, and within two years from April, 1919, the number of sawmills operating had increased in number from 277 to 365, with a resulting increase in output of building-timber alone during the latter year of approximately 52,500,000 ft. Such was the position at the commencement of the year now under review. The reduction of credits early in the year and the consequent restriction of finance, combined with an anticipated lowering of price-levels generally, were probably reflected earliest in a curtailment of building operations, and the demand for timber slackened almost immediately. During the period of shortage, stocks of seasoned timber had been practically exhausted, and, anticipating an early renewal of building operations, sawmillers continued cutting for stock. Their anticipations, however, were not realized, and it soon became apparent that, as the financial burden involved in carrying large stocks became too heavy, outputs must be curtailed. Those sawmills situated most remotely from the markets and having few forward contracts—comprising, of course, a large percentage of new mills—were first affected and compelled to cease operations. The policy of restriction of export precluded sawmills from seeking an outlet for their surplus in foreign markets. Indications at the close of the year are for a revival in the New Zealand market, but the demand is not yet sufficient to absorb the current output.

Sawmillers and other vendors of timber were not permitted to obtain for their product during the years of shortage the full market value, as they were bound, first by agreement with the Board of Trade and later by Order in Council, not to demand or accept prices in excess of those from time to time declared by the Board to be reasonable. For the purpose of this control of price, complete and regular investigations were made of the books of representative sawmillers, and such increases only were allowed as were justified by increases in cost. The prices and costs ruling in November, 1918, were accepted as a basis, since at that time normal conditions of trade existed. Had no such control of price operated there is no doubt that prices would have largely influenced the distribution of supplies, and a much greater proportion of building-timber would have been diverted from the building of residences to the building of premises for commercial purposes. With the decrease in the demand, competition became sufficiently keen to render it impossible for any producer to demand prices providing more than a reasonable margin of profit on the producing costs of competing mills, and the necessity for Government control of prices accordingly disappeared. Inefficient sawmills and those subject to high cost of production were unable to continue operations. Had there been no restriction on export it would have been possible for sawmillers to maintain prices by placing larger quantities of timber on the export market, but the operation of the export regulations would not permit of this course being adopted.

In consideration of these circumstances, the Board therefore, towards the close of the year, made a recommendation to the Government that the regulations governing timber-prices be revoked, and action was taken accordingly. Prices have recently been reduced, and investigations that have been made clearly demonstrate that further appreciable reductions are extremely improbable until further reductions can be made in production costs, of which labour represents more than 60 per cent.

The first regulations imposing restrictions on the export of timber were issued by Order in Council on the 6th August, 1918, the policy at that time being one of conserving New Zealand timber for New Zealand use at prices based on cost of production without regard to parity prices for export. In August, 1919, this policy was further defined as to building-timbers, and an Order in Council was issued providing that the export for the three years 1919–20, 1920–21, and 1921–22 with respect to kauri and rimu should not exceed maximum quantities shown in the Order in Council dated 19th August, 1919. The quantities for the first year were fixed on the basis of the export trade done during the year 1918–19, and in the succeeding years the maximum quantities fixed showed a percentage reduction each year from the base quantities. This policy was continued by the issue of an Order in Council on the 13th April, 1922, prescribing maximum quantities for a further period of years commencing from the 1st April, 1922. In the case of rimu, the last-mentioned Order in Council provides a maximum for the year 1922–23 of 18,000,000 ft., being a reduction of 6,000,000 ft. on the quantity fixed for the previous year. In view of the decreased home consumption, a special quota of 2,000,000 ft. for the year was fixed for sawmills not engaged in the export trade prior to the 31st December, 1918. For succeeding years the maximum quantities were fixed as follows: 1923–24, 12,000,000 ft; 1924–25, 9,000,000 ft.; 1925–26, 6,000,000 ft.

In the case of kauri, the maximum allowed for export for the year 1921–22 was 7,000,000 ft. For the year 1922–23 the quantity was reduced to 1,500,000 ft., and for each succeeding year to 500,000 ft. The quantity of kauri so fixed does not include timber inferior to that classed as medium grade in the New Zealand classification (provided that evidence is produced that this timber cannot be absorbed by the New Zealand market at reasonable prices), nor timber shipped to Samoa or the Cook Islands, which, being under the control of the New Zealand Government, are entitled to receive reasonable quantities for home consumption.

Throughout the control of export the shipment of timber has been allowed only subject to permit, and in all such permits a condition has been inserted providing that the permit is only exercisable if the New Zealand demand is first satisfied at reasonable prices to the extent to which available freight made supply possible. This condition was rigidly enforced during the shortage