Canada and Australia, which supply 99 per cent. of the timber imported into New Zealand from British possessions, share between them the decreased trade referred to above. The decline has been apparent to Canadian operators, and the comments thereon in the *British Columbia Lumberman* regarding export of timber during 1928 are worthy of reproduction. The report, *inter alia*, states,—

"The Empire markets of Australia, New Zealand, South Africa, India, and the British West Indies all show decreases. This is a truly unfortunate setback, and indicates the urgent necessity for trade-extension activity in the sister Dominions of the Crown. Happening in the year of an Empire Forestry Convention, it further proves that, comforting as are the resolutions of that splendid body, the establishment of a big inter-Empire trade in forest-products must primarily be the work of export and efficient trade agencies. No greater argument for the establishment of improved tariff relations with the southern Dominions can be secured than by a precis of the comparative export figures of British Columbia and the United States covering shipments to New Zealand and Australia for the last twenty years. The same figures also speak loudly in favour of the proposed subsidized assistance by the Ottawa Government to lumber-carrying vessels loading at British Columbia ports. The notable increase in cargo shipments to eastern Canada is a good feature of a report that is, with the one exception noted, a very favourable one."

The United States of America, on the other hand, which supplies approximately 83 per cent. of the timber imported from foreign countries, and 37 per cent. of our total timber imports, obtained 90 per cent. of the increased trade referred to. If Australian hardwoods, which are used almost entirely for constructional purposes, and do not compete to any extent with our local timbers, are excluded from the imports, it is found that the United States supply over 60 per cent. of the imported timbers which compete with local building and cooperage timbers.

5. Timber Industry and Markets.

A severe decline in timber-production, moderate but proportionately large importations, lowest exports since the beginning of the trade, and price-cutting have all aided in placing the timber industry in a depressed condition. The causes for this are all interrelated and more or less well known. New Zealand sawmills have a producing-capacity at least 100 per cent. in excess of present consumption, and owing to the small size of the average mill, its short life, and the tendency for merchantable timber to become more inaccessible, the inherent tendency of the miller is to work as near full-time conditions as possible. Under-capitalization of plant makes it essential for many operators to effect sales immediately on cutting, to enable wages and current expenses to be paid. On the other hand, over-production during the previous three years has carried an accumulation of stocks at most mills, for which no immediate sale has been apparent, and has led to a "buyers' market" in the trade. As a result, operators have cut prices to a point which in many cases allows little margin of profit, and in some instances does not return the cost of production. Moreover, the forcing of timber upon a slow market by price-cutting has led to an artificial and speculative demand in advance of real consumption, and has demoralized the price structure without increasing the total sale of timber. Indeed, the price-fluctuations and price-cutting which have been prevalent throughout both Islands have reduced the annual returns to the industry during the past three years by approximately £500,000, but have not increased the total sale of its products by a single board foot.

During the past year the industry has made a genuine attempt, by internal reorganization, to effect an improvement in its condition, and in this respect has been aided to a considerable extent by the State. Uniform classification and grading rules have been devised through the agency of the Government and the Sawmillers' Federation, and an increase in the utilization of local timber, combined with a more balanced consumption of the product of the log, can be confidently expected when the new scheme comes fully into operation. In the main producing districts the sawmillers have succeeded in organizing marketing associations, which have the power to control production and establish a firm price policy. This does not in any way imply price-fixation and increased cost of timber to the consumer, but guarantees a fair and reasonable return to the producer of the timber. The Dominion Federated Sawmillers' Association has investigated ruling conditions with minute care, and as a result of its deliberations is seeking parliamentary power during the coming session to efficiently organize the timber industry. The Bill, which is known as the Timber Industrial Efficiency Bill, is an attempt by the industry to govern itself from within by the formation of a Board, with power to institute uniform classification and a system of cost accounts, to collect and distribute information relating to economic industrial methods and practices, to make an investigation for the purpose of eliminating waste, and, in general, to bring about improvements for the benefit of the industry.

The much-discussed question of railway freights on timber was further investigated, and a study inaugurated to determine the possibility of freighting timber by weight instead of by measurement. The former system, which is in vogue in many foreign countries, gives seasoned timber a decided advantage in freight charges, and thus considerably aids those millers who season timber in their bush yards.