Apart from the effects of the depression, our export trade with Canada has been mainly affected during the past two years, and more especially in 1931, by the greatly reduced sales of butter. From the time the duty was raised in October, 1930, from the treaty rate of 1 cent to the British preferential rate of 8 cents per pound, our sales of butter have been almost entirely eliminated. Under the new treaty the rate agreed upon of 5 cents may afford an opportunity of effecting sales during periods of winter shortage; but much depends in the future upon two main factors—namely, the modification of the Hawley-Smoot tariff on milk and cream imported into the United States, and the prices received by Canadian farmers for their grain.

Canada's dairying industry has undergone remarkable changes during the past few years, and it would have been hard to predict in 1928 or 1929 that in the two subsequent years Canada would produce sufficient butter to supply her domestic needs. She actually did more than this, for her greatly increased production not only met domestic requirements, but in addition enabled her to make a surplus of ten million pounds weight available for export—mainly to England.

The New Zealand Trade and Tourist Commissioner in Canada states in his annual report that industrial, commercial, and financial conditions in Canada have been adversely affected by depressed world conditions. He is definitely of the opinion, however, that, with the exception of the United Kingdom, Canada will undoubtedly prove in the near future one of the best markets for New Zealand. With a clarification of the business outlook, and with the restoration of confidence, he states that the interchange of trade should increase, and that the value of business effected should once more establish Canada as our second-best customer in the Empire. The treaty recently concluded between the two Dominions should aid materially in this connection.

Special attention has been paid by the Commissioner to the development of our trade in sausage-casings, wool, hides, beef, mutton and lamb, canned meats, canned soup, seeds, hemp, and various other commodities.

New Zealand continues to dominate the market in cleaned sausage-casings, and their quality and the services rendered by our exporters are highly spoken of by Canadian distributors.

Under the new treaty, effective as from the 24th May last, it is expected that the value of trade in wool from New Zealand will expand. The duty of 15 cents per pound under the general tariff should divert much of the trade from foreign countries to New Zealand, although competition from the Argentine Republic is, and has been, serious.

Canadian tanners are all partial to New Zealand hides, and it is expected that when prices are competitive considerable business will be done.

The Commissioner has carried out considerable propaganda work during the year to make known the variety of seeds available from New Zealand and the purposes for which they are most suitable. On the return of normal conditions it is predicted that there will be an expansion of trade in New Zealand seeds.

Every possible step has been taken by the Commissioner to sell New Zealand lamb, and he states that with proper display and advertising this product would command substantial sales, and, moreover, that the marketing of New Zealand lamb in a normal season should go far to restore an even balance of trade between the two Dominions.

Advertising and propaganda is necessary for the marketing of our canned meats and canned soup (toheroa).

The markets for these and other New Zealand products have been fully explored by the Commissioner during the year, and every effort has been made to push sales. The attention of the Commissioner is being particularly directed to those products that are listed in the new trade agreement. These include canned kidneys and tongues, frozen rabbits, bacon, hams, and other prepared meats (not canned), lard, condensed and powdered milk, peas, seeds, onions, apples, passion-fruit pulp, honey, fur skins, hides and skins, canned whitebait, canned crayfish, oysters, casein, building-stone, binder-twine, blankets and rugs (travelling), rugs (floor or carpet), &c.

Island Trade.

Fiji.

Exports from New Zealand to Fiji in 1931 were valued at £89,245, as compared with £110,033 in 1930. Imports into the Dominion from Fiji also showed a reduction, these being valued at £102,979 in 1931, in comparison with £200,877 in the preceding year.

The values of exports and imports in each of the past five years are set out below for purposes of comparison:—

Year ended 31st December,	Exports to Fiji. £	Imports from Fiji. £
1927	120,202	424,785
1928	138,706	571,728
1929	135,652	174,894
1930	110,033	200,877
1931	89,245	102,979

Exports to Fiji consist of a fairly wide range of commodities, of which the following were some of the most important in 1931: Potted and preserved meats, £5,593; dried, preserved, and condensed milk, £1,605; fresh apples, £1,377; refined sugar, £2,407; potatoes, £3,893; tea, £7,942.

Imports from Fiji consisted almost entirely of sugar and fresh fruits, the values of these items in 1931 being £51,772 and £43,090 respectively. Imports of sugar showed a considerable reduction as compared with 1930, in which year the value was £141,626. In 1931 supplies of raw sugar, other than those obtained from Fiji, were procured almost entirely from the Dutch East Indies.