

Far-reaching conclusions have emerged as a result of the world-wide experience of the depression years. Arising out of the frank recognition that under no system of economic planning is it possible to avoid altogether the fluctuations of Nature and of business, not the least important conclusion is that the amount of remunerative public works such as railways, hydro-electric generation, &c., available to absorb surplus labour at any period is strictly limited, if not tending to become almost negligible. Already it has been necessary to release considerable sums for many public works unremunerative either directly or indirectly, and with few exceptions the moneys have been in the nature of grants without any repayment of either principal or interest. If money could be made available on a similar basis for low cost exotic plantings by the State, a radical modification of the long-term forest policy aimed at the development of the Australian timber market in particular can be recommended.

As stressed in previous annual reports, the long-term forest policy of the Dominion has envisaged plantings to meet only the local requirements, a limitation imposed solely because, in place of grants from the Consolidated Fund, only loan-moneys, with their attendant high rates of interest, were available for exotic forest establishment. Under such conditions the growing of forest products for export markets was economically impossible, but with the limiting factor of interest removed the growing of timber for the Australian market becomes a feasible project. Of a certainty no other public activity offers for the amount of direct labour absorbed the creation of the same valuable future asset as exotic forestry. Increasing representations continue also to be made by Australian interests to the effect that, having regard to the unfavourable conditions in the Commonwealth for the growing of softwoods, New Zealand should make definite provision for supplying some part of Australia's requirements. It is for this purpose in particular that the expansion of State exotic forestry through its forest community planning project is dedicated.

Coincident with this expanded planting effort an active programme of utilization projects has already been initiated, and as a result of plans developed during the period under review a commencement will shortly be made with the construction of sawmills, box-factories, and creosoting-plants. These will form the nuclei of a number of completely integrated forest industries supplying ultimately a complete range of forest products from firewood to pulp and paper manufactures, and thus fulfilling the purpose for which the State exotic forests were originally established.

*Export Control.*—Although the threatened shortage of white-pine in the pre-war and war period played no inconsiderable part in the initiation of export control of timber towards the end of 1918, the building timbers—kauri, rimu, matai, and totara—soon became the primary concern of the administration. Lacking the present exotic forest policy, the Dominion was threatened with a dangerous timber shortage within a generation or so, and it was imperative that in the world-wide building boom of the post-war period the remaining resources should not be seriously impaired by the development of a large export trade with Australia. This was effected by severe and arbitrary restrictions upon the exports of building timbers, while in the case of white-pine exports were limited to only the surplus production over and above local requirements, Dominion consumers being assured of precedence over Australian and other export demands. With the development of the present exotic forest policy the position was eased in respect to building timbers, and when therefore the annual demand for softwoods fell from about 400,000,000 board feet in 1925 to only 300,000,000 board feet in 1927 the principle of export control was abandoned temporarily with the object of facilitating the disposal of surplus production on the overseas markets. The temporary nature of this expedient was stressed by public announcements throughout the Dominion's press, with particular emphasis upon the fact that, in view of the possibility of reinstatement of control at any time, no forward contracts should be entered into by producers. As a guarantee also that local demands would receive precedence over export orders, the sawmilling industry gave to the Government an undertaking to this effect, and on every occasion in the interim during which a shortage of supplies has threatened to develop not only has the industry reaffirmed this undertaking, but it has overcome the threatened shortage.

As mentioned in the annual report for the year ending 31st March, 1936, however, an investigation of the white-pine position disclosed the necessity for planning ahead to avoid a future shortage of essential requirements of this timber in both New Zealand and Australia. At that time it appeared that the white-pine resources were sufficient to warrant the continuation, at least for a few years, of exports sufficient to fill the export butter-box requirements of the Commonwealth, and in providing for the progressive restriction of exports to 19,000,000, 17,000,000, and 15,000,000 board feet for the years 1937, 1938, and 1939 respectively it was anticipated that no undue embarrassment would be caused to essential users either in New Zealand or Australia. These hopes, unfortunately, have not been realized, and even for the year 1936 the surplus available for export over and above local requirements amounted to only 15,000,000 board feet. This contraction in the estimates was due to the unexpected expansion in local butter production and to the rapidity with which white-pine supplies have diminished not only in the North Island, but also in the South Island.

With a still worse condition promising to develop during the next year there was no alternative to the reinstatement of export control, more especially as interim investigations aimed at a more detailed survey of the remaining resources disclose such a drastic reduction of the previous estimates that all hope of the continued export of other than a few million board feet per annum must be abandoned. Regrettable as it may be, this policy is dictated by the necessity for assuring to the butter industry one of its most essential raw packaging materials. In explanation it may be stated that the glaring overestimation of white-pine resources in the past on private lands arises from the fact that the species grows on rich river-flat lands, and whereas hitherto large stretches of forest on such lands were regarded as being almost wholly white pine, the more recent appraisals of previously inaccessible areas have limited the species to a mere fringe along the river-banks, with the forest interior largely of rimu. An effort to relieve this position, both as regards local and Australian butter-box users, by the development of rimu butter-boxes is alluded to in Chapter III of this report.