

The Department has its head office in Wellington, and branches in Auckland, New Plymouth, and Dunedin, and an agency at Lyttelton. The Department also has its own organization in London, known as the Dairy Sales Division.

In accordance with the undertaking which was given to dairy-factory companies, all contracts made by them in respect of butter and cheese manufactured prior to 1st August, 1936, were completed. The Department undertook to arrange the shipping and marketing of the 1935-36 produce on behalf of dairy companies, and the last shipment was made per s.s. "Tamaroa" on 9th October, 1936. The first shipment of dairy-produce by the Department, in terms of the Primary Products Marketing Act, was per s.s. "Port Darwin" sailing on 29th August, 1936.

ACQUISITION OF DAIRY-PRODUCE BY THE CROWN, AND GUARANTEED PURCHASE PRICES FIXED.

All dairy-produce that is intended for export becomes the property of the Crown as soon as it is placed, with the concurrence of the Department, on board any ship for export from New Zealand.

The prices fixed for all butter and cheese manufactured from milk or cream delivered to a dairy factory on and after 1st August, 1936, and exported from New Zealand on or before 31st July, 1937, were based, in terms of the Act, on the prices received in New Zealand during a period of from eight to ten years prior to 31st July, 1935, for produce of the same kind.

The average prices received for butter and cheese for periods of eight years, nine years, and ten years prior to 31st July, 1935, and the corresponding butterfat payouts are shown in the following table:—

| Average Period (Years). | Purchase Prices of Produce.                              |         |              | Corresponding Butterfat Pay-out. |         |              |                                 |
|-------------------------|----------------------------------------------------------|---------|--------------|----------------------------------|---------|--------------|---------------------------------|
|                         | Creamery Butter.                                         | Cheese. | Whey Butter. | Creamery Butter.                 | Cheese. | Whey Butter. | Cheese (including Whey Butter). |
|                         | Shillings per Hundredweight.<br>(F.o.b. Ocean Steamers.) |         |              | Pence per Pound.                 |         |              |                                 |
| 8 .. .. .               | 109/4                                                    | 56/6    | 99/4         | 12·11                            | 12·66   | 0·55         | 13·21                           |
| 9 .. .. .               | 111/2                                                    | 57/1    | 101/2        | 12·37                            | 12·83   | 0·56         | 13·39                           |
| 10 .. .. .              | 114/0                                                    | 58/6    | 104/0        | 12·73                            | 13·23   | 0·58         | 13·81                           |

In fixing the guaranteed purchase prices for the 1936-37 season on the basis of the prices received in New Zealand during the period of from eight to ten years prior to 31st July, 1935, the Government decided to pay prices which were in excess of the highest of the averages shown for the eight-year, the nine-year, and the ten-year period. The respective average butterfat payments for butter were—

|                         | Per Pound. |
|-------------------------|------------|
| For eight years .. .. . | 12·11d.    |
| For nine years .. .. .  | 12·37d.    |
| For ten years .. .. .   | 12·73d.    |

To ensure a pay-out fully equal to the best average period the Government decided to buy all butter for export at a basic price of 12<sup>9</sup>/<sub>16</sub>d. per pound and cheese at a basic price of 6<sup>13</sup>/<sub>16</sub>d. per pound. It was estimated that these prices would enable efficient dairy-factory companies to pay 13·04d. per pound for butterfat for butter, and to provide for a premium of 1<sup>1</sup>/<sub>2</sub>d. per pound for suppliers of butterfat for cheese-manufacture. The table shown above gives the average realizations for the periods mentioned, and shows the corresponding butterfat payments to suppliers to butter-manufacturing companies.

An overallowance in the conversion formulas for costs of butter-manufacture resulted in a lesser differential (cheese over butter) than the 1<sup>1</sup>/<sub>2</sub>d. promised. The table on page 34 of this report shows that the estimated New Zealand average payments for the 1936-37 season for butterfat are 13·529d. per pound for butterfat for butter-manufacture, and 14·440d. per pound for butterfat for cheese-manufacture. These figures reveal a differential of 0·911d., which is 0·589d. short of the promised 1<sup>1</sup>/<sub>2</sub>d. The Government have noted this disparity, and a further payment will be made to cheese-manufacturing companies of <sup>1</sup>/<sub>4</sub>d. per pound on all cheese graded up to and including the 18th March, 1937, purchased by the Government and exported from New Zealand on or before 31st July, 1937. This further payment will enable cheese-manufacturing companies working under average conditions in respect of yield of cheese per pound of butterfat and costs of manufacture and delivery to overseas steamers to pay to their suppliers a price at least 1<sup>1</sup>/<sub>2</sub>d. per pound in excess of the average price of 13·529d. quoted for butterfat for butter-manufacture.