

On the basis of the basic guaranteed price of 13½d. per pound, and on the conversion formula mentioned above, the butterfat payment made to suppliers by butter-manufacturing companies, working under average conditions, should be 13·88d. per pound. This price is represented by farm costs and allowances as follows :—

	Price per Pound Butterfat.
Farm working and maintenance costs	5·07d.
Allowance for interest on capital	3·06d.
Labour on farm	7·29d.
	15·42d.
Less return from pigs.. .. .	1·54d.
	13·88d.

In order to cover the difference in costs of production and in returns from by-products in the case of butterfat for cheese, the purchase prices of cheese are so fixed that the average efficient cheese-manufacturing company will pay out to its suppliers on the basis of the basic guaranteed price of 7·54d. per pound, and on the conversion formula mentioned above, 2d. per pound butterfat over the payout for butter, or 15·88d. per pound.

PREMIUMS FOR QUALITY.

It will be noted that the basic purchase prices are subject to additions and deductions according to the quality of the butter and cheese as disclosed by the grade points awarded by the Government graders. The incentive thus given to maintain and improve the quality of dairy-produce has been appreciated by representatives of dairy-factory companies, and a definite improvement has resulted, as revealed by the following comparative grading figures :—

GRADING OF DAIRY-PRODUCE : PERCENTAGES OF NEW ZEALAND BUTTER AND CHEESE OF THE VARIOUS GRADES.

Year.	Butter.				Cheese.			
	Finest.	First.	Second.	Total.	Finest.	First.	Second.	Total.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
1932-33	79·32	19·74	0·94	100·00	17·29	80·5	2·21	100·00
1933-34	78·00	20·75	1·25	100·00	26·04	72·06	1·90	100·00
1934-35	77·04	21·66	1·30	100·00	20·60	76·27	3·13	100·00
1935-36	76·48	22·36	1·16	100·00	19·47	77·18	3·35	100·00
1936-37	79·98	19·12	0·90	100·00	20·58	76·81	2·61	100·00

The quantities of butter and cheese purchased and paid for at the respective differential prices are shown in the following tabulations :—

CREAMERY BUTTER (IN TONS) : QUANTITIES PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.	Total.	Finest Grade.		First Grade.		Second Grade.
		94 Points and over.	93 to 93½ Points. (Basic Price.)	92 to 92½ Points.	90 to 91½ Points.	
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Auckland	105,086	25,504	56,430	12,369	10,481	302
Bluff	616	4	147	196	171	98
Dunedin	735	133	495	62	25	20
Gisborne	2,909	1,699	965	216	29	..
Lyttelton	3,161	2,067	967	80	8	39
Napier	3,255	2,370	556	65	264	..
New Plymouth	11,111	6,564	3,179	909	458	1
Patea	2,180	278	861	517	519	5
Timaru	367	40	252	38	9	28
Wanganui	3,391	2,597	608	129	53	4
Wellington	16,999	12,588	2,257	969	1,175	10
Grand totals	149,810	53,844	66,717	15,550	13,192	507
Percentage of qualities	100	35·94	44·53	10·38	8·81	0·34