2. Dairy factory companies may obtain advances from their bankers on produce in cool store awaiting shipment, at the banks' best interest-rates. The amounts advanced by the banks are as follow :—

	Per Box. £ s. d.
Creamery Butter.	
Finest grade	3 0 6
First grade	2 19 4
Second grade	2 15 0
Cheese.	Per Crate.
North Island—	£ s. d.
Finest grade	4 19 6
First grade	4 17 0
Second grade	4 14 6
South Island—	
Finest grade	4 17 6
First grade	4 15 0
Second grade	4 12 6

3. Butter and cheese for export is allocated for shipment in accordance with the recommendations of the Dairy Sales Division in London, after consultation with the selling-agents. The shipping programme is worked out by the Department and the Overseas Ship-owners' Allotment Committee, which meets regularly for the purpose of planning arrivals of butter and cheese at United Kingdom ports, in accordance with the agreed programme. Under the present system the Department has been able to arrange a better programme of shipments to United Kingdom outports.

4. Dairy-produce becomes the property of the Crown as soon as it is placed on board any ship for export, and payment in full to dairy-factory companies is made forthwith. Credit-notes are issued in favour of dairy companies for butter and cheese, and the amount due is remitted to the credit of the bank accounts of the individual companies, under a special arrangement entered into with the trading banks.

5. All butter and cheese for export to the United Kingdom is shipped to the Dairy Sales Division, for sale on consignment. Delivery orders are issued to merchant agents enabling them to obtain the quantities allocated to them for sale.

6. The financing of payments to dairy-factory companies for butter and cheese is arranged through the Dairy Industry Account established at the Reserve Bank of New Zealand. The administrative, marketing, shipping, insurance, and other expenses of the Department are paid from this account. The proceeds of sale of dairy-produce are paid into the account, the final balance of which will show the surplus or deficit on the operations for the year.

7. The sale of butter and cheese in the United Kingdom is conducted by a group of twenty merchant firms appointed as agents for the Department. These merchant firms sell on agency terms for a commission of 2 per cent., which includes the credit risk. The agents are firms which have been selling the produce for years under the marketing system in operation before the passing of the Primary Products Marketing Act. Provisional allocations of produce are made to the agents for a period of one year, and quantities are reviewed and varied according to the selling ability of the firms as indicated by price returns and marketing and distributive service rendered.

QUANTITIES OF BUTTER AND CHEESE GRADED.

For the twelve months ended 31st July, 1937, the total gradings of butter and cheese compared with 1935–36 were as follows :—

Butter (in Tons).

	1936–37.		1935–36.	
Salted	147,168		139,973	
Unsalted	7,396		6,714	
		154,564		146,687

Cheese (in Tons).

	1936–37.		1935–36.	
White	59,337		58,263	
Coloured	28,885		27,292	
		88,222		85,555

Butter gradings for the 1936–37 season show an increase of 5·37 per cent. and cheese gradings an increase of 3·12 per cent. Expressed in terms of butterfat the total increase in gradings is 4·889 per cent.

QUANTITIES OF BUTTER AND CHEESE EXPORTED.

The quantities of butter and cheese exported from the various grading ports of the Dominion are shown in the following tabulation :—