

REACTION OF TRADE TO NEW MARKETING SYSTEM.

The new marketing-system has been favourably received by the trade as a whole.

Buyers, with the exception of those who were accustomed to operate from time to time on c.i.f. or f.o.b. terms, appreciate the change, as the produce is offered to them freely through their usual channels of supply.

All reports from our agents indicate their satisfaction, and confirm the opinion that the goodwill of New Zealand stands very high in all overseas distributive circles.

EFFECT OF ELIMINATION OF F.O.B. SELLING ON MARKETING AND MARKET PRICES.

The sales methods of the Department are based upon "landed terms"—that is to say, no goods are sold before the commencement of discharge from the carrying-vessel at the port of destination in Great Britain.

In previous years certain quantities were sold by dairy companies on c.i.f. or f.o.b. terms. Such sales varied in volume from year to year. In the past eight years the proportion thus sold varied from 15 per cent. to 34 per cent. for butter, and from 5 per cent. to 28 per cent. for cheese.

A substantial proportion of f.o.b. or c.i.f. sales were bought on a purely speculative basis—that is, the purchaser bought in the belief that on arrival the goods could be resold at a profit on the purchase price. In the majority of such cases the goods were resold through Tooley Street importers or brokers in competition with current arrivals of consignment goods, and not infrequently to the detriment of consignment sales. Regular business between consignment agents and their wholesale and retail customers was often disturbed under those conditions, and the elimination of that interruption is the subject of favourable comment by many of our agents.

F.o.b. and c.i.f. sales to wholesale and retail distributors and to manufacturers are in a somewhat different category. Goods sold to such buyers, do not, as a rule, "come back on the market," but are used for the regular trade of the purchaser.

In this connection it should be noted that the proportion of Australian butter shipped to the United Kingdom, sold on f.o.b. or c.i.f. terms, has fallen substantially in recent years, as the following figures show :—

Season.						Percentage of Australian Butter sold c.i.f.	Tonnage of Australian Butter sold f.o.b. or c.i.f.
1931-32	..	..	..	..	..	35·6	29,927
1932-33	..	..	..	..	..	28·9	26,959
1933-34	..	..	..	..	..	13·8	14,060
1934-35	..	..	..	..	..	16·8	18,600
1935-36	..	..	..	..	..	7·8	6,859
1936-37	..	..	..	..	..	10·7 (approx.)	7,697

As Continental descriptions are not usually sold forward for delivery any length of time ahead there is no evidence that in the year under review business has been lost by New Zealand to Australia or to any other competitor because of the absence of forward sales. On the other hand, the sale of our consignments has been facilitated.

GENERAL POSITION OF OUR BUTTER AND CHEESE ON THE MARKET COMPARED WITH OTHER COUNTRIES.

It is extremely difficult to review over a short period the variations in price-levels as between the different classes of butter being sold in the United Kingdom markets.

Frequently factors not immediately apparent to the casual observer temporarily influence prices and provoke illogical reasoning and deductions.

Viewing this question from the New Zealand produce standpoint, the results over the season must be considered satisfactory.

In comparison with continental butters generally our prices are more favourable than in the two previous years. For the year 1936 as a whole, the price of New Zealand finest salted butter averaged 10 per cent. more than in 1935, while Danish showed an increase over the same period of 6 per cent. During 1936 Danish butter averaged 18 per cent. higher than New Zealand, compared with 23 per cent. higher in 1935 and 35 per cent. higher in 1934. It should be noted that in 1936 New Zealand supplies increased substantially over the 1935 figures, whilst Danish supplies did not increase. (See price schedule, page 30.)

Broadly speaking, the general improvement in butter quality, particularly in the lower-priced classes, must tend towards a narrowing of margins.

Quality improvements in several countries supplying the British market have been accelerated by the creation of export Boards given power to regulate conditions of manufacture, grading, and sale. In many countries such authorities have also wide powers covering domestic and export marketing, and while their powers have not in some countries been exercised, the tendency is in that direction.