(3) Ghee is extensively made by Indian villagers, who view their returns from the sale of ghee as a useful supplement to their income, but they are not dependent alone on this, consequently any additional supplies on the market would merely depress price without in any way reducing the volume of produce made in the Indian villages.

(4) New Zealand ghee would need to be sold at the average price of the local product (about 10d. per pound) and would be worth less than its realization in the form of butter at present prices in the United Kingdom.

(5) There is an import duty on ghee imported into India the equivalent of 14s. 7½d. sterling per hundredweight. In addition, most cities and towns impose a town duty, which, in the case of Bombay, is 3s. 9d. per hundredweight. The total charges imposed on ghee entering into India at the port of Bombay at the time of my visit were approximately 19s. 0⅜d. sterling per hundredweight.

(6) Although adulteration of ghee appears to be commonly practised, there are available supplies of pure ghee, both cow and buffalo, to meet the demands of those prepared to pay high prices for finest-quality products. Locally made vegetable product competes with pure ghee, and is available in considerable quantity at prices lower than ghee.

(7) Doctors prefer cow ghee to buffalo ghee, and if New Zealand ghee could be introduced to the market its high vitamin content would be an added attraction, but it would entail both expensive advertising and the breaking-down of time-honoured prejudices to make the venture successful.

(8) India has already an export trade in ghee, and efforts are being made to expand dairying in that Dominion.

(9) Instead of attempting to create a market for ghee, already well provided for by local effort and of quality superior to that which we are likely to make, it is better policy for us to concentrate upon the sale of butter to the relatively small section of the community who have a high purchasing-capacity, and who would be willing to pay a reasonable price for a good-quality product.

It will be observed that Professor Riddet does not indicate any bright prospect for profitable development of trade in ghee. This viewpoint is supported by the Australian Trade Delegation which visited India last year, seeking information with a view to supplying India's needs from Australia. The *Australian Dairy Review* reports the opinion of the delegation as follows :—

"In the course of the delegation's inquiries a mass of detail was obtained on which the delegation based as one conclusion that the disparity in possible return to Australian producers between ghee at 6d. per pound for India and butter at 1s. per pound for London was so great that is was obvious that the Indian ghee-market was of no value to Australia. The lowest recorded price for low-grade butter on the London market was 58s. per hundredweight sterling in December, 1934, but before the ghee-market could even be considered by Australian producers the price for even the lowest grade would have to fall to 44s. 10d. per hundredweight. If in any circumstances it should be found necessary to look to India for a market, the delegation expressed the opinion that sales of ghee could be made at a price, but that it would be necessary to organize carefully in advance."

PAYMENTS MADE BY DAIRY-FACTORY COMPANIES FOR BUTTERFAT-SUPPLIES.

The accounts and statistical statements of dairy-factory companies are published this year, for the first time, in a standard form as prescribed in the Dairy Industry Accounts Regulations. The uniform presentation of the results of the operations of companies enables fair comparisons to be made and provides a fund of information of great vlaue to the dairy industry and to the Government.

Dairy-company suppliers, directors, and officials are enabled to compare the results of their operations with those of neighbouring companies. In addition, reliable data on butter-manufacturing costs, cheese-manufacturing costs, and on dairy-company butterfat-prices to suppliers are available to the Government for the purpose of determination, in accordance with the provisions of the Primary Products Marketing Act, of the guaranteed purchase prices for butter and cheese.

The average butterfat-prices paid to suppliers of both butter- and cheese-manufacturing companies for the 1936–37 season are shown in a tabulation included in this report. The dairy companies are grouped, for purposes of averaging, under the appropriate dairy-produce grading ports. In any comparison of butterfat payments to suppliers of companies, regard should be had to the location and special circumstances of individual companies, which will inevitably have a bearing on manufacturing and transport costs.

COSTS IN MANUFACTURE AND DELIVERY OF BUTTER AND CHEESE TO F.O.B. OVERSEAS STEAMERS.

The standard form of published accounts referred to under the heading "Payment made by Dairy-factory companies for Butterfat-supplies" provides for the grouping in the manufacturing and marketing accounts of dairy companies of the costs, under six headings, as follows: Cream Collection, Manufacturing Charges, Depreciation, Repairs and Maintenance, Charges Factory to f.o.b., Overhead Charges.

The costs of all items grouped under the six headings mentioned are shown worked out on the basis of per pound of butterfat. In addition the total cost to f.o.b. per pound of butterfat is recorded. Thus a reliable comparison of costs, item by item, is provided. This comparison is of great value to those interested in the work of dairy-factory companies and to the Government.

The average costs of both butter- and cheese-manufacturing companies for the 1936–37 season are shown in a tabulation included in this report. The dairy companies are grouped, for purposes of averaging, under the appropriate dairy-produce grading ports.