

INTERNAL MARKETING DIVISION: ANNUAL REPORT AND ACCOUNTS FOR THE FOURTEEN MONTHS ENDED 31ST MARCH, 1938.

The following report and statement of accounts cover the activities of the Internal Marketing Division of the Primary Products Marketing Department for the period of fourteen months ended 31st March, 1938.

In view of the fact that the Division was established on the 1st February, 1937, no accounts were issued at the 31st March of that year, hence the full period of fourteen months is included in this statement.

The Division has continued its activities during the past twelve months and has made considerable progress in stabilizing the markets in various primary products. The following is a summary of the work done:—

LOCAL MARKETING OF BUTTER.

Methods have been instituted for stabilizing prices and regulating the marketing and distribution of butter within the Dominion. Using as a working basis the experience gained through the administration of the Butter (Wellington District) Marketing Regulations, which came into force on the 1st May, 1937, the Division inaugurated on the 1st November, 1937, the Butter Marketing Regulations 1937, with a complete New Zealand coverage.

The scope of the regulations included fixing the local wholesale price in relation to the guaranteed price ruling from time to time and ensuring that returns to dairy companies for their local sales were, as nearly as possible, equal to the export parity after making allowances for such items as patting, transport, handling, &c.

Export parity is determined under clause 32 of the Butter Marketing Regulations by adding to the guaranteed price obtaining at any time the extra costs involved in preparing butter for the local market and then deducting the amount of the savings effected through not placing the butter f.o.b. The resultant figure is then known as "export parity."

Licensing of wholesale distributors, conditions of sale, and distributive margins have been determined. The wholesale butter-prices under the regulations were—

1st grade creamery pats	..	..	..	14½d.
Second grade creamery pats	..	..	..	13¾d.
Whey pats	..	..	..	13½d.
Bulk butter of the same grade and quality	..	..	..	½d. per pound under the above prices.

On the 12th December, 1937, the price of second grade was advanced by ½d. per pound to 14¼d. The distributing-allowance to manufacturers and licensed distributors was fixed at ½d. per pound.

Whilst retail prices have not been fixed in any way, the Division has closely watched retail prices in order to keep them as far as practicable at reasonable economic values.

The regulations have smoothed out many of the anomalies which have existed for years past in wholesale butter distribution. One or two of these might be mentioned:—

Every wholesale purchaser is now enabled to buy on the same basis. This has prevented the drastic price-cutting, both by factories and retailers, which has occurred in the past. Another factor is that of the quality available to the New Zealand consumer. Previously it had been the practice of some manufacturers to export their higher grading and pack the lower grading butter for local consumption. A system of payment by grade under the regulations has now made it an advantage to pack a high-grade butter for New Zealand consumers, and in this connection the Division have received and appreciated the co-operation of the dairy industry.

The effect of the regulations has been to eliminate a practice which in the past has been the cause of much unnecessary expenditure by the dairy industry. The local market has been divided into seven zones or areas within which, under normal conditions, the supply of butter manufactured is sufficient to meet the demand, and manufacturers in one marketing district are not permitted to forward their butter into another district without permission in terms of the regulations. Previously, the whole of New Zealand was an open market for every manufacturer, and much uneconomic transfer of butter took place, particularly from the northern portion of New Zealand to southern markets, for the purpose of capturing markets in other areas. Apart from the unnecessary haulage costs, this practice was the cause of market disorganization. The Division has, of course, made the necessary provision for supplying butter to areas which, in their period of low production, are unable to manufacture sufficient butter to meet their local demand. This has been done in the most economic manner possible, after an investigation into the relative costs of storage and transport.

Another practice which affected the retailing of butter was the habit of dairy-factory suppliers purchasing quantities of butter at prices even lower than wholesale rates and supplying neighbours