

REVIEW OF OPERATIONS FOR 1937-38 SEASON.

This report marks the completion of the second year of the operations of the Department. It is pleasing to record that the success of the policy adopted in regard to the marketing of butter and cheese, which was clearly indicated in the first year after the inauguration of the new procedure, has been fully maintained. Merchant-agents, dairy-industry officials, and others qualified to judge are in general agreement as to the soundness of the single-unit system of marketing, with general sales instead of sales by individual dairy-factory companies, and with consignment selling in place of the mixed consignment and f.o.b. and c.i.f. selling, which was a disturbing feature in the marketing system of the past. The distribution of butter and cheese in the United Kingdom has been widened by means of a better direct shipment service to the main ports. The new marketing procedure has resulted in savings in costs of marketing amounting to approximately £200,000 per annum. The marketing operations for the 1937-38 season are fully reviewed under separate appropriate headings in this report.

The payment of guaranteed prices for butter and cheese has given dairy-farmers stability and security by protecting them from the effects of fluctuations in market prices for dairy-produce. The fixed and uniform monthly rate of payment for butterfat that dairy-factory companies have been able to maintain enables dairy-farmers to budget with certainty for their farming and domestic expenditure. The guaranteed-price policy has worked smoothly, and the administrative procedure has been conducted without a hitch.

PREMIUMS FOR QUALITY AND QUANTITIES OF BUTTER AND CHEESE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

The basic guaranteed purchase prices for butter and cheese are subject to additions and deductions according to the quality of the dairy-produce as disclosed by the grading points awarded by the Government graders. The experience of the past two years justifies the continuance of the price differentials. They provide an incentive for maintenance and improvement of quality, which is appreciated by representatives of dairy-factory companies. The following comparative figures show the percentages of New Zealand butter and cheese of the various grades, and the quantities purchased and paid for at differential prices :—

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.
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
1937-38	82·00	17·44	0·56	100·00	9·22	85·55	5·23	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	99,365	32,321	47,208	12,441	7,048	347
Bluff	317	1	75	52	163	26
Dunedin	197	18	84	47	35	13
Gisborne	2,227	1,257	796	146	28	..
Lyttelton	2,304	1,612	545	49	22	76
Napier	1,796	921	630	131	114	..
New Plymouth	11,143	5,201	4,385	1,054	500	3
Patea	1,552	92	625	507	323	5
Timaru	914	474	381	21	14	24
Wanganui	2,684	2,102	340	82	143	17
Wellington	15,056	11,612	2,206	869	363	6
Grand totals—						
1937-38	137,555	55,611	57,275	15,399	8,753	517
1936-37	149,810	53,844	66,717	15,550	13,192	507
Percentage of qualities—						
1937-38	100	40·43	41·64	11·19	6·36	0·38
1936-37	100	35·94	44·53	10·38	8·81	0·34