

Kingdom advised that she definitely wanted skins, and, under your instructions of the 22nd April, the Control has continued to operate giving the terms 'normal use' and 'normal exportable surplus' their literal meanings.

"The prices paid by the United Kingdom are according to the various grades of skins and are based on the value of the slipe wool yield at the prices set out in the schedule used by the wool appraisers, the value of the pickled pelt at world parity prices, less 2½d. New Zealand currency for fellmongering.

"The pelt values are fixed for three-monthly periods in advance, which means the buying schedule may have to be altered each three months after the change in the prices of pickled pelts have been received. In my opinion the prices paid by the United Kingdom are full and fair, a premium being paid for abattoir types of skins over ordinary country types.

"Prices being paid by the United Kingdom are not as good as could be obtained from fellmongering skins here in New Zealand green at freezing-works largely because the resultant pickled pelts from skins so fellmongered are worth at least 10s. a dozen more than the pickled pelts from dried skins. Because of this disparity, and in order to give fair competition between the butchers throughout the Dominion, all fellmongering of skins from sheep killed for domestic use is done on behalf of the Control. The proceeds go into the Control Pool, and all butchers are paid for their skins at Control schedule rates.

" Deliveries.

"I am pleased to be able to report that on the practical side the Control functioned smoothly and efficiently from the outset, and that deliveries to Canada and to the United Kingdom and France were made without any delay as and when boats were available. Fellmongers continued to operate normally, and tanners were given their normal requirements of pickled pelts at 1st September prices up to 5th February, and thereafter at an increase of 25 per cent.

" Accounts. (See Schedule 4 in the Appendix.)

"Statements enclosed are:—

"A copy of the balance-sheet at 31st March, 1940:

"A copy of the Trading Statement for the period from 18th November to 31st March:

"A copy of a statistical statement giving the quantities handled for the period and unit costs:

"These are subject to audit by the Audit Department.

" Comments.

"The balance-sheet is simple and calls for little comment except for the item 'Balance Pool Account.' This is the 'loss' on the purchase of skins from producers between 18th November and 31st March. It means on the surface that the buying schedule was slightly high. It is, however, largely covered by the surplus which will come from some 700 dumps sold to Canada and undelivered at 31st March. This surplus will come into the Control Pool, as the United Kingdom advised that this would be so for all surpluses from sales made prior to the completing of the United Kingdom sale. The buying schedule operating from the 18th November to 18th March accordingly turned out to be very accurate, and, in fact, has returned to the producers almost exactly the full proceeds from the sale of their skins less the Control costs.

"I should explain that the schedule is worked out by accurate costings and is constantly checked by reference to stock records which give the continuous cost in each export grade of all purchases.

"Deficiencies, as that shown in the balance-sheet, or surpluses in one period will be endeavoured to be adjusted in the next with the change of the buying schedule. Stocks in the balance-sheet are taken at actual values or in the case of pickled pelts, at conservative values.

"*The Trading Statement.*—The figures give the results of the sales and purchases on account of the War Expenses Account—i.e., of the dealing with the accumulated stocks taken over on 18th November, the sales and purchases of the Pool operations from that date to 31st March, and the combined operations.

"You will notice that numbers of skins are given only up to the total made available for sale. Beyond that point the number is lost with the change in the products brought about by fellmongering part of these. It is for this reason the subsidiary statistical statement is given.

"The expenses are shown analysed under the usual headings, and have been divided between War Expenses Account and Pool Account on the basis of loose skins purchased.

" Costs.

"When the Control started I advised you that the expenses under all headings embracing buying, grading, packing to f.o.b., and control of fellmongeries would work out at approximately 1d. per pound of dried skin weight made up of ½d. grading and packing to f.o.b. and ¾d. overhead.

"The figures from the statistical statement applied to the costs show that the costs are less per pound than anticipated.