

1940.
NEW ZEALAND.

INTERNAL MARKETING DIVISION.

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31st MARCH, 1940.

Presented to both Houses of the General Assembly pursuant to the Provisions of the Primary Products Marketing Act, 1936.

INTRODUCTORY.

IN considering the operations of the Division for the year ended 31st March, 1940, it should be emphasized that the volume of work was enormously increased through the additional functions assigned to the Division as the result of war conditions. It is nevertheless satisfactory to be able to report that the extra duties have in no way interfered with the successful operation of the normal functions of the various Sections of the Division, and this will be noted from a perusal of the following reports.

The appointment of the Director of Internal Marketing, Mr. F. R. Picot, to the position of Food Controller brought heavy responsibilities to the administrative staff of the Division. In addition, the co-ordination of Government purchasing of foodstuffs necessitated a further increase in Head Office work, and organization of a special section. Later the Division was instructed to organize, administer, and control the canteens in the Defence camps, and these important duties have been successfully carried out through the Canteen Section.

Perhaps, however, the greatest task of all undertaken by the Division was the apple- and pear-marketing scheme which commenced on the 5th February and the early operations of which are referred to in the report.

Owing to these developments considerable reorganization and strengthening of the staff of the Division generally proved necessary, and an extension of premises was unavoidable. To assist in carrying out the Division's functions in the South Island, local offices were established at Christchurch in October, 1939, and at Dunedin in January, 1940. These branches, together with the Auckland office, have proved excellent links in the administration of all sections of the Division's policy.

BUTTER.

The administration of the Butter Marketing Regulations 1937 has proceeded smoothly during the dairying season now in progress. Investigations made by the Division into the annual accounts of various manufacturing dairy companies for the 1938-39 season representative of both export and local selling factories have confirmed the fact that the operation of the regulations has in the main achieved the objective of assuring the producer a net return from the local market for his butterfat equivalent to that which he would have received had the same produce been exported. Apart from economic working, the chief factors influencing the variation in returns to the producer were shown to be variations in f.o.b. costs. In addition, further investigation confirmed the position as disclosed in the survey of butter-box operations for local sales undertaken by the Division towards the close of the previous season, mention of which was made in the report for the year ended the 31st March, 1939. As a result, the differential payable by factories covering savings on butter-containers which were not the result of economic working was amended as from September, 1939, and the main anomaly in the working of the regulations was thereby removed.

The alteration in the method of assessing grades for butter sold on the local market, which was dealt with in the last annual report, has not so far been proceeded with. It was felt that the difficulties which would arise if one box of butter from each churning for local were to be sent to grade stores for grading were such that the Department should give further consideration to this matter. The fact that some butter-manufacturing companies require, during part of the year, all the butter made at that time for local supply, plus in many cases further quantities from cool stores, would mean that butter sent to grade stores would immediately be returned, causing freights to and from cool store and allowing deterioration in the butter itself.

Conversations are now taking place with the Director of the Dairy Division of the Department of Agriculture in order to endeavour to work out some procedure which, while generally giving the required information, will at the same time obviate unnecessary extra work or inconvenience to the factories. It is readily admitted that during that period of the season when a butter-factory is forwarding quantities for export the packing of one box in conformity with export standards from each churning of local butter will cause little or no inconvenience, and if as an outcome of the discussions mentioned above some system can be evolved whereby the winter production can be graded without extra work, it would be duly appreciated by the factory-managers, as it will relieve them of considerable responsibility. Unfortunately, it is in the period of low production, when the whole of the produce is sold locally, that it is most necessary to have local butter graded, because when there are no export quantities to standardize by the factory-manager is more apt to overstate or understate the grade points. If, therefore, a procedure can be designed which will at least give the managers a standard at regular periods, it will be of assistance to both the managers and the Division.

During the season under review some small matters have received attention or have been altered to meet conditions which have arisen, but in general the period has been more taken up with systematizing the provisions of the regulations. In any departure from existing procedures, it is advisable to make changes as slowly as possible in order that those working under the conditions may change over normally from the old to the new, and it is desirable to retain those features of the butter distribution in use which are desirable and economic, and to eliminate only those which are upsetting the orderly marketing of butter or other goods. The more gradual the change-over the easier it is for the Division to assess the value of each proposal as it proceeds. Besides the advisability for gradual alteration in the interests of the industry, the co-ordination of existing practice and distribution must be proceeded with. The Division has also been busily engaged in evolving the most easily workable and least cumbersome method of compiling returns which will at the same time cause as little extra work as is possible to the dairy-factory executives and yet give the Division a full and complete record of all transactions. The provision of butter for supplying the deficiency which occurs in winter production is a case in point, as it requires careful planning based on accurate statistical information.

While it is fairly simple to demand estimates of winter requirements from factory officers and to hold quantities of butter in cool storage to cover these deficiencies, it is often not economic to apply the same procedure to factories in different localities. All kinds of considerations present themselves and have to be taken into account, such as facilities and storage costs for autumn production as compared with freight costs from other areas where there may be a surplus of butter available, as well as the possibility of any breakdown in transport owing to winter conditions, as in the case of Westland and other areas similarly situated. These matters are carefully analysed by the officers of the Division, and decisions as to the particular procedure have to be governed by the circumstances obtaining in each case. In some cases it is cheaper to store surplus summer make for winter requirements, while in others butter purchased from surplus make in outside areas and either shipped or railed to the locality as required may be more economic. It is the endeavour of the Division to maintain butter consumption at the highest level, and in order to accomplish this, and at the same time to encourage factories to place their butter on the market in the best possible condition, the Division has the butter intended to be held for winter sale by other than the factory of origin graded by the officers of the Dairy Division of the Department of Agriculture no such butter is stored unless it will grade in accordance with the usual grades of the factory for which such butter is intended.

The supply of butter for winter requirements is therefore of assistance to the factory, but it makes considerably more work for the officers of the Division on account of the complications involved.

Climatic conditions also have repercussions on the quantities available. For instance, the area south of Taihape and Wanganui, from which butter is drawn for the Wellington City market, experienced in the autumn of the year under review a disastrous drought condition which so affected production that, although the usual quantity of stored butter had been provided, it proved insufficient to supply the winter requirements of the city. Ordinarily, it would have been possible to store a further quantity in the late autumn, but this proved to be impossible on account of the sudden and serious drop in the total make, and it was finally found necessary to draw several thousand boxes from Auckland to make up the deficiency in Wellington. In addition, supplies which had been arranged to be sent to the South Island from Wellington had to be drawn from other districts.

The Division keeps in close touch with the Export Division, and has at all times particulars of stocks of export butter available for withdrawal so that any shortage in one area may be made up from other sources, and the factories and distributors have at no time had reason for anxiety with regard to the availability of suitable supplies for their local sales. In the South Island large quantities of butter are transferred from one factory to another, the Westland factories' butter being placed

on the Christchurch market through the distributing factories in Christchurch City. Quantities are also transferred from Mid-Canterbury to meet Dunedin's requirements; and fairly large parcels are often required from North Island sources to again supplement these supplies. As an outcome of these transfers, it transpired that the supplying factories had in the past been selling their butter at the price arranged, without charge for the containers. This meant that the receiving factories were obtaining boxes often from adjacent factories at no cost, and these boxes, when empty, could be used for local deliveries or, subject to certain reconditioning, for export. This matter was brought to the notice of the Division, and proposals for charging for such boxes were submitted to the interests concerned. Immediately the matter was in this way officially brought forward representatives of the South Island manufacturers held a meeting at Dunedin and by mutual agreement decided upon a procedure for the return of empty boxes, where practicable, to the factory of origin, thus removing the cause for complaint. It is pleasing to have adjustments made in this manner, and the satisfactory solution of these problems by mutual consent of the factories themselves is much appreciated.

During the year 155,000 boxes of butter were purchased by the Division to supplement the winter make of manufacturers, and 25,000 boxes were stored by the factories themselves for which costs were reimbursed from the Internal Marketing Account. Owing to the decrease in South Island make, it is probable that these figures will be exceeded in the coming winter. This, however, will depend upon production during the autumn, which naturally governs the situation.

It will be remembered that the Division early in its operations established a patting depot at Wellington in order to pat butter for the city requirements, and this installation has been amply justified. Under the previous system of factories supplying patted butter direct to distributors, the present system of grading butter for the city market could not have been instituted. In addition, several costs which were being incurred under the old system have now been eliminated. In what was termed "free marketing," as previously operating, retailers had been selling a considerable quantity of bulk butter, mostly whey and low grade, under conditions suggesting high quality. When the regulations were brought down, however, these practices were eliminated and almost the whole of the retail sale of butter reverted to the patted trade, which had the effect of throwing a large amount of work on the supplying factories. The Division received a large number of inquiries from manufacturers as to whether it would be possible to secure machinery for patting, as they were experiencing trouble in supplying the quantity of patted butter for their distributors. This brought up the whole matter of servicing Wellington market, and a survey of the position disclosed that some ten factories were considering the installation of expensive machinery in order to cope with the patting of local butter during their flush production. The situation, however, did not stop there, as the Division realized that each factory installing a machine would have sufficient butter of its own make to supply requirements only during the period of flush make, but that during several weeks or months, as the case may be, the factory would have to purchase from other manufacturers bulk butter to supplement its own make. This would mean railage and cartage to the factory for patting and a further cartage and railage on such quantities to Wellington. When the total amount of butter made by all factories in the area was insufficient during the winter months to supply the Wellington market, it would be necessary to have quantities returned from cool store at Wellington to the factory, patted, and again forwarded to Wellington. There was also the further question of the use of cardboard containers in order to conserve timber stocks for export purposes, and these containers were not so suitable for long cartage, so that the Division decided to instal machinery at its Thorndon Depot and pat all butter for the city requirements. Two patting-machines were installed, and these have up to the present time proved sufficient to handle all butter for Wellington City market. Butter is received in bulk, is graded by the officers of the Dairy Division prior to patting, and every care is taken to ensure the best possible quality. Distributors are supplied with butter patted daily, and every endeavour is made to give manufacturers the best possible service. The patting plant receives the same allowances for patting butter which the manufacturers also receive, and this enables the Division to check the adequacy of these reimbursements. Finally, the installation of two machines at the depot has eliminated the cost to the factories as a whole of at least five times this number of machines, and the Division thus effected a very considerable saving to the industry.

While the patting plant has done good work and has saved the industry a considerable expense, it has to be remembered that the plant was installed at short notice, and facilities were not available which normally would have been provided in a new patting plant specially designed and constructed. A new cool room was provided on the closing of the Davis Street railway-crossing, which cut the plant off from quick access to the cool store previously used. A further room is now under consideration. When this has been provided, the plant will be in thorough and efficient order. Patting-facilities were also provided at Auckland, and the service now being given to distributors in that centre should be greatly appreciated. It is, however, primarily to benefit the factories and consumers that the endeavours of the Division are directed, and if distributors can assist in giving service to these two sections of the community the Division will co-operate to the best of its ability.

Apart from the foregoing considerations, there have been small matters arising out of war conditions which have affected the administration to some extent. For instance, it was uncertain at the beginning of the year just how much the export shipping position would be influenced by war conditions, and storages for local requirements were accordingly held up until a later period than formerly. It was apparent that any shortage of shipping space for export butter or other frozen produce would throw a heavy burden on the already limited refrigerated space available in New Zealand.

Should there have been difficulty in getting produce away from New Zealand, all our cool storage would have been required, and the Division therefore refrained from storing butter specially for winter requirements in order to allow all possible quantities to be stored for dispatch overseas as shipping space became available. This meant that in the South Island less butter could be stored for local use and larger quantities would therefore have to be shipped from North Island sources if conditions of manufacture remained the same as last season with regard to autumn production. At the present moment it is not possible to assess the autumn make, but should it be necessary to ship butter South in large quantities at a slightly higher cost, it is considered that the extra expense will be justified by the circumstances, arising as they do from international conditions.

Another outcome of war conditions is the gradual elimination of the $\frac{1}{2}$ lb. pat, which has been readily available in all centres for a considerable time. Since the Division took over the patting of butter in Wellington, a greater demand for smaller portions of butter has been apparent, possibly on account of so many individuals living in rooms or flats. In order to assist the distributors and retailers to cater more easily for this demand, the Division made available $\frac{1}{2}$ lb. pats for all distributors according to their requirements. This assistance was much appreciated by them, and it is regretted that owing to the shortage of vegetable parchment it has been found necessary in the meantime to discontinue the service. Notwithstanding the fact that the cost of packing these $\frac{1}{2}$ lb. portions is considerably higher than the 1 lb. pat, both in wrapping-paper and in labour, the Division had no desire to discontinue their use, but faced as we are with a position where parchment suitable for butter-packing is increasingly more difficult to procure, and considering the fact that it takes almost twice as much parchment to wrap 1 lb. of butter in halves as it does in 1 lb. portions, the Division felt that it had no alternative. Stocks of vegetable parchment have been sufficient for all purposes up to the present. The future position, however, is not very encouraging, and there is a possibility that the industry as a whole may have to consider further economies in this connection before the production season closes.

Another alteration which has proved of benefit to the industry and to the sellers of butter has been the elimination of second-grade pats on the Wellington City and Auckland City markets, where second grade has been an upsetting factor because of its relative scarcity. Since the rationalization of cream collection has advanced to its present stage, the quantity of second-grade butter manufactured has been reduced to such an extent that there is practically none at all available for the Wellington market, while in Auckland the position is even worse. The factories adjacent to Auckland City have at one period of the season a surplus of second-grade butter over and above local sales requirements, but during the balance of the season it varies in quantity from barely sufficient down to a very small portion of the demand. This meant that it was necessary to store second-grade butter at considerable cost for use when supplies were scarce, while, at the same time, first and finest-grade butters were available in fresh condition with no storage costs to supply the market. Alternatively, the distributors had to be rationed, and they in turn rationed the retailers. This led to difficulties for both distributors and retailers, and finally the distributors themselves unanimously approached the Division asking for second-grade pats to be eliminated altogether. The Division, being aware of the situation, acceded to this request. The situation has been watched carefully since that time. It has been found that the total consumption of butter in the area has since increased very appreciably.

Perhaps the most persistent cause of complaint regarding the distribution of butter which has come under the notice of the Division is the variation in retail prices. There is a persistent recurrence of correspondence on one hand from consumers complaining of the high prices charged by some retailers, more especially in the small towns and country districts, and an equally persistent complaint from retailers in city areas concerning the sale of butter at prices allegedly allowing a margin of profit less than service costs.

These complaints are investigated, and the officers of the Division use every endeavour to settle the matters according to what can be considered to be a reasonable margin. There is, however, no standard of prices available apart from that which has been arrived at between a deputation from the master grocers at Wellington and the Division, when it was agreed that a fair and reasonable price for first-grade creamery butter delivered to the retailer free of cost and sold by him for cash would be 1s. 6d. per pound, and for butter sold on credit 1s. 6 $\frac{1}{2}$ d. per pound, provided that any retailer to whom a free delivery was not available might charge freight and carriage costs in addition to those prices. Consideration has been given to a fixation of maximum retail prices for butter on the basis as above, and it is possible that, failing an improvement in the position, this may have to be resorted to. Further consideration is being given to this subject.

As was anticipated in the report for the year ended 31st March, 1939, the Butter Equalization Account ran into credit towards the month of July, and a debit balance of £54,420 has been changed into a credit balance of £153,000 (approximately), there being no untoward calls on the account owing to changes in the guaranteed price, &c., as was the case last year.

The Section is very appreciative of the assistance and co-operation rendered by the industry generally. Considerable delay and inconvenience to the Division and also to the majority of factories, however, is caused by the small section who fail to render promptly the monthly return of manufacture and disposal upon which the differential and other debit-notes are based. It is not desirable to be compelled to enforce the extreme provisions of the legislation in this respect, but such action may be necessary in the near future should the factories concerned continue to cause inconvenience not only to the Division, but also to the other companies, who are co-operating to the fullest extent.

TABLE SHOWING LOCAL MARKET TURNOVER OF BUTTER FOR THE YEAR ENDED 31ST MARCH, 1940.

					Creamery.	Whey.	Total.
					lbs.	lbs.	lbs.
1939.							
April	..	..	..	..	4,860,373	131,412	4,991,785
May	..	..	..	..	5,226,055	135,940	5,361,995
June	..	..	..	..	5,039,687	95,655	5,135,342
July	..	..	..	..	5,231,814	68,237	5,300,051
August	..	..	..	..	5,060,686	83,512	5,144,198
September	..	..	..	..	4,882,507	106,158	4,988,665
October	..	..	..	..	5,041,692	136,386	5,178,078
November	..	..	..	..	5,043,359	135,826	5,179,185
December	..	..	..	..	5,180,478	117,968	5,298,446
1940.							
January	..	..	..	..	4,831,525	110,168	4,941,693
February	..	..	..	..	5,118,219	117,519	5,265,738
March	..	..	..	..	5,229,835	122,790	5,352,625
Totals	..	..	..	..	60,776,230	1,361,571	62,137,801

CHEESE.

During the year some further consideration has been given to the possibility of assisting cheese-producers with regard to their local market activities. There are, however, serious difficulties to be overcome, specially with regard to the grading of cheese for local sale, which present a situation requiring a great deal of care and attention. The Division is anxious not to throw on to factory executives any unnecessary work or to institute systems which will entail complicated procedures or heavy expenditure. In addition, it is not desirable to interfere with the factories' freedom of action in catering for local requirements unless such action is detrimental to the producers as a whole. To begin with, butter is most satisfactory when fresh from the churn, and the grading of any line can be checked by comparison with export quantities provided from the same cream and manufactured on the same day. Cheese, on the other hand, needs to be kept on the shelves for a period, and as the vats in which the cheese is made hold only a portion of the milk received there may be a serious variation between any two parcels made on the same day. Cheesemaking therefore lends itself more to selection of the original milk than butter-manufacture. Apart from the employment of a large staff of Inspector-Graders whose employment would not be justified unless the consumption of cheese could be very materially increased or special factories could be selected for the manufacture of local requirements, there would appear to be no method of overcoming this grading difficulty. Again, consumers' preferences in the matter of flavour and maturity vary with both individuals and locality, and these matters present a difficulty in arriving at what could be considered to be a standard of quality and flavour for general use. Nevertheless, it is realized that cheese consumption is unsatisfactorily low and that the reasons for this state of affairs must be discovered and receive attention. The divisional officers are therefore under instructions to further explore the manufacture and marketing of cheese within New Zealand, and to endeavour to evolve a workable scheme for the encouragement of consumption and the provision of a standard type of cheese which will assist in this direction.

Local sales of cheese for the year 1939-40 are as follows :—

TABLE SHOWING QUANTITIES OF CHEESE CONSUMED LOCALLY IN THE VARIOUS MARKETING DISTRICTS FOR THE YEARS ENDED 31ST MARCH, 1939, AND 31ST MARCH, 1940.

Marketing District.					1938-39.	1939-40.
					lbs.	lbs.
Auckland	..	..	..	..	2,055,725	2,184,687
Taranaki	..	..	..	..	261,844	246,415
Wellington	..	..	..	..	2,344,746	2,794,572
Marlborough-North Canterbury	..	..	..	..	644,346	535,196
South Canterbury	..	..	..	..	673,638	748,158
Otago-Southland	..	..	..	..	1,208,845	1,400,882
Totals	..	..	..	..	7,189,144	7,909,910

EGGS AND EGG-PULP.

During the year the Division has again assisted the poultry industry in every possible direction. Early in the period of flush production of eggs, consideration was given to the necessity for relieving the position by exporting any surplus quantity. At the same time all other avenues were surveyed, and it was found that there was an abnormally small carry over of egg-pulp from the previous year's stocks. Under these circumstances, the Division decided that no export would be necessary for the 1939 production, but that in order to assure sufficient quantities of egg-pulp for the users of this commodity it would be necessary to pulp the majority of the surplus eggs available during the high-production period. Arrangements were accordingly made with the egg-merchants in Christchurch and Dunedin that the Distributing Section of the Division would take all surplus pulp of a suitable quality manufactured in those areas at a price which would return to the poultry-producers what was considered to be a fair and adequate price return for eggs. This action had the same stabilizing effect as had been accomplished previously by export, and, at the same time, provided egg-pulp for manufacturers' winter requirements. The operations of the Division in this direction stabilized the price of eggs when local consumption could not absorb the quantity coming on to the market, and thus ensured to the producer a price for such surplus more in conformity with the price at which the egg-pulp could be sold. Prices for egg-pulp being thus arranged, the manufacturers were enabled to contract for supplies without fear of a falling market at a later period, and the action of the Division gave general satisfaction in this direction also.

At the date of this report, information is not available whether there has been a reduction in the number of fowls as compared with last year or whether the average number of eggs produced per bird is lower, but it is certain that, notwithstanding the fact that no export of eggs took place during the year, the market has been short of adequate supplies for the whole of the latter half of the normal laying season. It is possible that egg consumption has increased beyond previous years, and this may possibly be accounted for by the shortening of supplies of imported luxury food lines resulting from war conditions.

During the year the Division has instituted a monthly survey of stocks and sales of egg-pulp and chilled eggs, as the actual demand for these commodities has been difficult to assess in the past. As these figures are tabulated it will be possible for the Division to check stocks progressively and to assess the requirements of the market in relation to supplies.

Since the inception of the operations of the Price Stabilization Emergency Regulations 1939 the Division has been associated with the Price Tribunal in considering applications from merchants and producers for permission to determine the prices of eggs, and has endeavoured to secure a reasonable return to producers in accordance with seasonal production without unduly high prices to the consumer. There is perhaps no primary food commodity which is subject to the same quick fluctuation in supply as eggs, and whilst it is not desirable to have eggs at an exorbitant price during the autumn and winter months, the circumstances governing their production render it difficult to obviate high prices at the period of low production.

Eggs are produced by farmers engaged in other avenues of production as a subsidiary source of income, and these producers do not cater for production all the year round. They invariably keep fowls which produce during the natural laying months, and the farmer is not interested in further production, which is costly in labour, housing, and special feeding. These "farm" eggs come on to the market during the period of flush production and have the effect of reducing egg-prices when commercial production is also creating a glut. During the balance of the year, when it is more expensive to produce eggs, the market supply is left to the specialized poultry-farmers, and unless they receive compensation by way of higher prices to which they are entitled for the fewer eggs produced under these conditions there will be an end to poultry-farming as a specialized occupation. Notwithstanding the lower production during the year under review and the higher price during the heavy-production period, the prices of eggs this year have not been allowed to exceed the maximum prices received in the previous season, and any shortage in supplies for retail sale have been overcome by distributors rationing supplies, the Division using its endeavours to assist in assuring supplies to all areas.

Investigational work related to some form of rationalization of the distribution of eggs has proceeded during the year, and discussions have taken place with the New Zealand Poultry Board and other interested parties. It is anticipated that some concrete proposals will be available for consideration during the coming year. Meantime, the Division continues to give assistance to the industry in every possible way.

BOBBY-CALF POOLS.

The supervision of bobby-calf pool areas has proceeded smoothly during the year. Several new pool areas have been gazetted, and existing pools have carried on their operations satisfactorily. The activities of the Department in this direction are not to administer the pools, which are co-operative enterprises protected by regulation. The division, therefore, is interested only in assisting the Committees appointed to administer each area and to protect the gazetted areas from outside competition of a harmful nature. The year under review has been very successful so far as the producers' interests are concerned, and price returns on an average are in excess of last year's figures.

Balance-sheets received from some of the pool authorities who started operations under the protection of the regulations during the year under review demonstrate that the producers in those areas received a greater return compared with the previous year. This is perhaps the best demonstration of the value of the regulations to the dairy-farmers.

The year has not been entirely free from troubles, but these have been dealt with as they have arisen, and the co-operative attitude of the pool Committees has assisted the officers of the Division to a degree which is greatly appreciated. Some small adjustments in boundaries between pool areas have been made, in each case by mutual consent of the Committees of the pool areas concerned, and some small additions from non-pool areas have been added to adjacent pools.

The amount of "piracy" of calves from pool areas has been reduced, and action has been taken to ensure that the Committees were fully empowered to deal with all calves in the pool area in each case.

During the year there was a persistent complaint that calves were being taken out of pool areas by farmers when going to the local sale, and that such calves were being sold through agents of purchasers other than those appointed by the pool Committees. It is natural that agents working on a commission basis will take every opportunity to increase their incomes, and it has generally been found on investigation that their principals had no knowledge that a breach of the regulations was being perpetrated. On every occasion when freezing works or processors were advised of such breaches, instructions were immediately issued by them to their agents to cease operating in any manner not in conformity with the regulations. Generally speaking, the producers have been very loyal in observing their pool obligations, but at certain times of the year, when calves are few in number, farmers sometimes sell their calves outside the pools. In no case which was investigated were the producers from pool areas receiving as much from the agents as they would have received from the pool, and as this fact is being realized more and more as time goes on the practice referred to is becoming less prevalent.

The producers in outside areas are also starting to see the benefit of co-operative effort in the better return for calves, and there are now seventy-four pools gazetted, with several more in the process of organization, notwithstanding that in one area six pools have amalgamated into one pool area, thus reducing the number of gazetted pools by five, the latter amalgamation making no difference to the total area or the number of calves coming under the regulations.

The 1939 regulations are working smoothly, although some of the provisions need clarifying to producers. For instance, there is uncertainty in some cases regarding proxies at annual meetings. It is intended to circularize all pool Committees when the calf season is in progress dealing with any questions which experience has demonstrated to the Division are not perfectly clear to the Committees.

An aspect of the calf-pool procedure which does require some attention is the standardization of a balance-sheet to enable a clear comparison of returns, but this again is complicated by the different periods of pooling in each case. Procedures for the disposal of calves vary considerably, and the method of selling is left to the decision of the pools. Some pools sell by periodic tenders, arranging their own collection; others follow the practice of entering into arrangements with processors to do the whole job on a commission basis. There are also systems from complete organization by the pool Committee to f.o.b. to delegation of powers on a purchase and sale basis. These various systems will no doubt settle down in time to fewer methods of disposal, and perhaps the present trend towards a wider application of co-operation by federations or amalgamations of pools will ultimately enable producers to get down to a uniform system.

The purchase of all calf-meats by the Government under the Emergency Regulations will assist in reducing the number of selling methods, and, at the same time, if a standard balance-sheet can be evolved, will give the Division an opportunity to check returns as compared with values. The officers of the S.P.C.A. have been observing the effect of the operation of the regulations from the humanitarian aspect, and give general approval to the improvement which has been effected in handling the animals. Suggestions have been made by Inspectors for the improvement of conditions, and these have received sympathetic consideration. Generally speaking, the bobby-calf operations have shown an improvement all round, and the Division will continue to use its efforts in furthering this improvement in the future.

IMPORTED - FRUIT SECTION.

This Division became the sole importer of citrus fruit and bananas under a Customs Proclamation dated 11th May, 1938, and since that time imports have been regulated in such a manner that serious price and supply fluctuations prevalent throughout this trade in the past have been reduced to a minimum and, in fact, practically eliminated.

Although overseas buying-prices fluctuate from time to time and shipping freights increase in times like the present, the average wholesale selling-prices have been fixed at all times in an equitable relationship to landed costs.

The marketing of this fruit has been effected through a panel of distributors comprised of fruit auctioneers and merchants in nine cities and towns in the North Island and eight in the South Island. Prior to control there were only eight distribution centres throughout New Zealand, and the increase to what is now considered the optimum number is amply justified by a marked improvement in service to consumers surrounding these additional centres of distribution.

In order to ensure that reasonable wholesale prices for citrus fruit were reflected in the retail prices, regulations have been promulgated setting the maximum profit which retailers may make on the sale of citrus fruit and also requiring the method of sale at a "per dozen" price in place of the previous method of so many "for a shilling." It was considered necessary to sell citrus fruit at a "per dozen" price, as the practice of selling so many "for a shilling" was not sufficiently elastic to reflect small alterations in the wholesale price. Selling by this method, a small drop in the wholesale price may be reflected now in the retail price.

The "count"—i.e., the size of the fruit—must also be stated on all oranges and lemons exposed for retail sale, and the consuming public will no doubt soon become conversant with the size of the fruit each count denotes, and will realize that the smaller the numerical figure shown as the count the larger will be the size of the fruit.

BANANAS.

During the year under review a total of approximately 30,000,000 lb. of bananas was imported from the various island groups, in the following proportions compared with the year ended 31st March, 1939 :—

					Year ended 31st March, 1940.	Year ended 31st March, 1939.
					Per Cent.	Per Cent.
Samoa .. .. .	..	..	..	..	58·8	49·7
Fiji .. .. .	..	..	..	..	17·7	31·6
Rarotonga .. .. .	..	..	..	..	10·4	11·4
Niue .. .. .	..	..	..	..	4·1	3·9
Tonga .. .. .	..	..	..	..	9·0	3·4

Early in 1939 a severe hurricane, followed by generally adverse weather conditions, drastically curtailed supplies from Fiji, and what fruit was shipped from that source during the year did not come up to the usual standard. The quality of the fruit other than that supplied by Fiji was fairly well maintained throughout the year. As will be seen from the above comparative percentages, the Fiji deficiency was to a large extent made up by Samoa and Tonga.

In consequence of the Fiji shortage and the fact that one of the principal vessels engaged in the island trade was out of commission for three months, imports were approximately 20 per cent. less than the previous year.

Bananas were therefore in fairly short supply, which became most apparent during the summer months, when the demand increases considerably.

ORANGES.

During the year under review approximately 350,000 cases of oranges were imported from various sources within the Empire, in the following proportions compared with the previous ten months :—

					Year ended 31st March, 1940.	Previous ten months.
					Per Cent.	Per Cent.
Australia .. .. .	..	..	..	..	61·8	61·3
Cook Islands .. .. .	..	..	..	..	15·5	21·0
Jamaica .. .. .	..	..	..	..	22·7	12·5
California .. .. .	..	..	..	..	—	2·2

Due to seasonal conditions, the production of citrus fruit in the Cook Islands, Australia, and New Zealand was considerably less than in past years, and heavy rain in certain of the Australian irrigation areas accentuated the shortage from this source.

Australian navel oranges usually land on the New Zealand market about the middle of June, and continue until about the end of August; Australian Valencia oranges are then available until approximately December. Supplies of Jamaican oranges usually arrive about November or December, depending upon the quantity of Australian Valencia oranges available, and continue until about April or May. Cook Island oranges usually arrive early in May, and continue until August, coinciding fairly closely with the Australian navel orange season.

During the Australian Valencia season the shortage resulted in a rise in Australian market prices. Export prices also rose sharply, due to a still more acute shortage of fruit of export quality.

Ocean freights increased on the outbreak of war, and together with added war-risk insurance resulted in increased costs.

As fewer ships called at Jamaica, the fruit had to be imported in larger shipments and held in cool store for longer periods than is usually necessary. Difficulties concerning the arrival dates of ships were experienced in Jamaica, and the fruit was often packed and ready for export up to a fortnight before the arrival of the vessel.

This was, no doubt, partly the cause of the fruit from Jamaica being of a lower standard than in previous years.

Indications for the coming season point to a normal crop in the Cook Islands, Victoria, and South Australia. The crop in parts of New South Wales is anticipated to be normal. However, very dry weather in the coastal areas and in central districts has adversely affected the crops, and may in turn affect marketing conditions.

GRAPEFRUIT.

To encourage sales of New-Zealand-grown grapefruit, importations were reduced to a minimum while the local fruit was available, and various placards were printed by the Division advertising the local fruit.

Australian and Jamaican grapefruit were imported because of the lower landed cost when compared with fruit from other sources.

LEMONS.

After repeated requests from representatives of the majority of the lemon-growers in the main producing-areas, the Government decided that the Division should assume control of the marketing of all New-Zealand-grown lemons for commercial sale, and as from 1st May, 1939, the Lemon Marketing Regulations came into effect.

Lemon-packing sheds at Tauranga, Auckland, and Kerikeri were taken over, and sheds established at Gisborne and Hastings. The processing of by-products (peel and juice) is also conducted at Tauranga and Kerikeri. During the year, 44,266 cases of marketable-grade fruit were handled and 17,291 cases of peel and juice fruit.

The average pay-out to growers for the period 1st May to 31st December, 1939, was 5s. 1-76d. for sufficient fruit, which when cured, packed a $\frac{3}{4}$ bushel case, this payment including an additional 3d. per case covering overrun. As from 1st January, 1940, it was agreed to pay a differential price based on the estimated proportion of the crop available at different times of the year, and these prices are estimated to average 5s. 3d. for sufficient fruit which, when cured, will pack a $\frac{3}{4}$ bushel case.

It was considered advisable to pay a differential price in order to encourage growers to pick their lemons in periods of short supply and endeavour to so arrange their growing in order that a portion of their crop may be marketed in this period and avoid periods of oversupply as much as possible.

Lemons are forwarded by growers to the various packing-sheds, usually in cases containing approximately one loose bushel of unsized fresh fruit, and upon receipt graded into bushel-measure cases in accordance with the various standards set by the Department of Agriculture and the Lemon Marketing Regulations. Any diseased fruit is rejected, and fruit which, because of its size or appearance, is unsuitable for commercial sale is used in the manufacture of by-products.

Close contact is maintained with the Department of Agriculture Orchard Instructors in order that growers whose fruit is degraded or rejected may receive advice for the improvement of the quality of the fruit by correct orchard culture.

The work in connection with the preparation of lemons for market is much greater than that involved in the packing of any other fruit in New Zealand, and covers grading, colouring, shrinking, washing, sizing, and packing.

A Harvey processing-machine imported from Australia has recently been installed at Tauranga, and it is hoped that this machine will substantially reduce shed costs and so warrant the purchase of similar units for our new Auckland shed. At a field-day the working of this machine was demonstrated to growers in the Tauranga district.

The regulations regarding grading provide for two grades, Fancy and Commercial, with an additional third grade, Minimum, which is accepted at the option of the Division during periods of short supply. In the past much inferior-grade fruit was marketed, but grading regulations are now rigidly enforced, with resulting benefit to the consuming public.

The marketing of New Zealand lemons is carried on in conjunction with the marketing of imported fruit by the Head Office of the Division at Wellington, and the Auckland Branch carries on the general management of the various packing-sheds and the marketing of by-products.

Lack of cohesion between the various packers in the past has been eliminated, and central management has resulted in the grading being uniform throughout the industry. Continual experiments and investigations regarding mould trouble are being made by the Department of Agriculture.

Invaluable assistance has been given by the Citrus Advisory Council representative of the industry to both growers and this Division.

Lemon-growers in certain areas have been faced with serious difficulties owing to hail and frost damage, and a grant was made to assist them.

The fact that this Division is marketing New-Zealand-grown lemons and is also the sole importer of lemons from overseas now results in the fruit being imported only when home supplies are insufficient. Estimates of local production will at all times determine our overseas buying.

BARLEY.

The quantity of barley imported for the season amounted to 115,825 sacks (359,057 bushels) unclipped and 28,440 sacks (91,008 bushels) clipped. The whole of this was imported into the North Island and was used both for poultry-feeding and manufacture of pigmeal.

After the outbreak of war it became apparent that it was urgently necessary to increase the pig-production in New Zealand owing to the requirements of baconers and porkers for the United Kingdom, and the Division entered into further contracts with Australia for a large quantity of barley totalling 150,000 sacks for delivery during the first half of the current year in order to meet the anticipated increased demand.

The Division was also influenced in making this large purchase by the fact that it was available in Australia at a very low figure and could be consequently sold to consumers to their advantage.

The anticipated demand has proved fully up to expectations, and regular shipments have been coming forward to North Island ports and have been going into consumption immediately.

Not only have the pig-producers benefited very substantially thereby, but poultry-farmers also have been enabled to obtain feed barley of good quality at an unusually reasonable figure.

We are now experiencing a strong inquiry for feed barley from the South Island, where supplies of cheap feed for pig-raising appear to be almost exhausted, and conferences have been held with the Department of Agriculture with a view to admitting certain quantities of feed barley for pig-raising purposes to South Island ports, and it is probable that such arrangements will be completed shortly.

In the meantime the Division, having foreseen the exhaustion of the large purchase of barley made some eight months ago, has made further purchases in Australia, which it is considered will be sufficient to carry us through until December, 1940.

MAIZE.

The 1938 crop of New Zealand-grown maize was practically exhausted in January, 1939, and during the period March to June, 1939, it was necessary to arrange for importations in order to meet requirements until the new season's crop became available in July-August.

Owing to an embargo on export from South Africa due to a small crop there, supplies had to be obtained from Java, the total quantity imported being 2,470 tons. These shipments, together with the New-Zealand-grown crop, were sufficient to meet all requirements up till the end of December, but from January onwards it was found necessary to arrange for further importations of South African maize, some 775 tons being imported from that country, and further quantities have recently been imported from Java.

Arrangements were made with the New Zealand maize-growers to stabilize the price for last season's crop on the basis of 5s. 3d. per bushel f.o.b. Gisborne, with increments for delivery in certain months, and although this was purely a voluntary arrangement it has worked satisfactorily and has proved a considerable help to the industry. As a result of the stabilized price and assured return to producers there has been considerable improvement in the acreage of maize sown this season, and in some of the principal districts the crop has been doubled—a very satisfactory position in view of the high prices ruling for imported maize and the difficulties incidental to securing supplies from abroad under war conditions.

It is hoped that ultimately local production will be stimulated to such an extent that importations may become unnecessary.

WHITE MAIZE.

An interesting development during the last few months has been the importation from South Africa of a trial shipment of white maize for the manufacture of cornflour. This trial parcel has proved quite successful, and while the quality is not sufficiently fine for all culinary purposes, being of a rather coarser grade than that usually marketed by grocers as cornflour, it is nevertheless quite suitable for use in the manufacture of certain foods, notably ice-cream, of which cornflour forms a very substantial constituent. A further shipment of 30 tons of white maize for this purpose has been arranged and is due in a few weeks time.

This industry shows some promise of development, and it may be necessary and advisable to stimulate the local production of white maize for manufacturing purposes.

ONIONS.

Considerable difficulty was experienced in certain periods of the year in arranging for a satisfactory supply of onions, and during the late winter and spring months of 1939 there was at times a fairly acute shortage with high retail prices. During the early stages of the onion season—March to June—fairly substantial exports were made to Australia at very satisfactory prices to growers, but in the great majority of cases it would not have been possible to have retained these onions in New Zealand to meet our later requirements owing to their inferior keeping-quality for any substantial period.

However, during the past two years onion-growers have been greatly improving the quality of their crops by growing better and longer-keeping varieties, in which they have been encouraged and assisted by the Department of Agriculture. The current years' crop—and, we anticipate, succeeding years'—should keep in sound condition sufficiently to meet our requirements for two or three months longer than has been the case in past years, although we anticipate that it will be necessary to make some importations about October-November to fill the gap between the exhaustion of our local crop and the harvesting of the early new season's onions towards the end of December. The total quantity imported during the year ended 31st March, 1940, was as follows:—14,500 crates Japanese, 8,200 centials Californian, and 12,000 centials Canadian.

These importations were arranged after consultation with the Onion Advisory Committee of the Department of Agriculture, with whom the Division has kept in close touch. That Committee watches the local crop position and is able to advise when importation is necessary to supplement local production.

APPLES AND PEARS.

Amongst the many problems which confronted primary producers following the declaration of war, perhaps none was so pressing as that affecting the apple and pear growers of the Dominion. In the years prior to the commencement of hostilities the Dominion had enjoyed an export trade in apples to the extent of approximately a million cases per annum. War necessitated the utilization of all available shipping space for the transport of produce more essential under the conditions than fruit, such as meat and dairy-produce. The apple and pear industry was therefore faced with the unenviable position of losing its export trade, which meant that a million cases of fruit would be thrown back on the local market, which was normally capable of consuming about two million cases on an average each year. Faced with this problem of oversupply, the growers, through their representative organizations, the New Zealand Fruitgrowers' Federation and the New Zealand Fruit Export Control Board, approached the Government for assistance, and requested the latter to take over the marketing of the fruit. After lengthy discussions as to the method to be adopted, the Government agreed to tackle the problem,

and the industry's representatives unanimously accepted the terms and conditions offered, which were as follows :—

The apples and pears were to be packed by growers and delivered to assembly depots conveniently situated in the various growing districts, where, after passing inspection by officers of the Department of Agriculture, the fruit was to be automatically accepted and purchased by the Marketing Department at prices determined in accordance with price schedules issued to growers. These schedules provided for the grouping of the various varieties of apples and pears into groups and grades which were estimated to give growers an overall return of 5s. per case delivered to the assembly shed. Differentials for the various types of pack—*i.e.*, local or export—were also provided for. Full details of the prices and conditions of purchase will be found in the Apple and Pear Marketing Regulations 1940 and *Gazette* notice dated 22nd February, 1940.

From these it will be seen that growers had to conform to certain well-defined grading standards in packing their fruit for sale to the Department. These standards were prepared by the Department of Agriculture, which also undertook the inspectorial work associated with the scheme. The assistance rendered by that Department has indeed been much appreciated, as also has been the work its officers have done in keeping in constant touch with growers. The result of these efforts has manifested itself in the improved quality of the fruit, and appreciation of this fact has been forthcoming from consumers, retailers, and other interests in the trade.

In order to allow growers a certain amount of latitude in disposing of fruit at the orchard, the regulations permitted orchardists to sell fruit to consumers provided such fruit was not purchased for the purpose of resale and was in accordance with the grading standards laid down. In addition, growers were given the liberty of entering into contracts with manufacturers for supplies of apples and pears. Sales of this kind were beyond the scope of the regulations, and this allowed the growers complete freedom in negotiating as to price and grade with factories.

In addition, a few growers who could not be catered for under the scheme without undue cost because of their being in scattered areas in outlying districts were given permission to act as grower-agents, which enabled them to dispose of their crop in their own district.

An Advisory Committee of growers was also established under the regulations, and until such time as a new Committee was appointed the members of the Fruit Export Control Board were deemed to constitute this Advisory Committee. It would be as well perhaps to mention that the activities of the Export Control Board were absorbed by the Department, and the functions as well as the staff were accordingly transferred in January of this year.

On the selling side arrangements were made with the wholesale fruit-merchants throughout the Dominion to handle the fruit on a consignment basis for the Department. The procedure adopted here was that the wholesale units in each marketing centre were asked to form committees which, with the assistance of Departmental officers, and acting under their supervision and direction, were to advise and assist in disposing of the fruit to the best advantage. The co-operation already extended to the Department by these merchants is indeed much appreciated. Fruit-retailers throughout the country have also been very helpful in the way they have faced the new conditions and developed a trade in case lots to cope with the large quantities of fruit coming forward to the market.

The stimulation of demand by advertising has also had a very marked effect on the sales of apples, particularly in case lots, which were specially featured in all publicity. Broadcasting services, as well as posters, newspapers, magazines, and various other media, were utilized in a nation-wide campaign to increase sales, and with marked success. It is, of course, too early to predict what the financial results of the scheme will be, but it is interesting to note that up to the preparation of this report over three-quarters of a million cases had been purchased from growers by the Department. At the end of this financial year the apple- and pear-marketing scheme was well under way, but the bulk of the season's crop had still to be dealt with during April and succeeding months. The whole of the operations will therefore be reviewed in the next annual report.

HONEY.

After the disastrous production season in 1939, it was hoped that the 1940 crop would be such as to compensate beekeepers in some way for the great difficulty experienced in the previous year. Unfortunately, however, in line with primary production generally, the 1940 crop proved to be smaller than usual, although by no means as poor as in 1939.

The quality of the honey received so far this year has been of a very satisfactory nature.

The problem of most concern to the honey industry in New Zealand in a period of shortage is mainly that of its export market. Previous experience of the temporary removal of the well known "Imperial Bee" brand from the English market proved that much of the goodwill attaching to the brand was lost. It is only over the last two years that New Zealand honey has once again come back into its own in England, and in spite of the small crop in New Zealand it is felt essential that the English demand be met and maintained to the fullest possible extent, particularly as honey is the only important New Zealand product which is not subject to the British Government commandeering and therefore will retain its identity under war conditions in Britain. Of the total quantity of this season's honey so far received by the Division, 202 tons have been exported, and it is anticipated that with other amounts yet to come in a further shipment of 150 tons will be made. So far as local requirements are concerned, the consistent flavour and quality of the depot's blend has been a large factor in increasing local demand, and New Zealand sales show very satisfactory results.

It is essential that the turnover in packed lines should be maintained in order that the Division's packing and blending plant at Auckland may be operated on an economic basis.

Last year's report mentioned the fact that the Division had now made arrangements to print the seals which are required by the Honey Marketing Regulations 1939 on the carton lids in the process of their manufacture. This arrangement is continuing and is proving a boon to producers and packers throughout New Zealand.

The matter of carton supplies, however, is giving some difficulty, and the local manufacturers are finding it difficult to meet the urgent seasonal demand from producers and packers. No doubt this will be overcome as further experience in carton-manufacture is obtained.

The *pro rata* advance payment for the 1939 season was continued at 4½d., and a further payment of ¾d. has since been made to producers, bringing the total pay-out to date to 5¼d. Until stock and sales figures are received from London it is not possible to estimate the final pay-out to producers, but it is anticipated that the amount will not be below last year's final total of 6d.

The advance for the 1940 season has been increased to 5d. per pound in anticipation of firming markets both in New Zealand and overseas.

The Auckland Depot still continues to function in a very satisfactory and efficient manner, and over the twelve months ended 31st March packed 393 tons of honey for the trade and handled a further 155 tons of bulk on the local market. Apart altogether from export figures, it will be seen that the quantity of honey handled through the Depot calls for the most efficient equipment available.

The present plant is most up to date and capable of handling all quantities received, but when the Division is established in its proposed new premises in Auckland and the plant transferred and increased, producers will have a modern organization unexcelled in the world for the hygienic handling of honey.

In April, 1940, the New Zealand Bee-keepers' Conference met in Wellington, and amongst other things discussed many remits on honey-marketing. It is pleasing to be able to state that many expressions of confidence in the Division's marketing operations were made by those present at that Conference.

Producers also strongly stressed the fact that they themselves appreciated the necessity of the Division maintaining its turnover on the local market, and passed resolutions recommending that some form of market protection be given to the Division's operations.

The Honey Export Control Board continues to act as an Advisory Committee on behalf of producers. Mr. H. R. Penny, the retiring member in 1939, was renominated and re-elected unopposed as the North Island representative on the Board. It is interesting to record that Mr. L. F. Robbins, the South Island producers' representative, was similarly returned last year.

It is again competent at this juncture to express the Division's appreciation of the real co-operation shown by producers, which is an essential feature in successfully co-ordinating the marketing policy. Last season the Division asked producers to supply prompt estimates of their production in order to enable the Depot to make forward arrangements for local and export packing. The statistics came to hand very well, but it is still necessary to impress upon all producers the value of having this information at the earliest possible moment.

In 1939 the Division assumed control of the importation of beeswax, and since that time manufacturers have been in communication with the Division seeking supplies in New Zealand. In view of this, the Auckland Honey Section prepared a circular and stock form asking producers to state their present stocks of beeswax, anticipated production, and date on which it would be available, together with the price desired. This has enabled the Division to inform New Zealand users where the wax is available.

It would appear from the statistics that the supply of wax in New Zealand is only just sufficient to meet the demand, but it is not anticipated that any further import licenses will be issued until it is obvious that there is actually a shortage in New Zealand production.

HOPS.

The Hop Marketing Committee, which was established in 1939 under the Hop Marketing Regulations, continues to function smoothly and with benefit to the hopgrowing industry as a whole. The object in setting up this Committee was to enable the growers to co-operate with the Government in maintaining orderly marketing of hops within New Zealand and making the best arrangements for successful export.

With a commodity such as hops, where the consumption internally is limited and the export market more or less speculative, it is essential that some form of control should be instituted in order that the industry itself may not suffer the disastrous effects brought on by increased production on a market which could easily become oversupplied.

Unfortunately, the hopgrower is not exempt from the seasonal vagaries which all primary producers experience, and in 1939 the crop was so small that the importation of hops became necessary to supplement local supplies and thus meet the requirements of the New Zealand trade.

The crop this year, 1940, is very much better, although the latest indications are that it will be below that of a normal season. It is therefore unlikely that any export will take place this year, but it is anticipated that when the crop is finally harvested there will be sufficient to supply all the needs of local brewers.

The second election for the Hop Marketing Committee took place in September, 1939, and resulted in the return of all the previous members, which must be taken as an indication of the satisfaction of the industry in the way in which the Committee has been handling the administration of the scheme.

A representative of the Internal Marketing Division is also a member of the Committee by Government appointment, whose duty it is to represent the Hon. Minister of Marketing in the deliberations of the Committee.

As a result of the war in Europe, some concern was felt as to the ability to secure shipping space for hops to England, but after consultation with the Export Division of the Marketing Department satisfactory arrangements were made for the provision of the necessary shipping space for all anticipated requirements. However, as already mentioned, it is now very doubtful whether we will be able to utilize this space owing to the paucity of the crop.

Owing to the extreme shortage in 1939 the price of hops was fixed at 1s. 10d. per pound for first-quality brewing and 1s. 9d. per pound for packet hops, both prices f.o.b. Nelson.

At a recent meeting of the Committee it was decided that the price to brewers for the next two years should be 1s. 9d. per lb. f.o.b. Nelson for both first-grade brewing-quality and packet hops. This arrangement will terminate with the date of the next licensing poll, and it was considered that no prices should be fixed beyond that date.

With the control exercised by the Committee and the consequent ability to market the crop in an orderly manner, the future of the industry in New Zealand is well assured.

KAURI-GUM.

Through the Auckland Branch of the Division, the supervision of the marketing of kauri-gum is being maintained and constant contact is made with diggers in the northern fields.

The minimum basic prices which were fixed last year have been maintained, and the Division keeps in close touch with the merchants in order to see that gum-diggers have a market for their product at the above minimum prices.

It is pleasing to be able to state that no serious difficulty has been experienced in making sales, and diggers generally appreciate the service of the Division as a mediator between themselves and the merchants.

The war position in Europe, of course, has had an effect upon shipments of kauri-gum, but the actual market demand has increased and it is anticipated that this demand will continue for some time.

The Department of Scientific and Industrial Research is constantly investigating new and more efficient methods of producing and cleaning kauri-gum, and it is hoped that eventually it may be possible to standardize the product in such a way that marketing may be effected more readily.

CANTEEN SECTION.

On the establishment of Defence camps, the question of canteens was immediately under consideration. Various firms and public bodies offered their co-operation in the managing of canteens. It was, however, decided that the whole of the canteen organization should be under Government control, and that the arrangements be entrusted to the Internal Marketing Division. This avoided any possibility of an unfair advantage to any firm or institution by granting exclusive privileges, and also enabled the Government to supervise all transactions and arrange the distribution of profits among the various units of the Defence Forces.

The canteen organization commenced to operate on the 1st October, 1939, and in the early stages there were difficulties with temporary premises and supply arrangements. In overcoming these problems the Division was fortunate in being able to accept a voluntary offer by Woolworths (New Zealand), Ltd., to provide without remuneration the use of their purchasing and staff facilities. These temporary arrangements were replaced within a few weeks by a regular canteen staff selected in consultation with the Returned Soldiers' Association.

The urgency of problems associated with the establishment of canteens necessitated in the initial stages a good deal of personal attention by the Director of the Division and the Head Office staff, but as quickly as possible a new Section of the Division was organized.

The officer in charge of the Canteen Section is also Secretary of the Canteen Board, and this combination of executive positions simplifies the procedure in following the policy along which the Board desires the canteens to be operated.

All the canteen responsibilities of the Division in connection with purchasing, accounting, staffing, and conducting canteens to the satisfaction of the various Services are the concern of this section, and special attention has been given to the employment of staff capable of successfully supervising the canteen organization.

From the outset an arrangement was made whereby, provided suitable men were available, all staff for service in the canteens would be recruited from the ranks of returned soldiers. Almost without exception this procedure has been followed, and the assistance given by the Returned Soldiers' Association is appreciated.

Ngaruawahia, Trentham, and Burnham camps were the first to receive canteen service, these canteens being "dry" only, and as facilities became available the organization was extended to include a "wet" section including cafeterias and soft drinks, in each of the above-mentioned camps and also to provide similar full canteen services in all Army camps, Air Force stations, and the Naval Base, Auckland, until by the end of March a total of seventeen canteens were operating. In all main camps further additions have been made to the original installations by instituting such establishments as cinematograph-theatres, hairdressing-saloons, laundry depots, and photographic depots, and, where the provision of the necessary accommodation has been provided, such additional services as required have been included in other camps.

The original working instructions for canteen-managers, drawn up when canteens were first opened, have now been amended to include all subsequent additions and alterations. These instructions will prove a reliable guide to canteen-managers in the carrying-out of their duties in accordance with the policy laid down by the Canteen Board.

After conferring with the Treasury and Audit Departments a suitable method of canteen accounting has been instituted which will greatly facilitate the financial control of operations at individual canteens, and, in addition, the Audit Department has arranged for a continuous audit of accounts.

Now that the process of installing and equipping canteens has been achieved, the work of the Section as a whole has settled down and the canteen organization is functioning successfully and to the satisfaction of the Services concerned. The profits from the canteens, in accordance with the decision of the Government, are being distributed among the various units of the New Zealand armed Forces. The canteen service has been well patronized by the men in camp, and it appears that the facilities have been fully appreciated.

PURCHASING SECTION.

On the outbreak of war it became necessary to ensure close co-operation between the officers responsible for food control and the officers handling the purchase of foodstuffs on behalf of the Government. This resulted in the inauguration of the Purchasing Section by the transfer to the Internal Marketing Division on 11th September, 1939, of the officers of the Railways Refreshment Branch who had, up to the outbreak of war, been actively engaged in the purchase and supply of foodstuffs to governmental institutions. The Section as a whole, in performing the allotted functions, has effected to its fullest capacity those economies which the activities controlled by the Government Stores Control Board were originally inaugurated to attain.

The very large increase in the personnel of the defence Services, both for home defence and overseas purposes, has necessitated new methods of purchasing being evolved and more direct avenues of supply to be exploited. This has been brought about principally by the shortage of certain imported foodstuffs.

Increasing difficulty has been experienced in obtaining adequate supplies of many food commodities, but a diligent searching of all available sources of supply has resulted in sufficient (though in many instances much reduced) quantities for dietary purposes being supplied.

Whenever possible, New Zealand made or produced goods are substituted for imported lines, and institutions have been appealed to (from time to time) to reduce the use of imported foodstuffs to the lowest possible minimum consistent with dietary requirements.

The responsibility for the ordering of goods is the care of the Departments concerned, and only where it is considered that economies could be effected or a greater use made of locally produced foodstuffs are suggestions made by the Division's purchasing officer.

The utmost endeavour is made to supply in full the demands of such institutions as mental hospitals, St. Helens Hospitals, tourist hostels, also the requirements of the armed Services.

The protection of institutions, &c., as regards the quality and freshness of supply of items supplied under contract, such as milk, bread, ham, bacon, meat, and fish, has received constant care and supervision.

In so far as the armed Services are concerned, arrangements have been made with the Departments of Health, Agriculture, and Marine for inspecting officers to examine relevant supplies regularly and, where the quality or condition of any supply is in doubt, to advise the supply officer of the camp concerned as to whether the goods should be rejected or not.

These precautions have proved to be both necessary and effective, as in many instances unsatisfactory supplies have been rejected at the time of delivery.

In extreme cases contracts have been summarily determined, and in others contractors have been warned that a further complaint in respect of goods supplied would lead to the cancellation of the contract.

These measures have been effective, and all contracts are now being fulfilled to the satisfaction of the institutions or Services concerned.

Criticisms of the quality of the foodstuffs supplied to Defence camps have appeared in the press from time to time, but upon investigation the reports were proved in every instance to be founded on information which was contrary to fact.

As anticipated, the co-ordination of food control and Government purchasing activities has proved a great advantage to the Government and has ensured the most economical use of available supplies. It has also assisted several Government Departments by relieving them of the detailed arrangement of purchasing contracts. In its operations the Purchasing Section has derived considerable benefit from the work of other sections of the Internal Marketing Division concerned with the local distribution of food products such as butter, cheese, eggs, and fruit.

FOOD CONTROL.

Early in September the Director of Internal Marketing Division, Mr. F. R. Picot was appointed to the position of Food Controller under the Emergency Regulations, and all matters in regard to food control have since been dealt with by the Head Office of the Division under the direction of the Ministry of Supply.

Arrangements were immediately made for the systematic collection of information concerning stocks of foodstuffs, and weekly returns have since been prepared of a selected list of twenty-seven important items, including tea, coffee, salt, bakers' supplies, preserved fruits, tinned fish, and imported cereal foodstuffs. Throughout the first three months of the War there was a tendency for householders to stock foodstuffs in excess of normal requirements, and this led to considerable difficulty on the part of the wholesale and retail trades in their endeavour to maintain continuous supplies.

This difficulty gradually disappeared as people realized that most imported foodstuffs would continue to come to hand from overseas despite war conditions.

One problem demanding particular attention from the outset was the supply of tea. Everything possible had to be done, in consultation with the Customs Department and the Treasury, to facilitate tea imports, and the early tendency for overbuying on the part of the public was met by expediting importations. When the demand fell to normal proportions the tea-stock position rapidly improved and at the end of March was highly satisfactory.

Another serious problem arose in regard to bakers' supplies, such as cream of tartar, cornflour, and to a lesser extent sodium bicarbonate.

Owing to difficulty in securing supplies from overseas, both cream of tartar and cornflour have been very scarce, and merchants have consequently been rationing supplies to their clients as a means of conserving stocks. Every effort is being made to arrange additional importations from overseas.

The Division is co-operating closely with the Department of Industries and Commerce in regard to the stimulation of local production of alternative foodstuffs to supplement or replace imported lines, and some of the present difficulties attached to overseas trade under war conditions will be overcome by the extension of New Zealand manufacturing.

One of the earliest problems arising with the outbreak of war concerned the supplies and prices of meat for the local market. Before the announcement of the export prices while negotiations were proceeding with the United Kingdom Government local prices for beef and mutton increased. September and October are even in normal years difficult months in the supply of fresh beef and mutton, and it has always been recognized that the farmers are entitled to receive a premium on fat stock sold during the late winter and spring months—a premium to compensate the producer for the extra costs of fattening and caring for this stock through the winter months.

The retail prices of meat were pegged by the Emergency Regulations, while the prices of live-stock at auction continued to fluctuate and actually increased. Under the food-control system it was necessary to take this matter up with the auctioneers' associations and impose a temporary restriction even on auction prices. Regular weekly returns of average live-stock prices were asked for, and a close supervision was thus exercised over the whole trade. Meanwhile, in conjunction with the Price Tribunal, the retailers position was examined. Special costing and cutting tests were carried out at some of the main centres and as a result of these tests retail-price increases were approved by the Price Tribunal as from the 1st October in Auckland and as from the 1st November in Christchurch, Timaru, and Dunedin. The cutting tests proved conclusively that the butchers' position had been adversely affected in certain districts and that price increases were justified.

The collection of returns from the auctioneers' associations was discontinued after three months, and meat-supplies during December, January, February, and March have been more or less stabilized. At the same time, it was recognized that urgent problems would arise during the coming winter, and producers in particular required an assurance that there would continue to be some recognition of the extra costs involved in winter fattening. Early in March a departmental conference was held, and as a result the Hon. Minister of Supply made a public announcement to the effect that it had been decided to deal with the meat problem through the regulation of retail prices and that there would be no interference with the method of selling live-stock at auction or privately. Under the Minister's direction a full conference was held a few weeks later with representatives of the New Zealand Farmers' Union, the New Zealand Sheepowners' Federation, the New Zealand Master Butchers' Association, the Price Tribunal, the Department of Agriculture, and the Export Division of the Marketing Department.

The whole problem was fully discussed, and the Division's proposals for dealing with the regulation of retail prices and the provision of special supplies to prevent acute shortage were unanimously approved.

Summarizing the procedure agreed upon and approved by the Hon. Minister of Supply, it may be added that the Price Tribunal will consider the problem of retail prices after taking into account the extra cost of production of fat stock for late winter and spring sale. A schedule of prices has been drawn up, and increases will be arranged on the 1st July and the 15th August. These increases will remain in operation until November, when reductions will be put into effect to bring prices back to the ordinary summer level. To prevent any acute shortage of supplies, it is being arranged with the Export Division of the Marketing Department to hold certain quantities of export-quality meat available for supplementing the local market if necessary. It has also been arranged for extra supplies of fresh beef to be sent from the North to the South Island to deal with occasional serious shortages that may occur in the latter part of the Dominion.

THORNDON BRANCH.

The year under review has not been free from difficulties affecting the whole of the Trading Section, and particularly as an outcome of war conditions problems have been presented to this Section which normally would not have been encountered. Petrol restrictions have limited the ability of the Division to render the delivery service which previously had been given to the retailers. Retailers have, however, accepted the situation in a manner which is most gratifying to the Division, and as a result considerable economies in petrol consumption have been effected. Notwithstanding the decrease in the number of deliveries, the turnover has been maintained and the trading results for the year have been satisfactory.

The accounts have been subject to regular and careful scrutiny, and, notwithstanding the very much increased turnover, accounts outstanding have shown no increase.

Generally speaking, the Division has reason to be proud of its trading activities, and the increasing turnover is most gratifying. At the same time, this increase is tending to prove somewhat of an embarrassment as there is a tendency to outgrow the facilities which have been available up till now.

The provision of further room and facilities for the grading and packing of eggs is becoming more necessary each month, and the same position obtains in respect to butter and other lines.

AUCKLAND BRANCH.

Situated in the centre of the commercial lemon districts and in close proximity to the kauri-gum fields, the Auckland Branch takes the main responsibility for the marketing of these two products. Recent additions of the most modern plant in the Tauranga lemon-shed is proving of great value in the grading and curing of lemons produced in that district, and when the Division's new building is completed in Auckland the experience gained in Tauranga and other curing-sheds will be very useful in determining the type of plant to be used in the central depot.

The kauri-gum industry continues to function smoothly, the Department maintaining a liaison between the diggers and merchants by means of occasional visits to the fields, as well as attention to individual inquiries.

Auckland Port is the first point of discharge for many cargoes of imported fruit and other produce, and the Auckland office handles the inspection, storage, and distribution of these products in accordance with instructions from the Head Office in Wellington.

When, on the 1st January, 1940, the Government assumed the responsibility for the marketing of apples and pears within New Zealand and abroad, the Auckland office shared a large portion of this increased activity, which necessitated considerable effort under difficult circumstances in disposing of large quantities of fruit in both Auckland City and provincial districts. The Division's officers also supervise the assembly work in connection with apples and pears in the Auckland District.

The Division originally started its activities by establishing a honey packing and blending depot in 1938, and this continues to give excellent service to the honey industry, as well as enabling the Division to maintain a satisfactory honey-export programme.

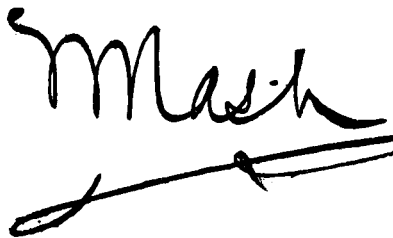
With the establishment of canteens in the military camps, Auckland office was entrusted with the supervision of the Air Force, naval, and military canteens established in the Northern Command, and these canteens and associated services are now functioning very smoothly.

Butter-patting for Auckland City and the supervision of local marketing of butter continues, as well as the interest in bobby-calf pools.

A Fish Marketing Advisory Committee has now been established in Auckland under the chairmanship of the Manager of the Auckland Branch, which Committee has the responsibility of advising the Government regarding the supply and marketing of fish in the Auckland Province.

CHRISTCHURCH BRANCH.

In July, 1939, it was considered necessary to establish a Branch of the Division in Christchurch in order to supervise more effectively the distribution of imported citrus fruit and bananas in the South Island. Since that time the increase in the Division's activities has resulted in added responsibilities for this Branch, from which supervision is maintained over South Island canteens and the marketing of apples and pears in Christchurch, Dunedin, and Invercargill. The Christchurch office is also a useful link in investigations on behalf of Head Office, and it is obvious that this branch will continue to grow in importance as the Division's functions are consolidated.

A handwritten signature in dark ink, appearing to read 'Marsh', with a long, sweeping horizontal stroke underneath.

Minister of Marketing.

MARKETING DEPARTMENT.
INTERNAL MARKETING DIVISION.

	Head Office.	Thorndon.	Auckland.	Total.		Head Office.	Thorndon.	Auckland.	Total.
TRADING ACCOUNT FOR YEAR ENDED 31st MARCH, 1940.									
Balances transferred to Profit and Loss Account ..	£ 53,295	£ 29,271	£ 5,903	£ 88,469	Gross profits and commissions on trading ..	£ 53,295	£ 29,271	£ 5,903	£ 88,469
PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st MARCH, 1940.									
Salaries, wages, and overtime ..	£ 13,349	£ 10,449	£ 2,063	£ 25,861	Gross profits transferred from Trading Account ..	£ 53,295	£ 29,271	£ 5,903	£ 88,469
Audit fees ..	300	359	41	641	Net rents and sundry recoveries ..	..	99	17	116
Advertising ..	192	..	..	192	Cost of administration of honey pools ..	..	..	3,772	3,772
Bad debts ..	..	599	..	599	Cost of administration of Batter Equalization Account ..	10,000	..	..	10,000
Damages in law ..	..	50	..	50	Cost of administration of food control ..	2,100	..	..	2,100
Depreciation ..	77	1,908	527	2,512					
Expenses of Fruit-marketing Committees ..	193	..	..	193					
Furniture, fittings, &c. ..	65	..	..	65					
General expenses and repairs ..	170	287	127	584					
Interest and exchange ..	7,984	1,316	1,237	10,537					
Insurances ..	480	222	92	894					
Light, heat, and power ..	49	187	8	244					
Maintenance of buildings ..	..	891	..	891					
Postages, telegrams, and telephones ..	2,314	507	361	3,182					
Printing and stationery ..	541	466	135	1,142					
Rents and rates ..	1,683	120	1,065	2,868					
Superannuation Fund subsidy ..	96	75	9	180					
Transfer expenses ..	131	..	..	131					
Travelling and motor expenses ..	2,495	2,403	177	5,135					
Balance carried down : Net profit before making provision for taxation	35,276	9,430	3,850	48,556	Balance brought down ..	£ 35,276	£ 9,430	£ 3,850	£ 48,556
	65,395	20,370	9,692	104,457		65,395	20,370	9,692	104,457
Reserve for taxation ..	£ 21,490	£ 6,160	£ 2,500	£ 30,150					
Net profit to Appropriation Account ..	13,876	3,330	1,350	18,556		35,276	9,430	3,850	48,556
	35,276	9,430	3,850	48,556		35,276	9,430	3,850	48,556
PROFIT AND LOSS APPROPRIATION ACCOUNT.									
Compensation to New Zealand Remuneration ^a ..	£ 2,000	£ ..	£ ..	£ 2,000	Balance from 1939 ..	£ 53,600*	£ 14,508	£ 7,349	£ 75,457
Balance ..	42,864*	17,888	8,690	16,327*	Net profit from Profit and Loss Account ..	13,876	3,330	1,350	18,556
	40,784*	17,888	8,690	14,247*		40,784*	17,888	8,690	14,247*

^a Denotes debit balances. * Payment made under Marketing Amendment Act, 1937, section 12.

HONEY SECTION.

LOCAL AND EXPORT POOL ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1940.

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance: Stock	22,339	Sales—	
Advances to producers at 5½d. per pound	23,720	Packed and bulk honey in London	55,299
Honey purchases and transfers	9,028	Packed and bulk honey in New Zealand	39,302
Administration expenses (salaries, rent, telephones, stationery, &c.)	3,261	Exchange	3,218
Advertising	6,545	Sundry credits	766
Commissions	5,763	Stocks	4,472
Local Pool Account Expenses			
Blending and Packing Department charges	7,586		
Cartage and freight	1,645		
	9,231		
Export Pool Account Expenses—			
Blending and Packing Department charges	9,892		
Handling, freight, and shipping	2,975		
	12,867		
Balance	10,303		
	<u>£103,057</u>		<u>£103,057</u>

BUTTER EQUALIZATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1940.

<i>Debit.</i>	£	<i>Credit.</i>	£
Balance from accounts for the period ending 31st March, 1939	54,421	Differentials—	
Equalizing payments under section 12, Marketing Amendment Act, 1937		(a) Directly paid and payable by dairy factories under the Butter Marketing Regulations 1937, clause 31	233,962
(a) Charges payable to dairy factories mainly in connection with the storing of butter for local consumption during the winter months in the South Island and not allowed for in the butter differential:—		(b) Indirectly accrued under the Butter Marketing Regulations 1937, clause 16, representing the difference between the proceeds of butter withdrawn from export, &c., for sale at the regulated local price (less allowances for patting, &c.) and the amount paid for purchase at the f.o.b. guaranteed price, as follows:—	
Freight and cartage	524	Sales at the regulated local price	692,328
Reworking and defrosting	891	Add stocks at 31st March, 1940 (valued at guaranteed f.o.b. price) 115,498	
Storing and freezing	3,252		807,826
Bulking and parchment	95	Deduct purchases at guaranteed f.o.b. price	709,742
Interest and insurance	1,570	Stocks at 1st April, 1939 (valued at guaranteed f.o.b. price)	76,183
	6,332		785,925
(b) Payments to authorized distributors in connection with the sale of butter as ships' stores to foreign-going vessels, sales to island dependencies, climatic and servicing allowances, &c.	19,121		21,901
Payments under section 14, Marketing Amendment Act, 1937—			
Freight and cartage	3,603		
Agency, wharfage, marine insurance, &c.	360		
Storage and freezing	7,180		
Insurance	1,164		
Grading fees	1,069		
	13,376		
Overhead and administrative expenses (including interest)	10,000		
Balance forward to next year's accounts	152,613		
	<u>£255,863</u>		<u>£255,863</u>

BALANCE-SHEET AS AT 31ST MARCH, 1940.

£				£			
Overdraft, Reserve Bank of New Zealand	..	..	217,075	Land	..	..	12,577
Creditors—	£			Buildings	..	..	24,270
Sundry	..	..	145,834	Motor-vehicles	..	..	2,249
Departmental	..	..	7,316	Loose tools and equipment, plant, furniture, and			
	153,150			office appliances	..	..	21,819
Reserve for renovations and repairs to premises at				Goodwill	..	..	19,000
Thorndon	..	..	600	Stock-in-trade	..	..	201,093
Reserve for Public Service Superannuation Fund	..	..	184	Stocks of stationery, petrol, packing-materials, &c.	..	..	4,514
Reserve for insurance on fruit in transit and cool				Debtors—	£		
stores in New Zealand	..	..	500	Sundry	..	..	271,376
Fruit Advertising Suspense Account	..	..	220	Departmental	..	..	4,488
Butter-processing machine royalty reserve	..	..	24		275,864		
Reserve for taxation	..	..	30,000	Payments in advance	..	..	273
Gift Parcel Account (honey)	..	..	50	Cash in hand	..	..	29
Reserve for honey advertising (London)	..	..	6,458	Losses in Suspense	..	..	277
Honey Seals Account	..	..	6,838	Profit and Loss Appropriation Account	..	..	16,327
Honey Pool Account	..	..	10,303				
Butter Equalization Account	..	..	152,613				
Writings-off Reserve	..	..	277				
	£578,292				£578,292		

(Sgd.) JAS. E. THOMAS, for Director.
(Sgd.) G. C. Jupp, Accountant.

I hereby certify that the Trading Account, Profit and Loss Account and Appropriation Account, the Butter Equalization Account, the Honey Section Local and Export Pool Account, and the Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—CYRIL G. COLLINS, Controller and Auditor-General.

