

(b) Where the costs to f.o.b. of a cheese-manufacturing company for the season 1940-41 are above 3·5d. per pound butterfat, compensation payable will be the amount of the increase in costs to f.o.b. for the 1941-42 season above the costs for the 1940-41 season which can be demonstrated to have been caused by the factors arising from the company's compliance with the request for increased manufacture.

In addition to the foregoing payments the Government agreed—

- (i) That suppliers changed over to cheese-manufacture during the 1940-41 season should be paid a sum of up to £20 (according to the amount expended), such payment to compensate for the likely redundancy loss on certain specified items of milking-shed equipment.
- (ii) That suppliers changed over to cheese-manufacture during the 1941-42 season should be paid a sum of up to £27 10s. to cover the loss referred to in the immediately preceding paragraph (i).
- (iii) That dairy companies, if they so desired, could obtain advances from the Government for the purpose of financing approved expenditure on buildings and plant for the purpose of the change-over to cheese-manufacture, and that dairy companies would be compensated by the Government for the redundancy loss on such buildings and plant in accordance with the arrangements notified to the dairy companies concerned.

Mention has been made of the increase granted by the Ministry of Food of 5s. 9d. sterling per hundredweight in the purchase-price of cheese. The foregoing costs, and also costs or losses incurred by the Government in respect of houses for cheese-factory employees, provision of emergency cool storage, loss on account of whey butter through prohibition of export, stabilization of the cost of cheese-crates, storage, interest, and insurance on butter and cheese awaiting shipment, and subsidy on the collection of bobby calves to ensure the necessary supply of calf vells for rennet-manufacture, are to be met from the proceeds of this additional price for cheese (see dairy-produce accounts, page 22).

#### MANUFACTURE OF DEHYDRATED BUTTERFAT, AND CONTRACT WITH MINISTRY OF FOOD FOR PURCHASE OF 10,000 TONS IN THE PERIOD ENDING 31st JULY, 1943.

With a view to effecting a saving in shipping space, experiments were conducted in the conversion of butter into dehydrated butterfat for shipment as non-refrigerated cargo. The United Kingdom Ministry of Food interested itself in these experiments, and assisted by agreeing to take trial consignments of dehydrated butterfat, following the receipt of small samples of the product. The experiments in New Zealand in the preparation of dehydrated butterfat were conducted by the Dairy Research Institute, with the co-operation of the Dairy Division of the Department of Agriculture, and assistance was given by research officers in the United Kingdom. The immediate aim of the experiments was to find a means of disposal of whey and Second Grade creamery butters, which were excluded from the contract for shipment of frozen butter to the Ministry of Food.

The trial consignments referred to opened up satisfactorily and resulted in a commercial-scale contract being entered into. A plant has been established by the Internal Division of the Marketing Department which will manufacture the dehydrated butterfat for the Export Division. The butter for processing will be supplied by the Export Division, and the Internal Division will be paid a price for the resultant dehydrated butterfat based on cost of processing and packing ready for export.

The details of the contract of sale of dehydrated butterfat to the United Kingdom Ministry of Food are as follows:—

- (1) The Ministry of Food will purchase 10,000 tons of dehydrated butterfat or such larger quantity as may be produced in the period ending 31st July, 1943.
- (2) Prices to be: Grade 1, 150s. sterling per hundredweight delivered f.o.b. ocean steamer; Grade 2, 5s. sterling per hundredweight less.
- (3) Payment to be made in London as to 90 per cent. on shipment and 10 per cent. within twenty-eight days after arrival or estimated due date of arrival. In the event of delay in shipment, the Ministry undertakes to make payment amounting to 50 per cent. of the value of any butterfat which has had to remain in store one month longer than would have been required by the agreed shipping schedule, and to make a further payment amounting to 40 per cent. of the value of any butterfat which has had to remain in store three months longer than would have been required by the shipping schedule.
- (4) The New Zealand Government undertakes that the moisture content of the butterfat shall in no case exceed one-half of 1 per cent., and that every effort will be made to reduce the moisture content to below one-quarter of 1 per cent. The New Zealand Government undertakes that the butterfat shall in no case contain more than: Copper, 0·1 parts per million; iron, 0·2 parts per million.
- (5) Quality: The grading of the New Zealand Government will be accepted as evidence of quality and weight, subject to confirmation by a panel of experts co-opted by the Ministry of Food in London, on which panel the New Zealand Government will be represented. The New Zealand Government undertakes to maintain a suitable staff of qualified graders in New Zealand as well as properly qualified inspectors in the United Kingdom to deal with complaints as to quality after arrival. Claims on quality, if not capable of mutual adjustment, to be decided by an independent umpire, selected by mutual agreement.
- (6) Storage: The New Zealand Government will be responsible for storing butterfat in suitable stores at suitable temperatures in New Zealand, and will be responsible for placing butterfat on board steamers for shipment as they become available.