

1942.
NEW ZEALAND.

MARKETING DEPARTMENT

(EXPORT DIVISION).

ANNUAL REPORT (SIXTH) AND ACCOUNTS FOR THE YEAR ENDED 31ST JULY, 1942.

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

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REPORT.

I HAVE the honour to submit the annual report and statement of accounts of the Marketing Department (Export Division) for the year ended 31st July, 1942.

This report, which is abbreviated to effect the maximum saving of paper, relates to the 1941-42 production season (the third year of war), and the transactions in respect of dairy-produce, meat, wool, tallow, woolly sheep-skins, hides, linen flax, and scheelite are reviewed under the appropriate headings.

CONTRACTS BETWEEN THE UNITED KINGDOM AND THE NEW ZEALAND GOVERNMENTS FOR THE THIRD YEAR OF WAR, 1941-42.

The contracts of purchase of wool and woolly sheep-skins by the United Kingdom Government run for the period of the war, and include the following season's wool-clip and production of woolly sheep-skins. There is provision in the contracts for review of prices in May of each year, but for the 1941-42 season prices remained unaltered.

In the case of dairy-produce, meat, tallow, and scheelite, discussions on new contracts for the 1941-42 season were necessary. The accumulation in New Zealand by the end of May, 1941, of stocks of butter, cheese, and meat awaiting shipment caused some concern to the New Zealand Government, and led to discussions with the United Kingdom Government in regard to the handling of surpluses. These discussions were continued when the Right Hon. the Prime Minister visited London in June, 1941. Finally an agreement was reached, the terms of which are given in a paper issued by the United Kingdom Government as follows:—

“STATEMENT OF POLICY IN REGARD TO NEW ZEALAND SURPLUSES.

“His Majesty's Governments in the United Kingdom and New Zealand, in consultation, have agreed upon the following statement of principles for dealing, on a basis of co-operation, with the surplus produce of New Zealand for the period of the war:

“His Majesty's Government in the United Kingdom fully recognize the grave difficulties created for New Zealand industries by the shortage of shipping. They are anxious to continue taking all the New Zealand produce that can be shipped. They also appreciate the serious effect upon New Zealand's economic and financial structure which these difficulties are causing. With a view to minimizing these effects and preventing the impairment of New Zealand's war effort, the United Kingdom Government are prepared to join with the New Zealand Government in co-operative arrangements to ease the burden falling on New Zealand during the war, framed on lines that will not prejudice the post-war position.

“The two Governments have agreed that the following principles should be applied as a basis for such co-operation:—

“(1) The United Kingdom Government to purchase the New Zealand produce that can be shipped and to pay for such produce at the price and upon such terms and conditions as are from time to time agreed with the Ministry of Food

“(2) The New Zealand industries to make every effort to adapt their production to shipping possibilities—*e.g.*, deboning, canning, or pressing meat.

“(3) Alternative markets to be developed wherever possible.

“(4) Reserve stocks of storable foodstuffs to be created up to certain quantities to be agreed.

“(5) The quantities to be stored to be determined in relation—

“(a) To probable demand during or after the war:

“(b) To the importance of the industry to New Zealand.

“(6) The financial burden of acquiring and holding these reserve stocks, pending their disposal, to be shared equally between the two Governments.

“(7) The payments to be made for produce acquired for the reserve stocks to be agreed between the two Governments. While it will be necessary to take due account of such matters as costs of storage, depreciation, &c., it is intended that the payments shall be fixed on such a basis as will so far as practicable achieve the objective of keeping the industry operating efficiently while avoiding the creation of unmanageable surpluses.

“(8) The detailed application of the above principles to be referred to competent representatives from the two countries.

“The New Zealand Government will be ready to collaborate in any discussions which may be convened within the British Commonwealth or internationally to consider marketing or related problems.”

NOTE.—In a letter addressed to the Right Hon. the Prime Minister, the Secretary of State for Dominion Affairs referred to the Prime Minister's desire that production in New Zealand should, so far as possible, be maintained at pre-war levels, and gave an assurance that the United Kingdom Government fully appreciated the importance which New Zealand attached to this point, and stated that within the limits of physical possibility the United Kingdom Government readily agreed that account should be taken of pre-war levels of production in determining amounts to be stored in accordance with paragraph (5) of the Statement of Policy in regard to New Zealand surpluses.

A parallel agreement in regard to surpluses was concluded between the United Kingdom Government and the Australian Government. It should be noted that the expectations of continuing large stocks in New Zealand of butter and meat during 1942 have not materialized, and at this date (31st August, 1942) liftings have been so satisfactory that stocks are below normal peace-time levels.

In May, 1941, the Hon. Frank Langstone (accompanied by Mr. G. A. Duncan, Director of Export Marketing) went to the United States of America to inquire into the possibilities of shipment to that country and to Canada of surplus meat and butter. Mr. Duncan subsequently went on to London to take part, with the Prime Minister, in discussions with the United Kingdom Ministries of Food, Shipping, and Economic Warfare in regard to contracts for the sale of export products, particularly butter, cheese, and meat, and arrangements for dealing on a co-operative basis with surplus New Zealand products for the period of the war.

The object of the discussions was to establish a basis or target figure of annual production of cheese, butter, and meat for the period of the war and one year thereafter—this in order that farmers and the Government could plan for the future (subject to the inevitable exigencies of war) with some degree of certainty. The presence of the Prime Minister in London made possible discussions and decisions which came within the Ministerial sphere, and greatly assisted the securing of contracts for cheese, butter, and meat for the period of the war and one year thereafter. These contracts are outlined under appropriate headings in this report.

DAIRY-PRODUCE.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR THE 1940-41 SEASON.

The accounts presented with the report for the 1940-41 season covered purchases and sales of butter and cheese by the Department up to 31st July, 1941. These purchase and sale transactions showed a surplus of £130,799.

The final results of the operations for the complete 1940-41 season were :—

	£
Surplus on creamery butter	29,866
Surplus on cheese	118,829
Less deficit on whey butter	81
	<hr/> 118,748
Surplus on processed milk	3,067
	<hr/> 151,681
Recoveries from manufacturers of special milk products	308
	<hr/> £151,989

The final accounts for the 1940-41 season are shown in detail on page 21 of this report.

BULK PURCHASE OF 1941-42 SEASON'S BUTTER AND CHEESE BY UNITED KINGDOM GOVERNMENT.

The short details of the contracts for purchase and sale of butter and cheese are as follows :—

BUTTER.

(1) For the period of the war and one year thereafter New Zealand will aim to limit production of creamery butter for export to approximately 115,000 tons per annum, this figure to be reviewed annually in the light of the storage and shipping situations. The United Kingdom Government undertakes either (i) to lift this quantity as a Ministry of Food purchase, or (ii) to share responsibility under the agreed arrangement for dealing with surplus produce.

(2) Prices for creamery and whey butter to be the same as those ruling for the 1940-41 season. The full range of these prices is given on page 6 of the Department's annual report for the year ended 31st July, 1941, the basic purchase price for creamery butter (Finest Grade, 93 points and over) being 112s. 6d. sterling per hundredweight, delivered f.o.b. ocean steamer.

(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.

(4) The New Zealand Government to be responsible for storing butter and for placing butter on board steamers. In the event of storage capacity being in danger of becoming full, the two Governments to consult on measures best adapted to meet the situation.

CHEESE.

(1) For the period of the war and one year thereafter, New Zealand to produce for export and the United Kingdom Government to purchase 160,000 tons of cheese annually. In the event of unexpected shipping difficulties, this contract to be reviewed.

(2) Prices to be : Finest and First Grade, 91 points and over, 70s. sterling per hundredweight, delivered f.o.b. ocean steamer ; Second Grade, 2s. per hundredweight less. These prices to be reviewed in May of each year, regard being given to changes in prices paid by the Ministry of Food to other sources of supply. (NOTE.—These prices represent an increase of 5s. 9d. sterling per hundredweight on the prices ruling for the 1940-41 contract, the increase being granted to meet costs in New Zealand of the change-over of supply from butter to cheese manufacture to attain the objective of 160,000 tons of cheese for export.)

(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 of Food undertakes to make payment amounting to 50 per cent. of the value of any cheese which has had to remain in store one month longer than would have been required by the agreed shipping schedules, and to make a further payment amounting to 40 per cent. of the value of any cheese which has had to remain in store three months longer than would have been required by the shipping schedule.

Other details of the contracts for purchase and sale of creamery butter and cheese covering grading, storage, insurance, and weights are in accordance with the contracts for the 1940–41 season. It should be noted that the Ministry of Food excluded whey butter and Second Grade creamery butter from the contract of purchase, with a view to the processing of these butters into dehydrated butterfat in New Zealand for export to the United Kingdom. The development of the export of dehydrated butterfat is dealt with later in this report, and details are given of the contract with the Ministry of Food for the purchase of 10,000 tons in the period ending 31st July, 1943.

GUARANTEED PRICES, 1941–42 SEASON.

The guaranteed purchase-prices paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1941–42 season and exported were :—

	Per Pound.
	d.
Creamery butter (basic price)	14·89
Cheese (basic price)	8·42
Whey butter (First Grade)	13·89

The full range of guaranteed purchase-prices according to grade of the produce, and the conversion formulae used, are given on pages 7 and 8 of the Department's annual report for the year ended 31st July, 1941.

The purchase and payment procedure for dairy-produce was varied for the 1941–42 season, the new arrangements providing for payment to be made by the Marketing Department "in store" instead of at the point of f.o.b. ocean steamer as formerly. The terms of this new arrangement are as follows :—

- (a) Ownership will pass to the Government on the 11th day of the second calendar month after the month of grading, or on prior shipment; thus all August gradings not shipped before 11th October will become the property of the Crown on that date, September gradings on 11th November, and so on.
- (b) Payment in full to dairy companies will be made on the 11th day of the second calendar month after the month of grading, whether the relative produce has been shipped or not. (NOTE.—This arrangement represents, on average, payment eight weeks after grading.)
- (c) The procedure for payment, as it affects dairy companies, will be the same as that which operated in the past when making payments on shipment—i.e., remittances will be forwarded through companies' usual bankers and credit notes setting out full details of the payments will be posted direct to companies. The new procedure will not interfere in any way with obtaining of advances from banks on store warrants.
- (d) The Marketing Department will assume responsibility for payment of all storage charges and costs of placing produce f.o.b., and will deduct from payments due to dairy companies the equivalent of the first two months' storage and f.o.b. charges. These charges will be calculated on the rates current at the port of loading during the appropriate two-monthly period.

NOTE.—(1) The guaranteed purchase-prices to be paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1942–43 season and exported are: Creamery butter (basic price), 15·39d. per pound; cheese (basic price), 8·73d. per pound; and whey butter (First Grade), 13·89d. per pound. These purchase-prices represent increases for creamery butter of 0·5d. per pound and for cheese of 0·31d. per pound, and they raise the standard resulting average payments by dairy companies to their suppliers for butterfat for the 1942–43 season to 16·49d. per pound of butterfat for butter-manufacture and to 18·49d. per pound of butterfat for cheese-manufacture. The increases in the 1942–43 season guaranteed prices which have been referred to were granted as a war-cost allowance on the following bases :—

- (a) *Butter.*— $\frac{1}{2}$ d. per pound on creamery butter represents 0·61d. per pound of butterfat, of which 0·44d. per pound butterfat is 5 per cent. on the labour-reward factor (8·84d. in the guaranteed-price compilation), leaving 0·17d. per pound butterfat to offset other costs incurred.
- (b) *Cheese.*—0·31d. per pound on cheese represents 0·76d. per pound of butterfat, of which 0·44d. per pound butterfat is 5 per cent. on the labour-reward as in the case of butter, and 0·17d. per pound butterfat is allowed for other costs incurred. The remaining amount of 0·15d. per pound butterfat represents an increase in the allowance for cheese-factory costs from 3·5d. to 3·65d. per pound butterfat. This adjustment has been made to maintain the 2d. differential payment on a butterfat basis between butter and cheese suppliers.

(2) The conversion formulae used in the determination of the 1942–43 season prices as shown in note (1) above are :—

Butter.—Overrun, 21·75 per cent.; costs of manufacture and delivery to f.o.b., 2·25d. per pound butterfat.

Cheese.—Yield, 2·51 gross, 2·45 net; return from whey butter, 0·75d. per pound butterfat costs of manufacture and delivery to f.o.b., 3·65d. per pound butterfat.

PREMIUMS FOR QUALITY, AND QUANTITIES OF BUTTER AND CHEESE PAID FOR (OR TO BE PAID FOR) AT DIFFERENTIAL PRICES.

Under the Dairy-produce Export Prices Order 1939 provision is made for additions to or deductions from the basic purchase-prices for butter and cheese according to quality as disclosed by the grading-points awarded to the dairy-produce. This system of price differentials is intended to provide a stimulus to the production of dairy-produce of higher quality.

The following tables show for the 1941-42 season the quantities of butter and cheese purchased and to be purchased and paid for at the respective differential prices. For comparison purposes the totals for the previous two seasons are also shown:—

CREAMERY BUTTER (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

—	Total.	Finest Grade.		First Grade.		Second Grade.
		94 Points and over.	93 to 93½ Points. (Basic Price.)	92 to 92½ Points.	90 to 91½ Points.	
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1941-42	100,432	40,497	40,106	9,507	9,043	1,279
1940-41	133,337	43,569	63,470	14,828	10,757	713
1939-40	128,274	51,624	51,004	15,437	9,570	639
Percentages of qualities—						
1941-42	100	40·32	39·93	9·47	9·00	1·28
1940-41	100	32·67	47·60	11·12	8·07	0·54
1939-40	100	40·25	39·76	12·03	7·46	0·50

WHEY BUTTER (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

—	Total.	First Grade.	Second Grade.
	Tons.	Tons.	Tons.
1941-42	3,123	2,974	149
1940-41	2,855	2,695	160
1939-40	2,095	2,063	32
Percentage of qualities—			
1941-42	100	95·23	4·77
1940-41	100	94·39	5·61
1939-40	100	98·47	1·53

Butter figures calculated at 40 boxes to a ton.

CHEESE (IN TONS): QUANTITIES PURCHASED OR TO BE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

—	Total.	Finest Grade.		First Grade.		Second Grade.
		94 Points and over.	93 to 93½ Points.	92 to 92½ Points. (Basic Price.)	91 to 91½ Points.	
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1941-42	150,127	1,051	28,097	69,703	38,676	12,600
1940-41	117,798	901	22,901	67,125	21,278	5,593
1939-40	92,508	951	16,820	56,071	15,274	3,392
Percentage of qualities—						
1941-42	100	0·70	18·72	46·43	25·76	8·39
1940-41	100	0·76	19·45	56·98	18·06	4·75
1939-40	100	1·03	18·18	60·61	16·51	3·67

Cheese figures calculated at fourteen crates to a ton.

BUTTER AND CHEESE GRADINGS.

—	Butter.		Cheese.	
	Tons.	Increase or Decrease on Previous Year.	Tons.	Increase or Decrease on Previous Year.
		Per Cent.		Per Cent.
1941-42	103,326	25·90 (decrease)	153,074	28·74 (increase)
1940-41	139,444	4·61 (increase)	118,899	26·90 (increase)
1939-40	133,303	9·02 (increase)	93,696	14·96 (increase)

QUANTITIES OF BUTTER AND CHEESE EXPORTED.

The quantities of butter and cheese exported from the various grading ports of the Dominion are shown in the following tabulation:—

BUTTER AND CHEESE EXPORTS FROM 1ST AUGUST, 1941, TO 31ST JULY, 1942.

	Great Britain.		Other Destinations.		Total.		Percentage.	
	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.
	Boxes.	Crates.	Boxes.	Crates.	Boxes.	Crates.		
North Island ..	4,177,225	1,727,356	94,566	1,001	4,271,791	1,728,357	98·96	88·49
South Island ..	44,865	224,840	..	10	44,865	224,850	1·04	11·51
Dominion totals	4,222,090	1,952,196	94,566	1,011	4,316,656	1,953,207	100·00	100·00

INCREASED PRODUCTION OF CHEESE FOR SHIPMENT TO UNITED KINGDOM, AND CHANGE-OVER IN NEW ZEALAND FROM BUTTER-MANUFACTURE TO CHEESE-MANUFACTURE.

In the Department's annual report for the year ended 31st July, 1941, reference was made to the request of the Ministry of Food for "even greater export of cheese." In response to this request, the Dairy Division of the Department of Agriculture, in co-operation with the dairy industry and the Dairy Board, made plans for increased production of cheese during the 1941-42 season, the production objective for export being 160,000 tons. It is a tribute to the excellence of the work and efforts of all concerned that a quantity of 153,074 tons was actually made available for export.

Following discussions with industry representatives, the Government agreed that the following payments would be made to dairy companies and suppliers to cover extra costs caused by the change-over from butter to cheese manufacture:—

- (1) To suppliers who do not come within the provisions of paragraph (3) below, and who deliver milk twice daily—i.e., morning and evening—to a cheese-factory: $\frac{1}{2}$ d. per pound of butterfat so delivered between 1st June, 1941, and 31st July, 1942.
- (2) To suppliers of a cheese-factory who deliver milk twice daily to a collection point for collection by a carrier: $\frac{1}{4}$ d. per pound of butterfat so delivered between 1st June, 1941, and 31st July, 1942.
- (3) To suppliers who have changed over from butter to cheese manufacture since 1st June, 1940, and who use a cartage service the cost of which is in excess of $\frac{1}{2}$ d. per pound butterfat: 75 per cent. of the excess above $\frac{1}{2}$ d. per pound up to a maximum payment of $\frac{3}{4}$ d. per pound butterfat covering a total rate of cartage of $1\frac{1}{2}$ d. per pound. This payment applies only to butterfat delivered between 1st June, 1941, and 31st July, 1942.
- (4) To suppliers who are subject to special hardship which will not be covered by the foregoing payments the Minister to make an appropriate monetary grant.
- (5) Consideration to be given under the "hardship clause," paragraph (4) above, to claims for payment of $\frac{1}{4}$ d. per pound butterfat in the case of once-daily deliveries by suppliers who at the request of the company and with the approval of an officer of the Dairy Division deliver their milk at night.
- (6) Suppliers who by reason of having been suppliers to a cheese-factory before 1st June, 1940, are not eligible to receive an allowance under paragraph (3) above may have claims for such allowance considered under the "hardship clause" if, at the request of the company and with the approval of an officer of the Dairy Division, they made use of a cartage service provided or approved by the company for the use of suppliers who changed over on or after 1st June, 1940.
- (7) Compensation to butter companies which have lost supply by diversion of whole-milk to cheese companies:—
 - (a) Where the costs to f.o.b. of a butter-manufacturing company for the season 1939-40 were above 2·25d per pound butterfat, compensation payable will be the amount of the increase of the costs to f.o.b. for the 1941-42 season above the costs for the 1939-40 season which can be demonstrated to have been caused by the diversion of supply to a cheese-manufacturing company. This paragraph is to read subject to the principle that no company should make a profit out of the change-over.
 - (b) In the case of butter-manufacturing companies which have lost supply through the change-over to cheese and which are excluded under the basis set out in paragraph 7 (a) above, compensation will be payable at the rate of $\frac{1}{4}$ d. per pound butterfat on the quantity of butterfat produced and delivered to a cheese-factory during the 1941-42 season by suppliers transferred since 1st June, 1940, it being understood that this is subject to the principle that no company should make a profit out of the change-over. In cases where it is considered that the payment of $\frac{1}{4}$ d. per pound butterfat would place the butter company in an advantageous position, the amount may be reduced or withheld entirely, the decision in all cases to rest with the Minister of Marketing on the recommendation of the Executive Commission of Agriculture.
- (8) Compensation to cheese companies for increased costs due to increased cheese-manufacture
 - (a) Where the costs to f.o.b. of a cheese-manufacturing company for the season 1940-41 are below 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 3·5d. per pound butterfat which can be demonstrated to have been caused by the factors arising from the company's compliance with the request for increased manufacture.

(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.

PROCESSED MILK.

For the 1941-42 season contracts were concluded with the United Kingdom Ministry of Food for New Zealand's normal export of skim-milk powder and evaporated milk.

Sale prices were :

Skim-milk powder	..	..	..	£36 5s. per ton sterling f.o.b.
Evaporated milk	..	..	..	19s. 9d. per case sterling f.o.b.

The equivalent of these prices in New Zealand currency was paid to manufacturers, less $\frac{1}{2}$ per cent. to cover the Department's administrative expenses.

The quantities and values exported by the Department for the twelve months ended 31st July, 1942, were :—

	Cases.	Weight.	Value.
		Tons.	£
Skim-milk powder	94,933	4,746	214,007
Evaporated milk	124,590	2,670	153,440
Total	219,523	7,416	367,447

PAYMENTS MADE BY DAIRY-FACTORY COMPANIES FOR BUTTERFAT-SUPPLIES.

The following tabulation shows the average butterfat-prices paid to suppliers of butter- and cheese-manufacturing companies.

It should be borne in mind that when making comparison of butterfat payouts of companies it is necessary to take into consideration the location of the factories and special circumstances pertaining to individual companies, as those factors reflect appreciably on manufacturing and transport costs:—

PAYMENTS BY DAIRY COMPANIES FOR BUTTERFAT-SUPPLIES.

(In pence per pound of butterfat.)

	Season 1936-37.		Season 1937-38.		Season 1938-39.		Season 1939-40.		Season 1940-41.		Season 1941-42.	
	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.
New Zealand average	13·558	15·176	14·812	16·389	16·087	18·060	16·179	18·091	16·106	18·043	16·017	18·025

The following tabulation shows the average costs of butter- and cheese-manufacturing companies for the 1941-42 season. The New Zealand averages for the five previous seasons are also shown :—

SEASON 1941-42: COSTS IN MANUFACTURE AND DELIVERY OF BUTTER TO F.O.B. OVERSEAS STEAMERS (In pence per pound of butterfat.)

	Cream-collection.	Manufacturing Charges.	Depreciation.	Repairs and Maintenance.	Charges : Factory to f.o.b.	Overhead Charges.	Total Charges.
New Zealand average—							
1941-42 season	0·438	1·091	0·091	0·064	0·409	0·213	2·306*
1940-41 season	0·405	1·023	0·077	0·063	0·437	0·192	2·197
1939-40 season	0·398	0·977	0·084	0·063	0·418	0·187	2·127
1938-39 season	0·402	1·019	0·085	0·098	0·394	0·208	2·206
1937-38 season	0·381	0·953	0·075	0·076	0·384	0·178	2·047
1936-37 season	0·352	0·927	0·072	0·088	0·398	0·147	1·984

* Butter-manufacturing costs for the 1941-42 season were increased owing to diversion of milk-supply from butter-manufacture to cheese-manufacture. Compensation payments were made to dairy companies on this account; see pages 7 and 8 of this report.

SEASON 1941-42: COSTS IN MANUFACTURE AND DELIVERY OF CHEESE TO F.O.B. OVERSEAS STEAMERS. (In pence per pound of butterfat.)

	Manufacturing Charges.	Depreciation.	Repairs and Maintenance.	Charges : Factory to f.o.b.	Overhead Charges.	Total Charges.
New Zealand average ..						
1941-42 season	2·372	0·141	0·170	0·647	0·270	3·600
1940-41 season	2·323	0·144	0·184	0·620	0·258	3·529
1939-40 season	2·259	0·148	0·180	0·624	0·299	3·510
1938-39 season	2·289	0·157	0·203	0·617	0·326	3·592
1937-38 season	2·151	0·141	0·166	0·589	0·290	3·337
1936-37 season	2·056	0·134	0·146	0·577	0·226	3·139

ACCOUNTS.

The dairy-produce accounts covering the completed operations for the 1940-41 season and the operations for the 1941-42 season are shown in the accounts section at the end of this report, pages 21 and 22.

The completed operations for the 1940-41 season are referred to on page 4 of this report. After sale of the balance of the 1940-41 season's dairy-produce which was in store at 31st July, 1941, the final result of the operations for the complete 1940-41 season is a surplus of £151,989.

The accounts now presented for the 1941-42 season cover purchases of butter and cheese by the Department up to 31st July, 1942. The following table shows the quantities so purchased, the total season's production for export, and the stocks in store awaiting purchase at 31st July, 1942:—

	Purchases up to 31st July, 1942.		In Store not yet purchased at 31st July, 1942.	Total Season's Production for Export.
	Shipped.	In Store.		
Creamery butter	Boxes. 3,583,640	Boxes. 319,971	Boxes. 113,669	Boxes. 4,017,280
Cheese	Crates. 1,809,354	Crates. 212,098	Crates. 80,326	Crates. 2,101,778

NOTE.—The season's production of whey butter amounting to 124,920 boxes was also purchased by the Department "in store" for manufacture into dehydrated butterfat.

The accounts for the 1941-42 season comprise Purchase and Sale and Revenue Accounts, Administration and General Expenses Account, and Dairy Produce Account.

It will be observed from the accounts that the purchase and sale transactions to 31st July, 1942, show a surplus of £186,846 after allowance has been made for administration and general expenses. The cheese "change-over" account shows a surplus at 31st July, 1942, of £539,897, against which there are contingent liabilities (see page 22) of £284,000. The Dairy Produce Account at 31st July, 1942, shows a deficit of £997,070, subject to the contingent liability of £284,000 already referred to.

MEAT.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR THE 1940-41 SEASON.

The accounts presented with the report for the 1940-41 season covered purchases of meat by the Department up to the 31st July, 1941, and showed a deficit of £6,115. On page 23 of this report accounts are shown covering the purchase and sale transactions in respect of the 1940-41 season's meat, which took place after 31st July, 1941, and which showed a surplus of £127,203. Thus the final net surplus on purchase and sale of the complete 1940-41 season's meat was £121,088.

BULK PURCHASE OF 1941-42 SEASON'S MEAT BY UNITED KINGDOM GOVERNMENT.

The contract between the United Kingdom and New Zealand Governments for the 1940-41 season (the second year of war) provided for the purchase of 248,000 tons of meat, shipped or unshipped, from the production year ending 30th September, 1941, and from the "carry-over" from the previous season. The actual liftings of meat under the 1940-41 season's contract were 268,650 tons, which left a "carry-over" in store at the end of September, 1941, of 77,902 tons of export meat.

For the 1941-42 season (the third year of war) the United Kingdom Government contracted to purchase 190,000 tons of frozen meat shipped or unshipped, and 37,150 tons of canned meats. The equivalent in carcass meat of 37,150 tons of canned meat is 111,500 tons, so that the contract for purchase of frozen and canned meats represents a total quantity of 301,500 tons carcass meat. It was provided that if the Dominion should not succeed in canning the contract quantity of 37,150 tons, the surplus carcass meat would fall to be dealt with under the terms of the paper issued by the United Kingdom Government "Statement of Policy in regard to New Zealand Surpluses" (see page 3 of this report). Briefly, the terms of this surpluses agreement provided for a production objective for New Zealand for the 1941-42 season of 301,500 tons of meat, made up (as stated above) of 190,000 tons frozen meat, plus 111,500 tons of carcass meat for canning. The United Kingdom Government agreed to share equally with the New Zealand Government in the liability for the production of this 301,500 tons meat, but any production in excess of this figure would be the entire responsibility of the New Zealand Government. The United Kingdom Government undertook to lift additional quantities of frozen meat if freight became available.

INCREASE IN PRICES FOR 1941-42 SEASON'S MEAT PURCHASED BY THE UNITED KINGDOM GOVERNMENT.

The general conditions of the 1941-42 season's bulk purchase contract, including the shipment and payment procedure, remained unaltered. Purchase-prices were, however, increased by $\frac{3}{4}$ d. per pound sterling for beef and beef offals, lamb and lamb offals, and baconer carcasses and cuts, and by $\frac{1}{4}$ d. per pound sterling for mutton and mutton offals and pork and pork offals.

Frozen meat liftings have been substantially in excess of the contract quantity, and it is now anticipated that the total quantity of frozen meat liftings for the twelve months ended 30th September, 1942, will be approximately 297,866 tons, with a resulting "carry-over" of meat for export at 30th September, 1942, of 40,567 tons. Included in this "carry-over" of 40,567 tons is meat reserved for the armed forces service requirements in New Zealand, Pacific Area, and Middle East, amounting to approximately 20,000 tons.

NOTE.—For the calendar year 1943 the United Kingdom Ministry of Food has undertaken to purchase meat up to the total quantity shipped in the calendar year 1942. In arriving at the total tonnages, the calculation includes the carcass equivalent of canned meat, dried meat, and also shipments to the Middle East, and on this formula the figure of 328,000 tons was arrived at as the

estimate of total shipments in 1942. New Zealand is asked to produce the maximum quantity possible in the forms of canned and dried meat, in order to reduce the balance of the 328,000 tons for which refrigerated space is needed, to the lowest practicable figure. The agreement recognizes that circumstances may make it impossible to lift the whole of the balance of frozen meat ascertained in accordance with the formula set out above, and the Ministry of Food has therefore agreed to purchase this quantity whether shipped or not.

PURCHASE AND SALE PROCEDURE AND ESTABLISHMENT OF MEAT POOL ACCOUNT.

For the 1940-41 season the New Zealand Government undertook to purchase the normal exportable surplus, irrespective of shipping. This arrangement expired on 30th September, 1941. Proposals for the purchase of export meat for the 1941-42 season formed the basis of discussions between the Hon. the Minister of Marketing and the New Zealand Meat-producers Board, and representatives of the meat industry. Negotiations with the New Zealand Meat-producers Board, as representing the producers of meat for export, proceeded on the mutual recognition of the following points:—

- (1) The continued stability of the industry could be safeguarded only by a renewal of the Government's undertaking to purchase the normal exportable surplus, irrespective of the implications of the new agreement to be made between the New Zealand and United Kingdom Governments.
- (2) The average weight of export lamb and mutton should be maintained as low as possible in order to ensure that, within a given tonnage, the greatest possible number of animals could be slaughtered and frozen for export.
- (3) It was in the interests of the industry as a whole that the export value of ewe mutton should not be allowed to fall to canning values only. In order to provide a fund which would enable ewe-mutton values to be maintained at a fair and reasonable level, the producers agreed to make some contribution from the prices which they would otherwise have received for exportable classes of meat.

Whilst these discussions were proceeding, advice was received from the United Kingdom Government of the increases in prices of export meat, applicable from 1st October, 1941, as mentioned above. These increases in prices materially assisted in the solution of the problem confronting the Government and the New Zealand Meat-producers Board, and after discussion an agreement was reached that in fixing the opening schedule buying prices the producers should receive substantially the same opening price this season as they did last season, but they would forego any increased prices which may have been available as the result of the increases granted by the United Kingdom Government or by increases at that time in the value of pelts. The Government on its part agreed to purchase the normal exportable surplus of meat, subject to any restrictions on killing that might be rendered necessary by shipping, marketing, or other difficulties, but it was agreed that any such restrictions would be made only after consultation with the Board.

The agreement provided that the Government would establish a "Meat Pool Account" from the proceeds secured from the additional prices granted by the United Kingdom Government and from the agreed reduction in the Marketing Department's f.o.b. price schedule arising from adjustment of pelt values as mentioned above. The purpose of the establishment of this account was primarily to provide a fund for maintaining the value of ewe mutton and canning beef at a reasonable level, to meet interest, storage, and insurance charges on meat, and to provide for the capital liability on emergency cannery plant and buildings and cool stores. It was further agreed that if at the end of the emergency period a surplus remained in the Meat Pool Account, the Government and the Meat Board would consult to determine how any such surplus could be utilized for the benefit of the industry. Should there be a deficit in the account at the end of the emergency period, such deficit would remain the responsibility of the New Zealand Government. The arrangement also provided for consultation between the Government and the Meat Board in regard to the administration of the Meat Pool Account.

The terms of the agreement subsequently concluded between the Government and the freezing companies and meat operators covering the purchase of export meat products for the 1941-42 season were recorded in a letter addressed by the Minister of Marketing to the Chairman of the North and South Island Freezing Companies' Association, reading as follows:—

"I desire to confirm the discussions between us with regard to the procedure to be followed in connection with the purchase of export meat products by the New Zealand Government in respect of the 1941-42 season. The terms which are accepted as constituting an agreement between the freezing companies, the meat operators, and the Meat-producers Board acting on behalf of producers who wish to have export meat killed on their own account as vendors, and the Government as purchaser, will therefore be as follows:—

- "(1) The Government agrees to purchase all meat and edible offals killed and passed for export during the 1941-42 season ending on 30th September, 1942, of the types, at the prices, and on the conditions contained in the now current Marketing Department Prices Orders and circular letters of instructions. Payment will be made as follows:—

"(a) At the expiration of thirteen weeks from the date of killing (based on the weekly killing returns of each freezing company) the Government will effect purchase and make the appropriate payment to the owners, irrespective of whether such meat remains in store or has in fact been shipped. The payment by the Government of the full purchase-price thirteen weeks after killing is a compounding of an alternative payment procedure of 50 per cent. in two months and the balance in four months after killing. If any meat is destroyed or damaged otherwise than by ordinary depreciation through long storage before the expiration of seventeen weeks after killing, or before placement to f.o.b. within that period, then the responsibility shall lie with the freezing company to the extent of its warranty as set out below, or with the owner, as the case may be.

“(b) Payment will be made on weights in accordance with the normal custom of the trade as determined by the Primary Industries Controller. Companies will be responsible for condition and quality of all meat in store at any time whether before or after the date of purchase of the meat by the Government in accordance with the warrant given by the companies as follows :—

“ *Warranty.* The companies will exercise all reasonable care and diligence in treating, freezing, handling, and taking care of the meat entrusted to them and in maintaining in good working-order the premises and plant used for that purpose. It is understood that goods held in refrigerated stores become stale as a result of lengthy storage, and this factor must be recognized as an unavoidable source of deterioration of goods so stored for which the freezing companies cannot be held responsible. If any damage occurs or any defect arises as a result of a breach of this warranty, the freezing companies will pay to the Government the loss arising from that damage or defect.’

“(2) The Government will assume responsibility for all insurance risk, including war risk, on meat in store after the expiration of seventeen weeks from date of killing.

“(3) Storage on meat suitable for export within the terms of the now current Price Orders which remains in store shall be payable by the Government after the expiration of seventeen weeks after the date of killing at a rate of 4s. d. per pound per calendar month.

“(4) In consideration of the Government undertaking to purchase export meat products in terms of this agreement, all freezing companies and meat operators will agree jointly and individually to maintain buying schedules at the fullest possible rate, and to consult the Government before making any alteration in any existing price schedule payable to producers for export stock. In addition, freezing companies and meat operators to agree to provide the Department of Agriculture with returns showing the prices paid to farmers and what deductions have been made to cover intervening charges from farm to f.o.b., together with any further information required in order to enable the Department, in consultation with the Meat-producers Board, to decide whether the prices being paid to growers are fair and reasonable.

“(5) The ‘open door’ to farmers at all freezing-works to be maintained, subject to any conditions that may be laid down by the Marketing Department involving the possible pooling of farmers’ individual consignments.

“(6) It is further agreed that the operations of freezing companies and buying operators shall again be subject to an audit by the Government in association with the New Zealand Meat-producers Board, either by the Auditor-General or by a private firm of auditors or by the Auditor-General and a private firm of auditors approved by the Government and reporting to it. The purpose of this audit shall be to investigate whether the prices paid and the various charges made by the trade between the farm and f.o.b. are fair and reasonable. The findings in the report by the auditors shall be taken into account when determining the remuneration of the freezing companies for their services in the season 1942-43.

“(7) It is understood that the details of procedure in terms of this agreement will be settled by the Primary Industries Controller in consultation with the New Zealand Meat-producers Board and the Marketing Department.

“(8) Any question to be settled or dispute arising under this arrangement will, if no other provision is made above, and if the parties cannot agree, be settled by arbitration under the Arbitration Act.

“The object of this agreement is to enable buyers of export meat to continue to purchase in the usual way, and to enable freezing companies to continue to slaughter and freeze for export. This is made without prejudice to freezing charges. The export buyers and freezing companies therefore agree to give to the Government the earliest possible notice if changing conditions in any way prejudice the attainment of this objective.

“The Government also reserve the right to apply any restrictions on the killing of export stock that may be rendered necessary by shipping, marketing, or other difficulties. Any such restrictions will be made only after full consultation with the New Zealand Meat-producers Board.

“I trust that this agreement will operate satisfactorily, and will be pleased to receive early confirmation of acceptance by each freezing company and meat operator.”

The most important new features of this agreement were :—

(a) Payment for meat thirteen weeks after killing, irrespective of whether the meat remained in store or was shipped.

(b) Payment of storage on meat remaining in store after the expiration of seventeen weeks from date of killing.

(c) Assumption by the Government of responsibility for all insurance risk, including war risk, on meat in store after the expiration of seventeen weeks from date of killing.

It is pleasing to record that the procedure agreed upon worked smoothly and that the buying, slaughtering, and freezing of export meat continued in the usual way.

SURVEY OF SEASON.

Although the killings of export-quality meat during the season totalling 326,515 tons, did not quite reach last season's (1940-41) figure of 330,344 tons, on the whole a good fattening season was experienced in practically all districts, and quality was well maintained.

Lamb killings at 11,049,772 showed a reduction of 190,229 carcasses from the record kill established last season of 11,240,001 carcasses. The killings of pigs and prime cattle showed a substantial drop, whilst increases were recorded in wether mutton, ewe mutton, and boner cows. A feature of the season was the extensive boning-out of meat which was necessitated by the decision to can all f.a.q. and boner cows and all ewes. In addition, all quarter beef continued to be exported in boneless form.

The entire exportable kill of ewes was purchased by the Marketing Department on a carcass-weight basis, but instead of being exported these ewes were to be boned out for canning. An improvement in the shipping position has enabled approximately 25 per cent. of the ewe kill to be shipped to the United Kingdom in frozen telescoped form. The Meat Pool Account will therefore benefit to the extent of the increased returns from ewes exported in frozen form, compared with their use for canning.

Boner cows were purchased by the meat operators on the basis of 20s. per 100 lb. delivered at nearest port works. This price took effect from 19th January, 1942, when the Minister of Marketing announced an increase in the price for canned beef (referred to later in this report) under the contract between the New Zealand and the United Kingdom Governments. The operators sold the resultant boned meat to the canneries at a price fixed by consent of the Primary Industries Controller.

In regard to bull beef, the Minister of Marketing, after a conference with the Meat Board, announced a subsidy payment of 6s. per 100 lb. dressed carcass weight on all bulls slaughtered at freezing-works on and after 8th June, 1942, and passed by the Government Inspector as fit for human consumption.

The subsidy of 2s. per head on "passed" bobby calves was continued during the 1941-42 season. The improved shipping position this year enabled bobby-calf meat to be saved for export, and the net proceeds from the sale thereof will be applied to offset the expenditure incurred by the Government in the subsidy payment referred to, after which the balance, if any, will be available for distribution to the producers of bobby-calf meat.

PRICES FOR 1941-42 SEASON'S MEAT PURCHASED BY MARKETING DEPARTMENT FOR EXPORT.

The f.o.b. New Zealand currency purchase-prices payable to freezing companies and meat-exporters for the various classes and grades of frozen meat are set out in the Meat Marketing Order 1942.

Purchases made by the Department from freezing companies and exporters for the twelve months ended 31st July, 1942, total £22,993,192 (New Zealand currency). Debits to the United Kingdom Ministry of Food total £19,558,267 (New Zealand currency) for the same period. The total weight of meat purchased for shipment was 400,616 tons, giving an average payout to freezing companies and meat-exporters of 6·15d. per pound for all descriptions of meat and edible offals.

The following table shows particulars of meat purchased during the twelve months ending 31st July, 1942, classified under main descriptions of meat purchased :—

Class of Meat.						Tons.	Purchase Value (N.Z. Currency).	Average Price per Pound (N.Z. Currency).
Frozen—							£	d.
Lamb	..	..	..	..	..	213,152	14,757,892	7·42
Mutton	..	..	..	..	..	101,394	3,208,505	3·39
Beef and veal	..	..	..	..	..	53,844	2,610,709	5·19
Pork	..	..	..	..	..	23,459	1,784,416	8·15
Sundries	..	..	..	..	..	8,767	631,670	7·72
Total, frozen meat						400,616	22,993,192	6·15
Preserved—								
Corned beef and mutton	..	..	..	..	..	12,852	1,214,193	..
Tongues, &c.	..	..	..	..	..	735	157,713	..
Total, preserved meat						13,587	1,371,906	..
Total, frozen and preserved meat						414,203	£24,365,098	..

SHIPPING.

The Department has continued during the season to allocate shipping space as equitably as possible amongst the freezing companies in proportion to their stocks of meat in store, consistent with the quickest "turn round" of overseas vessels, and with the best use of available shipping tonnage to prevent works from becoming congested. As recorded in last year's annual report, war conditions have created many difficulties in the planning of shipping allocations and shipping programmes. It is pleasing to record that, despite these conditions, it has been possible so to allocate shipping tonnage that no freezing-works has had to cease killing owing to congestion of freezing-works stores. The Department again records its thanks to the Overseas Shipowners' Allotment Committee for its ready co-operation, and to the New Zealand Railways Department for its continued assistance in organizing rail transport arrangements to provide main port loadings of ships.

CANNED MEAT.

The canning agreement with the United Kingdom Government for the 1941-42 season provided for purchase by the United Kingdom Government of the following quantities of canned meat for the production year ended 30th September, 1942 :—

	Tons.
Corned beef	12,000
Corned and boiled mutton	10,500
Canned brisket beef	200
Ox-tongues	400
Bobby-calf tongues	200
Sheep and lamb tongues	1,200
Pig-tongues	400

Canning contracts covering these quantities have been allocated amongst the various canning companies in proportion to their productive capacity.

Resulting from an increase in prices payable by the United Kingdom Government for canned beef, the Marketing Department's purchase-prices payable to canning companies were correspondingly advanced. The price payable by the United Kingdom for the 12 oz. corned-beef pack, whilst representing an increase of 9d. per dozen sterling on last year's contract price, was still out of relation to the price payable for the 6 lb. pack, having regard to New Zealand's production costs. After negotiations with the canning companies, agreement was reached on an adjustment of prices as between the two packs.

Boneless cow beef is sold by meat operators to canners at a price fixed by consent of the Primary Industries Controller. This price is on the basis of 3-55d. per pound at canner plants, and the cost of delivery, &c., is a charge against a railage pool operated by the canners. The agreement also provides that canners will operate on the basis of utilizing as far as possible the meat in a fresh state in so far as killings at their own works and Southdown Works are concerned. Frozen meat from other works is to be drawn in as equitable a manner as is practicable.

In order that meat operators should not be unduly penalized, the Marketing Department arranged to purchase from them all boner cow beef held in store on the same basis as was agreed upon in respect of other classes of meat—i.e., payment after three months in store.

In the case of ewe mutton, the Marketing Department purchases the ewes on a carcass-weight basis and, after paying freezing companies an agreed price for boning, sells the resultant boned meat to the canning companies at the price of 2-375d. per pound delivered at cannery sidings. The resultant loss is debited to the Meat Pool Account, already referred to in this report.

The increase in this year's contract quantities of canned beef and mutton from 6,000 tons to 22,500 tons has necessitated considerable reorganization of the canning industry, the purchase of new plant, and the erection of additional cannery buildings and accommodation. Finance for this work was arranged by the New Zealand Government under provisions similar to those relating to the erection of emergency cool storage (see page 23 of annual report for year ended 31st July, 1941). Canning companies which hitherto had manufactured little or no canned beef or mutton have been brought into full production as the result of a complete survey of the entire canning facilities of the Dominion. Overtime has been worked at most of the canning establishments, with a view to securing the additional production which is desired by the United Kingdom Government.

The full range of prices payable by the Marketing Department for canned meats purchased under the current (1941-42) season contracts is as follows :—

	Per Dozen f.o.b. (N.Z. Currency).		Per Dozen f.o.b. (N.Z. Currency).
Corned beef—	£ s. d.	Brisket beef—	£ s. d.
First-quality taper soldered 6's ..	3 3 3½	First-quality soldered 6's ..	5 17 7
Second-quality taper soldered 6's ..	3 0 2	First-quality soldered 4's ..	4 3 1
First-quality round soldered 6's ..	3 3 3½	Canned tongues—	
First-quality taper soldered 12 oz. ..	0 10 6½	Ox and calf—	
First-quality round sanitary 12 oz. ..	0 10 4	First-grade 6's ..	10 5 0
Corned mutton—		Second-grade 6's ..	9 7 9
First-quality taper soldered 6's ..	2 13 10	Sheep and lamb—	
Second-quality taper soldered 6's ..	2 10 8½	12 oz. ..	0 16 8
Boiled mutton—		1 lb. ..	1 0 9
First-quality round soldered 6's ..	2 13 10	Pig 6's ..	7 1 7
		Bobby calf 12 oz. ..	0 19 1

SAVING OF SHIPPING AND STORAGE SPACE BY DE-BONING AND TRIMMING OF EXPORT MEAT AND BY PROCESSING.

The economies in space detailed in last year's report were continued. The full effect of these economies has made itself apparent in space saving effected during the present season.

MANUFACTURE OF DEHYDRATED MEAT, AND CONTRACT WITH MINISTRY OF FOOD FOR PURCHASE OF 1,200 TONS PER ANNUM.

The year has seen considerable development of the experimental work initiated last year in connection with the manufacture of dehydrated meat. A contract has now been secured from the United Kingdom Government for the supply of 1,200* tons of dehydrated meat per annum. It is estimated that this contract quantity is equal to 6,800 tons of carcass meat, and that shipment as dehydrated meat will save a corresponding amount of refrigerated space. Like canned meat, dehydrated meat is shipped in unrefrigerated space, and it has the advantage over canned meat that,

* Since increased at the request of the United Kingdom Ministry of Food as follows: (a) For shipment calendar year 1943, a minimum quantity of 2,500 tons of dried mutton and/or beef; (b) New Zealand to be prepared to increase the quantity to 5,000 tons in 1944; (c) preparation and pack 1943 contract to conform to Ministry of Food specifications, and price to be based on the existing rate, subject to mutual adjustment in the light of experience.

being more concentrated, it effects a considerable saving in tinsplate. Preparations are now under way for the establishment of a commercial plant in the North Island capable of supplying the United Kingdom order. In the experimental and developmental work in New Zealand, care has been taken to adhere closely to the processing conditions and other requirements laid down by experts in the United Kingdom.

Other details of the contract arrangements with the Ministry of Food are :—

- (a) Prices to be paid by the Ministry are to be based on the frozen schedule prices for export meat, plus costs of processing and a contribution towards the capital cost of the plant at the rate of 20 per cent. per annum spread over the period of the contract—namely, three years. It has been agreed that if, at any time before the expiration of three years, New Zealand is asked to cease production the United Kingdom Government will make up its capital contribution to what would have accrued under the three-year contract.
- (b) The Ministry will accept the production risk, provided the Cambridge (United Kingdom) processing formula is followed and complete technical supervision is exercised in New Zealand.

ACCOUNTS.

The meat accounts covering the completed operations for the 1940–41 season and the operations for the 1941–42 season up to 31st July, 1942, are shown in the accounts section at the end of this report, pages 23 and 24. The completed operations for the 1940–41 season are referred to on page 10 of this report, the final surplus being shown as £121,088.

The accounts for the 1941–42 season comprise—

- (a) Purchase and Sale Account, 1941–42 Season's Killings shipped up to 31st July, 1942. This account shows the transfer to the Meat Pool Account of £974,881, being the surplus on 1941–42 season's killings shipped up to 31st July, 1942, after allowance to the Department for administration and general expenses of $\frac{1}{2}$ per cent. on sales.
- (b) Administration and General Expenses Account, showing the allocation of expenses for the year ended 31st July, 1942, to the Purchase and Sale Accounts for the 1940–41 and the 1941–42 seasons.
- (c) Meat Pool Account to 31st July, 1942 (see page 24 of this report). This account shows a surplus at 31st July, 1942, of £794,801, against which items still have to come to charge, notably in respect of losses on meat for canning.
- (d) Meat Account, which shows a surplus at 31st July, 1942, of £150,599.

WOOL.

BULK PURCHASE OF WOOL BY THE UNITED KINGDOM GOVERNMENT, AND PURCHASE AND SALE PROCEDURE.

The annual report of the Department for the 1939–40 season gives details of the bulk purchase and sale arrangements between the United Kingdom and the New Zealand Governments for greasy and slipe wool, and of the agreements between the New Zealand Government and the woolbrokers, woolbuyers, and woolscourers covering services to be performed by them respectively in the preparation of wool for appraisal, the appraisement of wool, and the scouring of wool selected for that purpose.

The terms and conditions governing the purchase of wool by the New Zealand Government are set out in the Purchase of Wool Emergency Regulations 1939.

Payment for greasy wool is made to woolbrokers on behalf of woolgrowers, and for slipe wool to freezing companies and exporters. In each case payment is made fourteen days after date of appraisal. The appraisal values are calculated after allowance for actual tare, and when payment is made the retention moneys (5 per cent.) are deducted.

In July, 1942, the final payments were made by the Department for greasy and slipe wool. These final payments represent the full amounts of the retention moneys, plus the differences in price necessary to bring the over-all average of the appraisement prices for both greasy and slipe wool up to the over-all average appraisement prices—12·25d. per pound greasy wool and 16·9766d. per pound slipe wool—which are represented by the f.o.b. sale prices to the United Kingdom Government. Accordingly the final payments made by the Department for the 1941–42 season were: Greasy wool, 6·464927 per cent. of the appraisal values; and slipe wool, 6·722473 per cent. of the appraisal values.

Payment for wool (other than wool sold to local manufacturers) is made by the United Kingdom Government on appraisal at the f.o.b. sale prices of 10·55d. per pound sterling for greasy and 13·75d. per pound sterling for slipe.

NOTE.—The United Kingdom Government has announced (May, 1942) an increase of 15 per cent. in the ex-store price of wool, not including the additions for storage and handling charges which enter into the total price paid. The result is that the prices which apply for the 1942–43 season are as follows, the previous prices being shown in parentheses :—

PRICES FOR 1942–43 SEASON.

	Greasy Wool. Per Pound.		Slipe Wool. Per Pound.	
	d.	d.	d.	d.
Appraisal prices (New Zealand currency) ..	14·0875	(12·25)	19·523	(16·9766)
F.o.b. prices for sale to the United Kingdom Government (sterling) ..	12·027	(10·55)	15·797	(13·75)

Payment by local manufacturers for the 1941–42 season was made on "prompt" date at appraisal values, plus the standard charges of brokers, appraisers, and Marketing Department.

The contract for sale of wool by the New Zealand Government is with the United Kingdom Ministry of Supply, but all instructions regarding shipment and accounting for wool are given by the Wool Control at Bradford.

APPRAISAL PROCEDURE.

The procedure for appraisal of wool outlined in the report for the year ended 31st July, 1941, was followed during the 1941–42 season.

The following tables show the quantities and values of wool appraised during the years ended 30th June, 1941 and 1942 :—

GREASY WOOL.

Year ended.	Purchased for Sale to United Kingdom Ministry of Supply.				Purchased for Sale to Local Mills.		Total Appraisals.		
	For Shipment in the Grease.		For Scouring.						
	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	Appraisal Value.
30th June, 1942	595,195	202,213,475	176,548	63,638,627	55,159	18,098,195	826,902	283,950,297	£ 14,493,296 8 2
30th June, 1941	619,115	207,856,252	135,369	50,647,664	45,703	15,454,023	800,187	273,957,939	13,972,177 17 0

SLIPE WOOL.

Year ended.	Purchased for Sale to United Kingdom Ministry of Supply.		Purchased for Sale to Local Mills.		Total Appraisals.			
	Bales.	Net Pounds.	Bales.	Net Pounds.	Bales.	Net Pounds.	Appraisal Value.	
30th June, 1942	..	157,875	51,716,786	716	225,828	158,591	51,942,614	£ 3,674,195 19 5
30th June, 1941	..	140,258	46,489,903	522	170,245	140,780	46,660,148	3,301,103 0 5

SCOURING OF WOOL.

The arrangements entered into with the United Kingdom Government for the 1941-42 season provided for the scouring of 45,000,000 lb. at a cost of 1½d. per pound greasy basis. Under this contract 160,025 bales (approximately 58,299,337 lb.) were allocated for scouring up to 30th June, 1942.

SHIPPING ARRANGEMENTS AND DESTINATION OF WOOL EXPORTS.

The United Kingdom Wool Control released quantities of wool for shipment to U.S.A., Canada, India, Australia, and Russia. Stocks of wool held in New Zealand at 30th June, 1942, are less than the stocks at the end of the previous season.

The following tabulation shows the quantities of the past season's wool shipped to 30th June, 1942, and the destinations :—

Destination.			Greasy.	Scoured.	Slupe.	Total.
			Bales.	Bales.	Bales.	Bales.
United Kingdom	..	..	237,017	22,659	67,128	326,804
Canada	..	..	112,313	5,190	8,994	126,497
Australia	..	..	3,061	..	..	3,061
India	..	..	27,393	3,886	117	31,396
Russia	..	..	47,914	24,612	..	72,526
U.S.A.	..	..	33,233	277	6,532	40,042
Total, 1941-42	..	..	460,931	56,624	82,771	600,326
Total, 1940-41	..	..	449,251	65,030	69,156	583,437
Quantity unshipped or held for scouring at 30th June, 1942						284,567
Quantity unshipped or held for scouring at 30th June, 1941						315,704

ACCOUNTS.

The wool accounts are shown in the accounts section at the end of this report, page 24. The accounts cover appraisals of wool up to the close of the wool year (30th June, 1942), and they comprise Purchase and Sale Account, and Charges, Expenses, and Administration Account.

It will be observed from the accounts that the purchase and sale transactions for the year ended 30th June, 1942, show a surplus of £88,737, after allowance has been made for expenses and charges, and for the agreed contribution by the United Kingdom Wool Control for abnormal storage and insurance on 1941-42 season's wool whilst awaiting shipment from New Zealand. The Wool Account shows a surplus of £133,607, which represents the amount of £88,737 already referred to, plus an amount of £44,870 which is the agreed contribution by United Kingdom Wool Control for abnormal storage and insurance on the 1940-41 season's wool.

WOOLLY SHEEP-SKINS.

Information regarding the terms of sale to the United Kingdom Ministry of Supply of the exportable surplus of woolly sheep-skins and of the manner of purchase and control in New Zealand has been given in the annual reports of the Department for 1940 and 1941. An alteration in the terms of sale to the United Kingdom has been made, in terms of which payment is now made on appraisal in New Zealand instead of at time of shipment of the woolly sheep-skins.

REPORT OF CONTROLLER.

“The Hon. the Minister of Marketing.

“I beg to report to you on the operations of the Sheep-skin Control for the twelve months ended 30th June, 1942.

“*Accounts.*—The accounts for the year show an addition to the Pool surplus of £5,904 19s. 6d., making it £13,101 5s. 10d., but the endeavour, of course, is so to fix the buying schedules that the Pool Account squares itself without surplus or deficiency. It is the variation in pickled-pelt values which makes this impossible with the need to correct differences from one buying schedule to another.

“*Buying Schedules.*—Buying schedules in operation have been as follows:—

“Seventh Schedule	From 25th September, 1941.
“Eighth Schedule	From 28th February, 1942.

The Seventh Schedule was amended to increase the price of lamb-skins only from 23rd December. The normal time for the change of the Seventh Schedule was early in December, but because of the uncertainties from the entry of Japan into the war the change was delayed until 28th February, 1942. No change has been necessary since then, because the variation in pelt prices downwards has practically been offset by the increase in the price of wool.

“*Statistics.*—A table is given showing the quantities and values of woolly sheep-skins exported to various destinations on behalf of the United Kingdom Wool Control for the twelve months ended 31st July, 1942.

“R. C. BURGESS, Controller.”

QUANTITIES AND VALUES OF WOOLLY SHEEP-SKINS EXPORTED.

The following table shows the quantities and values of woolly sheep-skins exported to various destinations on behalf of the United Kingdom Wool Control for the twelve months ended 31st July, 1942:—

Destination.	Number of Dumps.	Number of Skins.	Weight (Pounds Net).	Sale Value (New Zealand Currency).
				£
United Kingdom	712	51,235	407,030	22,868
Canada	7,153	516,602	4,181,552	184,743
U.S.A.	5,056	394,530	2,900,551	139,441
	12,921	962,367	7,489,133	347,052

ACCOUNTS.

The accounts of the Sheep-skin Control for the year ended 30th June, 1942, are shown in the accounts section at the end of this report, page 26.

TALLOW.

PURCHASES BY UNITED KINGDOM GOVERNMENT OF 1941-42 SEASON'S TALLOW.

In October, 1941, the United Kingdom Ministry of Food intimated that, whilst the Ministry was not inclined to make a contract for a period, they desired the first option of the 1941-42 season's tallows, with a view to making contracts from time to time for purchase of fixed quantities. The Ministry also agreed to discuss an upward revision of prices at the time of purchase. The wishes of the Ministry as outlined were met, and purchases of the following quantities were made, covering shipments from 1st August, 1941, to 31st July, 1942:—

(a) At the c. & f. sterling prices which applied for the 1940-41 season (see page 22 of parliamentary paper H.-30B, 1940)	Tons.
(b) At a range of c. & f. sterling prices which average approximately £3 10s. sterling per ton in excess of the 1940-41 season prices	15,119
	30,786
Total	45,905

NOTE.—The 1942-43 season production of tallow for export, estimated at 50,000 tons, has been purchased by the United Kingdom Ministry of Food at a range of c. & f. sterling prices which average approximately £8 10s. sterling per ton in excess of the 1940-41 season prices.

PURCHASE BY NEW ZEALAND GOVERNMENT OF TALLOW FROM NEW ZEALAND MANUFACTURERS.

The f.o.b. (New Zealand currency) purchase-prices payable to manufacturers remain as set out in the Schedule attached to the Purchase of Tallow Order 1940, with the exception of minor alterations relating to the grades stearine medium and pig-fat (inedible), and the addition of the grades edible mixed tallow and hide-grease.

STATISTICS.

The following table shows the quantities of tallow purchased by the United Kingdom Government, and shipped from 1st August, 1941, to 31st July, 1942:—

	Tons (net).		Tons (Net).
First beef	5,108	Superior stearine	537
First mutton	10,412	Medium stearine	32
Good bright mixed	4,136	Inedible lard	785
Good colour mixed	6,094	Hog-grease	296
Fair to good mixed	4,222	Edible mixed	1,018
Fair mixed	1,678	Hide-grease	128
Good gut	7,296		
Medium gut	2,917		45,905
Low gut	1,246		

Permits were granted to shippers to various overseas countries from 1st August, 1941, to 31st July, 1942, as under :—

							Tons.
United States of America	..	..	..	..	..	..	856
India	..	..	..	..	..	..	566
Total	..	..	..	..	..	..	1,422

ACCOUNTS.

The tallow accounts are shown in the accounts section at the end of this report, page 25. The accounts cover purchases and sales of tallow by the Department for the year ended 31st July, 1942, and they comprise Purchase and Sale Account and Revenue Account. After provision of the allowance to the Department for administration and general expenses, the surplus on tallow, £125,520, representing the difference between purchase and sale prices, is transferred to credit of the Meat Pool Account (see page 24). The Tallow Account shows a surplus of £8,488, representing the difference between the Department's allowance for handling of tallow and the administration and other charges.

HIDES.

The report for the 1939-40 season gave details of the action taken by the Government in regard to control of export of hides and stabilization of prices of hides for local requirements, and equalization of value of hides for local use and for export, by a levy on exports to even up the difference between local "standard domestic values" fixed at 1st September, 1939, prices, plus 25 per cent., and export values. This procedure is embodied in the Hides Emergency Regulations 1940, and the administration of the regulations is entrusted to a Hides Committee, which operates under authority conferred on it by the Minister of Marketing.

SALE OF HIDES TO AUSTRALIA.

In October, 1941, arrangements were made between the New Zealand and the Australian Governments for sale to the Australian Hide Board, for military manufacturing purposes, of all ox hides 48 lb. and up and cow hides 50 lb. and up which were surplus to New Zealand requirements. The arrangement (which covered the period November, 1941, to June, 1942) provided for purchase by the Marketing Department of these hides on the terms set out in the report of the Hides Committee which follows, and for sale to the Australian Hide Board at New Zealand standard domestic values. The number of hides shipped to Australia up to 31st July, 1942, in terms of this arrangement was 53,513.

ACCOUNTS.

The accounts covering the foregoing transactions are shown in the accounts section at the end of this report, page 25. It will be seen that the deficit at 31st July, 1942, was £23,827.

REPORT OF HIDES COMMITTEE ON OPERATIONS FOR YEAR ENDED 31st MARCH, 1942.

The following report has been submitted to the Hon. the Minister of Marketing on behalf of the Hides Committee by the Chairman, Mr. A. P. O'Shea :—

"I have pleasure in submitting the Second Annual Report and Statement of Equalization Fund for the year ending 31st March, 1942. There were no major problems during the year, and the work of the Committee continued smoothly.

"*Export Levy*—The following table sets out the particulars of the various changes in the rate of levy during the year :—

Dates of Changes : Effective on and after	Rates of Levy.				
	Ox Hides.	Cow Hides.	Bull Hides.	Yearlings.	Calf-skins (other than Freezer).
1941.	d.	d.	d.	d.	d.
4th April	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{8}$	$\frac{3}{4}$	3
30th July	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{1}{8}$	$\frac{3}{4}$	3
13th September ..	$1\frac{1}{4}$	$1\frac{1}{4}$	$\frac{1}{8}$	$\frac{3}{4}$	3
23rd October	2	2	$\frac{1}{8}$	$\frac{3}{4}$	6
1942.					
7th January	$1\frac{1}{2}$	$1\frac{1}{2}$	$\frac{1}{8}$	$\frac{3}{4}$	6
9th February	1	1	$\frac{1}{8}$	$\frac{3}{4}$	6

"The amount of levy payable is calculated on the weights invoiced to oversea buyers, and such weights are declared, on the Customs Department export entries.

"Owing to the heavy claiming of hides by tanners during the period September to December, 1941, and the corresponding reduction in the numbers freed for export, it became necessary to make the substantial increase in the rates of export levy shown in the above table.

"*Sale of Hides to Australia.*—In accordance with arrangements made between the Governments of New Zealand and Australia, the New Zealand Government undertook to sell to the Australian Government all ox hides 48 lb. and up, and cow hides 50 lb. and up which are surplus to New Zealand requirements and are free for export in accordance with the Hides Emergency Regulations 1940 (No. 2). The arrangement provided for purchase by the Marketing Department from the regular exporting houses at the points of f.o.b. Australian steamer, the purchase-price to be export f.o.b. parity prices as fixed from time to time by the Hides Committee, there being no actual free sale of these weights to fix the prices.

"The Hides Committee appointed a sub-committee comprising Messrs. John Fraser (Chairman), J. P. Mackay, W. V. Watson, and G. A. Duncan to prepare a schedule of Marketing Department purchase-prices, and to vary these prices from time to time in accordance with market values. The sub-committee met monthly, and appropriate variations in prices were made.

"*Financial Report.*—The following summary shows the position of the Equalization Fund as at the 31st March, 1942:—

	£	s.	d.
"Cash in hand at 1st April, 1941	153	17	10
	£	s.	d.
"Levy received by H.M. Customs	57,112	17	1
"Less 2 per cent. collection charges	1,142	6	1
	55,970	11	0
	56,124	8	10
"Less claims paid to tanners, freezing companies, and exporters ..	45,264	6	1
	10,860	2	9
"Expenses to 31st March, 1942—	£	s.	d.
"Salaries	925	0	0
"Telegrams, stamps, and petty expenses	27	13	1
"Travelling-expenses	34	5	5
"Sundries (rent, phone, cleaning, &c.)	81	16	0
"Audit fee	20	0	0
"Bank interest	6	11	0
"Bank charge and cheque-book	2	10	2
"Cables	6	10	9
	1,104	6	5
"Cash in bank at 31st March, 1942	9,755	16	4
"To this must be added estimated levy due on hides which have not been shipped or for which payment has not been received from H.M. Customs as at 31st March, 1942	7,250	0	0
"From this amount must be deducted claims which are finalized and estimated claims not yet completed ..	6,600	0	0
"Leaving estimated balance to be collected	650	0	0
"and leaving an estimated surplus in hand of	£10,405	16	4

"The amount of surplus funds shown above (£10,405 16s. 4d.) is justified in view of the expressed desire of the Committee that the tanners should claim freely while the hides are available in order to obtain their necessary requirements to cover the period, September to December, when production of hides is low.

"During the previous year the Committee endeavoured to keep the levy as much in line with market prices as possible, and to arrange that when hides realized higher price levels the levy was correspondingly higher. The Committee also endeavoured to carry as small a cash balance as possible, and this policy is reflected in the amount standing to the credit of the fund at the beginning of the year.

"Experience showed that this policy was open to the objection that sudden changes in the rate of levy were necessary. The Committee therefore decided to strike a rate of levy which would, as far as possible, obviate the sudden changes, and it is considered that this policy is satisfactory to the meat industry, in that it has helped to avoid sudden and frequent changes in the beef-price schedule.

"*Statistics.*—The following table shows the number of hides claimed by tanners and the number freed for export under the regulations:—

—	Ox.	Cow.	Bulls.	Yearlings.	Calf-skins.
Tanners claims ..	113,495	200,721	644	43,850	55,910
Hides freed for export ..	99,965	252,911	13,942	8,808	45,328
Totals ..	213,460	453,632	14,586	52,658	101,238

"Grand totals

"Tanners 414,620 hides and calf-skins.

"Exporters 420,954 hides and calf-skins.

835,574

"*Cost of Administration.*—The total cost of administering the Hides Equalization Fund for the twelve months ended 31st March, 1942, is £1,104 6s. 5d., compared with £1,106 7s. 4d. for the period ending 31st March, 1941.

"Based on the quantity of hides handled in terms of the regulations, the cost is again just under $\frac{1}{2}$ d. per hide.

"*General.*—I desire to express my thanks to the Chairman and members of the Committee, to the Government Departments concerned, and to all sections of the trade for their willing assistance at all times."

LINEN FLAX.

The annual report for 1941 sets out the terms of sale to the United Kingdom Ministry of Supply of New Zealand's export production of linen-flax fibre, this covering the period of hostilities between the British Empire and Germany.

Shipments from 1st August, 1941, to 31st July, 1942, were 3,013 bales of linen-flax fibre and 1,918 bales of tow and pluckings, of a total weight of 926 tons 10 cwt., valued f.o.b. at £129,097 4s. 7d. (New Zealand currency).

Sales of linen-flax seed were effected of 24,254 sacks, weighing 2,165 tons 8 cwt., valued f.o.b. at £47,933 12s. 2d. (New Zealand currency).

SCHEELITE.

The agreement with the United Kingdom Ministry of Supply for the sale of New Zealand's output of scheelite was renewed from 1st April, 1942, for a two-year period ending 31st March, 1944.

The purchase-price payable by the United Kingdom Government was increased to 120s. sterling per unit and per ton, on the understanding that every effort would be made by New Zealand to substantially increase the production of scheelite. Other terms and conditions of sale were unchanged from those set out in the Department's annual report for 1940.

The quantity of scheelite purchased by the Department for the twelve months ending 31st July, 1942, was 77 tons 16 cwt., and the provisional payment in New Zealand currency is £26,766.

SUNDRY SUPPLIES FOR WAR OFFICE.

As mentioned in the 1941 annual report, sundry foodstuffs have been supplied under contract to the War Office, mainly canned meats, service biscuits, oatmeal, and processed cheese.

The value of the products shipped during the twelve months ending 31st July, 1942, is £(N.Z.)1,119,640.

The accounts covering the purchase and sale transactions of the Department in connection with these United Kingdom War Office supplies are shown in the accounts section at the end of this report page 25. The deficit for the year ended 31st July, 1942, is £332.

SUMMARY OF VOLUME AND VALUE OF SALES BY THE DEPARTMENT OF PRODUCTS FOR EXPORT FOR THE TWELVE MONTHS ENDED 31ST JULY, 1942.

Product.	Volume.	Equivalent Weight (in Tons).	Value f.o.b. (N.Z. Currency).
			£
Butter	4,620,942 boxes	115,524	16,209,429
Cheese	2,164,334 crates	154,595	13,330,120
Frozen meat .. .. .	..	400,616	22,993,192
Wool*	929,618 bales	141,771	18,220,137
Tallow .. .. .	..	45,905	1,178,767
Woolly sheep-skins	962,367 skins	3,343	347,052
Canned meats .. .. .	..	13,587	1,371,906
Scheelite .. .. .	..	78	26,766
Skim-milk powder	94,933 cases	4,746	214,007
Evaporated milk	124,590 cases	2,670	153,440
Linen-flax fibre	4,931 bales	927	129,097
Linen-flax seed	24,254 sacks	2,165	47,934
War Office contracts .. .. .	..	..	1,306,825
Hides	53,513 hides	..	104,374
Totals .. .. .	..	885,927	75,633,046

* Totals of wool appraised for twelve months to 30th June, 1942, at f.o.b. value.

NOTE.—The volume and values of butter, cheese, frozen and canned meats includes produce paid for but not shipped at 31st July, 1942.

GENERAL.

In presenting this report covering the operations of the Export Division of the Department for the year ended 31st July, 1942, it is pleasing to record that the arrangements of the 1941-42 season in respect of production, handling, payment, and shipment of the various products have proceeded smoothly, and all interests concerned have co-operated in meeting the difficulties inherent in the present war situation.

I wish to tender the thanks of the Government to the farming industry, the manufacturing interests, the storage and transport interests, the handling and loading interests, and the shipping interests for maintaining so satisfactorily their respective services.

I desire again to pay tribute to the officers and men of the Mercantile Marine and the Royal Navy who have been responsible for the transport of the large volume of exports from New Zealand and for the very satisfactory clearances of all export products which have been made.

Finally, I wish to mention Government representatives in the United Kingdom and the New Zealand staff of the Export Division of the Marketing Department. They have carried out their increased duties most efficiently, notwithstanding the staff and other difficulties of the present situation.

J. G. Barclay
Minister of Marketing.

DAIRY-PRODUCE.

ADMINISTRATION AND GENERAL EXPENSES ACCOUNT FOR THE YEAR ENDED 31st JULY, 1942.

Dr.	United Kingdom.	New Zealand.	Total.		Cr.		
Salaries	7,910	7,426	15,336	..	Miscellaneous recoveries	..	£
Office rent, maintenance, cleaning, telephone, and sundry expenses	946	1,706	2,652	..	Allocation of net expenses to Purchase and Sale Accounts—	..	2,284
Postage, cables, printing, and stationery	191	1,321	1,512	..	1940–41 season's produce—	..	£
Travelling expenses	100	56	156	..	Creamery butter	..	5,189
Subscriptions, donations, and entertainment	64	8	72	..	Whsey butter	..	83
Shipping inspection	1,751	515	2,266	..	Cheese	..	1,586
Agency expenses: Lyttelton	..	225	225	..	Processed milk	..	32
Audit fees	..	265	265	..	1941–42 season's produce—	..	6,890
Depreciation	290	239	529	..	Creamery butter	..	27,898
	£11,252	£11,761	23,013	..	Whsey butter	..	779
Advertising in United Kingdom	..	..	..	..	Cheese	..	21,967
Miscellaneous expenses	..	£	2,453	..	Processed milk	..	504
Cost of remittances to dairy companies	..	5,418	654	..			51,148
Interest on overdraft at Reserve Bank	..	28,479	..	..	
Subsidy, Public Service Superannuation Fund	..	..	33,897	..			
	..	..	305	..			
	..	..	£60,322	..			£60,322

FINAL PURCHASE AND SALE AND REVENUE ACCOUNTS, 1940–41 SEASON'S DAIRY-PRODUCE.

	Creamery Butter.	Whsey Butter.	Cheese.	Processed Milk.	Total.				
Purchases net f.o.b. after 31st July, 1941	£	£	£	£	£				
2,450,914	38,191	793,655	21,700	5,418	3,304,460				
Gross surplus on transactions after 31st July, 1941, carried down	14,340	74	13,511	155	28,080				
	£2,465,254	£38,265	£807,166	£21,855	£3,332,540				
Administration and general expenses	5,189	83	1,586	32	6,890				
Net surpluses on transactions after 31st July, 1941	9,151	9*	11,925	123	21,190				
	£14,340	£74	£13,511	£155	£28,080				
Balance, being final surplus on purchase and sale of 1940–41 season's production carried to Dairy-produce Account	..	..	..	..	151,989				
	£2,465,254	£38,265	£807,166	£21,855	£3,332,540				
	£	£	£	£	£				
	5,189	83	1,586	32	6,890				
	9,151	9*	11,925	123	21,190				
	£14,340	£74	£13,511	£155	£28,080				
Net surpluses and deficits on transactions after 31st July, 1941, brought down	..	..	..	..	..
Net surpluses and deficits on transactions up to 31st July, 1941 (as shown in accounts for year ended 31st July, 1941)	20,715	72*	106,904	2,944	130,491				
Net surpluses and deficits on 1940–41 production	£29,866	£81*	£118,829	£3,067	151,681				
Recoveries from manufacturers of special milk products	..	..	..	..	308				
	£151,989	£151,989	£151,989	£151,989	£151,989				

* Deficit.

MEAT.

ADMINISTRATION AND GENERAL EXPENSES ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1942.

Dr.	£	Cr.	£
Salaries	5,903	Allocation of net expenses to Purchase and Sale Accounts—	
Office rent, maintenance, cleaning, telephones, and sundry expenses	788	1940-41 season's killings	24,930
Postages, cables, and printing and stationery	1,176	1941-42 season's killings	33,526
Travelling-expenses	43		
Shipping inspection and refrigeration supervision	1,500		
Audit fees	437		
Depreciation (office and departmental equipment)	87		
Exchange on remittances	5,629		
Interest on overdraft at Reserve Bank	12,796		
Payment to New Zealand Meat-producers' Board	30,000		
Subsidy, Public Service Superannuation Fund	45		
Miscellaneous expenses	52		
	<u>£58,456</u>		<u>£58,456</u>

FINAL PURCHASE AND SALE ACCOUNTS, 1940-41 SEASON'S KILLINGS.

Dr.	£	£	Cr.	£	£
Purchases after 31st July, 1941—			Sales after 31st July, 1941—		
Lamb	4,703,476		Lamb	4,869,808	
Mutton	1,265,940		Mutton	1,350,350	
Beef	1,234,430		Beef	1,362,958	
Pork	481,159		Pork	486,802	
Offals	101,285		Offals	103,883	
Beef for canning	380,242		Beef for canning	307,926	
Mutton for canning	103,401		Mutton for canning	27,403	
		8,269,933			8,509,130
Charges on canning meat—					
Transport	2,379				
Boning	2,862				
		5,241			
Storage on frozen meat		16,493			
Insurance on frozen meat		4,592			
Loss on experimental shipments		4,459			
Loss on disposal of unexportable meat		56,279			
		8,356,997			
Gross surplus on transactions after 31st July, 1941, carried down		152,133			
		<u>£8,509,130</u>			<u>£8,509,130</u>
		£			£
Proportion administration and general expenses		24,930	Gross surplus on transactions after 31st July, 1941, brought down		152,133
Net surplus on transactions after 31st July, 1941, carried to Meat Account		127,203*			
		<u>£152,133</u>			<u>£152,133</u>

* From this surplus of £127,203 should be deducted the deficit of £6,115 on 1940-41 season's killings purchased up to 31st July, 1941, which was transferred to the Meat Account at 31st July, 1941. Accordingly the final net surplus on purchase and sale of the complete 1940-41 season's meat was £121,088.

PURCHASE AND SALE ACCOUNT, 1941-42 SEASON'S KILLINGS SHIPPED UP TO 31ST JULY, 1942.

Dr.	£	£	Cr.	£	£
Purchases—			Sales—		
Lamb	6,479,033		Lamb	7,237,500	
Wether mutton	298,909		Wether mutton	335,560	
Beef	627,021		Beef	726,068	
Pork	1,095,970		Pork	1,148,531	
Offals	597,704		Offals	635,958	
Preserved meat	1,254,026		Preserved meat	1,300,849	
		10,352,663			11,384,466
Surplus on 1941-42 season killings shipped up to 31st July, 1942, carried to Meat Pool Account		974,881			
Allowance for administration and general expenses ($\frac{1}{2}$ per cent. on sales, £11,384,466), carried down		56,922			
		1,031,803			
		<u>£11,384,466</u>			<u>£11,384,466</u>
		£			£
Proportion administration and general expenses		33,526	Allowance for administration and general expenses		56,922
Balance to Meat Account		23,396			
		<u>£56,922</u>			<u>£56,922</u>

MEAT—continued.

MEAT POOL ACCOUNT TO 31ST JULY, 1942.

<i>Dr.</i>	£	£	<i>Cr.</i>	£
Loss on ewe mutton for canning	87,900		Surplus on 1941-42 season's killings shipped up to 31st July, 1942	974,881
Loss on bull beef	2,635		Profit on canning beef killed during the period 1st October, 1941, to 17th January, 1942	9,727
Loss on dehydrated meat	2,787		Surplus on tallow sales	125,520
		93,322		
Interest on frozen and preserved meat ..	13,770			
Insurance on frozen and preserved meat ..	4,687			
Storage on frozen and preserved meat ..	8,681			
Railage and sundry expenses	3,201			
		30,339		
Amount written off capital cost of emergency cool stores, canning plant and buildings, being one-third of estimated cost (£575,000)		191,666		
		315,327		
Balance, being surplus to 31st July, 1942		794,801		
		<u>£1,110,128</u>		<u>£1,110,128</u>

MEAT ACCOUNT.

<i>Dr.</i>	£	<i>Cr.</i>	£
Payment to War Expenses Account	68,633	Balance as per accounts for year ending 31st July, 1941	68,633
Balance as at 31st July, 1942	150,599	Surplus on 1940-41 season's killings purchased after 31st July, 1941	127,203
		Surplus on allowance for administration and general expenses on 1941-42 season's killings shipped up to 31st July, 1942	23,396
	<u>£219,232</u>		<u>£219,232</u>

WOOL.

PURCHASE AND SALE ACCOUNT FOR THE WOOL YEAR ENDED 30TH JUNE, 1942.

<i>Dr.</i>	Greasy Wool. £	Slip Wool. £	Total. £	<i>Cr.</i>	Greasy Wool. £	Slip Wool. £	Total. £
Purchases—				Sales—			
Appraisal value ..	14,284,045	3,611,981	17,896,026	To United Kingdom Wool Control ..	13,549,159	3,657,691	17,206,850
Final payment ..	209,251	62,215	271,466	To New Zealand Mills ..	944,137	16,505	960,642
	<u>£14,493,296</u>	<u>£3,674,196</u>	<u>£18,167,492</u>		<u>£14,493,296</u>	<u>£3,674,196</u>	<u>£18,167,492</u>

CHARGES, EXPENSES, AND ADMINISTRATION ACCOUNT FOR THE WOOL YEAR ENDED 30TH JUNE, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Brokers' charges	739,454	Allowance in sale-price for charges and expenses and recoveries, including amount of wool levy	1,309,375
Appraisal costs	77,292	Special allowance by United Kingdom towards cost of abnormal storage and insurance	119,344
Wool levy paid on behalf of growers	23,965		
Charges and expenses to f.o.b.	227,180		
Scouring charges	265,373		
	1,333,264		
Balance carried down	95,455		
	<u>£1,428,719</u>		<u>£1,428,719</u>
	£		£
Salaries	6,246	Balance brought down	95,455
Office rent, maintenance, cleaning, telephone, and sundry expenses	1,136	Interest	7,526
Postages, cables, printing, and stationery	3,906		
Travelling-expenses	160		
Audit fees	220		
Depreciation	87		
Cost of remittances to brokers and others	2,447		
Subsidy, Public Service Superannuation Fund	42		
	14,244		
Net surplus for year	88,737		
	<u>£102,981</u>		<u>£102,981</u>

WOOL ACCOUNT.

£	£
Transferred to War Expenses Account	115,987
Balance as at 31st July, 1942	133,607
	<u>£249,594</u>
Balance at 30th June, 1941	115,987
Special allowance by United Kingdom towards cost of abnormal storage and insurance in previous seasons	44,870
Net surplus for 1941-42 season	88,737
	<u>£249,594</u>

MARKETING DEPARTMENT (EXPORT DIVISION).

TALLOW.

PURCHASE AND SALE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchases	1,041,415	Sales to United Kingdom	1,135,647
Allowances for administration and handling	11,832	Sales to other destinations	43,120
Meat Pool Account	125,520		
	<u>£1,178,767</u>		<u>£1,178,767</u>

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Salaries	696	Allowance for administration and handling	11,832
Office rent, maintenance, cleaning and telephone, and sundry expenses	224		
Postage, cables, and printing and stationery	177		
Travelling-expenses	20		
Audit fees	80		
Interest on overdraft at Reserve Bank	1,570		
Cost of remittances to manufacturers and others	577		
Net surplus	8,488		
	<u>£11,832</u>		<u>£11,832</u>

TALLOW ACCOUNT.

<i>Dr.</i>	£	<i>Cr.</i>	£
Transferred to War Expenses Account	2,048	Net surplus, period ended 31st July, 1941	2,048
Balance as at 31st July, 1942	8,488	Net surplus, year ended 31st July, 1942	8,488
	<u>£10,536</u>		<u>£10,536</u>

SCHEELITE.

PURCHASE AND SALE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchases	26,098	Sales	26,767
Cost of administration	669		
	<u>£26,767</u>		<u>£26,767</u>

WAR OFFICE CONTRACTS.

PURCHASE AND SALE ACCOUNT FOR THE PERIOD ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchases	1,305,291	Sales	1,306,825
Gross surplus carried down	1,534		
	<u>£1,306,825</u>		<u>£1,306,825</u>

REVENUE ACCOUNT FOR THE PERIOD ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Interest	1,018	Gross surplus brought down	1,534
Salaries	200	Deficit for the period ended 31st July, 1942	332
Postages, cables, printing and stationery	521		
Telephones, rents, sundry expenses	127		
	<u>£1,866</u>		<u>£1,866</u>

HIDES.

PURCHASE AND SALE ACCOUNT FOR THE PERIOD ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchases at market prices for sale to Australian Hide Board	127,750	Sales to Australian Hide Board at New Zealand standard domestic values	104,374
		Balance carried down	23,376
	<u>£127,750</u>		<u>£127,750</u>

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST JULY, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance brought down	23,376	Deficit for period ended 31st July, 1942	23,827
Salaries	100		
Postage, cables, printing and stationery	98		
Travelling-expenses	13		
Telephones, rents, and sundry expenses	51		
Interest on overdraft at Reserve Bank	121		
Cost of remittances to brokers	68		
	<u>£23,827</u>		<u>£23,827</u>

NEW ZEALAND SHEEP-SKIN CONTROL.

PURCHASE AND SALE AND REVENUE ACCOUNT FOR TWELVE MONTHS TO 30TH JUNE, 1942.

<i>Dr.</i>				£	<i>Cr.</i>				£
Stocks, 30th June, 1941	..	..	..	101,510	Sales of skins, pelts, and wool	..	..	715,256	
Purchases	..	..	..	532,896	Stocks, 30th June, 1942	..	..	56,979	
Working-charges	..	..	..	118,688					
Gross surplus	..	..	..	19,141					
				<u>£772,235</u>				<u>£772,235</u>	
Administration expenses—				£				£	
Salaries	..	..	..	8,042	Gross surplus	..	..	19,141	
Travelling-expenses	..	..	..	1,454					
Postages and telegrams	..	..	..	377					
Telephones	..	..	..	595					
Stationery	..	..	..	558					
Exchange	..	..	..	201					
Interest	..	..	..	661					
Sundry expenses	..	..	..	619					
Rent	..	..	..	592					
War-risk insurance	..	..	..	137					
				<u>13,236</u>					
Net surplus	..	..	..	5,905					
				<u>£19,141</u>				<u>£19,141</u>	

BALANCE-SHEET AS AT 30TH JUNE, 1942.

<i>Liabilities.</i>				£	<i>Assets.</i>				£
Sundry Products Account	..	..	..	127,294	Fixed assets (cost less depreciation)—				
Sundry creditors	..	..	..	37,137	Furniture and fittings	..	..	359	
				£	Motor-car	..	..	197	
Pool Account	..	..	..	5,905					556
Add balance, 1st July, 1941	..	..	..	7,196	Floating assets—				
				<u>13,101</u>	Stocks	..	..	66,989	
					Sundry debtors	..	..	109,789	
				<u>£177,532</u>	Woolpacks Account	..	..	3	
					Cash on hand	..	..	195	
								<u>£177,532</u>	

R. C. BURGESS, Controller.

MARKETING DEPARTMENT (EXPORT DIVISION).

BALANCE-SHEET AS AT 31ST JULY, 1942.

<i>Liabilities.</i>				£	£	<i>Assets.</i>				£
Reserve Bank of New Zealand—						Sundry debtors for produce and amounts accrued due	..	..	1,968,942	
Dairy Industry Account	..	..	..	3,935,199		Stocks	..	..	8,340,489	
Meat Industry Account	..	..	..	4,944,495		Office and departmental equipment	..	..	4,723	
Sundry Products Account	..	..	..	327,753		Advances to Sheep-skin Controller	..	..	143,936	
						Advances on produce	..	..	29,235	
				9,207,447		Dairy-produce Account	..	..	997,070	
Less Wool Industry Account	..	..	..	105,011						
				9,102,436						
Less cash held in London	..	..	..	42,663						
					9,059,773					
Sundry creditors for accrued charges and										
sundry credit balances	..	..	..	1,361,286						
Meat Pool Account	..	..	..	794,801						
Net surpluses on administration allowances—										
Meat Account	..	..	..	150,599						
Wool Account	..	..	..	133,607						
Tallow Account	..	..	..	8,488						
					292,694					
Less deficits—				£						
War Office Contracts Account	..	..	..	332						
Hides Account	..	..	..	23,827						
					24,159					
					268,535					
					<u>£11,484,395</u>				<u>£11,484,395</u>	

G. A. DUNCAN, Director.

J. G. McDONALD, Assistant Accountant.

I hereby certify that the several Purchase and Sale and Revenue Accounts, Administration and General Expenses Accounts, together with the Balance-sheet as at 31st July, 1942, have been examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby. The values of the sheep-skin control stocks have been fixed by the Sheep-skin Controller.—J. P. RUTHERFORD, Deputy Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (1,260 copies), £62 10s.

By Authority: E. V. PAUL, Government Printer, Wellington.—1943.

Price 9d.]