

BUTTER

- (1) New Zealand, to readjust production, to secure as far as possible from 115,000 to 120,000 tons.
 (2) Purchase-prices to be paid by the United Kingdom Ministry of Food :
 Creamery Finest Grade, 93 points and over : 117s. sterling per hundredweight delivered f.o.b. ocean steamer.
 Creamery First Grade, 90 to 92½ points : 115s. 9d. sterling per hundredweight f.o.b.
 Creamery Second Grade : 112s. sterling per hundredweight f.o.b.

NOTE.—These prices represent an increase of 4s. 6d. sterling per hundredweight over the prices payable for the 1941-42 season.

(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) New Zealand to readjust production to secure approximately 90,000 tons.
 (2) Purchase-prices to be paid by the United Kingdom Ministry of Food :
 Finest and First Grade, 91 points and over : 73s. sterling per hundredweight delivered f.o.b. ocean steamer.
 Second Grade : 71s. sterling per hundredweight f.o.b.
 (All cheese to be white and unwaxed.)

NOTE.—These prices represent an increase of 3s. sterling per hundredweight over the prices payable for the 1941-42 season.

(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 1941-42 season. It should be noted that the Ministry of Food excluded whey butter from the contract of purchase, with a view to the processing of this butter 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 ended 31st July, 1943.

GUARANTEED PRICES, 1942-43 SEASON

The guaranteed purchase-prices paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1942-43 season and exported were :

Creamery Butter—

Finest Grade—

94 points and over	..	..	..	..	15-515d.
93 to 93½ points (basic price)	..	..	..	..	15-39d.

First Grade—

92 to 92½ points	15-3275d.
90 to 91½ points	15-14d.

Second Grade	14-64d.
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Whey Butter —

First Grade	13-89d.
Second Grade	13-39d.

Cheese—

Finest Grade—

94 points and over	8-88625d.
93 to 93½ points	..	..	..	..	8-855d.

First Grade—

92 to 92½ points (basic price)	8-73d.
91 to 91½ points	8-6675d.

Second Grade	8-48d.
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NOTES.—(1) These purchase-prices represent increases for creamery butter of 0-5d. per pound and for cheese of 0-31d. per pound over the prices payable for the 1941-42 season, 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 increase 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.* ½d. 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.

The conversion formulae used in the determination of the 1942-43 season prices as shown 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.