

1943
NEW ZEALAND

INTERNAL MARKETING DIVISION

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31st MARCH, 1943

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

INTRODUCTORY

THE Internal Marketing Division has now been in existence for just over six years. It was brought into being as part of a reorganized marketing scheme designed to deal with the worst crisis which our primary producers and the Dominion generally have experienced during the present century. It remained in being and expanded as a necessary administrative machine in a time of social and economic change.

The dual role played by food in our national economy is a factor of first importance to be considered in any review of the Internal Marketing Division. For the production year 1941-42, 45 per cent. in value of our total production was accounted for by food products. Good or bad market returns for food products will therefore have a marked effect on the amount of our national income and consequently on the prosperity of all the population. The Division was established at a time when market returns were so low that the foundations of our production system and our economic stability were being destroyed. The marketing system established in 1936 has played its part in placing production once more on a sound and payable basis. As an integral part of that system the Internal Marketing Division has met an evident need in our economic life for an organization which, by eliminating the cost, waste, and uncertainty of unplanned competitive marketing, could help the primary producer to establish himself on a sure and firm basis.

In its other aspect, food marketing is important to every one. Indirectly, all New Zealanders are affected by the influence of farm returns on the national income, but the direct impact of varying food-prices on individual prosperity is realized more concretely. This has been especially so during the war years. Rising prices and shortages of supplies of some foodstuffs have made price control and rationing necessary. As a national organization, the Division has coped with the necessity to spread sparse supplies of some foodstuffs as evenly as possible over the whole population, where private traders could only have distributed to the nearest and most profitable markets. It has also co-operated with the Price Tribunal to prevent undue increases in food-prices, and has, in common with many Government agencies, operated as part of the administrative machinery for carrying out the stabilization programme.

There are many people who laud the virtues of free and unrestricted private enterprise, and they have been bitter critics of the Division as an organization which has encroached on the right of traders to deal in food for private profit. The plain fact, however, is that the marketing organization was built not on theoretical belief in the virtue of *laissez-faire* or any other doctrine, but on the clear need for positive action by the State. An organization owned by the community and able to concentrate on the public interest was necessary to help to increase the national income in the crisis of low prices, and to help to maintain a stable economy when the danger of wartime inflation appeared. The Internal Marketing Division has filled that need during a very difficult period.

In the following pages the Division's main activities during the past year are briefly recorded.

BUTTER

The administration of the Butter Marketing Regulations has proceeded quite smoothly during the year under review, and the problems to be faced have been the normal ones experienced in previous years with regard to civilian consumption with some few extra difficulties created by the requirements of military supplies.

As from the first of the production year—that is, 1st August, 1942—the differentials collectable on butter sold on the local market were altered to conform to the new guaranteed price. This, however, did not necessitate any alteration in the local price of butter, and there is still some advantage to the Differentials Account available. By agreement between the New Zealand Dairy Board and the Government, the differentials as from the first of this season became payable to the Dairy Industry Account in order to assist with the increase in the guaranteed price for export butter.

The full details of the Equalization Account as at 31st March, 1943, reveal the contribution which will be available to the Dairy Industry Account, being the difference between the amount carried forward in last year's account and the total state of the account as at 31st March, 1943.

Some difficulties were experienced in regard to the butter stored for winter requirements, particularly in the South Island, as in arranging these storages recognition had been taken of the requirements of cheese for the Imperial authorities, and a change back to butter which occurred at the beginning of the year left us with considerable stocks in the South Island. These supplies, however, were gradually worked out with the exception of a few thousand boxes which were shipped overseas, relieving the position to that extent.

No shortages of butter for local consumption have occurred in any locality during the year, and the quality of butter supplied to the local market has been, on the whole, very satisfactory.

The total consumption of butter has, of course, increased very materially if we take in requirements of Armed Forces, particularly the extra requirements of Allied services. Consumption by civil population shows a decrease of roughly 1,400,000 lb. of creamery and 100,000 lb. of whey butter, but if the amount supplied to the Forces in New Zealand is added there is again a considerable increase in total consumption.

The change back to butter-manufacture is reflected in the lesser quantity of whey butter available, but, owing to the fact that the Imperial authorities had undertaken to relieve New Zealand of all whey butter in the form of dry butterfat, the situation in regard to it was entirely altered at the beginning of the season. The price of whey butter on the local market was again raised to conform to that ruling during 1941-42, and arrangements were made to process all surplus quantities into dry butterfat for shipment. In the South Island, where whey-butter production exceeded consumption by a few thousand boxes, arrangements were made to dispose of this surplus quantity under conditions which show a considerable saving to the Division.

During the year the Dairy Research Institute has carried out several experiments with butter spreads incorporating a large percentage of butterfat together with stearine, milk-powder, &c., and submitted them to the military authorities. So far none of these spreads has proved as satisfactory for their requirements as butter itself.

The patting of a very large quantity of butter for military requirements has caused a further increase in butter consumption within New Zealand, and will mean that, particularly in the North Island, considerable quantities of stored butter will need to be used for internal consumption in order that the special requirements of the Pacific area may be met from fresh butter.

The canning plant mentioned in the last report has not yet come to hand, but is expected to arrive at an early date, and is urgently required in order to pack butter for overseas Forces, patriotic parcels, and other military needs. It is hoped that this plant will be available in the next two or three months, and therefore in time for the next production season.

During the year the price of butter for ships' stores was altered to conform to the internal price within New Zealand. This has simplified administration, as all butter for internal sale, Pacific islands, and ships' stores is at the same price.

During the year all returns and records have come to hand in a very satisfactory manner, and the Division appreciates the assistance which has been given by the officers of the various dairy factories in carrying out their duties. It has been possible to simplify some of the schedules, and this has been appreciated by factory secretaries. Any further assistance which can be given by the Division will be forthcoming at any time.

CHEESE

As will be seen from the following schedule, consumption of cheese during the year has increased slightly, taking in military requirements within New Zealand. During the year, after considerable investigation and in collaboration with the Price Tribunal, a Price Order covering the sale of cheese, both by wholesale and retail and of a maturity not exceeding four months, was promulgated, so that the price for all mild Cheddar cheese for sale by retailers over the counter in New Zealand is now fixed in accordance with this Order. Owing to the difficulty of specifying the actual maturity of any cheese over four months old, it is not possible to schedule prices for cheese in excess of that maturity.

During the year the tinning of cheese for sale on the local market was prohibited in order to conserve stocks of tinplate. With the exception of those stocks which were held at the time the prohibition became effective, there will be no further sale on the local market of tinned, medium, or loaf cheese. The Division is, however, arranging for the tinning of considerable quantities of cheese for the Forces in the Pacific area, and these have not only kept the facilities previously required for local market purposes in use, but have put considerable strain on the total cannery capacity.

Cheese sold on the local market during the year has reflected a very satisfactory quality, and this no doubt is in some measure responsible for the increased local consumption.

LOCAL MARKET SALES OF BUTTER FOR YEAR ENDED 31ST MARCH, 1943

		Creamery.	U.S. Forces : Creamery.	Whey.	Total.
		lb.	lb.	lb.	lb.
1942					
April .. ..	..	5,549,208	..	208,030	5,757,238
May .. ..	..	5,391,620	..	242,646	5,634,266
June .. ..	..	5,648,785	157,064	245,377	6,051,226
July .. ..	..	5,440,705	149,492	254,988	5,845,185
August .. ..	..	5,584,352	351,832	99,432	6,035,616
September ..	..	5,589,918	350,656	114,008	6,054,582
October .. ..	..	5,612,406	422,040	163,078	6,197,524
November ..	..	5,653,525	623,488	146,747	6,423,760
December ..	..	6,367,504	334,232	157,755	6,859,491
1943					
January .. ..	..	5,257,054	327,844	130,964	5,715,862
February .. ..	..	6,455,559	380,419	134,768	6,970,746
March .. ..	..	5,608,904	2,770,600	154,632	8,534,136
		68,159,540	5,867,667	2,052,425	76,079,632

LOCAL MARKET SALES OF CHEESE FOR YEAR ENDED 31ST MARCH, 1943

			U.S. Forces.	
1942		lb.	lb.	lb.
April .. .. .	..	648,685	..	648,685
May .. .. .	..	876,014	..	876,014
June .. .. .	..	743,827	..	743,827
July .. .. .	..	483,338	58,800	542,138
August .. .. .	..	563,725	59,000	622,725
September .. .. .	..	634,066	57,500	691,566
October .. .. .	..	679,307	60,000	739,307
November .. .. .	..	887,584	59,000	946,584
December .. .. .	..	777,101	57,500	834,601
1943				
January .. .. .	..	679,937	236,600	916,537
February .. .. .	..	715,036	237,000	952,036
March .. .. .	..	815,683	238,000	1,053,683
		8,504,303	1,063,400	9,567,703

EGG MARKETING SECTION

All wartime Administrations have found that eggs are the most difficult of the primary products to organize into steady, sufficient, and equitably-distributed supply. New Zealand's difficulty may be gauged from the fact that only 7,000,000 to 8,000,000 dozen of our total estimated annual production of 30,000,000 dozen pass through the controlled areas of Auckland, Wellington, Christchurch, Dunedin, and Hawke's Bay, and it is from this small proportion that the Division has had to maintain priority deliveries to hospitals, young children, invalids, nursing mothers, shipping, and Armed Forces, while still maintaining a rationed distribution to civilians in the main centres. Producers in other areas have since elected to come under the Egg Marketing Emergency Regulations 1942—namely, Tauranga, New Plymouth, Wanganui, Palmerston North, North and South Wairarapa, Blenheim, Timaru, and Invercargill. In these "emergency areas" surpluses have been created by directing all eggs into one central depot and rationing the local populations. These surpluses have then been forwarded to Wellington and Auckland for essential needs. Under the policy of stabilization it was not possible to generally increase egg-prices in order to attract eggs to market areas, which had been the past method of ensuring city supplies. In fact, in scattered country districts where prices, unpoliced, in some instances had risen as much as 10d. a dozen over previous years, this process has been reversed. Therefore a grant was made available from the War Expenses Account to pay freights and extra handling charges on eggs consigned to Wellington and Auckland, which ports were bearing the brunt of shipping and Armed Forces demands. At the same time a comprehensive Dominion-wide Price Order fixed prices in marketing areas and country areas at their near equivalents. As a result of discussions between the Division, the Department of Agriculture, the Building Controller, and the New Zealand Poultry Board, building-materials and cash advances were made available to encourage increased production.

The 1943 season's production is unlikely to be much greater than that of 1942, but these measures taken should lead to a noticeable improvement in 1944—as the considerable sale of chicks already indicates. Nevertheless, the demand for egg and egg commodities will far exceed supply. To alleviate this position, egg-pulp manufacture in New Zealand will be kept to a minimum, and an arrangement has been made with the Australian Government for New Zealand to import 110 tons of egg-powder and 125,000 28 lb. tins of egg-pulp. The experiment of importing Australian eggs in shell was not, however, successful, owing largely to conditions in transit. Importations of egg products from Australia in 1942 comprised—

Egg-pulp .. .. .	..	..	..	..	71,000 28 lb. tins.
Egg-powder .. .. .	..	..	..	..	116½ tons bulk.
					12 tons ½ lb. packets.
Eggs in shell .. .. .	..	..	..	..	5,402 cases each 30 dozen.

Without these imports we could not have forwarded the following supplies :—

				Eggs and Egg-powder. Dozen.
United States Forces (August to December, 1942)	..	..	..	701,460
New Zealand Forces (January to December, 1942)	..	..	..	969,979
Shipping (January to December, 1942)	..	..	..	234,000
				1,905,439

Co-operation from the New Zealand Poultry Board has helped the Department in the overcoming of many difficulties throughout the year.

IMPORTED FRUIT SECTION

ORANGES

This year approximately 171,000 export-size cases were imported—a decrease of 163,000 cases (approaching 50 per cent.) on last year, viz. :—

—					Year ended 31st March, 1943.	Year ended 31st March, 1942.
					Per Cent.	Per Cent.
Australia	..	..	..	..	70·95	64·2
Cook Islands	..	..	..	..	29·05	35·7
Fiji	..	..	..	..	..	0·1

Greater importations were impossible owing to Jamaican and Californian sources being closed by war conditions and to the lightness of the Australian Valencia crops. Moreover, 20 per cent. of all Australian Valencia and Navel oranges have been requisitioned for juice-manufacture for the Armed Forces. Only 50,000 cases—against a normal 120,000—were exported from the Cook Islands, whence the one available vessel could carry only 11,000 cases per trip, against previous arrival of 30,000 cases per trip. Cook Islands fruit, however, showed a further improvement in quality and landed in excellent condition. Unfortunately, next year's prospects show no improvement owing to the recent reduction by some 50 per cent. of the Cook Islands crop by hurricane, and to the unprecedented requirements within Australia for Armed Forces and essential civilian needs. Every effort will be made to procure the maximum quantity from both sources.

BANANAS

This year 22,036,500 lb. were imported, against 23,817,660 lb. for last year—a decrease of 1,811,160 lb., or 7·5 per cent. Importations were as under :—

—					Year ended 31st March, 1943.	Year ended 31st March, 1942.
					Per Cent.	Per Cent.
Samoa	..	..	..	..	35·96	51·25
Fiji	..	..	..	..	34·85	18·92
Tonga	..	..	..	..	20·00	27·03
Rarotonga	..	..	..	..	4·41	2·08
Niue	..	..	..	..	4·78	..

The decrease has been due to much greater demand for fruit in most of the islands that normally export to New Zealand, to the employment of some Natives upon war work to the detriment of their plantations, and to lack of transport both to and from the ports of shipment. Comparable supplies are expected for next year.

GRAPEFRUIT

Since the Australian Government required a large proportion of the crop for juice, only 1,767 cases were exported to New Zealand in place of the normal 4,000 cases. Jamaican and Californian supplies were unobtainable. The Cook Islands shipped 963 cases of good quality—100 cases more than last year.

NEW ZEALAND LEMONS

Again the Division has distributed and marketed commercially-grown lemons throughout New Zealand. Increased importations from Australia have partly offset a lighter local crop—61,500 $\frac{3}{4}$ -bushel cases, against last year's 80,043 cases.

Schedule of Lemon-supplies

—			Year ended 31st March, 1943.	Year ended 31st March, 1942.
New Zealand	..	..	61,500 cases <i>-i.e.</i> , 79·7 per cent.	80,043 cases <i>-i.e.</i> , 91·9 per cent.
Australia	..	..	14,316 cases— <i>i.e.</i> , 18·5 per cent.	6,724 cases— <i>i.e.</i> , 7·7 per cent.
Cook Islands	..	..	1,370 cases— <i>i.e.</i> , 1·8 per cent.	318 cases— <i>i.e.</i> , 0·4 per cent.
			77,186 cases	87,085 cases

Towards the end of this financial year the method of purchase from growers was altered to a size basis plus a premium fluctuating with the season. The intention is to encourage regular picking and thus provide a better spread of supplies throughout the year, as well as to give the public a larger proportion of the more popular sizes.

Since the Division assumed control the annual crop payments have been —

1940	..	6s. 11d.	per cured packed bushel.
1941	..	7s. 7-15d.	per cured packed bushel.
1942	..	8s. 1-14d.	per cured packed bushel.
1943	..	8s. 2d.	per loose bushel estimated to equal 12s. 3d. per cured packed bushel.

KUMARAS

The Division has imported and distributed 587 tons, as compared with 313 tons last year, viz. :—

					Year ended 31st March, 1943.	Year ended 31st March, 1942.
					50 lb. bags	
Niue	..	..	..	..	20,961	9,416
Cook Islands	..	..	..	..	5,011	4,626
Fiji	..	..	..	..	324	..
					26,296	14,040

Although every effort is made to avoid importations at the season of peak production in New Zealand, it is the policy of the Division, as far as possible, to accept supplies from Niue as they become available for shipment.

PINEAPPLES

Owing to abnormal local demands in Australia and in other countries normally supplying pineapples, combined with the lack of suitable shipping opportunities, it has not been possible to import sufficient quantities to meet normal requirements.

					Year ended 31st March, 1943.	Year ended 31st March, 1942.
Australia	..	..	..	..	2,528	5,509
Tonga	..	..	..	..	336	2,800
Fiji	..	..	..	..	..	1,258
Samoa	..	..	..	..	..	153
					1,864	9,720

The f.o.b. prices in Australian pines have shown an extremely sharp rise, as the following figures show :—

Year ended 31st March,					Cases shipped.	Average f.o.b. Price.
						s. d.
1941	..	..	..	..	6,942	11 6-26
1942	..	..	..	..	5,509	14 8-71
1943	..	..	..	..	2,528	20 7-83

Present quotations have advances to the vicinity of 33s. per case, with only limited quantities of doubtful export quality available for shipment.

APPLES AND PEARS

The purchase scheme for apples and pears was continued during 1942 on substantially the same terms as the previous season. The purchase-price was designed to return a Dominion overall average of 5s. 3d. at assembly depots. This price was paid on fruit packed for local market according to the established standards. Because of the national need to utilize shipping-space for more important products, the Division was unable to export any of the fruit received, and the whole of it was sold on the domestic market.

Major changes in the conditions surrounding the purchase were the introduction of a system of premiums for fruit of preferred sizes and the amalgamation of the former Extra Fancy and Fancy into one grade. The combination of grades was of benefit not only to the Division and the wholesalers in the lessening of handling costs, but also gave producers a benefit because it reduced their grading costs.

CROP

The following table gives the production of apples and pears according to provinces for each of the three years the purchase plan has been operating :—

District Production

Year.	Auckland	Poverty Bay.	Hawke's Bay.	Wellington.	Marlborough.	Port Nelson.	Mapua.	Motueka.	Canterbury.	Timaru.	Otago.	Total.
Apples												
1940 ..	278,612	19,455	701,920	31,234	71,935	211,733	420,304	291,903	102,671	7,039	115,593	2,252,399
1941 ..	251,623	22,992	525,691	33,240	78,917	294,877	473,102	353,420	96,961	11,179	158,783	2,300,785
1942 ..	167,110	40,076	770,923	34,473	70,557	183,083	243,601	207,072	91,614	5,688	109,498	1,923,695
Total ..	697,345	82,523	1,998,534	98,947	221,409	689,693	1,137,007	852,395	291,246	23,906	383,874	6,476,879
Pears												
1940 ..	21,398	563	69,221	932	1,448	12,148	12,490	19,531	11,232	1,159	17,497	167,619
1941 ..	49,324	4,403	153,395	3,483	2,202	26,119	29,769	43,747	9,808	1,702	23,732	347,684
1942 ..	17,052	2,708	90,215	816	865	9,446	9,266	16,830	14,016	1,525	20,679	183,418
Total ..	87,774	7,674	312,831	5,231	4,515	47,713	51,525	80,108	35,056	4,386	61,908	698,721

Year.	Crop.	Export.	Sales in New Zealand.
	Cases.	Cases.	Cases.
1940 ..	2,420,018	587,504	1,932,514
1941 ..	2,648,469	4,181	2,644,288
1942 ..	2,107,113	..	2,107,113

QUALITY OF CROPS

On the average, the quality of the fruit received this year was somewhat lower than in 1940 or 1941. Each season brings its own particular problems to fruitgrowers, and constant care must be exercised throughout the growing period to avert as far as possible the many dangers to which fruit crops are always open. Growers, in common with all other members of the community, are suffering the effects of the war in a greatly reduced labour pool, restricted supply of fertilizers, &c., and it is most difficult to give the orchards that amount of care which would normally be regarded as no more than necessary. A lessening in the normal programme of thinning, pruning, spraying, and similar sections of orchard practice must inevitably affect the season's working. Russet in the Nelson Province, combined with a large percentage of small sizes, was responsible for a considerable reduction in the marketable crop, and ripe spot later was the cause of much fruit becoming unsaleable both during the harvesting period and the storage period.

It is apt at this stage to pay tribute to the officers of the Horticulture Division for their efforts and valuable assistance to the Division in the maintenance of quality. The policy of the Division is to market fruit in the best possible condition, and the function of these officers is a most important one towards this end.

The following table shows the grading percentages during the past three years :—

	1940.	1941.	1942.
Apples—			
Extra Fancy	49.9	45.5	..
Fancy	32.6	31.2	74.5
Commercial	17.5	23.3	25.5
Pears—			
Fancy	71.4	74.6	81.8
Commercial	28.6	25.4	18.2

STORAGE

The amount of fruit which the Division can supply during the later months of the year is dependent mostly upon the amount of cool-storage space which can be allocated for fruit storage. The Division has been handicapped in this respect that, after prior claims have been met, the amount of space remaining is insufficient for fruit needs. The shortage of space has the effect of forcing fruit on to the mid-season markets, portion of which could have been held back for a later period, notwithstanding that the majority of mid-season harvestings are of varieties unsuitable for long storage. The usual practice in order to overcome in part this difficulty is to arrange with growers for the orchard holding of portion of their crops for short periods. The quantity thus held during 1942 was 198,000 cases. The summarized position is as follows :—

Total crop	Cases.
Quantity cool stored	2,107,000
	735,000
	1,372,000
Quantity orchard stored	198,000
Quantity available direct to markets up till end of June	1,174,000

The Division has competent Inspectors constantly engaged in the examination of fruit in cool stores, and it is pleasing to be able to record that it was largely this factor which resulted in the loss of cool-stored fruit, despite infections of ripe spot, flesh collapse, or other purely cool-store deficiencies, amounting to only 0.5 per cent. of the entire crop.

During 1940 and 1941 the Division's aim was to hold relatively heavy stocks for the October, November, and December markets, which fruit incurred the danger at that later period of cool-storage wastage. In 1942 the policy was to spread the fruit as long as possible, but at the same time to discharge and market it as soon as there was any indication that wastage was becoming a real danger. Even on this policy the quantity liberated to the markets compared favourably with pre-war distribution during the same months.

DISTRIBUTION

It cannot be gainsaid that since the Division assumed control of the marketing of apples and pears the *per capita* consumption has risen very considerably. The biggest production year in the history of the industry was 1938, and in that year it is estimated that 1,600,000 cases of fruit were sold on the Dominion markets. A comparison of that figure, which was then considered to be very high, with the quantities passing through the Division yearly is indicative of the manner in which consumption has been stimulated. An important factor in this has been the encouragement given by the Division to the grocery trade, and this is now an important avenue of retail trade, particularly in case lots. Advertising and the price factor are other means of stimulating sales, for it is impossible to push large quantities of fruit through the markets during the peak period of the receiving season without selling it at prices considerably below cost. The following table shows the comparison between monthly receipts and sales:

Month.	Received.	Marketed.	Month.	Received.	Marketed.
January	31,400	25,500	August	13,800	168,500
February	94,500	73,300	September	15,900	166,100
March	459,100	265,200	October	7,600	83,000
April	922,800	397,700	November	10,500	41,800
May	362,300	300,200	December	1,500	3,000
June	128,100	334,100			
July	59,600	248,700		2,107,100	2,107,100

When the Division commenced operations it continued with the auction system, which had been the recognized method of sale throughout the Dominion for many years. Under this system it was found impossible to maintain uniformity of value for comparable fruit between merchants in any one town or between one town and another. The Division resolved to fix definite selling-prices for the varieties, grades, and sizes, and to review the price-list weekly. While some opposition was at first found to this major change, both brokers and retailers realized the merits of it, and its benefits. In the first place, retailers had an assurance that they were at all times buying on the cheapest market, that no competitor could buy more cheaply, and, furthermore, that the Division's mode of regulating prices weekly avoided any drastic fluctuations in market values. The change avoided discussion as to the relative importance of brokers, because the more fruit any broker sold at the nominated price the more supplies he was able to obtain.

Under this system the Division has in mind building prices up gradually until, during the later months, a ceiling price would be voluntarily set. During October, however, when Delicious apples were selling at 16s. 6d. per case and Sturmers at 12s. 6d., the public demand was so great that retail prices rose as high as 10d. per pound. This led the Government to introduce a Price Order fixing the maximum wholesale price of apples at 13s. 6d. and the retail price at 6d. per pound. This price remained unaltered for the remainder of the season.

The Division does not deal direct with the public, but sales to Armed Forces, supply to schools, and some miscellaneous deliveries to hospitals, &c., are effected by direct contact. In 1942, 18.5 per cent. of the crop was disposed of by direct sales of these types.

APPLES IN SCHOOLS

The distribution of apples to school-children, inaugurated in 1941, was continued on a similar basis of one apple per day for each child. Under this scheme 156,000 cases of apples were released over a period of approximately twelve weeks, and the Division again wishes to acknowledge the co-operation of all those connected with it.

TRANSPORT

One of the Division's main services is distribution. To arrange a proportionate supply simultaneously to all markets, not only in quantity but also in each of the main varieties, is necessary to the establishment of similarity in value in all markets. This distribution entails heavy transportation mainly because the great bulk of the fruit is produced in the Nelson and Hawke's Bay districts, while the bulk of the population is located in or adjacent to the four main cities. About 70 per cent. of the

fruit produced has had to be transported from one district to another, and the following table shows the transfers actually effected during the past season :—

	In.	Out.		In.	Out.
Auckland	488,882	400	Nelson .. ..	..	588,544
Poverty Bay ..	3,042	7,476	Canterbury ..	187,568	12,695
Hawke's Bay ..	1,682	540,188	Otago	127,107	79,644
Wairarapa .. ..	..	28,613	Southland ..	77,783	..
Wellington ..	434,358	7,906			
Marlborough ..	..	54,956		1,320,422	1,320,422

Under present conditions this transportation schedule constitutes an acute problem. Coastal shipping is much below normal, the railway has many extra tasks, while the national need to conserve benzine and tires results in a general shortage of motor transport. While it is the Division's general policy to eliminate all unnecessary transport, the prevailing conditions made it imperative to give special attention to this matter, and the Division is able to record that, despite increases in transport rates, the per-case cost of this service was reduced from 2s. 0·47d. in 1941 to 1s. 9·52d. for 1942.

FINANCIAL

An examination of the apple and pear accounts and a comparison with the accounts published in the last report will indicate that savings have been effected in many directions. The administrative costs of the Internal Marketing Division are but a fraction of the total amount of money which is involved in the purchase and distribution of the huge crops, and against these costs must be measured the benefits accruing not only to the industry, but also to consumers, who are able, under the present system, to purchase apples in the most remote corners of the Dominion.

GENERAL

In September, Mr. W. Benzies, Officer in Charge of the Apple and Pear Section, visited Australia for the purpose of investigating the Australian apple and pear acquisition scheme. This scheme was introduced on an entirely different basis from the New Zealand purchase, inasmuch as a fairly large proportion of the fruit, though purchased by the Government, was never put into consumption. Therefore, without a change of policy in New Zealand, much that was of interest in the Australian effort was incapable of adoption here.

The Division desires to pay tribute to the members of the National Fruit-marketing Advisory Committee for their assistance throughout the year. The service given by this Committee of working fruitgrowers is given willingly and without compensation in the interests of the industry and the Division.

HONEY

The year 1942-43 gave better production than 1941-42, but still short of an average season. This was mainly through the Waikato, which is the largest single production district, giving little better than the previous season's half crop. Since, owing to restricted use of other sweetstuffs, New Zealand's normal 3 lb. per head average demand for honey is much increased, and since hospitals, Armed Services, merchant shipping, and patriotic and prisoner-of-war parcels require priority treatment, the amount of honey available is still far short of that called for.

Increased demand has so greatly increased direct buying from apiaries that insufficient honey has been left for the above priority needs and for city consumers dependent upon retailers. To supply these needs the Honey, 1942-43 Season, Emergency Regulations 1942 were promulgated requiring keepers of more than twenty hives to sell no more than 30 per cent. of their honey other than to or to the order of the Internal Marketing Division—it being assumed that the 30 per cent. would fairly supply country customers. Under this arrangement receipts to date indicate that the Division will receive this season about 800 tons (approximately 1 lb. per person per year) to provide for all priorities and for the limited issue to city consumers.

Payment for honey-supplies to the Division will be 7d. per pound *pro rata* according to grade, with a further payment should the quantity handled be sufficient to ensure it. The Honey Section is now operating in the Division's new Auckland premises and is equipped to meet all probable honey-packing requirements for some years to come. It is too early to tell whether the effects of reduced top-dressing on clover growth and nectar secretion have any share, as has been suggested, in accounting for the paucity of the past two seasons' production.

POTATOES

The area planted for 1941-42 was only 15,201 acres, the smallest for many years. The average yield per acre was 5·89 tons, as against 5·54 tons the previous year.

This crop proved insufficient to meet our civilian and military requirements, increased as they were by the demands of Allied Forces in the Pacific. Therefore, in August the Food Controller took control of all seed and table potatoes remaining in New Zealand, in order to ensure equitable distribution to both civilians and Armed Forces through the customary channels, and to provide for next season's planting. Supplies were imported from America to meet military needs until the new crop became available, and some of these were distributed to civilians also. Every effort was made to increase the area for 1943, and despite shortage of seed, 21,700 acres were planted—sufficient, it is anticipated, for all needs.

By mid-December the shortage was relieved, and in January some congestion of supplies occurred at both Wellington and Auckland, which the Internal Marketing Division was called upon to dissipate. To assist in regulating supplies and in controlling distribution to avoid such congestion, a Potato Marketing Advisory Committee was appointed. Merchants, growers, Department of Agriculture, and the Food Controller were represented, and the Acting Director of Internal Marketing was Chairman. This Committee, which commenced operations in February, 1943, promises to be of considerable value. To reduce wastage of supplies grown in areas where keeping-quality was poor, power was taken in March and April to enable potatoes from such areas to be marketed promptly and those from more reliable main crop areas to be held over. By these measures periods of both shortage and surplus were satisfactorily covered and the interests of all concerned were protected.

For 1943-44 a much greater area must be planted in potatoes if we are to meet all civil and military needs. Accordingly, arrangements have been completed with the New Zealand Grain, Seed, and Produce Merchants' Federation for their members, together with those of the New Zealand Fruit and Produce Merchants and Auctioneers' Federation, to contract with potato-growers on behalf of the Internal Marketing Division for the crops to be grown on specified areas. The price is to be the maximum fixed by the Price Tribunal, provided it does not average lower than last year's price.

ONIONS

Last year's crop (approximately 8,498 tons from 825 acres) again proved sufficient for all civilian and almost all military requirements. Only a very small quantity was imported by the Internal Marketing Division at the end of the season for Army needs. However, a much larger acreage will be required during the coming year. Therefore, arrangements similar to those for potatoes have been made with the members of the New Zealand Grain, Seed, and Produce Merchants' Federation to contract with growers on behalf of the Division for monthly deliveries at fixed prices. Though considerable difficulties still militate against substantial increase, it is hoped that these measures will induce growers to expand production.

BARLEY

Importations during the year have amounted to 100,000 sacks, all landed at North Island ports and used for pig and poultry feed. Approximately 25 per cent. was specially clipped for poultry use, a valuable addition to available feed-supplies which it is hoped to continue importing. Australia's 1941-42 crop proved a very good one, enabling the Division to purchase at satisfactory figures and so sell to farmers considerably below 1941 prices. These annual importations into the North Island have kept regular supplies available for pig-farmers at all main distributing centres at prices much cheaper than similar local feed could be produced. For various reasons local production of cereals suitable for pig-feeding has fallen in the past few years. Pig-farmers have had to depend upon the imported barley sold by the Internal Marketing Division as their main source of feed during autumn and winter when regular supplies from dairy factories are not available.

MAIZE

During the early part of the year the Division arranged with growers to take over and market last year's remaining surplus. The new season's crop was not to be marketed until the first day of 1943. Growers meanwhile were to receive the usual monthly increments to compensate them for holding. By this means the two years' crops were evenly spread over the whole period and the 1941 surplus readily absorbed without hardship to any party. The Division held several conferences with growers and merchants, whose good will helped them materially. Through labour and fertilizer shortage and competition of other crops the coming season's output looks unlikely to be adequate.

HOPS

The Hop Marketing Committee, which controls the marketing of New-Zealand-grown hops, has continued to work during the year to the satisfaction of both growers and buyers, and all four members who stood for re-election were returned in August. The crop harvested in 1942 was poor for climatic reasons, amounting to some 2,750 bales only, compared with 3,500 bales in 1941. Practically the whole was absorbed in New Zealand, mainly by brewers, leaving only a few bales available for export. The price to local breweries remains unaltered.

RASPBERRIES

The Committee set up last year to control the marketing of all Nelson raspberries sold for manufacture has worked smoothly and effectively. Numerous increased costs led growers to approach the Price Tribunal, which granted an increase of 1d. per pound. This has encouraged growers to plant a further 30 acres, though production from it will not become fully effective until 1946. Unfavourable climatic conditions depressed this year's yield to about 198 tons, slightly less than that of last year.

FERTILIZERS

The Division has continued to import and distribute sulphate of potash and muriate of potash, landing some 1,425 tons of the latter from Palestine during the year. All potash manures have become very difficult to obtain, and the Division is fortunate in so far having secured sufficient for essential requirements. During the year it took over importing and distributing sulphate of ammonia, which was becoming practically impossible to obtain through normal channels. After difficulty, 1,200 tons were imported from America, almost the whole of which has gone to essential vegetable and fruit production.

AUCKLAND BRANCH

The greatly increased volume and improved efficiency of this past full year's work in the Division's new building has demonstrated its great value. The butter-patting plant has worked to capacity to provide the additional amounts required by the Armed Forces in New Zealand and overseas. Lemon curing and packing and lemon by-products have, with the apple assembly, also been greatly assisted by the commodious conditions. Its storage space has been fully used both in the busy and in the off season. The cool-store space not regularly needed for apples and pears has helped handle vegetables for the Armed Forces. The Food Controller has been assisted by the storing of 5,361 packages of dry goods, 18,532 crates and bags of onions and potatoes (equalling 1,459,548 lb.), and 169,275 lb. of vegetables. In addition, acting since 1942 as agents for the Department of Agriculture, the Division's Auckland office has accepted from their gardens, repacked, graded, crated, wired, branded, and kept in cool store until the arrival of ships 3,769,500 lb. of vegetables. Furthermore, it has stored 9,483 of the 14,931 sacks of maize taken over last year by the Government from the growers for storage in Auckland, and has from time to time helped various merchants contractors for the Forces by holding for them a total of 4,972 packages of dry goods and 503,100 lb. of vegetables.

Zoning of egg and butter deliveries and the rationing of eggs to essential services in the Auckland City has also engaged the Auckland Branch's attention. During the year a total of 25 tons of seaweed has been received, checked, rebaled, and forwarded to Christchurch for the manufacture of agar agar. Close co-operation has been maintained with other Government Departments, particularly the Food Controller, Department of Agriculture, Oil Fuel Controller, and Price Tribunal.

The Division has continued to maintain branches at Hastings, Nelson, Christchurch, and Dunedin. The main activities are connected with the assembly, storage, and distribution of local and imported fruits. The local administration of the egg and butter marketing schemes and other departmental activities are handled by these Departments. The cool stores owned and operated by the Division in Hawke's Bay and Nelson have again proved to be essentials in the proper handling of fruit and vegetables. More satisfactory cool-storage and ordinary storage space is still needed in Christchurch and Dunedin.

B. Roberts

Minister of Marketing.

MARKETING DEPARTMENT
INTERNAL MARKETING DIVISION
APPLE AND PEAR SECTION

TRADING ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1942

<i>Dr.</i>	£	<i>Cr.</i>	£
Stock on hand	619	Sales	699,049
Purchases	544,567	Gross loss	87,451
Assembly	32,297		
Freights	131,941		
Wharfages	6,366		
Cool storage	69,388		
Repacking and sorting	1,322		
	<u>£786,500</u>		<u>£786,500</u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1942

<i>Dr.</i>	£	<i>Cr.</i>	£
Gross loss	87,451	Net loss	120,552
Advertising	7,557		
Alterations and repairs	54		
Audit	209		
Bank interest and exchange	8,000		
Printing and stationery	194		
Postages and telegrams	1,268		
Travelling-expenses	1,640		
Salaries and wages	12,641		
General expenses	263		
Office rent and hire of equipment	1,275		
	<u>£120,552</u>		<u>£120,552</u>

BALANCE-SHEET AS AT 31ST DECEMBER, 1942

<i>Liabilities</i>	£	<i>Assets</i>	£
Sundry creditors	21,997	Cash in hand	20
Reserve Bank	578,690	Cash at banks	770
		Sundry debtors	10,517
		Stock: Paper bags	1,158
			£
		Appropriation, 1941	467,670
		Add net loss, 1942	120,552
			<u>588,222</u>
	<u>£600,687</u>		<u>£600,687</u>

R. P. FRASER, Acting-Director.
W. LAWSON, Accountant.

I hereby certify that the Balance-sheet and accompanying accounts have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—CYRIL G. COLLINS, Controller and Auditor-General.

INTERNAL MARKETING DIVISION
(EXCLUSIVE OF APPLE AND PEAR ACCOUNTS)

—		Head Office.	Wellington.	Auckland.	Total.
TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1943					
Balances transferred to Profit and Loss Account ..	£	72,574	39,228	22,185	£ 133,987
Gross profits and commissions on trading ..	£	72,574	39,228	22,185	£ 133,987
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1943					
Salaries, wages, and overtime ..	£	10,480	1,974	5,527	£ 17,981
Advertising ..	£	57	..	..	57
Audit fees ..	£	230	165	140	535
Depreciation ..	£	459	1,135	120	1,714
Donation to National Patriotic Fund ..	£	25	..	..	25
Expenses of Marketing Advisory Committees ..	£	135	..	..	135
Expenses of Vegetable Marketing Conference ..	£	178	..	..	178
General expenses ..	£	403	487	677	1,627
Insurances ..	£	..	370	..	370
Interest and exchange ..	£	324*	1,149	1,917	2,742
Light, heat, and power ..	£	76	10	4	90
Maintenance—					
Buildings ..	£	..	21	..	21
Office fittings ..	£	8	..	..	8
Plant and machinery ..	£	..	..	20	20
Postages, telegrams, and telephones ..	£	2,900	127	1,328	4,355
Printing and stationery ..	£	422	58	209	689
Public Service Superannuation Reserve ..	£	81	55	3	139
Rents and rates ..	£	824	158	794	1,776
Travelling and motor expenses ..	£	1,539	363	752	2,654
Balances, being net profit carried to Appropriation Account	£	65,200	35,041	15,916	£ 116,217
	£	82,813	41,113	27,407	£ 151,333
PROFIT AND LOSS APPROPRIATION ACCOUNT					
Reserve for war damage on imported barley and citrus fruits	£	5,000	..	..	£ 5,000
Balances forward to next year ..	£	61,399	60,999	31,198	£ 153,596
	£	66,399	60,999	31,198	£ 158,596
TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1943					
Gross profits and commissions on trading ..	£	72,574	39,228	22,185	£ 133,987
Gross profits from Trading Account ..	£	72,574	39,228	22,185	£ 133,987
Net rents and sundry recoveries ..	£	..	1,885	..	1,885
Cost of administration of honey pools ..	£	..	..	2,130	2,130
Costs of administration of Butter Equalization Account ..	£	3,778	..	..	3,778
Net revenue from storage, cartage, and refrigeration ..	£	..	..	3,092	3,092
Dividends in Combined Distributors, Ltd. ..	£	6,461	..	..	6,461
	£	82,813	41,113	27,407	£ 151,333
Balances from last year ..	£	34	25,072	15,230	£ 40,336
Net profit from Profit and Loss Account ..	£	65,200	35,041	15,916	£ 116,217
Provision for butter machine royalty (not now required)	£	..	..	52	52
Reserve for income-tax (not now required)	£	1,105	886	..	£ 1,991
	£	66,399	60,999	31,198	£ 158,596

* Denotes credit balance.

HONEY SECTION

POOL ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1943

<i>Dr.</i>			<i>Cr.</i>		£
Stocks on hand as at 1st April, 1942—	£	£	Balance from last year	.. ..	245
Local	7,353		Sales—		
Export	15,188		London	53,977	
		22,541	New Zealand	33,333	
Honey purchased		33,867			87,310
Administration expenses (salaries, rents, tele- phones, stationery, &c.)		1,800	Exchange		5,103
Advertising		41	Sundry credits		794
Commission, excluding export		636	Stock on hand as at 31st March, 1943: Local ..		3,456
Interest (London)		330			
Local Pool Account expenses—					
New Zealand Depot blending and packing expenses	£	11,106			
Freight and cartage	1,852				
		12,958			
Export Pool Account expenses: London Depot and New Zealand expenses		20,230			
Refund of amount withdrawn from Seals Account, 1942		4,000			
Balance forward to next year		505			
		£96,908			£96,908

Stocks included in this account have been valued below cost to provide against possible recession in future market prices during or immediately after the war.

BUTTER EQUALIZATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1943

<i>Dr.</i>			<i>Cr.</i>		£
Equalizing payments under section 12, Market- ing Amendment Act, 1937—			Balance from last year	.. ..	606,251
(a) Charges payable mainly in con- nection with storing of butter for local consumption during the winter months in the South Island and not allowed for in the butter differential—	£	£	Differentials—		
Freight and cartage	1,281		(a) Net amount received under the Butter Marketing Regulations 1937, clause 31		185,458
Reworking and defrosting	347		(b) Indirectly accrued under the Butter Marketing Regula- tions 1937, clause 16, repre- senting the difference between the proceeds of butter with- drawn from export, &c., for sale at the regulated local price (less allowances for padding, &c.) and the amount paid for purchase at the f.o.b. guaranteed price, as follows:—		
Storing and freezing	3,130		Sales at the regulated local price	619,592	
Interest and insurance	879		Plus stocks on hand, 31st March, 1943 (valued at guaranteed f.o.b. price)	196,490	
		5,637			816,082
(b) Rebate on bulk purchases when butter ..		1,012	Less purchases at guaranteed	£	
(c) Payments to authorized distributors in connection with the sale of butter as ships' stores to foreign-going vessels, sales to island dependencies, servicing- allowances, &c.		12,449	f.o.b. price	584,418	
Payments under section 11, Marketing Amendment Act, 1937:—	£		Plus stock on hand, 1st April, 1942 (valued at guaranteed f.o.b. price)	210,246	
Freight and cartage	5,520				794,664
Agency, wharfage, marine insurance ..	50				21,418
Storage and freezing	10,618		Interest on balance of account		4,966
Insurance	5,923				
Grading fees	1,582				
		23,693			£818,093
Overhead and administrative expenses ..		3,778			
Reserve for comprehensive insurance cover on butter		3,000			
Balance forward to next year		768,524			
		£818,093			£818,093

BALANCE-SHEET AS AT 31ST MARCH, 1943
(Exclusive of Apple and Pear Accounts)

<i>Liabilities</i>	£	<i>Assets</i>	£
Creditors	511,456	Land	12,741
Reserve for repairs, renovations, and for obsolescence of buildings	2,091	Buildings	21,209
Reserve for Public Service Superannuation Fund	160	Motor-vehicles	1,885
Reserve for war damage and general insurance on goods in transit and in cool stores ..	9,500	Loose tools, equipment, plant, furniture, and office appliances	27,197
Reserve for honey advertising (London) ..	14,869	Stock in trade	412,161
Honey Pool Account	505	Stocks of consumable stores	11,191
Butter Equalization Account	768,524	Debtors	725,090
Egg Pool Account	3,200	Payments in advance	226
Honey Seals Account	17,916	Rent on Auckland building capitalized ..	498
Writings off Reserve	315	Cash in hand and at bank	268,635
Profit and Loss Appropriation Account ..	153,596	Shares in Combined Distributors, Ltd. ..	135
		Losses in Suspense	315
	£1,481,223		£1,481,223

R. P. FRASER, Acting-Director.

G. C. JUPP, A.R.A.N.Z., Accountant.

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

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