

1944
NEW ZEALAND

INTERNAL MARKETING DIVISION

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31st MARCH, 1944

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

INTRODUCTORY

IN no year since the inception of the Internal Marketing Division have there been more difficulties and emergencies than in the year under review.

The outbreak of war with Japan at the end of 1941 imposed a further supply responsibility on the Government, particularly in relation to primary foodstuffs for Britain and for New Zealand and Allied Forces in this country and in the Pacific area. From this report it will be seen that the Division has taken its share in obtaining these supplies, particularly butter, cheese, fruit, and vegetables, without depriving civilian consumers of the quantities necessary to maintain a reasonable standard of living.

Marketing and distribution improvement has been seriously handicapped by war conditions, but the experience gained in meeting supply emergencies and rationing has been invaluable for the Division.

The major development of the year has been the planning and erection of four dehydration plants at Pukekohe, Hastings, Motueka, and Riccarton. The future of dehydration is an unknown factor, but it seems evident that some of the products will prove of value in post-war relief and in emergency domestic supplies.

The Division is obtaining expert opinion, as well as public reaction, on the use of dehydrated goods, particularly apples and some types of vegetables such as potatoes, carrots, and cabbage. Similar investigations in the United States have revealed a surprisingly keen interest on the part of housewives, small institutions, hotels, and holidaymakers. New Zealand, with its much longer production season, may not find the same need for dehydrated products, but judgment on their value should be suspended until the facts of the case are available.

With the approach of peace in Europe the Division is keeping in close touch with overseas markets so that the resumption of exports of apples and pears, honey, kauri-gum, &c., may take place as soon as conditions are suitable. All over the world the trend of post-war marketing is towards planned or orderly production and distribution of food, and it is with satisfaction that the Division can report steps already taken in this direction. Small though New Zealand may be, and isolated geographically, it is still possible for New Zealand to give a lead in marketing to greater and older nations.

BUTTER

A greater change in butter distribution has occurred during the past year than was necessary in the earlier stages of the war. With hostilities near and supplies for the Pacific ever increasing, the Division has had to replan its distribution from time to time during the year to meet these altered situations. The introduction of butter rationing and the large increase in packing into pats and tins (for military needs) have further complicated the year's work. Staff changes have given this section junior personnel with no adequate experience of the dairy industry, throwing considerably more work upon the more senior staff, who have also needed to gain additional technical knowledge to direct those working under them. Considerable overtime has also been necessary. However, the Division was fortunate in securing on loan the services of Mr. E. J. Matthews, Manager of Combined Distributors, Ltd., and previously Manager of the Internal Marketing Division's Trading and Distribution Branch. Mr. Matthews has most efficiently organized the supply of butter, cheese, and sundry products for the troops overseas.

The annual figures on differential payments, storage costs, &c., reveal the change in the Division's activities. The Differentials Account is lower this year, because the guaranteed price has been raised and butter rationing has decreased local consumption. Compensating for this, produce for war purposes has come into the category of local sales and paid differentials accordingly.

The price of dairy-produce for the Pacific and local Forces has been adjusted so as to take account of all subsidies payable to dairy-farmers, and these subsidy adjustments are being paid to the Dairy Industry Account of the Export Marketing Division.

Butter rationing was introduced early in the production year. Figures indicate that local consumption of factory butter has been reduced by approximately one-third, and less farm butter is also being used. With rationing, consumers could purchase neither factory nor farm butter without a coupon, so the natural preference for factory butter left farm butter largely without a sale. The Division accordingly recommended to the rationing authorities that farm butter should be encouraged into manufacturing channels, and it was decided to allow any manufacturer using butter in his processes a liberal increase on his assessment if he used farm butter in place of factory butter. Since, however, farm butter is usually produced in small quantities by individual farmers, and has normally been sold through retailers for family cooking, the Division arranged, in conjunction with the Food Controller, for certain individual wholesalers and licensed butter distributors to collect farm butter and distribute it to the baking trade. At the same time, in conjunction with the Dairy Division of the Department of Agriculture, the Division encouraged farmers to send their cream to dairy factories in order to increase the quantity of butter available for Great Britain.

With an improvement in the shipping position the Imperial authorities decided to accept all available New Zealand factory butter, including second-grade and whey butter. Whey butter whole-sale prices (local) were raised last year, when Britain was importing whey and second grade in the form of dry fat. New Zealand prices have remained at last year's figure, but rationing slightly reduced the amount of whey butter being used within New Zealand, though shipments, particularly from the South Island, were heavier than normal. Butter was provided for the winter requirements of districts not producing sufficient for their own use in the same way as in previous years, but, owing to very poor autumn production, in the South Island particularly, shortages occurred which were difficult to fill even from North Island sources. On more than one occasion certain South Island areas were within a few days of complete shortage, but with help from the Export Division and the shipping control authorities all shortages were averted. At the end of the winter, however, certain parts of the North Island were also close to exhausting their stocks. This indicates, however, that the full amount of butter possible had been made available for Britain without a carry-over above our actual requirements. Under rationing, less butter will need to be stored in the winter of 1944 by individual factories in country areas and in the South Island. Some saving in storages and freights under ration conditions will appear in next year's figures.

The great increase in butter consumption noted in last year's report was accentuated during the early period of this year—partly because of unjustified fears of rationing. When rationing came into force, the Division surveyed all stocks of butter held in cool store in anticipation of it and distributed them to manufacturers according to their ration. Those who had stored considerable quantities were allowed to draw the authorized amount week by week until their stock was exhausted, and stocks stored for personal use were taken over by the Division. The former process saved the Division considerable storage costs, but it later led to losses due to deterioration of quality. Unfortunately, it was impossible to differentiate between those who were justified in their storage, being accustomed to do it against winter needs, and those who were not. Very few cases were discovered of deliberate evasion, and as it was considered inadvisable to prosecute except against flagrant breaches, only one prosecution was made, and this was successful.

During the year the Division, in collaboration with the Dairy Research Institute, has, at the request of the military authorities, submitted samples of butter spreads suitable for Pacific conditions. Dr. McDowall, of the Dairy Research Institute, visited Australia to seek the latest information on the necessary ingredients. On his return the military position had altered and the American authorities preferred to take "straight" butter. A tinning plant was installed in the Division's Auckland branch, since the existing plant could not meet the American Pacific demand. Its layout was supervised by Dr. McDowall, based on his observations and experience in Australia, and production has been under the control of Mr. J. J. O'Dea, who had been temporarily transferred from the Dairy Research Institute at Palmerston North to take over the dry-fating in Auckland. Mr. O'Dea also assisted the Auckland butter-patting plant. As the year advanced, larger quantities of both patted and tinned butter were needed in the Pacific, and it appears that our facilities will be required to their full capacity in the future. Stocks for the Pacific area had to be built up during the autumn in order to carry over the low-production period in the winter. Only butter of suitable quality has been processed either into pats or tins for the Pacific, and the stocks have proved sufficient for requirements.

Owing to the number of complaints received from Great Britain concerning deterioration in the 1 lb. tins forwarded from New Zealand by individuals to civilian friends, it was decided to discontinue tinning for this purpose until a survey of the position had been made. The survey revealed that tins packed with good-quality butter and immediately forwarded in parcels had, in general, kept satisfactorily, but butter sent through normal New Zealand retail channels had often deteriorated, in many cases being unfit for consumption. Selling tinned butter locally for forwarding overseas therefore appeared to be a wasting of butter which could better reach the British public in ration. Accordingly, despite some complaints from those who wished to include tins in parcels, butter is now tinned for military purposes only. Tinning butter for prisoner-of-war parcels is also under review, and it may be found necessary to substitute either tinned dry butterfat or one of the butter spreads.

This report would be incomplete without mention of the help given the Division by the executive officers of dairy factories. In general, they have rendered all returns necessary, and thus allowed the Division to survey from time to time its present and future requirements. During a particularly difficult production year when the quantity manufactured fell severely during normal peak production, but unexpectedly increased in the autumn, the Division would have been in difficulties but for their advice and assistance. The factories have also co-operated by supplying butter for military Forces overseas at short notice, thus assisting the Division when its own facilities were overtaxed. This assistance is particularly appreciated under the difficult conditions through which we are passing. The splendid help of Professor W. Riddet and Dr. F. H. McDowall, of the Dairy Research Institute, has been a major factor in the Division's ability to meet the changing war conditions under which suitable butter is supplied to Allied Forces.

CHEESE

New Zealand's low *per capita* consumption of cheese would make rationing difficult to apply. Accordingly, when butter rationing was introduced, regulations were made requiring manufacturers to make for sale within New Zealand during the production year 1943-44 no greater quantity of cheese than that sold in 1942-43. However, part of the Division's production year had already gone and many cheese-factories did not realize for some time the significance of the regulations, so that when their position was surveyed early in 1944 some were found to be well in advance of their previous year's distribution quantities. Nevertheless, with slight allowances here and there, the position has been substantially rectified and the consumption of cheese kept within requirements. In the complete season discrepancies are expected to be negligible.

The sales of cheese for military purposes, particularly in the Pacific area, have shown a considerable increase, and during the year quantities of tinned processed cheese packed in 10 lb. tins were submitted for trial. After several shipments the military authorities ordered a considerable portion of their requirements in this form. Since, however, there is only one manufacturing plant of any size in New Zealand, and because it is situated in Auckland, it was thought dangerous to have almost the whole of our requirements drawn from this source. However, the New Zealand Co-operative Rennet Co., Eltham, with facilities available, including an up-to-date laboratory and a staff of industrial chemists, agreed to install a cheese-tinning plant, provided that quantities required were sufficient to justify their expense. The plant has been established and has produced an excellent quality of processed cheese. Indications are that orders will exceed the capacity available, and the Rennet Co.'s help to the war effort in this direction is much appreciated. The sales within New Zealand of processed cheese have been limited by the requirements of the Pacific and Great Britain and by lack of the tinfoil previously used for the $\frac{1}{2}$ lb. packings. Some manufacturers are, however, putting up 12 oz. tins, which are appreciated by the public for overseas parcels. These come out of the quota for local sales and will therefore make no difference to the amount of cheese available for Great Britain.

Last year's Price Order which fixed the price of cheese of up to four months' maturity has worked out fairly satisfactorily. Beyond that stage the price is not controlled. Prohibition of tinning loaf and medium cheese for sale within New Zealand is still maintained, and only a small quantity comes on the market, having been tinned for military requirements but no longer suitable for shipment. Smaller quantities of Cheddar 10 lb. cheese are tinned for military requirements, since this size is now being packed in processed variety.

During the year, by arrangement with the New Zealand Dairy Board, the cheese-manufacturing companies were asked to supply monthly particulars of manufacture and disposal, somewhat similar to those required for butter. This was necessary for two reasons. Firstly, the figures previously available for cheese graded for export to Great Britain, plus the normal requirements of the local market, used to be a sufficient indication of the total output of cheese-factories month by month, but with quantities being used for military purposes in the Pacific, Middle East, and in New Zealand, the figures of cheese graded for export no longer indicated the total manufacture. Therefore, returns from all avenues of distribution were needed. Secondly, the Division is from time to time called upon, particularly in the late autumn and winter, to supply quantities of medium cheese for military needs, and unless some schedule of quantities is available within New Zealand it is almost impossible to fill these orders at the time of year when manufacture is not taking place. The Division on previous occasions has had to call on individual factories for fairly large quantities and has taken cheese which factories had reserved for their normal retail clients. The present returns will make it possible to divide such calls fairly among factories. In view of the reasons for the returns, factory executive officers have co-operated whole-heartedly in making them available, and most have done so with reasonable regularity. The good will of the great majority and their help in supplying cheese as required for urgent military and other purposes has been greatly appreciated. These factories, which have incurred additional work and expense to provide single crated cheese for military purposes, have rendered great help both to the Services and the Division.

The Schedule attached hereto sets out the local market position. The increase in consumption is entirely due to military requirements having been placed on a local market basis, and this account has paid the full subsidy made to dairy-producers in relation to cheese-production.

DRY BUTTERFAT

The factory at Auckland operated during the year under the Dry Butterfat Processing Committee. Butter to be dry-fatted was received from the Export Division and processed under arrangements made with them. Now that the British authorities have decided to take whey-butter directly in that form, the plant will not be called upon to work to any degree unless the war situation or the necessities of Great Britain should call for a further alteration. Accordingly, in the year under review, the plant worked only for the first six weeks on a one-shift basis. From then on only 12 tons (approximately) of dry butterfat have been processed every three months for the National Patriotic Fund Board to supply the Middle East and Pacific Forces. In addition, deteriorated butter which would otherwise have been a complete loss—*e.g.*, that made from cream in the vats when the Waitoa Butter-factory was destroyed by fire, and some tinned butter which had deteriorated in the Pacific under poor storage—was also processed and returned thither to be used in place of ghee. Though not up to British quality, this utilized the food and assisted the War Expenses Account.

Receipts of butter (for dehydration):—

	Boxes.	Tons.
First grade creamery	1,544	38 $\frac{3}{4}$
Second grade creamery, ex Waitoa	240	6
Whey	11,382	284 $\frac{3}{4}$
Tinned butter returned by Army .. .. .	..	22 $\frac{1}{4}$

Value, £42,840 16s. 10d., sterling

351 $\frac{3}{4}$

Output in dry butterfat—

	Cases.	Tons.
Victory (first creamery)	893	31 $\frac{1}{4}$
Vita (second creamery and whey)	7,444	259 $\frac{1}{4}$

Value, £47,902 14s. 7d.

8,337

290 $\frac{1}{2}$

The factory at Frankton, arranged for at the request of the Imperial authorities, is being erected, and although it is now doubtful whether it will be required owing to the improved shipping position, yet it might have been essential had butter transport been impossible. This factory may, in fact, be looked upon as an insurance premium, and it is, of course, still possible that it may be required. The Auckland factory is also recovering butter from paper stripped at the tinning and patting plants, this providing both a material and financial saving of a product otherwise wasted. The whole future of dry fat is indefinite, and it is possible that the savings already made, which have more than justified the original installation, will be the major service the plants will render. Meanwhile they are available as or when required.

EGG MARKETING SECTION

The policy of setting up egg marketing emergency areas, which was initiated during 1942 under authority of the Egg Marketing Emergency Regulations 1942, has been continued during 1943. These areas now include Tauranga, New Plymouth, Wanganui, Palmerston North, North and South Wairarapa, Blenheim, Timaru, and Invercargill, in addition to the normal egg marketing areas. Surpluses from these towns, after provision of a ration for civilian purposes and essential needs, have been forwarded to Wellington and Auckland for priority purposes. It has been possible by this method to ensure to expectant and nursing mothers, young children, and certified medical cases in the marketing areas ("civilian priorities") a steady week-by-week quota and also to supply during the year as follows:—

	Eggs. Dozen.
United States Forces	306,000
New Zealand Forces	583,000
Shipping	211,000
	<hr/>
	1,100,000

In Auckland and Wellington eggs have been rationed on a definite basis, and it has been possible to extend this method to some other emergency areas. In Wellington alone civilian priorities received 364,000 dozen. Any balance remaining after priorities have been supplied has been distributed through retail channels as equitably as possible. In Wellington, and more recently in Christchurch and Dunedin, for example, the distribution is an actual egg ration related to the butter ration. The number of eggs available has, of course, varied according to the season, and weekly announcements of the egg ration have been made through the press and the radio to overcome possible misunderstandings between traders and consumers.

It would appear that there has been some little increase in production during the year, but in spite of this the intake through the controlled marketing areas showed very little increase on the figures of previous years of approximately 8,000,000 dozen. Australia again assisted our total New Zealand requirements of eggs and processed eggs by supplying—

Egg-pulp	75,000 28 lb. tins.
Egg-powder	110 tons bulk.

These imports amount in shell egg equivalent to 2,314,200 dozen. Arrangements are again being made with Australia to supply egg-pulp (but not egg-powder) in the coming year. Our ultimate aim is to increase egg-production in New Zealand to meet full local needs and Armed Forces' demands.

The subsidy approved during the previous year to meet freights and extra handling charges on eggs consigned to Wellington and Auckland has been continued and has assisted in making sufficient quantities of eggs available for shipping and Armed Forces.

During this coming flush period of production it is expected that a quantity of egg-pulp will be manufactured in New Zealand and that therefore the Australian importations will be less during 1944 than last year.

During the year amendments have been made to existing regulations, including authority for the more effective control of egg-pulp and storage of egg-pulp or eggs in cool store. The regulations now provide for better control of the retail sale of eggs and authorize the Minister to acquire any eggs or egg products that are being sold in a manner prejudicial to orderly marketing. A clause allowing for compensation in such cases is included.

The comprehensive Price Order introduced during 1942 has been strictly adhered to during the year, and has achieved its original objective of fixing maximum prices over the whole of New Zealand instead of the previous method of fixing maxima in large consumer areas only, allowing country districts to work under supply and demand conditions. This year, also, there has been a marked tendency towards co-operative egg marketing. In all emergency areas producers have intimated their desire to take a greater interest in the marketing of their products, and such desire has resulted in several of the egg floors being set up on a co-operative basis. The assistance rendered by the co-operative dairy units has been most helpful in the successful establishment of these floors.

The New Zealand Poultry Board and Government Departments have been most helpful in egg marketing problems and have materially assisted in overcoming many of the difficulties experienced throughout the year.

IMPORTED FRUIT SECTION

The volume of imported fruits received this year in New Zealand is much smaller than before the war. Far from decreasing the need for the Divisions' work, this has increased it. With restricted sources of supply, fewer ports of entry, less regularity in deliveries, a general fruit scarcity, and greater demand, the Division's functions of importing and distributing these fruits have assumed great importance.

During the war period neither suitable shipping space nor the fruit itself has been available from Jamaica, as the British Ministry of Food had stated that England required all citrus possible from what was New Zealand's main source of supply during the Southern Hemisphere's off season. Therefore it has been necessary to rely on Australia and the Cook Islands for our wartime requirements. For this reason it has been impossible to avoid a short period each year when fruit-shops have been unable to obtain supplies of oranges. Nevertheless, sufficient fruit has been held in cool store at all times to meet hospital and other essential requirements. Although Australian citrus crops have generally been below previous production quantities and the requirements of the Australian Government for Armed Services' needs have been heavy, the Division has received an excellent response from the Australian citrus organizations and Commonwealth Government.

To spread the restricted supply in the fairest possible manner, the Division has held fruit into the "off" months as far as its keeping-quality will permit, has sold at one price for the whole year and for the entire Dominion, and has divided the supply among each district in proportion to its past requirements. Merchants are also required by the Division to apportion the fruit on a similar basis among the retailers they serve.

All citrus fruits are in future to be sold by weight, not number, and all come under Price Order. This rectifies the previous anomaly when New-Zealand-grown citrus, except standard lemons, were not under price control. This simplifies buying for the consumer and has met with general approval.

ORANGES

During the year the equivalent of 189,300 export cases were imported, an increase of 18,300 over 1942-43.

The increase was due to a larger number of Australian Valencia oranges being imported. Unfortunately, the Cook Islands had a further series of hurricanes, with the result that there were only 44,000 cases available in spite of better shipping facilities. The condition of the island fruit was good on landing in New Zealand. The percentages of supply were as follows:—

Source of Supply.					Year ended 31st March, 1944.	Year ended 31st March, 1943.
					Per Cent.	Per Cent.
Australia	..	..	..	..	76·86	70·95
Cook Islands	..	..	..	..	23·14	29·05

BANANAS

This year 17,432,280 lb. were imported, against 22,036,500 lb. for the previous year, a decrease of 4,604,220 lb. or 21 per cent. The percentages of supply were as follow:—

Source of Supply.					Year ended 31st March, 1944.	Year ended 31st March, 1943.
					Per Cent.	Per Cent.
Samoa	..	..	..	..	27·59	35·96
Fiji	..	..	..	..	39·43	34·85
Tonga	..	..	..	..	28·75	20·00
Rarotonga	..	..	..	..	·12	4·41
Niue	..	..	..	..	4·11	4·78

The decrease in importation was mainly due to Samoan growers having been employed on war work, resulting in neglect of their plantations, and to the hurricane in Rarotonga, making only 234 cases of bananas available, compared with 10,800 cases supplied the previous year. Indications point to larger supplies next season, as Samoa has undertaken a big replanting scheme.

GRAPEFRUIT

As the Australian authorities had requisitioned all the grapefruit crop for war purposes, and Jamaican and Californian fruits were unobtainable, the New Zealand public has been confined to New-Zealand-grown fruit. Only 366 cases of grapefruit were imported from the Cook Islands, compared with 963 cases the previous season.

LEMONS

The Division again controlled the curing and marketing of New Zealand lemons and the importation of Australian lemons. The New Zealand crop of 113,157 loose bushels was only 9,000 cases short of the record season, 1941-42, when 122,000 cases were handled. Hence it was not necessary to import to the same extent as in previous years, and indications are that next year will show a further reduction in importations.

The new method of paying an increased price for lemons picked in the off-season had had some success in spreading the crop, because March was the month of highest intake. Nevertheless, there is still a shortage during the out of season months—February–April.

These quantities of Commercial Grade have been marketed :—

Source of Supply.	Year ended 31st March, 1944.	Year ended 31st March, 1943.
New Zealand	³ / ₄ -bushel Cases. 82,900 cases— <i>i.e.</i> , 88·0 per cent.	³ / ₄ -bushel Cases. 61,500 cases— <i>i.e.</i> , 79·7 per cent.
Australia	10,826 cases— <i>i.e.</i> , 11·5 per cent.	14,316 cases— <i>i.e.</i> , 18·5 per cent.
Cook Islands	428 cases— <i>i.e.</i> , 0·5 per cent.	1,370 cases— <i>i.e.</i> , 1·8 per cent.
	94,154 cases	77,186 cases

The growers were again paid at the average rate of 8s. 2d. per loose bushel (equivalent to 12s. 3d. per cured packed bushel) for all marketable grade lemons supplied over the year. Details are :—

Auckland.		Tauranga.		Kerikeri.		Gisborne.	
Preferred Commercial.	Commercial.	Preferred Commercial.	Commercial.	Preferred Commercial.	Commercial.	Preferred Commercial.	Commercial.
17,333 63%	10,200 37%	36,187 69·6%	15,789 30·3%	4,422 67·7%	2,114 32·3%	3,000 71·3%	1,208 28·7%
£10,032 13s. 5d.		£19,034 11s. 1d.		£2,438 5s. 5d.		£1,623 1s. 3d.	
Average price	7 3·453	Average price	7 3·9	Average price	7 5·1	Average price	7 8·5
Bonus ..	0 10	Bonus ..	0 10	Bonus ..	0 10	Bonus ..	0 10
8 1·453		8 1·9		8 3·1		8 6·5	

Total, all Sheds—	Value. £	Per Loose Bushel. s. d.
90,254 cases	33,128 11 2	7 4·092
Bonus value	3,670 11 8	0 10
Total value	£36,799 2 10	8 2·092

By-products

First Peel Lemons—	£	s.	d.
15,273½ cases (529,634 lb.) @ 4s. 9d. per loose bushel	3,627	9	1
Second Peel Lemons—			
136 cases (5,162 lb.) @ 3s. 2d. per loose bushel	21	10	9
Juice Lemons—			
4,896½ cases (186,111 lb.) @ 1s. 7d. per loose bushel	387	12	10
	£4,036	12	7
Total By-product Tonnage—	Tons.		
Peel	238		
Juice	83		
	321		

PINEAPPLES

Owing again to an abnormal demand for pineapples in Australia and owing also to a lack of a regular shipping service, the quantity of pineapples imported was below requirements. The quantities imported this year were as follows :—

Source of Supply.	Year ended 31st March, 1944.	Year ended 31st March, 1943.
Australia	3,033	2,528
Tonga	582	336
	3,615	2,864

KUMERAS

Owing to a hurricane in Niue destroying the native foods, the Division's imports were only 73 tons against the previous year's total of 587 tons. The quantities imported this year were as follows :—

Source of Supply.					Year ended 31st March, 1944.	Year ended 31st March, 1943.
					50 lb. bags.	50 lb. bags.
Niue	..	..	..	..	2,794	20,961
Cook Islands	..	..	..	..	497	5,011
Fiji	..	..	..	..	..	324
					3,291	26,296

APPLES AND PEARS

PURCHASE-PRICE

Towards the end of 1942, representations from the apple and pear industry to the Government resulted in a subsidy of 9d. per case being granted to cover increased costs of orchard maintenance. The overall Dominion average purchase-price remained at 5s. 3d. per case with the same schedule of variety and grade groupings operating within that average, and the subsidy was paid out on a flat rate per case conditional upon the payment for pears being 3d. higher than for apples. Apples received 8·69d. and pears 11·69d. per case.

The purchase-price for apples and pears continued payable at assembly depots established in production areas. After the fruit has been inspected by officials of Department of Agriculture the Division is responsible for all freights, cartage, storage, &c., incurred in transferring it to the markets. Reference to the financial accounts indicate what an important part of the Division's costs these items represent and the necessity for a reasonable return from the market to meet purchase-price, distribution costs, and brokerage charges.

CROP

The following table gives the production of apples and pears, according to each province, during the four years the Government purchase plan has operated :—

District Production of Apples and Pears, 1940-43.

Year.	Auckland	Poverty Bay.	Hawke's Bay.	Wellington.	Marlborough.	Port Nelson.	Mapua.	Motueka.	Canterbury.	Timaru.	Otago.	Total.
<i>Apples</i>												
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
1943 ..	190,300	23,026	422,517	31,917	67,415	307,911	389,539	336,793	121,935	5,840	128,515	2,025,708
Total	887,645	105,549	2,421,051	130,864	288,824	997,604	1,526,546	1,189,188	413,181	29,746	512,389	8,502,587
<i>Pears</i>												
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
1943 ..	27,706	3,505	106,245	2,766	761	15,471	15,130	33,533	9,969	1,797	18,433	235,376
Total	115,540	11,179	419,076	7,997	5,276	63,184	66,655	113,641	45,025	6,183	80,341	934,097

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
1943	..	..	..	2,261,083	..	2,261,083

* Including sales to U.S.J.P.B., &c., see later.

QUALITY OF CROP

The table of grading percentages given below indicates a marked improvement this year in the higher grades of both apples and pears compared with the two previous seasons.

The Commercial grade standard was extended throughout the season so as to allow the inclusion of some fruit previously designated Minimum grade, and towards the end of the season the remaining Minimum grade fruit was accepted in order to allow the Division to release greater quantities for the Armed Forces whilst still maintaining supply to the civilian markets.

The following are the grading percentages for the past four years :—

—	1940.	1941.	1942.	1943.
Apples—				
Extra Fancy	49·9	45·5	..	..
Fancy	32·6	31·2	74·5	83·5
Commercial	17·5	23·3	25·5	16·2
Minimum .. ..	..	..	..	·3
Pears—				
Fancy	71·4	74·6	81·8	87·6
Commercial	28·6	25·4	18·2	12·4

DISTRIBUTION

The demand for apples and pears during 1943 remained keen and, whilst the crop was a little larger than in 1942, the quantity supplied to the American Forces reduced the proportion available for civilian consumption. The crop was disposed of as follows :—

	Apples. Bushel Cases.	Pears. Cases.
Civilian markets	1,530,000	195,000
United States Forces	267,000	23,000
New Zealand Forces	94,000	11,000
Schools	91,000	..
Miscellaneous	44,000	6,000
	2,026,000	235,000

Apart from sales to Armed Forces, schools, hospitals, &c., the normal trade channels were used for the disposal of fruit and the Division did not sell direct to the general public.

The main harvesting of apples and pears takes place over a period of three months, March to May, whilst, as far as possible, the distribution of fruit is spread over the entire year. Such a spread can be achieved only by the maximum use of available cool-store space together with storing suitable varieties in orchards by agreement with the growers concerned. Storage for such long periods brings the risk of wastage, a danger constantly to be guarded against. Splendid results have been attained, however, and the loss of fruit from all causes amounted to only 0·27 per cent. if taken over the entire crop harvested :—

Month.	Receipts.	Distribution.	Month.	Receipts.	Distribution.
January	59,000	47,000	August	28,000	134,000
February	142,000	101,000	September	12,000	138,000
March	869,000	355,000	October	13,000	96,000
April	685,000	360,000	November	7,000	50,000
May	324,000	410,000	December	6,000	15,000
June	77,000	332,000			
July	39,000	223,000		2,261,000	2,261,000

The ceiling wholesale price of 13s 6d. per case of apples introduced in early October, 1942, was continued during 1943, and the principle was also extended during the season to the stabilizing of maximum prices. The retail price of selected count groups of selected varieties within monthly periods is thus stabilized. Wholesale prices are then fixed throughout the Dominion to conform to the retail price after allowing the retail margin. Without stabilization, higher prices certainly could have been secured because of consumer demand during the year.

VEGETABLES

Before this year the Internal Marketing Division handled onions and potatoes only. In 1942, both the demand from the Armed Forces and civilians for all vegetables greatly increased. The civilian demand for general vegetables was due mainly to the absence of home gardeners in camp or on week-end Home Guard duty, but also partially due to the potato shortage in the spring of 1942 having increased the call on other types of produce. The commercial supply of vegetables had fallen, which caused a marked rise in vegetable prices. Therefore, in August, 1942, when the potato shortage was acute, ceiling prices were gazetted over vegetables in demand as substitutes—i.e., kumaras, pumpkins, parsnips, swedes, and white turnips. All maximum prices were fixed by weight.

In December, 1942, six “basic” vegetables were included in the wartime prices index. The six representative vegetables chosen were potatoes, onions, carrots, parsnips, swedes, and cabbages. Though these six vegetables together comprised only 6 per cent. of the wartime prices index, their wide price variation could upset the whole policy of economic stabilization.

Increase in production was also essential, because Allied troops stationed in or near New Zealand were requiring even larger supplies than could be met by an increase in the Services’ vegetable production areas from 1,800 acres to 6,000 acres. In addition, large amounts of “subsistence”—i.e., canned or dehydrated—vegetables to carry into battle areas were requested, totalling up to 6,000 acres of potatoes, 4,000 acres of onions, and 20,000 acres of other vegetables.

Such was the position at the start of this year.

To meet all these needs a system of contracts between the Division and the vegetable-growers was proposed and discussed throughout the country with growers' organizations. It proved difficult to reconcile the claims of growers' organizations and the stabilization policy. Negotiations with the New Zealand Fruit and Produce Auctioneers' Federation and the Dominion Council of Commercial Gardeners lasted several months without an agreement being reached. Finally after prices were agreed upon individual commercial gardeners were invited to sign contracts with the Division. Sufficient contracts were secured to supply the Division's export and processing needs. The following is a summary of the contracts made this year:—

					Carrots.	Parsnips.	Swedes.	Cabbage.
Number of contracts	..	..	..	..	208	60	40	143
Total acres	..	..	..	..	956	104	106	1,131
Total tons under contract	..	..	..	..	12,245	1,217	1,737	11,165

The Division at this time became responsible for—

(1) *Packing Fresh Vegetables for the Pacific Forces.*—Packing-sheds in Pukekohe, Hastings, and Wellington were established. Shipment is taking place in approximately equal amounts from Auckland and from Napier and Wellington taken together—that from Auckland and Napier is done by the Internal Marketing Division direct, that from Wellington by contractors supervised by the Division.

(2) *Building and operating Dehydration Factories.*—These were erected at Pukekohe, Motueka, and Riccarton.

(3) *Arranging Vegetable-supplies for these Activities.*—These vegetable-supplies came from the Division's own contracts with growers, Services' vegetable production areas, and purchases on the market.

Originally the Division made fairly considerable market purchases. Later its contracts proved sufficient except in cases of a very sudden demand.

(4) *Selling upon the Market Vegetable Surpluses.*—These were surplus vegetables from Services' vegetable production areas and the Division's contracts.

The Division managed to fulfil practically all commitments to the United States Joint Purchasing Board without New Zealand civilians having gone short. On present indications, all U.S.J.P.B. fresh-vegetable requirements will be met, but practically no onions and only approximately 40,000 tons of potatoes will be forwarded, depending on whether the quality is of the necessary standard to withstand the long tropical journey.

Only vegetables of the highest quality are suitable for export, thus the strict inspection resulted in the rejection of quantities of vegetables both from private contractors and Services' vegetable production areas. These vegetables, however, were of good commercial value and were disposed of through the markets to the public.

VEGETABLE DEHYDRATION

Once it became known that great supplies of dehydrated vegetables would be required in the Pacific war, the Division sent the manager of its Auckland Branch, Mr. A. H. Honeyfield, to the United States to investigate dehydration methods and obtain plans and machinery. Mr. Honeyfield visited forty-seven plants, obtained designs suitable for New Zealand conditions, arranged for the release of necessary material under lend-lease and took note of other developments (packaging, canning, quick-freezing, &c.) affecting products controlled by the Division. On his return, building began at Pukekohe, Motueka, and Riccarton.

The Pukekohe plant is primarily designed to pack fresh vegetables for export to the Pacific and to cool store these vegetables whilst awaiting transport. For this purpose it has been operating for some time. In the second place, it is now dehydrating vegetables for Pacific requirements. The three-shift capacity is some 20,000 tons yearly of mixed vegetables. Thirdly, it is planned to begin quick-freezing and canning by the end of 1944. Already contracts have been arranged for peas and beans to be frozen in the first year. It is hoped to gain experience for peacetime use, and data will be obtained on quick-freezing peas, beans, spinach, cauliflower, small fruits, and fish.

In all, therefore, the Pukekohe plant will probably handle during the forthcoming year approximately 30,000 tons of vegetables, much of which is extra production arranged by the Division to cover the overall requirements of dehydration and those of the Armed Forces in New Zealand and in the Pacific, whilst also maintaining civilian needs.

The Christchurch dehydration factory began production a few weeks later and treats carrots and potatoes mainly. This factory will also include office, storage, and apple assembly space for the other local operations of the Division and a cool store. The Motueka factory is to process apples (capacity, 200,000 bushels to 300,000 bushels) from June, 1944. A hostel for women employees was essential in the district, and this has been provided from military camp buildings.

Dehydration plant in all the factories is American in design (by McBean, of Rochester, N.Y.), and consists in all of five Edt tunnels and lines.

A plant designed by the Department of Scientific and Industrial Research, and situated at Wattie Canneries, Hastings, is also operated under the Divisions' supervision. It began production in March, 1943, and by the end of March, 1944, 80 tons of dehydrated fruit and 213 tons of vegetables had been produced.

BOBBY CALF MARKETING POOLS

The Division has been responsible for the administration of bobby calf pools as far as the forming of pool areas, gazetting Committees, receiving and summarizing annual accounts, and matters connected therewith are concerned. It has, however, no responsibility for the disposal of skins, edible offals, or bobby calf meats, and has no connection with payments of subsidies or any other of the financial arrangements connected with the bobby calf industry. Lack of staff has limited the Division's capacity to help bobby calf pool Committees to a great extent during the year. There are 110 gazetted pools, including 4 new ones. Finalizing other applications is held up pending the appointment of an officer with sufficient knowledge of the farming industry to take over this work.

Pooling saves considerable transport in the collection of calves, and from statistics covering the calf pool year as at 29th February, 1944, the returns to producers have been higher than in previous years, whilst costs have been nearly stationary. Figures are published by the New Zealand Dairy Board, but the Division has not yet received the whole of the returns which would enable it to give a comparative schedule. Some pools have consistently demanded a standard balance-sheet and a full set of statistical returns dealing with calf weights and numbers condemned. Many have given these figures, but while some calculate returned weight at the gate, and others hooks weight, others sell their calves direct to processors who carry out the full service of collection and processing, and in consequence the pool Committees find it difficult to get the statistical information required. During the year the Bobby Calf Executive, acting in conjunction with the Dairy Board, set up a committee to investigate bobby calf statistics, but so far no report has been brought down. It is hoped that its deliberations will make possible a reasonable unanimity of uniformity in returns.

At the date of this report the coming season's prospects cannot be indicated, but it is hoped that the full quantity of available and exportable bobby calf meat will be shipped. The number of heifer calves which have, over the last two or three seasons, been killed for bobby calf meat must also be investigated in order to stop the depletion of dairy stock. The raising of good heifer stock in adequate numbers is essential.

HONEY

The 1943-44 production of honey has shown a considerable improvement over that of the past two seasons. An early forecast indicated an exceptionally heavy crop, but owing to a very hot and dry January and early February the clover pastures dried away very quickly and stopped the honey flow. In spite of this, the crop as a whole throughout New Zealand is estimated to have been slightly above average. The only districts which report crop failures were North Canterbury and Mid-Canterbury.

Owing to the shortage of other sweet lines, the increased demand for honey still continues, and while the Division is forwarding to the merchants practically all their 1941 purchases, it is insufficient to satisfy the abnormal public demand.

In pre-war days the consumption in New Zealand was approximately 3 lb. per head. Under to-day's conditions it must be very much higher, taking into consideration the quantity sold privately by beekeepers themselves. The honey handled by the Honey Section between 1st April, 1943, and 31st March, 1944, was as follows:—

Bulk honey	..	..	..	..	1,098 tons (20,762 cases).
Packed honey	..	..	..	..	77 tons.

The total value of the above honey, bulk being valued at 7d. per pound *pro rata* plus ¼d. bonus, and the packed honey at the price paid to the beekeeper is as follows:—

					£	s.	d.
Bulk honey	..	..	..	..	..	68,997	10 4
Packed honey	..	..	..	..	..	6,670	14 9
					£75,668	5	1

As the above figures include honey from two seasons, the following is a brief summary of each:—

1st April, 1943, to 30th November, 1943 (balance of 1942-43 season)—

Bulk honey	..	..	..	..	456½ tons (8,576 cases).
Packed honey	..	..	..	..	67 tons.

1st December, 1943, to 31st March, 1944 (portion of present season) —

Bulk honey	..	..	..	..	641½ tons (12,186 cases).
Packed honey	..	..	..	..	10 tons.

It is estimated that the Division will receive in the present season approximately 1,300 tons.

For the 1942-43 season the average grade for all bulk honey handled by the Division was 93·41. This gives an average payout (on 7d. per pound *pro rata* plus ¼d. bonus) of 6·78d. per pound. The previous year's average grade was 90·16. The improvement is no doubt due to beekeepers sending to the Division higher-grade honey and selling the lower grade direct to consumers in the 30 per cent. of the total crop which the present Honey Marketing Emergency Regulations permit, with a maximum "apiary" sale of 5 lb. to any one person at any time. Some organization for honey collection is necessary in view of the present war conditions, and there appears to be an undoubted need for its continuation in the immediate post-war period.

POTATOES

The area planted in potatoes for the 1943 season was 23,860 acres, with an average yield of 4·1 tons of table potatoes per acre. This proved adequate in meeting all civilian requirements throughout the year, and left a balance of 20,000 tons which were used for military requirements, both within New Zealand and in the Pacific area.

Owing to very heavy military requirements, every possible effort was made to secure a far larger area for the 1944 season, and, as in the previous year, contracts were arranged through members of the New Zealand Grain, Seed, and Produce Merchants' Federation. The result of these efforts has been a further substantial increase in the planted area, raising the total to approximately 28,000 acres, which should yield ample supplies for civilian requirements and leave between 30,000 tons and 40,000 tons for military requirements.

During the past year distribution difficulties occasionally arose owing to shortage of freight space, flood damage, &c., but these were overcome.

No alteration in potato prices was made for 1943-44, nor for the 1944-45 season, the present prices being considered satisfactory.

The 1944 potato-planting objective is 37,500 acres, to meet 1945 requirements.

ONIONS

The 1943 onion crop proved better than that of the previous year both in acreage (1,000 acres) and in yield (10,400 tons).

With heavy military requirements and the keeping-qualities of the crop not up to the usual standard owing mainly to adverse weather during harvesting, this total proved insufficient to meet all needs, and it was necessary for the Division to import approximately 500 tons from Australia towards the end of the season. This importation was sufficient till the new crop commenced about the end of December. Here, again, a substantial increase in area was requested, but owing to numerous difficulties, particularly concerning labour (onions requiring labour for weeding to be readily available), only a comparatively small increase was obtained, the estimated area planted in 1943 for 1944 harvest being 1,080 acres. The crop which was harvested in January and February yielded less than average owing to extremely dry weather during the latter end of the growing season, but the keeping-quality of the onions on the whole has been good. For military requirements, 2,100 tons have been set aside, and the balance is for civilians until the next crop becomes available at the end of the year.

For the coming year a target of 2,000 acres has been set, that area being necessary if the requirements of our Allies in the Pacific are to be met, but the various factors militating against any substantial increase in the onion area render the attainment of this area very difficult.

Contracts, through members of the New Zealand Grain, Seed, and Produce Merchants' Federation, are again being arranged on similar lines to those made for potatoes.

BARLEY

Importations of barley from Australia during the year ended 31st March, 1944, amounted to 145,000 sacks, all of which were sold for pig and poultry food at prices stabilized on the basis of 1942 arrivals. In addition, 6,500 tons of barley-meal were imported from South Australia and marketed at a price substantially below that customarily ruling for barley-meal manufactured in New Zealand. This importation proved of very substantial benefit to pig-farmers. The imports of both barley and barley-meal were sufficient to meet all the demands made on the Division during the year.

For the coming year, arrangements have been made to import approximately one hundred and fifty thousand sacks of barley and 2,800 tons of barley-meal. The local production of feed barley in the South Island, never very extensive, has substantially decreased this year owing to dry conditions during the months prior to harvesting. The quantity of locally grown cereals available for pig-feeding during the coming year will be very small indeed.

MAIZE

As anticipated in our last report, the maize crop harvested in 1943 proved quite inadequate to meet all requirements and during the last six months of the year supplies of maize have been very short. However, no importations have been possible to supplement New Zealand's short crop, since no maize is available from the usual sources of supply. The Dutch East Indies, from which in the past the Division on occasion imported large quantities, are now in Japanese hands, and the South African crop, also a past stand-by, proved very poor, and nothing was available for export. The Australian crop also was only small and prices there have ruled at very high levels.

In the hope of increasing the area under maize a subsidy of 6d. per bushel was granted to maize-growers. However, present indications are that it has not proved effective in obtaining any increase in the Poverty Bay and Bay of Plenty districts. Maize-growers are faced with numerous difficulties which militate against increased production, chief amongst these being inadequate supplies of labour and fertilizer. The crop being harvested for 1944-45 requirements will therefore still be quite insufficient.

HOPS

The 1943 yield of hops was about average, amounting to 3,260 bales. This was ample to meet all New Zealand's requirements, plus 560 bales for export. The bales exported were shipped to the customary buyers, mainly in Australia and South Africa. Shortages of labour are having some effect upon hop-production and some reduction in acreage has taken place over the last couple of years, but it is believed that this decline has now been arrested. At the same time, the initial expense in planting out and equipping hop gardens is such that it is unlikely that any increased production and any substantial increase in area will be attained under present conditions. No alteration in the price of hops to local breweries was made for the crop under review.

RASPBERRIES

The Raspberry Marketing Committee has continued to work satisfactorily, but climatic conditions have made the crop harvested during the past summer one of the smallest ever recorded, a total of approximately 146½ tons. The crop was looking very well until shortly before ripening, when extremely hot and dry weather set in, reducing the yield by approximately half.

With reasonably good crop conditions there is every reason to hope that growers may plant increased areas and that raspberry-production, which has been at a very low ebb for a number of years past, may shortly begin to show an increase. Some additional plantings have already taken place.

FERTILIZERS

The Division continued to be responsible for importations of three types of fertilizer. These were sulphate of ammonia, sulphate of potash, and muriate of potash, all of which continued to be in world-wide short supply. Considerable difficulties have therefore been experienced by the Division in obtaining the quantities necessary for market-gardeners and fruitgrowers and for the other numerous purposes for which these fertilizers are essential. During the year the following quantities were landed and widely distributed in accordance with the requirements of the crops grown in different areas :—

2,500 tons sulphate of ammonia.
300 tons sulphate of potash.
2,000 tons muriate of potash.

Further supplies to meet the needs of all users during the coming year have already been arranged to come forward during 1944–45.

MOLASSES

During the year the Division undertook the importation and distribution of molasses for stock-feeding. This has customarily been imported in large quantities from countries from which supplies are now cut off, notably the Netherlands East Indies, and it has been necessary for us to secure such supplies as could be obtained from refineries in Australia. Imports during the year amounted to 6,000 drums, and further supplies sufficient to meet requirements during 1944–45 have been purchased to come forward as required.

BRANCHES

AUCKLAND

Work at the Auckland Branch has continued to increase both in amount and in scope, as the Pacific war has called for adjustments on the home front and increased shipments of food abroad. The Branch has therefore continued to pat butter for the public, distribute apples and pears, and oversee egg-distribution. It has continued also to process and distribute lemons and honey and to distribute imported oranges and bananas. Providing vegetables for overseas has, however, increased the demands on the Division's Auckland storage space and transport.

The Branch's *butter-patting* reached 14,172 boxes, or 354½ tons, for the three-shift week ending 11th December, 1943. Various additions and alterations made to the plant and layout of the Patting Depot during the year to cope with increased United States Joint Purchasing Board orders have speeded handling and improved general hygiene.

	Value. £
Total butter purchases—	
Bulk : 337,518 boxes = 8,438 tons	1,250,114
Total sales—	
Patted (local market) : 98,102 boxes = 2,452 tons	366,248
Patted (J.P.B.) : 227,855 boxes = 5,696 tons	850,658
Bulk (J.P.B.) : 1,857 boxes = 46½ tons	7,095
Bulk (local market) : 9,704 boxes = 241½ tons	35,519
	<hr/>
	£1,259,520

The complete cost of the *butter-tinning* plant, loose tools, and installations (see general report, "Butter") was £1,215 Os. 2d. It began operations on 11th January, 1944, and from then to 31st March, 1944 (two and a half months), produced 14,520 cases = 388¾ tons, valued at £74,051 3s.

During the year, 80,000 dozen hen eggs were chilled to supplement Armed Forces' supplies during the winter months of 1944. In September–December approximately 110,000 lb. of egg-pulp was manufactured for bakers' winter use, requiring approximately 84,000 dozen eggs. A total of 691,300 dozen eggs were supplied to Armed Force units, comprising New Zealand Army, Navy, and Air Force, and American Army, Navy, hospitals, and Allied merchant shipping. During the winter of 1943 approximately 15 tons of Australian dried egg-powder was distributed through Auckland merchants to the home cookery and bakery trade, representing approximately 100,800 dozen eggs. Egg-pulp, mainly from Australia, was also distributed to the bakery trade, totalling 17,258 40 lb. tins and representing approximately 518,000 dozen eggs.

For the second year, *agar seaweed* was collected for manufacture to replace the supplies formerly obtained from Japan, and the quantities received greatly increased, as follows :—

May, 1942, to March, 1943 : 55,549 lb. = approximately 24½ tons.

April, 1943, to March, 1944 : 194,842 lb. = approximately 87 tons.

This seaweed is being purchased from the collectors at 1s. per pound dried weight landed in Auckland, and in the present year has meant a revenue of approximately £9,740 to the collectors, who are mainly Maoris. It has been received from Awanui in the far North right along the coast to the Bay of Plenty, Gisborne, and Tokomaru Bay.

Over three-quarters of a million cases of *apples and pears* were handled in Auckland in the 1943–44 season. Almost half of this quantity was handled in the Division's building, including deliveries of over two hundred thousand cases from Auckland growers.

The *storage facilities* have been used to the full throughout practically the whole year. It has been necessary to work twenty-four hours a day at certain periods. The combination of packing, storing, and cooling space under the one roof has enabled large quantities of produce to be handled. For the United States Joint Purchasing Board, 436 tons of barley, 1,400 tons of potatoes, and 800 tons of onions have been stored, the greater amount being crated, chilled, and delivered for shipment. The chilled rooms have held special goods for the Health Department, Air Force, and others pending despatch overseas. Other goods (egg-crates, paper bags, butter-paper, salt, wire, and timber, &c.) have been held for the Division's own activities. To make possible delivering large quantities of perishables to precise time-tables or urgent shipping calls, the Branch has increased the number of its motor-vehicles.

When the packing of *vegetables* for the Pacific Armed Forces recommenced in December the Branch worked upon occasion continuously, including the week-ends, stripping, crating, and loading. The new modern shed at Pukekohe will ease this strain while enabling still greater quantities to be handled. Increasingly these supplies are coming from the Division's own contracts with commercial gardeners and fewer calls need be made on vegetables grown for civilian use.

CHRISTCHURCH

Activities during this year have substantially increased. In addition to supervising the distribution of *imported fruit* for the South Island and *apples and pears* for Canterbury, the Christchurch office has, during the maximum-price period for fresh beef, distributed *frozen beef* to retail butchers. It has also supervised the arrangements for rationed distribution of *eggs* in Christchurch to provide greater supplies for Wellington. Supervising the distribution and rationing of produce from dairy factories has also involved greater work.

Vegetables were handled on the same basis as at other centres.

A *dehydration* plant has also been established at Riccarton for processing potatoes and carrots to supply American requirements in the Pacific. All the Division's activities, including the office, are being established in the same building, which will greatly add to ease and efficiency of operations. The *cool store* to be built later will also give the additional cool-storage space greatly needed for Christchurch.

HASTINGS

The Hawke's Bay district has passed through a year of expanding production, in which the Hastings Branch of the Internal Marketing Division has played an increasingly important part not only as a medium of service to producers on the home front, but as a means of assisting the prosecution of the war in the Pacific.

The Internal Marketing Division's activities in Hastings were originally mainly centred on assembly and despatch of apples and pears, but now incorporate the supervision of eggs, marketing, dehydration, and vegetable-packing.

An exceptionally large *store*, half of which is refrigeration space, has on occasions been fully taxed to meet the demands made on it for vegetable trimming, crating, and storing for despatch to the Pacific area. This work has been done to the satisfaction of the United States Joint Purchasing Board, with the result that the port of Napier, which previously had been virtually closed, is now providing a quick turn around of vessels to the islands and thus relieving congestion in other ports. This is largely due to the facilities available at the Internal Marketing Division's depot at Hastings. This increased activity has been to the benefit of the towns of Hastings and Napier and the producers of these districts. With the inclusion of potatoes, onions, &c., over five hundred railway wagons, containing 4,500,000 lb. of fresh vegetables, have been shipped out of the Hastings depot in less than five months.

These operations have entailed arduous work on the part of the staff, who have been required to work eighty hours per week and sometimes over a hundred hours per week.

The producers in the Hastings district are prepared for strenuous efforts in the coming year, and the Hastings Branch will undoubtedly play a still greater part in maintaining orderly distribution for home and war purposes whilst the present need exists.

DUNEDIN

A year of steady progress can be reported by the Dunedin Branch. This Branch continued to handle apples and pears, and to a limited extent vegetables. Egg marketing was not as satisfactory as in other centres, owing principally to the lack of an egg floor supported by the majority of egg-producers. As a result, there was a general shortage of eggs in Dunedin during the past year.

NELSON

The Nelson Branch has carried out its usual activities in connection with the assembly and distribution of apples and pears and the administration of vegetable contracts.

The contractors for the Motueka dehydration factory began work on 7th December, 1943. By the end of March, 1944, the building was practically completed, all American machinery was to hand, and the tunnel was about half finished. Commercial dehydrating is expected to begin early in June.

CONCLUSION

The Division during the war period has been called upon to undertake many new tasks, either by reason of changed military demands or in order to see that domestic needs were not jeopardized, and in view of the Dominion's commitments at the Hot Springs Conference it would seem that the Division's responsibility as a national food co-ordinator may be as important in the post-war period as during the war. With regard to food processing and distribution, great changes are continually being made, and the Division is endeavouring to keep abreast of developments in these spheres.

MARKETING DEPARTMENT
INTERNAL MARKETING DIVISION
(EXCLUSIVE OF APPLE AND PEAR ACCOUNTS)

	Wellington.	Auckland.	Total.		Wellington.	Auckland.	Total.
TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1944							
Balances transferred to Profit and Loss Account	£ 139,842	£ 79,256	£ 219,098	Gross profits and commissions on trading ..	£ 139,842	£ 79,256	£ 219,098
Salaries, wages, and overtime	£ 13,562	£ 11,115	£ 24,677	Gross profit from trading accounts	£ 139,842	£ 79,256	£ 219,098
Advertising ..	216	..	216	Net rents and sundry recoveries ..	2,015	..	2,015
Audit fees ..	285	135	420	Cost of administration—	..	1,900	1,900
Bad Debts Reserve ..	27	..	27	Honey pools ..	4,516	..	4,516
Depreciation ..	1,480	131	1,611	Butter Equalization Account ..	7,942	..	7,942
Expenses—	..	..	..	Dividends in Combined Distributors, Ltd.	..	..	..
Marketing Advisory Committees	45	..	45				
Vegetable Marketing Conference	127	..	127				
Officers travelling overseas	614	..	614				
General expenses ..	1,028	168	1,196				
Insurances ..	322	..	322				
Interest, exchange, and discounts	5,931	315	6,246				
Light, heat, and power ..	51	55	106				
Maintenance—	..	..	..	
Buildings ..	33	105	138				
Office fittings and machines	43	30	73				
Plant and machinery ..	724	..	724				
Postages, telegrams, telephones	3,609	1,728	5,337				
Printing and stationery ..	565	228	793				
Public Service Superannuation Reserve	17	38	55				
Rent and rates ..	1,376	835	2,211				
Travelling and motor expenses	2,337	1,174	3,511				
Balance, being net profit, carried to Appropriation Account	121,893	65,099	186,992				
	£ 154,315	£ 81,156	£ 235,471				
PROFIT AND LOSS APPROPRIATION ACCOUNT							
Transfer of profit to Wellington	£ ..	£ 821	£ 821	Balance from last year ..	£ 122,398	£ 31,198	£ 153,596
Balances forward to next year	245,112	95,476	340,588	Auckland profit transferred ..	821	..	821
				Net profit from Profit and Loss Account ..	121,893	65,099	186,992
	245,112	96,297	341,409		245,112	96,297	341,409

HONEY SECTION
POOL ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1944

<i>Dr.</i>	£	<i>Cr.</i>	£
Stocks on hand as at 1st April, 1943: Local ..	3,456	Balance from last year	505
Honey purchased	79,151	Sales—	£
Administration expenses (salaries, rents, tele- phones, stationery, &c.)	1,900	London	1,105
Advertising	41	New Zealand	81,479
Commission, excluding export	1,214		82,584
Local Pool Account expenses—		Sundry credits	2,503
New Zealand Depot blending and packing expenses	16,278	Stock on hand as at 31st March, 1944: Local ..	20,545
Freight and cartage	3,421		
Balance forward to next year	676		
	<u>£106,137</u>		<u>£106,137</u>

BUTTER EQUALIZATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1944

<i>Dr.</i>	£	<i>Cr.</i>	£
Equalizing payments under section 12, Market- ing Amendment Act, 1937—		Balance from last year	768,524
(a) Reimbursement of charges pay- able mainly in connection 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	1,626	(a) Net amount received under the Butter Marketing Regulations 1937, clause 31	152,312
Reworking and defrosting	241	(b) Indirectly accrued under the Butter Marketing Regulations 1937, clause 16, representing the difference between the proceeds of butter withdrawn from export, &c., for sale at the regulated price (less allowances for patting, &c.), and the amount paid for the purchase at the f.o.b. guaranteed price, as follows:—	
Storing and freezing	3,947	Sales at the regulated local price	891,146
Interest and insurance	3,297	Plus stocks on hand, 31st March, 1944 (valued guaranteed f.o.b. price)	200,714
	9,111		1,091,860
(b) Rebate on bulk purchase of whey butter	612	Less purchases	£
(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.	19,974	at guaranteed f.o.b. price	886,283
(d) Loss on purchase and sale of whey-butter cartons for dry butterfat	359	Plus stock on hand, 1st April, 1943 (valued guaranteed f.o.b. price)	196,490
Payments under section 11, Marketing Amendment Act, 1937:—	£		1,082,773
Freight and cartage	10,915	Interest on balance of account	7,904
Agency, wharfage	462		
Storage and freezing	9,577		
Insurance	202		
Grading fees	2,356		
Special reworking-allowance	553		
	24,065		
Less insurance rebate	1,146		
	22,919		
Overhead and administrative expenses	4,516		
Transfers to Dairy Industry Account in respect of years ended 31st March, 1942 and 1943 ..	200,000		
Balance forward to next year	680,336		
	<u>£937,827</u>		<u>£937,827</u>

BALANCE-SHEET AS AT 31ST MARCH, 1944
(EXCLUSIVE OF APPLE AND PEAR ACCOUNTS)

<i>Liabilities</i>	£	<i>Assets</i>	£
Creditors	945,236	Land	12,740
Reserve for repairs, renovations, and for obsolescence of buildings and equipment ..	15,085	Buildings	20,920
Reserve for Public Service Superannuation Fund	80	Motor-vehicles	7,638
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	53,217
Reserve for honey advertising (London) ..	15,748	Stock in trade	452,759
Honey Pool Account	676	Stocks of consumable stores	31,774
Butter Equalization Account	680,336	Debtors	1,054,751
Egg Pool Account	5,337	Advances to Apple and Pear Section ..	741,611
Honey Seals Account	17,016	Payments in advance	59
Bank overdraft	346,009	Cash in hand	7
Writings off Reserve	42	Shares in Combined Distributors, Ltd. ..	135
Profit and Loss Appropriation Account ..	340,588	Losses in Suspense	42
	<u>£2,375,653</u>		<u>£2,375,653</u>

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

R. P. FRASER, Director.

G. C. JUPP, Accountant.

APPLE AND PEAR AND VEGETABLE SECTION

	Apples and Pears.	Vegetables.	Paper Bags and Fruit- wraps.	Total.		Apples and Pears.	Vegetables.	Paper Bags and Fruit- wraps.	Total.
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TRADING ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1943

	£	£	£	£		£	£	£	£
Purchases	671,186	10,299	29,880	711,365	Sales	898,001	14,948	12,682	925,631
Purchases for dehydration ..	1,110	..	..	1,110	Sales, Dehydrated ..	2,357	..	..	2,357
Factory costs	1,617	..	..	1,617	Claims .. ..	..	..	114	114
Assembly	35,497	385	..	35,882	Stock on hand ..	..	..	25,045	25,045
Freight and cartage ..	155,333	50	1,810	157,193					
Wharfage	11,990	..	125	12,115					
Cool storage and storage ..	76,509	15	420	76,944					
Repacking and sorting ..	993	..	..	993					
Supervision	311	..	..	311					
Duty .. ..	..	..	7,477	7,477					
Insurance .. ..	..	..	187	187					
Gross profit .. ..	..	4,199	..	4,199	Gross loss	54,188	..	2,058	56,246
	954,546	14,948	39,899	1,009,393		954,546	14,948	39,899	1,009,393

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1943

	£	£	£	£		£	£	£	£
Gross loss	54,188	..	2,058	56,246	Gross profit .. ..	..	4,199	..	4,199
Advertising	124	70	515	709					
Alterations and repairs ..	269	..	..	269					
Audit	165	..	..	165					
Bad debts	1	..	..	1					
Bank interest and exchange ..	8,906	..	..	8,906					
Printing and stationery ..	169	..	..	169					
Postages and telegrams ..	1,130	25	..	1,155					
Travelling-expenses ..	1,643	133	51	1,827					
Transfer and removal expenses ..	128	..	..	128					
Salaries	11,202	30	..	11,232					
Office rent and hire of equipment ..	636	..	..	636					
General expenses ..	330	11	2	343					
Net profit .. ..	..	3,930	..	3,930	Net loss	78,891	..	2,626	81,517
	78,891	4,199	2,626	85,716		78,891	4,199	2,626	85,716

PROFIT AND LOSS APPROPRIATION ACCOUNT AS AT 31ST DECEMBER, 1943

	£	£	£	£		£	£	£	£
Balance from last year ..	588,222	..	..	588,222	Net profit from Profit and Loss Account ..	..	3,930	..	3,930
Net loss from Profit and Loss Account ..	78,891	..	2,626	81,517					
Balances forward to next year ..	..	3,930	..	3,930	Balances forward to next year ..	667,113	..	2,626	669,739
	667,113	3,930	2,626	673,669		667,113	3,930	2,626	673,669

BALANCE-SHEET AS AT 31ST DECEMBER, 1943 (APPLE AND PEAR AND VEGETABLE SECTION)

Liabilities	£	Assets	£
Sundry creditors	59,845	Cash in hand	20
Reserve for writing off	1	Cash at banks	1,120
Reserve Bank of New Zealand ..	675,109	Stock : Paper bags	25,045
		Sundry debtors	42,960
		Losses in Suspense	1
			£
		Appropriation : Balance, 1942 ..	588,222
		Add net loss, 1943 : Apples and pears ..	78,891
		Paper bags and fruit-wraps	2,626
			669,739
		Less net profit, 1943 : Vegetables ..	3,930
			665,809
	£734,955		£734,955

R. P. FRASER, 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, subject to the value of stocks of paper bags being as stated by the Internal Marketing Division.—CYRIL G. COLLINS, Controller and Auditor-General.

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