

17th February, 1943—remained the same, 15-39d. per pound of butter. The wholesale price and the retail price of butter for local consumption remained the same throughout—namely, 16-5d. and 18d. per pound respectively.

The question that we are asked to inquire into and report upon is expressed thus :—

Whether, having regard to all circumstances relevant to the agreement between the Government and the Farmers' Federation . . . the costs above the price realized incurred in holding the retail price of butter and cheese in New Zealand can, under the provisions of the said agreement, be debited to the Dairy Industry Stabilization Account, being an account raised in the Marketing Department pursuant to the said agreement.

The draftsman has framed the question rather unhappily. Counsel for the industry insistently reiterated that the question admits and postulates that the Government had made a loss on the sale of local butter, and that such loss was incurred not in subsidizing producers, but in holding down the retail price of butter. Obviously that cannot be what the question means. If that is what was meant, there would have been no need to refer the matter to a Commission because the question would have answered itself—against the Government. This submission of counsel for the industry is fallacious, and confuses cause and effect—a confusion contributed to by the elliptical manner in which the question is posed. It is probably true that the total cost of production (including the costs allowances), plus subsidies paid to manufacturers and others to keep down the price of farming materials, would be more than the wholesale price current during the period in question, and in that sense it may be said that these costs allowances and subsidies were incurred in holding the retail price of butter in New Zealand. In other words, no doubt the effect of what was done was to enable the retail price of butter to be held, and the real question is whether these costs or these moneys, or whatever one may like to call them, come within the ambit of clause 6 of the agreement as being subsidies required to keep the costs of production of butter down to the level existing on the 15th December, 1942. If they come within the ambit of clause 6 the Government is entitled to debit them to the Dairy Industry Stabilization Account—otherwise not.

It is convenient to consider first the question whether the Government is entitled to debit to the Stabilization Account the whole of the increase in subsidies—we mean subsidies in the true sense—incurred since the 15th December, 1942, or whether the debit is to be limited to a proportionate part of the amount so paid based upon the exported butter sold overseas; or, in other words, is the Government entitled to debit to the Stabilization Account so much of these items as may be referable as a matter of proportion to the butter sold locally in New Zealand? It is not disputed that the Government is entitled to debit to the Stabilization Account so much of the item as is referable to the exported butter.

The contention of counsel for the industry is that the agreement refers to exported butter and nothing else. They say that paragraphs 1 to 5 of the agreement all refer to increases in the price received from sales overseas. That is perfectly correct. It was necessary for the agreement, first of all, to deal with moneys paid into the account, because obviously nothing can be paid out until it is first paid in. The argument of counsel for the industry requires the reading into clause 6 of words that are not there. What the clause says is that where a subsidy is required to keep the cost of production of *any product* down to the level existing on the determined date, the amount of that subsidy will be debited to the appropriate Stabilization Account. Counsel for the industry wants the word “product” read as “exported product.” We can see no justification for such a construction. After all, clause 9 of the agreement says that any credit still remaining in a Stabilization Account on the closing of an account will be used for the benefit of the appropriate industry. It further says that such credit shall not be paid out in respect of products sold during the period when the scheme of economic stabilization was in operation. When clause 9 speaks of the credit being