used for the benefit of the appropriate industry and also says that such credits will not be paid out in respect of products sold during the period, both these statements apply just as much to the producers of butter sold for local consumption as to the producers of butter sold for export. We consider it to be clear that the word "product" in clause 6 must be read without any gloss, and that for the purposes of this case the words "any product" must be read as if the one word "butter" were substituted for them. It follows that, so far as the disputed item consists of what counsel have referred to as true subsidies or subsidies *stricto sensu*, the Government is entitled to debit the whole amount to the Dairy Industry Stabilization Account.

As to the larger item, which has been referred to as "costs allowances," the contention of counsel for the Crown is that the payments were subsidies within clause 6 required to keep down the cost of production of butter. Counsel for the industry, on the other hand, contend that these moneys come under a different category altogether, and were, in fact and in law, part of the guaranteed price: in other words, that the "guaranteed price" was increased by these payments. We consider it to be quite clear that the payments must have been either subsidies, or an increase in, and therefore a part of, the guaranteed price. But nothing can be clearer, in our opinion, than that the payments were not in law an increase in, or in any way part of, the guaranteed price, because it would not be lawful for the Government to make any payment by way of guaranteed price except pursuant to an Order in Council. The Order in Council fixed 15·39d. per pound as the guaranteed price, and that price the Government could not exceed.

Counsel for the Dairy Industry endeavour to meet this position by saying that although the costs allowances may not *de jure* be part of the guaranteed price, still they are part of the guaranteed price *de facto*. We are unable to recognize any such distinction. All we are concerned with is the legal position. Either the payments were in law part of the guaranteed price or they were not, and clearly they were not. If the costs allowance is not part of the guaranteed price it cannot be anything else than a subsidy in the wide sense of that term, and we think it plain that the word is used in that wide sense in clause 6 of the agreement. The very expression "costs allowance" is significant: it means an allowance on account of costs, and the only costs in respect of which in the nature of things it can be allowed are costs of production. Counsel for the industry complain that the Government did not increase the wholesale price (and we would add the retail price also, because the one must follow the other) of butter for local consumption by an amount equivalent to the costs allowance paid to the producer, and they say that, had that been done, there would have been no loss to the Government or any one else. That is quite correct, but the statement overlooks the fact that the adoption of that course would have been the very negation of the stabilization policy in that, instead of the price of butter to the consumer remaining stable, it would have had to be increased by several pence per pound. Instead of adopting that course, the Government paid costs allowances to the producers (through the factories), and the allowances which it made represented the increased cost of production to the producer. The object of the payment of the costs allowance was therefore to keep down the cost of production of butter, and that brings the payment directly within the words of clause 6 of the agreement. If there had been no stabilization agreement, and the Government had desired to keep down the cost of production of butter and prevent any increase in price to the local consumer, it would have had to effect its purpose by means of the payment of costs allowances to the producers, and the payment would have had to be made out of the War Expenses Account. But it seems to have been one of the very objects of the agreement now in question, which, after all, involved very substantial advantages to the producer, that subsidies which but for the agreement would have had to be paid out of the War Expenses Account became by the agreement chargeable to the Stabilization Account. Seeing that the costs of production had increased, there were only two ways in which the Government could meet that increase—either (1) by a new Order in Council increasing the guaranteed price so as to include the extra costs, or (2) by subsidies or payments in the nature of subsidies equal to the amount of increase in the costs of production. The first course was apparently