considered inconsistent with the stabilization policy of the Government, and the second course was adopted. Counsel for the industry urge that, in the result, the payments have been made out of moneys which belong to the industry. That, we consider, is not correct. Under the Marketing Act, 1936, all surplus moneys in excess of the guaranteed price belonged to the Crown. In entering into the agreement of the 18th June, 1943, the Government made very substantial concessions to the industry, but the very agreement contemplated that subsidies, instead of being chargeable to the War Expenses Account, would be debited against the increase (if any) in the proceeds of the realization from butter sales overseas, which proceeds under the Act of 1936 would have belonged to the Crown and which become available for the benefit of the industry only by reason of the concessions made to the industry by the Government. The payment of the subsidies out of these moneys can be regarded only as part of the general consideration for the agreement of the 18th June, 1943.

It has previously been pointed out that, in order that the wholesale price of local butter could meet the guaranteed price plus the costs allowances, the wholesale price would have had to be increased by an amount equal to the increased cost of production. The wholesale price, however, was not increased because the cost of production had been kept down by the payment of subsidies made by the Government. The wholesale price has been throughout, and still is, more than sufficient to pay the "guaranteed price." The position may be summed up in this way; the payment of the costs allowances was the *alternative* to increasing the guaranteed price. They were made on account of costs—that is to say, to keep down the cost of production—and the fact that the cost of production was kept down enabled the price of the butter for local consumption also to be kept down.

Since the agreement of the 18th June, 1943, the operations in regard to differentials have continued as they previously existed. The basis has been the "guaranted price" just as it was before, and the local wholesale price has been in excess of the "guaranteed price" plus the adjustments made in regard to the expense of preparing for sale on the local market. Differentials have been paid into the Butter Equalization Account just as they were before, and on the basis of the same guaranteed price. The fact that the amount at credit in the Butter Equalization Account has been transferred by the Government to the Dairy Industry Account does not affect the matter.

It is said that the costs allowance is made up mainly, if not entirely, of increased labour-costs, and that such labour-costs include an increased remuneration for the farmer's own labour. In our view, that makes no difference. The payment made to the producer on account of these costs allowances is none the less a payment to the producer to keep down the cost of production and is a subsidy within the meaning of clause 6 of the agreement.

It was never contended on behalf of the industry that the Government did not have the right to debit these costs allowances to the Stabilization Account in so far as they were referable as a matter of proportion to the exported butter. During the proceedings before the Commission, and in consequence of a suggestion made by a member of the Commission, counsel for the industry did argue, though faintly, that the right did not exist to debit even that proportion of the costs allowances to the Stabilization Account, but eventually that contention was, and we think very properly, abandoned. And if that proportion of the costs allowances can be rightly debited by the Government to the Stabilization Account, it follows, inasmuch as clause 6 of the agreement applies to all butter, whether exported or sold locally, that the same right must exist to debit to the Stabilization Account the proportion of the costs allowances referable to butter sold locally.

A good deal was said during the proceedings before the Commission about the course adopted by the Government in regard to payments on account of meat. It was suggested that the Government made large payments to butchers in order to keep down the cost of meat to the consumer, and that the Government did not claim as of right under its agreement with the producers to debit those payments to the Meat Stabilization Account,