

13. Undoubtedly the initial cause of the increase in prices was a deficiency of supply as compared with demand in the world market, and opinion generally is that prices would have risen even if war had not produced abnormal conditions. But when to this deficiency of supply due to natural causes there was added the deficiency of supply due to panic buying of wheat and flour on the part of traders and the general public, it was to be expected that prices would reach a high level. The effect of a temporary failure in the supply of any commodity is normally that the price rises, and rises without relation to the cost of production and distribution; and those who have bought at the lower price are in a position to reap profits proportionate to the amount of their purchases, if they take advantage of the change in the market. The time at our disposal did not enable us to ascertain the amount of purchases of wheat by individual millers at the prices ruling prior to the outbreak of hostilities, but enough evidence was available to show that for the milling year ending 31st January, 1915, which included five months under war conditions, substantial profits were made by those who had secured supplies of wheat at pre-war prices. In other cases where stocks were not held or contracted for losses were sustained.

14. In normal times increase of price of a commodity induces economy in its use and automatically attracts further supplies, and thereby tends to provide its own remedy. In the case of flour, however, where consumption varies little, notwithstanding price, these considerations do not apply. In the abnormal and unprecedented conditions prevailing from August to December, 1914, a serious crisis would probably have occurred if the distribution of available stocks had been left to the ordinary working of the law of supply and demand. No doubt a little economy in consumption was practised, and the high price of wheat proved a sufficient inducement to farmers to increase the acreage under wheat cultivation, but long before these factors could have affected the situation the poorer classes would have been faced with prices beyond their ability to pay. What undoubtedly steadied the market was the Government purchase of Canadian and Australian wheat, as it acted immediately on what we termed the psychological factor, and lessened, if it did not entirely end, the demand due to "panic" orders.

15. In considering the question of reasonableness of the prices prevailing to-day for wheat we have come to the conclusion that although substantially higher than pre-war prices, they are no higher than prices at which foreign wheat could be landed in New Zealand, and in this sense they are reasonable. We have come to the conclusion from the evidence before us that no proportion of the prices of flour and bread is attributable to the existence of definitely constituted "rings" or close corporations among either millers or master bakers, but there are evidently opportunities of conference among those chiefly concerned which do in effect commonly lead to concerted action with respect to prices. For the purposes of comparison, the Board had hoped to append a statement showing the wholesale prices of the commodities dealt with in the report not only in New Zealand, but in London, the Dominion of Canada, and the Commonwealth of Australia. Owing, however, to the lack of statistical information in New Zealand, the Board has not been able to obtain the complete information. The data will, however, be collected and published later.

16. The millers in Christchurch comprising those selling through the New Zealand Flour and Produce Company (Limited) and the other local millers are, owing to lack of outside competition, able to obtain from 10s. to £1 per ton more in the Christchurch market than they can obtain in markets supplied by sea carriage where the price is fixed in competition with mills in other parts of the Dominion. The difference in the cost of flour in Christchurch and f.o.b. Timaru and Lyttelton—namely, from 10s. to £1 per ton—appears to be unwarranted.

17. The opinion was freely expressed by the majority of the witnesses examined that the Canterbury farmers who grow wheat are dissatisfied with the future prospects of remunerative prices, and it was freely alleged that unless some steps were taken by the Government to encourage wheat-growing in the Dominion the acreage sown in the immediate future would be insufficient to meet local requirements, and it was further contended by these witnesses that the "self-sufficing" ideal should guide our national policy in regard to wheat-production. It may therefore be a question for the Government to consider—

- (1.) Whether wheat-growing should be encouraged in New Zealand:
- (2.) What methods should be adopted to encourage wheat-growing:
- (3.) Whether the industry should be left to its own resources and the open competition of other countries.

Upon these points the Commission have not taken sufficient evidence to enable them to make a recommendation.

RECOMMENDATIONS.

18. The impression left upon our minds by the evidence and information before us is that the distribution of the food-supply of the Dominion cannot safely be left in a time of crisis to the working of an unregulated system of supply and demand; and we consider that the situation as regards prices of flour and by-products of wheat should be closely and continuously watched with the aid of returns that should be periodically furnished through the Government Statistician to the Board of Trade. We therefore recommend that it be enacted that millers and recognized dealers in grain should be registered with the Board of Trade, and should furnish from week to week quantities of wheat purchased and the prices paid. Appropriate penalties should be provided for omitting to furnish, or furnishing false returns. It would be the duty of the Board, in conjunction with the Government Statistician, to collate the information thus supplied, and weekly to publish an official quotation of the actual market prices. At present the leading newspapers publish weekly market quotations, and we are in possession of evidence that the publication of unreliable information by speculators has on occasions