

1917.  
NEW ZEALAND.

# BOARD OF TRADE

(FIRST ANNUAL REPORT OF THE).

---

*Presented to both Houses of the General Assembly in accordance with Section 11 of the Cost of Living Act, 1915.*

---

To the Right Honourable William Ferguson Massey, P.C., President, Board of Trade.

SIR,—

We have the honour to present herewith the first annual report of the Board of Trade for the information of His Excellency the Governor-General, to be laid before Parliament in compliance with the Cost of Living Act, 1915. The report covers the period from the inception of the Board—namely, 1st March, 1916—to the 31st March, 1917.

On the 1st March, 1916, the undersigned were constituted a Board of Trade under the Cost of Living Act, 1915, to—

- (a.) Investigate and report to the Governor upon any case in which it is alleged that there has been an infringement of any of the provisions of the Commercial Trusts Act, 1910;
- (b.) Inquire into and report to the Governor upon matters affecting the cost of living, or upon any other question referred to it by the Governor relating to the supply, demand, or price of commodities;
- (c.) Inquire into and report to the Governor upon any complaint that the price of any class of goods is unreasonably high;
- (d.) Consider, inquire into, and report upon any question relating to the trade, commerce, or business of New Zealand which may be referred to it by the Governor;
- (e.) Institute inquiries in reference to markets for goods produced or manufactured in New Zealand, report the result of such inquiries to the Governor, and make recommendations to the Governor in regard to trade with other countries;
- (f.) Make recommendations to the Governor for legislation in relation to matters referred to it for consideration; and
- (g.) Generally to advise the Governor as to how the trade, industries, and commerce of New Zealand can be best encouraged, developed, and protected.

Immediately on receipt of our appointments we met as a committee and set about securing suitable office accommodation and staff and making a preliminary survey of the problems with which we were appointed to deal.

On the 23rd March the Board was officially informed by the Public Service Commissioner of the appointment of Mr. J. W. Collins, Chief Clerk of the Labour Department and Deputy Registrar of Industrial Unions, as Secretary to the Board.

The powers of the Board can be invoked—

- (I.) By the Governor requesting the Board—
  - (a.) To report upon any question relating to the supply, demand, or price of commodities;
  - (b.) To consider, inquire, and report upon any question relating to the trade, commerce, or business of New Zealand.
- (II.) By traders or other members of the public who allege—
  - (a.) Infringements of the Commercial Trusts Act;
  - (b.) That the price of any class of goods is unreasonably high.
- (III.) Or the Board on its own motion may—
  - (a.) Inquire into and report upon matters affecting the cost of living;
  - (b.) Institute inquiries in reference to markets for goods produced or manufactured in New Zealand;
  - (c.) Institute inquiries as to how the trade, commerce, and industries of New Zealand can be best encouraged, developed, and protected;
  - (d.) Make recommendations to the Governor for legislation in relation to matters referred to it for report.

At the first meeting of the Board it was decided to investigate the principal causes which had led to the increases of prices of commodities of general consumption since the beginning of the war, and to recommend such steps (if any) with a view to ameliorating the situation as appeared practical and expedient, having regard to the necessity of maintaining adequate supplies.

In regard to statistical information relative to the cost of living, the Board decided after inquiry that it was justified in relying upon the data collected and published by the Government Statistician, supplemented by information supplied to the Board from time to time by those engaged in dealing in the commodities under consideration. Statistical data relating to retail prices in New Zealand was already in existence for the period of 1891–1914 in the report on the cost of living issued by the Government Statistician on the 17th November, 1915, and this has been kept up to date by monthly reports published by his office.

#### WHEAT, FLOUR AND BREAD.

Having made a preliminary survey of prices and the measures used to control them, the Board deemed it expedient to concentrate successively on the main commodities in common use, and began with the wheat-supply of the Dominion and its consumption in the form of flour, bread, bran, and pollard. Accordingly an inquiry into this subject was opened in Christchurch, and an interim report was submitted to you on the 29th April, 1916. In this report it will be remembered that the Board, after reviewing the whole matter, recommended as follows:—

(a.) 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 artificially raised the price of wheat to genuine dealers, and detrimentally affected the industry generally. We further recommend that the threshing-mill proprietors be required to register with the Board of Trade and send weekly returns of quantities of grain threshed to the Government Statistician. Appropriate penalties should be provided for failure to comply.

(b.) We have considered the question whether the fixation of maximum prices by legal enactment for wheat, flour, and bread, or by the method of "recommended prices" which was adopted in England shortly after the outbreak of the war, would be best suited to the conditions prevalent in New Zealand. There are difficulties to be encountered under either system, but on the whole we prefer the latter method, and suggest that the following table should be the recommended prices, subject to alteration by the Board of Trade as may be required by changing conditions from time to time:—

Wheat (delivered at Mill).								Flour (f.o.b.).			Bread (Cash over Counter).
s.	d.	s.	d.					£	s.	d.	d.
At 3	9	..	..	..	..	..	..	9	10	0	6
.. 3	9	to 4	0	..	..	..	..	10	0	0	6
.. 4	0	.. 4	3	..	..	..	..	10	10	0	6
.. 4	3	.. 4	6	..	..	..	..	11	5	0	6½
.. 4	6	.. 4	9	..	..	..	..	11	15	0	6½
.. 4	9	.. 5	0	..	..	..	..	12	5	0	6½
.. 5	0	.. 5	3	..	..	..	..	13	0	0	7

On the 19th June, following further investigations made in the North Island, an appendix to the report was published dealing with the same subject. The report and the appendix were presented to both Houses of the General Assembly by leave last session.

Owing to the fact that it was known at the time of this report that Australia had an enormous harvest which had been safely garnered, and the bulk of which it was impossible to transport to England on account of the lack of shipping facilities, the Board did not anticipate any serious disturbance of prices in New Zealand detrimental to the interests of the consuming public; indeed, it was generally feared that if any change in prices took place the danger to be avoided was not high prices, but prices so low as to prejudicially affect the farming and milling industries of the Dominion on account of the quantities of Australian wheat and flour that might be dumped into New Zealand to relieve to some extent the congestion in Australia; and Parliament, then in session, passed the necessary legislation empowering the Board of Trade, should this contingency arise, to take steps to meet the situation by conferring adequate protection to the threatened industries.

Up to the end of October, 1916, no substantial rise took place in the prices of wheat or flour. On the 26th October the price of wheat was 4s. 10d. to 5s. 2d. f.o.b. Lyttelton; the price of flour £12 f.o.b. at the same port. There was enough wheat in the Dominion according to the returns of the Government Statistician to meet our normal requirements until the end of February, and the prospects of the coming harvest were at this date particularly bright. The regulating influence of Australia on the prices of these two necessary commodities was still felt, but on the 31st October a strike occurred in Australia which threatened to disarrange shipping between Australia and New Zealand, and during the month of November the prices of wheat and flour rose as follows: Wheat, from 5s. 2d. to 6s. 3d. and 6s. 6d. f.o.b. Lyttelton; flour, from £12 to £15 f.o.b. Lyttelton.

As far as the Board could ascertain, the threatened interruption of our communications with Australia and the difficulty of orders for wheat and flour being fulfilled there, as the result of the strike, were the only explanations of these abnormal rises in prices. The opportunity occurred to the holders of wheat and flour to take advantage of the situation created by the Australian strike suddenly to advance prices, and they availed themselves of it. On the 7th December the Board was furnished by the Government Statistician with the following figures, showing the result of his annual wheat and flour census taken on the 30th November each year:—

STOCKS OF WHEAT AND FLOUR.

	Flour.	Wheat.		
		In Grain.		In Stock.
		Milling.	Other.	
	Tons.	Bushels.	Bushels.	Bushels.
Millers .. .. .	3,116	1,055,923	17,155	..
Merchants .. .. .	2,162	443,182	61,568	30
Farmers .. .. .	170	222,075	53,019	16,652
	5,448	1,721,180	131,742	16,682

With the above data available, disclosing the actual holders of the bulk of the wheat and flour to be the millers and merchants, the Board recommended on the 8th December, as a temporary expedient, that the duty on flour should be remitted. Unfortunately the return did not show the ownership of the wheat or flour in store, and it was therefore impossible to say that the millers and merchants were alone responsible for the movements in prices during November to the detriment of the consuming public.

It appeared to the Board at this stage that the time had arrived when Government control of the wheat trade in New Zealand was both necessary and desirable in the public interests. November's experience showed the danger of the policy of non-interference. With the object in view of evolving a scheme of control that, whilst being effective, would stabilize prices and disturb trade as little as possible, and also with the object of encouraging the production in New Zealand of sufficient wheat to satisfy local requirements, the appointed members of the Board recommended the Acting-President of the Board, the Hon. W. D. S. MacDonald, to call a conference of wheat-growers in Christchurch and discuss the matter with them. A conference was accordingly held on the 14th December, and, after the Acting-President had outlined the situation to the delegates, a sub-committee was chosen to meet the appointed members. The sub-committee subsequently reported the result of its deliberations to the full conference, and the following resolutions were adopted:—

- (1.) It is desirable for the Government to fix the maximum price of wheat for the period of the war and the season after.
- (2.) That in carrying out the scheme all wheat and flour shall be handled at reasonable rates by merchants, millers, and bakers, and thus ensure that the consumer gets the product at reasonable prices.
- (3.) That the maximum price for best-quality milling-wheat shall be 6s. 3d. on trucks at country stations.
- (4.) That in the opinion of the conference the Government should do all in its power to arrange an adequate supply of teamsters and ploughmen throughout the year.

The resolutions hardly conveyed the trend of the discussion, the underlying idea of which was the necessity of the Government guaranteeing that the grower should receive the price fixed irrespective of the quantity grown; but whether this could best be accomplished by the Government becoming the absolute purchasers of the whole crop, or by the fixation of maximum prices, or in some other manner, was a question of detail. It was felt that in the then unsettled state of the world's prices, if the farmer was to take the risks of cropping, the prices in New Zealand should be assured for the period of the war and a season after.

The Board invited from the conference evidence regarding the cost of production of wheat during the war period as compared with pre-war conditions. Nineteen representative farmers attended before the appointed members and supplied estimates of the cost of production under present conditions, varying from £5 10s. to £8 per acre. Included in the cost in every case was an allowance for interest at from 5 per cent. to 6 per cent. on the value of the wheat land for a period varying from one and a half to two years.

On the 19th December the appointed members of the Board met representative master bakers of Christchurch and checked with them the results already obtained in their previous inquiry.

On the following day representative flourmillers were met in conference, sixteen attending. The conference passed a resolution agreeing to the principle of Governmental action being taken to regulate the prices of wheat, flour, and bread, and welcoming such action, and, after the members of the Board had withdrawn, carried the following resolutions:—

- (1.) That in determining the price of flour 48 bushels of wheat to the ton should be allowed as the basis of calculation.
- (2.) That the price of pollard should be fixed at £6 f.o.b. and bran at £4 f.o.b. (less usual discounts). If packed in smaller bags than for shipping the price to be increased by the extra cost of sacks.
- (3.) That the cost of manufacture of flour is £2 2s. 6d. per ton.
- (4.) That the price of wheat should be fixed f.o.b.
- (5.) That with wheat at 5s. per bushel f.o.b., pollard and bran as above, flour should be £13 10s. f.o.b. less usual discounts. In 100's 10s. extra, 50's 15s. extra, and 25's £1 extra.
- (6.) That Messrs. Virtue, Hudson, Corson, Milligan, Ireland, Evans, and Gardner be appointed a sub-committee to confer with the Board.
- (7.) That in consideration of the flour duty and dumping legislation being restored forthwith the price of flour shall not exceed £14 f.o.b. less 2½ per cent. at wheat centres until Government scheme comes into force.

The Board sought assistance and advice outside the channels above referred to, and discussed with experts the details of various schemes for handling the wheat crop assuming the Government decided to purchase or to guarantee a definite price—always keeping in mind the necessity of disturbing present business relationships as little as possible. At the request of the Acting-President the Board also conferred with the Board of Agriculture, the meeting taking place in Wellington on the 10th January, 1917. The Board of Agriculture submitted a separate report.

From the foregoing it will be seen that there existed among representative farmers and millers a unanimous opinion that Governmental control of the wheat trade for the period of the war and a season after was desirable in the interests of the industry itself. The appointed members of the Board stress the view that such control was necessary not only in the interests of the wheat industry, but in the interests of the consuming public as well. In January the Government Statistician's figures showed that for the 1916–17 season there was 222,000 acres under wheat. The annual average yield for the last ten years had been approximately 28½ bushels per acre. The total yield, therefore, for the season, if it came up to the average, was estimated approximately at 6,250,000 bushels. Assuming this to be all good milling-wheat it would have been sufficient, but not more than sufficient, for our requirements. The opinion among those best competent to judge was against the probability of the average being reached, and the figures now available show that the average actually obtained was 23·09 bushels, totalling 4,672,728 bushels. The possibilities of an individual or group of individuals obtaining control of sufficient of the supply and thereby manipulating prices to the disadvantage of the legitimate trade and the consuming public were therefore apparent, and the need for Governmental control was more urgent than if there had been a surplus.

In considering the practicability of Governmental control two aspects of the situation were kept in view: (a) the control and distribution of the present season's crop, and (b) the encouragement of the production of sufficient wheat during the currency of the war and one season after for our own requirements.

The two questions were really interdependent, for whatever was done in regard to the former would encourage or discourage the grower of wheat. If only the former had to be considered the fixation of maximum prices for wheat, flour, and bread, under proper safeguards, and the importation of sufficient wheat or flour to make up the shortage, would probably have achieved the desired result; but, unless the grower could depend on getting next harvest the fixed price for his wheat irrespective of the quantity put on the market, it was hard to see how the fixation of maximum prices was going to encourage him to undertake the risks of cropping. It might, indeed, deter him from growing wheat at all, as he must run the risk of a surplus being produced and prices in consequence falling. As, however, the fixation of maximum prices is an integral part of any scheme of market control, the Board worked out what, in its opinion, would be fair correlative prices for wheat, flour, offal, and bread. The table is as follows, and may be regarded as an extension of the table given in our first report, with the proviso that the price of pollard is £6 and of bran £4 f.o.b. less the usual trade discounts:—

#### CORRELATIVE PRICES OF WHEAT, FLOUR, AND BREAD.

(The prices of pollard and bran remaining constant—£6 and £4 respectively.)

Wheat (f.o.b.).			Average Mixture (f.o.b.).	Flour (f.o.b.).	Bread (Cash).	Bread (Delivered).
Pearl.	Hunter.	Tuscan.				
s. d.	s. d.	s. d.	s. d.	£ s. d.	d.	d.
5 1	5 0	4 10	5 0	13 0 0	7	8½
5 6	5 5	5 3	5 5	14 0 0	7½	9
5 11	5 10	5 8	5 10	15 0 0	8	9½
6 4	6 3	6 1	6 3	16 0 0	8½	10

What was a fair and reasonable price to fix for wheat in the circumstances detailed above was a matter of considerable controversy, and the Board could not reach unanimity on the point. Eventually the matter was determined by the Government agreeing to the fixation of prices as gazetted on the 6th February, 1917, for this season's output, and a guarantee to the grower for next season's crop at 5s. 10d. f.o.b. To give effect to the decision of the Government regarding the 1916-17 crop Orders in Council were gazetted. (See Appendix A of this report.)

Although the maximum prices for wheat, flour, bran, and pollard were fixed, the Board deemed it inexpedient to recommend the fixation of maximum prices for bread. Owing to varying conditions in different centres and towns in New Zealand it was decided to allow the prices to be governed by ordinary competitive methods, subject always to investigation by the Board where the price was alleged to be unreasonable. This method has worked on the whole satisfactorily, and practically no complaints have been received by the Board as to the excessive price of bread since the new scale of flour-prices came into existence.

Early in December reports reached the Board from reliable sources that owing to the effect of the drought in Canterbury the average yield of wheat over the last ten years—namely, 28½ bushels—was unlikely to be realized; and, as stated above, the actual average turned out to be 23·09 bushels. The Board therefore recommended the Government to acquire an option over 1,500,000 bushels of Australian wheat to make up the expected shortage.\*

#### BUTTER.

In consequence of the record prices ruling in Great Britain for New Zealand's primary products—wool, meat, butter, cheese, hides, and tallow—the local prices rose in sympathy. Comparative tables showing the rises in value of these commodities for the years 1914 to March, 1917, inclusive, are given later in this report, and a chart showing the wholesale prices of New Zealand butter on the London market since 1913 is included in the appendix (D)

The first of these commodities to receive attention at the hands of the Board was butter. Complaints regarding the high prices culminated in September, when the retail price had risen in the main centres and secondary towns to 1s. 8d., and in the outlying districts to 1d. and 2d. per pound higher. After exhaustive inquiry the Board was of opinion that some steps should be taken to prevent continual increases in the price of butter taking place, as wholesalers were threatening further rises, and retailers informed the Board that the retail price would have to be advanced to 1s. 11d. and 2s. per pound unless something was done. The factories supplying the local market threatened, on the other hand, if prices were interfered with they would withdraw supplies from the local market entirely and export their whole output.

Section 10 of the Regulation of Trade and Commerce Act, which reads as follows—"Nothing in this Act relative to maximum prices shall extend or apply to the sale of goods which are destined by the purchaser, or believed by the seller on reasonable grounds to be so destined, for exportation and not for consumption in New Zealand"—precluded the remedy of the fixation of maximum prices by gazetted regulation. After an exhaustive study of the whole position the Board submitted a report to His Excellency the Governor under section 6 (c) of the Cost of Living Act, and this report is as follows:—

Since the Board's appointment in March of this year numerous complaints have been received that the consumer in New Zealand is paying an unreasonably high price for butter. The Board in consequence has made extensive inquiries into all phases of the butter question. Evidence was taken from representative traders and producers in Wellington, Auckland, Thames, Christchurch, and Dunedin, and reports and statistics dealing with the world's markets were considered.

2. During the winter months restrictions were placed by the Government on the export of butter, but in spite of these restrictions the local wholesale price moved in sympathy with the world's markets, and the retail price went from 1s. 6d. in March to 1s. 7d. in June and 1s. 8d. in August. Even this price did not bring the local wholesale price during the period covered by our investigations up to the f.o.b. equivalent, as the retail price of butter would have needed to be by the end of September 1s. 10d. Since the beginning of the war the factories supplying the local market have done so at a disadvantage as compared with export of from ½d. to 1½d. per pound, as the following table will show:—

TABLE SHOWING MARGIN IN FAVOUR OF BUTTER FOR EXPORT.

Month.	Net Price to Retailers per Pound.	Net Price to Factories per Pound.	Export Value per Pound.	Margin in Favour of Export per Pound.
1914 15.	s. d.	s. d.	s. d.	s. d.
September to March .. ..	1 1½	1 0½	1 1½	0 0½
1915.				
April .. .. .	1 3	1 2½	1 3½	0 1½
May .. .. .	1 5	1 4½	1 5½	0 1½
June .. .. .	1 5	1 4½	1 5½	0 1½
July .. .. .	1 6	1 5½	1 6½	0 1
August .. .. .	1 5	1 4½	No exports	..
September .. .. .	1 3	1 2½	1 3½	0 1½

NOTE.—Average disadvantage on local market for twelve months as compared with net return from other markets, 0·82d. per pound.

\* Since the end of the financial year a million bushels of Australian wheat have been purchased, and the Board is now engaged in its sale and distribution.

September to March represents prices realized in British markets; April to July represents prices realized on sales to Australia; September represents prices paid for shipments to London.

Month.	Net Price to Retailers per Pound.	Net Price to Factories per Pound.	Export Value per Pound.	Margin in favour of Export per Pound.
1915-16.	s. d.	s. d.	s. d.	s. d.
September to March .. ..	1 3 <sup>5</sup> / <sub>8</sub>	1 2 <sup>3</sup> / <sub>4</sub>	1 3	0 0 <sup>1</sup> / <sub>4</sub>
April .. ..	1 4	1 3 <sup>1</sup> / <sub>8</sub>	1 3 <sup>3</sup> / <sub>4</sub>	0 0 <sup>5</sup> / <sub>8</sub>
May 6 .. ..	1 4	1 3 <sup>1</sup> / <sub>4</sub>	..	..
May 31 .. ..	1 5	1 4 <sup>1</sup> / <sub>8</sub>	1 4	..
June .. ..	1 5	1 4 <sup>1</sup> / <sub>8</sub>	1 4 <sup>1</sup> / <sub>2</sub>	0 0 <sup>3</sup> / <sub>8</sub>
July .. ..	1 5	1 4 <sup>1</sup> / <sub>8</sub>	1 4 <sup>3</sup> / <sub>8</sub>	0 0 <sup>1</sup> / <sub>4</sub>
August 1 to 9 .. ..	1 5	1 4 <sup>1</sup> / <sub>8</sub>	1 5	0 0 <sup>7</sup> / <sub>8</sub>

NOTE.—Average disadvantage on local market for nearly twelve months as compared with net return from other markets, 0·33d. per pound.

September to April represents prices realized in British markets; May to June represents prices realized on sales to Australia; July to August represents prices paid for shipments to London.

3. By the middle of August it had become apparent that, owing to the world's supplies of butter and cheese being inadequate to meet the demand, further advances in price in the London market were inevitable. Up to the 30th June, 1916, there was a shortage of 41,939 tons (or 25 per cent.) as compared with the previous year, and a shortage of 74,439 tons (or 33·4 per cent.) as compared with 1911, the year in which imports of butter into Great Britain reached their maximum. Consequently, this season opened with offers for New Zealand butter at prices that eclipsed all previous records.

4. New Zealand's consumption of butter is approximately 10,000 tons; its production of butter is approximately 30,000 tons: its exportable surplus is therefore 20,000 tons per annum. Some few factories produce exclusively for the local trade, most factories exclusively for the export trade, and a few do both the local and export trade. All the factories are keen competitors for supplies of butter-fat, and it therefore follows that those factories which are unable to give ruling prices for butter-fat will be driven in time out of business. If the price received by factories catering for the local market is lower than the export value, these factories are placed at a decided disadvantage in procuring supplies. The position is further complicated by the competition of cheese-factories for butter-fat, and as there is no restriction on the export of cheese to British ports, and cheese is bringing record prices in London, the cheese-factories are able to offer exceptionally high prices for butter-fat.

5. On the 11th August a deputation of grocers waited upon the Board and informed the Board that as an advance in the wholesale price was apparently about to take place they could no longer distribute butter retail for the margin of 2d. between the wholesale and retail price. They stated that when the wholesale price was 10d. per pound the retail price was 1s.—a difference of 20 per cent.; when the wholesale price was advanced to 1s. 6d. the retail price was 1s. 8d.—a difference of only 11<sup>1</sup>/<sub>5</sub> per cent. The average cost of running a retail grocery business now was 12<sup>1</sup>/<sub>2</sub> per cent. on the turnover, consequently they were handling butter at a loss. The position, they alleged, was even worse than these figures show, as the retail price of butter in some centres was subject to a discount of 2<sup>1</sup>/<sub>2</sub> per cent., or <sup>1</sup>/<sub>2</sub>d. per pound, on all monthly accounts. The grocers further pointed out that their loss would be much greater if another advance was made in the wholesale price and the retail price was merely increased by the same amount. They asserted that, in justice to the trade, if a further wholesale advance took place a percentage advance would therefore have to be made on the retail price to cover working-expenses and a reasonable profit. Thus, if the wholesale price were advanced from 1s. 6d. to 1s. 7d. the retail price should, in fairness to them, be advanced from 1s. 8d. to 1s. 10d., less, of course, the usual discount of 2<sup>1</sup>/<sub>2</sub> per cent., making the net price 1s. 9<sup>1</sup>/<sub>2</sub>d., approximately. They agreed, however, to maintain the present price pending action by the Board. The Board, however, is not convinced on the evidence at present submitted by the grocers that they are handling butter at an actual loss, but it is quite clear that they are not now obtaining the same rate of profit as in pre-war years. We are satisfied that the 2d. per pound has not been at any time an excessive charge for distribution.

The following table shows the movement of retail prices. The local wholesale price is on an average 3d. less :—

MONTHLY RETAIL PRICES OF BUTTER SOLD IN WELLINGTON DURING THE FOLLOWING PERIODS.

1914.	1915.	s. d.	1916.	s. d.
..	January ..	1 4	January ..	1 5
..	February ..	1 4	February ..	1 5
..	March ..	1 4	March ..	1 6
..	April ..	1 6	April ..	1 6
..	May ..	1 7	May ..	1 7
..	June ..	1 7	June ..	1 7
July ..	July ..	1 9	July ..	1 7
August ..	August ..	1 7	August ..	1 8
September ..	September ..	1 5	September ..	1 8
October ..	October ..	1 5	October ..	1 8
November ..	November ..	1 5	..	..
December ..	December ..	1 6	..	..

7. The local wholesale distributors were subsequently summoned before the Board and gave evidence upon oath. They stressed the fact that the factories at present catering for the local trade were receiving less than the average export value. This was an impossible position, as they were unable to return to their suppliers the same figure per pound for butter-fat as those factories which were exporting, or as cheese-factories were paying, and in consequence their supply of butter-fat was endangered. A study of the table given in paragraph 2 confirms this contention. They agreed, however, to make no advance until the Board had had time to thoroughly investigate the position.

8. To illustrate what this means to a factory doing a local instead of an export trade, the Board was advised that the monetary disadvantage to a particular co-operative factory was at the rate of £3,600 per year. The evidence adduced was sufficient to convince the Board that the present conditions could not continue, that the factories producing for the local trade were placed at an unfair disadvantage and would be compelled in justice to themselves either (1) to bring the local price on a parity with the f.o.b. price, (2) to enter the export trade, or (3) go out of business, as their supplies would be diverted to the export factories and to the cheese-factories.

9. On the 22nd August the Board found that the f.o.b. offers for August and September were equivalent to 1s. 5½d. per pound, and that the September offers were 1s. 6d., with a tendency to rise. The average cost of preparing the butter from bulk to pounds, including patting, wrappers, collection from railways, deliveries to grocers, booking, travellers' expenses, and bad debts, was ¾d. to 1d. per pound. The local wholesale equivalent for August was therefore 1s. 6d. per pound, and for September 1s. 6¾d. to 1s. 7d. Allowing the grocer's present cost of distribution, the September retail price to be on a parity with the f.o.b. equivalent should have been 1s. 9d.

10. On the Board's return to Wellington from the South further interviews took place with the local distributors and grocers, and as a result a joint deputation of representative producers, distributors, and grocers waited upon the Board, the President (Hon. W. D. S. MacDonald) in the chair. The Hon. Mr. Myers (Minister of Customs) was invited to attend, and was also present. The following questions were discussed:—

- (a.) Removal of the restrictions on the exportation of butter.
- (b.) Necessity of raising the price on the local market to bring it into a parity with the export value.
- (c.) Necessity of increasing the margin between wholesale and retail prices.

11. A sub-committee was appointed, representing all interests, to discuss the matter in detail with the Board. The appointed members of the Board have carefully considered the whole of the facts submitted, and are of opinion,—

- (a.) That the restrictions on export, whilst vexatious to traders, have not kept the price down in the local market.
- (b.) That the disparity on the 1st October between f.o.b. and local prices was from 1½d. to 2d. per pound.
- (c.) That it is inequitable to expect factories supplying the local market to bear the whole of this difference, as it would represent a loss to these factories on the season's output equivalent to £186,000 on a disparity of 2d. per pound.
- (d.) That unless Governmental action of some sort is taken an increase in the New Zealand retail price to 1s. 10d. or 1s. 11d. per pound is unavoidable.

12. The position therefore appears to the Board to resolve itself into—

- (a.) Allowing values to adjust themselves in the ordinary course of trade; or
- (b.) Government action with a view to regulating local prices.

13. Is it desirable to allow values to adjust themselves in the ordinary course of trade? As shown above, this would mean that the retail price of butter would instantly rise to 1s. 10d. or 1s. 11d., a position which the Board of Trade feels should be avoided if possible, in view of the fact that New Zealand produces butter greatly in excess of its requirements; that its surplus of butter and cheese is exportable at the present high prices only because of the exceedingly favourable conditions as to freight and space secured by the representations of the Government to the Imperial Board of Trade; and that the producers owe in return some consideration to the New Zealand consumer. It is fair to ask what the local price of butter and cheese would be without possibilities of shipments to London.

14. The Board has come to the conclusion that the retail price of butter should not be allowed to rise indefinitely, and for the following reasons recommend that the price should be in the vicinity of 1s. 7d. throughout New Zealand:—

- (a.) The retail selling-price in October, 1914, was 1s. 3d., in 1915 1s. 5d. (even these were high prices in comparison with previous summer prices).
- (b.) The increase of 2d. per pound in the retail price as compared with October, 1915, is more than sufficient, in the Board's opinion, to cover any extra cost of production that has accrued since.
- (c.) If 1s. 7d. is exceeded difficulties will arise in connection with the summer supply of milk for domestic use throughout New Zealand. Already the price charged for milk is abnormally high for the flush of the season, and is creating a good deal of discontent. Economy, due to high price, in the use of milk for human consumption is not desirable, on the ground of public health.
- (d.) The price in the Commonwealth of Australia is fixed at 1s. 6d. retail.
- (e.) If butter is retailed at 1s. 7d. the grocers will be satisfied with the present distributing-charges.
- (f.) Medical men have informed the Board that butter is an absolute necessity in the home, and that many children are not receiving the quantities requisite for their proper and physical development.

15. Assuming that the Government is prepared to take action with a view to regulating the price on the local market, the appointed members of the Board have considered various possible courses now available, and after the elimination of impracticable schemes recommend as follows:—

- (a.) The prohibition of export of butter and cheese except under license on the terms and conditions submitted in a separate memorandum attached to this report.
- (b.) The fixation of a maximum wholesale price from time to time at the factory for butter for local consumption.
- (c.) Distributing-charges not to exceed those ruling in the trade as on the 1st August, 1914.

16. Should the scheme outlined in the report and the attached memorandum be adopted by the Government the Board would further recommend the removal of all other restrictions on the export of butter.

17. The scheme would be fruitless if made to apply to butter only, as the threat has been constantly used that manufacturers would manufacture cheese in its place, and butter-fat would be diverted to cheese-factories.

We append a schedule showing f.o.b. equivalent per pound of prices realized for New Zealand butter in bulk in London.

#### MEMORANDUM REFERRED TO IN PARAGRAPH 16.

1. On and after the export of butter and cheese will be prohibited except under license.

2. All factories desiring a license to export either butter or cheese shall make application for permission to do so to the officer in charge of the Imperial Government Supply Department, General Post Office, Wellington, on the prescribed form.

3. Licenses shall be issued by the Imperial Government Supply Department, General Post Office, Wellington.

4. Every applicant for a license shall sign an agreement embodying the following terms and conditions:—

- (a.) That he will furnish to the Imperial Government Supply Department monthly a return on a prescribed form showing the quantity of butter-fat received at the applicant's factory as from the 1st September, 1916. The returns for the month of September to be furnished forthwith, and each subsequent return not later than the 7th of each succeeding month.
- (b.) That he undertakes to pay in respect of such butter-fat such charge per pound as may be fixed from time to time by Order in Council.
- (c.) That he undertakes to furnish to the Imperial Government Supply Department the quantity in pounds of butter boxed for export, and the quantity boxed for local consumption during the same period.
- (d.) That he undertakes to furnish to the Imperial Government Supply Department the name of the firm or individual to whom the butter for local consumption is supplied. In case the licensee is not the exporter, he shall supply the name of the firm or individual to whom the butter is delivered or sold.
- (e.) That every applicant for a license shall brand all boxes of butter either as being for export or for local consumption, as the case may be. Such brands shall be supplied on application to the Director of the Dairy Division.
- (f.) Applicant shall also undertake to furnish to the Imperial Government Supply Department such further particulars as may be required from time to time, and to allow an accredited official of the Department to inspect the books, accounts, and records of applicant factory in so far as they relate to the receipt and disposal of butter-fat, butter, and cheese.

5. Where in the opinion of the Imperial Government Supply Department the circumstances require it, a statutory declaration verifying the particulars supplied may be demanded.

6. Payment by a licensee under the terms of the aforesaid agreement shall be made within seven days of the receipt of a notification from the Imperial Government Supply Department of the amount due, such payments to be made to the Imperial Government Supply Department, Wellington, direct.

7. Failure to comply with any of the terms of the agreement or the regulations shall render the license liable to forfeiture in addition to the penalties prescribed under the Regulation of Trade and Commerce Act, 1914, and amendments thereto, and the Customs Act, 1913.

8. Moneys paid under paragraph 6 shall be available for distribution to factories supplying the local market on the basis of the quantities of butter supplied for local consumption.

9. Before any factory can participate in the distribution mentioned in clause 8 it must contribute to the Imperial Government Supply Department a sum per pound of butter-fat entering the factory equivalent to the charge made for license to export, and it shall furnish to the Imperial Government Supply Department the monthly return as required in clause 4.

10. Where at any time it is intended to transfer butter marked for local consumption to export it shall be necessary to obtain the permission of the Director of the Dairy Division, who shall furnish a return showing the quantity transferred and the name of the factory producing the same to the Imperial Government Supply Department, and such butter shall not be taken into account in the distribution referred to in clause 8.

11. Nothing in the scheme shall apply to milled butter, whey butter, farmers' dairy butter, farmers' cheese.

12. Supplies for military requirements either for camps or transports to be classed as locally supplied butter.



TABLE SHOWING THE F.O.B. EQUIVALENT PER POUND REALIZED FOR NEW ZEALAND BUTTER IN BULK IN LONDON DURING FIRST HALF OF SEASON.

London Wholesale Price per Hundredweight.	F.o.b. Equivalent per Pound in New Zealand.	London Wholesale Price per Hundredweight.	F.o.b. Equivalent per Pound in New Zealand.
170s.	16-22	188s.	18-04
171s.	16-32	189s.	18-14
172s.	16-42	190s.	18-25
173s.	16-52	191s.	18-35
174s.	16-63	192s.	18-45
175s.	16-73	193s.	18-55
176s.	16-83	194s.	18-65
177s.	16-93	195s.	18-75
178s.	17-03	196s.	18-85
179s.	17-13	197s.	18-96
180s.	17-23	198s.	19-06
181s.	17-33	199s.	19-16
182s.	17-44	200s.	19-26
183s.	17-54	201s.	19-36
184s.	17-64	202s.	19-46
185s.	17-74	203s.	19-56
186s.	17-84	204s.	19-66
187s.	17-94		

(NOTE.—Cost of patting, &c., for local market averages  $\frac{3}{4}$ d. per pound, which charge must be added to f.o.b. to get wholesale local parity prices.)

The retail prices under present conditions to be on a parity with f.o.b. prices would need to be 3d. higher.

The Government approved of the Board's scheme for the regulation of butter-prices by the establishment of an Equalization Fund to bring both export and local prices on a parity, and the necessary steps were taken by the Crown Law Office to give effect to the recommendations of the report. Regulations were accordingly drafted, approved, and gazetted on the 13th October, 1916, and the scheme has worked in a satisfactory manner as regards the local control of prices. (See Appendix B of this report.)

Later, another regulation was issued withdrawing the privilege of acquiring export licenses to those factories which did not apply before the 19th January, 1917.

To assist the Board in carrying out the scheme a producers' committee was appointed by the interests concerned, consisting of Messrs. A. Morton, H. E. Pacey, C. P. Agar, J. Marx, W. D. Powdrell, and W. Fisher, and the Board has had the willing co-operation and advice of this committee, although personally they were opposed to the creation of the Equalization Fund by the imposition of a levy on butter-fat.

Mr. R. Triggs, Imperial Supplies Branch, was appointed as Licensing Authority under the Regulations.

An originating summons to test the validity of the Order in Council establishing the Equalization Fund was heard in the Supreme Court before the Full Bench, consisting of their Honours Stout, C.J., Edwards and Chapman, JJ. It was contended that the Order in Council was *ultra vires* on the ground (i) that section 24 of the Regulation of Trade and Commerce Act, 1914, merely extends the powers conferred by section 47 of the Customs Act, 1913, and therefore in applying section 47 (2) of the Act of 1914 the words "conditions and restrictions" must be limited to such conditions and restrictions as might have been prescribed under the Act of 1913 standing alone; (ii) that the payment exacted from the licensees was a tax or charge within the meaning of the Petition of Right, and was therefore invalid because not assented to by Parliament; (iii) that the fund created by the Order in Council was money of the Crown, and as such could only be disposed of by Parliament under section 54 of the Constitution Act; (iv) that none of the powers conferred by the legislation in question could be delegated by the Governor in Council as proposed in regard to the Licensing Authority; and (v) that the Governor in Council had no power to make the Order imposing the levy retrospective.

It was held by the Full Court (Edwards and Chapman, JJ.; Stout, C.J., dissenting) that the Order in Council was valid in all respects.

Under the regulations 399 factories applied for licenses to export, and of this number 114 manufacture butter alone and 285 manufacture butter and [*or*] cheese. The total amount paid in levies to the Equalization Fund up to the 31st March last amounted to £147,947 9s. 10d. The Board authorized the payment of 2d. per pound on all butter sold on the local market up to 31st March, amounting to £39,463 3s. 11d. The amount of butter sold from month to month in respect to the claims received is as follows: October, 1916, 1,334,512 lb.; November, 1916, 1,441,748 lb.; December, 1916, 1,500,447 lb.; January, 1917, 1,478,186 lb.; February, 1917, 1,544,228 lb.; March, 1917, 1,392,586 lb.

These figures of the consumption of butter are interesting as being an approximation to the total butter consumed month by month in New Zealand. The 2d. authorized will absorb £72,103 13s. 4d.

On the winding-up of the Fund the Order in Council provides that moneys remaining in the hands of the Licensing Authority shall be returned to the contributing factories, less expenses of administration incurred.

On the 15th February the Board, on the advice of the Producers' Committee, gazetted maximum prices of butter for the months of February to August inclusive, in order to ensure the successful carrying-out of the scheme during the winter. Under these the Board for the first time gazetted maximum retail prices of butter. (For the regulations see Appendix C.)

The scheme, taken as a whole, in spite of the opposition of the factories to the principle involved, is in practice working satisfactorily, and the Board gratefully acknowledges the assistance from the Producers' Committee, who have at all times placed their expert knowledge at its disposal.

The financial operations in connection with the scheme were, as stated, placed in the hands of Mr. R. Triggs, Licensing Authority, and his staff at the Imperial Supplies Branch. It was due entirely to the tact and efficiency displayed by these officers that the work of collection of the levy and payments out of the Equalization Fund were carried through without difficulty.

MEAT.

Meat was another important commodity that engaged a large portion of the Board's time during the year. The amount spent on meat in the average household is approximately one-third of the total expenditure on food. When the Board came into existence it made an inquiry throughout New Zealand as to the reasonableness or otherwise of the existing retail prices, and it found in every case that these prices were reasonable in comparison with the wholesale prices, which were based on the prices paid by the Imperial Government to secure the whole of the supplies of mutton, lamb, and beef available for export, firstly for the troops engaged in the war and those training to take their place at the front, and secondly for the civilian population of the United Kingdom. In each of the towns visited most of the butchers agreed to maintain existing retail prices and not to increase same without prior consultation with the Board.

The Board's investigation in regard to beef showed that the proportion of ox-beef to cow-beef going into local consumption was gradually changing owing to the increased demand created by the war. The following table shows the proportion of each kind of beef slaughtered at the Auckland abattoirs, and is a good indication of what has taken place right throughout New Zealand :—

Month.	1913-14.		1914-15.		1915-16.		1916-17.	
	Cow.	Ox.	Cow.	Ox.	Cow.	Ox.	Cow.	Ox.
April .. .. .	357	1,126	513	1,028	604	689	613	499
May .. .. .	464	1,177	496	1,003	825	629	619	665
June .. .. .	300	1,168	509	1,068	538	839	419	707
July .. .. .	263	1,281	395	1,190	545	810	599	661
August .. .. .	237	1,163	460	1,042	520	772	371	792
September .. .. .	243	1,201	404	1,043	459	790	412	654
October .. .. .	313	1,193	477	840	429	642	364	724
November .. .. .	386	946	466	810	592	487	..	..
December .. .. .	366	994	513	736	461	559	..	..
January .. .. .	439	890	630	627	539	481	..	..
February .. .. .	398	927	690	531	570	502	..	..
March .. .. .	448	1,051	947	526	595	597	..	..
	4,214	13,117	6,500	10,444	6,677	7,797	3,397	4,702

The figures for Gisborne are even more remarkable. His Worship the Mayor (Mr. W. G. Sherratt), in presenting the annual report for the year ending 31st March, 1916, stated that of the 2,918 head of cattle slaughtered at the municipal abattoirs only 602 were oxen, the remaining 2,316 were cows. Of the 16,015 sheep and lambs slaughtered, 90 per cent. were ewes.

In October–November, 1916, arrangements were finally completed by the Imperial Government, acting through the New Zealand Government, for the purchase of all meat available for export for the period of the war and for at least three months after its termination. The beef-prices were increased by  $\frac{1}{4}$ d. per pound over the prices previously ruling, and mutton and lamb prices were increased by  $\frac{1}{8}$ d. per pound, as shown in the following table :—

No.	Description.	Season's Prices.	Prices now obtaining,	Increase.
1	Wethers, first quality, 72 lb. and under .. .. .	4 $\frac{1}{2}$	5 $\frac{3}{8}$	7 $\frac{7}{8}$
2	„ „ over 72 lb. .. .. .	4 $\frac{1}{4}$	5 $\frac{1}{8}$	7 $\frac{1}{2}$
3	„ second quality .. .. .	4 $\frac{1}{4}$	5 $\frac{1}{8}$	7 $\frac{1}{2}$
4	Ewes, first quality, 72 lb. and under .. .. .	4	4 $\frac{7}{8}$	7 $\frac{1}{2}$
5	„ „ over 72 lb. .. .. .	3 $\frac{3}{4}$	4 $\frac{5}{8}$	7 $\frac{1}{2}$
6	„ second quality .. .. .	3 $\frac{3}{4}$	4 $\frac{3}{8}$	7 $\frac{1}{2}$
7	Lamb, specially prime and Canterbury quality, 42 lb. and under .. .. .	5 $\frac{3}{8}$	6 $\frac{1}{2}$	7 $\frac{1}{2}$
8	„ first quality, 42 lb. and under .. .. .	5 $\frac{1}{2}$	6 $\frac{1}{8}$	7 $\frac{1}{2}$
9	„ „ 42 lb. and over .. .. .	5 $\frac{1}{4}$	6 $\frac{1}{8}$	7 $\frac{1}{2}$
10	„ second quality .. .. .	5 $\frac{1}{4}$	6 $\frac{1}{8}$	7 $\frac{1}{2}$
11	Beef, prime ox .. .. .	4 $\frac{3}{4}$	5	7 $\frac{1}{4}$
12	„ second and heifer .. .. .	4 $\frac{1}{2}$	4 $\frac{3}{4}$	7 $\frac{1}{4}$
13	„ boning, in quarters .. .. .	4	4 $\frac{1}{4}$	7 $\frac{1}{4}$
14	„ cow, prime .. .. .	4 $\frac{1}{2}$	4 $\frac{3}{4}$	7 $\frac{1}{4}$
15	„ „ second .. .. .	4	4 $\frac{1}{2}$	7 $\frac{1}{4}$
16	„ boneless .. .. .	5	5 $\frac{1}{4}$	7 $\frac{1}{4}$
17	Mutton, legs .. .. .	5 $\frac{1}{2}$	6 $\frac{3}{8}$	7 $\frac{1}{2}$
18	„ shoulders .. .. .	4 $\frac{1}{2}$	5 $\frac{3}{8}$	7 $\frac{1}{2}$
19	„ loins .. .. .	4 $\frac{1}{2}$	5 $\frac{3}{8}$	7 $\frac{1}{2}$

The prices for hides and skins, fat and tallow, for the months of July and November, 1913 to 1916, were as follows:—

COMPARATIVE STATEMENT OF SKINS AND HIDES SOLD AT FOLLOWING PERIODS.

	July, 1913.	July, 1914.	July, 1915.	July, 1916.
Hides, ox—				
Heavy .. .. .	8½d. to 8¾d.	8½d. to 8½d.	10d. to 10½d.	10½d. to 11½d.
Medium .. .. .	7½d. to 8d.	7½d. to 8d.	9½d. to 10d.	9½d. to 10½d.
Light .. .. .	7¼d. to 7½d.	6½d. to 7d.	8½d. to 9d.	9½d. to 10½d.
Sheep-skins, wether and ewe—				
Heavy .. .. .	8/ to 8/6	8/ to 9/	10/ to 12/	14/ to 16/6
Medium .. .. .	6/ to 7/	7/ to 8/	8/ to 10/	12/ to 14/3
Light .. .. .	4/6 to 5/6	5/ to 6/	6/ to 8/	9/6 to 11/6
Fat—Price per pound .. .. .	1½d. to 2d.	1½d. to 2d.	2d. to 2½d.	2d. to 2½d.
Tallow—Price per cwt.—				
Best .. .. .	27/6 to 28/	26/ to 27/	26/ to 27/	31/ to 34/
2nd .. .. .	26/ to 26/6	25/ to 26/6	25/ to 25/6	28/ to 30/
3rd .. .. .	23/ to 25/	22/ to 24/6	20/ to 22/6	22/ to 26/
	November, 1913.	November, 1914.	November, 1915.	November, 1916.
Hides—				
Heavy .. .. .	8½d. to 8½d.	7¾d. to 7¾d.	9¾d. to 9¾d.	10½d. to 10½d.
Medium .. .. .	7½d. to 8d.	6¾d. to 7d.	8½d. to 9d.	9½d. to 10½d.
Light .. .. .	7¼d. to 7½d.	6½d. to 7d.	7½d. to 8½d.	10d. to 10½d.
Sheep-skins, wethers—				
Heavy .. .. .	7/ to 7/6	8/3 to 8/9	11/ to 13/6	16/6 to 17/6
Medium .. .. .	5/6 to 6/	7/ to 7/6	10/6 to 11/6	15/ to 16/9
Light .. .. .	3/6 to 4/6	4/6 to 5/	9/ to 10/6	13/ to 14/6
Lamb-skins—				
Large .. .. .	2/ to 2/6	1/5 to 1/8	2/3 to 2/6	4/ to 4/7
Small .. .. .	1/3 to 1/6	9d. to 1/	1/9 to 2/3	3/6 to 4/
Medium .. .. .	1/8 to 2/	1/3 to 1/6	1/4 to 1/9	2/6 to 3/5
Fat—Price per pound .. .. .	1½d. to 1¾d.	1½d. to 1½d.	2d. to 2½d.	2d. to 2½d.
Tallow—Price per cwt.—				
Best .. .. .	27/ to 28/	21/ to 23/	27/ to 28/	32/ to 33/
2nd .. .. .	25/ to 26/	19/ to 21/	24/ to 26/	29/ to 31/
3rd .. .. .	22/ to 24/	17/ to 18/	20/ to 23/6	26/ to 28/

The prices of live-stock advanced in sympathy with these prices as follows:—

AVERAGE COST OF LIVE-STOCK.

	Year.	Jan.	Feb.	Mar.	April.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.
Beef, per 100 lb.	1912	23/	24/6	24/	24/6	23/6	25/	26/	27/	28/	28/6	25/	25/
	1913	25/	25/	26/	26/	25/6	30/	27/6	29/6	30/	29/6	30/	30/
	1914	28/6	28/6	27/	28/	30/	30/	30/	30/6	33/6	36/6	37/	36/
	1915	37/	39/6	39/	38/	27/6	36/6	43/6	45/6	44/	44/	43/	42/
	1916	40/	41/	41/6	40/	43/	44/	44/	44/9	45/3	45/6	46/	47/
	1917	46/9	47/	46/6	..	..	..	..	..	..	..	..	..
Cow-beef, per 100 lb.	1912	20/6	20/	21/	20/6	20/6	21/6	23/6	25/6	26/6	26/	23/	22/
	1913	22/	22/6	24/	23/	23/	26/	24/6	26/3	28/	27/6	27/6	27/6
	1914	26/	26/	24/6	26/	27/6	27/6	28/	28/6	31/	34/	35/	33/6
	1915	28/	30/	33/	32/	30/6	33/	39/	40/6	39/	38/	36/6	36/
	1916	34/6	35/	34/	36/	40/	40/	40/3	41/	42/	43/	43/	44/
	1917	44/	44/6	43/9	..	..	..	..	..	..	..	..	..
Sheep ..	1912	17/3	15/9	14/7	14/10	14/7	16/	19/	23/6	25/10	25/	20/3	18/
	1913	15/7	16/6	16/1	16/6	18/	21/6	22/6	27/9	27/8	25/4	22/7	21/
	1914	18/1	18/1	17/3	19/1	24/	23/9	24/3	23/9	25/6	25/8	20/8	19/6
	1915	20/6	22/5	22/6	22/6	21/8	23/9	26/2	29/8	32/6	28/3	28/1	24/2
	1916	23/10	25/3	24/9	24/6	26/	33/	35/	36/3	37/3	35/6	34/9	32/3
	1917	34/2	34/5	34/9	..	..	..	..	..	..	..	..	..

It will be seen from these tables that prior to the coming into operation of the new schedule of Imperial prices prime ox was bringing in the open market at Auckland 46s. per 100 lb.

The Board in November visited Auckland and discussed fully with representative master butchers the effect of the new scale of prices on the retail trade, and they stated that, providing prices of live-stock in the open market did not exceed the equivalent of 46s. or 47s. per 100 lb., they could maintain the existing retail prices. Detailed calculations were made by the butchers and by the Board as to what they could afford to give for stock in the open market and still be in as good a position as if they were drawing their supplies from the Imperial hooks. It was agreed that they could afford to give up to between 47s. and 49s. per 100 lb. for prime ox, but that if the price exceeded this figure they would be compelled to follow the market in order to get supplies, and a rise in retail prices would be inevitable. Complaints were made by the butchers that buyers for freezing companies were prepared to give in excess of the Government price, but the butchers, however, agreed to maintain the then existing retail prices as long as possible, and not to make any increases without reference to the Board of Trade.

On the 11th January a telegram was received from the Auckland master butchers asking whether it was possible to supply butchers in Auckland with meat from the Imperial stores, as otherwise it would be impossible to continue retailing at prices then ruling. The Board consequently visited Auckland and made exhaustive inquiries with a view to ascertaining whether it was not possible to supply butchers as requested from the Imperial hooks without increasing retail prices. The following tables are instructive:—

COST OF BEEF.

*Average Cost of Ox-beef at Market, 47s. per 100 lb. and over.*

	£	s.	d.	£	s.	d.
Carcase, 792 lb. at 47s. ....	18	12	3			
Add insurance, paddocking, slaughtering, abattoir fees, railage, and cart- age to shop ....	0	12	0			
				19	4	3
Less—Hide ....	2	6	6			
Fat ....	0	12	6			
Head and sundries ....	0	2	0			
Tongue ....	0	3	6			
Tripe ....	0	2	6			
				3	7	0
Net cost of carcase, 792 lb. ....				£15	17	3
Equal to 4·8d. per pound.						

CASH RECEIPTS FOR CARCASE SOLD RETAIL AT PRICES RULING AUCKLAND, MAY TO NOVEMBER, 1916.

<i>Hindquarter, 196 lb.</i>				lb.	s.	d.	£	s.	d.
Rump (34 lb.)—Rump steak ...				15	at	1 0	0	15	0
Fillet steak ...				4½	„	1 3	0	5	7½
Bone ...				6¼	„	0 0½	0	0	3
Sirloin (39½ lb.)—Sirloin joints ...				28	„	0 9	1	1	0
Wing rib ...				9	„	0 8	0	6	0
Silverside (25¼ lb.)—Corned round ...				19¼	„	0 8	0	12	10
Gravy beef ...				4½	„	0 6	0	2	4½
Topside (25¼ lb.)—Joints ...				10	„	0 7½	0	6	3
Beef steak ...				10	„	0 8	0	6	8
Bone ...				2½	„	0 0½	0	0	1¼
Thick flank (21 lb.)—Beef steak ...				13	„	0 8	0	8	8
Gravy beef ...				2¼	„	0 6	0	1	1½
Bone ...				0½	„	0 0½	0	0	0½
Thin flank ...				11	„	0 3½	0	3	2½
Ox-kidney ...				1¼	„	0 9	0	0	11¼
Leg of beef ...				12	„	0 2½	0	2	6
Marrow-bone ...				6½	„	0 0½	0	0	3¼
Suet trimmed (6 lb.), clod (5 lb.) ...				11	„	0 6	0	5	6
Rough fat ...				14	„	0 2	0	2	4
Trimnings ...				4	„	0 4	0	1	4
				184¾			£5	2	0
Tail ...				3					
				187¾					

Loss on separate weighings, 8¼ lb.

<i>Forequarter, 200 lb.</i>				lb.	d.	£	s.	d.
Five prime ribs (30 lb.) ..				28	at 7½	0	17	6
Brisket (50½ lb.)—Corned roll ..				32	„ 7	0	18	8
Bones ..				9½	„ 0½	0	0	4¾
Skirt steak ..				1½	„ 8	0	1	0
Six and seven ribs (18½ lb.) ..				18	„ 6½	0	9	9
Double top rib (15½ lb.) ..				15	„ 6½	0	8	1½
Blade steak ..				3	„ 8	0	2	0
Bolar ..				4	„ 7½	0	2	6
Chuck (boned) (24½ lb.) rolled ..				22	„ 7½	0	13	9
Chuck-bone ..				3½	„ 0½	0	0	1¾
Blade-bone ..				2¼	„ 0½	0	0	1¼
Clod (9 lb.), neck and sticking (13½ lb.) as sliced meats ..				22½	„ 3½	0	6	7
Clod-bone, neck-bone (4¾ lb., 4 lb.) ..				8¾	„ 0½	0	0	4½
Shin of beef ..				9¾	„ 2½	0	2	0½
Rough fat ..				8¼	„ 2	0	1	4½
Trimnings ..				5	„ 3½	0	1	5½
				193		£4	5	9¼

Loss on separate weighings, 7 lb.

<i>Totals.</i>				£	s.	d.
Hind quarter ..				5	2	0
Fore quarter ..				4	5	9
Side ..				9	7	9
Side ..				9	7	9
Ox tail ..				0	1	9
				£18	17	3

Gross return, 5·7d. per pound.

These tables show that if prime ox-beef alone were supplied to the public it was costing in the market the equivalent of 4·8d., assuming the prices of skin, hide, tallow, and offal were as above, and was being retailed at an average cost of 5·7d., showing a gross profit of 0·9d., or slightly under 1d. per pound.

The abattoir figures, however, showed that the proportion of cow-beef put upon the Auckland market was approximately 40 per cent. of the total; but no figures were available giving the proportion of second-quality ox or cow that went into local consumption, although undoubtedly a fairly large proportion of this meat is consumed, and on cow-beef and second-quality meat the profit is higher.

There were too many small shops trying to make a living on ridiculously low turnovers. It was therefore evident that if the upward tendency of prices was to be checked it could only be done by a business where the overhead charges were small in proportion to the turnover. From evidence collected by the Board in the other centres—Wellington, Christchurch, and Dunedin—it was ascertained that those shops doing exclusively a cash-over-the-counter business and having a large turnover could successfully maintain retail prices on a level lower than those ruling in Auckland. The Board therefore determined, with the consent of the Government, to give the Auckland butchers the option of drawing their supplies from the Imperial hooks conditionally on their undertaking not to advance retail cash-over-the-counter prices. After considerable discussion and various conferences between the Board and the master butchers the Board was informed by the Master Butchers' Association that its members could not see their way clear to continue selling at the rates then in existence, and they asked the Board's sanction to a new price-list.

At this stage of the negotiations an offer was received from Mr. Douglas Reid, who placed his two retail shops at the disposal of the Government provided he was assured of receiving supplies from the freezing-works. The position was reported in full to the Acting-President of the Board (the Hon. W. D. S. MacDonald), who advised the Board to accept the offer and to make arrangements to run the shops as State meat depots, delivery to be eliminated and bedrock prices to be charged. This was done, and the two retail businesses under offer in populous parts of the city were taken over on behalf of the New Zealand Government. The former owner of the shops remained in charge in the capacity of manager, and his original staff was also retained. After discussing the question of retail prices in detail with the manager it was decided that the retail prices could be reduced, and the manager entered into an agreement with the Board to maintain a scale of prices lower than those in existence in November. The shops were opened on the 25th January. A representative for the Board, who is an accountant in the Civil Service, was entrusted with the task of supervising accounts, and, under instructions, to furnish weekly statements of the trading to the Board. The statements received up to the 31st March show a satisfactory position. A half-yearly balance-sheet will be prepared, and will be submitted to you in due course.

From the 22nd January to the 1st March the association of butchers in Auckland adopted and maintained the new scale of prices to which the Board had refused its sanction. On the latter date, as the result of further negotiations, the association reinstated the price-list that had obtained from May, 1916.

Shortly after the establishment of the State meat-shops at Auckland a strike took place among the chamber hands in the Southdown, Horotiu, and Westfield Freezing-works. This threatened to interfere with the supplies of meat to the Government shops, and, at the request of the Acting-President, the Board of Trade inquired into the causes of the trouble, and after considerable negotiations succeeded in inducing the parties to the strike to refer the matter to a committee of investigation under the Industrial Disputes Investigation Act, with His Worship the Mayor of Auckland (Mr. Gunson) as Chairman, and ultimately a satisfactory settlement was arrived at. This method of dealing with an industrial dispute is worthy of note, as it was the first time that the machinery of this Act had been brought into operation in New Zealand.

Applications were received by the Board for the establishment of State meat-shops in various parts of the Dominion, but owing to the legal difficulties in the way of extending the scheme the Board determined to give the butchers in those centres where prices were high the option of drawing their supplies from the Imperial store provided that they agreed to sell at prices deemed reasonable by the Board. Arrangements have accordingly been made at Gisborne, Masterton, and Taumarunui. At Hastings, Napier, Palmerston North, and Wanganui the Board, after consultation with the butchers, agreed on a price-list, the butchers obtaining their stocks in the usual way in the open market. In these places, apparently, competition with freezing buyers did not affect the prices to the same extent as in other towns visited.

One of the difficulties in the way of evolving a general scheme applicable to those towns where freezing-works are established is the position of local abattoirs. Interest and sinking fund and working-expenses on these are covered by slaughtering fees, and municipal finance might be seriously affected if these charges were not provided for. The interests of the municipalities have accordingly in each case been conserved in the price-lists sanctioned, with the exception of Gisborne, where the Borough Council made other arrangements to provide for interest and sinking-fund charges on its abattoir loan.

The Board confined the privilege of drawing supplies from the Imperial hooks to butchers already established, as it was felt inadvisable during the war period to increase the number of traders when men were so urgently required for other purposes.

One effect directly traceable to the establishment of Government retail meat-shops in Auckland was the steadying of retail prices throughout New Zealand. Threatened rises in other centres and towns did not eventuate. The upward tendency of prices in the live-stock market was checked, while in Auckland an actual reduction took place. The Government Statistician estimates the annual consumption of meat in New Zealand to be approximately 240,000,000 lb. Even 1d. per pound saving on meat-prices means a relief to the consumers of a million of money. The Board does not claim that the action taken in respect to meat resulted in an all-round decrease of 1d. per pound, but if allowance is made for the decrease actually effected and the check to further increases this sum may fairly be taken to represent the result of its operations.

## SUGAR.

During April and May of 1916 complaints were general regarding the shortage in the supply of sugar and in its unequal distribution by the Sugar Company. An inquiry was made by the Board, and it satisfied itself that the company had done everything in its power to ensure an equal distribution of sugar to every part of New Zealand, but it had been forced to refuse orders from traders in excess of their normal requirements. These orders were probably due to a fear that arrangements made with the Sugar Company for the supply and price for the year ending June, 1916, would not be renewed on such advantageous terms as were then ruling. An increase in price was anticipated, and traders were probably attempting to stock up before the rise. The Board thereupon opened negotiations with the Sugar Company through Mr. Astley, who was specially sent from Australia for the purpose, and on the 14th June negotiations resulted in an offer to provide all the requirements of the New Zealand home consumption of sugar until the 30th June, 1917, at the price of £21 per ton for No. 1A f.o.b. Auckland; other grades in correspondence, with ruling trade terms as to discounts, &c., subject to the condition that nothing happened to prevent the manufacture of sugar or its transport to the Auckland refinery, and subject to the further condition that if additional taxation other than an increase in the rate of land or income tax were imposed the company should be entitled to revise the selling-price so as to cover the cost of such impost or imposts; but in the event of any such revision of price the company agreed to consult the Board of Trade before bringing the revised price into operation. Manufacturers were to be supplied with sugar at £19 per ton, with the usual addition of 12s. 6d. in the case of Auckland buyers. The company also stipulated that it should be allowed to export any surplus sugar it might have stored at Auckland after providing for New Zealand's requirements.

The Board unanimously recommended the Government to accept the offer, on the following grounds:—

1. The price quoted ensured the people of New Zealand getting sugar cheaper than any other country in the world, as the following quotations show: New Zealand, £21; New South Wales, £29 5s.; Victoria, £29 7s. 6d.; South Australia, £29 17s. 6d.; Western Australia, £31; Great Britain, £41 12s. 6d.; New York, £29.

Even if an allowance were made for the full amount of the duty payable in Australia (viz., £6) and Great Britain (viz., £14), the New Zealand price is still considerably lower than the price paid in the Commonwealth or Great Britain. The best test of the advantage the people of New Zealand are reaping under the arrangement is to compare the New Zealand price with the American price, plus the cost of freight. The f.o.b. price in New York in May, 1916, to the British Government was £29 a ton. The rate of freight to New Zealand from New York was approximately £10. Hence the landed value of sugar in New Zealand, if bought in the American market, would be £39. The arrangement with the Sugar Company effected a saving therefore of £18 a ton.

2. The market value of the company's sugar in Fiji at a low computation was £27 per ton. Looked at from this point of view the price agreed upon meant a sacrifice by the company on New Zealand's consumption of £360,000 for the year.

3. Since the last agreement was entered into with the company a primage duty was imposed on sugar by the Finance Act of 1915 equivalent to 3s. 1d. per ton, and freights advanced 3s. 6d. per ton. Both these charges, which could reasonably have been added to the price, were borne by the Sugar Company. In addition, an export duty of 5s. per ton had recently been imposed by the Fiji Government, and this duty also was borne by the company.

4. The price agreed to by the company showed conclusively that, although it possesses a monopoly of the New Zealand sugar trade, it did not make use of its economic position and the conditions created by the war to "exploit" the public.

Complaints as to shortage of sugar ceased after the new arrangement became known. It is true that during the year, owing to difficulties experienced in shipping, there have been temporary shortages in certain centres, notably in the South Island; but the company has done its utmost to keep every part of New Zealand served with a constant supply.

## MILK.

The price of milk in the four main centres was investigated by the Board. In regard to Auckland, Christchurch, and Dunedin the retail price was found to be reasonable; the price in these centres at no period during the year exceeded 5d. per quart. In Wellington, from the 1st April to the 31st August, 1916, the retail price was 6d. per quart. At the request of the Wellington City Council the Board on the 2nd August opened an inquiry into the reasonableness of the retail price of milk to the public of Wellington. The following table shows the prices from the 1st January, 1914, to the 31st March, 1917:—

Month.	1914.		1915.		1916.		1917.	
	Wholesale.	Retail.	Wholesale.	Retail.	Wholesale.	Retail.	Wholesale.	Retail.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
January .. ..	0 7½	1 4	0 7½	1 4	0 8	1 4	0 11½	1 8
February .. ..	0 7½	1 4	0 7½	1 4	0 8	1 4	0 11½	1 8
March .. ..	0 9	1 4	0 9	1 4	0 10	1 8	1 0½	1 10
April .. ..	0 9	1 8	0 11	1 8	1 1	2 0	..	..
May .. ..	0 11	1 8	0 11	1 8	1 1	2 0	..	..
June .. ..	0 11	1 8	0 11	1 8	1 1	2 0	..	..
July .. ..	0 11	1 8	0 11	1 8	1 1	2 0	..	..
August .. ..	0 9	1 8	0 10	1 8	1 1	2 0	..	..
September .. ..	0 7½	1 4	0 8	1 4	0 10½	1 8	..	..
October .. ..	0 7½	1 4	0 8	1 4	0 10½	1 8	..	..
November .. ..	0 7½	1 4	0 8	1 4	0 10½	1 8	..	..
December .. ..	0 7½	1 4	0 8	1 4	0 10½	1 8	..	..

The price of milk has an obvious connection with those of meat, butter, and cheese. If the farmer who is supplying the town with milk can get a better return by disposing of his cows to the butcher or the freezing company, or by supplying a butter or a cheese factory with milk, he will probably do so, and a period of high prices for these products is likely to result in a reduction of the available milk-supply for consumption in the cities. The returns of the farmer supplying milk to a city are very laboriously earned. It must not be forgotten that he has to work every day of the year for very long hours. The statutory requirements as to sanitation of his dairy and the quality of his milk are considered by him particularly onerous, and the Board was informed that numbers of farmers had abandoned the business of supplying milk to the City of Wellington because of these conditions. The Imperial purchase of cheese for the season at 9½d. per pound, and of meat at the prices already quoted, and the record prices of butter which have obtained this season, set a standard for the price of milk. The farmer milk-vendor considers that he should get in summer a price equivalent to what he would obtain by supplying milk to a butter or a cheese factory plus 1d. per gallon to cover his extra disability; and that in winter it costs him at least 75 per cent. more to produce milk than in summer, and he therefore wants a correspondingly higher winter price sufficient to compensate him for the extra cost of production. Eighty per cent. of the milk consumed in Wellington is supplied by members of the Wellington Dairy-farmers' Association (Limited). As the table shows, the wholesale price of milk was advanced by the association in April by 5d. per gallon over the summer price. The retail vendor followed suit by increasing his price by 8d. per gallon; and the Board, without deciding the point as to whether the wholesale price was justifiable, reported that the extra 3d. charged by the retailer was unreasonable. Nothing further, however, was done, as a new scale of prices was to come into operation on the 1st September. The wholesale price in September was dropped to 10½d. landed in Wellington, and the retail price dropped from 6d. to 5d. per quart. These prices continued until the 1st January, when the Dairy-farmers' Association intimated their intention to raise the wholesale price from 10½d. to 11½d., the reason given being short supplies of milk owing to drought. The Board again reviewed the whole position, and recommended that the wholesale price to be fixed at the summer price—namely, 10½d.—as in no other year had a change from the summer price been made before March. A comparison of returns received by a farmer supplying milk to (a) a butter-factory, (b) a cheese-factory, and (c) the town, was considered by the Board, and the Board found that, taking cheese at 9½d. per pound in store (the price paid by the Imperial Government), and allowing 1½d. per gallon as the value of the by-products, his butter-fat was worth 1s. 11½d. per pound. For the milk supplied to a butter-factory, assuming butter to be equivalent to 1s. 8d. per pound f.o.b., and allowing 3d. for the by-products, his butter-fat was worth 1s. 11d. per pound. In both the foregoing cases an allowance has been made for cost of manufacture, &c. On the other hand, for his supply for consumption in town he would receive 10½d. per gallon, less 1d. railage, or an equivalent of 2s. 3d. per pound of butter-fat. These figures are based on the assumption that the milk in each case came up to the standard test—namely, 3·5 per cent. The advantage was therefore clearly with the farmer selling his milk for consumption in the city, and in the opinion of the Board the extra return gave him ample margin to cover the disabilities which he urged he was working under.

The following Order in Council was gazetted on the 18th January:—

"1. The maximum wholesale price of milk sold for retail distribution within the district in which this Order in Council relates shall be 10½d. per gallon when sold and delivered on the usual trade terms as established at the date of this Order in Council.

"2. In the case of milk sold for retail distribution within the district to which this Order in Council relates, otherwise than on the usual trade terms aforesaid, the maximum wholesale price thereof shall be a price equivalent as regards the seller to the maximum price above mentioned.

"3. The district to which this Order in Council relates shall consist of the boroughs of Wellington, Miramar, Karori, Onslow, Lower Hutt, Petone, and Eastbourne, and the town districts of Johnsonville and Upper Hutt, and the counties of Hutt and Makara."

On the 14th March the winter wholesale price of milk was gazetted at 1s. 0½d. per gallon (allowing 1d. for railage this would return the farmer an equivalent to 2s. 9d. per pound of butter-fat), and the retail price of 5½d. was agreed upon between the Board and the milk-distributors. This retail price, as will be seen, is ½d. per quart lower than the price ruling in the winter of 1916.

It will be noted from the table quoted above showing the wholesale and retail prices of milk that the consumer pays on an average double the price received by the farmer. The main item in this "spread" was found by the Board to be not the profit of the retailer, but the heavy cost of distribution.

#### FISH.

The Board made preliminary inquiries into the conduct of the fish industry at Dunedin, Port Chalmers, Napier, Wellington, and Auckland. It was apparent from the evidence taken that the industry is capable of great development: at present, with perhaps the exception of Auckland, there is a want of organization and system, and grievances are rife from the fisherman right down to the consumer. The only municipal scheme in New Zealand for supplying consumers with fish is that undertaken by the Auckland City Council. The Board noted with considerable satisfaction the success that attended the Council's enterprise in trawling and marketing its own fish. A well-organized private company of long standing, following up-to-date methods, also competes in the Auckland trade, and as a result of this competition the consumers of Auckland are able to purchase fish at a comparatively low price; the consumption of fish per head of population being greater than in any other centre in New Zealand. Auckland is gradually building up a large and lucrative trade in fish outside the city itself, and if the catches can be increased the markets can be further extended. At the request of the Board the

municipal authorities supplied the Borough Council of Taumarunui with fish during last autumn, and, as the latter authority sold the fish to the general public immediately on its arrival and without adding any other cost but expenses of transit, the consumers were able to purchase fresh fish at an average of 3d. per pound, and smoked fish at 4d. per pound. Unfortunately, owing to bad weather conditions at Auckland, the supply was not maintainable for a very long period, but it is expected that with good weather conditions the scheme will be gone on with, and the Board hopes to effect similar arrangements in towns adjacent to the railway-line in the Auckland Province.

The inquiries of the Board regarding the industry generally are not yet completed. The Auckland enterprises are undoubtedly run on proper business lines, but it must be remembered that Auckland is favoured by apparently inexhaustible supplies of fish procurable within weather-protected waters and within easy steaming distance. The provision of cheap fish to the consumers of New Zealand generally is dependent upon a large expenditure of capital on purchase of suitable equipment—trawlers, cool storage, insulated transport—and during the war period it is hopeless to expect that the necessary capital to provide this equipment can be secured.

#### PETROL AND KEROSENE.

Since the Board's report dated 11th July, 1916, was laid on the table of the House there have been slight reductions in the prices of benzine and kerosene. The prices as at July, 1916, and 31st March, 1917, at Wellington were as follows:—

	July, 1916.		March, 1917.	
	s.	d.	s.	d.
Benzine—Wholesale	19	4	18	10
Retail	19	8	19	2
To consumer	20	8	21	2
Kerosene—Wholesale	11	7	11	3
Retail	12	4	12	0
To consumer	12	10	12	6

Variations in these prices (generally from 6d. to 1s. per case higher) in other parts of the Dominion are due to transportation charges.

In accordance with an undertaking given by the trading companies concerned, the Board has been kept fully cognizant of all conditions affecting the price and supply of those commodities. Changes in price since the war started have been fully accounted for by the many increases in the cost of supplies—viz., casing, tinplate, refining charges, marine insurance, freight, &c. We repeat the conclusion made in the main report that after careful inquiry the Board cannot find that any ring or combination is in existence in New Zealand to control the prices of petrol and kerosene; that prices are decided in open competition, and do not appear to be unreasonable.

#### SYNOPSIS OF WORK OF BOARD.

We have dealt with the foregoing commodities at length on account of their importance (with the exception of fish and petrol) in the household expenditure. The Board's inquiries into fish and petrol were undertaken under a commission from His Excellency the Governor-General. A large proportion of the time of the Board was taken up in investigating complaints that prices of other main commodities were unreasonably high. During these investigations the Board has held 124 sittings and examined 432 witnesses. Thirty-seven complaints were received from each of the main centres, and 101 from the secondary and smaller towns. These complaints were often general in their terms as to the increased cost of living, but the majority were specific and related to prices of bread (thirty-seven complaints), butter (twenty-two), milk, coal (nineteen each), meat (eighteen). A less number of complaints was received respecting rents and prices of fish, flour, clothing, boots, bacon, and general grocery supplies.

Valuable evidence was freely tendered by all the witnesses who appeared before the Board, and in no case did there appear to be any withholding of information likely to assist the Board.

The Board at the outset discussed the advisability of admitting the public and Press to its proceedings, and after careful consideration decided that its inquiries should be conducted in *camera*, the reason being that when the Board had to adjudicate on the reasonableness of profits and prices the question necessarily involved consideration of the private business affairs of individuals. The results have justified the decision arrived at, as the Board has obtained evidence of a highly confidential nature from the business community which would not have been given had the inquiries been held in public.

As separate reports have not been prepared dealing with each complaint, we append herewith for your information a complete summary of the work during the period under review.

#### I. INVESTIGATION OF COMPLAINTS ALLEGING INFRINGEMENT OF THE COMMERCIAL TRUSTS ACT, 1910.

(1.) *Re Coal*.—Complaint by Neil Cook against Nightcaps Coal Company, Invercargill. Complaint was fully investigated in public. *Result*: The facts were determined and a legal point was submitted to the Solicitor-General for advice.

(2.) *Re Coal*.—Complaint by Neil Cook against the Wairio Coal Company, Invercargill. Complaint was fully investigated in public, and facts showed that no breach had been committed. Report already in your hands.

(3.) *Re Kerosene*.—Complaint of Messrs. Fairbairn, Wright, and Co. that the agency agreement established by the Vacuum Oil Company Proprietary (Limited) to alter its method of distribution of kerosene and distribute this article through a limited number of agents was in contravention of the above Act. *Result*: The agency agreement and complainant's letter were submitted to the Solicitor-General, who advised that the papers disclosed no evidence of any breach of the Act.



(4.) *Re Sugar*.—Complaint of Fairbairn, Wright, and Co. that the Colonial Sugar Company's scheme of discounts was a breach of the Commercial Trusts Act. *Result*: Solicitor-General has advised on evidence submitted that the practice is legal.

## II. INVESTIGATIONS UNDER SECTION 6 (b) OF THE COST OF LIVING ACT RELATING TO THE SUPPLY, DEMAND, OR PRICE OF COMMODITIES.

(1.) *Fish-prices*.—Referred to Board by His Excellency the Governor-General. Inquiry opened at Auckland and continued at Napier, Dunedin, Christchurch, and Taumarunui. *Result*: Investigation incomplete (see pages 15 and 16 of this report).

(2.) *Petrol-prices*.—See page 16 of this report.

## III. COMPLAINTS UNDER SECTION 6 (c) THAT PRICE OF ANY CLASS OF GOODS IS UNREASONABLY HIGH.

(1.) *Re Bacon*.—Preliminary investigations made in Christchurch, Wanganui, and Wellington.

(2.) *Re Butter*.—Butter inquiry commenced 11th August, and completed 11th October. *Result*: Board recommended Government to take steps to fix prices on the local market. (See pages 5 to 10 of this report.)

(3.) *Coal-prices at Auckland*.—Inquiry held. Representatives of the various companies were examined, also wholesale dealers and retailers. *Result*: Report submitted and laid on the table. After a conference between members of the Board and leading coal dealers and retailers the price of coal in bag lots was reduced by 2s. a ton.

(4.) *Coal-prices at New Plymouth*.—Inquiry held and master coal-dealers examined. *Result*: Prices reduced 1s. 6d. to 6s. per ton.

(5.) *Coal-prices at Christchurch*.—*Result*: Board entered into an arrangement with Christchurch dealers whereby coal in small quantities—namely, quarter-ton and bag lots—was supplied to the public at the same rate as coal supplied in ton lots. A saving of at least 4s. per ton on small lots was thereby effected.

(6.) *Coal-prices at Dunedin*.—Board investigated coal-prices both for Westport coal and lignite coals of Otago and Southland, and decided that prices ruling were reasonable.

(7.) *Groceries*.—Board investigated complaints at Dunedin, Christchurch, Auckland, and Wanganui, and decided that prices were reasonable.

(8.) *Kerosene and Petrol*.—See page 16 of this report.

(9.) *Meat, Gisborne*.—Complaint by Gisborne Borough Council *re* unreasonableness of price. Inquiry held 16th June, and reports submitted showing that prices were reasonable. Subsequently, on further complaints, an arrangement has been entered into for supplying the butchers from Imperial stores. (See pages 10 to 13 of this report.)

(10.) *Milk-prices, Hutt*.—Board entered into an arrangement with milk-vendors, Hutt, to maintain summer price, and that winter price should not exceed 5d. per quart.

(11.) *Milk, Wellington*.—Complaint by Wellington City Council and others that price of milk unreasonable in Wellington. *Result*: Maximum price gazetted in January and altered in March. (See pages 14 and 15 of this report.)

(12.) *Patent Foods, Wellington*.—Board investigated complaints *re* increases in price in patent foods such as "Creanoata," and decided that the new increase in price that had taken place was justifiable.

(13.) *Rent*.—Investigations made at Christchurch, Dunedin, Auckland, and New Plymouth. *Result*: Board decided no action be taken, as the rents were found to be reasonable.

(14.) *Sugar*.—Dealt with in detail in this report (page 14).

(15.) *Tinned Goods (certain classes of), Auckland*.—Complaint by merchant that local price unreasonable as export price lower. Investigation held and witnesses examined. *Result*: Board reported that the complaint not substantiated by evidence.

(16.) *Wheat, &c., Flour, and Bread*.—See details in this report. Maximum prices gazetted for wheat and flour, and prices at which farmers should be asked to grow wheat for the cereal year 1917-18 recommended to Government.

(17.) Numerous complaints dealing with high prices of all classes of commodities from various parts of New Zealand. These have been dealt with by the Board by correspondence.

## IV. INQUIRY INTO POST-WAR TRADE WITH ENEMY COUNTRIES.

This inquiry was referred to the Board by His Excellency the Governor-General, and proceedings were opened at Auckland, continued at Gisborne, Wanganui, New Plymouth, Christchurch, and Dunedin. Representatives from the Chambers of Commerce were interviewed. The proceedings were open to the Press. The Board is not yet in a position to make a report on this vitally important subject.

## V. SPECIAL INVESTIGATION *RE* FENCING.

At the request of the Department of Internal Affairs and Lands Department the Board instituted an inquiry as to what would be a reasonable maximum half-cost of fencing. Inquiries were made in Auckland, Hawke's Bay, Southland, and Canterbury. The Board eventually resolved to recommend £1 10s. per chain as the maximum half-cost of fencing.

## VI. WHITE-PINE INVESTIGATION.

The Board was requested to inquire into the advisability of prohibiting the export of white-pine. The inquiry was opened at Auckland, and evidence was taken at Dargaville, Wellington, Greymouth, Hokitika, Christchurch, Dunedin, Invercargill, Taumarunui, Ohakune, and Taihape. A full report will be presented to you in due course.

## DISTRIBUTION.

Much of the evidence tendered to the Board has dealt with the present method of distribution of food-supplies, such as meat, milk, bread, and general groceries. The wasteful and uneconomic method of several tradesmen delivering foodstuffs in the same areas was stressed. The Board went into the cost of bread, meat, and milk deliveries under existing conditions, and whilst convinced that large economies could be effected by means of the adoption of a "block" system of delivery, the difficulties, owing to the prejudices of the public, appear to be insuperable at the present stage. Municipal control of distribution is the most popular solution suggested. Owing to the continual drain upon our man-power it may shortly be necessary for drastic action to be taken. The delivery of heavy packages could be reduced by a little forethought—say, to one per week. Wherever possible the Board has endeavoured in regulating prices of meat and bread to fix strictly cash-over-the-counter prices and allow retailers a free hand as to the charges to be made for delivery.

## GENERAL REMARKS.

Having outlined the steps taken by the Board to check the upward tendency of prices of the main commodities constituting what may be termed the necessities of life, it is interesting to note the effect that the war has had on the economic life of the people of New Zealand as compared with other countries of which statistical information is available.

The main authorities relied upon in this connection are the *Board of Trade Labour Gazette* (British), *The Statist*, Labour Bulletin No. 16 (Commonwealth Statistician), *Canadian Labour Gazette*, Monthly Abstract of Statistics (Government Statistician, New Zealand).

We draw attention to the fact, however, that these statistics must be used, like all statistics, for purposes of comparison only. Their chief value lies in indicating the upward movement of prices. As pointed out by the Commonwealth Statistician, a change in the "cost of living" may occur either (a) in the standard of living, or (b) in the purchasing-power of money, or (c) in both: both affect the expenditure on living, which expenditure itself depends on three things, viz.: (1) The particular series of commodities consumed; (2) the relative quantities of the commodities consumed; (3) the price of commodities.

To avoid confusion as to the significance of the results given by this comparison the conception of what is meant by "cost of living" ought to be clearly apprehended, for evidently a change in any one of the above may produce a change in the expenditure on living. In order to obtain results which are independent of arbitrary variations of (1) and (2) above, and which unequivocally reflect the variations caused by price alone, it is necessary that the particular series of commodities selected and the relative quantities of these remain constant. These figures therefore omit change in the standard of living which is at the disposal of the individual, and indicate only changes in prices which are not at his disposal. No allowance is made for the considerable economies resulting from changes in dietary which have been widely effected since the beginning of the war, particularly in those households where the total incomes have not been increased by advanced rates of pay, greater regularity of employment, larger output, or the payment for overtime. Practically every item of expenditure of a household has been substantially increased, and during the latter part of the war period inferior-quality goods have perhaps replaced to some extent superior articles of similar kind, and frequently at an increased cost. The comparison is made from the latest available statistics between July, 1914 (taken as the basis, 100), and where possible, 31st March, 1917. The figures for some of the countries compared relate to various earlier dates. As prices in all countries are moving upward this difference in date is important, and should be borne in mind when making comparisons between one country and another. The following table shows the percentage of increase in the "cost of living" as defined above since July, 1914:—

Austria .. ..	171·7	(January, 1917).
Germany .. ..	110·5	(January, 1917).
United Kingdom .. ..	94	(March, 1917).
Norway .. ..	84	(November, 1916).
Holland .. ..	70	(March, 1917).
Sweden .. ..	66	(February, 1917).
United States .. ..	31	(March, 1917).
Canada .. ..	44	(March, 1917).
Australia .. ..	25·6	(March, 1917).
New Zealand .. ..	25·79	(March, 1917).

With regard to the figures for Berlin and Vienna, it must be borne in mind that these no longer afford any indication as to the state of supplies, and, being based on artificially fixed maximum prices, are not comparable with figures which are mainly based on prices in a free market. All the figures used in the calculation for Berlin and most of those for Vienna relate to commodities the consumption of which is strictly controlled by a system of rationing.

In regard to Australia and New Zealand, it must also be remembered that the prices of the main exports—viz., cheese, meat, wool, and by-products—have in the main been determined by a system of purchases arranged between the Imperial Government and the Commonwealth Government and the New Zealand Government respectively, and full market values have not been received, but the prices so arranged have necessarily been the basis of values within the Dominion and the Commonwealth. This is undoubtedly one of the reasons why the percentage increase in prices in these countries is relatively low, and why the antipodean consumer is so much more favourably situated than the consumer in Great Britain. In regard to butter, which was not the subject of negotiations between the respective Governments, the Board of Trade scheme for the regulation of price resulted in the New Zealand consumer being saved from 4d. to 5d. per pound on every pound consumed over part of the period included in the calculation.

The whole of the increases as exemplified in the above table are not due to the war. As pointed out in the Cost of Living Report of 1912, the upward tendency of prices has been in

progress continuously since 1908. The following table, prepared by the Imperial Board of Trade, gives the index numbers indicating the changes in wholesale prices in the period 1900 to 1916, and retail prices have in general moved in sympathy. This table may be taken as typical of the upward movement of prices generally throughout the world, as the British market was practically free from restrictions prior to the outbreak of the war.

1900 .. .. .	100·0	1909 .. .. .	104·1
1901 .. .. .	96·7	1910 .. .. .	108·8
1902 .. .. .	96·4	1911 .. .. .	109·4
1903 .. .. .	96·9	1912 .. .. .	114·9
1904 .. .. .	98·2	1913 .. .. .	116·5
1905 .. .. .	97·6	1914 (Jan. to July)	113·6
1906 .. .. .	100·8	"   (Aug. to Dec.)	122·6
1907 .. .. .	106·0	1915 .. .. .	143·9
1908 .. .. .	103·0	1916 .. .. .	186·5

The war has clearly accelerated this upward tendency, but was not entirely responsible for it. War finance and abnormal economic conditions have produced an inflated currency, which results in a general rise in prices by lowering the value of money. This is not the place to enter upon a detailed explanation of the economic grounds on which this statement is made. The question has been ably dealt with in the banking number of the *Economist* in October last. The writer discussed the evidence of inflation drawn from the examination of banking credits created during the war by the belligerent Powers, and continued, "If we add to this evidence of increased banking credits during the war the creation of one hundred million Treasury notes, backed by securities and bills at the Bank of England, it is clear, even after making allowance for gold circulation which these notes have replaced, that inflation is an element in the rise of prices." This is the most unsatisfactory feature of financing war expenditure mainly by loan, because it occasions rapid rises of prices, thus enhancing the money-cost of the war.

The greater quantity of money in circulation due to inflation and to a more rapid circulation, whilst sufficient to explain the general rise in prices, does not explain why some articles have risen more than others. The law of supply and demand determines this, and summing up the factors under this head that have operated as far as New Zealand is concerned we may briefly state that the main reasons for the increased prices in New Zealand are as follows:—

- (1.) The enormous demand for New Zealand primary products oversea.
- (2.) High inward and coastal freights owing to shortage of shipping.
- (3.) Shortage of all supplies in countries affected by the war, owing mainly to men being diverted from the productive industries to the fighting-line and munition-works, necessitating many factories that in pre-war times were engaged in the production of articles of commerce giving up their ordinary work entirely and devoting their whole time to the production of war materials.
- (4.) Shortage of labour in New Zealand tending to decreased production.
- (5.) Depreciation in the value of labour owing to the best men having joined the Expeditionary Forces.

Stated in its simplest form, the population of New Zealand lives by exchanging the products of the soil for articles—some necessities, others luxuries—imported from other countries. The analyses of various index numbers clearly demonstrate that the prices of the primary products of the soil have risen more during the war than the prices of manufactured and other articles. The Government Statistician shows that while groceries, more than half of which are imported from abroad, have risen 24·3 per cent. as compared with prices ruling at the 31st July, 1914, dairy-produce has risen 27·15 per cent., and meat 26·4 per cent. What these rises in the main commodities of our export mean in money is set out in the following series of figures supplied at the Board's request by the Government Statistician.

**ELEVEN PRINCIPAL EXPORTS OF NEW ZEALAND FOR THE TWELVE-MONTHLY PERIODS ENDING 31ST MARCH, 1916 AND 1917, SHOWING ACTUAL VALUES AND VALUES WHEN ASSESSED AT PRICES RULING FOR THE YEAR ENDED 31ST MARCH, 1915.**

Item.	Twelve Months ended 31st March, 1915.	Twelve Months ended 31st March, 1916.		Twelve Months ended 31st March, 1917.		Difference.
		Actual Value.	Value at 1915 Prices.	Actual Value.	Value at 1915 Prices.	
	£	£	£	£	£	£
Wool .. .. .	10,461,778	11,769,297	8,421,605	10,572,713	7,188,977	6,731,428
Mutton, frozen .. .. .	2,113,743	2,907,507	2,524,728	2,535,134	2,103,730	814,183
Lamb, frozen .. .. .	2,579,357	2,903,151	2,653,132	2,157,110	1,930,047	477,082
Beef, frozen .. .. .	1,331,136	1,611,449	1,395,527	2,185,763	1,874,526	527,169
Butter .. .. .	2,303,539	2,766,652	2,205,079	2,787,487	1,968,997	1,380,063
Cheese .. .. .	2,389,121	3,033,407	2,597,873	3,100,168	2,324,765	1,210,937
Hides .. .. .	393,245	527,624	488,910	517,170	421,264	134,620
Tallow .. .. .	733,140	746,616	712,362	761,357	586,842	208,769
Phormium .. .. .	381,907	692,475	567,747	1,078,746	614,124	589,340
Timber .. .. .	419,578	368,694	372,546	420,116	400,908	15,356
Gold* .. .. .	895,367	1,694,553	1,694,553	1,199,212	1,199,212	..
	24,001,911	29,021,425	23,634,062	27,314,976	20,613,392	12,088,947

\* The figures given for gold are for the calendar years, 1914, 1915, and 1916 respectively. Figures re the export of gold have not been available since December, 1916.

ELEVEN PRINCIPAL EXPORTS OF NEW ZEALAND FOR THE TWELVE-MONTHLY PERIODS ENDED 31ST MARCH, 1916 AND 1917, SHOWING ACTUAL VALUES AND VALUES WHEN ASSESSED ON PRICES RULING IN THE CALENDAR YEAR 1914.

Item.	Calendar Year 1914.	Year ended 31st March, 1916.		Year ended 31st March, 1917.		Difference.
		Actual Value.	Value at 1914 Prices.	Actual Value.	Value at 1914 Prices.	
	£	£	£	£	£	£
Wool .. ..	9,318,114	11,769,297	7,810,760	10,572,713	6,667,538	7,863,712
Mutton, frozen ..	2,115,080	2,907,507	2,324,037	2,535,134	1,936,504	1,182,100
Lamb, frozen ..	2,554,517	2,903,151	2,561,965	2,157,110	1,863,726	634,570
Beef, frozen ..	1,029,529	1,611,449	1,261,150	2,185,763	1,694,025	842,037
Butter .. ..	2,338,576	2,766,652	2,146,632	2,787,487	1,916,808	1,490,699
Cheese .. ..	2,564,125	3,033,407	2,562,219	3,100,168	2,292,860	1,278,496
Hides .. ..	358,618	527,624	470,716	517,170	405,588	168,490
Tallow .. ..	694,348	746,616	709,841	761,357	584,765	213,367
Phormium .. ..	455,214	692,475	592,573	1,078,746	640,978	537,670
Timber .. ..	422,545	368,694	365,262	420,116	393,070	30,478
Gold* .. ..	895,367	1,694,553	1,694,553	1,199,212	1,199,212	..
	22,746,033	29,021,425	22,499,708	27,314,976	19,595,074	14,241,619

\* The figures given for gold are for the calendar years 1914, 1915, and 1916 respectively. Figures re the export of gold have not been available since December, 1916.

ELEVEN PRINCIPAL EXPORTS OF NEW ZEALAND FOR THE TWELVE-MONTHLY PERIODS ENDED 31ST MARCH, 1916 AND 1917, SHOWING ACTUAL VALUES AND VALUES WHEN ASSESSED ON PRICES RULING IN THE CALENDAR YEAR 1913.

Item.	Calendar Year 1913.	Year ended 31st March, 1916.		Year ended 31st March, 1917.		Difference.
		Actual Value.	Value at 1913 Prices.	Actual Value.	Value at 1913 Prices.	
	£	£	£	£	£	£
Wool .. ..	8,057,620	11,769,297	7,983,099	10,572,713	6,814,653	7,544,258
Mutton, frozen ..	1,630,332	2,907,507	2,191,819	2,535,134	1,826,334	1,424,488
Lamb, frozen ..	2,332,372	2,903,151	2,470,111	2,157,110	1,796,906	793,244
Beef, frozen ..	347,383	1,611,449	968,826	2,185,763	1,301,364	1,527,022
Butter .. ..	2,061,651	2,766,652	2,206,653	2,787,487	1,970,403	1,377,083
Cheese .. ..	1,770,297	3,033,407	2,498,113	3,100,168	2,235,493	1,399,969
Hides .. ..	261,744	527,624	437,029	517,170	376,561	231,204
Tallow .. ..	663,088	746,616	730,700	761,357	601,948	175,325
Phormium .. ..	721,924	692,475	659,091	1,078,746	712,930	399,200
Timber .. ..	318,767	368,694	362,294	420,116	389,876	36,640
Gold* .. ..	1,495,499	1,694,553	1,694,553	1,199,212	1,199,212	..
	19,660,677	29,021,425	22,202,288	27,314,976	19,225,680	14,908,433

\* The figures given for gold are for the calendar years 1914, 1915, and 1916 respectively. Figures re the export of gold have not been available since December, 1916.

ELEVEN PRINCIPAL EXPORTS OF NEW ZEALAND FOR THE CALENDAR YEARS 1915 AND 1916, SHOWING ACTUAL VALUES AND VALUES WHEN ASSESSED AT PRICES RULING IN THE CALENDAR YEAR 1914.

Item.	1914.	1915.		1916.		Difference.
		Actual Value.	Value at 1914 Prices.	Actual Value.	Value at 1914 Prices.	
	£	£	£	£	£	£
Wool .. ..	9,318,114	10,387,875	8,307,881	12,386,074	7,840,302	6,625,766
Mutton, frozen ..	2,115,080	2,893,161	2,323,099	2,529,971	2,009,265	1,090,768
Lamb, frozen ..	2,554,517	3,004,051	2,666,096	2,437,100	2,147,916	627,139
Beef, frozen ..	1,029,529	1,626,157	1,272,331	2,119,057	1,662,589	810,294
Butter .. ..	2,338,576	2,700,625	2,263,565	2,632,293	1,932,163	1,137,190
Cheese .. ..	2,564,125	2,730,211	2,426,036	3,514,310	2,818,348	1,000,137
Hides .. ..	358,618	506,189	450,123	605,668	495,167	166,567
Tallow .. ..	694,348	780,828	758,019	785,339	636,483	171,665
Phormium .. ..	455,214	571,621	536,497	1,001,725	639,407	397,442
Timber .. ..	422,545	383,616	389,083	381,477	362,514	13,496
Gold .. ..	895,367	1,694,553	1,694,553	1,199,212	1,199,212	..
	22,746,033	27,278,887	23,087,283	29,592,226	21,743,366	12,040,464

These tables plainly indicate that with a decreased volume of export as compared with the calendar year 1914 the country has received enormously increased values, amounting to no less a sum (Table 2) than £14,241,619 for the two twelve-monthly periods ending respectively 31st March, 1916 and 1917, and it must be remembered that during the calendar year of 1914 there were five months of war prices included.

But it is not only those engaged in farming pursuits who have benefited by the result of war prices. Probably 90 per cent. of the population has benefited to some extent, though not always to the same extent, in the general prosperity that has resulted, even after allowing for depreciation in the purchasing-power of the sovereign, as shown by the tables that indicate the extent to which prices have risen generally. Evidence of this is found in the increased sums put through the totalizer and in the enormous sums spent on luxuries and amusements. The returns of the savings-banks show that at the end of the calendar year 1914 there were 483,262 depositors, and these had increased at the end of 1916 to 645,117 depositors; whilst at the end of 1914 the excess of deposits over withdrawals amounted to £1,301,305, and in 1916 to £2,618,989, or 100 per cent. increase in the short space of two years.

#### RECOMMENDATIONS.

The Board frankly confesses it has not found during its investigations and inquiries a panacea for the increased cost of living. The fixation of prices, although force of circumstances has compelled almost every nation in the world to adopt this course, is fraught with many and obvious dangers. The conditions in New Zealand do not yet warrant a general resort to so drastic a remedy. True, the Board has recommended the fixation of prices of certain commodities and the Government has adopted its recommendations, but loss and hardships have in some instances been occasioned thereby, and these have not always fallen on those best able to bear them. It is admitted, however, that the assistance and work of the Board has served as a check on combinations that might otherwise have taken advantage of their economic position to "exploit" the public, meaning thereby extracting an illegitimate gain. The usefulness of the Board in this direction would be greatly enhanced if power were conferred on it by legislation making it obligatory on purveyors of goods and services (to be specified from time to time by the Board) to give the Board at least seven days' notice of any intended increase in price and the reasons for such increase. Such reasons could then be considered, and if they were found to be unsatisfactory the proposed increase could be disallowed, the present legislation being sufficient to deal with any trader insisting on an increase after such a decision had been come to.

An increase in price may be necessary as the result of any one of a number of causes—*e.g.*, a shortage in supplies, a rise in freights, increased cost of labour; but during war periods a trader should not be allowed to increase his price more than is necessary to recoup him for the extra cost entailed, as suffering may be caused before competition has restored the balance between supply and demand and eliminated undue profits. We believe that with the loyal co-operation of the commercial community the exercise of the powers hereby sought would give confidence to the great mass of the people that "exploitation" and "profiteering" would be effectively checked.

In conclusion, the Board would urge the imperative necessity that now exists for increased production, for rigid economy, for the curtailment of expenditure on luxuries, and for the elimination of waste.

We desire to express our thanks for the help which has been given to us in the course of our inquiries by the officials of the various Departments, especially the Government Statistical Branch, the Department of Agriculture, the Imperial Supplies Branch, the Customs Department, and the Crown Law Office, who have furnished us with much valuable information and advice, and also to the many witnesses who have responded to our invitation to give evidence before us.

A statement showing the expenditure of the Board for the period is given in Appendix E.

W. G. McDONALD,	} Members of Board.
J. R. HART,	
P. HALLY,	
J. W. COLLINS, Secretary.	

31st July, 1917.

## APPENDICES.

## APPENDIX A.

(Gazetted 6th February, 1917.)

## WHEAT.

1. The maximum price of wheat when sold for delivery free on board at the nearest port and on the usual trade terms as established at the date of this Order in Council shall be the price specified in the Second Schedule to this Order in Council.

2. In the case of wheat sold otherwise than for delivery free on board at the nearest port and on the usual trade terms as established at the date of this Order in Council, the maximum price thereof shall be a price equivalent, as regards the seller, to the price fixed by the last preceding paragraph.

3. In this schedule the term "nearest port" means the port of entry under the Customs Act, 1913, at which or nearest to which the wheat to which the contract of sale relates, or which is appropriated to that contract, is situated when the contract is made or when the wheat first thereafter comes into the possession or disposition of the seller.

4. This Order in Council shall not apply to a contract for the sale of wheat in a quantity less than 50 bushels, but for the purpose of this exception two or more contracts made at the same time, or substantially at the same time, between the same parties shall be deemed to be one contract.

5. This Order in Council shall not apply to a contract for the sale of seed-wheat if such contract is made with the knowledge and approval of the Board of Trade.

*Scale of Maximum Prices for Wheat per Bushel.*

Wheat sold for delivery in February, March, or April, 1917:—							s.	d.
Pearl and Velvet	...	...	...	...	...	...	5	9
Hunters	...	...	...	...	...	...	5	8
Tuscan	...	...	...	...	...	...	5	7
Wheat sold for delivery in May, 1917:—								
Pearl and Velvet	...	...	...	...	...	...	5	9½
Hunters	...	...	...	...	...	...	5	8½
Tuscan	...	...	...	...	...	...	5	7½
Wheat sold for delivery in June, 1917:—								
Pearl and Velvet	...	...	...	...	...	...	5	10
Hunters	...	...	...	...	...	...	5	9
Tuscan	...	...	...	...	...	...	5	8
Wheat sold for delivery in July, 1917:—								
Pearl and Velvet	...	...	...	...	...	...	5	10½
Hunters	...	...	...	...	...	...	5	9½
Tuscan	...	...	...	...	...	...	5	8½
Wheat sold for delivery later than July, 1917:—								
Pearl and Velvet	...	...	...	...	...	...	5	11
Hunters	...	...	...	...	...	...	5	10
Tuscan	...	...	...	...	...	...	5	9

Wheat sold without express provision as to month of delivery shall for the purposes of this schedule be deemed to have been sold for delivery in the month in which the contract was made, and the maximum price shall be determined accordingly.

In this schedule the term "Tuscan" includes all kinds of wheat other than Pearl, Velvet, and Hunters.

## FLOUR.

1. When the nearest port is Christchurch, Timaru, or Oamaru, the maximum price of flour as sold by the manufacturer for delivery free on board at the nearest port in 200 lb. sacks on the usual trade terms as established at the date of this Order in Council shall be £15 per ton, and in the case of sale by the manufacturer otherwise than in manner aforesaid the maximum price shall be a price equivalent as regards the seller to the maximum price above mentioned.

2. In this schedule the term "nearest port" means the port of entry under the Customs Act, 1913, which is nearest to, or includes, the place of manufacture of the flour sold.

3. When the nearest port is a port other than Christchurch, Timaru, or Oamaru, the maximum price of flour as sold by the manufacturer for delivery free on board at the nearest port in 200 lb. sacks on the usual trade terms as established at the date of this Order in Council shall be £15 per ton, with such addition only as is equal to the cost of the carriage by sea of a ton of flour from Lyttelton to the said nearest port; and in the case of sale by the manufacturer otherwise than in manner aforesaid the maximum price shall be a price equivalent as regards the seller to the maximum price last above mentioned.

## BRAN AND POLLARD.

1. When the nearest port is Christchurch, Timaru, or Oamaru the maximum price of bran and pollard as sold by the manufacturer for delivery free on board at the nearest port on the usual trade terms as established at the date of this Order in Council shall be £4 per ton in the case of bran and £6 per ton in the case of pollard, and in the case of sale by the manufacturer otherwise than in manner aforesaid the maximum price shall be a price equivalent as regards the seller to the maximum prices above mentioned.

2. In this schedule the term "nearest port" means the port of entry under the Customs Act, 1913, which is nearest to, or includes, the place of manufacture of the bran or pollard sold.

3. When the nearest port is a port other than Christchurch, Timaru, or Oamaru the maximum price of bran or pollard as sold by the manufacturer for delivery free on board at the nearest port on the usual trade terms as established at the date of this Order in Council shall be £4 per ton in the case of bran and £6 per ton in the case of pollard, with such addition only as is equal to the cost of the carriage by sea of a ton of bran or pollard, as the case may be, from Lyttelton to the said nearest port; and in the case of sale by the manufacturer otherwise than in manner aforesaid the maximum price shall be a price equivalent as regards the seller to the maximum price last above mentioned.

#### REGULATIONS.

1. (1.) Every person who, whether as a principal or an agent, and whether personally or through an agent, enters into any contract for the purchase of wheat shall, within seven days after the day of the making of that contract, send or cause to be sent to the Board of Trade, by means of a letter posted and addressed to the Secretary of that Board at Wellington, a notification of such contract containing the following particulars:—

- (a.) The names and addresses of the purchaser and seller;
- (b.) The date on which the contract was made;
- (c.) The class and quantity of wheat so purchased;
- (d.) The agreed date and place of delivery;
- (e.) The price of the wheat;
- (f.) The price of the sacks;
- (g.) Particulars of any terms or conditions which are not in accordance with the established custom of the trade at the date of these regulations;
- (h.) If the contract is made or evidenced by any written document, a copy of that document;
- (i.) A declaration made by or on behalf of the purchaser that the price of the wheat is not in excess of the maximum price as fixed at the date of the contract by any Order in Council made under the Regulation of Trade and Commerce Act, 1914.

(2.) Every person who makes default in sending or causing to be sent a notification in accordance with the foregoing provisions, or who sends or causes to be sent to the Board of Trade any such notification which is false or misleading in any particular, shall be guilty of an offence against these regulations, and shall be liable accordingly.

(3.) Nothing in this regulation shall render necessary a notification of any contract for the purchase of wheat in any quantity less than 50 bushels, save that two or more contracts made between the same parties at the same time, or substantially at the same time, shall be deemed to be one contract for the purpose of this exemption.

2. (1.) Every manufacturer of flour, and every agent of a manufacturer of flour, who, whether by himself or an agent, enters into any contract for the sale of flour, bran, or pollard shall, within seven days after the end of the calendar month in which that contract is made, send or cause to be sent to the Board of Trade, by means of a letter posted and addressed to the Secretary of that Board at Wellington, a notification of such contract containing the following particulars:—

- (a.) The names and addresses of the purchaser and seller;
- (b.) The date on which the contract was made;
- (c.) The quantity of flour, bran, or pollard so purchased;
- (d.) The agreed date and place of delivery;
- (e.) The price;
- (f.) Particulars of any terms or conditions which are not in accordance with the established custom of the trade at the date of these regulations;
- (g.) A declaration made by or on behalf of the seller that the price is not in excess of the maximum price of the goods so sold as fixed at the date of the contract by any Order in Council made under the Regulation of Trade and Commerce Act, 1914.

(2.) Every person who makes default in sending or causing to be sent a notification in accordance with the foregoing provisions, or who sends or causes to be sent to the Board of Trade any such notification which is false or misleading in any particular, shall be guilty of an offence against these regulations, and shall be liable accordingly.

3. Every person who, whether as principal, agent, or otherwise, buys or sells or is in any manner concerned in the buying or selling of wheat, flour, bran, or pollard at a price in excess of the maximum price thereof as determined by any Order in Council for the time being in force under the Regulation of Trade and Commerce Act, 1914, shall be guilty of an offence against these regulations, and shall be liable accordingly.

4. (1.) The Minister of Agriculture or any member of the Board of Trade may require any person to give to him information relative to the sale or purchase of any wheat, flour, bran, or pollard, whether by the person so required to give information or by any other person, and it shall be the duty of all persons when so required to give all such information in their possession accordingly.

(2.) Every person who makes default in giving any such information when so required, or who, whether so required or not, gives any false or misleading information to the Minister of Agriculture or to any member of the Board of Trade relative to the sale or purchase of any wheat, flour, bran, or pollard, shall be guilty of an offence against these regulations, and shall be liable accordingly.

5. For the purposes of these regulations an option for the sale or purchase of any goods shall be deemed to be a contract for the sale and purchase thereof, and these regulations shall apply accordingly.

## APPENDIX B.

(Gazetted 13th October, 1917.)

*Fixing the Maximum Price of Butter.*

1. THE maximum wholesale price of butter as sold by the manufacturer and delivered in boxes at the factory on the usual trade terms as established at the date of this Order in Council shall be one hundred and forty-nine shillings and fourpence per hundredweight.

2. In the case of butter sold by the manufacturer otherwise than for delivery at the factory in boxes on the usual trade terms aforesaid, the maximum wholesale price thereof shall be a price equivalent, as regards the seller, to the maximum price above mentioned.

3. In the case of butter sold otherwise than by the manufacturer, and whether wholesale or retail, the maximum price thereof shall be the maximum price mentioned in clause 1 of this schedule with such increase only as is in accordance with the established custom of the trade as existing at the date of this Order in Council with respect to the relation between the price of butter so sold and the wholesale price of butter at the factory.

4. Nothing in this Order in Council shall apply to butter destined by the purchaser for exportation and not for consumption or use in New Zealand. Exportation includes shipment as ship's stores.

*Prohibiting the Export of Butter and Cheese.*

1. No butter or cheese shall be exported from New Zealand unless it has been manufactured (whether before or after the date of this Order in Council) at a factory in respect of which an export license has been issued under this Order in Council and is in force at the time of the shipment of the goods upon the exporting ship.

2. Export licenses under this Order in Council may be granted by the licensing authority hereinafter mentioned to any company, firm, or person engaged in the manufacture of butter or cheese, in respect of the factory or factories of that company, firm, or person.

3. Every such export license shall be revocable at the will of the said licensing authority.

4. In the grant, refusal, or revocation of such licenses the licensing authority shall not differentiate between the factories of different companies, firms, or persons save by reason of the refusal or failure of any company, firm, or person to accept or fulfil the terms and conditions of the grant or continuance of export licenses under this Order in Council.

5. An export license shall be granted only on the terms that the licenseholder undertakes to pay to the Crown the charge hereinafter specified on all butter-fat consumed by the licenseholder in the manufacture of butter or cheese at any factory or factories during the continuance of his license, and also on all butter-fat which has been already consumed by the licenseholder in the manufacture of butter and cheese at any factory or factories in the interval between the 31st day of August, 1916, and the first grant to him of an export license.

6. The aforesaid charge shall be at the rate of  $\frac{3}{4}$ d. per pound of butter-fat, or at such greater or smaller rate as may from time to time be determined by the licensing authority with the approval of the Board of Trade established under the Cost of Living Act, 1915; provided that any such alteration of the charge shall take effect only with respect to butter-fat consumed after the date on which such alteration has been notified by the publication thereof in the *Gazette* by the licensing authority.

7. The said charge shall be payable to the licensing authority on behalf of the Crown at such times and in such manner as may be prescribed by the export license.

8. (1.) All moneys paid by way of the charge aforesaid shall be credited to a deposit account by the licensing authority, and shall be available in the hands of that authority for expenditure, with the approval of the said Board of Trade, on the following purposes:—

(a.) The payment from time to time of the expenses incurred by the licensing authority or by any Department of the Government, or by the Board of Trade, in administering the system of export licenses hereby established.

(b.) The distribution from time to time among the several holders of export licenses of such sums as may be deemed justly payable in order to compensate those holders for any loss incurred by them in disposing of butter of their own manufacture for home consumption instead of for export, during any period in respect of which the aforesaid charge on butter-fat has been paid by them.

(c.) In refunding to the payers of the charge all sums not expended for the aforesaid purposes.

(2.) The determination of the Board of Trade as to the expenditure of such moneys shall for all purposes be final and conclusive.

9. Every export license shall be issued on the terms that if any dispute arises between the licenseholder and the licensing authority as to the amount of the charge to be paid by the licenseholder, the dispute shall be referred to the said Board of Trade, whose decision thereon shall be final.

10. Every export license shall be issued on the terms that the licenseholder shall from time to time make to the licensing authority such returns relative to the business of the licenseholder as that authority may from time to time require for the purposes of this Order in Council, those returns to be verified by statutory declaration if and so far as the licensing authority so requires.

11. Every export license may be issued on such further terms and conditions as the licensing authority considers necessary for the effective administration of this Order in Council.

12. No export license shall be granted to any company, firm, or person until that company, firm, or person has entered into a written agreement with the licensing authority, on behalf of the Crown, to pay the said charge and to observe and perform all the terms and conditions of the license.



13. Notwithstanding anything contained in this Order in Council, butter and cheese may, with the leave of a Collector of Customs, be shipped for exportation as ship's stores at any time before the 28th day of October, 1916, without the necessity of an export license, if the Collector is satisfied that the quantity so shipped does not exceed the quantity reasonably required by the ship for its outward and return voyage.

14. The licensing authority for the purposes of this Order in Council shall be such officer of the Government service as may be nominated in that behalf by the Minister of Agriculture.

15. Nothing in this Order in Council shall apply to whey-butter, or to milled butter, or to farmers' dairy butter or cheese.

16. Save and except that the Order in Council of the 11th day of May, 1916, is hereby revoked as aforesaid, nothing in this present Order in Council, or in any export license granted in pursuance thereof, shall in any manner take away or affect the operation of any other Orders in Council by which the export of butter or cheese is already in any manner prohibited or restricted; and all existing Orders in Council made under the Customs Act, 1913, and the Regulation of Trade and Commerce Act, 1914, relative to the exportation of goods shall have full force and effect according to their tenor concurrently with the present Order in Council, and in the same manner as if the said Order in Council of the 11th day of May, 1916, had never been in force.

### APPENDIX C.

(Gazetted 15th February, 1917.)

#### BUTTER.—WINTER PRICES.

1. The maximum wholesale price of butter as sold by the manufacturer and delivered in boxes at the factory on the usual trade terms as established at the date of this Order in Council shall be as follows:—

							Maximum Price per Pound.	
For butter sold for delivery in—							s.	d.
February, 1917...	...	...	...	...	...	...	1	4
March	„	...	...	...	...	...	1	4
April	„	...	...	...	...	...	1	4½
May	„	...	...	...	...	...	1	4½
June	„	...	...	...	...	...	1	4½
July	„	...	...	...	...	...	1	4½
August	„	...	...	...	...	...	1	4½

2. In the case of butter sold in boxes by the manufacturer otherwise than for delivery at the factory on the usual trade terms aforesaid, the maximum wholesale price thereof shall be a price equivalent as regards the seller to the maximum price above mentioned.

3. The maximum wholesale price of butter (whether sold by the manufacturer or any other person) patted, and delivered on the premises of the retailer on the usual trade terms as established at the date of this Order in Council, shall be as follows:—

							Maximum Price per Pound.	
For butter sold for delivery in—							s.	d.
February, 1917...	...	...	...	...	...	...	1	5
March	„	...	...	...	...	...	1	5
April	„	...	...	...	...	...	1	5½
May	„	...	...	...	...	...	1	5½
June	„	...	...	...	...	...	1	5½
July	„	...	...	...	...	...	1	5½
August	„	...	...	...	...	...	1	5½

4. In the case of butter (whether sold by the manufacturer or any other person) patted, and delivered on the premises of the retailer otherwise than on the usual trade terms aforesaid, the maximum wholesale price thereof shall be a price equivalent as regards the seller to the maximum price fixed by clause 3 hereof.

5. The maximum price of butter as sold by the retailer shall be as follows:—

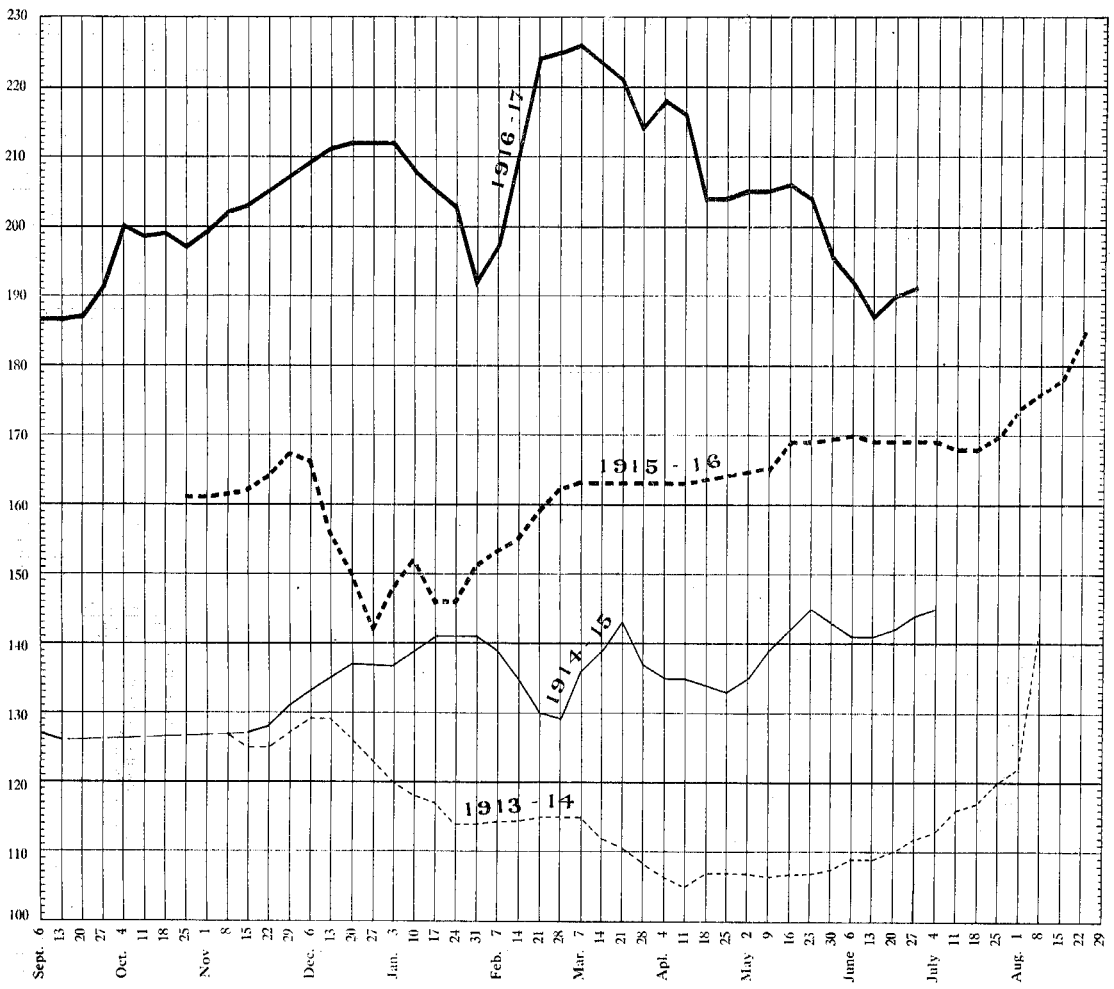
							Maximum Price per Pound.	
For butter sold for delivery in—							s.	d.
February, 1917...	...	...	...	...	...	...	1	7
March	„	...	...	...	...	...	1	7
April	„	...	...	...	...	...	1	7
May	„	...	...	...	...	...	1	7
June	„	...	...	...	...	...	1	8
July	„	...	...	...	...	...	1	8
August	„	...	...	...	...	...	1	8

6. Butter sold without express provision as to the month of delivery shall, for the purposes of this schedule, be deemed to have been sold for delivery in the month in which the contract was made, and the maximum price shall be determined accordingly.

7. Nothing in this Order in Council shall apply to butter destined by the purchaser for exportation and not for consumption or use in New Zealand. "Exportation" includes shipment as ships' stores.

APPENDIX D.

CHART SHOWING WHOLESALE PRICES OF NEW ZEALAND BUTTER (SALTED) ON THE LONDON MARKET SINCE SEPTEMBER, 1913.



APPENDIX E.

PARLIAMENT appropriated last session an item of £1,800 for the expenses of the Board. Of this amount, £1,674 has been expended under the following headings :—

Travelling expenses and allowances of members, staff, and witnesses	...	£	1,238
Advertising	...	...	66
Office expenses	...	...	370
			<hr/>
			£1,674

*Approximate Cost of Paper.*—Preparation, not given ; printing (1,000 copies), £25.

By Authority : MARCUS F. MARKS, Government Printer, Wellington.—1917.

Price 9d.]