

Australian wheat at 4s. 9d., and if an option could be obtained at anything approaching this price it would be highly satisfactory. If the Government decide to adopt this recommendation we would stress the necessity for immediate action and for the observance of secrecy until the option is exercised."

On receipt of this report cablegrams passed between the Hon. the Acting Prime Minister and the Right Hon. the Prime Minister, who was then in London, with the object of arranging an option in London with the representatives of the Australian Government. On the 31st January, 1917, the Hon. the Acting Prime Minister, on the recommendation of the Board, cabled to the Right Hon. the Prime Minister requesting him to endeavour to fix the price to be paid by the New Zealand Government for Australian wheat at the rate paid by the Imperial Government—namely, 4s. 9d. per bushel f.o.b. On the 31st March a further cable was sent to the Right Hon. the Prime Minister stressing the importance of completing the option to purchase Australian wheat. After further negotiations the Right Hon. the Prime Minister cabled on the 20th April that the Commonwealth Government refused New Zealand's proposal to share in the Imperial Government purchase. Consequently, on the 23rd April, 1917, the Board recommended that the Hon. W. D. S. MacDonald should visit Australia at the earliest possible moment to arrange the purchase of at least 1,000,000 bushels of wheat, and early in May the Minister left accordingly. The purchase of 1,000,000 bushels at 5s. 6d. per bushel f.o.b. was finally completed in Australia on the 22nd May, and arrangements were made by the Minister for the first shipment by the s.s. "Kauri" on the 24th May. This shipment arrived in Dunedin on the 2nd June. On the 12th June Mr. Hart, a member of the Board, visited Australia and arranged for the grading and despatch of subsequent cargoes. The second shipment arrived in Auckland on the 26th July. Further shipments were held up on account of a strike taking place in Australia, and were not resumed until late in October. By this date the local supplies were almost exhausted. The total harvest had amounted to only 5,051,227 bushels of all grades of wheat, and the Australian wheat was milled as soon as it came to hand. A crisis, especially in the North Island, in the food-supplies of the people was diverted by the narrowest of margins, but fortunately the public was not aware of the seriousness of the position, and the regular shipments subsequently received saved the situation until the new harvest was available for milling.

Comparing this period of 1917 with a similar occurrence in 1916, the Board points out that in 1916, in the absence of Government control of the wheat position, flour-prices advanced in a few days by £3 per ton (viz., from £12 f.o.b. Lyttelton to £15 at the same port), although there was enough wheat in the Dominion, according to the returns of the Government Statistician, to meet normal requirements until the end of February, 1917. During 1917, through anticipation of the fact that New Zealand was on the verge of an actual shortage, the steps taken by the Government to control the price and augment the supply by a Government purchase kept flour constant at a fixed price, and undoubtedly saved the consumers of the country during a period of four months at least, on a comparison with 1916, £3 per ton on our consumption of flour—approximately 100,000 tons per annum—so that this resulted in a saving to the consumer of approximately £90,000. The details of the financial transactions in connection with this wheat-purchase are given in the appendix to this report, marked "A," and show a net loss of £6,689 17s. 5d., which was necessitated by the decision of the Government to charge only such prices to millers as would allow them to conform with the gazetted prices for flour and offals, and, the Board submits, was amply justified in the excellent result achieved by stabilizing the prices of flour and bread, and preventing a food panic on the part of the public.

The quality of the wheat purchased from Australia was pronounced by experts to be the best ever imported into the Dominion, and not one single complaint was received from millers; and the Australian Wheat Board has recently said that the wheat of the 1915-16 crop (the wheat purchased) was the finest ever harvested in Australia; and New Zealand was fortunate in making a bargain that compared more than favourably with Australia's other customers, as the following comparison will show: South Africa, 6s. 4d.; Peru, 6s. 3d. to 6s. 6d.; Norway, about 6s.; the East, 5s. 9d.

As the Government had, prior to the 6th February, 1917, guaranteed to purchase in any quantities wheat grown in New Zealand during the season 1917-18 at the price of 5s. 10d. f.o.b., it became necessary for the Board to devise a scheme to give effect to this proposal. Accordingly an Order in Council was gazetted on the 10th September, 1917, making it unlawful for any person to purchase or agree or offer to purchase any wheat of the 1917-18 harvest; and subsequently, on the 22nd December, a full scheme was gazetted for the purchase from the farmers and the sale and distribution among millers. The full scheme is attached in appendix marked "B" in this report. Mr. W. G. McDonald, a member of the Board, was appointed Wheat Controller under the scheme, and an office was set up in Christchurch, with a small staff to perform the necessary work.

Had the Government not guaranteed a price for the 1917-18 crop it is highly probable that little wheat would have been grown in New Zealand, on account of the fact that the farmer can secure better returns from other agricultural and pastoral products, and the Dominion would have had to rely for its requirements mainly on importations, thus putting an unnecessary burden on the shipping-space and thereby adding to the difficulty of a position already acute. In so recommending the Government to guarantee a price the Board anticipated the policy of the United States, the Canadian, and the British Governments. As Australian wheat fit for milling at the time of the guarantee could not be landed in New Zealand under 5s. 11d. per bushel, even if sufficient shipping-space were available, the price guaranteed by the New Zealand Government to the New Zealand farmer under these circumstances must be deemed to be reasonable. That the policy in dealing with the wheat situation was appreciated by the farmer is evidenced by the fact that in response to the guarantee 293,000 acres were sown in wheat, the largest area, with the exception of one year, sown since 1910. The miller has benefited by the scheme, as he has been assured of supplies for gristing; and the consumer has benefited, as to-day he is purchasing flour and bread at cheaper rates than in any other country in the