(2) Cost of Manufacture.

An investigation of the trading, profit and loss accounts, and balance-sheets for two financial years of thirteen representative flour-milling companies was carried out by officers of the Department. The annual output of the mills selected is 85,400 tons of flour—representing approximately 65 per cent. of the total Dominion output.

The cost of manufacturing and selling flour per ton was ascertained under the following headings :—

(a) Wages and Salaries.
(b) Power, Fuel, and Light.
(c) Rents, Rates, Land-tax (excluding Income-tax).
(d) Interest.
(e) Insurance.
(f) Repairs and Maintenance.
(g) Depreciation.
(h) Delivery and Freight outwards.
(i) Commissions.
(j) Other Expenses.

The following table shows the cost of manufacture and selling per ton of 2,000 lb. of flour of each of the mills. The statement does not include cost of wheat, cost of transporting wheat to mills, or cost of sacks :—

Mill.	First Year. £ s. d.	Second Year. £ s. d.
A	3 4 8·9	3 18 6·7
B	3 3 11·7	3 11 8·5
C	3 11 6·7	4 4 7·2
D	2 16 5·3	2 17 4·4
E	3 9 0·6	3 12 8·8
F	3 3 3·6	3 7 3·9
G	2 3 10·1	2 3 0·5
H	3 3 0·2	3 3 1·6
I	3 18 1·7	4 8 5·1
J	4 10 7·6	4 3 7·6
K	3 14 1·3	3 14 5·2
L	2 7 0·5	2 17 7·0
M	2 10 2·6	2 10 6·2

	First Year. £ s. d.	Second Year. £ s. d.
The lowest cost per ton was	2 3 10·1	2 3 0·5
The highest cost per ton was	4 10 7·6	4 8 5·1
The average cost per mill was	3 4 3·7	3 8 8·3

The foregoing figures are clearly indicative of the wide difference between the costs in the different mills. At the same time, it should not be assumed that the mills showing the lowest cost figures in the above table are necessarily the most efficient or most advantageously situated. The table, it will be noted, includes delivery and freight outwards, but does not include cost of freighting the raw material to the mill.

There are several factors which have an important bearing on the cost of producing and distributing flour :—

(a) Situation of mill.
(b) Efficiency of plant.
(c) Output per unit.
(d) Financial position of company operating mill.

Regarding the foregoing points the following observations are made :—

A mill situated in a wheat-growing district is able to secure its wheat at a lower price than mills situated at a considerable distance from supplies of raw material. Against this, however, there is the cost of transporting the manufactured product to the principal markets, which are in large measure situated at considerable distances from the wheat-growing districts. The mills situated in the North Island are faced with the cost of transporting wheat from the South. On the other hand, they have a larger population convenient to the mills providing a ready market.

A number of the milling concerns have added to and brought their plants up to date during recent years, but while increased efficiency has resulted, there has been an increased capital charge and increased cost per ton for such items as depreciation.

The output from a number of the efficient mills could be doubled or trebled. In other words, there are too many plants operating for the requirements of the Dominion.

The amount of depreciation as an item in the cost of production varied from 11¼d. to 12s. 6d. per ton of flour. One mill which showed depreciation as an item of cost of manufacture at 9s. 2d. per ton was justified because the plant was so extensive as to be capable of producing more than double the present output. A number of the mills could produce increased quantities per year, thereby reducing overhead expenses per ton of flour. The financial arrangements of the companies have an important bearing on the cost of production as shown above. The item "interest" varied per ton