

NEW ZEALAND

SUNSHINE PRODUCTS



SUNSHINE
and
FRESH GREEN
PASTURAGE
ALL YEAR
ROUND
GIVE TO
NEW ZEALAND
BUTTER
ITS NATURAL
FULL COLOUR
DELICIOUS
FLAVOUR
and
UNIQUE BODY
and
HEALTH
BUILDING
PROPERTIES

BUTTER
CHEESE
and
NEW
ZEALAND
THE FINEST
DAIRYING
COUNTRY
IN THE WORLD
ARE IN
AMPLE
& REGULAR
SUPPLY
THROUGHOUT
THE ENTIRE
YEAR

DISPLAY AT LONDON GROCERS' EXHIBITION.

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1939.

NEW ZEALAND.

PRIMARY PRODUCTS MARKETING DEPARTMENT

ANNUAL REPORT (SECOND) AND ACCOUNTS FOR THE YEAR ENDED 31st JULY, 1938.

Presented to both Houses of the General Assembly pursuant to the Provisions of the Primary Products Marketing Act, 1936.

I HAVE the honour to submit the annual report and Statement of Accounts of the Primary Products Marketing Department for the year ended 31st July, 1938.

CONSTITUTION OF DEPARTMENT.

The Primary Products Marketing Amendment Act, 1937, provided that the Department should be divided into separate Divisions as follows :—

- (a) The Dairy-produce Export Division ;
- (b) The Internal Marketing Division ; and
- (c) Such other division or divisions (if any) as may be constituted.

The Department at present consists of two divisions, the Dairy-produce Export Division and the Internal Marketing Division.

The Dairy-produce Export Division exercises the functions of the Department relating to the acquisition and sale of dairy-produce exported or intended for export from New Zealand.

The Internal Marketing Division exercises all the other functions of the Department, including the control and regulation of marketing within New Zealand of dairy and other products. The activities of the Internal Marketing Division are reviewed in a separate section of this report.

REVIEW OF COMPLETED FINANCIAL OPERATIONS FOR 1936-37 SEASON.

At the time of issue of the annual report for the year ended 31st July, 1937, the following quantities of dairy-produce were unsold, and were in consequence taken into the accounts at estimated sale values :—

Creamery butter : 1,152,752 boxes. Estimated sale value, 115s. 5d. per hundredweight sterling gross.

Whey butter : 5,139 boxes. Estimated sale value, 107s. per hundredweight sterling gross.

Cheese : 325,621 crates. Estimated sale value, 65s. 7d. per hundredweight sterling gross.

On the basis of these valuations for dairy-produce unsold, the deficit in the Dairy Industry Account for the 1936-37 season was estimated to be as follows :—

	£	s.	d.	£	s.	d.
Estimated deficit on creamery butter	561,397	1	6			
Estimated surplus on cheese	18,354	7	6			
Less estimated deficit on whey butter	5,707	5	9			
				12,647	1	9
Estimated deficit, Dairy Industry Account, 1936-37 season	548,749	19	9			

The actual realizations for dairy-produce unsold exceeded the estimates, the average sale prices being as follows :—

Creamery butter : 120s. 4d. per hundredweight sterling gross.

Whey butter : 108s. 2d. per hundredweight sterling gross.

Cheese : 69s. 2d. per hundredweight sterling gross.

The final result of the operations for the 1936–37 season, expressed to the nearest pound, is as follows :—

	£	£
Deficit on creamery butter .. .. .	..	384,313
Surplus on cheese	126,369	
Less deficit on whey butter	5,956	
	<u> </u>	120,413
		<u> </u>
Add premiums, staff annuities	5,380	263,900
Add payments special milk products (Special Milk Products Regulations, 1937)	2,829	
	<u> </u>	8,209
Deficit, 1936–37 season, at 21st June, 1938 (date of closing of accounts) .. .. .	..	272,109
Add interest to 31st July, 1938 .. .. .	..	373
Deficit, Dairy Industry Account, 1936–37 season, at 31st July, 1938 .. .. .	..	<u>272,482</u>

Full details of the completed financial operations for the 1936–37 season are shown in the accounts section of this report.

In terms of the undertaking given to the dairy industry, the deficit for the 1936–37 season is the responsibility of the Government.

SUMMARY OF RESULTS OF PURCHASE AND SALE OF BUTTER AND CHEESE FOR 1936–37 SEASON.

The following tabulations show summarized details of the purchase and sale operations for the 1936–37 season in respect of creamery butter, cheese, and whey butter :—

PURCHASE AND SALE OF CREAMERY BUTTER, 1936–37 SEASON.

(Quantity : 5,992,382 boxes. Weight : 149,799 tons 12 cwt. 3 qr. 21 lb.)

	Amount.	Per Hundredweight.	Per Pound.
	£	d. s. d.	d. d.
Realization on sales, United Kingdom (sterling gross)	15,274,488	104 1.739	11.158
Less trade discount*	127,122	0 10.401	0.093
	<u>15,147,366</u>	<u>103 3.338</u>	<u>11.065</u>
Less selling charges, United Kingdom—			
Port dues and consolidated rate	140,816	11.521	0.103
Storage, cartage and delivery, averaging, and other charges	32,712	2.677	0.024
Commission	305,871	25.026	0.223
	<u>479,399</u>	<u>3 3.224</u>	<u>0.350</u>
Realization on sales, United Kingdom (sterling net)	14,667,967	100 0.114	10.715
Plus exchange on remittances to New Zealand	3,520,327	24 0.029	2.572
Realization on sales, United Kingdom (New Zealand currency)	18,188,294	124 0.143	13.287
Less freight and insurance	1,103,114	7 6.255	0.806
Net realization on sales, United Kingdom, f.o.b. New Zealand	17,085,180	116 5.888	12.481
Plus realization on sales to destinations other than United Kingdom	359,509	114 8.567	12.291
Total net realization sales creamery butter f.o.b. New Zealand	17,444,689	116 5.442	12.477
Less administration, interest, advertising, cost of remittances, and general expenses	126,202	0 10.110	0.090
Final net realization sales creamery butter	17,318,487	115 7.332	12.387
Purchase cost under 1936–37 guaranteed price	17,702,800	118 2.118	12.662
Deficit on creamery butter, 1936–37 season	384,313	2 6.786	0.275

* Allowed in terms of rules of London Provision Exchange.

PURCHASE AND SALE OF CHEESE, 1936-37 SEASON.

(Quantity: 1,213,914 crates. Sale Weight: 85,979 tons 6 cwt. 1 qr. 27 lb.)

—	Amount.		Per Hundredweight.			Per Pound.	
	£	£	d.	s.	d.	d.	d.
Realization on sales, United Kingdom (sterling gross)		5,551,701		64	7·918		6·928
Less trade discount*		46,224			6·460		0·058
Less selling charges, United Kingdom—		5,505,477		64	1·458		6·870
Port dues and consolidated rate ..	71,516		9·995			0·089	
Storage, cartage and delivery, averaging, and other charges	15,288		2·137			0·019	
Commission	111,321		15·559			0·139	
		198,125		2	3·691		0·247
Realization on sales, United Kingdom (sterling net)		5,307,352		61	9·767		6·623
Plus exchange on remittances to New Zealand		1,273,763		14	10·024		1·589
Realization on sales, United Kingdom (New Zealand currency)		6,581,115		76	7·791		8·212
Less freight and insurance ..		671,101		7	9·794		0·837
Net realization on sales, United Kingdom, f.o.b. New Zealand		5,910,014		68	9·997		7·375
Plus realization on sales to destinations other than United Kingdom		7,466		62	7·203		6·707
Total net realization sales cheese f.o.b. New Zealand		5,917,480		68	9·893		7·374
Less administration, interest, advertising, cost of remittances, and general expenses		46,818			6·534		0·058
Final net realization sales cheese ..		5,870,662		68	3·359		7·316
Purchase cost based on sale weights under 1936-37 guaranteed price		5,744,293		66	9·722		7·158
Surplus on cheese, 1936-37 season ..		126,369		1	5·637		0·158

* Allowed in terms of rules of London Provision Exchange.

PURCHASE AND SALE OF WHEY BUTTER, 1936-37 SEASON.

(Quantity: 57,422 boxes. Weight: 1,435 tons 7 cwt. 2 qr. 26 lb.)

—	Amount.		Per Hundredweight.			Per Pound.	
	£	£	d.	s.	d.	d.	d.
Realization on sale, United Kingdom (sterling gross)		134,691		93	10·032		10·054
Less trade discount*		1,123			9·388		0·084
Less selling charges, United Kingdom—		133,568		93	0·644		9·970
Port dues and consolidated rate ..	1,479		12·365			0·109	
Storage, cartage and delivery, averaging, and other charges	91		0·761			0·008	
Commission	2,694		22·522			0·201	
		4,264		2	11·648		0·318
Realization on sales, United Kingdom (sterling net)		129,304		90	0·996		9·652
Plus exchange on remittances to New Zealand		31,032		21	7·430		2·316
Realization on sales, United Kingdom (New Zealand currency)		160,336		111	8·426		11·968
Less freight and insurance ..		10,749		7	5·862		0·802
Net realization on sales, United Kingdom, f.o.b. New Zealand		149,587		104	2·564		11·166
Less administration, interest, advertising, cost of remittances, and general expenses		1,247			10·425		0·093
Final net realization sales whey butter		148,340		103	4·139		11·073
Purchase cost under 1936-37 guaranteed price		154,296		107	5·932		11·517
Deficit on whey butter, 1936-37 season		5,956		4	1·793		0·444

* Allowed in terms of rules of London Provision Exchange.

SUMMARY.

	£	£
Deficit on creamery butter	384,313	
Surplus on cheese	126,369	
Less deficit on whey butter	5,956	
	<u>120,413</u>	
Deficit on 1936-37 season's produce		263,900
Other debits—		
Premiums, staff annuities	5,380	
Payments special milk products	2,829	
	<u>8,209</u>	
Deficit, Dairy Industry Account, 1936-37 season, at 21st June, 1938 ..		<u>£272,109</u>

AVERAGE FINAL PAYMENTS FOR BUTTERFAT SUPPLIES FOR 1936-37 SEASON.

The average final payments by dairy-factory companies to suppliers for butterfat for the 1936-37 season were—

For butter-manufacture : 13-558d. per pound butterfat.

For cheese-manufacture : 15-176d. per pound butterfat.

INCREASE IN GUARANTEED PRICES FOR 1937-38 SEASON.

The Primary Products Marketing Amendment Act, 1937, empowers the Government to make adjustments in the guaranteed prices announced at the beginning of any season, the intention being that, if circumstances warranted an increase in prices, the necessary statutory authority would be available. The Government realized that during the 1937-38 season dairy-farmers had experienced difficulty in obtaining farm labour at the wages they could afford to pay, and in order to meet this difficulty, and also to make some compensation for any increased farm costs, the Government considered that an additional payment to the dairy-farmers for their produce was justified. It was therefore decided that the guaranteed prices as fixed in August, 1937, should be increased by 0-41d. per pound for butter and 0-21d. per pound for cheese. These increases applied to all butter and cheese exported with the concurrence of the Department after the 31st July, 1937, and which was manufactured from milk or cream delivered to a dairy factory on or after the 1st August, 1937, and before the 1st August, 1938. The further payments of 0-41d. per pound on butter and 0-21d. per pound on cheese applied also in respect of butter and cheese manufactured during the period mentioned and sold locally.

The basic guaranteed prices for the 1937-38 season were thus increased by the Government as follows :—

Creamery butter from 13-25d. to 13-66d. per pound.

Cheese from 7-54d. to 7-75d. per pound.

The resultant estimated average payments by dairy-factory companies to suppliers for butterfat (based on the standard conversion formulæ adopted) showed corresponding increases as follows :—

For butter-manufacture from 13-88d. to 14-38d. per pound of butterfat.

For cheese-manufacture from 15-88d. to 16-38d. per pound of butterfat.

The published accounts and statistical statements of dairy-factory companies show that the estimated average payments to suppliers of butterfat for the 1937-38 season are approximately as follows :—

For butter-manufacture : 14-81d. per pound of butterfat.

For cheese-manufacture : 16-39d. per pound of butterfat.

It will be seen that the estimated average payments to suppliers as shown in the published accounts exceeds the estimates based on the standard conversion formulæ.

GUARANTEED PRICES, 1938-39 SEASON.

During the 1937-38 season approaches were made to the Government by organizations representative of the dairy industry and farmers generally in regard to the method of price determination under the guaranteed-prices plan. In view of the apparent conflict of opinion among the different organizations, it is desirable to place on record the salient facts and an outline of the circumstances that led to the appointment by the Government of an Advisory Committee of seven members to investigate and report regarding the prices to be paid for the 1938-39 season.

The Dominion Conference of the Farmers' Union in July, 1937, approved of the setting-up of a tribunal, presided over by a Supreme Court Judge, to fix the prices.

The Dominion Dairy Conference, convened by the New Zealand Dairy Board, and held in February, 1938, approved of the setting-up of a tribunal to fix the prices, such tribunal to consist of equal numbers of assessors appointed by the Dairy Board and the Government, and presided over by a Supreme Court Judge.

The National Dairy Conference, held in June, 1938, approved of the setting-up of an advisory body consisting of three members appointed by the dairy industry, three members appointed by the Government, and a Chairman to be appointed by the Government after consultation with the representatives of the dairy industry. The advisory body was to recommend to the Government the prices which it considered fair and reasonable.

It is to be noted that the National Dairy Conference did not request the setting-up of a tribunal to fix the guaranteed prices, but a tribunal or advisory body to recommend the prices to be paid.

The Government had agreed to meet the wishes of the dairy industry expressed in earlier resolutions asking for a tribunal to fix the prices, but following the later representations the Government announced the appointment of an Advisory Committee of seven members to conduct inquiries and to make recommendations regarding the prices to be fixed for butter and cheese purchased by the Government for the 1938-39 season. Three of the members of the Committee were dairy-industry representatives, appointed by the Government on the nomination of a selection committee of the industry. Three members were appointed directly by the Government; and the Chairman was also so appointed, after consultation with representatives of the dairy industry.

The order of reference for the Committee was contained in subsections (4) and (5) of section 20 of the Primary Products Marketing Act, 1936, which are as follows:—

(4) In fixing prices under this section in respect of dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, regard shall be had to the prices fixed under this section in respect of dairy-produce exported before that date, and to the following additional considerations, namely:—

- (a) The necessity in the public interest of maintaining the stability and efficiency of the dairy industry:
- (b) The costs involved in the efficient production of dairy-produce:
- (c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand:
- (d) The estimated cost to the Department of marketing the dairy-produce concerned, and also the cost of the general administration of this Act:
- (e) Any other matters deemed to be relevant.

(5) Due regard having been paid to the several matters mentioned in subsection four hereof, the prices fixed in respect of any dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort.

The Committee recommended that the prices of butter and cheese manufactured from cream and milk supplied to dairy factories between 1st August, 1938, and 31st July, 1939, and exported from New Zealand, should be as set out hereunder:—

Costs.					Per Pound Butterfat.	
					d.	d.
Working and maintenance costs (including depreciation)	..				5·695	
Capital charges (interest)	..	..	..	..	3·375	
Labour reward	..	..	..	..	9·220	
					<hr/>	
					18·290	
Less pig returns	..	..	..	..	1·540	
					<hr/>	
Butterfat price for butter	..	..	..	..	16·750	
					<hr/>	
Equivalent f.o.b. basic purchase price per pound of butter	..				..	15·605
					<hr/>	
Butterfat price for cheese	..	..	..	..	18·750	
					<hr/>	
Equivalent f.o.b. basic purchase price per pound of cheese	..				..	8·775
					<hr/>	

This recommendation of the Committee respecting prices was qualified by a statement in regard to certain factors which, in the judgment of the Committee, had to be taken into account by the Government in determining the prices to be paid. The statement referred to is as follows:—

“In submitting its report, the Committee recognizes that its functions are purely investigational and advisory. It recognizes also that, owing to the impossibility of forecasting, even approximately, market realizations for a year ahead, it cannot make a definite finding regarding the possible financial implications involved in the payment of the prices it has recommended. The decision, as to both the prices to be paid and the extent of the financial implications involved, is necessarily dependent on general considerations of Government policy regarding finance, and the Committee can therefore only submit its recommendations in accordance with its order of reference.”

The report of the Committee was considered by the Government, and the following statement was subsequently made announcing the prices for butter and cheese for the 1938-39 season:—

“In submitting its recommendations based on the evidence submitted to it, the Committee in its report stated that ‘it cannot make a definite finding regarding the financial implications involved in the payment of the prices recommended. The decision as to both the prices to be paid and the financial implications involved is necessarily dependent on general considerations of Government policy regarding finance, and the Committee can therefore only submit its recommendations in accordance with its order of reference.’

“With this qualification the Committee recommended that the basic purchase price of butter f.o.b. should be 15·605d. per pound and the basic purchase price for cheese f.o.b. should be 8·775d. per pound.

“These prices would give a butterfat price for butter of 16·750d. (16 $\frac{3}{4}$ d.) per pound and a butterfat price for cheese of 18·750d. (18 $\frac{3}{4}$ d.) per pound.

“These prices are built up on the following bases:—

	d.
“Working and maintenance, including depreciation ..	5·695
“Capital charges: Interest	3·375
“Labour reward	9·220
	<hr/>
	18·290
“Less pig returns	1·540
	<hr/>
	16·750
	<hr/>
“Add 2d. per pound butterfat price for cheese	18·750
	<hr/>

“These butterfat prices or pay-outs would be realized by the Government purchasing the butter graded 93-93 $\frac{1}{2}$ points at 15·605d. per pound and cheese graded 92-92 $\frac{1}{2}$ points at 8·775d. per pound. The purchase at these prices, presuming that sales during the 1938-39 season realized the average of last season (118s. per hundredweight sterling for butter and 68s. 6d. per hundredweight sterling for cheese), would result in a deficit of £2,824,000.

“The working and maintenance costs allowed by the Committee show an increase of 0·625d. over last season’s allowance; capital charges, an increase of 0·315d., based on a capitalization of £75 per cow instead of £73 per cow allowed for the previous season.

“It was recommended that labour reward be increased by 1·43d. over the sum allowed last season.

“The figure for pig returns is the same as that allowed last season. These increases recommended by the Committee are as follows:—

	d.
“Working and maintenance	0·625
“Capital charges (interest)	0·315
“Labour reward	1·430
	<hr/>
	2·370
	<hr/>

“In the opinion of the Committee this price increase of 2·37d. was justified on the evidence and returns of farm production and costs submitted to it. Their recommendation as to price was based on an average butterfat production per adult male unit of labour of 5,750 lb. In arriving at this figure the Committee took as a standard 240 lb. of butterfat per cow, and it related a fifty-cow farm to 2·087 adult male units of labour.

“*The Government’s Standard.*—The Government is of the opinion that a more correct standard of efficiency from the point of view of both farm and farmer would be represented by relating forty-eight cows producing 250 lb. of butterfat per cow to two adult male units of labour. This standard could be expressed alternatively as relating to fifty cows producing 240 lb. of butterfat per cow. Accepting this standard of efficiency, which the Government, after inquiry, considers is likely to be more nearly correct than that of the Committee, the production per adult male unit of labour is 6,000 lb. of butterfat. The Government having adopted this standard, the basic purchase price for butter becomes 14·89d. per pound, representing a butterfat pay-out for butter of 15·88d. per pound. This purchase price for butter represents an increase of 1·23d. per pound $\frac{1}{4}$ of butter on the price at which butter has been purchased for last season.

“In terms of butterfat pay-out for butter, the price represents 1·5d. per pound above the price for last season.

“On the question of butterfat production per cow the evidence was apparently insufficient to enable the Committee to adopt a definite single figure as representing an efficiency standard, and a range of 220 lb. to 260 lb. was therefore accepted as a basis. The middle figure of this range was 240 lb., and it appears that the Committee worked on that figure. The actual

figure was left undecided by the Committee, and after careful examination of the returns of efficient farmers and other information the Government feels justified in adopting the figure of 250 lb. of butterfat per cow, which is well within the range adopted by the Committee, in place of the figure of 240 lb. accepted by it.

“The acceptance of this standard does not affect the recommendation of the Committee relative to labour reward. It still provides, in respect of a farm employing two adult workers, for £4 10s. per week, plus £1 10s. value of house, &c., for the working farmer, and for £4 per week for the adult male employee.

“*Comparative Living Standards.*—After careful consideration of the report and other relative information, the Government is of opinion that in making their recommendation the Committee has not given full weight to the central feature of the order of reference which is set out in paragraph (c). This paragraph provides that regard shall be had to :—

“(c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand.”

“If this factor is not given its correct weight, a disparity will arise that it will not be possible to overcome.

“In the opinion of the Government, evidence submitted to the Committee indicated that, were its recommendations given effect to in their entirety, such a disparity would inevitably follow.

“There is the further factor stressed by the Committee of which the Government is bound to take cognizance—namely, the financial implications of the price determined upon. This is a matter which the Committee considered did not come within the scope of its order of reference, but which the Government, however, cannot ignore in considering the Committee’s recommendation.

“Heavy deficits, moreover, if repeated, must inevitably wreck the whole guaranteed-prices procedure. This statement is supported by the Committee’s report where on page 7 it says :—

“‘A further relevant matter is the necessity of ensuring that prices shall not be fixed at such levels as will cause the breakdown of the system of guaranteed prices, which has been designed to stabilize the incomes of persons engaged in the dairying industry and to afford an insurance against the seasonal and inter-seasonal fluctuations of a world market. It will be impossible to ensure the continuance of a reasonable state of comfort if prices are fixed at levels so high as to render it impossible to avoid deficits in the Dairy Industry Account of such magnitude as necessarily to react to the detriment of the general standard of living of the community; though it is accepted that the community as a whole will bear such deficits as it may be necessary to meet in order to maintain the persons referred to in subsection (5) in a reasonable state of comfort.’

“The Government is satisfied that the working dairy-farmer does not wish to end the guaranteed-prices procedure. It recognizes, however, that he desires and is entitled to recover the increased costs that have been experienced, and a better labour reward, in accord with the general improvement in living standards.

“Having regard to these considerations and to present price levels and living standards in New Zealand, the Government is of the opinion that the prices that should be paid this season to lift the farmers’ standards in reasonable relationship with other standards are 14-89d. per pound for butter and 8-42d. per pound for cheese.

“*The Increased Pay-outs.*—These prices will allow the average efficient dairy-factory company to pay to its suppliers 15-88d. per pound for butterfat for butter and 17-88d. per pound for butterfat for cheese.

“The make-up of this price is as follows :—

	d.			
“Working and maintenance costs	5-34
“Capital charges (interest)	3-24
“Labour reward	8-84
				<hr/>
				17-42
“Less return from pigs	1-54
				<hr/>
				15-88
				<hr/>

“On the estimate of a continuance of last year’s realizations for butter and cheese, these prices will result in a deficit of £1,535,000. If from this sum is deducted the estimated surplus for last season of £600,000, to which I will refer later, the net deficiency at the end of the 1938-39 season will be approximately £935,000.

“The Government, to provide a sure return to the dairy-farmer and to maintain the stability of the industry, is accepting the responsibility of paying these prices.”

The full range of f.o.b. purchase prices fixed for the 1936-37 season, the 1937-38 season, and the 1938-39 season is as follows:—

Grade.	1936-37 Season.* Butter and Cheese manufactured on and after 1st August, 1936, and exported on or before 31st July, 1937.	1937-38 Season.† Butter and Cheese exported after 31st July, 1937, and which is manufactured on or before 31st July, 1938.	1938-39 Season. Butter and Cheese manufactured from 1st August, 1938, to 31st July, 1939, and exported.
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Creamery Butter.

	Per Pound. d.	Per Pound. d.	Per Pound. d.
Finest grade—			
94 points and over ..	12·6875	13·785	15·015
93 to 93½ points ..	12·5625‡ (basic price)	13·66‡ (basic price)	14·89‡ (basic price)
	‡ Equivalent to 106s. 6d. sterling per hundredweight on London market	‡ Equivalent to 115s. sterling per hundredweight on London market	‡ Equivalent to 124s. sterling per hundredweight on London market
First grade—			
92 to 92½ points ..	12·5	13·5975	14·8275
90 to 91½ points ..	12·3125	13·41	14·64
Second grade ..	11·8125	12·91	14·14

Whey Butter.

First grade ..	11·5625	12·66	13·89
Second grade ..	11·0625	12·16	13·39

Cheese.

Finest grade—			
94 points and over ..	7·21875	7·90625	8·57625
93 to 93½ points ..	7·1875	7·875	8·545
First grade—			
92 to 92½ points ..	7·0625‡ (basic price)	7·75‡ (basic price)	8·42‡ (basic price)
	‡ Equivalent to 63s. 3d. sterling per hundredweight on London market	‡ Equivalent to 68s. 8d. sterling per hundredweight on London market	‡ Equivalent to 73s. 6d. sterling per hundredweight on London market
91 to 91½ points ..	7·00	7·6875	8·3575
Second grade ..	6·8125	7·50	8·17

Premiums.

Unsalted butter ..	2s. 4d. per hundredweight	3s. 4d. per hundredweight	3s. 8d. per hundredweight.
Coloured cheese ..	6d. per crate	6d. per crate	6d. per crate.
Deep-coloured cheese	1s. 5d. per crate	1s. 5d. per crate	1s. 5d. per crate.
Waxed cheese ..	4½d. per crate	4½d. per crate	4½d. per crate.

Deductions.

	Butter, per Box. d.	Cheese, per Crate. d.	Butter, per Box. d.	Cheese, per Crate. d.	Butter, per Box. d.	Cheese, per Crate. d.
Insurance to f.o.b. ..	0·68	1·07	0·69	1·085	0·565	0·935
Dairy Board levy ..	1·12	1·63	0·56	0·815	0·56	0·815

Average Payments by Dairy Companies for Butterfat Supplies.

	Pay-out, per Pound Butterfat. d.	Pay-out, per Pound Butterfat. d.	Pay-out, per Pound Butterfat. d.
For buttermaking ..	13·558	14·81	15·88 (est.).
For cheesemaking (in- cluding whey butter)	15·176	16·39	17·88 (est.).

*It was estimated that the purchase prices originally fixed for cheese for the 1936-37 season (basic price, 6·8125d. per pound) would enable efficient cheese-manufacturing companies to pay, on average, to their suppliers for butterfat 1½d. per pound in excess of the corresponding average payment made by butter-manufacturing companies. The differential of 1½d. per pound butterfat was not realized, and the Government made a further payment to cheese-manufacturing companies of ¼d. per pound of cheese. The purchase prices for cheese for the 1936-37 season shown above include this further payment.

†The purchase prices originally fixed for butter and cheese for the 1937-38 season (butter-basic price, 13·25d. per pound; cheese basic price, 7·54d. per pound) were increased by 0·41d. per pound for butter and 0·21d. per pound for cheese. The purchase prices for butter and cheese for the 1937-38 season shown above include these price increases.

The conversion formulæ used in the determination of the 1938-39 season prices shown above are—

<i>Butter.</i>		<i>Cheese.</i>	
Over-run ..	21·75 per cent.	Yield ..	2·51 gross.
Costs of manufacture and delivery to f.o.b. ..	2·25d. per pound butterfat.		2·45 net.
		Return from whey butter	0·75d. per pound butterfat.
		Costs of manufacture and delivery to f.o.b. ..	3·5d. per pound butterfat.

REVIEW OF OPERATIONS FOR 1937-38 SEASON.

This report marks the completion of the second year of the operations of the Department. It is pleasing to record that the success of the policy adopted in regard to the marketing of butter and cheese, which was clearly indicated in the first year after the inauguration of the new procedure, has been fully maintained. Merchant-agents, dairy-industry officials, and others qualified to judge are in general agreement as to the soundness of the single-unit system of marketing, with general sales instead of sales by individual dairy-factory companies, and with consignment selling in place of the mixed consignment and f.o.b. and c.i.f. selling, which was a disturbing feature in the marketing system of the past. The distribution of butter and cheese in the United Kingdom has been widened by means of a better direct shipment service to the main ports. The new marketing procedure has resulted in savings in costs of marketing amounting to approximately £200,000 per annum. The marketing operations for the 1937-38 season are fully reviewed under separate appropriate headings in this report.

The payment of guaranteed prices for butter and cheese has given dairy-farmers stability and security by protecting them from the effects of fluctuations in market prices for dairy-produce. The fixed and uniform monthly rate of payment for butterfat that dairy-factory companies have been able to maintain enables dairy-farmers to budget with certainty for their farming and domestic expenditure. The guaranteed-price policy has worked smoothly, and the administrative procedure has been conducted without a hitch.

PREMIUMS FOR QUALITY AND QUANTITIES OF BUTTER AND CHEESE PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

The basic guaranteed purchase prices for butter and cheese are subject to additions and deductions according to the quality of the dairy-produce as disclosed by the grading points awarded by the Government graders. The experience of the past two years justifies the continuance of the price differentials. They provide an incentive for maintenance and improvement of quality, which is appreciated by representatives of dairy-factory companies. The following comparative figures show the percentages of New Zealand butter and cheese of the various grades, and the quantities purchased and paid for at differential prices :—

GRADING OF DAIRY-PRODUCE : PERCENTAGES OF NEW ZEALAND BUTTER AND CHEESE OF THE VARIOUS GRADES.

Year.	Butter.				Cheese.			
	Finest.	First.	Second.	Total.	Finest.	First.	Second.	Total.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
1934-35	77·04	21·66	1·30	100·00	20·60	76·27	3·13	100·00
1935-36	76·48	22·36	1·16	100·00	19·47	77·18	3·35	100·00
1936-37	79·98	19·12	0·90	100·00	20·58	76·81	2·61	100·00
1937-38	82·00	17·44	0·56	100·00	9·22	85·55	5·23	100·00

The quantities of butter and cheese purchased and paid for at the respective differential prices are shown in the following tabulations :—

CREAMERY BUTTER (IN TONS) : QUANTITIES PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.	Total.	Finest Grade.		First Grade.		Second Grade.
		94 Points and over.	93 to 93½ Points. (Basic Price.)	92 to 92½ Points.	90 to 91½ Points.	
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Auckland	99,365	32,321	47,208	12,441	7,048	347
Bluff	317	1	75	52	163	26
Dunedin	197	18	84	47	35	13
Gisborne	2,227	1,257	796	146	28	..
Lyttelton	2,304	1,612	545	49	22	76
Napier	1,796	921	630	131	114	..
New Plymouth	11,143	5,201	4,385	1,054	500	3
Patea	1,552	92	625	507	323	5
Timaru	914	474	381	21	14	24
Wanganui	2,684	2,102	340	82	143	17
Wellington	15,056	11,612	2,206	869	363	6
Grand totals—						
1937-38	137,555	55,611	57,275	15,399	8,753	517
1936-37	149,810	53,844	66,717	15,550	13,192	507
Percentage of qualities—						
1937-38	100	40·43	41·64	11·19	6·36	0·38
1936-37	100	35·94	44·53	10·38	8·81	0·34

WHEY BUTTER (IN TONS): QUANTITIES PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.				Total.	First Grade.	Second Grade.
				Tons.	Tons.	Tons.
Auckland	..	..	..	563	421	142
Bluff	..	..	..	6	5	1
Lyttelton	..	..	..	6	6	..
New Plymouth	..	..	..	367	349	18
Patea	..	..	..	630	625	5
Timaru	..	..	..	26	20	6
Wellington	..	..	..	197	187	10
Grand totals—						
1937-38	..	..	..	1,795	1,613	182
1936-37	..	..	..	1,446	1,249	197
Percentage of qualities—						
1937-38	..	..	..	100	89·86	10·14
1936-37	..	..	..	100	86·38	13·62

CHEESE (IN TONS): QUANTITIES PURCHASED AND PAID FOR AT DIFFERENTIAL PRICES.

Grading Ports.				Total.	Finest Grade.		First Grade.		Second Grade.
					94 Points and over.	93 to 93½ Points.	92 to 92½ Points. (Basic Price.)	91 to 91½ Points.	
				Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Auckland	..	..	..	15,752	71	611	7,778	4,148	3,144
Bluff	..	..	..	9,844	12	996	5,052	3,530	254
Dunedin	..	..	..	1,717	32	343	1,086	216	40
Gisborne	..	..	..	94	..	1	40	46	7
Lyttelton	..	..	..	893	15	236	521	108	13
Napier	..	..	..	56	..	25	21	7	3
New Plymouth	..	..	..	17,042	97	3,270	10,482	2,939	254
Patea	..	..	..	22,689	4	700	18,750	3,046	189
Timaru	..	..	..	719	11	212	476	16	4
Wanganui	..	..	..	2,232	11	46	1,474	656	45
Wellington	..	..	..	12,746	132	910	7,978	3,311	415
Grand totals—									
1937-38	..	..	..	83,784	385	7,350	53,658	18,023	4,368
1936-37	..	..	..	86,708	2,079	15,768	48,045	18,561	2,255
Percentage of qualities—									
1937-38	..	..	..	100	0·46	8·77	64·05	21·51	5·21
1936-37	..	..	..	100	2·40	18·18	55·41	21·41	2·60
Percentage of—									
Waxed cheese—									
1937-38	..	..	..	59·32	..	..	..	..	..
1936-37	..	..	..	58·54	..	..	..	..	..
Coloured cheese—									
1937-38	..	..	..	33·44	..	..	..	..	..
1936-37	..	..	..	32·69	..	..	..	..	..

Cheese figures calculated at fourteen crates to a ton.

It will be noted that in the case of creamery butter 41½ per cent. was paid for at the basic guaranteed price, and 40½ per cent. above and 18 per cent. below the basic guaranteed price.

In the case of cheese, 64 per cent. was paid for at the basic guaranteed price, and 9½ per cent. above and 26¾ per cent. below the basic guaranteed price.

PROCESSES IN PURCHASE OF BUTTER AND CHEESE AND SHIPMENT AND DELIVERY TO MARKETS IN THE UNITED KINGDOM.

In last year's report an outline was given of the procedure adopted by the Department in regard to the purchase, shipment, and delivery of dairy-produce to the United Kingdom markets. It is considered worth while to repeat this information, which is as follows :—

1. Dairy-factory companies forward butter and cheese to the cool stores for export as in the past. The care of the produce in cool store is the responsibility of dairy companies, but supervision is exercised by the expert officers of this Department and by the Government Dairy-produce graders with a view to the preservation of the quality of butter and cheese.

2. All butter and cheese exported from New Zealand and purchased by the Department is protected by a comprehensive insurance contract, which covers the produce until thirty days after arrival in the United Kingdom. The contract also covers the cream and milk which is made into butter and cheese intended for export, and which is identifiable as such, from the time such cream and milk is received at the factory until the produce is placed f.o.b. ocean steamer. The Department pays the insurance underwriters' flat rates covering the complete risk, and charges to dairy-factory companies the portion of the premium which represents the risk up to f.o.b. ocean steamer.

3. Dairy-factory companies may obtain advances from their bankers on produce in cool store awaiting shipment at the banks' best interest-rates. The amounts advanced by the banks are as follows :—

							Per Box.		
							£	s.	d.
Creamery butter—									
Finest grade	..	..	..	..	..	..	3	7	0
First grade ..	..	..	..	..	..	..	3	6	0
Second grade	..	..	..	..	..	..	3	1	0
Cheese—									
North Island—									
Finest grade	..	..	..	..	..	..	5	10	0
First grade	..	..	..	..	..	..	5	7	6
Second grade	..	..	..	..	..	..	5	4	6
South Island—									
Finest grade	..	..	..	..	..	..	5	7	0
First grade	..	..	..	..	..	..	5	4	6
Second grade	..	..	..	..	..	..	5	1	6

4. Butter and cheese for export is allocated for shipment in accordance with the recommendations of the Dairy Sales Division in London, after consultation with the selling-agents. The shipping programme is worked out by the Department and the Overseas Shipowners' Allotment Committee, which meets regularly for the purpose of planning arrivals of butter and cheese at United Kingdom ports, in accordance with the agreed programme. Under the present system the Department has been able to arrange a better programme of shipments to United Kingdom outports.

5. Dairy-produce becomes the property of the Crown as soon as it is placed on board any ship for export, and payment in full to dairy-factory companies is made forthwith. Credit-notes are issued in favour of dairy companies for butter and cheese, and the amount due is remitted to the credit of the bank accounts of the individual companies, under a special arrangement entered into with the trading banks.

6. All butter and cheese for export to the United Kingdom is shipped to the Dairy Sales Division, for sale on consignment. Delivery orders are issued to merchant-agents, enabling them to obtain the quantities allocated to them for sale.

7. The financing of payments to dairy-factory companies for butter and cheese is arranged through the Dairy Industry Account established at the Reserve Bank of New Zealand. The administrative, marketing, shipping, insurance, and other expenses of the Department are paid from this account. The proceeds of sale of dairy-produce are paid into the account, the final balance of which will show the surplus or deficit on the operations for the year.

8. The sale of butter and cheese in the United Kingdom is conducted by a group of twenty merchant firms appointed as agents for the Department. These merchant firms sell on agency terms for a commission of 2 per cent., which includes the credit risk. The agents are firms which have been selling the produce for years under the marketing system in operation before the passing of the Primary Products Marketing Act. Provisional allocations of produce are made to the agents for a period of one year, and quantities are reviewed and varied according to the selling ability of the firms as indicated by price returns and marketing and distributive service rendered.

QUANTITIES OF BUTTER AND CHEESE GRADED.

The total gradings of butter and cheese for the twelve months ended 31st July, 1938, are shown below, also the comparative gradings for the 1936-37 and 1935-36 seasons :—

—				1937-38.	1936-37.	1935-36.
<i>Butter (in Tons).</i>						
Salted	..	..	..	136,023	147,168	139,973
Unsalted	..	..	..	6,812	7,396	6,714
				142,835	154,564	146,687
<i>Cheese (in Tons).</i>						
White	..	..	..	56,752	59,337	58,263
Coloured	..	..	..	28,718	28,885	27,292
				85,470	88,222	85,555

Butter gradings for the 1937-38 season show a decrease of 7.59 per cent. and cheese gradings a decrease of 3.12 per cent. Expressed in terms of butterfat, the total decrease in gradings is 6.656 per cent.

QUANTITIES OF BUTTER AND CHEESE EXPORTED.

The quantities of butter and cheese exported from the various grading ports of the Dominion are shown in the following tabulation :—

BUTTER AND CHEESE EXPORTS FROM 1ST AUGUST, 1937, TO 31ST JULY, 1938.

Grading Ports.	To Great Britain.		To U.S.A. and Canada.		To other Destinations.		Total Exports.		Percentage.	
	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.	Butter.	Cheese.
	Boxes.	Crates.	Boxes.	Crates.	Boxes.	Crates.	Boxes.	Crates.	Boxes.	Crates.
Auckland ..	3,897,705	226,529	86,613	665	112,268	904	4,096,586	222,092	72.25	18.71
New Plymouth ..	449,560	228,564	..	..	..	..	449,560	228,564	7.93	19.26
Patea ..	87,089	318,533	..	..	..	..	87,089	318,533	1.54	26.83
Wanganui ..	112,399	32,718	..	..	..	40	112,399	32,758	1.98	2.76
Wellington ..	606,884	186,292	5,600	..	1,688	66	614,172	186,358	10.83	15.70
Isborne ..	90,881	1,314	..	..	..	..	90,881	1,314	1.60	0.11
Napier ..	67,912	681	..	..	..	..	67,912	681	1.20	0.06
North Island totals	5,312,430	998,631	92,213	665	113,956	1,010	5,518,599	990,306	97.33	83.43
Lyttelton ..	92,059	14,033	..	..	..	1	92,059	14,034	1.62	1.18
Timaru ..	37,820	10,145	..	..	..	..	37,820	10,145	0.67	0.86
Dunedin ..	7,812	23,135	..	..	90	16	7,902	23,151	0.14	1.95
Bluff ..	13,387	149,235	..	..	..	91	13,387	149,326	0.24	12.58
South Island totals	151,078	196,548	..	..	90	108	151,168	196,656	2.67	16.57
Dominion totals..	5,463,508	1,185,179	92,213	665	114,046	1,118	5,669,767	1,186,962	100.00	100.00

THE RELATION BETWEEN BUTTER-MANUFACTURE AND CHEESE-MANUFACTURE, AND DIFFERENTIAL PAYMENTS AND ALLOWANCES.

In order to assist the maintenance of cheese-production, the guaranteed purchase prices for butter and cheese have been fixed to allow on the average a differential marginal payment in favour of butterfat supplied for cheesemaking. This differential margin is intended to compensate suppliers to cheese-factory companies for the comparatively lower returns from by-products and for the costs of delivery of milk. The differential margin of 1½d. per pound butterfat which was originally fixed has been raised to 2d. per pound butterfat, and there is evidence to support the contention that these price margins have been effective in arresting the steady decline in cheese-production which has been in evidence during the past five years. In this regard the following figures of cheese and butter gradings are of interest :—

CHEESE AND BUTTER GRADINGS.

	Cheese.		Butter.	
	Tons.	Increase or Decrease on Previous Year.	Tons.	Increase or Decrease on Previous Year.
		Per Cent.		Per Cent.
1934-35	92,673	10.62 (decrease)	136,217	2.86 (decrease)
1935-36	85,555	7.68 (decrease)	146,687	7.69 (increase)
1936-37	88,222	3.12 (increase)	154,564	5.37 (increase)
1937-38	85,470	3.12 (decrease)	142,835	7.59 (decrease)

The foregoing figures show that in the two seasons immediately preceding the introduction of the guaranteed-price procedure the decreases in cheese-production were respectively 10.62 per cent. and 7.68 per cent. In the 1936-37 and the 1937-38 seasons the position is shown to be relatively more favourable. For the 1936-37 season the increase in cheese-production is 3.12 per cent., and for the 1937-38 season the decrease is 3.12 per cent. When it is considered that in respect of butter the decrease for the 1937-38 season is 7.59 per cent., it can fairly be claimed that the present price margin of 2d. per pound butterfat in favour of cheese has assisted to maintain cheese-production.

On the general question of cheese-production, the position is that imports of cheese into the main importing countries have shown a steady decline since 1930, in which year the imports into the seventeen main importing countries (including United Kingdom, Germany, United States, Belgium, and France) were 321,650 tons. Each subsequent year showed a decline until in 1935 the quantity was 242,350 tons. In 1936 and 1937 the quantity showed a slight rise, the importations for 1937 being 264,250 tons. This trend is noted in the published statistics. The decline in importations of cheese is evidence either of a lessened consumer demand or of an increase in the production of cheese in the importing countries, necessitating lesser importations. Both factors must be taken into

account in considering the extent to which New Zealand should maintain or expand cheese-production. It is important to note that, with the increasingly higher standard of living in the United Kingdom and in other countries, consumption of cheese has tended to fall, while consumption of butter has risen.

The London Manager of the Department points out that the substantial drop in the production of cheese in the United Kingdom in 1937 from the level of previous years is the principal factor contributing to the comparatively satisfactory price level for New Zealand cheese which has ruled during the 1937-38 season. It is considered by no means improbable that this reduction or the greater part of it might be rapidly recovered, in which case returns from New Zealand cheese would be lower, unless a corresponding reduction takes place in supplies from New Zealand or Canada. There is the further consideration that Australian supplies of cheese have increased during the 1937-38 season, the export figures being: 1936-37 season, 6,271 tons; and 1937-38 season, 12,357 tons. It is to be noted that the reaction on effective consumer demand of available supplies applies also to butter, but butter-consumption responds more quickly and effectively to retail-price adjustment. Thus, an additional 5,000 tons of butter is unlikely to affect the season's average price to any great extent, but the equivalent in cheese—say 10,000 tons—is likely to make a substantial difference to the price return for cheese. For the reasons stated, the London Manager of the Department considers that about 90,000 tons export for the Dominion should be kept in mind as the maximum.

Recently representations were made to the Government that in the case of small cheese-factories there should be an increase in the existing calculated differential margin of 2d. per pound in favour of butterfat supplied for cheese-making, or, alternatively, that there should be higher costs allowances for those cheese-factories. It is considered that it would be impracticable to adopt standards varying with the outputs of factories. It is to be noted that it frequently happens that the higher costs of a small cheese-factory are balanced by a higher cheese yield. The Government recognizes that any differentiation made in favour of the smaller cheese-factories, whether in regard to the calculated marginal butterfat allowance or the factory costs, would lead logically to similar claims being made on behalf of the smaller butter-factories. In the final issue it is conceivable that claims for special consideration would be made for factories in every farming district. The foregoing comment applies particularly to cheese-manufacture in Southland, where manufacturing-costs, though higher than in other cheese districts, are offset by a higher cheese yield.

The Government, in increasing the differential margin in favour of butterfat supplied for cheese-making to 2d. per pound, regarded approximately $\frac{1}{4}$ d. of the increased differential margin as a temporary expedient until a solution of the yield problem is found. It is considered that a further increase, to offset a continued lowering of the cheese yield, is open to objection, and that the price fixed for cheese for the 1938-39 season should not be augmented on account of a cheese yield lower than the standard net yield of 2.45, even though, for that reason, cheese-factory companies on the average do not show the anticipated margin of 2d. per pound of butterfat.

The whole question of the relation of the net return to suppliers of milk for cheese-manufacturing to the net return to suppliers of cream for butter-manufacturing involves a consideration of the nature of the milk-supply for cheesemaking, the yield of cheese per pound of butterfat, economic cheese-manufacturing conditions, the method of payment for milk for cheesemaking, and the net return to cheese-milk suppliers per cow and per acre. If the conditions in respect of cheese yield are such that a yield allowance of 2.51 gross or 2.45 net is insufficient to enable the 2d. per pound differential payment for butterfat to be generally realized, then an investigation of the factors referred to must be made by the industry.

MARKETING OF BUTTER AND CHEESE.

The report of the Department for the 1936-37 season contained a review of the developments during recent years in the marketing of dairy-produce. An outline was given of the changes in methods of sale and marketing organization, and reference was made to the establishment of the New Zealand Dairy-produce Control Board. Reference was also made to the marketing control of the Board in 1926, to the abandonment of the venture after less than one year's trial, and to the plans formulated by the Board in 1935 for a system of group marketing.

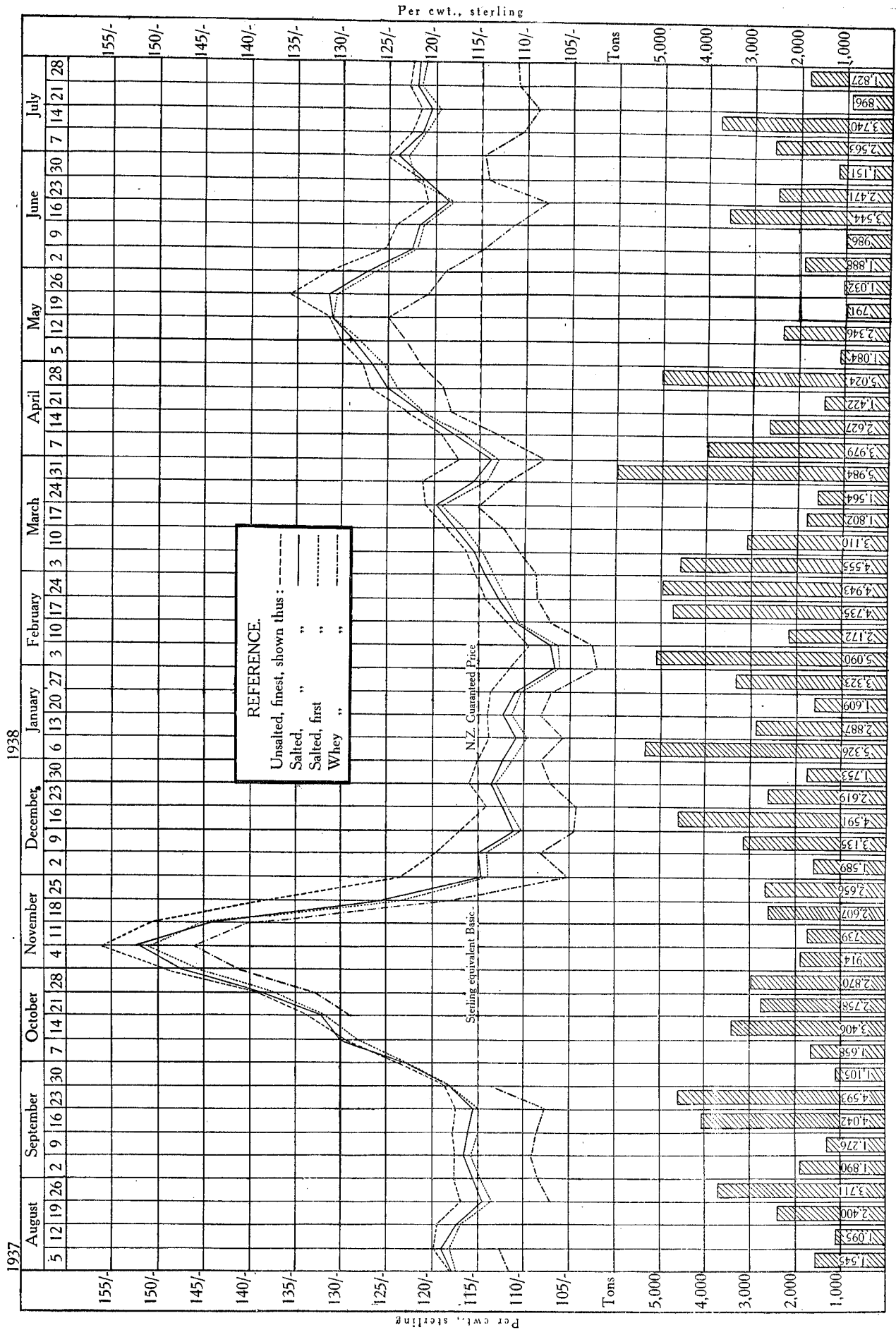
The decision of the Government to purchase the total exportable output of butter and cheese from the 1st August, 1936, and to market dairy-produce through the Primary Products Marketing Department, transferred all responsibility for marketing from the industry to the Government.

The development by the Department of a more regular and wider distribution of butter and cheese in the United Kingdom has been supported by an extended publicity and sales-promotion campaign which has resulted in the establishment of a considerable "all the year round" counter trade for New Zealand butter and cheese as such. This regular counter demand for "New Zealand" assists the maintenance of New Zealand prices when competition from cheaper butters is keen.

Further evidence of the benefits of the present marketing policy is to be found in the steady narrowing of the price margin for Danish butter over New Zealand butter. Attention is directed to the table on page 19, which shows the margins to be: For the 1935-36 season, 20s. 5d. per hundredweight; for the 1936-37 season, 15s. 2d. per hundredweight; and for the 1937-38 season, 11s. 7d. per hundredweight.

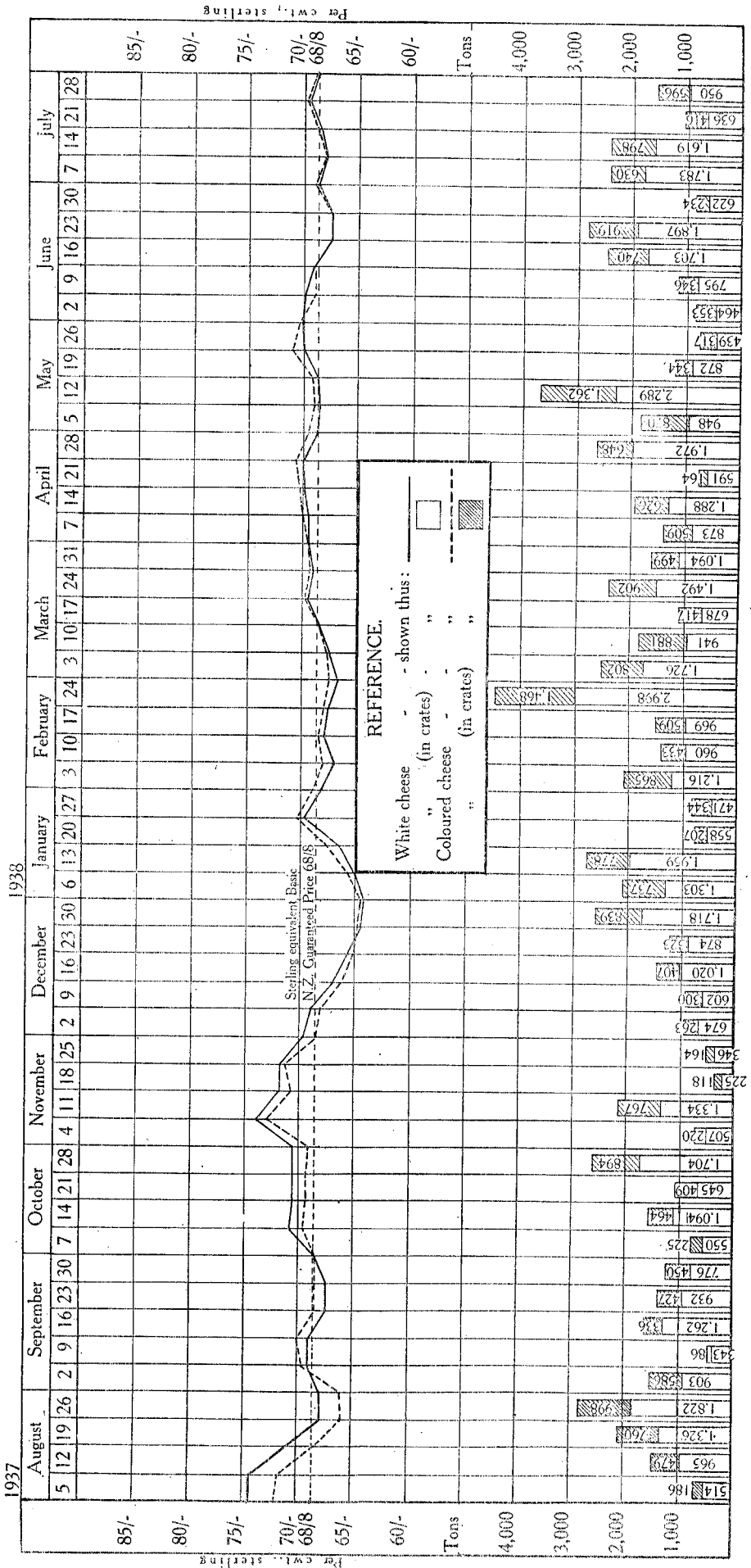
MARKETING OF NEW ZEALAND BUTTER IN THE UNITED KINGDOM.

QUANTITIES (IN TONS) SOLD WEEKLY, WITH AVERAGE LONDON PRICES (PER HUNDREDWEIGHT STERLING), 1ST AUGUST, 1937, TO 31ST JULY, 1938.



MARKETING OF NEW ZEALAND CHEESE IN THE UNITED KINGDOM.

QUANTITIES (IN TONS) SOLD WEEKLY, WITH AVERAGE LONDON PRICES (PER HUNDREDWEIGHT STERLING), 1ST AUGUST, 1937, TO 31ST JULY 1938.



MARKETING IN THE UNITED KINGDOM.

The system of marketing in the United Kingdom outlined in the report of the Department for the 1936-37 season has been continued during the 1937-38 season. The number of selling-agents employed has been reduced to twenty, with whom the closest contact is maintained. While unnecessary competition to clear stocks has been eliminated, the regular requirements of wholesale and retail buyers are, and must always be, the first consideration. Save on a few occasions, when the arrival of incoming ships has been delayed, adequate supplies of New Zealand butter and cheese have been regularly available, meeting a steady demand, which has prevented undue accumulation of unsold stocks at any period during the year.

The distribution of butter and cheese in the United Kingdom has been widened by means of direct shipments to the main United Kingdom ports. In particular, regular shipments have been commenced to Cardiff, Southampton, Hull, and Newcastle-on-Tyne. The steady growth of trade in those areas served by *west coast* and *east coast* ports in the United Kingdom is shown in the statistical data and the maps published in appropriate sections in this report. Over one-third of the Dominion's butter and cheese is now distributed from ports other than London. It will be noted that, with the exception of butter to Glasgow, the shipping programme for 1938-39 calls for still greater quantities for *west coast* ports.

The price level of New Zealand butter and cheese has improved substantially during the year in relation to the produce of competing countries, and disturbing fluctuations in price during short periods have been minimized. These trends are shown in the tables of prices published in this report. Attention has already been directed to the narrowing of the price margin for Danish butter over New Zealand butter, and a reference to the table on page 19 will also show, in respect of the 1937-38 season, the favourable average price compared with the price for Australian butter.

INFLUENCES AFFECTING BUTTER-PRICES IN THE UNITED KINGDOM DURING THE 1937-38 SEASON.

At the beginning of October, 1937, stocks in cold store, according to the Imperial Economic Committee's return, were over 10,000 tons less than in 1936, the total being the lowest for the eight years during which cold-store statistics have been published. Imports in September had been unexpectedly light—some 11,000 tons less than in the previous September—and October and November imports were also well below those of the same months of 1936. This shortage of supplies resulted in a very sharp rise in the price of all butter in October, the range of prices being from 127s. to 151s. per hundredweight. The consequent high retail price (1s. 6d. per pound) severely checked consumption, which, up to that time, had been maintained at a satisfactorily high level. It is reliably estimated that weekly consumption fell by at least 1,000 tons per week during November.

Stocks at the beginning of the January-March, 1938, quarter, though showing some recovery from the very low level reached in December, were still much less than normal, but arrivals from the latter part of December onwards, particularly of New Zealand and Australian butter, were well above consumption. In consequence, the price of New Zealand fell almost continuously from 151s. per hundredweight at the end of October, 1937, to 106s. per hundredweight at the end of January, 1938, the average retail price falling at the same time from 1s. 6d. to 1s. 2d. per pound. Consumption responded to some extent to the lower retail prices, but remained well below the level of the previous year. In early February, market sentiment became more favourable, due in a large measure to the substantial reduction in New Zealand gradings, the persistent reports of the widespread incidence of foot-and-mouth disease in France, Belgium, Holland, and Germany, and to the abnormally dry weather in Great Britain, Denmark, and certain areas of Northern Europe.

Notwithstanding these factors, however, imports were maintained at a higher level than in 1937, but the possibility of short supplies during the summer period created a good "stocking up" movement, which enabled sellers to advance prices steadily during February-March.

At the beginning of April, total stocks had increased to nearly 15,000 tons, only about 2,000 tons less than at the same date of 1937. The continued decline in New Zealand production, however, and abnormally dry weather in the European countries referred to above, brought about a further increase in demand with a rising price movement, culminating in mid-May, when New Zealand, Australian, and Danish butter reached 133s., 131s., and 132s. per hundredweight respectively. Retail prices for New Zealand advanced in sympathy from 1s. 2d. to 1s. 4d. per pound., checking the seasonal increase in consumption which invariably occurs in the summer months.

In May the long spell of dry weather was broken by ample rains, and it became evident that Northern Hemisphere production would be maintained at a high level during the season. Prices receded by from 10s. to 12s. per hundredweight for all descriptions during the second half of May, and remained till the end of the season at around 120s. to 125s. per hundredweight for New Zealand, with Danish at about the same price to 4s. premium until mid-August, when the seasonal decrease in Danish production brought about the usual sharp rise in the price of Danish.

The season will close in September with total stocks from 12,000 tons to 14,000 tons higher than at the same date in 1937, and also in excess of that of the two previous years.

AVERAGE MONTHLY PRICES OF BUTTER AT LONDON.

Month.	New Zealand. Finest Salted.			Australian. Choicest Salted.			Danish.		
	1935-36.	1936-37.	1937-38.	1935-36.	1936-37.	1937-38.	1935-36.	1936-37.	1937-38.
	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.
August ..	95 3	119 6	116 6	94 6	118 3	115 9	110 6	127 6	126 6
September ..	111 0	107 9	117 6	110 6	107 6	117 3	127 0	125 3	134 6
October ..	120 3	99 9	137 0	120 0	100 0	136 9	132 0	122 6	145 0
November ..	102 6	109 0	131 6	102 0	107 9	130 0	124 9	122 6	150 0
December ..	90 3	100 6	113 3	89 6	98 9	111 6	127 9	114 9	151 9
January ..	95 0	94 6	110 3	94 3	94 6	109 3	119 6	113 0	132 3
February ..	93 9	86 6	112 3	92 6	86 6	111 9	129 0	119 6	126 9
March ..	84 3	96 3	117 0	84 0	96 6	117 0	122 6	126 9	121 2
April ..	88 3	105 0	124 3	87 9	104 6	123 9	106 0	115 0	125 3
May ..	94 6	107 0	129 6	93 3	106 0	126 6	104 6	110 6	129 6
June ..	108 3	110 0	122 2	107 0	108 6	119 10	115 6	114 9	124 5
July ..	114 9	114 0	121 6	113 6	112 9	120 0	124 6	120 3	124 6
Average ..	99 10	104 2	121 1	99 1	103 5	119 11	120 3	119 4	132 8

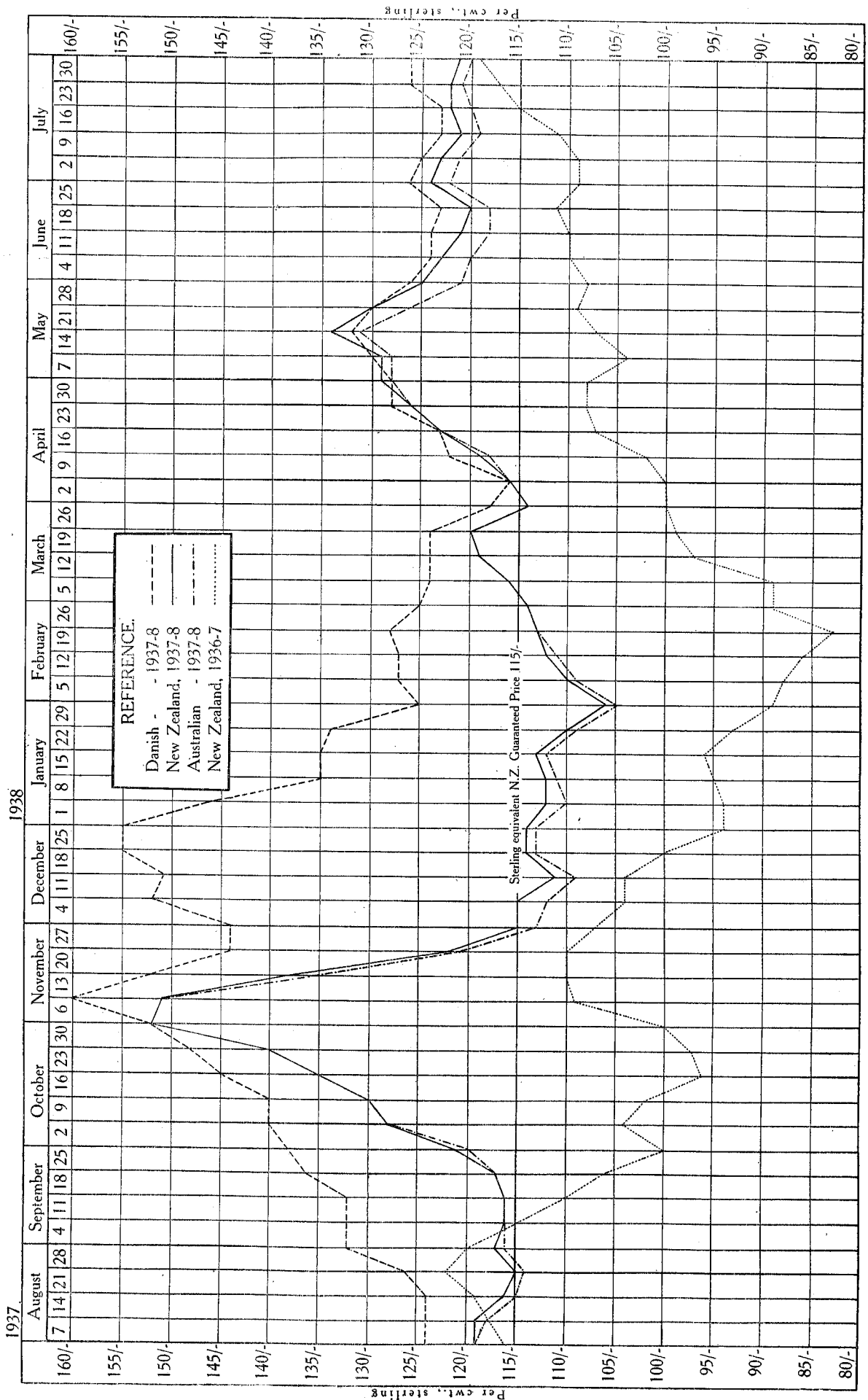
(See also graphical tabulation of the weekly prices, which is published in this report.)

AVERAGE LONDON MARKET-PRICES.

—				1935-36.	1936-37.	1937-38.
				Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.
New Zealand .. ..	..	..	..	99 10	104 2	121 1
Australian .. ..	..	..	..	99 1	103 5	119 11
Danish .. ..	..	..	..	120 3	119 4	132 8
Premiums—						
Danish over New Zealand ..	..			20 5	15 2	11 7
New Zealand over Australian ..	..			0 9	0 9	1 2

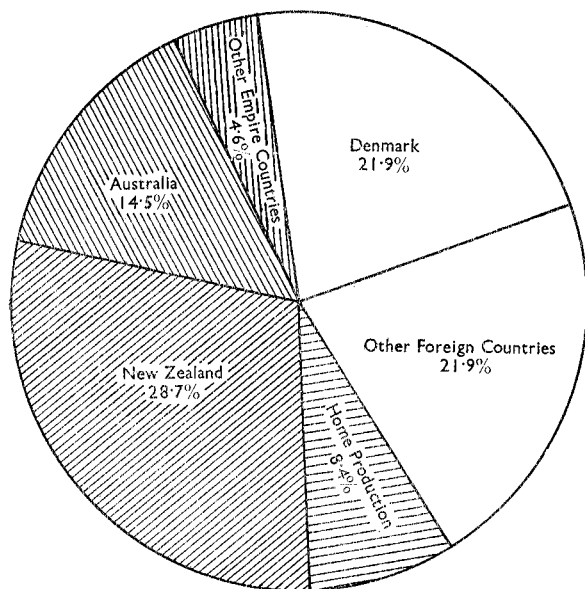
BUTTER PRICES.

LONDON WEEKLY AVERAGE CABLED QUOTATIONS (PER HUNDREDWEIGHT STERLING), 1st AUGUST, 1937, TO 31st JULY, 1938.



DIAGRAMS SHOWING THE SOURCES OF SUPPLY OF BUTTER AND CHEESE AVAILABLE FOR CONSUMPTION IN UNITED KINGDOM IN 1937.

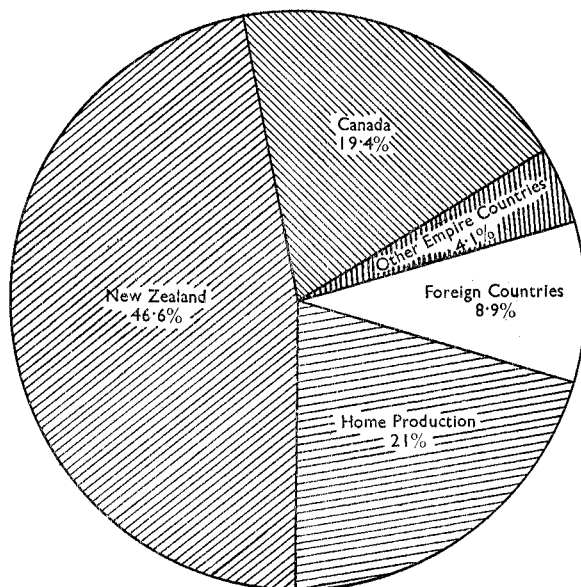
BUTTER.



BUTTER.

New Zealand	-	147,548	tons
Australia	-	74,597	"
Other Empire Countries	-	23,383	"
Denmark	-	112,825	"
Other Foreign Countries	-	112,464	"
Home Production	-	43,000	"
		<u>513,817</u>	<u>tons</u>

CHEESE.



CHEESE.

New Zealand	-	86,539	tons
Canada	-	36,114	"
Other Empire Countries	-	7,599	"
Foreign Countries	-	16,593	"
Home Production	-	39,000	"
		<u>185,845</u>	<u>tons</u>

SUPPLIES OF BUTTER AVAILABLE IN THE UNITED KINGDOM IN 1937.

The production of butter in the United Kingdom in 1937 has been estimated to be 43,000 tons, or 7,000 tons below 1936. Total imports of butter into the United Kingdom in 1937 were 3 per cent. less than the previous year's record figure and the smallest in any year since 1933.

Imports of butter from Empire countries declined in 1937 by 4 per cent. compared with imports in 1936. Imports from Empire countries in 1937 amounted to 52 per cent. of the total imports, compared with 53 per cent. in 1936.

New Zealand in 1937 supplied 31 per cent. of the total imports of butter into the United Kingdom, Denmark 24 per cent., and Australia 16 per cent.

The table shown on page 22 gives United Kingdom estimated butter-production, net imports yearly from 1930 to 1937, and consumption of butter in relation to consumption of margarine. The graph shown on page 21 gives the source of supply of butter consumed in the United Kingdom.

Imports from the *Empire countries* for the eight months ending August, 1938, the latest date for which figures are available, were just over 3,600 tons lower than in the previous year. A decrease of almost 9,000 tons in imports from New Zealand was offset by an increase of just about the same quantity from Australia, but adverse weather conditions reduced South African imports by 2,700 tons, and imports from Eire were lower by 750 tons. *Foreign supplies*, on the other hand, increased by nearly 10,000 tons, notwithstanding a complete absence of imports from Russia, from which source 10,500 tons were received in the same period of 1937. The following substantial increases were recorded: Denmark, 4,300 tons; Sweden and Finland, 5,800 tons; Latvia, Lithuania, and Estonia, 6,700 tons; Poland, 5,800 tons. As imports into Germany in the same period increased by over 7,000 tons compared with 1937, it is clear that the higher price level of the last two seasons has substantially stimulated production in the European exporting countries, and that, notwithstanding dry weather in Denmark and Northern Europe in the early spring, climatic conditions, on the whole, have been quite favourable.

For the first eight months of 1938, latest available figures indicate that the weekly consumption of butter has fallen by approximately 470 tons, compared with the first eight months of 1937, while the weekly consumption of margarine has increased by about the same amount. This may be attributed to the higher retail prices of butter, a declining tendency in purchasing power, and a very intensive national advertising and sales campaign by margarine-manufacturers.

BUTTER CONSUMPTION IN RELATION TO MARGARINE CONSUMPTION.

The following table shows the United Kingdom estimated butter-production and net imports yearly from 1930 to 1937. The table also shows the average weekly consumption of imported butter and the *per capita* consumption of all butters. The corresponding *per capita* figures in respect of margarine are also shown.

UNITED KINGDOM ANNUAL PRODUCTION AND CONSUMPTION OF BUTTER.

Year (Jan. – Dec.).	Production (estimated).	Net Imports.	Total, all Butter.	Consumption.		Margarine, <i>per Capita</i> .
				Weekly, Imported Butter.	<i>Per Capita</i> , all Butter.	
	Tons.	Tons.	Tons.	Tons.	Lb.	Lb.
1930	48,185	332,421	380,606*	6,435	18·7	11·8
1931	48,185	385,451	428,236	7,335	20·9	10·3
1932	48,185	402,946	446,131	7,650	21·7	9·2
1933	48,185	437,300	491,655	8,475	23·5	8·4
1934	48,185	480,180	528,365	9,170	25·2	7·9
1935	47,500	474,060	526,390	9,225	25·2	8·4
1936	52,850	484,031	525,089	9,030	25·0	8·6
1937	45,000†	465,108	524,150	9,190	24·8	8·9

Source: Imperial Economic Committee.

* Apparent total annual consumption. After 1930, changes in cold-storage stocks in the beginning and end of the year have been taken into account.
† Provisional.

INFLUENCES AFFECTING CHEESE-PRICES IN THE 1937-38 SEASON.

The balance of the 1936-37 season's output cleared well during October-November last at from 70s. to 74s. per hundredweight. The new season's make arriving for the mid-winter trade, when cheese-consumption is at its lowest, caused the usual price recession, which, however, was not so marked as in recent years. The lowest price of the season for New Zealand cheese was reached at the end of December, when the week's sales averaged 64s. per hundredweight. A moderate recovery followed, and prices remained steady during January and February at an average of 68s. per hundredweight. From March onwards a gradual upward movement carried prices to 73s. per hundredweight at the end of August.

At the beginning of the Canadian production season conditions in the dairying areas were reported to be very good, and United Kingdom buyers expected increased supplies from this source. Although milk-production in Canada has been considerably heavier than in recent years, the output of cheese has been substantially below that of 1937, but the quantity of butter, condensed milk, and milk-powder manufactured is well above last year. Gradings of cheese in Ontario and Quebec to the end of August are 18 per cent. (about 6,000 tons) below the same period in 1937.

The following table of average monthly prices of cheese at London shows, in respect of New Zealand and Canadian cheese, the movement in price during the season just closed compared with the previous season.

AVERAGE MONTHLY PRICES OF CHEESE AT LONDON.

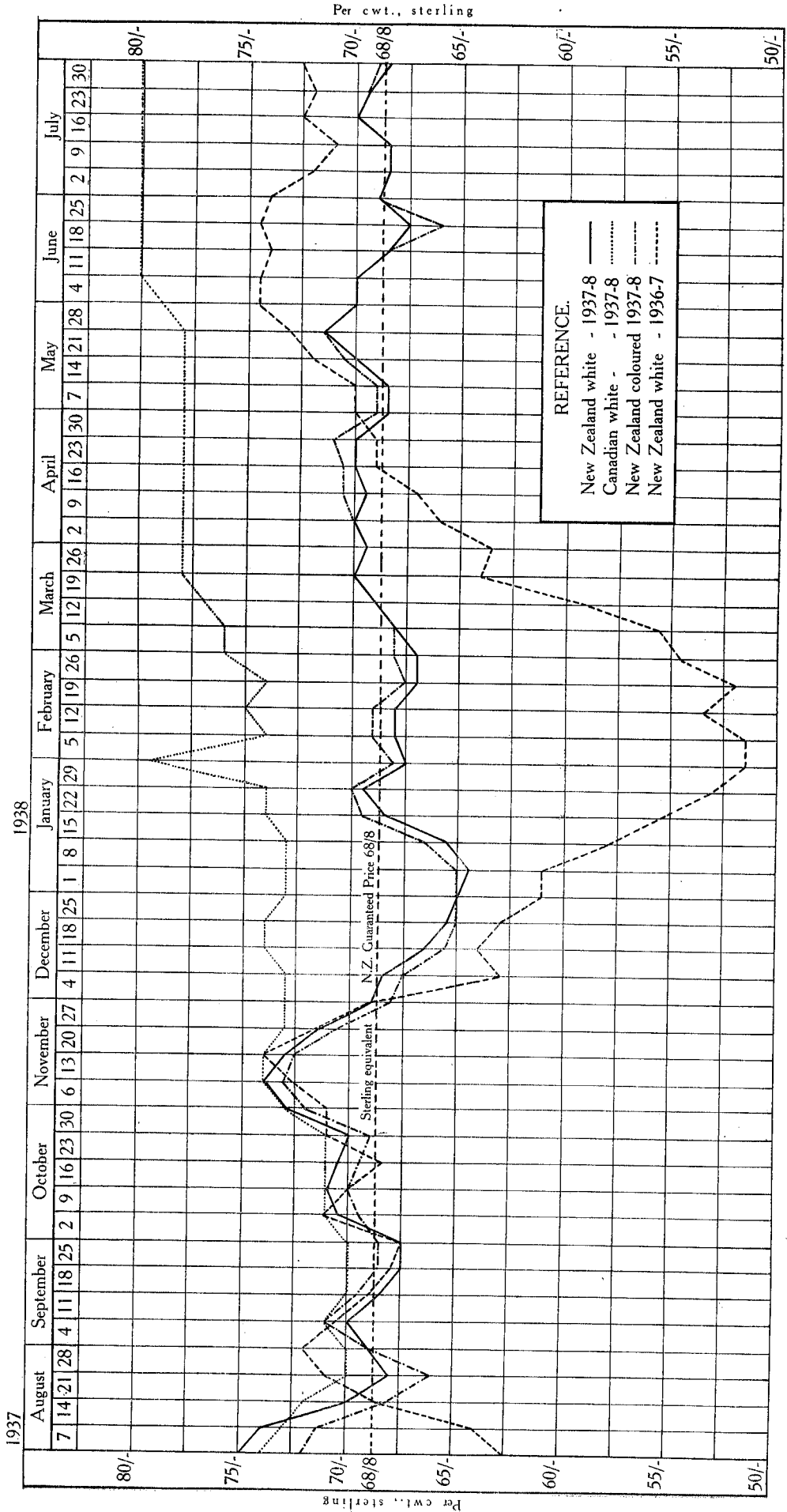
Month.	New Zealand (Finest White).			Canadian (Finest White)*		
	1935-36.	1936-37.	1937-38.	1935-36.	1936-37.	1937-38.
	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.	Per Cwt. s. d.
August	48 6	68 9	70 3	52 9	68 9	71 3
September	54 9	68 9	68 6	55 9	71 3	70 3
October	60 3	70 0	71 0	61 6	70 3	71 6
November	52 6	72 3	71 9	58 6	73 3	73 6
December	54 0	62 9	66 0	59 6	71 9	73 6
January	54 9	55 6	67 9	62 0	72 0	73 9
February	52 6	53 0	67 6	62 6	72 0	74 9
March	50 3	60 6	69 3	63 0	73 0	77 3
April	53 6	68 3	69 6	62 0	75 6	78 0
May	57 0	72 6	70 0	63 6	78 3	78 3
June	59 9	74 3	68 9	67 6	80 0	80 0
July	61 6	73 0	69 0	64 3	76 0	80 0
Average, twelve months	54 11	66 8	69 1	61 8	73 6	75 2

(See also graphical tabulation of weekly prices, which is published in this report.)

* Old.

CHEESE PRICES.

LONDON WEEKLY AVERAGE CABLED QUOTATIONS (PER HUNDREDWEIGHT STERLING), 1st AUGUST, 1937, TO 31st JULY, 1938.



SUPPLIES OF CHEESE AVAILABLE IN THE UNITED KINGDOM IN 1937.

The production of cheese in the United Kingdom in 1937 has been estimated to be 38,000 tons, or 17,000 tons below 1936. Total imports of cheese into the United Kingdom in 1937 were 10 per cent. greater than in 1936.

Imports of cheese from Empire countries increased in 1937 by 8 per cent. compared with imports in 1936. Imports from Empire countries in 1937 amounted to approximately 90 per cent. of the total imports, compared with approximately the same percentage figure in 1936.

New Zealand in 1937 supplied 59 per cent. of the total imports into the United Kingdom, Canada 25 per cent., and Australia 4 per cent.

The following tabulation shows the total cheese available for consumption in the United Kingdom, the Home production and net imports, and the main sources of supply :—

CHEESE AVAILABLE FOR CONSUMPTION IN THE UNITED KINGDOM.

—	1934.	1935.	1936.	1937.
	Tons.	Tons.	Tons.	Tons.
Home production	50,238	57,074	54,585	37,760
Net imports	147,917	134,274	132,600	145,800
	198,155	191,348	187,185	183,560

In relative importance the main sources of supply are :—

—	1934.	1935.	1936.	1937.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
New Zealand	53	46	45	47
Home production	25	30	29	21
Canada	13	12	16	20

The graph shown on page 21 gives the source of supply of cheese consumed in the United Kingdom.

Cheese-production in the United Kingdom for the eight months January to August, 1938, estimated at approximately 33,000 tons, is higher by about 2,500 tons, or 6 per cent., than in the same period of 1937, while imports are practically the same in both periods. Decreased supplies from New Zealand of 2,600 tons and from Canada of 1,500 tons are offset by an increase of 3,900 tons from Australia. Shipments from the latter country, at 7,700 tons, are double those of the previous year. Supplies from other sources show little change.

MILK-PRODUCTION IN THE UNITED KINGDOM.

The total quantity of milk passing under the control of the Milk Marketing Boards in England and Wales and Scotland in 1936 and 1937 was :—

Year.	Sold in Liquid Form.	Used for Manufacture, including Farm Cheese.	Total.
	Gallons.	Gallons.	Gallons.
1936	749,000,000	410,000,000	1,159,000,000
1937	791,000,000	335,000,000	1,126,000,000
Increase in 1937	42,000,000	..	..
Decrease in 1937 .. ..	..	75,000,000	33,000,000

Returns for the first eight months of 1938 indicate that the loss of output in 1937 will be more than recovered, total milk passing under the control of the Boards in that period being higher by 41,000,000 gallons than in the same months of the previous year. Milk consumed in liquid form increased by over 26,000,000 gallons, and that used in manufacture by nearly 15,000,000 gallons.

Increases in the manufacture of condensed milk and milk-powder, which is about 30 per cent. and 60 per cent. respectively above the same period of last year, have absorbed the increase in the disposal of milk for manufacturing purposes.

SALES OF BUTTER AND CHEESE TO MARKETS OTHER THAN UNITED KINGDOM.

During the 1937-38 season the Department has endeavoured to increase sales of butter and cheese in markets other than the United Kingdom, and the requirements of firms regularly trading in those markets continue to be supplied. This trade, though relatively small, is very widely spread. Apart from circumstances relating to impositions on imports into certain countries, over which the Department has no control, the year has seen a general increase in the quantities shipped to destinations other than the United Kingdom.

The sales tabulated hereunder have been made direct from New Zealand, but in addition almost the same quantities of New Zealand butter and cheese have been shipped from the United Kingdom to countries which cannot be conveniently or regularly supplied from New Zealand. The destinations of these shipments from the United Kingdom are the Channel Islands, Malta, Gibraltar, Egypt, Newfoundland, British West Indies, British Guiana, and South Africa.

Sales from New Zealand have been as follows :—

	Butter (Boxes).		Cheese (Crates).	
	1937-38.	1936-37.	1937-38.	1936-37.
Japan—				
Kobe	720	5,552	..	..
Osaka .. .. .	..	40	..	..
Yokohama .. .. .	..	2,110	..	..
	720	7,702	..	..
Philippine Islands	4,920	2,200	..	..
Singapore	9,425	8,526	..	27
French Cochin China	1,153	765	..	..
China—				
Hong Kong	7,385	3,900	106	40
Shanghai	6,571	8,530	244	270
Tientsin	133	200	..	..
	14,089	12,630	350	310
East Indies—				
Batavia	31	..	..	..
Samarang	29	..	..	..
Surabaya	23	..	..	..
	83	..	..	..
India—				
Bombay	2,069	1,785	..	..
Calcutta	3,873	2,888	1	..
Colombo	220	50	2	..
Karachi	160	..	..	..
Madras	1,392	1,399	..	5
Rangoon	232	252	..	..
	7,946	6,374	3	5
Pacific and United States of America—				
Honolulu	17,247	26,200	..	..
Boston .. .. .	..	..	..	11
Los Angeles	17	..	..	..
New York	3,600	2,850	..	..
San Francisco	1,666	1,038	..	4
	22,530	30,088	..	15
Canada—				
Halifax	31,000	..	..	..
Vancouver	23,350	426	400	1,215
Victoria	4,200	..	165	..
	58,550	426	565	1,215
Canal Zone—				
Balboa	9,540	26,129	100	..
Cristobal	18,050	12,525	..	4
	27,590	38,654	100	4
British West Indies—				
Bahamas	1,205	655	..	..
Bermuda	625	300	30	..
Jamaica	14,580	17,013	178	81
	16,410	17,968	208	81
Falkland Islands	91	..	..	..
	163,507	125,333	1,226	1,657

JAPAN.

The war between Japan and China has led to a complete cessation of sales and shipments to Japan.

DUTCH EAST INDIES.

The trade in butter and cheese to these ports is still very small, but the Department is continuing its endeavours to assist exporters by quoting competitive prices and supplying attractive butter cartons printed with the New Zealand national brand.

INDIA.

The sales of butter to India show a steady increase. Butter cartons are supplied in 1 lb. and $\frac{1}{2}$ lb. sizes.

HONOLULU.

Sales to Honolulu during the past season show a decrease, owing to the fact that during the 1936-37 season sales were to a considerable extent influenced by the American shipping strike. The regular trade has been fully maintained.

PANAMA.

Sales to Panama Canal Zone show a decrease compared with the previous year, and it is likely that under existing conditions a further decrease will be shown next year. The United States Government, under a recently issued Agricultural Adjustment Administration Order, subsidize sales of American butter in the Panama Canal Zone, on a basis which makes New Zealand competition virtually impossible. This question has been made the subject of representations to the United States Government.

CANADA.

Owing to a shortage of butter stocks in Canada, 58,550 boxes of New Zealand butter were shipped during the year to Vancouver and Halifax. This market is meantime no more than an occasional market. The position at present is that Canadian stocks are high and quantities of Canadian butter are being shipped to London. It is satisfactory to record that, following discussions between the Canadian and the New Zealand Governments, the Canadian Government have agreed to remove the exchange dumping duty from butter shipped from New Zealand, subject to possible limitation of shipments to reasonable proportions if they appear to threaten the interests of Canadian producers.

GERMANY.

As the result of a trade arrangement made by the Hon. Walter Nash, Minister of Marketing, 58,112 boxes of New Zealand butter were shipped to Germany. Of this quantity, 38,112 boxes were shipped from London stocks. These shipments were made during December, 1937, and January and February, 1938. At this time supplies of butter arriving in London were heavy, and the shipments to Germany materially assisted the level of prices realized in the United Kingdom market.

COMPARISON OF COSTS OF MARKETING BUTTER AND CHEESE UNDER THE OLD AND THE PRESENT MARKETING SYSTEMS.

In order to ascertain the extent of savings in costs under the new marketing procedure compared with the old, an analysis of marketing-costs was made, on the basis of the selling-values for the 1936-37 season of 104s. per hundredweight sterling for butter and 64s. 7d. per hundredweight sterling for cheese. This analysis showed an approximate annual saving in marketing-costs, on outputs of 150,000 tons butter and 85,000 tons cheese, of £219,739.

The savings in marketing-costs based on the approximate selling-values for the 1937-38 season of 117s. 6d. per hundredweight sterling for butter and 68s. 6d. per hundredweight sterling for cheese are: On butter marketing, 13-084d. per hundredweight, or a total saving on an export of 140,000 tons of £152,650; on cheese marketing 7-92d. per hundredweight, or a total saving on an export of 85,000 tons of £56,100. Thus on the export trade in butter and cheese, on the 1937-38 season's realizations and quantities, there is an approximate annual saving of £208,750.

The details of the comparisons of marketing-costs are as follows :—

COMPARISON OF COSTS OF MARKETING BUTTER.

Charges Items.	Costs under Old System.		Costs under Present System.	
	s.	d.	s.	d.
Sale value (per cwt. sterling) .. ..	..	117 6	..	117 6
Less—				
Port dues, &c.	1 3		1 3	
Commission	2 11·25*		2 4·2†	
Discount (2d. in the pound)	0 11·75		0 11·75	
London interest (5s. per cent.)	0 3·52		..	
Freight	5 10·5		..	
Insurance	0 3·156		..	
		11 7·176		4 6·95
		105 10·824		112 11·05
Plus—				
Exchange .. ..	..	24 11·917	..	27 1·212
		130 10·741		140 0·262
Less—				
Freight ‡ .. ..	..	..	7 3·468	
Insurance ‡ .. ..	..	..	0 3·719	
				7 7·187
				132 5·075
Interest on overdraft and cost of remittances to dairy companies .. ..	..	..	..	0 5·25
		130 10·741		131 11·825
Net return, New Zealand currency .. ..	..			130 10·741
Increase in net return, represented by savings in marketing costs .. ..	..	..	..	1 1·084

Summary of Savings in Marketing Costs under the Present System.

Gains—	Per Cwt.
Commission	d. 7·05
London interest	3·52
Exchange	7·764
	18·334
Less interest on overdraft and cost of remittances to dairy companies	5·25
	13·084

* Commission, 2½ per cent.
New Zealand to London.

† Commission, 2 per cent.

‡ Rates in sterling, plus exchange on remittance,

COMPARISON OF COSTS OF MARKETING CHEESE.

Charges Items.				Costs under Old System.		Costs under Present System.	
				s. d.	s. d.	s. d.	s. d.
Sale value (per cwt. sterling)	..	..	..	..	68 6	..	68 6
Less—							
Port dues, &c.	..	..	..	1 2		1 2	
Commission	..	..	..	1 8.55*		1 4.5†	
Discount (2d. in the pound)	..	..	..	0 6.85		0 6.85	
London interest (5s. per cent.)	..	..	..	0 2.055		..	
Freight	..	..	..	6 2.327		..	
Insurance	..	..	..	0 1.834		..	
					9 11.616		3 1.35
					58 6.384		65 4.65
Plus—							
Exchange	..	..	..	..	13 9.762		15 8.316
Less—					72 4.146		81 0.966
Freight ‡	..	..	..	..	..	7 7.74	
Insurance ‡	..	..	..	..	..	0 2.16	
							7 9.90
							73 3.066
Interest on overdraft and cost of remittances to dairy companies				..	..		0 3
Net return, New Zealand currency	..	..	..	..	72 4.146		73 0.066
							72 4.146
Increase in net return, represented by savings in marketing costs				..		..	0 7.920

Summary of Savings in Marketing Costs under the Present System.

				Per Cwt.
Gains—				d.
Commission	..	..	..	4.05
London interest	..	..	..	2.055
Exchange	..	..	..	4.815
				10.920
Less interest on overdraft and cost of remittances to dairy companies				3.000
				7.920

* Commission, 2½ per cent.
New Zealand to London.

† Commission, 2 per cent.

‡ Rates in sterling, plus exchange on remittance,

SHIPPING.

In last year's report mention was made of the policy of the Department for ensuring greater regularity in arrivals of consignments of butter and cheese in the United Kingdom. It was pointed out that freight contracts are only made possible by co-operation between the dairy and other exporting industries, particularly the meat and fruit industries. Consideration has also to be given to the requirements of New Zealand importers, whose goods have to be discharged at ports of destination before the export loading itineraries can be finalized. It is pleasing to record that the shipping programme for the 1937–38 season, which was designed to give monthly arrivals in the United Kingdom of quantities of butter and cheese to suit market requirements, has been carried out in a satisfactory manner. The extent of the possible regulation of shipments is necessarily somewhat limited, because there are sixteen ports of loading in the Dominion for overseas vessels, five of these being roadstead ports, where the risk of delay is considerable.

During the season 111 vessels loaded dairy-produce in the Dominion for the United Kingdom. Of these, 60 discharged at London, the remaining 51 discharging at one or more of the following ports: Cardiff, Avonmouth, Liverpool, Manchester, Glasgow, Southampton, Hull, and Newcastle-on-Tyne. Many of these latter vessels also discharged dairy-produce at London.

An advantageous feature of the season's operations has been the large increase in shipments to the ports of Cardiff, Hull, Newcastle-on-Tyne, and Southampton. The quantities shipped to these ports during the 1937-38 season, compared with the 1936-37 season, are as follows :—

	Butter Shipments.		Cheese Shipments.	
	1937-38.	1936-37.	1937-38.	1936-37.
	Boxes.	Boxes.	Crates.	Crates.
To Cardiff	83,360	8,600	18,260	2,114
To Hull	95,150	8,640	14,960	2,200
To Newcastle-on-Tyne	85,920	5,560	17,526	1,862
To Southampton	91,240	43,000	17,344	5,614
	355,670	65,800	68,090	11,790
Increase	289,870	..	56,300	..

Direct shipments to Avonmouth, Liverpool, Manchester, and Glasgow have also been well maintained, the comparative figures being :—

Butter (Boxes).				Cheese (Crates).			
1937-38 .. .. .	..	..	1,529,040	1937-38 .. .. .	..	..	319,720
1936-37 .. .. .	..	..	1,513,640	1936-37 .. .. .	..	..	292,250
Increase .. .. .	..	..	15,400	Increase .. .. .	..	..	27,470

In consequence of increased shipments to other United Kingdom ports, shipments to London show a corresponding decrease. The comparative figures are as follows :—

Butter (Boxes).				Cheese (Crates).			
1937-38 .. .. .	..	..	3,485,080	1937-38 .. .. .	..	..	783,870
1936-37 .. .. .	..	..	4,288,080	1936-37 .. .. .	..	..	901,050
Decrease .. .. .	..	..	803,000	Decrease .. .. .	..	..	117,180

It is considered that increased shipments to United Kingdom ports other than London have improved the distribution of New Zealand dairy-produce, and that the decentralization during the past season has been an important factor in maintaining prices.

The arrangements for allocation of vessels for shipment of dairy-produce have been satisfactorily carried out by the Overseas Shipowners' Allotment Committee. There is complete co-operation between the Committee and the Department in the settling of a shipping programme which will ensure the clearing of dairy-produce evenly at all ports according to grading date, and give regular arrivals in the United Kingdom in quantities to suit the market requirements.

Seasonal conditions frequently upset the forward estimates of quantities of dairy-produce available for shipment, and thus necessitate variations in the shipping allotments. The Overseas Shipowners' Allotment Committee is always ready to meet, to the best of its ability, any such emergency, and the Department desires to record its appreciation of the full measure of co-operation given by the Committee. During the 1937-38 season there has been a further reduction in the average number of ports of loading for vessels sailing from the Dominion. The comparative figures are as follows :—

Season.	Vessels loaded.	Average Ports per Vessel.
1934-35	111	4.00
1935-36	104	3.98
1936-37	108	3.67
1937-38	111	3.35

The average for last season is arrived at as follows :—

- 3 vessels loaded dairy-produce at 1 port only.
- 22 vessels loaded dairy-produce at 2 ports only.
- 38 vessels loaded dairy-produce at 3 ports only.
- 31 vessels loaded dairy-produce at 4 ports only.
- 15 vessels loaded dairy-produce at 5 ports only.
- 2 vessels loaded dairy-produce at 6 ports only.

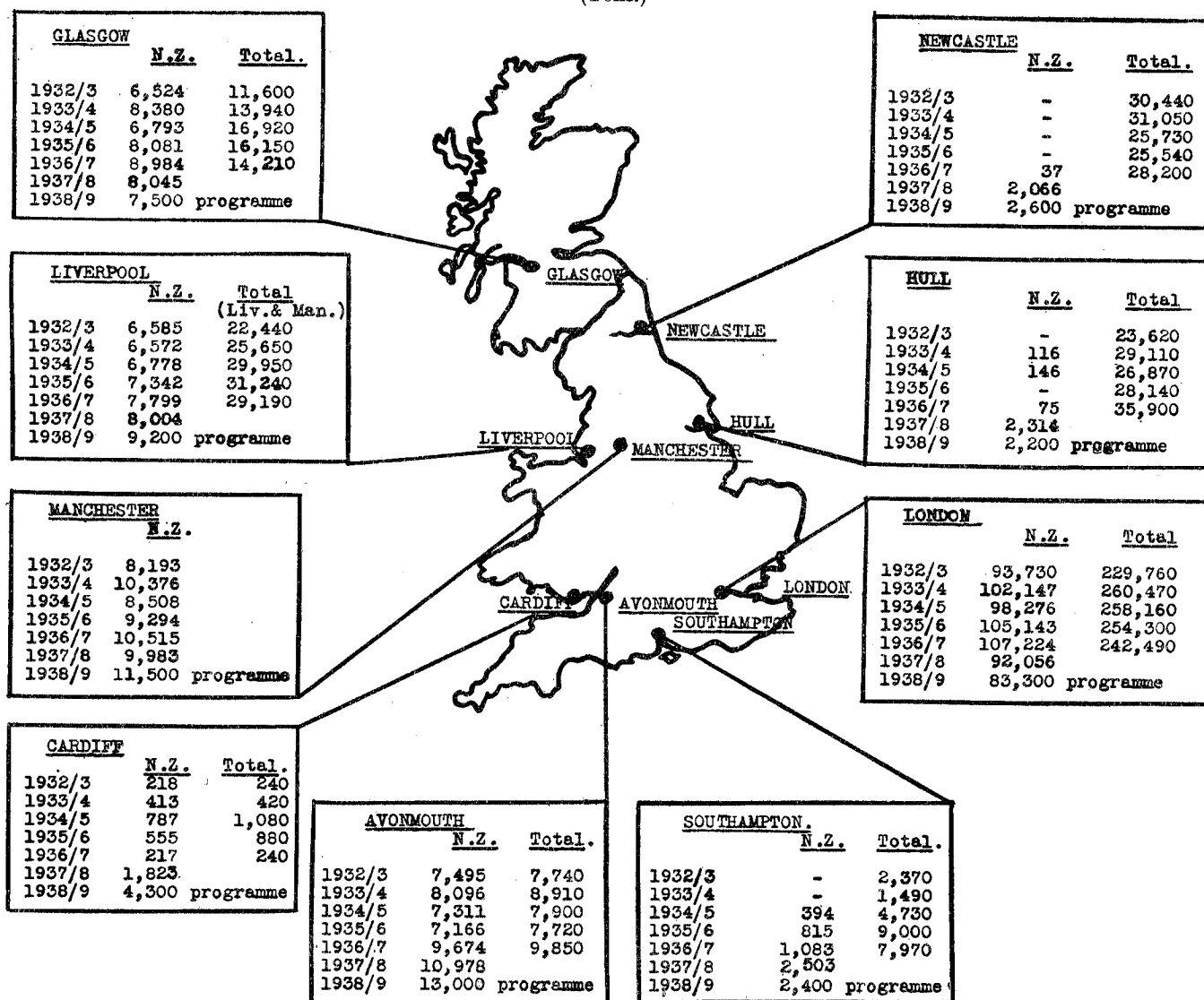
Total 111 vessels with 372 calls at ports for loading dairy-produce.

The Department has had the co-operation of the dairy-factory companies and cool-store companies, particularly in regard to the despatch of increased quantities of butter and cheese to United Kingdom outports. Requests to dairy companies for the port-marking of produce for outports, and to cool-store companies for special storage facilities, have been willingly complied with. The Department wishes to thank the officials of dairy companies and cool-store companies for this valuable assistance.

BUTTER.

MAP SHOWING ANNUAL IMPORTS INTO UNITED KINGDOM PORTS, 1ST OCTOBER, 1932, TO
30TH SEPTEMBER, 1938.

(Tons.)



NOTE.—Total from weekly Customs and Excise returns. Customs returns of total arrivals at Manchester are not comparable with New Zealand figures from the London office of the Department.

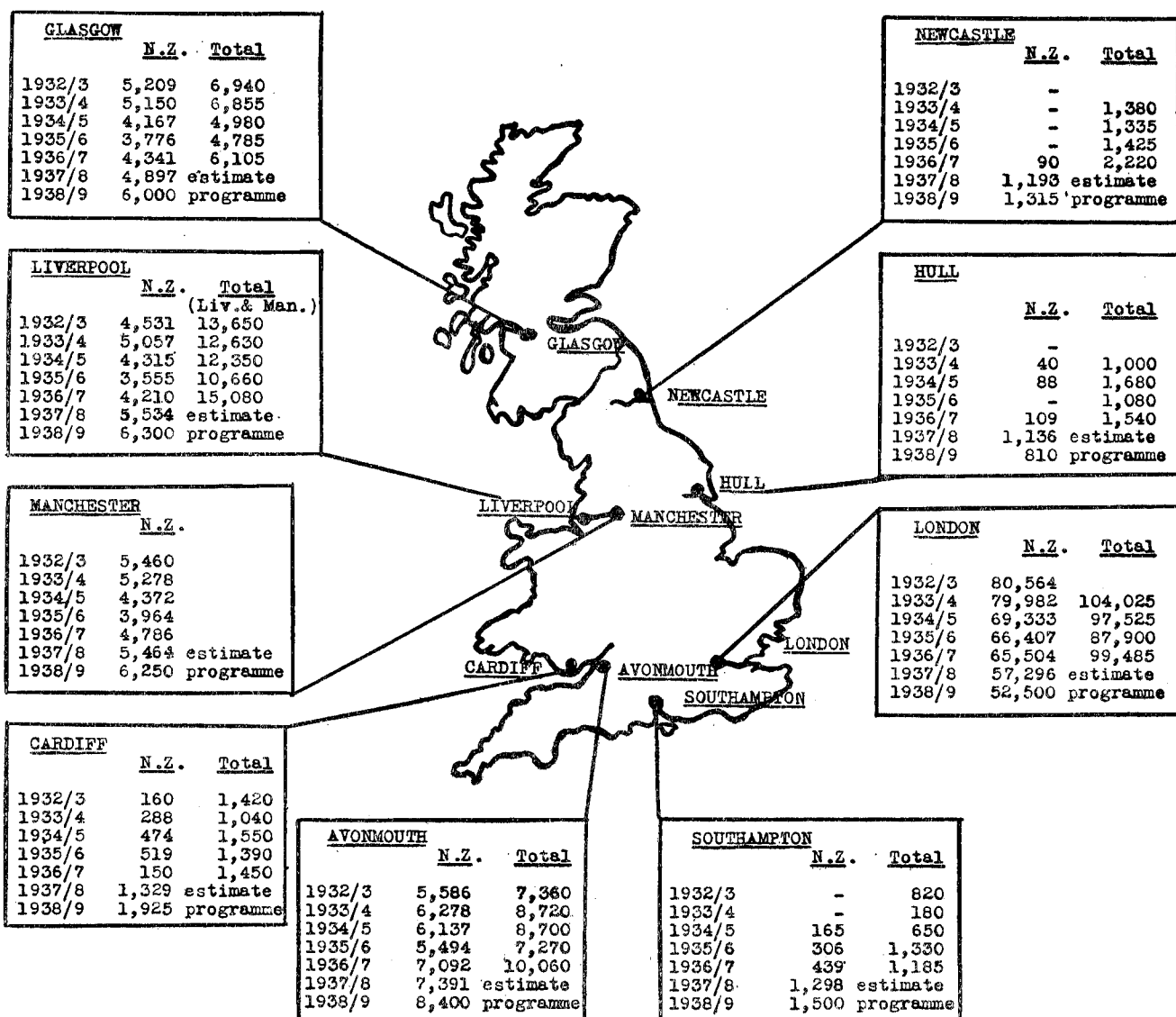
ARRIVALS OF NEW ZEALAND BUTTER IN UNITED KINGDOM PORTS (IN TONS).

Port.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.	Programme, 1938-39.
London—							
New Zealand	93,730	102,147	98,276	105,143	107,224	92,056	83,300
Other sources	136,030	158,323	159,884	149,157	135,266	..	..
Total	229,760	260,470	258,160	254,300	242,490	..	..
Southampton—							
New Zealand .. ..	..	..	394	815	1,083	2,503	2,400
Other sources	2,370	1,490	4,336	8,185	6,887	..	..
Total	2,370	1,490	4,730	9,000	7,970	..	..
Avonmouth—							
New Zealand	7,495	8,096	7,311	7,166	9,674	10,978	13,000
Other sources	245	814	589	554	176	..	..
Total	7,740	8,910	7,900	7,720	9,850	..	..
Cardiff—							
New Zealand	218	413	787	555	217	1,823	4,300
Other sources	22	..	293	325	25	..	..
Total	240	413	1,080	880	242	..	..
Liverpool—							
New Zealand	6,585	6,572	6,778	7,342	7,799	8,004	9,200
Other sources (Liverpool and Manchester)	7,662	8,702	14,664	14,604	10,876	..	..
Total	22,440	25,650	29,950	31,240	29,190	..	..
Manchester—							
New Zealand	8,193	10,376	8,508	9,294	10,515	9,983	11,500
Glasgow—							
New Zealand	6,524	8,380	6,793	8,081	8,984	8,045	7,500
Other sources	5,076	5,560	10,127	8,069	5,226	..	..
Total	11,600	13,940	16,920	16,150	14,210	..	..
Newcastle—							
New Zealand .. ..	..	..	..	..	37	2,066	2,600
Other sources	30,440	31,050	25,730	25,540	28,163	..	..
Total	30,440	31,050	25,730	25,540	28,200	..	..
Hull—							
New Zealand .. ..	..	116	146	..	75	2,314	2,200
Other sources	23,620	28,994	26,724	28,140	35,825	..	..
Total	23,620	29,110	26,870	28,140	35,900	..	..

CHEESE.

MAP SHOWING ANNUAL IMPORTS INTO UNITED KINGDOM PORTS, 1ST NOVEMBER, 1932, TO
31ST OCTOBER, 1938.

(Tons.)



NOTE.—Totals from weekly Customs and Excise returns. New Zealand figures from New Zealand Dairy Sales Division converted from crates at fourteen crates to ton. Customs returns of total arrivals at Manchester are not comparable with New Zealand figures from London office of the Department.

ARRIVALS OF NEW ZEALAND CHEESE IN UNITED KINGDOM PORTS (IN TONS).

Port.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	Estimate, 1937-38.	Programme, 1938-39.
London—							
New Zealand	80,564	79,982	69,333	66,407	65,504	57,296	52,500
Other sources .. ..	..	24,043	28,192	21,493	34,346	..	..
Total	n.a.	104,025	97,525	87,900	99,850	..	..
Southampton—							
New Zealand .. ..	..	..	165	306	439	1,298	1,500
Other sources .. ..	..	..	485	1,024	746	..	..
Total	820	180	650	1,330	1,185	..	..
Avonmouth—							
New Zealand	5,586	6,278	6,137	5,494	7,092	7,391	8,400
Other sources	1,774	2,442	2,563	1,776	2,968	..	..
Total	7,360	8,720	8,700	7,270	10,060	..	..
Cardiff—							
New Zealand	160	288	474	519	150	1,329	1,925
Other sources	1,260	752	1,076	871	1,300	..	..
Total	1,420	1,040	1,550	1,390	1,450	..	..
Liverpool—							
New Zealand	4,531	5,057	4,315	3,555	4,210	5,534	6,300
Other sources (Liverpool and Manchester) ..	3,659	2,295	3,663	3,141	6,084	..	..
Total	13,650	12,630	12,350	10,660	15,080	..	..
Manchester—							
New Zealand	5,460	5,278	4,372	3,964	4,786	5,464	6,250
Glasgow—							
New Zealand	5,209	5,150	4,167	3,776	4,341	4,897	6,000
Other sources	1,731	1,705	813	909	1,764	..	..
Total	6,940	6,855	4,980	4,685	6,105	..	..
Newcastle—							
New Zealand .. ..	..	..	..	..	90	1,193	1,315
Other sources .. ..	..	1,380	1,335	1,425	2,130	..	..
Total	n.a.	1,380	1,335	1,425	2,220	..	..
Hull—							
New Zealand .. ..	..	40	88	..	109	1,136	810
Other sources .. ..	..	960	1,592	1,080	1,431	..	..
Total	n.a.	1,000	1,680	1,080	1,540	..	..

NOTE.—New Zealand figures calculated at fourteen crates to a ton. N.a. means not available. The 1937-38 figures in this table are estimated so far as October, 1938, is concerned; slight amendments may be necessary later should any late October steamers be delayed and arrive in November at any port.

SUPERVISION AND INSPECTION OF SHIPPING, TRANSPORT, AND STORAGE OF DAIRY-PRODUCE.

In the report for the 1936-37 season an outline was given of the measures adopted by the Department's Inspectors to safeguard the quality of butter and cheese. The Department has three officers in New Zealand and one in London engaged on this work. These officers collaborate with officers of the Dairy Division of the Department of Agriculture in New Zealand and London in connection with the care of produce in cool stores.

The officers of the Department exercise supervision and inspection of the methods of handling, transport, and storage of dairy-produce in transit from the dairy-factories and during loading into overseas vessels. There is thus complete supervision at all stages from factory in New Zealand to cool stores in the United Kingdom.

During the 1937-38 season this work has been fully maintained. All overseas vessels' refrigerated spaces for carriage of dairy-produce have been inspected, and conditions of transport and handling at main ports and outports have been reported on.

When necessary, the attention of the representatives of the shipping companies has been drawn to any unsatisfactory conditions found in ships' refrigerated spaces, and in all cases the requirements of the Department's Inspectors have been met.

The system of supervision and inspection of shipping, transport, and storage of dairy-produce is a factor in the determination of the basis of the contract for insurance and of the insurance rates charged. The excellence of the results achieved is reflected in reduced insurance rates, and is further evidenced by the provision in the insurance contract that the system of supervision and inspection be continued.

MARINE INSURANCE.

All butter and cheese exported from New Zealand and purchased by the Department is protected by a comprehensive insurance contract which covers the produce until thirty days after arrival in the United Kingdom. The contract also covers the cream and milk which is made into butter and cheese intended for export, and which is identifiable as such, from the time such cream and milk is received at the factory until the produce is placed f.o.b. ocean steamer. Until the cream and milk is manufactured into butter and cheese, the cover is against fire risk only. The Department pays the insurance underwriters' flat rates covering the complete risk, and charges to dairy-factory companies the portion of the premium which represents the risk up to f.o.b. ocean steamer.

Practically all the important insurance interests in the United Kingdom have a share in the contract, and British insurance companies as distinct from Lloyds take approximately two-thirds of the total risk and Lloyds underwriters one-third.

The contract expired on 31st August, 1938, and was renewed for a further term of three years at reduced inclusive rates as follows :—

Butter	..	..	..	..	..	..	4s. 3d. per cent.
Cheese	..	..	..	..	..	..	4s. 3d. per cent.

These new rates show a decrease from the previous rates of 13·7 per cent. in the case of butter and 22 per cent. in the case of cheese, and represent an annual saving in insurance premiums of £9,000. It is a condition of the contract that the Department will maintain its present system of supervision and inspection of storage and loading in New Zealand, transport to United Kingdom, and unloading into port stores.

The portion of the premium which represents the risk up to f.o.b. ocean steamer, and which is charged to dairy factory companies, is as follows :—

Butter	..	..	..	..	..	..	0·565d. per box.
Cheese	..	..	..	..	..	..	0·935d. per crate.

COLD STORAGE IN THE UNITED KINGDOM.

Arrangements and charges for cold storage and handling of New Zealand butter and cheese in the United Kingdom were set out in last year's report.

Owing to an increase in port wages in the United Kingdom, the consolidated rates under the Department's contracts have been increased by 4½ per cent. This increase is smaller than the increase which applies in the case of other imported dairy-produce, by virtue of special terms in the contract governing alterations in United Kingdom award rates of wages.

FREIGHT RATES.

The freight contract for butter and cheese, meat, and fruit will expire on 31st August, 1939. The freight rates for butter and cheese are—

Butter, 2s. 11½d. per box	} Both rates in sterling.
Cheese, ¼d. per pound	

To help you sell . . .



1. Ivorine Price Ticket, Butter.
2. Ivorine Price Ticket, Cheese.
3. Surround for use with butter dummy. Prepared on substantial board and provided with struts. Size, 21" x 31".
4. Window Bill in full colours. Size, 13" x 28".
5. Cut-out Showcard in full colours and two planes. Size, 20"x14".
6. Window Bill. Size, 15" x 30".
7. Descriptive Ticket in Ivorine.
8. Butter dummy made up to represent the face of a box of New Zealand Butter. No actual butter box is necessary. Size, 16½" x 11". Complete with greaseproof slip.
9. Greaseproof slip, separate. Size, 2" x 15½".

ADVERTISING, PUBLICITY, AND SALES PROMOTION.

In last year's report an indication was given that the financial allocation for publicity, advertising, and sales promotion was to be increased to provide additional facilities for widening the distribution of New Zealand dairy-produce in the United Kingdom. The expenditure during the 1937-38 season amounts to £81,259. The aim of the Department is to keep the Dominion's dairy-produce to the forefront in the highly competitive United Kingdom market, to extend the demand for "New Zealand" butter and cheese as such, and to obtain the utmost value and results from the expenditure on advertising, publicity, and sales promotion.

The following is a brief record of the methods of publicity adopted and the types of advertising used :—

PERSONAL CANVAS OF RETAIL AND WHOLESALE GROCERS.

Additional appointments have been made of field representatives, whose duties include the making of regular personal contacts with the retail and wholesale grocers. This work is considered to be of the utmost importance from the point of view of service and advice to distributors and the establishment of good will with the wholesale and retail trade.

In addition to their primary duty of pressing the claims of New Zealand dairy-produce, these representatives give advice on the subject of window displays, take all possible steps to see that New Zealand dairy-produce is clearly marked for sale under its own name, and investigate promptly any complaints occurring in their respective territories. By no other means could the necessary service and advice be given, for there is no satisfactory alternative method of maintaining friendly relationships and of providing practical selling support to distributors.

The Department's representatives make daily reports on their work and on the results of the calls which have been made. Supervising officers maintain close contact with their field representatives, and also keep directly in touch with the larger wholesalers and with public organizations and civic authorities. Very satisfactory results have followed the extension of activity in the personal canvas of the retail and wholesale grocers, and in the near future it is expected that about three-quarters of the entire trade purchasing-power will be personally contacted at least once every three months.

RETAIL-SHOP DEMONSTRATIONS.

The retail-shop demonstrations are conducted by lady demonstrators, with the co-operation of retailers who desire to establish a sale for New Zealand dairy-produce or to extend their existing sales.

The procedure is to install in the retailer's shop one of the Department's power-driven machines, capable of moulding (not wrapping) either $\frac{1}{4}$ lb. or $\frac{1}{2}$ lb. of butter. These pats are wrapped by the demonstrator, who tactfully introduces the butter to customers present in the shop in the ordinary course of their purchasing. The necessary New Zealand butter for the purpose is supplied by the retailer, who retains the proceeds of the sales made by the Department's demonstrators.

The show is invariably supported by an attractive window and counter display, distribution of leaflets and folders in which the claims of New Zealand dairy-produce are fully set out, and occasionally by the presentation of some inexpensive advertisement novelty to children accompanying their parents. Attractively carried out in every way, these demonstrations have a particularly strong appeal to shops where the weekly trade, or prospects of weekly trade, are substantial.

The shows have great practical value, and are unique in that they present a splendid opportunity of contact simultaneously with both sides of the grocer's counter, giving a first-hand idea of the reaction in that locality to sales advocacy and of the further steps which may be necessary to promote sales.

SALES SCHEME.

A sales scheme, with cash prizes for sales results, has been introduced as a new feature. The plan as yet is little beyond its experimental stage, and has so far been put into operation by only five retail organizations possessing seventy-four, sixty-five, eight, eighty-one, and forty-two branches respectively. These, it may be remarked, are types of retail firms to which the scheme can be most successfully applied. It depends for its success upon the spirit of friendly competition between branches of the firm operating the scheme as to which can produce definite evidence of the biggest percentage increase in sales of New Zealand butter or cheese upon their basic sales over a continuous period of one month. Cash prizes to winning branches are awarded in ratio to the total number of branches within the scheme. All the necessary display material with which to build up and maintain really attractive window and counter shows is supplied to all branches competing, renewals being available as required; and from which point onwards it is for the staffs of the branches, and the salesmanship they can bring to bear, to secure for themselves a place amongst the awards. The prize list is arranged in such a way as to provide for the greatest possible number of entrants to receive some reward for their effort. At the end of the month a complete and detailed statement is prepared by the head office of the firm, setting out the actual quantities of New Zealand butter supplied to each shop, with the percentage increase stated against each. Upon this statement the prizes are awarded.

WINDOW-DISPLAY MATERIAL.

An increasing number of requests are being received from retail grocers for window and counter display material. The material is smartly designed and possesses a practical value apart from its decorative appeal. When a representative calls on a retailer he explains the type of material available, and advises upon its effective use to meet the requirements and circumstances of that particular grocer's business. In addition, grocers are invited through the trade-press advertisements to make

application for window-display material, and periodically special folders are posted to grocers within a specified area in which the material is illustrated item by item, usually in original colours. A response post-card addressed to the London office is provided for use of grocers in indicating their requirements.

The window and counter display material consists of such items as butter dummies, price tickets attractively made of an ivorine type of substance, and show-cards in colour of varying kinds. In addition, a range of special window-display material is provided consisting in the main of backgrounds of varying dimensions to suit selected spaces in the windows or interiors of grocers' shops. These backgrounds most frequently portray typical New Zealand pastoral scenes, but other subjects and modern treatments are also utilized. The requirements in this particular field of publicity are exacting, but the results are correspondingly good.

WINDOW-DRESSING COMPETITIONS.

Since the inauguration of the sales scheme, window-dressing competitions have not been such a prominent feature of publicity work as was formerly the case. Nevertheless, some excellent shows were made by branches of firms which desired that competitions should be arranged. These competitions aroused a good deal of public interest in their respective localities.

EDITORIAL PUBLICITY.

This side of advertising and publicity has been developed. A press campaign synchronized with general advertising was directed towards maintaining the consumption of New Zealand butter, particularly during the period of rising prices. News articles and letters to the press drew attention to the fact that New-Zealand-butter prices were returning to pre-war levels with the arrival of new season's supplies. This publicity was, it is considered, largely instrumental in recovering a substantial proportion of the consumption lost during the period of high retail prices.

The editorial publicity was most valuable in explaining New Zealand's case in connection with tariff preferences for British manufacturers, and in particular the circumstances of the duties imposed on certain types of British footwear.

WOMEN'S ASSOCIATIONS, WELFARE SOCIETIES, AND SIMILAR ORGANIZATIONS.

Booklets and other printed material on the quality and utility of New Zealand butter and cheese are supplied for circulation through women's associations, welfare societies, and similar organizations. Literature concerning the New Zealand dairy industry, the methods of manufacture of butter and cheese, and their quality and food value is requested by and supplied to domestic-science teachers, lecturers in housecraft centres, schools, colleges, evening institutes, co-operative societies, and women's institutes and guilds. Special attention is devoted to meeting requests from these inquirers, and it is felt that the cultivation of friendly relationship with them is invaluable to the furtherance of good will towards New Zealand and an appreciation of the high nutritive values of the Dominion's products.

EXHIBITIONS.

Displays of butter and cheese have been arranged at the following exhibitions: London Grocers, Bristol Grocers, Norwich Grocers, Swansea Grocers, News Chronicle Schools, Birmingham National Trades, Southampton Grocers, *Daily Mail* Ideal Home, Manchester Grocers.

In addition, displays have taken place conjointly with the High Commissioner's Department at the following exhibitions: North London, Brighton Home Life, British Industries Fair, Glasgow Empire (in progress).

Considerable attention is devoted to exhibitions arranged by grocers' associations. In this way the Department is able to demonstrate its desire to co-operate with the distributors of our produce.

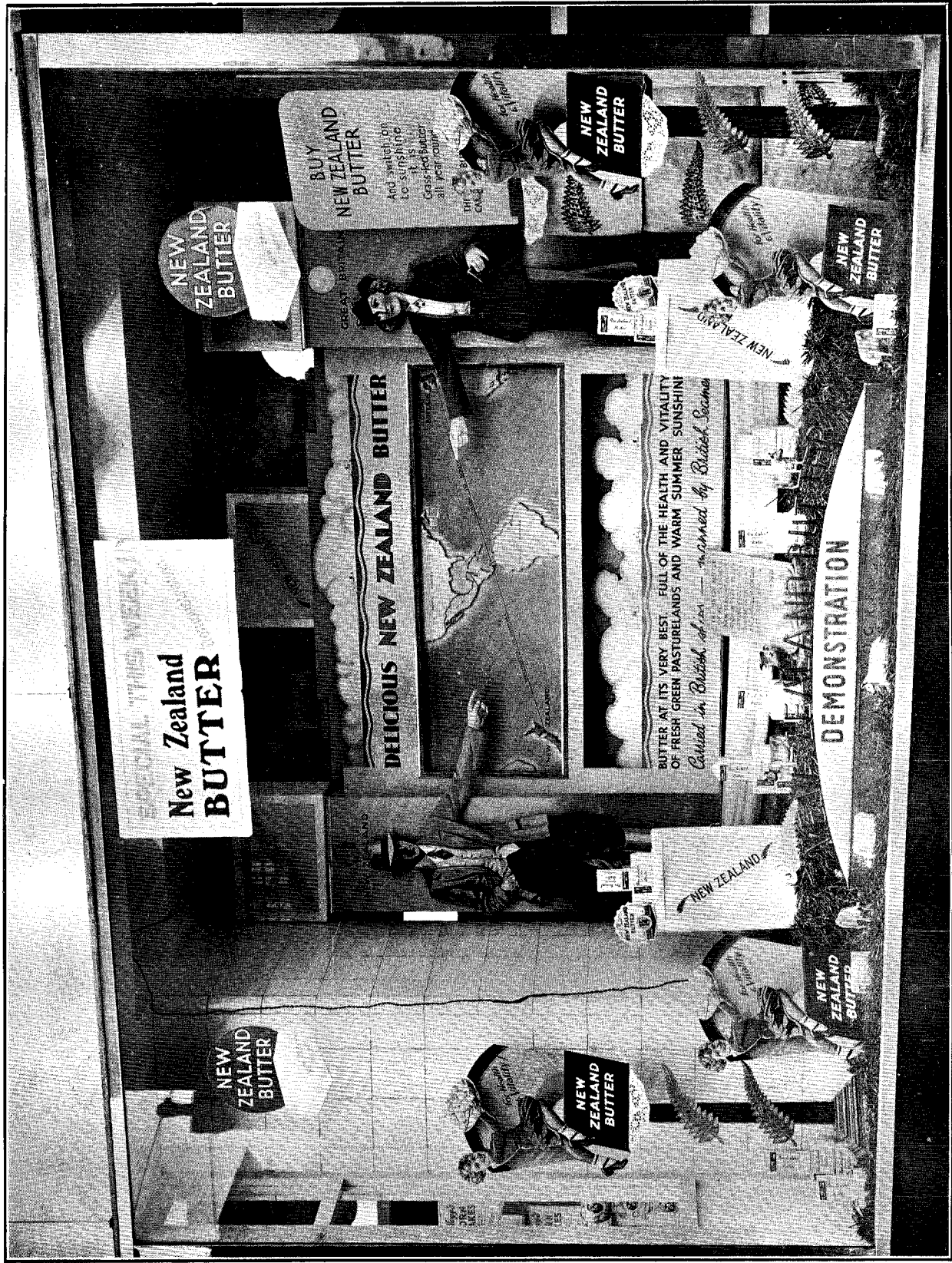
DISPLAY SHOPS.

The Department has continued the practice of renting prominently situated retail premises for periods of about four to six weeks for the purpose of making displays and selling samples of butter and cheese. The displays are of the reciprocal-trade type. Local United Kingdom exporters who ship manufactured goods to New Zealand are encouraged to display a selection of their products in proximity to the display of butter and cheese, and the attention of visitors is drawn to the reciprocal-trade aspect, and to the tangible contribution that they can make to this inter-trade by buying New Zealand butter and cheese. The displays are usually opened with formality by the Lord Mayor of the city, in the presence of other prominent civic and commercial representatives. The High Commissioner for New Zealand is frequently present, also.

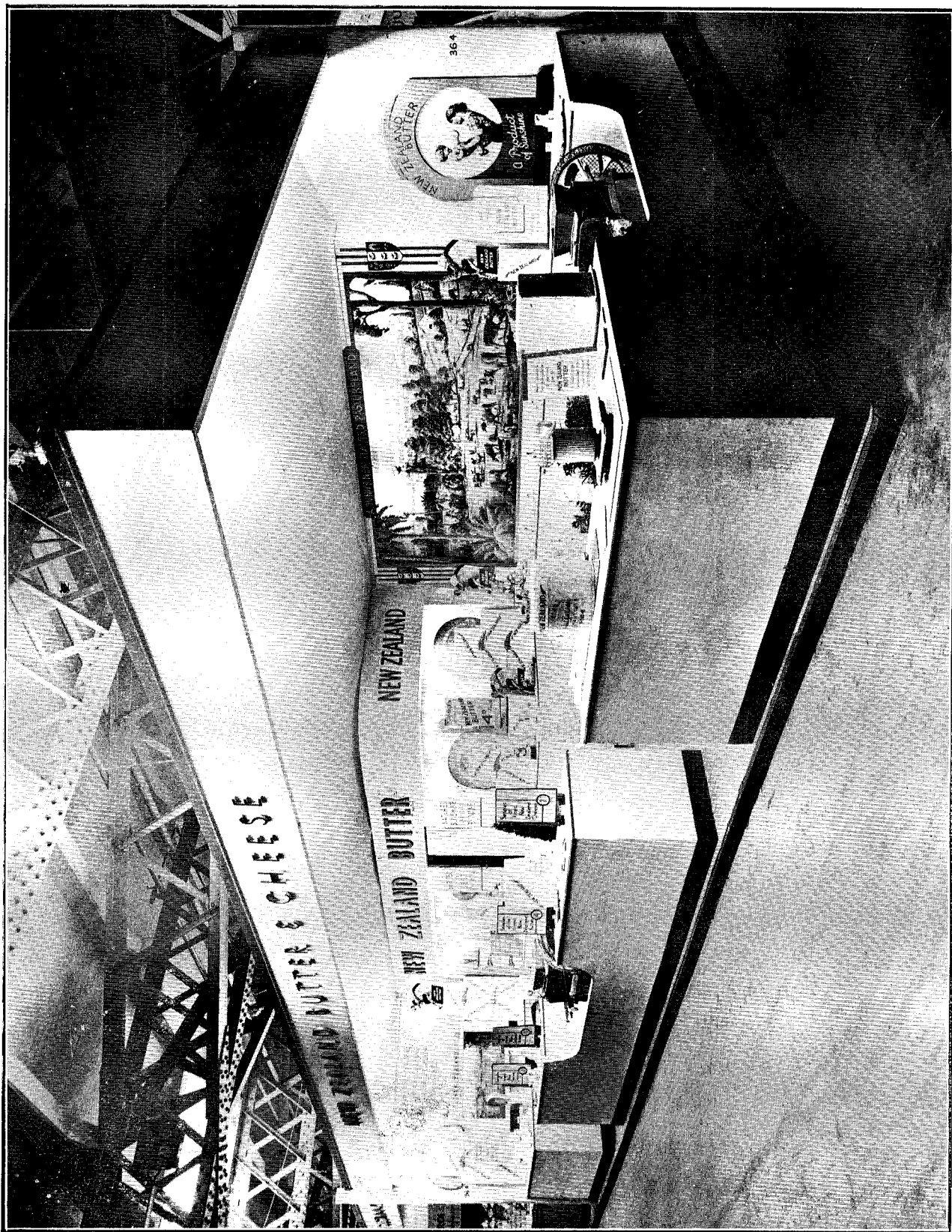
TRADE ADVERTISING.

A systematic approach to the wholesale and retail trade through the medium of the trade press is essential. It is continuous throughout the year and uses all the trade publications in this field, such as *The Grocer*, *Grocers' Gazette*, *Grocers' Review*, *Grocery*, *Scottish Grocer*, *Scottish Trader*, *Fingerpost*, *The Co-operator*, *The Producer*. In these papers a succession of topical advertisements is maintained, which almost without exception include a paragraph drawing attention to the window-display material available, and inviting inquiries for it.

Through this channel alone a very large quantity of display matter is put into useful circulation, the inquiries being consistently maintained week by week, and coming from traders in all parts of the United Kingdom.



WINDOW DISPLAY DURING LIVERPOOL DEMONSTRATION.



STALL AT IDEAL HOME EXHIBITION, OLYMPIA, LONDON.

BUTTER-WRAPPERS.

A service has now been in operation for over two years whereby retail grocers who regularly stock New Zealand butter may, on application, purchase from this Department at cost price supplies of either 1 lb. or $\frac{1}{2}$ lb. size New-Zealand-butter wrappers. They are supplied on the recommendation of our representatives, after having satisfied themselves that the wrappers will be used strictly in the manner intended.

ADVERTISING IN NEWSPAPERS AND WOMEN'S PUBLICATIONS.

For the first time in the relatively brief history of the advertising of New Zealand dairy-produce the Department has been in a position to engage in press advertising to consumers on a reasonably adequate scale.

Advertisements of a size that could scarcely be overlooked by any reader have appeared at regular intervals in provincial newspapers, which have been specially selected for their coverage and influence throughout the area of their respective circulations. The daily circulation of the newspapers referred to is 5,500,000.

Women's journals published monthly have again been used to press New Zealand's claim amongst the actual purchasers of butter. Great reliance is placed on the effectiveness of advertising in publications of this type. Fully 90 per cent. of their circulation is amongst actual buyers of butter for household purposes. The advertisements are mainly in colour and are of arresting design. The per-issue circulation of these journals is about 2,500,000.

Special advertisements and press articles were issued in newspapers with a per-issue circulation of 18,500,000 at a period during last autumn when it was thought that rising prices might result in a fall in consumption. These advertisements drew special attention to the fact that arrivals of butter from New Zealand would correct the temporary shortage, and that the public need not fear having to pay inordinately high prices for butter. This special advertising and publicity did a great deal to restore equilibrium in the shortest space of time.

OUTDOOR PUBLICITY : LONDON.

It has always been considered sound practice to devote attention to outdoor advertising, particularly in London during the summer months. The period March–July, with longer days and generally better weather conditions, permits of outdoor publicity being carried through with the maximum effect and whilst the relative supply conditions as between Southern and Northern Hemispheres butters justify such a special campaign in London and the Home counties, some excellent "special" sites for large posters were secured in commanding positions in busy shopping centres. In addition, posters are displayed on delivery vans and on trolley-buses.

SCOTTISH EMPIRE EXHIBITION, GLASGOW.

The primary function in so far as the exhibit of this Department at the Glasgow Exhibition was concerned was regarded as being the selling of the maximum number of samples of butter and cheese to visitors. Display counters were provided, and a butter-moulding machine was installed. The exhibit was so arranged that the demonstrators were able to meet the demand for samples simultaneously from three sides. The display featured pastures, soil fertility, and sunshine conditions as applying to the production of New Zealand butter and cheese. A waterfall (with actual water), model Jersey cows, trees, and paddocks contributed to make the display interesting and attractive. This exhibit was dismantled after a period, and a freshly constructed exhibit of changed design was substituted.

Sales of samples of butter and cheese exceeded all expectations, and this feature alone justified the exhibit. Immediately prior to the opening of the exhibition the canvassing staff began a concerted approach to the retail trade, and was successful in enlisting the active co-operation of most of the bigger distributors in Glasgow and the surrounding district.

CHEESE EXHIBITS AT LONDON DAIRY SHOW.

It is pleasing to record that New Zealand dairy companies won all four prizes allotted at the London Dairy Show for cheddar cheese produced in the British Empire. There were thirty-eight entries in this class, nineteen from New Zealand, fourteen from Australia, three from South Africa, and two from Canada. The prizes were won as follows :—

First : Pine Bush Co-operative Dairy Co., Ltd., Invercargill.

Second : Otahuti Co-operative Dairy Co., Ltd., Invercargill.

Third : Pahia Co-operative Dairy Co., Ltd., Pahia, Southland.

Fourth : Mokotua Co-operative Dairy Co., Ltd., Invercargill.

Very Highly Commended : Menzies Ferry Co-operative Dairy Co., Ltd., Edendale.

Congratulations are extended to the directors and officials of the cheese-manufacturing companies named on their outstanding success in the cheddar-cheese section of the London Dairy Show.

It is reported that the quality of the New Zealand cheese exhibited was up to the usual high standard of the entries. The cheese was subsequently sold to Messrs. Selfridges, London, for a special window display, complete with prize cards and trophies.

PAYMENTS MADE BY DAIRY-FACTORY COMPANIES FOR BUTTERFAT-SUPPLIES.

The following tabulation shows, in respect of the 1936-37 season, the final average butterfat-prices paid to suppliers of butter- and cheese-manufacturing companies, and in respect of the 1937-38 season the estimated average butterfat-prices. The dairy companies are grouped, for purposes of averaging, under the appropriate dairy-produce grading ports.

In any comparison of butterfat payments to suppliers of companies, regard should be had to the location and special circumstances of individual companies, which will inevitably have a bearing on manufacturing and transport costs.

PAYMENTS BY DAIRY COMPANIES FOR BUTTERFAT-SUPPLIES.

(In pence per pound of butterfat.)

	Season 1937-38 (estimated).		Season 1936-37.	
	Butter.	Cheese.	Butter.	Cheese.
Auckland	14·870	16·514	13·642	15·546
New Plymouth	14·776	16·449	13·615	15·139
Patea-Wanganui	14·588	16·602	13·453	15·203
Hawke's Bay-Gisborne	14·557	15·697	13·386	14·425
Wellington	14·935	16·151	13·610	14·923
Marlborough-Nelson-Westland	14·254	15·514	12·918	14·266
Canterbury	14·764	16·353	12·861	14·836
Otago	14·195	16·166	12·831	14·398
Southland	13·724	16·128	12·310	15·393
New Zealand average	14·812	16·389	13·558	15·176

COSTS IN MANUFACTURE AND DELIVERY OF BUTTER AND CHEESE TO F.O.B. OVERSEAS STEAMERS.

The standard form of published accounts provides for the grouping in the manufacturing and marketing accounts of dairy companies of the costs, under six headings, as follows: Cream Collection, Manufacturing Charges, Depreciation, Repairs and Maintenance, Charges Factory to f.o.b., Overhead Charges.

The costs of all items grouped under the six headings mentioned are shown worked out on the basis of per pound of butterfat. In addition, the total cost to f.o.b. per pound of butterfat is recorded. Thus a reliable comparison of costs, item by item, is provided. This comparison is of great value to those interested in the work of dairy-factory companies and to the Government.

The following tabulation shows the average costs of butter- and cheese-manufacturing companies for the 1937-38 season. The dairy companies are grouped, for purposes of averaging, under the appropriate dairy-produce grading ports. Comparative figures for the 1936-37 season are also shown in the tabulation:—

SEASON 1937-38: COSTS IN MANUFACTURE AND DELIVERY OF BUTTER TO F.O.B. OVERSEAS STEAMERS.

(In pence per pound of butterfat.)

	Cream-collection.	Manufacturing Charges.	Depreciation.	Repairs and Maintenance.	Charges: Factory to f.o.b.	Overhead Charges.	Total.
Auckland	0·354	0·901	0·064	0·076	0·402	0·139	1·936
New Plymouth	0·274	1·129	0·097	0·078	0·286	0·155	2·019
Patea-Wanganui	0·440	1·148	0·149	0·071	0·322	0·242	2·372
Hawke's Bay-Gisborne	0·420	1·064	0·106	0·056	0·457	0·269	2·372
Wellington	0·377	0·964	0·073	0·070	0·334	0·165	1·983
Marlborough-Nelson-Westland	0·464	1·146	0·145	0·127	0·544	0·261	2·687
Canterbury	0·743	0·921	0·079	0·098	0·225	0·514	2·580
Otago	1·006	1·314	0·112	0·045	0·365	0·778	3·620
Southland	0·603	1·395	0·090	0·144	0·173	0·714	3·119
New Zealand average—							
1937-38 season	0·381	0·953	0·075	0·076	0·384	0·178	2·047
1936-37 season	0·352	0·927	0·072	0·088	0·398	0·147	1·984

SEASON 1937-38: COSTS IN MANUFACTURE AND DELIVERY OF CHEESE TO F.O.B. OVERSEAS
STEAMERS.

(In pence per pound of butterfat.)

	Manu- facturing Charges.	Depreciation.	Repairs and Maintenance.	Charges: Factory to f.o.b.	Overhead Charges.	Total Charges.
Auckland	2·087	0·157	0·213	0·683	0·188	3·328
New Plymouth	2·014	0·128	0·119	0·490	0·243	2·994
Patea-Wanganui	2·015	0·123	0·161	0·507	0·254	3·060
Hawke's Bay - Gisborne	2·178	0·195	0·147	0·772	0·376	3·668
Wellington	2·216	0·108	0·128	0·666	0·310	3·428
Marlborough-Nelson-Westland	2·489	0·289	0·118	0·858	0·502	4·256
Canterbury	2·373	0·212	0·187	0·636	0·691	4·099
Otago	2·668	0·209	0·207	0·678	0·499	4·259
Southland	2·597	0·163	0·215	0·638	0·442	4·055
New Zealand average—						
1937-38 season	2·151	0·141	0·166	0·589	0·290	3·337
1936-37 season	2·056	0·134	0·146	0·577	0·226	3·139

ACCOUNTS.

The method of presentation of the accounts which was adopted in the first annual report of the Department was found quite satisfactory, and has therefore been followed in this report. For convenience in publication of the accounts, shillings and pence are omitted. The accounts now submitted are in terms of New Zealand currency, and they show, first, the completed financial operations for the 1936-37 season, and, secondly, the operations of the Department in the purchase and sale of export dairy-produce for the 1937-38 season.

The completed operations for the 1936-37 season are referred to on page 3 of this report. The relevant accounts show that in the case of creamery butter and cheese the actual realizations for produce which was unsold at balance date exceeded the estimates. In the case of whey butter the actual realizations were less than the estimates. The net result is that at the date of closing the accounts (21st June, 1938) the actual deficit for the 1936-37 season was £272,109. In the accounts published with last season's report the deficit for the 1936-37 season was estimated at £548,750. Interest at 1½ per cent. is allowed on the deficit of £272,109 from 21st June, 1938, to 31st July, 1938, bringing the deficit for the 1936-37 season at 31st July, 1938, to £272,482.

The accounts for the 1937-38 season cover all export butter and cheese which was manufactured from 1st August, 1937, to 31st July, 1938, the quantities being—

Creamery butter	137,542 tons.
Whey butter	1,796 tons.
Cheese	83,078 tons.

The approximate average f.o.b. purchase prices paid or payable for this produce in terms of the Primary Products Marketing Act are as follows:—

Creamery butter	13·7122d. per pound.
Whey butter	12·608d. per pound.
Cheese	7·769d. per pound.

The approximate average f.o.b. realizations for produce (actual and estimated) as shown in the accounts are as follows:—

Creamery butter	14·0576d. per pound.
Whey butter	13·2847d. per pound.
Cheese	7·8986d. per pound.

In the compilation of the accounts butter and cheese unsold at balance date were taken in at the following values:—

Creamery butter (shipments partially sold): 120s. per hundredweight sterling gross.
 Creamery butter (in store awaiting shipment): 110s. per hundredweight sterling gross.
 Whey butter (shipments partially sold): 110s. 6d. per hundredweight sterling gross.
 Whey butter (in store awaiting shipment): 100s. per hundredweight sterling gross.
 Cheese (shipments partially sold): 70s. 3d. per hundredweight sterling gross.
 Cheese (in store awaiting shipment): 70s. per hundredweight sterling gross.

The accounts submitted comprise :—

- (1) Separate Purchase and Sale or " Pool " Accounts for creamery butter, whey butter, and cheese.
- (2) Administration and General Expenses Account.
- (3) Dairy Industry Account.
- (4) Balance-sheet.

The Purchase and Sale or " Pool " Accounts show the purchase value of the produce, and the sale value less selling-charges, freight, and insurance. To each Purchase and Sale Account is charged its proportion of the total administration and general expenses, amounting to £192,141.

The Administration and General Expenses Account shows the itemized expenses and charges in the United Kingdom and in New Zealand. It should be noted that the itemized expenses for the 1937-38 season are not comparable with the corresponding items in the accounts for the 1936-37 season, because the Department was not fully organized and staffed at the beginning of that season. In the advertising, publicity, and sales-promotion section of this report reference is made to the increase in the financial allocation for these activities, the expenditure being £81,259, compared with £39,049 for the 1936-37 season.

The Dairy Industry Account shows the position of the Produce Purchase and Sale Accounts as follows :—

	£	£
Estimated surplus on creamery butter .. .. .	..	443,398
Estimated surplus on cheese	100,447	
Plus estimated surplus on whey butter	11,340	
	<hr/>	<hr/>
		111,787
Estimated surplus, Dairy Industry Account, 1937-38 season .. .. .	..	<hr/><hr/>£555,185

The balance-sheet is drawn up in the usual form to show liabilities and assets as at 31st July, 1938.

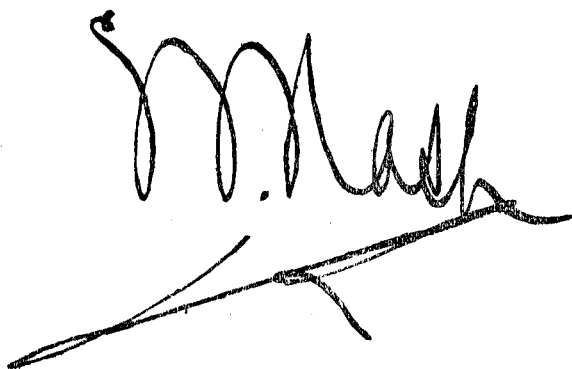
ACKNOWLEDGMENTS.

The Government desires to acknowledge the co-operation and assistance which have been received from organizations interested directly and indirectly in the marketing of the primary products of the Dominion. In particular, the Government has appreciated the co-operation of the farming industry and of the directors and officials of dairy companies. The Dairy Board, the National Dairy and South Island Dairy Conferences, and the farmers' organizations have been helpful in the expression of their views. Finance, shipping, and cool-store interests have given a full measure of co-operation, both in New Zealand and in London.

In the United Kingdom members of the provision trade and the appointed agents of the Department have given their support to the Dairy Sales Division in the carrying-out of the new marketing policy. The marked success which has been achieved is due to a considerable extent to this helpful co-operation.

In concluding this, the second report of the Dairy-produce Export Division, I desire again to express my personal appreciation, together with that of the Government, for the excellent work carried out by the Director, Mr. G. A. Duncan and his staff in New Zealand, and Mr. H. E. Davis, London Manager, Mr. J. W. Rodden, and their staff in London.

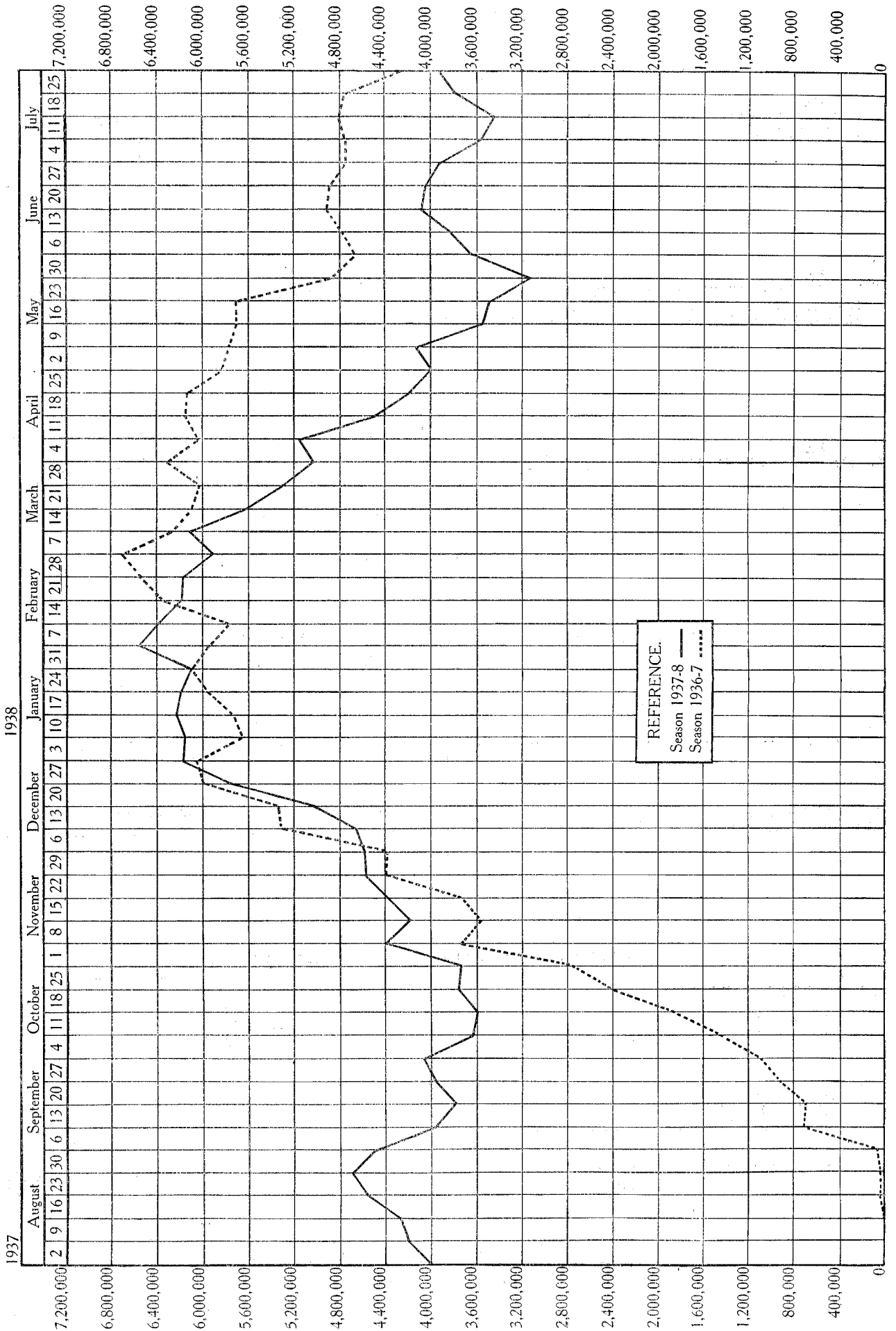
They have extended the marketing procedure in such a way that, added to the initial work set out in the first report, it has gained the respect and admiration of all who have examined it. References in Australia, Canada, Denmark, and the United Kingdom have all recorded the fact that the single-unit marketing system exercised in co-operation with the distributing houses in London and other centres has given results beneficial to producer, distributor, and consumer.



Minister of Marketing.

DAIRY INDUSTRY ACCOUNT.

RECORD OF WEEKLY BALANCES, 1936-37 AND 1937-38 SEASON.



PRIMARY PRODUCTS MARKETING DEPARTMENT.

DAIRY-PRODUCE EXPORT DIVISION.

FINAL STATEMENT OF THE DAIRY-PRODUCE PURCHASE AND SALE ACCOUNTS, 1936-37 SEASON.

Creamery Butter.

<i>Dr.</i>	£	<i>Cr.</i>	£
Estimated deficit on 5,992,382 boxes shown in accounts at 31st July, 1937	561,397	Surplus on realization of produce unsold at 31st July, 1937	177,083
		Actual deficit on sale of 5,992,382 boxes	384,314
	<u>£561,397</u>		<u>£561,397</u>

Whey Butter.

<i>Dr.</i>	£	<i>Cr.</i>	£
Estimated deficit on 57,422 boxes shown in accounts at 31st July, 1937	5,707	Actual deficit on sale of 57,422 boxes	5,956
Deficit on realization of produce unsold at 31st July, 1937	249		
	<u>£5,956</u>		<u>£5,956</u>

Cheese.

<i>Dr.</i>	£	<i>Cr.</i>	£
Actual surplus on sale of 1,213,914 crates	126,370	Estimated surplus on 1,213,914 crates shown in accounts at 31st July, 1937	18,354
		Surplus on realization of produce unsold at 31st July, 1937	108,016
	<u>£126,370</u>		<u>£126,370</u>

DAIRY INDUSTRY ACCOUNT (INCOME AND EXPENDITURE), 1936-37 SEASON.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Deficit, Creamery Butter Account	384,314	Surplus, Cheese Account	126,370	
Premiums staff annuities (section 15, Finance Act, 1937)	5,380	Less deficit, Whey Butter Account	5,956	
Payments to manufacturers of special milk products (The Dairy Produce (Special Milk Products) Regulation 1937)	2,829	Surplus, Cheese and Whey Butter Accounts		120,414
	<u>£392,523</u>	Balance (deficit, 1936-37 season, as at 21st June, 1938)		272,109
				<u>£392,523</u>
Balance (deficit, 1936-37 season, as at 21st June, 1938)	272,109	Balance (actual deficit, 1936-37 season, as at 31st July, 1938)		£272,482
Interest on balance, 21st June to 31st July, 1938	373			
	<u>£272,482</u>			<u>£272,482</u>

RECONCILIATION OF BALANCE IN DAIRY INDUSTRY ACCOUNT.

	£	£	£
Estimated deficit in published accounts at 31st July, 1937	548,750		
Less—			
Surplus on realization creamery butter	177,083		
Surplus on realization cheese	108,016		
	<u>285,099</u>		263,651
Plus—			
Deficit on realization whey butter	249		
Premiums staff annuities	5,380		
Payments to manufacturers of special milk products	2,829		
	<u>8,458</u>		
Deficit, Dairy Industry Account, as at 21st June, 1938			272,109
Plus interest on deficit for period 21st June to 31st July, 1938			373
Actual deficit, 1936-37 season's produce, as at 31st July, 1938			<u>£272,482</u>

Examined and found correct—J. H. FOWLER, Controller and Auditor-General.

CREAMERY BUTTER.

Shipments for which Complete Sale Proceeds have been received at 31st July, 1938.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Purchase of 3,715,531 boxes	11,896,254	Sale of 3,715,531 boxes (less United Kingdom selling-charges, including landing-charges, agents' commission, discount, and storage)	12,907,905	
Balance carried forward (surplus on 3,715,531 boxes)	338,461	Less—		
		Freight	648,405	
		Insurance	24,785	
			673,190	
	<u>£12,234,715</u>			<u>12,234,715</u>
				<u>£12,234,715</u>

<i>Dr.</i>			£	<i>Cr.</i>	£
Purchase of 1,392,120 boxes	4,461,040	Balance brought forward (surplus on 3,715,531 boxes)	..
Balance carried forward (estimated surplus on 5,107,651 boxes)	625,948	Sale of 790,595 boxes (less United Kingdom selling-charges, including landing-charges, agents' commission, discount, and storage)	2,875,915
				Estimated sale value of 601,525 boxes in store, United Kingdom or afloat, at 31st July, 1938 (basis of valuation, 120s. per hundredweight sterling, less United Kingdom selling-charges)	2,136,897
				Total boxes, 1,392,120	5,012,812
				Less—	£
				Freight	253,932
				Insurance	10,353
					264,285
					4,748,527
			£5,086,988		£5,086,988

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchase value of 393,113 boxes	1,245,438	Balance brought forward (estimated surplus on 5,107,651 boxes)	625,948
Balance carried forward (estimated surplus on 5,500,764 boxes), (137,541 tons 16 cwt.)	588,062	Estimated sale value of 393,113 boxes (basis of valuation, 110s. per hundred-weight sterling, less United Kingdom selling-charges)	1,280,807
		Less—	£
		Freight	70,836
		Insurance	2,419
			73,255
		Total boxes, 5,500,764 (137,541 tons 16 cwt.)	1,207,552
	<u>£1,833,500</u>		<u>£1,833,500</u>
	£		£
Proportion of administration and general expenses ..	144,664	Balance brought forward	588,062
Balance to Dairy Industry Account (estimated surplus on sale of creamery butter)	443,398		
	<u>£588,062</u>		<u>£588,062</u>

(NOTE.—The bulk of the produce unsold at balance date has since been realized at prices in excess of the valuation figures.)

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued.*

DAIRY-PRODUCE EXPORT DIVISION—*continued.*

CHEESE.

PURCHASE AND SALE ACCOUNT, 1937-38 SEASON—*continued.*

Shipments for which Complete Sale Proceeds have been received at 31st July, 1938.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Purchase of 576,820 crates	2,973,990	Sales of 576,820 crates (less United Kingdom selling - charges, including landing- charges, agents' commission, trade discount, and storage)	 3,316,650	
Balance carried forward (surplus on 576,820 crates) ..	20,911	Less— Freight Insurance	 £ 314,344 7,405	
			321,749	
	£2,994,901			2,994,901
				£2,994,901

Shipments for which only Partial Sale Proceeds have been received at 31st July, 1938.

Dr.	£	Cr.	£	£
Purchase of 432,556 crates	2,207,891	Balance brought forward (surplus on 576,820 crates)		20,911
Balance carried forward (estimated surplus on 1,009,376 crates)	97,631	Sale of 297,310 crates (less United Kingdom selling-charges, including landing-charges, agents' commission, trade discount, and storage)	1,717,959	
		Estimated sale value of 135,246 crates in store, United Kingdom or afloat, at 31st July, 1938 (basis of valuation, 70s. 3d. per hundredweight sterling, less United Kingdom selling-charges)	806,467	
			<hr/>	
			2,524,426	
		Total crates, 432,556.		
		Less—	£	
		Freight	234,253	
		Insurance	5,562	
			<hr/>	
			239,815	
			<hr/>	
				2,284,611
	<hr/>			<hr/>
	£2,305,522			£2,305,522

Stocks in Store in New Zealand awaiting Shipment at 31st July, 1938.

Dr.		Cr.	
Purchase value of 166,804 crates	£ 842,268	Balance brought forward (estimated surplus on 1,009,376 crates)	£ 97,631
Balance carried forward (estimated surplus on 1,176,180 crates), (83,078 tons 3 cwt.)	£ 146,091	Estimated sale value of 166,804 crates (basis of valuation, 70s. per hundredweight sterling, less United Kingdom selling-charges)	£ 982,369
		Total crates 1,176,180 (83,078 tons 3 cwt.)	
		Less—	
		Freight	£ 89,421
		Insurance	£ 2,220
			£ 91,641
			£ 890,728
	£ 988,359		£ 988,359
Proportion of administration and general expenses	£ 45,644	Balance brought forward	£ 146,091
Balance to Dairy Industry Account (being estimated surplus on sale of cheese)	£ 100,447		
	£ 146,091		£ 146,091

(NOTE.—Of the produce unsold at balance date, the greater portion has since realized prices in excess of the valuation figures.)

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued.*DAIRY-PRODUCE EXPORT DIVISION—*continued.*

WHEY BUTTER.

PURCHASE AND SALE ACCOUNT, 1937-38 SEASON—*continued.**Shipments for which Complete Sale Proceeds have been received at 31st July, 1938.*

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchase of 51,519 boxes	151,744	Sale of 51,519 boxes (less United Kingdom selling-charges, including landing-charges, agents' commission, trade discount, and storage)	171,902
Balance carried forward (surplus on 51,519 boxes) ..	10,452	Less—	£
		Freight	9,392
		Insurance	314
			9,706
			162,196
	<u>£162,196</u>		<u>£162,196</u>

Shipments for which only Partial Sale Proceeds have been received at 31st July, 1938.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchase of 19,470 boxes	57,115	Balance carried forward (surplus on 51,519 boxes) ..	10,452
Balance carried forward (estimated surplus on 70,989 boxes)	13,295	Sale of 14,842 boxes (less United Kingdom selling-charges, including landing-charges, agents' commission, trade discount, and storage) ..	48,528
		Estimated sale value of 4,628 boxes in store, United Kingdom or afloat, at 31st July, 1938 (basis of valuation, 110s. 6d. per hundred-weight sterling, less United Kingdom selling-charges)	15,112
			63,640
		Total boxes, 19,470.	
		Less—	£
		Freight	3,550
		Insurance	132
			3,682
			59,958
	<u>£70,410</u>		<u>£70,410</u>

Stocks in Store in New Zealand awaiting Shipment at 31st July, 1938.

<i>Dr.</i>	£	<i>Cr.</i>	£
Purchase value of 840 boxes	2,438	Balance carried forward (estimated surplus on 70,989 boxes)	13,295
Balance carried forward (estimated surplus of 71,829 boxes), (1,795 tons 12 cwt.)	13,173	Estimated sale value of 840 boxes (basis of valuation, 100s. per hundredweight sterling, less United Kingdom selling-charges)	2,474
		Less—	£
		Freight	153
		Insurance	5
			158
			2,316
	<u>£15,611</u>	Total boxes, 71,829 (1,795 tons 12 cwt.).	<u>£15,611</u>
		Balance brought forward	13,173
Proportion of administration and general expenses ..	1,833		
Balance to Dairy Industry Account (estimated surplus on sale of whey butter)	11,340		
	<u>£13,173</u>		<u>£13,173</u>

(NOTE.—The bulk of the produce unsold at balance date has since been realized at prices in excess of the valuation figures.)

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued*.
DAIRY-PRODUCE EXPORT DIVISION—*continued*.
ADMINISTRATION AND GENERAL EXPENSES ACCOUNT, 1937-38 SEASON.

—		United Kingdom.	New Zealand.	Total.
Dr.		£	£	£
Salaries .. .. .	.. .. .	12,489	12,028	24,517
Legal expenses .. .. .	.. .. .	158	158	158
Office rent, maintenance, cleaning, telephone, and sundry expenses .. .. .	.. .. .	2,535	2,295	4,830
Postage, cables, printing and stationery .. .. .	.. .. .	1,433	1,567	3,000
Travelling-expenses .. .. .	.. .. .	486	177	663
Subscriptions, donations, and entertainment .. .. .	.. .. .	151	151	151
Shipping inspection .. .. .	.. .. .	1,445	2,098	3,543
Agency expenses, Lyttelton .. .. .	.. .. .	..	225	225
Audit fees .. .. .	.. .. .	..	1,033	1,033
Depreciation (office and departmental equipment) .. .. .	.. .. .	262	267	529
		18,959	19,690	38,649
Advertising in United Kingdom .. .. .	.. .. .	..	..	81,259
Miscellaneous general expenses .. .. .	.. .. .	..	..	582
Cost of remittances to dairy companies .. .. .	.. .. .	..	£	..
Interest on overdraft at Reserve Bank .. .. .	.. .. .	..	12,733	12,733
Subsidy, Public Service Superannuation Fund .. .. .	.. .. .	..	58,765	58,765
		..	71,498	71,498
		..	153	153
			£192,141	£192,141

Cr.
Allocation of expenses to Produce Purchase and Sale Accounts—
Creamery butter 144,664
Whey butter 1,833
Cheese 45,644
192,141

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued.*DAIRY-PRODUCE EXPORT DIVISION—*continued.*

DAIRY INDUSTRY ACCOUNT (INCOME AND EXPENDITURE), PERIOD 1ST AUGUST, 1937, TO 31ST JULY, 1938.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Balance (estimated surplus, Dairy Industry Account, 1937-38 season)	555,185	Estimated surplus, Creamery Butter Account	443,398	
		Estimated surplus, Cheese Account	100,447	
		Plus estimated surplus, Whey Butter Account	11,340	
		Estimated surplus, cheese and whey butter	111,787	
	<u>£555,185</u>			<u>£555,185</u>

BALANCE-SHEET AS AT 31ST JULY, 1938.

<i>Liabilities.</i>	£	£	<i>Assets.</i>	£	£
Overdraft, Reserve Bank of New Zealand	3,637,525		Sundry debtors for produce and amounts		
Less balance at Bank of England and Bank of New Zealand, London ..	11,186		accrued due		642,868
		3,626,339	Stocks—		
Sundry creditors for accrued charges and sundry credit balances	1,967,656		Produce	5,224,126	
Dairy Industry Account (estimated surplus, 1937-38 season)	555,185		Advertising-material and sundries	4,628	
					5,228,754
			Office and departmental equipment		5,076
			Dairy Industry Account (deficit, 1936-37 season)		272,482
		<u>£6,149,180</u>			<u>£6,149,180</u>

(NOTE.—In order that the accounts should cover all export butter and cheese manufactured up to and including 31st July, 1938, the quantities in store in New Zealand at that date are included. Ownership of this produce passes to the Crown, in terms of section 18 of the Primary Products Marketing Act, 1936, when it is placed on board ship for export from New Zealand.)

G. A. DUNCAN,
Director, Dairy-produce Export Division.

I hereby certify that the Purchase and Sale Accounts, the Administration and General Expenses Account, and the Dairy Industry Account (Income and Expenditure), together with the Balance-sheet as at 31st July, 1938, have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby, subject to the departmental note enclosed thereon.—J. H. FOWLER, Controller and Auditor-General.

IMPORTS OF BUTTER INTO UNITED KINGDOM.

(From *Dairy-produce Supplies*, 1937.)

Country whence consigned.	1913.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
New Zealand	12,600	96,300	106,950	125,600	133,850	131,900	139,600	147,548
Australia	29,700	77,900	89,750	84,600	105,200	105,650	84,700	74,597
Eire	(a)	19,050	15,750	18,950	23,400	24,400	23,400	15,998
Canada	50	3,900	950	1,650	..	3,150	2,000	1,593
Union of South Africa ..	..	2,000	1,850	1,250	1,050	4,100	3,750	3,456
South-west African Territory ..	..	..	1,100	300	150	1,650	1,900	1,252
Kenya	(b)	300	350	250	400	650	1,050	984
Nigeria .. .. .	..	..	..	..	..	150	300	..
Other Empire countries ..	50	50	100	100	150	100	150	100
Denmark	85,350	123,300	129,200	125,950	124,300	109,300	108,550	112,825
Netherlands	7,650	4,800	2,350	7,300	15,050	23,200	37,300	35,831
U.S.S.R. (Russia)	37,550	20,200	16,150	28,150	24,550	25,150	20,750	13,668
Lithuania	(c)	2,000	3,400	5,200	7,050	9,050	10,550	10,227
Latvia	(c)	1,950	5,600	7,300	7,800	9,650	9,800	10,844
Poland	(d)	1,650	150	..	2,500	4,950	9,450	5,270
Finland	(c)	12,700	10,850	6,700	7,550	5,800	8,000	7,894
Sweden	16,600	10,600	8,800	11,350	15,100	9,200	7,450	10,225
Estonia	(c)	6,250	4,150	4,200	6,150	5,950	5,800	7,994
Austria .. .. .	..	..	..	400	1,250	950	1,800	1,298
Hungary .. .. .	..	..	..	1,600	2,000	900	1,750	2,112
France	12,450	50	100	50	750	350	1,450	307
Belgium	(e)	..	50	100	700	..	800	37
Germany .. .. .	..	400	200	200	200	..	..	74
Norway	1,000	650	750	150	..	..	..	..
Argentina	3,650	18,700	19,550	10,100	5,550	3,450	7,150	6,483
Other foreign countries ..	300	250	100	150	50	750	150	202
Totals, Empire countries ..	42,400	199,500	216,800	232,700	264,200	271,750	256,850	245,528
Totals, foreign countries ..	164,550	203,500	201,400	208,900	220,550	208,650	230,750	225,291
Totals, all countries ..	206,950	403,000	418,200	441,600	484,750	480,400	487,600	470,819

(a) Not separately distinguished before April, 1923.

(b) Included in "Other Empire countries."

(c) Included in Russia.

(d) Included in Russia, Germany, and Austria-Hungary.

(e) Included in "Other foreign countries."

IMPORTS OF CHEESE INTO UNITED KINGDOM.

(From *Dairy-produce Supplies*, 1937.)

Country whence consigned.	1913.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
New Zealand	27,350	86,650	92,450	102,950	104,600	88,150	84,050	86,539
Canada	64,700	35,350	37,350	31,500	26,000	23,500	30,150	36,114
Australia	400	3,400	3,700	4,650	5,750	6,700	4,550	5,979
Union of South Africa and South-west African Territory ..	..	750	850	650	150	1,100	600	751
Eire	(a)	100	100	50	250	450	850	828
Other Empire countries ..	..	..	..	..	..	..	50	41
Netherlands	14,600	8,400	8,500	6,100	6,400	9,950	9,100	10,866
Italy	5,100	6,600	5,300	4,500	4,700	4,000	700	3,084
Denmark	(b)	250	300	300	300	500	1,450	1,014
France	750	600	450	350	350	400	1,150	508
Switzerland	600	1,600	700	700	700	750	850	870
Finland	(b)	150	150	100	100	100	50	171
Norway	(b)	50	100	50	100	50	50	52
Belgium	100	100	50	50	..	..	50	3
Germany	(b)	50	50	..	..	..	..	..
United States of America ..	1,100	200	..	..	..	..	50	..
Other foreign countries ..	150	50	100	50	50	50	100	25
Totals, Empire countries ..	92,450	126,250	134,450	139,800	136,750	119,900	120,250	130,252
Totals, foreign countries ..	22,400	18,050	15,700	12,200	12,700	15,800	13,550	16,593
Totals, all countries ..	114,850	144,300	150,150	152,000	149,450	135,700	133,800	146,845

(a) Not separately distinguished before April, 1923.

(b) Included in "Other foreign countries."

IMPORTS OF BUTTER INTO PORTS IN THE UNITED KINGDOM, 1ST JULY, 1937, TO 29TH JUNE, 1938
(In tons.)

Weekly Dairy Produce Notes, Imperial Economic Committee.

Country whence consigned.	London.	Southamp- ton.	Bristol.	Fishguard.	Liverpool.	Manchester.	Glasgow.	Leith.	Newcastle.	Hull.	Goole.	Grimsby.	Harwich.	Other Ports.	Total.	Previous Year.
Eire ..	..	..	50	5,050	4,350	..	3,450	..	..	..	..	..	..	2,600	15,500	21,000
Australia ..	78,400	50	300	..	2,050	400	1,000	..	50	1,400	..	..	..	150	83,900	71,150
New Zealand ..	97,700	2,100	10,350	..	15,550	2,600	7,800	..	1,650	1,350	..	..	..	1,050	140,150	144,900
Canada ..	900	150	..	..	300	150	..	..	50	..	..	..	..	..	1,350	1,350
South-west African Territory ..	..	600	..	..	..	..	..	..	..	..	..	..	..	..	600	1,650
South Africa ..	..	1,100	..	..	..	..	..	..	..	..	..	..	..	..	1,100	3,650
Kenya ..	900	..	..	..	..	..	..	..	..	..	..	..	..	..	900	100
Nigeria ..	50	..	..	..	..	..	..	..	..	..	..	..	..	..	50	200
Other Empire countries ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	20,750
Russia ..	11,050	..	..	..	..	..	..	7,700	1,850	3,850	1,450	..	600	2,050	34,400	39,300
Netherlands ..	15,250	..	..	..	1,250	400	150	21,800	22,950	6,400	5,250	41,600	14,300	..	112,650	113,750
Denmark ..	200	..	..	..	..	..	..	1,600	1,850	7,300	..	..	..	350	12,750	8,700
Sweden ..	1,650	..	..	..	..	..	..	..	..	8,850	..	..	..	..	8,850	8,850
Finland ..	..	..	..	..	..	..	..	..	..	4,950	..	..	..	..	8,700	6,650
Estonia ..	3,750	..	..	..	..	..	..	200	500	3,000	..	..	..	..	12,000	10,400
Latvia ..	8,300	..	..	..	..	..	..	..	..	1,650	..	..	..	..	10,750	6,850
Poland ..	9,100	..	..	..	..	..	..	..	..	3,200	..	..	..	50	11,100	10,000
Lithuania ..	7,850	..	..	..	..	..	..	..	..	50	..	..	..	..	50	50
Germany ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1,550	1,800
Austria ..	1,550	..	..	..	..	..	..	..	..	..	..	..	..	..	1,750	1,600
Hungary ..	1,750	..	..	..	..	..	..	..	..	..	..	..	..	..	100	600
Belgium ..	100	..	..	..	..	..	..	..	..	..	..	..	..	..	100	1,200
France ..	..	100	..	..	..	..	..	..	..	..	..	..	..	..	500	..
Norway ..	500	..	..	..	..	..	..	..	..	..	..	..	..	..	600	..
Czechoslovakia ..	600	..	..	..	..	..	..	..	..	..	..	..	..	..	3,300	8,850
Argentina ..	2,350	950	..	..	..	..	..	..	..	..	..	..	..	..	1,050	2,400
Other foreign countries ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Totals ..	241,950	5,050	10,700	5,050	23,500	3,550	12,400	31,300	28,900	42,000	6,700	41,600	14,900	7,300	474,900	..
2nd July, 1936, to 30th June, 1937 ..	247,700	9,100	9,000	6,200	28,900	3,250	15,400	31,100	28,850	34,800	9,400	41,650	13,700	7,600	..	486,650

IMPORTS OF CHEESE INTO PORTS IN THE UNITED KINGDOM, 1ST JULY, 1937, TO 29TH JUNE, 1938.
(In tons.)

Weekly Dairy Produce Notes, Imperial Economic Committee.

Country whence consigned.	London.	Folkestone.	Southamp- ton.	Bristol.	Cardiff.	Liverpool.	Manchester.	Glasgow.	Leith.	Newcastle.	Hull.	Goole.	Harwich.	Other Ports.	Total.	Previous Year.
Eire ..	50	..	..	..	..	250	..	100	..	..	..	..	..	550	950	950
New Zealand ..	59,900	..	1,050	7,300	700	9,450	850	4,550	..	850	500	..	..	..	85,150	79,300
Canada ..	21,750	..	50	2,950	1,050	3,000	1,400	1,500	1,100	1,200	600	..	..	..	36,100	27,350
Australia ..	8,700	..	..	..	..	100	..	..	..	..	250	..	..	1,500	9,050	5,550
South Africa ..	50	..	300	..	..	..	..	..	..	..	..	..	..	..	350	750
Netherlands ..	5,800	..	50	..	..	50	..	..	750	650	700	2,150	100	350	10,600	10,500
Italy ..	2,200	50	..	..	..	..	..	..	..	..	..	..	850	200	3,300	2,250
Switzerland ..	400	..	..	..	..	50	..	50	..	..	..	..	250	200	950	800
Denmark ..	350	..	..	..	..	..	..	..	50	..	50	..	500	..	1,000	1,050
France ..	..	..	150	..	..	..	..	..	..	..	..	..	..	400	550	850
Finland ..	150	..	..	..	..	..	..	..	..	..	..	..	..	..	150	150
Norway ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	50	50
Bulgaria ..	50	..	..	..	..	..	..	..	..	..	..	..	..	..	50	..
Other countries ..	50	..	..	..	..	..	..	..	..	50	..	..	..	850	950	2,750
Totals ..	99,500	50	1,600	10,250	1,750	12,900	2,250	6,200	1,900	2,800	2,100	2,150	1,700	4,050	149,200	..
	89,700	500	1,100	8,050	1,350	10,450	1,600	5,450	1,800	1,900	1,350	2,050	1,600	5,400	..	132,300

THE WORLD TRADE IN BUTTER.

EXPORT OF BUTTER FROM PRINCIPAL EXPORTING COUNTRIES.

(In tons.)

Countries.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
Denmark ..	156,526	166,321	168,942	155,306	148,334	147,460	136,116	143,896	150,550
Netherlands ..	46,574	41,247	32,438	20,056	27,925	36,304	46,047	59,235	58,750
Irish Free State ..	28,034	26,235	18,887	16,488	20,193	25,396	26,549	25,907	19,000
Sweden ..	24,536	26,253	19,217	13,333	16,857	22,836	19,939	18,806	23,150
Finland ..	16,344	16,842	17,128	14,295	11,697	10,923	10,081	13,766	13,700
Estonia ..	12,164	13,844	14,216	12,333	9,079	9,958	10,667	10,782	12,950
Latvia ..	14,596	18,139	18,443	18,304	15,399	15,453	16,550	17,017	18,900
Lithuania ..	4,020	7,241	8,567	9,770	9,429	9,518	11,962	14,398	14,800
Poland ..	14,843	11,926	12,263	1,208	1,583	4,367	5,595	10,735	8,000
France ..	7,466	5,404	4,931	3,536	3,049	3,258	5,181	5,660	2,950
Totals, Europe ..	325,103	333,452	315,032	264,629	263,545	285,473	288,687	320,202	322,750
U.S.S.R. ..	24,971	10,356	30,368	30,446	36,617	37,305	28,929	22,732	14,100
New Zealand ..	82,690	94,212	99,428	109,277	131,760	130,725	139,466	139,810	148,800
Australia ..	45,944	56,518	85,275	102,258	94,434	110,171	102,898	82,889	81,650
Argentina ..	16,762	22,838	22,842	24,963	13,688	8,191	6,753	10,107	8,650
Canada ..	625	527	4,768	1,565	7,981	191	3,436	2,290	1,829
Totals, overseas ..	146,021	174,095	212,313	238,063	241,863	249,278	252,553	235,096	240,929
Grand totals ..	496,095	517,903	557,713	533,138	542,025	572,056	570,169	578,030	577,779

IMPORTS OF BUTTER INTO PRINCIPAL IMPORTING COUNTRIES.

(In tons.)

Countries.	1928.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
Great Britain and Northern Ireland	297,423	313,727	332,531	385,429	402,947	437,300	479,808	474,060	484,030	465,100
Germany ..	124,555	133,404	131,054	98,638	68,421	58,210	60,788	69,879	74,216	85,450
Belgium-Luxemburg ..	1,294	4,267	10,105	18,554	20,950	12,235	9,238	5,943	3,634	2,200
France ..	2,571	4,354	5,770	18,230	11,670	9,066	4,287	674	1,898	650
Switzerland ..	8,064	7,433	8,392	10,428	3,639	511	292	135	1,439	2,500
Canada ..	7,500	16,040	17,234	1,260	106	615	1,283	66	53	29
U.S.A. ..	1,545	642	601	462	194	247	561	10,123	4,407	4,950
Totals ..	442,952	479,867	505,687	533,001	507,927	518,184	556,257	560,880	569,677	560,879

THE WORLD TRADE IN CHEESE.

EXPORTS OF CHEESE FROM PRINCIPAL EXPORTING COUNTRIES.

(In tons.)

Countries.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
Netherlands ..	94,302	92,294	85,025	75,921	62,903	60,220	60,088	55,942	65,850
Italy ..	32,054	36,150	39,708	29,700	23,562	24,680	17,805	19,096	24,000
Switzerland ..	31,127	29,528	24,244	19,509	20,244	17,475	17,968	18,186	17,200
France ..	18,129	17,375	15,308	13,042	11,176	11,595	10,994	10,422	11,000
Denmark ..	6,479	5,636	4,188	6,488	9,920	6,201	6,558	9,379	9,250
New Zealand ..	88,954	90,648	81,818	89,520	99,146	99,226	86,378	82,911	82,350
Canada ..	41,495	35,787	37,853	38,812	33,111	27,307	24,876	36,558	39,700
Australia ..	2,291	3,242	3,309	3,929	4,864	5,565	6,845	5,550	8,350
Totals ..	314,831	310,660	291,453	276,921	264,926	252,269	231,512	238,044	257,700

IMPORTS OF CHEESE INTO PRINCIPAL IMPORTING COUNTRIES.

(In tons.)

Countries.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.	1937.
Great Britain and Northern Ireland	148,100	154,118	142,820	148,712	150,783	147,918	134,222	132,600	145,800
Germany ..	65,432	61,366	53,752	48,522	40,591	33,254	27,527	27,458	36,300
Belgium ..	20,740	22,815	22,143	20,384	21,615	21,173	22,645	22,695	22,300
France ..	22,800	29,249	36,968	23,334	20,583	15,692	15,539	14,508	13,100
U.S.A. ..	34,096	30,496	27,674	24,830	21,606	21,220	21,846	26,718	27,100
Totals ..	291,168	298,044	283,357	265,782	255,178	239,257	221,779	223,979	244,600

BUTTER.
WEEKLY MEDIUM PRICES AT THE LONDON PROVISION EXCHANGE.
(Shillings per hundredweight.)

1935-36.										1936-37.										1937-38.														
Date.		New Zealand.	Australian.	South African.	Argentina.	Danish.	Dutch.	Baltic.	Polish.	Russian.	Date.		New Zealand.	Australian.	South African.	Argentina.	Danish.	Dutch.	Baltic.	Polish.	Russian.	Date.		New Zealand.	Australian.	South African.	Argentina.	Danish.	Dutch.	Baltic.	Polish.	Russian.		
Aug.	9 ..	S.F. 93	S.F. 93	S. 89	U.F. ..	109	90	S. 90	U.S. 84	Siberian 89	Aug.	7 ..	S.F. 117	S.F. 115	S. ..	U.F. 105	125	109	109	U.S. 109	U.S. 104	Siberian 109	Aug.	6 ..	S.F. 119	S.F. 117	S. ..	U.F. ..	124	113	S. ..	U.S. 113	Siberian 113	
	16 ..	94	93	108	87	89	84	87		14 ..	118	117	..	109	127	111	110	110	105	110		13 ..	115	114	124	110	112	..	107	110
	23 ..	94	93	..	..	109	85	88	82	86		21 ..	121	120	..	108	128	112	113	107	112	112		20 ..	114	113	..	..	126	108	110	106	110
Sept.	30 ..	97	96	92	..	114	86	89	82	87	Sept.	28 ..	119	118	..	110	128	110	112	107	112	112	Sept.	27 ..	116	116	..	..	132	112	112	..	111
	6 ..	104	103	..	..	119	94	93	86	96		4 ..	114	114	..	107	128	108	108	102	109	3 ..		116	115	..	..	132	112	114	..	111	
	13 ..	112	111	..	..	128	100	99	95	100		11 ..	109	108	..	101	128	103	104	92	105	102		10 ..	115	115	..	..	132	113	114	110	110
Oct.	20 ..	111	110	107	..	129	106	98	94	98	Oct.	18 ..	105	105	..	96	124	101	..	87	102	105	Oct.	17 ..	117	116	..	..	135	115	116	..	113
	27 ..	115	114	111	..	129	105	101	96	103		25 ..	99	99	..	91	120	97	96	80	94	24 ..		120	119	..	..	138	121	120	..	..
	4 ..	118	116	112	..	129	105	106	99	109		2 ..	103	104	..	94	125	97	..	82	97	97		1 ..	127	127	..	..	139	126	126	..	..
Nov.	11 ..	124	123	115	..	132	111	113	109	119	Nov.	9 ..	101	101	..	94	126	95	..	82	93	93	Nov.	8 ..	130	130	..	..	139	129	128	..	..
	18 ..	125	123	..	..	136	123	120	115	120		16 ..	95	96	..	90	121	90	..	81	88	88		15 ..	135	134	..	..	145	133	133	..	132
	25 ..	114	113	..	..	130	123	..	107	113		23 ..	96	96	..	90	120	..	82	..	88	88		22 ..	139	138	..	..	148	138	139	..	..
Nov.	1 ..	106	105	..	..	124	112	..	99	102	Nov.	30 ..	99	98	..	..	119	91	..	84	91	29 ..	151	151	..	..	151	146	150	..	..	
	8 ..	101	100	95	..	124	106	100	94	97		Nov.	6 ..	108	107	..	..	125	98	..	88	99	Nov.	5 ..	150	150	..	..	159	150	150	148	148
	15 ..	103	101	..	..	124	109	102	96	98			13 ..	109	108	105	..	125	103	..	94	101		12 ..	137	135	..	..	151	134	..	113	..
22 ..	103	102	96	..	123	108	102	96	100	20 ..	109		108	105	..	120	101	..	94	99	94	19 ..		121	120	..	..	143	122	..	113	..	
Dec.	29 ..	98	97	94	..	125	105	..	94	..	Dec.	27 ..	106	105	102	..	119	98	..	93	96	26 ..	114	112	..	107	143	110	116	105	..			
	6 ..	92	91	89	..	127	101	..	88	90		Dec.	4 ..	104	102	98	97	118	98	..	..	94	Dec.	3 ..	114	111	..	109	152	113	113	..	..
	13 ..	87	86	..	..	127	95	..	..	87			11 ..	104	101	98	95	117	98	..	..	95		10 ..	110	108	..	107	150	114	..	..	..
20 ..	89	88	..	..	128	95	..	..	..	18 ..	99		97	..	94	111	96	..	..	94	17 ..	114		113	..	109	155	116	114	..	..	
Jan.	27 ..	99	98	..	..	128	99	..	..	..	Jan.	23 ..	94	93	..	91	110	..	..	91	91	24 ..	113	112	..	109	155	116	115	111	..		
	3 ..	99	98	..	..	128	99	..	..	..		Jan.	1 ..	94	94	..	90	109	93	96	..	92	Jan.	31 ..	111	109	..	107	146	114	115	109	..
	10 ..	96	95	..	..	127	102	..	..	..			8 ..	98	98	..	92	110	97	..	93	96		7 ..	112	110	..	108	135	114	116	..	..
17 ..	92	91	87	..	127	115	99	89	..	15 ..	95		95	93	92	111	97	..	93	94	14 ..	112		111	..	..	135	112	116	..	..	..
Feb.	24 ..	91	90	..	..	127	115	96	87	..	Feb.	22 ..	93	93	90	90	113	96	..	89	92	21 ..	109	108	..	107	134	112	116	..	..	..
	31 ..	94	93	..	..	127	116	99	..	..		29 ..	89	88	86	89	119	97	..	..	88	28 ..	106	104	..	105	124	110	114	104	..	..
	7 ..	96	95	92	95	125	101	..	..	..		5 ..	87	87	..	87	122	99	..	..	86	88	Feb.	4 ..	109	108	..	107	127	111	115	..	..
14 ..	95	95	..	96	127	105	..	94	..	12 ..	85	85	82	87	122	100	..	..	..	87	11 ..	111		111	..	..	127	113	115	..	..	..
21 ..	92	92	90	96	128	107	..	91	..	19 ..	83	83	81	..	116	99	..	..	..	84	18 ..	112		112	..	..	128	114	115	..	..	..
Feb.	28 ..	88	87	85	94	135	102	..	86	..	Feb.	26 ..	88	88	..	85	117	98	..	..	87	25 ..	114	113	..	..	125	116	115	..	..	..

CHEESE.
WEEKLY MEDIUM PRICES AT THE LONDON PROVISION EXCHANGE.
(Shillings per hundredweight.)

1935-36.										1936-37.										1937-38.									
Date.		New Zealand.		Canadian.		English.		Date.		New Zealand.		Canadian.		English.		Date.		New Zealand.		Canadian.		English.		Date.		New Zealand.		Canadian.	
		W.F.	C.F.	W.F.	C.F.	Farmers F.	Factory.			W.F.	C.F.	W.F.	C.F.	Farmers F.	Factory.			W.F.	C.F.	W.F.	C.F.	Farmers F.	Factory.			W.F.	C.F.	W.F.	C.F.
Aug. 9 ..	48	47	64* 51†	62* 51†	60	36	36	Aug. 7 ..	63	62	64	64	72	58	58	Aug. 6 ..	74	71	72† 80*	72† 80*	87	73	Aug. 6 ..	74	71	72† 80*	72† 80*	87	73
16 ..	48	47	64* 51†	63* 51†	60	37	37	14 ..	68	65	67	67	74	61	61	13 ..	70	68	71† 81*	71† ..	89	71	13 ..	70	68	71† 81*	71† ..	89	71
23 ..	49	49	64* 52†	65* 52†	60	37	37	21 ..	70	67	68	68	78	65	65	20 ..	67	65	69† 80*	69† ..	89	70	20 ..	67	65	69† 80*	69† ..	89	70
30 ..	50	49	61* 53†	62* 53†	60	36	36	28 ..	72	67	68	68	78	67	67	27 ..	68	68	69† 80*	70† ..	89	70	27 ..	68	68	69† 80*	70† ..	89	70
Sept. 6 ..	51	51	53	52	63	39	39	Sept. 4 ..	70	67	69	69	78	67	67	Sept. 3 ..	70	71	70† 80*	70† ..	89	70	Sept. 3 ..	70	71	70† 80*	70† ..	89	70
13 ..	54	54	54	54	63	42	42	11 ..	69	67	71	71	79	64	64	10 ..	68	69	70† 80*	70† 80*	89	74	10 ..	68	69	70† 80*	70† 80*	89	74
20 ..	55	55	55	56	63	43	43	18 ..	67	66	70	70	79	64	64	17 ..	67	68	70† 80*	70† 80*	91	..	17 ..	67	68	70† 80*	70† 80*	91	..
27 ..	58	58	58	59	65	43	43	25 ..	67	65	69	69	79	64	64	24 ..	67	68	69† 80*	69† ..	91	..	24 ..	67	68	69† 80*	69† ..	91	..
Oct. 4 ..	59	59	59	60	65	47	47	Oct. 2 ..	70	67	69	69	82	64	64	Oct. 1 ..	70	69	70† 80*	70† ..	91	..	Oct. 1 ..	70	69	70† 80*	70† ..	91	..
11 ..	61	61	61	61	65	54	54	9 ..	68	66	69	69	83	63	63	8 ..	71	70	70† 82*	71† ..	91	..	8 ..	71	70	70† 82*	71† ..	91	..
18 ..	61	61	61	61	65	53	53	16 ..	68	65	68	68	82	63	63	15 ..	70	69	70† 83*	71† ..	91	..	15 ..	70	69	70† 83*	71† ..	91	..
25 ..	61	61	60	60	67	52	52	23 ..	71	66	70	69	84	64	64	22 ..	70	69	70† ..	71† ..	93	75	22 ..	70	69	70† ..	71† ..	93	75
Nov. 1 ..	52	52	59	59	68	49	49	30 ..	71	67	70	69	84	66	66	29 ..	72	71	72† ..	72† ..	93	75	29 ..	72	71	72† ..	72† ..	93	75
Nov. 8 ..	50	50	57	57	68	..	..	Nov. 6 ..	72	68	70	68	84	67	67	Nov. 5 ..	74	73	73	73	93	78	Nov. 5 ..	74	73	73	73	93	78
15 ..	51	51	58	60	75	48	48	13 ..	74	72	73	72	85	67	67	12 ..	73	72	72	73	93	73	12 ..	73	72	72	73	93	73
22 ..	53	54	58	58	77	47	47	20 ..	73	72	73	72	85	66	66	19 ..	71	70	72	73	93	72	19 ..	71	70	72	73	93	72
29 ..	53	55	57	58	77	49	49	27 ..	68	68	72	71	85	66	66	26 ..	69	68	72	73	95	73	26 ..	69	68	72	73	95	73
Dec. 6 ..	52	53	58	58	77	45	45	Dec. 4 ..	62	62	71	71	87	62	62	Dec. 3 ..	68	67	73† 89*	73	95	75	Dec. 3 ..	68	67	73† 89*	73	95	75
13 ..	52	55	57	58	77	43	43	11 ..	64	64	71	71	87	61	61	10 ..	66	65	73	73	95	..	10 ..	66	65	73	73	95	..
20 ..	55	59	59	60	77	49	49	18 ..	63	63	71	70	87	62	62	17 ..	65	65	73	73	95	..	17 ..	65	65	73	73	95	..
27 ..	56	60	59	63	75	46	46	23 ..	60	60	71	71	87	59	59	24 ..	65	65	72	73	95	..	24 ..	65	65	72	73	95	..
Jan. 3 ..	58	62	60	63	75	47	47	Jan. 1 ..	57	57	71	71	87	56	56	Dec. 30 ..	64	65	72	73	97	..	Dec. 30 ..	64	65	72	73	97	..
10 ..	56	60	60	62	75	49	49	8 ..	58	58	71	71	86	56	56	Jan. 7 ..	65	66	72	73	97	..	Jan. 7 ..	65	66	72	73	97	..
17 ..	54	57	60	62	75	50	50	15 ..	56	56	69	71	86	62	62	Jan. 14 ..	68	69	73	73	97	..	Jan. 14 ..	68	69	73	73	97	..
24 ..	52	55	60	62	75	52	52	22 ..	53	53	71	71	87	59	59	21 ..	69	70	74	73	97	..	21 ..	69	70	74	73	97	..
31 ..	53	57	60	62	75	52	52	29 ..	51	51	72	72	87	53	53	28 ..	67	68	74	74	97	..	28 ..	67	68	74	74	97	..
Feb. 7 ..	53	58	59	60	75	51	51	Feb. 5 ..	51	51	72	71	87	53	53	Feb. 4 ..	68	69	74	74	97	75	Feb. 4 ..	68	69	74	74	97	75
14 ..	53	57	61	63	75	51	51	12 ..	53	52	71	71	87	52	52	11 ..	68	68	74	74	97	74	11 ..	68	68	74	74	97	74
21 ..	51	51	61	62	75	51	51	19 ..	52	52	71	71	87	..	..	18 ..	67	67	74	75	97	74	18 ..	67	67	74	75	97	74
28 ..	50	54	62	63	75	51	51	26 ..	54	54	71	71	87	50	50	25 ..	67	67	75	75	97	74	25 ..	67	67	75	75	97	74
Mar. 6 ..	49	53	62	63	75	52	52	Mar. 5 ..	55	56	71	71	87	50	50	Mar. 4 ..	68	68	75	76	97	..	Mar. 4 ..	68	68	75	76	97	..
13 ..	51	53	62	63	75	52	52	12 ..	59	59	73	73	89	..	..	11 ..	69	69	76	77	97	..	11 ..	69	69	76	77	97	..
20 ..	49	51	60	64	77	50	50	19 ..	64	64	73	73	89	..	..	18 ..	70	70	77	77	97	..	18 ..	70	70	77	77	97	..
27 ..	50	51	61	63	79	49	49	26 ..	63	63	73	73	89	66	66	25 ..	68	68	77	77	97	..	25 ..	68	68	77	77	97	..

April 3 ..	52	53	61	64	79	50	April 2 ..	66	66	74	74	89	..	April 1 ..	70	70	77	77	101	..
10 ..	53	53	61	64	80	49	9 ..	66	66	74	74	92	..	8 ..	70	70	77	77	103	..
17 ..	53	53	61	63	83	50	16 ..	69	69	75	75	92	..	15 ..	70	70	77	77	103	..
24 ..	54	54	62	64	83	51	23 ..	69	69	75	75	92	..	22 ..	70	71	77	77	103	..
May 1 ..	55	54	64	65	83	51	30 ..	70	70	77	77	92	..	29 ..	68	69	77	77	103	..
May 8 ..	56	55	63	65	83	51	May 7 ..	70	70	77	77	92	..	May 6 ..	68	69	77	77	..	..
15 ..	58	55	63	65	..	53	14 ..	72	72	77	77	..	..	13 ..	70	70	77	78	..	68
22 ..	58	55	65	65	..	52	21 ..	73	73	77	77	..	..	20 ..	71	71	77	78	..	69
29 ..	58	56	64	65	..	53	28 ..	74	74	78	77	..	..	27 ..	70	70	78	78	..	70
June 5 ..	59	58	65	65	..	54	June 4 ..	74	74	79	79	..	..	June 3 ..	70	70	79	79	..	69
12 ..	61	61	66	66	..	58	11 ..	74	74	79	79	98	..	10 ..	69	69	79	79	..	68
19 ..	60	60	66	66	..	57	18 ..	74	74	79	79	..	..	17 ..	67	67	79	79	..	66
26 ..	58	58	67	65	..	56	25 ..	74	73	79	79	..	71	24 ..	69	69	79	79	..	66
July 3 ..	58	58	68	..	..	56	July 2 ..	72	71	79	79	..	..	July 1 ..	68	68	79	79	..	65
10 ..	60	60	63† 69*	63† 66*	..	55	9 ..	71	69	78	78	..	70	7 ..	68	68	79	79	..	65
17 ..	62	62	64† 69*	64† 70*	..	57	16 ..	72	70	..	..	..	69	14 ..	70	70	79	79	85	66
24 ..	63	62	.. 72*	64† 70*	..	58	23 ..	74	72	73† 80*	72† 80*	..	73	21 ..	69	70	79	79	85	65
31 ..	62	61	64† 75*	64† ..	72	59	30 ..	75	72	74† 80*	73† 80*	..	73	28 ..	68	69	79	79	85	65

* Old season's.

† New season's.

W.F. = White finest; C.F. = Coloured finest.

INTERNAL MARKETING DIVISION: ANNUAL REPORT AND ACCOUNTS FOR THE FOURTEEN MONTHS ENDED 31ST MARCH, 1938.

The following report and statement of accounts cover the activities of the Internal Marketing Division of the Primary Products Marketing Department for the period of fourteen months ended 31st March, 1938.

In view of the fact that the Division was established on the 1st February, 1937, no accounts were issued at the 31st March of that year, hence the full period of fourteen months is included in this statement.

The Division has continued its activities during the past twelve months and has made considerable progress in stabilizing the markets in various primary products. The following is a summary of the work done:—

LOCAL MARKETING OF BUTTER.

Methods have been instituted for stabilizing prices and regulating the marketing and distribution of butter within the Dominion. Using as a working basis the experience gained through the administration of the Butter (Wellington District) Marketing Regulations, which came into force on the 1st May, 1937, the Division inaugurated on the 1st November, 1937, the Butter Marketing Regulations 1937, with a complete New Zealand coverage.

The scope of the regulations included fixing the local wholesale price in relation to the guaranteed price ruling from time to time and ensuring that returns to dairy companies for their local sales were, as nearly as possible, equal to the export parity after making allowances for such items as patting, transport, handling, &c.

Export parity is determined under clause 32 of the Butter Marketing Regulations by adding to the guaranteed price obtaining at any time the extra costs involved in preparing butter for the local market and then deducting the amount of the savings effected through not placing the butter f.o.b. The resultant figure is then known as "export parity."

Licensing of wholesale distributors, conditions of sale, and distributive margins have been determined. The wholesale butter-prices under the regulations were—

1st grade creamery pats	..	..	..	14½d.
Second grade creamery pats	..	..	..	13¾d.
Whey pats	..	..	..	13½d.
Bulk butter of the same grade and quality	..	..	..	½d. per pound under the above prices.

On the 12th December, 1937, the price of second grade was advanced by ½d. per pound to 14¼d. The distributing-allowance to manufacturers and licensed distributors was fixed at ½d. per pound.

Whilst retail prices have not been fixed in any way, the Division has closely watched retail prices in order to keep them as far as practicable at reasonable economic values.

The regulations have smoothed out many of the anomalies which have existed for years past in wholesale butter distribution. One or two of these might be mentioned:—

Every wholesale purchaser is now enabled to buy on the same basis. This has prevented the drastic price-cutting, both by factories and retailers, which has occurred in the past. Another factor is that of the quality available to the New Zealand consumer. Previously it had been the practice of some manufacturers to export their higher grading and pack the lower grading butter for local consumption. A system of payment by grade under the regulations has now made it an advantage to pack a high-grade butter for New Zealand consumers, and in this connection the Division have received and appreciated the co-operation of the dairy industry.

The effect of the regulations has been to eliminate a practice which in the past has been the cause of much unnecessary expenditure by the dairy industry. The local market has been divided into seven zones or areas within which, under normal conditions, the supply of butter manufactured is sufficient to meet the demand, and manufacturers in one marketing district are not permitted to forward their butter into another district without permission in terms of the regulations. Previously, the whole of New Zealand was an open market for every manufacturer, and much uneconomic transfer of butter took place, particularly from the northern portion of New Zealand to southern markets, for the purpose of capturing markets in other areas. Apart from the unnecessary haulage costs, this practice was the cause of market disorganization. The Division has, of course, made the necessary provision for supplying butter to areas which, in their period of low production, are unable to manufacture sufficient butter to meet their local demand. This has been done in the most economic manner possible, after an investigation into the relative costs of storage and transport.

Another practice which affected the retailing of butter was the habit of dairy-factory suppliers purchasing quantities of butter at prices even lower than wholesale rates and supplying neighbours

and friends at prices below that at which recognized retailers were enabled to purchase. This position has been rectified to the point where retailers only are enabled to purchase at wholesale rates, although suppliers to a dairy factory may purchase sufficient quantities for their own requirements at the fixed wholesale price. Similar practices existed in the cities, where groups of individuals purchased at wholesale rates and distributed amongst their own members, thus depriving genuine resellers of part of their livelihood.

Another matter to which attention has been given is the question of butter brands. Butter for consumption in New Zealand has, in the past, been packed under hundreds of different brands, in many instances the same dairy factory packing its butter in ten, twenty, or even more different wrappers. At the present time only a manufacturer's or licensed distributor's registered brand may be used for any one quality of butter.

Prior to control being exercised on the local market, any person could engage in butter distribution, and in many instances some of these by reason of their other activities or connections were not suitable to act as butter distributors. Apart from uneconomic overlapping, this system, because of the lack of satisfactory facilities, did not tend to provide the best service or quality to the consumer. The issue of licenses under the regulations is now subject to careful investigation as to the suitability of the applicant and into any possible financial or other interest which he may have in any concern manufacturing or selling butter; this is to ensure that no group of resellers shall have an advantage over any other group or individual. It is further incumbent upon a licensee to have available an efficient delivery service of which he must be the owner. He must be prepared to give regular and satisfactory delivery within the area defined by his license to all persons eligible to purchase butter at wholesale rates, and his premises must be suitable for the carrying-on of a butter-distributing business.

The available statistics provided by the returns under the Butter Marketing Regulations have enabled the Division to meet the problem of winter supplies and storages, and the Dairy-produce Section has done much valuable work in arranging for suitable supplies of butter to areas of short supply and short production. Particular instances of assistance rendered in this manner are found in the South Island, especially Westland, Canterbury, Otago, and Southland, to which parts large quantities of butter have been forwarded through the Division to supply local demand where the winter so reduces production that factories are unable to meet even their local requirements. Supplies have been drawn from factories in those parts of the Dominion where the winter production is sufficient to meet the local demands and also provide a surplus.

In Wellington and Auckland, butter-patting plants have been installed by the Division with the object of supplying city requirements daily with a fresh hygienically prepared supply of butter as well as giving those factories desirous of supplying the city markets the facilities for doing so. These plants will also be of great service to dairy factories whose make of butter at certain times of the year, particularly during the winter months, is so reduced as to make the operation of their own patting plants more or less uneconomic.

LOCAL MARKETING OF CHEESE.

New Zealand is well known for its comparatively heavy consumption of meat, and this no doubt has a considerable bearing on the small amount of cheese consumed. This could be increased with advantage, and the Division is accordingly working on a plan to this end.

EGGS AND EGG-PULP.

For many years conditions under which eggs are marketed in New Zealand have required attention and the lack of some central body with sufficient authority to influence marketing has been felt by producers.

The main problem with egg marketing is the "flush" period, approximately from September to January, during which time egg-production is at its highest. As a consequence, prices are at their lowest at this period, and the absence of any co-ordinating body allows unrestricted transfers of supplies to markets which are unable to absorb them at prices payable to the producer. Thus the advantage to the poultry-keeper of the period of highest production has been largely nullified by the low prices received. A further factor is that of production by domestic flocks which, mainly due to unscientific rearing, come into production at this period, and thus accentuate the marketing difficulty. For these reasons the Division has rendered assistance to the poultry industry in the following manner:—

Last season the Division supervised and handled the export of eggs from New Zealand by giving a guarantee of 1s. 1d. per dozen in grading-store for all eggs exported. This action was taken in order to ensure that a minimum selling-price could be assured to the producers so far as the local market was concerned, and, whilst a comparatively small quantity of eggs was actually exported, the effect upon the market as a result of such export immediately made itself apparent.

The net result of the transactions show that sales realizations were short by £468 of the amount paid to suppliers.

In view of the fact that quantities for the ensuing season will be greater even than last year, the Division will continue its activities in this direction. The Division's supervision of the marketing of egg-pulp is also one of the main factors affecting local prices.

Care was taken to see that the demands for export and for egg-pulp did not conflict. Merchants were requested to refrain from fulfilling their requirements of winter pulp until after exporting had ceased, thus giving a continuity of market stabilization. From the consumers' viewpoint the manufacture of egg-pulp is important, on account of the fact that this pulp largely provides for the requirements of bakers and manufacturers during the winter period when prices of fresh eggs are high. If manufacturers and bakers were in the open market for fresh eggs at this period, the result would be that prices would rise even higher.

It might be mentioned at this point that the generally increased prosperity within New Zealand resulted in a far stronger demand for eggs during the period when prices normally begin to rise that is at the beginning of the winter months.

Investigations are being continued with the object of improving the marketing-conditions.

HONEY.

Under the Honey Export Control Act, 1924, the New Zealand Honey Control Board assumed the sole authority for exporting honey from New Zealand, but sales of honey within the Dominion have not been subject to any supervision. Beekeepers who depend wholly or partly on honey-production for their living are in a minority among the beekeepers of New Zealand, and marketing of these supplies has been made difficult by the large number of domestic beekeepers selling their surplus production at whatever prices they were offered. In addition to this, there has been no possibility of standardizing grading and quality, and this factor alone has had a very deleterious effect on local consumption.

At least two attempts have been made by producers at co-operative marketing, but, due to the facts mentioned above, they have not met with success nor received the full-co-operation of all producers. At the last annual meeting of beekeepers in Timaru an overwhelming majority favoured Government assistance to the industry.

Owing to the serious plight of the beekeepers of the Dominion in 1937 because of the poor season in that year, the Government (which had granted assistance at that time) was approached with a view to improving the marketing of honey so as to avoid the alternating shortage and glut conditions which had operated in the past.

After a thorough investigation of the circumstances, it was decided to establish a Honey Section of the Division, this being initiated by the purchase of the assets of New Zealand Honey, Ltd., a producers' company in Auckland. The Government was influenced in its decision to take the step of reorganizing the marketing of honey because of the very abundant crop this year following the acute shortage of last year.

It early became apparent that if selling-conditions internally were not regulated in some way, the producer would be placed in the unhappy position of being forced by competition to accept absurdly low prices for his product, whereas in the previous season he had received very small returns as a result of the paucity of the crop.

Honey-production varies considerably from year to year, and a long-range policy of conserving stocks in a glut year for the inevitable shortage in years to follow is deserving of attention; for that reason, honey has been brought under the jurisdiction of the Division. The supervision exercised over honey has enabled the Division to offer to producers a *pro rata* advance of 4½d. per pound according to grade this season for both export and local sales.

A further payment of ¾d. per pound has now been made, and at the conclusion of the financial year the Division confidently anticipates a further final payment to all producers supplying their honey to the Division. Advances have been made immediately on receipt of honey, irrespective of whether the honey will eventually be exported or sold on the local market. The final returns from export sales will be pooled with the local market returns.

With the modern equipment available at the Government blending depot in Auckland, all honey received is blended to fixed standards of quality, so that the consumer can be assured of receiving a standardized flavour and quality in all honey packed by the Division.

FRUIT.

Local.

Following a comprehensive survey of marketing conditions of the fruit industry in 1936 by the Fruit Marketing Committee, the necessity for introducing a number of reforms in the handling and distribution of fruit became apparent. With this object in view, the Division was entrusted with the supervision of marketing-conditions generally and much valuable preparatory work has already been done in this direction.

In addition, the Division has been of considerable service to various sections of growers in assisting them to market their crops. In this connection the Division has acted as mediator between growers and factories in arranging prices and supplies. The raspberry-growers in the Nelson Province and the stone-fruit growers of Otago have utilized the Division for the purpose of negotiating minimum prices with the factories for raspberries and stone-fruits.

Similarly with hops, the Division has been instrumental in bringing to a successful conclusion negotiations between various sections of the growers, their agents, and the brewers of the Dominion which resulted in increased prices to growers.

Considerable attention has also been paid to the possible development of fruit-juice manufacture in this country, with its attendant by-products. With the assistance of the Department of Scientific and Industrial Research the Division went very thoroughly into the manufacturing of unfermented apple-juice in the hope that an outlet might be found for lower-grade apples which at present have such a depressing effect on the apple-market in this country. The matter has now been referred to the Bureau of Industry, which is making further investigations into the subject.

Arrangements were completed to ensure a guaranteed minimum price for all first-grade fruit marketed within the Dominion.

The Division also assisted in the preparation of grading standards for apples and pears, and regulations have now been introduced by the Department of Agriculture covering this important phase of marketing.

Regulations prescribing standards for fruit were brought down, with the main object of giving confidence to buyers who purchased fruit in the open auction. In the past fruit-prices have been seriously affected through the unwillingness of buyers to risk too high a price on an unknown quality, and every case of fruit now sold must conform to standards which are known to the buyer as well as to the packer. The advantage of this has already been apparent in improved marketing conditions. It is hoped that this system will be capable of extension so that the consumer will be able to purchase his requirements of fruit according to grade.

Anticipating an abnormally large crop of fruit, the Division inaugurated a comprehensive advertising campaign in February of this year to assist in the disposal of the additional supplies of fruit coming forward. Where we have been able to trace direct results, the effect of this advertising, particularly the radio-advertising section of the campaign, has been most gratifying. In the case of Bon Chretien pears, the market responded remarkably. Not only was the effect apparent in values, but also bottles for preserving were in such demand that supplies were very soon exhausted, purely as a result of the stimulus given by the campaign.

Sales of apples, too, although in very plentiful market supply, have responded promptly when any particular type has been advertised. The abundant crops have been difficult to handle and prices have been low, but the intensive advertising has had the effect of increasing market returns considerably in numerous instances. The success of the campaign is to a large extent due to the co-operation of the various sections of the trade; and in this connection the Division wishes to place on record its appreciation of the assistance rendered to it by the various wholesale merchants and retail associations throughout the Dominion.

Imported.

The Division has devoted a great deal of time to improving the marketing procedure in connection with imported citrus fruits and bananas, and the distribution of these two important foodstuffs is now the responsibility of the Division.

Because of Mediterranean fruit-fly an embargo was placed on Australian citrus fruits in 1932, and the only area of the Commonwealth supplying the Dominion's requirements from that time until 1937 was South Australia. This arrangement existed until the 8th November, 1937, when the restrictions were removed on fruit grown in areas which could produce certificates as to their fruit being grown in districts free from Mediterranean fruit-fly. This action enabled merchants and importers to bring into New Zealand whatever quantities of oranges and mandarins they desired, provided the certificate of freedom from disease was produced in accordance with the Orchard and Garden Diseases Act, 1928.

Under a Customs Proclamation dated 11th May, 1938, the Division became the sole importers of citrus fruits and bananas. The distribution of Cook Island oranges, which had previously been under the jurisdiction of the Cook Islands Department, was therefore transferred to the Division. From that date the Division became the sole importer of citrus fruits. For a number of years prior to that date this trade was more or less confined to a small number of importers who were operating under a system which was conducive to the establishment of monopolies and monopoly prices. The Government therefore felt that a major alteration in policy was necessary. This step has been amply justified by the results that have been achieved.

During a period of five months and a half since the inception of the scheme the Division handled approximately sixty thousand bushel-and-a-half cases of citrus fruits more than was handled in a similar period in 1937. This means that the people of the Dominion have consumed nearly ten-million oranges more this year than last year over the same period. This greatly increased quantity has been

so distributed that the consumers as a whole have paid no more in total for the increased quantity. This has been brought about as a result of the reduction in the price paid by the consumer through economies effected in handling and distribution.

So far as the country districts are concerned, they have never previously been so well served in regard either to quantities or prices. Previously fruit sent to such districts was heavily loaded with transport and other costs, but to-day the country distributor sells at port-of-entry prices, plus a charge for freight only.

The scheme of controlled distribution for Samoan bananas through a New Zealand agent expired on the 31st March of this year, from which date the Division assumed the responsibility of marketing not only Samoan bananas, but also those from the Cook Islands, Fiji, Tonga, and Niue. With the inauguration of this scheme, arrangements for the purchase of bananas were made with the various island territories, and the whole method of handling fruit was reorganized simultaneously for the purpose of bringing about an improvement in the system of importation and distribution. Definite improvements have been effected as a result of the arrangements made, which, in turn, have already led to a greater supply at more reasonable prices.

The selling of the above imported fruits has been effected through a panel of distributors in all the main centres and subsidiary towns of the Dominion, and all recognized fruit auctioneers have been included in the panel. In this way the channels of distribution previously in existence have been utilized in such a manner that both country and urban consumers have been catered for on the most economic basis possible.

MAIZE.

As a result of representations made by maize-growers in the Poverty Bay and Bay of Plenty districts, the Division has interested itself in the marketing of maize. When the representations were made, the abundant supplies of imported maize on the market made conditions difficult for the disposal of the local crop, but with the aid of the Division a satisfactory arrangement was arrived at between grower and merchant on the basis of 5s. 3d. per bushel f.o.b. Gisborne.

The Government guaranteed to the growers to find a market for their maize in the event of the merchants being unwilling to operate. This arrangement gave the market the necessary confidence, and with the full co-operation of the merchants and growers sales commenced immediately. This scheme having proved so successful, growers again approached the Government for a continuance in the next season, and a similar arrangement was made on the basis of new season's values. The Division will also exercise control over the imports of maize in order to maintain this market confidence in the New Zealand crop.

The immediate difficulty having been overcome, the Division is now considering the practicability of a scheme which would give growers the protection required from unrestricted importations and at the same time enable New Zealand consumers to purchase supplies at reasonable rates.

BOBBY CALVES.

A very important adjunct to dairy-farming is the rearing and sale of bobby calves, and here, again, lack of system and haphazard methods of marketing have left the bobby-calf trade in a chaotic state. In some areas voluntary pools had been formed which were attended with some success, but mainly due to lack of authority these attempts at co-operative marketing were to a certain extent frustrated and undermined by competitive interests.

Very much thought and investigation has been given to the method which could best be employed to assist the marketing of bobby calves, and conferences have taken place with the representative bodies concerned. A referendum of the whole dairy industry of New Zealand returned an inconclusive opinion as to the advisability of the procedure being handled by the New Zealand Dairy Board; and, following further discussions and conferences, it was decided that in any area in New Zealand where a sufficient majority of farmers is desirous of marketing bobby calves through their own appointed committees protection will be given to the committee in that area against outside interference with their collecting and marketing arrangements. The majority required is one of 80 per cent., and satisfactory evidence of such majority and of the suitability of the committee appointed is required before the necessary protection can be given. Regulations to this effect have been brought down under the Primary Products Marketing Act, and Agriculture (Emergency Powers) Act.

Assistance has been rendered by departmental officers in forming pools and defining areas, and already indications are that the protection afforded under these regulations is much appreciated by the producers of bobby calves.

Under the regulations complete marketing and financial arrangements have been left in the hands of the pool committees, who act as agents for the producers in their areas, and no fixed method of disposal has been adopted. In some cases sales were made at the farm gate on a "per calf" basis, some on live weight, and others direct to freezing-works. The Division is at present making a complete investigation into the operations of all pools formed under the regulations, and is considering the advisability of a standardized balance-sheet for pool operations, in a similar manner to that adopted by all dairy companies.

KAURI-GUM.

Gum-diggers in the North Auckland district have been experiencing great difficulty in selling their output of kauri-gum on account of the weakness of the overseas market, New Zealand merchants being naturally diffident about operating on account of the unsatisfactory conditions obtaining.

A conference was therefore arranged between merchants, diggers, and the Division in Auckland, and as a result an agreement was reached as to the price at which merchants would purchase kauri-gum. The action of the merchants in this connection was appreciated, and the confidence thus established brought about more stable conditions. At the same time an assurance was given by the Division that if merchants could not continue to purchase in view of the uncertain overseas position, then the Government itself would be prepared to handle kauri-gum on behalf of the diggers.

Very little trouble has been experienced in finding suitable markets through the merchant houses, but where this difficulty has arisen the Division has made the necessary arrangements.

TRADING BRANCH, THORNDON QUAY.

Trading activities in primary produce carried on by the Trading Branch at Thorndon Quay in conjunction with a depot at Palmerston North have been successfully operated during the year in competition with other distributors of similar lines, and a satisfactory monthly trading surplus has been maintained. Sales turnover in all lines has been kept up, particularly with eggs, honey, cheese, and milk-powder.

The continued confidence of egg-suppliers is evidenced by the increasing volume of consignments forwarded to the Branch for disposal, and egg sales have showed a corresponding increase which can be viewed with extreme satisfaction. From a point of view of market stabilization, the very fact of the large volume handled by the Branch has been a big factor in steadying the local egg-market from the result of daily price fluctuations, thus assisting the retailer to purchase at the most satisfactory times and at the same time ensure to the producer the full value of the seasonal market.

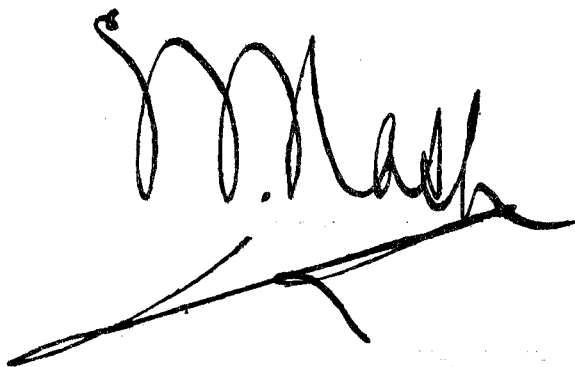
In order that the Division might more effectively supervise butter distribution in Wellington City, the accounting for all butter delivered to distributors in the Wellington City area on behalf of factories was entrusted to the Branch from the 1st May, 1937.

Early in 1938 the installation of modern butter-patting machines and air-conditioning plant enabled the retailer and the consumer to be assured of a continuous supply of fresh butter patted under the most hygienic conditions, as well as providing to the dairy factories supplying this market full continuity of supply during their period of short production, when their own make is insufficient to meet the local market they have established.

This is necessitated by the fact that many of the dairy companies supplying the city markets in New Zealand find that during the middle-winter period, when their production is at its lowest, they are unable to provide sufficient butter to meet the demand for their brand. In the past this shortage has been made up by purchasing from various factories in their vicinity sufficient butter to meet their requirements. The Division is now enabled to procure butter of the best quality available at this time of the year in order to meet these market deficiencies. This is necessary to avoid the disorganization which would take place on the local market if consumers were unable to obtain best qualities of butter required for a few months in each year, and the method adopted is the one calculated to cause the least disturbance in the trade.

Through its operations the Branch continues to render an efficient service to dairy factories, wholesale distributors, retailers, poultry-producers, and consumers.

In concluding this, the first complete report of the Internal Marketing Division, I desire to express the thanks and appreciation of the Government and myself to the Director, Mr. F. Picot, and his officers, who have carried out a difficult work to the credit of themselves and the Government, and have brought benefits and advantages to consumers and producers that will be experienced for many years and will be the foundation for extensions when occasion demands, to the benefit of producers and consumers, through regulation that will eliminate many wasteful experiences of the past.

A large, stylized handwritten signature in black ink, appearing to read 'M. Nash', with a long horizontal flourish extending to the left.

Minister of Marketing.

PRIMARY PRODUCTS MARKETING DEPARTMENT.

INTERNAL MARKETING DIVISION.

WELLINGTON TRADING BRANCH, THORNDON QUAY.

TRADING ACCOUNT FOR THE FOURTEEN MONTHS ENDED 31ST MARCH, 1938.

Dr.	£	Cr.	£
Sundry trading charges, commissions, and trade discounts	1,983	Gross profits and commissions on trading in bacon, butter, cheese, eggs and egg-pulp, honey, milk-powder, pork, &c.	29,456
Gross profit to Profit and Loss Account	27,473		
	<u>£29,456</u>		<u>£29,456</u>

PROFIT AND LOSS ACCOUNT FOR THE FOURTEEN MONTHS ENDED 31ST MARCH, 1938.

Dr.	£	Cr.	£
Salaries and wages	12,871	Gross profits from trading	27,473
Motor and travelling expenses	2,734	Rents received	231
Audit fees	220		
Bad debts provisionally written off	23		
Reserve for bad and doubtful debts	150		
Depreciation	1,077		
General expenses and repairs	363		
Interest and exchange	1,189		
Insurance	131		
Lighting, heating, and power	265		
Rates	146		
Postages, telegrams, bureau fees	604		
Printing and stationery	502		
Subsidy to Public Service Superannuation Fund (including reserve for subsidy accrued)	158		
Reserve against possible liability under Workers' Compensation Act	467		
Net profit to combined account	6,804		
	<u>£27,704</u>		<u>£27,704</u>

BUTTER EQUALIZATION ACCOUNT FOR THE FOURTEEN MONTHS ENDED 31ST MARCH 1938.

Dr.	£	Cr.	£	£
Equalization charges payable to dairy factories (costs not covered by butter differential) (section 12, Primary Products Marketing Amendment Act, 1937)—		Differentials paid, and payable by dairy factories under Butter Marketing Regulations 1937, clause 31	75,729	
Freight and cartage	66	Less refund to Wellington dairy factories of differential collected between 4th September, 1937, and 31st October, 1937	4,758	
Defrosting and unboxing	18			70,971
Patting and wrapping	80	Sale of butter withdrawn from export at regulation price for local sale	485	
Storage and freezing	201	Less purchases at f.o.b. guaranteed price	464	
Bulking and parchment	557			21
Sundry	2			
	924	Stocks on hand export butter withdrawn to meet estimated winter requirements for local market (at cost, plus storage accrued)—		
Services as under—		Auckland	7,009	
Grading fees	18	Wellington	4,611	
Servicing, accounting, &c. (Wellington Marketing District)	1,582			11,620
Patting, wrapping, storing (Auckland)	359	Less purchases at f.o.b. guaranteed price, plus storage accrued	11,620	
	1,959			
Preliminary and administrative expenses	5,500			
Equalizing payment to dairy factories of $\frac{1}{16}$ d. per pound on all butter sold locally in the Wellington Marketing District between 1st May, 1937, and 4th September, 1937 (owing to rise in guaranteed price)	14,197			
Balance (representing surplus to be carried to next year's accounts)	48,412			
	<u>£70,992</u>			<u>£70,992</u>

EGG EXPORT ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1938.

Dr.	£	£	Cr.	£	£
Purchases New Zealand eggs at 1s. 1d. per dozen—			Proceeds sale eggs in London (exchange included)	5,122	
Canterbury	1,975		Less—		
Dunedin	1,159		Allowances for damaged eggs, London	92	
Auckland	638		Loss in repacking, London	5	
	3,772		Inspection fee, London	4	
Charges to f.o.b., insurance, storing, packing, cartage, and handling—				101	
Canterbury	427		Balance on consignments carried forward		5,021
Dunedin	316				468
Auckland	134				
	877				
Sea freight, New Zealand to London	812				
Marine insurance, New Zealand to London	27				
Sundry charges (postage, &c., prior to f.o.b.)	1				
	<u>£5,489</u>				<u>£5,489</u>

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued*.INTERNAL MARKETING DIVISION—*continued*.

AUCKLAND BRANCH: HONEY SECTION.

LOCAL POOL ACCOUNT FOR TWO MONTHS ENDED 31ST MARCH, 1938.

<i>Dr.</i>		£	£	<i>Cr.</i>		£	£
Stocks—				Sales		2,181	
Packed		1,454		Sundry credits—			£
Bulk		1,134		Storage		7	
			2,588	Sale second-hand tins		13	
Advances to producers			919	Stencils		1	
Purchases—				Packing-costs earned		10	
Australian honey			63	Beeswax		2	
New Zealand honey			56	Wire strapping		5	
Proportional administration expenses			33				38
Store expenses—				Stocks on hand—			
Packing-material		346		Packed		2,027	
Wages		115		Bulk		820	
Proportional rent and rates		44					2,847
Electricity		12					
Wiring		3					
			520				
General expenses—							
Stationery		4					
Commissions		28					
Discounts		32					
Freight and cartage		71					
General expenses, returns, repairs, packing charges		3					
			138				
Balance carried forward (payable to producers when stocks on hand finally cleared)			749				
			£5,066				£5,066

EXPORT POOL FOR THE TWO MONTHS ENDED 31ST MARCH, 1938.

<i>Dr.</i>		£	£	<i>Cr.</i>		£	£
Advances to producers <i>pro rata</i>		6,386		Advances to producers and costs incurred on 4,186 cases of honey for export (of which 699 cases were awaiting shipment on 31st March, 1938)		8,727	
Purchases		1,791					
General expenses		253					
Export levy		181					
Wiring		5					
Freight		66					
Wages		27					
Storage		28					
			8,737				
Less primage refund			10				
			£8,727				£8,727

INVESTIGATIONAL AND ADMINISTRATIVE BRANCH, HEAD OFFICE, WELLINGTON.

INCOME AND EXPENDITURE ACCOUNT FOR THE FOURTEEN MONTHS ENDED 31ST MARCH, 1938.

<i>Expenditure.</i>		£	<i>Income.</i>		£
Salaries		5,188	Transfer from Butter Equalization Account for administrative and other services relative to the local marketing of butter		5,500
Travelling expenses and allowances		1,354	Transfer to Combined Account representing expenses in connection with investigational work concerning the marketing of New Zealand fruit, imported fruit, honey, kauri-gum, maize, and other services		2,211
Advertising		26			
Audit fees		50			
General expenses		139			
Lighting and heating		23			
Postages, telegrams, and bureau fees		339			
Printing and stationery		147			
Rent and rates		280			
Depreciation		44			
Interest		71			
Reserve against liability for Public Service Superannuation Fund subsidy		50			
		£7,711			£7,711

PRIMARY PRODUCTS MARKETING DEPARTMENT—*continued.*INTERNAL MARKETING DIVISION—*continued.*INVESTIGATIONAL AND ADMINISTRATIVE BRANCH, HEAD OFFICE, WELLINGTON—*continued.*

BALANCE-SHEET AS AT 31ST MARCH, 1938.

<i>Liabilities.</i>				<i>Assets.</i>				£
Internal Marketing Account (Reserve Bank of New Zealand)	..	..	£ 56,231	Cash on hand	..	..	..	109
Sundry creditors—	..	..	£	Sundry debtors—	..	..	£
Departmental	..	..	150	Departmental	..	..	1,564	
General	..	..	80,167	General	..	..	91,278	
			80,317				92,842	
Local Pool Account (Honey)	..	..	749	Less reserve for bad debts	..	..	150	
Butter Equalization Account	..	..	48,412					92,692
Fruit Advertising Suspense Account	..	..	3,777	Export Pool Account (Honey)	..	..	..	8,727
Reserve for liability under Workers' Compensation Act..	..	..	467	Egg Export Account	..	..	..	468
Reserve against liability for subsidy to Public Service	..	..	..	Stocks on hand	..	..	..	37,599
Superannuation Fund	..	..	200	Motor-cars, trucks, &c.	..	..	..	1,800
Writings off Reserve	..	..	23	Plant and machinery	..	..	..	5,016
Combined Profit and Loss Account—	..	..	£	Loose tools	..	..	..	31
Profit, Thorndon Trading Branch (Wellington)	..	..	6,804	Furniture and fittings	..	..	..	640
Add profit, Butter Patting Depot (Auckland)	..	..	131	Mechanical office appliances	..	..	..	993
			6,935	Libraries	..	..	..	21
Deduct Head Office (Wellington) administrative and investigational expenses not allocated to trading accounts	..	..	2,211	Buildings	..	..	..	15,623
			4,724	Land	..	..	..	12,000
			£194,900	Goodwill	..	..	..	19,000
				Expenses paid in advance	..	..	..	158
				Bad debts in Suspense	..	..	..	23
								£194,900

There is a further liability in the Butter Equalization Account to pay 0·41d. per pound and 0·21d. per pound on butter and cheese respectively manufactured from milk or cream received at the factory stage between 1st August, 1937, and 31st July, 1938, inclusive, and not exported. (The amount due at the date of the Balance-sheet is approximately £71,128, and has now been paid.)

F. PICOT, Director.

P. F. SHIRLEY, B.Com., Acting Accountant.

I hereby certify that the Wellington Trading Branch Trading and Profit and Loss Accounts, the Butter Equalization Account, the Egg Export Account, the Honey Section Local and Export Pool Accounts, the Head Office Income and Expenditure Account, and the Balance-sheet as at 31st March, 1938, have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby, subject to the departmental notes enfaced thereon.—J. H. FOWLER, Controller and Auditor-General.

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