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BULK PURCHASE OF NEW ZEALAND DAIRY PRODUCE BY BRITISH GOVERNMENT.

In the Annual Report of the Export Division of the New Zealand Marketing Department it is stated that in the 1943:44 season the United Kingdom Government desired New Zealand to aim at making available for shipment to the United Kingdom not less than 85,000 tons of cheese and as much butter as possible. The New Zealand Government indicated that every effort would be made to meet this request, and that rationing of butter and cheese in New Zealand would be introduced in order to make further quantities available for export to the United Kingdom. Rationing of butter and cheese was introduced on 28th October, 1943, and in response to a specific request for a close estimate of the quantities which would be available, the New Zealand Government stated that after providing for the increased requirements of the United States Armed Forces in New Zealand and the South Pacific Area it was estimated that from 96,000 to 101,000 tons of butter and 85,000 to 90,000 tons of cheese would be available for shipment to the United Kingdom during the 1943:44 season. It should be noted that these figures included the estimated saving of butter through rationing - namely, 6,000 tons. It should also be noted that arrangements settled between the Governments of the United States, United Kingdom and New Zealand provided for the release by the United Kingdom of all supplies required by the United States Forces in the South Pacific Area. The quantities of butter and cheese actually exported to the United Kingdom were 101,068 tons of butter and 81,544 tons of cheese.

The Report goes on to say that an outstanding feature of the Department's activity has been the arrangement of long-term contracts between the United Kingdom and New Zealand Governments for the purchase of exportable surpluses of butter and cheese for the four years 1944-48.

Whilst agreement on prices and general terms of the contracts has been reached, there are certain minor conditions which still have to be finally settled between the respective Governments. The scope of the four-year agreements can, however, be indicated as follows:-

(1) A Government-to-Government sale and purchase arrangement covering the total available supplies of butter and cheese from the production of the season commencing 1st August, 1944, and ending 31st July, 1945, and of the three ensuing twelve-monthly periods ending 31st July, 1948.

(2) The prices (which are set out hereunder), terms, and conditions of sale and purchase apply to all shipments from the production seasons 1944-45 and 1945-46. For the final two production seasons, prices, terms, and conditions are subject to review at the instance of either Government on substantial grounds, which will be

more fully defined in the final agreement. (The prices paid by the United Kingdom Government for 1943:44 season's butter and cheese are shown in parenthesis).

PRICES.

Sterling per cwt.
delivered f.o.b.
Ocean Steamer.

BUTTER:

s. d. s. d.

Creamery -

Finest Grade, 93 points and over	...	150 : 6	(143 : 1 $\frac{1}{2}$)
First Grade, 90 to 92 $\frac{1}{2}$ points	...	149 : 3	(141 : 10 $\frac{1}{2}$)
Second Grade	...	145 : 6	(138 : 1 $\frac{1}{2}$)

Whey -

First Grade	...	142 : 6	(not available)
Second Grade	...	138 : 6	(do.)

CHEESE:

Finest and First Grade, 91 points and over	...	89 : 0	(85 : 6 $\frac{1}{2}$)
Second Grade	...	87 : 0	(83 : 6 $\frac{1}{2}$)

(3) All purchases shall be f.o.b. New Zealand ports, and the responsibility for providing freight shall rest with the United Kingdom Government. Payment to be made in sterling in London as to 97 $\frac{1}{2}$ per cent. on shipment and as to the remaining 2 $\frac{1}{2}$ per cent. within twenty-eight days after arrival. If the lifting of available supplies of butter and cheese is unduly delayed, the United Kingdom Government will make interim payments.

(4) The proportions of butter and cheese to be shipped from the production of each season to be as nearly as possible in accordance with the requirements of the United Kingdom Government, subject to consultation and agreement between the two Governments, and the manufacture of milk products other than butter and cheese to be maintained at levels not exceeding requirements mutually agreed between the two Governments.

(5) In general, conditions of the contracts regarding preparation of butter and cheese for export, grading, storage, and payment and shipping procedure to be on the lines of the wartime contracts between the two Governments.

(6) The United Kingdom Government to consult the New Zealand Government as to ways and means of securing an orderly transition to the resumption of private trading if and when the present control is withdrawn or modified, and in particular regarding

the appointment of agents for the distribution of New Zealand dairy produce. Before 31st December, 1947, the two Governments, in the light of conditions then prevailing, to consult as to future arrangements.

So far as Australia is concerned, it is interesting to note that the Prime Minister on 15th April, 1945, announced details of contracts entered into with Great Britain for the disposal of Australia's surplus of butter and cheese for four years from 1st July, 1944. According to press statements, Britain will pay £ stg. 7:7:9 or £A 9:4:8½ per cwt. f.o.b. for choice grade butter and £ stg. 4:6:0 or £A 5:7:6 per cwt. for choicest and first grade cheese. Reductions will apply for lower grades of butter and cheese as provided in the previous contract.

The sterling prices are equivalent to 147/9 and 86/- per cwt. for butter and cheese, respectively. These figures, it will be noted, compare with the New Zealand contract prices of 150/6 and 89/- for apparently similar grade and quality.

These prices will apply up to June 30, 1946. Values for the third year of the contract will be determined before May 1, 1946 and for the last year before May 1, 1947.

Britain will undertake responsibility for storage costs if unable to provide ships to lift butter and cheese from store after 90 days, and will make advances against stored stocks in this event.

Conditions of weights, quality, and insurance will be substantially the same as those provided in the previous agreement.

The Prime Minister has stated that for the first two years of the contract overall payments to be made by Britain were calculated to cover production costs at present recognised. This obviated the need for further subsidy from the Australian Government to raise export values to the level necessary to achieve an average return of 1/7.3 a lb. (commercial butter equivalent) to the dairy farmer. However, as full subsidy had already been paid on butter and cheese to secure that result over the period of the contract which had already elapsed - July 1, 1944, to March 31, 1945 - payments on butter and cheese over and above values under the previous contract would be made to the Australian Government by way of grant. From April 1, 1945, onwards, the overall payments would take the form of price, the balance in each case being remitted by way of grant to the Government.