

Distilleries in Operation.—There are two licensed distilleries in operation in the Colony, together capable of producing over 150,000 gallons per annum. The New Zealand Distillery, in Dunedin, commenced operations in October, 1869. The buildings are substantially built of brick, and no expense seems to have been spared to make them complete in every respect, so as to form a first-class distillery capable of producing over 100,000 gallons per annum. The raw material used is mostly malt, which is malted on the premises, and rye. There are three common stills and one patent still in use.

The Crown Distillery, Auckland, commenced operations in December, 1870, in a building built of brick and stone, which had previously been used as a flour-mill. The building itself was well enough adapted to the purposes of a distillery, but it possessed little available ground around it, and the supply of water was inadequate; these and other reasons induced the proprietors, after a year's trial, to remove their plant to another place. They purchased the extensive premises known as Kirkwood's Brewery, in Stanley Street, which they proceeded to adapt to their purposes. The result is, that with very little addition to their plant, they are now able to turn out a larger quantity of spirits and of better quality than was possible in their former premises. They commenced operations in their new premises in April last. The present producing capacity of this distillery is about 50,000 gallons per annum, but the works are capable of considerable extension. Molasses, imported from Honolulu, has been extensively used in the production of spirits at this distillery.

Appended hereto will be found returns showing the quantity of spirits manufactured, the quantity of each kind of material consumed in the manufacture, and the quantity of the spirits which have entered into consumption during each year since the commencement of licensed distillation in the Colony. The return of the quantity of spirits cleared for consumption at each port has been brought down to the end of June last.

The arrangements made for the revenue supervision of these two distilleries I am satisfied have worked well up to the present time. Personal inspection has assured me that the officers have faithfully and zealously discharged their duties, and I am gratified at being able to report that this conscientious discharge of their duties has not prevented them working harmoniously with the proprietors.

Licensing of Brewers.—In requiring brewers to take out licenses under the Distillation Act, the practice in Victoria was followed. The license fee is only £1 per annum, but the breweries are subject to inspection, which has for its object to check adulteration, and to prevent their brewery plant from being used for the illicit production of spirits. Samples of beer have been collected from the principal breweries in the Colony, with the exception of those on the West Coast of the Middle Island; these samples have been subjected in the Colonial Laboratory to a searching examination for deleterious ingredients, but in no case were traces of such ingredients discovered. The average number of breweries licensed under the Act each year since it came into operation has been 109. They are distributed over the various Provinces as shown in the return No. 3 appended hereto.

Licensing of Wine and Spirit Merchants.—The average number of wine and spirit merchants licensed under the Act each year since it came into force has been 499. They are distributed over the Colony, as shown in return No. 3.

Licensed Small Stills.—These are principally required by chemists and photographers. If under three gallons capacity they are allowed to be used under permit, which secures their registration, and, without requiring them to be licensed, subjects them to periodical inspections. Any above the capacity of three gallons must be licensed, the fee for which is two guineas.

Illicit Distillation.—One of the main inducements which weighed with the Government, when they consented to bring in the present Act, was, no doubt, the belief that it would be beneficial in the way of suppressing illicit distillation, which was very rife about that time. It is, of course, impossible to know to what extent it has operated in this direction; but, judging from the small number of illicit stills that have been captured since the passing of the Act, it is pretty certain that the low rate of excise duty rendered illicit distilling unprofitable, and has put a stop to it, except in remote parts of the Colony.

I have, &c.,

WILLIAM SEED,

Chief Inspector of Distilleries.

The Hon. the Commissioner of Customs, Wellington.

No. 1.

RETURN showing the QUANTITY of all MATERIALS used in the Manufacture of NEW ZEALAND DISTILLED SPIRITS, the QUANTITY of SPIRIT made, and the QUANTITY upon which DUTY has been paid, during each of the Years ended the 31st December 1869, 1870, 1871, 1872.

Year ending 31st December.	MATERIAL USED IN MAKING.								Spirits made.	Spirits paid Duty upon,
	Malt.	Barley.	Oats.	Wheat.	Rye.	Molasses.	Wine.	Beer.		
	Bushels.	Bushels.	Bushels.	Bushels.	Bushels.	lbs.	Gallons.	Gallons.	Proof Gals.	Gallons for Duty.
1869	3,948	52	...	62	...	...	...	...	6,814·0	500·0
1870	18,361	1,479	368	406	1,024	...	...	...	46,233·8	12,845·0
1871	21,935	14,100	1,269	...	585	29,736	525	2,888	68,075·1	35,923·0
1872	26,360	1,004	...	...	1,265	246,269	...	8,233	78,175·7	51,602·0
Totals	70,604	16,635	1,637	468	2,874	276,005	525	11,121	199,298·6	100,879·0

NOTE.—There are two distilleries in operation, the first commenced in Dunedin, in October, 1869; the second in Auckland, in December, 1870. But operations at the latter were suspended during the months of January, February, and March, and part of December, 1872.