

(2) *Guaranteed Prices 1943-44 Season and Payment of certain Dairy-factory and Farm-costs Allowances.*— For convenience of reference the following arrangements for the 1943-44 season settled before publication of this report are recorded :—

(i) *Guaranteed Prices, 1943-44 Season* : The guaranteed purchase-prices to be paid to dairy companies by the Marketing Department for butter and cheese manufactured during the 1943-44 season and exported are the same as the prices quoted above as applying for the 1942-43 season.

(ii) *Dairy-factory and Farm-costs Allowances payable for the 1943-44 Season* : The circumstances surrounding the decision to pay these allowances, and the details of the payments which will be made, are as follows :—

In May, 1943, the Dominion Dairy Conference considered the Government policy of stabilization as affecting the dairy industry, and passed the following resolution, which was conveyed to the Minister of Marketing in a letter from the Dairy Board dated 21st May, 1943 :—

“ Conference supports the plan of holding wages, costs, and prices as a practical contribution towards arresting inflation and ensuring that any sacrifices involved will be spread evenly over the community as a whole. In view of the fact that the dairy-farmer's position is relative worse than it was when the price was fixed at 1st August, 1938, the application of the Government's plan would not be equitable and could not be accepted by the industry unless, while the present price is maintained, the Government agrees to a reduction, to operate as from the beginning of the 1943-44 season, in the costs of dairy-farm and dairy-factory operations so that, as far as practicable, these may be adjusted to the 1938 level ; further, that the Government should agree to a committee from the industry being associated with its stabilization organization for the purpose of giving effect to this proposal, and that Conference agrees that any surpluses which accrue in the Dairy Industry Account from sales of produce at present price levels may be properly appropriated towards such expenditure.”

The response of the Government to this resolution was conveyed to the Dairy Board in a letter from the Minister of Marketing, dated 9th June, 1943. In this letter the Minister said that on the assumption that the industry accepts the war-cost allowance of 0.61d. per pound butterfat granted from the beginning of the 1942-43 season (see page 7) as covering increased labour reward, the Government is prepared to accept the general principle that in respect of butter and cheese production, dairy farm and factory requisites, and other agreed costs should, commencing at the 1943-44 season, as far as practicable be taken back to the 1938-39 level. The Minister also stated in this letter that the Government accepts the suggestion that credits in the Dairy Industry Account should be used towards the expenditure involved in holding those costs. In furtherance of the objective outlined above the Government set up a Committee of six representatives of the dairy industry and the Government to advise regarding cost-adjustments in respect of production and processing of cream and milk supplied to dairy factories for manufacture into butter and cheese, necessary to ensure that as far as practicable such agreed costs should, commencing at the 1943-44 season (1st August, 1943), be taken back to the 1938-39 level. The findings of this Committee, which were accepted by the Government, were announced to the dairy industry as follows :—

“ The following is a summary of the allowances which will be paid for the 1943-44 season (1st August, 1943, to 31st July, 1944) to give effect to the decision that prices of dairy-farm and factory requisites and other agreed costs be taken back to the 1938-39 level :—

“ *To Butter-manufacturing Companies for Period 1st August, 1943, to 31st July, 1944*—

“ *A Farm-costs Allowance of*—

“ 0.767d. per pound of butterfat contained in cream or milk supplied to a butter-factory and manufactured into butter. (NOTE.—(a) That the allowance cannot be claimed in respect of cream or milk used for any purpose other than butter-manufacture, (b) in the case of supply of cream to a butter company by a whole-milk powder or processed-milk company, the butter company should *not* claim the farm-costs allowance on such supply but should claim for the butter company costs allowance, and (c) that the allowance is claimed by dairy companies on behalf of suppliers to whom they are required to pass on the payment.)

“ *A Factory-costs Allowance of*—

“ 0.269d. per pound of butterfat contained in cream or milk supplied to a butter-factory and manufactured into butter *in that factory*. (NOTE.—This allowance is also payable on butterfat contained in whey cream used in manufacture of whey butter, and the claim for payment is to be made by the dairy company which manufactures the whey butter.)

“ 1.036d.

“ *To Cheese-manufacturing Companies for Period 1st August, 1943, to 31st July, 1944*—

“ *A Farm-costs Allowance of*—

“ 0.767d. per pound of butterfat contained in milk received over the factory stage for cheese-making (no deduction for loss in whey) and manufactured into cheese. (NOTE.—(a) That the allowance cannot be claimed in respect of milk used for any purpose other than cheese-manufacture, (b) that in the case of a cheese company which separated milk and supplied the resultant cream to a butter company, the cheese company should make the claim for the farm-costs allowance on the butterfat contained in the milk as received over the factory stage, and the butter company should make the claim for the butter company costs allowances, and (c) that the allowance is claimed by dairy companies on behalf of suppliers to whom they are required to pass on the payment.)

“ *A Factory-costs Allowance of*—

“ 0.299d. per pound of butterfat contained in milk received over the factory stage for cheese-making (no deduction for loss in whey) and manufactured into cheese *in that factory*.

“ 1.066d.”