

improve the position, and during the past six months there has been an adjustment of the Forces for the purpose of providing more labour for food production. The need for this production has been emphasised at the conferences which have taken place between the United Kingdom and New Zealand Governments.

**Long-term  
contracts**

To provide an incentive for increased production of food the United Kingdom Government has asked this Dominion, and also Australia, to make contracts for supplies over the period of the next four years. It was proposed that new contracts should be for the term mentioned and at prices agreed upon for the first two years, with provision for review in third and fourth years.

It was considered, however, that before any future contracts were made the whole question of the growing disparity between the level of prices at which goods were sold to the United Kingdom and were purchased from that country should be discussed with the United Kingdom Government. At the outbreak of the war this Government had agreed to sell all our exportable surplus of food to the United Kingdom at a slight increase over prices ruling in 1939, making it clear at the time that we did not wish to make a profit out of Britain's extra wartime demand for food. We did, however, make a reservation that if the prices of goods purchased from the United Kingdom rose appreciably, then our prices should be reviewed. The real return we receive from our exports is the quantity of imports obtained in exchange for such exports. Internally the position of farmers is safeguarded by the stabilization measures which have compensated dairy-farmers for increases in costs up to the stabilization date, 15th December, 1942, and held for all farmers principal items in costs since that date.

Discussions upon the whole problem of our "terms of trade" externally, as well as the long-term-contract proposals, opened when I visited London early in the year. Any settlement of the problem which may appear satisfactory to the Dominion, has to be watched in its relation to the United Kingdom and the great difficulties which she must face in the post-war period. Mainly on this account the negotiations were protracted, but were practically completed during the Prime Minister's recent visit to London. As a result of efforts made during the war the United Kingdom's position has changed from a creditor to that of debtor nation. Consequently, the United Kingdom on balance, instead of receiving goods in payment of interest, will have to send abroad exports in payment of interest and repayments of principal on debts amounting to thousands of millions of pounds.

Since the war began official indices indicate that United Kingdom export prices, which are the bases of our import prices, have risen substantially more than our export prices, and, given some equitable adjustment for the period during which this rise has taken place, it would best suit our economic circumstances if contracts for sale of produce could be placed on a "terms of trade" basis which would keep the prices we receive automatically in line with the prices we have to pay for goods. However, largely owing to the effect of any such proposals on the relations with other countries, the United Kingdom Government at this juncture would not agree to adopt this principle.

Agreement has, however, been reached between the Governments of the United Kingdom and New Zealand for the sale to the United Kingdom of exportable surplus of New Zealand meat, butter, and cheese for the next four years. The agreement is based on recognition by both Governments of the need to establish conditions which will secure maintenance, and if possible an increase, in production for export of meat, butter, and cheese. It is also designed to enable New Zealand farmers to plan their production ahead free from the danger inherent in short-term price-fluctuations. Moreover, it will facilitate the carrying-out of agreed principle of equitable allocation of food-stuffs in short supply reiterated by United Nations at Hot Springs and at Atlantic City. The agreement will provide a market for the total exportable production from New Zealand of butter, cheese, beef, veal, mutton, and lamb. In addition the United Kingdom will purchase the exportable surplus of pig meat up to the end of June, 1946, and thereafter such quantities as may be agreed. The prices have been agreed for the first two years. Prices as well as other provisions of the agreement are subject to review in respect of the third and fourth years on grounds of substantial changes in conditions. Sales will continue to be on an f.o.b. basis the United Kingdom Government being responsible for freight. Arrangements are included by which the United Kingdom Government will make advances in respect of produce which owing to unforeseen shipping difficulties may be left in store for an unduly long period. The arrangements also include an understanding that as and when shipping