

It is of interest to note that almost immediately the last contract was signed the sugar-market began to firm. This purchase was a most opportune one, and the Government has arranged a price so that the consumers will have the benefit of the transaction.

It will be evident from the foregoing, and also from the fact that the initial contract was effected at £35 per ton when the world's market price was £47, that the Sugar Company in the course of the negotiation of the several contracts has taken up a reasonable attitude. It should be noted that these satisfactory results could be secured only by the conduct of operations on a large scale. The Government has, in effect, used the combined purchasing-power and credit of the community in a matter which would be beyond the financial capacity of any but the largest private institutions, and the benefit which has resulted to the people of this Dominion should not be overlooked in any discussion relative to the merits or demerits of State enterprise.

The Government has continued to maintain a plentiful and regular supply of sugar suitable for all purposes, and the price has compared favourably with that ruling in any other part of the world. The Department has worked in close co-operation with the shipping companies to ensure regular deliveries. This has obviated the necessity of merchants carrying large stocks, and at the same time has ensured regular supplies for manufacturers.

#### WHEAT, WHEAT PRODUCTS, AND BREAD.

During the past year the Government has fulfilled its contract with wheat-growers in respect to the 1920-21 crop. The quantity of wheat purchased from growers and resold to millers and for seed purposes was 5,897,000 bushels, and the year's operations resulted in a net profit of £5,272 12s.

For the first year since the Board of Trade has been in existence it has not been necessary to go outside the Dominion for supplies of wheat. The Wheat Controller was approached towards the end of the year by millers who wished to import Australian wheat, but the stocks of flour in mills and the wheat ungristed at that time were in his opinion sufficient for the flour requirements of the Dominion.

About June of last year the millers stopped buying, being under the impression, along with merchants and others, that there would be a surplus of wheat in the country. It was therefore necessary to inaugurate a scheme whereby the wheat could be taken over from the farmers immediately. Under this arrangement the Wheat Controller took over, on behalf of the Government, wheat from the growers, which was subsequently resold to millers, the wheat in the meantime being held under warrant by the Government.

*Control of Flour.*—The price fixed by the Board of Trade in respect of flour made from the wheat of the season 1920-21 was £21 per ton f.o.b. southern port, less 2½ per cent. if paid within seven days. Cabinet determined that a subsidy of £1 10s. per ton should be paid on flour. The amount expended in subsidy for the year ended 31st March, 1922, was £182,055.

*Guarantee for 1921-22 Crop.*—The Government undertook to purchase from wheat-growers all good milling wheat of the 1921-22 season at the following minimum prices:—

- (a.) For Tuscan and similar varieties, 5s. 6d. per bushel f.o.b.; for Hunters and similar varieties, 5s. 9d. per bushel f.o.b.; for Pearl and similar varieties, 6s. 3d. per bushel f.o.b.
- (b.) An increment of ¾d. per bushel per month to be added to above prices for wheat dealt with between the 1st May, 1922, and the 31st October, 1922.
- (c.) Market rates to be paid if in excess of the above guaranteed minimum prices.
- (d.) If necessary to determine market rates the Government to be guided by the world's market value of wheat in February, 1922, of similar quality to New Zealand wheat, having regard to the necessary adjustment between North Island and South Island; but in any case the purchase price to be not less than the minimum stated above for the respective varieties with the monthly increment.

In January it was decided that the guaranteed prices should be the maximum, and the Wheat Control Office is now engaged in purchasing the wheat in conformity with the contract entered into.

As a result of this continuation of the period of Government purchase and control of wheat-supplies, it has been necessary during the past year to again fix the prices of wheat products (flour bran, and pollard) and of bread.

After investigations of costs of production during the season ended February, 1922, and the prospects of reduction in costs during the ensuing season, prices of wheat products were fixed by Order in Council dated 28th February, 1922, at £18 for flour, £8 for pollard, and £5 for bran, all less 2½ per cent. discount for cash within seven days, on the basis of delivery f.o.b. Timaru, Oamaru, or Lyttelton. Relative prices for sales at other points were fixed, allowance being made for charges and costs of conveyance from southern ports. At these prices no subsidy on flour was necessary, as they returned to the miller his expenses of production and a reasonable margin of profit.

The reduction in flour-prices was such that bread-prices throughout the Dominion were in general reduced by ½d. per 2 lb. loaf. It was found, however, that minor adjustments in price scales were necessary in respect of a number of the small centres, and a considerable volume of work has been done in this connection. The position of the bread trade in approximately three hundred towns and districts has been under review.

During recent months there has been a tendency on the part of flour-millers to cut flour-prices below the maximum price fixed in February last. There is ample evidence that this cutting competition arose in the first place from financial pressure and other factors, and was not warranted or brought into existence by any excessive margin of profit allowed by the maximum price. Fierce competition for trade resulted in a reduction by as much as £2 per ton, but production costs speedily forced millers to agree upon a reversion to the maximum price of £18 per ton. The cutting of flour-prices was not sufficient nor of sufficient duration to warrant any action by the Department towards reducing bread-prices. The force of competition among bakers, which in most centres is very keen, has resulted in more or less temporary reductions in prices of bread. Generally it may be said that the present abundant supplies of wheat and flour and the free competition between millers and bakers are such as to ensure that consumers will receive their bread requirements at bed-rock prices.