

in flame. The "cement" is cut into small pieces, mixed with rather more than its weight of ground cork, passed through steam-heated mixing-rolls, more thoroughly amalgamated in a mixing-drum (various colouring-matter is here added according to the colour desired for the finished article), and then passed into a "german," an apparatus resembling a large sausage-machine, but very strongly made. At first steam heating is necessary, but, once the machine is working, heat generated by friction keeps the mass soft, and in summer it is even necessary to circulate cold water in the jacket instead of steam. From the "german" the material issues as lumps or pellets, and is forced through a mixing-roller, in which it is converted into sheets, and finally is rolled on jute canvas by means of steam-heated rollers. The canvas back is protected by varnish (backing) spread upon it by means of a special machine, the main ingredients of the backing being oxidized oil and varnish, or varnish bottom mixed with ochres and oxides. The material is fluid when hot, but solidifies on cooling. Finally, the linoleum is "seasoned" in rooms at 23.5° centigrade in horizontal racks.

#### MARKET CONDITIONS DURING THE YEAR.

During the year the output at all times quite equalled the demand, with the result that accumulated holdings were not offered, and, for the most part, were unsaleable at payable prices.

#### ACCUMULATIONS OF KAURI-GUM.

A combination of causes is responsible for this continued dullness. In the first place it must be admitted that there are in Auckland firm holders of fair quantities of kauri that cost more than current quotations. The holders will not sell at a loss, on the grounds that it has always paid to hold off until the market firmed, and that it will do so again. Whether this is good business, and for the ultimate benefit of the holder or the industry, need not be discussed here: it is sufficient to state that such gum is held, and is well held. Very few, if indeed any, of these holders can be classed as speculators. The speculator can find much safer and more profitable fields for his activities. The holders comprise storekeepers, brokers, dealers, and exporters who are continually engaged in the trade, and who invariably have more or less stocks of kauri on hand. The storekeepers take gum against stores from many of the diggers, and the brokers and exporters in turn finance the storekeepers and the remaining diggers by advancing cash or goods against gum. The exporters in some cases buy direct from diggers all the year round, taking their output whether there is any immediate demand or not. This is regarded by some exporters as the safest course, as they can offer stock which has already been graded and costed without taking the risk of having to go on the market after an order has been taken. The exporter who "carries" his clients through a dull period has also the advantage that he can always depend on receiving their gum when a strong demand sets in and when well-graded-up lines are difficult to obtain. In the case of the exporters there is also the fact that it is impossible in most cases to buy gum in form of the export gradings. The stock as purchased must be graded, sized, and blended by the exporter staff to meet his export samples. To fill an order for the "bread-and-butter" line, B2, for example, the exporter will generally have to buy up to 30 cwt. of stock to grade up 20 cwt. of B2, the remaining 10 cwt. going into sometimes as many as a dozen other export gradings. These "ullages," as they are called in the trade, constitute a very appreciable source of the exporter's accumulated stocks. A few exporters go to the other extreme and refuse to stock up under any consideration, buying only against actual orders on hand, and thus accumulating only "ullages." Probably, as in most matters, the middle course is the safest, but the fact that firms with a very lengthy experience in the trade unhesitatingly stock up during dull periods goes to show that those who are holding stock for a better market have a good deal on their side. Usually a very large proportion of the available stocks are held on the gumfields, but at present the supplies held in the City of Auckland constitute a much larger percentage of the total holdings than has been the case for some years. As has been said, these stocks are well held.

#### "HAND-TO-MOUTH" BUYING IN THE UNITED STATES OF AMERICA.

In pre-war days it was considered quite a common thing for some American manufacturers to go on the market only now and again, and to lay in very large stocks of kauri when they did buy. In addition it has been regarded as the traditional policy of the American to buy freely on a rising market and to refuse to buy on a falling market. With the "ups and downs" kauri has experienced there has been plenty of scope to follow such a policy.

The new gospel of "simplification" as preached in business circles in America since the war has undoubtedly affected the gum trade, inasmuch as manufacturers are generally conceding the manifest advantages of working on smaller stocks and of refusing to gamble in raw materials. Some varnish-manufacturers have cut down the number of sizes and styles very materially, with a very much faster stock turnover. Just how far this simplification has been carried out in the varnish trade is uncertain, but we do know that even large manufacturers are buying on a "hand-to-mouth" policy, although prices of kauri appear to have reached the lowest levels, and they give no indication that any change-over to the old style of large purchases is imminent. It seems certain that the old time "boom" buying on the part of the Americans is a thing of the past, and in the long-run the kauri-gum industry will be all the better for it.

The North American buyer is the real competitor and sets the prices, and there is no doubt that the new buying policy followed by these buyers has played its full share in the general dullness during the past year or two. In the meantime production is falling off, and the number of men engaged in the production of gum is at present smaller than for some years.