

**PROCESSES IN PURCHASE OF BUTTER AND CHEESE AND SHIPMENT AND DELIVERY TO MARKETS IN THE UNITED KINGDOM.**

In last year's report an outline was given of the procedure adopted by the Department in regard to the purchase, shipment, and delivery of dairy-produce to the United Kingdom markets. It is considered worth while to repeat this information, which is as follows:—

1. Dairy-factory companies forward butter and cheese to the cool stores for export as in the past. The care of the produce in cool store is the responsibility of dairy companies, but supervision is exercised by the expert officers of this Department and by the Government Dairy-produce graders with a view to the preservation of the quality of butter and cheese.

2. All butter and cheese exported from New Zealand and purchased by the Department is protected by a comprehensive insurance contract, which covers the produce until thirty days after arrival in the United Kingdom. The contract also covers the cream and milk which is made into butter and cheese intended for export, and which is identifiable as such, from the time such cream and milk is received at the factory until the produce is placed f.o.b. ocean steamer. The Department pays the insurance underwriters' flat rates covering the complete risk, and charges to dairy-factory companies the portion of the premium which represents the risk up to f.o.b. ocean steamer.

3. Dairy-factory companies may obtain advances from their bankers on produce in cool store awaiting shipment at the banks' best interest-rates. The amounts advanced by the banks are as follows:—

	Per Box.		
	£	s.	d.
Creamery butter—			
Finest grade .. .. .	3	7	0
First grade .. .. .	3	6	0
Second grade .. .. .	3	1	0
Cheese—			
North Island—			
Finest grade .. .. .	5	10	0
First grade .. .. .	5	7	6
Second grade .. .. .	5	4	6
South Island—			
Finest grade .. .. .	5	7	0
First grade .. .. .	5	4	6
Second grade .. .. .	5	1	6

4. Butter and cheese for export is allocated for shipment in accordance with the recommendations of the Dairy Sales Division in London, after consultation with the selling-agents. The shipping programme is worked out by the Department and the Overseas Shipowners' Allotment Committee, which meets regularly for the purpose of planning arrivals of butter and cheese at United Kingdom ports, in accordance with the agreed programme. Under the present system the Department has been able to arrange a better programme of shipments to United Kingdom outports.

5. Dairy-produce becomes the property of the Crown as soon as it is placed on board any ship for export, and payment in full to dairy-factory companies is made forthwith. Credit-notes are issued in favour of dairy companies for butter and cheese, and the amount due is remitted to the credit of the bank accounts of the individual companies, under a special arrangement entered into with the trading banks.

6. All butter and cheese for export to the United Kingdom is shipped to the Dairy Sales Division, for sale on consignment. Delivery orders are issued to merchant-agents, enabling them to obtain the quantities allocated to them for sale.

7. The financing of payments to dairy-factory companies for butter and cheese is arranged through the Dairy Industry Account established at the Reserve Bank of New Zealand. The administrative, marketing, shipping, insurance, and other expenses of the Department are paid from this account. The proceeds of sale of dairy-produce are paid into the account, the final balance of which will show the surplus or deficit on the operations for the year.

8. The sale of butter and cheese in the United Kingdom is conducted by a group of twenty merchant firms appointed as agents for the Department. These merchant firms sell on agency terms for a commission of 2 per cent., which includes the credit risk. The agents are firms which have been selling the produce for years under the marketing system in operation before the passing of the Primary Products Marketing Act. Provisional allocations of produce are made to the agents for a period of one year, and quantities are reviewed and varied according to the selling ability of the firms as indicated by price returns and marketing and distributive service rendered.

**QUANTITIES OF BUTTER AND CHEESE GRADED.**

The total gradings of butter and cheese for the twelve months ended 31st July, 1938, are shown below, also the comparative gradings for the 1936-37 and 1935-36 seasons:—

	1937-38.	1936-37.	1935-36.
<i>Butter (in Tons).</i>			
Salted .. .. .	136,023	147,168	139,973
Unsalted .. .. .	6,812	7,396	6,714
	142,835	154,564	146,687
<i>Cheese (in Tons).</i>			
White .. .. .	56,752	59,337	58,263
Coloured .. .. .	28,718	28,885	27,292
	85,470	88,222	85,555

Butter gradings for the 1937-38 season show a decrease of 7.59 per cent. and cheese gradings a decrease of 3.12 per cent. Expressed in terms of butterfat, the total decrease in gradings is 6.656 per cent.