TRADE IN AGRICULTURE PRODUCTS

NEW ZEALAND

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers furnished by the Government of New Zealand

(Note – Currency is expressed in $NZ)

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives of Policy

1. Government policy in New Zealand in reference to agriculture is to encourage those forms of activity where comparative advantages in production are greatest while having full regard to market prices and the long-term market outlook.

2. New Zealand derives over a quarter of its national income from its export trade. Over 95 per cent of its export receipts come from the sale of agricultural products. Approximately 97 per cent of the wool, 60 per cent of the meat, 80 per cent of the butter and 90 per cent of the cheese produced is exported. New Zealand's national prosperity therefore depends upon the exports of the products of its agricultural industry.

3. New Zealand is essentially an agricultural country because the population is as yet small in relation to its area, and because it is relatively lacking in economically exploitable mineral resources. Manufacturing industry is expanding as population increases but must depend largely on imported raw materials and capital equipment. Imports of these at present amount to almost 80 per cent of total imports. The pattern of New Zealand's agricultural production has been dictated partly by physical environment and partly by demand, particularly, in the United Kingdom, for those types of products which can be produced competitively for world markets. The land is not inherently fertile but the climate is particularly favourable to livestock production. Variations in temperature are moderate and rainfall generally adequate and evenly distributed. The rather poor natural fertility of the soil can be greatly improved by the use of fertilizers and lime and the application of science to farming. The result is a high output per unit of labour. Wage rates however are also high and in line with rates in other industries.
4. The pattern of New Zealand's agricultural production does not lend itself to rapid or easy change. About 80 per cent of the land is hilly or mountainous. Of a total area of 66 million acres only 44 million are occupied, all but a small proportion of the balance being unsuited to occupation. Of the 44 million acres occupied, about 31 million are in pasture of various types and about 1 million in crops including fodder crops for livestock. Of the 31 million acres in pasture some 12 to 13 million acres are in high country areas and consist of tussock type pasture of low carrying capacity. A further 8 to 9 million acres are what are known as hill country pastures on land too steep for normal methods of cultivation. Carrying capacity of this land, although higher than that of the high country, is still relatively low but considerable improvement is being effected with aerial top-dressing. The remaining 8 million acres consists of undulating to flat land with properly established pastures. It is the source of all New Zealand's dairy produce and a considerable proportion of fat lamb as well. This brief analysis indicates that New Zealand's agricultural policy is, to a large extent, determined by topography and climate and must consist essentially of livestock production.

5. The nature of production is also dictated by the availability of markets for products which we can sell at competitive prices. Diversification from the existing pattern of production is practicable only if market prospects for the alternative products promise increased returns to the producer. In general, the pattern of agricultural production in New Zealand is broadly based on the principle of comparative advantage. With the present increase in world population and in prosperity in the industrial countries, New Zealand should be able to expect an increasing demand for its exports of foodstuffs and industrial raw materials. It is particularly important for New Zealand that these expectations should be fulfilled: the population is expanding rapidly and will continue to depend for its standard of living on a high level of export earnings, which will have to be furnished mainly by the sale of farm products. Unless New Zealand can continue to expand its export trade in these products its capacity to import the products of industrial countries will also be limited.

B. Special Measures for the Implementation of General Objectives of Policy

6. The State assists agriculture in New Zealand by organizing research and advisory services, maintaining quality standards and providing inspection services to check animal and plant diseases. The State also acts in appropriate international agencies to ensure as far as possible that fair trading practices apply to international trade in primary products. Land legislation is designed to further the progress of settlement. The State also undertakes considerable capital expenditure in bringing land into production and makes available long-term credits to farmers. The State exercises no direct control over production, but in view of the importance of farming to the economy it endeavours to promote expansion and efficiency. To this end it has encouraged the formation of producer organizations. A number of Boards and Commissions have been created by the State and invested
with statutory authority to assist in guiding production trends, moderating fluctuations in farmers' incomes, and organizing processing, transport and marketing. The State is represented on these Boards and Commissions but does not exercise direct control over their policies. Their essential functions are to guide farmers and organize processing, transport and marketing. In exercising their powers in relation to marketing, the aim is to obviate violent fluctuations in the returns to producers and accumulated reserve funds are used for this purpose. There is general recognition among producers, however, that the returns they receive must in the long run conform with market realizations. A description of the origins and functions of producer organizations follows:

The Dairy Products Marketing Commission:

7. The Dairy Products Marketing Commission Act 1947, as amended by the Dairy Products Marketing Commission Amendment Act 1956, provides for a Dairy Products Marketing Commission consisting of three members appointed as Government representatives, two members of the Dairy Board and two members from outside the Dairy Board but nominated by the Board. (The Dairy Board is an organization of seven producer representatives and one Government nominee.) The Chairman is elected annually by the members of the Commission.

8. The Commission negotiates with the overseas buyers in respect of prices and quantities of export dairy produce, acquires and provides for the handling of the New Zealand export production, and is responsible for the marketing of butter and cheese in New Zealand. It sells abroad the industry's exportable surplus of milk powder and casein, being guided by advisory committees for each product. The Commission owns in the United Kingdom a company Milk Products (N.Z.) Ltd., through which all New Zealand milk powder sold in the United Kingdom is distributed. It also owns Empire Dairies Ltd. which acts as one of the first-hand agents through which New Zealand butter and cheese are distributed in Britain.

9. The Commission is vested with the sole right of exporting dairy produce, but the import trade, which is very small, is in the hands of private traders. The New Zealand dairy industry has been developed primarily for the export trade. However, maximum domestic consumption is encouraged, and the quantity available for export is determined only after full provision has been made for the local market.

10. The prices paid to New Zealand producers for butter and cheese are fixed by the Dairy Products Prices Authority, a body established by the Dairy Products Marketing Amendment Act of 1956. The Authority consists of one member appointed as a chairman, one member representing the Government and all seven members of the Commission. The returns to producers for butter, cheese and other products sold on the domestic market are maintained at levels equivalent to export prices.
The Apple and Pear Marketing Board

11. The Apple and Pear Marketing Act 1948 established the New Zealand Apple and Pear Marketing Board to acquire and market the apple and pear harvest. The Board consists of two members nominated by the New Zealand Fruitgrowers' Federation, two members nominated by the Minister of Agriculture, and an independent chairman selected by the Minister after consultation with the Fruitgrowers' Federation.

12. With the following exception all apples and pears must be offered to the Board and accepted by it if it comes within the scope of the New Zealand Grown Fruit Regulations 1952 (which set standard grades with which the packed fruit must conform):

(a) Growers, with permission of the Board may sell direct to consumers in lots of not more than two cases, or to retailers in specified localities.

(b) Manufacturers may be licensed by the Board to purchase their requirements direct from growers.

(c) Growers may also be permitted by the Board to sell at municipal markets established under the Municipal Corporation Act 1954. The Board is not obliged to accept fruit from a grower while he holds a permit to sell at such a market.

13. The Board administers a guaranteed price scheme based on the cost of production of apples and pears. The guaranteed prices are fixed by the Minister of Agriculture after he has considered the recommendations of the Board, and the Board's function is to recover from the market these prices, together with the costs of marketing. The Board determines the wholesale prices at which fruit is sold within New Zealand, and after ensuring that the requirements of the local market are met, exports the balance of the fruit in exercise of its sole right of export. (See paragraph (a) on page 15 of Commodity Information paper.)

The Egg Marketing Authority:

14. The regulation and control of the marketing and distribution of eggs is a function of the Egg Marketing Authority which was established in 1953. The Authority consists of four producer members of the New Zealand Poultry Board and three Government representatives.

15. The principal function of the Authority is to ensure as far as possible sufficient supplies of eggs and their equitable distribution in the general interests of producers and consumers. The domestic production is normally sufficient for local requirements and the Authority's basic task is the equation of local supply and demand.
16. The Authority operates principally through licensed distributors (egg floors) who, on commission, receive and re-sell eggs, or, as directed by the Authority, manufacture egg pulp for the use of bakers and pastrycooks. Egg floors are privately or co-operatively owned.

17. Producers may sell eggs direct to consumers, but such eggs may not be re-offered for sale in marketing areas which are serviced by egg floors. In these areas producers may not sell to retailers. It is estimated that less than 40 per cent of the eggs produced in New Zealand pass through the hands of egg floors; the balance is consumed or disposed of directly by the producers.

18. The Authority arranges for the pulping of eggs surplus to local requirements. The pulp is sold to bakers and pastrycooks and any surplus is exported.

19. Prices for eggs vary according to trade and time of year and are subject to a ceiling fixed by the Price Tribunal on the recommendation of the Egg Marketing Authority. The latter endeavours to obtain for the producer an average overall annual price in line with assessed costs of production as approved by Government. Egg pulp is also subject to price control. A subsidy is paid by the Government in respect of eggs received at the egg floor (see Annex attached to this paper for details of subsidy).

20. There is no statutory provision that the Authority has the sole right of exporting or importing eggs or egg products, but by reason of the Authority's place in the industry, it does from time to time acquire surplus stocks of egg pulp which are exported. Similarly the Authority arranges for imports of egg pulp when local supplies are inadequate.

The Honey Marketing Authority

21. The Honey Marketing Authority Regulations 1953, made under the Primary Products Marketing Act 1953, provided for a Honey Marketing Authority to undertake the task of packing and marketing honey within New Zealand and for export. The Authority comprises four members elected by the bee-keepers, one appointed by the National Beekeepers' Association (Inc) and one member appointed by the Government to watch the interests of the consumer.

22. All local sales of honey bear a levy of 1d. per lb. which is paid into the Honey Industry Account. This fund is administered by the Authority for the benefit of the industry in general.

23. The Authority receives whatever honey is voluntarily offered by bee-keepers. This is usually the surplus which they do not want, or are unable to sell locally. This quantity is packed or blended, and marketed within New Zealand or overseas.
24. New Zealand is a marginal exporter of honey. Exports are normally made by the Authority acting in the interests of the industry as a whole.

The Citrus Marketing Authority

25. The Citrus Marketing Authority Regulations 1953 provided for the Citrus Marketing Authority which has a membership of five, four of whom are nominated by the New Zealand Citrus Council and represent the producers, and one appointed by the Minister of Agriculture.

26. The Authority was set up to control the assembly, distribution and marketing of New Zealand grown standard and meyer lemons and sweet oranges. The fruit, when received at the shed, is sold at agreed prices to Fruit Distributors Ltd. Unmarketable, but otherwise sound, fruit is processed by the Authority.

27. Fruit Distributors Ltd. was registered in 1950 and is owned by fruit and produce merchants. It was established by agreement with the Government to take over from the Marketing Department the marketing and distribution of imported citrus fruit, bananas and pineapples. The Marketing Department first assumed this function in 1936 to procure supplies of fruit adequate in quantity and quality for New Zealand's needs and to ensure equitable distribution throughout New Zealand. Fruit Distributors Ltd. conducts its operations without any Government directions as to policy except that dividends are limited to 5 per cent. Of the six directors, one is a Government nominee.

The Wheat Committee

28. Control of the importation of wheat and flour and of the distribution of both the imported and local products rests with the Wheat Committee. The operations of the Committee are governed by the Board of Trade (Wheat and Flour) Regulations 1944. The Committee includes representatives of flour millers, wheat growers, bakers, poultry keepers, and the Department of Industries and Commerce. The Minister of Industries and Commerce is Chairman and he appoints the Deputy Chairman.

29. The Committee appoints grain merchants as its agents to buy from farmers milling quality wheat grown in New Zealand. It is also responsible for the importation of wheat and flour and allocates supplies of wheat to millers.

30. Wheat is bought by the Wheat Committee from New Zealand farmers at controlled prices. For some years up to 1958-59 these have been below the cost at which wheat is imported.

31. In recent years approximately 70 per cent of requirements have been imported.

32. The price at which the Wheat Committee sells wheat to flour mills in New Zealand is at present controlled and subsidized in such a way as to equate the cost of flour produced from either local or imported wheat.
33. The price of flour to bakers is also controlled and subsidized. The flour subsidy, operating in conjunction with the wheat subsidy, enables bakers to produce bread at the pre-determined controlled price. Thus the system operates to provide consumer subsidies on both flour and bread. The full subsidy is recovered on all wheat and flour products which are exported.

34. New Zealand is a party to the International Wheat Agreement.

The New Zealand Meat Producers' Board

35. The Board was established in 1924. It consists of nine members, two representing the Government, five the producers, and one each representing the dairy producers and the Stock and Station agents.

36. The function of the Board is to promote orderly marketing of meat for export. To this end it has organized shipping services for meat and generally supervised marketing and distribution. The Board has not actually marketed meat: a recent amendment to its Act has given it the power to buy meat in New Zealand for sale overseas to develop new markets, but these powers are likely to be exercised only to a very limited extent.

The Wool Commission

37. The Wool Commission Act 1951 established a Wool Commission with the principal function of assuring minimum prices for greasy, scoured and growers' slipe wool in accordance with the table of minimum prices (effective only after agreement with the Minister) for New Zealand wool sold in New Zealand or the United Kingdom at auction sales approved by the Commission. The Commission consists of six members, two members being appointed after consultation with the Wool Board; three members from the Wool Board as representatives of the wool growers; and one member is appointed as an associate member on the nomination of the New Zealand Woolbrokers' Association.

38. At the end of World War II the Joint Organisation composed of the United Kingdom, Australia, New Zealand and the Union of South Africa held considerable stocks of wool. These stocks were sold at a substantial profit, New Zealand's share amounting to about £25m. These receipts have been utilized to support the scheme of minimum prices for wool.

II.

SUBSIDIES

(including all forms of income and price support)

(a) Production Subsidies

39. There are no Government subsidies in New Zealand designed specifically to encourage production of any particular commodity. There are subsidies for certain specific purposes such as pest eradication. The principal example of this type of subsidy is that for the destruction of rabbits which costs approximately £750,000 per annum.
40. In the past there has also been a subsidy on the carriage of lime to encourage its use by farmers. Eighty-five per cent of the cost of this has been borne by the primary industries themselves. However, with the exhaustion last year of the dairy industry account the subsidy has been reviewed and will be continued in the meantime on a greatly modified scale.

41. Consumer subsidies paid on milk, butter, bread and flour are discussed in the annex attached to this paper.

(b) Other Forms of Income Support

42. New Zealand's primary industries, especially its livestock industries, are heavily dependent upon overseas markets. Because receipts from exports account for approximately 30 per cent of the nation's income any marked reduction has an immediate effect throughout the entire economy. In assessing the role played by guaranteed or floor prices in New Zealand, this fact must be kept in mind. The return the farmer gets for his principal products is determined by the level of market prices overseas and the aim of guaranteed and floor price schemes in New Zealand must be to even out market fluctuations, as it is clearly impossible to maintain a price which diverges from long-term market trends. The systems of guaranteed or floor prices for the principal products, operating in New Zealand, are based on this assumption. It is recognized that flexibility must be a dominant consideration, and that adjustments in the face of changed market conditions must be rapid but at the same time cause no damage to the industry's structure.

43. Legislation establishing guaranteed or floor prices has been in existence for butter and cheese since 1936, for apples and pears since 1948, for wool since 1951 and for export meat since 1955. The bulk of the processed milk and the by-products of the meat industry are exported, but prices are not supported in any way.

(c) Export Subsidies

44. No export subsidies or bonuses are paid from Government funds.

(d) Financing of Losses on Exports

45. There is no reimbursement from Government funds to exporters for losses on exports.

(e) Indirect Aid to Exports

46. The only scheme in use is that for lime transport assistance. This subject is dealt with in paragraph 40 above.

(f) Aids to Exports involving the use of Resources obtained from "Compensation" or "Price Equalization" Operations

47. The aim of guaranteed and floor price schemes is to even out the effect on producers' incomes of market fluctuations. It is not an aid to exports. Reserve funds used by the industries concerned in administering price stabilization schemes receive no support from Government funds.
48. Guaranteed floor price schemes operate for dairy products, wool, meat and fruit. Details of those operating for dairy products, meat and fruit are given in the Commodity Information Paper.

(g) Other Forms of Aid

49. Currency retention schemes, remission of direct taxes or social welfare charges, remission of indirect taxes and the supply of raw materials at preferential prices, have not been used in New Zealand to stimulate exports.

III.

COST OF PROGRAMMES AND FARM NET INCOMES

50. (a) Total cost of Government support programmes for each of the last three years for which statistics are available

No support schemes for agriculture are operated from Government funds.

51. (b) Farm Net Income for the same years as in (a) above

Table I

<table>
<thead>
<tr>
<th>Year</th>
<th>(km)</th>
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<tbody>
<tr>
<td>1954-55</td>
<td>113.8</td>
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<tr>
<td>1955-56</td>
<td>106.1</td>
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<tr>
<td>1956-57</td>
<td>121.9</td>
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<tr>
<td>1957-58</td>
<td>121.6*</td>
</tr>
<tr>
<td>1958-59</td>
<td>102.6*</td>
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</tbody>
</table>

* Provisional

52. Table I is based on an analysis of the income tax returns of a sample number of individual farmers receiving incomes of £375 or over per annum. Farming companies do not occupy a significant place in New Zealand farming and were not included in the sample. The classification "farmer" is determined by the source of the largest amount of net income. Some non-farming income will therefore be included in the above figures.

53. Table II gives gross farming income for the past five years.
Table II

Gross Farming Income in New Zealand

<table>
<thead>
<tr>
<th>Year</th>
<th>(£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954-55</td>
<td>281.5</td>
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<tr>
<td>1955-56</td>
<td>277.7</td>
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<td>1956-57</td>
<td>307.3</td>
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<td>1957-58</td>
<td>297.0</td>
</tr>
<tr>
<td>1958-59</td>
<td>283.7*</td>
</tr>
</tbody>
</table>

* Provisional

54. The figures in Table II represent the value of farm products at the farm gate. They afford an indication of the gross income available to farmers to meet current expenses of farm operation, interest on capital, other costs and living expenses.

IV.

MIXING REGULATIONS

55. Tobacco

Under the Tobacco-growing Industry Regulations 1945 manufacturers are required to use overall in their manufacturing processes in New Zealand a defined minimum percentage of New Zealand leaf over each 12 month period, from 31 July. In terms of these Regulations the Minister of Industries and Commerce declared percentages, gradually increasing over the years prior to 1947, until the level of 30 per cent was attained. The percentage under the Regulations has not been altered since then.

V.

STATE-TRADING OPERATIONS

56. As has been explained in Section I(b) above, various Boards and Commissions have been invested by the State with statutory authority in respect of marketing and production of agricultural products. With the exception of the Wheat Committee, these bodies do not, however, use State-trading methods to fulfil contractual obligations entered into by the Government, nor do they negotiate long-term contracts. The functions of the Wheat Committee, which is a State-trading enterprise, are set out in paragraphs 28 to 34 above.
VI.

IMPORT RESTRICTIONS

57. Since 1 January 1958 all imports have been controlled for balance-of-payments reasons. The necessity for these restrictions was fully explained during consultations in April 1958 on New Zealand's intensification of import restrictions. As with all restrictions imposed for balance-of-payments purposes the extent of these restrictions will change from time to time in accordance with changes in the balance-of-payments situation.

58. Restrictions were eased to some extent in 1959. A further liberalization was possible in the 1960 licensing period in which virtually all imports are being licensed on a world basis. The need for the current level of restrictions was explained during consultations at the fourteenth session of GATT (L/1000 refers).

59. The individual licensing provisions for the agricultural products under consideration are given in the respective commodity papers. In addition to these restrictions the usual controls imposed for health reasons are also exercised over imports of most of the items concerned.
ANNEX

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR
NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

1(a) Improvements in quality or productivity

Improvements in quality and in productivity are designed to improve the competitiveness of New Zealand agricultural products on world markets. The raising of quality standards can be brought about by giving farmers and processors the knowledge and the incentive to produce a superior product and by the establishment of grading services which ensure that only good quality products are exported and as such penalize the inferior.

(b) Quality standards for dairy produce

Research work is carried on by the Dairy Research Institute, Palmerston North. This Institute has been in existence for about thirty years and has made a significant contribution to the improvement in the quality of butter, cheese and processed milk products. Research work deals with problems associated both with manufacturing techniques and refrigerated transport.

The Department of Agriculture's Dairy Division is responsible for the inspection and grading of all dairy produce. It lays down standards for all stages of production from the farm dairy to the final product in the factory. All produce is graded at the port of shipment and where any consignment is below standard, investigations are carried out in the factory where it originated and if necessary on the factory suppliers' farms. The Dairy Division also maintains a small staff in the United Kingdom to report on the conditions of dairy produce on its arrival there.

(c) Quality standards for meat

A number of problems await investigation by the recently established Meat Research Institute which will have its headquarters in Hamilton. Many of these are associated with the effects on quality and palatability of chilling and freezing techniques. The Department of Agriculture inspects all meat to ensure that it is in a fit condition for human consumption and the Meat Producers Board grades export meat according to quality.

(d) Productivity

As labour costs per unit are high and as the farmer must depend on the level of overseas market prices there is a constant incentive to improve productivity and to reduce both prime and overhead costs. The efficient organization of his business is a matter for the individual farmer and all the Government can do is to assist through the medium of research and extension services and to some degree through the provision of long-term credit for development work.
Agricultural research is highly organized in New Zealand and important advances have been made for instance in the field of pasture ecology. Important work is also being done in animal nutrition, soil science, plant breeding and in the study of fertilizer and trace element deficiencies. Extension workers concentrate their energies on soil and pasture and crop management and to an increasing extent on the economics of farm management. Obviously improvements in productivity will proceed at varying rates and it would be perhaps unwise to make any generalizations. Extension workers are well aware, however, that on most farms productivity could be raised markedly by the more efficient utilization of existing techniques and without any large-scale capital expenditure.

It is significant, however, that the agricultural labour force is more than 10 per cent lower than it was in 1938, but production for 1958-59 was 56 per cent higher. There is also the fact that part of the improved productivity has been absorbed in increased leisure and the elimination of drudgery. There are, however, limits to the extent that mechanization can be carried in livestock farming and it is perhaps unwise to expect that equal progress will be made over the next twenty-five years as compared with the last.

2. Subsidies to increase internal Consumption

(a) Government subsidies are paid on wheat and flour, butter, and milk for domestic consumption. These subsidies among others, were introduced during World War II as part of a comprehensive policy of economic stabilization intended to stabilize the cost to the consumer of certain basic commodities. In order to avoid an increase in the cost of living which would follow if these subsidies were removed, subsequent Governments have continued control over retail prices of bread, flour, butter and milk. The retail price of bread in particular has been kept at a level which can be sustained only by subsidizing the cost of flour and milling wheat. Since the control over the retail price of bread was established the Wheat Committee, whose functions are described elsewhere, has purchased both imported and locally produced wheat which it has sold at less than cost to millers. The price at which the Wheat Committee sells wheat to flour mills in New Zealand is at present controlled and subsidized in such a way as to equate the cost of flour produced from local and imported wheat. The Committee has then purchased flour from the millers for resale to bakers and other consumers. The price of flour to bakers is also controlled and subsidized. The flour subsidy, operating in conjunction with the wheat subsidy, enables bakers to produce bread at the pre-determined controlled price. Thus the system operates to provide consumer subsidies on both flour and bread. The full subsidy is recovered on all wheat and flour products which are exported.

As New Zealand has been importing the greater part of its wheat requirements the bulk of the subsidy has been devoted to reducing the cost to the miller of imported wheat. Locally grown and imported wheat is sold to millers at 4½d and 5½d per bushel, respectively. Until recently the cost of imported wheat (13/6.7d per bushel in 1957-58) has been much higher than the price paid to local growers (11/6d in 1958).
From the war-time stabilization period until recent years the price for locally grown wheat was maintained on a strict cost-of-production basis, and was significantly below the price of imported wheat. The controlled prices acted as a disincentive to wheat-growing in view of the higher relative return from alternative products. As a result the acreage in wheat declined to such an extent that, from being virtually self-sufficient, New Zealand in 1958 was producing less than one third of its total requirements of wheat.

In 1958 New Zealand experienced serious balance-of-payments difficulties and it became essential to conserve overseas funds. There was evidence to show that it would be possible to increase the acreage of wheat considerably without lowering production of export products such as lamb and wool. Wheat imports were costing £6 million per annum. The Government increased the price of wheat to growers from 11/6d per bushel to 13/6d per bushel. This brought the price paid to growers to about the same level as the landed cost of imported wheat. Since then the landed cost of imported wheat has fallen and it can now be landed at flour mills at slightly less per bushel than the locally grown wheat.

Future policy on wheat growing will depend on prevailing circumstances with particular reference to such factors as production trends in wheat, the balance-of-payments situation, prices of lamb and wool, and our commitments under the International Wheat Agreement.

(b) The price of milk for town milk supply is fixed by the Government under the Milk Act 1944 and Amendments. The current retail price in Wellington is 9½d per quart, involving an estimated subsidy of 3½d per quart. Milk is purchased from the producers by urban co-operatives who receive the difference between the producers' price plus fixed margins for distribution and the consumer price as a subsidy paid by the Government through the New Zealand Milk Board.

(c) Butter for local consumption is sold by the dairy companies to wholesalers at a price equivalent to the domestic retail price, which is fixed at 2/- per pound. The dairy companies recover from the Dairy Commission the difference between the domestic wholesale price and the guaranteed price equivalent which is paid to all producers of butterfat. The Commission then receives the amount involved as a subsidy from the Government.

(d) A further consumer subsidy is paid in the form of a subsidy of 4d per dozen on eggs received at egg floors (distribution centres). This is designed to ensure that eggs move in satisfactory quantities from areas of production to areas where supplies would otherwise be deficient.

(e) The total cost of these consumer subsidies for the year ended 31 March 1959 was as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat and flour</td>
<td>£4.5 million</td>
</tr>
<tr>
<td>Milk</td>
<td>3.6 &quot;</td>
</tr>
<tr>
<td>Butter</td>
<td>4.0 &quot;</td>
</tr>
<tr>
<td>Eggs</td>
<td>0.3 &quot;</td>
</tr>
</tbody>
</table>