

VOLUME ONE

NO. 2.

N.Z. HONEY PACKERS ASSOCIATION INC.
MONTHLY BULLETIN
JANUARY-FEBRUARY 1977

EXECUTIVE OFFICERS 1976-1977

PRESIDENT	LLOYD HOLT	P.O. BOX 52, NGONGOTAHA.
VICE PRESIDENT	KEITH HERRON	GREENVALE APIARIES, NO.5. GORE.
SECRETARY	ROBIN JANSEN	P.O. BOX 460, TAUPO.
EXECUTIVE MEMBER	BOB DAVIDSON	R.D. 4, TIMARU.

PUBLISHED FOR MEMBERS INFORMATION BY:

N.Z. HONEY PACKERS ASS. INC.,
P.O. BOX 460,
TAUPO

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EDITORIAL

There have been very favourable comments with regard to the last Bulletin published. This Bulletin is being published to cover two months due to the factor of the holiday period together with the wish to establish some method of stabilisation of Honey Prices throughout the country. Unfortunately due to the various ideas within the industry of what the prices should be this has been difficult to ascertain. We have attempted to set out some pricing guide but it will be up to all individual producers and packers to be able to substantiate charges with the Officials of the Dept. of Trade & Industries.

From all reports there has been a very low crop through out the S. Is. with reports of crops as low as 25% of average. In the N. Is. the old country has produced well but in general it means there will be a shortage of honey.

The opportunity to stabilise the market is now with us and packers should be careful to maintain back door prices relative to the normal retail prices.

It would appear that the 2kg. Honey Pottle is selling well as we have received a further substantial cheque for \$580-46 covering the commission on sales of the pottles by Reese Bros.

There has been a delay in the payment of interest on the money lent by the beekeepers towards the tooling of the 2kg. container due to the transfer of funds to the new Bank at Taupo. This matter should be fully rectified shortly.

I would thank those who have assisted by forwarding various comments and prices as this type of activity is required by our Ass. to be able to provide full and competent understanding within our Industry

If members do not wish letters to be published in the Bulletin would they please indicate when writing, otherwise the discretion must be left to the Editor.

EDITOR.

COMMENTS ON INCREASED HONEY PRICES

Following the announcement for the base price of honey for the 1977 season together with increased costs and the realisation there would be further increases in wages etc. it was accepted that the price of honey on the retail market would have to be increased as private packers would be forced to meet or better the H.M.A payout.

It has been accepted that 70c per Kg. appears to be the price that is being paid for top grade honey, and price increases would be based on this factor.

After discussion with various members the following example would appear to be an Industry Price Guide although each packer must present his own pricing if requested by the Department of Trades & Industries.

If possible we may be able to advise the new Honey Marketing Authority prices on honey by way of an insert in this Bulletin but at the moment we have not received this list.

1/2/77

1/2/77

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EXAMPLE PRICING FOR 500G. HONEY

500 G. Honey	\$0. 35.00
2% Loss in Packing	0.70
Pottle & Lid	6.63
Cardboard Outer Container	2.50
Gun, Tape, etc.	0.20
Overall Freight Charges	3.55
Packaging Costs	<u>5.06</u>
TOTAL	\$0. 53.64
7 $\frac{1}{2}$ % Profit Allowance	\$0. 4.02
	<u>\$0. 57.66</u>

= \$6.92 Doz. Wholesale Price
+ 15% = \$7.96 Doz. Merchant Rate
+ 25% = 83c each pottle Consumer Rate.

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Another example more in line with present overseas trends would be:

500 Grams Honey	\$0 - 43.00	
2% Loss in Packaging	0.86	
Pottles, Inserts & Lids	8.00	
Cardboard Outers	2.50	
Gun, Tape etc.	0.20	
Overall Freight	4.00	
Packing Costs	6.00	
General Overheads	<u>0.25</u>	
	64.81	
7½% Profit	4.86	
	<u>69.67</u>	each Pottle
	= 8.36 Doz.	
+ 15%	= 9.62 Doz.	Wholesale
+ 25%	= 12.03 Doz.	= \$1.00 each Pottle.

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If we consider each example then we have to look at the price charged by the beekeepers from the back door trade which in general is 50c per pound or \$1-12 per Kg. which is approximately half the price we are asking the retailers to sell our honey at.

This is just not on because we expect the trade to be our main out-let for honey especially in a good season. The trade will have a case to bring pressure to bear on Government to prevent the beekeeper increasing his price and it is a fact that if a beekeeper can afford to sell individual pots of honey at 50c per pound to a customer then he can expect to get no more if he sells through the trade for the same amount of work plus containers and freight.

We are our own worse enemies and we have to put our own house in order to improve our position in the community and we can only do this by working together and not only thinking of ourselves.

There are some leaders who wish to get the price up and it would be wise for no packer to increase his prices until the H.M.A. list as you may get caught by price regulations.

LATE NOTE

We understand that the H.M.A. are talking about a retail price of 84c per 500G. honey which works back to 7.05c. doz. per 500G. pack at Wholesale level.

PLEASE NOTE

If we are to get prices up on the N.Z. Market relative to the export prices then it is important that we obtain the right to export retail packs. Therefore your executive require your opinions urgently on the H.M.A. requirements for export to simplify submissions to Government.

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LETTERS

Mr R. Davidson,
Secretary ,
N.Z. Honey Packers Ass. Inc.,

31/1/77
DEPARTMENT OF TRADE
& INDUSTRY.

Dear Sir,

We are updating our records in respect of Collective Pricing agreements registered under section 18A of the old Trade Practises Act 1958 5/5/72 you applied to the Trade Practices and Prices Commission for approval in terms of section 18A of the Act of a collective pricing arrangement which members of your Assciation wished to continue in respect of honey in retail containers.

Your application was acknowledged as TP 265

As no information has been received by the Commerce Commission regarding prices or or other matters associated with this pricing arrangement for quite some time it may be that the arrangement has now lapsed and members are determining their prices on an individual firm basis .

Alternatively if this is not the case, the companies may be prepared to discontinue the arrangement and so cancel the application you lodged with the Commission for approval.

If the companies have already abandoned this collective pricing practice, or in the event of them now being prepared to do so it would be helpful, to complete our records if you could please furnish a copy of any resolution or other appropriate documentation evidencing the abandonment of the arrangement together with a copy of any advice, informing the individual companies concerned.

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If on the other hand the companies desire that this collective pricing arrangement should remain in operation I should be pleased if you would furnish up to date particulars in the form of new price lists or any changes in the terms of the arrangement.

This will enable the examiner to give consideration to the question of investigating this arrangement in terms of section 38 of the Commerce Amendment Act 1976.

For the purpose of investigation, more information on this collective pricing arrangement would be needed than the updating particulars now requested - in particular detailed facts and figures will be needed so as to assess the effect of the trade practice on the public interest - having regard to the specific considerations as spelt out in section 21 of the Act an extract from which is attached.

You will appreciate before giving approval to a collective pricing practice the Commerce Commission would need to be satisfied that such a practice did not have, or was not likely to have consequences injurious to the public interest as spelt out in section 21.

In the meantime however I shall look forward to receiving your reply to the various matters raised in this letter and if these indicate that the companies desire to continue this trade practice, I shall let you have details of the further particulars required for the purpose of an investigation under section 38 of the Act.

Yours faithfully,
J. H. Smith.

(for Examiner
of Trade Practices)

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COMMERCE AMENDMENT ACT 1976

Dealing with the public interest, section 21 of the Commerce Act as amended by the Commerce Amendment Act provides among other things as follows:

- (1) For the purpose of this Act, a trade practice shall be deemed contrary to the public interest only if in the opinion of the Commission, the effect of the practice is or would be -
 - (a) To increase the costs relating to the production, manufacture, transport, storage or distribution of goods or to maintain such costs at a higher level than would be obtained but for the trade practice; or
 - (b) To increase the prices at which goods are sold or to maintain such prices at a higher level than would have obtained but for the trade practice; or
 - (c) To hinder or prevent a reduction in the costs relating to the production, manufacture, transport, storage or distribution of goods, or in the prices at which goods are sold; or
 - (d) To increase the profits derived from the production, manufacture, distribution, storage or sale of goods or to maintain such profits at a higher level than would have obtained but for the trade practice; or
 - (e) To prevent competition in the production, manufacture, supply, transportation, sale or purchase of any goods; or
 - (f) To reduce or limit competition in the production, manufacture, supply, transportation, storage sale or purchase of any goods; or

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- (g) To limit or prevent the supply of goods to consumers; or
 - (h) To alter, restrict or limit to the disadvantage of consumers, the terms or conditions under which goods are offered to consumers.
- (2) Notwithstanding that the Commission is of the opinion that the effect of any trade practice is or would be any of those described in Subsection (1) of this section that practice shall not be deemed contrary to the public interest if the parties to the practice satisfy the Commission that, in the particular case, -
- (a) The practice has or would have effect of demonstrable benefit to the public sufficient to outweigh any of the effects described in subsection (1) of this section which, in the opinion of the Commission, the practice has or would have; or
 - (b) Even though the Commission is of the opinion that the effect of the practice is or would be one or more of those described in Paragraphs (a), (b), (d), (f) or (h) of subsection (1) of this section, that effect or effects is or are not reasonable.

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Mr J.H. Smith,
For Examiner of Trade Practices,
Department of Trade & Industry,
Private Bag,
WELLINGTON.

3/2/77

Dear Sir,

I was very pleased to receive your letter of 31/1/77 as the situation re pricing of our Members Honey packs has changed, in that they mostly now follow the New Zealand Honey Marketing Authority prices and practices, which in my opinion are heavily biased towards the larger retailers such as Supermarkets.

For your information:

- 1st. I have resigned from the position of Secretary of the N.Z. Honey Packers Assn. Inc.
- 2nd. The Annual Meeting of the above Association was held on 26/11/76 and the Associations Bank Account was changed from Tinaru to Taupo on 19/1/77.
- 3rd. Mr L. Holt of Springfield Apiaries Ltd., postal address P.O. Box 52, Ngongotaha, via Rotorua, Telephone 74352 Rotorua, is continuing as President.
- 4th. Mr R. Jansen of Acacia Bay Apiaries, postal address P.O.Box 460, Taupo, Telephone 2688-M is now the Secretary.

(11)

For some time members have claimed that the prices as circulated by me, are too low, but I claim that if correct procedure is followed and the circulated prices charged to genuine wholesalers only, 15% being added to retailers accounts, the prices are correct to justify costs and profit.

By airmail today I have forwarded your letter ~~of 31/1/77~~ to Mr R. Jansen with a copy to Mr L. Holt.

Yours faithfully,
R. Davidson.

Mr L. Holt,
P.O. Bcx 52,
NGONGOTAHA.

27/1/77

Dear Lloyd,

Finally have a reply as per our phone discussion re the price freeze conditions affecting Honey Packers. Trade & Industry representatives have stated that the following wording applies to us.

The price freeze is for 6 months plus 136 days. This applies to the last price date that each packer sold his stocks at during 1976.

Quoting the Authority last circulated that I have is the 5/4/76 on the above terms the Authority can not apply any increase to existing until the 19/2/77 next. I find myself in the same approximate position.

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However it was advised that an individual on the grounds of hardship can apply for an exception for this period.

If our Ass. had immediately after the bulk increase announcement in December last, made an approach to advising of the conditions and shortages over the 76 trading year they possibly could have merited favour for bought in bulk honey packers packing packed lines for resale if their product was as ours was no stock since last July 1976.

As it is only some three weeks till the approx. time for us and that a period of 28 days could elapse before an answer could be forthcoming there is little object in trying now.

I gained the original line of thought from a Mr Verry and on Lloyds suggestion re-affirmed last Friday. Mr Barningham advised, today, confirmation of the above. We can not raise our price before 14/2/77 next. Neither can anyone else with similar or later last price increase dates. Also this current price list to be actioned on 14/2/77 must run for six months and allow for all freights actioned this year.

I have enclosed our price list for product covering most increases to date based on 71c Kilo, inwards clover. If this is considered approx. you could circulate as a suggested guide for the price cutters to work on. Lets hope supplies are low enough to dis-suede any extent of this.

Well thats it for now.

Kind regards,
R. Fell.

FELLS APIARIES

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N.Z. HONEY PACKERS ASSOCIATION INC.

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N.Z. HONEY PACKERS ASS. INC.,
P.O. BOX 52,
NGONGOTAHA.
EDITOR: LLOYD HOLT.

(1)

EDITORIAL

We are thankful this month to Mr Percy Berry for a in-depth artical on the reflection overseas honey prices have on the returns the honey packer and producer should be receiving for his produce. Also the "N.Z. Beekeeper" has a Editorial on the same subject claiming that this is a new approach.

The facts are that for many years many of us have been battling for increased returns claiming that the N.Z. Honey Marketing Authority have not been functioning in the best interests of the industry due firstly to Government controls with the Government representative appearing to be more concerned with the price the consumer pays for honey in N.Z. than the returns to the producer. This is fairly common with all primary produce under Government control.

Secondly the members elected to the H.M.A. have appeared to have little knowledge of marketing preferring to accept a overseas agents buying prices without question.

The Honey Packers selling to the retail trade in N.Z. were further restricted by the seals levy which restricted the price they were able to pay for honey purchased allowing the H.M.A. and the "back door sales" beekeeper a extra margin on their sales of honey. It is very possible that this reflected in price cutting. These various factors undoubtedly resulted in many producers giving up beekeeping in this country and this has resulted in the industry production not keeping pace with the population growth.

The "N.Z. Beekeeper" mentions that the H.M.A.'s improved overseas marketing performance will be reflected later this year in higher retail prices in this country but a lot of this depends on the price charged by the N.Z. Packer with particular reference to the "back door sales" as one cannot expect the retail trade to be happy about beekeepers selling ex door at

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EDITORIAL

50c per pound while he has to sell honey at 80c or more per pot.

While it is reasonable that "back door sales" could be less than retail prices they must be comparable to retain creditability in the eyes of the consumer if the producer of honey wishes to get a just return.

EDITOR.

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LETTERS

The Editor,
Monthly Bulletin,
N.Z. Honey Packers Assoc. Inc,
P.O. Box 52,
NGONGOTAHU.

P.O. Box 16,
Havelock North.
8th March, 1977.

Dear Sir,

The industry has established higher prices on the export markets during the past twelve months or so, and Government has given recognition to this fact when establishing the H.M.A. payout levels and payout formula to apply to the current year. Inasmuch as a high percentage of our product is sold on the local market it is of vital importance that the increased prices being achieved overseas should be reflected in our local sales.

The new price levels established in the February, 1977 H.M.A. price list are lower than would seem to be justified by the levels established overseas, and further the 250g and 500g prices seem low when compared with other packs. I would suggest that packers examine the prices of their metric packs closely, making sure that they are satisfactory in relation to the prices of their other packs. On these matters I have been in touch with the General Manager of the H.M.A., the President of the Packers Association and the Secretary of the NBA.

The company with which I am associated has been in touch with the Department of Trade and Industry to examine the possibility of establishing a more satisfactory price list and more satisfactory price levels. The company has been advised that it cannot establish an interim price list with a view to a further rise after an application by the company has been considered by the Department. The company has therefore decided to remain on the present low level of prices during

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the few weeks required by the Department to consider the company's application. If this application succeeds it should result in more satisfactory prices for the whole industry when packers are next allowed to amend their prices in six months time.

I am of the opinion that unless Government recognizes at this stage that the industry is entitled to prices on the local market which reflect the much more favourable relationship on the export market between New Zealand honey and honey from other origins as established over the past twelve months, it may be more difficult for the industry to gain this recognition at a later date. The Packers Association will be advised of the outcome of the application as soon as it is known.

Yours faithfully,
Percy Berry.

8th March, 1977.

The Secretary,
Department of Trade & Industry,
Private Bag,
WELLINGTON.

Attention Mr Donaldson

Dear Sir,

Arataki Honey Limited

Further to the writer's discussions with Mr Donaldson and Mr Clayton on 28th February we confirm that our clients wish to apply for approval of a new pricing structure, as detailed in the statement headed "Proposed price list to Wholesalers", a copy of which was left with Mr Donaldson.

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I appreciated the opportunity of discussing the whole subject of honey pricing with Mr Donaldson but we do feel that the approach that has been adopted in the past no longer sufficiently reflects the influence of world market prices.

As you will be aware, Mr Bolger, in response to representations from the industry concerning the N.Z. Honey Marketing Authority's payout price, replied that it is the Government's policy that primary producers must in the long term accept market value for their produce. In this context he was referring to the values determined in the world market and we understand that this concept is in fact given statutory recognition for such commodities as butter.

We understand that when the Department has been considering the HMA pricing structure in the past, it has used as the HMA's "cost" the payout price projected by the Authority. This payout price has previously been limited to a specific figure and it is here that the very significant difference between the present situation and former years arises. The payout price agreed this year is open-ended, with producers receiving 50% of any excess over 70 cents a kilogram. Because the very basis of the HMA payout has this year changed, now would appear an appropriate opportunity to relate N.Z. market prices more closely to those to be obtained in the export market.

As you will see from our clients' submissions, the value of 500g of honey in the beekeeper's tank is about 52.5 cents. This is the price he would receive if he were able to export this honey to overseas markets. This is the value of the honey that we consider should be incorporated in the pricing structure where the beekeeper instead packs his products for the local market.

Mr Donaldson will recall that we briefly discussed an

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apparent anomaly in the HMA price list effective 5th April 1976. In case I may not have made it clear, the discrepancy seems to arise in the conversion of the \$5.88 for one pound pots to \$6.21 for 500g pots. This latter price is clearly too low to reflect a correct metric conversion. The correct price for the 500g pot would appear to have been \$6.48 a dozen at that stage.

We shall be very pleased to provide any further information that you may require.

Yours faithfully,
A.V. Berry.

ARATAKI HONEY

PROPOSED PRICE LIST TO WHOLESALERS 21ST FEBRUARY 1977

	<u>TO WHOLESALERS</u>		<u>RETAIL</u>	<u>CENTS PER GRAM</u>
	<u>Doz</u>	<u>Each</u>		<u>To Consumer</u>
250g				
Clover Blend	4.40	.36.7c	.53	.1478 .2120
1 lb				
Light Amber Manuka	7.51	.62.6c	.90	.1380 .1984
500g				
Clover Blend	8.28	.69c	.99	.1380 .1980
900g				
Clover Blend Light Amber	14.87	1.24	1.78	.1378 .1978
2 Kg				
Clover Blend Light Amber Manuka	32.73	2.73	3.92	.1365 .1960
6 Kg				
Clover Blend Light Amber Manuka		7.79	9.74	.1298 .1623

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Please note:- worked from value of 500g pot as 8.278 per dozen a rise of 27.75% on the H.M.A. price list, April 5, 1976, with metric weights at equivalent values per gram to the corresponding imperial weight container.

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COMMISSION FROM 2KG POT

We have received from Messrs Reese Bros a further payment of \$452.45. The interesting part is that most of these sales from December to February were outside of the honey industry.

SUGGESTED MEETINGS

Would members please advise urgently if they would like a meeting called for each Island say at Rotorua in the North and one in the South Island. "Please Executive member action this request".

CARDBOARD CONTAINERS

From discussions we have had it seems most of the primary industries are combining their container buying to obtain better prices.

We can do this by ordering through this Association for a standard container with say PURE N.Z. HONEY and the quantity of pottles printed say 3 dozen 500 gram pots.

Payment would have to be on delivery with a predated cheque if the Association handled the deal.

TAXATION

It would appear that we may have to pay taxation on commission paid to us.

Would the Executive please advise if they consider we should engage an accountant to handle our books as we are now handling considerable finance.