



AG-67
10/1/32

1285, Auckland

Telephone 41461

N.Z. HONEY EXPORT CONTROL BOARD

AUCKLAND.

23rd. January, 1932.

Address correspondence
to the Chairman

The Director of the
Horticulture Division,
Dept. of Agriculture,
P.O. Bag,
WELLINGTON.

Dear Sir,

In agreement with the Prime Minister's request, I forward you herewith a report on the affairs of the N.Z. Co-operative Honey Producers' Association by its Managing Director.

Up to the present the Association has been handling practically the whole of the export and it having been agreed by the Directors that the loss of its capital will put it into liquidation, the disposal of the export surplus and the preservation of the overseas markets now becomes the concern of the Board.

The indebtedness of the Association to its London Agents makes the taking over of the export business by the Board very difficult unless some satisfactory agreement with the Association's London Agents, who are also the Board's Agents, can be arrived at. It is within the power of the London Agents to recover by taking over all the assets of the Association including the Imperial Bee Brand under which New Zealand Honey is universally sold; also to take recourse against suppliers for monies owing.

Recourse at a time like the present would be a serious set-back to the industry, while the loss of the Brand and the forced disposal of stocks which a break with the London Agents might bring about, would undo the work of years and destroy the prestige of New Zealand Honey on the Home Markets.

The Board are unanimous that our London arrangements leave nothing to be desired and that the prospects for the future marketing of our surplus are excellent if the present difficulties can be overcome.

A serious aspect of a default by the Association is

(Over)

(Over)

11/1/32

23/1/32.

the effect such will have on the future of the Honey business and also its effect on the credit of our primary industries. The Board's concern, therefore, is to keep faith with our London Agents and so preserve and perpetrate the goodwill already obtaining.

The whole position was thoroughly investigated by a joint meeting of the Board and Directors of the Association and I was requested to first place the matter before the Government with a view to getting some backing before opening up negotiations with Messrs G. & E. Mortons.

Providing satisfactory arrangements can be made with regard to the present debt the Board has in view a policy which should make the export market more secure than in the past with comparative better returns. The experiences of the Association emphasize the value of certain factors and now make a clean cut policy possible.

With the present debt isolated and its liquidation provided for by a fixed deduction from supplies, future exports would be freed from the heavy tax of the present interest charges.

The Board will not be concerned with the Local Market, this being a matter for the producers themselves to deal with. Advances, therefore, can be kept down to a figure below any possibility of loss. This will avoid the necessity of pushing up advertising to clear stocks at a figure to cover advances. An excess of stocks ~~then~~ can then be unloaded at the lower prices offered in foreign countries, and averaged with the Home sales with more favourable results, in that considerable payments for storage, interest and excessive advertising will be avoided.

The first necessity is to make a satisfactory arrangement with Mortons, and the promise of some assistance from the Government would enable negotiations to be carried out with perfect confidence and a preservation of that goodwill which is essential for future business. The assistance asked for could be in the form of a backing, say, if at the end of five years the liabilities could not be met the Government would assist up to £10,000. It could be expected that with this security some concession in the debt could be obtained.

The liquidation of the debt by the Board by a deduction from future shipments presents some difficulties in that the Board would not have authority to deduct from supplies under its care to pay debts due by the Association. Failing any other solution of the difficulty, the following might be considered. The Board would necessarily require to secure the Imperial Bee Brand to the industry and as this would be one of the Association's assets which Mortons would hold as security for a portion of the debt, the

(Over)

114
2/2/32

23/1/32.

Board could take over the liability for that portion, say £10,000, or £12,000 in consideration of the Brand becoming its property; also the Board would necessarily have to take over the packing plant at a cost of £2,000 to £3,000. This cost would be charged to future supplies and met by deductions over a period. If a concession can be obtained from Mortons this would further reduce the amount and leave a minor portion which would have to be met by recourse against suppliers.

An alternative whereby the Board would not be saddled with a liability or the producers subject to recourse would be desirable and this will be kept in view in the proposed negotiations.

Your Department's assistance in devising a proper and satisfactory procedure would be valuable.

In view of the probability of the Association ceasing operations, the Board propose to carry on so that the export arrangements will continue as at present and producers will be caused no inconvenience.

The Board must necessarily take complete control of the whole of the exports. This will produce little change or disturbance as the Shippers outside the Association for the past few years have only been three or four. Finance, as in the past, will be provided by drawing on the London Agents against shipments. Mr. Rentoul, the present Chairman of the Board, has been appointed the Board's Manager at a small salary. It is estimated that the business can be run at a cost of $\frac{1}{4}$ d. per lb. which will be a saving as compared with the Association's cost of nearly $\frac{1}{2}$ d. The levy will be increased to $\frac{1}{4}$ d. per lb. to provide the amount required.

I trust that the foregoing and the report submitted will give you a clear view of the position and that it will impress on the Government the importance that some backing from it will have in putting the affairs of the Honey Production Industry in a satisfactory position.

Also I would appreciate the assistance and advice of your Department in bringing into effect the proposals submitted.

I am,

Yours faithfully,

[Signature]
Government Representative on the
Board.

Recd General.

for your information

30.7.32.

W.P.
23/1/32