

21st December, 1932.

MEMORANDUM for

Mr. W. Taylor,
The Treasury,
WELLINGTON.

The attached is a brief and, I am afraid,
a somewhat crude summary of the position of the Honey
Producers' Assn. and that occupied by the Honey Con-
trol Board in connection with the honey export trade.
I hope that it will meet the purpose you had in mind.

6.

COPY

(sent) J. A. CAMPBELL.

Director of the Horticulture
Division.

NEW ZEALAND HONEY INDUSTRY.

The N.Z. Honey Producers' Assn., which is a co-op. society, is, from a business point of view, entirely distinct from the N.Z. Honey Control Board. The Honey Producers' Assn. was established somewhere in the year 1914 and carried on its business through the Bristol and Dominions, Ltd.

During the war period honey reached a very high price, and the Assn. accordingly made substantial advances against honey for export, the Bristol and Dominions providing the finance necessary for this purpose. Unfortunately for both organisations large quantities of honey accumulated in the wharves in London during the war period, and was not made available for sale until the wharves were cleared after the war ended.

As soon as the war was over a very rapid decline took place in honey prices, with the result that these large accumulations of honey had to be sold at a much lower price than was represented by market quotations during the period of receipt.

The Bristol and Dominions, on account of its war losses, went into liquidation; but prior to doing so called upon the Honey Producers' Assn. to refund £7,000 or £8,000 which they claimed to be due on account of over advances. The Honey Producers' Assn. counter claimed against the Company for failure as agents to dispose of the goods received. The settlement of this dispute, although the claim of the Bristol and Dominions did not succeed, cost the Honey Producers' Assn. quite a large amount of money, to which had to be added the cost of establishing a honey blending depot at the premises of their new agents, A.J. Mills and Co., Ltd.

Honey prices continued to fall for several seasons, and although at the time advances were made from season to season and what appeared to be an ample margin was observed by the Honey Producers' Assn., the continual fall in the price of honey resulted in over advances being made. In consequence of this the Assn. at one stage became indebted to Mills and Co. to the extent of £32,000. This debt was gradually reduced until it stood at £15,000 or £16,000.

In the meantime the Honey Control Board was established with a view to placing the honey industry of New Zealand on a sounder footing in the Old Country; but the Board found that the majority of producers were, through the Honey Producers' Assn. so deeply involved that only a limited amount could be done by the Board by way of improving the position. The Board's desire throughout its existence was to see the Honey Producers' Assn. free of debts to its oversea agents, in order that that organisation could be reconstructed and the whole business of honey export placed on a sound basis. To assist in this connection the Board approached the Government for an advance of £9,000; this sum to be devoted to advertising, thus relieving the Honey Producers' Assn. of a simple expenditure, on the understanding that that organisation utilise its advertising economies towards reducing the debt to the oversea agents, the agency in the meantime having been transferred from A.J. Mills and Co. to C. & E. Morton, Ltd. This action was successful up to a point, the Assn. having reduced its debt to Morton, Ltd., to something like £2,000.

This brought the whole business up to the slump period, the effects of which were disastrous as far as the Honey Producers' Assn. were concerned. The Assn., although it had reduced its debt to practically £2,000, found itself up against

a difficult market with large amounts of unsold honey on hand, which market became more difficult as the slump extended.

The Assn. and its agents had a conference on the matter of policy. Two courses were open: (1) was to reduce the price of the large quantities of honey in stock; (2) to maintain the price at the expense of advertising. Either meant that the Assn. would lose heavily. The ultimate decision arrived at mainly in the interests of the New Zealand honey market in the future, was to maintain the price by spending larger amounts in advertising. This course was pursued, and worked out satisfactorily from the point of view of maintaining price. Honey sales to the same volume as previously were maintained at the same price level, but the excessive cost of advertising during the 2 seasons thus obtained resulted in the Honey Producers' Assn. again getting into an impossible position, and as a consequence has since gone into liquidation.

In the meantime the Honey Control Board has acted more in a co-ordinating and advising capacity, but has little to do with the actual business of honey export. However, in the interests of the honey producers of New Zealand, the Board agreed to allow Mr. Butland, the Government representative on the Board, to visit England and go into the whole matter with their agents with a view to making the best arrangements possible with Messrs. Morton in the interests of the honey producers of New Zealand, both in the direction of winding up the affairs of the Honey Producers' Assn. as well as the future export trade.

We have not been furnished with all the details relative to Mr. Butland's negotiations with Morton, Ltd., but among other things we understand that the Board has taken over the Honey Producers' Assn's assets represented by the "Imperial Bee" brand for some £6,000 or £7,000, and also the Assn's blending and bottling outfit. The "Imperial Bee" brand, which was built up over many years at a cost of £50,000 or £60,000 advertising expenditure, is looked upon as quite a tangible asset and saleable either to Canada or Australia.

Payment of this liability will be made by means of a levy on all honey exported. In the meantime, however, the Board feels that its deductions in this way are about all the honey industry can stand; therefore there will be nothing left for advertising. It is proposed to carry on for 12 months at least on the strength of the advertising already done and spend nothing further in this direction; but evidently the High Commissioner's office, which is in touch with the position, is of the opinion that this is too great a risk to take, and feels that advertising to the extent of £2,000 at least should be maintained, and that in view of the commitments that Mr. Butland has entered into on account of the Board being such as to prevent the Board from maintaining its advertising programme even to this extent, the Government should again come forward and assist the industry.

Arrangements have been made for Mr. Butland to visit Wellington early in January with a view to submitting a full report on his negotiations with C. & E. Morton, Ltd., in order that more light may be thrown on the whole position as it concerns future trade, thereby enabling a more satisfactory determination as to the need of Government assistance.