

INTERVIEW OF MR. J. R. BUTLAND, REPRESENTATIVE OF THE HONEY CONTROL BOARD, WITH THE HON. C. E. MACMILLAN, MINISTER OF AGRICULTURE, AT WELLINGTON ON 6th JANUARY, 1933.

Present: Mr. J. R. Butland,
Dr. Reakes, Director General of Agriculture.
Mr. J. A. Campbell, Director, Horticulture Division.

MR. BUTLAND said he went originally to England on behalf of the Honey Producers' Association, at the request of the directors, to see whether some solution could be found of their financial difficulties with C. E. Morton, who were acting as agents. It happened that he was a member of the Honey Control Board and it was thought he could negotiate the honey producers business with Mortons. It was the intention of the Board, when the Honey Producers' Association went into liquidation, to take over the control of honey and handle it as a Board in future. It was thought that after having finished the business of the Association he might have an opportunity of looking into future possibilities from the Board's point of view. The negotiations on behalf of the Association were definitely separated from any implication by the Honey Control Board in the debt and on completion of the Association's arrangements he negotiated with the agents for the Association for the carrying on of the business as it had been carried on in the past but definitely under the control of the Honey Control Board. The position of the Association meant that the brand which was owned by the Association on account of its debt to Mortons became the property of the liquidator and eventually Mortons, who were the only creditors of the Association. That meant that the brand was practically lost to the industry in New Zealand and as there had been considerable money spent on advertising to build up the goodwill that exists in the brand today it appeared to be necessary for the Board to get ownership of that brand so that it could be secured to the industry generally. When it came to the time for the Board to suggest that it wanted control of the brand the amount of money which had to be found to

buy the brand needed to be as small as possible. It was therefore necessary to arrange the liquidation of the Association so that Mortons agreed to sell any stocks held in London at a figure which had been for a considerable time returned for these stocks and was still being returned. It was agreed that, subject to certain variations which might arise through the length of time it would take to dispose of the total stock, a surplus of approximately £8,000 could be anticipated on realisation, which was expected to be in about 12 months from July and August, 1932. This left an approximate deficit of £7,000 to be found by the producer, providing the Honey Control Board were prepared to take over the Imperial Bee brand for £6,000. It was agreed that the Board would purchase the brand for this amount and that the balance would be collected by the liquidator and the Association from the producers in the shape of new capital amounting to approximately £4,000 and recourse from the producer to make up the balance. The Association was put into liquidation and the liquidator was now ready to proceed with the collection of this recourse. During the course of these negotiations the plant, which was owned by the Honey Producers' Association, caught fire and was totally destroyed, together with a considerable portion of the packed stock and caused a serious dislocation in the business. But within a week temporary arrangements were made and the depot was packing satisfactorily. The plant was insured for £4,000 and the total stock and advertising material destroyed amounted to £8,000, making a total of £12,000 available to go towards liquidating the Association's debt for it was decided that the old style plant would not be replaced, but that a comparatively simple and cheap automatic plant could be installed at a cost not exceeding £1,000. This is now being installed by Mortons under the direction of the Honey Control Board for its account. His investigations proved that under this automatic system of packing their packing costs would be

considerably reduced and their output considerably increased. The installation of the new pack would put them in a position to handle a cheaper pack of honey profitably and also to reduce their present overhead.

THE HON MR. MACHILLAN said he was not clear as to the distinction between the Honey Control Board and the Honey Producers' Association (see supplementary notes).

MR. BUTLAND said Mortons advanced £1,000 to the Control Board on the understanding that the Board would purchase the plant out of its deductions from honey shipments for a period which was left to the option of the Board, but with the proviso that should the Board's arrangement with Mortons be terminated it was an obligation on the Board to find the amount still owing on the plant.

DR. REAKES said he understood the business had hitherto been done by the Honey Producers' Association, now in liquidation, and that in order to ensure the continuation of the business without interruption, the Honey Control Board proposed to take over the complete control of the honey export business in England and that it was proposed for the Board to continue to use Mortons as its selling agents but under a new arrangement which has been finalised between the Board and Mortons while Mr. Butland was in England.

MR. BUTLAND said there had been a request from the High Commissioner for a grant of £2,000 for advertising New Zealand honey during the period of liquidation. The Board suggested that if this grant was agreed to it be allowed to determine as to how it should be spent. With a view to bringing about the clearance of the present stocks at the earliest possible moment and of freeing the Board from its obligation regarding plant and purchase of the Imperial Bee brand, it suggested that an amount up to say £5,000 be loaned to the Honey Control Board for a period of ten years or thereabouts. This would secure the brand and the plant for the Board, and the bee

keepers generally, immediately, and put the Board in a position to negotiate its future policy with Mertons without the obligation to find money to satisfy these debts from Moneys which it proposed to ship this and next year. On the clearance of the present stocks there was no possibility of the Board being involved in any excessive advertising costs. The arrangement made in London clearly provided that the Board would set aside a certain amount out of the anticipated shipments each season and this amount could not be exceeded or the moneys spent without the direction of the Board. Arrangements had been made to avoid any carry overs from season to season, which had largely accounted for the Honey Producers' Association being in its present position. The Association in the past had not been able to sell bulk honey competitively and had therefore carried over from year to year a surplus of exports. In the hope of being able to dispose of them as Imperial Bee Brand they had spent heavily to bring this about. This policy might have proved successful but for the fact that for two years in succession extraordinarily heavy exports were sent in excess of what could be dealt with. It was arranged that from the time the Board commenced operations each season the honey would be cleaned up by disposal to manufacturers and packers and also by shipments to the Continent at competitive rates. It was considered that this would work satisfactorily for the producer because of the high premium that was available on packed sales, bringing the average return up to even higher than it was today. If the grant recommended by the High Commissioner was made to the Honey Control Board, it would be expended judiciously with the idea of getting clear of present stocks at the earliest possible moment, thereby enabling the Board to put its new scheme into operation shortly after the arrival of this year's honey in London. The further loan suggested would secure the brand and the plant immediately for the producers and no

difficulty was anticipated in finding sufficient money to repay the loan over a period under the conditions of the Board's future trading, which were so vastly different from the method of trading by the Association.

HON. MR. MACMILLAN: The point at issue is: how did the Honey Producers' Association get into this tangle and to what extent was the Honey Control Board involved?

MR. BUTLAND said that seemed to be the general question. The Board had had nothing whatever to do with it.

HON. MR. MACMILLAN: All this is fairly new to me. You have a Honey Control Board to take control of honey?

MR. BUTLAND said it had never taken complete control. It had allowed the producers, who really made up 95% of the Association. They decided that having the Association it was easier for them to effect shipments. The Board did not interfere in any way because the producers wanted it through the Association. They made all their arrangements in London and the Board did not actually take control at all. It took partial control. Anyone who wanted to ship outside it could. On honey shipped Mortons allowed so much for packing, etc. and whatever return came from Mortons went back to the producer. Actually they over-advanced. The only option now was to go back to the producer for the amount of the over-advance. The producers themselves over-advanced. They got two shipments of 1,000 tons and the returns did not come up to expectations because they had interest and storage charges and incurred heavy costs for advertising.

MR. CAMPBELL said he was associated with the industry when the Honey Control Board was brought into existence in the hope of being able to materially improve the system of honey export overseas. The Honey Producers' Association came into existence about 1914 and the Honey Control Board in 1924 or 1925. The Honey Producers' Association commenced its operations through the Bristol and Dominions and during the war honey went up to about £150 per ton. In consequence of that heavy advances

were made against honey, amounting to about 50% of the market rate, but unfortunately for the Honey Producers' Association the Bristol and Dominions Producers' Association were not receiving delivery of the whole of the honey that was being exported. When the War was over the Bristol & Dominions Association found themselves with large supplies of honey from New Zealand against which heavy advances had been made for sale on a market which had fallen 50%. A claim was made by the Bristol & Dominions Association against the Honey Producers' Association for a refund of over-advance. The Association claimed against the agents for failure as agents to dispose of the goods. It cost the Honey Producers' Association a large amount of money. The Bristol & Dominions Association went into liquidation and the Association transferred its agency to Mills & Company. There was also the debt that had been created and the establishment of a new depot. The business was carried on in a way that appeared at the time to be quite sound. Advances were made by Mills & Company to the Association but all the time there was a falling market and after the War things kept coming down. Another difficulty arose. It took at times over two years to dispose of a honey crop. In order to avoid the risk of breaking the market they must prolong the sale of honey for a period. For a year or two they found that they had been over-advancing. Subsequently they reduced their advances very materially and succeeded in reducing the debt to round about £11,000 or £12,000. It amounted at one time to £32,000. At that time the Honey Control Board came into existence in the hope of being able to clear up the situation and start as a Board to run the business on a sounder basis. The Honey Control Board found it couldn't operate as a Board to the fullest extent possible for the same reason that the Honey Producers' Association found they could not adjust their own business. The Board could only operate as an advisory body. At that time there were two heavy seasons of honey amounting to about 1,000 tons each season. The blending and packing of the honey meant slow disposals of honey. They decided to carry on and possibly would have carried on success-

fully had it not been for the slump. The purchasing power of the people in the Old Country was materially decreased and in order to maintain those prices they had to start on a heavy advertising campaign which eventually landed the Association in the position in which it was to-day. It was felt there was no way out but to go into liquidation. No doubt the liquidation of the Honey Producers' Association would be a good thing for the honey producers of New Zealand. The Honey Control Board proposed to carry out much the same business as the Honey Producers' Association. Fundamentally, however, it would be entirely different. There would be no danger of the Honey Control Board ever getting into the position of the Honey Producers' Association. They would have the experience of the Association in front of them which would be a good guide for the conduct of their business.

HON MR. MACMILLAN: It seems to me they have over-advanced and not attempted to make any reclamations in the hope that prices would improve. I do not know whether that can be considered good business or not. The dairy people square their accounts at the end of each year. These people seem to have gone on piling it up. There was some suggestion they should make reclamations but they would have to go back so many years probably some of these people are out of business.

MR. BUTLAND. said they could not make reclamation until they knew what the season's honey realised. The liquidator was ready now to collect those reclamations. But he wanted to get the matter all clear with the Department and then submit the matter to the Minister to see whether the Board could look for some assistance.

HON. MR. MACMILLAN: I have made one or two efforts to get Cabinet to consider it but as soon as I mention the Honey Control Board no one will look at it seriously. They say they have never known such mismanagement. If the Honey Control Board is a Control Board, to a great extent it is responsible for the honey output.

MR CAMPBELL. said if the Honey Control Board had taken complete control they would have forced the Honey

Producers' Association into liquidation years ago.

HON. MR. MACMILLAN: Couldn't they have taken this attitude: We will take control from this date and you finish up your liabilities. We take over from now without any liability for anything you incurred in the past?

MR. CAMPBELL said if the Money Control Board had come in and forced the Association out it would have cost the bee keepers of New Zealand a considerable amount of money. While there was a chance for the Association to wipe out its debt it was difficult for the Board to take over.

HON. MR. MACMILLAN: What is the amount that the members of the Association actually owe?

MR. BUTLAND said it was approximately £9,000 for recourse and uncalled capital. The liquidator was just waiting now to go ahead with it. Actually the Board was doing what the Minister suggested. It had left the matter entirely to Mortons and the liquidator. All the Board wanted was the "Imperial Bee" brand. £6,000 for this brand was available to the Board tomorrow morning in London but the thing was too valuable. It represented the sale of approximately 500 tons of honey per year. It was a tremendous asset to the country and that brand should not be allowed to go out of the possession of the bee-keepers.

MR. CAMPBELL said that while the Money Producers' Association had gone into liquidation every country was wanting to adopt New Zealand methods in the sale of their honey. The New Zealand system was a very good system.

HON. MR. MACMILLAN: I take it, Mr. Butland, you recommend the Government to give a grant of £2,000 for advertising purposes and a loan of £5,000?

DR. BEAKES said the £2,000, according to the High Commissioner's memorandum, was to enable advertising to go on for the purpose of disposing of those stocks of honey that were now in the hands of the liquidator.

MR. BUTLAND: That is so.

DR. REAKES said the proposed loan of £5,000 was to enable the Honey Control Board to get on to a good business basis straight away. It had no funds at present.

MR. CAMPBELL said he understood the position was that Mr. Butland in negotiating for the Honey Producers' Assn., had to make as good a case for the Association and the bee-keepers in New Zealand as possible and therefore had to immediately effect economies, one of which was in advertising. Any change in prices downwards would increase the insecure portion of the Association's debt. The discontinuance of advertising "Imperial Bee" brand for 12 months would be very much more costly to the industry in future than the expenditure of £2,000 in continuing the advertising in the meantime.

DR. REAKES said if the money were available for advertising "Imperial Bee" brand they wanted to sell as much "Imperial Bee" brand as they could.

HON. MR. MACMILLAN: If the Honey Control Board purchases this brand I should say that automatically what the Control Board puts up for this brand will be "Imperial Bee" honey. During the process of finishing stocks other stocks are accumulating. You suggested stocks would be cleaned out at about the end of August?

MR. BUTLAND said the stocks did not get there until about June or July. They would have to carry 50 or 100 tons, because 50 tons was only a month's requirements.

HON. MR. MACMILLAN: If I take this matter to my colleagues they will say - "Show us the difference between the Honey Control Board and the Honey Producers' Association". The Control Board is probably elected by the same people as established the Association. They will say they have taken advantage of the English merchants and landed them in a considerable loss. Now, this is an attempt to land the Government in a difficulty. I must be able to show them that they are representing different people on the Honey Control Board than the Honey Producers' Assn.

MR. BUTLAND said the Board comprised three people - one appointed by the Government who had nothing to do with the Association and the other two were elected by the producers.

MR. CAMPBELL said they held office for three years.

MR. BUTLAND said one retired at the end of the first year and the other at the end of the second year. The High Commissioner, on his own recommendation, had applied for £2,000. All the Board wanted was for the Government to do what the High Commissioner had asked them to do.

HON. MR. MACMILLAN: I am not saying it is not right, but you must keep continuity or go out of business or take the risk of starting from the foundation. There would be a fair chance of Cabinet looking at it favourably if the Producers' Association in the past had been successful. It would be better to ask for £7,000 and to use £2,000 for advertising.

MR. BUTLAND: The Board becomes responsible then for advertising and disposing of stocks.

HON. MR. MACMILLAN: I take it the producer gets any surplus that is over?

MR. BUTLAND said they anticipated a surplus of £8,260 after disposing of stocks.

HON. MR. MACMILLAN: Then apparently we have £8,000 odd which we can recover.

MR. BUTLAND said that went to liquidate the advertising account which had been incurred by the Honey Producers' Association and was approximately £22,000.

HON. MR. MACMILLAN said he would have the interview transcribed and sent down to Mr. Forbes and Mr. Stewart and, if necessary, submit himself to cross-examination to elucidate any points that might be doubtful to them. If times were better they could probably grant it, but the Government was seriously embarrassed financially.

He suggested that after Mr. Stewart had read the report Mr. Butland should interview Mr. Stewart.

MR. BUTLAND said he would be very happy to see Mr. Stewart and would like an opportunity of talking to him.

Supplementary Notes of the interview of Mr. J.R. Butland, representative of the N.Z. Honey Control Board, and the Hon. Mr. C.K. Macmillan, Minister of Agriculture, at Wellington, on 6th January, 1933.

While I think that the notes of the interview more or less satisfactorily cover what took place, I feel that in view of the fact that Mr. Macmillan proposes to send a copy to Hon. Mr. Downie Stewart, something more should be added with a view to making the position clearer to Mr. Stewart, who was not present at the interview.

Respective positions of the N.Z. Co-op. Honey Producers' Assn. and the N.Z. Honey Control Board in relation to the Honey Industry.

It is evident a considerable amount of confusion exists between the functions of the two bodies, the Honey Control Board being generally blamed for the alleged shortcomings of the Honey Producers' Assn. The position in short is as follows,-

The Honey Producers' Assn. is a co-operative society embracing approximately 95% of the commercial beekeepers of New Zealand, and is from a business point of view entirely distinct from the 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 this expenditure, and the understanding that that organisation utilize 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) 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 two seasons this 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 Directors of the Honey Producers' Assn. agreed to allow the signer, who is 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.

The attached copies of letters which passed between myself and Messrs. C. & E. Morton, Ltd., convey a fairly clear understanding of the negotiations relative to the settlement of the Honey Producers' Assn's position and the establishment of a trading system on the part of the Honey Control Board, calculated to avoid a recurrence of the Assn's former trouble.

High Commissioner's cabled recommendation
for £2,000 grant.

I wish it to be clearly understood that while the Board strongly recommends the provision of £2,000 suggested by the High Commissioner for New Zealand to be utilised for the purpose of more quickly disposing of accumulated stocks held in London, the Board does not own these stocks. It is, however, very desirable that a clearance be made at the earliest possible date, and the Board is concerned in that there is no money available from any source for advertising to assist in the disposal of this stock. This means that over a period of 12 months no advertising will be done, and it considers that this is detrimental to the value of the goodwill of the "Imperial Bee" brand, of which it will assume ownership; and at the same time the honey business generally is likely to suffer during the period of the disposal of the accumulated stocks through lack of funds to assist in the prompt disposal.

Loan to the Board.

The suggested loan to the Board of £5,000 is required in order that it can with this money immediately take over the plant for blending and packing "Imperial Bee" honey. This plant will cost in the region of £1,000, and with the balance it proposes to make a contribution towards its commitment for the purchase of the "Imperial Bee" brand. Whilst the Board is not compelled to pay for this brand immediately, it is anxious to avoid for at least a time levies on honey for this purpose, in order that it shall have sufficient funds to properly establish its business under the new conditions. It is anxious also that some payment towards the purchase price should be made to avoid the possibility of any difficulty arising regarding the "Imperial Bee" brand at any future date. The Board considers it of paramount importance to the beekeepers of New Zealand that it secures the ownership of this brand. At the same time it feels that it is very important to the industry that the actual sales under the "Imperial Bee" brand shall be maintained so that the value of this brand will not depreciate before the Board actually takes control of the business.

(Sgd) J.R. Butland,

Government Representative,
N.Z. Honey Control Board.



Department of Agriculture,

Private Bag,

WELLINGTON,

6th January, 1933.

MEMORANDUM for

The Hon. Minister of Agriculture -

The Honey Industry.

Mr. Butland, Government Representative of the Honey Control Board discussed in detail with me today the position of the Honey Industry in London. As you are aware Mr. Butland was appointed by the Honey Producers' Association to visit the Old Country with a view to effecting as satisfactory an arrangement as possible with Messrs Morton Ltd. on behalf of the Honey Producers' Association.

The Honey Producers' Association became deeply involved with their agents in connection with their honey trade, so much so that they were compelled to go into liquidation. The liabilities of the Association amount to some £32,000. Mr. Butland was successful in his negotiations, at least to the extent of determining and arranging ways and means for the Honey Industry of New Zealand to meet this liability. One of the principal objects of Mr. Butland's visit to the Old Country was to safeguard the position of the Honey Control Board, as far as practicable, and the future of the Honey Industry in New Zealand.

As outlined by Mr. Butland the future prospects of the Industry appeared to be good, once a proper system is put under way, but in the meantime considerable financial difficulties exist. One is the finalising of the position relative to the Honey Producers' Association's indebtedness. This, although a matter of importance, is secondary to the main object of this memorandum which is principally concerned in the future of the Honey Control Board and the future of the Honey Industry.

In negotiating the agents of the Honey Control Board have assumed a liability approximating £8,000. £6,000 of this is involved in securing the goodwill of the Imperial Bee brand, and the remainder has to do, the advertising of stocks on hand. Although the Board proposes to carry on much the same class of business as the Honey Producers' Association conducted in the past, the fundamental principles of the conduct of that business will be entirely different, and on a very much sounder basis. But, at the

outset the Board finds that it will be up against a very serious difficulty in carrying on for the next twelve months or two years. In setting out the affairs of the Honey Producers' Association stocks of honey on hand, equivalent to approximately twelve months' sales, had to be taken into account. In consequence of this, the sale of the new season's honey would be hampered. Consequently the Board will have little or no revenue to meet its expenditure in the meantime.

I feel that the proposed policy of the Board, as outlined by Mr. Butland, the full details of which cannot be set out here, is quite sound and has every prospect of success. Once the way is clear for the Board to carry on a clear cut business, the prospects of the New Zealand Honey producer should be highly favourable. To help the Board in its present difficulty it is suggested that the Government provide the Board with capital to the extent of £5,000 by way of loan for a period of ten to fifteen years, and that the Board be eased by way of interest payments for the first two years, and that the amount by way of interest due during that period be added to the capital amount of the loan, and that full payment of the interest over the whole be assumed by the Board after the second year.

If an arrangement of this kind is approved it will greatly assist the Honey Control Board which is assuming full control of the export of honey from New Zealand, placing the Honey Industry on a very much sounder footing than it has been on for some time past.

Director-General.