

N.Z. HONEY EXPORT CONTROL BOARD

CORRESPONDENCE
TO THE CHAIRMANAuckland, 22nd, April, 1933.
NEW ZEALAND

The Director General,
Department of Agriculture,
WELLINGTON.

Dear Sir,

In conformity with your suggestion terminating the conference in Wellington dealing with the Board's request that the Government should back its application for a loan from the Bank of New Zealand, London, we submit the following resume of matters affecting the proposal :-

HISTORY OF THE HONEY EXPORT BUSINESS: Attached is a brief review of the export business from the formation of the Honey Producers' Association to the present time, stating briefly the Board's policy and the reasons for certain recent criticisms.

THE BOARD'S LOAN PROPOSAL: The Board is seeking to raise a loan of £6,000 repayable in six years to purchase the "Imperial Bee" Brand. It is asked that the Government back the Board's account with the Bank of New Zealand, London, for that amount. Security for the loan would be the Brand itself and a levy on honey sold through the Boards London Agents. The security of a levy is dependant on honey being exported. Sales under the Brand have averaged since 1928 504 tons and for the last three years - depression years - 450 tons. These sales bring a premium over world prices and this premium would enable a deduction to be made to meet interest and sinking fund and still leave the produce a much better price than otherwise obtainable. This position would always induce exports. Considerable increase in production capacity has and is being made and only Dominion wide unfavourable seasons would cut out export surplus.

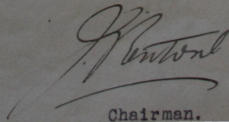
MATTERS LEADING UP TO THE BOARD'S APPLICATION: When the Honey Producers' Association went into Liquidation the Board considered it essential to arrange for the purchase of the Imperial Bee Brand as it was under this brand that New

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Zealand Honey had been largely sold. This Brand was part of the assets of the Association. Mr. Butland arranged, when in London, to pay for the Brand by a deduction of 1d. per lb. on exports. Under the stress of present conditions this deduction would be a heavy tax on producers and an effort is being made to arrange payment by a deduction of $\frac{1}{2}$ d. per lb. from the sales returns of honey exported, the amount eventually being reduced to $\frac{1}{4}$ d. per lb. by continuing the deduction at that figure and making a refund where $\frac{1}{2}$ d. has been deducted. In view of the payments required of producers by the liquidation demands, the Board consider that it is highly desirable that the deduction this year should be reduced to a minimum. The suggested immediate payment by a loan would be a considerable relief to producers in the better returns for export and in the effect such payment would have on the liquidation proceedings. Some present relief is particularly necessary as only a portion of the depot sales will benefit the export this year. Next year when all stocks are cleared the higher prices from depot sales will give an ample margin for deductions. The Associations Shareholders are being pressed for varying and in some cases considerable sums for unpaid capital and recourse. These shareholders comprise nearly the whole of the commercial beekeepers, and the liquidation proceedings therefore affects the industry generally. This position concerns the Board by its adverse affect on production and export. The position could be considerably relieved and Board securing a loan and so making immediate payment for the Brand. The Association's Liquidator, by passing for this payment to the creditors would then be in a position to arrange for spreading the payments asked from producers over a longer period. Producers generally recognise their liability but their pressing requests are for an extended period for payment.

Yours faithfully,



Chairman.

THE EXPORT OF HONEY.

REGULAR EXPORTS commenced with the operation of the N.Z. Co-operative Honey Producers' Association in 1914. Previous to this only small irregular shipments were made by individuals.

HONEY PRODUCERS' ASSOCIATION: This Association was formed in 1913 and practically all commercial honey producers in the Dominion became members. It commenced operations in 1914. Its capital was provided by deductions from moneys due to suppliers and it financed producers throughout its existence by paying prompt advances without any restrictions as to amount of honey supplied. From an export of 10 tons in the first year of its operations exports increased to a maximum of over 1100 tons in 1929. Its payout to producers was always more than prices obtained by competing countries, except during 1918 when shipments could not be made from New Zealand on account of war restrictions.

MARKETING POLICY OF ASSOCIATION: The Association adopted a policy of standardising the quality and selling as much of the honey as possible in retail packages either through its own depot or through other packers. This policy included extensive advertising in the United Kingdom, some 248,000 having been spent during the Association's operations.

REQUEST FOR HONEY CONTROL ACT: By 1925 through the operations of the Association and its system of marketing, New Zealand Honey had become the premier honey in Great Britain. The essential in the system was the presentation to the public of a definite quality. While the distribution of the Association's honey was so controlled as to obtain this objective, shipments by individuals were sold for table use irrespective of quality. The Department of Agriculture has on its files communications from the High Commissioner at the period pointing out the disastrous effect this policy was having on the honey business overseas. A further case occurred in Denmark where a London packer who had bought an individual shipment of below standard honey, packed it and sold it in Denmark where the standard pack was well established. This honey not being subject to advertising and Association overhead charges was sold at cut prices and caused a fall in the New Zealand price throughout Denmark. The Commercial Producers of the Dominion were of opinion that their marketing methods had secured them a considerable advantage and almost unanimously asked for a Control Act to conserve this advantage.

HONEY CONTROL ACT PASSED: The Honey Control Act passed in 1924 was brought into operation by a vote of producer-exporters in 1925. With a view to achieving the object desired with as little disturbance as possible the Board only took limited control providing that all honey to the United Kingdom and the Continent of

Europe should go through the Board's Agents. Shippers made their own arrangements and account sales were rendered direct to them. As formerly, 95% to 98% of the honey continued to be shipped by the Producers Association. This Association carried all the cost of organised marketing, individual shippers only being debited with advertising charges.

WINDING UP OF THE ASSOCIATION: Up till 1928 exports according to the season, had, varying each year, reached an average of 500 tons a year. In 1928 the exports exceeded 1,000 tons and in 1929 1,100 tons. This big increase in exports was followed by the trade depression and the Association was burdened by an accumulation of stocks, much in excess of its packing requirements and on which advances had been made far in excess of slumped prices. The accumulated stocks and local selling factors made it difficult for the Association to give efficient service and the condition of the honey business export and local during the last three years is the result. Early in 1932 at a joint meeting of the Board and the Directors of the Association it was decided to recommend that the Association go into liquidation and that Mr. J.R. Butland be appointed to arrange with the London Agents with regard to liabilities and also secure for the Industry the Imperial Bee Brand.

ABSOLUTE CONTROL: The Board took absolute control over exports on March 8th last. In doing this they were meeting the wishes of producers as expressed through the National Beekeepers Association. The Board's initial policy is affected to a certain extent by the liquidation proceeding of the Honey Producers' Association. The arrangements made in London by Mr. Butland will, however, mitigate these to a certain extent and will enable the remaining stocks in London to be disposed of with a minimum of disturbance to current exports.

The Board intends to market the honey as previously as far as possible in retail packages. Sufficient for a years supplies for this purpose will be retained and should exports be in excess of these requirements the balance will be sold to best advantage and as quickly as possible to avoid storage charges. Continuity of supply is essential, but accumulation of stocks will be avoided. With this in view advances will be conservative and producers requirements met by progress payments and yearly settlements. Honey comes forward only at one period of the year and varies greatly as to quantity so that advances have to be made against sales twelve months ahead and against an unknown quantity. For the current year the Board's sales will not fully participate in the higher returns from the packing business there being still some liquidation stocks to dispose of. These, however, will be cleared this year, and the export position will again be normal so far as stocks are concerned.

The Board is definitely of the opinion that the marketing policy pursued in the past has built up for New Zealand Honey a premier

position which can only be maintained by controlled distribution and that at the present time this is only practicable by using one distributor. The Board also is of the opinion that while the objective is the sale of honey in retail packages, Messrs. C. & E. Mortons, with their world wide organisation, are entirely satisfactory as Agents. An Agreement has been entered into with Messrs. C. & E. Morton Ltd, for a five years agency. This Agreement can be terminated by the Board by six months notice providing the Board repays Mortons all moneys due to them. The Boards control covers the United Kingdom, Irish Free State and the Continent of Europe. The Board will issue licenses for export to certain ports of the Continent, the reservations being with regard to countries where our packed honey is well established and prevention of shipments to continental ports for reshipment to the United Kingdom. There are no restrictions with regard to shipments elsewhere, only that there is a levy of 1/6d. per lb. on honey shipped. For the future use of the industry the Board has agreed to buy the "Imperial Bee Brand" for 26,000, payment to be made by deductions from sales returns. As the brand is part of the assets of the Association and has to be realised on to help pay the Association's debts it will be necessary to retain 3d. per lb. for this purpose. Deductions will, however, be continued at 1d. per lb. till the full 26,000 is realised, and a refund made where 3d. was deducted. A loan to meet the payment would be much more satisfactory and the Government has been approached to endorse the Boards account with the Bank for this amount. Advertising has been discontinued until the Board's honey is being sold through the packing depot. Attached is information issued by the Board with regard to export arrangements and advances.

OPPOSITION TO THE BOARD: This comes from two different quarters the commercial community who resent the interference with trafficking in honey and the consequent loss of profits to themselves and a small number of beekeepers and mostly producers in a small way. The first class of critics is not influenced by the success or otherwise of control but only by its restrictions and its criticism is designedly destructive. Beekeepers opposed to the present policy can always vote in a Board to carry out their particular views and the fact that they have put up no candidates at an election, one being held annually, shows that the number opposing the Board is inconsiderable. That there is considerable disturbance and anxiety among honey producers at the present time is admitted. The collapse of their own organisation and consequent dislocation of prices on the local market, with the Liquidators demands for recourse has come as a serious embarrassment to many.

CRITICISMS:

EXPORT MARKETING: Critics attack the Board on the assumption that the Board has been solely responsible for the marketing of export honey in the past. As shown above 95% to 98% of the honey exported was voluntarily exported through the producers own Association. The Board's responsibility was confining distribution to one distributor. Apart from the peculiar conditions applying to honey making a controlled distribution necessary, the policy in cutting out competitive selling is supported in its adoption by the Canadian honey people, by its recommendation to English Beekeepers by their Department of Agriculture and by its adoption by our Fruit Board. The opposite policy as used in selling our butter can be compared by results with considerable advantage to the honey distribution system. As the Board will, in part be continuing the marketing policy initiated by the Association certain criticisms can be taken as applying to the Board. The advantage of one distributor has been pointed out. That the distribution of New Zealand Honey has not suffered thereby is shown by its being in more shops in the United Kingdom than any other New Zealand produce, although honey in Britain is far from a daily article of food. Outside the United Kingdom it is well established in Northern Europe and the attached sales sheets for three months show its introduction into many parts of the world. Many cannot understand why we do not sell larger quantities under the circumstances, having in mind the considerable use of honey in New Zealand. It is the failure to realise the small use of honey in the United Kingdom and many other parts of the world that is at the bottom of much misunderstanding. The United Kingdoms consumption of honey is about 5000 less than double what we use in New Zealand with our small population. Probably one quarter of the 5000 goes into manufacturing for which very cheap honeys can be obtained from Jamaica, Cuba, Chile, Russia and other foreign countries.

The Empire Marketing Boards report 1932, Paragraph 66, says "Practically all retailers regarded honey as a very minor sideline in their business," and in Paragraph 58, "The minor position of honey in the scale of commodities is indicated by the very large proportion of shops which were selling under 10 lbs. of honey a month."

PRICES OF RETAIL PACKAGES AND RETURNS TO PRODUCERS: This criticism does not affect the Board as its selling policy will not involve heavy charges for interest and storage. The considerable difference between returns to producers and retail prices of packed honey in New Zealand are sufficiently comparative to explain much of the difference that must necessarily exist. Also a fair amount of honey exported is not suitable for packing and quite a few producers who complain of low prices could find the reason in

the quality of their product.

ADVERTISING: Criticism by the producer mostly hedges round advertising expenditure, and while he is paying for someone's advertising everyday in his daily purchases he fails to realise that someone else has paid for his. Advertising expenditure since 1928 was heavy, the Association adopting a policy of advertising to quit its heavy stocks as likely to cause less loss on its advances than by meeting the low prices to which competitive honeys had fallen. The producer can ascertain what advertising is costing him by comparing his returns with those of competitor countries which do not advertise. New Zealand Producers have, barring 1918 previously referred to, received a higher return for their exports than any other country. There is no other reason for this than the system of marketing of which advertising forms a part. In marketing we claim that our honey is the best in the world and this contention was upheld by a German court in 1928. But this claim can only be made good by the way the honey is marketed - standardisation, and keeping inferior honeys off the table. As exported our honey is no better than Canada, U.S.A., Russia and other clover growing countries.

THAT PRODUCTION IS GOING BACK OWING TO THE OPERATIONS OF THE BOARD:
New Zealand Honey production today is 3000 to 4000 tons. The Department's figures show considerable increase in bees and beekeepers. The Honey Industry is one of the few primary industries in which capital expenditure to increase holdings was made last year.

ENCLOSURES:

Information issued by Board.
Report on Advertising by Mr. F.E. Robson.
Three months sales of honey outside of Europe.

F. E. Robson
22/4/55