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TELEPHONE 43-462

N.Z. HONEY EXPORT CONTROL BOARD

ECM.

Director-General of Agriculture
 Referred for draft reply.
 15 OCT. 1934
[Signature]

Suckland, 12th. October, 1934.
NEW ZEALAND

The Hon. Minister of Agriculture,
WELLINGTON.

Dear Sir,

Resulting from our meeting in Wellington on the 20th. September, I am now able to fulfil the arrangements made, that a brief survey of the position relative to the unsatisfactory stocks held in London by the N.Z. Honey Producers' Association Ltd. in liquidation, be communicated to you with a view to obtaining the suggested assistance for the Honey industry.

I desire to make it quite clear that the Honey Control Board is not in any way interested in the affairs of the N.Z. Co-operative Honey Producers' Association Ltd. in liquidation, or the stocks held by that Company in London, other than the effect the liquidating of this stock is having, or is likely to have, on the goodwill of the Imperial Bee brand which has been purchased by the Honey Control Board from the Company.

As you are already aware I negotiated the purchase of the Imperial Bee brand from the principal creditors, Messrs. C. & E. Morton Ltd., London, (which purchase has since been confirmed by the Liquidator), on behalf of the Board for £8000 sterling. At the time of negotiation there was an accumulated stock of honey, some very unsatisfactory, which was held by the Company. A condition of the purchase, at the particularly advantageous price of £6000, was that the Board would allow the use of the brand and the packing plant until such times as this honey was disposed of. It was considered advisable to allow this stock to be liquidated through the packing depot on account of the fact that it would, as the result, bring a considerably higher price than if the honey had to be sacrificed in bulk on the London market. You will realise that such bulk selling would have meant additional recourse on the producers in New Zealand. The Board considered that as it was able to satisfactorily deal with its export and obtain a particularly high price by selling in bulk that it could carry out this policy for at

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least a season, or perhaps two seasons, without in any way prejudicing the Board's interests, apart from the question of the possibilities of goodwill on the brand. By allowing the Company's honey to be disposed of at a high premium under Imperial Bee brand the Board was serving the general interests of the industry by preventing additional recurrence. This policy has worked out exactly to schedule and has resulted in the liquidation proceeding satisfactorily. The Board has been able, independently of the Imperial Bee brand and packing depot, to sell the whole of last season's export, returning satisfactory prices to the producers, in fact, considerably higher prices than have been obtained for many years, and very much in excess of that being returned to producers in any other exporting country in the world.

At the time this settlement was made I knew that there were about 120 tons of unsatisfactory honey, some of which has been held for many years, which would ultimately present difficulty. With the object of preventing this honey being used in Imperial Bee blend in such proportions as would interfere with the quality of the pack, the Board made it a condition of the arrangement that quality had to maintain to Board's standard, and the Board has regularly received samples from England, in order to check up on each blend that is packed, and has with C. & E. Morton Ltd. and the Liquidator an agreement that we have the right to stipulate the standard of the pack. This was arranged with a view to preventing what I realised was in process of the liquidation a possible danger to the brand. So far the arrangement has worked satisfactorily, and the quality has been maintained by the blending of larger proportions of white honey as the gradual disposal of the better samples of old honeys brought about the necessity of using the remaining much darker honeys. By this means the accumulated stock of unsatisfactory honeys, which was approximately 120 tons, has been reduced down to approximately 50 tons, the arrangement having disposed of approximately 70 tons at £50 per ton above its value, which is of considerable benefit to those concerned in the liquidation with little ill-effect to the Board. Those concerned in the liquidation now face the position of disposing of the balance of this stock, which the Board refuses to allow to be used in a sufficiently large proportion in the blend to enable it to be disposed of within a reasonable time. Indeed some of this honey is absolutely unfit to be used in Imperial Bee blend.

I realised in the beginning that a proportion of this stock at time of settlement was unsuitable for blending, but by adopting the policy outlined above it has enabled the

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quantity of unsatisfactory honey to be reduced down to a very much smaller tonnage than was the case had the position been faced when the settlement was made. It meant that instead of having had to deal with 120 tons there now remains only approximately 50 tons.

The fact which has to be faced now by the Company is the disposal of this parcel of approximately 50 tons. If the Board does not take any action re its disposal and refuses to allow this honey to be packed under Imperial Bee blend, which I consider we must do, because we cannot take the risk of prejudicing the goodwill of the brand after so much money has been spent in its building, either the producers must be called upon to pay additional recourse, or the principal creditors suffer the loss. It is not, in my opinion, a loss which should be carried by the creditors as the Honey was taken over in its present condition from the Company's previous agents in good faith. Neither, in my opinion, is it possible for the producers, in their present circumstances, to face the necessity of finding the difference between the price at which this honey was taken into the settlement and the realisable price on the London market, without adding to the already heavy burden they are carrying as a result of the liquidation. Producers have had three seasons in succession where the crops through the principal producing centres in New Zealand have been a failure and I feel that as the export side of the industry has now been organised to a position where it has an excellent chance of getting on its feet, some steps should be taken by the Board, with the idea of enlisting the Government's support to consolidate the whole position and give the industry the chance it needs. The proposal is that further moneys be found and the Board assume responsibility for the balance of the unusable honey held by C. & E. Morton Ltd. on behalf of the Liquidator.

By purchasing this honey at the price at which it was taken into the settlement the Board would sustain a considerable loss, because it would have to dispose of the honey at an extremely low price through some source where it could not be identified as New Zealand honey.

It is estimated that it would require approximately £5000 to clear this situation up and as the purchase of the brand for £6000 was on condition that the brand and packing plant could be used in the disposal of the Liquidator's honey I suggest that the total amount of the purchase price of the brand should be increased to what it was assumed the brand was originally worth, namely, £11,000 to £12,000. In consideration of the increase in the purchase price of the brand, the Liquidator and the creditors jointly agree to hand

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over the Brand, Plant and 50 tons of unsatisfactory honeys so that the Board can immediately commence to put into full operation its marketing policy for the disposal of next season's crop. It is difficult to estimate the exact figures but I am of opinion that if the Board commences to pack and sell under Imperial Bee brand as against having to pack and whole export in bulk, it would recover in two good seasons through the premium obtainable, the total amount required to adjust the position.

It is perhaps unnecessary to remind you that the industry, apart altogether from the question of the liquidation of the N.Z. Honey Producers' Association has suffered tremendously over the last three seasons on account of the failure of the crop, and no appeal has been made by the producers to the Government for financial assistance on that account. I am confident that the export honey business is now facing a very encouraging future, and would suggest that with a view to placing the export industry in a position to take full advantage of the opportunities which now present themselves, the Government consider making a definite grant of the amount suggested to bring about the conditions outlined above. I believe that negotiations with the creditors and the liquidator might result in the creditors voluntarily agreeing to carry a proportion of the amount required in settlement, but such negotiations cannot be opened up until the Board is in a position to know whether the Government is prepared to render the assistance necessary.

You have been good enough to promise to consider the whole position and expressed your conviction that the Board should be assisted to get into a position where it can pursue the policy it has already laid down. Your suggestion was not along the lines of a grant, but I feel that the case is sufficiently sound to warrant this being considered. If the matter is finally to be adjusted by loan along the lines discussed might I suggest that it be taken into consideration that the Board is already obligated to find £6000 plus interest at 4% spread over five years. It was suggested that the previous loan may be reconsidered and if the matter is to be adjusted by loan that the amount required, namely, approximately £5000 sterling, be added to the previous loan and the total spread over a period of ten years and the interest rate previously agreed be reconsidered. I believe that under present conditions an interest rate of 3% would not be unreasonable and I offer the suggestion for your consideration.

I would mention that in referring to quantities of honey and the amount required to settle I have mentioned these approximately. You will appreciate the reason for this is

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that whilst honey is being sold and packed every day in London it is impossible to get an exact figure until negotiations are opened up with Messrs. C. & E. Morton Ltd.

The Board greatly appreciates the interest you have taken in this matter and I am hopeful that it will be possible soon to reach such finality as will enable the industry to obtain the full benefit of the goodwill that exists in England for New Zealand Honey.

I shall be happy to supply you with any further information which you may require.

Yours faithfully,
N.Z. HONEY CONTROL BOARD.


Chairman.