

# HONEY CONTROL BOARD.

## Report of Producers' Representatives.

### Responsibility to Producers.

It is with a sense of deep responsibility that we make this report to the honey producers of the Dominion. For five years they have trusted us as their elected Members of the Honey Control Board, to conserve and protect their interests, and we feel that, as we shall not continue giving this service after March 30th (owing to the unanimous resignation of the Honey Control Board), we should place all the facts before them that are likely to affect the security of their livelihood or the returns received for their product.

The producers' representatives on the Board as well as the Chairman, have always been amongst the keenest fighters for organised and regulated marketing of honey on the local as well as the export market. We have aimed at securing for producers the maximum possible returns with the minimum of expenditure. The Board's pay-outs show how the whole Board have worked towards this end, and how successful they have been. We wish to pay a tribute to our Chairman, Mr. J. R. Butland, without whose able leadership our achievements would not have been possible.

Producers are anxious to know the history of events in the industry leading up to, and the reasons for, the Board's resignation. They are anxious and nervous regarding the future of the industry. They are entitled to all the information available. They are the jury. It is our place to give them the evidence. It is for them to deliberate and make the decisions.

### Collapse of Marketing Concerns.

Honey marketing, especially on a co-operative basis, is a most difficult and delicate problem, as evidenced by the collapse of the N.Z. Honey Producers' Association nearly six years ago. The members of N.Z. Honey Ltd. have also, no doubt, realised to the full the difficulties involved.

Honey is produced in a multitude of colours and flavours. Honey marketing organisations need special knowledge of the following "points":

- (1) The product;
- (2) Its preparation for the market;
- (3) Its presentation to each particular market;

- (4) The special appeal of different types to different consumer demands;
- (5) The application of sound, proved business and sales principles to the actual marketing of the honey;
- (6) The safe application of the laws of supply and demand to the various markets;
- (7) The retention of the confidence of producers and consumers.

### Honey Marketing Organisations.

The honey-marketing organisations which have been connected with the industry are:

- (a) The N.Z. Honey Producers' Association (termed H.P.A.), which failed and went into liquidation.
- (b) The Honey Control Board.
- (c) N.Z. Honey Ltd. which has recently gone into liquidation.
- (d) The Internal Marketing Department.

In the case of (a), the H.P.A. was established by producers to stabilise the local market. The overseas market was gradually built up by the Company through years of effort. The Company eventually failed because of competitive selling and price-cutting by its own shareholders on the local market, and because of its weakness in respect to the latter "points." The collapse of the H.P.A. threw the industry into a chaotic condition as regards the local market, and resulted in the shareholders being faced on the export market with a debt of £24,000 to a London firm. To recover this deficit, the shareholders of the H.P.A. were forced to refund a percentage of their receipts from honey sent to the Company. Such refunds in some cases run into substantial amounts.

### Failure of N.Z. Honey Ltd.

In respect to (c), N.Z. Honey Ltd. was established for similar reasons as the H.P.A., and an examination of the figures set out below will show the extent to which this Company was forced to lean on the export market to increase its pay-out to its suppliers.

For 1934, the loss made on local selling by the Company averaged 2.53d per lb., that is, the price realised below export parity. The honey exported by the Company had to bear a deduction by the Company of an average of .4d per lb. for overhead charges.

For 1935 there was only a difference of ½d. per lb. between the pay-outs of the Control Board and the Company. Why was this? Because the Company only marketed roughly one-quarter of a million pounds locally, and exported nearly a million pounds (four times as much). The amount of the loss per lb. on the local market was reduced to 1.37d per lb., and a slight profit above the costs of production of .38d was made. Despite the "local sales" loss of 1.37d per lb., the pay-out was only ½d. per lb. below that of the Board, because the larger proportion exported brought in the Control Board's high-level pay-out to be spread over only a quarter as much honey sold locally at a "loss."

In marketing 1936 season honey the Company DOUBLED its LOCAL SALES and HALVED its profitable EXPORTS, with the result that it paid out 1½d. per lb. less than the Board and made an appeal to the Government to save it from collapse. The nett return per lb. of honey sold on the local market decreased by ½d. per lb.; the loss below export parity increased by 1d. per lb., or 73 per cent., amounting to 2.37d per lb. The honey sold on the local market (477,786 lbs.), actually was sold at .12d below the costs of production.

Summarised, the sales in the local market during the three years gave a return that averaged .27d below the costs of production.

The lessons of the H.P.A. and N.Z. Honey Ltd. were clear-cut. The policy of the Internal Marketing Dept. is apparently framed along similar lines.

#### Orderly and Profitable Local Marketing Needed.

We may be pardoned for having referred at such length to the affairs of N.Z. Honey Limited, but we do so because it affords such a clear and recent example of the efforts to deal with the position of the local market without an adequate and proper method of control and because the methods of marketing decided upon by the Internal Marketing Department follow very closely along the lines upon which the late Company operated within its own local sphere. It is, we think, reasonable to assume that if the direction of N.Z. Honey Ltd. has been efficient, then no better returns can be expected from the Internal Marketing Department operating along similar lines, except insofar as it takes unto itself the whole benefit of the export premiums.

The figures quoted, we think, will convince any producer who takes the trouble to examine them, that any system which aims to market an undefined portion of the season's production along the lines hitherto adopted, must tend towards similar uneconomic prices, and that it is only by the adoption of some such system as that advocated by the Board and approved by the various meetings of producers in the past (including the adoption of internal grading regulations and price fixation) that orderly and profitable marketing can result. We have read and fully approve and endorse the statement of the position which has been prepared by Mr. J. R. Butland, but we have dealt more at length with the

question of internal marketing because this has only been touched on incidentally in his report. We feel that we cannot usefully add further to the statement which he has issued, except perhaps to emphasise the position in regard to the "Imperial Bee" brand.

#### Rights of Contributors to Board's Assets.

"The "Imperial Bee" brand had been built into a valuable asset in the overseas market by the late N.Z. Honey Producers' Association. When the Company collapsed, this asset was bought by the N.Z. Honey Control Board for £10,000 for the use of exporters of honey through the Board. The money was borrowed from the Government. The exporters of honey during the past five years have contributed from their pay-outs the sum of £6,100 which has been paid off the £10,000 loan, plus a levy over the same period for advertising which has considerably enhanced the goodwill value of this asset.

The development of the overseas market to its present capacity of increased profitable sales has been achieved at the cost of the capital of the exporters through the Board during the past five years.

Any system of pooling which does not offer adequate alternative benefits to those who alone have contributed to the building up of the Board's assets, is a grave injustice to the exporting producers, and the system adopted by the Internal Marketing Department certainly makes no such provision.

The Board claims to have handled the export marketing with some degree of success; it has been working for and advocating a system of internal marketing along the only lines which it considers will give to producers the financial returns to which they are entitled; it finds its powers curtailed and its advice ignored on policy matters where it might have expected that its special knowledge of the needs of the industry would be entitled to some weight; it finds a marketing policy adopted which is in opposition to its expressed views and to the recommendation made to the government by various producers' meetings.

Under such circumstances the Producers' representatives on the Board do not feel that they can continue to function with satisfaction to themselves or with profit to the industry.

We feel that we have discharged our duty by pointing out the facts as we see them, and it now rests with the producers themselves as to whether they give timely heed to the warning sounded by the retiring Board, or whether they prefer to await the financial results which the Board has forecasted will follow from the policy now in operation.

P. A. HILLARY,  
W. WATSON.

Producers' Representatives

Auckland, March 28, 1938.