

REPORT
OF A
COMMITTEE OF GOVERNMENT
CAUCUS
ON AN INQUIRY
INTO THE
NEW ZEALAND
HONEY INDUSTRY

MARCH 1972

BY AUTHORITY:
A. R. SHEARER, GOVERNMENT PRINTER, WELLINGTON, NEW ZEALAND—1972

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I. INTRODUCTION

1. It has for some time been evident to the Government that there is a growing dissatisfaction among the various sections of the honey-producing and honey-marketing industry and some apprehension by producers about the future of honey production.

2. This committee was appointed to make an independent investigation of all aspects of honey production and marketing with a view to assisting the industry by recommending such changes as may be thought to be in the best interests of the industry generally.

3. The committee has been asked to study particularly the present methods of production and the organisation of the local and export marketing of honey. Among other aspects of the industry the committee has been asked to consider—

- (a) Whether the full potential of the economic production of honey (and honeydew) is being utilised.
- (b) The methods used to prepare honey for sale on the local market.
- (c) The procedures adopted for preparing, assembling, inspecting, and grading honey for the export market.
- (d) The role, constitution, organisation, and politics of the different administrative and marketing agencies in the industry.
- (e) The policies that should be adopted to maintain a viable and expanding beekeeping and honey-producing industry to keep the local market fully supplied on an economic basis, and to use all export opportunities to the best advantage to the industry.

II. PROCEDURE

4. The procedure adopted by the committee was—

- (a) To invite interested persons and organisations to make written submissions on any or all of the matters falling within the terms of reference of the committee.
- (b) To give such persons and organisations the opportunity, if they so desired, to appear before the committee to amplify their submissions.
- (c) To seek the advice and counsel of persons and organisations not making submissions, but whose views the committee considered could be helpful to its deliberations.

- (d) To observe the operations of the New Zealand Honey Marketing Authority's premises at Auckland and Pleasant Point and a typical honey-packing plant at Pleasant Point.

5. In all, 36 submissions were received and are listed in the appendix to this report.

6. Hearings were held at Wellington, Auckland, and Timaru. These hearings were not public. They were simply informal discussions between the committee and those who had made written submissions principally so that the committee could obtain any additional information and explanations required. A total of 29 persons attended the hearings, either in their private capacity or as representatives of organisations in support of 18 of the written submissions.

In this report the committee has examined :

- (a) Information on the present production of honey and the opportunities for increasing production.
- (b) Information on the packaging and processing of honey and the scope for improvement in the presentation of the product.
- (c) The system of honey grading.
- (d) The alternative methods of honey disposal available to producers.
- (e) The events leading to the establishment of the New Zealand Honey Marketing Authority, and the constitution and functions of the authority.
- (f) The present system of honey export control.
- (g) The structure and functions of the various administrative organisations operating within the industry.

7. In conclusion, the committee has made certain recommendations which it is considered should, if adopted by the industry, provide incentives for increased production through a more rational system of marketing.

III. HONEY PRODUCTION

8. In March 1963 a meeting of representatives of interested organisations had discussions with a view to making an assessment of the beekeeping industry. The report of this discussion made the following observation on the source of supply of honey at that time:

9. "While there are many minor sources of nectar supply such as buttercup, catsear, *Lotus major*, and thistle, etc., the chief source of

the main honey crop in New Zealand is white clover (*Trifolium repens*). The use of weedkillers today has resulted in many of the weed sources disappearing and beekeepers are relying more and more on white clover as a nectar source. Light or heavy rolling sheltered country where there is adequate rainfall is best for nectar secretion from white clover pastures. Beekeeping in bush areas is confined chiefly to the west coast of the South Island, where large quantities of honey are produced from rata (*Metrosideros lucida*), kamahi (*Weinmannia racemosa*) and from blackberry growing on waste lands. It is not considered that the disappearance of weeds (through the use of weedkillers) is having any effect on the production of the darker honeys."

10. This is still true. In addition, changed farming practices with more cereal cropping and fewer pastures, and controlled grazing on these pastures, resulting in a reduction in nectar-secreting plants, have led to a change in beekeeping practices. Beekeepers now establish more apiaries, containing fewer hives in each apiary, than previously, with shorter distances between apiaries. This procedure exploits more fully the reduced nectar potential.

11. All apiaries are required to be registered with the Department of Agriculture under the Apiaries Act 1969. It has been customary to classify beekeepers as follows:

Hobbyists: Those owning 1 to 29 hives.

Semi-commercial beekeepers: Those owning 30 to 399 hives.

Commercial beekeepers: Those owning 400 or more hives.

12. The view that has been generally accepted for many years that 400 hives are an economic holding for one man seems to be no longer justified. The average production per hive has fallen from 65 lb over 1960-64 to 57 lb in 1965-69. At the same time operating costs have increased. In the North Island land development has cleared thousands of acres of scrub and flowering weeds previously available to supply hives with nectar and pollen. Much of this is now pasture land yielding only clover between the months of November and February. It has become necessary for beekeepers to move hives to temporary locations in the spring to obtain supplies of honey and pollen to build up strong hives, and also to gather the main honey crops. This seasonal shifting of hives is now an accepted part of beekeeping practice in the North Island and requires trucks and expensive equipment plus extra labour.

13. A similar situation exists in the South Island, except that the reduction in nectar-bearing pastures, and the short honey-collecting

season compared with that in the North Island, has involved beekeepers in greater expense in leaving increased quantities of honey in the hives for winter feed, supplemented by sugar—and the expense increases in times of a prolonged scarcity of nectar.

14. Producers' selling prices have not increased to the extent necessary to meet these increased costs, with the result that a one-man unit now requires a minimum of 1,000 hives to be reasonably economic. The trend has been for the smaller businesses to be absorbed by the larger ones. The following table shows how hive ownership has moved towards the larger holdings.

Table 1

	1961			1971		
	Beekeepers	Apiaries	Hives	Beekeepers	Apiaries	Hives
1-29 hives	4,118	4,457	16,715	2,726	3,379	12,601
30-399 hives	456	3,078	53,777	351	2,582	39,935
Over 400 hives	150	5,426	107,561	151	8,384	148,238
			178,053			200,774

15. A further breakdown of the "over 400" figures is not available, but this would show a trend towards concentrating ownership in the "over 1,000" bracket.

16. The department makes an assessment in April of each year of the likely crop. There is no way of checking the accuracy of these assessments without access to the stock records of producers and packers, but the figures have been accepted as a reasonably reliable indication of the tonnage available annually for local requirements and for export. The assessments over the past 20 years are as follows:

Table 2

1952 to 1961 (tons)		1962 to 1971 (tons)	
1952	3,866	1962	5,296
1953	3,900	1963	6,009
1954	6,450	1964	5,465
1955	6,447	1965	4,030
1956	7,000	1966	5,850
1957	4,600	1967	4,570
1958	5,885	1968	4,195
1959	3,786	1969	6,670
1960	5,469	1970	5,678
1961	5,446	1971	5,570
Average = 5,284 tons		Average = 5,333 tons	

17. It will be seen that, if fluctuations through climatic conditions are disregarded, production has remained relatively constant from an increasing number of hives. There seems to be scope for hive numbers to be increased in certain areas in both the North Island and the South Island, the figures suggested being:

In the North Island, an additional 39,000 hives to produce 1,240 tons.

In the South Island, an additional 20,000 hives to produce 800 tons.

18. In the main, however, these hives would be placed in difficult country and the costs of operating would be higher than the present average operating costs of hive holdings. It is unlikely that those producers with the financial resources to expand their holdings into new territories (as opposed to expanding through buying up smaller holdings) would do so unless the incentives were greater than under present conditions:

IV. HONEY GRADING

19. Honey is graded by the Department of Agriculture under the Honey Export Regulations 1950. The regulations are at present being revised. Honey may not be exported unless it has been graded and a grade certificate has been issued. The honey must also comply with certain requirements of the regulations relating to packaging and condition.

20. All honey supplied to the New Zealand Honey Marketing Authority is subject to grading by the Department of Agriculture, irrespective of whether it is destined for the export or local market; but honey supplied to the South Island depots and intended for the local market is graded (for the authority's own payout purposes) by the authority's branch managers.

V. DISPOSAL OF HONEY BY PRODUCERS

21. The hobbyists and smaller, semi-commercial producers dispose of their honey by sales direct from the apiary to consumers.

22. Other producers have the following courses open to them:

- (a) They may pack in retail or bulk containers and sell direct ex-apiary (including mail order) to consumers and also supply local retailers.
- (b) They may sell in bulk containers to producer-packers.
- (c) They may supply the New Zealand Honey Marketing Authority in bulk.

Direct Sales

23. Most producers make some sales from the apiary direct to consumers and also supply their local retail stores. There is no reliable estimate of how much honey is sold by these methods. There is probably an increasing trend towards direct selling, because of the producer's general dissatisfaction with the prices he receives for bulk supplies.

Sales to Packers

24. Some producer-packers have built up substantial businesses and handle a great deal of honey derived from their own apiaries and bought in from other producers. In the main they provide a useful service to the producer and the consumer. In general, producer-packers manage their own businesses and they are situated close to their sources of supply and areas of distribution. They usually buy the class of honey for which there is a ready sale and they are not subject to a meticulous grading system. For these and other reasons their overheads are probably less than those of the authority and they should be capable of supplying the local market as effectively as and more cheaply than the authority.

Supplies to the Authority

25. The authority will accept all marketable honey, including honey which by processing and blending may be made marketable. Honey supplied is subject to the authority's conditions of supply, which lay down the types of container in which the honey is to be packed, the arrangements for delivery to branches and depots, and the advance payment payable when it is offered and when it is graded. A final payment is made in November, being calculated on a payout points system based on grading.

VI. NEW ZEALAND HONEY MARKETING AUTHORITY

Events Leading to the Establishment of the Authority

26. In view of the influence exerted by the New Zealand Honey Marketing Authority over honey marketing—it handles about 30 percent of the total crop and producer-packers have regard to the authority's pay-out prices in determining their own purchase prices—it has been considered relevant to the inquiry to study the background to the development of the authority.

27. The organised honey-marketing schemes that have operated at various times over the years have all been mainly concerned with achieving stable prices for commercial producers over good and bad seasons. The crop is usually sufficient for domestic needs. The difficulty has been to organise disposal of surpluses evenly, maintaining a reasonable amount of export honey and the interest and goodwill of overseas buyers.

28. Two separate attempts, by the Honey Control Board and later by the producer co-operative New Zealand Honey Ltd., to regulate the disposal of honey failed through lack of financial backing. In years of plenty they had insufficient funds to buy all the honey offered and in years of scarcity they were unable to compete with the high prices the producers were obtaining on the local market. Importers of honey in the United Kingdom found they could not rely on regular supplies of honey each year from New Zealand and made more suitable arrangements for honey from other countries.

29. In 1938 the Internal Marketing Division of the Marketing Department took over control of honey marketing, instituting a system of pooling returns from local and overseas sales and paying for supplied honey according to quality. There was no obligation to supply honey to the division, so white clover honey, the most desirable grade, was mostly sold locally, and darker, less desirable grades were sold to the division for export in glut years.

30. When the division took over honey marketing, a Honey Marketing Committee was established to advise the department. Later, under the Primary Products Marketing Act 1953 the Honey Marketing Committee became the New Zealand Honey Marketing Authority, an executive, statutory, producer organisation.

Constitution and Functions of the Authority

31. The authority is constituted under the Honey Marketing Authority Regulations 1964. It comprises four members elected by producers and one Government representative. The principal functions, as outlined in the regulations, are to promote and organise the marketing of honey and to assist in the orderly development of the honey-producing industry. More specifically, it carries out the following functions:

- (a) Receipt and storage of honey in bulk exportable containers at depots for grading and export sales.
- (b) Receipt of honey in bulk containers for processing at branches at Pleasant Point, Hornby, and Auckland.

- (c) The making of advance payments after grading during the year.
- (d) The selection and sale of bulk honey overseas.
- (e) The processing and packaging of a wide variety of honeys for the local and overseas markets.
- (f) The collection, administration, and distribution of the seals levy to support the balance between the payout by packers and the trade to producers, as well as to finance industry development and promotion.
- (g) To offer a market to those producers of honey whose product is not acceptable to packers, and who have not the facilities to pack and market their own product and so maintain an additional pollination service to primary industry.

Development of the Authority

32. When the authority was established in 1954 it took over the stock of honey from the Internal Marketing Division and also the lease of the division's packing premises and store in Auckland. In 1959 the authority built its own premises in Auckland and continued the policy established by the Internal Marketing Division of drawing off and disposing of the exportable surplus of honey, leaving the bulk of the local market to the private producers. In 1968, however, a radical change was forced on the authority.

33. The honey crop had been low in 1966-67 and 1967-68. Up until these seasons the average annual supply to the authority was 1,000 tons or more. In 1966-67 the authority received 601 tons and only maintained its previous rate of payout to producers by drawing on its reserves. In March 1968 it was estimated that the authority would be supplied with less than 400 tons for 1967-68. Packers had been competing vigorously for the little honey available and the authority had been compelled to undertake to pay a maximum of 14 cents a pound (a $2\frac{1}{2}$ cent increase) to ensure that some honey at least was available to keep the plant operating and to keep the authority in a position to regulate the price of honey on the local market. The increase in payout was estimated to reduce the authority's reserves by a further \$10,000, and the authority was then faced with the possibility of closing the Auckland plant, at a considerable financial loss, because a further year of low intake would completely exhaust the remaining reserves.

34. In May 1968 two packing plants in the South Island were offered for sale to the authority. In both cases large stocks of honey were held, and further supplies had been secured by "in-shed" advances to producers. After lengthy consideration the authority concluded that the acquisition of these businesses could provide a solution to its difficulties. The increase in the amount of honey handled by the authority would considerably reduce the overhead cost per pound, and the increased participation in the local market should increase the average returns and assist the authority in ensuring that the local market was adequately supplied before deciding on the quantity available for export. Another factor was that for some time the authority had been at a disadvantage in dealing with South Island producers because it was unable to operate its "returnable container" scheme in the South Island. It operated a scheme in the North Island by which producers supplied honey in returnable 44-gallon and 5-gallon drums. This was economical, because the containers could be used many times, but the scheme could not be extended to the South Island because of the high freight charges on empty containers. South Island producers who supplied the authority had to pack their honey in new containers suitable for export. South Island packers had operated a returnable-container scheme for many years. The purchase of the South Island packing plants provided an opportunity for the authority to assist South Island producers by offering an outlet for their honey, fully competitive with that of private packers.

Purchasing Policy

35. The authority's purchasing policy has been outlined earlier in this report. The aim of the authority has been to maintain stability of honey marketing. It has endeavoured to do this by maintaining a fairly steady payout price to its suppliers. As a producer body with only one non-producer (Government) member, it has been concerned with holding these prices at as high a level as possible consistent with realisations. The private packers have looked to the authority as a guide in fixing their own purchase prices, which are usually slightly in excess of the authority's figure.

36. The authority has held that it must be prepared to accept all honey offered and that it must maintain facilities and provide capacity for handling unpredictable surpluses in peak production years.

Export Marketing Policy

37. Persons wishing to export honey must submit samples to the Department of Agriculture for inspection and grading under the provisions of the Honey Export Regulations 1950.

38. Honey is subject to the Export Prohibition Regulations 1953 and the Sale of Honey (Export Control) Regulations 1971. The effect of this is that the Customs Department will permit the export of honey in consignments of more than 10 lb provided the intending exporter has the consent of the authority acting pursuant to a delegation from the Minister of Agriculture. Sales or gifts of not more than 10 lb to any one recipient are exempt. The authority's present policy regarding the export of honey is as follow:

- (a) Honey in comb sections and wrapped cut comb may be exported freely.
- (b) Approval will not be granted for any exports of bulk extracted honey.
- (c) Approval will not be granted for the export of extracted honey in retail packed lines to the United Kingdom or Europe.
- (d) Applications for approval to export crushed comb honey, and to export up to 10 tons per shipment of extracted honey packed in retail lines to countries other than the United Kingdom and Europe, will be considered, and approval may be granted if in the opinion of the authority the terms and conditions of export do not conflict with its own export marketing policy.
- (e) Where approval is granted under (d) above, the authority may impose, as a condition of the approval, a requirement that the exporter pay a "contribution to overhead" of 0.834 cent per pound, but this may be waived in the case of shipments of 1 ton or less.

39. The authority exports most of the honey itself. It sells relatively small quantities of retail packed lines to a number of countries. Until recently all exports of bulk honey were to the United Kingdom through Kimpton Bros. (Red Carnation) Ltd. of London. This company has held a sole agency with the authority for bulk honey exports to the United Kingdom and Europe since 1957. Terms and conditions have been varied slightly from time to time, but the main feature of the agreement is that a basic commission is paid on agreed prices for each category of honey plus an incentive commission of 20 percent of the amount by which sales of honey exceed the agreed category prices.

40. More recently the authority has been exporting quantities of honey direct to countries other than the United Kingdom and Europe. In particular large sales have been made of bulk honey to Japan, and retail-packed lines to the United States.

Local Marketing Policy

41. Before the acquisition of the South Island packing houses in 1968 the authority sold 300 to 400 tons per annum locally. The 1959 Honey Marketing Investigation Committee made the following observations:

It is doubtful whether the authority has made the fullest use of the local market.

South Island packers seem to have no difficulty in selling honey profitably in Auckland on the authority's doorstep.

We do not agree with the suggestion that the authority should have sole selling rights in any district, but we do support the policy of active selling on the local market.

The authority should sell the honey entrusted to it to the best advantage, making the fullest use of the local market.

42. In 1968–69 the authority increased its local sales to the extent of the volume of honey previously sold by the former owners of these businesses acquired in 1968. Since then there has been a continuing reduction in the volume of local-market sales. Sales by private packers have also fallen, but probably not to the same extent. Both the authority and the packers blame the reduction in their sales on the inroads made by those producers who make direct (including mail order) sales from their apiaries and also supply their local stores.

Financial Operations of the Authority

43. When the authority was established in 1954 it asked for bank overdraft accommodation:

- (a) To cover the purchase of honey, valued at about \$200,000, taken over from the Internal Marketing Division.
- (b) To finance advances to suppliers for the new season's intake.
- (c) To provide premises for the blending plant and store.

44. As the authority was starting with practically no assets, there was some reluctance to grant finance to the extent requested, and it was decided:

- (a) To let the stock debt run on interest-free, repayable over 3 years;
- (b) To grant overdraft accommodation of up to one-quarter of a year's revenue, as provided for at that time by the Reserve Bank Act, to assist the financing of stocks; and
- (c) To finance the building of premises by a State Advances Corporation loan.

45. When the authority took over the Internal Marketing Division's premises in Auckland there was an arrangement that the Government would subsidise any increase in the rental and service charges for these premises. This subsidy was a transitory provision to assist the authority until such time as it should have its own building. When the authority moved into the new building in 1958 the subsidy was discontinued, in the expectation that operating costs would be reduced.

46. The authority's operating and administrative costs, however, have been high in comparison with those of private packers. The land, buildings, and equipment have a book value of \$198,900 as at 31 August 1971 on which annual depreciation and loan charges amount to \$17,000. The Auckland plant and store, which represent the major portion of this investment, were built with a view that the authority must be prepared to accept all honey offered and that it must maintain facilities and provide capacity for handling unpredictable surpluses in peak production years. The factory operating costs are high because it is more necessary to obtain uniform blends and grades for overseas purchasers (who order by grade and expect these to be consistent) than for the local market.

47. Although the stock debt was to be repaid in 3 years, only \$60,000 had been repaid by 1959. The committee that investigated the authority's financial and marketing policies in 1959 recommended the liquidation of the balance of the stock debt by payment through the Reserve Bank, and an increase in overdraft limit to enable this to be done. On 17 November 1959 the Government agreed to this procedure and the necessary action was taken to permit the authority's overdraft limit to be increased beyond the then statutory maximum of one-quarter of a year's revenue, which in the case of the authority was \$110,000 at that time. The Government decision did not specify an upper limit to the amount of the overdraft, but required that whenever the overdraft exceeded \$110,000, the authority should provide a certificate to the Reserve Bank of the value of stock on hand. From information obtained from the authority at that time Treasury formed the opinion that an overdraft limit of \$180,000 should be sufficient to finance an intake of between 1,200 to 1,300 tons of honey. The Minister of Finance accordingly agreed to the overdraft limit being fixed at \$180,000 or the value of stocks on hand, whichever was the less, but informed the authority that if in any season the intake substantially exceeded 1,300 tons, the Government would be prepared to consider favourably the provision of additional overdraft to finance it.

48. The granting of the overdraft was subject to the proviso that it was to be used only to cover the portion of stocks unsold that the authority could not cover from its own reserves. The Minister of Finance, when informing the authority of these arrangements in a letter dated 11 February 1960, urged that every effort be made to build up reserves against fluctuation in market prices so that the authority would be dependent on the bank for as little as possible.

49. For many years, however, the authority made no effort to build up its reserves and reduce its reliance on bank overdraft to finance its honey stocks. In 1959 there was a substantial amount available to finance honey stocks. By 1969 the authority had become almost completely dependent on the bank overdraft for this purpose, and this situation continued until 1970. The unaudited accounts as at 31 August 1971, which have been made available to the committee, indicate an improvement in the financial situation through a change in the authority's marketing policy.

VII. SEALS LEVY

50. This was first introduced in the early 1930s at the rate of a halfpenny per pound on honey sold retail other than by the Internal Marketing Division to provide a fund to supplement the price paid to producers who supplied the division. When the authority took control of honey marketing in 1954 the levy was increased to 1 penny (0.834 cent) per pound and has been at that rate since. The authority applies the proceeds of the levy in payment of a grant of \$4,000 per annum to assist the expenses of the National Beekeepers' Association and on costs incurred in promoting the sale of honey in general (as distinct from the authority's own brands), the balance being used to offset the authority's general administration costs and indirectly to increase the payout to its suppliers.

51. The 1959 Honey Marketing Investigation Committee recommended that the levy be increased to place the authority in a stronger financial position, but the industry would not agree.

52. More recently the authority suggested to the National Beekeeper's Association executive that the levy be increased to 2 cents per pound and this levy apply to all honey sold in New Zealand. However, a remit put forward at the July 1971 annual conference at Greymouth proposing that the levy be increased from 0.834 cent to 2 cents per pound was lost. A remit to maintain the levy at 0.834 cent and to widen the incidence to apply to all classes of honey now exempt was carried by a slight majority.

53. The changed pattern of marketing of honey, with the authority taking a greater share of the local market and an increasing quantity of honey being sold exempt from levy by producers direct, has resulted over recent years in the levy falling on a relatively small proportion of the crop, as shown by the following table:

Table 3—Authority's Intake and the Receipts of Levy Represented by Tonnage Compared with Estimated Annual Crop

Year	Annual Crop	Authority's Intake	Sales by Producers Subject to Seals Levy	Percentage of Levy-paid Tonnage to Annual Crop	Balance not Subject to Levy	Balance as percentage of Annual Crop
	(tons)	(tons)	(tons)		(tons)	
1962	5,296	1,326	2,056	38.82	1,914	36.14
1963	6,009	1,500	2,241	37.29	2,268	37.74
1964	5,465	1,461	2,201	40.27	1,803	32.99
1965	4,030	750	2,230	55.33	1,050	26.05
1966	5,850	1,067	2,291	39.16	2,492	42.60
1967	4,570	601	2,088	45.69	1,881	41.16
1968	4,195	494	1,786	42.59	1,915	45.65
1969	6,670	2,116	1,525	22.85	3,029	45.41
1970	5,678	1,848	1,550	29.30	2,280	40.15
1971	5,570	2,194	1,780	31.96	1,596	28.65

VIII. OTHER ORGANISATIONS

The National Beekeepers' Association

54. The association has been in operation for many years to further the interests of beekeepers generally. It has 15 branches, and an executive committee of 6 members, elected annually at the association's annual conference. The national office of the association is in Wellington.

55. Membership of the association is open to all beekeepers. Of the 3,228 registered beekeepers, only 755 are members. These, however, are fairly representative of the commercial beekeeping industry—the association has claimed that its members have 75 percent of total hive holdings. In the main, the hobbyists and smaller semi-commercial beekeepers are not members, but many of them support local beekeeping clubs.

The New Zealand Honey Packers' Association

56. Some years ago the National Beekeepers' Association, recognising the difference in interests between the producer and the producer-packer, endeavoured to form a packers' division within the association.

It was thought that this would provide a channel for the packers to put forward their own views, and that differences between producers and packers could be more easily and amicably settled if both sections remained within the one organisation.

57. This proposal failed, however, and in 1968 most of the full-time packers formed a separate association. They are still eligible as producers to be members of the National Beekeepers' Association, to take an active part in activities of the association, including nomination for election to branch committees and the national executive, and for election to the authority.

The Comb Honey Producers' Association

58. The producers who produce comb honey for the export and local trade are members of this association, which is concerned with the orderly development of the comb-honey export industry.

Dark-honey Producers

59. This is a group of producers of the darker categories of honey in Northland. They are not a properly constituted association, but have combined to protect the interests of dark-honey producers generally.

IX. SELLING PRICES

60. Except for a brief period in 1957, honey prices at all levels from producer to consumer were subject to price control until 1965. The following statement shows the selling price before the removal of price control, compared with the authority's payout at that time and the 1970-71 payout.

Producer Price (Bulk)

	1964-65 Per Pound Cents	1970-71 Per Pound Cents
Maximum price approved in 1965 for bulk honey sold by a producer to a packer	13.75	..
Price paid by authority for honey grading 100 points	12.92	14.50
Average price paid by authority on all honey supplied (except straight purchase)	11.24	13.18

61. Producer-packers would probably have paid up to the maximum approved price of 13.75 cents in 1964-65, with the authority paying slightly below the maximum price in respect of top-grade white clover honey. Since the removal of price control producer-packers have paid 1 to 2 cents above what they estimate the authority's payout will be. In 1970-71, however, they were paying 12 to 14 cents per pound, and the authority's payout was 14.50 cents for top-grade white clover honey.

62. The following statement shows the maximum selling prices of 1-lb cartons of honey before the removal of price control, and those now being charged for the authority's clover-blend honey.

Price to Wholesaler (1-lb cartons)

	Per Dozen \$
Maximum price approved in 1965	2.32
Present price for authority's clover-blend honey	3.18

Price to Retailer (1-lb cartons)

Maximum price approved in 1965	2.54
Present recommended price for authority's clover-blend honey	3.63

Retail Selling Price (1-lb cartons)

	Cents Per Carton
Maximum price approved in 1965	25.42
Present recommended price for authority's clover-blend honey	38.00

63. The authority's recommended wholesale and retail selling prices were established in October 1970. They had previously remained unchanged since March 1968. An increase of 4 cents per pound on the price to wholesalers, rising to 6 cents per pound at retail selling price, was examined in relation to the costing and financial accounts of the authority and was considered necessary to enable the authority to meet increased costs of processing, distribution, and administration, give producers an increased payout to compensate for increased production costs, and increase the authority's reserves.

64. The authority's lead in increasing prices was followed by some packers, but they and the authority lost a good deal of trade to other packers who did not increase their prices. The

authority has continued to maintain the increased prices. The Department of Agriculture has no information on the prices now being charged by packers to wholesalers and retailers, but from the wide range of retail selling prices it would seem that there is little observance of the authority's recommended prices.

65. At the annual conference in July 1971 the authority disclosed that its estimated local market sales for the year ended 31 August 1971 were 834 tons or 100 tons less than the previous year's total. Some of the larger packers have also indicated that their sales have fallen. It is difficult to say how much of this is due to unfair price cutting by other packers, or to the increase in direct selling by producers.

X. COMB HONEY AND HONEYDEW

66. It is considered that those who are engaged in the production and marketing of honey in the comb should be allowed to continue to develop this part of the industry as at present without export restriction or contribution towards a levy fund of any description. The only control should be through grading requirements which are to be prescribed in the new Honey Export Regulations. In areas where marketable honeydew may be collected in sufficient volume producers should be encouraged to develop the export market in this commodity.

67. The co-operation of the Department of Agriculture could assist to draw a distinction between the composition of honeydew and honey to ensure that safeguards are taken to prevent the contamination of honey with honeydew.

XI. EXTRACTED HONEY

General Observations

68. The great bulk of honey produced is sold in the extracted form, either granulated or liquid. It is evident that there is room for increased production in this field, but further development is dependent on the incentives offering.

A review of marketing results over the years shows that there has been little real incentive for the producer who is a bulk supplier to the authority or to a producer-packer to invest capital in additional apiaries. There has been in fact a reverse trend, and many small producers have gone out of commercial beekeeping.

69. The authority declared a payout for the 1970-71 season that was substantially higher than that for the previous year. In the absence of any reliable costing data, however, there is no way of knowing what price for bulk honey would provide a satisfactory return for the average efficient producer. All that can be said is that the authority's price of 14.5 cents per pound for top-grade white clover honey with corresponding prices for the other grades should provide a better incentive for the bulk supplier to remain in production, provided he can be assured that a payout on this level can be maintained in future years and that there is some workable system for price adjustments to recover increases in production cost.

70. It has been suggested to the committee that the producer who packs and sells his honey direct to the consumer or to the local retailer at prices that would be uneconomic either for the authority or the producer-packer is performing a disservice to the industry as a whole and that he should be discouraged or prevented from this form of trading. The committee, however, sees this as an operation that is satisfactory to both the producer and his customers and considers that these producers should be allowed to continue and to develop their businesses.

Bulk Supply Prices

71. Notwithstanding the direct selling of honey by producers, there will always be a supply of honey available to the packer for purchase to meet his own requirements. The packers as a group of business organisations with capital invested in honey-marketing operations are committed to buying sufficient honey each year to supplement their own production, to keep their packing facilities fully employed, and to maintain adequate supplies to their customers. It is understandable that they will pay no more for the honey than is needed to secure their supplies. The producers who are bulk suppliers for their part are disorganised and have no firm selling policy. If the packers do not offer what they consider is a satisfactory price, they may retain the honey or sell direct. If they have more honey than the packer needs, they can supply the surplus to the authority with the prospect of obtaining, under present conditions, 1 to 2 cents per pound below the packer's price.

72. The authority has a function by regulation to promote and organise the marketing of honey and to assist in the orderly development of the honey-producing industry. It has been handicapped in its endeavours to carry out its functions because administration costs of a statutory authority are inevitably higher than those of a private

packing organisation. It must be recognised that the authority cannot hope to compete for supplies on even terms with the packers, even with the advantage of low-interest overdraft accommodation.

73. To secure their supplies the packers will always pay sufficiently above what they estimate the authority's total payout will be for the season, and all the authority can do is to provide a floor price which is based on net realisations without regard to what is an economic price to the supplier.

74. A number of bulk producers are suppliers to the authority by choice. This is an easier way of disposal of a crop and payment is assured, although probably lower than could be obtained from a packer, and undoubtedly lower than could be obtained from selling packed lines direct to consumers and retailers. There is no information on the extent to which these producers have tested the market by exploring alternative sources of disposal.

XII. PROPOSED CHANGES IN AUTHORITY'S FUNCTIONS

75. The committee has considered what changes, if any, should be made in the present marketing system to assist in providing a more stable industry. It has examined the possible effects of a number of proposals relating to the authority's functions.

76. *Abolition of the authority's marketing functions:* Few submissions have advocated the complete abolition of the authority. Most producer-packers and suppliers recognise that the industry needs some control over marketing, particularly in the export field. More support has been given to the suggestion that the authority should be relieved of its marketing functions, dispose of its packing and storage premises, and be reconstituted as an export control authority.

77. The authority, in this capacity, would approve exports of honey to the extent of the assessed exportable surplus, subject to certain minimum prices being maintained. These prices would be under constant review to reflect fluctuations on the world market.

78. A number of producer-packers have expressed interest in exporting honey in bulk, if this were permitted.

79. It has been suggested to the committee that the present procedure of vesting all export selling in one agency—the authority—ensures that maximum prices are obtained because there is no

room for overseas purchasers to play one exporter against the other to bring prices down. It is understandable that buyers of New Zealand honey in the United Kingdom and Europe object to paying a price that includes the authority's agent's commission; and New Zealand producer-packers with their lower overhead costs might very well sell at less than the authority's prices and still make a satisfactory return for themselves. It is necessary, however, to look at the overall situation and to determine what is best for the industry as a whole.

80. If the authority were relieved of its marketing functions, those who at present supply the authority would have to make other arrangements. Producer-packers might be able to accept additional honey, if the authority's outlets on the local and export markets were open to them. Some suppliers would probably pack and sell their honey in competition with the established producer-packers.

81. This procedure would no doubt operate successfully in times of a world shortage of honey, such as the present when exporters are able to dispose of honey at satisfactory prices. If export conditions became more difficult, and producer-packers withdrew from the export market and re-entered into competition on the local market, the authority would have no means of preserving stability in the industry.

82. It has been suggested that in these circumstances the authority should have emergency powers to buy in the surplus honey with Reserve Bank finance, and store it until it can be disposed of through the producer-packers at an economic price. There is, however, no guarantee that the honey would sell later at a price that would recover all expenses, and as the authority would be an administrative body with no funds of its own, the deficit would be borne by the Government.

83. *Restriction of the authority's marketing functions to the export trade:* The reason for the establishment of the authority, and for the honey-marketing operations earlier of the Internal Marketing Division, was to assist in stabilising the local market by drawing off the honey surplus to local requirements and exporting it. Until 1968 the authority supplied no more than about 10 percent of the total local market.

84. It has been suggested that the authority's more active participation on the local market has contributed to the difficulties of the industry, and that it should confine its activities to export, leaving the local market to the producer-packers and to the producers selling direct.

85. It is arguable whether the authority's changed pattern of marketing has had any real effect on either producer-packers or suppliers. When the authority took over the businesses of two packers this reduced competition, and it is evident from the sales figures of the authority that it has made no incursion into the markets of the remaining producer-packers.

86. If the authority were to withdraw from the local market, dispose of its packing premises in the South Island, and retain the Auckland plant for processing, blending, and packing honey for export only, the amount of honey which it at present sells locally, some 800 tons a year, could be supplied by the producer-packers and by producers selling direct.

87. It would be impracticable, however, to require the authority to accept honey only to such quantity as may be deemed the exportable surplus for the season. First, the amount of such surplus might be difficult to assess. Also, if the authority were to plan deliberately for a smaller intake, it would either offer a lower price, which would have a depressing effect on the prices offered by producer-packers; or it would apply a closure when it had received sufficient for export, and again the producer-packers might be expected to reduce their buying prices following the authority's withdrawal from accepting honey.

88. The authority could continue its present policy of accepting all honey offered, and any additional quantity over the assessed exportable surplus could be held for sale to producer-packers. The committee is informed that the local market is more lucrative to the authority than the export market. By withdrawing from the local market and selling to packers the honey which it would otherwise have sold profitably through normal trade channels, the authority would suffer a reduction in revenue, which would be reflected in a lower payout to its suppliers.

89. *Restriction of the authority's marketing functions to the local trade:* As the authority has claimed that the local market is more profitable than the export market, it could be argued that the authority should withdraw from export and concentrate on local marketing, leaving the producer-packers to export any honey which is surplus to their local requirements.

90. It could also be argued, however, with more justification, that if it could be left to the producer-packers, on their own initiative, to export the honey that is surplus to their requirements, they would in effect be performing the function for which the authority was established. There should be no need to have a statutory marketing authority solely for local marketing when this is already being carried

out effectively by established producer-packers. It would in effect be acting as a producers' co-operative, without necessarily contributing to the stability of the industry.

91. *Maintaining the authority's present marketing functions, and allowing producer-packers to export:* Those who have advocated that producer-packers should be permitted to export honey more freely have agreed in general that there should continue to be some form of control of export, both as to the quantity exported and the price.

92. There seems to be an inconsistency in the authority, as an exporter, having the sole right to decide whether a producer-packer should export honey. The authority has an agent that has established and developed markets in the United Kingdom and Europe that will take as much of our exportable surplus as is offered. It has also developed satisfactory markets in other countries. It must be recognised that the producer-packers are in competition with the authority, and there should be free rein to this competition both on the local and export markets.

93. If a producer-packer can pay his suppliers a better price by exporting part of his intake, he should not be prevented from doing so, provided such export does not jeopardise the New Zealand honey export market generally. It should not, however, be a function of the authority to decide who should export or to lay down conditions for export.

94. *Increasing the authority's functions:* It has been suggested that the authority should be given power to take over all honey, except that sold direct by producers, and supply the producer-packer with his requirements. The authority would continue to supply the local market and would export all surplus honey as at present.

95. It has been submitted that this would give a more stable industry, as the authority would pay all suppliers an economic price and sell to the packers at prices that would ensure that they could not under-sell the authority's own brands.

96. This procedure of rigid control would, however, be unwelcome to the great bulk of the industry, it would be difficult to enforce, and there would be ample scope for circumvention of the requirements. A relatively large proportion of producers already sell their crop direct to consumers and small retailers. It is expected that the proportion would increase, because many producers would prefer to accept a less economic price and retain control of the disposal of their honey. A system that drives people into direct selling could only result in greater disorganisation of the market and an unstable industry.

Conclusion

97. The committee, having considered these various alternatives, has reached the conclusion that the authority should continue to engage in export and local marketing of extracted honey, to the best advantage, but without competing vigorously with the private producer-packers to the extent of price-cutting or offering special discounts on the local market. Any honey that the authority cannot sell at the full recommended prices (which should be determined at a level designed to give the supplier a reasonably economic return) should be exported at the best possible prices.

98. The authority should not, however, continue to be the sole arbiter of who should export honey. There is provision under the Sale of Honey (Export Control) Regulations 1971 for the Minister to appoint a person, in addition to the authority, to approve exports of honey. The committee is of the opinion that if the Secretary of Industries and Commerce, or his nominee, was appointed with power to approve exports, he could exercise this power to approve exports of honey other than honey exported by the authority. The authority's power would be restricted to the approval of its own exports.

99. Administratively, the person appointed would be expected to liaise with the authority to ensure that the prices at which applicants propose to export extracted honey do not constitute a threat to orderly marketing.

XIII. PROPOSED CHANGES IN LEVY

100. From the submissions received and from its own observations it is evident to the committee that the levy is one of the most controversial issues in the industry. It has been noted (paragraph 53) that the incidence of the levy now falls on a relatively small proportion of the total crop. The committee is of the opinion that this inequitable situation should be remedied.

101. It has been agreed that the authority should be retained, in the interests of the industry, and it is reasonable that there should be some form of levy, payable by all sections of the industry which have an economic and financial interest in the maintenance of stability in the marketing of extracted honey. The committee agrees with those submissions that have suggested that sales by hobbyists and the smaller part-time beekeepers should not be levied. These people would continue with beekeeping, uninfluenced by any questions of the economy of the industry. Producers with less than 30 hives probably pay no levy now, as their sales would

be almost entirely in the exempted categories. There are, however, some of the larger producers who also pay little or no levy under the present system, as they dispose of their crop to manufacturers and by sale direct to consumer (including mail order) from the apiary. These producers receive a benefit from stable marketing conditions and should be required to contribute towards the expenses of the authority.

102. It is considered that the most equitable system would be a levy, payable to the authority, on all honey disposed of in the extracted form by producers, either by sale to a manufacturer, wholesaler, or retailer; by supplying the authority or a packer; or by export. There should be an exemption of levy on the first ton of extracted honey per annum sold or supplied per producer (including partnerships and companies). The levy should in all cases be paid by declaration by the producer concerned. Where the producer supplies the authority, the levy should be deducted by the authority from the payout.

103. It would at this stage be difficult to assess with any degree of accuracy the effect of the widened incidence of the levy, the exemption of the first ton of honey per annum, and the payment by declaration instead of by purchase of seals. The present rate of 0.834 cent per pound could be rounded off to 0.8 cent and this rate could be subject to review.

104. The regulations do not specify the purposes for which levy funds may be used. The committee considers that these should be clearly defined, and suggests that the use of the levy should be limited to meeting the administrative expenses of the authority, promotion of the sale of honey in general, and the creation of a sufficient reserve to assist in maintaining a reasonable rate of payout in the event of uneconomic export realisations.

XIV. REVIEW OF AUTHORITY'S OPERATIONS

105. The operations of the authority may be classified under two broad headings as follows:

106. *Marketing*: This includes publicising the conditions of supply, the receipt of honey from suppliers, the storage, processing, packing, and disposal of the honey, and market research. In all these operations the authority operates as a packer. It should have some advantages because of the large scale of its operations compared with that of the producer-packers, but to offset this the

authority is involved in certain costs that the packers do not incur. It provides storage facilities to deal with possible heavy surplus crops, and more complex blending and processing procedures to bring difficult honey to a marketable condition.

107. The committee agrees that these facilities should be provided, to assist the industry, but suggests that the authority should examine whether economies could be effected by reducing the permanent storage space and making greater use of producers' own sheds, or leasing more depot space when required for storing surpluses.

108. Apart from this it is considered that the authority should review the entire scope of its marketing operations with a view to improving the overall net return. Some possible aspects that could be studied are:

- (a) The relative net returns from bulk exports and those from the export of retail-packed lines.
- (b) Whether the premium prices obtained by selling numerous small units from export consignments are sufficient to compensate the authority for the administrative cost involved in recording these sales.
- (c) Whether economies could be effected by concentrating all local market packing at one South Island plant.

109. *Administrative:* The authority incurs administrative expenses over and above those of a producer-packer. Fees, expenses, and travelling allowances of members, authority meetings, elections, and the detailed records of all transactions required by the Audit Office are some of the items that make up this cost. If the committee's recommendations are adopted, the authority will no longer be involved in dealing with inquiries and applications for exports, and the payment of levy by declaration should reduce much of the authority's present levy administrative work.

110. The committee has expressed the view (paragraph 104) that the administrative expenses should be met from the levy. The authority should review all aspects of its administrative functions to ensure that the cost of these is kept to the minimum compatible with efficiency.

XV. ELIGIBILITY FOR ELECTION TO AUTHORITY AND VOTING QUALIFICATION

111. At present the four producer representatives on the authority are elected by producers, the voting qualification being on the basis of honey supplied to the authority, or levy paid within the 2 years

preceding the election. Any producer who is the registered owner of at least 30 hives is eligible for election. Producers' representatives are elected for a term of 3 years. They retire by rotation, and two elections for two representatives are held within every 3 years.

112. The committee sees no reason for change in the present system, except that if the recommendation for the change in levy procedure is adopted, there will need to be a corresponding change in voting qualification. It is considered that a simple and direct procedure would be to allocate votes on the basis of the tonnage of honey on which levy has been paid over the 2 years preceding each election.

113. Under the present system a producer who neither pays levy nor supplies the authority with honey is eligible for election. The committee believe that this is wrong in principle, and considers that no person should be eligible unless he is not only the registered owner of at least 30 hives, but also has paid levy to the authority within the 2 years preceding the election.

114. For elections during the period of transition to the proposed new basis of levy there would need to be special arrangements for allotting votes.

XVI. REVIEW OF OPERATIONS OF THE NATIONAL BEEKEEPERS' ASSOCIATION

115. The organisation of the association has fundamental weaknesses that make it difficult for the industry conferences to reflect the opinions of the majority of the industry. There is provision for persons to attend the conference as official delegates, but some resolutions are taken by a vote of producers present, both delegates and non-delegates; and as there is generally a preponderance of producers from the region in which the conference is held (and the venue is changed each year), the result of resolutions may be weighted unduly by local opinion.

116. It would be of advantage to the association and the industry if the rules were changed to provide for voting on all issues to be restricted to the official delegates, as in most other national organisations.

117. The National Beekeepers' Association has had a grant from the authority since the authority was first established. The grant is now \$4,000 per year paid from levy funds. The committee

considers that the association should not, as of right, have access to levy funds to pay its administration costs, although special arrangements such as the grant to *The New Zealand Beekeeper* could be continued. Those who are required to pay the levy should not be put into the position of being forced to support an organisation of which they may not approve. The committee consider that the administration costs of the association should be met from members' subscriptions. It is also suggested that the present option of members to pay subscriptions direct be abolished, having regard to the recommendation that voting at conference be by delegates' vote.

XVII. SUMMARY OF RECOMMENDATIONS

118. The committee's recommendations are summarised as follows:

(a) That—

(i) Those who are engaged in the production and marketing of honey in the comb should be allowed to continue to develop this part of the industry as at present without export restriction or contribution towards a levy fund of any description;

(ii) In areas where marketable honeydew may be collected in sufficient volume producers should be encouraged to develop the export market in this commodity (paragraph 66).

(b) That the Department of Agriculture should assist to draw a distinction between the composition of honeydew and honey to ensure that safeguards are taken to prevent the contamination of honey with honeydew (paragraph 67).

(c) That producers who pack and sell honey direct to consumers or to local retailers should be allowed to continue and to develop their businesses without restriction (paragraph 70).

(d) That the New Zealand Honey Marketing Authority should continue to engage in export and local marketing of extracted honey, to the best advantage, but without competing vigorously with the private producer-packers to the extent of price-cutting or offering special discounts (paragraph 97).

- (e) That—
- (i) The Secretary of Industries and Commerce be appointed, under the Sale of Honey (Export Control) Regulations 1971, with power to approve exports of honey; this power to be exercised to deal with applications by persons other than the authority for approval to export honey;
 - (ii) The authority's power to approve exports of honey be restricted to approval of its own exports (paragraph 98).
- (f) That the Secretary of Industries and Commerce liaise with the authority regarding approval of exports of extracted honey to ensure that the prices at which the honey is sold do not constitute a threat to orderly marketing (paragraph 99).
- (g) That—
- (i) The present seals levy should be replaced by a levy, payable to the authority, on all honey disposed of in the extracted form by producers, either by sale to a manufacturer, wholesaler, or retailer; by supplying the authority or a packer; or by export;
 - (ii) There should be an exemption of the levy on the first ton of extracted honey per annum sold or supplied by a producer (including partnerships and companies);
 - (iii) The levy should in all cases be paid by declaration by the producer concerned;
 - (iv) Where the producer supplies the authority, the levy should be deducted from the payout (paragraph 102).
- (h) That the rate of the levy should be 0.8 cent per pound, subject to review (paragraph 103).
- (i) That the purposes for which the levy funds may be used be clearly defined by regulations (paragraph 104).
 - (j) That the authority undertake a review of its marketing operations with a view to improving the overall return to suppliers (paragraph 108).
 - (k) That the authority also undertake a review of its administrative functions to ensure that the cost of these is kept to a minimum compatible with efficiency (paragraph 110).
 - (l) That votes for the election of producers' representatives on the authority be allocated on the basis of the tonnage of honey on which levy has been paid over the 2 years preceding the election (paragraph 111).

- (m) That no person should be eligible for election to the authority unless he is the registered owner of at least 30 hives, and has paid levy to the authority within the 2 years preceding the election (paragraph 113).
- (n) That the National Beekeepers' Association change its rules to provide for all resolutions at the annual conferences to be decided by official delegates' vote (paragraph 116).
- (o) That the present mandatory annual grant to the association from the levy funds be abolished (paragraph 117).

ACKNOWLEDGMENTS

The committee wishes to thank all those who made written submissions, those who appeared before the committee to discuss the submissions which they or their organisations had prepared, and others who assisted the committee in various ways.

It also wishes to place on record its appreciation of the assistance given by Messrs E. W. Lee and E. Smaellie of the Department of Agriculture.

APPENDIX

Persons and organisations who made written submissions were:

The New Zealand Honey Marketing Authority

The National Executive of the National Beekeepers' Association

The National Beekeepers' Association (South-Western Districts Branch)

The National Beekeepers' Association (North Otago Branch)

The National Beekeepers' Association (Hawke's Bay Branch)

The New Zealand Honey Packers' Association

The New Zealand Comb Honey Producers' Association

A Group of Northland Dark-honey Producers (represented by Mr T. Gavin)

Wellington Beekeepers' Association

Cloakes Honey Ltd.

J. A. Davies (Honey) Ltd.

Gordonton Apiary Ltd.

Springfield Apiaries Ltd.

Mr W. J. C. Ashcroft

Mr J. R. Barber

Mr P. Berry

Mr C. Bird and Mr A. W. McKenzie

Mr R. W. Blair

Mrs F. E. Edmonds

Mr C. W. Foote

Mr A. R. Gosset

Mr A. W. Hansen

Mr R. E. Hansen

Mr W. T. Herron

Mr J. C. Higgins

Mr G. Jeffery

Mr D. H. Jurgens

Mr L. H. Leggett

Mr J. H. Lowe

Mr G. J. Martin

Mr A. R. Palmer

Mr T. E. Pearson

Mr A. H. Simpson

Mr H. N. Tuck

Mr W. E. Vickers

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A. R. SHEARER, GOVERNMENT PRINTER, WELLINGTON, NEW ZEALAND—1972

7941—72 G