

1979 ANNUAL MEETING AND CONFERENCE

H.M.A. CHAIRMAN'S ADDRESS

I thank the Association for its invitation to address Conference on Honey Marketing Authority matters - I have pleasure in placing before you those particulars of the Authority's operations which I think are likely to be of most interest and of most help to Conference. My prepared address is fairly concise. After that the examination of facts and figures I have prepared may take some time. As you are aware the Board is made up of five members one of whom is appointed by Government and four who are elected by producers. Currently three of the producer members are not suppliers to the Authority but are experienced in selling both on the domestic and export markets. I have been Chairman of the Board since last October. At that time the Authority held substantial stocks of honey in a rising market. Our bankers the Reserve Bank of New Zealand continued to press for a reduction in the amount of overdraft used by the Authority. Government was determined to lend us less. It was also determined to force our base price down from 81 cents to 77 cents per kg. For instance on the 28th July last while this Association was at its Annual Conference in Hastings the Minister of Finance, Mr Muldoon, signed a letter from which I quote three consecutive paragraphs.

"An immediate start should be made on subsidised retailer advertising and discounting as an alternative to the media advertising originally envisaged. Total expenditure should be not less than \$8,000. A report on the results of this promotional campaign should be supplied to the Treasury after three months.

The new basic price formula could be subject to variation in exceptional circumstances. This implies agreement by the Minister of Agriculture that circumstances at any time are "exceptional".

I must insist, however, on a reduction of 5% in the basic price for the 1978/79 season as a condition of the increased overdraft limit. Provision of a Government-guaranteed overdraft at the level necessary at present I regard as a temporary requirement. There appears to be no disagreement between us on that. But I consider it essential that the industry be taking clear and positive steps to underwrite its own stabilisation measures and not rely on its Government-guaranteed overdraft to carry it through lean periods, to nearly the same extent."

The Minister was clearly making three demands.

1. That we discount the already low priced honey on the local market - this in Export Year and apparently in direct contravention of Government's own declared policy of financial assistance to exporters.

2. That the base price for this year 1978/79 be reduced from 81 cents to 77 cents per kg or keep the overdraft lower.

3. That the industry underwrite its own stabilisation measures. We are now told, by the Government Representative Mr Hayman, that this stabilising role, to use his own words, requires, "a funding levy borne by the whole industry, or complete control over exports."

The Authority did not give in to the first demand.

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The Authority thinks we should not give in to the third demand.

But it places this issue before the industry for its consideration and decision.

In the short term it was necessary to stand firm against the government's demands that we discount our honey on the local market and that we lower the base price. The government kept the pressure on the Authority financially and at the first meeting of the new Authority in October 1978 a branch manager of a trading bank was invited to attend. His bank examined our invitation to make suitable overdraft facilities available to the Authority. The bank declined, so I went to the bank's head office in Wellington to ask the reasons. They argued it was a question of security. Subsequently an arrangement was made with a merchant bank to make a substantial amount of additional funds available against sales. But by the time the arrangement was made and approved by Government the Authority did in fact have no need for the merchant bank facility.

For much of the year suppliers did not receive payment in accordance with the contract as set out in the conditions of supply. However, as set out in my newsletter of November last, available funds within the reduced overdraft limits were made available by the General Manager in the manner calculated to minimise inconvenience to suppliers.

Currently the payments to suppliers are at the same level as they were at this time last year - 50 cents per kg. Last year no further progress payment was possible before the final payment and part of that was delayed. This year we are in a better position. A progress payment of 20 cents per kg is being mailed to suppliers this week. The final payout is expected to be about the trigger price of 85 cents per kg - the highest payout ever to be made by the Authority.

I am not suggesting that it is a satisfactory price - it is not. There is unlikely to be any substantial contributions to reserves. Last years payout of 81 cents per kg was made by taking a substantial amount from reserves.

For many years the Authority has repeatedly and almost continuously been placed under pressure by Government through the Reserve Bank. However, we have now found an additional source of finance. There are no doubt others. Also we have now cleared most of the carry-over stocks

from last year's very high production and intake. This means the Authority is in a stronger position to operate within what I regard as the limits of the government's piggy-bank mentality. With honey values consistently more stable than money values there has been little chance that selling without panic would prove anything but helpful to the producer and to the country. In my view the government has not acted wisely or reasonably in the matter of overdraft against stock after a year of very high production.

Many of our honey producers would not wish to be too closely involved in detailed selling and sales finance but I feel they need to be more closely associated with those they choose to sell for them. I feel that some producers are at present far too remote from the operations which determine the price they will receive for their product.

Throughout New Zealand, honey production development and population movement have brought about a situation where the surplus production is largely in the southern part of the South Island and the selling operations are centred in Auckland. Auckland is no closer to Dunedin than is San Francisco to Vancouver, London to Madrid, or London to Berlin.

Members of the Honey Marketing Authority are currently spread about as evenly as they could be throughout the length of the country, but I feel there is merit in the thinking of many of the South Island suppliers. They visualise a beekeepers' organisation centred at Pleasant Point and set up by those producers who wish to be involved. The Board has been advised that there would be a minimum throughput of 1500 tonnes. The total average Honey Marketing Authority throughput from both Islands is about 2000 tonnes and private exports are increasing.

On that basis it should be comparatively easy to make an orderly transition to marketing procedures which will enable all producers to be closer to the selling centre for their product. This could be very sensible, very profitable and more harmonious. // VOTING SYSTEMS
The industry and Government are now considering the merits of the voting systems used in our elections.

The present system whatever its weaknesses or strengths has not made for rapid change. For instance in 1975 I was elected on clearly defined policies against which the four other Board members voted. In 1976 Mr Stuckey was elected with similar policies to mine. In 1977 there was no election so the balance of voting on the major issues of change during 1976 and 1977 was two producer representatives for and two against and the government representative against. In 1978 Mr Bray was elected and as I was re-elected we then had, for the first time three producer representatives voting for change. Careful orderly change was what the industry wanted. It took the industry a long time to make that decision under a voting system which may

not be perfect, may not even be good in a democratic sense. That is a matter of opinion. But gradually it has brought to the service of our Marketing Authority men who are experienced in marketing. If, as some written reports suggest, we are not men of integrity-then the industry is in very serious trouble. If we elect men to the Authority who are lacking in either ability or integrity-we are in trouble. I believe that if we elect governments lacking in ability then we get New Zealand the way we've got it. But I also believe that if our existing Parliament could produce one strong person-of immense integrity-to lead it, then we might have very good government indeed. Whoever you elect to market your produce-and under whatever system you elect them, if they are not men of integrity we're all bound to be in trouble. We read that ^{of your} "The accusation has been made that private packers dominating the Honey Marketing Authority are intent on driving it into the ground." If any man wants to say that about me-well let him join that club and enjoy the company he keeps. He will still have to account. But while I am Chairman of this Authority if any one publishes a statement of that kind about any member of the Board he will be called upon to justify the statement. I begrudge the time and the cost-but hopefully we would only need to do the job once.

Clearly there is a belief among some beekeepers that things have recently changed for the worse in the Honey Marketing Authority operations. There is no factual foundation whatever for that belief. The facts and figures show conclusively that things have changed for the better. There is also a belief among some beekeepers that the Honey Marketing Authority as it has operated in the past-is helpful to the industry.

We will examine the validity of that thinking.

I think we will find-that on one hand-some were fearing a problem that does not exist-while on the other hand-some may be only vaguely aware of a serious problem that does exist in the trading operations of the Authority. But we have another even more serious problem which calls for immediate attention. It is increasingly clear that the bitterness in the politics of a small disruptive element in our industry-is the greatest retarding factor both in its economy and in its ability to achieve harmony. Far too often and-for far too long-these standards of political morality have denied the industry-the services of persons well qualified to serve. Various verbal and written statements have been used, sometimes illegally,-fostering standards beneath contempt. These scurrilous attacks must be stopped - at whatever the cost. I am sure there are now enough beekeepers-who are sufficiently concerned-and who are in a strong enough position to clean up our politics, in the Supreme Court if necessary - hopefully once and for all. The industry and the country are entitled to something better. It is

the responsibility of every member of this Association and every Branch of this Association to see that we get something better - much better.

Before closing this address and moving to the study of the Authority's accounts-I wish to take the opportunity to thank all who have used their best endeavours, in the light of their own beliefs, to improve the financial rewards for all honey producers.

Ten months ago-the industry entrusted to me a fairly tough assignment. With the help of those around me-both at home-and from throughout the industry-much progress has been made. To all who have helped I extend my sincere thanks.

Percy Berry
Chairman
New Zealand Honey Marketing Authority.

July 1979