

N.B.A. MARKETING COMMITTEE
REPORT TO CONFERENCE July 1988

The marketing committee came into being as the result of a remit at the 1985 conference at Greymouth. This remit read :

"THAT THE EXECUTIVE MEETS WITH THE CO-OP AND THE PACKERS ASSOCIATION AND THAT THE THREE PARTIES ENDEAVOUR TO FORMULATE A COMMON MARKETING POLICY"

At the subsequent meeting it was recognised there was a lack of marketing information regarding the honey industry. A marketing committee was formed with the view of commissioning market research on an as needed basis to try and improve this situation.

This committee commissioned four consumer surveys, firstly in Wellington and Christchurch, and later in Palmerston North and Auckland.

There was a general consensus from these surveys in a number of areas, the most notable being:

1. Consumers are not very price sensitive to honey, indicating that an overall price increase was obtainable without consumer resistance.
2. Consumers were very unaware of the product. They tend to think of honey as "just honey" and place very little emphasis on brand, type, flavour etc.

This information was used in conjunction with other already known information to develop a better understanding of the New Zealand domestic market. The main features of this other information were:

1. New Zealand has an average marketable honey crop of approx 9,000 tonnes.
2. Domestic consumption is approx 6,000 - 6,500 tonnes.
3. The surplus is exported at or near the world market price whether in packaged or bulk form.
4. When export prices are low as is the case now, the local market price falls (as has happened) and when the export price is high the local price rises as happened in summer 1986.
5. There has been a history of non cooperation in the honey industry due to the individualism of its members. This is also due to an element of distrust generally amongst beekeepers who compete for the same nectar sources. Many proposed plans have lapsed in the past because of this industry antagonism. It is naive to expect these grass root factors to change.

All this information presented here (albeit in a condensed form) builds a picture of the honey industry and a possible opportunity. This material was tabled at a meeting of the N.B.A. at Flock House in March this year in the form of a discussion paper. The basis of this discussion paper is listed below.

Honey Marketing Discussion Paper.

The most critical factor affecting the beekeeping industry is the price received for honey. The market research conducted so far indicates that honey is very much undersold on the domestic market. It has to be agreed that there will be an upper limit to price somewhere. The indication though, is that this could be more than double the current price.

The shelf price of honey must rise to give better returns to the producer.

There are two main ways to get the price up.

1. Regulate the price. The problems with this would appear to be insurmountable.
 - i) The present "market" led administration is highly unlikely to allow this form of price fixing.
 - ii) The honey industry is very difficult to regulate, especially when it comes to door sales and the unco-operative nature of individuals as previously mentioned.
 - iii) What is to be done with the unconsumed honey? Who is going to be the one left with "export" value (LOW) honey?
2. Ensure a shortage on the domestic market. In all the instances of a shortage in the past, price increases have been swift. In 1986 the price increases from major packers were around 18% followed by 5% within 5 months of each other. No change in sales was noted.

There are two ways of creating a shortage (as opposed to letting one happen).

- i) Decrease production. This in essence must be regulatory and as such is subject to the same problems as above.
- ii) Increase consumption. At the point where we consume all the production in this country, our marketing problems will cease - as they have done whenever there has been a shortage in the past.

Instead of price cutting to get a larger share of the market, packers will instead push the price as high as possible in order to be able to pay out as much to the producer in an effort to acquire as much of this limited finite resource as they can.

This therefore is the opportunity mentioned previously.

It is not an assured result but one which bears further research. With such an obvious opportunity at hand the goals must also be clear.

1. Establish whether or not such an increase in consumption is possible.
2. Estimate the cost of the needed promotion, education etc.
3. Find ways of generating the funds needed.
4. Develop contingency plans should imports become allowed.
 - i) With the right promotional campaigns this may not be a problem. E.g. Germans have no trouble in selling their own honey for outrageous prices because in their pollution ridden nuclear landscape they think that their honey is the best and purest.

The potential for increased returns to the producer is enormous.

A 500 gm pottle selling for \$2.00 (a rare sight these days) comprises roughly \$1.00 for honey. \$1.00 represents the costs to get it to market and sell it.

If we sell the same pottle for \$4.00 these costs (pottle, freight, labour etc.) remain fixed. Some are linked to a percentage of the wholesale cost (GST, retailer markup etc.) but the overall picture would indicate an increase to the producer far in excess of mere doubling of the selling price.

One kilo of honey previously returning \$2.00 may now return closer to \$5.00

SUMMARY

The most critical situation facing the honey industry (and in fact always has been) must be the price the producer receives for his honey.

The result of the discussion on this paper at Flock House was that the industry should pursue the matter further. A meeting was set up in Christchurch between Peter Bray from the marketing committee and Jan Henshall, Marketing Manager for the Pork Industry Board, to seek advice on objective 1. "Establish whether a sufficient increase in consumption is possible."

It was put to Jan that she should consider that sufficient funds were available to cover any proposed marketing strategy. (A figure of between 1 - 2 million dollars had been used in discussions at flock house.)

From this meeting it was concluded that while the industry had done considerable research, much of this research had been done in areas other than Auckland, (½ of the consumer market in N.Z.), and three out of the four surveys including the one in Auckland had had a very small number of respondents (approx 100 only).

If the industry were about to embark on a very expensive (1 - 2 million dollars) campaign of promotion, it was indicated that accurate research was needed on a Nationwide basis. This meant a professional market research company asking a number of questions over a large number of people. It was further considered that the cost of this research could be in the vicinity of \$20,000.

A Summary To Date :

1. To proceed further we are faced with the cost of additional research. If it is demonstrated that the needed increase in consumption is possible, the industry has to be ready to spend the money necessary to get the indicated effect.
2. The industry has to be aware that, assuming a positive result from the research, there will be some form of fund raising e.g. a production levy, to fund a marketing campaign. (To raise 1 - 2 million dollars would require a levy of 10¢ - 20¢ per kilo on an average crop.)
3. If the industry does not want to proceed in this direction any further then there is no point in conducting further research in this direction.
4. There is no point in promoting honey at an industry or generic level if we only achieve half a solution. A surplus no matter how large or small will have the same effect. e.g. 1,000 cartons of 500 gram pottles at a low price can do immense damage to the overall price in any of the major markets in the country and yet it only represents 12 tonnes of honey.

Conclusion

We have followed a course as indicated to us by the facts as they have come to hand. There would appear to be an opportunity to give the industry control over its future instead of being subjected to the vagaries of the World Market.

There is a substantial commitment needed from the industry in the area of funding should continued research show a positive response. This area should be addressed before proceeding any further.