

THE NEW ZEALAND HONEY INDUSTRY

The Marketing Committee came out of a remit at conference in Greymouth in 1985

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

The ensuing meeting chaired by David Dobson discussed a number of aspects of marketing honey in New Zealand. However the meeting came to the conclusion that not enough was known and understood about the New Zealand honey market. It was also felt that the resources needed to implement an export marketing plan were beyond the scope of the industry.

The final result of the meeting was that much needed to be learnt and a marketing committee was formed to arrange and conduct market research on the domestic market. This committee comprises one member from each of : the Cooperative, the Packers Assn and the NBA along with the Secretary of the NBA.

The following is a short summary of where we are today.

THE HISTORY

The New Zealand Honey Industry has been through many ups and downs when it comes to marketing its honey. The years have seen the demise of a number of organisations that were primarily set up to market honey.

The most well known of these was the New Zealand Honey Marketing Authority (NZHMA) And this had a major impact on the industry from its creation in 1952 until the end of the 70's with many of its effects still being felt today. The HMA grew out of the IMD (Internal Marketing Division), the government department that was set up just prior to World War II and which governed many of our primary producers and also created many of the producer boards that we have with us today along with the many that have fallen by the wayside.

This was an era when New Zealand's primary produce was very much in demand and it appeared that much government action of the day could do no wrong. Funding was available to many of these producer boards at cheap interest rates and marketing was not the essential mechanism to sell one's goods that it is today.

One of the major effects of the HMA was to use government money to insulate producers against changes in the World Market for honey. The funding to do this was enormous. In 1978 the HMA had over \$900,000 of Reserve Bank money at 1% interest (\$4 million in 1991 dollars).

However as many primary producers around the World have found, throwing money at a problem only serves to entrench the difficulties, support the weaker inefficient producers and compound the problems of product surpluses. While World markets were buoyant, things were working out quite well. However in the late 70's the government of the day decided that the funding for the HMA would no longer be supplied and its inevitable demise began. The downside of this was that in all its years of activity the HMA had the final say on who exported honey. This it jealously guarded to the extent that when these controls were removed, there was no marketing expertise in the private sector to pick up where the HMA left off.

Much of the HMA expertise passed to the newly formed Honey Producers Co operative and this organisation along with many of the newcomers to the business of exporting honey started the long road to gaining experience and markets in the export sector.

Many organisations in the industry took a long time to realise just what was required to successfully export New Zealand honey at the premiums required by producers in this country and it was some years before a concerted approach started, and not without its casualties.

Just when this much needed expertise was needed, the World Market, overstimulated to produce by the U.S. price support scheme, collapsed. This collapse was set off by the "Buyback Option" of the Price support scheme but the real culprit was the increased stocks in the World honey market mainly stimulated by the U.S. price support loan scheme. You may be wondering at this point what all this has to do with the New Zealand Market for honey. Read on.

THE NEW ZEALAND MARKET

SUPPLY

Basically the New Zealand market has honey production from about 300,000 hives. The national average crop is around 30 kilos per hive so we end up with an average crop of 9,000 tonnes.

It is currently very difficult to import honey into New Zealand and to date only a very small quantity of honey has been imported in recent times. Consumption For many years the consumption of New Zealanders was put at 5 pounds per person per year. Today it is estimated to be less than 2 kilos (but greater than 1.5 kilos) giving a domestic consumption of between 4,950 tonnes and 6,600 tonnes. The Remainder This leaves us with an average surplus of 2,400 - 4,050 tonnes. The things to remember are :

1. Someone produces this surplus.
2. That someone wants to sell it at the best price.
3. The two markets available are the domestic and the export markets. The Price Setting Mechanism

If there are two options for the sale of a producers crop then the highest return will be picked. Taken in order the effect is as follows:

If the export market return is higher, more honey is sold to this outlet. This reduces supplies for the domestic market which in turn forces local packers to pay more to ensure supplies for their market. The price rises to match the export market.

If the local market is higher, more producers try to sell to this outlet. Because consumers don't eat any more honey because the price has fallen, there is more honey competing for the same finite market. Some are prepared to take a lesser price on the domestic market (but still above the export return - their only available option) so the price falls to match the export market.

As you can see the export price determines the price for **nearly all the honey in the country**. The exception is when there is a shortfall in the production to meet local supply. Because there is such difficulty in importing honey the shortfall cannot be made up from imports. The prices tend to rise to the level at which the consumers resist the price. There have been two years in the last 10 where there has been a small enough crop to create the semblance of a shortage. This was 1983 and 1989. In both years the price increased dramatically and also completely out of step with the export market. What we learn from these two years of short supply is that the price will rise higher in New Zealand when the local market is kept short of honey. This observation is also borne out by the market research done by Lincoln College for the Marketing Committee. This research indicated that generic price was not of major importance in determining consumption levels for honey.

THE SOLUTION

It is obvious that the problem is the amount of surplus honey that we have to export. We have 3 options open to us to help solve this problem.

1. Consume more in New Zealand.
2. Export more at higher prices.
3. Produce Less.

These are rather simplistic and each of these areas needs further expansion.

INCREASING NEW ZEALAND CONSUMPTION

It is in this area that the Marketing Committee has spent most of its time and efforts. The Marketing Committee has commissioned a number of market surveys that were carried out by tertiary institutions. Most of these were of an average standard with one of very good value. However all of these only served to educate us on our current market position. They were not the type of research that could be used to plan a marketing strategy that would commit large qty's of industry funds.

On the basis that it is feasibly possible to increase consumption of honey in New Zealand with promotion, the basic figures were that promotion that was going to be effective would require a budget of 1.5 - 2 million dollars. This would equate to a per kilo levy of 16.6 - 22.2 cents per kilo per annum to provide funding for an ongoing campaign. Before any further planning can be done in this area, there must be market research to establish :

- a) If it is possible.
- b) What is the cost likely to be.
- c) How do we do it.

Without a) above being answered it is not possible to continue with this avenue of promotion on the domestic market. At present the marketing committee cannot get funds from the industry trust fund to look at the current state of the New Zealand honey market in spite of general feelings that in fact honey is losing ground to other spreads and sales volumes are falling.

It would also appear that the honey industry as a whole is behind the concept of a concerted marketing plan that may entail a levy on honey. In particular remit No. 3. passed at the 1988 conference 12 votes to 3.

"WE RECOMMEND TO EXECUTIVE THAT THEY PURSUE THEIR CURRENT MARKETING RESEARCH AND PLANNING ON THE UNDERSTANDING THAT THE MOST CRITICAL ISSUE FACING THE INDUSTRY'S LONG TERM VIABILITY IS THE PRICE THEY RECEIVE FOR THEIR HONEY"

At this particular in conference in Auckland the marketing committee presented a report to conference immediately prior to this remit. This report referred to the work done to date by the marketing committee and to a meeting held at Flock house. It was very clear from the discussion on the remit that members were quite clear on the direction they wanted the industry to go in voting for this remit.

The report given to conference is enclosed.

Again in 1989 remit No. 4 passed 13 votes to 2 :

"THAT THIS CONFERENCE RECOMMEND TO EXECUTIVE THAT A HIGH PRIORITY BE GIVEN TO THE ORDERLY MARKETING OF HONEY"

At this point the only option is to re approach the Trustees of the industry trust fund to represent the case for professional market research so that a reliable marketing strategy can be implemented in line with the wishes of the majority of the industry.