

24th June 1980

N.Z. Honey Co-op Proposed Payout

North Island average payout 95 c/kg
South Island " " 105 c/kg

Present payout based on expected return on Export Market. On this basis South Island would seem to be supporting North Island.

Real Position - All North Island Honey now consumed locally apart from some packed line exports at \$1900 per tonne which is worth about 115c/kg to producer. Of Pleasant Point production approx 175 tonnes is shipped to North Island at cost of about 10c/kg. In other words given that Export and Domestic markets return about the same, and they do, this honey realized about 10c less than it should have and in doing so prevented the North Island market from becoming scarce and prices rising. In deciding on payout for a National Body this South Island honey sold cheap is not a charge on South Island honey but on all honey.

Apart from about 50 tonnes of industrial grade honey all North Island intake is sold in retail packs at the top price.

If each Island is to stand on its own the value of South Island honey is its value on the world market less the cost of getting it there. The value of North Island honey will be its value on world market less the cost of freight from the South Island to the rest of world plus the cost of the freight from the South Island to the North Island unless the South Island honey producers wish to subsidize the North Island market. If each Island stands on its own it should be possible for the North Island to have only two grades of honey - table and industrial. It will still be necessary for South Island to grade for colour because of its large export market.

I believe that the North Island beekeeper has had a poor deal from the Authority and will receive a poor deal under any National or New Zealand wide co-op of the type envisaged.

As I mentioned in my president's address last year I believe the solution to our problems lie in two different directions. In fact if this national co-op eventuates it will be controlled from the South Island and those controlling it will have even less knowledge of the problems of the North Island beekeeper than past Authorities have had. I feel that this move for a national co-op has been a crusade which has ignored any other avenue for a possible solution. To this end I have prepared the following as one possible answer.

1. That there be two co-ops, one based in the North Island and one in the South Island.
2. That the South Island co-op organise itself as it sees fit.
3. That the North Island co-op be organized as follows:-

North Island Co-op - Proposed Name "South Pacific Honey Producers Co-op of N.Z. Ltd"

Directors (three elected)

Manager (part time)

Secretary (part time)

Membership (voluntary either active or not)

Cost of Membership - active members ie suppliers to buy one share per hive

inactive members to buy 100 shares

Duties of Active Members - To forward to manager weekly stock sheets during extracting season and samples of each extraction otherwise monthly stock sheets. May contract to pack.

Duties of Inactive members - May contract to pack for co-op.

Duties of Manager - To sell all members honey either on export or domestic market. Payment to be on commission suggest 2½% on all sales at or below last years rate per tonne; plus an extra 10% on any increase over this. eg if last years sales were at \$1800 per tonne average and this year \$1900 per tonne commission is $1800 \times \frac{2.5}{100} + \frac{100 \times 10}{100}$; plus all necessary costs telex, tolls, stationery, secretary wage, mileage etc. To record all stocks in grade and areas etc; to arrange for contract prices for packing in various areas; to arrange transport of honey to packers; to arrange transport of honey to markets; to arrange supplies of packing materials to packers; to arrange drums; to arrange payment - suggest 10% per month.

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This form of co-op would have the following advantages:-

- (a) Lower overheads
- (b) More dynamic management would result from the percentage of sales method of payment.
- (c) The manager would be well paid if he performed well.
- (d) In that packers can now pay 10 to 40 cents more for North Island honey than the present Authority and up to 30 cents more than the proposed average of the N.Z. Co-op there should be plenty of room for packers to make ample profit while allowing the co-op to make a realistic payout and still retain some money.
- (e) Private packing plants now running at below capacity will become even more efficient and packing will be cheaper.
- (f) A significant part of the present Authority's current sales can be produced, packed and sold in the same area reducing freight costs.
- (g) Honey produced and packed in say Hamilton then shipped to Auckland will save a one way cost on the drum. This alone would save 2 or 3 cents per kg.
- (h) If only members are permitted to pack there is a very real incentive to belong.
- (i) Packers who wished could make their own label available and pack their own honey for the co-op for sales to be made by the manager.
- (j) Producers and private packers either have available or can provide storage at a considerably lower cost than either a co-op or authority could.
- (k) The greater intergration between private packer and producer will bring harmony when they both belong to the same group.
- (l) The co-op should have available approx \$100,000 from the H.M.A. and approx \$25,000 from shareholders. This should enable it to pay out the first 3 months intake without making sales although it is probably a minimum of necessary working capital; most capital would be available to go to payout none would be tied up in plant and buildings.
- (m) A medium sized co-op such as envisiaged here would be able to handle and organize a large crop with a minimum of disruption and would be more flexible than the present H.M.A.
- (n) Private packers could be members and still act independantly provided they met their obligations under their contracts.
- (o) There would be a counter balance to the large and numerically strong co-op in the South Island.
- (p) Because of its size and diversity the co-op will have advantages in stability and the ability to supply that a multitude of small packers cannot have. Conversely it will be well set up for small runs.
- (q) Even if all N.Z. honey went through one outlet we could not influence the world markets.
- (r) The co-op will be so efficient that it will not need to ask for guarantees of supply.
- (s) If the crop is poor a small amount of honey will not have to service a large overhead.
- (t) The co-op by actively encouraging packers into its ranks, will be stronger for the skills and knowledge they can contribute whereas a suppliers co-op denies itself of this area of knowledge and experience. (As an example of this see how the payout of the H.M.A. went when packers were elected to the Board).

I do not see this as the ultimate in honey marketing however I believe it deserves your consideration. I would like to point out that is is only one of the many alternatives, however it is superior to the proposed N.Z. Co-op as far as the North Island is concerned. It does have the advantage of flexibility and if for some reason it does not work there is no investment made such as new packing premises which could see our industry funds lost to us for good. It does have the added advantage that it could easily be expanded to also be used in the South Island. While protecting the position in the North and after a settling in period the best system could be adopted.

Yours sincerely,

M.G. Stuckey.

