

Paper 3

THE MAIZE INDUSTRY — A FARMER'S POINT OF VIEW

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INTRODUCTION

Let me say categorically that maize production in New Zealand has a good future. Maize provides the northern North Island with a crop that is better able to stand moist, humid conditions than small grains. An industry infrastructure is in place which includes driers, storage facilities, servicing companies and port facilities.

During the rapid development of the maize industry in the 1970s, many people invested heavily in maize production. This investment occurred primarily to diversify away from traditional agricultural industries, especially livestock. However, maize production should be considered as complementary to livestock production, rather than as a replacement.

The extent of maize production is influenced by the profitability of dairy farming. When dairy farming was least profitable, in the early 1970s, maize expansion was rapid, while in the late 1970s, when dairy prices rose, maize production declined. Nevertheless, with the industry infrastructure now in place it is in the interest of growers, merchants and contractors to ensure that this infrastructure is fully and profitably utilised.

CROP MANAGEMENT

The quality and yield of maize in this country is comparable with any in the world. So why are growers looking at alternative crops and why is the cost structure so high?

Many growers have failed to recognise that there can be no short cuts in any crop production. Adequate rotation and fertiliser programmes must be worked out to sustain high yields. A seed bed to secure a good plant population and satisfactory weed and pest control are essential for producing a top yielding crop that will give an optimum financial return. Growing a high yielding, strong standing cultivar with low grain moisture at maturity is essential.

There are substantial savings in transport and drying costs with cultivars that will stand and dry to 20% moisture or below, compared with cultivars that are late maturing and need to be harvested at higher moisture. Many growers have not considered this and have grown cultivars which were not appropriate for their climate.

Contract cultivation, sowing, spraying, side-dressing and harvesting rates need to be examined with a view to cost

savings. Profit margins are built into any contractual service, so it is essential that the grower analyse the cost of contractual service relative to the cost of purchasing and operating the equipment himself.

MAIZE STABILIZATION FUND

Before discussing marketing in the future, I will comment on the recessed Maize Stabilization Fund. This was the first attempt by any industry to establish a joint promotion advisory council, funded from windfall profits of the marketing agents and grower levies. It has gone into recess because of lack of support from both growers and merchants. It has been criticised because it interfered with market forces. This happens the world over — promotion and market levies are an accepted practice and a normal cost to producers, even when they have little or no control over their product in the market place. Take, for example, the United States wheat crop, where with two years supply in storage growers still pay levies.

Would the objectives of the Maize Stabilization Fund have been met if export prices had been high for three out of the five years it was in operation and the levy had been compulsory rather than voluntary? I do not know. However, in spite of all the comment to the contrary, growers received substantially better prices with the fund than they would have received had there been no fund.

The principle of a promotion and marketing levy on growers should not be ignored and must be accepted by arable farmers in the future.

MARKETING

The area harvested in 1984 was 21,000 hectares, which will barely satisfy New Zealand's internal requirements. Next year, with starch manufacture and deer farming increasing, demand can be expected to increase. Therefore, any expanded maize production will be to meet a market demand rather than to produce a commodity. Part of the problem with the more traditional New Zealand agricultural commodities, and even some new horticultural products, has been that the commodities are produced with the hope that the market may be there.

The major area of concern to me for a successful future for maize is how we market the product. There are many ways to market crops; three of them are:

- The producer grows the commodity after assessing it relative to alternative land uses. Then someone else purchases it, usually at a discount, and markets it to his own advantage. The producer has no interest beyond the farm gate.
- The producer sees a land use opportunity and then negotiates a contract with someone else to totally grow and market the crop. The producer's interest and commitment only relate to advice on land use.
- The producer grows his crop free of any outside service requirement, other than to purchase someone else's market expertise at the time of sale.

Committed arable farmers mostly favour the third alternative. This alternative gives the opportunity for co-operative and co-ordinated marketing and is conducive to the formation of grower societies such as the South Island Barley Society and the newly formed Gisborne Maize Growers' Society.

Accepting the third alternative, the producer has three options in the market place. These are:

- Grower-consumer direct contract.
- Local or export production controlled by a grower society.
- Grower-broker-consumer, where the market advice is provided and paid for by the grower.

There are difficulties with direct grower-consumer marketing, because there is no guide to the grower as to competition in the market place, or even if competition exists.

The second and third options provide advantages for the grower. With these systems the broker, whether a society or a merchant, can provide the best price for the grower. I envisage that grain merchants should continue to be a part of the production chain, but at an affordable cost, dependent on services provided. Any service provided in driers, transport and storage is all charged for on a recoverable basis; brokerage, likewise, should be at an agreed and competitive rate. I do not see the service

provided relating to crop ownership, in contrast to the direct contract option, but rather I see continuing maize production dependent on an effective partnership between producers and their marketing brokers.

For all options, the price setting mechanism must relate to market and distance from that market. I see no advantage for growers in selecting a price at planting time for a product that will be harvested six months later, and sometimes used twelve months beyond the harvest period. Base prices have to reflect inflationary trends, should they occur.

A prepayment system should be available for all commodities, either sold on the local market or for export. The cost of carrying a product forward should not be a charge only on the producer, but should be shared by the consumer. The consumer has to recognise that production planning is necessary, requirements need to be stipulated well in advance and payment policies agreed to by all parties.

SUMMARY

- The maize industry is in a downward trend and only by a total commitment to lower costs of production will this be reversed.

- Expanded market opportunities both in New Zealand and overseas can occur for the maize industry. For the benefits of an expanded market to reach the grower, he must monitor and exert control over the marketing of the product, at least to the stage of determining exporters or franchise holders.

- More efficient and equitable marketing of maize will require a commitment from growers in the form of promotion and market levies, while from the traditional agricultural merchants it will require the acceptance of a participation where the rewards and the risks of the market place are shared with the growers.