Ladies and Gentlemen:

In this lecture I will depart even further than in my last from the consideration of the large matters of history, geography, and cultures, with all their colour and romance. The subject matter of this lecture is of a much more homely quality. It ranges from the production of wheat and wine to the economics of feeding pigs.

I have stressed that if we are to adopt a true "free trade with Australia" policy we must first totally abandon agricultural protectionism between us. Resolve the difficulties in this area and the rest will fall into place with comparative ease. Leave this area untouched and failure is certain. I have stressed that the general experience of the family of nations in the past thirty years has shown clearly that failure to achieve free trade in the agricultural sector had frustrated advance in other sectors and that we would have the same experience.

New Zealand has primarily an agricultural and pastoral economy and the Australian economy is at least in a large part similar. Any trade policy which does not provide for the elimination of protectionism in this area will be a partial and inadequate instrument and will produce partial and inadequate results. The national interests of both our countries demand complete economic integration.

On the Australian side I think the greatest challenge will be the necessary integration of the dairying industry with that of New Zealand. I do not think the difficulties will be insuperable but I cannot pursue this matter now because I am addressing a New Zealand audience. I will speak about the difficulties we will have in making the necessary adjustments on this side of the Tasman Sea, especially in respect to wheat, animal feed-grains and wine.

I am satisfied that free trade with Australia in each of these commodities will confer substantial benefits on us and that these benefits will be quickly realised.

Wheat

I will try and summarise a good deal of information on a fairly complex matter by making ten general statements by way of
1. Since the earliest years wheat growing in Canterbury has been an industry of major importance and free trade or no free trade I believe it will long continue so to be. There was a record harvest in 1899 and it has been exceeded only four times in the intervening eighty years.

2. Government policy in respect to wheat is now and always has been “that New Zealand should be self-sufficient in wheat”. This objective has been achieved only three times in the past forty years. In every other year it has been necessary to import wheat — usually from Australia. In the year ending March 1st 1980 we have imported 46,000 tonnes of Australian wheat.

3. Wheat is predominantly used for the production of flour and about half the flour is used for bread making. The rest is used by biscuit makers, pastry cooks, housewives and the makers of gluten and glucose.

4. It is well we are compelled to import some Australian wheat because New Zealand wheat does not make first-rate bread-making flour. It is too soft, the moisture content tends to be too high and the protein content too low. It does not make a good dough and much of it has a low baking score. Different varieties of wheat vary in these respects but the best varieties are only a very small part of the whole crop. The addition of Australian wheat improves the baking quality of some flour in some degree.

5. An enormous amount of research has gone into improving the quality of flour by breeding better varieties of wheat. It is like trying to make water run up-hill if the causes of these deficiencies in our wheat for baking flour are basically due to climate — and I believe they are. For uses other than breadmaking, as far as I am aware, New Zealand flour is satisfactory but there is only one grade of flour for all purposes whereas in England, for example, there are eight grades suitable for different uses.

6. Over 90 per cent of our wheat is grown in the South Island and the greater part of this is grown in Canterbury. Wheat is milled in both islands but 75 per cent of the consumers of flour are scattered around the North Island. From this it can be seen that transport costs, whether for wheat or flour, are a very important factor in the cost of the final product.

7. About 50 per cent of the wheat is grown by some 10 per
cent of the growers and I believe this 10 per cent will continue to grow wheat under conditions of free trade with Australia. However, under free trade it is probable that the major determinant of market price for wheat will be the landed price of Australian wheat at New Zealand ports and this price in its turn will be the world wheat price plus trans-Tasman transport costs. The world wheat price with an expanding world population can go nowhere but up.

8. Today the area sown to wheat each year depends on two principal factors. These are (a) the basic wheat price per tonne offered by the Wheat Board and (b) the probable return from alternative farm products on the same land.

I can remember about thirty years ago Professor F. W. Hilgendorf wrote a little book about New Zealand wheat and there was a graph therein showing that the area sown to wheat varied inversely with the price of fat lambs. With high lamb prices the wheat area fell the following season and vice versa when lamb prices fell. Other cereals, seeds, meat and wool can all be produced from the same land. Our wheat production due to this factor is a great variable. In 1974 we imported approximately half of our wheat requirements from Australia and in 1978 none at all.

9. Whether the land produces wheat or lambs or wool, etc. does not make much difference to our national overseas trade account. Whether we save overseas exchange by growing wheat or earn overseas exchange from alternative products does not really matter.

10. The entire wheat growing, flour milling and flour marketing complex is completely controlled under the Wheat Board Act 1966. This applies to all wheat whether home grown or imported.

Let us now look a little more closely at this extraordinary Act and its administration.

The Wheat Board

The Act provides for the setting up of the Wheat Board. The members represent Government departments, growers, millers, bakers, poulterers and grain merchants. One of the most important functions of the Board is in December of each year to advise the Government on the basic price per tonne to be paid to wheat growers in the following season. Some wheat for which this price is set will not be harvested for nearly two years after the date of price fixation. The price cannot therefore be
more than crudely related to the world price of wheat.

It must be said that from 1974 to 1978 the Board discussed a proposal that world prices should in some degree influence the New Zealand basic price. The idea was canvassed that growers should be paid the average f.o.b. price of Australian wheat for a three month period ending three months before the New Zealand harvest began.

The proposal was consistently rejected by the growers. The obvious inference is that the prices the growers get under the present arrangement are better than they would be if they were more closely related to world market prices.

All other New Zealand farmers must accept world market prices for their produce. It is not easy to see why wheat growers should not be in the same position.

The basic price for wheat finally recommended to the Government is largely the resultant of informed guesswork and political clout. The grower representatives on the Wheat Board have a good deal of influence but their influence does not end there. For example in 1979 the Board recommended a basic price of $140 per tonne but the Cabinet Economic Committee decided the price should be $137 per tonne. The publicly expressed dissatisfaction of the farmers' organisations were much more strident and prolonged than usual. A campaign by press, radio and television was launched and finally the Government relented and the growers got $140 per tonne. Encouraged by this success, a low key campaign for $175 per tonne to be adopted in December 1980 has already started.

This is the machinery of price determination set up under the Wheat Board Act which is substituted for the market forces of a free-enterprise economy.

Under the Act all wheat grown must be offered to the Board and the Board must purchase all the wheat so offered except such that the Board decides is not of milling quality. It so happens that the poorer qualities of wheat give the heaviest yields and so are favoured by the growers. To them quantity appeals more than quality. The Board tries with modest success to encourage the growth of the better varieties of wheat by paying a premium for them over the basic price and by discounting the price for the poorer varieties. The growers usually protest about the discount. Apart from this premium and discount system the grower has no incentive to strive for quality and of course the miller is powerless to do so. The miller
The Wheat Board licenses each flour mill, fixes the price of flour, assigns a production quota to each mill and sells all flour as agent for the millers.

The Wheat Board loses money most years and its books are balanced by an annual Treasury grant. It varies a lot but over the past four years it cost the taxpayer some thirty-seven million dollars.

Finally let me give you a quotation from the New Zealand Year Book 1950. This was in pre-Wheat Board days when wheat production was fostered by customs duties and subsidies on flour:

"Wheat is the most important grain crop in New Zealand. The industry enjoys the sliding scale of customs duties levied on imports of wheat and flour and also regulation of prices on a basis that is calculated to give the grower a satisfactory return for his produce. Further efforts in encouraging wheat growing with a view to making New Zealand entirely self-sufficient in respect of wheat and wheat products were initiated by the Government in 1936.

Despite the protection and encouragement given to wheat growers the results have in the main been disappointing. Appreciable increased production occurred in four seasons 1939-40 to 1942-43 but decreased sowings and a low average yield resulted in production for 1943-44 being 2,610,857 bushels below that for the preceding year."

It all sounds terribly familiar.

I will summarise my comments on the wheat industry as follows:

1. The present policy has failed utterly and will continue to fail to make New Zealand self-sufficient in wheat.
2. The present policy makes the present price of wheat in New Zealand to be quite unrelated to the world prices of wheat and is probably well above it.
3. The present policy guarantees to the New Zealand baking industry that flour will be of an inferior quality and there will be one single grade of flour for all its many purposes.
4. The present policy contains little incentive to anybody to strive for quality in the end product whether he be farmer or miller.
5. The present policy costs the taxpayer money every year.
6. The basic price set for wheat each year is in practice a benchmark to which the price of barley is related and it tends to have an upward thrust on the price of animal feed grains. I will revert to this important subject in a few moments.

You may well ask why is this incredible policy being still pursued. It appears to have only one purpose and that is to make life easier for the wheat grower. It lets the grower know a year in advance what price he will get for his wheat and in the light of this knowledge enables him to decide whether he will grow wheat or not and what acreage he will plant.

I am of the considered opinion that not one of the wheat growers of New Zealand would miss one meal, have a reduced quality of life, live one day less or die one dollar poorer if the whole ramshackle structure were swept away.

What changes would a policy of free trade in wheat with Australia bring? It is not possible to say in any detail. It is pretty certain that bakers would continue their demands for better flour and that millers would seek better wheat to make it and merchants would order Australian wheat to meet the demand. The landed cost of such wheat at our ports would set the scale of wheat prices much as the Wheat Board basic price does now. The range of prices would depend on many factors from that starting point. Such factors would be internal transport costs, the end use of the wheat, relative qualities, competition, supply and demand.

I think it would take about two seasons for all the operative factors both old and new to gel into a new pattern of production and trade and that when this occurs wheat would still be grown in the country and it will be a useful and profitable crop for the grower.

The Australian wheat crop in 1979 reached a record 15,000,000 tonnes. The same year the New Zealand crop was 327,000 tonnes — very tiny by comparison. One-fifteenth of all Australian overseas earnings come from cereals.

From these facts it is clear that free trade in wheat with Australia in money terms means little to Australia and as I have shown in money terms it means little to us either. In psychological terms, however, it would be of the very greatest importance. To abandon a policy so long established and so linked with entrenched special interests is very convincing evidence of our sincerity and firmness of will in our pursuit of a common
policy of economic integration. Human responses whether at personal, community or national level should never be dismissed as irrelevant.

Animal feed grains

When I summarised earlier on my comments on the wheat growing industry, item number 6, was as follows:

"The basic price set for wheat each year is in practice a benchmark to which the price of barley is related and it tends to have an upward thrust on the price of animal feed grains."

Barley is the main animal feed grain. There is some maize grown in frost-free areas in the North Island but in the South Island barley, unmillable wheat, pollard and bran are the feed grains and the most important of these is barley. Low nitrogen varieties of barley are also grown for malt used in the brewing of beer.

It is barley as an animal feed grain I want to talk about.

It is a prohibited import under the Customs Act. It is not on Schedule A of NAFTA and when its importation is permitted it attracts a customs duty of 10 per cent.

Like wheat, barley is an end or final product for the grower but it is the essential raw material of three potentially very important primary industries: These are pork production, poultry production, and egg production. Possibly in due time rabbit production may be added to these. These are important industries now but they are as yet serving only a home market of three million people and do not produce for export at all. I believe they are capable of producing poultry, pig meats and eggs on a very great scale to feed the populations of our northern Pacific neighbours. These teeming billions are not consumers of sheep meats and dairy produce but the three products I have named are major components of their traditional diets. That is why I have called these three industries "potentially very important primary industries".

I am going to speak to you about pork production in particular but I must emphasise that my remarks with minor variations apply equally to poultry and egg production. They have much in common. They all depend on feed grains. The cost of feed grains is 70-80 per cent of the cost of pork production, up to 65 percent of poultry production and 80 per cent of egg production. All are geared to the home market.
All can operate on relatively small areas of land and it need not be high class land. All tend to locate as close to their market as possible. Cheap feed grains is the essential base on which these potentially great export industries can be built.

I believe one of the reasons why these industries have not reached out beyond the home market has been the influence of our century old protection of wheat growing. Over a large part of the grain growing area of the South Island wheat and barley are alternative crops. A wheat price unrelated to market price and usually above world market price is meant to, and does, encourage wheat planting. The higher the basic price the more land planted in wheat and the less in barley. This is the mechanism through which the price of wheat provides a benchmark for the pricing of other cereals and tends to give an upthrust to barley prices in the producing provinces.

Starting from this base barley prices are greatly enhanced by transport costs. The price of barley in the North Island which is the main market is the price in Otago-Southland plus the costs of transport. Take for instance the prices for 1979. The table before you will make the point.

<table>
<thead>
<tr>
<th>Region</th>
<th>Price per tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Otago-Southland</td>
<td>$80</td>
</tr>
<tr>
<td>Canterbury</td>
<td>$85</td>
</tr>
<tr>
<td>Manawatu-Hawkes Bay</td>
<td>$105</td>
</tr>
<tr>
<td>Waikato</td>
<td>$125</td>
</tr>
</tbody>
</table>

In my first lecture “New Zealand is different” I said “Cook Strait is an important economic determinant. Transport costs and unreliable service across it are tending to produce two semi-independent economies — one in each island.”

More accurately, the sum of all south-north-south transport costs is tending to this end.

Gradually these costs and population pull have produced this “separate economy” effect. More and more feed grains are being grown in the North Island. The North is now becoming independent of the grains from the South and barley is being exported from southern ports to Taiwan and China and the USSR presumably to feed the pigs of Asia.

Barley for malting has also moved north, and the malting houses too, because beer also is a home-market-only product and 75 per cent of the market is in the North Island.
Finally, allowing for world market ups and downs, I doubt if barley of high quality is anywhere in the world produced more cheaply than in Otago-Southland. To underpin the potentially great primary industries I have named the cheaper it is the better.

Now to speak more specifically about pork production.

Pig farming began in New Zealand as an adjunct to the dairy industry. It was based on skim milk from the farm separator and the butter factory. The manufacture of cheese took out the milk protein and there was little of nutritional value left in the whey but it was still a useful supplementary pig food. As the dairy industry became more and more sophisticated it used up more and more of the components of milk until there was nothing left for the pig. After cheese came dried milk; casein, lactose and various forms and fractions of these products and pig farming lost its dairy farming base completely.

This change took place gradually. It started about 1940 and today it is almost complete and New Zealand pigs are no longer dairy fed, they are grain fed. This grain based industry was home market oriented and located in the North Island because there it grew up and there was the greater part of the market but the grains which supported it were in the main South Island grown.

The transition from a dairy base to a grain base has been slow and difficult and grain costs have been the major problem. The basis of these costs I have already indicated. Pig farming has for a long time been an exercise in economic survival and the number of families engaged has steadily declined. The industry is practically static and can scarcely meet the demands of the market. Hams are frequently imported from Australia.

Much of what I have said is relevant to egg and poultry production. Like the pork industry they are feed-grain based and the cost of grain is vitally important. They also are geared only to the home market and in consequence are predominantly North Island based.

The poultry industry is vigorous and expanding and is beginning to look at export markets. Till recently it has been hampered by the absence of any official inspection and certification procedures. It is a private enterprise industry and has no top hamper of Board or Authority or quotas and even few official statistics.

By contrast the egg producing industry operates in a straight
jacket akin to wheat and flour production. The Egg Market Authority pays a basic price for eggs and lives in constant fear of a surplus. It has devised a complex series of measures to prevent this happening. When a surplus occurs it lacks the courage to take the eggs to the nearest tip but disposes of them by dumping on the overseas market at a loss around sixty cents per dozen. The industry can never enter export markets unless all the apparatus of control is abolished and cheaper feed grains are available. No one can say egg based exports will result from these measures but it is absolutely certain that there will be no exporting without them.

I can see no reason why an export industry in eggs should not be built up. Australia exports egg pulp, dried eggs and even some eggs in the shell mainly to Asia and if they can do it why not us.

What then are the likely effects of free trade in animal feed grains with Australia. I will discuss the effect in the North and South Islands separately because in this matter they are two economies.

**North Island**

The price of feed grains will no longer be the price of grain in Otago-Southland plus transport costs but the landed price of Australian feed grains at North Island ports. Almost certainly this will mean cheaper grains and pig farming, poultry and egg production will get a very great boost. If this happened to horticulture or dairy farming the beneficial effects would soon be absorbed by rising land prices but the industries under discussion do not require very much or very good land and they will benefit maximally and permanently.

**South Island**

In the South Island the impact of a free trade policy in feed grains would in my view be minimal. The steadily reducing export of barley to the North would probably dry up completely and the South would then have three choices open to it. These are to stop growing barley altogether; to grow barley for export overseas; to grow barley as a basis on which to build an overseas export trade in the three primary products I have been discussing.

To me there is no doubt whatever which of these choices is most in line with both the local and national interest. It is the third option.
Again I will briefly discuss this option in terms of past production. All the main facts in the situation indicate to me that the South Island is ideally situated to develop a substantial export trade in pork products with the Asiatic lands in the north-west. To save time I will make a list of those things favouring this course:

1. The South Island produces what is probably the lowest cost barley in the world and the harvest is more abundant the further south it is.

2. Pigs and poultry require more protein than grain alone can supply. This is usually supplied as meat meal, dried blood or fish meal. The former two are produced in abundance locally and with an expanding fishing industry the third should in time become more readily available.

3. After field grains one of the major costs of pork production is electric power. In an area where there is a surplus of electricity and Comalco can purchase power at low cost per unit the pioneers of a great primary industry should qualify for power at a very reasonable price.

4. Given a reasonable and steady level of production transport costs to (say) Hong Kong could be cheaper than to Auckland.

The industry must be geared to export. The South Island has about 25 per cent of the New Zealand market but the home market must be put very much in second place even to the point of North Island producers supplying it if necessity compelled. This is because the home market and export market needs are different and all resources and energies must be directed to creating an export industry. I will now list the major difficulties and and finish this section by suggesting possible solutions.

Problem Areas

1. Marketing a food in an Asiatic land demands an intimate knowledge of local custom and culture.

2. Hong Kong, Taiwan, Japan and Korea are huge sophisticated markets and specialised marketing expertise is needed for any newcomer to enter and participate.

3. Killing and processing pork is a crude art in New Zealand. It is done usually in enormous works geared to mass slaughter of lambs and cattle. Pigs are small business and producers must accept the service they get and the price they are
charged. One major meatworks in Canterbury stopped killing pigs altogether last year.

The first requirement of a specialised pork trade is specialised processing in a specialised plant by specialist processors. No part of the pig should be wasted in such a "works," whereas today the pigs are not even skinned. All parts are marketable—skin, chitterlings, offals and even bristles and these should pay a good part of the costs of processing.

As for marketing, it would probably be necessary to use existing organisations at least in the early years. After all USA, Canada, Australia, Sweden and Ireland sell pork products successfully in the East so why should not we?

The best solution

I incline to the opinion that such export industries should be co-operatively organised even to the grain growing. To the average grower grain is an end-product and its sale price a very vital matter. To a co-operative the grain is only a step in the production process and the market price is irrelevant. The co-operatives' only concern is the cost of production and the yield per hectare and the final return from the sale of pork products. To establish a processing plant of any size is a daunting undertaking and must be done by a pooling of resources either by a limited liability company or a co-operative. Shareholders in the former want a dividend soon, the latter looks for his dividend when the produce of the enterprise is marketed.

I want here to put on record my conviction that if one such co-operative were successfully established based firmly on local resources it will in a few seasons be multiplied a hundred fold. Such an enterprise may well have community, provincial and even national consequences of the most important and beneficial kind. After all the market is enormous and could in time become even limitless and quite beyond the power of these tiny islands to serve.

What are the prerequisites for this concept to become reality?

Three things are necessary:

1. vision, drive and initiative,
2. market research and organisation, and
3. substantial investment.

I have already commented on marketing and will speak only
The vision and drive and initiative are not altogether absent. In Timaru there was established recently a South Island Pork Producers Co-operative Society whose object is to establish an export trade in pork products. It can be confidently stated that starting from nothing this society will have very great difficulties. For New Zealand they are pioneers and must learn as they go. Few outside South Canterbury seem to think it has much chance of success. All I can say is that it deserves to succeed. I mention it merely to indicate that the vision, drive and initiative are not lacking.

To be successful a substantial investment is essential and even some pump priming at a national cost. To me it would seem to be right at the centre of the circle of interest of the Development Finance Corporation. More I will not say except that I know of no current commercial enterprise with greater potential for achievement and that with consequences of such great importance to the nation.

I have so far discussed the possible consequences of free trade with Australia in wheat and animal feed grains and have added this digression on feed grains in the South Island partly because it is a related matter and partly because of its great importance.

Now let us consider the probable impact of free trade with Australia in wines and a few reflections on the wine industry as well.

Wine

The New Zealand wine making industry is heavily protected. Anyone who wants to import wine from Australia must first get an import licence and then pay a very substantial customs duty. There is no doubt that restrictions on imports have played a very large part in the growth of this industry. There has been a customs duty on imported wines at least since 1938. The war gave it a considerable impetus. The very large numbers of American servicemen in New Zealand and the total unavailability of imported wines had a stimulating effect on the growth of the industry. The famous budget of 1958 placed severe restrictions on the importation of all alcoholic liquors and in 1972 the Emergency Protection Authority was appealed to and the duties were raised 100 per cent. Each of these episodes were landmarks in the growth of the industry.

There is little doubt that a policy of complete free trade with
Australia in wines will alter the structure of this industry considerably. Just what the final outcome would be I am not prepared to speculate on.

Quite independent of any changes free trade in wines may bring, the wine making industry is at present in a phase of structural transition and this should facilitate adaptation to the intrusion of this new factor. If as a nation we have any policy or ideal to which our horticultural industries should conform now is the time to impose it on viticulture.

Although the earliest vineyards of any size were in Hawkes Bay, the wine industry has been based largely on the rolling land of Waitemata County north and west of Auckland. It was based on small vineyards, family owned and operated and most of the families were Dalmatian. There are still at least forty orchards and vineyards in Waitemata County varying in size from ten to sixty-five acres. They are diminishing in numbers. They are under considerable pressure from the forces of urbanisation. The land price for housing and industry is rising to tempting levels. The County Council is trying to protect them by rate incentives and special zoning under the Town and Country Plan but the writing is on the wall for many. This is no doubt an important factor in the changing structure of the wine growing industry.

Some of these vineyards have formed themselves into private companies making wines and selling them under their own labels. Others have grown grapes under contract to the wine makers. There are today a lot of growers who still grow and sell under contract.

As far as I am aware the first departure from this private company pattern was when Cooks New Zealand Wine Co. Ltd of Te Kauwhata became a public company. Now there are a number of very large public companies, some of them subsidiaries of overseas multinationals. Dramatic expansion in the size of planted vineyards, their location and technology have followed those changes.

A few examples may help you to appreciate the present position more clearly.

The Corban family is of Lebanese origin and the founder of Corbans Wines — Assid Abraham Corban — planted a vineyard at Henderson in 1902. The family were not only pioneers of the New Zealand wine industry, they became leaders. Their business prospered and their wines were good. Corbans
Wines was taken over completely in recent years by Rothmans Industries Ltd. This is a New Zealand subsidiary of a London based multinational company usually associated in the public mind with cigarettes. The parent company owns 28 percent of the shares in its subsidiary. Rapid expansion has followed the takeover. Corbans vineyards in Poverty Bay have been added to by the planting of new vineyards at Tolaga Bay on rich river-silt flats. Corban wines are now being exported to North America and form two-thirds of New Zealand wine exports.

Rothmans are on the march still. Last year they made a bid to take over Cooks New Zealand Wine Co. Ltd. They were unsuccessful but according to the annual report they are still hopeful.

Montana Wines Ltd is the largest grower and maker of wines in New Zealand today. The company's shares are forty percent owned by Joseph E. Seagrams and Sons Inc., the giant American liquor conglomerate, said to be the largest wine seller in the world. It began when Montana Wines Ltd took over Waihirere Wines in the Gisborne district. Of recent years the company has broken new ground by moving into the South Island. It has acquired and planted a considerable area of river-flat land in the Waiau valley near Blenheim.

Penfolds of Australia came to Hawkes Bay in 1953. A subsidiary company, Penfolds Wines N.Z. was formed in which the parent company held a 46 per cent shareholding. Penfolds Australia was the second largest wine maker in Australia. Recently it was taken over by Tooth & Co. Ltd, the brewing giant of New South Wales. Recently Penfolds NZ became a public company and all but five per cent of the shares owned by the Australian parent company were taken over by New Zealand share purchasers.

The family and community character of the New Zealand wine industry is fast disappearing. Their successors in my view have the necessary expertise, experience and financial strength to integrate this industry with that of Australia in the event of a total free trade policy being embarked upon by the two countries.

There is one reason why free trade in wine with Australia may prove to be a very good thing for the New Zealand wine industry. This reason is that here are made still and sparkling white table wines of excellent quality comparable only with the famous German white wines of the Rhineland.
By comparison with many wine making countries ours has a high rainfall and cool summers and the hot, dry lands of Australia and California cannot produce the same light, elegant, fruity, white wines that New Zealand does. Such wines could find—and indeed are already finding—a large market in Australia and elsewhere. We were recently told by a distinguished authority that Germany cannot satisfy the demand for such wines in California, itself one of the world’s great wine producing areas.

I have called this lecture “Some reflections on cereals and wines” because I wanted to say a few things arising out of my review of the wine industry which do not bear directly on a free trade policy but have a wider significance and to these I will now briefly turn.

I do not share the current prejudices against multinational enterprises because they have some good aspects. With proper safeguards they can be a means of securing essential investment in developing economies and they can be a means of introducing specialised technology and access to export markets. As far as wine making is concerned they have filled these two latter functions. The very high technical efficiency in the industry owes much to the United States and also to Australia. Still I have reservations about any other than New Zealanders owning New Zealand soil and would prefer others to hold land only on some form of leasehold tenure setting a term to rights of use and occupancy. The life of a commercial vineyard is about twenty-five years and this could be a guide to the term of such a lease.

Again I have reservations about so called “vertical integration” in the wine industry. This term means one company growing the grapes, making the wine and marketing the product as distributor, wholesaler and retailer. That economic power should be diffused is a sound principle and monopolism must be constantly restrained. The holder of a wine seller’s licence in New Zealand can sell only New Zealand wines. The only wine making company in the retail business is Montana Wines Ltd who have twenty-six ‘Weinkeller’ shops. They have attempted to sell them off but have run into difficulties with the Licensing Control Commission. In my view the issue of wine sellers’ licences should be restricted in such a way as to exclude wine making public companies and to prevent licences being held by one person above a limited number.
The small vineyard making its own wines from its own grapes is not only traditional in New Zealand but it has also some good social features. Such vineyard can make and sell its own wine and even have its own vineyard bar licence. This is complete "vertical integration". I think the rules should be different for the giants of industry. Ideally they should buy grapes under contract from an army of small growers and confine themselves to the making and wholesale selling of wine.

Horticulture is much discussed at present as a very promising area of production especially for specialised exports. The growing of wine grapes belongs in this subdivision of primary production. This new cluster of industries must not be structured on any principle of vertical integration. The concept is incompatible with our national ideal — and it is in my view a wholesome ideal — of the independent farmer leading the good life, on a family farm.

There is one further matter which disturbs me and that is the use of rich fertile river flats for vine growing. Most of the world's vines are grown on rather poor soils on well drained low hills, lying to the sun above frost levels. Most of the rich loamy flats taken over for vineyards in recent years at Gisborne, Tolaga Bay and Marlborough have been previously used for dairying or cropping. This is the very high producing class of land of which the country has very little and on this land vines are in direct competition with growers of other horticultural products.

In 1960 there were 863 acres of vineyards and in 1979 there were approximately 9,000. Leaders of the industry expect the area to increase at a compound rate of 10 per cent per annum. This will mean by 1986 the area will reach their forecast of 17,500 acres. New Zealand has too little of the class of land under demand to afford this. In my view there will have to be a clear policy laid down on the use of this class of land. It could be implemented through the Town and Country planning procedures.

Free trade in wine with Australia may well make available a wide range of good wines at lower prices. In so far as this lessened the consumption of strong liquors it could have many beneficent social aspects. There is, however, another more philosophical question, which appears to me not unimportant in considering wine growing and land use.

Is there such a thing as a community duty which has
relevance to our use of New Zealand’s productive soil? The view might be taken that we are strangers, tenants or sojourners on the soil in “the land the Lord our God has given us”, as the scriptures say; and are we free to use it as we will? We should make some endeavour to use it in accordance with what would appear to be the Owner’s intention. That intention may be that the soil should be used primarily to provide food in a desperately hungry world. Is it our duty to be sure that priority is given to this primary end? I think it is.

Wine “that makes glad the heart of man”, and whose use is Christ-endorsed, is an ancient, useful and pleasant product of the soil but personally I would much rather see it produced in the dales of Waimakariri County and the Moutere Hills of Nelson or even in the Barossa Valley than in the fertile plains of the Wairau and the soil of Poverty Bay. I would not grieve if I had to consume as much Australian or even Californian wine as that of New Zealand.

I am aware that raising this consideration will cause some persons irritation, some anger and some tolerant amusement. But I stand by it. In my defence I present for your consideration the same point of view in another case where I think ethical considerations might be involved.

We have a nascent deer farming industry. You may ask, “Why not? Venison is good food. Even the rich must eat.” New Zealand exported 4,400 tons of venison in 1972. Deer farming has grown very greatly since then but we exported only 800 tons in 1979. The reason for this decline was the high price of velvet. This is the name given to the soft outer covering of the growing immature antlers of the stag. It is the basis of a much prized meat sex stimulant and the principal market for it is Korea. No “practical” deer farmer would kill a deer for venison when it can yield 300 odd dollars worth of velvet each season. I have before me a cutting from a newspaper of January 1980. The headline reads: “Deer farmers take realistic view of their markets”. I cannot help but wonder if the Ultimate Owner of the deer farm has the same “realistic” view.

But to return to wine and free trade therein. No one can really forecast what the final pattern of the wine industry and wine trade would be under a free-trade-in wine policy. There are so many other factors. Australian tariff now on New Zealand wine is only a small fraction of the New Zealand tariff. There is a 20 per cent sales tax on a bottle of our wine and there is none in
Australia. There wine appears to be tax free. There certainly is no Federal excise. The scope for co-operation and adjustments to make the transition to free trade minimally disruptive is considerable.

In this lecture I have put the case for free trade between the two countries in primary produce as convincingly as I can because I know that should it come up for public discussion the objections will be shouted from the housetops embellished with many partisan half truths.

I firmly believe that the advantages of free trade in primary produce far outweigh any possible disadvantages and if free trade is not achieved in this area we may as well proceed on our present course which I have predicted, with all possible earnestness, is a road of isolation leading finally to our destruction.