



Chelsea Refinery, Auckland, New Zealand.

CHAPTER 10

Sugar in New Zealand

A. C. ISAACS

This chapter deals with some matters of direct interest to New Zealanders. It is short because many subjects which relate to sugar in New Zealand have been covered in the rest of the book. The historical background of the New Zealand sugar refining industry, the procurement of raw sugar for New Zealand, the technology of sugar refining, and the ownership of the C.S.R. Company are dealt with in other chapters.

Mr A. C. Isaacs is C. S. R. manager in New Zealand. He is a graduate of Sydney University and held a senior position in the sugar marketing division at the company's Head Office before his present appointment.

March 1956



Chelsea Refinery, 1885, shortly after it was built.

THE history of Chelsea Refinery goes back to 1881, when Edward Knox, chairman of the Colonial Sugar Refining Company, Sydney, visited Auckland with a proposal to establish a refinery there. At that time all New Zealand's refined sugar was imported from Australia, Mauritius and other countries.

During his visit Mr Knox purchased as a site for the new factory 160 acres near the new suburb of Birkenhead, across the water from the city of Auckland. The site had a deep water frontage to Waitemata Harbour. Two years later, in 1883, the New Zealand Sugar Company Limited, in which the Colonial Sugar Refining Company, the Victoria Sugar Company, and a group of New Zealand investors held equal shares, was registered in Auckland. The C.S.R. Co. built the refinery for the new company. Before any building could be done 120,000 cubic yards of clay had to be removed; $1\frac{1}{2}$ million bricks were made from this clay for the buildings and for the construction of two dams across Duck Creek, which ran through the company's property and which was to be the source of the refinery's supply of fresh water. Two long wharves were run out into the harbour; the bottom was solid rock and the holes for the piles had to be blasted. The refinery was completed within 18 months and commenced operations in September 1884. For some years its weekly production of refined sugar was less than 150 tons, compared to its present capacity of more than 2,000 tons per week, or more than 100,000 tons a year.

During the period 1887-1888, the Colonial Sugar Refining Company,

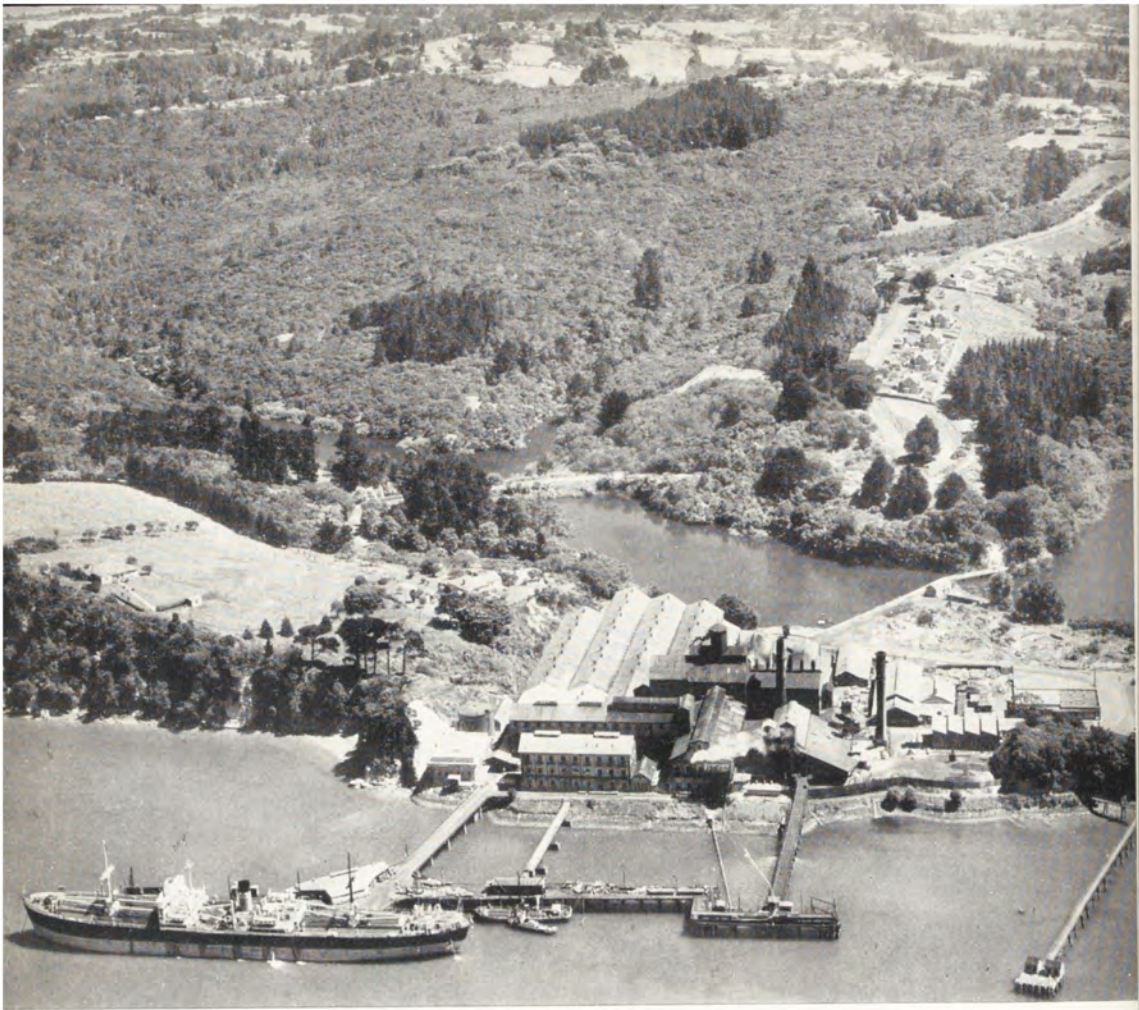
the Victoria Sugar Company and the New Zealand Sugar Company Limited amalgamated and formed the Colonial Sugar Refining Company Limited operating in Australia, New Zealand and Fiji. Although the New Zealand Company merged with the Colonial Sugar Refining Company Limited, New Zealanders have always been strongly represented as shareholders. An analysis in 1954 of C.S.R. shareholders showed that 2,609, or 21 per cent, were domiciled in New Zealand.

Since the amalgamation the Colonial Sugar Refining Company Limited has had the valuable assistance of a New Zealand board of advice, consisting of several New Zealanders who are shareholders in the company. This board helps the company to keep informed of the trend of New Zealand business affairs and is available for local advice as required.

In the early days before New Zealand had its own refinery, imports of white sugar came mainly from Australia and Mauritius. When the refinery started operating, imports of refined sugar practically ceased. Until the first World War raw sugar was imported from Java and Fiji. From 1914 to 1920, years of world sugar shortages and high prices, the C.S.R. Company supplied New Zealand from Fiji with raw sugar at prices substantially lower than paid by the United Kingdom, and much lower than the company could have obtained had it sold the Fiji raws elsewhere. In 1919 the New Zealand Board of Trade acknowledged that the company in the arrangement entered

From left: Mr A. C. Isaacs, C.S.R. manager in New Zealand, with Messrs R. P. Towle and R. D. Horton, who comprise the New Zealand board of advice to the company.





Chelsea Refinery is on the northern side of Auckland Harbour, close to the suburb of Birkenhead. The artificial lakes behind the factory provide fresh water for the refining process. Many native New Zealand trees and ferns have been preserved in their natural environment in the 300 acre catchment area. The overseas ship on the left is discharging raw sugar. The jetty on the right is for the passenger ferry service by which many of the refinery employees travel to and from work.

into with the New Zealand Government since the war began “ignored the market value of sugar in determining the price with the result that the Dominion’s consumers have been able to purchase their requirements cheaper than those in any other country”.

From 1920 to 1939 New Zealand raw sugar imports were bought mainly from Java, Cuba, San Domingo and Peru, i.e., the cheapest available world sources. However, raw sugar from these sources was sure to become very dear in the event of a major war and probably scarce and difficult to obtain. In the first week of World War II the company arranged to ensure that New Zealand’s requirements of raw

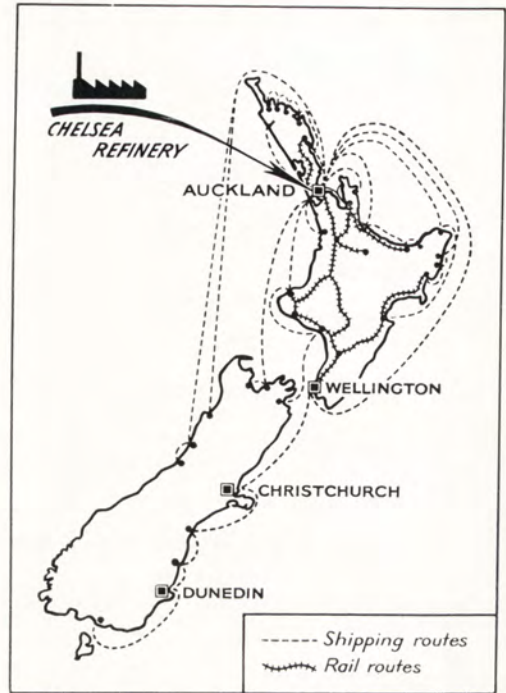


Unloading imported raw sugar at Chelsea.

sugar would be supplied from Fiji. Soon afterwards, as part of the general wartime British Empire sugar arrangements, provision was made for the company to supply New Zealand from Fiji and Australia by subtraction of New Zealand's requirements from the bulk purchase made by the British Government of all British Empire sugar exports. The sources of supply of raw sugar for refining by the company at the Auckland refinery are shown in Appendix 25.

In 1950 the New Zealand Government agreed with the United Kingdom Government for 75,000 tons of New Zealand's raw sugar requirements to be purchased annually at the same price as that negotiated with the U.K. Government by British Commonwealth producing countries under the British Commonwealth Sugar Agreement. The company buys the rest of its requirements as cheaply as it can from world sources. At the time the price of foreign raw sugar was substantially higher than this negotiated price, but the recovery of world sugar production and the overtaking of shortages has now reversed the position, and the negotiated price for Commonwealth cane sugar

DISTRIBUTION OF REFINED SUGAR IN NEW ZEALAND



Reserves of refined sugar stored at Chelsea Refinery. More than half of Chelsea's output of refined sugar is transported by sea, going to 32 separate ports from Awanui in the north to Bluff in the south. Wholesale distributing agents in southern centres, under special arrangements with the company, carry reserve stocks for use in the event of shipping delays or stoppages. Transport costs are a significant item in the price of refined sugar in New Zealand.

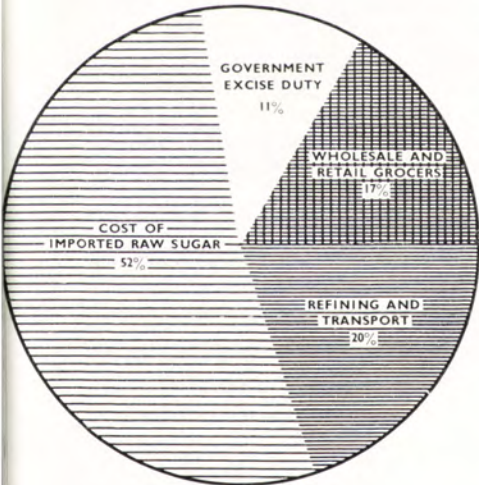
has been higher for several years than that of the world free market. This policy of the New Zealand Government in associating itself with the United Kingdom Government has meant that New Zealand has paid in recent years higher prices for raw sugar and consequently the price of refined sugar has been higher. Manufacturers who have had to face competition from overseas goods containing cheaper sugar have been critical of this policy, and also of the Government excise tax of a penny per pound weight on sugar refined in New Zealand.



Self-service food store, New Zealand.

Distribution of retail price of refined sugar in New Zealand.

A little over half of every penny spent on buying refined sugar goes in payment for raw sugar and for sea freight in bringing it to New Zealand. Refining the raw sugar, transporting refined products and distributing them through the grocery trade account for about one third; a considerable slice is taken by the Government in excise duty which is levied at the rate of a penny per pound weight on all sugar delivered. Last year over £800,000 in sugar duty was paid to the Government. This is in contrast to other basic foodstuffs such as bread, butter, milk, flour and eggs, all of which are subsidized by the Government. Subsidies voted for the year ended 31 March 1956 are as follows:



Butter	...	...	£4,800,000
Eggs	...	...	£ 246,000
Milk	...	...	£2,965,000
Wheat and flour (to maintain price of bread and assist growers)	...	...	£3,600,000

Sugar is not subsidized but taxed by the Government, yielding in revenue over £800,000 a year.

C.S.R. employs over 400 people in New Zealand. *Right:* Employee's house at Chelsea built about 1884 when the refinery was built. *Below:* A privately-owned home of an employee built with the help of the company's house advance scheme.

