Elders

181

YEARS

181

YEARS


ORGANIC
King Edwards
PREMIUM GRADE
Virginia Rose
$4.99

Foreword

When Alexander Elder first stepped onto the shores of South Australia back in 1840, one wonders whether he could have foreseen the legacy he and his family would leave, or that their business would continue to shape this nation's agricultural industry for over 181 years.

Over the decades, Elders has taken many forms -- from pastoralists, to stock- and station agents, to industrial conglomerate, and today as a focused agribusiness.

So many people, often spanning generations, have helped shape Elders into the company we are today. It is fitting that, as we commemorate the milestone of 181 years, we have returned to what we have always done best: supporting Australian agriculture and opening up opportunities for primary producers, here on home soil and overseas.

On behalf of the Elders Board and management I sincerely thank our employees, clients, customers, shareholders and rural communities for the loyalty and support they have given us.

Ian Wilton
Chair of the Board,
Elders Limited

Elders means a lot of things to a lot of people in regional rural Australia, but it seems the one thing that connects us all is that Elders is an overwhelming part of our lives.

From the very beginning, the Elders business has been about supporting the growth and sustainability of farmers and the agricultural industry. Today, I'm proud to say that this is a legacy we continue.

Our people are imbedded in the communities that we service. They know the land, they contribute to the growth of their local region, and they face our clients' challenges alongside them.

Our people, and our business, are well and truly in the corner of Australian agriculture. Elders has been a constant for 181 years, and I look forward to us continuing to play an important role in growing this country's agricultural prosperity into the future.

Mark Allison
Chief Executive Officer,
Elders Limited

Elders employees get ready to release 175 red balloons to celebrate the company's 175th year.


Elders
175 YEARS

As 175 bright red balloons gently rose skyward above a sea of pink shirts, a significant milestone was marked.

As the balloons made their gentle ascent, catching the wind before drifting out of sight, the relief was palpable. This 2014 event was a celebration of a remarkable achievement – 175 years in business – but it was also a symbolic release of pressure that had been building under, above and around the business over the previous five years or more.

Now, with another six years under its belt, Elders has had time to stabilise, consolidate and plan for the future.

Elders is a brand synonymous with rural Australia – an iconic Australian business that has supported Aussie farmers and their communities since Alexander Lang Elder stepped off the *Minerva* in Port Misery way back in 1840. Fiercely proud of its relationship with the land and those who work on it, Elders built a strong and successful business around this philosophy, deeply embedding itself into the very fabric of the communities it serviced, selling their livestock and their properties, auctioning their wool, providing advice and farm supplies and even managing their banking and insurance matters.

But, most importantly, Elders was always there when farmers needed it most. When they had to deal with nature's cruel blows, such as droughts, floods and bushfires, or when crops failed and livestock markets were oversupplied. Elders backed its clients when their backs were against the wall, funding wool clips when farmers couldn't afford to pay shearers and classers, or finding cattle buyers thousands of miles away when supply outstripped demand.

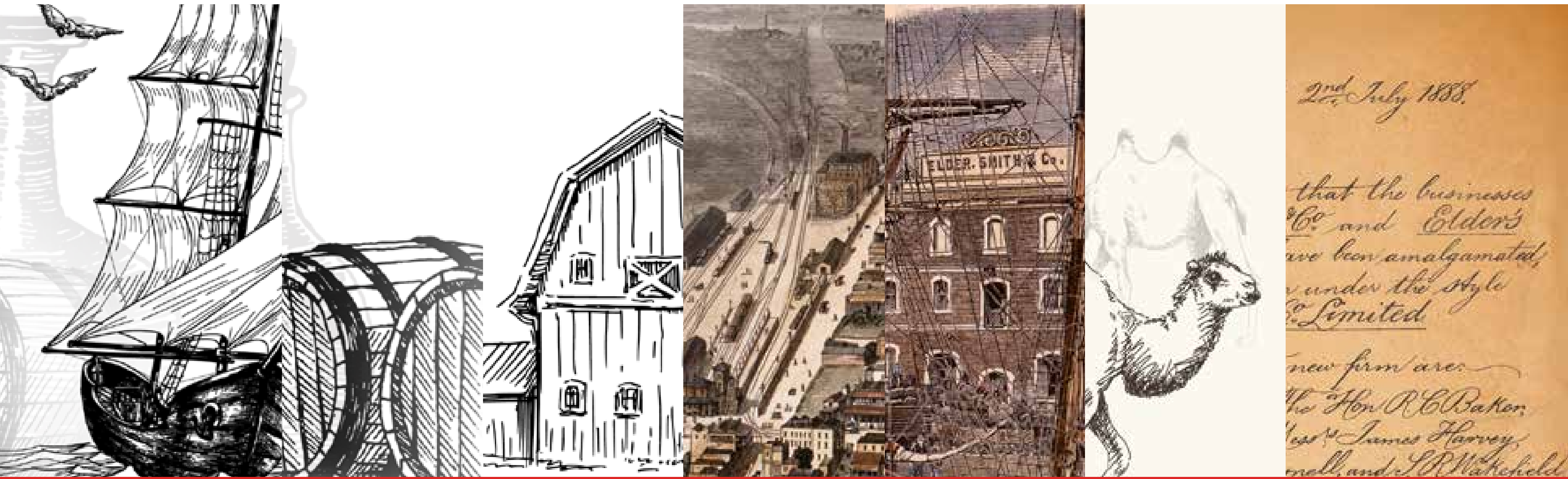
Elders even established Elders Rural Bank when no other financial institution would step up to the plate. And Elders was repaid with loyalty. The company has a long list of clients today who deal with the business based on good service and past loyalties. It's not uncommon to hear a farmer declare his allegiance to the brand because Elders supported their family through tough times, generations before. That loyalty has stood the test of time, and is one reason why, when the roles were reversed and Elders found itself in trouble, the company was able to remain afloat.

During its 181-year history, Elders has survived world wars, stock market crashes, recessions and the Great Depression. Along the way, it has acquired competitors, created partnerships and diversified to become one of Australia's biggest companies. But in the late 1990s to early 2010s, Elders veered off course, creating its most troublesome era. With strong management, a commitment to return to its roots as a pure agribusiness, and a whole heap of loyalty from its people, Elders fought its way out of a deep hole and the pressure was slowly released. Elders took the time to re-establish a solid foundation, and once again looks forward to a clear and defined future beyond this, its 181st year.

Elders has survived and, for the most part, thrived for so long because of its people – both those who work for Elders and those whom Elders works for. Elders' front-line staff play local footy, run charity auctions for local hospitals and sit at their clients' kitchen tables, sharing cups of tea and family stories, celebrating their highs and shouldering their lows. When doing things the Elders way, relationships count for everything.

So, as we journey through time, from the craggy shores of Kirkcaldy to this, Elders' 181st year, we'll learn just what the Elders way is, how it has helped define this iconic Australian institution and how it will shape the Elders of tomorrow and beyond. ■

1839–1918: From foundation to fortune



1839

On July 16, Alexander Elder (AL Elder) sets sail from the Port of Kirkcaldy, Scotland, in the schooner *Minerva* carrying whisky, brandy and rum, sixty barrels of tar, six thousand roofing slates, seeds and agricultural tools.

1840

Alexander Elder (AL Elder) arrives at Port Misery, South Australia, onboard the *Minerva*. He erects a sign, 'AL Elder, General and Commission Agent' and proceeds to sell his cargo.

AL Elder takes on a freehold property on Hindley Street, Adelaide.

1843

AL Elder sets himself up as a metal broker after the discovery of copper in South Australia. He registers AE as his stock brand and, in partnership with FH Dutton, leases 20,000 acres of marginal country near Mount Remarkable, 225 kilometres north of Adelaide.

1844

AL Elder's eldest brother, Captain William Elder, arrives with his wife and settles in South Australia.

1849

George Elder Junior joins his family in Adelaide.

1851

AL Elder leaves Adelaide for London with his wife and three of their twelve children. William follows soon after.

1854

Thomas Elder, just thirty-six years old, joins his brother, George Junior, in Adelaide to form a new partnership, Elder & Co. The firm holds a strategic position in South Australian shipping and wool-broking.

Elder & Co opens new stores on the corner of Lipson and Divett Streets, Port Adelaide, to service its shipping enterprise.

1855

George Junior departs Adelaide for his homeland.

1861

The business acquires interests in the Wallaroo and Moonta mines.

The partnership dissolves with the business on the brink of collapse and Edward Stirling and John Taylor retire.

1863

Thomas Elder and Robert Barr Smith form a new business and begin trading as Elder, Smith & Co on 19 August.

1864

Drought strikes South Australia. Only 35,000 of the state's 270,000 sheep survive.

1866

On 17 January, Thomas Elder imports 109 camels and thirty-one jemidars (drivers) from Pakistan. It is only the third batch of camels to arrive in Australia, and South Australia's first. They are sent to his station, Umberatana, before being moved to Robert Barr Smith's Beltana Station, where a camel-breeding operation is established.

1881

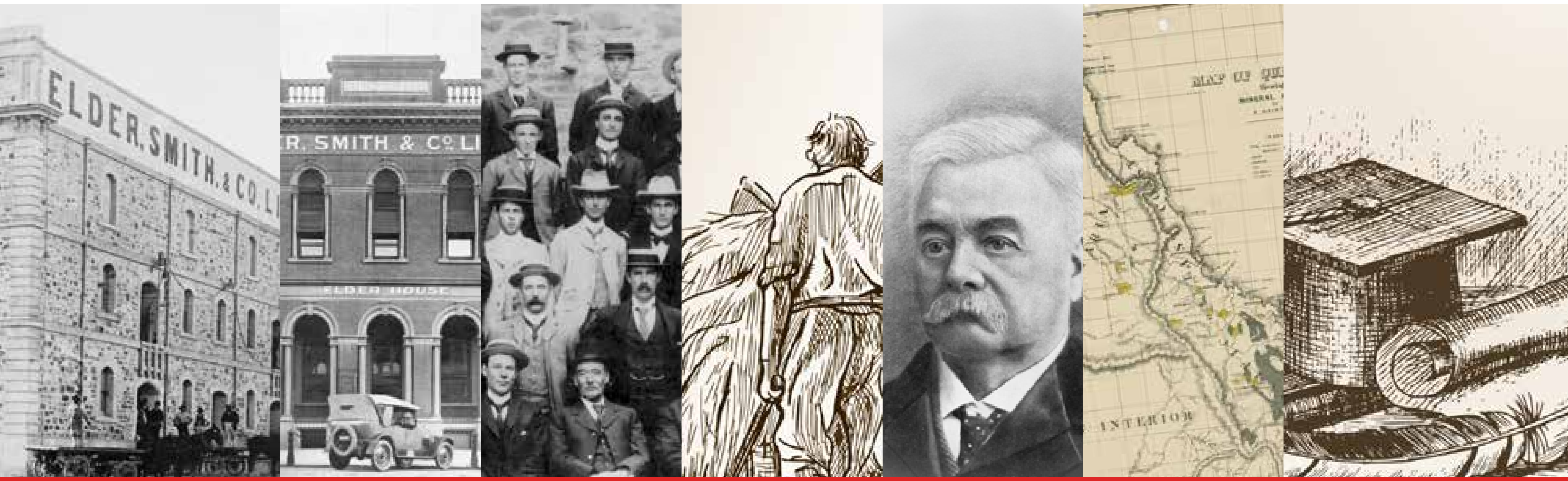
Elder and Barr Smith offer Adelaide's first wool-broking facilities; they own custom-built warehouses and sales facilities at Port Adelaide, have a network of agents across sixty-four rural communities and are shearing at least 1.5 million sheep across their properties, yielding about 30,000 bales of wool.

1882

Elder and Barr Smith form Elder's Wool and Produce Company to acquire the auction portion of the wool and produce business.

1884

Drought hits again. Elder and Barr Smith sever ties with their London banking and broking house, AL Elder & Co.



1887

Thomas Elder retires from the day-to-day running of the business.

1888

Six years after its formation, Elder's Wool and Produce Company merges with Elder, Smith & Co to form Elder, Smith & Co Limited. Barr Smith is Managing Director and Peter Waite is named Chair.

Robert Barr Smith resigns as Managing Director in November, but remains on the Elder, Smith & Co Limited Board.

1889

Over the next three years the company returns 8 per cent to its shareholders in each of these years.

1894

The company returns 5 per cent in 1894 and 6 per cent each subsequent year until the end of the century.

1897

Thomas Elder dies in his 80th year. He was as generous in death as he was in life and was renowned for his philanthropy. Adelaide University alone received gifts of more than £100,000.

1890

Early in the decade, Australia is in financial crisis and the company is as good as broke. An eight-year drought strikes South Australia but the company fights back and grows rapidly

1903

Elder, Smith & Co Limited takes over Livingston and Yates to establish a Mount Gambier-based branch and invests in more wool stores and show floors at Port Adelaide. The company's assets surpass £1 million.

The company pushes into Western Australia, merging with Sir George Shenton's large shipping agency to create Elder, Shenton & Co Limited.

1905

For the next seven years the company pays 10 per cent dividends.

1907

Elder, Smith & Co Limited calls up £160,000 of new capital, making the total paid-up capital £350,000 in £10 shares.

1910

The company creates subsidiary Elder's Trustee and Executor Company Limited.

1913

The company creates subsidiary Elder's Metal and Mercantile Proprietary Limited.

Robert Barr Smith and Peter Waite each contribute £10,000 to establish a Staff Provident Fund. Shareholders agree to add a further £30,000 to the fund.

1914

AG Downer, Board member since 1893, resigns from the company.

1915

Manager Walter J Young is loaned to the Commonwealth to assist through the remaining war years.

1915

Robert Barr Smith dies on 12 November, aged 91, at his Angas Street home. Like Thomas Elder, he was a generous philanthropist.

1917

Elder, Smith & Co Limited opens its first Brisbane branch, giving it a foothold in every capital city on the Australian mainland.

1918

The company emerges well from World War I, largely due to the high prices obtained for wool and livestock and an expansion in the metal trade.

1919–1990: The building of a business icon

1919
Over the next decade, Elder, Smith & Co Limited experiences a growth explosion. Authorised capital is raised to £5 million, profits balloon from £104,148 in 1919 to £252,346 in 1929 and paid-up capital increases from £720,000 to £2,393,640.

1922
Within months of resigning as Chair, Peter Waite dies. A generous man, Waite gifted substantial sums of money and gave 5880 company shares plus his fifty-four hectare property ‘Urrbrae’ and the neighbouring forty-one hectares to the University of Adelaide and the government for the establishment and ongoing support of an agricultural research institute and agricultural high school, later named the Waite Agricultural Research Institute and later still the Waite Research Institute.

1923
A new era begins as Tom Elder Barr Smith, son of Robert Barr Smith and nephew of Thomas Elder, becomes company Chair, leading Elder, Smith & Co Limited through a boom era.

1929
Sir Walter Young is named Managing Director. Young started with the company as a fifteen-year-old, was General Manager by thirty-seven and Managing Director at age fifty-seven.

1930
World War I, plus drought and a fall in overseas wool prices, reduces the dividend to 5 per cent, then 4 per cent for the next three years. The next ten years, including those during the Great Depression of the early 1930s, are lean years.

1937
The company takes over Geelong-based George Hague & Co, the second of Victoria’s auction centres.

1940
The company marks its 100th year shortly after the outbreak of World War II.

1946
The wool auction system resumes and wool becomes available on the free market. Australia, the United Kingdom, New Zealand and South Africa form a joint organisation to stabilise wool prices through the active buying and selling of stock.

The first year sees a 29 per cent turnaround from the previous, wartime year, the second rises a further 64 per cent, the third another 27 per cent and the fourth another 38 per cent. The wool clip continues to be the greatest single item in Australia’s economy.

1950
The wool price increases a further 125 per cent, largely due to the provision of wool for Korean soldiers’ uniforms and graziers celebrate earning ‘a pound for a pound’ – one pound of wool selling for one Australian pound. Australia is said to be ‘riding on the sheep’s back’.

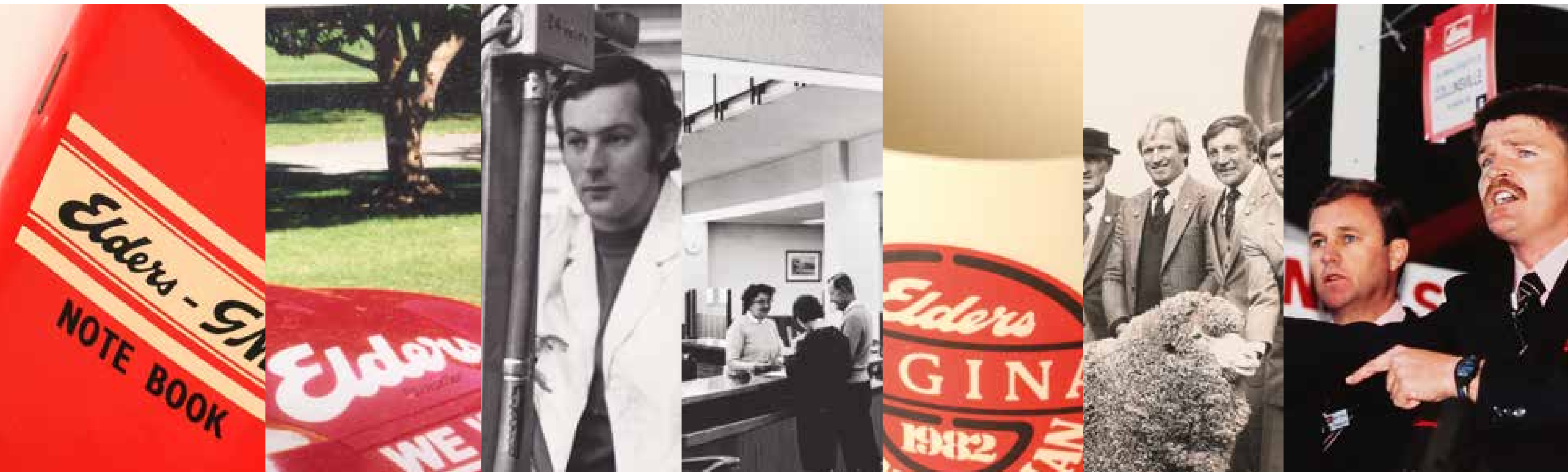
Elder, Smith & Co Limited takes over multiple wool brokers, including De Garis & Sons, whose strength lies in South Australia’s south-east and just across Victoria’s border; Western Australia’s Paterson & Co, which trades in machinery and fruit as well as wool; and Commonwealth Wool in Victoria.

1951
In the late 1940s, Henry Norman Giles, known as Skinny Giles, arrives in Adelaide from Elders WA. Two years later, the self-made millionaire is named company Managing Director. Giles recruits accountant Norman Young.

1957
Through the acquisition of more wool brooking firms, the company controls 15.4 per cent of the national clip.

1959
Elder, Smith & Co Limited controls 16.44 per cent of the Australian wool broking market.

1962
Skinny Giles begins discussions with Goldsbrough Mort’s General Manager, Geoffrey Wyatt Docker.



1964

Elder, Smith & Co Limited merges with Goldsbrough Mort to become Elder Smith Goldsbrough Mort with a new head office in Adelaide. Sir Philip McBride, Elder, Smith & Co Limited's Chair, heads up the new company.

The company pays 10 per cent dividend each year between 1964 and 1966, 11 per cent for the following two years and 12 per cent for 1969.

1967

Skinny Giles becomes Chair and Harold Charles Schmidt is named Chief Executive.

1969

Elder Smith Goldsbrough Mort Limited (Elders GM) handles 28.06 per cent of the national wool clip, or 1,371,500 bales – 313,000 bales more than rival Dalgety.

1970

Elders GM launches Elders Finance & Investment as a merchant bank.

Wool prices bottom out and the Australian Wool Commission is established in November to address concerns of the wool industry. The Reserve Price Scheme (RPS) is introduced.

1971

Elders Metals Ltd launches and acquires Younghusband Limited, a Victorian-based wool-broking business that handles about 3 per cent of the national wool clip.

1975

Elders GM acquires the old wool-buying firm John Sanderson & Co, and becomes the major investor in the 4.1 million $1 shares issued to establish Beef City, a high-quality feedlot near Queensland's Toowoomba.

Skinny Giles retires to Perth after fifty-four years with the company.

1976

The company buys Pitt, Son & Badgery, taking its share of the national clip up to 34.59 per cent – a massive 1.2 million bales.

1980

Elders GM's after-tax profit rises about 200 per cent in five years, from $8 million dollars in 1976 to $23 million in 1980.

1981

Robert Holmes à Court makes an offer to buy 50 per cent of Elders' capital.

Henry Jones IXL, led by John Elliott, merges with Elders GM to form Elders IXL.

Elders IXL takes over Carlton and United Breweries (CUB), adding more than a dozen new businesses to the company.

1982

The worst drought in Australian history takes hold.

1983

Elders IXL is structured into five operational groups: Pastoral, International, Finance, Materials and Food.

1986

Elders IXL makes a bid for BHP in competition with Robert Holmes à Court.

1987

The worldwide share market crash reduces Elders' share price from $6.12 to $2.70.

1988

Tony Dowe introduces the now iconic pink shirt as uniform.

1989

Elders Pastoral becomes a division of the new Foster's head business.

1990

On May 31, with the wool stockpile sitting at 2 million bales, the Australian government implements the Flock Reduction Scheme to reduce wool production.

1992–2020: Cementing a place in history

1992
The company loses almost $1 billion. New Chief Executive Edward Kunkel makes the decision to float the pastoral arm of Foster's as Elders Australia Limited.

1993
Elders Limited acquires Australian Agricultural Company (AACo).

Elders Limited is floated as part of the Foster's Brewing Group Limited's asset sale program.

1996
Elders purchases Charlton Feedlot.

1998
Elders takes over Primac Holdings in Queensland, a share in Killara Feedlot in NSW and Elders VP in Victoria.

2000
Elders is issued an Australian banking licence and launches Elders Rural Bank. The bank offers banking needs to farming communities across the country and is a clear signal of the company's commitment to rural and regional Australia.

2002
By mid-year, Elders is represented in the key markets of Japan, Indonesia, China, Germany and Italy, as well as in more than four hundred locations across Australia.

2003
The company records a $102 million profit to shareholders, the second-highest figure in the company's history.

Stephen Gerlach replaces William (Bill) Beischer as Chair and Les Wozniczka takes over from Alan Newman as Chief Executive.

Futuris implements its hardwood plantation timber strategy after earlier identifying that there was opportunity in forestry.

2004
The company acquires Webster Limited, Tasmania's iconic agriculture brand.

Futuris lists Integrated Tree Cropping on the Stock Exchange.

2006
The Elders network pushes out across the Tasman Sea into New Zealand, where the company opens ten branches in a 50:50 joint venture with Elders New Zealand Limited.

2007
Elders enters into a shareholding and working relationship with telecommunications company Amcom Limited.

Elders sells 14 million sheep.

2007–2008
Global Financial Crisis takes hold.

2008
Malcolm Jackman is appointed Chief Executive.

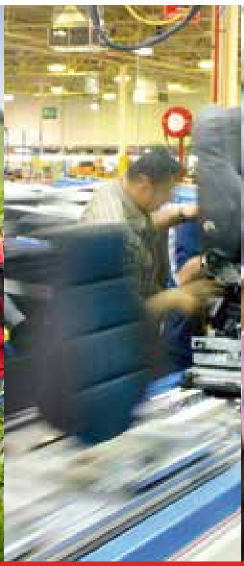
The company outlines its plan to return to a pure-play agribusiness, and undertakes a divestment plan to reduce debt.

2009
The company drops the name Futuris and re-lists on the Stock Exchange as Elders Limited.

2010
Elders sells Rural Bank in two stages, and begins selling its stake in Elders Insurance as part of the company's divestment strategy.

Elders negotiates with the Australian government to have a live export ban lifted.

2011
Elders initiates a plan to withdraw from the forestry sector.




2012

In August, the company announces its intention to return to a pure-play rural services business.

The business would be built around its Australian branch network and its international business.

Elders launches a revamped trainee program to provide a clear career path for those looking to enter the agribusiness industry.

2013

Elders returns to a pure-play agribusiness with the sale of the forestry and automotive businesses.

Mark Allison is announced as the new company Chair.

Malcolm Jackman stands down from the Chief Executive position after five years with the business.

Mark Allison becomes Executive Chair.

2014

Elders celebrates its 175th year.

Six months after agreeing to act in the role, Mark Allison is appointed Managing Director and Chief Executive and Hutch Ranck takes over the Board Chair position.

By mid-year, Elders share price doubles since November 2013 and the market capitalisation is valued at just over $100 million.

Elders sells Charlton Feedlot, and sells its 50 per cent share in Australian Wool Handlers (AWH).

The company raises $57m through investor equity raising.

Elders refinancing, asset sales and equity raising reduce term debt to zero.

2015

Elders heads towards its next milestone as a pure-play agribusiness with a strong and resilient employee and client base.

2016

Elders ceases long-haul live export and reinvests in strategic acquisitions across Australia, including re-entering Tasmania.

2017

Elders pays dividends for the first time in nine years.

The Eight Point Plan introduces technical and digital services as a key pillar and Elders establishes the Thomas Elder Institute and Thomas Elder Consulting.

Elders Give It is launched to support key rural charities.

2018

Elders strengthens its relationship with the Royal Flying Doctor Service, partnering with the service to acquire a medically equipped aircraft.

Chair of the Board Hutch Ranck retires after four years in the role.

2019

Elders celebrates its 180th year of supporting rural and regional Australia with the launch of the In Your Corner campaign.

The company makes a key strategic acquisition of Australian Independant Rural Retailers (AIRR).

Elders donates $100,000 to the Foundation for Rural and Regional Renewal (FRRR) to assist with community recovery during a catastrophic bushfire season.

2020

Elders focuses on the future with its eye on the ASX 100 and a renewed Eight Point Plan focused on the needs of farmers.

A three-year drought in Australia's eastern states finally begins to break.

The Covid-19 pandemic reaches Australian shores in January. Social distancing restrictions and changes to the way business is operated begin to take effect.

Contents

CHAPTER I

THE FOUNDATION YEARS

1839–1888

1839

Alexander Elder (1815–1885) set sail from the Port of Kirkcaldy in the 89-tonne schooner *Minerva* to extend the family's merchant and shipping business.

His cargo included sixty barrels of tar, six thousand roofing slates, nine cases of biscuits, gunpowder, fish, rum, brandy and whisky. Importantly, the *Minerva* also carried agricultural material and seed.

George Elder was a canny Scot who knew an opportunity when he saw one.

In 1834, the British Government passed the South Australia Act, empowering King William IV to create the province of South Australia. Two years later, under an old gum tree, new South Australian governor John Hindmarsh's first proclamation was read, announcing that South Australia was now under British rule.

Of course, human settlement in the Adelaide region did not start with Europeans; for tens of thousands of years, the Adelaide Hills were the lands of the Peramangk and Kaurna peoples. European settlement imposed significant change and dislocation on the local Indigenous populations, with major loss and disruption. Despite this, the Peramangk and Kaurna peoples – and other Indigenous peoples across Australia – maintain their deep connection to Country today. Elders remains committed to the respect and acknowledgment of the original owners of lands across Australia.

Following Hindmarsh's proclamation, word spread across the British Isles that 'a new British province' had been created and emigrants were actively sought. George Elder was a canny Scot who knew an opportunity when he saw one. A merchant and ship-owner from Kirkcaldy, about 20 kilometres north of Edinburgh, Elder had heard that the newly established colony offered enticing prospects. Having also learned that family friends, the Smillies of Leith, had acquired about 5000 acres of land in the Adelaide Hills, and their son William had been appointed an immigration agent, George realised that South Australia presented a real opportunity to expand the family enterprise.

So, with South Australia in its infancy, and land in abundance, the time was ripe to discuss the potential that this new colony offered. George and two of his sons, Alexander Lang and Thomas, debated the merits of such a venture and concluded that Alexander should make the long passage to Antipodean shores with a view to inflating the family fortune.

And so it was that on 16 July 1839, Alexander Lang (AL) Elder was waved from the Kirkcaldy docks and began the long and arduous passage to Australia onboard his father's schooner, *Minerva*. Purchased for the voyage, the sturdy *Minerva* was a small 89-tonne vessel. Onboard, Alexander had an interesting assortment of cargo that included a puncheon (304-litre barrel) of rum, a hogshead (up to 530 litres) of brandy, sixty barrels of tar, fish, nine casks of biscuits, tinware, gunpowder, six thousand roofing slates, merchandise and – just as any self-respecting Scot would– a good quantity of whisky. Importantly, the *Minerva* also carried agricultural material and seeds. She journeyed from the blustery shores of Scotland via the treacherous Cape of Good Hope towards Australia, before dropping anchor at Port Misery on 2 January 1840.

Alexander disembarked and erected a sign, 'AL Elder, General and Commission Agent', and promptly made his first transaction on Australian soil – selling the remained of his cargo.

New Land, New Life

1840 was a significant year for South Australia. Government House was under construction, the Royal Adelaide Show made its debut. The state's first hospital and the country's first police force, the South Australia Police, had been operational for a couple of years. As Adelaide grew, the rapidly increasing population constructed their houses, shops and stores to a town plan formulated by Colonel William Light, the colony's first Surveyor General. Meanwhile, land outside the central town's boundaries was being populated by Governor General Gawler's 'Capitalist ''squatters'' '. Gawler placed 4400 of these 'squatters' to introduce cattle and sheep farming on a large scale.

Alexander's first priority upon arrival was to familiarise himself with the country. He spent his first few weeks in Australia with family friends the Smillies at Nairne. During that time, he identified land to his liking and, by the end of July, returned to Adelaide to begin trading at Flaxman and Rowland's store in Rundle Street. By September, Alexander had taken up a freehold in Hindley Street, where he remained for many years.

Meanwhile, the *Minerva* was proving to be a good little earner. After depositing Alexander at Port Misery on that January day, the schooner was sent to work and headed straight for the Swan River. When she returned, she was carrying stock and passengers, including the great explorer, Edward John Eyre. The *Minerva* then began regular trading between Port Adelaide and Launceston, continuing to run at a profit. In those early Adelaide days, it was difficult for many businesses to turn a quid. Times were tough as the state suffered crippling growing pains and many businesses did not survive the restrictive economic measures the governor of the day had implemented. Credit was difficult to acquire and trade was at a virtual

Captain William Elder was the firstborn Elder son.

Alexander Lang Elder was the first of the sons to sail to Australia.

The determined Elder managed to negotiate his way through the economic turmoil and survived off the back of his shipping interests.

Quite taken with the colonies, William decided to settle in South Australia. He was proud of the man his younger brother had become.

standstill, while bankruptcy was common. But the determined Elder managed to negotiate his way through the economic turmoil and survived off the back of his shipping interests.

It was the discovery of copper at Kapunda, 70 kilometres north-east of Adelaide, in 1842 that proved to be South Australia's turning point and Alexander's financial launching pad. This discovery, coupled with the opening up of the rich Burra lodes 75 kilometres further north, led to an economic boom and a period of great prosperity for the fledgling South Australia.

In 1843, Alexander capitalised on the copper boom by setting himself up as a metal broker, generating a tidy fortune. He then launched into pastoral pursuits, which would become the firm's longest and strongest interest. He registered AE as his stock brand and, in partnership with FH Dutton, the man who made the Kapunda discovery, leased 20,000 acres of marginal country near Mount Remarkable, 225 kilometres north of Adelaide. Having a hand in metals and farming proved to be a shrewd move.

Alexander described the region's economic upturn in a letter he wrote to his family back home in Kirkcaldy, dated September 1844.

'Business matters keep in a thriving condition here. Town land has taken rather a start of late and many new shops are being erected, principally in Hindley Street. The mines have given our neighbours a high opinion of us, and last week, 45 emigrants from Port Phillip arrived here per "Hawk", principally miners.'

This influx of emigrants coincided with the arrival of Captain William Elder in 1844. The eldest brother, he had first visited Alexander in mid-1840. This time, however, he arrived with his wife, and as commander of the vessel *Symmetry*, a 408-tonne sailing ship.

Quite taken with the colonies, William decided to settle in South Australia. He was proud of the man his younger brother had become. By the mid-1840s, Alexander was a voter for the Adelaide Corporation, a director of the Adelaide Auction Company, a member of the committee of the Mechanics' Institute and a director and treasurer of the Church of Scotland. He was subsequently appointed a Justice of the Peace and a trustee of the Savings Bank and became a trusted advisor to the South Australian government on difficult immigration matters. Alexander was fast becoming a significant figure in Adelaide's early history.

Meanwhile, the family business prospered. Elder had interests in the establishment of Adelaide's gas works, in working guano deposits (a highly effective fertiliser made from seabird excrement) in Spencer Gulf and in attempts to erect an iron smelting furnace between Strathalbyn and Currency Creek. The business also acted as agents for Lloyds of London, tendered for contracts for carrying convicts to Tasmania, acted on behalf of landed proprietors, and represented shipowners whose vessels had been seized. But it was the business' interests in pastoral matters that were most significant, as these heralded the future direction of the Elders brand.

A Family Business

By 1849, AL Elder and Company's activities had increased and the Hindley Street premises could no longer sufficiently house the thriving business. The firm moved into offices at Grenfell Street, a stone's throw from where the brothers lived in Kensington, which was a blessing given the long hours they often worked. Later that year a third brother, George Elder Junior, arrived in Adelaide.

Just two years later, Alexander, accompanied by his wife and three of his twelve children, left Adelaide for London, where he continued to work for the family business as an agent. Alexander had made an indelible mark on South Australia. The business had established a powerful position in Adelaide's commercial world through shrewd importation of remunerative goods and a knack for anticipating the needs of an economy boosted by the Kapunda and Burra mines.

Driven by his interests in pastoral development and mining, Alexander had also turned his attention towards transport. Determined to find a better, more reliable and efficient way to ship their copper and wool, the Elder brothers concentrated on improving maritime facilities. Alexander played a pivotal role in establishing the English–Australia mail and steamer services, which, despite a couple of previous failed attempts, were a resounding success and contributed to the development of the colony, as well as relieving Adelaide's sense of isolation by providing a fast and reliable sailing link with Britain.

The Elders Way:

The Elder Family

The Elder brothers quickly earned a reputation for being fine young gentlemen of excellent character. On 27 June 1840, William sailed into Port Adelaide from Dublin onboard the *William Nichol* and was reunited with his younger brother, Alexander. William, a merchant captain, brought out 190 passengers on the poop ship, including 183 Scottish and Irish immigrants. In an era when the 'discomforts of the long voyage to South Australia were only too often aggravated by savage quarrels and brutality of those in command towards the passengers', the commander in charge of the *William Nichol* did things very differently. The ship's company paid a glowing tribute to Captain Elder. 'All of us have insensibly become attached to you. Your gentlemanly deportment, your perfect self-command and good temper under the most trying circumstances are the links of that esteem which binds us to you.'

Alexander was also known for his fairness to all. After his death in 1885, the *Adelaide Observer* wrote, 'While he was in the colony he was highly esteemed and popular among all classes of society, as well for the lofty integrity which marked all the dealings of the firm as for the readiness with which he assisted any good cause having for its object the advancement of the people.'

In 1854, the firm opened new stores at the corner of Lipson and Divett Streets, Port Adelaide, to service its shipping enterprise.

In 1852, the P&O shipping company sailed the 699-tonne steamer *Chusan* into Port Adelaide, successfully demonstrating that a steamer could safely make the journey to, and anchor at, Port Adelaide. This paved the way for P&O to win the tender for the England–Singapore–Australia service. With a watchful eye on P&O's venture, Alexander cleverly negotiated a lucrative deal with the South Australian government to supply the coal for the *Chusan* and her sister ship, the *Formosa*. Alexander sought to provide better customs facilities for the shipping companies, and in return requested that the companies would land their goods and house them for clearance in Elder's store.

After a decade at the helm of the business, Alexander sailed for Britain with a solid reputation. He resigned from the Legislative Council, on which he had represented West Adelaide for two years, and ended his association with the Savings Bank and other institutions he had interests in. But he remained involved with the business he had built, acting as an agent until 1884 before establishing AL Elder and Co with his two eldest sons. He also retained directorships with the ES and A Bank, the Queensland National Bank and the Mercantile Marine and Fire Insurance Company of South Australia. The South Australian government also used Alexander's services on a number of occasions and he was approached to take up the position of Agent General, an offer he declined.

Alexander Elder died at the age of seventy in 1885, leaving an estate of £282,000 – not bad, given the average weekly income at the time was £1.39. The Adelaide Observer ran a fitting tribute:

'While he was in the colony he was highly esteemed and popular among all classes of society, as well for the lofty integrity which marked all the dealings of the firm as for the readiness with which he assisted any good cause having for its object advancement of the people.'

Turning Point

William returned to Britain soon after Alexander, reuniting with his father, George Senior, who had briefly made South Australia his home before returning with Alexander in 1851.

1854 would prove to be a watershed year for the business. Thomas Elder, just thirty-six years old and already a British-based partner of the firm, joined his brother, George Junior, to form a new partnership, Elder & Co. It was a move that would significantly shape the family business, for it was Thomas who became a recognised leader in pastoral expansion, exploration and philanthropy.

Around the same time, the Elders' brother-in-law, Captain James Malcolm, arrived in South Australia. He had travelled from Bahia in Brazil onboard the 250-tonne *Malcolm*, which was brimming with coffee and sugar. Captain Malcolm was appointed agent for the company at Port Adelaide. In 1862, he became manager of the wharves and teams at Wallaroo. Two years later, Malcolm returned to England, where he oversaw the building of the *Pekina*, in which the Elders had interests.

Under George and Thomas, the newly named business continued to diversify and the firm held a strategic position in South Australian shipping and wool-broking. Competition had declined but, in an era that valued 'personal character, and personal means and connections', it was Elder & Co's reputation for fair and honest trading that drove its success.

In 1854, the firm opened new stores at the corner of Lipson and Divett streets, Port Adelaide, to service its shipping enterprise. There was also plenty of pioneering action north of Adelaide, where the business's pastoral arm was expanding. The Elders sought a site for a wool store and hydraulic press at Port Augusta, which was 'second only to Adelaide as a place of shipment within the province'.

Life in the open spaces of the colony was attractive, yet the lure of Scotland was always strong. George, considered to be 'handsome and the cleverest of the brothers', left Australia in 1855, leaving only Thomas to continue the family's work on Australian shores. George retired from the family business in 1856, but he certainly made an impression before he closed the door on his career.

George had been instrumental in the development of the Adelaide–Port Adelaide railway in his role as Chair of the body that undertook the project. It was a difficult project to manage, as South Australian workers had fled to the Victorian goldfields in droves, meaning labour costs were high. But in 1856, the line was finally opened, becoming a profitable venture and injecting real impetus into the young colony.

Joining Forces

George's departure forced Thomas to rethink the structure of the business. The exodus of workers to Victoria's goldfields had eased and trade was centred around wool, wheat and copper, the three commodities that South Australia's economy would be built around for the rest of the century. Thomas capitalised upon these, as well as on his firm's strong reputation. The Elder brothers were known among farmers and pastoralists for their 'sound, honest finance' and they attracted new business through a solid network of country contacts, just like the modern-day Elders. In his chapter on Sir Thomas Elder in *Australian Financiers: Biographical Essays,* Rob Linn wrote:

'When wool growers came to Adelaide to transact business, Thomas Elder attempted to out-bid and out-manoeuvre his competition by flattery, fair prices and bonus offers on shipping. He worked on the principle that if he won big growers the smaller would follow, and he enticed them with generous advances on their clips and by shipping the wool expeditiously to the best of the London sales. Advances were made in the form of cash or in goods for the station, and were based on Elder's predictions of the prices that the wool would bring in the London market. Credit had to be generous enough to keep the pastoralists loyal to the firm and yet conservative enough for the firm to receive adequate remuneration. At good sales, the firm received a return of 8 per cent and more on the credit made available. In the mid-1950s, the firm seldom contemplated buying wool outright and reselling; the majority was sold on commission.'

Thomas made his firm invaluable to pastoralists and farmers, providing for their every need, from farming equipment to fencing, wool packs to shipping insurance. Elder & Co could advise on the purchase

George's departure forced Thomas to rethink the structure of the business.

Edward Stirling and his brother Charles had already made their names developing pastoral land around Strathalbyn before Edward joined forces with Thomas Elder.

or leasing of new land and organise a mortgage using stock or land as collateral. The firm continued to grow, and turnover increased from £118,634 in 1852/53 to £213,894 in 1855/56, with profits increasing from £19,000 to £23,000 over that same period.

With the workload increasing, Thomas decided that new partners and capital were needed to accommodate the firm's growth. His decision to take on partners in 1856 would bring together four dynamic leaders who would go on to shape Australian pastoral history. Together, the four men would open up vast areas of South Australia. On 1 August 1856, Elder & Co was dissolved and Elder, Stirling and Co was created. The new firm consisted of a partnership between Thomas Elder, Edward Stirling, John Taylor and Robert Barr Smith.

Edward Stirling and his brother Charles had already made their names developing pastoral land around Strathalbyn before Edward joined forces with Thomas Elder. His association with the business only lasted until the early 1860s. John Taylor, Stirling's brother-in-law and former banking and newspaper man, was a pastoralist but resigned from his position in 1863 after a number of poor decisions cost the company. Robert Barr Smith, meanwhile, brought a strong financial business brain to the company, and went on to become one of South Australia's most significant figures.

Barr Smith, the son of a Church of Scotland minister, was born in Lochwinnoch, Scotland and went on to study at the University of Glasgow. After a period working in commerce, he crossed the seas to Melbourne, where he became a partner in Hamilton, Smith and Company in 1854, and a year later began his illustrious connection with Thomas Elder. Barr Smith was close to Thomas and found himself part of the Elder family the following year when he married the youngest of the three Elder sisters, Joanna. Joanna too earned her place in Adelaide society, gaining a reputation as the 'state's most renowned hostess'. The brothers-in-law made a formidable team, with complementary skills.

With this increased firepower, the firm was ready to expand its operations further. The first task was to explore options in the Murray Basin, which had been recently opened up by steam navigation to ship wool clips inland. The plan was to push operations outside of South Australia's boundaries, but the venture had limited success, as its management was placed in the hands of a pair of regionally based 'regular duffers', as Barr Smith observed. Elder and Barr Smith quickly recognised that the firm would be best served by the two of them retaining control of all operations.

Through personalised and sound service, Elder, Stirling & Co won work from big-time pastoralists, small family operations and everything in between. Pastoralists were offered three methods for Elder handling their wool – Elder acting as commission agent, where the grower took all the risks and chose his own market; Elder handling the wool on a consignment basis, whereby a commission would be taken; or Elder purchasing the wool outright and chancing the English market. The firm applied the same offers to wheat sales and at one stage, even partnered flour mills, buying wheat outright before selling on consignment and shipping flour and grain to Europe and America. The company's shipping arm played a large role in the success of the business, as fast, reliable vessels were required for smooth operations, and ships had to return with a full load in order to be efficient.

With Barr Smith's sound financial background, the company developed as pastoral financiers. It reinvested in loans to pastoralists and farmers when there were surplus funds, and by 1884, the company was lending six-figure sums each year. Offering interest rates in line with banking institutions, it became another successful arm of the business.

Partnership Breakdown

Thomas Elder was confident in his choice of partners and in 1857, he felt secure enough in the direction of the business that he returned to Britain for an extended holiday, which turned into a five-year sojourn. Unfortunately the admission of Stirling and Taylor to the partnership did not turn out to be as fruitful – apart from one rather significant triumph. Despite having acquired debts of more than £11,000 in pastoral ventures gone wrong, Taylor continued to invest in sheep and cattle stations. He and Stirling had over-invested in marginal pastoral leaseholds, sending Elder, Stirling & Co to the brink of collapse. Stirling and Taylor handed in their resignations, hoping to avoid walking away empty-handed. But Barr Smith, who held power of attorney while Elder was overseas, handed in both his and Elder's resignations too, dissolving the company and forcing Stirling and Taylor to share in the loss.

Following the dissolution of Elder, Stirling & Co, Barr Smith travelled to Britain to meet with Thomas and discuss future direction. They sailed back to Adelaide in July 1861, but the steamer that carried them was held up just days from Adelaide. As they lay adrift at King George's Sound, good news reached their ship. Elder and Barr Smith learned that they and their former partners, with pastoralist and prospector Walter Watson Hughes, had hit the jackpot with super-rich copper mine Moonta, on South Australia's Yorke Peninsula.

Elder, Stirling & Co had signed on as financial backer for the earlier Wallaroo Mine venture, undertaking an £80,000 liability to tide over the Wallaroo Mining and Smelting Company during the difficult exploratory stage led by Walter Watson Hughes. They subsequently signed on as banker for Moonta after an interesting turn of events. Wallaroo was a great success for Hughes and his backers, but he was always on the lookout for more opportunities. One of Hughes' shepherds was minding a flock about 10 kilometres south of Wallaroo when he came across a telltale sign: green pebbles at the entrance to a wombat's burrow. A prospector's dream come true!

A known drinker, the shepherd spilled his news to both the publican at the Wakefield Hotel and a businessman named Mills, who was drinking there. An eavesdropper also heard the information, and so the race to the Land Titles Office was on. Mills headed straight to Adelaide, while the eavesdropper bolted straight to Hughes, who immediately dispatched his friend WA Horn and a companion to Adelaide to register the claim ahead of Mills. Keen to keep Mills unaware that he was in a race,

With Barr Smith's sound financial background, the company developed as pastoral financiers.


LION TIMBER YARD

Adelaide underwent significant development between 1865 and 1884 because of major inter-colonial investment and good agricultural seasons.

The major retail streets were developed, including Rundle Street in the city centre and O'Connell Street in North Adelaide.

In January 1863, Elder and Barr Smith formed a new business and began trading as Elder, Smith & Co ...

Horn and his companion took a different route. Sixty miles north of Adelaide, Horn's companion dropped out with exhaustion, but Horn continued on the long journey. Over the 264-kilometre journey to the Elder, Stirling and Co office, he went through three horses in twenty-two hours. When Horn, along with Elder, Stirling and Co partner John Taylor, arrived at the titles office at 9am, Mills was already there. However, the chief clerk was late and when he did arrive, he recognised Taylor, so attended to him first, enabling Hughes and Elder, Stirling & Co to register the claim and subsequently reap the rewards of the discovery. The dispute between Hughes and Mills ended up at the Supreme Court, then went to the Privy Council in London before finally being settled out of court. The settlement was insignificant in the scheme of things – Moonta mine was twice as rich in copper as Wallaroo, and over fifty years of operation, millions of pounds worth of ore was mined.

Elder and Barr Smith were entitled to their share of commissions and profits from these two highly lucrative mines, a figure that easily covered the company's losses. South Australia profited significantly from these mining ventures, and the windfall for Elder and Barr Smith was that they could continue to operate a business off the back of the mines' success.

In January 1863, Elder and Barr Smith formed a new business and began trading as Elder, Smith & Co on 19 August that year. When Elder travelled to Britain in the late 1850s, his absence coincided with a decline in profit for the former Elder, Stirling & Co business, demonstrating how sensitive nineteenth-century merchant houses were to changes in leadership.

For the same reason, Elder and Barr Smith's return to the helm in their newly created partnership saw a corresponding increase in consumer confidence. But the dynamics of the partnership changed somewhat when Elder and Barr Smith formed Elder, Smith & Co. Where previously, Elder's investment into the company with Stirling and Taylor had been ten times that of Barr Smith, the newly established Elder, Smith & Co would rely more heavily on Barr Smith's personal fortune, derived from private pastoral and copper investments. As a consequence, the more cautious Barr Smith insisted that Elder, Smith & Co, 'put safety in front of everything, refusing all things which might make our finance dangerous'. Elder, therefore, used his own private fortune to speculate.

Despite the differences in their personalities – Elder was the ultimate risk taker while Barr Smith was highly cautious – the duo formed a formidable partnership, carving a place in South Australian history. They were heavily involved in Adelaide's growth, financing northern pastoral development and providing warehousing at Port Adelaide. They had an uncanny ability to identify and back innovative new companies, such as the Tintara Vineyard, in which Elder held a significant interest. The pair also had a talent for floating and organising mining companies. But by far their safest business arm, and the company's main source of income, was pastoral finance. Elder, Smith & Co shipped at least twice as much wool to Great Britain as its nearest competitor, and employed more staff than any of its rivals, as well as holding land leaseholds the size of Wales. But although Moonta and Wallaroo brought in good commissions, and Elder and Barr Smith were reaping good dividends from their shareholdings, the everyday running of the operations was difficult compared with pastoral finance.

Thomas Elder, like his older brother Alexander Lang, also became a South Australian political figure, serving in the Legislative Council between 1863 and 1869. He advocated expansion and inhabitation of the colony's northern reaches and championed cautious government budgetary policy. He was held in high esteem and, as a member of South Australia's high society, he had a residence to match. Elder bought the impressive Birksgate residence, and hired staff including servants, a butler, a cook, a groom and coachman. But while his public face sat comfortably at the high end of town, the economics of the day and climatic troubles led to fluctuating fortunes.

Weathering the Storm

In 1864, drought struck. Land, particularly in the north, was parched and 'the fearful appearance of desolation surpassed that of the deserts of Arabia and Egypt'. Of the 270,000 sheep that lived on South Australian land, 235,000 died. The colony faced general depression. Elder, Smith & Co felt the deep force of the drought as profit fell by about half between 1863 and 1870. The company's shipping arm propped the business up and Moonta and Wallaroo continued to provide an income source, but pastoral finance, kept under a pretty firm hold, remained the firm's major income source.

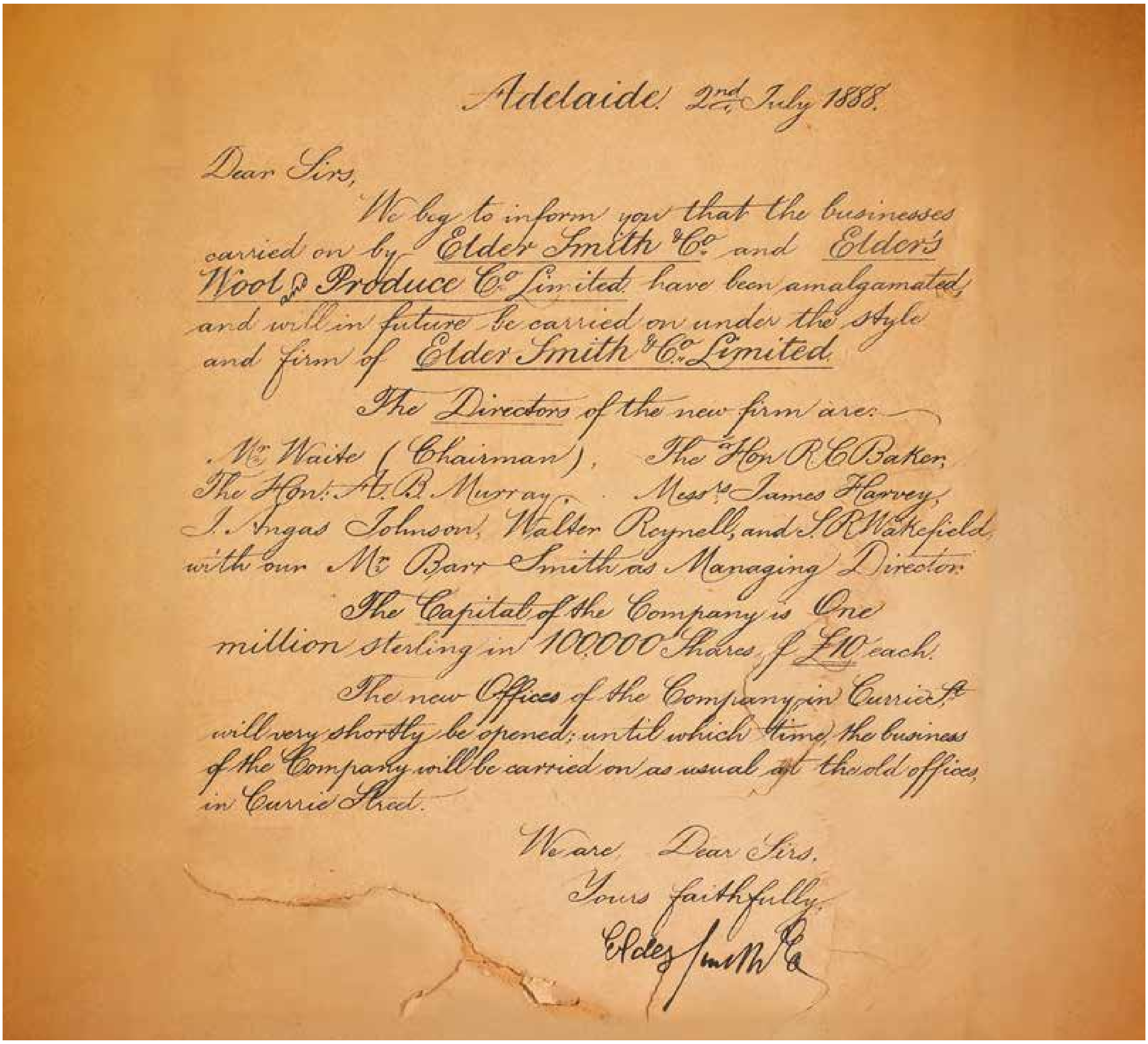
Elder's personal investments also took a hit. His private financial pressures were somewhat eased when Peter Waite, also a Kirkcaldy native, joined Elder in partnership at Paratoo and Mutooroo stations, land that Elder had taken over when Elder, Stirling & Co dissolved but which sat outside of the region's reliable rainfall zones. But the drought continued, and towards the end of the decade Elder held dim hopes for the future of his company, his personal investments and the colony of South Australia itself. In a letter Elder wrote to Barr Smith from Britain, where he was settling business, he wrote:

'As it is however, I snap my fingers at impending fate if need be – Let the worst come to the worst we can always refit clear of the wreck into smooth water, crippled and shattered it may be, but not wounded in spirit, and determined upon not giving way to despair. This is all very fine talking Bob, but I must admit I am anxious to hear that you have had rains in October to save the colony from ruin, for it is terrible to contemplate a failure of the corn harvest with all our other interests stagnant and depressed. God grant that our fears in this respect may be graciously overruled.'

As it happened, the sound pastoral business arm of Elder, Smith & Co saved it from resignation – they advanced short-term loans on wool and consignments against the security of flocks and made long-term mortgage loans on freehold properties and large pastoral leaseholds with long tenure. The mortgages were also used to help clients who were experiencing financial trouble.

But Elder continued to dice with death by undertaking risky ventures, and would have faced bankruptcy without Barr Smith's back-up. The more conservative

But Elder continued to dice with death by undertaking risky ventures, and would have faced bankruptcy without Barr Smith's back-up.



Adelaide 2nd July 1888.

Dear Sirs,

We beg to inform you that the businesses carried on by Elder Smith & Co. and Elder's Wool & Produce Co. Limited have been amalgamated, and will in future be carried on under the style and firm of Elder Smith & Co. Limited.

The Directors of the new firm are:—

Mr. Waite (Chairman), The Hon. R.C. Baker, The Hon. A.B. Murray, Messrs. James Harvey, J. Angas Johnson, Walter Reynell, and S.R. Wakefield, with our Mr. Barr Smith as Managing Director.

The Capital of the Company is One million sterling in 100,000 Shares of £10 each.

The new Offices of the Company in Currie St. will very shortly be opened; until which time the business of the Company will be carried on as usual at the old offices in Currie Street.

We are, Dear Sirs,

Yours faithfully,

Elder Smith & Co.

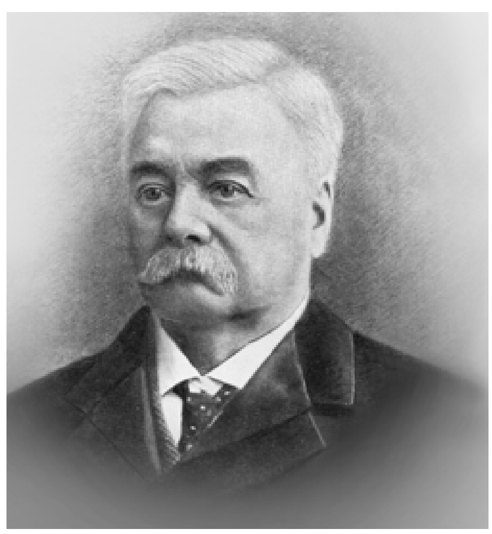
The Deed cementing the creation of Elder, Smith & Co Limited.

Thomas Elder's impressive residence, 'Birksgate'.

Thomas Elder

Edward Stirling

The company's Currie Street office in Adelaide.



Robert Barr Smith

John Taylor

By 1881, Elder, Smith & Co had built impressive new warehouses and sales facilities at Port Adelaide. The company had a network of agents across sixty-four rural communities, was shearing 1.5 million sheep across its properties and yielding about 30,000 bales of wool.

Barr Smith was, the riskier Elder became. Elder wanted to employ more staff, to 'enhance the image of the firm' and, in anticipation of a buoyant British market, offered large advances to wheat farmers. He relied on funds from within the firm to finance his schemes, rather than borrowing from external sources. As Barr Smith explained:

'It is evident that in building up these gigantic properties which for long gave no returns, Tom required an enormous capital. He wisely refused to borrow anything from outside or from Banks, on the principle (and a sound one) that his borrowing outside in any way would weaken his credit and sympathetically the credit of the firm ... So all the capital required was borrowed from Elder, Smith & Co. I and they might go into debt, Tom never. Thus it happened that from 1864 to 1883 Tom's private account was always overdrawn with Elder, Smith & Co except once, viz. 1873 . . . There was no working capital in Elder, Smith & Co's hands except my share of the capital and whatever could accumulate in my private account.'

By 1873, economic conditions had improved, as had the climatic conditions, and Elder, Smith & Co had repaid its overdraft. Elder worked hard to reinflate his personal and business fortunes. He actively pursued the opening up of broader pastoral financing for those clients he considered safe bets, written in his own name but financially backed by the firm. On the social scene, both he and Barr Smith were vigorous philanthropists. And they were huge backers of exploration. Elder backed Peter Egerton Warburton's journey across the western interior of Australia in 1872 and 1873, and also equipped William Gosse, the explorer who named Ayers Rock, to make his Central-to-Western Australia expedition. He also provided the funds and camels for Ernest Giles' 1875 attempt to create a route westward from the overland telegraph. John Ross's expedition north of Lake Eyre was funded by Elder and the government of the day and in 1874, JL Lewis was sent to the north and north-east of Lake Eyre, towards Queensland's border. Elder was determined that no part of Australia should be left unexplored and to this end, in 1891, sent David Lindsay on the Elder Scientific Exploration Expedition, an expedition that controversially failed in its attempts to fill in gaps on the Central and Western Australia maps.

Elder is credited with importing the third batch of camels to the country, and South Australia's first. Upon the camels' arrival at Port Augusta on 17 January 1866, Elder sent all 109 of the animals and thirty-one drivers to his station, Umberatana, where Samuel Stuckey was station manager. Once they were acclimatised, the camels were sent to Barr Smith's Beltana Station, where a camel-breeding operation was established and camels were exported to Queensland, New South Wales and even Arabia.

In 1869, Elder and Stuckey formed a transport company, operating hundreds of camels to carry goods between Port Augusta and Lake Hope. Elder earned high praise from many for his foresight. In her thesis, 'South Australian Land Exploration, 1856–80', Bessie Threadgill suggested the great explorers of that time could not have reached their goals without camels:

'Until Sir Thomas Elder took the field, camels were not generally popular as travelling companions … Warburton would never have reached Roeburn with horses … Forrest knew the value of camels sufficiently to deplore his own early methods (with horses) … (and) Ernest Giles needed no convincing. His own camels had taken him where horses were useless, carrying for the frailer animals the water which they were not allowed to drink.'

Elder's camels were used during the construction of the Adelaide–Darwin overland telegraph to carry equipment and provisions, and during a severe drought in 1881, Beltana camels saved the lives of a starving population of the Albert Goldfield near the South Australia–New South Wales border.

Flying High

Elder, Smith & Co continued to expand as the reputations of the company's two leaders flourished. In a first for Adelaide, Elder and Barr Smith offered wool-broking facilities and by 1881, after a slow start, the pair had built impressive new warehouses and sales facilities in Port Adelaide. By this time, the firm had a network of agents across sixty-four rural communities and was shearing at least 1.5 million sheep across their properties, yielding about 30,000 bales of wool. Elder, Smith & Co also controlled the colony's internal transport after engaging railway carriers Treleaven & Brown. Pastoralists were offered a broking service whereby the business claimed 2.5 per cent on the first £200 and 1 per cent beyond that, and still offered cash advances at the lowest interest rates.

Although new to broking, this arm of the business was highly successful, so in July

The £200,000 capital required was taken up within days of the offering, so strong were the Elder and Barr Smith names.

Barr Smith, like Elder, played a major role in Adelaide's growth and direction.

1882, Elder and Barr Smith formed Elder's Wool and Produce Company to acquire the auction portion of the wool and produce business from Elder, Smith & Co. The new business would become a subsidiary of the parent company. The £200,000 capital required was taken up within days of the offering, so strong were the Elder and Barr Smith names. Among the company's first directors were some of the most recognised names in the state, including Barr Smith, the Hon. AB Murray, the Hon. David Murray, the Hon. John Crozier, the Hon. RC Baker, Walter Reynell and Peter Waite. SR Wakefield was the first manager and the first meeting was held in the Elder, Smith & Co Grenfell Street offices.

In the early 1880s, Elder, Smith & Co sold twice as much wool as its nearest competitor, and deposits held on behalf of clients ballooned. This encouraged Elder to seek out other investments, some of which were not successful. In 1884, drought hit again and much of the colony was as barren as a desert. Elder was starting to lose interest in the detailed business of the company, and with Barr Smith abroad in London, negotiating to sever the company's links with its London banking and broking house, AL Elder & Co, the tide started to turn.

There was ill feeling when Elder, Smith & Co and AL Elder & Co split, and the new Elder's Wool and Produce Company had a troubled start during a difficult era. But, incredibly well-managed by its brains trust, by 1887 profits were healthy. A Currie Street pocket of land was purchased to house offices and a town warehouse, while the company's Port Adelaide operation was extended.

Finding himself in poor health, Thomas Elder retired in 1887. His influence could not be underestimated. His name alone attracted business and his unwavering commitment to exploration and many philanthropic endeavours, including a £20,000 gift to found the University of Adelaide, led to his appointment as Knight Bachelor in 1878, a Knight Commander of the Order of St Michael and St George in 1887 and Grand Cross of the Order of St Michael and St George in 1888.

In 1888, six years after its formation, Elder's Wool and Produce Company merged with Elder, Smith & Co to form Elder, Smith & Co Limited. Barr Smith held the Managing Director position, while Peter Waite was Chair. The authorised capital of the new company was £1 million in £10 shares. Thomas Elder and Robert Barr Smith held a 15 per cent stake in the company, while Waite held 4 per cent and AG Downer, a prominent South Australian businessman who became an Elder, Smith & Co director in 1892, owned 9.6 per cent.

Barr Smith, like Elder, played a major role in Adelaide's growth and direction. He was a noted financial authority and was regularly sought by many, including the government of the time, to offer advice on financial matters. He was the constant and cautious brain behind the Elder, Smith & Co name. In November 1888, Barr Smith resigned the managing directorship of Elder, Smith & Co Limited, but remained on the Board for some years.

And so a new era for the business began. ■

Elder, Smith & Co woolstores in Port Adelaide, South Australia, 1889.

CHAPTER II

BOOM OR BUST

1889–1979

1939

The start of World War II marked the 100th anniversary of the business. By this time, the company had offices in Adelaide, Perth, Melbourne, Sydney, Brisbane, Geelong and London, and thirty-eight rural branches in South Australia, twenty-five in Western Australia and two in rural New South Wales.

The drought lasted eight years and was considered to be the most severe Australia had ever seen.

It is no coincidence that the fortunes of Elder, Smith & Co Limited fluctuated along with climatic conditions – the two invariably sat hand in hand. For the first few years, the newly floated Elder, Smith & Co Limited enjoyed good climatic seasons, so profits were up and the company returned 8 per cent to shareholders for each of the years between 1889 and 1892. However, Australia had experienced boom periods twice before and each was followed by a bust. The early 1890s was no exception. Australia suffered an acute financial crisis, which saw the demise of many businesses and institutions, including banks, and the recession in stock and land values left many pastoral companies on the brink of collapse. Elder, Smith & Co Limited, headed by Chair Peter Waite and Barr Smith's successor as Managing Director, Walter Reynell, faced its first crisis.

Sir Norman Giles, who would later be named Chair of Elder, Smith & Co Limited, said 1893 was, 'A year of unmitigated disaster. They lost all their reserves; they were broke. Elders should have been wound up in 1893.' The company reported a £56,000 loss, with end of year accounts showing a £78,982 provision for bad and doubtful debts, £60,000 of which was from Victorian-based clients. Drought in northern South Australia fanned the flames. The drought lasted eight years and was considered to be the most severe Australia had ever seen. The national sheep population was halved as a result but, well-led by those at the helm, Elder, Smith & Co Limited recovered quickly, paying a 5 per cent dividend to shareholders in 1894 and 6 per cent thereafter until the end of the century as their wool selling business grew exponentially.

But Thomas Elder would not live to see the century out. He died in 1897, during his eightieth year, at his Mount Lofty home, The Pinnacles. In the years leading up to his death, Elder remained close to Barr Smith, who would write three or four letters each day to his longtime friend, partner and brother-in-law. Elder's decision not to sit on the Board of the public company that took his name allowed him to spend more time doing things outside the business that had previously consumed his life. He was a keen racehorse owner and later moved into thoroughbred breeding at his Morphettville property, which would later become Morphettville Racecourse. He also turned a tidy profit breeding horses for the Indian army. During his lifetime, Elder gave considerable amounts of his fortune away, most significantly to the University of Adelaide. In his will, he left £31,000 for the university's medical school, £21,000 for the music school and £26,000 to general university funds. In death, he also supported the National Gallery of South Australia with £25,000, a further £25,000 for the Working Men's Homes, £16,000 to South Australian hospitals and £18,000 between the Presbyterian, Anglican and Methodist churches.

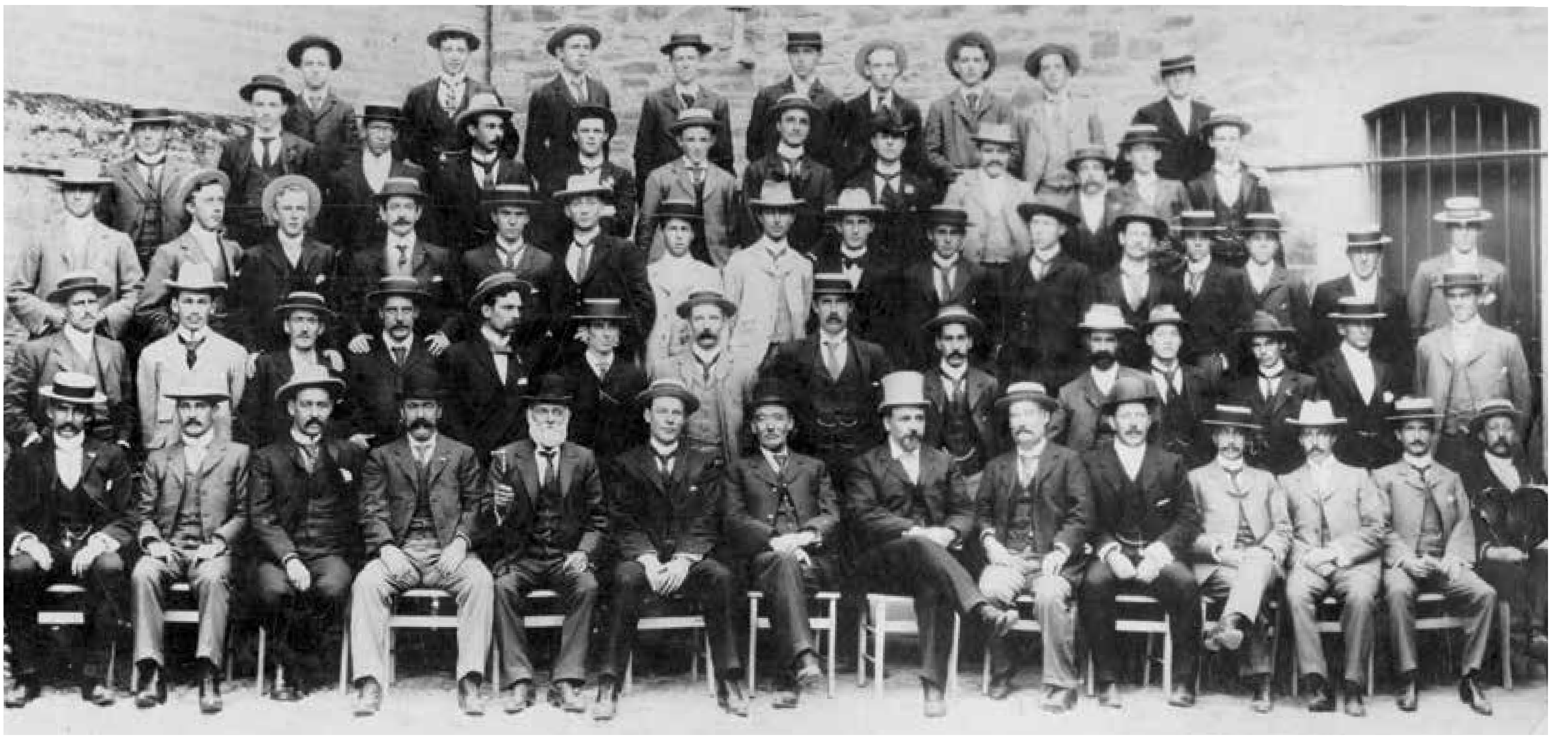
Elder was buried in a 'handsome oak coffin' on the slopes of Adelaide's hills in Mitcham Cemetery. His burial site is surrounded by lush trees, and visitors to his grave can catch beautiful views of the lapping sea below. His funeral was well attended and included great friends and family members Robert Barr Smith, Tom Elder Barr Smith, Thomas O'Halloran Giles, James Stirling and Peter Waite. The chancellor of the University of Adelaide, government ministers, church representatives and a long list of people who had worked with Elder also attended.

The Elders Way:

Farewell, Sir Elder

Sir Thomas Elder left an indelible imprint on South Australia. Known for being a generous employer, for his philanthrophic endeavours, particularly to the University of Adelaide, and for his financial support of Australian exploration, he sat comfortably at the centre of his community, just as Elders employees do today. Needless to say, Sir Thomas Elder's funeral attracted people from all areas of his life. In this excerpt from the document, *The Late Sir T Elder: The Funeral, A Large Gathering*, prepared by the Mitcham Local History Service and Heritage Research Centre, Sir Thomas Elder's standing in the community is clear for all to see.

'The funeral of the late Sir Thomas Elder took place on Monday. The remains were interred in the pretty little Mitcham Cemetery on the slope of the hills. The site of the grave is a picturesque spot surrounded by green trees and white marble which marks resting places of old colonists. Sir Thomas's grave is just on the bow of an eminence, standing on which one sees the blue waters of the gulf lapping the sandy beach. The grave was strewn with flowers, whilst the nakedness of its walls was hidden by green foliage, which climbed the sides. The resting place of the coffin was a mass of moss. The body, encased in a handsome oak coffin, was removed from The Pinnacle, Mount Lofty, to Birksgate, and it was here that the funeral cortege was formed shortly before three o'clock on Monday afternoon. Sir Thomas Elder was so widely known, so highly esteemed, so munificent in his donations to public institutions, so philanthropic, so long resident in the community, and so connected with all its institutions, that it was not surprising that the funeral was a large one. The chancellor of the University of Adelaide, an institution which owes much to the princely liberality of Sir Thomas, attended, whilst the Ministry was represented in the procession and at the graveside by the Treasurer and by the Minister of Education. The Premier and the Commissioner of Crown Lands were unable to attend, and they forwarded apologies. The Speaker of the House of Assembly and a representative body of citizens found places in the cortege. At three o'clock, the funeral left Birksgate, the chief mourners, Mr B Barr Smith, Mr TE Barr Smith, Mr T O'Halloran Giles, The Hon. JL Stirling and Dr Perks, following the hearse and then came Sir Thomas's brougham, after which were several carriages, in which were seated Messrs. Peter Waite, KE Phillipson and AG Downer, who have long been associated in business with the deceased. The firm of Messrs Elder, Smith and Co was well represented and the oldest employee present was Mr John Mackman, who entered the service of Sir Thomas in 1832. Mr AS Neill, who attended, was with the late gentleman for thirty-five years, and only retired to become one of the Railway Commissioners. Mr AS Chapman ranks next to Mr Neill as regards length of service. The wreaths were not only numerous but very beautiful. The cortege slowly wound its way to the burial ground, where the beautiful Church of England service was read by the Rev. AW Dampett.'



Elder, Smith & Co Limited staff, 1901.

A statue of Sir Thomas Elder was built outside the University of Adelaide's Elder Hall in 1903.

The University of Adelaide's Barr Smith Library was named after Robert Barr Smith, a generous University benefactor.

He was remembered for his ambitious business mind, his willingness to open up parts of Australia never before explored by Europeans, his fairness to his fellow man – from the rank and file to society's elite – his keenness to see South Australia develop and his generous benefactions. Elder's estate, amassed during his forty-three years in South Australia, was valued at £800,000 and he gave away the equivalent of millions in modern-day values. Such was his impact, a drive to fund a statue in his honour was initiated by his nephew Tom Elder Barr Smith, son of Robert and Joanna Barr Smith. The statue stands today outside Elder Hall, within the grounds of Adelaide University.

New Century, New Growth

As the new century descended, the importance of the wool industry ascended. The seasons were good and the company, under the ageing but still-energetic Barr Smith, thrived, expanding its size and reach. In 1903, the company made its push into Western Australia, merging with Sir George Shenton's large shipping agency to create Elder, Shenton & Co Limited. Shenton was a prominent Western Australian businessman who would later become Perth's first mayor. The firm's presence in Western Australia made it a powerful force in the wool business for the next forty years. In 1918, Elder, Smith & Co Limited absorbed Elder, Shenton & Co Limited.

Also in 1903, Elder, Smith & Co Limited took over the firm Livingston and Yates to establish a Mount Gambier-based branch and further invested in wool stores and show floors at Port Adelaide. By this time, the company's assets surpassed £1 million. In light of its additional interests, Elder, Smith & Co Limited called up £160,000 of new capital between 1907 and 1912, making the total paid-up capital £350,000 in £10 shares. In spite of this large increase, dividends of 10 per cent were paid between 1905 and 1912, which built up the company's reserves. During this time, the company created two important subsidiaries – Elder's Trustee and Executor Company Limited in 1910 and Elder's Metal and Mercantile Proprietary Limited in 1913.

Elder's Trustee and Executor Company Limited's success paralleled its parent organisation – by 1939, it had a capital of £90,000, reserves of £67,000 and trust funds totalling £14 million. Elder's Metal and Mercantile Proprietary Limited was formed after Elder, Smith & Co Limited joined with associated Melbourne-based companies to take over the metal section of the business and the general merchants operations. The following year, the parent company bought out the other associates and took over the subsidiary, opening branches in Melbourne and Sydney.

These two Barr Smith-led acquisitions, which reaped incredible rewards, were his last hurrah. The ninety-one year old died at his Angas Street home on 12 November 1915.

Barr Smith left an estate worth £1,799,500 – the largest in South Australia's history at the time of his death. Not only was he associated with Elder, Smith & Co Limited, but he was also a senior player in two other significant South Australian enterprises. He was a founder and second Chair of the Bank of Adelaide and a founder and first Chair of the Adelaide Steamship Company. Barr

Also in 1903, Elder, Smith & Co Limited took over the firm Livingston and Yates to establish a Mount Gambier-based branch ...

Barr Smith was an enthusiastic philanthropist, supporting many charities without regard for party or creed.

Smith was an enthusiastic philanthropist, supporting many charities without regard for party or creed. It was said 'there was scarcely a religious, educational or charitable institution in the state toward which he had not been a munificent donor'. Although a member of the Presbyterian Church, Barr Smith funded the construction of the spires of St Peter's Cathedral. He also picked up the tab for a steam lifeboat that patrolled the south-eastern coast of the state and funded the completion of the Adelaide Trades Hall. His financial support of the University of Adelaide amounted to tens of thousands of dollars. The Barr Smith Library at the university was named in his honour.

His sense of fairness and generosity was renowned and like Elder, he had great respect for his workforce. In 1913, Barr Smith and Peter Waite each contributed £10,000 to establish a Staff Provident Fund. In the same year, the shareholders met and unanimously agreed to add a further £30,000 to the fund, and continued to add to the kitty over time. Yet as generous as Barr Smith was, he remained modest to the very end, declining the offer of a knighthood. His funeral, though private, was attended by the South Australian premier, representatives of the university, prominent citizens, and leaders of Adelaide society.

Explosive Expansion

The loss of Barr Smith came shortly after the resignation of AG Downer in 1914. Downer had sat on the Board since 1893. Peter Waite paid tribute to him, saying Downer was courageous, wise and a man of 'unswerving honour', who in times of trouble 'was like a wall against which opposing waves beat in vain' and in times of calm was a 'restraining influence, guiding the course of the company into safest channels'.

During this time, the company also had to live through the temporary absence of its manager, Walter J Young, who was loaned to the Commonwealth to assist through the war years. In 1915, Elder, Smith & Co Limited, along with Gibbs, Bright and Co, was appointed chartering agent for the Commonwealth Government, an appointment it held until the end of the war in 1918. During the war years, the company also handled all of the Commonwealth's copper output, along with other large metal transactions. It was through this association that Walter J Young's skills were noticed. Prime Minister William Morris Hughes recognised that Young's 'commercial and financial genius would be of incalculable value to the Commonwealth in pursuing a course through arduous and difficult years'.

The company released Young in an honorary capacity as Vice-Chair of the Central Wool Committee and a member of the Commonwealth Shipping Board. His advice was outstanding, and in 1917 he spent four months in the United States on a special mission for the British Government. Other Elder, Smith & Co Limited workers whose services were lent to the government during wartime included Horsley Chapman, TE Field from Perth and Melbourne's Sir Lennon Raws.

World War I placed an enormous strain on Australia. More than 416,000 Australians enlisted for service from a population of a little under 5 million, accounting for about

38 per cent of the male population aged between eighteen and forty-four.

Despite the depletion of its workforce, and the subsequent loss of many lives, Elder, Smith & Co Limited emerged from 'the war to end all wars' in a strong position, in part due to the expansion of the metal trade and high prices achieved for livestock and wool. The average price of a post-war wool clip was 58 per cent higher than it had been in 1912.

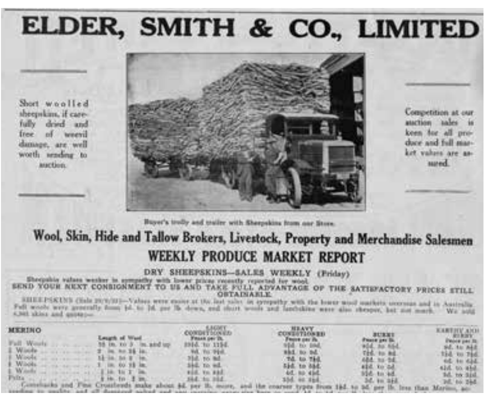
The company's strength was also reflected in its scope. By 1917, Elder, Smith & Co Limited had a foothold in every capital city on the Australian mainland, having opened its first Brisbane branch. Over the following two decades, branches, as opposed to agencies, opened in growing country towns, while agencies were still used to push even further afield.

In the ten years that followed the war, Elder, Smith & Co Limited experienced a growth explosion. Authorised capital was raised to £5 million and the company issued shares a number of times during the decade. Profits ballooned from £104,148 in 1919 to £252,346 in 1929 and paid-up capital increased from £720,000 to £2,393,640 in the same period. The company had accrued assets of £5,960,962. It was a remarkable decade for the company, soured only by the death of the last of the company's great pastoral pioneers, Peter Waite. He died on 4 April 1922, having resigned from his position as Board Chair just months earlier.

Like the Elders, Waite was a Kirkcaldy native. He too became a vital cog in South Australia's pastoral development, having spent many years in the state's far north devising solutions to counter the region's achingly arid climate. Waite was a man of action and overcame great obstacles. He led the way in Merino breeding techniques and championed the long-range policy of station management and conservative stocking to reduce risk during times of drought. He was one of the first pastoralists to embrace the fencing of runs, as opposed to shepherding flocks, and poured hundreds of thousands of pounds into building dams and sinking artesian wells. He acquired interests in properties including Beltana, Mount Lyndhurst, Mutooroo and Lilydale, as well as Momba in New South Wales.

Waite was generous in life and death, gifting large sums of money. But it was his gift of the property 'Urrbrae' to the University of Adelaide and the government that had the most profound impact. He gave the 54 hectare Urrbrae estate, the adjoining 41 hectares plus 5880 Elder, Smith & Co Limited shares for the establishment and ongoing support of an agricultural research institute and agricultural high school. It would later be named the Waite Agricultural Research Institute, subsequently becoming the Waite Research Institute. He had donated the land and endowment out of admiration for the primary producers of South Australia, having held the belief that the future of the state rested on the scientific progress of the pastoral and agricultural industries. The land, rainfall and climate at Urrbrae mimicked that of large pockets of agricultural land across Australia, so findings from research conducted there would be applicable across many parts of the country.

Peter Waite gifted his land – known as Urrbrae – to the state's Agricultural Research Institute. It would later be named the Waite Agricultural Research Institute in his honour.



The Great Depression had a global effect and South Australia's 1930 population of 574,000 suffered with the rest of the world. World wheat prices fell dramatically and many traders faced bankruptcy.

JF Downer had stepped into the role of Acting Chair following Waite's resignation, and he declared that his predecessor was the reason for the company's successful expansion. He said that in the north of the state, Waite 'carved success from what had seemed unpromising material, and from his success the whole of South Australia reaped benefit. The State had no more valuable colonist. He possessed that quality which makes the success of an enterprise the mainspring of his action, rather than the reward which he himself might reap.'

Generation Next

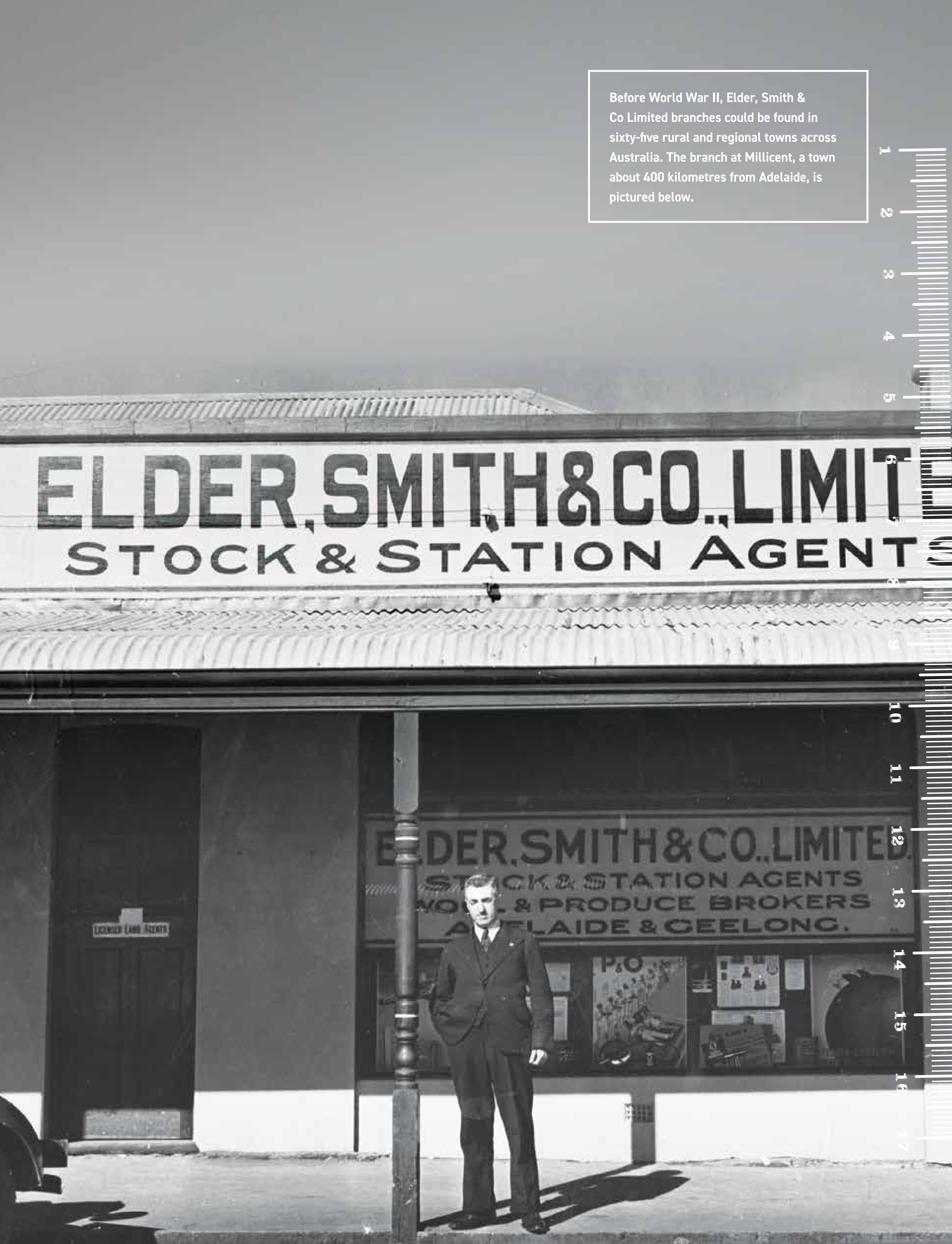
Following Downer's brief tenure as Acting Chair, the position of Chair was handed to Tom Elder Barr Smith, who, as son of Robert Barr Smith and Joanna Elder, united the names of the company's founders. Barr Smith was reluctant to follow so outstanding a Chair as Waite, but he had impressed his fellow directors to such a degree, they convinced him to take up the position.

Educated at St Peter's College in Adelaide, TE Barr Smith went on to study Arts at Trinity Hall, Cambridge. He led the company through its mighty years of expansion and profit, but he was also at the helm through the inevitable plunge that follows boom eras. And plunge the nation did – into the Great Depression of 1930–1934. Barr Smith saw the company through both the Depression and the years of uncertainty that followed, in the lead-up to World War II.

Don Cameron started at Elders in 1952 and remained with the company for more than forty-six years. His father was also a long-time Elders employee. Don remembers a yarn his mother used to tell about the impact the Great Depression had on Elders.

'Father was with the company for thirteen years before he went off to war in the Lighthorse Brigade,' Don says. 'Mother tells the story that when he returned, he went back to work at Elders. Tommy Barr Smith, the senior Barr Smith who became a Sir, asked Father to manage Mutooroo. It was a big property and there were ninety-nine employees there looking after stock. I know they say the Depression hit in 1930 but they really started to feel it around 1927. Tommy Barr Smith got in touch with Father and said that all staff had to take a pay cut of a shilling in their wages. Let me tell you, there was a bit of a hullabaloo and Dad got back in touch with Barr Smith and said that the staff weren't happy about that. Tommy told my Father to tell all the employees at Mutooroo to take a fortnight's holiday and that Elders would pay for it. He said: "Tell them to go to either Sydney, Melbourne or Adelaide and see how bad things are." So they all did and they saw just how tough people were doing it. Now Tommy had said that Elders would make up that shilling that'd dropped off when things came good later in time. Seventy-five of the ninety-nine said yes to the pay cut.'

Around the same time, the country was yet again suffering the effects of drought. Wool prices dropped to the point where a bale of wool cost £11, while the operating cost to deliver that bale of wool was a disastrous £18. Wheat yields decreased as soils became exhausted after over-cropping during the buoyant 1920s. In 1931 profits were at an all-time low, and they failed to



Before World War II, Elder, Smith & Co Limited branches could be found in sixty-five rural and regional towns across Australia. The branch at Millicent, a town about 400 kilometres from Adelaide, is pictured below.

Wool sold through Elder, Smith & Co Limited represented more than 40 per cent of the wool clip across South Australia and Western Australia.

achieve the profits of 1928 before wartime hit again. For the first time since 1907, the company's dividends fell below 10 per cent, to just half that figure.

Yet, under the direction of Barr Smith and Sir Walter Young, who had taken on the managing directorship in 1929, the company waded through the troubles. It was later said that, 'Of all the great personalities associated with Elder, Smith & Co throughout its history, none surpass Sir Walter Young in the greatness of services to the state.' Young was a country lad who started his working life with the company as a fifteen-year-old. By the age of thirty-seven, he had worked his way up to General Manager, and he took on the role of Managing Director at age fifty-seven.

The year 1934 was to be a significant one for the meat and export industries. Developments in shipping refrigeration meant Australia could now compete in the world's export market. While freezing technology had been around since the late 1890s, refrigeration was far more reliable technology.

The following year, the country mourned the death of Sir Sidney Kidman, one of the old breed of pastoralists. Young had a job to do as one of the first of a new breed of professional managers who would lead Elder, Smith & Co Limited. And lead he did. In 1937, Young took over Geelong-based George Hague & Co, the second of Victoria's auction centres. It was difficult to heartily celebrate the company's 100-year anniversary, which fell just as World War II broke out and the government suspended wool selling. The company did pause for reflection, noting that Elder, Smith & Co Limited had principal offices in Adelaide, Melbourne, Geelong, Sydney, Brisbane, Perth and London. As recorded in Tim Hewat's *The Elders Explosion,* it had 'thirty-eight regionally-based branches in South Australia, twenty-five in Western Australia and two in New South Wales, at Wentworth and Broken Hill. The company was an agent for twelve shipping companies, including P&O, and it was a ship charterer in its own right; it looked after six airlines, including Qantas and Ansett Airways and it was either Australian or South Australian agent for more than eighty manufacturers, most of whom made things the farmers and pastoralists wanted; its banking business for rural clients was significant with £3,854,959 out to them in one form or another.'

Wool sold through Elder, Smith & Co Limited represented more than 40 per cent of the wool clip across South Australia and Western Australia. Handling this volume required the construction of massive wool stores in Port Adelaide, Fremantle and Geelong. The five Port Adelaide buildings could display 12,400 bales at a time and could store 60,000, while the Fremantle store could house 50,000 bales. The company also auctioned sheepskins, hides and furred skins on commission, conducted livestock sales, and owned abattoirs.

Without question, in its first century – as described in *Elder, Smith & Co. Limited, The First Hundred Years* – Elders had a 'profound influence on the prosperity and progress of a state where conditions have been variable and difficult. Its many decades of service to its vast clientele and its many shareholders are an impressive illustration of the value of private enterprise under able leadership.'

Wartime Rages

On 1 September 1939, Germany invaded Poland and wartime began again. The start of the war coincided with another period of drought, placing increased strain on those working the land.

The auction system for wool was abandoned during World War II and the British Government bought the entire Australian wool clip, paying £60.9 million in 1941, £73.5 million in 1943 and so on. The money was distributed to the growers, a practice that continued until the war ended. Throughout the war years, Elders handled about 8.5 per cent of the clip.

In other wartime measures, in 1942, the government declared it would purchase all beef and pig meats permitted and accepted for export to the United Kingdom at UK contract prices, less 15 per cent. The loss of so much rural manpower to wartime efforts started to hurt, and phosphate, used in fertilisers, was in short supply, but primary production had to go on. Farming was undergoing a revolution of sorts with the introduction of mechanical harvesting. A team of men and horses could harvest no more than one hundred bags each day, while a combine tractor with power take-off could harvest as many as four hundred per day.

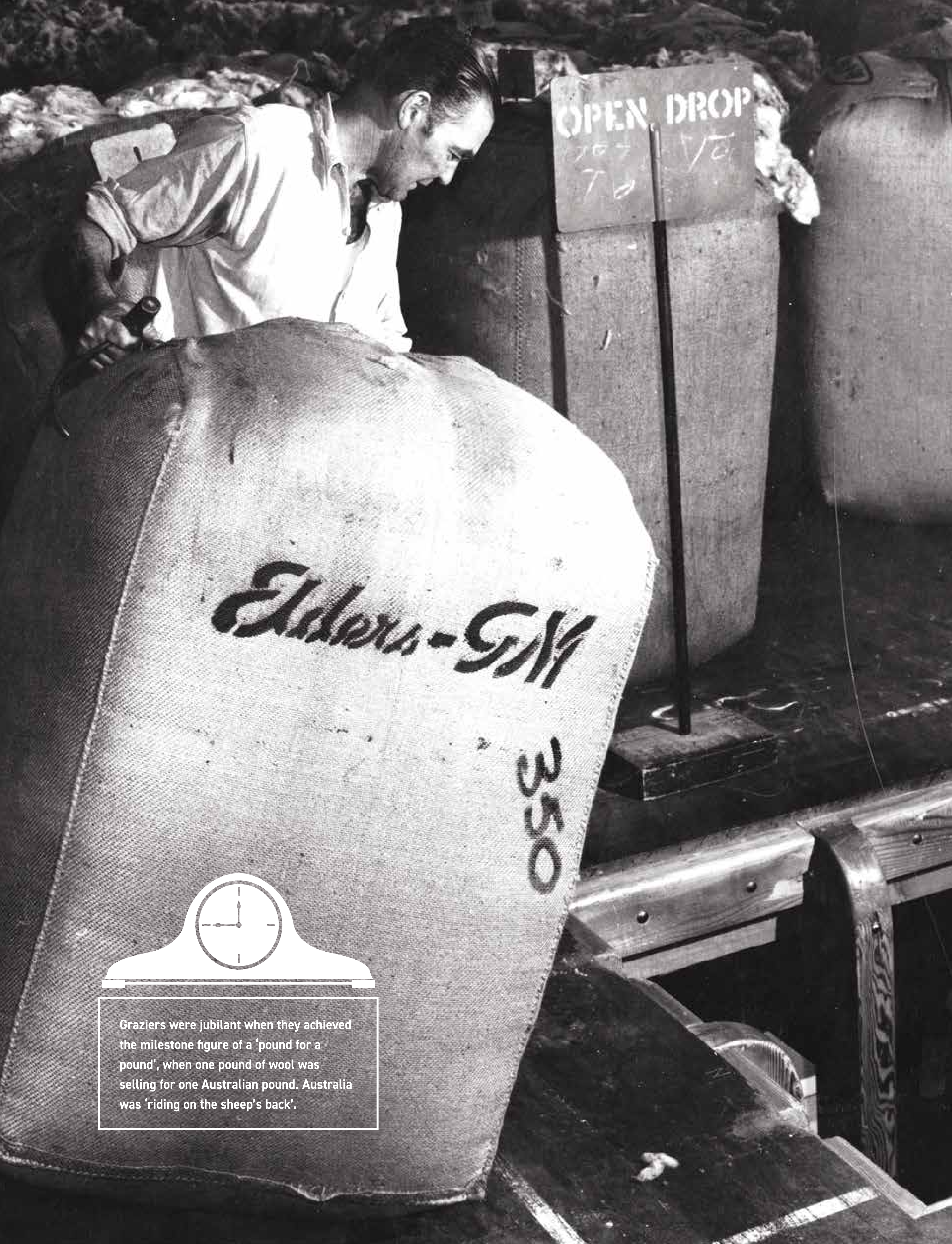
By 1943, there was light at the end of the tunnel and talk that the war may soon end. But rationing and drought made life on the land tough, as did the limited availability of materials. Restrictions on items such as tyres, petrol and oil saw farmers revert to using horse-drawn harvesters.

Finally, in 1945, wartime made way for peacetime. World War II was the deadliest war in history, taking the lives of more than 60 million people globally – about 2.5 per cent of the world's population – including around 40,000 Australians. Post-war markets were tight, but by mid-1946, the wool auction system resumed and wool was once again available on the free market. Australia, the United Kingdom, New Zealand and South Africa formed a joint organisation to stabilise wool prices through the active buying and selling of stock. A five-year period of dramatic wool revenues followed. The first year saw a 29 per cent turnaround from the previous, wartime year, the second rose a further 64 per cent, the third another 27 per cent and the fourth another 38 per cent. The wool clip continued to be the greatest single item in Australia's economy.

The fifth year, 1950/51, went crazy, with the price increasing a further 125 per cent, largely due to the provision of wool for Korean soldiers' uniforms. Korean soldiers were fighting the Korean War in winter temperatures that dropped to thirty degrees below zero. Graziers were jubilant when they achieved the milestone figure of 'a pound for a pound' – one pound of wool selling for one Australian pound. It was widely suggested that Australia was 'riding on the sheep's back' during this time, and indeed, the increase in wool prices saw the number of sheep leap from 96 million in 1946 to 115 million in 1951. In that year, the national wool clip made £651.9 million, about nine times the revenue from the last year of the war and the highest price wool had ever achieved.

The late 1940s and early 1950s also saw the return of good climatic seasons, leading to good crops. Farmers replaced their remaining working horses with

A team of men and horses could harvest no more than one hundred bags each day, while a combine tractor with power take-off could harvest as many as four hundred per day.



Graziers were jubilant when they achieved the milestone figure of a 'pound for a pound', when one pound of wool was selling for one Australian pound. Australia was 'riding on the sheep's back'.

tractors, which subsequently freed up land for cropping and allowed for pastures to be rotated to avoid the soil exhaustion of previous years.

With wool now such a valuable commodity, competition between the major wool brokers to acquire a bigger portion of the clip was fierce. In the 1947/48 season, Dalgety had 14.5 per cent of the market, Goldsbrough Mort & Co had 10.9 per cent, Elder, Smith & Co Limited had 10.1 per cent, New Zealand Loan and Mercantile had 8.2 per cent and Winchcombe Carson had 7 per cent market share. Between them, the top five accounted for more than half of all wool sold, but each wanted to increase its portion. This drive led to a thirty-year spell of takeover after takeover, despite the revenue decreasing by more than half after the heady days of 1951.

Elder, Smith & Co Limited was no exception to these takeover campaigns. The company took a conservative approach, dipping its toe into the water with the purchase of De Garis & Sons, whose strength lay in South Australia's south-east and just across Victoria's border. The company consolidated its strength in Western Australia by taking over Paterson & Co, who traded in machinery and fruit as well as wool. In 1950, Elder, Smith & Co Limited also bought out Commonwealth Wool in Victoria. The number of company branches inflated to 116, which was fifty-one more than before World War II. Despite this growth, the company's branches were primarily in the south and west, with just fourteen in the western district of Victoria and two in far-western New South Wales. But that would soon change.

By the mid-1950s, Elder, Smith & Co Limited was deeply embedded in the saleyard culture, but there was still room for expansion in other directions, including real estate and insurance.

Expansion Plans

Henry Norman Giles was a Claremont, Western Australia, lad and son of the local livestock manager at Elder, Smith & Co Limited. Affectionately known as Skinny, Giles left school at fourteen after his father's sudden death and took up work in the stockyards. One former executive quoted in *The Elders Explosion* observed that 'Elders men were born and bred in the stockyards. The company culture was that if you didn't wear elastic-sided boots and if you didn't know how to sell sheep and cattle in the yards, you had no qualifications.' Giles certainly fit the brief and worked his way up to manager in Perth before his fortieth birthday.

In the late 1940s, Lachie Sanderson was Managing Director, and requested that Giles come to Adelaide as his second-in-command. Within two years, Giles was running the show. As new Managing Director, he summoned practising chartered accountant Norman Young to join him. Giles had no formal finance qualifications, and valued the Glasgow-born Young's financial nous and knowledge of taxation laws. Young made quite an impression when he investigated a company tax ruling that he considered to be incorrect in law. His research proved correct and the Tax Commissioner was obligated to send Elders, Smith & Co Limited a juicy cheque for £75,000. Young was swiftly offered a seat on the company's Board.

If accountancy wasn't Giles' strong suit, his business brain surely must have been. He recognised that territory was the most important factor in achieving market share in the wool-broking business. The pre-war purchase of George Hague & Co had seen the company's Geelong-based market share rise from 17.5 per cent to 21 per cent. His next move was to acquire the New South Wales operations of Commonwealth Wool and Produce. Then, to further extend its scope in New South Wales, the company purchased New England and Northwestern Producers (NENCO), a Newcastle broker and agent, and then penetrated Queensland through the purchase of Morehead Limited. With these acquisitions, Giles lifted Elders, Smith & Co Limited to the top of the wool-broking pile, with 15.4 per cent of the national clip in the 1956/57 wool-selling season. The company operated in all states except Tasmania, and conducted wool auctions in all seven of the country's major selling centres: Adelaide, Melbourne, Sydney, Brisbane, Perth, Geelong and Newcastle.

But Giles was not finished. Elder, Smith & Co Limited was now deeply embedded in the saleyard culture, but there was still room for expansion in other directions, including real estate and insurance. Giles approved the purchase of 40 per cent of Lensworth Finance, a real estate financier and developer, and also bought a large number of shares in Commercial Union Insurance. In partnership with the Chase Manhattan Bank and others, the company bought Esperance Land and Development, a move that added 445,000 hectares of virgin land in Western Australia to the company's asset list.

At the dawn of the new decade, Elders, Smith & Co Limited had bumped up its share of the Australian wool-broking market to 16.44 per cent, and the pastoral industry was on the brink of a mighty overhaul.

Takeovers Take Over

Between 1956 and 1959, wool production values dropped enormously – by 39 per cent over three seasons – and broking commissions dipped substantially.
In addition, there were sharp rises in inflation, increasing costs of warehousing and showroom floors, plus the 1960 bank credit squeeze, which put huge strain on pastoral houses, trebling the demand on them to pay advances to growers as the banks would not. Wool-broking firms had to employ measures to combat the effects of these pressures.

The first of two huge shake-ups to the industry followed when the two largest British-owned broking firms, Dalgety and the New Zealand Loan and Mercantile Agency, merged in 1961. FG Dalgety had arrived in Sydney some years before AL Elder stepped off the *Minerva,* establishing Dalgety & Co in Melbourne with English backers in 1884. Launched in London in 1864, New Zealand Loan and Mercantile began its life investing in New Zealand property and produce trading before expanding its operations to Victoria in 1874. Having taken over Sydney- and Newcastle-based brokers and agents Schute Bell Badgery Lumby Ltd in 1948, New Zealand Loan and Mercantile suffered from the credit squeeze and wool price dip, and was forced to seek merger options. The new firm was named Dalgety and New Zealand Loan Ltd, later becoming Dalgety Australia.

Norman Giles watched the takeover closely, as did the directors of Goldsbrough Mort & Co, the third-largest player in the wool-broking game. Goldsbrough Mort & Co was named after Lancashire-born Thomas Sutcliffe Mort, who established the first

In addition, there were sharp rises in inflation, increasing costs of warehousing and showroom floors, plus the 1960 bank credit squeeze …

Goldsbrough Mort & Co was one of Elder's competitors until both businesses merged in 1962.

regular wool-only sales in Australia, and Yorkshire-lad Richard Goldsbrough, who had also established regular wool auctions and was a noted property speculator. They had combined their businesses to create Goldsbrough Mort & Co, taking over many wool-broking firms to achieve its status as a big-time operator.

In 1962, Giles began discussions with Goldsbrough Mort's General Manager, Geoffrey Wyatt Docker, a forty-year veteran of the company. The 20,000 shareholders – 11,150 in Elders and 9050 in Goldsbrough Mort – were briefed on the negotiations taking place regarding 'the possibility of co-ordinating the operations and development' of the two companies. Just six weeks later, an agreement was reached. Elders Chair, Sir Philip McBride, a minister in the Robert Menzies government and federal president of the Liberal Party, with Sir Colin Syme, then-Chair of Goldsbrough Mort, announced 'a holding company to be called Elder Smith Goldsbrough Mort Limited, with a nominal capital of £25 million pounds divided into 50 million shares of 10/~ each'.

The parties agreed that the corporate headquarters would be based in Adelaide, which played straight into Giles' hands. Colin Syme declined the Chairship, as he was reluctant to make the move to Adelaide, so Giles' man Sir Philip McBride became Chair, and the Board was heavily weighted in Elders' favour. By 1964, of the fifty-eight executives, forty-three were from Elders and just fifteen were former Goldsbrough Mort men.

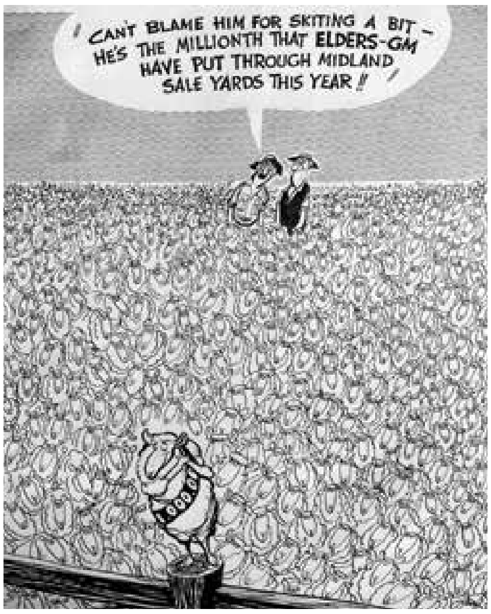
The merger quickly proved successful. During merger talks, it had been projected that dividends would be paid at 8 per cent, but the actual return was 10 per cent between 1964 and 1966, 11 per cent for the following two years and 12 per cent for 1969. By the fifth year of the partnership, Elder Smith Goldsbrough Mort Limited (Elders GM) handled 28.06 per cent of the national wool clip, or 1,371,500 bales – 313,000 bales more than rival Dalgety.

Giles undeniably ran the ship – and it was a very tight ship at that. While he had earned the schoolyard nickname 'Skinny' for his slight frame, the name now took on a new meaning, Hewat says in his book, *The Elders Explosion:*

'Giles was obsessed by keeping down costs, and he kept his eyes on them by being on every subsidiary Board. "He would get down to the very smallest detail. For example, if Doggett [Doggett Aviation & Engineering, a crop-dusting, partially owned subsidiary, later liquidated] needed a new propellor costing a thousand dollars, they would have to get Board approval, and Giles was there."'

To ensure the balance of power remained with him when he inevitably took over from McBride as Chair, Giles had earmarked a successor to his role as Chief Executive. Harold Charles Schmidt was schooled at Maryborough Technical College in Victoria before taking a job on the railways. He then moved to Deniliquin in country New South Wales, where he worked in a private agent's business trading in sheep and cattle. Elders bought the agency – and so Schmidt's association with Elders began. Having observed Schmidt going about his business, Giles decided he would like him to one day be his successor. And what Giles wanted, Giles usually got, so when McBride retired in 1967 and Giles took

[Sir Phillip McBride] announced 'a holding company to be called Elder Smith Goldsbrough Mort Limited, with a nominal capital of £25 million pounds divided into 50 million shares of 10/~ each'.




Millionth Sheep Creates Sales Record

The wool industry was buoyant in the 1960s but the tide turned and the demand for wool just wasn't there. Prices bottomed out in the 1970/71 season.

over as Chair, Schmidt was named Chief Executive.

Former employee Don Cameron remembers Thomas Barr Smith with great fondness, and considered both Giles and Barr Smith to be shrewd but honorable employers.

'When I started in 1952, we had a lot of returned servicemen from World War II working with us,' Cameron recalls. 'The government brought in the policy that after ten years of employment, you could take three months long service leave. We had a lot of the servicemen join us after the war so it would have been tricky for so many to go on leave at once. So Tommy Barr Smith and the directors wrote to all staff and said, "we can't afford to have all these people away at once, I'm asking you to vote on whether you'd take it after twenty years". The deal was we'd get six months after twenty years. In the letter I got, it said that the wages from the first three months accrued would be invested at the best possible rate so when we did finally take it, the invested funds would create a bonus. After I'd been there well over twenty years, I took three months and another three later on. When I got my pay, along came this bonus. Believe me, it shocked everyone. The Goldsbrough Mort boys said, "What's this bonus?" And I said, "Well bugger me, if it's not that bonus from back in 1953!" They'd done just as they'd promised and didn't just give us the 5 per cent; they'd invested it at the best possible rate so we ended up with a very handy bonus. The Barr Smiths were a very good family.'

Under Giles' Chairship, Elders GM diversified. The company invested well in Gove Alumina and Robe River Mining, and less successfully in Mineral Securities, which went down in the crash that succeeded the Poseidon nickel boom, costing Elders GM $150,000. In 1970, the company launched Elders Finance & Investment as a merchant bank, then the following year, Elders Metals Ltd was formed. Although Giles and Schmidt were busily expanding the company's portfolio of businesses, they always kept an eye on the wool-broking industry. In 1971, Elders GM acquired Younghusband Ltd, a Victorian-based wool-broking business that handled about 3 per cent of the national wool clip.

But the wool industry was facing problems. Wool prices had dropped again and there was increasing competition from synthetic fibres, including nylon. The demand for wool just wasn't there and prices bottomed out in the 1970/71 season. The Australian Wool Commission was established to address the concerns of the industry, and in November 1970, the Reserve Price Scheme (RPS) was introduced. This began as a flexible buffer stock scheme, where a flexible daily reserve price was introduced to dampen down sudden rises and falls in the market. The idea was that the Australian Wool Commission would set a floor price and if the wool did not sell above that price at auction, the Commission would buy it for the reserve price and stockpile any unsold wool to be resubmitted for sale once prices improved. The plan was to stabilise the market for growers and processors by putting a base price on all types of wool.

The scheme was pretty successful in those early years and the commission sold all stockpiled wool during periods of high prices in 1974 and 1979. In 1974, the scheme changed from a flexible buffer stock scheme to a fixed price scheme, with


In this PEN...
The MILLIONTH SHEEP
through Elders-GM this year at Midland

Elder, Smith & Co Limited, Perth Esplanade, 1952.

Elder House, Sydney, 1955.

Elder House, Bourke Street, Melbourne, 1960.

Elder House, St George's Terrace, Perth, 1964.

Elder House, Brisbane, 1965.

the price set annually. In years to come, the impact of the decision to employ an RPS would reverberate throughout the whole of Australia, crippling the country's wool industry and breaking the spirits of many of the land's most resilient farmers.

Farewell, Skinny

Henry Norman 'Skinny' Giles had made a profound impact during his almost fifty-four years with Elders. Not long before his retirement in 1975, he led the acquisition of old wool-buying firm John Sanderson & Co, and Elders GM became the major investor in the 4.1 million $1 shares issued to establish Beef City, a high-quality feedlot near Queensland's Toowoomba. Giles retired to Perth and died in 1987. Norman Young and Harold 'Charles' Schmidt continued Giles' momentum. The after-tax profit over the ensuing five years was a shot in the arm for shareholders, rising by about 200 per cent, from $8 million dollars in 1976 to $23 million in 1980. The business continued to chase the wool-broking share, buying Pitt, Son & Badgery in 1976 to take its share of the national clip up to 34.59 per cent – a massive 1.2 million bales.

The company was growing and gaining strength. As Young wrote in *By Chance I Became a Director of Elders*, 'We were, perhaps, no longer an attractive target for a takeover bid.'

But the 1980s would prove Young wrong. ■

The Australian Wool Commission was established to address the concerns of the wool industry, and in November 1970, the Reserve Price Scheme (RPS) was introduced.

CHAPTER III

AN ERA OF TRANSFORMATION

1980–1989

1983

Elders restructured into five operational groups: Pastoral, International, Finance, Materials and Food.

Holmes à Court liked to buy shares in businesses that he was familiar with and ones that would fit in with his group's growing portfolio.

If the first few decades in the history of Elder Smith Goldsbrough Mort Limited (Elders GM) had been about considered but robust growth, then the 1980s was nothing short of a growth explosion.

The dawn of the decade saw some of the country's biggest entrepreneurs sniffing around Elders GM. Robert Holmes à Court had made a name for himself as a clever investor, known for his hand in business transactions such as his takeover of the Bell Brothers Holdings transport and engineering group, and Rupert Murdoch's acquisition of Ansett Airlines. Holmes à Court liked to buy shares in businesses that he was familiar with and ones that would fit in with his group's growing portfolio. As it turns out, he was familiar with Elders GM. When he bought out Bell Brothers, he became a 50:50 partner with Elders GM in the general transport contractor Elder Bell Pty Ltd. And so, Elders GM became a target.

Just two weeks into 1980, Holmes à Court began buying Elders GM shares for $2.18 each. By February 1, the company's shares were trading at $3.50 and Holmes à Court sold every one that he had bought, making a cool 30 per cent profit in less than a month. But his dealings didn't end there. In April, he charged again, with the shares priced at $2.66. By the end of the year, Holmes à Court owned 5.6 per cent of Elders GM capital, with 2.6 million fully-paid shares and 1 million partly-paid shares.

Meanwhile, Rupert Murdoch had also identified the potential in Elders GM. Following discussions with his fellow Ansett Chief Executive Sir Peter Abeles, the pair decided to make a move of their own, instructing their brokers to buy up to 1 million shares. As Managing Director of Elders GM, Harold Charles Schmidt was duly concerned, as was Holmes à Court – doubly so because a mystery buyer was also in the mix, buying up big whenever possible. Sir Norman Young recalls, 'without warning, the blow fell – on 18 March 1981'. Holmes à Court made an offer to buy 50 per cent of Elders' capital at $4 a share. The mystery buyer responded and sold to Holmes à Court, while Murdoch and Abeles also sold and walked away with $1 million between them.

In survival mode, Young visited the acting premier of South Australia, Roger Goldsworthy, and attorney-general Trevor Griffin, and asked for protection, requesting that the government limit any holding in Elders to 10 per cent. This restriction already applied to banks and had been used to protect other iconic South Australian businesses Santos and the South Australian Gas Company. But his request was rejected. Goldsworthy and Griffin said market forces should determine such issues and that 'it was really of no importance to the state who owned or controlled the principal South Australian business undertakings'.

The next ten days were panicked as Elders GM did its best to fend off Holmes à Court. In the process, Young declared that his company underwent 'unplanned and unwanted reconstruction which... destroyed its much-respected independence as one of South Australia's most influential business enterprises'.

Money for Jam

From their Garden Street office in Victoria's South Yarra, Henry Jones IXL strategists Bob Cowper and Peter Scanlon were watching the goings-on in South Australia with great interest. The duo was part of the team, led by the inimitable John Elliott, that engineered a masterful takeover of jam maker and fruit canner Henry Jones IXL during the early 1970s. Ironically, Elliott's master plan had been backed by Norman 'Skinny' Giles, among others, to the tune of $10 million. Within months of the takeover, The *Australian* reported that Henry Jones was 'undergoing skilful surgery in the hands of its new owners' as Elliott sold off unwanted Henry Jones properties and installed a new management structure almost as soon as the deal was done. Elliott reorganised the company's capital, bought a modern cannery – Tom Piper's in Port Melbourne, of canned baked beans and spaghetti fame – and sold Henry Jones' South African-based cannery.

The new owners made a fast and vast profit before hitting a bump in the road. But the young and enthusiastic Henry Jones team soon turned things around with more takeovers, including the Kyabram Preserving Company and later the Provisional Traders Holding Limited, a Queensland-based margarine and oils business, and frozen-food company Wattie Pict. Henry Jones went on to merge with Barrett Burston Limited, which specialised in stockfeed, cereals, flour and pet food, and, significantly, both Henry Jones and Barrett Burston were suppliers to brewers – Henry Jones of hops and Barrett Burston of malt. This merger doubled the size of Henry Jones, and the company posted record financial gains.

After further restructuring, brought about by the withdrawal of shareholders CBA and Elders, Elliott sought a friendly, single investor. Carlton and United Breweries was earmarked, and by the end of 1980 CUB was Henry Jones' major shareholder. With a strong Board and fierce management team in place, Henry Jones was well placed to be scouting further takeover targets.

Seeking a Lifeline

Young and Schmidt went on the defensive, working hard to secure a white knight to fend off Holmes à Court's attack. They were in negotiations to buy a 45 per cent stake in White Industries, a New South Wales- and Queensland-based mining operation, when Holmes à Court announced his takeover offer on 19 March 1981. By the end of the day's trading on March 20, Holmes à Court had lifted his stake in Elders to 7.7 million shares – 12 per cent. Back at Elders GM headquarters, Peter Owens, Managing Director of Advertiser Newspapers, visited Young and offered his company as the white knight that they had been seeking, promising to buy up to 9.9 per cent of Elders shares when markets resumed.

On Monday 23 March, Holmes à Court and Owens battled furiously, buying as many shares as they could lay their hands on. The share price rose from $4.05 to $4.30, and the market closed with Holmes à Court declaring he had 10 million Elders shares for 16 per cent of the capital, while Owens had bought just under 3 per cent. The share price was too high for White Industries to buy out Holmes à Court's shares, forcing Owens out of the race, but BT Australia (a subsidiary of Bankers Trust New York Corporation), which was working with Elders

From their Garden Street office in Victoria's South Yarra, Henry Jones IXL strategists Bob Cowper and Peter Scanlon were watching the goings-on in South Australia with great interest.

The goings-on at Board level had little impact on the day-to-day running of the business. Elders GM continued to offer its financing, wool-broking, livestock, merchandising and real estate services throughout the changes.

and White Industries to help the cause, did try to buy Holmes à Court's shares. Owens, meanwhile, bought more than the 9.9 per cent capital that his Board had agreed upon. By the afternoon of March 24, Holmes à Court and Owens owned a third of Elders shares between them.

As they were battling it out on the stock exchange, Schmidt organised for Norman Young to meet with John Elliott's team, Cowper and Scanlon. Young suggested that a holding company could buy all the shares in Elders, Carlton and United Breweries, South Australian Breweries and Henry Jones, and each business could continue to operate as separate arms of the holding company. The suggestion was quickly dismissed and Cowper and Scanlon said they would return with a counter-offer within three days. But proceedings took a bizarre turn when Schmidt burst into the meeting and announced that Holmes à Court had ditched his takeover plans and sold his shares to BT Australia – a move that posed a new set of problems.

BT Australia had bought the shares believing Elders could on-sell them, but this move may have contravened Section 129 of the Companies Act, which refers to a company buying its own shares. Needless to say, Cowper and Scanlon left the Adelaide meeting buoyed. Elders GM was clearly under massive pressure – their counter-offer could now be a whole lot tougher.

The proposal that Elliott's team put to Elders GM was for a reverse takeover and management takeover, whereby Elders would appear to buy Henry Jones, but the Henry Jones team would take over the running of the company.

In *The Elders Explosion*, Tim Hewat outlined the terms:

'Elders would make a takeover bid for Henry Jones on the basis of one one-dollar share in Elders for each fifty-cent share in Henry Jones, with Henry Jones shareholders who did not want Elders shares to receive $4.40 a share in cash; Henry Jones or an associate would buy the Holmes à Court parcel of 20 per cent of Elders shares then held by BT Australia, and the Board of Elders would reflect the new ownership, with Sir Ian McLennan as Chair and Elliott as Chief Executive. The Elders and Henry Jones Boards held respective meetings on March 27. The main bone of contention for Elders was the make-up of the new Board. It was stipulated that four of nine Elders Board members, including Young and Schmidt, would lose their seats, which didn't sit favourably with the Elders party. Young eventually conceded, claiming he was, "satisfied that, broadly speaking, the Henry Jones proposal was one that was fair and reasonable to Elders' shareholders", and that the "Henry Jones top management was more innovative than that of Elders".'

Young left Melbourne having agreed to the proposal and the board meeting resumed. The press release went out the next day. It read:

'The directors of both companies are confident of the benefits to shareholders of the merged group. The merged group will: under normal trading conditions pay a dividend of at least 25 cents per share per annum; have assets which, on a conservative basis, total over $1 billion; have turnover in excess of $2.5 billion; be one of the largest companies with the necessary strength to support further growth … It has been agreed that the Board of Elders will be reorganised with five existing Elders directors and five directors from Henry Jones. At that time, Mr John D Elliott will become Chief Executive Officer of the merged group. The existing Chair of Elders, Sir Norman Young, will retire from that office at the end of this year in accordance with the Company's Articles. Elders have invited Sir Ian McLennan, Chair of Henry Jones, and Mr John D Elliott, Managing Director of Henry Jones, to join the Board of Elders immediately.'

While Young believes the takeover was, 'a merger in the true sense', with Elders 'the significant company … appointed to become the shareholders' flagship', Geoff Lord, head of Elders Resources, would later say it was, 'actually a management takeover – the management team runs the expanded vehicle'.

The new-look Elders IXL had an issued capital of $162 million and net assets of $348 million, 307 subsidiary companies valued at $308 million in fourteen countries and a pastoral business that had more than three hundred branches across all states of Australia, with the company handling one in every three bales of wool sold at auction. The finance, merchant banking and steel and metals distribution were also significant players in the mash-up.

In order to prevent a future raid, the strategy was for CUB to make a partial takeover bid. It did, and ended up with the optimal 49.444 per cent of the capital. The new Board was now made up of eighteen men, with just five from the Elders fold: Des Chenery, a forty-year Elders veteran and General Manager of pastoral activities; Alan McGregor, a lawyer and company

The new-look Elders IXL had … 307 subsidiary companies valued at $308 million in fourteen countries and a pastoral business that had more than three hundred branches across all states of Australia …

‘Elders was known as the company that would back the farmers when others wouldn’t.’

director; Ian McLaughlin, a grazier who would go on to become president of the National Farmers’ Federation; Gerald Niall, a barrister, solicitor and director of companies including ANZ Banking Group and National Mutual; and Joseph Winter, an accountant and Chair of Adstream and SA Brewing.

Operating profits were up 78 per cent in the first year after the merger and increased by a further 5 per cent in 1982/83.

Meanwhile, the worst drought in the twentieth century sucked life out of the land and bled the growers’ souls dry, while bushfires savaged much of the South Australian and Victorian countryside. But, just as it has throughout its history, Elders stood by its clients during times of hardship, recalls long time Elders employee Richard Cooper:

‘Elders was known as the company that would back the farmers when others wouldn’t,’ he says. ‘Many a time, instructions from Adelaide were “lost, delayed or put aside”, or even plainly ignored because the local Elders man knew the local business, knew the local person, his reputation, his farming skills, his property, and could well see light when no others could. This was especially true in the big droughts of 1967 and 1982. We can all remember the days of shooting sheep and cattle and putting them in pits. Some of the growers in that situation couldn’t get loans against their assets and in some cases I can recall they couldn’t even put food on the table. But I’m pleased to say that in a number of cases, these people were given sustenance loans by Elders to keep them going and, to my knowledge, very few failed to repay them in full. Many of these families are still clients of Elders today.’

Life and Death on the Land

Never before had growers seen such hostile conditions. The impact of these deadly events hit Elders employees, and the communities that they served, with brutal force. In South Australia alone, Ash Wednesday took the lives of 335,000 sheep and 18,000 cattle.

‘If you’re an Elders employee, you sit right at the heart of the community that you live in, and you live through what your clients live through,’ Elders Real Estate Sales Executive Phil Keen says. ‘It was 1983 when Ash Wednesday occurred. I was a young branch manager then, living in Kalangadoo in South Australia, and it was one of the most significant things to happen in my life. We had fourteen people die in the area where I was working. I wasn’t immature but it made me grow up overnight. All but one or two clients were affected, either with property being burned or family lost. I’d started seeing a girl and her sister was killed.

‘But you should’ve seen the way Elders helped. We helped immensely. We had staff from all over Australia helping out in the aftermath. The fires were in the Adelaide Hills, south-east Australia and all through Victoria, and seventy-five people were killed that day, 16 February 1983. I remember it so well. Everybody pitched in – other clients, locals and landholders donated a lot of hay, and we’d just come out of a drought at that stage, so that was a big deal. Our staff gave up their own time, buried livestock, helped fence,

The Elders Way:

Elders Has Your Back

During times of trouble, Elders is there for its clients and their communities. Elders always has its clients' backs.

Belinda Jeffreys, Elders General Manager People, Culture and Brand, can recall countless times the pink shirts have gone above and beyond. 'We had a huge bushfire in northern Victoria a few years ago and a major client's property was destroyed. On the day of the fire, there were a couple of Elders employees there trying to fight it. The majority of the farm was lost, along with most of the livestock, so Elders organised for a team of our staff to go in there the next day to dig pits, bury the dead livestock, destroy the livestock that needed to be destroyed and have them removed from the property. What we wanted to do was assist the farmer and his wife in any way possible, to manage the entire process for them and make their lives more bearable by doing a lot of the hard work that has to be done in situations like that. There was someone from our merchandising business, one of our banking guys, a couple of our livestock marketing team and one from real estate, all chipping in. It's certainly not in our job descriptions, but we don't even have to ask people to do that type of stuff. They say, "Righto, I'm one of the pink shirts and it's what we do."'

Jon Fox, General Manager of Elders Insurance at QBE, says when times are tough, Elders steps in. 'We had a significant fire on the Eyre Peninsula in South Australia a few years ago and it devastated the local community. Several people lost their lives in the fire and there was a lot of damage to the farming land. We made a counselling service available to our farming clients at no cost to them, which was very well received. We also partnered with Elders to deliver things like emergency feeds for cattle, emergency fencing and equipment, at a time when those things were not readily available, all at no cost to them. Working for a company that can show such compassion makes you proud. It really wasn't our intention to buy loyalty – the situation was much bigger than just business and loyalty. It's about being responsible as a company to communities that we make a living out of. It wouldn't matter if they left us for a competitor, the fact is we could hold our heads up high and say that when they most needed help, we supported the community that supported us.'

The extensive Elders network is a huge asset to clients when droughts leave their land parched and their livestock hungry, National Livestock Manager Chris Howie says. 'During seasonal hardship, Elders can provide opportunities for clients, in terms of where livestock can go or where feed can be sourced, using our network. Whether it's drought, fire or flood, Elders can very quickly mobilise people, over a very wide area, who can provide assistance and information. We also have the ability to facilitate large feature sales, store sales and clearing sales when a grower has to sell. We're really good at that. In 2010/11, we organised for millions of sheep and hundreds of thousands of cattle to come from WA to the eastern states because WA was in drought and the east had a good season. The size of our network allowed us to move stock from one side of the country to the other. We can show that there is something that can be done when things look hopeless.'

During times of trouble, Elders steps up to help. The assistance comes in many forms – financial, emotional and physical, including the relocation of livestock during periods of drought and reconstruction of pastoral fencing following devastating bushfires.

helped coordinate fodder and hay and, very importantly, helped organise agistment and lease country. Really difficult times bring out the best and worst in people and this difficult time brought out the best. It was a really emotional and difficult time dealing with clients who lost family members. I had five families who I worked with who lost family that day, more clients who lost homes, or property, or livestock. It was such a difficult period.'

Russell Wood, Elders District Wool Manager at Wyalkatchem in the eastern wool belt of Western Australia, agrees that it's impossible to work so closely with clients and not feel their pain.

'We do a lot of business over a cup of tea and a biscuit,' Wood says. 'You know your clients, their families, you sit at their kitchen table and when things aren't going well for them you feel it too.'

Although all manner of things were changing at Board level within Elders IXL, on the ground, at the farm gates, it was business as usual. But the life of a livestock agent, farm supplies salesman or any of the Elders rural services operatives was quite different from that of the modern-day agents. Communication methods, for example, were vastly different.

Phil Keen remembers having to place phone calls through the operator; Elders National Livestock Manager, Chris Howie, also recalls those pre-mobile phone days. 'I started with Elders in 1988 and my father, Jeff Howie, had been with Elders for forty-two years when he retired in 2000 as the Branch Manager at Jamestown in South Australia, so Elders has always been there as a big part of my life,' he remembers. 'From the time we could answer the phone, we always had to answer politely and take messages.

'Before mobile phones came in, our days as agents started at about 6.30 am, and you'd make calls from then until you walked out the door,' Howie says. 'You'd do your day on the road visiting clients, check your message book at the office and then go home to have dinner and spend time with the family. Then the phone would start at about 7 pm or 7.30 pm til about 9.30 pm. From 9.30 pm, you'd ring around the other agents or your boss would ring you in preparation for the work that had to be done. Then when you moved to busy branches, often you'd have two phones at your home, one for incoming calls and one for outgoing calls. Your wife would take the calls on the incoming and take a note and you'd ring the caller back. And if you're at sales or at the pub there were plenty of times when the wives took down all the prices from the market or the wool sales. I have to say, it was the wives of the stock and station agents who were really important in those days before mobiles. They were like the unpaid secretaries of the bush and probably the unsung heroes of the business for a very long time.'

Branching Out

While Elders employees on the ground were busy cleaning up the effects of drought and fire, there was a lot of action at Board level, too. Elliott and Scanlon made a dawn raid on London-based firm Wood Hall, acquiring 12 per cent of the company before negotiating with its owners to buy it out. Wood Hall was a conglomerate of a whole range of subsidiaries, including the former Australian Mercantile Land and Finance

'You know your clients, their families, you sit at their kitchen table and when things aren't going well for them you feel it too.'

It also became necessary to reshape the structure of the ever-expanding Elders IXL. Five operational groups were formed ...

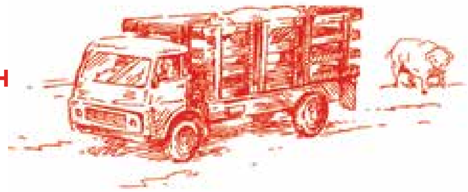
Company (AML&F), a pastoral house with long traditions, and old wool-broking firms Dennys Lascelles, Strachan & Co and Australian Estates Co. Wood Hall was also parent company of construction group Hornibrook, which had contracts throughout Australia, Papua New Guinea and Fiji, and a couple of trading houses that operated through East Asia, Africa, Europe and Britain. Haven Automation, another Wood Hall business, specialised in marine, offshore and land-based automations throughout Singapore, Malaysia, the Philippines and Hong Kong (China). The strategic decision to buy out Wood Hall raised Elders IXL market share in the pastoral business from 35 per cent to 50 per cent. By then the company had more than 500 branches and 4000 employees.

Elliott and his team continued to add to the Elders IXL portfolio, spending $20 million alone on a 19.8 per cent stake in Bridge Oil, a supplier of natural gas with interests in oil, diamond and mineral exploration, and then acquiring 14.8 per cent of its partner in the Cooper Basin Consortium, Santos. The company reached further into China with its investment in Nanning Jones, a joint venture with the country to grow pineapples at Nanning. To fund these purchases, however, the company had to sell some of Elders' disposable assets, raising $100 million.

It also became necessary to reshape the structure of the ever-expanding Elders IXL. Five operational groups were formed: Pastoral, which looked after wool-broking, livestock selling, rural financing, real estate, insurance and merchandising; International, which traded commodities worldwide, including wool, and took charge of shipping and ship chartering; Finance, which looked after all aspects of merchant banking through Elders Lensworth Finance, plus rural financing and investment management; Materials, which included hops and malt for brewing, timber and building supplies through to metals, mining and construction; and Food, to handle processed margarine, frozen foods, pineapples, grain-fed beef and animal feeds and retailed wine and spirits.

Phil Keen remembers just how diverse the business was back then, and how hard the business pushed its agents to make sales and refer clients to other arms of the business.

'People who work for Elders now think that this big push to make sales while you're on the road is only a recent thing, but it's not, it's always been the case,' Keen says. 'The discipline around that was enforced even more so back then than it is now. I remember we had Elders Wines and Spirits as part of the business. We imported wines and spirits and sold them too, so one of my jobs when I worked in the office at Victor Harbor was to go down to the local hotels at 3 pm on a Friday afternoon and get orders for wines and spirits. We also had Elders Travel based here in Currie Street. We had a wonderful lady called Maggie Stewart, who took overseas tours with clients and was an icon in South Australia, and in our safe in the Victor Harbor office, we had Ansett and TAA tickets. We were the only travel outlet in Victor Harbor so people would come in and book tickets through me. I'd ring Ansett or TAA and handwrite the tickets. We were also agents for businesses like Australian Pacific.



The Elders Way:

The Things we Don't Miss

Stories from the 1950s, 1960s and 1970s, passed down to modern-day Elders employees.

For those who don't remember loading the rail vans, we used to have to load the sheep, cattle and pigs on railway vans and it was a bloody nightmare. You worked all day in the yards, then you had to load the rail vans because they had to go to the abattoirs. You had to put the sheep you'd drafted, the pigs you'd drafted and the cattle you'd drafted in them and they were sorted by size, with the smallest ones on the bottom deck. The vans were connected to each other, so you had to crawl all the way through the bottom of the train to the back pen and count the animals in, then close the gate. So, you're crouched down and there are sheep running past and you count them in, close the gate and count the next lot in. Then you get to the other end and there's twenty sheep left, and your mates tell you we've messed up the count, so you've got to go back in and tighten all the pens up. We don't miss that one bit.

The roads have got better and the cars have got softer. As agents, we've had all types of cars. We've had four-cylinder Commodores where you had to turn the air-conditioner off to go up a hill. We've had city cars, front-wheel drive cars like Magnas that just aren't suited to outback Australia. Cars have always been a talking point. In the 1960s, the company car was a Holden Belmont. It went alright but your option was you could have a cigarette lighter or a radio, but you couldn't have both. Times have certainly changed.

Nor do we miss the shunter leaving the vans half a door short of the ramp, so you had to pinch bar them up. Some nights they lost control of the vans and jumped them off the tracks. These are twenty- to twenty-four-year-old lads, up in the middle of the night. One's on the brake wheel, he gets a bit too much speed up and the points aren't set and off the tracks they go.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I remember I sold a heap of tours after I spoke at the local bowling club, and scored a free trip to Alice Springs. We also had Elders Trustee and we organised to draw up wills. One of my KPIs at Minnipa on the west coast was to sell at least one will per month. By getting clients to do wills with us, when an estate came up for market or sold or transferred hands, Elders would be appointed as the agent. By having that arm we basically guaranteed the real estate. It seemed like our fingers were in every pie and cross referrals was a very important part of the business.'

... the acquisition of the Commercial Bureau, which was Australia's only company with an accredited Moscow-based office, giving Elders IXL access to Europe's Eastern Bloc.

In 1983, Elliott was named President of the Carlton Football Club and became even more involved with the Liberal Party. He also continued to add to the Elders IXL portfolio with the acquisition of the Commercial Bureau, which was Australia's only company with an accredited Moscow-based office, giving Elders IXL access to Europe's Eastern Bloc.

That year also saw the Elders IXL executive move from its small Garden Street office to plush premises at the Jam Factory, one of South Yarra's iconic buildings, which Elliott had recently developed into a shopping complex. But 1983 might be best remembered for its $972 million takeover of CUB, whose 49 per cent share in Elders IXL had been watered down to a 47 per cent stake following the launch of an Elders IXL Employees Share Incentive Plan, brought in to encourage staff to become shareholders.

The Elders IXL CUB takeover was a reactionary move, in response to a Ron Brierley bid to acquire CUB. Brierley made it clear that, should he be successful, he would sell off CUB's Elders shares, leaving

The acquisition of CUB brought more than a dozen new businesses to the Elders IXL fold and marked a big change in direction.

the company vulnerable. The squaring off between the two groups was sensational, pushing CUB's share price up to $3.80 before Brierley accepted Elliott's offer to buy the shares he had just bought for $3.82. Brierley made somewhere between $8 million and $10 million for his efforts. Elliott then had to get a couple of banks on board to inject cash into his until-then paper bid to CUB. With money from the Hong Kong and Shanghai Banking Corporation, Citibank and Chase, Elders IXL lifted its holding in CUB to 37 per cent. By Monday 12 December, Elders IXL controlled CUB. The transaction was another cog in the wheel set in motion to 'fosterise the world' – a reference to CUB's leading brand of beer, Foster's.

The acquisition of CUB brought more than a dozen new businesses to the Elders IXL fold and marked a big change in direction. The company needed to be restructured again. It was determined there should be five operational groups: Pastoral, Brewing, International, Finance and Resources. It was also decided that the company should try to sell off its food interests, as there wasn't potential to grow that arm significantly on the international stage. Elders IXL sold out of its margarine business, then other non-core businesses were sold off to reduce the company's burden of debt, including Elders Metals, Elders Building Supplies, the can-supply business in Western Australia, Elders Stores, and the frozen-food business. But it also bought a 15 per cent share in Kidston Gold Mines, Private Investment Company for Asia (a Singapore-based merchant bank with offices in nine Asian capital cities) and a 40 per cent share in Roach, Tilley, Grice & Co, a broking house. By October, 1984, Elders IXL managed authorised share capital of $1 billion.

In 1985, there was a minor changing of the guard. Peter Bartels, whose father and grandfather were publicans, was pulled from his role as the head of Elders' International group to lead the breweries. He made an immediate impact, announcing sponsorship of the race that stops a nation, the Melbourne Cup, which would be renamed the Foster's Melbourne Cup and carry $1 million in prize money. Foster's advertising would also infiltrate the Melbourne Cricket Ground, with the half-time entertainment at the AFL Grand Final featuring a massive Foster's flag that needed an army of one hundred to carry it. It was yet another step in the plan for complete globalisation of Foster's.

The year ended with the retirement of Sir Ian McLennan from the Chair's seat. He had one final request – that John Elliott be installed as both Chair and Chief Executive of Elders IXL.

Trouble Brewing

In 1986, wool became Australia's second-highest export income earner, behind coal, bringing $3.1 billion into the country. Forty years earlier, the United Kingdom had imported 33 per cent of all Australian agricultural exports, including 80 per cent of all beef and 90 per cent of all butter. But times had changed markedly. By the mid-1980s the UK accounted for just 2 per cent of Australian rural exports. Japan was leading the Aussie charge with 21 per cent, the Middle East took 15 per cent and North America 12 per cent. The rest of the European community imported an 11 per cent share, while

By the mid-1980s, Japan was the leading destination for Australian rural exports, with 21 per cent of the market. Forty years earlier, the United Kingdom imported more than 33 per cent of all Australian agricultural exports. That figure dropped to 2 per cent by 1986.

The BHP move was a step in Elliott's plan for Foster's to become a worldwide lager.

Eastern Europe (9 per cent), South-East Asia (9 per cent) and China (5 per cent) were the other big players. Australian beer, on the other hand, was a product that the Elders IXL Board was determined to flood the UK market with. But before the Foster's dream could eventuate, there were issues closer to home that had to be dealt with.

On 10 April 1986, there was a surprise buying surge in BHP shares. John Elliott was behind the move and in next to no time, Elders IXL had 18.6 per cent of BHP's capital. The BHP move was a step in Elliott's plan for Foster's to become a worldwide lager. In order to achieve worldwide infiltration, it needed a brewery in Britain that could supply Europe. Elliott's team of strategists came to the conclusion that Britain's second-largest brewery, Allied Lyons PLC, would give the company the greatest chance. The plan involved buying Allied for about £1.7 billion and then recouping £1.2 billion through the sell-off of non-beer divisions and the sale of 50 per cent of the 7000 pubs and hotels to publicans. So, under an associate company called IXL, Elders started to buy shares, in a move that Elliott, when pitching to the banks for financial backing, described as 'the biggest takeover in the history of the United Kingdom'. He received an 'in principle' go-ahead for finance, and so continued his march.

Allied did not agree to Elliott's terms and the Takeover Panel, a regulatory body in the UK, went about investigating IXL's purchasing vehicle. The British Government then referred the matter to the Monopolies and Mergers Commission, stalling the entire process. Fearing his bid would be rejected because Elders' borrowing ratios might appear too high, Elliott turned to BHP, asking its Board to invest $1 billion to improve Elders IXL's asset ratios and hence facilitate approval for the takeover. Meanwhile, Robert Holmes à Court popped up again, ruffling a few feathers by announcing a takeover bid for BHP. Discussions between Elliott and BHP were strong but, as cited in *The Elders Explosion,* Elliott got on the front foot and started buying BHP shares, despite previously suggesting he would not do so. Elliot thought it would be a good tactical move to become a significant BHP shareholder, but in doing so, risked alienating the BHP Board.

Elliott successfully approached banks to help finance the acquisition of BHP shares. Next, he started to buy up, prompting BHP, scared by Elliott's manoeuvring, to fast-track its approval of the $1 billion preference-share investment in Elders. The BHP Board agreed to the preference-share deal, which doubled shareholders' funds in Elders IXL to $1.86 billion, and satisfied the UK's Monopolies and Mergers Commission.

However, Elliott changed course at the last minute – a more appealing British-based brewery had been identified. Ironically, Courage Brewery, the new target, had tried to challenge CUB in the 1960s and failed. It was Britain's fifth-largest brewery and its owners wanted to sell. And so the deal was done for $3.5 billion and Foster's Lager was ready for pouring in 20,000 pubs and restaurants around Britain.

Elders IXL's next task was to sell the 5000 pubs that came with the Courage purchase in order to reduce debt. One option was to sell to the pubs' landlords, but this was ultimately dismissed. The second option was to sell to people Elders IXL knew and trusted, During times of hardship, Elders went above and beyond to help its clients.

and a third option was to float the pubs on the share market. However, to the horror of investors and the business world, the stock market crashed on 19 October 1987.

Crashing Back Down to Earth

Black Monday – or Black Tuesday, as it's known in Australia, due to time zone differences – saw shares plummet, drastically losing value in a short amount of time. By the end of October, the Australian stock market had fallen 41.8 per cent, and Elders IXL shares had nosedived from $6.12 to $2.70. Nine months later, shares were still trading low at $3.20. This marked the beginning of Paul Keating's 'recession we had to have'.

Ian Macfarlane, Governor of the Reserve Bank between 1996 and 2006, has said that 'the financial excesses of the 1980s were of such a scale that they made the 1990s recession "inevitable" ', describing Australia's economy at the end of the 1980s as 'overstretched and vulnerable to contractionary shock'. High interest rates piled huge pressure on businesses, many of which had borrowed too heavily.

The impact reverberated right across the country and banks were forced to foreclose on countless businesses. Many families lost their farms. But once again, Elders stepped up and supported rural communities during times of need.

Ian White, Elders Zone Sales Performance Manager, says that during times of hardship, Elders went above and beyond to help its clients.

'It happened all the time in those days, probably not so much these days because banking has changed,' he says. 'But you would hear that the Elders branch managers had the smarts to lend somebody some money to get the crop in, or buy some sheep, or help fund the growers to shear the sheep and more often than not they would go on to make a lot of money from the clip or reselling the stock because prices would go up. The branch managers know their clients' businesses inside out, know which clients can make good on advances and they often get their clients out of a tight jam. You hear that all the time. Elders always seems to be there for them.'

Interestingly, in 1987, the wool market remained buoyant despite the global economic downturn. There was still a huge stockpile of wool and the government handed the final say on setting the floor price of the Reserve Price Scheme over to the Australian Wool Board.

Meanwhile, Elliott and his Board continued to investigate the best way to sell out of the Courage pubs. In 1988, a deal was struck with Hudson Conway, a property developer whose partners were well-known business figures Sir Roderick Carnegie, Lloyd Williams and Ronald Walker. The deal suited both parties and Elders' balance sheet would show the company was virtually debt free at balance date. The Board also continued to strategically invest in order to sustain the company's beer growth plans, buying 8.92 per cent of Edinburgh-based Scottish and Newcastle in a move that would strengthen its position in the north of England and Scotland. Foster's sales in Britain increased by 10 per cent in early 1988. The accompanying advertising campaigns earned Peter Bartels the Australian

Facing a new decade, there were highs and lows for the company.

Marketing Institute's 1988 Sir Charles McGrath Award for Marketing Excellence, and at the end of 1987, Elders Brewing Group became the company's biggest manufacturer, marketer and profit-earner, generating 35 per cent of Elders IXL profits.

Share prices were still low following Black Tuesday, and while activities didn't cease, the company did put its restructuring plans on hold. The plan had been to float Elders Brewing, and for Elders Finance and Elders Agribusiness to join forces with Elders Resources and Elders Investments. Elders IXL would retain a majority share.

By the end of the decade, the delayed restructure took effect and Elders Pastoral became a division of the new Foster's head business – but not before Henry Jones IXL was sold to the JM Smucker Company.

Facing a new decade, there were highs and lows for the company. In a high, Elders Stud Stock Manager Tony Wetherall sold a Collinsville ram for a world record price of $450,000 at the Royal Adelaide Show. But in a low, there was a looming sense of foreboding when in just one week in August, 1989, the Australian Wool Corporation spent $60 million on wool clip purchases that failed to reach the floor price. In the spring of that year, the Corporation's purchases made up 60 per cent of all wool sold and the stockpile was massive. Pretty soon, the woolgrowers' euphoria, which had lasted the best part of the 1980s, would turn to misery.

For the most part, the board-level wheelings and dealings of the past decade had little impact on the day-to-day running of operations at the farm gate, but the diversification into non-related ventures bred scepticism. And the feeling of anxiety that was rising within the pastoral ranks would soon be justified. The 1990s were just around the corner and everyone was bracing for impact. ■

The lucrative merchandising arm of the Elders IXL business fell into the company's Pastoral division.


COLLINSVILLE

The Elders Way:

Record Breakers: Elders Sells Ram for World Record Price

Tony Weatherall
Elders Marketing, Tech Services

'I started in stud stock in 1986. I sold at the Royal Adelaide Show ram sale in that year and the wool and stud industries were flying. Back then, Elders would've had at least 320 rams to sell, while the opposition probably had about 200, so we dominated the industry. Each year at the Show, we'd start with a Collinsville one year, then an East Bungaree the next. In 1989, it was Collinsville's turn to go first. In those days, Collinsville had a team of about twenty rams, and when they ran off the trucks for inspection the day before the sale, people would be flocking to get a look at them. By 1989, the ram prices had started to skyrocket. The Merino industry was very strong and a lot of people were investing in both ET (embryo transfer) and AI (artificial insemination) programs. If you have enough people interested in a ram and each person wants one hundred doses of its semen at $100 a dose, the value of that ram would go up because of its earning potential.

On the actual day of the sale in 1989, there were people everywhere. Neil Garnett owned Collinsville and they'd been doing lots of marketing trying to generate overseas interest, so there were South African, Chinese, Argentinian and Russian buyers there.

Peter Brooks was my stud stock manager in 1989. We'd always have a meeting before the sale to see what reserves are going to be and who might be interested in which rams. Peter Brooks said to me in that meeting that he reckoned Collinsville would have a ram that'd break the world record. We knew the first couple of rams were going to make good money, because the market really was over-inflated at that time, and Collinsville had such a large influence over the Australian flock. And with all those internationals there, we knew something big was going to happen. The shed was packed with onlookers, TV cameras, photographers and ABC radio, and when the sale started, you could hear a pin drop.

The first ram I offered made $360,000, and that broke the world record. Peter Brooks was right! The crowd was buzzing and chattering and we had to quieten everyone down to start the next ram. Everyone was still buzzing. So I started my preamble. I said that this ram was an outstanding stud sire with tremendous wool and was a cornerstone of the industry. But I started at a reasonably low base, about $40,000. The world record had already been broken and I didn't think any others would break the new record, so I took $10,000 bids – and then $20,000 bids. Then all of a sudden the crowd was hushed again. When we passed the world record again, everyone was stunned. I finally knocked it down with not a peep to be heard other than my voice and the click of the cameras: $450,000 to Richard Nitschke at Willogoleche Stud.

That year, our sales would've grossed well over $1 million. Just to compare, the top price at the 2013 Adelaide Royal Show ram sales was $34,000. That's how things have changed. We took it when we could.'


24 VOLTS

A Typical Day:

The Wool Auctioneer

There are twenty-odd blokes looking up at me from behind rows of desks, laptops at the ready, their fingers hovering over calculators. There's a bit of banter between them – they all know each other, you see – but as soon as I begin my pre-auction rev-up it's game faces on. They've spent the morning poring over the catalogue that our team meticulously assembled. To an outsider, it looks like page upon page of random numbers, but to the trained eye, the information on these pages can be enough to base some very expensive decisions on. Of course, there's still something to be said for wandering around the huge warehouse, filled with boxes of samples, and feeling the wool for yourself.

There are moves to sell wool online, but as far as I'm concerned, getting in there, rubbing the samples through your fingers, gently prising the wool apart to see the crimp for yourself and testing the staple for strength are the best measures of a clip's quality. This also confirms in the buyer's mind that the figures provided in the catalogue are fair and accurate. The buyers would've spent a fair bit of time touching and feeling those samples this morning. They know which lots they want, and they're ready for battle. I smile when I remember how the buyers used to go about their business. Technology's changed everything. Before mobile phones there used to be a row of telephone boxes that lined the room. The buyers would rush to these phones during a break in proceedings or post-sale to relay buying details and to confirm new orders. Now, a market can change on one text message that might say 'order full, cease buying', or 'new order, spec x, clean price, x cents'.

To my left, outside the glass box where I stand before this roomful of local and international buyers, I can see a row of producers nervously awaiting their lot to be called. For some of them, their whole year's income rests with the fall of my hammer. While I know I can't control the market, I do know I've done everything I can to get the best possible outcome for my clients. My dealings with some of these cockies stretch further back than I dare remember, so of course I want to get them the best price possible. I was there with some of them back in the late 1980s when the market was booming and wool was selling for astronomical amounts. I was also there when the bubble burst and the government stepped in.

I remember having to sell fleece wool for $3 a kilo, having to tell my clients their wool was worth a pittance. It's hard enough making one of those calls, but there were times when I'd have to make that same call twenty-five times in one sale week. The worst days of my working life were spent alongside some of these producers, back in the early 1990s, when the floor price collapsed and the flock reduction program kicked in. Having to shoot and bury their sheep in exchange for next to nothing from the government broke the soul of many of these men, and helping them do so left me with scars that will never fully heal.

Some of the growers are here today to make sure the 4 kilogram sample of their lot has been well prepared and offers a fair representation of their clip. Others are here because they want to gauge for themselves the way the market is playing.

Then there are those who are here because that's what they've always done. It doesn't seem that far back that these wool auctions were a social gathering for producers. We'd put drinks on for them and they made a real day of it, brothers in arms in many respects, the only other people who truly know what it's taken to arrive at this point and who understand just how significant these proceedings really are. That social side doesn't happen so much these days. Most of these farmers have to travel a few hours to get back to their properties, so they can't leave with a belly full of beer.

I'm standing up on the podium, and eyes are boring into me from every angle. And we're off. A slight nod here, a finger raised there. For some buyers, it's just a look that tells me they've bid. Selling each lot takes only a matter of seconds – the pace of these auctions is frenetic – but a lot of time and effort goes into getting the wool to sale day. We're there in the shearing sheds, making sure the preparations are in line with industry expectations, and to ensure the grower can get the best possible financial reward from each clip. Then the wool is classed and samples taken so the finer details can be assessed mechanically – strength, micron value, all that stuff the buyers need to know. Then there are more visits out to the growers to discuss where the market is at, so they can make an informed choice about whether to sell or hold. In the lead-up to sale day there are endless phone calls to clients and buyers, the catalogues need to be put together and sent out, and the wool samples need to be displayed in their cardboard boxes. The rows of boxes stretch for kilometres. It's a lot of work for a few seconds at auction.

With bidding underway, my heart is racing, but I know I've got to maintain concentration. A couple of buyers are squaring off on this lot, bumping the price up. The cockie will be really pleased; they've had a tough couple of seasons. As I work my way through the lots, there aren't too many surprises. Not like back in the 1980s, when I was selling greasy bales for 900 cents per kilogram. I remember thinking how easy this auctioneering lark was.

Once my auction lots are complete, it's time to work the phones again. Back and forth with growers and buyers, discussing lots that were passed in, trying to negotiate sales after auction. Then I need to give the growers the sale results. There'll be some little disappointments, and some very happy customers, but for the most part, there aren't too many surprises – we assessed the market pretty well.

That done, we work the rooms a bit more. There'll be follow-up visits to the clients who sold, to discuss their next clip and talk about the potential to forward sell, but for sale day, that's it. The merry-go-round starts again tomorrow.


Elders
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Elders

CHAPTER IV

CHALLENGING TIMES

1990–1999

1990

The company was renamed Foster's Brewing Group Ltd in December 1990, reflecting its new primary focus. But some of the earmarked changes did not eventuate, and plans had to be reconsidered.

Australia, like much of the world, was in the midst of recession and the excesses of the previous decade were about to make way for serious restraint.

As the 1990s arrived, the palpable optimism that had accompanied the onset of the 1980s was replaced with a pervading sense of foreboding. Markets, both nationally and internationally, were changing. Australia, like much of the world, was in the midst of recession and the excesses of the previous decade were about to make way for serious restraint. Things at Elders IXL had to change.

By the turn of the decade, one change had gained considerable traction across the company. Back in 1988, Elders Stud Stock Manager Tony Dowe had decided it was about time that Elders employees could be easily identified when representing the company.

'I was the first person who pushed Elders in the direction of having a uniform,' he says. 'We'd had Elders ties before, which we changed every couple of years or so. In my nearly fifty years with the company, I reckon I'd seen twenty variations on the tie. There was one that had a navy, tan or grey background with the Elders shipping flag on it – that was quite a smart one. Another was green with the word "Elders" inside the flag's arrow, which was supposed to depict the direction of progress. Then there was this ridiculous brown one with a map of Australia on it. I wish I'd kept some of them because they were some of the most diabolical things you've ever seen.

'So I set out to put us in a uniform for when we went to big stud stock sales. I came up with a navy blazer and a red and white, finely striped Gloucester shirt, but from across the road you'd have thought it was red or a pink. The stripe got thinner over time and then we put a fine check through the shirt. At one point it was almost a full red shirt with the navy blazer and tan pants. We also had a casual jacket made for out in the saleyards. It looked like it had come out of a racing stable. It was mainly red with a bit of white and some black around the arms but it was distinctive and that's what I wanted, so it could be seen at any end of the sale shed. It was about visibility and teamwork.

'It caught on pretty quickly and then management took it up. In the very early stages, we didn't have "Elders" on the shirts – that came a little later. Andrew Mole was responsible for our advertising and he saw them and liked them and he went red mad, painting everything in sight red. Even our office at the Sydney Showground was painted red. But as he said, we were there to advertise.'

The red-and-white-striped shirt morphed into a pink shirt, which made waves right across rural and regional Australia.

'We used to have red and white candy stripes,' Chris Howie remembers. 'Next thing, these pink shirts turn up and we all went, "What the hell are these?" But out of all of the agencies in Australia, you always know where a pink shirt is. In my role, I'll go to any number of sales around Australia and clients will come up and treat you as the person to go to in order to find something out. There's a real pride in these shirts, as shocking as it was to start with.'

Meanwhile, the changes initiated at Board level were also gaining traction. In mid-1989 the Harlin Group was formed. It was, in effect, a company buyout vehicle. Led by John Elliott and other Elders IXL company executives, the group's sole purpose was to buy up company shares in order to force a management takeover, ridding the company of other big investors who posed a potential takeover threat.

As the Harlin Group collected shares, it was business as usual for the agricultural arm of the company. The restructure that began in the late 1980s continued in the first half of 1990, and Harlin ended up with a 56 per cent holding in the company, which had accrued a debt of $2.8 billion by this point. The Elders IXL directors met and announced that Elders would be best served by becoming a single-purpose international brewing company, with all non-brewing interests divested. The decision was based on a number of things: the fact that equity markets were downgrading conglomerates – something that was unlikely to change in the foreseeable future; that single-purpose companies with lower gearing were increasingly favoured by equity markets; that the company's earnings were affected by a number of low-yielding investments, each of which had poor outlooks; and that the regulatory, economic and financial environment was not conducive to the continued operation of Elders Finance as a non-bank financial institution.

By mid-1990, the company had sold off $1.6 billion of non-brewing assets and shed $3.2 billion of Elders Finance's $5.6 billion gross assets. The company had also disposed of its shareholdings in Elders Resources NZFP Ltd, which encompassed the group's forest and paper, recycling and minerals, and oil and gas activities. Also gone were its shares in Scottish and Newcastle Breweries, the AFP Group and the company's North American-based grain businesses. At the end of the 1990 financial year, Elders IXL reported the largest loss in Australian business history: a startling $1.3 billion.

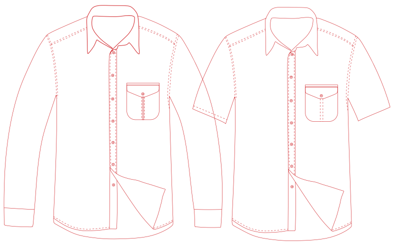
The company was renamed Foster's Brewing Group Ltd in December 1990, reflecting its new primary focus. But some of the earmarked changes did not eventuate, and plans had to be reconsidered. The decision to float the company's agribusiness arm fell through, but plans to sell the wool, meat and brewing divisions remained on the agenda. Significantly, it was decided that Elders Pastoral would remain part of the broader business – at least until the division became profitable again.

Closing Time

Elders Real Estate Rural Sales Executive Phil Keen recalls how things started to unravel.

'Through the 1980s, we went through this big-time boom period when we seemed to be taking over everything,' he says. 'We'd always been diverse – diversification made sense because we had to "drought proof" ourselves. We were highly dependent on livestock prices, a bit like today. I remember State Manager Lindsay Wapper told me in December 1985 that if the livestock prices fell 20 per cent, Elders would make a loss. That was a big shock to everyone because we'd been making 12 or 13 million a year in our division. Management was very aware we were running a fine edge. By the end of the 1980s, the company wasn't doing well. We'd had the stock market crash in 1987 and things started to fall in a heap.'

The Elders IXL directors met and announced that Elders would be best served by becoming a single-purpose international brewing company, with all non-brewing interests divested.



The Elders Way:

Pride in the Pink Shirt

Whether it's covered in dust at an outback farm gate, neatly pressed with a smart tie in readiness for a broad-acre-property sale or lathered with sweat around the pens of a saleyard, there's a pride in the Elders pink shirt that's as distinct as the shirts themselves.

The pink shirt has become a rural icon, Elders General Manager South Zone Malcolm Hunt says. 'The older fellas were horrified at first because blokes didn't wear pink back then, but the pride in the pink shirt now is quite profound. No other company has the pride in their colour like we do and I must say I couldn't be prouder than when I see a flock of our galahs in the saleyard.'

Elders National Livestock team member Samantha Neumann loves pulling on her pink shirt each morning. It connects her to the brand. 'There's definitely a pride in wearing the pink shirt. As a young person coming into the industry, putting on a pink shirt changes how we feel as a professional. When you put on a pink shirt, you become an integral part of something bigger. When I put on a pink shirt, as a young person, I become someone who is backed by many years of industry knowledge and people who are willing to back you the whole way.'

The pink shirt binds the people of Elders together, and 'there's a real spirit in the company, just like there's a spirit in the Collingwood Football Club or the Carlton Football Club, a real sense of belonging, and I think this comes through in the language that people use around the pink shirt,' Malcolm Hunt says.

'There's a very real culture around the pink shirt, and people are very proud to be associated with it. It created enormous conversation when it was brought in because Elders had traditionally been a very blokey environment – some pretty tough men work for Elders – and next thing you know they're poking around a very conservative industry in a pink shirt. It certainly got people talking. It's also the one identifying thing that shows that someone is part of the Elders team.'

Elders Farm Supplies Sales Manager in Burra, Nick Brooks, gets around the bush every day in his pink shirt. 'I feel very honoured every day I put the pink shirt on, and that's no joke,' he says. 'I'm so proud to be working for a grand old company that's steeped in history and that's a respected Australian icon. It honestly gives me a buzz every time I put it on.' Jon Fox, General Manager of Elders Insurance at QBE, agrees. 'Across the Board, the pride in the pink shirt is incredibly strong. When you talk to Elders staff, they talk with an amazing amount of pride about their company, and the pink shirt is the symbol that depicts that. In our insurance network, it's no less strong than that. These guys wear their pink shirts on the weekends, for goodness sake. I think it's partly because they feel proud about what the company does, how it does it and what it stands for, but I also think it's because they feel so immensely proud that people who live in the community associate them with this company. In the insurance business in Adelaide, QBE employees who work for Elders Insurance associate more with Elders than they do QBE. They love the brand.'

The company was renamed Foster's Brewing Group Ltd in December 1990, reflecting its new primary focus.

The pastoral arm had suffered as a result of falling sheep prices and the ever-increasing government wool stockpile, as well as the disruption of live sheep trading to the Middle East. Both real estate and merchandising operations were also depressed because of falling farm incomes and flooding throughout Queensland and New South Wales. The company planned to help turn profitability around by implementing fierce rationalisation programs. The impact of this decision would reverberate right through the pastoral division, down to the rural branches and all the way to the farm gates.

'I was at Yankalilla in 1990 as Branch Manager,' Keen remembers. 'We were a really good team and then "bang", we were the first branch to close in South Australia under the Elliott era. There were about ten branches closed in a month and there were austerity measures like you've never seen. When Yankalilla closed, I was moved to Strathalbyn as a salesman and I remember, we had a sticker on our phone that read: "Is this phone call necessary?" That's how tight things were. We had a wage freeze for about three years and then copped "the recession we had to have". It was a very tough period for our staff and for many of our clients.'

Elders not only provided for the business needs of rural communities, it also provided a flow of new people into the area. The new 'bank johnnies', the new stock agents and the schoolteachers were the moving population within Australia that brought new faces to towns, many of whom would end up staying, marrying a local and setting up a permanent home there. Elders played an important role in keeping rural communities thriving. Its staff would run the local charity auctions, were part of the Rotary Club and played in the footy and cricket teams. So when branches closed, it was a big loss to those towns.

James Morgan, Managing Director of Mutooroo Pastoral and a descendent of Elders Chair from the 1800s, Peter Waite, says Elders' association with his company stretches back more than 120 years. He believes that Elders plays a large role in rural and regional Australia.

'It's very important to have an Elders presence in rural communities,' he says. 'And it's something that they're very good at. They sponsor and attend many local race days, they're involved with lots of local fundraisers for the community and they are seen as key figures in the community in some areas, so it's highly important that branches remain in towns. I know there was some rationalisation of branches quite a few years ago and Elders handled it really well.'

But in some cases, Elders clients were disappointed when their local branches closed, New South Wales-based North Zone Livestock Manager Steve Ridley says.

'We lived through some challenging years and there were clients who couldn't understand some of the decisions that were made in that era,' he says. 'The company had diversified to take on a number of new businesses, so we were left with too many admin personnel compared to workers on the ground, which wasn't ideal for our business structure. And so changes had to be made.'

The changes were, indeed, necessary for business efficiencies but the pendulum shift between the excesses of the 1980s and the volatile 1990s was difficult to manage, Elders Livestock Account Manager Ron Rutledge remembers.

'For the first three years of those Elders IXL days, it was unbelievable that we were part of CUB and Henry Jones and a part of a big multi-corporate structure that was going to take on BHP and become this iconic business within Australian corporate life,' he says. 'But things changed and a lot of complications came into the business. We'd had a massive heyday of helicopters landing at branches, huge field days and massive corporate events that Elders and CUB were part of. We sponsored the Grand Prix and the Melbourne Cup and were flying. Then rationalisation kicked in and it was such a big shift from what we'd been used to. Branches closed and everything tightened up. It was bloody hard working through that period.'

As difficult as it was, the branch closures and retrenchments were a necessary evil to getting the business back on track, former Elders Managing Director Greg Hunt recalls.

Hunt started his Elders working life as a seventeen year old in the sale yards. Then, just as Norman 'Skinny' Giles had done in the mid-1900s, he worked his way up the Elders ladder to Managing Director and remained with the company for the best part of thirty years. Hunt was given the unenviable task of informing staff of the closures.

'In the late 1980s and early 1990s, our costs kept going up and revenues were pretty volatile,' he recalls. 'We'd come off a period of high commodity prices where wool was the king. At one stage, Elders sold 2 million bales of wool, but we missed that fundamental shift from wool into cropping. Elders' traditional business was built around livestock and agency so as that dropped, our revenues dropped with it and costs continued to grow and we got to the point where we couldn't sustain that cost base. We were fat, perhaps a bit lazy, and unsustainable.

'I'd spent a lot of time in Geraldton in Western Australia closing branches down and letting people go. We had to rip costs out but it was hugely difficult, and easily the toughest thing I've ever had to do. But we did it as best we could, speaking to the staff and spending the next couple of days going out talking to the clients, so we felt we did it the right way. When you have to sit across a table from someone and tell them they have to go, it was seriously tough.'

The austerity measures not only affected Elders' rural communities, they also took their toll on city-based staff.

'In 1991, I was asked to go to Victoria where they hadn't been making money for years,' Hunt says. 'There were 156 people on the floor at the Bourke Street office and three months later there were thirty. We had to do a lot of tough stuff and it didn't make us happy to do it but it was becoming clear that it needed to happen. They were tough times, but in the face of adversity, we all became more resilient and focused.'

John Starke, who celebrated his fortieth year with Elders in 2013, is in the Farm Supplies team and saw the impact of closures in South Australia. Having spent most of his working life in Elders merchandising, he has seen the cycle

Elders not only provided for the business needs of rural communities, it also provided a flow of new people into the area.

Elders employees are easily identifiable in their distinctive pink shirts, whether working in a dusty saleyard, fronting a property or livestock auction, or on the streets of towns and cities across Australia.

of peaks and troughs on more than one occasion.

'Back in the late 1980s and early 1990s, we were going through tough times and decisions were made to close the warehouse in Port Adelaide,' he says. 'Back then, there were retrenchments and store closures when things were a bit tight, but then in the good times, stores opened again and more people were taken on. What we've just been through in the last five years, I've seen it happen a couple of times before and Elders always seems to come good again.'

But at the time, it was difficult to see the light at the end of the tunnel. Compounding the problem of Elders branch closures throughout rural Australia came the news that the wool industry was dreading.

Boom Turns to Bust

The wool industry's Reserve Price Scheme (RPS) had led to an unforeseen number of farmers entering the Merino wool marketplace. Wool prices were so good and stable under the scheme that growers were abandoning other rural enterprises and taking up Merinos instead. This, coupled with a number of excellent seasons in the late 1980s, meant that wool production had grown more than 55 per cent in the ten years from 1980 to 1990, reaching a record 1100 million kilograms, and prices were high. In 1988 in Europe, twenty-one micron wool was selling at a price ratio of 5:1 against synthetic products like nylon. In the United States, the ratio was 7:1. As a result, processors inevitably started to substitute synthetics for wool in their product lines. As international markets pulled out, under the RPS, the Australian Wool Corporation kept buying wool as markets failed to reach reserve prices, adding to its stockpile. In 1989, China and Russia withdrew their custom from the Australian market, taking with them 30 per cent of the market, and Japan, Australia's largest customer, was in serious trouble.

Foreseeing what would eventuate, sectors of the industry began to lose support in the scheme. There were two schools of thought at this time. Some wanted to ride out this difficult period and retain the floor price at 870 cents per kilogram. Others advocated a free market and wanted to abandon the scheme immediately.

On 31 May 1990, with the stockpile sitting at 2 million bales, then-Labor Primary Industries Minister John Kerin demanded that the AWC lower the reserve price from 870 cents per kilogram to 700 cents per kilogram, the long-term trend forecast. Within eight months, the stockpile reached a dizzying 4.8 million bales, the bottom fell out and the heartbreak began. Something had to be done to reduce wool production, so again the government stepped in, implementing the Flock Reduction Scheme and starting what many in rural Australia consider to have been the most devastating period of their working lives. Chris Howie shakes his head as he remembers that awful time.

'1990 was the wool crash,' he recalls. 'There were 180 million sheep in Australia and that's when we had to go through the sheep cull. In my time in the business that would probably be the most disappointing thing Australian agriculture ever had to bear.

'They were tough times, but in the face of adversity, we all became more resilient and focused.'

There were two schools of thought at this time. Some wanted to ride out this difficult period and retain the floor price at 870 cents per kilogram. Others advocated a free market and wanted to abandon the scheme immediately.

'Because there were so many sheep around and the market crashed overnight, farmers reached the point where they just couldn't sell sheep. All the meat works were completely full, so the government came out and said they'd give the growers $1.10 for every old sheep they put down and $5 or $6 for every young sheep they euthanised. They were perfectly good sheep and there were thousands upon thousands that were just put into pits because that was the only way the government could see to get rid of these sheep. It should never have happened. It was just awful. As agents, we were involved in the implementation, the paperwork, the disposal of sheep. Basically, the growers brought the sheep in to their yards, filled out the paperwork for their reimbursement, then they shot their sheep and dropped them in a pit. We also helped in putting the sheep down. Some growers found it too hard to shoot their sheep. Every person involved in livestock in Australia that we deal with, looks after their animals and has an affection for them. Sheep, cattle, dairy farmers, they all have those animals because that's the particular species they like. For some, it was all just too hard. It got to the point where the abattoirs were putting security on because clients were dropping sheep into their yards at night instead of putting them down, and the abattoirs just couldn't handle the volume. It was a pretty ordinary time; it was soul-destroying.'

Fran Hill, Senior Sales Support Officer in Moora, Western Australia, is often the first point of contact for local farmers dealing with Elders. Some of the most difficult phone calls Fran has received in her long tenure with the company came from farmers during this dark period.

'The wool Reserve Price Scheme put people in wool production who shouldn't necessarily have been there, and created artificially high prices instead of meeting the market conditions,' she says. 'That certainly had an impact on people who were very good producers and very committed to the industry. In effect, an artificial market was created. The fallout from that was huge and really took its toll. A lot of people had to get out of the industry, and that really hurt. We're in a mixed farming area here so a lot of people were able to branch out and diversify. Although it had less of an impact here than in some other areas where it was all wool and livestock, we still saw the impact. Farmers were paid to shoot their sheep to reduce flock numbers and reduce the oversupply. That was very, very tough on a lot of farmers because most farmers do care for their animals. You like to give them a good life on the farm and they're well cared for. Sure, they serve a purpose but to just bring them in to destroy them was heartbreaking. That was a very, very tough time, for the livestock agents as well as the producers. Elders helped out in any way it could – helping to euthanise sheep or by using our network to put farmers in touch with other less emotionally attached farmers who could help to destroy their flock. I guess it's a lot easier to shoot your neighbour's animals than to shoot your own. Our network really helped people to get by.'

Funds soon dried up and the Flock Reduction Scheme wound up on 22 February 1991. More than 15 million sheep had been destroyed, filling mass graves right across the country. The Flock Reduction Scheme ended just days after it was announced that the Reserve Price

Scheme had been suspended until the end of June. The wool stockpile was massive and Charles Massey, grower and author of *Breaking the Sheep's Back,* calculated that if you placed the 4.7 million bales in the stockpile end-to-end, the row of wool would stretch from Sydney to Perth and halfway back again. There was a year's supply of wool left over in the stockpile at scheme's end, for the most part the poorer micron quality, and the Australian Wool Corporation had a $2.8 billion debt to address.

Wool sales reopened on February 26, 1991, without the protection of the floor price that had been in place for twenty years. Prices plummeted 40 per cent, to 428 cents per kilogram. In order to break even, growers needed to make $700 per bale – many faced ruin. But the darkest days were yet to come. The wool industry hit rock bottom in 1993, when the wool price slumped to 380 cents per kilogram. It would take another ten years to sell off the stockpile.

Growers left the wool industry in droves, sometimes turning their hand to cropping or cattle, but their thoughts were never far from the pain suffered when Australia's one-time greatest commodity lost its value, plunging the wool industry into the depths of despair.

'I can remember selling fleece wool at 300 cents per kilogram greasy in the aftermath,' says Danny Burkett, Elders Western Zone Wool Manager. 'Export buyers weren't forced to buy in the auction room, they could just ring the AWC and had the choice of 4 million bales and this certainly impacted on the auction rooms. It was a terrible time in the industry.'

Elders IXL was haemorrhaging too. In March 1992, Peter Bartels resigned as Chief Executive of Foster's. His departure was followed soon after by Elliott, who had relinquished his position as Board Chair to Neil Clark the preceding year. At the time of his resignation, Elliott was on the Board of directors.

Former employee Richard Cooper remembers his time spent working alongside Elliott fondly.

'I had the pleasure of working for Elders for a long, long time and yes, I worked very closely with John Elliott for a number of years,' he recalls. 'Contrary to many reports, I found him to be a very good person who was very clever and full of great ideas, and he was always very encouraging. It was always interesting with John Elliott.'

In 1992 and 1993, the company lost almost $1 billion. So, under new Chief Executive Ted Kunkel, the decision was taken to float the pastoral arm of Foster's as Elders Australia Limited.

Future in Futuris' Hands

In 1993, an invitation went out to the public to buy shares in Elders Australia Limited as part of the Foster's Brewing Group Limited's asset sale program. The proceeds of the float, totalling $98.2 million, would be used to purchase 100 per cent of Elders from Foster's, which was moving towards becoming a sole-purpose brewing company.

When Elders Limited was offered for sale, it operated services in wool, livestock, merchandise, real estate, insurance and finance, so interest was plentiful,

'Because there were so many sheep around and the market crashed overnight, farmers reached the point where they just couldn't sell sheep.'

Regardless of the changes at a corporate level, buying and selling livestock has always been at Elders' core.

and rightfully so. The company had also acquired Australian Agricultural Company (AACo), one of Australia's oldest registered businesses and owner of one of the world's largest beef cattle herds. Interestingly, there was a movement within rural Australia to ensure Elders fell into the right hands and didn't repeat the mistakes of the previous decade. Despite its best efforts, the movement failed, under what could only be described as incredible circumstances. Who would have thought that two Murray Grey cows would change the shape of one of Australia's oldest companies for the next twenty years?

Alan Newman was a savvy businessman. He headed up Futuris, an automotive parts company. When the opportunity arose to take over Elders, a business with huge cash-flow running through it, he made the deal happen.

In December 1993, Sycamore Enterprises Pty Ltd bought Floppsy and Moppsy, two Murray Grey cows, from the father-in-law of one of the partners at solicitors Bennett & Co. The cows were agisted on the father-in-law's property at Chittering, north of Perth. With the purchase of the cows, Sycamore officially became a primary producer, which allowed the company to buy units in the Farmers Investment Trust with no restrictions. The purchase then gave Sycamore access to the Elders Australia Limited float, which it feverishly entered, ultimately giving Sycamore control of Elders. Newman's Futuris was, of course, behind Sycamore.

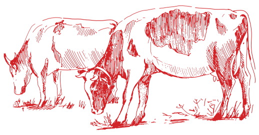
'Futuris became the largest shareholder in 1995,' Elders Company Secretary and General Counsel Peter Hastings says. 'It was quite a drawn-out takeover because there was a lot of anxiety about the whole thing. It appeared Futuris wanted Elders partly for its cash flow. A lot of money flows through this business every year. In Elders' own right, we have revenues now of $1.7 billion, which are quite low in historical terms, but including clients' money accounts from agency transactions, there's about $7–8 billion of cash flowing through the business each year. In anyone's language, it's quite a lot of money. Access to that cash gave Futuris the opportunity to build its other businesses: automotive, forestry, property development.'

It was a fresh start for Elders Limited, and although there was some scepticism about the direction the company was about to take, it was a prosperous era for the business.

'I think the front end probably didn't think about the change of ownership too much,' Hastings recalls. 'They'd seen a number of owners over time, and life in the Elders network – out there in the bush – it just kept on keeping on, serving the interests of Elders' clients. Having gone through a tough period from the end of the Elliott days through the Foster's days, then through the float and the takeover by Futuris, the branches probably thought a cashed-up new owner might be good.

'It was a buoyant place to work around that time, particularly two or three years after the takeover when everything had been bedded down. It was crazy really. There was plenty of cash and there were plenty of investment opportunities. For people like me who worked in a corporate function, it was exciting. Corporate transactions, including public and private acquisitions, were common.'

Who would have thought that two Murray Grey cows would change the shape of one of Australia's oldest companies for the next twenty years?



The Elders Way:

Floppsy and Moppsy

Floppsy and Moppsy, two Murray Grey cows, are so significant to Elders' history that Company Secretary and General Counsel, Peter Hastings, has a framed photograph of them displayed in his office. It was their purchase that enabled Futuris to buy out Elders Limited, an event that changed the course of the company.

'Elders Limited was floated in 1993 and was acquired by Futuris Corporation in 1996,' Hastings says. 'In the lead-up to the 1993 float, an entity known as The Famers Investment Trust was established to acquire up to 30 per cent of Elders. Ostensibly this was done to act as a takeover defence mechanism and prevent Elders once again becoming the plaything of money men.

'In order to be a unit holder in Farmers Investment Trust, you needed to be a primary producer, the thinking being that only farmers would be investors in Farmers Investment Trust. So what Futuris Chief Executive and Managing Director Alan Newman did was buy two bloody cows, therefore meeting the requirement. He then launched a takeover bid for Elders and eventually got the thing. It was the weakest defence mechanism imaginable.'

Investments were made in Elders' long-term supply management strategy with the acquisition of Charlton Feedlot in Victoria in 1996 and later, in 1998, a share in Killara Feedlot in New South Wales. The feedlots were a smart investment for Elders as they, along with live exporting, gave Elders a point of difference to its competitors and consistently turned out a margin.

Back in 1996, when Elders purchased Charlton Feedlot, the company also jointly launched Australian Wool Handlers with Wesfarmers Dalgety. Australian Wool Handlers was a major rationalisation of the wool handling and dumping industry. It quickly became Australia's largest wool logistics company, handling more than 60 per cent of the national wool clip.

More acquisitions followed, and soon Elders had increased its reach throughout rural Queensland and Victoria, Peter Hastings remembers.

'Primac in Queensland was a straight takeover,' he says. 'And then we went in and acquired the ailing Victorian Producers Co-operative (VPC) from collapse by undertaking a court-approved merger scheme. Both businesses were in difficult financial situations, and our purchase of them gave us additional market share in Queensland and Victoria. These were excellent opportunities to bolster market share at distressed prices.'

But in typical rural industry fashion, external, non-controllable factors were influencing Elders' margins. In 1994, drought struck again in Queensland and New South Wales, and then, in 1995, it was Victoria's turn to suffer drought of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'I think it's fair to say that Elders has been great at marketing wool and livestock and real estate for years and years ...'

devastating proportions. Added to that was the Asian financial crisis in 1996/97, a period when all commodity prices were really low – cattle, wool and wheat – and the Australian dollar plunged. The only thing going up in those days was interest rates, and many farmers found themselves in precarious positions with poor cash flow, making them no longer viable. By the end of 1997, there was little confidence in the industry. And because the recent past had treated farmers so unfavourably – the reduction in the wool floor price, the fall in grains prices and a couple of droughts – the banks lost confidence in the industry.

And so too did the farmers. But, like so many times before, Elders came out strongly in support of rural Australia, establishing Elders Rural Bank, says Dale Champion, Elders General Manager Financial Services.

'I think it's fair to say that Elders has been great at marketing wool and livestock and real estate for years and years but what they've been best at is lending money to farmers when farmers have really needed a helping hand, and then getting that money back of course when prosperity of farming has turned around,' Champion says. 'What I remember about Elders, even years ago, is that they would stand by their clients throughout the really tough years, knowing they'd get their money back in the good years.'

Elders has a long history of lending money to farmers from out of its branches – since well before its banking licence was issued. Each branch would run a ledger for the growers, who would typically charge their entire year's expenses to the ledger, then settle the account once their clip, flock or herd sold. Ledger clerks would keep account of what farmers had acquired and which supplies they'd bought during the year, including non work-related expenses like groceries, school fees and even cars. Just about everything would go on the Elders account in lieu of the grower's annual cheque, but the uncertainties in the industry, spawned by deregulation of the wool market, made lending such significant sums to growers risky.

'For many decades, Australia rode off the back of the sheep,' Champion explains. 'Wool was so valuable to the Australian economy and, because Elders traded so heavily in wool, Elders was more than happy to lend people money knowing we could settle at the end of the year against the wool. But after 1990, when wool markets changed in Australia, the market was deregulated and the prices came right down. There was an exodus out of the sheep industry that started after the collapse of the floor price scheme. So wool lost its place as the currency in any business dealings that someone might've had with Elders.'

At the same time, many independent wool brokers and traders emerged in Australia so farmers were then inclined to shop around for the best price for their wool or wool handling, meaning the guarantee that clients would send their wool through Elders at the end of the year to settle the account was lost. So Elders started to revise the amount of credit it would extend out to farmers because there was no guarantee of seeing the wool at the end of the year. The face of lending in the Australian farming industry had changed.

Hit with extreme challenges during the 1990s, including the wool floor price collapse, a reduction in the national sheep flock from 180 million to 70 million, a reduction in grain prices, drought, and the Asian financial crisis, the industry was in crisis – but Elders stepped in.

Elders Rural Bank was consummated in 1998, at a time when mainstream banks wouldn't provide any credit to farmers, offering hope to growers at one of the industry's lowest points. Attaining the banking licence in 2000 was an achievement in itself.

In the 1980s, the government had instigated the Wallis Inquiry into financial systems in Australia. The main outcome from that inquiry was the creation of the four pillars policy, designed to protect the independence of the four main banks in Australia: the Commonwealth Bank, NAB, Westpac and ANZ. It stated that no individual or organisation could own more than 15 per cent of a bank in Australia. When Elders decided it wanted to establish a bank so it could lend money to farmers, it had to find a way to get around the Wallis Inquiry's rulings. As it turns out, Elders won government support and an exception to the rule was made. Part of the deal around Elders receiving a licence required that it should share at least half of the licence with another partner institution, so Elders became involved in a 50:50 joint venture with Bendigo Bank. The arrangement was not consistent with the legislation but the government approved it because farmers needed to be financed. The concession was made because of the state the industry was in and because of Elders' commitment to stand by farmers. Bendigo Bank's philosophy was to look after communities so the government took the view that the farming community was a valuable community that needed supporting, and the green light was given.

'It was received brilliantly,' Champion says. 'At a time when the banks weren't lending money to farmers, Elders turned up with a new bank that only lent money to farmers. It's what we were experts in and essentially because Elders had its own overdue accounts, we were able to move clients' accounts off the Elders balance sheet and into the bank's balance sheet and bring the cash back into Elders. It was a really exciting time to be in the industry because Elders found the answer the industry needed. It was a roaring success.'

The establishment of Elders Rural Bank also made sense for Elders on commercial and strategic levels, former Managing Director Greg Hunt recalls.

'When you break down what the services are that a rural services business provides, it can be broken into three parts,' Hunt explains. 'First is the retail, or merchandising side of the business. We were selling other people's products: fertiliser, crop protection, fencing materials. These we call the inputs. Then there's the output side of the business. When a farmer grows something, how does he get it to market? That's what Elders had been doing since 1839, selling a grower's product to a customer. The way to the heart of a farmer is generally through the outputs, not inputs, and a lot of Elders' strategy was about building that. When you win a client's output, you've generally then got a relationship with the grower and you're more likely to get the input side of their business too.

'… What they've been best at is lending money to farmers when farmers have really needed a helping hand, and then getting that money back of course when prosperity of farming has turned around.'

Elders Rural Bank was consummated in 1998, at a time when mainstream banks wouldn't provide any credit to farmers …

In the mid-to-late 1990s, we were working a lot around this. We knew that there was a big gap in between the points when a farmer grows his product and when they sell their product, and that that period of time between growing and selling needed to be funded. Typically, the farmers would come to companies like Elders and we'd give them finance but we didn't have the balance sheet to fund it efficiently. That's when we conceived the idea of looking into banking or financing in a more structured way. As it happens, around that time the banks were withdrawing from rural and regional Australia and so we came up with the idea of Elders Rural Bank. It was just what the farmers needed – as a farmer, you need to know someone's going to be there alongside you, not have someone who's in and out, and that's the proposition that Elders Rural Bank had – and it also then gave us the three legs to the stool – the inputs, the outputs and the financial services so we could then also fund the cash flows of the farmer.'

Elders' Max Ormsby was instrumental in the foundation of Elders Rural Bank and says that the partnership between Elders and Bendigo Bank was the only joint venture between a financial institution and a non-financial institution in the world. The banking service operated out of Elders branches and its charter was to deliver high-quality finance products, with any funds deposited being reinvested into rural Australia. During its first six months of operation, the after-tax profits were $3.8 million.

Elders Rural Bank was a runaway success.

'It was so successful because Bendigo Bank could use the Elders network to get access to the farmers,' Hunt explains. 'Why did Elders Rural Bank, which had the smallest balance sheet in rural banking, have the best cost-to-income ratio? It's because it was subsidised by the Elders network. It's no secret that effective banking often comes down to selecting good credit risks. If you're sitting in Bourke Street looking at a finance application for a farmer who lives out the back of beyond, how would you know whether he was a good credit risk or not? The person who told the financiers at Bendigo Bank was the agronomist and the bank manager who lived in the town. They were the ones who said "We know that farmer A is a good farmer, but don't chat to farmer B because he's a terrible farmer". It was one of the reasons why Elders Rural Bank was so successful. And insurance was no different. If you live in a rural town, you know who are the good credit risks and who are the bad. So when you marry this technical and product knowledge with the knowledge in the network, your probability of backing the right people went up exponentially. The real value was created in the selection of the risk.'

So yet again, Elders came to the rescue of its clients and the broader rural communities through the establishment of Elders Rural Bank. And again, Elders' clients had another reason to remain loyal to the company. ■

The introduction of Elders Rural Bank meant clients could access banking services at the Elders branches where they purchased their traditional farm supplies products.

The Elders Way:

Sack ’em Jack

Russell Wood
District Wool Manager and Livestock Agent, Eastern Wheat Belt, WA

‘In 1990, my wife passed away in her sleep and I was left with two boys aged ten and eight. It was a fairly hard time and it was going to be pretty tough for our family to get by. But at the time, I had a very good Branch Manager, Peter Storch, who gave me a lot of support. My State Wool Manager at the time was Jack Stephens. About a week after my wife died, he came up to Wyllie. We stood on the back verandah of the branch and he said, ‘What can I do for you, can I help you financially?’ I said to him, ‘Jack, my oldest boy is starting boarding school next week and his yearly fees are $6000.’ And he said, ‘There’ll be a cheque in the mail next week’. And there was. Jack Stephens was a hard bugger, we used to call him ‘Sack ’em Jack’. But he wanted to help and there were no questions asked. The money didn’t come out of my salary. That’s the Elders thing, I think. That’s why you take pride in this pink shirt. The support I got was bloody amazing. Both my boys are doing so well. Arron, the oldest, he’s now managing a bank over in Melbourne, and Jamie is head of physiotherapy at Sir Charles Gairdner Hospital here in Perth. They’re terrific young men, and I think I did a pretty good job with them, with a fair bit of help from my friends.’

The support offered to Wood was not the first time, nor the last, that Elders assisted its employees, Chris Howie says.

‘When Elders stands up in support of its employees, it’s not driven by any policy, it’s purely because our entire business is built on relationships and support of families. That’s what allows our employees to be successful in many and varied locations. The state managers of old and the leaders of today have a profound connection to their teams. People come first because it’s the right thing to do and the rest of the Elders “family” is prepared to help cover off the workload during trying times.’

Pre-2001, Elders employees who needed financial assistance were supported by the business in as many cases as possible. But in 2001, the Elders Staff Foundation was established, a foundation that provides financial support to all staff members and their immediate family when they encounter ‘exceptional and pressing circumstances’. Elders employees can voluntarily contribute $2.50 per month to the Foundation, which the company matches dollar for dollar. During times of hardship, an employee, or often someone on their behalf, applies to the Foundation for assistance, which is then considered by the trustees. ‘The Elders Staff Foundation is a fabulous initiative, one I’m very proud to be involved with,’ says Laura Schonfeldt, Head of Elders Human Resources and one of the Foundation’s Trustees. ‘At the end of the 2013/14 financial year, there were 753 members, about 43 per cent of the Australian employee-base. In the 2012/13 financial year alone, the Foundation provided $60,124 in financial assistance for a range of things, but primarily for medical- and funeral-related expenses. For me, the Foundation really is about ‘employees supporting employees’. And given the uptake in membership, it’s clear that Elders does have a culture underpinned by people who really care about each other.’

Elders has been conducting stud stock sales for many decades. During the 1980s, prices sky-rocketed but since then auction sale prices have levelled out to more realistic figures.


49

A Typical Day:

The Livestock Agent

The alarm clock goes off, but I'm already awake. It feels like I've barely slept. My thoughts are racing as I run through everything that has to be done today and tick things off my mental checklist. Sleep didn't come easily last night. It never does the night before, or the night between, the Mountain Calf Sales. We kicked off the sales yesterday at Omeo, putting in a huge day, clearing thousands of cattle and getting strong prices for our clients. We then bolted down the road to Benambra for the second of the weekend's four sales. Yesterday was exhausting but exhilarating at the same time. It's still dark outside – it's the middle of the bloody night – but I've got to get up.

The Mountain Calf Sales are a huge deal. It's a once-a-year thing that runs over two days at three locations, so for all of the agents, it's three times the madness, and for the admin staff who prepare all the paperwork then processes the sales, it's just as frantic. Working at the Mountain Calf Sales is a bit like stepping back in time. This is a sale that runs just like it did forty years ago – no technology in the yards, staff drafting cattle and all paperwork filled out in the back room. It's a tough couple of days but it's even tougher for our clients who are selling – their whole year rests on this. If it's a bad sale, it's a bad week, a bad month, a bad year, because what they make here will be what they've got to spend for the year. I'm pretty optimistic about this year, though, and Omeo and Benambra went well yesterday. The prep started about six months ago: talking to clients, finding out what stock they've got, working out advertising and logistics. Then come sale time, we've got to figure out how to move 10,000 calves through Benambra, Omeo and Ensay over two days – and then shift them all back out again.

It's day two and we get to the Ensay saleyards with a couple of hours before the sun rises. I just hope everything's how we left it last night. We get to work. I put people in charge of lanes and before you know it, night becomes day. There's a mist coming through and I've got ten people asking ten different questions and all I'm thinking is, I hope the cattle are penned in the right order. Then the vendors arrive. There's dust everywhere, paperwork is flying all over the place, the canteens are opening and then suddenly there's calm. We change out of our dusty shirts into clean ones, climb up on the rail and we're off.

The Ensay sale went better than expected, but there's no time to digest what's just happened. A team of us jumps into a car and heads straight over to Omeo again. We've been up since the crack of dawn to get ready for Ensay, but now we have to move fast to get to Omeo to take receipt of the cattle for that sale. Then wouldn't you know it, a bloody thunderstorm comes through. The team's gone from walking around in dust to slopping around in ankle-deep mud. We're wringing wet but can't stop because we've got to get the cattle ready for the next sale. But when lightning strikes a tree, we're forced to take a breather while we wait for the storm to blow over.

We're behind now, so when the semitrailers arrive with the cattle, it's frantic. We need to draft them into their types, from tops, which are the best, to seconds and thirds, and then you sex them into heifers and steers. I'm calling out, 'Give me ones', and the three guys on the gates push the 'ones' through. 'Twos', and in they come. There's mud slopping all over the place and even though there's still a fine mist of rain coming down, don't be fooled, that's sweat you can see on our faces, not raindrops.

We draft the cattle and line them up into best down to the tail. Some clients don't want to be in the first pen and some are happy to be there, to kick the sale off. There's a lot of trust involved in this drafting process. The clients have to trust that we've assessed the quality of the cattle as accurately as possible when deciding on their position in the sale. For the most part, I reckon we get it right. The worst thing you can do is pen cattle out of order on their quality. You can lose credibility pretty quickly if you don't get that part right. As we're drafting the cattle, we're really conscious of how we're looking after them, even though it's pretty uncomfortable for the guys in the wet and mud. Your entire logistics chain from farm to end-user is all about the animal welfare protocols. Everyone in the process is there to look after the animals. Presentation equals money.

About an hour before the sale is due to start, the clients arrive and everyone starts chatting, catching up. I scour the crowd for the buyers, hoping that all the marketing and all those phone calls amount to something good for our clients. As well as the vendors and buyers, there's a healthy crowd of onlookers too, this being a feature sale. The place is buzzing, but then a calm descends, and it's silent. We've changed again and it's reassuring to see my fellow pink shirts around me. There's a real pride in those shirts, it's really quite tribal, they bind us together. You can always spot an Elders rep among the throng.

I get up on the rail. As the auctioneer, I've already got a team of clerks and spotters behind me. I've had a look through the cattle, I know who is there, and I've got an idea in my head of the price. These sales, the feature sales, are a bit of a stage show, so we put on a bit more show than usual. I give my opening preamble: 'We've had 15 inches of rain, the cattle market's vibrant, you won't buy anything better than what we see here today,' and so on.

The first pen's worth $750 so you call $800, and you'll come back down, $780, $760, $750, someone'll give you $700, you'll go $720, then it goes up in $10 or $5 bids, $720, $730, $40, $55, $70, $75 and then you'll stop. And you talk to them about the cattle. 'They're this, they're that, this is their bloodline, and this isn't a store sale, fellas.' Then you say, 'They're worth another one, who'll have another bid? One more, righto, $800, we've gone around the corner, don't pull up now.' I knock down at $800 and the clerk calls out and says, 'John Smith, 107 steers, at $800' and once they've called the number, everyone writes it in their books – usually their little red Elders books, books that we've been handing out to clients for close to 100+ years, and which fit neatly into pockets – the buyers write it in their little book, the clients write it in their little book, then you go to the next pen and the expectation is that it's not as good as the first one. You'll call $800, they'll go $750 and so on. That's the usual drill with cattle and sheep sales, and then the stud sales are a level above that, all collars and ties, very professional and very formal. As an auctioneer, you're talking about bloodlines, new genetics into the industry, their length, size, confirmation, how they stand, set of head, and it's only one animal you're selling at a time. At those sales, the animal's worth anything between $3000 and $100,000. We had one last year sell for $109,000, and some of the big bulls in Queensland can fetch up to $180,000.

Halfway through the auction, a few things are running through my mind. I'm thinking things aren't going too badly; hoping this client's happy with this price; knowing that client won't be happy with that one; aware that there's a truck wanting to load but there are people in the way. But I keep firing along, selling, selling, selling. I need a drink and someone gets me one, then the sale comes to an end and everything stops for a minute and we all breathe again.

As soon as we've caught our breath, everything that happened coming in has to happen again going out. There are trucks to be loaded. Truckies who've been driving for the last two days arrive and want to know where the pens are that they need to collect from so they can load up and get out of there. There are questions to be answered, paperwork to fill out and phone calls to make and then you start getting feedback from the clients – 'That was a great sale'; 'It looks like a cracking group of trainees you've got coming through'; 'We got a better price than I'd accounted for'. There's little time for our team to celebrate the success of the sale but the great prices and its smooth running are reward enough for the frenzy of the sales.

So, that's the Mountain Calf Sales done for another year. Next stop, Yea.

CHAPTER V

FORTUNE FAVOURS THE BOLD

2000–2008

2000

The new millennium started positively with the company's profits soaring, Elders Rural Bank in full flight and major expansion across the board. But, as it often happens in business, contraction follows expansion.

In the 1999/2000 financial year, the group recorded an $80-million operating profit – up 25 per cent on the previous year.

Fireworks echoed around the globe as the world celebrated the arrival of the new millennium. At the same time, Futuris created its own fireworks, expanding its booming operations across both arms of the business – Automotive Systems and Rural Services – and recording astronomical profits.

In the 1999/2000 financial year, the group recorded an $80-million operating profit – up 25 per cent on the previous year. Primac and VPC's operations were successfully consolidated into the business, the Elders Rural Bank licence was issued and Futuris continued to buy up big, acquiring 60 per cent of the Lear-Air International automotive seating business and buying out Caversham Property Pty Ltd. On the ground, Elders sold 1.2 million bales of wool despite reductions in the country's flock and production levels. It also sold 17.6 million sheep and 2.9 million cattle. Elders Real Estate sold 2313 broadacre properties and 2345 urban properties. Meanwhile, Elders' merchandising business increased its market share and the banking and insurance services also strengthened. Elders Wool International also grew, significantly increasing its activities supplying high-quality wool tops to major northern hemisphere spinning mills. Significantly, as the new year rolled in, Futuris purchased 22.8 per cent of German company Bremer Woll-Kämmerei (BWK), the world's second-largest wool top maker, with operations in Europe and Australia. Wool top is a semi-processed product made from raw wool. Rebranded BWK Elders, the operation became a major player in the Australian wool market as both a buyer and processor.

Meanwhile, in 2000, Futuris Chief Executive Alan Newman handpicked Peter Holmes à Court, son of Robert Holmes à Court, to run the Australian Agricultural Company (AACo), which Elders had acquired in 1993.

Futuris continued to increase yearly profits through sales, acquisitions and divestment. The decision was made to float AACo and, by the end of the 2000/01 financial year, 61 per cent of the company had been divested, while interests in wool processing plant BWK had increased to 42 per cent.

All the stars seemed to be aligned during those heady days in the early 2000s. Agriculture goes through some pretty tough times but every now and again the industry just rains with cash. The years 2001 and 2002 were remarkably successful for Elders. Livestock markets recovered, farmers had a good season so were prepared to spend a bit of money, Rural Bank was up and running, Elders had a massive market share across rural services because of its acquisition of VPC and Primac, the company had little debt and was making a bucketload of money. Business was booming – everyone was making money and the Australian Wool Board had even sold the last of its wool stockpile.

Elders share price peaked at about $2.40 and everyone wanted to work for Elders. The company dominated in most markets, had a finger in just about every area of rural services and confidence was at an all-time high. Elders was at the top of its game in just about everything. Well, almost everything. Elders Insurance was established in 1998 and while the other areas of the business flourished in the early 2000s, insurance was bucking the trend, posting big losses.

'The business was in its infancy, having only been formed in 1998,' Jon Fox, General Manager of Elders Insurance for QBE, says. 'The decision to start up our own insurance business was opportunistic but considered. We'd always provided insurance services but we were using CGU as an underwriting agency. Back in the late 1990s, Elders didn't really have any director or member of the management team with a truly deep understanding of insurance, but they could all see that CGU was making a lot of money out of Elders' clients. Management wanted to take a bigger slice of the action and they thought that, along with forming a bank, they could also form an insurance company. So that's what happened, but it wasn't without its issues.

'In 2002, Elders Insurance had posted a significant loss, in the order of $24 million. As a consequence of that loss, the entire Elders Insurance executive team left the company and a brand new executive team was recruited. I was part of that new guard, joining in October 2002. The insurance business was still on a very strong growth trajectory, but it was lacking in underwriting discipline, it had some poorly defined processes and really not a lot of detailed structure to support the growth. Its future was quite tenuous and discussions were held at Board level about whether they should take their losses and close the business or if it was worth taking a risk and trying to bring it back to profitability. In January 2003, we recruited Tim Plant as General Manager, who was charged with the responsibility of forming a new executive team and doing everything in his power to bring the company back to profitability. So off we went.'

From Strength to Strength

While the new insurance team worked hard at installing new processes and structures, all other business segments increased total revenue and sales revenue. Air International's US business came on stream during the 2001/02 financial year, bringing with it $3 billion in contracts for the next five years. Its aim to become a global supplier of automotive components was fulfilled. The Rural Services arm of the business also had a global impact, with Elders being represented in the key markets of Japan, Indonesia, China, Germany and Italy, as well as in more than four hundred locations across Australia.

On the home front, the Elders merchandise team was making a killing, with sales revenue more than doubling, from $429 million in 1998 to $1 billion in 2002. The product range had expanded to cater for clients who specialised in horticulture, viticulture, dairy and cotton. Meanwhile, Elders created Australia's largest broadacre and pasture seed company when it formed Plant Tech Pty Ltd by merging Elders' Paramount Seeds with Grainco Australia's seed business, later adding SGB Australia from Wesfarmers Landmark. Times were good, but success brings certain challenges – such as staff retention.

'We were bleeding in the early 2000s, losing a lot of people who were leaving for better money – I guess because some of our competitors wanted a bit of what we were having,' Phil Keen says. 'So I was

While the new insurance team worked hard at installing new processes and structures, all other business segments increased total revenue and sales revenue.

Applying horticultural techniques can help growers drought-proof their businesses, so the inclusion of horticulture added a valuable asset to the Elders business portfolio ...

asked to start a training program and we had quite a lot of success. We stopped the flow out by getting people in the right spots and doing some succession planning.

'The early 2000s was a really exciting time. We'd started Elders Rural Bank and Elders Insurance, which gave us an extra avenue to pursue. It's not very often you can say to your staff, "We're opening an insurance company so let's get out there and make it happen". The same applied to the bank. It was really exciting because we had things to go out and see clients about. We had massive growth because of that.'

By 2005, the concerted effort to move Elders Insurance to profitability began to pay off.

'The next five years were all about building and strengthening the business with operational procedures and technical capabilities,' Jon Fox says. 'We slowed down the growth and really focused on improving the profitability of any business that we had already won, bedding down the processes of strengthening the business, putting more structure in place and being more disciplined so we could build the business for future years. Within two years, we turned the business back to a break-even result. The third year, in 2005, the business delivered a profit.'

A Time of Change

In 2003, multiple changes took effect, including changes to personnel, business arms and climatic conditions. Stephen Gerlach replaced William (Bill) Beischer as Chair of Futuris when Beischer stepped down after thirteen years in the role. Alan Newman was succeeded by Les Wozniczka as new Chief Executive. Wozniczka had previously been Chief Operating Officer.

Futuris' Air International consolidated on a deal struck with Ford Australia in 2002 to supply major components for Ford's new BA Falcon, including seats, heater/air-conditioning modules and pedal box assemblies. The contract would position Air International as Ford's fourth-largest supplier. Futuris sold its shareholding in Incitec, a manufacturer of fertilisers, chemicals and explosives, and The Salim Group invested in Futuris as part of the Asian Supply Chain Alliances initiative.

But, despite delivering a $102 million profit, the second-highest figure Futuris had ever achieved, it wasn't all good news in 2003. The worst drought recorded in Australia's history had taken hold and, once again, farmers were at the mercy of the weather. Elders stood by its clients, supporting them through the turbulence. The Elders business did not suffer dramatically during this period because it had broadened its interests, bringing horticulture into the enterprise, and had been developing its role in supply-chain management of farm outputs.

Applying horticultural techniques can help growers drought-proof their businesses, so the inclusion of horticulture added a valuable asset to the Elders' business portfolio, Elders Key Account Manager Richard Haynes says.

'Elders started out in South Australia so we had a lot of business in that state, we had a footprint in Victoria and New South Wales and had good business throughout Western Australia but we were very exposed to the market in Western

Just as Primac was to Queensland and the Victorian Pastoral Company was to Victoria, Webster Limited was Tasmania's iconic agriculture brand.

Australia, so if there was a drought over there, Elders didn't make a lot of money. If it rained in Western Australia, we made lots of money. In the 1990s, we were weak in Victoria and weak in Queensland. So in 1998, we bought Primac, which had a large Queensland market share and it was that acquisition that gave us massive access to horticulture. It was a really important part of the business because with horticulture, you've got greater control and continual water so you can start to iron out some of the ups and downs that are a consequence of lack of rainfall etc. So although it's not the biggest part of the business, in some areas, horticulture gives us the ability to drought-proof our clients' businesses, and as a consequence, our own business going forward.'

Futuris continued to develop throughout 2003, opening up other income streams. The company restructured its extensive property portfolio so that the majority of its property assets were concentrated on core activities in retirement villages, industrial and commercial properties and Western Australian residential properties. Most significantly, Futuris applied its hardwood plantation timber strategy. Two years earlier, the company had identified that there was opportunity in forestry and that Australian hardwood plantations would reach maturity at about the same time that customers would need to find an alternative source of wood fibre.

In May 2003, Futuris converted debt finance it had previously allocated to Integrated Tree Cropping (ITC) into equity. In doing so, it secured an entry point into the hardwood plantation sector. In the company's 2003 annual report, it was predicted that although 'the contribution from Integrated Tree Cropping to Futuris' 2003 underlying profit was relatively modest, it is anticipated that, over time, hardwood plantations could develop to be a significant earnings contributor to Futuris'. However, time would prove that Futuris' forestry arm would fail to meet expectations.

Taking Over Tassie

Just as Primac was to Queensland and the Victorian Pastoral Company (VPC) was to Victoria, Webster Limited was Tasmania's iconic agriculture brand. And, just as it had done with Primac and VPC, Elders merged its existing Tasmanian operations with Websters in 2004. Futuris invested $1.5 million to secure 3 million shares in Websters, giving the company 7.5 per cent of the Tasmanian-based business. The creation of Elders Webster saw the company's Tasmanian presence increase to seventeen branches and provided an annual revenue of $70 million.

Websters had a rural services arm, but it also had interests in horticulture (Field Fresh Tasmania), walnuts (the most significant production unit in the southern hemisphere), aquaculture (Aquatas, specialising in Atlantic salmon), industrial supplies, truck sales, parts and servicing. It was Tasmania's largest horticultural exporter, with customers throughout Australia, Europe and Asia.

In a press release announcing the merger, Elders' Managing Director Greg Hunt said, 'The creation of Elders Webster is a significant upgrading of our commitment to Tasmanian rural producers and our opportunities in the state. In its current form, the merged business represents a material expansion for Elders. However, there is real upside in the opportunities created by the joint venture for supply of our agency, banking, insurance and real estate operations through an established wider distribution network.'

Futuris also supported a restructure and recapitalisation of Integrated Tree Cropping (ITC), which including listing it on the stock exchange in 2004. By the end of the 2003/04 financial year, Futuris had invested $33.4 million into its hardwood strategy and owned 51 per cent of ITC. ITC at that point owned 100,000 hectares of plantations around Australia.

In 2005, the company also celebrated its 50th anniversary since incorporation. It was a big milestone for a company that had begun life with a manufacturing focus before diversifying to build its business around the Australian primary production sector – an arm of the business that by 2005 accounted for 80 per cent of the company's earnings. It was also the year that the Elders-Telstra CountryWide alliance was formed. The partnership delivered Telstra products and services through the Elders network.

By 2006, Futuris employed 6000 people and the company was valued at $1.5 billion, delivering an underlying profit of $83.3 million to shareholders. In its first significant equity-raising undertaking from the market since 1999, the company placed a further 50 million shares on issue, raising $112 million. By the end of the 2006 financial year, there were 720.9 million ordinary shares on issue, held by 33,337 shareholders, and Futuris owned 100 per cent of ITC.

The Elders side of the business posted $87 million in earnings before interest and tax and had grown by an average of 27 per cent each year between 2001 and 2006. Elders had its fingers in every pie. The network's reach pushed out across the Tasman Sea into New Zealand, where the company opened ten branches in a 50:50 joint venture arrangement with Elders New Zealand Limited, a company that had operated under an Elders licence in New Zealand for ten years. HiFert, the second-largest supplier of fertiliser to the eastern Australian fertiliser market, was another 50:50 joint venture, this time with rival agribusiness Landmark, generating a year-ending profit of $1.5 million, and Elders' share in the Webster business increased to 25.4 per cent. There were record merchandising sales, Elders' real estate revenue rose by a massive 36 per cent, Elders Rural Bank and Elders Insurance generated healthy profit increases of 10 per cent and 9 per cent respectively, and the grain business grew, selling more than 1 million tonnes.

In 2007, Elders also entered into a 50:50 partnership with the Shandong Nanshan Industrial Company. At the time, Elders was restructuring Bremer Woll-Kämmerei's wool processing operations.

'Nanshan was originally the Geelong Wool Combing Plant, which was owned by Bremer Woll-Kämmerei, and shut down in 2003,' says Brooklyn-based Simon Hogan, Elders National Wool Selling Centre Manager. 'A few years after it closed, the plant was relocated to China in a joint venture with Elders. Nanshan is a fully-integrated operation, so they take wool right through from greasy all the way to the

By 2006, Futuris employed 6000 people and the company was valued at $1.5 billion, delivering an underlying profit of $83.3 million to shareholders.

Despite the poor climatic conditions, every arm of the rural business improved its profits from the previous year ...

end product – quality men's and women's suits are what they specialise in.'

The Tide Turns

By 2007, against the backdrop of a painfully low-rainfall year, a new area of business – telecommunications – was also underway. After successfully trialling sales in telephone and data products and services, Elders entered into a shareholding and working relationship with telecommunications company Amcom Limited. By year's end, Elders had a 30 per cent shareholding in Amcom, which in turn held 20 per cent of iiNet, the second-largest internet service provider to rural and regional Australia.

Futuris' rural and regional operations, meanwhile, fell into five streams: Rural Services; Forestry; Telecommunications; Beef, Horticulture and Aquaculture; and Financial Services. Despite the poor climatic conditions, every arm of the rural business improved its profits from the previous year – particularly those with low seasonal exposure. Livestock sales reached dizzying record levels. During 2007, Elders sold 14 million sheep for the year, or 64,000 sheep a day over a 220-working-day year, and 2.2 million cattle, or 10,000 per day. Within the high-achieving Financial Services arm, Elders Insurance reviewed and subsequently revised its practices, despite posting record profits to shareholders.

'Once we'd turned the underwriting business to profitability in 2005, we continued to focus on that part of the business, but we also put the brokerage side of the business under close scrutiny,' Jon Fox says. 'We came to the conclusion in 2007 that the brokerage had to be closed. It was always a marginal business for us and, similar to the decision we made regarding CGU, our executive decided that we could do a better job of underwriting those clients' business, rather than putting it out to market. We thought it'd be better for our insurance business, for our agents and for our clients. So the brokerage was closed and we formed an alliance with QBE.

'Our remit was predominantly in small business, farm and personal insurance and QBE took on responsibility for marine, professional liability, contract work and Industrial Special Risks. We could never have underwritten those because we didn't have the real insurance backing and we were small.

'So, in 2007, we closed the brokerage and quarantined the CGU relationship. We never closed the CGU agency though. We always kept it open, because we had $25 million of business on the books through that channel, business that belonged to very loyal CGU clients. These clients were also loyal to Elders and we feared that if we closed that relationship, those clients would be lost or CGU would fight us for them, and our income would take a hit.'

According to the financial statements, and those working on the ground, Elders was making big dollars across the company's rural and regional arm and there was a maturity across the agency business workforce. But rumblings about company debt were starting to bubble beneath the surface and there was negative water cooler chat about Elders' involvement in such a diverse range of businesses – Elders Fine China, Bristile, abalone farms, salmon and tuna farms,

The Elders Way:

Measuring True Value – An Elders Philosophy

There's no doubt about it, every time Elders sells an animal, it's sold with care and thought. Whether we transact one Jersey cow from one vendor to one purchaser or 18,000 cattle from one vendor to one purchaser, it's always at the front of our minds that it's someone's animal that we're dealing with. It doesn't matter how small the transaction, that animal is someone's pride and joy. And that's where Elders stands out among everyone else. Some people see stock agents as being like used car salesmen that are just here to sell a piece of machinery. Well, we're not, we take pride in selling everything, from the lowest-valued animal to the highest-valued animal. To us, it's not just a transaction, it's an exchange, and we've got to make it complete and for everyone, and do justice to everyone's hard work in raising that animal. Farmers love their animals. If you've reared an animal and put it through – it might have had trouble calving and you've fed it along and brought it up – and then all of a sudden it's sent to the marketplace and a bloke just goes through the motions and sells it for you with no passion, it's a pretty hollow feeling. But there's a pride in our business and a respect around what we do. And every one of those transactions is made with the same amount of care, whether the animal is worth $100 or $100,000.

trees and car parts. Furthermore, there were concerns surrounding BWK. The wool industry was moving to China, yet Elders was heavily invested in its German-based wool-processing plant. There were also fears that there was a growing disconnect between the corporate level and the agencies. And while there was no denying that the company was 'flying', it was also amassing huge debt – a business strategy that was being applied globally in the corporate sphere.

Balance Sheet Bonanza

Futuris' annual reports throughout the mid-2000s stated there would be 'a focus on the recognition and maximisation of value for shareholders'. It was a philosophy the company definitively subscribed to during those boom years.

It was an interesting era in the corporate world. Interest rates had started to come down quite aggressively and the rhetoric of the business community of the day was that Boards should work their balance sheets efficiently. To have cash laying around idle was not considered to be efficient, so the Futuris Board followed this rhetoric of using the company's balance sheet and working the company hard for its shareholders. Consequently, Elders started to invest more. In Australia, 2003–2007 were boom years and no matter what was invested in, the valuation on that investment could be adjusted upwards. During this period, Elders disclosed results to the market every six months and the results looked very healthy because of the valuations of Elders' acquired assets. Elders balance sheet was growing at an incredible rate.

In order to invest further, Elders started to borrow a lot of money, thus acquiring substantial debt. But, as interest rates were only a fraction of what they had been historically, and the fact that everyone else in the industry was borrowing money too, the strategy was not considered risky or unusual.

Global Financial Crisis Strikes

In its 2007 annual report, the Futuris Board reported that it anticipated a rising demand for agricultural and forestry produce in the year ahead. But two global events would slam that theory. With hindsight, industries that have enjoyed government assistance – look no further than the Australian Wool Board's Reserve Price Scheme – have historically underperformed in the longer term.

Forestry was considered by many large global companies and managed investment schemes, including Timbercorp, Great Southern and Gunns, to be an attractive investment. Motivated by tax concessions for investors, they developed investment schemes whereby any investor in Australia or overseas could invest in forestry schemes and benefit from tax deductions up-front. It was money for jam for scheme operators and Elders wanted in. The business had invested heavily in forestry and then the Global Financial Crisis (GFC) struck and the financial world went into freefall.

When the GFC hit, the government changed its view on the tax concessions available for scheme operators and that market came tumbling down. Great Southern and Timbercorp collapsed, and forestry operator Gunns went into receivership. Elders was one of the only forestry scheme operators that survived. Elders' Company Secretary and General Counsel Peter Hastings remembers the fallout.

'The forestry business proved to be a millstone around our neck' he says. 'It was the culmination of several factors that led to this. Firstly, in response to market conditions, Elders paid historically high values for assets. It was a time of great activity in forestry. It was a tax-structured investment and a lot of money was flowing into it because investors wanted up-front tax deductions, which is always a poor motivator for quality investment decisions. These structured arrangements bolstered by government intervention typically are unsustainable. And it just fuelled a frenzy, driving property prices up. Elders acquired a lot of property in order to plant trees, paying well over the historical odds, and then the music just stopped. Managed investment schemes were slightly on the nose anyway because there was an increasing recognition that tax-driven schemes were unsustainable. But then when the GFC hit and investment into forestry dried up, world demand for paper dried up too. So there was no cash inflow to fund new plantations and new projects and there was little cash flowing out to Elders because few trees were being harvested, so we were being hit at both ends. But I think the final straw was when the tsunami hit Japan in 2011. It took out a lot of paper-processing capacity, which meant the markets that had been slowing anyway almost completely dried up. Since then, Australia's forestry industry has never gotten back off the ground. Places like Vietnam and Brazil and other countries with much cheaper pulp supply have come on stream and Australian pulp hasn't recovered.

Futuris invested heavily in forestry.

'Many business units weren't producing cash when the GFC hit, and unfortunately we were caught with maturities of our debt at the very time that Lehman Brothers fell over.'

The disaster occurred because of a whole range of circumstances, but more broadly because of macro-economic conditions.'

Futuris Wields the Axe

The simmering uncertainty around the forestry business, the disappointing 2008 financial results and perhaps a little crystal-ball gazing led to Les Wozniczka's resignation after five years in the Chief Executive role. Malcolm Jackman was recruited to the vacant role, and was thrown into the proverbial deep end, taking up his post just two weeks after Lehman Brothers collapsed and the GFC tightened its grip. There was also a rethink on the direction of the business. It was decided that the company's future should be built purely around the primary production sector – the rural and regional business arm.

'One of the reasons I took the Chief Executive job was because the business wanted to get back to being a pure play agribusiness,' Jackman says. 'So as soon as I walked through the doors, the main expectation was to take the business back to being an owner-operated business and working out a strategy to take it back to being a pure agribusiness.' Before long, Jackman recognised that poor figures, combined with a number of events – including the cancellation of federal government funding for the OPEL rural and regional broadband network, higher interest rates, low returns from the Australian Agricultural Company (AACo), dropping share prices and pressure from the banks – meant the business had to divest and remove costs from the business. All non-core assets would be sold off to reduce debt and the proceeds would be redirected into the company's core rural and regional business. The divestment strategy began before the end of the 2008 financial year with the sale of the company's shareholdings in Clean Seas Tuna and the divestment of the rail and bus thermal operations. Plans were also afoot to divest the company's 50.4 per cent shareholding in Amcom Telecommunications. Futuris also sold its 43 per cent shareholding in AACo, and 22,000 hectares of ITC's plantation land, instead establishing a long-term leasing arrangement with the buyer.

Meanwhile, Elders was instructed to stop non-indent greasy wool trading, and projects including the horticulture supply-chain operations were wound up. Acquisitions were made, however, to support growth in the rural and regional businesses. Elders Toepfer Grain was a joint venture between Elders and Toepfer International, a global grain originator, trader and logistics operator. The partnership would be used as a vehicle to participate in the deregulated grain market. And Elders had the opportunity to purchase the outstanding 50 per cent shareholding in Elders New Zealand.

'We were caught with far too much debt, anywhere between $1.2 and $1.4 billion of debt,' Peter Hastings laments. 'We had a very diverse business conglomerate. Many business units weren't producing cash when the GFC hit, and unfortunately we were caught with maturities of our debt at the very time that Lehman Brothers fell over. It was an environment where banks had gotten very shy, very quickly and they weren't prepared to refinance on the same terms that we'd enjoyed in the past, so suddenly we were in a world where we had no access to capital, were producing little cash and had $1.4 billion in debt to pay. Timing was not our friend.' ■

The GFC hit Futuris hard and by the end of the decade, changes had to be made, including the company's name. Futuris was renamed Elders in 2009.


METALCORP
Everything in Steel

A Typical Day:

The Trainee (2015)

Eighteen months ago, I'd never have guessed that this is what I'd be doing and this is where I'd be. I'm driving around the rural community of Gin Gin in Queensland, not too far from Bundaberg, visiting clients – some who've been Elders' clients for generations. And I'm their point of contact with the company, the one who can help them with the sale of their livestock, the supply of their merchandise, the best practice methods for rearing and shearing sheep and can point them in the right direction for all manner of things related to their business. It's a job that comes with great responsibility, but it's one that I love.

It's a long way off what I was doing two years ago. Back then, I was working in nurseries, but I knew it wasn't my calling. What I really wanted was to get into agriculture, so when I came across an advert for the Elders traineeship, I did a bit of research and knew I had to give it a go. From what I could gather, the Elders trainee program had been revamped in 2012, and by all accounts, it looked like Elders was onto something with this new-look program. Elders has a long history of offering the best training within the industry – every agribusiness in Australia is loaded with people who've gone through the Elders system. Elders employees are sought after in this business because of the way they've been taught, because they've been exposed to all areas of agribusiness and because they know how to form relationships with primary producers – and how to keep them.

So, I put in an application. As I was filling it out, I had no idea if I was in with a shot. I hadn't grown up on a farm, which I later learned wasn't necessary to be accepted into the program, but on the upside, I had been to an agricultural high school and studied horticulture when I finished there. I thought my experience working in nurseries might actually help my application too. So I'd had some life experience, something they also like, and I seemed to tick a few of the boxes. That doesn't mean I wasn't surprised when I received a call from Elders Traineeships Coordinator Simone Dand, who went through the ins and outs of what the traineeship was really about. She told me I'd been selected for the next stage, so I went to head office in Brisbane for my interview.

After a nervous couple of weeks, I was offered a traineeship with the biggest agricultural business in Australia. I was so happy and even happier when I learned that my first posting was Toowoomba, a great spot and only three hours away from home. The beauty of the Elders traineeship program is that trainees get to spend a few months at different locations around Australia to get a feel for all the different industries within agriculture. So a trainee might be sent to Wagga Wagga, the largest sheep and lamb market in Australia, to learn about drafting, appraisal of values and getting used to working long hours in heat and cold, or perhaps to Melbourne to learn more about wool. Some are sent up to Darwin, where they can get to know our live export business, and others out to cropping areas. One of the main functions of the trainee program is to equip trainees with a strong and broad base of knowledge covering all areas of our business. This means that once a trainee finds the path they want to head down, they can specialise in it, but they are still able to identify business opportunities and have real conversations across all areas of the business. So, a trainee might eventually end up in wool and someone else might be in livestock or merchandise but they're not solely allocated to those areas. As trainees, we've learned how to on-sell and increase opportunities for the business through our networks. It's a great set-up.

So, at Toowoomba, I was mainly involved in stud stock, but I got to work a bit with the commercial stock too. It was a whole new area for me so I was very grateful for the support my new mentor gave me there. Every day, there was something on and something new to learn. I got to spend the odd day on the sheep side of the business, on some days I went up to merchandising and at other times I helped out in the yards getting the cattle ready for sale – I did a bit of everything. It definitely wasn't a nine-to-five job. Sometimes I'd start at 8 am and finish at 5 pm but there are plenty of other days when you might be up at 3 am or 4 am, drive two hours to get to a property, then draft cattle all day and finish up at 6 pm then drive back home. You might do that for a few days then spend the next few back in the office. It depends on which jobs are happening at the time. It was a great learning experience. I also found that I really enjoyed working with the sheep manager there and that's what led me to my next posting at Cootamundra, north of Wagga Wagga. As a trainee, I guess you could be sent anywhere where the mentor believes you need to go but I found that they also listened to what we wanted. If I'd said that I hate sheep and I never want to see a sheep again, I'm pretty sure they wouldn't have sent me to Wagga Wagga, but at the same time, there's a reason why they send you where they do. I found that if you go with the flow, you come out the other end pretty well.

It was the start of spring when I was transferred down to Cootamundra, so it was the busiest time of year – the main lamb selling season. Wagga Wagga is one of the biggest sheep and lamb selling complexes in the country, selling on average 50,000 sheep each week, so it was a great learning experience being thrown in at the deep end there. One of the great things about moving around to different locations and learning about all sides of the Elders business is that it does help you to narrow down what you want to do long-term.

Rockhampton was my next destination, and sort of the finishing point for me. By this time, all of us who'd come through the traineeship together were starting to have a pretty good idea about where we might like to finish up. I was told at this point that I'd be staying up north so the trainers were pretty keen for me to learn how the business operated up here. While I did a lot of the practical hands-on stuff, it was also a matter of learning the skills to get ready to go out on my own in the company as opposed to following others around as a trainee. So it was a finishing role of sorts.

The focus at Rocky was cattle, mainly Brahman cattle, so again, I found myself exposed to another area of the business. I can't believe just how much we learned in the twelve-to-eighteen months of the traineeship. Throughout the course, I loved doing the on-the-job learning but I found I also really benefited from the two week-long get-togethers the trainees had as a group in that first twelve months. We were allocated mentors outside of the traineeship program and did a lot of work on improving our communication skills, being business-minded and focusing on and achieving goals. Elders trainees also receive a formal paper qualification – a Certificate IV in Agriculture through TAFE – which was written for the TAFE by Elders. We had online learning, phone conferencing as a group and assignments to complete every few weeks that focused on different areas of the business – transporting cattle, animal welfare, workplace health and safety – and someone who was an expert in that area would teach us about that part of the business. I loved every minute of it. Don't get me wrong, it was pretty full-on, leaving my family home and moving around the country, learning on the job and completing the Certificate IV at the same time, but I felt so supported every step of the way from the Elders network, through Simone

Dand, Chris Howie and Peter Cox, and from everybody on the ground who I came into contact with during my postings. Everyone went out of their way to make sure we enjoyed our traineeships and got as much out of the experience as possible. It's almost like the traineeship was tailored to suit each trainee.

One of the trainees from my intake knew her area of interest was in wool, having come from a sheep farming family. She began her traineeship at Yennora, the Sydney Wool Selling Centre, then moved around to a couple of other locations before being offered a full-time role back at Yennora as a Wool Technical Support Officer during the traineeship. It made sense for her to focus on wool from pretty early on in the piece because clearly that's where her passion was. I spent about five or six months at Rockhampton, and realised my passion lay in the livestock area of the business. Before I'd finished the eighteen-month traineeship, I was offered a full-time position with the company as a Territory Sales Manager (TSM). And that's how I find myself in a car, a couple of hundred kilometres outside of Gin Gin. I've taken over from a man who has retired after working with Elders for many, many years. He's been a big support to me. There's no Elders office in Gin Gin, so for me, it's a lot of working from home and out of my car. I'm still attached to an Elders branch, but it's a fair way away. Despite the distance, though, I still feel very much a part of a team and know that help is just a phone call away. But to be honest, I've learned so much during my traineeship, I feel confident that I can do this job and do it well. Without the traineeship, it would've taken me a lot longer to reach this point in my career. The amount of support trainees receive from the very beginning, and which continues today, and the opportunities that have come from it, means there can be no substitute for the traineeship program.
I feel very lucky to have been chosen as a trainee and knowing that I've been trained by the best people in the agricultural industry fills me with confidence that I can best represent this business that plays such an important role in rural and regional Australia.

‘They say there’s a certain way Elders staff are trained – it is quite true, and with that training comes the expertise and the relationships formed with their clients.’

Tom Shannon, Loxton farmer

CHAPTER VI

ADVERSITY STRIKES, SPIRIT PREVAILS

2009–2013

2013

With the sale of the automotive arm of the business and the end of the forestry divestment program imminent, Elders was moving ever closer to its strategy of becoming a pure-play agribusiness.

'We came to the conclusion that changing the name back to Elders was the right thing to do at the end of 2008.'

By 2009, new management had been installed. Mike Guerin was appointed Managing Director of Elders Rural Services and Malcolm Jackman had settled into his new role. It was a daunting proposition taking on a grand old dame of the industry, particularly given the financial restraints that were imposed, but Jackman stepped up and initiated necessary change early in his tenure.

It soon became apparent that the best way forward for the company was to drop the name Futuris and become Elders Limited. The name change would consolidate the commitment to refocus the company towards its rural and regional businesses. While many staff and clients across the network celebrated this turn of events, it did come with some drawbacks.

Because Futuris was listed on the stock exchange as Futuris, when the company found itself in trouble, in the community, there was no real linkage to Elders – Elders was just a stock and station agent to the people on the streets. Even clients did not really connect Elders to the dramas unfolding at Futuris. But that changed when Elders' name reappeared on the stock exchange. Initially, Elders staff celebrated the return to the stock exchange but once the change was implemented, irrespective of the reason, every time Elders was mentioned in the press, there was an immediate link to rural Australia.

'We came to the conclusion that changing the name back to Elders was the right thing to do at the end of 2008,' Jackman remembers. 'We had already come out and said we wanted to become a pure-play agribusiness – the financial services division worked inside that parameter, the forestry division could be classified as agriculture, but all the other assets didn't really have a lot to do with it. And the plan was to sell Futuris, therefore the name Futuris should go with the auto business and Elders should regain the name of the company. We took that to the shareholders and everyone decided that was the right way to go. There's been conjecture since then that maybe we'd have been better keeping the operating business as Elders and the public company named something else because there may not have been as much negative press and no linkage to Elders at all. It became the third time that Elders was listed on the stock exchange boards in Australia.'

In the 2009 financial statements, even the company's ever-dependable Elders Rural Services recorded only $8.8 million earnings before tax, down from $57.5 million in 2008. The company struck major difficulties, the banks were having none of it and Elders employees feared what the future held.

'The challenge of retaining quality staff went on for some time from late 2008,' says Elders General Manager, People, Culture and Brand, Belinda Jeffreys. 'But in true Elders style, this challenge only served to strengthen the business. The employees who remained displayed tremendous fighting spirit, resilience and an unwavering commitment to keep Elders going during its darkest, most terrible times.'

Indeed, 2009 was terrible on many fronts. The company issued $550 million of new equity during the year, all of which was directed towards debt reduction. Sadly, Elders sold off 10 per cent of its equity in Elders Rural Bank to fellow shareholder

Bendigo and Adelaide Bank. It was renamed Rural Bank and the selldown raised $33.9 million. Elders Insurance's underwriting operations were sold to QBE, which became a major investor in Elders through subscription to $55 million in new Elders shares, and 51 per cent of Elders' interest in its wealth management operations were sold for $5 million.

The issuing of new shares sent values plummeting, Peter Hastings says.

'Elders issued more shares in the company in October/November 2009,' he remembers. 'The $550 million of new capital took the number of Elders shares on issue to a massive 4.5 billion. The consequence of that was that every small trade made the share price shift. We wanted to stop the volatility and were advised to bring down the shares by a factor of ten, so instead of 4.5 billion shares, we'd bring it down to 450 million. As a consequence, we should've seen less volatility in the share price because the trades were more significant. We got shareholder approval to do that, so what were ten cent shares became one dollar shares. Each holder held the same net value but a lot of shareholders didn't like the idea. And, as it happens, price volatility remained. The $550 million we raised went straight back to the banks.'

Jackman remembers it being a tough period.

'In September 2009, we had to refinance the company,' he says. 'We had to publish a prospectus, get all our banks lined up over many months, then we went to the market to refinance and recapitalise. Over the spring/summer of 2009/10, the business failed to perform in line with that prospectus so in 2010, we had to come out with a big downgrade. At the same time we flattened our management structure which left me acting as the operational head of Rural Services and CEO of Elders Limited. It was during that time that we had to implement a program to help us to take 11 per cent of costs out of the business, from then on, everyone understood we had to change.'

The Sell-Off Continues

John Ballard replaced Stephen Gerlach as Chair in 2010, while Jackman continued to do whatever was necessary to keep the Elders ship afloat. As much as it hurt, that meant selling off Rural Bank and Elders Insurance.

'Selling out of Elders Rural Bank and Elders Insurance was, to a large extent, forced upon us by the need to reduce debt. Our only option was to sell assets. We began with a partial sale of Rural Bank, 10 per cent, and sold all of the insurance underwriting business. We kept a little bit of the insurance agency business, but the sale of all the other assets – AACo, Amcom, Websters – were out of necessity. We were told we had to get rid of everything we could to pay back the bank. There was also a reasonably strong amount of pressure from the regulators (APRA) for us to sell out of Elders Rural Bank. They believed that Elders holding a 50 per cent position in the bank was not tenable given our balance sheet. If you go back to 2009, the GFC was in full cry and the Australian government and regulators were desperately keen to ensure that all the banks in Australia stayed alive. So having a company like Elders owning 50 per cent of the smallest Australian bank in Australia posed a threat

'Selling out of Elders Rural Bank and Elders Insurance was, to a large extent, forced upon us by the need to reduce debt.'

to that cornerstone of stability that the government was trying to achieve. So we sold down to a 40 per cent share, then in 2010 we sold out of the remaining 40 per cent to Bendigo and Adelaide Bank and just kept the sales distribution business. At the end of the day, when the Basel III Capital Adequacy came in, we would never have been able to support the bank anyway, even if we'd wanted to.'

Peter Hastings says there are a lot of Elders people still smarting over the sell-off of some key businesses, particularly Elders Rural Bank and Elders Insurance. But the company was left with no choice.

'In my view, one of the greatest things we ever did for our farmers was create Elders Rural Bank and one of the most disappointing things we ever had to do was sell it,' says Steve Ridley, Elders Livestock Manager in Goulburn, New South Wales. 'I understand the circumstances that led to that decision but it was still very sad. We were able to help clients through our bank because where other banks would just look at straight dollar figures and returns and knock them back, we knew these people intimately and we knew they'd be able to pay their bills. We'd know if things were a bit tough, and we'd know if they were going to improve and so we backed them and gave them finance. It was a shame we had to let it go.'

Hastings was also disappointed Elders lost its share in the bank.

'The frustration around selling them was twofold,' he says. 'The first was that they were two really good annuity businesses that generated reliable earnings year after year, so losing those earnings

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‘Despite the challenges being faced, in the corporate office there was a combined team spirit.’

was really hard to swallow. And the second thing is that in our agency work, finance, and particularly banking, is often said to be the glue that holds the client. So if you finance a client – you lend it money – it'll put all its other business through you. Its wool, its livestock, its crops, its merchandising, they all come back to you because it'll reward loyalty with loyalty. If you're not the financier, that glue disappears and clients are tempted to shop around for the best price and best deal particularly for farm supplies.

‘Despite the challenges being faced, in the corporate office there was a combined team spirit. We knew there was a job to be done and if the only way to survive was to sell and to raise capital, as a corporate team we were very united and got on with the job. But all the talk in the press was, “Can Elders survive?”, which really affected the front end of the business. A lot of clients were very loyal. A lot of them who were exposed to Elders' credit risk, however, took their business elsewhere, so many of those clients who sold wool with us or their livestock through us and who rely on us to pay them, as a del credere agent, were lost. We sell goods on behalf of the client but we have an obligation as a del credere agent to pay them for their wool or livestock before the purchaser pays us. So we take a risk that the purchaser's going to pay us and the seller takes a risk that we're going to pay them. Because of that risk, some wool and livestock clients were unprepared to keep their business with us, which we understood because it was their livelihood we were dealing with. Many other clients were remarkably loyal however. Elders will be forever grateful to those clients.’

Despite selling out of Rural Bank, Elders retained an exclusive distribution agreement with Bendigo and Adelaide Bank, and the relationship between QBE and Elders remains remarkably strong.

‘The Elders Insurance business built profitability between 2007 and 2009,’ Jon Fox remembers. ‘We were the jewel in the crown for Elders, and the prize for being the most profitable part of the business was that we were the most valuable part of the business. It's a testament to the business we ran that Elders was very reluctant to sell it. They really didn't want to, which is why they kept 25 per cent share of the agency, and I still believe to this day, if Elders could have found any other option that would deliver them the same relief from their debt they would've chosen it. It was really sad for Elders that they had to sell that part of the business.

‘Tim Plant took charge of Project Diamond – the sell-off and restructure. I know that was an incredibly challenging time for him. As a Managing Director of the insurance business, he had to effectively sell the company that he'd helped rescue and strengthen. To his credit, he's one of the strongest corporate people I've ever met. He did a tremendous job with the help of some other great people.’

Back out at the farm gate, Elders continued to do what it did best, but figures were dropping as clients, protecting themselves from risk, looked to other agencies. More broadly, market conditions were not improving. Livestock and wool volumes contracted, despite good seasonal conditions in Australia everywhere but Western Australia. Key farm-supplies lines, including fertiliser and agricultural chemicals, declined, with the average fertiliser price down by 23 per cent on the previous year and chemical sales prices 24 per cent lower. The real estate market was flat and to add insult to injury, the government stepped in to initiate a live export ban, which would cost the company millions.

Peter Hastings remembers that Elders was proactive in negotiating with the government to have the ban lifted.

'We were the most proactive of the exporters in those negotiations,' he says. 'The ban was imposed in 2010 as a result of what could have been seen as a knee-jerk reaction from the federal government. There were clearly animal welfare issues in Indonesia, which were identified in very specific abattoirs. Our view is that the government made the right decision to prevent those abattoirs processing, but the second step they took went too far. Under pressure from interest groups, the Commonwealth Government closed down the whole of the live export trade between Australia and Indonesia, even to those processors who upheld appropriate standards, including Elders' own Indonesian business. We took a very active approach to it and determined the only way we could get through this was to cooperate with government. We accepted there were animal welfare issues in certain processors and suggested that if they couldn't demonstrate that they could uphold international standards then they should be excluded, but we pushed for allowing trade to the processors who could prove they could uphold international standards. We cooperated very heavily with government in forming the new Exporter Supply Chain Assurance System (ESCAS)

The Elders Way:

Live Export Ban Negotiations

Callum MacLaughlin
Jumbuck Pastoral,
Joint Managing Director

'During the live export trade suspension, there was a massive supply on one side of the equation and some artificially or politically created small demand on the other. It was a really tricky time in the industry and there were a whole lot of people trying to get in to supply that small amount of demand on the other side. But we were able to call on Elders at a time when we were finding it very tough to move cattle. We said, "We've been around for you while you've been facing your own troubling times, and now it's your time to be around for us. You've got the contacts here, with your huge network, and you've got the feedlots, so let's make it happen." We really appreciate the fact that we were able to pick up the phone and ask for help. And they did help.

With Elders' assistance, we managed to move some cattle at a time when everyone in that sector was struggling to move heifers. Because the Elders network is so big, we managed to shift 1000 heifers from West Kimberley. At the end of the day, we were able to call on Elders during a difficult time and they were there for us. We take our part in the relationship very seriously, and we think they do too.'

Elders and growers breathed a huge sigh of relief when the ban was lifted. And some growers have not forgotten Elders' contribution to reinstating live exports.

arrangements. Elders' international trading arm has expanded and contracted over time, in line with the company's fortunes, but as an integral part of Elders' redefined core business, it has remained a high priority for the company and has been identified as an area for future expansion.'

'We've had a broader base in the past,' says Cameron Hall, General Manager, Live Export. 'We had offices in Japan, Korea, Mexico and if you go back further, particularly through the Elders IXL days, there were international offices everywhere. There were silos with the Elders brand name on them in America's mid-west grain belts. The business has fluctuated a lot, expanding and contracting for a number of reasons, including opportunities in the marketplace and contraction in the size of our business, lack of working capital and everything in-between.'

There are a number of business units in the Elders International business, which Hall, who returned to Elders in January 2014 for a second stint with the company, oversees.

'Our international business principally has two trading arms – Feed & Processing services and Livestock Export Services – that operate in domestic and international markets. Domestically, we take principal positions or we have investments into parts of the food chain, such as feedlots. Internationally we either take positions on a principal basis, whereby we either purchase and own the commodities we sell, which at this stage are in livestock and some meat, or we simply market those products on behalf of someone, on either a commission or spot basis.'

Elders owns two live export businesses. One is Universal Live Exports (ULE), which targets the breeding livestock markets of China, Russia and Pakistan. These markets are traditionally high-value, high-margin markets. 'But those margins are always under pressure as competition increases globally around supply,' Hall says. 'Another business that fits in under ULE is the Japanese feeder cattle business, where we ship Wagyu cattle to Japan for feeding on long-feed programs.'

The North Australian Cattle Company is the second of Elders' two live export businesses. It has a business base in Darwin and concentrates on supplying feeder, slaughter and breeding cattle into the markets across South-East and Central Asia, with a heavy focus on Indonesia.

'Importantly, we still have a couple of feedlots, one – "Killara" – is at Quirindi in New South Wales, and the other is in Indonesia. They play a major role in the supply chain and are an important part of the Elders business.

'A feedlot is a structure where you intensively feed livestock,' Hall explains. 'The livestock are in pens and they've got feed bunks, they've got shade and constant access to water. They're not out grazing on grass so you're feeding them a ration for a very specific purpose, to target a specific market, so you influence the quality of the meat and the carcass specifications. There's less variability in the outcomes when livestock are in feedlots, and the unpredictability of weather is significantly reduced in the equation.'

Elders Indonesia has an Elders-owned feedlot based in Indonesia that bore the brunt of the live export ban in 2010.

Elders is a truly international operation with an expanding export business that often relies on air transport for long-haul shipments.


GALLOWAY EXPRESS

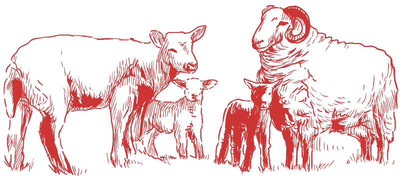
‘We’ve been operating Elders Indonesia for almost fifteen years,’ Hall explains. ‘The feedlot in Indonesia has about an 8000-head capacity for the local market. We ship cattle to Indonesia and feed them up for our own purpose to process and we also feed cattle that we sell to Indonesian customers and processors. We have a long-term lease on an abattoir in Indonesia where we process cattle for our own programs, selling high-quality beef into the Indonesian market, but we also custom-process there for a range of Indonesian customers and butchers.

‘Having our own overseas-based feedlot and direct access to processing gives us more control. Through the supply chain, from selection of the cattle on northern cattle stations, through live export, feedlot and ultimately processing, we can maintain high quality by setting and implementing our own processes and standards around the welfare of the animals, food safety and meat quality. We do market to a whole range of other importers in Indonesia and other feedlotters in Indonesia, but that’s where our principal position stops. And we also have a business in China through Elders Fine Foods.’

While Elders International is responsible for the export of live animals out of Australia, the speed at which Australian produce can be available for sale overseas is amazing, with Elders being a significant part of that supply chain.

A client’s lambs could be sent to an abattoir in Kyneton, Victoria, where they’re slaughtered at 7.30 am. They are then sent to Tullamarine Airport and by 2 pm, they are loaded into a plane’s cargo hold in dry ice. Just after 2 pm, the flight

‘The business has fluctuated a lot, expanding and contracting for a number of reasons.’



The Elders Way:

Clip Care

Elders has always been at the forefront of innovation in our industry. It's always had the size and capacity to introduce new technologies, processes and procedures to the rural industry, which are often taken up by a lot of other agribusinesses. Clip Care was one of our innovations around the wool industry. It was basically about quality assurance of the wool clips. It was the early 1990s and there was a heap of wool around because during the 1980s, the Reserve Price Scheme was in place and a lot of people had come into the Merino game, many with little or no experience.

We introduced a platform called Clip Care, which was a quality-management system for the wool industry, to minimise contamination and improve preparation standards for the marketing and sale of greasy wool. It was about going into the shearing sheds and removing contamination from the wool clip, then preparing wool to specifications so that the end user could be confident they were getting exactly what they'd bought. It ensured everything was right from go to woe, and that it had an audit trail. There was an accreditation component and then the wool was sold under the Clip Care brand. Other companies came in behind us and started to do the same, so what Clip Care established is now the accepted standard for the entire industry. That seems to be the way it happens – Elders does something to benefit the industry and then everyone else follows.

departs for Dubai and by 7.30 am the next morning, Australian lamb is for sale in the wet markets of Dubai. It's possible to buy Australian lamb in a market in Dubai quicker that it can be transported to Queensland.

Tough Times Continue

For many Elders employees, 2011 was as tough as it got. Elders hit rock bottom, recording its lowest figures in living memory, transacting just 8 million sheep and about 1.6 million cattle. The company could not afford to go any lower. It was the strength of the Elders network that kept the company's head afloat.

Even in the early years, Elders' biggest strength had always been its network.

'When things are really tough and growers need support, rural Australia looks to Elders, mainly because of our branch network's coverage,' Chris Howie says. 'That's where we became really solid, and that's why we've been around for so long, because we went out of our way to make sure that in drought and other troubles, we tried to provide options. Our coverage allows us to talk to someone at a location that our client's never even heard of, to someone who might have feed 2000 kilometres away.

'I remember the drought in WA in 2010/11. We had millions of sheep and hundreds of thousands of cattle come from WA to the eastern states because WA was destitute with drought and the east had a really good season. The size of our network allowed us to move stock from one side of the country to the other. We give growers some light at the end of the tunnel, they know they can come to us and we can probably do something to help. Our network helps to drought-proof our clients' businesses. It's very rare that the whole of Australia is in drought at the same time. So we usually have an avenue to go to, to find a place where there's feed available, or there's a market or there's an option. It's about our network and relationships, and that linkage is what we do really well.'

Newry Station principal, Keith McBride has been an Elders client for more than thirty-three years.

'We've been using Elders for a long time now and consider the relationship we have with them to be very important,' he says. 'We don't do much business without an agent so it's important to have that strong relationship. And it makes business sense for us to use them as they have such a wide network and at the end of the day are far better at networking than we are. I've even picked up occasional workers through Elders; in fact, Elders got me a manager from another property through their network, which was great.'

Elders' 2011, however, was looking far from great. The company balance sheet was scary, in spite of the debt-reduction measures that Elders had put in place. Every business arm made a loss, with the forestry-related items providing the largest burden: a $335.4 million loss. The reduced income from the bank and insurance businesses also affected the bottom line.

In 2011, Elders decided to withdraw from the forestry sector, to sell and re-charter the MV *Torrens,* the sole Elders-owned livestock-carrying vessel, to consolidate Chinese operations into a single entity, to stop international wool trading operations and instead concentrate on farm-gate services to wool growers, and to sell off the 50 per cent share in Elders Toepfer Grain. They were all tough decisions, but the move to opt out of forestry was met with relief right across the network.

However, Peter Hastings says it was difficult to sell off the forestry assets, not because the company didn't want to rid itself of the division, but because the industry was so depressed, no one wanted to buy in. The sell-off continued well into 2014.

Jackman recalls an offer was made to buy out the forestry assets in 2009/10, but it was considered to be a ludicrous proposal.

'With the wisdom of 20:20 hindsight, we might have given the offer more consideration,' he remembers. 'A party we ended up doing a lot of business with in the forestry industry, in 2009/10, they said they would take forestry off our hands for $1. As it happens, that was the best deal we were ever offered on it. That deal, however, was impossible to execute at the time because at that point the forestry industry was still alive and we had the business in our books as valued at $700 million, so to turn around and try to convince the market and the Board and management that to sell a $700 million asset for $1 was going to be a clever thing, would've been impossible. But in reality, as the industry continued to shrink and collapse, that would've been an outstanding deal because in the period of 2011–2013, we burned more than $100 million in cash and profit through forestry. If we'd just got out of it in 2009, we would've saved ourselves a huge amount of pain.'

'When things are really tough and growers need support, rural Australia looks to Elders, mainly because of our branch network's coverage.'

The year 2011 was also the first time in the company's long history that women took up seats on the Board. Anna Buduls and Josephine Rozman each brought extensive agricultural experience, and made Elders history with their appointments. Elders is seeing a growing number of women move into operational roles within the company – livestock, wool and real estate. In 2011 and 2012, 30 per cent of all trainees accepted into the new traineeship program were women.

Samantha Neumann is one of the increasing number of women choosing to forge a career path in agriculture through Elders.

'Gender should no longer be a talking point in this industry,' Neumann says. 'It was once unusual to see women in operational roles across agriculture, but I think we will see that start to change. All you have to do is look at the number of female applicants for our trainee program. Elders' focus and priority remains to employ the right person for the role. Based on the female trainees we have seen, they have a tremendous capacity to be high-performing agronomists, stock agents, wool managers and senior managers, which will result in a changing face for Australian agribusiness.'

Back to Basics

In news that was received with joy right around the Elders business, the company announced its intention to return to a pure-play rural services business in August 2012. The business would be built around its branch network and Elders International Trading business. This decision also meant that the Futuris Automotive business would be sold off and that the divestment of forestry assets would continue. It was about time, too, says Russell Wood, District Wool Manger in Wyalkatchem.

'When we went through that stage of buying everything we could see, in the branch network we we're sitting there thinking, "Why the hell are we going into trees and car parts and fish and all these different things?"' he says. 'And then we were back to doing what we did 170 years before – the agency work, the livestock, the wool and farm supplies.'

The news that Elders would become a pure-play agribusiness had a stabilising effect. In 2012, Elders improved its figures in one year by 935,000 sheep, and the company welcomed back a number of returning employees.

On 29 October 2012, the Elders Limited Board announced to the stock exchange that a process to sell Elders Rural Services was underway as part of an accelerated strategy to return value to stakeholders. Chair John Ballard said: 'The rationale for this decision is simple and compelling: that, in the current climate, the value generated by a competitive sales process is forecast to be superior to that than can be delivered by other options.'

Ruralco, Elders' major competitor, saw an opportunity and came knocking, offering to buy out the company, according to Malcolm Hunt, Elders General Manager South Zone, who returned to the business in 2012.

'Elders went to the market to sell the business because we were still struggling financially,' he remembers. 'And Ruralco was one of the prospective purchasers. But when we decided not to take the Ruralco

'Based on the female trainees we have seen, they have a tremendous capacity to be high performing agronomists, stock agents, wool managers and senior managers ...'

The news that Elders would become a pure-play agribusiness had a stabilising effect. In 2012, Elders improved its figures in one year by 935,000 sheep …

offer, which was certainly well under the odds, we still had to put out the fire with the bank, so we had to refinance and part of that refinancing involved reducing some costs. We took $28 million in expenses out of the business, and sadly, some of that had to be achieved by reducing staffing levels. Redundancies are always awful, but it was necessary and we always aimed to ensure the impact on clients was minimised.'

On three occasions during his tenure, Jackman had to implement programs to remove costs from the business.

'There was the program in 2010 called Cost to Serve, where we took 11 per cent of costs out. In 2012, we implemented In the Black, and in 2013, there was Project Horizon because we had to keep attacking the cost base,' he says. 'Part of the problem was we were really cost restrained and really struggling in terms of having enough cash to run the business because the forestry business was burning cash and the banks were forcing us to repay debt from anything we sold or raised money from. The banks took all of that and the working capital was unbelievably tight which put huge pressures on the business and it meant our suppliers weren't as keen to support us, so it was really hard to try to grow the business when we had no cash to do it. That kept putting more and more pressure on the business and that meant more and more costs had to come out. This cycle finished at the end of 2013 in a lot of ways because the auto business was sold, the forestry business had been wound down to virtually nothing and the businesses that could have been sold had been so we could really then focus on the core business.'

Between 2007 and 2012, Elders staffing levels had decreased and the business was facing upheaval like it had never seen before. But it refused to stand still. Elders has pioneered many innovations over its long history, some of which went on to become industry standards, including Clip Care and the company's animal welfare program. In 2012, Elders launched Agsure, becoming Australia's first rural services supplier to enter the online retail space. Agsure allows primary producers to conduct their farm supplies transactions through Elders via a website. The website offers selected product lines but not the technical advice that comes with using an Elders branch-based agent.

A second move forward for the business in 2012 was the launch of a revamped trainee program.

'During the last few years, we've refocused on and invested in the development of staff,' Chris Howie, who oversees the trainee program, says. 'We've continued to invest in young people through our program despite the difficulties surrounding the business. Through this program, we train young people to be stock and station agents, not stockies or woolies, we teach them the traits of old-fashioned stock and station agents who are able to have a conversation about anything and identify an opportunity within that conversation. What we can't afford is for new employees to go out there and only have skills in one area. They have to be able to identify merchandise, real estate, wool, livestock, all areas of the business. That's the training we're giving them now. Previously we did fall into the trap of pigeonholing people and saying, "You're just livestock", or "You're an auctioneer",

Elders' renewed focus and commitment to the agriculture industry is highlighted by the strength of the Elders trainee program.

Elders has pioneered many innovations over its long history, some of which went on to become industry standards, including Clip Care and the company's animal welfare program.

or "You're just wool," and they wouldn't worry about anything else.'

Traineeship Coordinator Simone Dand has seen the number of applicants for the traineeship positions grow substantially with every intake. Its reputation for offering a holistic approach to agriculture and being the ideal training ground for a career in the industry is gathering momentum. Trainees also graduate from the program with a formal paper qualification, a Certificate IV in Agriculture.

'Elders has always had a training program running,' says Dand, 'but this one has gone back to the grassroots. It's a national program and we send the trainees out to where we want them, when we want them; to Darwin, to Pakenham, to Broome or Goulburn. They spend a few months at each location where they're exposed to different areas of the business, receive formal academic training and after twelve to eighteen months, they're ready to hit the ground running in a new community. Then we begin training the next lot.'

Howie can see the parallels between the old-style Elders training and the modern-day program.

'The training process we're running with goes right back to what my father and our original bosses were taught,' he says. 'It's the really old-fashioned agency understanding. It's not a textbook-based course. We utilise the experienced hands to teach them on the job, tell them about the dangers so they don't have to experience the pitfalls themselves and, really importantly, we teach them about communication and relationships. As a stock- and station agent, if you can't communicate, you're not going to succeed. You have to get them to the point where they can carry a conversation, where they're articulate and can get a message across and learn how to listen, so they're not just making a noise, they're truly listening to what they're being told.

'It's interesting because our clients actually take a fair bit of responsibility for training agents when they're out there in the small communities, too. They go easy on you at the start and allow a bit of leeway because they want you to succeed. Often, they'll help you on your way until you become that community centrepiece. The Elders agent in town makes stuff happen. Often they're involved in a social committee, in the footy club, in the cricket club, and they've got a little bit of that outside-the-box thinking, and then they effectively become a business partner with the clients. Their good clients trust them because ultimately they're both working towards the same goal. You get a great deal of satisfaction from your client being successful, buying good cattle, good sheep, having a good sale through your advice. And that's when the client starts to trust you. There is no doubt that trust, ethics and good relationships are the most important things in this business. And that's what Elders does better than anyone. And so we have this ideal training ground here where there are people who've come right through the business to help teach the new ones how it's done. There's a depth within our business and we've got operational experience from top to bottom. We've all been out there and got covered in dirt and dust so we're well-equipped to be teaching the new ones coming through what the Elders way is.'

Shifting Fortunes

On paper, it looked to many as though Elders did not have a future beyond 2013, but by year's end there was a growing sense of optimism that the company had already bottomed out and the only way was up. Malcolm Jackman stood down from the Chief Executive position after a difficult five years.

'Tough decisions had to be made during my time as CEO but I think everyone realised they were decisions that had to be made. I wore my pink shirt with pride every day, and I still wear my Elders RM Williams belt. Elders has such an intriguing and powerful culture, and even though my five years there was bloody hard work, I don't regret it for a moment and would like to think that if I walked into any Elders branch around Australia, I'd be warmly welcomed.' The appointment of new Chair Mark Allison in June 2013 was also warmly welcomed. Here was a man whose roots were in far north Queensland, whose family background was on a sugar-cane farm and cattle property and whose twenty-six years working in the agribusiness sector had seen him sit in a number of the industry's most prominent boardrooms.

Early in his tenure, Mark reported that the sale of Elders Rural Services was no longer a priority, that the company's five-year process of rationalisation and restructuring of assets was near completion, that the automotive arm of the business had been sold and that finally the end was near for the forestry divestment program. Elders was moving ever closer to its strategy of becoming a pure-play agribusiness.

'This near-death experience has meant that Elders has become very focused on what it's good at and what it needs to do,' Elders General Manager People, Culture and Brand Belinda Jeffreys says. 'We're very focused on our people and very passionate that the people who run our business have decision-making capabilities so that decisions are made a lot closer to the client, and people are responding to that and making those decisions. There's real clarity in the business, a very clear understanding of what's required, either at the branch, on the farm, or wherever it is we transact in rural Australia.'

And so Elders moved into 2014, the company's 175th year, with 'sharpened focus, reduced debt, a better cost structure and a strong capacity and drive to deliver improved results for its long-suffering shareholders. But, importantly, it had the backing of its two most important stakeholders: the fiercely loyal primary producers, whose support of Elders was unwavering as the company negotiated more than five years of turbulence; and the stoic and committed team of 1700 pink-shirted staff, who fought every day for their clients and for the iconic Elders brand to survive ■

'It's interesting because our clients actually take a fair bit of responsibility for training agents when they're out there in the small communities, too.'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Elders 175 YEARS

‘When I started out, Elders assisted with my banking, my insurance, my cattle sales… basically everything. Their market knowledge and contact list have proven to be an invaluable resource for my business dealings.’

Tony Davis, Moroak Station owner
Elders client of fifty years

CHAPTER VII

TODAY, TOMORROW AND BEYOND

2014

2014

Elders celebrated its 175th year with a renewed sense of optimism that its future would be secure.

‘What we’d been trying to do for the best part of five years was simply to survive.’

Elders’ 175th year began with forty of Elders’ sharpest minds coming together. For the first time in a long time, the talk around the table was not focused solely on survival. Instead, the group came together to talk about the future. The mindset was no longer purely about existence – it was about a long-term vision.

Board Chair Mark Allison was entrusted with the job of overseeing Elders until a new leader was appointed. He also governed the talks around the company’s future direction. An Eight Point Plan was devised, but the short-term focus was set on safety, performance, leadership renewal and capital restructure.

‘What we’d been trying to do for the best part of five years was simply to survive,’ Mark says. ‘We’d come from the brink of insolvency and were having difficulty in our ability to meet our debt repayments, but the worst part looked like it was over. So, when Malcolm Jackman left and I came in as Executive Chair in November 2013, we could afford to change our priorities somewhat. We decided to focus on four key priorities. The first was safety – making Elders a safer place to work. The second was operational performance – running the business properly, to generate cash, to pay down our debt and be able to survive and keep 2000 people in jobs while keeping rural and regional Australia supported. The third was leadership renewal – appointing a new CEO and resetting the Elders values back to high-integrity, transparent, honest, up-front values. And the fourth was recapitalisation.’

Within months, workplace accidents had reduced by half. Operationally, Elders’ rural services arm performed better than it had in years, moving an average of 45,000 sheep per day and 8500 cattle, and plans were afoot to go to the market to raise capital. That left the question of leadership. It soon became clear that the heir-apparent was already keeping the chief’s seat warm. Mark was appointed Chief Executive and Managing Director, while Hutch Ranck took over the Board Chair position that Mark had vacated.

The moment he accepted the roles, after close to six months as the company’s guardian, Mark felt an overwhelming responsibility – not only to honour 175 years of history, but also to serve rural and regional Australia, whose support for the ailing Elders over many years had been stoic and often without question.

‘It truly is this absolute sense of responsibility that I feel,’ Mark said, just weeks after accepting the chief’s job. ‘I’m excited to be here during this time, where our focus is on improvement rather than pure survival. We’re at a point where we’re hitting reality. We’ve emerged from a murky, conglomerate structure where agriculture was just one of the businesses, mixed in with a multitude of others including automotive and forestry businesses. And we’ve now re-emerged as an agricultural pure-play, which is what we were throughout the great times in our history. While we’d been playing around in the corporate rubbish that was happening as a conglomerate, the market moved on, and we had to look in the mirror and say, “Guess what, we have a problem,” and we needed to get some treatment. And the treatment we’re still applying is around becoming much more efficient, much more “2014” in terms of our technologies and innovations, and about becoming much more humble, respectful and customer-and shareholder-centric. We're digging ourselves out of the hole by running the domestic arm of the business better and controlling our growth in the international business. And only when that stabilises do we earn the right to do the sexy stuff with business development and innovation.

'At the end of the day, Elders has no more chances. We're in this because we believe in what we're doing, we care about the employees, we care about regional Australia, and that's it; it's very simple really.'

It soon became clear that Elders was swallowing its pills well, and its recovery made steady but obvious progress.

'For the first half of 2014, we were about $40 million up on the previous year. On-the-job accidents reduced by half, from twenty-one down to ten, we paid down a significant proportion of our debt, we were profitable, the leadership was clear, and, very importantly, our strategy was clear. These were very positive signs.'

By mid-2014, the Elders share price had doubled since November 2013 and the market capitalisation was just over $100 million, so the company, having sold off all but one asset listed for sale, could go to the shareholders to raise some money to recapitalise the business. Things were definitely looking up.

Focus on the Future

The corridors of Elders' Adelaide head office are lined with portraits of figures from the company's past. Among them are AL Elder, Robert Barr Smith, Norman 'Skinny' Giles and, of course, Thomas Elder. They keep watch over the company and serve as gentle reminders of where it has come from. But while the modern-day custodians of Elders do look on the pictures of their forefathers with a healthy dose of reverence, their focus is firmly set on the future.

The five years leading up to 2014 were a battle and, at times, it looked like the end of an era. If not for an 'army of loyal stakeholders', Elders would not have survived.

'Why are we still here?' Mark mused at the time. 'I think that it's in part because of our history and our people and that our culture has this stoic resilience, just like that of rural and regional Australia. The other critical point to our survival, and not a lot of people talk about it, is that there's an army of loyal supporters across most of our stakeholders who at various stages have silently – mostly silently – and invisibly propped us up, or held our hand, or put a chair under us so we haven't hit the pavement. I don't think it's just us and the culture. I know of many, many examples of those silent supporters. Take the cornerstone banker who put his own credibility and reputation on the line to argue for us. He didn't tell us he was going in to bat for us, or ask us, so he wasn't doing it for his own glory, it was simply his desire not to have an Australian icon go down the tube. I think this loyal band of supporters is much bigger than everything else that contributed to us still being here. There certainly wasn't any one hero; it's the people around the business and the invisible supporters. Our clients are part of that invisible supporter group. Clients, suppliers, even our competitors – a number of them have consciously and actively made decisions not to pull the trigger on us. It's quite an interesting phenomenon.'

The five years leading up to 2014 were a battle and, at times, it looked like the end of an era. If not for an 'army of loyal stakeholders', Elders would not have survived.

‘We had a very aggressive attack made on us over those five years by other agencies trying to take our clients, but we found that our clients stood and defended Elders simply because they’re Elders clients.’

At branch level, Elders staff are often bewildered by the loyalty that many clients have shown.

‘Sometimes you wonder why some of them stuck with us,’ Russell Wood, District Wool Manager at Wyalkatchem in Western Australia says. ‘A lot of the time, I think it was purely about the name Elders – our history, our visibility and our loyalty to them over the years. Then there are many who remained loyal because they were loyal to the staff members who they knew and trusted, staff who also showed loyalty by staying with the company. Our clients deserve a lot of credit.’

National Livestock Manager Chris Howie says that the loyalty shown was sometimes about returning the favour.

‘We had a very aggressive attack made on us over those five years by other agencies trying to take our clients, but we found that our clients stood and defended Elders simply because they’re Elders clients,’ he says. ‘We had some clients who went on to use other agencies, but the core of our client business stood by us as a company. I’ve been told numerous times that this is because Elders stood by them when they were doing it really tough. That might’ve been in the 1960s, in the 1970s, or in the 1980s, but the company stood by them in those hard times, and they didn’t forget that. Of course they read the stories in the papers and saw us on the news but for a lot of them, all they wanted was an understanding that if they stayed with us, they’d be right. They’d call us up and all we had to say was “We’re alright”, and that was enough for them.’

Former Chief Executive Officer Malcolm Jackman agrees.

‘I had clients ringing me saying, “We’ve been a client with your company for 150 years, going back five generations, and you’ve supported us so we’ll support you,”’ he says. ‘I think the other thing is that the sector wants to see competition in the bush. Taking away one of their core suppliers would have been bad for farmers, and would have led to a reduction in competition. A number of clients were really worried about the security of their proceeds from selling livestock or wool. I’d have staff ring me and ask me to call their client to offer reassurance. So I’d give them a ring at lunchtime and have a chat about what was going on with the business. Of course, some were just too worried, and that was understandable, but as a rule, the loyalty that we had shown over the years was returned in spades.’

Major Elders client James Morgan, Managing Director of Mutooroo Pastoral and Outalpa Station, also believes that loyalty fosters loyalty.

‘Historically, Elders has backed people in times of difficulty,’ he says. ‘Then when things have turned around, the debts have been paid off and people have rolled on, so I’d say Elders has probably earned a lot of loyalty points over the years.

‘We still use Elders for just about everything – they sell our wool, they sometimes source stock for us through their network and we use them for most of our merchandising. Of course there’s been uncertainty, but there’s never been a default payment in all our time working together, so we have no reason not to use Elders. We watch their situation very carefully and are in touch with their senior financial staff. All stock firms have difficult periods, but the rural side of Elders' business has always been strong.'

But without a sound business plan, loyalty will count for very little, Mark Allison says.

'I think that the value we're adding to our customers and our suppliers needs to be absolutely clear,' he says. 'We can't just live on history, what we offer has to be a real value proposition so that our clients want to be with us and they're happy to pay for us to be the middle man. We can add value through information, advice, convenience, understanding, empathy and relationship-building.'

Relationships have been a vital cog in the Elders wheel for as long as the Elders name has been on the shingles, Southern Zone General Manager Malcolm Hunt says.

'There's been a quantum shift back towards valuing our agency relationships because that is what we've done forever and are very good at,' he says. 'We live and work in rural communities and are seen as the local businessman in town for the local primary producers. We took our eye off the ball for a while but we worked very diligently to bring that status back, hence the restructure, hence more delegated authority at branch level.'

175 Years and Beyond

The Eight Point Plan delivered in January 2014 highlighted Elders' key strategies around securing the company's future into the next five years and beyond. By year's end, the plan, plus the company's priorities around safety, performance, leadership renewal and capital restructure, had filtered through the business to such a degree that Elders reported significant improvements across all highlighted areas. The company was undoubtedly back on track.

'Twelve months after announcing our priorities, progress had been made in all of the areas of business that we were focusing on and we had a strong platform in place to create value for all of our stakeholders,' Mark Allison says.

'Lost time due to work injuries reduced by half, we had two new non-executive directors sitting on our Board and our debt had been significantly reduced after an equity-raising exercise. Operationally, we delivered a statutory and underlying profit for the first time in six years, representing a $77.3-million turnaround in performance as a consequence of all areas of the business lifting. Those were significant improvements.'

As Elders' 175th anniversary year drew to a close, there was an undeniable and contagious sense of optimism – at Board level, within the executive and among the 2000 employees dotted right across Australia. Importantly, this optimism began to filter outwards – to suppliers, shareholders and, most significantly, the growers who relied on Elders to market their livestock and wool, supply their merchandise, sell their farms and finance their livelihoods. Their relationships have weathered the droughts and storms that nature has thrown at them and the commercial and economic decisions that almost destroyed them. Together, Elders and the growers shared in bumper crops and eras of abundance, excess and fortune. But they also shared resilience – a resilience that saw this grand old agricultural icon beat off the threat of

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As Elders' 175th anniversary year drew to a close, there was an undeniable and contagious sense of optimism – at Board level, within the executive and among the 2000 employees dotted right across Australia.

extinction to become a modern-day agribusiness and partner of rural and regional Australia; one with both a past and a future worth celebrating. ■

CHAPTER VIII

THE ELDERS RESURGENCE

2015–2020

2015

2015 was a year of stabilisation and growth for Elders. Refocussed on its core business, its customers and workplace safety, gains for the company came thick and fast.

'Nothing is as important as safety. If something can't be done safely, then it shouldn't be done.'

If 2014 was a year of survival ending with a sense of optimism, then 2015 was a year of stabilisation and growth for Elders. Refocussed on its core business, its customers and workplace safety, gains for the company came thick and fast. With the release of its 2015 annual report, Elders was able to announce that its statutory net profit was up $35.3 million from the previous year, and, with employee engagement in safety increased by 34 per cent, the lost-time injury frequency-rate had significantly reduced. Furthermore, these achievements were recognised with the company's readmittance into the S&P/ASX 300 index, and by its being named winner of several awards, including the National Safety Council of Australia (NSCA) 2015 Excellence in WHS, NSCA Best Communication of a Safety Message, and the 2015 Turnaround of the Year award by the Turnaround Management Association (TMA).

Perhaps most gratifying for Chief Executive Officer Mark Allison were the gains in workplace safety, which remains one of his passions. The achievements in this area didn't only demonstrate Elders' commitment to the welfare of its people, they were further proof that the business itself was on track.

'With regard to safety, everything relies on authentic leadership and highly defined systems and processes,' Mark says. 'With every company I've run, if it's got a great safety culture, it's got a great financial outcome.'

Elders foregrounded its focus on staff safety with the launch of its Stand Up Speak Up initiative. Through a series of stories captured on video, Elders staff who had been injured or experienced illness reflect on the impact it had on themselves, on those they love and on their workmates. Stand Up Speak Up personalised the issue of workplace safety, bringing home the very real toll that accidents and injuries inflict on the individual and those around them.

Mark's prioritisation of ingraining a safety culture within Elders is fully endorsed by Ian Wilton, appointed Chair of the Elders Board in September 2019. Ian, who had been a non-executive director since April 2014, also chairs the Work Health and Safety Committee. 'Nothing is as important as safety,' he says. 'If something can't be done safely, then it shouldn't be done.'

In 2015, James Cornish, who was appointed General Manager Network and Northern Zone in October 2019, was General Manager of the Western Zone. He remembers the excitement of that period, with a swift turnaround following Elders' return to a pure-play agribusiness and a renewed focus on its clients, its network and the front end of the business. Under his management, the Western Zone more than doubled its business between 2015 and 2019. Although a portion of that growth was attributable to strategic acquisitions, organic growth was accountable for the majority of the gains.

'As we continued to grow and gain momentum, it became easier to run the business and easier to attract good people,' James says. 'We were able, through the Eight Point Plan, to focus on our retail business and to demonstrate to our suppliers that we weren't going to die. That gave us access to better trading terms and pricing, all the sorts of things that we could pass onto our clients. That had a massive impact on our ROC [return on capital].'

Another key to Elders' resurgence during this time, James believes, has been the active monitoring of the company culture by the executive committee. In particular, the careful analysis of regular staff surveys was vital in understanding staff motivation and decision-making, and for measuring morale.

As a result of this evaluation, Elders re-examined its remuneration and incentive models, and introduced 'branchising', where branch managers were rewarded for increased sales and profits.

'Managers got quasi-equity in the branch, but they had to stay for five years to receive the payout. It was a brilliant way to retain staff and to incentivise branch managers,' James says.

Elders also sought to revitalise its relationships with its clients, launching its national branding campaign 'Elders. Live It.' The campaign focussed on Elders' local presence, national network, and industry expertise, reaffirming its commitment to, and long history in, rural and regional Australia.

The following year, 2016, was another gratifying one for Elders, not least because the lost time injury rate dropped from 14 to 4. The company further consolidated and built on the previous year's growth, finishing in a better position than it had begun, recording a $51.6 million statutory profit.

Elders continued reshaping its portfolio with the strategic divestment of non-core and less profitable enterprises. It ceased long-haul livestock export and began its managed withdrawal from short-haul live export. At the same time, it proceeded with the acquisition of businesses that complemented its offerings and filled geographical gaps. To this end, it purchased 30 per cent of livestock financing company StockCo as well as re-purchasing 10 per cent of Elders Insurance, one of the businesses it sold in 2010 to reduce debt.

In Tasmania, a geography from which Elders had retreated as part of its 2013 restructure, the company significantly expanded its footprint, determined to rebuild and to reconnect with clients there. The company boosted local staff by more than 60 per cent, acquired real estate and dairy agencies and opened an additional store.

For Malcolm Hunt, General Manager Southern Zone, resurrecting Elders' presence in Tasmania after almost abandoning the state completely was a badge of honour.

'We nearly cut Tasmania loose. We closed branches. Being able to reverse that and to grow in Tasmania at the expense of our competitors was a huge boost for us.'

Elders also expanded its real estate presence elsewhere, with strategic acquisitions in Queensland, the Northern Territory and South Australia. Agency purchases were carefully targeted according to whether they filled a geographical gap, or to strengthen a weak presence in a particular locality. New franchise offices were also opened in various locations across the country. This expansion of the business through the purchase of real estate and other agencies, such as livestock and wool, was a key part of the Eight Point Plan to diversify through geography, crop and animal segment, through product and service and through business model.

'We nearly cut Tasmania loose. We closed branches. Being able to reverse that and to grow in Tasmania at the expense of our competitors was a huge boost for us.'

‘We don’t want acquisitions to dilute our strong, positive culture or our brand.’

‘The strategy behind the purchase of agencies is to drought-proof our business. Property management or residential real estate businesses in a large regional centre aren’t as exposed to rainfall, seasonality and commodity prices. They generate income come rain, hail or shine.’

Other considerations brought to bear on acquisitions were the strength of the targeted business and whether it was a cultural fit with Elders.

The importance of a cultural fit when it comes to acquisitions is also recognised by Kiim Lim, General Manager Business Development, whose team is responsible for managing the acquisition growth of the company.

‘We don’t want acquisitions to dilute our strong, positive culture or our brand,’ she says. Kiim relies on the Elders network to identify businesses and individuals who, as she puts it, ‘are reputable and will be able to join the Elders’ family and wear the pink shirt’.

Other key considerations are the capacity of acquisitions to enhance business diversification with regard to supply chain and agricultural products, she says. Importantly, any new business, including its customers and staff, must also benefit from the acquisition.

As well as continuing to grow in a capital sense, Elders continued to honour its obligations and strengthen its commitments to rural and regional communities. In 2016, as a part of its Stand Up Speak Up safety campaign, Elders embarked on a partnership with the North Queensland Cowboys rugby league team to raise awareness of and fight the stigmas around mental health. The Cowboys – a like-minded, community-focussed organisation with many fans in rural and remote areas – was a natural fit for Elders.

A Watershed Year

Heralding the fulfilment of the very specific targets laid out in 2014 by then Executive Chair Mark Allison and the rest of the Board, 2017 was a watershed year for Elders. Three years on from announcing a half-a-billion-dollar loss, and now as Chief Executive Officer, Mark was able to report to the board and shareholders that Elders had eclipsed its goals. He recalls the satisfaction of those achievements. ‘We paid dividends for the first time in nine years, we had return on capital of over 24 per cent, we exceeded our $60 million target by more than $10 million and the business had gone from a $50 million market cap to around $300 million.’

The executive and the Board didn’t intend to rest on their laurels. The Eight Point Plan was reviewed, one result being that the pillar of live-export services was replaced with technical and digital services. Although issues around animal welfare and sovereign risk had emerged, Mark recalls, the decision to exit live-export was overwhelmingly due to the bottom line.

‘We ramped up our focus on digital and technical areas of the business, because, as has been the case throughout our history, the clients are always at the core of what we do,’ he says. ‘Developing our digital and technical interface gave us a much more direct pathway to our clients in terms of getting their views and opinions and understanding their issues.’

Graham Page, Head of Technical Services, embraced the opportunity to spearhead Elders' digital and technical area. 'It was exciting to become the sixth point of the Eight Point Plan.'

Contrary to popular opinion, he says, farmers are constantly looking for new developments in research and technology. The questions he asked himself were: 'How is Elders going to continue to add value for our customers who are looking for an edge? When it comes to efficiencies in farm operations or the next set of genetics or whatever it might be, what's going to increase profitability?'

One answer lay with Thomas Elder Consulting (TEC), a premium agribusiness consultancy developed by Graham in 2017. Offering advice on farm management strategies that incorporate science and technology, TEC assists Australian primary producers to make decisions to ensure the viability and sustainability of their businesses.

'TEC is purely fee-for-service and it provides support covering all sectors: livestock, horticulture, cropping, farm business management and precision agriculture,' Graham says.

TEC builds on, and puts into practice, the research conducted by another Elders initiative, the Thomas Elder Institute (TEI).

'TEI is a research-development extension part of our business where we can actively get involved in supporting research that's going to benefit Australian producers,' Graham explains.

TEI collaborates with universities and other research organisations on projects that demonstrate a path to market. Its biggest project to date, a collaborative research farm at Struan in South Australia, was announced in November 2019. It sees Elders partnering with Primary Industries and Regions South Australia (PIRSA), a government department with the purpose of driving research, practice change and adopting new farming technology.

'TEI is utilising the resources that Elders can bring, with its large network of professional advisors across Australia. We can support universities by taking their research, when it's ready, through to practice change and adoption.'

Strategic Acquisitions and Partnerships

Strategically targeted acquisitions continued in 2017, with Elders purchasing ACE Ohlsson Pty Ltd to enhance its horticulture capability. It also purchased an additional 10 per cent stake in Elders Insurance, bringing its holding up to 20 per cent.

In Western Australia, Elders increased its footprint with the acquisition of the Southern Districts Estate Agency, continuing to act on a key component of its strategic Eight Point Plan: targeting considered growth within its real estate business.

Rural charitable partnerships were also formalised with the launch of Elders' employee contribution program, Elders Give It. The Royal Flying Doctor Service (RFDS), Landcare and Beyond Blue were chosen as partners because of their strong ties to rural Australia. Through employee payroll donations and fundraising events across the country, Elders supports these

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‘Elders Give It is about giving back to the communities we operate in.’

charities that have particular resonance in rural Australia.

‘Elders Give It is about giving back to the communities we operate in,’ says Liz Ryan, General Manager Strategy, Customer and Digital. ‘Our customers expect it and our staff want to do it as well.’

In addition to the three organisations mentioned above, Elders and its staff support literally hundreds of community organisations and charities across Australia, she says, including local footy and netball clubs, schools and Rotary clubs.

Malcolm Hunt, General Manager Southern Zone, knows the important role Elders staff play in a range of community spheres.

‘People look to Elders people as business leaders of the district,’ he says. ‘There was a period where that leadership role was reduced due to the centralising of decision-making. Now, there’s a more delegated approach at branch level, to re-establish the business leadership role that the Elders branch had in those communities. That’s the way we’re getting back to doing what we do really well. In a regional or a remote location, it’s very important to have good people in towns. It’s all very well to have good people in Melbourne or Adelaide, but you need them out in the bush, too.’

Growth and Giving Back

In 2018, Elders announced a further commitment to its sponsorship of the RFDS, partnering with the service to acquire a medically equipped aircraft. The unveiling of the aircraft was a true moment of pride for the entire Elders family.

Fittingly, 2018 also marked another gain in workplace health and safety, with a 40 per cent decrease in days lost to injury. Earnings before interest and tax (EBIT) had also increased from the previous year and fully franked dividends were distributed to shareholders for the second year running.

Major acquisitions continued to boost Elders’ capital worth. One of the most significant was Titan AG Pty Ltd, which extended Elders’ presence in the agricultural chemical supply chain. According to Kiim, Titan was a major acquisition in line with Elders’ backward integration strategy, allowing it to capture an increased profit margin in its retail business.

The ‘light-touch’ acquisition of the culturally similar Kerr & Co Livestock, which retained its name, branding and existing management, increased Elders’ footprint and client base in Victoria. ‘It was an important acquisition,’ Kiim says. ‘We had a big gap in the Hamilton region in south-west Victoria, which is prime land for livestock. We had very little agency market-share and they were the dominant player, that we managed to get into our fold.’

In December 2018, at the end of a very successful year for Elders, Hutch Ranck retired as Chair of the Board. He had spent more than four years in the role, having previously served as a non-executive director since 2008.

According to Mark, who took on the role of Chief Executive Officer when Ranck became Chair, Ranck was instrumental in Elders’ resurgence. The men both came to their positions when Elders was on the brink of insolvency.


Give it.


Elders

'When the Board asked me to step down as Chair and to move into the CEO role, I said I'd do it if Hutch was Chair,' Mark says.

He describes their partnership as 'unique' and cites his 'deep trust and respect' for Ranck as the reason he was able to absolutely focus on turning Elders around.

'Knowing that no matter what happened, I could trust and believe Hutch – as he could with me – was quite significant. There was zero nonsense between us.'

181 Years Serving Rural and Regional Australia

Elders celebrated 2019, its 180th year, with the launch of Elders In Your Corner, a campaign celebrating the company's long and proud history and its ongoing support for rural and regional communities.

Importantly, the campaign allowed Elders to 'hero' their customers and their relationships with Elders' staff. These connections, built on trust, service and longevity, have often been fostered over generations.

These lasting bonds have been forged in a myriad of ways, including the dispensing of advice, technical services and data-based insights, and strengthened by the support offered by Elders staff. At times, this support has come through the sponsorship of local sports teams, lending a friendly ear or being a sounding-board. In times of need, such as that following the 2019 bushfires, it came in the form of coordinating livestock feed donation drop-offs, mending fences or providing generators.

No matter whether it's drought, flood or bushfire, Elders is there for clients and for its communities. 'We assist in a quiet way,' Mark says. 'We give credit, we don't chase outstanding bills, we provide mental-health and counselling services to our clients, to anyone in the community, to be honest. We do it behind the scenes.'

On the back of two years of drought preceding the 2019 bushfires that affected much of Australia, Elders once again posted a strong financial performance. In that year's annual report, newly elected Elders' Chair Ian Wilton remarked, 'The strength of those results can be attributed to our diversified business model, together with management's highly disciplined approach to managing and allocating costs and capital.'

That diversity was boosted by the acquisition of Australian Independent Rural Retailers (AIRR), a key strategic move for Elders.

'AIRR added two things,' Mark says. 'One, it diversified us by channel. It's a wholesale business, while Elders is a retail business. Two, it diversified us further geographically. AIRR has 250 independent members so it added 250 points across NSW where Elders was weak.'

Additionally, AIRR's portfolio of home-branded veterinary products complemented Elders' existing range of home-branded crop protection products, allowing both businesses to strengthen their product offerings.

Another development in the agribusiness sector that Elders watched with interest was the merger of Ruralco and Landmark, both major competitors. The new entity took the name of its Canadian parent company, Nutrien Ag Solutions.

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The merger shifted the whole industry landscape and Elders' acquisition of AIRR came at the right time in that respect, heralding an exciting time for Elders.

'It gives us a bigger presence so that we're able to compete against Nutrien,' Kiim says. 'We believe that we have very different value propositions for customers. We believe that our Australian brand is a real strength.'

One upshot of the emergence of Nutrien is that, in the fallout of the merger, a number of staff previously employed by those companies have contacted Elders to sound out work opportunities. It was external recognition that Elders is, once again, seen as a major player in Australian agriculture.

According to Mark, Elders continued to perform strongly because of the principles it had adopted in 2014. 'It's highly financially disciplined, it's highly fact-based and it's managing the things that we can control and that we can influence and not debating things that we can't.'

One of the things Elders can't control is the weather, and the bushfire season that began in the spring of 2019 affected Elders staff, as well as its clients. Some staff were CFA or CFS volunteers and served on the bushfire front line.'It's been tricky to work out how best to help after the bushfires,' Liz says. 'We took the view that help is going to be required for a long time during the rebuild so that's where we want to focus our efforts.' Accordingly, following the bushfires, Elders added the Foundation for Rural and Regional Renewal (FRRR) as a partner in its Elders Give It program. Elders made an initial donation of $100,000 to the FRRR's Disaster Resilience and Recovery Fund which provides grants to local community leaders to address the most pressing rebuild needs, whether it be repairing vital community infrastructure or ensuring psychological support where it is most needed.

Mark echoes the commitment that Elders will maintain faithful to its clients in rural and regional Australia. 'From day one, I said we were not closing any branch in any drought-affected town no matter how much money we're losing. The idea of Elders – and this is where the banks got it all screwed up – leaving a town because it's been dry for two years is just disgusting in my mind.'

The Future

It is difficult for Mark to isolate just one of the numerous milestones achieved over the last five years as emblematic of the company's resurgence. There are several that could rightfully claim this distinction.

'I guess the fact that we're back in the ASX 200 is a big deal,' he muses. 'On the sideboard in my Elders office in Adelaide I have the Turnaround of the Year award, the Korn Ferry Employment Engagement Award, the announcement that Elders had been added to the ASX 200 Index, and a model of the new plane that we helped the Royal Flying Doctors acquire. But I've got to say, what I personally feel best about is all of the Elders people who've regained their confidence and have grown and developed. When I see them being acknowledged for being agribusiness professionals, it feels like success on a personal level. Today, 40 per cent of our directors are women. We have a number of young women who have been promoted who are doing really well in the business.

'If the question is "What makes me feel good?" I love the fact that we're now in a position to reinvest in rural and regional Australia.'

In its 181st year, Elders is once again developing a renewed Eight Point Plan which will guide the company through to 2023.

'The working objective is to become an ASX 100 company by the end of 2023,' Liz says. 'That's an ambitious goal that will require more than doubling our EBIT while remaining efficient in our use of capital. To get there we're going to need a mix of organic and inorganic business growth and initiatives. We are on our way, with our market capitalisation around $1.5 billion as we move through 2020.'

As always, challenges loom for Elders, its clients and for agriculture more broadly.

'We need to look at diversity in our workforce to get access to the smartest people in agriculture. We need to have more women in senior roles, in branch management roles particularly. We also need to look at our innovation, at our digital offering, systems and platforms. How do we assist our clients and growers to be more efficient through innovation?'

Graham Page sees a shift about to occur with Elders' agronomy network and its consultancy arm. 'In the future, in my opinion, advisors will be doing less scouting of paddocks, crops and vines. They'll be doing more talking and analysing, using the data to provide a solution to a problem. Farmers have got so many other priorities; we can't expect them to also crunch the research- and data numbers.'

And of course, there will continue to be opportunities for Elders.

'We are now in a much more financially stable position than we were back in 2014,' says Ian Wilton. 'We have the potential to grow the company through acquisition if opportunities arise.'

But, as is prudent, he also has an eye on possible threats to the company – the most pressing in his opinion, coming from Elders' largest competitor, Nutrien Ag Solutions.

'The competition will, no doubt, act as a spur for Elders,' Ian says. 'We need to continue to deliver the products and services that are meaningful for our clients, particularly the advice we give them.'

Elders' clients and their relationship with the company have always underpinned its success and this will continue to be the case into the future. 'Relationships in regional Australia are our number-one priority. These relationships have seen us through the droughts, the bushfires, the floods and now COVID-19,' Mark says.

'The point that I would like to emphasise, is that at all levels of the company there is an alignment to the belief that the front end *is* the business. The farmer, the primary producer is where it all happens. That's been a huge turnaround for this company.'

With Elders' 200th year in business looming, this commitment to primary producers bodes well not just for Elders, but also for Australian agriculture. ■

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