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**CO-OPERATIVE
VENTURE**



HISTORY

of the

**Southland Farmers' Co-operative
Association Limited**



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F. W. G. Miller

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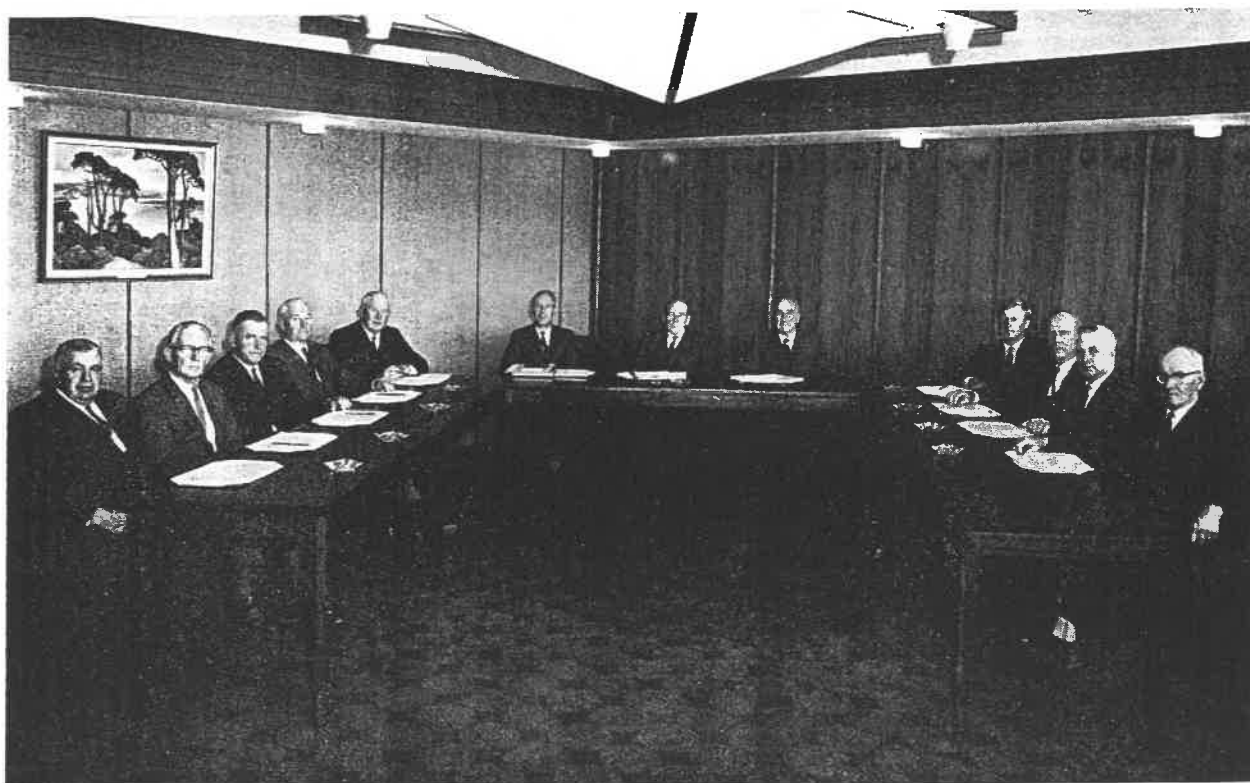
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BOARD OF DIRECTORS



R. Swale, A. Henderson, P. Teviotdale, J. J. Wylie, A. R. Dawson, W. W. Thomas (Secretary), J. A. Woods (Chairman),
M. J. Royds (General Manager), G. Pinckney, J. H. Gordon, A. O. Fleming (Vice-Chairman), F. T. McRae.

Introduction

THE SOUTHLAND FARMERS' CO-OPERATIVE ASSOCIATION has reached a stage in its development at which the Directors feel the time is appropriate to take a backward look at the events and changes that have brought it to its present status as one of the most successful mercantile enterprises in Southland. Its somewhat chequered career in its formative years was conditioned partly by the economic situation at the time and partly by various domestic circumstances which brought the Company to a financial crisis from which it was rescued by a dedicated Board of Directors under the wise leadership for many years of the late Hon. Adam Hamilton. It is in acknowledgment of this outstanding service, and to commemorate the achievements of the past in the face of adversity, as well as to recognise the loyal and devoted service of the staff under the direction of the General Manager, Mr Maurice Royds, that the Board has engaged the services of an experienced historian, Mr F. W. G. Miller, to write this history in an objective style, based on Company records and the recollections of members of the Board of Directors, the General Manager and long-service present and former members of the staff. The result has been a history of achievement of which the Company might well be proud — a history which will be added to the permanent records of a province that has had so much to contribute to the prosperity of New Zealand. The Southland Farmers' Co-Operative Association has played an important part in the creation of that prosperity and for that reason also it is proper that there should be a complete record of its success after such an uncertain start.

The Association was founded in faith, developed through toil and has grown with the province it has served. The prosperity of the one is the prosperity of the other, and it is the earnest wish of the directors, the management and the Staff that on this basis they will both grow in strength with the passing years.

J. A. WOODS,
Chairman of Directors,
Southland Farmers' Co-Operative Association.

Foreword



THE STORY of the establishment, growth and development of the Southland Farmers' Co-operative Association is a story of faith and courage — faith in the future of Southland, in its productivity and in the character of its farming community, and courage in the face of adversity and in the fluctuations at times of crisis brought about by falling markets.

The men who founded the Association knew what the land could produce — they knew that it contained some of the best sheep country in the world. They knew too that with a strong organisation behind them, built by themselves and for themselves, they would in time reap the reward of their faith and toil in an increasing measure. On the precept that union is strength they established a co-operative association that was, after many economic and domestic vicissitudes, to become one of the most successful enterprises in co-operative marketing and financing in New Zealand.

The history of the Southland Farmers' Co-operative Association is a short one in terms of years, but in experience, enterprise and achievement it forms an important chapter in the economic and commercial life of the farming community of

Southland. For most of its years the Association has had its headquarters in the Crescent, the commercial heart of Invercargill, but some years ago it was realised that it had outgrown these premises and towards the end of 1967 it entered its commodious new headquarters on the eastern side of Clyde Street. The new building, modern in design, marks an important step forward in the life of the Association and stands as a material symbol of the farming interests of the Association and its shareholders.

Today, with a capital of \$1,325,232, the Southland Farmers' Co-operative Association stands as a mercantile institution of which the province might well be proud. It has grown to substantial proportions not so much because the times were right as because of the men who were born for the times, men who were prepared to meet each crisis as it came and whose inspiration and energy guided the Association safely through many of the economic shoals that threatened its existence. It is in recognition of the work and dedication of these men, all sturdy Southland farmers, and of a devoted staff, that this history is placed on permanent record.

CHAPTER 1

The Beginning

Riversdale is a small country town in Northern Southland. It is the centre of a prosperous farming district in the heart of the great Waimea Plain that extends from Gore to Lumsden. It is so remote from the main centres of commerce and from the principal flow of traffic that it is virtually unknown outside of Southland, although it did gain a measure of fame from the fact that that vigorous personality of the Labour Party and of the first Labour Government, John A. Lee, spent part of his childhood there and recorded his experiences in his first book, "Children of the Poor."

But small and remote though it is, Riversdale was the place where one of Southland's great farm commercial enterprises was conceived and born—the Southland Farmers' Co-Operative Association, which today serves farmers throughout the province and is recognised as one of the biggest farm mercantile firms in the country.

The idea of forming a farmers' co-operative association must have been widely discussed by these northern Southland farmers at their stock sales and farmers' meetings and they must also have felt some concern at the growth of various industrial and commercial associations in the South-Island which could ultimately be in a position to dictate prices and thereby hold the rural community to a fixed standard of living. But talk was not going to solve their problems as most of them realized and their discussions were speedily translated into action. On January 25, 1901, a meeting of farmers convened by circular was held at Riversdale and Mr A. H. Aitken was voted to the chair. It needs no effort of the imagination to realize that he must have been the driving force behind the meeting. According to the minutes of that historic meeting the chairman briefly reported on the death of "our late lamented, pure and noble sovereign Queen Victoria" and moved a motion of sorrow and sympathy. Having thus shown their loyal sorrow the meeting got down to business.

The meeting was addressed by several present and "after general discussion and mature consideration" the following resolutions were carried unanimously :

1. That in the opinion of this meeting it is desirable that a Farmers' Co-Operative Association be formed and that a public meeting be held to further discuss the matter.
2. That this (private) meeting be reported in the press and that the public meeting be held at Gore on Monday 4th prox. at 2.30 p.m. and to be advertised in local papers.
3. That this meeting resolve itself into a committee and that each person present pledge himself to do his utmost in the interval to promote the success of the project.
4. That a sub-committee be appointed to collect all information they consider useful and necessary, draw up a prospectus etc. to be submitted to the public meeting.

The Riversdale farmers made an effort to have the second meeting held in their own township but the weight of opinion was against them. The final act in the first meeting was the fixing of a levy of 24s a head to cover expenses.

The February meeting in the Gore Town Hall was attended by over 150 settlers from all parts of the district—the largest and most representative gathering of farmers ever assembled in Gore up till that time. Mr James Kelly, of Riversdale, was voted to the chair—so even if the meeting was not held at Riversdale the Riversdale interest was pretty strong and was well represented.

The chairman launched the campaign with a vigorous speech. The Waimea Plains farmer had come determined, he said, that no matter what the result of the meeting they were not going to let the matter drop. It had often been said that farmers could not be got to unite in their own interests.

Well, they had united to some purpose in other places and he did not see why they should not join together over such an important matter as the question before them. The present afforded a good opportunity for action. It was not out of antagonistic feelings to the various commercial firms that they proposed to form a Farmers' Co-Operative As-

sociation—it was simply for mutual help and protection. There could be no possible objection in this age of unionism to the farmers combining to conserve their own interests, and the Waimea Plains settlers considered the best way to achieve this was by co-operation.

Mr R. Dodds moved "That the time has arrived for the establishment of a farmers' co-operative association in the district." Everything, he said, was favourable to such a step, farmers were in a better position now than formerly and they should make every effort to establish such an institution without delay.

"Speaking to the question in its broad aspects," he went on, "I would say first of all that the farmers have to bear the brunt of the whole colony. The farmers actually run the whole colony. I know I am in the midst of a meeting of landlords and I always denounce landlords but I will confess that self-interest has brought me here," he said amidst laughter.

Then he added : "I always maintain that not only do the farmers bear the brunt of taxation but they carry the 'old man of the sea' on their backs as well and they have come here to shake him off. They have the ability to do it and no class has more power to do it if they will only put their shoulders to the wheel. I have lost £10 over each of the four previous co-operative associations but I am going to put more into this proposed association than I have put into all the others together. Farmers don't realize their own power. They have all along been carrying on their shoulders big commercial concerns the heads of which live in London and Edinburgh and have a jolly good time at the farmers' expense!

"It's time now the farmers had a jolly good time (Laughter). The way to do it is to run their own business. I know the farmers have been plundered—no class more so—and we meet today to devise means for our own protection. Travelling through parts of Italy is often attended with danger of robbery by brigands—but the brigands only rob the same man once. The farmers of New Zealand on the other hand are robbed every year and all the time (Laughter)."

Mr Dodds pointed out that if they took up £100 worth of shares they would not have to pay up the whole amount. Probably only £50 of it would be required. They wanted a little courage and enterprise and their association would go ahead like those in Canterbury. He hoped that no farmer would back out or become frightened for the sake of a few pounds.

Figures were produced at this meeting showing the development of other associations in Hawkes Bay, Christchurch and Timaru and the secretary, Mr Aitken, remarked that little reflection was needed to realise the magnitude of the proportions to which these businesses had grown and the immensity of the benefits they had conferred upon farmers.

An economic survey of the position in which the farmers stood at that time was given by Mr Aitken who pointed out that the community could be divided into three classes—the producers (who were the farmers), the distributors (who were the middle men) and the consumers (who were the people in general. It was generally conceded that there was something very wrong with any trade or industry which did not return the cost of its production. That was the position of the grain producer at that time.

A fresh market had been opened up in South Africa for oats and the market was going to be developed by Government subsidy to shipowners. That meant that it was to be developed at the expense of the taxpayers. Moreover the farmers, the backbone of the country, were being deprived of the advantages of that new market because there had recently come into existence in Invercargill a grain buyers' association that was successfully dominating the market and controlling the prices paid for oats. A strong feeling of discontent for the present and apprehension for the future had been created in the minds of most farmers and all felt that the time was ripe for combination for their mutual protection.

Other classes in the community had organisations to promote their own interests, and why not the farmers? It was the profit occurring between production and consump-

tion that a farmers' co-operative association was designed to commandeer and return to its patrons.

The solution of the whole difficulty was for them to do their own buying and selling through their own institution—then the profits made from distribution would be divided among them pro rata. It was impracticable, as some suggested, to do away with the middleman altogether and it was a mistake to suppose that the commercial interests were inimical to those of the farmer.

The commercial class was looked to by the farmer to conserve present and exploit new markets, to develop greater and more improved facilities for the handling of stock and produce. In that district they had no reason to complain of shortcomings in respect to the people with whom they were accustomed to do business. But at the same time they could not shut their eyes to the fact that the commercial classes were fattening on the intermediate profits that occurred between production and consumption. There was nothing unfair in the middleman making profits, but it was a remarkable fact that while implements, wire, bags, twine and other materials had advanced from 5 to 20 per cent. in price and so increased the cost of production prices of grain were receding. The farmers could not command better prices or reduce the cost of production so their only remedy was to minimise the cost of distribution. That it was hoped to do so by establishing a purely farmers' co-operative association.

Mr Murdoch rose to his feet again to assert that the commercial interests were living on the farmers and that by forming such an association the farmers only wanted what belonged to them. No one would object if the commercial men got a "nibble" now and then.

In view of this vigorous espousal of the cause it is not surprising that when the motion was put it was carried unanimously. It was also resolved that the name of the association be The Southland Farmers' Co-Operative Association, with the registered office at Gore.

An amendment to have the headquarters at Invercargill received no support.

The prospectus prepared by Mr Aitken was read to the meeting, showing the nominal capital as £10,000 in 2000 shares of £5 each. A move to have the capital increased to £100,000 found no support and other efforts to fix the capital at £40,000 and £15,000 was likewise lost.

The following were appointed provisional directors:—
Otama : A. Murdoch, T. Logan and R. Dodds; Gore : John Falconer, D. Stewart; Riversdale : J. Kelly, E. Fitzgerald, R. Kennedy, W. Hall, W. A. Donald; Balfour : J. Butler, J. McPherson, G. Stuart, D. Walker; Mataura : John Gray and W. Pryde; Wyndham : A. Laidlaw and James Milne; Pukerau : T. Herron; Wendon : A. H. Aitken, J. Stevenson; Waikaka Valley : Hugh Smith.

The provisional directors held their meeting a week later, on the 11th, when Mr Kelly was appointed chairman until the election of directors.

CHAPTER 2

Years Of Expansion

By February 23 it was reported that as the result of a canvass of the district 516 shares had been applied for. On April 22 the first meeting of the board of directors was held at D. L. Poppelwell's office in Gore, when James Kelly was elected chairman until such time as a permanent board was elected. Present also were Messrs Maher, Murdoch, Gray, Dodds, Milnes, Hugh Smith and A. H. Aitken. Mr Gray was appointed vice-chairman and Mr A. Aitken secretary until the election of a permanent board. That followed almost immediately at the first general meeting of shareholders which elected nine directors, as follows : A. Murdoch, John Gray, Hugh Smith, J. J. Dickison, George Milnes, William Scoular, James White, Peter T. Aitken, John Kirk. Mr Murdoch was elected chairman and Mr A. H. Aitken secretary at £3 per week until the appointment of a manager.

Subsequently M. Carr was appointed manager out of 14 applicants at £250 per annum with a bonus from profits. In the meantime the chairman was assiduously pursuing his duties by interviewing various business houses in Dunedin regarding agencies and general merchandise. Among these were Murray Roberts and Co., the McCormack Harvester Company and others.

At the same time the manager received instructions to arrange a meeting with representative farmers in the Western and other districts of Southland to discuss the extension of the business more thoroughly through the province, while Messrs Dickison and Kirk were requested to visit and canvass the West Otago area around Tapanui.

The Association's first annual meeting was held at Gore and in accordance with notice the chairman, Mr Kelly, moved that the head office be moved to Invercargill. After some discussion this was amended to read that in the event of 500 shares being taken up in the southern and western districts of Southland the head office be moved to Invercargill. The motion was carried unanimously.

About this time support for the co-operative movement was evidently coming from the church for the Association has on record a motion thanking the Rev. P. Ramsay for "his able and helpful efforts on behalf of the co-operative movement" and added: "We look upon any movement for the benefit of the masses as a Christian act."

The decision to move to Invercargill was made at an extraordinary meeting of shareholders on January 10, 1902 and it was also decided to increase the nominal capital to £50,000.

Progress after this appears to have been slow but steady in the first few years. The first appointment apart from that of manager was of a stockman and canvasser at a commencing salary of £2/10/- per week "he finding his own horse," but less than a year later the man's services were dispensed with in view of the falling off in stock business and work in the store. Following a horse sale at Otautau in response to a request from a number of shareholders in the district it was decided to hold a sale there monthly and also to arrange if possible for a monthly sale at Gore.

By this time the Association had established its headquarters in Leet Street, Invercargill, and at the annual meeting in 1905 the chairman, Mr A. Murdoch, reported that they had made splendid progress during the year, this being exemplified by the commodious premises they now occupied and the increase in business on which he thought they were justified in congratulating themselves. A personal canvass had been made among the farmers and he was pleased to say that every person called upon took up more shares and one of the directors had recently bought another 50. He observed that those present were mostly farmers and as such they all knew that plant was required to carry on their work. The association also required capital, so he hoped those present would come forward and assist the association and at the same time assist themselves. In comparison with like concerns in the north the volume of business done was small, the reason being that farmers near Timaru and Oamaru held considerably more shares than those in Southland and consequently did nearly all their business in their own stores whereas in Southland a number of their own people dealt elsewhere.

At the request of a number of shareholders the Otautau branch was opened in January of that year but had not been patronised as they had hoped and the directors did not feel like carrying it on at a loss.

However the Otautau business struggled on and it was reported the following year that most of the people around the district were anxious that the Association should go in for an extension of the business there and would get a good measure of support if it put a cart on the road—though it was likely to get strong opposition from the established grocer who had a big hold on the business of the district. It was evidently felt that the staff at Otautau was not giving the service and the local representative, with the boy, was dismissed and it was decided to appoint another man to take charge "at a salary not exceeding £250 a year to start with."

The Bank manager was also interviewed and a proposal made to buy out the opposition store, but this idea was dropped because of difficulties with the bank on the terms of sale.

The Association was steadily progressing in other parts of the district and in 1907 the chairman reported that he had purchased the property at Riversdale at auction for £180 and had arranged for the erection of a shed for manures etc., "to cost £20 or so." It was felt that the Riversdale business was improving daily and that most of the business would be done from the building.

In the meantime the tender of D. Robertson for proposed new premises opposite the railway station at Gore for £2675 was accepted, the intention being to establish a grocery store there.

The directors continued to work assiduously in the interests of the Association and a strong share-selling campaign was pursued throughout the province. At the annual meeting in 1908 a motion to increase the capital to £100,000 was defeated after a discussion but it was decided that it be increased when the directors thought fit, the amount not to exceed £100,000. In other words, the motion was approved in principle but was to be operative only on the responsibility of the directors themselves.

An odd little provision was also slipped into the records at this time—a decision “that not more than two members of one family be employed by the Association.” But this resolution was rescinded later in the year.

The optimistic atmosphere that prevailed in the early part of this year was somewhat dissipated towards the end of the year with plans for retrenchment under consideration. At the suggestion of the Board the manager called a meeting on October 19 at which it was decided to dispense with the services of the Balfour and McDonald's agencies. A director also gave notice that he would move at the next meeting that “unless results justified the present scale, salaries should be reduced 10 per cent.” The Bank at this time was pressing for a reduction of the overdraft, and it was suggested that in view of the financial position every effort be made to reduce stock and to encourage sales for cash.

CHAPTER 3

Internal Problems

The annual meeting on September 18, 1909, was attended by over 200 shareholders, and this was the Association's first year under the chairmanship of Mr Hugh Smith. At this meeting Mr D. McDougall moved that in view of the present position of the Association and the dissatisfaction existing among shareholders it be an instruction to the directors to make a thorough investigation of the affairs of the Association with a view to an alteration in the working of the business of the association.

This motion provoked a considerable amount of discussion but it failed to win the support of the majority. Elected to the board were Messrs Hugh Smith, John Gray, James Butler, Alfred Tapper and David Walker. Messrs D. McDougall, Henry Buxton and A. J. Sheat were defeated. That there were troubled waters ahead was fairly clear to the newly-elected board of directors who decided at their first meeting following the annual meeting that a report of the position of the Association as at December 31 1908, be laid before them as soon as possible.

At an extraordinary general meeting held on November 6, 1909, Mr Hugh Smith proposed a series of motions to increase the capital of the Association to £75,000 by the creation of 5000 new shares of £5 each to be called preference shares. The chairman referred to the necessity of increasing the capital because of the increase of the Association's business, and the shareholders agreed to the recommended course, with the dissent of only three of their number.

Shortly after this a member of the staff at Gore committed the unbelievable folly of writing to the newspapers criticising the directors report in direct opposition to the manager's instructions, and the manager's subsequent action in summarily sacking him was approved by the directors. The directors also declined to grant the dismissed man an interview.

SOUTHLAND FARMERS' CO-OP. STAFF, 1909/10



Inset: F. Martin. Back Row (left to right): J. McCrostie, Dan McMillan, W. George, R. McNeill, W. Young, J. Pullar.
Middle Row: Sam Brooks, A. J. Couchman, W. A. Cockburn, Miss McKellar, M. Carr, W. W. Shennan, J. Hanna.
Front Row: Gordon Couling, Len Little.



Back Row: J. Dunnett (W.S. & Co.), P. Israel (Dalgety), A. F. Hawke (National Mortgage), J. E. Watson (J. E. Watson & Co.),
F. Loughman (Dalgety), J. Callender (N.Z. Loan), J. Gilkison (J. E. Watson & Co.), G. Spite (National Mortgage),
T. Watson (J. E. Watson & Co.).
Front Row: A. D. Skelton (W.S. & Co.), A. Mitchell (—), G. McChesney (J. G. Ward), J. McCrostie (S.F.C.A.),
A. Smith (Henderson & Co.), Andrew Wallace (J. E. Watson & Co.).

The struggle for existence at Otautau and Riversdale continued and more than once the directors had to consider whether to close these branches down. They eventually decided to keep them open but to withdraw from the retail business at Invercargill and to dispose of the stock as quickly as possible through the other branches and through any other means available.

Relationships between the directors and the manager, Mr Carr, were steadily deteriorating about this time and at the end of 1910 Carr tendered his resignation "through differences with the directors," refusing a request to reconsider his decision. At the annual meeting he stated that the year had been a very trying one for everyone connected with the Association. That the result of the year's activities had not turned out better was a very unsatisfactory state of affairs, but for this he did not hold himself in any way to blame. As far as he was personally concerned he "would not stand for all the dirty tricks he had been subjected to for the past 12 months for a thousand a year."

Mr John Patrick was appointed to succeed Mr Carr.

By this time the Bank of New Zealand was applying pressure and even went to the extreme length of advising that unless money was forthcoming any large cheque would be returned unpaid. The Bank suggested that the directors pay £5000 into the Association's account. This ultimatum was discussed to some length and some of the directors' offered to provide their own finance—one offering to pay in up to £1000.

Concern at the financial position of the Association and the general oversight of the business was expressed in a letter from Mr J. D. Trotter at a meeting on January 1, 1912. Mr Trotter mentioned that at the annual meeting the overdraft was £7,700 and now, although nothing more had been heard of it, the overdraft was £20,000.

Mr Tapper spoke in defence of the Association's financial policy and explained what the executive had done. He was surprised to see such a letter read and he for one had faith in the general manager. The chairman also spoke in support of the manager, saying that application had been

made to the bank for an increased limit. He thought the manager should be backed up in the work he was doing. Others also expressed satisfaction with the returns.

In spite of this criticism of the Association's method of handling its finances there was no lack of interest on the part of investors and applications for shares continued. It was necessary to inform one prospective buyer that his application for a single preference share could not be entertained—they were only available in blocks of 50—but the directors would be pleased to allot him any number of ordinary shares he cared to apply for.

Evidence of the growth of the Association was provided by the sale to P. H. Vickery in 1912 of the Gala and Leet Street properties for £4800 and the purchase of a property in Annan Street for a store, as well as the acceptance of a tender of £3277 for its erection. About this time too the general manager mentioned the necessity of providing motor cars for the use of the outside men, and it was agreed that cars be purchased.

In the meantime the Association was occupying premises on Dee Street on the ground floor of the proposed Grand Hotel, leased from the Prince of Wales Proprietary the previous year at £4/10/- a week and rates. It is interesting to note that Mr Trotter had objected to the acquisition of this site for the illogical reason that he considered it "the best site in Invercargill and therefore too good for the Association." But perhaps the real reason for his objection was that he considered the rent too high.

A general expansion of the Association's business followed and again the directors expressed appreciation of the manner in which the general manager was managing the affairs of the company.

But the pessimistic voice of Mr Trotter was still being heard in the assemblies and before the year 1913 was half over he expressed the view that it was necessary to reduce the staff at once. He considered that at that time the business was being run at a loss and that to a certain extent the general manager was to blame for this state of affairs as he had launched out and increased the staff unnecessarily.

Once again the other directors rose to the defence of the general manager, pointing out that the criticism was not quite fair because the slackness was due to a bad season and the general tightness of money. The reorganisation of the company was left in the hands of the executive and the general manager.

Mr Trotter continued to be querulous, contending that the business was not being controlled by the chairman and that the directors had no definite system of going into the accounts—also that the general manager had too much authority and power.

The chairman, Mr Smith, argued that he considered the present system quite satisfactory and spoke appreciatively of the efficiency of the general manager. He could not be held answerable for a general depression that was being felt all over the world.

But Mr Trotter pursued his campaign against the general manager who was now under heavy fire from some of the directors as well. The year 1913 was certainly proving a bad one for the Association and Mr Trotter was firm in his opinion that the manager's conduct of the business was not satisfactory. He thought steps should have been taken long ago to reduce unnecessary expenses and pointed out that the stock department at Invercargill had not come out on the right side. He argued further that control of the business should be in the hands of the chairman. All that had been accomplished in the previous two years was that the general manager had gained a great deal of experience at the company's expense.

This time he found some strong support for his views. Mr Reid for one agreed that the business could not be allowed to go on in the way it had. Another year like the last would mean that all the paid up capital would have disappeared. He was of opinion that far too many men were being employed, especially at Gore, and favoured cutting down the staff in the retail shop there and also outside men. He thought the time had arrived when they should have a manager at Gore subject to control by the directorate and a manager in Invercargill in the same position.

Mr Smith pointed out that though the Association had had a bad year they should not take it for granted that the coming year would be bad also.

Mr Watson thought the general manager was to blame to a certain extent as the business was left to him and he was not expected to enter into unprofitable transactions. An effort should be made to obtain a greater percentage of profit in the retail departments and the grain business should, he thought, be avoided as much as possible.

Other directors spoke in similar vein, one pointing out that the expenses at Otautau were enormous and that it was impossible for this branch to carry such a load and come out on the right side.

Another director argued that the grain business was always more or less a speculation and he didn't see how that could be avoided. It was necessary to buy a farmer's oats to secure the rest of his business and he thought the grain department would have to be carried on in the future very much as in the past, but they would have to exercise more care.

Another director mentioned that large stocks were carried by the branches and he blamed the general manager for not keeping the buying down. He also favoured separate managers at Gore and Invercargill—the general manager wasted his time travelling between the two places.

At this stage the general manager explained his own point of view and mentioned his problems at considerable length. When business fell off and times were bad, he said, it was difficult to decide whether to dispense with men or not. Already great reductions had been made in salaries and expenses and greater reductions were still possible. He was quite prepared to resign at any time, though he suggested the present staff stay on for another 12 months.

The opinion of some of the directors was that the outside staff should be reduced.

Mr Trotter moved that the Association avoid all grain transactions but Mr Buxton said this was impossible as it was necessary to buy farmers' produce to hold their busi-

ness. He moved an amendment that the grain department continue as at present, special care to be taken not to make losses, and this was carried.

At the same time the Otautau representative's salary was reduced to £200 per annum and the outside man at Otautau was discharged "for economy reasons."

The general discussion of the balance sheet at the annual meeting on September 5, 1913, attended by 140 shareholders, was "mostly of a critical nature." Mr Henriksen, in a lengthy speech, blamed the general manager for the position in which the Association found itself but Mr John McQueen disagreed and blamed the directors. It was at this meeting that Mr Trotter was elected chairman, and as he moved into office he said that he had felt for a long time that he would like to try his hand at that position. Mr Hugh Smith became vice-chairman.

Three days later the financial position of the company was explained and the "trouble that had arisen with the Bank of New Zealand" was gone into. It was considered that the best thing to do was for the directors to pay their own cheques in in the meantime to relieve the very congested state of the finances and it was also thought advisable to make another call on the ordinary shares. The directors present then deposited cheques to a total value of £3000.

The manager of the Bank of New Zealand attended the meeting after lunch and the temporary measure of paying in the cheques was explained to him. It was also explained to him that in order to carry on the business it was necessary to have extended accommodation for the next three months of an additional £5000.

Mr Henriksen, who had come in by the afternoon train, now took his seat on the board. He was not at all surprised how matters stood, he said, and added emphatically that he was not prepared to take on any further responsibility unless the directors would agree to cut off the whole of the retail business.

It was resolved that steps be taken to do this and to make an effort to dispose of the premises by lease or sale.

Mr Johnston opposed closing the retail business and advised the necessity of moving with caution and wisdom. With care, he said, even the retail side of the business could be made to pay. In his opinion far too many hands had been employed and he blamed the general manager for this entirely unsatisfactory state of affairs.

Mr Buxton thought this criticism rather unfair. Mr Henriksen had, he said, forgotten the bad seasons. No doubt mistakes had been made in the past but he urged a more hopeful view.

At this stage the general manager spoke up in his own defence, taking the strongest exception to the publicity given to the association's affairs by Mr Henriksen at the annual meeting. It was, he said, bad policy for any member of the board to speak in public as Mr Henriksen had done. His reputation as a business man had been seriously affected and he felt the only course he could take in his own interests and in the interests of the Association was to give four months' notice from the end of September.

Mr Henriksen moved that the manager's resignation be accepted and that he be thanked for his past services, but there was no seconder to the motion which accordingly lapsed.

All the same it had become manifestly clear by now that the manager's position was fast becoming untenable, in spite of the opinion of the chairman and two other directors that he was "the right man in the right place," and that he should remain with them until July.

But the Association's financial position was steadily worsening and in September 1913 the Wyndham agency was closed and there were further staff reductions. At the same time the Bank of New Zealand refused to sanction any further increase in overdraft limit.

Some time earlier Mr W. M. Matson, branch manager and auctioneer at Gore, had tendered his resignation—which was received with great reluctance by the Board who regarded him as a valuable man and one they could ill afford to lose. However he appears to have been still with the Association three months later and in October the

question of rearranging the Wyndham agency was left in his hands on the understanding that the man in charge there be employed in future on a salary and commission basis. It was also a recommendation to the executive that all the outside men's salaries be gone into on the basis of salary and commission.

Towards the end of the year the Stock Agents' Association submitted a proposal to increase the rate of commission on stock sold in Southland from $2\frac{1}{2}$ to $3\frac{3}{4}$ per cent. or even 5 per cent.

Some of the directors said the Association would strenuously oppose the proposal but Messrs Tapper, Henriksen and Watson favoured the increase as they considered it would be one of the best things that ever happened to the Association. In the end the Association decided that it did not object to the proposal.

At this meeting it was resolved also that the general manager's engagement be terminated on March 7, 1914, when the three years' agreement expired.

A month later Alex Simpson was appointed manager of the Association's retail merchandise departments at Gore, Otautau and Riversdale at £5 a week conditional on him placing £1000 on deposit with the Association at Gore for one or two years.

Mr Trotter also wrote intimating his intention of resigning from the Board.

CHAPTER 4

First World War Period

The affairs of the Association were at this time causing the directors a great deal of concern. The liability to the bank had now reached £19,600 and the net loss for six months' working was £1000. The general manager pointed out that because of the drain of finances through so much deposit money being lifted the time had arrived when the business would have to be cut down considerably and either the stock department or the retail department would have to be sacrificed.

Mr William Matson was called into a meeting and he expressed similar views. Lack of capital, he pointed out, was a severe handicap. He thought it would be necessary to cut the business down very considerably and he offered to take the stock business over on his own behalf at Gore. A special meeting on February 20, 1914, decided to realise on the stock and station departments and to offer the Gore stock department to Mr Matson at book value. Mr Matson asked for seven days' extension but Mr Johnston complained that the matter had become public property and the impression was gaining ground among shareholders that the option was worth £1000 and that something valuable was being given to Mr Matson for nothing. He thought the shareholders should be faced with the position placed before them.

Mr Watson contended that to continue with the retail business and to trifle with the stock department was only to prolong the agony while Mr Henriksen argued that although Matson was an excellent servant he thought it would be better to cut him off from the business rather than extend the option.

A month later the retail manager, Mr Simpson, presented a report on the retail side of the business whereupon Mr Trotter stated that in view of the position disclosed he considered it advisable to place the whole matter before the shareholders as he did not see any hope for the Association.

With this point of view Mr Buick disagreed. If they were forced to realise they would be faced with a much heavier loss on a larger quantity of goods.

Mr Watson spoke of the losses in the retail business but with a man of Simpson's energy and ability he did not think the position was hopeless yet and he thought they should still carry on. At the same time he thought the shareholders should be told of the position so that they could carry a share of the responsibility for any decision made should the worst come to the worst.

Tributes were paid to Mr Simpson and Mr Smith said they could now meet the shareholders and place the position before them. In the past mismanagement had been the cause of stock accumulating, the wrong men being employed.

Mr Johnston thought it would be wise to meet the shareholders at Gore, Otautau and Invercargill when a correct balance sheet could be put before them. The shareholders would be sympathetic and it would also allay a good deal of hostility which no doubt would be apparent at the annual meeting. Any questions which were troubling the shareholders could be answered without being reported in the press and in many cases the explanation misconstrued.

Mr Simpson was then offered a seat on the directorate which he accepted. He was given authority to dispose of Otautau, Riversdale and Gore retail businesses to the best advantage.

Mr Johnston said he was prepared to resign from the directorate and take over the stock department at Gore if an option similar to that given Matson were allowed him and he would run the department with his own capital and in his own name for the ultimate good of the Association. Mr Matson's option was not extended.

Mr Matson was called in and Mr Johnston's suggestion about taking over the stock department was placed before him and he was asked if he was prepared to work under that arrangement. "Definitely not," said Mr Matson, who then added that he wished to sever his connection with the firm as quickly as possible.

The chairman wished to place on record his high appreciation of Mr Matson's services—he was a peculiar combination of auctioneer, business man and financier. Other directors spoke in similar vein and Mr Matson thanked them and expressed the hope that the business would yet be brought to a successful issue.

It was at this meeting that the chairman pointed out that Mr Patrick was leaving immediately and that it was necessary to appoint a secretary to act as public officer to the company. Mr J. M. McCrostie, a member of the office staff, was accordingly appointed to that position.

At this stage Mr Trotter, who had returned from a trip abroad, presented an ultimatum to the meeting stating that unless he was again elected chairman (his former position on the board) he would have nothing more to do with the board of directors.

The directors refused to be coerced in this way whereupon Mr Trotter resigned from the directorate and left the meeting. He also withdrew his guarantee. Mr Reid moved that Mr Simpson be appointed chairman but he declined the honour, pointing out that such a step was unworkable.

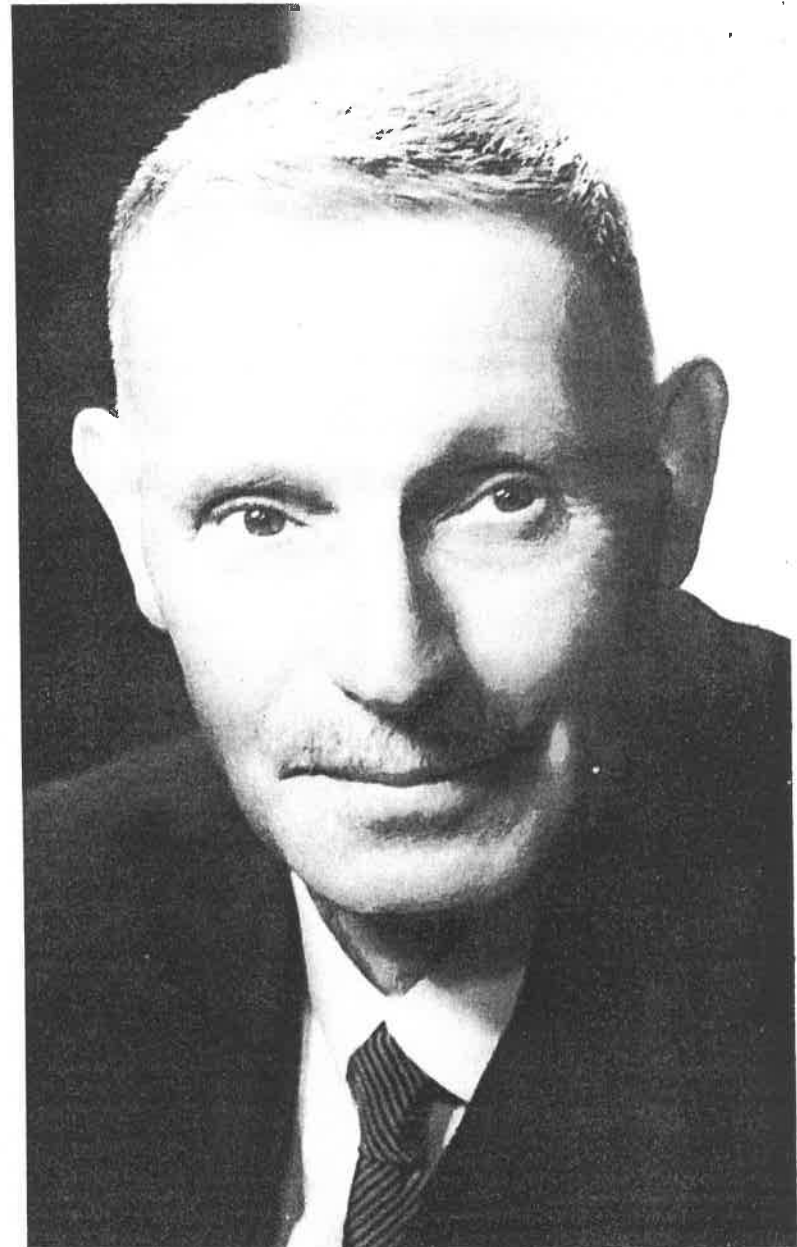
A resignation which was accepted with more regret than Mr Trotter's was that of the secretary, Mr McCrostie, who had been ten years with the Association. Mr Reid was appointed secretary in the meantime.

The affairs of the Association appeared to proceed smoothly from this point and in 1915 they even paid a bonus of £300 to the staff. By this time the Empire was in the throes of the Great War and Executives of the Association were offering themselves for active service. As a consequence Mr Simpson was appointed general manager and secretary—at £400 a year—and general satisfaction was expressed with the manner in which the affairs of the Association were being conducted. A weekly sale was now being held at Wallacetown which was disarranging the recognised system, making it impossible for Mr Bruce Ireland to sell at Gore. A rearrangement of selling was found to be necessary and Mr Ireland intimated that he would be willing to continue acting as the Association's auctioneer at £100 a year. This was agreed to for one year.

One entry in the minutes during this period was sufficient to show the impact of the war on the community—a minute of sympathy with Mr Hugh Smith in the death of his son, killed in action.

Relations with Mr Ireland were terminated in 1918 and an auctioneer's licence was taken out in the name of William McLay.

The next two years were uneventful and the first move of any importance was the purchase at the beginning of 1920 of the property in the Crescent for £6500. At the same time the Association purchased Hamilton Bros.' business in Winton, an account being opened in Winton, the cheques to be signed by the manager and Mr Adam Hamilton. In the same year the capital of the company was increased to £250,000 by the creation of additional capital to the amount of £17,500 divided into 3500 shares of £5 each. The manager was instructed to get a retail department for selling groceries, ironmongery drapery etc. established at Winton as soon as possible.



HON. ADAM HAMILTON

Troubled Waters

Although the affairs of the Association appeared on the surface to be progressing fairly enough there were a few straws from time to time which gave some indication of the direction in which the wind was blowing. In September of 1921, for instance, it was decided that "a reduction in wages is imperative in the stock department" and the carrying out of instructions to this effect was left in the hands of the manager. Also the manager's action in closing the Balfour branch was approved. These were some of the straws—but the first real indication of the true position of the company came with the resignation of the manager on November 11, 1921, although it was not realized at the time.

Events proceeded relatively smoothly until the annual meeting of October 7, 1922 when the chairman reported that the season just passed had been "bad and the losses grave." But even at this gloomy situation he sounded a note of optimism, pointing out that "bad though the past two years have been the outlook for the farming community of Southland is much improved and prospects were brighter. We are faced with the unfortunate heritage of the slump. In company with those co-operative concerns and proprietary companies throughout the Dominion we have suffered grievous loss of capital and the proprietary companies grave inroads on their reserves, so our position is not unique. Many of the latter however have reserves whereas we have none and in addition we have a large amount of deposit moneys."

But bad though times may have been for other companies, they were undoubtedly worse, and becoming even worse still, for the Southland Farmers' Co-operative Association, as the future was soon to reveal. The balance sheet for that year showed a loss of £37,976/12/11, but when the accounts of the various branches of the association were valued and assessed it was found that provision would have to be made for a further loss aggregating £53,000. This would mean that the whole of the subscribed capital of £65,878 and the uncalled capital of £25,000 odd was completely lost.

"We have the sum of £151,843 on deposit—£110,000 approximately due in December and the balance of £46,000 in June 1923 if no alteration be made in the moratorium," said the chairman. "There is a further item of £52,000 representing sundry creditors which may be called up any day."

He then made the statement that must have been in the minds of many, especially his fellow directors. "These figures make bad reading," he said, "and are the outcome of bad management coupled with abnormal conditions and the absence of reserves. Taking the position of the Association in 1920 for instance a nominal profit of £14,000 was made on which the Association paid dividends, but it is pretty certain that if the same strict inspection and assessment of accounts had then been made as has been recently completed the Association would have shown no profit. As chairman of directors I must accept my full share of the responsibility for this untoward state of affairs but I can only assure you that until recently I was unaware of how things really stood, I, together with my fellow directors, being misled by the late manager. As far as was within our power, no effort was spared to insure the success of the Association and we gave liberally of our time and energy, receiving absolutely nothing therefore, making no profit or gain in any way, but on the other hand shouldering a large share of the financial burden and risk of loss. The directors and families between them have £10,000 on deposit £10,000 in shares, making £20,000 in all, as well as joint and several liabilities to the bank for the overdraft of £26,330 so that the loss to the Association bears most harshly upon the directors themselves.

"Shortly after the last annual meeting at Gore the graveness of the position became apparent while the general manager, asking for leave of absence, resigned in October. We got into difficulties with finance and on November 16 an extraordinary meeting of shareholders was called to consider the question of revesting the Winton branch of the business in Hamilton and Co., but the proposal was turned down."

Various means of dealing with the crisis were then discussed, the preference shareholders agreeing to adjustments. "We find the loss is as great as £90,000 and we think it unfair to ask depositors to convert their deposits into shares on these terms," said the chairman. It was suggested that the shareholders, ordinary and preference, agree to join with depositors and convert the deposit money into share capital. If shareholders agreed to forego their shares and £100,000 of deposit money be converted into capital with the assistance obtainable from the bank and the careful limitation of business activities to assured and reproductive channels it would be possible to safely pay to the depositors a good return on the money so invested. This procedure would, he felt sure, be the only satisfactory method of keeping alive the Association to which they had all been so loyal and of which they had hoped so much.

It was agreed that a scheme of reconstruction be formulated by a committee consisting of Hugh Smith, James Milne, Adam Hamilton, David Teviotdale, and William Watson, with power to add, this committee to present a scheme to a general meeting.

A month later a general meeting of shareholders attended by about 90 adopted the reconstruction scheme put before them by this committee in total.

This was followed by a meeting of depositors and creditors presided over by James Milne. This meeting was held in the terms of a Supreme Court order under the Companies Amendment Act 1922 for directions as to summoning meetings of creditors. The chairman said that the position was that the whole business belonged to the creditors to say how they could get most money out of it. He strongly advised the acceptance of the proposals made by the Association. He was satisfied that the proposition would give the creditors the most that could be obtained.

Mr Adam Hamilton then moved "That this meeting of unsecured creditors of the Southland Farmers' Co-operative Association Ltd., having claims of £15 or over . . . having studied the scheme of arrangement submitted to it hereby approves of the same and agrees thereto."

The scheme was adopted with an amendment deleting a clause reducing the capital of the Association by £4 per share of the called up capital.

The history of this period in the company's affairs is summarised by Mr Maurice Royds thus :

When after his first year Simpson showed a profit of £14,000 the directors were so delighted that they tendered him a banquet and a great many shares were sold. Then the chairman of directors, J. D. Trotter, went for a trip overseas and on his return demanded to be reinstated as chairman, but this the directors refused to do and he therefore resigned from the directorate and withdrew his guarantee. The balloon went up when the real position was disclosed and William Watson put the deeds of his farm in to bolster up the sick company while other directors staked their personal fortunes with joint and several accounts. When Simpson went out there was a sum of £225,000 in customers' credit balances and the customers came in for their money, which the company couldn't give. On an application to the court the company was enabled to allocate one third of that sum in deposit preference shares with the remaining two-thirds spread out to be repaid.

The Invercargill offices were successively in Gala street, Leet street (where the Farmers' Dairy Federation now is) and Don street. From there the company moved to where the Grand Hotel now is, on the corner. Then, during his brief regime Simpson bought the Crescent building.

Michael Carr was the first manager and he was followed by Patrick, then Simpson, James Price in 1922 and finally M. J. Royds, who had been appointed manager and auctioneer at Gore in 1922 and general manager in 1932.

In 1929 the net proceeds of wool sold by the Association were £86,000 in Invercargill and £28,000 in Gore. In 1930 the value of wool sold fell to £30,000 in Invercargill and £6000 in Gore. In 1929 the Association handled 7003 bales. In 1930 the total number of bales handled had dropped to 4821.

Mr Royds recalls that there were "some sensational annual meetings" in the early twenties, starting in the morning and then adjourning to a bigger hall for the afternoon meeting. Now there is difficulty in getting a quorum.

The turning point in the affairs of the Association was the advent of the late Adam Hamilton who became chairman. The Association was virtually bankrupt and Mr Hamilton took on the tremendous task of piloting it through the tortuous channels to prosperity. This he achieved with signal success. He was chairman of the Association from 1923 to 1932 and again from 1936 to 1951 — 24 years — and held the Association together all the way. His predecessor, Hugh Smith, has been described as one of nature's gentlemen. He was a director for 50 years. He saw only the good in people and perhaps for that reason he lacked that realistic approach to business matters that enabled people to take advantage of him.

CHAPTER 6

Emergency Measures

Early in 1923 the Association submitted the following requests to the Bank of New Zealand: (1) The overdraft to be £30,000 without bills; (2) release of the present guarantors and none further to be given; (3) release of the title deeds of any property the Association may sell; (4) debenture holders to be given a mortgage (after the bank) over all the assets of the company as security for their debentures; (5) all uncalled capital to be called up. For these considerations the Association is to give the bank a mortgage over the Association's land and property (other than existing mortgages), stocks and book debts and in the event of the Association selling property to the value of £4000 existing mortgages for the same amount to be paid off and the bank to receive this as extra security.

The capital of the Association to be reduced by £150,000, the capital then to be as follows:

Ordinary Shares 17,000 at £5	£85,000
Preference Shares 3,000 at £5	£15,000
Deposit Preference Shares 14,500 at £5	£72,500
Pre-preference Shares 500 at £5	£2,500
	<hr/>
	£175,000

This meant an annual saving in stamp duty of £75.

It was decided also to call up the whole of the uncalled capital of the Association.

The Association also gave a direction to the management to aim at the disposal of the retail business on the first available opportunity. At the same time it was decided to take steps to extend the wool and grain store in Annan street over a quarter of an acre and Wilson Bros.' tender of £3,400 was accepted.

Adam Hamilton was appointed superintendent of the company at a salary of £400 per annum following upon the reconstruction scheme to give a certain amount of time to the business transactions of the Association. His duties

were defined as: (1) To act with the manager in a consultative and advisory capacity; (2) to keep sufficiently in touch with the business so as to be able to give an intelligent first-hand opinion regarding any important part of the business; (3) to have monthly returns prepared for the Board; (4) to give attention to the control of the capital of the Association; (5) not to be an employee of the Association in the ordinary sense of the term; (6) not to transact any business with clients unless authorised to do so by the manager.

The first annual report after the reconstruction scheme was launched was delivered by the chairman, Mr Adam Hamilton, at the annual meeting on September 9, 1923. "We all know the extremely critical time through which the Association has passed during the last year," said Mr Hamilton. "We have only to think of the hopeless position the Association was in less than 12 months ago. In my mind there is no doubt that had the creditors not come to their assistance there would have been no Association today. What was the position at the last annual meeting? There was an estimated loss on the book debts alone of over £90,000 and the total paid up capital of the company was only £65,700. The bank balance was in debit by over £26,000 and depositors and creditors to the extent of £209,000, all due. There was no possible chance of being able to carry on. What is the position today?"

He explained that the estimated and realized losses on the book debts, plant and property was over £95,000, but the paid up capital now stood at £142,293. The bank balance was in credit by over £6000, the whole of the depositors' and creditors' money was fixed, all debts due were paid and a substantial profit was the result of the year's trading operations. The scheme of reconstruction had thoroughly justified the highest hopes of its keenest advocates.

Taking all the circumstances into account it was a scheme that was well nigh impossible of improvement. "In my judgment nothing better could have been done not only in the interests of the Association but also in the interests of the depositors generally," he said. He thanked the de-

positors and creditors for the splendid spirit that was shown and the practical assistance given to the meeting on December 8, 1922 when the reconstruction scheme was sanctioned by them. It was this assistance that had saved the Association. "We trust they will have no reason ever to regret their action," Mr Hamilton said. "Though the position of the Association over a year ago no longer exists let us not be mistaken by thinking that all the difficulties are over. The position of the Association today is that the old capital is lost but that the deposit preference shares are, on the figures of the balance sheet, worth their full 20/- in the £1. The position still needs very careful management and unpleasant work has yet to be done; large commitments have shortly to be met . . . what we must do is to profit from the experiences of the past, many of which have been very costly, and build up on sound lines a business that will prove that farmers' co-operatives can be run for the benefit of the farmers and the community generally."

He expressed to the farmers of Southland his thanks for the wonderful manner in which they had supported the Association through the critical period.

An analysis of the balance sheet for 1923 showed that the Association had : land and buildings £19,757. This item the previous year was £24,515. The difference was accounted for by the sale of the Riversdale and Otatau properties. Plant £5454; previous year £6,509. The difference caused mainly by the sale of motor cars. Stocks £16,994, previous year £30,418. This "huge" difference was caused by realization and a more rigid supervision over buying. Sundry debtors £127,650. Previous year £213,719. This account in the past had revealed one of the weaknesses of co-operation which had been the indiscriminate giving of credit and the amount advanced in this way had been ridiculously out of proportion with the rest of the Association's business. The balance sheet now showed that the position was being rapidly dealt with.

The profit and loss account for 1923 showed a gross profit of £23,966 against a gross profit in 1922 of £26,360, but a large proportion of the 1922 profits were only book profits and if the same method had been used in arriving

at these profits they would have been much less in 1922 than in 1923.

The new method of approach, the drastic reconstruction methods that were applied and the vigorous policy that was pursued under Mr Hamilton's chairmanship were the turning point for the company which had so nearly gone out of business. The year 1924 proved a good trading year and there was a substantial profit with a growing confidence among the farming community in the ultimate success of the Association, due, no doubt, to their conviction that Mr Hamilton was the right man in the right place.

Prices for wool were good, as also were those for meat and produce. "We would like to think that these good prices will last," said the chairman, "but although it is good to be optimistic and hopeful it is also wise to strengthen our position by putting and keeping our house in order, and also by preparing for the future with all necessary and reasonable caution. While it is generally recognised that land values in Southland are the most reasonable in the Dominion there are some farmers whose financial reserves are not too strong, but the straightening out process of the slump difficulties is going on well, mortgagees are meeting mortgagors and if the moratorium expires at the end of the present year there should be no great reason to complain of unnecessary hardship.

The most pleasing item on the balance sheet that year was the entry showing the net profit to be £11,658.

CHAPTER 7

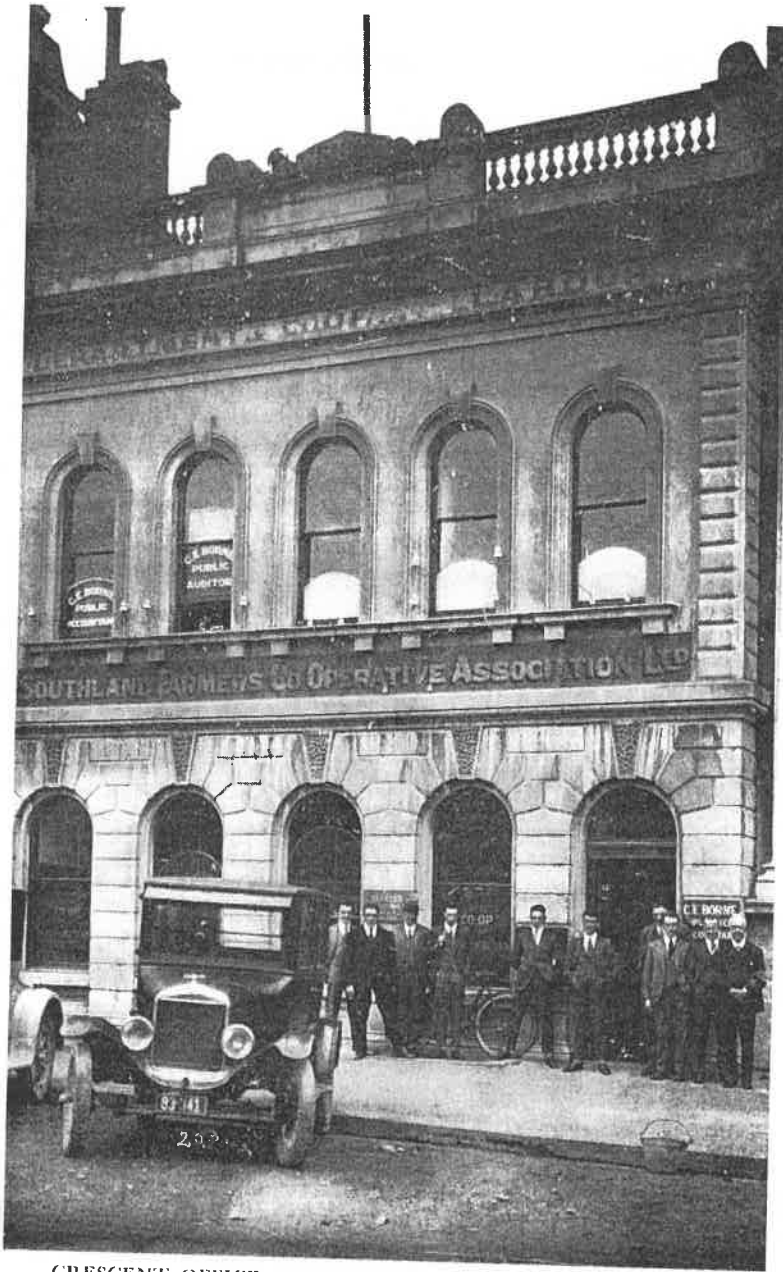
Years Of Reconstruction

The annual meetings for the next few years were a continuing success story. For 1925 it was reported that the Association had never before had such a prosperous year, although it was not so prosperous for the dairy farmers. "The prices realised for dairy and sheep products are, or should be, reflected in the balance sheets of the different farmers' trading companies," the report added, "and today we have this fact fully demonstrated in the balance sheet—but even given these natural trading advantages many a company comes to the end of its financial year without reflecting the prosperous times and without having anything good in the way of profits to present to its shareholders." The report went on to say that the Southland Farmers' Co-Op. had had many ups and downs, mostly downs, and on more than one occasion had been on the verge of going out altogether. It was in a sound financial position that day.

The next year continued to be a good one for the Association, although the report added a note of warning to the farmers. If the price of stock and produce falls below the average of the past year it will be very serious for many farmers, the report said. But it added that the brightest spot for the coming year was the wool market in which an increase was expected over the previous year's prices. . . Apart from the Association's accumulated loss, which could be remedied by writing down the ordinary shares, the Association was in a sound financial position.

The question of writing down the ordinary shares, which had been postponed for three years, was again discussed at the 1927 annual meeting when Mr A. Tapper moved "that this meeting agrees to the lead given by the directors that the ordinary shares of the Association be written down to £1 at the next annual meeting." This motion was carried by a good majority.

The year 1928 was a much more favourable year to farmers than the two previous years. It was fortunate not only for the farmers but for the whole of New Zealand that



CRESCENT OFFICE OF SOUTHLAND FARMERS' CO-OP., 1928

Left to right: F. C. Wylie, D. McKenzie, C. E. Borne, A. H. Hamilton, J. J. Gee, V. C. Wylie, Hon. Adam Hamilton (at back), D. Ross, S. D. Hay, A. Bunting.

the prices of butter, cheese, meat and wool took a favourable turn the previous year or two. The chairman in his annual report paid a tribute to the farmers of New Zealand for their skill and energy in providing such a large export trade. "I believe there is no section of the community in New Zealand that renders better service than the farmers in comparison to the reward they receive," Mr Hamilton said. "There is also no section of the community that is in so uncertain and precarious a position in our economic system as the farmer. This fact is causing legislators grave concern in many countries of the world. It is, however, a problem difficult of solution."

The year just closed was in a sense a memorable one for the Association. On June 1 it had to meet its final large debenture payment. This payment was looked on as the most difficult hurdle in the reconstruction scheme, but it was very successfully negotiated. All debenture holders who desired their money received their cheques on the due date. Those who desired to or were willing to leave their money in were given the option of leaving it on fixed deposit for a term of three or five years. The large amount of £34,700 was left in this way. "The debenture trust deed has been liquidated and the three trustees for the debenture holders, James Fleck, J. D. Trotter and G. P. Cross, have now been relieved of their responsibility," the chairman reported.

During the year the chairman with four others represented New Zealand at a co-operative conference in Melbourne at which the three countries, New Zealand, Australia and South Africa, were represented. This was a conference that was of vital importance to the New Zealand co-operative movement. The valuable business connection of the three countries centralised in London was strengthened. "We cannot too often emphasize the importance of the London business to our own organisation," the chairman said.

At the annual meeting of the Farmers' Co-operative Wholesale Federation (New Zealand) held in Wellington, Mr Adam Hamilton was unanimously elected chairman of that organisation.

Another momentous stage was reached in the financial reconstruction of the company when the chairman moved that the capital of the Association be reduced from £175,000 (divided into 1500 deposit preference shares of £5 each) to £107,000 divided into 1500 deposit preference shares of £5 each, 3000 preference shares of £5 each and 17,000 ordinary shares of £1 each and that such reduction be effected by cancelling paid-up capital which has been lost or is unrepresented by available assets to the extent of £4 per share on each of the 14,684 issued ordinary shares and by reducing the nominal amount of the 2316 unissued ordinary shares from £5 to £1 each.

The motion was carried after a discussion by 88 votes to two and was confirmed as a special resolution at an extraordinary meeting of shareholders shortly afterwards.

A very different balance sheet from that of recent years was presented at the annual meeting in 1929. The result of the resolution to write down ordinary shares was plainly evident and the chairman advised the shareholders to remember the position they were in only seven years before. "By so doing we can realise and appreciate what a great change has taken place," he said. "Some shareholders may be grieved at the sacrifice they have had to make, but this might easily have been worse and the balance sheet today is ample proof that the right course was taken. The Association is now on an absolutely sound footing. The accumulated loss account of £95,254 appearing in last year's balance sheet has now disappeared as has also the profit and loss appropriation of £32,068. This latter amount, together with the amount of £58,736 written off the subscribed ordinary shares and £4450 added to land and buildings, accounted for the total amount of the accumulated loss. The balance sheet is at last clear of the unnecessary dead portion. Assets and liabilities are now all real and there is a surplus of over £5000 for distribution, taxes and reserve. It has been a good trading year and the net profit of £10,347 is very creditable."

He added however that although the year just closed had been proved a good trading year for the Association—and indeed 1928-29 had proved a fairly good year for the

farmers generally, much better than 1927—the outlook for the year on which they had just entered did not appear to be quite so favourable. No one, however, could foretell the future with any degree of accuracy and it was hoped that prices for their produce would brighten.

It is interesting to note that at this stage an offer for the agency for Hillman and other British cars was declined.

Events were to show that Mr Hamilton had made a fairly accurate assessment of the years that lay ahead, but even he had no knowledge of the extent of the great economic collapse that was to follow in the period known now to history as the Great Depression.

CHAPTER 8

The Depression Years

The year 1930 saw the big drop in the price of wool and the company was forced to tighten its policy with regard to clients and business generally. The “extremely conservative” policy of the bank was the subject of an expression of “regret” by the directors also. The manager had already begun, with the full approval of the directors, a policy of conserving the Association’s financial resources. The profit for that year was only £7545 and the latter half of the year’s trading proved “very difficult and in fact disastrous” from the point of view of profit earning, the chief item being the small profit from the wool sales. The previous year the proceeds from the wool sales amounted to £113,000—for 1930 they were £35,000 or less than a third of the amount of the previous year.

But that was only the beginning. Times had become difficult and the Association in common with other businesses of a similar nature was feeling the pressure. Discussing the plight of the farmer in his annual report the chairman said that not only was he finding it difficult to meet his obligations but he was also finding it impossible to make further necessary improvements and purchases. This was perhaps the most serious hold-up in New Zealand’s purchase and spending power and was no doubt the cause of its existing unemployment problem. “For some time New Zealand has been paying much attention to the adjustment of wages to meet the increased cost of living,” Mr Hamilton said. “Our problem today is to safeguard the farmer’s income so that his purchasing power may be maintained. It is the purchasing of farm requirements that makes the wheels of industry move in New Zealand . . . During the year it became evident to your directors that the earning power of the Association was rapidly falling . . .”

All the same, in spite of the bad times the Association did at least show a profit of £3200.

Shortly after this there was some discussion on the question of amalgamating with the firm of J. E. Watson &

Co., Ltd., and after a meeting with Mr John Gilkison, managing director of Watson's, it was agreed that negotiations for amalgamation be proceeded with and that a committee be set up to go into negotiations with representatives of J. E. Watson's. But there, it seems, the matter ended.

The chairman's (Mr Hamilton's) report for the annual meeting of 1932 was an expression of the gloominess that pervaded the whole country at that time, for that year marked the very depth of the depression. "The economic storm which began practically throughout the world two years ago continues even more fiercely today than ever," he said. "What the end of it all is going to be or how long the storm may continue before it breaks is difficult to forecast. From the farmer's point of view the main remedy, that of an increase in world prices, is beyond their immediate control. This year only $2\frac{1}{2}$ per cent. has been paid. Some of our deposit preference shareholders may feel grieved at this small amount but I would ask them to be not over-critical during this difficult period. What most investors have to give serious attention to at present is not the amount of interest they receive from their investments, but to keep the investment as sound as possible . . .

"At present interest is one of the biggest burdens in the economic life of the community. It is therefore desirable to ease this load as much as possible. We fully appreciate that interest from this area may be a very necessary source of income to some needy people."

This was Mr Hamilton's last meeting until 1936 as chairman, his duties as Leader of the Opposition having made it necessary for him to withdraw from office until that year. Mr Hugh Smith was elected chairman in his place for that period.

For the shareholders the year 1933 was the most disappointing year of all because for the first time in the company's history since the reconstruction in 1922 no dividend was declared. For the year ended 1930 and for seven years previously the Association had paid to its deposit preference shareholders the full 7 per cent. For the year ending 1931 5 per cent. was paid while for the year 1932 only $2\frac{1}{2}$ per

cent. was paid. But in 1932 the shareholders received no return from the Association. Nevertheless the picture was not one of unrelieved gloom for already there were signs that the economic clouds were lifting. In 1934 there was a profit of nearly £6,000, with good prices for wool and meat and higher prices for stock, all of these adding greatly to the Association's profits. By 1935 conditions showed signs of returning to normal and this was reported to be "an exceptionally favourable year for clients to reduce their indebtedness to the Association." Conditions now appeared to be approaching normal, if this stage had not already been arrived at, said the annual report. The price of fat lambs on the London market had been wonderfully steady for the previous twelve months and it was as almost assured that these conditions would pertain if not be bettered during the next twelve months. The price of wool had substantially increased and it appeared that woolgrowers would next season be assured of at least production costs. The price of butter had been rising slowly but steadily in the past few months, cheese being perhaps less responsive to a rise of any of the farm products.

By 1936 the directors were confident that the depression had at last fully disappeared, and the hope was expressed that the severity of the experiences through which the farmers had passed during the depression would teach young as well as old farmers the necessity for keeping their liabilities well in hand and not enlarging their holdings beyond their financial capacity. "The mortgage legislation of the past few years, together with similar legislation now being passed, though undesirable in normal times, has now brought about orderly debt adjustment in preference to the old method of bankruptcy," said the chairman's report. "It is to be hoped that the necessity for this undesirable interference will soon disappear. In Southland, however, the position in respect to land mortgages is such that any adjustments are of a very minor nature compared with the rest of New Zealand . . . The biggest burden the Association has to carry is the income tax. This has always been heavy but now it is increased considerably. It would appear by the severity of this tax that large companies are not desired in New Zealand, yet it is difficult to see how

business can be done otherwise unless the State itself is desirous of conducting the business."

He went on to say that "the doubtful experiment of guaranteed prices for farm products was now being tested out with respect to dairy produce . . ." Flocks of sheep in the Dominion had increased during the year by 960,000 while the number of breeding ewes had increased by over 840,000. The most disturbing feature of present day affairs in relation to farmers was the rising tendency of farming costs. Rising costs in New Zealand almost invariably reacted against the farmer. When farming costs were increased it was seldom that the farmers were adequately compensated by an increase in the price of farm produce. "The recent rise of $2\frac{1}{2}$ per cent. in the overseas freights will take a big toll from the dairy farmers' and sheep farmers' returns," the chairman said.

The serious effect of increased costs of farmers' requirements is the curtailment of much farm improvement work. Another serious matter today is the lack of suitable farm labour, especially casual labour. This fact, coupled with the fact that large numbers of able-bodied men are in town on sustenance is very disturbing. Much farm work that would be carried out if suitable labour were available is at present being left undone. The farmers have pulled their full weight. Production has been increased enormously until today the problem is not one of producing the necessary food stuffs to supply the needs of mankind but rather the cost of getting these supplies to the peoples of the world."

Mr Adam Hamilton was again elected to the chair in September, 1936 and within the next two years the country's economic position had become almost readjusted, with high prices for meat and wool and money in consequence more plentiful.

In his report for 1938 Mr Hamilton had this to say of the farming industry generally: "Although farming as an industry is full of risks and uncertainty and entails long and arduous hours of labour, it is, as far as Southland is concerned, a free, independent and fairly safe source of livelihood. The great art of successful farming is first to keep

your holding well within your financial resources and then to pay continual heed to both property and stock, which is not a lazy man's job. A problem of greatest concern to the farming community in New Zealand is the ever-increasing costs which tend to absorb too great a proportion of the farmers' income. Farmers are practically the sole exporters who have to sell their goods against the competition of the world. Farmers are therefore essential to our economic life and should not be asked to work for a lower standard of reward than other sections of the community.

"One has only to examine some of the wage rates paid for the various services to see how we have come out of the balance.

"For example, a farm labourer is awarded £3/2/6 (without keep) for a 48 hour week. This works out at slightly over 1/3d per hour, whereas those who handle farm produce or transport it from the farm to the ship's side receive rates of pay far in advance of those on the farm. This in New Zealand today is creating great difficulty for farmers in obtaining the necessary labour to keep their farms properly attended to and also to maintain their volume of production."

The receipts from the Association's wool sales in for the 1937-38 year realized only £111,000.

The net profit for 1939 was £13,998 compared with £12,731 for the previous year. By this time many clients, owing to comparatively low prices, were having difficulty in balancing their working expenses. A continuous increase in working costs without a corresponding increase in prices was at this time making it more difficult for farmers to obtain a return for their labour and capital sufficient to meet costs and living expenses.

The Second World War

The year ended September 1940 was the most successful year up till then in the history of the Association, with a gross profit of £43,694 and a net profit of £20,225. Another record was established the following year with net earnings up by £1138 and with substantial additions to the wool and grain store. Prices for farm produce continued on a high level, but the cost of goods and services coupled with the shortage of farm labour, super, lime etc. was causing concern. But throughout New Zealand there was a record export income of over £71,000,000 for the year ended March 31, 1940.

By that time the Second World War had been in progress for six months.

In spite of the dislocation of trade and the shortage of supplies during the war as well as the acute shortage of manpower on the farms the volume of produce was well maintained. But it was pointed out that many farmers were receiving an artificial income because the normal revenue was coming in largely on account of money spent in past years and it was not possible to maintain the normal expenditure. The manpower shortage and the lack of manures was causing a serious deterioration in farm maintenance. At the 1943 annual meeting the chairman, Mr Smith, predicted that the province would make tremendous progress when more fertilizer and more labour was available. He also paid a tribute to the Southland-born manager, Mr M. J. Royds, adding that he himself had not been fortunate enough to be born in Southland—but it was only just a week over 80 years since he had landed in Southland from Scotland!

Mr Hamilton was chairman again for the 1944 meeting and emphasized again the importance of the farming community to the war effort. New Zealand's role, he said, appeared to be more important in producing food supplies than fighting men. For the duration of the war the Association, like many other mercantile firms throughout the coun-

try, was beset by serious staff problems, its own affairs being entirely subordinated to the war effort.

But at the annual meeting in 1945, the chairman in his report said that the farmers could look back at the war years with satisfaction and even pride in the part they were able to play in keeping up food production which was their special war responsibility. It was a credit to the women and to the older men who should really have been enjoying a well-earned rest.

Exports for the four pre-war years had averaged £60 million while for the five war years 1940-44 inclusive the average was £74 million. Ninety to 95 per cent. of the exports were produced by farmers. Although higher prices during the war accounted for part of this increase, volume or quantity was also a big factor. There was no more patriotic section than the farmers and now they would need to give their assistance to rehabilitation. Nineteen members of the staff had served in the armed forces, eight had returned to former employment with the company, one had taken up farming and two had made the sacrifice—J. D. Robb (Lochiel) and J. E. Gordon (Invercargill).

Though the war was over the world was still in a very disturbed state and their best friend and customer, Great Britain, would need their full measure of consideration and support.

Two years later was another record year for the Association because prices for wool, fat stock and farm produce had been high. There was a profit of £27,388.

"Never before was the work of our farmers so important in world economy as it is today," Mr Hamilton said. "The world is starving for meat, butter, cheese, wheat, potatoes and other goods." He spoke also of another growing problem, the drift to the cities and empty houses in the country.

It was a time of record years and 1949 was again marked by high prices. By this time the Association had earned the goodwill of the whole farming community and the support of a very large body of farmers. During the

previous two years the Association had added over £14,000 to reserves. The most important event during the year for the farmers and business was the alteration of the exchange rate." "Theoretically this is a good thing," said the chairman, "so long as it does not in practice cause too many injustices. The section most adversely affected will be those who provide our exports as they will receive only £100 for what they previously received £125. It will now take more stock or produce to pay farmers' debts."

"New Zealand export trade is provided practically all by the farmers who will therefore be most adversely affected, more especially the high country sheep farmer. It will therefore be interesting to see how long the guaranteed price system supported by the farmers' pool accounts will be able to sustain farm produce prices in order to maintain for the farmers' labour and capital a reward equal to that enjoyed by the rest of the community. The section that will receive the greatest benefit for the adjustment of the exchange will be the monied class. By that I mean those who have their assets in money as distinct from property and goods. Their money has again been established in the world on an equality with sterling. All internal debts, including £494 million of national debt, has now become a sterling debt instead of sterling less 25 per cent. This fact will no doubt test the ability of our export trade to maintain our internal price and cost levels. Export trade is the lifeblood of any country."

"Last financial year our export trade was worth £142 millions in New Zealand money. This will now be equal to £114 million—a drop in the farmers' income of £28 million for the same quantity of produce. It is to be hoped that farmers' costs will drop by a comparable amount. This adverse treatment of the rural community will no doubt aggravate the tendency for the population to gravitate to the cities. That fact would not be so detrimental to our national prosperity if the city factories would provide a substantial proportion of our export trade. In Great Britain the manufacturer provides practically the whole of Britain's export trade while the farmers provide none. It would appear for New Zealand farmers that business will be more difficult during the coming years."

From this meeting Mr Smith was absent and reference was made to his long service as a director. He was the only original director remaining.

The year 1949 was another record year with a net profit of £39,505 compared with £28,279 the previous year. This was due to the high prices of farmers' stock and produce.

The production of foodstuffs had become priority No. 1 in the world and about this time Lord John Russell, one of the chief agricultural experts of Britain, in a radio commentary pointed out that the food production of the world was lagging behind the needs of increased population. New Zealand was one of the world's most favoured countries both by soil and climate to produce the finest foodstuffs available. Referring to this the chairman remarked that it was distressing to hear from the chairman of the Meat Board that mutton and lamb production would therefore be down some thousands and beef production down by many more thousands of tons. "We cannot evade the responsibility laid upon us to produce to the full for other parts of the world. Utilisation of land resources is therefore a policy of first priority," Mr Hamilton said. "Notice must therefore be taken of the number of young men who desire to obtain farms of their own, but according to conditions of today are denied that right. Settlement of soldiers on land is certainly a good policy but the claims of other young men who perhaps had not been allowed to go to the war or who may not have been of age have certainly to be considered. If young men who are brought up in the country and are used to farm life are going to be denied the right to get farms of their own until all claims for soldier settlement are satisfied then their case seems almost hopeless and many good young men who would make excellent farmers will be lost to the rural life of our country. The young man who was not at the war, although a first-class farmer, is almost denied the opportunity of obtaining a piece of land. There are thousands of such young men in the country, born and brought up on the land and very likely with some capital of their own, and their rights should also be considered."

Hamilton Era Ends

Record years were following successively on one another and the report for 1950 showed a profit of £44,456—and in 1951 the 50th anniversary of the founding of the Association was held in conjunction with the annual meeting at a function in the Tudor Lounge, Tay Street.

Said Mr Hamilton: "In reading through the minutes since the inception of the company I was impressed with the doggedness of both directors and shareholders in holding on, often at great financial risk to themselves and very little hope ahead . . . The balance sheet represents what may be termed a freak year. Earnings have been phenomenal. The turnover for the year was in the vicinity of £7 million. Never before did the farmers of Southland experience such an extreme variation of prices for any of their main items of produce as they did this year in wool prices. At the February wool sale the average price per lb was 137d while seven months later at the September sale the average price per lb was only 40d in the same year. We might have expected in these enlightened days that the wool business could be done on a much more equitable basis. This phenomenal change had a very detrimental effect on the stock market and will upset many farmers' budgets. The profit for the year after paying substantial rebates is £55,024, truly a wonderful performance. This makes our 50th anniversary a very pleasant occasion . . ."

The last meeting Mr Hamilton attended was on March 10, 1952, and at the June meeting the same year reference was made to the loss the Association had suffered through his death. The resolution that was passed on this occasion said that when the company was in such grave financial difficulties in the 1921 slump and it was found to be impossible to carry on without reconstruction, his assistance was sought and it was without doubt due to the very high esteem in which Mr Hamilton was held that he was successful in saving the company from liquidation. It was due to his sound and tactful guidance that the company was in its present prosperous position. He had indeed left behind him a monument to his integrity few could equal.

In the same year another stalwart of the Association, Mr Hugh Smith, died. He was the last of the original promoters of the company.

Mr Alex Dawson was next chairman and for the year 1953 prices remained at a high level, the highest profit ever being recorded by the company, amounting to £74,375, the turnover for the season approaching £6 million. Another veteran director passed on in 1954. He was Mr James McNeill, the last surviving director who took part in the reconstruction of the company and was a director for 35 years. Mr Robert Russell, another old member of the Association, also died during the year.

The net profit for 1954 after paying an increased rebate to all shareholders on the basis of their business transacted during the year amounted to £89,752, the highest ever recorded by the Association.

"The agreement on guaranteed prices has ended and we are once more on a free market," said the chairman in his annual report. "It is to be hoped the return to free markets will not bring about the violent fluctuations in prices that we have experienced in the past."

In this year the large store in Clyde street owned by J. E. Watson and Co. Ltd. was purchased. Usually the company had stored several thousand bales in the A. and P. Show buildings but the summer show was held in January that year because of the visit of Queen Elizabeth II and the building was not available. The directors authorised the building of a bulk store close to their Annan Street property and this was completed before the wool season. These two buildings gave the Association enough space to bulk stack approximately 7000 bales of wool.

The net profit again increased in 1955 to £110,089 and in this year alterations and additions to the buildings at Gore were completed. Mr Maurice Cronin was appointed manager at Gore during the year.

In common with the countrywide trend costs were continuing to increase fairly rapidly and the year was not as successful as the previous one and the net profit was £108,300. Taxation took £55,750 of this.

Opportunity was taken by the chairman at the annual meeting to pay a tribute to the Bank of New Zealand. The Association had been dealing with the Bank for over 35 years and had found it had been most helpful and it continued to be so, thus enabling the Association in its turn to assist its many farmer clients with their farming activities.

Another "highest yet" profit was recorded in 1957. After paying an increased rebate to farmers on business transacted the profits were £125,829. Prices remained at a high level the whole season, thus enabling all sections of the farming community to receive a fair share of the ruling prices. This factor had largely contributed to the Association's earnings during the year.

Since the company commenced paying rebates in 1937 to its many clients no less a sum than £500,000 had been received by them up to 1959. Of this amount £499,000 had been paid in cash and the balance satisfied in fully paid rebate shares. The amount allotted for rebates that year was £40,000, but in the following year this was increased to £98,276 (£59,654 in cash and £38,622 by issue of fully paid up shares). Assets had been depreciated by £20,488 and the Association paid a tax of £46,132, but there was still a net profit of £45,757.

By this time too the new bulk store for wool storage was completed and in use. Rebates continued on an ascending scale during the next two years and the year 1964 proved the most successful since the inception of the Association. All price levels continued to rise and land values also continued their upward trend. It was recalled that the rebate policy began in 1937 when £3000 was paid out. In 1964, the boom year, a rebate of £142,000 was paid representing a cash payment of £108,000 and an allocation of 34,000 £1 rebate shares bearing a 5 per cent. dividend. The turnover was £10,234,000. The first rebate in 1937 was £3,000 and the total paid in rebates to date is £1,518,000.



MR MAURICE J. ROYDS

CHAPTER 11

Memories

Pleasant memories of a ten-year term of employment with the Association are recalled by Mr J. M. McCrostie who joined the staff in 1906 as general office assistant. Mr Michael Carr was manager, "a kindly soul but very nervous." Mr William Cockburn was the accountant, Mr W. A. H. Oliver was in the stock department and his assistant was Mr Fred Martin. The storeman was Mr James Hanna who had as his assistant Mr Joe Pullar who was later head of the grain and seeds department. The office was in Leet street, on the site now occupied by the Farmers' Dairy Federation. In the building there was a retail department whose head was Mr Jack Greer who was later succeeded by Mr W. W. Shennan, formerly of Edendale. This department was later closed.

It was during Mr John Patrick's term as manager that the building in Leet street was disposed of and a new store built in Annan street while the office was shifted to the Grand Hotel corner where it remained until Mr Patrick's retirement, when it was shifted to Kirk's building in Don street. Mr McCrostie was then in charge of the grain and seeds department as well as secretary and held those positions until he resigned.

The Crescent building was used by Dalgety's as their first Invercargill office and was owned by G. C. Tothill, Dalgety's occupying the top floor. Mr Maurice Royds started there as a junior in November 1906 and used to carry the books from upstairs to put them in the downstairs safe—but there were not many to carry.

The Association's first office in Invercargill was at the back of the Crescent (to the south) and from here it moved to Leet Street and then Dee Street, where the Grand Hotel is today, and after that to Don Street, to the building now occupied by Dalgety's.

When Alex Simpson showed the fictitious profit of £14,000 one shareholder rose to such heights of delirious

joy that he likened him to the Saviour. The directors tendered Simpson a banquet in Gore to show their appreciation.

But alas, he was one of the false gods. The following year the firm was bankrupt—but the salesmen continued to sell shares, oblivious of the fact that the ship was foundering.

The real salvage work was carried out, as has been stated before, under the chairmanship of Mr Adam Hamilton who had the support and energetic enterprise of the new general manager, Mr J. Price.

Mr Hamilton was recognized as the best chairman the Association could have hoped for at a time of such emergency, and his tact and diplomacy in dealing with suggestions, impracticable and visionary, that were put to him at various times was legendary.

Sometimes at a meeting a shareholder or director would come out with a suggestion that was little less than preposterous. Adam Hamilton would pause and appear to give the proposal his serious consideration. Then he would look up and say, "Yes, Jim, I think you have got something there—it's pretty good and worth considering—now if you will move along the lines we have been talking we will give your proposition a bit of thought later on."

The Association had £225,000 of farmers' credit lying at call in the 1922 depression period and it was impossible for the company to meet the credit balances. So after many meetings with D. L. Poppelwell, of Gore (representing the creditors) it was suggested that one third be converted into deposit preference shares at 7 per cent. (which was later reduced by a Government general order). The other two-thirds had to be repaid over a period of two or three years. It was necessary to get a certain number to agree to this so that the court could make an order. (Later Government order resulted in the reduction of the interest by 20 per cent.).

The whole of the share capital was written down from £5 to £1 two or three years after the reconstruction. There were some heartburnings at this but at that time the com-

pany was hopelessly bankrupt. As the chairman, Mr Adam Hamilton, remarked at the annual meeting, "Well, there you are, chaps, you have had so much put to your credit this year."

A shareholder: "Yes, but you had to go bung before we could get it!"

That invariably satisfied the vanity of the man with the bright idea and he became as putty in the chairman's hands.

THE COMPANY has been fortunate in the representation it has had from its long-service employees in the country districts. When it took over Hamilton and Company's business in Winton, Mr H. A. Pierce, a well-known Winton personality who had been on the staff of Hamilton's, came over with the changeover and became the company's agent and auctioneer in Winton until he died in 1956 after giving years of service to the company. Mr Pierce was a prominent figure in the racing world and his wide knowledge of local affairs and of people stood the company in good stead while he was its representative.

Another Winton personality who served the company well was Mr Robin Wilson, who joined the staff in 1925 and was mercantile traveller for a period until he became lamb drafter and auctioneer, retiring in 1966.

Agent at Otautau for some years was Mr Hugh Crawford, who farmed at Fairfax after the First World War and then became the company's agent at Otautau. About 1923 he came to Invercargill as head auctioneer, which position he held until his death.

Another lamb drafter who served the company for 30 years was the late Mr J. W. P. Vickery, a Boer War veteran who had worked for J. E. Watson & Co. before joining the Co-op. He retired in the early 1950s.

Other long service employees were Mr Jack Manson, agent and lamb drafter at Otautau, Winton and Gore, and Mr Joe Pullar, with a 50-year record on the produce side. Mr Pullar joined the Gore staff as a boy and came to Invercargill where he was in charge of the produce side for over 40 years. As head of the produce department he was also in charge of the wool department for a long period.

The late Mr William Snow gave long years of service as accountant. As one of his older colleagues remarked, "Everyone knew old Bill Snow."

A popular and widely known character in the Gore district for many years was Mr E. J. Kelly, agent and lamb drafter, and Mr Maurice Cronin, who recently retired as Gore manager, also had 50 years' service with the company, being for many years agent before his promotion to the position of manager.

Mr Rex Royds started with Mr Wilson in 1925 in the produce department and retired in 1966 after 41 years' service. He was in charge of the produce department after Mr Pullar resigned.

These and many others in the employ of the Association over prolonged periods were living testimony to the truth that any business concern is only as good as the men and women who staff it, and the Southland Farmers' Co-operative Association is a striking endorsement of that axiom.

The Grain Business

When the Company purchased the New Zealand Loan Company's and Dalgety and Co's stores next to its own wool store in Annan street in December 1963 both the Liddell and Ettrick streets wool storage stores became surplus to storage requirements. It was felt that as the company had no immediate or foreseeable use for these two stores they should be disposed of as soon as possible. This, as was found later, was a mistake, but one that fortunately because of prior purchases of land will be offset by future building extension.

Wheat growing in Southland was slowly developing into a major farming programme. However in 1963 wool and lamb prices were still satisfactory and the huge increases in wheat averages that were to take place in the future were not at that stage predictable. Wheat drying was in its infancy in Southland with only a few scattered driers owned and operated by farmers themselves. Grain merchants had discussed the advisability of operating driers but it was felt in some quarters that the difficulties and the lack of experience in setting up big commercial plants were too great. Finance required in the erection of a large building to house drying was also a deterrent.

In March 1964 Mr Alan Henderson, a director of the Company, suggested that a wheat drying plant should be set up in the wooden store in Ettrick street. At this stage the Liddell street store had been disposed of but the Ettrick street store had not been sold. Built in 1941, this store, while not being entirely satisfactory as a drying store because of the low roof height, was nevertheless to prove very adaptable to the requirements. It was felt by both directors and management that the wheat growing industry in Southland had a very rosy future and that to service the Company's clients and at the same time assist the industry and diversify the Company's own operations within the structure, the Company should immediately establish a drying and bulk storage store.

Quite an amount of information was already available because not only were driers being installed in Southland, but an agency for the Alvin Blanch Drier, one of the most popular types in England, was held in Invercargill. Because of the large acreage of wheat being grown by its clients the Company had to correspond with English companies to gain information on bulk handling, driers and pre-cleaners. This information enabled the Company to plan and order the equipment because it was felt necessary to begin operations immediately.

The largest model of the Alvin Blanch was ordered for prompt delivery. This model was capable of drying five tons of wheat per hour at 5 per cent. moisture contraction—a large capacity a few years ago. Sixteen storage bins, each with a capacity of 40 tons, were ordered to be installed. These were to be filled by a chain conveyor from the drier. A 14-ton bin for holding wet wheat was to be made. This was to be the holding bin, after bulk wheat was tipped from lorries into a hopper in the floor. An 8in auger conveyed the wheat into the wet bin. Another section of the store was set aside for temporary storage of wet wheat direct from the farm paddock, and another section for bagged wheat. Allowances were made to coat the existing concrete floor with a silicone substance to seal the moisture out. Two large augers on wheels, a small sweep and another three smaller ones for various purposes were also ordered. A pre-cleaner for removing rubbish from the grain before drying was also placed on order.

In September 1964 the drier and other equipment started arriving from England. Locally-made bins were almost completed and work immediately began on the erection of the unit. The operation went smoothly and by March 1, 1965, the Company was ready along with the harvest to begin drying. The first year 3500 tons of wheat went through the drier, this quantity representing about one-tenth of the Southland crops and roughly a fifth of the total amount of wheat dried in the province. Farmers were very pleased with the service and it was felt that the venture was satisfactory.

With the large number of farmers wanting to book space for the following year and the large increase in acreage appearing it was decided to increase the storage capacity. A further eight 40-ton bins were added plus a large 300-ton self-emptying bin. The Company now had a bulk storage capacity of 1600 tons for the 1966 season.

The year 1966 proved to be a very wet harvest season and a total of almost 7000 tons was dried, approximately one-sixth of the total Southland crop and about a quarter of the total dried. In 1966 the storage was again increased by over 1000 tons, giving 3000 tons of space available for bulk wheat storage. A 1500 bushel bulk bin was installed at the seed-cleaning store to enable the company to receive bulk oats and wheat for dressing. The Southland farmers Co-Operative Association thus became the first company in New Zealand to receive certified bulk wheat into store for dressing and the first to establish a large bulk drying and storing unit store commercially.

In December, 1964, a new building was erected to house the machinery department. This building was designed with the intention of expanding the drying store as the present building became too small and is situated alongside the present drying store. With the tremendous increase in wheat-growing it seems certain that within the next year or two this building will be fitted into the Company's drying system.

For many years, too, it was realized that the building occupied by the Association in the Crescent was totally inadequate for staff requirements and for giving service to clients, but other things had to come first, such as new wool and grain stores, country stores and all those other facilities necessary for the successful running of an expanding business such as this. However, the backlog of storage buildings was finally overcome and attention was directed at long last to the construction of a new building that would be worthy in every way of the Association. A property was acquired at the south-eastern corner of Clyde and Forth streets, and the staff moved into this building in the new year of 1968. It is a building of which any major business would be proud, and every consideration has been given to

providing for present comfort and convenience for staff and clients and for future expansion.

In recent years an uncertain market and various new complexities in farm economics have created many problems for the farming community. With lower incomes and careful budgeting becoming more important in farm management the Association decided that the time had come to extend its services by appointing a farm adviser. With this object in view the directors in February 1968 appointed Mr G. M. Niederer from the State Advances Corporation, an experienced specialist in this particular department, as farm adviser, and the result of this extension of service has been well received by the Association's clients.

CHAPTER 13

In Conclusion

The story of the early years of the Association is a story of trials and tribulations, and it was mainly through the courage, determination and sheer business ability of men like the late Adam Hamilton and other directors and first class management in later years that the Southland Farmers' Co-Operative Association was able to weather the economic storms and other difficulties that beset it and develop into the major enterprise that it is today. Admittedly the writing down of the stock severely penalised many of the original shareholders, but without that drastic measure the business might well have foundered and everything would have been lost. What happened was the operation of the principal of the greatest good for the greatest number. It was in fact a rescue operation that paid off well, in spite of the unfortunate personal sacrifices.

The Southland Farmers' Co-Operative Association has played a major role over the years in shaping the destiny of Southland. The progress of the Association has been the barometer of the progress of the farming community and there is hardly a corner of rural Southland that is not served by the Association and its officers. The total of clients has grown steadily over the years and can be taken as a measure of the confidence the farming community has in the Association which has served it so faithfully over the years, particularly through its outside staff who are directly in touch with the farmer clients.

Many a farmer owes his present success to the confidence shown by the Association in his industry, integrity and efficiency and the relationship today stands more in the nature of a partnership than a routine business arrangement.

The years of the Association's most spectacular development were the decade from 1955 to 1965. In 1955 the profit passed the £100,000 mark for the first time in the Association's history, being £110,089, and although it fell back temporarily in 1959 and 1960 to £86,176 and £91,888 respectively, it increased steadily thereafter to a record total of £193,727, at which point the general reserve stood

at £745,000. The Association's financial record is shown on the accompanying tables.

Direct contact is maintained continually with the firm's farmer clients through its stock department and the Association has been served through the years by some outstanding personalities. The following table shows the position of this department at two stages in the Association's history, the years 1925 and 1965:—

STOCK DEPARTMENT — OUTSIDE STAFF

1965	1925
Invercargill :	Invercargill :
Stock Manager	Head Auctioneer, late Hugh Crawford
3 Auctioneers	2 Lamb Drafters
6 Agents and Drafters	
Winton :	Winton :
1 Auctioneer	1 Auctioneer
2 Agents and Drafters	1 Agent
Gore Branch :	Gore Branch :
Stock Manager	1 Auctioneer
3 Auctioneers	1 Lamb Drafter
4 Agents-Drafters	
Otautau :	Otautau :
1 Auctioneer	1 Agent
2 Agent-Drafters	
Tuatapere :	
1 Agent-Drafter	
Wyndham :	
1 Auctioneer-Agent	
Lumsden :	
1 Agent-Drafter	
Riversdale :	
1 Agent-Drafter	
Total : 28.	Total : 8.

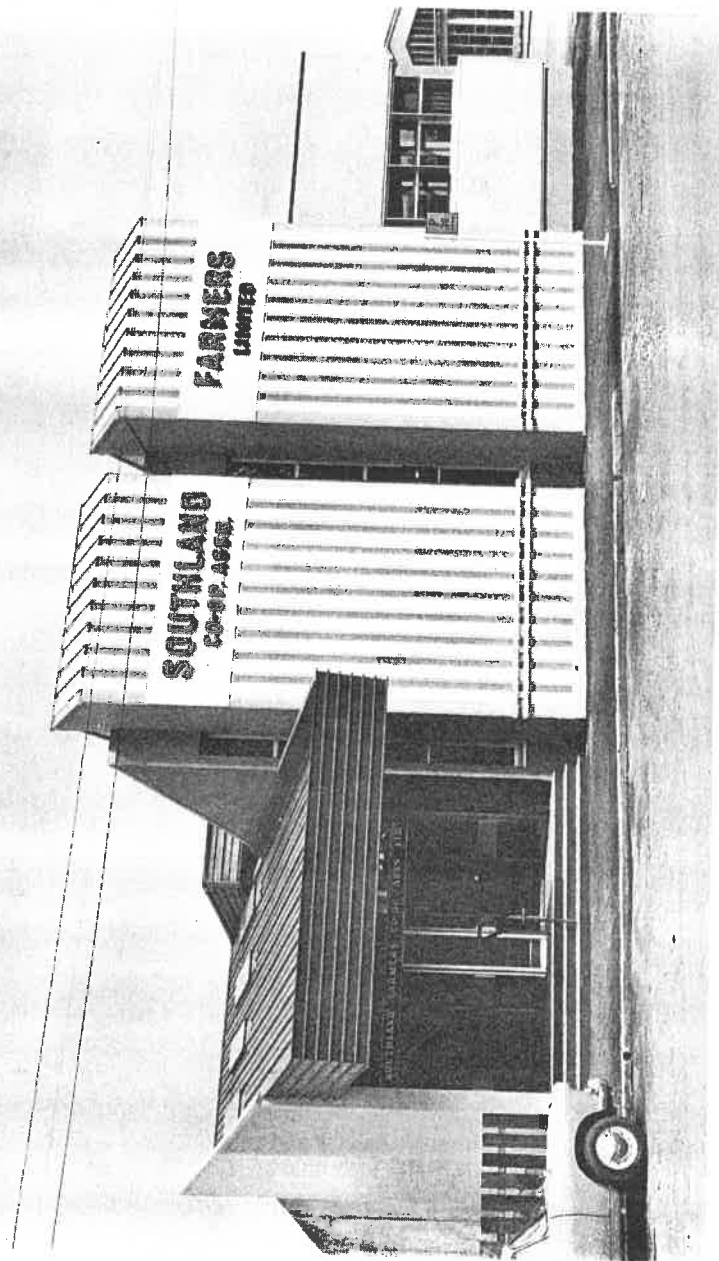
As business expanded, agencies were established as below :

Tuatapere 1940	Lumsden 1954
Wyndham 1946	Riversdale 1966

Growth numbers of Stock has steadily increased each year—

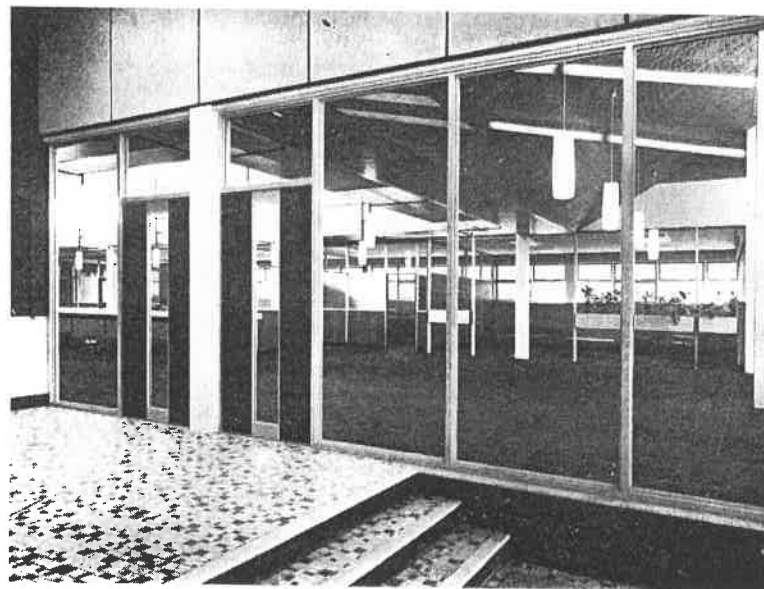
Stock Turnover for 1963 was :	
1,206,797 Sheep	14,669 Cattle
Stock Turnover for 1967 was :	
1,401,826 Sheep	18,611 Cattle

To give a New Zealand-wide stud stock service on a national basis, the ten Farmers' Co-operative Companies combined in establishing the Farmers' Stud Stock Co. in 1963 with Headquarters in Palmerston North. This has proved most successful and is staffed by stud stock men of highest calibre under the management of Mr J. Dowthwaite and is giving a national service second to none.



FRONT ENTRANCE, FORTH STREET

PREMISES IN FORTH STREET



Foyer, FORTH STREET



From the rear looking towards foyer

WOOL AND REBATES

The following table shows the amount of wool sold and the amount paid in rebates yearly from 1926-7 to 1969:—

Year.	No. of Bales	Annual Rebates Paid £
1926-27	4,958	
27-28	4,507	
28-29	7,003	
29-30	4,721	
30-31	4,648	
31-32	5,553	
32-33	8,151	
33-34	10,875	
34-35	5,988	
35-36	10,545	
36-37	8,838	3,000
37-38	9,066	2,500
38-39	9,899	2,250
39-40	11,308	5,000
40-41	13,973	7,000
41-42	13,839	5,000
42-43	14,500	8,500
43-44	14,784	10,000
44-45	15,080	11,500
45-46	15,943	13,000
46-47	17,087	15,000
47-48	16,349	20,000
48-49	21,018	23,000
49-50	19,870	23,000
50-51	22,394	40,000
51-52	23,573	26,000
52-53	25,562	30,000
53-54	25,275	45,000
54-55	29,540	52,000
55-56	29,457	42,000
56-57	29,984	57,000
57-58	33,261	75,000
58-59	33,877	80,000
59-60	32,934	100,000
60-61	36,055	150,100
61-62	39,960	95,000
62-63	41,785	115,500
63-64	42,957	144,000
64-65	43,246	117,000
65-66	47,700	147,000
66-67	50,493	92,000
67-68	49,403	60,000
68-69	53,547	90,000
TOTAL :	959,506	£1,706,250

SUMMARY OF GROWTH

Year	Capital £	Land & Building £	Profit £	Expenses £	Notes
1901	1,149	Nil	70 Loss	79	
1903	6,550	1,380	936	2,400	
1904	7,268	1,277	1,500	3,032	
1909	22,043 (£5 shares)	11,999	1,832	7,300	Bonus to shareholders £214 & staff £128.
1915	38,723 (£5 shares)	16,483	4,018	7,540	
1920	50,764	29,300	14,358	26,365	
1925	159,259	30,198	4,709 Loss	16,698	Bad debts £8,056.
1929	97,752 (14,684 £5 shares re- duced to £1)	34,996	10,347	21,356	
1935	98,564	32,980	5,601	12,507	Directors' fees paid £69.
1940	99,037	36,515	20,125	23,568	Directors' fees paid £366.
1945	102,845	57,507	26,183	39,090	
1950	103,299	74,017	44,456	79,250	
1955	103,299	133,400	110,089	155,271	
1960	229,701	256,319	91,888	169,991	
1961	329,839	265,832	110,601	171,117	
1962	389,764	285,197	103,776	173,246	
1963	446,457	300,118	116,923	174,149	
1964	470,314	352,546	177,039	174,275	
1965	504,904	390,302	193,727	175,191	
1966	612,519	447,414	189,118	175,914	General Reserve £745,000.
1967	667,616	453,144	153,862	176,717	