

FARM WRITERS - 28/02/03

Brian Johnstone.
Honoured - 30 years - familiarity.

THREE TOPICS

- 1. CLYDE THE COMPANY**
- 2. CLYDE IN DROUGHT**
- 3. NATURAL RESOURCE MANAGEMENT -
THREATS TO AUSTRALIAN AGRICULTURE**

CLYDE THE COMPANY

LAST YEAR (BEFORE THE DROUGHT SET IN), I WAS HOLDING FORTH TO ONE OF OUR MANY UK VISITORS ABOUT HOW I THINK I HAVE THE BEST AGRICULTURAL JOB IN AUSTRALIA. AT THE END OF OUR TRIP HE REMINDED ME OF THE COMMENT AND SAID I AM QUITE SURE YOU HAVE THE BEST AGRICULTURAL JOB IN THE WORLD. I DON'T DISAGREE.

WHEN IT WAS DECIDED THAT THE PRIVATE SWIRE FAMILY COMPANY WOULD TAKE A SIGNIFICANT POSITION IN AUSTRALIAN AGRICULTURE, IT WAS AGREED THAT THE CONCENTRATION SHOULD BE ON PRODUCTION OF PRODUCTS WHERE AUSTRALIA HAD DISTINCTIVE COMPETENCE / COMPETITIVE ADVANTAGE, AND WHERE IT WAS POSSIBLE TO ACHIEVE SCALE. SCALE FOR THE ECONOMIES THAT COME WITH IT AND FOR A DEGREE OF MARKET

STRENGTH. THE PLATFORM FOR GROWTH WAS A SMALL COTTON/WOOL/BEEF OPERATION BASED ON BOURKE IN WHICH SWIRES ALREADY HAD AN INTEREST AND WHICH HAD SUBSTANTIAL TAX LOSSES.

THE FOUNDER OF THIS BUSINESS HAD CORRECTLY IDENTIFIED BOURKE AS AN IDEAL CLIMATE FOR IRRIGATED COTTON PRODUCTION. THE BUSINESS ALSO OWNED AND OPERATED BOURKE'S LEADING HOTEL, NOW REJOICING UNDER THE NAME OF THE PORT OF BOURKE HOTEL, AND A COTTON GIN.

THE ORIGINAL AIM WAS TO BUILD A BUSINESS PRODUCING / RUNNING

? 30,000 BALES COTTON

? 100,000 SHEEP

? 10,000 BEEF CATTLE

TODAY WE HAVE

? 60,000 BALES COTTON

? 230,000 SHEEP

? 30,000 CATTLE

? 60,000 ACRES DRYLAND WINTER CROP, MOSTLY HIGH PROTEIN WHEAT

ACCORDING TO AUSTRALIAN FARM JOURNAL THIS MAKES US AUSTRALIA'S

? SECOND LARGEST WOOLGROWER

? FOURTH LARGEST COTTON GROWER

? AMONGST THE 10 LARGEST WHEAT GROWERS

? PROBABLY THE SECOND LARGEST BEEF PRODUCER IN NSW

WE HAVE STRENUOUSLY AVOIDED ALL INVITATIONS TO GET FURTHER INVOLVED IN PROCESSING, PREFERRING TO KEEP OUR FOCUS ON PRIMARY PRODUCTION. WE ARE SIMPLY FARMERS. I OFTEN MAKE THE POINT THAT WE ARE NOT CORPORATE FARMERS, BUT LARGE-SCALE FAMILY FARMERS. WE ARE THUS SHIELDED FROM THE NEED TO COMPETE IN THE PUBLIC CAPITAL MARKETS, DRIVEN AS THEY ARE BY SHORT-TERM CONSIDERATIONS.

IN A SENTENCE, THE COMPANY CAN BE DESCRIBED AS "SIX COTTON FARMS, ELEVEN STATIONS A GIN AND A PUB"!

THE COMPANY IS HEAVILY DECENTRALISED, HAVING ONLY THREE PEOPLE IN SYDNEY, WITH THE ADMINISTRATIVE OFFICE, INCLUDING THE COMPUTER AND THE ACCOUNTANT, ALL IN BOURKE. WE OPERATE OUR OWN LIGHT AIRCRAFT FROM

BOURKE AND GENERALLY USE COMMERCIAL AIRCRAFT FOR TRAVEL BETWEEN SYDNEY AND DUBBO.

WE HAVE ENDEAVOURED TO STRIKE A BALANCE BETWEEN SPREADING THE RAINFALL RISK GEOGRAPHICALLY AND NOT GETTING TOO BIG A SPREAD OF OPERATION. OUR GUIDING PRINCIPLE HAS BEEN THAT ALL OPERATIONS MUST BE WITHIN TWO HOURS' FLYING TIME FROM BOURKE. ALTHOUGH IF ANYTHING REALLY ATTRACTIVE CAME UP WE COULD ALWAYS BUY A FASTER AIRCRAFT!

OTHER GUIDING PRINCIPLES HAVE BEEN

- ? SPREADING THE ENTERPRISE MIX ACROSS COTTON, WOOL, BEEF AND WHEAT, WHILST RETAINING THE BENEFITS OF FOCUS/CONCENTRATION**
- ? STRIVING TO BE AS LEAST AS EFFICIENT AS THE TOP 20% OF FAMILY FARMERS**
- ? OWNING ONLY AAA PROPERTIES**
- ? FOSTERING A HIGH LEVEL OF MAINTENANCE, LAND AND ANIMAL CARE**
- ? HAVING SCALE IN EACH UNIT**
- ? EMPLOYING QUALITY MANAGEMENT AT ALL LEVELS**

- ? **MINIMISING BUREAUCRACY AND OVERHEADS**
- ? **SENSIBLY APPLYING APPROPRIATE MODERN TECHNOLOGIES AND TECHNIQUES.**

WE STRIVE TO ADHERE TO THE SWIRE GROUP ETHOS OF ALWAYS TAKING THE LONG-TERM VIEW, AND BEING MINDFUL OF THE GROUP MOTTO “ESSE QUAM VIDERI” (TO BE RATHER THAN TO SEEM TO BE).

OPERATING CHALLENGES

THE LONG-TERM REAL PRICE OF AGRICULTURAL COMMODITIES HAS BEEN TRENDING DOWNWARDS SINCE ADAM WAS A BOY AND WE SEE NO END TO THIS. FURTHER IN OUR PURSUIT OF SCALE WE NEED TO ACCEPT THAT WE ARE IN THE COMMODITY BUSINESS. QUALITY COMMODITIES, BUT STILL COMMODITIES!

TO COUNTER THIS TREND WE HAVE TO MAKE PRODUCTIVITY INCREASES CONTINUALLY AND FOR THESE WE ARE HEAVILY RELIANT ON SCIENCE AND TECHNOLOGY. THE KEY IS TO CONSTANTLY STRIVE FOR THE LOWEST POSSIBLE UNIT COST OF PRODUCTION. THIS USUALLY MEANS ACHIEVING THE HIGHEST POSSIBLE YIELDS. IT IS NOT A LOW EXPENSE STRATEGY. IN FACT IN MANY INSTANCES, IN ABSOLUTE TERMS, IT MAY MEAN HIGHER

EXPENSE LEVELS WITH A MORE THAN COMMENSURATE INCREASE IN UNITS PRODUCED; BE THEY BALES OF COTTON, KILOGRAMS OF WOOL, KILOGRAMS OF BEEF, TONNES OF WHEAT, LAMBS AND CALVES BORN.

HISTORY AND ROMANCE

CLYDE HAS BEEN FORTUNATE THAT ITS INITIAL GROWTH PHASE HAS COINCIDED WITH CIRCUMSTANCES, WHICH HAVE SEEN SOME OF EASTERN AUSTRALIA'S FINEST PASTORAL PROPERTIES COME ON THE MARKET. PROPERTIES WHICH HAVE BEEN TIGHTLY HELD AND HAVE ONLY CHANGED HANDS TWO OR THREE TIMES SINCE EUROPEAN SETTLEMENT. STATIONS SUCH AS WINGADEE, OXLEY (RINGORAH), BREWON, BEEMERY, TOORALE, THYLUNGRA AND PORTLAND DOWNS ARE PROPERTIES WELL EMBEDDED IN AUSTRALIAN PASTORAL FOLKLORE. IT IS INTERESTING TO NOTE THAT ALL ARE LOCATED ON OUR EQUALLY FAMOUS INLAND RIVERS, (THE CASTLEREAGH, MACQUARIE, BARWON, THE MIGHTY DARLING, COOPERS CREEK, AND THE BARCOO), WHICH THEMSELVES FORM A FASCINATING STUDY IN THEIR IRREGULAR BEHAVIOUR, NOT TO MENTION THEIR GREAT CONTRIBUTION OF TOPSOIL AS A CONSEQUENCE OF PERIODIC FLOODING OVER MILLIONS OF YEARS.

I SHOULD MENTION THE ALL-IMPORTANT HUMAN SIDE OF PUTTING THE BUSINESS TOGETHER. HOW SWIRE'S REPUTATION (AND PRACTICE) AS AN EMPLOYER HAS HELPED US ATTRACT SO MANY WELL TRAINED PEOPLE FROM THE OLD PASTORAL COMPANIES, SO MANY OF WHICH HAVE DISAPPEARED.

DROUGHTS

INSIDIOUS - CREEP UP ON YOU

CONSTANT - NO LET UP ONCE YOU'RE IN.

DEPRESSING - DUST

- 'ROOS

- FEEDING

NOTHING POSITIVE

SEEMINGLY ENDLESS

FINANCIAL PRESSURES HUGE

BADLY DAMAGED COTTON CROP IN 2001/2002

NO COTTON CROP IN 2002/2003

NO DRYLAND WINTER CROP IN 2002

LIVESTOCK - LOST PRODUCTION

- FENCING COSTS

WORST IN HISTORY

CLYDE DROUGHT STRATEGIES

- ? **SOLD**
- ? **AGISTED**
- ? **LEASED**
- ? **BOUGHT TWO PROPERTIES FOR FEED**
- ? **FEEDLOTTED**
- ? **MOVED WATER**

WHY WE ARE DIFFERENT

1. **CAPITAL AVAILABLE**
2. **ALTERNATIVE EMPLOYMENT FOR PERMANENT STAFF NOT OPTION.**
3. **REPLACING LOGISTICS VERY DIFFICULT TO IMPOSSIBLE.**

FEED

- ? **MARKET WORKING**
- ? **NUTRITIONAL DRY MATTER**
- ? **FOUND A HOME**
- ? **FEEDING IS A TREADMILL. WORST POSSIBLE RESULT**

NATURAL RESOURCE MANAGEMENT

I CANNOT LET AN OPPORTUNITY LIKE THIS GO BY WITHOUT A WORD ON MY MOST EMOTIVE, PASSIONATE SUBJECT! I AM ABSOLUTELY INCENSED BY THOSE WHO WORSHIP AT WHAT GEOFFREY BLAINEY TERMS THE "DARK GREEN ALTAR". THEY INSULT SOME OF THE BEST AGRICULTURAL SCIENTISTS THE WORLD HAS SEEN, IN SAYING THAT ALL WE HAVE DONE IN AUSTRALIA IN THE LAST 200 YEARS IS APPLY INAPPROPRIATE EUROPEAN METHODS! THE DEVELOPMENT OF AGRICULTURE AND THE SUSTAINABLE PRODUCTIVITY IMPROVEMENTS OF RECENT YEARS ARE QUITE OUTSTANDING, MOSTLY IN THE MUCH-MALIGNED MURRAY/DARLING BASIN. I AM ENCOURAGED TO NOTE THAT AN INCREASING NUMBER OF COMMENTATORS ARE NOW STARTING TO RECOGNISE THAT SOME OF OUR SO-CALLED LEADING SCIENTISTS (E.G. THE WENTWORTH GROUP) ARE BY NO MEANS OBJECTIVE ANALYSTS AND ARE CONFUSING GOOD SCIENCE WITH IDEOLOGY.

ECOLOGY HAS REPLACED ECONOMICS AS THE DISMAL SCIENCE.

PEOPLE LIKE BOB CARR WANT TO PUT UP THE "HOUSE FULL" SIGN, SAYING WE CANNOT SUSTAIN AN INCREASE IN POPULATION WHEN WE EXPORT 2/3RDS OF WHAT WE PRODUCE.

IT IS IRONIC THAT AS MARKETING HAS BECOME INCREASINGLY DE-REGULATED, PRODUCTION IS BECOMING MORE AND MORE REGULATED, DRIVEN BY THE STATE'S INTRUSION INTO NATURAL RESOURCE MANAGEMENT. A FARMER CANNOT PLOUGH A Paddock, IF IT HAS NOT BEEN CULTIVATED IN THE LAST TEN YEARS, WITHOUT THE GOVERNMENT'S PERMISSION. THIS ALL FOUNDED ON DARK GREEN IDEOLOGY. READ GEOFFREY BLAINEY'S 2001 BOYER LECTURES.

DAVID SMITH WAS SO INCENSED BY TIM FLANNERY'S "THE FUTURE EATERS" THAT HE WAS PROVOKED INTO WRITING "NATURE GAIN" WHICH IS THE AGRICULTURAL SCIENTISTS' RESPONSE.

THE ECOLOGISTS TAKE AN ADVERSE DEVELOPMENT, EXTRAPOLATE IT AS IF THERE WAS NO TOMORROW AND WHAM! - ARMAGEDDON!

THE MARKET ECONOMIST SAYS - GIVE THE MARKET FREE REIN, LET THE INGENUITY OF MAN - SCIENCE AND TECHNOLOGY - COME INTO FULL PLAY AND ADVERSE DEVELOPMENTS WILL NOT BECOME TRENDS AND WILL BE CORRECTED. BOTH ARE

IDEOLOGICAL POSITIONS - NO PRIZES FOR GUESSING WHICH ONE I PREFER.

EXAMPLES OF GOVERNMENT BEHAVIOUR

? **WILCANNIA WEIR**

? **BEEMERY CASE -**

» **RICHARD KINGSFORD - SNR RESEARCH SCIENTIST FOR N.P.W.C.**

» **N.P.W.L. SIGNED OFF**

» **KINGSFORD WAS CHIEF WITNESS FOR THE OBJECTORS.**

THE VERY TOPICAL WATER EFFICIENCY DISCUSSION HAS A HABIT OF SURFACING IN DROUGHT TIMES. THAT IS FAIR ENOUGH, BUT WE NEED TO RECOGNISE THAT THE DISTINCTIVE FEATURE OF AUSTRALIA'S CLIMATE IS NOT SO MUCH THAT IT IS A DRY CONTINENT (ALTHOUGH THAT IT CERTAINLY IS), BUT THAT IT HAS ENORMOUS VARIABILITY. DOROTHEA MCKELLAR HAD IT RIGHT - "DROUGHTS AND FLOODING RAINS". SHE MIGHT HAVE ADDED "AND NOT MUCH IN THE MIDDLE". OUR SCIENTISTS AND BUREAUCRATS DON'T SEEM TO APPRECIATE THE MAGNITUDE OF THE WATER FLOWS IN THE WET TIMES AND GROSSLY OVERSTATE THE IMPACT OF OUR DAMS AND IRRIGATION PRACTICES.

(SLIDE)

IF MAN IS GOING TO LIVE SUCCESSFULLY IN THIS ENVIRONMENT AND NUDGE IT EVER SO GENTLY TOWARDS MEETING HIS NEEDS, THEN CLEARLY WE NEED TO CONSERVE IN THE TIMES OF PLENTY AGAINST THE INEVITABLE TIMES OF SCARCITY.

THIS CONSERVATION CAN TAKE MANY FORMS, - CASH, FODDER, PASTURE GROUND COVER AND, OF COURSE, WATER. AND WE NEED TO REMEMBER THAT THE WATER RUNS AWAY UNLESS IT IS STORED SOMEWHERE.

IT WON'T WAIT FOR YOU! IN THE PLENTEOUS TIMES THERE CAN BE SO MUCH WATER IT IS ALMOST IMPOSSIBLE TO "WASTE" IT. IN FACT, THE ONLY WASTE IS FAILURE TO PUT MORE AWAY FOR A NON-RAINY DAY.

THE PROPOSED ANNUAL "CAP" (I.E. THE MAXIMUM THAT CAN BE EXTRACTED IN A TWELVE MONTH PERIOD) FROM THE BARWON/DARLING RIVER IS THE EQUIVALENT OF LESS THAN THREE DAYS' FLOW PAST BOURKE IN A MODERATE FLOOD AND THERE HAVE BEEN 14 FLOODS IN THE LAST 13 YEARS. THE GREATEST "WASTE" WITH WATER STORED, IS EVAPORATION

FROM LARGE SURFACE AREA STORAGES, INCLUDING THE STATE OWNED AND OPERATED DAMS. THE MAN-ENGINEERED MENINDEE LAKES STORAGE SYSTEM HAS ANNUAL EVAPORATION APPROACHING 1M. MEGALITRES, SOME FOUR TIMES THE AVERAGE ANNUAL IRRIGATION EXTRACTIONS ON THE BARWON/DARLING. AN ENGINEERING IMPROVEMENT WHICH COULD SAVE, SAY HALF THIS EVAPORATION, WOULD CLAW BACK MORE WATER FOR THE RIVER THAN ALL OF THE CARR GOVERNMENT'S DRACONIAN CUTS, WITH *NO NEGATIVE SOCIO-ECONOMIC IMPACTS*.

SUMMARY

I HAVE ATTEMPTED TO GIVE YOU SOME BACKGROUND TO THE THINKING BEHIND THE ESTABLISHMENT AND GROWTH OF WHAT IS NOW A SIGNIFICANT PLAYER ON THE AUSTRALIAN AGRICULTURAL SCENE. I HAVE ATTEMPTED TO SHOW HOW EMBRACING TECHNOLOGICAL DEVELOPMENTS, WHILST KEEPING OUR FEET FIRMLY ON THE GROUND, WILL LEAD (WE HOPE) TO THE LONG TERM SURVIVAL OF THE BUSINESS WE NEED TO EMBRACE AUSTRALIA'S MOVE TOWARDS BEING A MORE OPEN, COMPETITIVE ECONOMY, TO ESCHEW GOVERNMENT SUBSIDISATION/EXCESSIVE INVOLVEMENT AND STRIKE A BETTER BALANCE BETWEEN WHAT INDUSTRIES DO COLLECTIVELY AND

WHAT SHOULD BE LEFT TO THE MARKET. YOU WILL HAVE GATHERED THAT I SEE THE MODERN AUSTRALIAN COTTON INDUSTRY AS A MODEL FOR OTHER AGRICULTURAL SECTORS.

I HAVE GIVEN YOU SOME VERY MODERATE VIEWS, ARGUING THE CASE FOR LESS GOVERNMENT INVOLVEMENT AND A MORE BALANCED APPROACH TO NATURE RESOURCE MANAGEMENT.

OF COURSE, WE MUST PROTECT OUR RESOURCE BASE AND BE CONSCIOUS OF THE IMPACT OF OUR ACTIONS UPON OTHERS.

BUT, MAN IS PART OF THE ENVIRONMENT. THE ENVIRONMENT IS NOT STATIC BUT DYNAMIC, AND MAN'S ACTIONS ALWAYS HAVE HAD AND ALWAYS WILL HAVE AN IMPACT. BUT, SURELY THE LONG TERM INTERESTS OF MANKIND ARE PARAMOUNT AND WE AUSTRALIANS HAVE A DUTY TO MAXIMISE SUSTAINABLE PRODUCTION FROM THIS DIVERSE, FASCINATING, CLIMATICALLY HIGHLY VARIABLE CONTINENT.

LET ME CLOSE WITH AN EXTRACT FROM LAWSON'S *"IN THE STORM THAT IS TO COME"*.

*I SAW A VISION IN DAYS GONE BY AND WOULD DREAM THAT
DREAM AGAIN*

*OF THE DAYS WHEN THE DARLING SHALL NOT BACK HER
BILLABONGS UP IN VAIN*

*THERE WERE RESERVOIRS AND GRAND CANALS WHERE THE DRY
COUNTRY HAD BEEN*

*AND A GLORIOUS NETWORK OF AQUEDUCTS, AND THE FIELDS
WERE ALWAYS GREEN.*

*I HAVE SEEN SO LONG IN THE LAND I LOVE WHAT THE LAND I
LOVE MIGHT BE,*

*WHERE THE DARLING RISES FROM QUEENSLAND RAINS AND THE
FLOODS RUN INTO THE SEA.*

*AND IS IT OUR FATE THAT WE'LL WAKE TOO LATE TO THE TRUTH
THAT WE WERE BLIND,*

*WITH A FOREIGN FOE AT OUR HARBOUR GATE AND A BLAZING
DROUGHT BEHIND!*