

13 May 2019

**REPORT CONCERNING TRIP AROUND THE OUTSIDE OF AUSTRALIA
IN APRIL 2019**

The background to the trip was an Alumni meeting in Canberra for three days regarding the 1961, 1962 and 1963 Lincoln College Diploma of Agriculture and Diploma of Valuation and Farm Management courses - a few issues arising from this get-together:

- The original student numbers in 1961-1963 were around 38 head.
- Seven have since died (about 18%).
- All except two are retired, if not completely then reasonably so - the writer is one of the two, and I think Nelson McBreen (Eagle Spares Limited in Christchurch) is the other one of the two.
- The meeting was well put together, and I thoroughly enjoyed it - quite a number at the get-together I had not seen for 55 years - this was my fault, not their fault.
- Quite a number were deaf or partly so - a function of tractors, chainsaws, and farm noise that they had coped with many years ago.
- I found in the discussions that there was a tremendous amount of experience and wisdom in the Alumni group - I felt that some of them perhaps retired a little early, but not everybody was probably enjoying work at the point of their retirement - I have been lucky in that regard.
- I tried to record the figure, but lost count in the end - I think the overall group had just on 85 - 90 grandchildren.
- Many in the group were doing quite a bit for their communities and non-profit groups - most were a lot better than I was in this regard.
- Because I had not been to any earlier Alumni meetings (these were usually in March, which is a bad month for me workwise) I was given the task of addressing the group for an hour or so. I mentioned that my first year's salary with the Rural Bank in Christchurch in 1964 was £918 (say NZ\$1,836) and that the District Appraiser's salary at that point was £1,456 per year (say NZ\$2,912). Every bank probably has a different figure now for a first year graduate salary, but let's say it is of the order of \$60,000 - this means over the 55 year period there has been an increase of around \$58,000 - this is an average annual increase of \$1,054. These sorts of figures don't mean much with inflation over the 55 years, but I loved the Rural Bank job and the colleagues I worked with - great experience.
- Harry Garrett, the Professor of Farm Management at the time, was right in his comments to me while I was one of the two driving the College bus, that "lateral thinking" and a "helicopter view" would become more and more important in assessing farming businesses.
- The three years I spent farm trouble shooting after leaving Lincoln, working in the State Advances (Rural Bank), completing the BCom and working in PGG Limited's Trust department has turned out to be a cornerstone and to some extent in our present specialist farm accounting practice it still is.

- The accounting practice is a sound fee generator but involves a lot of management input, but the Lincoln VFM was better when it comes to providing a "helicopter view" and a whole farm approach - this showed up sharply in my three farm trouble shooting years.
- Our practice's annual Lincoln College Scholarship arrangement did not work (for two years) - I liked the concept and connection, but some things in this life of ours just do not work, often for genuine reasons.
- Since 1972 I have trained some 21 young men and women who are now all out on their own and our total group now acts as accountants for just on 2,000 NZ farming families - it is something I am very happy with, although five of these individuals have now retired from practice.
- Dealing with people, bearing in mind that around 25% of the NZ population is poor with money management, requires patience, experience, financial thinking and the ability to package "no" well, but clearly - people's emotions are just as important as facts in around 50% of many farming and non-farming issues. People management is an undervalued attribute - if you have it.
- You can follow a person's emotional thoughts all day if you let them, but following the money is usually a much more productive potential answer and possible solution – almost invariably lack of money features will show up strongly somewhere.
- NZ employers are, in the main, unsung heroes - time and time again I have, in some circumstances, asked myself the questions as to why do they bother.
- There is not enough difference between the wage/salary rate you are paying to your top 10% performing employees and your bottom 10% performing employees - this has been the situation for years and is still the case for about 50% of NZ businesses I feel right now - it very much applies currently in around 50% of NZ farming businesses.
- I hated school and really do understand now about late developers. If it was not for my mother who was the "glue" in our family, I would have been 10,000 miles away from my secondary school once I turned 15 years of age.
- I found it interesting with the discussions at the Alumni meeting that we all spent time looking back, whereas when we came out of the course in 1963 we all spent time trying to look forward - this all makes sense, I suppose, and is a function of one's age. We tend to be very specific looking back, but really guessing when looking forward.

After the Alumni meeting, Nicky Smith (partner - she and John were sheep and beef farmers at Kahutara in Kaikoura, with John having died some six years ago) and the writer started to drive right around the outside of Australia - a few key issues arising from this were:

- 15,627 km in rental vehicle.
- Pajero Sport vehicle (diesel).
- Unlimited kilometres regarding the rental contract.
- Shared the driving 50:50.
- Shared the traffic fines 50:50.
- Averaged around 560 km a day.
- Average motel costs from NZ\$135 - \$185 per day but two at Broome (Western Australia) and Rydges (next to Sydney Airport) both at AU\$315 per night.
- Average NZ:AU exchange rate of NZ\$1 worth AU\$0.95 - that is, AU\$1 is worth NZ\$1.05.
- Vehicle fuel around NZ\$81 per day.
- Airfares - approximately NZ\$200 each but one way (group fare).

- David and Faye Martin were with us for the first four days (Dave was an Alumni).
- Population of Australia - 25,100,000.
- Sheep numbers in Australia - 69,000,000.
- Beef cow numbers in Australia - 26,600,000.
- Dairy cow numbers in Australia - 1,600,000.
- We found the top third of Australia geographically was hard to deal with due to the heat and the flies - we struck eight days above 37 degrees - the workers outside usually wore masks like beekeepers.
- We thought the indigenous people's situation (aboriginals) was not working well - some on the cattle stations worked well, but most in the towns did not work at all. Throwing money at the indigenous people, which is what is tending to happen from Canberra, was failing - 90% of the other people in those towns felt the same on this particular issue - a good example of money not fixing everything – or in this case, hardly fixing anything.
- Apart from climate and related issues the dingo and wild dog issue has had some significant effect on reducing the country's sheep numbers from around 170,000,000 head to 69,000,000 head - there are few sheep now in the top third of Australia geographically.
- The price of petrol and diesel is similar at around AU\$1.50 per litre.
- Coal and iron ore is still big business.
- Many of the roadhouses and small towns have a lack of fresh water - we struck several roadhouses that were trucking in fresh water from 50 km away every second or third day. Some towns have water piped in - these pipelines often go for hundreds of kilometres.
- Like NZ, the Australian economy is slowing down - everything is just getting a little harder. We struck quite a number of people taking longer than one hour to get to work and also longer than one hour to get home - many were travelling 60 - 80 km a day to get to work and 60 - 80 km to get home again. This is a hard way to run your life.
- Around 85% of NZ banking now comes from Australia - they are pushing for some annual loan principal repayments of at least 1% - 2% per year and are talking about a complete loan repayment over 20 years.
- Several of the big Australian cities are dealing with quite significant drops in house and section values - if this happened in NZ along with say an increase also in mortgage interest rates, you would hear the screams in Auckland from Invercargill.
- There were a few areas in Australia where one felt you could work and live happily long-term, but not too many. NZ looks good from most points of view - regarding climate-wise, water-wise, children-wise and superannuation-wise. We have lower incomes, but Nicky and I felt we could cope with that.

It is interesting to have a helicopter view of a few countries NZ trades with - this data is all coming from sound sources, but in some cases could be 12 - 24 months old:

(All \$ values are based on US\$).

DESCRIPTION	AUSTRALIA	USA	RUSSIA	NZ
1. Land area (km ²)	7,741,220	9,831,510	17,098,246	267,710
2. Arable as a percentage of total land	6%	16.6%	7.5%	2.2%
3. Population (million)	25.1	325	144	4.7
4. Life expectancy in years: Men	81.3	77.3	65.6	80.5
Women	85.0	81.9	76.8	83.7
5. Fertility rate per woman	1.8	1.9	-	2.0
6. Urban population as a % of total population	85.8%	81.9%	74.2%	86.4%
7. Crude death rate per year of population	6.7%	8.4%	13.6%	7%
8. Gross domestic product (billion)	\$1,265	\$18,624	\$1,281	\$185
9. GDP per head	\$52,487	\$57,804	\$8,898	\$39,443
10. Agriculture as a percentage of GDP	3%	1%	5%	6%
11. Services as a percentage of total GDP	73%	80%	63%	72%
12. Exports as a percentage of GDP	19%	12%	26%	26%
13. Imports as a percentage of GDP	(21%)	(15%)	(21%)	(26%)
14. Agriculture as a percentage of employment	2.6%	1.7%	6.7%	6.5%
15. Average inflation - last five years	1.9%	1.3%	8.1%	1.0%
16. Money market rate	1.5%	1.32%	9.1%	1.7%
17. Main export countries	China/ Japan	Canada/ Mexico	Netherlands/ China	China/ Australia
18. Main import countries	China/ USA	China/ Mexico	China/ Germany	China/ Australia
19. Health spending as a % of GDP	9.4%	16.8%	5.6%	9.3%
20. Education spending as a % of GDP	5.2%	5.0%	-	6.3%
21. Number of households (million)	8.9	124.5	56.5	1.5
22. Doctors per 1,000 people	3.5	2.6	4.0	3.1
23. Hospital beds per 1,000 people	3.8	2.9	8.5	2.7
24. Average number of people per household	2.7	2.6	2.5	3.1
25. Cars per 1,000 people	562	380	307	655
26. Mobile telephones per 100 people	110	122.9	159.2	124.4
27. Percentage of population over 65 years	15%	14.6%	13.5%	14.6%
28. Percentage of population non-religious	24.2%	16.4%	16.2%	36.6%
29. Internet users as a percentage of population	88.2%	76.2%	73.1%	88.5%
30. Five year average unemployment rate	5.3%	6.8%	6.3%	5.2%

A few other comments from talking to a number of farmers and business-type people during the trip:

- The general feeling was that the Australia economy was slowing down – the coming election is a lolly scramble between the two major parties – a waste of media space.
- There is certainly a drop in housing values of maybe 15% - 20%, but in the 10 years leading up to the present time there had been an increase in residential values of probably 40% - 50%.
- The drop in sheep numbers from around 170 million head in 1980 to around 69 million now does show up - I did not appreciate the problem the sheep industry has had with the dingo and wild dog population.
- An experienced business person in Darwin mentioned that it is the original purchase price of a commercial property asset plus the initial lease term, that is the key in the long-term - he thought location and the quality of the tenant were about second equal - he said he often spent a long time on getting this first issue right, or backing away if he could not get it to work – which was often.
- Many people said that if interest rates were to increase back to around 7% then their businesses would really struggle - they felt that to go back to this rate their prices would need to rise, staff numbers reduce, loans to their children would have to stop, and their own work hours would have to increase. The feeling was that ten years of low interest rates was ingrained in the economy now and would be hard to cope with - the same comment would very much apply in NZ, probably across all businesses.
- Many of the Australian banks are wanting to move back to the old table mortgage-type loans involving a portion of loan principal with each instalment, such that the loan is repaid in 20 years' time. This would involve an average nominal principal repayment of 5% per year, which would be unworkable for most NZ farming enterprises - technically, this could presently mean the annual mortgage principal payments would, in some cases, be higher than the annual mortgage interest payments. NZ agriculture would struggle, I feel, with anything above 1-2% of annual loan principal payments - we struck quite a few discussions on these general issues.
- Most of Australia was very dry - even drier than normal. A big bale of hay in some areas was worth \$350 - \$400.
- Irrigation water share rights and quotas are a very difficult issue in many parts of Australia - the urban councils are purchasing these rights from the farming industry for heavy dollars - much the same is happening in California.
- The NZ minimum wage of \$20 per hour which comes above in mid-2020, only a little over a year away, now will mean many NZ businesses will have to increase their prices and charges at the same time - the rationale for all this seems fair and reasonable, but it is another burden for management and employers. Running any business in Australia and NZ is slowly getting more and more complicated.
- We found that there were only two newspapers in Australia we liked ('The Australian' and 'The Age'), most of the others were simply tabloids - NZ though now also has a poorer newspaper spread than ten years ago.
- Following our trip we felt NZ in the main shows up well - the people, the smaller population, the higher rainfall, less heat, less flies, smaller cities, less politicians, less rush, shorter time to get to work, no superannuation means test or asset test, and less droughts.

In all of my trips to other countries and other farming areas, I have always learnt a lot from local farmers, local farm advisors, local bankers, from the next restaurant table and from reading local technical farming and financial journals and newspapers - what do I feel I have learnt or have had confirmed from this last Australian trip?

- Thinking is hard work, which is why so few do it.
- More gold has been mined from the thoughts of men and women than has ever been taken from the earth.
- Sharp people sharpen one another just as iron sharpens iron.
- Find a place you feel you can think.
- Spend time with the right people.
- Great ideas need landing gears as well as wings.
- Think like a man or woman of action and act like a man or woman of thought.
- The man that is everywhere is often nowhere.
- One can learn just as much from their failures as their successes.
- He did each thing as if he did nothing else.
- Knowing what facts not to bother about is a real attribute.
- The sign of a poor thinker is someone who hops constantly from one issue to another.
- If you can't write your idea on the back of a small envelope, then you don't have a clear enough idea.
- 99% of everything in life we probably don't need to know about - that other 1% is the key.
- Creativity is pure gold regardless of what you do for a living.
- The right question is often just as important or more important than the right answer.
- If you obey all the rules, you will miss all the fun.
- The first responsibility of a leader is usually to define reality.
- The value of a good idea is in using it.
- If you don't get close to a problem, you can't tackle it.
- President Harry Truman said, "I never gave them hell - I just told the truth and they thought it was hell".
- Some of my best thinking has been done by others.
- Most people spend more time planning their summer vacation than planning their lives.
- Make plans to fit the circumstances - do not try to create circumstances to fit the plans.
- Saddle your dreams before riding them.
- Don't build a bridge if there is no river.
- Strategic thinking is like showering - you have to keep doing it.

- If we have all the answers, then why are we in such a mess?
- Has anyone actually asked ISIS what they really want other than dead people?
- Escaping from old ideas is often harder than developing new ideas.
- Going against popular thinking is always hard regardless of your industry.
- None of us is as smart as all of us.
- Always be on the lookout for ideas, regardless of the source.
- Learn, earn, return - the three phases of life.
- People with humility do not think less of themselves, they just think of themselves less.
- Sometimes when there are no rules, you will really accomplish something.
- Wants and needs are different sides of your wish list.
- The actions of men and women are the best interpretations of their thoughts.
- Where your thinking is unlimited, so is your potential.
- The true value of some assets/services is how long it takes you to earn them.
- The only cost over the last 30 years that has been consistently ahead of innovation, inflation, efficiency and production gains so far as a country's average income increase is concerned is education and health – insurance costs though are pushing into this group also.
- Too many rules reduces peoples needs and abilities to think for themselves – an unsound feature.
- NZ has a number of rules and regulations now that are overkill measured from any reasonable and practical viewpoint – an unsound feature.
- Saving is a key investment feature but the NZ bank term deposit rates at present are slaughtering NZ savers – long term this will backfire – another unsound feature.

Don't give me too much credit here for deep reading or deep discussions - some of these points have been around for many years, but most of them, I feel, are still very relevant today.



Pita Alexander

Pita Alexander is an accountancy and agribusiness director at Alexanders.
Cellphone: 021 465 426