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GROWTH AND DIVERSIFICATION IN  
NEW ZEALAND'S AGRISERVICE INDUSTRY

A Thesis Presented in Partial Fulfilment of the Requirements  
for the Degree of Master of Arts in Geography  
at Massey University

Colin Terence Campbell

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CHAPTER 1

## INTRODUCTION

The thesis has been designed to research the problem of how the stock and station companies have developed from single product or single function firms and then evolved into large diversified mercantile corporations. The hypothesis surmises that the firms have followed trends in the growth of other large overseas companies which has meant changes in function, structure and especially unique to this industry, spatial changes.

The geographic nature of the problem is centred on the companies expansion through time and space in the New Zealand economy. In studying this topic it is necessary to comprehend the basic components of corporate growth, diversification and the uniqueness of the agriservice industry, a 'colonial invention' (MacDonald, 1975) of Australasia. In order to conceptualise the geography of the problem a model has been utilised to illustrate the spatial changes that agriservice companies have undergone when competing for space over New Zealand. The model, figure 1.1. refers to the thresholds of development, requirements that have to be met by a firm in order to increase its operating space. This change in scale results in an increase of activities and the organisational scale of the firm over time.

Stage one represents a period of slow growth with passive territorial claims. Regionally based companies, especially the cooperatives with fixed boundaries best fit this pattern. The firm has grown and often will continue to grow within its own boundaries with a limited range of activities. Growth has been maintained by increased productivity of the farmers built on technological developments in fertilisers, minerals, pasture management, animal health, farmer education and many other facets of advance in agricultural science.

The first important change in company growth is one of horizontal expansion within the region facilitating a more rapid growth rate in

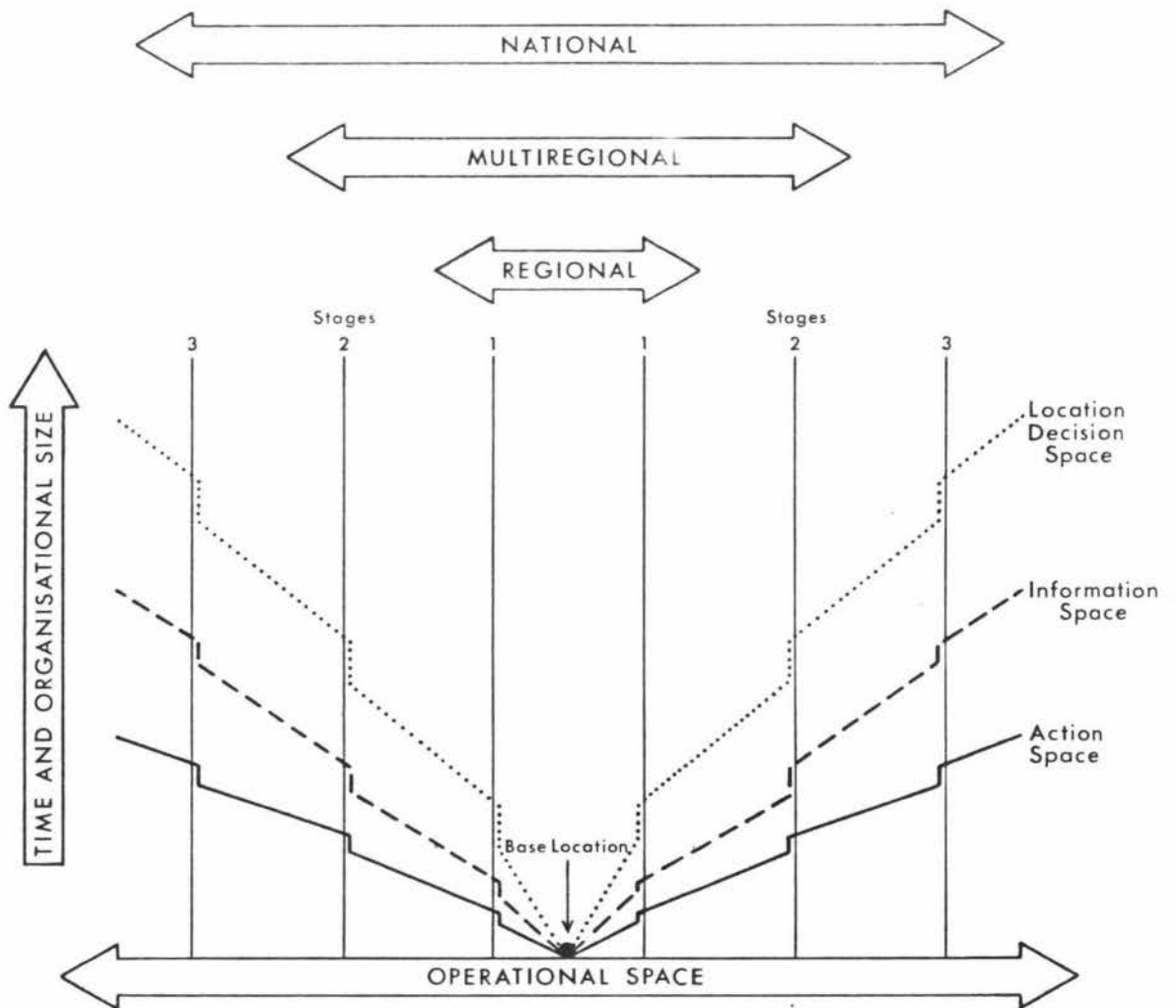


Figure 1.1 Model: Illustrating Spatial Growth of Firms

Adapted from Taylor, 1975

company business. This is the first example of firms competing for space in order to service a larger number of clients thereby increasing turnover. The independent companies have best exemplified this trend by acquiring or merging with another firm covering the same and then new territory. The reason being a rationalisation of activities to avoid a duplication of services and an instantaneous increase in clientele. Developments in transport and communications has seemed to prompt this process taking place enabling the stage two companies to provide services to a larger clientele.

Stage three of the model or the second phase of expansion may take place when the horizontal expansion phase is complete. This means a nation can be fully serviced by the one company. At this stage the nature of the expansion has become a product/market competition, not a spatial one. This is seen as a period of active diversification into non-traditional and non-rural activities such as manufacturing, engineering, retailing or property management. The aim of this strategy is to avoid the fluctuations inherent in our agriculturally based exports and provide higher profit activities that are non-cyclical in nature, steadying the flow of income for the larger corporations. "Companies often move into a phase of consolidation after a period of active diversification and eliminate or reorganise some of the slow growth activities". (Galbraith, 1978).

The model traces corporate growth that has been observed in overseas western nations and outlined by authors Chandler (1962), Rumelt (1974) and Scott (in Rumelt, 1974). The crucial exception for this study is that the agricultural servicing firms are examples of a non-resource industry and exclude a phase of vertical integration evidenced in the raw material/processing based industries. This unique feature of the agriservice industry results in growth and expansion being achieved by firms obtaining new clients and often new territories. Their relative strength is then

measured on the number of clients or the average of farm territory serviced.

The second section of the thesis will outline the framework and methods which bound this study and discuss the broad concepts of corporate growth, strategy formation and its consequences and finally the development of the agriservice industry in New Zealand. Following this the growth of the industry through time is traced at twentyfive year intervals and the consequential spatial changes as the industry continues to evolve. The results of the study will form the last major section of the thesis and these will be discussed in relation to the broad concepts outlined in the second sections and the stage of spatial developments that the firm fits into as hypothesised by the model.

#### The Agriservice Industry

The agriservice industry had its foundations laid with the European settlement of New Zealand and Australia, the industry being differently structured to its British counterpart. The land was sparsely populated, the farm units were larger and market access difficult as products took up to six months to reach their British destination. Merchants were the initial traders in the early settlements, importing the requirements for the new farmer. The auctioneer was required to handle large numbers of stock up for sale at peak periods. Direct dealing was too time consuming and several firms began business as auctioneers, while other initial activities involved acting as shipping agents, exporting, importing, land sales and mortgages arranged generally from the British money market.

These services were essentially the same as provided in other countries yet wool presented the greatest financial problem for the New Zealand farmer initially. His wool was controlled by the merchant and he had to wait five or six months for his returns. This was overcome by the farmer asking the merchants for credit on his wool with which he

could continue to purchase goods and keep on with farm development while paying the merchant interest on his purchases. "This is the heart of the stock and station agency. The granting of credit against future sales of produce through the stock firm". (Lincoln College, 1975, 7). Merchants and auctioneers combined forces and evolved the full gamut of stock and station company activities commonly provided by all firms today.

While the base for these firms is in supplying farm requirements, marketing farm livestock and produce, many agriservice firms have extended their operations beyond the farming community. The underlying motive has been to meet the fluctuating credit needs of the farming sector. The Monetary and Economic Council in Report No. 10 realises their significant contribution to agriculture stating, "Firms play a useful and important role in providing the seasonal requirements of farmers and in assisting to cushion the impact of changes in meat and wool export prices". (Quarterly Survey, January 1967, 9).

Structurally the industry is in two distinct groups, the seven cooperative firms and the seven independent firms which can be categorised into:

a. National companies servicing the whole nation with a network of branches and agencies i.e. equivalent to stage three of the model (Fig. 1.1., 2.).

b. The multi-regional companies that exemplify similar characteristics on a smaller scale, i.e. stage two of the model.

c. The regional firms with fixed boundaries which includes the seven cooperative and three independent companies.

The cooperatives are limited in any attempts to compete for new territory as they have unwritten laws regarding expansion into territory serviced by fellow cooperatives. Independent firms have, or have tried to extend their regions over time, a pattern more evident in the North Island and perhaps a process still to evolve in the South Island.



As agriculture continues to dominate the New Zealand space/economy, the stock and station (agriservice) companies have an important role in our commercial sector. Half of these firms are listed on the share market but, "according to the Reserve Bank index, the stock and station industry has in recent years shown the lowest return on shareholder's funds invested of any major industry group". (Wrightson NMA, Annual Report, 1972, 4.). Perhaps performances like this have induced changes in activities for the agriservice industry, altering the strategy, function and structure of some companies. This is an attempt to strengthen the companies financial position based on corporate growth observed in other western economies.

## FRAMEWORK AND METHODS

The framework of the thesis involves studying the processes and forces at work in a modern mixed economy. For this topic it is necessary to define the major concepts of corporate growth, diversification, agribusiness as distinct from agriservice, then bring the concepts together to observe the spatial and behavioural patterns operating in a service oriented industry. The role of agriculture in New Zealand's economy and government involvement has certainly structured the nations agriservice industry into its present unique form.

Corporate Growth and Strategy

"Growth is an increase in amount, output of exports and sales which implies an increase in size and an improvement in quality as a result of process of development". (Penrose, 1959, 1.). Firms will grow at different rates at different times depending on internal and external factors such as managerial decision or a lack of resources at crucial times possibly leading to a firm's lack of growth and eventual decline. Sutch (1966) differentiates between the terms growth and development by stating that, "growth is producing more of the same things in the same way from the same kind of industrial organisation backed by the same institutional structure". Whereas development, "involves structural changes in both industry and institutional organisation" (in Turnbull, 1964 (ed.), 94.). This is one of the fundamental ideas behind corporate growth, that if a firm is to continue to grow to a certain scale then changes must be made to a firms strategy and therefore structure. The same principle applies to agriservice firms developing through the three stages of the model and economic growth intimates a progressive changing of the economy to which firms must also adapt.

A specialised firm is susceptible to technological and consumer change often requiring the choice of a new strategy to maintain their market position. "Strategic decisions are concerned with the redeployment

of the firms assets to achieve new objectives and imply a belief in power to control the future". (Chamberlain, 1968, 30.). The Harvard Business School has developed a concept of corporate strategy, "that strategy is the result of a balanced consideration of a firms skills and resources, the opportunities extant in the economic environment and the personal desires of management, presumably tempered by its sense of social responsibility". (Rumelt, 1974, 10.). Chandler Jnr. (1962) distinguishes among the strategies of:

- expansion of volume
- geographical dispersion
- vertical integration
- product diversification

illustrating how each possess a different type of administrative difficulty and therefore tends to lead to a different form of organisational structure. The du Pont company pursued a strategy of diversification after World War I and executives failed to see a relation between strategy and structure as pressure increased on personnel. "To meet the new needs, the new organisational design provided several central offices, each responsible for one line of products". (Chandler, Jnr, 1962, 113.). This was the first example of a decentralised multidivisional firm and corporate growth has followed this pattern in increasing numbers, especially during the 1960's and 1970's.

As this thesis is concerned with diversification it is prudent to look at strategy formation and especially that of diversification and its ensuing organisational structure. Penrose (1959) gives three explanations as to why there is a limit to the growth of firms and consequently what direction expansion should take. They are:-

- a) Managerial ability, an internal condition.
- b) Product of factor markets, an external condition.
- c) Uncertainty and risk, a combination of both.

Whereas as North (1974, 216-7) suggests that there are four stages in strategy formation, the first is - 'policy selection', as to the nature of expansion or contraction followed by:-

- 'assessment of changes, resulting from policy selection

- the assessment of 'alternative methods' of achieving aims and finally,
- the 'assessment and selection of alternative locations'.

The choosing of a strategy has spatial expression in that it may require new branches or plants and may be an important factor in determining the growth and nature of economic activity in regions.

#### Nature of Diversification

There is no eidotropic definition for diversification as it may involve changes within the firms area of specialisation, changes beyond into new product/market areas or the initiation of a conglomerate corporation acquiring completely non related industries. Rumelt (1974, 9.) says diversification, "is seen as both the result of general management decisions that are of great importance to the future of the firm and as the cause of problems in coordination, planning and control of the highest levels". Diversification is really then a strategy chosen by a firms management in order to maintain or strengthen the firms position in an evolving economic climate.

The reasons for diversification by a firm may be multifarious but their method may be used for the same end means. "Firms may choose to diversify rather than pursue further growth within their primary industries in which future growth may be limited". (Forrest, 1976, 15.). Others may diversify to obtain a better use of resources or reduce risks on a dependable to balance seasonal or cyclical production which is the central theme for the agriservice industry in New Zealand. Diversification may mean a response to specific opportunities or an attempt, "to increase the capability for adapting to a rapidly changing and increasingly competitive environment". (Ansoff, et.al., 1969, 291.). Other firms may observe that the fastest growing companies tend to be large firms, with high earnings and that these firms were prepared to diversify when it was advantageous for them. (See Appendix, II, for Rumelt's diagram on

changing patterns of strategy in America's Fortune 500, 1949-69).

Firms may diversify by the creation of new activities although this is not very common, acquisition and merger being the most common methods. Acquiring a new firm means that the necessary personnel will already be trained, the necessary technology is there, markets do not have to be found initially as there is only a different and not a new competitor in the market. Acquisition and merger involve spatial changes in firms and may be part of a plan of servicing a nation and then developing within an international framework as many large corporations have done. "The legal device of incorporation substantially affected not only the possible size of firms and their rate of growth but also the process of growth". (Penrose, 1959, 153.). Mergers are not necessarily a more promising growth method than internal expansion but if this policy is to be used then deliberate and careful planning will produce results that are more successful than unplanned opportunistic behaviour. This can be gleaned from a quantitative and statistically significant test in research on, 'Twenty Years of Acquisition Behaviour in America'. (Ansoff, et.al., 1971).

Industries, corporations and products tend to follow life cycles as outlined by Ansoff et.al. (1969) for industries and James (1973) for corporations. Firms then need to choose a strategy of diversification that best suits their needs. This may be a horizontal strategy where a firm rounds out product lines with a strategy of common threads, 68% of acquisitions were formed under this strategy according to a study by Ansoff, Bradbury et.al. (1971), while 19% of acquisitions were unrelated or formed by a corporate strategy.

#### Structural Changes: A Response to Diversification Strategy and Growth.

Having looked at why and how diversification procedures take place it is relevant to outline the structural changes necessary for the type of strategy chosen. Most acquisitions are synergistic in nature and this strategy necessitates administrative and operating changes.

Conglomerates often form a holding company and attempt little integration of often unrelated activities. Rumelt's test, 'Strategy, Structure and Economic Performance', (1974) examines organisational and structural changes in the top 500 Fortune companies of the U.S.A. between 1949 - 1969. The following table illustrates the estimated percentage of firms in each organisational category.

Table 2.1.

Organisational Category	1949	1959	1969
Functional	62.7	36.3	11.2
Functional with Subsidiaries	13.4	12.6	9.4
Product Division	19.8	47.6	75.5
Geographic Division (10 firms Max.)	0.4	2.1	1.5
Holding Company (19 firms)	3.7	1.4	2.4
Number of Firms used to derive the estimates	189	207	183

Source Rumelt, 1974, 65.).

When using this information it must be remembered that Rumelt uses the top 500 companies in the U.S.A. and that beneath this group there are many thousand other firms. The geographic division and holding company categories consist of few firms overall and some oscillation in their group sizes does not have the same weight as the organisational shifts of the first three categories above. It is in these groups that the changes are most dramatic and are illustrated visually (Fig. 2.1.). The rapid rise of firms using the 'product division' organisation is the outstanding feature of corporate growth and choice of strategy accepted by large modern companies.

Most large corporations had adopted product division forms of organisation by the late 1960's and only one firm reverted to a functional structure between 1959-69. Only four firms moved into the geographic division in two decades. 'While diversification and divisionalisation were closely linked in the 1950's during the 1960's the link was less

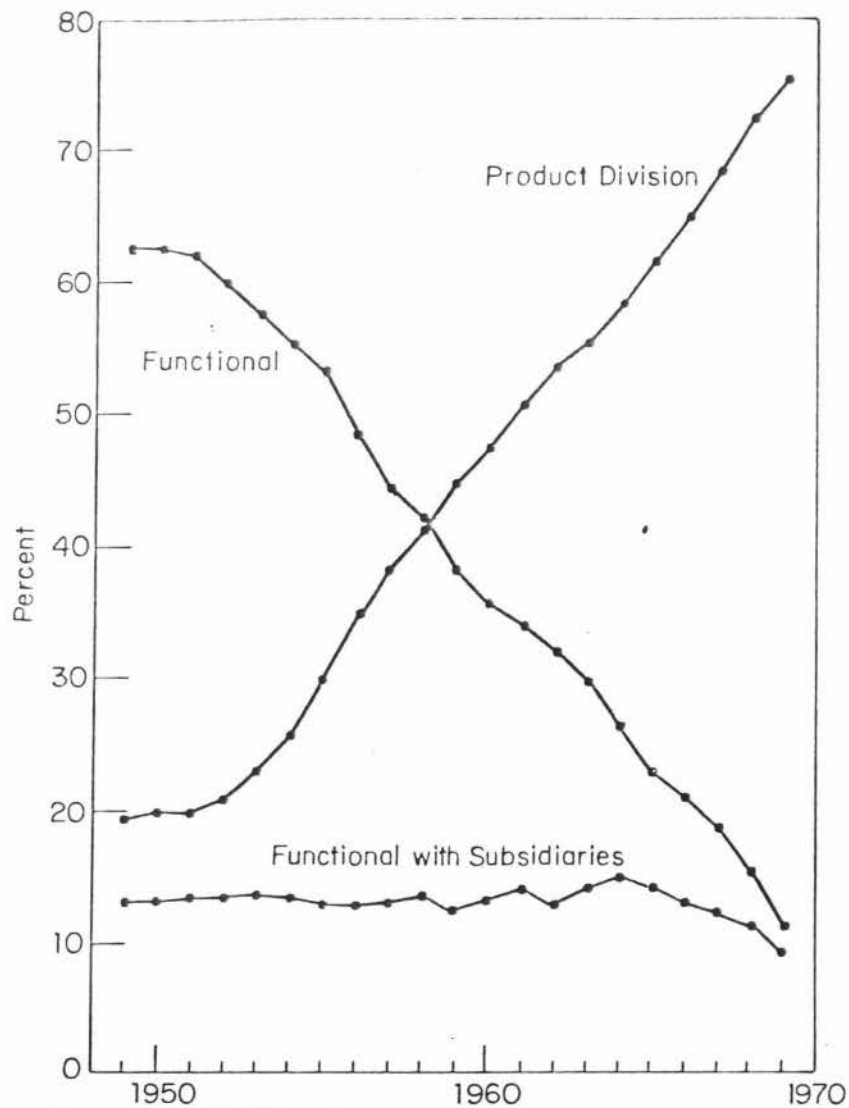


Figure 2.1 Estimated Percentage of Firms in Each Organizational Class, 1949-1969

Source: Rumelt, 1974

clear, although both trends continued unabated, divisonalisation places a particular unit of the firm in a close relationship with each business area'. (Rumelt, 1974, 78.). It must be realised that structure also relates to the systems of control, planning and information flow, methods of reward and punishment, the degree of delegation and techniques of coordination. The product division organisation is split into divisions headed by a general manager who is supplied with the resources so that he can operate independently, while above him the firm runs a second line of general management as overseers of all the company product divisions. Multi-divisional firms stress the search for new products in their research and development sections more so than

other forms of organisational structure.

What then, have we arrived at with the product-division type firm?

The new type of firm has adapted to the imperatives of modern technology and modern markets - the need to meet demands for variety, to apply new skills and ideas to old products, to regularly rechannel resources into new product areas, to rapidly respond to new customer demands, and to have the ability to bring talented men, money, and equipment together to work on a project for a time and then to disband the project and find efficient uses for these resources elsewhere. The new linkages are not vertical - from raw materials to processors to factories - but horizontal and market related .

(Rumelt, 1974, 155.).

Fouraker and Stopford (1968) call a similar structure a Type III firm within an international framework requiring a new organisational structure, especially at the managerial level while Vernon (1970) argues that large firms are better at the process of innovation, development and marketing activities which is not necessarily the act of innovation. In its attempt to provide economies of scale in several spheres the large corporation is giving a new spatial pattern to industry both nationally and internationally.

It is not synomonus that the largest corporations controlling unrelated products have the best economic performance though. Wrigley (1970) suggests that the best economic performances come from firms with a strategy of 'controlled diversity' those that build upon a certain skill or strength'. Table 2.2 illustrates Wrigley's classification of firms in the Fortune 500 of 1967, lending support to Rumelt's findings. Table 2.2.

1967	% of Firms in Category	% with Multidivisional Organisation
Single Product	6.0 (7.6)*	0
Dominant Product	14.0 (31.0)	64
Related Product	60.0 (45.2)	95
Unrelated Product	20.0 (16.2)	100

\* Figures in brackets are Rumelts 1969 figures.

Although Rumelt argues that Wrigleys classification of his 100 firms



was not as operational as his and of his 87 common firms 28 were classified differently. The main point is not lost though, that the larger the firm the more likely it is to have a multidivisional structure. These firms continue to create new regional, multi-regional, national and international networks with associated patterns of transport and technology, diffusing goods, ideas and people in their search for better economic performance using the resources available to them. Decision making by individuals and groups backed by their entrepreneurial skills play a vital role over time in altering the structure of towns and cities in seeking to provide the most efficient production, marketing and distribution of their final products.

Firms that make up the functional with subsidiaries category are generally vertically integrated they have linked backward and forward to control their supply of raw materials and market outlets in industries that are usually process based. This is Fouraker and Stopford's (1968) Type II firm while Rumelt classifies their diversification strategy as 'dominant-vertical'. These firms tend to have a poor economic performance holding onto an earlier pattern of industrial structure and may face special barriers to diversification. The functional firm with a single product structure can perform well but they are susceptible to large fluctuations depending on one item in supply or demand, while a change in technology could leave them without a market. The aim of most firms is that of survival and larger companies have seen some form of diversification as a means to that end, even if the new activity is not a high profit line it may stabilise the firm in harsher economic situations.

#### A Behavioural Approach: Spatial Consequences.

The behavioural aspects of company development and the spatial effects of decision making must not be underestimated when observing the process of corporate growth. A behavioural approach 'strives for realism in the overall process' (Machlup, 1967) and realises that optimal decisions cannot always be made in a world of imperfect information and

the behavioural element may render them satisficing decisions. 'Spatial decisions are all of those decisions that have spatial expression, for example, the expansion or contraction of a firm, changes in inputs and outputs, operation of spatial pricing policies, rationalisation of operations, adoption of innovations of certain kinds and so on'.

(Dicken, 1971, 426.).

Business firms operate in an open system situation that operates within and interacts with an external environment, the firms consisting of a collection of individuals whose basic common goal is that of survival. It is the manner in which individuals perceive their operating environment that determines the function, structure and evolution of their firm over time. McNee (1964) wonders if concepts such as 'threshold points' for different products need further investigation or whether 'inherited resources' are constraints in the search for new sites, in order to search for the theory of spatial evolution in corporate growth.

Taylor (1975) pursues the idea of firms passing through a series of thresholds and states, 'a firm's growth is stepped, a metamorphosis rather than ordered development'. (Taylor, 1975, 314.). He considers that the complete set of a firms linkages have spatial attributes and says that the area within which the firm operates can be termed its 'operational space'. The implication is that as a firm grows and develops the area within which it makes investment decisions will progressively expand. Taylor further categorises his concept into three types of operational space:-

1. Action Space - a firm's material linkages.
2. Information Space - a firm's information linkages.
3. Decision Space - reflecting the filtered information from all sources upon which a firm acts.

(Taylor, 1975, 320.).

These linkages will operate at different rates and may act as 'stress tolerance thresholds', (Dicken, 1971) and if these are not met then a firms expansion may be curtailed. Managerial ability, lack of technology

or resources may aid as hindrances to development but generally some changes in organisational structure or ownership is the necessary spur to growth, allowing for expansion of action space and in increase in the number of plants operated as various thresholds are reached. (See Fig. 2.2.). Decision-making then has a spatial context and the more recent theory on the firm does allow for the dynamic qualities of the economic environment and the behavioural abilities of both entrepreneurs and managers.

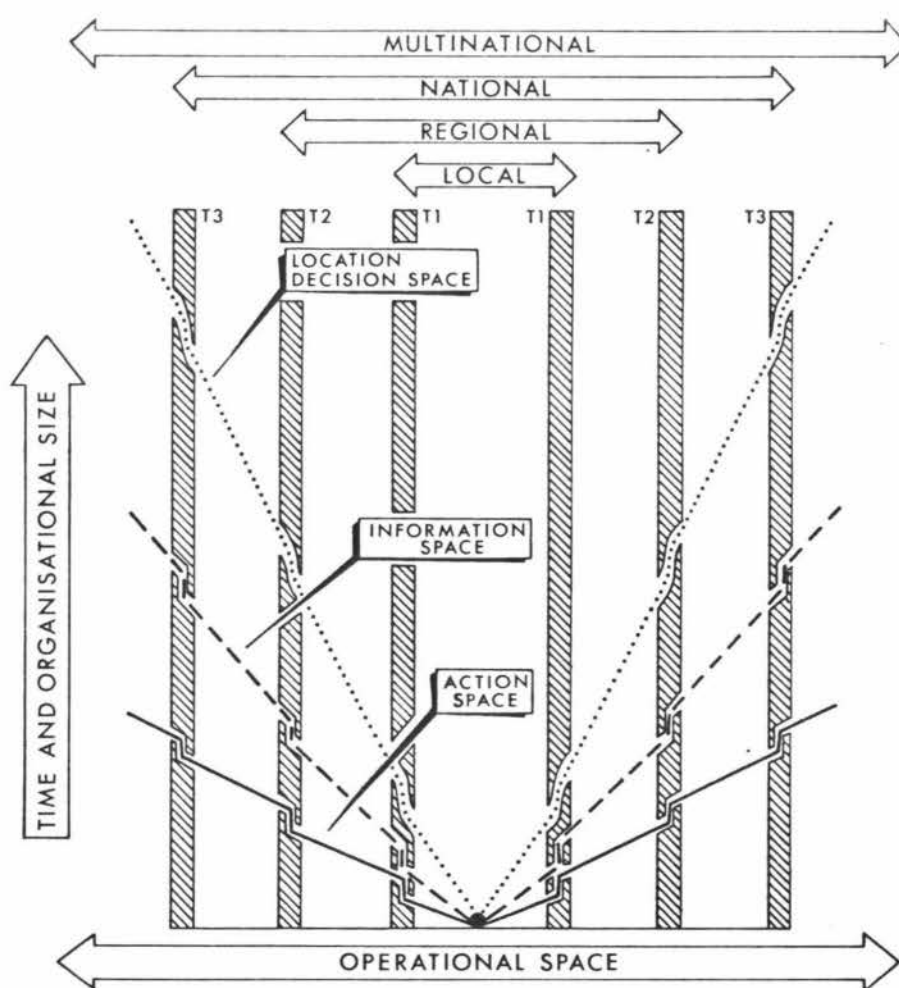


Figure 2.2 Spatial interaction, organisational growth and thresholds to development

Source: Taylor, 1975

### The Development of Agribusiness.

The firms studied in this thesis have one major difference to the theory advanced so far in that their base is one of rural servicing and their productive capacity is limited although even this is changing through time. As agricultural servicing firms it is relevant to emphasise the difference between the concepts of agribusiness and agriservice companies.

Post war research has identified a relatively new process taking place in the primary produce industry and that is the integration of business with agriculture. Science and technology have and will continue to change the character of agriculture as more and more activities once performed on the farm are now being performed by business organisations off the farm. Davis and Goldberg (1951) developed the term 'agribusiness' to explain these new combinations and define the term as "the sum-total of all operations involved in the manufacture and distribution of farm supplies, production operations on the farm, and the storage, processing, and distribution of farm commodities and items made from them". (Davis and Goldberg, 1951, 2.). An intricate network of forward and backward linkages has been woven between the farm supply industry, the farm production, the food and fibre processing and the marketing sectors. Processors have found that they cannot guarantee the continuity and quality of their supply without concerning themselves very closely with production in the field or the glasshouse. To eliminate this process firms prescribe exact specifications for crops required and maintain the field staff to obtain the results needed for continuity and the processing level. Le Heron and Warr (1976) researched the largest agribusiness concern in New Zealand, the Wattie Company of Hawke's Bay which is involved in the canning and frozen food industry.

Examples of vertical integration are common in this sector of the economy with, "the initiative in the United States coming from food

manufacturers with contracts with farmers for the rearing of birds'.

(Kirk, 1968, 142.). Kirk argues that agribusiness means a loss of farmers independence and that vertical integration has much to recommend it as a form of organisation. Greig (1971) outlines eight reasons for business integration with agriculture:-

1. Risk and uncertainty.
2. Cost reduction.
3. Management improvement.
4. Bargaining power and market position.
5. Assuming adequate inputs.
6. Investing surplus reserves and obtaining new capital.
7. Developing new technology.
8. Others, including forward planning, price control, legal matters.

The reasons given are enough to alter farming patterns structurally and spatially and in some nations tax incentives allow corporations to convey ordinary income into capital gains providing an impetus for farming on a larger scale. Aines (1972) has researched the growth patterns in corporation farming in fifty states of the United States. This represented 18,500 farms in 1965, whose receipts were 10% (approximately) of the gross sales of all farms. One third of these were highly specialised and located in California, Florida, Texas and Montana. In the other 46 states only 1% were commercial farms representing 7% of the land and produce.

Agribusiness development is still a small scale enterprise in New Zealand. Perhaps the government could be considered as part of New Zealand's agribusiness structure. Annually 75-85% of the nations exports are derived from agriculture and our dependence on trade inevitably ends in some government spur to induce more reliable income receipts. Subsidies to farmers encourage production, after fertilisers or stock handouts, advisory services are provided, even research and development activity is government run. Credit from the Rural Bank, price smoothing

policies in meat and wool and government involvement in marketing illustrates the concern in agricultural business. In some circumstances the government does act as a farmer, (Stover, 1969) but generally sells the land once it has been developed to a profitable standard. Political involvement is designed to limit fluctuations in the agricultural sector giving the nation a steady base for further development.

### The Agriservice Industry.

The agriservice industry in New Zealand is best exemplified by the traditional activities of the stock and station industry. This involves the provision of farm supplies and selling the produce on behalf of the farmer and in this it is distinct from agribusiness where owning, processing and contracts are a common feature of business. The agriservice industry has played an important role in agricultural development since colonisation began 138 years ago. The full gamut of stock and station activities include seasonal finance to the farmer, auctioneering, woolbroking, livestock sales, grain and seed merchants and traditional farm supplies. Other activities vary from firm to firm and of course its own regional specialisation which is investigated in depth later in the study.

A rising standard of living has seen the service (tertiary) industry develop as primary and secondary production relies more heavily on automation and technology for growth. Although Lewis (1973, 8.) argues that 'the most important change of outlook is in the legitimisation of services as valid forms of wealth, the recognition that there are sources of affluence, not the candy floss diet of an affluent society'. He notes that there has been a shift to services in all countries, i.e. 61.9% Canada, 34.4% Italy, and that the commerce sector has had the most dramatic rise when compared with transport, professional and public utility services. Lewis claims that the service industry is responsible for 50% of the output in the United States for 55% of employment and often not given the credit as invisibles play an important role in exports.

The agriservice industry in New Zealand then has been an integral part of the growth of the commercial sector with farm exports enabling income to be used for imports, necessary for growth of relatively expanding sectors of the economy, the secondary and tertiary sectors. 'Imports are the nutrients of economic activity' (Jensen, 1968, 459.) enabling real income per head of population to increase. Franklin (1969) identifies the relationships of New Zealand's economy and its binary nature. 'The farm is central to a set of interindustry relations that link back to the inputs of basic services like transport and finance, or basic commodities like fertiliser and link forward to the processing plants, store chambers and services'. (Franklin, 1969, 29.).

The services performed by stock and station companies are usually nonmaterial and intangible and generally criticism as to being non-producers are unfair and unrealistic. The firms ability, to streamline economic activity has given farmers more time to farm. Cooperative stock firms were often an attempt to eliminate the 'middleman' but was only successful at the wholesale, not the retail level. Although Buchanan (1935) thought that they were formed because of a shortage of capital, a characteristic of new countries. By working together as buying groups the cooperatives firms were helpful to agricultural development being peculiarly suited to the dairy industry which had a good record as a producer and researcher. 'This is not true of industries processing and marketing the raw products of farming as the high order application of food technology has been neglected'. (Sutch, 1964, 56.). The widespread development of marketing, a diversification of products, a resource of trained scientists and technologists which will enlarge the service sector while increasing the value of exports. 'Many farm groups (other than dairy) have not come to terms with the conflicts which arise between a raw materials society and a processing marketing society'. (Scott, 1970, 59.).



It is in this framework that the agriservice industry is placed, the intermediary between farmer/producer and processor/consumer. Stock firms were forced to provide much of the short term credit to finance farm expansion in the mid-1960's as a result of restrictions on trading bank advances and their advances to farmers, especially sheep farmers, rose rapidly. Financial declines in wool 1967, beef 1971 and a restriction on interest charges up to 1976 saw firms seriously concerned about involvement in a low profit industry. 'The present difficult position of the stock firms offers convincing evidence of the dangers of having business and credit risks concentrated in one industry' (Lane and Hamer, 1973, 100.). By nature the stock firms are inextricably interwoven with the farmer and when returns are healthy the firm turnover is good but in a poor season they suffer together economically. (Figures 2.3. and 2.4. illustrate the high and lows of New Zealand's agricultural export industry). Therefore changes taking place in the agriservice industry appear to be a combination of attempts to eliminate annual fluctuations in returns, find higher profit lines and move along corporate development lines observed overseas.

The cyclical nature of New Zealand's economy has been an inherent factor since early settlement and is well illustrated in Simkin's (1951) Table (2.3.) below. The fluctuations can best be measured by income, external receipts and imports while Simkin maintains that the determinants of fluctuation are:-

- exports
- external public borrowings
- private capital imports
- bank credit.

Also, for a dependent economy to be stable it required a strong banking system to be coupled to a strong system of public finance. These are the problems the agriservice firms are attempting to lessen, not eliminate, and provide the industry with a stronger base and steadier market in which to operate.



Table 2.3.

## Chronology of Fluctuation 1840-1914

Major Movement	Minor Movements
1840-50 Economic beginnings	1840-2 Organised Settlement 1842-5 Serious difficulties (Maori Resistance) 1845-50 Steady Progress (acreage cleared)
1850-60 Major Cycle	1850-5 Moderate - strong upswing (Food for Aust.) 1855-6 Weak-Moderate downswing 1856-9 Weak-Moderate upswing 1859-60 Weak-Moderate downswing (Wool a strong support)
1860-70 Major Cycle	1860(e)-4(m) strong upswing - gold 1864(m)-5(m) moderate downswing 1865(m)-6(b) weak upswing - depression soon after 1866(b)-7(m) moderate downswing 1867(m)-8(e) faint upswing 1868(e)-70(e) moderate downswing
1870-84 Major Cycle	1870(e)-4(m) moderate strong upswing - vogel 1874(m)-6(m) moderate downswing - declining exports 1876(m)-8(e) moderate upswing - credit expansion 1878(e)-9(m) moderate downswing 1879(e)-82(m) moderate upswing 1882(m)-4(?) moderate downswing - down to depression
1884-95 Depression 11yrs	Weak and uncoordinated fluctuations in individual series; but marked cycle in exports per head 1888-91-5, not reflected in external receipts, although faintly reflected in dependent imports per head.
1895-1914 Briskly rising trend	1895-1904 Steady progress - dec. of meat and dairy exports 1904-7 Accelerated progress - upswing of ordinary cycle 1907(e)-9(m) moderate downswing - decreased exports and sharp credit contraction 1909(m)-11(b) moderate upswing 1911(b)-12(e) faint downswing 1912(e)-14(m) faint upswing

Code: b = beginning of phase  
m = middle of phase  
e = end of phase

Source: Simkin, G.C.F. 1970, 190.

The graphs allow us to see the four major farming commodities and their movements over time. Perhaps they best illustrate that the degree of fluctuation has been narrowed over time. The graphs are placed in two separate time and scale diagrams as inflation and production increases do not allow the income changes to be seen adequately. The period 1910-1946 is illustrated in pounds while the second period 1947-77 uses dollars for the vertical axis. Most years see a change in returns for all of the four major commodities with wool proving to be the most spectacular commodity with wide ranging fluctuations. Dairy products have maintained greater stability over the sixtyseven years, especially during the depression years. Apart from the wool boom of the early 1950's, post war development was relatively steady until the late 1960's when wool dropped in value. The 1970's has already been a period of great highs and lows in all four commodity prices and this is the frame work in which the stock and station industry in New Zealand is studied and their consequent responses to help eliminate external influences.

Company histories were an invaluable source for judging the industries growth and these were balanced by reading company reports going back over many years, followed then by interviews with company personnel throughout the country. Out of fourteen companies operating in the agriservice industry today eleven were visited personally, snow eliminated Dunedin as a stopover and firms in Timaru and Oamaru did not want to be involved in the research. The Dunedin firm later completed the questionnaire (see Appendix I), by post. The quality of interviews varied, depending on the interviewee's depth of knowledge in company affairs, his position in the firms hierarchy in relation to company strategy. In two or three cases this has hindered the exactness of some areas of questioning although hopefully group patterns have appeared over most areas of research.

Spatial growth over time, allied to corporate, activity, and organisational change was observed in 25 year intervals and this forms the basis of the ensuing chapter. Looking at original regional

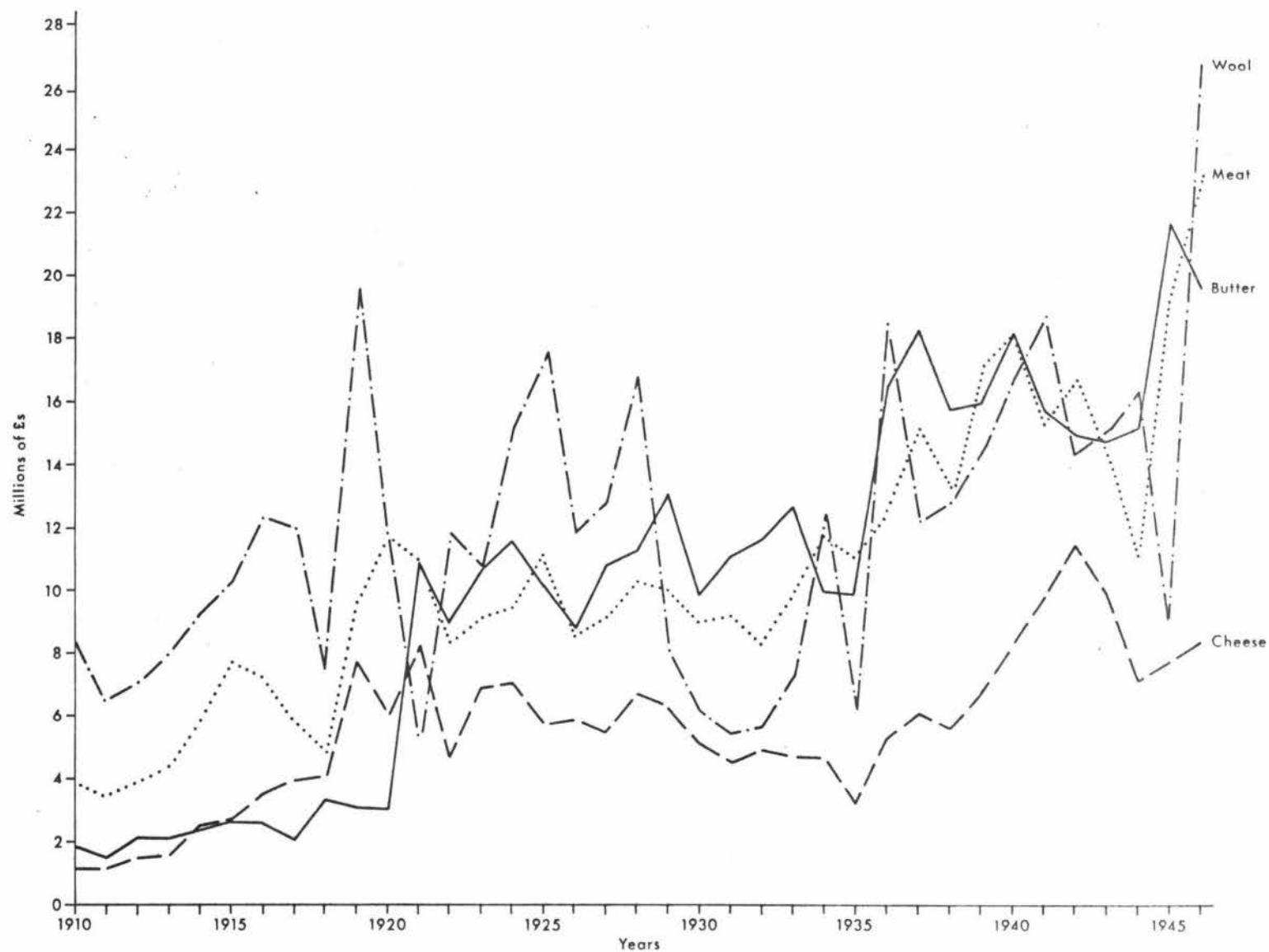


Figure 2·3

Export Receipts 1910-1946 : Four Major Farm Commodities

Source : New Zealand Year Books

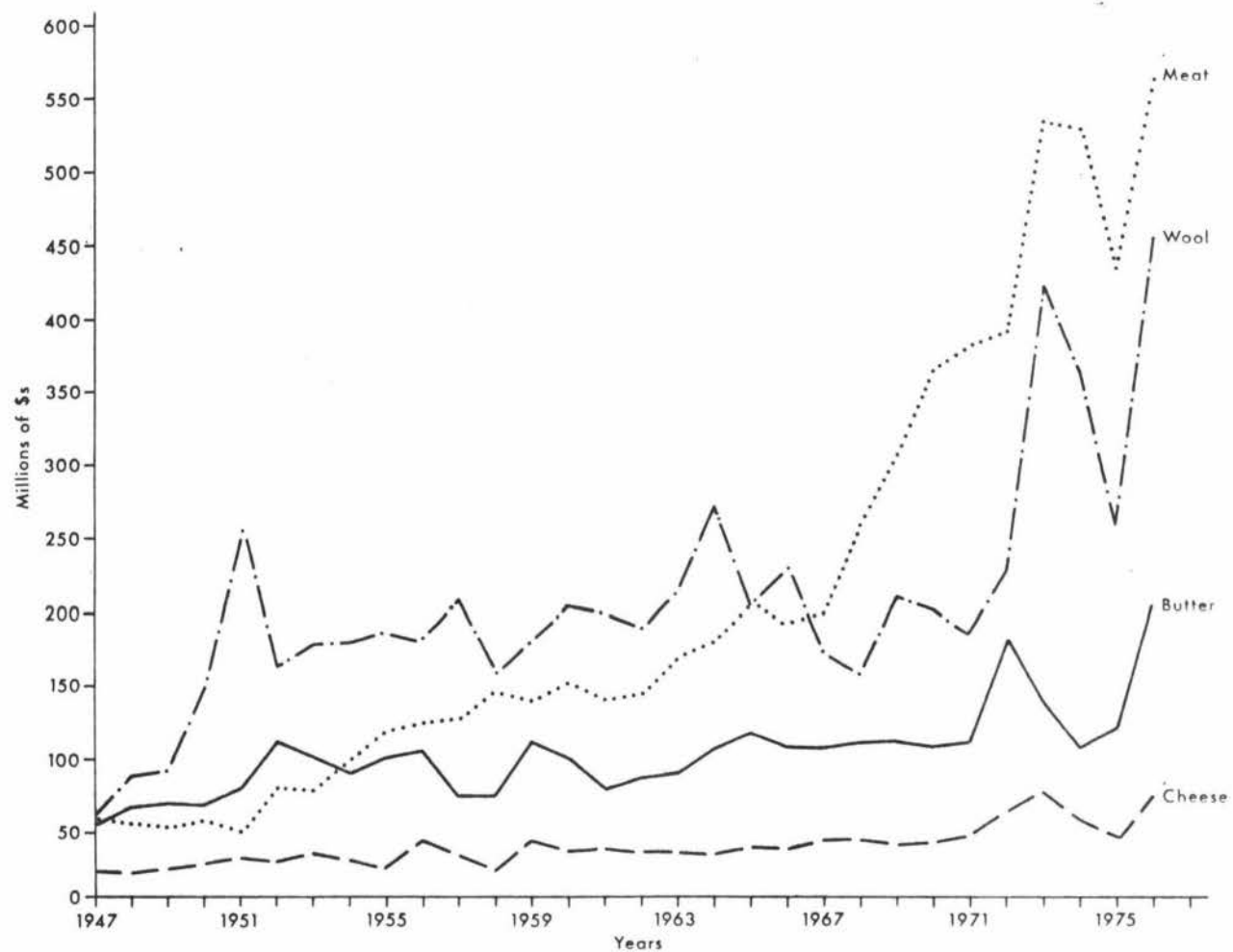


Figure 2.4 Export Receipts 1947-1976 : Four Major Farm Commodities

Source: New Zealand Year Books

specialisation allows some idea of the scope of changes made with wool often being used as a bench mark of relative company strength while wool is always a leading contributor to company

turnover, new activities are altering its position over time. The firms interviewed were initially broken into two categories,

'Independent' and 'Cooperative' firms and they were:- Independent

1. Allied Farmers' Cooperative Limited (1) (AFC) - Auckland
2. William's and Kettle Limited (W&K) - Napier
3. Crown Consolidated Limited (2) (CROWN) - Wellington
4. Challenge Corporation (3) - Wellington
5. Dalgety (N.Z.) Limited - Wellington
6. Pyne, Gould, Guinness Limited (PGG) - Christchurch
7. J.E. Watson & Co. Limited - Invercargill

(1) Allied Farmers' are not a true cooperative and if reapplying for the name, would not be allowed to use it. The firm is a proprietary company and does not pay rebates to farmers.

(2) Crown Consolidated is the holding company of several, North Island firms operating under their original names.

- i) De Pelichet McLeod & Co. Ltd. - Hawkes Bay
- ii) Newton King Ltd. - Taranaki
- iii) Gisborne Sheepfarmers' Mercantile Co. Ltd. - Poverty Bay
- iv) N.Z. Farmers' Co-op Distributing Co. (FCDC). - Manawatu, Wanganui and Wairarapa
- v) Rod Weir & Co. - Wellington region

(3) Challenge Corporation is the holding company for Wrightson N.M.A. the rural subsidiary of the company. The Challenge name is used here as the Corporation's base is the stock and station industry in the past, and still the major company strength now, approximately 55% of the profits:- Cooperatives

1. The Farmers' Cooperative Organisation Society of N.Z. Limited (FCOS) - Hawera
2. Hawkes Bay Farmers' Coop Association Limited (HBF) - Hastings

3. The New Zealand Farmers' Cooperative Association of  
Canterbury Limited (NZFCA) - Christchurch
4. Donald Reid Otago Farmers' Limited (DROF) - Dunedin
5. Southland Farmers' Cooperative Association Limited - Invercargill

## SPATIAL EXPANSION

In compiling the results of the research it is necessary to study the stock and station industry from its inception and relate the growth to the model hypothesised and illustrated in Fig. 1.1, 2. By observing the changes in geographic expansion and function at 25 year intervals it is possible to obtain a detailed compilation of spatial changes of modern times. To complement the findings, maps and time charts will illustrate the growth of the agriservice industry, its initial functions and allow the categorisation of the twelve sample firms into firms of passive growth, horizontal expansion and active diversification as hypothesised in the introduction.

Growth often follows a change in company strategy and ultimately organisational structure, creating a new pattern of firms. Branch growth by the creation of new or acquiring existing subsidiaries, involvement in associated companies and a strategy of diversification may alter the nature and the functions of the agriservice industry over time. Individual decision making, an opportunistic offer or a change in the economy prompted by external conditions combine to shape the long term structure of the industry and the space within which each individual firm operates. Linking the economic, behavioural and spatial influences leads to the integration of commerce with agriculture and the ultimate form of the agriservice industry and its place in the New Zealand space-economy.

1840-1874.

The stock and station industry evolved from meagre beginnings in a colony that was sparsely populated and was restricted by limited capital for development. The first time period of 1840-1875 saw the general store develop a rural base that was to strengthen over time. Nathaniel Levin established a store in Lambton Quay on August 2, 1841, at the age of 22 years. This firm soon became involved as merchants and the export of resources such as whale oil and bone. The firms first connections with

farming were well established by 1844 in providing farm supplies to the Wairarapa, a service which was to extend to Akaroa, Nelson and Blenheim in the South Island and to Taranaki, and Hawke's Bay farmers' in the North Island (Fig. 3.1.). The first sale of cattle was held in December 1846, the first wool shipment of 103 bales was sent in 1848 while new activities included shipping and land agents, also sellers of paint, oil, turpentine and ash oars. By 1850 goods were being exported to San Francisco through Hart's agency, Levin and Co. had become a forerunner of the stock and station companies still to be developed and the initiator of our present agriservice industry.

Two firms developed their initial business from Lyttleton, a recognition of the large land resources of the Canterbury Province, its colonisation by Wakefield, the increasing size of the wheat crop, which was exported to serve a drought stricken Australia in the 1850's, and the lack of land problems compared with the North Island. George Gould established his firm in 1851 while Mr Dalgety opened a branch in 1858, an extension of his Australian business, established a decade prior to his New Zealand venture. The finding of gold in the Otago province and the land wars in the North Island saw most of the rapid growth taking place in Otago and Canterbury with attention being focused on Dunedin. Young prospective businessmen used the opportunity to begin business and the first was John T. Wright who arrived from Melbourne to settle in Dunedin just four months after the gold rushes and started in June 1861. By October he had formed Wright, Robertson and Co. as auctioneers and merchants. John Stephenson bought into the company four years later as Robertson retired. Their activities included:-

- sale or purchase of station property
- to receive consignments of sheep and cattle for sale
- to make liberal advances where required
- loan money on ensuing wool clip
- weekly wool sales.



TIME/SPACE CHART: Agriservice Development, 1840-1874.

1840

Nathaniel Levin opens store in Lambton Quay.

1845

1850 George Gould opens Lyttleton store.

1855

Dalgety, Buckley & Co. begin business in Lyttleton.

1860 Dalgety, Rattray & Co. open in Dunedin, Sub Branch in Oamaru.  
Levin & Co., Merchants & Stock & Station Agents to Nelson,  
Blenheim, Taranaki & Hawkes Bay.  
Wright, Robertson & Co. Dunedin. Auctioneers and General Merchants.  
Dalgety Sub Branch, Invercargill.  
Russell, Ritchie & Co. open in Dunedin.

1865 Wright takes Stephenson as new partner. New Zealand Loan and  
Mercantile Co. formed.  
Russell Le Cren & Co. open in Timaru.

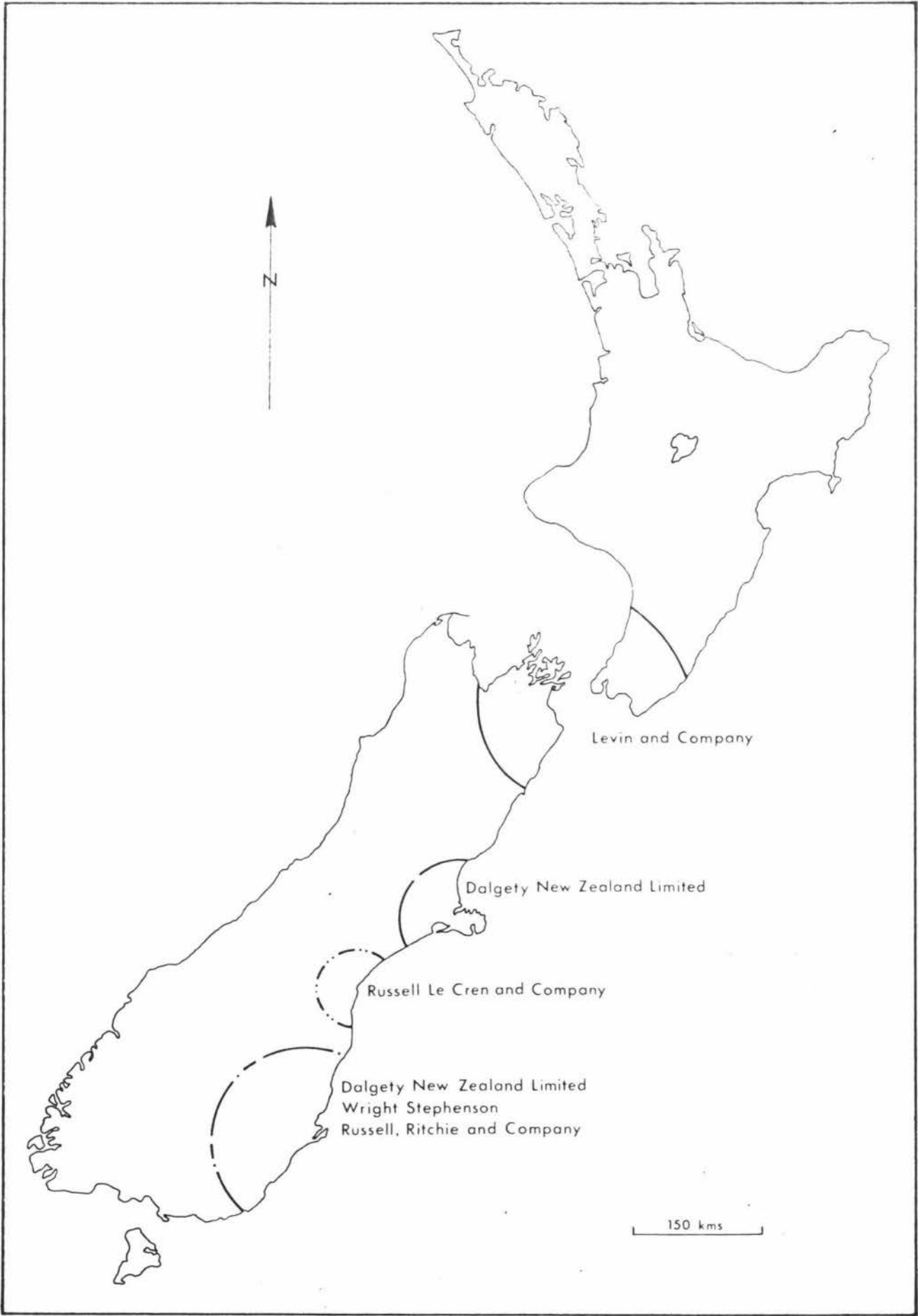
Dalgety Sub Branch closes in Invercargill, econ. depression.

1870

New Dalgety partnership in Dunedin, Dalgety, Nichols & Co.

1875

Figure 3.1 Spatial Expansion of Agriservice Firms: Pre 1875



The rule of thumb at this time for land value was £1 for each sheep carried. By 1865 the basis of the agriservice industry had been laid and Wright Stephenson and Co., Dalgety, Levin and Co. and Gould had formed businesses which are still being operated today albeit under a different structure and name.

Russell Ritchie and Co. were established in Dunedin in 1864, this being the colonial headquarters for the London based company as it was for the New Zealand Loan and Mercantile company formed a year later in conjunction with the Bank of New Zealand. Russell Le Cren and Co. used Timaru as headquarters in beginning business in 1866. To Russell Ritchie and Co. merchandising was a secondary consideration as the main profits came from advances on land and wool. The firm was acting for the Canterbury and Otago Land Association run by James Morton in Glasgow with Ritchie in charge of finance, providing advances against wool, capital for development and stock purchases. By the early 1870's, the boom or bust era, the firm was running its own wool sales and handling 900 tons of wheat a season. Dalgety, Buckley and Co. had moved into Christchurch in 1863, a second partnership company of Dalgety, Rattray and Co. began business in Dunedin 1860 the partnership changing to Dalgety, Nichols and Co. a decade later in that city.

The Dalgety Co. were the second multi-regional operators in New Zealand, (after Levin and Co.), even opening sub branches in Invercargill (1862) and Oamaru (1860). In five years they had spread their business activities between Christchurch and Invercargill, a geographic expansion of large spatial proportions compared to their competitors. At this point of time the other agriservice firms were regionally oriented in their activities, providing much needed capital for the pioneer farmer. Overseas capital was imperative to colonial agriculture and at the time provided a good return of 8-9% for those lending from the United Kingdom. The basis of the stock and station industry had been established and the traditional functions and activities initiated during the first growth

phase of colonial New Zealand up to 1874.

#### 1875-1899.

The New Zealand economy seemed healthy enough in 1875 although Simkin (1970) said that exports were declining at this time. Vogel had injected massive amounts of capital in for railroads, to open up new farming areas and search for new resources after the decline of gold coupled with the break up of the large estates. The Land Wars had ended and the North Island began to prosper, thanks to technological breakthroughs' in agricultural science, especially refrigeration and the consequent development of the dairy industry. Large amounts of forest were cleared by pioneers in the north and the stock firms benefitted by the increase in activity and grew in unison with the nations agricultural system. The fluctuating nature of the agricultural export sector has seen the firms rise or decline with the fortunes of the farmer over time.

A rash of firms appeared on the expanding rural scene in the next five years. The first was a restructured New Zealand Loan Mercantile Company operating from Timaru in 1875. A fellow London based firm the National Mortgage Agency Co. was formed (1877) by acquiring Russell Le Cren and Co. of Timaru on January 1st, 1878 and then purchasing Russell Ritchie and Co. of Dunedin for £45,000 the following April, becoming the third multi-regional firm in the country. The significance of this development is that this heralded the phase of horizontal expansion of branches of which the NMA company was to become the trendsetter. "With the promise of spectacular land developments a mortgage company with access to the money market in Britain could hardly fail to prosper". (Parry, 1964, 26.). Russell and Ritchie became joint general managers while head office's function in London was to do the general trading and selling of New Zealand produce in Britain, reciprocating with the purchase and shipping of merchandise back to the colony. NMA cast their net a little wider by opening a branch in Invercargill in 1878 and became a true multi-

regional company servicing three regions with each expansion moving further out from an existing boundary.

Dunedin confirmed its commercial background as a base for another company which was formed in 1878, when Donald Reid & Co. began as auctioneers and then proceeded to act as commission agents in the selling of grain, wool and skins. The second North Island agriservice firm was established by Newton King in New Plymouth, 1879. Originally an auctioneering firm business soon extended into commission business, operating agencies for commodities required by settlers, sold goods on long term credit and proceeded to establish real estate, shipping and saleyards throughout North Taranki in this period. On the other side of the North Island Fred Williams had established his firm at Napier in 1880, five years later taking in Nat Kettle who had already served Murray Roberts and Co. for eight years. Williams and Kettle were to begin a successful partnership and a firm still operating in the East Coast of the North Island. The Dalgety partnerships were rationalised about this time and all called Dalgety and Co. Ltd. 1878, and on the international scene Dalgety of London, New Zealand and Australia all became incorporated, 1884.

Kinross and Co., the firm Williams had originally worked for, foundered with the failure of the City of Glasgow bank in 1879, the bank being a significant source of mortgage money in New Zealand. Its failure also seriously affected the British money market and its supply of finance to the South Island firms as well. As a 23 year old, Williams established his own business competing against five or six other firms in Napier. He used Nelson Brothers' business as his first agency, which was a boiling down and meat canning works at Tomoana, later to become a freezing works. This partnership secured for Williams valuable shipping and insurance agencies as well as Cooper's sheep dipping powder, he had now progressed enough to build his new wool store at Ahuriri and then began to embark on a programme of regional expansion, opening branches at Hastings (1887) and Gisborne (1889).

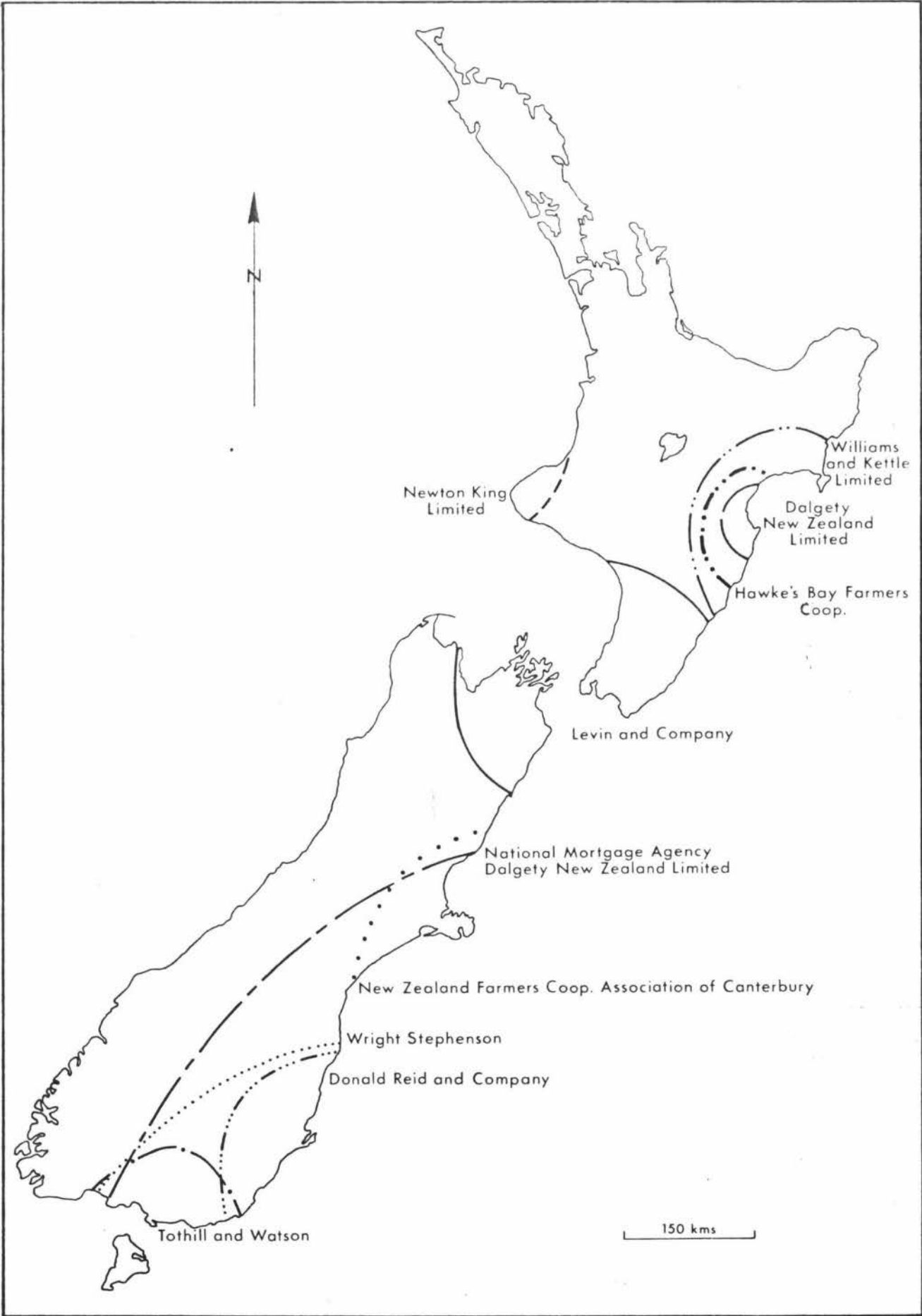
As the North Island was being developed steadily the South Island

TIME/ SPACE CHART: Agriservice Development 1875-1899.

- 1875 New Zealand Loan Mercantile Agency Co. begin trading in Timaru.  
N.Z. & Australian Land Co. formed.  
NMA formed by takeover of Russell Ritchie and Co. (Dunedin) and later Russell Le Cren & Co. (Timaru).  
Dalgety partnerships altered to Dalgety and Co. Ltd.  
Newton King established in North Taranki.
- 1880 Fred Williams begins trading in Napier. Canterbury Farmers Coop. established in Timaru.  
N.Z. Farmers of Canterbury Cooperative Association, Christchurch formed  
Levin & Co. operating as Merchants, Commission, Land, Stock, Station and Financial Agents.  
NMA acquire Loan & Investment Co. of Christchurch.  
Dalgety London, Australia and New Zealand all incorporated.
- 1885 Nat Kettle joins Fred Williams, Williams and Kettle formed.  
  
Tothill and Watson open in Invercargill and Gore.  
Pyne & Co. begin trading in Cashel Street, Christchurch.  
  
NMA open in Oamaru. Levin & Co. amalgamate with Edward Pearce, Wellington.  
Dalgety & Co. open branch in Napier, the second firm to operate in two islands. 1st with a full branch.
- 1890 Williams & Kettle operate down to Pahiatua.  
Wright Stephenson open in Gore, Guinness & Le Cren established in Timaru.  
Hawke's Bay Farmers' formed in Napier. NMA open in Gore.
- 1895 NMA involved in Longburn Freezing Works. Pyne & Co. acquire Todhunter & Jennings, Christchurch. NMA acquires 47% of Levin & Co. Dalgety open agencies at Balclutha and Ranfurly (1896), sub branch Gore (1891).  
Wright Stephenson branch at Invercargill. Dalgety agency Taieri.  
Levin & Co. open branches at Blenheim and Masterton (1897).

1900

Figure 3-2 Spatial Expansion of Agriservice Firms : 1875 - 1899



continued to be the stronghold of New Zealand's agricultural system. The first of the farmer cooperatives in the stock and station industry were formed by the Canterbury Farmers' Cooperative Association Ltd, Timaru (1880) and the New Zealand Farmers' of Canterbury Cooperative Association of Christchurch began trading in 1881. The NMA round of geographical expansions began in 1883 with the acquisition of the Loan and Investment Co. of Christchurch and then opening branches in Oamaru (1889), Gore (1892), and purchasing a share in the Longburn freezing works (1895), owning their first interest in the North Island and in meat processing. This was followed by acquiring a 47% share of Levin and Co. (1896) both firms to act as agents for each other in either island. In only 19 years NMA had expanded to have a broad coverage of the South Island and an interest in the now fast developing North Island.

Agriculture continued to be the dominant economic activity in the nation and steady growth and development of new areas saw new firms become established to service agriculture. At Invercargill the Tothill and Watson firm (later to become J.E. Watson and Co.) began business in 1887 and Pyne and Co. were also to begin in Cashel Street, Christchurch. Dalgety and Co. Ltd became the first stock firm to operate full branches in both islands when in 1889 they opened their Napier branch while Wright Stephenson became the fourth company to begin a policy of horizontal expansion and growth took place from the existing boundaries by opening in Gore 1891, and Invercargill 1896. This policy continued and indeed tended to follow the trends set by NMA 10-20 years earlier. The third party of the Canterbury triumvirate of the twentieth century, Guinness and Le Cren, opened for trade in Timaru 1891. Pyne and Co. had shown regional expansion only by taking over Todhunter and Jennings in 1895. The North Island was steadily increasing business at this period, Levin and Co. amalgamating with Edward Pearce (1889) and later opening full branches in areas which they had been trading for years, Blenheim and Masterton (1897). Hawke's



Bay Farmers' had banded together and began trading in supplies by 1891.

At the end of this period four firms had emerged as multi-regional firms with a policy of growth over time and through space. Levin and Co., Dalgety and Co. Ltd, NMA and Wright Stephenson had already illustrated their willingness to expand and have a strong hold of the agriservice market, an influence that has withstood the test of time of over a century's trading by each company. Many other firms not mentioned in this thesis had been established but their life history is short in comparison, often failing in poor economic conditions. Regional firms, continued to develop along with their regions but as yet the potential of the North Island as an agricultural stronghold had barely been realised.

#### 1900-1924.

This period was to be a prosperous one for rural growth and the export of New Zealand's farm produce and consequently an active one for the stock and station industry. The next two decades were extremely busy for Dalgety and Co. as they established branches, sub-branches and agencies to form a national network from Auckland to Invercargill by 1914, the first company to have nationwide coverage which was strengthened by infilling in new regions over time. In 1900 a sub-branch was opened at Timaru, an agency at Amberley, Tapanui (1901) and a sub-branch at Gisborne and the same year Hawke's Bay Farmers' shifted their headquarters to Hastings while Levin and Co. strengthened their hold in the top of the South Island by acquiring Fell Brothers' of Blenheim and Slanders and Co. of Nelson, all in 1901. Cooperatives became more prominent at this point in time, Southland Farmers' Cooperative was established in Gore, North Otago Farmers in Oamaru, while Gisborne Sheepfarmers' were formed to run the Kaiti meatworks all in 1902. Northern development continued as the Auckland Farmers' Union began trading in 1903, in the Warkworth-Helensville district. Dalgety and Co. Ltd's expansion continued at a rapid rate as they opened branches at Wellington (1903), Auckland (1908) and sub-

branches or agencies at Cheviot 1902, Wanganui, Palmerston North and Masterton 1904, Clinton 1905, Milton, Palmerston, Dannevirke and Blenheim 1906, Wairoa 1907, Geraldine, Waimate, Oxford, Hamilton and Opotiki in 1908. A process which was to slow up until after World War I when a new round of expansion took place by that company.

1904-1908 was a period of firm expansion and acquisition as only one new firm was formed, De Pelichet, McCleod and Cato in Hastings (1908). The acquisitions included the NMA takeover of the Farmers' Agency Co. in 1904 in order to obtain livestock rights in Dunedin, the Auckland Farmers' Union purchase of Wakelin, Crane and Co. in 1906, giving them a foothold in Whangarei and eventually North Auckland. NMA also bought out David Thomas a stock and station firm in Ashburton (1906), while the one merger of this period involved Guinness and Le Cren uniting with Maling and Shallcrass of Geraldine in 1904. Other regional firms continued to develop spatially as the rural base expanded in each province. Williams and Kettle opened branches in Dannevirke 1903, Waipawa 1906, and Wairoa 1907. Hawke's Bay Farmers Cooperative was to follow suit by opening in Dannevirke 1907, Wairoa 1908 and Waipukurau 1912. Levin and Co. reacted to a new resource, Phormium Tenax (flax) by opening a branch at Foxton 1906 which also enabled them to become involved in coastal shipping. The agriservice firms were strengthening their ties with local resources as the land was being farmed more intensively in smaller units.

While Dalgety and Co. consolidated their rapid round of spatial growth during the war years, it did not necessarily stop other firms from continuing growth policies. The last of the stock firms that still operate today was formed at Hawera in 1914, The Farmers' Cooperative Organisation Society of New Zealand Ltd. Any other changes in agriservice firms after this date were the results of mergers and acquisitions between existing firms heralding a new phase in the evolution of the agriservice industry in New Zealand. In 1916 the Auckland Farmers' Union changed names to the

North Auckland Farmers' Cooperative as a new series of expansions were to begin. Levin and Co. Ltd acquired Gorton and Sons of Bulls 1915 and opened a branch in Picton 1916. Wright Stephenson, now a public company, moved into the North Island at a rapid rate. In 1916 they acquired W.G. Turnbull and Co. of Wellington with branches operating in Picton, Wanganui and Masterton, the Auckland firm, W. Gunson and Co. Ltd, grain and seed merchants, following this up a year later with the purchase of Freidlander Brothers' of Ashburton and finally purchased a controlling share of Abraham and Williams in Palmerston North. Also important was that Abraham and Williams had purchased the Auckland woolbrokers, G.W. Binney and Sons. It was not until 1922 that Wright Stephenson had the major shareholding but it was a deal that strengthened their stake in the development of the North Island.

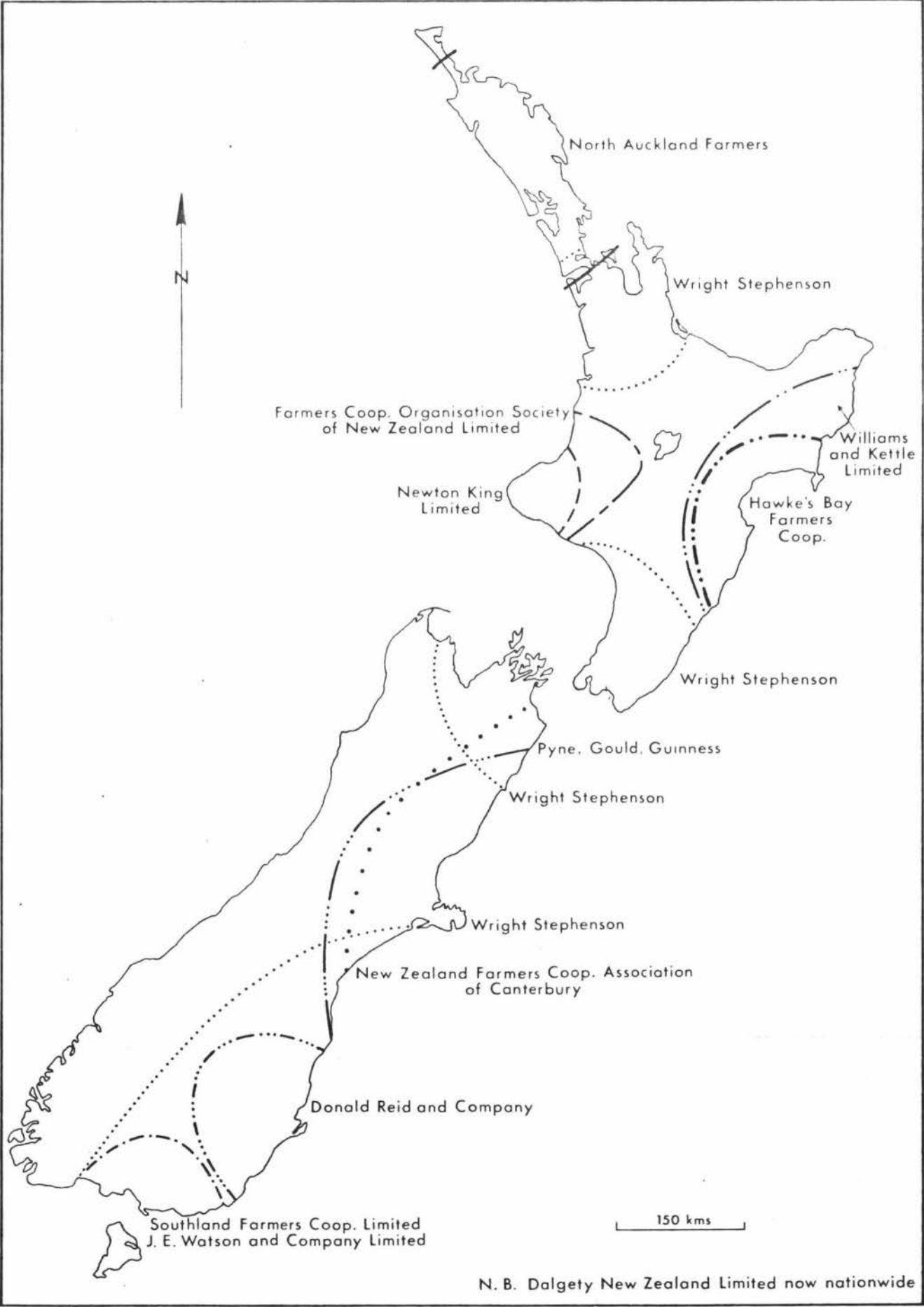
Dalgety and Co. Ltd continued their geographical expansion after World War I by opening a branch at Whangarei in 1918 and the following two agencies Lawrence 1918, and Cromwell 1920. The strong independent firm of the Canterbury province was formed by the merger of Pyne, Gould, Guinness in 1919 while New Zealand Farmers' of Canterbury Cooperative expanded to open a branch in Blenheim. Gisborne Sheepfarmers' began mercantile trading by purchasing Bennett and Sherratt in 1919 and followed this up by acquiring the Tokomaru Bay freezing works, built another at Hicks Bay and opened mercantile branches at Te Araroa, Hicks Bay and Tolaga Bay during 1920-21.

This period of development 1900-24 saw five cooperatives and two independent companies formed, all of which trade as similar identities at the present time. Acquisitions and mergers were used predominantly as a method of spatial expansion into new regions while the opening of new branches within a region was also related to a firms growth and strength within its regional setting. The movement of Wright Stephenson and Co. into the North Island established the firm as a national leader

TIME/SPACE CHART: Agriservice Development 1920-1924.

- 1900 Dalgety's Sub Branch at Timaru, agency Amberley.  
 Dalgety's open in Gisborne and Tapanui. Levin & Co. acquire Fell Bros, Blenheim, and Slanders & Co. of Nelson.  
 Dalgety's, Cheviot, Southland & North Otago Coops. established, Gisborne Sheepfarmers'.  
 Dalgety's Wellington Branch. Auckland Farmers' Union established.  
 Dalgety's open in Wanganui, Palmerston North & Masterton. NMA acquires Farmers' agency Co. of Dunedin.
- 1905 Guinness Le Cren merge with Maling & Shallcrass of Geraldine.  
 Williams & Kettle open in Waipawa. Auckland Farmers' Union buy Wakelin, Crane & Co.  
 Dalgety open in Blenheim, Dannevirke, Milton, Palmerston and Wairoa.  
 Levin & Co. open for flax & shipping at Foxton.  
 NMA acquires David Thomas, stock and station firm of Ashburton.  
 Dalgety open in Auckland, Hamilton, Opotiki, Geraldine, Waimate, Oxford.  
 Hawke's Bay Farmers' open in Dannevirke & Waipawa. De Pelichet, McLeod & Cato established in Hastings.
- 1910
- Hawke's Bay Farmers' open in Waipukurau.
- F.C.O.S. begin trading from Hawera.
- 1915 Levin & Co. acquire Gorton & Sons (Bulls), open Picton branch.  
 A.F.U. alters name to N.Auckland Farmers' Coop. Wright Stephenson purchases W.G. Turnbull & Co. of Wellington, Picton, Wanganui and Masterton, W. Gunson & Co. of Auckland, Freidlander Bros. of Ashburton.  
 Dalgety open in Whangarei & Lawrence, Pyne, Gould, Guinness merger takes place.
- N.Z. Farmers' of Canterbury open in Blenheim.
- 1920 Dalgety open in Cromwell. Gisborne Sheepfarmers' begin mercantile operations by purchasing Bennett & Sherratt. 1920/1 they acquire Tokomaru Bay Freezing Works, new works at Hicks Bay and open branches at Te Araroa, Hicks Bay and Tolaga Bay.
- Wright Stephenson & Co. buy controlling interest in Abraham & Williams of Palmerston North, also means G.W. Binney & Sons, woolbrokers of Auckland.
- 1925

Figure 3.3 Spatial Expansion of Agriservice Firms: 1900 - 1924



in spatial and potential growth along with Dalgety and Co. and NMA in conjunction with Levin and Co. Only these firms can be recognised as stage 2 firms with policies of active horizontal expansion outside the original company territory, competing for space and clients on a multi-regional or semi-national basis.

#### 1925-1949.

The largest economic downturn ever recorded in New Zealand's and the world's economic history culminated in the depression years of the early 1930's. The nations agriservice industry was severely affected and this resulted in salary cut backs, redundancy and a depleted service offered to the farmer as farm produce returned little for the effort and investment it took to produce. Many firms talked of winding up their affairs and many smaller firms did but slowly the established companies began to trade their way out of the depression as overseas markets began to improve. The onset of World War II put further strain on services offered by stock and station firms but once again these adverse conditions proved to be quite profitable, with a steady market provided by war requirements and government involvement.

Few territorial changes took place before the depression, Wright Stephenson (1926) opened a new branch in Masterton, de Pelichet, McLeod and Cato opened in Gisborne, (1926) and Dalgety and Co. began trading at Kurow (1927). It was not until 1935 that agriservice companies once again began to develop spatially and continue to compete for territory. Gisborne Sheepfarmers' strengthened their hold in Poverty Bay by acquiring the Tokomaru Bay Farmers' Coop while further south, Hawke's Bay Farmers' purchased Hoadley Son and Stewart of Hastings and Becket and Cato of Takapau to further their business interests in that province. De Pelichet, McLeod and Co. opened a branch in Waipukarau, the Hawke's Bay proving to be profitable as companies sought to compete for space and clients throughout the region. Other growth that took place before World War II

was outside the base region of the expanding company. Newton King developed business interests in the Waikato and Bay of Plenty areas, while Wright Stephenson opened a Melbourne branch in 1937, this action being emulated by Levin and Co. who also opened a branch in Sydney. NMA continued their nation-wide expansion policy by obtaining a half share of Reid and Gray, then purchased a share of G.W. Vercoe of Hamilton 1939 and then sold the Longburn Freezing Works to C.W.S. of England a year later.

The first agriservice company to diversify outside the full range of stock and station activities were NMA when in 1942, they purchased the Otago Fish Supply and then sold their Taranaki interest to F.C.O.S. of Hawera. This change in strategy of moving into a fishing venture is the first sign of a firm moving through the threshold into a stage three company, involving a policy of active diversification as hypothesised in the model presented in the introduction. It is also significant that it was this firm that first entered stage two of the model by pursuing a policy of horizontal expansion. NMA had become an innovator in shaping the structure of New Zealand's agriservice industry.

Acquisitions were the main form of expansion immediately after World War II with NMA purchasing Walter Wakelin Ltd, Whangarei, Levin and Co. strengthened their business ties in Marlborough by buying out Dawkins' Ltd of Picton, Pyne, Gould, Guinness took full control of Clouston and Co. in Blenheim, while Donald Reid took over Stringer and Co. Ltd of Oamaru. Most of these acquisitions strengthened and built upon existing firm boundaries while Wright Stephenson opened their second Australian office in Sydney.

The agriservice industry was now over one hundred years old and while the size and structure of the firms had altered the functions were still heavily involved in farm supplies, servicing the rural



TIME/SPACE CHART: Agriservice Development 1925-49.

1925

Wright Stephenson open branch in Masterton.  
de Pelichet, McLeod & Co. open in Gisborne. Dalgety & Co. in Kurow.

1930

- 1935 Gisborne Sheepfarmers' purchase Tokomaru Bay Farmers' Coop., including Ruatoria.  
H.Bay. Farmers' acquire Hoadley Son & Stewart, Hastings and Bechet & Cato of Takapau Branch.  
dePelichet, McLeod & Co. open in Waipukurau. Wright Stephenson office, Melbourne.  
Newton King expand to King Country and Waikato.  
Levin & Co. open in Melbourne & Sydney. NMA buys half share of Reid & Gray & an interest in G.W. Vercoe of Hamilton.
- 1940 NMA sell Longburn Freezing Works to C.W.S. of Britain.

NMA buys Otago Fish Supply and sells Taranaki interests to F.C.O.S.

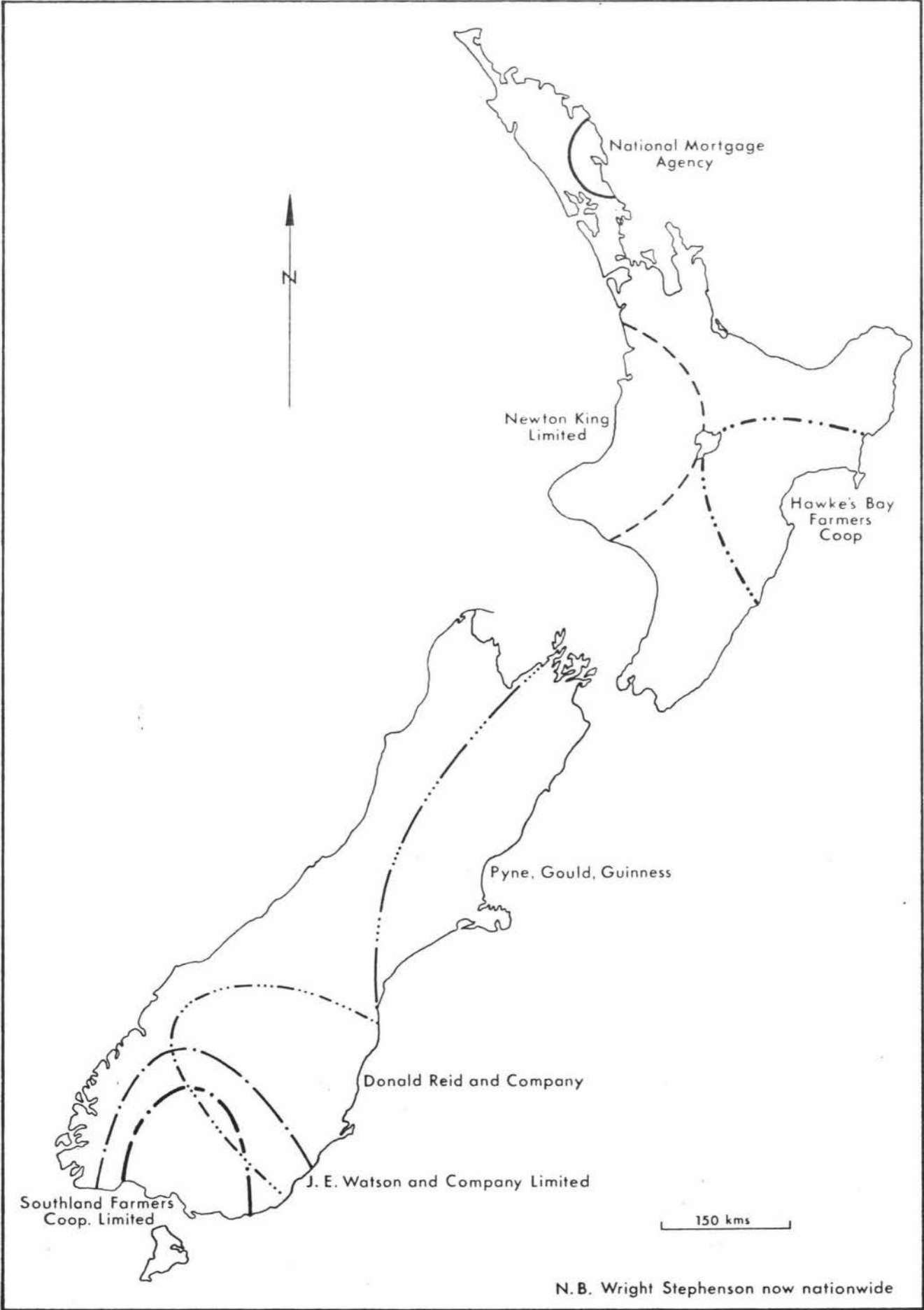
Gisborne Sheepfarmers' sell Tolaga Bay Freezing Works to Borthwicks.

- 1945 NMA purchase Walter Wakelin & Co. of Whangarei. Levin & Co. buy Dawkins Ltd. of Picton.  
P.G.G. purchase full control of Clouston & Co. Blenheim.  
Wright Stephenson open in Sydney. Donald Reid acquires Stringer & Co. of Oamaru and later two small firms at Heriot & Gore. Dalgety open at Omakau.

1950



Figure 3·4 Spatial Expansion of Agriservice Firms : 1925 - 1949



client, providing seasonal finance and in return gaining commission from wool and livestock sales and collecting interest off the farmers seasonal debts. The cooperatives still maintained their regional boundaries as did some independent firms but in general it was the independent firms that were pursuing a policy of spatial expansion over time to compete against other firms in a limited market. Those firms with the most rapid rate of expansion were those with overseas ties where knowledge of corporate growth in other western nations had been observed and applied for the New Zealand situation.

#### 1950-1977/78.

Further changes were to occur to the agriservice industry right until the time of writing, not only by acquisition and merger but more importantly by widening the range and scope of activities managed by these large mercantile firms. Agricultural produce sold well overseas during the 1950's and the wool boom ensured that those firms dealing in wool had a very profitable period. Acquisition was still the key to expansion although major mergers were to play an important role in company structural and organisational growth.

Wright Stephenson completed the amalgamation with Abraham and Williams in 1950, a firm based in Palmerston North with interests in Hastings, while the deal also included buildings and properties at Hamilton, Tauranga and Tokoroa. Between 1955 and 1961 NMA acquired several firms in both islands, this was the most efficient method for obtaining clients and their business along with the experienced personnel who have good knowledge of the local rural scene. The first purchase was J.R. Mills and Co. Ltd. of Riverton 1955, followed by H. Matson and Co. of Christchurch 1957, Robertson Brothers<sup>1</sup> of Oamaru 1958, the final share of Buckland and Sons, Auckland and G.W. Vercoe, obtaining a coverage from Waikato to North Auckland. Spatial growth continued at a rapid rate in both islands, firstly J.G. Ward and Co. of Invercargill 1960, then completed the takeover of Levin and Co. along with J.B. McEwen Ltd.

1961, giving the firm a stronger representation in Marlborough, Nelson, Wanganui, Wairarapa and Manawatu. Murray Roberts and Co. were bought out which established branches or eliminated competitors in Wanganui, Hastings, Gisborne, Wellington and Dunedin while the final round of expansion was to purchase the second half of Reid and Grey. NMA had completed their age of expansion and were to consolidate and strengthen their dominant share of the agriservice space economy.

While NMA dominated the early part of this phase other firms also increased their size and market but not necessarily on the same scale. Newton King expanded into the Wanganui and Waimarino districts by acquiring Freeman R. Jackson and Co. Ltd, 1957, purchased 82.5% of the shares in Gisborne Sheepfarmers' Mercantile Co. Ltd 1960, and the following year secured a direct trading interest in de Pelichet, McLeod and Co. who had already expanded into Taupo, 1958. Newton King's purchase with Gisborne Sheepfarmers' does not fit the model pattern as the hypothesis is that firms expanded horizontally building on existing boundaries, the link in this case is that the manager of Gisborne Sheepfarmers had moved to Newton King and obviously informed the board of the possibility of securing an interest in a firm on the opposite side of the North Island. Hawke's Bay Farmers' strengthened their East Coast trading by purchasing Common Shelton and Co. of Gisborne and North Auckland Farmers opened a branch at Maungatoroto. The 1961 merger between two of the larger agriservice firms Dalgety and Co. with the New Zealand Loan Mercantile Agency and Co. Ltd was one on an unprecedented scale where two firms could rationalise and centralise their activities within a region, providing a more efficient economic unit. This move was soon followed up by buying a major share in Tasman Vaccine Laboratories Ltd, an agriculturally related industry but sufficiently diversified from usual stock and station activities.

The only new existing firm to be established since the F.C.O.S. in

1914 was the Rod Weir Co. formed in 1963. North Auckland Farmers' initial attempt at diversification was the purchase of B.L. Orr and Co. a firm of meat exporters, Newton King were into motor cars with a 80% share of Minifie Motors in Hamilton while the large Dalgety concern purchased a wool scouring plant at Te Papapa and then the Cambridge abattoir. The race for new high profit lines was on to help supplement the basic rural income, and instead of expanding territories firms were to become involved in a product/market competition between companies. Retailing was expanded quite rapidly and exemplified the competition for the market whether it be regionally or nationally oriented, firms often possessing some of the largest stores in their cities and towns.

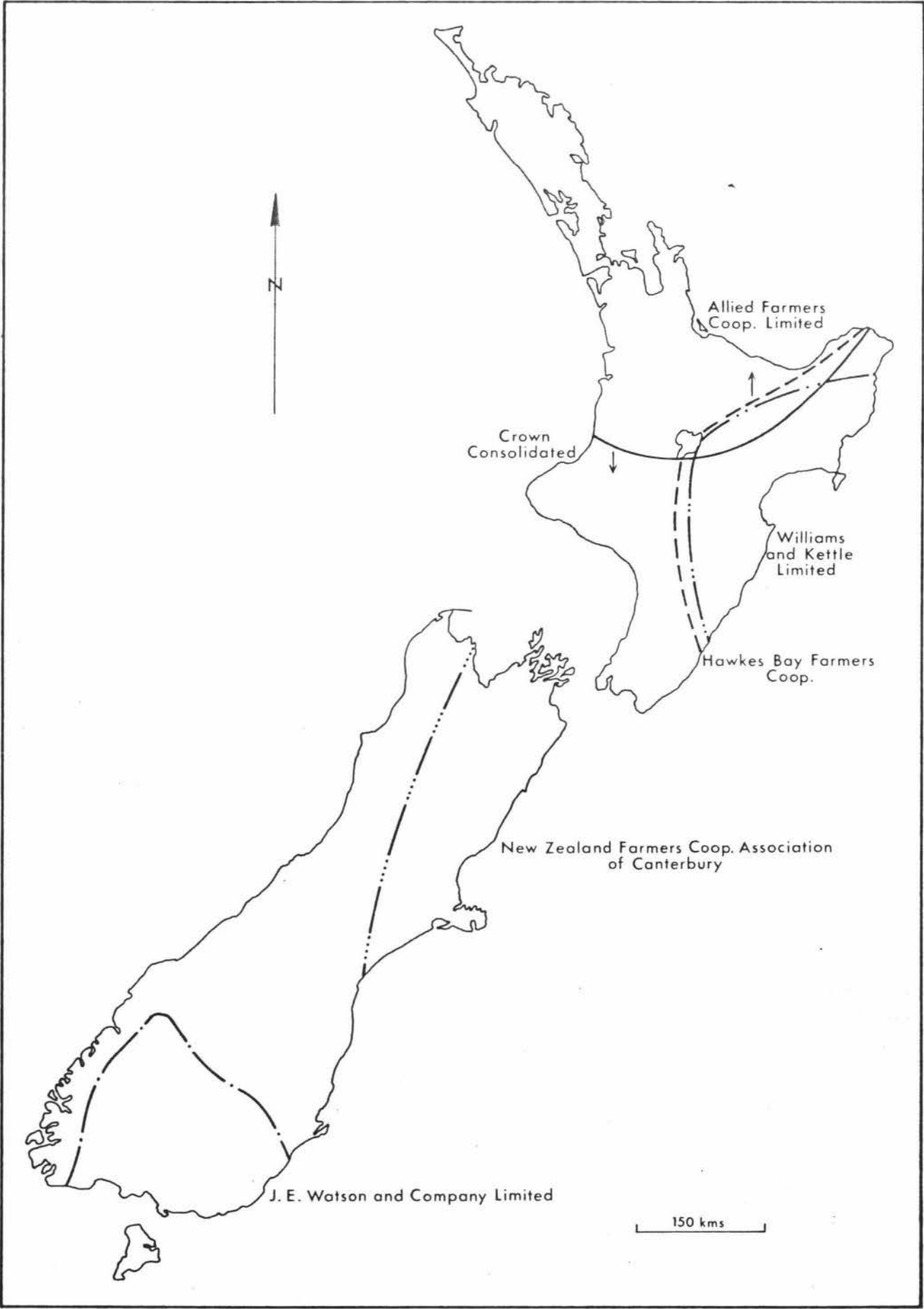
Dalgety activity continued with a 70% interest in Bill Hamilton Ltd of Rotorua, 1969, and full ownership of Haigh and Co. of Timaru, food processors, later to be sold to Watties. Dalgety N.Z. Ltd was formed at this time and public shares were offered, the firm completed the purchase of Waitomo Lime Co. Ltd and then closed branches at Waverley, Hunterville and Lawrence, part of a rationalisation procedure. Newtown King had purchased Stark and Low, a wine and spirits merchant in New Plymouth, a field that most firms were to enter in a large way. In an active period Newton King acquired the Feilding Bacon Co. 1971, Rod Weir and Co. 1972, wholly owned de Pelichet, McLeod and Co. 1973 and took over G.H. Perry and Co. of Masterton. The firm then sold their Waikato, King Country and Bay of Plenty interests to Allied Farmers' Coop. in 1976, formed Crown Meats and then Crown Consolidated, the holding company for the Crown group of companies and later acquired the Farmers Cooperative Distributing Co. of Manawatu and Wanganui. The firm now had a strong coverage of the lower half of the North Island, another truly multi-regional company.

The merger of Wright Stephenson and the NMA Co. in 1972 enabled the new Wrightson NMA firm to be the largest operator in New Zealand.

TIME/SPACE CHART: Agriservice Development, 1950-1978.

- 1950 Wright Stephenson complete amalgamation with Abraham Williams, Palmerston North, Hastings, Hamilton, Tauranga, Tokoroa.
- 1955 NMA buys J.R. Mills & Co. Ltd of Riverton.  
NMA buys H. Matson & Co. of Christchurch.  
Newton King buy F. Jackson & Co. of Wanganui.  
NMA buy Robertsen Bros. Oamaru, Alfred Buchland & Sons Auckland, Vercoe, Hamilton.  
NMA buys J.G. Ward & Co. of Invercargill.
- 1960 Hawke's Bay Farmers' purchases Common Shelton & Co. of Gisborne.  
Newton King, 85% Gisborne Sheepfarmers' and share in de Pelichet, McLeod & Co.  
Dalgety & N.Z. Loan Mercantile Agency Co. merge, buy share of T.V.L.  
NMA takeover Levin & Co. J.B. McEwen 1961.  
Rod Weir & Co. formed. NMA buys second half of Reid and Gray.  
North Auckland Farmers' buy B.L. Orr & Co. Ltd.
- 1965 Newton King, 80% share of Minifie Motors, Hamilton.  
Dalgety buys wool scouring plant at Te Papapa and Cambridge abattoir.
- Dalgety 70% in Bill Hamill Ltd, Rotorua. Newton King buy Stark & Low.
- 1970 Dalgety wholly own Haigh & Co. Dalgety N.Z. Ltd formed, J.E.  
Watson also goes public.  
Dalgety wholly own Waitomo Lime Co. Newton King acquire Feilding Bacon Co. & Rod Weir & Co.  
Wright Stephenson & NMA Merger (WNMA). Dalgety sells Haighs to Watties.  
Newton King wholly own de Pelichet, McLeod & Co., purchase G.H. Perry & Co. Masterton.  
Donald Reid & Otago Farmers' amalgamate. Allied Farmers buy Clark & Sons, Hamilton.
- 1975 Allied Farmers' buy Newton King interests in Waikato, King Country and Bay of Plenty.  
Dalgety sell T.V.L. Crown Meats formed, Crown Consolidated, holding Company.
- 1978 Crown takeover FCDC. Dalgety acquire C.B. Norwood Ltd.

Figure 3.5 Spatial Expansion of Agriservice Firms: 1950 - 1978



The merger providing economies of scale in rationalisation by eliminating duplication of services offered nationwide and giving the firm the opportunity to diversify into non stock and station type activities. Allied Farmers' purchased G.E. Clark and Son of Hamilton while in Otago, Donald Reid and Otago Farmers' Coop. amalgamated for the same reasons as iterated above but on a regional, not national scale. In 1978 Dalgety N.Z. Ltd acquired the firm of C.B. Norwood Ltd another agriculturally related activity rather than an unrelated diversification.

The 1970's has seen an unparalleled burst in activity relating to mergers and acquisitions between a number of companies slowly altering the structure of the agriservice industry in New Zealand. This process is creating a new pattern of firms often more easily seen here because of the spatial, rural nature of the industry. In a competitive commercial sector the industry has rationalised and expanded to alter the structure as new processes in the form of strategies create a newer emerging pattern of corporate growth.

## CHAPTER 4

### RESULTS OF GROWTH OF THE AGRISERVICE INDUSTRY IN NEW ZEALAND

Having traced spatial growth of the agriservice industry through time it is pertinent to collate these results and attempt to observe the patterns and processes evolving in the industry. To relate each firm and its category to a stage of spatial operation, discussing the broad theoretical areas outlined in the framework section of the thesis.

The concepts involved are:-

- i Corporate growth and strategy
- ii Diversification
- iii Structural changes and responses to diversification, growth and strategy change
- iv The Agriservice Industry in New Zealand.

The aim of the results is to relate the spatial consequences of the decision making of the corporate level and if possible observe the patterns hypothesised in the introduction to the thesis. The results have been collected from the questionnaire using the broad groups noted above, see Appendix I.

#### Section 1: Corporate Growth and Strategy Change.

The firms considered themselves to be in the following categories and are grouped according to the model, Stage I firms are those, with a regional base servicing the local rural district only. Stage II firms enter a programme of horizontal expansion building outwards from the original boundaries in order to obtain a larger share of the agriservice market in relation to their competitors and are seen as multi-regional firms. Stage III firms are recognised by their nationwide coverage of their rural sector and then diversify into agriculturally related industries or into completely unrelated activities as a means of growth. Stage I (b) firms operate from more than one



region as indicated but do not possess an active growth policy outside of their region.

		<u>Regions</u>
Stage I	a) J.E. Watson & Co. Limited	Southland
	Southland Farmers' Cooperative Association Limited	Southland
	Farmers' Cooperative Organisation Society	Taranaki
	Donald Reid Otago Farmers' Coop.	Otago
	b) Williams & Kettle Limited	Hawkes Bay/Poverty Bay
	Pyne, Gould, Guinness	Canterbury/Marlborough
	New Zealand Farmers' of Canterbury Cooperative	Canterbury/Marlborough/Nelson
	Hawke's Bay Farmers'	Hawkes Bay/Poverty Bay
Stage II	Crown Consolidated	Lower half of North Island
	Allied Farmers'	Upper half of North Island
Stage III	Challenge Corporation	Nationwide
	Dalgety N.Z. Limited	Companies

The neighbouring region is often used as an area to supply store stock to the fattening farms in the base region, although these (1b) firms may have expansion plans the right opportunity has not appeared according to the decision makers.

Stage one firms had minor changes made in their companies to alter the strategy, function and structure over time. Some of these involved new activities such as liquor, some subsidiary and associated firms, garage franchises, share issues, a rationalisation of saleyards, (common to all firms at all stages), increase of merchandising, heavy machinery sales, while some felt a change in personnel was responsible for a new outlook and company growth. Stage I (b) firms offered newer activities and it is in the range of activities that some of these firms begin to move closer to the Stage II firms and could actually expand into the next phase of growth with little effort. Two firms had become involved in meat exporting, another operated a whole-sale warehouse for the grocery trade and continued to expand departmental stores along with wine and spirit stores.

Stage II firms were involved in similar activities but often on

a larger scale. Crown Consolidated has retained the names of the former trading organisations to retain local interest in the firm, extending retail operations, machinery, grocery and supermarkets, motorcar sales, and meat processing for local and export use. Allied Farmers' has extended interests to the Middle East through the Subsidiary Farmers' Meat Export Ltd. and establishing joint ventures in Bahrein and Oman. The establishment of finance companies has also expanded at this level, especially in the Crown group.

The Challenge corporation underwent a major structural change by using a holding company it allowed a specialisation of function to take place with each of the five sectors being separately managed and responsible only to a central board. The strategy was one of diversification followed by a rationalisation and then respecialisation period that is still being undergone. The five sectors were:-

- rural
- manufacturing and engineering
- motors
- wholesale and retail
- finance, property development and corporate services.

The Dalgety company were also keen to obtain new business especially in a closely related field to agricultural servicing. This Stage III firm has developed other businesses in the past and then sold out, Tasman Vaccine Laboratories and Haigh's food processing firm being two examples. The development of woolbrokers has meant savings to the firms involved, for example Wiri in Auckland and Southland Woolbrokers of Invercargill. A recent addition to the Dalgety range of activities has been the acquisition of C.B. Norwoods as a farm related subsidiary. Rumelt (1974) found that, firms with a controlled diversification programme that remained related to the central skills or knowledge of the firm had the best economic performance over time in the U.S.A.'s

top 500 companies.

All firms at all stages of growth had similar beginnings in that they were established in one town only and offered a similar range of activities such as farm merchandise, auctioneering and commission selling. While the regional firms expanded within their own regions the two Stage II firms had later beginnings in the North Island as distinct from the two stage III firms beginning business in Dunedin and Lyttleton which also related to political and economic conditions at the time. Changing from a regional setting initially was to meet a new need for the customer, a strategic plan on the part of decision makers in the firm or an altering in economic circumstances. At the farmers request N.Z.F.C. moved into Marlborough and Blenheim, Williams & Kettle opened a branch in Taupo and H.B.F. acquired Common Shelton & Co. of Gisborne as a means of providing store stock for the more intensive lowland farmer. Pyne Gould Guinness secured their interest in Clouston & Co. after World War II while Donald Reid and Otago Farmers' rationalised their activities in the region by amalgamation, a decision that made economic sense to both firms.

The arrival of an opportunity to expand meant both Stage II companies could begin a programme of horizontal expansion. North Auckland Farmers' Coop. took the plunge to purchase the Farmers Auctioneering Co. which gave them access to the Waikato, Bay of Plenty areas while Newton King Ltd. were able to purchase a share in Gisborne sheepfarmers through managerial ties. Whereas the aims of servicing the nation as agricultural development opened new territories had been a policy for Wright Stephenson, N.M.A., Dalgety & Co. and the N.Z. Loan Mercantile Agency Co. for 75-100 years. There still seems to be opportunities for some firms to expand through a process of industrial rationalisation as the economy appears to be suitable for this at present.

'It is far cheaper for a bigger company to buy a smaller firm with good staff and assets than to undertake market research into the same field, build a factory at today's inflated prices and try to beat the older firm into the ground through a costly competitive war'.

T. Hall, Finance Editor,  
The Dominion. February, 26, 1979.

It is the strategy or the choice that firms' make decides on what way an expansion programme is to be undertaken. As opportunities have arisen some firms have accepted the challenge as others may have been turned down. However, over time new patterns continue to evolve as firms reach new thresholds, some consolidate while others turn to new activities and territories. The larger the firm the easier it is to discern the strategy underlying their new development. Over time some firms will change their stage or category as far as horizontal expansion and activities are concerned and also responses to the strategy chosen and initiated by the personnel involved. Growth has meant producing more of the same whereas strategy change also involves structural change and development in the industry. The initial change from a regional setting has allowed agriservice firms to develop more fully than being confined to those arbitrary boundaries.

## Section 2: Diversification

A diversification policy becomes necessary when firms reach a threshold point in their growth and this strategy choice opens up new alternatives where expansion results in an adjusted spatial operation. Penrose (1959) refers to limits upon growth in a firm stating that it may be an internal condition such as managerial ability, an external condition of product or factor markets, or uncertainty and risk which are a product of both conditions. In seeking to diversify, agriservice firms need to select a policy, identify the nature of expansion and assess the changes that will be required to implement the new strategy. Firms diversify for different reasons, an area or specialisation may have limited growth opportunities, new product and/or market areas have arisen or opportunities to acquire other firms could eventuate. Each situation involving diversification will involve a change in organisational structure and the new strategy will have a new form of spatial expression.

Most agriservice firms interviewed were keen to diversify their activities to varying degrees yet only the stage two and three firms had a policy geared for this. Mainly they had a 'wait-and-see' policy if any opportunities presented themselves certainly these firms did not seem to be aggressively asserting a policy to determine their destiny through time. Diversification had a different meaning between stages of firms and even within their broad classificatory categories. Challenge Corporation may not wish to be any more diversified, although they could respond to anything that is complementary to their goals and boost their present range of activities that are designed to be anticyclical in an economic sense when compared with rural production. Dalgety have diversified out of strictly farming activities in the past and those that have not looked viable in the long term have been sold off, for example, T.V.L. and Haigh's. The Crown group have attempted to maintain a 'controlled diversity', that is, agriculturally related as a basis for the future a

stance that Dalgety N.Z. Limited now share.

Diversification was accepted as a policy of Wright Stephenson Limited in the 1960's and involved dealings in the motor industry, retailing, manufacturing, engineering and property development. Dalgety's involvement in Haigh's was related to food processing in the South Island while Tasman Vaccine Laboratories were producers of goods in animal health fields. While these have both been sold the firm has now acquired C.B. Norwood Limited an agriculturally related firm selling farm machinery in New Zealand. Most of the firms in the country have established real estate sections, and variations of activities such as liquor, travel, machinery or relating to the general public on a large scale. Acquisition was generally seen as the quickest means of diversification and external expansion, and as Hall (1979) states, the present economic climate is conducive to it. The Challenge Corporation now have the resources to establish new activities themselves, with their finance and property development sections as examples.

All the stage two and three firms were considering off farm investment in their future plans while only two stage one firms were looking at off farm investment. N.Z.F.C. of Canterbury wanted to expand their retail outlets and possibly meat exporting from their abattoirs in Marlborough, while J.E. Watson & Co. of Southland were looking at the possibilities of forming a finance company. Southland Farmers' and Hawke's Bay Farmers' were open to new alternatives if they arose for diversification while the other stage one firms did not have any specific changes planned. Crown and A.F.C. were seeking export activities to make best use of the tax incentives available. Dalgety were aiming at maintaining a strong agricultural industry base, looking at complementary activities, upgrading and updating present services. While Challenge Corporation were tending to consolidate but still looking for further opportunities to develop.

Diversification may be a result of growth or even a lack of growth

which requires a strategy, policy or method of implementing new activities causing a change in organisational structure. In fact a change in organisational structure may be necessary first before implementing diversification policy. Few of the nations agriservice companies have a diversification strategy to adhere to which may mean that little change may be seen in the scale and range of activities offered by stage one firms especially. A general policy of 'opportunism' will not lead to any great spatial changes of consequence in the industry other than the opportunity for larger firms to acquire or merge with smaller firms.

### Section 3:

#### Structural Changes and Responses to Diversification, Growth and Strategy

Through time firms respond differently to diversification and growth for some administrative changes have to be made, operating changes will probably be necessary to cope with a new activity or even larger scale of the same activity. Some firms respond by adding subsidiaries to their original function and become vertically integrated firms, more common in the advanced firms are the product division firms running separate departments by a group of managers, or in the case of a large conglomerate, form a holding company. (See Table 2.1, 11). Rumelt (1974) suggests that firms controlling their diversity and building upon central skills and strengths have the best economic performance by seeking efficient product marketing and distribution of their final product.

Stage one firms made few structural changes to their business activities over time and perhaps few were required for the scale of operation and the nature of activities involved. The size of administrative staff had increased, field officers had to be trained in a larger variety of activities including finance and animal health, while a rationalisation of saleyards and staff had been implemented by all stock firms in all categories of scale. Williams and Kettle had involved directors on the



board and had allowed the firm to run on a divisional basis each with its own manager. H.B.F. also had internal organisation changes to cope with changing patterns and appointed an executive committee in an advisory capacity to the board. N.Z.F.C. were the only stage one firm to refer to corporative planning in formulating five year plans as goals for the cooperative to become involved in long term planning.

Both stage two firms had established forms of corporate planning in five year plans and as their firms expanded over time were prepared to move their firms headquarters. A.F.C. moved to Auckland after strengthening their ties in South Auckland, King Country and the Bay of Plenty, while Newton King established head office in Wellington after operating for over 90 years from New Plymouth as their operation spread through the lower half of the North Island. Their agglomerative move gave them benefits of closer contact with finance houses, government and import/export markets. Crown Consolidated also acted as a holding company for its five stock firms and other subsidiary activities in much the same way the Challenge Corporation is structured. Although the Challenge groups are activity rather than firm oriented divisions which those in the Crown group tend to be. Dalgety N.Z. Limited are so structured that only six people have direct access to the head of the firm in New Zealand. This structure alleviates the pressure constantly being focused on the managing director or company head, giving him more time to think ahead and plan for the future, a protective screen against small day to day matters in the running of the large agriservice firm. This rationalisation in structure allows the firm greater freedom to expand over time or provide a wider range of activities.

Studying Table 4.1 over, sees a definite pattern evolving in growth strategy for the three stages of firm. However, the reliability of the information gained by the writer could be misleading as the interviewee was not the managing director in some cases and may not know or



even want to discuss the future plans of the company. Nevertheless general patterns did appear on the figure below and they certainly had some spatial consequences when studying the size of operation and the activities the various stages of firms were involved in.

Table 4.1. Generalised Growth Strategies of Agriservice Companies.

STAGE ONE FIRMS	F.C.O.S	✓										
	J.E. WATSON	✓	✓	✓	✓		✓		✓	✓	✓	
	D.R.O.F	✓										
	S.F.C.A.	✓				✓			✓			
	P.G.G.	✓							✓			
	W. & K.	✓					✓					
	H.B.F.	✓	✓	✓	✓		✓					
	N.Z.F.C.	✓	✓							✓		
STAGE TWO FIRMS	A.F.C	✓	✓	✓		✓	✓	✓	✓			✓
	CROWN	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
STAGE THREE FIRMS	DALGETY	✓	✓	✓	NA	✓	✓	✓	✓		✓	
	CHALLENGE	✓	✓	✓	NA	✓	✓	✓	✓	✓	✓	✓
		Expansion Policy (Not Territorial)	Mergers	Acquisitions	New Territories and Branches	New Subsidiaries	Exporting Insentives	International Spread of Activities	Finance Companies	Processing	Manufacturing	Fishing

Stage one firms were generally keen to expand their business in a non-territorial sense yet few had a policy designed to carry this out. J.E. Watson and Co. claimed an ambitious growth strategy for a stage one firm although perhaps they may not have the resources to implement all the activities in the near future. By nature of the activities carried out Hawke's Bay Farmers' are a firm on the fringe of moving into Stage two firms and are keen to develop in the future. Their recent move to gain share listing can be seen as an attempt to obtain a supply of capital to enable them to keep ahead of developments in the agriservice industry. N.Z.F.C.'s introduction of five year plans' and their interest in not sticking purely to established trading patterns seems to be an attempt for the firm to be determining their own growth path over time.

Crown and A.F.C. had established more comprehensive growth strategies, were involved in a wider range of activities to promote their firm's growth and both relied on five year plans for their future strategy. The two firms service one half of the North Island each for their business and both possess a desire to increase their sphere of influence within their regions. This could possibly be a sound base from which to expand at a later date if so desired. Exporting has been developed to a larger extent by these two firms and other activities involving tax incentives, possibly fishing for A.F.C. and processing for Crown. The two national firms already cover most spheres of activity confirming their leading role in New Zealand's agriservice industry. Dalgety are not interested in the processing of farm products at present or in the fishing industry but they are still open to taking on new subsidiaries that are beneficial to the group. The two firms could be restricted by government if they attempted to acquire any other stock firms so have to look to other means of expanding their trading interests in New Zealand and abroad. Challenge corporation are undergoing a period of rationalisation at their own corporate level and have already proven themselves capable of initiating their own new

business operations.

Their does appear to be a relationship between growth strategy and the size of the company which is closely interwoven with the stage of spatial operation that the company operates at. Perhaps those lacking a comprehensive growth strategy will in the long term be susceptible to takeover or merger from those firms attempting to employ a more aggressive commercial strategy for the future.

Access to a steady supply of capital for development purposes is imperative in the growing firm and at different levels the stock firms vary in their method of gaining such capital. Stage one firms relied on debentures, specified preference, share issues and two firms acted as bankers for clients giving them a steady flow of capital. Three cooperatives and two independent firms had not moved into the capital market for raising finance and it was generally agreed that this was a restriction on their rate of development. (See Table 4.2.). The cooperatives however, had the ability to hold back funds from rebates to farmers for developmental work.

Table 4.2. Agriservice Firms That Have Moved Into The Capital Market.

	YES	NO
STAGE I	111	11111
STAGE II	11	
STAGE III	11	

Firms operating at the two remaining stages were active in the capital field which was used to sponsor their growth strategy and take the pressure off the firms funds, especially for seasonal loans to farmers which involves many millions of dollars. A.F.C. had a share issue of \$1.06 million in 1977 and Crown Consolidated Limited increased

their authorised capital by \$3 million the same year. The two national agriservice firms or stage three companies had the strength and resources to borrow overseas and when the interest rates are favourable this can strengthen the companies liquidity and lessen the impact of any future downward movement of the New Zealand dollar. The Challenge Corporation borrowed \$10 million from overseas in 1977 while the previous year Dalgety New Zealand Limited obtained an unsecured Eurocurrency loan of \$6.583 million. Share issues and debenture stock are common to both firms at this level also.

There is a definite relationship between the size of the firm, its total spatial operation and the amount of capital that companies have access to for future development. Obviously the larger the assets the larger the respect that is able to be commanded from finance houses. Those stage one companies not involved in raising capital for new development saw that situation as a weakness in their strategy that would possibly undermine their relative market strength over time.

Observing company strengths in annual turnover between the agriservice firms and their range of activities enables a clearer view of the total structure of the firm. Also, this indicates the structural changes that have been undergone, their consequential responses over time by growth, diversification of function and strategy change. The figures in table 4.3. over are approximations of the value of each activity to the company and are expressed as percentages of turnover. This can provide a generalised picture only as there can be significant differences between the percent of turnover obtained and the profitability of that activity.

Study of table 4.3. over illustrates that the larger the scale of company, then the wider the range of activities operated by that company will be. Many of the stage one firms have only added one or two new activities to their range offered up to fifty or one hundred years ago. The table may not be all that accurate as some firms have merged their

Table 4.3. Firm Activities as a Percentage of Annual Turnover

COMPANY					ACTIVITY							
F.C.O.S.	20	60		10								
J.E. WATSON	20.7	46.6		7.1		12.7 <sup>1</sup>		5.3	7.6			
D.R.O.F.	36.0	38.0	11.0	10.0	5.0							
S.F.C.A.	38.0	24.0	7.2	8.8	11.0	11.0						
P.G.G.	25.0	30.0 <sup>2</sup>	33.0	12.0								
W. & K.	29.0	32.0 <sup>2</sup>	29.0	10.0								
H.B.F.	30.0	23.0	13.0	10.0	10.0	12.5		1.0		0.5		
N.Z.F.C.	45.0		31.0		8.8		8.8					
A.F.C.	30.0		30.0	4.0 <sup>3</sup>		10.4	3.0		23.0		1.4 <sup>2</sup>	
CROWN	10.7	11.4	33.8 <sup>4</sup>	8.4		10.3	12.1	4.8	8.5			
DALGETY	26.72	16.09	16.0	11.56			5.9	.33		0.4	4.6	5.9
CHALLENGE												
	Stock	Wool	Merchandise	Land	Produce Grain/seed	Other/ Export	Motor	Shipping/ Travel	Finance Investment	Insurance	Manufacturing	Wine & Spirits

Source: Figures from 1977 Annual Reports

1. Includes commission for wool, insurance and shipping.
2. Includes grain seed and produce.
3. Includes travel, insurance and shipping.
4. Includes farm merchandise, retail groceries, wine and spirit.

activities in groups when discussing turnover. However, it would be fair to state that the larger firms offer a wider range of non-farm activities as a policy of growth and diversification to strengthen their economic performance against fluctuations inherent in New Zealand's farm produce which are so reliant on favourable external conditions. J.E. Watson, N.Z.F.C. and H.B.F. are stage one firms that have more varied activities than the others, yet it may be necessary as they may not be as strongly based in traditional activities as their competitors and therefore have to compete aggressively for their share of the agriservice market. Some of the newer activities operating at all levels include, motor vehicle finance and property investment, processing and manufacturing for the export market, retailing and wine and spirits. The rural servicing firms have realised that their rural product/market growth is limited in its potential without further mergers and acquisitions so that selling goods to the other 90% of the population holds more future for them along with external trade.

Some of the agriservice firms interviewed found that the company structure had been a limiting factor in its growth over time, although the reasons differed between independents, cooperatives and also at different stages of development. (See Table 4.4.). True cooperative firms felt they offered their clients something unique and a superior service to independent firms although one of these felt the cooperative nature and their inability to raise capital was a limiting factor in not realising their growth potential. It was felt that the conservative nature of farmers not skilled in entrepreneurial ability meant the firm was slow to keep up the pace in a rapidly changing commercial sector. The four regional independent companies were split in their opinions about company structure, two stating their structure's are helpful while others found their particular board and family influences happy to carry on the status quo and not search for changes that would

require structural changes. Pyne Gould Guinness is a firm with a large family share holding which restricts the firm from being listed on the stock exchange.

Table 4.4. Company Structure, a limit to growth?

	YES	NO
STAGE I	1111	1111
STAGE II		11
STAGE III	1	1

The multi-regional and national agriservice firms thought that their individual decision making processes operated efficiently to process and new changes that were mooted at the lower level. Some form of analysis, long term planning and provision of capital needed would be available if the new activity was deemed to be beneficial to the company as a whole. Dalgety's main restriction for development was the government in New Zealand as having an overseas interest in the firm activities such as owning land were prohibited. (See Table 4.4.). Otherwise their company structure as such was not a significant factor in any other growth policies the firm may have. The Challenge Corporation felt that company structure was a hindrance to growth prior to 1972 as further specialisation was required yet the workload was too great on the general manager. The concept of a holding company with a multi-divisional corporation was applied with the merger of Wright Stephenson and National Mortgage Association in 1972 a move that has been seen as beneficial to smoothing out and speeding up decision making and therefore company growth.

None of the twelve companies interviewed for this thesis were interested in being taken over or even merging and becoming the junior partner. All firms realised that if a vigorous growth policy was not pursued then perhaps their firm could be taken over. Stage one firms had varying reasons for resisting the concept of a takeover

bid as independent firms were keen to maintain their independence while Williams and Kettle felt that local farmers would reject a merger between the two local firms and especially the two national companies. Several projected acquisitions in the past have been turned down by a parochial decision and even sold to an outsider, rather than a national firm. Cooperatives did not want to lose their cooperative nature and most had considered the implications. The two multi-regional firms have been active in spatial growth policies themselves while the Challenge corporation thought that any further takeovers would not be politically acceptable.

Only three firms, all stage one, were not interested in the reverse process, that is their taking over or controlling the merger with other firms. The spatial ramifications to the industry could be quite significant giving the right conditions for acquisitions or mergers. Pyne, Gould, Guinness and Southland Farmers' did not appear to be interested in any mergers although Southland Farmers' had been approached by Donald Reid some 8 years previously but they did not wish to lose their cooperative nature. F.C.O.S. of Taranaki did not envisage any acquisitions but expressed interest in merging with another cooperative such as Hawke's Bay Farmers' who thought that they could entertain offers from anyone if it was in the best interests of the shareholders. D.R.O.F. stated that they had overtaken others in the past so that it could not be ruled out in the future while Williams and Kettle have had discussion with Hawke's Bay Farmers' at various times. One interviewee claimed that personnel problems hindered most takeovers and mergers as individuals could not agree on the position they would have after the merger.

Crown and A.F.C.'s history, indicates that their growth policies may not have finished yet and there could be further activity in the North Island or possibly the South Island in the future. Another



suggestion was that eventually only three companies would be operating in the North Island. While much of this is conjecture it does mean the spatial operations of agriservice firms could still change radically in the future. Dalgety could entertain some ideas of acquisition if the opportunity was favourable to their company as the result of an approach to shareholders of another company.

As firms pass through a series of stepped thresholds, spatial decisions will have expression in the form of expansion or contraction of the firm, changes in inputs and outputs, rationalisation of operations pricing policies and the adoption of innovations. The operational space of a company, the action, information and decision space will create linkages determining the rates of growth and expansion of the individual agriservice firm. Therefore the responses to changes in organisational structure, functions of the firm, strategy changes and diversification all combine to evolve a changing growth pattern that will adapt to new situations in the future.

#### Section 4: Agriservice Industry in New Zealand

The final section relating to the results of the study centres on the uniqueness of the stock and station industry and its development into a wider based agriservice industry over time. None of the agriservice firms have become involved in the vertical integration of pastoral products which would involve being or controlling the production, processing, manufacturing and marketing of farms produce. Examples of this are best seen in the canning and chicken industry both here and overseas. Only the Dalgety company expressed interest in vertical integration in agriculture yet only in a limited way as they were keen to act as principals in some areas to encourage other farmers, such as maize and soya bean development. Dalgety were also denied the ability to purchase large tracts of land because of the overseas investment policy of the government as stated earlier. Seven firms operated

research and development farms but claimed that any further company investment in land was not the best use of capital and not in the interests of the shareholders.

The agriservice industry in New Zealand continues to evolve as improvements in agricultural development further the nations economic development. Improvements in agriculture, such as the opening up of new territories by government assistance, transport and machinery capabilities, increase in animal health, pasture management, farmer education and export incentives all relate back to the base and strength of the agriservice companies. Stock and station firms need to be able to alter their direction as technology, markets and incentives require changes to be implemented and as farmers react to economic, political and social changes over time. Few firms attempted to relate their companies growth to the nations agricultural sector comparing the cyclical patterns and fluctuations between the two.

A company's role of acting as an agricultural servicing agent is still the basic tenet of the industry that has been built upon, streamlined and improved by extending advisory services for farmers and providing seasonal finance for farmers. (See Table 4.5.). Company representatives are expected to be conversant with developments in animal health, pasture management, finance and estate planning. This present service was also derived as a cost saving venture designed to cut down company expenditure by using one man to provide a service requiring several in the past. The rising costs of servicing the agricultural industry as a means of keeping out opposition agents was seen as wasteful where in some situations a few firms may compete for the same animal. This is an important factor for the agriservice industry as the only means of rationalising this situation is by further amalgamations or takeovers between firms, altering the spatial structure of companies within New Zealand.

Table 4.5. Hindrances to company activities in Agricultural Sector

	YES	NO
Stage I	111	1111
Stage II		11
Stage III	1	1

Stage one firms felt hindered by farm buying groups especially in favourable economic circumstances, others saw client demands to keep inefficient branches open not in the company's best interests. In some cases older influential farmers were determining company policy to suit their own particular needs, a source of contention for some administrators. Other hindrances included rising costs of service, beaureaucratic interference, and lack of killing space and these were spread over all stages of company spatial operation. Few changes were seen in any company and their role as an agricultural servicing agent, more an extension of services.

All stock firms had made efforts to speed up communications and operations by use of radio/telephones, telex operations, computer account systems, same day computerised accounts at stock sales and an on-line computer system for spare parts in the motor, wholesale and retail industries. Every effort to limit costs through the use of technology has kept the agriservice industry up with the trend of strengthening activities in a rapidly expanding service sector in our society.

The provision of short term finance for farmers in an invaluable role performed by the stock firms and its relationship to national development as the primary export industry for New Zealand. Firms lend money on seasonal stock purchases and thereby obtain his business for other activities while charging interest on the loan. The problem for most firms is to eliminate the loan turning into a long term situation either through poor farm management or a reversal in stock prices. The recent change in the money lenders act in raising the interest rate up

to 15% from its earlier ceiling of 10% has eliminated firms losing money in this field.

The pre-Christmas period is the peak lending period for most firms depending on the regional specialisation in farming. All firms lend millions of dollars varying between 5-15% of the firms annual turnover approximately depending on the size of the firms rural base compared with its other activities. The larger stage two and three firms are working to the position where they can be freed from farm loans on firm capital by raising finance elsewhere and relending it out to the farmer. This can eliminate the strain on company funds which can be used for growth and expansion policies. The unique feature of seasonal loans has a vital role to play in the development of New Zealand agriculture. The agriservice industry in New Zealand provides a necessary supporting link between the primary producer and exporters of farm produce, the service proving an efficient link in the production, selling and distribution of the nations agricultural produce.

CHAPTER 5

## CONCLUSION

Spatial changes in the agriservice industry over time have developed observable patterns and processes vindicating the formation of a model to hypothesise the stages agriservice firms seem to move through. Perhaps the processes do not apply to as many of the firms as first thought and the scale of the companies is hard to compare to that of large corporations in the business world in an international sense. The fact that New Zealand's agriservice industry is significantly unique when attempting international comparisons, that it is unlikely that similar patterns will be observed elsewhere. Especially when the degree of reliance on agricultural produce and its export are compared with any other modern mixed economy throughout the world. However, the study can attempt to conceptualise the geographic content of the problem, illustrating the spatial nature of the agriservice industry which competes for space as firms develop over time, especially on a multi-regional or national basis.

The model hypothesised that firms have the ability to expand horizontally in stages as certain thresholds are met and this compares favourably with Taylor's (1975) concept of the metamorphosis of a corporation that moves onward in steps. The first stage did relate accurately to regionally based firms, especially the cooperatives and a couple of independent firms although some showed signs of being close to the threshold of stage two firms if the right opportunity for expansion arose. The next two stages the multi-regional and national ones, contained only two firms to each category as amalgamation and acquisition has lessened the number of firms in each. Another unique feature to the industry was the absence of vertical integration, perhaps to be expected on what is virtually a non-resource industry. Vertical integration is often seen in other examples of corporate growth and this is where the distinction lies between the agriservice industry and agribusiness which involves the control of the product from the farm, its processing, marketing and transport roles

usually performed by producer boards and the government in New Zealand agriculture.

The second period of expansion is evident in the form of active diversification and is best exemplified by stage three firms once their horizontal expansion has reached its limits which is nationwide coverage in New Zealand. Only the one firm can truly be said to have followed this policy, as the other appears to be more conservative with its growth policy more allied to rural activity and perhaps the structure does not exist to permit the changes that would be necessary to operate such a strategy. The hypotheses relating to economic development, function, evolution, structure and spatial growth of the firms have largely been borne out by the research during the study and the generalised model seems to apply equally to all companies and the stages of development they have obtained.

Corporate growth and the related strategy varied depending on the level of development the firm had attained and the expertise in decision making to implement the strategy. Stage one firms could only employ growth policies in one small area at a time such as liquor stores or a new merchandising branch whereas with stage two and three firms the effort was generally on a larger scale, i.e. multi-regional, national or international involvements. Most strategies had a central theme in trying to eliminate the vagaries of fluctuating returns in the agricultural sector and find activities to provide a more stable income for the firms at all three levels. Although it would be incorrect to think of these newer activities as surpassing the returns of agriculture as in even the most widely diversified firm, the Challenge Corporation, rural activities still account for 55% of the profits. The policy selection in the formation of a new strategy has spatial expression as a result of using new resources, establishing new plants, new linkages in transport and information, providing employment and economic impetus to some regions.

Diversification was one concept that interested all of those inter-

viewed as they realised the need to develop and keep ahead of growth trends in the industry which had shown poor returns for capital invested in recent times. This was one strategy used as a policy for corporate growth, unfortunately stage one firms had few long term plans available, any diversification was to be just a 'wait and see' policy if the right opportunity appeared. The larger the firm the more concrete the diversification strategy became. Stage two firms had begun exporting meat and were keen to take advantages of tax incentives; Allied Farmers' venture into the Middle East is an experiment that hopefully will be the first of many sojourns into international markets strengthening New Zealand's trading situations. Most firms have followed Rumelt's (1974) concept of 'controlled diversity' not straying far from their original trading skills.

The chief method of diversification was by acquisition and merger while firms did not have to train personnel, purchase expensive buildings and enter a costly private war in order to break into an already competitive market. Most of the firms were involved to varying degrees in associate and subsidiary companies, as well as performing their stock and station role. Off farm investment is a logical choice for the agriservice firms as only approximately 10% of the population are truly rurally oriented and the other 90% are consumer oriented in their purchasing habits. Diversification can be used as a strategy of maintaining growth in a low or non-growth situation. The need is there to seek higher profit lines with a regular income and eventually permitting firms to look ahead more assuredly with some form of growth policy over time and its relevant spatial consequences.

Consequently structural changes are enforced in order to pursue growth strategies such as that of diversification. Indeed organisational and institutional changes are often needed before the policy can be implemented. Initial changes involved subsidiary and associated companies



with the next step being a change to the product-division type firm, departmental managers responsible for their respective divisions. The next stage observed, especially in the Challenge Corporation and Crown Consolidated was the establishment of a holding company which gave the diversified firm that much needed flexibility in trading operations and freedom for the top executives to plan for the company's overall future, without being heavily committed to more trivial decisions that can easily be handled by group managers.

Obviously few structural changes had been made at the stage one level as the amount of diversification usually related to one or two small changes in company operations. Administrative staff had increased and some internal organisation to free up decision making was evident with one cooperative becoming involved in long term planning for the future. Stage two firms had become involved in corporate planning (5 yrs), centralised their headquarters for the benefits of agglomeration once their spatial expansion had taken place and the desire to be near essential services and government in the case of Crown were influential factors in these relocation decisions. All firms at all levels saw diversification as essential to meeting changing economic situations and realised structural changes were necessary to negate the effect of a shift in demand or a change in technology that would alter traditional markets over time. The need for the supply of capital was considered essential to all agriservice firms and a keenness to export produce for trading to taxation services.

Several stage one firms thought that the company structure was a limiting factor to growth, along with the lack of or an indefinite growth policy for future company directors. Further spatial changes are inevitable as companies evolve and continue to acquire or merge with other firms, as all firms interviewed did not want to be taken over but would prefer to be the aggressor rather than more passive in the



amalgamation of firms. Structural changes often need to be made which then allows further development to take place, perhaps some firms fail to see this in their efforts to wait for diversification opportunities to arise rather than planning for them and making them happen as the more rapidly growing firms seem to have done.

The operational space that firms function in has expanded spatially in several firms that have shown a willingness to grow and enter into new activities over time. Not all of these efforts have been overly successful but perhaps the spirit behind their efforts is the key to their growth policies. Perhaps the 'inherited resources' of a firm suggested by McNee (1964) are constraints in the search for expansion hindering the ability to search for new activities or products. The decision making process and the degree of innovation are stronger at the stage two and three levels of firm and seem to be a leading factor in the development of the nations agriservice industry. The thresholds to the three stages of firm perhaps are requirements to be met before the next phase of development can begin.

The agriservice industry in New Zealand has a character of its own that has been discussed earlier in the thesis. It is interesting to note that one of the key features inherent in the industry, the lending of seasonal finance to the farmer is perhaps the one feature holding back the development of the industry. When the loans become long term the capital is wasted. Some firms are trying to overcome this by borrowing elsewhere at a cheaper rate then relending the money to the farmer thereby keeping their own capital for development within the company and hopefully speeding up their growth rate. Perhaps the return from farm lending is too low and restrictive on some firms although others would have it that this is their 'raison d'être'!

The future of the agriservice industry is closely woven to

development of agriculture in general in New Zealand. Therefore the ability of New Zealand farmers to farm efficiently and compete on traditional and new markets is the essential ingredient to development over time. The need for diversification is seen as a step to overcome the fluctuations in supply and demand in a world market. The problem is, continuing access to the EEC and some form of rationalisation of the transport problem (providing most of our produce at one time of the year giving the nations large capital investment little work to do for at least six months of the year). The ability to produce lambs and calves at 4 seasons of the year is a possibility with today's technology and could regularise employment, the use of expensive facilities and farmers' income.

The stock and station companies have maintained their importance in New Zealand's commercial sector while the rural population has diminished as technology continues to improve farm production. The services they provide are essential for the farmer and allow him to spend more time on farm management and production. The cooperative firms will probably be forced to change as private or independent firms continue to evolve through time and space. The spatial expansion of the firms has been a feature of their development as they are fabricated essentially to the land resource, the basis of their development over the last one hundred and twenty eight years. As firms grow their organisation assumes the role of a large business corporation and in this respect have imitated, or in some cases begun to imitate, the development of overseas corporations. This process will continue and new patterns will appear although the role would be hard to predict.

This thesis has identified a research area that is worth pursuing in the future. The fact that the topic is relatively new or unresearched gave the thesis its own special difficulties. For that reason the coverage is fairly general as there was little or no research involved in this area in New Zealand, or elsewhere, as the industry is especially

unique to New Zealand and Australia. Having identified the spatial elements of the study these could be further defined in a deeper study and possibly allied to some economic research as to the economic performance of the various stages of firms through time. Rumelt's (1974) concept of 'controlled diversity' could be more thoroughly researched in relation to the agriservice industry in New Zealand. The agriservice firms have altered spatially through time and responses to this growth have involved new strategies including diversification, necessitating structural changes and responses to their unique industry.

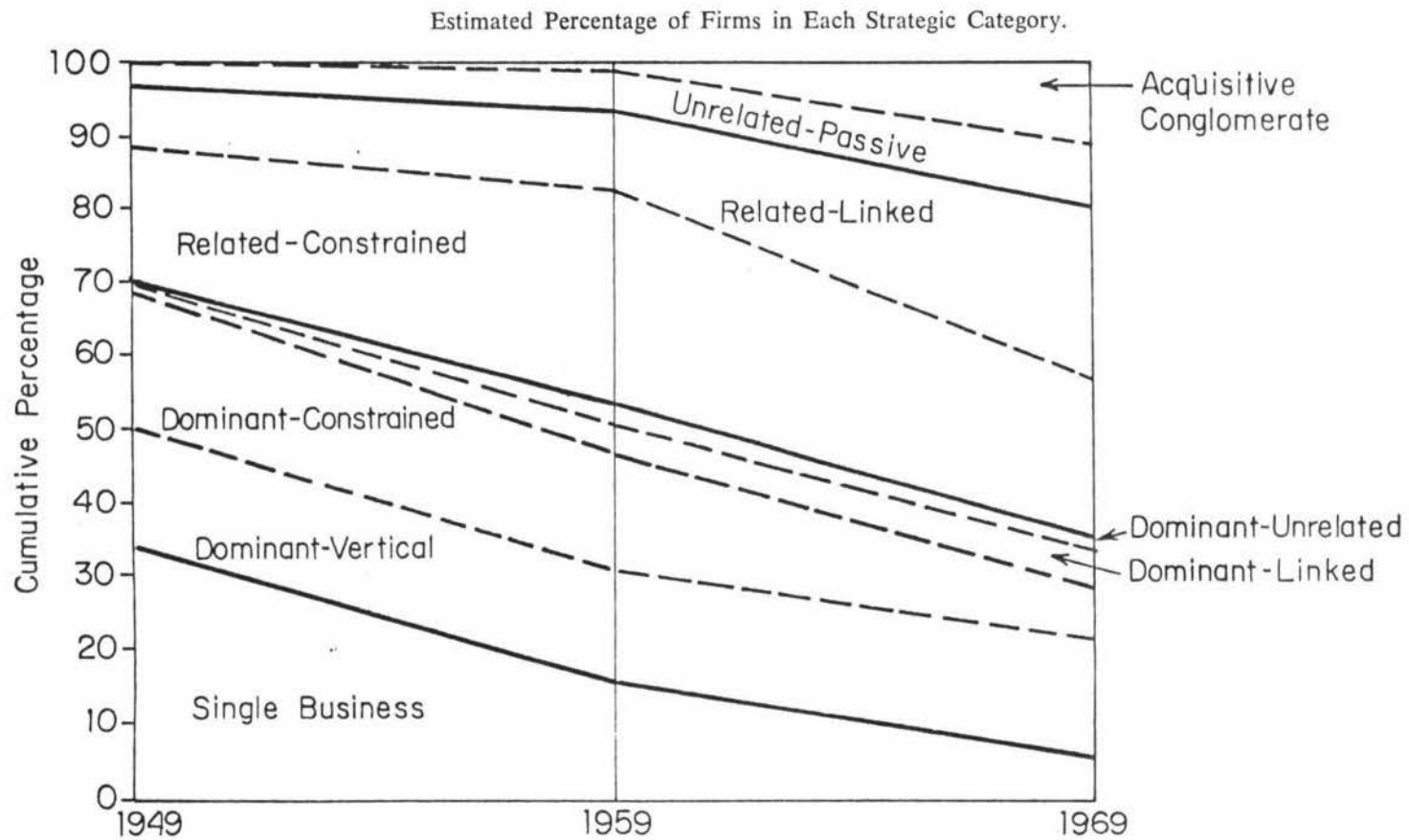
## APPENDIX I

## QUESTIONNAIRE

1. What changes have taken place in your company to alter the function, structure and strategy over time?  
  
What were they? When? Where? Why? Associated and Subsidiary Companies?
2. What were the companies original territorial limits and in what specialist fields?
3. Do you consider your firm a    i) National  
   ii) Multi-Regional  
   or iii) Regionally oriented company?
4. What sparked the change from a regional setting to one of horizontal expansion?
5. Does your company possess diagrams illustrating fluctuations or cyclical patterns in the companies growth and for N.Z.'s agricultural sector?
6. Has company development kept up with the trend of fast growing service sector? Technology, Communications.
7. Can you compare your firms rate of growth with that of the stock and station industry as a whole? Are you pleased with the companies performance?
8. Has your firm moved into the capital market of debentures and equity capital issues?
9. What structural changes have been needed as your firm has grown over time?
10. Is your Company tied by any overseas interests in policy making?
11. Has the companies role as an agricultural servicing agent changed or are there some hindrances to company activities in the agricultural sector.
12. What relationships are significant between the historical development of your company and major changes in agricultural development in N.Z.?
13. Do farmer loans constitute a large part of your business?
14. What percentage of turnover comes from each group of company activities?
15. How would your company entertain overtures of merging or being bought out by another company? Would you be interested in the reverse process?
16. Is your company considering any off-farm investment? What and Why?
17. Does your firm have any interest in vertical integration of your industry? (i.e. Agribusiness, forward and backward linkages from the present service function).

18. What growth strategy does the company have?
  - expansion policy
  - mergers
  - acquisitions
  - processing
  - manufacturing
  - new territories, branches
  - new subsidiaries
  - fishing
  - international spread of activities
  - exporting incentives
19. Does the company have a diversification policy.
20. How did it come about? When?
21. What was the initial diversification? Within activity groups?
22. Will acquisition (external expansion) be the chief method?
23. Has the company structure been a limiting factor to growth?
24. Do you think your company will end up merging or be submitted to acquisition if a vigorous growth policy is not pursued?

Source: Rumelt, 1974, 52.



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