SHEEP MILK NZ

Managing a sustainable vertically Integrated farming system, adding value to sheep & goat milk, producing "in demand" specialty cheese and supplying both domestic & International markets..

Julie Cameron

meredith dairy

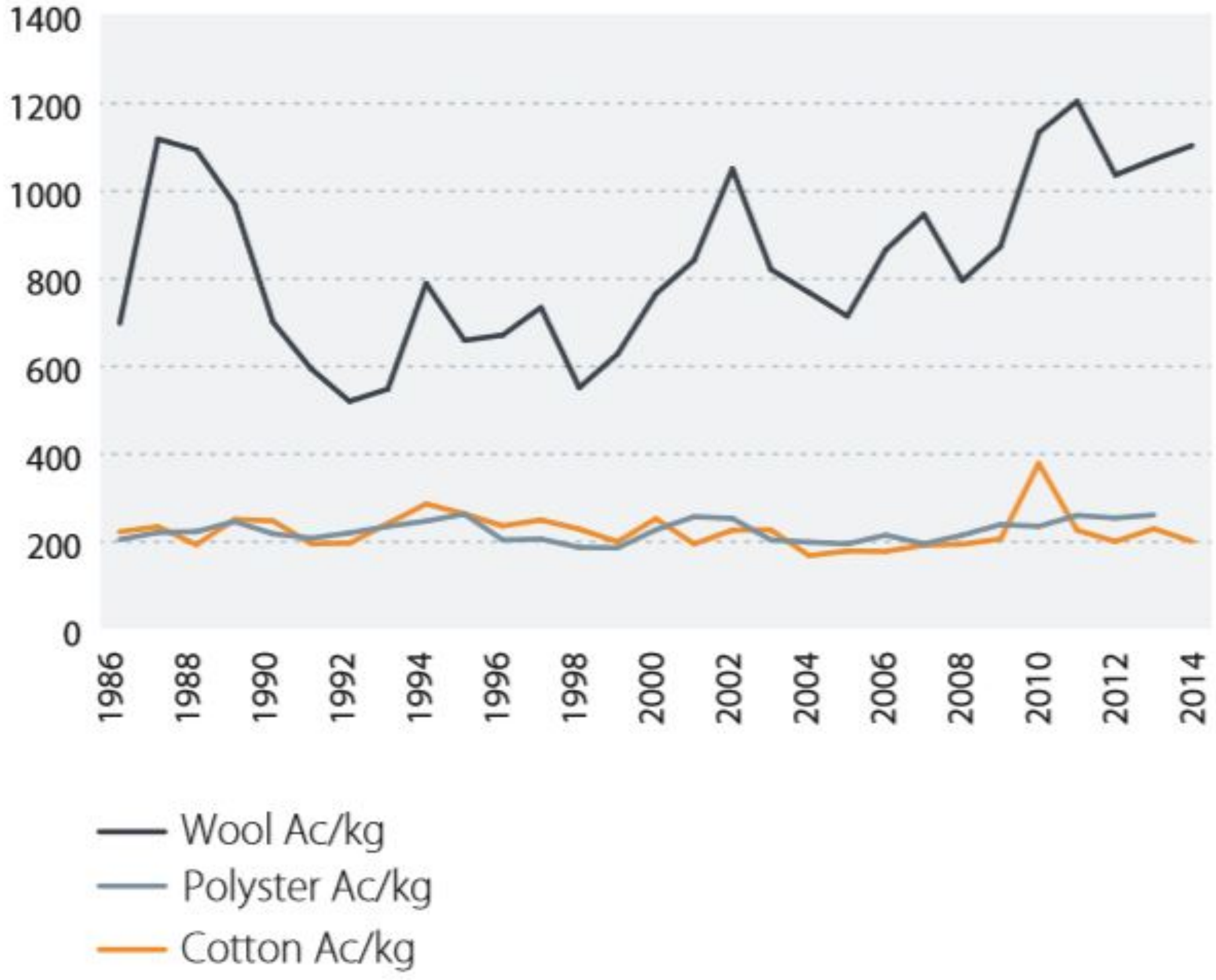
…the story begins……..

meredith
dairy

February 1991

- Abolishment floor price for wool
- 4.7 million bales stockpiled
- Sheep values collapsed
- Record interest rates
- Banana republic economy
- Recession we had to have

Price comparison of wool / cotton / synthetics



Source: Australian Commodity Statistics (2015)

The Weekly Times 6 June 2018

OOL'S RECORD RUN

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Sure it's a boom, but it still doesn't beat the big one

By PETER HEMPHILL

GRAZIERS might be in shear delight over the current record wool prices, but the industry is nowhere near seeing the peak it hit in the early 1950s.

In March, 1951, the term "a pound for a pound" was coined when prices shot to a level never seen before for superfine wool.

The record average greasy price during that period was 144.2 pence for a pound of wool.

Despite the term, it was actually a long way short of fetching £1 (240 pence) for a pound.

The record average price of 144.2 pence a pound equates to $56.30/kg greasy, or about $70/kg clean.

By comparison, 15.3 micron superfine wool last week sold to $39.16/kg clean, while the Eastern Market Indicator ended at $20.27/kg clean.

Industry analyst Andrew Woods, of Independent Commodity Services, at Wagga Wagga, said prices remained relatively high from 1950 to the late 1950s, due to a post-World War II boom and US demand for wool to clothe its soldiers during the Korean War.

Wool prices also peaked in 1973 and the late 1980s, but never reached as high as records set in 1951.

In 1973, a general commodities boom drove 21 micron wool prices to $5.83/kg clean, or $54/kg in today's terms. Huge demand for wool by Russia and China in the 1980s took the 21 micron wool price to $16.25/kg in April, 1988, or $35.50/kg when converted to today's dollar.

Mr Woods said the 1951 peak in today's prices remains the best price producers have ever received for their wool, and was probably momentary.

"Blink and you would probably have missed it," Mr Woods said.

Glenthompson wool grower Richard Beggs, who was born in the late 1960s, said the high prices in the 1950s were also driven by the lack of heating in buildings.

"Back then, there was a demand for clothes to keep people warm," Mr Beggs said.

He said the recent high prices were "about time".

He said his generation had "done it tough" for 30 years after the "hangover" from the 1980s when Russia and China both stopped buying.

"Most of these things are cyclic," he said. "There is rarely an easy dollar in agriculture. It is about time (for prices) to come around."

• When wool was gold, Page 20

The Age 20 January 1992

FEATURES

A strong need to innovate

Australia is going to be a loser in world markets unless there is a move from commodity exports to innovation and consumer service. JOHN M. LEGGE reports.

IN 1839 Melbourne was a very quiet place: no Bourke Street, no City Square, no white men at all. Things were more turbulent in England. In many parts of England there was acute distress. The poor and middle classes blamed the Corn Laws for keeping the price of wheat at the high price of 60 shillings per quarter.

At that time the free-market price for internationally traded wheat was about 39 shillings. Without any adjustment for inflation these prices can be expressed in modern currency and weights. The English domestic price was $24 per tonne, while the free-market price was about $15 per tonne.

One way of comparing prices from long ago with those of today is to look at wages. In 1839 an English agricultural laborer earned 10 pence (eight cents) per day when there was any work available. One tonne of wheat cost the same as 300 days of laboring. More than 150 years have passed, and the free-market price for wheat in the current Australian pool is $175 per tonne while each day's work by a hired laborer costs at least $100. Measured in terms of wages, the price of wheat has fallen by 200 times.

The long decline in the effective price of wheat illustrates the power of a free commodity market to force costs and prices down. Each time prices fall, farmers find ways to grow more wheat with fewer laborers in order to keep their own income up. As each farmer adopts more efficient methods of wheat production, supplies grow more plentiful and prices go on falling.

If the market has been so spectacularly successful at keeping wheat-price inflation at under two per cent for 160 years, why has it failed to control other prices? The

forces down the price of commodities.

Only certain products are commodities. A commodity supplier is anonymous. The user does not care whether his supplies come from one farm or another, or from one country or another. The only possible reason a miller has for buying one batch of standard wheat instead of another is that the one he chooses is cheaper.

This does not apply once the wheat has been turned into bread. We choose to buy bread from a particular shop or supermarket, and once in the shop or supermarket we choose a particular style of bread with a particular maker's brand. If our favorite brand suddenly leaps in price we might look at alternatives. If we discovered that a different style or brand tasted nicer than our usual one we might switch to it.

Only if we knew that all the bread available tasted and looked exactly the same would we automatically look for the cheapest loaf.

A product becomes a commodity when everybody who might buy it knows everything that is relevant about it. The longer any product has been available, the more most buyers will understand it and the more price-sensitive they will be. Once the buyers make their choice principally on the basis of price the sellers will find themselves on the same treadmill as the wheat farmer. They can only survive on the low-

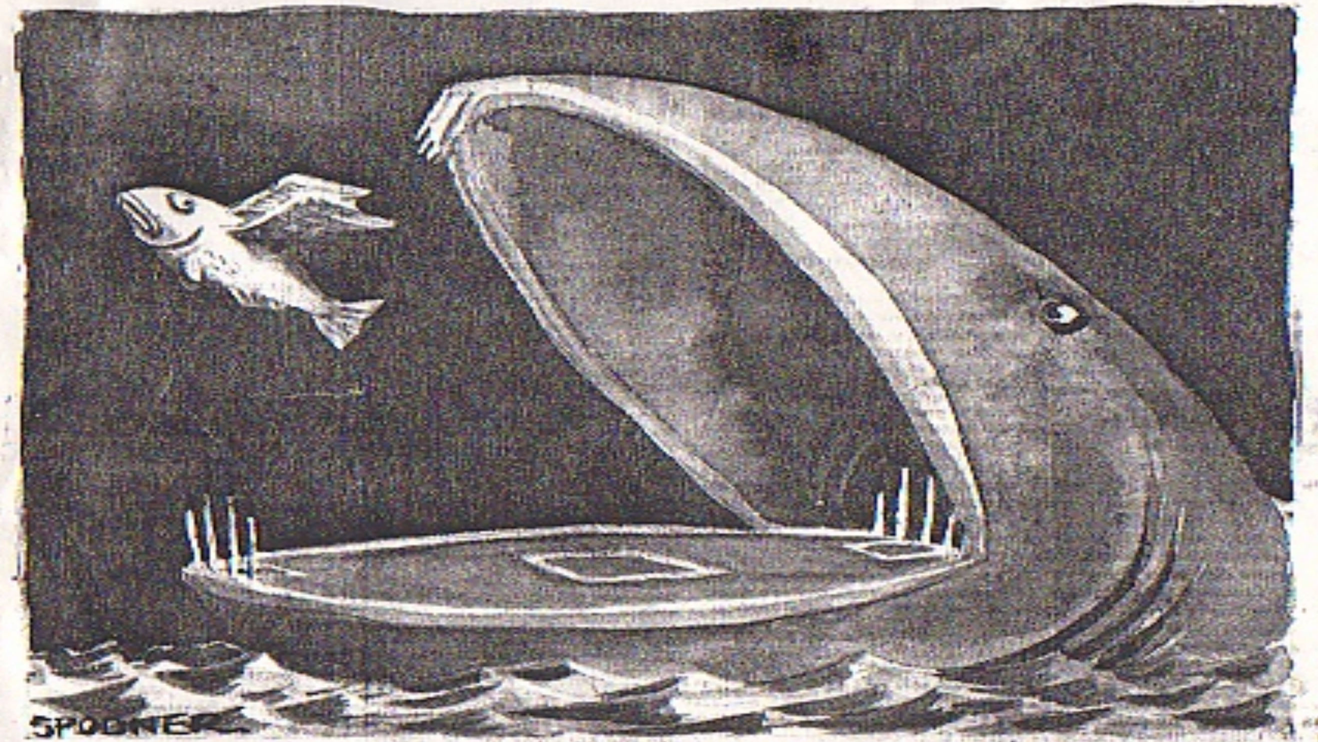
cutting their costs, and the more that they make, the lower the price falls.

A SOCIETY that is principally oriented around commodity production has two factors working towards forcing it into a depression. One is that it is not physically possible to increase sales of anything indefinitely. Eventually everyone who could possibly want one has one, and dropping the price makes no further difference to sales. The other problem interacts with the first: the drive to cut costs means that wages are reduced and employees laid off, cutting the amount of community purchasing power and the demand for mass-produced goods.

These mutually reinforcing tendencies were identified by Marx and led to his prediction of recurrent and deepening crises. Keynes recommended counter-cyclical government policies, but it was the Second World War, not Keynesian policies, that ended the Great Depression of 1929-33.

Neither Keynes nor Marx has held off the return of the Great Depression. Innovation has.

When new and well-differentiated products are introduced, the market does not exert any particular downwards force on prices. If the price is too high for some people they won't buy it, but those who do buy it at the marked price choose it deliberately in spite of the possibility of buying similar



Midnight Oil album is put on sale for $25, a Midnight Oil fan with only $10 to spare won't buy anything, even if there are sets of Beethoven quartets available for $9.95.

Once the album has been on sale for a few months, all the eager and affluent fans will have bought it and the last few copies may be put out as $10 specials along with the more tired Beethoven performances. If the record companies — and Midnight Oil — want to go on earning money they must make some new albums with some new music on them.

Most modern industries are more like record selling than wheat farming. The most successful companies are not those who

er prices than anyone else. The most successful companies are those who can give the greatest satisfaction to the largest number of customers.

FOR most of the products that ordinary people and companies buy, the key issue is not whether the price that they are being asked to pay is the lowest possible price for goods or services of that type. The main issue is whether the price is fair, whether the price represents value for money.

Most of the businesses that make up the Australian and the world economy see that their products are steadily being turned into commodities by a combination of boredom and familiarity.

this process their prices will come under pressure. No matter how hard they bear down on costs, their margins will shrink and vanish. The two measures, or the two sides of the one measure, that successful firms are taking to reverse this slide are improved customer service and continuous product innovation.

The Japanese are the world's masters at this combination of customer service and product improvement. One way to measure just how successful they are is to compare their performance with Australia's commodity-based economy over the past 10 years. In 1981 Japan had to export 300 cars to buy one shipload of Australian coal. In 1991 [illegible]

inputs will account for less than one per cent of the value of the great world-manufactured output. Only 100 Japanese cars will have to be sold to pay for a shipload of Australian coal by the year 2001.

Australia still has too many economists and politicians who believe that Australia can prosper on commodity exports. By the year 2003, Australia could be the sole source of supply of all the industrial commodities in the world, but without other sources of national income Australia would have a Third-World living standard. Semi-processed commodities, pulp instead of woodchips, pig or spongy iron instead of ore, ingot aluminium instead of bauxite, are still commodities and will

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John Legge lectures on ma
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Meredith Dairy

- Vertically Integrated
- 500ha (1990) to 1820ha (2019)
- Breeding program ⟶ EBV
- Year round milking
- Quality Management systems
- new dairy products, (import replacement and exporting.)
- production matched with manufacturing capacity and demand
- Emphasis on Sustainability; triple bottom line.





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