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Stock and station agents and wool brokers

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Abstract
This chapter contributes to a business history of Auckland by analysing the growth and development of its wool broking and stock and station agent industry since about the 1860s. Auckland was one of the major centres of the wool auction system for most of the period. The excellent international trade and shipping facilities, international business connections, and rapid population growth also caused agents to concentrate their merchandise business at Auckland as a conduit to international business networks. In addition, manufacturing style activities, such as fertiliser and seed production, were located in South Auckland to yield localised external economies of scale in this industrial area.

Keywords
Auckland history, wool broking, stock and station agents, business networks, business history

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STOCK AND STATION AGENTS AND WOOL BROKERS

SIMON VILLE

INTRODUCTION

The rapid expansion of wool production and export in Australia and New Zealand in the second half of the nineteenth century provided one of the earliest opportunities for business specialization in the two embryonic colonial economies of Australasia.[1] The stock and station agent industry grew up in Australia from about the 1840s and in New Zealand from about the 1860s to provide a range of marketing, financial, and technical services to pastoralists. In particular, these services included the provision of short and long term finance to farmers, either as the source of funds or as intermediaries for banks and other major lenders. Marketing wool included taking responsibility for consignment to sale in the London market, and with the gradual relocation of the market, serving as brokers in the local auction system. Livestock and farm property was also auctioned by agents. Thirdly, agents provided advice on farming technology and the techniques of business management for small family farms. In some cases, particularly where farms were remotely located, agents also supplied a range of farming raw materials and household merchandise. In the course of the twentieth century, with the expansion and diversification of the New Zealand and Australian

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[1] See G. R. Hawke, *The Making of New Zealand. An Economic History*. Cambridge University Press, Cambridge, 1985, pp. 31-5; W. J. Gardner, 'A Colonial Economy' in W. H. Oliver and B. R. Williams (eds) *Oxford History of New Zealand*, Oxford University Press, Auckland, 1988 reprint, p.70, 74, 78; W. Vamplew, ed. *Australians. Historical Statistics*. Fairfax, Syme & Weldon Associates, Broadway, NSW:, 1987, pp. 82, 188.

economies, agents diversified into new products, functions, and markets although rarely venturing beyond Australasia.[2]

This chapter will focus upon the provision of these services in Auckland, the strategies of the key corporate players, and the business networks and industry linkages within the sector and to other parts of the Auckland corporate economy. While agents serviced the 'man on the land', they were an integral part of the emerging industrial and urban business elite in New Zealand. Led by their downtown head offices, they provided an essential conduit between country and town, and between primary, secondary, and tertiary sectors. The imperative of this economic link between town and country was widely recognized as Wright Stephenson observed in 1932: 'you must keep the grass growing in the country, or it will grow in the streets of your cities'.[3]

PASTORAL AGENT SERVICES IN THE AUCKLAND REGION

In Auckland, as elsewhere, strong synergies existed between the different pastoral services, which encouraged agents to offer a full line of services. Initial concentration upon a particular function such as wool broking or the conduct of livestock auctions brought economies of scale, reputation, and expertise. Diversification across pastoral services, though, provided economies of scope from using the same or similar physical assets, knowledge, and customer information. Diversification produced information synergies through wider and more regular transactions with each farmer. Therefore, agents had greater client knowledge from which to make informed lending and marketing decisions and this enabled closer monitoring. Thus, 'transactions costs' were reduced by increasing the amount of business with existing clients in an atmosphere of more complete information and enhanced trust.[4] These were important benefits for dealing with many small and remotely located family farms. Reputation and expertise in the pastoral industry were also extended. For the farmer, more business with a single

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2 For a history of the industry in Australia and New Zealand see S. Ville, *The Rural Entrepreneurs: A History of the Stock and Station Agent Industry in Australasia* Cambridge University Press, Melbourne, 2000. There are a number of individual studies of New Zealand firms: L. Anderson, *Throughout the East Coast: the Story of Williams and Kettle Ltd.,* Hastings, New Zealand Pictorial Publications, 1974; J.H. Angus, *Donald Reid Otago Farmers Ltd: A History of Service to the Farming Community of Otago,* Donald Reid Otago Farmers, Dunedin, 1978; J. C. Irving, *A Century's Challenge. Wright Stephenson and Co. Ltd., 1861-1961,* Wright Stephenson and Co. Ltd., Wellington, 1961; G. Parry, *NMA. The Story of the First Hundred Years of the National Mortgage and Agency Company of New Zealand Ltd., 1864-1964,* National Mortgage and Agency Company, Dunedin: 1964; P. G. Stevens, *Pyne, Gould, Guinness Ltd.,* Pyne, Gould Guinness Ltd., Christchurch, 1970; W. Vaughan-Thomas, *Dalgety. The Romance of a Business,* London, 1984; Falconer Larkworthy, *Ninety-one Years: being the reminiscences of Falconer Larkworthy* (ed Harold Begbie), Mills and Boon, London; R. Gore, *Levins, 1841-1941,* Levins and Company, Wellington, 1956.

3 Wrightson Archives, Wright Stephenson [hereafter WS] 0001, Annual Report.

4 In its simplest form, the costs of specifying, negotiating, and monitoring a business contract or agreement are its transaction costs.

intermediary reduced his transactions costs and increased the likelihood of positive externalities from this enriched relationship in the form of 'free' (zero-priced) services such as technical and business advice.

Wool marketing

In the nineteenth century, most New Zealand wool was consigned for sale on the international wool market in London. As consignors, stock and station agents received the wool from the farmer, graded it, insured it, arranged for transportation to the port of shipment, temporary storage there if warranted, its overseas shipment, and receipt by the foreign importer or selling broker. Following the sale the agent received payment and credited the farmer with his net receipts after deducting the consignment commission, handling charges incurred, and any agreed debt repayments. Consignors might also arrange for the wool to be scoured prior to shipment although falling freight rates in the later nineteenth century and buyer preferences eroded this activity.[5] New Zealand Loan and Mercantile Agency (hereafter NZLMA), whose close connection to the Auckland business community will be discussed below, was the largest consignor of New Zealand wool to London.

In the first half of the twentieth century, an increasing share of the clip was sold by auction in New Zealand before being shipped to its overseas buyer. A number of factors help explain this shift in the market's location including the diversification of international demand and improved direct shipping services to continental Europe, North America, and Asia.[6] As local selling broker, the agent directly undertook more extensive handling processes. These began at the woolshed with the initial separation of the wool in each fleece into uniform quality by the company's sorter.[7] It was then pressed into bales, branded, weighed, and dispatched to the agent's wool store. Here the wool was classed into uniform lots and carefully displayed so that it could be inspected by buyers prior to the sale. Agents took responsibility for printing and distributing catalogues as well as organising the sale itself.

[TABLE 1: LOCAL AND OVERSEAS WOOL SALES]

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[5] A. Barnard, *The Australian Wool Market, 1840-1900,* Melbourne University Press, Melbourne, 1958, pp. 7-8.
[6] See S. Ville 'The Relocation of the International Market for Australian Wool', *Australian Economic History Review* 45, 1 (2005) for an account of a similar trend in Australia.
[7] Known as skirting and rolling.

Although Auckland has never been the leading wool selling centre in New Zealand, it is believed to have been the location of the first public wool sale: in 1858 Alfred Buckland conducted a wool auction of about 250 bales from Messrs Henderson and Macfarlane's store on Queen's wharf.[8] Wool auctions were modest and intermittent affairs in mid-nineteenth century New Zealand, however more regular sales took place in Dunedin from the 1860s and Wellington by the 1870s. By the beginning of the twentieth century there were eight selling centres broadly spread through the country and located at major port cities. The main inter-regional shift in wool broking business was away from the South Island towards the North Island with the relative decline of Christchurch and Dunedin and the expansion of Wellington and Auckland in the first half of the twentieth century. Some recovery in the share of the South Island cities has occurred in recent decades. These trends are reflected in the changing national share of Auckland, rising from 5 percent in the first decade of the twentieth century to 17 percent by the 1960s and then dropping back slightly thereafter.

[TABLE 2: WOOL SALES AT AUCKLAND, 1906-80]

A major innovation around the end of the nineteenth century was joint selling by the various brokers in a central salesroom at each of the main centres. This reduced the sale costs for individual brokers by sharing overheads at a time when many were serving both the London and the New Zealand markets, and their desire to invest locally was constrained by uncertainty about the future market. Centralised sales also bolstered the number of buyers and sellers in the early years of thin volumes. The brokers drew lots to decide the selling order at the first auction of the year. From this a system of rotation for the rest of the selling season could be mapped. The amount to be sold by each broker at each sale was also agreed. By 1887 wool sales were organised in a central salesroom in Dunedin.[9] The exact date of commencement of regular joint wool auctions at Auckland is not clear but by 1906 three brokers auctioned 6742 bales of wool at Auckland.[10] By 1913 four brokers participated in a joint auction at Auckland Town Hall and this

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[8] J. Stacpoole, 'Buckland, Alfred 1825-1903'. *Dictionary of New Zealand Biography*, updated 16 December 2003 URL: http://www.dnzb.govt.nz/. NMA began weekly auctions at Dunedin in 1864 and Wright Stephenson there the following year. Several Wellington agents, including Levins and Bethune & Hunter conducted regular auctions from 1871. Parry, pp. 24, 218; Irving, p. 24. Gore, pp. 26-7.

[9] Barnard, pp. 110, 154-5; University of Melbourne Archives (UMA) Dennys Lascelles collection 62, 12, Conran, out-letters, 1892; Angus, pp. 27-8. Sydney had periodically had central wool sales from the 1860s.

[10] *Dalgety Annual Wool Review*.

included the two enduring major players in the city, Dalgety and NZLMA.[11] Data covering all of the wool sales in New Zealand for the year 1922-3 (July to June) illustrates how Auckland fitted into the national system. During this twelve month period there was a total of 47 auctions of which 4 were held in Auckland, on 2 December, 12 February, 17 March, and 2 June respectively. The idea was to achieve a reasonable spread of time between each auction with some concentration during the main shearing period from November to March.[12]

Several observations can be made by analysing an excellent dataset of wool sales by individual brokers in Auckland covering most of the twentieth century. The number of wool brokers at any time was relatively small, no more than nine in any year and more commonly about 6.[13] This partly reflected the relatively small market share held by Auckland but also the fact that only the larger stock and station agents also served as wool brokers. They worked closely with many smaller rural firms whose farmer clients' wool they sold. Within this select group of agent-brokers there is a notable degree of concentration. The two-firm share fluctuated mostly within 0.4 and 0.6.[14] This reflected a distinction between firms with a national or international focus, most notably Dalgety, NZLMA, National Mortgage & Agency Company (hereafter NMA), and Wright Stephenson, and the remainder who were largely local or regional in orientation, such as Alfred Buckland and Abraham & Williams, and were eventually absorbed into the larger companies. The resulting reduction in broker numbers lifted concentration levels in the second half of the century.

[FIGURE 1. AUCKLAND WOOL BROKING: FIRM CONCENTRATION, 1906-80]

Wool auctions ceased at Auckland following a cost-reducing centralization strategy in 1984, which located a single auction in each Island: at Napier and Christchurch respectively. Auckland now serves as one of eight aggregation centres, where brokers hold wool and from where samples are sent to the auction centre and a testing company. The introduction of Woolnet in 1999, an internet-based trading system for New Zealand wool, and attempts by the New Zealand Futures and Options

[11] Auckland Public Library NZ MSS 270.

[12] National Library of New Zealand (hereafter NLNZ), Wellington Woolbrokers Association minutes, MSY 4136.

[13] Mean, median and mode are all 6, providing a normal bell curve distribution.

[14] The two firm share is a coefficient of concentration to describe the share held by the largest two firms.

Exchange to establish a wool futures market on the Sydney Futures Exchange (1988, 1991, 2004) are further evidence of the decline of the regional public physical wool market in New Zealand.[15]

MERCHANDISE SALES

While it deferred to Wellington, Hawke's Bay, Canterbury, and Otago in terms of its share of the national wool market, Auckland was of especial significance to the stock and station agents for its merchandise business. The firms increasingly looked to centralize key functions within the organization by the early twentieth century in order to yield scale economies and keep a closer control over branch activities. In this context, Auckland was favoured by most firms to handle their merchandise needs. This was because of its excellent international trade and shipping facilities and large and rapidly expanding population, which provided the opportunity for the firms to act as importing agents and supply the Auckland and then national markets.[16]

In this sense, the experience of NMA is instructive. While predominantly a South Island firm, it opened an export and import department at Auckland in 1919 in order to handle its trade flows through the port and coordinate the purchase of merchandise on behalf of all of the firm's branches. In the following years, the company monitored its Auckland activities closely. Some directors proposed closing down its presence in Auckland but its General Manager G. R. Ritchie argued that they were prepared to incur losses, 'for indirectly we consider that the agency is very vital to our other branches'. He additionally showed an awareness of the strategic importance of Auckland as a conduit into the international business environment and the probability of continued growth and diversification of the Auckland economy.[17] As will be indicated below, the agents sought to diversify away from the pastoral sector in line with the changing economic structure of New Zealand from the middle decades of the twentieth century.

In addition to general merchandise, the agents provided a range of inputs for farmers, particularly seeds and fertilizers. Much of New Zealand's manufacturing growth has been located in South Auckland, which provided suitable external economies for fertilizer plants through localised access to a combination of cheap land, a suitable supply

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[15] Wool Research Organisation of New Zealand, 'Wools of New Zealand. Buying New Zealand Wool' (www.woolsnz.com), pp. 1-6.
[16] G. R. Hawke, 'The Growth of the Economy' in W. H. Oliver and B. R. Williams eds *Oxford History of New Zealand,* Oxford University Press, Auckland, 1988 reprint, p. 382.
[17] Hocken Archives, University of Otago, NMA collection, UN 28 General Manager's letters to Auckland 23.9.1919; 23.4.1924; 11.10.1926.

of labour, and ancillary and related industries. As part of the reparations payments arising from the First World War, New Zealand, Australia and the United Kingdom acquired the rights to the phosphate deposits of Nauru and the Ocean Islands. This gave New Zealand, with its phosphate-deficient soil, access to the highest grade phosphate (84 percent) in the world. In response to this opportunity, Wright Stephenson established a fertilizer works at Otahuhu in South Auckland in 1920. Here it produced the 'Challenge' brand of fertilizer for sale through its national network of branches. With the expansion of manufactured fertilizers, in 1924 the company erected a large superphosphate and sulphuric acid making plant connected to their original fertilizer works.[18] In a similar fashion, Wright Stephenson expanded its interests in seed merchanting through the acquisition of the seed retailing business of Auckland mayor J. H. Gunson in 1916. Wright Stephenson had operated in the wholesale seed trade, including the supply of Gunson, for some years; forward vertical integration now bought them into retailing.

LIVESTOCK AUCTIONS

Less is known about Auckland's role in the conduct of livestock auctions. In 1855 Alfred Buckland and Joseph Newman conducted livestock auctions in saleyards at Newmarket. Buckland continued these auctions on his own when the joint business dissolved in the following year, adding impressive large new premises at Haymarket in 1865 in the centre of the commercial district of Auckland. In 1909, he built the Westfield Saleyards with Dalgety and NZLMA, indicating the breadth of stock and station activities now pursued by these three market leaders in Auckland. His livestock auctioneering business expanded further as he added new saleyards in several provincial towns, helped by the waterway systems and expansion of the rail network. These included Otahuhu, which was to become the location of Auckland's fat stock market.[19] When the New Zealand Livestock Auctioneers Association was established in the 1920s, the constituent association from Auckland was classified as 'large' along with about half of the other regional members, suggesting that livestock activities continued to be of importance in the area.[20]

[18] Irving, pp. 113, 121-3; WS 0001, Annual Reports.
[19] Stacpoole; Parry, p. 217.
[20] NLNZ New Zealand Livestock Auctioneers Association minutes, MSY 4142.

FARMER FINANCE

Finance has always been closely tied to the agents' other core businesses of wool and livestock marketing and merchandise sales. Providing financial support was one means of securing the loyalty of sheep farmers in the disposal of their clip. Indeed, agents were prepared merely to break even or endure losses on loans in order to yield valuable marketing commissions, which were the dominant source of earnings in most years. As NZLMA explained in 1892: 'the two are necessarily very closely connected. You cannot carry on a mercantile agency business unless you are prepared to make advances upon produce.'[21] For South Island firms like NMA and Wright Stephenson, limited finance was initially provided to their embryonic Auckland business: in 1919 Auckland branch's overdraft limit at Wright Stephenson was a relatively modest £10 000, well behind Wellington (£35 000), Dunedin (£26 000) and even Invercargill (£16 000).[22]

Initially, however, NZLMA was a different company from the other large stock and station agents. Its emphasis at the start was upon mortgage lending in the Auckland province, drawing upon debenture funds sourced from London, rather than focusing upon wool and livestock marketing in the South Island colonial farming communities. Besides funding farmers, it supported land developers in the Waikato and Thames Valleys, and a range of local industries including coal, railways, and shipping, the latter two acknowledged as infrastructure industries of importance to the expansion of rural production. Further, it acted as financial intermediary and guarantor of capital and interest for a number of large mortgages granted by British financial institutions to Aucklanders; risky business probably not justified by the smallness of the commissions received.[23]

Stone has described NZLMA as the second most important financial institution originating in nineteenth-century Auckland after the Bank of New Zealand (BNZ), and an institution with widespread interests and influence.[24] The two institutions worked closely together at first, NZLMA often sharing premises and personnel with the bank and receiving customers through the bank. Thus, customers who held bank accounts or received short term trade finance through the bank, were introduced to NZLMA for the purposes of longer term lending on mortgage. However, in the late 1870s NZLMA rapidly severed its management and premises ties with the BNZ, which it believed had

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[21] NLNZ, NZLMA collection 76-291, 1892 Annual General Meeting.
[22] WS minute book 2, 1917-30.
[23] R. C. J. Stone, *Makers of Fortune. A Colonial Business Community and its Fall,* Auckland University Press, Auckland, 1973, p. 25.
[24] Stone, *Makers,* pp.20, 23.

put it at a disadvantage in the increasingly competitive rural finance market.[25] The reason for this opinion is not explained but probably derived from NZLMA's connections to Auckland's financial elite through the BNZ, which had begun to take on an unsavoury reputation around this time. Stone and Chappell have each noted that these close ties, which will be explained in more detail below, led to undue financial favours to members of this 'inner (or 'limited') circle' that unravelled in the financial collapses in Auckland in the 1880s.[26] The full consequences of such relationships and the concentration upon mortgage lending impacted upon NZLMA during the difficult years of the 1890s when it was forced into a major financial restructure. While the nineteenth-century opinion of NZLMA has been heavily tainted by the reconstruction and the damning account by Falconer Larkworthy, it achieved rapid expansion during its first twenty years to become one of the leading wool agency and finance institutions in New Zealand, paying generous profits to its shareholders.[27]

BUSINESS NETWORKS AND INDUSTRY LINKAGES

One of the critical competitive advantages of the stock and station agent industry was its ability to develop close personal networks in country towns as a means of establishing and sustaining long term business relations with farmers, and enhancing their knowledge of the area and its inhabitants. In essence, agents invested in the social capital of rural communities to build levels of trust, cooperation, and reciprocity on which business relationships and networks could flourish.[28] As Ville and Fleming have shown, in New Zealand these networks helped agents to ration credit among pastoralists in an efficient manner through their knowledge of relative risk levels.[29] Agent networking was equally important in the broader business community by bringing the firm into close and regular contact with complementary service providers, such as banks, insurers, and shipowners, along with producers of farming equipment and inputs. Agents networked through developing personal connections and more formal business relationships derived

[25] NZLMA, minutes February 1879. The minute books contain detail of loans made by the firm.
[26] Stone, *Makers*, p. 52; N. M. Chappell, *New Zealand Banker's Hundred. A History of the Bank of New Zealand, 1861-1961* (Wellington, 1961), p. 117.
[27] See Larkworthy; Stone, *Makers* p. 23.
[28] See S. Ville, 'Social Capital Formation in Australian Rural Communities: the Enhancing Role of the Stock and Station Agent' *Journal of Interdisciplinary History* 36, 2 (2005) for a discussion of the nature and magnitude of these investments.
[29] S. Ville and G. Fleming, 'The Nature and Structure of Trade-Financial Networks: Evidence from the New Zealand Pastoral Sector, 1860-1939', *Business History* 42, 1, 2000, pp. 41-58; S. Ville and G. Fleming, 'Financial Intermediaries and the Design of Optimal Loan Contracts in the Australasian Pastoral Sector', *Financial History Review* 7, 2, 2000, pp. 201-18.

from transactions and ownership interests. Finally, intra-sector networking relationships among agents and the benefits they yielded should be mentioned.

Alfred Buckland was typical of the well-connected nineteenth-century Auckland entrepreneur. Besides operating his own business in the downtown commercial district around Lower Queen Street, he sat on the board of a number of prominent local public companies including New Zealand Insurance, South British Fire and Marine Insurance Company of New Zealand, Kaipara Steamship Company Limited, and of the New Zealand Frozen Meat and Storage Company Limited. His weekly horse bazaar at the Haymarket became a general meeting place of town and country. His sporting interests provided further networking opportunities including his presidency of the Auckland Racing Club and of the Auckland Agricultural and Pastoral Association. Buckland's grand Highwic residence in fashionable Epsom placed him among other business elites living in that suburb or Remuera and Mount Eden by the late nineteenth century.[30]

Buckland remained on the fringe of the so-called 'limited circle' business elite of late nineteenth century Auckland, mentioned in the previous section. This group served as directors of many of the leading business institutions, particularly in finance, land development, agriculture, and mining. Their accumulated expertise, reputation, and influence doubtless brought many strategic benefits to the companies they served. Their familiarity with each other in addition fostered a high trust and low transaction cost environment.[31] These arrangements worked well in the expansive environment of mid-century but less so in the crisis-ridden 1880s and 1890s. No institution was as closely enmeshed with the limited circle as the NZLMA—16 of the 18 in the clique were directors of the company, more so even than the BNZ, many of whom borrowed from NZLMA and entangled it with their own particular business interests. When members of the clique faced serious indebtedness or even bankruptcy in the 1880s, they looked to the 'friendly' companies under their control, such as NZLMA, for favours. John Logan Campbell, for example, was provided with extended support at low rates of interest by NZLMA and a guarantee to repay a large loan from Commercial Union Assurance Company of Britain, arranged by other limited circle figures, Thomas Russell and Falconer Larkworthy. In a study of Auckland-based New Zealand Frozen Meat and

[30] Stone, *Makers* p. 121-2. Highwic was purchased by the Auckland City Council and the New Zealand Historic Places Trust in 1978 and opened to the public in 1981.
[31] R. C. J. Stone, *The Father and his Gift*, Auckland University Press Auckland, 1987, pp. 123-4 cites the main advantages of being part of the limited circle, notably prestige, inside commercial information, generous overdrafts, directors' fees and share bonuses.

Storage Company, Stone illustrates how the collapse of this company can be traced back to such conflicts of interest within the clique. He concludes:

> in the light of the alarming balance sheet presented at the annual meeting of the Freezing Company in November 1885 . . . the Loan Company would scarcely have acted like a benevolent society had not members of its Colonial Board figured so prominently in the proprietary of the ailing meat company.[32]

In addition to inter-industry cooperation and networking, agents, in spite of being fiercely competitive, recognised that there were circumstances where cooperation among themselves brought mutual benefits, or put formally, pareto-optimal outcomes. Cooperation was most extensive and ongoing where everyone stood to gain from lower costs and improved coordination. Since there was no need for secrecy on such matters, and the punity of transgressors was uncommon, the costs of cooperation were also minimal. Firms worked closely together in the provision of a market infrastructure for wool and livestock auctions, which included the development of procedural rules, and the negotiation of sale rosters. Cooperation to promote and defend the interests of the pastoral agent industry was also strong when it was under threat from a particular source or suffering economic hardship. Collectively, the agents could negotiate more effectively and cheaply with other peak bodies and major institutions such as governments, banks, woolbuyers, and graziers. The main vehicles of intra-industry cooperation were national associations of stock and station agents, woolbrokers, and livestock auctioneers. While functionally distinguished in this manner, the major companies were represented in all three types of association. Local associations comprised federal membership of the national associations, which gives us some insight into the regional picture for Auckland, and its relationship with the other centres.

Interfirm and inter-regional disagreements were played out and largely resolved here. In spite of Auckland's initial reluctance to join the New Zealand Woolbrokers Association (NZWBA) at its formation in 1910, generally harmonious relations subsequently existed between Auckland and the other local associations, which may reflect the dominance of each group by the major firms. However, some regional nuances existed reflecting different traditions, local practices and economic imperatives between areas and some element of internal and external competition among the majors. When wool was consigned for sale in London, local agents had generally rebated part of their commission to the bank that provided short term finance to the woolgrower while

[32] R. C. J. Stone, 'The New Zealand Frozen Meat and Storage Company', *New Zealand Journal of History* 5 (1971), p. 182. NZLMA had a sizeable ownership stake in the company and a Director on the Board.

the wool was in transit. With the gradual repatriation of the wool market to New Zealand in the twentieth century, Auckland agents were reluctant to continue this rebate given the much shorter period of finance, covering little more than the period of shearing. When the rebates were halted by NZWBA at Auckland's instigation in 1932, Wellington agents opposed this move, citing the loss of goodwill of local banks, 'who so largely finance the woolgrowers in this district'.[33] In a somewhat similar fashion, Auckland was keen to provide incentives to wool buyers for early payment, by offering interest rebates, a move opposed by most members of the NZWBA.[34] Finally, differences periodically emerged over the national sales roster, each centre seeking regular, equally spaced auctions that minimized delays and warehousing costs. In 1925, for example, Auckland was said to be unhappy about the sales roster, 'not getting justice at the hands of the other members of the Association'.[35]

STRATEGIES OF THE MAJOR FIRMS

This section looks more closely at the major stock and station agents, some already identified by name at least, that were associated with Auckland, and trace their expansion focusing upon the role of Auckland in their strategies. Wool broking figures provide an annual snapshot of the industry in Auckland.

[TABLE 3. LIST OF ALL WOOL BROKERS AT AUCKLAND, 1906-80]

Table 3 lists all firms who served as wool brokers at Auckland during 1906-80. As noted in an earlier section, these tended to be the larger stock and station agents who received the wool of smaller local firms in the province in addition to that of their own branches. Several firms participated in the auctions for only several years because their main interests lay elsewhere in another function or geographic area. Auckland Farmers Freezing Company, East Coop Freezing Company, and Westfield Freezing Company each sold wool for several years at the end of the First World War. Gisborne Farmers Coop sold a mere 17 bales of wool in 1921. As part of the rationalization of the industry after the First World War, Auckland Farmers Union merged with mail order firm Laidlaw Leeds in 1918 and subsequently moved into general wholesale and retail including the Farmers department store.[36] Most remaining firms were committed to the Auckland market, participating for longer periods. It was waves of mergers and

[33] MSY 4137 NZWBA minutes.
[34] MSY 4133, NZWBA minutes, 1911.
[35] MSY 4127, Wellington Woolbrokers Association minutes.
[36] M. Kay, *Inside Story of Farmers*, The Farmers Trading Company, Auckland, 1953.

acquisitions that accounted for most of the turnover amongst them. Of particular note was the absorption of two local/regional firms: the complete acquisition of Abraham & Williams by Wright Stephenson in 1950 (a majority shareholding having been acquired in 1922) and the takeover of Alfred Buckland by NMA in 1957. Newton King merged with Farmers Coop Auction Company to form Farmers-NK Wools in 1972 before ending up as part of Dalgety Crown in 1983.

[TABLE 4. LIST OF WOOL BROKERS WITH 20 PERCENT + MARKET SHARE AT AUCKLAND]

Table 4 lists firms with 20 percent or more market share. Dalgety is the dominant firm both in terms of its endurance within this group and the fact that it was the market leader in most years. NZLMA, by contrast, declined in relative significance, dropping below the 20 percent floor by the early 1940s and leaving Dalgety in an unassailable position until the entry of Wright Stephenson in to the Auckland market in 1950 via Abraham & Williams. This is a story that is mirrored nationally and in Australia. Much of the explanation lies in Dalgety establishing a first mover advantage in local wool sales and the excellence of its local management teams. NZLMA, by contrast, was held back for a long while by divisions and disagreements between its London and colonial Boards and the slowness of its branch expansion.[37] Wright Stephenson entered the market in 1950 and within five years reached and maintained the 20 percent threshold. NMA did not sell wool at Auckland until 1970 and failed to reach 20 percent until after the merger with Wright Stephenson two years later.

National expansion was one of the key strategies developed by the companies that came to dominate the Auckland wool market. The geographic growth of a firm is a strong indication of its industry leadership, providing it with the opportunity to control rights over widely distributed resources and strategic assets, and to exploit larger factor and product markets. In the case of the agents, this included greater leverage over the national wool auction system, stronger bargaining power in freight and farming input markets, and wider markets for their brands. Operationally, it provided greater locational flexibility including the opportunity for some degree of regional specialization. Thus, for example, Wright Stephenson could market its 'Challenge' brand of seeds and fertilizers over a larger national market while locating production of these farming inputs at the preferred location of Auckland as discussed above. The preference of many firms for

[37] See Ville, *Rural Entrepreneurs* ch. 2 for a more detailed analysis.

locating their expanding mercantile and non-farming business at Auckland was noted earlier. When Wright Stephenson diversified into the sale and servicing of vehicles during the interwar period, Auckland was the ideal site for importing them.[38]

It was observed earlier that NMA General Manager G. R. Ritchie was aware of the prospective and strategic value of including operations at Auckland. Many of the agents had initially established on the South Island with the early growth of Otago and Canterbury wool output in the second half of the nineteenth century. By the early years of the twentieth century the balance of pastoral production and the diversification of economic and industrial activity favoured the North Island.[39] Encouraged by infrastructure such as the opening of the Auckland Stock Market (1872) and the Auckland-Wellington rail link (1908), firms in many sectors began to expand their operations and in many cases relocate their head office to Wellington or Auckland.

Wright Stephenson is an important example of this geographic shift. It established a district office at Auckland in 1908, a branch in 1916, acquired Gunson's seed business in the same year, a majority stake in Abraham & Williams in 1922, and set up its fertilizer plant in 1920. Wright Stephenson additionally relocated their Head Office from Dunedin to Wellington in 1918, noting 'the expansion of our business in the North Island made Dunedin too much at one end of our territory for effective control. We therefore follow the example of so many other businesses . . . and transferred our headquarters to Wellington.'[40] NMA appear to have been slower to make the move inspite of their initial enthusiasm for conducting merchandising operations in Auckland and the establishment of a branch there by 1914. Most of their northward expansion waited until the mid 1950s and was accelerated by a series of acquisitions during that decade. Significantly, NMA only began wool brokerage at Auckland in 1970. The comments of the general manager in 1922 may have been indicative of their attitude. Opposing further expansion of their Auckland operations, he noted, 'Our hands are fairly full in the South Island . . . the position of the farmer is better in this Island than the North.'[41] What this means is not made clear. What seems likely is the opposition to a shift northwards from company directors originating from and wedded to the southern pastures. Wright Stephenson faced similar opposition but its conversion to a public

[38] Irving, p. 161-5.
[39] L. V. Castle, *A Study of New Zealand Manufacturing*, Victoria University of Wellington, Wellington, 1966.
[40] WS 001 annual reports, 31.3.1924. The company was also in the process of 'erecting extensive premises' at Auckland in 1919 although it is unclear whether this refers to the fertilizer works or additional expansion. WS 0595.
[41] UN 28, General Manager letterbooks.

company in 1906 provided the funds, strategic thinking, and accountability pressure to overcome conservative and vested interests.[42] NMA was established as a public company from the outset but control remained vested in London, which, similar to the experiences of NZLMA, may have curtailed their responsiveness to changing conditions locally.[43] The benefits of national expansion are reflected in a more than doubling of Wright Stephenson's share of the wool market in the first half of the century, while NMA's remained unchanged.[44] Dalgety established a national presence very early on while NZLMA took the opposite direction of expansion from NMA and Wright Stephenson, moving southwards from its Auckland Head Office and adding non-financial services.

As firms expand they have a range of strategic options governing their methods of growth, notably internally, through merger, or by interfirm agreements. Each has its benefits and shortcomings. Internal growth provides full control over the development process and affords protection of proprietary knowledge. Mergers, on the other hand, can telescope the growth process and provide for cross-organisational fertilisation but may prove expensive due to purchase premiums and may involve a protracted integration process. Interfirm agreements enable firms to acquire expertise and yield synergies through only a partial surrender of corporate sovereignty and at a generally lower cost than merger or internal growth but require constant attention to maintain the relationship.[45] NMA relied upon mergers in the postwar period, cognizant of the competitive disadvantage of a limited presence in Auckland and Wellington. These notably included Buckland in 1957, which gave the company a strong foothold in the Auckland region, and the minority of Hamilton-based G. W. Vercoe not already owned by Buckland in the following year. Wright Stephenson used all three methods, noting with great honesty in 1916 of their expansion at Auckland, 'We do not know of course whether just to buy up a seed business already in Auckland or to start out on our own.'[46] As was seen earlier, they opted for the acquisition of Gunson. Their progressive acquisition of Abraham & Williams was equally important for entry into the Auckland wool market, although operating under the acquired firm's name until full ownership was

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[42] For example, in 1916: 'The majority of our directors, as you know, belong to Invercargill, Dunedin, and Gore, and their interests are not so much concerned about the North Island as Mr Hunt [Chairman] and myself'. WS 0022 J. T. Martin to A. M. Howden.
[43] A post Second World War company enquiry looked at the possibility of transferring control to New Zealand, largely as a tax avoidance strategy, but the proposal was rejected. UN 133 Lord Glenconner's Memorandum – Transfer of Control to New Zealand.
[44] Ville, *Rural Entrepreneurs*, table 2.3 pp. 32-3.
[45] See G. Fleming, D. Merrett and S. Ville, *Big Business and Corporate Leadership in Twentieth-Century Australia*, Cambridge University Press, Melbourne, ch. 5.
[46] WS 0022.

attained in 1950.[47] Internal growth was used in the establishment of the company's fertilizer works and the development of the Challenge brand. In 1927 the firm launched Challenge Phosphate Company, owned jointly with New Zealand Dairy Cooperative Company, to take over the Otahuhu works.[48] Interfirm agreements with small local stock and station agents were also common.

Subsequent merger activity has made the industry highly concentrated in one or two hands. Dalgety and NZLMA merged in 1963 and in turn joined forces with the group of companies known as Crown in 1983. Wright Stephenson and NMA merged in 1972 in a coming together of the two old southern rivals. Exploiting the powerful Wright Stephenson brand, they changed the company name to Challenge in 1975 before merging with Auckland building products firm Fletcher Holdings in 1980 and absorbing Dalgety Crown into the Group in 1986. Fletcher Challenge, with its Head Office in the industrial heartland of South Auckland, became New Zealand's largest and most diverse company—a conglomerate worth NZ$80m by 1980 with interests as diverse as pastoral agency, motor trading, merchanting, engineering, machinery, finance, fish processing, and property. In 1993, Wrightson was floated off by Fletcher Challenge and has since extended its primary industry services to include horticulture and forestry. In 2004 it was acquired by Rural Portfolio Investments. Mention should also be made of the arrival of a similar Australian institution—leading stock and station agent turned conglomerate—Elders Pastoral in 1984, acquiring Allied Farmers Cooperative (the product of a 1972 merger of North Auckland Farmers Coop and Farmers Auctioneering Company) and locating its Head Office in Auckland.

CONCLUSION

The development of the stock and station agent industry in Auckland reflected in many respects the broad growth of the industry throughout Australia and New Zealand from the second half of the nineteenth century. While serving rural communities, agents were a key part of the urban and industrial business elite including that of Auckland. Its mix of rural services (broking, merchandise, and finance), however, distinguished it from the other major centres. The first public wool sale in New Zealand is thought to have taken place in Auckland in 1858. The excellent international trade and shipping facilities, international business connections, and rapid population growth caused agents to

[47] Abraham & Williams had in turn acquired G. W. Binney.
[48] Irving, pp. 121-3

concentrate their merchandise business at Auckland as a conduit to international business networks. In addition, manufacturing style activities, such as fertiliser and seed production, were located in South Auckland to yield localised external economies of scale in this industrial area. Strategic investments were made at Auckland from the early twentieth century, forward looking firms were prepared to incur losses here in order to become established in the most rapidly growing region of the country. The relative experiences of Wright Stephenson and NMA suggest significant rents (or super profits) accrued to prime movers in the expansion northwards in the twentieth century. Exceptionally, NZLMA began in Auckland and played a major role in financing the economic and industrial expansion of Auckland in the middle decades of the nineteenth century as well as being a leading stock and station agent. Subsequently, they were caught up in the financial crises and the allegedly duplicitous behaviour of the 'limited circle' clique, and lost ground in the twentieth century. The incorporation of stock and station agents into large conglomerates in the 1980s and their subsequent floating off in the 1990s is reflected in the formation of Fletcher Challenge and Wrightson at Auckland. Viewed through the history of such companies, the stock and station agent industry reflected, in miniature, the regional and sectoral shifts in the New Zealand economy over the last century and a half.

TABLE 1

LOCAL AND OVERSEAS SALES OF NEW ZEALAND WOOL, 1891-1939

	Total Exports	Local Sales	Sales/Exports (%)
1895-1900	383471	93137	24
1901-10	424206	158069	37
1911-20	538232	402251	75
1921-30	640633	465997	73
1931-9	767538	602304	79

Source: *Australasian Insurance & Banking Record*; *Dalgety's Annual Wool Review* various years.
Note: bales, decennial averages.

TABLE 2

WOOL SALES AT AUCKLAND, 1906-80

	Bales	% NZ Total
1906-10	10688	5
1911-20	34929	9
1921-30	39357	8
1931-40	69083	11
1941-50	117097	14
1951-60	154415	15
1961-70	242413	17
1971-80	178415	13

Source: *Australasian Insurance & Banking Record*; *Dalgety's Annual Wool Review* various years.
Note: decennial averages.

TABLE 3

LIST OF ALL WOOL BROKERS AT AUCKLAND, 1906-80

Broker	Years
Abraham & Williams Ltd	1919-49
Auckland Farmers Freezing Co	1919-20
Auckland Farmers Union	1910-11, 1914
Binney, GW and Sons	1906-18
Buckland, A and Sons	1906-56
Dalgety	1910-62
Dalgety-NZL	1963-75
East Coop Freezing Co	1919-21
Farmers Coop Auction Co	c.1911-71
The Farmers - N.K. Wools	1972-77
Gisborne Farmers Coop Co	1921
National Mortgage & Agency	1970-72
Newton King	1939-71
NZ Coop W.Market Assn Ltd	1940-c.1956
NZLMA	1906-62
N. Auckland Farmers Coop	c.1911-c1956
Vercoe & Co, GW	1953-c1956
Westfield Freezing Co	1918-21
Wiri Woolbrokers	1976-80
Wright Stephenson	1950-72
Wrightson-NMA	1973-75

Source: *Australasian Insurance & Banking Record*; *Dalgety's Annual Wool Review* various years. National Library of New Zealand, New Zealand Woolbrokers Association, minutes, MSY 4133.
Note: Dates at which they are known to have sold wool at Auckland. Assumptions are made about missing years where possible

TABLE 4

LIST OF WOOL BROKERS WITH 20%+ MARKET SHARE AT AUCKLAND

Broker	Years
Buckland, A and Sons	1906-19
NZLMA	1906-19, 21, 24, 26-41
Dalgety	1917-20, 1922-62
Farmers Coop Auction Co	1923-4
Wright Stephenson	1955-6, 1963-72
Dalgety-NZL	1963-75
The Farmers - N.K. Wools	1972-7
Wrightson-NMA	1973-5
Wiri Woolbrokers	1976-80

Source: *Australasian Insurance & Banking Record*; *Dalgety's Annual Wool Review* various years.
Note: Assumptions are made about missing years where possible

Figure 1. Auckland wool broking: firm concentration, 1906-80