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CASE STUDY

CO-OPERATIVE BULK HANDLING LTD. – HANDLING THE FUTURE AND GROWING TOGETHER

CBH GROUP

Tim Mazzarol, Amber van Aurich, and Bruce Baskerville, Co-operative
Enterprise Research Unit, University of Western Australia.

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Centre for Entrepreneurial Management and Innovation (CEMI) & Co-operative Enterprise Research Unit (CERU)

Phone: +618 6488-3981

Fax: +618 6488-1072

Email: tim.mazzarol@cemi.com.au

General Inquiries:

Email: tim.mazzarol@cemi.com.au

Website: www.cemi.com.au : www.ceru.au

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TABLE OF CONTENTS

Introduction.....	5
Chapter 1: Background the Co-operative's Foundation	9
Evolution of the Australian grains industry.....	9
The development of the WA Wheatbelt.....	10
The evolution of the producer co-operatives.....	12
The issue of bulk handling	14
Thomas Henry Bath and Charles Walter Harper	19
Thomas Bath and the Wheat Pool	21
Walter Harper and Wesfarmers	23
Chapter 2: The Beginning – 1933 to 1939	25
Alexander Joseph Monger, inaugural Chair of CBH	25
Henry Edward Braine, Secretary and General Manager CBH	26
John Thomson, Secretary CBH	27
The first three years, 1933/34 to 1936	27
Critical Event: The Royal Commission into Bulk Handling, 1935	29
The second three years, 1937 to 1939	30
Chapter 3: A Time of Expansion – 1940 to 1959.....	34
Critical Event: Achievement of Grower Control, 1943	34
Through war to peace, 1940 to 1949.....	34
CBH and the 'Fabulous Fifties', 1950 to 1959	41
Chapter 4: A Time of Stability – 1960 to 1979	50
Changes to Legislation	50
Changes to grains marketing	51
CBH and the 'Swinging Sixties', 1960 to 1969.....	52
CBH and the 'Me-Decade', 1970 to 1979	59
Chapter 5: Pressures and Changes – 1980 to 1999	74
CBH and the 'Decade of Decadence', 1980 to 1989	75
The push for market deregulation	85
CBH and the 'Decade of Globalisation', 1990-1999	89
Handling the Future and Growing Together.....	101
Facing the risk of demutualisation.....	103
Critical Event: Avoidance of Demutualisation in 2000	109
Chapter 6: A new Millenium and Challenges – 2000-2009	111
CBH and the 'Decade of the Noughties', the first five years 2000-2004.....	111
The merger with the Grain Pool WA.....	115
Critical Event: the Creation of CBH Group	120

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

CBH and the last five years of ‘the Noughties’ - 2005-2009	121
Subsidiaries and Overseas Ventures	127
Grain marketing and trading entities.....	127
Bulk Handling and Storage Entities.....	129
Flour Milling Ventures in Asia.....	131
Chapter 7: the Co-operative today – 2010-2023	133
CBH and the ‘Decade of the Teens’, 2010-2019	133
Ongoing Improvements in the Network.....	141
Moving towards Diversity	143
CBH and the ‘Twenty Twenties’, 2020-2024	146
Impact of COVID-19	149
Summing up the value of CBH	151
Chapter 8: Critical events that faced CBH.....	153
The first critical event – Royal Commission into Bulk Handling of Wheat	153
The second critical event – Grower control over CBH confirmed.....	153
The third critical event – Avoidance of Demutualisation.....	154
The fourth critical event – Merger of CBH and GPWA.....	155
The fifth critical event – Introduction of Co-operative Act 2009 (WA)	155
Chapter 9: Applying the Research Framework	156
Systems Level Analysis – Input factors	157
Social Cooperation	157
Role of Government and Regulatory Framework.....	159
Industry Structure.....	160
Natural Environment.....	162
Enterprise Level Analysis – Assessing the Business Model	163
Purpose.....	163
Member Value Proposition.....	163
Governance	166
Profit Formula.....	168
Resources and Processes	169
Systems Level Analysis – Output Factors.....	170
Economic contribution.....	170
Social contribution.....	172
Key lessons from the CBH case	174
References	177
Appendix A: CBH Ltd. within the CME Research Framework	191
Appendix B: CBH Directors and Executives	195
Appendix C: CBH Ltd. Historical Timeline 1922-2023.....	199



INTRODUCTION

Co-operative Bulk Handling Ltd. (CBH), also known as CBH Group, is one of the largest bulk handling and grain storage organisations in the world (Mazzarol et al., 2014a). It has also been Australia's largest co-operative by annual turnover for many years (Mazzarol, 2023).



It is one of Australia's largest grain marketers and exporters, with capacity to receive from growers—and outturn to more than 200 customers across 30 countries—over 21 million tonnes of grain annually through its network of over 100 receival sites and grain export terminals at Geraldton, Kwinana, Albany, and Esperance (Mazzarol et al., 2014a; Deloitte, 2016; CBH, 2022a). Furthermore, it is the only large Australian grain organisation owned and controlled by growers (Mazzarol et al., 2014a). In 2021 CBH had approximately 3,500 members, and employed approximately 1,100 permanent employees, and up to 1,800 casual employees during the harvest period from October to January (CBH, 2021a).

Established in 1933, CBH is at its core an organisation for the bulk handling of grain. It has been a non-distributing co-operative since 1970, which means it does not issue dividends to members and maintains a tax-exempt status on the core business (Mazzarol et al., 2014a). CBH sets fees at a level that allows it to earn enough to cover operating costs and capital requirements on an average sized crop, through the cycle. It does not seek to over recover fees from growers but in larger years when a surplus is made, they can rebate this to members if they wish.¹ The organisation then reinvests any further surplus into ongoing maintenance and expansion of infrastructure (Mazzarol et al., 2014a). In 2023, CBH turned over \$6.23 billion and had assets worth \$4.38 billion (Mazzarol, 2023). Since 2 December 2012 CBH has been registered with the Australian Charities and Not-for-profits Commission (ACNC) where its purpose is stated as,

"Promotion of the grain growing industry of Western Australia" (ACNC, 2023).

Since its establishment in 1933, CBH has provided value to its members and the community. The Co-operative states its aims as:

"To promote and foster the development of WA's grain industry both nationally and internationally.

Establish and maintain systems for the bulk handling of grain, including the grading, classifying and storing of grain; identify and promote advancements which improve grain handling systems and grain quality, including through research and development activities.

Provide knowledge, education, and training to CBH members and employees on the nature and benefit of co-operatives, in addition to Government and the public about the importance of the Australian grain industry.

¹ A rebate is a financial incentive that is not paid immediately, as compared to a discount, but used to reward patronage within a co-operative. Rebates are paid at the discretion of the board and paid to members in proportion to their patronage.

and to invest in and undertake activities in relation to receiving, handling, transporting, classifying, storing, marketing, and processing grain” (CBH, 2021b).

The story of CBH is one of overcoming challenges of agriculture in the difficult and remote Western Australian (WA) environment while maintaining their mutuality, and adherence to the co-operative principles despite historical periods of pressure to demutualise the Co-operative.

CBH has contributed much to the development of WA (Deloitte, 2016). In economic terms the co-operative fought for and established necessary agricultural infrastructure to improve the efficiency of the industry, including bulk handling receipt, storage, and transportation grain from farm to port (Ayriss, 1999). Furthermore, since the merger of CBH and The Grain Pool of Western Australia (GPWA) in 2002, CBH has provided market and trading opportunities for WA growers (Brewin, Bielak, & Oleson, 2008). As an organisation committed to social co-operation, CBH's history reflects a commitment to regional development (Ayriss, 1999). Indeed, the Co-operative creates considerable social capital through its charitable efforts (Deloitte, 2016).

However, it was not only the growers that shaped the formation of CBH. Government played a key role in both supporting and impeding the Co-operative's development through policy and legislation, particularly with the pursuit of broader agriculture market deregulation in the 1980s (Ryan, 1994; Watson, 1999). Furthermore, these market and industry structural changes significantly impacted the grains industry leading to turbulent environmental conditions that disrupted many organisations within the sector and posed challenges to CBH (Watson, 1999; Cockfield & Botterill, 2007). This market deregulation saw the demutualisation of the South Australian Co-operative Bulk Handling (SACBH) (Thomas, 2006; Mazzarol, 2021), and generated discussions within CBH over whether to retain the co-operative business model or demutualise into an investor-owned firm (IOF) (Mazzarol, Mamouni Limnios, & Simmons, 2014b).

In addition, economic and natural environments also influenced the strategic decisions CBH made throughout its history (Ayriss, 1999). The fortunes of the Co-operative were intricately linked to those of its members who produced the grains delivered to the Co-operative. The impacts of drought, insect and vermin infestations, economic downturns, wars, and volatile market prices all impacted CBH and its members as they did grain growers across Australia (Payne & Donovan, 1999; Mazzarol et al., 2014a; 2014b).

These challenges and opportunities over the years strengthened CBH's resilience. It was able to adjust to the varying needs of the business and WA grain growers. Indeed, it has been able to shift its purpose and member value proposition over time by improving its communication methods and focusing on sustainably creating and returning value to WA grain growers in the present and future.

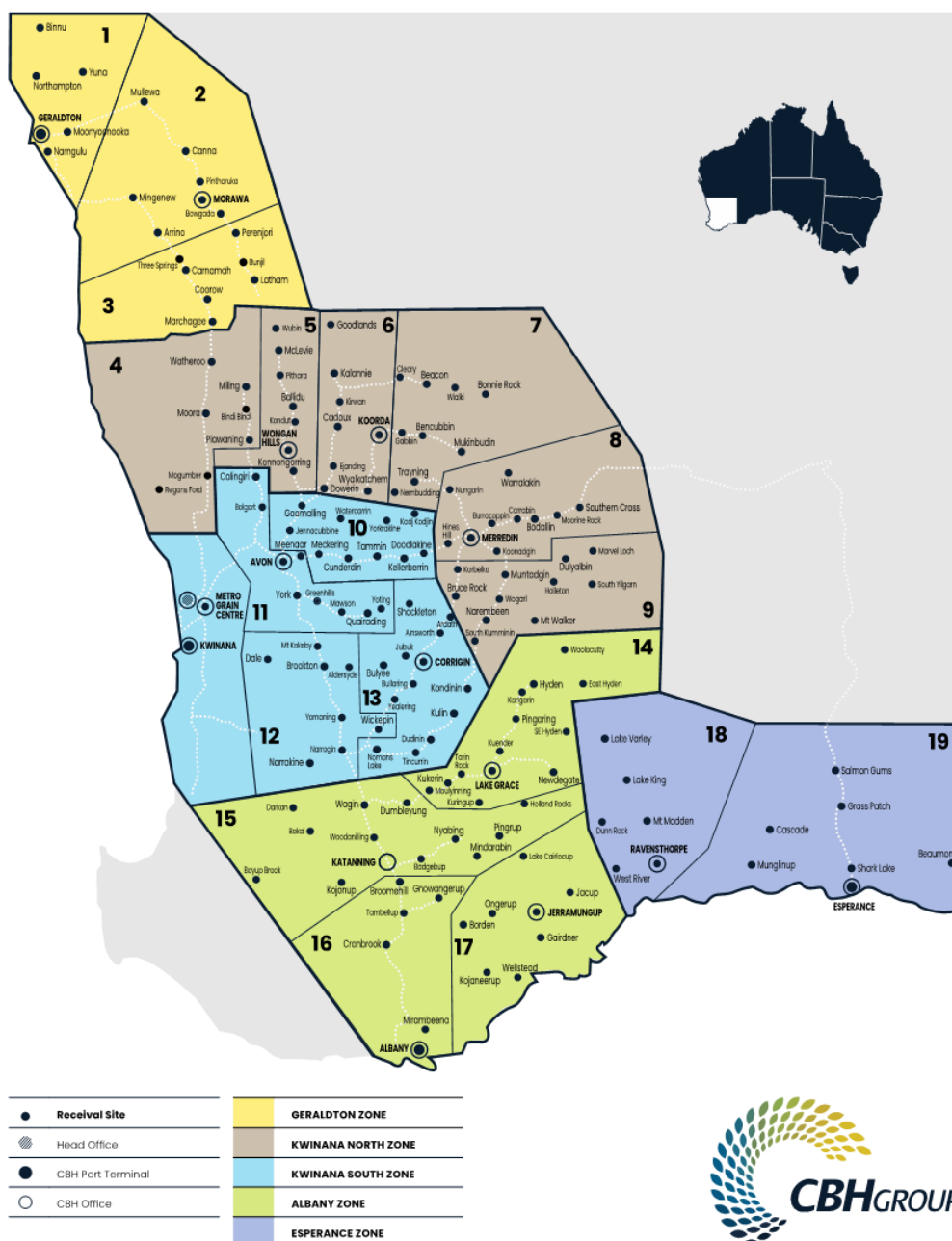
This case study outlines the history of CBH, beginning with background information on the development of the Australian grains industry, the emergence of producer co-operatives and their relationship with the Rochdale Society and the wider co-operative movement, the invention of bulk grain handling and storage technology, and its application to Australia. With this context as a background to the factors influencing the establishment of the Co-operative, the study moves through a chronological history of CBH, highlighting significant events in its history.



Figure 1: CBH Zones and Receival Sites in 2023

CBH NETWORK MAP

Receival Sites



March 2023



Source: CBH (2023).



The study concludes with an analysis of the CBH history against the conceptual framework for research into co-operative and mutual enterprises (Mazzarol et al., 2014c). A concise version of this analysis is presented in the Appendix A. Lists of CBH Chairpersons, Board Directors and Executive Officers are provided at Appendix B, and a chronological historical summary is provided at Appendix C.

CHAPTER 1: BACKGROUND THE CO-OPERATIVE'S FOUNDATION

This chapter examines the historical evolution of the Australian grains industry, and the Western Australian grain growing regions. It also examines the emergence of the producer co-operatives and their relationship to the Rochdale Society and the broader co-operative movement and its principles. Also examined is the establishment of the Wheat Pools of Western Australia and the role played by Charles Walter Harper and the Westralian Farmers' Co-operative Ltd. (Wesfarmers) in the establishment of CBH. It then provides an overview of the development of bulk grain handling and storage and its introduction into Australia.

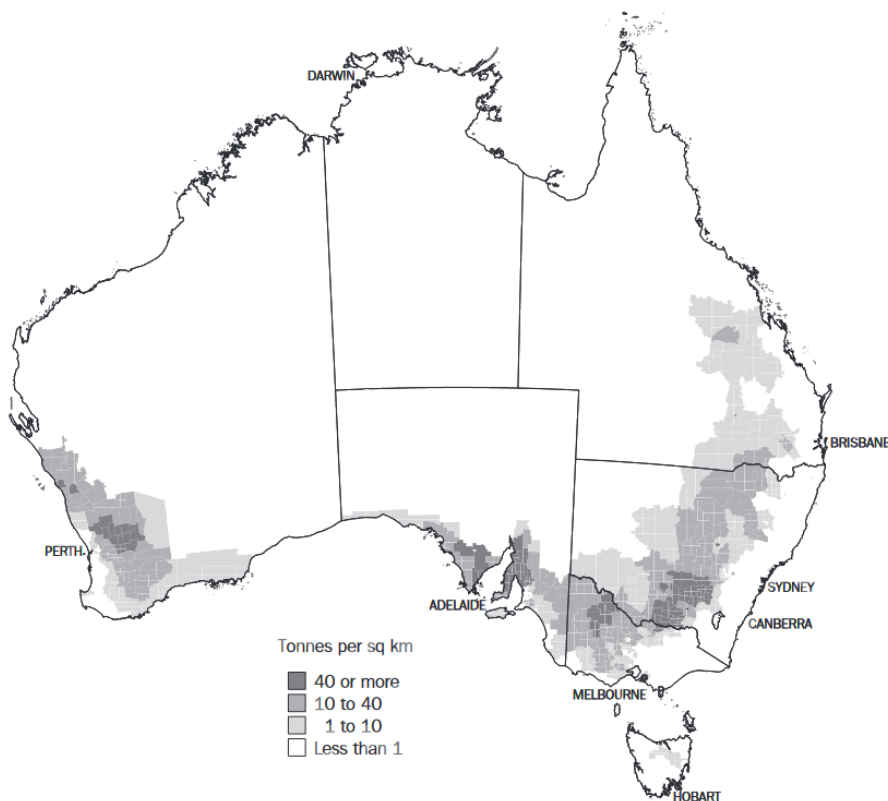
EVOLUTION OF THE AUSTRALIAN GRAINS INDUSTRY

European, specifically British, colonisation of Australia commenced in 1788 with the landing of the First Fleet, and these early settlers brought with them wheat seeds for cultivation. This saw the production of the first wheat crops grown in hand-hoed fields by convicts to produce a food supply for the fledgling colony around Sydney Cove (Callaghan & Millington, 1956). Over time, the production of wheat increased with the introduction of mechanical ploughing and harvesting in the 1880s. New varieties of wheat, barley, canola, and sorghum were introduced that offered greater resistance to disease, and more drought tolerance. A range of fertilisers and pesticides were also applied to enhance crop yields. As the 'wheatbelts' emerged, rail networks and the application of technology transport, storage, and handling, enabled the grains industry to expand (ABS, 2006).

The wheatbelts (see Figure 2) were established across Australia prior to the First World War (1914-1918), but they expanded from the 1920s with a combination of soldier settlement schemes as returned servicemen from the war took up farming, and the application of mechanisation to supplement or replace animal power (Henzell, 2007). This expansion of broadacre grain farming progressed rapidly during the years leading up to the Second World War (1939-1945) and continued strongly in the post-war era with land clearing and farm production enhanced by further mechanisation and application of scientific techniques (Donath, 1953; Henzell, 2007).

A challenge for grain producers was the harsh environmental conditions found in Australia. Soils are variable, with many being fragile and requiring significant application of fertilisers. Rainfall is also an issue, with some areas receiving either too little or too much rain, and with frequent droughts or occasional severe frosts that impact the crops. In areas such as WA, or the areas west of the Spencer Gulf in South Australia, soils are generally poor, with low rainfall, and only one crop a year being feasible. However, over time, farms in these areas became larger, and focused on export markets (Knopke, O'Donnell & Shepherd, 2000). This contrasted with other growing areas such as the eastern side of South Australia, Victoria, New South Wales (NSW), and Queensland. These areas typically enjoy better soils and in NSW and Queensland, a sub-tropical to tropical climate. In these areas farms are more likely to be 'mixed' with a variety of summer and winter crops, and the inclusion of sheep and wheat (PWC, 2008).

Figure 2: The Australian Wheatbelts, 2000-01



Source: ABS (2006), p. 432.

THE DEVELOPMENT OF THE WA WHEATBELT

In WA, the years between 1830 and 1890 saw the growth of the agricultural industry progress slowly. Farmland was limited to higher rainfall areas such as Perth to the Southwest and the Victoria District around Geraldton (Halse, 2009). The farming undertaken by the early settlers was not well suited to the WA climate, particularly due to the use of British traditions and systems, although some successful adaptations were made (Cameron, 1981).

There was also a chronic labour shortage, with the initial settlers in the 1830s having brought with them indentured servants whose contracts were often subject to disputes over breaches of contract (Mazzarol, 1978). Food production was insufficient, and the colony had to rely upon imported food, with cash currency also in short supply leading to the creation of the Swan River Barter Society (Zekulich, 1997). Established in 1833, the Society laid out rules associated with how members would engage in bartering, but with any goods valued in pounds, and with trading conditions specified for different groups (e.g., agriculturalists, merchants) (Perth Gazette, 1833).

When the convict transportation system was operating during the period 1850 to 1868, the population of WA (not including the Aboriginal population) grew from 7,186 in 1851 to 15,346 by 1860 (Cotter, 1967). Most of these convicts were skilled tradesmen or 'mechanics' and brought much needed trades skills to the colony (Gregory & Marshall, 2020). Despite this a lack of labour slowed the growth of the farming sector until the 1890s (Zekulich, 1997; Halse, 2009).

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Between the period of 1890 and 1930, the western areas of the Great Western Woodlands region, known today as the Wheatbelt, was transformed through large-scale land clearing into open farmland, with towns developing around railway sidings (Halse, 2009; Sauman, 2009; Hughes-d'Aeth, 2017). Furthermore, the *Homesteads Act 1893* (WA) which provided free homestead farms and leases to facilitate settlement, informed such development (Zekulich, 1997).

Despite WA's poor-quality soils and relatively low rainfall, the Wheatbelt provided the capacity for agricultural production, primarily due to its hot dry summers and cool wet winters suitable for large scale use of farm machinery (Phillips, 2009; Sudmeyer, 2021). Public and political support for such large-scale land clearing was due to factors such as ongoing importation of foodstuffs, the imperial relationship which required the export of raw materials and food to Britain, the declining birth rate, and a popular ideology of urban degeneration (Gaynor, 2002). As gold production declined after the initial boom of the 1890s, the WA Colonial Government promoted agriculture as an export industry to facilitate employment and maintain revenue (Spillman, 1995).

According to Gaynor (2002), during the late 19th and early 20th centuries an image developed for rural WA society, fostered by the government, of "stout British yeomen" with "hamlets surrounded by lush meadows, peopled with strapping young, healthy, British male settlers (and their families)" (p. 108). This ideal promised success from hard work, sobriety, and honesty, while not including the necessity for additional land and labour to fulfil the demands of agriculture. Thus, the WA Colonial Government made land available at low prices under conditional purchase arrangements. However, by the 1890s, the large-scale clearing was already leading to an increase in soil salinity (Gaynor, 2002; ABS, 2003).

Expansion of this area increased rapidly between 1905 and 1913 and again after the First World War, reaching a peak of settlement in 1920 (Halse, 2009; Sauman, 2009). The Federal Government began soldier settlement schemes during this period, providing grants for ex-servicemen to take up small blocks of land across nearly six million hectares of land, including the Wheatbelt (Ayriss, 1999; Mazzarol et al., 2014a). Specifically, the WA Government made 5.67 million hectares of land available for more than 5,000 soldier settlers (Zekulich, 1997).

The Colonial Government recognised the connection between land clearing and salinity in WA before 1897. However, it did not respond until 1924 with the Special Committee on Salinity in Soils (Gaynor & Bradbury, 2018). Moreover, the committee was sidetracked and soon abandoned. Meanwhile, a new vision of the Wheatbelt emerged, of an efficient, scientific 'development' with emphasis on 'technical efficiency' (Gaynor, 2002). A belief in applying science to agriculture to not only solve agricultural problems, but also achieve greater economic returns and prosperity for state developed.

In the early 1930s two agricultural scientists, Lawrence John Hartley Teakle, an adviser to the Agricultural Department of WA, and George Henry Burvill, a young agricultural science graduate, conducted a six-year research study, during which they surveyed more than one and a half million acres (approx. 607,028.5 hectares) (Beresford, 2001).

Their findings suggested that salinity would make eastward expansion of the Wheatbelt unsustainable, and their early results were provided to the Labor Government of Premier Philip Collier, who served his first term as Premier from 1924 to 1930. However, these reports were challenged by the State Opposition Leader James Mitchell, who sought to promote the Wheatbelt expansion and discredit the views of Teakle and Burvill (Beresford, 2001). Mitchell stated that,

"I am afraid that if the good Lord had provided scientists when Adam and Eve were created, no useful work would have been done ... if Teakle's report is taken literally, it will knock the bottom out of wheat land development" (Beresford, 2001, p. 409).

Mitchell won the 1930 state election, serving until 1933, and unsurprisingly Teakle and Burvill's research was not heeded. Therefore, despite the views of the agricultural scientists, the expansion of the Wheatbelt continued. However, both farmers and politicians regarded the salinity problem as expensive and complex, preferring to ignore it where they could. Instead, they espoused the pro-development ethos and lingering yeomen vision (Gaynor & Bradbury, 2018).

Undaunted, Teakle and Burvill continued to publish their research, with papers appearing in the 1938 and 1945 editions of the *Journal of Agriculture WA*, in which they clearly explained the nature of the salinity problem, and how soil salinity emerged because of land clearing, this work continued into the 1950s and involved both print and radio interviews highlighting the problem (Beresford, 2001).

Nevertheless, the rapid expansion of the WA Wheatbelt occurred again from 1951 to 1970, with cleared areas doubling, encompassing up to 400,000 hectares per year. Importantly, during this later period, the number of farmers did not increase proportionally, which indicates that the size of farms became larger, but the number of farmers did not (Halse, 2009).

As land clearing for agriculture grew, so did the wheat industry, with the WA Wheatbelt expanding and the State moving from being a net wheat importer to one of the main wheat producing and exporting states in the country (Phillips, 2009). Between 2002 and 2007, wheat accounted for 40 per cent of WA's total gross value of agricultural production and 65 per cent between 2013 to 2019 (Islam, 2009; Deloitte, 2016; Regan, 2023). From a national perspective, between 2005 and 2015, WA's wheat production accounted for approximately 36 per cent of Australia's production (Deloitte, 2016).

With the expansion of the Wheatbelt and agricultural farming, came the desire for grower or 'producer' co-operatives. This was often due to the lack of established infrastructure (Baskerville, 2019). Indeed, although producing areas established rail links, farmers were still carting crops, with some taking three-day round trips to reach the nearest siding (Zekulich, 1997). Furthermore, the formation of co-operatives in the Wheatbelt tended to follow the new railway networks as these were the only viable heavy transport routes available (Baskerville, 2019).

THE EVOLUTION OF THE PRODUCER CO-OPERATIVES

Although the co-operative movement can trace its origins back to the sixteenth and seventeenth centuries in the form of the Friendly Societies (Patmore & Balnave, 2018), the emergence of the co-operatives commenced from the eighteenth century and developed rapidly during the

nineteenth century (Williams, 2007; Holyoake, 1876). The first modern co-operative is arguably the Rochdale Society of Equitable Pioneers, founded in 1844 by a group of business owners in the weaving industry who established a store to provide affordable food and other goods for members of their local community.

The Rochdale Society was a consumer co-operative that operated a general store and established a model that was followed by the foundation of similar co-operatives in the United States from 1853, and Australia from 1859 (Balnave & Patmore, 2012). Rochdale's contribution to the wider co-operative movement was its constitution and a set of guiding principles that formed the basis of the seven co-operative principles that still guide the global co-operative movement to the present day (Rochdale Society, 1877; Fairbairn, 1994). These principles included:

- voluntary and open membership with no gender, political, racial, religious, or social bias.
- a democratic structure of one-member-one-vote; a member patronage relationship with the co-operative, ensuring members were positioned as owners.
- a fixed and limited interest on capital; the disposal of net assets without profit; the distribution of surplus as dividend on purchase; cash trading with no extension of credit; and
- to promote the value of education amongst members (Birchall, 2014; Mazzarol et al., 2014b).

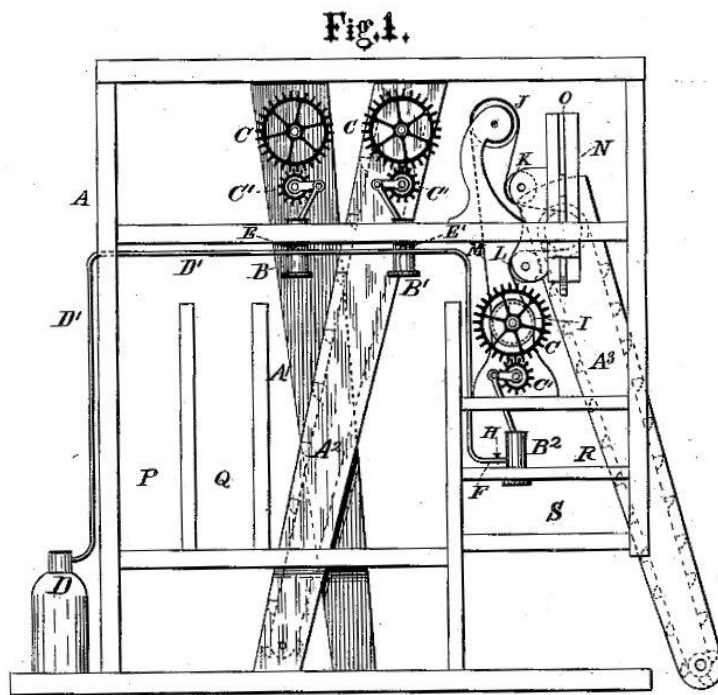
These principles have continued to inform the development of co-operatives to this day. Indeed, CBH drew inspiration from the principles of democratic voting, the elimination of third-party profits, and net surplus divided among members in proportion to their business (Zekulich, 1997; Ayris, 1999; Goldfinch, 2003). Importantly, the one-member-one-vote principal for CBH members is enshrined in legislation regardless of the volume of grain delivered (Mazzarol et al., 2014a).

While a consumer co-operative is owned by members who purchase from its store, a producer co-operative is owned by members such as farmers, fishers, or artisans who produce goods that are supplied to the co-operative for collective processing, storage and handling, and marketing (Mazzarol, 2024). Such co-operatives can be traced back to 1750 when a cheese co-operative was founded in France (Williams, 2007), and in 1828 when a French co-operative bakery, *Caisse du Pain*, was established in Alsace at Guebwiller (Gide, 1922). However, it took until the late nineteenth century before the emergence of the modern producer co-operatives. These were a product of the industrial revolution, which required large-scale capital investment in the processing machinery needed for the efficient operation of dairies, or grain storage and handling.

It was the dairy industry that saw the invention, in 1878, of the centrifugal separator for cream and butter. This new technology required significant capital investment that was beyond the capacity of the individual dairy farmer. The trend was towards large-scale mechanised dairies that could efficiently process raw milk. In response to this technological challenge dairy farmers in the Kingdom of Denmark formed the first co-operative creamery in 1882. This led to the establishment of more dairy co-operatives in Denmark during the 1880s and 1890s, with similar

co-operatives founded elsewhere in Europe and the United Kingdom (UK), as well as North America, Australia, and New Zealand from the 1880s to the 1930s (Fernández, 2014).

Figure 3: Robert Dunbar's Grain Elevator Patent 1880



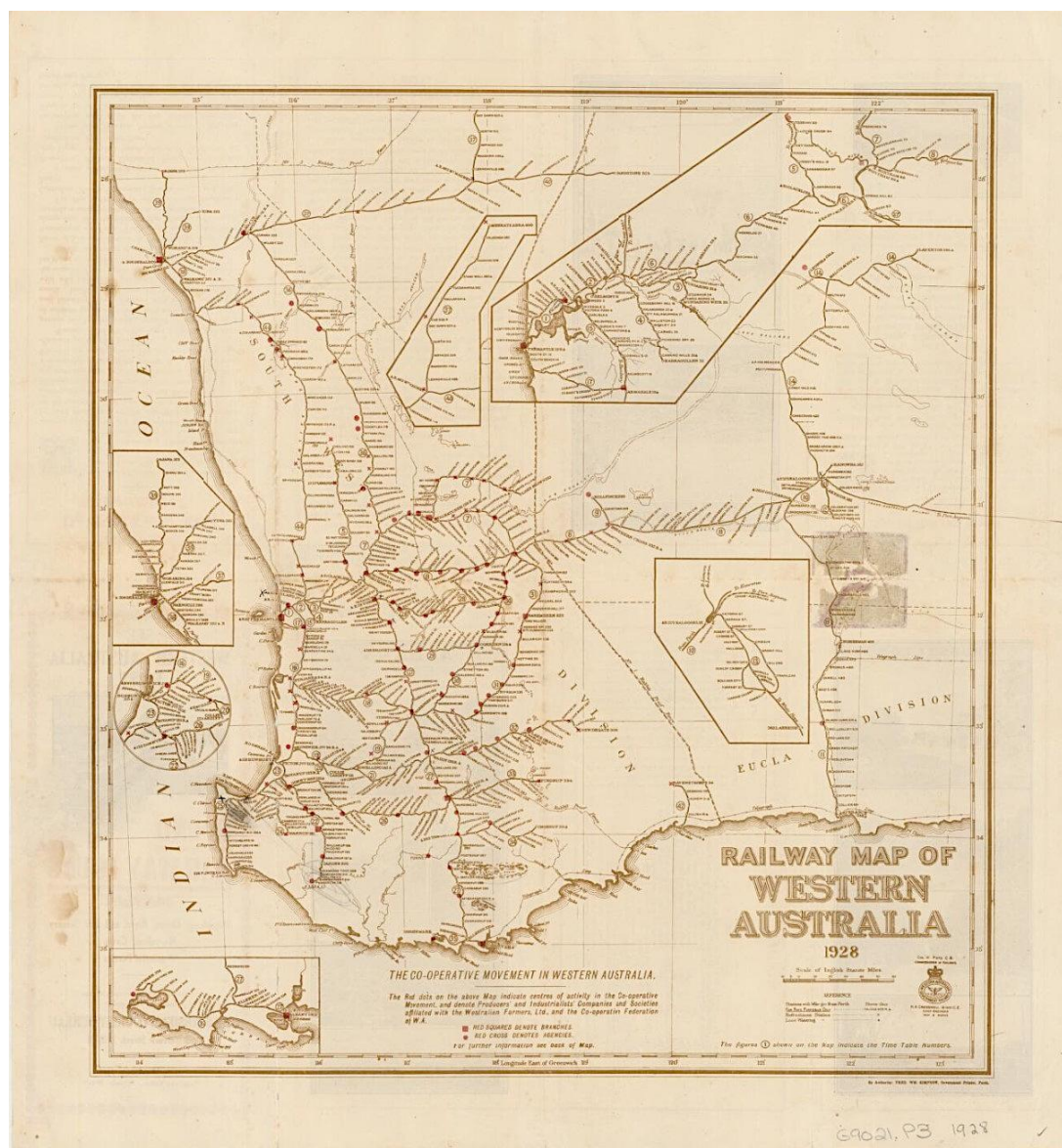
Source: US Patent Office (1880).

As with dairy co-operatives, the industrialisation of grain handling and storage provided an impetus for the creation of bulk grain handling and storage co-operatives. The bulk handling and storage of grain commenced in 1780 in the United States with the invention, by Oliver Evans, of the first bucket grain system. This device was followed with Robert Dunbar's invention in 1843 of an improved grain elevator that used a conveyor belt system (see Figure 3), which led to the expansion of bulk grain handling and storage facilities throughout North America during the late nineteenth century (Fornari, 1982).

THE ISSUE OF BULK HANDLING

As Australia's wheatbelts expanded and the volume of grain increased along with the export of this grain, the cost efficiency of grain handling and storage became an important issue (Thomas, 2006). New towns emerged in the wake of the expansion of the WA Wheatbelt. These were connected by a growing network of railway lines that connected them to the coastal ports of Geraldton, Fremantle, Bunbury, Albany, and Esperance (Baskerville, 2019). By the late 1920s this rail network had expanded across the WA Wheatbelt (see Figure 4). One of the major concerns of growers in the Wheatbelt was the cost of handling wheat via the traditional method of using jute bags and transporting the grain in these from the farm to the grain stores and ships (Zekulich, 1997).

Figure 4: Railway Map of Western Australia showing Co-operatives 1928



Source: State Library of WA (1928).

The shift towards bulk handling and storage technology in North America was understood in Australia and during the first years of the fledgling Commonwealth Federation there were increasing calls for this technology to be adopted. In 1906 attempts were made to establish a grain elevator system in NSW. The initiative failed due to several factors. These included the high cost of the infrastructure required, and the absence of suitable shipping capable of transporting bulk grain.

Figure 5: Grain handling and transportation 1900s



Source: State Library of WA.

A Royal Commission into wheat marketing in South Australia in 1908 examined the options for bulk handling but did not recommend it, and subsequent efforts during the period 1912 to 1914 in Victoria and South Australia met a similar fate (Thomas, 2006). The pressure for bulk grain handling rose along with the increasing export of wheat and other grain from Australia. Initial large-scale grain exports commenced in 1898 and grew steadily in the lead up to the First World War. Steam ships were becoming more common in Australian waters, and this facilitated bulk handling.

The existing jute bags (see Figures 5 & 6) had been appropriate for the wooden sailing ships but were labour intensive and added to the cost of moving grain to market (Planner, 1988). Jute bags were filled in the paddock by hand then carefully sewn closed before being manually lifted onto a wagon for transport to the nearest railway siding where they were unloaded, weighed, and stacked for out-loading onto a rail wagon (Ayris, 1999). The sacks could only be used once and

were estimated to cost £870,000 a year (approx. \$31.3 million in 2023 dollars)², or 14 per cent of the total revenue from the WA wheat export crop (Mazzarol et al., 2014b; Zekulich, 1997).

In 1913 the Grain Advisory Board recommended a gradual transition from jute bags to bulk handling (Ayriss, 1999). Despite this momentum, the outbreak of the First World War in 1914 meant that government attention was focused elsewhere (Zekulich, 1997). However, problems with grain spoilage led to the contracting of Canadian company John Metcalf & Co., to review the national grains handling system and make recommendations. This work commenced in 1914 and their report highlighted the much higher costs associated with using jute bags when compared to bulk handling and storage methods. The jute bags were expensive and involve much higher costs of labour in their filling, loading, and unloading at road, rail, and port facilities (see Figure 6). There were also much greater problems with water, insect and vermin infestations of jute bags, and numerous bottlenecks in the supply chain ("Bulk Storage", 1918).

An outcome of the Metcalf Review was the creation of Grain Elevator Boards in NSW in 1916 and in Victoria in 1934, which were state owned enterprises, but with growers from the farming sector as Board Directors (Ayriss, 1999). In 1917 the WA Government commissioned the preparation of plans for bulk handling facilities. However, the Bill to establish bulk handling of grain was defeated in the Upper House in 1918 ("Co-operative Bulk Handling", 1920; Zekulich, 1997). This failure to secure parliamentary approval in WA followed a similar pattern to South Australia where in 1916, a Parliamentary motion in the State House of Assembly proposing the establishment of grain elevator terminals was also defeated. The South Australian proposal had sought the investment of around £1.1 million (approx. \$132.4 million in 2023 dollars) for facilities to be constructed at the ports of Adelaide, Wallaroo, Port Pirie, and Port Lincoln with associated infrastructure at other regional centres (Daily Herald, 1916).

Despite these setbacks there was continuous debate throughout the 1920s and early 1930s over the benefits of bulk handling as well as significant pressure from growers' associations, and a desire by the State Government to provide solutions to the cost of transport and storage of bulk grain handling systems (Ayriss, 1999; Mazzarol & Mamouni Limnios, 2011; Mazzarol et al., 2014a). Bulk handling was viewed as the solution to not only the cost of handling wheat, but also the struggling wheat industry, vermin issues, and the hard physical labour and inefficiencies involved in handling heavy jute bags (Zekulich, 1997; Ayriss, 1999; Mazzarol et al., 2014a; Baskerville, 2019; CBH, 2021a). Criticism of the bulk handling system primarily emanated from the powerful vested interests in the bagging and marketing of grain, including private wheat traders and jute bag importers (Ayriss, 1999). Furthermore, although the Wheatgrowers' Union was supportive of the concept, they desired a scheme controlled by local farmers rather than Wesfarmers which they claimed would channel all the surplus exclusively to Wesfarmers' members (Baskerville, 2019). Concerns included the issue of fluctuating harvests requiring bulk storage to handle the maximum expected harvest to ensure the storage of excess, the cost of converting rail wagons to carry the harvest across railway systems, and the cost of building the necessary storage at ports (Ayriss, 1999). These logistics concerns still affect growers and the Co-operative today.

² All conversions to 2023 dollars are via Reserve Bank of Australia, pre-decimal inflation calculator www.rba.gov.au/calculator

Figure 6: Sowing Wheat Bags, Moora 1938



Source: State Library of WA.

This campaign of criticism led to a WA Royal Commission being held in 1935, which examined the issues of bulk handling and transport of grain, the costs and charges of the system, those involved, and whether such as system should continue, resulting in strong support for the system of bulk handling (Zekulich, 1997; Ayris, 1999; Mazzarol & Mamouni Limnios, 2011). The inquiry found that bulk handling required two-thirds less labour than other means and approximately 90 growers testified that bulk handling saved them approximately \$52.91 per tonne in 2023 dollars³ (Zekulich, 1997; Ayris, 1999; Goldfinch, 2003).

There was a Commonwealth of Australia Royal Commission in 1934 to 1936 into the nation's wheat, flour, and bread industries. This identified the difficult economic position facing Australia's wheat growers and recommended national assistance for them. It also investigated the flour, bread, and wheat prices seeking justification for why they were so high. The Commission recommended that payment of financial assistance to growers consisting of

³ Wheat was the dominant grain handled during the pre-metric period. All historical references to bushels have been converted to tonnes based on wheat conversion of 36.74371 bushels to a tonne (i.e., 1,000kg). Inflation calculated via Reserve Bank of Australia's pre-decimal inflation calculator www.rba.gov.au/calculator/annualPreDecimal.html

£408,000 (approx. \$46 million in 2023 dollars)⁴ be provided through the *Rural Relief Fund Act 1935* (WA). It also recommended that a co-operative be established to help overcome these problems in the future (Ayris, 1999: Goldfinch, 2003).

THOMAS HENRY BATH AND CHARLES WALTER HARPER

Co-operatives in WA, particularly CBH, had several key influences. These included the Rochdale Society and the co-operative principles, plus the efforts of farmers and stalwart cooperators such as Thomas Henry Bath and Charles Walter Harper. Both men became Directors of CBH when it was established, and they played key roles in its foundation as well as other important developments in the WA co-operative movement.

Thomas Henry Bath (1875-1956) was born at Hill End in NSW, and left school at primary level to become a miner. He migrated to WA in 1896, attracted by the goldfields of Kalgoorlie and Coolgardie. His experience of working as a miner attracted him into the trade unions, and in 1897 he was a foundation member of the Amalgamated Workers' Association. He was also the Secretary of the American Knights of Labor and was active within the Coolgardie Trades Union Conference of 1899. The following year he became the first editor of the *Westralian Worker*, and despite his lack of formal education became an accomplished writer. He was also the Secretary of the Kalgoorlie and Boulder Trades and Labor Council (Gibbney, 1979).

In 1902 he was elected to the State Legislative Assembly as the Member for Hannans, a seat he retained until 1904 before being elected as the Member for Brown Hill, a seat which he held until 1911. He was the Leader of the Opposition in the WA State Parliament from 22 November 1905 until 3 August 1910 and remained in Parliament as the Member for Avon from 1911 until 1914.

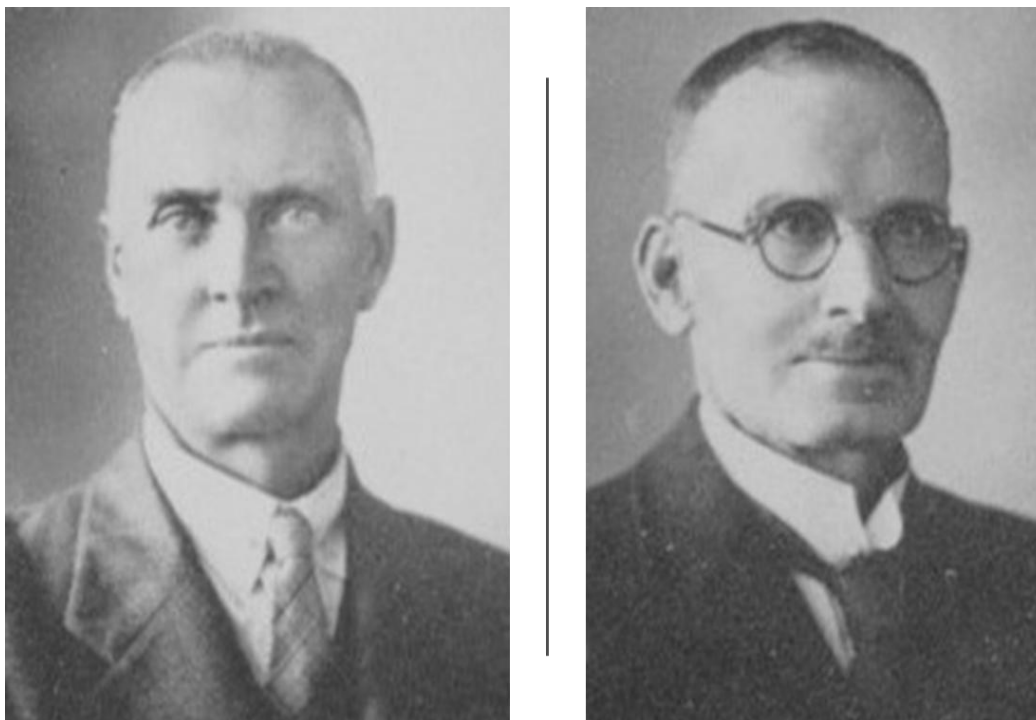
Apart from his political career, Bath transformed his professional career from that of a miner to that of farmer. He took advantage of the State Government's land-settlement scheme to secure a 160-acre (65 hectares) wheat farm to the north of the town of Tammin (located 184 kms east of Perth). A strong advocate of co-operative organisation rather than socialism, Bath was active in the WA co-operative movement.

In 1922 he was closely involved in Wesfarmers and became a trustee of the voluntary Wheat Pool of WA in 1925, attending the International Wheat Pool conference in Kansas City, USA in May 1927. He wrote regular articles on co-operative economics for the *Wesfarmers Gazette*, and the *Primary Producer*, forecasting the Great Depression of 1929. A staunch advocate of bulk grain handling, Bath encouraged the establishment of CBH in 1933 and became Vice Chair then Chairman of the Co-operative during the period of 1943 to 1948.

Bath was also a trustee for the endowment that helped establish the University of Western Australia (UWA), and he served as a Senator for the university from 1912 to 1919. He also served on the Committees of the State Public Library and Museum of WA. In 1948 he was awarded a knighthood. He died of a coronary occlusion on 6 November 1956 in his home in Mount Lawley and was survived by a son and two daughters (Gibbney, 1979).

⁴ Ibid

Figure 7: Charles Walter Harper (Left) and Thomas Henry Bath (Right)



Source: CBH Ltd. (1936).

According to Bath's biography,

"In both the main phases of his career he was the rock on which others depended. The Labor Party used him until he was worn out. The wheat pool relied on him to persuade farmers to the need for price reductions. An obituarist said of him, 'It was his voice and his pen that gave [the co-operative movement] purpose, which informed its spirit and defined its direction'. The remark was equally true of his work for the labour movement" (Gibbney, 1979).

Charles Walter Harper (1880-1956) was born on 27 January 1880 at Guildford WA, the eldest son of ten children. His father, also Charles Harper was a prominent West Australian agriculturalist, legislator, and newspaper proprietor who owned the *Western Australian Times* and wrote for the *West Australian* and *Western Mail*. The son, known primarily by his middle name Walter, followed in his father's footsteps and became a committed agriculturalist, orchardist, and cooperator (Smith, 1983). After graduating from Guilford Grammar School, he studied fruit-growing and visited California where he learnt about fruit production and marketing. As the manager of the family's Woodbridge Estate, in Guildford WA, he was actively involved in the co-operative movement and the Farmers' and Settlers' Association, playing a key role in the foundation of the Westralian Farmers' Co-operative Ltd. (Wesfarmers) in 1914.

Although he eschewed political party politics, Walter Harper was active in the co-operative movement and attended the first Australia and New Zealand-wide conference of producer co-operative societies in 1918 (Smith, 1983). This conference was instigated by the WA co-operative

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

movement and aimed to establish a trading floor in London that could be used by growers from Australia, New Zealand and South Africa. A legacy of this conference was the establishment of the Australian Producers' Wholesale Co-operative Federations Ltd., that led to the creation of the Overseas Farmers' Co-operative Federations Ltd., to represent these three British dominions in London. Walter Harper became the first chairman of the Co-operative Federation of Western Australia when it was founded in 1919 (Smith, 1983).

Throughout the 1920s Harper served as a board member of the Producers' Markets Co-op Ltd., as a trustee of the Wheat Pool of WA, and as the Chairman of Wesfarmers in 1922. During this time, he oversaw the establishment of WA's first radio station (6WF) that was operated by Wesfarmers, and the construction of the State's first pasteurised milk processing plant. To this he added the superphosphate business to Wesfarmers' portfolio in 1927. During the 1930s he played a key role in the establishment of CBH in 1933. Harper retired as Wesfarmers chairman in 1953 and died on 1 July 1956. Sir John Teasdale, a prominent supporter of Australian agriculture, said of Harper,

"... he, more than anyone else, fostered and cared for the Western Australian co-operative movement which would 'remain his monument'" (cited in Smith, 1983).

THOMAS BATH AND THE WHEAT POOL

Thomas Bath played significant roles in the co-operative movement of WA, and the establishment of CBH. After more than a decade in parliamentary politics from 1902 to 1914, in which he contributed to the debate on the *Co-operatives and Provident Societies Act 1903*, Bath retired to develop his farm in Tammin and pursue his passion for co-operation. With the creation of the Tammin Farmers' Co-operative Company in 1917, in which Bath became a Director, his involvement in the co-operative movement became more hands on (Baskerville, 2019).

As discussed, in 1922 he became a trustee of the voluntary Wheat Pool of WA, along with Walter Harper, Joseph Monger, and John Smith Teasdale (later Sir John Teasdale, 1951). This was formally legislated under the *Wheat Pool Act 1932 (WA)* (Zekulich, 1997). On the pool's formation, a Producers' Council was established as an advisory committee to provide a link between the growers and the trustees of the Wheat Pool. Its role was to provide recommendations for actions considered necessary in the pool's operations (Zekulich, 1997). In 1932 its name changed to the Growers' Council and its legacy continues today in the form of CBH's Growers Advisory Council (CBH, 2021c).

With a bumper harvest throughout Australia in 1916, the Federal and State Governments set up compulsory pooling of wheat to regulate grain prices and shipping availability during the First World War (Zekulich, 1997; Ayris, 1999). In addition, a compulsory federal marketing scheme for wheat was established with members consisting of state grower representatives sitting alongside Federal and State Ministers (Zekulich, 1997). During the period 1920 to 1922 all states, except for WA, changed to a system of voluntary pooling of grain when the Australian Wheat Board (AWB) ceased operation in 1921 ("Australian What Board", 1921). WA shifted its wheat pooling from a governmental scheme to one 'genuinely under growers' control' as WA growers saw the advantages of a compulsory pool ("Co-operative Wheat Pool", 1922, p. 6; Zekulich, 1997; Ayris, 1999).

Non-compulsory pools were challenging for individual farmers, with marketing their crops for on-farm sales in the volumes required for long-term viability. They had to conduct banking, finance, storage, marketing, sales, and budgeting for lean times on their own. By contrast, a compulsory wheat pool undertook this work on behalf of the growers, which was an attractive prospect, and the popularity of pools grew rapidly (Ramshaw & Lee, 2022).

However, although wheat pooling provided some benefits, due to its average returns in the early years it did not address all the concerns of growers. For example, it did not address the cost of jute bags (which required importation from India), and the manual handling that the bags required. Also not addressed were loan commitments entered into by the growers, plus the cost of other operating materials, or cash for promissory notes, and general living expenses (Zekulich, 1997). These were the issues a co-operative could help to resolve.

During the Great Depression (1929-1939) Thomas Bath played a key role in the co-operative movement (Zekulich, 1997; Baskerville, 2019). For several years prior to the 1929 Wall Street Crash, he warned of the potential dangers of growing increasingly larger wheat crops as it would produce less money. His economics articles published in the *Wesfarmers Gazette*, and the *Primary Producer*, highlighted by the immense 1927-1928 world crop, which he felt demonstrated that global production had exceeded demand (Zekulich, 1997).

The over production of primary commodities during the 1920s is recognised as a precursor to the Great Depression, which led to falling wheat and wool prices (NMA, 2022). As stockpiling began in major wheat producing areas of the world, wheat consumption declined in Asian and European markets, particularly with the creation of trade barriers to encourage domestic production (Baskerville, 2019; NMA, 2022). In his writings, Bath warned co-operatives about the risk of allowing members to run up debts, particularly seasonal credits which accumulated for years (Zekulich, 1997; Baskerville, 2019).

The Great Depression hit Australia hard due to its dependence on agricultural exports (Mazzarol & Mamouni Limnios, 2011). Weakened by years of falling export commodity prices, and increased government borrowing, when the US Stock Market collapsed, the Australian economy was plunged into a massive economic depression. This saw unemployment soar to a peak of 32 per cent in 1932, and it took until the commencement of the Second World War in 1939 before the economy fully recovered (NMA, 2022). Within the commodities markets the price of wheat fell dramatically due to the massive global stockpile, reaching a point where it was barely worth harvesting (Ayris, 1999).

For farmers the situation worsened, and many, who had taken up farming in the 1920s during the period of rapid expansion, were not sufficiently established to survive, and either walked off the land, or were forced off their farms during the period 1930 to 1936 (Zekulich, 1997; Ayris, 1999; Halse, 2009; Sauman, 2009).

The impact of these collapsing agricultural markets was made worse by the Federal Government's inability to access funds overseas. Both the Federal and State Governments had borrowed heavily from overseas financial institutions, mainly in Britain, to replace the loss of tax revenue from

struggling farmers and businesses (NMA, 2022). This dramatically reduced Australia's living standards (Zekulich, 1997).

Within WA, one attempt to curb the abandonment of farms was the passage of the Farmers' *Debts Adjustment Amendment Act 1931* (WA), which allowed bankrupt farmers to continue to work their property under the supervision of creditors (Ayris, 1999). Another solution proposed was to reduce the crippling costs associated with the traditional method of bagging wheat by introducing a bulk handling system (Ayris, 1999).

Within this challenging economic and social environment of the 1930s Thomas Bath along with Walter Harper and William Johnson, travelled throughout the Wheatbelt advocating the case for the introduction of bulk grain handling and storage, and the need to establish a co-operative to manage the capital raising and handling of the growers' harvests (Baskerville, 2019).

In 1933 with the founding of Co-operative Bulk Handling Ltd, Bath served as a founding Director (Zekulich, 1997; Baskerville, 2019). Throughout his career Bath travelled extensively across WA, visiting local co-operatives and studying their activities to compile regular statistical reports on the status of co-operation in the region (Baskerville, 2019). Bath retired from CBH in 1954 after serving on the CBH Board for 21 years (Zekulich, 1997).

WALTER HARPER AND WESFARMERS

As discussed above, Walter Harper grew up in Guildford and became passionate about both agriculture and co-operative organisations. Throughout his life he was actively involved in the WA co-operative movement with a focus on integration, permanence, and fairness, and he was a passionate proponent of bulk handling (Baskerville, 2019). In 1902, Harper and several associates founded a union of agricultural producers the West Australian Producers' Co-operative Union. Four years later it had enrolled 1,147 members and had begun a process of arranging grain storage sheds at key railway sidings which lasted two years (Zekulich 1997).

This led to the subsequent foundation, on 27 June 1914 of the Westralian Farmers' Co-operative Ltd. (Wesfarmers). The General Manager was John Thomson, and the Managing Director was Basil Murray, with Walter Harper as an executive within the company ("Co-operative Bulk Handling", 1920; "Bulk Handling", 1933). In 1921 Harper became Chairman, serving in this role for 32 years until 1953 (Pingelly Leader, 1918; Zekulich, 1997).

Throughout the 1920s Wesfarmers made attempts to alleviate the issues associated with the manual handling of grain. This included the establishment of The West Australian Grain Growers' Co-operative Elevators Ltd. in 1920, which had an authorised capital of £1,500,000 (approx. \$124.5 million in 2023 dollars), with a Federal Government loan of £550,000 (approx. \$45.6 million in 2023 dollars), and farmers' aid of £250,000 (approx. \$20.7 million in 2023 dollars) (CBH, 1920; Zekulich, 1997). The government loan aided in the building of silos and elevators (Ayris, 1999). However, they abandoned the organisation due to political inaction, technical difficulties, and doubts about savings (Zekulich, 1997). The argument that bulk handling would be more expensive than the cost of handling bagged grain won out at that time (Ayris, 1999).

In 1920 Wesfarmers lobbied the State Government to make necessary railway sidings, sites, and wharves at the ports of Fremantle, Geraldton, Bunbury, and Albany, and to pass legislation like that in Canada at the time (the *Co-operative Bulk Handling Act, 1920*). This proposal was revived again in 1931, with Wesfarmers lobbying specifically for a state-wide bulk grain handling system for wheat (Mazzarol et al., 2014a). However, frustrated with government inaction, Wesfarmers decided to establish and control the facilities themselves (“Co-operative Bulk Handling”, 1920).

During 1931 and 1932 Wesfarmers built five horizontal bins in the Wyalkatchem area, including Benjaberring, Korrelocking, Nembudding, Trayning, and Yelbeni, which had the capacity to hold 14,000 tonnes of wheat (Zekulich, 1997; Ayris, 1999; CBH, 2021a). At the same time, approximately 200 flat top railway wagons were converted into box cars and a bulk storage system was constructed at the port of Fremantle (Zekulich, 1997; Ayris, 1999). These investments provided a flexible and cheap system to meet the widely fluctuating needs of the seasons (Zekulich, 1997). Harper estimated that in the Wyalkatchem district farmers saved £21,000 (approx. \$2.3 million in 2023 dollars), through the bulk handling system (Baskerville, 2019).

By 1932, after considerable lobbying from Wesfarmers, a Bill was introduced to State Parliament which proposed monopoly powers and a State Government guarantee of loans to establish a bulk grain handling system across WA. However, the State Government rejected this first attempt in 1933 (Ayris, 1999). The *Bulk Handling Act 1935* (WA) was eventually passed two years later, and came into effect on 7 January 1936 (WA Govt, 2023). Ultimately, after serving 21 years on the Board of CBH, Walter Harper retired in 1954 (Zekulich, 1997).

CHAPTER 2: THE BEGINNING – 1933 TO 1939

CBH was established on 5 April 1933 and jointly registered by Wesfarmers and the Wheat Pool to bring about the necessary change from bag to bulk handling in WA (“Bulk Handling”, 1933; Ayris, 1999; Halse, 2009; CBH, 2021a; Ramshaw & Lee, 2022). Four members from Wesfarmers and four from the Wheat Pool became the eight trustees of CBH, each issued with a qualification share (Ayris, 1999). The trustees from the Wheat Pool were Alexander Joseph Monger, John Smith Teasdale, Thomas H. Bath, and J. W. Diver. The trustees from Wesfarmers were Walter Harper, H. W. A. Tanner, W. Marwick, and William D. Johnson (“Bulk Handling”, 1933).

Funds for the establishment of the Co-operative were provided by Wesfarmers and the Wheat Pool. This consisted of an authorised capital of £100,000 (approx. \$12 million in 2023 dollars) divided into £1 shares, with the Wheat Pool providing £80,000 (approx. \$9.6 million in 2023 dollars) and Wesfarmers the rest (“Bulk Handling”, 1933; “CBH Had Small Beginning”, 1954; Ayris, 1999; CBH, 2021a).

The farmer members paid CBH a toll of ‘five-eighths a penny per bushel’ (“Bulk Handling”, 1933, p. 14; Goldfinch, 2003). The trustees of CBH signed a deed of trust ensuring that once the advanced capital was repaid, control of the Co-operative was handed over to growers no later than 31 October 1948 (“Bulk Handling”, 1933; Ayris, 1999). CBH appointed John Thomson and Henry Edward Braine as Joint Secretaries and they both served in this role until 1941 wherein Braine became the sole manager of CBH (Ayris, 1999).

ALEXANDER JOSEPH MONGER, INAUGURAL CHAIR OF CBH

The inaugural Chair of CBH was Alexander Joseph Monger (1869-1947), who was born at York, WA on 25 January 1869, along with his twin brother Frederick Charles Monger. The boys were the sons of prominent pastoralist and businessman John Henry Monger, and Henrietta Joaquina Monger (née Manning). They were educated in Melbourne at Wesley College before returning to York to work in the family’s businesses (Birman, 1986).

Following a falling out with his father, Alexander travelled with a camel team to Coolgardie during the 1890s goldrush where he established a general store using a £2,000 loan (approx. \$363,819 in 2023 dollars) borrowed from Dalgety & Co. He subsequently built two additional stores at Southern Cross and Kalgoorlie, and in 1897 floated a new company, West Australian Stores Ltd., on the London Stock Exchange with its head office located in Fremantle. This business was overcapitalised and was placed into voluntary liquidation in 1904 (Birman, 1986).

In 1900 he formed a partnership with Ernest Lee Steere and purchased the 30,000-acre (12,141 hectare) Woongondy Estate, which was subsequently sold to the WA Government for a profit. His land holdings included Hamelin Pool Station, and Daliak near York. He also founded the Fremantle Freezing & Meat Works, and was Chairman of the Western Australian Meat Exports Co. In 1906 he married Florence McCracken, and they had a daughter and two sons (Birman, 1986).

Figure 8: Henry E. Braine (Left), Alexander J. Monger (Centre) and John Thomson (Right)



Source: CBH Ltd. (1936).

Monger's engagement with co-operatives was significant and he was the Chairman of the York Association, and battled the Rural Workers' Union in 1912, which was trying to bring the workers under the new Commonwealth Arbitration System. Known as 'the Czar', he was active in the foundation of the Farmers and Settlers' Association and served as its President from 1912 to 1924 (Birman, 1986). He was also a founder of the York & District Co-operative Co. Ltd. in 1917, providing it with a store to enable the commencement of its operations (YDCL, 1917; 1919). Alexander J. Monger died in Perth on 3 November 1947 leaving an estate sworn for probate at £22,702 (approx. \$1.8 million in 2023 dollars) (Birman, 1986).

HENRY EDWARD BRAINE, SECRETARY AND GENERAL MANAGER CBH

Born on 3 January 1884 at Buckhurst Hill, Chigwell, in Essex England, Henry Edward Braine, commonly referred to as 'H. E. Braine', migrated to WA in 1911 (Bulletin, 1957; Birman, 2005). After experience with sheep herding in the south-west of WA and settling near Bridgetown, he joined Wesfarmers, starting in the fruit department before later transferring to the wheat department.

Braine also organised the voluntary Oat Pool, was manager of the Barley Board, and from 1925 he was managing trustee of the Wheat Pool (Bulletin, 1957; Birman, 2005). In 1933 he was appointed Joint Secretary of CBH with John Thomson (Ayriss, 1999). He served in this role until 1941, where he became sole Secretary, and in 1951 he became General Manager (Ayriss, 1999). He travelled extensively, including living in Japan for a short period, developing his expertise in

the grain industry ("Grain Producers' Tribute", 1954; Birman, 2005). His time with CBH was described as,

"a long and outstanding service ... in building up an organisation which was the envy of wheat growers throughout Australia, and which had won renown overseas" ("Grain Producers' Tribute", 1954, p. 11).

In addition to his knowledge of international marketing conditions, Braine was said to be a great authority on bulk handling methods for grain and an outstanding salesman ("Grain Producers' Tribute", 1954). He oversaw much of the construction of the large country town silos, which were described as the 'cathedrals' of the Wheatbelt (Birman, 2005; Baskerville, 2019). He regularly provided his opinion on bulk handling systems, particularly arguing for the most economical, flexible, and safe solutions, and wheat marketing on behalf of CBH and the Wheat Pool in newspapers and on the 6WN radio station. In 1954 he retired from CBH but continued to serve as a trustee of the Wheat Pool until his death in 1957 (Ayriss, 1999; Birman, 2005).

JOHN THOMSON, SECRETARY CBH

John Thompson (1887-1960) was born in Ayrshire, Scotland and settled in Australia at a farm near Denmark in 1910 (Goldfinch, 2003). In 1914, liking the idea of co-operation, he bought shares in the newly formed Wesfarmers Co-operative. Two years later he became the Wheat Inspector at Wesfarmers and then the General Manager in 1925, a role in which he served until 1957 (Goldfinch, 2003). In 1933 he was appointed Joint Secretary of CBH along with H. E. Braine, which they both served until 1941 (Ayriss, 1999). According to Ayriss (1999), Thomson was,

"... one of the strongest and most influential supporters of bulk handling" (Ayriss, 1999, p. 17).

One of the major contributions he made to the industry, in conjunction with H. E. Braine and the Chief Wheat Inspector Steve Wood, was the design of a cheap and simple method of bulk grain storage which could be erected at any location by unskilled labour (Ayriss, 1999; Goldfinch, 2003). It began with an experiment in Rocky Bay, converting a corrugated iron bag shed, leaning the walls at an angle, and filling it with 272.15 tonnes of wheat to discern how many timber struts were needed to hold the walls together ("Grain Producers' Tribute", 1954; Ayriss, 1999; Goldfinch, 2003). The experiment was a success, and CBH still uses these principles today (Ayriss, 1999; Goldfinch, 2003). Throughout his life Thomson owned no less than five farms, including dairy cows in Denmark (Goldfinch, 2003). Under his leadership, Wesfarmers made several important firsts for the state, including the introduction of country radio with Radio 6WF and establishing the Kleenheat LPG gas business (Ayriss, 1999; Goldfinch, 2003).

THE FIRST THREE YEARS, 1933/34 TO 1936

CBH equipped the first rail sidings in 1933 at Corrigin and Cunderdin ("Tenders", 1933). Within the first year, it received 42,565 tonnes of wheat and built 53 receival points (Ayriss, 1999; CBH, 2021a). However, complications arose for CBH when in 1933-1934 the State Department of Railways claimed that the structural alterations to railway wagons to make them suitable for bulk wheat handling, limited their usefulness for other purposes, thereby requiring that the freight on bulk wheat would need to increase by 25 per cent ("Tenders", 1933).

Moreover, the State Government instructed the Department of Railways to refuse further rail sites to CBH (Ayriss, 1999). This meant the Co-operative spent an estimated one-seventh of grower returns from wheat that season on railway transport (Zekulich, 1997). In addition to rail freight difficulties, unseasonal weather, such as a severe drought in 1936, and the need to handle more volumes of wheat than anticipated, caused operational difficulties for CBH (Mazzarol & Mamouni Limnios, 2011; Zekulich, 1997).

In the inaugural Annual Report of 1933/34, delivered in February 1935, Chairman Alexander Monger noted that the State Railways had charged higher freight costs per ton on the transport of bulk grain as compared to bagged wheat. Work was also being undertaken on the refitting of railway trucks to make them more suitable for bulk wheat transportation, and it was debatable whether the cost of these modifications should be borne by the Co-operative or the State Railways (CBH, 1933).

Within this report Monger also explained that the toll system was operating with a toll register established that recorded each grower's activity accrediting their respective tolls against their volume of wheat supplied. In addition, he described the lessons that the initial growing seasons had provided to the Co-operative and the need to adjust the most effective way of reporting the financials as there was some debate about which sections should be debited as some activities needed to be allocated across two or more sections. He indicated that this was process that would take time to establish corporate policies around (CBH, 1933).

He also commented that the Co-operative's Executive Officers had been "absorbed" in dealing with three separate enquiries being undertaken by Government Departments, a Parliamentary Select Committee enquiry, and a libel case. In addition, the Royal Commission into the bulk handling and transport of grain was also taking place. As he explained, this was requiring CBH to invest significant time in collecting and reporting data, appearing before the various agencies, and all in addition to the regular work of the company's Executive Management and staff (CBH, 1933). With a somewhat frustrated tone Monger stated,

"The Company has asked and is asking for no favoured treatment. It has set out upon a legitimate enterprise taking risks which no other body in Australia has been prepared to take, namely, that of conducting a bulk handling system without Government backing or monopoly. The Company must be, and is willing to face the fiercest competition, but there are none willing to enter the field in fair competition" (A. J. Monger, Chairman, CBH, 1933, p. 3).

By 1935 CBH was reporting receipt of more than 272,630.4 tonnes of wheat during the year, which was down on the previous season's 301,959 tonnes. Problems were also caused by a Waterside Workers' Union strike that impacted the cost of demurrage for delays in getting the ship 'King Edgar' loaded, and associated rail freight charges. CBH planned to seek financial compensation from the State Railways as these additional rail freight charges were not the fault of the Co-operative (CBH, 1935).

In his annual report of 1935 Chairman Alexander Monger, reporting in January 1936, noted that the Royal Commission into bulk handling and transport of grain had concluded, and that it had recommended that CBH should be allowed to expand its operations across the entire Wheatbelt.

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Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

Furthermore, as an outcome of the Royal Commission, the State Government had passed the *Bulk Handling Act 1935* (WA), which granted CBH,

“... the sole right to arrange for the handling, transport and delivery of wheat in bulk in this state” (A. J. Monger, Chairman, CBH, 1935, p. 3).

The findings of the Royal Commission and the passage of the *Bulk Handling Act 1935* (WA) established CBH as a legitimate state-wide monopoly, providing growers with a greatly desired price stability, which was particularly welcome after the difficult and uncertain years of the late 1920s and early 1930s (Ayris, 1999; Mazzarol et al., 2014a).

CBH was granted a 20-year monopoly on the storage and handling of bulk grain in WA (Mazzarol et al., 2014a). In return, the Act required CBH to build receival points in any location which had a guaranteed minimum annual wheat production of 5,443 tonnes and was not within 40 kilometres of a receival facility (Ayris, 1999; Mazzarol et al., 2014a). By the end of the decade, CBH had built 208 sidings to receive grain (Ayris, 1999). In addition, growers delivering grain to CBH paid a toll, with the first £1 entitling them to one share and the balance of debentures repayable over ten years (Zekulich, 1997).

However, all this was in the future. As Chairman Monger explained in the 1935 Annual Report, while the Royal Commission and the new legislation provided CBH with a legal foundation for the development of a bulk grain handling system across the WA Wheatbelt, there was still substantial work to do,

“Your Directors are giving consideration to the extension of facilities to sidings not yet equipped. It must be realised, of course, that this programme will not be accomplished in one year, as the rate of progress depends, amongst other things, largely upon the construction of Port facilities for which no provision has been made under the Act” (A. J. Monger, Chairman, CBH, 1935, p. 1).

The growing season of 1936 proved less productive than that of the preceding three seasons, with only 193,898 tonnes delivered, which reduced the financial surplus for the year. With declining grain deliveries, and inflexible operating and capital costs, and a much faster delivery of grain to storage due to the greater efficiency of bulk handling, the bottom line for the Co-operative was particularly lean for that year. Despite this, the installation of rail sidings where grain could be delivered continued, with 102 bulk grain sidings operating by the end of 1936. In addition, CBH had increased its storage capacity at the ports of Fremantle and Geraldton along with appropriate machinery for the loading of ships (CBH, 1936).

CRITICAL EVENT: THE ROYAL COMMISSION INTO BULK HANDLING, 1935

Monger referred in his annual reporting to the strain placed on officers dealing with three public inquiries in one year. The most significant of these, in the long run, was the Royal Commission chaired by William Angwin CMG, member of the Fremantle Harbour Trust, with Stephen Donovan, farmer of Cunderdin and Joseph Foulkes, accountant of Perth. Angwin had previously held several ministries in Labor governments and had recently returned from a six-year stint in London as WA Agent General (Robertson, 1979).

The commission was appointed in January 1935 and reported in July, at around the same time as five other public inquiries were underway or had recently reported on disabilities affecting agriculture (1931), stock disease regulations (1931), dairy farming in the Southwest (1932), the Agricultural Bank (1933-34), the storage of wheat (1933-34) and later 'light lands and poison-infested lands' (1938). All these inquiries, bar the last, were appointed during and in response to the Depression.

Angwin was diligent and charted in forensic detail the connections between Westralian Farmers Ltd., the WA Wheat Pool, Co-operative Bulk Handling, and the entity established jointly by the first two. He also examined the costs and benefits of bulk handling versus bagging wheat, the labour costs of each, the costs of establishing bulk handling infrastructure on the rail network and at export ports. He identified 12 entities involved in bulk handling during the 1933/34 season including local flour milling companies and export companies (Royal Commission, 1935).

Angwin definitively established the financial advantages to growers, exporters, and the state of bulk handling over bagging wheat. He recommended that CBH be authorised to establish a state-wide bulk handling scheme, and that legislation be enacted to protect CBH's interests. His recommendations also included that port terminals be updated, and that permanent storage facilities be built to at least 75 per cent of country rail sidings.

The subsequent legislation (the *Bulk Handling Act 1935*) embodied these recommendations and established a firm foundation upon which CBH could operate and grow. There were strong cases put forward in opposition to bulk handling from jute bag importers and especially from labour unions working the Fremantle docks and had Angwin and his fellow Commissioners been persuaded to their causes the outcomes for CBH and bulk handling generally would have been very different.

THE SECOND THREE YEARS, 1937 TO 1939

Toward the end of the decade environmental issues which affected growers prior to CBH's formation returned, with severe droughts causing heavy stock losses and reduced crops (Zekulich, 1997). In 1936, the wheat crop was the lowest for a decade. In 1937 receivals were also 'disappointing', although they improved from the previous season (Zekulich, 1997).

In 1936 the Minister for Agriculture, Frank Wise, had appointed a Soil Erosion Committee within the Department of Agriculture to investigate the issue (Gaynor, 2002). By 1939 the Committee had surveyed 664 farmers in the Wheatbelt, with bleak results, as the rate of the problem worsened. However, despite agricultural scientists counselling caution on land clearing for development, confident in its connection to soil erosion and salinity, the State Government ignored them. As there was no 'quick fix' to the problem, the Department of Lands and Surveys suppressed the information (Gaynor, 2002, p. 113). Clearing more land, rather than preventing salinisation and erosion, was accepted as a politically expedient solution by the State and farming interests. The supply of new land was treated as limitless.

The 1937 wheat harvest was an improvement over the previous year with a total of 282,386 tonnes delivered. However, it was less than had been anticipated and the shortfall was attributed to the unfavourable weather conditions in certain areas of the Wheatbelt. The difference between

the expected harvest and the actual grain delivered impacted the fixed charges resulting in a loss of profits. Geraldton was given specific mention in the Annual Report for 1937, due to the significant investment in the rail siding receival points and port storage and handling facilities that had cost the Co-operative a total of £72,700 (approx. \$7.9 million in 2023 dollars) for this infrastructure. Shipping charges were also insufficient to cover the actual cost of the shipping expenses and the net result was an operating loss of just over £5,344 (approx. \$585,768 in 2023 dollars). Accounting practices in relation to where specific items should be allocated within the financial statements remained an ongoing issue, but despite the operating loss, CBH had expanded its network of bulk sidings to 136 (CBH, 1937).

Figure 9: Unroofed Bulkhead Grain Storage at Carnamah 1937



Source: CBH Group Ltd. (1937).

CBH enjoyed a better grain harvest in 1938, with total wheat supplied being over 664,646 tonnes. Rail and shipping charges continued to be problematic, with State Government rail freight charges rising, and the final cost of shipping being higher than the forecast shipping charges. In the Annual Report of 1938, it was reported that there were plans by the WA Government to establish a new grain terminal at Fremantle, scheduled to commence operations in time for the 1941/42 harvest, with some upgrading of the terminal at Geraldton. Concern was expressed over the impact these facilities might have on the Co-operative's bottom line due to changes in the depreciation assessment undertaken in the annual accounts (CBH, 1938).

Despite these issues, the financial year 1938 resulted in a surplus of just over £30,271 (approx. \$3.2 million in 2023 dollars) (CBH, 1938). The Co-operative was continuing to invest in the capital expenditure required to develop its network of rail sidings, and associated port storage and

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

handling facilities. The challenge was to forecast the size of the annual grain harvest, which would then determine whether the inflow of grain was sufficient to cover the cost of the investment. The risk of drought, and rising costs of labour, rail freight and shipping, all conspired to make the CBH Board's decision-making challenging. As Chairman Monger noted,

"This reacts on Co-operative Bulk Handling Limited, for some bins will hardly be filled – it is estimated that there will be unused storage space for over one million bushels – while roofed bulkheads will be the rule in other districts" (A. J. Monger, Chairman, CBH, 1938, p. 4).

In 1939, the Federal Government founded the AWB to regulate the wheat market (Ramshaw & Lee, 2022). However, in August, prices for wheat crashed to less than two cents per 0.027 tonnes (approx. \$10.43 in 2022), well below production costs, leading to increasing grower discontent (Zekulich, 1997). Things worsened in the grain industry with the outbreak of the Second World War, as manpower availability decreased, farm input materials became impossible to obtain, export markets were lost, and ships used to transport grain became scarce (Goldfinch, 2003). By October 1939 when the Co-operative delivered its Annual Report, the volume of wheat supplied during the year was over 754,470 tonnes, and with this growth in supply, despite rising costs of labour, rail freight and shipping, plus falling wheat prices, the outcome was a surplus of slightly more than £58,558 (approx. \$6.1 million in 2023 dollars). However, with war looming, the Chairman Alexander Monger declared with a gloomy sentiment that despite the positive results,

"It is, however, now probable that increased surpluses will be the case in future years. ... New installations, moreover, now that the main wheat growing centres have been equipped, cannot bring in an appreciable quantity of new wheat for they are designed to relieve and supplement existing storage facilities. There must of necessity be an increased capital cost with increased capital charges to be met from a revenue which cannot be much greater than at present and may be much less, and we must, therefore, be prepared to see much smaller surpluses than those of this and the previous year" (A. J. Monger, Chairman, CBH, 1939, p. 1).

From an initial harvest of 34,428 tonnes of wheat in 1932 via a network of five receival points, CBH had grown its network to 174 receival points and 754,223 tonnes of wheat by 1939 (CBH, 1984). It was a significant achievement. Over the previous half decade, CBH had established itself, expanded the State's bulk grain handling and storage network across the Wheatbelt from Geraldton in the north, to Esperance in the south, and had built this entire network with the efforts of its members who recognised the need to pay annual tolls on their grain deliveries to raise the necessary capital. As the balance sheet of the Co-operative showed, there was an accumulated surplus of slightly more than £122,773 (approx. \$12.8 million in 2023 dollars), which represented the value of the tolls paid by the members. The aggregate value of all tolls paid by the members since formation was £235,773 (approx. \$24.5 million in 2023 dollars), a testimony to the collaborative sacrifice of the members to see the bulk handling and storage system built (CBH, 1939).

In a concluding statement, which reflected the nation's plunge into the maelstrom of the Second World War, Monger noted that,



"With reference to war storage it is desired to inform toll payers that emergency storage depots are being erected by this Company to the order of the Australian Wheat Board, who have undertaken to pay the costs incurred. This emergency storage is designed to play, to a very limited extent, a similar role to the depots erected in the last war at Spencers Brook and other places" (A. J. Monger, Chairman, CBH, 1939, p. 1).

CHAPTER 3: A TIME OF EXPANSION – 1940 TO 1959

The deed of trust signed in 1933 stipulated that CBH would be handed over to growers once the £100,000 (approx. \$12 million in 2023 dollars) advance had been paid off, but no later than 1948. As it turned out, the co-operative's members were able to pay off this debt much sooner than anticipated, with control of the Co-operative given to growers in 1943 (Ayris, 1999; Goldfinch, 2003; Mazzarol et al., 2014a; CBH, 2021d). At the same time, the grower members were able to elect the Board of Directors for the first time. Thomas Bath was one of the few who returned to the Board and was elected Chairman, serving until 1947 (Ayris, 1999; Baskerville, 2019). He was followed by Walter James Russell a farmer from Bilbarin, who served as Chairman until 1959 (Ayris, 1999).

CRITICAL EVENT: ACHIEVEMENT OF GROWER CONTROL, 1943

The founding Articles of Association (constitution) for CBH provided for one vote per member, with the members then being the eight directors (four each from Westralian Farmers Ltd and the WA Wheat Pool). As specified in the Articles, once the capital advanced to CBH from its two parent bodies had been repaid, the membership would be opened to wheat growers, on the same one member one vote principle. This has been a consistent principle of co-operation since the 1840s.

CBH agreed that for a period of ten years it would appoint Westralian Farmers Ltd its 'wheat acquiring agent' at all railway stations and sidings with CBH-maintained facilities, with that agreement to expire in 1943 (Royal Commission, 1935). CBH was under the 'absolute control' of Westralian Farmers Ltd and the Wheat Pool directors until that time, and in the meantime, it charged growers using its services a toll of "five-eighths of a penny per bushel", with an objective of transferring ownership of the Co-operative to the growers as soon as possible ("Bulk Handling", 1933, p. 14).

Ten years later, during August 1943 the CBH directors and H. E. Braine travelled the Wheatbelt holding public meetings of toll payers to explain what was proposed and how the business would be conducted in the future (Perenjori Pioneer, 1943). At the same time, public campaigning began among growers by candidates for election to the new CBH board, with a strong emphasis in the debates on electing experienced growers and working farmers rather than members with business experience, and for whom the 'co-operative spirit' was also important (see Figure 10).

Any toll payer who had credit in the CBH toll register exceeding £1 in tolls paid was qualified to become a shareholder, and so an elector of the new board members (Bulk Handling Act Amendment, 1943). Growers could hardly be unaware that the Co-operative was to become theirs, given the public meetings held to explain the new ownership, and then the spirited election campaign for Statewide and Zone directors. Wheatgrowers, now accustomed to the advantages of bulk handling and the operations of CBH, seized their ownership with gusto.

THROUGH WAR TO PEACE, 1940 TO 1949

One of the major concerns of this period was vermin infestation. Weevils began to trouble grain stores from 1943, likely due to the large amounts needed to be stored during the war (Ayris, 1999; Goldfinch, 2003). They were particularly difficult as all had to be removed to ensure the problem

would not reoccur within a few months, which led to exorbitant costs (Ayriss, 1999; Goldfinch, 2003).

Figure 10: Public announcements of the transfer of ownership of CBH to growers 1943

Wheatbelt Tribune & Koorda
Recorder, 13 August 1943: 4

North Midland Times,
24 September 1943: 1

York Chronicle,
24 September 1943: 2

Sources: Wheatbelt Tribune & Korda (1943); North Midland Times (1943); York Chronicle (1943).

In addition, labour shortages and strikes affected operational systems for CBH during this period (Goldfinch, 2003). As a result of the labour shortages, in 1948 CBH approached Immigration Authorities aiming to employ European immigrants. An agreement was made, with 71 immigrants joining the Co-operative (Goldfinch, 2003). Furthermore, this period was characterised by rural CBH employees working in harsh, isolated living conditions with difficult access to water and necessary tools (Mazzarol & Mamouni Limnios, 2011). However, such conditions were accepted by CBH employees, as it allowed them to be more resourceful, developing their respect and loyalty for the organisation (Mazzarol & Mamouni Limnios, 2011).

The war years imposed new pressures on CBH. Among these were the creation of the AWB in 1939, which, as noted above, imposed a range of national controls over the grains industry. The formation of the AWB took place under the *National Security Act 1939* (Cth) (AustLii, 1939). This legislation came into effect on 9 September 1939 and enabled the Federal Government to invoke compulsory sections of the *Defence Act 1903* (Cth) that ordered Australian men and women into military service, or essential industries. It also led to the introduction of rationing, with personal identity cards and ration books for clothing and food, along with price controls (DVA, 2019).

Under the new National Security legislation, many state laws were overridden and the grains industry was not exempt. The AWB took control of all wheat handling, acquisition and marketing.

CBH was appointed by the AWB as the sole licensed receiver of bulk wheat in WA. It was paid a fee like that paid to Grain Elevator Boards in NSW and Victoria.

In his Annual Report of 1940, Chairman Monger noted that,

"It will be remembered that prior to the constitution of the Australian Wheat Board, the Company levied charges under the Bulk Handling Legislation, and submitted its accounts in sections, each appropriate to the individual charge. With the remuneration received for the 1939/40 season, this practice was, of course, no longer possible and the accounts are submitted as a single entity" (A. J. Monger, Chairman, CBH, 1940, p. 1).

As required by the AWB, CBH had constructed the new emergency storage bulkheads at Bunbury, Geraldton, and Fremantle, which had a total capacity of over 299,368 tonnes. It had also expanded its network of grain receival sidings to 236 with a total storage capacity of more than 471,219.7 tonnes. However, the cost of rail freight remained an issue, particularly as these charges were subsidised in other states (CBH, 1940).

The following year CBH continued to build emergency storage facilities at the request of the AWB along with 'manufacturing machinery' of an unspecified nature. During FY1940/41 CBH built additional storage depots at Geraldton, Bassendean and Picton Junction allowing the Co-operative to store around 934,846.5 tonnes of wheat. The need for extra storage was caused by the impact of the war on commercial shipping, which had become in short supply (CBH, 1941).

Although the AWB paid a 'small margin' above the actual cost of these facilities, the CBH Board undertook the task 'with considerable reluctance' (CBH, 1941). This was due to the impact that the construction of these emergency storage facilities had on the development of their own grain receival network. The war had seen the imposition of rationing of steel, timber and other materials, as well as the loss of labour due to the number of workers who voluntarily joined the Second Australian Imperial Force (AIF) or were conscripted into the "Militia", officially known as the Citizen Military Forces (CMF). As Chairman Monger lamented in his Annual Report,

"What labour and material was available had to be devoted to building emergency storage depots, with the result that the Company has not, since the last harvest, been able to equip any additional sidings with bulk facilities. It has indeed not been possible to undertake even repairs and alterations to existing facilities except when found to be absolutely essential, while a considerable amount of maintenance work which would have been undertaken had to be deferred. This aspect of the position is causing your Directors some concern for, although there is a small immediate saving in deferring maintenance work, yet in future years, this small saving will be more than swallowed up in the inevitably costly attempt to overcome the leeway. But, without the emergency storage depots, it would not have been possible to receive the current harvest, and your Directors feel sure that in doing what they did, the general good of the industry was best served" (A. J. Monger, Chairman, CBH, 1941, p. 1).

The lack of shipping and export caused by the war had resulted in CBH having to store more grain than usual. With a combination of the 1939/40 and 1940/41 harvests now having to be stored, the Co-operative had to find storage for over 792,814 tonnes. This also came with the challenge

of keeping this grain free from weevils, requiring the bins and bulkheads throughout the Wheatbelt to be thoroughly cleaned and fumigated prior to each harvest (CBH, 1941).

By 1942-1943 the Co-operative had sufficient storage capacity for 2.6 m tonnes of wheat, of which 57.3 per cent was located at the ports, and the remaining 42.7 per cent within the regional storage network. However, the AWB had decided to undertake a review of bulk wheat handling and storage across WA, Victoria and NSW, and this had delayed the payment of the annual remuneration paid to CBH thereby making it impossible for the Co-operative to finalise their accounts for the FY1942/43 period (CBH, 1942).

Thomas Bath had now replaced Alexander Monger as Chair, and CBH was still operating as an agent for AWB. In the Annual Report of 1943, he reported that the Co-operative was still operating as the sole licensed receiver of bulk wheat in WA, and that payment was based on cost. Yet he noted that,

“Some difficulty, however, has been experienced in arriving at an equitable interpretation of ‘cost’ (T. H. Bath, Chairman, CBH, 1943, p. 1).

He explained that negotiations were ongoing with AWB over the payment that CBH should receive for its work. This had ‘been narrowed down to a relatively small amount’, and that a profit and loss account and balance sheet had been prepared by the Co-operative showing a sum of just over £9,370 (approx. \$793,181 in 2023 dollars) that remained in dispute. In addition, 1943 was important as it was the year that, under the deed of trust, the ownership of the Co-operative transferred to the grower-members. As part of this process, each of the 7,501 members, who had toll credits more than £1, and who had delivered wheat during the 1941/42 or 1942/43 seasons, were allocated a £1 share entitlement as owners. This created a sum of £7,501 (approx. \$634,968 in 2023 dollars) as paid-up capital within the Co-operative’s balance sheet (CBH, 1943).

The financial surplus generated from the year’s trading was now running at 94 per cent of the asset value of the tolls advanced to by the members. Furthermore, because all members were now paid-up shareholders, it was possible for the Co-operative to start paying rebates to those supplying grain. Although, as Chairman Bath commented,

“Under the constitution of the Company, now that every active grower of wheat is a shareholder and qualified to receive rebates, any further appreciable increase in the asset value is unlikely” (T. H. Bath, Charman, CBH, 1943, p. 1).

In addition to these events, CBH continued to invest its time and resources into building more emergency storage facilities at the request of the AWB (CBH, 1943). The situation in 1944 was little different, with the dispute over payment of costs still being argued with the AWB. By this stage the sum owed to CBH by AWB was estimated to be around £20,167 (approx. \$1.7 million in 2023 dollars). The toll payments had now been converted to debentures, which stood at a sum of just over £454,167 (approx. \$38.45 million in 2023 dollars) owed to the members. As with the previous years, CBH continued to build emergency storage facilities for AWB, and total bulk wheat storage at both the ports and inland facilities was around 2.5 million tonnes.

However, with the war coming to an end Chairman Bath noted,

"This storage space will not be required in the near future, as it is expected that by the 31st October 1945, all wheat will have been railed from sidings. This will give the Company a much-needed opportunity to thoroughly clean and fumigate siding facilities and equipment before the receipt of the 1945-46 harvest" (T. H. Bath, Chairman, CBH, 1944, p. 1).

During the final year of the war the dispute between CBH and AWB over the cost of the work the Co-operative had undertaken as the latter's sole agent in WA drew to a resolution. In his Annual Report for the FY1944/45 season he stated that a final settlement was now agreed and that a sum of £8,358 (approx. \$714,589 in 2023 dollars) remained outstanding with AWB agreeing to pay most of this amount in the FY1945/46 period. The Co-operative was now recording former toll payments as debentures and these debts to the members were steadily being repaid against surpluses. By October 1945 the outstanding debt owed to the members in the toll/debenture pool was £465,435 (approx. \$39.7 million in 2023 dollars). Membership numbers had risen to 8,158, and an annual rebate was being distributed to each grower based on their volume of grain supplied (CBH, 1945).

Other key issues during 1945 were the need to shift most of the stockpiled wheat from the regional silos to the port facilities. This had not been possible during the war due to the lack of shipping, labour, and rail transportation. In addition, the lack of labour and material had made it difficult to undertake the necessary maintenance work on the regional storage and handling facilities (CBH, 1945).

It is worth noting that prior to the transfer of ownership of CBH from the Trustees to the growers all annual reports were headed with the statement,

"Report of the Directors of Co-operative Bulk Handling Limited to growers who have advanced tolls to the company" (CBH, 1942).

However, the first annual report after the transfer of ownership to the growers was titled,

"Report of the Directors of Co-operative Bulk Handling Limited to all active growers of bulk wheat (who are shareholders of the company)" (CBH, 1944).

After which annual reports simply stated,

"Report of the Directors of Co-operative Bulk Handling Limited" (CBH, 1945).

As CBH transitioned from a wartime environment into peace, the Co-operative continued to pay back the tolls/debentures that it owed to the members, as well as finalise the settlement of monies owed to it by AWB. By 1946 regional storage had been reduced to 13,660 tonnes, and a third year of rebate payments and toll/debenture ballots had been paid. Inactive members had also had their shares repurchased and their names removed from the share register (CBH, 1946). The clearance of the regional storage, which had been anticipated following the end of the war had not been possible due to the lack of rail haulage capacity within the State railway system.

As the annual report declared,

"It had been hoped that for the first time since the war commenced it would be possible to rail all olde season's wheat and commence the new season with bare boards. This, however, was not possible owing to a very unsatisfactory rate of railway haulage. Throughout the year the actual tonnage hauled from country sidings fell far behind programme, resulting in much additional cost and inconvenience. It was necessary, at times, for the Government to sanction the haulage of wheat by road to cope with a state of emergency" (T. H. Bath, Chairman, CBH 1945 p. 1).

Thomas Bath was also able to report that CBH's "inventiveness and experience" had made a major contribution to Victoria's grain handling system. This followed a serious shortage in that state of cornsacks. In response, CBH had assisted the Victorian Grain Elevators Board to implement the use of the CBH system of bulkhead storage. These were prefabricated by a subsidiary of CBH and sent overland by rail to Victoria where they were installed. In addition, CBH provided the Victoria Grain Elevators Board with the licensing to manufacture patented mechanical trimmers that were an innovation developed by the WA co-operative. It was noted that CBH had displayed a working model of the trimmer at the Wheat Exhibition of the 1946 Perth Royal Agricultural Show (CBH, 1946).

By 1947 CBH had a share register of 8,158, of which 7,757 were active grower shareholders and the role of Chairman had passed from Thomas Bath to Walter Russell. The process of repaying the tolls/debentures to members continued and the overall debt owned by CBH to members had decreased to £359,475 (approx. \$28.99 million in 2023 dollars). Further rebates were paid, and the slow clearance of the regional storage facilities also continued, with road haulage needed to fill rail backlogs (CBH, 1947). However, a highlight for the year was the acquisition by CBH of port storage and handling facilities at Fremantle. These included the State-owned shipping gallery at North Fremantle, and the silos and conveyor system previously owned by AWB that enabled grain to be moved from the silos directly to the ships. As Chairman Walter Russell explained,

"This joining-up under one authority of these remaining links in the transportation chain was a logical, and we consider, necessary move. It has eliminated multiplicity of control, and before it took place the Railway Department, the Australian Wheat Board, and the State Government each controlled some portion of the one mile [1.6 km] journey from railway yard to ship. The growers' own Company, formed to handle the growers' product, had a vital interest but no voice or hand in this important work" (W. J. Russell, Chairman, CBH, 1947).

In addition to this significant benefit to streamlining the cost-efficiency of the port loading activity, CBH continued to expand its regional network of sidings, at Carani and Moorine Rock, as well as acquiring control over the previously State-owned wheat silos at Bunbury (see Figure 11). It also built new workshops at Leighton, which were officially opened by the Hon. G. B. Wood, MLC, Minister for Agriculture. It also provided a temporary loan of some of its grain elevators to AWB in Victoria to assist with grain handling bottlenecks (CBH, 1947).

The harvest for the 1947/48 season amounted to over 841,039.8 tonnes, at the same time the repayment of debentures continued via ballot, and membership rose to 8,303 shareholders, with a fifth year of rebates also paid to members based on their volume of supply. In addition, the

seemingly intractable problem of clearing the grain stored in the regional network continued. Road haulage was now increasingly being used to move bulk grain to the ports to meet export demand. Shortages of labour and materials continued to plague the Co-operative in its attempts to maintain the necessary maintenance work (CBH, 1948).

Figure 11: Railway leading to the CBH grain silo Bunbury 1948



Source: State Library of WA (2024).

A further development influencing CBH at that time was the introduction in the United Kingdom of the *Companies Act 1947* (UK), which influenced the corporate reporting within Australian States because at that time the Commonwealth (Federal) Government, which traditionally did not have a direct involvement with company law under the Constitution, left this to the states (Ford, 1961).

As a result, CBH began issuing their financial reports in a standardised format. This included the profit and loss, and balance sheet of the CBH entity, as well as its subsidiary CBH Investment Pty Ltd. which had been established to purchase debentures from growers and hold them pending repayment (CBH, 1948).

It is worth noting that the passage of the companies' legislation in the UK in 1948, led to a report from the Federal Parliamentary Joint Committee on Constitutional Review in 1959. This strongly recommended the development of Uniform Companies Acts across the States and Territories, which commenced a process throughout period 1961 to 1963 where all the Companies Acts were brought into alignment (MLS, 2024).

Over the decade from 1940 to 1949 the Co-operative had received an annual average of 630,302 tonnes of wheat and had grown its receival network from 211 to 244 sites across the WA Wheatbelt (CBH, 1984). In 1949 the Co-operative received wheat volumes of over 893,141.2 tonnes, and the total membership rose to 9,022 shareholders.

The repayment of debentures continued with use of a ballot system, and a total of £35,000 (approx. \$2.34 million in 2023 dollars) was paid to the members in rebates. The clearance of the regional wheat storage continued with concern over the potential impact of this on the ability to receive the 1949/50 harvest. However, due to the late break in the season and unusually dry weather, this crisis did not eventuate (CBH, 1949).

Power failures at the East Perth Power Station negatively impacted the Co-operative's ability to load grain ships at Fremantle harbour. Sufficient power was only available from midnight to 7AM, and the cost of stevedoring labour for such overnight work was very high. The loading of both rail and road trucks had to be suspended, and an estimated months' worth of wheat haulage was lost. It became necessary to rely more on road transport to move the grain, with 312,352 tonnes moved by road, compared to 216,773 tonnes the previous year. The railway was tied up at the time with water haulage. Despite these issues, the Co-operative reported an otherwise successful and smooth year to finish the decade with (CBH, 1949).

In fact, the Chairman Walter J. Russell, took the opportunity to take six months' leave to visit the United States where he visited relatives, and undertook a study tour of American farming and wheat-handling techniques. The Chief Engineer of CBH, A. E. Stephenson, also undertook a study tour of the United States, Canada, and Argentina to examine their techniques in bulk grain handling and associated engineering (CBH, 1949).

CBH AND THE 'FABULOUS FIFTIES', 1950 TO 1959

During the 1950s and into the 1960s the Government issued extensive land releases, clearing almost one million acres per year for agriculture, which pushed grain production levels beyond expectations (Zekulich, 1997; Goldfinch, 2003). This was particularly the case for Albany and Esperance (Zekulich, 1997). However, as rapid land clearing occurred throughout this period, there was little consideration for the spread of soil erosion and salinity which increasingly affected the Wheatbelt (Zekulich, 1997; Gaynor & Bradbury, 2018).

Surveys were carried out during this period and into the 1970s to gain the Wheatbelt farmers' estimates of salt-affected land demonstrated the severity of this issue (Gaynor, 2002). In 1955 it was estimated that 0.5 per cent of cleared land was salt affected. By 1962 this had increased to 0.68 per cent, and by 1979 it grew to 1.75 per cent (Gaynor, 2002). However, continued land clearance was the main response rather than attempting to prevent soil degradation although knowledge of the problem was becoming more widespread within rural communities (Bradby, 2009; Beresford, 2009).

As CBH entered the 1950s the growers were still supplying grain in bags as well as bulk. The *Western Australian Wheat Industry Stabilisation Act, 1948-1949* (WA) required that growers who supplied grain in new cornsacks, would have their gain recorded as a bulk delivery based on the weight of wheat received. The Co-operative paid for the cornsacks at 'equal to the market price',

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

and in this manner, the suppliers of bagged grain were treated as equally as possible to their counterparts who delivered grain in bulk (CBH, 1950).

As outlined in Table 1, the membership of CBH grew steadily from 9,673 active members in 1950 to 12,736 active members over the course of the decade. The Co-operative managed its active membership carefully, and each year there was a churn rate of inactive members leaving the share register with a new batch of growers gaining membership. Wheat supply fluctuated due to seasonal effects with an average of around 1 million tonnes per year received. In addition, CBH also expanded its receival site network across the Wheatbelt.

Table 1: CBH Grain Receivals, Receival Sites and Membership 1950-1959

Production Year	Members	Wheat (tonnes)	Oats (tonnes)	Barley (tonnes)	Total Grain (tonnes)	Receival sites⁵
1949/50	9,673	940,769			940,769	248
1950/51	10,600	1,253,983			1,253,983	256
1951/52	10,802	990,739	25,038	171,108	1,024,034	262
1952/53	11,123	862,597	49,123	23,505	994,923	265
1953/54	12,448	984,109	40,046	38,524	1,071,462	267
1954/55	12,448	833,385	15,461	25,306	878,073	271
1955/56	12,448	1,350,711	93,374	56,766	1,520,210	273
1956/57	12,488	766,675	29,941	35,202	833,289	278
1957/58	12,488	797,504	38,553	27,081	863,138	276
1958/59	12,736	1,451,884	165,031	69,588	1,686,503	275

Sources: CBH Annual Reports, 1950 to 1959, and 1984.

From 1952, CBH took on the role of handling oats and barley on behalf of the Western Australian State Voluntary Oats Pool and the Western Australian Barley Marketing Board (CBH, 1952). Throughout the period from 1952 to 1959, the Co-operative handled an average of 57,071 tonnes of oats and 55,885 tonnes of barley per year. The 1949/50 growing season highlighted the ongoing need for increased use of road haulage transportation to move the wheat harvest, as the State Railways were unable to provide the necessary rail freight to clear the previous season's wheat harvest by the end of the financial year.

⁵ Not every site received all grains

As Chairman Walter Russell commented in his annual report,

"... this disability must persist until a great advance has been made with the Railway's rehabilitation programme" (W.J. Russell, Chairman, CBH, 1950, p. 1.).

In addition, CBH was focused on finding accommodation for its employees at the ever-growing network of regional grain receival sidings. The Co-operative had contracted for permanent housing 'cottages' to be constructed at ten of these sites during 1951, and development work was being undertaken to create prefabricated 'huts' from timber and asbestos, or corrugated steel sheeting. As noted by Walter Russell,

"The aim is to provide suitable accommodation at a number of selected sidings spread throughout the wheatbelt. This need has been brought by what has become an entire lack of accommodation in many country areas" (W. J. Russell, Chairman, CBH, 1950, p. 1.).

By 1951 CBH had two subsidiaries, CBH Investments Pty Ltd., and Westralian Wheat Buildings Pty Ltd. Westralian Wheat Buildings was registered in April 1951 with a nominal capital of £250,000 in £1 shares ("New Companies", 1951). The purpose of the company was to acquire property in Perth and country town centres, and allow CBH to build its own offices, at a time when the Board considered it was holding too many liquid assets and the Australian pound was devaluing as inflation rose ("Operations", 1952). Almost immediately the company bought His Majesty's Theatre and hotel in Perth as an investment property ("Operations", 1952). H. E. Braine, secretary of the new company, announced that the directors,

"... felt some responsibility to those Perth cultural and artistic groups. such as the Adult Education Board, the Repertory Theatre, Perth Concert Artists and others who had shown enterprise and who had provided entertainment when it was sorely needed. ... Braine referred to His Majesty's Theatre as a 'people's theatre' because to make it such should be for the common good and in particular should protect the interests of those on whose behalf the investment was made" ("His Majesty's Theatre", 1951).

Through Westralian Wheat Buildings Pty Ltd CBH and the Wheat Pool (who jointly owned the company) would cultivate social capital among middle class urban dwellers in Perth and larger provincial cities, as well as protect the financial interests of its members. The 1952 Shakespearean season in His Majesty's was hailed a great success by Braine, with the Governor Sir Charles Gairdner and Lady Gairdner attending, the Premier and other cabinet members in the audience on opening night, and extra matinee sessions having to be staged to meet the demand from schools (Daily News, 1952).

The annual report for 1951 indicated that rebates were being paid and the repayment of tolls/debentures were also continuing. Road transport had also continued to play a significant role in moving the wheat harvest, although it suggested that this reliance on road haulage might have reached its peak. CBH had also made "considerable progress" in providing accommodation for employees working on the regional facilities (CBH, 1951).

In 1952 an amendment to the *Bulk Handling Act 1935* (WA) enabled CBH to construct and control bulk handling facilities at ports, financed by a toll imposed on growers (Zekulich, 1997; Goldfinch, 2003). By 1955 all State Government controlled grain port facilities were handed over to CBH

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

(Goldfinch, 2003; Mazzarol & Mamouni Limnios, 2011). However, trouble came to international shipping systems in July 1956 with the Suez Crisis. The Egyptian President Gamal Abdel Nasser seized the Suez Canal from its private Anglo-French owners, claiming he would use the new shipping tolls to finance the Aswan high dam (Zekulich, 1997). For almost a year the shipping of grain from WA to Europe via the Cape of Good Hope was a longer and more costly journey (Zekulich, 1997).

In addition to changes in transport systems, the 1950s was characterised with a change in agricultural methods. This included the use of nitrogen fertilisers, resulting in increasing yields in established grain growing districts, making new sandplain districts agriculturally viable, and generally large increases in grain production (Mazzarol & Mamouni Limnios, 2011). By the end of the 1950s, CBH had over 300 receival points (Ayriss, 1999; Halse, 2009; CBH, 2021a). Despite such growth, which was necessary in the horse and cart years, a system in which many receival points were so close together became inefficient and CBH began to struggle (Ayriss, 1999). The rapid land clearance also came at the cost of little attention to soil types or vegetation retention as trace element fertilizers and increasing volumes of herbicides and pesticides were applied to infertile sandy and laterite soils that had previously been bypassed for agriculture (Bradby, 2009). Overproduction emerged as a serious problem for CBH to manage.

In 1952 CBH began handling oats on behalf of the oats and barley pools, and wheat was supplied by their membership in both bulk and bags. At the same time, the Co-operative continued to repay the tolls (via rebates) to those members who had helped to pioneer the establishment of CBH. Chairman Russell reported that CBH had recorded financial surplus for the ninth consecutive year, and that a share scheme for full time employees, which had been established in 1951, was able to distribute shares to these staff. New grain receival sites had also been constructed and the Co-operative's network of housing for regional employees had also been increased at the local sidings (CBH, 1952). In addition, he reported the death of a long-term CBH Director G. H. Herbert stating,

"However, it is with sincere regret that we record the subsequent death, early in 1953, of Mr. G. H. Herbert, who had been a State Director of the Company since its handing over to the growers and whose loss will be keenly felt. Mr. Herbert was keenly interested in all agricultural matters and through the years had given untiring and extremely valuable service to his brother farmers" (W. J. Russell, Chairman, CBH, 1952, reporting on 5 March 1953).

In 1953 the Co-operative reported a tenth consecutive year of financial surplus, with some funds allocated to the employee shareholders fund, and the balance placed in reserve to help fund the repayment of debentures to members who had paid tolls during the formative years (CBH, 1953). During the year CBH invested in the construction of storage and handling facilities at the ports, as well as the Perth metropolitan area and regional network. This investment also included new weighbridges, and grain elevators. The Co-operative's reliance on the more expensive road haulage for moving its surplus grains from the regional silos to the ports ended in 1953. That year former Company Secretary and the then General Manager H. E. Braine announced his intention to retire on 31 March 1954.

In commenting on this planned retirement Chairman Walter Russell stated,

"The reputation of CBH stands high, not only in the wheat areas of Western Australia but in other parts of Australia, and in fact the whole wheat world. Mr. Braine has been largely responsible for bringing this about, and the thanks of all wheat growers are due to him for his untiring efforts on their behalf" (W. J. Russell, Chairman, CBH, 1953, p. 2).

Braine's gradual retirement included his involvement with Westralian Wheat Buildings Pty Ltd. He arranged for the company to lease the theatre operations to comedy duo and theatrical producers Eric Edgley & Clem Dawe, who had continually booked performances throughout the year and attracted international performers ("New Partnership", 1953).

In 1954 CBH continued to repay member tolls via debentures and distributed financial surpluses to both the employee share fund, and the reserve fund to support the repayment of debentures. A lack of shipping and falling export sales led to a slowdown of wheat transported to the ports. This created a congestion within the Co-operative's storage facilities. However, new bulk storage facilities were nearing completion at Albany and Midland Junction. There was also the reappointment to the Board of two directors, Mr. J. Sadler (State Director), and Mr. W. J. Butler (Director for No. 3 District) whose term of office had expired, but who renominated for the Board and were re-elected unopposed (CBH, 1954).

By 1955 CBH had reduced the amount of tolls/debentures liability from just over £468,848 (approx. \$39.68 million in 2023 dollars) in 1943 when the Co-operative's ownership was handed over to the members, to just over £108,728 (approx. \$4.42 million in 2023 dollars). As with previous years, the Co-operative allocated the financial surplus partially to the staff share fund, and partially to the capital reserves fund to provision for ongoing clearance of the outstanding tolls/debentures liability (CBH, 1955). In his Annual Report of 1955, Walter Russell explained that CBH had equipped more regional bulk handling sidings with suitable machinery, including weighbridges. A large concrete silo was also being constructed at Trayning, which it was anticipated could allow a comparison to be made between the vertical and horizontal forms of storage (CBH, 1955).

Problems were also reported with congestion as both port and some country storage sites, forcing the Co-operative to find temporary emergency storage at regional sidings. However, CBH was able to lease two depots at Merredin that had been used by the Royal Australian Air Force (RAAF), and a third depot at Geraldton to take the overflow of grain from the 1955/56 harvest. This problem of efficiently coordinating grain harvest deliveries led CBH to approach the State Minister for Agriculture to amend the *Bulk Handling Act 1935 (WA)* to empower CBH to regulate deliveries (CBH, 1955).

The tolls/debentures liability had been reduced to £77,270 (approx. \$2.97 million in 2023 dollars) by 1956, and a revaluation of the Co-operative's assets was undertaken. Congestion of both port and regional storage facilities continued during the 1955/56 season and the Co-operative built permanent roofed bulkhead storage bins with a capacity of 27,215 tonnes at regional sidings, and a depot for the AWB at Geraldton with a capacity of 40,800 tonnes (CBH, 1956).

Prior to the 1957/58 harvest CBH was able to clear the backlog of the previous season's crop from the regional storage facilities. However, the 1956/57 harvest was significantly down on that of the previous year, it remained low during the 1957/58 harvest resulting in the Co-operative having excess capacity in its storage facilities. This coincided with a suspension of railway services across many of the regional lines, requiring the Co-operative to rely upon road haulage once again, with the added cost of this type of transportation (CBH, 1957).

Walter Russell, in the Annual Report for 1957 explained that the Co-operative had been aware of the impending rail suspensions and had approach the State Government via the Minister for Agriculture. They had prepared a submission that outlined the business case such suspensions would create for CBH. These included double-handling of grain from bins stranded by the rail suspensions to those that had rail access.

Also, the redundancy of regional receival sites where growers were unable to produce sufficient grain to warrant their use was an issue. Further, where existing sites were accessible to rail, CBH had to provision for sufficient additional storage diverted from the stranded bins (CBH, 1957). Russell also reported that,

"Although the matter had been continually followed up no definite reply had been received from the Government by the end of September. Your Directors, at that time, reluctantly decided that should they not have definite information from the Government before the commencement of the season it would be necessary to charge the extra costs to the growers concerned. However, just before the season commenced, the Government informed the Company that it considered any additional costs should be borne by the Company as they should not cause it much financial worry.

The Company wrote to the Minister saying it could not agree that the additional costs would not cause it much financial worry, particularly as the small below-average-harvest last season and again this season meant considerably reduced revenue to the Company. The Company's revenue is on a 'per bushel' basis and the reduced harvests alone without these 'rail suspension' costs, could cause the Company financial worry" (W. J. Russell, Chairman, CBH, 1957 p. 2).

Russell also explained that CBH's income was fixed with the AWB so there could be no provision for the recovery of higher handling costs caused by the State railway suspensions. Further, an attempt to get the AWB to absorb these costs was rejected. As a result, CBH had to bear these costs (CBH, 1957). Also, in 1957 CBH was engaged in negotiations with the State Government and the Fremantle Harbour Trust over the development of additional grain storage and handling facilities at the Fremantle North Wharf. The plan was for these facilities to be completed in time for the 1959/60 harvest. The project involved additional vertical storage cells (silos) each with around 27,215 tonnes capacity, that would replace existing horizontal storage facilities. A budget of around £700,000 (approx. \$26.2 million in 2023 dollars) was allocated for the work. Additional plans were drawn up for the upgrading of the port facilities at Geraldton which were estimated to cost about £750,000 (approx. \$28.1 million in 2023 dollars) (CBH, 1957).

By 1958 CBH was reporting a total storage capacity of around 2.2 million tonnes. It had also managed to clear all the backlog of grain stored in its facilities, which were then cleaned and

fumigated in time for the 1958/59 harvest. The need for growers to supply CBH in a timely manner was an important factor in its ability to maintain a cost-efficient network. However, this was not always possible but improvements to the storage and receivals facilities was being undertaken to try to smooth out the utilisation of facilities to avoid peaks and troughs that led to either underutilised storage, or insufficient capacity. This would commence with wheat, and then be applied to oats and barley. A review of all regional facilities was planned (CBH, 1958).

A further issue facing the Co-operative in 1958 was the move by the AWB to have hard and soft wheat separated as part of the marketing process. This issue had been discussed in the 1957 annual report where it had been declared to be impractical or even 'well-nigh impossible' for this separation to be undertaken. However, it was noted that if AWB demanded that CBH separate these grades of wheat and was prepared to pay all associated costs of such work, it would agree to meet the 'Marketing Authority's requirements' (CBH, 1957; 1958).

1958 was also the year when two of CBH's long-serving directors and executives died. The first was John Hugh Ackland (1890-1958), who joined the CBH Board in 1935 and served until 1943, only to run again for office in 1945 and be re-elected serving until his death in 1958. Born in Mitcham South Australia on 21 August 1890, Ackland moved with his family to WA in 1896. Educated at state schools in East Perth, Claremont, and Northam, he subsequently entered Scotch College. His early life was spent working as a jackaroo, and on the family farm. In 1910 he selected farmland at Lake Ninan near Wongan Hills and married Elsie Stokes in December 1914.

Ackland joined the First AIF in 1916 and served in France during the First World War with the 28th Battalion before being wounded on 5 June 1918 and then sent to London to work for the Agent-General of WA before his discharge in November 1919. He returned to his farm at Lake Ninan and became active in the Royal Agricultural Show Council, the Wheat Section of the Primary Producers Association, then the Country Party, and later CBH when it was established in 1933. He was elected to the State Legislative Assembly seat of Irwin-Moore in 1947 and held the seat until his sudden death on 29 July 1958 while giving a speech at the Wongan Hills Junior High School (Black & Bolton, 2001).

Robert Carl Sticht Jnr (1895-1958) was a chemical engineer who became the Chief Chemical Engineer for the Commonwealth Fertilizers and Chemicals Ltd., in 1937. His father was Robert Carl Sticht, a German American who migrated to Australia in 1895 to work as a metallurgist at the Queenstown copper mine in Tasmania. The younger Carl Sticht was born in Queenstown, in 1895 and educated in Australia before completing a Batchelor of Science in chemical engineering at the California Institute of Technology. He joined the United States Army Engineers and served in the First World War rising to the rank of Lieutenant before being discharged in 1919.

He returned to Australia and worked in the Mount Lyell Chemical Works in Yarraville, Victoria and in mines in Tasmania. Later, he was assigned to the role of Chemist at the Mount Lyell works, before moving to Fremantle WA where he was appointed as the Chief Engineer at the company's Mosman Park factory. From 1929 he was Chief Engineer at Cumming Smith & Mount Lyell Farmers Fertilisers Ltd., returning to Melbourne in 1937 to manage a major installation project at Yarraville. He held joint Chief Chemical Engineer roles with the WA firm Cumming Smith & Mount Lyell Farmers Fertilisers Ltd., and the Commonwealth Fertilisers and Chemicals Ltd. He

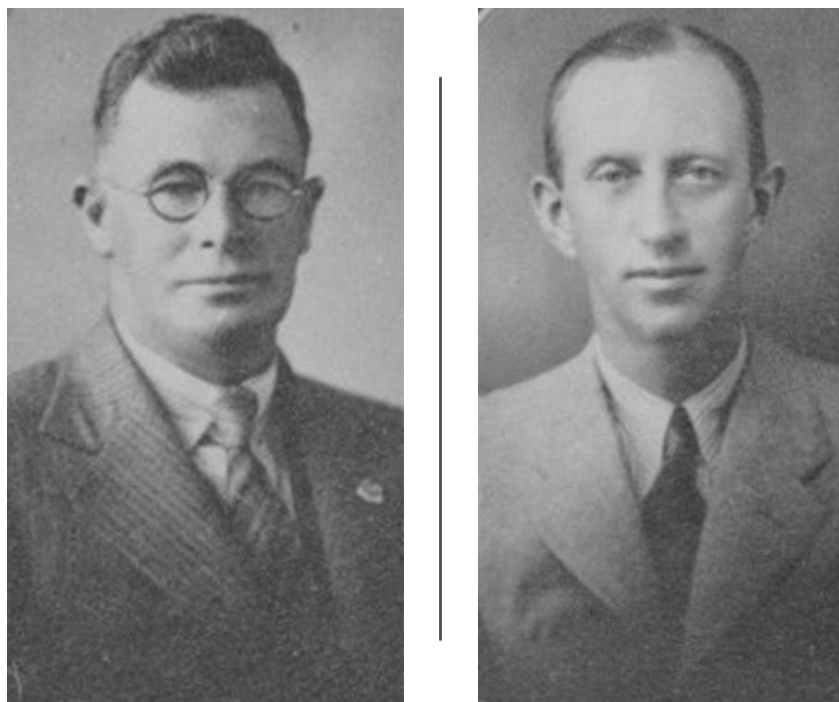
Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

was the manager of a new superphosphate factory at Albany WA from 1951. He died in 1958 at the Yarraville factory as the result of an industrial accident (Walker, 1997). In memory of Ackland, CBH Chairman Walter Russell stated,

"During his 21 years of office he did much to help build CBH to what it is today" (W. J. Russell, Chairman, CBH, 1958).

Figure 12: John Hugh Ackland (Left) and Robert Carl Sticht Jnr (Right), 1936



Source: CBH Ltd. (1936).

In relation to Sticht, Russell stated,

"Mr Sticht was expert in devising means of handling materials in bulk and his knowledge, together with his engineering ability, helped considerably in providing our equipment for the bulk handling of wheat. Growers will be very grateful to him for the excellent services he rendered to bulk handling in this State" (W. J. Russell, Chairman, CBH, 1958).

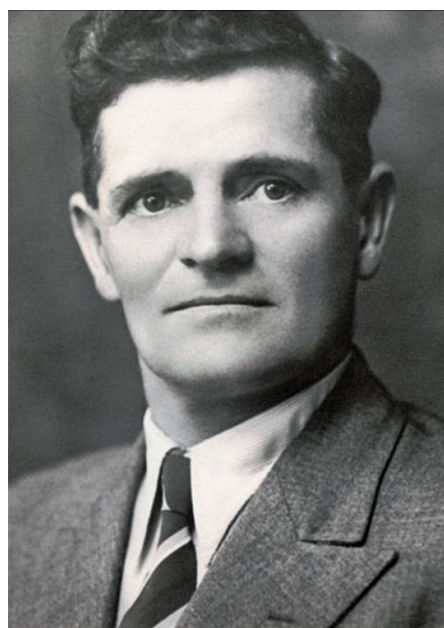
CBH ended the 1950s on something of a high. The total volume of wheat, oats, and barley received in 1959 was 1.84 million tonnes, a State record for WA at that time. In addition, its membership had risen to 12,736, and a financial surplus of just over £287,505 (approx. \$10.48 million in 2023 dollars) was declared (CBH, 1959). There was also a change of Chairman with Walter Russell retiring, and the Deputy Chair, James King Forrester, a farmer from Carnamah who had served as Deputy for eleven years, was elected to the Chair. Forrester delivered his first annual report in 1959 and served as chair until 1963.

The Co-operative continued to expand its regional storage network with eight new sidings built during 1959 and began using an improved bin storage. Vertical storage silos were also becoming common, and these were constructed at Three Springs and Tammin. A further 150 grain elevators were installed and made ready for the 1959/60 harvest. In addition, the bulk grain terminal at Geraldton was completed on 21 October 1959 and was scheduled to be ready for the 1960/61 season. The construction of additional facilities at Albany and Fremantle were also flagged (CBH, 1959).

Figure 13: Walter James Russell (Left) and James King Forrester (Right)



CBH Chairman 1947-1959



CBH Chairman 1959-1963

Sources: W.J. Russell, RASWA (2020); J. K. Forrester, Carnamah Historical Society (2023).

Discussions and disagreements continued between the Co-operative and the State Government over the State railway system. This related to the distance growers were from a receival point railway siding, and the volume of grain they were supplying. The main concern for CBH was that rail sidings had been promised by the State Government but not constructed, and its impact on the agreement between CBH and the Government under the *Bulk Handling Act 1935 (WA)* (CBH, 1959).

CHAPTER 4: A TIME OF STABILITY – 1960 TO 1979

Following the rapid growth and challenging external environment of the 1940s and 1950s, the two decades of from 1960 to 1979 were a period of stability for CBH. It was a time of membership growth, expansion of the farm production within the Wheatbelt, and significant investment in the Co-operative's infrastructure.

During this period, CBH benefited from the monopoly control on grain handling provided by State legislation, in addition to government-controlled system for marketing and transportation, as all sea and freight ports were state owned and operated (Mazzarol et al., 2014a). However, government restricted aspects of road transport of grain to avoid competition with state rail authorities. The highly regulated market environment allowed for a period of steady growth and stability and encouraged rationalisation and investment in the Kwinana Grain Terminal located in the Fremantle Outer Harbour (Mazzarol et al., 2014a).

There were several technological and infrastructure advancements related to the grain industry during the 1960s and 1970s. In 1961 the standard gauge railway was introduced as well as the use of registered contact pesticides, which launched a new period of pest control development in WA (Goldfinch, 2003). Furthermore, in 1968 CBH introduced a controlled atmosphere fumigation system, which was used on 97 per cent of all receivals to manage pests (Zekulich, 1997). In addition to pest control management, throughout the two decades CBH also introduced moisture meters at every receival point. This had a significant impact on growers, as for the first time they were able to accurately understand the relationship between atmospheric conditions and grain moisture (Goldfinch, 2003).

However, environmental issues throughout this period included drought, abnormal rains, and disease affecting agricultural production. Despite record harvests in the mid-to-late 1960s, wheat growers dealt with rust and Septoria (both fungal diseases), in addition to abnormal rains in the south coast, causing difficulties (Zekulich, 1997). In addition, the severe drought of 1969 led to a significant drop in wheat production and demand for storage (Halse, 2009).

The 1969-70 harvest in WA yielded 1.58 million tonnes less of wheat than the previous year (Goldfinch, 2003). Moreover, this drought hastened population decline in the Wheatbelt which began in 1966. By 1971, the population had reduced by 15,000 (Sauman, 2009). Drought occurred again between 1972 and 1973, resulting in a critical shortage of animal feed supplies in WA (Zekulich, 1997). Furthermore, severe droughts occurred in 1976 in the northern agricultural areas and between 1977-1980 in the Wheatbelt (Zekulich, 1997; Sauman, 2009). These droughts were the start of the long period of declining rainfall and drying that continues to the present day.

CHANGES TO LEGISLATION

Several legislative changes occurred during the two decades. In 1962 the *Wheat Pool Act 1932* was renamed to the *Grain Pool Act*. A year later, the Wheat Pool was renamed to The Grain Pool of Western Australia (Zekulich, 1997). In 1967 a new *Bulk Handling Act 1967* (WA) was introduced which provided further provisions for the operations of CBH.

These included allowing the bulk handling of grains other than wheat. The Co-operative was required to determine minimum standards for grain receipt, including the grading of the grain, and the insurance of the grain. It also had to pay those entitled to grain of which they failed to outturn due to loss or shortages while in storage, and not to retain or transfer any income or property as a surplus to any member. In addition, all income and property had to be applied toward the objects of CBH as a co-operative, although this did not include financial reserves.

CBH was also required to receive all bulk grain tendered, except that which was unsound or inferior in quality. The new Act also allowed CBH to purchase the shares of any member using its reserve funds, if they did not exceed 40 per cent of the paid-up share capital of the Co-operative, and to retain excess moneys to be used in a special reserve account for shortages. If the sum exceeded \$200,000 it could be applied to CBH's general funds. (Zekulich, 1997).

Further legislative change occurred in 1971 with the *Marketing of Linseed Act 1969* (WA), which placed linseed marketing under the control of the WA Seed Board with The Grain Pool as the Board's marketing agent. In addition, in 1975 there was the passage of a new *Grain Marketing Act* to develop the GPWA, its operations, and the marketing of certain prescribed grains including barley, linseed, canola⁶, and lupins⁷ (Zekulich, 1997).

Importantly, in 1970 an amendment to the *Bulk Handling Act 1967* enabled CBH to claim income tax exemption status. Plans began within CBH in the 1960s to pursue tax exemption, due to their desire to build terminals in Fremantle, Geraldton, Albany, and Esperance. However, there was little support from the State Government. The CBH Board believed they could build the necessary infrastructure on their own, provided there were offsets for putting in all the funding (Mazzarol et al., 2014a).

In March 1971, CBH submitted a proposal to the Commissioner for Taxation for advice on whether under such amendments CBH would be exempt from income tax under section 23(h) of the *ITA Act 1936* (Cth) (Ramshaw & Lee, 2022). They achieved tax exempt status in 1972, and it enabled CBH to focus on reinvestment of all their surpluses back into the business (Mazzarol et al., 2014a; Ramshaw & Lee, 2022). Furthermore, under a new constitution, CBH was not permitted to give dividends and if it was ever wound up, the distribution of any assets they owned was to be made at the discretion of the State Government (Mazzarol et al., 2014a).

CHANGES TO GRAINS MARKETING

This period was further marked by the development of existing grain markets and the opening of new ones. In 1965 and 1966 representatives in WA, South Australia (SA), and Victoria established the Australian Council of Oat Pools (Zekulich, 1997). This aimed to reach a common policy on overseas trade agreements, assist the production and marketing of Australian oats, promote uniform standards, and exchange information and advice with the Federal Government.

⁶ Then called rapeseed. Canola is short for "Canadian Oil Low Acid", with Canadian scientists creating the acronym for their hybrid, non-toxic rapeseed plant, now grown in Australia.

⁷ *Lupinus angustifolius* L. (narrow-leaved lupin).

In 1969 the Western Australian Linseed Board was established (Zekulich, 1997). Furthermore, in the 1970-1971 season when WA became the biggest oats and barley producer in the country, CBH started to receive Canola (Zekulich, 1997; Ayris, 1999). The following season CBH continued to expand its handling market as they began storing lupins (Ayris, 1999).

The total volume of wheat received by the Co-operative effectively doubled by the end of the decade (CBH, 1974; 1975; 1976; 1977; 1978; 1979). However, difficulties also continued with the UK finally joining the European Union in 1973 (Mazzarol et al., 2014a). Australia had previously relied heavily on the UK for their market; however, grain marketers were forced to look elsewhere. For WA and GPWA, the UK market decline was fortunately counterbalanced with the rise of the Japanese market (Mazzarol et al., 2014a).

In the late 1970s GPWA attempted to assist in the development of markets for crops grown in the Kimberley region of WA (Zekulich, 1997). Indeed, they operated a voluntary sunflower seed pool for the Ord River District Co-operative (ORDCO) in Kununurra. Furthermore, CBH provided expertise in Kununurra on the handling of sorghum grain in 1977 (Goldfinch, 2003). However, by 1979 GPWA's connection with the Kununurra region ended. According to Jim Hughes, ORDCO's CEO in 1983, the premise that growers could earn money from sunflowers at that time was false. Indeed, he said, "Even with State Government support, the returns were not good enough" (Zekulich, 1997, p. 106).

Additional significant events for GPWA occurred with WA growers, expressed through the Farmers' Union and the Pastoralists and Graziers Association (PGA), seeking a review of GPWA and elections of Trustees in 1973 (Zekulich, 1997). These critics argued GPWA was undemocratic and not run through business lines. Further, they aimed to change the elections so that growers could elect Trustees, rather than the Growers' Council (Zekulich, 1997).

During this period, particularly between 1972 and 1974, both the Farmers' Union and the PGA developed a plan to create a new co-operative for the marketing of all coarse grains, rather than the various existing Boards ("Farmer Organisations", 1972; "Single Grain", 1974). This particularly ramped up in 1974 with a Federal Government plan to create a national wheat stabilisation scheme that both organisations greatly opposed, viewing it as a detriment to WA growers ("Western Australian Wheat", 1974; "State Marketing", 1974). In March 1973 the Growers' Council and Trustees of GPWA agreed that it was time to,

"... consider forming one grain marketing organisation to market all coarse grain and seeds in the state" (Zekulich, 1997/2022, p. 81).

CBH AND THE 'SWINGING SIXTIES', 1960 TO 1969

For CBH, the 1960s was a period of restructuring and the modernisation of systems. Between 1959 and 1960 the Board aimed to rationalise the receival point system wherein receival bins 10 kilometres apart were either closed or modernised to handle larger tonnages (Ayris, 1999). By 1963 CBH added 600,000 tonnes of storage, totalling 2 million tonnes, including emergency storage (Ayris, 1999). In addition, they reduced staff numbers (Mazzarol & Mamouni Limnios, 2011).

Table 2: CBH Grain Receivals, Receival Sites and Membership 1960-1969

Production Year	Members	Wheat (tonnes)	Oats (tonnes)	Barley & Other Grains (tonnes)¹	Total Grain (tonnes)	Receival sites
1959/60	13,566	1,457,724	118,834	33,686	1,610,244	283
1960/61	14,215	1,605,940	173,805	109,954	1,889,699	297
1961/62	14,305	1,645,284	145,428	64,253	1,854,965	299
1962/63	14,471	1,820,559	101,239	87,876	2,009,674	302
1963/64	14,562	1,281,068	142,825	32,405	1,457,297	302
1964/65	14,562	1,563,139	63,583	118,683	1,745,405	304
1965/66	14,802	2,608,201	184,561	210,854	3,003,617	305
1966/67	15,100	2,635,078	164,769	102,543	2,902,390	305
1967/68	14,983	2,719,934	117,445	104,443	2,941,822	305
1968/69	15,509	2,878,049	197,431	155,616	3,231,096	300

Sources: CBH Annual Reports, 1960 to 1969, and 1984.⁸

As shown in Table 2, the Co-operative's membership rose steadily during the 1960s growing from 13,566 shareholders at the start of the decade to 15,509 shareholders by the end. Overall grain supply increased steadily as well. The average annual grains supplied was just over 2 million tonnes of wheat, 141,092 tonnes of oats, and 101,396 tonnes of barley. By 1965 CBH once again had over 300 receival points (Goldfinch, 2003; Mazzarol & Mamouni Limnios, 2011).

Receival points were reduced slightly, and those remaining were upgraded (Ayris, 1999). However, despite attempts to avoid resistance from growers by announcing closures as 'rationalisations', the change was not smooth (Ayris, 1999; Mazzarol & Mamouni Limnios, 2011). Certain country towns viewed the closures as a loss of an intrinsic local site, and in the case of Yelbeni, a place of pride as one of the five original experimental receival points (Ayris, 1999).

The harvest of FY1959/60 yielded just over 1.6 million tonnes of grain including wheat, oats, and barley, which, along with income from the Co-operative's subsidiaries, generated a financial surplus of more than £245,343 (approx. \$8.6 million in 2023 dollars). The Co-operative continued to repay the tolls paid by its members as part of the establishment of the company, and which had been converted into debentures in 1958. Investment in the maintenance and expansion of the

⁸ From 1968 this included linseed, sorghum, canola, and lupins.

storage facilities continued, and negotiations with the State Government over receival sites not located close to railway sidings also continued (CBH, 1960).

In his 1960 annual report to shareholders, Chairman James Forrester noted the passing of John Thomson (see Figure 7), the former Secretary of CBH who had made a significant contribution to the creation of CBH, stating,

“On 28th June 1960, we learnt, with regret, of the death of Mr. John Thomson, CBE Mr Thomson’s foresight, enthusiasm and belief in co-operation were largely responsible for the successful formation of the CBH. In his passing CBH and the farmers of WA lost a true friend” (J. K. Forrester, Chairman, CBH, 1960, p. 2).

In 1961 CBH exported a record shipment of grain from Western Australian ports, comprising approx. 2.29 million tonnes. Furthermore, the total grain received during the year was around 1.9 million tonnes, which reflected a record harvest (CBH, 1961).

The need for further capital expenditure also saw the Co-operative seek an increase in tolls and over forty meetings were held across the Wheatbelt to undertake a poll of members’ willingness to approve this capital raising. However, it was decided that no increase in tolls would occur unless CBH was unable to raise the necessary funding from bank lending. A loan of £1.5 million (approx. \$51.5 million in 2023 dollars) was secured from the Commonwealth Bank in October, with the State Government providing CBH with a loan guarantee of £3.5 million (approx. \$120.2 million in 2023 dollars) (CBH, 1961).

According to Chairman Forrester, the provision of the loan guarantee from the WA Government was reported as essential to the success of CBH in securing the bank loan. He also explained that the Co-operative had engaged in discussions with both the Federal and State Government Ministers in relation to the fund raising, with both governments supporting the initiative. However, the matter required an amendment to the *Bulk Handling Act 1935* (WA) as he explained,

“Because the negotiations for money required to ensure the continuity of the construction programme were so protracted, and in view of the Shareholders’ decision, the Government was asked to amend the Bulk Handling Act to provide for an increase in the rate of Foundation Toll from 1d. to 4d. per bushel. The amendment to the Act was passed by Parliament last season. Following full consideration and on examination of the funds available for the construction programme, the Company requested an increase of 1d. per bushel in the toll paid by growers delivering grain to the Company. This increase was approved by Executive Council and applied for the 1961-62 season” (J. K. Forrester, Chairman, CBH, 1961, p. 2).

On 31 October 1961 the CBH General Manager Wilfrid Laurence McLean (see Figure 14) retired. He had been a senior executive with CBH since its foundation and an active manager within the co-operative sector for 44 years. Appointed General Manager in 1954, he had played a key role in the growth of the Co-operative from 1954 to 1961. He was succeeded by M. J. Lane (CBH, 1961).

Figure 14: John J. “Jack” Sadler (Left) and Wilfrid Laurence McLean (Right)



CBH Chairman 1963-1971



CBH CEO 1954-1961

Source: State Library of WA (2024).

The increase in tolls that was provided under the amendment to the *Bulk Handling Act 1935* (WA) and the agreement by the Commonwealth Bank to increase the loan to £2 million (approx. \$68.7 million in 2023 dollars) enabled CBH to progress its construction of bulk grain storage and handling infrastructure at the ports during 1962. However, this funding was not sufficient to allow a ‘comprehensive improvement and replacement programme to be undertaken in the country’ areas (CBH, 1962).

As a result, the Co-operative once again approached the State Government for a further increase in the foundation toll to three cents per 0.027 tonnes (approx. \$0.57 in 2023 dollars). This increase was approved by the State Executive Council for the 1962/63 season. Such toll increases were not popular with the growers, as was reflected in the annual report for 1962, which went to some length to explain that the CBH Board had made ‘every possible effort’ to borrow the funds from within Australia and overseas, with some overseas lenders willing to provide the loans, but with conditions that ‘made them unacceptable in the interest of the Shareholders’ (CBH, 1962, p. 1).

On a more positive note, in 1962 CBH reported a surplus of £136,433 (approx. \$4.7 million in 2023 dollars). This led to the Board approving the distribution of a rebate to members of £133,000 (approx. \$4.58 million in 2023 dollars). During the year the Co-operative continued to maintain and improve its bulk handling and storage network with new receival sites built and

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

older facilities dating from the 1930s upgraded. A new terminal at Geraldton was opened in February by the Premier the Hon. David Brand MLA, and work on the new terminal at Fremantle was commenced. In addition, the facilities at Esperance were upgraded allowing direct transfer from rail trucks to the ship's hold with the first grain shipment passing through this port on 26 June 1962 (CBH, 1962).

1962 was also the last year of James Forrester's term as Chairman. In his final annual report he wrote,

"Finally, as I will be retiring as a member of your Board after this meeting, I wish to thank you, the owner-Shareholders of this progressive Co-operative Company, for your support during my years as a Director especially during the last four years when I had the honour to be the Chairman of your Board of Directors" (J. K. Forrester, Chairman, CBH, 1962, p. 2).

He was replaced by John "Jack" Sadler (see Figure 14) who became Chairman in 1963. During that year CBH received just over 2 million tonnes of wheat, oats and barley and exported over 1.86 million tonnes. The repayment of toll/rebates continued, with annual tranches paid to shareholders. In addition, a rebate of £127,000 (approx. \$4.34 million in 2023 dollars) was paid on the back of a financial surplus of £130,643 (approx. \$4.47 million in 2023 dollars) (CBH, 1963).

1963 was also a year in which CBH commenced a comprehensive upgrade of its regional storage and handling network. This comprised the construction of Type "A" horizontal units with reinforced concrete walls and floors, and roofs held up by steel trusses and pit loading. These units were constructed from 1960 to 1983 and had the capacity of 10,900 to 34,000 tonnes, with around 85 still operating in 2003. These were supplemented by Type "B" horizontal storage units with capacity of 8,200 to 21,800 tonnes, built between 1962 and 1982 with 31 still operating in 2003.

However, a major issue for 1963 was the construction of the standard gauge railway from Perth and Fremantle to Kalgoorlie. The widening of the tracks meant that several sidings along the line had to be demolished, and others upgraded to accommodate fast loading. As explained by Sadler in his Chairman's report,

"The railway planning provides for all grain to arrive at Fremantle on a standard gauge line by fast trains hauling large capacity covered wagons and provision will be necessary for the transference of grain from remaining 3 ft. 6 in. line to standard gauge at selected points. This work will be carried out by CBH on behalf of the Railways" (J. Sadler, Chairman, CBH, 1963).

During 1964 CBH exported around 1.4 million tonnes of grain from a total of 1.46 million tonnes of grain received. It also paid a rebate of £40,000 (approx. \$1.33 million in 2023 dollars), from a surplus of £40,072 (approx. \$1.33 million in 2023 dollars). The upgrading of the regional bulk storage and handling network continued, and the new terminal at Fremantle was completed in May with its official opening overseen by the Premier the Hon. David Brand MLA on 14 September 1964. Construction of the standard gauge railway continued during the year, with a projected completion scheduled for 1966. Negotiations also took place between CBH and the AWB over a uniform cost reimbursement for wheat, barley, and oats (CBH, 1964).

Figure 15: Wheat Rail Loading Silo at Cunderdin, 1963



Source: State Library of WA (2024).

This pattern of activity continued into 1965 with CBH exporting just over 1.5 million tonnes of grain from a total harvest of around 1.75 million tonnes. The development of the regional bulk storage and handling network continued with the ongoing construction of Types “A” and “B” silos and Type “C”, which were built at Doodalkine, Cunderdin, and Meckering. These were located along the new standard gauge railway line being constructed by the government. The Co-operative also distributed a further rebate comprising all the \$1.32 million (\$21.2 million in 2023 dollars) financial surplus generated for the year (CBH, 1965).

The 1966 harvest produced just over 3 million tonnes of wheat, oats, barley, and other grains, with 2.74 million tonnes exported. Repayment of debentures relating to the tolls continued, and the members were all provided with updates on how their individual debenture accounts were being refunded. A surplus of \$1.74 million was generated by the Co-operative of which the majority was paid out to members as rebates. Further investment in the development of the regional storage and handling network continued and a grain transfer facility was completed at the Avon Marshalling Yards near the town of Northam. This complemented the existing transfer facility located at Merredin, both of which were opened that year. These facilities were needed to allow the transfer of grains from the narrow-gauge rail trucks to the standard gauge rail trucks. Other upgrades continued, including the installation of new weighbridges (see Figure 16) (CBH, 1966).

Figure 16: Wheat truck on CBH weighbridge at Cunderdin, 1963



Source: State Library of WA (2024).

Despite this ongoing investment in infrastructure, the forecasts for the total volume of grain production the Co-operative would need to handle over coming years highlighted the need for CBH to raise additional capital. It was estimated that the total cost of future storage and handling infrastructure to meet anticipated need would be around \$40 million. However, CBH only had \$22 million in reserves, leaving a shortfall of \$18 million. To address this, CBH approached the WA Premier and Treasurer, Hon. David Brand MLA, and the Deputy Premier and Minister for Agriculture, Hon. Crawford Nalder MLA. However, their request for help was rejected on the grounds that all the State's financial resources were "fully committed". It was also the government's view that the grower-shareholders of CBH should raise the necessary capital, with the State providing loan guarantees if borrowing was required (CBH, 1966).

The State Government was willing to amend the *Bulk Handling Act 1967* (WA) to enable a higher toll to be applied on growers if necessary. In the meantime, CBH undertook "vigorous endeavours" to secure loans from both within Australia and overseas, specifically in the United Kingdom and United States. However, credit restrictions in these two countries made such borrowing impossible. Despite this, the Co-operative, backed by a loan guarantee from the State Government, was able to secure an increase of \$2 million in its overdraft provided by the Commonwealth Trading Bank (CBH, 1966).

Over the period 1967 to 1969 grain deliveries continued to be around 3 million tonnes, with 2.9 million tonnes delivered in 1967, 2.94 million tonnes in 1968, and 3.23 million tonnes in 1969. Exports also continued with 2.78 million tonnes shipped in 1967, 2.51 million tonnes in 1968,

and 1.84 million tonnes in 1969. Significant rebates were paid in 1967 and 1968 comprising around \$1.97 million and \$2.6 million respectively (CBH, 1967; 1968). In 1969 it was decided to issue dividends valued at 1 cent per share for the 15,509 shares issued, and bonus debentures, with around \$2.16 million in surplus being distributed via a combination of either cash or interest-bearing deposits (CBH, 1969).

As explained in the Chairman's address, this use of interest-bearing deposits was associated with the Co-operative's building program. Rather than rebate all the surplus back to the members as a cash rebate, around half of the surplus would be offered as either cash, or a 7 per cent per annum interest-bearing deposit with a ten-year term, and remainder of the surplus distributed as a bonus debenture with a 7.5 per cent interest per annum for 15 years (CBH, 1969). According to Chairman Sadler,

"Last year it was announced that to maintain our building programme which is designed to improve the handling and storing of growers' grain whilst keeping costs to a minimum, your Company (like many others), required further capital funds. To give growers themselves an opportunity of participating in this your Board decided to introduce an investment offer for shareholders. Term deposits with C.B.H were offered at an attractive rate of interest for over 10 and 15 years. A provision was included for the redemption of the deposit on the death of the registered holder. Although the response was not as good as expected, it has been decided to again offer similar term deposits this year. Shareholders will receive more details of this offer in the mail."

"It is hoped that as time goes on more growers will realise the benefits to be derived from investing in their Company. Not only are the interest rates offered attractive, but there is also the advantage that the funds will be invested in storage and ancillary facilities, and thus hasten the day when every receival point will be equipped with modern facilities" (J. Sadler, Chairman, CBH, 1969).

With grain production rising, the Co-operative was faced with the need to maintain its ongoing investment in storage and handling facilities both at the ports and across the regional network. Although this work had progressed over the previous years, but a major carryover of surplus grain meant that resources had to be invested into the provision of emergency storage facilities. The first stage of the international grain terminal at Kwinana, in the Fremantle Port Authority's Outer Harbour, was also completed during 1969, and plans were laid for the construction of Australia's "most efficient port" (CBH, 1969).

CBH AND THE 'ME-DECADE', 1970 TO 1979

The decade of the 1970s, often referred to as the "Me-Decade", was something of a transition period for CBH and the grain growing community across the WA Wheatbelt. At least three interconnected issues influenced the grains industry and in turn CBH during the 1970s. The first, was the need for the Co-operative to invest heavily in the development of its storage and handling infrastructure. The second, was the transformation of the global economy that took place on the back of increasing technological change, and the impact of America's defeat in the Vietnam War and cessation of oil supply by the Organization of the Petroleum Exporting Countries (OPEC) in response to the Yom Kippur War of 1973. The third, was a rising level of farmer political action

in response to Federal Government policies relating to superphosphate bounties and increased industrial unrest in WA ports.

In relation to the first issue, infrastructure development for CBH during the 1970s involved the completion of the international grain terminal at Kwinana, the first stage of which had been constructed in 1969. By 1972 the project was viewed as essential to the Co-operative's ability to improve efficiencies within the system and generate larger returns (Ayriss, 1999). It would have the capacity to store 912,000 tonnes of wheat and load ships at a rate of 5,000 tonnes per hour, a speed unheard of at the time. However, there was some criticism from the State Government, the Fremantle Port Authority, and many growers who were concerned it was not an ideal location and a massive expense (Ayriss, 1999).

Although CBH budgeted for and initially borrowed a sum of \$42 million, the actual construction costs blew out to \$72 million. Despite the costs, the terminal was opened in 1976 and was described as the largest facility of its kind in the world, and considered innovative, efficient, and an international success (Goldfinch, 2003). Kwinana became operational in June of 1977, which caused the end of grain shipments from the Fremantle Inner Harbour grain terminal that had previously catered to almost a third of WA's grain exports (Zekulich, 1997; Ayriss, 1999; Goldfinch, 2003; Mazzarol et al., 2014a).

However, while the Co-operative invested significantly in its port infrastructure it also had to undertake a process of rationalisation within its regional network of receival sites. Commencing in 1970 with a total of 300 sites, by 1979 the network had declined to 214. This upset many growers and led to the CBH Chairman, the Hon. Harry Walter "Mick" Gayfer having to travel around the state talking to members and explaining the necessity for change, despite confrontations (Ayriss, 1999).

In relation to the second issue, the 1970s was marked by economic, political, and technological turbulence which impacted the marketing and export of grain. The Tet Offensive of 1968 was a turning point for the US Administration of President Lyndon Baines Johnson, which realised that the Vietnam War was being lost and had become unpopular with most Americans. His decision not to seek a second term reflect this realisation of failure. The election of President Richard Milhous Nixon in 1968 led to a process of US withdrawal from Vietnam that continued until the collapse of the Republic of (South) Vietnam in 1975. However, the war had weakened the US economy and Nixon, faced with a financial crisis took the United States off the gold standard in 1971, and in doing so demolished the Bretton Woods system of a fixed international currency exchange system that had been in place following the Second World War (Aitken, 1996).

Although Nixon's policy was meant to fight inflation, the impact of the OPEC oil crisis of 1973 coincided with the start of his second term and led to rising inflation and a stock market crash. This triggered a serious recession that led to inflation rates of 8.7 per cent and unemployment rates of 5.6 per cent across the United States, a condition of stagflation, that lasted to the end of his Presidential term (Small, 1999). This turbulence in the US economy impacted the global economy and with it the Australian economy. The early 1970s saw considerable currency fluctuations, including the US dollar devaluation caused by Nixon's abandonment of the gold standard, which led to the freezing of the world money market. Furthermore, the OPEC oil crisis

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

and the rise in oil prices significantly increased the cost of shipping freight rates and eroded returns on grain for Australian growers (Zekulich, 1997).

The 1970s was a period characterised by high handling and freight costs, union issues, and strikes throughout Australia and internationally (Zekulich, 1997; Ayriss, 1999; Mazzarol & Mamouni Limnios, 2011). This leads to the third issue of farmer and union unrest during the decade. Farmer political activism erupted in response to a decision by the Federal Labor Government of E. G. (Gough) Whitlam, who, in response to the need for budget cuts in the wake of the global economic recession discussed above, announced the removal of the superphosphate bounties that provided farmers with subsidies for fertiliser. This decision was announced in February 1974 and involved the removal of the bounty of \$12 per tonne on superphosphate, arguing that the benefits of superphosphate had to be weighed against the greater cost to the Australian taxpayer, which had become too expensive (PMC, 1974).

However, fertiliser, along with pesticides, is one of the largest farm input costs, accounting for over 30 per cent of total farm expenditures (DAFWA, 2009). Due to the relatively poor soils found in WA, farmers had relied on superphosphate from as early as 1894, with the fertiliser seen as a modern technological aid which could 'conquer' the most 'unfavourable' or 'hostile' land (Gaynor, 2002, p. 118). Indeed, according to Fitzpatrick (1974), the rapid development of WA agriculture after 1950 was closely tied with the use of large quantities of fertiliser to ensure certain land areas could 'reach their productive potential' (p. 96).

Furthermore, farmers used high levels of superphosphate to achieve reasonable yields and income. Fears steadily arose that with the withdrawal of the bounty and the resulting increase in superphosphate cost, WA farm yields would be insufficient (Fitzpatrick, 1974). In March 1974, farmer protests this decision to remove the superphosphate bounty, erupted in Perth during the visit of Prime Minister Gough Whitlam (PNG Post-Courier, 1974; Zekulich, 1997).

Over 6,000 farmers protested in March at Subiaco Oval, while 8,000 others, including 500 to 1,000 farmers, pelted Prime Minister Whitlam with tomatoes, paper, and soft drink cans at a Forrest Place political rally he spoke at on behalf of the Labor Premier John Tonkin who was facing a State Election, which he ultimately lost to Liberal Party leader Charles Court (SMH, 1974). Fights broke out repeatedly in the crowd, with several ministers, security, and government staff punched and shoved. At the end of the event, Whitlam spoke of the farmers, saying, 'These people do not like free speech' and "[They] have come to town and taken a day off". Addressing the rest of the crowd Whitlam said, 'You are expected to subsidise them taking a day off' (SMH, 1974).

Finally, as the decade ended, CBH was beset by industrial trouble at the ports. Between 1978 and 1979 WA ports experienced severe strikes by the waterside unions, which resulted in the suspension of grain exports (Mazzarol et al., 2014). In Kwinana a union demarcation dispute occurred, which involved 81 CBH employees resigning from the Australian Workers' Union (AWU) and joining the Waterside Workers' Federation (WWF). This action was opposed by CBH, but it triggered extensive industrial strikes by the WWF from June to September 1978 (McColl, 1988a/b). This severely affected grain shipments and storage (Goldfinch, 2003).

For CBH the 1970s was a period in which the total number of members began to decline along with the number of receival sites, while overall volume of grain received grew from around 1.79 million tonnes in 1970, to just over 5 million tonnes by 1979. Table 3 provides the data to illustrate these trends.

Table 3: CBH Grain Receivals, Receival Sites and Membership 1970-1979

Production Year	Members	Wheat (tonnes)	Oats (tonnes)	Barley & Other Grains (tonnes)¹	Total Grain (tonnes)	Receival sites
1969/70	14,777	1,597,797	24,693	160,980	1,789,073	300
1970/71	13,609	2,712,110	283,041	683,791	3,684,759	289
1971/72	13,037	1,932,845	80,445	874,014	2,909,380	284
1972/73	12,527	1,777,307	8,070	425,871	2,222,250	262
1973/74	12,811	3,988,929	105,122	494,499	4,610,825	258
1974/75	12,977	3,052,121	103,954	247,685	3,452,938	220
1975/76	13,050	3,898,061	188,818	438,836	4,587,908	218
1976/77	12,925	3,052,378	118,370	488,539	3,665,671	201
1977/78	12,578	2,748,903	108,326	669,036	3,539,912	211
1978/79	12,425	4,174,240	142,518	675,390	5,002,070	214

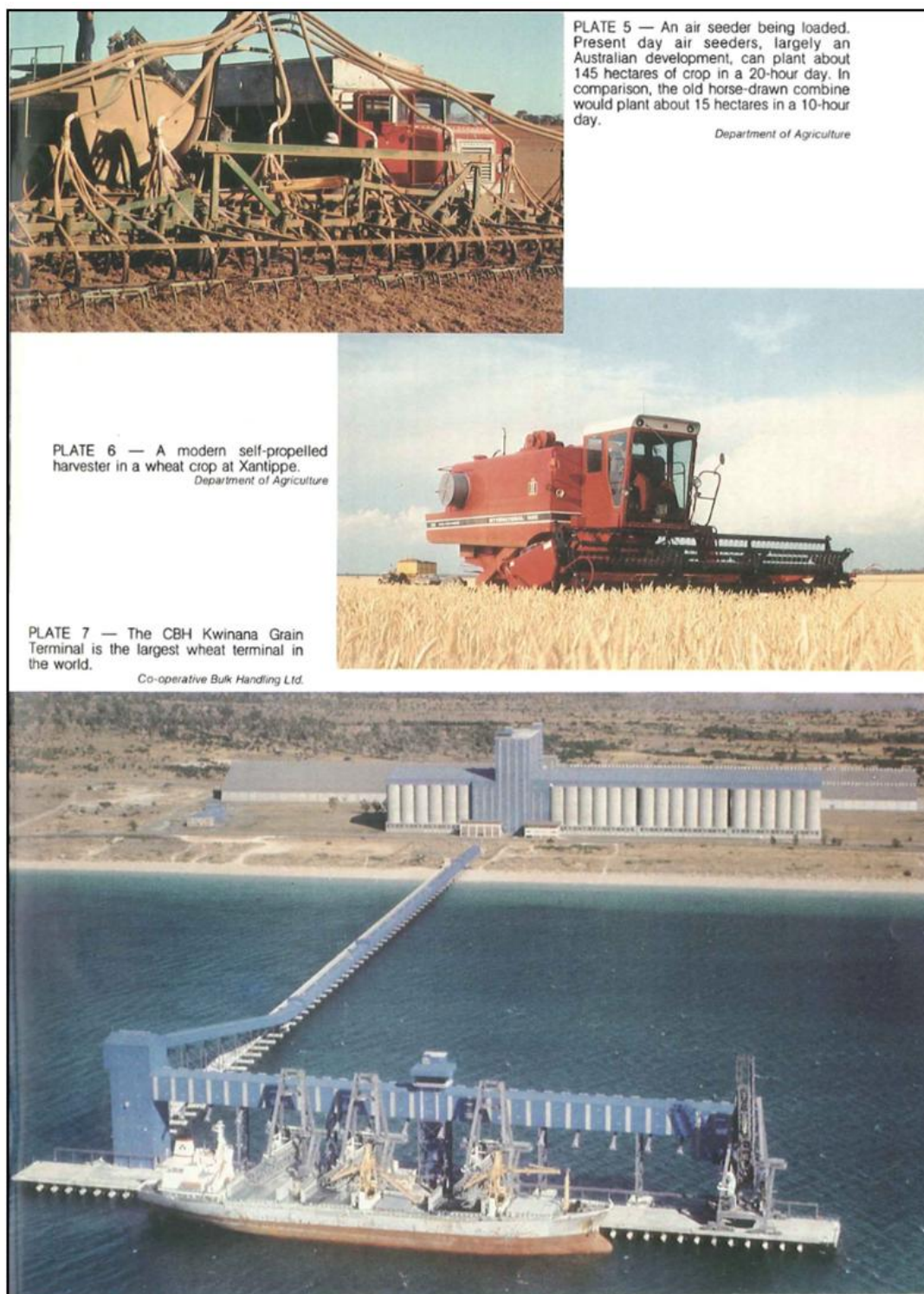
Sources: CBH Annual Reports, 1970 to 1979, and 1984.⁹

The declining number of members and receival sites over the decade is reflected in the declining overall population of the Wheatbelt. In 1971, the Wheatbelt residents accounted for 13.8 per cent of WA's population, by 1981 this had fallen to 12 per cent. Decline was most notable in the drier northern and eastern shires, with some towns showing remarkable population losses over the decade such as Mingenew 13 per cent, Morawa 14.7 per cent, Perenjori 15 per cent, Kondinin 11.4 per cent, Tammin 11.4 per cent, Wagin 10.25 per cent, Wyalkatchem 15.17 per cent and Cranbrook 15.73 per cent (WA Yearbooks, 1971, 1976, 1983).

⁹ From 1968 this included linseed, sorghum, canola, and lupins.



Figure 17: The growth and modernisation of grain growing in WA during the 1970s



Source: WA Yearbook (1983, pp. 352-353).

All these towns hosted CBH receival sites. Over the same period, the size of grain or mixed farms grew rapidly because of both clearing new land and consolidation of existing farms. In 1965/66, for instance, the most common farm size was between 800 and 1,200 hectares (3,148 farms, or 76 per cent of all farms), but by 1980/81, the most common farm size had almost doubled to 1,000 to 1,999 hectares (3,816 farms, but only accounted for 21 per cent of all farms). This decade saw, under the mantra “get big or get out”, the beginning of the very large farm, and in 1980/81 there were 26 farms of over 50,000 hectares, which comprised in aggregate a similar area to the 5.4 million hectares occupied by the 1,000-1,999-hectare farms.

The 1969/70 harvest produced a 50 per cent reduction in total grains supplied to CBH over the previous season due to it being ‘the driest season in the memory of most’ (CBH, 1970). Despite this CBH was able to export a total of approx. 2.2 million tonnes. The CBH Board continued to express concerns over the financial requirements the Co-operative had in its development of port and regional infrastructure. The need for tolls, and the planned issue of bonus debentures, highlighted the need for transfers of funds to the Company’s general reserve fund (CBH, 1970).

This raised the attention of members of the Co-operative who pointed to the case of the South Australian Co-operative Bulk Handling (SACBH), which had been established in 1954 after an almost 50-year struggle by local farmers to set up a bulk grain handling and storage system in that state (Mazzarol, 2021). It was noted that SACBH regularly retained each of its year’s financial surplus into its general reserve fund, and that it now had substantial capital for investment in the building of necessary infrastructure (CBH, 1970). In response, Chairman Sadler explained that the difference between CBH and SACBH was due to the way that the two companies’ financial surpluses were treated for taxation purpose. As he stated in the 1970 Annual Report,

“The South Australian Company because it retains each year’s surplus income without the payment of tax now has substantial reserves which it has been able to use for building storages. It has also been able to budget for a planned decrease in the rate of toll which this year has been reduced from 5 cents to 4 cents a bushel.”

“It has been many years since your Company has placed any funds in reserves. The reason for this is that because of our present income tax legislation each dollar placed in reserve requires an almost equivalent sum to be paid in taxation. Therefore, surpluses for each year have been distributed to grower shareholders who have paid the tax, with Company funds being kept to their existing levels. This has led to a position where the small amount in reserve is out of proportion to the size of the Company and its present financial structure” (J. Sadler, Chairman, CBH, 1970, p. 2).

Sadler also explained that the CBH Board had decided to retain some of the year’s financial surplus in the Co-operative’s general reserve fund, but that the annual accounts would also show the taxation levied on this money. He noted that the accumulation of financial reserves was essential, and that numerous approaches to overcoming the tax problem had been examined over the years. However, the Co-operative’s constitution would have to be amended to bring it into line with that of SACBH, which prohibited the distribution of rebates to its members, and upon winding up, the disposal of any net assets within the Co-operative would be ‘at the discretion of the Government’ of South Australia. He also stated that the inability to distribute rebates meant

that SACBH was able to reduce its reliance on the use of tolls to raise capital (CBH, 1970). Chairman Sadler stated in relation to this issue that,

“Your Directors have looked at the most effective way of achieving the same constitution as the South Australian Company and this can be done by a few amendments to the Bulk Handling Act. These amendments would merely remove from the Company the right to pay dividends or rebates and would provide that after all tolls, debentures and other indebtedness is paid, the Government would control the disposition of the remaining assets in the event of the Company being wound up. The benefits received would be exemption from taxation and the ability to push ahead with our building and modernisation programme without calling on growers for increased toll levies” (J. Sadler, Chairman, CBH, 1970, p. 2).

He added that he hoped the Minister for Agriculture, Hon. Crawford Nalder MLA would be receptive to making appropriate amendments to the *Bulk Handling Act 1967* (WA). In addition to this matter, 1970 also saw the Co-operative planning the completion of the international grain terminal at Kwinana, which was anticipated to take three to four years to complete. Also of concern was the impact of the wheat quotas imposed by AWB on growers. However, the matter was eventually resolved due to enhanced sales that reduced the volume of wheat carried over from the previous season allowing for increased quotas for the growers. Despite this, the issue of quotas continued to remain a matter of concern for the CBH Board (CBH, 1970). Quotas were finally abolished in 1981, although they had not been imposed for some years, with the AWB accepting all wheat presented for delivery that met the quality standard of the season (Wheat Marketing (Delivery Quotas) Amendment and Repeal Act 1981).

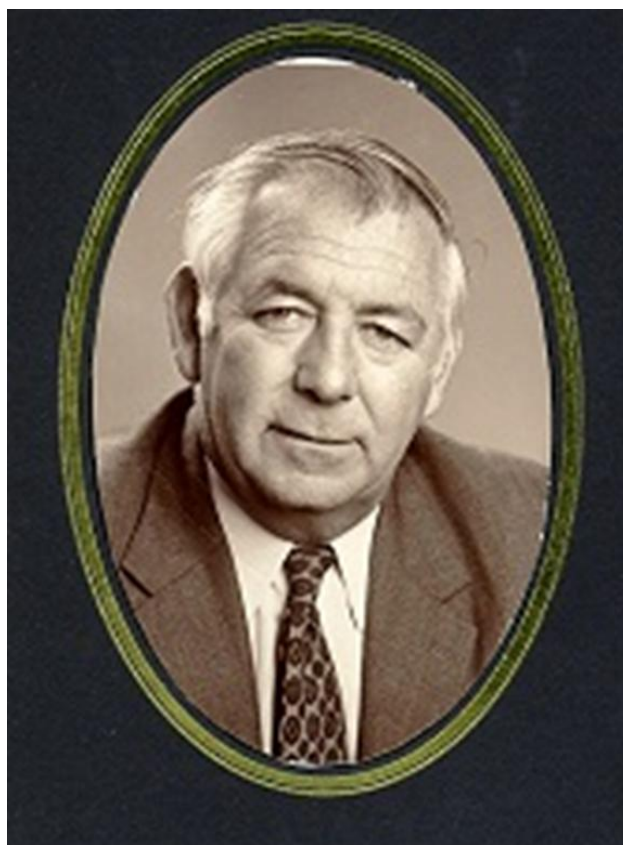
The following year saw the retirement of Sadler as Chairman after a period of seven years, and a total of 28 years as a director of CBH. He was replaced by the Hon. H. G. “Mick” Gayfer (1925-2021), a farmer from Corrigin who grew up on his parent’s farm and was educated at Claremont and Scotch College where he became Head Prefect and Captain in 1942. He became a director of CBH in 1959 and served until 1996, also serving as Chair of the CBH Superannuation Fund from 1971 to 1996. He also served in State Parliament as both a Member of the Legislative Assembly (MLA), and Member of the Legislative Council (MLC), the first being as MLA for the seat of Avon from 1962 to 1974, and then MLC for Central Province from 1974 to 1989 (Parliament WA, 2024).

The key events from 1971 were the receipt of a total of more than 3.68 million tonnes of grain, which was a significant increase over the previous season. This enabled CBH to export over 4 million tonnes of grain comprising the 1970/71 harvest and the carryover from the previous season. A second of nine equal instalments was paid on the debentures owed to members, which comprised just over \$3.16 million. Dividends and rebates were also paid to the members from the surplus of \$2 million generated for the year (CBH, 1971).

It was also possible for the new Chairman “Mick” Gayfer to report that the government had been able to amend the *Bulk Handling Act 1967* (WA) to enable CBH to qualify for an income tax exemption. The new provisions disallowed the Co-operative to issue dividends or rebates, and to ensure that after the repayment of all tolls, debentures, and other liabilities, the State Government would assume responsibility for the disposition of all remaining assets within the Co-operative

should it be wound up. These tax exemptions took effect from 1 November 1971, thereby allowing the Co-operative to move forward with its building and modernisation program (CBH, 1971).

Figure 18: The Hon. Harry Walter “Mick” Gayfer AM



CBH Chairman 1971-1996

Source: Parliament of WA (2024).

This saw the upgrading of the regional handling and storage facilities with new weighbridges, silos, and associated equipment. Planning for the second stage of the Kwinana Grain Terminal was also undertaken. As declared by Chairman Gayfer,

“Planning has continued for the second stage of the Kwinana Terminal. It is anticipated that when construction can be commenced it will take about 3 years for completion and will be the most modern integrated terminal in the world. Its completion will overcome the present serious shortage of port storage in the Fremantle Zone and provide us with sufficient depth of water to meet present and future shipping requirements” (H. W. Gayfer, Chairman, CBH, 1971, p. 3).

During 1972 the introduction of the metric system, began under the *Metric Conversion Act 1970* (Cth), which led to the metrication of the agriculture sector. The three key markets for WA grain exports at this time already used or were transitioning to the metric system, India since 1962,

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

China since 1929, and Japan since 1924 (WA Yearbook, 1970). This commenced with the wool industry in 1971, and included all grains, dairy and other commodities by 1974 (Wilks, 1992). This led CBH to commence the metrication of its operations and records including weights and measures (CBH, 1971). This meant that grain would no longer be recorded in bushels, but in metric tonnes.

Figure 19: CBH Wheat Bins Merredin (Left) and Trayning (Right), 1970



Source: State Library of WA (2024).

With a total receipt of 2.91 million tonnes of grain from the 1971/72 harvest and the carryover of grain from the bumper crop of the previous one, CBH was able to export around 3.32 million tonnes of grain. The amendment to the *Bulk Handling Act 1967* (WA) undertaken the previous year precluded the Co-operative from paying rebates and dividends allowing for the retention of the financial reserves for allocation to the capital expenditure program. With the first stage of the new Kwinana terminal operating, CBH was able to handle multiple grades of grain allowing them to be graded, separated, weighed, fumigated, and tested in an efficient manner (CBH, 1972).

The further development of the Kwinana Grain Terminal commenced with the appointment of a consulting engineer firm, McDonald, Wagner & Priddle Pty. Ltd., and discussions with the Fremantle Port Authority. Funding for the work was raised via a combination of a European Bond of \$30 million, secured via the Rural and Industries (R&I) Bank of WA, supported by a State Government guarantee, and loan of \$12 million from the Chase-NBA Ltd. bank (CBH, 1972).

Figure 20: CBH receival point accommodation, 1975



Source: CBH (1975).

In addition, the CBH Board commenced holding country meetings with members to strengthen the communications between the membership and Board. As Chairman Gayfer explained,

“This year 25 meetings of shareholders were held at selected centres in the grain growing areas. These meetings were organised to meet shareholders, to give them an opportunity to hear and discuss Company policy first hand, to inform them of current developments and what the Company is doing, and to receive and answer their questions and suggestions. It is planned to hold such meetings again when it is felt they are desirable” (H. W. Gayfer, Chairman, CBH, 1972, p. 5).

The 1972/73 season produced over 2.22 million tonnes of grain and CBH was able to export around 2.29 million tonnes comprising the 1973 harvest and the grains carried over from the previous season. CBH continued its modernisation of the regional receival network with new silos being constructed across a widespread of sites. This created a network of storage facilities with the capacity of around 2.73 million tonnes (see Figure 19). The Kwinana Grain Terminal was also progressed during the year with the completion of a second horizontal silo with a storage capacity of 318,226 cubic metres (CBH, 1973).

With the amendments to the *Bulk Handling Act 1967* (WA) now completed CBH was able to retain its annual financial surpluses from FY1971/72 and FY1972/73 resulting in an accumulated surplus of around \$6.36 million divided between the Capital Levy Account (with 85.4% of the funds), and the General Reserve (with 14.6%) (CBH, 1973).

CBH also developed its own prefabricated receival point accommodation units to house its regional employees. These were designed and manufactured in the Co-operative's Spearwood workshop and transported in two sections to the regional sites. Each unit provided sleeping accommodation for up to six people, along with kitchen, bathroom, toilet facilities, plus electricity and gas (see Figure 20). By 1973 over 100 such units had been installed (CBH, 1973).

The harvest of 1973/74 was a record totalling just over 4.61 million tonnes, grain exports continued with more than 3.55 million tonnes shipped from WA ports. CBH continued to upgrade its regional receival points, and to expand the provision of receival point accommodation using their innovative prefabricated accommodation, with the number of facilities rising to 122 (CBH, 1974).

The risk of AWB imposed wheat quotas continued to worry the CBH Board but were not having any significant impact on the growers. With inflation rising rapidly across the Australian economy, CBH found that cost reduction was becoming a key strategic issue. To provide the capital required for the Co-operative's massive investment in port facilities and related infrastructure, a "capital levy" was imposed at a rate of 2 cents per 0.027 tonnes (\$0.28 in 2023 dollars). This levy was made possible by the amendment to the *Bulk Handling Act 1967* (WA) and the approval received from the members at the 1973 Annual General Meeting and nineteen country meetings. In 1974 CBH reported total assets of just over \$114.5 million of which around \$16.4 million was held in capital reserves (CBH, 1974).

1975 was not as bountiful as the previous year although a total of more than 3.45 million tonnes was received, with 3.52 million tonnes exported by the Co-operative. The management of the repayment of toll debentures continued throughout the year, with a distribution of over \$3.16 million being made to shareholders. CBH also introduced an innovative grain sampling platform that consisted of a small shed mounted on a raised platform at a height that allowed easy access to the trucks bringing grains to the receival points (see Figure 21). This assisted the sampling teams to undertake their work more easily. These units were designed and built at the CBH workshops and by the end of 1975 some twenty had been installed (CBH, 1975).

Investment in the regional receival network continued with the installation of accommodation units rising to 150, and progress on the Kwinana Grain Terminal continued with the expectation that the facility would be completed by the end of the year. CBH also conducted a farm hygiene competition targeting pest control on the members' farms. The aim of the competition was to help growers develop best practice in the use of pesticides and associated techniques to ensure strict standards of hygiene on farms. The winners of the competition were Mr. I. Forrester, Carnamah (1st Prize), Mr. C. Hewitt, Corrigin (2nd Prize), and Mr. D. Ellis (3rd Prize) (CBH, 1975).

Figure 21: CBH grain sampling platform, 1975



Source: CBH (1975).

Despite these positive developments, CBH continued to remain concerned over the rising costs caused by the increasing inflation that was sweeping through the Australian economy. In his Chairman's report Gayfer stated,

"Rising construction costs are making it increasingly difficult for your Board to maintain new building programmes to the extent of previous years. New storages and other improvements now cost more than twice the price of the earlier units and little prospect is seen of costs reducing or even stabilising in the future" (H. W. Gayfer, Chairman, CBH, 1975, p. 2).

The year 1975 ended with the untimely death of Mr. M. J. (Mick) Lane, who had replaced Wilfrid McLean as General Manager in 1961. In reporting this death, Chairman Gayfer wrote,

"The untimely death, in November 1975, of Mr. M. J. Lane, our previous General Manager came as a shock to us all. Mr. Lane, who had been General Manager since 1961 was widely recognised as an authority in the handling of grain. His efforts contributed substantially to your Company being regarded as a leader in the handling and safe storage of grains. The Board wishes to record its appreciation for his loyalty and dedicated service over his many years with the Company" (H. W. Gayfer, Chairman, CBH, 1975, p.5).

Mr. Lane was replaced as General Manager by Mr. J. L. Fitzpatrick, who had been a CBH manager for 41 years and had been a deputy to Lane for 14 years. He had been required to assume the role of General Manager following Mr. Lane's illness, and after his death. The former Company Secretary Mr. E. J. U. "Jim" Green was also appointed Assistant General Manager (CBH, 1975).

Another bumper crop was delivered to CBH following the 1975/76 harvest, with around 4.59 million tonnes received. Total grain exports exceeded 4.09 million tonnes, and the Co-operative reported employment of 3,215 people during the year with the 1,089 off season workforce growing by 2,117 during the harvest. A seventh annual toll payment of over \$3.16 million was made to debenture holders, and the implementation of the new toll for the increasing of capital reserves commenced (CBH, 1976).

The Kwinana International Grain Terminal had also been completed and was forecast to be fully operational by early 1977. Reflecting the technological changes that took place during the 1970s the 1976 Annual Report noted that,

"When fully operational, all facets of modern technology will be combined to ensure the fastest, surest, and most hygienic handling of grain. A computer will be used to advantage by Terminal Staff with the latest equipment and techniques to ensure that the highest possible standards are maintained: something your Board is very conscious of" (CBH, 1976, p. 3).

This new terminal possessed a storage capacity of 912,000 tonnes of wheat and could handle the intake of 4,000 tonnes of wheat per hour, while simultaneously loading ships at a rate of 5,000 tonnes of wheat per hour. Bulk grain ships with a capacity of up to 100,000 tonnes could be accommodated, and a 20,000-tonne ship could be loaded in four to five hours. With its sky-blue steel cladding, the Kwinana Grain Terminal had become a local landmark that CBH looked upon with pride as a major achievement for both the Co-operative and the WA grains industry (CBH, 1976).

The late-1970s not only saw the introduction of computers, but it also led CBH to invest in upgrading its own scientific capabilities. This took the form of a Laboratory equipped with a Gas Chromatograph, used to detect pesticide residues in the grain. The laboratory's establishment was motivated by increasing pressure from export markets over the level of pesticide residues in grains shipped from WA (CBH, 1976).

As the decade of the 1970s ended CBH focused on the pursuit of its infrastructure development within the associated fundraising via tolls, and bank loans. The Kwinana Grain Terminal was also operating, and first ship was loaded on 29 June 1977 with the cargo being sent to Egypt. This milestone was launched by the Governor of Western Australia, His Excellency, Air Chief Marshall Sir Wallace Kyle. Following this inaugural shipment, a total of 21 ships were similarly loaded during the following months to 31 October 1977 (CBH, 1977). By January 1978, after only six months since the first shipment, the Kwinana terminal had loaded and exported a million tonnes of grain (CBH, 1978).

However, as discussed earlier, 1979 saw the Kwinana Grain Terminal hit by industrial strikes involving the Australian Workers' Union (AWU) and the Waterside Workers' Federation (WWF). These strikes impacted the terminal during the months of August and September causing severe

storage problems and delays to the loading of bulk grain ships. The matter became so concerning that an Extraordinary General Meeting of members was held at the terminal on 12 September 1979, with many growers travelling from across the Wheatbelt to Kwinana to attend. The position taken by the CBH Board in response to the unions' claims were explained by the Chairman Gayfer, and that approach was supported unanimously by members (CBH, 1979).

Grain receivals during the years 1977 to 1979 rose from 3.67 million tonnes in 1977 to just over 5 million tonnes in 1979. The Co-operative also continued to invest in the upgrading of its regional storage and handling infrastructure, as well as the regional ports of Geraldton, Esperance, and Albany. In 1977 CBH also commenced the construction of new brick and tile houses in selected country areas to house Country Superintendents. This was justified based on the need to provide such accommodation for senior employees to attract and retain them. Their financing was undertaken through building loans negotiated with the relevant local government authorities, which freed up the capital reserves for the construction of storage and handling facilities (CBH, 1977).

CBH also continued its farm hygiene competitions and sponsored an Inventors' Competition at the annual Dowerin Field Day. This latter competition tasked entrants to come up with solutions to various problems facing the grain industry, such as the cleaning of headers. Funding was also invested into research into the control of ryegrass, a weed in wheat, coarse grains, and pulse crops which impacted crop yields (CBH, 1977).

In 1977 CBH also provided support to the handling the sorghum crop by the Ord River District Co-operative Ltd. (ORDCO). This was arranged when the State Government approached CBH to provide this service to ORDCO. The arrangements made for this was that the State Government would provide the necessary elevator and ship loading equipment and CBH would provide its expertise in the implementation of these operations (CBH, 1977).

During 1978 CBH become concerned over the national structures associated with the regulation of the Australian wheat industry. As has been discussed earlier in this history, all wheat marketing and export was allocated to the AWB in 1939. CBH became an agent for AWB, and the latter established pricing guidelines, delivery quotas, and during the Second World War, the requirement for CBH to construct emergency grain storage facilities. Following the war, the *Wheat Industry Stabilisation Act 1948* (WA) and the *Wheat Industry Stabilisation Act 1948* (Cth) were passed. Together, these Acts provided a post-war legal framework for the AWB, with its operational activities largely delegated to the WA State Board as The Western Australian Agency Board of the AWB. The Acts encompassed price guarantees to growers, compulsory pooling, and coordination of wheat marketing, and the power of the AWB to acquire all wheat produced in Australia and the sole rights to its marketing both domestically and overseas (Whitwell & Sydenham, 1991).

In 1978 the AWB introduced a process of "State Accounting" that meant that storage and handling charges were no longer nationally pooled but were treated differently at each state level. CBH opposed the idea, expressing concern that it would risk the future of Wheat Industry Stabilisation Scheme and the AWB itself. However, CBH had to accept the state accounting system.

The consequences of this were summarised by the Chairman Gayfer in his 1978 annual report,

“In the future, all of the costs incurred by your Company will have to be paid for by the grain growers of Western Australia. There will be no subsidisation by the growers of other States where their costs are lower than ours, or in the years when we have a harvest downturn, nor will we be required to subsidise any of the other States when they have a harvest downturn or when their costs are higher than ours. All of the credits that we may earn by virtue of our superior facilities will remain in Western Australia for the benefit of our growers and these will, to some effect, mitigate our higher costs” (H. W. Gayfer, Chairman, CBH, 1978, p.5).

The following year CBH reported that while it still had concerns over the state accounting system it had negotiated “acceptable arrangements” that resulted in getting coarse grain growers to have equitable handling costs to other wheat growers (CBH, 1979). However, in 1979 the *Wheat Levy Act (No. 1) 1979* (Cth) empowered the AWB to issue permits to growers that allowed them to supply domestic customers directly rather than having to deliver their wheat to a bulk handling organisation, although this legislation was later repealed during the 1980s in a wider process of deregulation of the domestic wheat industry, which is discussed in the following section (Whitwell & Sydenham, 1991).

As a final initiative undertaken by CBH during the 1970s was its development and delivery of special training program for the Food Corporation of India. This took place during May 1979 and focused on the process of bulk grain handling and grain storage design and construction. It was attended by six officers from the Food Corporation of India and executive officers from the Indian Railways who were preparing to establish bulk grain handling and storage systems in India. The course involved not only CBH managers, but also executive officers from the State Railway authority Westrail, plus officers from the WA Department of Agriculture, and milling and processing companies. Funding for the course was provided by the Indian, Swedish, and British governments, the International Development Association, and the World Bank (CBH, 1979).

CHAPTER 5: PRESSURES AND CHANGES – 1980 TO 1999

The two decades from 1980 to 1999 represented a period of significant change for CBH as it faced challenges associated with droughts, rural population decline, market deregulation, technological disruption, and rising competition. The Co-operative faced external political, economic, social, technological, environmental, and legal challenges that required CBH to review its business model and undertake changes to its organisational configuration in response (Mazzarol et al., 2014a).

The issues of the 1970s continued into the next decade. The early 1980s consisted of rising costs for fuel, machinery, transportation, labour, and rail freight (Mazzarol & Mamouni Limnios, 2011; Mazzarol et al., 2014a). Indeed, the press widely reported frantic bidding wars (Zekulich, 1997). There were significant rising storage and handling costs in WA, the highest in the country, in part due to the Australian economy suffering a severe recession in the early 1980s, which culminated in the election in 1983 of the Federal Labor Government of Prime Minister Robert James Lee “Bob” Hawke (Mazzarol et al., 2014a).

Environmental problems also affected economic issues. From 1980 to 1983, Australia suffered one of the worst droughts to that time (BOM, 2024). This caused poor receivals for most years. In addition, there was a worldwide shortage of grain due to drought as well as severe shortages of feed and malting grade barley. These conditions offset some of the devastating environmental effects in WA, as growers were able to meet the demand of other states and countries (Zekulich, 1997).

However, post-drought, the Wheatbelt continued to have poor harvests, which resulted in further financial constraints, lower incomes for growers, and further population decline in the region (Zekulich, 1997; Sauman, 2009). Environmental issues continued through to the late 1980s with further droughts (Zekulich, 1997). Moreover, droughts occurred between 1993 and 1994, affecting the eastern states to a greater degree (Ayris, 1999; BOM, 2024). By contrast, WA growers were able to supply feed grain to maintain much of the national livestock industries (Zekulich, 1997).

Importantly, throughout the twentieth century, the emergence of capitalist agriculture in Australia and its subsequent demands on labour and land required meant governments cultivated an image of the ‘efficient’ farmer, that used science and technology to tackle any and all agricultural issues, increase yields, and ensure ‘greater economic returns and prosperity for the State’ (Gaynor, 2002, p. 109). However, several decades of ‘efficient’ farming led to an overall decline in net profit per hectare, the result of falling wheat prices, declining soil fertility, and increasing inputs needed to make up for it. Furthermore, both the State and Federal Governments failed to address the issues of soil erosion and salinity, preferring a focus on short-term profits (Gaynor, 2002).

In the 1990s the situation began to shift. Agricultural scientists acknowledged the extent of the issue and predicted frightening levels of damage (Gaynor & Bradbury, 2018). By 1995, at least 10 per cent of WA’s agricultural land was affected by non-naturally occurring salinity (Gaynor, 2002). In 1996 the State Government declared a ‘War on Salinity’, increasing budgets to agencies.

Meanwhile, the Federal Government launched a National Action Plan for Salinity and Water Quality. Unfortunately, this period of addressing salinity was an anomaly, with funding steeply declining by the 2000s (Gaynor & Bradbury, 2018).

CBH AND THE 'DECADE OF DECADENCE', 1980 TO 1989

The 1980s has been variously called the “greed decade” or the “decade of decadence”, which was also the title given to a compilation album by the heavy metal band Mötley Crüe to commemorate their work over the period 1981-1991. Its epitaph described a decade that saw the rise of market deregulation, neoliberal economics, technological transformation, the collapse of the Soviet Union, the end of the Cold War, and the economic rise of China.

During the 1980s CBH and GPWA of WA attempted to alleviate costs and environmental issues. In January 1980, the Boards of both organisations met to discuss the volume basis on which CBH charged to receive, store, and outturn various grains (Zekulich, 1997). CBH charges were based on a flat per cubic metre rate with the barley charge 12.5 per cent more than wheat and the oats charge fifty per cent more than wheat. The GPWA claimed that charging in such a manner was “not a true reflection of the cost incurred in handling the different grains” (Zekulich, 1997, p. 96). However, that same year GPWA decided, for the first year since 1948, not to apply for permission to conduct a voluntary oat pool, leading to intense grower protests. The GPWA later claimed the significant reduction achieved in CBH charges to handle oats may have been achieved “at the expense of oat warehousing complications” (Zekulich, 1997, p. 96). Later in the decade, between 1986 and 1987, the GPWA Board froze their administration charge to be at the level of the prior season to alleviate the financial pressure on growers.

The 1980s was also characterised by assessments of industries and markets. In 1982 and 1983 CBH re-assessed their long-term direction, resulting in two major decisions. They agreed to extend and upgrade their port terminals and to implement a program for improving country receival points to provide cost-efficient, innovative, and flexible facilities to increase the rate of delivery (Mazzarol & Mamouni Limnios, 2011). This re-assessment resulted in the introduction of the Conveyer Loader System and the creation of additional storage at the Albany, Esperance, and Geraldton terminals (Ayriss, 1999). In addition, CBH developed climate-controlled silos with sealing and fumigation to protect against insect and vermin infestation (Mazzarol et al., 2014a). In 1983, this program was recognised as the best in the world (Ayriss, 1999).

Market issues occurred in December 1983 when Taiwan banned imports of lupins, oats, rye, and buckwheat from all countries other than the US (Zekulich, 1997). This greatly impacted \$9 million worth of WA shipments. The ban occurred for two main reasons. First, due to a huge rice surplus in Taiwan which was dumped in US rice markets with the resulting US demand for Taiwan to fix the imbalance. Second, soybean millers pressured Taiwan to ban WA lupins as they feared—promoting an alleged false rumour—that a flood of Australian lupins would depress their soybean meal sales as the two protein sources can be interchangeable in many manufactured food products.

Consequently, GPWA implemented voluntary quotas to a maximum of 50,000 tonnes per annum to regain market access. Further, in 1984 and 1985 an amendment to the *Grain Marketing Act*

1975 (WA) enabled GPWA to raise funds either in Australia or offshore, dependent upon whichever was the most economical (Zekulich, 1997). Despite difficulties, in 1987 a new market emerged for CBH as they began receiving and storing “wheat-peas” (aka field-peas, *pisum sativum*) (Ayriss, 1999).

As outlined in Table 4, the 1980s was a decade in which the total number of members within CBH declined from 12,038 in 1980 to 9,309 by 1989. There was also a reduction in the number of receival sites throughout the Wheatbelt, and the regional population decline continued, falling by 1991 to 9.85 per cent of the State population (Census, 1991). Despite these declines, the overall volume of grain that the Co-operative handled during the 1980s grew from 35.5 million tonnes in the 1970s to around 53.9 million tonnes during the decade.

Table 4: CBH Grain Receivals, Receival Sites and Membership 1980-1989

Production Year	Members	Wheat (tonnes)	Oats (tonnes)	Barley & Other Grains (tonnes)¹	Total Grain (tonnes)	Receival sites
1979/80	12,038	3,520,029	43,103	493,222	4,066,642	212
1980/81	11,749	3,087,256	44,797	330,568	3,496,590	210
1981/82	11,634	4,522,621	45,032	369,731	5,030,461	206
1982/83	11,552	5,219,844	72,865	522,404	5,917,355	196
1983/84	11,557	3,984,534	86,736	632,986	4,939,308	198
1984/85	11,507	6,297,276	128,387	1,219,899	8,155,655	195
1985/86	11,078	4,091,236	32,974	829,184	5,194,822	196
1986/87	10,249	5,293,491	49,751	233,114	6,136,902	196
1987/88	9,417	3,642,708	108,771	446,374	4,614,609	196
1988/89	9,309	5,138,272	227,609	411,043	6,319,675	196

Sources: CBH Annual Reports, 1980 to 1989, and 1984.¹⁰

This increased supply of grain was noted in the 1980 annual report where it was discussed in terms of the growing size of the harvesters and grain trucks being used by the farmers, as explained in the following terms,

¹⁰ From 1968 this included linseed, sorghum, canola, and lupins.

"Each year the speed at which the Company is receiving growers' deliveries of grain is increasing. The improved equipment available to growers enabling high speed harvesting and transport of grain to Receival Points means that the Company must also endeavour to match developments by continued upgrading of its equipment."

"The size of vehicles now being used by many growers has necessitated the upgrading of weighbridges with 40 tonne weighbridges. Many of the installations provided with Truck Sheds over receival pits are now not sufficiently high to allow tipper bodies on the larger type of motor vehicles now in operation to be raised sufficiently for discharge purposes. These are but examples of the type of continual upgrading which is becoming necessary" (CBH, 1980, p. 3).

Not only were the farmers' harvesters and grain trucks increasing in size, so were the bulk grain ships. For example, in 1980 the "M. V. Bjorholm" loaded a record 78,490 tonnes of wheat at the Kwinana Grain Terminal, which it then shipped to Pakistan (CBH, 1980).

The 1980s was a period of regular droughts and the 1980/81 season produced over half a million tonnes of grain less than the previous year. CBH continued to repay the tolls (debentures) with a repayment term of ten years from the starting date of the member's toll payments. Tolls were also still being levied on the growers to finance the Co-operative's capital expenditure, but in 1981 they were reduced on a per tonne basis in recognition of the impact of the drought that had impacted most of the Wheatbelt (CBH, 1981).

Despite the drought CBH continued to invest in the upgrading of its regional storage network, and its port infrastructure. During 1981 the Co-operative's Board reviewed the Albany port facilities to upgrade the storage capacity there by 100,000 tonnes to meet both existing and future demand (CBH, 1981). In conjunction with this continuous development of grain storage and handling CBH also invested in techniques to protect the grain within its silos from insect and vermin infestation and the ingress of moisture. Following success in the sealing and fumigation of its own facilities, the Co-operative began to focus on the growers' on-farm storage facilities. This included the establishment of an exposition site at its Midland Transfer Point, where growers could observe the best practice techniques in grain protection (CBH, 1981).

Moisture in the grain was also a key issue that impacted quality. CBH had employed stem hygrometers to test for moisture. However, with new technologies continuously emerging, trials commenced during the 1979/80 and 1980/81 seasons with the Delmhorst Moisture Meter. These trials found the new moisture meter successful, and the Board decided to replace the stem hygrometers with the new device. As recorded in the Co-operative's annual report,

"The meter is comparatively inexpensive, and should growers wish to adopt the same meter for on-farm purposes the meter is now available from the Company for purchase at virtual cost. Enquiries from growers would be welcomed at the Company's Country/Terminal Offices or Head Office" (CBH, 1981, p. 3).

The 1980s was also a period of rising inflation and wage costs. The demarcation dispute at the Co-operative's Kwinana Grain Terminal continued into 1981 with Chairman Gayfer reporting to the members that the Board had,

"... continued to pursue every avenue available through legal process to resolve the situation. No stone will be left unturned in the Company's endeavours to attain a favourable decision on this matter" (H. W. Gayfer, Chairman, CBH, 1981, p.3).

During the same year, CBH negotiated an agreement with the State rail company Westrail and grower organisations that over a period of three years they would see rail freight rates based on a radial distance from port terminals. A cap of 15 per cent was also placed on any increases in rail freight rates from those of the baseline 1980/81 season. Any seasonal adjustments had to be negotiated according to an agreed formula, and freight discounts would be applied on a sliding scale where grain delivered to rail served receival points were over 3 million tonnes in any season (CBH, 1981).

As shown in Table 4, the 1980s was a period of steady decline in the number of members who remained active with CBH. The Co-operative's total membership had peaked in 1969 with 15,509 members and decreased slowly over the following decades. By 1982 it had fallen to 11,634 and would continue to fall to 9,309 by the end of the decade (CBH, 1982; 1989). Commenting on this decline in membership CBH Chairman Gayfer observed that this fall in membership,

"... was due to various reasons but mainly to the fact that a number of small farm holdings have been taken over or amalgamated to form larger and more economical farming properties. This, in recent years, has posed a problem to the Company as under the provisions of its Articles of Association and the Bulk Handling Act the Company could not purchase back from non-active growers and hold more than one fifth or 20 per cent of the paid-up capital of the Company" (H. W. Gayfer, Chairman, CBH, 1982, p.4).

He also explained that due to this situation the WA Parliament had amended the legislation to allow CBH to hold 40 per cent of the issued share capital thereby allowing the retiring members to be repaid their shares. However, he also explained that while CBH might end up owning a large proportion of the total share capital, it would not dilute the democracy of the Co-operative. Under the Articles of Association (aka Constitution) the Co-operative was owned and controlled by its active members who all had one-member-one-vote rights negating any concerns over control by CBH in holding the share capital (CBH, 1982).

Although the total number of members was declining as farming transitioned from small to large scale operations, the overall volume of grain produced in the Wheatbelt continued to increase. Even with the impact of drought, CBH grain receivals grew from just over 4 million tonnes in 1980 to more than 6 million tonnes by 1989. This continued to place pressure on the Co-operative's grain storage and handling infrastructure, with the ports being particularly impacted.

During 1982 the CBH Board expressed concern over the state of the port of Bunbury grain terminal. This was impacted by a redevelopment of the harbour and a deterioration of the main jetty that was no longer considered economically viable. The Bunbury Port Authority notified CBH that the jetty would no longer be used beyond the 1982 season. Instead, CBH was allocated loading access at the new breakwater berth. This required the Co-operative to purchase a new ship loader at a cost of over \$600,000, with the need to construct transport access from their silos where ships would be berthed (CBH, 1982).

Other major activities during 1982 were the need to commence the upgrading of the Albany port facilities, the upgrading of the regional weighbridges, and continued investment in the protection of stored grain from insect and vermin infestations and water damage. It also commenced a collaborative research project with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) using satellite data gathered by American satellites to estimate crop yields based on soil conditions and other variables (CBH, 1982).

Investment in port and regional grain storage and handling facilities continued into 1983, with the Co-operative reporting a total of around 8.5 million tonnes of storage capacity including port, regional and emergency facilities. This was larger than any other state in Australia, and with the upgrading of the port of Albany facilities, the total storage capacity would rise to around 8.7 million tonnes (CBH, 1983).

CBH had also commenced the installation of controlled atmospheric storage of grain to preserve the product and protect it from pests and moisture. The installation of this storage system was progressively rolled out across the Wheatbelt with 1.5 million tonnes of storage capacity so prepared by 1983. This treatment of the stored grain was motivated by requirements from export markets where buyers demanded zero contamination of grain with insect or chemical residues. However, CBH could only control the quality and condition of the grain from its receipt points up to the point where it was loaded onto the ship. As Chairman Gayfer noted in his 1983 annual report to members,

“Whilst your Company employs stringent controls on grain for its protection from the time the grain is received into storage to the time it enters the ship’s hold, growers must also ensure similar controls in farm housekeeping, harvesting and delivery. A ‘pipeline’ free of insects and other objectionable contaminants starts on the farm and it is noted with pleasure that the majority of growers are conscious of this aspect. The Company has, however, unfortunately, had to take action against a number of growers who have delivered or attempted to deliver contaminated grain” (H. W. Gayfer, Chairman, CBH, 1982, p.3).

Industrial relations continued to plague CBH during 1983, and the Co-operative was also by that time the single largest employer in the contract building industry in Western Australia. This made it a target for industrial action by unions within the construction sector who were targeting large projects. This led to delays and cost overruns in the construction of the Kwinana Grain Terminal and other projects across the State. On a more positive note, CBH reported that it had excellent relations with its permanent workforce of 1,173 employees of whom 32 per cent had been with the Co-operative for more than ten years, and some for over forty years (CBH, 1983).

The 1983/84 season was “disappointing” with total grain receipts falling to around 4.94 million tonnes down from the 5.92 million tonnes of the previous year. This reduced supply, combined with the need to complete the sealed storage program (that provided the controlled atmosphere of the grain silos), plus the need to progress the Albany port facilities upgrade placed significant pressure on the Co-operative’s finances. In response the CBH Board made the decision to curtail the upgrading of the regional receipt and storage facilities. The Co-operative had spent over \$99 million over the previous five years on the regional network infrastructure (CBH, 1984).

CBH continued to invest in the latest technologies to assist it with maintaining best practice in grain storage and handling. In 1984 the Co-operative purchased a portable Isolcell Nitrogen Generator to trial its application to sealed storage facilities. This equipment removed the oxygen from the sealed container (e.g., grain silo) thereby suffocating any insects trapped inside. During the same year CBH commenced protein testing of wheat with equipment supplied by the AWB. In addition to this technology, the Co-operative also upgraded its mainframe computer at its head office in Perth. This saw the installation of an IBM System 38 mainframe computer (see Figure 22), which was reported as offering major improvements over the previous system,

"The new model's advantages over the previous computer include the capacity of on-line data transmission, attachments for word processors to operate from the computer and a sixteen times greater memory capacity which will allow immediate access to stored information" (H. W. Gayfer, Chairman, CBH, 1984, p.5).

During 1987, the IBM computer was upgraded to allow it to communicate directly with banks and enable the Co-operative's staff to have 'greater control over the daily cashflow and provide access to the latest banking technology' (CBH, 1987). This would include the ability to pay employees wages directly into their bank accounts, significantly reducing manual transfers and cheques. The computer was further upgraded by the end of the decade, to provide direct links between CBH head office in Perth, and the Co-operative's regional offices and port facilities. In addition, it was set up to allow it to manage the firm's human resources system and to provide Computer Aided Design and Drafting (CADD) services to the CBH engineering department (CBH, 1987).

1984 also saw a breakthrough for CBH in its protracted battle with the unions. This took the form of a single *Western Australian Grain Industry Award, 1984* that covered all the AWU members working at both the port grain terminals and the regional receival sites. It was noted in the annual report that,

"Lengthy proceedings before the Australian Conciliation and Arbitration Commission resulted in an Order for all grain handlers to be covered by Federal Awards and your Directors feel that the benefit of having the one tribunal to settle all Award matters should greatly reduce the time involved in settling future industrial problems" (H. W. Gayfer, Chairman, CBH, 1984, p.6).

CBH also played an active role in the annual "Field Day" events held at Dowerin and Newdegate that attracted collectively approximately 30,000 people. It also received awards for its activities. This included the Phoenicia International Trade Trophy in 1983, recognising the work CBH had done in relation to the quality of its services, technological and social innovations, scope of its international operations, and assistance to developing economies (CBH, 1983). The following year the Co-operative won the H. A. Ritchie Memorial Trophy in National Handling, Mining, Rural and Primary Industries. This award reflected the flexibility, cost effectiveness, quality of the services CBH provided to its members (CBH, 1984).

Figure 22: CBH IBM System 38 mainframe computer, 1987



Source: CBH (1987).

The 1984/85 season delivered around 8.16 million tonnes of grain, which was 61 per cent more than the previous year. This massive improvement in crop production was attributed to the sowing of a large area of land across the Wheatbelt, and the favourable weather conditions that lasted throughout the entire season. Furthermore, the Co-operative's regional receival sites and associated storage and handling infrastructure managed this bumper crop with no significant problems. It was the opinion of the CBH Chairman Gayfer that,

"In the light of this record harvest, it was rewarding to see vindication of your Board's previous decisions to continue the expansion of the Company's storage construction programme" (H. W. Gayfer, Chairman, CBH, 1985, p.2).

Co-operative Enterprise Research Unit (CERU)
Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

1985 also saw a continuation of the upgrading of the port and regional grain storage and handling facilities throughout the Wheatbelt and its coastal areas. The Albany port terminal upgrade was completed that year, and both Esperance and Geraldton ports received upgrading of the storage and handling infrastructure. The sealed storage program continued to progress across the CBH network, and trials commenced in the protein testing of wheat for AWB (CBH, 1985).

CBH continued to support the Dowerin and Newdegate field days, while also participating in agricultural 'expos' at Narrogin, Mingenew, and Wagin. The Co-operative also undertook projects in Pakistan and Egypt, and tours of Malaysia and Thailand during 1985, while receiving visiting delegates from China, Japan, Egypt, Malaysia, Canada, the United States, USSR, Sri Lanka, Italy, Morocco, Angola, South Korea, Indonesia, Pakistan, and the United Kingdom, who toured their facilities. The IBM System 38 computer that had been installed the previous year was proving valuable, and growers' queries were being processed quickly through online enquiries. Industrial relations had also been improved because of the federal award, and application of the 'Accord' program introduced by the Federal Labor Government of Prime Minister Bob Hawke (CBH, 1985).

During 1985, CBH signed a contract with AWB relating to remuneration for grain storage and handling services. The Co-operative was still operating as an agent of AWB which controlled all rights to wheat export marketing. A bone of contention for CBH had been the way in which any non-compliance with AWB requirements from individual States, were pooled to impact the grain handling organisations in every other state. CBH had often considered this a penalty it had to carry unfairly as the Co-operative's operational efficiency was generally superior to its interstate counterparts. As explained in his annual report to members, Chairman Gayfer declared that the new agreement had benefits,

"The agreement contains for the first time the principles of State accountability, which stipulate that the Bulk Handling Authority in each State should be responsible for providing the capacity to receive, handle, store and ship the wheat of each season and that the Australian Wheat Board should have the capacity to sell that wheat."

"Where-as previously the costs arising from non-compliance with these conditions were pooled Australia wide, as in the case of carryover costs incurred for wheat stocks on hand after 30 November each year, under this Agreement the costs falling in these categories will be borne by the wheat growers in that State, or in some circumstances the Bulk Handling Authority of that State" (H. W. Gayfer, Chairman, CBH, 1985, p.5).

With the 1986 Royal Commission into Grain Handling, Storage and Transport looming (see next section) in the background CBH saw out the remainder of the decade in a business-as-usual manner. Grain receivals grew from around 5.2 million tonnes in 1986 to just over 6.3 million tonnes in 1989. The total number of regional receival sites decreased from 212 at the start of the decade, to 196 by the end. However, investment in the Co-operative's bulk grain storage and handling infrastructure continued steadily, with further need to upgrade the network of weighbridges at the receival sites due to the increasing size of the growers' grain trucks. This saw the 25-tonne and 40-tonne weighbridges replaced with 50 and 60-tonne units (see Figure 23) (CBH, 1988).

Figure 23: CBH 60-tonne weighbridge Carnamah, 1988



Source: CBH (1988).

In 1988 six 25-tonne weighbridges were converted into 50-tonne units with digital readouts, and these modifications were undertaken by CBH within its own engineering department. During 1989, there was a change in the National Standards Commission Regulations pertaining to devices such as weighbridges. In response CBH designed and had approved a 50-tonne weighbridge operated with either electrical or mechanical systems. Thirty-three of these units were installed during the year. Their impact was described as follows:

"The benefits of these units are additional capacity, increased reliability and the potential to be integrated with a computer based receival system" (CBH, 1989).

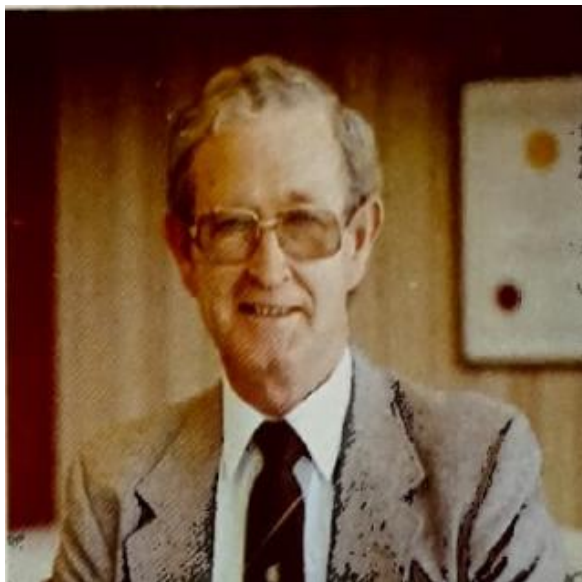
Co-operative Enterprise Research Unit (CERU)
Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

The improvement of the Co-operative's infrastructure also included its investment in sealed storage and by 1986 the Co-operative had the highest amount of sealed storage in the country (CBH, 1986). CBH also maintained its participation in the annual field days and expos across the Wheatbelt, while pursuing its repayment of tolls (as debentures) to members over their ten-year lifespan (CBH, 1986; 1987; 1988; 1989).

Office administration was enhanced with the IBM System 38 computer, which by 1986 had been connected to all the Co-operatives departments supplying word processing, spreadsheets for financial management and budgeting, and a graphics package. Regional offices were connected to the mainframe during 1987-1988, and by 1989 the computer was being earmarked for replacement (CBH, 1987; 1988; 1989). The IBM System 38 mainframe computer had been acquired under a five-year lease agreement expiring in 1989. As a result, the CBH Board approved its replacement with a new IBM model AS400 that it was hoped would support the company's operations until the year 2000 (CBH, 1989).

The steady decline in total members was also a subject of debate within CBH during the second half of the 1980s. In the annual report of 1987, the figures for membership were displayed. They showed the fall from 12,038 members in 1980 to 10,249 in 1987. This decline in membership was attributed to, "the downturn and farm consolidation within the grain industry" (CBH, 1987, p.3). However, there seemed to be no acknowledgement that this trend was likely to continue and see the membership decline to even fewer numbers.

Figure 24: Jim Green (left), Ray Delmenico (right), 1986



Source: CBH (1986).

There was also a change within the senior executive team of CBH with the retirement of General Manager E. J. U. “Jim” Green in 1986. He was replaced as General Manager by Raymond “Ray” J. Delmenico who had been the Assistant General Manager, and who served as General Manager until 1994 (see Figure 24). Jim Green had joined the Co-operative in 1966 becoming Company Secretary, then Assistant General Manager in 1974, and General Manager in 1978.

In recognition of Jim Green’s service, Chairman Gayfer wrote,

“On behalf of the Company’s Shareholders and Staff, your Directors pay tribute to the untiring and dedicated efforts of our General Manager Mr E. J. U. Green, JP., BCom, FAGI, who has faithfully and diligently served that office with the utmost devotion to his duties and to the welfare of the Company, Shareholders and Staff alike” (H. W. Gayfer, Chairman, CBH, 1986, p.5).

THE PUSH FOR MARKET DEREGULATION

Throughout the 1980s the Federal Government and the international agricultural industry placed increasing pressure on the Australian grain industry for market deregulation (Patmore, Balnave & Marjanovic, 2021). Specifically, this related to the deregulation of the single desk marketing monopolies AWB and ABB (Brewin, Bielak & Oleson, 2008). The push for deregulation was motivated by the rising cost of bulk grain handling and the perceived inefficiencies and high bureaucracy within the industry, in particular the state-owned organisations (Grain Elevator Boards) in New South Wales and Victoria (Mazzarol et al., 2014a). These perceived inefficiencies, in addition to ongoing strikes and union problems, led to the 1986 Federal Royal Commission into Grain Storage, Handling and Transport.

The Royal Commission was led by James C. McColl, an Agricultural scientist and expert in Agricultural economics (see Figure 22). Born and educated in Victoria, McColl moved to South Australia where he was appointed as Director of the Department of Agriculture and Fisheries in 1976, becoming Director General of the State’s Agriculture Department in 1980. He held several senior government and corporate roles in South Australia before becoming a Commissioner with the Industries Commission (now Productivity Commission) in 1985 and was appointed to head up the Royal Commission the following year. According to the Royal Commission, it was discovered that growers perceived CBH to have a paternalistic attitude toward them, withholding information about costs at receival sites “on the grounds that it will be misunderstood or will cause dissension” (McColl, 1988b, p. 18).

The Royal Commission’s investigation was completed in 1988, and a substantial three-volume report was published that year. It recommended a mixed deregulation/regulation approach to increase efficiency while having mechanisms to address problems associated with deregulation (McColl, 1988a). For storage and handling it recommended the removal of sole receival rights by the incumbent entities and the ‘commercialisation’ of all bulk handling agencies across the country.

Figure 25: James C. McColl, Royal Commissioner for grain storage and handling, 1987



Source: AARES (2011).

The Royal Commission resulted in the *Wheat Marketing Act 1989 (Cth)*, which established the Export Wheat Commission to control wheat exports from Australia and monitor performance for the benefit of growers. In addition, it enacted certain controls over bulk wheat export and begun the process of deregulation by removing the various state bulk handling and single desk marketing monopolies (Dong, Marsh & Stiegert, 2005; Brewin et al., 2008; Mazzarol et al., 2014b).

However, farmers preferred the security of single desk monopolies as they offered greater price stability and gave them enhanced bargaining power as suppliers (Ramshaw & Lee, 2022). Indeed, money earned from periods of high prices could be set aside to offset returns in low price periods. However, with rising costs and the fall of commodity prices in international markets, the Federal Government became uncomfortable with obligatory guaranteed minimum floor prices while juggling the high costs and lack of opportunity to recoup them from global markets (Mazzarol et al., 2014a).

Furthermore, the technical and scientific advancements in production, storage, and handling which occurred since the 1960s resulted in increased production and growing stockpiles of grain (Mazzarol et al., 2014a). Thus, the Hawke Federal Labor Government brought forth market restructuring and deregulation to make the Australian economy more competitive and open (Dong et al., 2005; Brewin et al., 2008). As a result, CBH lost their sole handling rights (Ayriss, 1999; CBH, 2021a). CBH was quick to respond to the establishment of the Royal Commission, and in the Chairman's annual report for 1986 it was noted that,

"The Company is in the process of preparing a detailed submission to the Royal Commission into Grain Storage, Handling, and Transport which is scheduled to take place over the next

Co-operative Enterprise Research Unit (CERU)
Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

twelve months. Your directors are of the view that the retention of an orderly regulated grain storage, handling and marketing system is an absolute necessity for the long-term survival of the grain industry in Western Australia” (H. W. Gayfer, Chairman, CBH, 1986, p.5).

Throughout 1987 CBH was heavily involved in the development and presentation of submissions to the Royal Commission. It continuously asked the Co-operative to provide information and answer questions arising from its investigation, which the CBH Chair reported at the AGM had imposed considerable demands on the Co-operative's time. CBH was particularly concerned about a lack of unity within the grower community, reflecting a mindset that was strongly developing during the 1980s for market deregulation, and which had the potential to, and indeed did result in, the loss of many co-operative and mutual enterprises across Australia during the period (Patmore et al., 2021). Commenting on this CBH Chairman Gayfer stated,

“Your Directors are extremely disappointed that the industry did not see fit to present a united front on the most important aspect arising from the submissions, that of moves for the removal of sole handling rights for wheat and barley currently granted to the Company.”
(H. W. Gayfer, Chairman, CBH, 1986, p.6).

He explained that the legal and organisational arrangements that had been put in place over the years imposed a ‘price’ on CBH in the form of restrictions and obligations to both the WA State Government and the grain grower community. This was embodied in the *Bulk Handling Act* and should the legislation be changed to remove CBH’s monopoly right to grain handling it would also result in the removal of those obligations and restrictions (CBH, 1987). During the investigation, CBH General Manager Jim Green was one of the main spokesmen for CBH, expressing concerns about deregulation because of the potential loss of CBH’s income tax exemption status and increased environmental issues around insect resistance and chemical residues (McColl, 1988a; 1988b; Ayris, 1999).

These concerns were elaborated by Chairman Gayfer in his annual reporting to members. For example, he highlighted the various areas within the State *Bulk Handling Act* that would disappear in a deregulated market. The first was the restriction on CBH being able to trade in grain, which was a monopoly granted to the single-desk grain marketing authorities the AWB, the Australian Barley Board (ABB), and GPWA (Dong, et al., 2005; Brewin et al., 2008). Second, the requirement that CBH must construct grain receival points at any site where the State Agriculture Minister confirmed that more than 5,500 tonnes of grain over five years would be supplied would also end.

Third, the requirement that the storage and handling facilities operated by CBH must be maintained in good repair and condition, would also cease. Fourth, the requirement that any changes to the Co-operative’s Articles of Association had to be approved by the State Governor would also disappear (CBH, 1987). Gayfer warned that in a deregulated market, CBH would no longer be bound by these restrictions and obligations. Its decisions to provide services in areas that did not offer a commercially viable proposition would be unconstrained, implying that growers might find receival sites closed, and it could place the Co-operative at a commercial disadvantage to market competitors if they were retained.

In his conclusion he stated that,

“Your Board is of the view that sole rights should be fiercely defended, and that the current cost sharing system aimed at providing equal services to all Shareholders, where each grower pays the same standard rate is the system truly representative of the co-operative spirit upon which the Company was founded, and most favoured by our grower Shareholders” (H. W. Gayfer, Chairman, CBH, 1987, p.6).

In 1988, following the release of the Royal Commission’s report (McColl, 1988a/b), CBH considered its recommendations and the assumptions upon which they were based, and in the annual report Chairman Gayfer delivered a lengthy refutation of the Commission’s findings (CBH, 1988). He noted that the Commission had undertaken an economic and financial analysis of the costs and benefits of the existing system in comparison to hypothetical alternatives. This analysis had made the case that market reregulation would generate financial benefits of \$10 per tonne nationally, and \$7 per tonne within WA. However, while this sounded a compelling case for removal of the incumbent monopolies, the findings were predicated on faulty analysis. As he explained,

“These estimates were based on a small number of case studies in each State. For Western Australia, the results were predominantly based on the Wongan Hills area. Here, the Commission assessed that road transport from paddock to Avon and then rail to port, would be cheaper than the current paddock to nearest bin and then on to Avon and the port. According to the Commission, the estimated benefits were ‘achievable in the short term and should be pursued immediately’. However, an examination of the Commission’s estimates revealed that capital costs associated with rail and handling/storage infrastructure had been included” (H. W. Gayfer, Chairman, CBH, 1988, p.7).

Gayfer emphasised the point that in WA, most of the grain storage and handling facilities that the Co-operative had built over the years were already paid for and would “not require replacement for many years” (CBH, 1988, p. 6). Furthermore, these assets were single use items and had limited value for any alternative other than the bulk grain handling and storage of the State’s harvest. As a result, any short-term savings as envisaged by the Commission were unlikely to accrue. In fact, a reassessment of the long-term cost-benefit outcome of the Commission’s recommendations would be negative, particularly when adjustments to road track costs and productivity improvements were factored in. He stated,

“... the Commission’s preferred alternative path to port would cost \$4 per tonne more than the existing path. This contrasts with the Commission’s estimate of a \$7 per tonne saving” (H. W. Gayfer, Chairman, CBH, 1988, p.7).

The CBH Chairman also stated that the Commission’s claims over per tonne dollar savings were headlines that could be seized upon in a public debate and that many within the wider community would be led to assume that they were accurate and reliable (CBH, 1988). Further, while estimates of potential costs and savings might be useful as general guides to assessing whether changes were ‘worthwhile’, they also needed to be placed into the wider context of the costs of disruption caused by the abandonment of existing infrastructure and transitioning to alternatives (CBH, 1988).

Other recommendations from the Royal Commission that CBH took issue with were the replacement of the system of averaging costs with one reflecting actual cost at each receipt and shipping point. The Co-operative had adopted a policy of pooling costs across its receipt and shipping sites to provide a more equitable arrangement. It was calculated over multiple seasons and recognised that seasonal differences could impact some sites either positively or negatively, and that an averaging model was fairer (CBH, 1988).

It was clearly stated that costs associated with the bulk handling and storage of grain comprised capital costs, including depreciation and interest on borrowings, as well as the daily costs of operations and maintenance. These complexities were not factored into the analysis of the Commission. However, the recommendation for market deregulation and an opening up to new licenced bulk storage and handling operators assumed that all would comply with the same standards of hygiene and quality control, plus work health and safety standards (CBH, 1988).

This was a point supported by a submission from the CSIRO to the Commission that expressed concern over any market deregulation resulting in a decline in the high standards and excellent quality of grain found in the existing system's storage facilities. Should the arrival of new entrants result in such standards being impacted, the total cost to the Australian wheat industry would be difficult to calculate (CBH, 1988).

As a final comment, Chairman Gayfer noted that CBH had developed an excellent reputation for work health and safety. This included road traffic accidents caused by use of heavy road haulage. Insurance premiums paid by CBH for its accident cover reflected this reputation. However, any new entrants into the market risked eroding these standards and any shift of transport from rail to road, would risk increasing road traffic through the towns and local roads. It would also lead to CBH having to close unviable receipt sites if competition increased (CBH, 1988).

Despite these protestations by CBH in relation to the Royal Commission's findings, the report led to the passage of the *Wheat Marketing Act, 1989 (Cth)*. This legislation removed the monopoly rights of the incumbent bulk grain handling agencies across Australia. It also created a Wheat Industry Fund for use by AWB and made cost minimisation a major part of AWB's mandate. This lifted restrictions on AWB's ability to handle only wheat, and widened its marketing rights to all grains, and to acquire facilities. Both the single-desk grain marketing authorities, AWB and ABB, were privatised and became investor-owned firms. A 'sunset' clause was imposed on their status, which allowed the two organisations the time to convert from statutory authorities to publicly listed companies (Ryan, 1994; Brewin et al., 2008).

It ushered in a new era for CBH, and the other bulk grain handling organisations, with strategic implications on the future of them all. As would be seen in the next twenty years, for some of these entities, and the growers who depended upon them, the impacts would be negative.

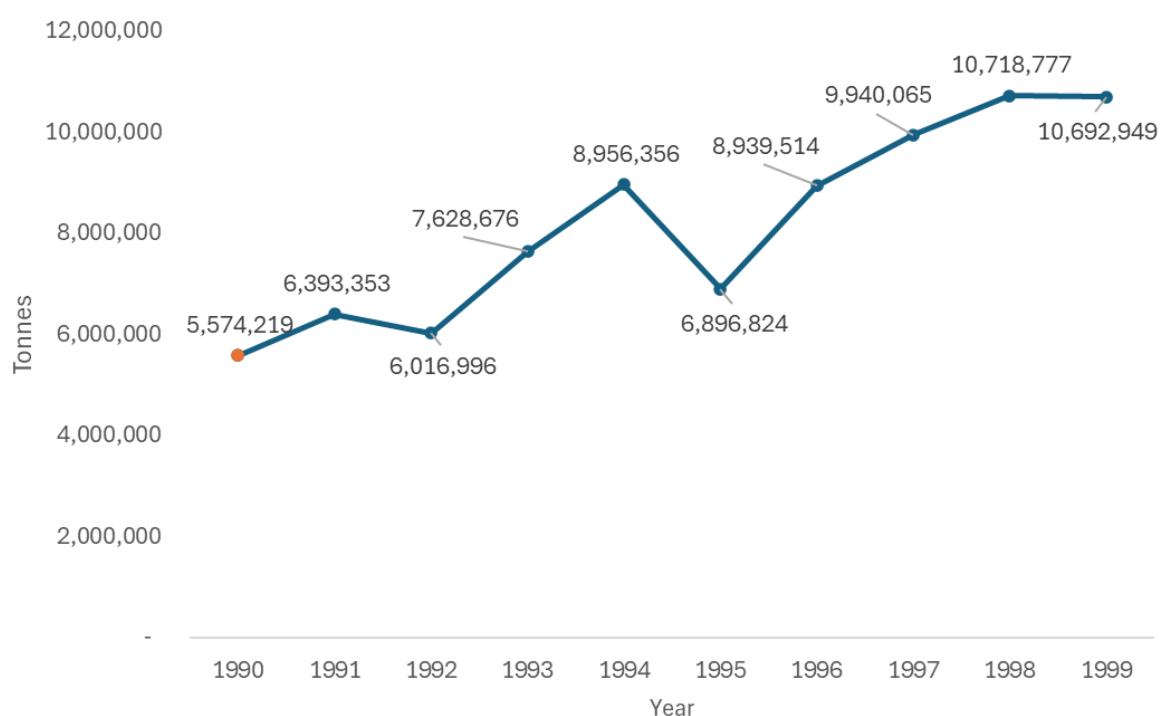
CBH AND THE 'DECADE OF GLOBALISATION', 1990-1999

The 1990s have been called the 'decade of globalisation' and this epitaph offered CBH both many opportunities to expand its international horizons, and some serious threats associated with the market deregulation that had emerged in the late 1980s.

The significant market changes of the 1980s led to necessary strategic assessments for CBH in the 1990s. This greatly impacted its business model as it sought to achieve greater levels of efficiency (Mazzarol et al., 2014a). In the early 1990s CBH established an industry reform authority which resulted in a rationalising of the staffing levels for grain loading and reducing labour costs at Kwinana and regional ports in WA (Zekulich, 1997).

In addition, the WA grain industry was able to secure direct control over road haulage contracts previously under the management of the State Government, specifically the moving of grain from CBH receival points to ports. This provided the opportunity for greater grower input and streamlined the road freight system (Zekulich, 1997). In 1990, CBH entered a five-year contract with the state rail authority, with a focus on productivity improvements, which created efficiencies in the rail network (Zekulich, 1997; Mazzarol et al., 2014a). Furthermore, between 1989 and 1990, CBH introduced an online data processing system at five locations, costing \$5 million (Ayris, 1999). These developments are discussed further in this section.

Figure 26: CBH grain receivals 1990s



Source: CBH (1990-1999).

As shown in Figure 26 grain receivals during the 1990s grew from just over 5.57 million tonnes in 1990 to around 10.7 million tonnes by 1999. Despite this significant increase in grain supply, CBH was able to move this volume of grain successfully and cost-effectively from the receival sites to the ports (CBH, 1990-1999). Membership hovered around an average of 9,828 active members during the 1990s (CBH, 1990-1998). The 1988/89 season had seen the delivery of around 6.32

million tonnes of grain, but the decline for the 1989/90 season of about 12 per cent led a fall in the Co-operative's operating surplus from \$22.2 million to \$17.9 million. Despite this, CBH was able to report that it held over \$56.3 million in its 'Seasonal Equalisation Reserve' fund, which had been established to help 'stabilise handling charges in the event of abnormal low receivals and adverse economic conditions' (CBH, 1990, p. 1).

The Co-operative was now operating a network of 196 receival points across the Wheatbelt, which had been upgraded and maintained, to enable most growers to complete their harvest prior to Christmas. It was a matter of pride that the 1989/90 season harvest was managed over just 27 days, a record (CBH, 1990). CBH also focused heavily on enhancing its quality controls, with a comprehensive program of training and development provided to its Receival Point Operators (RPOs), with 137 permanent RPOs formally accredited during the year (CBH, 1990).

Despite this success, the 1990/91 season took place during the severe economic downturn of the 1990-1991 recession that started in the United States and spread globally. It was triggered by the ending of the Cold War, which led to significant reductions in military spending, plus the Gulf War (1990-1991) caused by the Iraqi invasion of Kuwait and the subsequent US-led counterattack to liberate Kuwait. The US Federal Reserve tightened monetary policy to reduce inflation, which led to a collapse of many American financial institutions (Walsh, 1993). The recession impacted Australia quite significantly and caused the Labor Treasurer Paul Keating to declare that it was, "the recession we had to have". As with the United States, it had a negative impact on financial institutions, caused a sharp rise in unemployment, and led to many small and medium firms to enter bankruptcy (Connors, 1990; Millmow, 2015).

In his annual report to members in 1991, Chairman Gayfer referred to these economic conditions stating,

"The past year has seen further erosion of Growers' equity in their properties and diminishing profits from the toil and labour of farming as the recession bites into the rural community. Your Board has been most concerned on the effects the recession is having on our Shareholders and to help offset the impact of potential hardship, the Company has made an early repayment of Debentures in March 1991 and further discounted Debentures for those Growers facing financial difficulties" (H. W. Gayfer, Chairman, CBH, 1991, p.1).

The 1990s also saw an increasing focus on quality control. Grain testing was now a scientific procedure with assessments of protein content, and signs of fungus in wheat and mould in barley identified, along with frost damage in some areas. This was important because CBH had committed to a "payment for quality" scheme which saw the move away from the Fair Average Quality (FAQ) approach to assessing grain quality. In addition to the training of the RPOs, the Co-operative, in collaboration with the CSIRO, provided training for their laboratory staff, who undertook the quality testing operations. This included testing for pesticide residue, which was a major concern for buyers. In reporting on this quality focus, Chairman Gayfer stated,

"With the technology of grain analyses changing at an ever-increasing rate, the Company has a commitment to maintain close contact with equipment suppliers and continually evaluate updated instruments for use at the receival point. The payment for quality scheme will rely on the ability to objectively test grain samples for a variety of aspects. By keeping in

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

touch with new developments, the Company will be sufficiently informed to acquire the most efficient instruments for the task” (H. W. Gayfer, Chairman, CBH, 1990, p.2).

During the 1991/92 season CBH introduced a new moisture meter to test canola, and the quality testing of wheat, barley and oats continued, producing positive results. In addition, CBH published a “Weed, Seed Identification Booklet” to supplement its existing “Sampling Defects of WA” booklet, used as a guide for samplers and growers across the Wheatbelt (CBH, 1992). However, even with this significant investment in quality management, the 1992/93 season, which produced a crop of around 7.63 million tonnes, was found to be of mixed quality. A total of 14.6 per cent of the wheat crop was affected by fungal staining and distorted kernels. Of the barley crop, 34.3 per cent was miscoloured, and 24.5 per cent of the lupins suffered from dry green and immature kernels (CBH, 1993).

The following year CBH commenced testing barley for weather damage using an Infratec Grain Analyser, which proved highly successful, and was deployed across the Wheatbelt allowing the standardisation of all such testing. This technology was supplemented in later seasons with a Minolta Colourmeter to provide a reference standard for the desired colour. The wheat crop was also tested for protein quality using the Infratec Grain Analyser (CBH, 1994).

Figure 27: The “M Type” grain silos Northampton, 1990



Source: CBH (1990).

During the 1990s CBH also continued to invest in its regional receival point network with new ‘M Type’ storage cells, which provided easier access by front-end loaders as they did not have central support columns (see Figure 27). A range of other innovative silos and handling facilities were also installed across the network during the 1990s (CBH, 1990).

As described earlier, CBH had embraced the use of computers during the 1980s with their acquisition of IBM mainframe computers. The 1990s was a decade in which information and communications technologies (ICT) developed rapidly, and the Co-operative was active in its integration into their operations. With the arrival of the IBM model AS400 mainframe computer in 1989/90 CBH anticipated that it had a system that would see it through until the end of the decade. It announced a plan to integrate all information and process control systems creating a distributed data network that would link all receival points and terminals to the mainframe in the Perth headquarters. The project was labelled the Receival Point Online System (REPOLS) and an initial five receival points (Tammin, Brookton, Cunderdin, Doodlakine, and Meckering) were selected to be the test pilots. With some initial technical challenges overcome, the pilot test was deemed a success (CBH, 1990).

As the development of the Co-operative's ICT development plan progressed computer systems with Programmable Logic Control (PLC) were adopted, which enabled the computers to interface with industrial equipment. The REPOLS program included 52 sites during the 1991/92 season, which encompassed 66 per cent of the receival points across the Wheatbelt. The benefits of the REPOLS program were enhanced reporting, and a reduction in seasonal staffing requirements. The system provided immediate access to information for growers, marketing agencies and the CBH management. In addition, data from weighbridges, quality checks, fumigation, and storage volumes were available instantly and without the laborious manual data entry previously required. In assessing the success of the REPOLS program, Chairman Gayfer stated,

"REPOLS and associated computer networks linked to the Company's central computer at Head Office provides the mechanism to collect and obtain the data instantly and provides access to the data in a uniform and controlled manner. REPOLS has been received by all as a positive step into the 1990s. The exciting future it projects in its ability to provide a wide range of information efficiently and accurately for all Departments of the Company, can only foster a highly productive storage and handling outlook for the grain-growers of Western Australia" (H. W. Gayfer, Chairman, CBH, 1991, p.14).

The decade also opened with CBH trying to establish a workable relationship with the State Rail enterprise Westrail. 1990 was the commencement of a five-year agreement, known as the 'Export Grain Transportation and Handling Agreement', between Westrail, CBH, and the marketing organisations AWB and GPWA relating to export grain transportation and handling ("Grain Deal", 1989; CBH, 1990). It was negotiated with Westrail by the Grain Freight Steering Committee. It offered scope for containing increases in rail freight charges, and productivity initiatives by Westrail, the marketing authorities, and the Co-operative ("Grain Deal", 1989; CBH, 1990). In the second year of the agreement's operation a total of eight productivity initiatives were identified and addressed, which resulted in a 3.3 per cent (\$0.53 per tonne) saving, keeping the average freight rate for the 1990/91 season at \$16.61 per tonne (CBH, 1991).

As part of the five-year agreement between Westrail, CBH, AWB, GPWA, the Pastoralists and Graziers' Association (PGA), and the WA Farmers Federation (WAFF), a Committee of Review was established. This comprised representatives from CBH, Westrail, AWB, and the WAFF. Its role was to examine the performance of the agreement and to focus on specific issues:

- performance of rail transport.
- impacts of seasonal conditions.
- achievement of productivity returns to growers for transport and handling.
- future variations to freight rates and scheduling.
- the negotiation of productivity returns; and
- any recommendations for future extensions of the agreement (CBH, 1993).

During the 1992/93 season the Grain Freight Steering Committee announced an across-the-board reduction of 1.36 per cent in rail freight at all grain receipt points. This reduction was made possible by collaboration between CBH and Westrail in relation to productivity enhancements (CBH, 1993).

Toll debenture repayments continued during the 1990s with CBH starting the decade with a total of around \$102.5 million owed to members. CBH also expressed concerns over the impact that the market deregulation introduced under the *Wheat Marketing Act, 1989 (Cth)* would have on its overseas loans. The Co-operative had taken out foreign loans from Germany to fund the capital expenditure required for the construction of the Kwinana Grain Terminal. Under the contract for these loans, CBH had to retain the monopoly rights to all grain handling and storage in WA. However, the market deregulation removed this, and in doing so, it triggered a default on the loan, which could see the trustees for the overseas financial facility demand an immediate payment of \$30 million (CBH, 1990).

Faced with this dilemma, CBH Chairman Mick Gayfer, and General Manager Ray Delmenico travelled to London to talk to the Law Debenture Trust Corporation (LDTC) and discuss the problem. They presented their case, pointed to the unforeseen impact of the Federal Government's market deregulation policy, and provided a favourable report from the Company's auditors outlining the strong financial position of the Co-operative and its capacity to repay the loan by 1992. In response the trustees agreed for CBH to set up a new trust fund to include \$23 million from the Company's sinking fund, and for the LDTC to become the trustee of the fund (CBH, 1990).

During 1992 the repayment of the \$30 million Eurobond overseas loan was completed. Over the life of the loan agreement, CBH estimated that with significant offsets from the \$14.1 million held in its sinking fund, that the total cost of the loan was \$28.4 million including interest and charges. The Co-operative also continued to clear its outstanding toll/debenture liability, which by 1992 had reached around \$96.6 million (CBH, 1992).

As discussed earlier in the context of the 1980s, the issue of industrial relations continued to be a feature of management within CBH during the 1990s. For example, in the Co-operative's annual report of 1990 it was noted that,

"The restructuring thrust which has been a central feature of the wage system since 1986 has continued to dominate industrial relations in 1990. The Company has been occupied with

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

negotiating and finalising the second 3% structural efficiency adjustment allowable under the August 1989 National Wage Case” (CBH, 1990).

It was explained that all relevant parties had “co-operated positively” with respect to the various industrial awards under which the CBH workforce was employed. The focus was on providing the workforce with access to “more varied and rewarding positions” facilitated by skill-related career path development, agreed working arrangements designed to enhance efficiency and flexibility (CBH, 1990).

This process continued into 1991 by which time CBH’s employees had achieved improved rates of pay, new job classifications, and associated workplace conditions. In April that year, because of the National and State Wage Case decisions, employees received a 2.5 per cent wage increase. Then, in October 1991, the Australian Industrial Relations Commission (AIRC) issued a further National Wage Case that introduced the concept of Enterprise Bargaining, whereby an employer could reach agreements for their entire workforce based on negotiated working arrangements targeted at efficiency and productivity gains. As noted in the CBH Annual Report for 1991,

“The decision opens up a new chapter in the changing climate of Industrial Relations within Australia. The effect of the Enterprise Bargaining decision upon the Company is still unknown but the aim will be to increase production while minimising labour costs” (H. W. Gayfer, Chairman, CBH, 1991, p.13).

During 1992, with the new Enterprise Bargaining system available, CBH engaged the Waterside Workers Federation at the Kwinana Grain Terminal in the negotiation of an Enterprise Agreement for the workforce at that site. It was reported by the Co-operative as providing wage increases in return for flexible overtime and shift work arrangements and start of continuous operations. This success led CBH to open negotiations with other unions. It was reported as,

“The recent Award Restructuring and Enterprise Bargaining Principles have provided the Company with a unique opportunity to introduce positive reform into the grain handling industry” (H. W. Gayfer, Chairman, CBH, 1992, p.11).

By 1993 CBH was employing a permanent workforce of 896 employees, and a seasonal workforce of 1,195 employees. Enterprise Bargaining agreements were reached with unions representing the salaried office workers within the co-operative, the receipt point operators (RPOs), and the plant operators at the Geraldton, Kwinana, and Esperance port terminals. In addition, in January 1993, the *Equal Opportunity Amendment Act, 1992* (Cth) came into effect, which impacted retirement age, ruling that by January 1995, compulsory retirement of workers aged 65 or over was not lawful (CBH, 1993).

In comparison to the more turbulent industrial relations environment of the 1980s, the 1990s was significantly calmer. For example, in his 1994 Annual Report to shareholders, Chairman Gayfer reported that,

“The Australian Industrial Relations System has undergone significant reform during 1994 which has included the introduction of controversial State and Federal Industrial Relations Legislation. The new legislation has yet to be fully tested and has had minimal effect upon the Company to date. ... During the year the Company has experienced minimal industrial

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

disputation. In general, as a result of enhanced communication and the positive approach to enterprise bargaining, there has been good relations between the Company, the Employees, and their respective Trade Unions” (H. W. Gayfer, Chairman, CBH, 1994, p.10).

The second half of the decade saw changes within the senior leadership of CBH. For example, in 1994 Ray Delmenico retired as General Manager, and was replaced by Imre M. Mencshelyi (see Figure 28). In relation to the retirement of Ray Delmenico, the Chairman Mick Gayfer stated,

“Mr R. J. Delmenico, the General Manager, announced his retirement from the Company effective from 31 October 1994 after 47 years of loyal dedicated service. Mr Delmenico commenced with the Company in 1947 and throughout his career has made numerous notable achievements. He held with distinction many senior positions within the Company including his appointment as General Manager in 1987. On behalf of the Company’s Shareholders and Staff, your Directors pay tribute to the untiring and dedicated efforts of our General Manager, Mr. Delmenico and wish him well in his retirement from the Company” (H. W. Gayfer, Chairman, CBH, 1994, p.11).

Regarding Delmenico’s replacement, Chairman Gayfer explained that Imre Mencshelyi had 23 years of experience with CBH in senior management roles, which were constituted a ‘long and outstanding career’, stating that, ‘His wealth of experience and in-depth knowledge of the grain industry will greatly benefit the Co-operative in the years ahead’ (H. W. Gayfer, Chairman, CBH, 1994, p.11). The change of General Manager was accompanied in 1996 by the retirement of Mick Gayfer as Chairman, and the appointment of Allan F. Watson as his replacement (see Figure 28). Watson was to serve as Chairman until 2004 when he was succeeded by Robert Sewell.

During the second half of the 1990s CBH continued to pursue its strategy of enhancing its quality control systems, grain handling and storage facilities, computerisation, operational efficiencies in transportation and industrial relation. For example, in 1995 CBH had equipped all its 196 receival points with the Infratec Grain Analysers, which enabled precise analysis of protein, moisture and colour for wheat and barley, and oil content for canola. Also introduced in 1995 were vertical aspirators, which were trialled with canola at the Albany grain terminal, and the use of automatic sampling probes and extendable sampling platforms were also trialled. Personnel engaged in sampling the grain were all provided with training and formally certified (CBH, 1995).

This pursuit of quality continued throughout the decade. Commencing in 1994 CBH was involved in securing formal quality assurance to meet the ASA/ISO9002:1994 standards. By 1997 all its major port and metropolitan facilities were formally quality assured. It then focused on getting all its regional receival sites similarly accredited by the end of the decade (CBH, 1996). As noted by CBH in relation to this quality assurance process,

“It will enable the Company to assure Shareholders, Marketers, Clients and Domestic and Overseas buyers of WA grain about the quality of the product from time of receipt to the end user point” (CBH, 1996).

Despite the significant investment undertaken by CBH in its quality assurance program, during the 1996/97 season issues were raised about the accuracy of the Infratec Grain Analysers. This was originated by the growers, who took issue with the analysis that questioned the quality of

the grain they were supplying. In particular, the Infratec systems measurement of moisture was an issue for the farmers in the coastal and southern regions of the Wheatbelt (CBH, 1997).

Figure 28: Allan F. Watson (left) and Imre M. Mencshelyi (right)



CBH Chairman 1996-2004



CBH CEO 1994-2009

Source: CBH (1996).

In his response to these concerns from growers in relation to the sensitivity of the Infratec Grain Analysers, CBH Chairman Allan Watson wrote,

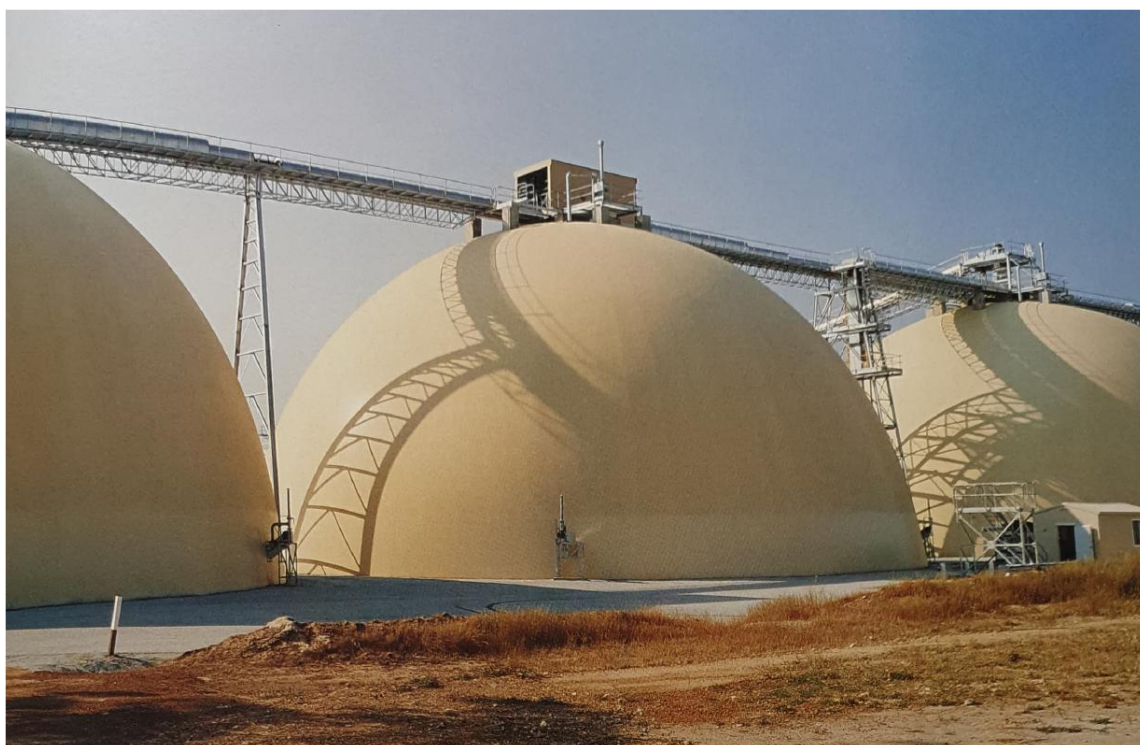
"During the 1996/97 harvest, concern was still directed at the accuracy of the Infratec machines. This is despite the continuing assurances that these are the most accurate technology available for grain quality. The strict requirements imposed are the results of the demands of a fastidious marketplace, and the Company must comply with these parameters if Australia's position as a competitor for the premium market is to be maintained" (A. F. Watson, Chairman, CBH, 1997, p. 2).

He also elaborated on the pressures being placed upon CBH by the marketing agencies such as GPWA, and AWB, and the implications that poor quality grain would incur by way of costs on the Co-operative. Grower concern over quality standards aside, CBH continued to invest in its quality assurance systems, which included the installation of an automated online grain analysis system at the Kwinana Grain Terminal (CBH, 1997). Despite these issues, CBH continued to upgrade its grain receival network with increasingly innovative storage solutions.

For example, in 1994 the Co-operative introduced an innovative silo design, “The Domes” at the Goomalling grain receival point (see Figure 29). This comprised four reinforced concrete dome structures fitted with loading and unloading machinery for a total storage capacity of 53,900 tonnes (CBH, 2021e). It was the first structure of this kind built in Australia, and was reported by CBH in the following terms,

“This was the largest research and development project ever undertaken by the Company and included a wide range of innovative ideas” (CBH, 1994, p. 7).

Figure 29: “The Domes” grain silos Goomalling, 1994



Source: CBH (1994).

The construction involved using an inflatable reinforced plastic “airform” that had to be kept at a steady air pressure 24 hours per day throughout the construction process. Once inflated, a layer of polyurethane foam was sprayed on the inside of the airform dome, followed by steel reinforcing and shotcrete sprayed on the face of the foam inside the dome. This process was undertaken using a rotating platform that worked systematically from the floor to the top of each dome.

Commencing from 1996 and running through to 1998, CBH constructed a new Metro Grain Centre (MGC) facility at Forrestfield in Perth, which replaced the existing terminal in North Fremantle. This became the central storage depot for the AWB, Grain Pool WA, and local millers, maltsters, and stockfeed merchants. In addition, CBH secured a contract with Joe White Maltings to supply services to that firm’s adjacent barley malting facility. Under the contract CBH provided storage,

handling, and grain cleaning, as well as handling for raw and finished malting products (CBH, 1996).

Upon completion in 1998, the MGC provided additional storage capacity of 212,000 tonnes, and offered state-of-art facilities. It was described by CBH in the following terms,

"The MGC is unquestionably the most comprehensive infrastructure investment in the Australian grain industry in more than a decade and represents the Company's faith and confidence in the future of agriculture in Western Australia" (CBH, 1998).

During 1996 CBH conducted a study of its 196 receival points with the objective of ascertaining their capacity to meet the long-term needs of the Co-operative. It looked at crop production, grain handling services, segregations, and distribution (CBH, 1996). The following year this study led to the development of the *Strategic Receival Points* (SRP) strategy, which was focused on how the Co-operative could handle a forecast harvest of up to 15 million tonnes by the year 2005. It was also designed to identify ways to reduce costs and maximise operational efficiency through the entire grain processing pipeline (CBH, 1997).

Under the SRP strategy all receival points were assessed and those that were of most importance were listed as 'strategic' with funding allocated to upgrade them. The plan was for these SRP sites to be able to operate for extended hours to meet demand, with suitable storage and equipment provided to ensure that they would prove fit for purpose. This strategy was part of a wider 5-to-8-year storage and infrastructure plan developed by CBH (1997).

By 1998 a total of 33 out of the 196 receival points had been identified as qualifying for SRP status, with an additional 36 being considered. These sites were selected based on their anticipated total past and future production, access to major road and rail networks, and the number of types of grain produced in their catchments (CBH, 1998).

Other selection criteria were the availability of land for expansion, potential segregations of crop, existing infrastructure, environmental and social impacts, and special factors related to other primary industries in the area (CBH, 1998). A total of 78 out of the 196 receival points were classified as SRP sites by 1999.

In reporting the significance of the SRP program CBH Chair Allan Watson stated,

"The Strategic Receival Point concept is pivotal to providing the capital infrastructure to meet the future storage needs of an expanding grain industry. It has allowed the Company to concentrate investment at a select number of sites, providing an extended service both in terms of the range of grain services and storage. The aim of the strategy has been to increase the operational efficiencies at these sites, gain the economies of volume and provide an optimal service to the grain industry" (A. J. Watson, Chairman, CBH, 1999, p. 7).

As the decade progressed the CBH annual reports made less mention of the rail freight handling issue, suggesting that the productivity arrangements developed under the agreement with Westrail had been successful. In fact, the reports from 1996/97 season referred to the success of the Co-operative's transport strategy focusing on the movement of 1.3 million tonnes of grain. It

noted that road transport “continues to perform well” with only a passing mention of “problems with the standard gauge rail in the central zone” (CBH, 1997, p. 7).

The massive increase in grain receivals during the 1990s (see Figure 23) did not seem to create any major transportation issues for CBH. Despite this significant grain supply, CBH was able to move this volume of grain successfully and cost-effectively from the farms to the ports. The bumper harvests of 1997/98 and 1998/99 seasons did place the Co-operative’s grain handling and storage systems under pressure, but the transportation system was not viewed as a problem. As noted in the 1999 annual report,

“The transport system operated exceptionally well during the year, with a high volume of grain transported despite local flooding which affected several haul routes. This necessitated the allocation of additional resources and personnel to complete the task and meet customer shipping requirements. ... Completion of this task is a testament to the calibre and dedication of all people involved between customers and transport organisations. It is envisaged that similar challenges will be faced in the coming year” (CBH, 1999, pp., 11-12).

As previously discussed, the computerisation of CBH’s operations, which commenced in the 1980s, and expanded in the early 1990s, further evolved during the second half of the decade. In 1994 CBH commenced phase one of the largest computer software development process it had ever undertaken. The project, known as *Integrated Commodity Management System* (ICoMS) comprised the development of a single, integrated system for the management of grain from the time it was delivered by a grower to a receival site through to its delivery to both domestic and international markets. The ICoMS system would rely upon the REPOLS system to collect and track the flow of grain through the Co-operative’s storage and handling process. According to CBH Chairman Mick Gayfer,

“The ICoMS project is significant, as it has enabled the Company to implement the most sophisticated and integrated computer system for the grain industry in Australia” (H. W. Gayfer, Chairman, CBH, 1994, p.10).

The ICoMS system was entered by CBH in the 1995 Western Australian Information Technology Awards and won second prize after Department of Minerals and Energy. The system allowed the IBM AS400 mainframe to be connected to the REPOLS network and ICoMS system, with the ability to remotely calibrate the Infratec Grain Analysers (CBH, 1995).

The technology march continued, with the connection, in 1996, of the CBH ICT systems online via the Internet. In his annual report, the newly appointed Chairman Allan Watson highlighted the value of the “World Wide Web” (Internet) offering the members the ability to access more information and provide services to international markets. As he noted,

“The initial objective was to equip shareholders with the data required to make more of their delivery decisions from home. This is consolidated by displaying regularly updated services and cash price details at every receival point” (A. J. Watson, Chairman, CBH, 1996, p. 12).

In 1997 the task of processing grower estimate forms was transferred from head office in Perth to the regional network of district offices. There was also the first announcement of “Millennium Bug” (aka Y2K bug), which was a global concern that due to processing errors in early computer software that the systems would not be able to recognise the “00” date for the new century, with potentially catastrophic consequences (Britannica, 2023). This concerned CBH and led to a detailed review of the Co-operative’s ICT systems, software, hardware, and other automated machinery, to determine what action needed to be taken (CBH, 1997).

During 1998 CBH upgraded their ICT systems within the MGC at Forrestfield and introduced a digital “pin” system to track truck movements around the complex automatically recording and controlling the delivery of grain to selected hoppers and loading systems. There was also the installation of an SAP (Systems Application and Products in Data Processing) system to facilitate information and budgetary control, as well as updates to the CBH website to enable it to provide more information and services (CBH, 1998).

HANDLING THE FUTURE AND GROWING TOGETHER

In 1995 the CBH Board commenced a detailed planning process designed to identify the main factors likely to impact the Co-operative’s operations in the twenty-first century. The strategic review was supported by several environmental studies and a business plan. This planning process was aimed at engaging all the Co-operative’s employees and was given the title “Handling the Future” (CBH, 1995).

An outcome of this planning process was the creation of a new corporate mission statement that tried to capture the essential purpose of CBH. Led by General Manager Imre Mencshelyi, the strategic planning process resulted in some organisational restructuring, staff reduction, new management systems, and the establishment of differential charging for customer service (Mazzarol & Mamouni Limnios, 2011). Furthermore, as discussed earlier new receival sites were established, with the development of Forrestfield in 1995 and Esperance in 1998, supporting receivals via rail and road and for the port respectively (Goldfinch, 2003).

The new strategy aimed to set the Co-operative’s organisational structure, senior leadership, and workforce on the right path to meet the challenges of a deregulated market and a new century. This mission statement was,

“Provide Quality Services to Shareholders and Clients” (CBH, 1995, p. 4).

In addition, the corporate objectives were also revised to bring them into line with the new mission statement,

- *“Provide Shareholders with an efficient handling and storage service for the annual grain harvest in Western Australia.*
- *Observe cost efficient and ethical business practices.*
- *Pursue domestic business opportunities for handling and storage.*

- *Pursue international business opportunities for handling and storage systems”* (CBH, 1995, p. 4).

The strategic plan also identified two additional objectives that would assist in the fulfilment of the mission, and attainment of the objectives. These were,

- *“A focus on excellence of people, products, and performance by providing job enrichment, a safe working environment and scope for creativity.*
- *Matters of environmental conservation and community interest”* (CBH, 1995, p. 4).

During 1996, as the “Handling the Future” plan was pursued, CBH launched a related initiative titled “Growing Together”. This focused on the engagement of the Co-operative’s employees in developing best practices, and uniting the CBH workforce with the members, and customers. As described in the Annual Report of 1996, the “Handling the Future and Growing Together” strategic planning process aimed to prepare CBH for any challenges it might confront as it moved into the new century (CBH, 1996).

The industrial relations reforms that had commenced during the late 1980s had seen the pattern of industrial harmony enjoyed by CBH continue through 1995. The “Handling the Future and Growing Together” project provided an opportunity for CBH to transform its relationship with the Co-operative’s workforce. A feature of this new strategy was the introduction of a ‘Partnership Agreement’ that rewarded both the Co-operative and the employees for demonstrating best practice principles and continuous improvement (CBH, 1996).

The new approach was pioneered with the plant operator workforce at the Kwinana Grain Terminal. Its success led CBH to roll it out to other worksites and during 1996 similar agreements were negotiated with plant operators at Merredin, and all clerical employees across CBH. This was followed with an agreement with the salaried officers, also led to the introduction of a Family Leave policy that enabled employees to take special leave to care for family members suffering illness or incapacitation (CBH, 1996).

During 1997 the introduction of the CBH strategic plan “Growing Together”, saw the Co-operative introduce self-regulating work teams, with greater delegation of responsibility to employees across the workforce. This led to operational, maintenance and support services employees being involved directly in decision making processes and interaction with members and customers. The aim of this was to enable frontline employees to respond more quickly to member and customer needs. The rollout of this new innovative system of human resource management (HRM), was increased during 1997 and became a central part of the Co-operative’s quality assurance management system (QAMS). As noted in the 1997 Annual Report,

“The development of Growing Together is an ongoing journey towards excellence. Quality does not simply refer to the operations of the Company. It includes the working environment, the people within this environment, and the co-operation between all these elements. To provide the best service, the Company must provide an atmosphere conducive to the best Employees” (CBH, 1997, p. 16).

The “Handling the Future” element within the strategy introduced innovative approaches to HRM with delegation of responsibility to workplaces and specific teams. This was supported by coaching, training and QAMS frameworks that assisted individuals to undertake self-assessments and set performance benchmarks for key areas of operations. These included, i) customer focus; ii) strategy; iii) policy and planning; iv) information and analysis; v) people; vi) processes; vii) products and services; viii) leadership; and ix) organisational performance (CBH, 1997).

A program of employee training and development was implemented across the organisation that utilised computer-based-learning, multimedia, and the development of individual learning plans for each employee. In addition, CBH rolled out its Partnership Agreements designed to create self-managed work teams, with supervisors adopting a dual role as both team members and facilitators (CBH, 1997). Reporting in 1998 about the progress of the “Handling the Future and Growing Together” initiative, CBH Chairman Allan Watson stated,

“A key corporate strategy is the development of open communication throughout the Company. Processes have been developed, to ensure that our people are continually aware of what is occurring in the Company and the grain industry and to encourage feedback and interaction at all levels. Through the process of open communication an environment continues to be created that encourages innovation and change, which provides the flexibility to meet new challenges” (A. F. Watson, Chairman, CBH, 1998, p. 13).

The final years of the decade, 1998-1999, found a shift from industrial relations to a people-centric focus within the annual reports of CBH. This reflected the change in HRM practices across the Co-operative’s operations, characterised by a collaborative, and open engagement between the workforce, executive management, Board, and members. The process of decentralisation and delegation of responsibility to dedicated worksite teams, supported by workforce training and skills development played a central role in the success of this approach. Workplace safety featured strongly in 1999 along with knowledge management and employee wellbeing. CBH introduced a strategic human resources business plan in 1999 linked directly with the firm’s strategic objectives, including employee satisfaction, business improvement, and competition. As described in the 1999 Annual Report,

“To encourage the highest performance standards and ethics amongst our people, a Strategic Human Resources Business Plan has been developed and implemented. This plan is based on the foundation that effective people are our greatest asset. Projects to cover competency profiling, training, team development and performance management are ongoing, the main objective being to meet the challenge of change” (CBH, 1999, p. 14).

FACING THE RISK OF DEMUTUALISATION

In 1998 the CBH Board proposed to demutualise the Co-operative (Mazzarol et al, 2014a). The attempt was driven not only by the external pressures and national trend toward privatisation occurring throughout the 1980s and 1990s, but also an internal shift among the culture of members. This took the form of a shift away from the ‘grower ownership and control’ belief system prevalent in the 1970s and 1980s (Mazzarol & Mamouni Limnios, 2011).

In addition, the number of members within the Co-operative had continued to fall, although it reached 10,127 by 1994, it was less than the peak 15,509 reached in 1969 and would continue to

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

decline to below 5,000 by the end of 2010. A consequence of this was that retiring farmers were interested in redeeming what some perceived as their real equity, because the Co-operative structure of CBH would only allow them to receive an exit payment of their \$2 share. For example, CBH's annual turnover grew from \$57.5 million in 1980 to \$208.35 million in 1998, with equity rising from just over \$97 million in 1980 to over \$383 million in 1998 (CBH, 1980; 1998). This increase in CBH's financial value led some members to view the Co-operative as a potential source of real equity which could allow for participation in capital gains (Mazzarol & Mamouni Limnios, 2011).

However, many members did not support such a change and expressed as much at the 2000 Annual General Meeting (AGM) (Mazzarol & Mamouni Limnios, 2011). Enough members viewed CBH as an extension of their business, in that the ability to control storage and handling fees allowed their own business to thrive, to stop CBH's demutualisation. In addition, they were happy with a 'nobody owns CBH' model, particularly at times when CBH was providing their services at competitive costs. Furthermore, it was felt that the Board failed to persuasively communicate the potential benefits of privatisation, attributed to internal politics of the time. The final vote at the 2000 AGM was a majority for demutualisation, but a failure to get the required 75 per cent of the members as required under the legislation (Mazzarol & Mamouni Limnios, 2011).

According to CBH CEO Imre Mencshelyi the late 1990s was a period of demographic change within the WA grain industry, with older growers retiring and the younger ones less co-operatively minded. Membership was declining and there was said to be an emerging tension between the "father and son" over the future of the Co-operative. As he said,

"The driver for transformation was that there was value in the business and people were retiring. However, they didn't get the 75% vote and never got there" (Mencshelyi, 2011).

This was occurring simultaneously with the major transformation in the Australian grain industry market caused by the deregulation of the late 1980s. There was strong feeling within the CBH board that the Co-operative needed to restructure its business model if it was to survive (Mencshelyi, 2011).

Allan Watson who was the Chairman of CBH at the time echoed these views. According to Watson his key concern was what he saw as the challenges facing CBH following the market deregulation that had taken place in the late 1980s and had continued to sweep across Australia during the 1990s. He pointed to the need for co-operatives to keep growing, and the constraints that such firms faced in relation to capital raising. Having grown up in the Wheatbelt town of Nungarin, he recalled that the local general store was a co-operative, and it was owned by the community not private investors. However, as the decades passed these co-operatives disappeared and the survivability of the co-operative business did not seem guaranteed in the changing marketplace. For him, and many of his fellow directors, the co-operative business did not seem to be the best model for the future growth of the WA grain industry. As he stated,

"My immediate reaction to why do that change was the changing environment that CBH was operating in. For argument's sake, CBH in WA had operated in a completely regulated market environment and then the environment changed" (Watson, 2011).

This view was also compounded by the activities taking place across Australia at that time. Because of the market deregulation, the South Australian Co-operative Bulk Handling Ltd. (SACBH) commenced moving towards demutualisation which started in 1997/98 and took place in 2000 when the Co-operative was converted into a hybrid company consisting of a grain handling and storage business AusBulk Ltd., which was owned by United Grower Holdings (UGH) where the original co-operative member-shareholders' equity was held. During 1998 the AWB was privatised into AWB Ltd., and in 1999 the South Australian based Australian Barley Board was privatised into ABB Grain Ltd. (Mazzarol, 2021). Board members also had before them examples of the demutualisation of several large local co-operative and mutual enterprises such as the Westralian Farmers' Co-operative Ltd (Wesfarmers) over 1984-2001 and Perth Building Society in 1987 (Baskerville, Mazzarol & van Aurich, 2023).

According to Imre Mencshelyi the demutualisation process being undertaken by SACBH was watched closely by CBH. The two co-operatives were progressing towards demutualisation at the same time. He noted that while SACBH demutualised, CBH failed to do so. In fact, he stated that he felt SACBH should have been retained as a co-operative, and that,

"CBH looked at taking them over before Viterro, but didn't move aggressively enough"
(Mencshelyi, 2011).

This view that the future of CBH lay with it transforming from a co-operative into an investor-owned firm was common within the Board at the time. As Tony Critch, who joined the CBH Board in 1990 and became Chairman (2005-2007) recalled,

"The famous Mr Gayfer left as Chairman and Allan Watson came into that chair. Allan had a very different view, he quickly recognised the change in the world or certainly was prepared to have management research the changing world and by 1999 things got interesting where we started to work out just how we would change, whether we would go all the way in one or would we change bit by bit. Quite clearly what we attempted to do with the restructure of 2000 was go the full hog" (Critch, 2011).

He also suggested that the demutualisation of CBH was expected to create a business model that would be easily integrated with the newly privatised AWB Ltd., and the anticipated privatisation of GPWA. This ability to link up CBH, AWB and GPWA could create a strong agribusiness structure that could compete within a deregulated market. He noted that few people have remembered this, tending to view those who tried to demutualise CBH as being only focused on short-term financial benefit. As he explained,

"So, people will go back and criticise that model and say, what the hell was that? But it was done for a purpose so that those three organisations could quickly come together, remembering AWB was started in Western Australia and the main part of its income would be from Western Australians. The major shareholders would have been Western Australians too. So that's a little bit of information that's probably of no value to you but I guess after the failed restructure, there was quite a lot of tension, and it was not a great place to be given that people suspected you and didn't like you and you were a bad man if you were corporate" (Critch, 2011).

Although the CBH board was unanimous in its support for demutualisation in 1998, a fortuitous resignation of one of the directors opened the door for the appointment of Walter “Wally” Newman, a farmer from Newdegate who subsequently became the CBH Chairman in 2014. The incumbent director resigned for personal reasons leaving a vacancy on the Board. Wally Newman had served as a Shire Councillor in Lake Grace since 1983 and considered running for the CBH Board vacancy. His main competitor was a close friend from CBH District Zone Seven, David McDonald. He explained that,

“I spent some time compiling a flier summarising my beliefs of what growers wanted from CBH. The final vote of growers gave myself only a slight advantage as we both ran on the same policies. We would have been pleased if a candidate ran pushing the proposed restructure at the time” (Newman, 2011).

According to Newman, he was visited by the CBH Chairman Allan Watson in June of 2000 to explain the duties of a CBH Director, and to discuss the restructure plan. He emphasized the need for the restructure and the reasons why Newman should support it. However, as Newman stated, his first Board meeting left him with significant doubts about the demutualisation plan,

“On 7th June I attended my first CBH board meeting and my impressions at the end of the day were that the board did not represent the views of the shareholders in regard to the restructure but represented either their own or those of the advisers. I was still of the view opinion that the current status quo should be retained for as long as possible before any restructure” (Newman, 2011).

As Newman explained, the Board had commissioned a consulting firm to assist them with the planned restructure, and the other Directors were unanimously in support of the demutualisation making it clear that there were significant benefits in completing the restructure. Throughout June 2000 Newman was lobbied to change his mind over the plan, this included visits to his farm at Newdegate from a consulting lawyer and ‘their top restructure person’, who took him through the benefits of the plan. Prior to their visit he was sent financial forecasts of the anticipated outlook for CBH following a restructure, financials that had been presented to the Board at their meeting in May, prior to Newman’s first meeting in June (Newman, 2011).

Legislative preparation for demutualisation had also taken place, with Royal Assent being given on 6 July 2000 to the *Bulk Handling Repeal Act, 2000* (WA). The Act envisaged CBH becoming a company under the Corporations Law by October that year but contained a provision that the Act would expire if it could not come into operation within three years from the date of the Royal Assent. When Newman attended his first Board meeting, the Act had already been passed by the Legislative Assembly in an expedited debate with no opposition (Hansard, 2000). CBH had been well and truly prepared for demutualisation, with the Board expecting little or no opposition from shareholders. Both government and opposition noted that farmers were “gun shy” about deregulation, corporatisation and privatisation in their industry, but left this to CBH to argue. Royal Assent was a mere formality.

Notwithstanding the concerted efforts of the CBH Chairman, his fellow Directors, and the experts from the consulting firm, Newman remained unconvinced that the planned demutualisation would be the best long-term outcome for the grower shareholders. As he explained,

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

"As part of the Corporate Restructure each director had to indicate to shareholders their recommendation being either for or against or remain neutral. After spending 3hrs going over the ramifications to growers regarding the restructure during the farm visit I had no option other than to oppose it. The financial projections in my opinion were a disaster and there was no evidence that the tax-free status of CBH was in jeopardy. The restructure would not offset the loss of the tax-exempt status and rates benefits enjoyed by the current cooperative. The farm visit confirmed same, providing the status quo remained, or a non-trading cooperative was adopted" (Newman, 2011).

Newman let the Chairman Allan Watson and fellow directors know of his continued opposition to the restructure and outlined his reasons. He concluded that the evidence presented to him left him in no doubt that the demutualisation would result in the growers being less secure, and that the new proposed structure offered no significant benefits over the existing co-operative structure. By the end of June, he was surprised to receive a faxed document from the consultants that, in his view, portrayed his reasons to oppose the restructure in an unfavourable light, and was not what he wished to have presented to the CBH members. He requested that he be able to secure the opinions of his own lawyers to draft his reasons for opposing the restructure, and this was accepted (Newman, 2011).

Throughout July 2000 Wally Newman worked with his own legal advisers on redrafting his case against demutualisation and drew upon a case involving the restructuring of the National Roads and Motoring Association (NRMA) in NSW that had many comparisons with that of CBH. What emerged was a revised information booklet, published and distributed to members on 24 July, clearly setting out the case for, and Newman's argument against, the demutualisation proposal (Newman, 2011).

From 10 September 2000, a series of restructure meetings were held across the various CBH grower zones. Three separate teams gave presentations. They comprised three CBH Directors and three staff, including lawyers. Newman noted that he was only able to present at one of the zones and make the "no" case. He subsequently observed that this was the zone that voted most strongly against the restructure with the vote failing to achieve the required 75 per cent majority when put to a vote at a meeting of members held on 29 September 2000 (Newman, 2011).

However, Robert Sewell, who had been a Director on the GPWA board from 1978, and its Chair from 1990, and became a CBH Director from 2002 to 2006 following the merger between GPWA and CBH, suggested that other considerations may have influenced the outcome of the CBH vote (Sewell, 2011). In his opinion many CBH members were also shareholders in AWB Ltd and had been closely watching its privatisation and the opportunities that it might deliver to them.

However, things did not turn out well after a visit to Perth in 2000 by Katanning grain grower and AWB Chairman Trevor Flugge who delivered a presentation to WA grain grower shareholders of AWB about the outlook for the company and the grains industry. As Sewell recalls, the presentation seemed to have soured the views of many CBH members towards corporatisation,

"They looked at it, they knew about it, the wheat growers all had shares in AWB, so they were watching with interest what was happening there. By that stage AWB was probably becoming a little bit arrogant in the way that it was handling itself. About that time, I

remember they had corporatised. They held the shareholders meeting in Western Australia; Trevor Flugge came across and it was an absolute debacle, and that meeting turned a lot of people off the corporate structure and what was happening” (Sewell, 2011).

The unanimity of the CBH Board that had been so strong in 1998 had essentially fractured due to the lone opposition voice of Walter Newman. However, the GPWA had also expressed its opposition to the demutualisation, which they saw as an unnecessary and counter-productive challenge to GPWA as the established grower controlled expert grain marketing entity (Mazzarol & Mamouni Limnios, 2011). Yet, Ramshaw and Lee (2022) argue that CBH pursued privatisation due to a proposed merger with GPWA, believing it would be a more acceptable position for the growers of GPWA. Ultimately, the failed restructure resulted in member dissatisfaction, both by those who supported it, who saw it as a continued lack of ‘real equity’ in the business, and those who opposed it, who saw it as an example of the Board acting against their will (Mazzarol & Mamouni Limnios, 2011).

Vern Dempster, who became a CBH Director, remembered the discussions leading to the final vote for the restructuring. In his view the arguments put forward in favour of demutualisation just did not add up from a financial perspective. As he explained,

I was a disgruntled farmer, and I remember going to one of the meetings when they were selling it and getting up and saying, look, you have got to pay tax, you have never paid tax before, you have to pay dividends to your shareholders because if you don't pay dividends your shares aren't going to be worth much. These two big issues that you have never done before and yet you are saying that you won't increase charges – it doesn't add up. Their response was we have given a cast iron commitment that we won't increase charges” (Dempster, 2011).

While SACBH demutualised in 2000, the CBH restructuring proposal failed to secure the necessary 75 per cent of majority at the 29 September 2000 general meeting of members. In relation to his strong advocacy for demutualisation CBH Chairman at the time Allan Watson explained,

“And we look at the change in 2000 which a majority but not an absolute majority that's required under legislation, approved the change but we didn't get the numbers. ... I mentioned earlier about the changing industry environment. I think in 2000 one of the things that drove me was looking at what was happening with AWB and with AusBulk at the same time, and the realisation that there were going to be mergers and acquisitions, and we weren't going to be part of their current structure because we believed they were going to corporatise. ... if CBH had restructured I think we would have a large Australian company now spread across the three Southern states, including AWB, still grower owned in the sense that it would have been privatised and listed and grower owned in the sense that Wesfarmers are still grower owned – 50 per cent of the money in Wesfarmers is actually owned by farmers” (A. F. Watson, retired CBH Chairman, 2011).

Despite his ardent support for what he genuinely believed was the best way to sustain the value of CBH for its shareholders, Allan Watson reflected on this in the light of what the enthusiasm for demutualisation had delivered, suggesting that it ultimately was not, in hindsight, a good idea.

As he explained,

"Quite frankly, I was a very strong proponent of corporatisation in 2000 but quite frankly, with what's happened, particularly with AWB and AusBulk, a lot of the advantages that I saw then have now gone. And I would worry that if CBH was privatised and listed now that it might be quite a takeover target, whereas it would have been a heck of a lot bigger organisation if we had got the change back in 2000, so I don't think the time for privatisation is optimum now. It may be in the future but probably not now unless growers see their business as being so vulnerable that they want to get what equity out of it [as] they can rather than wait till it's all gone, if they view it that way. I'm not going to ever say that CBH is going to fall over because it has got such a massive asset and it's still there and it is not an easy takeover target for anyone. It's not a takeover target in its current form; I don't believe it can be while the growers have the legislative protection under the Bulk Handling Act is still there" (Watson, 2011).

The failure of the demutualisation vote in 2000 left CBH as the only co-operative remaining in the bulk grain handling industry. AusBulk-UGH had demutualised for much the same reasons as held by Watson. Much effort was undertaken by the South Australian co-operative to assess the most effective business model to allow the SA grain growers to protect their historical investment in the storage and handling infrastructure that had been paid for by farmers' tolls, and associated sacrifice they had endured from the Co-operative's foundation in 1955. However, despite the best intentions, by 2007 AusBulk-UGH was merged with ABB Grain Ltd., and by 2009 that company, which was listed on the Australian Stock Exchange (ASX), was acquired by Canadian firm Viterra, (itself a demutualised grain handling co-operative), which was subsequently acquired by the Swiss commodity trading and mining firm Glencore Plc. (Mazzarol, 2021).

CRITICAL EVENT: AVOIDANCE OF DEMUTUALISATION IN 2000

The preceding section has covered in some detail the arguments put to shareholders for and against demutualisation, and the later reflections on the outcomes by key participants. The establishment and operating of CBH since 1933 had been clearly within known regulatory frameworks, especially the *Bulk Handling Act 1935* (WA). The arguments that deregulation in the 1990s was making such statutory frameworks redundant, and therefore demutualisation was inevitable, had some attractions. However, in the end insufficient members could be persuaded that demutualisation was to their advantage, either in a longer-term strategic or short-term financial sense. With the passage of time, proponents of demutualisation, having observed the subsequent fate of a demutualised SACBH, AWB and ABB, now appear to see the 2000 WA decision in a more favourable light.

In 1943 the toll payers became shareholders and as such owners of the Co-operative. There was a well-developed sense of the philosophies of co-operation, and general support for a strong regulatory framework. Within the wartime context of the times, that may not seem surprising, but it was a framework that also suited the post-war world and survived well into the 1980s. However, as noted earlier, the 1980s and 1990s were a time of 'economic rationalism' marked by rapid deregulation, and the Board as advised by the new wave of corporate consultants developed a model for demutualisation and then growth through mergers and acquisitions as an investor-owned firm.

However, the grower-shareholders did not participate in these boardroom debates even though they were aware of the general sentiment relating to the demutualisation. This is evidenced by the comments from Vern Dempster, who at the time wasn't a Director, but took an opposing view based on the evidence presented to him at the shareholder meetings that took place across all CBH Zones prior to the General Meeting where the vote took place. Director Newman's one-person campaign against the demutualisation launched from within the board room may only have reached a small proportion of the members. However, as Robert Sewell points out, the CBH members were closely watching the changes taking place in the grain trading area, with the privatisation of the AWB and ABB. This might have influenced some to see demutualisation as a positive, but others, such as Dempster and Newman took the opposing view.

The CBH Directors, it could be argued, with the influence of their corporate-oriented consultants, had come to believe that demutualisation was the best option for the Co-operative given the way the market deregulation had begun to transform their industry. This was similar mindset that had led the Board of South Australia CBH to demutualise around the same time (Mazzarol, 2021). Despite this, as the new vision was put to members' vote, the real significance of 1943 became apparent. The outcome made explicit two of the seven principles of co-operation, that of democratic member control and member economic participation. It would take some time for CBH to recover from 2000, but when it did the context of a renewed co-operative's statutory framework would reinforce the critical events of 1943 and 2000.

CHAPTER 6: A NEW MILLENIUM AND CHALLENGES – 2000-2009

The new century was both an opportunity for CBH to grow and consolidate its position as one of Australia's leading agribusiness co-operatives, and a period of new challenges. These took a variety of forms and required the Co-operative to navigate the responsibilities it had to the grain industry of WA, and wider community across the Wheatbelt¹¹. Faced with these challenges and opportunities, CBH successfully navigated the twenty-three years from 2000 to 2023 and was able to position itself as Australia's largest co-operative by annual turnover, the leading employer in the Wheatbelt, and a significant environmental, social and economic actor in WA.

CBH AND THE 'DECADE OF THE NOUGHTIES', THE FIRST FIVE YEARS 2000-2004

For CBH, the 2000s was a period of implementing the strategies developed during the 1990s. However, it was not a smooth journey, particularly between the Board and its membership base. In 2000 CBH began a process of restructuring internal management and operations, driven by its CEO Imre Mencshelyi (Mazzarol & Mamouni Limnios, 2011). As discussed earlier (see Figure 26), grain production doubled across the Wheatbelt during the 1990s, and this pattern continued during the 2000s. However, as shown in Figure 30, the seasonal volume of grain supply throughout the decade was highly volatile. The 1999/00 season was exceptional, with 12.15 million tonnes supplied. These record harvests and adverse weather conditions made the season one of the most difficult in the Co-operative's history (CBH, 2000). However, the 2000/01 season yielded only 7.2 million tonnes, the smallest harvest since 1994/95 (CBH, 2001). Things improved the following year, but the 2002/03 season saw only 5.7 million tonnes supplied and the following season of 2003/04 was a record of 14.7 million tonnes. This posed significant challenges for CBH. As CEO Mencshelyi explained in the 2003 Annual Report,

"A 5.2 million tonne crop creates different management challenges to a large harvest, and the seasonal downturn had a significant impact on the company's financial performance. In contrast, the 2003/04 harvest is a record for the company. The transition from the smallest recent harvest to the largest ever harvest represents a quantum leap, which has enormous implications for the company. The seasonal fluctuations demonstrate the need for CBH to maintain a flexible workforce. However, it is also vitally important that we continue to attract and retain key staff" (I. M. Mencshelyi, CEO, CBH, 2003, p. 11).

In general, the decade of the 'noughties' was a rollercoaster of receivals. These fluctuations led GPWA to dip into its reserves to subsidise its operation, costing \$3 million of its \$60 million reserves (Ramshaw & Lee, 2022). Furthermore, 2001 was one of the driest seasons on record which caused negative effects on crops such as moisture stress. Following the drought there was above average rainfall and storms with hail in the latter half of the year, destroying many crops across the State (CBH, 2001).

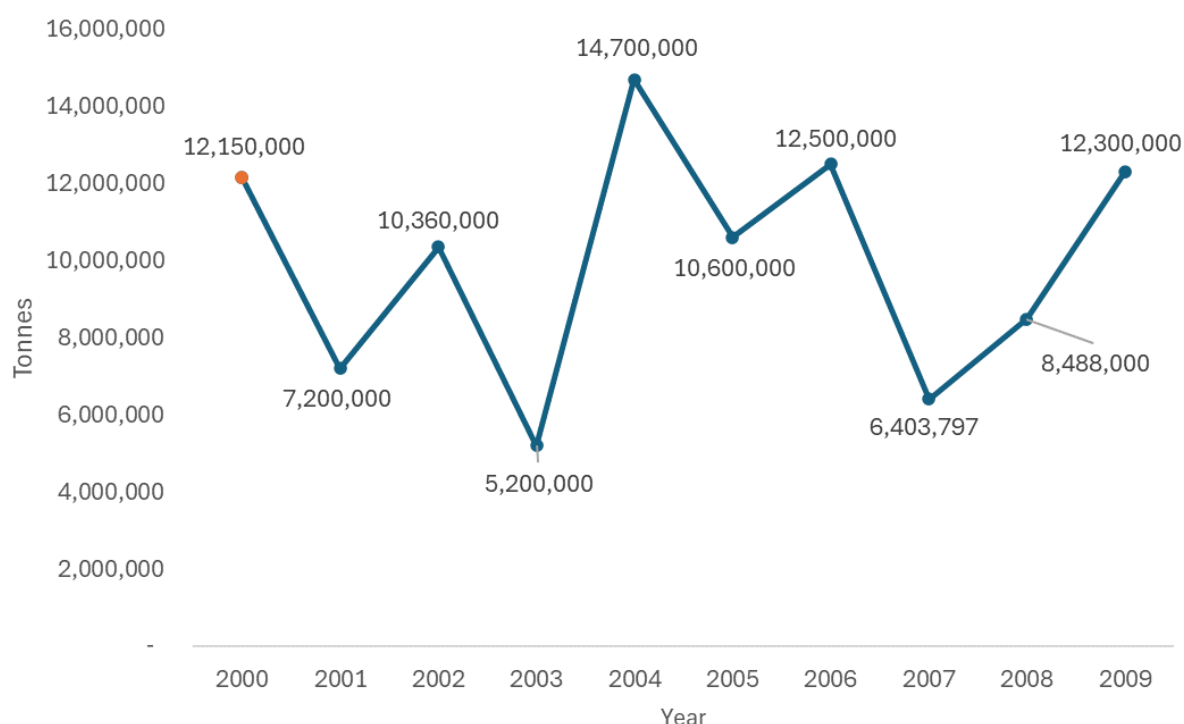
¹¹ CBH Annual Reports from 2000 onwards had a change in the language with the term Wheatbelt replaced by the term 'grainbelt'. While 'grain' had replaced 'wheat' in much of the industry terminology as output became more diversified from around 1951 onwards (see Tables 1-5), Wheatbelt (capitalised) had survived as a regional place name and was formalised as such (although with a smaller boundary than is understood in everyday usage) by the WA Government in its *Regional Development Commissions Act 1993*. Nevertheless, grainbelt (not capitalised) came into use around the turn of the twenty-first century, not as a place name but as a description of an economic activity across the older Wheatbelt region.

The dozen years between 1997 and 2009 was marked by the ‘millennium drought’ across southern Australia, which had major impacts on grain growing and other agricultural production for two key reasons. Firstly, the effects of poor rainfall during the cool season were cumulative. The drought took hold through increasing impacts over a series of years. There was long-term drying of vegetation, landscape and drawdown on water resources.

Secondly, and more troubling, this was perhaps the first major Australian drought that interacted significantly with the slower influence of climate change. Temperatures were much hotter than previous droughts. Higher temperatures can increase the intensity of drought conditions through higher evaporation and the impact on the health of animals and vegetation. Rainfall changes due to climate change may have also affected this drought. Both southwest and southeast Australia have seen substantial drying during April to October in recent decades (BOM, 2024). CBH first acknowledged the operational impacts of climate change in its 2007 annual report:

“Climate change does appear to have affected grain production since 2000, resulting in inconsistent harvest sizes. This poses a challenge for Grain Operations to keep overheads low in times of drought while retaining the capability to receive increasing crop sizes” (CBH 2007, p10).

Figure 30: CBH grain receivals 2000-09



Source: CBH (2000-2009).

Figure 30 shows 2003 as the lowest point in grain receivals for the decade, with studies of farmland salinisation in 2002 indicating 85 per cent of dryland (i.e., not irrigated) grain and mixed

farms in WA were affected to some degree by salinity, despite several decades of strategies to reduce salinity (tree planting, excluding stock, earthworks, etc). The Avon catchment, in many ways was the birthplace of the Wheatbelt, was the most affected region (ABS 2003). The loss of native vegetation on its own sites was acknowledged by CBH in 2008 when it implemented a local native vegetation rehabilitation and planting programs to offset native vegetation cleared during site expansions and sponsored local groups with some focus on soil rehabilitation such as the Mingenew Irwin Group and the Facey Group. (CBH, 2008, pp. 23, 26)

These environmental issues resulted in below average yields. With poor weather, frost through the central grain belt, a Diamondback Moth outbreak in the northern half of the Wheatbelt, an Ascochyta blight which decimated the chickpea crops, and anthracnose affecting lupins, the 2002/03 harvest cycle resulted in the lowest CBH receivals since the 1987/88 harvest of 5.21 million tonnes. Furthermore, the Millenium drought limited any WA grain substitutions which GPWA had resorted to in the past, in addition to eastern states marketers seeking WA grain where the harvest was marginally better. This meant long-term customers of GPWA were given rationed quantities of grain. Moreover, the national lowered volumes of grain caused a price spike which deterred many Chinese buyers. However, the state government stepped in with a drought assistance package in late 2002 of \$6.8 million, with direct assistance of up to \$6,000 per farm business and extending it to include a rail freight subsidy (Ramshaw & Lee, 2022).

The fluctuations in harvests illustrated in Figure 27 were highlighted in the first half of the decade with the low point of 5.2 million tonnes for the 2002/03 season followed in 2003/04 by a record harvest of 14.7 million tonnes due to 'timely rainfall' that enabled that outcome (CBH, 2004). With a total of 197 receival points spread across an area of 320,000 square kilometres the Co-operative was able to handle the largest grain harvest in its history to that time. According to the CBH Chairman's and CEO's report of 2004,

"Smooth harvest operations were aided by a communication campaign to growers, the construction of 1.2 million tonnes of emergency storage, and the continuing implementation of the network strategy" (CBH, 2004, p. 9).

As noted in the annual report of 2004, 10 million tonnes of grain were received in a record time of twenty-one days, which had been facilitated by a \$69 million investment in capital works. This allowed the Co-operative to export 12.6 million tonnes of grain, which was another record-breaking milestone. It was also the year that CBH commenced a \$100 million upgrade of the Albany grain terminal and launched *LoadNet* an online system that enabled growers to access in real-time information relating to the delivery of their grain, enhancing their on-farm harvest logistics management and bookkeeping activities (CBH, 2004). According to Jason Craig, Chief Marketing and Trading Officer at CBH from 2012-24,

"This is another critical point that I think is sometimes missed in the history books ... what CBH facilitated when they brought in LoadNet is growers delivering in their own name and retaining title in the CBH system delivered some market power back to growers. They could then decide when they wanted to sell their grain and provided the option to hold it until market opportunities presented themselves. This single tool has generated a lot of money for Western Australian growers." (J. Craig, 2024).

Throughout the decade CBH continued to pursue its investment in the regional and port storage and handling infrastructure. The increasing level of grain production that the 1990s promised meant that the Co-operative's strategic receival point plan was progressed, along with major capital works as the ports of Esperance and Albany. At the start of the decade CBH reported a total storage capacity of just under 15.51 million tonnes of which 48 per cent was located within the Kwinana zone, 21 per cent within the Albany zone, 18 per cent within the Geraldton zone, and 13 per cent within the Esperance zone (CBH, 2000). By 2009, CBH had storage capacity more than 20 million tonnes (CBH, 2009).

There was an increasing focus on customer service, which took the form of the introduction of a quality assurance system labelled *Q-Track*. Launched in 2000, this system tracked grain product from 'seed grain to ship's hatch'. The quality of the grain, its chemical and physical properties, genetic traits, variety, moisture and protein content, plus the use and/or presence of fertilisers, additives, and chemicals were all stored in a digital database available to both growers and marketers (CBH, 2000). The *LoadNet* online system also added to this, which was trialled during 2001 before full implementation in 2004 (CBH, 2001; 2004). According to Jason Craig,

"No one in Australia was providing a platform like LoadNet. And what it actually did was fundamentally change the ways growers could sell, providing growers with a certain amount of market power. I think that distinction is something that only a co-op would do. Now, every storage and handling company in Australia has followed by providing a marketing tool replicating LoadNet. No company at the time would indicate a transparent marketing tool for growers." (J. Craig, 2024).

For growers, the Co-operative established a Value Adding Facility (VAF) at its Metro Grain Centre (MGC) at Forrestfield. This provided cleaning, bagging and containerisation capacity directly to growers enabling them to avoid double handling and additional transportation costs (CBH, 2000). By 2001 all CBH regional receival points were formally certified to ISO9002 standard, and the metropolitan operations were certified to ISO9001 standard (CBH, 2001).

A systematic and concerted focus on environmental sustainability also emerged during the decade with formal announcements made in the CBH annual report of 2001. This focused on a reduction in energy usage both saving money and reducing greenhouse gas emissions. Specific projects included installation of power saving systems at port terminals, the MGC, and some regional receival points (CBH, 2001).

In October 2000 the MGC was awarded ISO14001 certification and the CBH employees at the centre developed an *Environmental Management System* (EMS) that was able to identify a range of environmental issues that needed to be addressed or mitigated, with specific plans for each issue. This EMS was able to enhance the cost-effectiveness of a relocation of the pest control store from Spearwood to the MGC, and a reduction in power usage. Other areas addressed by CBH were the capture of water runoff from regional receival sites, with the water recycled for other uses, and a noise reduction program at the Kwinana Grain Terminal (CBH, 2001).

CBH also continued to invest in technology. In 1999-2000 it invested in two Foss Tecator *GrainCheck* devices to assess the quality of grain. These systems enabled an accurate assessment of fungal staining in wheat, plus germ and stained barley. They were also used to check for

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

skinned barley, frosted wheat, defective pulses, and mould in wheat. In addition, the Co-operative launched a new website during the same period as part of its e-business strategy (CBH, 2000).

From a community perspective, CBH was actively involved in sponsoring a range of regional organisations including the Narrogin Agricultural College, MidWest Oil Mallee Association, the Kulin Enterprise Group and AWARE. It also launched a *CBH Teachers' Guide* in conjunction with the WA Department of Education. This guide was designed to provide school students with information on CBH and the WA grains industry. It also continued its long-held participation the agricultural field days and Perth Royal Agricultural Show (CBH, 2001).

THE MERGER WITH THE GRAIN POOL WA

It was clear from early on that CBH and the GPWA would ultimately merge in some manner. Robert Sewell, in his role as a Director and Chairman of GPWA spoke of the close relationship that had traditionally existed between the two organisations. He pointed out that the GPWA, along with Wesfarmers, was a founder of CBH and that there had always been a view that the two firms, a co-operative and a self-governing statutory trading authority, could work well together. As he recalled,

The Grain Pool and Wesfarmers were the two partners that put up the money and actually established CBH. So, we worked very, very closely with them over all those years. It started to make a lot of sense as the industry was rationalising in Australia, to get closer to CBH to try and build on the synergies that they had because they were the handler and storage people, and we were the marketers and we believed that we had a lot to offer them to give security because at the time, they were trying to change their structure because, as a co-operative without any marketing, and they weren't allowed to do any marketing, they were basically a warehouse operator. And [if] the person with the produce didn't want to use their warehouse, they didn't have a business, so it was in their best interests to talk to us, and it was in our best interests because we wanted to grow our business" (Sewell, 2011).

For the period 1999-2000, GPWA's CEO Geoffrey Dance claimed in reference to the notion of a 'customer led' combined organisation, "CBH is not going to take over the Grain Pool; Grain Pool is going to take over CBH" (Mazzarol & Mamouni Limnios, 2011, p. 32). This approach ended up alienating those in the industry and Dance's own team, resulting in his replacement 11 months later by Peter Reading (Mazzarol & Mamouni Limnios, 2011). Furthermore, in March 2000, GPWA's chairman Robert Sewell confirmed that they had put the pursuit of privatisation on hold due to an approach by CBH to discuss a merger (Ramshaw & Lee, 2022). As Robert Sewell remembers the incident with Geoffrey Dance,

"We appointed a new CEO with quite a radical approach to everything. He came out of Colgate in America, an Australian, Geoffrey Dance, who came in and working against his honourable intentions of sitting back and seeing how everything goes before he did anything, he hit the ground running on day one and was like a bull in a China shop and he put everybody in the industry offside and created a bigger disturbance within CBH. I think he went straight over there and said we are going to take you over" (Sewell, 2011).

At the same time, CBH had formed a loose alliance with the privatised AWB (Ramshaw & Lee, 2022). The GPWA claimed this was unbeknownst to them until a meeting between AWB and the

CBH Board to discuss a proposed merger was leaked. However, CBH Chairman Allan Watson claimed GPWA had known about the plans to merge with AWB for two years. Sewell argued CBH had “created a feeling of uncertainty” and that although their business is based on trust, he could not see such trust between CBH and GPWA (Ramshaw & Lee, 2022, p. 17). Furthermore, Sewell suggested a better course of action was for CBH and GPWA to merge first, then form an alliance with AWB. Conversely, it became clear at the time that members were not in favour of a merger. Despite such complications, plans for the merger between the two organisations continued (Ramshaw & Lee, 2022).

CBH pursued the merger as they believed a business model based solely on storage and handling was unsustainable (Mazzarol & Mamouni Limnios, 2011). Furthermore, despite the failed CBH attempt at privatisation in 2000, the Board and management believed CBH needed to become more commercial to survive the increasingly competitive environment. They were certain a grain marketing division would create a sustainable surplus margin. This view was explained by Allan Watson, CBH Chairman at the time, as a response to the unsuccessful demutualisation proposal of 2000. Faced with that failure, the CBH Board became focused on behaving in a more commercial manner. As he explained,

“We made the decision at CBH after we lost that vote in 2000 that we had to look more commercial, we had to act at least like we had won the vote in a sense. And that was the reason we first looked at where we were going to go and the obvious choice was the Grain Pool and immediately after the restructure fell down, some very constructive negotiations almost immediately and progressed that very quickly in a sense. It was [September] 2000 that the corporate proposal was defeated and by the end of 2002 we had an agreement with the Grain Pool to proceed. And that was the first thing. Secondly, almost immediately after that of course, was the recognition that we had to be further down the value chain where the dollars were and that while the growers still owned it ... and that was why we made the move to Asia” (Watson, 2011).

For the GPWA, the risk of CBH entering the grain trading market and becoming a strong competitor was too great (Mazzarol & Mamouni Limnios, 2011). A merger allowed the GPWA to grow their business without endangering their livelihood. In addition, they saw the advantage of growers having access to their own distribution network, with access to transport to port and port facilities, which CBH could provide (Ramshaw & Lee, 2022). Dr Andrew Crane, a former senior executive within the GPWA and CBH, and later CEO of CBH, expressed the opinion that,

“I think the Grain Pool, if it had not merged and privatised and tempted to grow from that base, would have got gobbled up pretty quick by an international entrant coming in” (Dr A. Crane, 2024).

In 2000 the National Competition Council (NCC) conducted a review of the *Wheat Marketing Act 1989*, reporting to the federal Parliament that for state-owned organisations, commercial practices like mergers were not common. Thus, for GPWA to consider a merger in addition to more “entrepreneurial-based marketing”, it would have to pursue privatisation (Ramshaw & Lee, 2022, p. 18). In September that year, the GPWA released a model for privatisation in its Annual Report. This suggested that GPWA did not rely on grower support for this proposed model.

Furthermore, on 13 November 2001, the GPWA held a media conference in which they announced a merger plan with CBH (Ramshaw & Lee, 2022). The plan would retain CBH's structure as a co-operative while the GPWA would become a wholly owned marketing subsidiary, with CBH's CEO and Chairman heading the new organisation. In addition, the new Board of twelve would consist of nine grower directors formed from CBH and the GPWA and three external members with specialist expertise (Mazzarol & Mamouni Limnios, 2011). According to Dr Crane,

"I think it was clear to the boards of CBH and the Grain Pool board that merging the two entities would make them both fitter for deregulation. If the Grain Pool's single desk for barley, Canola, lupins was lost, but at the same time the wheat market was equally deregulated, CBH would need a grain trading capability, and the Grain Pool had benefitted from being part of a larger business with a combined base of funding to support a much bigger trading book." (Dr A. Crane, 2024).

It would also require changes to the *Grain Marketing Act 1975 (WA)* and *Bulk Handling Act 1967 (WA)*. CBH aimed to retain their income tax exempt status with the merger. However, this status was in doubt as under section 35A of the *Bulk Handling Act 1967 (WA)*, any income and property of CBH could not be distributed for the benefit of its members, that is, as surplus directly or indirectly (Ramshaw & Lee, 2022).

This plan required 75 per cent majority in a CBH members vote. In January and February 2002, CBH and GPWA provided over eighty merger presentations throughout the state, attended by over 2,000 growers and other stakeholders, to advocate for and explain what to expect under a merged organisation (Mazzarol & Mamouni Limnios, 2011; Ramshaw & Lee, 2022).

It was difficult to convince the sceptical. Nevertheless, CBH and GPWA ultimately received an enthusiastic response not only from growers, but overseas customers as well (Ramshaw & Lee, 2022). On 7 March 2002, CBH members voted 85.1 per cent in favour of the merger (Ramshaw & Lee, 2022). This was a marked improvement from the 1990s, in communication between the Board and the Co-operative's members. However, there was some external opposition to the merger primarily from the Pastoralists and Graziers Association of WA (PGA).

The PGA described it as a "shotgun wedding" (Ramshaw & Lee, 2022, p. 28). Indeed, they were concerned with the increased concentration of power into CBH in addition to a legislated marketing monopoly, preferring a more free and open market (Mazzarol & Mamouni Limnios, 2011; Mazzarol et al., 2014a; Ramshaw & Lee, 2022). In addition, the AWB expressed disappointment that they were left out of discussions (Ramshaw & Lee, 2022). However, the Australian Competition and Consumer Commission (ACCC) did not oppose the merger as they believed the AWB provided more than sufficient competition (Ramshaw & Lee, 2022).

According to Robert Sewell the PGA were antagonistic towards the GPWA because it was a statutory authority, and they preferred a private sector organisation. As a result, they were opposed to CBH and the GPWA merging,

"Yes, the PGA were very anti the Grain Pool - it doesn't matter what you think, they were dead against the Grain Pool because it was a statutory authority, and they didn't like it. They didn't like that, they didn't trust us, they reckoned we were stealing their grain and openly making

those comments that we weren't treating them with respect and so they were dead against us. So, they didn't want the Grain Pool to merge with CBH because it actually gave a lifeline to the Grain Pool and a couple of the people at PGA at the time just wanted to draw or quarter the Grain Pool people to get rid of them" (Sewell, 2011).

The eventual merger occurred in November 2002 forming the CBH Group. (Mazzarol et al., 2014a; CBH, 2021a; Ramshaw & Lee, 2022). In October that year a new *Grain Marketing Act* was created as well as the *Bulk Handling Amendment Act 2002*. These two legislative frameworks set out GPWA's transformation from a statutory authority to a company, becoming the Grain Pool Pty Ltd. (Ramshaw & Lee, 2022). This was a major subsidiary of the CBH Ltd. after the merger. The new Grain Pool as a CBH subsidiary maintained its core business of buying, risk managing, and selling grain, while all the assets of the former GPWA were transferred to this new subsidiary of the CBH Ltd. (Mazzarol & Mamouni Limnios, 2011). In Jason Craig's opinion,

"I think culturally the two organisations were very, very different. Because obviously we were a marketing organisation, they were a storage and handling organisation and how they ran was different. But that didn't mean that joining the two organisations together wasn't a logical fit. Although, like any mergers, there was a few teething problems. But I think that merger worked reasonably well and was the catalyst to delivering a full suite of services for WA growers." (J. Craig, 2024).

As a commercial entity, the Grain Pool Pty Ltd. commenced paying tax on its surplus (Ramshaw & Lee, 2022). In addition, the merger introduced into CBH the Producers' Council – later renamed to the Growers' Advisory Council (GAC)- a fourteen-member council, which later expanded in 2018 to sixteen members, who are a group of growers that provide a formal mechanism for issues raised by growers to be fed back to CBH and support communications with growers (CBH, 2021c; Ramshaw & Lee, 2022). Natalie Browning, a farmer of Kondinin, was a member of the GAC in 2016-2017, she joined the CBH board in 2018 and became the Deputy Chair of CBH in 2020. Her view of the role played by the GAC was expressed as follows,

"The Growers' Advisory Council provide another voice from the membership to our management and to our board. They can hold us to account, which is fantastic. It also brings more of our membership base through the organisation to get a deeper level of understanding of the co-op. Some people go from that to run for the board ... It builds strength in our co-op because people come in at the high level, they deal with our CEO, our board, our heads of management. They get a deep understanding of the Co-operative, how CBH delivers value to members. They go back into their farming communities, and they're like advocates for the co-op. It's building that strength in your membership base over time, which is really good" (N. Browning, 2024).

The amended *Grain Marketing Act* established the Grain Licensing Authority (GLA), which commenced in October 2002 (Ramshaw & Lee, 2022). Its purpose was to issue bulk export licences for barley, canola and lupins, which it subsequently did in 2003, authorising exporters other than Grain Pool to ship more than 500,000 tonnes of Western Australian grain (CBH 2003; Mazzarol & Mamouni Limnios, 2011; Mazzarol et al., 2014a).

Over time, the GLA became a considerable marketing and trading obstacle for the Grain Pool, as it had the capacity to grant export licences for other grain trading exporters as well, despite it

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

seemingly maintaining a form of single desk operation. This resulted in increased competition for the Grain Pool as a CBH subsidiary, (Ramshaw & Lee, 2022).

In the 2004 Annual Report, CBH accused the GLA of undue interference, arguing it “tempered the success” of their marketing efforts (Ramshaw & Lee, 2022, p. 41). As stated in the Annual Report,

“The charter of the GLA is to create additional value for Western Australian growers. The CBH Group considers that the GLA, in its two years of operation, has failed to create additional value” (CBH, 2004, p. 7).

The Co-operative argued that the issuing of ‘large volumes’ of licences by the GLA to other grain traders during 2003-2004, which targeted existing Grain Pool overseas markets, at a time when there was considerable market volatility, had only created new challenges for the operations of CBH’s marketing and trading subsidiary. It was only the ‘strong relationships’ that the CBH Group had developed with its overseas customers, and the reputation that they had built for the quality of WA as a grain supplier, that enabled the Co-operative to manage through the ‘uncertain period’ (CBH, 2004).

Despite these issues, the merger between CBH and GPWA was a net benefit to the grain producers of WA, creating as it did a vertically integrated business that could span the entire supply chain from farm to market in a manner that had previously not been possible. It was an opportunity for the newly formed CBH Group to enhance its overall competitiveness within an increasingly competitive market environment. In assessing the merger CBH Chair Allan Watson stated that,

“The CBH-Grain Pool merger was a strategic move amid the climate of rapid change that exists in the global grain industry. The merger was one of several significant manoeuvres that occurred during the year which also saw: AusBulk acquire Joe White Maltings; AWB Ltd purchase a significant stake in Futuris Corp. and acquire Wesfarmers’ Landmark division, and GrainCorp merge with Grainco” (A. F. Watson, Chairman, CBH, 2003, p. 10).

As with any merger of two organisations, the process was a challenge for both parties and their employees. In assessing the success of the merger CBH CEO Imre Mencshelyi stated,

“I am immensely proud of the way staff have responded to the integration of CBH and Grain Pool, and the ongoing change process. I acknowledge the contributions of the senior management team who have guided this process. I particularly note the efforts of Grain Pool Managing Director Peter Reading and CBH Company Secretary, Peter Wells, both of whom have now left the company to pursue new endeavours” (I. M. Mencshelyi, CEO, CBH, 2003, p. 11).

Allan Watson retired as Chair of CBH in 2004 to be replaced by Robert Sewell, with Tony Critch as Deputy Chair (see Figure 31). Sewell, a farmer from Wongan Hills, joined the CBH board in 2002 as part of the merger, serving as Deputy Chair under Watson. However, with Watson’s retirement, he assumed the position of Chairman for only one year, passing the role to Tony Critch in 2005, but remaining on the Board until 2008 (Ramshaw & Lee, 2022).

Figure 31: Robert Sewell AM (left) and Tony Critch (right)



CBH Chairman 2004-2005



CBH Chairman 2005-2008

Sources: Ramshaw & Lee (2022); CBH (2005).

Tony Critch, a farmer from Geraldton, served as Chair until 2007. In reviewing the merger and its outcomes Robert Sewell and Imre Mencshelyi reported in the 2004 Annual report that the previous two years had created benefits to the Co-operative's members, stating that the merger had yielded savings of around \$21.9 million, while helping to strengthen the Co-operative's confidence to set a clear strategic direction for the future. As they stated,

"The merger's success has rewarded shareholders for their faith in the company and is also testament to the positive approach our staff and Western Australian growers, who had the vision to see its potential and worked to support the combination of the businesses" (R. Sewell, Chair, and I. M. Mencshelyi, CEO, CBH, 2004, p. 6).

CRITICAL EVENT: THE CREATION OF CBH GROUP

As recited above, the merger of CBH and GPWA created a new business, the CBH Group. At one level the change might seem like a minor variation to a corporate brand, but as the above discussion indicates a more fundamental shift had occurred. In the wake of the failed CBH demutualisation push, the merger provided a new goal around which the staff of both entities and the CBH members could collaboratively work together. The merger was consistent with the then-prevailing deregulation agenda that underpinned much political thought at the time, notably

through the repeal of the GPWA's governing legislation and consequent abolition of the GPWA as a statutory authority. In Dr Crane's view,

"I think to this day, CBH remains the largest trader of wheat out of Australia because all those preparations, because of that merger" (Dr A. Crane, 2024).

The GPWA Grower's Council, elected by growers who delivered their grain to the pool, was established in 1932 and continued, in a similar form, as the Producers' Council in 1975. It survived within the new CBH Group as an appointed advisory body under the name of the Grower's Advisory Council. The original Wheat Pool was re-named the Grain Pool in 1962, and GPWA in 1975, before its abolition in 2002. The Pool throughout its life had undergone several restructurings, and its merger with CBH meant that many of its functions continued within a co-operative entity subject to the control of its members, as had been established in 1943. Continuities were as important in the merger as disruptions.

CBH AND THE LAST FIVE YEARS OF 'THE NOUGHTIES' - 2005-2009

Following the merger of CBH and the GPWA, creating CBH Group Ltd., the Co-operative rebranded its identity with a new logo that was launched in 2005 (See Figure 32). Chairman Critch introduced the new CBH corporate logo which replaced the original art deco styled design as part of the rebranding.

Figure 32: The 1933 CBH Logo (left) and 2005 CBH Logo (right)



Sources: CBH (1933); CBH (2005).

In his Chairman's statement Tony Critch described the new CBH logo as follows,

"Our new branding system, built around a revamped logo, represents the strength that comes from working together to create greater value for Western Australian grain growers. The new logo sends a strong message to our customers, partners, and competitors that the CBH Group is ready to take on the challenges that lie ahead in our industry" (CBH, 2005, p7).

The Albany port grain terminal was being upgraded, and the Co-operative had secured its joint venture agreement with the Salim Group's Pacific Agrifoods Ltd. initiated in 2004, to jointly operate flour mills in Malaysia, Vietnam, and Indonesia. Furthermore, the harvest from the 2004/05 season was good, with 10.6 million tonnes delivered. However, it was significantly less than the 14.7 million tonnes produced during the previous season (CBH, 2004; 2005). Nevertheless, the CBH Group, entered the second half of the decade with optimism.

In 2006 the AWB was embroiled in what became known as the 'wheat for oil scandal' with Iraq, which ultimately resulted in the loss of their single desk monopoly over wheat export (Mazzarol & Mamouni Limnios, 2011). The scandal began when Iraq, one of AWB's largest wheat customers, invaded Kuwait, resulting in United Nations (UN) sanctions, including on wheat sales to Iraq (Ramshaw & Lee, 2022). Subsequently, due to the economic hardship caused by the wheat ban in Iraq, the UN then established an Oil for Food humanitarian program, in which money from oil sales were put into an escrow account rather than in the hands of the Iraqi government and could then be used to purchase wheat. Allegations emerged that the AWB were inflating the price of the wheat Iraq ordered at the request of the Iraqi government, allowing them to use the resulting 'overflow' of funds from the escrow account to make purchases unrelated to food. Indeed, the AWB was accused of paying over \$300 million as a part of this scheme, in direct contravention to UN sanctions (Ramshaw & Lee, 2022).

The Federal Government launched the Cole Inquiry to investigate the 'wheat for oil scandal' (Cole, 2006). During this investigation Iraq refused to purchase wheat from the AWB, which opened the market to Wheat Australia Pty Ltd (a joint venture of CBH, GrainCorp, and ABB Grain) to export bulk wheat from Australia (Ramshaw & Lee, 2022). Furthermore, criminal charges were issued toward AWB from both the Federal Government and US farmers. On 11 July 2006, US farmers claimed \$1 billion in damages against the AWB, claiming it used bribery and other corrupt activities. However, the lawsuit was dismissed in March 2007, and the Australian criminal investigation was dropped due to the low prospect of conviction. Despite this, the AWB's reputation was already irreparably damaged, and its share price plummeted (Ramshaw & Lee, 2022). David Woolfe, who served as the CBH Company Secretary from 2003 to 2022 described the impact of the AWB's self-destruction in the following manner,

"From that CBH foresaw that this crisis could lead to AWB being stripped of the single desk. And that if that happened, that was going to create an enormous opportunity for CBH Grain to be able to export wheat. ... That being part of the reason why CBH then bought a 50% joint venture interest in a number of flour mills in Asia ... As the industry and the government were grappling with this Iraq 'oil for food' crisis and the AWB's implosion, and the government thinking, well, do we allow AWB to retain the single desk or do we restructure the entire grains industry and wheat industry, CBH was able to say, well, here we are with our own flour mills which want to buy Australian wheat. We own these flour mills, or a 50% interest in them, and yet we're unable to sell wheat to our own flour mills because of this ridiculous single desk. And that was one argument which ended up leading to the government deregulating the entire wheat industry and the single desk being dismantled and Grain Pool going from a sizable business in other grains to the biggest exporter of all grains, including wheat, in the country." (D. Woolfe, 2024).

In December 2006 the Australian government stripped the AWB's power to veto wheat export applications. The removal of AWB's power was furthered in April 2008 when, after a year-long investigation, the Senate Select Committee recommended that its single desk be removed, and the market opened to other exporters. In June of that year the Federal *Wheat Export Marketing Act* was legislated, which removed AWB's single desk position and deregulated the grain export market (CBH, 2021a).

In addition, the Act created the Wheat Exports Australia as a governmental agency, which regulated bulk wheat exports through the Wheat Export Accreditation Scheme (Ramshaw & Lee, 2022). The misfortune of AWB proved to be a benefit for the CBH Group. Under this new regime, the Grain Pool was one of the first to receive a wheat export licence. It meant that in 2008 the CBH Group were licenced to export wheat in bulk from Australia (CBH, 2007).

However, complications for CBH arose in 2007. The Co-operative's growth and diversification, including joint ventures such as Interflour, led a move by the Australian Taxation Office (ATO) to remove CBH's tax-exempt status, specifically under section 23(h) of the *ITA Act 1936* (Mazzarol & Mamouni Limnios, 2011; Ramshaw & Lee, 2022). CBH did not pay returns directly to its members, however, it did return surpluses to CBH which were invested in storage and handling operations, resulting in lower fees and charges (Mazzarol et al., 2014a). CBH noted in their 2008 Annual Report that the Board planned to appeal the ATO's decision in the Federal Court,

"During the financial year, the parent entity claimed an exemption from income tax by virtue of Section 50-40 of the Income Tax Assessment Act. During the last financial year, the Australian Taxation Office (ATO) advised that they believe CBH is no longer entitled to claim this exemption. This prompted the company to seek a Private Binding Ruling from the ATO stating that CBH was tax exempt. On 25 November 2008, the ATO issued its ruling stating that CBH is no longer entitled to claim tax exempt status and is required to pay income tax from 1 November 2008. At the date of signing, the company is actively defending the tax exemption status" (CBH, 2008, p. 60).

According to David Woolfe the ATO believed CBH did not promote the development of the agricultural industry, rather it existed for its member base like a corporation does for shareholders. CBH successfully challenged the ATO view in the Federal Court before a single judge, however the ATO appealed this decision before the Full Court. He explained the process as follows,

"We then go to the Federal Court and there is a long running court case which was high stakes because it's a significant amount of money that is at stake here. It was argued before a single judge of the Federal Court, and the decision was handed down in our favour. The ATO then said, 'Well, we're challenging that to the Full Federal Court.' So, we then went through this whole process of arguing whether or not we should be entitled to retain this tax exemption before 3 judges of the Full Federal Court. When that decision was handed down, it was handed down by a 2 to 1 majority in our favour ... Subsequently, we were very conscious of not changing the business without liaising with the ATO, so that they couldn't turn around and have another shot at us." (D. Woolfe, 2024).

Ultimately, in December 2010 the Full Federal Court dismissed the ATO's appeal, upholding CBH's tax exempt status (Ramshaw & Lee, 2022).

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

The year 2008 was also the 75th Anniversary of CBH's history, in their Annual Report to the membership in 2007, Chairman Tony Critch and CEO Imre Mencshelyi wrote,

"The realisation that an efficient bulk handling system would reduce handling costs and outlay on wheat bags led to the 'birth' of CBH on 4 April 1933. For 75 years, the CBH Group has been driven by our commitment to maintain a co-operative partnership with our grower shareholders. Since 1933 when the bulk handling system began, we have built an industry that has become the backbone of our State's rural economy. It is this tremendous partnership that has also been the basis of our company's strength and success. Over the years we have weathered many challenges together, including pest infestations, disastrous drought seasons and adapting to changing customer demands to compete more effectively within world grain markets" (CBH, 2007, p. 9).

It was also Imre Mencshelyi's last year as CEO. In his final CEO's report, he paid his respects to the five Chairmen under whom he had served during his tenure. These were the Hon. Mick Gayfer, Allan Watson, Robert Sewell, Tony Critch, and Neil Wandel, a farmer from Esperance, who became Chair in 2008 and served until 2014. He also wrote of the achievements of CBH from its humble origins in 1933 with only 42,578 tonnes from five receival sites, to an annual average receivals of 11 million tonnes and exports to over 20 countries. He also declared that,

"The merger of Co-operative Bulk Handling and the Grain Pool of Western Australia in 2002 was one of the defining moments for the CBH Group, beginning our transformation into an integrated business" (I. M. Mencshelyi, CEO, CBH, 2008, p. 4).

He also wrote of the Co-operative's decision to invest in the Interflour joint venture in 2004 as major achievement. He declared that this venture enables CBH to develop more value for growers as it secured supply chains into growing markets in Asia. Acknowledging the investment was 'controversial at the time', he stated that it 'was now delivering valuable tangible results' (p. 4).

In response to Imre Mencshelyi's farewell address, CBH Group Chairman Neil Wandel wrote in the 2008 Annual Report,

"Imre Mencshelyi will step down from the CBH Group in April 2009, leaving the company after 42 years, 15 of which were served as Chief Executive Officer. He has been a leader through significant industry change and can leave knowing he has made a remarkable difference. Today the company is well-recognised as one of the leading grain businesses in the world. Under his leadership, it has been innovative and most importantly, maintained its close link with Western Australian grain growers. On behalf of the Board of Directors and the growers of Western Australia, I sincerely thank Imre for his commitment, leadership and passion for the CBH Group and the Western Australian grains industry and wish him well for the future" (N. J. Wandel, Chair, CBH, 2008, p. 7).

He also announced the retirement from the CBH Board of long-standing Directors Tony Critch and Robert Sewell, noting that Critch had joined the Board in 1990 and served as Chair from 2005 to 2008, and that Sewell had been Director of GPWA from 1978, and then Chairman from 1992 to 2002, serving as CBH Group Chairman from 2004 to 2005 (CBH, 2008). Imre Mencshelyi was replaced as CEO by Dr. Andrew 'Andy' Crane (see Figure 33), who had been a senior executive with GPWA prior to the merger of 2002.

By 2009 the CBH Group had 4,700 members and reported annual revenues of over \$1.71 billion with a net surplus after tax (NPAT) of \$119 million, which was almost twice the return from the previous year and reflected the increase from 8.49 million tonnes of grains supplied in the 2007/08 season to 12.3 million tonnes in the 2008/09 season. In addition, CBH Group was able to acquire over half of the grain production in WA for its own marketing and trading desk and pay a loyalty rebate of \$16 million to the members (CBH, 2009).

It was a positive way to end the decade, but the Co-operative had also laid foundations for its transition into the new decade. A key initiative was the launch of *Grain Express*, which had been developed as a prototype called 'BluePrint' in 2007. Its focus was on addressing ineffective management processes for non-wheat grains (Mazzarol & Mamouni Limnios, 2011). The finalised Grain Express logistics system was launched in time for the 2008/09 harvest, and to address the complexity of operating within a now deregulated grains market (CBH, 2009). As explained in the Annual Report,

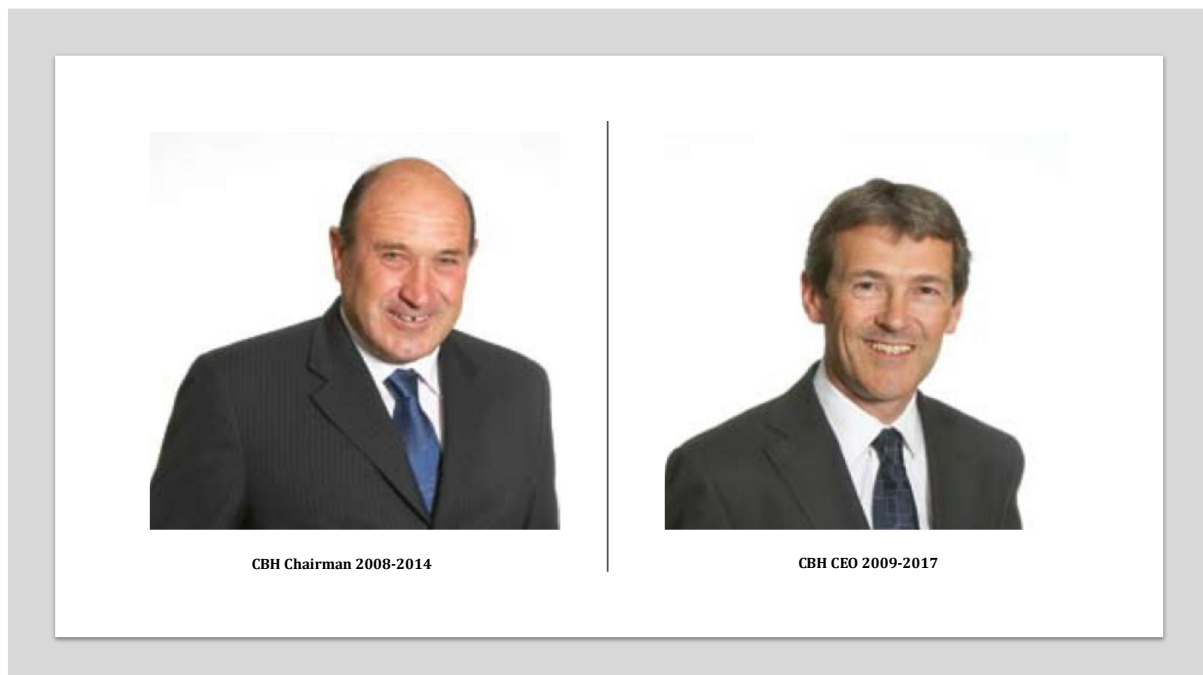
"Grain Express packages freight with storage, handling and ship loading to co-ordinate grain movements from all of the CBH Group's 193 country sites to 15 destination points for outturn into export vessels. It allowed growers to 'harvest with haste and market at leisure' and provided marketers with the opportunity to offer prices to all growers, no matter which receival point they deliver to, without risking the previous high costs associated with accumulating and out turning multiple small parcels of grain" (CBH, 2009, p.16).

The system was designed to track grain across the network and enhance flexibility of distribution (Mazzarol et al., 2014a). Within this system, growers delivered their grain to CBH and paid a flat dollar per tonne handling fee to store the grain until the following September. Grain Express significantly streamlined the grain receival process by moving all grain ownership transfers to the Co-operative's proprietary LoadNet system, a secure online portal, and the Grower Service Centre, which provided telephone call centre support (Mazzarol & Mamouni Limnios, 2011).

The new system provided major cost savings in handling consolidating outloading for the domestic market from 90 to 10 receival sites (CBH, 2009). The overall benefit of Grain Express was to overcome the complexity of moving grain through the storage and handling network creating a single point of contact and enabling secure economies of scale and scope. It reduced 'system volatility' (Mazzarol & Mamouni Limnios, 2011).

However, a small group of growers and some marketers felt the logistics management system disadvantaged them, leading to an investigation by the ACCC (Mazzarol et al., 2014a). Their case to the ACCC was that any potential lessening of competition in the market was less significant than the overall efficiency which the Grain Express system would provide. In their 2008 submission to the ACCC, CBH argued there were likely to be significant efficiency benefits under the Grain Express system due to central coordination of grain storage, handling, and transportation. The ACCC ruled in favour of CBH (Mazzarol et al., 2014a). However, soon after its launch, Grain Express faced some member criticism.

Figure 33: Neil Wandel (left) and Dr Andrew 'Andy' Crane (right)



Source: CBH (2009).

CBH responded to these criticisms with the view that the deregulation of bulk wheat exports and the resulting increase in exporters who might attempt to make their own storage, handling, and transport arrangements would create inefficiencies and additional costs. It would also require CBH to make all its grain receival sites available to outturn grain all the time. This would risk the possibility of insecticide resistance, additional costs and co-ordination problems that would detrimentally affect export capacity, which would then require CBH to develop multiple inventory management systems (Mazzarol & Mamouni Limnios, 2011).

Other important milestones that CBH experienced in 2009 were the introduction of genetically modified (GM) glyphosate herbicide resistant canola, and Monsanto, the holder of the proprietary rights to this technology, awarded CBH subsidiary Grain Pool Pty Ltd., the exclusive right to market the crop for the 2010 growing season. Grain Pool also expanded its marketing and trading operations into NSW, Victoria, and South Australia (CBH, 2009).

In addition, CBH focused on improving its work health and safety (WHS) standards by introducing a corporate health and safety strategy, this involved the appointment of a Chief Safety Officer, and a Corporate Safety Manager, who were overseen by a Corporate Safety Steering Committee, especially created for this purpose. The Co-operative also set up a Harvest Safety Council, and a network of Zone-based Health and Safety Advisers. With a seasonal workforce at harvest time exceeding 2,000 people, it was noted that during 2009 CBH achieved a reduction of 25 per cent in lost time injury frequency rate (CBH, 2009).

The CBH Group was also strongly committed to environmental sustainability and was actively engaged in maintaining its ISO14001 Environmental Management Standards at all its port facilities and replacing its vehicle fleet with more fuel-efficient vehicles. It also commenced trials of solar and wind power for some of its sites, and the continued focus on waste management. Water saving had also become a feature of the CBH sustainability strategy, with water saving initiatives reportedly saving around 3.5 million litres of water in 2009, these water savings were conducted in collaboration with local communities and local emergency services, with storm water capture and storage being used to reticulate local sports ovals and racecourses (CBH, 2009).

SUBSIDIARIES AND OVERSEAS VENTURES

Although CBH is a non-distributing co-operative, it has had wholly owned and part-owned subsidiary proprietary companies for much of its history. For example, CBH Investment Pty Ltd. which from 1945 was responsible for the management and repayment of the debentures owed to the members who paid tolls that created the capital during the 1930s and 1940s (CBH, 1948). By 2005 the CBH Group had fifteen controlled subsidiaries these were organised into grain marketing and trading entities, bulk handling and storage entities, and offshore trading entities.

GRAIN MARKETING AND TRADING ENTITIES

Grain Pool Pty Ltd. was registered in 1999 and then received the assets and liabilities of the Grain Pool of WA in 2002, immediately prior to the shares being transferred to CBH to perform the merger of CBH and Grain Pool. In 2010 Grain Pool Pty Ltd renamed as CBH Grain Pty Ltd. (ACN 089-394-883) (ASIC, 2024b).

In 2005 Grain Pool Pty Ltd. was responsible for a second controlled subsidiary, AgraCorp Pty Ltd. (ACN 008-668-326). This company traced its origins back to 1928 when it operated under the trading names, Australian Grain Corporation Pty Ltd., Grain Corporation of Western Australia Pty Ltd., Grain Pool Europe Pty Ltd., and Australian Outturns Pty Ltd. From November 1999 to March 2000, it operated as Grain Corp of Western Australia Pty Ltd., before changing its name to AgraCorp Pty Ltd. (ASIC, 2024c). The origins of AgraCorp Pty Ltd. can be found in the GPWA, which established and operated its own subsidiary companies and brought them into the CBH, following the merger of the two organisations. These subsidiaries were described in the CBH Annual Report of 2005 as follows,

“Grain Pool Pty Ltd. is a leading international grain marketing company exporting barley, lupins, and canola from Western Australia. Its trading subsidiary AgraCorp Pty Ltd. trades all grains and is the second largest acquirer of wheat in Western Australia” (CBH, 2005, p. 15).

During 2005 Grain Pool Pty Ltd., and AgraCorp Pty Ltd. entered the South Australian and Victorian markets trading under the name CBH Grain. By 2007, CBH Grain expanded its operations by setting up a dedicated trading office in Melbourne and appointing an East Coast Operations Manager. That person was soon supplemented by two Regional Managers based in the Eyre Peninsula of South Australia (CBH, 2007).

During 2007 AgraCorp Pty Ltd., acquired over 1.4 million tonnes of wheat produced by WA growers in that year, which accounted for 33 per cent of the State's wheat crop and nearly half of the wheat produced by CBH members. In addition to wheat, Grain Pool Pty Ltd. and AgraCorp Pty Ltd. were active in the marketing and trading of barley, canola, and lupins (CBH, 2007).

Also, in 2007 Grain Pool Pty Ltd. was given responsibility for the offshore trading entity CBH Grain Asia Ltd., which was incorporated in Hong Kong, and in 2009 the entity CBH Grain Japan Co. Ltd., which was incorporated in Japan (CBH, 2007; 2009). Both these two offshore entities were still active in 2023 (IBISWorld, 2023).

In 2007, to enhance its reputation for quality, Grain Pool Pty Ltd., introduced the Grain Pool Integrated Quality Grain (GP IQ Grain) initiative. This quality assurance system was the first of its kind in Australia. Grain was supplied by quality assured growers and monitored throughout the entire receival, storage, handling, and marketing process using CODEX Hazard Analysis of Critical Control Points (HACCP) principles to ensure it met appropriate quality standards. As explained in 2007 CBH annual report,

"A chief benefit of Grain Pool's system is its ability to trace the grain parcel right back to its origin in the event of a food safety concern, minimising the risk of litigation for its customers should contamination of the raw product be found" (CBH, 2007, p. 18).

The following year Grain Pool traded over 1.1 million tonnes of wheat, and 2.2 million tonnes of barley, canola, and lupins. During 2008 it also opened an office in Brisbane, and offices in Hong Kong, China, and Japan. The quality assurance program was also strengthened with over 1,600 growers becoming certified under the 'Better Farm IQ' program. At the same time 21 of CBH's 197 receival sites were quality assured with a target of 100 per cent of sites to be accredited within five years (CBH, 2008).

By 2009 Grain Pool Pty Ltd. had become one of the largest grain marketing and trading companies in Australia, dealing that year with over 6 million tonnes of grain, with exports going to more than 80 customers in 18 countries. The subsidiary had captured 50 per cent of the WA grain harvest and posted a growth in revenue of 18 per cent, contributing around 36 per cent of the CBH Group's revenue. In that same year, the brand name AgraCorp discontinued with the aim of reducing confusion within the market and amongst the WA growers. The number of farmers certified under the Better Farm IQ program rose to 2,179, and the number of certified grain receival sites had increased to 53 (CBH, 2009).

In January 2009, Grain Pool was selected to be the preferred partner of InterGrain Pty Ltd., a WA government and GRDC JV wheat breeding company seeking to develop international markets for the new noodle wheat varieties, 'Binnu', 'Yandanooka', and 'Fortune'. InterGrain granted Grain Pool an exclusive licence to market and trade these noodle wheat varieties and commenced the development of the premium Udon noodle market in Japan (CBH, 2009).

A further development in the Co-operative's grain marketing and trading operations was its acquisition of a 50 per cent shareholding in the WA-based company DailyGrain that provided an online platform allowing subscribers to compare marketers' live prices for grain daily. Following

the acquisition, CBH integrated the DailyGrain platform into its own proprietary LoadNet system to provide a seamless flow of data to growers and consultants (CBH, 2009).

BULK HANDLING AND STORAGE ENTITIES

Within the bulk handling and storage entities, the most prominent was Bulkwest Pty Ltd. (ACN 008-726-154). This wholly owned subsidiary was established in September 1969 and operated under the trading names, CBH Commercial Services Pty Ltd., CBH Workshop and Commercial Services Pty Ltd., and CBH Workshop Pty Ltd. (ASIC, 2024d). In 2005 Bulkwest Pty Ltd., had four controlled entities. The first of these, Bulkwest Logistics Pty Ltd. (ACN 079-543-829) was established in 1997 and was operated until 2005 when it was sold (CBH, 2006). It continued to operate under the name Patrick BWL Pty Ltd., and in 2024 was operating under the name Linx (BWL) Pty Ltd. (ASIC, 2024e). The second controlled subsidiary, Bulkwest Engineering Pty Ltd. (ACN 096-281-935) was registered with the ASIC in 2001. Its primary purpose was to provide the CBH Group with engineering and manufacturing services. In March 2010 it was renamed CBH Engineering Pty Ltd. and in 2024 was operating under that name (ASIC, 2024f). Bulkwest Engineering and Bulkwest Logistics were described in the Annual Report of 2004 in the following manner,

"In 2003-04 our subsidiaries Bulkwest Engineering and Bulkwest Logistics were positive contributors to our bottom line in a year which saw significant changes in these operations driving greater efficiencies. These subsidiary businesses have further aligned their objectives with the CBH Group, which creates significant synergies with CBH's operations and adds greater value to the company" (CBH, 2004, p. 7).

To provide some insight into the work of the subsidiary, in 2007, Bulkwest Engineering Pty Ltd., completed a \$16 million capital works program that lifted the Co-operative's total storage capacity to around 19.4 million tonnes. It also fabricated and installed major rail loading facilities in the regional areas and at the MGC in Forrestfield. This work was supported by maintenance and repair of facilities such as the Kwinana Grain Jetty and Albany Grain Terminal. The subsidiary also undertook R&D projects for producing autonomous weighbridges and completed \$3 million worth of manufacturing of equipment for other companies within the grains industry (CBH, 2007).

Also in 2007, Bulkwest Engineering Pty Ltd. was awarded a Trade Measurement Servicing Licence that enabled the company to install, test, adjust and certify weighbridges, batch-weigher and other measurement devices. It was also awarded a registered builder's license by the Builders' Registration Board of WA, which enabled it to better manage construction projects and reduce their dependence on having to sub-contract registered builders. Finally, that same year, the company explored procurement opportunities in China, securing the supply of bulkhead wall frames for grain silos from the Zhenxing Machinery Co. at a significant cost saving for the CBH Group (CBH, 2007).

During 2008 Bulkwest Engineering continued to undertake maintenance and upgrades of the CBH storage and handling network, ensuring that the Co-operative's facilities would provide safe, secure sealed storage. In addition, the subsidiary completed around \$4.6 million in contract work outside of WA, with a specific focus on China as a key supplier of prefabricated components for

the firm's building and engineering projects (CBH, 2008). The following year, Bulkwest Engineering completed capital works of \$51.3 million and maintenance work of \$28 million for the CBH bulk storage and handling network within WA. In addition, it completed \$3.7 million in external work. By the end of 2009, CBH had a combined storage capacity of 20.2 million tonnes (CBH, 2009).

Of the other bulk handling and storage subsidiaries, the third controlled subsidiary CBH Investment Pty Ltd. (ACN 008-671-421) was established in October 1945. Its original purpose was to take responsibility for the management and repayment of tolls. Although active in 2005 it was later renamed CBH (WA) Pty Ltd. (ACN 008-671-421), which was inactive at that time, but was activated in 2014 and continued to operate in 2024. In 2015 the CBH (WA) Pty Ltd. subsidiary registered the trading name CBH Fertiliser (ASIC, 2024g), which is now a major supplier of fertiliser for its members and provides a mechanism for maintaining greater competition within the WA fertiliser industry, thereby helping to keep prices for this important farm input as low as possible.

The fourth controlled subsidiary, Bulkeast Pty Ltd. (ACN 099-746-102) was established in 2002 and remains active within the Australian Securities & Investments Commission (ASIC) database (ASIC, 2024h). This business was created to enable the CBH Group to operate its engineering and construction businesses in other states.

West Grains Pty Ltd. (ACN 068-223-165) was established as CBH Stevedoring Services Pty Ltd. in 1995, then became West Grains Pty Ltd., and from 2009 was renamed Australian Bulk Stevedoring Pty Ltd. (ASIC, 2014i). Grainswest Pty Ltd. (ACN 068-223-147) was established in 1995 before becoming CBH Group Holdings Pty Ltd. (ASIC, 2024j).

Bulk Handling (WA) Pty Ltd. (ACN 080-858-984) was established in 1997 and renamed Bulk Handling (WA) Ltd., before becoming United Bulk Carriers Pty Ltd. (UBC) (ASIC, 2024k). In 2005 UBC was tasked with the role of administering a contract between the Grain Pool and Hudson Shipping Lines (HSL). By 2009, UBC was continuing to manage this relationship and shipped grain and non-grain cargos from WA and other global destinations (CBH, 2009).

However, in 2011 CBH made the decision to exit from the UBC-HSL joint venture declaring that while the partnership had 'provided much value over the past six years' it was better for the Co-operative to retain good relations with Hudson Shipping, but secure optimal freight arrangements for its members (CBH, 2011). Nevertheless, CBH retained a joint-venture Australian Bulk Stevedoring (ABS) with Hudson Shipping into 2019 when it acquired full-ownership of the subsidiary (CBH, 2019a). In 2024, the UBC had at least twenty registered business names (ASIC, 2024k). In relation to the Co-operative's engagement with the stevedoring joint-venture CBH CEO Ben Macnamara explained that,

"The stevedoring business, that was a joint venture. We actually purchased the other 50% stake. I was quite passionate on that because we're the ones who created all the value and we're the ones who take all the risk, the joint venture partner was simply just a financial investor. And on that basis, I think the benefits should go back to the member. So yes, it's an investment, but at the same time, through COVID and beyond, it's been a really important aspect of our supply chain which differentiates us." (B. Macnamara, 2024).

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

The final subsidiary CBH Pty Ltd., formerly known as CBH Limited was registered with ASIC in 1999 and remains active within the ASIC registry although its operational status is unknown (ASIC, 2024l). However, it is likely that this entity was created at the time of planned demutualisation as a business structure for a post co-operative business structure.

FLOUR MILLING VENTURES IN ASIA

In 2004, CBH Group expanded their organisation by partnering with the Salim Group, a multinational conglomerate with a diverse array of interests including agribusiness, to form a joint-venture Interflour (CBH, 2021a). The creation of Interflour involved the acquisition of a network of five flour mills and handling facilities in Indonesia, Malaysia, and Vietnam, costing \$72 million, in which CBH Group has a fifty per cent stake (Mazzarol et al., 2014a; CBH, 2017a). CBH's intentions in the new venture were flagged in the 2004 annual report:

"The goal is to secure Western Australia's position as the 'food bowl' of Asia. ... Western Australia has the ability to produce high quality grain due to our 'clean and green' environment and suitable grain growing climate. We are building on these natural advantages to develop a niche in providing safe and quality food to the international marketplace" (CBH, 2004 p6).

However, due to the commercial nature of the deal, CBH could not make it public prior to signing and thus did not consult their members during the process of acquisition. This caused an adverse reaction among some members, and the decision was an unpopular one for many (Mazzarol & Mamouni Limnios, 2011). They criticised the Board for investing in flour mills rather than building infrastructure for storage and handling (Mazzarol et al., 2014a). In addition, there was a feeling of disbelief among the Co-operatively minded growers, who felt the Board and management were continuing to make decisions which pushed toward corporatisation (Mazzarol & Mamouni Limnios, 2011). At the time, many members could not see how the investment would return value to their own businesses. According to David Woolfe,

"There were many growers who said, well, the board just went ahead and did this, and we weren't consulted, and they didn't communicate to us. ... It's like any other merger or acquisition you're talking, in this case, an intention to negotiate a large-scale acquisition into Asia with very sophisticated Asian businessmen and you can't do that unless you can be decisive and negotiate in confidence and do all of the things that the normal corporate world does for large scale acquisitions. And that's where in a corporation no one would question that the board and the management team are there to do these things ... In the Co-operative, it's made more difficult by some of the members going well, you shouldn't be doing this without coming to us. And I think it's a very difficult thing to do. My own personal view is whilst in a perfect world, it would be lovely to have brought the growers along more, I don't think that acquisition could ever have been achieved if CBH had tried to turn it into some quasi referendum of growers before they did it." (D. Woolfe, 2024).

CBH progressed with the Interflour joint venture and as part of this deal also secured an equity stake in the Eastern Pearl Flour Mill located in Indonesia, which at the time was the fourth largest flour mill in the world. In 2006 CBH applied to ship 2.14 million tonnes of wheat to Indonesia, Vietnam, and Malaysia to supply these overseas flour milling ventures. Despite the initial negative reaction from within the grower community, by 2007 these investments were beginning to show

financial return. For example, at a time of record prices for wheat and high transportation costs, the two flour milling ventures reported earnings before interest and tax (EBIT) of \$22 million of which CBH received \$11 million (CBH, 2007).

By 2008 the flour mills were generating an EBIT of \$20.9 million compared to only \$4.8 million in 2005, an increase of 300 per cent. They also provided a potential export market of more than one million tonnes of wheat from WA. In the CBH Annual Report for that year, it was explained that the increasing surplus being generated from the mills, was the result of continuous improvements to drive down the cost of operations, as well as enhanced sales and marketing efforts stating that,

“The CBH Group is confident the mills now have a unique operating model that will ensure long term viability in these important growth markets. The mills will continue to make cost savings and enhance their established financial and market position through adding strategic investments. Through increased scale, the mills plan to further leverage procurement and logistic initiatives” (CBH, 2008, p. 19).

Despite this optimism, the Global Financial Crisis (GFC) of 2007-2008 impacted the world economy leading to a collapse in commodity prices that significantly affected the Asian flour mills. The markets in both Indonesia and Vietnam were subject to massive discounting while the mills were carrying grain paid for at premium prices. However, careful management within the mills enabled Interflour in 2009 to return NPAT of \$12.6 million of which \$6.3 million was paid to CBH. The same year, Interflour completed a major upgrade of its Cai Mep port facilities in Vietnam, and its flour mill near Kuala Lumpur in Malaysia (CBH, 2009).

In 2019 CBH provided a shareholder loan to Interflour to balance its debt and equity levels and support a turnaround plan. It was the first time CBH provided equity to Interflour, totalling US\$30 million (A\$42.9 million), while its venture partner, Origold, provided the remaining US\$30 million needed. The turnaround plan aimed to address the competitive conditions of the Asian flour milling and malting industries (CBH, 2019b). Despite these issues, CBH continued to seek out new markets in the Philippines (Ramshaw & Lee, 2022). Discussing this decision to co-invest in the Interflour joint venture Jason Craig stated that,

“I believe the ownership of Interflour certainly helped CBH get the first wheat export license because we were exporting that wheat to our own subsidiary and providing a return to growers above the AWB Pool, a position which was difficult for AWB to defend. It provided CBH with the opportunity to invest in resources to promote WA wheat on behalf of WA growers. Over time that attracted customers and CBH became the largest wheat exporter out of Australia. Whilst we have many, many more customers post-that initial licence, I believe the ownership of Interflour provided us with that opportunity to expand our wheat business.” (J. Craig, 2024).

CHAPTER 7: THE CO-OPERATIVE TODAY – 2010-2023

A considerable change occurred for CBH and all other WA co-operatives in 2009. The State Government introduced a new *Co-operatives Act, 2009* (WA), which fundamentally altered the organisational framework of co-operatives (Baskerville, 2019). This included the removal of distinction between co-operative companies and co-operative societies which had existed since 1929. In addition, for the first time the seven co-operative principles were given a statutory basis in WA (Baskerville, 2019).

CBH AND THE ‘DECADE OF THE TEENS’, 2010-2019

As noted above, in 2009 Dr. Andrew ‘Andy’ Crane become the CEO of CBH Ltd. after Imre Mencshelyi’s retirement (Ramshaw & Lee, 2022). Following this appointment, and coinciding with the ATO challenging CBH’s tax-exempt status, Crane began a process of re-examining the non-distributing co-operative structure against the distributing co-operative structure (Mazzarol & Mamouni Limnios, 2011). Between 2010 and 2011 a strategic review was undertaken to investigate the optimal structure of the CBH Group in the light of the ATO’s challenges. Unlike the situation in 1998 when there was a strong appetite for demutualisation, by 2011 the experience of the South Australian SACBH and its eventual acquisition by Canada’s Viterra, meant that few WA growers were interested in the corporatisation of CBH (Mazzarol & Mamouni Limnios, 2011).

Consultations with the Co-operative’s members commenced during 2010-2011 with discussions over the retention of the non-distributing ‘status-quo’ model, conversion into a distributing model, or a ‘hybrid’ model involving a non-distributing tax-exempt core business based on the grain handling and storage operations, with tax-paying propriety limited (pty ltd) subsidiaries. Each option had its pros and cons, but a survey of members conducted in 2011 found the majority (81%) wished to retain the core storage and handling business as a fully member-owned business, with another majority (72%) wishing to retain the non-distributing co-operative status (Mazzarol & Mamouni Limnios, 2011). Reflecting on this, Dr Crane observed that,

So, once it was agreed that we were going to remain a non-distributing co-operative I said to myself, ‘fine I’m now going to make the absolute most of this’. We used the Argenti strategic planning process which asks three great questions that are so relevant to co-operatives. Who is your beneficiary? Straight up its our growers. What’s your purpose in a simple sentence? Our board came up with ‘Create and return value to growers’. And finally, what is the single measure of benefit provided to your member? We initially landed on ‘a grower value return on capital’ which was later modified to be ‘supply chain costs minus rebates’. The whole process was very powerful for me in leading a business with such clarity of where grower value came from and how to return that value.” (Dr A. Crane, 2024).

The CBH Board’s decision to opt for the ‘hybrid’ model, which became known as the “Enhanced CBH”, was announced in the Co-operative’s Annual Report for 2011 by Chairman Neil Wandel in the following terms,

“In January, your Board was pleased to announce the outcome of the year-long investigation into the best future structure for CBH. This has been a subject of debate among growers and within CBH for many years. There is good reason for that – structure is critical, it defines who the beneficiaries are of your business and how value is returned to them. We needed to make

sure CBH's structure was competitive and sustainable and demonstrated real value for growers. Most importantly, it needed to align our business with you, the grower. Another important outcome of this thorough and openminded investigation was an end to the distraction and uncertainty created by the seemingly eternal speculation on the subject. Your Board's united decision was that CBH would remain a co-operative with a modernised structure and constitution that would enable us to return value to growers in the way you value most" (N. Wandel, Chairman, CBH Group, 2011, pp. 3-4).

As permitted under the new *Co-operatives Act, 2009* (WA), Co-operative Bulk Handling Ltd. was a non-distributing co-operative, which meant that it would not pay dividends on any share capital held by members. This enabled CBH to retain its tax-exempt status on its core storage and handling business, and to operate as a co-operative under the one-member-one-vote governance and the seven co-operative principles. Following the decision by the Full Federal Court in December 2010 in favour of CBH over the ATO's attempt to remove the Co-operative's tax-exempt status, CBH was now able to retain an estimated \$10 to \$15 million a year for reinvestment into the firm's grain receival sites, and port infrastructure (CBH, 2011).

However, the subsidiaries and overseas investments were to be tax-paying entities although their possession by CBH, did not adversely affect the tax status of the Co-operative's core activities. The adoption of the proposed "Enhanced" CBH structure was voted on by the members at an Extraordinary General Meeting (EGM) with a majority (96%) approval by the membership (CBH, 2011). These strategic considerations of the Co-operative's structure were a catalyst for the firm's registration under the new *Co-operatives Act, 2009* (WA), and in 2011, CBH was the first co-operative to transition to the new legislation (Baskerville, 2019; Ramshaw & Lee, 2022). This process was accompanied by the adoption of a new set of Company Rules, replacing its previous Memorandum and Articles of Association, and for the Board to approve changes to policies within the organisation's Charter to reflect the provisions in the Act (CBH, 2011).

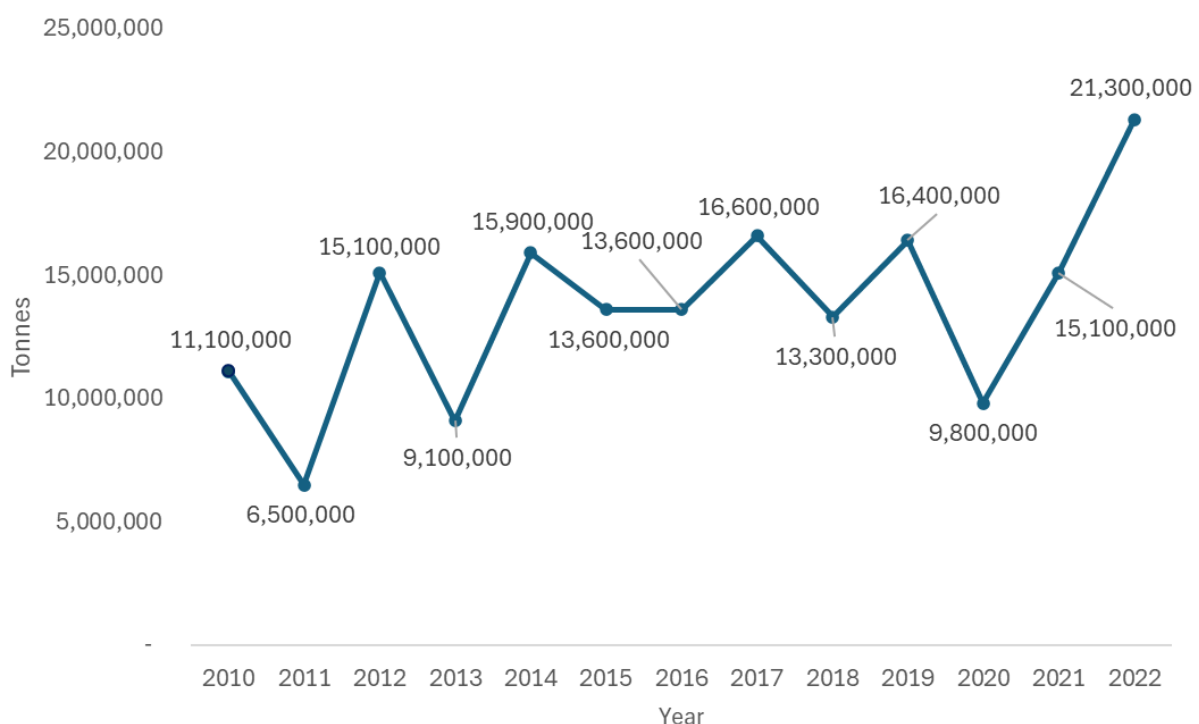
In addition, all the shares in CBH held by the Co-operative itself were cancelled, with the shares of three members also cancelled in 2011 due to failure to meet the Active Membership requirements under the new Rules (CBH, 2011).

Also in 2011, CBH implemented a new Sustainability Plan, centred on "reducing harm to the environment by continually reducing [its] overall environmental footprint" (CBH, 2011, p. 44). In addition, its objectives included energy efficiency initiatives, such as solar and wind power, improving fleet vehicle and rail efficiency, and waste management. In 2011 CBH commissioned trial sites for solar and wind energy in addition to a nitrogen generation plant for controlling grain insects (CBH, 2012).

CBH's registration under the 2009 legislation was notable, not only for being the first co-operative to transfer to the new regulatory framework, but also for the ways in which this new framework was reflected in its reporting. From 2013 onwards, annual reports explicitly reference, in one way or another, the co-operative business model, the value of co-operation, and/or cite the seven principles of co-operation. This was a distinct change from pre-2011 annual reports in which CBH was consistently referred to as a company, whereas after 2011 it is increasingly identified as a co-operative.

Another way in which this became evident was in the way members were identified. Before 2009, terms such as shareholder were most common, and then from 1995 terms such as ‘our growers’, grower-members and clients were used. From 2012, terms such as grain grower enterprises, grain growers, grain grower entities, grain grower members and grain grower businesses came into use (see Figure 34). These changes reflect the transition from a co-operative company via a stalled demutualisation process to a modern co-operative clearly anchored to the seven principles of co-operation, and the shifts in conceptual thinking this required in both employees and members.

Figure 34: CBH grain receivals 2010-2022



Source: CBH (2010-2022).

However, market growth was juxtaposed with continued variations in environmental conditions. Fluctuating weather conditions, including frost, in 2010 caused a slower season than normal which impacted WA yields (Ramshaw & Lee, 2022). Indeed, by the end of the 2010-2011 season, CBH received 6.5 million tonnes, with CEO Crane calling it ‘one of the worst production years on record’ (CBH, 2012, p. 7). This was furthered by approximately 60 receival sites not opening for the season, resulting in growers travelling long distances to deliver.

Such challenges impacted both the efficiency of the supply chain and grain quality, resulting in a trading loss of \$23.4 million for CBH Grain (Ramshaw & Lee, 2022). This was followed by a year of increased production, with Australia producing 23 million tonnes of wheat, 3.6 per cent of the total world production, becoming ranked one of the world’s major exporters of wheat (Mazzarol

& Mamouni Limnios, 2011). Drought in Europe and around the Black Sea allowed Australia to fulfil Egypt's import demands (Ramshaw & Lee, 2022). In addition, it was the first time in over twenty years in which bulk WA wheat was sent to Saudi Arabia. This was followed by soaring prices in 2012 driven by shortages in several major growing regions, including the US and Russia (Ramshaw & Lee, 2022).

In December 2012 changes to the new *Australian Charities and Not-for-profits Commission Act 2012* (Cth) enabled CBH Group to become formally registered with the Australian Charities and Not-for-profits Commission (ACNC) as a charity (Ramshaw & Lee, 2022). This extended CBH's income tax exemption to include exemption from a number of other taxes as a registered charity for the purpose of promoting the grain industry in WA (ACNC, 2023).

CBH continued to create and develop value for their members throughout the decade. In 2012 the Co-operative began the Grower Study Tours, a stakeholder education and discovery program, beginning with a tour to South-East Asia and the Middle East (Ramshaw & Lee, 2022). In 2013 CBH celebrated ten years of continuous certification to the International Standards Organisation ISO14001 Environmental Management Systems Standard at all port terminals (CBH, 2013). That same year the organisation also implemented programs for the protection of endangered fauna near or at CBH sites in addition to further biodiversity plantings (CBH, 2013).

The following year, a group of members travelled to China and Vietnam, and again to Vietnam in 2017. In 2018, Grower Study Tour participants travelled to Russia, in which they discerned the importance of reducing production and supply chain costs to remain competitive, in addition to an increasing need to meet international standards by implementing new chemical residue management systems (Ramshaw & Lee, 2022). Furthermore, in 2019, forty grower members toured Japan and South Korea. However, with the emergence of the COVID-19 pandemic, Grower Study Tours were suspended from 2020 (Ramshaw & Lee, 2022).

In addition to the tours, CBH added value to their member value proposition during this period by entering the fertiliser market. In 2015 they announced the availability of CBH Fertiliser, addressing the high cost of farm inputs by offering a "quality product at a reduced price" (CBH, 2015a, p. 1). The enterprise was well supported. In 2016, CBH Fertiliser sold 55,000 tonnes; by 2020, sales increased to 125,000 (CBH, 2021d; Ramshaw & Lee, 2022). Furthermore, in 2021, CBH Fertiliser had a 41 per cent increase in new customers, resulting in 184,000 tonnes sold (CBH, 2021d). CBH CEO Ben Macnamara explained the creation of CBH Fertiliser,

"It really is to leverage the cooperative advantage that we've got. There were two key players in the market and there was limited transparency around pricing. And our desire was to provide transparency to our members around what they should be paying for fertiliser and avoiding potential market failure ... when we constructed it, it was - we were very conscious that the benefit is generated through providing increased transparency and adding competition into the market. In a marketing and trading or buying grain perspective, what we're trying to do is create a floor price so that we're driving greater value for our members in a responsible way. The same thing in fertiliser perspective, what we're trying to do is create a ceiling price and provide growers with transparency on what they should be paying so that even if they don't buy the fertiliser from us, they can challenge the incumbent to provide them with a better price" (B. Macnamara, 2024).

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

In 2015, CBH also acquired Blue Lake Milling, a South Australian company that produced oat products and built an oat mill at the MGC in the Perth industrial suburb of Forrestfield to aid WA growers' access to the growing South-East Asian processed oat market (Ramshaw & Lee, 2022). As Ben Macnamara described the decision by CBH to invest in this venture,

"We've been seeking investments in the oat space because we had wheat, barley through the malting plant ... the oat market is inherently volatile, and we're like, how do we send a greater demand signal to the growers and how do we put some more stability into the oat market? We looked at a range of opportunities. Blue Lake Milling was value accretive when we acquired it. And it's performing reasonably well" (B. Macnamara, 2024).

Blue Lake Milling is both a South Australian and Western Australian venture, each with their unique challenges. The former mainly caters to the domestic market, however, due to its small brand it struggles to compete with market leaders and get high margins in supermarket. Since 2015 it has always made a surplus, usually over \$2 million, however, high domestic demand is often impacted by environmental contexts such as drought in 2019 and the COVID-19 pandemic (CBH Group, 2016; 2017; 2018; 2019; 2020). Whereas the latter, an oat processing facility at the CBH's Metro Grain Centre in Forrestfield completed in 2018, is affected by the export demand for oat products in Asia that it caters to (CBH Group, 2021; 2022).

For example, the Co-operative's Annual Report for 2021 explained its highest surplus contribution after tax to date of \$6.2 million was due to increasing demands, with an over 40 per cent growth in export volume (CBH Group, 2021). However, in its Annual Report in 2023, its surplus after tax of \$4.3 million was due to weaker demand for processed oats in the export market (CBH Group, 2023).

Despite this variability in returns, Blue Lake Milling offers a value adding opportunity for oats. As noted in the Annual Report for 2015,

The acquisition of BLM provides CBH with oat milling capability to tap into the South East Asian oat market and develop a significant regional presence. More immediately, it offers WA growers another diversified investment that creates an alternative income stream that can generate a rebate to help lower their storage and handling charges" (CBH, 2015, p. 20).

The period was also characterised by growth in new and existing markets for grain. In 2013, CBH Grain expanded their product sources into the eastern states (Ramshaw & Lee, 2022). However, they were careful to reassure WA growers that it was not to replace the state's grain, rather to broaden the overall grain CBH could provide, including those which were not produced in WA, such as sorghum, prime hard wheat, and durum wheat. Thus, they argued, it would make CBH Group a "one stop shop" (Ramshaw & Lee, 2022, p. 66).

Indeed, the growth of the domestic market in the eastern states resulted in CBH Grain's focus shift to SA, relocating its Melbourne office in the process. The CBH Grain team argued SA was a "key supplier of grain for the export market" (Ramshaw & Lee, 2022, p. 72). At the same time, they expanded their outreach programs, including hosting technical seminars, in China, Indonesia, Japan, Malaysia, The Philippines, and Vietnam (Ramshaw & Lee, 2022).

In 2014 the Sustainability Action Plan was revised with eight new objectives, including “prevent harm to the environment; strive to enhance the communities in which we operate; reduce greenhouse gas emissions; integrate sustainable development principles; implement sustainable consumption practices; foster more sustainable behaviours and consumption patterns; improve water use efficiencies and protect water quality; reduce waste produced, maximise resource recovery and recycling” (CBH, 2014, p. 35).

Under the ‘prevent harm to the environment’ objective, CBH reported the following year that the goal to “design and develop native vegetation rehabilitation and planting plans” was, at four sites (Moora, Dowerin, Hyden and Chadwick) achieving a positive net gain with more species diversity replaced than lost, and that the goal of “tree retention programs on all relevant sites” was being taken into consideration but not yet a formalised practice. (CBH, 2015b, p34)

In 2014, despite CBH receiving and shipping their fourth largest harvest on record, with a NPAT of \$82.7 million, it also sustained a loss in its grain marketing and trading operations of \$16.7 million, due to a significant decline in grain and commodity markets such as the US (Acquisdata, 2016; Ramshaw & Lee, 2022). There was also increased competition in Russia and Europe due to record crops and the advantage of lower ocean freight rates to Asia and the Middle East. Furthermore, there was competition from good harvests in Canada, US, and Argentina (Ramshaw & Lee, 2022).

Furthermore, around this time there was concern from large scale growers who were not feeling the value of their membership as compared to smaller farms. Consequently, CBH aimed to develop a structure which would reward grower volume more effectively, including through loyalty programmes, segmented marketing strategies and targeted operational services for certain grower cohorts (Mazzarol & Mamouni Limnios, 2011). In their 2014 Annual Report, CBH affirmed a refocus of their role, from providing value to growers to a future-proofing tool for farmers (Ramshaw & Lee, 2022).

Later in 2015, November bushfires devastated agricultural regions, particularly in the Goldfields and Esperance. In addition to approximately 300,000 hectares of agricultural land burned, and 4,500 livestock killed, there were four human deaths. In response to the disaster, CBH set up an account for grower donations, receiving \$100,000, in addition to a \$250,000 donation from CBH to the Lord Mayor’s Distress Relief Fund – Fires Appeal (Ramshaw & Lee, 2022).

In 2016 there was a takeover attempt by Australian Grains Champion (AGC), backed by NSW based ASX listed GrainCorp Ltd., intending to demutualise CBH. In addition to a payment offer to growers, AGC provided the Co-operative a list of governance issues as reasoning to corporatise. According to Dr Crane,

“Once we got to see the offer, get our advisers in and analyse it, we were confident it’s a pretty paltry offer and that we could do much better for our growers. After rejecting the offer, it was key we went straight out to growers to explain why and how we would continue to provide better value over the long term.” (Dr A. Crane, 2024).

Several factors influenced grower interest in the bid. In CBH Director Natalie Browning's view,

"Members were getting frustrated. A lot of them, being the younger generation, perhaps they had lost touch with why CBH was formed in the first place because too much time had passed. They might also have been a little frustrated with the governance. Others may not have seen value they were getting as members of the Co-operative, after all it was also a tough period in farming at that time." (N. Browning, 2024).

Further, in the view of Helen Woodhams, a CBH Director since 2020 and former Deputy Chair of the Growers Advisory Council, 2016-2017,

The Co-operative has been a huge contributor to WA grain growers for almost 100 years with growers and our CBH people ensuring its longevity and success for that entire time. I think the de-mutualisation offer may have been tempting to some growers who were considering exiting the industry, particularly if they were concerned about how CBH was being run at the time and potentially if they may have been viewing it as an exit payment. For those who had another generation coming through, they were generally in favour of retaining the Co-operative as they could see its value to them. Many others believed that they had had the benefit of "value in use" through the years. Fortunately, it was a majority of growers believing that it was in the wider interests for CBH to be retained, largely in its current form. There was appetite for refinement to some aspects of governance, but that it should be preserved for the long term. It is difficult to have a structure that suits everyone, but we have a unique co-operative that has served growers, CBH the organisation and WA more broadly, very well." (H. Woodhams, 2024).

CBH conducted a structural review, with grower meetings across the state, explaining the benefits and limitations to various structures, co-operative and corporate, As David Woolfe recalled,

"We said, we do not believe this is in the interests of growers and we're not going to take it to growers. What we are going to do is a big structure review and genuinely look at all of the structures from the Co-operative as we are today, which was a non-distributing co-operative, to the different kinds of co-operatives. To being distributing co-operatives, to being other types of co-operatives, all the way through to being a fully listed company. And if the growers of WA decide that it's time that we became a fully listed company, then we think we can demutualise on far better terms than accepting the Australian Grains Champion bid. And on that basis, we're not going to take this Australian Grains Champion bid to growers, but we are going to have a very open dialogue with all of our growers around structure ... So then from all of that we did a plebiscite of views of growers, what do you think we should be? ... And overwhelmingly the view came back that we should remain a non-distributing co-operative. ... The Australian Grains Champion bid was now dead and buried" (D. Woolfe, 2024).

A result of the bid was increased engagement from growers; both Deputy Chair Natalie Browning and Director Helen Woodhams recalled how the events caused them to get further involved in the Co-operative, in part to reduce the likelihood of further takeover attempts,

"I really saw the benefits of the Co-operative and was concerned that it may be threatened by the AGC bid. This led to me successfully applying for a position on the GAC to gain a more fulsome understanding of CBH. It seemed like unless there was a compelling reason to

disband the co-op, then I don't know why you would, but I needed to find out if there were any concerns within the board or management and what direction CBH was headed in... So, it was really about information collection and being able to make an informed decision. The GAC experience very much cemented my support of the Co-operative.” (H. Woodhams, 2024).

“If I get passionate about something I really get involved. There'd been a corporatisation bid that stirred something up inside of me. I ran for the board, not sure that I would be selected, but in 2018 I was elected.” (N. Browning, 2024).

Helen Woodhams went on to nominate for the Board and was elected as a Grower Director in August 2020.

Importantly, a further grower survey conducted in March and April 2016 regarding the structure and governance of CBH Group indicated that 71 per cent of growers continued to support the co-operative model (CBH, 2016a; 2016b). This sentiment was affirmed again in 2017, with 79 per cent of growers stating they preferred a co-operative model, and 58 per cent of them preferring a non-distributing model with potential enhancements (CBH, 2017a).

Andy Crane stepped down as CEO of CBH to pursue a new career in 2017 (Fitzgerald, 2017). In October that year he was replaced by Jimmy Wilson (see Figure 35), who was tasked with cutting at least \$100 million in recurring annual costs (Ramshaw & Lee, 2022). Wilson came from a mining background, arguably a very different culture and operation to that of agriculture and CBH. The impression he left was controversial to some. By the time Wilson retired four years later in July 2021, he had implemented a “clear strategy and Tactical Plan” and achieved \$65 million in savings (CBH, 2021d, p. 3; CBH, 2021f; Ramshaw & Lee, 2022). Natalie Browning remembered his contribution as follows,

“There is a lag effect to see the benefits. There are some benefits becoming evident now, which were the result of the work Jimmy did” (N. Browning, 2024).

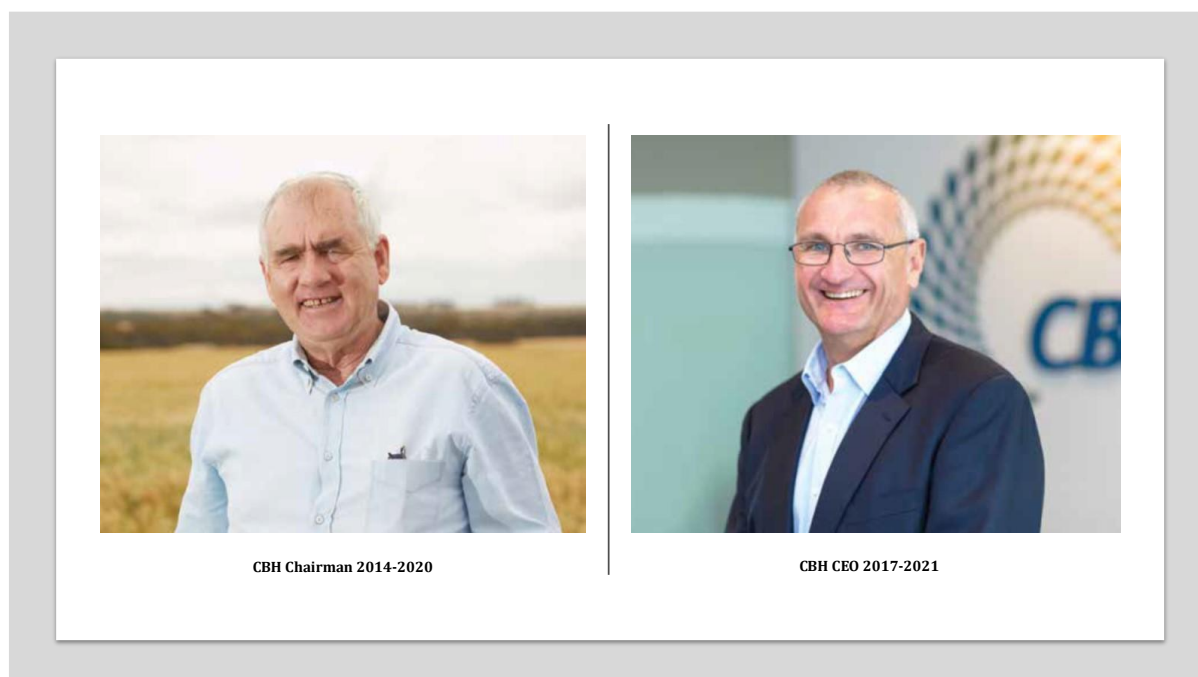
In 2017, CBH announced the expansion of their Interflour venture with a new mill in the Philippines (CBH, 2017a; b). Interflour Group’s Managing Director, Western Australian Greg Harvey, claimed “the Philippines doesn’t produce wheat, making it heavily reliant on imports”, particularly from the US (CBH, 2017b, p. 11). However, he argued, in recent years wheat consumption in the region had been increasing, thus making it an essential location for the development of the flour industry in Asia (CBH, 2017a; b).

Furthermore, that same year CBH opened an Intermalt facility in Vietnam, coinciding with the Grower Study Tour (Ramshaw & Lee, 2022). Intermalt, a subsidiary of Interflour which handles malting barley, would, according to Harvey, take advantage of the increasing beer consumption in Vietnam and across Southeast Asia, using predominantly WA barley in the process (CBH, 2017a). However, significant changes occurred over the next few years in the Asian grain market, particularly for barley.

From 2018, Southeast Asian sales had a year-on-year decline, due to high Australian prices, the depreciating value of local currencies against the US dollar, and intense competition from the Black Sea (Ramshaw & Lee, 2022). Competition from the Black Sea’s wheat market, specifically

southern Russia and Ukraine, already an issue from the mid-2000s, began to intensify in 2017, producing about twice as much as Australia's total annual wheat production, with the expectation it would continue to do so in the coming years (Mazzarol & Mamouni Limnios, 2011; Ramshaw & Lee, 2022). This meant that their exported grain was cheaper than Australian grain. However, WA grain had the advantage of a reputation for consistency of quality and geographical proximity to Southeast Asia (Ramshaw & Lee, 2022).

Figure 35: Walter “Wally” Newman (left) and Jimmy Wilson (right)



Source: CBH (2017).

ONGOING IMPROVEMENTS IN THE NETWORK

CBH Group continued its investment in maintaining and improving its network. Indeed, according to Annual Reports, from 2010 and 2017 annual investment totalled between \$97.3 million and \$177.4 million, with 2018 to 2023 growing from \$211.9 million to \$572.7 million in network capital expenditure and maintenance.

In 2015 the Co-operative developed a Network Proposal which aimed to improve its receival and export efficiency, modernise its infrastructure, and streamline its processes as well as improving site turnaround times and tonnes to port, maintaining low fees, and focusing on the 100 sites which received 90 per cent of the annual average crop (CBH, 2015; 2016; 2017). Originally, the Co-operative aimed to invest \$750 million over five years to achieve this with the goal that the 100 sites would eventually receive 100 per cent of the crop (CBH, 2016; CBH Group, 2016).

A Network Strategy document explained the 102 sites which then received the remaining 10 per cent of the crop would be consolidated by having no major maintenance invested in them (CBH

Group, 2016). Such sites would be used as required until they reached the end of their usefulness, after which they could be used as emergency storage. This meant some growers would have to travel further to deliver their grain, with the Co-operative calculating an average increase of 19km of travel. However, grower benefits were also communicated in the document, including a savings of \$535m in maintenance over 20 years and a savings of \$14 million per year in operating and freight costs.

The Network Strategy was communicated to almost 900 growers at over 90 meetings across WA in March and April 2016, receiving 77 per cent support from attending growers (CBH, 2015; 2016). It was introduced in 2016 and in the same year the Co-operative focused on construction and upgrades to 25 projects which delivered 300,000 tonnes of additional storage capacity (CBH, 2017). Moreover, the Annual Reports from 2016 onward laid out network projects in progress and completed, including a map, communicating the ongoing nature of the strategy to growers. In 2019 the Co-operative implemented an online version of the map, allowing growers to see an overview of planned and completed network projects (CBH, 2019). The network investment shifted well beyond the original Network Plan, into a plan for ongoing network investment and maintenance.

Increasing storage and outloading capacity was a significant and necessary goal, with record harvests occurring in the past decade. As a part of the Network Plan in 2017-18 CBH added over 1.75 million tonnes of storage capacity, completing 650,000 tonnes of permanent storage and installing over 1.1 million tonnes of emergency storage for the following harvest year (CBH, 2018). Moreover, in 2019, the Co-operative added over 1 million tonnes of new permanent storage and in 2021 added 270,000 tonnes to the network (CBH, 2019; 2021). In addition, CBH spent \$35.8 million on emergency storage (CBH, 2021). In 2022 the Co-operative increased investment in an extensive sealed storage remediation program to “extend the life of more than 170,000 tonnes of fixed storage capacity across seven sites” built between 1969-1980 to “extend their life by up to 30 years” (CBH, 2022, p. 27). In addition, CBH increased the total network storage capacity by 10 per cent, with 2.4 million tonnes of new temporary storage over 33 sites (CBH, 2022).

In 2023 the Co-operative launched a new Path to 2033 Strategy, with three Strategic Objectives over three horizons to achieve the goal of exporting a monthly peak of three million tonnes by 2033 (CBH, 2023). The three strategic objectives include People, Technology, and Tonnes to Customer to ensure efficient, effective outcomes which deliver value to growers. The three horizons aim to achieve a peak monthly export capacity of two million tonnes by 2024—demonstrated by record domestic and export tonnages in 2022-23—in addition to 2.5 million tonnes by 2028, and three million tonnes by 2033 (CBH, 2023). Moreover, CBH aims to outturn 70 per cent of the crop in the first half-year shipping window, market approximately 50 per cent to international customers, and hold a 15 per cent market share in the fertiliser market to benefit WA grain growers (CBH Group, 2024).

The Annual Report for 2023 indicated the priority projects to meet the 2033 strategy include leadership and development programs, retaining and attracting an effective workforce, expansion of CBH’s rail fleet, investment in up-country rail outloading, an Avon rail upgrade,

refurbishment to the Geraldton steel silos, upgrading the enterprise resource planning, a Marketing and Trading grower and customer engagement plan, and a values refresh (CBH, 2023). Indeed, the refreshed values included collaboration, respect, reliability, and sustainability (CBH, 2023).

MOVING TOWARDS DIVERSITY

CBH has traditionally been a male-dominated firm in its governance arrangements. This began to change in 2011 when the Board's first female member, Diane Smith-Gander, was appointed to the twelve-member Board as an independent director, sitting until 2014 (CBH 2012, 2014). Samantha Tough was appointed her successor as an independent director, but her resignation followed nine months later, and by 2015 the Board had returned to an all-male group (CBH 2014, 2015). In February 2018 Natalie Browning was the first female CBH Member Elected Director, followed in August 2020 when Helen Woodhams, a farmer of Kojonup and Woodanilling, was elected to the Board in a District 4 by-election (CBH 2018; 2020). The Board made a commitment to greater diversity in 2018 (CBH, 2018). Natalie Browning has occupied the role of Deputy Chair since 2020 (CBH, 2023a). Natalie Browning ran for the Board when a seat became available after District 3 Director John Hassell decided not to renominate for a further term. As she explained,

"When I ran for the board, it was because a seat became vacant. I thought I would put my hand up, perhaps if I ran, other people might run." (N. Browning, 2024).

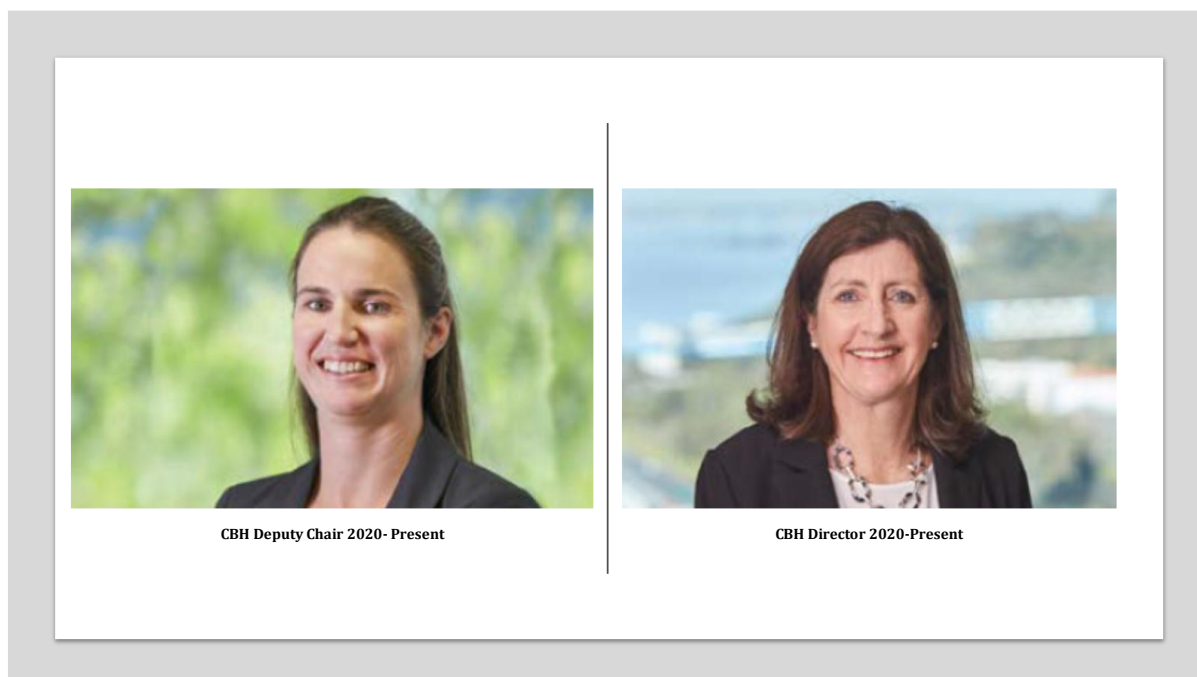
Helen Woodhams explained her reasoning for running for the Board in 2020,

"That was a period of time with unrest on the board. There was a vacant seat and then a further vacant board seat available both within my area and I just thought if not now, when. We didn't have a director in our zone for over 6 months and decisions were being made without anyone from the Albany Zone, which was of concern had it continued. I don't think it was damaging, but as growers we didn't want that to continue. I also saw that we needed some more female representation, which could provide some balance to the board. There were many females contributing within the Agricultural sector however not enough representation at board level. I had a long association with farming, a financial and educational background and an interest in strategy and governance. I had been a part of the GAC for 3 years and I really thought it was important to put my name up to be able to try to make a difference, to contribute to the Co-operative and to also improve diversity" (H. Woodhams, 2024).

However, Deputy Chair Browning argues quotas are not the strategic way to achieve diversity,

"There was instantly almost an expectation or a bit of pressure for me to promote diversity and how important it is. However, I felt that a better way was to approach things very politely and get in there quietly. I'm going to do my job. I'm going to do a good job and then hopefully the second one gets on and then we have this natural evolution. That has been my plan which is, we now within two years we had the second female role director ... as soon as you put a quota in you tokenise a person and it's really hard for them to build their credibility naturally ... I'm all for diversity and it strengthens you, but it's got to be done the right way ... I think it's about creating the environment. I think it's about having the confidence for other women like me to be role models" (N. Browning, 2024).

Figure 36: Natalie Browning (left) and Helen Woodhams (right)



Source: CBH (2022).

The sixteen-member Grower Advisory Council has shown some greater diversity. The first female members appointed by the Board were Mrs Ruth Young (Kwinana Zone) and Mrs Donna Lynch (Albany Zone) in 2008, and since then the Council has always had at least one woman among its members. This peaked in 2018 when five women were GAC members, and since then the number has varied between two and four (CBH, 2008-2023). Mrs Michelle Barrett was elected chair of the Council in 2017, and several women members have held the deputy chair role since then. Director Helen Woodhams and Deputy Chair Natalie Browning are the only women to have moved from membership of the Council to membership of the Board. As she explained achieving gender balance within both the Board and the GAC remains a work in progress, but an important one,

"The number of females on the GAC has at times been challenging, however this has been evolving and improving. Greater diversity brings a better sense of equity and a different lens in certain circumstances. There will be things that women have been involved in at a professional and community level which may differ from men's experience and vice versa. Being able to contribute to potentially bringing a different perspective, was very important in my view. I was particularly interested in removing any systemic roadblocks to diversity and encouraging a broad spectrum of growers to have a seat on the GAC. It is also a great pipeline for potential directors of CBH to experience the combination of an internal CBH view via the GAC along with their grower experience." (H. Woodhams, 2024).

Women, either as grain growers or independent businesswomen, have at times in the last fifteen years constituted up to 16 per cent of Board members and 31 per cent of council members. This can be compared with the roughly 27 per cent (allowing for regional variation) of ‘farmer’ or ‘farm manager’ occupations held by women in WA in the 2021 census (Census, 2021).

Women have been employed in the CBH workforce for longer than in governance roles. The first woman in an executive position was Jomay Verrier, employed as General Manager People and Performance in 1999-2009, followed by Karlie Mucjanko as General Manager Grower and External Relations 2008-2016. Among the senior management or executive team, which has varied over time between seven and ten members, the number of women peaked at three in 2018.

Women employees have liberally featured in photographs in annual reports since 2000, but numbers have only been reported since 2022 when they formed 27 per cent of the permanent workforce, an increase from 24 per cent the previous year, and 58 per cent of the casual harvest workforce (CBH 2022, 2023).

‘Acknowledgement of Service’ listings in recent annual reports indicate some long-term female employees such as Kathleen Bloomfield (45 years’ service) and Erin Healy (30 years’ service), as well as prospective career paths illustrated by four female engineering recruits in Julia Yip, Hannah Shipley, Cherry Chen and Sarah Manazi (CBH, 2023a, p. 34-35).

Regarding Aboriginality, CBH was engaged in the resolution of a Native Title claim that affected the Wyalkatchem receival site in 2000 (CBH, 2000). In 2023 CBH released its Reconciliation Action Plan (RAP), accompanied by an artwork by Merindarra yorga artist Shandell Cummings representing the map of CBH districts and receival points titled ‘Reconciliation Yierd’ (Journey). The annual report also, for the first time, included an acknowledgement of country (CBH, 2023a).

This was part of CBH’s ‘Fostering an inclusive workplace’ commitment to create an inclusive and culturally safe workplace and to working to build a shared future. As David Woolfe explained, over the decades CBH had employed many Aboriginal people. However, it had not developed a concerted strategic approach to achieving reconciliation and the development of the Aboriginal community via focused policies and programs. Although a recent initiative, this was now an important part of the CBH Group’s community engagement and reconciliation strategy,

“I think we’ve been late to the party on Aboriginal reconciliation. CBH has had Aboriginal employees over the years but has had very little focus on Aboriginal reconciliation or Aboriginal issues at all until relatively recently. And by that, I mean in the last few years, where we actually started getting a bit more serious about this and we got some external consultants in to take us through how we can adopt a reconciliation action plan as a business, which many other organizations have done and we had never done. They impressed upon us that it’s a journey and that it all starts with listening to Aboriginal perspectives and stories and so on. ... it’s a long journey starting with listening and then changing mindsets and taking actions. So, we have embarked on what will be a long journey, but at least we’ve started.” (D. Woolfe, 2024).

CBH AND THE 'TWENTY TWENTIES', 2020-2024

As CBH was beginning to expand its embrace of inclusive governance and employment, its operations remained affected by overseas headwinds. CBH was also affected by Chinese claims of anti-dumping violations involving Australian barley. Specifically, the Chinese Ministry of Commerce launched an investigation into claimed 'dumping', in which exports were said to be sold at a price lower than the Australian domestic market, or are lower than the cost of production, which could damage China's domestic production (Ramshaw & Lee, 2022). In addition, in May 2020 China implemented a large tariff on Australian barley (CBH, 2021d).

The resulting tariffs, or dumping margin, of up to 73.6 per cent and a subsidy margin of up to 6.9 per cent, saw barley returns drop by \$100 per tonne. This caused serious issues for the Marketing and Trading division of CBH (Ramshaw & Lee, 2022). Indeed, the conclusion of the Chinese anti-dumping investigation resulted in the loss of CBH's largest malting barley market, with China also claiming, "phytosanitary concerns" (Acquisdata, 2020; Ramshaw & Lee, 2022, p. 83).

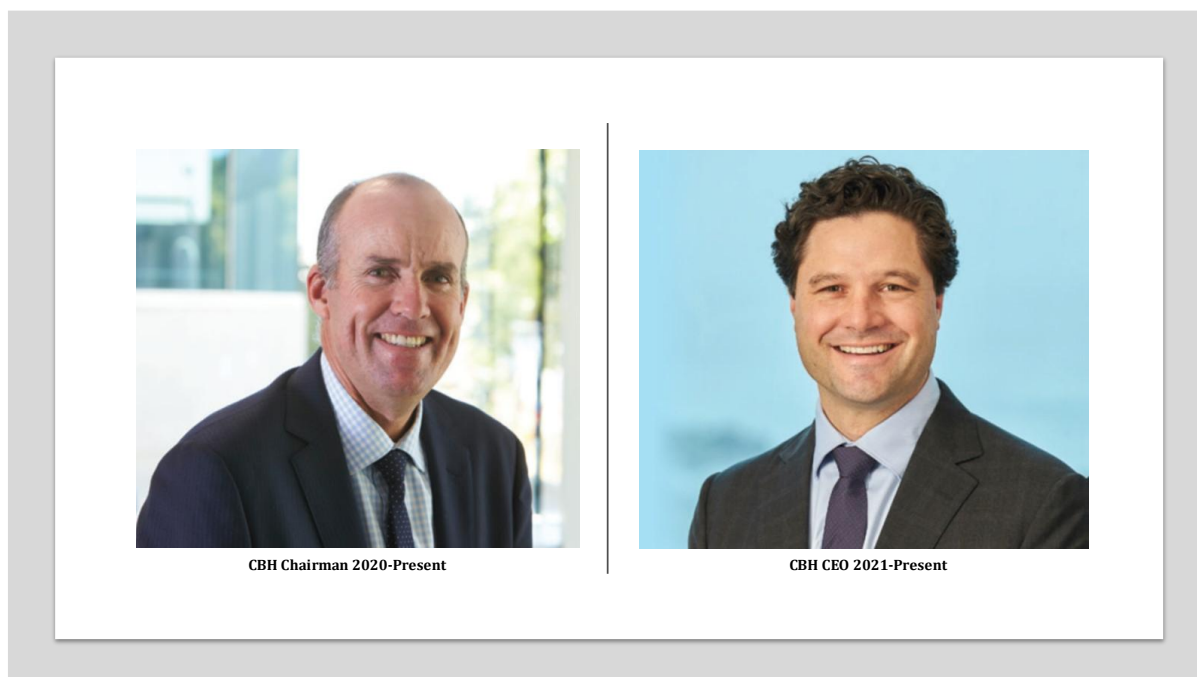
Prior to the imposition of tariffs, China was Australia's largest market for malting quality barley, accounting for 58 per cent of exports. Unfortunately, the grain could not continue to be sold to the eastern states due to a reduction in demand as they were no longer struggling with drought conditions. CBH responded with attempts to develop new malting barley markets in Thailand, Mexico, and Peru, however, they were unable to replicate the previous Chinese premium (CBH, 2021d; Ramshaw & Lee, 2022). Barley exports to China resumed in 2023, however only after threatened WTO action and government to government negotiations.

The Southern Annular Mode (SAM), a climate driver that can influence rainfall and temperature in Australia, was in a persistent negative phase for much of the period, resulting in anomalous westerly flow over southern Australia (BOM, 2024). The WA Department of Primary Industries stated in 2022 that climate change has resulted in reduced annual rainfall, and saline water tables have risen in many areas, meaning that dryland salinisation is a threat to about 2.8 to 4.5 million hectares of low-lying or valley floor soils in Southwest WA (DPIRD, 2022).

Between 2018 and 2019 CBH made several environmental gains in compliance with their Sustainability Action Plan. This included a reduction in water consumption of 23 per cent and overall carbon emissions by 17 per cent in 2018 in addition to a 50 per cent reduction in carbon intensity in 2019 (CBH, 2018; 2019c). This continued in 2020 and 2021, with a reduction in overall carbon emissions by eight per cent and on a per tonne basis by 38 per cent respectively (CBH, 2020; 2021c).

In addition, in 2020 the Co-operative formally committed to three of the seventeen UN Sustainable Development Goals, including affordable and clean energy, responsible consumption and practice, and life on land (CBH, 2020). However, the commitment did not specify at the time how CBH will act on these goals with achieving the goals remaining "work-in-progress".

Figure 37: Simon Stead (left) and Ben Macnamara (right)



Source: CBH (2022).

In 2022, CBH launched their new Sustainability Action Plan. According to the 2022 Annual Report, informed by a survey of international customers that found 80 per cent of customers stated sustainability was ‘important’ or ‘central’ to their business strategies (CBH, 2022a). In addition, a further survey of customers indicated that 91 per cent viewed chemical residue as a very or extremely important issue which provided further support for CBH’s already implemented chemical residue traceability program. Furthermore, the Sustainability Action Plan aims for a site-to-customer net zero target for emissions by 2050 (CBH, 2022a). As CBH CEO Ben Macnamara explained,

*“As part of our survey customers indicated that chemical residues are key. As a result, we implemented our own testing equipment out at AGC. We’ve enhanced the way that we capture grower samples. 60% of the loads that we received last year, we kept a sample and they were tested in our lab at AGC.”*¹² (B. Macnamara, 2024).

The 2022 Plan is significant for its greater focus on emission reduction outcomes, and for its conciseness compared to the earlier environmental strategies. CBH reported in 2019 that its 2014 goal of no new clearing of native vegetation on its sites has been achieved, and the retention of existing trees on its sites had mostly been achieved with the end of non-essential site clearing (CBH, 2019a). The 2022 plan instead focused on reducing Scope 1 and 2 emissions by 50 per cent

¹² AGC is the Australian Grain Centre located alongside CBH’s Forrestfield Metro Grain Centre. It provides full laboratory analysis for Western Australian produced grains.

by 2030 and site to customer emissions to net zero by 2050. In describing the Sustainability Action Plan, CBH CEO Macnamara stated that,

“The first target, 2030, is scope 1 and 2, this is what we can control. About 80% of our emissions are at our four ports. It is basically electricity followed by some diesel, and so we've implemented strategies to be able to reduce that. The more difficult one will be the 2050 aspect and that is seeking for net zero carbon emissions from our sites to our customers” (B. Macnamara, 2024).

In May 2024 the CBH Group announced, as part of the Blue Visby project, research into practical solutions that help reduce the international shipping industry's greenhouse gas emissions (CBH, 2024). Trials were conducted involving CBH-chartered bulk vessels M/V Gerdt Oldendorff and M/V Begonia travelling to the Kwinana Grain Terminal. This followed earlier CBH Group initiatives that saw 30,000 tonnes of sustainably certified barley exported from Albany to Vietnam in January 2022 and 10,000 tonnes of barley certified in 2023 as carbon neutral under the Federal Government's Climate Active program (CBH, 2022b).

CBH Chair Simon Stead noted that while CBH as a company could implement the practices outlined in the Sustainability Action Plan, it was not always possible to get every grower to adopt such practices pre-delivery of grain to a CBH site. While some did, others were less likely to engage, with the cost of such practices being a key consideration. As he explained, it was a long-term plan and required CBH to both inform and educate its members,

“We are doing that work and testing the market on what's possible and educating the growers. We've got a lot of growers who are pushing down the emissions reduction path and want to have that option. ... But the growth of that will be organic in the early days, and the market's got to find itself. So, in terms of what the market is prepared to pay and are growers prepared to pay year in, year out ... I think the world is finding itself in terms of wanting to lower emissions, but someone will bear the cost of it” (S. Stead, 2024).

Scope 1 emissions are those generated directly by CBH and its operations, and Scope 2 emissions are those released indirectly by CBH. Scope 3 emissions are those that occur within the value chain but are not under CBH's direct control. Although tree planting, can contribute to these reductions, CBH's environmental strategies now focus on reducing emissions by more energy-efficient machinery, replacing fossil fuel-sourced electricity at its ports and Metro Grain Centre, plus solar and pyrolysis projects. As explained by CBH Chair Simon Stead,

“Our Scope 3 emissions are not included in this plan. That's behind the farm gate. We make no claims as to what's going to take place in that space. We talk about from site to customer, from our side, the transport leg to port and then all our costs in terms of electricity, building costs, diesel fuel in locomotives and trucks, that's all part of our plan and our targets. That is the stuff within our control and it's quite deliberate in saying we're not wrapping Scope 3 emissions up into this ... part of the plan because they are beyond our control.” (S. Stead, 2024).

Regarding Scope 3 emissions, CBH will be working with partners to implement technologies to lower transport emissions (CBH, 2023a). The challenge in meeting these goals is evident in the comparative statistics for 2021 and 2022. Scope 1 emissions were reduced from 3.7kg of CO₂ per

tonne of grain received to 3.1kg, but site-to-customer emissions (road, rail and shipping) rose, especially from trucks and shipping (CBH, 2023a). CBH attributed this rise to the record harvest and deliveries over those years, with CBH's relative share of the global grains market also reflected in increasing shipping emissions. The 2022 Sustainability Action Plan was developed after a detailed analysis of CBH's operations which identified for the Co-operative two forces were at work, and which the plan would seek to reconcile. It concluded:

"... that the most appropriate strategy for CBH is to continue to plan for grower productivity increases and at the same time reduce our emissions" (CBH, 2023a, p. 40).

IMPACT OF COVID-19

The emergence of the COVID-19 global pandemic severely affected international travel and trade. For WA, to prevent its spread, the movement of goods and people slowed to the bare minimum and work was shifted to the home (Ramshaw & Lee, 2022). Indeed, for CBH, 400 employees began working in remote environments, with a mixture of in-person and virtual meetings (CBH, 2021f; Ramshaw & Lee, 2022). In addition, the Co-operative changed rostering and hygiene measures on site (CBH, 2020). As explained by David Woolfe, the impact of the COVID-19 pandemic required CBH to impose measures to send employees home if they showed signs of the COVID infection. In fact, the prompt management of the spread of the virus was welcomed by the workforce,

"We were fairly early adopters of sending people home ... and that was very well received by CBH's people, who felt that the organisation really does care about them and that they've looked after our welfare and sent us home early as this was becoming very quickly, a real problem." (D. Woolfe, 2024)

In remembering the impact of the COVID-19 pandemic, Natalie Browning praised the work that the CBH management team did in maintaining operations while also having to navigate the lockdown provisions and related health issues,

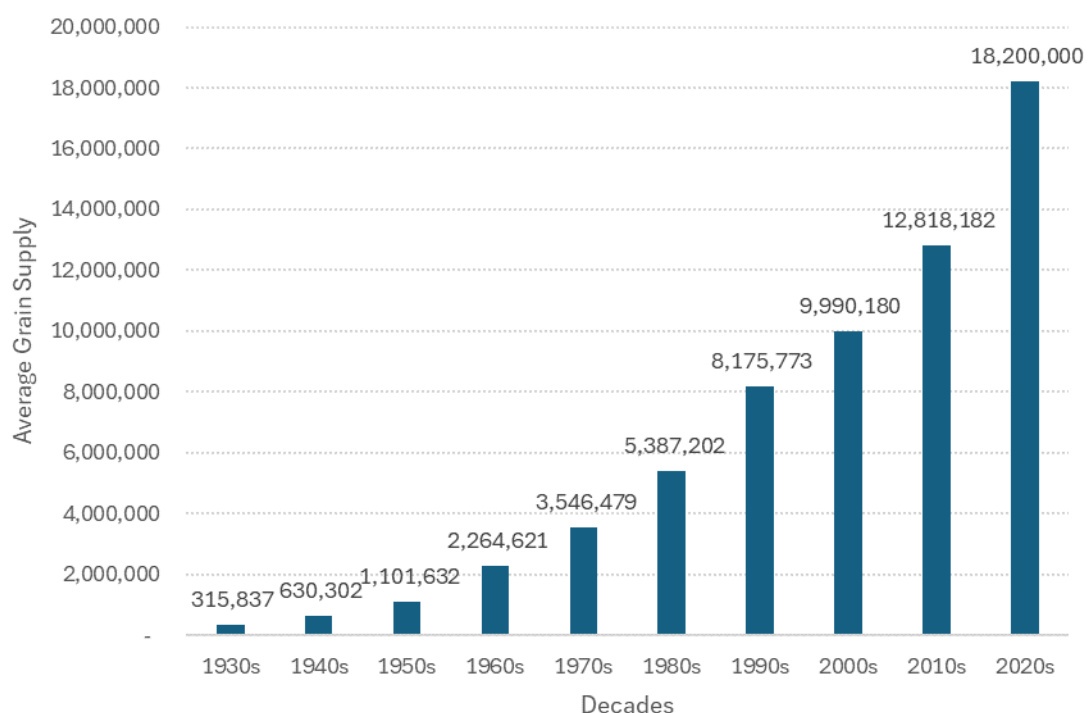
"I will give CBH management absolute credit. Through the COVID period, they did not misstep. And we were running critical infrastructure, our ports could not stop, and we were running our head office and our regional areas. CBH did a brilliant job. I think to do that again, there needs to be the right culture and look after the people. Including the mental health challenges that working from home and the isolation brings." (N. Browning, 2024).

In 2021 WA had a significant harvest, the fifth largest on record. Furthermore, CBH was able to accumulate and market more than 54 per cent of the combined WA harvest, breaking a new record. This occurred again in 2022 with 21.3 million tonnes received, with plans to prepare for an expected record-breaking harvest the following year (CBH, 2023b). Indeed, in early 2023, CBH announced its 2022/23 harvest was the largest crop in their history of ninety years, totalling 22.7 million tonnes, including a receival rate of up to 600,000 tonnes a day (CBH, 2023b). In addition to COVID-19, environmental conditions continued to affect harvests. In 2020, WA cropping was reduced due to dry conditions, frosts, and severe winds, and CBH received 9.8 million tonnes (Ramshaw & Lee, 2022).

During 2021 poor weather, in addition to rail and road labour shortages, led to the deterioration of the trading market. COVID-19 absenteeism led to the recruitment of less experienced team members and an increase in safety incidents (CBH, 2021d). Shipping protocols, including the fourteen-day quarantining for Albany, Esperance, and Geraldton, caused delays to loading timeframes and impacted the supply chain (CBH, 2020; 2021c). Furthermore, fluctuating demands from key international customers caused significant changes in the market (CBH, 2020). However, the 2021-2022 season of ideal rainfall, considered the wettest in decades, resulted in a bumper 9.2 million hectares of plantings and CBH receiving 21.3 million tonnes of grain (Ramshaw & Lee, 2022).

In 2022, CBH experienced considerable pressure in the network due to continued COVID-19 absenteeism and labour shortages, including road and rail driver availability as the organisation competed with the resources sector (CBH, 2022a). These impacts along with the record harvest of 21.3 million tonnes put pressure on the supply chain, with unprecedented levels of shipping delays, reduction in freight container availability, and increased freight costs. This led to a sustained downward pressure on local grain prices and demurrage costs of \$25.4 million for the Marketing and Trading division (CBH, 2022a). The year 2023 marked the CBH Group's 20th anniversary, and the Co-operative's 90th anniversary, which coincided with a record amount of grain received. As shown in Figure 38, over the history of the Co-operative its total volume of grain received grew significantly each decade despite seasonal fluctuations on an annual basis.

Figure 38: CBH average grain receivals by decade 1933-2023



Source: CBH (1933-2023).

Table 5: CBH Average Membership and Receival Points by Decade 1933-2023

Decade	Members	Receival sites
1930s	n/a	73
1940s	8,280	236
1950s	11,729	267
1960s	14,608	300
1970s	13,072	246
1980s	11,009	200
1990s	9,828	196
2000s	5,260	197
2010s	4,173	196
2020s	3,500	107

Source: CBH (1933-2023).

At the same time, as shown in Table 5, the total membership of CBH reached its peak in the 1960s and has steadily decreased each decade along with the total number of regional receival sites. This growth in grain production as the number of growers within the sector has decreased is a result of the increasing size of the average broadacre farm within the Wheatbelt and their use of advanced technology to increase farm productivity and overall production.

SUMMING UP THE VALUE OF CBH

As this history of CBH shows, the ability of the farmers in the WA Wheatbelt to achieve this success in grain production and farm management, owes a great deal to the Co-operative's existence and strong member focus, which ensured that their grain handling and storage costs were cost-efficient, growers had access to reliable export markets, and that other services were provided to enhance their individual farms' success. CBH has been Australia's largest co-operative by annual turnover for many years (see: Mazzarol et al., 2014a; 2015; 2016; Mazzarol & Kresling, 2017; Mazzarol, 2018; 2019; 2020; 2021; 2022; 2023).

Throughout its history CBH, as a grower owned and managed co-operative, has focused on the delivery of value to its members. Although this member-centric focus has been a feature of CBH since its inception in the 1930s, the official recognition and measurement of "value" for members became increasingly prominent from 2009 with annual reports specifically referring to the value the Co-operative delivered to its members (CBH, 2009; 2010; 2011).

In 2011 CBH enhanced its focus on demonstrating its member value proposition (MVP) with the introduction of the CBH Group's Grower Value Statement, which provided each grower-member with a detailed and personalised summary of their transactions with the Co-operative (World-Grain, 2011).

The purpose of the Grower Value Statement was explained by CEO Dr. Andy Crane at that time,

"It details the real value that CBH has returned to growers. Each statement clearly illustrates the ways in which CBH has created and returned value to individual growers, their local communities, their local zones, and their industry as a whole. We are proud to be a grower-owned co-operative — one who is focused solely on creating and returning value for our growers. The Grower Value Statement clearly outlines the ways in which the business is delivering on this commitment, whether it be creating value through investment in infrastructure for the storage and handling network or returning value through initiatives such as the CBH Grain loyalty payment. The Grower Value Statement is unique to every grower, reflecting the individual grower's delivery details, nominations to CBH Grain and rebates received for freight" (Dr. A Crane, cited in World-Grain, 2011).

In 2016 CBH contracted Deloitte Access Economics to undertake an assessment of the economic contribution of the Co-operative and its members to the WA economy. It reported the contribution of its turnover, worth \$2.98 billion, the investment it made in capital and infrastructure of \$1.2 billion over the period 2009 to 2015. It also reported that CBH and its members accounted for a quarter of all activity in the WA agriculture sector during FY2014-2015 (Deloitte, 2016).

CHAPTER 8: CRITICAL EVENTS THAT FACED CBH

This study has identified five critical events over the 90-year history of CBH. A critical event is defined here as 'a contingent event that is causally important for an outcome at a specific time that has longer-term strategic consequences. It is important to summarise these events to provide a historical context against which CBH can be examined using the conceptual framework. As outlined in this case study CBH has faced five critical events that risked its future viability and required strategic and operational responses from the CBH board and management to address.

THE FIRST CRITICAL EVENT – ROYAL COMMISSION INTO BULK HANDLING OF WHEAT

The first critical event was the 23 January 1935 appointment of The Bulk Handling of Wheat Royal Commission. CBH had already been operating by the time the Commission was established, and its operations for 1933/34 were studied in detail. The Royal Commissioners visited NSW, Victoria and South Australia, and took evidence from 120 witnesses across the industry, for which they travelled to several country towns to conduct hearings. The inquiry was the first substantial and informed look at bulk handling of grain in WA, and its findings were supportive of CBH, the development of a bulk handling system across the Wheatbelt, and the use of a State-sanctioned monopoly power to establish and entrench the model.

The report led to the governing legislation and regulatory system for CBH and provided a framework for the growth and development of the bulk handling network from farm to port. Without the inquiry and the consequent enactment of its recommendations, bulk handling may have still developed but probably in a very different way to that which eventuated, as the NSW, Victorian, South Australian and North American examples indicate, and the role of CBH may never have evolved into the industry-leading concern in the way it did.

CBH's role as a 'co-operative company', in the terminology of the time, reflects its parentage in Westralian Farmers Ltd., and the WA Wheat Pool and the business models they favoured. There is no evidence in the Royal Commission's findings that any investor-owned firm at the time had either the resources or interest in developing an all-encompassing bulk handling method or system, despite its demonstrated advantages. The Co-operative model was the only model effectively capable of achieving such large-scale objectives, and through the inquiry the State was able to actively give support to such a model.

THE SECOND CRITICAL EVENT – GROWER CONTROL OVER CBH CONFIRMED

The second critical event was the achievement of grower control of CBH in 1943. This partly arises from the creation of CBH before the post-1935 regulatory framework was in place, and the key figures (Walter Harper, Alex Monger, John Thomson and Henry Braine) drew upon their own experience with Westralian Farmers Ltd and the Wheat Pool to develop a financially sustainable model. From its foundation, the promise of direct grower control of CBH was held out as an enticement to growers to engage with the Co-operative.

The parent firms corralled the financial and political capital to create and put the Co-operative on a sound operating basis. In doing so they demonstrated its viability and utility to wheat growers as well as State rail and port authorities and made it a key component in upgrading standards of wheat growing and harvesting practices and the export of wheat to overseas markets. When the

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

growers were able to both become shareholders and electors of board members, they inherited a well-established business with which they were already familiar, with an administrative structure embedded within the Westralian Farmers Ltd establishment in Wellington Street, Perth. Westralian Farmers Ltd retained a mentoring role for the next four decades, and the grower-shareholders grew that legacy for even longer.

THE THIRD CRITICAL EVENT – AVOIDANCE OF DEMUTUALISATION

The third critical event was the avoidance of demutualisation in 2000. The philosophical and operational issues involved in the debates around demutualisation during the late 1990s have been covered earlier. It is important to note here that whether the decision in 2000 had been to demutualise or remain a co-operative, the debates and the outcome would still have formed a critical event in the organisation's evolution, for it had reached a turning point in its history. As explained by CBH Independent Director David Lock,

"One of the things that helps to focus on is if we had to demutualise, who would be the beneficiaries? Current growers would, future growers wouldn't, so we wouldn't be delivering on our full purpose, which is to deliver value to current and future growers. And I think that helps the Chair of the board and the alignment of the board to say, OK, well, are we? Is what we're doing each day in every decision delivering on that purpose?" (D. Lock, 2024).

That the outcome was to remain a co-operative meant that a certain path was then followed that links with the two subsequent critical events. It is instructive to compare the histories of the Perth Building Society and Westralian Farmers Ltd. each of which followed the demutualisation path, and today neither entity remains a co-operative or mutual, although the comparison with SACBH, AWB and ABB provides a similar story.

In avoiding demutualisation, or put another way, in reaffirming co-operation, the shareholder-members of CBH went against the deregulating, demutualising spirit of the times. Perhaps CBH had just come late to the party, but deregulation of the sector came later than that for other sectors such as finance. The co-operative model had triumphed in 1933, as had member control in 1943. Those in favour of demutualisation argued that in the two generations since then, fathers and sons had parted ways on co-operation, but perhaps they overplayed that hand.

Bulk handling had been a radical change in the way grain was collected and transported from farm to consumer, and the triumph of co-operation as a business model in that environment was never a foregone conclusion. Both had to be proven by their champions not just in rhetoric but in pragmatic operations. Dramatic change had clearly been possible in the past, but in 2000 the case for abandoning the co-operative business model was not sufficiently persuasive to enough members. Demutualisation was averted, but the greater significance of 2000 lies in the positive reaffirmation of co-operation and co-operative principles, and the important role of charismatic advocates just as it been back when CBH was created.

In 2016 there was virtually a re-run of the Third Critical Event with the outcome an endorsement of the co-operative business model drawing heavily on the 2000 experience and changes in the grains industry during the intervening period.

THE FOURTH CRITICAL EVENT – MERGER OF CBH AND GPWA

The fourth critical event was the merger of CBH and GPWA in 2002. The GPWA was the successor body of one of the two CBH ‘parents’ in 1933 and the only surviving parent following Westralian Farmers Ltd demutualisation in 1984. The GPWA was not itself a co-operative, but a WA grain grower focused statutory authority trading entity, although it contained co-operative elements such as a one-grower-one-vote system for electing Growers’ Council/Produce Council members and the appointment of growers to its board of directors.

Members of CBH were in many cases also voting participants in GPWA. They clearly did not regard the proposed merger with the same scepticism they had to the proposed demutualisation, and the high bar for a supporting vote of members for the merger was easily attained. Whereas charismatic leadership from within CBH and GPWA put forward persuasive arguments for the merger, opposition to the merger from the PGA failed to carry the same weight. This may have been because the opposition appeared ideologically based rather than grounded in more pragmatic issues of grain marketing and farm income generation and grower control. In this sense, member support for the merger was further reaffirmation of the co-operative spirit.

THE FIFTH CRITICAL EVENT – INTRODUCTION OF CO-OPERATIVE ACT 2009 (WA)

The fifth critical event was the CBH’s transition in 2011 from the *Companies (Co-operative) Act 1943* (WA) to the enhanced *Co-operatives Act 2009* (WA). From its inception CBH has operated within and been able to influence a regulatory framework provided, rather than imposed, by the State. In a sense it is no surprise that CBH would be the first co-operative enterprise to transition to the *Co-operatives Act 2009* (WA).

Statutory frameworks had been essential to its success, as had a co-operative business model. The member’s preference for a co-operative model had been reaffirmed in 2000 and 2002, and again in widespread debates over 2010 and following the attempted hostile takeover by the Australian Grains Champion consortium in 2016. The Board’s close engagement with the debates among the members was closer to that in 2002 and far from the more aloof role played in 2000. The history outlined above for the first two decades of the twenty-first century charts the economic and financial forces at play, but as is also clear these forces had social dimensions.

A specific form of co-operation, the non-distributing co-operative, with taxable subsidiaries, was chosen by the members from the options available. This was the form that most reflects the organic way in which CBH developed over time, and as such the member’s choice emphasised not just the value of co-operation but also the significance of continuities in a period of great change. All these factors underly the pioneering role of CBH as the first co-operative to transition to the 2009 legislation, and in doing so, be an exemplar to the wider co-operative community to follow the same route. In doing so, CBH played a key role in publicly validating the new framework for modern co-operation in Western Australia.

CHAPTER 9: APPLYING THE RESEARCH FRAMEWORK

The conceptual framework for research into co-operative enterprise is focused on understanding the business model of the Co-operative and mutual enterprise (CME), and how it is influenced by, and in-turn influences, systems and member level factors (Mazzarol, et al., 2014b).

At the systems level, which relates to the external environment, there are four major inputs (i.e., social cooperation, role of government, industry structure, natural environment), and two major outputs (i.e., economic, and social capital formation). These elements also interact with each other within the system's architecture. This views a social system as comprising six key elements (Luhmann, 1984; Mattheis, 2012):

1. *Communication* – all systems are social in nature and therefore it is essential that a system has communication between the actors within it, and between systems.
2. *Autopoiesis* – a Greek word for 'self-creating' or 'self-making', recognising that all systems must be able to replicate, adapt and evolve using communication to exchange knowledge and ideas, resulting in learning, amongst the actors within the system.
3. *Differentiation* – all systems are autopoietic systems (social structures) that operate within the wider environment and are differentiated and independent from each other.
4. *Operative closure* – each system can isolate (close) itself to develop its own unique systems-specific activities.
5. *Functional differentiation* – due to differentiation and operative closure, each system can evolve its own unique characteristics that can create functional and dysfunctional interactions between different systems within the environment.
6. *Structural couplings* – where two or more systems recognise the need to link together, they create inter-system relationships that open *structural holes* between them enabling an exchange of communication relaying ideas, information, and knowledge (Burt, 1992a/b).

Social systems are self-forming, complex, and dynamic. They involve interaction and behaviour at the individual, group, and organisational levels, through which change is achieved within the broader environment (De Haan, 2006). The creation of social systems is generated through both formal and informal networks of individuals and organisations that have common interests, and/or resource dependencies (Jessop, 1997; Klijin & Koppenjan, 2000).

A CME is a social system and has all six attributes outlined above. It operates within a systems level environment in which all other social systems (both formal and informal) operate. These other social systems interact with the CME, and the components of its business model (e.g., purpose, profit formula, processes, resources, share structure, and governance), which influence its ability to deliver a compelling member value proposition (MVP) to its membership. Key areas of interaction are social cooperation between individuals and organisations, government legal and regulatory systems, market competition within industry structure, and the environment.

At the member level, the framework examines the four roles or “hats” that the member wears (e.g., investor, patron, owner, member of a community of purpose) (Mamouni Limnios et al., 2018). Members loyalty and commitment to the CME is influenced by how well the enterprise addresses the needs of its members (both manifest and latent) through its ability to generate and sustain a member value proposition (MVP) (Suter & Gmür, 2013).

In the following sections the history of the CBH Group is examined and the lessons it provides are discussed, with a summary of these issues found in Appendix A.

SYSTEMS LEVEL ANALYSIS – INPUT FACTORS

As the narrative history of CBH suggests, the foundation of the enterprise was influenced by the four input factors, which continued to play a role in shaping its fortunes throughout its life.

SOCIAL COOPERATION

The creation of CMEs requires the existence within the community that form them of a sense of common or shared goals and values, as well as a sense of community that will facilitate mutual trust and respect. Further, for successful creation of a CME, the community must possess at least three things: i) resources (e.g., time, capital, skills); ii) mobilisation (e.g., mutual needs, common goals); and iii) motivations (e.g., desire to cooperate and sustain collaborative effort) (Birchall & Simmons, 2004).

As outlined in this history of CBH its formation was the outcome of a decision by Westralian Farmers Ltd and the WA Wheat Pool to create an entity for the specific purpose of developing a method and system for the bulk handling (receival, storage and transport) of wheat. Westralian Farmers Ltd was itself a co-operative, and WA Wheat Pool had throughout all its iterations, an advisory body of growers elected on co-operative principles. A royal commission in 1935 considered other options, but quickly concluded that a co-operative entity supported with a monopoly power was the only way to achieve a viable and sustainable grain bulk handling system in the interests of growers, consumers and the State.

In terms of **resources**, the foundation of CBH was achieved by Westralian Farmers Ltd and the Wheat Pool each transferring to CBH various plant, equipment and other assets that had been developed for their experimental receival points in the Wyalkatchem district and at North Fremantle. These were purchased by CBH with advances from the two parent entities to the total value of £137,605, secured by running debentures. Westralian Farmers Ltd was contracted by CBH as its exclusive ‘wheat acquiring agent’ to purchase all wheat delivered to its bulk handling facilities for ten years and arrange for the rail transport of the bulk wheat to its port facilities.

By the end of the 1934 season, CBH held capital assets to the value of £142,772 and had repaid £13,946. Thus, CBH began its life with a small but established and operating, if still experimental, system of bulk handling, which it rapidly grew from five receival points in its first year to 48 sites in year two. Growers paid a toll on the volume of grain they delivered to a receival point, which was used to repay the original outlays and conduct the operations of the Co-operative until such time as income from the contract with Westralian Farmers Ltd. would be sufficient to cover its costs, develop the network across the Wheatbelt, and generate a surplus, all of which occurred within ten years.

The provision of financial capital was only one aspect of the resources provided. The appointment of four Westralian Farmers directors and four Wheat Pool directors to constitute the Board and provide managerial skills and expertise was also very important. The administrative functions of managing the Co-operate were also provided by Westralian Farmers Ltd with the CBH offices and staff seconded from Westralian Farmers Ltd and located in Wesfarmers House at 569 Wellington Street, Perth.

A similar arrangement existed between Westralian Farmers Ltd and the Co-operative Federation of WA, which placed CBH at the centre of the developing statewide network of (mainly producer) autonomous co-operatives. Wesfarmers House also accommodated Wheat Pool (and its successor bodies), Producers & Citizens Co-operative Life Assurance, Westralian Farmers Superphosphates Ltd., and Australian Outturns Ltd, all opposite Perth Railway Station and the Metropolitan Markets (Wises Post Office Directory, 1933/34, West Australian, 1933). Through this support Westralian Farmers Ltd connected the new CBH into the social and business networks of the grain and other rural industries.

The **mobilisation**, of the wheat growers, and later other grain growers, in the developing Wheatbelt, for CBH was a strong focus on transporting their harvested crop from the farm to the port for shipping or to local millers. Receival points were built on land at rail sidings and stations leased from the WA Government Railway (WAGR), from where it was loaded on to WAGR rail wagons. CBH had to negotiate annual contracts with the WAGR for transporting the grain, and had to experiment, design, fabricate and construct the receival bins and the temporary modifications to rail trucks to allow them to transport bulk grain and then be converted back to ordinary freight carriages once the season had ended.

Without the intellectual and financial resources mobilised by the Co-operative these works, essential to the development of the bulk handling system, may never have eventuated. Similarly, the development of bulk handling facilities at Fremantle and then incrementally at other ports, culminating in the building of the Kwinana Grain Terminal, are unlikely to have ever occurred without the resources mobilised by CBH.

The **motivations** that helped to advance the Co-operative's establishment and early development were the individual farmer's ambitions and commercial and emotional needs to see their farms succeed, and also the commitment by State Governments to invest in the development of an agricultural industry through making land easily available, a secure land tenure system, such as conditional purchase, an extensive rail network, port developments and other associated infrastructure, and State-facilitated financing through the Agricultural Bank, to get the bulk handling network up and running.

This two-way interaction between the growers and the State was a symbiotic one, mediated through the Co-operative. Without the substantial investment of financial, physical, and human capital by the State and its agencies, matched by personal investment on individual farm properties, the Wheatbelt as a distinctive region and its rural industries would not have developed in the way they have. Yet without the commitment by the growers to take the risk and invest in developing their properties to produce wheat, and eventually other grains, the investment by governments would not have been made.

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Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

The State needed to retain as much of the 1890s gold rush population boom as it could, and at first horticulture and timber milling were the favoured options before grain growing and eventually dairying came to the fore. CBH, motivated to assist and facilitate the success of its shareholder-members, was crucial in cementing agriculture, and in particular wheat growing, as a major economic force in WA until it was eclipsed by the sheer scale of the mining boom in the 1970s.

From a **systems perspective** the interactions between and within the growers, the Co-operative and the government and government agencies have been complex and dynamic. Early moves by Westralian Farmers Ltd to establish a bulk handling method and system attracted supporters and detractors within the grower community. The Wheatgrowers Union (WGU) was not opposed to bulk handling as such but was opposed to its development by Westralian Farmers Ltd and later CBH. It favoured the creation of an investor-owned firm rather than a co-operative, and led a Wheatgrowers 'strike' in 1931/32 to try and force higher prices for wheat, but ultimately lacked the financial resources, administrative support and political networking of Westralian Farmers Ltd.

The WGU scheme failed, but the emotions generated within rural communities continued to influence rural politics for years afterwards. Resonances are evident in the debates over demutualisation of CBH in 2000. Similarly, State Labor governments, as governments, were as wedded to 'bold yeomanry' policies favouring closer rural settlement as conservative governments, but the Labor Party had to also respond to powerful influences within its own base from waterside workers unions, especially the Fremantle Lumpers Union.

Lumpers were those who physically handled bags of wheat in the harbour, and the 1935 Royal Commission conclusively showed significant cost savings in moving from manual handling of bagged wheat to machine loading of bulk wheat. Although the Lumpers Union and anti-bulk handling grower groups sought to cultivate links with each other, the Labor government, in effect, supported co-operative bulk handling and the matter was largely resolved by the outbreak of the Second World War in 1939 when shipping became scarce and the Federal government began to develop plans to manage levels of wheat production until the war was over.

ROLE OF GOVERNMENT AND REGULATORY FRAMEWORK

Governments play a crucial role in shaping the fate of CMEs. This can take the form of setting legal and regulatory frameworks that enable these enterprises to form, and operate with protections for their members, and benefits such as tax concessions and protected trading environments. However, they can also negatively impact CMEs by introducing market deregulation leading to increased market competition and lesser economies of scale.

As outlined in this case study, the institutionalisation of CBH as a key player in the development of the Wheatbelt and the grains industry was made possible by State policy and legislation, crucially the *Bulk Handling Act 1935* and its subsequent amendments. The Act gave CBH a monopoly over bulk handling that lasted for over 50 years until 1989, but so entrenched was the common view of CBH that charges of monopoly inefficiencies continued to be levelled against the

Co-operative during the parliamentary debates around the Bulk Handling Repeal (i.e., demutualisation) Bill in 2000 (Hansard, 2000).

CBH was not created by the State, but the State ensured its continuity through legislation and regulation intended to ensure that bulk handling services were available to all growers, no matter how small or remote their farms. Larger growers lobbied the ACCC in 2011 to overturn CBH's Grain Express system because, they argued, it effectively created a monopoly that prevented large growers developing their own private grain transport systems and forced them to subsidise inefficient small growers (for example, Halbert 2011). The ACCC eventually resolved in favour of the CBH notification (or Statutory protection) of Grain Express.

The declining size of the grain growing population is reflected in CBH's member numbers (see Table 5). Rural depopulation has been a problem in the Wheatbelt since the 1940s which has been reflected in the closure of many local co-operatives (Baskerville, 2019). It has also been matched in recent decades by a decline in parliamentary seats for rural areas, and from the 2025 State election seats outside the metropolitan area will only account for a quarter of all Legislative Assembly electorates and very few if any Legislative Council seats with the Council to be voted on as a single state-wide electorate. How this will shape future relationships between CBH and the State government remains to be seen.

The introduction of the *Co-operatives Act, 2009 (WA)* had a significant impact on CBH, which was the first co-operative to transition to the new Act. The non-distributing co-operative, with taxable subsidiaries, was chosen by the members and reflects the organic way in which CBH developed over time, with various subsidiary entities being created as needed for specific purposes. CBH was a pioneer in being the first co-operative to transition to the 2009 legislation, and an exemplar to the wider co-operative community. It publicly validated the new framework for modern co-operation in Western Australia.

The influence of State and Federal regulation will remain important to CBH's future development with an increasing need for compliance with environmental, climate change, health and safety, equal opportunity and Native Title regulation. Barring the unlikely event that all regulation will be removed from the sector, CBH will continue to be shaped by, and in turn help to shape, its regulatory framework.

INDUSTRY STRUCTURE

Industry structure focuses on the influence of five competitive forces that shape the strategy of a business (Porter, 2008). These comprise the level of competitive rivalry that exists within a given market, the power of buyers and suppliers, the threats posed by substitutes and new market entrants.

A characteristic of CMEs is their ability to use collective and co-operative effort to challenge any market distortions or failures caused by monopolistic conditions, thereby increasing the buyer or supplier bargaining power. The CME business model enables otherwise under resourced small producers or individual householders, to unite, pool their resources and efforts, and either establish a new market entrant able to compete with the incumbent monopolists, or offer a substitute improved service to that offered by the incumbents.

CBH has occupied a niche (but large) role in the grains industry, from 1933 to 2002 focused on receiving, storing and transporting grains from farm to port. After the 2002 merger with GPWA, CBH Group has added grain marketing to its operations. It has also operated various support services such as testing grain for disease, moisture and other characteristics that would reduce the grain's value. In addition, it has operated commercial for-profit subsidiaries to address market failures or to drought-proof the Storage and Handling business. As David Lock explained,

"Criteria for investment remain the same. We would invest where there's a market failure, so a price issue that we can fix by entering into the market ... and where there's enough scale to make a difference" (D. Lock, 2024).

Attempts to drought-proof the business, through entering East Asian processed grain markets with Interflour Group, were not without difficulty. The joint-venture faced some significant challenges relating to market competition, and organisational management. Although the joint venture eventually was able to generate returns (surplus to loan repayments), it took time before this occurred, and even required CBH to provide additional capital to support the business. These conditions raised some concerns amongst grower shareholders of CBH that the investment was not delivering as promised. (CBH, 2015).

When Westralian Farmers and Wheat Pool established CBH in 1933, its principal competitors and critics were private wheat exporters based in Fremantle who did little to assist growers to transport their wheat to the port, and jute bag importers. The benefits of bulk handling over bagging were soon made apparent on several fronts. However, of the three export firms operating in 1933, two remained active in 2011 when the ACCC reviewed its approval for Grain Express (ACCC, 2011).

These were Bunge Agribusiness Australia Pty Ltd (formerly Bunge (Aust) Pty Ltd) and Louis Dreyfus Commodities (Headquartered in Rotterdam, The Netherlands and formerly Louis Dreyfus & Co), while newer firms were AWB Ltd., Elders Toepfer Grain JV and Glencore Grain Pty Ltd. Bunge, Louis Dreyfus, AWB, Glencore, Elders, and two growers opposed the Grain Express arrangements as did industry groups the PGA and WA Grain Growers, while transport company WestNet Rail Pty Ltd, WA government agencies, and industry associations WA Farmers Federation and WALGA (the regional local government peak body) and 31 growers supported the CBH Group.

This gives a snapshot of the industry in 2010/11 and on one specific issue, divided between old and new competitors and large growers, and an established co-operative, smaller growers, State agencies, and a rail operator. According to the ACCC (2011), each side had its industry associations, in the negative two organisations largely representing very large grain producers in the dry eastern and northern margins of the grainbelt, and in the positive two organisations largely representing (relatively) smaller grain producers carrying out mixed farming operations and the regional shires providing services such as country roads across the Wheatbelt. This division was not eternal, but by the time of the proposed merger of CBH and GPWA in 2002, CBH chairman Robert Sewell noted the PGA's antagonistic approach was essentially based on an ideological preference for a private sector organisation.

The number of competitors had increased since 1933, but the only firms of a similar size and complexity to CBH grew with population of the early Wheatbelt until 1943, when a long process of the rural population declining slowly but relentlessly began. The PGA claimed in 2008 that CBH received 50 per cent of its wheat from just 500 growers, or less than ten per cent of WA growers.

CBH contested that claim, and its membership in that year of 4,800 suggests the PGA claim was rhetorical rather than informed. However, the overall number of members has been declining since the 1990s even as grain receivals have substantially increased, pointing to the ever-increasing productivity of growers, even when mergers of farm properties are considered. Declining membership numbers, in the context of declining Wheatbelt populations and numbers of farms point to a fundamental issue for CBH to continually address as the value of the co-operative is concentrated amongst fewer and larger farmers.

NATURAL ENVIRONMENT

Geography plays an important role in shaping human activity, and the natural environment has been identified as shaping the behaviour of business organisations and the industries in which they operate (Banerjee, Iyer & Kashyap, 2003). As discussed throughout this historical narrative, land clearing which played a key role in the transformation of the lost western half of the Great Western Woodlands into the Wheatbelt was encouraged by successive State Governments. However, CBH—through its provision of bulk handling services—facilitated efficiencies in growing grain and was linked to expansion of the rail, and later, road networks in the region, followed by expansion of Fremantle, then Kwinana, Geraldton, Albany, Bunbury and Esperance into major maritime ports with very large bulk handling facilities. This required continual harbour expansion, including dredging and new facilities, all of which have impacted the marine environment.

The new Wheatbelt lands were, at first, amazingly fertile for wheat growing, but the soil fertility was largely derived from several millennia of accumulated forest and woodland decaying vegetation. Once those nutrients had been consumed, two options were pursued. One was the continual clearing of more land for cropping, the other the application of fertilisers. The State Government made the land cheaply available, and its land releases ran contrary to the concerns raised by agricultural scientists over the impacts of land clearing, especially on soil salinity.

The GPWA, rather than CBH, funded soil fertility research, mainly focused on identifying new fertilisers for sandplain soils that were being cleared after the Second World War, and Westralian Farmers Ltd had entered the fertiliser business before CBH was formed. The knowledge that applying trace elements to sandplain soils would enable them to grow grain crops enabled the Wheatbelt to be expanded far beyond its pre-war boundaries, especially in the south-east and the Esperance hinterland, and members wanted these new fertilisers to maintain their farming practices.

In recent years CBH has developed a series of environmental policies and approaches in areas in which they have influence, and most recently has come to focus on reducing its greenhouse gas emissions at Scope 1, 2 and site to customer levels. The current policies focus on engineering solutions, such as more efficient engines and machinery.

ENTERPRISE LEVEL ANALYSIS – ASSESSING THE BUSINESS MODEL

The main elements of the enterprise level analysis are the purpose and member value proposition (MVP), governance, share structure, profit formula, key processes, and key resources (Mazzarol et al., 2018).

PURPOSE

CBH stated in its 2022 Annual Report that its core purpose was:

“As a Western Australian grower-owned co-operative, our core purpose is to sustainably create and return value to WA grain growers – current and future” (CBH, 2022a, p. 4).

The Annual Report expanded on the core purpose statement in the following terms as a bridge between “Purpose” and “Member Value Proposition:

“Being part of our co-operative gives our growers a voice and ensures we are delivering value in areas that are most beneficial to our growers, both now and in the future. The value generated is shared among all growers and their communities” (CBH, 2022a, p. 12).

As CBH CEO Ben Macnamara explained,

“We’re a purpose-led organisation and I think that’s a key differentiator for co-operatives and mutuals. You note that certainly some of the listed organisations are trying to use some of that language. I believe the current and future elements as part of our beneficiary are just as important as we our custodians of the Co-operative for future generations of farmers” (B. Macnamara, 2024).

This purpose is both social and economic, with its aims of sustainability and value which could be interpreted as social and/or economic value. As a co-operative’s purpose exists to ensure membership, it therefore must be attractive to members. This is ensured through an MVP, discussed below.

MEMBER VALUE PROPOSITION

According to Ben Macnamara the ability of CBH to present a compelling member value proposition to existing and future members is contingent upon the Co-operative’s ability to consistently deliver high quality and efficient services, access to sufficient storage and handling capacity to meet growers’ delivery requirements and ensuring that the cost-efficiencies designed into the Group’s operations maintain a competitive cost structures for the benefit of members. As he explained,

“When you start thinking about value in the hands of a member, it’s important from, we think, three pieces and three parts of a tension triangle ... it comes down to service, capacity, and cost. That’s how you create value and it’s the balance of those aspects. If your costs are too high, you’ll drive down the tonnes that get delivered and you’ll induce competition, which will reduce the value proposition. If you don’t pay enough for road transport and you don’t create enough capacity, you won’t get enough grain to market, you’ll drive down the value proposition for a member. If you don’t invest enough in your sites and the service is poor and the turnaround time is long, and then there’s a standing crop risk, you’ll reduce the value

proposition for a member. I think everything has got to come back through a value lens and I think you've also got to not only think about it on a short-term basis, but on a long-term basis as well" (B. Macnamara, 2024).

CBH Group provides benefits to members through enhanced access to markets through its Marketing and Trading division, improved productivity through the pooling of resources, bulk purchasing and handling, improved access to transport facilities including ports, further choice in fertiliser, and capital investments which drive efficiency and value for growers. Social benefits are demonstrated in CBH's consistent investment in regional communities through charitable efforts.

The challenge for the board and management of every co-operative is two-fold. Not only must a compelling MVP be created and maintained, but the co-operative must also determine how members are made aware of its value, how that value is created and how it can be accessed in terms of both economic and social benefits. When a co-operative and its members' objectives are aligned, it should be more efficient than an investor-owned firm (Candemir et al., 2021).

CBH's purpose is to sustainably create and return value to WA grain growers. Monitoring of member awareness of the CBH MVP has taken place through consultation via surveys and meetings. In 2017, CBH surveyed its members regarding governance. Responses concluded that 71 per cent of members believed the Co-operative increased the profitability and value of their farm, while 75 per cent of members believed they received good or very good value from being a member (CBH, 2017b).

CBH also communicates its MVP via Annual Reports, in addition to personalised Grower Value Statements. These Statements provide each member with an overview of transactions with the Co-operative and sets out how CBH creates and returns value to the individual, to the local community, to their region or zone, and to the agricultural industry more generally (CBH, 2011). This is a model for other co-operatives who do not adequately communicate their value to members, resulting in members not understanding the benefits of being a part of and engaging fully with the Co-operative. CBH's success in communicating value is reflected in their survey responses, particularly regarding loyalty, satisfaction, and knowledge of what CBH does. Indeed, in 2017, trust among members in CBH to, 'Do the right thing for all growers' was at 73 per cent (CBH, 2017b).

With respect to the patronage role, CBH is focused on three key issues. Firstly, what price they can get as a supplier or buyer which is competitive relative to the market. Therefore, secondly, it is important CBH to maintain efficient supply chains and operations to keep transaction costs as low as possible. Lastly, quality of service is a focus which can be ensured by understanding how to satisfy member needs. According to CEO Macnamara, the promise of value must be matched, if not bettered, with the actual delivery of value,

"You've got to be able to meet the requirements of your members, because if you can't, they will go around you and create other options, which will then see a reduction in the leverage against your fixed cost base, which will then impact your ability to be financially sustainable into the future" (B. Macnamara, 2024).

According to the 2017 grower feedback, 80 per cent stated their CBH membership had a positive impact on their farm profitability (CBH, 2017b). The Co-operative demonstrates their capacity to address the needs of member patrons through their capital re-investment focus both on the network, ensuring efficiency, and maintaining low costs via flat-rate fees or rebates which are offset for future receival charges. As then CBH Chief Marketing and Trading Officer Jason Craig explained,

“Providing a competitive product and service is paramount. Some co-ops lose their way as they just expect support from their members and are not responsive to the requirements of their member base. Whether a member is big or small, if you can provide a service that's attractive to them, it's like anyone, that service will always win over” (J. Craig, 2024).

In relation to the member's role as an investor, it is crucial to find a balance between the roles of patron and investor. As members do not have ‘real equity’ in the CBH Group business, despite contributing to the growth of the organisation through patronage, when they retire, they exit with their \$2 paid-up share capital (Mazzarol & Mamouni Limnios, 2011). This became a key issue during the Australian Grains Champion hostile attempt to takeover CBH, with some growers interested in a potential windfall payout on demutualisation. However, this was balanced by growers invested in CBH's longevity as a high value, low-cost service provider. Indeed, it seems succession planning by growers is directly tied to member engagement with CBH over time. Reflecting on this issue, Deputy CBH Chair Natalie Browning expressed the view that the failed challenge by Australian Grains Champion was beneficial to the sustainability of the Co-operative,

“When the corporatisation bid came in it was a terrible offer. Those who's business was under financial stress or who didn't have the next generation coming home saw the opportunity for a financial return. By contrast, there were those in the membership that had been in it for the long haul and were going to be in it for future generations. I think the corporatisation bid has strengthened the co-op now to a point where it would be very difficult to corporatise, which is absolutely brilliant” (N. Browning, 2024).

Nevertheless, to maintain the current ethos of ‘having inherited access to CBH services and assets at zero cost, I will pass on that access to the next generation of members at zero cost’, the MVP whilst a member needs to be very transparent and meaningful if member numbers continue to decline due to retirements and farm consolidations. Survey results, in addition to members' desire for CBH to remain a co-operative, exemplifies how growers tend to place greater value on patronage services than the prospect of direct financial returns (Mazzarol and Mamouni Limnios, 2011; Mazzarol et al., 2014a).

The owner role of members grants rights to have a voice in the decision-making of CBH, shaping its strategic future. However, what comes with the right to participate in the democratic governance of the Co-operative is an obligation and responsibility to engage with the Co-operative as member patron.

Despite issues of trust in its history, in the last two decades CBH has increased its ability to engender loyalty and trust from members, exemplified in survey responses. Furthermore, CBH has encouraged members to identify with its shared history through the creation of corporate histories in the 1990s, early 2000s, and recently in 2022 with a history of the Grain Pool. In

addition, its Annual Reports include a brief overview of its history and an Acknowledgement of Service section for 25, 30, 40, 45, and 50 years of service to CBH Group. These efforts could be furthered through the preservation of archive materials, in addition to contemporary materials which need preservation for the future, such as member photographs and oral histories.

There is a consensus among members that “nobody owns CBH” (Mazzarol & Mamouni Limnios, 2011, p. 30). Furthermore, while registered under the *Co-operatives Act 2009* (WA), the principle of one-member-one-vote is enshrined in the rules which govern CBH. Indeed, the 2017 grower member survey resulted in 67 per cent stating they were opposed to the idea (CBH, 2017b). However, some members are seeking value recognition for their greater volume of deliveries, therefore, CBH has explored options to reward patronage more effectively to ensure a balance in satisfaction among the smaller and larger growers in their member base (Mazzarol & Mamouni Limnios, 2011).

The members’ engagement with CBH as members of a community of purpose is fostered through their charitable efforts. For example, their Grass Roots Community Grants program which began in 2014 provides funding across regional WA. In 2022 CBH provided \$2.5 million to 798 events and projects. In addition, CBH donates to grass roots organisations, groups and clubs which support community events, structures, and projects. These efforts facilitate a sense of connection, support and pride in the local community for CBH members. It could be argued this achieves a reciprocal circle of loyalty between the Co-operative and the community.

GOVERNANCE

The governance of any CME focuses on the composition, quality, and character of the directors of the Board. The composition of the Co-operative’s board informs the effectiveness of its operations. The power of the Board is subject to the Membership rules and the *Co-operatives Act 2009* (WA) (Co-operative Bulk Handling, 2021).

CBH’s Membership Rules stipulates the number of directors is a minimum of nine and a maximum of twelve, with at least nine being elected Member Directors and up to three Independent Directors nominated by the Board but subject to ratification at an Annual General Meeting (Co-operative Bulk Handling, 2021). During CBH’s structural review, it discussed the most efficient size for the Board.

Former Company Secretary David Woolfe who was closely involved in the discussions over the 2021-member vote to reduce the number of CBH directors observed that,

“There absolutely is an argument that the Board should remain at 12, and that’s a perfectly adequate size and appropriate size for a business of this magnitude. ... There’s also a very real and tangible argument to say it’s too big. And that when you try to operate with any 12 people, a board of that size is prone to factionalism and it’s prone to making it difficult to form a consensus view on any topic because when you get 12 people together, they tend to splinter into groups and it’s very difficult to get a consensus view on anything. ... I think some of the Board thought that 12 is absolutely the right number and it shouldn’t be reduced. And some of the Board thought that a smaller board would be better. But in the end, there wasn’t sufficient grower support to reduce the size of the Board so we left it as it was.” (D. Woolfe, 2024)

For CBH Chair Simon Stead, the reduction in the size of the Board had merit, but it was ultimately up to the members to decide,

“Changes in Board size and tenure limits were some of the things we put to the members of the Co-operative to decide. I was 100 per cent open to the outcome, but I thought the members needed to be informed on the statistics and the data ... They needed to be asked and given the right to vote on it, and that to me just cleared the air. I think now, with the Board of 12 that we have and the way we work together, ... we can air our grievances in a secure place, where Directors can speak their minds and ask any questions. I think 12 is fine.” (S. Stead, 2024).

According to interviews conducted by Mazzarol and Mamouni Limnios (2011), the creation of independent director positions as part of the 2002 merger has been a beneficial element of the composition of the CBH Board. David Lock’s perspective, as an Independent Director and the 2012 National Australia Bank Agribusiness Leader of the Year, on the benefits of having these independent director positions was explained as follows,

“I think the concept of independent directors is very valid. And I think the skills of independent directors need to be diverse as well. So, you don't want all of some skill set ... it brings a diversity that the organisation looks for, the skills that they need, they can find them in an independent director. Whereas they have no control over the grower directors, their background, their skill set” (D. Lock, 2024).

There was considerable change in the composition of the Board in 2002 with the merger of CBH and GPWA. According to previous CEO Imre Mencshelyi, prior to the merger the Board consisted of active farmers with good business sense, therefore there was a belief that external expertise was not needed. However, this view changed post-merger as the activities of the Group broadened and the role of the Board changed (Mazzarol & Mamouni Limnios, 2011 interview data).

Furthermore, the merger brought together two divergent cultures, one based on “concrete and steel selling space” which aimed to cover costs and re-invest in the network over surplus, and the other “international market-facing” which aimed to build trusted international relationships as part of managing grain inventories, and price and foreign currency risk to maximise grower returns. Despite this, there was consensus among interviewees that the Board and management teams of both entities worked cooperatively to complete a timely and effective the merger (Mazzarol & Mamouni Limnios, 2011). Leading, in 2005, to the CBH Group adopting a new logo presenting the unified identity (Ramshaw & Lee, 2022).

A co-operative’s governance system must aim to unite the Board, management team, and its membership toward the common goals outlined in its purpose (Mazzarol et al., 2014b). The Australian Grains Champion unsuccessful hostile takeover resulted in a governance review which led to a change of CBH’s Constitution to reduce the chance of a non-representative restructure vote passing at a meeting of members. According to David Woolfe and former CBH Chairman Wally Newman,

“The thing that happened after the Australian Grains Champion bid and after the structure review, that’s going to make it much more difficult to ever corporatise CBH, was that we

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changed our Constitution. Under the Co-operatives Act, the only way you can ever demutualise CBH is to get a 75% vote of members in favour of this. ... But there may be only a small number of growers who bother to vote and so it only requires 75% of a small number of growers. In 2000 for example, when there was a corporatisation attempt, they got 58% of growers in favour, which didn't hit the 75% mark, but the voting turnout was low. And so [Wally Newman's] fear was that somehow, they'd get a 75% vote at some point in the future, and the growers wouldn't be educated enough to understand what was happening and they'd be apathetic and they wouldn't vote. And so, 75% of a small number of members would end up corporatising CBH. ... So, what we did was change the Constitution at a special general meeting to say that any future corporatisation bid or loss of co-operative status would not only have to have 75% support of members who voted, it would also have to have at least 50% in number of members voting." (D. Woolfe, 2024)

"It's a big target if you've to attain greater than 50% participation of the members and a 75% vote of those members, there's got to be a very good reason for that ... Probably one of the biggest achievements, getting it through, because it gives the co-op a lot of protection" (W. Newman, 2024).

In addition, the democratic processes ensure member participation, providing them with opportunities to voice their needs to management and the Board. CBH communicates with its members in a variety of ways, including Annual Reports, Annual General Meetings and Member Forums, and from 2011 personalised Grower Value Statements which outlines the value created and returned to the member by CBH, grower surveys, the Growers' Advisory Council, in addition to numerous local receival point ("bin meetings") and regional meetings with growers (CBH, 2022a).

PROFIT FORMULA

The profit formula refers to whether the CME is a profit oriented, distributing, or not-for-profit, non-distributing entity, and how it approaches price setting and the issuing of rebates to members. CBH sets fees at a level that allows it to earn enough to cover operating costs and capital requirements on an average sized crop, through the cycle. It does not seek to over recover fees from growers but in years of larger crops when a surplus is made, they have the ability to rebate this to members if they wish. During the late 2010s CBH provided rebates in the form of a three-tiered loyalty rebate system, for operations, marketing and trading, and investments. Surpluses are first invested in productivity gains from capital reinvestment in the network, through maintenance, improvements, and the building of infrastructure.

There was concern that CBH's reinvesting of CBH Grain surplus into the network, rather than providing rebates to growers, could result in a free-rider effect as noted by Newman and Woolfe,

"One of the reasons businesses and co-ops fall over is because of what they call the free rider effect ... And if they start blending one entity with the other and cross-subsidising services, some people get a free ride and it just destroys co-ops. That's my real concern about what we do with CBH Grain Marketing because it can't pay the best price when it is subsidising CBH Storage and Handling, I'm not going to put grain into CBH Grain Marketing to subsidise my neighbour's storage and handling services when he's selling his grain elsewhere for a better price. And he and his grain marketer are not contributing equally and fairly towards the storage and handling costs. It is absolutely essential for co-ops that provide different

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services for members to quarantine each business entity so those that use the service, pay for that service and are rewarded proportionally to the amount of business done” (W. Newman, 2024).

“That does have a free rider implication because what that's saying is, well, 'I'm a grower who has sold all my grain,' let's say to CBH Grain, 'and now you're taking the surplus that you've made from selling my grain to CBH Grain and you're investing it in the network. And who gets that benefit from the network? All of the growers. So, growers who have not sold any grain to CBH Grain, are getting the same benefit as I am, who sold all my grain to CBH Grain.' ... so, there's a free rider issue.” (D. Woolfe, 2024).

However, according to CBH Chairman Simon Stead, this needs to be balanced with the demands of the network,

“With a bit of hindsight now I sort of regret that we pushed so much money back out the door when I contemplate the value that could have been created by investing that in the network ... again with hindsight, if you look at what it was costing us back then to what it's costing us today, we should've just been building everything we could back then because we've seen probably 200% increases in what it's costing us to build infrastructure now, over a six year period, and most of that in the last two years” (S. Stead, 2024),

This need to reinvest retained earnings rather than distributing them via rebates to members was supported by David Woolfe who explained that in his view, the benefits accruing to the members in the long-term by reinvesting surplus funds from both the grain storage and handling and the grain trading and marketing divisions, was greater than any short-term benefits they might gain from annual rebates,

“We've got a massive need for capital investment, so we're going to use that money and we're going to put it into the Storage and Handling investment, same as what we're doing with the surplus money from the Storage and Handling division. So, all the surpluses from both divisions are going to go to invest into the network. Why? Because that is the best, most valuable thing for growers of WA that we can spend that money on ... when you look at it holistically, that is absolutely the best use for that money.” (D. Woolfe, 2024)

RESOURCES AND PROCESSES

The resources and processes used within CMEs vary depending on the type of enterprise and its purpose. CBH's network consists of five zones in WA's southwest, including Geraldton, Kwinana north, Kwinana south, Albany, and Esperance, reflecting the four export port terminals, with over 100 up country receival sites (CBH, 2022a). In 2022 CBH invested \$348 million into the network, including 300,000 tonnes of new permanent storage and 2.4 million tonnes of new temporary storage built to accommodate the ever-increasing harvests (CBH, 2022a). In addition, since 2015 CBH Group has provided fertiliser buying opportunities to members through CBH Fertiliser.

Tangible assets refer to physical resources required for the Co-operative to function, which typically include human and financial resources, infrastructure, equipment, and business systems. CBH's tangible assets refer to its network and operations, in addition to marketing and trading, fertiliser, and capital investments such as Interflour Group and Blue Lake Milling. Conversely, intangible assets are the core competencies of the enterprise, including the

knowledge and skills required to be effective. Indeed, one major intangible resource is the capacity to unite members through aligning their individual self-interests with the collective action necessary for creating whatever “collective good” is outlined in the Co-operative’s purpose (Mazzarol et al., 2014b, p. 37). An example of intangible assets would be the 2002 inclusion of Independent Directors on the Board of the merged CBH/Grain Pool, based on relevant expertise. In addition, CBH communicates the benefits of co-operation with its members, emphasising sustainability and value, through its Annual Reports, regional grower meetings, grower study tours and its email newsletter.

Aligning with CBH’s purpose, it provides member benefits through investment in storage, transport, and port facilities which ensures sustainability and efficiency in the supply chain (Deloitte Access Economics, 2016). Furthermore, its strategic focus of People, Technology, and Tonnes to Customer reflects CBH’s purpose of sustainability and value to members. Indeed, the strategy aims to safely receive an average 22 million tonne crop and outturn 70% of that in the first half of the year with the ability to export 3 million tonnes of grain each month (CBH, 2022a)

SYSTEMS LEVEL ANALYSIS – OUTPUT FACTORS

The two main outputs from CMEs are their ability to generate economic and social capital.

ECONOMIC CONTRIBUTION

According to Mazzarol et al. (2014b), economic capital can be measured through the creation of assets, jobs, and wealth. In terms of assets, CMEs can create economic capital by establishing valuable infrastructure which would not have existed without them. Indeed, the original storage and handling receival sites would not have been built without the efforts of CBH’s founders. Furthermore, in the early 1970s CBH built the Kwinana Grain Terminal to store greater tonnages of grain and load ships more efficiently. It was considered the most innovative of its kind at the time. In addition to infrastructure, CBH built high quality systems which added considerable value to growers and the Australian economy (Mazzarol et al. 2014a).

According to non-executive independent director David Lock, CBH provides economic value to its members,

“I think what CBH brings to WA and to the WA growers is the highest return that they can get for grain farming. And it brings the vision to say, well, the grain production is going to grow both in hectares and yield per hectare notwithstanding climate change. That growers in that industry, existing members or future members, can invest knowing that they've got the cheapest supply chain in Australia. From a fees and charges and storage and handling perspective. And that our network will be able to deliver to markets and capitalise on price premiums in the period where the northern hemisphere is not producing. Both delivering a price and reducing a cost” (D. Lock, 2024).

Co-operatives can build economic capital through the creation of jobs. Indeed, co-operatives often employ within their local community and seek to offer opportunities to the unemployed, which is particularly valuable for regional communities (Mazzarol et al., 2014b). CBH has provided thousands of employment opportunities in addition to investments in research and development in grain production, storage, and handling which have benefitted the rural community (Mazzarol

et al., 2014a). CBH has maintained stable permanent employment for over a decade, at just over 1,000 employees (CBH, 2011; 2022). Moreover, it has increased its casual employees during the harvest over the past decade, from 1,800 to 2,100 to improve productivity during in the delivery season (CBH, 2011; 2022).

As Deputy Chair Natalie Browning explained,

“CBH is one of the biggest employers in regional WA ... it is such a critical part of our regional communities. I believe that some regional communities would not still be here farming without CBH” (N. Browning, 2024).

Co-operatives enhance the financial situation of their members through the reverse buyer and supplier system to conventional investor-owned enterprises. Indeed, agricultural co-operatives are known to generate superior farm gate prices and lower the costs of input supplies (Mazzarol et al., 2014b). Over the past two decades, CBH has had steady growth in surplus and receivables while providing economic benefits to its members. Indeed, in the past decade there have been several record-breaking harvests, including 2014, 2015, 2021 and 2022. In 2007, CBH received 6.4 million tonnes of grain with a NPAT of \$27.68 million (CBH, 2009).

In 2022 CBH received 21.3 million tonnes, or ninety per cent of the WA grain harvest, with more than ninety records broken across the network, and had a NPAT of over \$497 million (CBH, 2022a). In the past two decades CBH has provided economic benefits to members through rebate programs such as the Customer Loyalty Payment, which saved members money per tonne, the Grower Loyalty Rebate, which provided per tonne credit to be used to offset receival fees on future deliveries, and the Grower Patronage Rebate, which consists of operations, marketing and trading, and investment rebates (CBH, 2009; 2012; 2014).

In addition, economic benefit is provided through capital reinvestment into the network, a reduction in supply chain fees, and in some years keeping storage and handling fees at a flat rate (CBH, 2009; 2012; Acquisdata, 2019). Furthermore, in 2021 CBH Marketing and Trading had available \$150 million to provide working capital to 420 farming businesses through programs such as Pre-Pay Advantage and Grain for Fertiliser (Ramshaw & Lee, 2022). As Farmer Director Helen Woodhams stated,

“Economically I’d say CBH has underpinned the existence of our regional areas. It has supplied a strong supply chain to the grain growing communities, provided employment, and created international markets. It plays an enormous part in the prosperity of WA both in the regions and city areas.” (H. Woodhams, 2024).

However, there has been some economic capital downturns, particularly in the Marketing division, primarily due to international markets and environmental factors resulting in net losses or CBH Group surplus being offset by losses in marketing or investments. As David Lock explained,

“The Marketing and Trading loss was very significant, and I think made growers look at the organisation and say, how can you lose that much money? The reality is we could deliver that same sort of loss again because Marketing and Trading is a risky business. We’ve put some more stringent trading limits in place that give us clearer indications of risk, but we’re

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trading in international markets. And there were a sequence of events that happened right then in the international markets that disconnected it from the Australian market and made the value of the grain that we held in stock fall. So, we wouldn't want to see a repeat, but it is possible. And we have built our balance sheet to be able to cope with that. So, recognising that at as a worst-case event, we could have another result like that" (D. Lock, 2024).

As then Chief Marketing and Trading Officer Jason Craig explained, the financial operations of the grain trading environment were different to those found within the bulk handling and storage division,

"The fundamental change that increased the risk to CBH's balance sheet and its earning was when growers started to sell their grain for cash rather than delivering to Pools. What was previously the grower's risk in delivering to the Pool and receiving distributions once the grain was sold, was transferred to the Marketing and Trading balance sheet. When grain was purchased at full market value. So, if CBH bought grain at \$200 today and the market fell to \$190 tomorrow, that \$10 loss was now on the balance sheet of CBH. And so that was a structural change that changed the way the business was managed, including risk management, funding arrangements, and reporting. You'll see the loss that was recorded in 2018/19 in the Marketing and Trading division. That year the markets collapsed on the back of China barley anti-dumping and a significant drop in wheat markets post the drought in Eastern Australia. It was a very difficult time for everyone in the company at the time. That grain was owned by the Marketing and Trading division of CBH and therefore was all balance sheet risk ... It was probably one of the worst years of my professional career, to be honest. I remember it vividly." (J. Craig, 2024).

SOCIAL CONTRIBUTION

The measurement of a co-operative's contribution to the development of social capital is always difficult due to the indirect and informal nature of how social capital is formed and valued. This typically involves individuals meeting and interacting within the context of shared social norms, values, beliefs, trust, friendships, obligations, networks, and memberships (Bhandari & Yasunobu, 2009).

Throughout CBH's history, there have been periods of strong communication between the Board and its members, in addition to periods in which the Board has been accused of patronising, uncooperative behaviour by both members and the overall WA grower community. The concept of trust is evident in member attitudes toward the Board, particularly during times of major strategic change. This is demonstrated in the recurring discussion that have taken place regarding CBH remaining a co-operative versus privatisation. Moreover, there have been attempts of rationalisation, investment, and the merger with GPWA. When the CBH Board and Senior CBH Group Executive have connected with members, particularly touring the State, as well as having clarity of message, and adequately explaining opportunities, member trust in the Co-operative is evident and strongly felt.

Moreover, positions of the Board and members tend to align. This is important as the democratic principles of one-member-one-vote inherent in the Co-operative's structure guarantees all voices within CBH's membership are heard for major strategic changes. Therefore, the CBH Board must both understand what most members want as well as adequately convince the member base of

opportunities they want to pursue. Importantly, after the failed restructure attempt in 2000, CBH has made considerable efforts to understand what members want and endeavour to align the business with those wants, building trust through regular communication such as grower surveys (Mazzarol & Mamouni Limnios, 2011). These efforts are evident with the failed Australian Grains Champion takeover bid.

Reciprocity between members and between the Co-operative and its members can take the form of direct, indirect, and spatial reciprocity (Mazzarol et al., 2014b). CBH Group predominantly utilises indirect forms of reciprocity through charitable efforts. According to Deloitte Access Economics (2016), from 2011 to 2015 CBH contributed approximately \$600,000 to charitable organisations. Each year the Co-operative invests funds into regional communities, which aids regional organisations in areas of health, lifestyle, capacity building, arts, and sport and recreation (Deloitte Access Economics, 2016).

In 2014, CBH invested \$1.2 million, whereas from 2015 to 2022 it has invested \$1.5-1.6 million (CBH, 2014; 2015b; 2018; 2020; 2021c; 2022). Furthermore, the Co-operative's support of local business, specifically through the sourcing of goods and services, helps local communities to thrive. In 2022, CBH purchased 90 per cent of its goods and services within WA, with 39 per cent of which purchased in local grain growing communities (CBH, 2022a).

Importantly, the three forms of reciprocity can intersect. For example, charitable efforts can benefit members, staff, and the broader community. This is the case with CBH's partnership with Black Dog Institute which began in 2015. Black Dog Institute is an organisation which is responsible for early diagnosis and intervention, prevention, and treatment of mental illness (CBH, 2015a).

The partnership was a result of a 2014 grower survey in which 43 per cent of respondents indicated delivering regional mental health support was a high priority. The outcome was the formation of the CBH Black Dog Mental Wellness Program, accessible throughout the Wheatbelt, delivering a range of educational workshops on mental health (CBH, 2015a). Another way in which forms of reciprocity intersect is through competitions. For example, direct and spatial reciprocity is evident in the Annual Photographic Competition which CBH conducted in the 2010s. Growers, employees and rural residents could submit entries which were showcased in Annual Reports and public exhibitions.

CBH has exhibited spatial reciprocity through their existence in the regional community as a co-operative. According to Candemir et al. (2021), agricultural co-operatives can create a 'competitive yardstick' effect in regional communities, specifically on prices paid to farmers, including non-members. Furthermore, spatial reciprocity is evident in the strong community ties and identification which regional towns have toward the history of CBH in their region. The example of Yelbeni, in which locals protested the removal of their receival site in the 1960s during a period of rationalisation, exemplifies the pride and connection of community in its agricultural history.

A further example of spatial reciprocity which also links with indirect reciprocity is the Public Silo Trail, in which CBH partnered with FORM, a cultural tourism group, to produce highly visible

giant colourful murals on CBH silos in Northam, Ravensthorpe, Merredin, Albany, Newdegate and Pingrup (CBH, 2021g). These silo artworks, completed in 2018, aimed to link grain growing towns across the state, fostering positive perceptions of the southern regions and their communities. This not only benefits the community by encouraging tourism, but it also promotes a sense of pride in local culture and beauty within the community.

In assessing the social contribution of CBH, CEO Ben Macnamara considered the Co-operative to be important due to its ability to enable the regional communities across the WA Wheatbelt to remain economically viable and supported. Its ability to sustain the grain producers where they farmed also served to keep the wider communities that relied upon agriculture for their employment and business activities sustainable.

As Macnamara explained,

“Historically CBH has been a significant employer; a key player in each of the regional communities in which we operate; our people play an important role in their respective communities; and I think CBH has been known as part of the fabric of the state of Western Australia. As we look forward, CBH will continue to keep Western Australian grain growers viable by having a supply chain that is able to meet the task and critically being able to get grain to customers when they most need it. We will continue to focus on the regional communities in which we operate to ensure that they are vibrant and good places to work and live for both our people and our members.” (B. Macnamara, 2024).

KEY LESSONS FROM THE CBH CASE

The history of CBH provides an example of how a well-managed co-operative can deliver significant economic and social benefits to its communities. As a producer co-operative CBH has provided essential infrastructure and associated services to the grain industry of WA enabling the expansion, successful development, and sustainability of the Wheatbelt. At time of writing CBH is Australia’s largest co-operative by annual turnover, a position that it has held since at least the start of the century.

CBH is also one of the largest employers in the Wheatbelt and contributes significantly to both the regional economy and its local communities, but also the State of Western Australia (Deloitte, 2016). In 2024, CBH was the largest Cereal Grain Wholesaling business in Australia with an annual revenue of \$5.77 billion and a market share of 18.3% (Trinh, 2023). It represents the only co-operative of size within this sector, which is dominated by GrainCorp (22.6% market share), Viterra (8.3% market share), and Cargill (4.5% market share) (Schroeder, 2023). These other companies are all investor-owned firms (IOFs), of which Viterra (a subsidiary of Glencore Ltd.) and Cargill, are foreign-owned subsidiaries.

Within the cereal grain wholesaling industry (where its Marketing and Trading operations occur), CBH, is a leading player representing 18.3% market share, compared with Viterra (10.7% market share), GrainCorp (10.1% market share), Cargill (5.9% market share), and Emerald Grain (3% market share) (Trinh, 2023). This illustrates the significant role played by CBH in providing the WA grain growers with a competitive business that offers them ownership and control over the

Co-operative, with services and infrastructure that operate from their farmgate to the overseas market customers.

However, the history of CBH, also shows that the Co-operative cannot afford to become complacent. Protected for much of its early history under the monopoly status afforded to it by the *Bulk Handling Act 1935* (WA), the Co-operative was impacted by the market deregulation that took place in the grain industry during the 1980s and 1990s. The Commonwealth of Australia Royal Commission into Grain Handling and Storage in 1987, followed by the passage of the *Wheat Marketing Act 1989* (Cth), led the CBH Board to seriously consider demutualisation during the period 1998-2000.

Although this demutualisation did not take place, changes in the industry moved the Co-operative to make changes to both its structure and strategy. This led to the merger with GPWA (2002), and the entry into the Interflour joint venture with the Salim Group in Southeast Asia (2004). Over the past twenty years, CBH has refocused its strategy, modernised its operations, and invested continuously into its bulk handling and storage infrastructure, as well as its marketing and trading services and associated operations.

It has included a fertiliser division and expanded its investment portfolio to include Blue Lake Milling as a supplement to the Interflour joint venture. Having achieved a milestone of receiving over 21.3 million tonnes in grain for the 2022 season, CBH is now following a strategy that forecasts reaching an average of 22 million tonnes by 2030 (CBH, 2022a). This is a recognition that while its membership is declining in total numbers, annual grain production is forecast to continue rising based on improved varieties and farming practices and an increase in land available for cropping.

However, despite the success it has achieved, CBH faces an increasingly complex and competitive market. For example, it was announced in 2023 that it had been agreed, subject to regulatory approvals, that US global grain supplier Bunge would acquire 100% of Viterra. Estimated at around \$34 billion the merger would enable Bunge to significantly expand its grain storage capacity in Australia (Trinh, 2023). A review of the merger proposal by the Australian Competition and Consumer Commission (ACCC) did not find any compelling argument that it would substantially lessen competition within any market in Australia, particularly WA. As noted by the ACCC,

"In particular, the ACCC noted that Bunge's presence in Australia is focused on Western Australia. In Western Australia, the ACCC considered Bunge (and Viterra) face significant competition from CBH, as well as competition from other traders. Outside of Western Australia, Bunge is not a major originator, and it tends not to acquire grain directly from growers but from other traders in order to export" (ACCC, 2023).

The European Union (EU) approved the merger in August 2024. However, at time of writing, the decision was delayed until 2025 due to the need for final approvals from the authorities in Canada and China (Freitas & Veloso, 2024).

The ACCC ruling validates the activities of the proposed merged entities in Australia. Moreover, the Competition Commission of India has approved the acquisition. However, as the acquisition of Viterra by Bunge proceeds into 2025, it highlights the likely competition CBH Group will face and suggests there can be no diminution in the Co-operative's efforts to deliver a compelling MVP that maintains the Group's market share in a competitive storage and handling environment and remains the WA growers' marketer of choice.

In summary, the key lessons from the CBH case are:

- It is important for co-operative and mutual enterprises (CMEs) to maintain a clear understanding of their purpose and what it suggests are the main economic and social objectives for which they have been created.
- This purpose must be linked to a well-considered and compelling member value proposition (MVP) that responds to the memberships' manifest (e.g., openly declared) needs, while concurrently collaborating with the members to identify and address latent (e.g., unstated) needs.
- Continual monitoring, recording and assessment of theoretical and real events that could erode whatever economic moat advantage exists to allow timely and repeated high level game planning to be undertaken.
- It is essential that the enterprise is professionally managed in an efficient and prudent manner, and that the Board is comprised of directors who have the necessary strategic and management skills to provide the necessary oversight of the executive team.
- In conditions of high environmental turbulence and market competition, CMEs should (where feasible) focus on serving their members' needs, pursuing their purpose, continuously reviewing, developing, and promoting the value members can extract from a co-operative's MVP, and avoiding directly competing against the offer of an investor-owned firm (IOF).
- The sustainability of any CME is contingent upon the Board and its executive team possessing not only proven skills around strategic planning and managerial execution, but also positive member communication skills, backed by a strong knowledge and appreciation of the foundation principles of mutuality and co-operative principles, associationism, and the collective economy.
- CMEs are not IOFs and exist for different reasons. In a free market economy, a CME without an impenetrable economic moat will likely at some time operate alongside and in competition with IOFs. The strategic goals of the CME are different to their IOF counterparts, and these differences need to be understood by the Board and executive management and used, in conjunction with the purpose, to guide strategic decision making.

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APPENDIX A: CBH LTD. WITHIN THE CME RESEARCH FRAMEWORK

Influencing Factors	Application to CBH Limited
<i>Systems-level inputs</i>	
Social co-operation	The spirit of co-operation has been evident throughout CBH's history. In addition, despite pressures to privatise, members are still strongly in favour of remaining a co-operative. Furthermore, the goals of the Co-operative continue to reflect wider social, cultural, and environmental objectives toward common community interest.
Role of government	Government has been both supportive and a hindrance to CBH throughout its history. There was considerable delay in pursuing bulk handling in the 1910s-1930s, influencing CBH's formation. In addition, the pursuit of market deregulation has impacted CBH since the 1980s, with consistent pressure for challenging the co-operative business model.
Industry structure	CBH is affected by competition, particularly with agricultural market deregulation. Although CBH has considerable influence over domestic market issues, they face fierce international competition. Threat of substitution impacts CBH through improvements in technology which allow for opportunities outside the co-op, and through farm consolidation. CBH will need to balance the statutory one-member-one-vote principle with providing value based on patronage.
Natural environment	Has significant impact on CBH due to ties to agriculture, including threats of climate change, pollution, salinity, drought, and biodiversity loss. CBH has made attempts to 'drought proof' the co-op through capital investment to offset financial losses in seasons of low harvests and high fixed cost per tonne of grain handled. Geography plays a role, WA is widespread compared to eastern states, thus short-haul rail and road transportation is expensive. CBH addresses this through its maintenance of an efficient network. Population drift is an ongoing issue, resulting in farm consolidation and lower membership numbers.
<i>Enterprise-level factors</i>	
Purpose	CBH's stated purpose is 'to sustainably create and return value to WA grain growers – current and future'. Its co-operative benefit is giving

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

	growers a voice and ensuring the Co-operative delivers value in areas which are most beneficial to growers. It has a present and future focus, necessary for the sustainability of the organisation.
Profit formula	Seeks to maximise benefits to members. CBH provides higher prices for produce with rebates to members through a three-tiered system. This system includes operations, marketing and trading, and investments division rebates, allowing for members to receive rebates during periods where one division takes a loss. Surpluses are also distributed through capital reinvestment in the network.
Processes	CBH has one-member-one-vote and aims to balance this with level of patronage through rebate programs. It provides benefits to members through investment in storage, transport, and port facilities which ensures the sustainability and efficiency of the supply chain. It has a strategic focus of People, Technology, and Tonnes to Customer communicated through Annual Reports which reflects its purpose.
Resources	CBH's network includes five zones in WA's southwest, with four port terminals and over 100 receival sites. It also has a fertiliser supply company and bulk fertiliser storage. It annually invests millions into the network, particularly of late to build new temporary and permanent storage to accommodate ever increasing harvests. It has several equity investments, including stakes in Interflour Group and Blue Lake Milling.
Share structure	Each member must hold one share, which is redeemable with a nominal value of \$2.00 each. Voting rights are tied to membership. CBH Ltd. is a non-distributing co-operative with exemption from income tax and certain other business taxes. Earnings are retained within the Co-operative for reinvestment, predominantly into maintaining the supply chain.
Governance	The power of the Board is subject to the Membership Rules and the <i>Co-operatives Act 2009</i> (WA). The Rules stipulate the Board must be a minimum of nine and a maximum of twelve individuals, of which nine must be Member Directors with the Board able to appoint up to three Independent Directors with each appointment subject to ratification at the following Annual General Meeting. It utilises democratic processes.
Member Value Proposition	The value which CBH aims to provide is responsive to the needs of members determined through surveys and grower meetings. In the past decade CBH has performed well in providing value to its members and communicating that value based on member feedback. An example of effective communication is the Grower Value

Co-operative Enterprise Research Unit (CERU)

Co-operative Bulk Handling Ltd. – Handling the Future and Growing Together

	Statements which provide an overview of a member's transactions with CBH and sets out how the co-op creates and returns value to the individual, local community, region or zone, and agricultural industry. Benefits to members include enhanced access to markets, improved productivity, further choice in fertiliser, capital investments which can offset future receival fees, and improved access to grain transportation.
<i>Member-level factors</i>	
Patron	CBH aims to keep transaction costs low while ensuring farms remain profitable. This is reflected in positive responses from grower surveys in 2017. They address this aim through capital reinvestment in the network to ensure efficiency and through flat-rate fees or rebates which are offset for future receival charges. CBH would benefit from continuing the grower surveys in the future, ensuring member satisfaction is maintained.
Investor	There is an ongoing risk of members trying to get perceived personal equity on the CBH balance sheet, which could manifest into renewed attempts to demutualise. However, member surveys indicate a current desire to maintain a co-op. This was fuelled by the Australian Grains Champion takeover bid and the resulting structural review.
Owner	All active members have voting rights at the general meetings. They can influence the activities of the Co-operative and nominate for a director role if desired. Level of trust and ownership rights are linked. CBH has increased its ability in the last two decades to engender loyalty and trust from members based on delivering what is promised in the MVP. CBH makes efforts to encourage a sense of shared responsibility for an equitable share in the benefits and a shared history and identity with the co-op through Acknowledgement of Service sections in the Annual Reports and through corporate histories. Efforts could be furthered through the preservation of materials from the past and present.
Community member	Membership is strengthened by the sense of belonging to the community of purpose aimed at the growth and sustainability of the Wheatbelt agriculture industry. CBH fosters the member as a part of the community role through their charitable efforts. For example, their Grass Roots Community



	Grants program which began in 2014 provides funding across regional WA. In 2022 CBH provided \$2.5 million to 798 events and projects. In addition, CBH donates to grass roots organisations, groups and clubs which support community events, structures, and projects. These efforts facilitate a sense of connection, support and pride in the local community for CBH members.
<i>Systems-level outputs</i>	
Economic capital	CBH provides economic capital through jobs, assets, and wealth creation. It supports the regional community through permanent and casual employment. In addition, CBH has created and maintained an efficient network of transportation, bulk handling, and storage to facilitate the growing, harvesting, and marketing of grain. Furthermore, record breaking harvests of the past decade have provided considerable wealth to members and the co-op, reinvested in maintenance and credit to offset future receival fees.
Social capital	There have been historical issues of trust between CBH's Board and membership, particularly regarding equity investments in what some view as non-core activities, and whether to remain a co-operative. However, the Co-operative has made considerable effort to effectively communicate to members, ensuring values of the organisation align with the needs of grower members. Furthermore, reciprocity is strong within the regional community, particularly with CBH's charitable commitments. CBH also delivers value through its supply chain network, supporting growers from farm to market.

APPENDIX B: CBH DIRECTORS AND EXECUTIVES

CBH Chairpersons

<i>Term</i>	<i>Name</i>	<i>Occupation</i>	<i>Home Location</i>
1933-1943	Alexander Joseph Monger	Farmer/Businessman	York
1943	John Smith Teasdale	Farmer	Bruce Rock
1943-1947	The Hon. Thomas Henry Bath	Farmer/Politician	Tammin
1947-1959	Walter James Russell	Farmer	Bilbarin
1959-1963	James King Forrester	Farmer	Carnamah
1963-1971	John J. "Jack" Sadler	Farmer	Goomalling
1971-1996	The Hon. Harry Walter "Mick" Gayfer AM	Farmer/Politician	Corrigin
1996-2004	Allan F. Watson	Farmer	Nungarin
2004-2005	Robert Ian Sewell AM	Farmer	Wongan Hills
2005-2008	Anthony "Tony" J. Critch	Farmer	Geraldton
2008-2014	Neil J. Wandel	Farmer	Esperance
2014-2020	Walter "Wally" A. Newman	Farmer	Newdegate
2020-	Simon R. Stead	Farmer	Esperance

CBH Directors (members of the Board)

<i>Name</i>	<i>Term</i>	<i>Occupation</i>	<i>Home Location</i>
Ackland, John Barnes OBE	1971-1979	Farmer	Wongan Hills
Ackland, John Hugh	1935-1943 1945-1958	Politician	Moore
Adams, David John	2002-2007	Farmer	Cranbrook
Badger, Trevor	2007-2020	Farmer	
Bartlett, Trent	2012-2021	Non-executive Director	Perth
Bath, Thomas Henry	1942-1947	Farmer/Politician	Tammin

<i>Name</i>	<i>Term</i>	<i>Occupation</i>	<i>Home Location</i>
Birch, Everett Barrett	1981	Farmer	Mullewa
Boyd, Thomas Craig (T. C.)	1936-1942	Doctor	
Browning, Harold Mansley	1969-1987	Farmer	Gibson
Browning, Natalie	2018-Present	Farmer	Kondinin
Byrne, Michael	2023-Present	Non-executive Director	Sydney
Butcher, Colin	2004	Farmer	Brookton
Butler, W. J.	1936-1954	Farmer	
Carstairs, John William	1974-2006	Farmer	Perenjori
Caughey, Michael	2023-Present	Farmer	Nungarin
Clarke, Roy Maxwell	1980-2002	Farmer	Goomalling
Clauson, Derek	2013-2019	Farmer	
Critch, Anthony "Tony"	1990-2007	Farmer	Geraldton
Dempster, Vern	2008-2020	Farmer	
Diver, J. W.	1933-1943		
Doney, Thomas Bruce	1981-1993	Farmer	Harrismith
Forrester, James King	1955-1963	Farmer	Carnamah
Fuchsbichler Kevin	2007-2021	Famer	Bruce Rock
Gayfer, The Hon. H. W. "Mick"	1959-1996	Farmer/Politician	Corrigin
Gleeson, Kevin	1997-2002	Farmer	Gairdner River
Gleeson, Leonard "Len" Matthew	1970-1997	Farmer	Gairdner River
Goldfinch, Ian	1987-2002	Farmer	Ravensthorpe
Gray, K. J.	1994-1999	Farmer	Kukerin
Grierson, L.W.	1964-1973	Farmer	
Guthrey, Lloyd	2002	Non-executive Director	Perth
Hart, T.G.	1958-1969	Farmer	
Hassell, John	2009-2018	Farmer	Pingelly
Horan, A.I.	1958-1964	Farmer	
Huxley, W.J.	1958-1986	Farmer	
Johnson, W D.	1933-1943	Politician	

<i>Name</i>	<i>Term</i>	<i>Occupation</i>	<i>Home Location</i>
Kelsall, H. L.	1955		
Knowles, Peter	2009-2012	Non-executive Director	Perth
Latham, A.W.	1961-1981	Farmer	
Lock, David	2019-Present	Non-executive Director	Perth
Lundy, Jack Martin	1982-1992	Farmer	Cunderdin
Madden, Rodney	2006-2020	Farmer	Morawa
Martin-Huxley, William Joseph	1958-1985	Farmer	Gabbin
Marwick, W.	1936-1943		
McAlpine, Brian	2012-2021	Farmer	Latham
McGinniss, Mick	2002-2009	Farmer	Merredin
Michael, Clancy	2008-2013	Farmer	Mingenew
Monger, Alexander Joseph	1933-1941	Farmer/Businessman	York
Mulgrew, Alan	2015-2022	Non-executive Director	
Newman, Walter "Wally"	2000-2019	Farmer	Newdegate
O'Neil, John	2020-2023	Farmer	Mukinbudin
Palmer, Ken	2002-2010	Non-executive Director	Perth
Patroni, Peter Romolo	1980-2001	Farmer	Southern Cross
Rees, J.W.	1986		
Rowe, Gareth	2021-Present	Farmer	Walkaway
Russell, Walter James	1947-1959	Farmer	Bilbarin
Sadleir, Paul	2021-Present	Non-executive Director	Perth
Sadler, J. J.	1943-1971	Farmer	Goomalling
Seaby, Jeff	2019-Present	Farmer	Mukinbudin
Sewell, Robert	2002-2008	Farmer	Wongan Hills
Seymour, Ken	2020-Present	Farmer	Miling
Smith-Gander, Diane	2011-2014	Non-executive Director	Perth
Stead, Simon R.	2015-Present	Farmer	Esperance
Steel, Richard	2001-2002	Farmer	South Yilgarn
Tanner, H. W. A.	1933-1943		

<i>Name</i>	<i>Term</i>	<i>Occupation</i>	<i>Home Location</i>
Taylor, Royce	2021-Present	Farmer	Lake Grace
Teasdale, John S.	1933-1958		
Thompson, Denis	2002-2009	Non-executive Director	Perth
Tilbrook, Steve	2002-2010	Farmer	Mount Madden
Tough, Samantha	2014	Non-executive Director	Perth
Upphill, Kevin	1992-2002	Farmer	Tammin
Watson, Allan F.	1986-2004	Farmer	Nungarin
Wandel, Neil	2002-2013	Farmer	Esperance
West, Barry	2022-Present	Farmer	Kulin
Willis, David	2010-2018	Non-executive Director	
Woodhams, Helen	2020-Present	Farmer	Kojonup and Woodanilling

CBH Executive Officers

<i>Term</i>	<i>Name</i>	<i>Job title</i>
1933-1941	John Thomson	Secretary/General Manager
1933-1954	Henry Edward Braine	Secretary/General Manager
1954-1961	Wilfrid Laurence McLean	General Manager
1961-1975	M. J. "Mick" Lane	General Manager
1975-1977	Jack L. Fitzpatrick	General Manager
1978-1986	E. J. U. "Jim" Green	General Manager
1986-1994	Raymond J. Delmenico AM	General Manager/CEO
1994-2009	Imre M. Mencshelyi	CEO
2009-2017	Dr. Andrew "Andy" J. Crane	CEO
2017-2021	Jimmy J. Wilson	CEO
2021-Present	Ben J. R. Macnamara	CEO

APPENDIX C: CBH LTD. HISTORICAL TIMELINE 1922-2023

Dates	Summary of events
1920s	1922 – The voluntary Co-operative Wheat Pool of Western Australia is formed. Within six months almost 85% of WA growers had pledged all their grain to the Wheat Pool, a further 10% had pledged over half. 1927 – The voluntary Co-operative Wheat Pool and Westralian Farmers' Co-operative (Wesfarmers) become the biggest exporters of Australian wheat (380,000 tonnes).
1930s	1933 – CBH (funded on an 'experimental' basis by Westralian Farmers and the trustees of the Wheat Pool of WA) is established to combat spiralling manual bag handling prices. This followed continuous advocacy for the creation of a bulk grain handling and storage co-operative by prominent rural community leaders Charles Walter Harper (from Westralian Farmers) and Thomas Henry Bath (from the Wheat Pool). CBH was led by inaugural Chair Alexander Joseph Monger and supported by Henry Edward Braine (General Manager) and John Thomson (Secretary). A deed of trust was signed providing CBH with £100,000 (approx. \$12.04 million in 2023 dollars), funded by trustees of the Wheat Pool of WA, later to become the GPWA (£80,000) and Westralian Farmers' Co-operative later to become Wesfarmers Ltd. (£20,000). To be paid back by no later than 1948. 1932/33 – CBH commences in 1932/33 with 5 receival sites and 34,428 tonnes of wheat. By 1939 it has 174 receival sites, an annual harvest of 754,223 tonnes, and total production for the period of over 2.52 million tonnes. 1935 – Royal Commission into Bulk Handling of Wheat is commenced, Chaired by William Angwin. It examined the efficiencies of bulk grain handling. The final report advocated strongly in favour of bulk handling and recommended CBH be authorised to establish a state-wide handling scheme, with supporting legislation to protect its interests. The needed upgrading of port facilities was also recommended along with the construction of permanent storage at some 75% of country rail sidings. Introduction of the <i>Bulk Handling Act 1935</i> (WA) grants CBH a monopoly over bulk grain handling and storage across the Wheatbelt. Requires CBH to expand its regional receival sites to accept grain from growers. 1939 – Federal Government establishes the Australian Wheat Board (AWB) as a war time measure to regulate the national wheat crop.
1940s	1943 – CBH repays £100,000 debt to trustees of Wheat Pool WA and Westralian Farmers' Co-operative from tolls paid by growers on their volume

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	of grain supplied. Ownership of CBH is now passed to members, who replace the Westralian Farmers and Grain Pool “Trustees” on the Board. CBH has a ‘one-member-one-vote’ democracy model with a grower-member board. 1940s – CBH grows its receival network to 244 sites and invests heavily in regional and port storage. Grain management is controlled by AWB under Commonwealth war powers. CBH must construct and maintain additional storage for war emergency. Total grain production during the decade is over 6.3 million tonnes with an annual average of 630,302 tonnes. Membership grows to 9,022 by 1945. 1948 – GPWA is asked to take over the marketing of WA oats after the withdrawal of Commonwealth control. Marketing of barley vested in state Barley Board with GPWA appointed the Board’s marketing agent. 1949 – Federal government retains orderly marketing of wheat vesting in the war time controls in the AWB.
1950s	1951 – Grower participants receive more than two shillings per bushel of oats than non-Pool selling growers who sold direct to other merchants. 1950s – CBH commences handling of oats and barley along with wheat. Membership grows from 9,673 in 1950 to 12,736 by 1959. Regional receival sites increase from 248 to 275 over the decade. Total grain received during the period was over 11 million tonnes.
1960s	1960s – CBH membership grows from 13,566 in 1960 to 15,509 in 1969. Receival sites grow from 283 to 300 and total grain received over the decade is over 22.6 million with 1969 season deliveries more than 3.23 million. 1961 – The trustees of the Wheat Pool of WA officially become GPWA to better reflect the increasing trade in non-wheat grains. 1962 – The <i>Wheat Pool Act 1932 (WA)</i> is renamed the <i>Grain Pool Act (WA)</i>. 1967 – A new <i>Bulk Handling Act 1967 (WA)</i> is introduced providing CBH with more access to specific areas of operations such as handling of grains other than wheat, assessing the quality of grain, and provision of insurance of grain. However, all surplus generated by the Co-operative and all property owned by the co-op had to be applied towards the objects of the Co—operative.
1970s	1970s – CBH commences construction of the Kwinana Grain Terminal and the upgrading of regional storage network. Farming is becoming more large-scale and grain production over the decade is around 35.5 million tonnes. However, membership falls from 14,777 in 1970 to 12,425 in 1979. Receival sites fall from 300 to 214. 1978 – First shipment from CBH’s Kwinana Grain Terminal (which took over as an export port from Fremantle).

1980s	1980s – WA Wheatbelt is impacted by severe droughts impacting growers' financial status. More technology adopted by growers with larger harvesters and grain trucks requiring upgrading of weighbridges and receival site infrastructure. CBH introduces IBM mainframe computer in 1987. 1980s – Membership declines from 12,038 in 1980 to 9,309 in 1989. Receival sites fall from 212 to 196. Total grain received over the decade is around 53.9 million tonnes. 1987 – Royal Commission into Grain Storage and Handling is commenced under Chair James “Jim” McColl. It recommended a mixed deregulation / regulation model to increase efficiency. Also recommended was the removal of monopoly rights to state-based bulk handling entities to provide more competition within the sector. 1989 – Royal Commission leads to passage of the <i>Wheat Marketing Act 1989</i> (Cth) which established the Export Wheat Commission and begins deregulation of the sector including removal of monopoly rights held by bulk handling and single-desk marketing organisations such as CBH, AWB and GPWA. A ministerial review of the Grain Marketing Act re-affirms GPWA's marketing control over certain grains, legumes, pulses, and seeds in WA.
1990s	1990s – CBH maintains around 10,000 members and 196 receival sites. Total grain supply handled during the decade is around 81.76 million tonnes. 1994 – A decision to offer international buyers of WA coarse grains, lupins and oilseeds cost and freight pricing (C&F) and cost insurance and freight (CIF) options instead of Free on Board (FOB) pays dividends with extra revenue of \$1.1 million paid to WA growers. 1995 – CBH introduces a new corporate strategy “Handling the Future and Growing Together”. Mission statement is, “Provide Quality Services to Shareholders and Clients”. A specific focus is placed on enhancing the quality of the firm's people, products and performance, provision of a safe workplace, scope for job enrichment and creativity, environmental conservation and community interest. 1996 – Growers visit Japan, Korea and China with GPWA as part of the first subsidised Grower Study Tour of international markets. 1998 – CBH Board considers potential demutualisation of the Co-operative. Membership was declining and some younger growers were viewed as “more commercially focused”. The market deregulation triggered by the 1989 legislation led to the privatisation of AWB, ABB, and the demutualisation of SACBH. 1999 – Newly appointed CBH Director Walter “Wally” Newman adopts an opposing view to the CBH demutualisation plans. His one-person director

	dissenting vote is supported by other growers, and within GPWA, believing a merger of CBH and GPWA would be a better outcome for growers.
2000s	2000s – During the decade CBH membership declines from 7,000 to 4,700. Total grain received is more than 99.9 million tonnes. 2000 – The <i>Bulk Handling Repeal Act 2000</i> (WA) is passed, removing CBH's monopoly on bulk grain handling in the state. Restructure meetings held across the Wheatbelt and the case for demutualisation put and discussed. While SACBH demutualised, CBH did not. A general meeting of grower-shareholders delivered a majority vote on the floor but failed to secure the necessary 75% of members required for demutualisation under the constitution. 2002 – GPWA merges with CBH to form the CBH Group. A new corporate logo is introduced. Merger provided CBH Group with a vertically integrated company structure, linking growers directly to buyers. 2004 – CBH enters “Interflour” joint-venture with the Salim Group Pacific Agrifoods Ltd. to operate a network of flour mills in Indonesia, Malaysia, and Vietnam. 2006 –Federal Government’s Cole Inquiry into the ‘oil for wheat scandal’ involving AWB Ltd. This led to AWB losing its monopoly over wheat marketing and led to the end of single desk marketing of wheat. 2007 – CBH faces challenges from the Australian Taxation Office (ATO) in relation to its income tax-exempt status. CBH claimed that it did not distribute surplus to members, only rebates, and that all surpluses were reinvested in the Co-operative’s storage and handling operations to ensure lower fees and charges to growers. Federal Court ruled in favour of CBH. ATO lost an appeal to the Full Federal Court in 2010. CBH’s tax exempt status maintained. 2008 – Australian wheat single desk system of grain trading is abandoned as the industry is fully deregulated paving the way for the Grain Pool (now CBH Grain) to become Australia’s largest grain exporter. 2008 – CBH launches “<i>Grain Express</i>” online grain logistics management and marketing system. However, some growers felt they were being disadvantaged and sought an opinion from the Australian Competition and Consumer Commission (ACCC). CBH contested their claims of the system reducing competition highlighting the greater efficiency of the system. The ACCC ruled in favour of CBH. 2009 – Introduction of the <i>Co-operatives Act 2009</i> (WA), which brings in modernised co-operatives legislation. CBH was the first co-operative to transition to the Act and original Memorandum and Articles of Association replaced by new governance rules. Revisions of the CBH policies were also required.

2010s	2010s – CBH membership falls from 4,700 in 2010 to 3,700 by 2020. It maintains 195 receival points. During the decade CBH grain receivals total 129.9 million tonnes. 2010 – The International Sustainability and Carbon Certification (ISCC) scheme is implemented, allowing CBH Grain to sell sustainably certified non-GMO canola to Europe. 2010 – CBH Board reviews the corporate structure of the Co-operative in the aftermath of the ATO challenge to its tax-exempt status. Different options considered, but preference amongst growers was for a ‘hybrid’ model involving a non-distributing tax-exempt co-operative with core business operating the bulk handling and storage activities, with tax-paying propriety limited subsidiaries. 2011 – CBH was required to cancel all shares held by inactive members under the Active Membership provisions of the new Co-operatives legislation. In addition, CBH introduced a Sustainability Plan focused on reducing its environmental impact and improving energy efficiency. This led to the introduction of solar and wind power, and improvements to vehicle and rail fleets, plus better waste management. 2012 – Changes to the <i>Australian Charities and Not-for-profits Commission Act 2012</i> (Cth) enabled CBH to become registered with the ACNC as a charity with the purpose of promoting the grain industry in WA, making it exempt from a range of business taxes. 2014 – CBH Marketing and Trading becomes Australia’s largest grain exporter delivering WA grain to more than 200 customers in 30 countries around the world. CBH also received the fourth largest harvest on record. 2015 – CBH establishes CBH Fertiliser business operated by its subsidiary CBH (WA) Pty Ltd. to provide fertiliser for members and assist in keeping prices down.
2020s	2021 – CBH invests in storage facilities as grain harvests increase. Receival points decline to 114. A CBH Group Strategy and operating model is introduced. 2022 – CBH Marketing and Trading pays WA growers a record \$5 billion. CBH receives a record harvest of 21.3 million tonnes. Membership falls to 3,500. CBH Group launches its Strategy to 2033. 2023 – 20th anniversary of CBH Group and 90th anniversary of CBH Ltd. Record grain received. 2024 – CBH conducted Blue Visby project to research solutions to international shipping greenhouse gas emissions. Four new members were appointed to the GAC for a four-year term.



About the authors

Tim Mazzarol is an Emeritus Professor and Senior Honorary Research Fellow in Entrepreneurship, Innovation, Marketing and Strategy at the University of Western Australia and an affiliate Professor with the Burgundy School of Business, Groupe ESC Dijon, Bourgogne, France. He is also the Director of the Centre for Entrepreneurial Management and Innovation (CEMI), an independent initiative designed to enhance awareness of entrepreneurship, innovation, and small business management. He is also the founder Director of the Co-operative Enterprise Research Unit (CERU), a special research entity for the study of co-operative and mutual enterprises (CMEs) at the University of Western Australia. In addition, he is a founder Director and Company Secretary of the Commercialisation Studies Centre (CSC) Ltd., a not-for-profit mutual enterprise focused on advancing best practice knowledge of commercialisation. Tim is also a Qualified Practising Researcher (QPR) as recognised by the Australian Research Society (ARS). He has around 20 years of experience of working with small entrepreneurial firms as well as large corporations and government agencies. He is the author of several books on entrepreneurship, small business management and innovation. He holds a PhD in Management and an MBA with distinction from Curtin University of Technology, and a Bachelor of Arts with Honours from Murdoch University, Western Australia.

Amber van Aurich is a Research Officer at the University of Western Australia where she is engaged in the UWA Business School supporting the Australian Research Council (ARC) Linkage Grant project investigating the economic and social contribution of the co-operative and mutual enterprise (CME) sector to Western Australia. She holds a Bachelor of Arts with First Class Honours from Edith Cowan University majoring in History, Politics, and International Relations. She is currently undertaking a PhD at UWA School of Humanities. Amber is experienced in qualitative research skills, including oral and local history, editing, and feminist theory, as well as skills in publicity, communications strategy, and event management for non-for-profit organisations. Prior to joining UWA she was a transcriber for the Birtwistle Local Studies Library, Armadale, WA.

Dr Bruce Baskerville is an APDI Post-Doctoral Research Fellow at the University of Western Australia (UWA) where he is engaged with CERU via the UWA Business School, and the UWA Centre for Western Australian History. A public historian, Bruce grew up on Western Australia's Batavia Coast amid stories of Dutch shipwrecks and convict ruins, and the windswept awe of the Dongara sandplains and Abrolhos Islands. For many years he has researched the ways in which old institutions are adapted and naturalised in new places, from the Crown to building styles, shared histories to commonage systems. This has given him an abiding interest in communal and co-operative models of self-governance and their historical roots.