
Boundary Bend Shows Capitalism's Best

Ignore for a moment quantitative easing, bank bailouts and top down meddling that gets attributed to unbridled capitalism, often unfairly. On its better days, capitalism is pretty nifty.

Boundary Bend is a speck of a town on the south bank of the Murray River, upstream from Mildura. It's also the name of public but unlisted company that is Australia's largest olive grower and oil maker. It owns the Cobram Estates and Red Island brands and is today's case in point.

I own a few shares and recently received my latest shareholder report. A few months ago, Boundary Bend concluded a record harvest of almost 14 million litres of oil from its 2.2 million trees.

Seasonally, olive trees tend to produce a volume of oil that alternates between high one season and low the next. Perhaps Boundary Bend might average 12 million litres annually from its 6,000 hectares in central and north-west Victoria.

That might sound like a lot of oil, but more than half Australia's 50 million litres of annual consumption is still imported. While there's wide disparity - perhaps most strongly influenced by how close to the Mediterranean your family roots stretch - the average Australian family consumes 8 x 750ml bottles a year. In contrast, Greeks consume an average of 27 bottles per year per person.

So how do these bottles end up on our kitchen tables?

On average, each of Boundary Bend's trees—which are perhaps the most productive in the world—can be expected to generate a touch less than 6 litres of oil per year. So somewhere around Boort or Boundary Bend is a tree that produces oil for your family and your family only. They might as well put your nameplate on it.

That tree sits on almost 30 square metres of land—think of a square 5x5 metres and you're in the ballpark. The tree was planted years ago at some cost. It was carefully tended to, watered, fertilised and sprayed for pests until the olives started growing fat and juicy.

Then one day or night as early winter started to bite, the olives were shaken from the tree by mechanical harvester and squeezed (cold pressed) for juice within 4 hours. It was bottled, labelled and then trucked hundreds of kilometres to arrive at your supermarket shelf.

What did it cost you for all that? For 'rent' on the 30m² of fertile river country that this year is doing nothing but provide your personal olive oil supply, for compensation to the company for the unproductive earlier years, for water, for maintaining the tree, for the pickers and bottlers that work on 24 hour shifts over harvest, for your share of the rent on all that machinery and bottling equipment, for the bottles, for crop insurance, for running the truck and paying the truck driver, for the cost of going through the Woolworths or Coles distribution system, for the marketing, for the profit margin of both Boundary Bend and the retailer, plus 10% GST on top?

Perhaps \$80 or \$90.

It's quite amazing when you think it through.

I think the Occupy Wall Street and anti-capitalist brigade do have some things right. There are issues that are, rightly or wrongly, considered capitalistic and are rotten. The fact that it's called Occupy Wall Street, rather than Occupy Boundary Bend or Occupy Parkville (CSL) or Occupy Reykjavik (Össur prosthetics) or Occupy Palo Alto (Tesla) suggests they know more than a little about where that rot is deepest.

But blaming capitalism itself, as some do, is misguided. Until they can bring me high quality olive oil for less than a hundred bucks a year, I won't be joining any protest.