

# FROM FIELD TO FLOUR



*Pearson's Grain and Transport is one of only a handful of integrated operators servicing wheat, barley and other grain growers in north Victoria and beyond. Darren and John Pearson explain how the storage, transport and grain storage operations all complement each other*

**Words / Paul Howell**



There are not many companies that will attribute their existence to a single clause in the Australian Constitution. But John Pearson, who together with his wife Joyce founded Pearson's Grain and Transport in the 1970s, is adamant the modest grain empire is not the only business to owe its success to the High Court's 1954 interpretation of *Section 92*:

*"On the imposition of uniform duties of customs, trade, commerce, and intercourse among the states, whether by means of internal carriage or ocean navigation, shall be absolutely free ..."*

This essentially means the states aren't allowed to impose taxes on cross-border sales of goods or services, including for bulk grain.

John Pearson — still based in Swan Hill on the Victorian side of the New South Wales border — says this helped his then fledgling business to get around a single-desk grain buying platform enforced at that time.

"We were able to buy barley in Victoria; take it over the Murray River 3km away; and then take it back into Victoria to sell," he says.

Of course, the grain sector has long since been deregulated, and Pearson's is able to compete (and cooperate with) both the rail networks and cooperative marketing agencies on an even keel. These days, the company relies not so much on the Constitution, but on the combination of a uniquely integrated business model and a longstanding reputation for fast and flexible service.

John's son Darren oversees operations today as general manager, while his daughter, Kristie Parkes, manages accounts and administration across each business and site.

"Our reputation has really built up over the years. John and Joyce developed relationships in the '70s and '80s that we still have today," Darren Pearson says.

"We also achieve a lot of success through leveraging each of our business assets in support of the other. The transport helps out the storage side; which helps us to also trade grain as circumstances dictate."

Grain, including Pearson's staple hauls of barley and wheat, lends itself particularly well to this kind of arbitrage from third party players, including those already involved in the supply chain. The product is part of a massive global market with a fluctuating price; and is also non-perishable when stored correctly. So transport operators such as Pearson's can and do buy into the grain they are hauling, leveraging some of the price risk and providing growers with the opportunity for immediate payment.

## THE FLEET

Of course, transport is still a vital component of the business.

Pearson's operates a mix of owned fleet and regular subcontracted owner-drivers.

John Pearson says he had a strong loyalty to Detroit engines, until Higher Mass Limits (HML) were introduced and required more horsepower. That resulted in a positive relationship with Caterpillar engines. The fleet consists of Kenworth prime movers with recent purchases adding Cummins engines to the mix. John Pearson says this combination has performed satisfactorily to date.

Still not convinced however, he is considering offers and trial runs from sellers of both Volvo and Scania.

"The only thing there is the service," he worries.

Both European manufacturers have their Australian service arms based only in the capital cities, necessitating regular trips to Melbourne with drivers stuck in the city for much of their work day.

"If they had service centres here, I'd be more interested in them."

While every day — and indeed every part of the year — is different, Darren Pearson says there would typically be six to eight trips to Melbourne each day, with at least six trucks reserved for shorter runs



**OPPOSITE:** Darren, left, and John Pearson say their family company leverages grain storage, transport and trading to create a highly integrated service offering **ABOVE, FROM TOP:** Darren and John Pearson's conservative approach to grain trading has helped build the company over its 50-year history; The region around the Murray River produces a wide range of grains for both export and domestic consumption; Pearson's and its founder John have been part of the Victoria and Riverina grain industries since the 1960s





**ABOVE, FROM TOP:** Pearson's has 14 owned trucks, but also works with a long roster of owner-driver subcontractors; Driver Aiden Clark has been with Pearson's full-time for three and a half years; Pearson's services growers throughout the Victoria and Riverina region, as well as exporters and buyers in Melbourne

between growers, buyers and storage facilities in the Victorian Riverina region.

### MARKETS APLENTY

Pearson's transports grain to and from a wide range of customer types, including growers, other traders, exporters and end-users.

The company has seen exponential growth in its domestic stockfeed work in recent years, in part because of a partnership with Swan Hill Stockfeeds, established by Darren Pearson and his brother-in-law Russell Parkes in 1994.

The purpose-built facility encompassing both Pearsons' main offices and Swan Hill Stockfeeds provides a one-stop shop for growers.

"Until 2010, Pearson's business was 85 per cent domestic human consumption [delivery to local flour mills and pasta-makers]," Darren Pearson says.

"Since then, we've grown our turnover in both the domestic human and domestic non-human categories, but the domestic human consumption now represents just 30 per cent of what we do."

Pearson's also has a strong relationship with grain trading and export company Emerald Grain. It has direct management responsibility over Emerald's storage and rail terminal at Woorinen, just north of Swan Hill, and also delivers grain to its silos.

Darren Pearson says the facility holds around 120,000 tonnes of grain, and can

load a 40-wagon train in an average time of two and a half hours. The trains are then connected to silos in Melbourne where they await export via a 40,000-tonne capacity bulk vessel.

Along with Emerald, Pearson's has longstanding relationships with most major grain traders operating in the Australian markets, including Bunge, Weston Milling, and Cargill.

"Some buyers and end-users don't have a lot of grain storage capacity on-site," Darren Pearson says. "So we offer a just-in-time service



If a driver is fatigued, they just let us know — no questions asked.



where we are able to get supplies to them within 24 hours of their call."

Once again, he says this sort of service is possible by having the three arms of the Pearson's business: transport, storage and grain trading all working together.

### ONE FAMILY

Perhaps a vital fourth element to that equation is the company's staff, who represent





an impressive retention effort on the company's part.

"We treat everyone here as family," Darren Pearson says of the 26 full-time staff.

"That means people stick around — the average length of service is nine years."

The same thing applies to the company's subcontractors, some of whom have been on the Pearson's books for 30 years or more.

Health and safety is a priority for both

in-house and contract trucks, and the company goes above and beyond normal fatigue management guidelines in particular.

"If a driver is fatigued, they just let us know — no questions asked," Darren Pearson says.

Likewise, the company is happy to work around family events so that staff never has to put their work above those closest to them.

"I can't remember a time I've said 'no' in 30 years. If it means missing a trip, we'll work

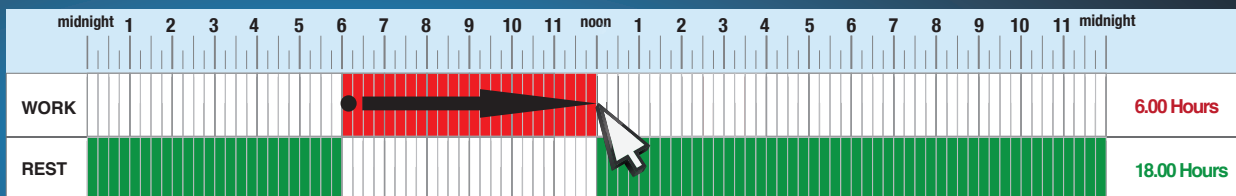
**ABOVE:** Pearson's trucks typically do at least six runs to Melbourne a day

around it. Nothing we haul can go off, and our customers appreciate that we won't take any sort of risks with our drivers."

Darren Pearson says there is reward for the company, both in terms of staff retention and staff pride and engagement in their work.

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He says drivers take it on themselves to keep each vehicle in pristine condition and presentation. (On the day of *ATN*'s visit to Pearson's headquarters, we asked one driver to set up a B-double tipper for the photos. He did it happily, but said more time would have allowed him to clean the truck beforehand. The truck was on its way back from Melbourne, but looked to have a perfect shine to us.)

An enviable accident record also keeps insurance premiums to manageable levels.

### **RISK MANAGEMENT**

Darren Pearson says accidents don't just happen on the road; there's also the potential for crashes on the balance sheet. That's particularly true where a transport company is trading in the ownership of the goods it is delivering.

In essence, when trading in the grain markets, Pearson's buys a portion of the risk involved with the product: the chances of price fluctuations; the need to store grain; and the responsibility to find a buyer at another point in the supply chain that will pay a price that compensates for the risks involved.

Both Darren Pearson and Kristie Parkes acknowledge these potential liabilities but say their operation is well on the "managed risk" side of the equation; rather than the "punting" end.

"Grain trading is an important part of the business; but we're not gamblers on the grain," Parkes says.

"In this day and age we have a risk management policy; we hedge everything."

It's not something all players in the space can boast. Darren Pearson says there are many stories of traders falling over as they chased extra margin, or businesses that have over-invested in trucks or product.

"There's been at least \$50 million lost by creditors in the grain industry in the last four years," he says, but Kristie Parkes reiterates Pearson's conservative approach to all sides of the business.

**ABOVE:** *Pearson's B-double tippers can deliver more than 4,000 tonnes of grain to buyers in Melbourne from the company's own storage facilities*

becoming the norm in an industry that once appeared more concerned about protecting existing players than the safety of road users.

He says Pearson's is proudly accredited to the TruckSafe program and applauds the continuing efforts to sensibly regulate the transport industry and enforce those laws.

"The OH&S standards and TruckSafe are probably two of the best things that have



**Grain trading is an important part of the business; but we're not gamblers on the grain.**



"Reputation means more to us," she says.

"We're very conscious of who we deal with: growers, buyers, subcontractors, and exporters — we expect them to have the same approach as us."

Darren Pearson says that approach is fast

happened," he says. "The industry compared to 30 years ago is now extremely safe.

"It's only a truck; and it's only grain — the most important element is the human element and it's great that that attitude has been adopted across the sector." ●