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AGRIBUSINESS

# FIELD NOTES

**Weekly news update from the KPMG Agribusiness network**


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HOT OFF THE PRESS:
**KPMG AGRIBUSINESS AGENDA 2014 VOLUME 1**

## 27 August 2014

| Organisations referenced in this week's Field Notes include: | |
|---|---|
| Farm Forestry Association | Ministry of Foreign Affairs and Trade |
| ANZCO Foods | New Zealand Flower Growers' Association |
| Beef + Lamb | New Zealand Infant Formula Exporters Association |
| Blue Sky Meats | New Zealand Winegrowers |
| Challenger Scallop Enhancement Company | OPAC |
| Dairy NZ | Parininihi ki Waitotara |
| Eastpack | Pentarch |
| EntireHub | Prime Range Meats |
| Environment Southland | Rabobank |
| Farmers for Action | Ravensdown |
| Federated Farmers | Rhone Capital |
| Firstlight Wagyu | Rural Development Forum |
| Fonterra Co-operative Group | Rural Women |
| Forest Owners Association | Russian Presidential Academy of National Economy and Public Administration |
| Kellogg | Seeka Kiwifruit Industries |
| KKR | Silver Fern Farms |
| Affco | TPG Capital |
| Landcorp | Treasury Wine Estates |
| Lincoln University | United Forestry Group |
| Alliance Group | Veterinary Council of New Zealand |
| Meat Industry Association Trade and Economic Manager | Xiangyu Group |
| Meat Industry Excellence | Zespri |
| Ministry for Primary Industries | |

| This week's headlines | |
|---|---|
| Forestry | **Small forests get helping hand** [21 August/ NZ Herald] |
| Dairy | **Dairy prices slip to two-year low** [20 August/ NZ Herald] |
| Red Meat | **Red meat reformers take pulse of the South** [20 August/ Otago Daily Times] |
| Animal Health | **Inductions end a trade boost** [21 August/ NZ Farmers Weekly] |
| Farmers and producers | **Landcorp doubles profit** [26 August/ Business Day: NZ Farmer] |

## Horticulture

**Eastpack head confident of kiwifruit recovery** [19 August/ Radio New Zealand Rural] After over 30 years in the position, Eastpack CEO, Tony Hawken is stepping down at the end of the year. He said it was the right time for a change, with conditions looking much more stable in the kiwifruit industry with the post PSA recovery led by the new G3 or Sun Gold variety gaining momentum. He said that the response to new the kiwifruit variety throughout Asia is very positive, placing the industry in a positive position for the future. He believes the industry will continue to grow in the next five to ten years, once the industry adjusts how it harvests, packs, stores and sells the volumes that are coming through from the G3 variety. Mr Hawken is expected to continue in a part time capacity at Eastpack to aid special projects, including a large capital development programme.

**Future of G9 kiwifruit still uncertain** [19 August/ Radio New Zealand Rural] Concerns have been raised as to the viability of the G9 gold kiwifruit variety (with approximately 150 hectares grown) that was commercialised in 2010 along with the G3 gold variety (with approximately 4,000 hectares grown). The G9 variety has shown a high propensity to shrivel by the time it reaches the customer. Zespri General Manager of Grower and Government Relations, Simon Limmer said that it was still a live issue with an industry meeting concluding that it was comfortable that G9 growers had a pathway to transition and that Zespri was offering or facilitating a mechanism for transfer, which included Zespri meeting some of the grafting costs and waving the licence transition fees. However he warned that the growers would need to consider the financial implications of transferring to another variety.

**Bumper profit for Seeka Kiwifruit** [22 August/ Business Day: NZ Farmer] Driven by a bumper harvest and new business opportunities, Seeka Kiwifruit Industries reported an after tax profit of $1.5 million, with revenue having increased 18 percent to $79.2 million and operating profits recorded at $5.8 million (including $1.4 million from the sale of Opotiki coolstore operation OPAC). The Company's market share increased by almost 25 percent for the Hayward variety and decreased 10 percent in the SunGold G3 variety. Market share for the PSA affected gold kiwifruit is expected to regain its position when regrafted SunGold orchards reach commercial volumes in 2015. In April, Seeka acquired importer and ripening services firm, Glassfields for $5.4 million. Seeka Kiwifruit Industries said it would consider an interim dividend and provide full guidance at its shareholder update in October.

## Viticulture

**Export effort may see locals miss out** [22 August/ Business Day] New Zealand Winegrowers' chairman, Steve Green said that the high demand for New Zealand wines internationally, with export sales having reached a record of $1.33 billion in the year to June 2014 (both export volumes and value up 10 percent), has resulted in wineries placing less emphasis on allocating product to the local market (local sales have declined 6 percent with approximately 90 million litres sold in the current year). Australia continued to be the leading export destination (28 percent of export volume). Sauvignon blanc represented 72 percent (310,000 tonnes) of the total 2014 harvest, while Pinot Noir amounted to 35,500 tonnes (up 15 percent). Industry confidence was high with over 80 percent of respondents to the annual NZ Winegrowers survey indicating a positive outlook for their business in the year ahead.

**Winegrower conference global affair** [26 August/ Business Day: NZ Farmer] The 20th annual New Zealand Winegrowers Romeo Bragato National Conference is starts on August 26 in Blenheim, with attendees expected from Australia, the US, Britain and Hong Kong. The conference is expected to host international and national speakers focusing on global trends, the changing wine market and risks faced by the industry, which will include a session on biosecurity. The keynote speaker is the New Zealander of the Year in 2010, Sir Ray Avery.

## Forestry

**Small forests get helping hand** [21 August/ NZ Herald] United Forestry Group has been established with a business model to consolidate the output from a number of small forests in an area to create larger forest holdings to be harvested over time. The business is a joint venture between international timber marketer, Pentarch and Chinese conglomerate, Xiangyu Group. The company said the consolidation provides advantages when supplying logs to local mills, by providing longer-term contracts for harvesting, transport and international marketing. Pentarch chairman, Malcolm McComb highlighted the uniqueness of New Zealand's situation where an estimated 40 percent of forestry exports are expected to be generated from 14,000 individually owned forests, which would result in high costs, inefficiencies and weak bargaining power. He highlighted the likely adverse outcomes to forest owners and the industry from the fragmented ownership structure, and said joining with United Forestry Group will provide a more attractive proposition for forest owners. United Forestry Group will offer growers a range of options, including the outright purchase of the forest, less the land's future use or the purchase of timber and the land or an option of owning shares of United Forestry Group. Forest Owners Association CEO, David Rhodes welcomed the model and said that while there will be challenges, it has been done in Scandinavia and is achievable.

**Farm forestry replanting pans unclear** [25 August/ Radio New Zealand Rural] Farm Forestry Association president, Ian Jackson said that 25 million tonnes of wood was cut two years ago, and prior to Chinese demand falling away earlier in this year, New Zealand was on target for an annual total of over 30 million tonnes. Mr Jackson said that it is unclear as to how much of the felled forest will be replaced, as most of the increased harvesting was done on smaller forestry blocks. He highlighted that not many people probably understood their liabilities under the Emissions Trading Scheme, and said that New Zealand forests are declining at a rate of 10,000 hectares a year.

## Floraculture

**Flower grower numbers 'plummeted'** [20 August/ Radio New Zealand Rural] New Zealand Flower Growers' Association president, David Blewden said that the preliminary results from a recent survey indicated that grower numbers have plummeted, while many of those remaining in the industry are looking to retire. He said the industry is not focused on encouraging new growers into the industry. He highlighted that the current industry lacks sufficient numbers of middle sized nurseries. Mr Blewden emphasised the need to attract school leavers into the industry, which currently has an average grower age of 56 or 57 years.

## Fishing and aquaculture

**Benefits of fish silage confirmed** [21 August/ Radio New Zealand Rural] Lincoln University senior lecturer in Livestock Health and Production, Jim Gibbs highlighted the production and health benefits of liquid silage produced from fish guts for cattle and sheep, at a seafood industry conference in Wellington. The trials on dairy cattle and milking sheep have confirmed that fish oil and protein can reduce methane output from livestock, increase the level of healthier unsaturated fats in meat and milk as well as controlling internal parasites and worms. Dr Gibbs said despite the benefits, the volume of fish waste material available will constrain large commercial usage. He said that medium term plans could include the production of milk with higher unsaturated fat or Omega 3 content for infant formulas.

**Sounds scallop harvest reduced** [23 August/ NZ Farmer] Although a commercial scallop harvest plan has been approved, the Government has announced reductions in the take in some areas of the Marlborough Sounds from 23.5 tonnes to 18.5 tonnes. The Tasman Bay, Golden Bay and Croisilles Harbour areas remain closed under the plan. Documents submitted to the Government from the Challenger Scallop Enhancement Company stated that this year's harvest would be the lowest since 1959, apart from for the years when it was shut entirely. Recreational fishing spokesmen said the fishery would be closed to all sectors within a few years if numbers did not improve. Challenger operations manager, Mitch Campbell said it agrees with the Ministry for Primary Industries requirement to reduce the harvest from each area to provide for recreational access and to meet international best practice in scallop fisheries. Challenger board recreational fishing representative, Geoff Rowling said the scallop fishery would remain under strain until Tasman and Golden bays open for fishing, as there was no prospect that the catch in the Marlborough Sounds could be increased. He said that the issues surrounding scallop spat not surviving when seeded in Tasman and Golden Bays seem to be linked to environmental issues such as seabed sedimentation from floods, and was not caused by commercial fishing.

## Dairy

**Dairy prices slip to two-year low** [20 August/ NZ Herald] Based on GlobalDairyTrade auction main price index declining by only 0.6 percent, ANZ Bank rural economist, Con Williams said that there were early signs of stabilisation in the dairy market. The overall GlobalDairyTrade average price declined to USD 3,000 from USD 3,025 two weeks ago. However, this included a 3.4% increase in the price of wholemilk powder, the largest product traded on GDT, to USD 2,804 per tonne. Mr Williams said that a bounce back is needed in order for Fonterra to achieve its $6 per kilogram of milksolid farmgate milk price, as there was still a material gap between the $6 and the prices attained in the last two auctions. ASB Bank rural economist, Nathan Penny said that ASB will maintain its forecast for the 2014/15 season at $5.80 per kilogram of milksolids. Federated Farmers spokesperson, Andrew Hoggard said that volatility was likely to continue well into the last quarter of the year.

**Baby steps on road to China** [25 August/ Business Day] The Ministry for Primary Industries and the Ministry of Foreign Affairs and Trade are working with Chinese officials to complete the registration process for the remaining six New Zealand infant formula manufacturers in order to qualify for Chinese export. New Zealand Infant Formula Exporters Association chairman, Michael Barnett said that the registration process has taken longer than anticipated. Synlait Milk managing director, John Penno said that with the canning plant that the company has built on behalf of several customers now completed, it was hoping to commence exports shortly. The Ministry for Primary Industries said that New Zealand's relationship with China is in great condition.

## Red meat

**Red meat reformers take pulse of the South** [20 August/ Otago Daily Times] Meat Industry Excellence principal adviser and Waikato business leader, Ross Hyland, said that the number one problem in the meat industry was probably the capacity issue. Meat Industry Excellence chairman, John McCarthy said that when its business model is released, it will have a vision of providing farmers a way to reduce capacity. Meat Industry Excellence is promising to give farmers a road map for red meat industry reform. The group recently received funding from Beef + Lamb New Zealand for its $219,000 project, which included contracting with independent consulting firms to research improved procurement models, flow on effects on profitability and communicating findings to the sector. Mr Hyland said that the fundamentals of the industry had to be changed, and that it needed to engage with the parties involved in order to provide potential solutions. Mr Hyland and Mr McCarthy said that the response from their meetings with stakeholders such as Blue Sky Meats, Alliance Group, Prime Range Meats, Silver Fern Farms and ANZCO Foods was largely positive. Mr Hyland said that the first step was to return companies to profitability. He mentioned that farmers had indicated they were dissatisfied with the lack of trust with the co-operatives. He mentioned the need for a stable procurement platform along with committed supply. Mr McCarthy also mentioned that the regulation concerning foreign farmland ownership needed to be reviewed.

**Meat industry consolidation stumbled on differing strategies, uncommitted farmer suppliers** [21 August/ National Business Review] According to industry sources, New Zealand's four largest meat processors (Silver Fern Farms, Alliance Group, Affco and ANZCO Foods) abandoned their plans to consolidate and reduce surplus capacity in 2013 due to the lack of an agreed export strategy and farmers' unwillingness to commit stock to firms that shutdown plants. Fragmented ownership and lack of consensus on how to market New Zealand meat internationally is preventing meat companies from engaging in a model to lock in supply. Co-operatives are under pressure from farmers wanting higher farmgate prices. Processors are paying farmers higher prices (which are not reflective of final consumer prices) in order to ensure plants remain active. Silver Fern Farms is expected to soon provide an update on a strategic review of the business, which has focused on future options following the stalled industry aggregation discussions.

**From bobby calf to revenue stream** [22 August/ Business Day: NZ Farmer] Taranaki Maori incorporation, Parininihi ki Waitotara (PKW) is taking advantage of the demand for grass-fed wagyu beef driven by the strong sales experience of Firstlight Wagyu in Europe and the US. The incorporation is raising 300 friesian and Friesian-cross wagyu bull and heifer spring calves to 90 kilograms for $400 apiece in a specialised calf unit, which has the capacity to rear 1,800 calves per year and is equipped with electronic monitoring to ensure each calf receives a measured amount of feed.  The automated calf feeding system ensures that calves receive their daily fresh milk requirement, which is provided by the incorporations newest farm. PKW operations manager, Andrew Gibson said that putting wagyu bulls over Friesian and Friesian-cross diary heifers and empty cows would produce income by the sale of bull and heifer calves as well as reducing wastage. PKW's 14 dairy farms are targeting 3.1 million kilograms of milksolids this year, compared to the 3 million last year. It is also contemplating focusing more on its relationship with the Firstlight Wagyu Producer Group. Firstlight has requested dairy farmers to help grow its calf supply to meet market growth, with the company offering a guaranteed premium and contract to purchase wagyu-cross calves aged four days. Firstlight Wagyu supply chain manager, Peter Keeling said that mating dairy breeds with wagyu sires produced high marbling beef.

**Country-of-origin law rejected - report** [25 August/ Radio New Zealand Rural] New Zealand, Australia, Canada and Mexico are supporting the World Trade Organisation disputes panel's finding against the US over a country of origin meat labelling law requiring more information on labels about the origins of beef, pork and other meats, on the basis that the law is a potential trade restriction. According to the Wall Street Journal, the panel has stated that the finding will not be made public for approximately another month and indicated that the US has the option to appeal the decision. Meat Industry Association Trade and Economic Manager, Philip Houlding said that country of origin labelling, which is an added cost to the industry, should be voluntary driven by commercial rationale.

## Rural infrastructure

**Positive signs for Ravensdown** [25 August/ NZ Farmers Weekly] Fertiliser co-operative, Ravensdown's net borrowings are at a ten year low of $49 million, down from $250 million the previous year, with the equity ratio up at 65 percent. The co-op reported earnings before interest, tax and rebate of $81.1 million for the year ended 31 May 2014 ($39.8 million the previous year). Strong cash flows (including funds from divesting Australian operations) are enabling the co-op to fund a series of capital projects. The co-operative has resumed shareholder distributions through a cash rebate and a bonus share issue. As a result of the exit of the Australian business, Ravensdown has cash liabilities of approximately $31 million to redeem the members' shares held by West Australian shareholders, of which one third has been already been paid, with the other two equal payments due July 2015 and 2016 (although this has no impact on earnings). The annual report also highlighted the reduction in inventories from $171 million to $142 million and trade receivables down from $122 million $102 million. Lower urea prices has meant that Ravensdown has been able to compete more effectively in the market. Ravensdown chairman, John Henderson said that the co-operative was prepared to work with shareholders to prepare the nutrient budgets required to meet the Sustainable Dairying: West Accord.

**Succession appointment at Rabobank** [26 August/ Rural News Group] Rabobank has appointed succession planning manager, Chris Haworth as part of its focus on assisting New Zealand farmers with the challenges of succession planning. Mr Haworth has a strong relationship in agri lending, agribusiness and equity partnership management. He has experience in family farming and in the process of transitioning the farm to the next generation of families. Rabobank head of business development New Zealand, Karen Kenny said that succession was one of the key issues consistently raised with the bank by farmers. A Rabobank survey conducted in conjunction with KPMG indicated that under 20 percent of respondents had a documented succession plan, while 48 percent had informal plans and 32 percent had no plans as to succession of the family farming business. In addition, 59 percent intended to hand over the farm in the next 10 years, while 80 percent wanted Rabobank to provide more support to clients on succession.

## Environment and emissions

**No more rules please, say farmers** [21 August/ Business Day: NZ Farmer] Most Southland farmers believe education is vital to reducing sediment run-off and improving water quality and want Environment Southland to establish best-practice guidelines around hill and high country development, rather than resorting to regulation. Under the Water and Land 2020 & Beyond project, if farmers are developing land over 700 metres above sea level and if development is within 20 metres of permanently flowing water or within five metres of a gully farmers will be required to obtain a resource consent, in addition to requiring consent to establish fodder crops on slopes greater than 20 degrees. Environment Southland senior land sustainability officer, Gary Morgan said 20 degrees was regarded as the safe limit for wheel tractors, although some farmers were using large tractors on steeper ground, which is resulting in sediment issues. Lumsden farmer, Simon Saunders said that the 20 degree rule would be hard to enforce if steepness of a paddock is varied. Blackmount farmer, Richard Slee favoured best practice guidelines around hill and high country development through pamphlets for farmers. The council is expected to make decision on the process on October 1.

## Animal health

**Inductions end a trade boost** [21 August/ NZ Farmers Weekly] The full phase out of dairy cow inductions next season is expected to strengthen New Zealand's trade position, after facing criticism from competitors over the industry practice. In 2013, a Ministry for Primary Industries audit indicated that some vets were failing to keep adequate records of induction practices on farm. Veterinary Council of New Zealand chairman, David Bayvel said it will be taking steps to reinforce its policy on induction under the Code of Professional Conduct. Dairy NZ leader for strategy and investment in sustainability, Rick Pridmore attributed a large part of the induction reduction success to farmers buying into the process and recognising the commercial advantages.

## International

**Treasury Wines' big loss eases pressure on takeover bidders** [21 August/ The National Business Review] The world's second biggest winemaker, Treasury Wine Estates made an AUD 101 million bottom-line loss after writing off AUD 280 million on its US wine inventory as well as making a reassessment of earlier acquisition costs (this compares with an the AUD 47.2 million net profit in 2013). Earnings declined 14.6 percent to AUD 184.6 million with a 1.0 percent increase in turnover to AUD 1.7 billion in the 12 months to June 30. Global private equity firm, KKR (with Rhone Capital) is conducting due diligence on Treasury Wine Estates after tabling a conditional offer of AUD 5.20 per share (placing the company value at AUD 3.4 billion). It is also rumoured that TPG Capital has submitted a bid and is conducting due diligence, however the formal identification of the second bidder and a tipped bid from a third fund is yet to be made public. Both takeover offers are conditional on successful due diligence. Treasury Wine Estates have stated that operational earnings contribution from New Zealand operation, Matua Valley has declined by AUD 10 million, with total Australia-New Zealand earnings down 31.5 percent to AUD 75.1 million, while sales of its luxury brands (Penfolds, Wynns and Pepperjack) increased in volume and value.

**Russia reveals huge cost of Western food ban** [21 August/ Agence France Presse] Russian Agricultural Minister, Nikolai Fyodorov said that Moscow must spend billions of dollars in the coming years subsidising farmers in order to avoid a shortage resulting from the ban on most Western food which has arisen out of its dispute with Ukraine. Mr Fyodorov indicated that USD 1.4 billion that was suggested as sufficient to ensure stores are stocked with the same range of goods until the end of the year was far too small. He estimated Russia's required spending on subsidies over the next few years at USD 10 billion, which may require cutting back on other popular social programmes. Russian Presidential Academy of National Economy and Public Administration economist, Natalia Shagaida, while highlighting the need for agricultural modernisation in order to achieve higher production (particularly in the dairy farming sector), said that under the current agricultural subsidies, eight kopeks are spent for every ruble of goods produced. Under the Government's admission that some bans must be lifted to ensure consumers do not suffer too much, Prime Minister Dmitry Medvedev removed the restriction on the importation of baby salmon to allow fish farmers to grow back new stock, along with the removal of the restriction on some sports drinks, foods and lactose-free dairy consumed by diabetes patients.

**Business leader: Farmers need to stay on the land** [21 August/ China Daily] Co-founder of the EntireHub and head of Drake Australia, Matthew Tukaki said that poverty in rural communities in developing countries can be addressed through the freeing up of capital, land tenure and ownership reform. Mr Tukaki emphasised the issue of the lack of food production caused by the migration from rural land, due to urbanisation, in China and APEC economies. While at the Rural Development Forum on the sidelines of the Third Senior Officials' Meeting at the Asia-Pacific Economic Cooperation 2014, he urged for the integration of the rural development as part of the broader APEC agenda. He said that one way to reduce farmer migration is to build a multi-million dollar cooperative business, which share loans, administration and marketing to attract customers. Mr Tukaki said that if New Zealand's expertise on farming and dairying joined together with China's skill in infrastructure in the APEC framework, it would provide for a formidable package. He criticised the insulting comments made to the Chinese Government and the Chinese people by the Australian mining tycoon and Member of Parliament, Clive Palmer, saying that it has disparaged the Australian reputation with its largest trading partner. In 2013, bilateral trade between the partners exceeded USD 130 billion (up 20.7 percent), with the partners having agreed to increase efforts to complete their free-trade agreement by the end of 2014, which would give Australia easier access to the Chinese market.

**UK Farmers in debt and despair as dairy market collapses** [24 August/ NZ Herald] Faced by the potential of a glut in Europe caused by the UK supermarket price war and the ban by Russia on EU produce, Farmers for Action has asked its members to support direct action to be taken by the end of the week, with 500 members agreeing to support the cause. Farmers for Action chairman, David Handley said that there is no market for the milk that that is being produced at the moment and the expectation is that milk prices will fall by as much as 3 pence per litre, impacting dairy farmers and the 25 to 30 areas of directly associated businesses. Mr Handley attributed the blame to unions such as the NFU, who called on farmers to increase production to compete with the global demand. The bleak outlook has been exaggerated by the Russian ban on European Union produce, which followed the move by UK supermarkets to cut the price of milk in the attempt to retain or win market share. Milk producers' association, DairyCo stated that the average price for milk is 50 pence per litre.

## Agribusiness education

**New look for the Kellogg programme** [25 August/ New Zealand Farmers Weekly] The Kellogg Rural Leadership Programme has been shorted to six months, with split start dates and more leadership planning and applications included. The 2015 courses are scheduled to start in January and June, with three residential modules (two at Lincoln University and one in Wellington). Kellogg general manager, Anne Hindson said that with the expected growth in the sector, farmers and others in agribusiness needed to take on leadership roles.

## Farmers and producers

**Landcorp slashes full year 2015 earnings guidance on lower dairy payout** [20 August/ National Business Review] Landcorp Farming cut 2015 guidance earnings, following the Fonterra Co-operative Group's forecast payout reduction to $6 per kilogram of milk solids. The company anticipates a net operating profit between $8 and $12 million in the 12 months ending 30 June 2015, down from a previous forecast of $20.5 million. On August 19, the Treasury reduced its short term forecast for economic growth and tax revenue based on weaker prices for export commodities. Landcorp more than tripled its first half earnings, with the company having said in June that it expects 2014 net operating profit to be in between $28 and $30 million. The earnings are scheduled to be released on August 25.

**ACC wants farmers' views** [22 August/ Rural News Group] ACC agriculture programme manager, Paul Harrison said that the consultations with farmers in Ashburton, South Taranaki, Hastings and Matamata-Piako areas in September will give farmers an opportunity to raise their concerns, which will be used to help inform ACC's injury prevention work. He said that farmers will have the option to be remain anonymous. Mr Harrison said that the Federated Farmers, Rural Women and Beef + Lamb were involved in putting ACC in touch with interested farmers. ACC received approximately 16,500 work related injury claims from farmers in 2013, resulting in an average of 10 days of lost productivity per claim with a total cost of farm related injuries in 2013 exceeding $42 million.

**Landcorp doubles profit** [26 August/ Business Day: NZ Farmer] Landcorp paid a $7 million dividend to the Government (up from $5 million last year) and recorded a net profit of $30 million (up $13 million) for the year ended 30 June 2014, with total revenue from operating activities having increased 37 percent to $241.7 million. It provided a total shareholder return of $115.9 million ($1.5 million loss the previous year). The increase is mainly attributable to the $36.7 million unrealised gain in the market value of livestock and the $67.6 million revaluation gain on land and improvements. Revenue was lifted by improved production, record diary milk prices and the company's dairy expansion (with a milk revenue increase of 70 percent to $129 million). Landcorp CEO, Steven Carden highlighted the gains made in feed production and dairy production (10 percent increase in dairy production). Expenses also increased 15 percent to $207 million, driven by the commencement of the sharemilking agreement with the Shanghai Pengxin Group and the expansion of the Wairakei Pastoral Dairy conversion programme. The company's debt declined by $56 million to $172 million from the sale of some North Island farms. Mr Carden said that despite the prospect of lower prices he was confident about the upcoming year and the medium term. He also made mention of its strategy focused on improving its environmental footprint, quality of staff and on farm safety. Mr Carden said that in the medium and long term, Landcorp will also be aiming to reduce its exposure to commodity price cycles, by maintaining a diverse portfolio, which includes a higher emphasis on red meat production and increased collaboration with other farming groups such as iwi. He also said that the company was planning to increase its direct consumer relationship through products targeted at niche markets.

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