



# Briefing for Incoming Ministers

Congratulations on your appointment. We look forward to working with you in your capacity as our Shareholding Minister.

## Who we are

Pāmu (which means 'to farm') is the brand name for Landcorp Farming Limited. We manage 360,000 hectares, comprising 83 company-owned farms and 27 leaseholds.

Pāmu operates across a broad mix of land types and classes, much of it steep and remote. For example, 87% and 90% of the land is classes 6-8 in the Gisborne and Hawke's Bay districts respectively. Over 10,000 hectares are covenanted under QEII.

Large leases include the Wairākei Estate dairy complex between Rotorua and Taupō (approximately 12,500 effective hectares across 20 dairy farms) and Molesworth Station (182,000 ha) which we lease from the Department of Conservation.

We have over 630 permanent staff, and with casual labour, up to 1,000 people are engaged at the spring/early summer seasonal peak. Over any 12 months, we farm a total of 1.3 million sheep, deer, and cattle.

Tracing our roots through the Department of Lands & Survey and predecessor agencies, Pāmu is in its 131<sup>st</sup> year and has continued to evolve to meet government priorities. These include land development and settlement, the reforms of the 1980s, and ongoing support for Treaty of Waitangi settlements through the return of land and farming assets (notably yet to be concluded for Ngāpuhi).



## Factors shaping our operating environment

Below we outline the landscape that Pāmu faces over the next decade. In adjusting to this changing operating context, we explore the role that Pāmu can play in supporting the New Zealand pastoral farming sector. We focus on the changes that are most material to the future performance of Pāmu.

Pāmu faces significant market, financial and regulatory-driven change over the next decade, including:

- **Climate change is driving market, financial and regulatory change.** Adaption to more frequent intense weather events is a priority. At the beginning of 2023 Cyclone Gabrielle adversely impacted 24 Pāmu farms, mostly in Northland and on the East Coast with large-scale damage to fencing, bridges and culverts, and access tracks.
- **Emissions reduction to meet customer, consumer, and capital markets expectations** for lower carbon footprint products. This is well illustrated by Fonterra's Scope 3 Emissions Reduction Plan and our sustainability-linked loan requirements for improvements in specified areas of environment, social and governance (ESG); and regulation of forestry: Pāmu has 14,574 ha of plantation and plans to establish 1000-2000 ha of lower income earning land per year through to 2030.
- **Emissions Trading Scheme (ETS) settings**, particularly the pricing of carbon credits sourced from production forestry and the ability to apply these credits to offset emissions where technologies are either not commercially viable or yet to be developed;
- **Market-based mechanisms to reward landowners for restoring and protecting biodiversity** and other natural capital. Our present nature-based assets include apiary services (pollination) and manuka plantations, covenants including over 10,000 hectares with QEII, and potential for further biodiversity and wetland restoration.
- **Pressures on pastoral farming's 'social license to operate'** driven variously by market, NGOs, and communities. This includes developing systems that extend the life for non-replacement dairy calves, the use of crops for Intensive Winter Grazing (IWG), shelter and shade for animal welfare, and the ability to execute land use change in some districts.
- **Changing consumer preferences with the potential for alternative proteins (plant- and cell-based) and vertical (urban) farming** – all of which are receiving large-scale investment – to become more cost competitive, especially as substitutes for commodity products with a high environmental footprint.

- **Supply chain traceability and ability to verify claims** at the farm level through transparent reporting. This makes digitalisation and data sharing an imperative to enable farmers to efficiently meet market, finance, and regulatory requirements; whilst also providing the information they need to achieve productivity gains and realise the potential of new technologies such as animal wearables (enabling for example, better reproductive performance and health, precision placement of nutrients, and virtual fencing to exclude livestock from waterways) and the application of AI and machine learning to farm management.

[REDACTED]

[REDACTED] Redacted paragraph is withheld under Section 9(2)(g)(i) of OIA

- **Land price adjustments** reflecting changes to weather-related risk, policy that restrains intensification of production (e.g., due to limits to access to water) or dissuades investors due to policy uncertainty (e.g., climate change). Lifts in Pāmu land values over the past 20 years reflect consistent capital investment, land use change to higher earning enterprises, such as forestry, ‘hump and hollowing” of West Coast’s unique terrain (pakihi) or shift to irrigated dairy farming in Canterbury, and relatively ready access to debt capital and interest-only payment arrangements. Lower capital gains than in the past, reduced land use options in some districts, and lease cost increases based on terms drawn up in more favourable times will impact Pāmu and the farming sector over the next decade.

## Pāmu purpose

*“Enriching our land, our people, and the future of food and fibre for Aotearoa New Zealand.”*

Our purpose reflects both the need to face into the dynamic operating context outlined above, and the role we can play as a state-owned enterprise to support the sector adjusting to this different future for farming.

Commercially, Pāmu must adapt to this emerging future in a manner that maximises benefits to the Crown through equity growth and dividends when profit allows and, through collaboration and technology transfer, to provide new knowledge and demonstrate improved farming practices and systems to industry; notably in areas where the private sector judges risk to be too high and timelines to outcomes are medium to long-term, such as breeding low methane cattle.

Pāmu has the specialist expertise and geographic diversity of farms to evaluate under commercial conditions and scale, farm systems and associated technologies and practices to meet the challenges of climate change and changing expectations of consumers, society, and regulators both on and offshore. Collaboration with research providers – CRIs notably Plant & Food, AgResearch and Scion; and universities such as Waikato and Canterbury on future climate scenarios – and the private sector such as Fonterra, Silver Fern Farms, LIC, and many others – is essential for Pāmu to succeed in this and maximise impact for the agricultural sector.

Current collaborative efforts include dairy beef (fewer non-replacement calves), reducing GHG emissions through animal genetics and farm system change, and assessing business resilience under different climate scenarios, as required by Sustainable Loans and XRB standards.

As a state-owned enterprise, we need to be a leader in health and safety and in adopting new policies, such as in sustainable finance or freshwater, and must demonstrate social responsibility by having regard for the interests of the rural communities in which we operate, such as in our response to Cyclone Gabrielle.

We aim to ensure the soils, water, and landscapes we farm are managed so they are sustained inter-generationally, and that animal welfare – regulatory and physical – requirements are met, such as shelter for more frequent high summer temperatures.

## **Pāmu strategy**

Our strategy on a page is attached (Appendix I). This has been refreshed over the past 12 months to reflect the changes to farming described earlier and to balance short-term financial performance while also investing for the future. We face the challenge of the lag between investing and realising cash-positive outcomes (e.g., horticulture in Northland, sheep milk production, plantation, and native forestry). The strategy positions Pāmu to perform in an environment of heightened global uncertainty, inflationary and interest rate pressures, and commodity price volatility. Growing safe and capable people, farming excellence, stewardship of natural assets, diversification of revenue, digitalisation, and partnerships and communities are the six enablers of growth for Pāmu.

We are focused on strengthening the productivity and profitability of our core farming operations including by integrating across the livestock (sheep, beef cattle, deer) and dairy production systems while moving steadily towards a smaller environmental footprint, by using precision farming techniques, extracting premiums for organic milk with around one-third lower emissions, and nitrogen leaching and land use change. We are proactively addressing social licence and regulatory issues related to animal welfare, water quality, and climate change. These issues confront all New Zealand farmers.

### **Growing our people - capability, capacity, and safety**

Health, safety, and wellbeing are at the heart of the way we operate. We aim to ensure all our people and contractors get home safely every night and we have industry-best practice programmes and systems in place to ensure safe behaviour is embedded in everything we do. Cyclone Gabrielle reinforced the need to support the mental wellness of our teams and, where appropriate, of members of the communities in which we operate, through our support of entities such as Rural Change (Will to Live Charitable Trust) and with the wider agricultural sector through the “Safer Farms” initiative to improve health and safety across the whole farming sector.

Our internal “Nature of Leadership” programme, now in its third year, embeds a safety-first culture in the way we operate. Every farm, and business manager with six months or more service in Pāmu has now completed this company-specific training. The programme is now being extended to include second in charge and has been designed in conjunction with the wider sector. It also means we continue to influence outcomes when our people pursue careers outside of Pāmu.

### **Stewardship of natural assets and climate resilience**

In 2023, we launched a Sustainability Plan (See Appendix 2). This focuses on and sets targets to access to export markets, securing finance (TCFD) and meeting regulatory requirements. The plan integrates considerations for climate change

adaptation, emissions reduction, biodiversity, water use, soil health, biosecurity, animal welfare as well as people and belonging.

Our emissions reduction target is in line with the Science Based Target Initiative (SBTi) approach to keep global warming within 1.5-2.0 degrees by 2050 and reflects the emission reduction targets set by influential customers such as Nestle, Danone and Mars.

More than half of our farms have Toitū carbonreduce farm certification which establishes an independently verified baseline to work from. To achieve business resilience in the face of a changing climate, we are preparing for more frequent extreme events and expectations of consumers, and in line with XRB standards have developed farm-specific climate risk scenarios for 2030, 2040 and 2050. Our approach and action plan is outlined in our 2023 [Climate Related Disclosure](#). We are working with MPI to share these learnings more broadly with farmers.

Pāmu plays an important role in evaluating greenhouse gas mitigation technologies and demonstrating how these can impact at scale in collaboration with others. For example, through our Joint Venture with Focus Genetics (100% owned by Pāmu) and AgResearch we are breeding low-methane livestock; developing the genetics for '[sheep of the future](#)' to tolerate high summer temperatures and associated disease risk; and we are working with meat and dairy processors, genetic providers, and technology firms to test and accelerate the development of low-emissions tools and techniques for pastoral farm systems.

Pāmu has over 10,000 hectares registered in QEII covenants, and another 6,000 hectares under covenants with the Department of Conservation. These areas protect rare and endangered biodiversity and valuable landscapes, along with increased waterway protection and biodiversity via riparian planting of native species. Over 14,000 hectares has been established in plantation forests on our steeper hill country and these provide co-benefits of erosion control and waterways protection. We are leading a Sustainable Food and Fibre Futures (SFF Futures) project to [understand and quantify the value of nature-based systems](#), to reward and encourage farmers to protect natural habitats on their farms.

## **Farming excellence is paramount**

Farming excellence is at the core of our strategy. We are strongly focused on lifting farm productivity through the application of core farming principles: soil health and plant growth; animal health and welfare; nutrition; and best practice management. An unrelenting focus on these will generate gains in farm output and cost efficiency.

In support of this Pāmu benchmarks both internally and against 'like for like' external comparators including Beef+Lamb New Zealand and Dairy NZ information. The extensive scale of our Livestock farms, and Wairākei dairy farms' recent land conversion from pine forest to pasture and Organic Milk Production Systems, can

make direct comparisons challenging. and have contributed to misrepresentations of our performance by some commentators.

A key focus in the past 18 months has been greater cohesion between dairy and livestock farms. In line with export market and societal expectations, Pāmu is aiming to rear all surplus calves from its dairy herds for meat production by 2030; hence our focus on combining the two types of farming to increase efficiency and profitability. Published research shows this will concurrently improve product emissions intensity by about 20%. Importantly, we are collaborating with industry and research providers on finding solutions for non-replacement calves, and proactively sharing our [dairy beef learnings](#) with farmers and rural professionals.

High standards of animal welfare are a non-negotiable at Pāmu. In support of this, we provide ongoing training to our farm teams on animal welfare best practices and have veterinarians carry out random welfare audits of farms. One-on-one support is available through our in-house veterinarian and from local vets where appropriate.

### **Diversification of revenue through highest and best land use**

Diversification of revenue through 'highest and best' land use has been integral to the company's plans since 2017, after the company's exposure to commodity price volatility was seriously tested by the 2015/16 milk price crash. Our forestry strategy is centred on the right tree, in the right place, for the right reason, with a focus on integrating forestry into the farming operations.

Our forestry goal for 2030 seeks to realise the greatest value from the land whilst enhancing environmental and biodiversity outcomes. Forestry is principally established on marginal pastoral farming land that is often prone to erosion (land use categories 6e and 7e) and where returns from forestry increase farm profitability through log harvest and sale of carbon credits under the Emissions Trading Scheme (ETS). In addition, trees provide stock shelter, reduce erosion, enhance biodiversity, and improve stream water quality. Rigorous controls are in place, including riparian strips, to mitigate risks of sediment and woody debris reaching waterways. Carbon credits enable the establishment of forestry to be self-funded while also meeting any future liabilities that may arise from agriculture entering the ETS.

In parallel with production forestry, we are establishing native species in riparian areas to protect biodiversity and water quality, provide a long-term carbon sink and, for some species such as tōtara, a future source of timber and bioactives. Indigenous species' establishment is up to five times more expensive than radiata pine and requires rigorous predator and weed control to achieve good establishment.

Our plans for horticulture are focused on the relatively small proportion of the total land portfolio of Pāmu that is suitable for this purpose: notably our properties near

Kerikeri and in Canterbury.

The goal is to increase cash returns and asset value, reduce gross emissions, leverage local infrastructure such as packhouses, and boost job opportunities. Preparing for future Treaty settlements is also a consideration. Since 2019 we have established a 70-hectare avocado orchard near Kerikeri and are in the process of establishing a complementary tunnel-based blueberries operation at the same site.

Pāmu has a history of land-use diversification including playing a leading role in establishing deer for venison and antler products, and dairy cow and sheep and deer milk industries. Our 50:50 Spring Sheep Dairy (SSD) joint venture with partners SLC Limited continues to grow in scale and value. [REDACTED] [REDACTED] Importantly, our investment in the Melody Dairies' drier provides the capacity to process the increased supply of sheep milk and the range of products.

Even so, **off-farm ventures make up less than 10% of the company's portfolio.** These are assessed against robust business cases which consider the growth and exit pathway, alternative uses for capital, risk and reward, and the payback period (typically longer than 2-5 years). During FY2024 we will be ceasing our Pāmu Foods bovine post-farm-gate business.

## **Digitalisation, data sharing, and farm-level reporting**

Farmers and growers are already benefiting significantly from digital technologies (e.g. RFID tags for animal traceability in the NAIT system) and data availability for better decision-making on-farm (e.g., genetic improvement of herds and flocks). Remote sensing and devices attached to or inserted into animals are simplifying data capture and enabling farm-to-plate reporting on greenhouse gas emissions and welfare, as well as food quality and origin attributes sought by consumers of food and fibre, and at entry points to markets (such as for Carbon Border Adjustment Mechanisms, adopted by the EU for certain products and under consideration by Canada, Australia, and others).

While Pāmu has embraced digital technology to support its operations and is at the forefront of digital adoption and innovation, sector-wide challenges remain in reducing the need for farmers to enter the same farm data multiple times and securing broad-based farmer uptake.

Pāmu is a 69.46% shareholder in FarmIQ Systems Limited, an industry-leading integrated farm management solution that is integral to accelerating on-farm innovation, providing product assurance information for supply chains, and achieving cost-efficient compliance.

Pāmu has invested via the issue of Special Rights to modernise FarmIQ technology and accelerate product development. FarmIQ acquired FARMAX (a farm simulation model and national leader in GHG system redesign and reporting), from AgResearch in 2019 and this provides the opportunity to support both Pāmu and

industry to meet farm-level reporting requirements for GHG, the 190kg Nitrogen cap and freshwater plans, the ESG metrics required sustainable finance; aligned to the Taskforce for Climate-related Framework Disclosures (TCFD) and Science-based targets initiative (SBTi)), supply chain product assurance, and impending nature-based reporting (Taskforce for Nature-Related Disclosures (TNFD)).

In support of the need to achieve data entry once and the capacity to share data ('interoperability'), Pāmu has been a leader in the AgriData Syndicate, whose members include ANZCO, Fonterra FarmSource, LIC, Ravensdown, and Silver Fern Farms. A senior leader from MPI has a standing invitation to Syndicate meetings and MfE has been engaged in discussions to ensure market and regulatory needs are met efficiently.

The Syndicate's purpose is to foster collaboration that will reduce the need for farmers to enter the same data multiple times (e.g., reporting of GHG emissions to customers and regulators), reduce system duplication (e.g., farmers pay up to 4-5 times for IT solutions in different cooperatives and companies to capture and apply the same or similar data) and best utilise scarce capital in the agri-sector. [REDACTED]

## Communities and partnerships

Due to the scale and reach of Pāmu, we are often called on to consider opportunities to demonstrate sector leadership and support research and development of new technologies. We assess the prudence of these opportunities as to whether they will enhance our principal objective of operating a successful and profitable business.

Pāmu farm staff are part of the communities in which they farm and are mindful of being a good neighbour and maintaining respectful community relationships. Where appropriate we support community events and activities; from schools and sports teams, to shearing competitions and dog trialling. We sponsor three high-impact national initiatives: Meat the Need, the IHC Calf & Rural Scheme, and Rural Change.

Redacted sentences are withheld under Section 9(2)(i) and S9(2)(i), S(9)(b)(ii) respectively.

## Subsidiaries and Joint Ventures

**Landcorp Holdings Limited Ownership** is a vehicle for properties that are subject to the Protected Land Agreement between the Crown and Landcorp Farming (land to be used in Treaty settlements). Four of our North Island livestock farms sit in this category.

**Landcorp Estates Limited** develops and sells land of higher value for uses other than farming. On 28 October 2005, LEL entered into a Joint Venture Agreement with Carrus Wharewaka East Limited (WEL JV) to develop land at Taupō. Under the agreement, LEL provides the land and Carrus manages the development.

**Landcorp Pastoral Limited Holding** is a company for the interests of Pāmu in Focus Genetics Limited Partnership (100% since September 2014), a limited partnership to enhance and market genetics in sheep, cattle and deer, and Spring Sheep Dairy NZ Limited Partnership (50% interest, established June 2015), a sheep milking joint venture.

**Focus Genetics**, a Pāmu subsidiary, is a red meat genetics company across sheep, cattle, and deer, providing a great opportunity to accelerate low methane animals for the future. Our partnership allows linkage, progeny testing, large-scale, well-recorded data, research and development and uptake of new traits.

**Spring Sheep Dairy** of which Pāmu has a 50% stake is a great example of a public-private partnership to develop a significant new industry with the health attributes of sheep milk with a natural grass-fed farming system that has a low environmental footprint. Pāmu also has a stake in **Melody Dairies**, a toll-processing dryer that supports Spring Sheep Dairy, the wider sheep milk industry and independent small-medium milk suppliers.

# Appendix 1

## OUR STRATEGY

**OUR PURPOSE**

Enriching our land, our people and the future of food and fibre for Aotearoa New Zealand

**OUR FOCUS**

Capable and safe people

Farming excellence and innovation

Earnings diversification

Stewardship of natural assets and resilience to climate change

**WHAT SUCCESS LOOKS LIKE**

A top New Zealand employer with safety and wellness at its core.

A highly productive, market-led food and fibre company with uncompromising care for the environment and animals.

A leader in integrated sustainable land use, protecting and restoring the natural world.

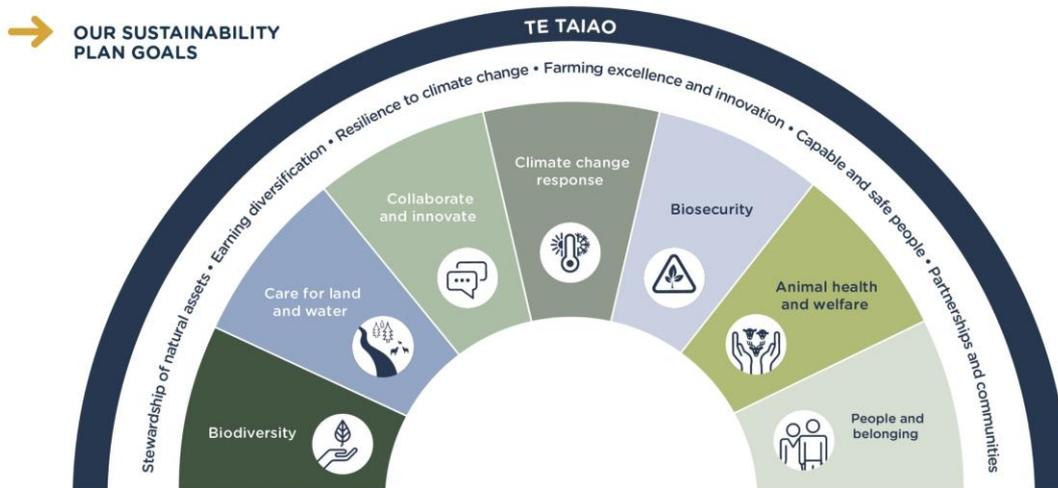
Creating enduring value for the good of Aotearoa New Zealand.

A sought-after innovation partner contributing to Aotearoa New Zealand's future.

Valued by our customers, partners and the communities in which we live and farm.

GENUINE | SHOULDER-TO-SHOULDER | GROUNDED | BOLD

# Appendix 2



**Our six strategic priorities**

1. Farming excellence

2. Diversification of revenue

3. Partnerships and communities

4. Digitalisation

5. Grow our people

6. Stewardship of natural assets