



FARMS OF  
NEW ZEALAND

## Media Statement - For Immediate Release

30 August 2019

### Pāmu meets EBITDAR forecast

Landcorp Farming Limited (Pāmu) achieved EBITDAR (earnings before interest, tax, depreciation, amortisation and revaluations) of \$34 million for the year ended 30 June 2019, after a marked slowdown in milk production due to dry weather during late summer and autumn. The result compared with EBITDAR of \$48 million in 2017/18.

The company has declared a special dividend of \$5 million, supported by the one off gain made on the sale of the company's shares in Westland Dairy Cooperative.

Although EBITDAR was positive the company produced a net loss after tax of \$11 million, due largely to a \$22 million fair value loss on the valuation of livestock and forestry assets at 30 June 2019. The comparable result for 2017/18 was a \$34 million net profit (which included a \$25 million fair value gain on biological assets).

Chairman Warren Parker and Chief Executive Steven Carden said that while the company's performance generally reflected external factors that made it another challenging year for agriculture in New Zealand, the company was determined to improve on the result in the current year.

"While our net profit suffered from the impact of the valuation write downs, and our revenue was impacted by lower milk production due to drought, the continued focus on reducing costs, and generating acceptable returns will be a key focus in the current year.

"Milk is an important source of revenue for us and we continued to focus on A2 and organic milk production, which receives good premiums. New Zealand-wide farm gate milk prices dipped in 2018/19 which flowed on to a drop in milk related revenue for the company," Dr Parker said.

Pāmu's total revenue was down 2.4% to \$241 million (2017/18: \$247 million) because of lower milk, livestock and carbon credit revenues. Carbon credit revenue of \$3m from a recent allocation of carbon units is less than half of that received last year (\$8m).

"Like other New Zealand farmers, Pāmu saw relatively high dairy and red meat prices through 2018/19 which were offset by weather extremes lowering production volumes. Most notably, summer and autumn rainfall was significantly below average across the North Island and parts of the South Island."

Dr Parker said the subsidiary businesses that the company had investments in were all making good progress, and would be significant contributors to the company's future.

"Our 35 percent investment in Melody Dairies, which is constructing a milk drying facility near Hamilton, is on schedule and budget for processing to commence in July 2020. This will see much needed drying capacity added to the speciality milk sector, including for sheep milk.

"Our 50 percent joint venture Spring Sheep Dairy, has made excellent progress and is seeing growing demand for its products offshore. Our Focus Genetics business in New Zealand continues to providing leading-edge genetics which is helping to underpin our livestock productivity gains.

“We also continue to invest in forestry where appropriate, which will position the company well as we look at future regulation around carbon emissions.”

Dr Parker said the company remained committed to driving greater returns by achieving premium prices for its production, while reducing the environmental footprint of the company’s operations and investing in the safety and development of our people.

“We are also focused on ensuring we can deliver a positive overall performance irrespective of the usual vagaries of weather and commodity prices.”

Steven Carden said the future outlook for agriculture remained positive, but the sector needed to work together to meet the challenges agriculture faced.

“Pāmu is playing its part, by focusing on farm system innovations – such as sheep and deer milk which are growing steadily and by working with others to create new opportunities for the sector, and vigorously pursuing productivity gains through our subsidiary companies like Focus Genetics and FarmIQ, as well as undertaking trials directly on farm,” Mr Carden said.

## **ENDS**

Contact: Simon King 021 242 5723

Editor’s note:

*Pāmu is the brand name for Landcorp, a Stated Owned Enterprise, and one of New Zealand’s most innovative farmers and food businesses. It is also the name given to the quality products created by the company.*

*Pāmu is the Māori word ‘to farm’ and reflects the deep connection New Zealanders have with the land, born from respect, and a genuine desire to protect and enhance the environments in which the company works. It’s a proud provenance that stands behind every product bearing the Pāmu name.*