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MEDIA RELEASE

## **Landcorp posts 2014/15 annual results**

Landcorp has recorded a net operating profit of \$4.9 million on revenue of \$224.3 million for the year ended 30 June 2015.

The \$4.9 million net operating profit is down from the \$30 million result the previous year. The sharp decline in the price of milk solids, combined with lower lamb prices, saw income from farm products drop 11.7 per cent on the previous year, to \$213.5 million.

Landcorp chief executive Steven Carden said record-low dairy prices and tough growing conditions had driven overall financial performance down. However, a constructive response to challenging conditions had helped buffer Landcorp from major impact.

“It’s been tough for Landcorp and the entire dairy sector, so our result is solid in that context.

“Things might have proved even more challenging had we not secured a significant volume of supply to Fonterra under their Guaranteed Milk Price scheme at prices that were above the final payout level.”

Lower milk revenue of \$88.1 million (\$129 million in 2013/14) was partly offset by growth in livestock revenues to \$111.3 million (\$98.7 million in 2013/14), driven by growth in livestock production and higher beef prices. Lamb production had also increased despite an unusually dry summer.

More than one third of the 430,000 finished new season lambs were supplied on an exclusive fixed price contract to United Kingdom supermarket giant Tesco for its Finest programme of premium meat.

Mr Carden said Landcorp’s drive toward fixed price supply contacts, particularly for higher value niche products, was gaining positive traction.

“For example, our wool revenue increased to \$10.7 million for the year (\$9.1 million in 2013/14) based on higher demand from overseas. Our partnership with the New Zealand Merino Company in the past 12 months has secured multi-year, fixed-price contracts with brands such as Danish footwear-maker Glerups, and Swandri.

“Rather than being dictated to by the fluctuations of commodity price cycles, we’re locking in supply deals with partners who can help us maximise the value of what we produce.

“In the medium and long term we intend to expand our portfolio into new, high-value products. Sheep milk, for example, is a premium product opportunity for Asian markets and last week, with our Joint Venture partners SLC group, we opened our first sheep milking facility on the Central Plateau,” he said.

Landcorp’s total assets increased to \$1.77 billion in 2014/15, an increase of \$ 26.2 million on the previous year. Total liabilities stood at \$361.8 million, inclusive of bank borrowings, which increased to \$210.7 million from \$172.4 million in 2013/14.

Landcorp had run a conservative balance sheet, with low levels of debt relative to its assets, said Mr Carden.

“We have purposely taken a long-term outlook on our operating environment, rather than seek riskier, short-term gains.

“We’ve worked hard to remove risk from the business and the diversified nature of our operations and income from dairy, red meat, wool and forestry further reduces risk. Our solid results in very challenging conditions reflect this.

“We’re very comfortable with our level of debt. It has moderately increased over the past few years to fund dairy conversions on the Central Plateau and complete conversions in Canterbury, based on long-term views of dairy payout levels.

“We’ve kept costs flat while continuing to work on initiatives across the five core areas of our strategy. Tight cost controls, precision application of fertiliser and aligning our farming systems to a lower milk price have all yielded savings. A flat cost structure is a pleasing result, given we had an additional five farms come into production during this period.”

	12 months to 30 June 2015	12 months to 30 June 2014	Percentage change
	<i>Amount (millions)</i>	<i>Amount (millions)</i>	
<b>Revenue from ordinary activities</b>	\$NZ 213.5	\$NZ 241.7	(12%)
<b>Net operating profit</b>	\$NZ 4.9	\$NZ 30.0	(84%)

## ENDS

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### Notes for editors:

#### About Landcorp

Landcorp Farming Limited is a leader in New Zealand agriculture and strives for best practice in dairy, sheep, beef and deer farming, for sustainable use of resources and continuous improvement in livestock genetics and farm systems. Landcorp is a State Owned Enterprise and one of New Zealand's largest farming organisations, with 140 properties. Landcorp's Pāmu brand simply means “to farm” and reflects the provenance and quality of Landcorp’s products and its commitment to productive partnerships.