



FARMS OF
NEW ZEALAND

Media statement – for immediate release

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Pāmu lifts operating profits despite challenging climatic conditions

Pāmu (Landcorp Farming Limited) has announced EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortization, and Revaluations) of \$48.5 million for the year ended 30 June 2018 (FY18), up \$12.9 million (36 percent) from the previous year. Net profit after tax was \$34.2 million a reduction of \$17.7 million (34 percent) largely due to lower gains from biological assets (forestry and livestock) and a higher tax expense.

Directors have declared a dividend of \$5 million which will be paid on 15 October 2018.

“We’re focused on operational excellence and sustainably growing our business consistent with our strategy,” said Steven Carden, Pāmu Chief Executive Officer.

Pāmu recorded 7 percent growth in total revenue to \$247.1 million, which included a 15 per cent increase in livestock revenues and income of \$8.1 million from carbon forestry investments. Operating expenses were largely in line with the prior year.

The result has been assisted by an upswing in prices for core dairy and livestock businesses, and the continued delivery of Pāmu’s strategy to move into products which attract a premium. Pāmu continues to invest and realise the growth potential in its strategy, particularly on high potential land use innovations, as well as concentrating on productive farming that focuses on the wellbeing of its people, animals and the environment.

“Our focus on producing premium products is about transitioning Pāmu beyond commodity products which fluctuate greatly in price. Our goal is leadership and excellence across our farms and broader land use activities while also producing a range of specialty food and fibre products that command consistent margins. For example, positioning Pāmu’s products to align with growing consumer demand for ‘alternative’ dairy foods.

‘Alternative’ dairy foods produced from organic milk, sheep milk, deer milk, and plant milks require an evolution in how we farm and what we produce. We expect our focus on these opportunities will become a greater contributor to our business over time. This is an exciting time to be in the dairy industry,” added Carden.

Mr Carden said it was particularly pleasing to see core premiums from milk increase to over \$1 million due in part from our focus on organic, grass-fed and winter-milk dairy programs. “It’s hard work but we’re starting to see the results coming through,” Mr Carden said.

Recognising the huge potential for alternative dairy, Pāmu recently launched Pāmu deer milk, which won a Grass Roots Innovation Award at the 50th Annual Fieldays and is receiving positive reviews from the food trade.

“Innovation within and beyond the farm gate means we are operating beyond our traditional farming model that requires sustained investment in our people and their wellbeing. It also means diversifying our income streams,” said Carden.

“Our investment in forestry, a key part of our strategy over the last five years, continues to provide positive returns for the company, and the environment,” Mr Carden said.

The business has seen continued improvements in health and safety with a 25% reduction in significant harm-related incidents in FY 2018. This reflects a strong focus to embed a health and safety culture into the business, and a greater awareness of risk management on farms. Pāmu has also made a significant investment in a staff training programme for the agriculture sector and wider business community, launching the Pāmu Academy.

Mr Carden said the result was particularly pleasing given the tough climatic conditions in the year – including extreme dry conditions over the summer in the South, and a very wet winter in the North. Pāmu will focus its attention over the upcoming year on improving the resilience and performance of its core farming business, ongoing expansion of its forestry portfolio, and development of partnership opportunities to expand its production of plants for specialty foods and fibres.

ENDS

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Editors Note:

The lower revaluation gains noted in paragraph three occur at a point in time and do not represent cash flows that are received in the ordinary course of business. EBITDAR is considered a better indication of underlying business performance.

About Pāmu

Pāmu is the brand name for Landcorp, a State-owned Enterprise. Pāmu is New Zealand’s largest farming company and. It is also the name given to the quality products created by the company. Pāmu produces high quality milk, lamb, beef, venison and wool products from its 125 farms spread throughout the country.

Pāmu is the Māori word ‘to farm’ and reflects the deep connection New Zealanders have with the land, borne 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.