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Landcorp

Landcorp Farming Limited

Media Release

Landcorp benefits from diversified production

Landcorp Farming continued to benefit from its diversified production during the half year ended 31 December 2009, with higher dairy income largely offsetting the impact of lower revenues in sheep, beef and deer. The company reported a reduced net operating loss of $6.3 million for the half year (2008/09: $10.3 million loss).

An industry-wide improvement in milk prices, after the big setback of 2008/09, saw Landcorp's income in this sector rise 16 per cent compared with the previous corresponding half year to $39.1 million. On the other hand, weaker returns to meat producers – mainly a reflection of high New Zealand exchange rates – pulled sheep, beef and deer livestock revenues down 19 per cent to $33.9 million.

Faced with these mixed returns from farming, adverse climatic factors in some regions and cost trends, Landcorp managed expenditure rigorously in the half year. Total expenses were down 14 per cent compared with the previous corresponding period to $72.2 million. Some purchasing was delayed until the second half of 2009/10 in view of current price trends in fertiliser, fuel and other core inputs.

Landcorp Chairman Jim Sutton said the company expects to report a small operating profit for the full 2009/10 year, in line with budget although based on a revenue mix significantly different from earlier expectations.

"Like all other New Zealand farmers, Landcorp faces volatility and uncertainty in product prices and this is currently compounded by abnormally high exchange rates," said Mr Sutton. "Earlier expectations for 2009/10 have been overtaken in recent months by retreating prices for sheep meat, beef and venison but also a pleasing recovery in dairy prices. Landcorp's diversification across all sectors positions us well to ride out such volatility, and thereafter benefit from longer-term growth in world demand for protein foods."

For the half year ended 31 December 2009, Landcorp reported a total shareholder return of $22.3 million, after inclusion of a $32.1 million gain on the revaluation of livestock and financial instruments. This compared with a $2.9 million loss for the previous corresponding period (after a net gain of $23.4 million on revaluation of livestock, forests and financial instruments). Landcorp notes, once again, that the inclusion of livestock value changes under NZ IFRS has a distortional impact on measures of profitability.

The company's milk production in the half year was up slightly compared with the previous corresponding period, due to stronger pasture growth in most regions and continuous improvement in herd management practices. Progress continued on the 500-hectare Blairs unit, the fifth unit in the Weka dairy development on the South Island's West Coast, with first cows due there by June.

In sheep, beef and deer, many of Landcorp's breeding flocks and herds are still recovering from the effects of the severe drought in 2007/08. Temperature and rainfall were very mixed in the latest half year, with October 2009 being unseasonably cold especially in the Central North Island and December being extremely dry in Northland. Conditions were excellent in much of the South Island, this reflected in a record 139.9 per cent lambing rate for the island (only 131.8 per cent in the North Island). Landcorp shifted stock between regions to take advantage of available feed.

Other developments during the half year included an agreement for the sale of three Landcorp properties to the Crown for inclusion in a substantial Treaty of Waitangi settlement with Far North iwi. The Crown is due to take ownership of Sweetwater, Te Karae and Te Raite on 30 June, with the company continuing to farm them until other arrangements are agreed with iwi in the future. The property sale had no affect of Landcorp's half year results.

The performance of Landcorp Estates continued to be impacted by a generally-depressed property market. The subsidiary recorded a $0.1 million loss after tax for the half year, with sales volume low on its offering of sections near Taupo. Landcorp made further progress with environmental protection initiatives, including 15 agreements for the retirement of wetland, bush and riparian land. These agreements will bring to 186 the total number of covenants on Landcorp properties nationwide.

At 31 December 2009 Landcorp had 589 permanent employees (585 a year earlier). Staff turnover rates continued to decline in the half year as the company pursued training and other initiatives to make Landcorp an employer of choice. A new “culture climate” survey of employees indicated high levels of positive feeling and job satisfaction in the company. Mr Sutton said the Board thanks all staff for their contribution. “Overall, Landcorp is in very sound shape as we continue to develop through all the challenges facing New Zealand agriculture,” he said.

For further information, see the Landcorp Farming Half Year Report for the six months ended 31 December 2009 and/or contact:
Chris Kelly, Chief Executive, Tel. 04 381 4050.

Landcorp Farming Limited is a State-Owned Enterprise and New Zealand’s largest farmer, running 1.5 million stock units on 105 properties with a total land area of approximately 374,900 hectares owned and leased.
