30 September 2010

MEDIA RELEASE

LANDCORP FARMING LIFTS DIVIDENDS TO $18 MILLION FOR 2009/10

Landcorp Farming achieved commendable financial results for the year ended 30 June 2010 along with progress on a range of other indicators, directors say in releasing the State-Owned Enterprise's annual report.

Landcorp made a $10.0 million net operating profit for the year, up from $6.9 million in 2008/09. The company will pay dividends of $18.0 million (2008/09: $10.0 million), half of this sum being a special dividend funded from farm sale proceeds.

The directors say results for 2009/10 are a creditable reflection of Landcorp's long-term strategy and of tight expenditure control in the face of volatile product pricing, drought in the upper North Island, relatively high exchange rates and general cost pressures on farming. In addition to the net operating result, Landcorp made a pre-tax profit of $8.7 million on the sale of three farms and two other farm blocks during 2009/10.

However, total shareholder return for the year was a loss of $112.5 million (2008/09: $76.0 million loss) due largely to a $120.5 million reduction in the value of Landcorp-owned farms. The directors say the loss is, of course, unrealised and can be seen in context of substantial shareholder value gains accrued over the longer term.

"Looking ahead, we are in a strong position to continue working for New Zealand and to pursue our goal of being the world's best agribusiness," the directors say. "The future is always uncertain but growth has returned to the global economy, with signs of improved demand for New Zealand agricultural products. Landcorp is working to secure greater value from international markets and to raise on-farm productivity and sustainability."

Chief Executive Chris Kelly says 2009/10's increase in net operating profit to $10.0 million was due largely to industry-wide recovery in dairying, and to reduction in Landcorp's expenses as farm budgets were tightened and interest costs were cut. Farm working expenses were down 8.8 per cent to $62.9 million due to a strong focus on cost management by farm managers. Total operating expenses for 2009/10 were down 3.9 per cent to $148.5 million. Revenues from dairy, livestock and forestry operations were up 1.6 per cent to $163 million. Milk revenue increased 29.3 per cent to $70.2 million.

Mr Kelly says Landcorp made significant progress on debt reduction during 2009/10, thereby strengthening its balance sheet and reducing interest expenses. At 30 June 2010, total debt was down to $149.4 million (June 2009: $181.8 million), while total assets were $1.52 billion after slight decline in the value of Landcorp's land and buildings.

Mr Kelly says Landcorp will continue to secure benefits from diversification in its production, tight control of expenditure and initiatives for increased productivity, better linkage to markets and sustainability. Looking ahead, he says: "We expect milk prices to recover in 2010/11 as the world moves further out of recession, although the outlook for meat and wool prices remains very uncertain. For New Zealand farmers, high exchange rates are still a major concern: The gains from a correction in this situation would be substantial for all producers. Meanwhile New Zealand is coming through a mild but wet winter with a generally positive outlook for production across all farm types in the new season.

"Landcorp will continue to focus on strengthening its operations with new information systems, with people training and development, and with many other initiatives that drive productivity and sustainability," says Mr Kelly. "The balance sheet is strong, enabling us to invest in projects of strategic significance and to acquire further properties if the right opportunities arise. Meat industry transformation and initiatives in the Wool industry will be a major focus from now on: This is something that simply must happen for the longer term prosperity of New Zealand farming.

"Landcorp has come through the past year well and we face the future with confidence about what can be achieved," says Mr Kelly.

For further comment, contact:

Chris Kelly
Chief Executive
Landcorp Farming
Tel 04 (382 1800)