LANDCORP
NEW ZEALAND

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MEDIA RELEASE

Landcorp Farming doubles profit

Landcorp Farming has recorded a net operating profit of $30 million for the year ended 30 June 2014, up from $13 million from the previous year. Total revenue from operating activities increased 37% to $241.7 million.

The growth in revenue reflected a recovery in prices as favourable weather boosted production volumes for Dairy, Sheep and Beef products. Landcorp's expansion of dairy production across the country combined with record milk solid prices contributed to the strong performance.

Landcorp CEO, Steven Carden, said various business decisions taken in 2013/14 meant Landcorp could approach the coming year with confidence, despite the prospect of lower prices.

"We're very focussed on initiatives to raise productivity and efficiency across our operations.

"We have strengthened our productive capacity and secured economies of scale through new partnerships with landowners like the Hauraki Collective, introducing a state of the art Farm Management software system, and a company-wide initiative to reduce costs and streamline decision-making at the farm level".

"We've also made solid gains in feed production per hectare and have achieved a 10% lift in dairy production" he said.

Landcorp's total shareholder return (or comprehensive income) was $115.9 million compared with a $1.5 million loss the previous year. The increase was mainly due to a $36.7 million unrealised gain in the market value of livestock and a $67.6 million revaluation gain on land and improvements.

High dairy prices and success with partnerships for expanded production increased milk revenue by 70% to $129 million.

Expenses for 2013/14 increased 15% to $207 million due to the commencement of the sharemilking arrangement with the Shanghai Pengxin Group and expansion of the Wairakei Pastoral Dairy conversion program. Purchased feed also increased as Landcorp increased production to exploit high forecast milk prices and to offset the effect of the dry conditions experienced in the North Island in early autumn

Mr Carden said, despite the bottom-line impact of the projected fall in milk prices for 2014/15, Landcorp was well placed to continue to record sustainable profit growth over the medium term.

"In addition to our productivity improvements, we have a strategy focused on significantly improving our environmental footprint and driving a big lift in the calibre of our people and their safety on-farm.

"In the medium and long term, we will be taking significant steps to reduce our exposure to commodity price cycles. In part, that means maintaining a diverse portfolio of species farmed - including a renewed emphasis on expanding our red meat production in our lamb, beef and venison categories. This will involve collaborating with other farming groups, such as iwi, interested in joining our contracts or establishing new ones with us.

"We also plan to ensure our products are targeted at niche markets where we can have a direct relationship with the customer," he said.

Landcorp will pay the shareholder an increased dividend of $7 million for 2013/14. Debt has been reduced by $56 million to $172 million over the course of the year, following the sale of various farms in the North Island.

Landcorp 2013/14 financial results

	12 months to 30 June 2014	**12 months to 30 June 2013**	**Percentage change**
	Amount (millions)	*Amount (millions)*	
Revenue from ordinary activities	$NZ 241.7	$NZ 176.7	37%
Net operating profit	$NZ 30.0[1]	$NZ 13.0	133%
Net profit (loss) (after tax)	$NZ 54.7[2]	($NZ 18.1)	402%
Total comprehensive income	$NZ 115.9	($NZ 1.5)	7,827%
Final Dividend (declared)	$NZ 7.0	$NZ 5.0	40%

Ends

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About Landcorp Farming

Landcorp is a state owned enterprise and New Zealand's largest corporate farmer. It owns or manages 137 dairy, beef, sheep and deer farms from the Far North to Southland. With 1.6 million stock units on 376,942 Ha, it produces around 18,000 tonnes of milk solids, 10,000 tonnes of sheep meat, 10,000 tonnes of beef, 3,500 tonnes of wool, 2,500 tonnes of venison and 8 tonnes of velvet per annum.

[1] The tax expense under NZIFRS is based on a number of assumptions (for example unrealised balance date revaluations) and is not related to the actual tax expense Landcorp pays. Therefore, it is not possible to apportion the tax expense under NZ IFRS over ordinary activities.

[2] NPAT as reported under NZ IFRS includes significant revaluation gains and losses arising from the value change in livestock and financial instruments over the period. As the majority of these gains and losses arise on livestock held for breeding and/or production, rather than sale, and are stated at a particular point in time, they do not represent cash flows that are realised in the ordinary course of livestock farming. Accordingly, Landcorp's dividend is based on Net Operating Profit.