

MEDIA RELEASE

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Alliance announces Annual Results

Leading food and solutions company Alliance Group today announced an operating result of \$8 million for the year ending 30 September 2018 on the back of a substantial lift in payments to farmer shareholders.

The 100% farmer-owned co-operative increased turnover to \$1.8 billion (\$1.5 billion 2017) and paid out more than \$1.2 billion to farmer shareholders for livestock. Shareholders are to be rewarded with a bonus share issue based on livestock supply during the 2017/18 financial year.

Murray Taggart, chair of Alliance Group, said the lower result (\$20.2 million 2017) was partly due to a greater share of revenue being paid to farmers.

“Alliance also increased ovine processing capacity and added overtime to assist our farmers during the summer dry spell, which meant our costs were higher than anticipated. When the rain did come, we made the decision to maintain capacity ahead of the expected second peak in processing volumes. As a co-operative, it is our responsibility to be there for our farmers when they need us.

“We also added capacity to manage our farmers’ beef processing requirements, which saw bulls, dairy cull cows and the *Mycoplasma bovis* cull overlap.”

Market prices for lamb eased late in the season and procurement pricing was slow to align, impacting late season profitability, said Mr Taggart.

“It was a challenging year for beef profitability with weaker international pricing. We are enacting changes to our business model to improve our capability in this area.

“As a 100% farmer-owned co-operative, we always work hard to maximise farmgate results and our farmers received strong livestock pricing and other benefits over the course of the year.

“Alliance distributed more than \$14 million in loyalty payments and another \$31.6 million in Advance Payments to support farmers during periods of low cashflow. The balance sheet and shareholders’ equity (64.1 per cent) remain strong.

“We have also made good progress improving the operational performance of the co-operative and lifting capability within the business.

“The co-operative is not making a profit distribution to shareholders and will instead invest in the long-term future of the business. Our farmers overwhelmingly backed this decision at our recent round of shareholder meetings. We will also issue 9.5 million bonus shares to shareholders next month.”

David Surveyor, chief executive of Alliance Group, said: “As part of our transition to a food and solutions co-operative, we have been building our capability, strengthening our sales and marketing activity and accelerating the capture of greater market value.

“Alliance is a more competitive co-operative as a result of our progress on lifting efficiency, improving our operational performance and identifying opportunities.

“There is still a lot of effort necessary to lift the profitability of the co-operative to more sustainable levels that we and our farmer shareholders expect. The next 12 months will continue to see Alliance execute its strategy to bring farmers greater returns.”

The co-operative stepped up to support farmers through challenges during the year, said Mr Surveyor.

“Our store stock facilitation service really came to the fore during the extreme dry conditions earlier in the year. We moved a record 1.06 million lambs, ewes, cattle and deer from farmer to farmer. There is no commission charged on this and farmers tell us the service is of huge benefit to them and was particularly valuable during this time.”

Alliance has improved its overall safety performance with a 34% drop in its Total Recordable Injury Frequency Rate (TRIFR) over the past year.

“The health and safety of our people is paramount and we are determined to leave no stone unturned as we strive to provide a safe, supportive and healthy workplace.”

The company is continuing to invest in new technology and innovation including a \$15.9 million new venison plant at Lorneville in Southland, a primal cutter at Dannevirke, an upgrade of the engine room at Lorneville and an Enterprise Resource Planning System to replace the co-operative’s legacy IT system.

The company's new corporate identity, which was launched in September, has been rolled out to global markets and has been very well-received, he said.

"We are combining our world-class processing capabilities with our great relationships with farmers to build a premium food and solutions company, targeting discerning customers, and the new farm gate logo reflects that.

"The new identity captures our roots as a co-operative, our farmers' dedication to raising outstanding livestock and our market focus on food and solutions."

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