

## **MEDIA RELEASE**

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### **Value of co-operative highlighted in challenging year**

Extreme dry conditions and the resulting erratic stock flows over the past year underline the value of a co-operative, Alliance farmer shareholders were told at the company's Annual Meeting in Dunedin today.

Murray Taggart, chairman of Alliance, said the extreme and widespread dry weather across most of New Zealand late in 2017 and January-February 2018 saw the company maximise processing capacity to help farmers de-stock lambs and held farm gate pricing to support shareholders when they needed it most.

Alliance also assisted its shareholders by moving more than 1 million head of store stock, all commission-free.

"Sometimes it takes these extreme events to reinforce the wider benefits of a co-operative. There was the inevitable "hole" in lamb supply once the drought broke and it would have been easy to back off capacity at that time and save costs.

"The downside would have been restricted autumn processing capacity, just when our shareholders needed to reduce on-farm numbers to winter levels. Clearly this would have been unacceptable for our farmers, so we stuck to our co-operative principles and ensured we were in a position to assist farmers to maximise the value of their stock."

2018 was also a challenging year for beef with softening international prices slow to be reflected at the farm gate, he said.

"Demand for processing capacity soared in early autumn when Mycoplasma Bovis, a delayed bull kill and the cull cow kill all coincided. It highlighted that in extreme events we will never have enough capacity to accommodate everyone's needs."

The Board and management are committed to lifting the profitability of the company, he said.

"We are determined to improve on the recent \$8 million operating profit, but we take some comfort that we were able to buffer farmers in an adverse climatic year by paying out an increasing portion of our revenue to farmers."

With farmers experiencing strong farmgate pricing, the company decided not to make a profit distribution this year and instead continue to invest for the long-term prosperity of the business and shareholders, said Mr Taggart.

The company also rewarded shareholders with 9.5 million bonus shares based on supply over the 2018 financial year.

David Surveyor, chief executive of Alliance, said Alliance is continuing to undergo substantial change to transform the co-operative into a higher performing business.

“The effects of this are becoming more obvious to our farmer shareholders as we are now able to offer more competitive farm gate pricing. This does not mean we will lead the pricing every day of the year, but it does mean that over the course of a year, returns from supplying Alliance will be better than can be achieved elsewhere.”

Alliance is delivering value to farmers over and above the price on the day, he said.

“We ramp up processing capacity to cover seasonal peaks, offer advance payments to committed shareholders, loyalty payments to platinum and gold suppliers and yield payments that recognise quality of supply.”

The company is working hard to ensure the gains made so far are sustainable, investing in developing new markets and focusing on market-facing and added value projects.

“It is clear there is potential to capture more value from the market, both for prime cuts and co-products. Much of this work will require longer term investment, but we are convinced this prize is worth pursuing.”

The company’s safety performance is a good barometer of underlying business performance, said Mr Surveyor.

“This year our Total Recordable Injury Frequency Rate reduced by another 34% and we made excellent progress in upgrading our process safety work around ammonia. Significant capital investment saw improved traffic management and machine guarding, and new technology allowed us to commence the replacement of the remaining older bandsaws with BladeStop 600 series saws.”

The company was pleased with the progress of major capital works including a new \$15.9m venison plant at Lorneville near Invercargill, a new robotic primal cutter and processing room at Dannevirke, and investments in chiller management and the engine room at Lorneville.

**ENDS**