

MEDIA RELEASE

20 November 2019

Alliance Group announces Annual Results

Leading food and solutions co-operative Alliance Group today announced a profit before tax and distribution of \$20.7 million and a \$9 million profit distribution to shareholders.

The 100 per cent farmer-owned co-operative recorded a turnover of \$1.7 billion for the year ending 30 September 2019. Over the course of the year, the company paid farmers a record amount for their livestock. The balance sheet and shareholders' equity (63 per cent) remains strong.

Murray Taggart, chair of Alliance Group, said the increase in profit (\$10 million 2018) was pleasing and reflected the co-operative's drive to maximise operational efficiency and focus on capturing greater market value.

"Alliance Group has made good operational gains, sales and marketing has gathered momentum and we have continued our programme of building capability and investing in the co-operative for the long term.

"Global market prices for most species were generally strong across the board. The outbreak of African Swine Fever and the subsequent culling of the Chinese pig herd led to an increase in demand for other proteins such as New Zealand beef."

There was also strong growth for Alliance Group in the global food service sector, he said.

"As a 100 per cent farmer-owned co-operative, we have been able to pass these gains directly back to our farmers. On top of that, we are pleased to be able to deliver a \$9m profit distribution and for the first time it will come with imputation credits for shareholders due to Alliance successfully advocating for a tax law change.

"The 50 per cent investment during the year in the Meateor Pet Food business aligns with our strategy of capturing more value from every product we produce."

David Surveyor, chief executive of Alliance Group, said the co-operative's performance demonstrated the company's transformation strategy remains on track.

“Our farmers tell us they value the progress we are making to build a stronger, more profitable and sustainable business that benefits their farm businesses and wider rural communities.

“Farmers made good use of our free of charge store stock facilitation service, which enables them to move lambs to other farmers for finishing.”

To support farmers’ cashflow, the co-operative has recently been able to increase to \$25/head the amount it pays in advance payments for lamb.

The co-operative continued to invest in plant modernisation as part of its Manufacturing Excellence Programme and this included upgrades at Dannevirke and Smithfield (Timaru) and a major investment in Southland with the official opening of a new venison plant in December 2018.

“We continued to lift our beef processing performance with our Levin, Mataura and Pukeuri plants processing record numbers of cattle during the 2018-19 season.

“In order to progress our strategy, we have selectively added cost and invested to grow the capability of our business in areas such as food service, branding and supply chain.”

Alliance Group has also been investing in its people with plant training and supervisory programmes for almost 2,000 people.

The co-operative remained focused on improving its safety performance, said Mr Surveyor.

“This year, we significantly stepped up our work on critical risks, the safety issues which may result in serious injuries. We invested in five key areas, ammonia, asbestos, traffic management, energy isolation and machine guarding.

“We also completed our programme to replace and upgrade all of our bandsaws with the new BladeStop technology, which significantly reduces the risk of serious injuries for our people.

“We greatly appreciate the dedication and commitment from our team and the continued loyalty and support of our farmer shareholders as we continue to deliver against our strategy. There is more to be done and we remain determined to deliver results for our shareholders.”

The profit distribution of \$9 million will be as follows:

- lamb \$1.50/head
- ewes \$0.50/head
- cattle* \$8.00/head
- deer \$5.00/head
- calves \$0.50/head

* all cattle including prime, cow and bull

The distribution to shareholders will be made following Alliance Group's Annual Meeting on 18 December, 2019.

ENDS

NOTES TO EDITOR

Alliance is a co-operative owned by more than 4,000 farmer shareholders and exports lamb, beef, venison and co-products to customers in more than 65 countries.

For further information, contact:

Sam Halstead
Telephone: 027 474 6065
Email: sam@latitudesc.co.nz