

Chairman's Review

Times have changed significantly since I sat down to write DairyNZ's first annual review in August last year. Then farmers had enjoyed the highest payout on record in the 2007/08 season, although this had been affected by drought and high farm working expenses. This year, thanks to the global recession and the high New Zealand dollar, we've seen a return to lower payout levels. There is no doubt that the 2009/10 season will be difficult for many farmers, and while the medium-term outlook is positive, DairyNZ's economics group predicts this season and the next will be tough. DairyNZ is committed to helping ensure farmers' focus is on producing milk more efficiently, while not losing sight of the other important parts of running a business – including environmental responsibility and ensuring the industry continues to attract and retain quality people.

Financially, DairyNZ made a loss over the period 1st June 2008 to 31 May 2009 of \$2.4 million. This compares with a loss of \$5.1 million for the previous 12 months, and is part of a deliberate strategy to run down the reserves built up by our predecessor organisation. As a result of the Dairy InSight and Dexcel Trust merger in November 2007, the 2008 comparative figures only include seven months of full group activity, so a year-on-year comparison is difficult.

One of DairyNZ's major achievements for this year has been leading the development of the 'Strategy for New Zealand Dairy Farming', which sets a vision for dairy farming for the next decade. Both the Dairy Companies Association of New Zealand (DCANZ) and Federated Farmers have been key in the process and the development of the Strategy's five outcomes:

- Increasing farm profitability.
- Attracting and retaining skilled people in dairying.
- Maximising farmer returns whilst remaining internationally competitive.
- Enhancing New Zealand dairy farming's reputation locally and globally.
- Achieving shared goals through genuine partnership between dairying, government and the wider community.

One of the main differences from the Strategy's predecessor, the 2004 'Framework for New Zealand Dairy Farming's Future', is that partnership is essential in successfully achieving the Strategy's five outcomes. We will be working with DCANZ, Federated Farmers and many others to ensure dairy farmers are able to meet all challenges posed by the global economic conditions, that they are able to farm in a sustainable way and stay internationally competitive.

The government has announced New Zealand's target to reduce greenhouse gas emissions will be a cut of between 10-20% by 2020. At the time of writing, we are awaiting further details on the final figure and the implications for agriculture. We know even a 10% target for agriculture will be very challenging to achieve, given little exists by way of practical, proven and cost-effective mitigation technologies to reduce greenhouse gas emissions from dairy

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farming. But we are investing in ways to help farmers meet their obligations. DairyNZ supports New Zealand playing our part in terms of international climate change actions, but we do not believe we need to get ahead of the pack. Consequently, we are grateful the government has recognised the need to align our targets with those of other countries. We also believe it's important to understand that New Zealand dairy farmers, with our pasture-based system, already have the lowest carbon footprint of any dairy industry around the world. We also understand the importance of efficient food production for an increasing world population. DairyNZ will be continuing to represent the views of dairy farmers with government on these matters, and many others.

On behalf of all levy-payers, I would like to thank the directors for their work and support over the last year. I would like to acknowledge three outstanding directors: Jim van der Poel, Ted Coats and David Milne for their contribution in establishing the organisation which is in such good heart today. Jim van der Poel will be retiring at the AGM. He was the chairman of one of our predecessor organisations, Dexcel, and also founding director of DairyNZ. Ted was one of the founding directors of DairyNZ and a director of DairyNZ's other predecessor, Dairy InSight. David, one of our appointed directors, was one of the Review team which recommended the establishment of DairyNZ.

I would also like to thank Chief Executive Tim Mackle and his senior management team. They have made good progress in building on the foundations established by last year's merger and are genuinely committed to delivering value to farmers. They are doing an outstanding job in providing leadership in so many technical areas, which require an overall Industry approach.

In closing, I would like to issue two challenges. The first being, "Do you have an accurate picture of your farm's financial situation and are you regularly updating and reviewing your budget in these challenging times?" The second is "Are you farming sustainably, both in terms of environmental requirements and also in regards to your staff and our industry?" In the words of our Human Capability Leadership team, "Are you growing your people to become farmers of the future?"



John Luxton
Chairman



“Are you growing your people to become farmers of the future?”