



ANNUAL REPORT

2010-2011



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Eliminating trade barriers and investing exporters to promote New Zealand beef

Farm Gate

Market Entry

Research and tools to grow more and better grass to meet market needs

» Delivering independent information and analysis to help decision making across the sector »

WAIRARAPA | MONITORING PROGRAM

FOCUS DAY

EWE MANAGEMENT
WINTER TO PASTURE



BEEF + LAMB NEW ZEALAND AT A GLANCE

Beef + Lamb New Zealand is the farmer-owned industry organisation representing New Zealand's sheep and beef farmers.

Beef + Lamb New Zealand invests farmer levies to support a growing sheep and beef industry, providing sustainable returns.

To do this Beef + Lamb New Zealand focuses on four programme areas – Farm, Market, People and Information – to deliver the tools and services farmers need to make decisions. It's all geared towards making continuous improvement on-farm and securing better market access as well as positive positioning in the market for our sheepmeat and beef products.



WHAT HAS
YOUR
LEVY
ACHIEVED

?





**EFFECTIVE ETS ADVOCACY
WORKING
FOR SHEEP AND BEEF FARMERS**

REGIONAL DELIVERY PLANS
DRIVE EXTENSION ACTIVITIES
EVENT ATTENDANCES ARE

UP 38%

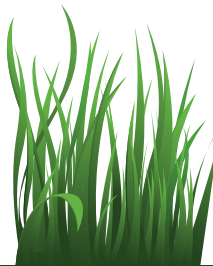
RED MEAT SECTOR
STRATEGY SETS OUT
HOW TO GROW
OUR \$8 BILLION
A YEAR INDUSTRY
– **ANOTHER \$3.4**
BILLION BY 2025

BEEF + LAMB NEW ZEALAND
RESEARCH INVESTMENT
MATCHED BY OTHER INDUSTRY
INVESTORS AND GOVERNMENT
WITH LEVERAGE OF \$25 MILLION

**34% INCREASE
IN COMPANY**

MARKET DEVELOPMENT CONTRIBUTIONS
ALONGSIDE FARMER LEVIES IN UK

**CHINA FTA DELIVERING
TARIFF SAVINGS OF
\$25 MILLION A YEAR
TO SHEEP AND BEEF FARMERS**



THE LAMBING CALCULATOR IS A BENCHMARKING TOOL TO GUIDE
BUSINESS PERFORMANCE – WWW.BEEFLAMB.NZ.COM/INTERACTIVE-TOOLS

NEW BEEF + LAMB NEW ZEALAND

**SEASONAL
TOOLBOX
ROLLED OUT**

**FARMER
SATISFACTION**



UP 10%

**80% MORE
VISITORS
TO NEW BEEF + LAMB
NEW ZEALAND WEBSITE**

To enable you to assess Beef + Lamb New Zealand's performance, a set of metrics and measurements have been developed for an annual scorecard. Please refer to Appendix One on page 46 for our full annual scorecard.

BOARD OF DIRECTORS

Farmers appoint six of the Beef + Lamb New Zealand Directors, representing three electorates in the North Island and three in the South Island. Their terms are for three years, and elections are rotated. Two directors are appointed to represent the interests of meat processors and exporters.



MIKE PETERSEN
(CHAIRMAN)

Farmer Representative, Eastern North Island

Served since: 2004 | Term expires: 2014
06 858 7230
021 243 7344
tepuna@farmside.co.nz

Mike owns a 400 hectare finishing farm in Hawke's Bay. He is a director for a number of industry organisations and has grown his farming governance roles since 2005 as a director of the board of Pakarae Whangara B5 farming partnership, and several privately owned farming companies. Mike is involved in farming businesses overseeing nearly 200,000 sheep and beef stock units in New Zealand.



JAMES PARSONS

Farmer Representative, Northern North Island

Served since: 2009 | Term expires: 2012
09 409 5577
021 206 3208
jparsonsnuffield@gmail.com

James farms a 370 hectare Northland hill country farm in Broadwood, running 1000 high performance ewes and typically 300-400 bulls wintered on cell grazing systems.

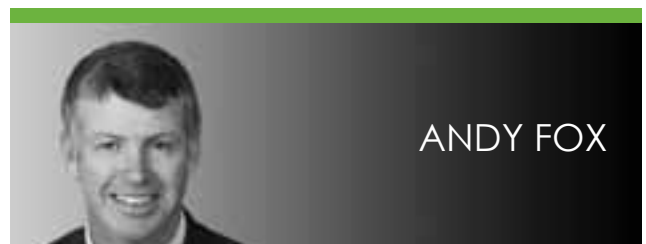


KIRSTEN BRYANT

Farmer Representative, Western North Island

Served since: 2010 | Term expires: 2013
06 342 7755
027 275 1690
oneida.hills@xtra.co.nz

Kirsten farms three sheep and beef properties in the Taumarunui and Wanganui districts: 1174 hectares at Kirikau, 410 hectares at Piriaka and 485 hectares at Fordell.



ANDY FOX

Farmer Representative, Northern South Island

Served since: 2006 | Term expires: 2012
03 314 3763
027 519 9642
foxaj@xtra.co.nz

Andy farms mainly sheep and beef on 1405 hectares at Scargill Valley, one hour north of Christchurch.



ANNE MUNRO

Farmer Representative, Central South Island

Served since: 2010 | Term expires: 2013
 03 685 5772
 027 228 9627
 munropa@farmside.co.nz

Anne farms a 1037 hectare hill country property in the Mackenzie District. The property runs a diversity of livestock – currently 3500 Romney-cross sheep, 240 breeding cows, 60 goats and 345 grazing dairy stock.



LEON BLACK

Farmer Representative, Southern South Island

Served since: 2008 | Term expires: 2014
 03 224 6106
 021 855 106
 blackd@es.co.nz

Leon runs an all-sheep, mostly stud operation on 328 hectares in Southland.



CRAIG HICKSON

Processor-Exporter Appointee

Served since: 2008 | Term expires: 2014
 06 873 9090
 027 439 0009
 craig@progressivemeats.co.nz

Craig runs a mixed 1200 hectare sheep, deer and beef farm in Hawke's Bay. He is the Managing Director and a shareholder of Progressive Meats. He is a shareholder and Director of Bernard Matthews (NZ), Lean Meats, Te Kuiti Meats, Progressive Leathers and Venison Packers.



KEITH COOPER

Processor-Exporter Appointee

Served since: 2009 | Term expires: 2012
 03 477 3980
 021 442 190
 keith.cooper@silverfernfarms.co.nz

Keith is the Chief Executive of Silver Fern Farms. He is a director of the Meat Industry Association, the NZ Lamb Company North America, Farm Brands and Robotic Technologies.

Governance Statement

The Board of Directors is committed to a governance framework for Beef + Lamb New Zealand Limited that ensures the strategic guidance of the company, the effective monitoring of Management by the Board, and the Board's accountability to the Company and the stakeholders (New Zealand farmers).

The principal functions of the Board of Directors are:

- setting the governance framework
- strategic planning and risk management
- monitoring
- authorisation
- fiscal control.

The Board has adopted the following governance objectives (which are in line with best practice principles recommended by the Securities Commission of New Zealand):

The Board will:

- lay solid foundations for management and oversight
- structure itself to add value
- promote ethical and responsible decision making
- use committees where this enhances its effectiveness in key areas, while retaining Board responsibility

- foster constructive relationships with livestock farmers that encourage them to engage with Beef + Lamb New Zealand
- encourage enhanced performance
- safeguard the integrity of its reporting (both financial and business performance) and make timely disclosures on Beef + Lamb New Zealand's affairs
- ensure that the Company has appropriate processes to recognise and manage risk
- remunerate fairly and responsibly.

The Board has two standing committees to assist it in discharging its responsibilities:

- Audit & Risk Committee
- Honoraria, Remuneration & Expense Committee.

Each committee operates in accordance with its Board-approved charter, which is annually reviewed by the Board. Special ad hoc project committees are formed as required. All committees make recommendations to the Board.

The Board also maintains a formal set of delegated authorities that clearly define the responsibilities which are delegated to Management and those which are retained by the Board. These delegated authorities are approved by the Board and are subject to formal review by the Board on a regular basis.

“Every participant in the industry needs to assess their own performance relative to that being achieved by the best performers.”

“Some areas are relatively easy to achieve and some are more challenging, but the prize of getting this right is significant for individual farmers and the industry as a whole.”

Mike Petersen, Chairman,
Beef + Lamb New Zealand

CHAIRMAN'S REPORT

The release of the Red Meat Sector Strategy in May 2011 was a positive feature of the 2010-11 year, amidst the uncertainty of the unfolding global financial crisis and closer to home, the devastating Christchurch earthquakes.

There has been a welcome return to better pricing for our sheepmeat, wool and beef products, but we remember recent and successive years of poor returns. For this reason the release of the Red Meat Sector Strategy was eagerly anticipated for the guidance it would provide in securing and growing our \$8 billion a year industry.

The development of the strategy was led by Beef + Lamb New Zealand, for New Zealand sheep and beef farmers and the Meat Industry Association, on behalf of its members, the New Zealand meat processors and exporters, and marketers.

This process was different from any other strategy work done in the past because there was unprecedented input from the sector which underpinned the extensive data collection and in-depth analysis by Deloitte to identify ways of achieving sustainable profitability and promote re-investment in the industry.

The strategy recognised the underlying challenges to the sector's sustained profitability. It also identified the opportunities for the sector to realise its full potential and continue to be a principal driver of New Zealand's economy.

Our sheep and beef sector forms the basis of the visual and social landscape of New Zealand, but over time profitability hasn't been consistent. Returns have often been unsatisfactory, resulting in the conversion of sheep and beef farmland to other uses like dairy farming and forestry.

In this context we at Beef + Lamb New Zealand joined forces with the MIA and with funding support from government via the Ministry of Agriculture and Forestry and New Zealand Trade and Enterprise initiated the development of the sector strategy that would show how to secure and grow the industry now and for future generations.

With robust analysis, the strategy identified that the greatest potential for sustainable profitability will only be achieved by all of the sector taking action in three key areas:-

- In-market coordination – creating a strong brand position and acting with scale through greater coordination of exports to grow targeted markets
- Efficient and aligned procurement – critically there is a need to shift the focus of competition from the farm gate to offshore competitors
- Sector best practice – developing farming systems and improving productivity at all stages of the supply/value chain, leveraging R&D and knowledge transfer.

The strategy does not provide a single blueprint nor does it offer a silver bullet for our sector. It does outline a range of valid and effective actions that farmers and meat companies can take. Most importantly, the strategy quantifies what the prize is if industry participants make the changes outlined in the strategy.

The modelling suggests a 1.3 % increase in GDP and real value change of \$3.4 billion p.a. by 2025 if the strategy is successfully implemented. There will also be significant flow-on to the broader agricultural sector and wider New Zealand economy.

Beef + Lamb New Zealand has ensured all levy-funded activities contribute to the successful implementation of the strategy. Our role here is to provide relevant tools, services and information that farmers can draw on to improve their businesses.

These are delivered through the four programme areas – Farm, Market, People and Information – that drive our organisational strategic plan and are reported on in detail later in this report.

Data collection and benchmarking are key drivers of improved farm profitability and we have begun to develop a set of interactive tools for you to see how you match up to the top performers in your area. The first of these on our new website www.beeflambnz.com, is the lambing percentages calculator.

This calculator provides a clear understanding of where a farm stands among a broader group – be it regional, land type or stock class. Farmers can even compare their business performance going back to 2002.

Once you know where you sit, you are better placed to know where you are going – and if need be take appropriate action to change course.

CAPITALISE ON THE
OPPORTUNITIES
& ACT ON
ADVICE
IN THE RED MEAT
SECTOR STRATEGY

Every participant in the industry needs to assess their own performance relative to that being achieved by the best performers. Some of the areas are relatively easy to achieve and some are more challenging, but the prize of getting this right is significant for individual farmers and the industry as a whole.

With our eyes on the bigger picture, we can see the global population now moving past the 7 billion mark and the critical issue facing the world today is the availability of quality safe food. While the sovereign debt crisis gets the headlines, the cold hard reality is that urbanisation, land use change and continuing pressure on water will mean that food security will dominate global thinking for the foreseeable future.

Alongside population growth, income growth, particularly in emerging markets, is driving increased meat consumption. China and India – with their expanding middle class – will grow their disposable income from 23 per cent of the global total in 2009 to 59 per cent by 2030.

Fortunately New Zealand is one of the few countries that can capitalise on the issue of food security. The quality of our farming systems, efficiency of our processing sector, and the integrity of New Zealand on the global stage means we are well placed to benefit from the opportunity today.

Importantly, we do not need to focus on feeding the world. New Zealand can only feed about 100 million people per year, and we only need to focus on those who can afford to pay the premium pricing our quality product deserves. The affluent markets of Europe, Japan and the USA will remain critically important for the future, in spite of the economic challenges facing those countries today.

So to capitalise on the opportunities we must act on the advice laid out in the Red Meat Sector Strategy. Current returns are reflecting the strong demand being fuelled by population and income growth. However there are far greater rewards available to those who choose to improve their own business performance alongside the better pricing being achieved today.

There is no doubt in my mind that this is the opportunity for a generation of New Zealand farmers. All the information suggests that a new level of pricing is here for the foreseeable future. What is needed now is the confidence to invest and capture the opportunity in front of us today.

We owe it to future generations to ensure that we capture this opportunity to set New Zealand on a path to prosperity.



Mike Petersen
Chairman | Beef + Lamb New Zealand



CHIEF EXECUTIVE'S REPORT

The 2010-11 year has seen Beef + Lamb New Zealand focus on the delivery of more tools and services that can help New Zealand sheep and beef farmers improve profitability on their farms.

Beef + Lamb New Zealand continues to use the four programme areas dedicated to Farm, Market, People and Information to drive our activities as well as develop some exciting new initiatives, all with clear links to the Red Meat Sector Strategy.

In the Farm programme we upped the ante on extension activities to bring more focus on sector best practice.

This was the first year of our Regional Delivery Plans, which changed the way levy-funded extension was delivered into the regions. This initiative works with the local Farmer Council and the Beef + Lamb New Zealand Extension Manager, using their local knowledge to decide the priorities for the region.

This regionalised approach has also fed into our redevelopment of the Beef + Lamb New Zealand Project Farms explained in the Farm section later in this report. The changes implemented have resulted in significant increases in the number of people attending Beef + Lamb New Zealand events.

Another new initiative launched this year is the seasonal Beef + Lamb New Zealand toolbox. We trialled the concept in spring with a small group of farmers, compiling a collection of seasonally relevant animal and forage management resources, research outcomes and factsheets and packaging them in a toolbox-styled bookcase holder. The feedback has been fantastic and now this will be a standard offering available each season, direct from Beef + Lamb New Zealand or from a range of vet practices, rural supply and agricultural servicing outlets. A full list of those outlets is on our website www.beeflambnz.com/toolbox

All of the information had a direct link to one of the Red Meat Sector Strategy's core themes of improving sector best practice. The toolbox also profiled areas of interest from the four Beef + Lamb New Zealand programme areas – Farm, Market, People, and Information. For example, it included a factsheet on our market access work, to remove barriers to trade and eliminate tariffs, to make farmers more profitable.

This year we redesigned the Beef + Lamb New Zealand website and we are pleased to see our online visits steadily growing. We took a lot of advice from farmers on the style of website and sort of information they are looking for and the feedback confirms we're on target. I encourage you to take a look at the site and make it one of your 'favourites' or even your homepage and make sure you visit regularly because there is new information being uploaded all the time.

Beef + Lamb New Zealand market development activities have been well supported by meat companies. Our promotional focus in the important UK market this year took us closer to the consumer and point of sale and so we are working much more closely with individual companies. You can read about these campaigns in more detail in later pages of this report.

It's been a busy year on the trade policy front with four major Free Trade Agreements and negotiations underway. The Trans-Pacific Partnership, India, Russia - Kazakhstan - Belarus, and Korea FTAs are each at various points of negotiation. We work to support the Government negotiators by supplying them with the analysis, facts and figures they need to secure the best deal for New Zealand sheep and beef farmers.

There have been a number of highlights in the technical policy area, including a major nutritional study into New Zealand beef and lamb, providing detailed data on the nutritional profile of our grass-fed beef and lamb.

MORE

PEOPLE ATTENDING
B+LNZ EVENTS

The Beef + Lamb New Zealand Economic Service played a major role in providing a range of data that supported the development of the Red Meat Sector Strategy this year and it published a range of signature publications including the Beef + Lamb New Zealand New Season Outlook, which is eagerly anticipated by farmers and industry to assist business planning.

We have collaborated where possible with other industry groups to create a bigger impact. This has been particularly evident in the People programme, where we have worked with DairyNZ and New Zealand Young Farmers to encourage bright young people to consider a career in our dynamic industry.

This has been a significant year for sheep and beef farmers and the organisation as new activities driven by the Red Meat Sector Strategy have been rolled out. This year we have again included our organisational scorecard so you can view Beef + Lamb New Zealand's performance.



Dr Scott Champion

Chief Executive Officer | Beef + Lamb New Zealand



FARM

Beef + Lamb New Zealand Project Farms

Beef + Lamb New Zealand has expanded its extension offering, developing a new range of on-farm monitoring and analysis and information sharing programmes that line up under the name of Beef + Lamb New Zealand Project Farms.

Five new titles sit under the Project Farm description and they include the refreshed Monitor Farm Programme, Farming for Profit, Profit Partnerships, Farmer Focus Groups and Demonstration Farms.

Monitor Farm Programme

A review has been completed of the Beef + Lamb New Zealand Monitor Farm Programme, originally developed 21 years ago. The review confirms the programme's objective is still relevant – which is to develop plans to achieve improved financial performance on a single farm. Each programme is run by a community group and programme facilitators, who identify key issues impacting on production and farm performance. The key point of difference for a Monitor Farm is that it is a single farm which operates for three to four years, showing how collective management decisions and their application can improve farm performance. There are eight Monitor Farms around New Zealand.

Farming for Profit

Farming for Profit uses the principles of monitoring for performance, but rather than focusing on whole farm systems, it identifies critical farming issues within a farming community and develops a programme of activities to address them. The activities can include on-farm field days, seminars and workshops to address the issues identified as of highest importance for the community. The issues will deliver knowledge transfer from multiple farms rather than just one farm. There are 11 Farming for Profit groups operating throughout the country.

Profit Partnerships

Profit Partnerships bring together a network of 10 to 15 beef or sheep farmers from the same area, with the goal of improving their annual profit by an additional five per cent each year, within two years. The partnerships target rapid and measurable improvements in productivity, profit and business growth.

Profit Partnerships have an independent facilitator, hold regular face-to-face meetings and have access to a wide range of research information, researchers and agri specialists both within New Zealand and Australia.

Farmer Focus Groups

Farmer Focus Groups have been established in some areas to deal with opportunities or issues that are specific to a region or a particular farm type. These focus groups look at problem solving specific issues. A group may form to address two or three issues over a year. An example of a Farmer Focus Group is in Pongaroa where a group of farmers looked at hill country beef breeding and finishing systems. This included parasite control and potential risks to production. They held a Farmer Focus day where they developed an animal health plan for farmers in the district.

Demonstration Farms

The Demonstration Farm initiative has been identified as a forum to develop new and innovative programmes and tools for farmers. The 'farmer needs analysis' carried out in 2010 highlighted the development of leading edge technologies as a priority. Scientists from Massey and Lincoln Universities are working with Beef + Lamb New Zealand and farmers to identify new and emerging technologies.

Farmer Councils

The seven Beef + Lamb New Zealand Farmer Councils have played a major role in shaping the organisation's behind-the-farmgate activities this year. The Councils are our grassroots network made up of farmers from each region and their role is to help set priorities for extension activities. The Councils are also a great sounding board for gauging the most effective methods of communication with farmers. A list of the Beef + Lamb New Zealand Farmer Council Chairs and Deputy Chairs can be found at the back of this report.

More regionally-relevant activities

The regionalisation of Beef + Lamb New Zealand extension activity has continued through the Regional Delivery Plans (RDPs). These are initiated in each region by the Beef + Lamb New Zealand Extension Managers and the local Farmer Councils. Together they identify the priorities for the region and activities are funded by farmer levies. This regionalised approach has been very successful and has resulted in significantly higher numbers of farmers attending events. Attendances at regional events are up 38 per cent for the year. All RDPs are available for viewing on the Beef + Lamb New Zealand website www.beeflambnz.com/local

Understanding high performers

In line with Red Meat Sector Strategy-thinking for improving sector best practice, Beef + Lamb New Zealand has commissioned a study to determine the points of difference that make high performing farmers top of their game. This work is scheduled to be completed soon and will be shared with farmers in the coming months.

Genetics

Tools for achieving improved sheep genetics continued last year through Beef + Lamb New Zealand's Sheep Improvement Ltd (SIL) database – the most extensive genetic dataset for sheep in New Zealand – and through Ovita, which develops technology focused on determining key breeding traits.

The Farm Programme objective is to achieve increased productivity of 3 per cent each year on sheep and beef farms, with lower inputs and more sustainable farm systems.



Research and Development

Beef + Lamb New Zealand supports a number of joint research investments that are making world-leading scientific advances to benefit farmers.

Ovita

Ovita is a consortium jointly owned by Beef + Lamb New Zealand and AgResearch. Its research programme aims to develop a set of tools for selecting livestock with superior production traits, including better meat quality and decreased susceptibility to parasites and disease.

Ovita's research into the single nucleotide polymorphism, or SNP chip, is expected to revolutionise sheep and beef breeding programmes by reducing the time it takes to discover economically important genes from 10 years to 18 months.

Ovita delivered the world's first sheep SNP chip-based gene test product in early 2010.

Pastoral Greenhouse Gas Research Consortium

Beef + Lamb New Zealand is a member of the Pastoral Greenhouse Gas Research Consortium (PGgRc), which is working to reduce greenhouse gas emissions from agriculture. Other members are AgResearch, DairyNZ, DEEResearch, the Fertiliser Manufacturers' Research Association, Fonterra, PGG Wrightson Ltd and Landcorp.

Industry funding is matched dollar for dollar by the Ministry of Science + Innovation; and Ministry of Agriculture and Forestry.

The Pastoral Greenhouse Gas Research Consortium was formed and set up by the industry to achieve three goals:

- To identify, establish and develop on-farm technologies to improve production efficiency for ruminants.
- To identify, establish and develop on-farm technologies for sheep, dairy, beef cattle, and deer which lower methane emissions from New Zealand ruminants and nitrous oxide from grazing animal systems.
- To exploit commercial opportunities arising from the science and technologies in a global market.

Since 2002 the consortium has invested over \$37 million in scientific programmes aimed at giving farmers the knowledge and tools to mitigate the greenhouse gases produced by grazing animals.

It has produced internationally acknowledged research on the production of methane and nitrous oxide from grazing livestock as part of the most comprehensive programme of its type in the world.

Pastoral Genomics

Pastoral Genomics is a joint venture between Beef + Lamb New Zealand, Ministry of Science + Innovation, Fonterra, DairyNZ, DEEResearch and AgResearch.

It uses plant biotechnologies to improve the productivity, sustainability and quality of New Zealand forages.

Pastoral Genomics has developed tools to breed cultivars with smaller environmental footprints, greater productivity and other traits to meet industry targets.

It is working towards cultivars with more dry matter, more metabolisable energy, better digestibility, more efficient fertiliser use, tolerance to drought, greater persistence, and control over traits like flowering.

Johne's Disease Research Consortium

Beef + Lamb New Zealand is part of the Johne's Disease Research Consortium, along with DairyNZ, DEEResearch, Livestock Improvement Corporation, Massey University and Otago University.

The science plan focuses on providing tools for farmers and the livestock industries to improve control of Johne's Disease across the red meat and dairy sectors.

Market

MARKET ACCESS

The Free Trade Agreements in progress. What's to gain?

The Beef + Lamb New Zealand trade policy team has supported the Government negotiators this year on a number of Free Trade Agreements. Beef + Lamb New Zealand makes sure that our sector-specific objectives and analysis are communicated to the Government to ensure that the interests of the industry are able to be strongly represented in negotiations.

Beef + Lamb New Zealand carries out an extensive consultation process both with producers and processors/marketers to gather views on where and how market access gains can be maximised.

Here is a roundup of progress on current FTAs:-

Trans-Pacific Partnership Agreement

The Trans-Pacific Partnership (TPP) aims to create a high quality, comprehensive and ambitious regional free trade agreement involving nine Asia Pacific countries: Australia, Brunei Darussalam, Chile, Peru, Singapore, the United States, Vietnam, Malaysia and New Zealand. While New Zealand already has reasonable access into the US for sheep and beef products, the real opportunity with the TPP Agreement lies in the potential for improved access into the broader Asia Pacific region. The recent announcements by Japan, Canada and Mexico that they are seeking to join these negotiations is a very positive signal that this agreement has broader strategic importance. While it is still early days on the participation of these countries in the TPP negotiations, the potential for having Japan included in this agreement is significant. Japanese tariffs on beef are 38.5%, with a 'snapback' to 50% should certain volumes be reached. This agreement is also important in introducing the concept of regulatory coherence. This is 'trade policy speak' for gaining agreement on the adherence to international best practice standards to promote trade and economic growth.

India – New Zealand FTA

Due to current stringent market access restrictions and substantial tariffs, there is no trade in meat between New Zealand and India. Given the potential of the Indian market as an attractive export destination for New Zealand meat exports (primarily for sheepmeat), the removal of market access restrictions would make India an extremely attractive export destination. There have been seven rounds of negotiations so far.

Russia Customs Union, Kazakhstan and Belarus – NZ FTA

There have been four rounds of FTA negotiations with Russia so far. These negotiations are expected to be concluded in 2012. Russia is the world's largest beef importer, and an important market for sheepmeat. From a New Zealand sheep and beef sector perspective, a successful outcome to the FTA negotiations would result in genuine improved access to the market and addressing non-tariff barriers that currently restrict trade opportunities.

CO-PRODUCTS ADD VALUE

China is New Zealand's second largest sheepmeat market by volume, importing 29,800 tonnes. Crucially, the market is looking for quite a different product mix compared to our traditional sheepmeat markets such as the UK and US which take high value cuts such as legs and frenched racks.

China is the highest paying market for sheep flaps which are used in traditional hotpot dishes. It is also a key market for co-products including fats and oils and offals including casings. This co-product trade was worth \$170 million last year with the China FTA providing estimated tariff savings of almost \$12 million on co-products alone, underlining the importance of taking a comprehensive view of the industry and its products when analysing the opportunities of a free trade agreement.



South Korea – New Zealand FTA

South Korea is a key market for New Zealand beef, currently ranked as New Zealand's third largest beef market by value and second by volume. South Korea imposes high tariffs on beef of 40 per cent. Korea has recently agreed an FTA with the US (KORUS) and an agreement with the European Union has been provisionally in force since July 2011. Australia also has FTA negotiations in progress. Although good progress has been made in many areas of the South Korea-NZ FTA negotiations, significant differences remain on agricultural market access. It is vitally important to the beef sector in particular that other beef exporting countries do not gain a significant competitive advantage through preferential tariffs. A positive outcome in these negotiations is a high priority for the sector.

Trade study with Chinese Taipei is great news

Beef + Lamb New Zealand welcomed the announcement that New Zealand will investigate a closer trade partnership with Chinese Taipei (including Taiwan). This continues the solid progress in removing barriers to entry for sheep and beef products into Asia.

Chinese Taipei is a key export beef market for us and also a significant sheepmeat market in the Asian region. New Zealand exported sheep and beef products worth NZ\$213.1 million to Chinese Taipei in 2010 which were subject to around NZ\$19 million in tariffs.

Elimination of these tariffs and measures to reduce non-tariff barriers would be of significant benefit to New Zealand sheep and beef farmers.

China FTA delivering for New Zealand sheep and beef farmers

Beef + Lamb New Zealand calculated that the China Free Trade Agreement is delivering annual tariff savings of nearly \$25 million a year to New Zealand sheep and beef farmers, and that amount is set to grow as tariffs continue to reduce and export volumes grow.

In the 2010 year New Zealand's trade with China included nearly \$700 million worth of sheep and beef products, including wool. Those volumes are trending upwards as China continues to develop rapidly, with a growing middle class population looking to increase their consumption of protein and imported food products – including our beef and lamb.

Beef + Lamb New Zealand represented farmer interests alongside government when the FTA was being negotiated. The FTA agreement will deliver further substantial benefits by the time tariffs are fully eliminated in 2016.

EU quota for New Zealand grain-fed beef

New Zealand has successfully petitioned the European Commission for access to a quota for grain-fed high quality beef. This additional access was secured through hard work by the industry and Beef + Lamb New Zealand, alongside government.

Improved market access globally for beef is one of the industry's top priorities. This new access to a grain-fed quota allows us to broaden New Zealand's beef offering to the high value European market – putting us alongside the US, Canada, Australia and Uruguay as the only supplying countries under this quota.

Although this quota is for a niche product with low volumes but high value, the access is tariff free which makes it very attractive compared to the 20 per cent tariff that applies to our other European high quality beef quota.

Tri-Lamb Group committed to collaboration

The Tri-Lamb Group, which is made up of sheep producers from Australia, the United States and New Zealand, confirmed its ongoing commitment to collaboration in the US market at a meeting in Oamaru at the end of 2011.

On behalf of New Zealand farmers, Beef +Lamb New Zealand hosted delegations of sheep producers from the US and Australia to showcase New Zealand farming systems, share information, and review an exciting joint promotion activity designed to increase awareness of lamb amongst targeted US consumers (see Supper Club story on page 19).

There is genuine understanding between Tri-Lamb sheep producers that it's in their interests to have a strong sheep industry and so collaborating on common issues makes sense.

Attendees understood the exceptional opportunities for sheepmeat in a world where there is a growing interest in environmentally sustainable products.

Five Nations Beef Alliance

Marton farmer Richard Morrison was awarded a Beef + Lamb New Zealand scholarship that allowed him to accompany a Beef + Lamb New Zealand Director and market access and policy staff to the Five Nations Beef Alliance meeting while also representing New Zealand in the Young Ranchers Programme, both held in Mexico this year.

Richard (32) was selected from a strong line-up of candidates vying for the chance to represent and promote New Zealand beef, as well as helping to foster international relations within the beef industry.

New Zealand's membership of the Alliance provides us with the opportunity to be part of a producer group responsible for almost half of the world's beef and cattle exports.

The Five Nation's Beef Alliance focuses on issues affecting beef exports, including sanitary and trade rules and policies, sustainability and traceability issues, country of origin labelling and the like. The Alliance wishes to promote liberalisation of trade access and the facilitation of beef trade globally.

Effective Emissions Trading Scheme advocacy

Recent meat industry advocacy efforts have challenged government regulations on agricultural sector ETS costs.

Regulations promulgated in 2010 calculated emissions factors for the sheep and beef sector that were up to 20% too high.

Beef + Lamb New Zealand collects a broad range of sheep and beef statistical data and as representatives of sheep and beef producers, along with the Meat Industry Association representing the processors (who would be obliged under climate change legislation to make payments to the Government), successfully contested the emissions factors which are now being reassessed.

Sheep and beef emissions are scheduled to enter the ETS in 2015 and Beef + Lamb New Zealand has consistently advocated that they must remain outside the scheme until effective mitigation technologies are available and competing producers in other countries face similar costs.

Sheep and beef farmers also invest in the Pastoral Greenhouse Gas Research Consortium which is searching for ways to reduce greenhouse gas emissions from grazing animals.

Being prepared for Foot and Mouth Disease

Beef + Lamb New Zealand convened a government-industry working group to assess New Zealand's readiness to cope should the country be struck with a Foot and Mouth Disease outbreak.

The livestock industry groups and MAF staff reexamined current readiness and response arrangements and together came to a consensus view of where the major gaps and weaknesses lie. The review has made a number of recommendations for enhancement and, in particular, where industry participation can add value to a government-led response.

Beef + Lamb New Zealand is now working to secure government and industry commitment to implementation of the recommendations.

Supper clubs promote nutritious New Zealand lamb

A new Tri-Lamb Group programme is underway in the US to develop awareness of lamb as part of a healthy diet. The key elements of the programme include media and consumer outreach.

One innovative approach is using lamb supper clubs hosted by prominent food bloggers in Boston, Washington DC and Los Angeles to build awareness of lamb's nutritional attributes.



This is good for New Zealand sheep farmers because it will go some way towards increasing consumer awareness of lamb, which holds a very small share of the protein consumption in the very competitive US market.

In 2010, New Zealand exported 17,500 tonnes of lamb to the US, worth \$283 million. To the end of August 2011, the US was New Zealand's highest paying market (based on average FOB returns/tonne). This is up 40 per cent year on year, despite the rise in the NZD.

Analysis confirms goodness of beef and lamb

The most comprehensive nutritional analysis of New Zealand beef and lamb ever carried out confirms both are densely packed with nutrients essential for everyday life.

Beef + Lamb New Zealand commissioned the study because it's important to ensure all our nutrition messages are based on robust science, having undergone rigorous scientific scrutiny. This study provides us with a solid and up to date platform from which to inform and educate customers around the world about the goodness of New Zealand beef and lamb.

The study was carried out by scientists in the Institute of Food, Nutrition and Human Health at Massey University, who analysed 65 nutrients in almost 50 cuts of New Zealand beef and lamb, both raw and cooked.

High quality protein, bio-available (easily-used) iron and zinc and a variety of B vitamins remain the essential parts of red meat's nutritional make up, and the study revealed some new additions too.

Long chain omega 3 fatty acid levels are higher in meat from animals raised on pasture, compared to grain. These new figures will be of particular interest to the increasing numbers of health conscious customers in our overseas markets, as well as offering Kiwis additional health benefits.

Analysis also shows New Zealand beef and lamb contributes in a small way to dietary intakes of vitamin D. This is very good news because worryingly low levels of vitamin D are being seen in Kiwi youngsters, so dietary sources are becoming increasingly important.

The new analysis also confirms lean red meat as a low fat food, with an average fat content well below 10%. This underlines results of the Ministry of Health 2008-9 New Zealand Adult Nutrition Survey, showing red meat's contribution to dietary fat and saturated fat intakes falling to 6.8% and 7.3% respectively, dispelling the myth it is a main source of both fat types.

New Zealand farmers have focused on genetics and feeding practices to meet consumer preferences and these findings show the hard work has paid off. Farmers are now paid both on weight and lean meat content so lambs, for example, average only 5-6mm of fat.

MARKET DEVELOPMENT

A new approach to marketing

Beef + Lamb New Zealand has switched its promotional focus in the United Kingdom towards encouraging consumer preference for New Zealand lamb closer to the point of purchase. This has resulted in the major exporting companies investing their own funds alongside farmer levies into programmes that are customised towards consumer and retail needs alike.

A similar piece of market research is underway in our major beef export markets and the findings will inform market development strategies and activities for the future.

Recipes entice new UK lamb buyers

From March through to the end of May, Alliance Group Ltd, in conjunction with Beef + Lamb New Zealand, conducted a marketing campaign in Sainsbury's supermarkets. The campaign, with matching funding from the company and farmer levies, promoted consumer-ready cuts such as leg steaks and loins.

Recipe advertising in Sainsbury's own consumer magazine and on over 38,000 shopping trolleys in the retailer's British stores was aimed at enticing buyers who might be new to cooking lamb. A coupon campaign also ran to encourage infrequent or lapsed purchasers to return to the lamb cabinet.

Heston showcases succulent New Zealand lamb

Acclaimed chef Heston Blumenthal fronted an ad on British TV demonstrating how to cook a Sunday roast, in an innovative collaboration between ANZCO Foods, Beef + Lamb New Zealand and Waitrose supermarket.

The marketing strategy used the chef's vast product knowledge, superb technical understanding of cooking methods and creative genius to strengthen the image of New Zealand lamb as a thoroughly irresistible choice for the British consumer.

New lamb initiative launches in UK supermarkets

September saw Silver Fern Farms in collaboration with Beef + Lamb New Zealand launch a new initiative with UK supermarket chain Tesco, offering New Zealand fresh chilled lamb under the Silver Fern Farms brand.

This is a new retail brand in the important UK market and a first for Tesco which has traditionally marketed lamb under its own supermarket brand. Alongside the branded packs of conveniently packaged and proportioned lamb, there were product demonstrations and tastings, regular recipes and trolley and basket advertising.

Web whets UK appetite for NZ lamb

UK meat-lovers hungry for culinary inspiration are turning in droves to our relaunched British website loveourlamb.co.uk. It's at the hub of a successful marketing programme which is stoking the nation's appetite for New Zealand lamb.

Digital media has enabled us to reach millions through webcasts, the website and online competitions. The mediums of print and radio, are still important for our PR messages and continue to play a key role. This ongoing marketing underpins our joint work with export companies.

Celebrity chefs drive UK sales

A series of short online videos starring Wanganui-born chef Peter Gordon generated millions of hits from Britons looking for lamb recipes, techniques and cooking tips. The celebrated Kiwi's high profile in the UK helped to further boost strong Easter sales, with radio broadcasts telling listeners how easy it is to cook roast lamb – and how good our lamb tastes.

Beef + Lamb New Zealand also enlisted the promotional powers of UK cookery doyenne Delia Smith, whose pronouncements on anything food-related are widely acknowledged to hold considerable sway over millions of British consumers. A four-month showcase on deliaonline.com featured New Zealand lamb on the website's recipe section, online forum, e-newsletter, and in two high profile competitions.

In-store tastings encourage Germans to buy lamb

Around 200,000 Germans tried New Zealand lamb at an in-store tasting in 2011. The popular tastings introduce consumers to New Zealand lamb at the point of purchase, prompting them to add it to their shopping baskets. Beef + Lamb New Zealand works closely with exporters and importers to deliver this programme.

All New Zealand lamb sold in Germany is identified by the New Zealand lamb rosette or packaging

that highlights our natural, pasture-fed production systems. We're also improving the visibility of lamb in stores through creative point of sale materials on shelves, on packs and in-store television.

Engaging online in Germany

Beef + Lamb New Zealand's market research shows that Germans prefer the internet as a source of food and cooking information. Our Beef + Lamb New Zealand German-language website provides recipes, interactive cooking videos, plenty of New Zealand lamb information, and regular blogs from Kiwi farmers. Readers can also sign up for a newsletter, sent to 15,000 consumers every two months, and follow us on a brand new German-language Facebook page. To keep lamb top of mind, we also target food writers, journalists and bloggers with seasonal press releases, and provide popular bloggers with lamb to cook.

Creating an iconic brand

Beef + Lamb New Zealand works with producers of other iconic New Zealand products to raise awareness of the New Zealand lamb brand in Germany. One of these initiatives is the Pure New Zealand Cuisine cooking course. This is run jointly with Deer Industry New Zealand, and conducted by a Kiwi chef in German culinary institutes.

Important export markets like Germany are critical to the long-term profitability of every New Zealand sheep farmer, so partnering with other organisations ensures we get maximum value from the investment we make on behalf of the industry.

Getting the hospitality industry on side

Beef + Lamb New Zealand is helping to boost appeal for grass-fed New Zealand beef by enhancing its image among restaurant industry movers and shakers.

We hold regular trade seminars and cooking demonstrations throughout Asia, targeting decision-makers from the distribution, retail and food service sectors, chefs and media. Culinary challenges and competitions are also an important part of our marketing programme, enabling chefs to handle the product and learn how to cook it.

These events, supported by our local trade partners, have helped to increase – and sustain – New Zealand beef's profile and presence in key markets. The work will bring long-term benefits so farmers continue to reap the dividends in the future.

New Zealand beef dishes up export dollars

New Zealand beef is carving out a tasty market niche in Japan, dishing up returns that should satisfy farmers and economists alike. In 2009-10 we exported just under 35,000 tonnes of beef and co-products to Japan, worth NZ \$231 million.

Meanwhile, Japanese consumers are buying and eating three times as much New Zealand beef as they did in 2003, so this market holds plenty of opportunities.

Because our grass-fed beef is not as well known in Japan as grain-fed US or Australian beef, Beef + Lamb New Zealand seizes every chance to let people taste the difference for themselves. Cooking demonstrations, barbecues, seminars and restaurant promotions are crucial. Introducing a sensory element helps to clearly differentiate New Zealand beef from the competition, and never fails to win new fans.

Japanese marathon runners lap up New Zealand grass-fed beef

New Zealand grass-fed beef has become an anticipated treat for the runners competing in the giant Naha Marathon in Okinawa, Japan. For a third year, Beef + Lamb New Zealand had a stand near the finish line offering grilled beef to competitors and spectators. It's by far the most popular food at the event, and has developed a real following.



Grass-fed beef a hit at major Tokyo festival

Many of the three-quarters of a million revellers at Tokyo's Super Yosakoi food, music and dance festival got a taste of New Zealand grass-fed beef. By the end of the festival, 400 kilograms of the beef had been barbecued and eaten.

Taking part in events like this is a good way of reaching a big crowd in one hit, and helps develop a broader fan-base for New Zealand grass-fed beef.

Barbecues beef up spirits of Japanese evacuees

Beef + Lamb New Zealand held four massive barbecues in Japan, serving up hundreds of kilos of steak to evacuation centre residents displaced by March's devastating earthquake and tsunami. With evacuees subsisting largely on bread, rice and noodles, protein and variety were lacking in their diets. The beef was a welcome change.

Putting New Zealand beef on the menu in Korea

New Zealand beef is proving to be a breakout success in Korea, where a star turn on the menu of the country's largest food exhibition is helping to overturn the local perception that beef fed on grain is superior.

'Melt in the mouth', 'juicy' and 'tender' was the verdict from hundreds of Koreans surveyed at the New Zealand pavilion of Seoul Food & Hotel, held over four days at the end of April. Roughly 37,000 trade and media representatives visited the exhibition, where they had the opportunity to sample a range of prime steak cuts showcased by Beef + Lamb New Zealand.

World's best cookbook author introduces foodies to the world's best beef

Fresh from winning the premium accolade at the Gourmand World Cookbook Awards in Paris, Kiwi-born chef and food writer Robert Oliver took to the grills in Seoul to bring Koreans a taste of his home country.

The author of *Me'a Kai: The Food and Flavours of the South Pacific* teamed up with Beef + Lamb

New Zealand for two separate promotions demonstrating the merits of grass-fed New Zealand beef – cooking for some of Korea's leading food bloggers at an invitation-only lunch, as well as for cooking students at one of the country's top culinary institutes.

Taipei bloggers create a buzz around our beef

Taiwan's tastemakers are helping to set a new consumer trend for pure and natural New Zealand beef. The local blogosphere is abuzz with appetising photos and recipes singing the praises of our product, hailing it as delicious and nutritious.

The blogs follow three cooking class-style workshops hosted by Beef + Lamb New Zealand in a Taipei culinary school, where 96 of the city's young foodies were invited to come along and learn about grass-fed beef, and have a go at cooking it for themselves.

New Zealand beef is a star performer in Taiwan

New Zealand grass-fed beef is winning fans in Taiwan following a star turn at one of Taichung's most prestigious hotels. Its popularity with guests and diners during the month-long New Zealand Beef Festival has secured it a long run into the future.

The Beef + Lamb New Zealand-sponsored promotion turned the spotlight on four steak dishes designed to showcase four different cuts – all of which will now make a permanent appearance on the Tempus Hotel's restaurant menu.

The festival gained extensive media coverage extolling the benefits of New Zealand beef, while hotel management agreed its pure and natural characters fit the demands of guests and the trend towards foods that are low fat, low cholesterol, and low in calories.

But wait... there's more

TV shopping channels aren't just for insomniacs. In China, the medium is being used to promote and sell New Zealand beef. The chat-show format combined with a simple cooking demonstration is proving to be a great way to showcase the product and tempt buyers. Striploin, shin shank, brisket and oxtail have all featured in the half-hour slots, which enable consumers to purchase the meat immediately.

Grass-fed beef – our point of difference

Beef + Lamb New Zealand beef marketing in China promotes the fact that our meat is natural, nutritious, and safe to eat.

Relationships with key importers and influencers are critical. Initiatives include seminars for chefs and importers, point of sale materials to support the food service sector, in-store tastings and joint promotions with hotels, restaurants and importers. The programme is underpinned by a Chinese-language website and promotional materials designed to enhance awareness of New Zealand grass-fed beef and highlight its unique characteristics.



PEOPLE AND CAPABILITY

World Young Shepherd Challenge – a major success for New Zealand



Twenty-two young people from 11 sheep producing countries around the world came to Oamaru to contest the first-ever World Young Shepherd Challenge, run by Beef + Lamb New Zealand.

In keeping with the thrilling All Blacks' Rugby World Cup win, a New Zealander won the challenge, with Lincoln University student Peter Klaassen taking top honours.

The competition had its origins at the International Sheepmeat Forum in Brussels in 2009. The forum was looking at ways to address the lack of profitability in the sheepmeat sector, plus falling sheepmeat consumption and production levels. It also identified the strong link between rugby-playing countries and sheep production,

triggering the idea of running the event on the back of the New Zealand Rugby World Cup.

The World Young Shepherd Challenge was designed to foster professional development in young farmers aged between 18 and 25 years, to build strong relationships between the sheep production sectors and the next generation of leaders in sheep producing countries.

Participating shepherds came from France, England, Wales, Northern Ireland, Republic of Ireland, Scotland, United States of America, Argentina, Uruguay, Australia and New Zealand. They competed in a range of activities to test their sheep farming skills, including fencing, counting sheep, identifying sheep breeds, and shearing.

Scholars return the rewards

Beef + Lamb New Zealand once again awarded scholarships to students with a passion for contributing to the sheep and beef sector. This year's students repaid our support with excellent results.

George Smith topped his class for his second year of a Bachelor of Agricultural Science at Massey University. Rowan Sandford, studying for a Bachelor of Agricultural Commerce at Lincoln, was named Senior Beef Ambassador at the Future Beef New Zealand awards. This competition involves raising a steer through to slaughter. Fellow Lincoln student Peter Klaassen is also studying with a Beef + Lamb New Zealand undergraduate scholarship. He won the World Young Shepherd Challenge.

Overall, this year we supported 17 undergraduate students studying at Lincoln and Massey Universities and four students enrolled in diploma and certificate courses at Taratahi Agricultural Centre, Telford Rural Polytechnic and Lincoln University.

An undergraduate scholarship was also awarded to Chatham Islander Delwyn Tuanui, a student with a vision for exporting and marketing the red meat produced by Chatham Islanders.

Get Ahead and into an agricultural career

This year, Beef + Lamb New Zealand collaborated with DairyNZ and New Zealand Young Farmers to promote careers in agriculture to secondary school students. The Get Ahead programme has a number of modules, all geared to encourage bright young people into our sector.

Ten hands-on experience days where students get to see the range of career choices from 'pasture to plate' were held throughout the country.

Forty 'In2thefield' days were held where students choose a career that interests them and they get the chance to be matched to a mentor working in that area. This connection is proving valuable for young people to get more information on jobs they like the sound of, and the confidence to pursue opportunities.

Twenty TeenAg clubs are operating in secondary schools around the country. These groups operate like Young Farmers clubs, but for a younger age group.

The Get Ahead website profiles a range of industry people and their careers. It provides a good outline of the educational qualifications required and possible careers paths to pursue.
www.getahead.co.nz





INFORMATION

Farm survey in 61st year

The Beef + Lamb New Zealand Sheep and Beef Farm Survey began in 1950 and it is central to the activities of the Beef + Lamb New Zealand Economic Service. It provides a sound base for forecasts of meat and wool production and trends in the sector by linking together physical production with financial returns and the capital structure of farms.

During the year the Economic Service Managers visited around 550 commercial sheep and beef farms throughout New Zealand to gather information on sales, purchases, production, financial accounts and livestock numbers. Farmers were also contacted at the end of June to update actual stock numbers and again at the end of lambing to establish lamb crop numbers.

Lambing calculator

The new Beef + Lamb New Zealand website has an interactive feature to enable farmers to access Economic Service data and apply it to their own farming business.

The lambing percentage calculator is the first of our brand new interactive tools designed to lift on-farm performance.

The calculator offers a clear understanding of where a farm stands among a broader group – be it regional, land type or stock class. Farmers are also able to compare their business going back to 2002.

The point of the calculator is that once farmers know where they are, they have a better idea of the opportunities for improvement and can take appropriate action to change their course.

Meeting the sector's information and analysis needs

The trends shown by farm survey data were published in several key reports, including the Stock Number Survey, Lamb Crop and Movements in Sheep & Beef Farm Input Prices. After producing the Sheep & Beef Mid-Season Update in February, the Economic Service followed up with its New Season Outlook – our estimate for the actual farm situation in the new season ahead.

The accuracy and independence of the information produced by the Economic Service gives farmers, meat processors and exporters, consultants and other organisations solid information for business planning. The Lamb Crop Report, published in November 2011 for example, was particularly anticipated by the sector following tough spring and lambing conditions. During the year the Economic Service responded to over 700 media enquiries and requests for presentations or discussion papers.

The Economic Service continued to provide the Government with information and analysis on water footprinting, carbon credits and the Emissions Trading Scheme to ensure sheep and beef farmers are not disadvantaged by policy and legislative decisions.

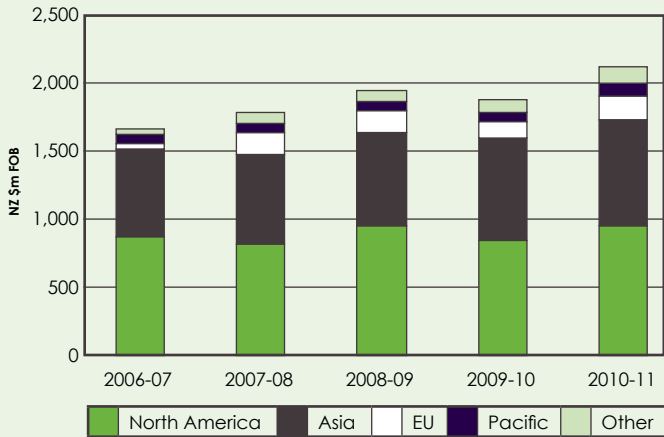


STATISTICAL HIGHLIGHTS

VALUE OF NEW ZEALAND BEEF & VEAL EXPORTS

YEAR ENDED 30 SEPTEMBER

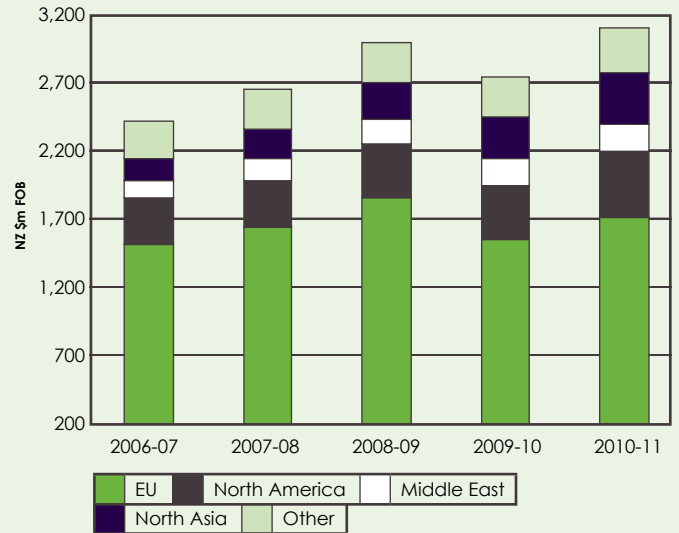
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



VALUE OF NEW ZEALAND LAMB & MUTTON EXPORTS

YEAR ENDED 30 SEPTEMBER

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE

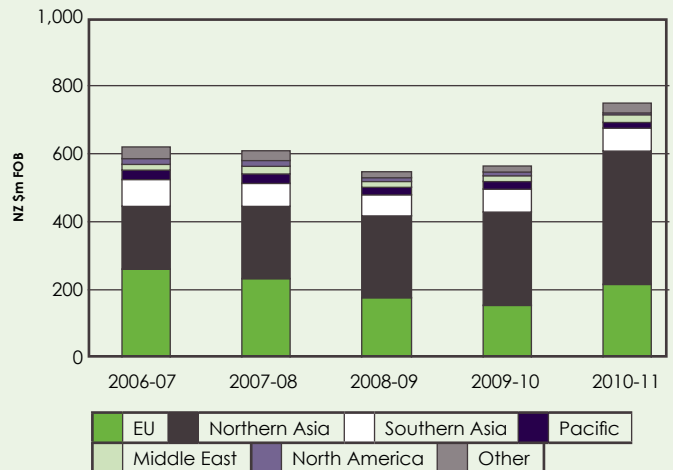


INDEPENDENT
INFORMATION
AND ANALYSIS

VALUE OF NEW ZEALAND WOOL EXPORTS

YEAR ENDED 30 SEPTEMBER

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND



MEAT SHIPMENTS BY DESTINATION, SHIPPED WEIGHT (TONNES)

YEAR ENDED 30 SEPTEMBER

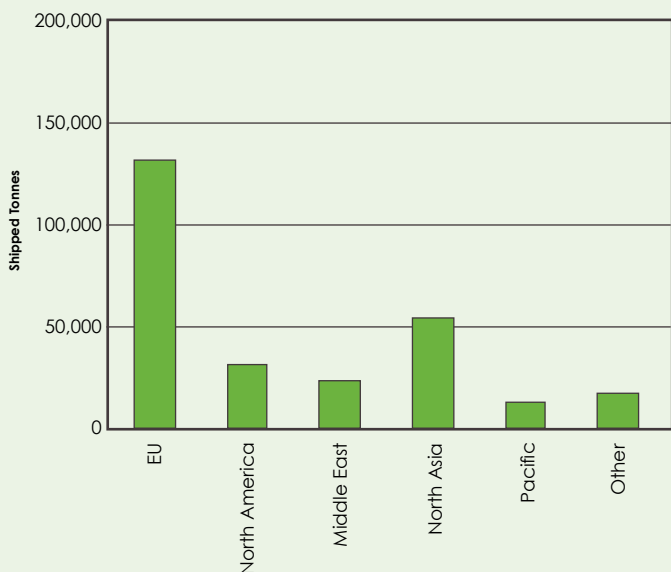
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE

Destination	Lamb		Mutton		Beef & Veal		Other		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Africa	7,788	6,379	2,993	3,726	1,440	1,991	7,757	8,866	19,978	20,963
Caribbean	5,184	3,771	762	1,780	1,843	3,322	934	572	8,723	9,446
European Union	146,319	128,763	18,260	21,440	11,144	13,875	13,815	10,977	189,539	175,056
Eastern Europe	1,415	1,639	805	1,496	1,318	2,408	2,702	2,920	6,239	8,464
Mediterranean	24	36	5	11	96	82	1	4	126	133
Middle East	30,009	23,198	6,184	7,332	8,774	10,166	3,763	4,914	48,729	45,610
North America	35,405	31,106	8,750	12,664	183,486	175,902	1,073	2,817	228,714	222,489
Northern Asia	48,950	53,265	15,241	17,212	93,590	92,828	17,350	16,961	175,131	180,266
Pacific	14,445	12,711	2,248	1,396	9,648	11,295	2,103	2,415	28,444	27,817
South America	0	33	0	0	0	15	213	178	213	226
Southern Asia	3,845	3,355	7,723	10,450	54,094	43,859	16,407	11,980	82,066	69,644
Western Europe	2,259	1,856	128	232	593	868	7	0	2,986	2,956
Total Shipments	295,642	266,113	63,099	77,741	366,026	356,610	66,120	62,606	790,888	763,070

MAJOR LAMB MARKETS BY DESTINATION

YEAR ENDED 30 SEPTEMBER 2011

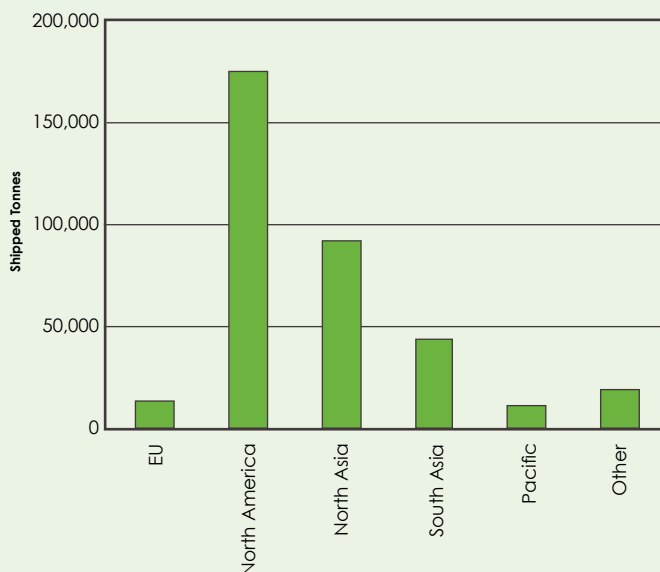
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



MAJOR BEEF & VEAL MARKETS BY DESTINATION

YEAR ENDED 30 SEPTEMBER 2011

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



WOOL SHIPMENTS BY DESTINATION (TONNES CLEAN)

YEAR ENDED 30 SEPTEMBER

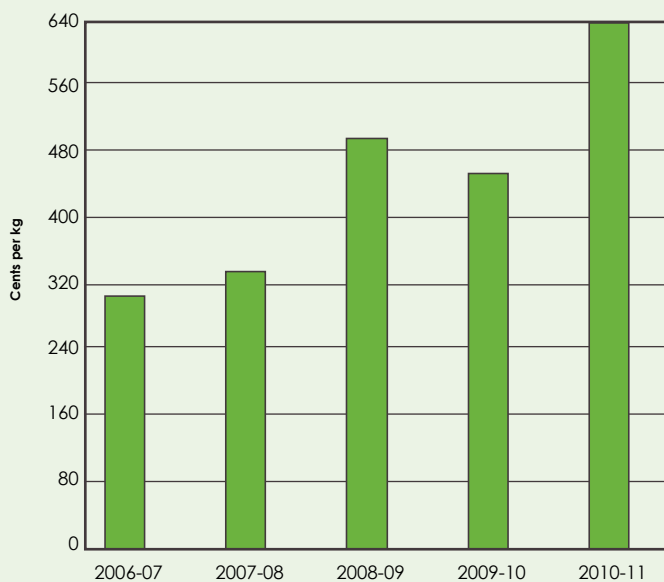
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

Destination	Fine Wool (< 24 micron)		Medium Wool (24 to 31 micron)		Fine Crossbred (> 31 to 35 micron)		Strong Crossbred (> 35 micron)		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Africa	19	131	269	452	38	89	448	378	774	1,050
European Union	1,447	2,274	6,097	6,570	10,076	10,911	19,293	12,407	36,913	32,162
Eastern Europe	0	0	223	79	313	146	108	0	644	225
Mediterranean	0	0	29	96	227	164	2,284	1,094	2,540	1,354
Middle East	0	0	275	34	1,017	1,032	3,817	1,754	5,109	2,820
North America	71	26	247	345	1,098	658	904	633	2,320	1,662
Northern Asia	4,634	4,233	9,825	7,898	23,695	24,930	15,597	17,326	53,751	54,387
Pacific	39	1	38	10	348	160	4,599	2,880	5,024	3,050
South America	134	14	72	708	106	137	72	0	384	860
Southern Asia	207	135	1,365	1,300	2,350	3,006	12,968	6,878	16,890	11,320
Western Europe	0	0	0	0	54	127	0	117	54	244
Total Shipments	6,550	6,814	18,440	17,492	39,321	41,361	60,091	43,466	124,402	109,134

EXPORT LAMB FARM PRICE¹

¹ALL GRADES, INCL. WOOL PULL

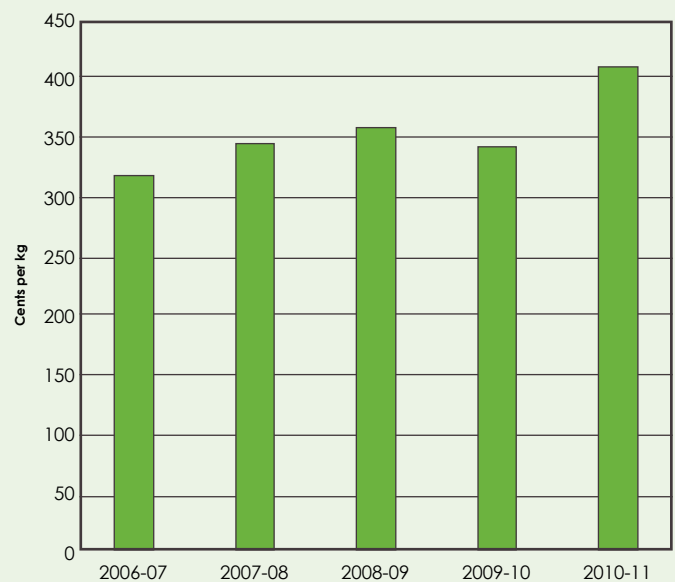
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



EXPORT STEER AND HEIFER FARM PRICE¹

¹ALL WEIGHTS

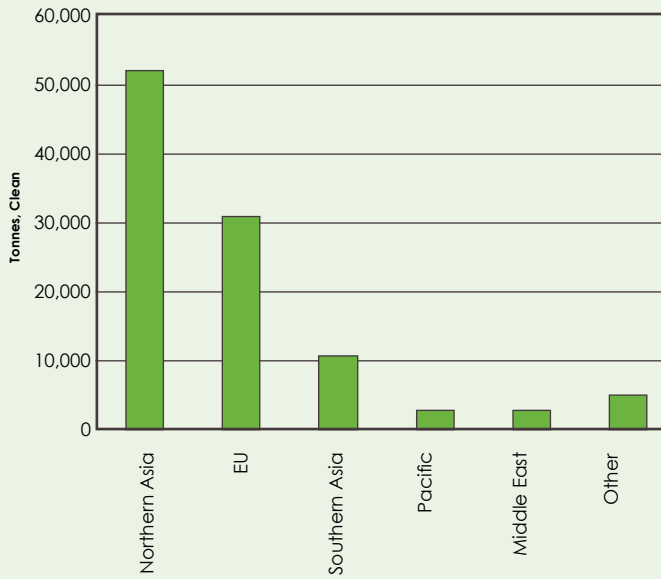
SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



MAJOR WOOL MARKETS BY DESTINATION

YEAR ENDED 30 SEPTEMBER 2011

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE



NEW ZEALAND RAW WOOL EXPORTS - CLEAN

YEAR ENDED 30 JUNE

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

	Average Auction Price	FOB Wool Shipped	Wool Exports	Raw Wool FOB Export Receipts	Export Volume Scoured
	\$ per kg	\$ per kg	000 t	\$ m	
2003-04	4.69	5.27	140.4	740.1	73%
2004-05	4.38	4.97	133.9	665.7	78%
2005-06	4.01	4.64	148.4	688.8	75%
2006-07	4.16	4.56	143.5	655.1	79%
2007-08	4.21	4.48	136.9	612.7	77%
2008-09	4.15	4.93	115.4	568.6	72%
2009-10	4.21	4.50	122.9	552.6	73%
2010-11	6.02	6.29	113.7	715.3	72%

WOOL PRODUCTION

YEAR ENDED 30 JUNE

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

	Opening Sheep	Slipre greasy ¹	Shorn Greasy	Total Greasy	Shorn Wool Greasy
	(000s)	000 t	000 t	000 t	Kg/Hd
2003-04	39,552	25.9	191.8	217.7	5.50
2004-05	39,271	28.4	187.1	215.5	5.49
2005-06	39,880	25.5	199.0	224.5	5.63
2006-07	40,098	29.8	187.8	217.6	5.43
2007-08	38,460	30.6	175.2	205.8	5.35
2008-09	34,088	25.1	132.4	157.5	4.62
2009-10	32,384	23.0	150.4	173.4	5.35
2010-11	32,563	21.5	155.4	176.9	5.43

¹ Post 2004-05 slipre excludes sheepskins & pre 2004-05 includes sheepskins

AVERAGE EXPORT CARCASS WEIGHTS

KILOGRAMS PER HEAD
YEAR ENDED 30 SEPTEMBER

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, NEW ZEALAND MEAT BOARD

	2010	2011	% change
Lamb			
North Island	17.59	18.10	2.9%
South Island	17.68	18.35	3.8%
New Zealand	17.64	18.23	3.3%
Mutton			
North Island	23.38	22.85	-2.3%
South Island	26.12	25.52	-2.3%
New Zealand	24.75	24.17	-2.3%
Steer and heifer			
North Island	279.96	272.62	-2.6%
South Island	292.91	286.63	-2.1%
New Zealand	283.53	276.36	-2.5%
Cow			
North Island	195.38	194.97	-0.2%
South Island	210.94	206.96	-1.9%
New Zealand	199.32	198.17	-0.6%
Bull			
North Island	309.60	296.70	-4.2%
South Island	318.78	306.48	-3.9%
New Zealand	311.28	298.56	-4.1%

VALUE OF NEW ZEALAND EXPORTS ¹

\$ MILLION FOB²
YEAR ENDED 30 SEPTEMBER

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

Year ended 30 September	2010	2011
Meat		
Lamb	2,346.6	2,542.0
Mutton	344.2	490.7
Beef and Veal	1,852.8	2,078.0
Edible Offal	187.6	203.0
Other Meats	401.0	422.7
Total Meat	5,132.0	5,736.4
Other animal products		
Hides and Skins	174.8	280.2
Tallow	134.3	161.1
Animal Oils and Fats	22.3	24.1
Crude Animal Materials ³	291.8	346.5
Meat meal and Pet food	116.6	123.7
Total Other Animal Products	739.9	935.5
Total Meat Sector	5,871.9	6,671.8
Wool Sector		
Raw Wool	570.2	757.3
Tops, Yarns & Sliver	99.5	99.2
Carpets & Rugs	82.0	79.2
Other Final Woollen Products	30.1	26.3
Total Wool Sector	781.8	962.0
Total Meat and Wool Sector	6,653.7	7,633.8
Dairy	10,027.6	12,199.7
Livestock and Other	202.9	252.1
Total Horticulture & Arable	2,105.8	2,237.0
Processed Agriculture (Excluding Processed Wool)	1,802.6	1,937.0
Other Agricultural Exports	597.1	639.2
Total Agriculture	21,389.6	24,898.8

¹ Excludes re-exports

² FOB: Free on Board

³ Sausage casings, tripe, glands, bladders, etc.

TOTAL INSPECTED LIVESTOCK SLAUGHTERING

YEAR ENDED 30 SEPTEMBER

SOURCE: MINISTRY OF AGRICULTURE AND FORESTRY

Year ended 30 September	THOUSAND HEAD ¹	
	2009-10	2010-11
Lambs	21,410.6	19,687.2
Adult Sheep	3,926.7	4,576.5
Calves & Vealers	1,552.3	1,658.1
Adult Cattle	2,376.0	2,381.2
Pigs	694.1	729.3
Goats	112.2	113.1

¹ Slaughtering at meat export slaughterhouses and local market abattoirs only. Slaughtering includes those of animals wholly condemned.



TOTAL INSPECTED MEAT PRODUCTION¹

YEAR ENDED 30 SEPTEMBER

SOURCE: MINISTRY OF AGRICULTURE AND FORESTRY

Year ended 30 September	THOUSAND HEAD ¹	
	2009-10	2010-11
Lamb	375.2	356.3
Mutton	95.7	109.1
Bobby Veal and Veal	25.4	27.0
Beef	609.9	595.7
Pigmeat	47.1	50.2
Goatmeat	1.2	1.2
Total	1,154.5	1,139.5

¹ Bone-in or carcass weight. Meat production from livestock slaughtering at meat export and local market abattoirs only. Meat from horses is excluded.

Note: Totals may not add due to rounding

Data collected from 550 commercial sheep and beef farms is used by the economic service for its meat and wool production forecasts.



MEAT PRODUCTION AVAILABLE FOR EXPORT¹

YEAR ENDED 30 SEPTEMBER

SOURCE: NEW ZEALAND MEAT BOARD

Year ended 30 September	THOUSAND HEAD ¹	
	2010	2011P
Lamb	369.5	351.0
Mutton ²	90.6	106.0
Beef	580.9	571.8
Bobby Veal	25.1	26.9
Goat	1.2	1.2
Total	1,067.3	1,056.9

¹ Includes production withdrawn from export stocks for local consumption

² Mutton includes hogget

Note: Totals may not add due to rounding



NEW ZEALAND SHEEP NUMBERS

YEAR ENDED 30 JUNE

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

Year ended 30 June	THOUSAND HEAD	
	2010	2011p
Total Sheep	32,563	31,881
Breeding Ewes	21,794	21,254
Breeding Ewes as % of total	66.9	66.7
Number of Lambs Tailed ¹	24,783	26,172
Lambing % Breeding Ewes ²	109.6	119.3

¹ Lambs tailed includes lambs from hoggets

² Lambing % for calendar year shown

p: provisional

NEW ZEALAND CATTLE NUMBERS

YEAR ENDED 30 JUNE

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND

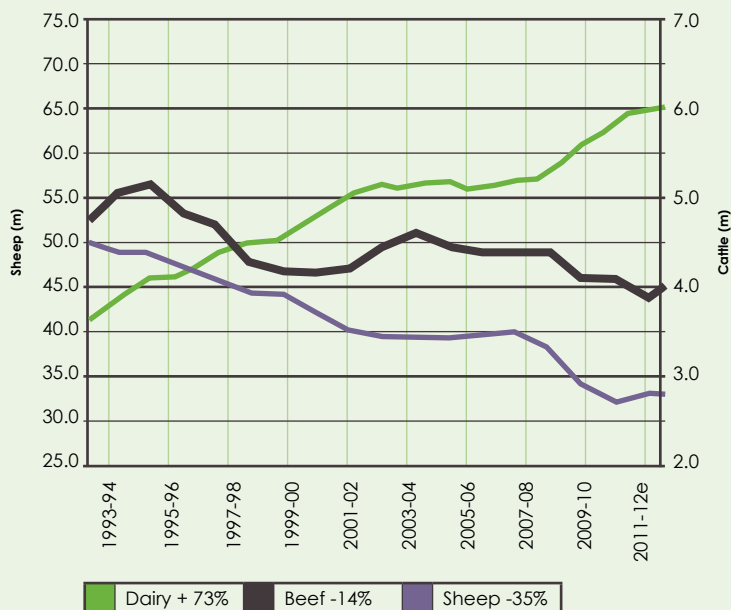
Year ended 30 June	THOUSAND HEAD	
	2010	2011p
Dairy Cows and Heifers in Calf or milk	4,680	4,800
Other Dairy Cattle	1,235	1,304
Total Dairy Cattle	5,915	6,104
Beef Breeding Cows	1,118	1,079
Other Beef Cattle	2,831	2,863
Total Beef Cattle	3,949	3,942
Total Cattle	9,864	10,046

p: provisional

NEW ZEALAND SHEEP AND CATTLE NUMBERS

CHANGE 1993 TO 2012

SOURCE: BEEF + LAMB NEW ZEALAND ECONOMIC SERVICE, STATISTICS NEW ZEALAND



e: estimate



The new lambing calculator has an interactive feature to enable you to access Beef + Lamb New Zealand Economic Service data and apply it to your farm. Check our website www.beeflambnz.com

PROMOTING BEEF + LAMB IN THE DOMESTIC MARKET

Meat magazine was one of the most successful initiatives introduced in 2011. It is a free magazine available in stores, focused on educating consumers about beef and lamb cuts and cookery, as well as providing them with versatile recipes they can easily prepare at home. The demand for Meat has grown with each of the three issues produced as far, and feedback received from shoppers is resoundingly positive. The magazine now has a print run of 200,000.



The 'Farm Girls' television commercial, produced in 2010, continued to play in 2011 after research showed it still rated highly with consumers on recall and likeability.

In the Foodservice area, the Beef + Lamb Excellence Awards saw a record 91% of restaurants achieve the required standard, with 189 restaurants receiving the award. Pubs and taverns were targeted via the Hospitality Association of New Zealand's Best Beef and Best Lamb awards.

The New Zealand Beef and Lamb Quality Mark continued to receive strong support from meat retailers and is highly sought after by other food industry partners in joint venture promotions. At least two consumer television programmes and advertisements featured the Quality Mark, highlighting the New Zealand-produced guarantee, and at no cost to Beef + Lamb New Zealand.

Social media has been a key focus in the past year with both Facebook and Twitter enabling daily, direct contact with consumers.

Health professionals and opinion leaders continued to receive regular contact from Beef + Lamb New Zealand via the nutrition team. A range of nutritional and educational resources were updated and printed for dissemination to a range of professionals including Plunket Nurses, midwives and practice nurses.

The Iron Brion BBQ Roadshow once again toured the country visiting primary schools and teaching children about the benefits of red meat. Secondary school children were also targeted through the Secondary School Burger competition which attracted 80 entries in 2011. Beef + Lamb New Zealand ran seminars with leading chef Paul Jobin, who visited polytechnics throughout the country educating student chefs about beef and lamb cookery.

BUDGET 2011-2012

Beef + Lamb New Zealand is budgeting levy income of \$23.6 million on production of 24.2 million head of lamb and mutton and 2.6 million head of cattle.

Grants of \$3.076 million are expected from New Zealand Meat Board interest income, comprising Ovita \$2 million (this explains the weighting towards the sheepmeat levy stream in the budget shown below), Pastoral Genomics \$826,000 and Johne's Disease Research \$250,000. The corresponding expenditure is categorised as research and development.

Expenditure is budgeted at \$33.7 million and this includes the run out of the wool and goat levy streams and \$2.064 million of expenditure from non levy stream reserves.

Compared to the 2010-2011 year, significant increases in expenditure are budgeted for the Farm uptake and research & development programmes.

Non levy stream expenditure includes a budgeted sum of \$1.4 million for website development and web enabled tools and resources and \$240,000 for scholarships and leadership projects from the Meat Education Fund and \$80,000 for industry strategy projects.

Beef + Lamb New Zealand's financial objective is to break even the sheepmeat and beef levy stream activities in the 2012-2013 financial year and use the special reserves fund to fund one-off initiatives.

Overall a deficit of \$4.3 million is budgeted, with \$1.8 million of the deficit from continuing sheepmeat and beef levy activities.

	Total	Beef	Sheep	Wool	Goat	Non Levy Stream
Income						
Levy	23,628	10,324	13,305			
New Zealand Meat Board Grants	3,076	414	2,662			
Interest Income	927	128	93	70		637
Other Income	1,724	469	1,255			
	29,355	11,334	17,314	70	0	637
Expense						
Administration	3,740	1,563	2,178			
Communications	331	116	215			
Information & Analysis	2,023	671	1,252	100		
Market Access	2,977	931	1,946	100		
Market Development	8,313	4,270	4,042			
Non Levy Stream - Projects	2,064					2,064
People & Capability	821	263	488	70		
Research & Development	7,055	1,728	5,217		111	
Uptake	5,915	2,147	3,518	250		
Residual Wool Levy Fund	442			442		
	33,682	11,689	18,856	962	111	2,064
Surplus/ (deficit)	(4,327)	(355)	(1,541)	(892)	(111)	(1,427)

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2011

In thousands of New Zealand dollars	GROUP Year Ended 2011			GROUP Year Ended 2010		
	Total	Levy Stream	Non Levy Stream	Total	Levy Stream	Non Levy Stream
Levies Received	21,640	21,640	-	23,806	23,806	-
Other income	7,562	7,562	-	12,258	8,048	4,210
Other operating expenses	(32,756)	(30,693)	(2,063)	(34,969)	(33,036)	(1,933)
Net operating surplus/(deficit) from operating activities	(3,554)	(1,491)	(2,063)	1,095	(1,182)	2,277
Net finance income	792	137	655	230	(299)	529
Share of surplus/(deficit) of associates	557	557	-	(51)	(51)	-
Net operating Surplus/(deficit) for the year before income tax	(2,205)	(797)	(1,408)	1,274	(1,532)	2,806
Income tax expense	-	-	-	-	-	-
Net operating Surplus/(deficit) for the period	(2,205)	(797)	(1,408)	1,274	(1,532)	2,806
<i>Other comprehensive income</i>						
Unrealised gains and (losses) on financial instruments	115	115	-	429	429	-
Net change in fair value of available-for-sale financial assets	73	-	73	16	-	16
Total comprehensive income for the year	(2,017)	(682)	(1,335)	1,719	(1,103)	2,822
Attributable to:						
Levy payers	(682)	(682)	-	(1,103)	(1,103)	-
Meat Education Fund	(137)	-	(137)	(118)	-	(118)
Special Reserves	(1,198)	-	(1,198)	2,940	-	2,940
	(2,017)	(682)	(1,335)	1,719	(1,103)	2,822

These statements are to be read in conjunction with the notes on page 42. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

PARENT STATEMENT OF LEVY STREAM PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2011

2011 In thousands of New Zealand dollars	Beef	Sheepmeat	Goat	Total Meat	Wool
Income					
Levy Income	9,532	12,108	-	21,640	-
Grant Funding from New Zealand Meat Board	414	2,662	-	3,076	-
Finance Income	146	199	-	345	141
Fees	44	386	-	430	-
Other Income	461	723	-	1,184	-
Total income	10,597	16,078	-	26,675	141
Expenditure					
Market Development	4,358	4,285	-	8,643	-
Research & Development	1,604	5,548	4	7,156	-
Residual Wool Levy Fund	-	-	-	-	75
Market Access	994	1,455	-	2,449	100
Administration	1,322	1,792	-	3,114	-
Uptake	1,079	1,808	-	2,887	250
Information & Analysis	575	1,081	-	1,656	100
People & Capability	245	455	-	700	70
Communications	410	617	-	1,027	-
Total operating expenditure	10,587	17,041	4	27,632	595
Net operating surplus/ (deficit) for the period	10	(963)	(4)	(957)	(454)

These statements are to be read in conjunction with the notes on page 42. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Group	2011				2010			
	Hedging Reserve	Investment fair value reserve	Retained earnings	Total Equity	Hedging Reserve	Investment fair value reserve	Retained earnings	Total Equity
In thousands of New Zealand dollars								
Balance at 1 October	(117)	(312)	28,857	28,428	(546)	(328)	27,583	26,709
Total comprehensive income for the period								
Surplus/ (deficit) for the period	-	-	(2,205)	(2,205)	-	-	1,274	1,274
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges	115			115	429			429
Net change in fair value of available-for-sale financial assets		73		73		16		16
Total other comprehensive income	115	73	-	188	429	16	-	445
Total comprehensive income for the period	115	73	(2,205)	(2,017)	429	16	1,274	1,719
Balance at 30 September	(2)	(239)	26,652	26,411	(117)	(312)	28,857	28,428

These statements are to be read in conjunction with the notes on page 42. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

BALANCE SHEET

AS AT 30 SEPTEMBER 2011

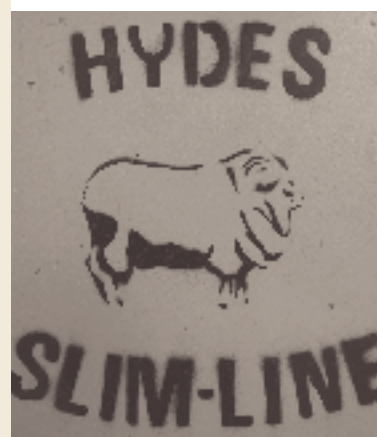
GROUP		
In thousands of New Zealand dollars	2011	2010
Equity employed		
Reserves	(241)	(429)
Retained earnings	26,652	28,857
Total equity employed	26,411	28,428
Represented by:		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6,880	8,187
Trade and other receivables	3,052	3,668
Other investments	19,120	18,460
Derivative financial instruments	71	22
Total current assets	29,123	30,337
Non-current assets		
Property, plant & equipment	488	415
Intangible assets	304	291
Investments in associates	874	317
Other investments	2,562	2,488
Derivative financial instruments	4	-
Term receivables	130	91
Total non-current assets	4,362	3,602
Total assets	33,485	33,939
Current liabilities		
Trade and other payables	6,011	4,434
Derivative financial instruments	46	138
Deferred Income	59	144
Employee entitlements	538	492
Total current liabilities	6,654	5,208
Non current liabilities		
Lease Liabilities	315	197
Loans and Borrowings	77	81
Employee entitlements	28	25
Total non-current liabilities	420	303
Total liabilities	7,074	5,511
Net assets	26,411	28,428



M C Petersen
Chairman

A C D Fox
Chairman Audit & Risk Committee

The Board of Directors authorised these financial statements for issue on 7 December 2011.



These statements are to be read in conjunction with the notes on page 42. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

In thousands of New Zealand dollars	GROUP	
	2011	2010
Net cash flows from operating activities	(246)	1,852
Net cash flows from/ (to) investing activities	(1,061)	(8,569)
Net cash flows used in financing activities	-	(783)
Net increase/ (decrease) in cash and cash equivalents	(1,307)	(7,500)

NOTES:

1. These summary accounts have been prepared in accordance with NZGAAP for a public benefit entity as it relates to summary financial statements.
2. The specific disclosures included in the summary financial report have been extracted from the audited financial statements dated 7 December 2011. The audit opinion expressed was unqualified.
3. This summary report does not provide the detail included in the full financial report and reports the financial result for the Beef + Lamb New Zealand group only. The full financial report including both the Parent and Group financial statements has been prepared in accordance with NZGAAP and complies with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.
4. If you require a complete set of the annual financial report please contact, Chief Operating Officer, Beef + Lamb New Zealand, P O Box 121, Wellington or phone 0800 BEEFLAMB (0800 233 352).

Alternatively the Financial Statements are available on the website www.beeflambnz.com

STATUTORY DISCLOSURES

DISCLOSURE OF INTERESTS BY DIRECTORS

The following particulars of notices were given by Directors of Beef + Lamb New Zealand Limited pursuant to section 140(2) of the Companies Act 1993.

Director	Interest	Organisation
Mike Petersen	Director/ Representative	Beef + Lamb New Zealand Inc., Red Meat Sector Strategy Co-ordination Group, The International Business Forum
Andy Fox	Director	MIRINZ Inc, Wool Industry Network Trust, Meat Biologics Research Ltd
Leon Black	Director	Ovita Ltd, Agriculture Industry Training Organisation, Pastoral Greenhouse Gas Research Ltd
Craig Hickson	Director	Progressive Meats Ltd (Managing Director), Ovation New Zealand Ltd, Te Kuiti Meat Processors Ltd, Lean Meats Ltd, CIG Calon Cymru, Ovita Ltd, Meat Industry Association
Keith Cooper	Director	Silver Fern Farms Ltd (Chief Executive Officer), Titan Meat Company Ltd, Farm IQ Systems Ltd, Trial Run Holdings Ltd, Farm Brands Ltd. Meat Industry Association, Beef + Lamb New Zealand Inc.
James Parsons	Director	Pastoral Genomics Limited
Anne Munro	Director	New Zealand Wool Investment Company Ltd

All of the Directors of Beef + Lamb New Zealand Limited are directors of the New Zealand Meat Board.

Some of the Directors of Beef + Lamb New Zealand Limited own shares in New Zealand meat processing and exporting companies. All of the directors are involved in farming operations.

BOARD OF DIRECTORS FEES

	2011 (\$000)	2010 (\$000)
Chairman	62	62
Directors	26	26

The above fees represent the annualised fees payable to Directors. Beef + Lamb New Zealand Limited pay no other fees to Directors including representation on subsidiary or other related organisations.

DIRECTORS' INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of Beef + Lamb New Zealand Limited, the company has insured all its Directors and Officers against liabilities to other parties that may arise from their positions as Directors of the company. This insurance does not cover liabilities arising from criminal actions and deliberate and reckless acts or omissions by the Directors.

USE OF COMPANY INFORMATION BY DIRECTORS

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 requesting to use company information received in their capacity as Directors which would otherwise not have been available to them.

Set out below is the number of employees of Beef + Lamb New Zealand Limited and its subsidiaries who received remuneration and other benefits of \$100,000 or more during the year in their capacity as employees.

The remuneration of staff resident outside New Zealand has been converted to New Zealand dollars for the purpose of this disclosure.

Remuneration Range (\$,000)	Number of Employees	
	2011	2010
100-109	3	5
110-119	2	4
120-129	4	2
130-139	1	3
140-149	2	2
150-159	2	3
160-169	2	-
170-179	1	-
180-189	1	1
220-229	-	1
230-239	1	-
250-259	-	1
260-269	1	-
280-289	-	1
300-310	1	-

The Honorary, Remuneration & Expense Committee of the company's Board approves the company's remuneration policy.

GENERAL DISCLOSURES

The following persons held the office of Director of the respective subsidiaries during the year to September 2011. Directors appointed (A) or who resigned (R) during the year are indicated. Staff appointments do not receive Directors fees or other benefits as a Director.

Beef + Lamb New Zealand Investments Ltd	Scott Champion
Beef + Lamb New Zealand Clover Company Ltd	Scott Champion
Johne's Disease Research Ltd	Richard Wakelin
Beef + Lamb New Zealand Emissions Company Ltd	Scott Champion
Meat Biologics Research Ltd	Andy Fox Cros Spooner
Primary Resources Ltd	Mike Petersen
Freesia Finance Ltd	Mike Petersen
Freesia Meat Holdings Ltd	Mike Petersen
Beef + Lamb New Zealand Shelf Co Ltd	Scott Champion
Beef + Lamb New Zealand Johnesco Ltd	Scott Champion
Meat & Wool Trust Ltd	Mike Petersen Anne Munro Andy Fox Kirsten Bryant Leon Black Craig Hickson James Parsons Keith Cooper
Pastoral Greenhouse Gas Research Ltd	Leon Black
Pastoral Genomics Ltd	James Parsons
Ovita Ltd	Leon Black Craig Hickson

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Stakeholders of Beef + Lamb New Zealand Limited

The accompanying summary financial statements on pages 38 to 42, which comprise the summary statement of financial position as at 30 September 2011, the parent statement of levy stream performance and the summary statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, are derived from the audited financial statements of Beef + Lamb New Zealand Limited ('the company') for the year ended 30 September 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 9 December 2011.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Beef + Lamb New Zealand Limited.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion, the summary financial statements, derived from the audited financial statements of Beef + Lamb New Zealand for the year ended 30 September 2011, are a fair summary of those financial statements, in accordance with FRS-43 *Summary Financial Statements*.

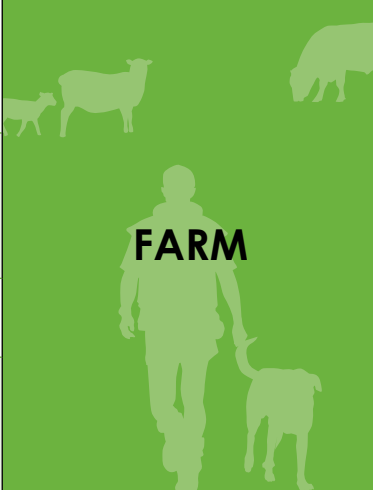




9 December 2011
Wellington

APPENDIX ONE

METRIC	RESULT 2009/10	RESULT (TARGET) 2010/11	TARGET 2011/2012
Farmer attendance	10684	14741 (11250)	15500
Farm surveys undertaken (Economic Service)	565	448 (450)	505
Farmer events conducted	308	268 (350)	275
Research investment	\$5,500,000	\$5,092,000 (\$5,900,000)	\$5,913,000
Industry contribution (\$) alongside Beef + Lamb New Zealand to co-funded sheepmeat & beef marketing	\$2,381,180	\$3,191,506 (\$3,000,000)	\$3,000,000
Market access costs ¹ on a per farm basis	\$18,768	\$18,552	\$18,250
Tariff index sheepmeat	1000	950	900
Tariff index beef	1000	995	985
Total tariff index	1000	989	975
Export sheepmeat production (numbers) forecast accuracy	-0.7%	-9.7% (+/- 5%)	+/- 5%
Beef production forecast accuracy	+1.8%	-6.2% (+/- 5%)	+/- 5%
Service provision of info, analysis and presentations	754	745 (650)	760

¹ These figures differ from those in last year's annual report due to some of the original assumptions regarding out of quota beef exports being readdressed. Both the targets and outcomes have been recalculated to take account of the modified model. The model maintains a constant pattern of trade and number of farms as per 2010 and provides an indicator only of progress in market access tariff reduction.





COMMENTARY	CATEGORY
Implementation of Regional Delivery Plans, the alignment of the Farmer Council to Director Electorates and improved tools and services from Beef + Lamb New Zealand has resulted in a significant increase in farmer attendance at Beef + Lamb New Zealand events. This has been further supported by rising levels of industry confidence.	 <p>FARM</p>
2010/2011 survey was conducted with reduced resources following the restructure of the previous year. During the reporting period Economic Service Managers were full time survey resources, with the sole focus of farm visits, data collection and analysis. Increased farm surveys will be delivered for 2012.	
The number of events conducted has been reduced with a larger average attendance per event. This approach is likely to continue.	
Research investment by Beef + Lamb New Zealand is matched with other industry investors, including government. The leveraged funding by Beef + Lamb New Zealand results in more than \$25m of research activity directly aligned to the sheep and beef sector.	
Beef + Lamb New Zealand funding available for matching with processor and exporter contributions (1:1) was 77% utilised in 2011. The introduction of a new joint promotional fund in the UK played a significant part in lifting total company contributions (up 34%) relative to last year. The objective for 2012 will be focused on seeking to strengthen fund utilisation above 80%.	 <p>MARKET</p>
Overall a modest reduction in tariff rates reflected on a per farm basis. The areas of tariff reduction are described below.	
Mitigation of sheepmeat tariff costs arose from a reduction in tariffs under the China FTA and a small reduction for the Philippines as a result of AANZFTA.	
Mitigation of beef tariffs resulted from reductions in tariffs in China (China FTA), Thailand (Thai FTA) Philippines and Indonesia (AANZFTA). Reduction in beef tariffs remains the number one priority for industry market access activities.	
The tariff index is an indicator of the reduction in tariff rates across major markets. While actual tariff payments will fluctuate with changes in total sales and movement of products between markets, the tariff indicator measures one of the outcomes targeted by Beef + Lamb New Zealand's market access activities.	
This measure represents the difference between the July 2010 forecast for export lamb & mutton (Beef + Lamb New Zealand New Season Outlook 2010-11) and the actual production for the year ended 30 September 2011. The reason for this variation was the Southland snow storm and a difficult lambing season in many regions of New Zealand.	 <p>INFORMATION</p>
This measure represents the difference between the July 2010 forecast for export beef (Beef + Lamb New Zealand New Season Outlook 2010-11) and the actual production for the year ended 30 September 2011. Reduced production of cow and steer were the main reason following a dry 2009-2010 season.	
Represents the annual number of requests for Beef + Lamb New Zealand Economic Service information, publications and presentations.	

METRIC	RESULT 2009/10	RESULT (TARGET) 2010/11	TARGET 2011/2012
Number of participants in leadership programmes funded by Beef + Lamb New Zealand	151	222 (160)	230
Retention of Beef + Lamb New Zealand undergraduate scholarship recipients within the industry	90%	87.5% (80%)	80%
Sheep & beef trainees who complete AglITO national qualifications	23%	30% (45%)	45%
Beef + Lamb New Zealand employee turnover	16%	9.5% (<12%)	<10%
% of salary budget invested in staff learning and development	2.06%	2.7% (2%)	2.5%
Beef + Lamb New Zealand staff satisfaction with their role	65%	68% (80%)	75%
Sheep & beef levy expenditure (actual)	\$27.2 million	\$27.6 million (\$29.0 million)	\$30.9 million
Other income (excluding NZMB Grants, administration recoveries and interest earnings)	\$1.97 million	\$0.9 million (\$1.0 million)	\$1.0 million
Farmer awareness of Beef + Lamb New Zealand	62%	49% (75%)	75%
Farmer satisfaction with Beef + Lamb New Zealand	41%	49% (50%)	60%
Farmer confidence in the future of the sheep & beef industry	38%	61% (50%)	50%
Farm productivity change - lambing %	121.5%	111.7% (109.6%)	119.3%
Farm productivity change – steer carcass weight at slaughter	312	304.9 kg (311kg)	309.0 Kg
Farm input costs	-3.5%	4.1% (3.1%)	3.0%
Sheep and Beef Farm Profit Before Tax ⁴	\$61,000	\$114,200 (\$67,600)	\$ 133,800

² Survey method changed during the year, removing any prompts as used in 2010. Results over quarters 3 & 4 of 2011 have seen a 10% lift in awareness.

³ Sector metrics are provided as an overview of farm sector performance and are driven by a combination of factors, including Beef + Lamb New Zealand delivery, farmer uptake, and external influences including market factors and global economic conditions.

⁴ Weighted average farm profit before tax from Beef + Lamb New Zealand Economic Service annual survey - all farm classes.

COMMENTARY	CATEGORY
<p>Beef + Lamb New Zealand supported participants in a variety of leadership programmes for the sector. Funding is provided to support the following organisations and programmes: New Zealand Young Farmers, Federated Farmers, Agri-Womens Development Trust for Escalator Programme and Nuffield scholars. Individual scholarships were offered for FAME and Five Nations Beef - Young Ranchers Programme.</p>	 <p>PEOPLE</p>
<p>Seven scholars graduated from their programmes of study in 2012, with six of them securing roles within the sector such as Shepherds, Field Officer and Territory Sales Manager.</p>	
<p>The completion rate has seen an increase on the previous year, but not to the target set. Trainees completing qualifications at level 1, 2 and 5 on the NZQA framework are above target. Trainees completing qualifications at level 3 and 4 on the NZQA framework are below target. This is where more emphasis will need to be put in 2012. Level 1 is entry level training, progressing through to level 5 which is at diploma level.</p>	
<p>Beef + Lamb New Zealand was pleased with the lower level of turnover this year.</p>	
<p>Investment in staff development was slightly higher than anticipated for 2011.</p>	
<p>Beef + Lamb New Zealand participate in a national employee survey annually, allowing the organisation to benchmark against others. The satisfaction level has increased this year, however not to the level we anticipated.</p>	 <p>FINANCIAL</p>
<p>Less expenditure (\$1 million) incurred in the Uptake programme than budgeted and smaller reductions across all other programmes. Budget for 2011-2012 will have a full year of Uptake activity.</p>	
<p>Third party income for services provided by Beef + Lamb New Zealand.</p>	 <p>CUSTOMER</p>
<p>Farmer awareness of Beef + Lamb New Zealand as the levy funded organisation tasked to look after the interests of sheep and beef farmers increased steadily throughout the year. Rebranding and marketing efforts to raise the profile of the organisation have proved successful although more work remains to be done in communicating to more farmers more often, to reach the target of 75% awareness.</p>	
<p>Farmer satisfaction with what Beef + Lamb New Zealand does increased 10% during the year to October 2011. Increased engagement with farmers through a variety of channels saw a significant lift in satisfaction in the middle of 2011, this plateauing later in the year.</p>	 <p>SECTOR³</p>
<p>Improving returns and favourable seasonal conditions has seen farmer confidence in the future of the sheep and beef sector increase sharply over the period, lifting by more than 20 percentage points during the year.</p>	
<p>Lambing percentage for the All Classes Average farm is projected to improve with favourable climatic conditions for the 2011 lambing season.</p>	
<p>Good growing conditions and the availability of grass in most regions should allow for an increase in the average steer carcass weight at slaughter.</p>	
<p>Increased use of fertiliser following low input from previous years increases the overall level of expenditure. A small real increase in on-farm costs is estimated at 3.0%.</p>	
<p>The weighted average farm profit before tax from Beef + Lamb New Zealand Economic Service annual survey (all farm classes), was significantly higher at \$114,200 for the 2010-11 year than projected with stronger market returns. The 2011-2012 season has started strongly the estimated sheep and beef weighted average farm profit before tax is expected to increase to \$133,800.</p>	

BEEF + LAMB NEW ZEALAND DIRECTORY

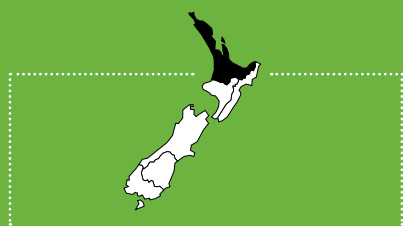
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