

— Annual Report —

2016-17



By Farmers. For Farmers



By Farmers. For Farmers

Level 4, Wellington Chambers,
154 Featherston Street,
PO Box 121, Wellington 6011, NZ
0800 BEEFLAMB (0800 233 352)
www.beeflambnz.com

CONTENTS

04 *Chairman's report*

06 *Chief Executive's report*

08 *Board of Directors*

10 *Industry snapshot*

14 *How we are tracking*

16 *Taking the sector forward*

18 *Our strategy 2017-22*

20 – *Unlocking market potential*

26 – *Enhancing our environmental position*

32 – *Supporting farming excellence*

38 – *Government & public insight & engagement*

42 *Budget 2017-18*

44 *Financial Statements*



CHAIRMAN'S *Report*

After the unexpected geopolitical twists and turns of last year, 2017 has been a period of challenge, change and positive new directions for the red meat sector.

On top of an unsettled globe, particularly trade-wise, farmers have endured one of the wettest years on record, widespread dry conditions into summer, intensive public scrutiny around water quality, a new government, and emergence of synthetic proteins.

Meanwhile, our board and senior management were developing a new strategy, reprioritising activities and sharpening our focus on what matters most for farmers. The tyranny of any industry organisation is being spread too thin, doing lots of good things, robbing focus from the most important things.

Our new strategy prioritises the things that will make a real difference for farmers: access to markets, positioning our industry and products

well; protecting and enhancing our environment, which will be backed by a comprehensive new environment strategy; and combining these with farming excellence to have enduringly profitable farms.

Through focusing our efforts, B+LNZ is now poised to deliver even more strongly by providing valuable insights to the New Zealand public, government, consumers, industry and most importantly farmers and stakeholders. Insights that help inform perceptions and positive decisions.

Being insights-driven is one of three key criteria we have assessed our activities against along with protecting or growing farmer profitability; and contributing to building thriving rural communities. Unless activities meet all three criteria, they are not the role of B+LNZ. This has led to some great debates and discussion around the board table as we have reassessed everything we do. With a new management structure in place, B+LNZ is entering an exciting period, where it can deliver with greater impact.

Despite some initial nerves in the sector, our new government has shown its commitment to working with and supporting rural and regional communities. The \$1 billion regional investment fund will provide some much-needed investment. The increase in R&D investment is also strongly welcomed.

Despite the shaky start, the new Comprehensive and Progressive TPP has emerged looking encouraging, with some strong leadership from New Zealand.

We are highly engaged with Brexit developments in Europe and the United Kingdom. We have a long history of collaborating with the United Kingdom and European Union and a track record as responsible traders. These positive relationships will assist us in working through this process.

A few achievements worth noting through the year are: the development of our authentic red meat sector story; the launch of the New Zealand Farm Assurance programme, through RMPP, to provide integrity to our story in



conjunction with the processing sector; the opening up of the long awaited chilled meat exports to China; market access to Iran; Beef + Lamb Genetics receiving a Gold Star rating from MBIE as one of its top research partnerships; and record engagement by farmers in B+LNZ health and safety events.

So, a big year of achievements, challenge, change and new direction. As Chair, I have really enjoyed working with our CEO Sam McIvor, now well bedded into the role and showing his skill in navigating the issues on behalf of farmers.

We've also seen the appointment of a new independent board director, Melissa Clark-Reynolds, in response to farmer feedback following a governance review. Melissa is bringing a fresh and broader perspective to the table, particularly around IT, disruptive technologies and opportunities.

As announced in November, I will be standing down immediately following the Annual Meeting on March 22nd. This will conclude nine years on the

board, four of those as Chair. I have a deep passion for our sector, its farmers and their communities. This passion is equally shared by my fellow directors, our staff, B+LNZ Farmer Councillors and the numerous farmers and other stakeholders we work closely with. These people, united by a common purpose, have made the nine years even more special. It has been a true honour to serve as the organisation's Chairman.

I will close my final Chairman's report with a few comments on the future. While we are acutely aware of the headwinds ahead for our sector, globally we are incredibly well placed to adapt and thrive.

No other red meat sector in the world is better placed to pioneer new ways of tackling global food and environmental problems. We led the world following the economic reforms of the mid '80's. Now, as the world's most unsubsidised farming sector and one of the most progressive and educated, we can lead again.



James Parsons
CHAIRMAN



CHIEF EXECUTIVE'S *Report*

Farmers worldwide are facing unprecedented change and challenge as the forces of environmental pressure, consumer awareness and technology combine to create what is a global food revolution.

There's no certainty and no room for complacency.

In the last year, we've seen this state of revolution accelerate with the proliferation of new food technologies and products not only on the supermarket shelves - but available to consumers through multiple channels.

No food producer, manufacturer or indeed retailer can afford to rest on their laurels.

However, the New Zealand red meat sector is strongly positioned to take advantage of this with our premium natural pasture-raised farming systems. And telling the red meat story is central to not only harnessing this opportunity, but a core platform of B+LNZ's newly refreshed strategy for supporting

farmers over the next five years.

Our vision is; profitable farmers, thriving rural communities, valued by all New Zealanders. In fact, it's our farmers' vision, developed after talking extensively with farmers and industry stakeholders to ensure we're working on issues that matter. Four priorities will deliver to that vision; unlocking market potential, supporting farming excellence, enhancing our environmental reputation, and government and public engagement.

Over the past year, we've been setting B+LNZ up to deliver on that strategy and show leadership. The red meat story is in its final stages. We've put in place the Farm Assurance Programme, via the Red Meat Profit Partnership, letting consumers know where the product is from, how it was raised and that it's safe to eat.

Consumer insight work focused on understanding how consumers experience food and make decisions related to red meat. This has helped us shape our story. We've tested what we learnt in USA, China, Indonesia, United Arab Emirates, UK, India and here at home - it resonates!

We're also developing a new Environment Strategy, ensuring that our farmers will be recognised for their commitment to the environment, whilst

maintaining the productive capacity of the land.

This includes making sure that farmers have access to the right tools and that the right policies are in place. Which is why we've developed the new Red Meat Sector Research strategy.

In these instances, B+LNZ has taken a leadership role, facilitating collaboration with industry and government stakeholders to harness knowledge and skills to build the right strategy.

Structurally, we've been resourcing and reorganising B+LNZ to deliver on the strategy. A big part of that is having the skills.

We've added more senior roles to our regions to get closer to farmers and forge relationships with commercial partners. And, we've employed a Chief Insight Officer, a newly created role to drive in-depth analysis of big issues that will impact the industry in the future, informing strategy and equipping farmers to meet the challenges and harness the opportunities.

Nothing is more topical right now than alternative proteins. We're leading a response and have invested significantly in in-depth research into all aspects from the drivers, the technology and the



psyche of consumers to how it will play and how we should respond.

B+LNZ has also elevated communication and engagement to a general manager role to drive stronger connections with the public and ensure they understand us better.

Likewise, we have a new government to build strong relationships with and ensure we are supporting in a way that's good for New Zealand, for the red meat sector and for our customers.

Through B+LNZ's quarterly feedback, farmers have told us that people capability and training matters - but we need to deliver better. As a result, we are doing a comprehensive review, again deep analysis will provide a basis to understand what farmers want and what we need to do to meet their needs.

Ultimately, everything we do and the key to success comes back having farmers intimately involved in our business. We aim to lift farmer engagement from 50% to reach 80% engagement by 2022. And this is about delivering on what farmers want - a highly profitable red meat sector that all New Zealanders have pride in.

For many of the things that we are wanting to achieve, it is vital that we

work as an industry and with partners.

The majority of what we deliver to, and on behalf of farmers, we do so in partnership with others. Our partners represent government, Maori, commercial meat companies, crown research entities and other industry good organisations in the pastoral sector (particularly the dairy industry and Meat Industry Association). We have had some major achievements or made significant progress on a number of projects this year with partners including the establishment of the Farm Assurance Programme and Knowledge Hub through the Red Meat Profit Partnership; launch of the sustainable hill country scientific programme with MBIE, Federation of Maori Authorities, PGG Wrightson Seeds and Seed Force. Our subsidiary, B+LNZ Genetics, extends its reach through strong partnerships with breeders, commercial farmers, researchers and an international genetics community.

We are custodians of farmer levies. Farmers have asked us to lead, to look beyond the horizon, to gather insights and then take rapid action to deliver tangible benefits for them. That's what we'll do!



A handwritten signature in black ink that reads "Sam McIvor". The signature is fluid and cursive.

Sam McIvor
CHIEF EXECUTIVE OFFICER



Beef + Lamb New Zealand

BOARD OF DIRECTORS



Farmers elect six of the B+LNZ 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 from the meat industry and an independent director also sits on the board.

JAMES PARSONS

Farmer-elected Director, Northern North Island

Served since: 2009
Term expires: 2018
09 434 6084
021 206 3208
james.parsons@beeflambnz.com

James farms a 478 hectare hill country farm in Tangowahine, Northland, running a Coopworth sheep stud, commercial ewes, bulls and breeding cows.

KIRSTEN BRYANT

Farmer-elected Director, Western North Island

Served since: 2010
Term expires: 2019
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.

GEORGE TATHAM

Farmer-elected Director, Eastern North Island

Served since: 2014
Term expires: 2020
Re-elected: 2017
06 372 3609
027 244 4900
georgetatham@gmail.com

George farms a coastal Wairarapa sheep and beef breeding and finishing property, running 20,000 stock units.

PHIL SMITH

Farmer-elected Director, Northern South Island

Served since: 2015
Term expires: 2018
03 315 8677
027 222 7927
balmoral@amuri.net

Phil farms a 958ha property at Culverden, running 2000 Coopdale ewes, 600 hoggets, 100 Angus beef cows plus replacements, grazing dairy heifers and carry-over cows.



BILL WRIGHT

Farmer-elected Director,
Central South Island

Served since: 2016
Term expires: 2019
03 614 3751
027 244 7923
bill.shirley.wright@gmail.com

Bill farms 380ha at Cannington, South Canterbury. They have a mixed farming business, with 1000 ewes, 190 bulls and 260 R2 dairy grazers. They also grow 30ha of cereal and 70ha of lucerne for finishing lambs.



ANDREW MORRISON

Farmer-elected Director,
Southern South Island

Served since: 2014
Term expires: 2020
Re-elected: 2017
03 207 1856
027 664 4620
andrew.morrison@beeflambnz.com

Andrew farms sheep and beef properties comprising 1033 hectares in Southland and Otago.



MARK CLARKSON

Processor-Exporter
Director

Served since: 2012
Term expires: 2018
027 432 8896
markclarksonnz@gmail.com

Mark was managing director of ANZCO Foods Ltd from 2004 to 2017.



SAM LEWIS

Processor-Exporter
Director

Served since: 2014
Term expires: 2020
07 870 2425
021 815 658
samuel.lewis@xtra.co.nz

Sam, who comes from a farming background, is chairman of Affco NZ. He was previously a member of the MIA Council and has been involved with Federated Farmers for 40 years.



MELISSA CLARK-REYNOLDS

Independent Director

Served since: 2017
Term expires: 2020
021 333 394
mclarkr@gmail.com

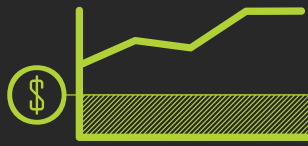
Melissa is a Digital Strategist and Professional Director - with 25 years experience as an entrepreneur and in the business start-up community.

INDUSTRY SNAPSHOT

The New Zealand sheep and beef sector is a productive, value adding, innovative and forward looking sector



The sector has 80,000 employees, 59,000 directly and additional 21,000 indirectly employed.



The sheep and beef sector represents 3.2% of NZ's GDP, accounting for \$7.0 billion.



Over 90% of production is exported to more than 120 countries.



The sector is New Zealand's largest manufacturing industry and second largest goods exporter.



New Zealand sheep and beef farms cover 9.3 million hectares (a third of the New Zealand land mass)



Total value of production in 2016 was \$10.4b with exports worth \$7.5b* and domestic sales worth \$2.9b.

*Wool included in export figure

Stock numbers (2016)

Sheep

27.6m 

50%
North Island

50%
South Island

Beef cattle

3.5m 

71%
North Island

29%
South Island

Dairy cattle

6.6m 

61%
North Island

39%
South Island

The sector has made major productivity and eco-efficiency gains - creating more from less

While sheep numbers have fallen 52% since 1990 (57m to 27m), the amount of lamb we produce off these sheep has only gone down 8%. This has been driven by a range of things, including improved lambing percentages and lamb weights.

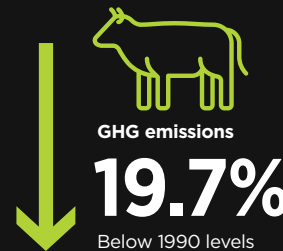
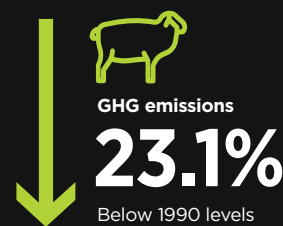
These productivity gains translate into significant eco-efficiency gains, including significant reduction in nitrate leaching per kg of saleable product and significant reduction in GHG emissions per kg of saleable product.

Despite the decline in lamb production we have also significantly increased the value of our lamb exports from \$990m to \$2.8b since 1990.

By decreasing its environmental footprint while increasing its contribution to the New Zealand economy - the drystock sector is working hard to deliver sustainable meat production. But we're not about to rest on our laurels - there is always room for improvement, which is what we are planning to keep on doing.

Sheep and beef farmers are already meeting New Zealand's international carbon reduction commitments

(for 2030 GHG emissions to be 11% below 1990 levels).



1990

The average weight of a lamb carcass was 13.9kg

2017

The average weight of a lamb carcass is 18.6kg



1990

On average 1 lamb per ewe was born

2017

On average 1.3 lambs per ewe are born



1990

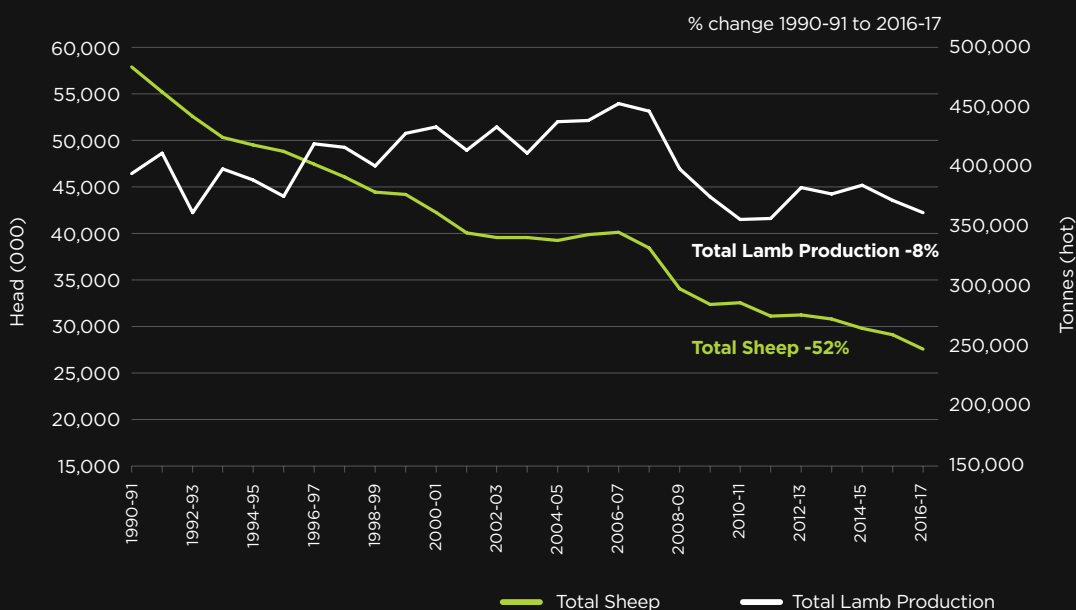
Farm profit before Tax = \$47,700

2017

Farm profit before tax = \$90,600*

*adjusted for inflation

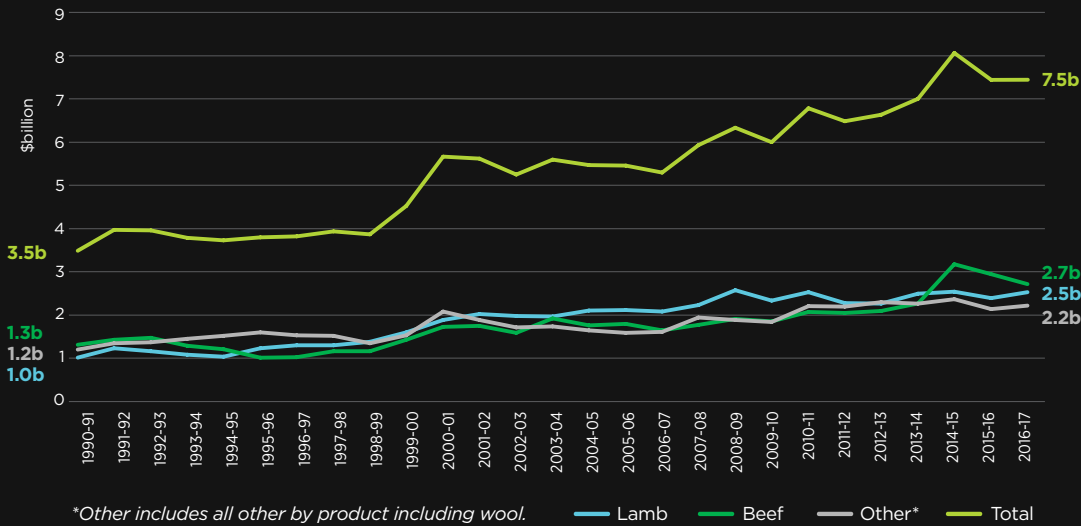
Sheep numbers and lamb production



Source: Beef + Lamb New Zealand
Economic Service, Statistics New Zealand

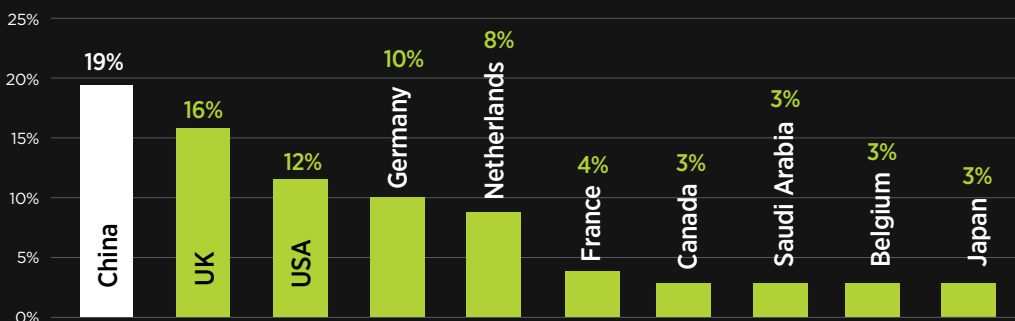
The sector has made major improvements in adding value to our exports since 1990 including through exporting cuts rather than carcasses, more chilled exports, and new products.

Total value of red meat exports



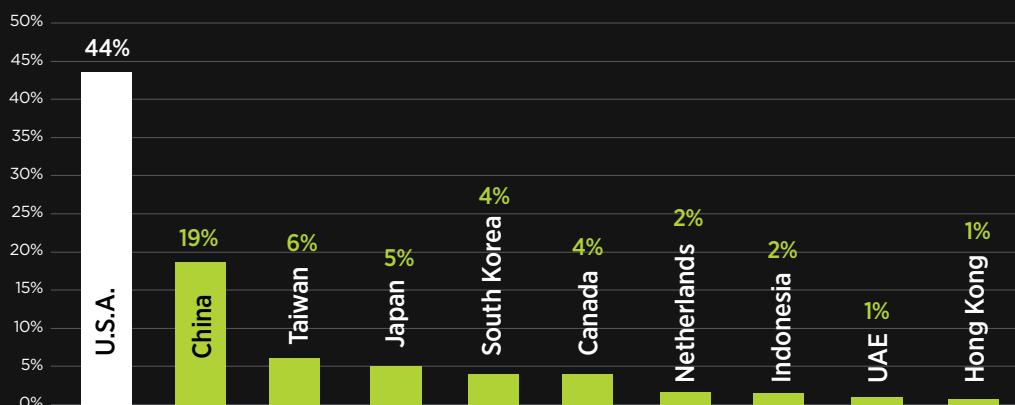
Key markets by value

Top 10 Lamb Markets (excl offal) % total FOB value year end 30 Sep 2017



★ The European Union accounts for 44% of total lamb export value

Top 10 Beef Markets (excl offal) % total FOB value year end 30 Sep 2017



1990

Lamb exports:
47% carcasses
53% cuts

2017

Lamb exports:
2% carcasses
98% cuts



1990

8% of lamb exports in high value chilled form

2017

32% of lamb exports in high value chilled form



1990

Blood product exports worth 4.5 million

2017

Blood product exports worth 125.5 million

There remain significant barriers to trade on sheep and beef exports globally that inhibit our ability to either access a market or reduce our ability to compete. Free Trade Agreements and the removal of non-tariff barriers are a major priority for the sector.

Total FTA savings for year (2016)



Total tariff savings on beef exports



Total tariff savings on sheepmeat exports

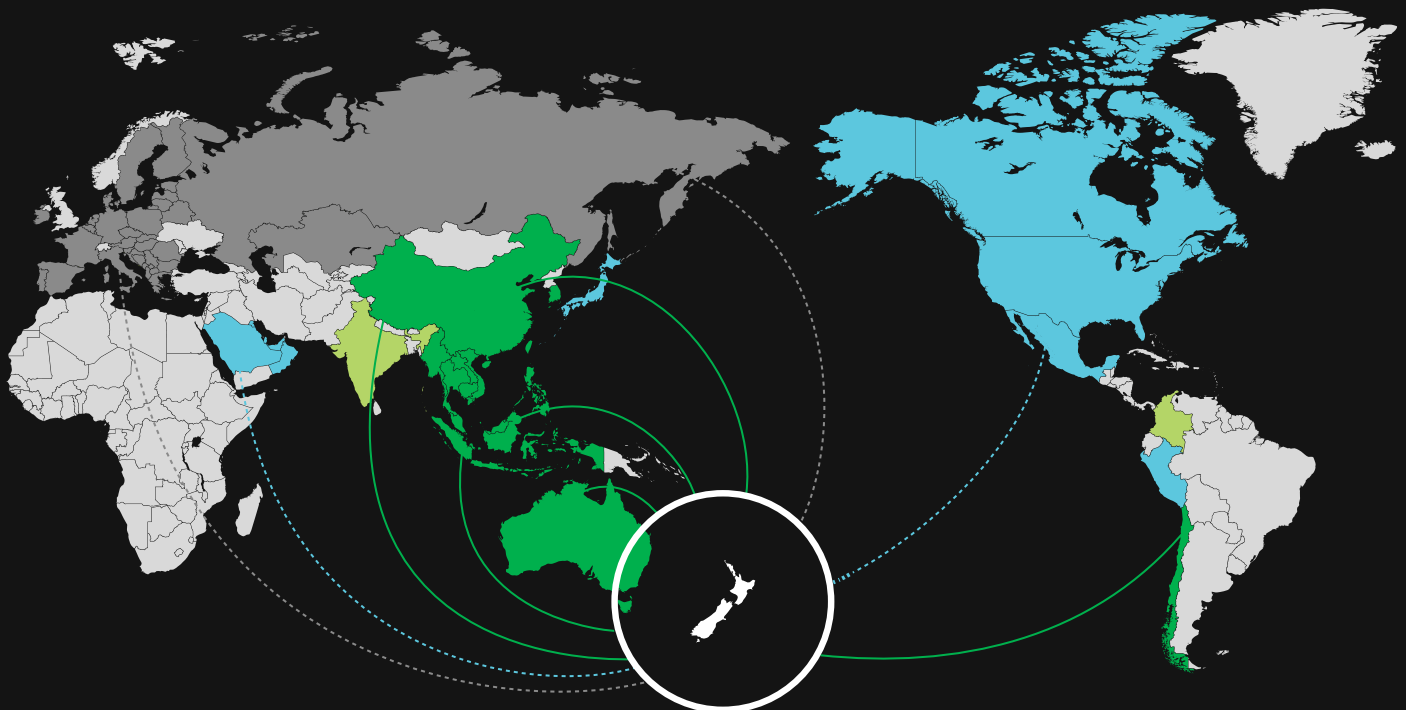


Total tariff savings on red meat co-products



New Zealand's Free Trade Agreements

IN FORCE	CONCLUDED BUT NOT IN FORCE	UNDER NEGOTIATION	PROSPECTIVE FTAs
Australia, Brunei, Cambodia, Chile, China, Hong Kong, Indonesia, Laos, Malaysia, Philippines, Singapore, South Korea, Thailand, Vietnam*	Bahrain, Canada, Cook Islands, Federated States of Micronesia, Japan, Kiribati, Kuwait, Marshall Islands, Mexico, Nauru, Niue, Oman, Palau, Peru, Qatar, Samoa, Saudi Arabia, Solomon Islands, Tonga, Tuvalu, United Arab Emirates, United States**, Vanuatu	Colombia, India***	European Union & Russia-Belarus-Kazakhstan Customs Union.



Source: Ministry of Foreign Affairs and Trade, 2017

* Countries that New Zealand already has FTAs in force with may also be part of new FTAs concluded but not in force or under negotiations.

** The 'Trans-Pacific-Partnership Agreement' has been concluded but the US has notified that it does not intend to ratify the agreement.

*** India is a party to two FTAs that New Zealand is negotiating: a bilateral FTA, and also a multilateral agreement – the 'Regional Comprehensive Economic Partnership' with 15 other countries.

HOW WE ARE

We have identified some key indicators to get a sense of how we are tracking as an organisation. These performance indicators and their associated goals are a combination of on-farm productivity and profitability, confidence in the future of the sector, and farmer satisfaction and awareness of our activities. Collectively they provide a snapshot of sheep and beef sector health and of how well we are achieving our core principle of being genuinely 'By Farmers. For Farmers.'

Sheep and beef farmers are maintaining and improving productivity

→ Steady

Net meat production for the All Classes Sheep and Beef Farm provisionally at 116 kg per hectare was slightly up (+1.7%) on the previous year. Overall, for the 2016-17 June farming year sheep meat production was up 4.8 per cent while net beef production declined 3.4 per cent from fewer dairy grazers replaced with younger beef animals that will continue to grow into 2017-18.

NET MEAT PRODUCTION PER HECTARE



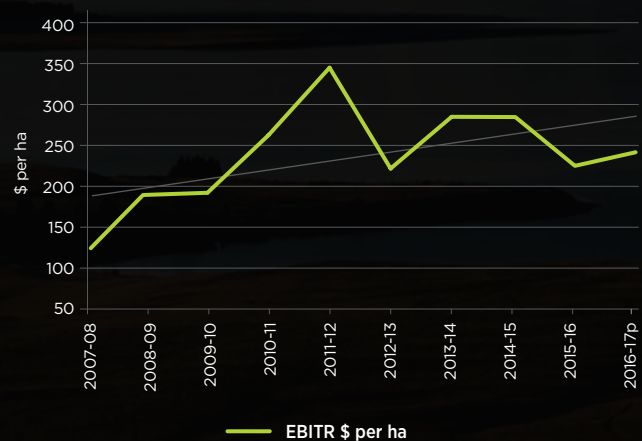
Source: B+LNZ Economic Service All Classes Sheep and Beef Farm (p) provisional

Sheep and beef farming is profitable

↗ 7%

Earnings before Interest, Tax, Rent and paid managers salary (EBITRm) for the All Classes Sheep and Beef Farm at \$244 per ha provisionally increased 7% for 2016-17. This increase was largely driven by slightly higher gross farm revenue (+0.4%) with increases in lamb and beef prices offsetting the sharp 25% fall in wool prices and reduced revenue from less dairy-grazing. Farm Working Expenses were tightly controlled and decreased 3.2% and within this fertiliser expenditure was down 4.8%. Interest expenditure from lower interest rates than the year before was down 3.8%.

FARM PROFITABILITY (EBITR)



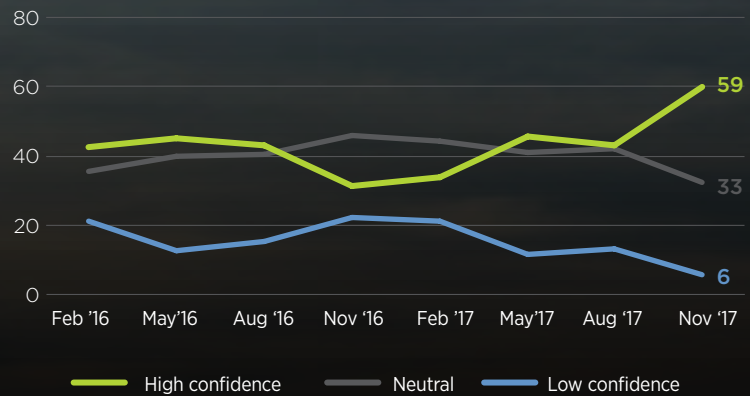
Source: B+LNZ Economic Service All Classes Sheep and Beef Farm (p) provisional

TRACKING

Snapshot November 2017

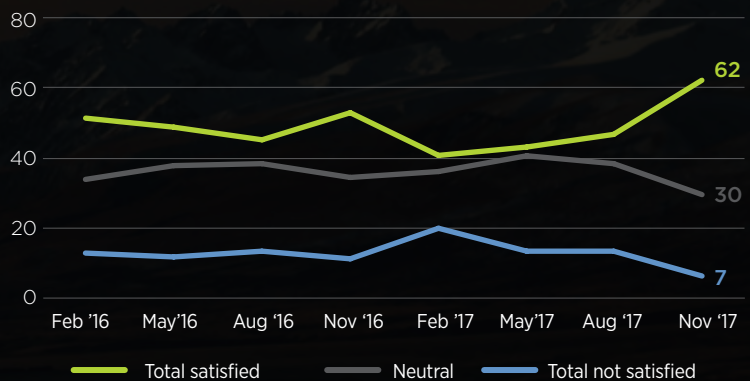
Industry confidence
59%

Farmer confidence has trended upwards in the last 3 months driven by good sheepmeat and beef returns.



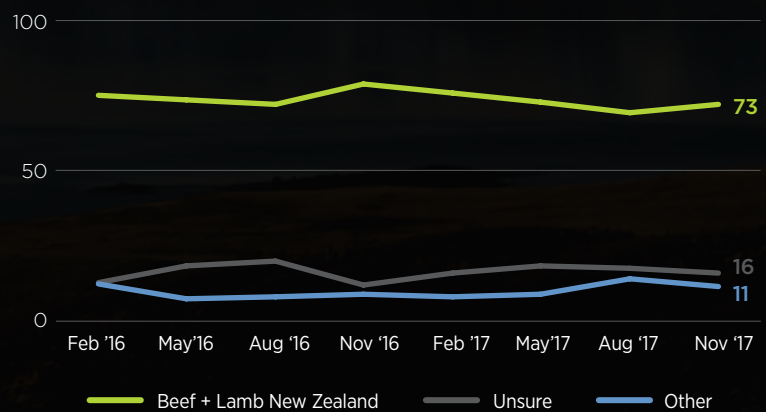
Satisfaction with B+LNZ
62%

Farmer satisfaction with the organisation has improved.



Awareness of B+LNZ
73%

Farmer awareness of Beef + Lamb New Zealand and its activities remains relatively steady.





TAKING THE SECTOR

B+LNZ has laid out a fresh new strategy for the next five years, a pathway driven by a vision created by and for our farmers.

We talked extensively to farmers and other industry stakeholders in developing the new strategy, ensuring we are focusing resources on the issues that matter most.

For farmers, that means bold leadership and greater advocacy on their behalf and reducing the compliance burden, especially regarding the environment. It means new and efficient ways to deliver extension activities, better connecting with Maori agribusiness and reviewing how we can more effectively attract the right people into the industry.

But more than anything, farmers want us to tell their story, promoting a unified New Zealand red meat sector to the public, consumers and farmers, creating a better understanding of the sector and its value.

Farmers have told us that success is reflected in thriving farming communities, underpinned by farmer profitability. And their ambition is that the pride they have in red meat is shared by all New Zealanders.

The wider industry wants to see a long-term strategic vision set for the red meat sector, driving us into the future. They want to see B+LNZ build more mutually beneficial relations with dairy, talk more about the



FORWARD

exciting innovation in the red-meat sector and use the growth of farmer support for B+LNZ to drive the industry ahead.

Market access and development are key issues for the industry, along with a desire for B+LNZ to develop a targeted engagement strategy with our stakeholders and foster partnerships.

Finally, consumer insight underpins the way forward, with the increasing desire for better food at all levels supporting a strong future for 'real' premium red meat.

With growing levels of food anxiety and disconnection from source, consumers are ready to hear the red meat sector story giving

them a connection to both place, and to the values behind production.

For consumers and retailers, country/place of origin matters most in their food choices, a shortcut to understanding and trust for which they are willing to pay a premium.

We've captured these insights as success statements in our strategy, against which we measure our actions. If it's not contributing to success, turning opportunity into a useful outcome for farmers, we'll be asking why we're doing it.

Our strategy 2017-22

Vision

Our desired future for NZ's sheep and beef producers

Profitable farmers, thriving farming communities, valued by all New Zealanders

Purpose

How and why we do what we do

Insights and actions driving tangible impact for farmers

Priorities

How we generate impact



Unlocking market potential



Enhancing our environmental position



Supporting farming excellence



Government & public insight & engagement

Principles

How and why we do what we do



By Farmers. For Farmers

Partner for impact



Unlocking market potential

Page 20



Enhancing our environmental position

Page 26

What does success look like in 2022

Key goals that will guide our operational activities over the next 5 years

- ① Through consumer insight the NZ Red Meat Sector Story, NZ Farm Assurance Programme and Market Innovation creates a platform for improved pricing.

- ② Market access through FTA's has increased enabling maximum market value to be captured and returned to farmers.

- ③ Farmers have grown profitability through productivity, efficiency and improved cost of production.

- ④ The time and cost of regulatory compliance has been streamlined.

- ⑤ Farmers are recognised for their commitment to the environment while maintaining the productive capacity of land.

- ⑥ Farmers have access to the right people with the right skills and a new generation of leaders is developing.

- ⑦ Dairy farmers, beef farmers, and industry working together to maximize opportunities.

- ⑧ Insights drive rapid product and service development with tangible value captured by farmers.

Insights driven

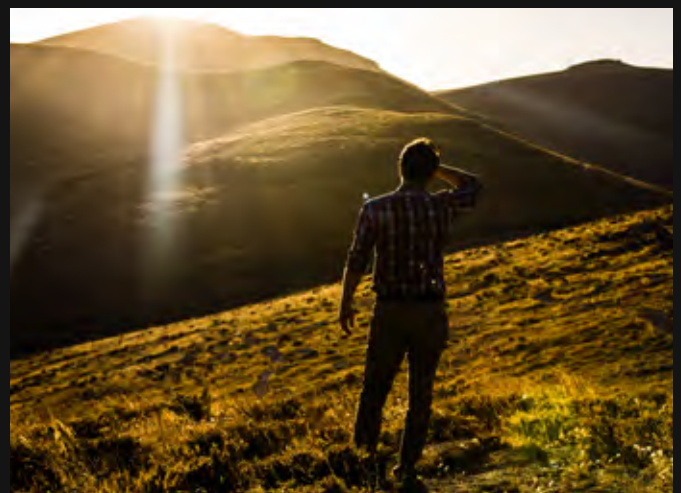
Know our communities

Outcomes not outputs



Supporting farming excellence

Page 32



Government & public insight & engagement

Page 38



01



Unlocking market potential

Championing our world class farmers, and unlocking the sector's full market potential





B+LNZ's new approach to market development focuses on three core activities: better understanding the consumer, promoting the New Zealand red meat story and market innovation.

In the last year a new team has been assembled and we've started putting the pieces in place. Significant work has been done with meat companies and farmers to develop the red meat story, including reviewing the global competitive landscape, detailed analysis of the consumer drivers for red meat consumption and consumer testing of a New Zealand beef and lamb brand. The next phase of red meat story development will be focused on developing assets and bringing them to life through market development activity in 2017/18. We've also launched research into alternative proteins, a key challenge and market opportunity.

Why are we doing this? It all comes back to B+LNZ's strategy to lift profits for farmers. By capturing the inherent value in our natural, pasture-based farming systems we can command a premium from consumers willing to pay for food they trust. We are looking for better returns for farmers, greater recognition of the sector's value by everyone.



Developing the story

To capture a profitable premium for New Zealand red meat requires a focus on consumer attitudes, global product trends and horizon scanning for market opportunities. The insights will be used by B+LNZ and meat companies to make better informed business decisions on market entry points and identify emerging consumer segments for growth opportunities.

In addition to extensive market research to support the red meat story development, the next phase of the research programme is to focus on market activation and how we leverage the red meat story in priority markets. The B+LNZ's market development team is working alongside meat companies to understand different market activation strategies to reach consumers who will engage and pay a premium for our taste and product attributes. For example, we know in the U.S. there is a segment of

consumers who want to know the health benefits, origin and sustainability of their food ingredients. Recent research conducted by B+LNZ in California shows consumers place a high importance on 'free from' claims including no hormones, chemicals or antibiotics with over 80% of responders seeing this as important or very important. Pasture raised and grass fed also featured high up consumer's consideration set with certain consumer segments. These insights will support product positioning and identify elements of the red meat story we choose to dial up in different markets. We have also learned from recent work that 75% of consumers believe beef or lamb certified as sustainable is important, yet analysis of the retail landscape shows us that few meat products are promoting their environmental, sustainability or animal welfare standards – this is an opportunity for New Zealand.

Food on the Edge... identifying the opportunity for New Zealand sheep meat

In October B+LNZ ambassador chef Shaun Clouston attended the international Food on the Edge symposium in Galway. This two-day event looked at the future of food from a global perspective and was attended by movers and shakers from the world of international cuisine-including many Michelin-star chefs. Clouston described Food on the Edge as life-changing, as it highlighted the food production, cooking and consumer trends of the future.

He says the major theme that emerged over the two days was the importance of national identity and, as a nation, being proud of what you produce and your cuisine.

"As a country we are blessed and other people need to believe it.

"We need to be proud of what we do because a lot of what we do is world-class."

This extends to New Zealand wines, beer and of course its red meat.

Clouston was particularly excited about the future of sheep meat. He says the market is there and is ready for it.

"Our sheep product is pretty amazing and that's where the big opportunity is."

If we are asking farmers to make changes in response to what consumers are asking for, we need to be confident that those changes will be rewarded financially, that is, that any added costs on farm are more than compensated for in the market.



In addition to researching the global landscape it is equally important to have a good understanding of what is happening in our domestic market. By interviewing influential individuals in the U.S it has highlighted the importance of a strong domestic marketing strategy that connects to the international programme and inspires people to tell their New Zealand red meat story.

Therefore, we have commenced a project, run in conjunction with B+LNZ Inc, to gather insights into how New Zealanders view red meat and its industries. This includes looking at eating habits, perceptions of different protein options, changes in consumption, sources of inspiration for



meals and red meat producers' social and environmental licence to operate. The insights from this programme will support how we promote the red meat story domestically and create a platform for global engagement.



Alternative proteins

Advances in development of alternative proteins is a potential challenge to New Zealand sheep and beef farmers, which B+LNZ is treating with respect. This year we launched a project on behalf of the sector to better understand the shifts in food and food production technology, how consumers are responding and the threats and opportunities for the sector. This will inform how we respond to future scenarios. We do know that the rise of new proteins is fuelled by increasing consumer concerns about health, environment and animal welfare issues, largely linked to factory farming. The research has pointed out that alternative proteins could reach large scale production in the hamburger and mince category in USA within the next 5-10 years and will likely compete with our manufacturing and dairy origin beef exports to that market. However, competition with more premium beef muscle cuts and sheepmeat is still much longer away. The opportunity is to strongly position New Zealand's pasture-raised sheep and beef as a more natural offering. B+LNZ and the sector have been collectively developing the Red Meat Story for the good of the sector, and are now designing the activation strategy which will allow us to leverage that.



Backing the story

For the Red Meat Story to work, it must be underpinned by quality assurance that gives customers confidence in our products with gate-to-plate transparency.

B+LNZ in partnership with other industry players has put in place the Farm Assurance Programme, via the Red Meat Profit Partnership, letting consumers know where the product is from, how it was raised and that it's safe to eat. Additionally, it streamlines the audit process for farmers so if they supply more than one meat company, only one audit is needed.

Likewise, the new electronic Animal Status Declaration replacing the traditional hand-written forms, also developed under RMPP, streamlines the process for farmers whilst further strengthening the origin and traceability assurances for customers.

TPP11/CPTPP

Beef + Lamb New Zealand was at APEC in Vietnam when the core elements of a deal was struck to move ahead with the Trans-Pacific Partnership Agreement, which is now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP will deliver significant gains to the sector

The deal simultaneously opens up multiple markets in Japan, Mexico, Peru and Canada and puts us on a level playing field with other major red meat exporters to the Asia Pacific region, such as Australia and the European Union. Since Australia's 2015 trade agreement with Japan, their beef exports to Japan have increased by \$NZ1 billion, while New Zealand's have fallen by \$NZ30 million.

Demand in Japan for beef has been growing, but we have lost significant market share.

The situation got tougher in August of 2017 when Japan imposed a WTO safeguard on frozen beef, raising its tariff on New Zealand exports from 38.5 percent to 50 percent, while Australia only faces a tariff of 22 percent.

Since the safeguard was applied, our frozen beef exports to Japan have fallen by 70 percent.

Brexit

Brexit has continued to cause uncertainty around sheep and beef access to critical Continental Europe and UK markets over the last year.

Together these two markets take nearly 50% of our sheepmeat exports (by value) and are a highly valuable destination for our beef. These exports enter the under WTO quotas and without these quotas no trade would take place as the out of quota tariff rates are so high.

B+LNZ has been working closely with the Meat Industry Association and the New Zealand Government over the last year to ensure there is no erosion in either the quality or quantity of New Zealand's WTO access as a result of Brexit. Discussions with the UK and EU27 have commenced, but still have a long way to go as nothing will change until the UK actually leaves the European Union customs union.

The Future of Trade

Trade is the lifeblood of our sector, which in turn creates jobs and supports New Zealand's communities. Over 90 percent of New Zealand's sheepmeat and 80 percent of our beef production is exported.

These exports raise the living standards of thousands of New Zealanders. Every day these exports support 80,000 jobs (and families) across New Zealand, mostly in the regions.

These jobs are on farms, in processing companies, and in supplying services like transport companies, shearers, and rural contractors. Not to mention the recycling of wages through local shops, restaurants, and many other small businesses in our regions and in our cities.

With the ongoing uncertainty around Brexit and protectionism, B+LNZ has remained very focused on working closely with the Government and the MIA to retain access to key markets and to further the trade liberalisation agenda including by addressing the increasing usage of non-tariff barriers that plague the sector.





EU/NZ Free Trade Agreement

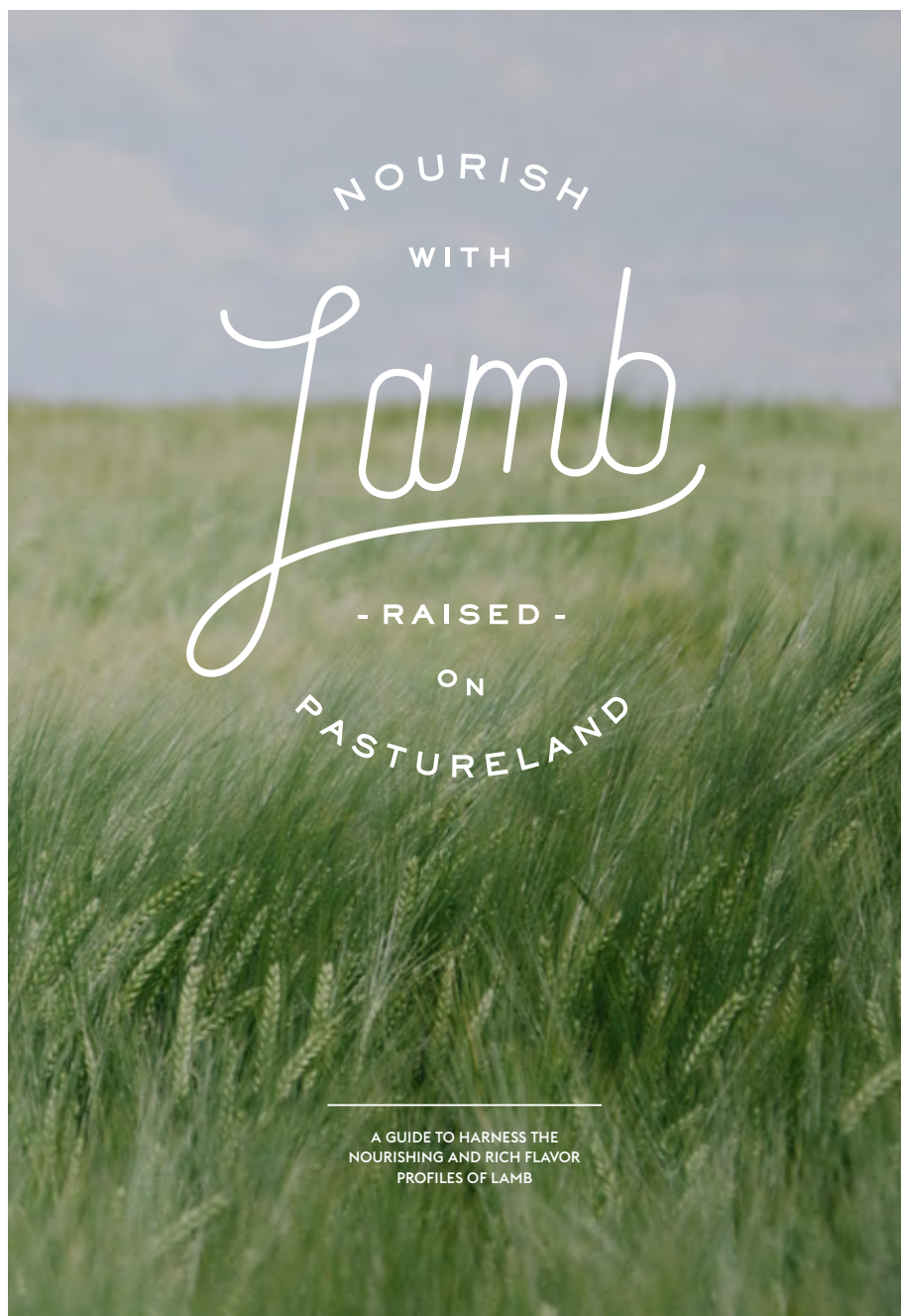
B+LNZ and the MIA welcomed the successful completion of joint scoping discussions towards an EU-NZ Free Trade Agreement (FTA) announced by the Government earlier this year. The EU is a very important market for New Zealand red meat products, worth over NZ\$1.8 billion in the year ended December 2016, our largest market by region for sheepmeat exports and second-largest for chilled beef and wool exports.

Working globally, working together

B+LNZ welcomed the International Beef Alliance's (IBA) commitment to trade reform and liberalisation and sustainable beef production following the annual conference this year in Paraguay.

New Zealand is part of the IBA collective of beef producing organisations from the world's seven largest beef producers and exporters including Australia, Brazil, Canada, Mexico and Paraguay. At this year's conference IBA's primary focus was discussing trade liberalisation, concerns about the implications of Brexit, sharing information about each country's FTA negotiations, including TPP11 and a strong interest to increase collaboration on tackling Non-Tariff Barriers.

B+LNZ values the IBA as an important platform for collaboration between the major beef producing nations to address common issues. It also provides us with an opportunity to build capability in the sector as B+LNZ sponsors two Young Leaders to attend the conference each year.



Collaboration with the US

New Zealand has a strong interest in the US market with sheepmeat exports over \$270 million and beef exports of \$1.2 billion annually.

We work closely with the US beef industry through the International Beef Alliance.

B+LNZ and Meat and Livestock Australia are also collaborating with the US sheep industry in a number of areas. The first area is aimed at boosting US sheepmeat consumption (which is very small

but growing strongly) through a joint marketing programme focused on highlighting the nutritional benefits of sheepmeat nourishwithlamb.com

The second area is a Young Leaders Programme started in 2016, which is aimed at learning about the production systems in A/NZ/US, building capability, and fostering collaboration. This year the Young Leaders were hosted by the United States, where they visited Michigan, Utah, Colorado and California.



02



*Enhancing our
environmental position*

*Strengthening our farmers reputation
in NZ and globally through sustainable
environmental management*



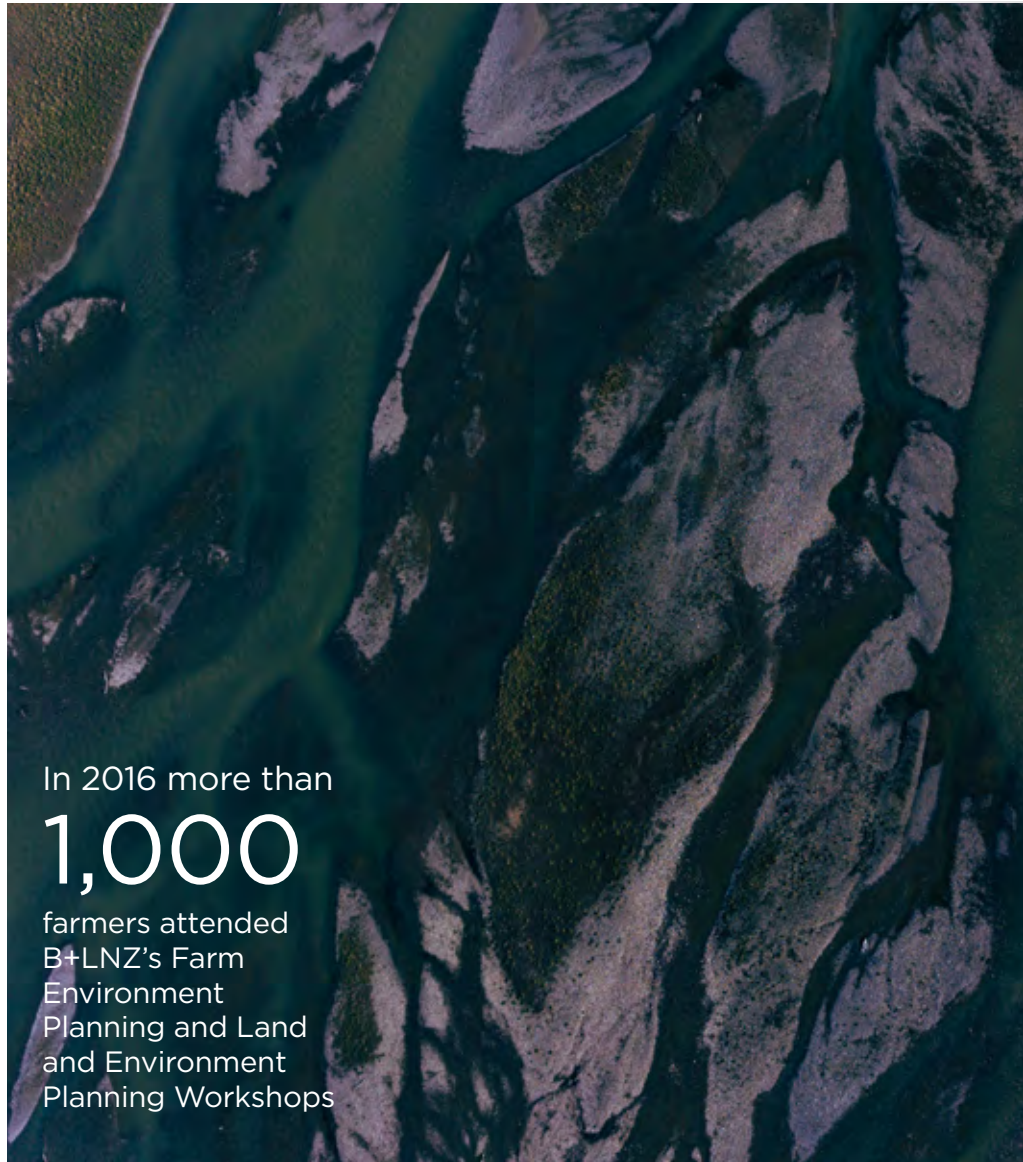
02

Our farmers care deeply about the environment and their communities. They realise that without a healthy environment, they can't have a business or a thriving community.

Farmers also know the environment is under pressure from urban and rural sources and change is needed. They want to be valued by all New Zealanders as custodians of the land.

B+LNZ's refreshed strategy focuses on building connections with all New Zealanders, ensuring they understand farmers value the environment and they are making big efforts to protect and enhance it.

To underpin the organisation's environmental priority, we are refreshing our environment strategy. Our environment strategy is being designed to focus B+LNZ and farmer action alike on four of the most important natural resources to farming and communities - clean water, healthy soils, thriving biodiversity and moving towards carbon neutral.



In 2016 more than
1,000

farmers attended B+LNZ's Farm Environment Planning and Land and Environment Planning Workshops

Farmers lead environmental strategy

B+LNZ is refreshing its environment strategy in consultation with farmers. It will demonstrate to regulators and the public that our farmers are front-footing environmental challenges.

The strategy will set a path to 2040, guiding sheep, beef and dairy levy payers forward in a way that is environmentally, economically, socially and culturally sustainable, and ensuring they have access to the right tools and best practices to optimise their farming business.

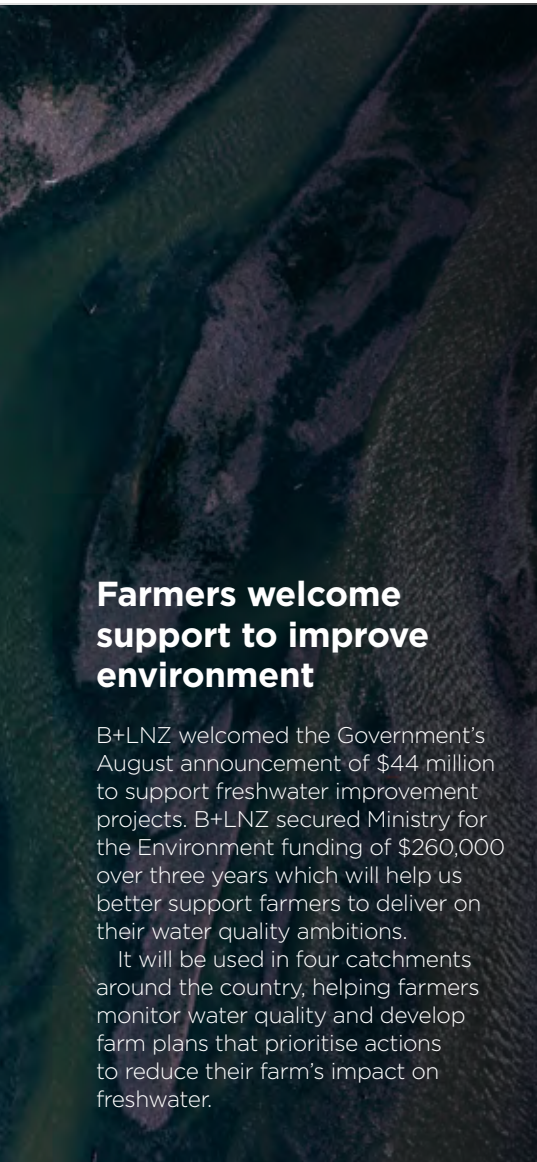
That includes more solutions, more environmental planning workshops and resources to help measure the impact of what they're doing to improve the environment. And more engagement with government to

ensure practical policies are in place. We are seeking farmer feedback on the strategy, so please share your views with B+LNZ.

B+LNZ's Environment Reference Group

Farmers are the best people to be advocating for what they do and identifying how B+LNZ can help them.

B+LNZ's Environment Reference Group plays an important role in that, as a group of 16 farmers who act as a sounding-board for the B+LNZ environmental team. The group has provided input into the development of the environmental strategy as well as providing input into the design of projects and programmes.



Farmers welcome support to improve environment

B+LNZ welcomed the Government's August announcement of \$44 million to support freshwater improvement projects. B+LNZ secured Ministry for the Environment funding of \$260,000 over three years which will help us better support farmers to deliver on their water quality ambitions.

It will be used in four catchments around the country, helping farmers monitor water quality and develop farm plans that prioritise actions to reduce their farm's impact on freshwater.

Best practice and water quality

B+LNZ continues to invest heavily in helping farmers meet their environmental responsibilities. This includes increasing farmer awareness of the impact farming activities can have on water quality, while also providing appropriate tools and support.

The B+LNZ website includes a comprehensive section on the environment, including keeping stock out of water and minimising nutrient loss into waterways. Farmers are encouraged to develop environment plans specific to their property that factor in the whole picture - not just isolated issues.



B+LNZ pledge to making rivers swimmable

B+LNZ is a signatory in the Farming Leaders' Pledge signed by a group of New Zealand pastoral farming leaders in 2017, representing over 80% per cent of the country's farmed land, committing to the goal of making New Zealand's rivers swimmable.

As well as a commitment, backed up by the work we are already doing, the Pledge demonstrates to all New Zealanders that agricultural industry groups are all on the same page with our desire to ensure our children and grandchildren can swim safely in our rivers.

Environmental plans gain momentum

Good progress is continuing to be made by farmers in the uptake and development of Farm Environment Plans. LEPs allow farms to remain productive, while putting actions in place to manage any potential risks to the environment.

FEPs are good for a farm business and the environment. The future of farming is dependent on working within the capability of the land and wider environment to sustain productive use, in perpetuity.

Plans help identify the risks and opportunities for each unique farming business; implement efficiency gains; focus time and money on the most effective activities; record and demonstrate progress to others; and optimise the farming business.

FEPs will be a core part of the refreshed environment strategy. Our goal is for every sheep and beef farmer to have an active FEP by the end of 2020.



Protecting biodiversity

Sheep and beef farms cover one third of New Zealand's total area. Thousands of hectares of bush on these farms have been set aside to protect and maintain biodiversity. 47 per cent of QE II National Trust covenants are on sheep and beef farms.

Helping farmers have their say in regional planning

B+LNZ plays an important role in helping farmers with the skills and knowledge they need to participate in the regional planning process.

Poorly executed regional plans can burden farmers, stymie innovation, and not even achieve the environmental outcomes they were set up for in the first place. It's critically important that farmers get involved in regional planning. They know their soils, and they know how to protect them. We need to ensure we have regional plans that deliver the intended environmental outcomes, allow for land use flexibility, and provide certainty to our primary industries. The best way to do that is to have farmers actively involved in the process.

June's Southland Water and Land Plan hearings saw a strong turn-out of farmers sharing their stories. For fourth-generation Riversdale sheep farmers Tania and Mark Shallard, the B+LNZ workshops held around the hearing process were critical. "Without them there would have been no chance of us putting together a submission, let alone going to the hearing."

Climate change

Climate change is a global issue. The opportunity is to get net livestock GHG emissions down to a level where they are not viewed as a negative.

Sheep and beef farmers can be proud that their greenhouse gas (GHG) emissions are already 19% below 1990 levels, ahead of the New Zealand's international Paris commitment.

The recent new target set by the Government for the country to be net zero by 2050 will need some smart thinking and creates opportunities for New Zealand to leverage our position as one of the most emissions efficient red meat producers in the world.

Farmers working in the environment

Sheep and beef farmers are working tirelessly across New Zealand to care for our natural environment. These farmers are the guardians of one third of our land, and they take this job seriously. These pages outline just a fraction of the farmer driven activities occurring across the country, aimed at sustainably managing New Zealand's natural resources to produce high quality food and fibre. In many of these projects we're working closely with the dairy industry particularly at the catchment level and on winter grazing.

1) Onetai Station B+LNZ Environmental Focus Farm

At Onetai Station, every aspect of the 1450ha (891ha effective) hill country property is being put under the spotlight to ensure decisions and developments are in the best long-term interests of the environment, as well as the business and the people. The farm has completed level 1, 2 and 3 LEPs.

2) Waikato River - Healthy Rivers Plan Change

During late 2016, more than 900 Waikato farmers were involved in B+LNZ workshops, formulating their submissions to the Healthy Rivers Plan Change.

3) Rotorua Lakes

Having seen rules developed for Lake Taupo and Rotorua, a group of farmers around Lake Rerewhakaaitu are taking control of their own destiny and ultimately looking after the lakes that they love and farm next to.

4) Wharekopae Water Quality Improvement Project

Over the past year, the Rere community has been working to enhance water quality at Rere Falls and Rockslide, with landowners in the area leading the way in farm environment planning.

5) Sustainable Dairy Grazing Project

This project focused on ensuring the future success and profitability of dairy support systems. Central Otago was identified as a pilot area to identify current key issues and what information is required to support grazer decision making. Managed by AbacusBio and funded by Sustainable Farming Fund, B+LNZ and DairyNZ, it finished in late 2016.

6) Hurunui District Landcare Group

Sheep and beef farmers in North Canterbury formed an incorporated group to give themselves a strong voice, as Environment Canterbury revises its nutrient limit setting work in the Hurunui-Waiiau Zone.

7) South Canterbury Coastal Streams

South Coastal Canterbury Plan Change 3 addresses water quality and quantity in the catchment; with nutrient management as the main focus of the plan change. Farmers proactively engaged in Plan Change 3, with support from B+LNZ.

8) Pomahaka Catchment In Otago

Farmers and stakeholders came together under a one-year plan to scope out a catchment plan. This led to a Sustainable Farming Fund project called Pathway for the Pomahaka. Under this project, the Pomahaka Farmers Water Care Group, Pomahaka Stakeholders Group and NZ Landcare Trust are showcasing industry tools that enable farmers to improve farm practices that impact on water quality, infrastructure, reduce nutrient loss and improve water quality.

9) Pourakino Catchment Group

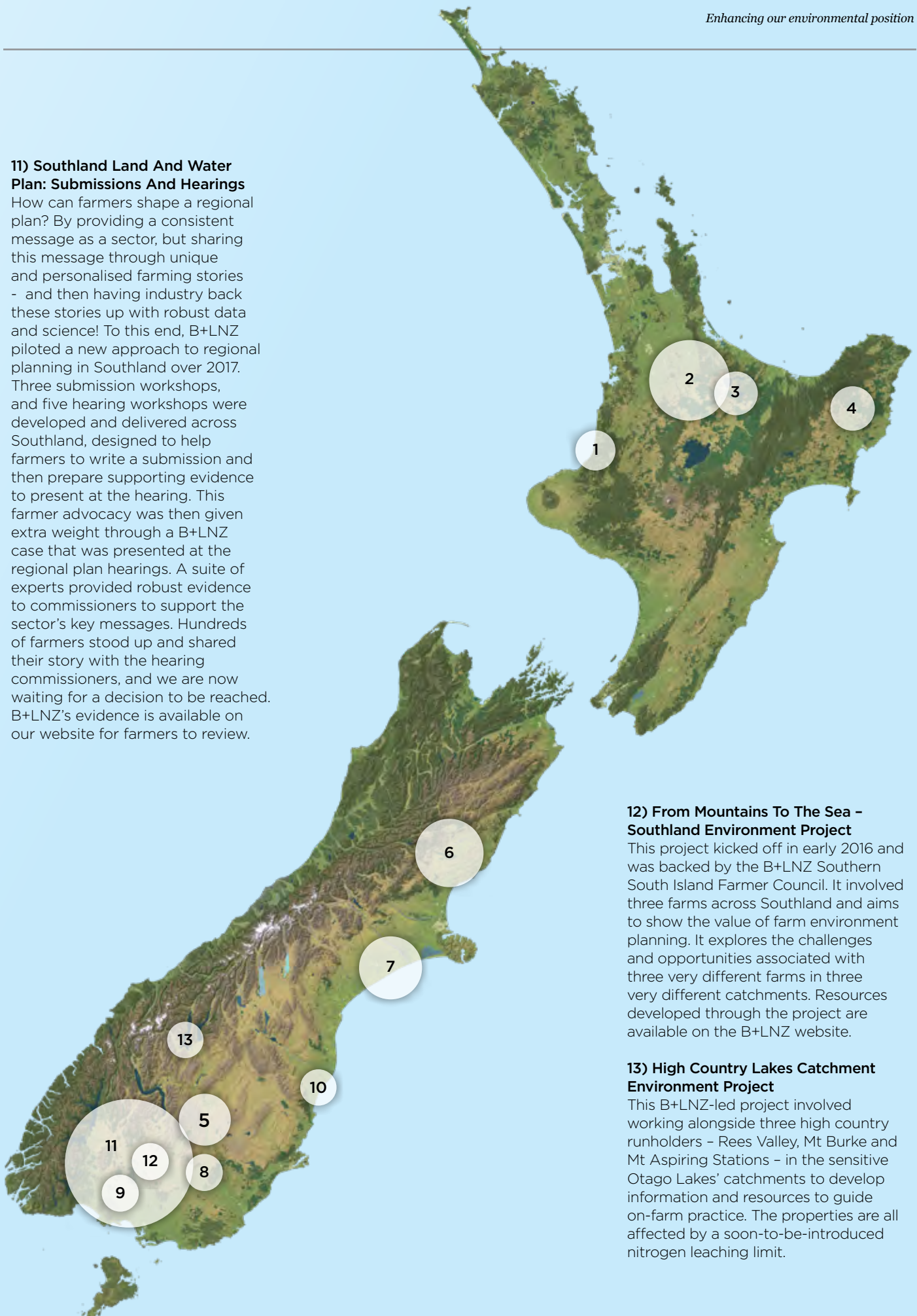
This group was formed in March 2014 by farmers who shared a desire to improve water quality in the Pourakino arm of the Jacobs Estuary. They work closely with NZ Landcare Trust, DairyNZ and B+LNZ, with plans to collaborate with other partners.

10) Kakanui Catchment Project

The project aimed to develop awareness about sustainable farm management practices that ensure clean waterways, while allowing farmers to operate viable farm businesses into the future. It was managed by NZ Landcare Trust, with widespread industry support.

11) Southland Land And Water Plan: Submissions And Hearings

How can farmers shape a regional plan? By providing a consistent message as a sector, but sharing this message through unique and personalised farming stories - and then having industry back these stories up with robust data and science! To this end, B+LNZ piloted a new approach to regional planning in Southland over 2017. Three submission workshops, and five hearing workshops were developed and delivered across Southland, designed to help farmers to write a submission and then prepare supporting evidence to present at the hearing. This farmer advocacy was then given extra weight through a B+LNZ case that was presented at the regional plan hearings. A suite of experts provided robust evidence to commissioners to support the sector's key messages. Hundreds of farmers stood up and shared their story with the hearing commissioners, and we are now waiting for a decision to be reached. B+LNZ's evidence is available on our website for farmers to review.



12) From Mountains To The Sea - Southland Environment Project

This project kicked off in early 2016 and was backed by the B+LNZ Southern South Island Farmer Council. It involved three farms across Southland and aims to show the value of farm environment planning. It explores the challenges and opportunities associated with three very different farms in three very different catchments. Resources developed through the project are available on the B+LNZ website.

13) High Country Lakes Catchment Environment Project

This B+LNZ-led project involved working alongside three high country runholders - Rees Valley, Mt Burke and Mt Aspiring Stations - in the sensitive Otago Lakes' catchments to develop information and resources to guide on-farm practice. The properties are all affected by a soon-to-be-introduced nitrogen leaching limit.

03



Supporting farming excellence

*Providing insights, tools and
services that build better farm
businesses*

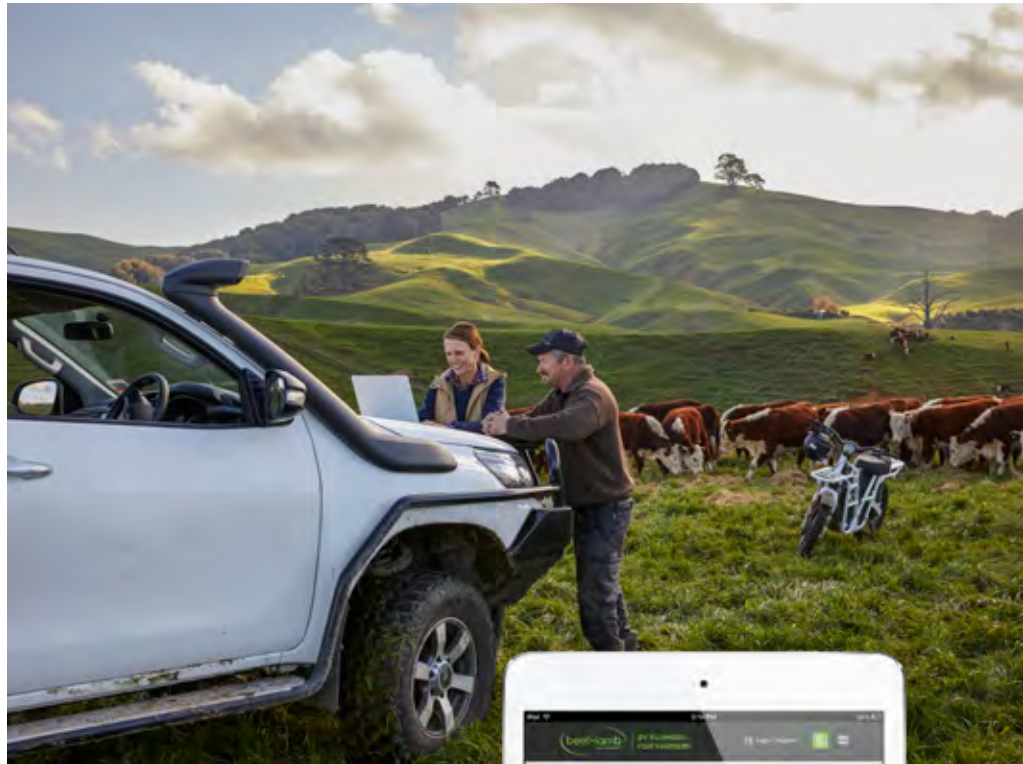


03

Of the four pillars of B+LNZ's strategy, Supporting Farming Excellence is the one that directly affects what farmers do.

Through researching biological challenges and developing solutions, innovating and building management skills and people capability - we are supporting farmers to boost their productivity and profitability.

Whether that's market demands, compliance, government and public engagement or the environment, Supporting Farming Excellence is where we continue to make a direct difference.



Future Farms

B+LNZ's Future Farm programme will be a cornerstone of our extension programmes over the next decade, trialling and demonstrating new farm systems.

B+LNZ has now short listed potential hill country sheep and beef properties with around 6,000 stock units to lease for the Future Farm. These are currently being evaluated by a farmer steering group, with industry professionals to support, with a final decision from the Board hoped for in early 2018.

The Future Farm will push the boundaries of high-performance in all areas, including people, environment, livestock, forages and business management. It will manage the risk of using new technologies, so other farmers don't have to.

The farm will feature state-of-the-art monitoring, measuring and communications technologies while maintaining and demonstrating strong commercial principles.

The primary objective is for the farm to be a fully commercial model, and only those technologies proven elsewhere to work on farm will be applied. Once operating, it will demonstrate excellence in every facet of farming under a strictly commercial framework.



Knowledge Hub knowledgehub.co.nz

This year, B+LNZ launched the Knowledge Hub on our new website in August, an online farm management resource developed by the Red Meat Profit Partnership. It has a wealth of management information sourced from industry experts, including RMPP-developed learning modules and a range of B+LNZ-developed resources and tools. Designed to suit a range of learning styles, the information is available through downloadable audio files/podcasts, fact sheets, videos, resource books, user-guides, editable pdfs and policy documents.



Multi-media resource for lucerne management

B+LNZ's new Lucerne Management videos are providing sheep and beef farmers with best-practice ways to manage Lucerne crops over winter.

Lucerne is an important forage crop on many farms and needs active management over the cooler months to maximise its yield.

The short and informative videos, developed in conjunction with Professor Derrick Moot from Lincoln University, show how weed control, winter grazing, recovery management and soil control are all critical to ensuring Lucerne is set-up to generate high-quality feed over spring and summer. A full resource kit is available with the Lucerne Management Videos including an online audio podcast, a downloadable resource book, a fact sheet and all resources are on a USB data device.

B+LNZ Innovation Farm programme

B+LNZ's Innovation Farm programme (formerly known as the Demonstration Farm Programme) showcases innovation and puts new science to the test, helping farmers identify tools and practices that lift productivity and result in real financial improvements.

This year, we published a book celebrating and summarising the results of the 16 Innovation Farm programmes run between 2012-2016.

One of those projects looks at how to increase legume content on uncultivable hill country pastures. High feed-quality forages such as legumes are an essential part of a highly productive breeding/finishing system – particularly with traditional store farms increasingly having to finish stock within their business due to land use changes in recent years.

The project, which incorporates three farms spread across the North Island's east coast, is looking at ways to encourage and establish clovers on dryland hill country, each farm with a different focus. Scientist Paul Muir is overseeing the trial work on all three farms.



Looking for mosquitoes - not just the tigers

B+LNZ Director Andrew Morrison carries the adage "in the jungle more people are killed by mosquitoes than tigers" when he's assessing hazards on this South Island sheep and beef farm.

That's because he understands that there are far more injuries caused by farm accidents than there are fatalities. And, it's important that when farmers are assessing hazards, they take the small, everyday activities that pose the greatest risk of injury just as seriously as the life-threatening ones.

With Andrew's governance roles in the rural sector, he's acutely aware of how valued people are and how strong the focus is on health and safety. Crucial to that is having the right processes and policies in place to create a safe work environment.

Applying this to their own farm Andrew and Lisa worked with their farm manager to formalise health and safety processes. They invited a neighbour along on a farm tour to help identify hazards and drew up a hazard map together, using different colour highlighter pens to mark-up hazards.

B+LNZ runs Farm Safety Management System workshops and Andrew says these build on policies that farmers already have in place. "It's all about making health and safety part of business as usual".

Farmer councils provide vital link

The farmer councils are the vital link between grass-roots farmers and B+LNZ. Our seven regional farmer councils, with 111 farmer councillors, advise B+LNZ on research investment and guide work within their region.

They work with their local extension managers and farmer director to develop an extension strategy for the region.

All sheep, beef and dairy levy payers on the B+LNZ electoral roll can participate in the decision-making process through their farmer council. Councillors are elected by farmers and each council elects its own Chair. The seven regional Chairs then make up the National Executive of Farmer Council. Each Council also co-opt industry experts as a valuable link to regional activity aligned to commercial activities on farm.



*William Morrison,
Farmer Council - National Chair*



Watch the video
bit.ly/2rOESnL

Taking care of business

950

farmers attended B+LNZ's Farm Safety Management System nationwide.

This year, a record-breaking 950 levy-payers attended 37 B+LNZ Farm Safety Management System workshops throughout the country. Run by Exigent Risk Management, these practical workshops have struck a chord with farmers and feedback has been overwhelmingly positive.

More than 6,500

farmers and industry professionals participated in our workshops and seminars.

More than 3,500

farmers and industry professionals participated in B+LNZ Project Farm activities.

More than 8,800

farmers and industry professionals attended events and field days where B+LNZ supported industry partners in the delivery of information and learnings to farmers.

B+LNZ Genetics

After four years of operation and a series of successful milestones, B+LNZ last year extended its support of wholly-owned subsidiary B+LNZ Genetics beyond its initial five-year funding programme.

B+LNZ Genetics was established in 2013 to consolidate farmer investment in New Zealand's sheep and beef genetics research and innovation into a single entity. Its programme was forecast to generate \$742m of benefits over 10 years, but that figure has since been reviewed upwards, to \$947m, or \$7,890 per annum per sheep and beef farm.

B+LNZ Genetics' performance feeds directly into several of B+LNZ's strategic goals, particularly that of growing farm profitability through improved productivity, efficiency and reduced costs.

The B+LNZ Genetics programme, which is also supported by government, through the Ministry of Business, Innovation and Employment, is on track to deliver substantial and sustainable improvements to the sector's breeding programme.

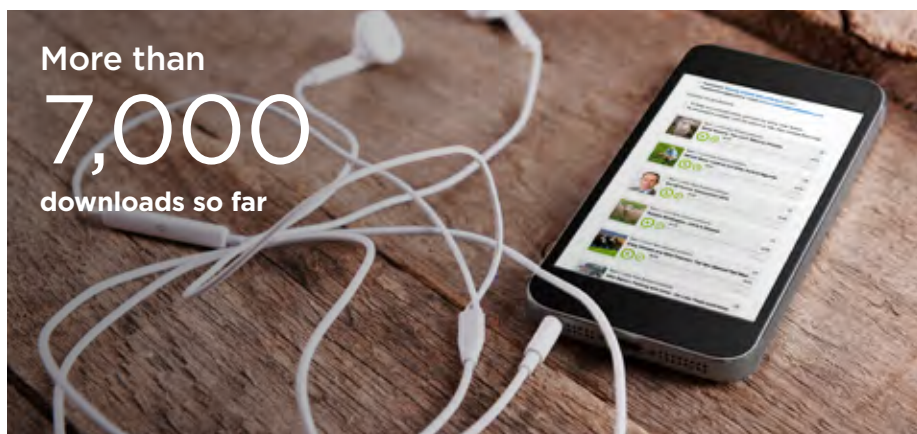
New computing power was introduced into the SIL Genetic Evaluation System in 2017. Performance recording information from all active SIL Breeding Flocks

was combined for the first time into a single weekly score, the New Zealand Genetic Evaluation System (NZGE). This now gives a better estimate of genetic merit and, with the increased data links between flocks, improved benchmarking across all SIL flocks.

Another initiative, on the back of NZGE, was the development of two new ram indexes - New Zealand Maternal Worth and New Zealand Terminal Worth - providing one index number for core attributes that can be compared across connected flocks.

A new three-year \$5.2 million collaborative research partnership on joint beef research projects also began with Meat & Livestock Australia. B+LNZ Genetics will oversee all projects - on either side of the Tasman - to ensure desirable maternal traits in beef cows are balanced with the finishing performance of the calves and to meet industry carcass quality specifications.

The Dairy-Beef Progeny Test launched in 2015, aims to provide genetic linkages between beef stud herds and demonstrate the additional value that can be added by using high-genetic-merit beef bulls, rather than the unrecorded bulls traditionally used as 'follow-on bulls' in most New Zealand dairy systems.



Podcasts popular with farmers

B+LNZ's new interactive online audio/podcast interviews are proving a popular way for levy-payers to get tips and insights - either listening in live or downloading for later. B+LNZ's Product Development Manager, Aaron Meikle, hosts the 45-minute interviews with industry experts which farmers can listen in to and email or text questions. The recorded sessions are then made available on B+LNZ's website for downloading. With more than 7,000 downloads so far, it's clearly an effective way for farmers to connect and learn.

A new model of farm extension

The RMPP Action Network is a new model of farm extension being rolled out across the country, bringing together small groups of farmers with expert support to build knowledge and skills and implement profit-boosting practices.

A proven model, the Action Network has been developed through extensive research. Pilot studies have shown significant financial gains when farmers join in teams to identify possible changes to achieve improved outcomes. The model gives farmers confidence in a new practice, and adequate support to adopt any desired changes.

B+LNZ is strongly committed to this programme which will be integrated into, and delivered through, its regional extension programmes.

Red Meat Sector Research Strategy

To be more effective in research and development, B+LNZ has this year taken a lead in building an integrated approach with the red meat sector, collaborating and co-operating with wider sector.

We've been working with government, researchers, farmers and processors to complete a new integrated sheep and beef sector research strategy that will underpin how we prioritise research.

We'll be sharing the new strategy with the wider sector in 2018 to drive that desired cooperation.



Sector Capability

B+LNZ has a programme of activity geared to attracting more young people into the industry and building future leaders. In most of these areas B+LNZ and DairyNZ are the primary drivers and are working closely together to build capability and opportunities for sheep, beef and dairy levy payers.

Get Ahead and TeenAg programmes run through Young Farmers

3000 students participating

Farmer Council Development Programme

14 people completed

Primary ITO Trainees

700 trainees per year

Career expos

34,500 high school students visited

Agri-Women's Development Trust

804 women attended Understanding Your Farming Business courses in the last year

St Pauls Collegiate agricultural business curriculum

150 students trialled more than 50 partner schools adopting the curriculum

Beef + Lamb New Zealand Scholars

30 across Massey, Canterbury, Waikato Universities

Kellogg's Rural Leadership

40 people supported by B+LNZ

Nuffield Overseas Research scholarship

3 sheep and beef sector

International Beef Alliance, Tri-lamb, Young Shepherd's Scholarships

6 young farmers



04



Government and public insight and engagement

*Backing our farmers on the issues
that count*



04

We are working on behalf of sheep and beef farmers to ensure that rules and regulations are fit for purpose and achieve the right result.

As an organisation we have incredible information and insights about what is happening in the sector. These insights can help decision makers formulate better policy which is in everyone's interests.

We are looking ahead, identifying the major risks and opportunities for our sector and partnering with others to improve our sector's performance in a wide range of areas such as health and safety, biosecurity, trade and the environment.

This year we will also be focused on building our relationships with key industry partners such as dairy and Maori-agribusiness.



Consultation Government Industry Agreement for biosecurity

Our farmers consistently tell us that biosecurity risks are among the biggest risks we face as an industry. Until now B+LNZ had little say in how the biosecurity needs of sheep and beef farmers are met with Government making all the final decisions.

That's why we've sought farmers' support for B+LNZ to join DairyNZ and Deer Industry New Zealand in signing the Government Industry Agreement for Biosecurity Readiness and Response Deed.

The GIA would help us influence decisions that affect our farmers, particularly around funding and response, giving farmers increased certainty and control over our own biosecurity destiny. A decision is expected early 2018, following a review of submissions and other feedback.

257

GIA submissions received

85%

support or strongly support B+LNZ becoming a GIA Signatory



Joint Meat Industry Association and B+LNZ Government Policy Priorities

B+LNZ has worked with the Meat Industry Association (MIA) to ensure the new Government knows what we are working on and where it can help the sector.

Our election year manifesto outlined a set of key priority policy areas, a blueprint for partnership ensuring politicians and policy makers understood the economic contribution of the sheep and beef industry - and what we need to operate sustainably and profitably.

We're also engaging with the wider community, looking to understand their views and help them better understand our farmers and farming systems.

Mycoplasma bovis

The outbreak of cattle disease *Mycoplasma bovis* in South Canterbury and North Otago in July last year and since detected in Southland and Hawkes Bay, is a major concern for the sector.

B+LNZ has been supporting the Ministry of Primary Industries' response to the disease and working closely with DairyNZ to provide our farmers with information, advice and updates.

But it has been a difficult time with over 20 properties testing positive for *M. Bovis* so far.

B+LNZ is leading calls for all available support and compensation to be provided to those affected.

New Zealand takes its biosecurity very seriously and is one of the few countries in the world where this disease isn't endemic so that's why the industry is willing to support such significant measures to keep it that way.

Velvet leaf





After the discovery of velvetleaf in fodder beet crops in Canterbury, B+LNZ has been working with the Ministry of Primary Industries and other industry bodies to implement a velvetleaf management strategy (VMS) to help control this invasive weed.

B+LNZ's head of biosecurity, Chris Houston, says the objectives of the VMS include slowing the spread of velvetleaf within and between farms, understanding the current extent and potential extent/impacts of velvetleaf in New Zealand and increasing knowledge on how to effectively manage velvetleaf and prevent its spread.

It also seeks to engage with land occupiers, farmers and contractors to gather insight on whether they believe there is a problem/issue with velvetleaf and whether they have taken any action to manage or protect their properties and to build their understanding of the risks, consequences and costs of velvetleaf infestation.

BUDGET 2017-18

Expenditure after deducting other income

Priorities	Actual 2016-17 \$,000	Budget 2017-18 \$,000
 Supporting Farming Excellence	13,759	13,628
 Government and Public Insight & Engagement	1,158	1,158
 Unlocking Market Potential	5,607	6,605
 Enhancing our Environmental Position	2,919	3,729
Administration	2,591	2,452
Total expenditure after deducting other income	26,034	27,572

SHEEPMEAT LEVY

	Per Head	Cents Per Kilo ¹
Supporting Farming Excellence	\$0.37	2.04¢
Unlocking Market Potential	\$0.14	0.80¢
Government and Public Insight and Engagement	\$0.02	0.13¢
Environment	\$0.08	0.45¢
Administration	\$0.06	0.31¢
	\$0.67	3.73¢
Income		
Levy	\$0.60	3.33¢
NZMB	\$0.05	0.33¢
Interest	\$0.01	0.04¢
Less Funded by Meat Education Trust	\$0.01	0.06¢
	\$0.67	3.76¢
Levy Surplus/ Deficit	(\$0.00)	(0.03¢)

1. Sheepmeat "Cents Per Kilo" based on an 18kg carcase weight.

Note: Numbers have been rounded

BEEF LEVY

	Per Head	Cents Per Kilo ¹
Supporting Farming Excellence	\$1.97	0.70¢
Unlocking Market Potential	\$1.28	0.46¢
Government and Public Insight and Engagement	\$0.24	0.08¢
Environment	\$0.73	0.26¢
Administration	\$0.46	0.16¢
	\$4.68	1.67¢
Income		
Levy	\$4.40	1.57¢
NZMB	\$0.15	0.05¢
Interest	\$0.07	0.03¢
Less Funded by Meat Education Trust	\$0.10	0.04¢
	\$4.62	1.69¢
Levy Surplus/ Deficit	\$0.07	0.02¢

1. Beef "Cents Per Kilo" based on a 280kg carcase weight.



SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 September 2017

In thousands of New Zealand dollars	Group 2017	Group 2016	Parent 2017	Parent 2016
Non Exchange Revenue				
Levies Received	24,417	25,754	24,417	25,754
Other Non Exchange Income	8,857	6,534	5,224	2,300
Exchange Revenue				
Other income	3,219	2,705	1,929	2,008
Operating expenses	(37,841)	(38,034)	(33,277)	(32,591)
Net operating surplus/(deficit) from operating activities	(1,348)	(3,041)	(1,707)	(2,528)
Net finance income	661	520	634	475
Impairment of Investments in Subsidiary Companies	-	-	(10)	(59)
Net operating surplus/(deficit) for the year before income tax	(687)	(2,521)	(1,083)	(2,112)
Income tax expense	-	-	-	-
Net operating surplus/(deficit) for the year	(687)	(2,521)	(1,083)	(2,112)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(687)	(2,521)	(1,083)	(2,112)
Attributable to:				
Levy payers	1,183	998	787	1,557
Meat Education Fund	(494)	(458)	(494)	(457)
Special Reserves	(1,376)	(3,061)	(1,376)	(3,212)
	(687)	(2,521)	(1,083)	(2,112)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

In thousands of New Zealand dollars	Group		Parent	
	Retained Earnings	Total Equity	Retained Earnings	Total Equity
Balance at 1 October 2016	21,069	21,069	20,500	20,500
Total comprehensive income for the year				
Surplus/(Deficit) for the year	(687)	(687)	(1,083)	(1,083)
Total comprehensive income for the year	(687)	(687)	(1,083)	(1,083)
Transactions with owners of the company	-	-	-	-
Balance at 30 September 2017	20,382	20,382	19,417	19,417

These statements are to be read in conjunction with the notes on page 46. A statement of levy stream performance is included in the notes on page 46. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

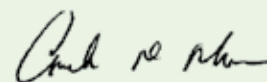
In thousands of New Zealand dollars	Group 2017	Group 2016	Parent 2017	Parent 2016
EQUITY EMPLOYED				
Retained earnings	20,382	21,069	19,417	20,500
TOTAL EQUITY EMPLOYED	20,382	21,069	19,417	20,500
Represented by:				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4,696	6,262	3,900	4,266
Trade and other exchange receivables	2,669	1,061	611	977
Non-exchange Receivables	1,819	2,159	1,785	2,245
Term Deposits	16,049	16,134	15,820	16,114
Derivative financial instruments	26	-	26	-
Advance to Subsidiary Company	-	-	950	-
TOTAL CURRENT ASSETS	25,259	25,616	23,092	23,602
NON-CURRENT ASSETS				
Property, plant & equipment	463	373	377	297
Intangible assets	210	118	210	118
Investments in subsidiary companies	-	-	1	20
Term receivables- Exchange	78	12	78	12
TOTAL NON-CURRENT ASSETS	751	503	666	447
TOTAL ASSETS	26,010	26,119	23,758	24,049
CURRENT LIABILITIES				
Trade and other payables	4,703	3,289	3,470	1,878
Derivative financial instruments	1	79	1	79
Deferred revenue	-	163	-	109
Provisions	183	696	183	696
Employee entitlements	574	737	520	701
TOTAL CURRENT LIABILITIES	5,461	4,964	4,174	3,463
NON CURRENT LIABILITIES				
Lease Liabilities	167	36	167	36
Loans and Borrowings	-	8	-	8
Employee entitlements	-	42	-	42
TOTAL NON-CURRENT LIABILITIES	167	86	167	86
TOTAL LIABILITIES	5,628	5,050	4,341	3,549
NET ASSETS	20,382	21,069	19,417	20,500

The Board of Directors authorised these financial statements for issue on 6 December 2017.

This statement is to be read in conjunction with the notes on page 46. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.



J R Parsons
Chairman



A Morrison
Chairman Audit & Risk Committee

STATEMENT OF CASH FLOWS

For the year ended 30 September 2017

In thousands of New Zealand dollars	Group 2017	Group 2016
Net cash flows from operating activities	(1,166)	(3,497)
Net cash flows from/(to) investing activities	(400)	2,776
Net cash flows used in financing activities	-	(16)
Net increase/(decrease) in cash and cash equivalents	(1,566)	(737)

This statement is to be read in conjunction with the notes below. A copy of the full financial report is available from Beef + Lamb New Zealand Limited.

- These summary accounts have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with International Public Sector Accounting Standards ("IPSAS") for a Not For Profit ("NFP") Public Benefit Entity ("PBE") as it relates to summary financial statements.
- The specific disclosures included in the summary financial report have been extracted from the audited financial statements dated 6 December 2017. The audit opinion expressed was unqualified.
- 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 and Parent. The full financial report including both the Parent and Group financial statements has been prepared in accordance with NZ GAAP and they comply with IPSAS as appropriate for Tier 1 not-for profit public benefit entities.
- If you require a complete set of the annual financial report please contact, Chief Operating Officer, Beef + Lamb New Zealand, PO Box 121, Wellington or phone 04 473 9150.

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

5.

PARENT STATEMENT OF LEVY STREAM PERFORMANCE

For the year ended 30 September 2017

2017	Beef	Sheepmeat	Total Meat	Wool
In thousands of New Zealand dollars				
Income				
Levy income	10,556	13,861	24,417	-
Grant funding from New Zealand Meat Board	570	1,330	1,900	-
Finance income	185	248	433	14
Fees	93	146	239	-
Other income	741	949	1,690	-
Share of surplus/(deficit) of subsidiary and associate	(5)	(5)	(10)	-
Total income	12,140	16,529	28,669	14
Expenditure				
Market Development	2,060	2,116	4,176	-
Market Access	689	1,004	1,693	-
Research & Development	784	1,579	2,363	-
Extension	2,765	4,471	7,236	31
Environment	1,052	1,158	2,210	-
Information & Analysis	948	1,486	2,434	-
People & Capability	382	382	764	131
Administration	1,728	1,994	3,722	-
Beef & Lamb Genetics	858	2,002	2,860	276
	-	-	-	-
Total operating expenditure	11,266	16,192	27,458	438
Net operating surplus/ (deficit) for the year	874	337	1,211	(424)

PARENT STATEMENT OF LEVY STREAM PERFORMANCE

For the year ended 30 September 2016

2016	Beef	Sheepmeat	Total Meat	Wool
In thousands of New Zealand dollars				
Income				
Levy income	11,279	14,475	25,754	-
Grant funding from New Zealand Meat Board	460	1,840	2,300	-
Finance income	206	305	511	16
Fees	140	259	399	-
Other income	665	944	1,609	-
Share of surplus/(deficit) of subsidiary and associate	(29)	(29)	(58)	-
Total income	12,721	17,794	30,515	16
Expenditure				
Market Development	3,487	2,102	5,589	-
Market Access	937	1,449	2,386	-
Research & Development	1,084	3,054	4,138	-
Extension	2,619	5,146	7,765	-
Environment	888	1,029	1,917	-
Information & Analysis	846	1,571	2,417	-
People & Capability	370	370	740	-
Administration	1,821	2,201	4,022	-
Residual Wool Levy Fund	-	-	-	-
Referendum costs- Wool Levy Group	-	-	-	-
Total operating expenditure	12,052	16,922	28,974	-
Net operating surplus/ (deficit) for the year	669	872	1,541	16

STATUTORY DISCLOSURES

Disclosure of Interests by Directors

In accordance with section 140(2) of the Companies Act 1993, the Directors have made general disclosures of their relevant interests for entry in the Groups interest register.

Directors have disclosed interests in transactions with associated and subsidiary companies and these are disclosed in Note 11 to the Financial Statements.

All of the Directors of Beef + Lamb New Zealand Limited are directors of the New Zealand Meat Board and Meat & Wool Trust Ltd.

S Lewis and M Clarkson declared interests in meat exporting companies who were recipients of joint venture funding from Beef + Lamb New Zealand Limited market development joint funded programmes.

M Clarkson declared interests in meat processing and exporting companies who are partnering Beef + Lamb New Zealand Limited in the Red Meat Profit Partnership.

Board of Directors Fees

	2017 (\$000)	2016 (\$000)
Chairman	69	68
Deputy Chairman	42.7	-
Directors	32.7	32.3
Beef + Lamb NZ Genetics Ltd (Group Only)		
- Independent Chairman	35	35
- Independent Directors	15	15

The above fees represent the annualised fees payable to Directors. Beef + Lamb New Zealand Limited pay no other fees to Directors for their 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 use of company information received in their capacity as Directors which would otherwise not have been available to them.

Employee Remuneration

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		
	2017	2016	
	Continuing	Discontinued	
100-109	8	-	3
110-119	1	-	2
120-129	4	-	3
130-139	2	-	3
140-149	1	-	2
150-159	2	-	-
160-169	2	-	2
170-179	2	-	2
180-189	1	-	1
190-199	1	-	2
200-219	-	1	-
220-229	1	-	1
270-279	1	-	1
280-289	1	-	-
310-320	-	2	-

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

Subsidiary and Associated Company Directors

The following persons held the office of Director of the respective subsidiaries and associates during the year to 30 September 2017. 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.

B+LNZ Biologics Company Ltd	Sam Mclvor
B+LNZ Clover Company Ltd	Sam Mclvor
B+LNZ Emissions Company Ltd	Sam Mclvor
B+LNZ Investments Ltd	Sam Mclvor
B+LNZ Johnesco Ltd	Sam Mclvor
B+LNZ PGP Ltd	Sam Mclvor
Primary Resources Ltd	James Parsons
B+LNZ Genetics Ltd	Chris Kelly (Chairman), Leon Black, Bob Thompson, Greg Murison, Richard Wakelin (R), James Parsons (A)
Meat and Wool Trust Ltd	Kirsten Bryant, Melissa Clark-Reynolds (A), Mark Clarkson, Sam Lewis, Andrew Morrison, James Parsons, George Tatham, Philip Smith, Bill Wright
Red Meat Profit Partnership General Partner Ltd.	Malcolm Bailey, Graham Brown, Graham Cooney (R), Alan McDermott (A), Sam Mclvor (A), Jane Smith, George Tatham, Cros Spooner (R), Bob Cottrell, Wayne Allan
Johne's Disease Research Ltd	Richard Wakelin
Pastoral Genomics Ltd	George Tatham (R), Bill Wright (A)
Pastoral Greenhouse Gas Research Ltd	Andrew Morrison



Independent Auditor's Report

To the stakeholders of Beef + Lamb New Zealand

Report on the summary company and group financial statements

Opinion

In our opinion, the accompanying summary company and group financial statements of Beef + Lamb New Zealand (the company) and its subsidiaries (the group) on pages 44 to 47:

- i. Has been correctly derived from the audited company's and group financial statements for the year ended on that date; and
- ii. Is a fair summary of the company's and group financial statements, in accordance with Public Benefit Entity Standards (Not For Profit).

The accompanying summary company and group financial statements comprises:

- the summary company and group statement of financial position as at 30 September 2017;
- the summary company and group statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Our firm has also provided other services to the company and group in relation to IT advisory services. This matter has not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.



Use of this Independent Auditor's Report

This report is made solely to the stakeholders as a body. Our audit work has been undertaken so that we might state to the stakeholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the stakeholders as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the summary company and Group Financial Statements

The Directors, on behalf of the company, are responsible for:



- the preparation and fair presentation of the summary company and group financial statements in accordance with Public Benefit Entity Standards (Not For Profit).
- implementing necessary internal control to enable the preparation of a summary company and group set of financial statements that is correctly derived from the audited company and group financial statements.

Auditor's Responsibilities for the summary company and Group Financial Statements

Our responsibility is to express an opinion on whether the summary company and group financial statements are consistent, in all material respects, with (or are a fair summary of) the audited company and group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the company and group financial statements in our audit report dated 6 December 2017.

The summary company and group financial statements do not contain all the disclosures required for a full set of company and group financial statements under generally accepted accounting practice in New Zealand. Reading the summary company and group financial statements, therefore, is not a substitute for reading the audited company and group financial statements of the company and group.

KPMG
Wellington

6 December 2017



www.beeflambnz.com