

Media release

25 October 2017

LIC: Dairy industry not immune to disruption

New Zealand dairy farmers have a global edge in terms of productivity and profitability, but the industry needs to remain ambitious about keeping that edge against the best in the world.

That was the message delivered by LIC Board chair Murray King at the farmer-owned co-operative's annual meeting in Invercargill today.

It was the first time the farmer owned co-operative has held its meeting in Southland, attended by local farmers, LIC directors, shareholder councillors and staff from the area and Waikato head office. LIC (Livestock Improvement Corporation Limited) is the largest artificial breeding company in New Zealand, with around three out of four cows grazing on New Zealand dairy farms sired by an LIC bull.

King said New Zealand's dairy industry is vulnerable to the same disruption that other industries have experienced in recent years from new technology and innovation.

"There are also clear disruptive threats to the dairy industry and LIC from environmental challenges, to regulation, to alternative milk products. We have to constantly be improving and adapting the way we do business.

"Standing still is not an option. In this age of disruption and radical change if we don't continue to evolve we put at risk what you value most about your co-op and the industry."

The comments were part of King's presentation about how LIC is working to protect and grow the co-op, and the roadmap for adapting to disruption. This included the separation of LIC into two businesses which was completed in 2016, the transformation programme currently underway and defining the co-op's core purpose.

"LIC is in a process of change and transformation. This is about protecting the fundamentals of the co-operative while making sufficient profits to enable LIC to reinvest for the future.

"The cost efficiencies and business growth delivered through the transformation programme have been key contributors toward a better result in the 2016-2017 financial year.

"As a result of the transformation we are also expecting a significant improvement in earnings in future years."

The next step is share simplification, he said.

"In response to concerns raised by shareholders, we began a comprehensive review of LIC's share structure two years ago. This review found that the current two-share structure is not best for meeting the current and future needs of the co-operative and our farmers.

"We believe that simplifying LIC's share structure by moving to a single class of shares is an important step in better positioning LIC for the future and ensuring a resilient and adaptable co-op.

“The threat of disruption in the future means that we have to be able to respond in an agile way to changes and challenges that may lay ahead.

“Moving towards a simpler share structure will help in this process by addressing the growing disparity between LIC’s two classes of shares and making it easier in future to access capital if needed.

“No final decisions have been made by the Board. We are still considering options on how best to simplify LIC’s share structure and listening to valued feedback. We expect to come back to shareholders with a more substantive update early in 2018.”

Chief executive Wayne McNee also presented LIC’s 2016-17 financial results at the meeting, which were disclosed to the market in July, with the co-op returning to a modest level of profitability.

Meeting resolutions

Timothy (Tim) Gibson was appointed an independent director to the LIC Board and chair of Remuneration and Appointments Committee. He replaces retiring director Phil Lough who has been a director of LIC for 15 years.

King said Gibson has significant experience in both large and small organisations, including many years as an executive in the NZ Dairy Board, a chief executive at NZTE, a professional company director and also consulting internationally.

“Tim’s knowledge of the industry and personnel management skills means he is aligned to the direction and aspiration of the LIC business, and also brings many specific capabilities to the Board which will help LIC deliver on its strategy,” he said.

Abigail (Abby) Foote was re-appointed for a further three-year term as independent director and chair of Audit, Finance and Risk Committee.

“Abby has made a valuable contribution to the LIC Board since her appointment in 2014. Abby brings a wealth of experience and insight, and I am pleased that we will continue to benefit from that,” King said.

King also acknowledged the contribution from retiring director Phil Lough.

“Phil has been of tremendous benefit to LIC and our shareholders; his wisdom and council has been truly valued by his fellow directors and management. With significant professional experience ranging from food technology right through to chief executive and chairman’s roles in some of New Zealand’s most important businesses, his knowledge and foresight have made him a highly respected member of the board.”

Other resolutions passed at the meeting included:

- approval of LIC directors’ remuneration,
- approval of Shareholder Council chair’s remuneration;
- re-appointment of external auditor KPMG; and
- approval of LIC’s Shareholder Council budget.

ENDS

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Images available to [download from Dropbox](#):

- Murray King, LIC Board Chairman
- Tim Gibson, LIC Director
- Abby Foote, LIC director

About LIC www.lic.co.nz @LICnz

LIC is a farmer-owned co-operative that provides a range of services and solutions to improve the productivity and prosperity of farmers. This includes dairy genetics, information technology, herd testing, DNA parentage verification and farm advisory services.

Subsidiary business LIC Automation provides integrated automation systems and unique milk testing sensors that present real-time data while a cow is being milked.

With origins dating back to 1909, LIC has a long history of world-leading innovations for the dairy industry. Today the New Zealand-based co-operative employs more than 600 permanent staff, swelling to 2000 during the peak dairy mating season. LIC also has offices in the United Kingdom, Ireland, Australia and Brazil. All LIC profit is returned to its farmer owners/shareholders in new solutions, research and development or dividends.

The LIC Board is made up of seven farmer-elected directors, and three independent directors.

Profile – Timothy (Tim) Gibson

Tim has significant experience in international business in both large and small organisations, dealing with customers, stakeholders and governments at the most senior levels.

Tim is respected and trusted for the quality of the advice and experience he offers, his ability to deal with complex issues, the collegial way he works with others, his understanding of good governance, and his practical knowledge of what drives success in organisations. He has sector expertise in agriculture, food, services, and government relations.

Tim has many years' experience in the NZ dairy industry, as an executive in the NZ Dairy Board, as a Director, and also consulting internationally.

He is currently a Director of Miraka Ltd, Director of Port Otago Ltd, Director of Skills International Ltd, and Director of Tūhana Consulting. Previously Tim has had governance roles with Alliance Group Ltd, Chair Tuia Group, Foodcap NZ Ltd, was a Director of NZ Rugby League and was the Chair Wellington Rugby League. Tim holds a Bachelor of Art (Hons) in German and a Bachelor of Laws, both from the University of Otago. He attended the Advanced Management Programme at INSEAD in France, the Global Strategy Programme at Harvard, and the Orchestrating Winning Performance Programme at IMD in Switzerland. Tim has good German language skills and conversational Japanese skills.

Mr Gibson will chair the Remuneration and Appointments Committee and hold office for a two-year term, retiring by rotation at the Annual Meeting in 2019.

Profile: Abigail (Abby) Foote

Abby is a professional director. She has experience as a director of both NZX and Crown companies with a strong analytical and strategic focus, coupled with a critical awareness of corporate governance and risk management.

With qualifications in both law and accounting, Abby's career has straddled both disciplines, focusing on corporate finance and commercial transactions. She has a breadth of experience in a number of diverse areas including mergers and acquisitions, treasury and structured finance transactions, telecommunications, management of large projects and strategic development and implementation.

Abby is currently a Director of Z Energy Limited, the New Zealand Local Government Funding Agency Limited, Television New Zealand Limited and a member of the board of Museum of New Zealand Te Papa Tongarewa and chairs the audit and risk committees of each of those organisations.

Mrs Foote will Chair the Audit, Finance and Risk Committee and hold office for a further three-year term, retiring by rotation at the Annual Meeting in 2020.