

**LIC Annual Meeting**  
**Thursday 12 October 2023**  
**Chairman's and Chief Executive's Address**

**Address by the Chair, Murray King**

Good afternoon everyone, welcome to LIC's Annual Meeting. I'm Murray King, Board Chair of LIC. Thank you for attending today's meeting. I'd like to acknowledge that this is a busy time for our farmers, so thank you for being here, we really appreciate your attendance.

Before we start the proceedings, I have a small number of housekeeping matters to cover. To vote you will need your shareholder number provided by Link Market Services. For those of you in the room with us, if you have not voted and haven't brought your postal vote with you, you will have been given a voting form upon registration for the Annual Meeting today. If you haven't registered, please see the team outside in the foyer. If you are voting at the meeting today, please indicate your vote on the voting paper supplied. These will be collected at the end of the meeting.

For those of you joining online, you can vote using the online platform. Please click on the "Get a Voting Card" button and enter your shareholder number. I will cover this in more detail shortly.

There are 12 resolutions to be considered today - a poll will be held on each one. Resolutions 4, 5, and 7 are elections for the Board of Directors and Shareholder Reference Group and unable to be voted on by Employee Share Scheme members. Shareholders in the North Island Region can vote on resolution 4. Shareholders in the South Island Region can vote on resolution 5. Shareholders in the Lower North Territory can vote on resolution 7.

We use the First Past the Post system for Board of Directors and Shareholder Reference Group elections, this means that candidates receiving the highest number of votes will be appointed.

All shareholders can vote on all other resolutions. Resolutions 1,2,3,6, 8 and 9 are ordinary resolutions and require 50% approval. Resolutions 10,11 and 12 are special resolutions and require 75% approval. Results will be announced during the dinner this evening.

If anyone joining online has any items of general business or questions they would like to ask, please send them via the "Ask a Question" button now, or at any time throughout the meeting. These will be collated and answered in the general business section towards the end of the meeting.

For those in the room, please raise your hand to ask a question during the general business section, we will then bring a microphone to you so everyone in the room and online can hear you. We may take a few minutes to collate and review these before general business.

We have designed the procedures for today's meeting so that those online have the same opportunity to participate as those in the room with us.

Before we officially begin the meeting, I would like to cover a few points regarding the use of the online platform.

To vote you will need your shareholder number provided by Link Market Services. You can vote using the online platform. Please click on the “Get a Voting Card” button and enter your shareholder number. Voting remains fully confidential, no one on the call will see your vote.

To ask questions using the online platform, please click on the “Ask a Question” button. You will then need to enter your shareholder number. We may take a few minutes to collate and review these before general business. It’s worth noting that your questions will only be visible to myself and the team who will be moderating and answering the questions.

For those joining us online, if you have any issues asking questions or voting please call the phone number on screen now, 0800 200 220. If anyone has any items of general business or questions that are of a more technical nature, please ask them now so that our team can get the answers while we progress with the meeting and business to be discussed.

If you are in the room, when asking questions can you please raise your hand, wait for the microphone to be handed to you, and state your name, directing your question to me. Please wait for the microphone before you ask your question – this is so everyone in the room and online can hear. The Notice of Meeting has been circulated to all shareholders and is taken as read. With a quorum present, I now declare the meeting open.

Firstly, I’d like to extend a warm welcome again to LIC’s Annual Meeting fellow shareholders, LIC staff, Shareholder Reference Group members, Ian Brown and Shirley Trumper from the Honoraria Committee and LIC’s auditors, lawyers, bankers and advisors. Also joining us today is LIC Chief Executive David Chin, LIC Chief Financial Officer Brent Mealings and LIC Board Directors - Alison Watters, Ben Dickie, Candace Kinser, Corrigan Sowman, Ken Hames, Matt Ross, Sophie Haslem and Tim Gibson.

LIC Shareholder Reference Group Member, Mark Bennis is an apology for today’s meeting.

Here is the agenda for today’s meeting, which I will run you through briefly. I will cover our business highlights and outlook for the year ahead. David Chin and I will then recap on strategy and present how we are tracking when it comes to delivering on our commitments to our farmer shareholders.

I’ll then hand over to LIC’s Chief Financial Officer, Brent Mealings who joined the co-op in August this year. Brent will present LIC’s financial overview and highlights from LIC’s investment into R&D this year.

Our CE David Chin will then talk to his priorities, including herd improvement and the rate of genetic gain being made on farm and LIC’s focus on future solutions.

From there, Ian Brown, Honoraria Committee Chair will present the Honoraria Report. We will then move to Voting Resolutions. Finally, General Business, where there will be an opportunity for Q&A.

I will now give an overview of the business highlights for the year.

### **Business highlights**

Key highlights for us this year are the farmer uptake of premium genetics and the results they are delivering on farm, the growth of animal health and DNA testing and our continued focus on R&D and technology investment to help our farmers tackle the growing environmental challenges facing the dairy sector.

#### *Premium AB products*

Our 2022-23 result was fuelled by an increased farmer uptake in premium genetics and herd improvement services to breed highly efficient cows, with a lower emissions footprint.

Farmer shareholders know that all cows aren't created equal, and they are investing in solutions to breed the best cows, faster. Farmers consistently using LIC genetics have almost doubled the rate of genetic gain in their herds over the last 10 years - achieving 18gBW per annum.

LIC's premium genetics range accounted for 79% of the co-op's total artificial breeding (AB) inseminations, up from 71% the year prior. This shows more farmers are opting for LIC's premium bull teams to breed high genetic merit cows which goes hand in hand with the higher rates of increased genetic gain we are seeing in farmers' herds.

Orders for sexed semen also increased, as more farmers factor this important tool into their breeding plans to accelerate the rate of genetic gain on farm.

We acknowledge that the non-return rate for sexed semen last season was below what we would usually expect and several enhancements and changes to processes have been made as a result. We have continued to monitor sexed semen NRR performance throughout the winter mating period, and the result is within the expected range.

#### *Animal health testing*

It's also pleasing to see that farmers have increased their investment in DNA testing services and animal health testing, particularly Johne's disease testing. Johne's disease testing remains one of our most popular diagnostic services, reaching a milestone of over 1.1 million test samples processed, an increase of 16% from last year. Overall animal health tests were up 13.2% accounting for \$10.2m.

### **The year ahead**

Over the next 12 months we will continue to focus on investing in the right R&D initiatives with an aim to deliver profitable and sustainable outcomes for our dairy sector.

We expect underlying earnings in 2023-24 to be in the range of \$17-22 million.

### **Strategy and commitments**

Delivering on our commitments to farmer shareholders remains a key focus for 2023/24. I will give a

quick recap on strategy and then I will invite David to present on our delivery against those commitments.

Our strategy, is focused on building a strong sustainable co-operative, leading the world in our field and delivering outstanding value for our customers, shareholders and industry.

We create value through a focus on four key areas - our farmers, animal, data & digital and innovation. I would like to cover a few examples from the past year that show our strategy in action.

Sitting in the data & digital area, we have partnered with eight leading cow wearable technology suppliers to integrate our MINDA herd management system. This year we saw 426,000 wearables integrated with MINDA and it's great to see farmers utilising this integration to unlock even more value from their wearables investment.

Genomics remains a key focus which will enable us to continue delivering value on farm. The Board remains strongly committed to genomics and this is reflected in our investment in the technology over the past 12 months. Our genetics offering has continued to go from strength to strength, with an increased focus on dairy beef genetics, which offers an alternative revenue stream for our farmers and supports the reduction of non-replacement calves.

We are also in the third year of our methane research programme, working in collaboration with CRV and Pāmu. 400 heifer calves have been born at one of Pāmu's farms near Taupō this year – 200 from low methane emitting bulls and 200 from high methane emitting bulls. Measurements from these heifers will be taken during their first milking season to ensure they're representative of their fathers.

We continue to focus on delivering on the three commitments made in our strategy, which are faster genetic improvement, operational excellence and software reliability and performance.

These three commitments provide our business with clear goals and expectations for what delivering on our commitments looks like. We're pleased to report that we have achieved the majority of our targets this year – and exceeded our targets in some areas. We remain focused on meeting the targets that we have not yet achieved and will continue to work towards achieving those in the coming year.

In the interest of time, we won't run through all the results today, but we will share an example from each commitment. The full suite of commitments and our progress against them is outlined in our latest Sustainability Report and on the website.

Herd improvement is what we do and central to that is achieving faster rates of genetic improvement. We are committed to helping the New Zealand dairy sector meet the environmental challenges we face, in particular animal efficiency, and methane mitigation.

One of the measurements of this commitment is to achieve a 15 BW increase per annum for our Premier Sires bull team on the previous year. Last year we achieved a gain of 22 BW points.

We strive to be operationally excellent, and we are committed to getting the basics right and delivering for you, on time, every time. One of the measurements of this commitment was to provide a herd testing result for 99.9% of all cows within 72 hours. We are pleased to report that we have fully achieved this target.

Another measurement of this commitment was to achieve a 5-week turnaround time for GeneMark tests. We have achieved 95% of this goal which is great to see as we have invested heavily in this area of the business. The turnaround time has reduced from 6 weeks to 5 weeks 95% of the time, and we are on track this year to reduce that even further.

Lastly, I'd like to acknowledge that the performance of our sexed semen product wasn't where we wanted it to be, but after thoroughly investigating the issue, we're pleased to report that the winter inseminations show that the product is performing back in line with expectations.

For software performance and reliability, we committed to being better at delivering our software to our farmers and renewed our commitment to continuous improvement and transparency around delivery of new features.

One of the measurements of this commitment is to ensure our MINDA software is available to farmers 99% of the time, which we exceeded this year with MINDA availability sitting at 99.5%.

That is just a snapshot of the progress we have made this year. While these metrics have been recognised as important to farmers and where we believe we can improve and make a difference, we know that the needs of farmers can evolve each year.

Based on how we're tracking and the needs of our farmer shareholders, the measurements and targets will be reviewed and updated in the future.

I will now pass on to Brent Mealings to highlight our performance over the 2022/23 financial year.

### **Financial Overview, CFO, Brent Mealings**

Thank you both. I joined LIC as Chief Financial Officer in August this year and today I'm pleased to report another strong financial result for the co-op.

Delivering value for our farmers is at the centre of everything we do, and it's results like this that enables us to deliver a solid dividend at a time when cost pressures are being felt on farm, a strong portfolio of herd improvement products and services, and importantly, the right R&D investment to help our farmers keep their herds profitable and sustainable into the future.

There are some specific numbers I would like to cover. This year we reported:

- Our Net Profit After Tax (NPAT) of \$27.4 million, was up 2.4% from last year
- A dividend of \$23.3 million, or 16.38 cents per share

- Underlying Earnings of \$23.7 million, down 7.6% from last year

At the end of the financial year, your co-operative has a strong balance sheet with no debt, and total assets of \$382.3 million.

Total revenue from continuing operations was \$276.5 million, up 5.1% from last year. This growth in revenue reflects the value our products and services are delivering to farmers, including our premium genetics offering, herd testing and animal health testing.

Like our farmers, we are faced with a challenging economic landscape and increased cost pressures, which was reflected in our revised 2023/24 earnings guidance from \$22-28 million down to \$17-22 million. Despite this, we are committed to delivering exceptional value on farm and investing in the right places to support a more profitable and sustainable dairy sector for all New Zealand farmers.

### **Capital approvals**

During the 2022-23 year, we have continued to invest in areas that will support our co-op and farmer shareholders into the future.

Capital approvals demonstrate the areas where we are reinvesting into the business, and you can see that 64% of our capital investment for the 2022-23 year contributed to investing in building capability including critical infrastructure, software upgrades and supporting key MINDA enhancements such as our integration with key leading wearable suppliers.

### **Investment in research and development**

Investment in R&D was \$18.6 million, up from \$18.2 million the year prior - retaining our position as one of the largest private investors in R&D for the primary sector at 6.7% revenue.

Our focus remains on investing in areas that will deliver value for our farmer shareholders, with a strong emphasis on genomics and key research programmes that will help our farmers meet their long-term environmental goals.

### **Address by the CE, David Chin**

It is great to speak with you all today at my second Annual Meeting as LIC Chief Executive.

Today, it is a pleasure to reflect on what we have achieved this year and to look ahead to what is next for our co-op. To start with, we have made commitments to our farmers in areas that deliver value to them - as CE a key focus of mine will be making sure we are meeting those commitments.

### **Breeding the best cows faster**

Breeding the best cows faster is key to helping farmers meet the challenge of being both profitable and sustainable. Herd improvement is what we do at LIC, and we can see that farmers are making solid progress in this space.

The investments farmers are making towards breeding more efficient and sustainable cows is as important today as it has ever been. Now's the time, more so than ever, to make sure the cows we are breeding are highly efficient converters of feed into milk and will stand the test of time within the herd.

When we consider that on average, herd improvement makes up approximately 3-4% of dairy farmers' costs of production per kilogram of milksolid, the return-on-investment farmers are making in this area is one that can be capitalised on for years to come as genetics is both permanent and cumulative.

To help our sector meet its environmental goals we need to be breeding highly efficient cows, and through our products and services farmers are doing just that.

We provide farmers with the precision genetics and technology tools they need to improve their herds and we're amplifying this through genomic science to deliver results for farmers at a faster rate.

Our full suite of products and services are supporting farmers to be more profitable and sustainable, and the support they receive via our nationwide team ensures they have access to the best combination of tools to achieve their herd improvement goals.

As Murray highlighted, in the 2022/23 year we saw an increased uptake of our premium genetics where young, genomically selected bulls are used to fast-track genetic gain; in turn delivering more value on farm through increased productivity and improved environmental outcomes.

Our latest research reaffirms that long-term users of LIC genetics are achieving faster rates of genetic gain - almost doubling the speed of improvement in their herds.

Close to 1 million cows, from current MINDA and herd tested herds aged between 4 -8 years-old, were grouped by breed and split into quartiles based on BW. The average (per cow) milk production, liveweight, and fertility breeding value (BV) from each quartile was calculated.

Using the Holstein Friesian breed as an example here, you can see that there is a significant variation in milk production and efficiency between the top and bottom quartile of cows. Not only are these cows in the top quartile more efficient at turning feed into milk, but they also weigh less, produce more milksolids, and have a fertility advantage. They also have a lower emissions footprint per kilogram of milksolid.

We don't need more cows, we just need the best cows. Today's best cows are producing 481 kgMS, compared with an average of 188kgMS in 1950. Considering that progress, through a sharpened focus on herd improvement, it is incredible to think of the kinds of genetic gains we could achieve by 2030.

If we continue to accelerate the rate of genetic gain and only breed the best cows, we can increase cow production relative to liveweight, maintain total milk production from fewer cows and reduce agricultural emissions.

At an individual farm level there can be many variable factors, but based on our research we believe that it is conceivable that by 2030 your whole herd could be performing at the level of your top 25% of cows today.

The good news is that we're already making good progress in this space. Over the past 30 years we have invested more than \$80 million into genomics, and alongside farmers' herd management decisions, this has played a key role in the faster rates of genetic improvement we're seeing on farm.

To achieve these genetic gains, we use a wide variety of tools including artificial breeding, sexed semen, herd testing, DNA parentage verification and genomic evaluation.

### **Future solutions**

We're focused on future solutions too. As highlighted by Brent earlier, we invest heavily into R&D so we can continue to deliver better outcomes for our farmers. I would like to highlight some of the projects we're currently working on to help Kiwi farmers retain their position as the most efficient milk producers in the world.

#### *Methane research programme*

LIC is in its third year of our methane research programme investigating the link between a bull's genetics and its methane emissions.

The research measures methane emissions from young bulls with the aim of providing Kiwi dairy farmers with the ability to breed low methane-emitting cows.

Results from year one of the programme, where the feed intake and methane emissions from 281 bulls were measured, found there is genetic variation in the amount of methane emitted after accounting for the feed eaten by the bulls, with the lowest bulls emitting around 15-20% less methane than the average.

This confirmed bulls' genetics do play a role in how much methane they emit, highlighting the potential for farmers to breed low methane-emitting cows in the future.

#### *Heat tolerance research*

We are one step closer to enabling farmers to breed more heat tolerant cows after trials found that dairy cows with the 'slick' gene are less affected by heat stress compared to their non-slick counterparts.

Before we offer heat tolerant genetics to farmers, we need to make sure cows that have the slick coat also have high genetic merit and milk production expected of New Zealand dairy cows.

Cold sensitivity testing is currently underway to understand if the animals with the slick gene are more sensitive to the colder conditions they would naturally encounter during a typical New Zealand winter. The next step is to undertake a round of strategic mating this spring, pairing top slick bulls with high

genetic merit cows across the country. Assuming progress continues as planned, Kiwi farmers will be able to breed heat tolerant cows by 2029.

Our investment in research programmes like these is key to helping our sector meet its environmental goals and drive positive change when it comes to tackling challenges like climate change.

Cows that are more emissions efficient aren't just a hope for the future - they exist in the national herd today; we simply need more of them. Now is the time to keep our foot on the pedal and continue to sharpen our focus on only breeding highly efficient cows to help our sector remain profitable and sustainable long into the future.

I'd like to take this opportunity to thank you all for attending and for all that you do each day to help maintain New Zealand's position as the world's most efficient dairy milk producers.

I'd also like to thank Murray and the Board for their hard work and support. Finally, thank you to our staff for their contribution over the past year. We look forward to delivering another great result next year.

I'll now hand over to Ian Brown, Chair of the Honoraria Committee to present the Honoraria Report.