

DairyNZ 

Annual Report

2023/24



Our purpose

Progressing a positive future for New Zealand dairy farming

We know our world is changing, and that DairyNZ must continue to support New Zealand dairy farmers to adapt and thrive.

Our purpose has evolved to better meet the needs of dairy farmers.

We exist to progress a positive future for New Zealand dairy farming, and will continue working with dairy farmers and others in the sector to make this happen.

Find out more about our purpose at dairynz.co.nz/about-us

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Building a world-leading future on a successful past



As an industry good organisation, DairyNZ has a long history of investing in research, extension, resources, new solutions and advocacy to support farmers. DairyNZ and its predecessors have delivered credible science and extension to help inform on-farm decisions, working alongside farmers and research partners.

The world DairyNZ and farmers operate in is changing and we must continue evolving to achieve success. At DairyNZ, we're sharpening our focus to build on past successes and better meet farmer and sector needs. In the coming year, you'll notice a difference in DairyNZ that shows we're focused on ensuring farmers remain world-leading and sustainable – which also means profitable.

Our vision is to make the levy the best investment of every New Zealand dairy farmer.

Farmers expect DairyNZ to focus on where it can add the most value as a credible, science-based organisation. Campbell Parker's appointment to the Chief Executive role in October 2023 gave the Board an opportunity to work with farmers and the management team to rethink our strategy and increase our focus on key long-term challenges – including productivity, profitability, climate change, healthy waterways and animal care.

Genetic technology is also expected to become an issue for discussion this year, with the government set to review current regulations governing its use in New Zealand. We support this potential review, as modern genetic technology shows promising options for helping our sector reduce its environmental footprint and stay internationally competitive.

Feedback from farmers was considered during the strategy rethink, which positions us well to progress a positive future for New Zealand dairy farming and will see us supporting other organisations where they are best placed to lead. We have huge confidence in the sector and we want to make sure our strategy helps progress that.

A review of our governance practices as part of the strategy development has brought further change. Farmer-elected director Jacqueline Rowarth was appointed as our first Deputy Chair in April 2024, to help represent DairyNZ at a governance level on issues that matter to dairy farmers. We have also been building depth in our leadership capabilities within the Board. Other Board changes alongside the review include Margaret Devlin moving back to the UK and therefore stepping down as an independent director earlier this year. She brought unique insights to the Board during her two years in the role and we thank her for her commitment. Farmers are well served by their Board members, who bring their own insights and make an invaluable contribution to DairyNZ.

Our science-based advocacy has helped drive good outcomes for farmers in key areas such as climate change. Along with sector partners, we asked the government to consider the latest science when reviewing targets, to give farmers confidence about what they are being asked to do. It was positive to see this science included in the government's independent review to help New Zealand meet its commitments under the Paris Agreement.

It's important we continue our advocacy as we help farmers navigate complex future challenges. We are committed to engaging and partnering with dairy farmers and other sector organisations in this work.

The best results come when we work together.



Jim van der Poel
Chair

Jim will step down as Chair at the DairyNZ AGM on October 22. He says it has been a privilege to serve the sector and he is confident he is leaving DairyNZ in good hands.

Stronger focus on delivering for farmers



DairyNZ – independent, credible, science-first and representing all dairy farmers – holds a unique position within a strong agricultural ecosystem.

With this in mind, we've done some important work this year to see where we can make the biggest difference for our farmers. You'll see, on the following pages, that we're sharpening our focus on the future, to better deliver what our farmers and the sector need over the next few decades.

The greatest value we can deliver to farmers is in getting ahead of the big challenges of productivity, profitability, climate change, healthy waterways and animal care. Looking ahead, there are opportunities for DairyNZ to contribute to more high-value partnerships across these areas and focus more strongly on the science across advocacy, on-farm support and in our public messaging. Credible science is a fundamental part of DairyNZ's work.

Our new strategy to 2030 is driving this shift in focus. Over the past 17 years, we have supported the sector using tools we pioneered and shared, which are now being used by farmers, rural professionals and other organisations. This work has been important in supporting the dairy sector over the past decade as it established its world-leading position. However, we're now at a point where there is duplication and not enough focus on how to maintain that world-leading position into the future. It's time to focus on the next big set of challenges.

We now have three key priorities – accelerating on-farm productivity, powering adaptable and resilient farms and enabling sustainable and competitive dairying. We will deliver future-focused work in nine programmes under these priorities while continuing to support farmers today, but with greater awareness that we can't be everything to everyone.

We have made changes at DairyNZ to match our new strategy. Our leadership team structure amplifies our focus on science, farmer engagement and policy. We have also realigned our teams to deliver stronger

results as an organisation – and said some hard farewells. We are grateful to the many people who have contributed to DairyNZ over the years.

Over the past year, we've worked closely with the government and sector partners to prepare for biosecurity threats such as foot and mouth disease. We've advocated on behalf of farmers and the sector across freshwater, climate and workforce issues. Science, research and innovation informs our advocacy to ensure regulations are fair to farmers as they face changing legislation, inflationary pressure and workforce demands. This work will continue to be important for the year ahead.

Key science and research projects include the DairyNZ-led Low N Systems, Plantain Potency and Practice and Less Methane programmes. Other key programmes include our Frontier Farms work that aims to keep New Zealand dairy competitive globally, collaborative research into how to improve workplace productivity, and the development of Econ Tracker, which provides sector economic information to help farmers make informed financial decisions.

As the pace of change accelerates, we've looked to the world and around the sector here at home and set ourselves up to deliver maximum value for the levy. It's time to front foot future challenges and ensure we can maintain our world-leading position. There's no doubt that, when farmers succeed, rural communities and wider New Zealand thrive.



Campbell Parker
Chief Executive

Our Board of Directors



Jim van der Poel

Chair

Director – farmer-elected



Dr Jacqueline Rowarth

Deputy Chair

Director – farmer-elected



Tracy Brown

Chair-elect

Director – farmer-elected



Chris Lewis

Director – farmer-elected



Cameron Henderson

Director – farmer-elected



Mary-Anne Macleod

Director – independent



Mark Todd

Director – independent



David Hunt

Director – independent

Our Leadership Team



Campbell Parker

Chief Executive



Robyn Marsh

Chief Financial Officer



Dr Bruce Thorrold

Chief Science Advisor



Dr David Burger

General Manager Farm Solutions and Policy



Alyce Butler

General Manager Strategy and Commercial Partnerships



Bridget Maclean

General Manager Research and Science



Julia Murphy

General Manager People and Capability



Nick Robinson

General Manager Corporate Affairs

To read more about our Board, visit dairynz.co.nz/board

To read more about our Leadership Team, visit dairynz.co.nz/leadership-team

Looking back:

highlights and key statistics over the 2023/24 year

We've developed a new strategy to sharpen our focus and a new vision to make the levy the best investment of every New Zealand dairy farmer.



Events and awards

1418 regional events were held around the country, which **21,220** people attended. This compares to 1046 regional events in the 2022/23 financial year, which were attended by **17,878** people.

Over **1000** farmers are currently involved in our research including helping design, trial and evaluate science solutions to farming challenges.

We won a Primary Industries NZ Award for the five-year Tararua Plantain Project led by DairyNZ and Tararua farming leaders. The project also received special recognition at the inaugural Cawthron Institute 2024 Freshwater Champions event.



DairyNZ senior scientist Dr Chris Burke won the 2023 International Alumni Award in Ohio State University's College of Food, Agricultural and Environmental Sciences Alumni Awards.



Farmer communications and engagement

We held **more than 50** meetings across New Zealand, which brought farmers and members of DairyNZ's Board and leadership team together to discuss issues and opportunities.

123 Dairy Training Limited vocational training courses were delivered to 1657 farm employees in 23/24, up from **102** courses delivered to 989 farm employees in 22/23.

We sent **5848** hard copies of our DairyNZ publications to farmers and rural professionals in 23/24.

Our 2023 wintering media campaign led to:

- **17,445** clicks on to the DairyNZ website
- **More than 3 million** total impressions over the campaign period
- **More than 333,000** full video views.

We developed a refreshed DairyNZ website, which had **2.3 million** page views over the 2023/24 financial year – up from **2 million** for the 2022/23 year. We also saw an increase in engagement across the website, from 57% in 22/23 to 66% for the 23/24 year.



Research and science

DairyNZ established an independent and international Science Advisory Panel to provide expert advice on research and science priorities for the future.

A New Zealand/Ireland joint research programme was started to better understand methane emissions from pasture-based farm systems. Partners include DairyNZ and Ireland's Agriculture and Food Development Authority (Teagasc). This programme will run for four years.

We partnered with other organisations across research, advocacy, development of tools and resources, events and awards to deliver impactful outcomes and celebrate excellence in dairy farming.

More than 100 farmers attended Lye and Scott Farm open days to view our research facilities and studies.

We hosted more than **20** stakeholder visits to Lye Farm, including from researchers from the US, Australia and Ireland, to showcase our research projects.



Advocacy

In the 2023/24 year, we advocated on farmers' behalf in central and regional government processes to help achieve positive outcomes for the sector. We have provided:

- **27** submissions or written feedback to regional council processes (freshwater management)
- **4** submissions to central Government (climate change)
- **5** submissions to the Climate Change Commission
- **2** formal submissions to central government on resource management reform
- **5** formal submissions or written feedback to central government on freshwater reform.

This advocacy has led to more practical regulations for dairy farmers, including through:

- The development of regional freshwater plans
- Regional implementation of national regulations such as around Freshwater Farm Plans, N-cap and wintering.

The time has come to change how we work.

We have a successful past, delivering many practical solutions to farmers, but we now need to sharpen our focus to better meet the future needs of the sector.

Our strategy to 2030, which came into effect on 1 June 2024, reflects our new vision: to make the levy the best investment of every New Zealand dairy farmer.

We will play to our strengths as a credible, independent, science-first organisation. That's the DairyNZ difference. We will also increase our collaboration with partners to share our comprehensive farming knowledge.

As always, we are available at any time to discuss DairyNZ's activities with you in more detail.



Our Strategy

Our purpose

Progressing a positive future for New Zealand dairy farming

Our vision

To make the levy the best investment of every New Zealand dairy farmer

Our strategic priorities



Accelerating on-farm productivity

- World-leading animal genetic gain
- Improved forage gains
- Increased workplace productivity



Powering more adaptable & resilient farms

- Future-fit farm systems
- Credible evidence
- Strong biosecurity systems



Enabling sustainable & competitive dairying

- Healthy waterways
- Enhanced animal care
- Reduced GHG emissions

Our key activities

With farmers, we deliver:

- A comprehensive foundation of farming knowledge & solutions
- Insightful & targeted benchmarking
- High-impact partnerships
- Meaningful connections

For the dairy sector we:

- Progress research & science
- Provide industry analytics & insight
- Inform pragmatic, evidence-based policy
- Develop targeted solutions
- Lead collective action

The DairyNZ difference

We are a preferred partner because we are independent and represent all dairy farmers

We have world-class expertise relevant to our complex industry challenges

We take a farm systems approach in how we work with farmers

Powered by our people: One team at DairyNZ, working for every New Zealand dairy farmer

Delivering value to the sector



Accelerating on-farm productivity

Helping farmers make better breeding decisions



As an industry good organisation, New Zealand Animal Evaluation Ltd (NZAEL) aims to ensure the national dairy herd is resilient and productive – and that New Zealand’s rates of genetic gain are internationally competitive. Genetic gain is critical to the ongoing competitiveness and sustainability of our dairy sector.

In December 2023 NZAEL introduced a conception-based fertility breeding value into the Breeding Worth (BW) index, to give farmers an improved tool for breeding fertile replacement cows. Also in December 2023 we updated the economic value model used to calculate BW, to better reflect current on-farm economic conditions.

We have engaged with sector partners to update Herd Testing Standards, to recognise the importance of high quality data in enabling the sector to provide high-quality animal evaluation information. This supports dairy farmers to make better breeding decisions.

Experienced agricultural director Steve Howse was appointed as NZAEL’s board chair in 2023, replacing Mark Townshend, whose leadership, hard work and commitment has been greatly appreciated.

New Zealand’s rate of genetic gain has fallen behind its international competitors. To help resolve this issue, an independent Industry Working Group (IWG) was established in November 2023 to evaluate the dairy sector’s genetic improvement progress and provide recommendations on how it can be improved. The IWG has recommended some changes across the sector including that:

- NZAEL continues to manage the Dairy Industry Good Animal Database (DIGAD). DIGAD holds data for every recorded dairy cow in New Zealand. We use this data to operate our animal evaluation models. Data is supplied to DIGAD by certified data providers and is available to farmers through the DairyNZ website in the form of the Ranking of Active Sires (RAS) list and NZAEL’s benchmarking tools. The sector works collaboratively to improve the quality of data used in BW calculations.
- NZAEL retains ownership of the National Breeding Objective, which includes research into new or improved traits used to calculate BW.
- The major artificial breeding companies work together to develop a solution for determining one genomic BW for the sector. NZAEL would then publish this as a genomic RAS list.
- NZAEL plays a new role in verifying the methods and outputs used by any future BW solution.

\$6.6m

DairyNZ levy investment in NZAEL products and services in the 2023/24 financial year.

NZAEL is a subsidiary of DairyNZ. Its board is accountable to DairyNZ to ensure the investment of farmer levy is used responsibly and for the purpose of industry good.



dairynz.co.nz/NZAEL

Co-designing solutions to enhance on-farm productivity

Sprains and Strains



We partnered with ACC on the Reducing Sprains and Strains project, which started in 2021. This has involved co-designing innovative solutions with farmers and other experts to reduce the risk of common injuries on dairy farms.

This collaboration has been key in identifying ways to improve safety on-farm. Through this project, we've led research into the development of effective solutions. We've also worked with commercial companies to make the concepts available to our farmers, such as the Easy-Access Calf Trailer Gate that went to market at Fieldays this year.



dairynz.co.nz/sprains-and-strains

Frontier Farms



Analysis and farmer engagement has identified labour availability as a key farm system challenge to maintaining competitiveness. A series of workshops comprising farmers and rural professionals came up with extended lactation and batch robotic milking as preferred solutions to flattening the peak in labour shortages across a season and within a day to enable greater efficiency overall.

Since then we've established a farmlet trial to pilot a 24-month calving interval with half the herd calving each year. Results are encouraging, with the extended lactation farmlet out-producing (kg MS/ha) the control by 4%. The extended lactation farmlet required an additional 200kg DM/cow of supplement and cows are now in better body condition leading into calving.

This labour productivity work runs until 2027.



dairynz.co.nz/frontier-farms



The People Expos are a great opportunity to showcase thought leadership along with pragmatic farm business solutions and are a great opportunity to demonstrate what can be achieved when DairyNZ and DWN work closely together."

Jules Benton
Dairy Women's Network Chief Executive

Addressing workforce shortages in the sector

Over the past year, DairyNZ and Dairy Women's Network (DWN) delivered four People Expo events in Southland, Northland, Bay of Plenty and Manawatu. These expos focused on the future realities of workforce challenges and the importance of retaining people as workforce demographics and shortages impact rural communities. The events gave over 400 dairy farmers and rural professionals a chance to hear from experts about economic and workforce trends and on-farm leadership – and to learn about practical solutions relevant to their individual farms based on DairyNZ science and research.

These events form part of a wider collaboration facilitated by DairyNZ, where sector partners interested in workforce development came together through the Great Futures in Dairying partnership group. This group works together on various projects including employee well-being and talent attraction and development.

Our Great Futures in Dairying plan highlights workforce shortage challenges and identifies ways to address these, such as our Job Competitiveness calculator, which helps employers retain staff and create competitive roles.

The need for talent retention and growing the sector's workforce has driven our work to increase diversity in dairy farming stories. Our Trust & Pride 'Heart of the Community' campaign featuring Rachel Numan's story demonstrated how much farmers contribute

to their communities and was the most viewed page on dairynz.co.nz from September to November 2023. Rachel's story was widely picked up during this time by mainstream and rural media.



4 People Expos held in 2023/24 to provide inspiration and practical examples of on-farm leadership.



30 Rachel Numan articles published in the media.



More than **1000** views of the Job Competitiveness calculator in April and May 2023.



dairynz.co.nz/great-futures

Over **300** farmers have been involved in the Sprains and Strains project over three years.

DairyNZ invested **\$150,000** in the Sprains and Strains project over three years. ACC contributed **\$900,000** over three years.

\$2.2m of DairyNZ levy funds invested over the three-year Frontier Farms programme. **\$1m** invested in the 2023/24 year.



Powering more adaptable and resilient farms

Stepping up to help farmers increase profit and reduce footprint

We launched a five-year programme in 2019 to give farmers information, tools and support to increase profitability while improving water quality and reducing greenhouse gas emissions.

Over the past year, the programme has focused on supporting farmers through tight financial times following milk price drops and increasing on-farm costs, while continuing to consider the environmental implications of farm changes.

We've been working with farmers to help them better understand their key profit and environmental indicators and drivers, to identify improvements in their farm systems. Together we are sharing our

findings and their successes, lessons and benefits with other farmers.

As part of this work, we've supported farmers to optimise their farm systems, including the use of inputs, such as feed and fertiliser, to increase profit and reduce footprint.

Another important component of the programme has been working alongside key partners who are also supporting farmers on this journey, to ensure a co-ordinated approach and more efficient delivery to farmers.

We continue to focus on supporting farmers as they look to the future of their farms, helping them grow resilience within their farm businesses while reducing footprint.



Scan here to read the Everest family's story



dairynz.co.nz/sustainability

\$3.5m

invested in supporting farmers through this programme in 2023/24.

413

events held around New Zealand as part of this programme, to help farmers increase profitability and reduce footprint.

4975

farmers engaged with us at these events or through one-to-one interactions.

2457

farmers have engaged with our benchmarking data. Benchmarking groups were established across all seven regions.



Online financial tool proves its worth

Launching our Econ Tracker tool was a highlight in 2023, as part of our continued Economic Reporting and Insights work to help farmers make informed financial decisions.

The tool holds the latest information about our sector, gathered from the DairyNZ Economic Survey and Dairy Stats publications, and from external sources such as Statistics NZ. It provides a snapshot of the dairy sector's economic situation, complemented by historical patterns and future forecasting including international market trends.

Dairy farmers can use the tool's forecast features to make decisions for present and future seasons.

The Econ Tracker also helps dairy farmers benchmark their farm's performance and review the outcomes of previous decisions.

The forecasting tool is designed to also help farmers prepare budgets for the coming season. Forecasts are updated quarterly and capture the most recent trends in price movements.



dairynz.co.nz/econtracker

8463

unique visits to the Econ Tracker from January to April 2024.

*Unique visits reflect the the total number of visitors to our website.

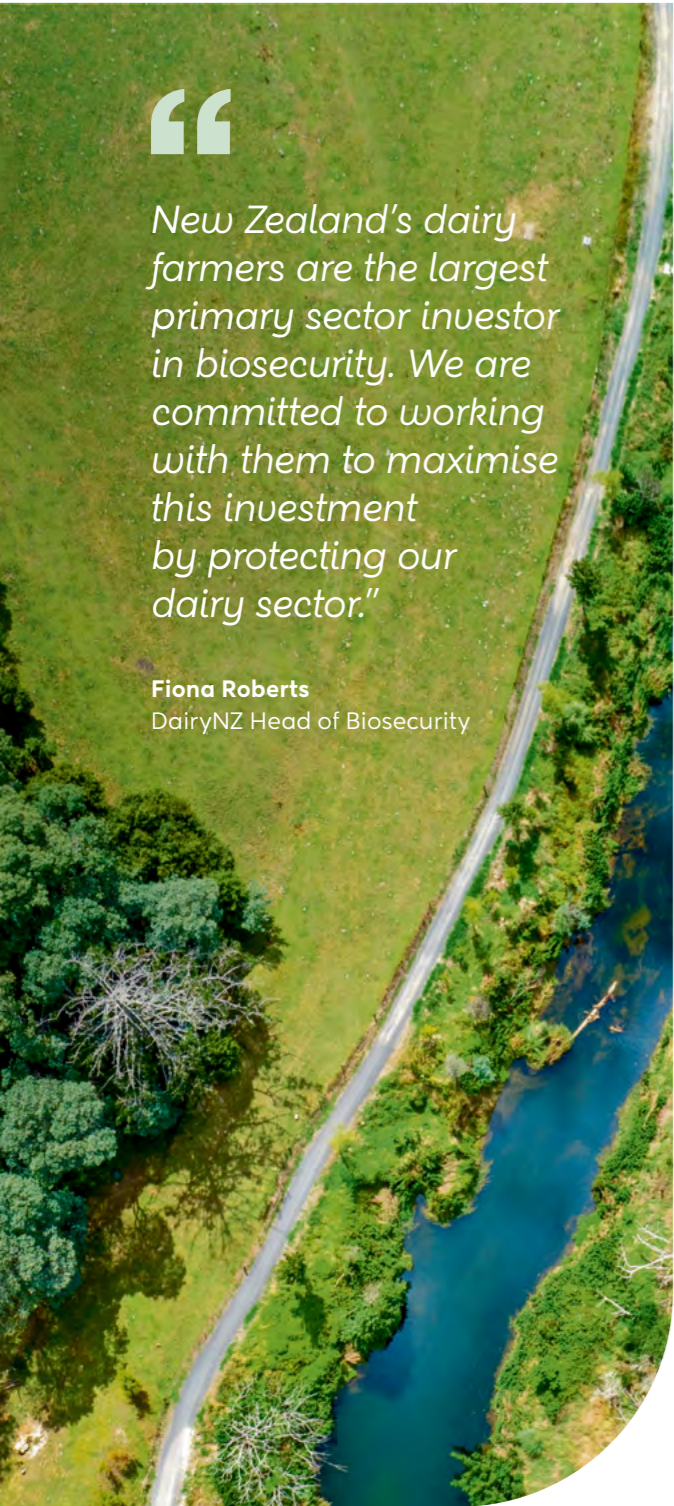
*Usage tracking did not start until January 2024 due to a refresh of our website and IT services.



\$668,000

total levy investment in the Economics Reporting and Insights project for the 2023/24 year.

*This includes our Economic Survey (dairynz.co.nz/economic-survey) and Dairy Stats (dairynz.co.nz/dairy-stats) as well as the Econ Tracker.



“

New Zealand's dairy farmers are the largest primary sector investor in biosecurity. We are committed to working with them to maximise this investment by protecting our dairy sector.”

Fiona Roberts
DairyNZ Head of Biosecurity

Safeguarding the sector against biosecurity incursions

DairyNZ's biosecurity response preparedness work centres on New Zealand dairy farmers and their future. We work to understand threats so we can advocate, make informed decisions and support our farmers.

Mycoplasma bovis (*M. bovis*) has had a huge impact on our sector since the first case was discovered in 2017. We've worked with the Ministry for Primary Industries (MPI) and Beef + Lamb New Zealand on further direction for the *M. bovis* programme, which has now transitioned to OSPRI and is moving towards a surveillance phase. As a result of eradication progress, the Biosecurity Response Levy reduced from 2.4 cents per kilogram of milksolids to 0.8 cents per kilogram of milksolids from 1 July 2024.

Collaboration has been key in other areas, too. In December 2023 we signed a Memorandum of Understanding with MPI and livestock sector partners to continue developing a foot and mouth disease preparedness programme.

We also provided input, support and awareness for fall armyworm, pasture disease, velvetleaf and yellow bristle grass incursions. Lessons learned from these incursions help us strengthen our biosecurity system as we continue to promote good practices nationwide through partnerships and sector guidance.

We all rely on farmers' biosecurity practices to safeguard against the spread of pests and diseases. It's vital our farmers continue to be vigilant with their National Animal Identification and Tracing (NAIT) and on-farm biosecurity practices to protect our sector.



dairynz.co.nz/biosecurity

\$60.7m

of farmer investment from the Biosecurity Response levy and DairyNZ levy in 2023/24. This includes:

\$14.5m

of DairyNZ levy invested in OSPRI's TBfree programme

\$45.2m

invested through the Biosecurity Response Levy paid to MPI to eradicate *M. bovis*.

\$0.95m

of DairyNZ levy invested in wider biosecurity activities.



Enabling sustainable and competitive dairying

Research brings farmers latest tools, technologies

Our world-leading researchers continue to work with farmers and research partners to find solutions that will improve dairy farm business sustainability and profitability. Together we run pasture, animal and farm systems trials under relevant conditions, to develop practical solutions and tools that can be used across different farm systems.

We've continued our Low N Systems research – with partner support – to investigate how combining various mitigation options can help farmers significantly reduce N losses while maintaining farm business viability.

The Plantain Potency and Practice Programme, another collaboration with sector and research partners, has seen promising results. Trial work indicates Ecotain plantain can be successfully incorporated into farm systems, to significantly reduce N losses while maintaining milk production.

Our research farms are an important sector asset, extending our ability to test solutions in real farm conditions, with controls in place. Work underway on Lye and Scott Farms includes research into different plantain cultivars, feed and animal factors that reduce greenhouse gas emissions, and specific methane mitigation technologies. In 2024, we started a programme with Irish agricultural and research organisations to better understand and account

for methane emissions from pasture-based farm systems. Both countries have predominantly pasture-based farm systems and face national and market methane-reduction targets.

Through our research capability and these partnerships, we can increase our value to farmers by undertaking more extensive research to give them the latest tools and technologies.



dairynz.co.nz/research

We are working with more than

60

farmers nationally in the Plantain and Low N Systems programmes.

\$2.5m

levy investment in Plantain research in the 2023/24 year.

\$1.6m

levy investment in Low N research in the 2023/24 year.

“

Finding solutions to help farmers reduce emissions while maintaining on-farm profit remains a research priority.”

Dr Jane Kay
DairyNZ principal scientist

Catchment approach to improving waterway health

Support for Catchments

Our Sustainable Catchments programme involves working with farmers and communities to improve waterway health in the Pōkaiwhenua, South Canterbury and Waimea catchments. In the former, we also work with the Raukawa Charitable Trust to combine western science and Mātauranga Māori, to better understand catchment ecological health and how to improve it.



Selwyn and Hinds

Results from our Selwyn and Hinds programme showed significant change occurred in Canterbury to help reduce farm N losses and improve waterway health. The five-year programme, which ended in August 2023, aimed to help dairy farmers in the two Canterbury catchments meet N reduction targets.

Analysis of combined Selwyn and Hinds partner farm data showed a 44 percent reduction in N loss (modelled by OverseerFM) from the farms' baseline times to the latest year-end available for each farm.



Tararua Plantain Project

This DairyNZ-led project won the team and collaboration award at the 2023 Primary Industries New Zealand Awards.

The project supported local dairy farmers to understand and adopt plantain in their pastures, to help improve water quality by reducing N leaching. We were supported by Agricom, MPI, Fonterra and Nestlé, along with AgResearch, Horizons and Massey University as delivery partners.



“We believe, through the inclusion of Mātauranga Māori alongside western science, that we can bring about positive change.”

Maria Te Kanawa
Raukawa Charitable Trust chief executive

We supported more than

450

farmers in the Selwyn-Hinds catchments to reduce their nitrogen loss.

101

dairy farmers in the Tararua district have plantain on their farms.

\$0.9m

of DairyNZ levy invested in the Sustainable Catchments programme in the 2023/24 year.

Animal research helps inform farmer decisions

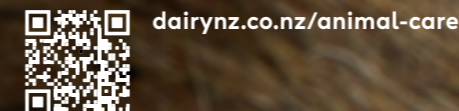
Over the past year we have continued working with AgResearch and Fonterra to look at how digital technology and sensor data can inform our understanding of cow wellbeing and help us support farmers to make good animal care decisions.

A heat load index for New Zealand conditions has been developed and validated using data collected from herds across the country. The index includes temperature, solar radiation and wind speed, and can be used to assess potential heat stress risks for dairy cattle grazing pasture so farmers can take preventative action.

We used the heat load index and weather data generated from climate models ahead to the year 2100 to look at the risk profiles across all New Zealand's dairy regions. This research will help the sector prepare for the future.

We've also developed a way to assess dairy system attributes, such as behavioural interactions, that impact cow well-being. This helps us focus on attributes that could create risk or provide opportunities for competitive advantage through our pasture-based systems. We continue to refine this assessment method to give farmers more confidence around conditions that pose challenges for their animals.

We worked alongside more than 200 farmers to complete annual animal care consultations that provide insights into how animal care practices are changing – and help DairyNZ advocate for farmers to help achieve practical policy outcomes. Programmes such as InCalf, the Body Condition Scoring Training and Accreditation Programme and Healthy Hoof upskill rural professionals and help ensure there are consistent practices and knowledge within the sector.



502 people,

mainly rural professionals, participated in the Body Condition Scoring Training and Accreditation Programme. Of those,

157

were newly certified, with another

345

completing annual calibration to ensure their skills are sharp.

\$462,000

invested in animal care.

\$1.1m

invested in animal research for the 2023/24 year.

Climate modelling to the

Year 2100

DairyNZ's key indicators of success targets

DairyNZ annually reviews its work portfolio to ensure the levy is the best investment of every dairy farmer. The Farmer Auditor Panel, comprising two independent farmers, one DairyNZ board member and a consultant appointed by DairyNZ's Board, evaluates our progress against annual performance targets. The 2023/24 review showed DairyNZ fully achieved three out of 10 Key Indicators of Success (KIS) targets, partially achieved six and did not achieve one, resulting in an overall achievement rate of 70 percent.

Within the 10 KIS targets there were 26 sub-indicators. Of those 26 sub-indicators, 14 were fully achieved, seven partially achieved and five not achieved. The score for each KIS is a weighted average of the sub-indicators, with each sub-indicator having equal weighting. This KIS score must be above 75% to be recorded as achieved, or between 50% and 75% to be recorded as partially achieved. This approach is consistent with the previous year.

During the year, due to a need to respond to changing operating conditions, several of DairyNZ's activities planned at the start of the year were re-scoped. This meant work on several KIS targets planned at the start of the year did not progress therefore some sub-indicators were not achieved.

DairyNZ is changing the way it manages and reports on its performance as part of its strategy refresh. This will be reflected in next year's Annual Report. We thank the members of the Farmer Auditor Panel for their work.

The 10 key indicators are summarised below:

KIS	Results for 2023/24
Increase profit, reduce footprint Farms are more profitable and are on track to achieve lower GHG emissions and water quality limits by 31 May 2025, evidenced through benchmarking established farm case studies.	✓
Sustainable Catchments Farmers in priority catchments will gain confidence to meet environmental regulations while maintaining profitable, resilient businesses. This will be achieved by collaborating with iwi on water quality challenges, partnering with farmers to reduce nitrogen losses and developing and testing farm systems to reduce nitrogen loss.	✓

✓ Achieved
✓ Partially achieved
– Not achieved

KIS	Results for 2023/24
Biosecurity systems Engage with OSPRI and funders to further strengthen governance, performance and MINDA/NAIT settings to optimise value for farmers' investments by 30 June 2024.	✓
Credible evidence On-farm and sector performance is documented. The data is credible, trusted and leveraged to improve sector performance, including launching the Economic Dashboard used through extension efforts.	✓
World-leading animal genetic gain National breeding system yields world's best rates of herd genetic gain in traits relevant to the future of NZ dairy farmers. Achieved by implementing conception trait in non-genomic fertility BV by 20 December 2023. National genetic evaluations are upgraded to incorporate genomic data for production and liveweight traits.	✓
Less methane Three combinations of emissions mitigation technologies and delivery mechanisms evaluated at research level for grazing dairy cows/calves by 31 May 2024, with results documented.	✓
Animals have a good life Using internationally accepted methodologies, show that New Zealand dairy systems provide animals with a good life.	✓
Water quality solutions at scale Viable solutions at scale are identified that better enable dairy farmers to go beyond current water quality targets. First catchments implemented by 2030.	✓
Farmer engagement By 2025, aim to deliver high-quality experiences that meet farmer needs, establish strong, effective and trusted relationships with levy payers and farmers, and achieve face-to-face and digital engagement with farmers.	✓
Trust and Pride in the dairy sector Stage two of the Here for the Long Game campaign deployed. Trust and Pride campaign delivers 25 positive high-profile media stories.	–

The year ahead

2024/25 financial year



Accelerating on-farm productivity



1A. World-leading animal genetic gain

New Zealand Animal Evaluation Ltd (NZAEL) is responsible for the National Breeding Objective, Breeding Worth (BW) and ensuring our national rates of genetic gain are internationally competitive. This programme includes managing the Dairy Industry Good Animal Database (DIGAD), the provision of BW to the sector, research to improve BW and implementing the new herd testing standards with LIC and CRV. NZAEL is working with the sector to consider and implement the independent Industry Working Group's recommendations.



1B. Improved forage gain

Forages are the base of our international cost competitiveness. This programme includes our research into resilient pastures and climate-adapted feed systems, influencing the future pathway for forage plant breeding through the Forage Value Index, our work on pasture performance solutions, and supporting policy to enable the development of modern genetic technology solutions for the sector.



1C. Increased workplace productivity

Increasing workplace productivity is focused on building on the great work DairyNZ has done to date to help dairy farmers create efficient and attractive workplaces. We are designing and testing high productivity systems – such as extended lactation to flatten peak labour demand in spring. Our work also involves co-developing workplace productivity solutions such as enabling greater use of data, technology and automation.

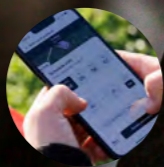


Powering more adaptable & resilient farms



2A. Future-fit farm systems

Future-fit farm systems are in our DNA. This programme will ensure everything DairyNZ delivers to farmers is in a farm system context backed by research and science, and that we partner with the sector to increase the capability and reach of our solutions.



2B. Credible evidence

Data is a critical enabler for the dairy sector. This programme includes work on sourcing and holding data and supporting the development of evidence-based insights and modelling, for sector benefit. It also includes on-farm data collection, benchmarking and work to accelerate our ability to generate high-quality evidence and provide accessible data across the sector.



2C. Strong biosecurity systems

Dairy farmers invest more in New Zealand's biosecurity system than any other primary sector group. This programme includes policy, advocacy and engagement work to reduce fragmentation across organisations. DairyNZ is a key partner in biosecurity response and has a governance role as a shareholder and funder of OSPRI. We also work with sector and government partners to deliver a readiness programme that will mitigate the risks of exotic biosecurity incursions for dairy farmers.



Enabling sustainable & competitive dairying



3A. Healthy waterways

The dairy sector has a responsibility and an opportunity to drive positive outcomes for New Zealand waterways in a way that benefits farmers, their communities and the wider economy. This programme includes our work on ecosystem health, freshwater policy, integrated science solutions and sustainable catchments. It seeks to foster a more holistic view of waterway health to inform sensible regulations that allow farmers ongoing stewardship of the land.



3B. Enhanced animal care

Healthy, well-cared-for animals underpin a successful dairy sector. This programme includes our work on managing heat stress, dairy calf opportunities, cow quality of life and sustainable animal care. This will help the dairy sector meet customer and consumer expectations around animal care and to ensure New Zealand dairy farming remains internationally competitive in this space.



3C. Reduced GHG emissions

For New Zealand milk to remain competitive, the dairy sector needs to continue to improve its emissions profile. This programme includes our research into affordable and effective tools and technologies for farmers to use to reduce emissions, and our policy and advocacy work seeking fair and practical climate change rules for the dairy sector.

DairyNZ FY25 summary budget

During the current financial year, income is expected to remain relatively flat in line with prior years' milksolids.

We will continue to reduce our costs below FY23 and FY24, to be fiscally responsible.

But we still forecast the need to use cash reserves to deliver upon expectations and as such predict a FY25 deficit.

DairyNZ Group Profit & Loss In thousands of New Zealand dollars	FY25 Budget
Levy income	67,790
Other income	13,983
Total revenue	81,773
TBfree	14,500
DairyNZ Expenditure	70,752
Total expenditure	85,252
Net surplus/(deficit)	(3,479)

Providing a safe and healthy work environment

As part of our continued focus on ensuring a safe and healthy work environment, we introduced a revised drug and alcohol policy in 2023/24. This includes the random drug and alcohol testing of staff in safety-sensitive roles, including farm, executive and leadership roles, and employees with vehicles.

To ensure incidents and accidents are reported quickly and investigations are completed on time, we implemented a new digital system for reporting in 2022/23. This has ensured easy and on-the-go reporting and access to the hazard and risk register and associated standard operating procedures, to help keep our people safe.

Actual staff number by gender

*Includes permanent full- and part-time employees and fixed term staff.

31/05/2024

	F	M	Total
Board	3	4	7
Leadership team	4	4	8
Organisation	162	107	269
Total	169	115	284

31/05/2023

	F	M	Total
Board	4	4	8
Leadership team	5	5	10
Organisation	148	147	295
Total	157	156	313

Actual position numbers (incl. vacancies)

*Includes all positions where staff are employed on a permanent or fixed term basis, including those positions vacant as at May 31, 2024.

	31/05/2024	31/05/2023
Board	8	8
Leadership team	8	10
Organisation	270	328
Total	286	346

Culture	31/05/2024	31/05/2023
Staff engagement index	88% (October 23)	89% (March 23)
Voluntary turnover	14.6%	9.7%
Health & Safety		
Lost time workplace injury incidents	2	1



Financials 2023/24

Positive outlook despite challenging year

The 2023/24 year has been a challenging one for the dairy sector due to factors such as a lower milk price earlier in the season and warning of El Niño drought conditions, as well as inflationary pressures that DairyNZ has also experienced.

Despite these challenges, the sector managed to deliver 1.883 billion kgs/ms, up 0.5% on the previous year.

While DairyNZ had an overall loss position this year, we retained a strong balance sheet with no debt and have continued to increase investment in R&D, up by 5% from 2022/23 to \$39.7 million.

With levy income relatively stable and other income up 2%, we kept our operating expenses flat to counter a high-cost environment. We made necessary decisions to cut back on initiatives such as the 'Here for the Long Game' TV campaign, and launched our new strategy, which sharpens our focus to deliver what our farmers and the sector need for a successful future.

DairyNZ's final cash balance was up \$1.8m compared to the 2022/23 year. This is mainly due to money held to cover compensation claims stemming from *M. bovis* eradication, which can remain open for two years post-cull. DairyNZ then on-pays this money to the Ministry for Primary Industries (MPI).

While DairyNZ has a strong balance sheet with no debt, we did have to use cash reserves for the second consecutive year. This was done in acknowledgement of the on-farm pressures driven by higher costs for farmers, but with a view that this approach is not sustainable in the long term.

We ended the 2023/24 financial year with a loss of \$3.0m, including \$2.8m of one-off impairments, as follows:

- DairyNZ has a 37.5% share in Southern Dairy Hub (SDH). As of 31 May 2024, SDH LP acquired Southern Demonstration and Research Farm Ltd, with all operations now accounted for within SDH. Following the acquisition, SDH assessed the value of its land and farming assets via an independent valuation resulting in a carrying value lower than its market

Milksolids	
FY	Total
2019/20	1,895,962,980
2020/21	1,947,629,626
2021/22	1,868,105,574
2022/23	1,873,634,841
2023/24	1,883,234,495

value. As a result, and in line with accounting standards, DairyNZ will recognise that lower value in statements for the 2024 financial year, increasing its operating loss by \$0.75m.

- The DairyNZ Board commissioned an independent Industry Working Group (IWG) to evaluate the dairy sector's genetic improvement progress. This group subsequently released a series of recommendations to drive faster rates of genetic gain in New Zealand's dairy herd.
- DairyNZ has decided to discontinue the future investment of genotypes at this point in time. Our current intent is to share the existing genotypes with the sector at some point in the future and we are evaluating how best to achieve industry good. This move is in the long-term interests of the sector – to improve genetic gain given the high-quality of the genotypes. However, this means a change in accounting treatment as the genotypes, worth \$1.88m, are expensed (impaired) and no longer treated as a capital item within DairyNZ's accounts.

Excluding the one-off non-cash adjustments, DairyNZ's 2023/24 operating result was a loss of \$0.2m, which compares favourably to a loss of \$2.7m in the prior year. This 93% improvement in result is due to a rescoping of priorities in the lead up to implementation of our new strategy, which demands a sharper focus on value for levy.

2023/24 actual levy expenditure by focus areas

for every \$1 of DairyNZ investment

This levy expenditure breakdown reflects DairyNZ's investment under our old strategy. Our new strategy came into effect on 1 June 2024 and our 2024/25 annual report will reflect investment based on this.





Independent auditor's report

To the members of DairyNZ Incorporated (Group)
Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial report which comprises:

- the consolidated statement of financial position as at 31 May 2024;
- the consolidated statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the consolidated statement of service performance on pages 35 to 36.

In our opinion, the accompanying consolidated

financial report of DairyNZ Incorporated (the Incorporated Society) and its subsidiaries (the Group) on pages 35 to 39 presents fairly in all material respects:

- the Group's financial position as at 31 May 2024 and its financial performance and cash flows for the year ended on that date; and
- the service performance for year ended 31 May 2024 in accordance with the Group's service performance criteria.
- In accordance with Public Benefit Entity International Public Sector Accounting Standards (PBE Standards) issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the statement of service performance in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* (NZ AS 1). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the consolidated financial report* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Other information

The Directors, on behalf of the Group, are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual Report, but does not include the consolidated financial report and our auditors report thereon.

Our opinion on the consolidated financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial report our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial report or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the members. Our audit work has been undertaken so that we might state to the members 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, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the members for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial report

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

- the preparation and fair presentation of the consolidated financial report in accordance with PBE Standards issued by the New Zealand Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a consolidated financial report that is free from material misstatement, whether due to fraud or error;
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being PBE Standards); and
- assessing the ability of the Group to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial report

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report.

A further description of our responsibilities for the audit of this consolidated financial report is located at the External Reporting Board (XRB) website at:

xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-13

This description forms part of our independent auditor's report.

KPMG
Hamilton
2 August 2024

Statutory Information

For the year ended 31 May 2024

The Directors present the Annual Report along with the audited accounts for DairyNZ Incorporated (DairyNZ) and its subsidiary companies (the Group) for the year ended 31 May 2024.

1. Activities

DairyNZ's main income is provided by the Commodity Levies (Milksolids) Order 2020, as well as the undertaking of dairy research, development and extension activities.

2. Results

The Group's total comprehensive deficit for the year was (\$3,023,895).

3. Disclosures

Pursuant to Clause 24.1(c) and 24.1(d) of the Rules of DairyNZ Incorporated and/or Section 211(1) of the Companies Act 1993, we disclose the following information:

Directors	Dairy NZ Incorporated	Subsidiary and Other Directorships
J. van der Poel	Director Elected (Chairman)	DairyNZ Ltd
T. Brown	Director Elected	DairyNZ Ltd
C. Henderson	Director Elected	DairyNZ Ltd
C. Lewis	Director Elected	DairyNZ Ltd
M. Macleod	Director Appointed	DairyNZ Ltd
J. Rowarth	Director Elected	DairyNZ Ltd
M. Todd	Director Appointed	DairyNZ Ltd

C. Henderson	New Zealand Animal Evaluation Ltd
H. Blair	New Zealand Animal Evaluation Ltd
E. Coats	New Zealand Animal Evaluation Ltd
S. Howse	New Zealand Animal Evaluation Ltd
S. Montgomerie	New Zealand Animal Evaluation Ltd
W. Reynolds	New Zealand Animal Evaluation Ltd

A. Finch	SDH GP Ltd
B. Thorrold	Dairy Insight (PGGR Consortia) Ltd
C. Parker	DairyNZ Accreditation Ltd, Dairy Training Ltd
G. Taylor	SDH GP Ltd
R. Marsh	DairyNZ Accreditation Ltd, Dairy Insight (PGGR Consortia) Ltd
J. Murphy	Dairy Training Ltd

Positions held in other dairy industry good entities		
T. Brown	Trustee	New Zealand Dairy Industry Awards
J. Jago	Officer	Primary Industry Capability Alliance Incorporated
B. Virbickas	Trustee	AgRecovery Foundation

Changes during the year

- C. Henderson elected as director of DairyNZ Limited 11 October 2023.
- C. Henderson appointed as director of New Zealand Animal Evaluation Limited 8 December 2023.
- C. Glass resigned as director of DairyNZ Limited 11 October 2023.
- C. Parker appointed as director of DairyNZ Accreditation Limited 4 October 2023.
- C. Parker appointed as director of Dairy Training Limited 20 April 2024.
- R. Marsh appointed as director of DairyNZ Accreditation Limited 26 July 2023.
- R. Marsh appointed as director of Dairy Insight (PGGR Consortia) Limited 26 July 2023.
- M. Devlin resigned as director of DairyNZ Limited 31 May 2024.
- T. Mackle resigned as director of Dairy Insight (PGGR Consortia) Limited 4 July 2023.
- B. Thorrold appointed as director of Dairy Insight (PGGR Consortia) Limited 26 July 2023.
- J. Rowarth resigned as director of New Zealand Animal Evaluation Limited 8 December 2023.
- M. Townshend resigned as director of New Zealand Animal Evaluation Limited 30 November 2023.
- R. Gunn resigned as director of DairyNZ Accreditation Limited 4 October 2023.

Changes after balance date

- M. Todd appointed as director of SDH GP Limited 18 June 2024.
- G. Taylor resigned as director of SDH GP Limited 4 July 2024.
- A. Finch resigned as director of SDH GP Limited 4 July 2024.
- D. Hunt appointed as director of DairyNZ Limited 18 June 2024.
- J. van der Poel will step down as Director and Chair of DairyNZ Limited following the AGM in October 2024.

Directors' interest

A Directors' interest register is maintained throughout the year.

Use of company information

The Board received no notices during the year from Directors required to use company information received in their capacity as Directors, which would not have been otherwise available to them.

Donations

There were no donations made in the current year.

Board and committee attendance

	Board	ARC	P&C
J. van der Poel	9	3	4
T. Brown	8	2	2
M. Devlin	7	2	-
C. Glass	3	-	1
C. Lewis	9	2	2
M. Macleod	9	-	4
J. Rowarth	9	3	2
C. Henderson	6	3	1
M. Todd	9	4	-
Total meetings	9	4	4

DairyNZ has two permanent Board Committees; the Audit and Risk Committee (ARC) and the People & Culture (P&C) Committee.

The ARC assists the Board in fulfilling its governance responsibilities in relation to the Group's management of key strategic and operational risks, policies and procedures for managing and mitigating risks, financial reporting, audit activities, treasury matters, financial risk management and internal control frameworks. The P&C Committee assists the Board in fulfilling governance responsibilities in relation to recruitment, retention, remuneration and development of directors, executives and other employees and to promote a safe and healthy working environment.

Directors remuneration

Remuneration paid during the period was as follows:

	2024
J. van der Poel	94,146
M. Macleod	60,082
M. Todd	60,082
T. Brown	53,239
J. Rowarth	52,074
M. Devlin	49,073
C. Lewis	49,073
C. Henderson	29,718
C. Glass	17,538
B. Virbickas	5,950
C. Santos	5,100
J. Hoets	3,063

Directors of DairyNZ subsidiaries	2024
S. Howse	28,231
H. Blair	22,000
E. Coats	20,000
S. Montgomerie	20,000
M. Townshend	20,000
J. Rowarth	12,307
W. Reynolds	9,308
C. Henderson	7,694
	618,678

Employees remuneration

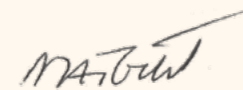
The following number of employees received (were paid) remuneration and other benefits (including redundancies) totalling more than \$100,000 during the year:

Salary Band	Number of Employees	
	2024	2023
100,000 - 110,000	31	27
110,000 - 120,000	18	19
120,000 - 130,000	30	26
130,000 - 140,000	13	10
140,000 - 150,000	18	17
150,000 - 160,000	9	7
160,000 - 170,000	9	6
170,000 - 180,000	8	9
180,000 - 190,000	9	2
190,000 - 200,000	2	2
200,000 - 210,000	2	3
210,000 - 220,000	4	2
220,000 - 230,000	3	4
230,000 - 240,000	2	1
240,000 - 250,000	-	1
250,000 - 260,000	1	1
270,000 - 280,000	1	1
280,000 - 290,000	1	1
290,000 - 300,000	2	2
300,000 - 310,000	2	-
330,000 - 340,000	1	-
350,000 - 360,000	1	-
610,000 - 620,000	-	1
960,000 - 970,000	1	-

Auditors remuneration

The following amounts were payable to the auditors of DairyNZ Incorporated and its subsidiaries:

	For audit work	For other services
KPMG	118,500	-



M Todd, Director
2 August 2024



J van der Poel, Chairman
2 August 2024

Statement of Service Performance

For the year ended 31 May 2024

DairyNZ exists to progress a positive future for New Zealand dairy farmers. As a result of the new strategy, DairyNZ has three strategic priorities being:

- World leading on farm productivity
- Adaptable and resilient farms
- Sustainable and competitive milk

Performance measures

The prior year, 2023, was the first year publishing a Statement of Service Performance. During 2024 DairyNZ has revised its strategy and as a result has re-evaluated the measures to include within the Statement of Service Performance to ensure it aligns with the new strategy.

It should be noted that measures reported in the Statement of Service Performance need to be auditable and verifiable. Outcomes that arise from long term strategic objectives may not necessarily translate to annual auditable measures.

The performance measures DairyNZ is presenting below have been grouped under two areas:

- Our farmers** – putting our relationship and engagement with levy payers at the heart of our business.
- Investments** – ensuring levy investments deliver against our strategic objectives for the sector.

Our farmers

These measures assess the quality and value that farmers (our levy payers) consider DairyNZ provides to them and the dairy industry.

DairyNZ conducts a farmer perception quarterly survey completed in March, June, September and December to quantify these measures. Quarterly surveys are carried out by an independent third party using established methodology and selection criteria. A different subset of the farmer population is selected for each survey.

Farmer Metrics (our levy payers)	2025 Target	2024 Actual	2023 Actual
Levy payers overall satisfaction with DairyNZ - measured as an average score out of a possible score 1-10	This measure will not be continued in FY25	5.9	5.9
% of Levy Payers who agree that DairyNZ is critical to the future success of the sector - measured as % of farmers who scored 6 or above out of a possible score 1-10	70%	66%	65%
% of Levy Payers who would vote "Continued" if the Levy Vote were held today - measured as an average percentage	80%	72%	72%
DairyNZ Farmer Events – Levy Payer NPS - measured by the proportion of promoters us proportion of detractors for DairyNZ events, from post-event surveys	30	29	33
% of Levy Payers agree DairyNZ delivered value to their farm business in the last year - measured as % of farmers who scored 6 or above out of a possible score 1-10	This measure will not be continued in FY25	39%	46%
% of levy payers agree my DairyNZ levy has been invested to deliver value to New Zealand dairy farmers over the last year - measured as % of farmers who scored 6 or above out of a possible score 1-10	60%	-	-

Our Investment

DairyNZ is responsible for investing and utilising levy funds, along with government and commercial co-funding, to achieve dairy industry good outcomes.

For the purpose of this Statement of Service Performance, we have grouped the investments into categories to provide insight into how levy funds have been utilised. The investment has been expressed as dollars per 100,000 kg of milksolids.

Investment	2024 Target \$/100,000 kgMS	2024 Actual \$/100,000 kgMS	2023 Actual \$/100,000 kgMS
The amount of total investment expenditure (in millions)	70	66	67
Amount of investment expenditure per 100,000 kgMS:			
Research & Development	628	539	589
Farm Systems & Resilience	1,554	1,481	1,304
Biosecurity (includes TBfree levy passed on to OSPRI)	845	821	828
Protect & Nurture the Environment	382	355	379
Build Great Workplaces for NZ's Talented Workforce	245	187	261
Grow Vibrant & Prosperous Communities	130	44	148
Leading On-Farm Animal Care	71	77	57
Total per 100,000 kgMS	3,855	3,503	3,565
Tax credit received for research and science undertaken	\$750k	\$680k	\$833k
Percentage of non-levy income generated by DairyNZ	20%	20%	18%

From 2025, DairyNZ will breakdown how it spends levy funding against nine work programmes which work towards achieving the strategic priorities. DairyNZ has included the 2025 targets which are calculated using the 2025 board approved budget, expressed as dollars per 100,000 kg of milksolids.

Investment	2025 Target \$/100,000 kgMS
World-leading on farm productivity	
World-leading animal genetic gain	412
Improved forage gains	121
Increased workplace productivity	120
Adaptable & resilient farms	
Future-fit farm systems	854
Credible evidence	217
Strong biosecurity systems (includes TBfree levy passed on to OSPRI)	860
Sustainable & competitive milk	
Healthy waterways	743
Enhanced animal care	180
Reduced greenhouse gas emissions	114
Total per 100,000 kgMS	3,621
Non-levy Income	
Tax credit received for research and science undertaken	\$750k
Percentage of non-levy income generated by DairyNZ	17%

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 31 May 2024

In thousands of New Zealand dollars

	Note	2024	2023
Non-exchange revenue			
Levy income	3	67,797	67,451
Other non-exchange revenue	3	4,825	3,617
Exchange revenue			
Other exchange revenue	3	11,735	11,544
Total revenue		84,357	82,612
Operational expenses	4, 5	(87,456)	(85,458)
Surplus/(deficit) for the period		(3,099)	(2,846)
Other comprehensive income			
Net change in fair value of financial assets		75	153
Other comprehensive income for the period, net of income tax		75	153
Total comprehensive income/(loss) for the period		(3,024)	(2,693)

Consolidated Statement of Changes in Equity

For the year ended 31 May 2024

In thousands of New Zealand dollars

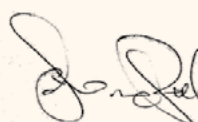
	Contributions received	Investment fair value reserve	Retained earnings	Total equity
Balance as at 1 June 2023	33,783	205	19,909	53,897
Total comprehensive income for the period				
Profit/(loss) for the period	-	-	(3,099)	(3,099)
Other comprehensive income				
Net change in fair value of available for sale financial assets	-	75	-	75
Total other comprehensive income	-	75	-	75
Total comprehensive income for the period	-	75	(3,099)	(3,024)
Balance as at 31 May 2024	33,783	280	16,810	50,873
Balance as at 1 June 2022	33,783	52	22,755	56,590
Total comprehensive income for the period				
Profit/(loss) for the period	-	-	(2,846)	(2,846)
Other comprehensive income				
Net change in fair value of available for sale financial assets	-	153	-	153
Total other comprehensive income	-	153	-	153
Total comprehensive income for the period	-	153	(2,846)	(2,693)
Balance as at 31 May 2023	33,783	205	19,909	53,897

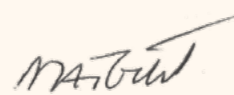
Consolidated Statement of Financial Position

As at 31 May 2024

In thousands of New Zealand dollars

	Note	2024	2023
Assets			
Cash and cash equivalents	6	27,428	25,662
Trade and other non-exchange receivables	7	7,194	7,616
Trade and other exchange receivables	7	3,506	4,448
Inventories		176	160
Total current assets		38,304	37,886
Property, plant & equipment	8	21,342	20,955
Intangible assets	9	5,949	6,796
Biological assets - livestock	10	1,310	1,272
Investment in associates		3,596	4,400
Other investments	11	1,017	1,135
Total non-current assets		33,214	34,558
Total assets		71,518	72,444
Liabilities			
Trade and other payables	12	15,853	13,743
Deferred income		603	748
Employee entitlements	13	3,709	3,833
Total current liabilities		20,165	18,324
Employee entitlements	13	480	223
Total non-current liabilities		480	223
Total liabilities		20,645	18,547
Members' funds			
Contributions received	14	33,783	33,783
Investment fair value reserve		280	205
Retained earnings		16,810	19,909
Total members' funds		50,873	53,897
Total members' funds and liabilities		71,518	72,444


 J van der Poel, Chairman
 2 August 2024


 M Todd, Director
 2 August 2024

Consolidated Statement of Cash Flows

For the year ended 31 May 2024

In thousands of New Zealand dollars

	Note	2024	2023
Net cash from/(used in) operating activities			
Cash provided from:			
Dairy industry good levies		68,496	67,128
Biosecurity response levies collected		45,438	44,554
Other funding		15,044	13,559
Interest income received		866	899
		129,844	126,140
Cash applied to:			
Payments to suppliers and employees		83,098	81,824
Biosecurity response levies paid		41,856	44,554
		124,954	126,378
Net cash from/(used in) operating activities	25	4,890	(238)
Net cash from/(used in) investing activities			
Cash provided from:			
Proceeds from sale of biological assets		194	139
Proceeds from sale of property, plant & equipment		328	42
Proceeds from sale of investments		193	-
		715	181
Cash applied to:			
Acquisition of property, plant & equipment and intangibles		3,696	5,542
Purchase of biological assets		143	-
		3,839	5,542
Net cash from/(used in) investing activities		(3,124)	(5,361)
Net cash from/(used in) financing activities			
Cash provided from:			
Proceeds from borrowings		-	-
		-	-
Cash applied to:			
Repayment of borrowings		-	-
		-	-
Net cash from/(used in) financing activities		-	-
Net increase/(decrease) in cash balances		1,766	(5,599)
Cash balances at beginning of period		25,662	31,261
Closing cash balances	6	27,428	25,662

Notes to the Financial Statements

For the year ended 31 May 2024

Accounting policies

1. Reporting entity

DairyNZ Incorporated ("DairyNZ") is an incorporated society registered in New Zealand under the Incorporated Societies Act 1908. DairyNZ's registered office is at the corner of Ruakura Road and Morrinsville Road, Hamilton.

DairyNZ is primarily involved in the promotion and funding of dairy industry good activities. Accordingly, DairyNZ has designated itself as a public benefit entity for the purpose of financial reporting.

The consolidated financial statements of DairyNZ as at, and for the year ended 31 May 2024 comprise of DairyNZ and subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The financial statements have been prepared in accordance with the Financial Reporting Act 2013.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 not-for-profit public benefit entities.

The accounting policies set out in the relevant notes have been applied consistently to all Group entities.

b) Basis of measurement

The measurement base applied is historical cost adjusted for revaluation of assets (investments).

c) Going Concern

The financial statements have been prepared on a going concern basis. The Commodity Levies (Milksolids) Order 2020 was made by Order in Council on 3 August 2020. This order came into force on 1 December 2020 and expires on 30 November 2026.

d) Functional and presentation currency

The financial statements are presented in thousands of New Zealand dollars, which is DairyNZ's functional currency.

e) Use of estimates and judgements

Estimates and judgements are made by management in applying the Group's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas involving high levels of estimation or judgement are:

- Note 8 - useful lives and impairment of property, plant and equipment
- Note 9 - useful lives and impairment of intangible assets
- Note 13 - employee entitlements
- Note 16 - measurement of joint ventures and associates
- Note 23 - recognition of contingent liabilities

f) GST

The financial statements are prepared exclusive of GST with the exception of receivables and payables which are stated inclusive of GST.

g) Income Tax

Income derived from DairyNZ Incorporated and certain subsidiaries (excluding DairyNZ Limited) is exempt income under Section CW51 of the Income Tax Act 2007.

Income derived from DairyNZ Limited has been granted exemption in accordance with Section CW49 (1) of the Income Tax Act 2007.

3. Revenue and other income

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

The following specific recognition criteria in relation to the Group's revenue streams must also be met before revenue is recognised.

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Other income includes dividend income, gain on disposal of assets, R&D tax credits, reimbursements and rental income.

In thousands of New Zealand dollars

Revenue from exchange transactions	2024	2023
Research commercial income	6,171	5,310
Farm income	2,008	2,016
Dairy Training course income	1,049	1,275
Interest income	965	899
Other income	1,542	2,044
Total exchange revenue	11,735	11,544

Revenue from non-exchange transactions

Non-exchange transactions arise when an entity receives value from another entity without giving approximately equal value in exchange.

a) Milksolids levy

DairyNZ has the authority to raise a levy from dairy industry participants under the Commodities Levies Act 1990.

Levy income is calculated and recognised based on the quantity in kilograms of milksolids sold to the collection agent each month by the levy payer.

b) Other funding

Inflow of resources from government grants and funding are recognised as revenue in the period for which the funding received is utilised. Funds that are not utilised as stipulated are either returned, resulting in the recognition of a non-exchange liability or recognised as income in advance to be utilised over future periods.

In thousands of New Zealand dollars

Revenue from non-exchange transactions	2024	2023
Levy income		
Fonterra Co-operative Group Limited	52,952	53,373
Open Country Dairy Limited	6,304	6,114
Synlait Milk Limited	3,042	3,024
Westland Dairy Company Limited	2,139	2,036
Miraka Limited	828	852
Oceania Dairy Limited	804	842
The Tatua Co-operative Dairy Company Limited	548	534
Olam Food Ingredients New Zealand Limited	505	-
Mataura Valley Milk Limited	402	355
Other dairy companies	273	321
Total levy income	67,797	67,451
Other funding		
SFFF research funding	2,696	2,505
MBIE research funding	1,314	534
MPI research funding	815	578
Total other funding	4,825	3,617
Total non-exchange revenue	72,622	71,068

4. Expenses

Expenses include the following items:

In thousands of New Zealand dollars

	2024	2023
Employee related		
Salary and wages	34,701	32,538
Other staff costs	1,340	444
Operational Costs		
Amortisation	757	1,019
KPMG - audit fees	119	101
KPMG - other services	-	61
Commodity levy collection fee	339	337
Depreciation	1,346	1,335
Professional fees – legal	529	445
Vehicle costs	1,300	891
Property costs	1,606	1,543
Farm expenses	859	771
Travel	1,207	1,588
Board and governance costs		
Directors' fees (includes directors of subsidiaries)	619	582
Directors' and governance expenses	184	218

Research and development

Research and development costs are expensed when incurred. Expenditure on research activities is undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

The Group's research and development costs for the period were \$39.70 million (2023; \$37.60 million).

Audit

No other services were engaged in current year (2023; Other services include engagement on data privacy review and SSP readiness).

5. Impairments

This note provides information on the Group's assessment of impairment for continuing operations. An impairment is recognised when the carrying amount of an asset is greater than its recoverable amount or expensed when future economic benefit or service potential is no longer probable to the entity.

The impairments recognised in the Statement of Comprehensive Revenue and Expense are presented in the following table:

In thousands of New Zealand dollars

	2024	2023
Investment in Southern Dairy Hub impairment	753	-
Genotyping impairment	1,877	-
Other impairment	146	-
Total impairment	2,776	-

Investment in Southern Dairy Hub:

At 31 May 2024 Southern Dairy Hub LP (SDH) acquired Southern Demonstration and Research Farm Ltd, which has resulted in a change in business operations with the full farming business now accounted for within SDH. The reorganisation of the entity led SDH to assess the value of its land and farming assets via an independent valuation.

The fair value of the combined net assets has been used to determine the recoverable amount of the DairyNZ's 37.5% share of the business. DairyNZ's share of the recoverable amount of the business was assessed to be \$3,564,817. This was lower than the carrying value of the investment, resulting in an impairment of the investment of \$752,947.

Genotyping:

The DairyNZ Board commissioned an independent review in November 2023 to help the sector achieve world-leading rates of animal genetic gain. The independent report and recommendations were received on 17 June 2024 and publicly released on 8 July 2024.

The Independent Working Group (IWG) were tasked with evaluating the dairy sector's genetic improvement progress and accordingly has proposed recommendations to drive faster rates of genetic gain in New Zealand's dairy herd.

The Board has made the decision to discontinue future investment in genotypes at this point in time. DairyNZ's current intent is to share the existing genotypes collected to date with industry for the purposes of further sector use and benefit at some point in the future, and is actively evaluating how best to achieve industry good. The impact of this current intent means that the work in progress balance within intangible assets for genotypes of \$1,877,362 has been fully expensed (impaired) in 2024 as the intangible asset no longer meets the definition of an asset, although the high quality genotypes will still have a meaningful use and benefit to those using them.

6. Cash and cash equivalents

In thousands of New Zealand dollars

	2024	2023
Bank balances	17,838	10,521
Biosecurity levy bank balance	3,590	6
Short-term deposits	6,000	15,135
Cash and cash equivalents	27,428	25,662

7. Trade and other exchange or non-exchange receivables

In thousands of New Zealand dollars

Exchange Transactions	2024	2023
Trade receivables	2,638	3,118
Trade receivables due to related parties	15	831
Prepayments	754	402
Accrued interest	99	97
Balance at 31 May	3,506	4,448

In thousands of New Zealand dollars

Non-Exchange Transactions	2024	2023
Milksolids levy receivable	3,969	4,150
Biosecurity response levy receivable	2,645	2,767
Other trade receivables	580	699
Balance at 31 May	7,194	7,616

8. Property, plant and equipment

In thousands of New Zealand dollars

	Land & buildings	Leasehold improvements & farm development	Plant, vehicles and equipment	Capital work in progress	Total
For the year ended 31 May 2024					
Cost					
Opening balance	26,217	2,569	12,180	1,402	42,368
Additions	302	552	974	51	1,879
Transfer from WIP	-	983	419	(1,402)	-
Disposals	-	-	(1,080)	-	(1,080)
Balance at 31 May 2024	26,519	4,104	12,493	51	43,167
Accumulated depreciation and impairment					
Opening balance	9,165	2,025	10,223	-	21,413
Depreciation	534	82	730	-	1,346
Impairment	146	-	-	-	146
Disposals	-	-	(1,080)	-	(1,080)
Balance at 31 May 2024	9,845	2,107	9,873	-	21,825
Net book value as at 31 May 2024	16,674	1,997	2,620	51	21,342
For the year ended 31 May 2023					
Cost					
Opening balance	26,214	2,400	11,411	-	40,024
Additions	3	169	909	1,402	2,484
Disposals	-	-	(140)	-	(140)
Balance at 31 May 2023	26,217	2,569	12,180	1,402	42,368
Accumulated depreciation and impairment					
Opening balance	8,656	1,949	9,609	-	20,214
Depreciation	508	76	751	-	1,335
Disposals	-	-	(137)	-	(137)
Balance at 31 May 2023	9,165	2,025	10,223	-	21,413
Net book value as at 31 May 2023	17,052	544	1,957	1,402	20,956

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated on a straight-line basis on all property, plant, vehicles and equipment over their useful lives. The estimated useful lives are as follows:

- Buildings – 10-50 years
- Leasehold improvements – Lease term
- Farm development – 5-20 years
- Plant and equipment – 2-20 years
- Vehicles – 2-10 years

Land

Land is valued at cost.

9. Intangible assets

In thousands of New Zealand dollars

	Software	Capital work in progress	Total
For the year ended 31 May 2024			
Cost			
Balance at 1 June 2023	12,748	3,798	16,546
Additions	337	1,450	1,787
Transfer from WIP	444	(444)	-
Balance at 31 May 2024	13,529	4,804	18,333
Accumulated amortisation and impairment			
Balance at 1 June 2023	9,750	-	9,750
Amortisation for the year	757	-	757
Impairment	-	1,877	1,877
Disposals	-	-	-
Balance at 31 May 2024	10,507	1,877	12,384
Net book value as at 31 May 2024	3,022	2,927	5,949
For the year ended 31 May 2023			
Cost			
Balance at 1 June 2022	13,484	-	13,484
Additions	(736)	3,798	3,062
Impairment	-	-	-
Balance at 31 May 2023	12,748	3,798	16,546
Accumulated amortisation and impairment			
Balance at 1 June 2022	8,731	-	8,731
Amortisation for the year	1,019	-	1,019
Impairment	-	-	-
Balance at 31 May 2023	9,750	-	9,750
Net book value as at 31 May 2023	2,998	3,798	6,796

Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group and that are probable to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Software development costs recognised as assets are amortised over their estimated useful lives, between 2 to 7 years. The amortisation period and amortisation method is reviewed at each financial year-end.

10. Biological assets

In thousands of New Zealand dollars

	2024	2023
Balance at 1 June	1,272	1,460
Changes due to sales and natural increases	38	(188)
Balance at 31 May	1,310	1,272

	2024	2023
Number of Livestock held at 31 May	797	768

Biological assets are livestock held by the Group and are measured at fair value less point-of-sale costs.

Point-of-sale costs include all costs that would be necessary to sell the livestock. The fair value of livestock is based on the market price of livestock of similar age, breed and genetic make-up.

11. Investments

In thousands of New Zealand dollars

	2024	2023
Financial assets held at fair value through OCI	1,017	1,135
Balance at 31 May	1,017	1,135

In accordance with PBE IPSAS 41, any gain or loss arising from a financial asset or financial liability measured at fair value shall be recorded in the surplus or deficit, except when it pertains to an investment in an equity instrument. DairyNZ has elected to present gains and losses on this investment through Other Comprehensive Revenue and Expense, as permitted by Paragraph 106. This election, made at the initial recognition, is irrevocable and applies to subsequent changes in the fair value of the equity instrument investment, which falls within the scope of this standard and is not held for trading or contingent consideration recognised by an acquirer in a PBE combination subject to PBE IPSAS 40.

12. Trade and other payables

In thousands of New Zealand dollars

	2024	2023
Trade payables	6,287	6,633
Trade payables due to related parties	1,213	1,153
Biosecurity response levy payable	5,920	2,767
Non-trade payables and accrued expenses	2,433	3,190
Balance at 31 May	15,853	13,743

Recognition and measurement

Trade payables are recognised at cost when the company becomes obliged to make future payments resulting from the purchase of goods and services.

13. Employee entitlements

In thousands of New Zealand dollars

	2024	2023
Short-term employee benefits	3,709	3,833
Long-term employee benefits	480	223
Balance at 31 May	4,189	4,056

The provision for employee entitlement relates to annual leave, long service leave, sick leave and retirement allowances.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is 4.82% which was the 10-year government bond rate as at 31 May 2024. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the statement of comprehensive income in the period in which they arise.

14. Members' funds

DairyNZ members' funds comprise retained earnings, fair value reserves and contributions received. Equity is represented by net assets.

The fair value reserve comprises the cumulative net change in the fair value of investments. The Group is not subject to any externally imposed capital requirements and its policies in respect of capital management and allocation are reviewed regularly by the Directors. There have been no material changes in the Group's management of capital during the period.

15. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Benefits from activities may be both of a financial and non-financial nature. Benefits of a non-financial nature could be if those benefits are meeting the Group's social objectives. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group has the following significant subsidiaries:

Name	Principal activity	Balance date	Percentage held	
			2024	2023
DairyNZ Limited	Dairy industry research, development and extension	31 May	100%	100%
Dairy Training Limited	Dairy industry training	31 May	100%	100%
New Zealand Animal Evaluation Limited	Maintenance of a national breeding index	31 May	100%	100%
Dairy Insight (PGGR Consortia) Limited	Greenhouse gas emission research	31 May	100%	100%
DairyNZ Accreditation Limited	Accreditation of dairy industry services	31 May	100%	100%

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

16. JOINT VENTURES AND ASSOCIATES

Joint Ventures

Joint ventures are a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method and are recognised initially at cost.

Joint Venture	Principal activity	Balance date	Percentage held	
			2024	2023
Pastoral Greenhouse Gas Research Consortium (PGgRc)	Greenhouse gas emissions research	30 June	27.18%	27.22%

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial operating policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees.

Associate	Principal activity	Balance date	Percentage held	
			2024	2023
Southern Dairy Hub LP	Dairy research farm	31 May	37.5%	37.5%
OSPRI Ltd	Manages national animal identification and tracing (NAIT) and TBfree programmes	30 June	45.5%	45.5%

OSPRI Limited is an associate however is not equity accounted as it is a charitable entity - registration number CC49247. DairyNZ will not receive any future tangible financial benefit from OSPRI Limited or be entitled to any distributions on winding up.

17. Biosecurity response levy

The Biosecurity Response Levy is in place under the Biosecurity (Reponse – Milksolids Levy) Order 2019 to fund the *Mycoplasma bovis* disease eradication programme. DairyNZ is responsible for collecting the levy via the dairy processors. It is separate from the DairyNZ milksolids levy which we invest on farmers' behalf.

Up to and including the March 2024 milksolids (paid April) the levy had been passed directly to MPI. The current levy is due to end 31 December 2024, to be replaced by the National Pest Management Programme (NPMP). Since April, DairyNZ has retained the Levy and will pass to MPI an amount equivalent to the dairy industry's share of costs, including any compensation costs paid to MPI as they are incurred.

This change results in a liability on the DairyNZ balance sheet representing the compensation which may be required to be paid to farmers for claims made up to two years post the Biosecurity Response Levy winding up. The funds held in the Biosecurity Bank Account is available for payment of claims. The receivable balance is the current month's milksolids levy owed by the dairy processors.

In thousands of New Zealand dollars

	2024	2023
Bank account	3,590	6
Receivable	2,645	2,767
GST on receivable	(345)	-
Liability	(5,920)	(2,767)
Balance at 31 May	(30)	6

18. Risks

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade credit cycle and advances to third parties. No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Reputable financial institutions are used for investing and cash handling purposes. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

The status of trade receivables at the reporting date are as follows:

In thousands of New Zealand dollars

	2024	2023
Not past due	9,607	11,091
Past due 0-30 days	173	420
Past due 31-120 days	57	29
Past due 121-365 days	2	122
Past due more than 1 year	8	-
Balance at 31 May	9,847	11,662

Foreign currency risk

Foreign currency risk occurs from operation expenditure in foreign currency and the related trade payables. Management is responsible for managing exposures to foreign currency in accordance with the Group's Treasury and Investment Policy approved by the Audit & Risk Committee.

Interest rate risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances.

19. Term deposits

In thousands of New Zealand dollars

	2024			2023		
	Balance	Maturity date	Interest rate	Balance	Maturity date	Interest rate
Short Term Deposit	5,000	1/07/2024	6.01%	10,135	27/07/2023	5.46%
Short Term Deposit	1,000	30/11/2024	5.74%	5,000	22/06/2023	4.85%
	6,000			15,135		
Average effective interest rate			2.67%			1.96%

Sensitivity analysis

In managing cash flows DairyNZ aims to reduce the impact of short-term fluctuations on earnings by investing in short term deposits. Over the longer-term, however, permanent changes in interest rates will have an impact on profit. A decrease in interest rates of 1% would reduce interest income by \$187,220 (2023; \$246,502). Cash deposits made on DairyNZ's behalf are made only with New Zealand registered banks with an appropriate credit rating.

20. Operating leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of New Zealand dollars

	2024	2023
Less than one year	1,093	744
Between one and five years	1,479	1,095
More than five years	195	290
	2,767	2,129

The Group leases a number of vehicles and facilities under operating leases. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals.

Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

21. Capital commitments

DairyNZ has capital commitments totalling \$485,562 (2023; \$1,115,426).

22. Committed funds

The Group is contracted to provide funds to a number of projects on a multiyear basis, in exchange for services provided. However, certain conditions in the contract must be met annually before the funds are paid out. Funds committed for future projects which are subject to certain conditions being met are as follows:

In thousands of New Zealand dollars

	2024	2023
Less than one year	16,310	17,192
Between one and five years	16,778	31,867
More than five years	-	-
	33,088	49,059

23. Contingent liabilities

There are no contingent liabilities at 31 May 2024.

24. Subsequent events

Apart from the impairment of the genotyping investment as disclosed in note 5, there were no other significant events after balance date which would have a material impact on the financial statements.

25. Reconciliation of surplus/(deficit) to net cash flow from operating activities

In thousands of New Zealand dollars

	2024	2023
Surplus/(deficit) for the period	(3,099)	(2,846)
Adjustments for:		
Depreciation	1,346	1,335
Amortisation of intangible assets	757	1,019
Net change in fair value of biological assets	(87)	48
Gain on sale of fixed assets	(333)	(42)
Impairment of intangible assets	1,877	-
Impairment of investments	753	-
Net change in fair value of land	146	-
Share of earnings of associates and joint ventures	87	77
	4,546	2,437
Change in inventories	(17)	(91)
Change in trade and other receivables	1,363	(943)
Change in trade and other payables	1,965	(97)
Change in provisions and employee benefits	132	1,302
	3,443	171
Net cash from operating activities	4,890	(238)

26. RELATED PARTIES

Parent and ultimate controlling party

The immediate parent and controlling party of the Group is DairyNZ Incorporated.

Transactions with key management personnel

Key management personnel compensation paid comprised:

In thousands of New Zealand dollars

	2024		2023	
	Remuneration	Number	Remuneration	Number
Directors	479	9	445	9
Leadership Team	4,078	12	3,253	15

Directors receive fees as disclosed in the statutory disclosures and comprises of eight directors and one associate director. As at 31 May 2024, the leadership team comprises of eight employees on standard employment contracts, the number above reflects changes in personnel during the financial year.

Compensation paid includes salary, redundancy costs associated with restructuring during 2024.

Related party transactions

Key management personnel at various times are members of other boards. During the year ended 31 May 2024, the following related party transactions have occurred where directors or the leadership team are members of the governing bodies:

a) Ballance Agri-Nutrients Limited

DairyNZ Limited purchased fertiliser from Ballance Agri-Nutrients Limited for research farm use during the 2024 financial year totalling \$151,400 (2023: \$184,500). A balance of \$24,300 is payable to Ballance Agri-Nutrients at May 2024 (2023: \$22,900). These supplies were purchased from Ballance Agri-Nutrients Limited on the same terms and conditions applied to other customers of Ballance Agri-Nutrients Limited.

b) National Institute of Water and Atmospheric Research (NIWA)

NIWA provided research and analysis services to DairyNZ Limited during the 2024 financial year totalling \$20,700 (2023: \$14,400). A balance of \$11,500 is payable at May 2024 (2023: \$1,700).

DairyNZ Limited provided research and analysis services to NIWA during the 2024 financial year totalling \$35,000 (2023: \$85,000). No balance is receivable at May 2024 (2023: \$nil).

c) AgResearch Limited

AgResearch Limited provided research and analysis services to DairyNZ Limited during the 2024 financial year totalling \$1,730,800 (2023: \$1,913,100). A balance of \$918,900 is payable to AgResearch Limited at May 2024 (2023: \$1,151,800).

DairyNZ Limited provided research and analysis services to AgResearch Limited during the 2024 financial year totalling \$581,000 (2023: \$1,170,700). A balance of \$3,400 is receivable at May 2024 (2023: \$815,900).

DairyNZ Incorporated provided funding to AgResearch Limited for multiple research projects during the 2024 financial year totalling \$718,100 (2023: \$1,069,370). A balance of \$119,000 is payable to AgResearch Limited at May 2024 (2023: \$nil).

d) Southern Dairy Hub Limited Partnership

DairyNZ Limited provided accounting services to Southern Dairy Hub Limited Partnership during the 2024 financial year totalling \$10,350 (2023: \$10,350). A balance of \$11,900 is receivable at May 2024 (2023: \$11,900).

On 31 May 2024 Southern Dairy Hub Limited acquired Southern Demonstration and Research Farm Limited. At the time of acquisition DairyNZ Limited owed Southern Demonstration and Research Farm Limited \$139,200 (2023: \$nil).

Other related party transactions

DairyNZ enters into funding and investment transactions (programme expenses) with its subsidiaries, associates and joint ventures in the ordinary course of business.

In thousands of New Zealand dollars

	2024	2023	2024	2023
Pastoral Greenhouse Gas Research Consortium	41	30	-	400
TBfree New Zealand Limited (a subsidiary of OSPRI)	14,500	14,500	1,390	1,390
	14,541	14,530	1,390	1,790

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