How we respond to the changing World

ICAR : 1st June 2012
Content

LIC Overview & Strategy

Industry Good in New Zealand
LIC History

• 1909 - Herd Testing begins

• 1939 - the 28 Herd Test Associations amalgamated to form 6 Herd Improvement Associations

• 1998 - the 6 Associations were merged to form LIC, a 100% subsidiary of the NZ Dairy Board

• 2002 - LIC was split out from the NZ Dairy Board as a 100% dairy farmer owned cooperative

• 2012 – LIC holds 90% + market shares in herd recording, 75% + genetics market share, and is a highly profitable and innovative cooperative. Listed investment shares have placed $150M of equity on shareholder balance sheets

• 2012 – future relationship with Industry Good redefined
Who We Are

We deliver the world’s best pastoral dairy herd performance improvement to our members and customers.

We are 100% owned by NZ dairy farmers, focused on continuously innovating and improving our science, products, services and supporting advice to deliver an experience that our customers expect, and is delivered within a business model that is profitable and sustainable for all future dairy farmers.
Our Purpose is Clear and Consistent

Helping dairy farmers become more productive and profitable through: superior dairy cow performance, information, and technology that makes it easier to farm.
Our 2020 Mission

Innovative solutions that improve dairy farmer prosperity.
The World in 2020: Key External Impacts

Global
- Growing demand for dairy
- Technology enables connectedness
- Demand for sustainability

Domestic
- More diverse than ever before
- Increasing regulatory environment
- Increasing competition
The growth trend in AB and milk monitoring is a success story
If we assume that cow numbers will grow at 2.5% CAGR through to 2020 (i.e. 5.7m cows), then a huge opportunity is in front of us.
Whole Farm System to Dairy Cow Performance

Whole Farm
Data > Information > Knowledge
> Decisions
Information System

COLLABORATION SPACE

Dairy Cow performance

Grass & Crops  Supplements  Fertiliser  Irrigation  Effluent  Environment  Milking Plant

CONFIDENTIAL TO SHAREHOLDER COUNCIL MAY 2012
Big Opportunity in Dairy Cow Performance

- Environmental impact pressure
- Shift in farmer goals from capital gain to increasing productivity
- Animal welfare pressure
- Value of improving kgMS/kgDM
- Sensors and automation measuring cow performance in real time
- DNA technologies
- Demand for dairy nutrition
- Managing more cows per person
- Mandatory EID tagging
- Rural broadband

Shift in farmer goals from capital gain to increasing productivity

- Environmental impact pressure
- Animal welfare pressure
- Sensors and automation measuring cow performance in real time
- Demand for dairy nutrition
- Mandatory EID tagging

Sensors and automation measuring cow performance in real time

- Environmental impact pressure
- Animal welfare pressure
- Demand for dairy nutrition
- Mandatory EID tagging

Demand for dairy nutrition

- Environmental impact pressure
- Animal welfare pressure
- Sensors and automation measuring cow performance in real time
- Mandatory EID tagging

Mandatory EID tagging

- Environmental impact pressure
- Animal welfare pressure
- Sensors and automation measuring cow performance in real time

Rural broadband

- Environmental impact pressure
- Animal welfare pressure
- Sensors and automation measuring cow performance in real time
- Demand for dairy nutrition
Technology as a Competitive Advantage

- Data Exchange: B2C, B2B
- Data Integration
- Geospatial data
- R&D Data volumes
- Predictive Analytics
- Mobile Solutions
- Real-time on farm solutions
- Move from within farm view to between farm view – enabled by web
- Time referenced data
- 24/7
Our Strategic Focus Is To:

1. Improve dairy cow performance

2. Provide a ‘virtuous circle’ of information for farmers
Providing superior customer solutions and service

Dynamic

Proactive

Information

Collaborative

Solutions
Role of Industry Good in NZ

- LIC – customer driven, commercial cooperative
  - Focused on customers, innovation, research, competitors, profitability

- DairyNZ – levy funded, Industry Good body
  - Focused on Industry Good research, extension, market failure, industry standards

- Government – policy, Public Good via MAF, Animal Health, Traceability (NAIT)
  - Focused on market access, biosecurity, policy, fair trading

- Core database transfer
  - Under discussion since 2009
  - DairyNZ will establish new Industry Good core database
  - LIC and other herd testers will transfer core data to new database
  - DairyNZ will take over Animal Evaluation
  - LIC and other AI companies will provide data for purposes of sire evaluations
  - “Breeding Worth - BW” Index will be licensed to DairyNZ for sire evaluations
  - Cow Indices will remain with commercial companies; LIC will have sole rights for cow BW
  - Genomics stays outside Industry Good evaluations