

Let's at least debate sale of Landcorp

RECENTLY THE Government's farming entity announced a \$27.5 million dividend after a \$42.2 million net operating profit for the year ended June 30, 2011. This result is a big improvement on the previous year's \$10m pre-tax profit.

The corporate farmer says its productivity improvement is due to higher milk, dairy and wool prices and favourable growing conditions through the second half of the year. This year's dividend of \$27.5m is also a big increase on the previous year's \$18m.

Record milk production, at 12.3kgMS, accounted for \$94.6m in sales. Another \$51.3m came from sheep meat and its average price per lamb up 40% as export markets made a strong recovery. Beef revenue was up 28% at \$40.1m. Wool, venison and forestry income also rose, and \$10.3m was made on land sales.

Landcorp chairman and former agriculture minister Jim Sutton said it was gratifying the state farmer could make such an increased cash contribution to New Zealand after the Christchurch earthquakes.

Our commitment to keep delivering in financial terms and in response to other big economic and environmental challenges facing this country," he said.

Is Landcorp really delivering a great return to taxpayers when the Government's state-owned organisation currently owns 175,000ha of farmland, valued at \$1.05b. It also has livestock worth \$297m and its total asset base is \$1.7b.

Even with my rudimentary maths skills, I can work out that \$42m profit divided by a \$27.5m dividend is not a great return on capital. In fact, it's pretty poor. So is Landcorp really a good investment for Government and taxpayers? Not at all.

Landcorp's latest profit works out at a 0.025% return on capital, while its dividend to taxpayers is just 0.016%. I



COMMENT
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know state asset sales are a touchy subject in the run to the election, and selling farmland would be tantamount to treason, especially to an Asian buyer, but shouldn't we at least discuss it?

When the Government is running massive deficits and struggling to pay for essentials such as healthcare and education – let alone the rebuild of earthquake-damaged Christchurch as Jim Sutton points out – can New Zealand afford to sit on nearly \$1.7b of assets that are making such a poor rate of return?

Should the Government/taxpayer have so much capital tied up in a commercial farming venture? Nowadays, it makes about as much sense for the state to run a commercial farming operation, as it does for the Government to run a commercial print or radio operation. It no longer runs the latter two; so why is it still operating the former?

Landcorp's whole raison d'être was



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Fay does have an axe to grind in light of Landcorp's discussions with Shanghai Pengxin to manage or share milk the Crafar properties if the Chinese company is successful. But axe or no axe, the former state asset stripper and latter day saviour, Fay, does make a good point. Wouldn't Landcorp's near \$1.7 billion of capital be better invested by the Government in things like schools, hospitals and police?



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