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### **Westland Milk Products final payout for 2017-18**

Westland Milk Products has reported a final milk payout of \$6.12 per kilo of milk solids (kgMS), less a five cent retention, delivering a net average result for Shareholders of \$6.07 per kgMS.

Chairman Pete Morrison noted that a substantial number of Shareholders received an additional premium on the net result of 4.4cents per kgMS for providing UHT winter milk and colostrum, giving them a net average payout of \$6.11.

Morrison said the co-operative achieved \$3.3 million profit before tax because of the decision to retain five cents.

“It was essential to retain a degree of payout to ensure a strong balance sheet and leave us options for capital expenditure to drive growth.”

He said the Westland Board acknowledged its milk payout wasn’t competitive and was focussed on achieving parity in future.

“This year’s payout was at the lower end of our range and was affected by global commodity prices, the impact of Cyclone Fehi, and a strike at the Port of Lyttelton. We also didn’t meet our production and processing targets for the year. Top line sales were not as good as they could have been but we are seeing improvements with the new sales team in place and the benefit of improved processes.”

Morrison said the co-operative was currently reviewing its capital structure to respond to high debt and limited financial flexibility issues. He said the Board would update Shareholders on the review at its Annual General Meeting in Hokitika on 5 December 2018.

“Our priority is to accelerate our strategic business plan and to drive better, long-term returns and value to our Shareholder farmers.”

Chief Executive Toni Brendish said the co-operative had made important performance improvements in 2017-18 in Right First Time manufacturing, along with process and efficiency improvements.

“Changes to our internal systems and processes will continue to help improve our performance and drive better outcomes in the coming year,” she said.

“Last year, our workplace safety performance was particularly pleasing, with a 23% drop in total recorded Injury Frequency Rate. This speaks to a good safety culture and helps reduce costs and increase efficiencies.

“This focus, along with the commencement of work to deliver on the segregated milk component of our five-year strategy, combined with the process improvements in all levels of the organisation, gives us more confidence to achieve a goal of competitive payout in our predicted payout for 2018-19.”

Morrison said the Board has, however, reduced the payout prediction for 2018-19.

“With the current international decrease in butter pricing the Board has revised its predicted payout for 2018-19 to \$6.50 to \$6.90. This is in line with other milk processors.”

Brendish said Westland was now implementing its new five-year strategy, the key to which is milk segregation, and the continual focus on improving internal systems and process, which were now starting to deliver results.

“During the 2017-18 season we proved our ability to identify, separately collect and process milk with key characteristics that carry significantly more value in the market place and return increased premiums.

“We’re working with Southern Pastures to produce grass-fed milk to a set of very high standards that include strict environmental, animal welfare, feed management, soil and water management and other criteria that will set this milk apart.

“Our comparatively smaller processing plant gives us the flexibility to produce nutritional products for very specific niche markets with increasing global demand. Other types of speciality milk will also soon be available,” she said.

**ENDS**

*\* Westland is currently the only New Zealand dairy processor producing colostrum milk powders for national and international markets.*

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