

GRASS ROOTS SUPPORT



AgResearch has 15 farms, spread from Waikato to Southland, and employing around 45 permanent staff.

Acting as field laboratory resources, the majority are sheep and beef farms that sit along with three dairy farms, a deer unit and two plant breeding units. Farm land varies from intensive flats through to steep hills, where AgResearch can undertake scientific work on reproduction, parasitology, genomics, plant breeding, animal behaviour, immunology and disease management.

As AgResearch's new National Farms Manager, Allan MacManus oversees the management of the 15 farms.

Allan brings a wealth of experience in the agricultural sector, most recently nine years as Operations Manager at Landcorp Farming Ltd.

With academic qualifications in agriculture and business, Allan also brings a passion for the industry, which makes his new role a stimulating challenge.

He sees the position as helping the farms support AgResearch in its science goals. And having been involved in the agricultural industry for many years, he has much faith in its prospects.

THESE ARE AGRESEARCH'S FARMS:

1: WHATAWHATA FARM

Whatawhata Farm is situated near Hamilton and the Ruakura Research Centre, AgResearch's largest campus. Representative of a large proportion of North Island hill country, the farm is primarily devoted to breeding sheep and beef cows. Services include live phase animal manipulations and livestock management and selection.

2: RUAKURA NO. 1 DAIRY FARM

Located near Hamilton on AgResearch's biggest campus, this farm undertakes a number of dairy services, including provision of dairy animals for trial work, live phase animal manipulations, collection of bodily fluid and pasture samples, data collection and collation as well as trial work.

3: RUAKURA NO. 2 DAIRY FARM

Primarily a commercial operation, Ruakura No. 2 works closely with Ruakura No. 1 to offer milk collections and calving management services.

4: RUAKURA SHEEP AND BEEF FARM

Also located on AgResearch's largest campus, this farm can supply quality assured field laboratories along with sheep, cattle and deer services for researchers. Current research includes reproductive technologies, growth and development trials, animal genomics, forage improvement, nutrition and behaviour.

5: TOKANUI FARM

Located near Te Awamutu, Tokanui's main emphasis is currently grazing dairy heifers and yearling cattle for internal and external customers, along with calf rearing. The farm also operates a goat facility and planning is underway for a dairy conversion on the farm.

6: FLOCK HOUSE SHEEP AND BEEF FARM

This sheep and beef farm near Bulls offers quarantine facilities alongside intensive and extensive trial facilities for sheep and extensive capabilities for cattle.

7: FLOCK HOUSE DAIRY FARM

Based south of Bulls, Flock House Dairy Farm has the capacity for a range of services associated with dairy farming, including a calf rearing facility. Current research includes work on trace elements – selenium, copper – and vitamin B12.

8: AORANGI FARM

Aorangi Farm is an intensive research farm principally serving AgResearch scientists from Grasslands and the Hopkirk Research Institute. Sheep make up the majority of the farm's stock alongside mixed age beef cattle and a small number of deer. Crop and forage development trials are also undertaken.

9: BALLANTRAE FARM

Situated near Woodville, Ballantrae is a typical North Island hill country farm. Its primary role is to service the medium and long-term needs of the hill farming industry by providing a facility where management strategies can be implemented at a systems level.

10: KAITOKE FARM

Situated in the Rimutaka Ranges, this sheep and cattle farm has the capacity for a number of sampling and recording services. Current research programmes include work on bovine tuberculosis and parasitology trials in sheep.

11: LINCOLN FARM

Positioned near the Lincoln Research Centre, research at this farm focuses on endophyte evaluation, biocontrol, biosecurity, land management, seed technology, plant breeding and wool and skin biology. Current research includes seed breeding, evaluation trials and endophyte trials.

12: WINCHMORE FARM

Winchmore is a 308 hectare farm in mid-Canterbury, with excellent sheep, cattle and deer handling facilities. Originally developed 55 years ago for irrigation research and trials, two of the farm's original trials are still running today, providing highly valuable data.

13: INVERMAY DEER FARM

Research at Invermay Deer Farm has an emphasis on animal molecular biology (particularly genomics), sheep, deer, land management, biocontrol and biosecurity. Situated on the Taieri Plains, near Dunedin, services include deer bleeding, pregnancy scanning and a full range of deer farm operations.

14: INVERMAY, INCLUDING WAIORA FARM

Also located on the Taieri Plains, Invermay offers a wide range of testing facilities, incorporating quarantine buildings, a small trial abattoir, a licensed deer abattoir, an InnerVision CAT (computed axial tomography) scanner and an operating theatre and prep room. Waiora has historically been used as a secondary quarantine unit.

15: WOODLANDS FARM

Sited on the widely farmed Southland plains, Woodlands is typical of the highly developed farms of the region involved in intense sheep production. Genetic studies on New Zealand's predominant sheep breeds are the farm's main focus.

We're proud to work alongside some of this country's most respected commercial names.

These partnerships AgResearch builds with companies, like those whose voices are captured on the next few pages, are central to our ability to bring significant benefit to New Zealand's pastoral farming sector.

PARTNERING FOR SUCCESS



JOHN MCKENZIE – PGG Wrightson Seeds General Manager

PGG Wrightson Seeds is a joint venture partner in Grasslands Innovation Ltd with Grasslanz Technology (a wholly owned subsidiary of AgResearch). This joint venture is involved in plant breeding in New Zealand, Australia and other international markets. We also work with AgResearch on endophyte technology, and are frequent engagers of the contract services they provide.

AgResearch is a nationwide research organisation that covers both pasture and animals, so we have the whole area our company is interested in, in one research institute.

We work with AgResearch because they can offer a far deeper technology resource base than we can provide ourselves. They can also give us an entrance into what I call 'blue sky research opportunities' of the future. They have a wide range of skills, and because of that we have structured our business to use those services and skills that they can provide us in these areas.

They come up with the science skills, savvy and know how and we bring the pathway to market, as well as the commercial vision and strategy.

Another of AgResearch's strengths lies in its very good international connections. As you look forward, in terms of what is required to source technologies in the future, it is very much an international playing field – it's not good enough just to partner nationally, you have to partner internationally. A lot of the future is about globalisation and AgResearch very much complements our network in this area thanks to the strength of their own networks.



MATT GLENN – Ballance Agri-Nutrients Ltd General Manager Research & Business Development

At Ballance, the integrity of our brand is paramount and what better way is there of protecting that integrity than by having independent, world-leading, scientific support? That's why our relationship with AgResearch is so important – every claim we make about the efficacy of our products is proven by good science.

We know AgResearch applies a rigorous approach to the research it undertakes on our behalf, and that the results can be relied on unequivocally by our customers and the scientific community.

That's why we have enjoyed a long-standing relationship with this research institute and its first-class scientists and we look forward to that continuing.

In the past 12 months, we have worked with AgResearch on two key assignments – nitrogen efficiency and phosphate efficiency. This work is intended to identify environmental and economic benefits for farmers, through Ballance's products and services.

AgResearch knows that Ballance is a commercial organisation that needs to make solid investment in research and development for its customers. Its scientists understand that this research should provide a positive and sustainable agronomic outcome for Ballance customers.

We rely on AgResearch as our main science provider. It is a valuable relationship for us because of the advanced skill sets and resources available, and we also benefit from the openness and dialogue we share with individual scientists.

Ballance views AgResearch as a partner more than anything else. To this end, we will be meeting to share our strategic research direction and see how we might leverage off each other's strengths.



GERARD DAVIS – Pfizer Animal Genetics Global Director of Product Development and Laboratory Operations

AgResearch performs two roles for us – as a research provider and partner in collaborative research, and as a provider of genotyping services.

AgResearch is, in our view, the leading research provider in genomic research in sheep globally. We have a very good and strong relationship with them in that regard. Our relationship operates largely through Ovita, the joint venture research consortium between AgResearch and Meat & Wool New Zealand. This mechanism works well especially where the sheep industry provides direction to the research via focussed advisory groups.

The team at Invermay has excellent depth and capacity. Their experimental resources in terms of animals, DNA banks and associated databases, and equipment have been key factors in aiding research endeavours.

Their work has been influential in getting products to market that are valuable for the New Zealand sheep market as well as globally. We have found the AgResearch team to be very understanding of the commercial imperatives of research and, while the preference is always for fast and thorough delivery, their responsiveness in general has always been good.

They have a very solid research foundation, and certainly have the people that can cover most of the bases of genomics research. There are other excellent groups around the world in sheep genomics, but our view is they are the most valuable group to work with.

We currently have a limited research relationship with AgResearch on the cattle side, though we are expecting that to grow. As part of Pfizer's Animal Genetics business we will be expanding our perspectives with regard to species and global markets. We expect our relationship with AgResearch will likewise expand.

PARTNERING FOR SUCCESS



JOHN HUTCHINGS – Fonterra Sustainable Production General Manager

Looking after the environment for future generations of farmers and for the community as a whole is a key area of focus for Fonterra. To this end, we lead a number of initiatives aimed at reducing the impact of dairying on the land while improving productivity.

AgResearch assists us in this work in several areas – but let me focus on just two. The first is a joint venture with DairyNZ on projects to manage nitrogen loss from pasture. The second has an emphasis on carbon footprinting.

The work we do with AgResearch on the management of nitrogen loss from pasture is timely and important. Regional Council and public pressure over nitrogen loss and the effect of land use on water quality is such that we need to find effective mitigation solutions, where and when they are needed.

And on climate change, given that such a high proportion of New Zealand's emissions are generated in the agricultural sector, it is critical that we are able to measure carbon emissions at each stage of the life span of our products. AgResearch is helping us measure the carbon footprint of five of our products going to 12 overseas markets. This work will help confirm the carbon efficiency of New Zealand dairying and, at the same time, help us identify opportunities to reduce our emissions.

Science and knowledge lie at the heart of the solutions we seek to our environmental concerns. Developing those solutions and then translating them into everyday farmer practice is something Fonterra, DairyNZ and AgResearch are committed to do.



DAVID CARTER – Designer Textiles Innovation and R&D Manager

We make merino-based fabrics and also offer garment manufacturing solutions. Our business depends on the fact we are continually making new products and presenting new ideas to our customers. We use the skills of our development team for most of our new products, however, for the pioneering, cutting edge research we use AgResearch.

Natural fibres, especially merino, have inherent problems because they come with natural attributes, so we are working with AgResearch to improve presentation and product performance for the eventual customer, the consumer. Performance is important. In the past people were happy to hand wash and leave something to dry naturally, now they want garments which machine wash and tumble dry, with longer wearing life and appearance. New processing techniques are at the heart of our continual development around the merino fibre. AgResearch uses its chemical knowledge and years of experience working with merino fibre to assist with these new techniques.

AgResearch is currently assisting us with a project for the shrink treatment of merino fabrics. In the past, fabrics have mainly been treated using chlorine as an oxidising agent, which releases chemicals into the environment. We need to work out how we can make the same product with less environmental impact. AgResearch has the people with the skills and environment for such projects.

They are testing a range of chemical combinations and formulas, which we will be commercially testing to produce an ecologically safe method for the production of merino fabrics with minimal use of water and energy.

AgResearch also undertakes a range of fabric performance tests for Designer Textiles. We call on them to offer expert opinions on questions our clients might have which are of a scientific nature. The AgResearch responses are of value to us and our customers, who also respect the knowledge and experience that is offered.

In our field of textiles you always have to be one step ahead of the market all the time. You need to keep ahead of your competitors and find newer ways to do things. We consult AgResearch with our product ideas and performance targets and rely on its contribution of merino knowledge and skill to help us move forward.



SIMON LANGLEY – ANZCO Foods Group Manager Livestock Development

ANZCO has a focus on continuously improving the quality of the lamb and beef products supplied to customers through our global marketing network.

To this end, it's vital that we stay on top of research across the board – from farm systems to processing innovations.

AgResearch provides a support role to ANZCO by bridging the information gap between science and commerce, and we partner with AgResearch in a number of company initiatives.

AgResearch brings to the table scientific expertise and knowledge opportunities that are key to our integrated supply business.

One of the benefits for New Zealand of having an organisation like AgResearch is its focus on developments that benefit the wider industry.

For ANZCO, this means we are able to engage an organisation that has a broad research base developed over a long period of time.

As a research organisation, AgResearch has a high calibre of people and the focus and environment required for innovation.

The competitive advantage gained from research and innovation approaches is embedded in the ability to apply the results as a commercial model.

Through this working partnership with AgResearch, we have the capabilities to take research outputs and understand the implications of applying them within the commercial environment.

The continuous quality improvements that AgResearch helps us to achieve add value for stakeholders throughout the supply chain, from producers right through to the customers in the marketplace. AgResearch has delivered a lot of value to New Zealand over the years, and I believe it will continue to do so.

HUMAN RESOURCES

At AgResearch we continue a proud tradition of nurturing a working environment built on egalitarian, collegial values.

Organisations whose lives are steeped in science have a culture all of their own.

At AgResearch we continue a proud tradition of nurturing a working environment built on egalitarian, collegial values.

These values underpin all we do, and the 2008 financial year saw some key progress in a range of initiatives with these at their heart.

A good example is the progress made on AgResearch's Wellness Initiative, a programme designed to optimise both the health and wellbeing of staff.

You can read more about this initiative, along with others that contribute to the unique culture that is AgResearch, over the next couple of pages.



Professor Alec Horniman of the University of Virginia, Darden School of Business.

STRONG, EFFECTIVE LEADERSHIP

This year saw the inaugural meeting of the AgResearch Leadership Team (ALT). Made up of executive and middle management, the establishment of ALT recognises the important role of middle management within the institution. At this year's inaugural meeting the ALT was fortunate to secure the services of Professor Alec Horniman of the University of Virginia, Darden School of Business to come and speak on The Leadership of Science, with a focus on the leadership role both individuals and teams have in setting strategic direction for organisations.

Our 'Tomorrow's Leaders' programme continued to grow the next generation of leaders, with the graduation of cohort three from the jointly run AgResearch/University of Waikato programme.

BUILDING A HEALTHY CULTURE

2008 saw the further development of AgResearch's Wellness Initiative.

Following on from completion of an online health survey that generated an individual report, six hundred game AgResearchers took part in the 8 week 10,000 Step Challenge.

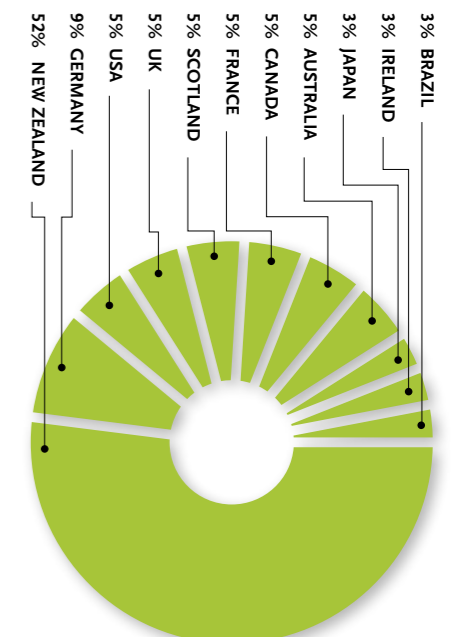
Each participant received a pedometer and joined a team to enter a virtual race around New Zealand that was tracked online. The initiative proved to be a fun, effective way to not only raise awareness about the importance of exercise, but to introduce new ways of introducing regular exercise into our daily routines.

Other Wellness projects included free flu shots and mole checks as well as locally driven initiatives like free fruit on Mondays at Invermay and the planting of 'Greener Grasslands' vegetable patches at that campus.

RECOGNISING AND NURTURING TALENT. EMBRACING CHANGE

In an intensely competitive employment market, being able to create and promote our points of difference is critical.

SCIENTIST RECRUITMENT – SOURCE OF SUCCESSFUL APPLICANTS YEAR ENDING 30 JUNE 2008



To achieve this a great deal of work was done in the latter six months of the year with existing and past AgResearch staff to identify AgResearch's distinct 'employer brand'.

Recognising that print advertising is becoming less effective in our digital age, we expect to increasingly attract future staff through networking and internet tools. To improve our success through these approaches, we are developing a new visual identity and associated messages.

Our Wallaceville campus has now reduced substantially in size. Over the past two years, affected staff have been offered the chance to move to new facilities at Palmerston North and Invermay. In total 31 staff have relocated. In the past 12 months 13 science staff and two support staff were made redundant from Wallaceville.

We were also sad this year to say goodbye to Bernadette Doube, AgResearch's Learning and Development Manager for the past nine years. Bernadette leaves the role in the capable hands of Dr Michelle Shields who joins us from Telecom.



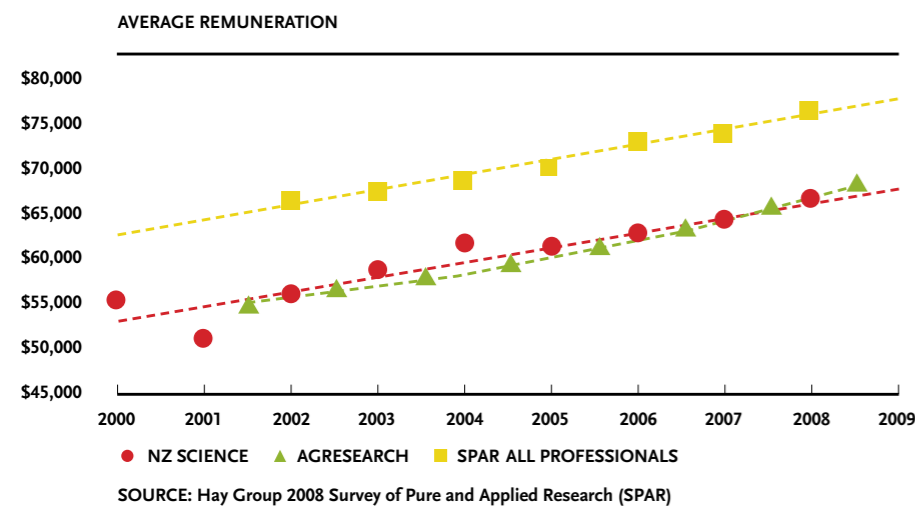
ABOVE: Dr Michelle Shields - National Learning & Development Manager

DESIGNING A WORKING LIFE THAT WORKS

AgResearch takes its commitments as a good employer seriously. Increasing numbers of AgResearch staff have reached agreement with the company to alter their working arrangements. Changes to working hours and start/finish times have been particularly popular. This focus on enhancing the work/life balance precedes the legislative requirement to facilitate flexible working, with 16% of staff already working less than the standard 40-hour week.

TAKING CARE OF THE BOTTOM LINE

AgResearch has identified the significant gap between salaries paid to science professionals versus other professional groups in NZ. The graph below displays the difference, currently a significant 15% on average.



AgResearch is committed to closing this gap to ensure science staff are appropriately recognised. This year's wage negotiations with the PSA resulted in a settlement for science at a total cost of 6.7% of salary and wages.

We are also part of a wider sector initiative, working with HortResearch, ESR, the Department of Labour and Public Service Association, to look more closely at pay equity.

2008 saw us taking care of the remunerative needs of our employees not just for today, but well into the future, with the introduction of KiwiSaver. We embraced the retirement savings scheme with enthusiasm, running a substantial awareness and education campaign for staff that included KiwiSaver commentator Mary Holm, who highlighted the importance of planning for the future.

Four hundred and sixty four AgResearch staff members (close to 50% of those eligible) are taking part in KiwiSaver with the organisation now also making a 1% employer's contribution.

BUSINESS AS USUAL

A number of traditional strategic and business disciplines underpin the efficient running of an organisation as large and effective as AgResearch.

Although strictly speaking "business-as-usual", these activities are the platform that enable many of the higher profile initiatives to succeed. In the 2008 financial year these included:

- Maintenance of constructive union relationships, contributing to the successful completion of annual wage talks.
- Launch of an "internal market" to facilitate internal redeployment of staff. This initiative will improve collaboration internally, offers staff the opportunity to develop new skills, and enables more effective utilisation of our people.
- Support for the leadership team, including individual coaching and mentoring to strengthen our leadership capability.
- Updated employment policies and practices to ensure adherence to good employer principles, including a review of recruitment processes to ensure the impartial selection of suitably qualified persons.



LEFT TO RIGHT: AgResearch staff members Sean Marshall, Darren Smalley and Tracey Nelson who added to their 10,000 steps per day by climbing to the top of Mt. Herbert (920m).