



AGMARDT

THE AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT TRUST

2009/2010

ANNUAL REPORT



CONTENTS

About AGMARDT	01	Finances	10
Chairman's Report	02	Statement of Responsibility	12
General Manager's Report	03	Audit Report	13
Programmes	04	Summary Statement of Comprehensive Income	14
Agribusiness Innovation Grants	04	Summary Statement of Changes in Equity	15
Leadership Programmes	05	Summary Statement of Financial Position	16
Developing Research Expertise and Capability	07	Summary Statement of Cash Flows	17
Conference Support	07	Summary of Accounting Policies	18
Grants 2008/2009	08	Directory	19



ABOUT AGMARDT

Our role in Agribusiness

AGMARDT's mission is to foster the development of leadership, capability and capacity within New Zealand's agribusiness sectors to meet the challenges of tomorrow's markets successfully.

To achieve the mission, AGMARDT invests in areas aligned with its strategic goals of:

1. Being a catalyst for the translation of international consumer, market, environmental and trade policy trends into potential opportunities;
2. Creating a greater understanding of world class marketing, global supply chains, new products, new technologies, and business models within the agribusiness community;
3. Fostering greater efficiency and sustainability in production, processing and distribution where recognised gaps exist;
4. Enhancing the speed of innovation and its application throughout the production and marketing system;
5. Improving linkages between science and agribusiness in the application of technology, and,
6. Fostering capability development in research towards advanced expertise.

Investing in the future of New Zealand Agribusiness

AGMARDT aims to foster and encourage leadership development, innovative thinking and research capability within the agricultural, horticultural and forestry sectors.

AGMARDT usually invests around \$2.5 million a year into:

- Leadership development programmes;
- Providing groups with seed funding to develop and evaluate innovative ideas;
- Developing research expertise and capability within universities and Crown Research Institutes, and
- Funding international speakers and experts to visit New Zealand to speak at conferences and forums.

AGMARDT is independent

AGMARDT is an independent not-for-profit organisation established by the Government in 1987 with funds of \$32 million, which came from the wind-up of the British, Christmas Island and New Zealand Phosphate Commissions.

Over the last 23 years AGMARDT has provided grants and funding to the agribusiness sector of over \$57 million.

As of 30 June 2010 AGMARDT's funds stand at \$62.3 million.

CHAIRMAN'S REPORT

Having been a Trustee for nine years and Chairman for the last three, I firmly believe that AGMARDT has a very important place within New Zealand's agribusiness community.

In spite of funding pressures caused by the financial crisis in 2008, AGMARDT did have a successful year.

Developing leadership capability within agribusiness continues to be an important focus for AGMARDT. During the year we maintained our longstanding sponsorship of the National Bank Young Farmers Contest by agreeing to sponsor the Contest for a further two years. The Trustees also agreed to underwrite the 2010 Young Horticulturalist of the Year Competition at a time when event organisers were finding it difficult to secure sponsors in a deteriorating economic climate. AGMARDT continued to fund individuals to attend leadership programmes and international events where the Trustees believed the individual and New Zealand agribusiness can benefit.

Through the vision of our past Chairman, Alistair Betts, AGMARDT established the Food and Agribusiness Market Experience programme (FAME) in 2005 with the aim of providing experiential learning opportunities for emerging agribusiness leaders. FAME has attracted a number of high calibre individuals who are passionate and enthusiastic about the FAME programme and its ongoing development. We wish the FAME Alumni and the joint venture of Lincoln, Massey and Otago Universities great success in establishing the new governance structure for FAME.

During the year the Trust continued to support agricultural innovation through its Agribusiness Innovation Grants programme. The fund continues to attract a wide range of applications from farmer-based groups looking to develop and evaluate innovative ideas to a point where projects can be further developed and/or commercialised.

The ability to implement succession funding arrangements as well as transferring information and results of project work to the wider agribusiness community can be challenging. This was clearly demonstrated in a recent AGMARDT funded project which aimed to bridge the gap between soil science and practitioners of sustainable soil management systems of cropping farms in the Hawkes Bay. The project established that two knowledge systems operated largely in isolation of each other. The successful merging and development of these systems requires the facilitation of extension specialists able to translate and develop knowledge systems which meet the needs of both scientists and farmers. With the exception of the dairy industry, extension services are less developed in New Zealand.

Given the concerns it was pleasing to see the report by the Crown Research Institute Taskforce 'How to Enhance the Value of New Zealand's Investment in Crown Research Institutes' recommending that Government identify technology transfer as a core responsibility for all CRIs and requiring CRIs to develop, invest in and manage intellectual property with the intent of moving that intellectual property from their balance sheet into the private sector.

During the year AGMARDT provided opportunities for industry based organisations, universities and Crown Research Institutes to bring international experts and speakers to New Zealand through our visiting fellowship and conference support programmes.

AGMARDT's achievements are largely accomplished through targeted investment and the development of relationships with industry sectors, Government agencies and research institutions. One of the most encouraging aspects of AGMARDT's activities continues to be the calibre of organisations that have supported AGMARDT's activities during the year. This collaboration will be more important as the issues facing the agri-food and fibre sectors are becoming more contentious and demanding in terms of greenhouse emissions, sustainability of the environment, animal welfare, human nutritional aspects of organically produced foods and food safety issues.

On behalf of the Trustees I thank AGMARDT's General Manager Stephen Macaulay for the excellent work he has undertaken during the year, made more difficult by the diverse range of activities the organisation is involved in, the challenging financial conditions faced during the year, and the myriad of tasks required to service the operational needs of AGMARDT with a very small support staff.

I would also like to recognise and thank my fellow Trustees Jeff Grant, Max Purnell and Jacqueline Rowarth for the dedication and energy that they have applied to servicing AGMARDT which on many occasions has fallen well outside what could be reasonably expected of them.

On behalf of the outgoing Trustees, Max Purnell and myself, may I say that we have thoroughly enjoyed our time as Trustees and we would like to take this opportunity to wish AGMARDT's new Chairman Jeff Grant and the new board of Trustees all the very best.



Bill Kain
Chairman

GENERAL MANAGER'S REPORT

The impact of the global financial crisis cannot be overstated and I am sure the flow-on effects will be felt for some years to come. In early 2009, AGMARDT's asset base dipped below its Real Capital of \$55.6m (Initial capital of \$32m plus inflation). The Trustees made the difficult decision to reduce funding some of AGMARDT's programmes and cut administration costs in order to rebuild and restore it's asset base.

As a result of budgetary cuts we suspended applications for doctoral scholarships and postdoctoral fellowships.

I am pleased to report that with the recovery of the financial markets and the prudent actions undertaken by the Trustees, AGMARDT's assets have increased to \$62.3m for the year ending June 2010, up from \$55.3m reported for the same period last year.

During the year AGMARDT made 35 grants worth \$976,352, which is down from \$2.9 million across 47 grants awarded in 2009.

This year we awarded twelve Agribusiness Innovation Grants across a broad range of projects and sectors. The aim of this programme is to provide seed funding for groups to develop and evaluate innovative ideas. Our grants allow recipients to develop their projects to a stage where other funders or commercial interests can take over. Securing succession funding arrangements once AGMARDT's funding ends continues to be challenging for applicants and we anticipate playing a greater role in assisting applicants with this in future.

Grants made to leadership development programmes increased to \$324,361, up 39% on the previous year, following an agreement to sponsor the National Bank Young Farmer Contest for the next two years, as well as underwriting the 2010 Young Horticulturist of the Year Competition. Both events have an important role in developing future young leaders within the agriculture and horticultural sectors, and we hope that our support provides organisers the opportunity to strengthen and advance these competitions in the years to come.

Three visiting fellowships were awarded during the year in the areas of soil carbon, mastitis in dairy cattle, and biological control of woolly apple aphid.

AGMARDT contributions enabled conference organisers from 11 different sector groups to bring 15 international speakers to New Zealand over the course of the year. The conference support programme enables industry groups to provide relevant, timely and targeted advice by international experts.

AGMARDT's programmes and some of the highlights are included in the following sections of this Annual Report for the year under review.

Looking ahead

It has been pleasing to see the recovery in financial markets and the consequent restoration of AGMARDT's asset base well above our real capital level. Nevertheless, significant uncertainty remains in the global economy which has been expressed in the volatility of world equity markets. Concerns over the high levels of sovereign debt are also adding to the uncertainty for global investors.

In view of these factors and based on independent advice, the Trustees have set a conservative grants budget of \$2.16m for the year ending 2011, which is still well above last year's budget. This includes the resumption of our postdoctoral fellowships programme and increased funding for Agribusiness Innovation Grants.

The year ahead should be an interesting period for AGMARDT as it takes stock of its existing programmes and where it might focus in the future.

I wish to thank the Trustees for their assistance, and all the individuals across the sectors, universities and Crown Research Institutes we have worked with over the past year. I would also like to thank AGMARDT's outgoing Chairman, Dr Bill Kain, for his guidance and support since my appointment as General Manager.

Stephen Macaulay
General Manager

PROGRAMMES

AGRIBUSINESS INNOVATION GRANTS

During the year, AGMARDT awarded 12 Agribusiness Innovation Grants totalling \$314,330.

Agribusiness Innovation Grants provide seed funding for farmer-based groups to develop and evaluate innovative ideas. The grants allow recipients to develop their projects to a stage where they can attract other funding for further development through to commercialisation.

AGMARDT will continue to develop arrangements with other potential funders with like-minded interests, which is crucial to ensure sufficient contributions for projects and securing succession funding once AGMARDT's support ends.

In 2009/10 we invested in twelve projects covering a diverse range of stakeholder groups. A full list of funded projects is contained on page 8.

Grant 1022: Variable rate irrigation for improved water use

There is unprecedented demand on freshwaters for irrigation in New Zealand, resulting in a need to (1) increase water storage, and (2) improve efficiency of existing irrigation systems. This project has developed a method to improve irrigation water use efficiency.

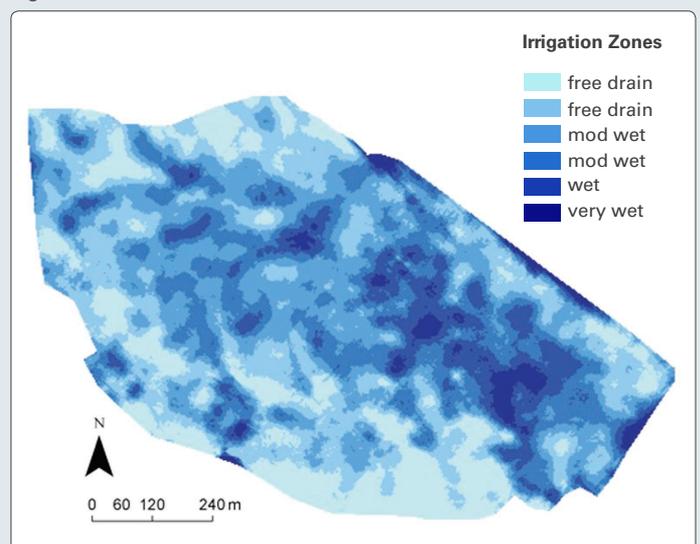
This project brought together Landcare Research, Massey University's New Zealand Centre for Precision Agriculture, commercial company Precision Irrigation and farmer, Hew Dalrymple.

Soils were mapped using an on-the-go electromagnetic (EM) sensor pulled behind a farm bike, with on-board datalogger, field computer and accurate GPS. The resulting soil electrical conductivity map quantifies soil variability and because soil texture is largely uniform at this site, directly reflects soil moisture differences. The EM map was ground-truthed and used to develop an irrigation management zone map for variable rate irrigation scheduling (Fig. 1).

Precision Irrigation modified the existing centre pivot irrigation system for variable rate irrigation. The modification allows individual control of each sprinkler, so that irrigation can be varied according to soil and crop differences under one system.

Variable rate irrigation scheduling was used to reduce irrigation to wet, boggy areas and shut-off irrigation water as the sprinklers passed over the open drains. The irrigator was turning off over 1.7 ha of drains (2% of total area), and then pulsing at 50% over 2.39 ha of wet areas (3% of total area). Commissioning of the system mid-season limited its use this year. Next season it will be used to more effectively move water from wetter to drier areas, which is expected to improve overall crop yield.

Figure 1



Grant 1030: High Quality Dietary Wool Protein: Feasibility Study

This project comes at a critical time for New Zealand's wool industry. Recent historically low volumes and prices for medium and coarse wools highlight the need to find new, value-added uses for this raw material. This project aims to create such value through determining the feasibility of developing edible wool extracts.

Currently, two-thirds of the Western dietary protein is derived from animal products. However, the sustainability of these sources is under pressure with: increasing production and land costs; perceived health concerns associated with high animal fat consumption; and increasing animal welfare and environmental concerns associated with intensive milk and meat-based production systems.

By contrast, wool is almost a perfect alternative protein source. Wool is nearly pure protein; contains high quantities of many essential amino acids; has no fat;

and offers annual yields. Keratinized protein also has no taste, texture, odour or colour, making it extremely versatile as a protein ingredient in bulk processed foods (e.g., flour additive) and as a high-value nutritional product (e.g., low allergenicity infant formulae).

In its natural form, wool is resistant to digestive enzymes due to its cuticle and high percentage of disulphide bonds. However, recent advances in chemical processing and enzymology hold promise for extracting digestible wool proteins in a targeted manner. These approaches will be trialled in this feasibility study undertaken by Drs George Dias and Aladin Bekhit from Otago University. The quality (amino acid profile) and digestibility (amount of protein broken down and utilised) of the resulting wool-protein extracts will then be evaluated in rats, and the results communicated with industry.

LEADERSHIP DEVELOPMENT PROGRAMMES

AGMARDT investments in leadership development programmes total \$324,361 for the 2009/10 year.

Investments in leadership development programmes are important for encouraging and developing future industry leaders within the agribusiness sector. During the year we invested in six programmes.

National Bank Young Farmer Contest

AGMARDT continues to be a strong supporter of the National Bank Young Farmer Contest and the Trustees congratulate Grant McNaughton on winning the 2010 contest.

The Contest provides an opportunity for contestants to develop the skills and knowledge at a regional level and at the final. The Contest continues to develop the leadership and organisational skills of contestants. The work of organisers and other volunteers continues to be an impressive feature of the Contest.

An important section of the Contest is the AGMARDT Agribusiness Challenge, which was won by Grant

McNaughton, who received a career development package worth \$15,000 in addition to his first place prize package.

As well as the grand final prize, AGMARDT supplies regional prizes that enable finalists to research topics for the Market Innovation Challenge project.



(From left) Grant McNaughton and Jeff Grant

AGMARDT Agribusiness Breakfast

As part of our involvement in the National Bank Young Farmer Contest, we sponsored the AGMARDT Agribusiness Breakfast. This year the theme was 'The 'X' Factor of Farm Profitability' with the focus on increasing business performance, assessing macro-economic factors impacting upon profitability, and on-farm innovation.

Speakers included Tasmanian agribusiness consultant Basil Doonan, and Chief Executive of New Zealand Manufacturers and Exporters Association, John Walley and farmer Robin Greer who discussed his dairy farming business and diversification into producing organic cheese, yoghurt and milk.

Young Horticulturist of the Year Competition



Caine Thompson, Winner of the 2009 Young Horticulturist of the Year

Faced with declining sponsorship during the worst period of the economic downturn, AGMARDT agreed to underwrite the 2010 Young Horticulturist of the Year Competition with the goal of moving the Competition into a self-sustaining enterprise that is well supported by the horticultural sector groups and industry sponsors.

The Competition has an important role in developing future young leaders within the horticulture sector. Whilst the Competition is still relatively young, it has the ability to showcase the horticulture sector and the wide range of career opportunities within the industry.

In addition to underwriting the Competition, AGMARDT maintained sponsorship of the AGMARDT Market

Innovation Challenge. This part of the Competition takes contestants outside their comfort zone and continues to challenge finalists.

We congratulate the 2009 winner of the Young Horticulturist of the Year Competition, Caine Thompson, a viticulturist at Mission Estate Wineries in the Hawkes Bay.

Scholarships

During the year AGMARDT funded individual scholarships to leadership programmes and international events. Targeted investments in individual scholarships are made where the Trustees believe the person can develop leadership qualities that can benefit the individual and New Zealand's agribusiness community.

AGMARDT Awards

AGMARDT sponsors two awards recognising excellence in communication and science:

- The AGMARDT Agribusiness Award, coordinated through the New Zealand Guild of Agricultural Journalists and Communicators, recognises high quality information and effective analysis of national, global and other external agribusiness factors. The 2010 Award was won by Maria Slade of The New Zealand Herald. A runner-up Award was also presented to Richard Rennie from NZX Agri.
- The AGMARDT NZSAP Young Scientist of the Year Award is run by the New Zealand Society of Animal Production Inc. The 2010 Award was won by Ryan Higgs.



(From Left) Stephen Macaulay, Maria Slade & Richard Rennie.

DEVELOPING RESEARCH EXPERTISE AND CAPABILITY

During the year, AGMARDT invested in three visiting fellowships

AGMARDT's visiting fellowship programme supports visits by international experts, who have recognised global expertise in selected areas of relevance, to come to New Zealand and provide advice, information and direction to researchers, farmers and industry groups. Visiting Fellows usually come to New Zealand for two to three short visits over 12 to 18 months to look at a specific area of strategic interest to agribusiness and the scientific community.

The visiting fellows this year were Dr John Thornley, Dr Gina Pigheffi and Professor Chris Bergh who provided advice and direction on the following respective areas: Soil carbon and the need for a wider-spread confidence in our capacity to reverse its decline, sustain or enhance it; Genetic markers associated with increased resistance to mastitis in dairy cattle; and Developing underpinning science requiring for an application to import a specialised predator for the biological control of woolly apple aphid.

Grant 1072: Professor Chris Bergh



Woolly apple aphid (WAA) is a serious and increasing threat to the New Zealand apple industry. A lack of effective Integrated Fruit Production (IFP)-compatible aphicides, plus United Kingdom supermarket requirements for essentially non-detectable residues in apples, means that seasonal management of WAA is probably the most important pest issue for our IFP orchardists.

The aphid pest was accidentally introduced into New Zealand, in the early days of European colonisation. In 1921 a parasitoid wasp *Aphelinus* from the United States was released to manage the aphid. It soon provided widespread control; however, the changing nature of pipfruit cultivation and export requirements has recently led to increased problems with WAA management.

Heringia calcarata is an aphid feeding syrphid hoverfly that is native to the North American regions that are home to WAA. Evidence to date indicates that *H. calcarata* is a specialist predator that attacks only WAA. It appears to be an ideal candidate for introduction to New Zealand.

A significant research and risk assessment programme is required to provide the science to underpin the application for importation, release and establishment in New Zealand of *H. calcarata*. AGMARDT is helping to fund Professor Chris Bergh from Virginia Tech University in the United States to provide the scientific evidence required for an application to import this new biocontrol agent into New Zealand. Professor Bergh, a world expert on the role of predatory syrphid flies for controlling WAA, will also help design a biocontrol programme using *H. calcarata*, by comparing and contrasting the N. American and New Zealand apple ecosystems.

CONFERENCE SUPPORT

During the 2009/10 year, AGMARDT provided \$48,376 in conference support that brought 15 international speakers to New Zealand.

AGMARDT provides travel assistance for international keynote speakers and experts to come to New Zealand to speak at conferences and forums to enhance stakeholders' understanding of issues impacting upon the agribusiness sector.

The aim of these visits is to transfer knowledge and international expertise to conference participants to create value to their operations in producing, manufacturing and/or marketing of agri-food and fibre products.

This year we funded a diverse range of speakers across different sectors within the agribusiness community. A full list is contained on page 9.

Grants made for the year ending June 2010

AGRIBUSINESS INNOVATION GRANTS

- New Zealand Pork: \$41,634
(Grant 1020) E4 Pork – An excellent eating experience every time.
- New Zealand KiwiBerry Growers Inc: \$14,820
(Grant 1021) Control of fly speck and sooty blotch in New Zealand KiwiBerry crops.
- Manawatu Sand Country Variable Rate Irrigation Consortium: \$29,050
(Grant 1022) Variable rate irrigation for improved water use.
- D'Ath Emerson and Associates: \$50,625
(Grant 1023) Funding the publication and launch of the Future Food Farming – New Zealand Inc. Meeting Tomorrow's Markets book.
- Federated Farmers of New Zealand: \$3,000
(Grant 1024) Travel support for Bruce Wills to attend the Sheepmeat Forum in Brussels, Belgium in October 2009.
- NZX Rural: \$7,500
(Grant 1025) Travel support for Marie McNicholas to attend the Climate Change Conference in Copenhagen, Denmark in December 2009.
- Sheep AI Group: \$95,931
(Grant 1026) Developing successful cervical AI in sheep.
- Omega Farms – Organic Farming Group & University of Otago: \$18,000
(Grant 1027) Wine-wasted worms (W3): Lees parasite control & meat quality.
- Earth Food Inc: \$5,020
(Grant 1028) Funding assistance for Dr Christine Jones to meet with New Zealand-based scientists.
- Merino Wool Growers & Users – Footrot Interest Group: \$20,000
(Grant 1029) Sustainable Footrot Treatment.
- Edible Wool – Proof of Concept Interest Group: \$20,000
(Grant 1030) High-Quality Dietary Wool Protein: Feasibility Study.

- Ashley Dene Centenary Committee: \$8,000
(Grant 1031) Funding a publication on the 100-year history of Ashley Dene and the future of dryland farming in New Zealand.

LEADERSHIP DEVELOPMENT

- AGMARDT Awards: \$3,102
(Grant 1050) Includes the AGMARDT Agribusiness Award and the AGMARDT NZSAP Young Scientist of the Year Award.
- Young Horticulturist of the Year Competition Strategic Scoping Exercise: \$9,314
(Grant 1051) Funded a strategic scoping exercise for future Young Horticulturist of the Year Competitions.
- The National Bank Young Farmer Contest: \$196,875
(Grant 1052) Sponsoring the AGMARDT Agribusiness Challenge for 2010 and 2011.
- Royal Agricultural College Leadership Course: \$10,570
(Grant 1053) Funding support for Richard Green to attend the Royal Agricultural College Institute of Agriculture Management Leadership Development Course in the United Kingdom.
- 2010 Young Horticulturist of the Year Competition: \$100,000
(Grant 1054) Underwriting the 2010 Young Horticulturist of the Year Competition.
- Federated Farmers of New Zealand: \$4,500
(Grant 1055) Funding support for Federated Farmers' Dairy Executive to attend the International Dairy Federation's World Dairy Summit being held in Auckland during November 2010.

POSTDOCTORAL FELLOWSHIPS

- One year postdoctoral fellowship extensions: \$264,000
Dr Rebecca McDougal (Grant 891), Dr Bevan Weir (Grant 892) and Dr Simone Nardoza (Grant 893)

VISITING FELLOWSHIP

- Dr John Thornley: \$11,180
(Grant 1070) Oxfordshire, United Kingdom.
Area: Soil C (organic matter) and the need for a wider-spread confidence in our capacity to reverse its decline, sustain or enhance it.
Host: Professor Tony Parsons, AgResearch Ltd.
- Dr Gina Pighetti: \$2,855
(Grant 1071) University of Tennessee, Knoxville, Tennessee, USA.
Area: Genetic markers associated with increased resistance to mastitis in dairy cattle.
Host: Dr Sally-Anne Turner, Dairy NZ.
- Professor Chris Bergh: \$12,000
(Grant 1072) Virginia Polytechnic Institute and State University, Virginia, USA.
Area: Develop underpinning science required for an application to import *Heringia calcarata* (Diptera: Syrphidae) for the biological control of woolly apple aphid.
Host: Declan Graham, The New Zealand Institute for Plant and Food Research Limited.

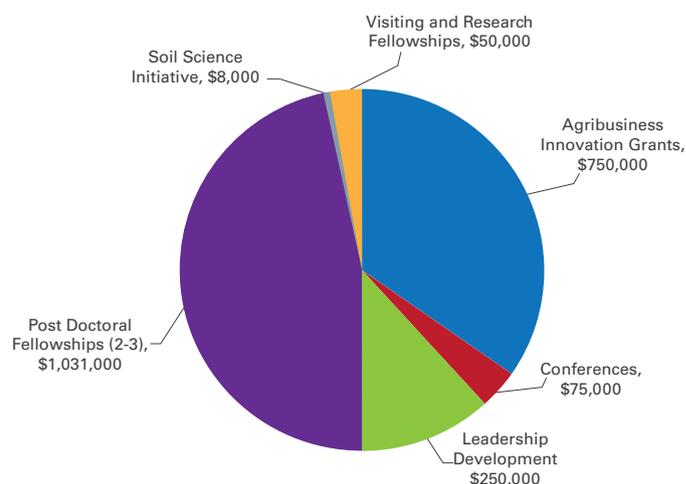
CONFERENCE SUPPORT

- Richard Brown: \$5,500
(Grant 1001) Keynote speaker at the Annual Meat Industry Association of New Zealand Conference.
- Professor John Aitken: \$1,300
(Grant 1002) Keynote speaker at the Reproduction and Genomics Session at ComBio 2009 Conference.

- Paul Miller: \$856
(Grant 1003) Keynote speaker at the 2009 Olives New Zealand Annual Conference.
- Dr Richard Conant: \$5,200
(Grant 1004) Keynote speaker at the Managing Climate Change (MC2) Conference.
- Professor Viacheslav Adamchuk: \$3,375
(Grant 1005) Keynote speaker at the Fertiliser & Lime Research Centre's 23rd Annual Workshop.
- Tom Rooney and Edward Chvatal: \$6,490
(Grant 1006) Keynote speakers at Irrigation New Zealand's 2010 Conference.
- Professor Paul Miller: \$5,750
(Grant 1007) Keynote speaker at the Foundation of Arable Research International Conference 2010.
- Professor Alessandra Zambonelli: \$6,000
(Grant 1008) Keynote speaker at the 2010 New Zealand Truffle Association Conference.
- Professor David Lamb, Dr Eileen Perry and Dr Roger Mandel: \$5,000
(Grant 1009) Keynote speakers at the LandWISE 2010 Conference.
- Bernadine Prince and Gareth Jones: \$5,000
(Grant 1010) Keynote speakers at the Farmers' Markets New Zealand 2010 Conference.
- Professor Drion Boucias: \$3,905
(Grant 1011) Keynote speaker at the New Zealand Plant Protection Society's Symposium.

Summary of Grants made 2009/10	Grant amount	% of grants Programme
Agribusiness Innovation Grants	\$313,580	32.1%
Leadership and Capability Development	\$324,361	33.2%
Postdoctoral fellowships	\$264,000	27.0%
Visiting Fellowships	\$26,035	2.7%
Conference Support	\$48,376	5.0%
Total	\$976,352	

2010/11 Programme Budget



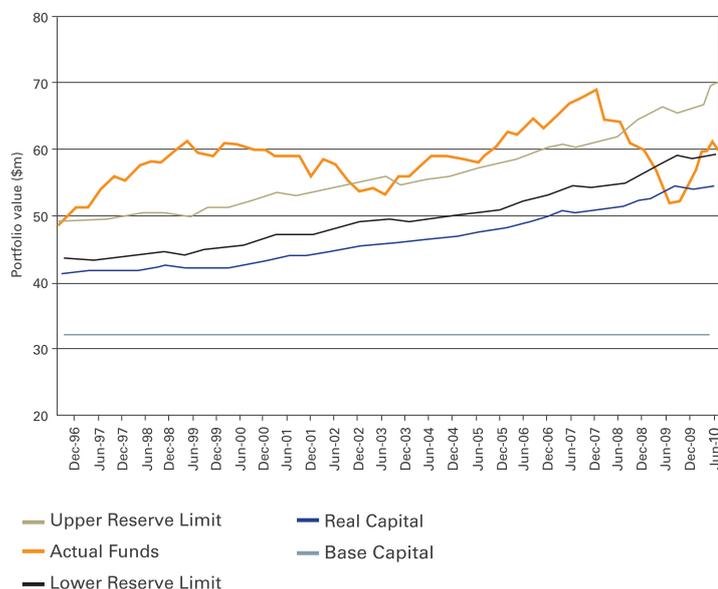
FINANCES

Funds Performance

In contrast to the previous year, AGMARDT's investment fund enjoyed good growth for the financial year ended 30 June 2010. The fund returned 14.6% against the benchmark performance of 11.4%. During the year there were strong performances from both growth assets (such as equities and property) and income assets (such as fixed interest). It was pleasing to see our investment managers add value by beating their respective benchmarks.

The rebound in the financial markets has improved the value of the fund. As shown in the following chart, AGMARDT's capital and reserves totalled \$62.3m as at 30 June 2010, which is in excess of our Real Capital of \$55.6m (\$32m plus inflation) and above the Lower Reserving Limit of \$61.1m. This provides the Trustees with confidence to expand the grant programme from the previous year.

Reserving Chart



The strong recovery in global equities that commenced in the latter part of the previous financial year continued for most of the 2009/10 financial year. However, a debt crisis in Europe and concerns over the sustainability of the global economic recovery resulted in some weakness in the last few months of the period. Nonetheless, global equities posted a solid gain of

16.3% for the financial year ending 30 June 2010. Global listed property performed even better, returning 24.5%, while the New Zealand share market didn't fare as well, gaining only 7.0%.

Global fixed interest posted a second consecutive year of double digit gains. Non-government securities performed particularly strongly, continuing the recovery that began in the latter part of the 2008/09 financial year on the back of an improved economic outlook. New Zealand fixed interest gained 8.2%, slightly below the global return of 10.4%.

Active management had a material impact on the fund, with return being more than 3% above that of the benchmark portfolio. Although relative gains occurred in all asset classes, global fixed interest produced outstanding returns and was close to 7% above the index.

There were no changes to the fund's strategic asset allocation (SAA) over the year. The Trustees are of the view that the SAA, as shown in the following table, will best meet AGMARDT's future granting commitments while preserving its Real Capital. There has been a slight variation in the allocation of assets from the targeted SAA, which largely reflects the volatility within the financial markets. Any rebalancing between asset classes is undertaken after considering the agreed upon levels of tolerance either side of the agreed target and the costs of making such transactions.

Strategic Asset Allocation	Target %	Actual %
Growth Assets		
• Global equities	27	24
• New Zealand equities	8	7
• Property	5	4
	40	36
Income Assets		
• International fixed interest	45	48
• New Zealand fixed interest	15	16
	60	64
Total Assets	100%	100%

SCHEDULE OF CONTENTS FOR YEAR ENDED 30 JUNE 2010



Statement of Responsibility	12
Audit Report	13
Summary Statement of Comprehensive Income	14
Summary Statement of Changes in Equity	15
Summary Statement of Financial Position	16
Summary Statement of Cash Flows	17
Summary of Accounting Policies	18
Directory	19

Prepared by
Curtis McLean Limited
Chartered Accountants
Wellington, New Zealand

The following are summary financial statements.
For full audited financial statements see www.agmardt.org.nz

STATEMENT OF RESPONSIBILITY For the Year Ended 30th June 2010

The Board of the Agricultural and Marketing Research and Development Trust (the Trust) accepts responsibility for the preparation of the Summary Financial Statements and the judgements made in them.

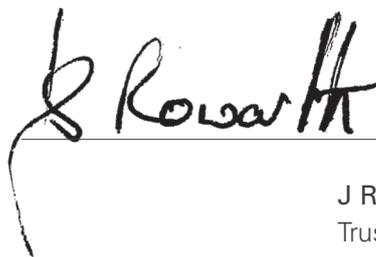
The Board of the Trust has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these Summary Financial Statements fairly reflect the financial position and operations of the Trust for the year ended 30 June 2010.

For and on Behalf of the Board



J Grant
Chairman



J Rowarth
Trustee

11 November 2010

Date

Audit Report

**To the readers of the
Agricultural and Marketing Research and Development Trust's
summary annual financial statements
for the year ended 30 June 2010**

We have audited the summary financial statements as set out in pages 14 to 18.

Unqualified opinion

In our opinion the information reported in the summary financial statements complies with FRS-43: *Summary Financial Statements* and is consistent with the full financial statements from which they are derived.

We expressed an unqualified audit opinion, in our report dated 22 October 2010, on the full financial statements.

Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in the Trust.

Responsibilities of the Trust and the Auditor

The Board of Trustees is responsible for preparing the summary financial statements and we are responsible for expressing an opinion on those summary financial statements.



Phil Kennerley, Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
11 November 2010

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30th June 2010

	2010	2009
Income		
Interest Income	13,569	85,429
Changes in Fair Value of Investment Portfolio	7,829,519	(3,391,721)
Settlement Payment Received	228,498	-
Investment Fee Rebates	286,670	270,387
Total Income	8,358,256	(3,035,905)
Less Expenses		
Other Expenses	174,340	278,089
Auditors Remuneration -Accounts	16,930	16,240
Depreciation	1,060	531
Electricity Expenses	1,052	798
Investment Advice	29,008	61,060
Personnel Costs	148,785	130,254
Professional Costs	27,214	-
Rent & Accommodation	24,129	19,702
Trustees' Remuneration	77,760	77,760
	500,278	584,434
Surplus/(Deficit) of Income over Expenditure before Allocation of Grants	7,857,978	(3,620,339)
Net grants allocated this year	835,975	2,121,997
Net Surplus/(Deficit) for the year	\$7,022,003	(5,742,336)
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	\$7,022,003	(5,742,336)

SUMMARY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30th June 2010

	2010	2009
Equity as at 1 July 2009		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	22,595,609	18,827,460
Income Fluctuation Reserve	5,699,712	9,467,861
Accumulated Income (Deficit)	(5,015,974)	726,362
	<u>\$55,279,347</u>	<u>\$61,021,683</u>
Transfers From Statement of Comprehensive Income		
Capital Maintenance Fund	981,083	3,768,149
Income Fluctuation Reserve	1,024,946	(3,768,149)
Accumulated Income (Deficit)	5,015,974	(5,742,336)
Total Comprehensive Income	<u>\$7,022,003</u>	<u>(\$5,742,336)</u>
Equity as at 30 June 2010		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	23,576,692	22,595,609
Income Fluctuation Reserve	6,724,658	5,699,712
Accumulated Income (Deficit)	-	(5,015,974)
	<u>\$62,301,350</u>	<u>\$55,279,347</u>

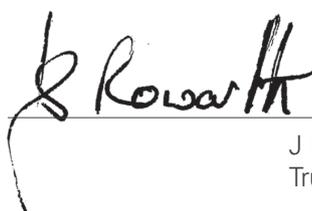
SUMMARY STATEMENT OF FINANCIAL POSITION As at 30th June 2010

	2010	2009
Trust Funds		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	<u>23,576,692</u>	<u>22,595,609</u>
	55,576,692	54,595,609
Revenue Reserves		
Accumulated Income (Deficit)	-	(5,015,974)
Income Fluctuation Reserve	<u>6,724,658</u>	<u>5,699,712</u>
	6,724,658	683,738
Total Trust Funds	<u>\$62,301,350</u>	<u>\$55,279,347</u>
Represented By:		
Current Assets		
Cash and cash equivalents	501,882	275,535
Debtors and Other Receivables	<u>-</u>	<u>616</u>
Total Current Assets	501,882	276,151
Investments - Current	26,774,988	24,445,334
Less Current Liabilities:		
Creditors and other payables	313,068	398,917
Grants Provision - Current	<u>1,970,340</u>	<u>2,694,936</u>
Total Current Liabilities	<u>2,283,408</u>	<u>3,093,853</u>
	24,993,462	21,627,632
Investments - Non-Current	37,715,218	34,680,671
Property, Plant and Equipment	3,263	3,438
Provision for Grants - Non-Current	<u>410,593</u>	<u>1,032,394</u>
	\$62,301,350	\$55,279,347

For and on Behalf of the Board



J Grant
Chairman



J Rowarth
Trustee

11 November 2010

Date

SUMMARY STATEMENT OF CASH FLOWS For the Year Ended 30th June 2010

	2010	2009
Cash Flows from Operating Activities		
Cash was provided from:		
Interest Income	13,569	85,429
Settlement Payment	228,498	-
Investment Fee Rebate	286,670	270,387
	528,737	355,816
Cash was applied To:		
Payments to Suppliers and Employees	585,067	606,351
Payments for Grants	2,182,372	2,359,229
	2,767,439	2,965,580
Net Cash from Operating Activities	(2,238,702)	(2,609,764)
Cash Flows from Investing Activities		
Cash was Provided from:		
Maturity and sale of investments	27,546,096	36,228,663
	27,546,096	36,228,663
Cash was applied to:		
Purchase of Investments	25,080,162	33,526,050
Purchase of Fixed Assets	885	3,632
	2,465,049	2,698,981
Net Cash from Investing Activities	2,465,049	2,698,981
Net Increase/(Decrease) in Cash and Cash Equivalents	226,347	89,217
Cash and cash equivalents at beginning of year	275,535	186,318
Closing Cash Balance	\$501,882	\$275,535

SUMMARY OF ACCOUNTING POLICIES As at 30th June 2010

The Agricultural and Marketing Research and Development Trust was established by a Deed of Trust dated 20 October 1987 and the summary financial statements have been prepared pursuant to Clause 17 of the said Deed and the Public Finance Act.

Reporting Entity

The Agricultural and Marketing Research and Development Trust (the Trust) is a fourth schedule entity in terms of the Public Finance Act 1989. These summary financial statements have been prepared in accordance with the Public Finance Act 1989 and the Crown Entities Act 2004.

The Trust's primary objective is to provide public services to the NZ public, as opposed to that of making a financial return.

Accordingly, the Trust has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The summary financial statements for the Trust are for the year ended 30 June 2010, and were approved by the Board on 22 October 2010.

Basis of Preparation

Statement of Compliance

The summary financial statements of the Trust have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The summary financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

These summary financial statements comply with the requirements of FRS-43.

Measurement base

The summary financial statements have been prepared on a historical cost basis, in New Zealand dollars, except for the measurement of equity investments and derivative financial instruments at fair value.

Differential Reporting

In the full financial statements, the Trust is a qualifying entity for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined by the New Zealand Institute of Chartered Accountants framework for Differential Reporting. The Trust has not taken advantage of any of the Differential Reporting exemptions except for some components of NZ IFRS 7: Financial Instrument Disclosures.

Full Financial Statements

This summary has been extracted from the full financial statements that received an unqualified audit opinion.

This summary cannot be expected to provide as complete an understanding of the Trust's financial performance and position as the complete financial statements.

A copy of the full audited financial statements for the Trust is available from the Trust's Wellington Office - see the directory on page 19 or visit www.agmardt.org.nz.

AGMARDT TRUST DIRECTORY As at 30th June 2010

BOARD OF TRUSTEES

Dr William Kain (Chairman)
Mr Jeff Grant
Mr Max Purnell
Prof. Jacqueline Rowarth

MANAGEMENT

Stephen Macaulay (General Manager)

TRUST OFFICE

5th Floor	PO Box 25207
Axon House	Panama Street
1 Willeston Street	Wellington 6146
Wellington	

Tel (04) 499 6173 Fax (04) 472 8620

INVESTMENT ADVISER

Russell Investment Group Ltd

AUDITOR

Audit New Zealand on behalf of the Auditor-General

BANKERS

ASB Bank limited

SOLICITORS

Bruce Corkill QC
Tim Cleary Barrister
Macalister Mazengarb





www.agmardt.org.nz

