

Annual Report
&
Financial Statements
of the
**AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT
TRUST**
**FOR THE YEAR ENDED
30 JUNE 1990**

*Pursuant to section 17 of the
Agricultural and Marketing Research and Development Trust Deed of Trust
dated 20 October 1987*

30th June 1990

The Minister of Agriculture and Fisheries
Parliament Buildings
WELLINGTON

Dear Sir,

We have the honour to transmit to you the annual report of The Agricultural and Marketing Research and Development Trust for the year ended 30 June 1990.

This annual report has been prepared pursuant to Clause 17 of the Deed of Trust dated 20 October 1987.

Yours faithfully

A handwritten signature in black ink, consisting of two parts. The first part is 'A.T. Johns' written in a cursive style. The second part is 'Prof B.J. Ross' written in a similar cursive style, with a horizontal line underneath the name.

DR. A.T. JOHNS PROF B.J. ROSS
For the Board of Trustees

The Agricultural and Marketing Research and Development Trust

STATEMENT OF OBJECTIVES

To promote and encourage in New Zealand's interest the agricultural, pastoral and horticultural industries through:

- * Improved marketing and, where there are market opportunities, increased production;
- * The development of existing and new products;
- * Greater efficiency in production, processing and distribution;
- * Research in relation to these objectives.

TRUSTEES REPORT 1989-90

APPLICATIONS AND GRANTS

In previous years, the Trust has advertised for funding applications in March/April. In view of the then impending national seminar proposed by the New Zealand Meat Producers Board and sponsored by the Trust, advertising was deferred in the 1989-90 year in the belief that the seminar would clearly indicate suitable areas for the Trust to consider funding, since the purpose of the seminar was to identify and recommend priorities for research and development in the New Zealand beef industry. The integration of producer, processor and marketing sector views in the one forum was a "first" for New Zealand, and speakers were brought from the USA and Japan.

The seminar was a great success, for which the Trustees would like to record their appreciation and thanks to all concerned as organisers or participants. The dominant factor emerging from the discussions was the major threat to New Zealand's meat market access internationally, arising from import restrictions designed to protect importing countries from the real or imagined risks associated with animal diseases or chemical residues.

As a result, the Trustees determined to earmark the sum of \$2,000,000 for research aimed at maintaining meat market access by identifying animal diseases and developing cost effective methods for those that would limit or prevent market access, and at supporting an efficient animal health and residue programme that incorporates surveillance and control features. A task force has subsequently been set up, based at Massey University for the first of these projects, with the specific objective of developing a suitable vaccine for bovine TB. A second group, based at Lincoln University is addressing the residue programme research.

The Trustees also made available the sum of \$104,060 for two grants to the Animal Health Board, covering projects specifically recommended by the Board to the Trust.

During the year, the Trustees made further payments on approved grants to the extent of \$1,292,256. These grants cover a wide spectrum of the agricultural sector, and a list of grants approved in the previous year is appended for information (Appendix 1).

RESEARCH RESULTS

As grants from the preceding years are completed, the Trustees receive very detailed reports on the progress achieved in the various projects supported by the Trust. While it is hoped, at an appropriate time, to publish some of these results in appropriate research journals, a list of completed reports held at the Trust's office is attached (Appendix II) and copies of these may be obtained from the Secretary upon application. The Trustees are investigating ways of making "popular" versions of some reports available to the farming press.

FUNDING FOR RESEARCH

The trust deed, which governs the way in which the Trust is to be operated, makes it clear that the Trustees have a responsibility to maintain the true purchasing power of the funds in the trust. Only after allowances have been made for the maintenance of the capital fund are the annual earnings of the fund available to support the research and other activities of the Trust.

FUTURE ACTIVITIES

The Trust will continue to support the research into the diagnosis and control of bovine TB which it has commenced in the year under review, and it is expected that a number of organisations and individuals both from within New Zealand and from overseas will be involved in this important national project.

Funding will be provided to other areas which the Trustees consider to be appropriate to the constitution of the Trust. The Trustees have decided to give particular support in the near future to proposals which involve:

- * Market development, including the development of new products and the investigation of their market potential, together with marketing studies for existing products.
- * Educational activities, including the transfer of technology and knowledge - eg: communicating timely and independent medium and long term market signals and trends to producers.
- * Sponsorship of industry conferences with a view to identifying priorities which the Trust may wish to fund.

APPENDICES TO TRUSTEES' REPORT

APPENDIX I - GRANTS MADE FOR THE YEAR ENDED 30 JUNE 1989

Animal Health Advisory Committee	Evaluation of the gamma interferon test for tuberculosis in cattle	60,000.
New Zealand Meat Producers Board	Development of a strategic plan for the New Zealand Beef Industry	68,520
New Zealand Dairy Board	Physiologically functional foods from milk	200,000
DSIR	✓ Genetic manipulation of white clover for pest resistance	65,000
DSIR	✓ Development of <i>Bacillus thuriengiensis</i> as a biological pesticide	80,000
Lincoln University	Analysis of traditional farming systems in New Zealand	50,000
DSIR	Increased beef production through improved ryegrass and endophytes	80,000
DSIR	Melatonin induced cashmere production in goats	70,000
DSIR	Genetic engineering of commercial crop plants for virus and insect resistance and quality improvement	70,000
MAF	✓ Application of DNA fingerprinting techniques to genetic analysis of farm animals	53,000
MAF	Selection of an improved strain of <i>Serratia entomophilia</i> for insect pest control	52,875
Massey University	Greenhouse Cooling methods and their effects on crop productivity	12,000
Lincoln University	Soil Sulphur cycling and losses in relation to the development of soil tests and fertiliser recommendations	80,000
MAF	Grain fed beef for the Japanese market	108,000
MAF	✓ Efficient beef finishing	38,000
MAF	✓ Beef feedlotting - low cost ration formulation	44,480

APPENDICES TO THE TRUSTEES' REPORT (CONTINUED)

APPENDIX I - GRANTS MADE FOR THE YEAR ENDED 30 JUNE 1989
(CONTINUED)

DSIR	Better beef flavour from alternative pastures	113,450	✓
DSIR	Evaluation of a range of forage species as supplementary feed for beef production	89,000	
Massey University	Development of a recombinant vaccine specific for Johnes disease	22,800	✓
Lincoln university	Expansion of NZ beef production through grazing beef cattle with other species and through the production of calves from heifers currently destined for slaughter	195,000	
MAF	Information transfer - Beef (Computer based development of the slaughterhouse information resource)	83,946	✓
	Total	<u>1,636,071</u>	

APPENDICES TO THE TRUSTEES' REPORT (CONTINUED)

APPENDIX II - FINAL REPORTS AVAILABLE ON COMPLETED PROJECTS

- 02/88 Development of hormone pruner for Kiwifruit and other horticultural crops
- 388/89 Selection of an improved strain of *Serratia entomophila* for insect pest control
- 387/89 DNA fingerprinting of domestic livestock for parentage determination
- 310/89 Physiologically functional foods from milk
- 139/88 Bioassay methods for detection of acaricide resistance in spider mites
- 143/88 Development of new crops through biotechnology
- 54/88 Gene expression in the superfertile Booroola Merino sheep
- 34/88 Development of MAB-based Immunoassay test kit for residue analysis
- 10/88 Measurement of reactive phosphate rock dissolution rates as a function of rock reactivity and particle size
- 47/88 Effects of Cyclone Bola on Kiwifruit properties in Gisborne
- 334/89 Genetic manipulation of white clover for pest resistance
- 371/89 Development of improved Endophytes for Pasture Grasses



REPORT OF THE AUDIT OFFICE

The Audit Office, having been appointed in terms of Clause 16 of the Deed of Trust dated 20 October 1987, has audited the financial statements of the Agricultural and Marketing Research and Development Trust.

The audit was conducted in accordance with generally accepted auditing standards and practices.

In the opinion of the Audit Office, the financial statements appearing on pages 8 to 15 fairly reflect the financial position as at 30 June 1990 and the financial results of operations and the cash flows for the period ended on that date.

A handwritten signature in black ink, appearing to be 'P S Munro'.

(P S Munro)
for Controller and Auditor-General
15 May 1991

The Agricultural and Marketing Research and Development Trust

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 1990

	Year to 30.6.90 \$	Year to 30.6.89 \$
INCOME		
Interest earned on short term investments	5,394,350	5,482,912
Interest earned on government stock	272,409	-
	<u>5,666,759</u>	<u>5,482,912</u>
LESS Operating Expenses		
Administration Costs.....	147,648	146,403
Audit fee.....	8,803	7,356
Lease charges.....	11,383	11,131
	<u>167,834</u>	<u>164,890</u>
Surplus Income	5,498,925	5,318,022
LESS		
Costs of providing Grants & Sponsored Research.....	22,459	19,697
Grants & Sponsored Research Made (Note 10)	1,292,256	1,337,689
	<u>1,314,715</u>	<u>1,357,386</u>
TOTAL PAYMENTS		
	<u>1,314,715</u>	<u>1,357,386</u>
SURPLUS OF INCOME OVER EXPENDITURE	4,184,210	3,960,636
Less Transfers to Contingent Grants & Sponsored Research		
Applications approved during the year (Note 1.2.6,9)	2,223,060	1,636,071
Payments made during the year from reserve	(1,292,256)	(1,333,045)
	<u>930,804</u>	<u>303,026</u>
Surplus of Income over Expenditure after transfer to/from Contingent Grants and Sponsored Research.....	3,253,406	3,657,610
Balance of Accumulated Income (Deficit) at Beginning of Year.....	1,504,773	(62,837)
Transfer to Special Income Reserve (Note 4).....	(538,650)	(490,000)
Provision for the Maintenance of the Capital Fund (Note 3).....	(2,553,600)	(1,600,000)
Accumulated Income Carried Forward.....	<u>\$1,665,929</u>	<u>\$1,504,773</u>

The notes to the financial statements on pages 11 to 15 form an integral part of these accounts.

The Agricultural and Marketing Research and Development Trust

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1990

	As At 30.6.90 \$	As At 30.6.89 \$
TRUST FUNDS		
Capital (Note 2).....	32,000,000	32,000,000
Capital Fund Maintenance Reserve (Note 3).	4,153,600	1,600,000
Special Income Reserve (Note 4).....	4,528,650	3,990,000
Accumulated Income.....	1,665,929	1,504,773
Contingent Grants and Sponsored Research (Note 5).....	<u>2,708,250</u>	<u>1,777,446</u>
	<u>\$45,056,429</u>	<u>\$40,872,219</u>
REPRESENTED BY:		
CURRENT ASSETS		
Cash at Bank.....	20,067	17,271
Call Deposits.....	476,359	368,849
Interest receivable on Bank Deposits.....	998	389,902
Interest receivable on Government Stock.....	688,861	-
Prepayments	3,184	-
Term Deposit	-	19,425,000
Treasury Bills (Note 6).....	<u>21,967,771</u>	<u>20,684,007</u>
	23,157,240	40,885,029
CURRENT LIABILITIES		
Accrued Expenses.....	<u>13,659</u>	<u>12,810</u>
Net Working Capital.....	23,143,581	40,872,219
TERM INVESTMENTS (Note 7).....	<u>21,912,848</u>	-
NET ASSETS	<u>\$45,056,429</u>	<u>\$40,872,219</u>

The notes to these financial statements on pages 11 to 15 form an integral part of these accounts.

On behalf of the trust board

Dr A T Johns *A. T. Johns*

Prof. B J Ross *B. J. Ross*

The Agricultural and Marketing Research and Development Trust

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1990

	30.6.90	30.6.89
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest earned	5,109,594	4,923,372
Cash was disbursed to:		
Payments to Suppliers and Employees	(192,628)	(177,178)
Payments for Grants and Sponsored Research	<u>(1,292,256)</u>	<u>(1,337,689)</u>
	<u>(1,484,884)</u>	<u>(1,514,867)</u>
Net Cash Flows from Operating Activities	3,624,710	3,408,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of term investments	<u>21,888,892</u>	<u>-</u>
Net Cash flows from (to) Investing Activities	<u>(21,888,892)</u>	<u>-</u>
Net Increase (decrease) in cash held	(18,264,182)	3,408,505
Add Opening Cash and Deposits Brought Forward	<u>40,309,627</u>	<u>36,901,122</u>
Ending Cash and Deposits Carried Forward	<u><u>\$22,045,445</u></u>	<u><u>\$40,309,627</u></u>
 Note		
Ending Cash and Deposits in Balance Sheet at 30 June 1990	22,464,197	40,495,127
Less accrued interest included in Treasury Bills total of \$21,967,771	<u>(418,752)</u>	<u>(185,500)</u>
Ending Cash and Deposits carried forward as above	<u><u>\$22,045,445</u></u>	<u><u>\$40,309,627</u></u>

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1990

1. STATEMENT OF ACCOUNTING POLICIES

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

1.1 GENERAL ACCOUNTING POLICIES

The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Trust is a going concern. Accrual accounting is used to match expenses and revenues.

1.2 PARTICULAR ACCOUNTING POLICIES

1.2.1 Asset Valuation

Investments are shown at cost. Marketable securities are recorded at cost plus accrued interest.

1.2.2 Foreign currency Transactions

Foreign currency transactions have been converted to New Zealand dollars at the rate of exchange ruling at the date of each transaction. Any realised exchange gains and losses have been included in the statement of income and expenditure.

1.2.3 Income Tax

There is no provision for income tax in these financial statements. Under current legislation, income derived by the Trust, being a registered Charitable Trust, is exempt in terms of section 61 (25) and 61(27) of the Income Tax Act 1976.

1.2.4 Goods and Services Tax

The Trust is not a "registered person" in terms of the Goods and Services Tax Act 1985. Consequently all expenses and capital acquisitions are shown inclusive of GST. In total GST of \$12,840 (1989: \$8751) was incurred during the year and has been included in the Statement of Income and Expenditure.

1.2.5 Revenue Recognition

Interest income is recognised on an accrual basis.

1.2.6 Contingent Grants & Sponsored Research

Any Grants and Sponsored Research approved by the Trustees and subject to any unfulfilled requirements or agreements are transferred to Contingent Grants and Sponsored Research within the classification of Trust Funds. As at 30 June 1990 this represents the only commitments made by the Trust.

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1990

1.2.7 Allocations of Income

Provisions are included in the Statement of Income and Expenditure to allocate income sufficient to maintain the real value of the trust capital and to account for the transfer to the Special Income Reserve in terms of Note 4.

1.2.8 Income from Investments

Income from those investments expected to be held for more than one year is calculated on a yield to maturity basis. All other income is apportioned over the number of days the investment is held.

1.3 CHANGES IN ACCOUNTING POLICIES

There have been no changes in the above accounting policies which have been applied on bases consistent with those used in the previous year.

2. CAPITAL

The capital of the Trust was set by Clause 1(b) of the Deed of Trust to be \$32,000,000. This capital was settled in April 1988 and is to be retained in perpetuity and used to generate income for the Trust. In terms of Clause 4(b), only with the approval of the Minister of Agriculture and Fisheries may any of the capital be applied toward the objectives of the Trust.

3. PROVISION FOR THE MAINTENANCE OF THE CAPITAL FUND

An objective of the Trust is to maintain the real value of the capital fund since 1 July 1988. An amount of \$2,553,600 (1989: \$1,600,000) has been provided for in the current year, representing 7.6% (based on the Consumer Price Index movement for the year ended 30 June 1990) of the total of the capital sum of \$32,000,000 and the opening balance of the reserve fund.

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1990

4. SPECIAL INCOME RESERVE

In terms of Clause l(a) of the Deed of Trust, an initial amount of \$3,500,000 was received by the Trust in November 1987. This payment was deemed not to be capital of the Trust but instead to form part of the net income of the Trust Fund.

The Trustees have resolved to credit this Reserve Fund with an estimate of income derived from the opening balance. The movement in the Reserve during this year is as follows:

	1990	1989
	\$	\$
Balance 1 July 1989	3,990,000	3,500,000
Income Transferred	538,650	490,000
	<u>4,528,650</u>	<u>3,990,000</u>
Balance 30 June 1990	<u>\$4,528,650</u>	<u>\$3,990,000</u>

5. CONTINGENT GRANTS AND SPONSORED RESEARCH

Balance 1 July 1989	1,777,446	1,474,420
Less Grants and Sponsored Research payments during the year	(1,292,256)	(1,333,045)
Add Grants and Sponsored Research applications approved during the year	2,223,060	1,636,071
	<u>2,708,250</u>	<u>1,777,446</u>
Balance 30 June 1990	<u>\$2,708,250</u>	<u>\$1,777,446</u>

Comprising:

1988 Grants not paid out	-	156,375
1989 Grants not paid out	563,440	1,621,071
1990 Grants not paid out	2,144,810	-
	<u>2,708,250</u>	<u>1,777,446</u>

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1990

6. SHORT TERM INVESTMENTS

As at 30 June 1990, apart from Cash at Bank of \$20,067 and money market call deposits of \$476,359, all other short term funds, totalling \$21,967,771 were represented by the following investments:

Nature of Investment	Term Days	Interest Rate	Maturity Date	Amount Face Value \$	Cost Plus Accrued Interest \$
Treasury Bill	160	13.78%	18/7/90	2,500,000	2,484,869
Treasury Bill	181	13.78%	8/8/90	3,000,000	2,959,714
Treasury Bill	181	13.44%	7/11/90	2,500,000	2,388,669
Treasury Bill	182	13.72%	12/12/90	15,000,000	14,134,519
				<u>\$23,000,000</u>	<u>\$21,967,771</u>

As at 30 June 1989, short term investments comprised cash at bank of \$17271, money market call deposits of \$368,849, term deposits of \$19,425,000 and treasury bills of \$20,684,007 (cost plus accrued interest).

7. TERM INVESTMENTS

At 30 June 1990, the following term investments were held.

Nature of Investment	Interest Rate	Maturity Date	Amount Face Value \$	Premium not yet Amortised (discount not yet recognised) \$	Book Value \$
Government Stock	12.62%	15/11/93	12,000,000	(847,598)	11,152,402
Government Stock	12.63%	15/11/93	3,000,000	(212,668)	2,787,332
Government Stock	13.12%	15/7/92	7,850,000	123,114	7,973,114
			<u>\$22,850,000</u>	<u>\$(937,152)</u>	<u>\$21,912,848</u>

At 30 June 1989, no term investments were held.

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1990

8. CONTINGENT LIABILITIES

The Trust has no contingent liabilities at balance date other than those referred to in note 5. (1989: \$NIL)

9. PRIOR PERIOD ADJUSTMENT

Included in the transfers to Contingent Grants and Sponsored Research of \$2,223,060 is an amount of \$119,000 which represented grants approved during the year ended 30 June 1989, but were not recorded in that period.

10. GRANTS AND SPONSORED RESEARCH MADE

The 1989 comparative figure for Grants and Sponsored Research Made differs from that shown in the 1989 financial statements as the definition has been expanded to include payments made in relation to grants already approved.