

2019 ANNUAL REPORT





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Office Holders

President:	H Verwaayen
Vice President:	D Courtman
Treasurer:	S Ray

Directors

Ward 1, 2 & 3:	D Courtman W Harker A Harvey
Ward 4 & 5:	W Taylor H Verwaayen
Ward 6 & 7:	T O'Connor G Stewart
Ward 8:	N Chilton S Ray

Staff

General Manager	C Watson
Breed Services Administrator	S Goldsbury
Editor/Communications Liaison	R Cakebread
Project Administrator	H Henderson
Field Officer	A Griffin

President's Report



Hennie Verwaayen

Let me start with thanking my fellow HFNZ Board Directors for giving me the opportunity to lead the Association this year. Without a doubt, it's not easy to follow on from our past Presidents but nevertheless it is a mostly enjoyable and interesting experience. Also thank you to our HFNZ staff, who are doing a marvellous job of running the

Association. I'm sure I'll speak for

the entire organisation in saying that we've got wonderful staff led by our General Manager, Cheryl Watson. They are doing a tremendous job and I'd like to thank them for their work this year.

DIGAD

The Dairy Industry Good Animal Database (DIGAD) is a source of ongoing intrigue for the Association. This year Holstein Friesian NZ has put in a submission for the Dairy Herd Improvement Industry - Review of Regulation that the government initiated. The Association was keen to get across to MPI that full access to all herd improvement data is what works best for Breed Societies and their members. Without meaningful data access, our organisation will struggle to service its members. Obviously there are as many different views on this as there are agendas from various other organisations, with all doing their utmost to protect their own interests. However, DIGAD is supposed to be an industry good effort and with looming fragmentation of database fields, its final outcome has dragged on for a decade since the 2009 Anderson Report. Few people understand the severity of having different sets of data at different organisations after the 46 core data fields were transferred to DairyNZ, who's taken over this part of the national database from LIC. Female BW and PW indices are staying with LIC, who have developed these fields while they were the custodians of the dataset, following the split up of the old Dairy Board in the early 2000's. The current DIGAD process has all the hallmarks of wrecking a combined industry database that New Zealand has been known for, and which has been the envy of the rest of the world. For HFNZ it is vitally important to have data access, but the DIGAD process runs the risk of market failure if the various parties can't come to a workable solution to have all data in one place administered by an independent industry good organisation.

An independent Dairy Industry Good Animal Database along the lines of Australia's DataGene should give all stakeholders the information they require to conduct their businesses. By all accounts the development of DataGene has made an enormous difference to herd improvement across the ditch.

Mycoplasma Bovis

Mycoplasma Bovis might not have been in the news as much lately but some members have been (and still are) on the receiving end of MPI's eradication efforts. The Association has been able to support members in the odd case but all Mycoplasma Bovis affected farmers are in an unenviable position and the situation is very stressful.

While the industry and government are trying their best to eradicate (whether you're happy with the way they go about it is irrelevant) farmers need to make sure they do their utmost to make the eradication a success, and at this stage that's not clear cut at all. Showing is great (I'm a fan myself), ribbons are even better, but if that's on the back of limited entries, it takes the gloss off events. It also defeats some of the purpose, in that there is little interaction with the wider public, camaraderie and competition among breeders. These together with local show circumstances, were part of the reason behind the Association pulling out of both North and South Island championships in the 2018/19 season.

Slowly easing back into showing and other activities involving our breeding stock, where members potentially put their livelihoods at risk, still concerns me. I've visited one show where cattle were shown and the biosecurity efforts to keep stock separate were seriously short of the mark, with MPI personnel present at the show. It is fair to say that New Zealand has had very little experience with (government initiated) disease control, the likes we've seen with Mycoplasma Bovis. That is part of the reason for breeders not always appreciating the severity of the situation until MPI sends you a truck to take your precious breeding stock to slaughter. The situation would change completely if we were to shift into a disease management at any stage. I don't want to be too dramatic here, but we need to learn from others elsewhere in the world. (Look up the protocol for entries into the European Libramont show, held recently in Belgium, and you'll get an appreciation for what's involved to enter a major show in Europe). The situation as it looks currently means that testing and eradication efforts will be with us for a good part of the next decade. I'm adamant that we as breeders, and nobody else, are going to be responsible for our own biosecurity. LET'S BE CAREFUL OUT THERE!

Genomic testing

Most dairy nations around the world have embraced what genomic testing can do for dairy farm efficiency for 5 to 10 years now and I'm excited (to say the least), that the Association will finally be able to offer its members an independent genomic testing service that will help breeders identify their top animals at a young age in the near future. This will give dairy farmers a wealth of information at a cost little more than an ordinary DNA parent verification in NZ. We've tested some of our own young stock (out of overseas bloodlines) on the farm, in the lead up to HFNZ getting this service up and running, and it's amazing to see the difference there is in breeding values between full siblings from a flush. Currently all of these animals would show up completely identical on the national database and until now a breeder without testing would be oblivious to any differences in breeding. That's what this independent service will help with. In the first instance the test will only give meaningful outcomes for breeders with overseas bloodlines in their herds, as overseas genetics are related to the biggest reference populations on the planet, but hopefully we can build on this for NZ based genetics further down the track. This service will be launched at the HFNZ Annual Conference in Rotorua where you'll be able to listen to some experts on the matter and members can learn the finer details of this service.

BW changes

The past year saw NZAEL (DairyNZ) adjust the weightings within the New Zealand index system in some dramatic fashion, with cross bred and jersey animals benefiting most. Now, we've got very few cross breeds in our herd at home, so our sample is hardly scientific but it amused me that, as well as some of our top performing NZ bred Holstein Friesian cows, the whiteface/Holstein Friesian cross ET recipients in our herd and half a dozen Holstein Friesian animals with unknown sires, all made good gains under the updated indexes. That included several animals with straight overseas breeding in half of their pedigree.

In all seriousness, I don't believe the BW changes have done breeders of NZ based genetics any favours. In fact, I would go as far as to say that this process runs the risk of alienating breeders from the index system altogether. The industry will need to have a good look at where their funding goes to make sure breeders and farmers alike, can use the right information when breeding a cow. We're talking about an on farm investment here that often doesn't bear real fruit until 5 to 10 years after breeding decisions are made.

Following on from this, the media have shown multiple examples of Jersey farmers gleefully climbing into the

Holstein Friesian breed for their BW demise. There's no need for the breeds in this country to get into each other like that. Breed Societies should band together as we've got bigger fish to fry. There are some very good straight bred herds around and what you farm should be your breed of choice, Holstein Friesians, Jerseys or any other breed for that matter. Furthermore, anybody that's been to school for a bit and paid attention when genetics were discussed, would have learned that you can only ever successfully cross breed if you keep the breeds pure. Holstein Friesian NZ as a breed society regularly hears stories about sharemilkers getting forced into reconsidering their breed of choice just to keep up with the index race and demands being put on them from employers, bank managers and stock agents wanting the highest BW and nothing less. This flies in the face of good common sense and it also highlights shortcomings in the system. The value of the calf and cull cows are often part of the sharemilkers payment but not well catered for in the index system. The HFNZ External Affairs Committee is pulling together ideas to see how we can improve this.

Strategic Review

This year the Board has spent considerable time and effort reviewing the Association's strategy for the next 3-5 years. The Association has done a tremendous job over the past decade to get its books in order, mostly due to the steady hand on the purse strings from our General Manager. However, if we don't adapt, the success from this prudent approach has also got the potential to be the Association's demise in the long term. As a non-profit, member based organisation we don't necessarily have to aim for big surpluses, but the onus should be on growing our current budget so that HFNZ can be of better service to its members in years to come.

The strategic review will give us a better focus on maintaining existing services while developing new initiatives. Hopefully I'll be able to elaborate on this during the Annual Conference.

Conclusion

Going to Board meetings, getting familiar with Breed Society and industry information, communicating with members etc. doesn't work unless you've got people to carry on the business at home. Thank you to my wife, Kerri and kids, Harvey and Lucy as well as farm staff for carrying the candle when I attend to HFNZ matters.



Hennie Verwaayen
President

Treasurer's Report



Stephen Ray

The 2018/19 year in review has resulted in a loss of \$77,870 bearing mind that urgent and necessary major repairs were undertaken to the building costing \$92,374 to keep it water tight. Estimates last year put the work at between \$120,000 and \$150,000, so this was a pleasing result and the added graphics to the front window mean we now

have a very attractive façade.

Taking a closer look Total Operating Income has risen \$14,931 to \$660,334, however Total Operating Expenditure has risen \$8,731 to \$248,407 resulting in a Net Operating Revenue increase of \$6,200 to \$411,927.

Other Revenue has fallen \$9,908 due to front office not being tenanted and interest income being down due to lower interest rates and the withdrawal of one term deposit to fund the building repairs which means that overall Total Net Operating Revenue has fallen \$3,708 to \$446,742. Analysis of Note 10 - Schedule of Operating Revenue and Expenditure (Page 14) is as follows:

- Classification – net income has fallen \$6,194. This is a result of reduced numbers and an increase in costs from 92% of income to 94% of income.
- Discovery Project – net income is up by \$6,163 to \$9,554 with the programme having received royalties for the bull Meander SB Wingman-ET S3F. Also there were no expenses for the programme with the changes made due to Mycoplasma Bovis. All TVR and Moet work was undertaken on participant's farms. It is pleasing to see this programme being well supported by the members.
- Joint Sire Proving – net income has fallen \$7,313 to \$9,418. The Association needs members to support this scheme by nominating bulls and purchasing semen.
- Magazine – this year the publication of the nzholstein has returned a profit of \$839, a turnaround of \$7,587 from last year's loss of \$6,748.
- Registrations and Member Subscriptions - income for both is disappointingly down. Registration net income is down \$20,639 and Member Subscription income is down \$4,758.
- Three Generation Pedigrees – net income is up \$13,865 and was boosted by orders for export heifers. Support

the Association now to take greater advantage of the export heifer market by offering your export heifers through the Association as part of the arrangement with PGG Wrightson. All heifers referred through the Association will see the Association receive commission at no cost to the member.

- Sundry Income – the Gain on Sale of Assets \$6,033 is the depreciation recovered from the sale of the two Holden Captiva's. The \$11,958 Adjustment to Gain on Sale of Assets is as a result of incorrect depreciation being claimed prior to the appointment of C Watson. This has meant that for many years the general ledger and the fixed asset register have not balanced without this adjustment annually. This was corrected as part of the Association changing accounting systems, to Xero during the year. The change of accounting systems now provides the Board with more comprehensive financial reporting and has freed up more of the General Manager's valuable time.

Expenditure:

Analysis of the Associations expenditure (Page 8) for the year is as follows:

- Website - work is currently underway to revamp the Association's website. At a cost of \$6,600 which has been included in this financial year. In the survey conducted of the membership in late 2018 the website revamp came back as a priority.
- Building Overheads - previously explained with the building repairs.
- Motor Vehicles – cost are down \$11,578 due to only one more modern vehicle
- Office Overheads – Computer Expenses are up \$3,415 due to the change of accounting software and fighting a computer virus. Consultant Fees are due to the major review the Board has undertaken of the Association Strategic Plan.

Total Expenses were up \$84,108 (Including Building Repairs & Maintenance \$92,374) to \$524,612 resulting in a net loss of \$77,870 down \$87,816 when compared to last year's profit of \$9,946.

Statement of Financial Position:

Current Assets have reduced by \$101,523 to \$558,363 due mainly to the Account Receivable reducing by \$5,487 to \$51,346 and Cash at Bank (as per Note 2 – Page 13) reducing

\$100,121 to \$401,573 which is the term deposit withdrawn for building repairs.

Current Liabilities have fallen by \$3,361 to \$104,281. Total Equity has fallen by the amount of the loss \$77,870 to \$874,789.

The Board is working hard to keep the Association relevant in the industry while meeting member's needs. New opportunities are explored and if beneficial brought into practice, any good ideas/suggestions would be appreciated. There are new initiatives and opportunities currently in the pipe line. The Board would ask that all members support our programs Discovery Project, Genetic Leaders Male and Superior Female along with supporting our business partners

Boehringer Ingelheim and Crombie Lockwood. There is also the potential for the Association to receive income from Harcourt's Real Estate if any member is selling a property and if members have export heifers to sell please approach Holstein Friesian NZ first as the Association is eligible to receive commission from PGG Wrightson.



Stephen Ray
Treasurer

Before...



After...



Financial Performance



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
SPECIAL PURPOSE STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDING 31 MARCH 2019

	Notes	2019 \$	2018 \$
Total Operating Income	660,334		645,403
Less Total Operating Expenditure	<u>248,407</u>		<u>239,676</u>
Net Operating Revenue	(10)	411,927	405,727
Other Revenue			
- Rent Received	16,188		20,237
- Interest Received	16,128		18,986
- Scholarship Fund	(4) <u>2,500</u>		<u>5,500</u>
		<u>34,815</u>	<u>44,723</u>
Total Net Operating Revenue		446,742	450,450
<u>EXPENDITURE</u>			
<u>AGM & Board</u>			
- AGM Expenses	9,077		10,004
- Board Meetings	6,966		6,101
- Board Travel	5,518		5,140
- Directors Fees	<u>13,255</u>		<u>12,961</u>
		34,816	34,206
<u>Breed Promotion</u>			
- Advertising	990		-
- Black & White Youth	1,522		2,359
- Competitions	2,687		1,130
- Exchanges	-		782
- General	5,481		3,269
- Judging School	3,639		4,126
- NZ Dairy Event	313		2,238
- Shows	308		938
- Trophies	1,043		1,050
- Website	<u>7,905</u>		<u>1,451</u>
		23,888	17,343
<u>Building Overheads</u>			
- Electricity	3,091		3,865
- Insurance	9,889		9,073
- Rates	9,323		9,207
- Repairs & Maintenance	<u>97,787</u>		<u>5,961</u>
		120,090	28,106
<u>Finance Costs</u>			
- Bad Debts	-		143
- Bank Fees	<u>294</u>		<u>150</u>
		294	293
<u>Motor Vehicles</u>			
- Insurance	1,271		1,642
- Running Costs	<u>11,115</u>		<u>22,322</u>
		12,386	23,964

These special purpose financial statements should be read in conjunction with the accompanying notes and independent auditors report



Financial Performance



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
SPECIAL PURPOSE STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)
FOR THE YEAR ENDING 31 MARCH 2019

	Notes	2019	2018
		\$	\$
<u>Office Overheads</u>			
- Audit Fees	4,772		5,488
- Computer Expenses	9,245		5,830
- Consultant Fees	4,425		-
- Legal Expenses	5,412		4,438
- Postage, Print & Stationery	2,533		3,275
- Telephone Expenses	4,049		3,938
		30,436	22,969
<u>Staffing</u>			
- Accident Compensation	941		940
- Salaries	259,330		274,015
- Recruitment & Training	-		5,795
- Travel	10,029		5,904
		270,300	286,654
<u>Other</u>			
- Kindred Organisation Expenses	1,883		1,939
- Scholarships Awarded	(4) 1,000		3,000
- Sundry Expenses	4,350		4,809
- World Federation Expenses	6,851		2,070
- Depreciation	18,318		15,150
- Loss on Sale of Assets	-		-
		32,403	26,969
TOTAL EXPENSES		524,612	440,504
NET SURPLUS for the year		(77,870)	9,946

These special purpose financial statements should be read in conjunction with the accompanying notes and independent auditors report



Financial Position



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019	2018
		\$	\$
<u>CURRENT ASSETS</u>			
Accounts Receivable		51,346	56,833
Cash and Bank	(2)	340,756	439,018
Bank - Scholarship Fund	(2)	60,817	62,676
Goods & Services Tax		2,300	1,995
Investments	(2)	89,619	85,480
Prepayments		-	700
Promotional Stock on Hand		13,525	13,184
TOTAL CURRENT ASSETS		558,363	659,886
FIXED ASSETS	(3)	420,707	400,415
TOTAL ASSETS		979,070	1,060,301
<u>CURRENT LIABILITIES</u>			
Accounts Payable		96,886	101,604
Paye Due		7,395	6,038
TOTAL CURRENT LIABILITIES		104,281	107,642
<u>Net Assets Equity</u>			
Represented By:			
Retained Earnings		864,333	942,203
Endowment Fund		6,000	6,000
Pitcairns Trophy Fund		4,456	4,456
TOTAL EQUITY		874,789	952,659
		979,070	1,060,301



 President
 H Verwaayen



 Treasurer
 S Ray

 30 April 2019 Date

 30 April 2019 Date

These special purpose financial statements should be read in conjunction with the accompanying notes and independent auditors report



Movements in Equity



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
SPECIAL PURPOSE STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDING 31 MARCH 2019

Notes	2019	2018
	\$	\$
Equity at the Beginning of the Year	952,659	942,713
Operating Surplus for the period	(77,870)	9,946
	<hr/>	<hr/>
Equity at the End of the Year	874,789	952,659
	<hr/> <hr/>	<hr/> <hr/>
Represented By:		
- Retained Earnings	864,333	942,203
- Endowment Fund	6,000	6,000
- Pitcarins Trophy Fund	4,456	4,456
	<hr/>	<hr/>
	874,789	952,659
	<hr/> <hr/>	<hr/> <hr/>

These special purpose financial statements should be read in conjunction with the accompanying notes and independent auditors report



Financial Notes



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2019

1. Statement of Accounting Policies

Reporting Entity and Basis of Preparation

NZ Holstein Friesian Association Inc. is a non-profit organisation for the breeders of pedigree Holstein Friesian cattle in New Zealand, incorporated under the Incorporated Society Act 1908. The financial statements are a special purpose report which have been prepared in accordance with the accounting policies below and the Rules of the Association and do not comply with NZ GAAP.

Specific Accounting Policies

The financial statements have been prepared on historical cost accrual basis. The following specific accounting policies having material effect on the measurement of results and financial position have been applied:

a) Accounts Receivable

Accounts Receivable are stated at their net realisable value.

b) Accounts Payable

Accounts payable and accruals are stated at cost and recorded inclusive of GST

c) Fixed Assets

Fixed Assets have been valued at cost less accumulated depreciation.

d) Depreciation

Depreciation is charged to write off the assets over their estimated useful life. The following rates and methods have been used to depreciate the assets.

Asset	Rate & Method
Buildings	50 years – straight line
Office furniture and equipment	10% - 60% DV
Computer	10% - 48% DV
Motor vehicles	31.2% DV

e) Bad and Doubtful Debts

All known losses have been written off against income during the financial year. A provision has been created for doubtful debts.

e) Goods and Service Tax

The financial statements have been prepared on a GST exclusive basis. Accounts Receivable, Accounts Payable and Prepayments are stated GST inclusive.

f) Cash and Cash Equivalents

Cash and cash equivalents including cash on hand deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less.

g) Investments

Bank term deposits with original maturities of three months or more are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

h) Stock

Stock is stated at the lower of cost or net realisable value.

i) Tax Status

The Association is a non-profit organisation and is therefore exempt from income tax under Section CW51 of the Income Tax Act 2007.

j) Revenue

Revenue is recognised in the accounting period in which the service is provided (in the rendering of services), and in the period in which the interest and rent is accrued. Royalties are only recognised as income where there are definitive contracts in place.



Financial Notes



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2019

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. Cash and Bank	2019	2018
	\$	\$
- Cash on Hand	247	246
- Cheque Account	52,317	74,134
- Deposits	282,192	358,638
- Endowment funds	<u>6,000</u>	<u>6,000</u>
	340,756	439,108
- Scholarship fund	60,817	62,676
Total Cash and Bank	<u>401,573</u>	<u>501,694</u>
Investments	2019	2018
	\$	\$
Term Deposits	89,619	85,480

3. Fixed Assets

Fixed Assets as at 31 March 2019							
	Land	Buildings	Comp Equip	Motor Vehicles	Office Furn	Total	
Cost	181,000	354,681	97,724	29,791	53,982	717,178	
Opening Book Value	181,000	209,180	3,140	8,326	10,727	412,373	
Plus Additions	-	-	2,225	29,791	3,386	35,402	
Less Depreciation	-	7,094	2,173	7,621	1,431	18,318	
Less Disposals	-	-	86	7,677	987	8,750	
Closing Book Value	<u>181,000</u>	<u>202,086</u>	<u>3,105</u>	<u>22,820</u>	<u>11,696</u>	<u>420,707</u>	
Fixed Assets as at 31 March 2018							
	Land	Buildings	Comp Equip	Motor Vehicles	Office Furn	Total	
Cost	181,000	354,681	114,032	65,456	57,808	772,977	
Opening Book Value	181,000	214,945	3,619	7,486	8,515	415,565	
Plus Additions	-	-	-	-	-	-	
Less Depreciation	-	7,094	2,865	3,776	1,416	15,150	
Less Disposals	-	-	-	-	-	-	
Closing Book Value	<u>181,000</u>	<u>207,851</u>	<u>754</u>	<u>3,710</u>	<u>7,099</u>	<u>400,415</u>	
Prior Year Adjustment	-	1,329	2,386	4,616	3,628	11,958	
Adj Closing Book Value	<u>181,000</u>	<u>209,180</u>	<u>3,140</u>	<u>8,326</u>	<u>10,727</u>	<u>412,373</u>	

4. Scholarship Fund	2019	2018
	\$	\$
Opening balance	62,676	53,201
Plus Donations received during the year	2,500	5,500
Plus Funds held on behalf by NZHFA	0	4,000
Plus Interest received	<u>2,141</u>	<u>2,975</u>
	67,317	65,676
Less funds owed to NZHFA	5,500	0
Less 2019 Scholarships Awarded	<u>1,000</u>	<u>3,000</u>
Closing balance	<u>60,817</u>	<u>62,676</u>

Donations received during the year:

Otago Branch	2,000
Taranaki Branch	<u>500</u>
	2,500



Financial Notes



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2019

Purpose of fund

The scholarship fund has been created to assist members embarking on tertiary studies by way of an annual scholarship.

The Board targeted base fund of \$40,000 was achieved in 2017. To date 9 scholarships have been awarded to young breeders undertaking tertiary study, with the latest scholarship awarded to L Otto in 2019. Fundraising will continue to ensure the fund is maintained for the future benefit of our young breeders.

5. Endowment Funds

These are endowments from members and past members, the income from which is used for annual trophies.

6. Capital Commitments

There are no capital expenditure commitments as at balance date. (2018 – Nil).

7. Contingent Liabilities

As at balance date there were no contingent liabilities. (2018 – Nil)

8. Events After Balance Date

At the date of signing the audit report, there are no matters or events that have arisen, or been disclosed, subsequent to balance date that would require adjustment, or disclosure in, these financial statements.

9. Related Parties

All Directors are members of the Association in their own right and as such use the services of the Association on an annual basis. Examples of services they use are registration, classification of animals, purchases of semen through Genetic Leaders, entering animals in Discovery Project and advertising in the 'nzholstein' magazine.

10. Schedule of Operating Revenue and Expenditure

		<u>2019</u>	<u>2018</u>
<u>INCOME</u>			
Classification	- Income	176,059	191,170
	- Dam Inspection Fee Income	2,791	1,983
	- Expenses	168,768	176,875
		10,083	16,277
Commission - Crombie Lockwood			
		3,133	4,672
Commission - DairyCare NZ			
		-	577
Discovery Project			
	- Income	9,554	11,211
	- Expenses	-	7,820
		9,554	3,391
Elite Heifer Raffle			
	- Income	11,413	-
	- Expenses	5,592	-
		5,821	-
Final Bull Fee			
		17,580	17,040
Joint Sire Proving Scheme			
	- Income	12,893	19,797
	- Expenses	3,476	3,066
		9,418	16,731



Financial Notes



NZ HOLSTEIN FRIESIAN ASSOCIATION INC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2019

10. Schedule of Operating Revenue and Expenditure continued

		<u>2019</u>	<u>2018</u>
Publications			
- Magazine	- <i>nzholstein</i> Income	27,456	20,730
	- Subscription Income	120	64
	- Expenses	26,737	27,542
		839	(6,748)
- Herd Book	- Income	2,476	2,610
	- Expenses	980	1,106
		1,496	1,504
- Performance Register			
	- Income	2,574	2,735
	- Expenditure	1,064	1,087
		1,510	1,648
Registrations	- Annual Cow Fees	136,221	137,883
	- Bull Registrations	13,517	14,040
	- General Registrations	24,699	43,381
	- Registration Expenses	670	898
		173,767	194,406
Sponsorship	- Semex	3,500	3,500
	- Other	3,325	2,800
Membership Subscriptions		113,204	117,962
Sundry Income		6,906	11,705
Three Generation Pedigrees			
	- Income	64,330	30,625
	- Expenses	41,121	21,281
		23,209	9,344
Sundry Income			
	- Black & White Youth Auction	9,440	10,190
	- Brown Swiss Trading	811	547
	- Gain on Sale Assets	6,033	-
	- Adjustment to Gain in Sale of Assets	11,958	-
	- Promotional Merchandise	341	181
		28,582	10,918
NET OPERATING REVENUE		411,927	405,727



Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Members of the NZ Holstein Friesian Association Inc

Opinion

We have audited the special purpose financial statements of The NZ Holstein Friesian Association Inc, on pages 8 - 15, which comprise the Statement of Financial Performance for the year ended 31 March 2019, Statement of Financial Position as at 31 March 2019, and Statement of Movements in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements of the NZ Holstein Friesian Association Inc for the year ended 31 March 2019 are prepared, in all material respects, in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the entity in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the NZ Holstein Friesian Association Inc.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note 1 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the members of the entity in complying with the special purpose framework referred to above. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the members of the entity and should not be distributed to parties other than the members of the entity. Our opinion is not modified in respect of this matter.

Other Matter

The special purpose financial statements of NZ Holstein Friesian Association Inc the year ended 31 March 2018, were audited by another auditor who expressed an unmodified opinion on 02 May 2018.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the President's Report and Treasurer's Report on pages 4 to 7 and the Membership Report, Registrations & TOP, Pedigree Statistics, Black & White Youth Committee Report, Breed Service Report, Classification Report, Discovery Project Committee Report, External Affairs Committee Report, Remuneration Committee Report and Sire Proving Committee Report on pages 18 to 27, but does not include the special purpose financial statements and our auditor's report thereon.

Our opinion on the special purpose financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the special purpose financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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Auditor's Report



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of those charged with Governance for the Special Purpose Financial Statements

Those charged with governance are responsible for the preparation of the special purpose financial statements in accordance with the special purpose framework and for such internal control as those charged with governance determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, those charged with governance are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless shareholders either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


R K Owen
Owen McLeod & Co
3 May 2019
Hamilton
New Zealand

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Membership Report

Period: 1 April 2018 - 31 March 2019

	Senior	Associate	Junior	Second A/C	Honorary Life	Long Service	Total
Membership as at 31/3/2019	352	258	102	88	13	14	827
	Senior	Associate	Junior	Second A/C	Honorary Life	Long Service	Total
Membership as at 31/3/2018	364	262	110	85	13	15	849

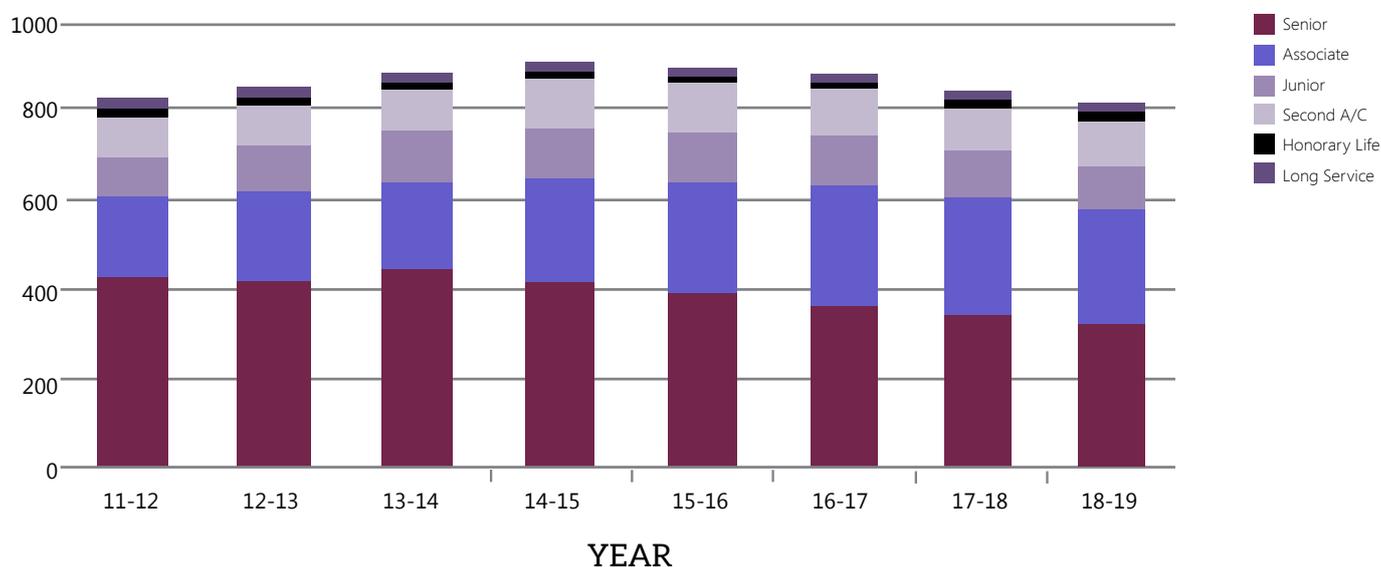
Membership by Branch

Membership as at 31 March 2019

Membership as at 31 March 2018

Branch	Snr	Ass	Jnr	Second A/C	Hon Life	LS	Total	Snr	Ass	Jnr	Second A/C	Hon Life	LS	Total
Northland	18	7	3	1	1	0	30	19	9	4	1	1	0	34
Waikato	108	96	34	34	6	1	279	112	92	35	30	6	1	276
Bay of Plenty	15	6	5	4	0	1	31	16	6	7	5	0	1	35
Taranaki	38	18	10	3	0	1	70	39	21	13	3	0	1	77
Hawkes Bay	8	5	1	2	0	1	17	7	4	1	1	0	1	14
Manawatu	28	22	9	6	1	1	67	31	19	9	7	1	1	68
Wairarapa	12	7	4	4	0	0	27	12	9	5	4	0	0	30
Marl/Nel/GBay	16	8	1	2	1	1	29	16	8	1	2	1	1	29
Cant/ W Coast	58	55	14	24	2	7	160	57	58	14	23	1	8	161
Otago	23	9	6	4	2	0	44	24	11	7	4	2	0	48
Southland	28	22	15	4	0	1	70	31	22	14	5	1	1	74
Overseas	0	3	0	0	0	0	3	0	3	0	0	0	0	3
	352	258	102	88	13	14	827	364	262	110	85	13	15	849

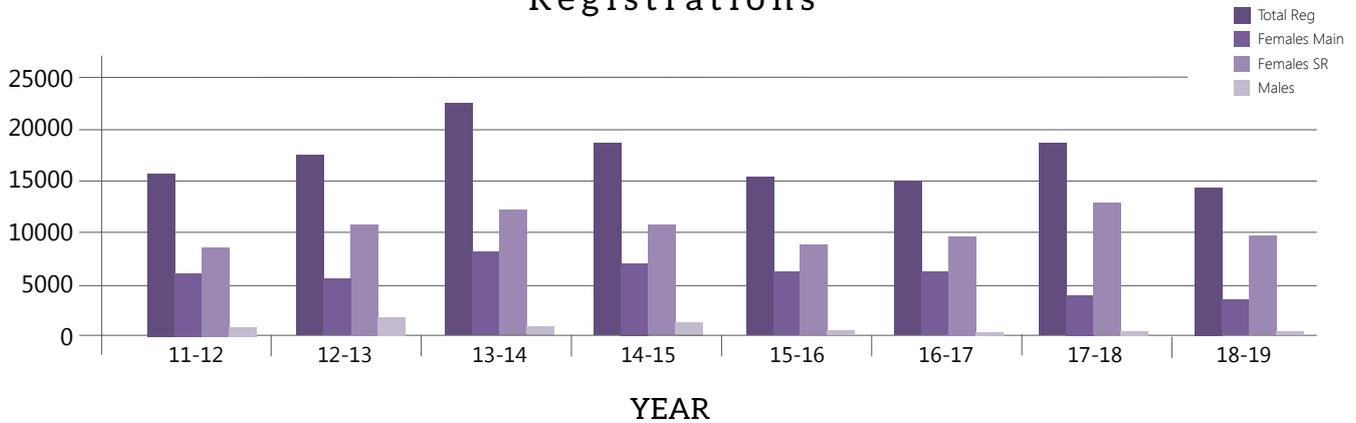
Membership Types



Registrations & TOP



Registrations



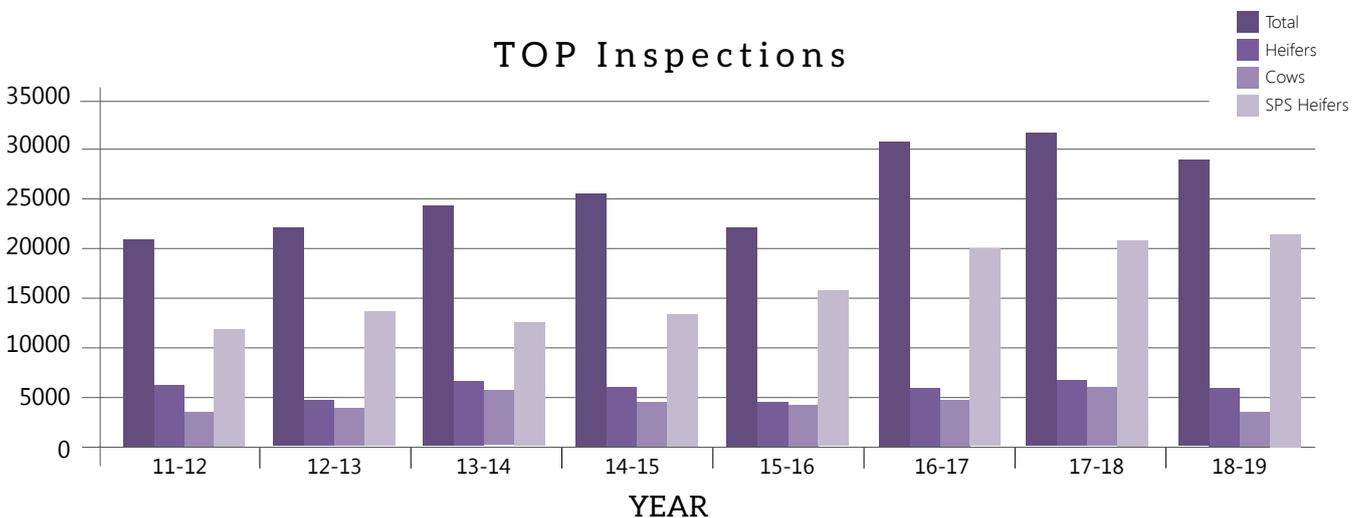
Registrations

Year	Females Main	Females SR	Males	Total
2011-2012	6,301	8,806	752	15,859
2012-2013	6,186	10,185	1,035	17,406
2013-2014	8,164	12,865	685	21,714
2014-2015	6,765	10,765	894	18,424
2015-2016	6,326	8,950	566	15,842
2016-2017	5,253	9,827	499	15,579
2017-2018	4,615	13,522	455	18,592
2018-2019	4,444	9,565	400	14,409

TOP Inspections

Year	Herds	Heifers	Cows	SPS Heifers	Total
2011-2012	338	6,169	3,886	11,787	21,342
2012-2013	368	4,614	3,857	14,862	23,333
2013-2014	364	6,266	5,732	12,900	24,898
2014-2015	360	6,933	4,134	14,847	25,914
2015-2016	328	4,220	3,185	16,338	23,743
2016-2017	384	5,477	4,756	19,941	30,174
2017-2018	414	5,936	5,305	20,100	31,341
2018-2019	393	5,545	3,970	20,812	30,327

TOP Inspections



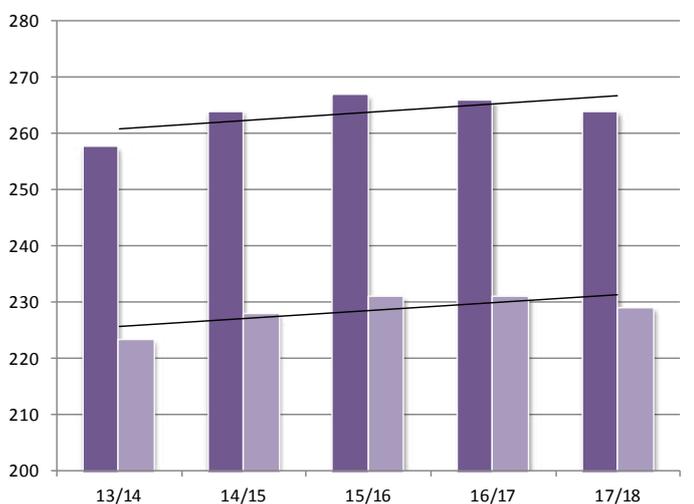


Pedigree Statistics

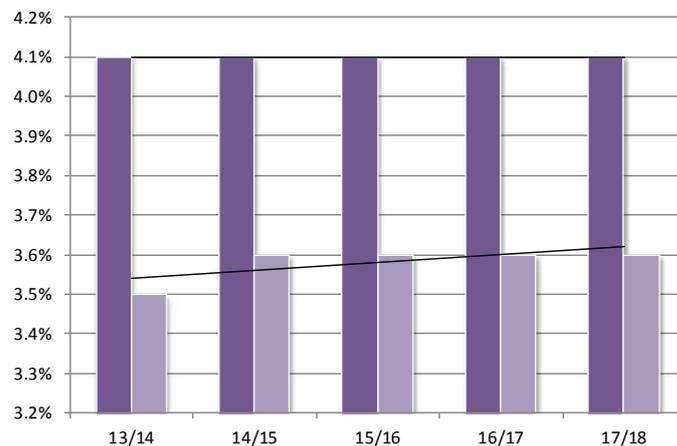
Summary of Seasons: 2013/14 - 2017/18¹

Season	Registered HF Cows ²	Herds	Ave. Milk (L)	Ave. Protein (kg)	Protein %	Ave. Fat (kg)	Fat %	Ave. DIM	Classified Cows	Ave. Class.	Excellent Cows ³
2013-14	43,647	313	6,326	223	3.5%	258	4.1%	264	24,815	GP84	735
2014-15	39,420	278	6,393	228	3.6%	264	4.1%	267	23,322	GP84	765
2015-16	29,614	232	6,485	231	3.6%	267	4.1%	270	16,582	GP84	693
2016-17	34,456	240	6,427	231	3.6%	266	4.1%	271	19,403	GP84	851
2017-18	35,807	263	6,425	229	3.6%	264	4.1%	269	19,923	GP84	866

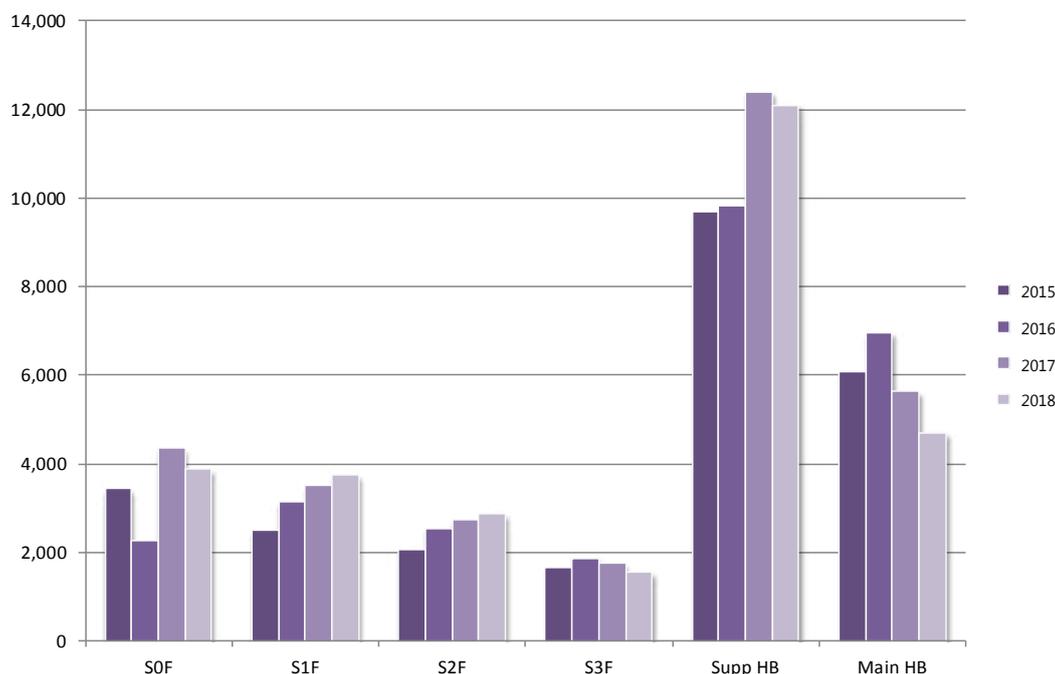
Milk Component Production: 2013/14 - 2017/18¹



Milk Component Percent: 2013/14 - 2017/18¹



Breakdown of Registrations: 2015 - 2018 Herd Books¹



¹The information in these tables and graphs was gathered from the Holstein Friesian New Zealand Performance Registers and Herd Books. All production details are a summary of all cows registered with Holstein Friesian New Zealand that were herd tested a minimum four times in any given season.

²The number of cows in this table reflects the changes in the use of herd test services, most probably due to a low milk payment and poor weather season.

³The number of Excellent cows are the number of cows classified Excellent (EX, E2, E3, E4 & E5) that were milked and herd tested four times in any given season.

Black & White Youth Committee



Graham Stewart

In the 2018/19 year the Black and White Youth Committee has undertaken a number of activities for our Youth membership and the wider younger breeders' community. While Mycoplasma Bovis saw many shows not hold a dairy section in the last 12 months, it also meant that the Youth Committee had to look at some of its showing related awards and events.

The Pitcairn's Trophy which is normally awarded to the winner of the Junior Judging competition, was this year awarded to the highest scoring judge aged between 16-30 years, as at 1 October 2018 from the official Holstein Friesian NZ Judging Schools with the winner being Luke Gilbert from Ashburton.

The Black & White Youth Show trip and the All NZ Calf Class competition were not held in the last year which in turn means that the Arapeta and Kingsland trophies will not be awarded in 2019.

The 2018 Black and White Youth Auction took place at the Annual Conference in Taranaki. A fun night was had by all those who attended with great support from the Black & White Youth members in the Taranaki region. Just under \$10,000 was raised towards the promotion and funding of youth activities including the free membership for Black and White Youth members under the age of 13. The Association would like to acknowledge the great work done by Yvette Ykema in sourcing sponsorship for the Youth Auction, thank you Yvette.

In the 2018/19 year the Holstein Friesian NZ Scholarship Fund received further donations, with the total fund now sitting at \$60,817. Since the inception of this fund 9 scholarships have been awarded to young breeders undertaking tertiary study, including the 2019 HFNZ Scholarship which was awarded to Lauren Otto. Lauren commenced study towards a Bachelor of Agricultural Science at Lincoln University this year.

With the NZ Dairy Event not being held in 2019, the decision was made to hold the National All Dairy Breeds Youth Camp at Tahora Farms in Tai Tapu just out of

Christchurch, from the 7-10 January 2019. With fourteen participants this year was the first time the camp was opened up to breeders 14 years of age and under. These younger participants were required to have a parent/guardian with them at all times and did not stay on farm with the 15 year old and over participants. While this worked well and it was great to have some parent/guardian helpers, it also added another level of complexity to the camp.

A big thank you to the Geddes Family for the use of their facilities and heifers. Thanks also must go to Amelia Griffin, Helen Henderson, and Lauren Otto who was an outstanding participant from the 2017 National All Dairy Breeds Youth Camp, for the expert way they ran the camp. Congratulations goes to all the camp attendees, with the Dennis Terry Memorial Trophy award to Kimberley Simmons from Southland and the Paramount Cup won by Brad Seager from Waikato.

In the 2018/19 year the decision was made run an Elite Heifer Raffle to assist with sending one Holstein Friesian NZ member to the 2020 World Holstein Friesian Federation Conference in Switzerland. The Elite Heifer Raffle was very successful with all 175 tickets sold. A big thank you to all the members who supported the raffle by offering animals and purchasing tickets. The winner was Justin Ruygrok of Waiuku and he selected Belbrook Chill Louisa as his first prize. Second prize was won by Phil Watson from Te Awamutu and third to Douwe and Yvette Ykema of Ohaupo.

The Holstein Friesian NZ Black and White Youth programme would not work without the support of members and volunteers at both Branch and national level. Thank you everyone who has assisted with the Youth programme in the last 12 months. Also to my fellow Black and White Youth Committee; Wayne Taylor, Wendy Harker, Nathan Chilton, Rachel Stewart, Gordon Fullerton, Braydon Schroder and Amelia Griffin, thank you for your input over the last 12 months.

Graham Stewart
Chairperson

Breed Services Report



Sharon Goldsbury

The 2018/19 year saw membership drop from 849 2017/18 to 827 in 2018/19. Senior membership decreased by 12 members, Associate's down by 4 member's and junior members down by 8 members. Secondary NO memberships saw an increase of 3 memberships. This decrease also reflected a drop in Holstein Friesian registrations from 18,592 in 2017/18 down to 14,409 in 2018/19. In the 2018 Annual Report

I noted a decrease in bull registrations; 894 in 2014/15, 566 in 2015/16, 499 in 2016/17, 455 in 2017/18 and 400 in 2018/19. Following the 2018 Annual Conference, I asked for feedback from breeders who historically registered most or all of their Holstein Friesian bulls to gage the reasoning behind this downward trend. The feedback received from breeders was as follows;

- Cost – the low dairy payout saw members prioritising their spending and bull registration was an area they could trim in their budgets. Members commented that they held off registering young bulls until these bulls matured and as the fee was higher for bulls over 12 months of age they only registered bulls they were using over their own herds or sold to AB companies.
- DNA parentage testing and profiling was a requirement for commercial farmers as they are more concerned that the bulls parentage was correct than the registered pedigree status of bulls (though they still required F16 bulls).
- The cost of registering bulls on top of the cost of DNA parentage testing and profiling bulls was a factor in not registering as many bulls as they had in the past.

Following this feedback the Association changed By-Law 7.2.A Registration Fees. Previously the registration fee was \$19.25 plus GST for bulls under 12 months of age. In July 2018 By-law 7.2.A was changed to \$19.25 plus GST for bulls under 24 months of age. In the future a registration/DNA Parentage testing/profiling package, as is available overseas, is a goal of the Association to assist breeders with all registrations.

March saw the final judging of the 2019 Holstein Friesian NZ/Semex NZ On-Farm Competition with Bradley Parkes, Marlborough as the over judge. Entries for the 2019 Semex On-Farm Competition were down on the previous year

with 645 entries (704 in 2018) received nationally from 89 herds (101 in 2018), a decrease of 12 herds and 59 animals nationally. Without the help of the regional convenors and judges, this competition would not run as smoothly and the Association thanks them for assisting with the competitions success. The final results will be announced at the HFNZ Semex Awards as part of the Bay of Plenty Conference. Good luck to all finalists.

There were thirty four attendees at the four Judging Schools held in Waikato, Manawatu, North Canterbury and Southland with W Taylor, Waitara & S Donald, Featherston as over judges. It is pleasing to see young judges attend these schools. The Association looks forward to their continued attendance at Judging Schools and rising through the Associations Judges lists. The Judging Schools allow the Association to monitor and foster judges. The Association is proud of the very high standard Holstein Friesian Judges are known for both in New Zealand and internationally.

Due to Mycoplasma Bovis most A & P Shows did not hold dairy sections in 2018/19, raising concern that this would affect the number of entries in the 2019 Holstein Friesian NZ/DeLaval All NZ Photo Competition. Therefore it was extremely pleasing to see an increase in entries from 69 in 2018 to 85 in 2019 with all classes well represented. The 2019 Judges S Booth, Nelson, J Taylor, Hawera and D Johnson, Australia had a tough job judging this years entries and we look forward to seeing their final placings, which will be announced at the HFNZ Awards at the Annual Conference in Bay of Plenty.

The 2019 HFNZ Boehringer Ingelheim Progeny competition saw 30 teams from 15 sires entered. Of these 15 sires two sires dominated the top 4 in each section; 105038 Fairmont Mint-Edition Senior Team and 111037 San Ray FM Beamer-ET S2F Junior Team. Both of these bulls have previously won the prestigious Mahoe Trophy; Fairmont Mint-Edition in 2009 and San Ray Beamer-ET S2F in 2015. The Association is proud to have been in partnership with Boehringer Ingelheim (formerly Merial Ancare) for 20 years and look forward to working with them for many years to come.

2019 will be the thirteenth year of the highly prestigious Nutritech Performance Awards. Prizes are awarded to the herd owners with the highest dollar earning herd average based on the Fonterra A+B-C payment system. Nutritech is a valued sponsor of the Association and the Board and member's appreciate Nutritech's continued support.

The Association is grateful to all sponsors of the Association competitions, for without them our competitions would not be the success they are. Members are encouraged to enter all competitions and support our sponsors throughout the year.

The 2018/19 show season has concluded and, as stated previously, Mycoplasma Bovis impacted A & P shows nationally, resulting in most shows not holding dairy cattle classes. Though disappointing for breeders and exhibitors, the Board made the decision not to hold either the North and South Island Championships in 2018/19. Due to the mixed messages being published around the progress of the diseases eradication, in March 2019 the Board met with J Stockman, Liaison Manager MPI to discuss the progress of

the eradication. At the March Board meeting J Stockman was confident that Mycoplasma Bovis could be eradicated but with 200 herds put on Notice of Direction in April 2019 it may take several years for this to happen. The 2019/20 show season is just around the corner and we will have to wait and see the impacts of Mycoplasma Bovis on the coming show season.

The objective of Breed Services is to encourage members to utilise the services of the Association including registration, classification, and competitions and judging schools, as a way to promote their animals, stud and breeding. HFNZ is committed to keeping the Holstein Friesian breed relevant in the New Zealand Dairy industry.

Sharon Goldsbury
Breed Services Administrator

Classification Report



Tony O'Connor

TOP/Classification numbers were over 30,000 animals for this last financial year. This came about from an increase this year in TOP Sire Proving inspections from 20,100 heifers to 20,812 heifers. Member's inspection numbers were down on the previous year with just over 5,500 2 year olds inspected and just under 4,000 cows.

TOP/Classification was again financially viable this year. This is a result of the program being extremely well organised and managed by the team in the Holstein Friesian office. A major part of this organisation is having all inspections completed by the beginning of December each year. To achieve this takes a lot of time, work and organisation along with inspector availability. Thank you, it is much appreciated.

The bulk of the TOP/Classification inspections take place during the spring and early summer each year. This is a busy time of the year on farm and often sees inspectors working in unpredictable weather conditions. Thank you to all inspectors who made themselves available to complete inspections on behalf of the Association in the last 12 months, especially this year as there weren't field officer's available to ease the workload.

The Association sees TOP and Classification as an area where the Association's Field Officer plays an important role. Amelia Griffin is one of two new classifiers that will be added to the Classification team in 2019 along with Tony Buehler.

Two TOP/Classification workshops were organised for inspectors. The first workshop was before the early TOP tours commenced. As in recent years the Jersey inspectors were also invited to this workshop. This has helped in consistency in scoring across the industry. The second and Main workshop was held before classification tours begin, and classification scores were the main focus of this workshop. Thank you to the host farms for allowing us to use their cows and facilities for our annual workshops.

This year was the first year that teat length was scored for all animals, as a trial trait. As these weren't official scores they were not made available to the farmer, but the data collected will be used to establish a breeding value in the future. Teat length will be collected again in the 2019/20 season on the same basis.

Denis Aitken as part of World Holstein Friesian Federation Type Harmonisation Working Group attended the 13th World Classification Workshop in the UK. Denis reported back from this meeting that most traits scored in New Zealand are greater than 80% correlated with the exception of rear legs side view (NZ - legs) which is below. Denis also reported that the focus at the practical sessions was on the five poorest correlated traits. Of these five traits New Zealand only scores one – fore udder attachment.

Progress has been made recently with the TOP Solution and work is now underway towards a new TOP system being operational for the 2020/21 season.

Tony O'Connor
Chairperson

Discovery Project Committee



Wendy Harker

2018 brought in some big changes for the Discovery Project. For the first time farmers had the option of TVR or Moet procedures for their yearlings. They could also choose whether they would complete the procedures on or off farm and choose either ABS or Ova-Achievers as the provider of those services. The reduction of bio-security risks meant that

all eleven Discovery Project Heifer owners chose for their heifers to remain on-farm in 2018 and both ABS & Ova-Achievers took on the challenge of collecting embryos from all around New Zealand.

It was a new challenge for ABS to collect embryos from the ten Discovery Project heifers all over New Zealand. The heifer owners assisted by providing good facilities on farm and although there were a reduced number of sessions carried out, there was still an average of 2 embryos created per session. A total of 155 embryos were collected by ABS and 5 by Ova Achievers. Less farmers opted to use ABS recipients (fresh transfer) this year with the majority utilising their own recipients on farm. The Committee looks forward to spring 2019 with the resulting calves being born. It is very pleasing to see that the changes to ABS's TVR process has resulted in minimising reproductive risks for the donor heifers. ABS has worked very hard to examine all areas of the process and now have some of the best equipment available for TVR.

The selection process is now underway for the 2019 Discovery Project programme with a total of 111 heifers being nominated as possible participants. Of these 64 were selected and are being genomically tested ready for final selection in May 2019. The same options for service providers and TVR and Moet remain for the heifer's owners participating in the 2019 programme. Costs per embryo have increased slightly from ABS but Ova Achievers has maintained their services at the same cost structure.

Discovery Project has had success with the bulls graduating from the Discovery Project with Meander SB Wingman S2F-ET now making the LIC Premier Sires Daughter Proven team. Congratulations to Meander Holsteins for breeding Wingman. Meander Holsteins have been wonderful

supporters of Holstein Friesian NZ and the Discovery Project, it is pleasing to see one of their bulls' graduate.

Since 2013 when the Discovery Project format changed to working with genomically tested yearling heifers, there has been a total of 50 bulls accepted in the LIC's Sire Proving Scheme. A total of 10 bulls were purchased from the pregnancies created in 2017 and we look forward to more Discovery Project graduates in the future. Bulls purchased in the past and awaiting their daughter proof are as follows:

2013	36 participants	15 bulls
2014	46 participants	13 bulls
2015	28 participants	7 bulls
2016	12 participants	5 bulls
2017	34 participants	10 bulls

The lower number purchased by LIC in 2016 reflected the low number of heifers participating in the programme during the lower pay out years.

Thank you to all those members who have supported the Discovery Project by nominating heifers for this programme. The programme needs as many animals as possible nominated to select from, to ensure that the most suitable bull dams are available and producing future generations of Holstein Friesian bulls and heifers.

I hope that all Discovery Project heifer owners take full advantage of the additional benefits of the Discovery Project programme by utilising discounts offered by Holstein Friesian NZ for classification on all their 2-year olds and use the Customate Plus program offered by LIC.

Holstein Friesian NZ could not offer this project without the support of LIC. Thank you to Simon Worth and his team at LIC. Holstein Friesian NZ looks forward to what we can achieve together in the future.

Wendy Harker
Chairperson

External Affairs Committee



Doug Courtman

There has been plenty of industry involvement for Holstein Friesian NZ and its External Affairs Committee this past year. Early in the new season MPI called for submissions on the Review of Regulations pertaining to the Dairy Herd Improvement Industry. This was to review data collection for the dairy industry, changing herd testing technology, and oversight of NZ Animal

Evaluation Ltd (NZAEL) by the Core Database Access Panel.

The Committee met twice in October to formulate a submission. The final submission took many hours of work to put together on members behalf. As well as our own submission we worked with NZ Dairy Breeds Federation and collaborated with the other breed societies to put together similar submissions. The Holstein Friesian NZ submission advocated for extending the fields of data available to NZAEL outside the current 46 core data fields, as this is now out of date and impinging on the NZ dairy industry's potential genetic gain. The Association also reaffirmed our consistent stance that NZAEL should have access to all data fields including the female indices for the purposes of industry good.

Recent media reports suggest that the Minister, Damien O'Connor has gone back to MPI officials asking for more background work be done before he makes any decisions. On the back of this the Association has just in the last couple of days been asked to meet with MPI regarding the regulatory review and our submission. This meeting will take place in May 2019.

Holstein Friesian NZ has been kept busy this year, responding to issues emanating from within our dairy industry bodies. One of the earlier was the outrageous media release from Dairy NZ encouraging farmers to change their breed of choice to take advantage of the rise in value of fat products. The Board and Committee took major issue with this message, as Dairy NZ represents all farmers and does not have a mandate to tell farmers what breed of cow to farm. After vigorous protests on our part via written correspondence and meetings, Holstein Friesian NZ received an apology from Dairy NZ acknowledging that they had overstepped the mark. The intent had been to inform farmers early of the increase in the value of fat and

the impact this would have on dairy company payouts, as well as the large influence on BW and other indexes in the future. The Association has no issue with this and simply asked that Dairy NZ ensure they retain their neutral stance on farming systems.

Following on from the increase in value of fat products NZAEL released preliminary 2019 BW figures to forewarn breeders of significant re-ranking of bulls expected following the February animal evaluation run. Holstein Friesian NZ arranged meetings with both LIC and CRV to discuss the implication of these changes. CRV had already accounted for the increase in fat value in their breeding programmes, treating it equally with protein, so did not envisage changing their future breeding philosophies. LIC on the other hand were going to what we thought was an extreme, and were planning on a long term increase in the value of fat, using a fat to protein value of 1.20 for future breeding.

At a similar time we met with NZAEL Board Chairperson Warren Larsen and Board member Robert Anderson together with Dr Jeremy Bryant and David McCall from NZAEL. Items discussed were the early media release from Dairy NZ regarding 2019 BW and the breed of choice. While the Association accepted the increased value of fat would always be reflected in dairy company payouts and future BW, we did also share our concern over the constant changes to index values. Holstein Friesian NZ on behalf of its members advocated for a longer term rolling average to be considered to smooth out the peaks and troughs of index values. Another topic for discussion was the need for breeding values to be re-evaluated, particularly liveweight and fertility. Full value for the 4 day old calves and the cull cow are two areas that need to be addressed in BW. A review of the fertility index is on-going following the large trial that Holstein Friesian NZ had some involvement with, at the Tokanui research farm. At a recent meeting of science and industry delegates it became obvious that a lot more work has to be done before agreement will be reached on an updated fertility BV. NZAEL deemed that there was insufficient funds and/or staff available to update all BV's as required. Meanwhile Dairy NZ maintains that NZAEL has quite sufficient funding to operate efficiently.

The ongoing saga that is DIGAD is still just that. The Breed Societies are ready to progress both the TOP platform update and a Breed Society solution, as soon as agreement can be agreed amongst all the industry players as to who will have access to what data. The impasse seemed set to

continue until recent times. Brian Wickham has now taken over as interim NZAEL Manager and we have seen some movement in terms of agreement. Hopefully we will have some positive news to present to members shortly.

The Directors and staff of Holstein Friesian NZ have put in considerable time and effort over recent years to ensure that the Associations' membership are represented on matters pertaining to the dairy industry in both NZ and on the world stage. This effort is paying dividends as we now get consulted by various industry organisations before decisions are made. While we can't always ensure that the decisions made are palatable to us or all Holstein Friesians breeders, our representation has ensured that the Association has

been in the position to be able to moderate some decisions. Members need to realise that the Association is never going to change the world, but at least if we have a voice in the industry our concerns can be heard and influence some change.

Thank you to all those members and Directors who have helped Holstein Friesian NZ become a realistic voice on industry matters. Our membership all needs to work together to ensure this effort continues and all members voice their concerns to the various industry and dairy company representatives in constructive ways.

Doug Courtman
Chairperson

Remuneration Committee



Michelle de Beer

The Holstein Friesian NZ Remuneration Committee met on 26 March 2019 to review Director Remuneration for the next 12 months, as required under the Rules of the Association. Members of the Remuneration Committee must not be members of the Association and are appointed by the Annual Meeting each year.



Mike Hanaray

The current members of the Remuneration Committee are M Hanaray, M de Beer and C Watson.

The Remuneration Committee reviewed Director Remuneration in line with inflation over the past 9 years, fuel price fluctuations over the last 9 years and information provided to the meeting in respect of adjustments to the Not for Profit sector during the past 12 months. Also taken into account was the Association's current financial position, its ability to pay Director Remuneration long term and the current global/NZ dairy industry situation.



Cherylyn Watson

Based on the above information, the Remuneration Committee agreed that the current rates for

Director Remuneration are appropriate for the 2019/20 financial year, with the exception of the Non Board Member daily allowance which it was agreed is out of line with the

inflation adjusted amount and is recommended to increase from \$128.00 per day to \$135.00 per day.

The Director Remuneration rates recommended for approval at the Annual General Meeting for the 2019/20 year are as follows:

Director Base Remuneration	\$1,400.00 per annum
Additional Presidential Honorarium	\$1,755.00 per annum
Additional Treasurers Honorarium	\$300.00 per annum
Attendance at Meetings outside of the Board	\$160.00 per day
Non Board Members meeting attendance	\$135.00 per day
Mileage Contribution	0.45 per km

All Honorariums and meeting allowances quoted above are the amounts prior to tax. The Base remuneration and additional honorariums will be automatically paid to each Director following the final Board meeting each year in June. If any Director wishes to opt out of receiving these payment(s) they must notify the General Manager in writing by no later than the 31 March annually.

Daily meeting allowances over and above the base remuneration must be approved by Board and the individual Director must furnish an expense form to claim these within the correct financial year.

In addition to Board Director Remuneration all airfares, accommodation, breakfast and lunch costs for each Board meeting will be booked and covered in full by the Association with the exception of attendance at the Annual General meeting and Conference.

Michelle de Beer, Mike Hanaray & Cherylyn Watson

Sire Proving Committee



Doug Courtman

The 2018/19 year has not provided many highlights for the Sire Proving Committee or Holstein Friesian NZ to revel in. Again this year the Association has not seen a Genetic Leaders bull graduate to marketing status with CRV. It may be time to re-evaluate the Genetic Leaders programme and its appeal to those breeders amongst our membership. In its hey- day the

programme received near to 100 nominations from breeders for the Committee to select a team from, however this past season only 59 nominations were received. In previous years numbers have been as low as 35, meaning the Committee is not left with much selection intensity to ensure an all-round marketable team is selected.

From the 59 nominations received for the 2019 Genetic Leaders team, 25 were selected for genomic testing, which shows a fair level of commitment on CRV's part, as well as providing those breeders concerned with valuable breeding information. The breed restrictions placed on CRV by LIC has also impacted the Genetic Leaders selection choices, especially as 90% of nominations are by LIC sires.

This year around half of the nominations received were by Maire IG Gauntlet ET further compounding the problem, when realistically there was only the option to have one Gauntlet son in the team.

Semen sales from the 2018 Genetic Leaders team were also low at only 1,625 straws sold, to 22 members. These sales were from five bulls only with the sixth bull being a late producer and semen only making it into CRV's progeny test herds. This is a really disappointing sales result as normally the Association sees 35 or more members supporting Genetic Leaders and purchasing semen.

Sales of proven bulls marketed by CRV only totalled 5,875 straws earning us a royalty of \$2,413. Middlevale Minte Brave was marketed in the main catalogue while Rivendell Gforce Axel, Lornlace VHA Dumpling S3F and Maire Oman Franklin were listed in the supplementary section. In 2019 Brave, Axel and Dumpling are listed in the supplementary section of the CRV Catalogue therefore the expectation of royalty income is not high.

Returning to my opening comments regarding the value of the Genetic Leaders programme to the Association, in its most profitable years \$20- 30,000 has been returned in royalties allowing HFNZ to both hold costs and invest in other areas for the benefit of all members. To increase our chances of returning to those days we need to ask for increased support from members. Nominate those bulls you think may be of interest, especially those by Genetic Leaders sires and those from CRV's proven ranks. This gives us diversity from a selection point of view and lessens the impact of the breeding restrictions placed on CRV by LIC. Also if you are considering any bulls for nomination be sure that you don't tie yourself into one AB Company, keep your options open and nominate them to all programmes including Genetic Leaders to allow genomic testing to be conducted. There is no additional cost to the breeder for offering to all programmes and this way if one of your bulls is turned down by one organisation, it can immediately be looked at by another including Genetic Leaders.

On a more positive note the Genetic Leaders Superior Female programme is gathering momentum. As I reported last year the Committee selected 13 heifers for the 2018 team, this year 31 nominations were received. At the time of writing this report the final selection had not been made as we are waiting for the last genomic results to arrive, but I would anticipate a larger pool being accepted to form the 2019 Genetic Leaders Superior Female team.

Thank you to those members who have shown loyalty and supported our schemes, while we can't always select your progeny, we equally can't select them if they are not nominated. Both the male and female programmes rely on greater nomination numbers to increase diversity and the chances of successful outcomes for both breeders and HFNZ.

Finally thanks go to Helen Henderson for the professional job she does in administering both programmes and to Cherylyn Watson for co-ordinating the schemes. The Sire Proving Committee put in considerable time on behalf of HFNZ and its members to run the Genetic Leaders programmes and I would like to thank them for their time and input in what has been a difficult year.

Doug Courtman
Chairperson



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