

22 August 2019

Hon Dr Megan Woods
The Minister of Research, Science and Innovation
Parliament Buildings

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Dear Minister Woods

LETTER OF EXPECTATIONS FOR 2019/20

Thank you for your annual Letter of Expectations for 2019/20. I understand this response will inform engagement with you and your officials during the current reporting period, and we look forward to those ongoing discussions with you.

The Board is completely aligned with your views that achieving the Government's priorities means an economy that produces and exports higher value goods, one that protects the environment, supports our regions to grow, and one that makes sure all New Zealanders share in the rewards of economic growth. AgResearch has a significant contribution to make toward meeting these priorities and looks forward to working constructively with the Government and officials and providing the support and the bold leadership required to meet the objectives set out in your Letter of Expectations for 2019/20.

Priorities for the Research, Science and Innovation portfolio

Agri-food production and food processing are important drivers of New Zealand's export receipts, regional and national economic performance and our national environmental scoresheet. There is an urgency to change our traditional food production systems and transition New Zealand's primary industries (including food and fibre products) into higher value products and exports. Protecting and enhancing New Zealand's global brand as a producer of the world's most sought-after high value food products is essential if we are to earn our way in the world and AgResearch's strategy and Science Plan are geared precisely towards this. Science-led innovation to improve the quality of New Zealand's freshwater and our transition to a low-carbon economy by 2050 will also be critical. AgResearch has been investing in farm decision support tools like Overseer and providing the environmental leadership to position ourselves in association with our collaborators to be world leaders in meeting these challenges.

Specific priorities for AgResearch

The Board is pleased you consider we have a strong record of delivering on our objectives while maintaining high standards of good governance and robust operating systems, and we note the three AgResearch-specific priorities you have set out for us in your Letter of Expectations for 2019/20.

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- The Board welcomes your encouragement to continue to push scientific boundaries for New Zealand's land-based food industry by being bold leaders around the future of food, farm systems, climate change and the environment. Our refreshed Science Plan focuses our research on added-value foods and bio-based products that meet consumer needs; protected, enhanced and sustained natural resources; and prosperous and sustainable land-based communities
- We welcome the government's commitment to the development of the first stage of Lincoln as a centre of research excellence for the primary sector. We have entered into a conditional agreement to purchase land from Lincoln University to independently build integrated facilities for our staff that can be jointly used with tertiary education providers and private sector collaborators. We plan to present a Single Stage Business Case to you for Ministerial approval in the coming weeks and look forward to communicating our wider organisational change programme in the new financial year.
- At Invermay we are committed to maintaining our human and physical capital to ensure our campus remains a vibrant centre for primary sector research. Our science will focus on sheep genomics and genetics and support for Otago and Southland, including water quality. We currently have nearly 20 co-location business partners on the campus and we will continue to look explore new opportunities with potential collaborators.

Four campus model

The AgResearch Board and Science Advisory Panel has recently reviewed the partnerships and facilities we require to deliver on our refreshed Science Plan and reaffirmed the continuing criticality of our four-campus model designed to deliver on our strategy, balance our national and regional needs, develop new collaborations and safeguard our status as a vibrant attractor of science talent and partner co-location. Our Ruakura and Palmerston North campuses, along with Lincoln and Invermay, will continue to make strong and strategic contributions to achieve our Science Plan objectives and those that you have set out in your Letter of Expectations for 2019/20. Scientists based at Ruakura will lead important research into land-use and environmental issues in the upper North Island focused on water quality centred on the Waikato River, regional biosecurity, dairy food systems, and iwi interests in niche dairy (sheep and goat). Our science at our Palmerston North Food Science Hub will focus on food science and food safety with our Food HQ partners (Massey University, Plant and Food Research and Fonterra) and support the New Zealand Agriculture Greenhouse Gas Research Centre. The new AgResearch – Massey University Joint Food Science Centre is well on its way to completion and the \$45m facility will open in the first half of 2020.

Employment and workplace relations

AgResearch will continue to develop new and smart collaborations, with disciplines and partners outside of traditional networks to achieve the outcomes sought by the Science Plan. The recently approved Digital Agriculture Investment platform is an opportunity to demonstrate how we are implementing the Science Plan, and the programme encourages bold, risky and transdisciplinary science. A key strategic focus for AgResearch is mitigating the effects of climate change. As you will

be aware, we host, and are a partner of, the New Zealand Agricultural Greenhouse Gas Research Centre and are a partner in the Pastoral Greenhouse Gas Research Consortium. We are acutely aware of the need to support the growing Māori economy. Our objective in this area is to make significant and lasting impacts for Māori through building the capacity of landowners and trustees to enhance resource stewardship and unlock the potential of whenua-based assets. Diversity and gender pay gap matters are an ongoing area of focus for AgResearch at Board and management level – we and our Science NZ partners agree that a diverse and inclusive science workforce can improve research productivity and impact and strengthen the relationship between science and industry. AgResearch also looks forward to supporting officials with the MBIE-led review into long-term science funding that underpins how well CRIs are positioned to meet New Zealand's future needs.

Finance and investment

The Board notes your expectations regarding financial performance are unchanged, and that robust business cases for all significant investments and transactions are required. In accordance with our Statement of Corporate Intent (SCI), we expect to deliver an adjusted return on equity (RoE) that will be -1.5% in 2019. However, we are projecting 1.8% RoE by 2023. We will engage with you and officials during the 2021 SCI process to ensure we are aligned on the financial projections for AgResearch and we will continue to manage our resources to ensure we can respond to new areas of growth and demand. If it would be helpful, representatives of the Board and management would welcome a discussion with you on any or all of these issues at a time that is convenient to you.

Yours sincerely



Acting Chair

Cc: Michael Bird, General Manager Entity Performance & Investment
Ministry of Business, Innovation and Employment

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