



SILVER FERN FARMER

21 NOVEMBER
UPDATE

New Marshalling Floor at Pacific Site

From Hawkes Bay: this week we started live testing of our new Marshalling Floor at our Pacific site in Hawkes Bay.

The Marshalling Floor is infrastructure which greatly increases our chilled capacity. It features automated rails which sort carcasses by specification, grade and market on a scale not previously possible.

This investment will increase our capability to grow processing numbers in the off-peak season which raises the level of minimum guaranteed supply year-round.

It's a key part of our strategy to grow our attributed programmes, which attract higher premiums in market and flow more value back to farmers.

We partnered in this with engineering firm Wiley, who designed, built and delivered this project which we believe is the largest of its kind in Southern Hemisphere.

The new Marshalling Floor is a big investment for the region. There will be an increase in FTEs because our processing season at the site is lengthened – this means more jobs and revenue for the local economy.

It is also a major investment in our beef farmers who will soon have more options to supply the market year-round.

We will continue to work through the testing process and will provide some broader coverage on the new Marshalling Floor in the New Year once it is fully operational.

New End-to-End Processing System Underway

From Christchurch: meanwhile at our Belfast site, we have just gone live on the first stage of a new system which upgrades the technology we use to track and document our processing activity.

This investment is part of a broader programme of work modernising all our sites by upgrading the computer systems which record the data in each stage of processing.

The new technology is a step change in the way our site systems will operate and it will deliver improved traceability, improved product control, increased ability to respond to customer requirements, and better reliability.

One end-to-end system means we have better oversight from animal arrival, throughout the processing rooms, to finished meat products in their final packaging.

This will help ensure the product attributes promised to customers and consumers match finished products, and will avoid risk of downgrades, mislabeling or misrepresentation.

The technology also gives the whole business more timely access to better information about our processing activity, which gives us a great base for continual improvement. The system is easier for staff to use, and will be standardised across the site network.



CIIE Concludes

From Shanghai: as we mentioned in our last report, we've had a big focus at the 4th China International Import Expo (CIIE) which has just concluded in Shanghai in the last week.

While our New Zealand-based team had to present remotely, we are fortunate to have a strong China-based team to represent the company at this important event.

The six-day CIIE typically attracts over 480,000 visitors and featured nearly 3,000 business exhibitors from 127 countries and regions. The total exhibition area at this year's edition was a record 36.6 hectares.

As the rest of the world continues to open up, it's more important now more than ever that we maintain our presence in these key markets.

We were pleased with the amount of interest and coverage we gained from this event, including being mentioned in more than 900 articles in Chinese media including top-tier national media and business media.

In particular we featured in an article in China's Xinhua News Agency, which has helped generate more than 120 other media pickups all over the country, and another 40 around the world.

This name recognition will support the work we are doing to increase our brand presence in China, including on the range of Silver Fern Farms branded products that now feature in high-end Chinese supermarket Hema.



Main Image: The Silver Fern Farms stand at the 4th CIIE.

Inset: Silver Fern Farms China Country Manager Alex Wang speaks to audience of customers



An Eye on Beef

We are keeping a watching brief on global beef exports and, in particular, if there is any movement to resume Brazilian beef exports to China.

China typically imports more beef from Brazil than any other country, and recently Brazil had been shipping as much as 62% of their total beef exports to China.

However, Brazilian beef exports to China have been paused since September due to cases of atypical mad cow disease in Brazil. Recent pricing of our beef exports into China have been firm.

Reports in the last week suggest that the suspension of exports to China has only minimally increased the volumes of beef that Brazil has shipped to other destinations. Total exports for October were down by approx. 100,000mt as Brazil scaled back production - this volume would have been destined for China, and will resume once suspension lifted.

While there is no official indication of a resolution to this matter, any resumption of trade could result in higher volumes of beef in the market and downstream impacts to beef pricing over time.



Suppliers Now Qualify for Rewards

You might have come across some of our billboards on your drives, or read the coverage we're getting in local papers – it should be obvious that we have a big focus on recruitment across our processing sites this year.

At the moment we're facing a perfect storm of labour shortages, and need between 500 and 600 staff across our sites to ensure we have the right processing capacity.

We've extended our 'Muster your Mates' programme which rewards staff for successfully referring new employees to work at Silver Fern Farms. As a livestock supplier, you now qualify for rewards if your mates are referred and employed.

If you identify a 'mate' who would make a great team member, all you need to do is:

- Encourage them to apply online for a processing role at the local site;
- Call or email the site's Employment Coordinator (or recruitment person) to advise of the mate's name and contact details;
- If the mate is employed, works for 12 weeks, and shows 'exemplary' performance and attendance, a Gourmet Direct 'sampler' hamper will be sent to you.

Any prospective employees can apply at any of their local Silver Fern Farm sites, or by going to careers.silverfernfarms.com

MARKET REPORTS



Beef

Beef demand remains firm in the lead up to key holiday events in the US and China

Thanksgiving Day is a US national holiday celebrating the harvest and blessings of the past year, and is being held on Thursday November 25th.

US food price inflation is strong. In September, the average price of beef at retail was 24 percent higher than the same period last year, and highest price on record.

Wholesale and retail prices for beef have increased at a faster rate than other proteins such pork and chicken.

Meanwhile in China, demand for all chilled and frozen beef remains firm for all pre-Chinese New Year arrivals.

We continue to maintain a balance of sales across other North Asian markets such as Japan, Korea and Taiwan. This is enabling us to mitigate shipping space restrictions and COVID risk disruption should these escalate within any given market.

Australian slaughter has been revised down to 6 million head for 2021, the lowest in 36 years. Good seasonal conditions across the eastern states and southern Western Australia have kept processing numbers well below previous years.

Europe has increasing numbers of COVID cases which is seeing some restrictions being reimposed across various markets. This continues to be a watch point as food service demand was significantly affected through 2020.



Sheepmeats

Logistic challenges continue to be the running theme for sheepmeat markets

Operations at the Dalian port in China have been suspended due a new wave of Covid-19. This will be the third round of lockdowns and quarantine this city has experienced.

Work is well under way with customers and shipping lines to limit any effect this will have on supply for the important Chinese New Year inventory build. We have gained plenty of experience over the past 12-18 months in dealing with issues such as this, alleviating impacts as and where able.

Chilled demand continues to be serviced by way of both regular consignments via seafreight, providing customers with continuity of supply through the entire year.

We are approximately three quarters of the way through our airfreight chilled leg program to the large UK retail consortiums for the Christmas trade. The final week for production is next week with demand for chilled falling away at the end of November.

Frozen demand remains firm globally but is expected to ease with the increase in livestock supply. November is traditionally a light supply month and massively influenced by favourable growing conditions which contribute to short-term demand and holding prices. Tradition would dictate an easing to price as livestock supply comes on stream.

Mutton demand remains steady, with New Zealand's largest mutton market, China, continuing to show an appetite for whole carcasses in particular. Expectation is for some easing in the New Year post the Chinese New Year buying frenzy.



Venison

The European game season is now drawing to a close but airfreight consignments will continue over the next week.

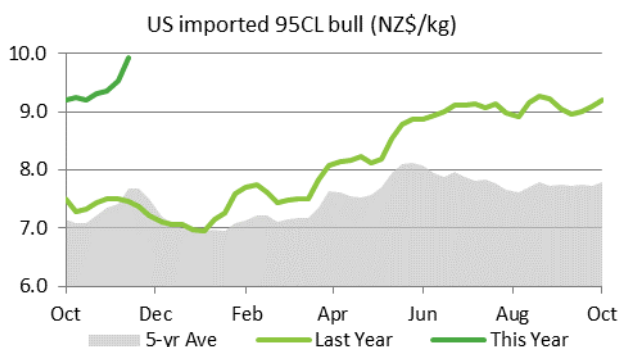
The last of our chilled consignments will 'wing' their way via airfreight to continental Europe over the next week and bring to a close production towards the all-important European game season.

Volumes and pricing towards this year's largest chilled supply period have been positive with increased confidence seen from market although they continue to operate under trying conditions. We should take confidence from these markets adapting to these new challenging environments, growing programs, volumes and returns.

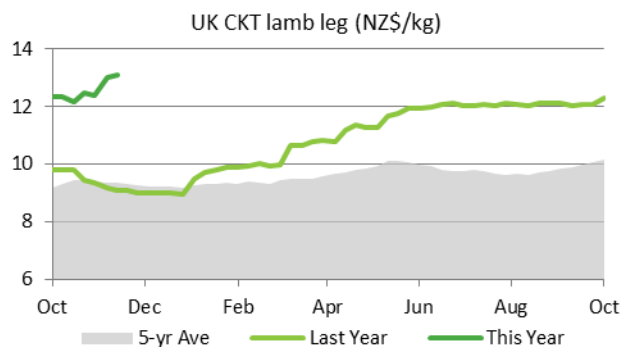
The EU and North American customers will continue to service their chilled demands via their regular programmed seafreight consignment through until the end of 2021 where demand for chilled product falls away with the start of the New Year.

Frozen venison sales continue to build and importantly demand spans across a number of specifications. We continue to experience good growth in what we would now term 'standard' China Venison items as well as 'new' offerings, by meeting market demand through some great cohesive work from our team on the ground in Shanghai

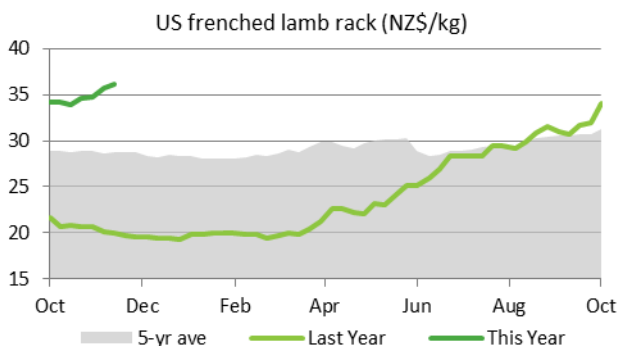
US imported 95CL bull



UK CKT lamb leg



US French Rack



Lamb Flaps

