

UPDATE 04 FEBRUARY 2022

Animal Movements During Omicron

New Zealand is fast preparing itself ahead of the disruption that Omicron will bring in the coming weeks. Silver Fern Farms is well underway with our own planning, with our primary focus on four key areas:

- **Protecting the safety and wellbeing of our people,**
- **Keeping the domestic supply chain moving to ensure our products remain available for all New Zealanders across the retail and foodservice channels,**
- **Unlocking all available capacity to maximise the number of animals we can process,**
- **Prioritising both areas with animal welfare risk, and our loyal fully shared suppliers.**

Our position to-date has been to defer the drafting and transport of animals from any farm that has a link to a positive Covid-19 case. However, under the current settings we recognise the potential scale and speed of the Omicron variant will make it unsustainable to try and maintain this position.

Effective w/c 7th February Silver Fern Farms will allow the booking and pickup of animals off a property where: a household member(s) may have Omicron; is a close contact; is a casual contact; or has been asked to self-isolate. In these instances the following guidelines **MUST** be followed to allow animals to be picked up for processing at Silver Fern Farms:

1. The farm property has adopted and is following the [Beef + Lamb NZ guidelines on managing Covid on farm](#),
2. The farm has notified their Silver Fern Farms Livestock Rep of their change in status AND the Livestock Rep has approved a time and date for contactless drafting (if needed) of animals and a contactless pickup of animals with an assigned livestock transport carrier,
3. All positive cases on the property and close contacts **MUST NOT** be physically present at the yards at time of drafting or the loading of animals onto the truck,



4. All parties involved in the drafting and loading of animals must maintain a safe distance of 2 meters from each other, wear a **P2** or **N95** mask, and follow the required Ministry of Health hygiene and sanitisation protocols.

If the above guidelines cannot be achieved then the pickup of animals would be deferred until all parties on the property have been cleared by the Ministry of Health.

If there is a breach in guidelines during the drafting or loading of animals either the Silver Fern Farms Livestock Rep or Transport Driver has the right to stop the collection of animals.

Silver Fern Farms and our transport partners continue to strongly recommend the use of [eASDs](#) to assist contactless pickups and reduce errors impacting on cartage/processing efficiency and market returns.

If in doubt, please contact your Silver Fern Farms Livestock Rep. Thank you for your support and adherence to these guidelines through the coming period.



Preparing for a longer season

There is no way to totally avoid upcoming impacts that Omicron will have on our workforce. Coupled with dry climatic conditions, an already challenged workforce and a late season, this means that everyone needs to prepare for a longer processing season.


The NZ ovine kill is 8% behind season to date versus last year and the NZ bovine kill is 3% behind season to date. This means there are more animals yet to process across the remainder of the season.

Early indications show that for most stock classes it will not be until July before we will catch up current backlogs. This may be earlier or later depending on how much capacity is lost due to Omicron in the coming weeks – the unknown part of the equation. We ask all farmers to recognise you will unlikely get animals processed as timely as normal, and no one group will be immune from this.

Sharing your forecasted volumes with your Livestock Rep is important so we can understand pressure points and we can plan accordingly. However, sharing your forecast does not guarantee space in those weeks, nor does over inflating your forecast in the hope of access to additional processing space.

Below is what are we doing at Silver Fern Farms to try and minimise the time animals need to be held on the farm:

- We are actively working with Government to enable any seasonal workers that may be made available to our industry.
- We are actively communicating with Government and industry bodies on the immediate on-farm risk that Omicron and current immigration settings are having.
- We have stringent protocols at plant to minimise the risk of Covid being transmitted in the workplace.
- We are building our internal contact tracing capacity to ensure we can efficiently minimise the spread of Covid in the workplace.
- We are leading the way in the use of Rapid Antigen Tests to ensure we can get workers back to work efficiently.
- We have introduced an attendance & retention incentive at plants to maximise safe processing.
- We are upskilling workers to ensure cover for vital roles at plant, including splitting teams so to minimise the close contacts.
- We have options to simplify our production (cutting) plans to maximise 'volume' throughput - versus 'value' capture.
- We are prioritising the regions with greatest animal welfare risk.
- We are prioritising our loyal fully shared suppliers.
- We are only processing animals direct via a Silver Fern Farms Livestock Rep (i.e. no supply from third party agent supply).
- We have a bulk/conventional shipping plan in place to compliment using shipping containers – mitigating cold chain bottlenecks.
- We are ensuring extra container plugs on site to allow greater storage options for likely supply chain disruptions.
- We are adding a night shift to our Takapau Retail room to maintain the fulfilment of our NZ Retail & Burger ranges.
- We are running all available overtime options at plant – balancing both throughput and staff welfare.
- We have protocols in place to uplift animals from farms that have a positive connection with Covid.



Indicative processing wait times

PRE-OMICRON IMPACTS
UPDATED 3 FEB 22

North Island		
SPECIES	TODAY	OUTLOOK (in 4 weeks time)
Beef	5-6 weeks	6-8 weeks ↗
Lamb	3-4 weeks	4-6 weeks ↗
Mutton	4-6 weeks	6-8 weeks ↗
Venison	3-4 weeks	4-6 weeks ↗

South Island		
SPECIES	TODAY	OUTLOOK (in 4 weeks time)
Beef	3-4 weeks	6-8 weeks ↗
Lamb	1-2 weeks	6-8 weeks ↗
Mutton	3-4 weeks	6-8 weeks ↗
Venison	1-2 weeks	3-4 weeks ↗

Silver Fern Farms prioritisation:
1. Areas with animal welfare risk
2. Loyal fully shared suppliers
3. Valued & loyal suppliers

Note: The above wait times are based on current livestock forecasts and our available capacity which is impacted by labour shortages. Further Omicron impacts on our available workforce are not factored, but will adversely impact these positions further.

100% MADE IN NEW ZEALAND

Indicative processing wait times.
Click the image to open in a new tab.



Emissions Pricing Options Presented

This will be a series of articles on HE WAKA EKE NOA (HWEN) over coming weeks as consultation with farmers gets underway. In this first article we will be giving a brief overview of the background to HWEN and a summary of the options up for consideration. In the coming weeks, we will go into further detail as to Silver Fern Farms' position and preferred option.

In October 2019, Government agreed to a proposal from the primary sector to work together with iwi/Māori to develop a system for measuring, managing and reducing agricultural greenhouse gas emissions, rather than simply putting agricultural production into the Emissions Trading Scheme (ETS). The partnership is known as He Waka Eke Noa.

He Waka Eke Noa partners are now consulting with farmers on options for an emissions pricing mechanism. Two options have been put forward for feedback: a farm levy, and a processor levy. These options, alongside the implications of going into the ETS are outlined below.

Default: ETS Backstop

This option will come into effect if none of the alternative options are progressed.

Emissions are calculated at the meat, milk, and fertiliser processor level, based on the quantity of product received from farms, or in the case of fertiliser, sold to farms.

Processors would likely pass on the cost to farms based on the quantity of product processed, or fertiliser bought.

Initially 5% of emissions from agriculture would be priced (95% of emissions would be freely allocated to processors). Free allocation is expected to reduce by one percentage point a year.

All gases would be treated the same; i.e., methane and nitrous oxide would be priced at the same rate per tonne of carbon dioxide equivalent (CO₂e).

Government intends that any revenue raised through the backstop would be invested back into the agricultural sector to support further emissions reductions. This could include paying for sequestration not eligible for the NZ ETS (e.g., riparian plantings).

Currently only sequestration eligible for the NZ ETS is recognized under this option.

Option 1: On Farm Levy

A body with farmer representation sets the levy rates for biogenic methane and nitrous oxide emissions

Emissions are calculated at farm level using farm-specific data. The farm then pays a price for its net emissions.

A split-gas approach to pricing would be applied, which means that different levy rates would apply to short-lived (methane) and long-lived (nitrous oxide and carbon dioxide) gases. This approach reflects that methane is not required to reduce to net zero.

Option 1 rewards eligible on-farm sequestration and can offset some of the cost of the emissions levy.

Any revenue raised through the levy would be invested back into the agricultural sector to generate further emissions reductions through research and development, incentives to uptake technology, or actions on-farm that help reduce emissions.

Option 2: Processor Level Hybrid Levy

A body with farmer representation sets the levy rates for biogenic methane and nitrous oxide emissions.

Emissions are calculated at the meat, milk, and fertiliser processor level, based on the quantity of product received from farms, or in the case of fertiliser, sold to farms.

Processors would likely pass on the cost to farms based on the quantity of product processed, or fertiliser bought.

Similar to Option 1: a split-gas approach to pricing would be applied.

Farms (individually or in collectives) could choose to enter into an Emissions Management Contract (EMC) to get a payment for reducing emissions and/or for recognising sequestration on-farm.

Any revenue raised through the levy would be invested back into the agricultural sector to generate further emissions reductions through research and development, incentives to uptake technology, or to reward actions on-farm that help reduce emissions. One option considered for revenue recycling is an EMC.

On Farm Sequestration

Both the farm-level levy and processor-level hybrid levy would recognise on-farm sequestration. These would:

- Recognise some vegetation types not currently eligible for the NZ ETS. It would not recognise NZ ETS-eligible exotic forestry.
- Recognise vegetation categories that are either permanent (indigenous/native vegetation that will not be harvested) or cyclical (vegetation that is felled and re-established, generally exotic species).
- Recognise native regenerating/planted forests, riparian planting, shelter belts, perennial cropland, non-NZ ETS eligible woodlots/tree lots, and scattered exotics.
- Place liabilities on vegetation if it is cleared (permanent categories) or cleared and not replanted (cyclical categories). This only relates to vegetation that is entered into the He Waka Eke Noa system. There are also provisions for when vegetation is removed as a result of adverse events and customary harvest.
- Use different methods to calculate sequestration depending on the vegetation type.



SILVER FERN FARMER

Thanking our Pacific Island staff



Families of seasonal workers in lockdown surprise

SAMOA



With travel and border restrictions preventing many of our Pacific Island staff from returning to their homeland for a long time, we decided last year to send a food gift in acknowledgment of the commitment many families are making having their loved ones working alongside us here in New Zealand.

Packages were sent to families in Samoa and Tonga. In Samoa the news was picked up by a local newspaper, highlighting the dedication of our staff who have not been able to return home for over two years in some cases.

In Tonga these packages arrived only hours before the mid-January volcanic eruption and tsunami warning. Despite the developing situation many families were able to pick up their parcels and reports back from Tonga are that they've provided some much-needed brightness in the aftermath of the eruption.

1
COW



1
year

1 COW CAN SUPPLY A YEAR'S WORTH
OF MEAT TO A LOCAL FOODBANK.

THIS YEAR SILVER FERN FARMERS DONATED
157 ANIMALS TO MEAT THE NEED, HELPING THOUSANDS
OF KIWI FAMILIES TO PUT HIGH QUALITY, NATURAL RED
MEAT ON THE TABLE IN 2021.

TALK TO YOUR SILVER FERN FARMS LIVESTOCK REP TO
DONATE TO MEAT THE NEED THIS SEASON.



meat the need

♥ WITH SILVER FERN FARMS

MEATTHENEED.ORG



Beef

Australian beef exports dropped to 43,300mt in January – the lowest monthly figure on record.

Beef processing in Australia has been significantly affected due to the increase in Omicron cases, resulting in close contact isolations causing absenteeism.

We have seen a significant lift in demand for grinding meat across North Asian markets – a result of increasing beef burger sales. Covid-19 restrictions have increased the demand for takeaways and all large burger chains have experienced strong sales growth.

US grinding meat prices have eased off recent highs as large end users reassess inventory positions. Additionally, all importers are experiencing a significant increase in clearing costs for containers, due to delays in USDA inspection. These costs are being passed back through the supply chain in the form of lower pricing.

Logistics disruptions remain a challenge for all importers with no immediate solution, and this

will continue to disrupt vessel rotation to the North American market for some time.

US domestic cow supplies are at a seven-year low following drought conditions across Western USA last year, which saw a heavy liquidation of cows. Combined with labour shortages this will keep US production constrained. The outlook for beef demand and pricing to the US remains positive for 2022.

China pricing has eased for post Chinese New Year sales as the wholesale market adjusts to the increase in volume coming out of Brazil, but the market is stable with good demand.

There remains an underlying strength in demand across other Asian markets which is providing good price stability.

European chilled demand is showing signs of recovery as monthly programs resume. Demand for frozen Beef Tenderloins remains firm.

Chilled demand remains strong across all categories.



Sheepmeats

Omicron remains a constant threat to production however we continue to plan contingencies for multiple scenarios to minimise the impact.

Encouragingly many nations across the world seem to be reducing Omicron related restrictions and this has allowed markets to begin to recover.

Easter chilled production continues to be our focus, and will remain so over the next two weeks.

The market in China is quiet with people on leave for the Chinese New Year holiday period. New business has been very limited however we expect to see this return to normal in a little over a week and it is at this time we will have a true feel for demand and as to where prices have reset.

Chilled demand has reduced slightly from North America amid concerns around inflation. Consumers are likely trading down in terms of protein, and less people are choosing to dine out, however the decline has not been substantial and frozen demand continues unabated.

Our Middle East partners continue to show improving demand however we have seen prices come under pressure here in line with other global markets, especially as suppliers look to re-enter the market after an extended absence.

Logistical challenges remain and the headaches continue around attaining adequate shelf life on chilled product upon arrival to market.

The mutton market remains subdued primarily due to the absence of interest from China. Forward sales will carry us through until we recommence negotiations with customers post the Chinese New Year holiday period.



Venison

The Venison markets remain flat, as is typical for this time of the year, and whilst we continue to field enquiries from the EU the volumes are limited in size.

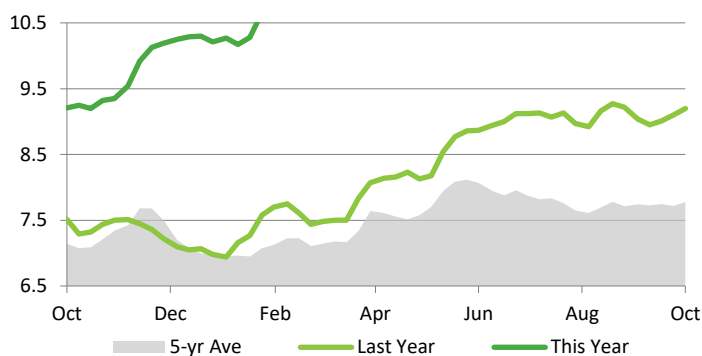
As Covid-19 related restrictions reduce and business returns to normal, the expectation is that we will begin to see an increase in market confidence and interest from EU consumers.

Good sales were achieved into China leading into Chinese New Year, and as with the lamb

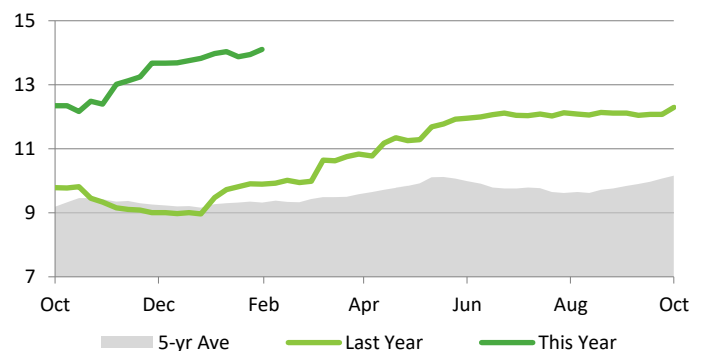
and mutton, we will continue negotiations upon our customers return from holiday.

Volumes into China have continued to steadily increase and they can now be looked upon as a market of substance with growing potential.

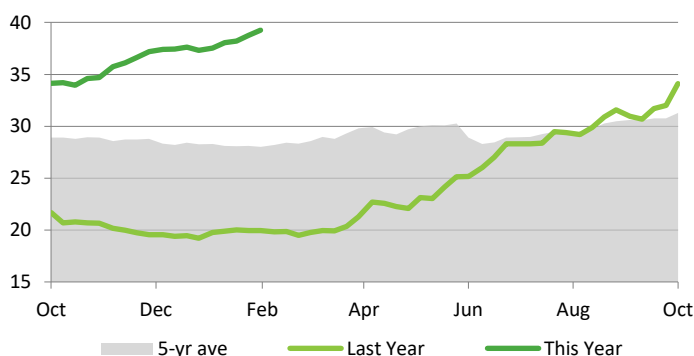
US imported 95CL bull



UK CKT lamb leg



US French Rack



Lamb Flaps

