

**SILVER
FERN
FARMER**

UPDATE 04 MARCH 2022

Net Carbon Zero Underway In Market

The next week will see our in-market PR activity take flight as Silver Fern Farms' Net Carbon Zero Beef range launches into supermarkets in New York and Los Angeles.

The range includes Net Carbon Zero By Nature branded Angus Ribeye, New York Strip Steaks, Ground Beef and other beef products. Given the enormous amount of work that has gone into this programme to date it's incredibly exciting that US consumers can now experience this category leading product in-market.

It also means we're making our first payments through to the farmers on the programme for the supply of their Carbon Removals, and we understand this is a world-first. The Net Carbon Zero programme has been designed to reward farmers for sequestration services through vegetation on farm that doesn't qualify for the Emissions Trading Scheme (ETS). Given the importance of these carbon removals for not only emissions but also biodiversity and water quality, it's great to be able to recognise and reward this. We are looking forward to bringing you further updates around the continuing development and expansion of this programme.

In related news, the Government has just released a discussion document this week which has a range of proposals including seeing permanent plantings of exotic forests like radiata pine excluded from the ETS. While offsetting emissions is important, it's good to see a growing realisation of the need to consider exactly what trees we are planting and where they are being planted, and balance that with the wider needs of local communities, regional economies, and the environment.

Silver Fern Farms will be working through this proposal to better understand any implications and will share our position on this with you when we make a submission.

SILVER FERN FARMS
100% MADE OF NEW ZEALAND

NEW NET CARBON ZERO BEEF

- Net Carbon Zero
- NO Antibiotics Ever
- NO Added Hormones Ever
- NO Feedlots Ever
- 100% Grass-Fed

FIND OUT MORE

NET CARBON ZERO BY NATURE™





Adapting To Supply Chain Disruption

This week, GM Supply Chain Dan Boulton gave an overview of the impact of omicron on the supply chain, and the implications this is having in terms of the length of our season. Click on the link below to listen to his presentation, or grab the key takeaways from the notes below:

The global supply chain remains just as problematic as ever, and we're at the point where the disruptions we face every day are nearly the new BAU for most exporters here in New Zealand. Shipping capacity, vessel schedules, port productivity and landside infrastructure remain congested and disrupted in every country and across every trade lane globally.

Currently some vessels may only call three NZ ports whereas they'd previously call five ports. This allows the round trip of this vessel to keep on schedule, but it requires us to export the same volume from less port calls. This puts significant pressure on New Zealand landside and coastal infrastructure to position and move containers across the domestic network.

Anyone working in logistics deserves a medal for their efforts these last two years, and they will be deserving another medal to get through the next 12 months. All exporters are working well in the current constraints and with the available shipping capacity, but there is little wiggle room for a market adjustment.

Here in NZ we are seeing a trifecta of risk between labour shortages, the impact of Covid, and a later season - all of which will have an impact behind the farm gate. Most farmers are already well aware of our labour challenges, and the impact that has on our ability to collect all value cuts.

With Omicron here it means we are now operating in a state of volatility the industry has never experienced. Our daily processing capacity is changing every day, with each plant only finalising their daily intake number once they know how many people are available to work and the skill level available.

We appreciate this adds pressure and requires agility for you on farm, our transporters and our livestock and planning teams. We have a number of loads on hold each day, and can only give them the green-light to come into our processing plants once we are confident on our daily tallies. We appreciate your co-operation with this approach.

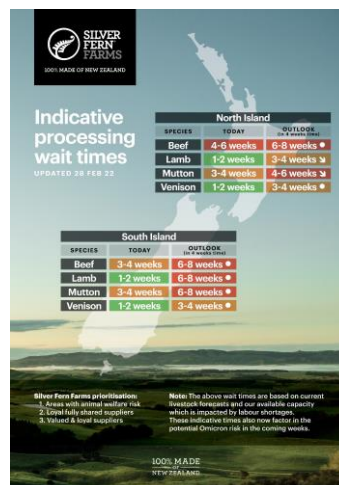
This allows us to maximise every single available hook without increasing the risk of animals not being processed. To share some numbers, both the national beef and sheepmeat kill for w/c 21 Feb 2022 was only 75% of the same week in the prior year. This week (w/c 28 Feb 2022) the national processing capacity has eroded significantly further as Omicron impacts more of our communities we operate in.

This week, Silver Fern Farms' processing facilities have been running between 10-100% of normal capacity, showing the wide range of impact across our own 14 sites. We have been managing well to date, but the next 2-3 weeks are forecasted to be the most challenging with the largest reduction in available capacity. Our Livestock Team and Livestock Planners are doing a phenomenal job managing this volatility - please be patient with them as we work through this next period.

It goes without saying we all need to plan for a longer season, however we are doing everything we can to help stop the pressures from compounding. For example, I am confident we can complete the lamb kill before we move to bobby calves, and that we can manage our beef backlogs alongside cull cow flows. It is unavoidable that these risks will come with significant increased short-term cost and inefficiencies across sector. This may take some heat out of the farm gate price, but pleasingly we continue to have excellent on-going demand and pricing from our key markets, and so we are aiming to keep the impact on farm gate pricing short-lived.



[Click to watch the B+LNZ webinar Adapting to Supply Chain Disruption with our GM Supply Chain Dan Boulton](#)



We are regularly publishing our indicative processing wait times for the North and South Island. [Click here](#) to view the full map.



Beef

The global beef supply chain remains tight, and any disruptions through shipping or production are monitored closely by our customers.

Russia's invasion of Ukraine will likely add to global food price inflation. Ukraine is one of the world's largest grain suppliers, producing 13% of global corn exports and 12% of wheat. Together Russia and Ukraine account for 18% of global corn exports and 28% of wheat.

Wheat futures have jumped 12% in the US and 15% in Europe this week. This will lead to higher pricing for grain-fed beef, chicken and pork as these costs are passed through the supply chain.

Russia has become relatively self-sufficient in providing its own meat protein over the past decade. Beef imports for example are down 67% since 2010, and are mainly sourced from Belarus and Paraguay.

There will be limited disruption to global beef movements, with China now the major market for South American exports.

Southern Queensland and Northern NSW received record rainfall across large parts of the coastal region disrupting a large network of beef processors. Most of Queensland's largest processors were affected, as well as shipments from the Brisbane port. We would expect production and shipments to normalise over the next couple of weeks.

Beef markets remain stable with good demand.



Sheepmeats

Lamb markets have remained consistent with both demand and pricing over the previous fortnight.

This should continue to be the case in the short term, especially as markets across the globe continue to improve and deal with a Covid environment.

That said, the current situation between Ukraine and Russia is disconcerting with potential impact on the economic position of individual countries still unknown. We have not traded directly into the Russian market for a number of years, so we are not experiencing any direct impact on business.

Despite the conflict in Eastern Europe it has been business as usual for global markets with demand and pricing holding steady.

We continue to see very positive demand from the UK. Their inventories are low at present however with Easter chilled trade completed,

and a shift in focus from NZ producers towards servicing frozen demand, expectation is that this situation will be remedied very quickly over the next few weeks. As a direct result of an influx of product into the UK we expect to see an easing of pricing to follow.

Middle Eastern markets continue to compete with global pricing however high prices for products from New Zealand are having a negative impact on volumes. As a result of these high prices out of NZ and Australia, Middle Eastern customers are looking for other markets to source product from, such as India, Kenya, Georgia, Sudan, and Kazakhstan. Whilst NZ product remains the preference there is a ceiling for pricing as ultimately lamb must remain profitable for our customers and consumers.

On Mutton, China remains the driver on volume and price, and continues to set the pace for other global markets to follow and compete with.





Venison

More of the same positivity on the venison front as prices strengthen and demand remains firm across our main markets.

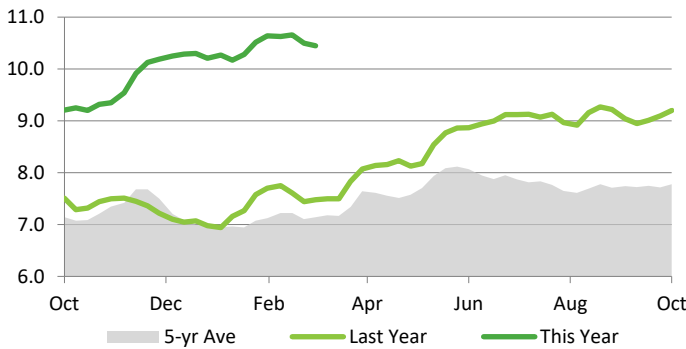
The EU continues to perform above expectations with demand for higher value middle and leg cuts. Pricing into this market continues an upward trajectory as the market recovers from Covid-restricted trading. It is important to note however that EU customers are buying now and building inventory for consumption during the game season in late 2022.

The China market has picked up where it left

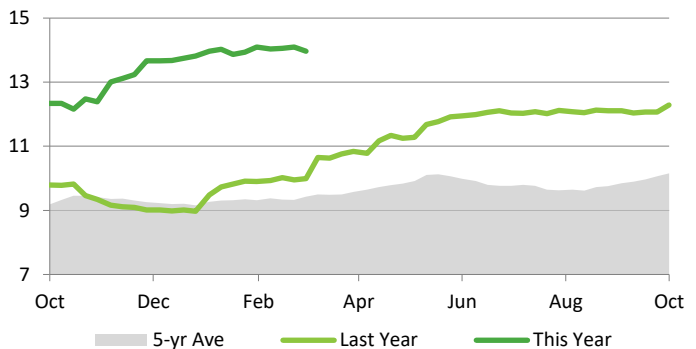
off, after a break for Chinese New Year, and we continue to see good growth across what we now refer to as their 'standard' specifications. Momentum continues to build for higher value products such as French Racks, Boneless Shortloins and Legs, as we continue to reap the benefits of our focus on venison in this emerging market. Pricing into China remains competitive with other global options, and both volumes and pricing continue to increase in unison.

North America remains relatively subdued in terms of demand. This is traditionally the case, given the seasonality of the product into this market.

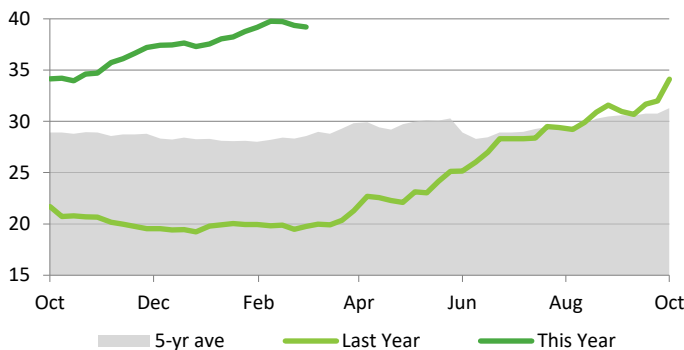
US imported 95CL bull



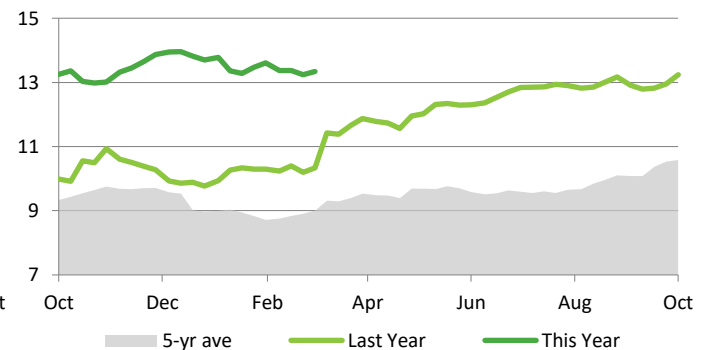
UK CKT lamb leg



US French Rack



Lamb Flaps





It's a tough time for everyone at the moment. And with everything that's going on in the world, it's easy to get caught up in looking after number one.

But, here in New Zealand, you know you can always count on Kiwi farmers to go out of their way to help out - whether it's a tow out of a ditch, a donation for the meat raffle, or a bit of real, down-to-earth reassurance that everything's gonna be OK. To actually do something - rather than just talking about it.

And right now, New Zealand needs your help more than ever.

That's why we're asking all the Kiwi farmers out there to come together to Meat the Need. To be even more than the backbone of this country. To pitch in together to make a real difference for fellow Kiwis who are struggling. To humbly lend a hand because it's the right thing to do.

What's more, the red meat you raise here in New Zealand is the best in the world - and it's packed full of high-value nutrition that is even more important to those for whom a good square meal is sometimes pretty scarce.

So donate to Meat the Need now (you can even do it virtually these days). And together, farmers can make a difference for New Zealanders who need it the most.



TALK TO YOUR SILVER FERN FARMS LIVESTOCK REP
TO DONATE TO MEAT THE NEED NOW

MEATTHENEED.ORG