

# Processing Update

## • OMICRON OUTBREAK

Even with all the contingency planning in place, we knew that Omicron was going to have a significant impact on the New Zealand workforce and would likely arrive here during the peak processing period for Sheep, Beef and Venison.

In early February 2022, we forecasted a 'best case' scenario that Silver Fern Farms would lose 20% of its total capacity for at least a six weeks period starting in late-February. This was based on data and experiences from similar industries in countries that were ahead of New Zealand on the Omicron curve.

### So how are we tracking seven weeks into the Omicron outbreak?

**BEEF:** After seven weeks, Silver Fern Farms Beef capacity has been running at 77% of normal - including Saturdays. Across our eight Beef plants, available capacity across individual plants has ranged from 60% to 81% for this seven week period.

**SHEEP:** After seven weeks, Silver Fern Farms Sheep capacity has been running at 74% of normal - including Saturdays. Across our five Sheep plants, available capacity across individual plants has ranged from 63% to 86% for this seven week period.

**VENISON:** After seven weeks, Silver Fern Farms Venison capacity has been running at 88% of normal - including Saturdays. Across our three Venison plants, available capacity across individual plants has ranged from 77% to 100% for this seven week period.

For our Sheep and Beef plants, our actual available capacity has been slightly less than originally planned for. To date the processing impact from Omicron has been felt similarly across both the North Island and South Island network, however at this point South Island communities are experiencing a longer tail to Omicron.

The already late profile of livestock, the labour challenges pre-Omicron and the now the direct impact of Omicron has meant the 2021-22 supply curve is looking every different to a normal

supply year. We recognise that more animals are on farm right now and will be influencing the decisions being made on farm. B+LNZ are forecasting similar processing numbers this season versus last season, with some overs & unders between stock classes and between the respective islands. The following numbers help put in context the challenge the industry has to catch up on these processing numbers as we head into the back half of the season:

**National Beef Kill:** 130,000 head **behind** last year (-9.1%)

**National Lamb Kill:** 1.7 million head **behind** last year (-14.8%)

**National Mutton Kill:** 340,000 head **behind** last year (-12.2%)

**National Venison Kill:** 8,000 head **ahead** last year (+4.3%)

### What is Silver Fern Farms doing to speed up the immediate processing back log?

- Silver Fern Farms continues to prioritise processing space for farmers in regions most affected by the dry conditions. We have a network of 14 processing sites and we can ease pressure by moving animals between the regions, including between the islands. With very limited space on the ferries it is important we secure a consistent volume of bookings in the coming weeks, versus turning the tap on-and-off. While this is not ideal, it is critical considering the growing pressure on South Island farms and some easing forecasted in the medium term in the North Island.
- Within our processing sites we are capturing less products from each animal, allowing us to maximise our processing speeds with limited available labour. This does mean less value captured from each animal and lower farmgate returns, but it does mean moving more animals off the farm at a faster rate.
- We have extended our processing season by 8-10 weeks including extending our night shifts. This means condensing shutdown/maintenance to a bare minimum.
- We have been working our plants six days a week with some planned Saturdays off to ensure our people have sufficient downtime to recharge and protect long term productivity.
- Our Livestock Team is moving large numbers of store animals to suppliers who have more favourable feed conditions.
- We have coordinated large volumes of Cull Cows to be moved out onto grazing blocks to then come back in later in the season.
- We've been working closely with the Government to enable



(continued)

offshore workers to be allowed into the country, and it's pleasing that some are now coming across the border. While these workers have been warmly welcomed, they won't be an immediate silver bullet for our current challenges as they only represent a relatively small amount of our total workforce and it is late in the season.

- We have extended worker incentives and benefits, are taking advantage of migrant border exemptions to fill vacancies, plus investing heavily in workforce engagement initiatives
- We are actively communicating to our farmers partners on the [current wait times, outlook and estimated end of season date](#).
- We continue to run thorough Business Continuity Planning meetings across the business.

**We acknowledge the stress you are facing on farm right now and I can tell you our livestock team are working hard for you. I want to acknowledge their efforts to date and for their ongoing efforts as we work through the back half of the season.**

**- DAN BOULTON, CHIEF SUPPLY CHAIN OFFICER**

## HE WAKA EKE NOA

# Know Your Number Workshops Return

This year Silver Fern Farms is continuing its efforts to help the industry work towards 100% of farmers knowing their GHG (greenhouse gas) number.

Under He Waka Eke Noa (the primary sector's climate change commitment to manage GHG emissions), all farmers need to know their GHG number by the end of this year and by 2025 all farmers must have a written plan in place to measure and manage their GHG emissions.

If we can achieve this, it will contribute to the industry staying out of the Emissions Trading Scheme and having a system that recognises carbon sequestration on farm.

Alongside Beef + Lamb New Zealand, Silver Fern Farms is running further 'Know Your Number' Workshops across the country.

The B+LNZ GHG Calculator is just one of multiple calculators available for calculating your GHG number.

In some cases you may have a number calculated through other tools. To determine whether you already 'Know Your Number', or acknowledge that you have completed the B+LNZ GHG Calculator and drop off our subscription list, please use the survey link to take a simple 1 minute yes-or-no survey, which will clarify if there are any further actions for you to take.

Completing this survey will ensure that in the future, we only contact those who haven't calculated their GHG number.

- [Know Your Number Survey](#)
- [Workshop Registration](#)

## CO-OPERATIVE ELECTION

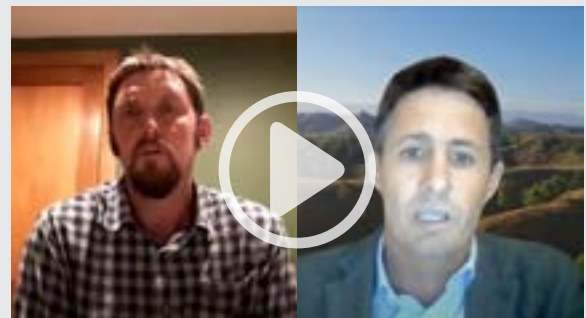
# Meet the Candidates

In advance of the Co-operative's annual director election they have facilitated a Meet the Candidates webinar session, to introduce those standing and allow them to speak directly to shareholders.

There are two candidates standing for one position. They are:

- William Beetham, Wairarapa
- Simon Davies, Milton

You can watch the 35 minute session, including Q&A, at the link below.



Eligible shareholders will have received voting packs and instructions by email on 12 April 2022. Keep an eye out for it in your inbox, and check your spam folder first if you haven't seen it. A small number of packs are also being posted at that time to those without email addresses. You will have until 3pm, 9 May, to lodge your vote with Electionz through the normal processes – online, or via post.

For clarity, those shareholders that are eligible to vote are:

- Ordinary shareholders who has supplied a minimum of 400 stock units in each of the calendar years ending 31 December 2020 and 2021
- Rebate shareholders that have supplied livestock since 1 September 2020.

The number of votes is represented by the number of shares owned.

If you have any questions about this, please contact Clark Taylor, Shareholder Relations Manager on 029 914 5060 or at [clark.taylor@silverfernfarms.co.nz](mailto:clark.taylor@silverfernfarms.co.nz)



PLATE TO PASTURE  
YOUTH  
SCHOLARSHIP  
2022

# Local knowledge to Global stage

## Are you ready to take your place in the future of food?

Silver Fern Farms offers six Plate to Pasture Youth Scholarships every year, empowering students across New Zealand with support in their studies as they work towards a future in the global food sector.

We're here to meet the future of our industry head on, but we'll need inspired thinkers with the drive to make real change to get us there. We're after motivated students looking ahead towards the challenges facing our sector and already thinking up ideas for how to tackle them. Sound like you?

### The Scholarship:

Scholarship applications are open to people wanting to develop their career in the global food or red meat industry with interests in: food quality, agriculture, marketing and sales, finance, innovation, research and development, food processing, sustainability, technology, global logistics.

- Six awards of \$5,000
- Award to be used to support study towards a relevant qualification, anywhere in NZ
- All expenses paid opportunity to attend the annual Silver Fern Farms Plate to Pasture Farmer Conference

Our industry is broad and diverse, and so is the young talent who will shape its future, so this Scholarship extends to a broad spectrum of study areas, from agriculture or food science to marketing and sales, logistics, sustainability... and beyond.

If you're aged between 18 and 25 and actively studying towards a relevant NZ qualification, then our Plate to Pasture Youth Scholarships are for you.

Apply at [careers.silverfernfarms.com/future-talent](https://careers.silverfernfarms.com/future-talent)

2022 applications open until 31 May 2022.



## PURE Burgers Launch

For every pack of our new frozen burgers purchased Silver Fern Farms will donate \$1 to Meat the Need. This charity helps New Zealand farmers feed New Zealand families, supplying red meat nutrition to City Missions, food banks, and Kiwi's in need.

You can donate an animal to Meat the Need with your next booking, or at [www.meattheneed.org](http://www.meattheneed.org)







## Beef

The city-wide Covid-19 lockdown in Shanghai has continued longer than originally forecast.

Once the government is successful in controlling the current outbreak, we would expect these restrictions will ease quite quickly. Unfortunately, the lockdown has created a significant disruption to food supplies into the city as well as distribution within the city. No shipping companies leaving NZ at present are accepting bookings for Shanghai, with all existing bookings and production plans being re-worked to alternative ports.

US beef markets have remained flat for lean grinding meat, while chilled demand holds firm.

Total NZ shipments for beef and veal from January to end-March were 20% below the same period last year due to lower production associated with Omicron. Shipping capacity remains restrictive to the US market. This week

we are in the process of completing the loading of our second 'bulk' conventional ship destined for the West Coast of the US.

The UK Free Trade Agreement (FTA) Entry into Force (EIF) is expected between early-to-mid-2023, when signed off by the UK government. This will provide further opportunities for chilled and frozen beef cuts. European demand for chilled and frozen beef cuts has continued to improve for both retail and foodservice. MFAT is also in the process of negotiating an FTA with the EU. Like the UK FTA this has the potential to add further value to high quality New Zealand beef.

Flooding and logistical issues across large areas of Eastern Australia, and associated congestion problems with the Port of Brisbane, have continued to affect export volumes.

This supply disruption continues to provide strong demand for New Zealand beef in Japan, Taiwan, and South East Asian markets.



## Sheepmeats

Reports out of China suggest getting enough food is the priority of those enduring this latest lockdown as food delivery services struggle to cope with massive demand.

Businesses have been forced to adjust and total closures are commonplace, however some businesses have called on essential staff to live at work to help avoid, or limit, trading disruption.

Shanghai port is experiencing high congestion with a number of carriers suspending the delivery of reefer containers, and although we have avoided disruption to date the likelihood is that this situation could worsen and the port will close completely. Shanghai Port has effectively closed for bookings this week. We have also suspended airfreight consignments to Shanghai airport given the restrictions in place. We have also suspended airfreight consignments to Shanghai airport given restrictions in place.

The conflict between Ukraine and Russia continues and although we continue to avoid being directly impacted, rising inflation and ever increasing cost of living are of concern. Inflation remains a concern globally as many markets are seeing their highest levels in decades and talk of a coming recession seems to be more common place these days.

In our last report we noted that the UK market was finely balanced and signs now are that demand is beginning to taper as inventories return to traditional levels providing customers confidence and the certainty of their supply. With that, expectation is that pricing may come under pressure as a consequence, we expect a clearer picture to emerge on this over the coming fortnight.

Mutton numbers are in decline, however this is typically matched with a softening of demand at this time of the year. We have not experienced any additional pressure to pricing over the previous fortnight and will look to for this to continue in the short term.



# Venison

Demand for venison into the EU remains consistent and pricing positive.

It is still very much 'low season', however sales and production are aligned at present. We continue to see incremental improvements in the venison space, with confidence from EU customers building with positivity.

The North American market remains steady as we continue to service our chilled and frozen annual supply programmes. We have experienced a spike in interest for manufacturing ingredients, as processors work through their inventories and look to reorder.

It has been encouraging to see our 'Fifth Quarter' and petfood customers returning to,

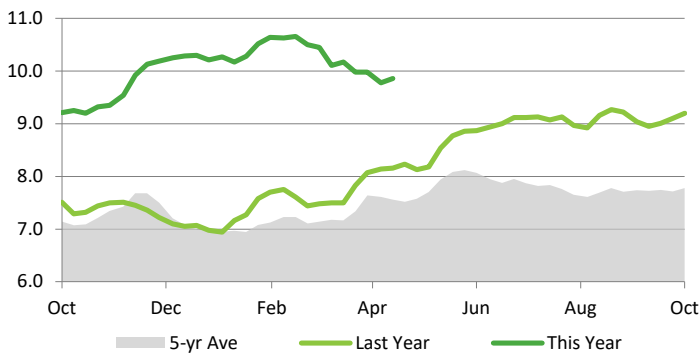
or increasing the volume of, venison as the protein ingredient for their recipes.

China continues to offer additional optionality as a large market capable of consuming excellent volumes of Venison at a pricing in line with or better than North America and Europe.

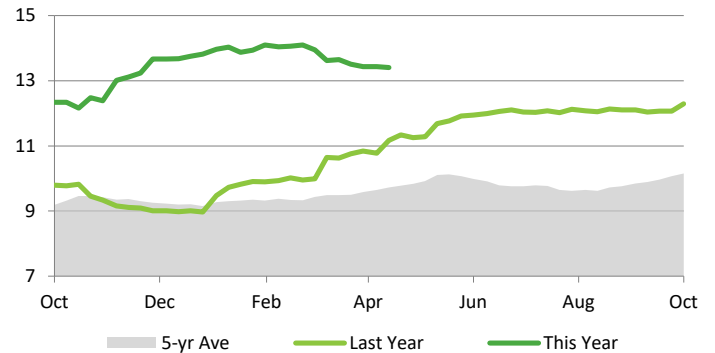
Planning is now well underway for multiple promotional opportunities off the back of some very good foundational work by our China team over the past 18 months.

The lockdown in Shanghai may have some detrimental effect on sales execution over the short term, due many businesses being closed, and people working from home in limited capacity. We expect to see a rapid return to normal post-lockdown and zero impact on day to day business here in NZ.

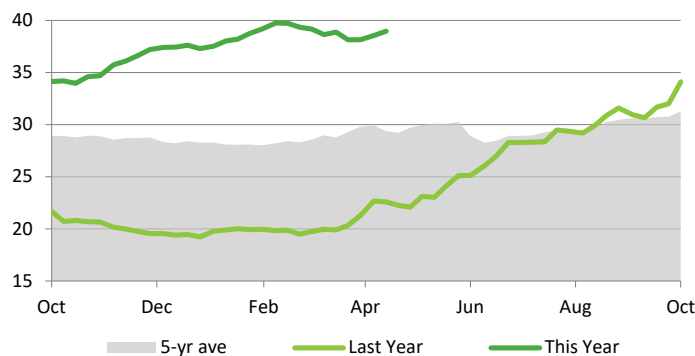
## US imported 95CL bull



## UK CKT lamb leg



## US French Rack



## Lamb Flaps

