



Brief Bytes

Email update from Alliance Group - your co-operative & partner in farming excellence



In today's issue:

- Challenging farming conditions
- Alliance expertise for new Grand Farm plant
- Heavier lambs
- New robotic primal/middle cutter
- Pure South lamb trialled for Culinary Olympics
- NZ Rowing and the Pure South family
- Pure South - delicious in Delhi
- Business process improvements for better efficiency
- Market update

I know some of you are facing challenging farming conditions particularly following the heavy snow and storms in the North Island earlier this month, which resulted in large lamb losses. There is also the ongoing drought in North Canterbury and the continuing facial eczema issues. Our cooperative principles mean the interests of our farmer-shareholders are at the heart of every decision we make. If you have any questions, or would like to discuss how we can help, please contact your Alliance livestock representative.

Alliance expertise for new Grand Farm plant

Mataura Plant Manager Tony Gilder and Pat Smith, Boning Supervisor at our Nelson plant, have arrived in China at the invitation of Mr Xibin Chen, President of our key Chinese partner Grand Farm. Mr Chen asked Alliance Group for technical expertise and support during the important start-up period of Grand Farm's new plant at Xilinhot. Tony and Pat have extensive knowledge and experience in complete plant management/operation and a thorough understanding of the stations and steps in the production process. This sharing of resources reflects our long-



standing strong relationship with Grand Farm. For the past two years, Grand Farm has sent six boners to work at our beef plant in Mataura. Various members of our key technical management have worked at Grand Farm's Zhaodong site. Tony (left) and Pat (right) will be in China for six weeks, pictured here with Mr Xiliang Chen (centre).

Heavier lambs

A stronger focus on sales and marketing has enabled us to find more customers for heavier lambs - supporting our decision to increase our weight ranges for lambs. We pay equally for heavier lambs up to 25kg before the schedule reduces. This provides more options for you, our farmer shareholders, and meets that demand we have identified in the market.

Primal/middle cutter

The new robotic primal/middle cutter is processing production volumes and working well at Smithfield. The next investment is at our Pukeuri plant, where a primal/middle cutter is being commissioned. Production volumes are due to get underway there next week. The custom-built technology features an x-ray unit which analyses each carcass and instructs the two cutting machines where to cut. The robotic primal



cutting machine then separates the carcass into hind, middles and forequarter cuts. A robot middles cutting machine then separates middles into racks, loin, flap or saddle. It's another example of our strategy to lift returns to farmer shareholders by improving the efficiency of livestock processing. It promises higher product yields with additional productivity and safety benefits.

Pure South lamb trialled for Culinary Olympics

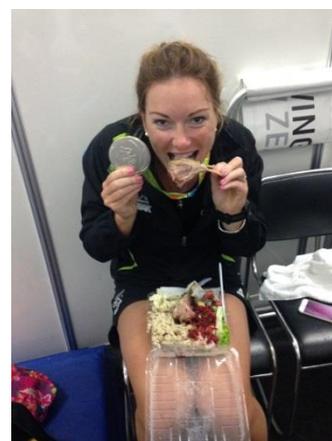


This year, a New Zealand team will be competing in the international Culinary Olympics and the elite six-strong NZ Chefs squad is using our lamb in their training programme ahead of the event in Erfurt, Germany, in October. The top chefs, who have been in training for two years, have been undertaking "hot kitchen" preparations and have trialled the lamb to assess its ease

of preparation, cooking capability and taste. Over 90 guests are used to critique their dishes and the lamb has scored very high on all counts from taste to tenderness. We are discussing what further opportunities we can provide. The NZ Chef Association has 1,000 members in New Zealand so this is a very good way to highlight our product range. The Culinary Olympics will see 2,000 chefs from 40 countries given seven hours to demonstrate their skills to diners and judges.

NZ Rowing and the Pure South family

Murray Behrent, our General Manager Livestock, has been busy in Rio. Murray was promoting our Pure South brand and worked with the Brazilian Government to ensure we could get Pure South products to our New Zealand rowers as a morale-boosting taste of home and great protein source. Importantly though, Murray was cheering on daughter Genevieve as she and Rebecca Scown powered their way to a silver medal in the Women's Coxless Pairs final. They also made history rowing as members of the first New Zealand team to compete in the Women's Eight at an Olympics, coming fourth in their final. As you can see from the photo, Genevieve celebrated silver success by tucking into a delicious Pure South 'recovery meal on the run' while preparing for the Eight event. Well done Genevieve, and Murray - you get top dad bragging rights.



Pure South - delicious in Delhi

Spotted on popular Karena and Kasey's Kitchen Diplomacy show, the popular Masterchef winners preparing Pure South products. The self-taught chefs from Maketu are currently taking a gastronomic journey of ten of New Zealand's top overseas diplomatic posts for the TVNZ series. On their Indian stopover, where they prepared appetisers for an Indian wedding, they were filmed preparing French racks. That certainly curried favour with our sharp-eyed viewer who reported "The camera zoomed in on the Pure South packaging".

Business process improvements for better efficiency

We have now completed the second phase of a project to improve our internal processes for dealing with invoices, ensuring greater efficiency across the business. Managers and accountants across the company deal with around 5,800 invoices from across our different plants each month. Phase one of the project saw the approval process for these moved from a manual to an automatic system, with electronic or postal invoices automatically scanned and forwarded to managers for approval. Phase two has seen further adjustments to our software and business processes and these are now operating to optimal efficiency. Improving operational efficiency is a key focus for us, because it allows us to focus our efforts on farmer-shareholders and drives us to lower costs.

Market Update

Lamb

In the UK, post-Brexit exchange rates are continuing to result in frozen product being diverted away to more profitable markets. However, chilled negotiations are underway with price improvements required to cover exchange rate issues. Demand in Europe remains firm on the back of low volumes, particularly middle cuts. Both the US and Canada are performing well although supply issues will be a problem until the start of the new season. There is also continuing strong demand and limited supply in the Middle East. The Chinese market remains sluggish, with local production in full swing. Some improvement is expected as consumption increases during the winter months.

Mutton

Inventories are well down and availability will not improve until processing numbers lift from November. However, new season interest in the key markets has already commenced with Malaysia, Taiwan and China looking positive.

Venison

Demand is very firm in all markets as the drop in New Zealand supply becomes evident. The challenge will be covering existing programmes and new market initiatives during this period.

Cattle

The US market remains in low gear with buyers indicating steady to lower price levels. China has been trending weaker, but seems to have stabilised at present. The Japanese and North Asia markets are generally steady, with tongues very sought after in Japan. Calf products and offal are predominantly sold forward with no price improvement expected. Indonesia continues to seek New Zealand offers but final allocations of quota still seem uncertain>

Warm regards

David Surveyor
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Your co-operative, working with you across the supply chain



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