



Brief Bytes



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

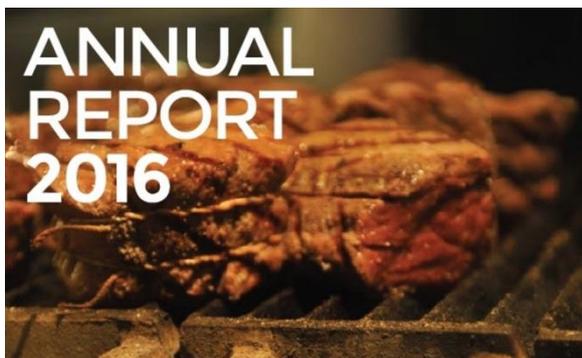
Introducing the Farm Alliance app



Alliance Group is looking for new ways to help our farmer shareholders with their businesses. We've developed a Farm Alliance app so you can see your livestock processing results in real time. You'll also be able to access your latest kill sheets, booking requests, statistics, schedule and industry updates. You'll get kill sheets straight to your mobile phone as soon as your stock is processed and will be automatically notified when new information is available. The menu will include all your kills for the previous six months, your annual kill stats for the

last three years and your kills per month – and you can filter these by species. It will provide your livestock schedule and enable you to quickly and easily request a stock booking. We know coverage can be patchy in some locations, so the app saves and sends information (such as booking requests) when the connection is active. To download the app, search for "Farm Alliance" in either the Apple App Store or Google Play Store. Once downloaded and installed, you simply sign into the app using your current Farm Alliance username and password. If you need to reset your Farm Alliance username or password, or have any issues or feedback for future enhancements, please email communications@alliance.co.nz.

Annual report



Preparing our 2016 annual report has offered us an opportunity to review the changes, progress and strategic developments of the past year. While we have made some encouraging progress, there is still some way to go in our journey to build a strong co-operative. The annual report is now available online at www.alliance.co.nz. I hope you find it a useful and interesting read.

Annual meeting

A reminder that our annual meeting will be held at the Village Hall, Grand Mercure Nelson Monaco, Nelson, from 10.30am on Thursday 15 December.



Director election

By now, all farmer shareholders should have received voting packs for our director election. We encourage you to vote and have your say. Three candidates have been nominated for two available vacancies on the Alliance Group Board. Don Morrison and Murray Taggart are seeking re-election and Leon Black is also standing. Voting closes on 13 December 2016.



Leon Black – Ermedale



Don Morrison – Gore



Murray Taggart - Oxford

New appointment

A key part of our strategy is to capture more market value through increasing Sales and Marketing. We have decided to separate responsibility for the sales and marketing functions to put a specific and targeted focus on each area. Peter Russell has been appointed our new General Manager Marketing. Peter, originally from a farming background in Canterbury, joins us next month, bringing with him many years' consumer products and global brand building experience. A highly experienced global marketer and manager, Peter has held senior marketing roles at Fisher & Paykel, the wine industry, the FMCG sector and recently the digital travel space. He will be responsible for:

- Developing and delivering our global/by country go to market strategies and working with the sales organisation to deliver year on year revenue growth
- Shifting Alliance's product offer up the value chain and beyond commodity trading to create more value
- Delivering increases in new revenue each year from new products and building a new product pipeline
- Creating a differentiated position for Alliance brands and services and communicating them so they command a premium over others

Peter formally starts the role on 23rd January 2017.

Murray Brown, who has many years' experience with Alliance Group, is our General Manager Sales. Murray has responsibility for increasing market share, managing inventory and delivering revenue and margin growth across all key markets. This role also includes our fast-growing domestic arm Alliance Meats and our business in the UK, Alliance Group (NZ) Limited.

Good news for deer farmers

The deer industry is looking to increase carcase weights to improve on-farm productivity. We are pleased to announce that we have developed markets for heavier primal cuts. In recognition of this, the optimum weight band and schedule price has been lifted to 84.9kgs carcase weight. We're committed to growing our markets



for venison for the benefit of our farmer shareholders and therefore we're seeking higher volumes to satisfy our customer demands. Please speak to your Livestock Representative to discuss the new weight band and schedule adjustments.

Upgrading offal collection at Levin

We have recently upgraded and enlarged the offal facility at our Levin plant, which enables us to now collect more offal product, particularly from beef, and provide a greater range of products to our customers. We have also improved our capability to capture eligible product for the higher value pet food market rather than sending material direct to rendering. This is part of our strategy to maximise recovery, ensure our products are eligible for all markets and maximise returns for our farmer shareholders.

Helping Scotbeef's Jess follow in her forebears' footsteps



We enjoy a strong relationship with Scotbeef, one of the UK's largest privately owned fresh meat companies. Owned by Scotland's Galloway family, Scotbeef processes Alliance Group product. We're pleased to be helping Jessica (Jess) England follow a proud family tradition – and fulfil her late grandfather Ian Galloway's wish for her to learn about New Zealand's red meat sector 'from the ground up'.

Jess, who is 18 and left school this year, is currently living and working at Caberfeidh in the Hakataramea Valley. She is the Great Grand-daughter of James Galloway who, with his father Robert founded the J.W Galloway business.

The Galloways have travel in their blood. James's son Ian, Jess's grandfather, who passed away in February this year, travelled widely before returning to head the company. This included a long stint working on farms in New Zealand as a young man. He made several further working visits and credited his experiences here with inspiring him to build Scotland's first "on-line" meat processing plant.

Jess, whose mum Suzie England also works for the company, is keen to pursue a career in the sector too, most probably in marketing – but first Ian wanted her to have an immersion experience in New Zealand farming practices.

Jess tells us: "It's a tradition in our family that you go overseas at a young age and learn the business from the bottom up. My grandfather first came to New Zealand when he was 16 and worked on farms. He loved it and learned a lot and wanted me to do it too. My mum has been here on working trips and had told me all about it too. I grew up on a farm but we mainly grow crops so my grandfather really wanted me to have this experience."

Jess's introduction to Southland in September was a stay with Western Southland Area Livestock Manager Andrew Mackie at his family farm at Feldwick in Western Southland where Andrew says she quickly became "like one of the family". Andrew then worked with our suppliers to arrange a series of homestays, which has seen Jess working with Jack and Kate Cocks at Mt Nicholas Station, James and Lucy Clouston at Walter Peak Station and now at Caberfeidh, part of Lone Star Farms.

Jess says: “It’s been amazing. I’ve worked in shearing, dipping, drenching lambs, calf marking and moving mobs around. I’m a very keen eventer and I got to muster on horseback at Mt Nicholas, which was huge fun. I’m loving every moment of it. I’ve also been really interested to see how widely technology is used in farming here – that seems to be a lot more advanced than what I’ve seen in Scotland.”

Andrew is also arranging for Jess to spend time at some of our processing plants and our development centre and to head out with our Livestock Reps. She’ll also be spending some time with our corporate team.

Jess is on a 12-month visa and says she’s enjoying the work, country and people so much that she’s thinking about making a career in the industry here – and that’s even before she’s enjoyed a Kiwi summer. Thank you to Andrew and all our suppliers who have helped provide such a thorough introduction to New Zealand’s red meat sector for Jess.



Welcoming Frans, a familiar face

Frans Poel, one of the owners of our long-standing customer, Belgium wholesale meat company Frigo, visited us in Invercargill last month.

Frigo – which translates as ‘fridge’ - is a long-established family company, which has operated from Antwerp since 1925, largely supplying the Belgium market. We first began working with Frigo with our acquisition of Ashley in the 1980s and that strong relationship has continued. One of the Poel family will usually visit us annually – while we also meet with them in Europe.

Frigo’s customer demand is very much for high-end products and we supply them with product such as French racks. The bulk of demand is for lamb but also some mutton and venison too. Discussions during Frans’ visit included the supply of product for 2017, new strategies, particularly around chilled programmes and opportunities for value add for both of our businesses.

Bursaries

Alliance Group offers two bursaries for the children of shareholders. These bursaries are offered in the hope that some will return to their community and pass on the benefits of their learning to the community and the industry.

Undergraduate Study Bursary

Applications are invited from school leavers applying for admission to a university within New Zealand for the Alliance Group Ltd Undergraduate Bursary. The bursary, which has a value of \$2,000 per annum for three years, is intended to encourage the children of shareholders to undertake a university education in the areas relating to the meat industry, its associated industries and/or primary production.

Diploma or Certificate in Agriculture Bursary

Applications are invited from the children of shareholders who are about to embark upon full time study towards the Certificate or Diploma in Agriculture.

This bursary is tenable for one year and is valued at \$1,000.

Application forms and conditions of application may be obtained by emailing James Neylon at jamesn@alliance.co.nz. Applications close on 20 January 2017.

Christmas plants closure

Our processing plants will close for the Christmas season on Thursday 22 December, with all plants reopening on Wednesday 4 January.



Velvet

The Chinese Government is changing the way that it regulates the importation of products that it considers to be ingredients for Traditional Chinese Medicine such as velvet. The changes are part of a wider drive by the Chinese Government to tighten food safety. Last month, officials from China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) were hosted by the Ministry of Primary Industries (MPI) in an audit of the New Zealand velvet supply chain, including our processing plants and we are expecting to be notified of the outcome of this in the coming months. In the meantime, there are also going to be changes in the requirements on Chinese companies importing and handling velvet. Chinese companies wishing to import products must apply for import permits from their Customs, Inspection and Quarantine office. MPI is in discussions with its AQSIQ counterparts in Beijing. We will keep you informed of any developments.

Market update

Lamb

Most post-Christmas chilled lamb negotiations for the UK have now been finalised with equal or better levels than last season. Frozen key account negotiations are continuing with production continuing to be placed into alternative better paying markets. In Europe, annual key account programmes are being finalised for 2016/17 supply. Demand is firm across the majority of products but some uncertainty remains around legs.

North American demand and prices are steady as low in-market inventory levels get topped up. Reasonably high Australian livestock prices are helping with this. The Middle East market also continues to be firm.

There are some improvements in certain core items in the Chinese market in the lead-up to Chinese New Year but in general the market remains flat, with rumours of high inventories in market.

Mutton

All sheep markets continue to remain firm on limited supply from New Zealand as producers hold stock due to abundant feed. Shipments for Chinese New Year will need to be on the water by late December.

Venison

Frozen negotiations for 2017 supply are drawing to a close with good demand keeping prices firm. There are reports from the market of good uptake of chilled in the lead-up to Christmas

Beef

US prices are slightly weaker with demand not as strong and some importers still looking to place lower bids. Retailers in the US continue to be flooded with very cheaply priced chicken and pork and with Thanksgiving turkey now on sale at US .69 to 99c per pound, it is hard to make in-roads for the ground beef market. US domestic kills have also continued at robust levels, with more than 600,000 cattle per week.

Asian markets are generally strong with steady buying from Indonesia and China, but there is some uncertainty ahead post-Christmas. Chilled markets are all short of product and demand is again expected to be strong for the next two months.

Co-Products

There is excellent demand for higher quality pickled pelts and limited demand for low grade material. Salted skin sales have been stronger than originally expected and hides are steady.

In renderables, there have been some price gains on ovine pet food whilst mixed meals and tallows remain firm. Casings sales are steady but with no quick turnaround in pricing for 2017.

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



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