

October to December 2015 Quarterly report

FarmIQ

Summary

- Market-led innovation culture embedded
- Food service customers liking Reserve Beef
- New Health & Safety module

Key highlights and achievements

Market-led innovation culture embedded

The FarmIQ Product Development workstream has now matured to a level where Silver Fern Farms has an embedded culture of market-led innovation.

It is now business as usual for the Silver Fern Farms Marketing team to be conducting regular consumer research, to use design thinking to create new strategies and to test new ways of creating value with red meat.

A passionate Discovery & Development team are also continuously building prototypes of new products and packaging concepts aimed at maximising returns from across the entire carcass.

As a result of their work, a number of new premium-priced products are being developed from lower value cuts that have traditionally been sold into low-value markets.

These new concepts will be tested in the New Zealand market over the next 12 months. Following trials we will review these concepts and assess their potential applicability to provide returns from global markets.

Food service customers liking Reserve Beef

Food service customers are showing strong interest in Silver Fern Farms' Reserve Beef range, which is supported by the BeefEQ programme.

In total our beef value-added programmes now make up nearly 10 percent of all our prime beef sales.

The food service category are customers who make ready-to-eat meals, including high-end hotels and restaurants. (This category is also known as "Horeca" – short for "hotels, restaurants and catering".)

Silver Fern Farms' Premier Selection Reserve beef programme is performing strongly in this category, with 77 percent year-on-year growth of the range overall.

Reserve is currently finding favour with restaurants in particular, due to its consistent quality in comparison to grass-fed competitor products.

It is attracting a price premium in the market between 25 and 35 percent, and Silver Fern Farms is expecting a continued lift in volumes in the new season.

Silver Fern Farms are expecting further growth in the USA through our partner Marx Foods. Marx are also substantial customers for our Premier Selection Grass-Fed Angus product range.

In the Middle East and China markets we have started promoting the range to food service customers and expect good uptake.

New Health & Safety module

In October a new Health & Safety module in the Farm^{IQ} System was made available to subscribers to The Lot Pack. The module includes: recording staff training and meetings, inducting contractors, handling visitors, registering hazards and incidents.

The module has been developed in consultation with Worksafe. In a future upgrade this functionality will be available for other Packs, and it will be added to the mobile app.

Also, users can now attach document, image and movie files to records in the Farm^{IQ} System. Files will be stored in a new File Library and can be displayed in the Calendar. The System can support the most common formats of document, image and movie files. (In a future upgrade, this functionality will be added to the mobile app.)

A set amount of file storage has been made available for each Pack subscription, and further capacity can be purchased.

Investment

Investment period	Industry contribution	MPI contribution	Total investment
During this Quarter	\$ 1.93m	\$ 1.66m	\$ 3.59m
Programme To Date	\$51.50m	\$50.79m	\$102.29m