



14 June 2010

Proposed closure of Canterbury lamb cutting and Belfast rendering and casings departments

Silver Fern Farms has today announced proposals to close its Canterbury lamb cutting plant, and to close the rendering and casings departments and restructure the coldstore department at its Belfast plant.

Silver Fern Farms' Chief Executive Keith Cooper said the proposed closures were a result of Silver Fern Farms' continued focus on streamlining business operations and optimising efficiencies across its various processing sites in the South Island.

The company began a consultation process with employees and their representatives at the Canterbury and Belfast plants respectively today. A final decision will be made 25 June once that process has concluded.

The red meat industry is suffering from the threat of alternative land uses, processing overcapacity, weak processor profitability and low farmer returns. "Against this backdrop Silver Fern Farms must, and will, continue to make difficult decisions to maintain industry competitiveness and give security to the business and our farmer-shareholders going forward" said Mr Cooper. "This means integrating our operations where possible so that the majority of our product is slaughtered, cut and packed at the same plant to attain the highest standards of food hygiene and safety and minimise our environmental impact".

There could be up to 174 employees affected by the proposals: 135 at the Canterbury plant and 39 at the Belfast plant. "We understand that the proposals will be unwelcome news for our employees, their families and the wider community. In the event that the Canterbury cutting facility and specific Belfast departments affected do close, we will make every practical effort to assist our employees through the change and where possible offer alternative employment at our other plants where vacancies exist".

In 2008 Silver Fern Farms closed the slaughter chains at Canterbury but retained the lamb cutting operation to cater for an imbalance between the forecast kill and Silver Fern Farms' overall cutting capacity. "Since that time sheep and lamb kill numbers in the South Island have dropped and with increased onsite cutting at slaughter plants, the imbalance is no longer an issue." said Mr Cooper. Under the proposal, Silver Fern Farms would also look to utilise the spare cold storage capacity that would become available at Canterbury to consolidate and export all Belfast, Fairton, Hokitika and Islington product at / from the one site.

With regard to the proposed closure of the rendering and casings departments and restructuring of the coldstore operations at Silver Fern Farm's Belfast plant, Mr Cooper explained that in 2009 the company

formed a joint venture company, Farmbrands, to provide capital to establish new specialist rendering facilities, improve processing efficiencies and leverage expertise in technology, processing and marketing. The Farmbrands' purchase of a new state of the art rendering facility at Washdyke had provided the company with an alternative for rendering Belfast material. Retaining rendering at Belfast would require significant incremental capital investment in the future to achieve and maintain building, hygiene and environmental standards.

Silver Fern Farms is not planning to cease the beef slaughter operation at Belfast, its largest South island beef processing plant. "Our Belfast beef plant slaughter and boning operations will carry on as normal playing an important role in supplying premium quality beef into the company's integrated supply chain programmes, and will continue to be a key enabler of Silver Fern Farms' plate-to-pasture strategy into the future", said Mr Cooper.

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Notes to Editors:

- Silver Fern Farms is New Zealand's leading procurer, processor and marketer of lamb, mutton, beef, venison and associated products to more than 60 countries
- The company's vision is to be a fully integrated market focused company investing in consumer products that will differentiate and add value to its farmer partners, customers and people
- Silver Fern Farms is a farmer controlled cooperative representing more than 20,000 farmer shareholders
- The company operates 22 processing facilities throughout the country, employing more than 7,000 staff in the peak season
- Silver Fern Farms has four slaughter plants in the South Island:
 - Fairton at Ashburton (capacity 8,000 per day)
 - Pareora at Timaru (capacity 12000 per day)
 - Finegand at Balclutha (capacity 12,000 per day)
 - Waitane at Gore (capacity 3,500 per day)
- Key markets in North America, the United Kingdom and Europe, Asia and the Middle East are supported through a network of international offices.