Challenges & Opportunities in the UK Poultry Industry

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To

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Marfrig at a Glance

- **One of the leading companies in the global food industry**
  - 4th Largest producer of beef products in the world
  - 2nd Largest producer and exporter of poultry and processed products of Brazil
  - 151 units, 22 countries, 85k employees
- **Global Platform – Production base in Latin America and Europe combined with international distribution network and a solid client portfolio**
  - Low production costs, high quality, flexibility mitigating sanitary risks, access to key local markets and scale
- **Diversification of proteins, products and focus on further processed products**
- Well positioned brands with leadership in regional markets
- Expertise in acquisitions, mergers and turnarounds
- Experienced management team, high corporate governance standards and environmental responsibility

Most Recent Acquisitions Perfectly Complete our Strategy

Leadership position in poultry and pork, with value-added products

MARFRIG GROUP + SEARA

Poultry & Pork

1. **Second largest player in the domestic and export markets for poultry and pork[1]**
2. **National Brand**
3. **High quality production base** with important operational and logistics synergies
4. **International distribution and client base**

Increasing beef capacity with high potential synergies

MARFRIG GROUP + 12 Beef Plants

ZENDA enjoy leather

Cattle

1. **Consolidation as the second-largest beef player in the domestic and export markets**
2. **Presence in the Southern Region of Brazil:** very good cattle quality from British breeds
3. **Vertical integration:** processing leather of high quality cattle, adding value and improving margins

	Post-Expansion Capacity	Growth
	30,150[2]	+41%
	3,069,000[2]	+78%
	30,000[2]	-
	9,400[2]	-
	10,400[2]	+148.0%
Processed Products	64,595[3]	+40.4%
Leather	178,500[4]	733%

(1) After concluding Seara's acquisition
(2) Heads/day
(3) tons/month
(4) Pieces/months

Moy Park & Marfrig

- Fundamental business strategy has not changed
- Committed to local chicken and local farmers
- Investing more in local farming base
- Better placed to meet consumer demands
- Upgraded technology and improved facilities
- Some of the most advanced sites in the world

Moy Park Journey to Date!

1943 - Company founded as 'Moygashel'

1975 - Primary processing plant opened at Dungannon

1980 - Kew House acquired - Moy Park's first business in England

1984 – MBO from Courtaulds - Craigavon became company headquarters

1991 - expansion into France through a J-V with Bourgoin

1996 - Moy Park Ltd acquired by OSI Inc

2004 - OSI purchased GW Padley and Dove Valley

2006 - Kitchen Range and AVZ join Moy Park

2007- £30m upgrading of Anwick completed

2008 – Moy Park joins Marfrig Group

Moy Park – At A Glance

c8,000 people

1500 products

10 categories

12 factories

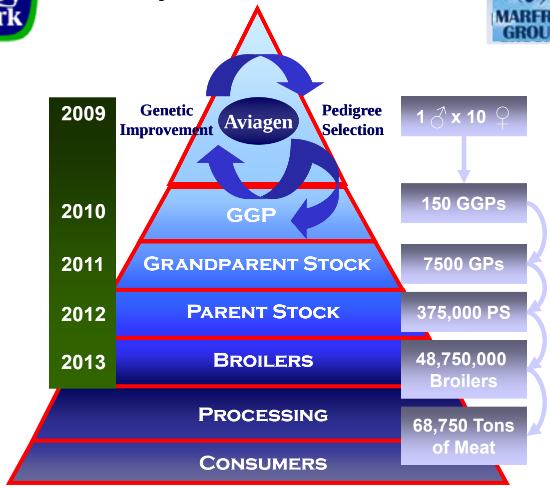
3 countries

- Sells fresh and frozen prepared poultry
- Manufactures 1,500 fresh prepared food products in 10 different product categories
- Employs c8,000 people
- 12 factories in 3 countries
- Turnover c£900 million

MOY PARK

AGRICULTURE

Industry Structure - Chicken



Poultry Heritage

Complete Vertical Integration

- Grand Parent Stock
- Parent Hatchery
- Parent Rearing
- Parent Laying
- Broiler Hatchery
- Broiler Housing
- Feed Mill
- Slaughterhouse / Portioning
- Further Processing
- Full Technical Support
- Sales / Marketing / Category Management

Grandparent Operation

- Distributor for Aviagen
- Moy Park Grandparent farms:
  - GP Rearing - 7 farms
  - GP Laying - 17 farms
- Production in 2010
  - Over 9 million parent stock
  - (equivalent to 21 million broilers/week)
- Influence in Breeding Company Aviagen Genetic R&D

Carn Hatchery

Parent Stock Hatchery

Carn Hatchery
Parent Stock Hatchery

Grandparent Laying Site

Parent Stock Operation

Largest in UK - total production 7.0 million hatching eggs per week from 2.3 million breeders.

3 Distinct Areas:

Northern Ireland	**150 farms**
England – Lincolnshire/East Anglia	**25 farms**
England – Cumbria	**6 farms**

Hatching eggs for own integration and external sales

Parent Stock Rearing Site

Parent Stock Laying Site

Parent Stock Laying Egg Packing Room

Inside a Parent Stock Laying House

GENETICS

Breeders – We Want:

- Good Health.
- More Hatching Eggs.
- Better Hatchability.
- More day Old chicks per Breeder.
- Most of All – Easier to Manage Breeder.

BROILER HATCHERIES

4 Hatcheries:

1. NI - Donaghmore – Capacity 1.6 million chicks/week
(All computer controlled single stage machines)

- **Raceview – capacity 500,000 chicks/week**

2. England – 3 hatcheries – total capacity 2.45 million
(Currently multi stage incubators)

(Plan for new build/extension in GB)

Donaghmore Hatchery

Single Stage Incubator

Hatcher Room

GENETICS

Broiler / Processing – We want:

- Healthy Birds.
- Good Support traits - Legs / Cardio Vascular/Frames.
- Good Feathering.

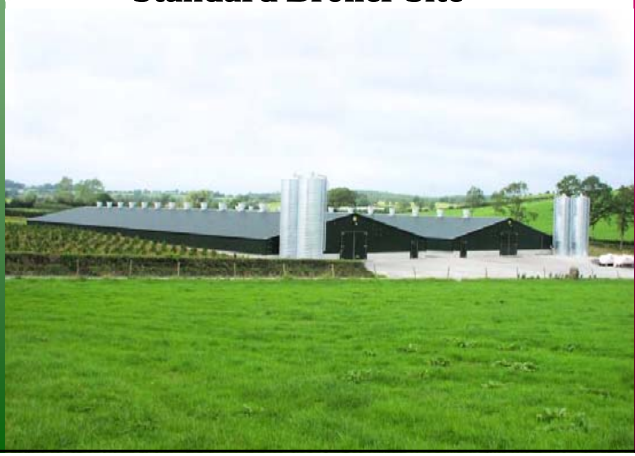
BROILER OPERATIONS

4 Growing areas : 3 Primary sites

	Birds/Week	
	Current	**Planned**
Dungannon	**1,350,000**	**1,500,000**
Ballymena	**620,000**	**620,000 +**
Anwick	**1,400,000**	**1,600,000**
Ashbourne	**600,000**	**800,000**
	3,970,000	**4,520,000**

Combination of contract farms and company owned sites

Standard Broiler Site



Standard Broiler House

Windowed Housing

Windowed Housing

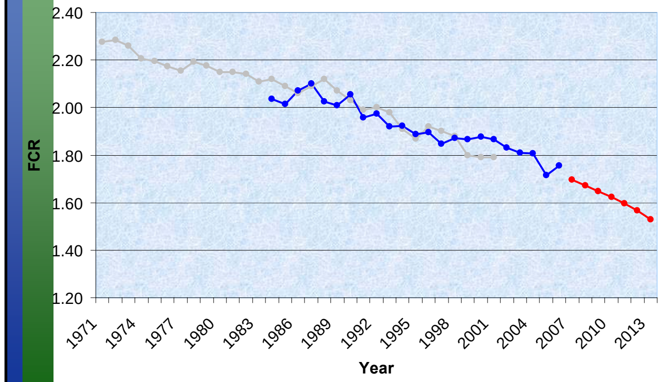
Environmental Enrichment

GENETICS

Broiler / Processing – We want:

- Good Feed Conversion – Efficient.
- Good Meat Yield / Meat Quality.
- Good Skin Quality.

Feed Conversion Ratio



ISSUES

- Have we gone too far in growth rate?
- Do we really want to process Broilers at 28 days?

FREE RANGE & ORGANIC

Largest producer of organic and free range in UK & Ireland

120 small farms in Northern Ireland

Free Range

Free Range

Organic

Organic

Organic

Organic

Farming Opportunities

- **Welfare of birds – performance**
- **Health of flock – customer**
- **Environmental issues - farmers**

FEED MILLS

	tonnes/wk
3 Company Managed:	
McLarnons	5,000
Ashbourne	3,500
Billinghay	2,500 (leased)
Partnership:	
Thompsons	6,500
3rd Party:	
ABN }	
BOCM}	1,500
Porters}	
	19,500 tonnes/wk

Challenges

- GM vs Non GM
- Legislation - CCL
  - IPPC
  - Broiler Meat Directive
  - Nitrates Directive
- Cost sharing

Challenges

- Pressure Groups
- Rising costs - Energy
  - Feed
  - People
- Increased testing - on farm
  - in factory
  - on import

Non GM Policy

- Most UK retailers still want non-GM soya and cereals – poultry supply chain easy to control
- GM policy not consistent – most of the feed used for UK beef, milk and pork production contains GM soya!
- Hard-IP soya from Brazil has been the only non-GM source
- Brazil moving quicklly to GM planting – est. 2010/11crop year 78% of soya and 55% of corn will be GM
- Non-GM soya premium has risen from zero to around£30 per tonne – non-GM soya becoming a niche product
- Non-GM sourcing becoming more difficult as crushers want a commitment before planting non-GM beans – retailers unwilling to give a commitment
- Greater risk of contamination through the supply chain

Non GM Policy

- Non-approved GMOs are a big problem in the EU
  - US, Brazil and Argentina all developing new GM crop varieties
  - speed of new GMO approval not synchronised eg 6 months in US v 2.5 years in the EU
- The EU has zero tolerance to non-approved GMO's – no acceptable level therefore big risks for importers
- More crops being developed with several GM traits in one plant – 'stacking'
  - each combination of GM traits requires separate authorisation
- The current EU approval system is not coping – radical overhaul needed
- Is GM crop technology a good thing? The world outside Europe is adopting GM crops at an ever increasing rate

Opportunities

- UK market – 80% with 4 retailers
- Retail brands
- Food security
- Growing population - worldwide

QUESTIONS