

The Beston Chronicle

BESTON GLOBAL FOOD COMPANY

DECEMBER 2018
ISSUE 3



Welcome again to the 'Beston Chronicle'.

Leading up to the end of any year is often a time of reflection and there is much to reflect on as 2018 comes to a close.

It has been challenging however also very rewarding, for example our Colby Cheese was named the Best in Australia at the 2018 DIAA Awards along with the 11 major awards that we won at the 2018 SA Dairy Awards Royal Adelaide Show, including Champion Cheddar Cheese of The Show. These and a few others this year takes our tally of Champion, Gold, Silver, Bronze industry awards for our Dairy products to 70 since listing in 2015!

Another highlight was the official Opening of our Jervois factory and the unveiling of its mural which depicts the history of cheese making in the factory since 1928. The Hon Steven Marshall MP, Premier of South Australia did the honours and even donned a painter's outfit to complete the mural, which received much press coverage including our story being reported on all free to air TV news programs.

The rest of this year's wrap you will find in this edition.

Again, I thank all our supporters, especially our farmers, and wish you and your families a safe and happy Christmas and a very successful 2019.

Roger Sexton
Chairman, Beston Global Food Company

BGFC Featured in the Brand SA Regional Showcase Program

BGFC has been chosen by Brand SA as one of its feature stories in the Brand SA Regional Showcase Program.

Our story is now live and you can read it through

<https://brandsanews.com.au/jervois-cheese-factory-makes-its-mark-with-mozzarella/>.

Mid-next year, all the stories will be compiled and their readership assessed. The stories with the highest page views, and those deemed most worthy, go in the running to win one of three regional showcase awards at Brand SA's statewide celebration evening next October...SO start clicking and viewing!

BGFC in the running for a 2019 Australian Grand Dairy Award

We recently received notification from Dairy Australia that after whittling down a list of more than 400 gold medal award winning entries to just 54 finalists – three in each category – BGFC is one of them with our Vintage Cheddar in the running for Champion in class...you've done it again, Paul Connolly and team! Dairy Australia has launched the website for the 2019 People's Choice Awards (www.peopleschoiceaward.legendairy.com.au) which is where the public will have the opportunity to vote for our product. We'll be promoting this heavily throughout this period and I encourage you to promote this to your families and friends as well.

Could this be BGFC's 71st Award...?!



The Hon Steven Marshall MP, Premier of SA, cuts the ribbon with (from left) Hon Adrian Pederick MP, Dr Roger Sexton AM and Mayor Brenton Lewis, declaring the Jervois Plant officially opened



Our Farmers' Contribution to Our Achievements

It has been said that a dairy company is not much of a dairy company without milk and that is certainly the case at Beston.

Over the past three years, we have built our milk supply program to a level of now 38 farmers that are forecast to provide between 115 and 120 million litres for the year.

This has enabled us to fully recommission the Murray Bridge factory, which is now producing Cheddar, Colby, Romano, Pepato, Gouda, Parmesan, and Gruyere cheeses, as well as Le Rice, and earlier this year to open our \$26 million state of the art Mozzarella plant at Jervois.

We have also managed to accumulate over 70 Champion, Gold, Silver and Bronze Industry awards including the nation's highest awards for Cheddar in 2017, and Colby in 2018.

Winning these awards has been crucial to Beston's positioning of our products as "high quality" and "premium every day" - and this would not have been possible without having access to a consistent supply of premium quality milk.

We thank each and every one of our supplying farmers for backing us and joining us on this journey.

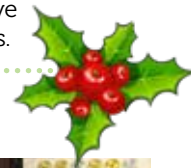
We continually seek to improve our capabilities and services in this space. Recently we have gone live with the milk supply administration platform 'MADCAP'. Farmer milk payments and quality test result communications are now executed utilising this system. Farmers have access to the online modules this system has to offer.



Glen Aldridge, Murray Klemm, Hamish Browning

Much of the work associated with the roll out of the MADCAP system has been completed by Milk Supply Administration Officer, Ellen Wild. Ellen has been a fine addition to the team and has contributed significantly to improving our farmer service capabilities.

The roll out of Beston's farm gate supplier signs has commenced, starting in the Fleurieu and Coorong Regions. This is a proud moment for the company to have the Beston brand prominent in the dairy regions.



Introducing Provincial Food Group

Provincial Food Group (formerly Scorpio Foods) is now a wholly owned subsidiary of Beston Global Food Company. Provincial Foods manufacture food products for export and domestic requirements in the Retail and Foodservice markets. Provincial Foods also operate in the business to business manufacturing segment as a supplier of raw diced and minced meat to other food manufacturers.

Luke Bramston has now been formally installed as General Manager of the business, with Hamish Browning overseeing the entire operation. The business has been restructured, rebranded and relaunched with a new "Go to Market" strategy. Factory operations have been consolidated and upgraded at Shepparton in northern Victoria.

A "Tailored Food Solutions Provider", Provincial Foods holds as its mission *To be the Value Added Meat and Food Products Partner of Choice delivering Quality Products backed with Reliability and Service, at Competitive Pricing.*



International Update

It certainly has been interesting times operating in the international trade arena for Beston. It requires patience and tenacity and the board of BFC has taken a long-term view on establishing and growing our brand in the international regions.

BFC has continued to invest strategically in growing our presence in China through creating brand recognition and establishing and expanding relationships with distributors and other key participants in the China market, which is now bearing fruit. The demand for Mozzarella Cheese in China is growing, and with the proven quality of our Mozzarella and the recognised presence which we have established in the domestic market, there is now a significant opportunity to capture a small but significant share of this lucrative and growing market.

The Beston Thailand Office has achieved a significant increase in brand awareness, especially with the recent launch of Mozzarella and we were recently specifically recognised by AUSTRADE as a standout company operating within Thailand, promoting and distributing Award-Winning Cheeses.



The rest of the ASEAN markets are progressing, with a new distributor appointed in Vietnam to cater for the high demand for Whey Powder. We have also identified that Korea, Japan and USA are potential markets to direct our focus in the new year.

Overall, we're expecting an increase in International sales next year predominately as a result of our efforts over the last 3 years.



From the Farms



Spring and early summer has been a busy time down at Beston Farms, as it is for most farmers at this time of year. Our focus continues to be firmly directed towards lifting production through herd renewal and improved pasture and grazing management.

It is pleasing to note that the results of this focus are starting to be realised with litres and kilos per cow well up on budget, and our silage and hay production is also well up on last year.

The implementation of our heifer rearing program has seen over 800 young breeders enter the system over the past 12 months enabling us to cull low production cattle more aggressively and to lower the average age of the overall herd.

Our capital improvement program has seen 2 new pivots erected, one replacing ageing infrastructure and the other a new plot increasing our irrigatable area.

Like all dairy farmers, at present we are not able to completely avoid the severe impact of the harsh drought conditions. In the past 12 months, much of the country has endured input costs for grain and fodder, reaching levels around double last year's prices. We have responded by reducing grain usage as much as possible, culling low production cows, and maximising pasture utilisation. We do feel a great deal of empathy for our fellow farmers that have been impacted so deeply by the drought conditions and subsequent cost impacts.

Despite these headwinds, the results on our farms this year have been very solid. The farms' performance is a good reflection on the calibre of the management team now in place: Nathan Marra (Landour Park), David Dowdell (Kingsley Estate), Kevin Saffin (Kurleah Estate), pictured below with Hamish Browning, as well as Chris Williams (Senior Manager and Ashwood) and their teams - we thank them for their efforts.



Nathan Marra, David Dowdell, Kevin Saffin, Hamish Browning

Business Round Table with Prime Minister Scott Morrison and Tony Pasin MP

BGFC participated in a Murraylands Industry Leaders forum on Saturday the 13th October, which was convened to discuss views of matters of business importance - with the Prime Minister of Australia Scott Morrison. Tony Pasin MP and Adrian Pederick (member for Hammond) also attended.

The meeting was chaired by Regional Development Australia's CEO, Jo Podiak, and other companies represented included; Thomas Foods International, the Inghams Group Ltd, Costa South Australia, Big River Pork, Peregrine Corporation, Zoos SA and Monarto Zoo, Bowhill Engineering and Kookaburra Homes.

Common issues highlighted that were constraining productivity included skilled labour availability, excessive insurance levies, high electricity costs

- all of which are reducing the ability of the companies to excel.

The PM congratulated the group in showing confidence to invest and noted that each had a plan for growth and success. He was particularly interested in Beston's growth and its SA fund-raising success and rapid emergence as Australia's 7th largest dairy company.



The PM's introduction to Beston's ei8h+ Water

SA Government - Economic and Finance Committee Hearing



BGFC participated in a Murray Bridge hearing and enquiry by the Economic and Finance Committee into SA Investment attraction policies on Thursday 11th of October.

The Committee chaired by Sam Duluk (member for Waite) also included Stephen Patterson (member for Morphett), Matthew Cowdry OAM (member for Colton) and David Basham (member for Finniss).

Beston's Sean Ebert and Alistair McFarlane joined a panel with senior representatives from Thomas Foods International and Big River Pork to give evidence to the Committee. we

emphasised the growth of the new business, the benefits it obtained from the Regional Development grant in assisting in the re-installation of the company's new Mozzarella production capacity, as well as the new employment opportunities it has brought to the region.

The benefits of participation by the three companies in the Murray Food Alliance has the potential to unlock efficiency in the region, create permanent workers for the town and enable more civic infrastructure creation.



Alistair and Sean seated left in above image on the left with other committee members



BGFC partnered with The Rural City of Murray Bridge to create a mural on the façade of the Jervois Plant, depicting the history of cheese-making in the area



STAFF PROFILE



Paul Connolly commenced his impressive cheese-making journey 30 years ago. Over this time, Paul has worked through all facets of the trade and formally studied Dairy Technology, Cheese-making and Cheese Grading. He also had the opportunity to work with some of the best Cheesemakers and Graders in Australia before him.

As Operations Manager and Master Cheesemaker, Paul's role now includes the overseeing of eight production lines for cheeses such as Beston's multi award-winning Edwards Crossing range, which includes Cheddar, Gruyere, Parmesan, Pepato, Romano and Mozzarella. In addition, Paul is also responsible for other dairy lines including the award-winning Mable's Cream Cheese range, Le Rice, Butter and Whey Powder.

To Paul, each and every day is about creating high quality products from locally sourced milk supply – it begins with a review of the previous day's productions, progressing to a review of the next run, and working hand in hand with the team to ensure a quality product is created.

The current and ever-growing tally of 70 Champion, Gold, Silver and Bronze state and national Industry Awards, as well as assisting in securing an international award for one of BGFC's customers, are testament to Paul's dedication and commitment to his craft, to BGFC, to cheese-lovers – and importantly, for passing on his knowledge to the young up-and-coming next generations of Master Cheesemakers.



Sales Update

RETAIL

Sales remains a challenging environment and the team has continued to work hard to maintain and grow volume.

We have had successful meetings with major accounts and the outlook is extremely positive for future relationships and our joint partnerships. We also commenced negotiations with a major distribution group, with some 70 nationally-based members, to become a preferred supplier which we hope to secure in the near future.

In Retail, three Fancy Bites' varieties were launched in Metcash in November and an extra variety to Woolworths' offerings. Beston's Edwards Crossing Vintage 150gm was also ranged in Woolworths nationally.

We recently launched our newest product "The Award Winners' Entertainment Selection" Box Set, which has an inbuilt recyclable cheese board - make sure you grab one in Woolworths or an independent supermarket for Christmas!

We have also secured an agreement to range our retail cheeses in all 108 OTR convenience stores across SA. OTR will be our exclusive stockist for the soon-to-be released special edition "Farmers' Tribute Cheese", which was voted the 'Best Cheddar in Australia' by the Dairy Industry Association Australia (DIAA). Proceeds from the sale of each Farmers' Tribute Cheese go directly to South Australian Dairy Farmers.

This is just a snapshot of activities and we look forward to expanding on these in 2019.

WORKING PARTNERSHIPS

Thanks to the hard work of Sales Account Manager, John Marando, Drakes chose the BGFC factories as their destinations for their annual end-of-year meeting/event. John worked with Events Coordinator, Katie Sobocki, Master Cheesemaker, Paul Connolly and the Dairy Team to deliver a memorable day for the 35+ Drakes' Deli Managers. Various factory tours were staggered at both Murray

Bridge and Jervois with John and Sales Coordinator, Steph Piro, presenting cheese tastings to the group during their 'working lunch', enabling a better understanding of our award-winning cheeses.

This type of activity with a valued partner encourages a relationship to grow and strengthen, resulting in benefits for all involved.

Well done Team!



Beston's and Drakes working together for great results

Introducing the Dairy Protein Plant

BGFC announced in its Annual Report that it expected to bring our Dairy Fractionation Plant into production by the end of calendar 2018. Thanks to the sterling efforts of Andrew Heading, Nicola O'Mahony, Wayne Austin, Lorraine Haebich, Andrew May, Wayne Hockam, Olivia DiSisto and Adam Rigano, this objective was achieved ahead of schedule.

The plant became commercially operational in October, with

Lactoferrin being produced in quantity in November. The Dairy Protein Plant can extract Lactoferrin (LF), Lactoperoxidase (LP) and Immunoglobulin (IgG), with the initial focus being on Lactoferrin.

The global demand for Lactoferrin has picked up significantly during 2108 as a result of regulatory changes made by the Chinese Government, which has increased the demand for Lactoferrin Protein in that country.