

The Beston Chronicle



Welcome to the first issue of The Beston Chronicle for 2020

Incredibly, we are now already more than a third of the way through 2020, a year that has brought such unprecedented devastation and disruption to people and businesses globally. First, we

had the bushfires which destroyed lives, livestock and charred vast tracts of land and followed on from the two-year drought which pushed many of Australia's farmers to the brink... and then came the global COVID-19 pandemic, with all of its tragic human and economic consequences.

As it became clear that the insidious coronavirus had reached Australian shores, our Federal and State Governments quickly developed, implemented and communicated new policies and practices to respond to the challenges in an attempt to avoid the magnitude of the devastation occurring in other countries. The responses have been substantial and timely.

BFC followed suit and swiftly put into place new operational policies to ensure that we mitigated the impacts of the events as they were rapidly unfolding. As a responsible corporate organisation, and predominately a dairy and meat focused food manufacturer, BFC's priority has always been to hold the safety, health and well-being of all our stakeholders at the forefront of our operations. This is reflected in our business continuity planning as well as in the many policies and procedures that we have

developed and are continuously reviewing in response to the evolving situation.

One of the few positive outcomes of the COVID-19 pandemic is that Governments and businesses are looking at whether there are better and smarter ways to do things in the future. It has become widely recognised that Australia can no longer put its bio-security and national health sovereignty at risk by relying on imports of medicines and medical technology from other countries, nor by having so many of our agricultural products processed offshore.

As Australia comes out of the "other side" of COVID-19, it is clear that there will be a new approach around these critical issues of bio-security and food self-security.

BFC is well placed to participate in, and contribute to, this new approach.

Some four years ago, BFC made a long-term investment decision to acquire a dairy nutraceutical plant which had been built by an Australian public company adjacent to our dairy factory at Jervois, South Australia. BFC acquired the plant for a fraction of its original cost. It was then effectively "moth balled" after acquisition until such time as we had installed our new mozzarella plant and had sufficient feedstock (whey liquid as a by-product of cheese production) to operate the plant.

We "switched on" the dairy nutraceutical plant last year following the commissioning of the



mozzarella plant and have been producing high value Lactoferrin over the past twelve months. In the early months of 2020, we upgraded the plant and installed new resin so as to take the production of Lactoferrin to around 3 metric tonnes per annum, with consistently high levels of purity and quality. At our AGM in November 2019, we announced that we were working on plans to invest some \$10 million to \$12 million to further expand our dairy nutraceuticals plant and take Lactoferrin production to around 12 metric tonnes per annum.

Lactoferrin has anti-bacterial, anti-viral, anti-parasitic and anti-allergic functions and properties which are essential in boosting the immune system – as well as being used to deliver anti-cancer drugs to the human body. The clinical significance of Lactoferrin has been established in numerous medical and scientific studies over the past 40 years (since it was first extracted from milk in 1961).

Importantly, and particularly in the context of the current COVID-19 pandemic, it is known to suppress virus replication by affecting natural killer cells in the human body which play a crucial role in the early stages of viral infection.

The global demand for Lactoferrin is expected to increase significantly in the post COVID-19 environment (by as much as 60% according to some recent market studies) and through its expansion plans, BFC is positioning itself to have the capacity to sell into this increasing demand. Importantly, this will have flow-on benefits to South Australia's dairy farmers by way of an increase in the demand for milk.

On a personal note, I am honoured to have been invited by the State Government's Trade and Investment Minister, Hon David Ridgway MP, to join an Export Recovery Taskforce alongside other industry representatives, to help identify the impacts and coordinate government intervention and support for

businesses in South Australia affected by COVID-19. This pandemic, with its associated travel restrictions, has had an unprecedented impact on Australia's international trade and the immediate focus of the Task Force is to minimise the impact being experienced by exporters.

Whilst COVID-19 has already spiraled many of the major economies in the world into recession, Australia is in a stronger economic position than most other western countries. Our debt is much lower as a proportion of GDP than most of these countries and our Government and its people have acted swiftly to mitigate the health and economic fallouts.

We are living through a once in a 100-year event. However, Australia, and the world will come through this crisis, as we have done with previous crises, and be stronger and wiser from the lessons learnt as we return to normality at some point.

BFC is in the food business. We produce high quality foods that people wish to eat. We also support a lot of dairy farmers and their families (and communities) who rely on us to take their milk every day. We will continue to keep functioning and producing products with minimum disruptions, as far as possible, while we transition through this difficult time.

To that end, I wish to thank the BFC's Board of Directors for their level-headed contributions, leadership and professional expertise in guiding the Company through the challenges of the past few months.

The Board of BFC have a wealth of experience in times of business disruption and have been very focussed on ensuring that BFC continues to grow as a strong company during this time of pandemic. As such, the Board has been mindful of the very important role which our Company plays in the economic and social fabric of Australia, and particularly in regional areas, and has sought to take decisions in

responding to the pandemic which put the welfare of our employees (and the communities in which they live) above all else.

I also wish to express my gratitude to our CEO, Jonathan Hicks, and the senior executive team at BFC for their hard work during these extraordinary times. Every single BFC employee has embraced the new policies and procedures which we have put in place to deal with the new challenges and I thank them also.

Indeed, more than that, I am extraordinarily proud of all of the employees in our "Beston Family". Over the past four months we have seen our employees out in the community fighting bushfires and contributing in various ways to fund-raising appeals for bushfire victims. In recent weeks, we have seen them contributing to the relief efforts for the many people affected badly by the coronavirus pandemic... as well as supporting animal welfare efforts where the sources of funding to feed and care for animals has dried up due to coronavirus restrictions. Everyone involved in these activities have done so on the basis of their own decision and in their own time.

What these actions have highlighted is the strength of the "Beston Family" culture in the Company, and the core values which are embodied in our employees... which have played a fundamental role in driving the successful outcomes achieved within BFC over the past four years.

Winston Churchill is often credited with saying: "Never let a good crisis go to waste". In these challenging times, solutions are often found outside of the normal compass. BFC is taking steps to find new ways of doing things to ensure that it comes out the other side of the COVID-19 pandemic in even better shape than when it went into the current situation,

and our employees are contributing in no small measure to our efforts in this regard.

I hope you and your families are keeping safe and healthy at this time and I trust that the next issue of "The Beston Chronicle" will see us much further along the track on our nation's *Road to Recovery*.

Roger Sexton AM
Chairman,
Beston Global Food Company



From the CEO



Firstly, I would like to express that our thoughts are with all those affected by the coronavirus pandemic around the world.

These are truly uncharted waters for us all. As a publicly listed company,

Beston Global Food Company (ASX:BFC) must ensure the continuity of operations for the sake of its valued Stakeholders (i.e. Shareholders, Suppliers, Distributors, Retailers, Consumers and Employees), while at the same time, ensuring the safety and well-being of the BFC Team across all aspects of the business, (including via the support of South Australia's Dairy Farmers).

The Chairman and I decided to use this issue of "The Beston Chronicle" to reach out to our community of stakeholders to explain the steps which BFC has taken in addressing the challenges of the COVID-19 pandemic:

Best ON SHAREHOLDERS

Our "Three V's" strategy – **Volume, Value and Velocity**, which I have explained in previous issues and letters – remains fundamental to the pursuit of our objectives to deliver profit and continue to grow the Company, whilst adapting to the current environment.

Just prior to COVID-19 reaching Australian soil, the Company published its Half Year Financial Results, recording a 23% increase in revenues to 31st December 2019 over the previous half – with the total Group Revenues of \$52.1 million in this period, up from \$41.5 million in the second half of the previous Financial Year.

These financial results put us in good stead to maintain the momentum of previous periods.

As we have reported to the ASX, BFC is continuing to experience strong retail demand for its BFC's Edwards Crossing mild/hard cheese and BFC's Mables cream cheese ranges, as well as our meat products produced by the Company's Provincial Food Group.

BFC is also continuing to grow its stable of trading partners across the supermarket landscape. Our retail ranges are increasingly becoming available throughout multi-site operators, such as Ritchie's, Drakes, Romeos, Cornetts, Foodworks, Foodland and Independent IGA platforms. Further to this, we are currently in negotiations with large format supermarkets, Woolworths and Coles, to expand our on-shelf range of products available to our consumers. The geographic reach of these supermarkets is significant and BFC considers their ability to bring new consumers to our products as paramount to our continued growth plans.

Whilst we have experienced some downturn in sales to Foodservice outlets across Australia, as a result of this sector's move to takeaway (only) in response to the COVID-19 pandemic, the Company has continued to supply three large private label customers who have delivered significant tonnage.

Our Foodservice team is in daily contact with our customer base to understand the changing landscape in the marketplace in response to the pandemic. Many of our customers are remodeling the way they do business, by introducing measures such as home delivery and warehouse collections to the public, in order to maintain business continuity.

BFC continues to adapt to this changing landscape by securing forward sales and focusing on the new opportunities created by the current environment. We are in a position to be agile and respond to changes that expand business relationships and financial returns to BFC and to our customers.

As we advised in our recent update to the ASX, BFC is developing an immune-boosting health drink using Lactoferrin produced at our dairy nutraceuticals plant at Jervois, South Australia. Lactoferrin has similar immune-boosting properties as human breast milk and is used in dietary supplements, pharmaceutical products including respiratory medications, cosmetics and oral hygiene products.

BFC is endeavouring to release this product to the market as soon as possible.

As a member of Food South Australia, BFC was pleased to learn of the appointment of Catherine Sayer who represents the State's Food and Beverage industry on the SA Premier's Response and Recovery Council. This Council was created by the Premier, Hon Steven Marshall MP to assist in delivering the State's immediate and ongoing response to the significant economic challenges created by the COVID-19 pandemic.

Premier Steven Marshall knows that now, more than ever, SA companies in the Food and Beverage sector must work together to utilise our shared expertise and experience to ensure that businesses, jobs and industries are not only protected during this difficult time, but are also "future proofed" to enable them to emerge even stronger and more agile when economic activity returns to "normal".

Best ON DISTRIBUTORS and RETAILERS... BFC is Open for Business!

BFC carries a rolling four months' advance supply of packaging materials as part of its normal business continuity risk management practices, and at this stage, does not see any constraints on the supply of raw materials or packaging inputs.

As mentioned, many businesses are remodeling the way in which they operate, and BFC is proactively pursuing these businesses to work on solutions together.

As a company, we deal in the business of export on a daily basis. International logistics has always been an integral part of our export business and, with this global pandemic, has become even more challenging. It has become extremely important to be well prepared and organised in advance, and to ensure goods are dispatched when required to avoid vessels being booked out, (as vessel sailing schedules are frequently cancelled or adjusted).



While in-transit times were taking three to four weeks prior to COVID-19, we are now looking at seven to eight weeks due to the different countries' regulations, in light of COVID-19. The transit delays have been exacerbated by some ports of call requiring vessels to be quarantined for a period of time before being permitted to dock.

The challenges arising from these issues has affected all exporters in South Australia not only BFC, and we are pleased that our Chairman is assisting in the resolution of these issues as a member of the SA Government's Export Recovery Task Force.

From a retail perspective, our In-Field Sales Team has adapted to the change from previously assisting our Retailers with store visits to check stock levels, merchandise and conducting sampling sessions as part of our Trade Marketing. The Sales Teams are keeping connected with the Store Managers via regular phone calls and emails and have transitioned to working in Sales Support and the Social Media division to keep BFC linked into our consumers.



Best ON FARMS AND FACTORIES

There is no doubt that the COVID-19 pandemic has changed BFC. Like most other companies, BFC has adapted to these changes on a daily basis as necessary.

That said, in our farms and factories, it is business as usual...the cows still need milking twice daily... and our factories need to keep processing cheese.



As part of a high value, high grade food supply chain, our farms and factories have strict Occupational Health and Safety procedures in place in 'normal' times. However additional

measures have been added to these procedures to ensure that our employees are fully protected from a COVID-19 perspective.

The farms and factories have quite significant operational differences. Hence, stringent measures have been put in place tailored to each location to ensure that strict social distancing requirements are factored into every element of the day-to-day activities.



As an additional health and hygiene precaution, staff have their temperature taken and are required to fill in daily declaration forms proclaiming that, to the best of their knowledge, they are not at risk of infecting colleagues and adhere to all procedures to maintain the high standard of personal hygiene expected from BFC employees. If there are any signs of illness, staff are required to leave immediately or stay at home.

Best ON THE COMMUNITY

For BFC, this means continuing to work with our customers and Dairy Farmers to minimise any disruption to the supply chain during this period of pandemic, so that our multi award-winning cheeses continue to appear on supermarket shelves and as ingredients in Food Service without disruption.

Our commitment to South Australia's Dairy Farmers has not waived. In March 2020, BFC was the Major Sponsor of the 2020 DairySA Central Conference. This conference is an important event in DairySA's annual calendar and which provides a platform for Dairy Farmers to think 'outside the square', giving

farmers direct access to innovative Industry leaders and the opportunity to flesh out new ideas, seek inspiration and be open to 'blue sky' thinking across a range of topics.

This sponsorship is consistent with BFC's strategic positioning: South Australia's Dairy Farmers are critical to our core business, so in turn, we focus our support to the Industry... *Processors and Producers: a critical and highly valuable partnership.*

The premium milk we receive from our farmers, along with our talented team of Cheesemakers, are behind BFC's success and the reason the Company has received 119 Industry awards in a little over four years.

Although our country is currently experiencing strong restrictions, the Australian Dairy Industry did manage to squeeze in a distinguished awards' event in early February; the Australian Grand Dairy Awards. BFC was the recipient of two prestigious awards: The 'Grand Champion' Award for our Parmesan Cheese and the coveted 'People's Choice' Award for our Black Wax Vintage Cheese. The 'People's Choice' award (with votes submitted across Australia) is particularly significant to us as a business, as it tells us that our products have hit the mark with consumers around the country... and according to the event's organisers, BFC won this award in a field of highly regarded cheeses and "by a landslide"!



BestON FAMILY

BFC is more than a company to its employees; it is a family...and we like to demonstrate this fact through one of our corporate values, being 'Powerful Together'. We work and lean on each other to ensure that our Company continues to grow from strength to strength.

'On the ground', we have implemented our business continuity plans and the strict precautionary measures encouraged by Prime Minister Scott Morrison, SA Premier Steven Marshall MP, VIC Premier Daniel Andrews MP (Provincial Food Group) and health experts locally and globally to help keep our people safe. This includes the entire Head Office contingent currently set up and working from home with technology in place that has ensured a seamless transition. The BFC team is connected with each other as much as ever. The factories and farms have daily virtual face-to-face meetings to ensure everyone is working in unison towards our end objectives.

The proactive measures we started to implement in early March and have continued to review and refine, since this time were... and are... critical to ensure our ability to rebound faster, stronger and better than before, once this pandemic is under control.

Like any family, we are in this together. You have my personal assurance that our Beston Global Food Company is here to support all of our stakeholders through this challenging and uncertain time.

Jonathan Hicks
CEO,
Beston Global Food Company



THE HON STEVEN MARSHALL MP
PREMIER OF SOUTH AUSTRALIA

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Dr Roger Sexton
Chairman
Beston Global Food Company
Level 9, 420 King William Street
ADELAIDE SA 5000

Dear Dr Sexton,

A handwritten signature in blue ink, appearing to read "Roger".

I write to congratulate you, Master Cheesemaker Paul Connolly, and everyone at Beston Global Food Company on your success at the 2020 Australian Grand Dairy Awards held recently in Melbourne.

Receiving the title of "Champion" for your Edwards Crossing Parmesan Cheese" and winning the "People's Choice" award for your Edwards Crossing Black Wax Vintage Cheese are fantastic and well-deserved achievements.

Your continued success is testament to Beston Global's commitment to putting the highest quality Australian dairy products in the hands of a truly talented team.

Blessed are the cheesemakers!

Once again, congratulations on these latest accolades and I wish you continued production success and industry recognition, here and around the world, long into the future.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Steven Marshall".

Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA

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