

WAGYU GROWING AGREEMENT

FREQUENTLY ASKED QUESTIONS

What is the difference between the Red Wagyu and the Black Wagyu?

There are four breeds of Wagyu. The Japanese Black and Japanese Brown which is also widely known as the Red Wagyu are the predominant breeds. All Wagyu cattle derive from cross-breeding in the early twentieth century of native Japanese cattle with imported stock, mostly from Europe.

In the case of the Red Wagyu, the principal foreign influence was from the Swiss Simmental and Korean Hanwoo breeds. The Red and Black Wagyu are not related genetically but have been bred for the same marbling criteria in Japan. They both can produce extremely fine marbling and are the only breeds of cattle with extremely low melting point soft fat that is associated with wagyu's exquisite flavour.

What is the typical phenotype of a Red Wagyu versus a Black Wagyu?



Can we expect to receive a price premium for the finished product?

The following data is from Australia, where the Wagyu industry has grown rapidly in the past decade.

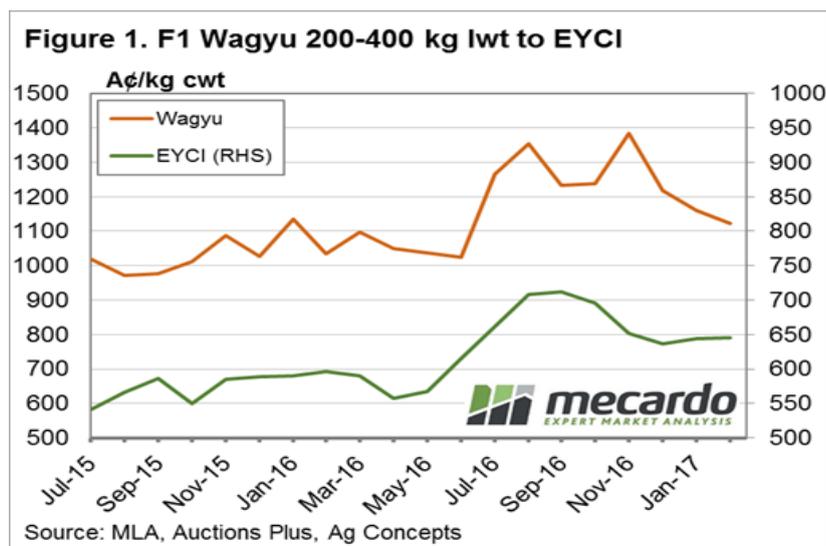


Figure 1 Compares the Australian market price achieved for F1 Wagyu steers and heifers between 200-400Kg LW, with the Eastern Young Cattle index (EYCI).

The EYCI is described as The EYCI index is calculated based on a seven-day rolling average expressed in cents per kilogram carcass (or dressed) weight (¢/kg cwt); and is sourced from sale data from 26 sale yards in New South Wales, Queensland and Victoria. It is produced daily by MLA's National Livestock Reporting Service (NLRs); and includes vealer, yearling, heifers and steers that are 200Kg+ LW and includes cattle purchased for slaughter, restocking or lot-feeding;

The average premium over this period for F1 Wagyu versus other beef cattle has been approximately 80%.

Who owns the Red Wagyu genetics for this program?

StockCo has acquired some of Australia's best high growth rate purebred Red Wagyu cattle and Semen. The Red Wagyu bull in the picture is owned by StockCo.

StockCo's aim is to select and breed the best possible Red Wagyu genetics to use in AB programs across x bred dairy cows to produce F1 steers and heifers for grass finishing in NZ and Australia.

Who owns the F1 Red Wagyu steers and heifers that are to be grown out for processing?

StockCo will own the cattle from weaning through until they are processed to ensure premium traceability for the market. As a farmer, you will have no outlay for the cost of the cattle.

Who is the processor and marketer?

The Alliance Group Ltd www.alliance.co.nz, have a contract to market and process the Red Wagyu beef with the aim of maximising value to all stakeholders.

The cattle will receive the ruling Alliance schedule price at the date of processing, and additionally as part of the development of premium grade markets, where the cattle meet the required specifications you will be able to share in any additional market returns as they are received by Alliance.

What will the cost of this be?

If you grow the cattle at an average growth rate of >0.5Kg LW/ day for the period that you farm them, StockCo will charge a fee of 5% of the sale price of the cattle. This structure ensures that StockCo's interests and yours are aligned to sell the cattle for the maximum price.

How will my margin be calculated in this instance?

Your margin will be calculated as Sale price less (Sale Price * 5%) less Purchase price.

What happens if my growth rate averages less than 0.5Kg LW per day or for deaths whilst I farm them?

StockCo are entitled to charge 1.0% per month (cumulative) as a finance rate calculated on the purchase price of the animal from the date of purchase until receipt of payment by StockCo.

What is the target sale weight?

For heifers, a minimum of 250Kg CW and Steers a minimum of 290KgCW. There is no maximum. We understand that to achieve a reasonable marbling score off grass (4-6) it is important that the animals are finished to a forward prime condition.

Are there any other costs?

You will need to pay for the cost of the transport for the cattle to your farm and for the animal health costs.

What if I cannot finish them?

We will need to work together to arrange to move them to a new finisher at a mutually agreed price.