

ASX RELEASE

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UPDATE ON MOZZARELLA SALES AND MILK SUPPLY

- Sales of Mozzarella from state-of-the-art plant at Jervois now consistently in excess of 500 metric tonne per month.
- Sales growth is a result of BFC now having its fully functioning on-the-ground sales team in each Mainland State and a commitment to the relentless pursuit of premium quality with its award-winning range of “Edwards Crossing” cheese products.
- Much of the growth is with repeat orders, reflecting a maturing in BFC’s customer base.
- The tightening of milk supply across Australia, as a consequence of the drought, is presenting challenges in terms of both throughput and prices paid but is also creating new opportunities for which BFC has adopted strategies and initiatives to take advantage.

Beston Global Food Company Limited (ASX: BFC) is pleased to advise that its sales of Mozzarella are now consistently in excess of 500 MT per month.

Significant gains in new business, at attractive margins, have been made over the past five months in both the retail and food service sectors. Growth has been achieved through growing relationships with existing customers and by adding new accounts.

BFC previously announced (on 1 May 2018) that production of Mozzarella had been ramped up to around 500MT per month after the start-up phase of the new plant in February/March. Some 30% of the subsequent sales were underpinned with a contract to a prominent Australian Company (as announced on 8 August 2018) and the balance, until recently, has been sold largely to food service customers on an introductory trial basis and the spot market.

Over the last five months, the pattern of sales has bedded down such that it is now virtually all committed to repeat customers.

The Chief Executive of BFC, Jonathan Hicks said that the sales achievements reflect the result, in large part of two key developments.



The first is the flow-on effects of the decision which was made in the earlier part of this financial year to have the Company's own sales team based on the ground in all Mainland States and transition away from using contract service providers.

"This decision has given us a national focus, improved communication and feedback from our customers to ensure that we are meeting their needs," he said.

The second reason is the relentless commitment which BFC has made to producing the highest quality cheese products and sourcing the highest quality milk for these products.

This commitment to quality resulted in BFC being awarded the Christian Hansen Cup for the Best Cheese in Australia at the Dairy Industry Association Awards (DIAA) in Melbourne on 10 May 2019, in addition to 16 other medals. The Mozzarella produced at BFC's new state-of-the-art factory in Jervois, South Australia was awarded a Gold Medal.

Mr Hicks noted that BFC's awards tally had now increased to an enviable 97 following the scoop of awards at the DIAA event. "The fact that we have achieved so many medals, in a little over three years, and been awarded the Christian Hansen Cup on two occasions, 2017 and 2019, is an extraordinary achievement for both our cheesemakers and our farmers", he said.

Mr Hicks said that the benefits of the growth in repeatable sales with a consistent customer base was now being seen in improved capacity utilization and overhead recoveries.

He noted that the tightening of milk supply across Australia, as a consequence of the drought and other factors, was presenting challenges for all dairy manufacturers. Higher feed costs resulting from the drought has increased production costs on dairy farms and put upward pressures on milk prices, right across Australia. These price pressures can be expected to ameliorate over time as supply adjusts to the new price regime, Mr Hicks said.

Milk supply to BFC to 30 June 2019 is expected to total around 100 million litres, approximately 23% down on the target of 130 million litres.

However, as a result of the increase in repeat sales to customers, all milk is now being used in production whereas some 40% of milk was being traded out in the first half of the financial year.

"These challenges of a tightening in milk supply are, however, also highlighting new opportunities", he said. "BFC has always been recognized as being innovative in its thinking and is addressing these challenges through a series of initiatives at both the farmer level and the customer level".

"Milk supply is expected to exceed 130 million litres in FY2019-20 as a result of these initiatives and the support of our contract farmers," Mr Hicks said.

"Demand for BFC's award winning "Edwards Crossing" Cheese products is increasing steadily, not only because of market recognition of the high quality of these products but also because of contract opportunities which have opened up as the large dairy manufacturers in Australia have cut back production in response to the tightening of milk supply (including by closing factories)," Mr Hicks said. "The changing dynamics in the dairy industry in Australia is presenting new opportunities for our Company and we are well positioned to take advantage of them".