



MEMO

FALKIRK CERTIFICATION DETAIL

25 07 2013

The allied approach by Bloch & Behrens (NZ) PGW Wools Ltd and Falkirk Index New Zealand Ltd to commercially enhance the combined client bases to greater profit lines, through generating superior product, is the key driver.

The ability for both companies to remain autonomous, whilst operating a joint management forum to administer mutual benefits, is significant. Both entities share the same philosophy of incentivising team members to take responsibility for their own business operation.

This project/initiative is underwritten by the proven Falkirk System of genetic identification and analysis that predetermines parameters for specified product. The brand '*Falkirk Certified*' is the crucial pivot for this mutual relationship. Commercially proven for meat, wool and livestock, and by virtue of being recognised as the solution to take the sheep industry forward in a seamless form, Falkirk is defining the criteria for certification to facilitate expansion. This development will provide critical mass to assist astute marketing strategies.

The blueprint for defined excellence of product is seeded in every existing Falkirk client farming operation. The process is then merged with other producer brands to create a pathway for traceability to the marketplace. Placed alongside preferred industry partners' brands of excellence and reliability, the shortened pipeline to chosen manufacturers is complete.

The present certification process as defined by Falkirk is by virtue of a producer being an active client with a verbal acknowledgment that the flock or herd is certifiable. This practice is being updated. For administrative and marketing assurance requirements and the ability to manage expansion, systems are being developed to assist efficiency.

Due to the potential for multi-product branding across specie, inclusive of meat, wool, livestock and dairy, preparation for a formal form of certification is being finalised to provide clarity for the producer and marketers. A schedule of certified producers and product to validate annual production for flow to end users is considered essential.

Certification Programme - identifies that the holder/recipient is involved in an annual genetic audit of either flock or herd to build towards full certification over time. This credit is a point of difference when comparing all producers within New Zealand. This initial value is designed for new clients to acknowledge their support and interest in the thrust for accredited genetics and excellence in subsequent product. This is a signal to be treated as a preferred Falkirk client in the marketplace.

Full Certification - can be achieved for Beef, Wool, Sheep, Dairy, Breeder and Finisher.

This classification identifies that the farmer branded product assures the market that it meets certain specifications and is fit for purpose. Specific contract options can then be serviced in the market place to enhance financial returns.

The need to have multiple certifications is essential for quality control across all segments. Any one producer may only specialise in one production segment or any multiple, as well as differing levels of acceptability, over time, by Falkirk standards.

The life of certification is annual with reissue completed by August 20th each calendar year to confirm status for the ensuing trading season. A unique client number will be allocated to track certification to facilitate effective administration. This process refreshes the schedule of acceptability. The brand assurance system is vital to maintain market respect and the right to accept value added payment for qualifying product.

Only certified Falkirk operators/assessors hold the authority to recommend to Falkirk management the pending status of any clients certified programme or multi or single segment qualification. Existing clients will receive notification of their current status by September 20th 2013.

In Short:

Certified Programme

- ✓ Annual maternal inspection of flock and herd
- ✓ Adult females
- ✓ Replacement females
- ✓ Sire team
- ✓ Encouraged to purchase certified sires
- ✓ Annual renewal of certification
- ✓ Market indicator of care and intent with farming systems
- ✓ Falkirk approved inspection/assessment required

Full Certification

- ✓ Annual maternal inspection of flock and herd
- ✓ Adult females
- ✓ Replacement females
- ✓ Sire team
- ✓ Essential to purchase certified sires
- ✓ Breeder certification of replacement rams and bulls
- ✓ Annual renewal of certification
- ✓ Market assurance of care and intent with farming systems
- ✓ Falkirk approved inspection/assessment required
- ✓ Product suitable to pass market scrutiny to fit specific specification
- ✓ Farmer brand to sit on an annual schedule to illustrate '**Falkirk Certified**' status
- ✓ Ability to participate in value added specific contracts, when available
- ✓ Maintain market respect and the right to accept value added payment

I am available at falkirk1@xtra.co.nz or 07 8778345 to explain, clarify, or discuss any aspect that may arise from this memo.

I appreciate the support in the last few months as we solidify a position to proceed to '**Market by Specification**'

Regards,

Ian