

Dear customers,

We would like to inform you about an increase in the prices of our Day Old Chicks (DOC) as of September 2021. Due to the magnitude of the price increase, we feel the urge to give you an explanation. There are several factors that have led to this increase, which we would like to explain below.

Within Europe, the pressure on the killing of male DOC has increased. Retailers have massively increased the pressure on egg suppliers. Under this pressure, the German government has announced a ban on the killing of male DOC as of 1st January 2022, as a result there will be 40 million fewer DOC available for animal feed. In addition to Germany, France has also announced a ban as of 1<sup>st</sup> April 2022, which will make another 20 million DOC unavailable for animal feed. There is also pressure on other European countries and the UK to introduce bans in the future. Kiezebrink is working with the British Egg Industry Council to lobby the UK government to continue to allow the killing of male DOC in the UK.

Alternatives to killing the male DOC which are now operational in Europe are based on "sexing in the egg" or rearing the chicks for a period of at least 12 weeks. These alternatives have drastically reduced the number of male DOC available. The UK uses 50% more DOC than are produced by UK hatcheries. Therefore, the UK is reliant on the supply of DOC from Europe.

Where we used to be able to make a selection with regard to quality (we had a surplus of DOC), we now have to use all available DOC to pack for animal feed. As a result, it may happen that on occasions chicks may not have the visual quality that we have previously strived for.

In addition to the availability of chicks, there are several other factors which have also led to an increase in costs:

- hatcheries have demanded higher prices for the chicks for us to secure contracts with them now that there is a shortage. These prices have doubled since 2020.
- increase in wage costs (to pack everything that comes in on time, we have to work irregular hours, which entails extra costs)
- the available batches of chicks per day are smaller, which means that our transport costs per kilo of chicks rise sharply
- we are also dealing with a strong increase in cost of packaging materials.

As a result, we are now forced to pass on this increase in cost price to our customers so we are able to run sustainable businesses which can continue to supply you with animal food into the future.

As a company we have been dealing with a market in which there was always a surplus of available chicks for the past 25 years. As a result, we have always been able to offer DOC at a low price. Prices may continue to rise in the near future as supply becomes more difficult. Since 2010, Kiezebrink has been working with partners from Germany and Spain in the ECC (European Coordination Center). The EW-group is a partner in this collaboration. The EW-group owns a worldwide breeding organization. Together with this organization we are working on plans to develop new DOC production locations in Italy, Hungary and possibly Ukraine. As a result, we hope to be able to continue to supply the market with the necessary DOC in the near future.

We appreciate price increases are never welcome, but we hope to have informed you sufficiently about the current DOC situation. We also hope that you trust us to do everything possible to provide you with the necessary chicks.