

Industry Expert Interview - Part 7

Interviewee: Robert (Rob) Calthorpe - Senior Industry Consultant (independent)

Background: Ex-Mainland Poultry exec (1994-2011); now advises private investors

Interviewer: Iris Beaumont (Halberd Capital Partners - Research)

Date: Tuesday, 2 June 2026

Duration: 60 minutes

Format: Video call (Auckland / New York); recording transcribed by I.B.

Anonymisation: None - interviewee consented to attributed transcript

Note (I.B.): Seventh Calthorpe session, scheduled at Vivian's request after the competitor-precedent Part 6 annex landed. Vivian flagged that the deck risk register and the model cost-side sensitivities are both light on supplier exposure - feedstock pass-through, electricity exposure, packaging concentration, day-old chick supply, cage-to-barn conversion equipment supply, labour, ETS reversibility, biosecurity, and manure offtake. We agreed 45 minutes; ran 44. Calthorpe asked us to flag the bucket as input-cost / supply-side risk so it doesn't get conflated with the value-chain margin Part 4 conversation.

[00:00:18]

I.B.: Rob - Vivian's note this morning. The IC pre-read deck has competitor structure, value chain, and consumer demand pinned, but the supplier lens is thin. She wants input-cost and supply-side risk per category - feedstock, land, equipment, energy, packaging, day-old chicks, labour, biosecurity, ETS - and for each one, where Aurora sits relative to Mainland and the rest of the cohort. Can we walk that end-to-end?

[00:01:22]

Calthorpe: Yes. I'll cover eight categories in order of dollar magnitude on the P&L.; One - feed grain. That's roughly 55-65% of variable cost per dozen for any NZ shell-egg producer, so it dominates. Two - electricity. Material and rising. Three - day-old chicks and breeder genetics, where the global concentration is extreme. Four - cage-to-barn conversion equipment, which is the Phase 2 capex story. Five - packaging - moulded fibre and plastic trays - which is more concentrated in NZ than people realise. Six - labour, including the Recognised Seasonal Employer scheme and the immigration-policy direction. Seven - emissions / ETS exposure, which is currently NIL but reversibly so. Eight - biosecurity and vaccination services, plus mortality / rendering. I'll close with manure offtake which is a small revenue offset that gets missed. Stop me anywhere.

[00:02:48]

Calthorpe: Layer one. Feed grain. NZ produces approximately 2.1 million tonnes of compound feed grain annually - per the USDA FAS New Zealand Grain and Feed Market Situation reports - and imports approximately 60% of total feed grain demand, principally Australian wheat and barley plus some US and South American corn / soy. Domestic wheat plantings sat at approximately 167,000 hectares in the 2024/25 marketing year. Dairy is the dominant offtaker at 75% of grain-and-feed demand; poultry is approximately 12%. So poultry is structurally a price-taker on a grain market shaped by dairy demand and import parity.

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Calthorpe: Pricing. NZ feed wheat sat in a range of approximately NZ\$430-510 per tonne through CY2024-25, broadly flat year-on-year but with a 12-15% spike in the 2023 dry-summer / Australian-import-tightness window that took prices briefly above NZ\$540/t. PGG Wrightson - PGW - is the dominant rural supplies and feed grain trader; Farmlands co-op is the second; Ridley

AgriProducts NZ, BNZ Animal Nutrition / NRM (Mainland's external nutrition partner historically), and Reliance Stockfeeds are the next tier. The structural fact: there are roughly four feed mills in NZ that can produce layer-grade compound feed at commercial scale - MainFeeds (Mainland captive, 3 sites, 140,000 tonnes pa), NRM at Te Rapa, Farmlands at Rolleston, Ridley at Cambridge. Aurora buys from the external-supplier triangle - Farmlands and NRM principally, with spot from Reliance. They have no captive feed mill.

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Calthorpe: Aurora's exposure read. Feed cost per dozen at FY24 prices is approximately NZ\$1.85-2.10 per dozen on the layer flock - that's 55-65% of variable cost depending on the production system. Pass-through to retail customers runs on a 4-6 month lag through Foodstuffs and Woolworths NZ contract review windows. So a 10% spot grain spike compresses Aurora's gross margin by approximately 80-110 basis points for a quarter or two before pass-through catches up. Mainland - via MainFeeds captive - smooths grain-purchase timing across the year and carries 8-10 weeks of grain inventory, which means they absorb the first part of any spot move without immediate margin hit. Aurora cannot do that. They run 4-6 weeks of feed inventory at commercial purchasing terms - that's a structural cost-of-capital and pass-through-lag asymmetry the deck should name.

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Calthorpe: Hedging. None of the NZ shell-egg producers run formal grain hedges via futures contracts because the NZX has no grain futures product and ASX wheat futures don't track NZ landed-cost wheat closely enough to be a useful hedge. Mainland's MainFeeds captive position effectively operates as a physical hedge through inventory and forward-purchase agreements with Australian co-ops. Aurora does not have that. So the framing 'Aurora's input-cost position is competitive given scale' that appears in some sell-side decks is wrong. Aurora is structurally short on grain hedging relative to Mainland and exposed to a 4-6 month pass-through lag on retail contracts. Both are real margin-volatility exposures that don't show up in a spot-price snapshot.

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I.B.: Layer two - electricity.

[00:12:22]

Calthorpe: Electricity is approximately 8-12% of variable cost per dozen for a barn or colony layer producer with climate-controlled sheds. For free-range it's somewhat lower - approximately 5-8% - because the free-range housing density is lower and ventilation load is reduced. Aurora's mix - 40% colony, 30% barn, 30% free-range - puts them at approximately 8-10% of variable cost on electricity, blended.

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Calthorpe: NZ industrial electricity prices have run hot. Statistics NZ / MBIE track average industrial electricity at approximately 17.8 cents per kilowatt-hour in 2024. Through 2025 large-user prices rose approximately 12% on the back of low-hydro / dry-winter wholesale spikes, and the 2026 forward curve from the four major gentailers - Meridian, Contact, Mercury, Genesis - is pointing to another 5%+ rise. So a producer with a fully-renewed five-year tariff expects approximately 18-20% cumulative electricity inflation over CY2024-26. That's a 150-220 basis point margin headwind on the colony / barn production lines if pass-through doesn't catch up.

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Calthorpe: Aurora's hedging position on electricity. Their two sites are on standard large-commercial gentailer tariffs - I understand from the broker conversation they renewed the bulk of their electricity contract in calendar 2024 at then-prevailing rates, which means they captured the pre-2025-spike price level for approximately three years of the contract. That's lucky timing. But it expires in late 2027 - right as Phase 2 conversion ramps electricity load on the new barn footprint - and at that point they'll

re-tariff into the post-2025 cost level. So the deck should name electricity as a 2027-28 cost step-up risk, not a near-term one. Mainland sits differently because their Otago / Manawatu / Auckland multi-site spread gives them three separate gentailer relationships and they actively negotiate cross-site bundle pricing. Aurora doesn't have the scale leverage for that. It's another structural input-cost gap vs Mainland that doesn't show up in spot snapshots.

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I.B.: Layer three - day-old chicks and breeder genetics.

[00:20:56]

Calthorpe: Globally extreme concentration. Three breeder genetics companies control approximately 90% of the world's commercial layer genetics - Hy-Line International (US-based, owned by EW Group, the German poultry-genetics group), Lohmann Tierzucht (also EW Group), and H&N; International (also EW Group). Functionally one parent company - EW Group - controls roughly 75-80% of global commercial layer genetics. The remainder is the Hendrix Genetics group with the Bovans and ISA lines and a few specialty / heritage breeders. That's a structural supply-chain concentration risk that is invisible in input-cost snapshots because the licensing and royalty cost rolls up into the DOC purchase price.

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Calthorpe: In NZ the supply chain runs through Northern HyLines at Wellsford (rears Hy-Line Brown for the commercial layer trade) and Henergy's Cambridge rearing operation. Mainland has captive rearing. Aurora buys point-of-lay pullets from Northern HyLines principally with spot from a couple of smaller Australian-sourced rearing operations in dry years. I covered the 6-9 month waitlist dynamic in Part 2 - supply was tight in 2024 because the Otago H7N6 cleanout consumed approximately 80,000 birds of national replacement capacity, plus two Australian breeders pulled forward NZ allocations to handle their own Australian replacement demand. By mid-2026 the waitlist is back to 4-5 months which is the historical norm. But the structural fact remains: Aurora has no captive breeder operation, and a 2-quarter Phase 2 conversion delay because pullets aren't available is a real and recurring risk. Mainland's captive rearing gives them a 6-9 month head-start on any conversion wave.

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I.B.: Layer four - cage-to-barn conversion equipment.

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Calthorpe: Three global suppliers dominate the cage-free conversion equipment market - Big Dutchman (German, Lower Saxony, founded 1938, operating in 150+ countries with approximately 3,300 staff), Vencomatic Group (Dutch, North Brabant, founded 1983, family-owned), and Salmat (Salmat-Fienhage, German, Lower Saxony, founded 1962, family-owned). All three are family-controlled European groups. In NZ the channel runs through agents - Big Dutchman has direct service presence via their Australian regional office plus a small Auckland service contractor; Vencomatic and Salmat operate through intermediated agent relationships. Long lead times: 9-14 months for a full barn fit-out from order to commissioning, with deposit at order, milestone payments through manufacturing, and balance on commissioning. That's structurally inflexible capex - once you commit to a system supplier you're locked in for the conversion wave.

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Calthorpe: Aurora's position. Per their broker outreach Aurora has 'committed Phase 2 conversion capex' but does not name the equipment supplier. Per industry chatter they signed with Big Dutchman in late 2025 for the bulk of the colony-to-barn conversion - approximately NZ\$11-16M as I sized in Part 2 at NZ\$45-65 per bird across approximately 240k birds in colony. Lead time on equipment is 9-14 months which means barn commissioning runs Q3 2026 to Q1 2027, depending

on which order tranche they're in. That's tight against the end-2027 Foodstuffs deadline - manageable but no slack. Mainland - per the PEP investment thesis - is also converting their residual 10-15% colony exposure on a similar timeline; they have a longer-standing Big Dutchman relationship and were earlier in the order book. Heyden, Better Eggs, Henergy and the long-tail are all in the same equipment supply chain - it's a nationally constrained vendor pipeline through calendar 2027.

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I.B.: Layer five - packaging.

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Calthorpe: Moulded-fibre egg trays / cartons - which is the dominant retail format in NZ - is functionally a single-supplier market. Huhtamaki operates the only large-scale moulded-fibre egg packaging plant in NZ out of Otahuhu, Auckland. Approximately 50 full-time staff plus up to 20 casuals; they've been supplying the NZ egg industry for over 60 years. Plastic-tray and clear-pack alternatives exist - Pact Group (formerly Visypak in NZ contexts) supplies the rigid-plastic tray format - but for the dominant retail moulded-fibre format Huhtamaki is effectively a sole supplier. Every NZ shell-egg producer runs through that one Otahuhu plant for the bulk of their retail packaging. That's a structural concentration risk that doesn't show up in any of the per-producer scorecards we built earlier.

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Calthorpe: Aurora's exposure. Packaging is approximately 4-6% of retail-channel variable cost per dozen, so it's not a top-three line item, but a Huhtamaki Otahuhu disruption - fire, industrial action, machine downtime - would propagate through the entire NZ shell-egg cohort within 2-3 weeks because there's no domestic backup at scale and Australian moulded-fibre import lead time is 4-6 weeks. That's a common-mode risk all six top-five producers share. Worth a footnote in the deck risk register, not a top-3 risk in itself - but a concrete example of why supplier concentration matters at the industry level even when no individual producer carries unusual exposure.

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I.B.: Layer six - labour.

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Calthorpe: Layer farming labour is structurally tight. Skilled stockmen, grading-line operators, and biosecurity-trained farm staff are scarce. The Recognised Seasonal Employer scheme - the RSE - applies principally to horticulture; layer farms can recruit through general essential-skills work-visa routes but not through the RSE preferential channel. Through 2024-25 the Coalition government tightened the Accredited Employer Work Visa median-wage threshold which lifted minimum-pay requirements for migrant farm staff. The direction of travel through 2026-28 is further tightening on lower-skill migrant pathways which puts more wage pressure on the layer farm operator labour line. Aurora at 110-130 staff across two sites carries approximately 18-22% labour cost as a share of variable cost. Mainland at approximately 475 staff across 17 sites runs at the same share but with more automation leverage on the larger sites - they commissioned the first vision-graded automated line at the Hamilton Zeagold facility in 2025 which Aurora hasn't replicated. So automation upside is a Phase 2 plus opportunity for an institutionally-funded Aurora owner; not a baseline thesis input.

[00:42:18]

I.B.: Layer seven - emissions and ETS exposure.

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Calthorpe: Currently nil and reversibly so. The current Coalition government removed agriculture from the Emissions Trading Scheme in 2024 - the He Waka Eke Noa partnership was disbanded, the

legislative backstop that would have automatically included agriculture was withdrawn, and the Pastoral Sector Group framework was substituted instead. So as of mid-2026 NZ shell-egg producers face zero direct agricultural-emissions cost. but - and this is the diligence point - the Labour leader Chris Hipkins has publicly stated that the agricultural emissions policy is 'under review' which signals re-inclusion under a Labour-led government. The 2026 election cycle is the trigger. So a buyer underwriting Aurora through 2030 needs to carry an ETS reversibility scenario in the model.

Indicative shape: if agriculture is re-included on biogenic methane plus some scope for layer manure ammonia / nitrous oxide, Aurora's annual exposure is in the range of NZ\$0.5-1.5M depending on the scoping rules and free-allocation transitional treatment - approximately 5-15% of FY24 EBITDA. That belongs in the model as a downside scenario, not as the central case.

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I.B.: Layer eight - biosecurity, vaccination, mortality.

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Calthorpe: Biosecurity services - vaccination programmes, on-farm cleaning, H7N6-protocol cleanout services - are concentrated through Ecolab NZ (industrial sanitation) and Diversey (cleaning chemistry); veterinary services run through specialist poultry vets including Tegel-affiliated practices and a small handful of independents. Costs: vaccination at approximately NZ\$0.18-0.22 per bird per cycle, cleaning chemistry at approximately NZ\$0.40-0.55 per bird per cleanout cycle. Manageable in normal operations. The H7N6 Otago cleanout in 2024 cost the affected operator approximately NZ\$2.8-3.4M in cleanout, repopulation, and revenue interruption per the public WOA self-declaration figures and industry commentary. So a biosecurity event is a 25-35% of EBITDA hit per affected farm in the year of impact. Mortality / rendering offtake runs through Lowe Industries (composting permits) and a couple of regional rendering operators; it's not a big number on the cost side - approximately NZ\$0.05-0.08 per dozen - but an absent rendering pathway during a biosecurity event is a hard operational constraint.

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Calthorpe: Closing item - manure offtake. Layer manure is a real revenue offset for any NZ shell-egg producer at scale. Ravensdown and Ballance Agri-Nutrients - the two NZ fertiliser co-operatives - buy poultry manure at approximately NZ\$15-25 per tonne for processing into pelletised fertiliser; some direct-to-orchard sales also run at approximately NZ\$30-45 per tonne but with logistics borne by the buyer. For Aurora at approximately 18,000 tonnes per year of layer manure that is approximately NZ\$300-450k of revenue offset on the operating cost line. Small but real. The offset is not in any sell-side framing. It belongs in the model on the cost side.

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Calthorpe: Overall summary call for the deck. Aurora's structural input-cost position is not 'competitive given scale' as the broker framing implies. On the dimensions that matter - feed-grain pass-through lag without captive milling, electricity exposure step-up at 2027-28 tariff renewal, day-old chick supply through commercially-priced external rearing without captive breeder, conversion-equipment vendor concentration through European family groups, packaging single-supplier exposure through Huhtamaki Otahuhu, labour wage pressure from migrant-policy tightening, and ETS reversibility risk through the 2026 election cycle - Aurora is structurally one tier down vs Mainland on five of the eight categories (feed, electricity, DOC, automation leverage, captive scale leverage on supplier negotiation). On the remaining three - packaging, labour, ETS - Aurora carries the same exposure as the rest of the cohort. None of this is hidden; it's all derivable from the public input-cost data, the Hartley Pearce competitor overview, and the Navis 2017 press release establishing Mainland's full stack. The deck should report Aurora's input-cost position accurately rather than echo the 'unit economics hold up' framing in the broker outreach.

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I.B.: Got it. Annex back to you within 24 hours. Anything I missed?

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Calthorpe: One footnote - insurance. Layer-farm insurance covers two strands: biosecurity / depopulation cover, and business-interruption / climate-event cover. The biosecurity strand has hardened materially post the 2024 H7N6 outbreak - premiums up approximately 25-35% on renewal, exclusions wider, and excesses higher. Climate / flood cover has also hardened post the 2023 Auckland Anniversary floods and Cyclone Gabrielle. Aurora's South Island site sits in a Selwyn-Canterbury catchment - lower flood exposure than the North Island Hawke's Bay / Bay of Plenty footprint that Better Eggs and Zeagold carry - so on flood cover Aurora is structurally better placed than some of the cohort. On biosecurity cover everyone is equally exposed. Worth a sentence in the deck risk register, not a top risk.

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I.B.: Rob - thank you. Annex tomorrow.

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Calthorpe: Send it. Happy to caveat anything.

[End of Part 7 - 60:18 elapsed]