



Heartland Catfish Company Q1 Report, April 2022

Q1 2022:
Market Check-In



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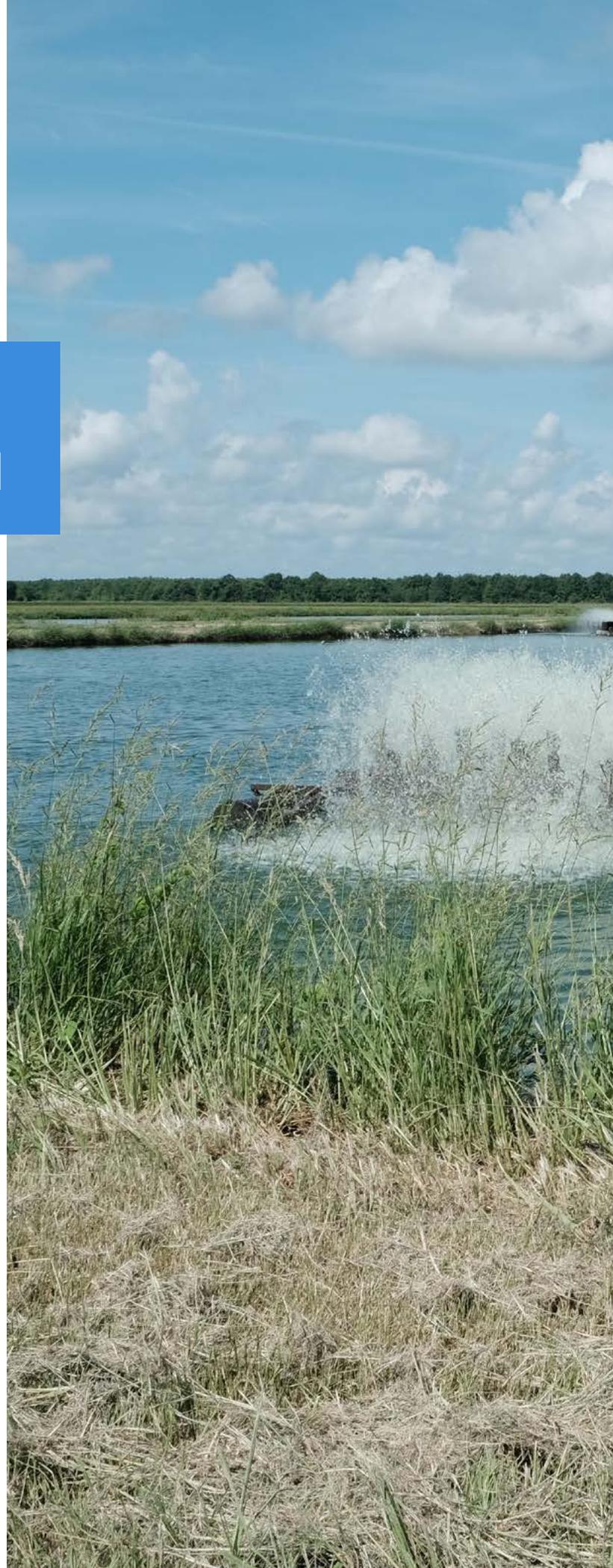
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Q1 2022: MARKET CHECK-IN

As 2022 progresses, Heartland Catfish Company is looking at current numbers, as well as supply and demand throughout the industry. As some impacts of COVID-19 continue to decrease, ongoing labor shortages and slower production cycles continue to create a high-demand, low-supply environment that will likely continue in the U.S. Farm-Raised Catfish industry as we move through 2022.



2022 BY THE NUMBERS

Feed: Down 3% from 2021

Feed is down 3% from 2021 and down 20% from 2020. It is still too early to put much emphasis on feed numbers given that the true feeding season has not yet begun. The current stats indicate, fish will continue to be tight over the next several months.

Processing: Up 11% from 2021

Processing is up 11% from 2021 and down 4.5% from 2020. We have started the year off killing more fish than we did in 2021. With the number of fish ready to process currently, this further strengthens our feeling of a tight live fish supply continuing for several months.

Sales: Flat compared to 2021

Overall, sales are flat compared to 2021 and down 11% from 2020. Fresh sales are down 7% from 2021 and down 7% from 2020. Frozen sales are up 5.5% from 2021 and down 13% from 2020. A tight fish supply leads to fewer opportunities for processors to acquire new customers.



2022 BY THE NUMBERS

Inventory: Frozen inventory is down

Frozen inventory at the end of March 2022 was at 5,295,000 lbs. compared to 2,546,000 lbs. in 2021 and 7,790,000 lbs. in 2020. The end of March 2021 reported 1,115,000 lbs. of prime frozen fillets in inventory while the end of March 2022 reports 2,422,000 lbs. of prime frozen fillets on hand. This frozen inventory will help elevate some demand during the expected shortage of live fish over the next several months.

Labor: Industry-wide concern

Labor is still a major industry issue. Everyone in the industry is continuously researching and implementing ways to recruit and retain enough employees to staff plants and meet product demands of customers. The labor shortage also impacts the farmers. As we move into summer, when their labor needs are the highest, and with increased feeding and more intensive management of oxygen and water quality issues, labor is in high demand.



SUPPLY AND DEMAND CHALLENGES

Supply Chain

The supply chain continues to be a concern. Lead times on packaging, processing supplies, repair parts and ingredients continue to be longer than usual and often get pushed out further than first committed. Despite these nation-wide hardships, Heartland continues to work through the challenges of both meeting customer demand and filling in short orders from across the industry. The team is committed to working closely with each customer to meet their needs.

Price Increases

Additionally, prices for packaging, processing supplies, repair parts and ingredients continue to increase as our suppliers deal with similar supply chain issues in their own plants and warehouses. Not only are the prices of our vital supplies rising, but shortages in the transportation sector and diesel prices have caused suppliers to increase delivery costs and implement fuel surcharges to many orders. We look forward to helping our customers navigate industry changes, and supporting their needs to the best of our abilities.



LOOKING AHEAD

There is lingering uncertainty in the industry regarding supply and demand, especially as it relates to long-term order fill rates, supply numbers and transportation. Heartland has our own fleet of trucks that assist with transporting product. Our in-house fleet helps to alleviate the burden of only utilizing 3rd-party transportation vendors.

Since the ongoing labor shortage and increased costs of standard production and processing supplies indicate continued higher prices for U.S. farm-raised catfish as 2022 progresses, we are happy to work through these challenges with our customers. Transparency and communication are always our top priority, especially when inventory is tight, and the market continues to shift. We will support our customers through whatever is to come as 2022 continues.

