



Australian Agricultural Company Limited
ABN 15 010 892 270

Presentation at the 2012 Annual Stockbrokers Conference

ASX Announcement 31/2012

1 June 2012

Attached is a presentation by David Farley AAco Managing Director and CEO to the Stockbrokers Association of Australia at the 2012 Annual Stockbrokers Conference being Held at Crown Promenade Hotel Melbourne Thurs 31st May and Friday 1st June

Issued by
Bruce Bennett
Company Secretary

www.aaco.com.au



Australian Agriculture in the Global Context

Why the world requires Australia to be responsible and productive with its Agriculture assets





Who is AAco?

Australia's largest producer of beef

More than 600,000 head of cattle

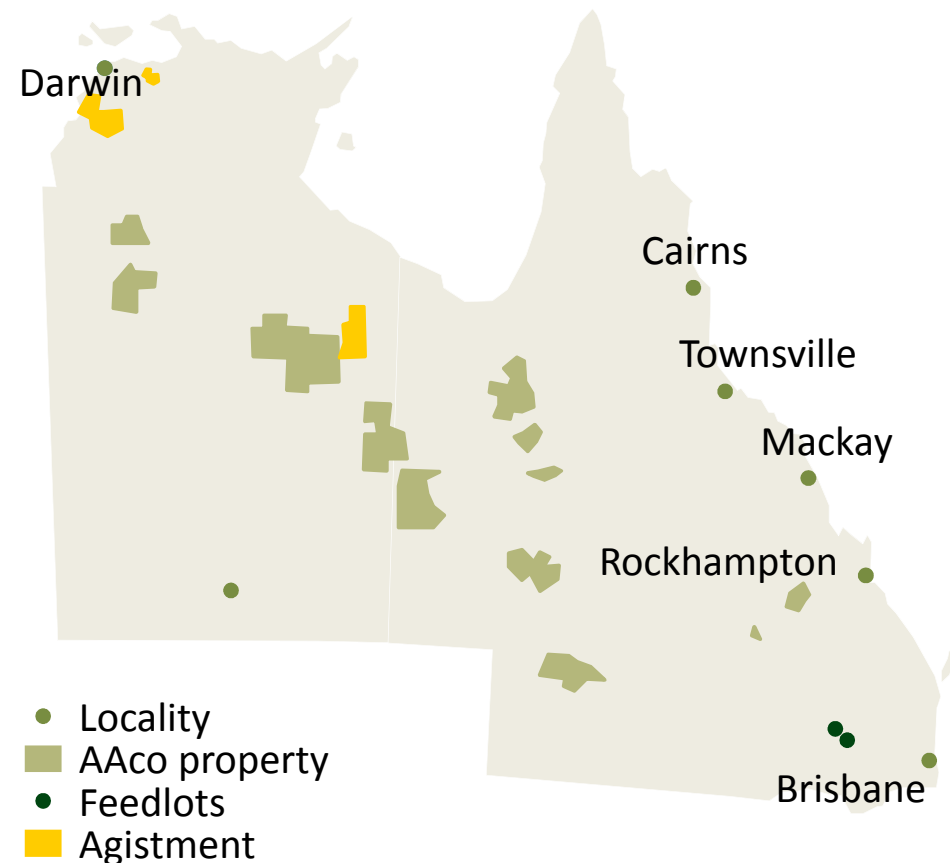
19 cattle stations, two feedlots and three farms

Owens and manages 7.2 million ha of land across Queensland and the Northern Territory

The world's largest Wagyu beef producer

Exports to more than 20 countries globally

AAco portfolio





Australian Agriculture in the global context

Why the World requires Australia to be Responsible and Productive with its Agricultural Assets

Australia's importance to global trade

Global macro drivers for agriculture and implications for Australia

Impact of global supply shocks in agriculture

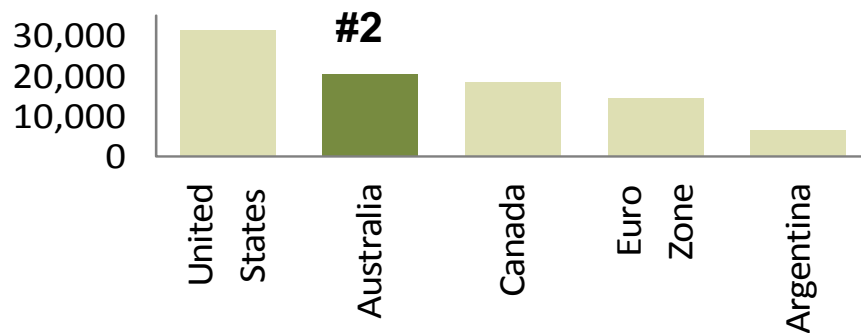
AAco's role in the global context



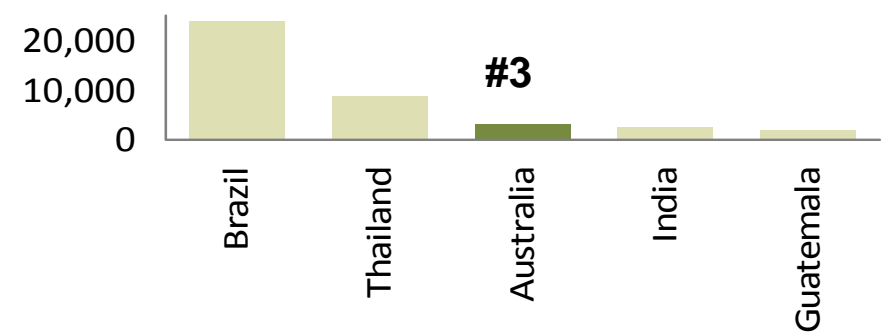
Australia's importance to global trade

Australia is one of the major global exporters of agricultural production...

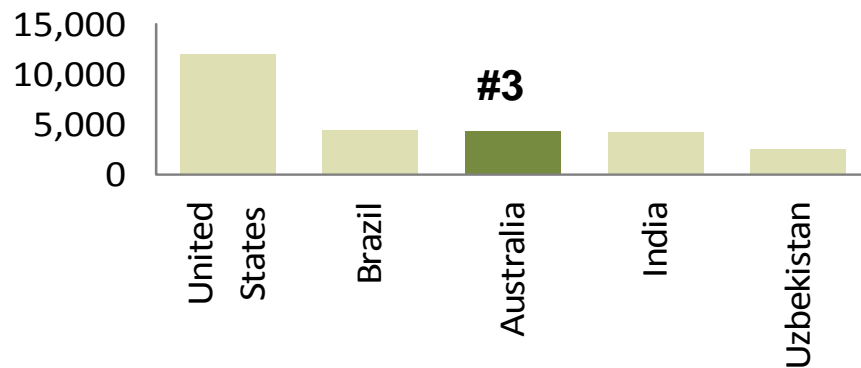
Wheat (000' MT)



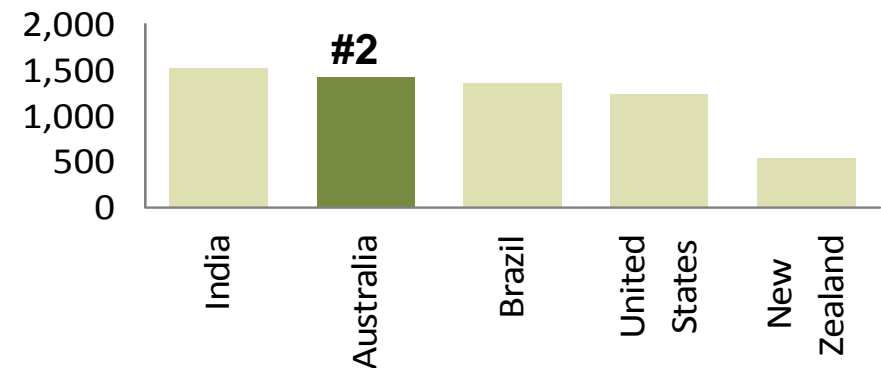
Sugar (000' MT)



Cotton (000' 480lb bales)



Beef (000' MT)

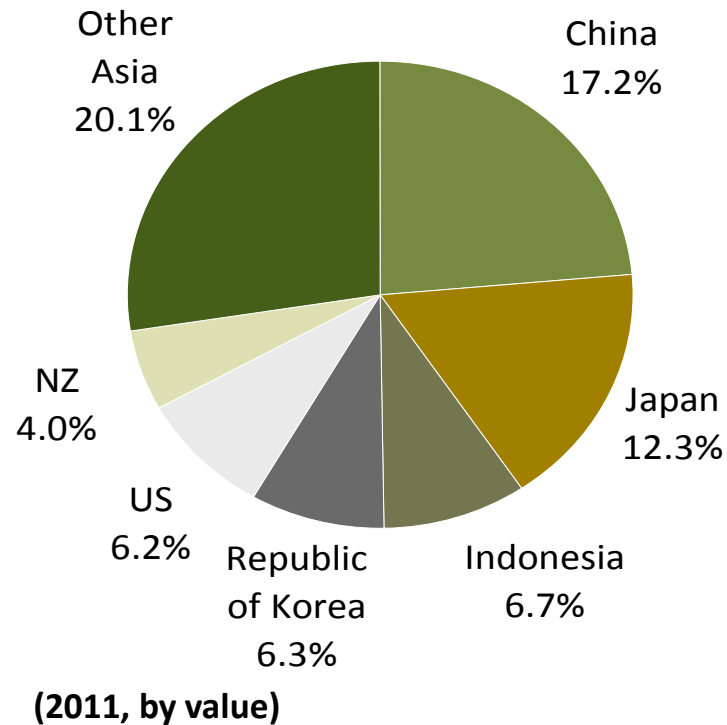




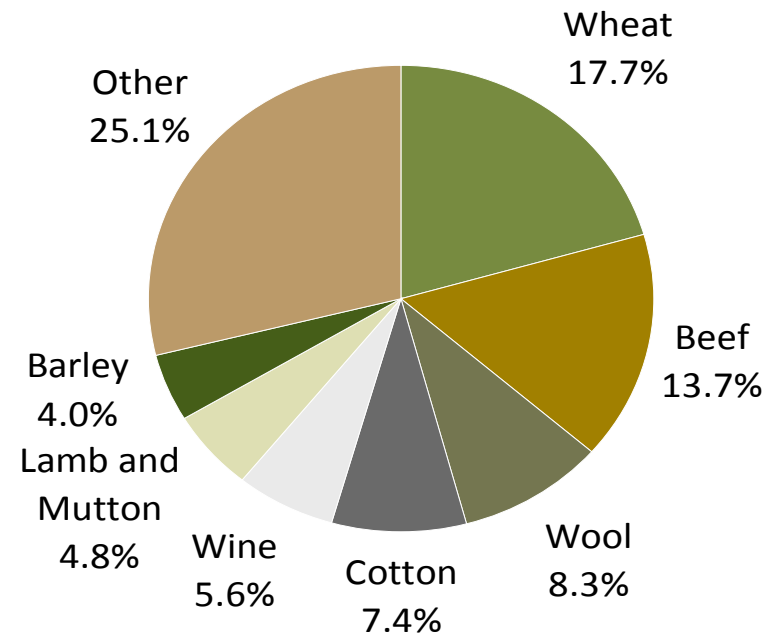
Australia's importance to global trade

Australia exports c.60% of its total farm production, the majority of which goes to Asia

Major Australian agriculture export markets



Major Australian agriculture export products





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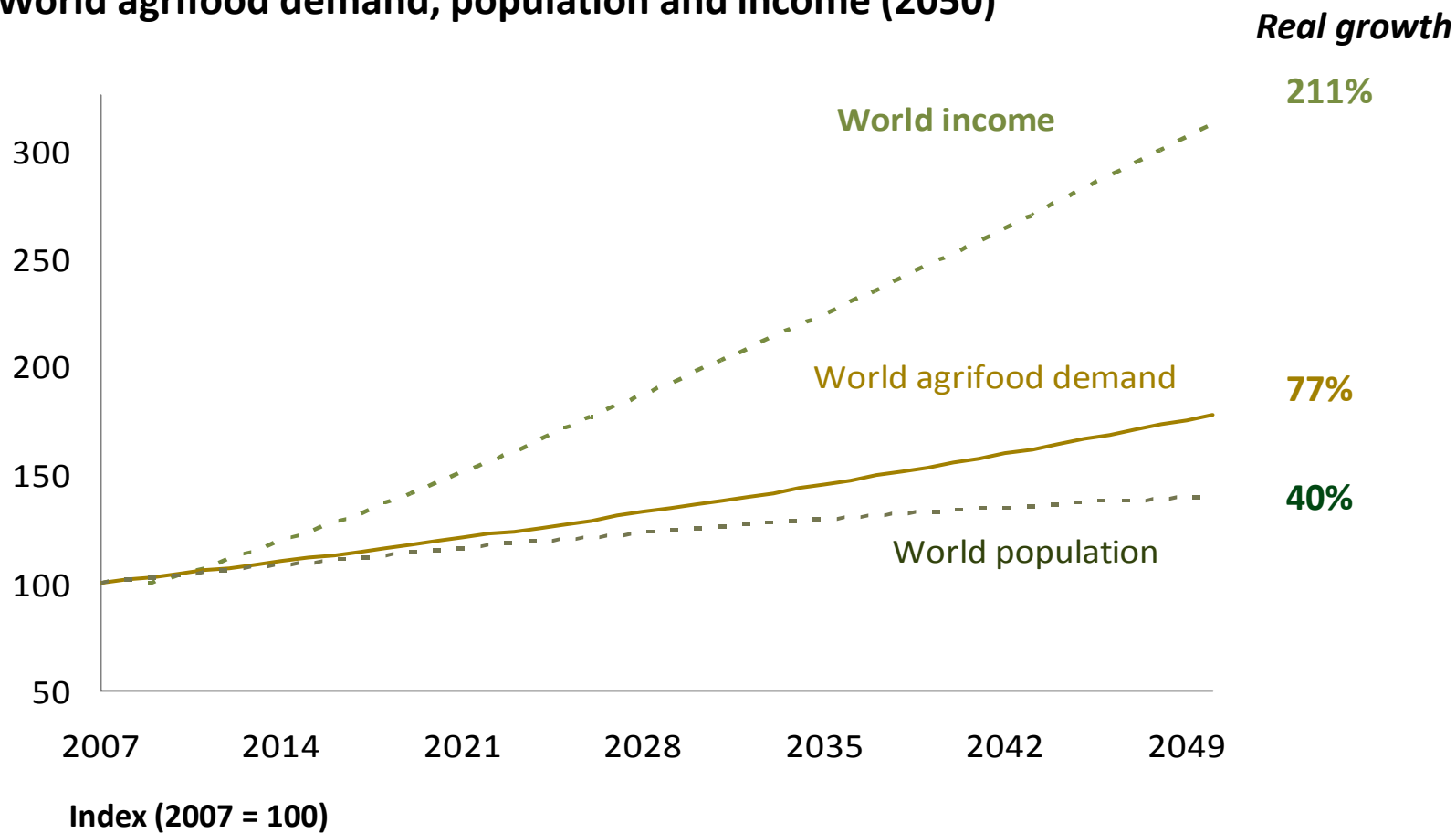
AAco's role in the global context



Global macro drivers for agriculture

Population and income growth in developing economies to drive food demand...

World agrifood demand, population and income (2050)

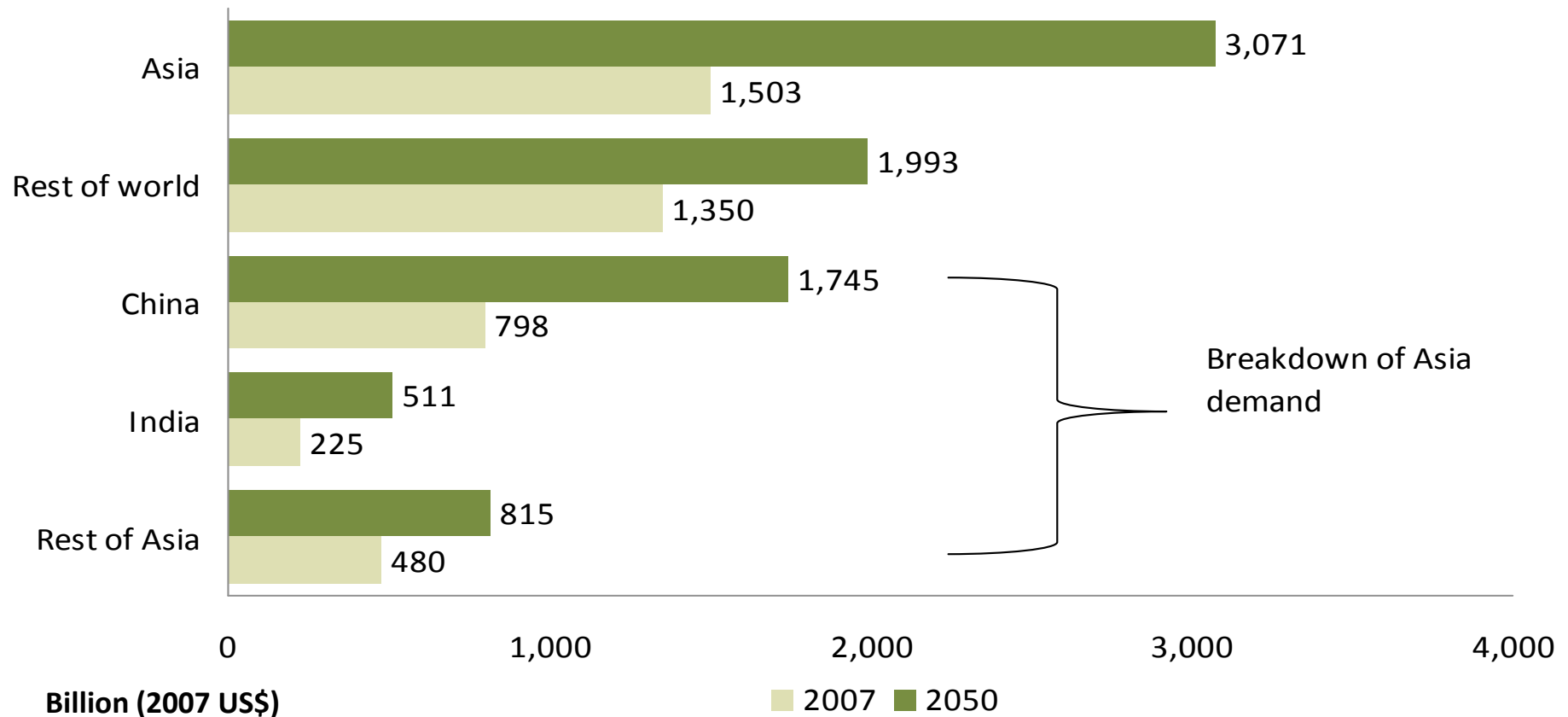




Global macro drivers for agriculture

Demand for food in Asia expected to double by 2050—accounting for 70% of the global increase

World agrifood demand by region

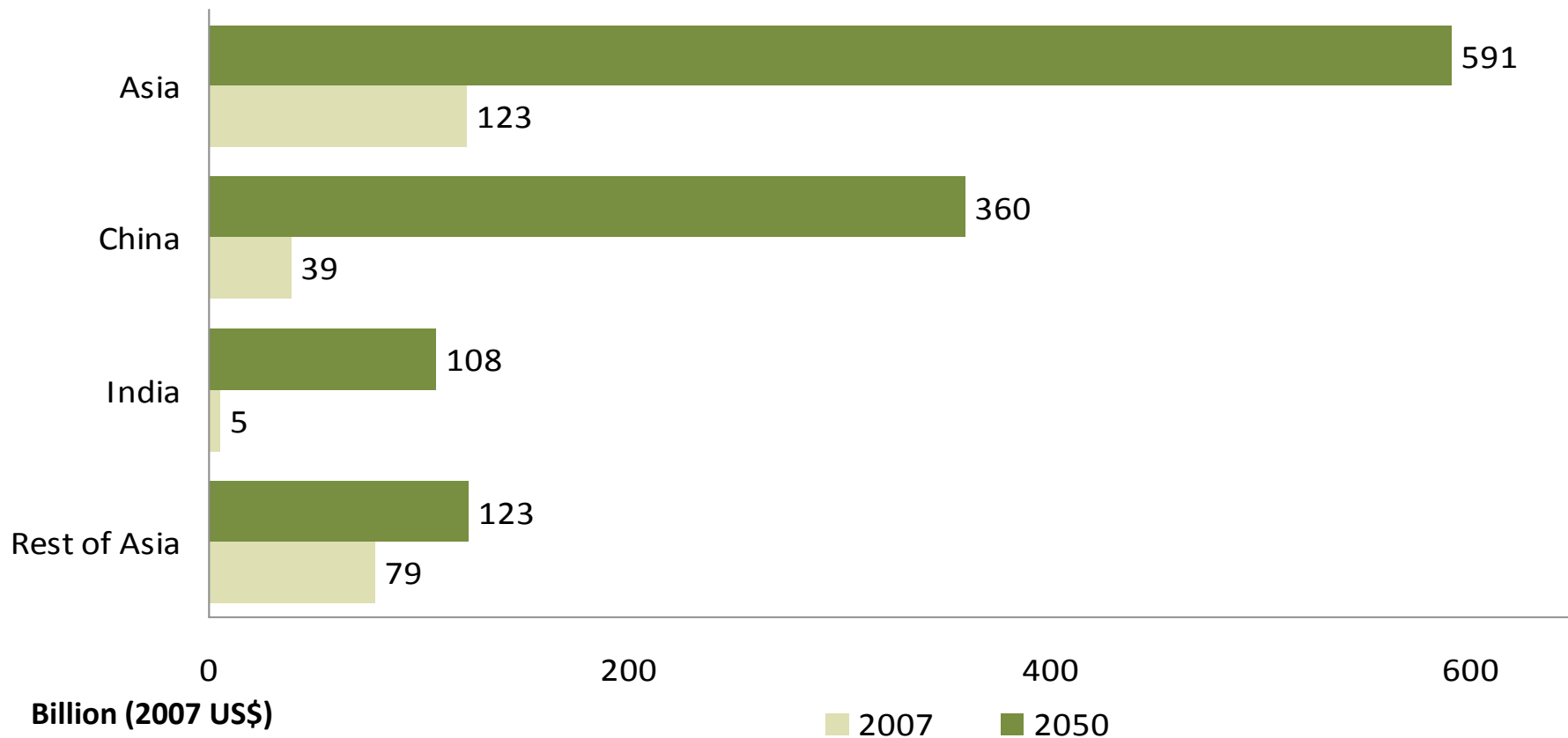




Global macro drivers for agriculture

Multiplied impact on demand for imports in Asia given widening regional food production deficits

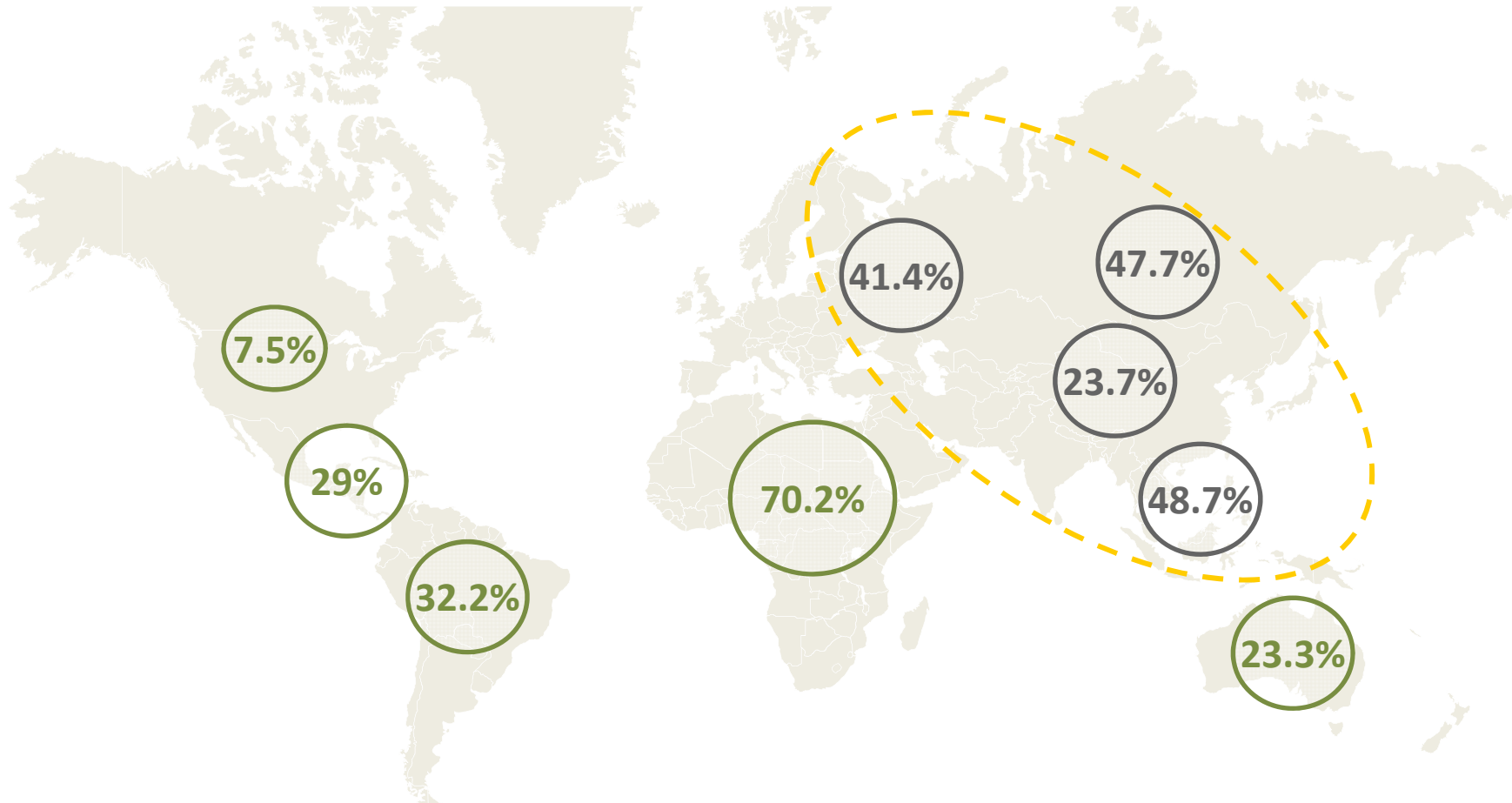
World agriculture imports in Asia





Global macro drivers for agriculture

Substantial increases in protein consumption over past 10 years ...

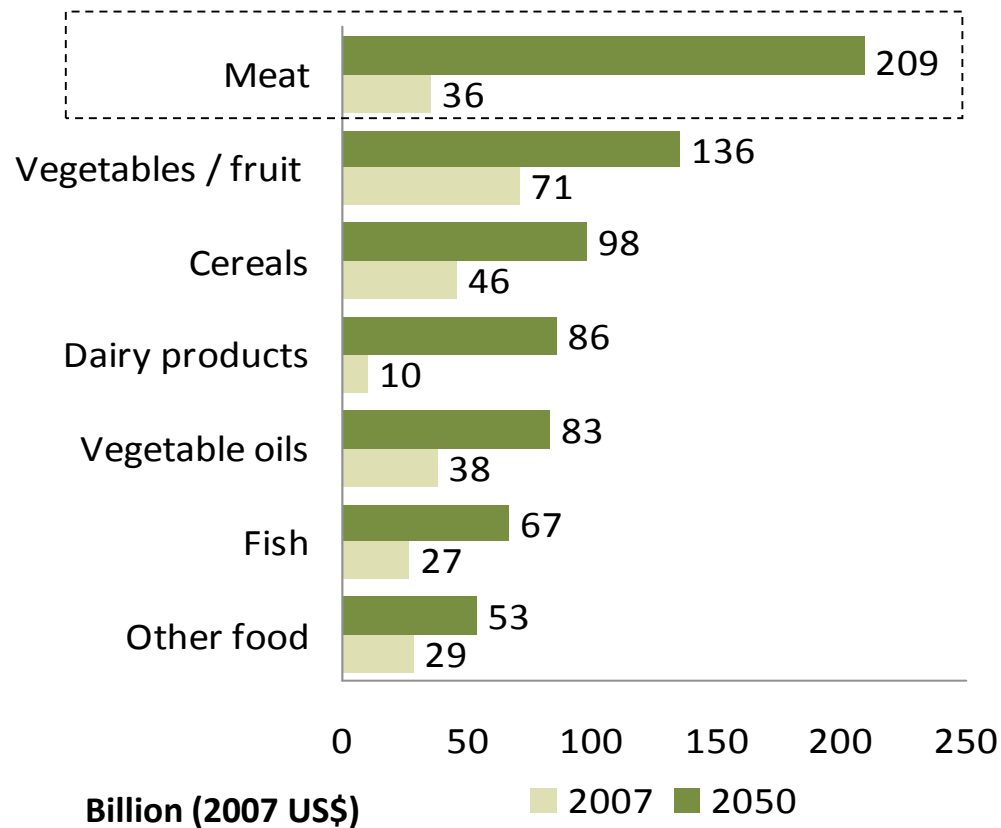




Global macro drivers for agriculture

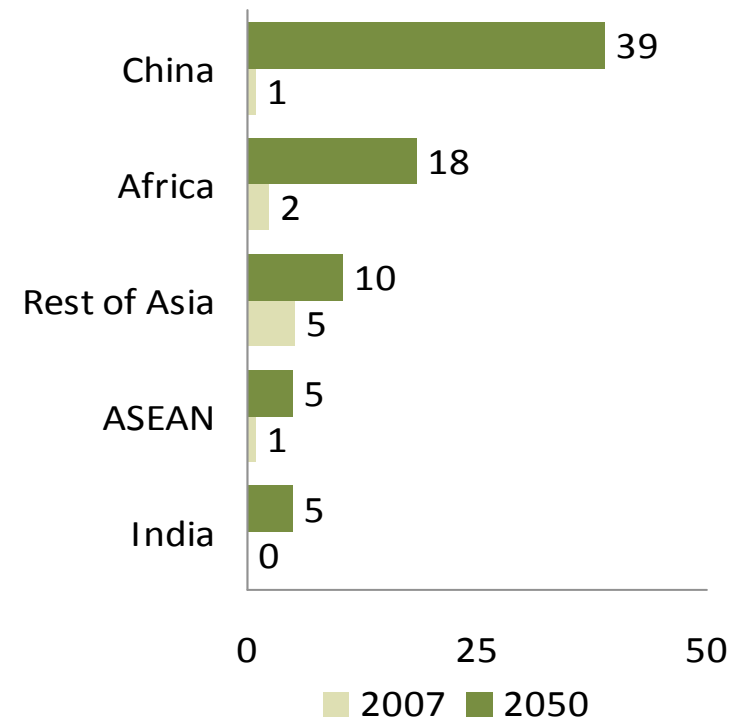
Global trade for meat (inc. beef) is forecast to grow substantially...

World agrifood imports by commodity group



Global import demand (beef)

Beef import demand expected to be 3x higher by 2050

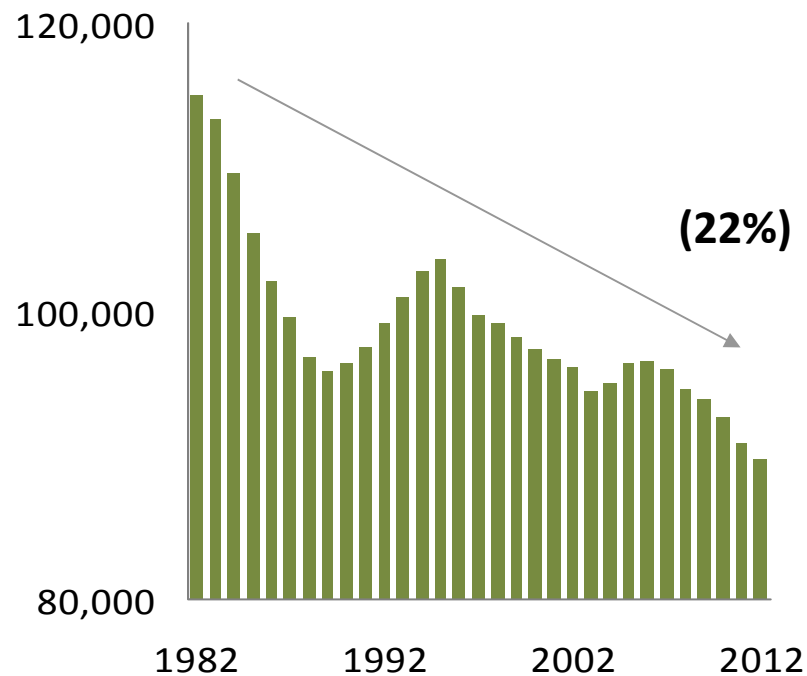




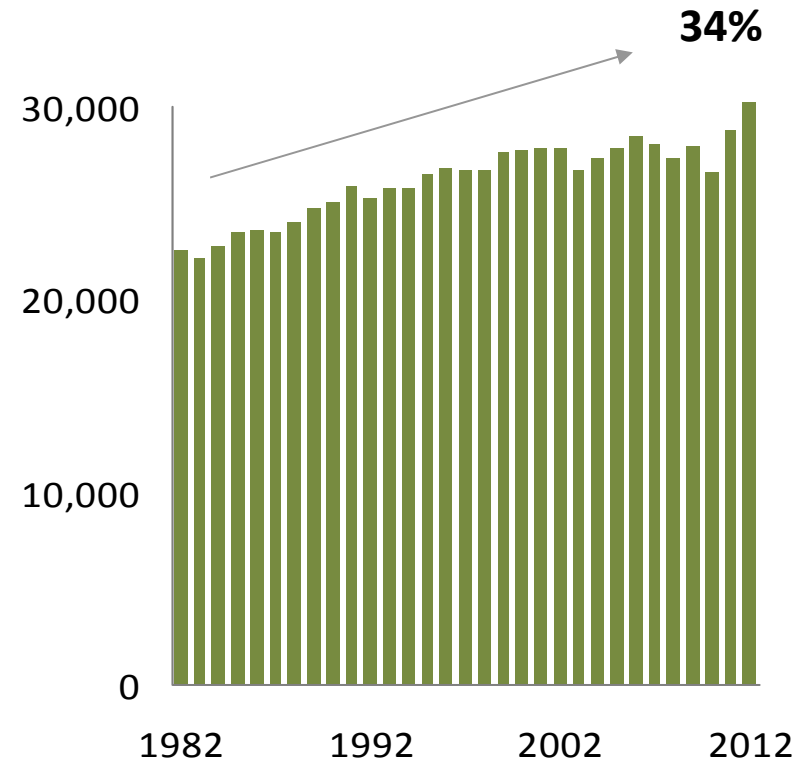
Global macro drivers for agriculture

Global cattle herd numbers decreasing, exacerbated in the US...

US cattle herd (000' head)



Australian cattle herd (000' head)

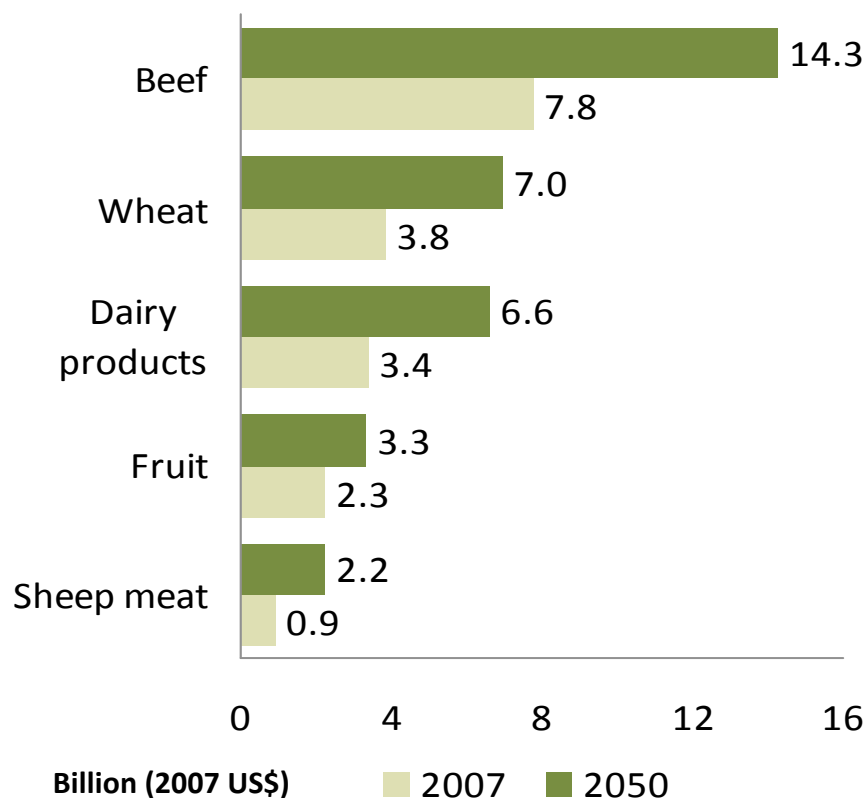




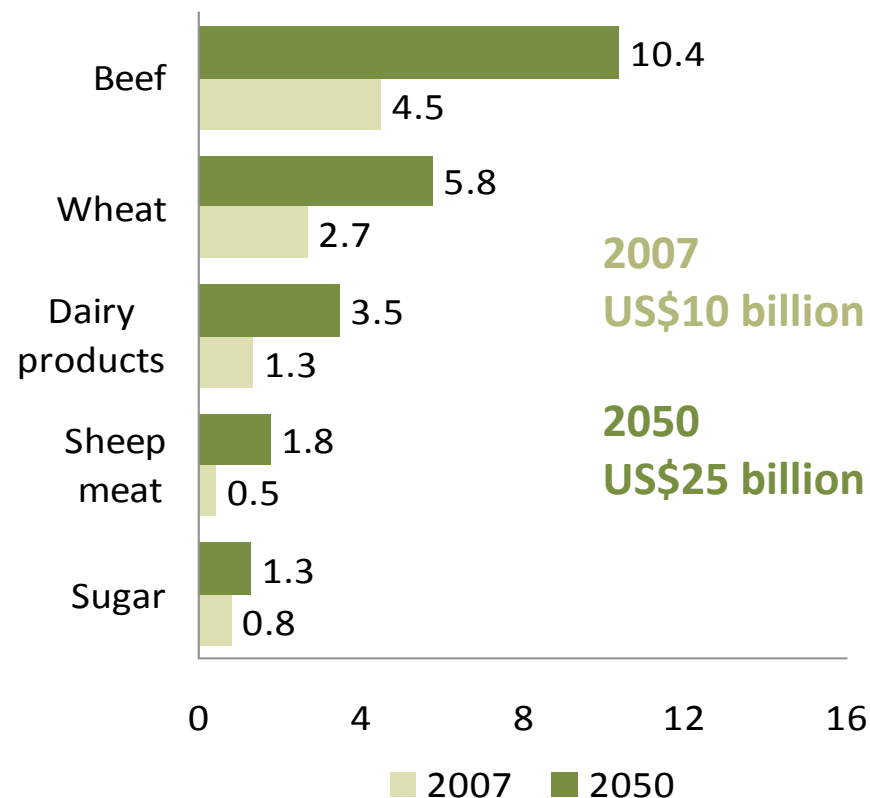
Implications for Australian Agriculture

Increased global demand will lead to a dramatic shift in production and exports of key Australian agricultural commodities ...

Australian production



Australian exports





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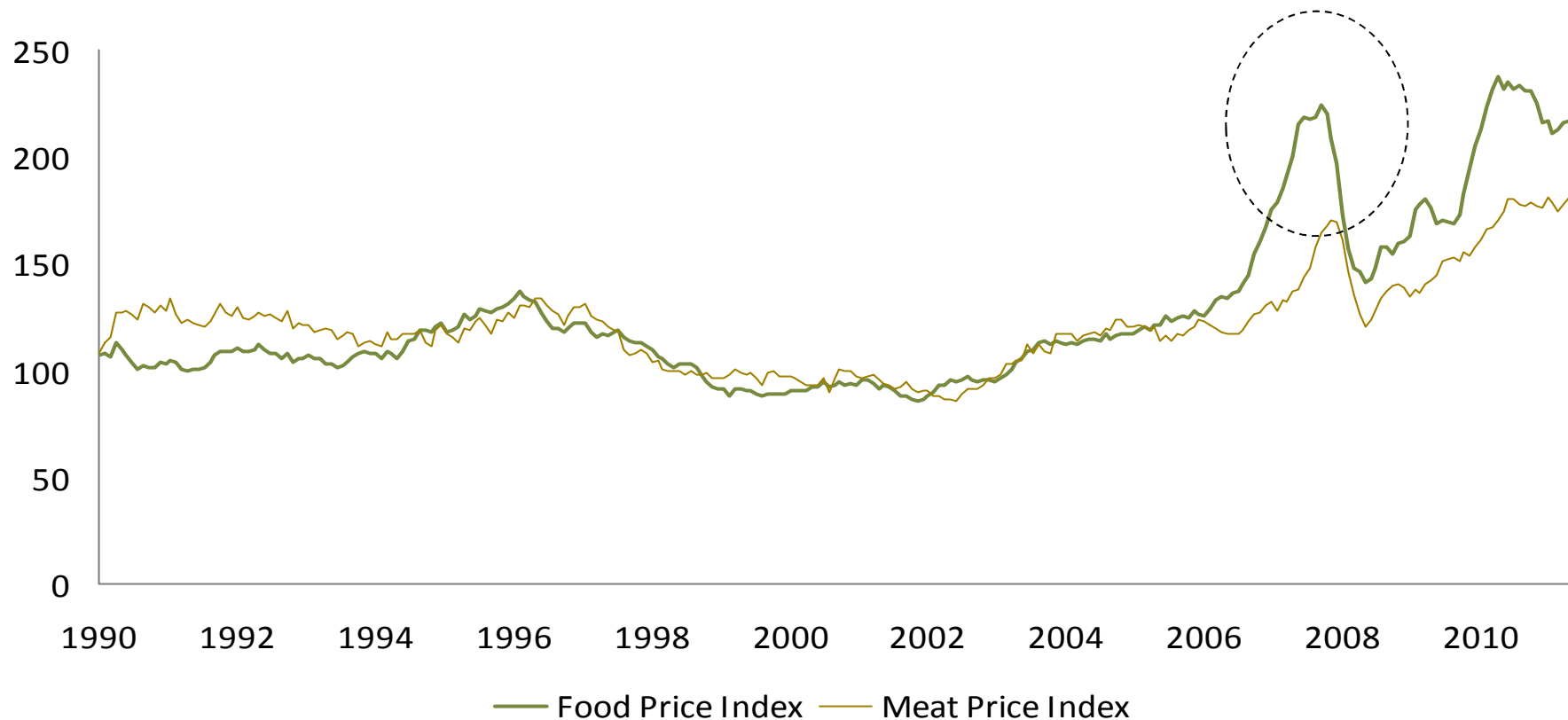
Impact of global supply shocks in agriculture

AAco's role in the global context



Impact of global supply shocks in agriculture

World food inventories run down in 2007–08, resulting in price spike

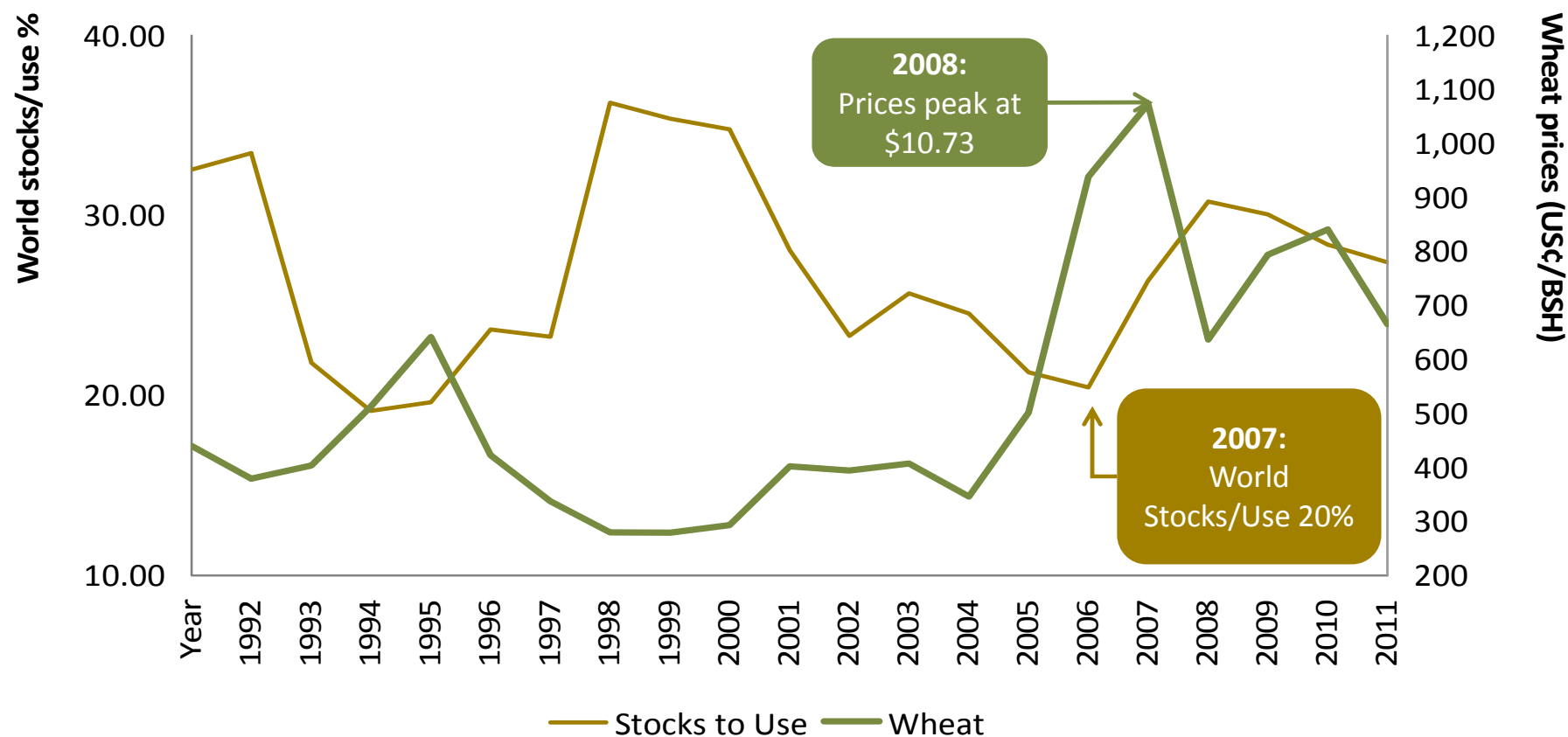




Impact of global supply shocks in agriculture

Case study: wheat example

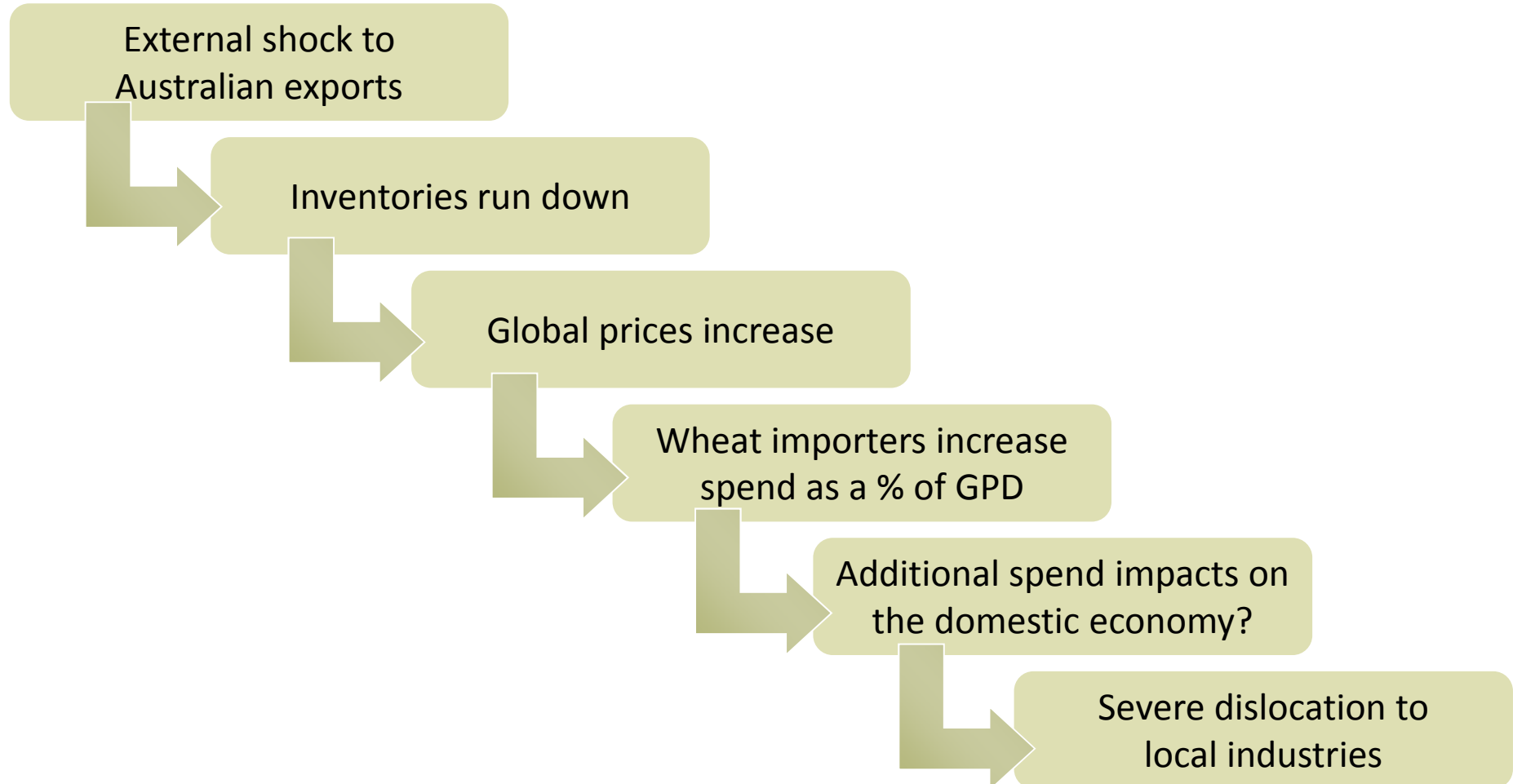
World wheat inventories vs. wheat prices (US/BH)





Impact of global supply shocks in agriculture

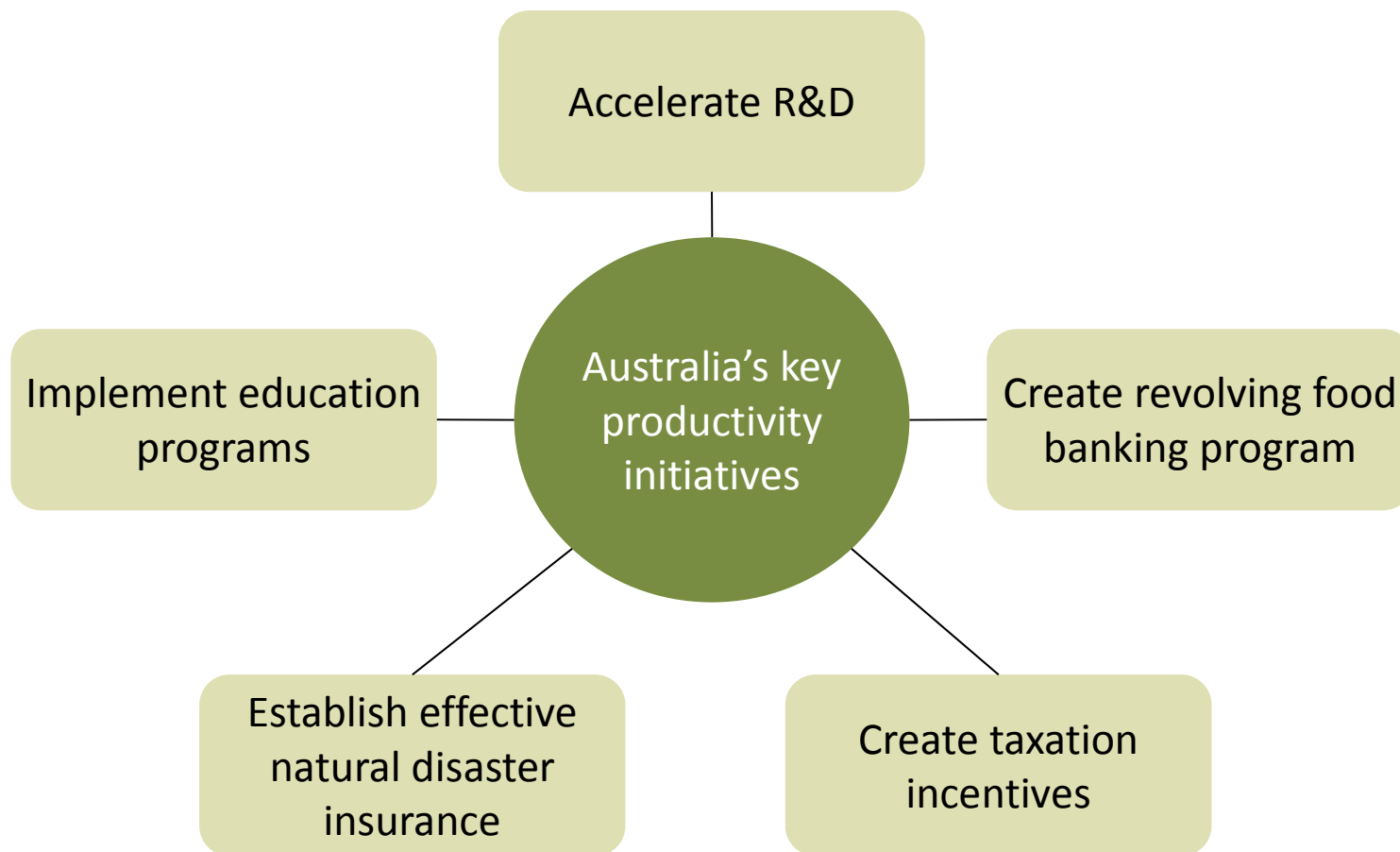
Potential global flow on effects of a significant supply shock event





Impact of global supply shocks in agriculture

Critical initiatives required to improve Australia's productivity in agriculture ...

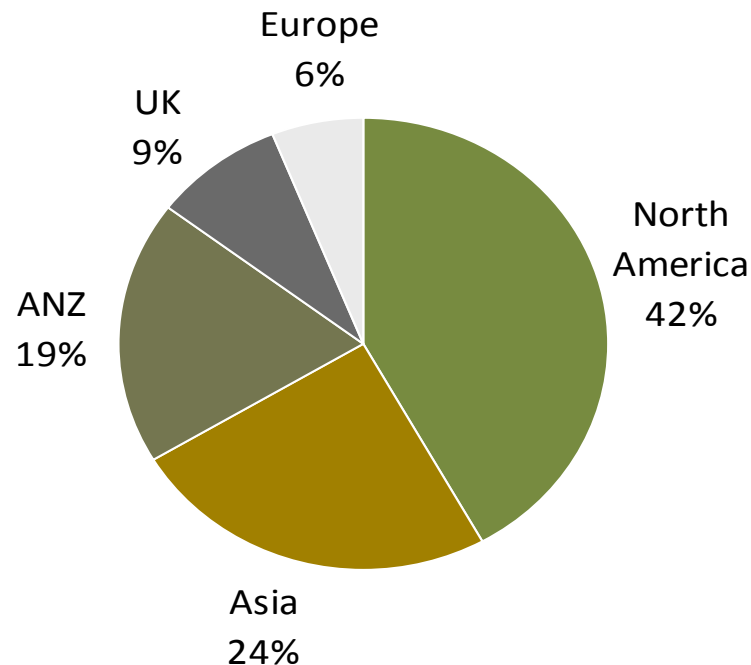




Foreign investment supporting Australian agriculture

Foreign investment assists Australian agricultural producers access new and higher value markets....

AAco register breakdown by geography



Select recent foreign investments in Australian agriculture assets

Foreign investor	Australian asset
Glencore	Viterra (ABB Grain)
Agrium / Cargill	AWB
Kirin	Nat. Foods / Dairy farmers
Hassad Foods	Various rural aggregations
Olam	Timbercorp
Cargill	Tey's Brothers
JBS	Rockdale / others
Sumitomo	Nufarm
Wilmar	CSR Sugar



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AAco's role in the global context



AAco's role in the global context

AAco is a low cost / high quality producer with close proximity to the world's highest growth markets in Asia

Low cost production

- Predominantly grass fed primary production
- Significant investment in productivity improvements

High quality

- Superior beef quality in terms of size of cuts produced from an animal and the marbling of the beef
- Highly attractive in export markets (i.e. Wagyu)

Assurance of clean, safe food

- Disease free, clean image
 - National Livestock Identification System

Proximity to Asia

- Significant freight advantage vs. Brazil
- Fastest growing beef markets globally



AAco's role in the global context

Transforming itself into a globally focussed, vertically integrated producer ...

Progress on strategic initiatives over time

2010

- Rebuild herd
- Achieve positive profit result

2011

- Adjust land holdings (Tipperary, Meteor Downs)
- Increase feedlotting
- Capital raised to fund growth

2012

- Vertical integration (proposed NT abattoir)
- Further adjustment of land holdings
- Divestment of underperforming assets

2013

- Achieve scale and relevance
- Reward shareholders
- Dividends and capital growth

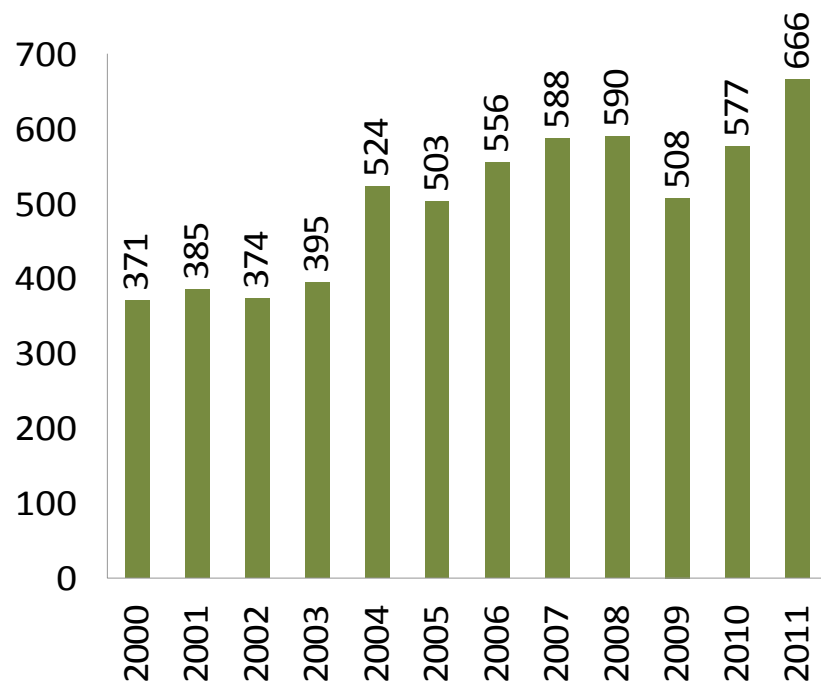
Work in progress



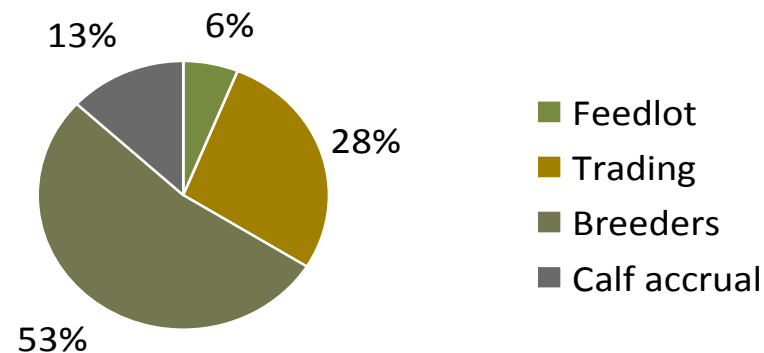
AAco's role in the global context

Herd restocked to record levels and well positioned to take advantage of global supply constraints

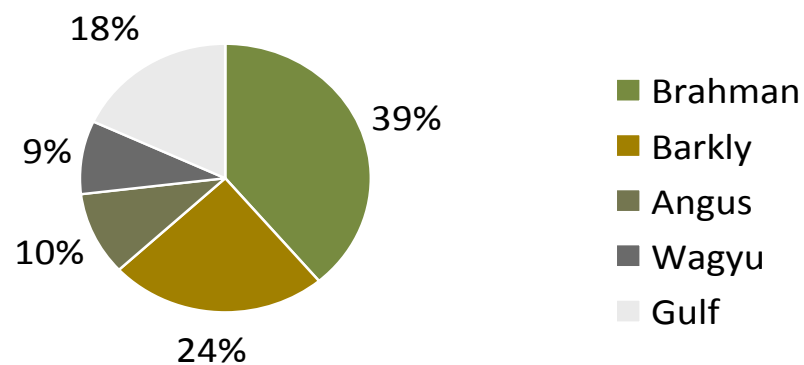
AAco herd levels over time



Herd composition



Cattle by breed

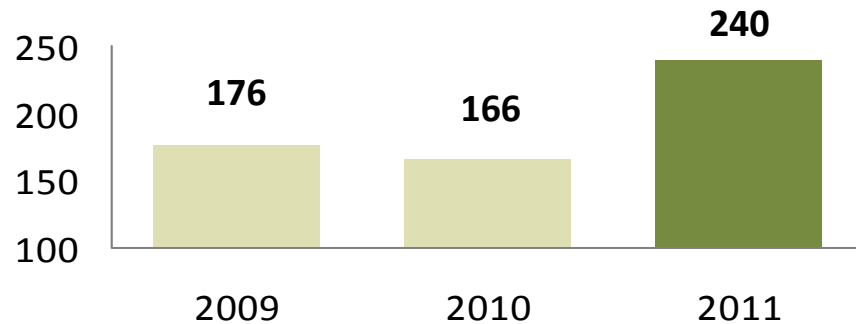




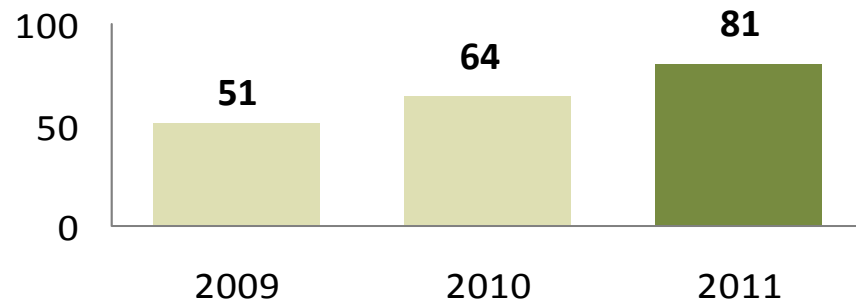
AAco's role in the global context

Translating to superior financial performance over the last 2 years

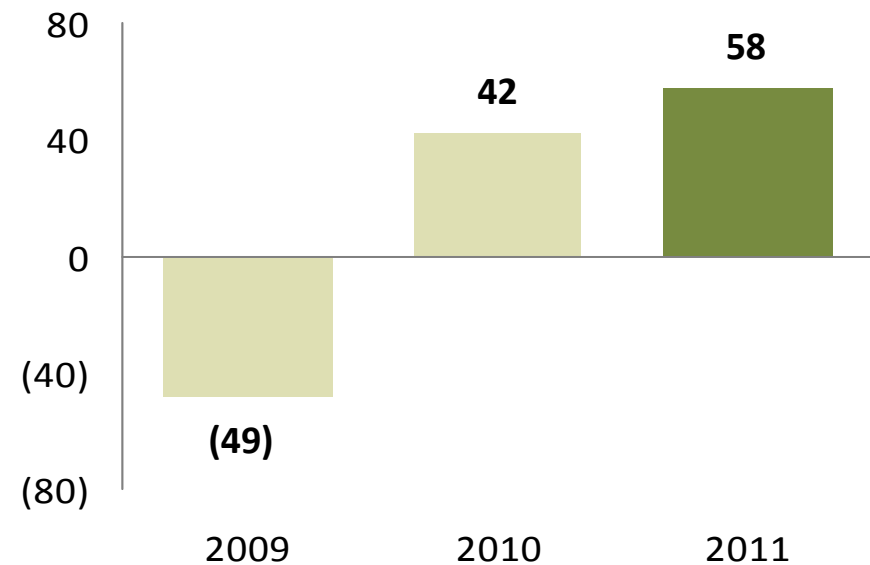
Cattle sold (000' head)



Kg's produced (m)



EBITDA (\$m)





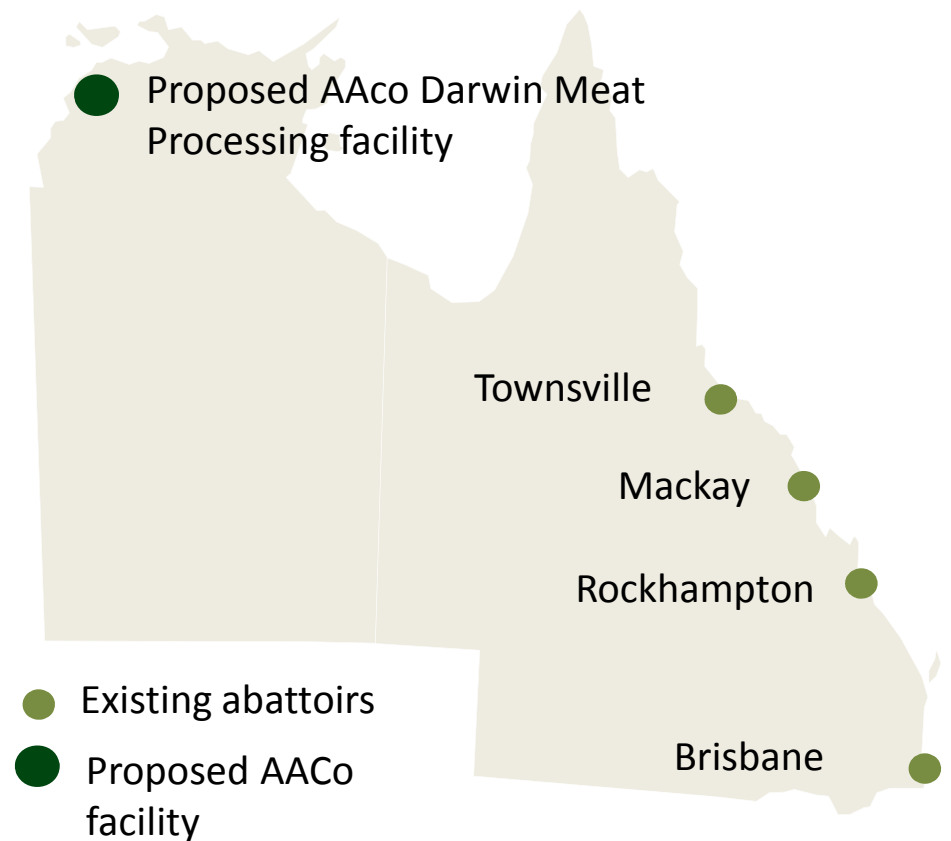
AACO's role in the global context

Pursuing vertical integration via proposed processing facility in Darwin.... decision to acquire land for the proposed site announced 30 May

- Compelling fundamentals for processing plant in Northern Territory
- Substantial benefits for Northern Australian pastoralists
- Proximity to growing Asian markets



Proposed NT abattoir vs. others in region



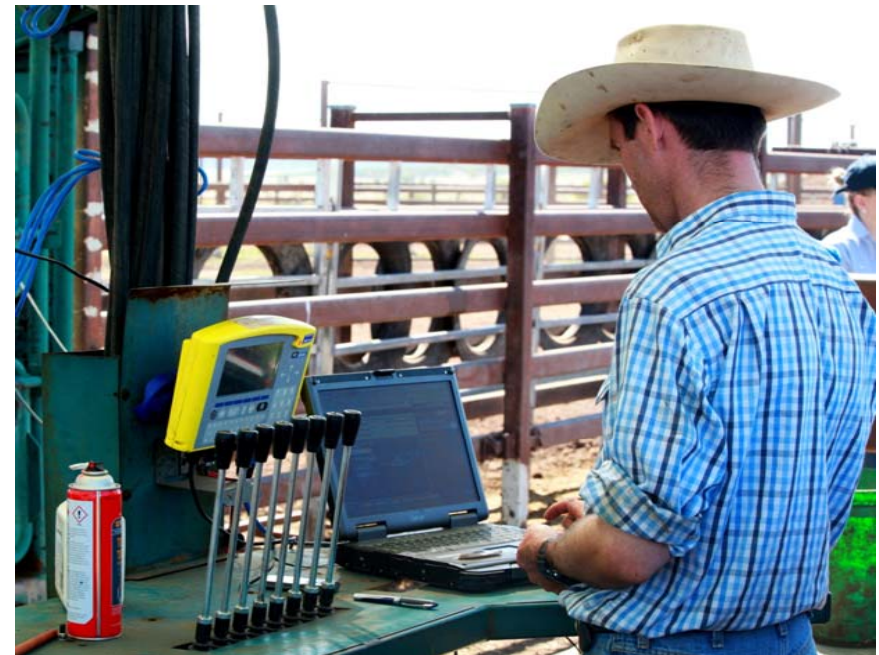


AAco's role in the global context

AAco is a recognised industry leader in developing innovative management programs to improve the productivity and security of its asset base

Individual Animal Recognition

- Unprecedented management control and selection over breeding and trading herds
- 180,000 head of AAco cattle already inducted into the system
- Improved data and better visibility on attrition, valuation and performance on an individual animal basis





AAco's role in the global context

AAco's is utilising its superior genetics and breeding programs to maximise profitability as well as deliver cattle to suit end markets

Barkly composite



Gulf composite



Wagyu program





AAco's role in the global context

Significant opportunity exists for AAco to increase contributions from cropping to improve returns across its portfolio

Cropping at Goonoo





AAco's role in the global context

Other key management initiatives

Land use & water management



Energy management



Technology and innovation



Animal welfare



Indigenous engagement



Youth engagement





In summary

