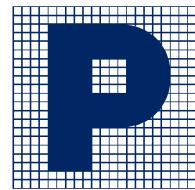




# Ridley Corporation



## PhillipCapital

**Your Partner In Finance**

# Agribusiness Conference

11 April 2013



# Introduction

---

- 1 Ridley's Strategy
- 2 World macro factors driving demand for animal proteins
- 3 Derived demand for poultry feed is strong
- 4 Dairy milk to feed price ratio at historic low levels but recovering
- 5 Rendered animal protein meals give Ridley greater exposure to Asian markets
- 6 Ridley's recent history and outlook
- 7 Conclusions

# Ridley's Strategy

Strengthen Ridley's position in AgriProducts by enabling it to pursue significant organic and inorganic growth opportunities post the sale of Cheetham Salt and through the progressive rezoning and sale of surplus land assets

## Ridley Agriproducts

- ❑ Australia's premier provider of nutrients, ingredients and feed for the safe and sustainable production of food from livestock
- ❑ Realise value from rendering and other recent acquisitions
- ❑ Continue to pursue organic and inorganic growth opportunities

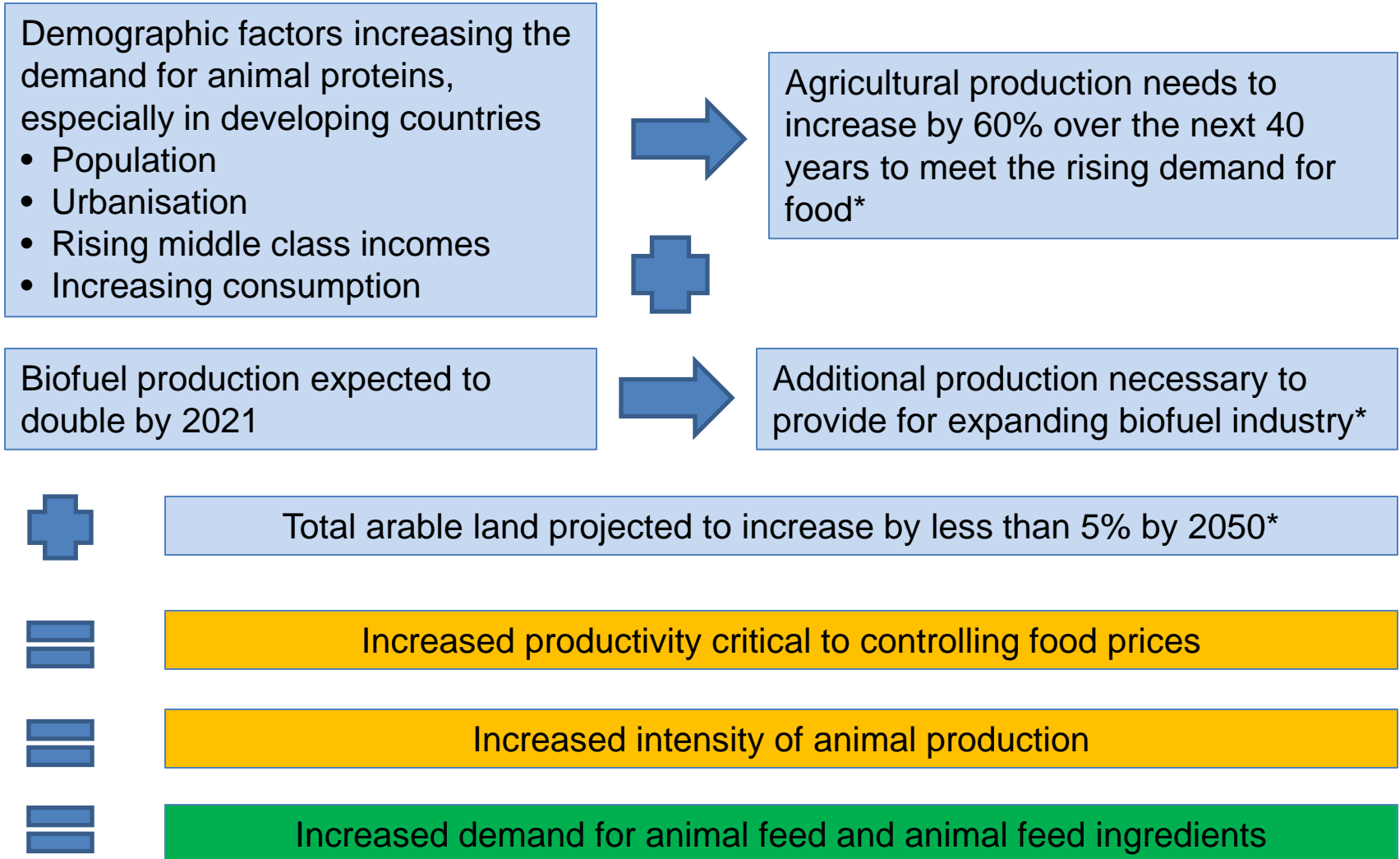
## Dry Creek Salt Field

- ❑ Penrice negotiations to exit the agreement
- ❑ Progress the land development options

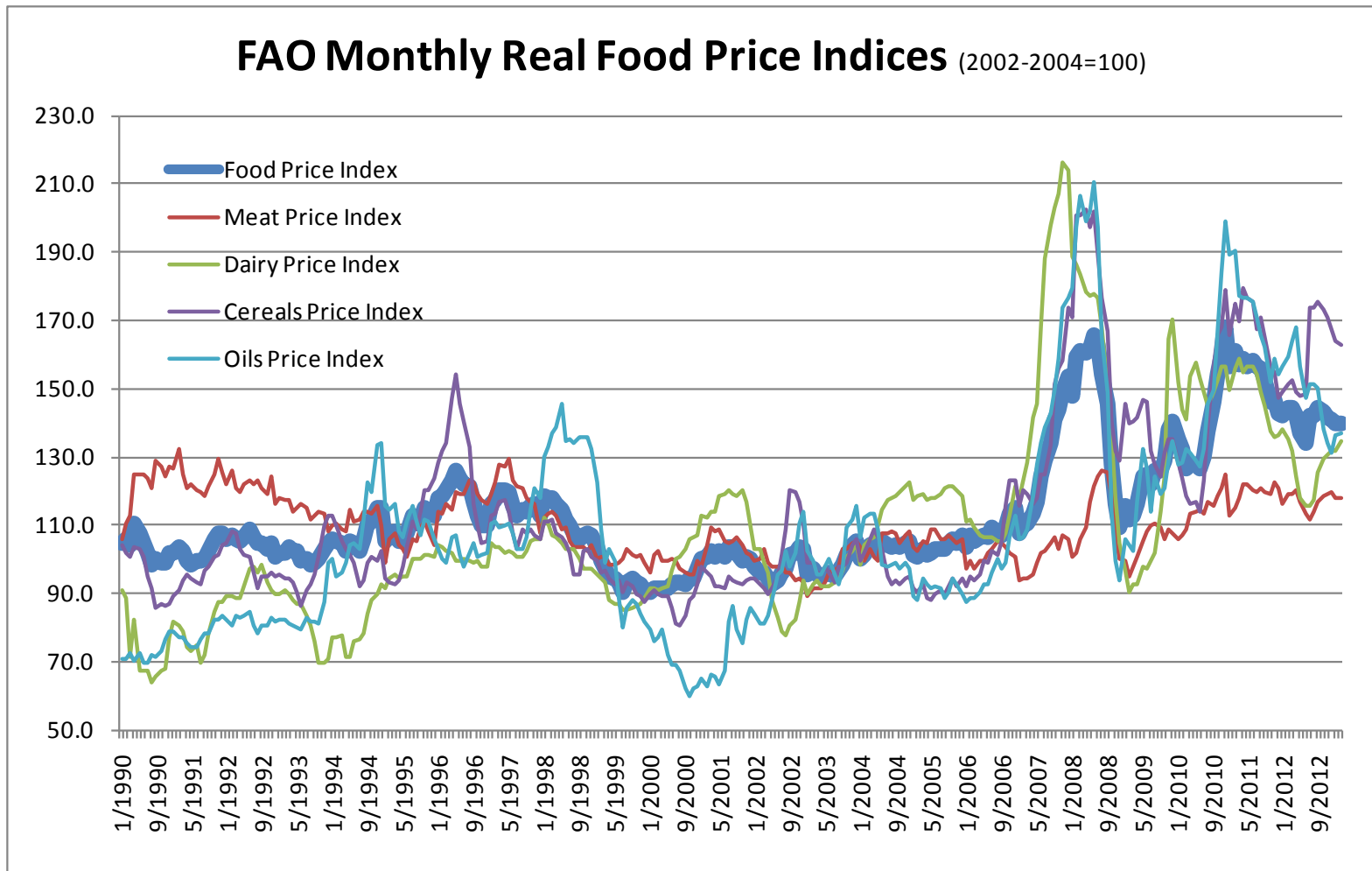
## Land

- ❑ Geelong Salt Fields Urban Renewal Project
- ❑ Bowen and Dandenong held for sale

# World macro factors driving demand for animal proteins

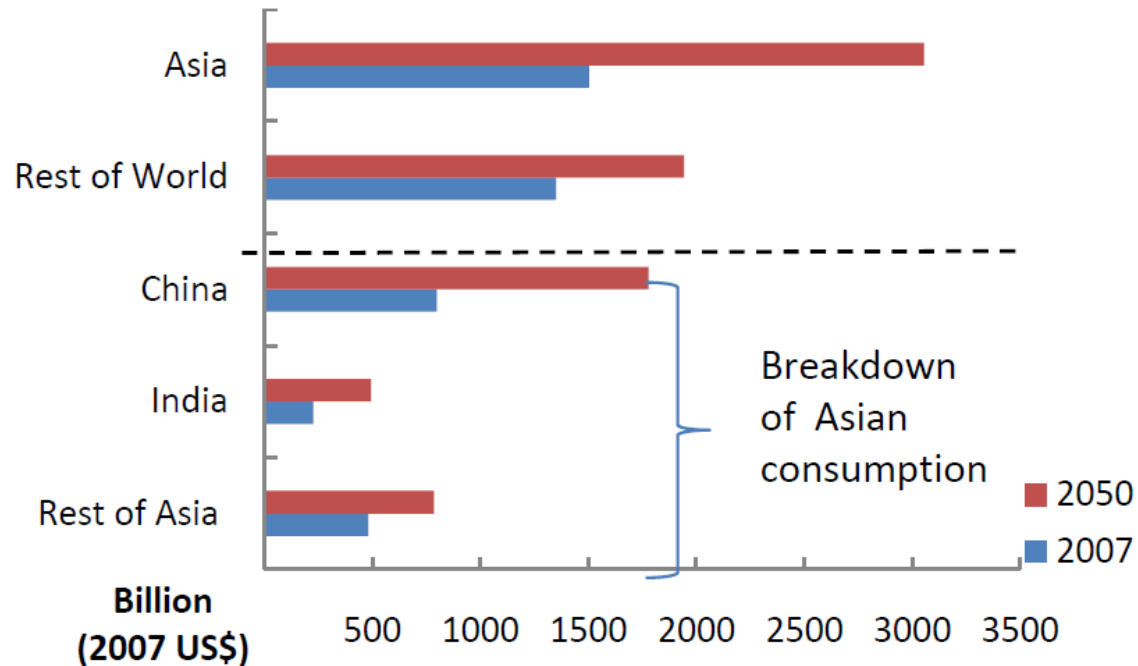


# Food price increases but greater volatility



# Asia a key driver of consumption, with China ~50% of this\*

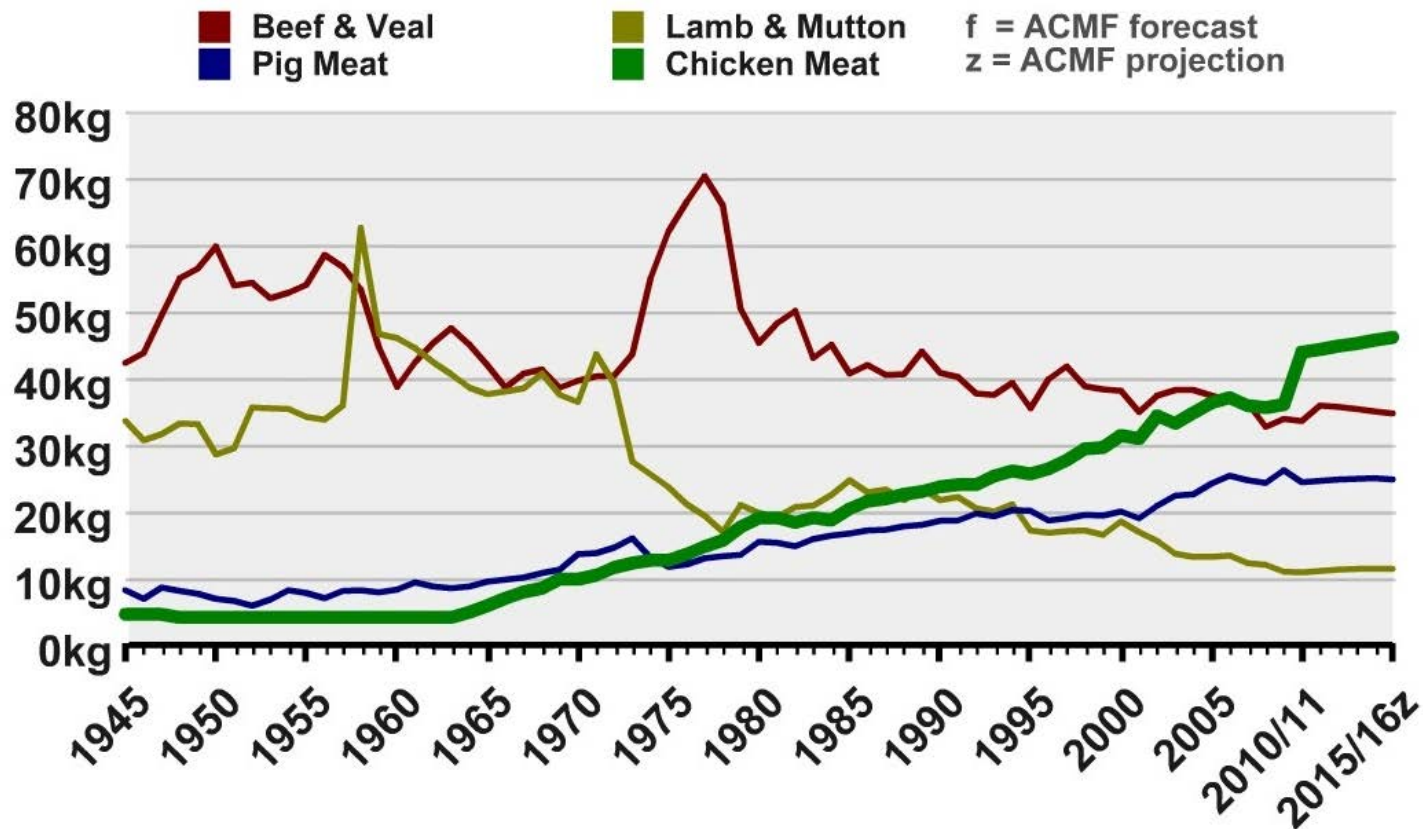
Real value of world agrifood consumption, by region, 2007 and 2050  
(reference scenario)



Data source: ABARES model output

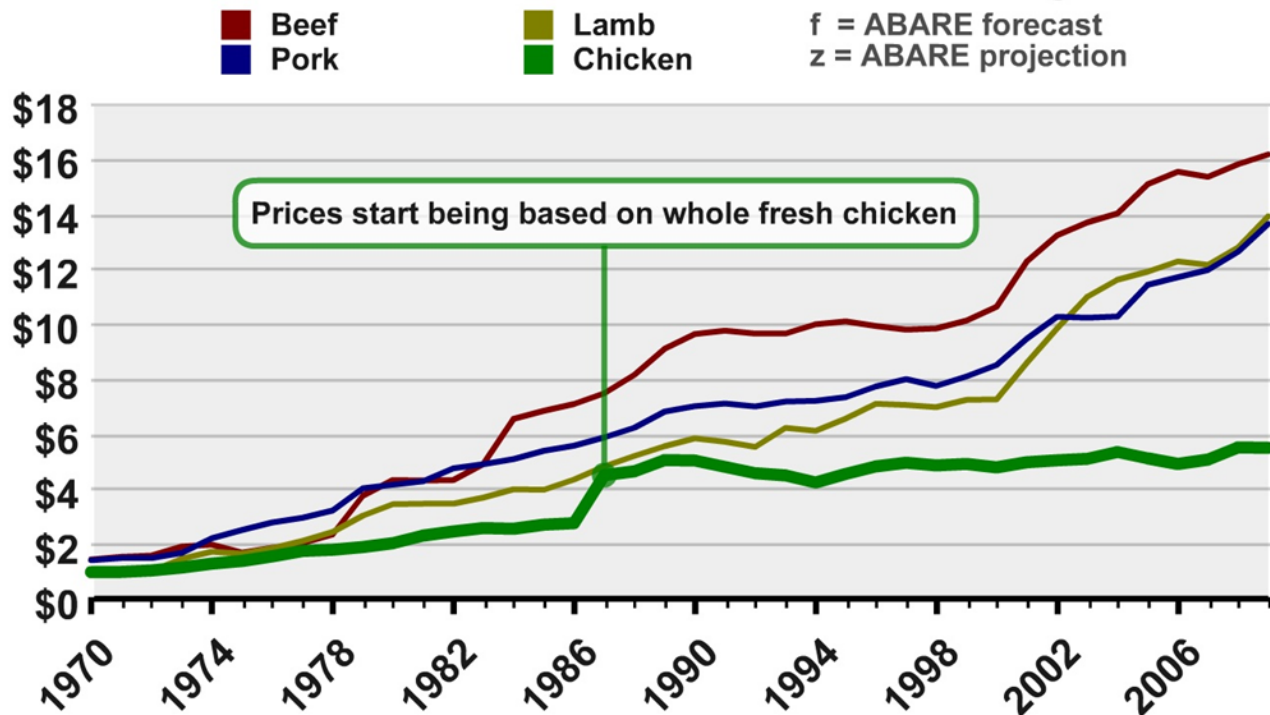
# Derived demand fundamentals for poultry feed are strong

## Consumption of Various Meats in Australia



# Australian retail price of chicken flat whilst others have risen

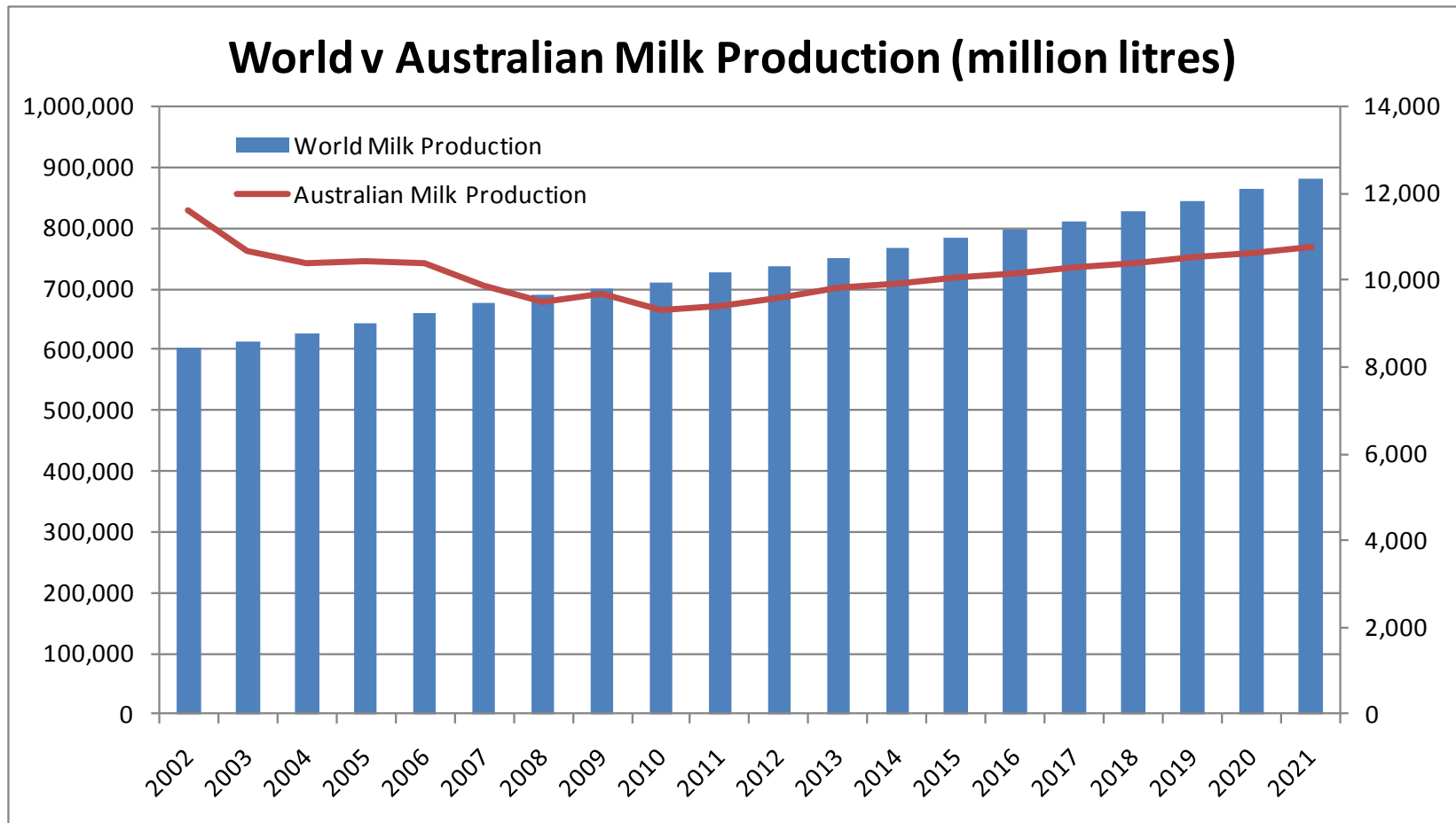
## Retail Price of Meats in dollars of the day



Note: The above chicken price statistics relate to the price per kg of whole chickens. Prior to 1987, the price of frozen whole chickens were recorded, while from 1987 onwards the price of fresh whole chickens is being reported. This change was made because frozen whole chickens have now become a minor component of chicken sold. This change explains the jump in the price reported between 1986 and 1987.

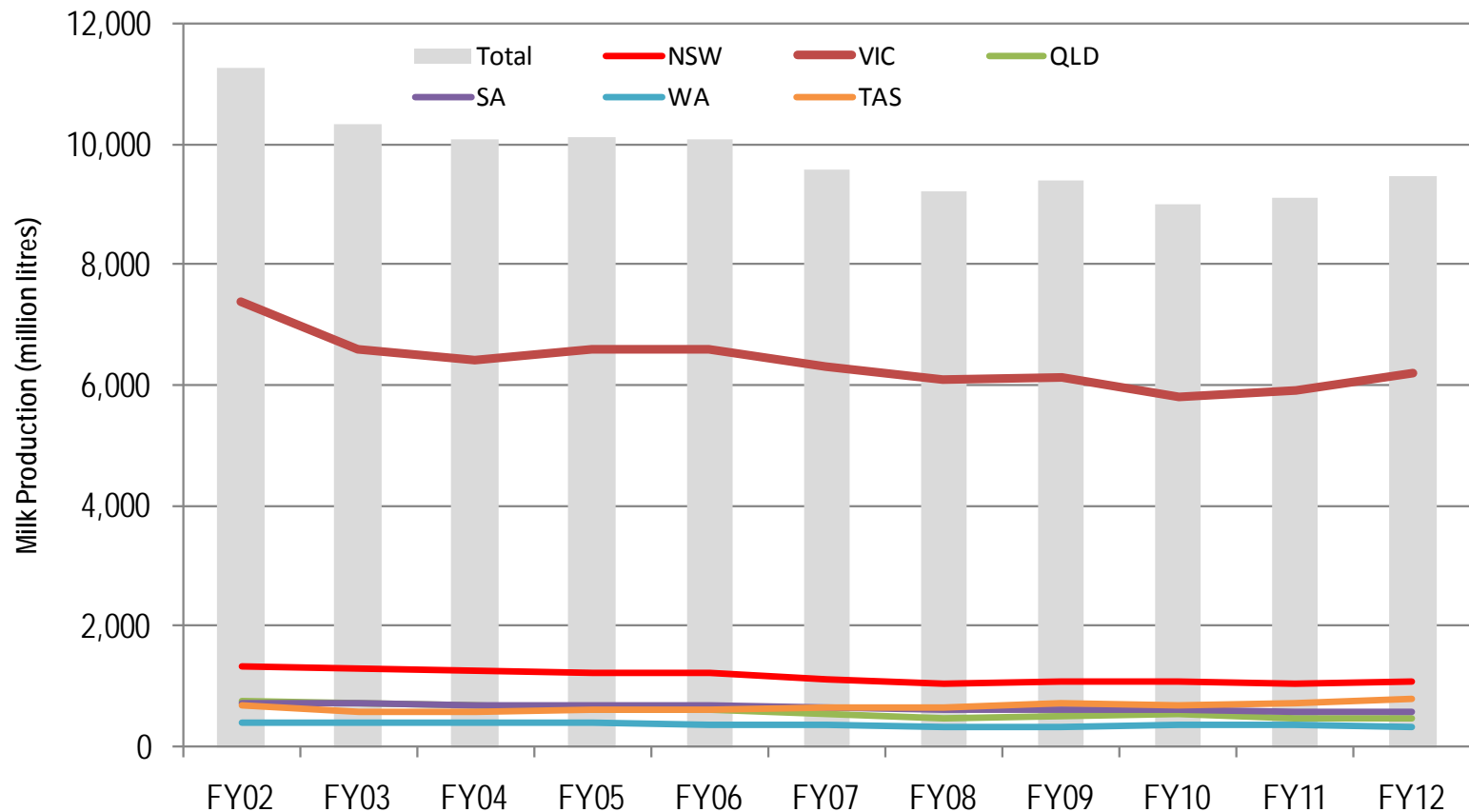


# Australian Milk production has fallen since 2002 but is forecast to steadily increase

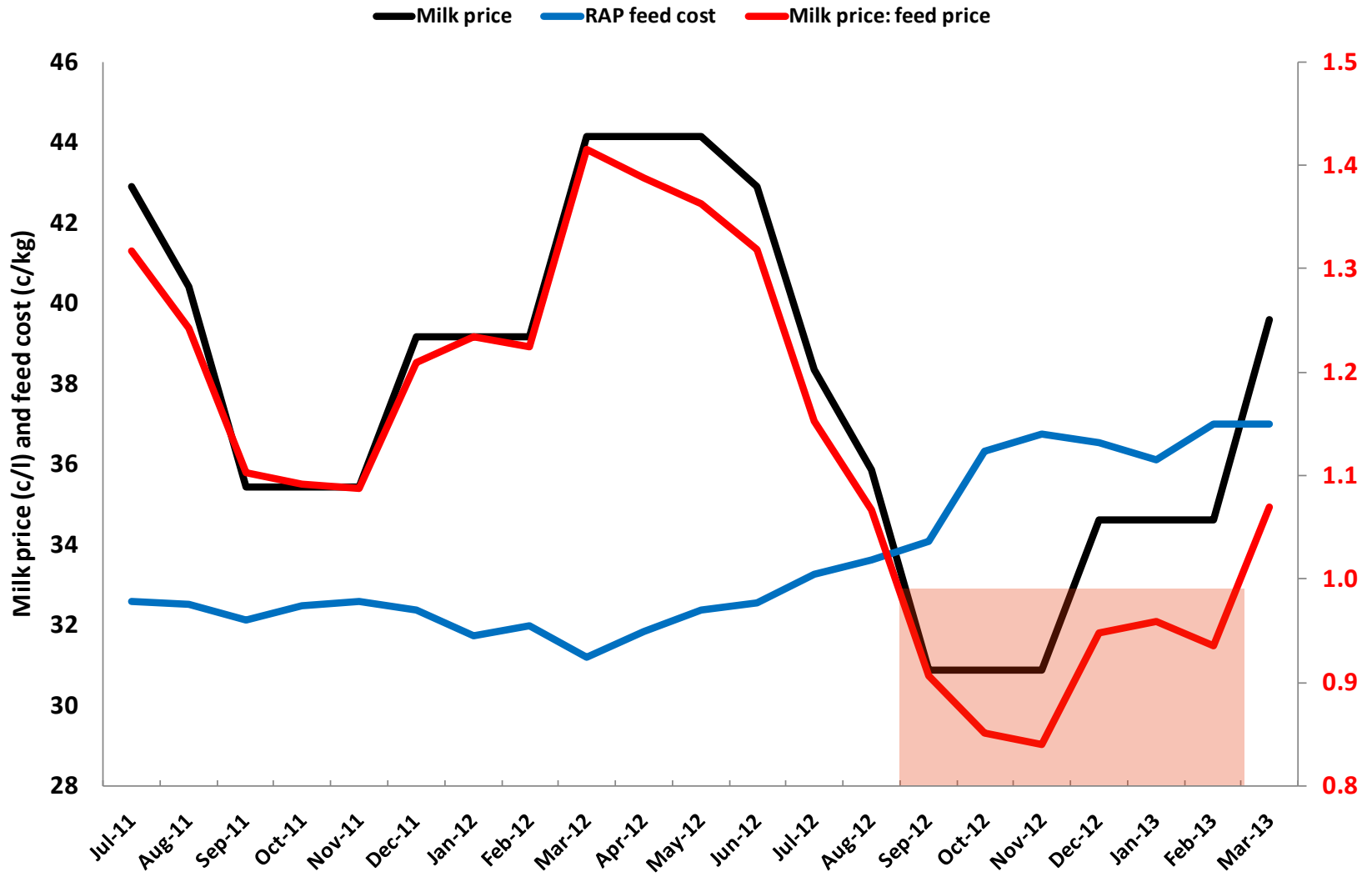


Australian milk production is concentrated in Victoria which is where most of Ridley's ruminant production is based

## Australian Milk Production



# Dairy milk-to-feed price ratio has been at historic lows



# Dairy prices recovering



**DairyFutures**

Monday, 25 February 2013

## NZX Dairy Futures

prices as at 22 February 2013

Contract Month	Prior Open Interest	Daily Settlement Prices (US\$/tonne)		
		WMP	SMP	AMF
Feb 2013	789	3640	3710	3560
Mar 2013	985	3750	3710	3580
Apr 2013	838	3730	3745	3670
May 2013	840	3770	3745	3690
Jun 2013	480	3790	3745	3700
Jul 2013	0	3810	3720	3720
Aug 2013	0	3660	3645	3580
Sep 2013	0	3720	3645	3580



**DairyFutures**

Tuesday, 2 April 2013

## NZX Dairy Futures

prices as at 28 March 2013

Contract Month	Prior Open Interest	Daily Settlement Prices (US\$/tonne)		
		WMP	SMP	AMF
Mar 2013	1240	5300	4400	4250
Apr 2013	1149	5000	4485	4200
May 2013	1051	5000	4485	4050
Jun 2013	637	4900	4365	4380
Jul 2013	122	4600	4345	4405
Aug 2013	200	4600	4180	4405
Sep 2013	200	4600	3870	4350
Oct 2013	0	4275	3870	4350
Nov 2013	0	4275	3870	4350

Cumulative volume = 39537 lots

20 March 2013

World dairy prices continue to rise

Dear Supplier / Shareholder

I write to provide a short update on further significant increases in dairy prices on the Global Dairy Trade (GDT) auction held yesterday. The GDT Trade Weighted Index was up 14.80%, this follows a 10% increase at the auction two weeks ago. Whole milk powder was up 21.2% to US\$5,116/tonne which follows an 18% increase at the previous auction (see chart attached).

...

- Demand for dairy products has remained strong with a 5.7% increase in trade volume, particularly concentrated on Asian markets.
- Prices have been depressed due to a high Australian dollar and strong milk supply in FY12 from New Zealand and other key exporters. This strong supply has taken approximately 12 months to work through the global supply chain.
- However all key exporters have seen slower milk supply growth and the very dry conditions in New Zealand, Australia and the USA have seen market sentiment shift and dairy prices begin to rise significantly during the last six months.

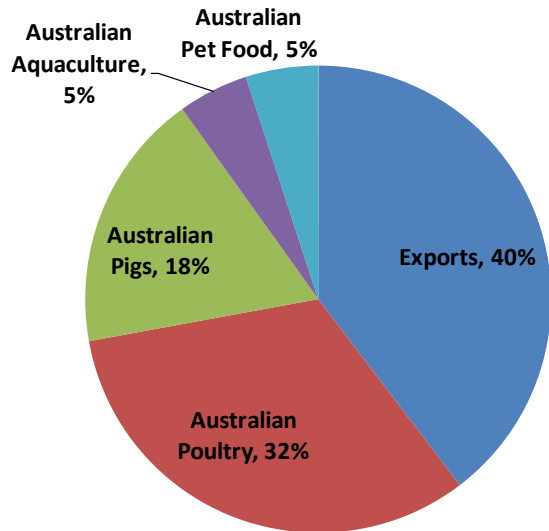
The GDT result reported today is further evidence of strong demand and tightening supply.

It provides MG with another data point for optimism of improved pricing for 2013/14.

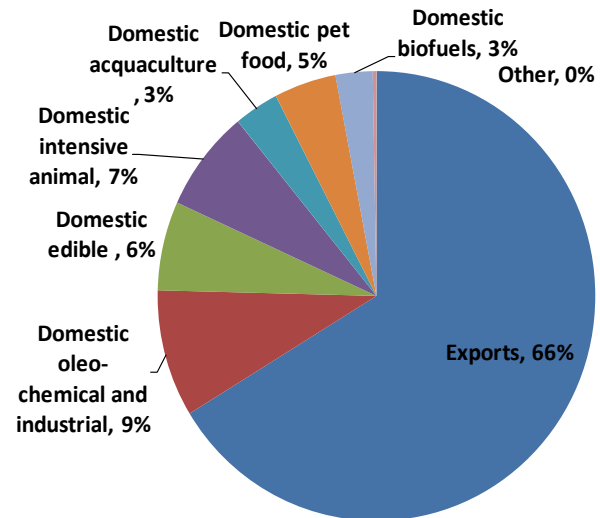


# Rendering exposes Ridley to Asian growth potential\*

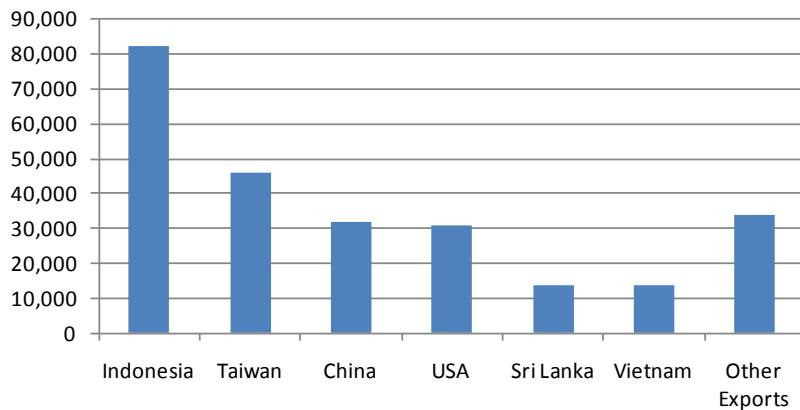
## Uses of Animal Protein Meals



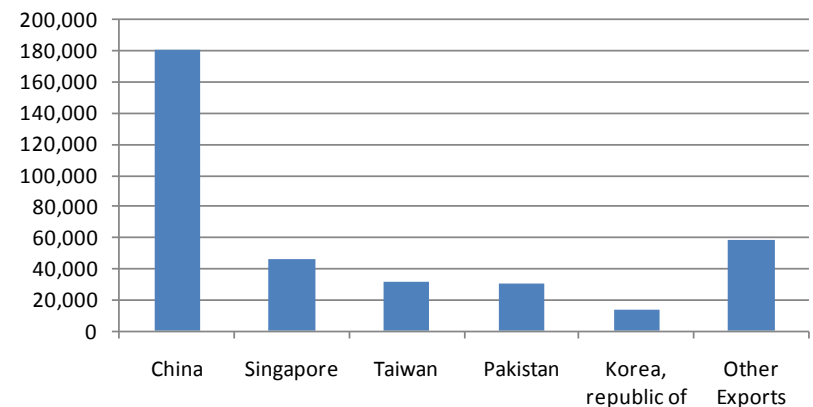
## Uses of Animal Fats



## Main destinations for animal protein meals (kt)



## Main destinations for animal fats (kt)



\* Source: Australian Renderers Association 2011

# Ridley's Recent History and Outlook

## FY2012

- ✓ **Camilleri rendering acquisition** settled end Feb 2011 – 1<sup>st</sup> full year of earnings in FY12
- ✓ **LNT supplements acquisition** in Nov 2011
- ✓ **Wacol supplements site sale** in March 2012
- ✓ **Monds packed products acquisition** in Nov 2011

## FY2013

- ✓ **Bartlett tuna meal acquisition** in Aug 2012
- ✓ **New Dairy Mill** completed Dec 2012
- ✓ **Melbourne rendering acquisition** completed 31 Dec 2012
- ✓ **Cheetham Salt sale** end Feb 2012
- ✓ **Camilleri capacity expansion** to be installed prior to June 2013
- ✓ **Geelong salt fields Urban Renewal Project** submissions lodged Nov 2012

- × **Dairy** cyclical low due to low milk to feed price ratio
- × **Poultry meal export bans** temporarily affecting rendering in 2<sup>nd</sup> half
- × **Penrice** negotiation outcomes currently unclear
- × **One-off significant items** impacting ability to pay dividends to desired level

## Outlook

- ✓ **Full 12 months of Bartlett** tuna meal business
- ✓ **Full 12 months of new dairy mill**
- ✓ **Full 12 months of Melbourne rendering**
- ✓ **Full 12 months of Camilleri expansion**
- ✓ **Dry Creek property**
- ✓ **Geelong property**

Agribusiness Consolidation opportunities

- × Penrice contract impact

? Dairy recovery

× **Aqua-feed** structural change in competition

# Conclusions

---

- ❑ The outlook for the macro fundamentals remains strong
- ❑ Dairy market fundamentals pointing towards an improvement in FY14, though farmers will be still recovering from a tumultuous year
- ❑ Rendering growth gives good exposure to the growing Asian markets
- ❑ Benefits from new mill, Camilleri expansion and acquisitions in FY14
- ❑ The capital return quantum still to be determined
- ❑ Expect to provide further guidance on FY13 following outcome of Penrice negotiations