



11th PAC Partners Agribusiness Conference

Actions to lower cost, raise service and meet growth

30 April 2014





Ridley - snapshot

- ❖ Commercial animal nutrition supplier – Poultry, Dairy, Pig, Aquaculture, Equine, Dog, Beef and Sheep
- ❖ Commercial animal protein supplier
- ❖ One of the largest domestic users of cereal grains – 1.5 million tonnes of finished feed
- ❖ 19 manufacturing sites



Ridley Dairy feeds

- ❖ Dairy industry is at a crossroads with demand for milk in Asia on the increase
- ❖ The Australian dairy industry has the ability to capitalise on the opportunity for growth
 - ❖ Balancing risk and reward
- ❖ Short term – the strong milk price is encouraging and providing much needed confidence to dairy farmers
- ❖ The opportunity for Ridley - aligning the Ridley dairy feed strategy to the growth and change in the dairy industry

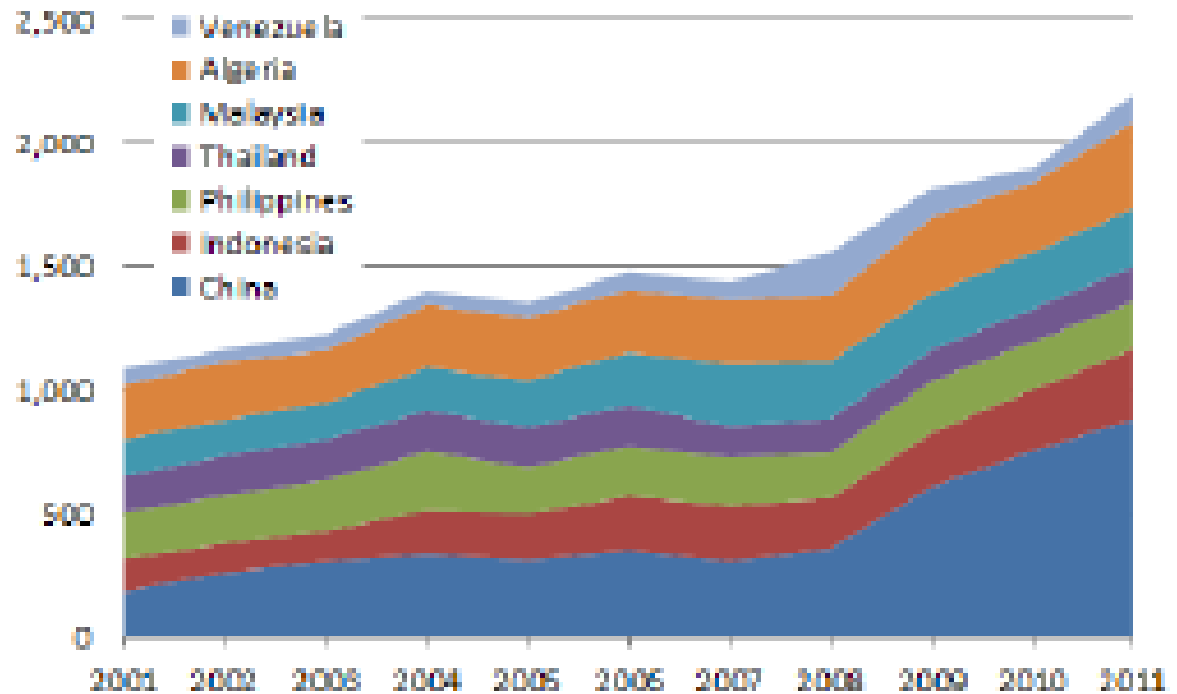


The big picture



The explosion in demand for milk from Asia has been well documented...

Growth in milk powder imports ('000t, 2001-2012)

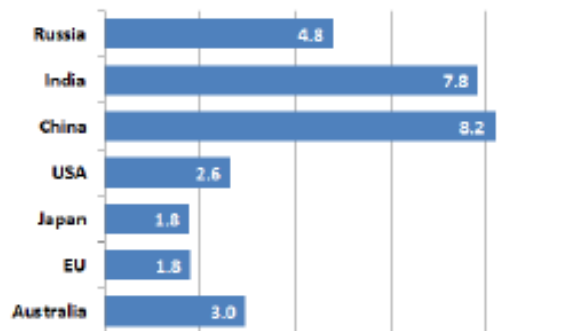


Source: Horizon 2020

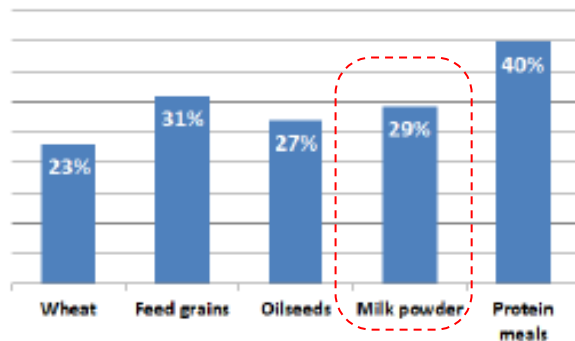


... and the growth is not expected to abate in the near-to-medium term

Expected average annual economic growth in % terms 2011 to 2021 (OECD)

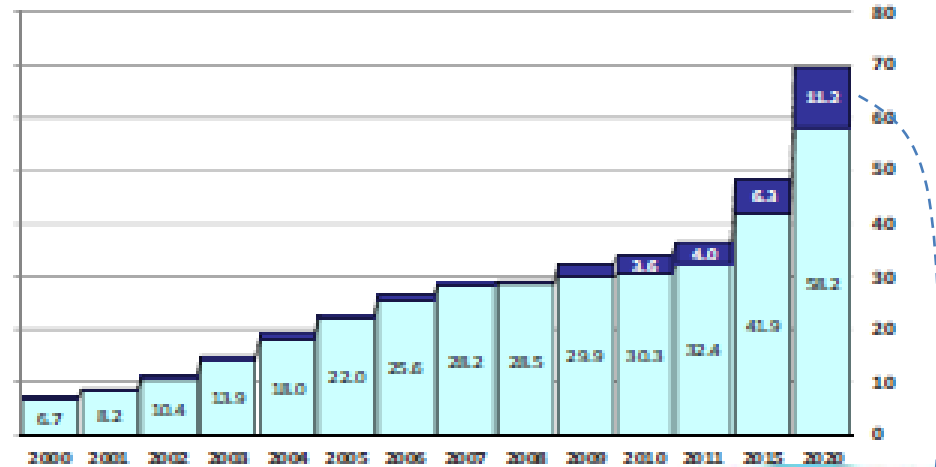


Expected increase in annual import volumes by the developing world between 2011 to 2021



Source: Horizon 2020

Fonterra's view of the size of the market in China



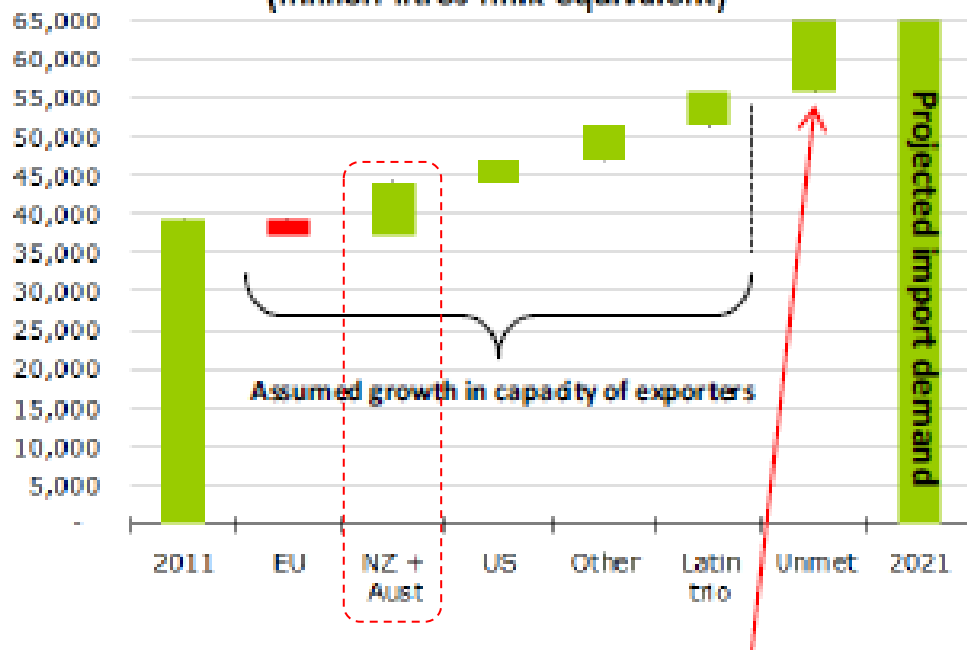
Source: Horizon 2020

represents imported volume

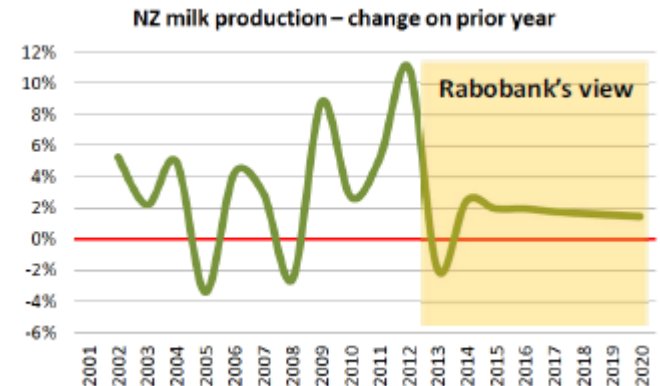


Australia could play a major role in meeting the continued growth in demand...

Meeting growth in market demand 2011 to 2021
(million litres milk equivalent)



Demand projected as potentially "unmet" in 2021



Source: Horizon 2020

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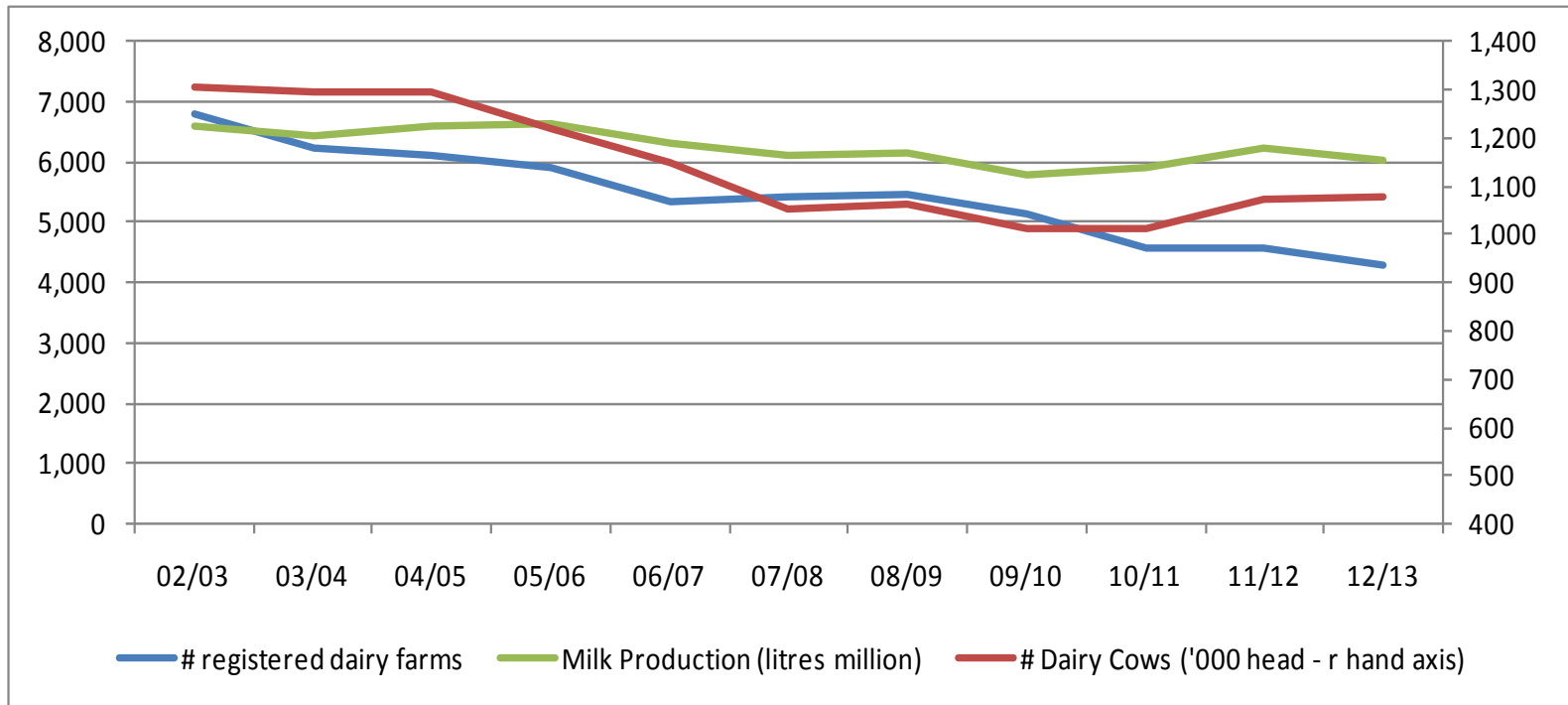


Australian Milk Production



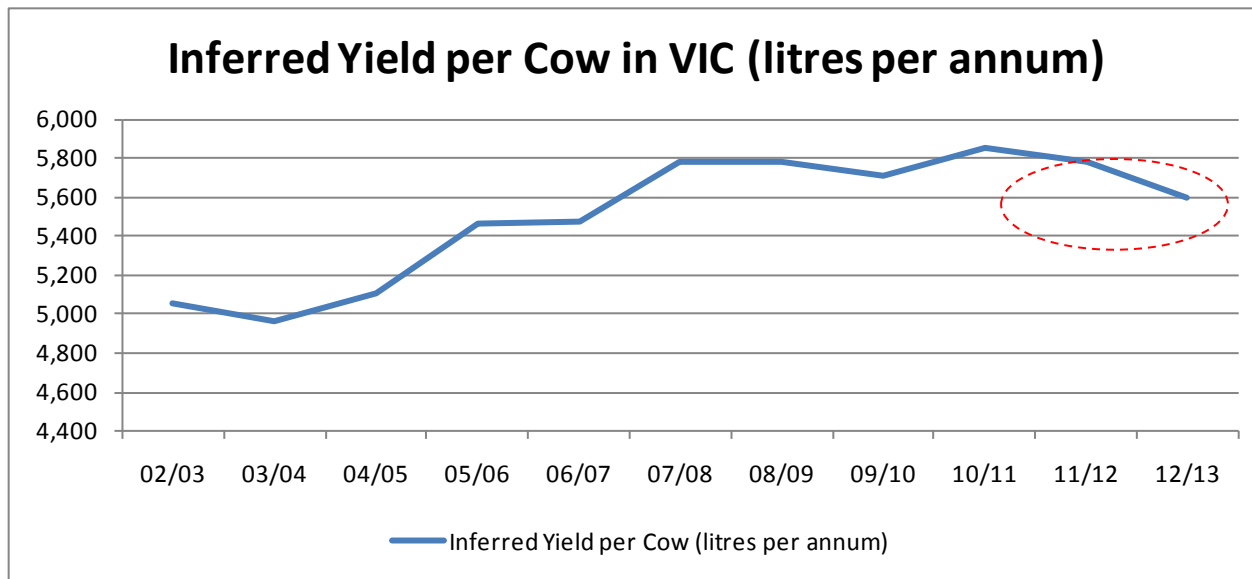
While growth in Australian production has plateaued, the industry is still undergoing major change...

- In the last decade in Victoria, the level of milk production has been maintained despite a continued drop in the number of farms and in the state's herd size:





Yield per cow has improved in the last decade, but still lags behind major international competitors...

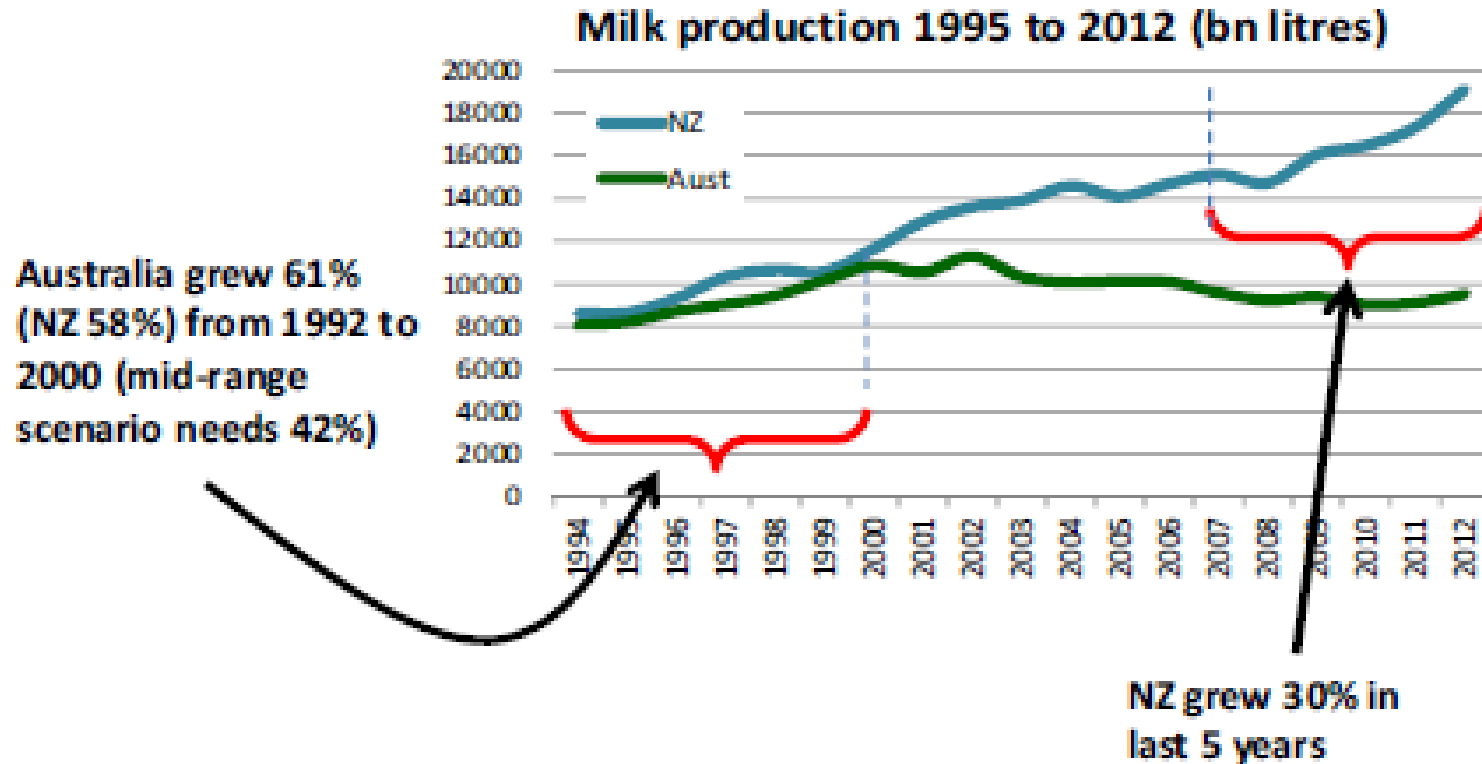


Source: Dairy Australia website

- Victorian yield per cow has reached the level of ~5,700 litres per annum...
- This compares with **7,327 litres in the UK** (source: www.dairy.co.org.uk) and **8,400 litres in the United States** and **7,100 litres in Germany** (source: www.thedairysite.com)

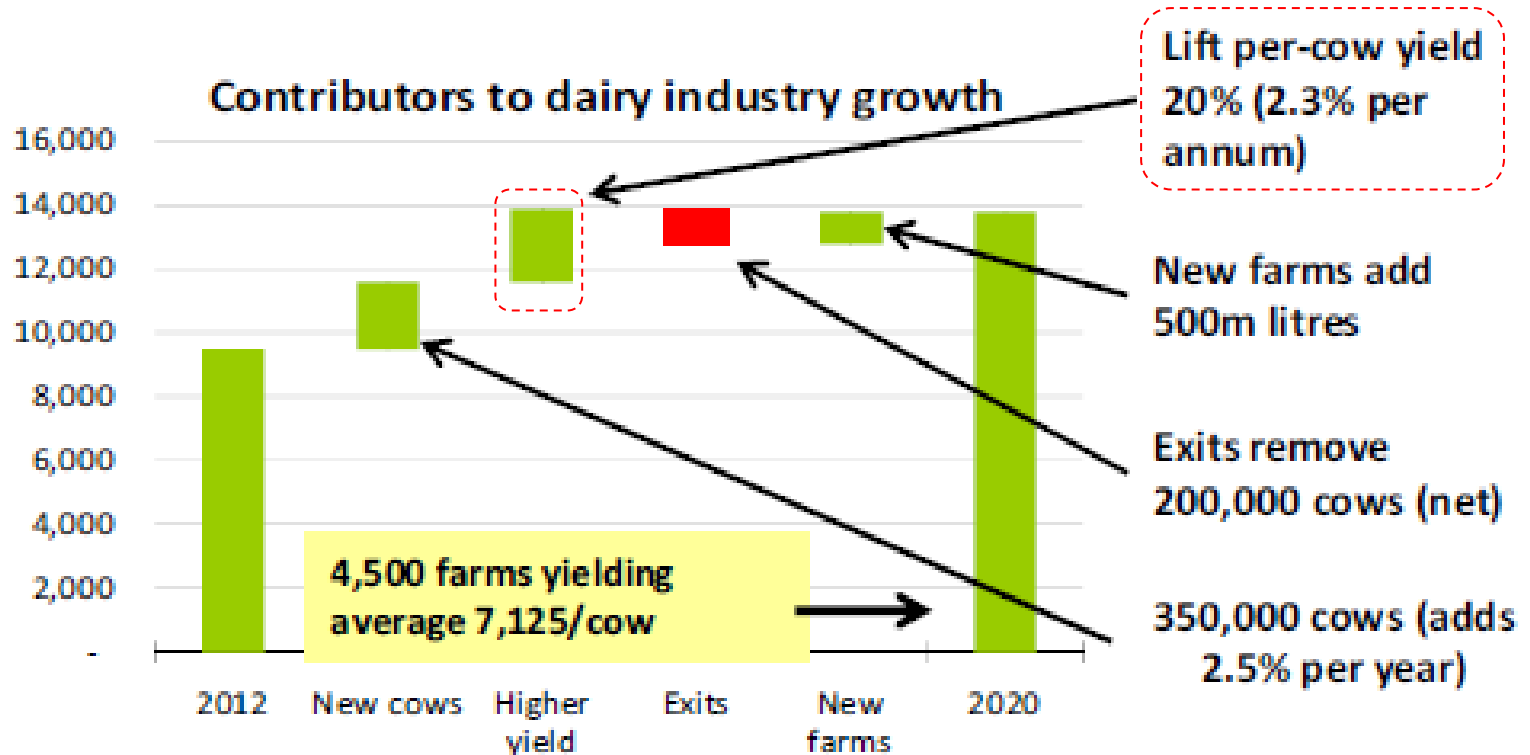


The challenge for Australia is to emulate the last decade of growth in New Zealand...





.. an increase in yield per cow is likely to be the biggest contributor in the journey to 14bn litres production in Australia



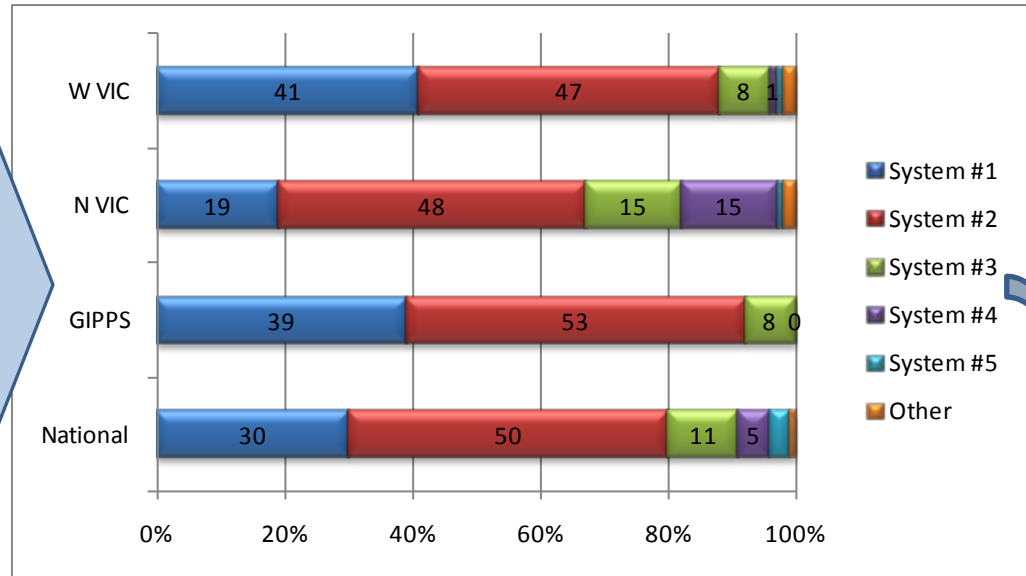
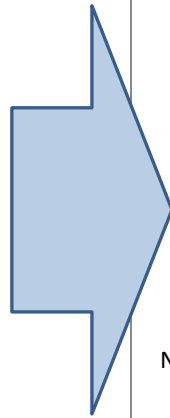
Source: Horizon 2020



Australian Dairy Feed

VIC dairy farmers have tended to use pasture-based systems, but are likely to migrate to Partial Mixed Ration models

- The vast majority of Victorian dairy farmers still use the traditional pasture-based systems
- The trend going forward will see more and more farmers using a PMR because:
 - smaller farms will continue to drop out, and it is the bigger farms with bigger herds who use the PMR system
 - PMR provides a further source of nutrition to boost milk production
 - brings them closer in line to the national average and UK/USA dairy industries



	Reminder Key
#1	• Pasture + other forages + low grains/pellets
#2	• Pasture + other forages + moderate-high grains/pellets
#3	• Pasture (> 9 months) + PMR + grains/pellets
#4	• “Hybrid” - Pasture (< 9 months) + PMR + grains/pellets
#5	• “TMR” – zero grazing, cows housed and fed TMR

The opportunity for Ridley therefore is to facilitate this transition by providing a range of quality, convenient and affordable nutrition products to meet the PMR model

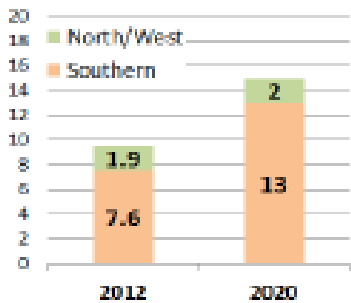


The Australian dairy feed industry can help grow Australian milk production through 3 main drivers:

Customer Value Proposition

Growth in Australian Milk Production

Milk output (bn litres)



Education & Improved Feed Solutions

Knowledge leadership

Improved Farm Management & Profitability

Operational Excellence

Thought Leadership to drive Industry Change

Maximising value

Integrity / relationships

engage • educate • evolve



great people • great business • great results