

Fresh ideas for improving ROI in Agribusiness



Australia's leading producer of premium quality, high performance animal nutrition solutions

28 April 2015

ROI in Australian agribusiness



1. Opportunities
2. Ridley's approach to improving ROI
3. Conclusions & thoughts



Strong regional food growth opportunity



- Dairy & beef
- Animal meals and fats
- High-performance raw materials

... all forecast to have strong export growth

In 2012-13, Australian farms produced:-

- \$13.2 bn of livestock (for meat)
- \$6.9 bn of livestock products (wool, dairy etc)
- \$2.3 bn of fish and other marine produce

*Source: ABARES Agricultural Commodity Statistics 2013

Export Demand

Population of ~30m by 2030, with greater demand for:-

- Chicken – affordable source of protein, compounding growth at 3% p.a.
- Eggs – 45% increase in eggs laid in 2013 vs 2003 (AECL)
- Fish – consumption up 25% by 2022 (OECD FAO)
- Dairy – population growth plus increasing preference for dairy products



growth in future production will be driven by...

Domestic Demand

... but forecast growth in livestock production dependent upon equivalent improved returns and growth in the supporting stockfeed industry

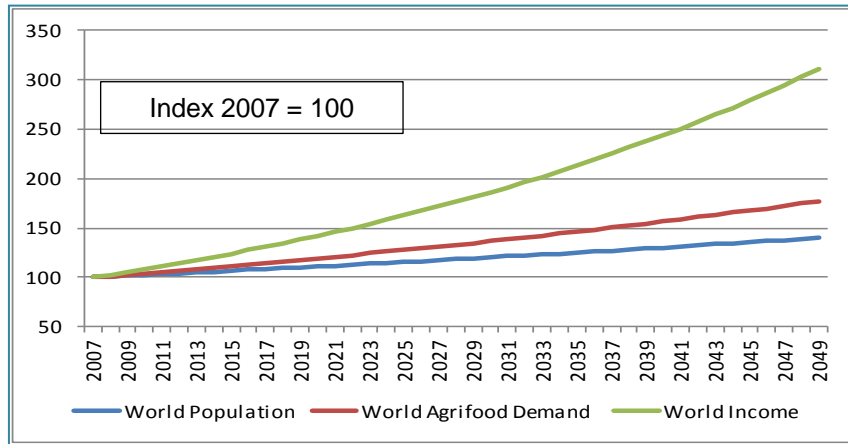
Australian agribusiness well resourced to exploit food demand growth opportunity



DEMAND



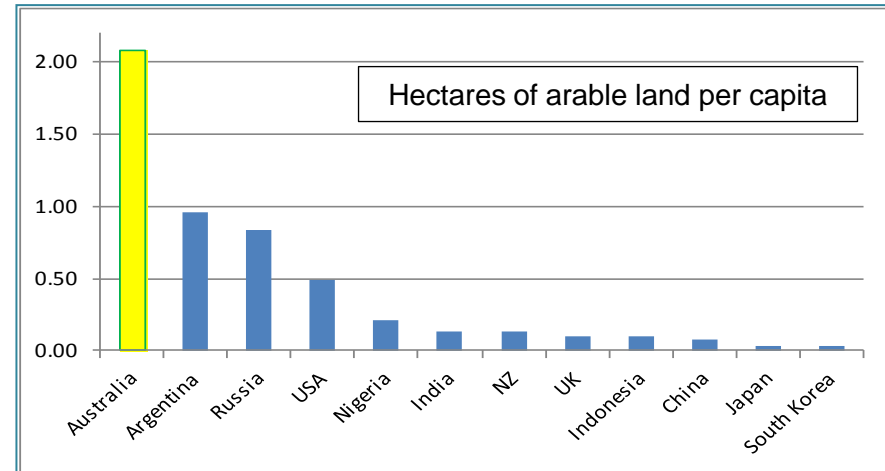
World population >9 bn by 2050, income & food demand growing faster



LAND



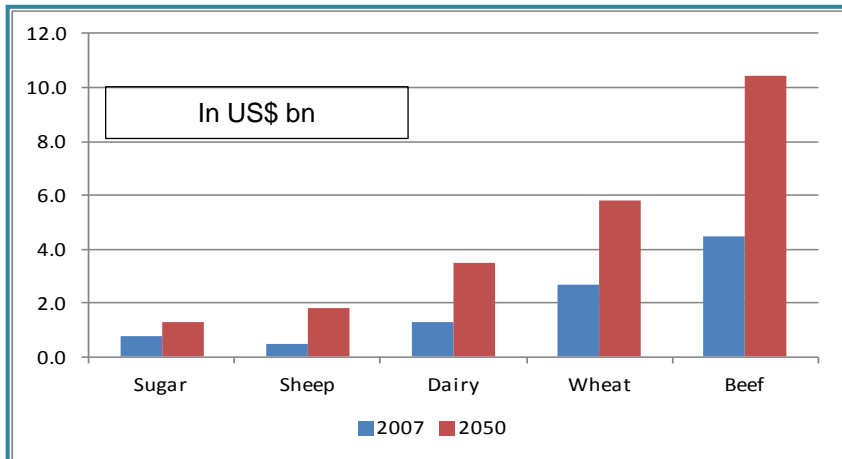
Australia enjoys huge advantage in arable land vs peers



AUS EXPORTS



Substantial uplift in exports across meat, livestock products and crops



AUS ENERGY RESERVES

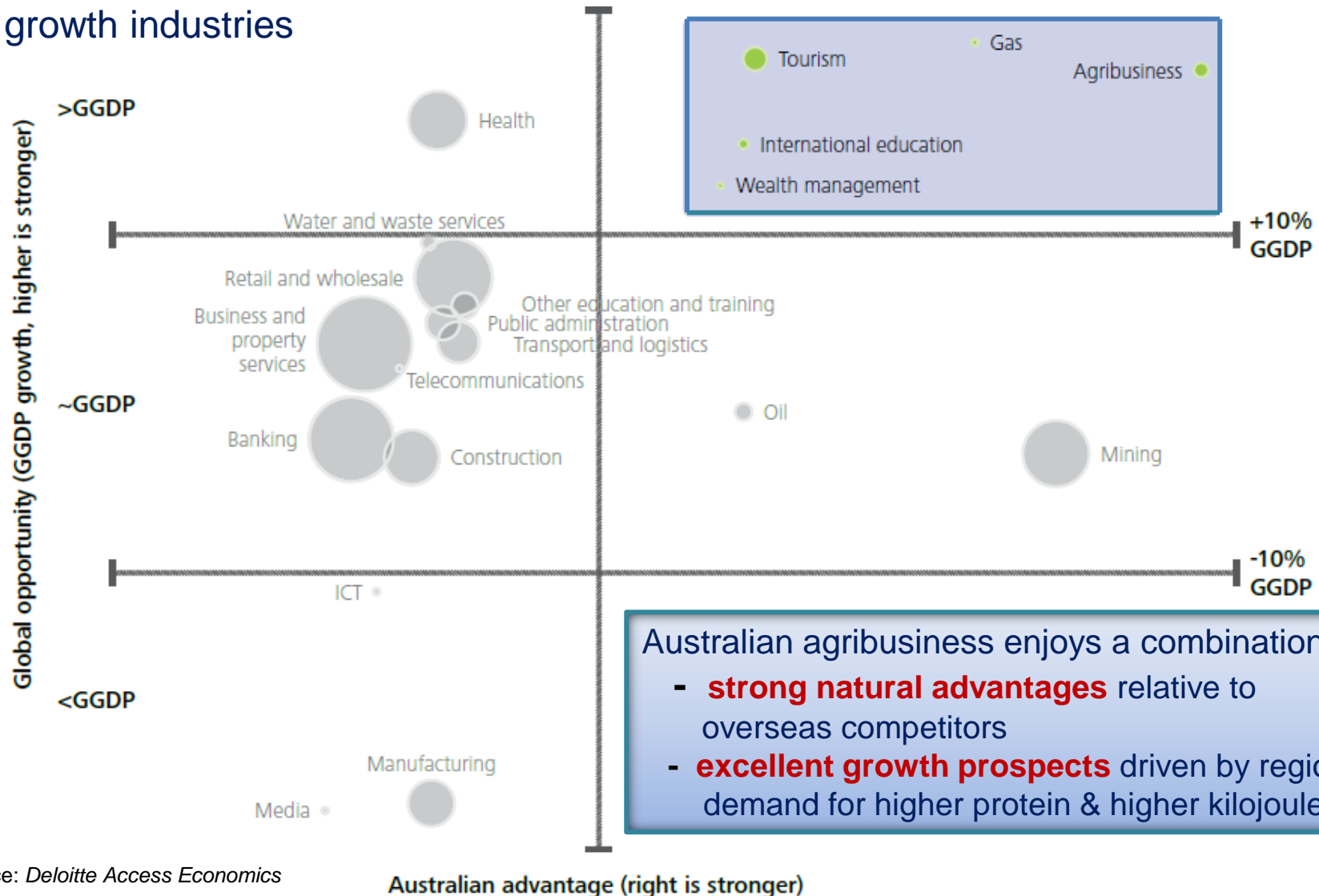


- Vast reserves of conventional gas
- Maturing coal seam gas industry
- \$200bn worth of energy infrastructure under construction and due to come onstream in 2017
- World's 7th highest amount of technically recoverable shale gas

Australian agribusiness – an exciting proposition relative to other industries



Deloitte Access Economics has Australian agribusiness as one of its 'Fantastic 5' growth industries



Ridley has two key areas of focus to improve its returns



1

Focus on those sectors with **high growth potential** and **higher-value returns**:

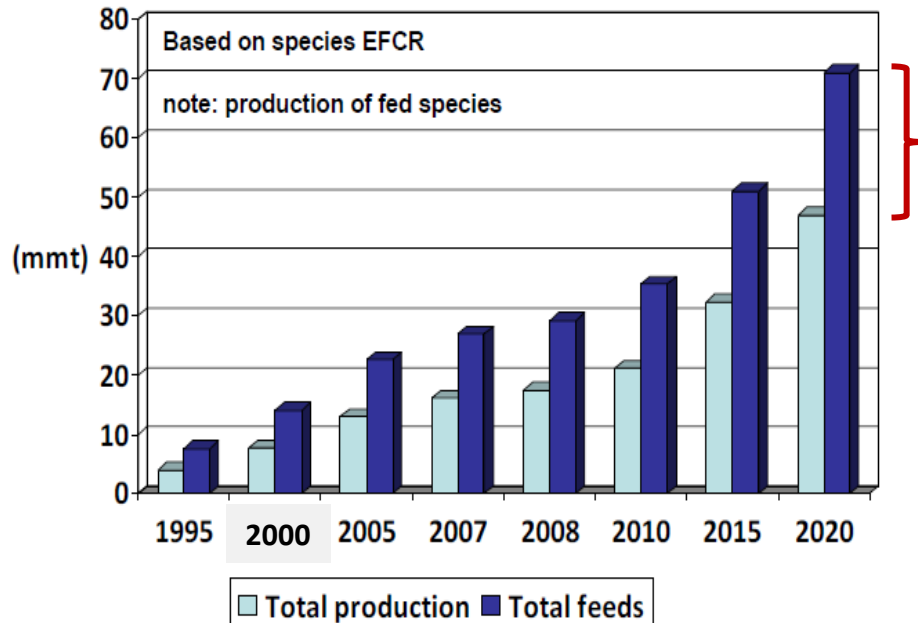
- aquaculture
- dairy
- poultry
- rendering

2

Focus on Ridley's **Customer Value Proposition** to:

- ✓ deliver a compelling value proposition to the customer through continuous improvement in conversion of feed to livestock output;
- ✓ develop and secure supply chain for novel and sustainable raw material inputs;
- ✓ invest in Ridley's human capital to innovate and commercialise creative dietary and merchandising solutions; and
- ✓ conduct a rolling program of mill modernisation to ensure assets are best in class in terms of efficiency and environmental footprint.

Global Compound Aquafeed Forecast to 2020



Source: FAO Fisheries & Aquaculture Technical Paper 564
EFCR : Economic Feed Conversion Ratio

Challenge:
reduce this gap by improving feed conversion to lift production for same footprint

Some Facts & Figures

- **Asia** is home to ~90% of global aquaculture production
- Farmed fish expected to exceed wild catch by **2018**

Source: FAO Fisheries & Aqua Department 2013

- **Australia's** aquaculture industry, whilst comparatively small, has grown at a CAGR of ~11% over the last 20 years
- 2 major growers are both investing in new farms and biomass to continue growth

Source: Department of Agriculture, Australia's Seafood Trade, October 2013

Constraint:

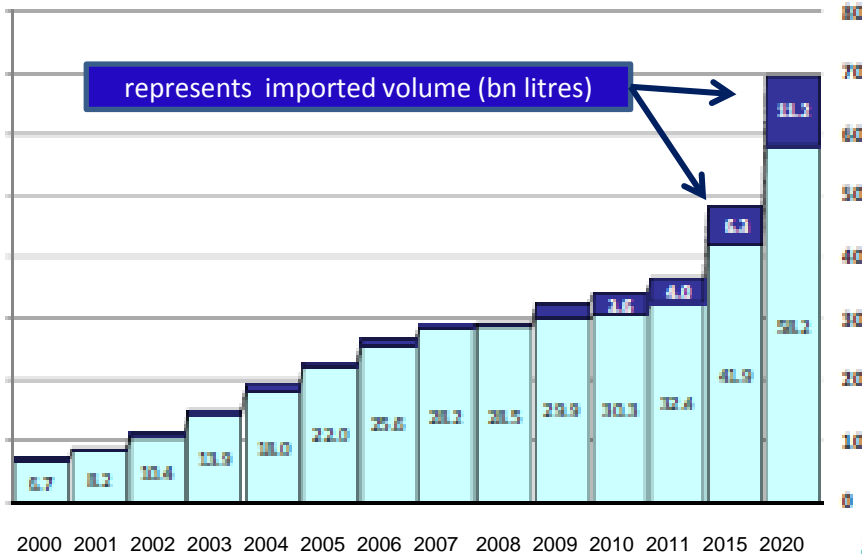
- declining wild catch also means less raw material for farmed fish feed

Approach:

- Replacement of wild catch with sustainable raw material inputs, including animal and vegetable protein sources; &
- Commercialisation of sustainable novel raw materials to lift conversion rates and improve animal well-being e.g. Novacq

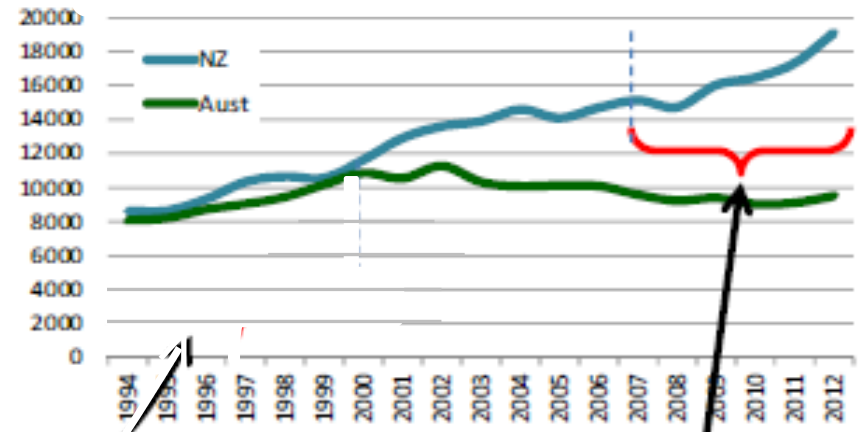
Significant regional demand for imported milk into China....

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



... and a latent milk production opportunity in Australia

Milk production 1995 to 2012 (bn litres)



Source: *Horizon 2020*

NZ grew 30% in last 5 years

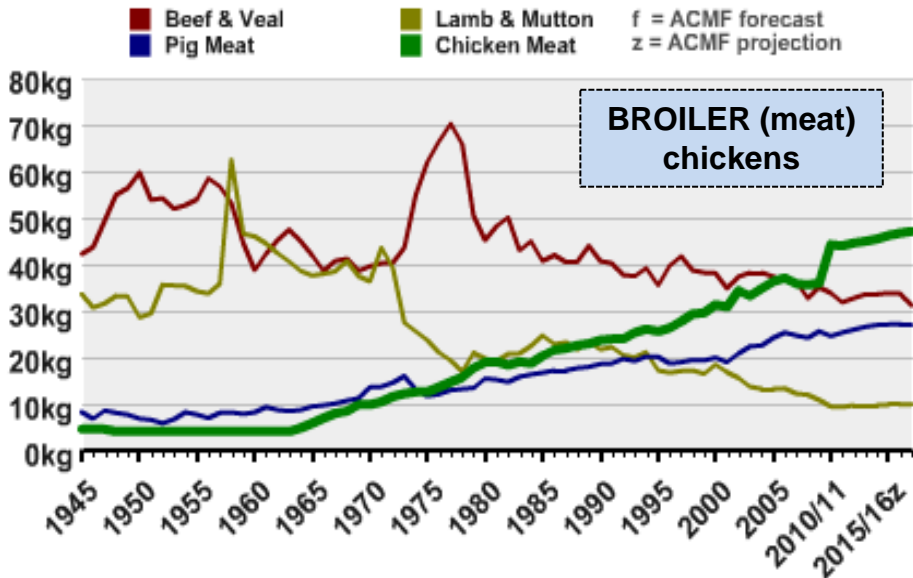
Constraint:

- land, water and farmer education & succession

Approach:

- Educate the industry on the milk production and herd health benefits of supplementary feeding to boost output without changing the existing farm herd & environmental footprint

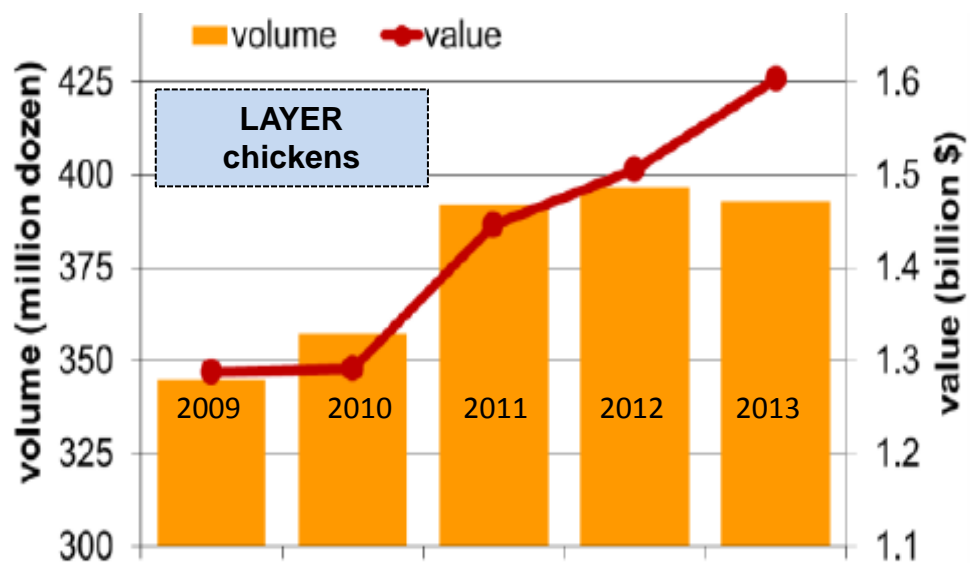
Poultry approach to improved returns



Constraint:
not subject to same constraints as other key Ridley sectors

- Chart shows consumption per capita in Australia of various meat types
 - Chicken meat showing consistent 3% p.a. compound growth
- Source: Australian Chicken Meat Federation

Ridley's poultry business provides a consistent core of high volume throughput effectively servicing intensively farmed industry with short animal lifecycle



- Strong recovery with eggs now positively viewed as protein source [Source: AECL]

Approach:

- Engage industry experts to lead advancements in nutrition; &
- Continually refresh asset base to be best in class in reliable delivery of high quality product using energy efficient assets and environmentally responsible footprint

Rendering approach to improved returns



DEMAND

Demand for rendered products as a protein source is a function of export focused growth for livestock products

Constraint:

- periodic overseas market closures

Constraint:

- freshness of raw material is critical
- competitively sourced

SUPPLY

Supply of raw material is a function of livestock harvest rates, influenced by consumer demand and, for non-intensively farmed beef and sheep, pasture and drought conditions

Territory	Meat Consumption		
	2013	2022	% Growth
China	81.3	94.3	16.0%
Indonesia	3.3	4.2	26.3%
Japan	5.6	5.5	(1.9%)
Korea	3.2	3.6	9.7%
Malaysia	2.0	2.6	27.9%
Philippines	3.2	4.1	26.9%
Thailand	1.9	2.1	11.1%
Vietnam	5.4	7.0	27.9%
Total:	106.1	123.3	

+16.2%

	Production (tonnes '000)		
	2011	2013	% increase
Mammalian/mixed protein meals	502	546	8.8%
Poultry meal	76	79	3.9%
Poultry oil	60	66	10.9%
Feather meal	37	38	3.6%
Tallow	487	532	9.2%

Source: Australian Renderers Association

Approach:

- Invest in plant efficiency upgrades to improve product spec & yields, and to reduce waste;
- invest in new technology to extract higher value products and operating efficiencies

Ridley well positioned within agribusiness



Nutrition & technical excellence

- Industry-leading knowledge of animal husbandry, nutrition & raws

People

- Innovation & creation in raws & diets to deliver new products & access new markets

Species	Ridley Position in Sector	Sector Growth Potential	Local or Global?*
Aqua	Strong (#2)	High	Salmon – Local Prawn – Global
Dairy	Strong (#1)	High	Global
Poultry - Broiler	Strong (#1)	Medium	Local
Poultry - Layer	Medium	High	Local
Rendering	Strong (#1)	High	Global
Packaged	Medium	Medium	Local
Pig	Medium	Medium	Local
Supplements	Medium	Medium	Local

Location & Supply chain

- 1.8mt on 2 way logistics
- reliability of supply

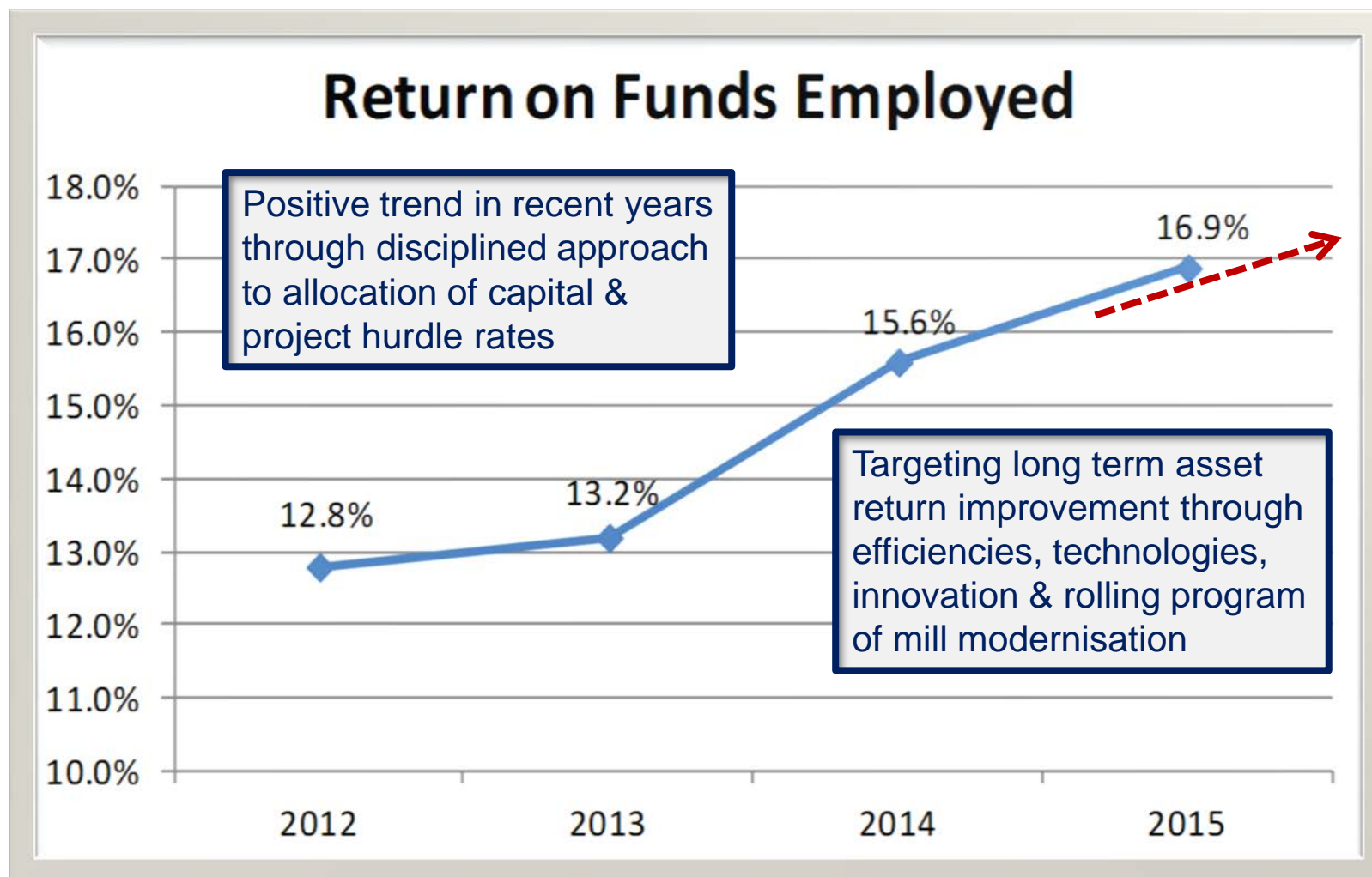
Scale

- Lower input & production costs
- merchandising opportunities
- risk mitigation

Cost of feed to livestock yield

- Share the win:win;
- customers pay for value

* defined as the destination market for the majority of the associated end product



Conclusions & thoughts



- Invest in value not volume

- *deli not smorgasbord*

- Invest in human capital

- *harness talent to create quality and value that the customer is prepared to pay for*

- Invest in supply chain & infrastructure

- *optimise logistics to share cost savings*
- *leverage technology to lower operating cost & working capital*

