KEEPING WA GROWERS GLOBALLY COMPETITIVE

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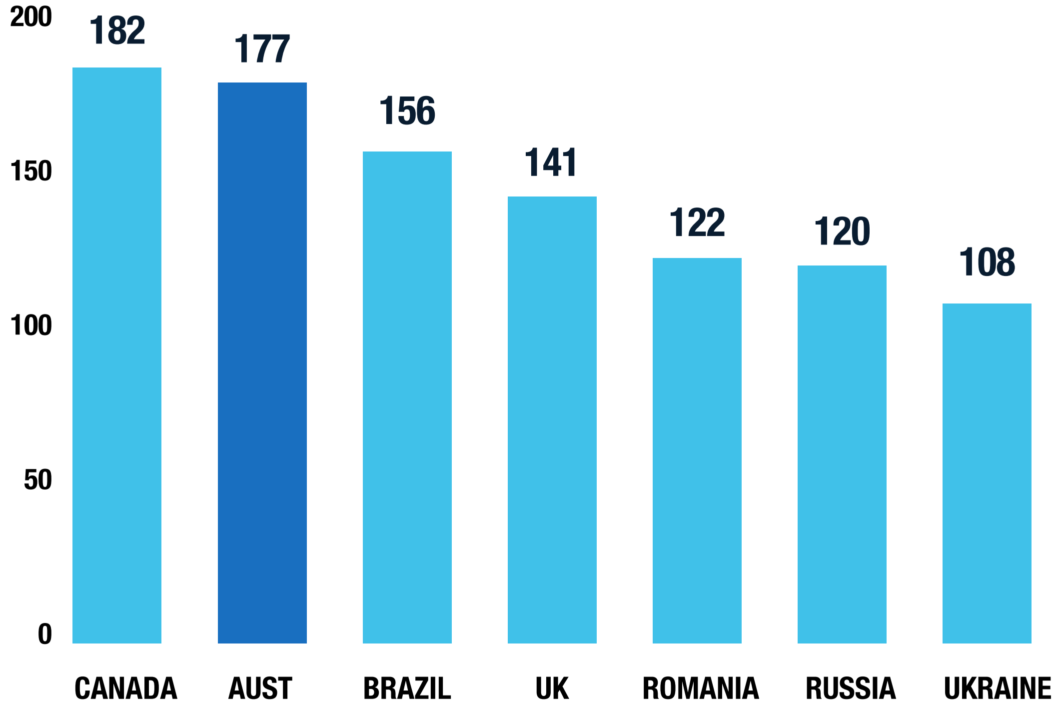
CURRENT ISSUES IN AGRICULTURE

Productivity	• Broadacre productivity growth falling - 2.2%pa in 1953-94 to 0.4%pa 1994-13 • Cost of producing wheat in Australia is double Argentina, Russia and Ukraine
Performance	• Big variation in performance since 1990's: >25% broadacre farms made a loss every year >50% annual cash income of less than $43,000 • 2003-08 >50% of RDC funding outside of productivity or output growth
Skills & succession	• Medium age of farmer increasing: 1981 = 44 2001 = 50 2011 = 53 • Agricultural labour force declined 25% from 2002-2007 • Loss of expertise for extension/leadership/communities and grower groups
Capital	• Farm debt grown 8% pa in last 10 years
Supply chain	• Cost • Efficiency

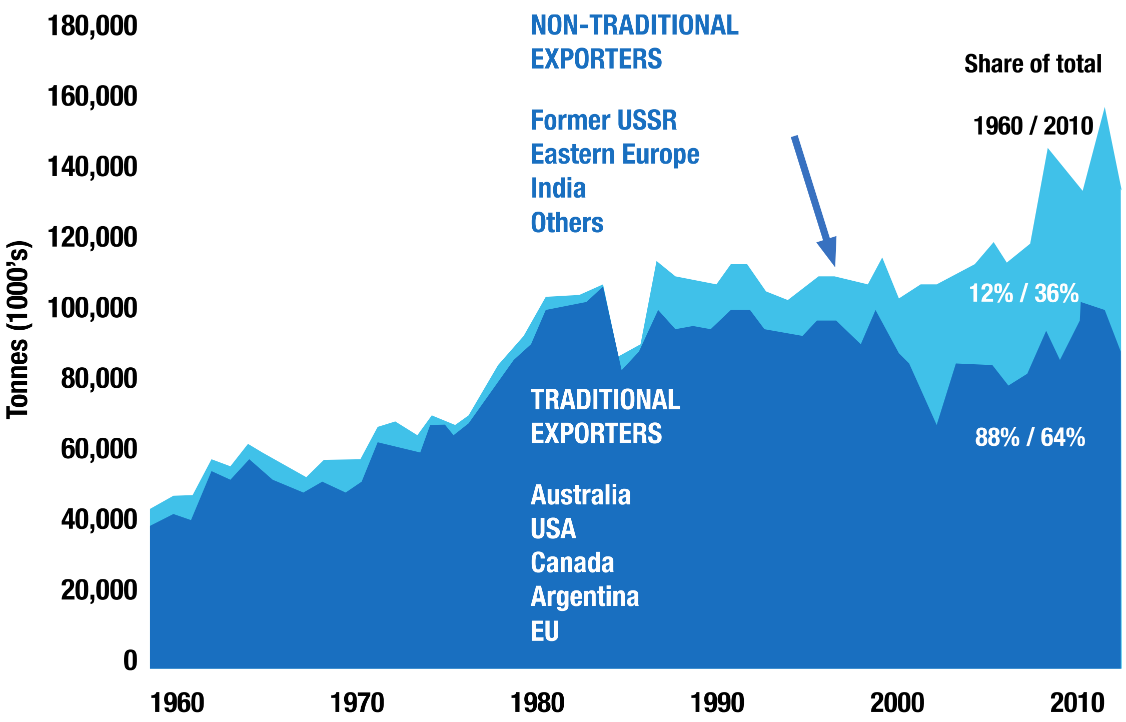
Source: ANZ insight 2012

AUSTRALIA HAS HIGH INPUT COSTS



Cost of inputs to farmers (US$/tonne)

THERE ARE NEW KIDS ON THE BLOCK



World Wheat Exports (1960 - 2013)

COMPETITION IS NOW BETWEEN SUPPLY CHAINS

Australian wheat is being replaced by lower cost supply chains

Black Sea wheat exports	
1990s average	6 million tonnes
2000s average	20 million tonnes
2020s predicated	40 million tonnes

Middle East

- **Lower Price** - $30m/t cheaper than Australian CFR Egypt
- **Lower production costs**
- **Lower freight cost** – Russia/Egypt $10-15 cheaper than Australia
- **Lower quality** – ‘acceptable quality’ for the price

Asia

- **Quality discount** for Black Sea wheat to match Australian reduced from $30 to $15
- Russian wheat currently $30 cheaper CFR SE Asia

GLOBAL SUPPLY CHAIN PLAYERS ARE BIG…

	ADM	Bunge	Cargill	Louis Dreyfus*
Sales (2011) $ billions	81	59	120	60
Profits (2011) $ billions	2.0	0.9	4.2	n/a
Employees	30,000	32,000	142,000	34,000
Number of countries	75	40	66	55

…AND THEY ARE INTEGRATED

Activity/firm	ADM	Bunge	Cargill	Louis Dreyfus
Farm products/services	+	+	+	+
Storage & Transport	+	+	+	+
Investment & Risk Management	+	+	+	+
Commodities	+	+	+	+
Processing	+	+	+	+

…AND THEY ARE INTEGRATED

Activity/firm	ADM	Bunge	Cargill	Louis Dreyfus
Commodities				
Soybean/oilseeds	+	+	+	+
Palm oil	+	+	+	+
Maize	+	+	+	+
Wheat	+	+	+	+
Citrus juice			+	+
Cocoa	+		+	
Coffee				+
Sugar	+	+	+	+
Cotton	+		+	+
Rice		+		+
Processing				
Milling grains	+	+	+	+
Oil crushing	+	+	+	+
Processed foods	+	+	+	

Activity/firm	ADM	Bunge	Cargill	Louis Dreyfus
Farm products/services				
Fertiliser	+	+	+	+
Seed sales			+	+
Contract farming	+	+	+	+
Farmer advice services		+	+	+
Insurance	+		+	
Livestock contracting			+	
Storage & Transport				
Elevators/storage	+	+	+	+
Transportation	+	+	+	+
Investment & Risk Management				
Financial services	+	+	+	+
Farmland acquisition	+	+	+	+

How do we keep WA growers competitive?

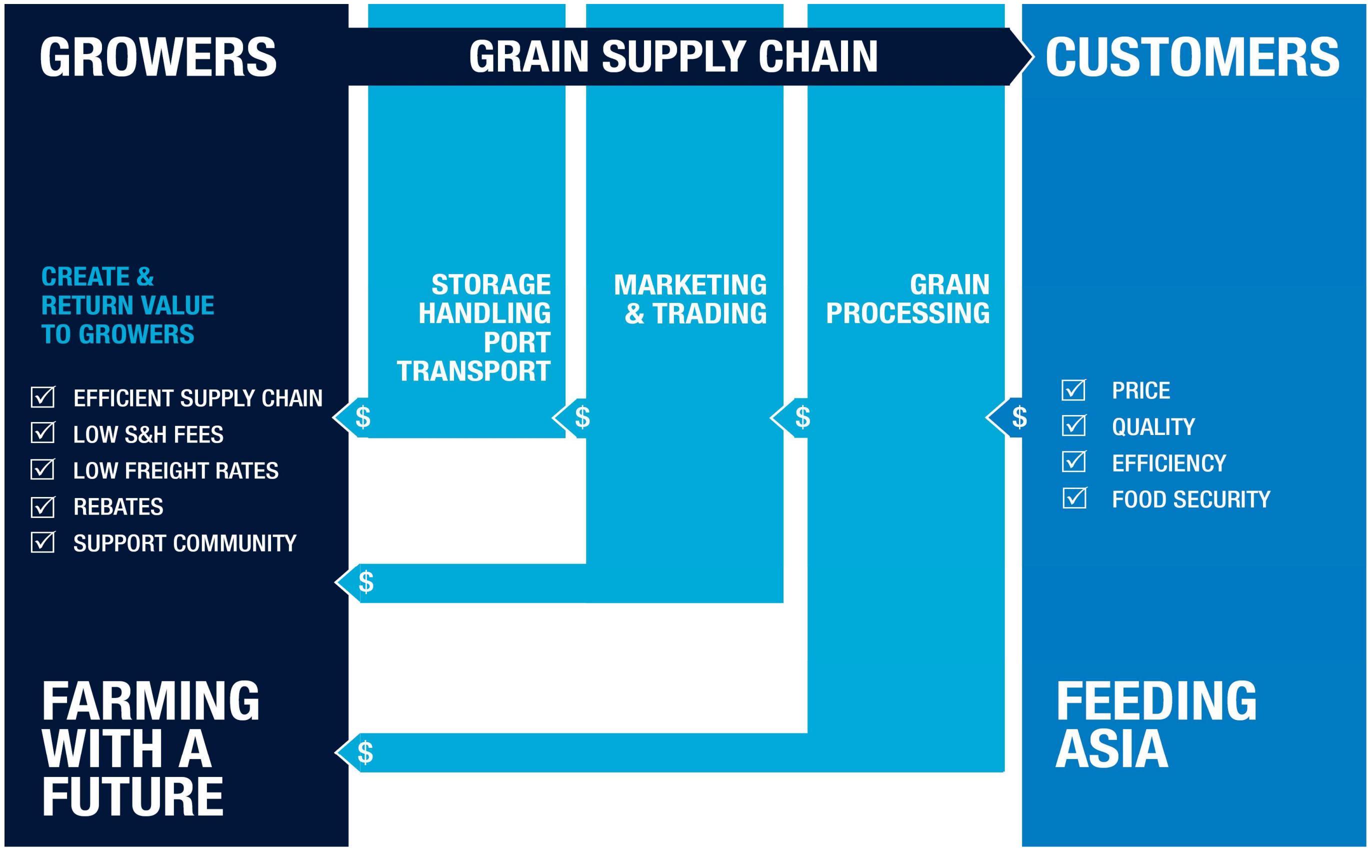
Integrated supply chain

- Transparency of information
- Trust
- Innovation & technology
- Risk & benefits shared
- Shared long-term goals
- Co-operative
- Optimise value of whole chain

Lower costs, protect value, increase efficiencies

- Increase throughput & turnaround
- Increase transport/port capacity
- Re-invest in network
- Ensure the WA supply chain is used in an efficient manner

CBH, AN INTEGRATED SUPPLY CHAIN



Storage & Handling

Keep supply chain costs low

- Low S&H fees
- Low freight rates

Provide efficient services

- Receive 90% harvest in 21 days
- Throughput & turnaround times
- Attractiveness of transport & ports
- Re-invest in network

CREATING GROWER VALUE

Storage & Handling

Continued network investment

- $155m re-invested in 2012-13
- $0.5b re-invested in last 5 years
- $40m per year on throughput
- Maintain world-class system
- Keep supply chain efficient

Protect or increase value of grain

- Increase throughput
- Quality optimisation $2.80 p/t uplift in 2012-13
- Falling numbers $35m in 2012-13
- Moisture management
- Intra-zone freight options

CREATING GROWER VALUE

Port & Transport

Increase transport capacity

- Above rail investment
- 7% reduction in freight rates
- Below rail negotiations

Increase port capacity

- Bundled supply chain services
- Strengthen customer relationships
- Aim to ship 18 million tonnes
- Port capacity allocation

CREATING GROWER VALUE

Marketing & Trading

Support the supply chain

- Buys 50% of WA crop
- Provides base load for rail investment
- Top exporter
- Flexibility in shipping

Increase value of grain

- Marketing options
- Competitive pricing base
- Fastest payment terms
- Direct access to market
- Provide multi-origin supply

CREATING GROWER VALUE

Grain Processing

Invest along value chain

- Investment in flour mills in Indonesia, Malaysia & Vietnam
- Increase in asset value of US$500 million
- Dividend stream to CBH

Market intelligence & access

- Increased volume of WA wheat used in mills
- Close customer relationships

RETURNING GROWER VALUE

How does CBH return value to growers?

Integrated Supply Chain

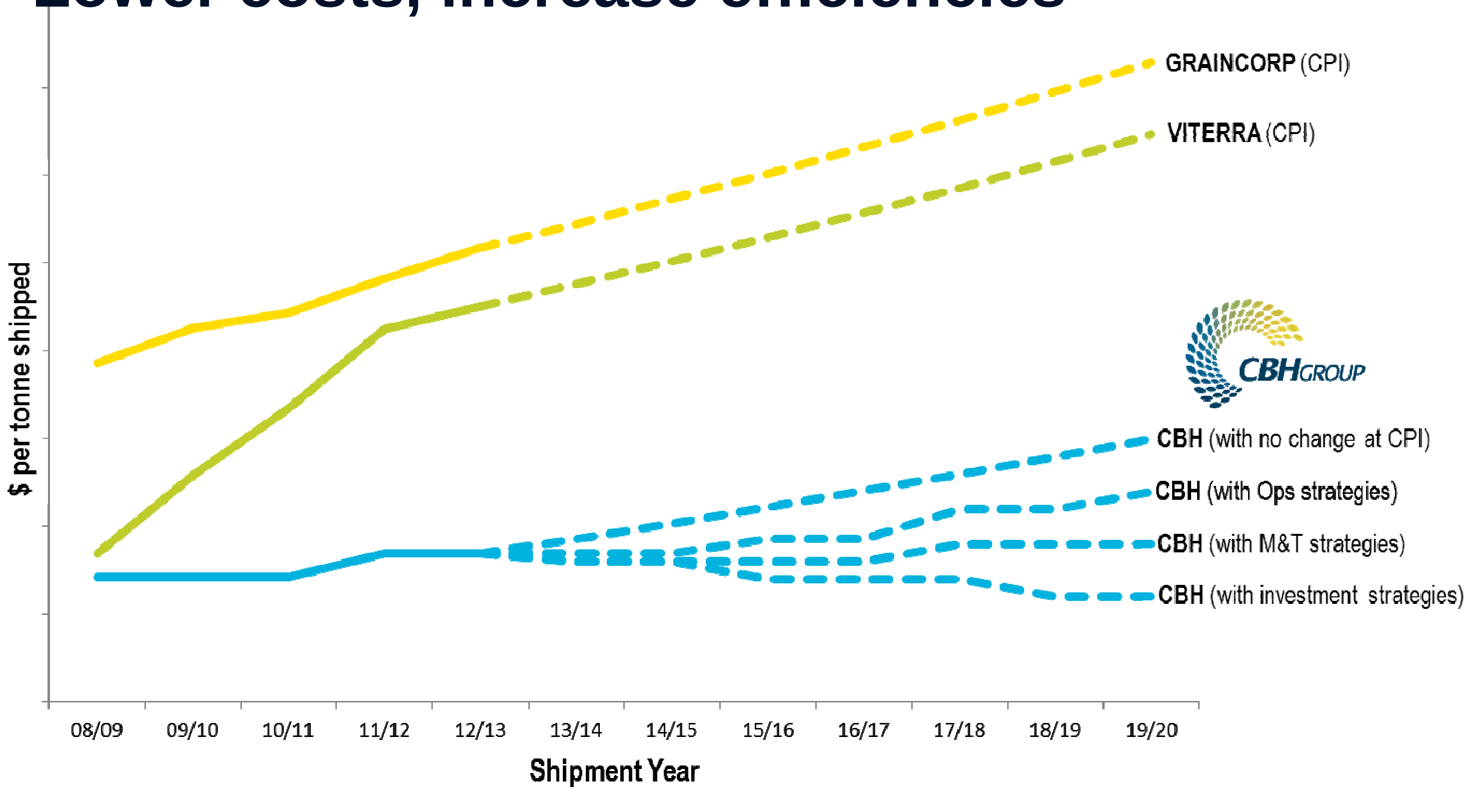
- Efficient, world class storage & handling system
- Continued re-investment in network
- Low S&H fees & freight rates
- Technology & innovation

Grower Patronage Rebates

- $1.00 per tonne Marketing & Trading Rebate
- $0.85 per tonne Investment Rebate
- $0.75 per tonne Operations Rebate
- Total **$2.60** per tonne

RETURNING GROWER VALUE

Lower costs, increase efficiencies



KEY MESSAGES

- WA agriculture is an important industry but may not be sustainable as Australia is losing competitiveness globally
- With the emergence of competitor supply chains, competition is between chains, not companies
- WA growers need to run their own integrated supply chain focussed on ensuring its competitiveness with other origins
- CBH initiatives will keep fees low and increase efficiencies

Questions?

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