Speech notes – Chairman and Chief Executive Officer
NZ Farming Systems Uruguay Limited
2010 Annual Shareholders' Meeting
14 October 2010

Good morning ladies and gentlemen, I am John Parker, Chairman of the Board of Directors of NZ Farming Systems Uruguay. Welcome to the Annual Shareholders' Meeting for 2010.

The agenda for today's meeting reflects a period of intense change for the company, including key events that occurred after the end of the year in review. As you will all be aware, the most fundamental change has been the establishment of Olam International Limited as the majority shareholder through its recently-concluded takeover offer. I welcome Olam in this new capacity, and we look forward to the benefits that it can bring for the company.

I will start the proceedings shortly with the Chairman's Review, covering the business over the past year.

I will then introduce the recently appointed Chief Executive Officer, Alastair de Raadt. Alastair has been in the job for only a few weeks and so the operational outcomes for 2009-10 are not his. He will offer a personal perspective on the status of the company's operations and his view of the priorities going forward.

After Alastair has spoken I will return to the podium to comment briefly on the outlook for the company.

There will be an opportunity for questions and general discussion after our reports and I will outline the procedure for that part of the meeting when we reach it.

We will then move into the formal agenda, which has been considerably amended due to the takeover by Olam succeeding post the finalisation of this agenda. However, I will get to those matters later.

Financial performance and development

I will begin my comments with a brief review of the financial performance of the company. As outlined in the Annual Report, our revenue grew by 42 percent to $US22.5 million, and the operating loss was reduced by 37 percent to $US10.4 million. The revenue growth reflected a 52 percent rise in milk production and a rise in average milk prices, partly offset by lower sales of surplus livestock – largely beef animals. The reduction in the loss was also assisted by our active campaign to constrain costs, which consequently grew at a much slower rate than revenue.

There is clearly still a long way to go before the company can be said to be fulfilling its potential, but the latest year contained a significant measure of progress on that journey. In prior years, our operations have been disrupted by climatic events and our development programme constrained by a shortage of cash. In the 2010 year we made good progress in recovering from the effects of the 2008-2009 drought. At the same time our operations continued to grow within the cash constraints, and with the assistance of the $US30 million bond issue to Uruguayan investors.

The total dairy land area expanded to around 12,500 hectares by the end of the year. At that stage we had 31 milking sheds, up five from the previous June. We also added significantly to our other infrastructure, including an increase in the land under irrigation to 2,000 hectares, with a further 1,200 hectares since commissioned.

The development programme, and the financial outlook, received a significant boost in August 2010 when the government of Uruguay confirmed that the company had been designated a Project of National Interest under Uruguayan tax law. The effect of this status is that the company receives tax concessions with an estimated current value of $US20-25 million (or $NZ34 million at current exchange rates), which will offset our tax liability once we become profitable.

In summary, the latest year has effectively put the company back on track, albeit well behind our original schedule. We now expect to reach our steady state production target, of 965 kilograms of milksolids per milking hectare, in the 2015 calendar year. The level for the latest year was 420 kilograms of milksolids per hectare, so there is a significant gap still to be bridged. Subject to a review of priorities in which Olam will obviously play a key part, that will happen through a combination of improved genetics, completion of the irrigation and other infrastructure, increased capital fertiliser and the increasing integration of New Zealand systems and the Uruguayan operating environment.

Governance and management

I will now turn to events concerning the ownership of the company, and the implications they have going forward.

One of the board's most important priorities throughout the 2009-10 year was to resolve the funding issues facing the company, both to resolve its cash constraints and to ensure the farm development programme would be completed in the most value-creating manner for the long term.

That meant canvassing all the options for funding, including raising new equity from existing and prospective shareholders, and entering into new debt arrangements. The bond issue completed in the first half of the year, to which I have already referred, was one element in this programme.

The board discussed the various options with a range of parties, with a view not only to raising funds but also to establishing relationships that would bring strategic benefits through operating synergies, access to markets or other advantages. Two of these parties – Olam and Union Agriculture Group – subsequently made takeover offers for the company. Another indicated its intention to provide equity funding without seeking a position of control, but did not reach the point of final commitment. There were a number of other parties with whom discussions were held, and all realistic options to identify the right combination of funding and strategic relationships were both identified and explored.

Without a doubt, the funding issues faced by the company, and the need for much better progress in operating performance, had weighed on the share price. So all shareholders, including those on the board, faced a difficult decision on whether to accept a takeover offer. Ultimately, the board's decision to recommend at least partial acceptance of the offer reflected the increase to 70 cents per share, the fact that Olam would bring financial and other resources to assist in completing the development programme, enhanced certainty over funding, and confirmation of Olam's commitment to the existing strategy of the company.

In the end, the acceptance level of 78 percent speaks for itself. I am pleased to note that there remains a significant New Zealand based minority shareholding to benefit from what I continue to believe will be a very strong business platform over the long term. It is also noteworthy that Olam has made it clear throughout the course of its negotiations with the board, and in the takeover process, that it welcomes the continued involvement of other shareholders and the maintenance of the listing on the New Zealand sharemarket.

Olam has committed itself to the maximisation of returns from the continuation of the business in its current form and intend to grow the business over time. They have pledged to treat all shareholders fairly.

Olam is aware of the capital needs of the company, has advised a preference for equity rather than debt and has indicated the likelihood of a capital raising through a rights issue. Pending a review of the capital requirements Olam is addressing immediate capital requirements and interim financing is currently being arranged with Olam's support. Andrew Clark, Alastair de Raadt and I spent two days in Singapore last week with Olam and are happy that all needs are being addressed.

One clear result from the takeover will be a change in the composition of the company's board. As outlined in the Notice of Meeting, the Board may comprise up to seven directors and currently has six. Three of the six are retiring – Craig Norgate and Murray Flett by rotation, and Keith Smith at his choice – and no candidates are standing for election at this meeting. The retiring directors have all played key roles in the establishment of the company and the development of the dairy farming operations, and I thank them for their contribution.

Murray Flett saw the dairying potential of Uruguay ahead of most and invested in a large land holding that was eventually incorporated into NZFSU. His foresight and corporate farming knowledge and his untiring willingness will be missed.

Craig Norgate was the driving force behind PGW entering into this project. While it didn't go to plan, that doesn't detract from the fact that Craig was bold and he was right about the opportunity and this company wouldn't exist without his drive and enthusiasm.

Keith Smith was the inaugural chairman of the company and worked hard during an often difficult birth with professionalism and patience. I thank all three for their efforts. I'm sure they leave the board with regret as they know there is unfinished business and I know they retain a strong belief in the concept and the company.

The three continuing directors – myself, John Roadley and Graeme Wong – will be joined by four nominees from Olam:

[Ask them to stand]

Vivek Verma is the Managing Director of Olam heading the Coffee, Dairy and Commodity Financial Services divisions. Vivek joined Olam in 1992 as a Business Manager in India and in 1994 was made Country Manager for Olam India. He moved to Singapore in 1996 and was instrumental in establishing the coffee business. He is also responsible for starting the Dairy and Commodity Financial Services operations for Olam. Vivek headed the Risk Function from 2005 – 2008 and is a member of Olam's Executive Committee and Strategy Committee. He holds a Bachelor of Technology degree from the Indian Institute of Technology, in Delhi.

Krishnan Ravikumar is the Group Chief Financial Officer of Olam. He joined Olam in 1992 and has worked in various positions in Nigeria, London and now Singapore. Ravi leads the Finance, Accounting and Corporate Affairs function of the Group. He is a member of Olam's Executive Committee, Risk Committee and Investment Committee. He is a qualified Company Secretary and holds a degree in Cost Accountancy from The Institute of Cost and Works Accountants of India. He also has an MBA and has completed the Advanced Management Program at Harvard Business School.

Richard Haire is Olam's Managing Director and Regional Head for Australia and New Zealand. He was the CEO of Queensland Cotton Corporation Limited from 1990 until it was acquired by Olam in 2007. He is also a member of Olam's Executive Committee and Investment Committee. Richard has more than 28 years experience in the international cotton and agribusiness industry, including 26 years in agricultural commodity trading and banking. He is a member of the Rabo Australia Food and Agribusiness Advisory Board, and a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management. Richard is also a Director of Open Country Dairy in New Zealand.

David Beca has more than 30 years experience in agriculture, including farm ownership and management of properties in New Zealand and Australia. Over recent years his primary focus has been as Managing Director of Red Sky Agricultural, which provides farm business analysis software, benchmarks and business advice. David has previously served as a director of a co-operative dairy company, a Brazilian dairy farm, and a dairy consultancy business with a substantial presence in New Zealand, Australia and South Africa.

Olam has asked that I continue as chairman and I have agreed to do so. I remain very committed to the completion of the operating platform and the development of a business that achieves its full potential as a dairy producer based on the New Zealand model.

I have briefly mentioned a key initiative undertaken since the end of the financial year – the adoption of an internal management structure. A related development was the decision to appoint a full-time chief executive officer based in Uruguay and dedicated solely to the company. We were very pleased to secure the commitment of Alastair de Raadt to this role, and that he was able to take on the role immediately from the company's base in Uruguay. Alastair has wide governance and senior management experience in Central and South America, Southeast Asia and New Zealand, and has the added advantage of being fluent in Spanish. His most recent engagement before accepting this new role was as managing director of Tip Top in Auckland.

Given that Alastair was appointed under the existing management contract with PGG Wrightson and that approval for the termination of the contract was to be sought today, the appointment is initially until the end of January 2011 with a provision to extend it by mutual agreement.

On that note I will ask Alastair to share his thoughts, including a brief review of the latest year's operational performance. Alastair, the floor is yours.

Alastair de Raadt
Chief Executive Officer

Thank you John.

I have joined the company at a time of significant and exciting change. Our financial performance still has a long way to go to deliver on shareholder expectations, however we will now have access to the funds required to complete the capital investment the business requires in order to maximise productivity and that is very motivating for our people in Uruguay.

Over the next few months we will also be transitioning from externally to internally sourced management. This will bring clearer focus and accountability to the organisation.

In the short time I have had in the role to date, I have had the opportunity to view most of the operations and review the progress made in implementing our dairy farming model. Fundamentally, I am encouraged by what I have seen and I believe there is a very strong basis on which our objectives can be achieved.

But I also recognise there is much work to be done before development is completed and productivity is at an acceptable level. Our results year to date are below budget and the full year outlook is that we will come in significantly under. We need to focus on this and reduce the gap as much as possible. I will talk more about this shortly.

My review of the company's performance in 2009-10 is necessarily brief, given that I was not on board during the year and the details have already been reported to you via the annual report and the August shareholders meeting. I will cover the key points and will be happy to take questions later at the chairman's discretion.

As John pointed out, last year revenue grew 42% from US$15.8m in 2008/2009 to US$22.5m.

The key driver of growth was an increase of 55% in milking cow numbers to 19,500 at spring peak, in turn driven by the commissioning of five new dairies during the year. An increase of 18% in the average milk price to around 28 cents per litre, versus 2008/09 price of 24 cents per litre, also helped grow revenue during 2009/10.

At the same time, while operating costs increased in line with new milking sheds coming onstream, the overall increase was proportionately much lower than the increase in production. Hence this combination of much higher milk sales with a modest increase in costs resulted in a significant reduction in the operating loss prior to fair value adjustments and one-off items, to US$10.4 million.

The 2010/11 Budget targets further improvement led by a significant growth in milk production to 100m litres. The key driver is continued infrastructure development, primarily an increase in the number of sheds from 31 to 36. Our 32nd shed is due to come on line in December and the remaining sheds in autumn.

Work is also continuing on irrigation and related electrical infrastructure. Of the 12,800 hectares currently being milked, approximately 2,000 are already irrigated and a further 1,200 will be ready in time for this summer.

We are investing significant time and resource to improve soil fertility through the application of capital fertiliser. Our four demonstration farms are already completed and the rest of our farms will receive fertiliser over the next two months.

The key objective is to continue to grow milk production and hence revenue, on a pasture based - and therefore low cost, feed platform and our investments in sheds, irrigation and fertiliser reflect this objective.

At the same time we also recognise that Uruguay isn't New Zealand and that we need to provide supplemental feed to our herd, particularly over winter and summer in order to maintain cow condition and milk production and so this year's Budget contemplates much higher levels of supplementary feed than in the past.

At the completion of the first quarter we have seen a substantial lift in milk production with cow numbers and production per cow lifting 18% and 6% respectively versus last year.

Nevertheless milk production volumes are approximately 10% below budgeted levels, and are likely to continue to remain so. Milking herd numbers are in line with Budget so the main issue has been individual cow productivity. This in turn has been impacted by later calving periods, an unusually wet and cold August-September, and slower than Budgeted pasture growth. The full year volume is therefore currently projected at around 90 million litres.

At the same time, feed costs have been considerably higher than budgeted due to the difficult winter, and delays in getting capital fertiliser on to farms due to lack of funding whilst the Don Pepe farm sale is in process.

We are working through solutions to mitigate the impact on profitability, and we will provide further forecast guidance as soon as available.

Clearly performance isn't good enough. There are two key areas which we absolutely must focus on over the next few weeks:

- Firstly, tighter controls on costs for the remainder of the year. Both cost reduction and cost avoidance
- And secondly, optimise our feed regime to ensure that we maximise cow output.

We will be working hard on these along to lift the performance of the business. At the same time work will continue on completing the remaining infrastructure projects.

There is a lot to get through and get right but I am confident that our base model is sound and that with the right management of inputs we will deliver on your expectations. I look forward to working with the board, the rest of the management group and the majority shareholder to making the necessary gains.

Thank you… The Chairman will now provide a brief commentary on the outlook for the company

Chairman
John Parker

I admit to a sense of frustration, in that good performance has lingered, tantalisingly, just around the corner for far too long. I'm not going to dwell on the reasons and the excuses, but suffice to say that with management now within the company's control; with a couple of years of experience under our belt and a new shareholder putting the company on a sound financial footing, the time for excuses is over.

My view, and I know it is shared by Olam, the outgoing directors and all of those investors who recently visited the farms, is that we are poised for real progress. Ultimately progress can only be measured in money and I look forward to reporting improved results. Alastair has advised you that we're 10% behind budget in milk production and why. The Board will be working with management to reduce the deficit and the impact on profitability.

We now move to Item 2 on the agenda, which is to throw the floor open for questions and discussion by all shareholders. I invite you to take this opportunity to raise the issues that you see as important, and I will be happy to either comment myself or invite board or management colleagues to do so.

At the end of the question and answer session I will ask Vivek Verma to say a few words. You might want ask him a few questions, but make them few –Vivek has hardly had time to put his feet under the table yet.

[Questions/Discussion from the floor]

[Vivek invited to speak]

That concludes this part of the meeting, so we move to Item 3 on the agenda, which is **Resolution 1** set out in the Notice of Meeting.

Voting on this will be by show of hands, and by ballot if inconclusive.
I now move the first resolution, which is to consider and, if thought fit, approve the Directors' authority to fix the auditor's remuneration. Is there a seconder?

Noting the automatic reappointment of PricewaterhouseCoopers as the Company's auditor under section 200 of the Companies Act, this resolution is to authorise the board to fix the auditor's remuneration for the following year, for the purposes of section 197 of the Companies Act.

As set out in the Notice of Meeting, the Directors believe that this resolution is in the best interests of the company and the shareholders, and we unanimously recommend that shareholders vote in favour of it.

I am holding 193,636,839 postal and proxy votes in favour (79.29%) received prior to the meeting, no votes against and no votes abstaining.

Are there any questions or matters for discussion concerning this motion?

(Response may be required to questions/comments)

I now put this motion to the floor. Would those in favour please raise their right hand. Those against please raise their right hand.

(If the result is not conclusive, a poll will be conducted).

If carried - I declare the motion carried.

We now deal with Items 4 and 5 on the agenda, which are **Resolutions 2 and 3** on the Notice of Meeting, namely the internalisation of the management contract by purchase from PGGW and the entry into a preferred supplier agreement with PGGW.

As set out in the Notice of Meeting, the Company has an agreement with PGG Wrightson Funds Management Limited whereby that company provides management, administration and operational services; and also provides or procures farm management services.

The Board considers that it is in the best interests of the Company to terminate the Management Agreement and internalise the management of the Company. If this proceeds, the board expects to save around US$1.5 million per year on overhead costs and to appoint a full time CEO based in Uruguay and dedicated to the execution of the Company's five year business plan. If this proceeds that CEO will be Alastair de Raadt.

I now need to deviate from what I had prepared to say. As recently as last night, a negotiation on this subject between Olam and PGW was concluded. The essential element is that Olam wanted to internalise the management agreement but did not want to enter into a Preferred Supplier Agreement.

Subject to NZFSU board ratification and other necessary approvals from NZS bank syndicate and bondholders, the following has been agreed:

1. The preferred supplier agreement will not be entered into. However, NZS will supply to PGW a letter whereby NZS agrees to support the continuation of a close working relationship with PGW including the purchase of farm inputs where PGW is competitive;

2. The arrangement whereby NZS will contract the services of Carlos Miguel de Leon will remain;

3. The fee to be paid to PGW for termination of the management agreement will lift from NZ4m to NZ4.6m and payment will be made as soon as the agreement is unconditional which requires bank and bond-holder agreement plus NZS board agreement;

4. All outstanding monies in NZ and Uruguay owed to PGW will be paid to PGW by 31 December 2010. The sum, consisting of outstanding performance fee plus interest $NZ14.2m, the fee for the management agreement termination $NZ4.6m, outstanding management fees of $US 1.7m and on charged costs $NZ3.5m is a total of approximately $NZ24.6m at current exchange rates.

As a consequence of this negotiation the two resolutions are withdrawn. The reasons they were before shareholders were that the value of transactions envisaged in the PSA was material, were with a related party, and exceeded the threshold for directors to determine.

The parties will no longer be related but more importantly the internalisation of the Management Agreement falls well within the directors' decision making powers and therefore the changes will be considered and agreed at a board meeting to follow this AGM.

NZS also requires the approval of its Bond-Holders and Bank Syndicate to internalisation of the Management Agreement. It is currently in discussion with these parties and expects to be able to conclude these discussions in the near future.

So in summary the Preferred Supplier Agreement no longer exists in any formal form but the management contract will be internalised as envisaged, albeit at a slightly higher cost and any monies due to PGW will be paid before the end of this calendar year.

We envisage agreement of all parties being finalised within the next couple of weeks.

Because all of this is a bit sudden and is not documented for you, I am happy to pause here and answer any questions that you might have.

Now, to the subject of directors.

You will have noted that there is no election of directors at this meeting. Nominations were called for in the usual way. Two directors, Murray Flett and Craig Norgate were retiring by rotation and offering themselves for re election. There was also a 7th board position that remained unfilled. Two further nominations were received so essentially there were four nominations for the three positions vacant.

Olam's successful takeover came too late for their nominees to be on the ballot. As it seemed somewhat ridiculous to go through an election process when Olam would either vote against the candidates or shortly afterwards would replace the successful candidates with their own nominees, the four candidates agreed to withdraw their nominations. I thank them for that.

This means that at the first board meeting after this annual meeting, the three independent directors remaining on the board will appoint the Olam nominees who will then need to stand for re election at the next AGM.

I think it is appropriate that Craig, Murray and Keith, should they wish, be given the opportunity to say a few words.

[Craig, Keith & Murray may speak]

We would now like to show a brief slideshow presentation from the recent shareholder tour to Uruguay that will give you a sense of what the farms currently look like – the photos are from Las Novillas in the East and Los Naranjales, San Pedro and Santa Elvira in the Centre. Following that you are all invited to join the board and management for light refreshments.

Thank you.