



# Investor Day – Grains

30 September 2013 | Singapore

# Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries ('Group') that are of a forward looking nature and are therefore based on management's assumptions about future developments.

Such forward looking statements are intended to be identified by words such as 'believe', 'estimate', 'intend', 'may', 'will', 'expect', and 'project' and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

# Global Grains Team

- ✿ K C Suresh, President and Global Head
- ✿ Saurabh Mehra, Vice President, Head of Milling
- ✿ Richard Hedges, Vice President, Technical Head, West Africa
- ✿ Alexander Bessarabov, General Manager, Russia
- ✿ David Johnson, Executive General Manager, Australia

# Agenda

- Global Footprint
- Grains Industry Trends
- Our Strategy
- Wheat Milling
- Origination & Trading
- Our Competitive Advantage
- Q&A

# We have built a significant, successful business in 4 years



**Legend:**

Mill	Projects	Farming
Trading	Shipping	Port Elevator

- 3<sup>rd</sup> largest wheat miller in Nigeria & Ghana
- 2<sup>nd</sup> largest exporter out of Russia

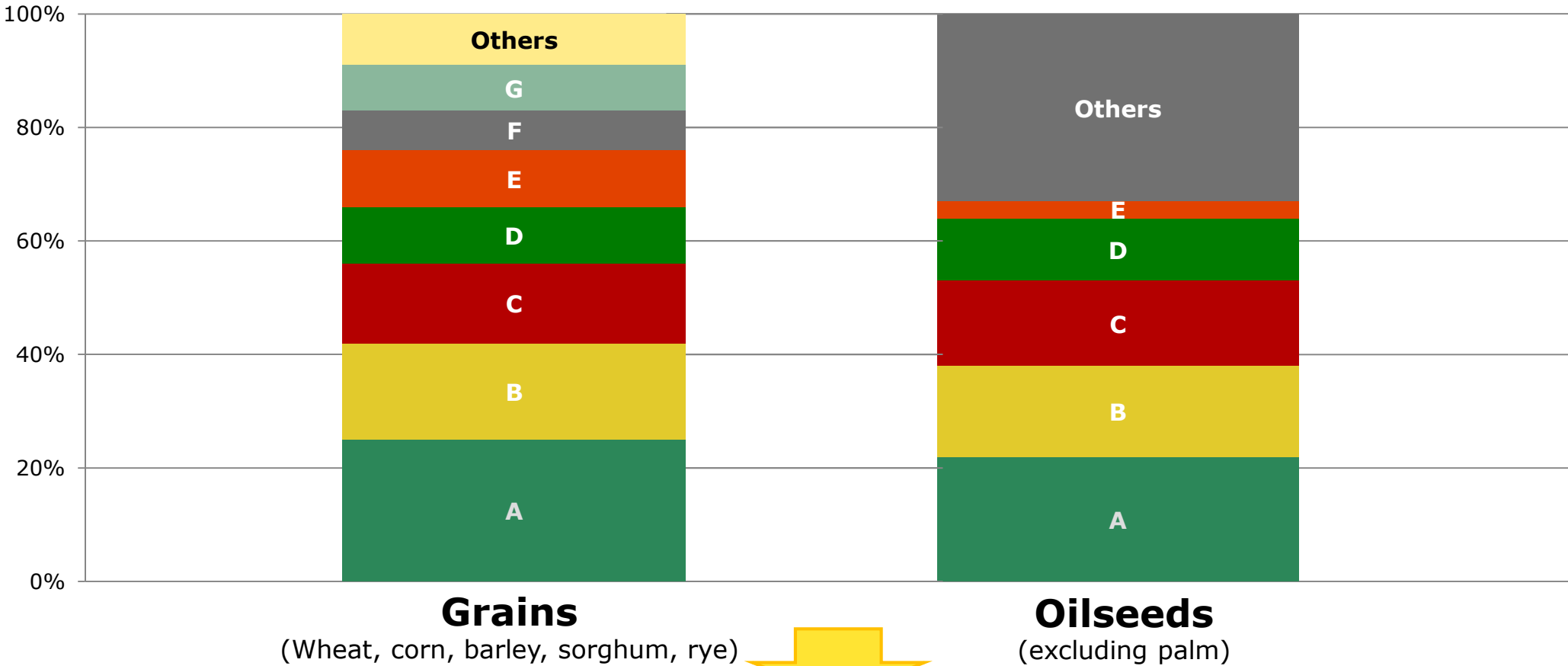
# Industry Trends

- Grain acreage in former Soviet Union has shrunk by 30% from mid-60s to now. It has significant potential to increase production.
- Emergence of South America – especially Brazil as a supply powerhouse.
- Single window marketing dismantled in Canada, similar to Australia.
- There are only two regions in the world where we see continued growth in wheat flour consumption - Africa and Southeast Asia, while all other markets are quite saturated.
- Slow down of Ethanol growth. This augurs for a structurally burdensome corn balance sheet going forward. This should lead to improved downstream margin and market growth.

# Global majors strongly entrenched in the mainstream grains & oilseeds trade flows

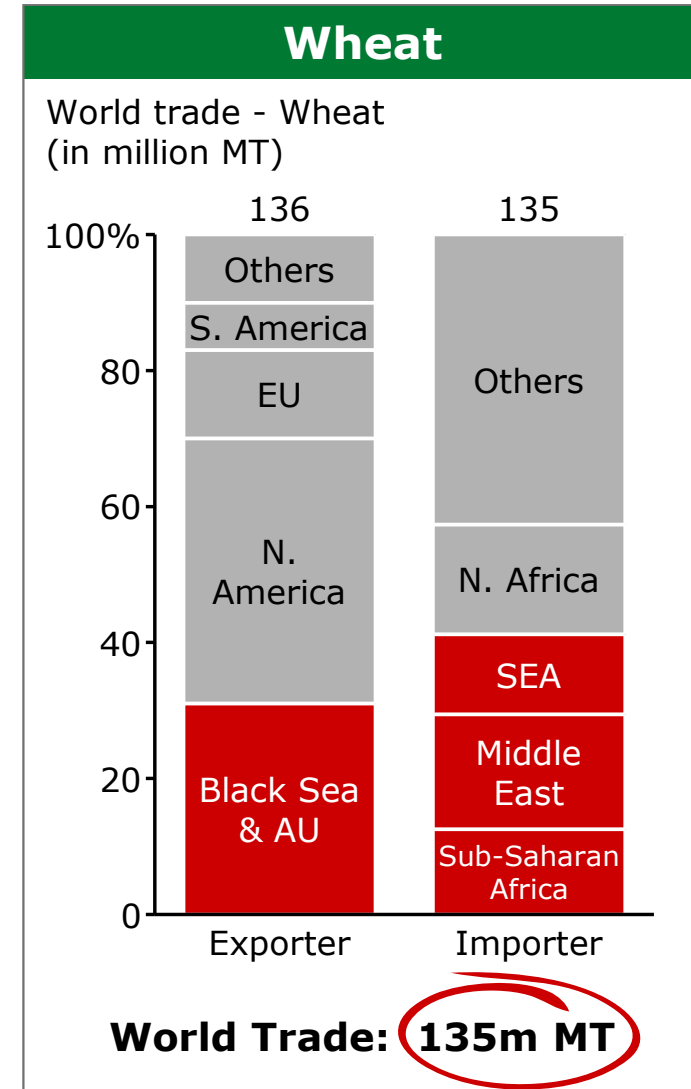
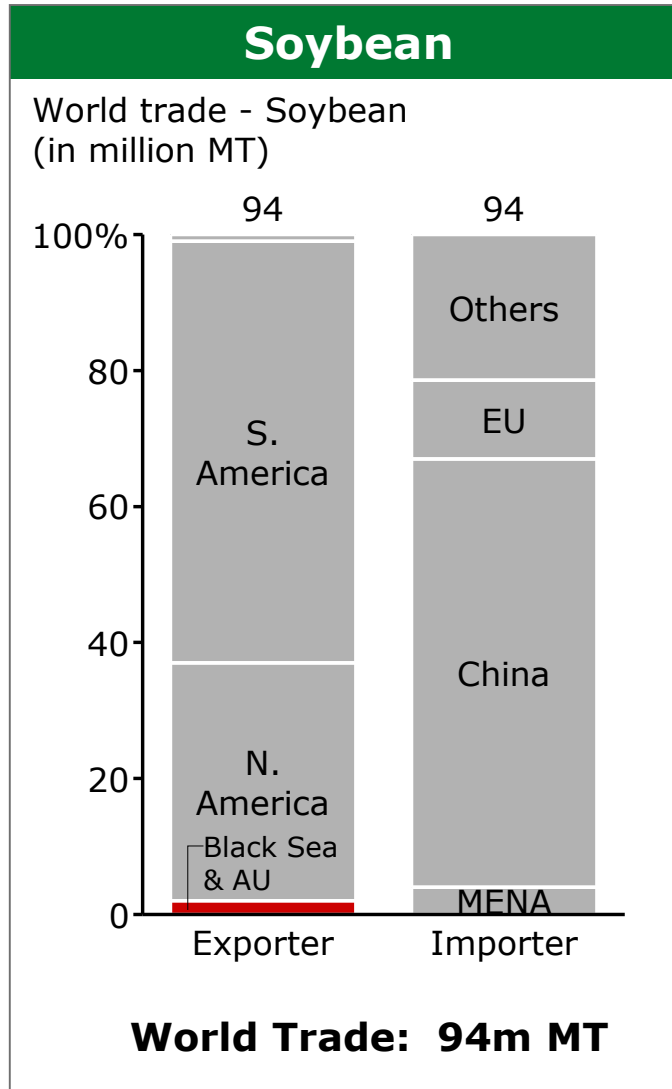
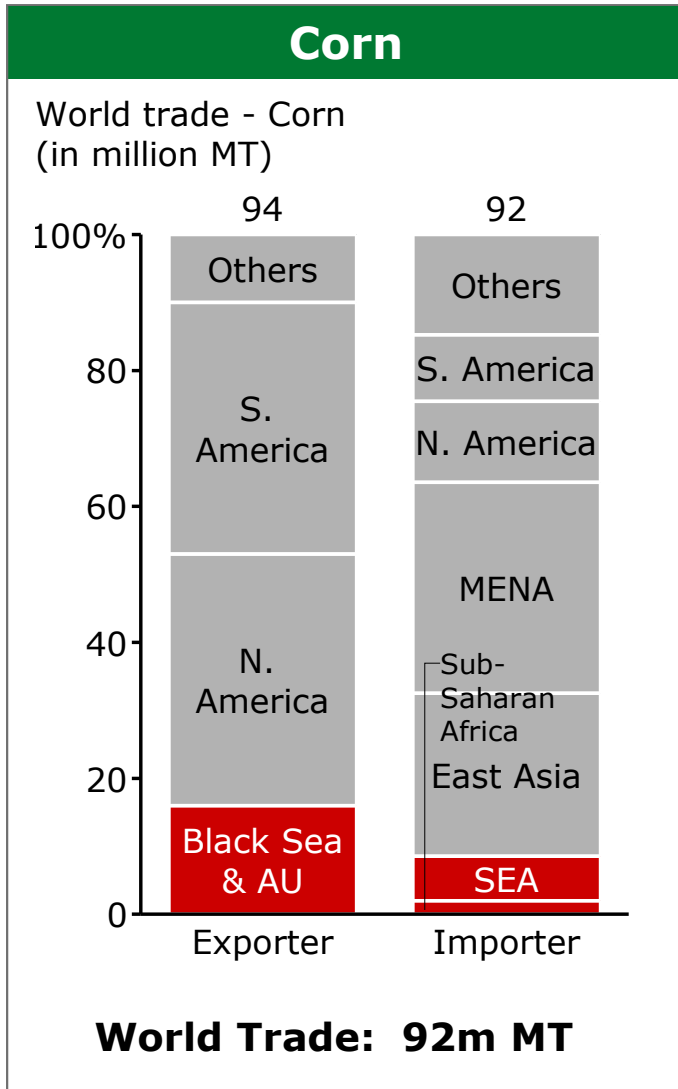
**Export trading volume** (million metric tonnes, 2010)

A-D: Global Majors



***Where should Olam play and how can we win?***

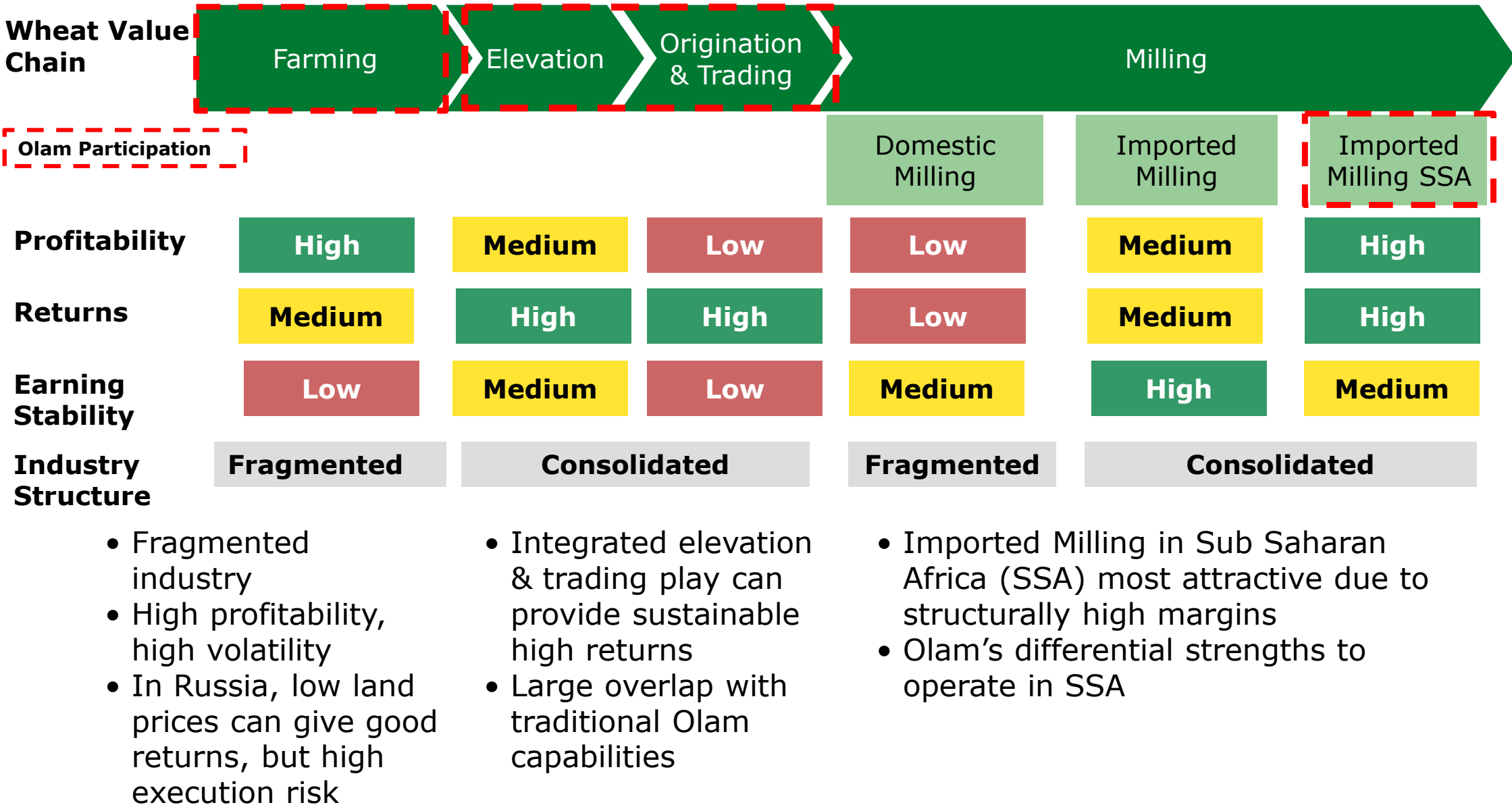
# Wheat is the best fit



 *Olam's differential strength*



# Wheat trading and imported milling in SSA most attractive and winnable



# Our Strategy – Dual Complementary Paths

## Objectives

### BU growth goal by FY2016

- To achieve 10% market share in Wheat Milling in Sub-Saharan Africa (4,000 MT per day)
- To grow the origination and trading business organically with selected investments in enabling assets by focusing on existing operations in Black Sea and Australia

## Strategic planks

Acquire wheat mills / set-up greenfield milling projects in selected African countries and continue to increase capacity in existing mills

- Pursue targets in selected west and East African countries.
  - Completed acquisition of CFM in Nigeria in 2010 – Capacity 1,630 tons/day
- Increase capacity of existing mills
  - CFM capacity increased to 2,380 tons/day in July 2013
- Set up cost competitive milling projects in countries that have growth potential and where acquisition is not possible (due to high valuation differences)
  - Built 500 tons/day mill in Ghana in Apr 2011
  - Ongoing projects in Senegal & Cameroon – 500 tons/day each - to be completed in Jun and Dec 2014 respectively

Develop origination & exports in less-contested new origins: Black Sea and Australia

- Invest in port based elevators in Australia, Russia and Ukraine
  - Invested in NAT, Australia – scheduled to commission in Dec 2013
  - Acquired AZT, Russia
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- Enter into long term leases or take or pay contracts to get port and rail logistics capacity
  - Ongoing arrangements in Russia, Ukraine and Australia

## Enablers

- Efficient mill management focused on
  - Productivity
  - Quality
  - Delivery
- M&A capability especially in Africa
- Acquisition, integration and JV management skills
- Strong project management skills

- Destination marketing liquidity to support the growth of origination volumes
- CTRM IT solutions
- Chartering & Freight
- Trading, hedging, supply & demand analysis, modelling and risk management skills

# Path 1: Sub-Saharan African Milling

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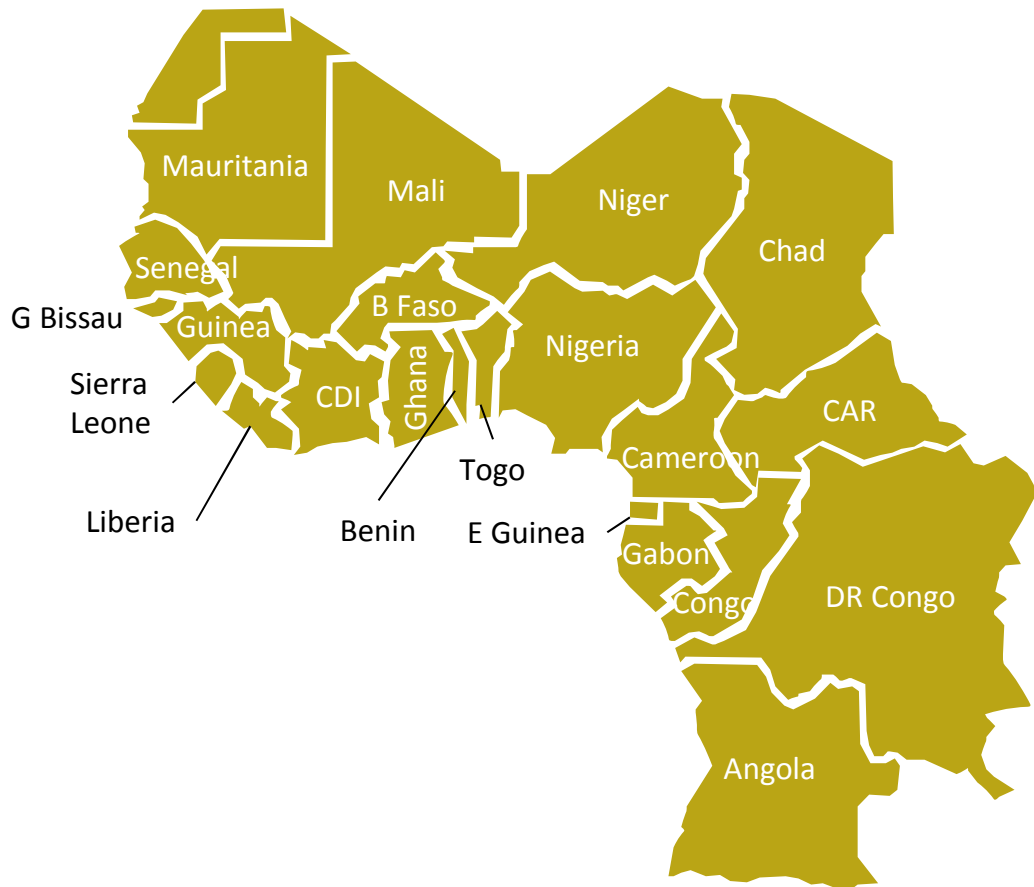
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# Growing demand = Milling opportunity

- Africa accounts for about 26% of the global wheat trade
  - Sub-Saharan Africa accounts for 12%
- Africa imports 33m MT of wheat or 60% of its consumption
  - Sub-Saharan Africa imports 15m MT
- Consumption expected to grow at 4-5% p.a.
- Tropical climate in Africa is not conducive for wheat production and hence, we foresee continued import dependence
- Wheat milling industry in Africa is dominated by local players with large global companies being absent

# Sub Saharan Africa – Wheat Milling Market



## Selection Criteria

### 1. Market Attractiveness:

- a) Political Stability
- b) Existing Flour Market Size
- c) Potential For Growth

### 2. Industry Protection:

- a) Flour Import Position
- b) Import Tariffs

### 3. Margin Attractiveness:

- a) Milling Margin
- b) Projected Capacity Imbalance

### 4. Winability:

- a) Olam's Presence
- b) Existing Infrastructure
- c) Synergy Benefits

# Sub-Saharan Africa – Selected geographies

- Based on our selection criteria, we entered the following geographies:
  - Nigeria: Acquired Crown Flour Mills (Jan 2010)
  - Ghana: Greenfield wheat mill (Apr 2011)
  - Senegal: Planned greenfield wheat mill (Jun 2014)
  - Cameroon: Planned greenfield wheat mill (Dec 2014)

# Nigeria – Large importer, High growth

- Population of 160 million, over 50% urban and with a median age of just 18 years
- Rate of urbanisation of 3.8%
  - Leading to demand growth for Bread / Pasta / Noodle / Biscuits
- Largest importer of wheat in Sub-Saharan Africa
  - 4m MT/year
  - Addressable Flour / Semolina market for Olam: 3.6m MT
- Nigeria to remain an importer for the foreseeable future
- Nigerian Flour market is worth over \$2 billion
- Market Growth rate: 3.5%

# Nigeria



- CFM acquired in Jan 2010
- Total capacity: 714,000 MT
- Asset details
  - Lagos
    - Milling capacity: 1,580 MT/day
    - Storage capacity: 48,000 MT
  - Warri
    - Milling Capacity: 800 MT/day
    - Storage capacity: 20,000 MT
  - Product Range
    - Bread Flour
    - Noodle Flour
    - Biscuit Flour
    - Semolina
- Olam market rank: 3



# Ghana – Politically stable, High growth



## • Ghana Market

- Market Size (2012/13): 450,000 MT
- Market Growth rate: 7.5%
- Olam market rank: 3



## • Asset Details

- Plant Capacity: 150,000 MT
- Storage capacity: 40,000 MT
- Fully automated PLC controlled mill

# Diverse product range



# Senegal – Stable currency, High growth



## • Senegal Market

- Market size (2012/13): 515,000 MT
- Growth rate: 6.5%
- Expected Olam rank: Top 3

## • Asset details

- Planned capacity: 150,000 MT
- Storage capacity: 25,000 MT
- Fully automated PLC controlled mill
- Expected commissioning: Jun 2014



# Cameroon – Stable currency, Distribution synergy



## • Asset Details

- Planned capacity: 150,000 MT
- Storage capacity: 20,000 MT
- Fully automated PLC controlled mill
- Expected commissioning: Dec 2014

## • Cameroon Market

- Market size (2012/13): 555,000 MT
- Growth rate: 5.6%
- Expected Olam rank: Top 3



# Technical Excellence – a key differentiator

- Standardised mill design and processes
- Online measuring systems adopted – first in SSA
- Strong technical sales force – ability to respond quickly to customers
- Central research and development center in Lagos
- Tailoring end product to specific customer requirements
- Bakery technical services launched in Ghana

# Food safety – key focus area

- High focus on food safety
  - Adoption of new technology to enhance shelf life
  - Robust food safe processes
  - Metal detection
  - Flour redressing



# Path 2: Origination/Exports from New Grain Origins

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# Russia – Grains production and export potential

- World's largest reserves of arable land – 121m ha (9%)
- 20m ha of unutilised land (more than all arable land of France)
- 52% of world's black soils
- 20% of world's fresh water reserves
- Yield increase potential by 35-40% through implementation of up-to-date techniques and machinery



**Russia can increase its grains production to 130-140m MT versus current 90-95m MT**

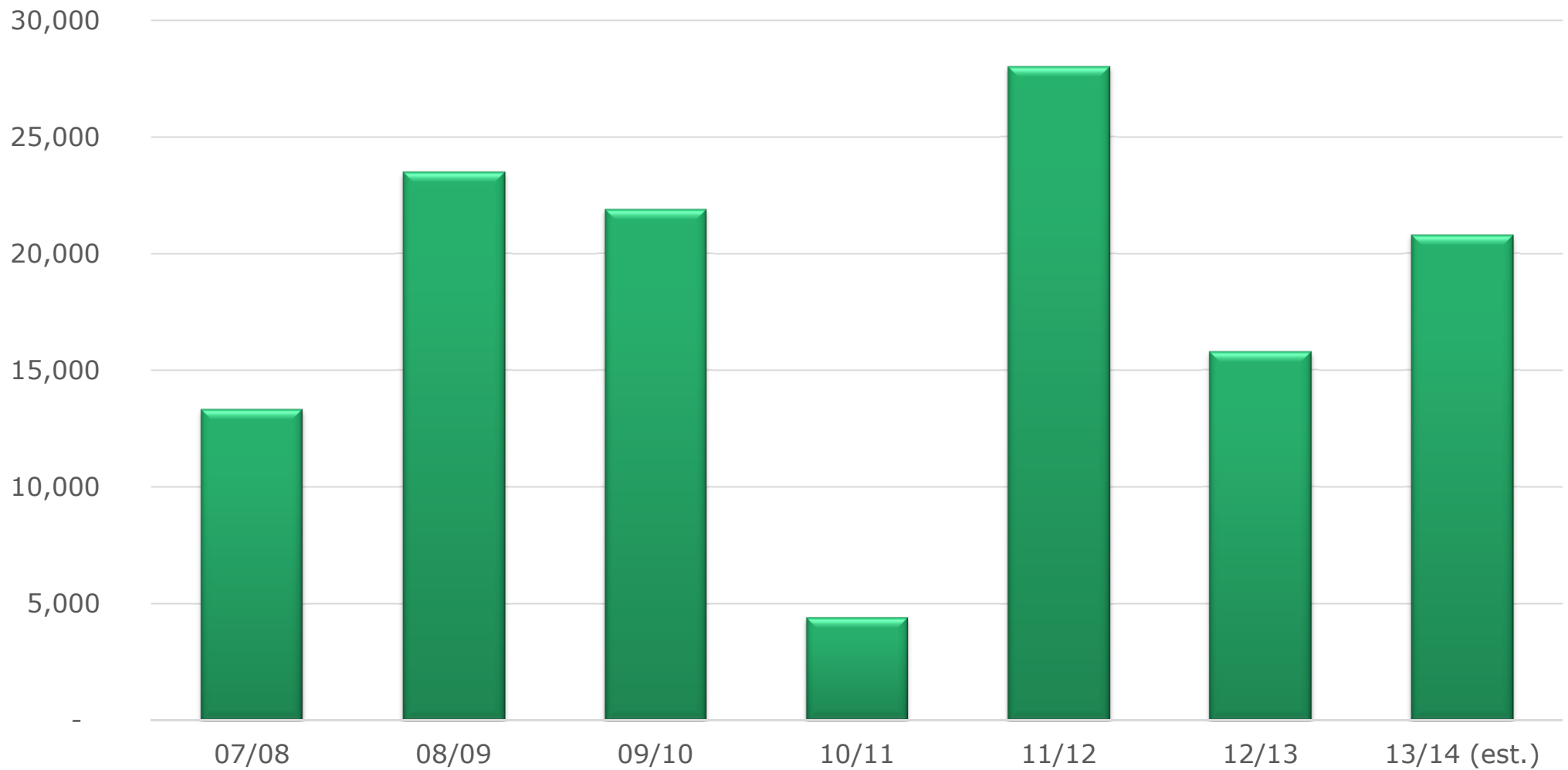


**Exportable surplus can be increased up to 40m MT**



# Net exporter despite crop fluctuations

## Total grains exports (in k MT)



# Russia – Export flows

- Grain export from deep water ports: 13m MT
  - Most grain elevator owners are **not** traders themselves
  - Capacity available to independent exporters
  
- Grain export from shallow water ports: 11m MT
  - Most grain elevator owners are also traders
  - Olam has a competitive advantage via ownership of grain elevator

**Russia offers us a level playing field at Deep Water ports and an advantage at Shallow Water Ports**

# Olam in Russia

- Commenced grain operations in FY2009
- 4 year CAGR volume growth of 127%
- Key strengths:
  - Procurement
  - Deep understanding of global and domestic Russian supply and demand dynamics (S&D)
  - Strong risk management
  - Marketing presence in the Middle-East and Mediterranean markets

# Russia – AZT shallow-water port terminal



- Located in Azov on Don river
- Land plot of 4.9 hectares
- Storage capacity: 48,000 MT
- Throughput volume: 800,000 MT
- Key features:
  - Truck intake of 5,000 MT per day
  - RW intake of 4,000 MT per day
  - Load rate of 5,000 MT per day
  - One berth
  - Can load vessels of up to 5,000 MT of cargo capacity

**AZT terminal acquisition has enabled us to strengthen our market position in Russia**

# Australia – Market structure

## **Grain Volumes**

- Grain market size (domestic and export): 30 – 40m MT
- Grain export market size: 23-30m MT
- Grain export from 18 ports
- Domestic Market: 10m MT

## **Market Dynamics**

- Infrastructure dominated by major players
- Investment in supply chain post deregulation changing traditional pathways
- Major growth in container exports

# Olam in Australia

- Commenced grain operations in FY2009
- 4 year CAGR volume growth of 54%
- Key strengths:
  - Trading model focused on trading Interior Australian Opportunities (flat price, basis, track, domestic and container markets)
  - Model is efficient in working capital requirements
  - Reduces supply chain exposure

# Australia – Newcastle Agri-terminal (NAT)



## Newcastle Agri Terminal

- Co-owned by Olam
- Storage capacity: 60,000 MT
- Elevation capacity: 2,000 MT/hr
- Dedicated rail loop for discharge



**Ownership of NAT and access to elevator capacity is the first step to building and controlling an efficient supply chain**

# Our Competitive Advantage

## I. Emerging Market Expertise

- Attracting and retaining top quality talent into our milling operations in Africa
- Sharing Customers, Costs, Channels and Capabilities with our other commodity businesses in Africa



# Our Competitive Advantage

## II. Selective Value Chain Participation

- Our unique presence in the Trading, Bulk Freight and Milling parts of the value chain allows us to exploit arbitrage opportunities in the market to maximise our profitability
  - Trading presence across various origins and markets
  - Deep understanding of the world wheat S&D and the relative value of wheat varieties
  - Ocean freight capability
  - Ownership of milling assets

# Summary

## **Selected as an “Invest and Grow” platform in the recent strategy plan**

Going Forward:

- We will continue to expand capacity in current milling markets
- We will enter new Sub Saharan African milling markets
- We will continue to look at investments in Logistics assets in existing Origination countries
- We will look at entering other milling markets over time

Thank You



# Annexure: Speakers Profile



## **K C Suresh**

K C Suresh joined Olam in Tanzania in 1994. From 1994 to 2000, he held various positions in origination, country management and trading in East Africa and Singapore.

In 2000 Suresh left Olam to pursue an MBA and worked for Honeywell in Europe from 2001 to 2008 in various roles, the last of which was as Director Supply Chain for EMEA.

In 2008 he re-joined Olam to start off the Grains platform and is currently the President and Global Head of Olam's Grains business.

Suresh has an Engineering degree from IT BHU, Varanasi, a Master in International Business from IIFT, New Delhi and an MBA (Hons) from INSEAD, Fontainebleau, France.

# Annexure: Speakers Profile



## **Saurabh Mehra**

Saurabh Mehra joined Olam in 1999 in Ghana. From 1999 to 2006, he held various responsibilities in Ghana including origination and country management.

In 2006 Saurabh moved to London to manage the physical and futures trading books for West African cocoa. In 2009, he joined the Grains team and relocated to Nigeria to oversee the Crown Flour Mill acquisition. In July 2013, Saurabh moved to Singapore to take over the role of Business Head – Wheat Milling.

Saurabh has obtained a Bachelor of Engineering degree from Delhi College of Engineering, Delhi, and an MBA (Finance & Marketing) from MDI, Gurgaon, India.

# Annexure: Speakers Profile



## **Richard Hedges**

Richard Hedges joined Olam Grains in 2009. In 2010 Olam acquired Crown Flour Mills. Hedges was the manufacturing and technical lead in a team of three which turned the company to profitability within the first year. Hedges is responsible for all technical aspects of flour manufacturing (Quality, Efficiency, Reliability, Safety) at the three milling sites in Nigeria and Ghana. He is also the technical lead in the Cameroon and Senegal wheat milling projects.

Richard started his milling career in the UK in 1979 with Allied Mills. In his 34 years in flour milling he has worked with Allied Mills, Rank Hovis, Spillers Milling and ADM in various senior manufacturing roles. In 2003 he set up his own business, Hedges Technology (HT). HT built flour mills, powder handling and mixing plants for Ryvita, Warburtons, Carrs and other blue chip UK Companies.

Richard is a Flour Milling Technologist from the Swiss Milling School, graduating in 1983 with the coveted Rene Buhler Award. He also holds nabim's advanced milling certification.

# Annexure: Speakers Profile



## **Alexander Bessarabov**

Alexander Bessarabov joined Olam in 2009 as Head of Grains business unit in Russia, bringing his extensive experience in agricultural commodity markets in CIS countries. Since 1994 he was engaged in origination and exports of grains and oilseeds in entrepreneurial capacity or in Russian and international trading houses.

Alexander's exposure to multinational corporate business includes two years with Louis Dreyfus (Russia) as a grains trader, followed by a role of Commercial Director with Alfred C. Toepfer in Moscow in 2002-2006.

Alexander holds a Master degree in International Law from Moscow Institute of Foreign Relations.

# Annexure: Speakers Profile



## **D K Johnson**

D K Johnson joined Olam Australia in May 2013 as General Manager of the Grains business unit.

Prior to joining Olam, David worked at Emerald Grain as General Manager, Risk and Pricing. David had an extensive career at AWB including stints as Managing Director AWB (Geneva) from 2010 to 2011 and General Manager AWB Pool Services (2001–2008) amongst others. He also worked as National Purchasing Manager for Ridley Agriproducts, a leading stock feed manufacturer, between 1999 and 2001.

David has a Bachelor of Agricultural Science degree from Melbourne University and a Graduate Diploma of Finance and Investment from the Securities Institute of Australia.