

# Investor Day - Spices & Vegetable Ingredients

27 June 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.

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# Presenters

🌿 Greg Estep, President and Global Head

🌿 Brian Boor, Sr. Vice President and Global Head of Sales

🌿 Siva Subramanian, Vice President and Head of Innovation & Quality

🌿 Dave Watkins, Sr. Vice President and Head of Ag Operations

# Agenda

- Spices & Vegetable Ingredients Overview
- Acquisitions & Business Integration
- Industry Dynamics
- Customer & Channel Overview
- Innovation & Quality
- Agricultural Operations & Sustainability
- Our Strategy
- Q&A



# Spices & Vegetable Ingredients Business Overview



- **Attractive Category**

- Spices & seasonings and tomato based sauces have significant growth
- All products on trend for health and wellness



- **Global Leadership**

- #1 global supplier in dehydrated onion and garlic, capsicums, black pepper, and organic tomatoes



- **Global Scale and Reach**

- Sourcing from 12 origins, manufacturing in 6 countries, selling in 70+ countries



- **Strong Customer Franchise**

- 50 year history supplying largest branded food companies, seasoning manufacturers, and quick service restaurant chains



- **Integrated from Seed to Manufacturing**







































- Proprietary seed breeding to product application capabilities
- Guaranteed product quality, consistency, and traceability



- **Experienced Team**

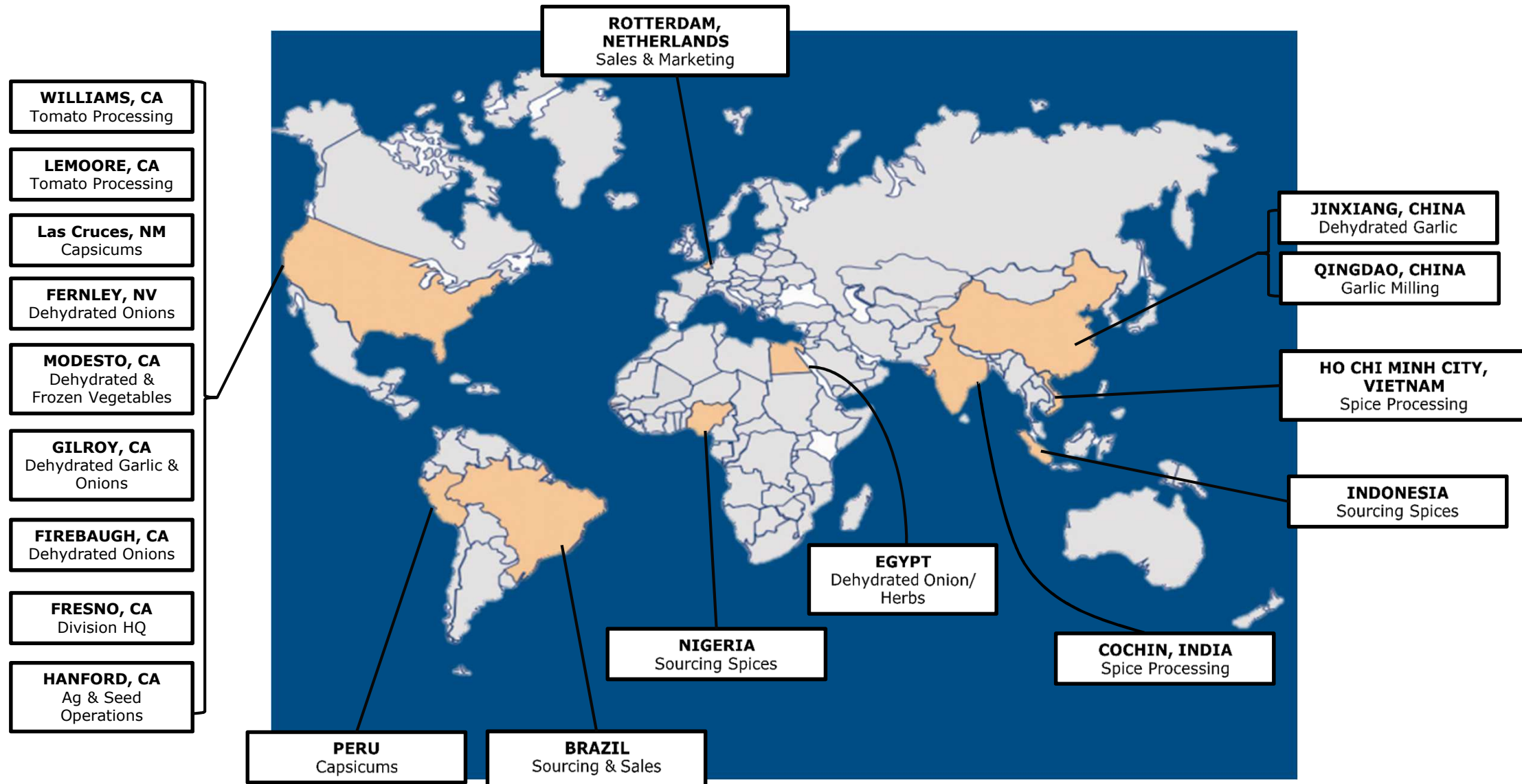
- Decades of industry expertise
- Talent retained from acquired companies combined with external recruiting and Olam talent

# SVI product and value chain segments

	Upstream		Supply Chain	Midstream	Downstream
SVI Product Categories	Seed Management	Field/Plantation Management (Planting & Harvesting)	Primary Processing (Dehydration, Aggregation, Grading & Cleaning)	Secondary Processing (Milling, Blending, toasting, Packaging & Micro Treatment )	Finished Goods (Co-Manufacturing & Private Label)
US Onion					
Egypt Onion					
US Garlic					
China Garlic					
Tomatoes					
Frozen/Pureed Vegetables					
US Parsley					
Black/White Pepper					
Tropical Spices					
US Capsicums					
India Red Pepper					

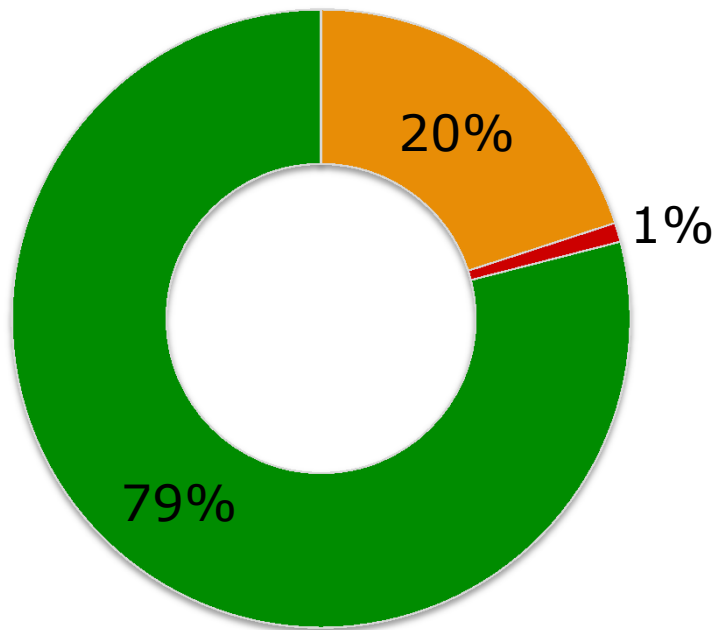


# SVI Global Presence



# SVI Business Segment Breakout

## Sourcing Volume by Region



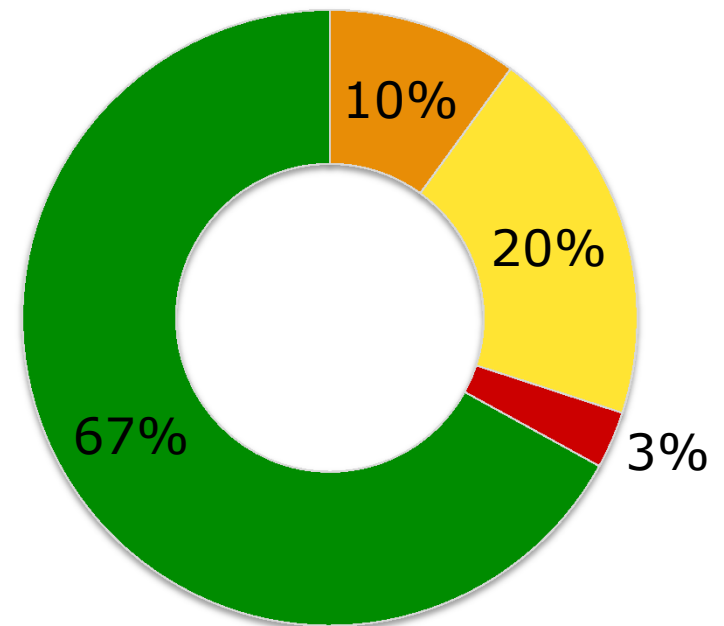
■ Asia & Middle East

■ Europe

■ Africa

■ Americas

## Sales Revenue by Destination



■ Asia & Middle East

■ Europe

■ Africa

■ Americas



# History of Spices & Vegetable Ingredients

- 🌿 2000: Whole spices trading
- 🌿 2002: Start Pepper/Spice processing in Vietnam
- 🌿 2007: Entered into China dehydrated garlic with Key Foods Ingredients acquisition
- 🌿 2008: Acquired and integrated former DeFrancesco assets for US dehydrated onion
- 🌿 2009: Expanded into tomato processing with assets of SK Foods
- 🌿 2010: Acquired & integrated Gilroy Foods, establish #1 global leadership in dehydrated onion, garlic, & capsicums, added seed development & supplier/customer relationships
- 🌿 2011: Acquired & integrated VKL, new products red pepper, turmeric, & curry powder, private label spices
- 🌿 2011: Facility expansions: US onion milling & US tomato canning, greenfield China garlic flaking & Vietnam white pepper
- 🌿 2012: Entered new origin Egypt for dehydrated onions through DehydroFoods acquisition
- 🌿 2012: Entered new origin Peru for paprika through greenfield
- 🌿 2012: Further US tomato canning expansion, 10-year supply contract to large food company

SVI has grown at a rapid rate through acquisitions and greenfield investments , further expanding SVI's Product Portfolio and Global Leadership Position.  
Improved Sales by 30 times between 2002 and 2012



# Olam SVI Facilities



Gilroy, CA



Modesto, CA



Firebaugh, CA



Beni Suef, Egypt



Williams, CA



Lemoore, CA



Cochin, India



6th of October, Egypt



Las Cruces, NM



Hanford, CA



Fresno, CA



Lurin, Peru



Fernley, CA



Pleiku, Gia Lai, Vietnam



Qingdao, China



Jinxiang, China



# Industry Leadership in Quality

## Raw Material Sourcing

- Grow & source most productive raw materials globally
- Robust Good Agricultural Practices (GAP's)
- Majority of products are fully traceable

## Investing in new technology

- State of the art X-Ray equipment, Sterilization & Pasteurization equipment, Color Sorting Technology, & Rare Earth Magnet
- Microbiology and food chemistry labs
- Proprietary Ready-to-Eat process for Frozen vegetables

## Certifications & Supply Chain Expertise

- All SVI facilities are BRC certified
- CCOF, USDA, & JAS organic certified
- SVI moved to SAP platform in 2010
- Active participation in trade associations: ASTA, CLFP

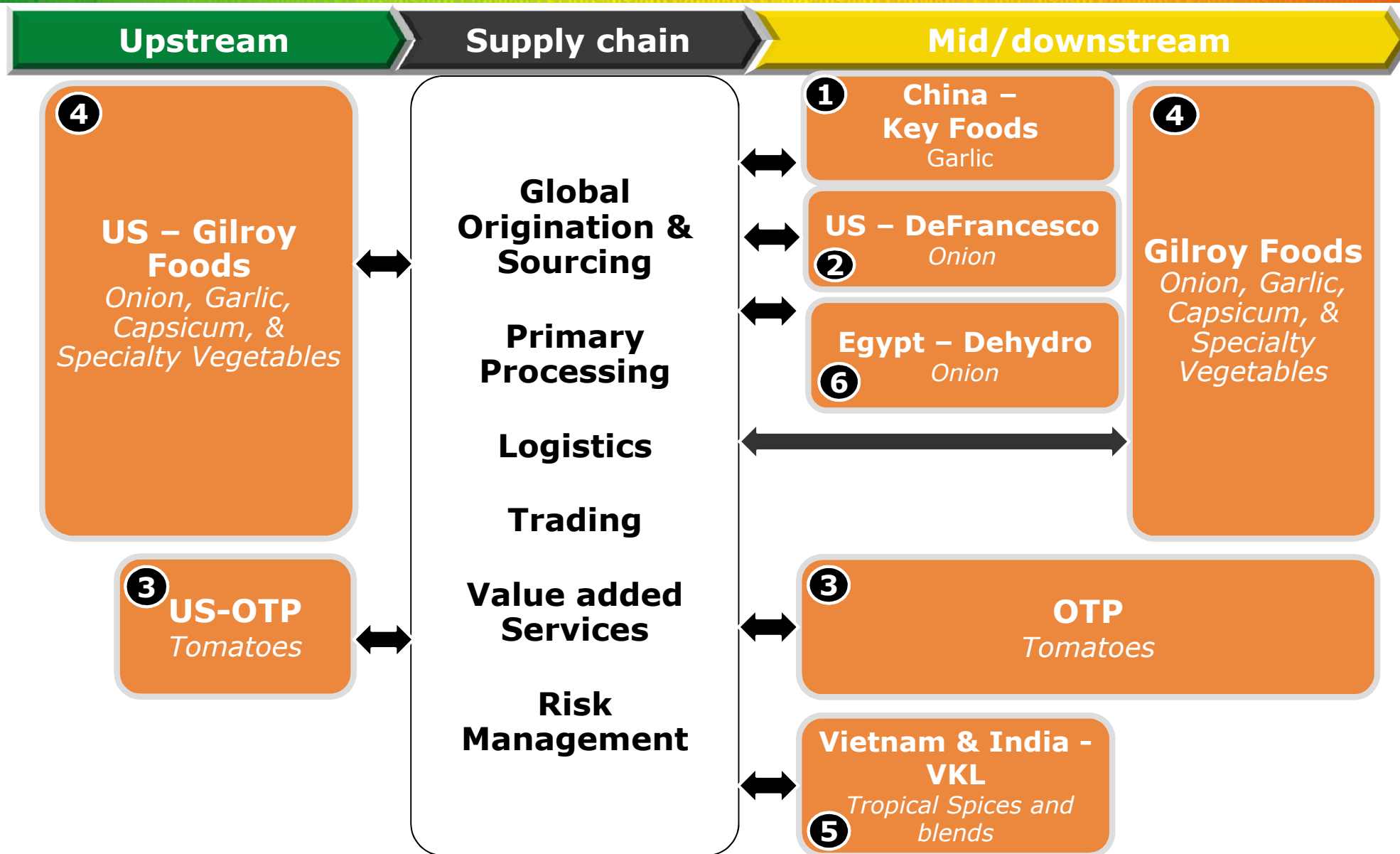


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# Business Integration



# Business Integration

- ✿ Established key senior management team, taking the best from both acquired companies and Olam teams, to head global functions – Ag, Manufacturing, Innovation & Quality, Sales & Marketing
  - ✿ Enlarged GATP from 12 in 2006 to 30 in 2012
  - ✿ SVI employee strength from 100 in 2006 to 4500 in 2012
  - ✿ Streamlined overlapping functions between entities
- ✿ Moved away from legacy brands into one Olam brand
- ✿ Applied best functional skills and practices from acquired entities to the rest of SVI Group:
  - ✿ Long term customer relationships
  - ✿ Seed research
  - ✿ Processing and engineering expertise
  - ✿ Sales execution
  - ✿ Innovation & quality assurance
- ✿ Established sales hubs across key markets (Americas, EU/MiddleEast, AsiaPac)
- ✿ Strengthened common ERP systems and processes using SAP platform



# Olam Tomato Processors (OTP)

- ✿ Key market and integration challenges
  - ✿ Global oversupply of tomato paste, particularly China and US
  - ✿ Aggressive competitive reaction to new industry entrant
  - ✿ Overcome legacy systems and processes
- ✿ Changes implemented and impact
  - ✿ Reduced focus on domestic paste, which is low margin, commodity product
  - ✿ Refocused strategy towards industrial exports, value-added industrial products (eg. organic/diced/crushed), resulting in improved margin mix
  - ✿ Improved capacity utilisation of retail lines
  - ✿ New long term agreements in canning
- ✿ Market outlook
  - ✿ California is now the most cost competitive origin
  - ✿ Lower production in China and EU
  - ✿ Better pricing of 2013 material

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# Capturing Global Trends



## **Economic**

- Market sizing – global spices ~ US\$10B / global tomatoes ~ US\$4B
- Steady growth (2-3%) in developed markets
- Strong growth (5-7%) in rest of the world on higher incomes and growth in proteins, prepared foods, instant noodles, foodservice, and snacks



## **Customer**

- Multinational brands seeking to globalise faster
- Companies are looking for natural ingredients for flavour and colour
- Companies launching sustainability plans & expectations, want traceability



## **Industry**

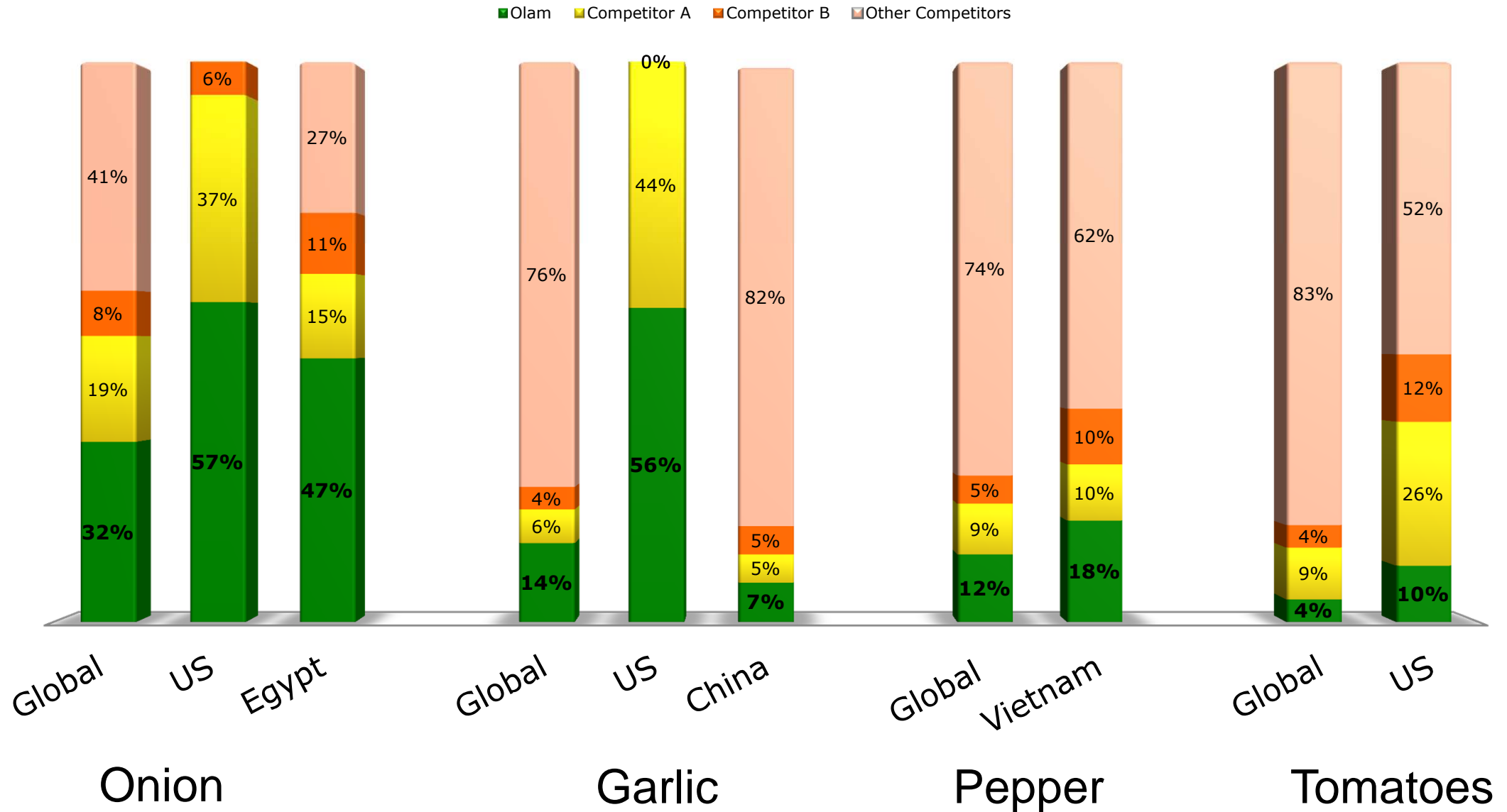
- Higher costs driven by competition for land/water resources - crops and urbanization
- Private label is growing faster in developed markets
- Increasing awareness and concerns of processed food linkage to health and wellness



## **Regulations**

- Increasing regulations around food safety & energy/air quality

# Leading Positions & Market Potential





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# Sales Highlights

- ❖ Direct supplier to **9** of 10 world's **largest food manufacturers**
- ❖ Direct supplier to the world's **largest seasoning manufacturers**
- ❖ Major supplier of spices in retail bottles, enough to fill **1 billion bottles a year**
- ❖ Onion supplier to the largest quick service hamburger restaurants
- ❖ Our onions are served on over **2 billion hamburgers per year**
- ❖ Our **chilli peppers** bring the heat to the leading Mexican restaurant chains
- ❖ Largest global supplier of **organic tomatoes**
- ❖ Our broad portfolio of specialty vegetables and tomatoes provide significant amounts of daily vegetable servings. Equivalent to **2 billion vegetable servings per year**
- ❖ Our spices provide natural flavours and colours to snack foods, instant noodles and dry soup mixes



# Global Sales Reach

- ❖ **Customers supplied: 1,700+**
- ❖ **Countries shipped to: 70+**
- ❖ **Current Marketing and Sales Infrastructure**
  - ❖ **Europe** (Rotterdam) – 4 *representatives*
  - ❖ **USA** (Omaha, Central US)- 16 *representatives*
  - ❖ **South America** (Brazil, Peru) – 2 *representatives*
  - ❖ **Asia Pac**(Singapore, Vietnam, India) -4 *representatives*
  - ❖ **Product Management** (Fresno) – 8 *representatives*

# Focus on Strategic Accounts

Customer Category	Onion & Garlic	Spices & Capsicums	Tomatoes	Specialty Vegetables	Notes
Retail Spices	X	X			50-year relationship, multi-year agreements
Retail Spices	X	X			Annual contracts
Food Retailer	X	X			Long-term relationship, annual contracts
Food Retailer	X	X	X	X	New relationship, stronger under Olam
Food Manufacturer	X	X	X	X	Supply Agreement, some 10-year terms
Food Manufacturer	X	X	X	X	Supply Agreement, some 10-year terms
Food Manufacturer	X	X		X	Long-term relationship, growth programs
Food Manufacturer	X	X	X	X	Long-term relationship, annual contracts
Food Manufacturer	X	X	X	X	Long-term relationship, annual contracts
Quick Service Restaurant	X		X	X	40+ year relationship, multi year agreements
Seasonings Manufacturer	X	X			Long-term relationship, annual contracts
Seasonings Manufacturer	X	X			Annual contracts, opportunistic
Seasonings Manufacturer	X	X			Annual contracts, opportunistic
Ingredient Distribution	X	X			Long-term relationship, annual contracts
Ingredient Distribution	X	X			Acquired relationship, annual contracts

45% sales from strategic accounts



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# Why Innovation and Quality focus?

- ❖ Customers want consistent quality, differentiated product development, and food safety regulatory support from ingredient suppliers,
- ❖ What customers are looking for:
  - Consistent product quality attributes (e.g. color, flavor, texture, particle size) tailored to meet end product requirements
  - Expertise to meet ever demanding regulatory environment
  - Quick response and follow up with specifications & technical documentation
  - Cost savings by enhanced functional properties
  - Speed to market with ingredients
  - Traceability of ingredients



# Why the Innovation & Quality (IQ) centre?

- ❖ New state of the art IQ centre in Fresno
  - ❖ Located at SVI HQ and close proximity to Ag & Plant operations
- ❖ Drives closer collaboration across SVI's portfolio of products to drive creativity toward customer solutions
- ❖ Seamless link through the entire supply chain from agriculture, to processing, and then to application delivery to the customer
- ❖ **15** scientists with average industry experience of over 15 years
- ❖ As a "Center of Excellence" for the entire SVI business across the world providing guidance to our worldwide operations

# Innovation in Action

- Innovation through combining synergies of products across multiple processing operations
  - Minced Garlic-in-Water
  - Oven-Roasted Tomatoes
  - Sliced Onion
  - Vegetables Purees
  - Specialty Chili Pepper (e.g. Chipotle)
  - Ready-To-Eat frozen spinach
  - Tomato based sauces (pasta/pizza/salsas)





# Product Development Kitchen

**Microbiology Laboratory**



**Food Chemistry Laboratory**



**Product Development Kitchen**





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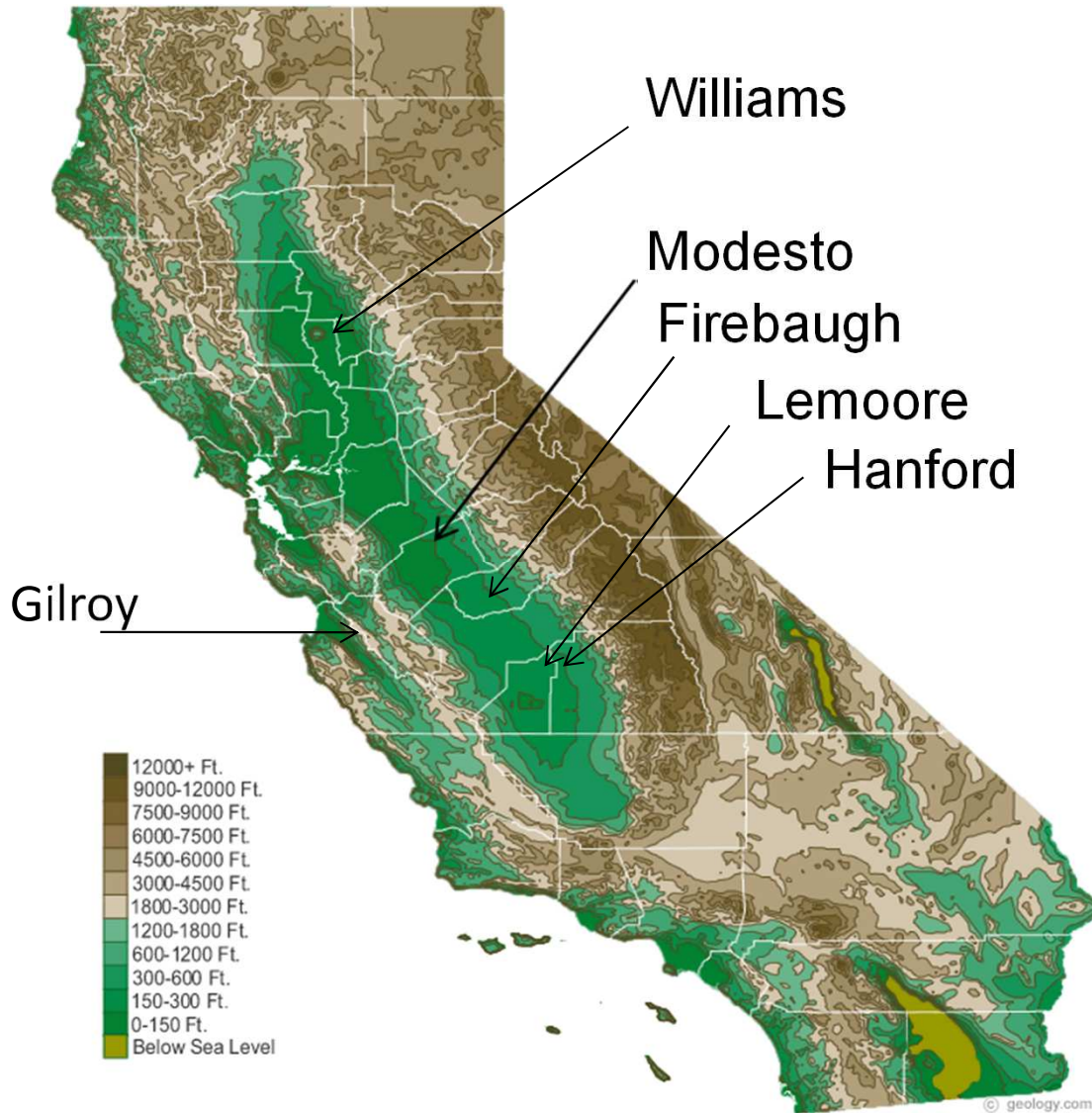
# SVI Agriculture Overview

- Field to Finished Product Integration
- Agricultural Seed & Research Center
- Raw Material Sourcing Model
- SVI Ag Sustainability





# SVI California Ag Operations



- Hanford Ag HQ, 38 professionals in seed research, breeding, and farming
- Contract / farm >50K acres (20K Ha's) of row crops
- Broad crop portfolio enables partnership building with key growers
- Proprietary seed varieties create significant barriers to entry



# SVI Raw Material Supply Chain Expertise

## Variety Development

- Seed bred for high solids, high yields, disease resistance, product color, and maturity

## Crop procurement

- Long standing relationships with grower base, crop monitoring around GAP's, regulatory compliance, and yield & quality optimization

## Planting and Harvesting

- Harvest capability engineered & built in house for specialty crops...fleet includes 71 self propelled harvesters, 135 tractors, and 33 planters

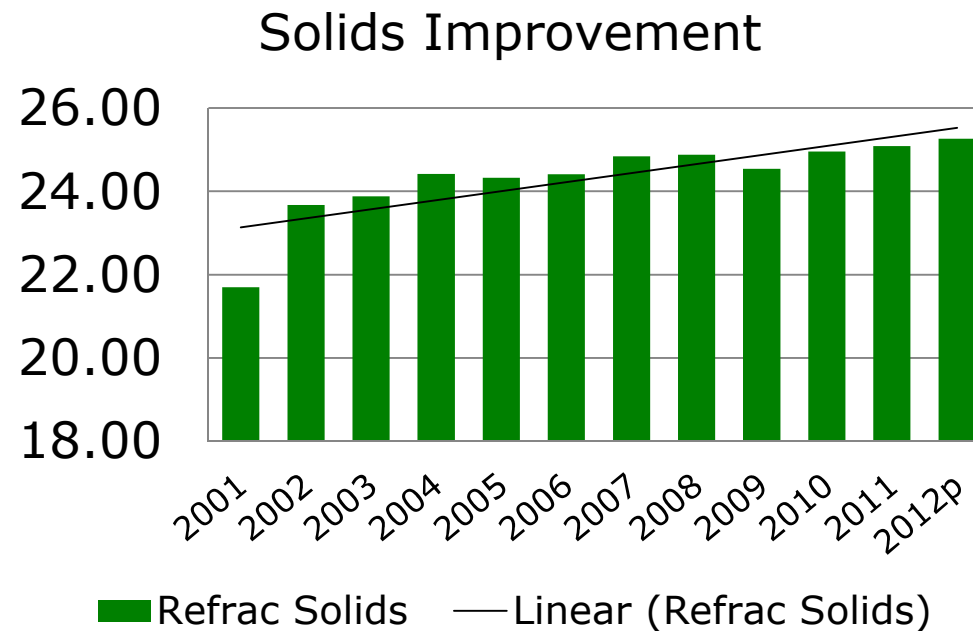
## Seed production

- Internal requirements for onion, garlic, capsicums



# SVI's onion breeding – solids improvement

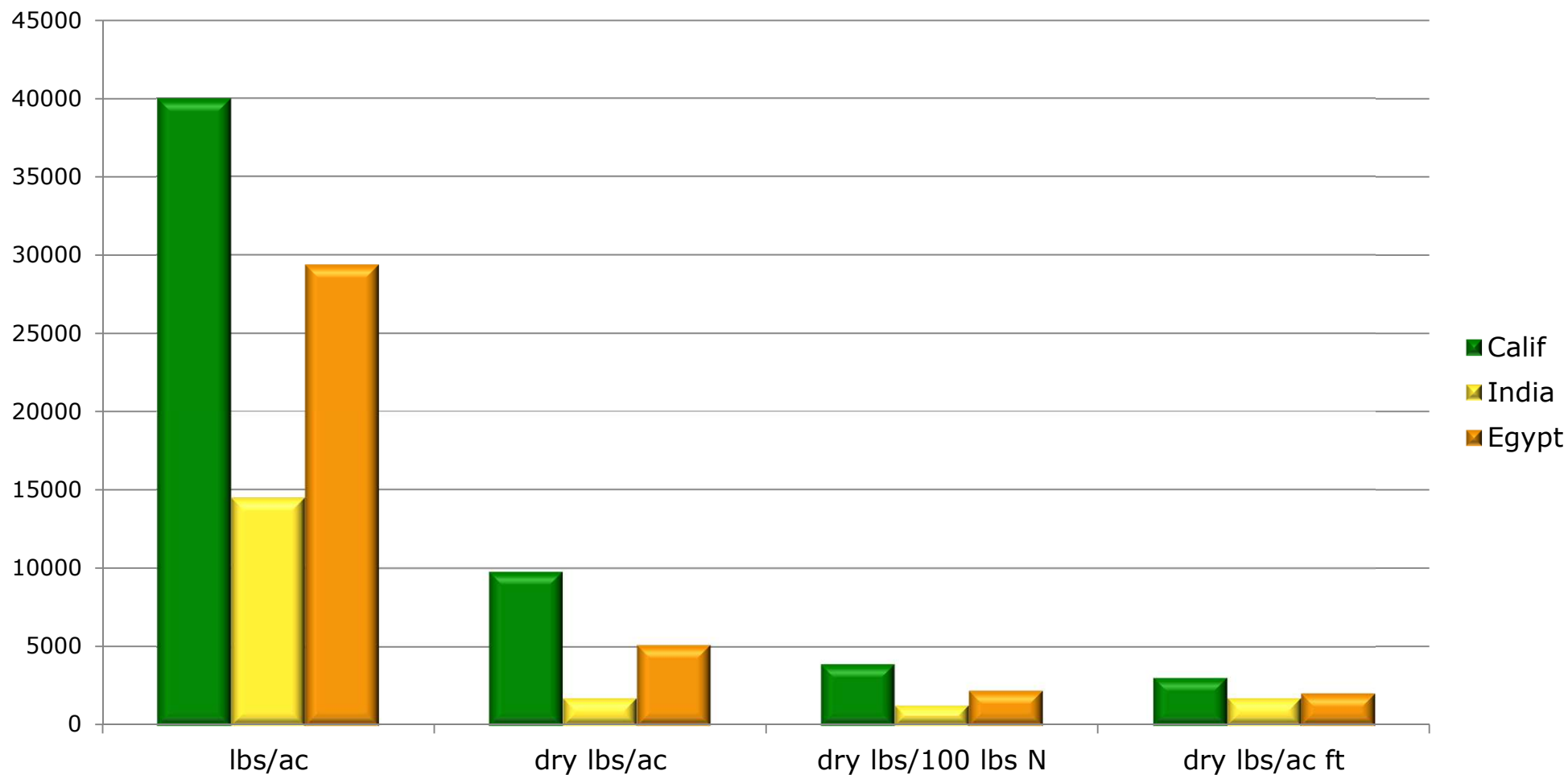
✿ *Saving sufficient production inputs to supply our onion business for more than a year!*



– Acres:	18,562
– Gallons of diesel:	371,232
– Raw pounds:	735,043,248
– Freight loads:	14,135
– Diesel for freight:	1,413,545
– Water Acre Feet:	51,045
– Nitrogen:	4,083,549
– Pesticides:	185,616
– Natural gas:	14,426,749 therms
– Electricity:	27,398,305 kwh



# Delivering Sustainability – Dehydrated Onion



\*1MM dry pounds of production in India requires 51,300 more lbs of N and 79MM more gallons of H2O than OLAM California

\*1MM dry pounds of production in Egypt requires 19,193 more lbs of N and 52MM more gallons of H2O than OLAM California

# SVI Ag Expertise to New Origins

- Proprietary onion seed to Egypt
- Virus free garlic seed development in China & Egypt
- Utilise proprietary capsicum seed for Peru origination
- Working with Vietnamese pepper farmers on sustainable farming practices
- IPM initiative in India to improve productivity, food safety, & traceability in red pepper
- Working with growers in our supply chain to maximize yields with efficient use of water, fertilizer, & chemicals
- Educate & assist origin growers on GAP's



# Growing Responsibly

- ❖ Seed development – yields, solids, input reduction
- ❖ Development of sustainable spices – SSI programs
- ❖ Lower carbon footprint – sourcing nearer to plants, geothermal, energy programs
- ❖ Water conservation – more in drip farming
- ❖ Waste reduction – tomato composting
- ❖ Innovation – product quality, safety, combine portfolio, health + wellness
- ❖ Employee development – training programs, cross-functional team projects
- ❖ Industry leadership – CFLP & ASTA involvement
- ❖ Community Relationships – universities, food banks, volunteering

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# Our Strategy: Invest and Grow

- ❖ Further integrate to grow sales volume and revenue in all categories
  - ❖ Cross-sell portfolio products and services in developed markets
  - ❖ Develop downstream solutions with innovation
  - ❖ Capture emerging market growth by growing with customers as they expand into these markets and new customer development in emerging markets
- ❖ Improve operational efficiency by lower manufacturing costs
  - ❖ Increase share of sourced raw materials from in-house farming operations
  - ❖ Expand US seed/processing expertise to global operations
  - ❖ Extract greater synergies in US operations from Supply Chain, SAP systems and back office centralisation
- ❖ Further growth focused on expanding product portfolio & capabilities around existing asset base
  - ❖ Speciality vegetables products – purees, dehydrofrozen
  - ❖ Additional dehydrated vegetables – leeks, spinach, carrots, sweet potatoes
  - ❖ Expand herbs portfolio – dill, cilantro, basil



# Thank You





# Annex 1: Speaker Profile



## **Greg Estep**

Greg Estep is President and Global Head of the Spices & Vegetable Ingredients business unit. He is based in Fresno, CA. the headquarters for the global SVI business.

Greg joined Olam in July of 2010 with the acquisition of Gilroy Foods. He previously worked 11 years for ConAgra Foods in Omaha, NE where he most recently was President & General Manager of Gilroy Foods & Flavors, a leading spice, vegetable, seasonings, and flavor company. Greg also held the position of Chairman of the Board of AgroTech Foods Ltd, an Indian packaged foods company.

Prior to joining ConAgra Foods, Greg worked for 14 years with Continental Grain Company having held various commodity trading and management responsibilities in Hong Kong, Chicago, Portland Oregon, and Minneapolis. Greg earned his Bachelors of Science in Agricultural Economics from Virginia Tech and a Masters of Business Administration from the Fuqua School of Business, Duke University. Greg is on the Executive Committee for the California League of Food Processors and a member of the Foundation Board of Trustees for University of California Merced and the Business Advisory Council for California State University Fresno.