



# Australian Agriculture in the Global Context

*Why the world requires Australia to be responsible and productive with its Agriculture assets*





# Who is AAco?

## Australia's largest producer of beef

More than 600,000 head of cattle

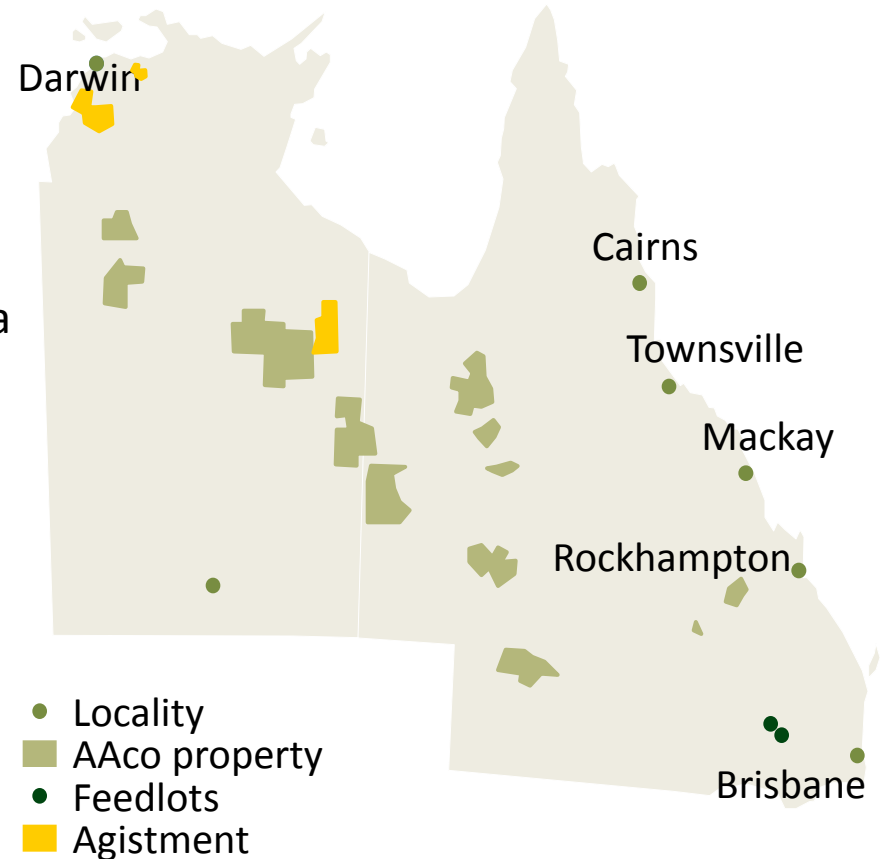
19 cattle stations, two feedlots and three farms

Owens and manages 7.2 million ha of land across Queensland and the Northern Territory

The world's largest Wagyu beef producer

Exports to more than 20 countries globally

### AAco portfolio





# Australian Agriculture in the global context

## Why the World requires Australia to be Responsible and Productive with its Agricultural Assets

Australia's importance to global trade

Global macro drivers for agriculture and implications for Australia

Impact of global supply shocks in agriculture

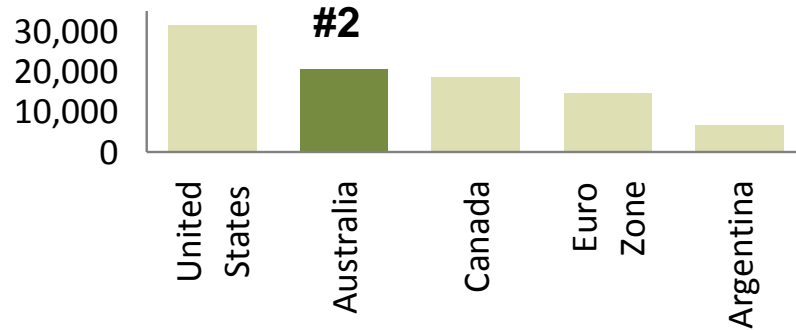
AAco's role in the global context



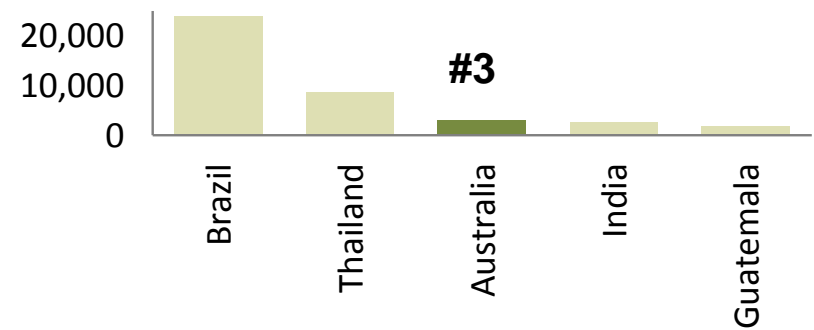
# Australia's importance to global trade

Australia is one of the major global exporters of agricultural production...

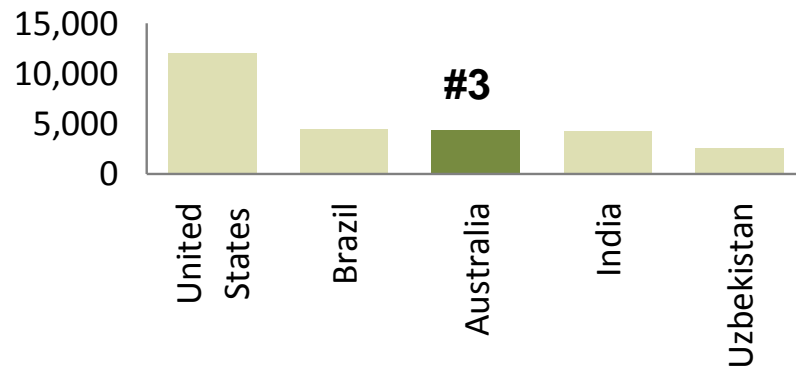
### Wheat (000' MT)



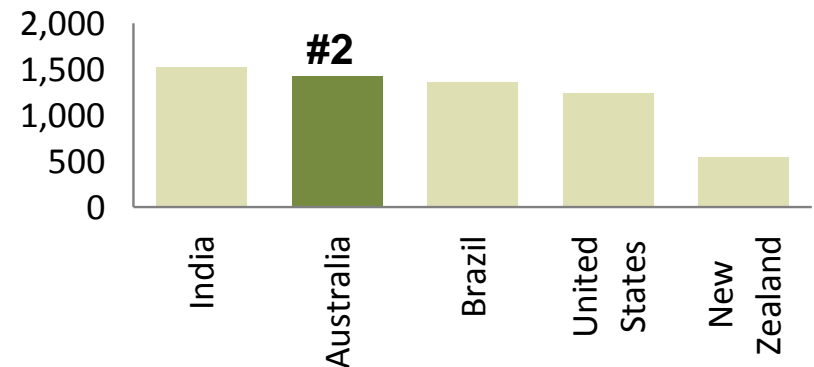
### Sugar (000' MT)



### Cotton (000' 480lb bales)



### Beef (000' MT)

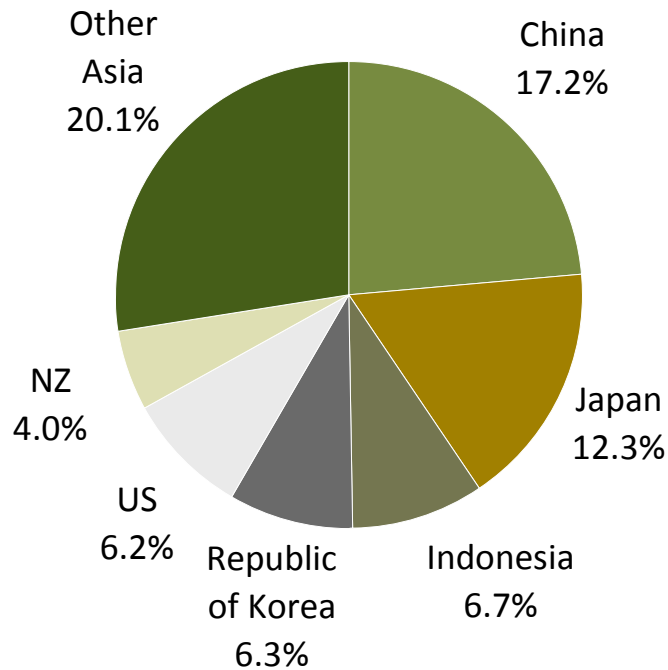




# Australia's importance to global trade

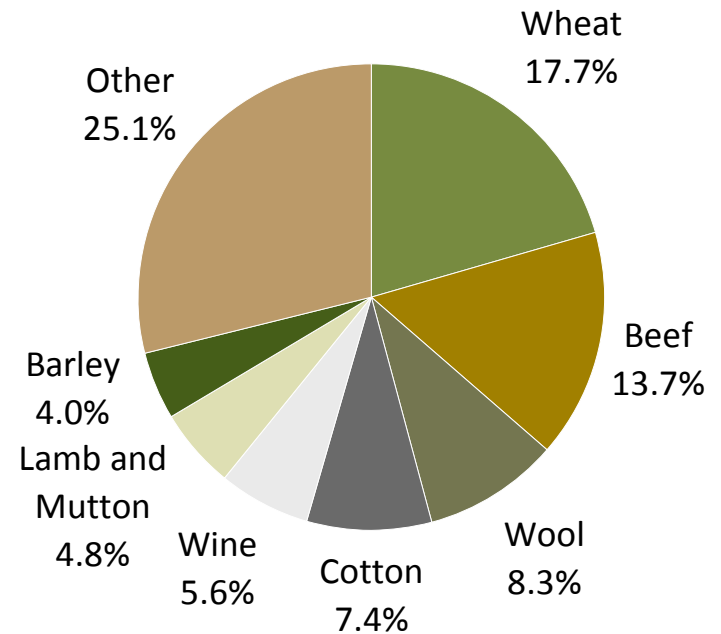
Australia exports c.60% of its total farm production, the majority of which goes to Asia

## Major Australian agriculture export markets



(2011, by value)

## Major Australian agriculture export products





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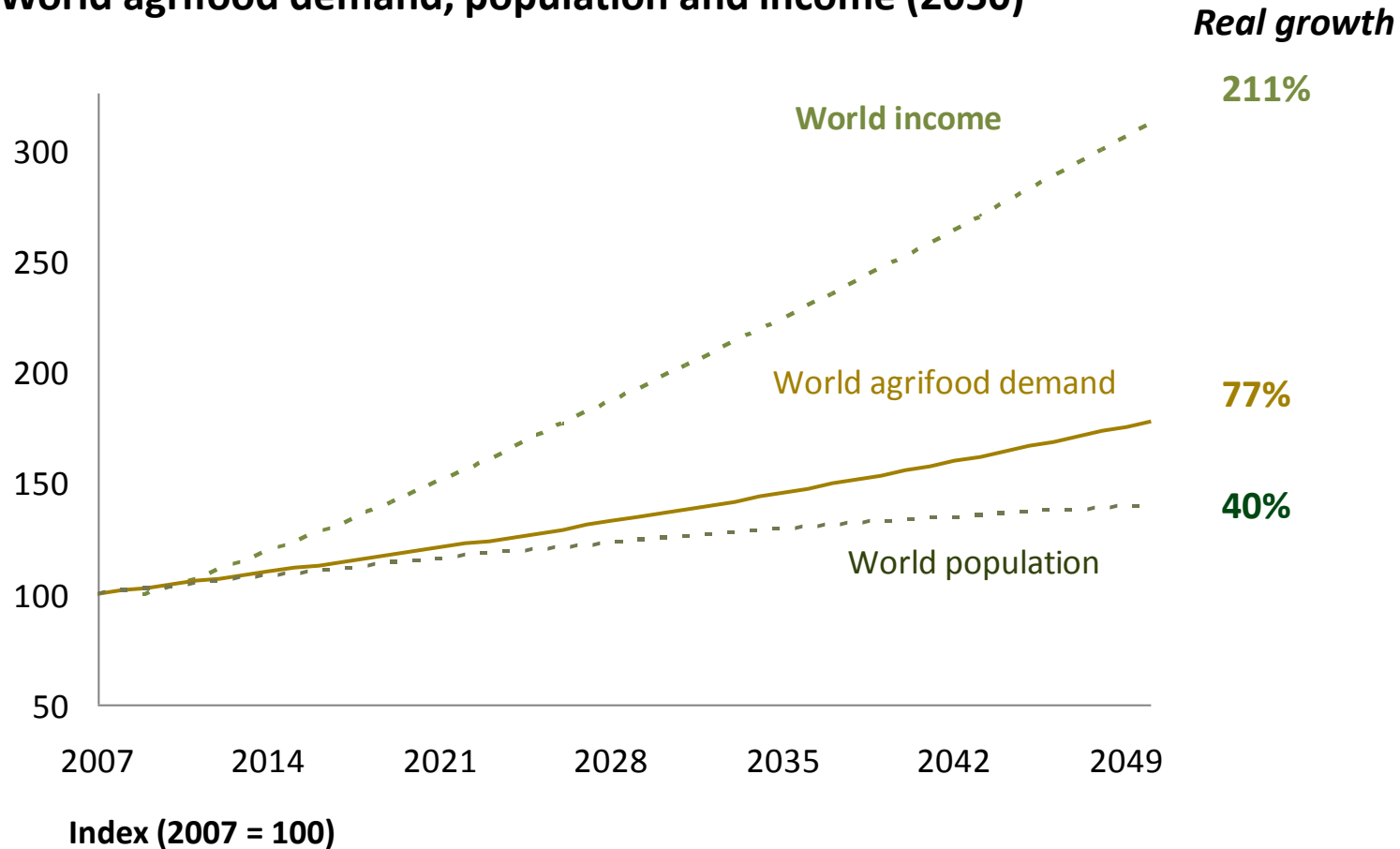
AAco's role in the global context



# Global macro drivers for agriculture

Population and income growth in developing economies to drive food demand...

## World agrifood demand, population and income (2050)

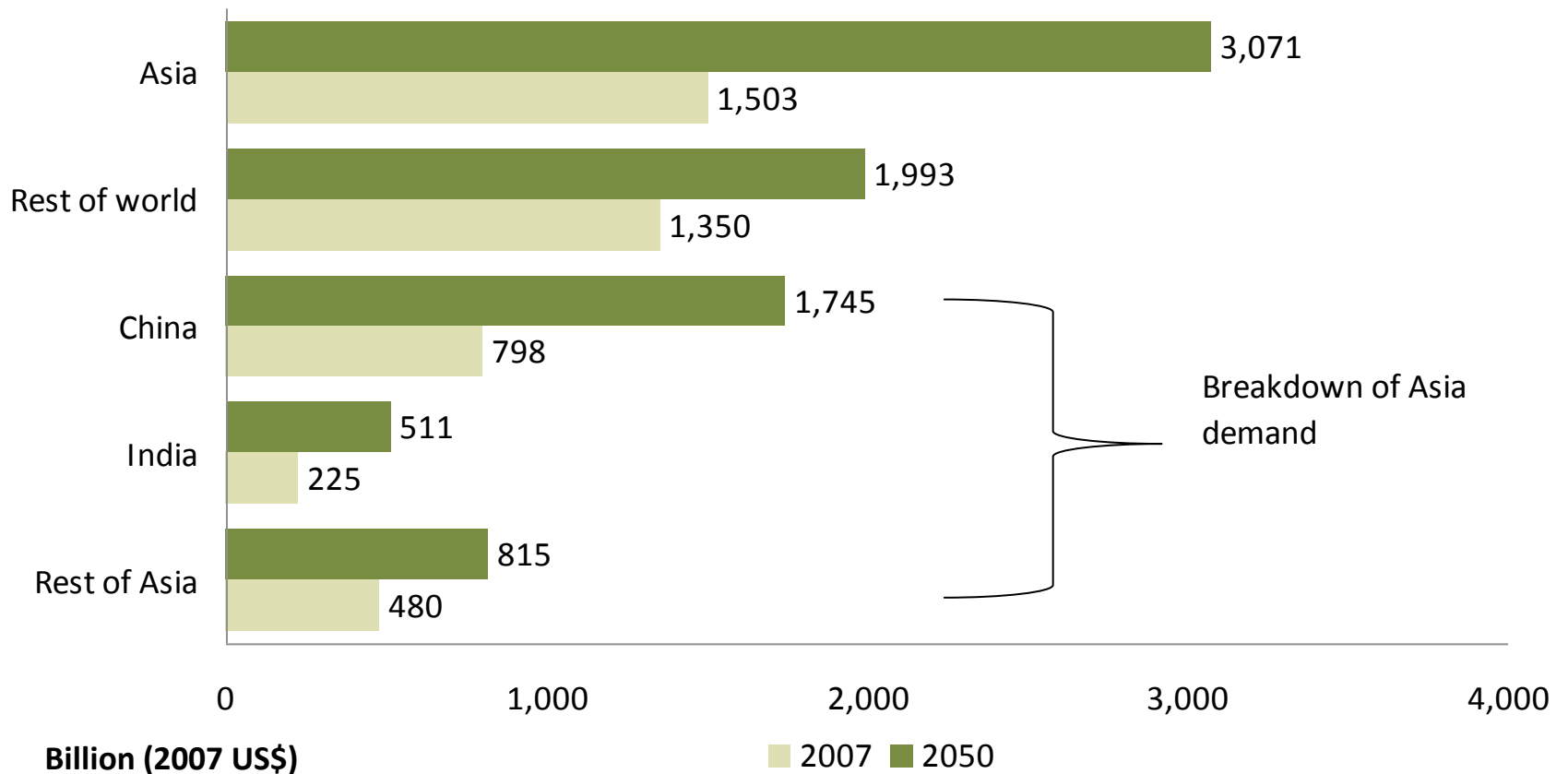




# Global macro drivers for agriculture

**Demand for food in Asia expected to double by 2050—accounting for 70% of the global increase**

## World agrifood demand by region



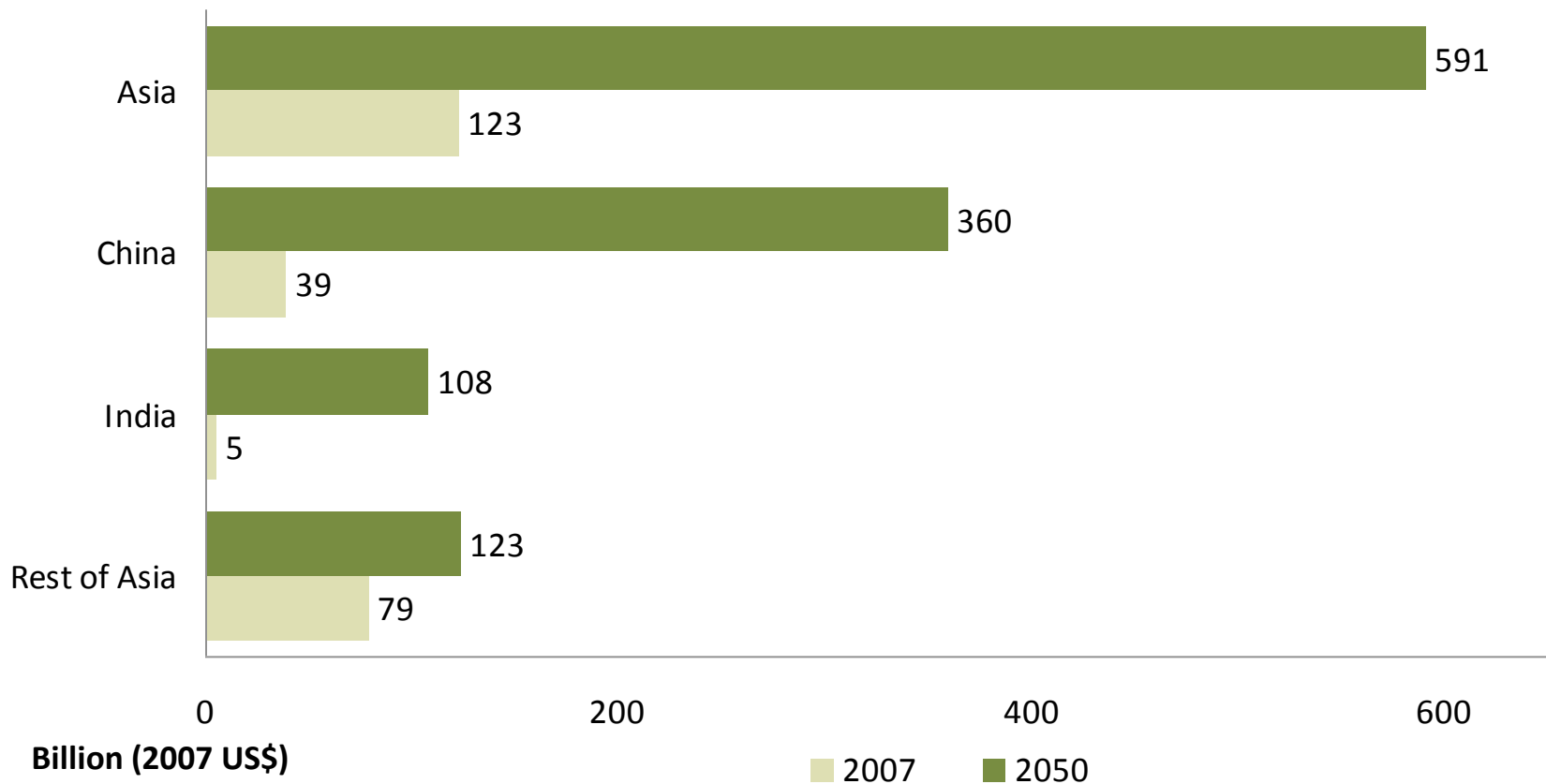




# Global macro drivers for agriculture

**Multiplied impact on demand for imports in Asia given widening regional food production deficits**

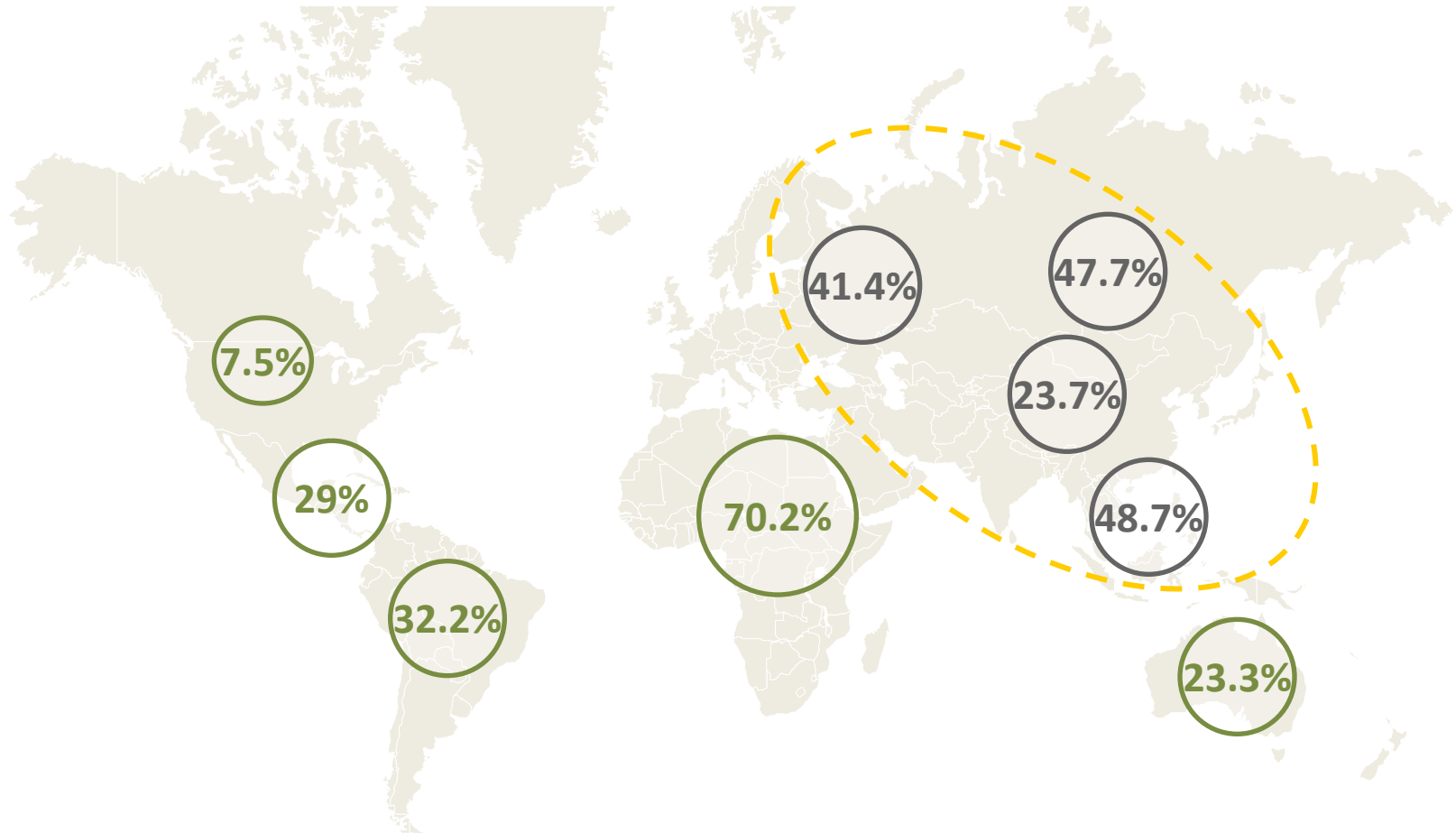
## World agriculture imports in Asia





# Global macro drivers for agriculture

Substantial increases in protein consumption over past 10 years ...

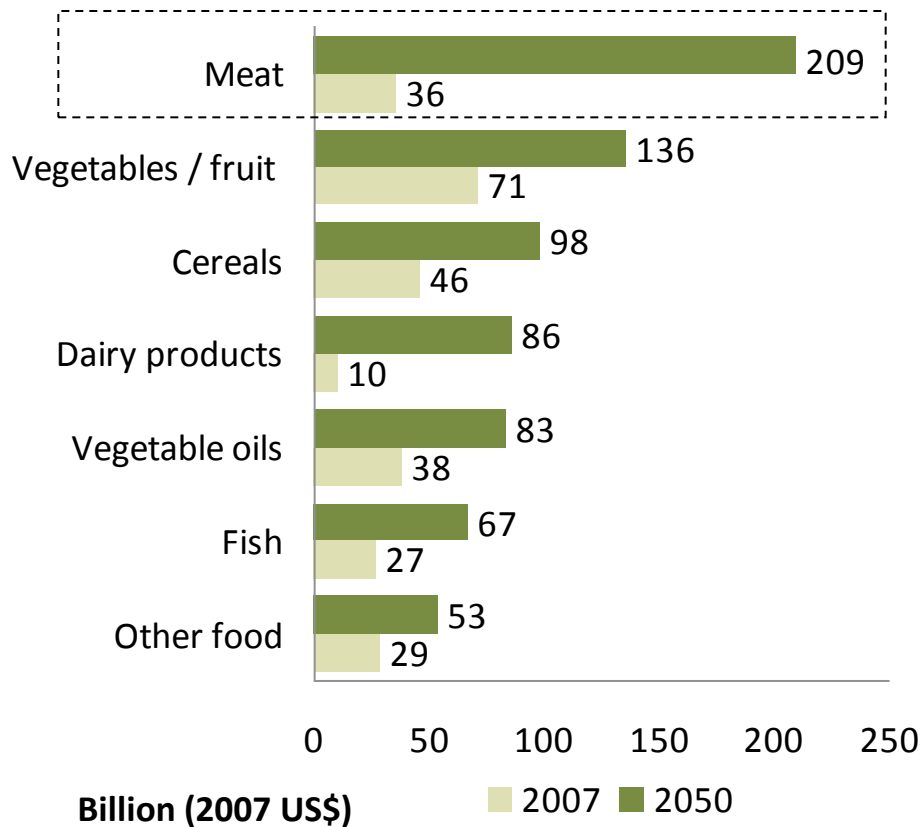




# Global macro drivers for agriculture

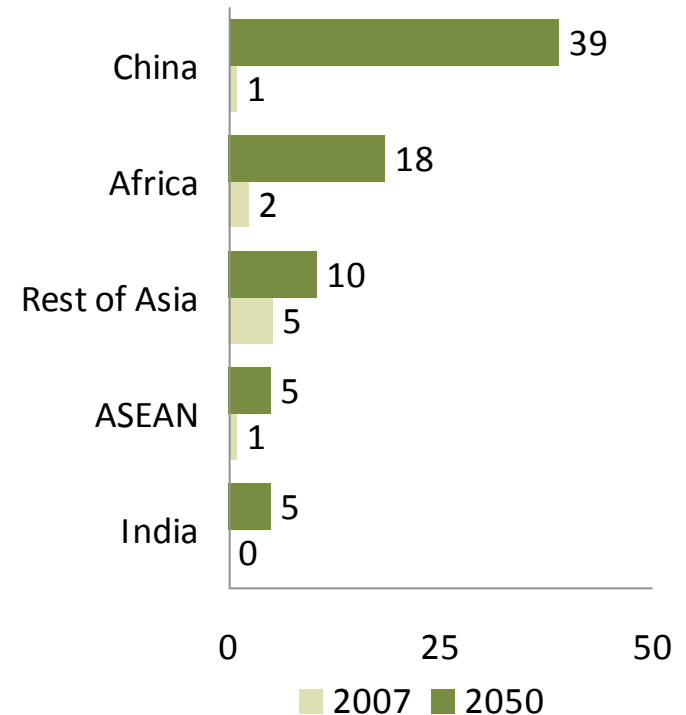
Global trade for meat (inc. beef) is forecast to grow substantially...

## World agrifood imports by commodity group



## Global import demand (beef)

*Beef import demand expected to be 3x higher by 2050*

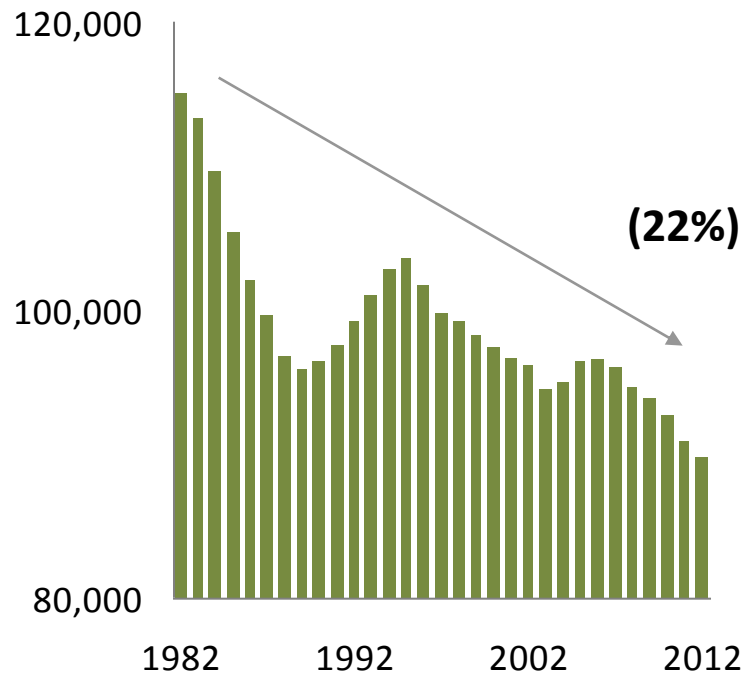




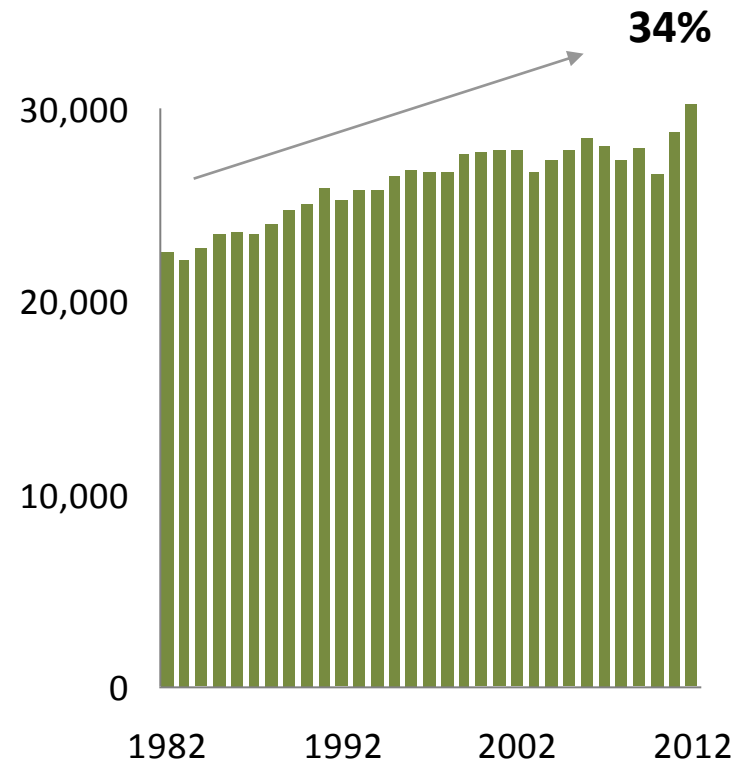
# Global macro drivers for agriculture

Global cattle herd numbers decreasing, exacerbated in the US...

## US cattle herd (000' head)



## Australian cattle herd (000' head)

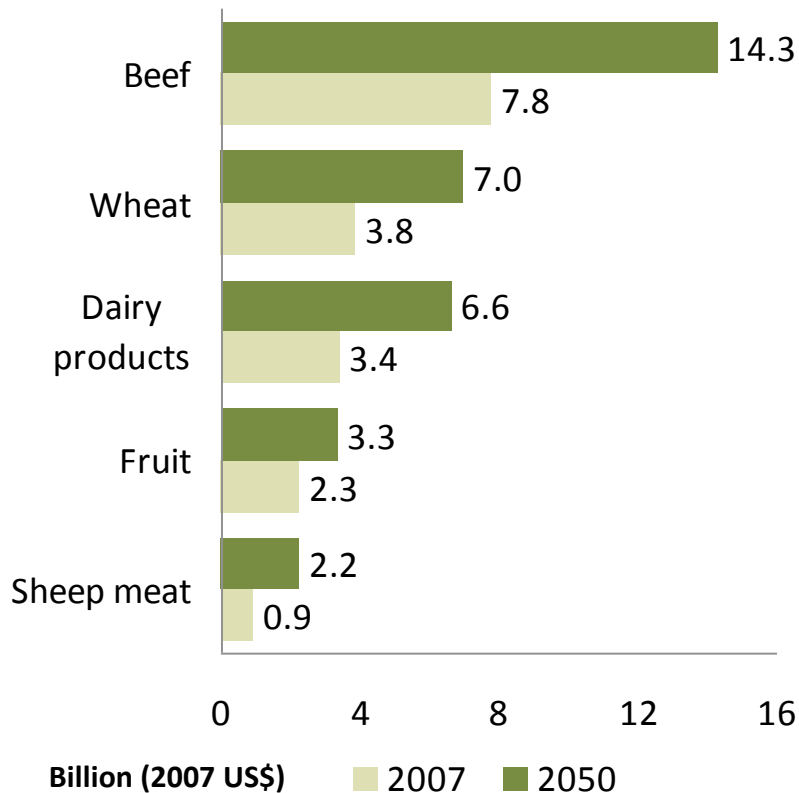




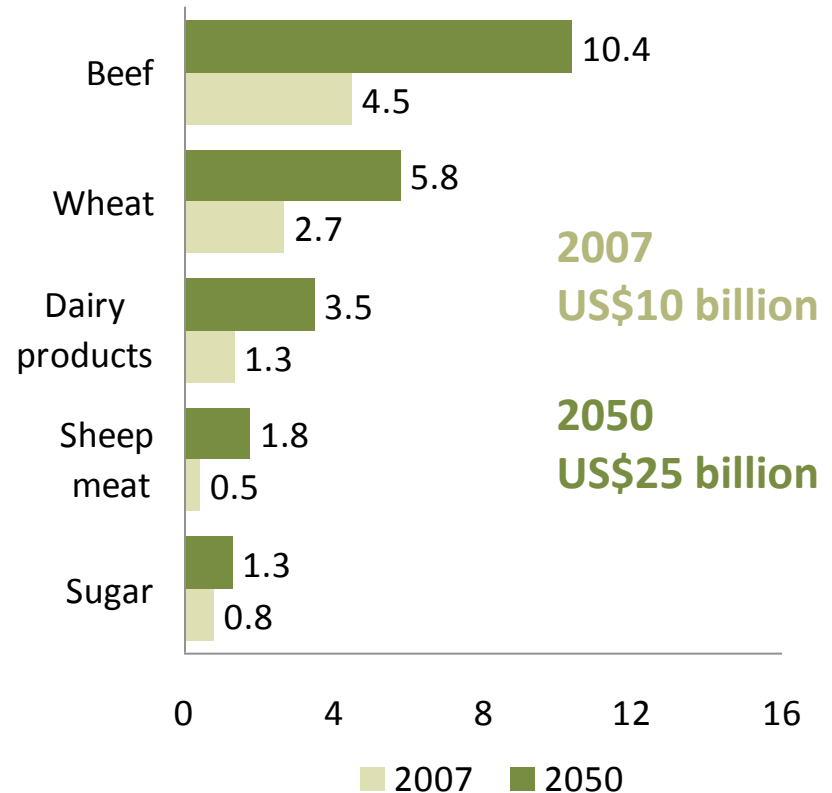
# Implications for Australian Agriculture

Increased global demand will lead to a dramatic shift in production and exports of key Australian agricultural commodities ...

## Australian production



## Australian exports





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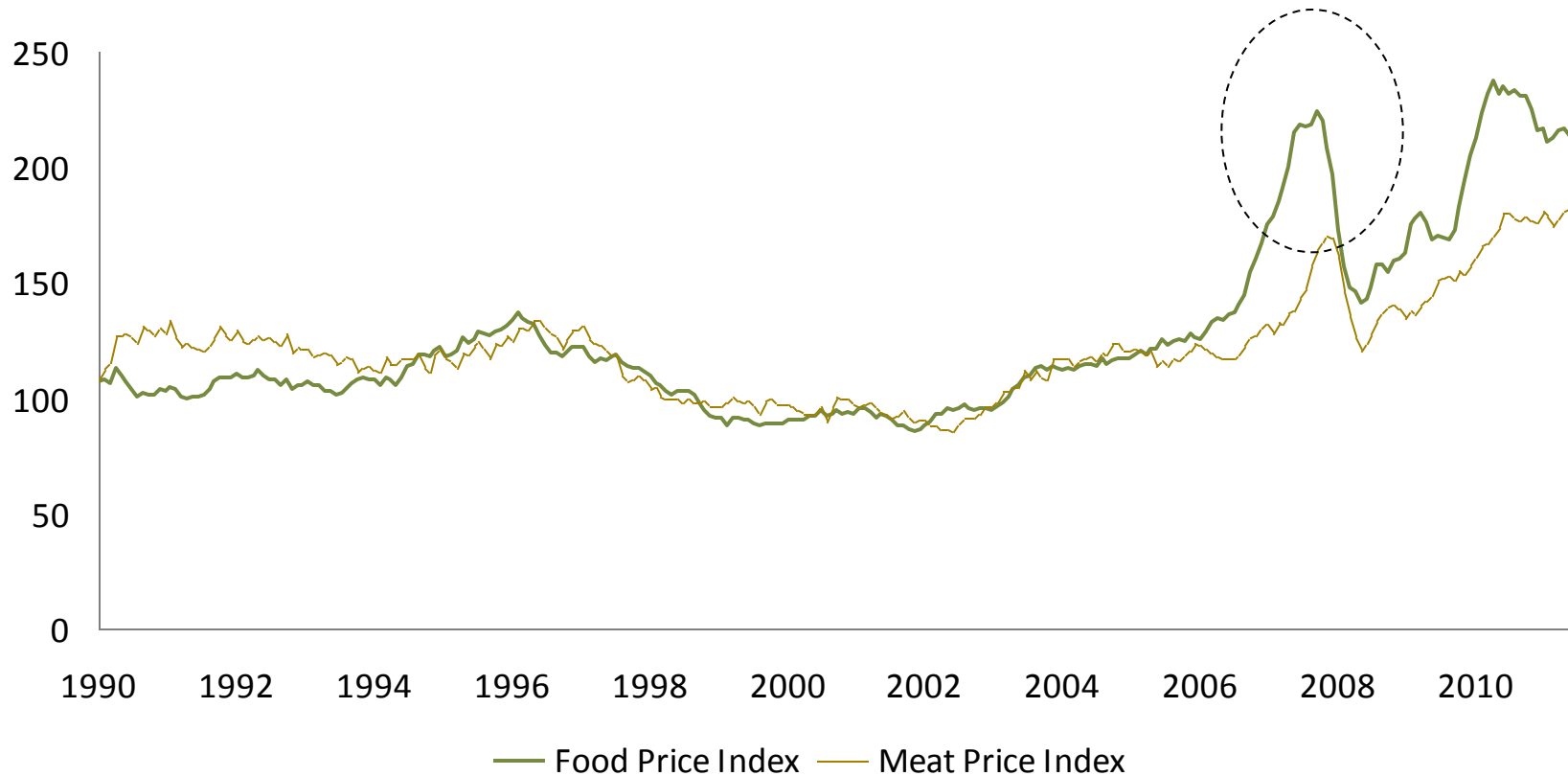
Impact of global supply shocks in agriculture

AAco's role in the global context



# Impact of global supply shocks in agriculture

World food inventories run down in 2007–08, resulting in price spike

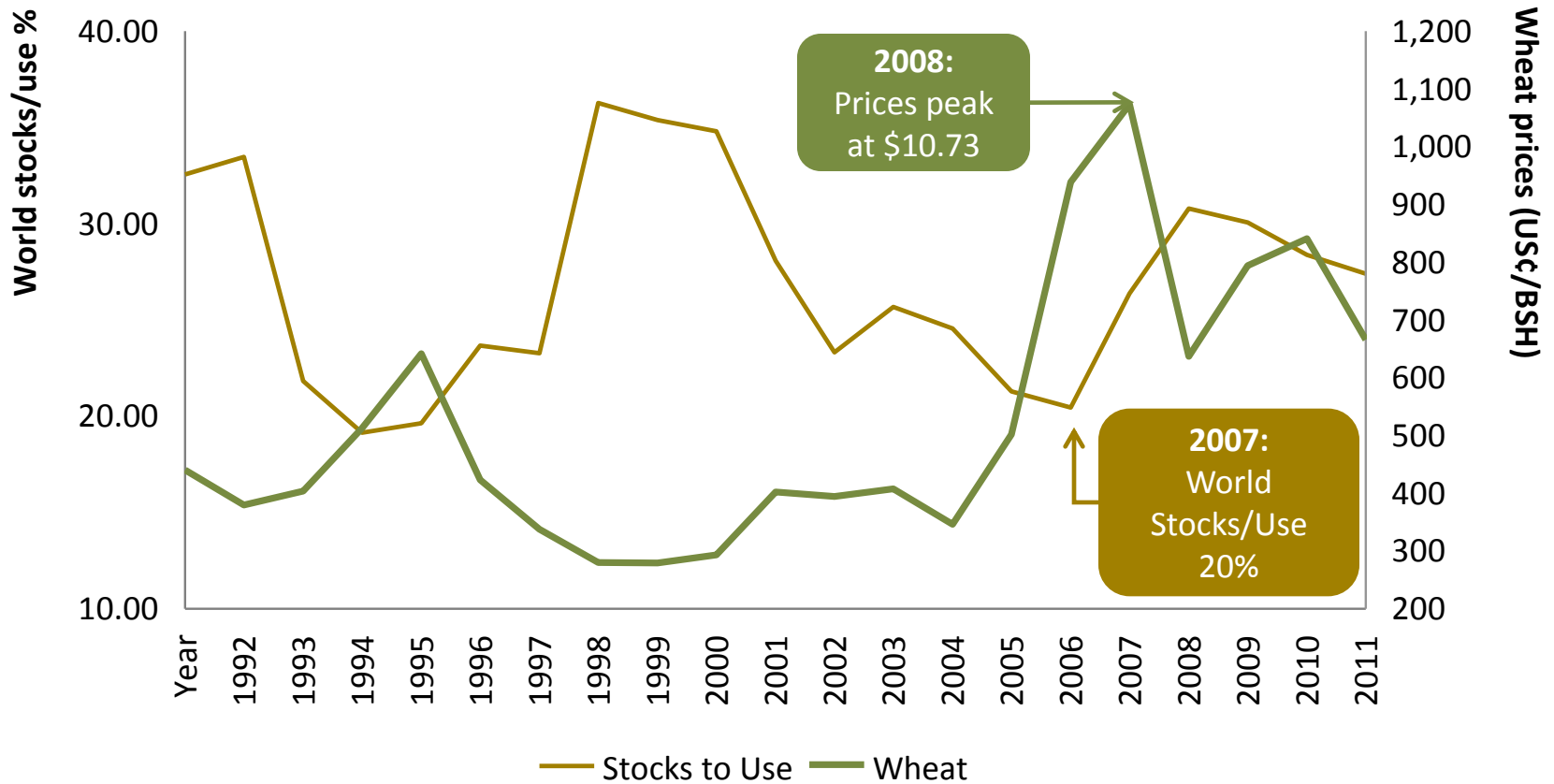




# Impact of global supply shocks in agriculture

## Case study: wheat example

### World wheat inventories vs. wheat prices (US/BH)

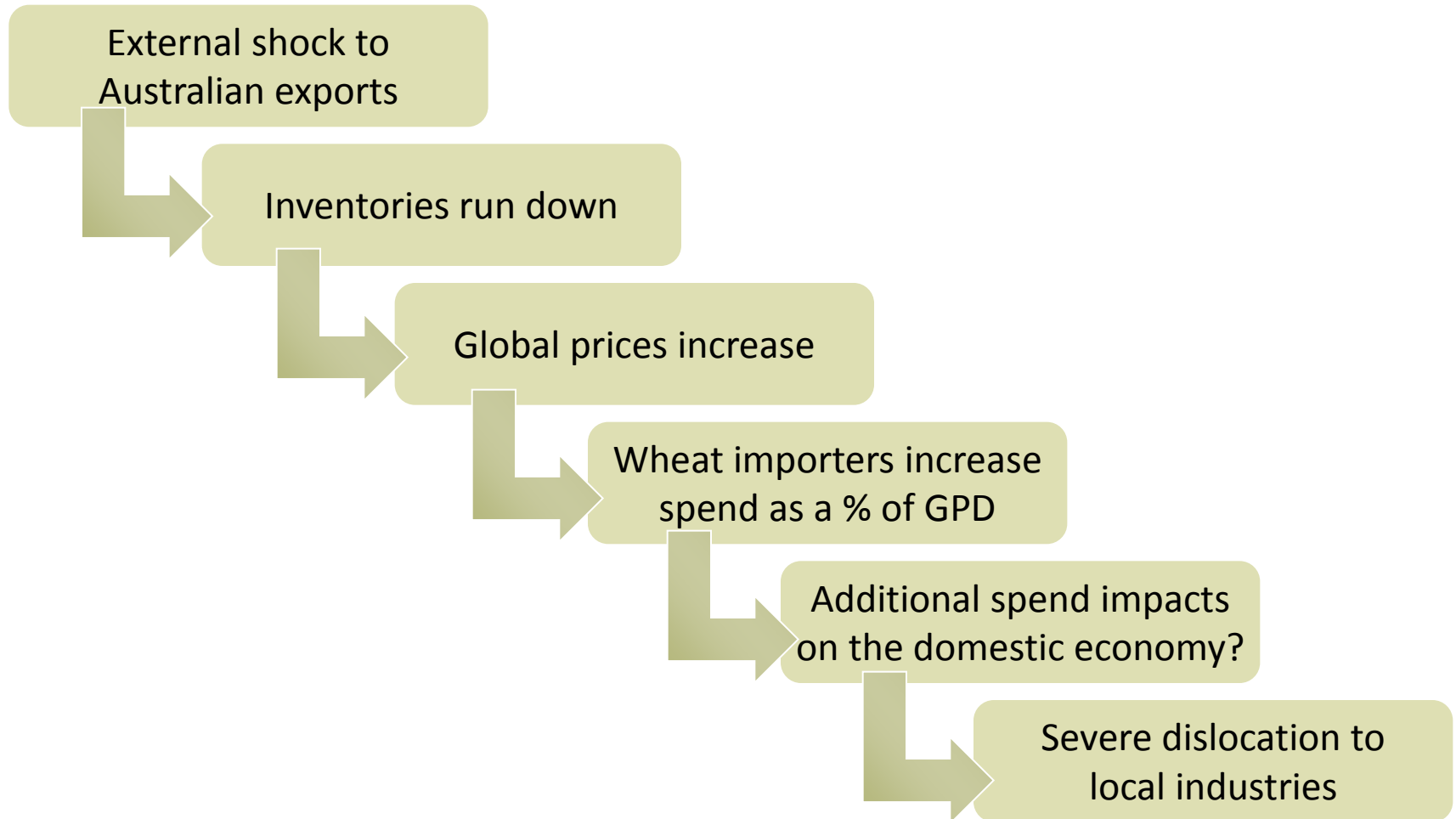






# Impact of global supply shocks in agriculture

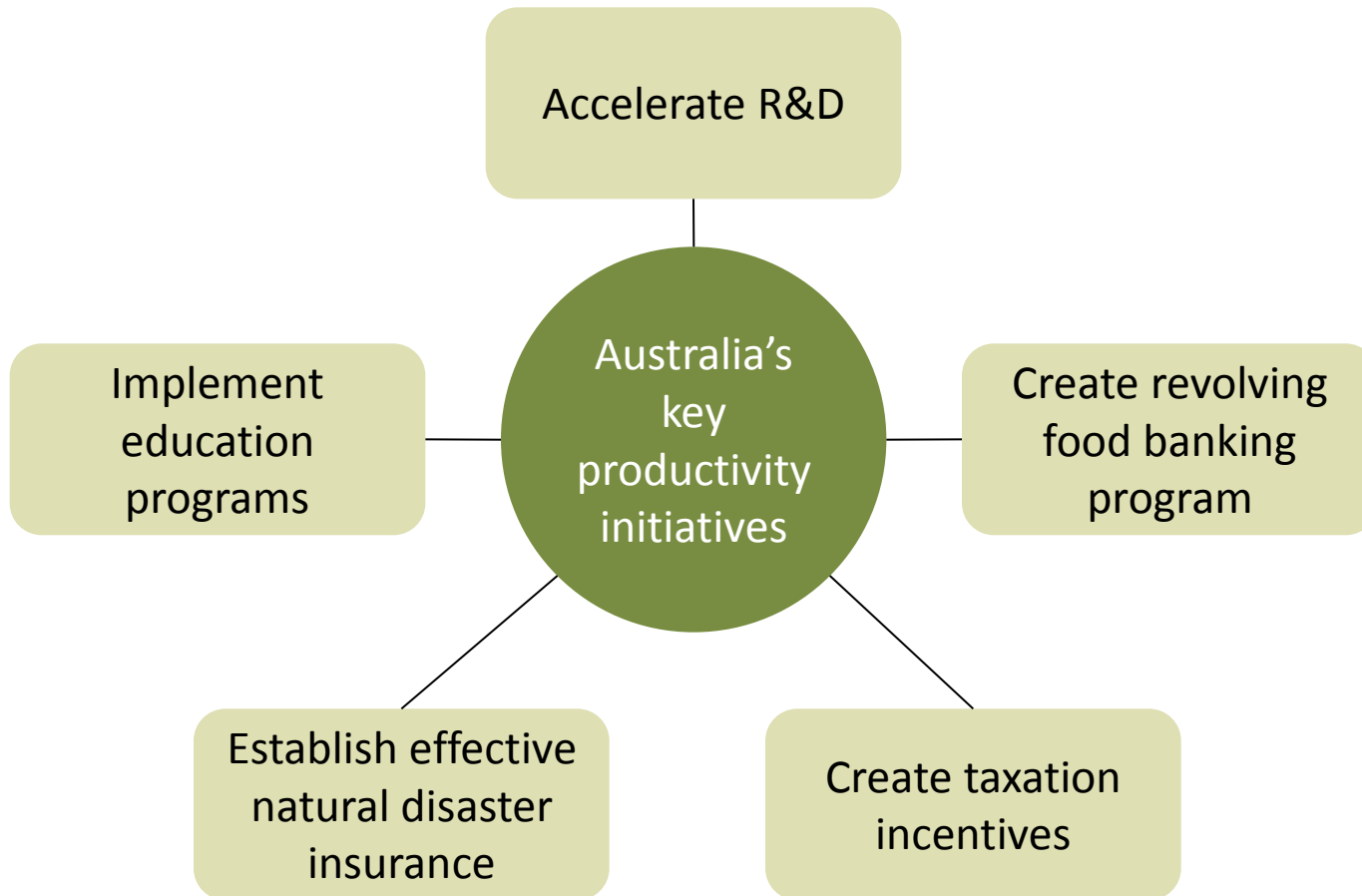
## Potential global flow on effects of a significant supply shock event





# Impact of global supply shocks in agriculture

Critical initiatives required to improve Australia's productivity in agriculture ...

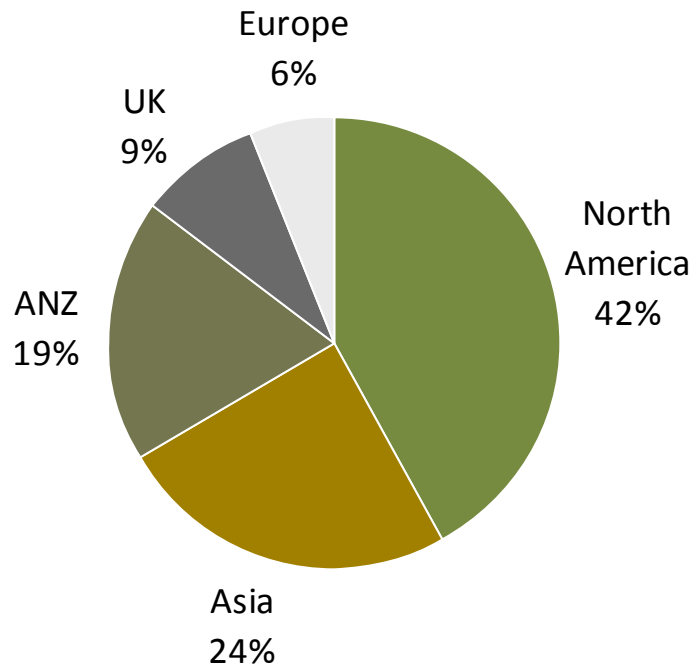




# Foreign investment supporting Australian agriculture

Foreign investment assists Australian agricultural producers access new and higher value markets....

## AAco register breakdown by geography



## Select recent foreign investments in Australian agriculture assets

Foreign investor	Australian asset
Glencore	Viterra (ABB Grain)
Agrium / Cargill	AWB
Kirin	Nat. Foods / Dairy farmers
Hassad Foods	Various rural aggregations
Olam	Timbercorp
Cargill	Teys Brothers
JBS	Rockdale / others
Sumitomo	Nufarm
Wilmar	CSR Sugar



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# AAco's role in the global context

**AAco is a low cost / high quality producer with close proximity to the world's highest growth markets in Asia**

Low cost  
production

- Predominantly grass fed primary production
- Significant investment in productivity improvements

High quality

- Superior beef quality in terms of size of cuts produced from an animal and the marbling of the beef
- Highly attractive in export markets (i.e. Wagyu)

Assurance of  
clean, safe food

- Disease free, clean image
  - National Livestock Identification System

Proximity to Asia

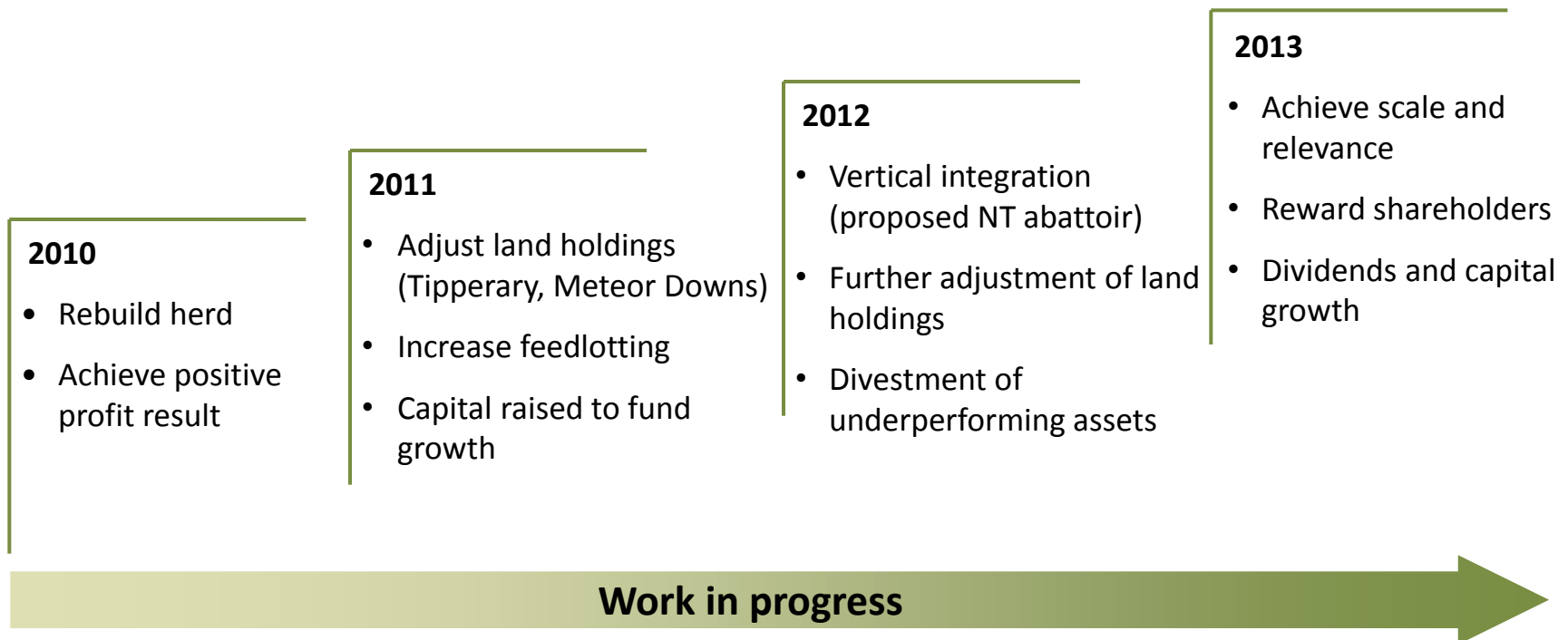
- Significant freight advantage vs. Brazil
- Fastest growing beef markets globally



# AAco's role in the global context

Transforming itself into a globally focussed, vertically integrated producer ...

## Progress on strategic initiatives over time

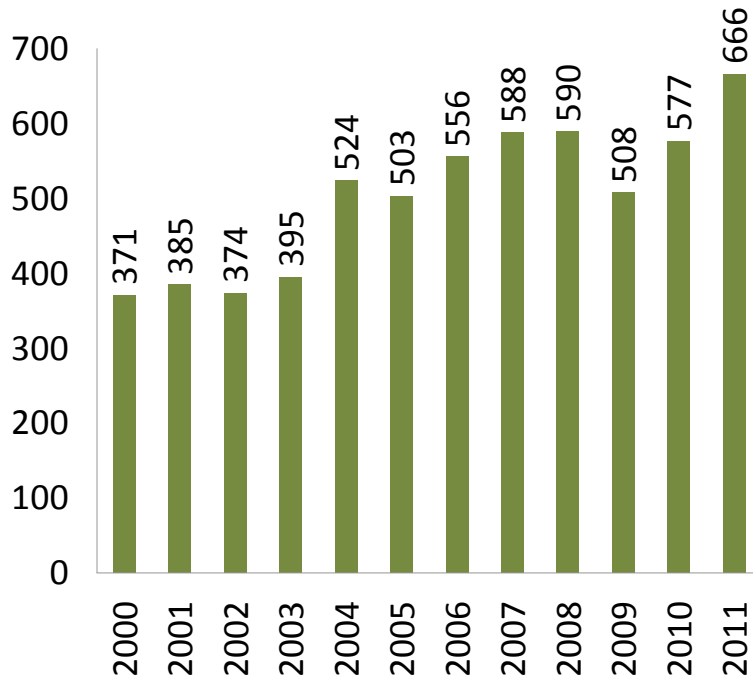




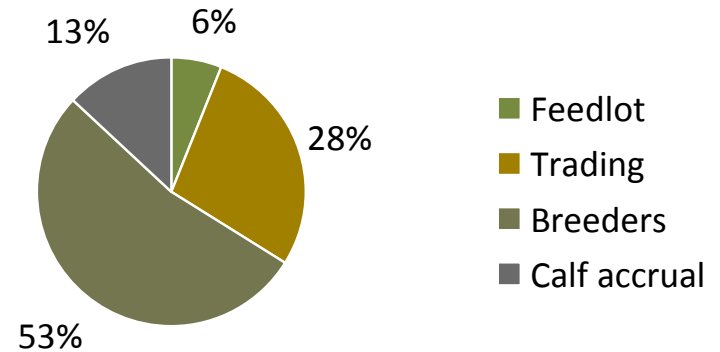
# AAco's role in the global context

Herd restocked to record levels and well positioned to take advantage of global supply constraints

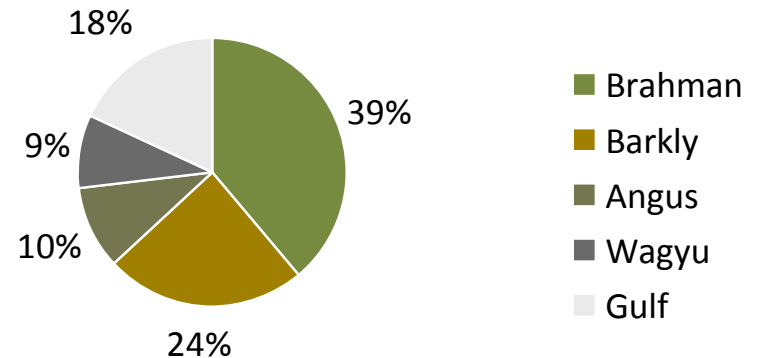
## AAco herd levels over time



## Herd composition



## Cattle by breed

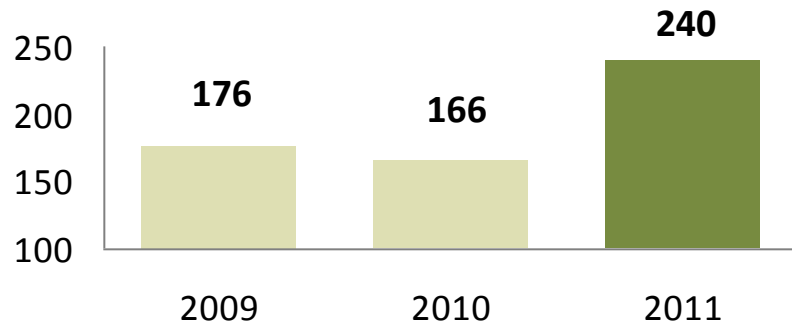




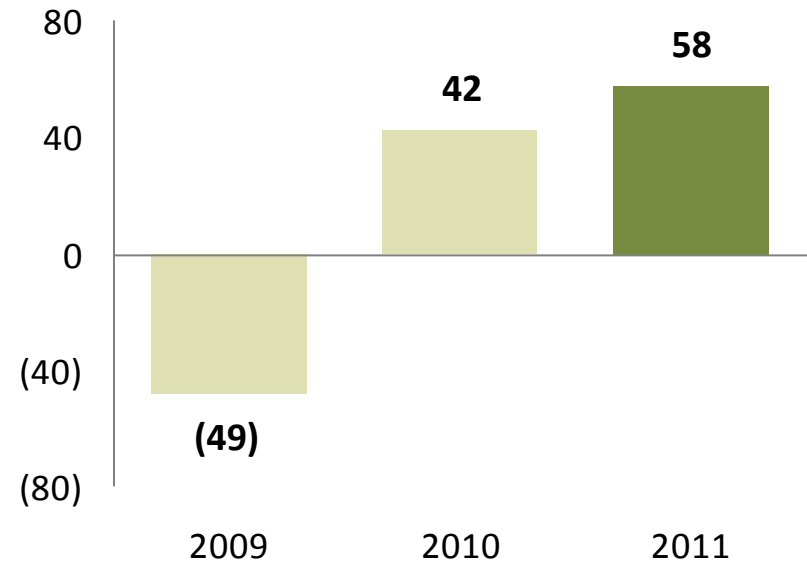
# AAco's role in the global context

Translating to superior financial performance over the last 2 years

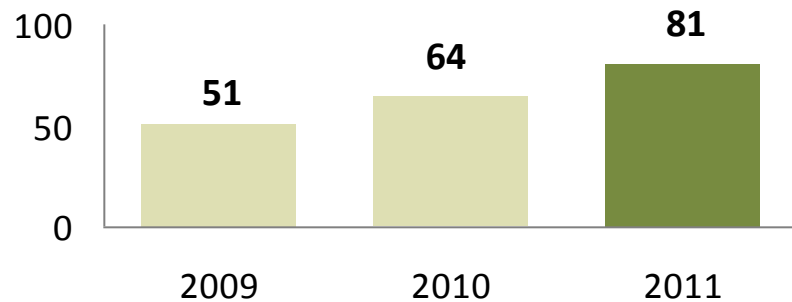
### Cattle sold (000' head)



### EBITDA (\$m)



### Kg's produced (m)







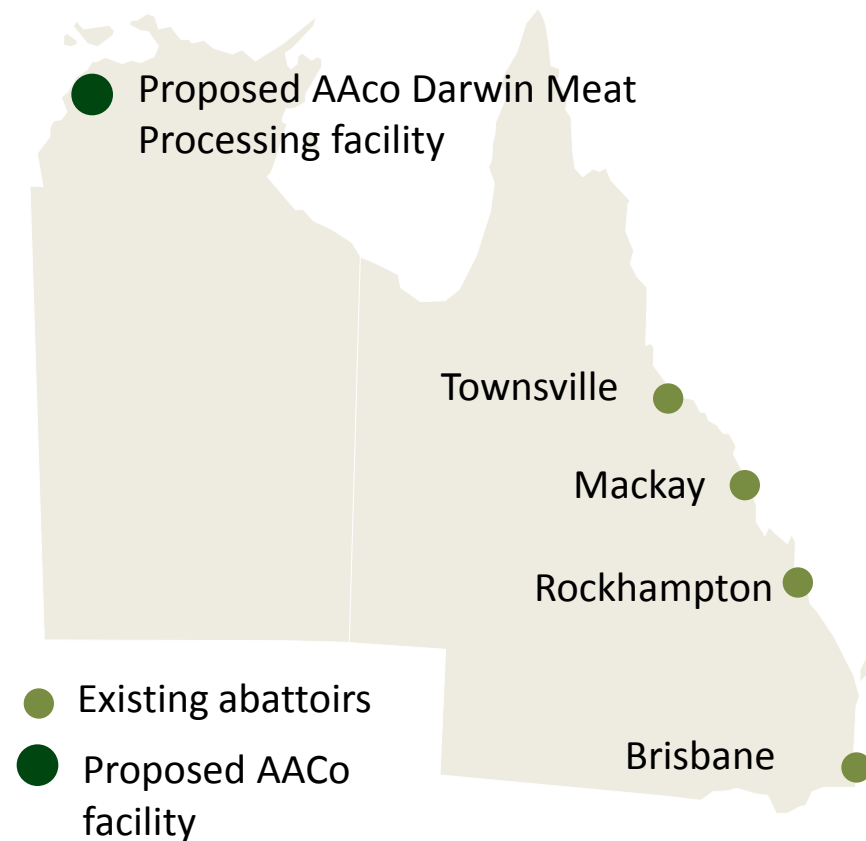
# AAco's role in the global context

Pursuing vertical integration via proposed processing facility in Darwin.... decision to acquire land for the proposed site announced 30 May

- Compelling fundamentals for processing plant in Northern Territory
- Substantial benefits for Northern Australian pastoralists
- Proximity to growing Asian markets



## Proposed NT abattoir vs. others in region



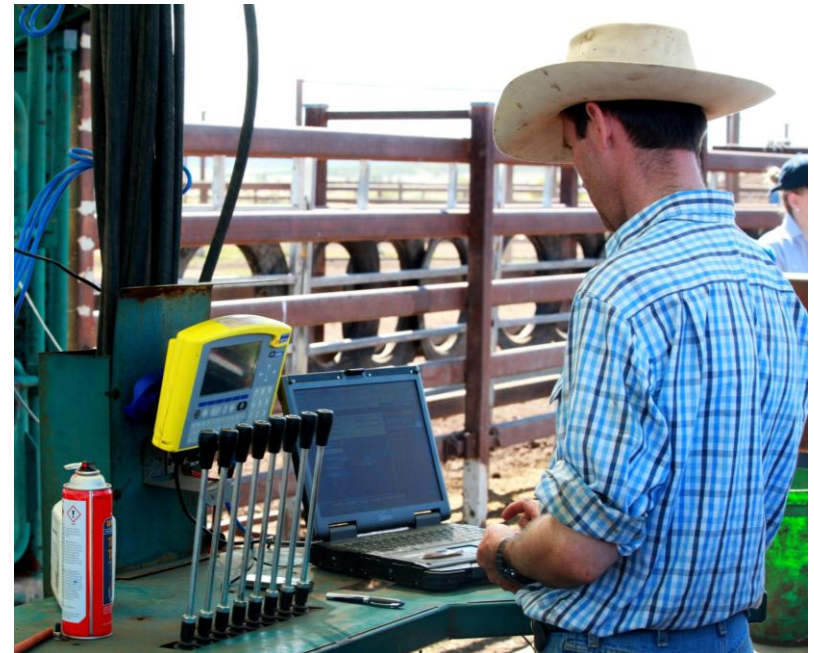


# AAco's role in the global context

**AAco is a recognised industry leader in developing innovative management programs to improve the productivity and security of its asset base**

## Individual Animal Recognition

- Unprecedented management control and selection over breeding and trading herds
- 180,000 head of AAco cattle already inducted into the system
- Improved data and better visibility on attrition, valuation and performance on an individual animal basis





# AAco's role in the global context

AAco's is utilising its superior genetics and breeding programs to maximise profitability as well as deliver cattle to suit end markets

**Barkly composite**



**Gulf composite**



**Wagyu program**





# AAco's role in the global context

Significant opportunity exists for AAco to increase contributions from cropping to improve returns across its portfolio

## Cropping at Goonoo





# AAco's role in the global context

## Other key management initiatives

Land use & water management



Energy management



Technology and innovation



Animal welfare



Indigenous engagement



Youth engagement





## In summary

Population and income growth in developing economies is driving food demand

Need for more productivity in Australian Agriculture

AAco transforming itself into globally focused vertically integrated producer

Latest initiative – acquisition of land for Darwin processing facility. Substantial benefits for Northern Australia and Australia’s trading partners