

# Management, not food, is the key to survival

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## Australia:

- **Agribusiness accounts for 3% GDP however 25% of total Australian exports**

## New Zealand:

- **Agribusiness accounts for 15% of GDP and 66% of NZ's exports**



Demand is being fuelled by population growth, trade reforms and demographic changes

Long-term food security key issue for countries seeking to secure access to production and processing assets, driving investment flows.



## Australia

- ANZ has 18% of the Australian farmgate sector
- ANZ banks 65% of grain export companies
- ANZ is lead bank with companies that export ~80% of Australian cotton.
- ANZ banks 95% of Australian sugar exports
- ANZ banks 2 of the 5 largest beef producers and 5 out of 6 largest meat processors.
- ANZ's customers process 3 out of 4 litres of milk

## New Zealand

- ANZNB is the leading agribusiness bank in New Zealand with a market share of c. 40% of the farmgate sector
- >250 Post-farmgate customers in Institutional (37) and Commercial (250), with assets totaling NZD2.0b, and a further 47,368 customers in UDC with assets totaling NZD2.2b;
- ANZNB has a dominant position in the seafood sector, banking 4 out of 5 of the country's leading producers

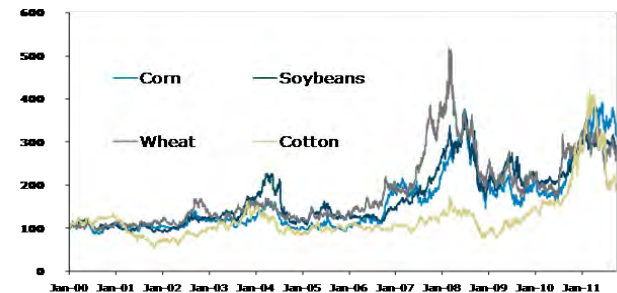
# AUSTRALIAN AGRICULTURE REMAINS IN GLOBAL FOCUS...

## INDUSTRY OVERVIEW

- > Over the past decade, the focus on the global food supply has shifted from a widely held perception of food gluts to one of uncertainty.
- > While food shortages were once isolated occurrences, many governments and commentators now see the scenario as a real possibility in many developing and even developed countries.
- > Demand of agricultural commodities is primarily driven by population growth, with the world population forecast to grow to ca. 9BN by 2050 (2010 world population c. 6.9BN).
- > While some parts of the developed world are seeing low birth rates, it is likely that many countries, including China, are likely to see the rates increase as societies seek to offset a looming labour shortage and pension crisis.
- > The rising living standards has driven demand for higher quality, protein rich food (meat, milk, fish, eggs) with the average human eating 20% more calories than in 1960.
- > This growth in demand for protein and dairy products has exponentially increased the demand for grain, which is widely utilised as an animal feed. Roughly the multiple grain requirements for different proteins are 8:1 for beef, 3:1 for pork, 2:1 for poultry and 1.5:1 for fish.
- > While demand for food will continue to increase and change, it is supply which is the greatest cause for concern.
- > Uncertainty over trade in global food products is a major contributor to price volatility. Export bans or increased tariffs by major producing countries have led to panic buying and stock piling by major importers.
- > The mandated use of ethanol in the US, assisted by government subsidies, has meant that around 30 percent of all corn from the US, the world's largest exporter, has now been diverted to Biofuels, rather than feed or food. Not only does this already leave a hole in global grain supplies, but its usage in US ethanol production over the next twenty years may increase considerably.
- > The role of food security in areas of political unrest has had a domino effect. Concerns by populations over reliable and affordable access to food have led to uprisings, which has led greater moves by other governments to increase food supplies and stockpiles.
- > The increased focus on global food supplies has led to a massive increase in investment by non-industry players in global agricultural commodities, as well as in as in all parts of the global agricultural value chain. While the influence of this investment on soft commodity prices remains the subject of strong political and economic debate, it has clearly changed price discovery mechanisms for the production, inputs, processing, and distribution components of the value chain.
- > The rate of increase in yields for most major crops has continued to decline over the past five decades. Whilst productivity is growing, there are concerns over whether increases in seed and chemical technology can keep up with demand.

## AUSTRALIAN AGRICULTURE IN FOCUS

- > Agriculture in Australia remains a focus for global investors for a range of reasons:
  - > Geographic proximity to key Asian and Middle Eastern ports and demographic centres of demand
  - > Reputation for providing safe food products, particularly in light of China's melamine incident or BSE in many beef producing regions.
  - > Long term reliability on trade, with no export bans or increased tariffs.
  - > Production surplus on almost all soft commodities ahead of most major world producers means reliability of supply.
  - > Low levels of government support over many years has led to a domestic agricultural sector which is not only world leading in efficiency for large scale producers, but which is not subject to changes in subsidies.
  - > Regulations on foreign direct investment in Australian agriculture are reasonably relaxed compared to other similar producing nations, including New Zealand, Canada and the US.
- ### COMMODITY PRICE VOLATILITY

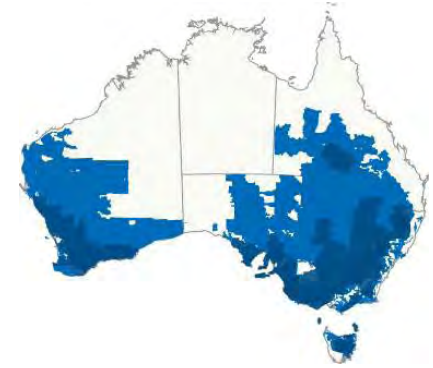


- Close proximity to growing Asian food and fibre demand
- Among the lowest levels of agricultural protection in the world, leading to widespread efficiencies
- Provides increased attractiveness to countries seeking food security
- World leading infrastructure
- Diversification of climates reduces risk

**Grains**



**Sheep**



**Beef**

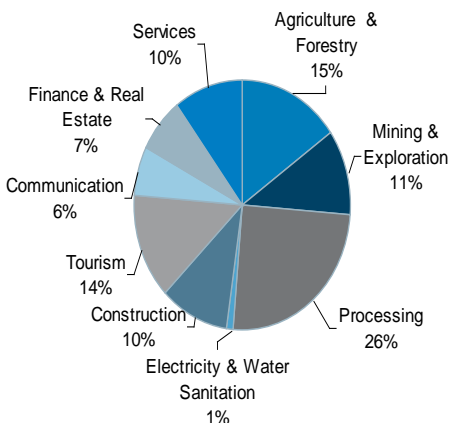


**Dairy**



**General Overview**

Indonesia GDP Composition



Agriculture play an important role in Indonesia economy. In 2010, agriculture sector contribute almost 15% of Indonesia GDP or around IDR 937 Trillion. Indonesia is a tropical country with abundant sunshine and rain, which are the basic needs for agricultural business. Indonesia is a leading exporter in palm oil, rubber, cocoa and coffee. Export crops dominate land use and employment and advantage of peaks in global commodity prices . Indonesia agriculture sector is very fragmented. The sector were driven by 3 major player; government (state owned estates - PTPN), large private plantations and small hold farmers. Agriculture accounted for about 8% of total Foreign Direct Investment in 2010.

**Indonesia Imported Agriculture Commodities**

Although Indonesia's agriculture sector is strong, Indonesia still need to rely on other countries for several commodities.

Rank	Commodity	Quantity (tonnes)	Value ( 1000 \$ )
1	Wheat	4,655,290.00	1,316,110.00
2	Cake of Soybeans	2,324,280.00	1,019,550.00
3	Cotton lint	570,902.00	765,359.00
4	Soybeans	1,314,620.00	621,281.00
5	Sugar Refined	1,279,810.00	517,028.00

Top 5 Indonesia Imported Agri Commodities

**Indonesia Agriculture Commodities**

	<b>Rubber</b> ✓ Production : 2,591.9 Concentrated in Sumatra & Kalimantan		<b>Tobacco</b> Production : 122.3 Concentrated in Java & Nusa Tenggara
	<b>Coffee</b> ✓ Production : 684.1 Concentrated in Sumatra & West Java		<b>Pepper</b> Production : 84.2 Concentrated in Sumatra, Kalimantan & Sulawesi
	<b>Paddy (Rice)</b> ✓ Production : 68,061.7 Concentrated in Java		<b>Cassava</b> Production : 1,219
	<b>Cloves</b> Production : 110.8		<b>Tea</b> Production : 150.3 Concentrated in west Java
	<b>Beef</b> Production : 472.6 Concentrated in Java		<b>Milk</b> Production : 927.84 Concentrated in Java
	<b>Egg</b> ✓ Production : 1,372.9		<b>Poultry Meat</b> ✓ Production : 1,532 Scattered in various province
	<b>Corn</b> Production : 17,392.2		<b>Oil Palm</b> ✓ Production : 19,760 Concentrated in Sumatra & Kalimantan
	<b>Sugar Cane</b> ✓ Production : 2,694.3 Concentrated in West Java & Lampung		<b>Goat Meat</b> Production : 136.7
	<b>Cocoa</b> ✓ Production : 844.6 Concentrated in Sulawesi		<b>Animal Feed</b> ✓ Production : Concentrated in

\*Production stated in thousands ton  
\*Based on 2010 data

# TRADE RESTRICTIONS

## Trade Restrictions - Overview

The dramatic commodity price increases seen in 2007 and 2008 triggered a record number of export restrictions, in particular for rice and wheat, which led in turn to even greater price hikes.

Key motivations for trade restrictions include:

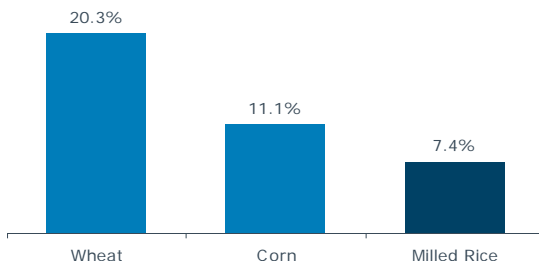
- ✓ Food Security
- ✓ Large gap between successive crops
- ✓ Political pressure & objectives
- ✓ Financing government expenditure

In 2008, restrictions were put in place in East & South Asia followed by Europe, Central Asia, Africa & the Americas.

Recently, the ten countries of ASEAN plus Japan, China and the South Korea are developing plans for a 700,000-800,000 tonnes humanitarian rice reserve to provide "food security in an emergency caused by temporary and large scale calamity. This will put further pressure on trade.

Only about 5-7 % of the world's rice production is traded across borders, that's unusually low for an agricultural commodity as other commodities such as Wheat & Corn have 20.3% and 11.1% of trade as a % of their production in 2010.

## MAJOR GRAINS TRADE AS A % OF PRODUCTION



Note 1: Bulog is a government-owned company in Indonesia which deals with food distribution and price control

## Trade Restrictions in Leading Rice Producing Countries



### CHINA

- > In December 2007, China imposed a tax on rice exports, rescinded a VAT rebate on grain exports, and announced other export restrictions to slow the rise in domestic food prices resulting from years of strong economic growth.
- > This tax was scrapped in 2009 when stock levels increased



### INDONESIA

- > Early 2005, Indonesia has banned imports of widely-consumed medium rice by private traders, in an effort to combat smuggling that squeezed local prices, particularly during the harvest period.
- > Rice imports for price stabilisation, disasters, and shortages can only be done one month before and two months after the main harvest and only Bulog is allowed to carry out imports.
- > Rice can be exported if domestic consumption has been met. Bulog is allowed to export all types of rice, while private traders can only export 5-percent broken rice.
- > All exports and imports of rice are subject to approval by the trade ministry.



### INDIA

- > In April 2008, India banned export of non-basmati rice as a protection measure amidst global shortage.
- > Export of Basmati rice was permitted at a minimum export price of USD 900 per tonne.
- > On September 2011, a ban on the export of non basmati rice was eased with private traders allowed to export up to 2 million tonnes of non basmati rice without conditions.

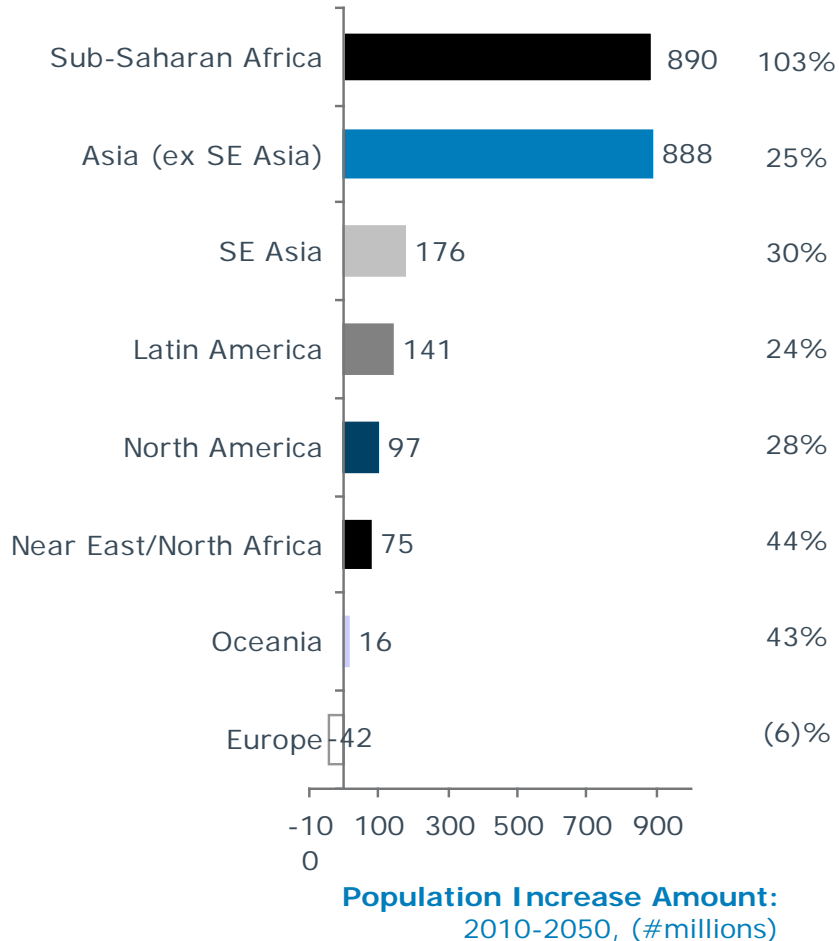


### THAILAND

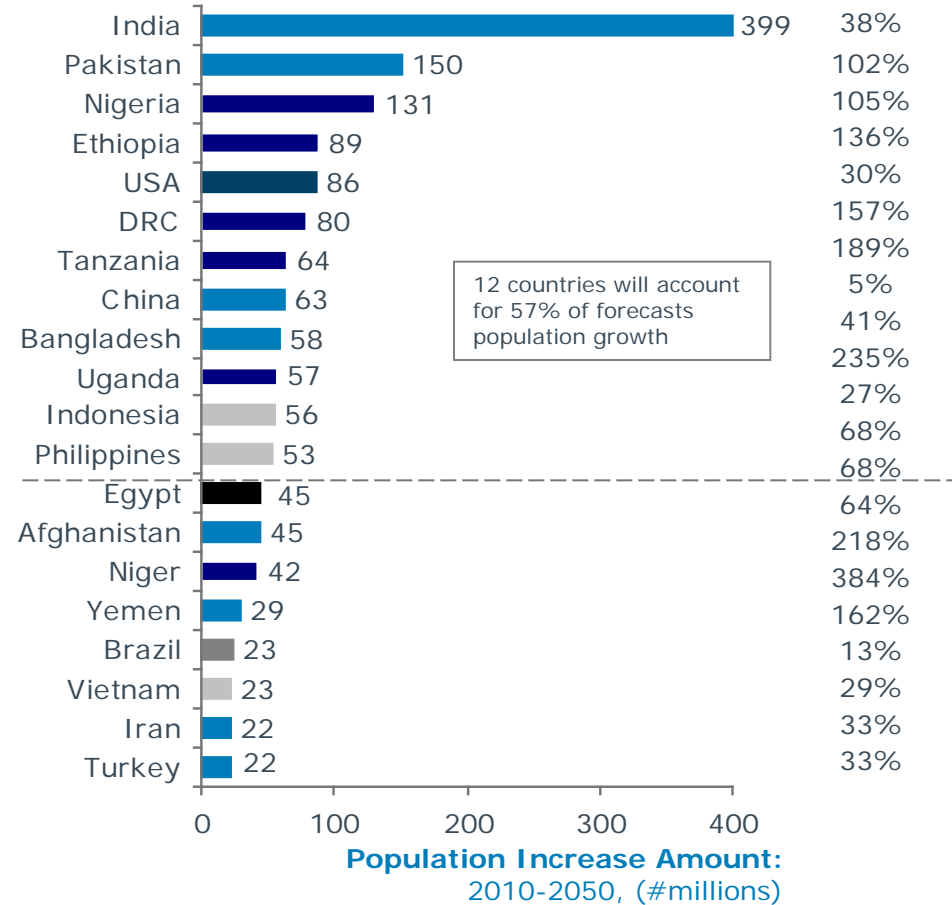
- > Thailand is currently not banning or restricting rice sales. The Government intends to implement a rice mortgage scheme by the 7th of October 2011 with the pledging price of white rice at THB15,000/tonne.
- > Traders believe when the price of white rice reaches THB15,000 per tonne, the rice export price will be US\$850 and it will be more difficult for Thai rice exporters to compete. This is expected to have an impact on rice exports next year.

# Over The Next 40 Years, The World's Population Will Grow By 32%, With 80% Of These Additional 2.2 Billion People Living In Sub-Saharan Africa And Asia

2010-2050 Population Growth by Region Growth



2010-2050 Population Growth by Country Growth

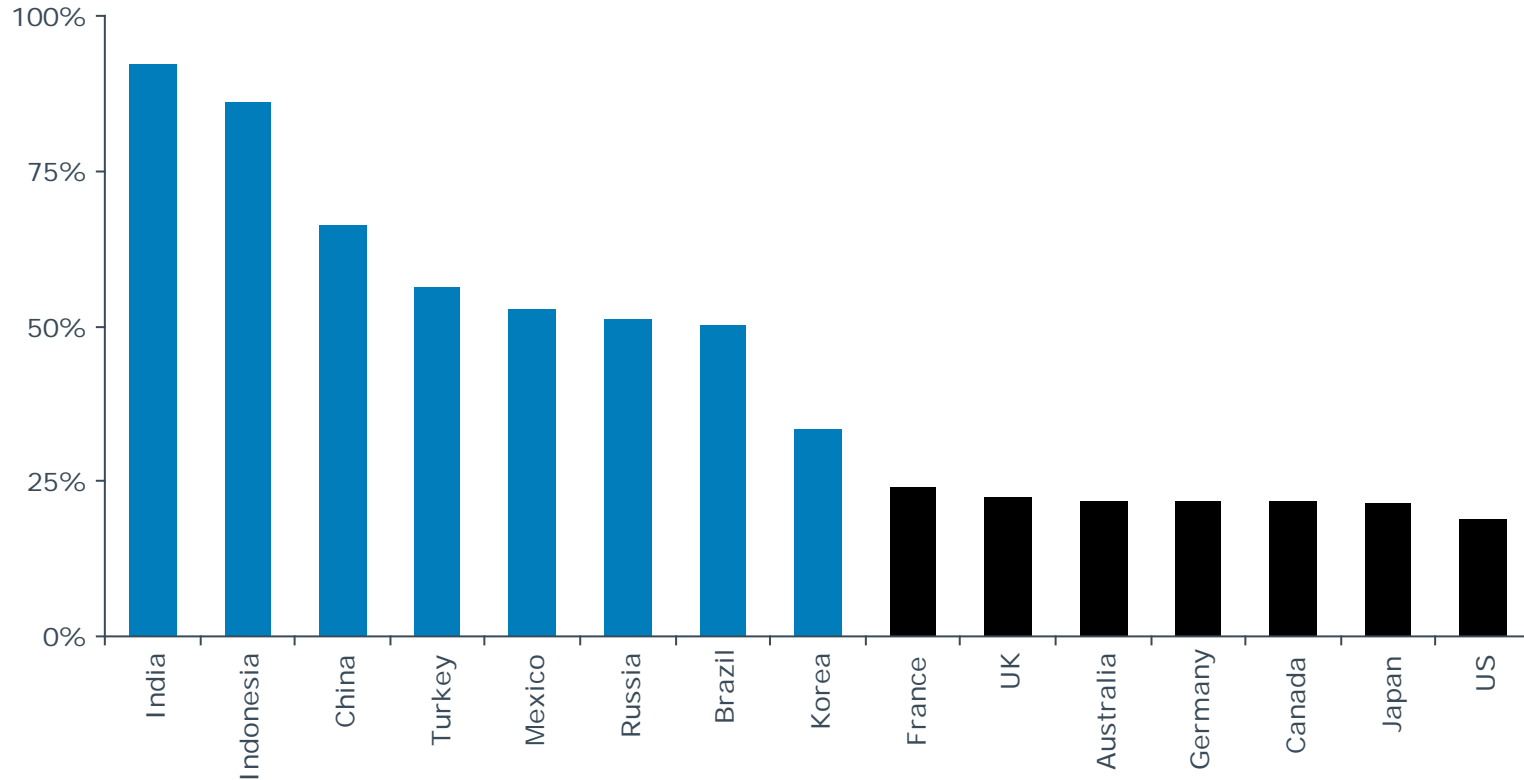


Notes: DRC stands for Democratic Republic of Congo. Tanzania is formally known as United Republic of Tanzania. Asia includes the Middle East; Latin America includes the Caribbean  
 Source: UN POPIN database



# Developing Economies, Especially India, Indonesia And China, Will Experience The Largest Relative Increases In GDP Per Capita

Percentage increase in Real, PPP-adjusted GDP per capita<sup>1</sup>  
2010-2050, (%)



- Developed countries
- Developing countries

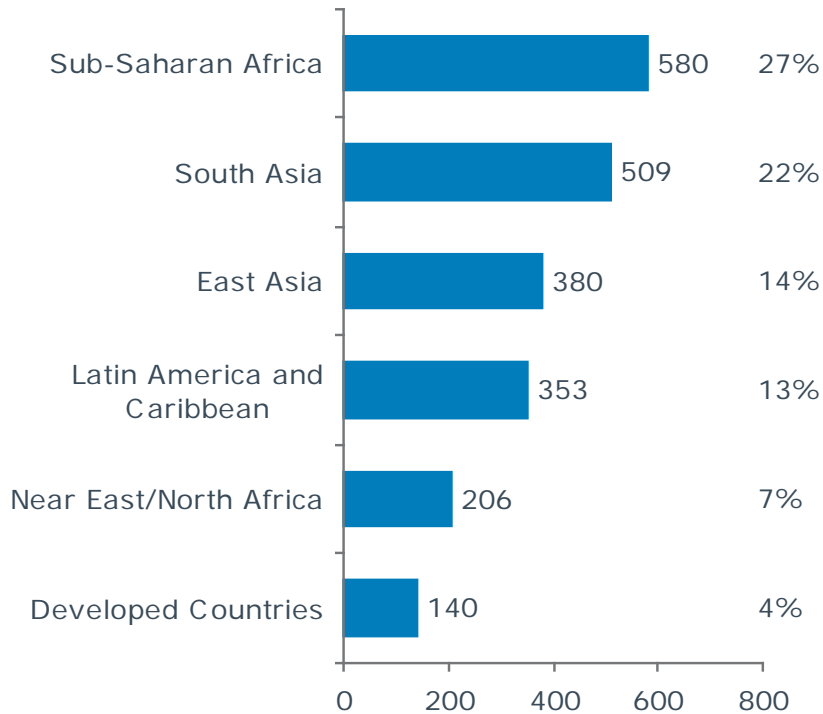
Notes: PPP=Purchasing Power Parity. Real, PPP-adjusted GDP per capita calculated by deflating the PPP-adjusted GDP per capita by the historical US inflation rate (4.49%, equal to the average yearly CPI increase in the US since 1970)  
Source: 'The World in 2050' by PriceWaterhouseCoopers, 2006; CIA World Factbook



# The Majority Of Additional World Food Consumption Will Be In Developing Economies And Will Consist Of Dairy, Vegetable Oil And Meat Products

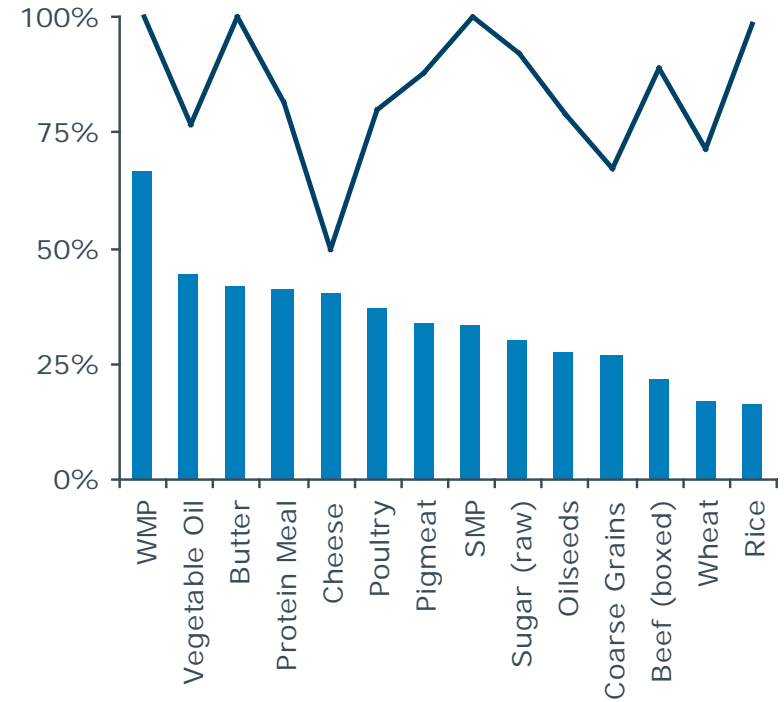
**Developing countries will realise the largest increases in calorie consumption...**

**Forecast increase in dietary energy consumption**  
1999-2050, (kcal/person/day)



**...and will account for over half the increase in world consumption in almost all commodities**

**Non-OECD country increase in commodity consumption and contribution to increase in world consumption**  
2007/09 – 2019/20, (% of Million Tons)

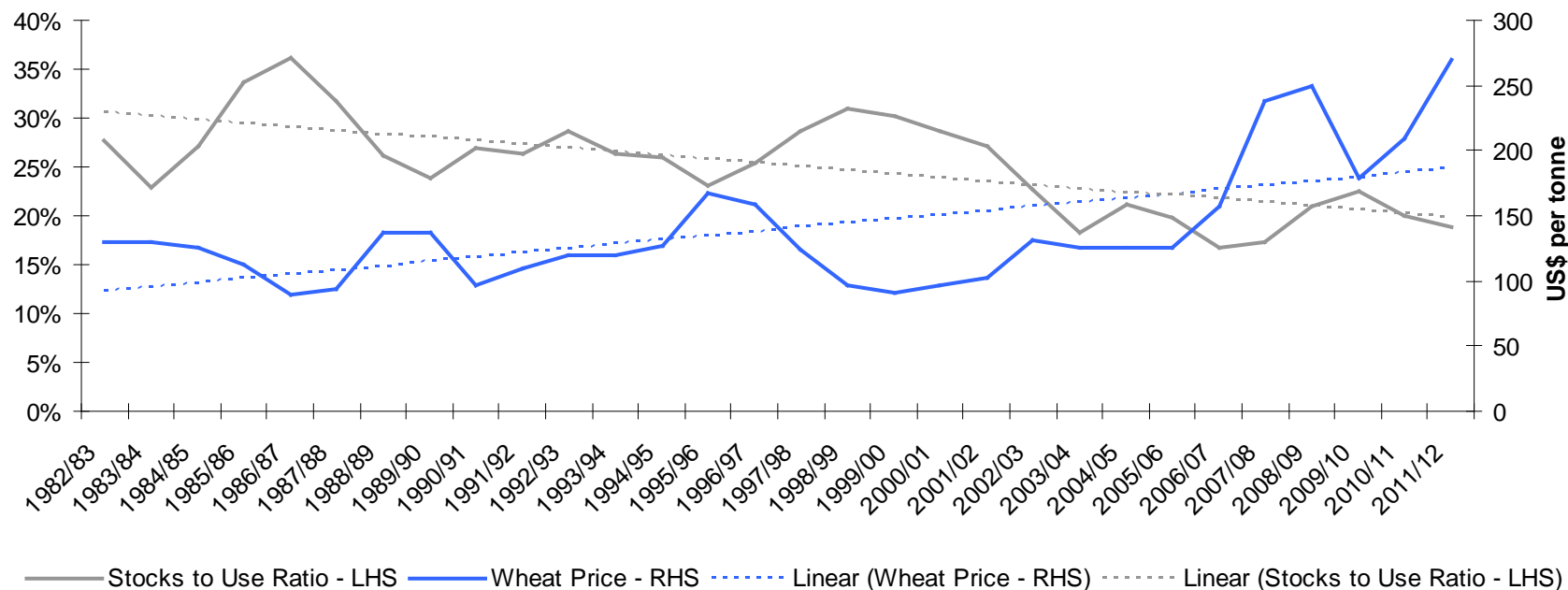


■ Non-OECD contribution to world consumption increase  
■ Non-OECD increase in consumption

Notes: WMP = Whole Milk Powder, SMP = Skim Milk Powder  
Source: 'World Food and Agriculture to 2030/50; Highlights and views from mid-2009', Nikos Alexandratos for FAO; OECD-FAO Agriculture Outlook



## Wheat & Course Grains Stocks to Use Ratio vs Wheat Price

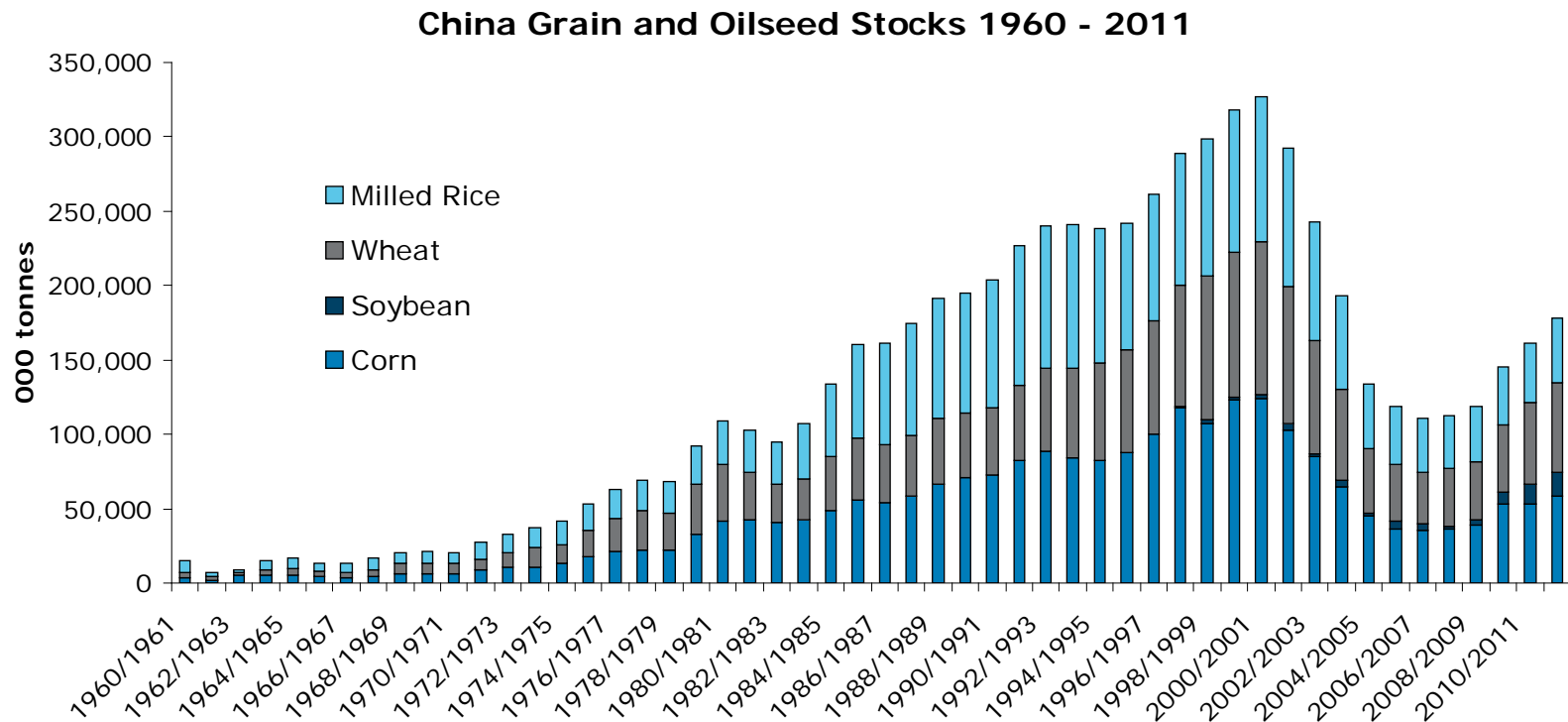


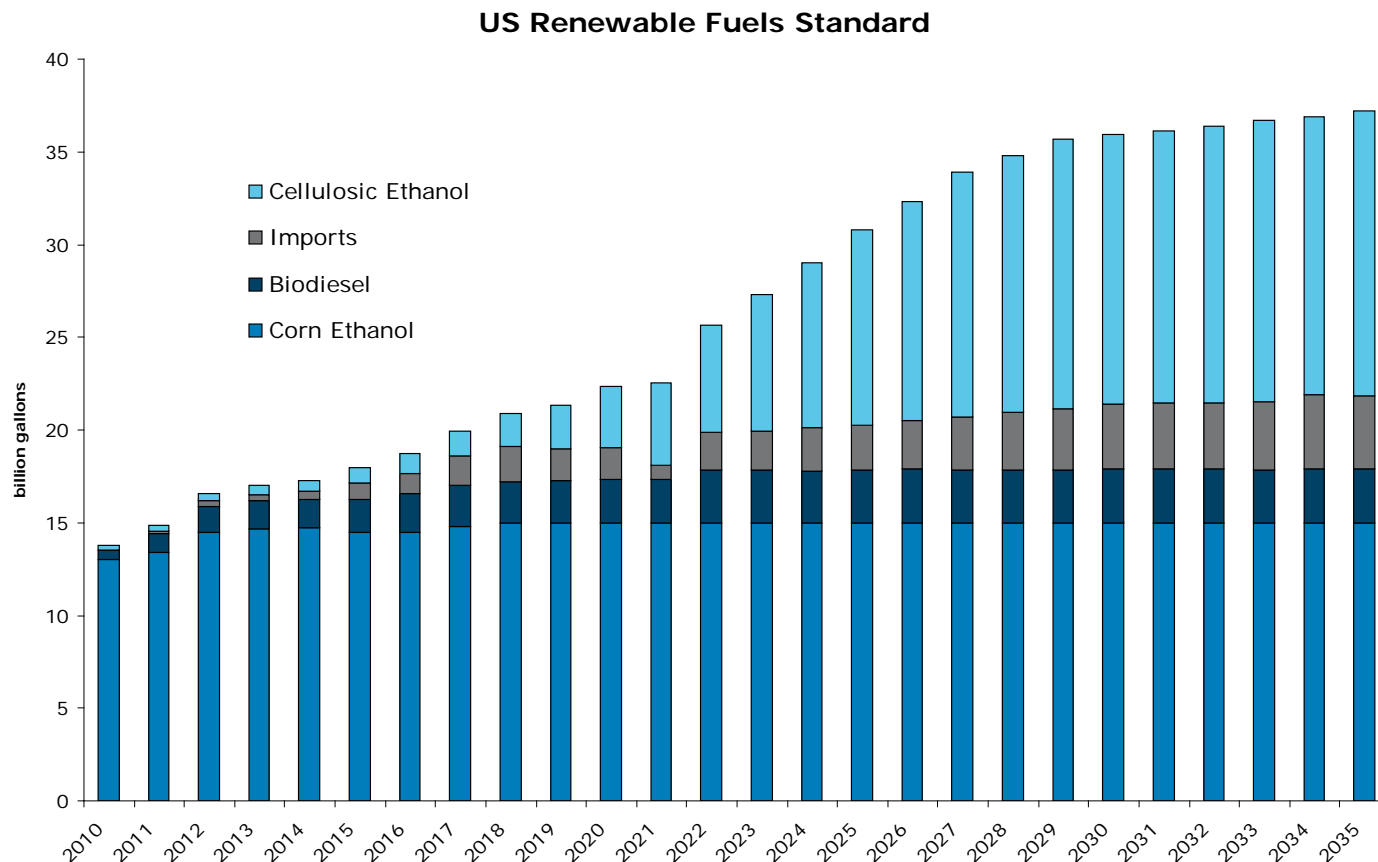
- Stocks in all grains, oilseeds, sugar and cotton have fallen to multi-year lows
- Governments are seeking to build larger reserves than ever
- This combination places commodities one shock away from price spike

Source: USDA



- Chinese likely to rebuild grain and oilseed stocks
- “Just-in-time” management too vulnerable
- Rising commodity prices saw change in policy





- US ethanol consumes around 30% of US corn
- As price setter in US corn market, rebounds on global grain prices
- Cellulosic ethanol doubts may consume almost as much corn again



*The Agricultural Industry needs to achieve massive increases in productivity, while managing the issues of climate change, land degradation, water scarcity and pest infestations. Increased productivity relies on improved skills in efficient use of land, water, fuel and other inputs. Agriculture businesses are becoming increasingly sophisticated with producers needing to have knowledge across a wide range of disciplines.<sup>2</sup>*