MILNE AGRIGROUP

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Investment and Risk in North West Agribusiness Development – a businessman’s perspective
• Milne is a diversified and integrated producer of animal protein.

• Among its well know brands are:
Liveringa Station Beef Pty Ltd

• Now a joint venture between Dowford (Milne’s holding company) and the Hancock Prospecting Group.

• Focus on expanding the operations to secure a foothold in emerging markets in China and in the region.
Risk Management Basics

• Business risk starts with an assessment of the market – it does not matter what we produce or how efficiently if we cannot sell it at a profit the activity will result in loss.

• Long range strategies have substantial risks as much can change and risk factors are harder to assess.

• Businessmen as opposed to visionaries focus on low hanging fruit first since early success helps sustain long term risk. Businessmen generally focus on removing constraints on business growth or those that increase risk.

• Good business development tends to be incremental with a bigger vision in view – small steps reduce the risk of a fall but you still keep your eyes ahead.
Risk Management

• The history of Northern development is littered with big visions that have failed. Businessmen cannot afford that experience.

• What has undeniably survived is the cattle industry – it has well established markets, people and production systems and infrastructure.

• Fortunately, it seems that there are major future opportunities in the growing markets of China and rest of Asia.
The Asian Food Bowl Risk

• There is much hype but little of substance in this vision – we need to keep our feet on the ground and not assume risks on the back of unjustified optimism.

• Our food production is not a scarce resource that will give us superior pricing unless we find ways to make it so. We are likely to need to remain competitive against the best in the world.

• We have to find ways of differentiating the products we can offer and developing brands that others cannot easily or cost effectively replicate
Market Access

- Trade is not free and access to markets will be a challenge;
- It is important to develop products that the overseas market needs –
- Needs are not always determined by the consumer – Government and regulatory authorities are the first gatekeepers;
- When markets are changing – opportunity arises – new entrants attacking the market – existing players defending their market.
- We may be able to link our advantages with partners in the overseas markets and the needs of the partner may define our product development strategy.
‘Provenance’ the basis of differentiation..

• “Understanding the provenance of food, i.e. its origin, how it is produced, transported, and delivered to us, is turned into a competitive advantage by the food industry, since it allows it to demonstrate quality (in taste, in carbon footprint, or in ethics).

• ....across the world, governments and associated regulatory authorities are interested in food safety. (Food safety refers to the conditions and practices that preserve the quality of food to prevent contamination and foodborne illnesses.) In this context, the term of choice is "traceability".

• Regulations, such as the EU Food law, require the traceability of food, feed, food-producing animals and any other substance intended to be, or expected to be, incorporated into a food or feed to be established at all stages of production, processing and distribution.

• Whenever contaminated food is discovered, the ability to trace all its ingredients, suppliers, manufacturers, is critical, as illustrated by the food scandals that regularly show up on the front page of newspapers.”

http://www.uprovenance.com/what-is-provenance/
MAG produces animal protein with provenance..

- Free range pigs for MBF
- Free range pigs for Coles
- Turkeys
- Barn raised chickens
- Free Range Chickens
MAG core competence developed to deliver Provenance

**Business Areas**
- Fibre Processing & Pelletising
- Brangus Breeding & N.W. Calf Production
- Franchised Growing of Livestock
- Meat Marketing

**Core Products**
- Wood & MBP Pellets
- EasyOne & EasyBeef
- Brangus Weaners
- Monogastric Feed
- Free Range Chicken
- Ready to Cook
- Maximise Dairy Feed
- Pegasus Horse Feed
- Feedlot Cattle
- Free Range Pork
- Retail Packs
- Ready to Eat

Sustainability
Ruminant Animal Nutrition
Livestock Production
Meat Sales & Distribution
A History of Irrigation – the Camballin Irrigation Area (CIA) & the Farming Plan.

Kim Durack begins irrigation farming

1949

1958 Durack is ousted from the Company due to his opposition to commercial scale up.

Kim Durack joined with M.E. Farley a rice grower to trial rice growing at Camballin.

1961

Official Opening of the Camballin Irrigations Area.

Northern Developments Pty Ltd and State Government construct Fitzroy Barrage.

1980

Barrage and 17 Mile Dam built by State.

Jack Fletcher and ALCCO expand the CIA and build levee bank.

60,000 acres planned to be irrigated for Sorghum production.

1983

ALCO expansion led by Jack Fletcher.

ALCO project fails due to mismanagement and cash flow and Receivers appointed.

Great vision but failure to attend to and manage the detail – high leverage brings down project.

1985

ALCO Receivership

AIL Holdings Pty Ltd (now Clover Cattle Co Pty Ltd) acquires Liveringa and subsequently Nerrima.

Extensive irrigation trials conducted. Brahman cattle introduced.

1995

Acquisition of Liveringa Station.

Start of modern low risk irrigation operations.

Acquisition of CIA.

2003

LPC builds centre pivots and commences rain fed agriculture on the flood plain.

Research is undertaken at the Pivots. LPC becomes the largest fodder supplier in the Kimberley.

Laitt Family increase their stake taking it to full control in 2000. rename business LPC.

A History of Irrigation – the Camballin Irrigation Area (CIA) & the Farming Plan.
Development of farm land whether for cropping or livestock production involves the transfer or development of technology and this requires a careful assessment of risk. It is important to select a development path based on minimising the risk of loss rather than necessarily maximising gain.

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<th>Development Problem</th>
<th>Cross Breeding Red Brangus</th>
<th>Rain fed Fodder Production</th>
<th>Irrigated Fodder Production</th>
<th>Custom Feedlot</th>
<th>Feed Centre</th>
<th>Grain Production</th>
<th>Heritage Tourism</th>
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### Marketing issues for development projects

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1. Logistics barrier refers to the ability to profitably ship to market and largely depends on freight to value but may also be limited by seasonality and ability to secure distribution.
2. Regulatory barrier includes environmental assessment and impact as well as ability to access key resources such as water and land.
3. Political barrier includes ability to manage community concern and requirement to consult with Traditional Owners as well as acceptability of the project to Government and the policy of regulatory authorities.
4. Market security refers to access to and dependable of the market and will vary depending on the level of sustainable competitive advantage.
Camballin Irrigation Area

1. In 1995 LPC acquired the Camballin Irrigation Scheme (CIA) from the State Government.
2. Of the original 60,000 acres for CIA 12,000 acres have been granted as freehold.
3. The CIA has been supplemented by 3 x 100ha centre pivots with a 6.0 gigalitre water licence on the leasehold land.
4. Government policy encourages Pastoralists to develop agriculture on stations by the issue of ‘Diversification Permits’.
5. Liveringa has extensive underground water reserves that have been tapped but which are presently unused.
3x100ha centre pivots

12000 acres of freehold farm land

Major supplier of fodder in the north west.

Baleage production
Liveringa 2014 Canola Trial –

Two weeks growth July 2014 and now flowering with a good seed set so far...
Liveringa Sunflower Trial 2014

Two weeks growth for Sunflowers between 14 and 25 July 2014
MAG has recently announced the transfer of its Beef Production to a new Joint Venture company Liveringa Stations Beef Pty Ltd held 50/50 with the Hancock Prospecting Group –
LSB Beef Business Plan

**OVERVIEW**

- **Red Brangus genetics introduced via a large scale AI programme and Nucleus stud.**
- **X-breeding results in Brahman cattle for live export and Brangus for other markets.**
- **Brangus cattle are agisted in the south-west and boxed beef market developed.**

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**PROVENANCE FROM LOCATION - RFID – CONTROL OF GENETICS – FEED CONTROL- ANIMAL WELFARE - FOOD SAFETY AND SECURITY OF SUPPLY**
Red Brangus Heifer Replacements

A Prime Australian Cattle and Crop Producing Enterprise

LIVERINGA STATION BEEF JOINT VENTURE
In 2003 LPC acquired high quality semen from the USA and a Red Brangus stud from Queensland and undertook a major Artificial Insemination programme to convert the largely Brahman herd to a mix of Brahman and Brangus. A nucleus herd of elite cattle for breeding bulls has now produced Red Brangus bulls such as Prince Alfred pictured that are adapted to the Kimberley conditions.

The new breed
Liveringa Station has a 12,000 head AQIS approved export feedlot and the business plan envisages this operating as a custom feedlot utilising feed produced at the CIA. The feedlot and on station fodder production also extend the carrying capacity. However, generally it is not profitable to fatten cattle in North West feedlots and Liveringa has run extensive trials.
Retained Ownership

Each year LPC transfers unsold weaners (except females retained for the Replacement Herd) to agistment centres in the South of the State. Average weight of weaners transferred is 150kgs. All agistment is with third parties that have surplus feed available.

Agistment is generally paid at the rate of $1.00 per kg of liveweight gained which is less than the cost of retaining the weaners on the station.

Apart from increasing the kilograms of meat produced agistment extends the range of marketing options in both in time to market and destination.
Clover Meats (Waroona Abattoirs)

- MAG needs to process livestock to gain access to the boxed meat market and to establish and maintain its brands – there is a critical shortage of processing space.
- Waroona Abattoirs – were the largest meat processor in WA and were closed in 1998 (after a major building upgrade) as the result of the Asian crisis.
- The abattoirs also have a by-products processing plant; there is a critical shortage of by-products processing capacity in WA.
Further Processing

LSB markets limited boxed beef at present and uses third party slaughter. Processing cattle results in a large number of primary and co-products and requires comprehensive marketing to optimise returns.

LSB controls the Clover Meats abattoirs (one for cattle and one for pigs) together with a boning room facility. These abattoirs are closed at present but are held for future demand.

MAG will continue to develop consumer products and this will support export market development of boxed beef.


Clover Meats – Waroona south of Perth.

Liveringa Beef consumer packs produced by MAG using state of the art packaging and extended shelf life.
Thankyou for your attention.