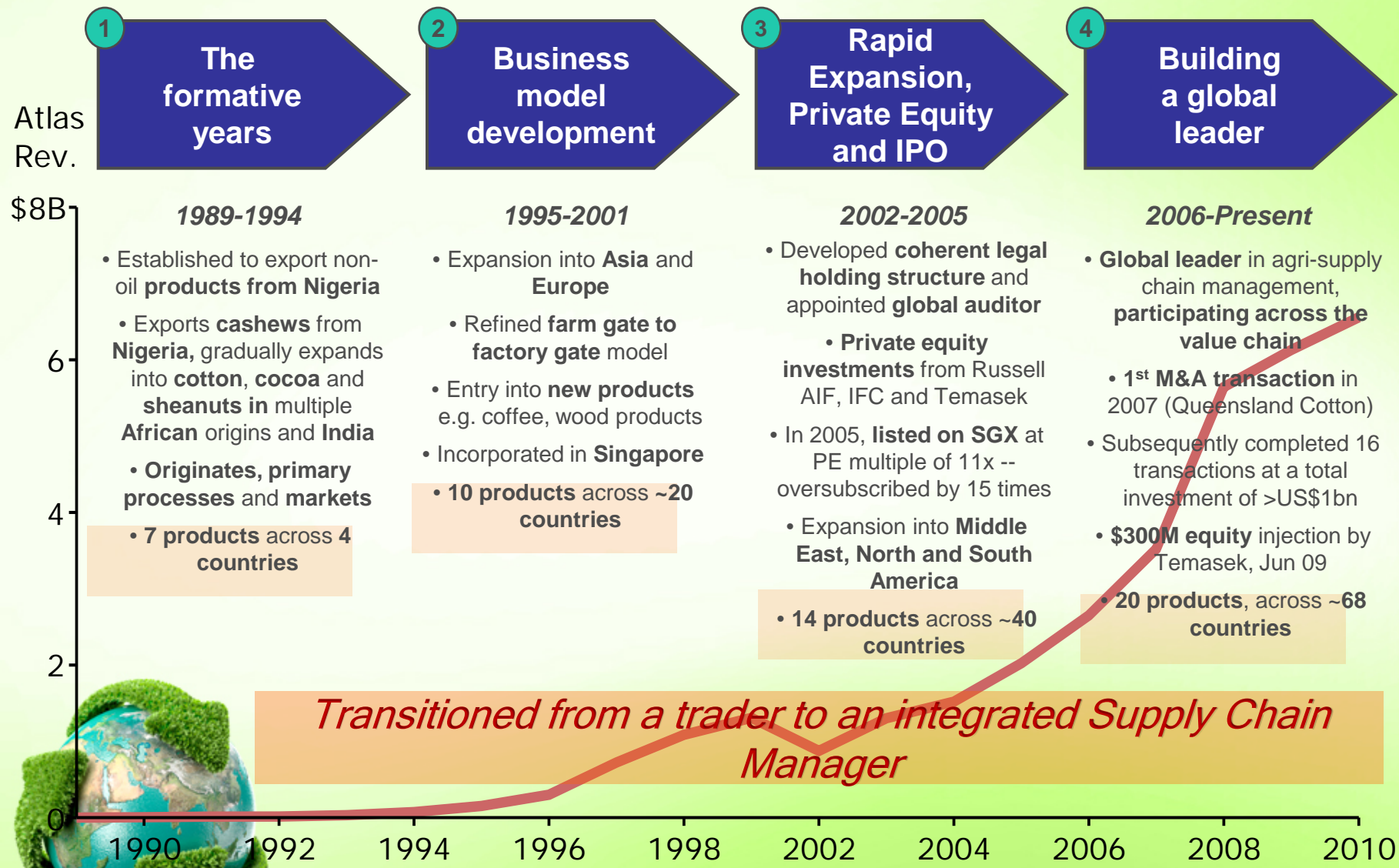




IFAMA, Shanghai
Raj Vardhan

New Global Players from CHINA

Olam International at a Glance



Our Products: Building A Leading Global Position



Edible Nuts, Spices, Beans
Cashew, Peanuts, Other Edible
Nuts, Beans, Sesame, Spices

Largest supplier of
Cashew, Sesame.
Among top 3
suppliers of Peanuts



**Confectionery & Beverage
Ingredients**
Cocoa, Coffee, Sheanuts

Largest supplier of
Cocoa, Robusta
Coffee worldwide



Food Staples, Packaged Foods
Dairy Products, Packaged Foods,
Rice, Wheat, Barley, Palm, Sugar
Canola

One of the top 3
global Rice suppliers



Fibre & Wood Products
Cotton, Wool, Wood Products

Among top 3
suppliers of Cotton.
Leading supplier of
teak from Africa.



Our Presence in China

2004 (Jul)

Location : 4
People : 7
Business : 3
Offices : 3
Provinces : 4
Factory : 0

2006 - 07

Turnover : \$187 M
Location : 12
People : 47
Business : 5
Offices : 5
Provinces : 6
Factory : 1

Present

Turnover : \$789 M
Location : 25
People : 550
Business : 8
Offices : 9
Provinces : 13
Factories: 2

- ✓ Built up some unique competitive competencies over the years
 - ✓ Dehydrate Garlic – Largest processor & exporter from China supplying to 30 countries; KFI referred to as ‘Model Factory’ for its robust systems & controls (By China CIQ)
 - ✓ Cotton : 3rd largest importer in China (Volumes : 425,000 MT); one of the most active trader in the ZCE
 - ✓ Dairy : Top 3 importer of Milk Powder in China
 - ✓ Sesame – Largest importer in China (Volume : > 40,000 MT)



Global Players of China

Haier ^{Beta}

lenovo™

GREE

HUAWEI

LI-NING

Midea[®]
air conditioning

Baidu 百度

ZOOMLION

SANY Quality Changes the World
SANY Group

OLAM

Creating value is our business



What made their foray successful

- A global Mindset to begin with!

“We are a global company with roots in China. Because of our acquisitions over the years, we are actually 'from' many different places” says Chief marketing officer of Lenovo

- Strong domestic market :: Begin with being a “National Leader”
- Engineering led :: China is leader in cost management / Re-engineering!
- Deep pockets :: Ability to invest in key assets
- Maintaining the “core” of their business
- Attention to Localization
 - Understand being a “Glocal” Brand!
 - Global structures



Is this applicable to the Agri Industry?

- Are there National leaders who can take on Global aspirations?
 - Bright Food
 - COFCO
- Does China Have the “Know How” in Agri space?
 - Food safety concerns
 - Low investments in innovation and R&D
 - No large known Chinese “F&B” Brand outside China....
 - No visible advantage



Is this applicable to the Agri Industry?

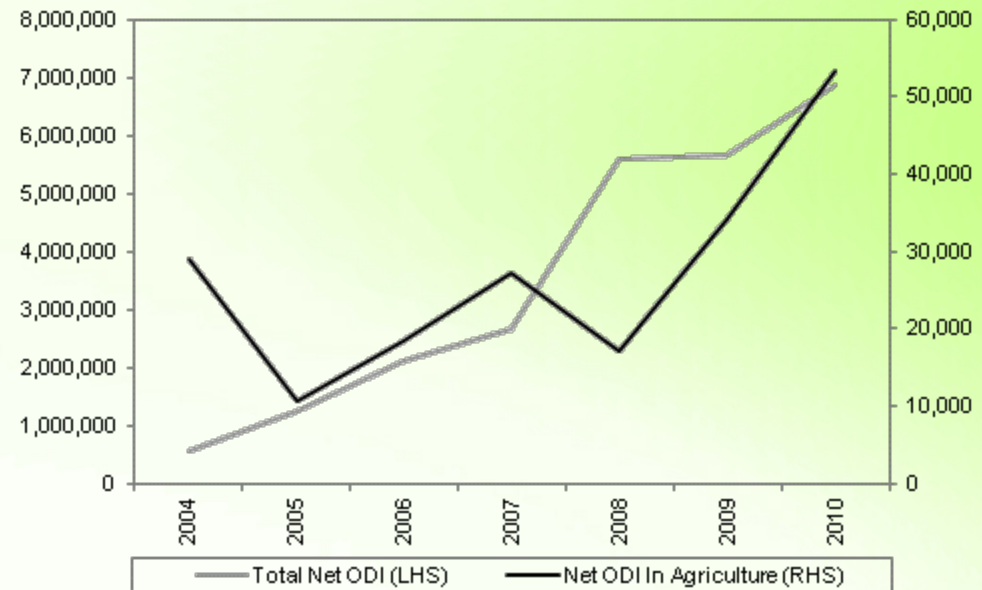
- Deep Pockets
 - Support from the Government :: 30Mn Rmb subsidy...
 - Maintaining market share in a growing domestic market
 - Ability to raise capital from domestic investors....
- Attention to Marketing::
 - Jianlibao...not understanding the core
 - Intense competition in Global space :: Li Ning

For Chinese brands contemplating overseas expansion, reputation will have to precede physical presence!



Current scale of Agri investments outside China

- Agri investments are a very small % of total China FDI...
- More than 90% is on “Resource seeking”
- Only “83” transactions of total value – 933Mn\$ in purchase of “Brands” in last two years!



China - Overseas Direct Investment, US\$10,000

Low Value Small transactions.....



Stages of Global Foray

STAGE 1 :: Resource seeking :: Main area of operation

- Ruifeng Rubber Company - invested US\$20mn to set up rubber plantations in Laos. / Chongqing Grain Group :: soybean production base in Brazil / Julong Group :: Palm plantation in Indonesia
- Global Concerns :: Sensitivity to resource control!

STAGE 2 :: Market seeking :: Export oriented Vs Brand oriented?

- Huadilao Huoguo :: Hotpot store in New York & Singapore

STAGE 3 :: Strategic asset seeking :: Minimal

Less than 2% of total investment in Agri



Which areas will be the focus going ahead?

- Resource seeking to be the main investment area for the near future

“For Chinese Companies, when they make M&As abroad, they mainly focus on upstream resources and their major purpose is to lift market share in the China Market” Fiona Wan , Analyst China venture

- Market seeking :: East Asia & SE Asia Natural choices for Market expansions



Which areas will be the focus going ahead?

- Strategic asset seeking may not be easy::
 - Bright Food, experienced four failed attempts in buying assets overseas before their NZ / Aus deals.
- Expansions into developed markets to acquire brands and market access will be the corner stone of future investment
- “F&B”, Farming, Plantations, and Primary Processing the main Areas for investment in coming years!



How does the Future span?

Global Alliances ::

- Joint ventures / M&A :: Consolidation towards stronger “National Brands”
 - China’s M&A transactions in the food and beverage sector reached 9.33Bn \$ with 221 deals from Jul’08-Jun’11.
 - Outbound accounted for merely 1% by value
 - There were only Eight deals which were outbound
- R&D :: Bringing Ag tech into China
 - Genetics / Animal Nutrition & Ag Yield
 - Companies will look for targets in this area to improve performance in China



What are the challenges?

- Global concern on China investing on “Natural resources”
 - Brazil / Argentina / NZ / UK
- Global reputation
 - Very thin line between “Value for Money” and “Low Value”
 - How to make the transition to being a “Globally accepted Brand”
- Management style
 - Availability of Managers with GLOBAL mindset/
Company DNA...
 - Language / Culture sensitivity....



THANK YOU

