Outlook on Global Cooperation
IFAMA 2012 World Forum

Akarin Gaw
Agenda

- Americold Introduction
- Global Food Trade
- China Food Trends
- Partnering for Growth
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1. Americold Introduction
2. Global Food Trade
3. China Food Trends
4. Partnering for Growth
Americold Overview

Temperature-Controlled Warehousing, Consolidation and Transportation Services

Other value added services:
- Trade financing & support services
- Distribution services
- Customs and Quarantine
- USDA inspection
- Stamping & labeling
- Container loading & Unloading
- Produce fumigation
- Repackaging & processing
- Crossdocking & transloading

Indicates where Americold provides service in the supply chain.
Global Network

United States

Snapshots

• 182 warehouse operations
• 12% of global warehouse capacity
• 30% of US warehouse capacity
• Integrated supply chain solutions
• 12,000 associates
• Headquartered in Atlanta, GA

Canada
Australia
New Zealand
Argentina
China
Americold History

• Over 100-year history in the United States
• Consolidation in US market over the last 20 years
• Merger of 4 regional entities in 1999
• Remained a purely domestic company through 2009
• Global financial crisis and a new shareholder and management vision created opportunity for international expansion
• Acquired Versacold, 2nd largest global player, with footprint in the US, Canada, Australia, New Zealand and Argentina in 2010
• Formed JV to enter China market in 2010
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Global Food Trade Overview

- Food trade is increasingly interlinked in the “Global Economy”
- Trade of refrigerated and frozen food is the fastest growth segment in global trade\(^1\)
- Emerging market countries consumption increases combined with adverse weather conditions are driving up food costs
- Long term sourcing strategies will focus on the least cost producers – ie the US is a low cost grain and protein producer
- Developing competitive sourcing strategies will be imperative to growth and success in agribusiness
- Developing an efficient supply chain in emerging markets will be a key differentiator for long term success

\(^1\)Source: Port Import Export Reporting Service (PIERS).
Trade Flows

Growth in Import & Export of Temperature-Controlled Food

- 6.5% CAGR

Temp-Controlled Product Imports, by Country Share and Growth Rate

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Share</th>
<th>'07-'10 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU Countries</td>
<td>17.1%</td>
<td>26.9%</td>
</tr>
<tr>
<td>United States</td>
<td>16.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Russia</td>
<td>14.6%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Brazil</td>
<td>7.4%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>5.1%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Norway</td>
<td>4.6%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Australia</td>
<td>3.8%</td>
<td>34.1%</td>
</tr>
<tr>
<td>Chile</td>
<td>3.7%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.6%</td>
<td>13.2%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.5%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

1 USDA Foreign Agriculture Service
Customers Are Increasingly Global

Our Domestic US Customers

- Oris Spunkmeyer
- Heinz
- Perdue
- Whole Foods Market
- Kraft
- Sysco
- Johnson & Johnson
- Danbury Butter
- General Mills
- Ocean Spray
- ConAgra Foods
- Kellogg’s
- M&M’s
- Mars
- Campbells
- Sam Lee
- USDA
- Pilgrim’s Pride
- Tyson Foods, Inc.
- Smithfield
- Simplot
- Gold Kist
- Nestle

International Customers

- Rich’s
- Coca Cola
- Walmart
- 人人乐
- Dole
- Leconte
- 伊利
- Yum!
- Croissants de France
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Urbanization & Affluence

China Urbanization

2005: 43%
2009: 47%
2015: 52%
2030: 65%

2009 to 2030 impact = +225M urban residents and +4.5 trillion USD consumption

Source: China Academy of Social Sciences

Urban Household Affluence

1985: 99.3%
1995: 92.9%
2005: 77.3%
2015: 49.7%
2025: 59.4%

- Poor
- Upper middle class
- Lower middle class
- Global affluent
- Mass affluent

Some figures do not sum to 100% b/c of rounding.
Food Consumption

Annual Growth Rates in China Food Consumption (Tons)

<table>
<thead>
<tr>
<th>Period</th>
<th>Chilled Processed Food</th>
<th>Frozen Processed Food</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 to 2011</td>
<td>9.0%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2011 to 2016</td>
<td>11.9%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>


Strong growth in consumption and outlets
Rural vs. urban consumption

- Growth in Protein and F&V consumption in urban consumption exceeds rural consumption
- Tier 2 & 3 city growth rate is exceeding tier 1 cities
Food consumption trends

- Growth of imported and higher value food continues with increase in disposable income with middle income earners
- Food safety remains top consumer concern in China
- Imported food often selected since it meets safety standard of country of origin and CIQ processes in China
- Will be the largest market for imported food by 2018\(^1\)
- Demand forecasts of convenience and foodservice expected to be 12-14% CAGR\(^2\)
- Fresh/chilled food are still preferred over frozen; becoming more accepted with younger consumers

\(^2\)Euromonitor, 2010.
Logistics cost comparison

- Availability of reefer trucks
- Truck utilization
- Management of service delivery area restrictions
- Redeployment of assets

- Availability of facilities
- Energy management
- Throughput efficiency
- Facility cube utilization
- Inventory management

Source: Americold internal research data.
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Partnering for Growth

Customer / Business Partnerships
- Commercial relationship
- Contractual arrangement
- Product & Services

Strategic Alliances / Partnerships
- Formal agreement to collaborate
- Mutually beneficial goals
- No assets, no employees
- Limited legal standing

Joint Venture Partnerships
- Standalone entity
- Shared ownership
  - Benefits
  - Complexity
- “Marriage”

Shenzhen Agricultural Products Co.
Factors for Consideration

• Strategic and Commercial Rationale
  – Operational Expertise, Technology, Marketing, Customers, Government and Regulatory Climate

• Capital Resources / Risk management

• Shareholder Expectations / Value Creation / Exit

• Social or “People” Issues

• Create Win-Win Outcomes
To JV or Not to JV?

1. Do I have a choice?  
   **NO**  
   **YES**  
   Arranged Marriage

2. Does the partner add value to my business?  
   **NO**  
   **YES**  
   Go it Alone
   
   a. Partner Selection
   b. Engagement
   c. Wedding
   d. Manage the Relationship

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Established in 1872, China Merchants is the oldest mainland China enterprise headquartered in Hong Kong. As of 2011 the group had a market cap of $55B.
China Merchants Americold (CMAC)

- CMAC is a joint venture established between China Merchants Holdings (International) and Americold
- Offer fully-integrated warehousing and transportation services in China
- Services will include import/export, fresh distribution and direct to store deliveries
- CMAC currently owns and manages 11 cold storage facilities in China (including Hong Kong) and will build up extensive cold-chain networks in the next few years.
- Distribution to 500 points within China
- CMAC operations subsidiaries:
Current China Network

- 11 distribution centers in operation across China (including Hong Kong)
- 160+ reefer vehicles

Our goal is to build a national hub and spoke cold chain network using the following facility types:
1. Plant-attached
2. Port-based
3. Hub Consolidation
4. Spoke Crossdock
China Network by 2017

- Nationwide network of over 25 distribution sites over the next 5 years
Trade Support, Financing & Other Supply Chain Services

Trade Supporting Service
- Trade matching and tracking
- Transaction platform
- Channel management
- Retailing in warehouse

Supply Chain Financing Service
- Prepaying Customs Tax for Customer
- Credit Support
- Financing Products Agency
- Financing Service
For VIP Customers

Public Service
- Information Dissemination
- Public Knowledge Promotion
- Industrial Standard Implementation
- Enterprise Credit Appraisal
Reflections on our first 2 years

• Very fragmented; intensive competition
• Everyone is cost sensitive
• Highly dynamic market – high growth
• Flexibility and agility – be prepared for change
• Continuous strategic assessment
• Manage priorities
Thank you!