

A photograph of a dark-colored cow grazing in a lush green field during sunset. The cow is in the foreground on the right, with its head down. In the background, another cow is visible, and a large tree stands under a sky with warm, golden light.

PGG Wrightson Seed, Grain and Nutrition Overview of AgriTech Business

Wednesday 7th July 2010

AgriTech Overview

Seeds

- ♦ Forage seeds
 - ♦ Turf seeds
 - ♦ Seed coating and treatment
 - ♦ Intellectual Property
 - ♦ Seed Production
 - ♦ Research and Development
-
- ♦ New Zealand
 - ♦ Australia
 - ♦ Uruguay
 - ♦ Argentina
 - ♦ 20 – 25 export markets

Grain

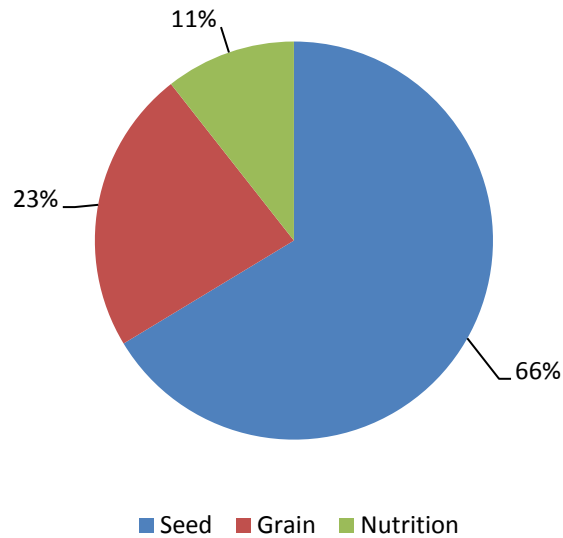
- ♦ Grain trading
 - ♦ Proprietary cereal seed
 - ♦ Grain services (storage and drying)
-
- ♦ New Zealand

Nutrition

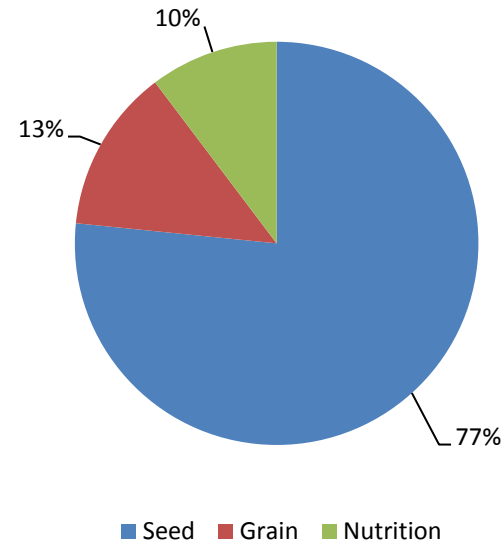
- ♦ Liquid feed supplement
 - ♦ Feed Additive Technology
 - ♦ Animal Health Products
-
- ♦ New Zealand

AgriTech Snapshot

AgriTech Revenue (FY10)



AgriTech EBITDA (FY10)



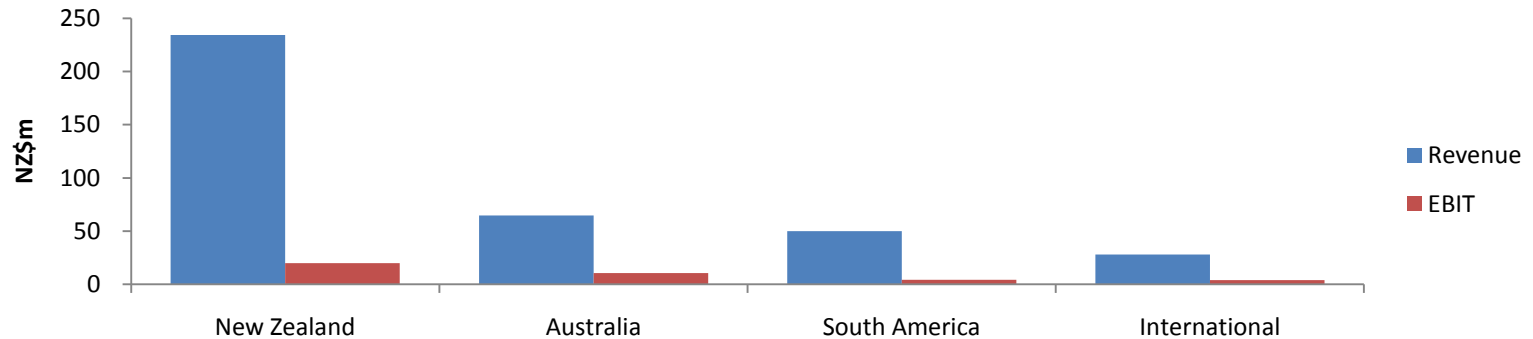
Key facts:

- Revenue - \$391m
- EBITDA - \$42m
- 426 FTEs

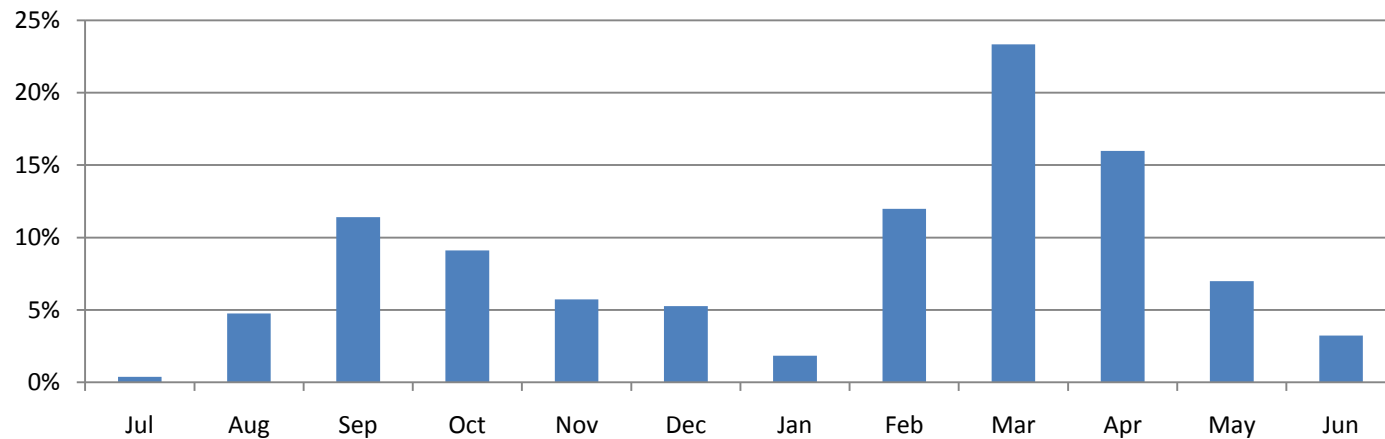
* Based on Prospective Financial Information (PFI)

AgriTech Snapshot

AgriTech Sales Locations



AgriTech EBITDA Phasing



* Based on PFI

Seeds

Key features of Seeds

Portfolio of
proprietary
products generating
high margins

- ◆ Investing in proprietary products that justify higher margins
- ◆ Broad product portfolio (including commodity) necessary to meet diverse customer requirements

IP and R&D
capability, with
external
relationships

- ◆ Strong internal capability supplemented by a range of external research providers
- ◆ Innovative contractual arrangements positions PGW to earn future licensing revenue on non-PGW products from intellectual property and technology fees

Key features of Seeds

Leading channel
and customer
relationships

- ◆ Established in-market distribution infrastructure
- ◆ Brand diversity allows access to conflicted and well developed sales channels
- ◆ Supplying a diverse product portfolio to a network of international customers allows for inventory disposal

Diversified
production
platforms

- ◆ Established global network of contract growers
- ◆ Commodity seed accessed through traditional trading markets
- ◆ Assists with the management of product supply and inventory risks

Seeds - History



Semillas PAS purchased to form Wrightson PAS



1999

Merger between Pyne Gould Guinness and Wrightson

Nov 2005

PGG Wrightson Seeds



2007

2008

2009

Oct 2005

PGG acquires Agricom



PGG seeds



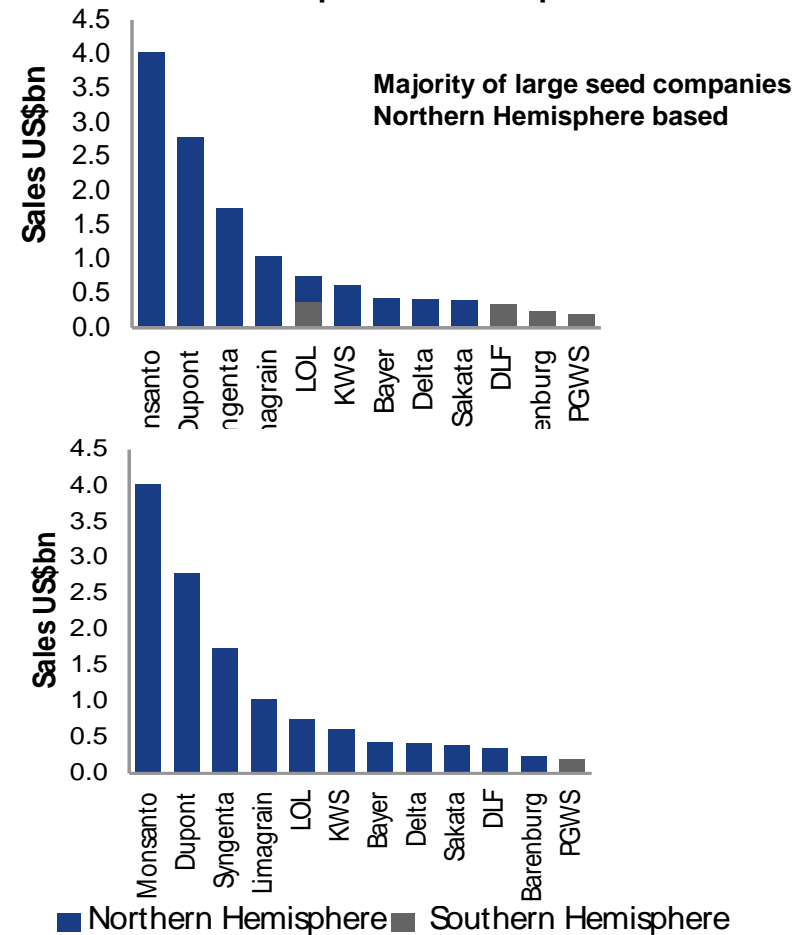
Seeds - Business Profile

International market leader in temperate forage seeds

Key features

- ◆ Leading seeds supplier in the Southern Hemisphere
- ◆ Clear leadership in key markets:
 - #1 in New Zealand
 - Strong in Australia
 - South America growing market share
- ◆ Main competitors are:
 - ◆ Northern Hemisphere
 - ◆ Turf focused
 - ◆ Family or Co-op owned

World's top 12 seed companies



Source: ETC Group

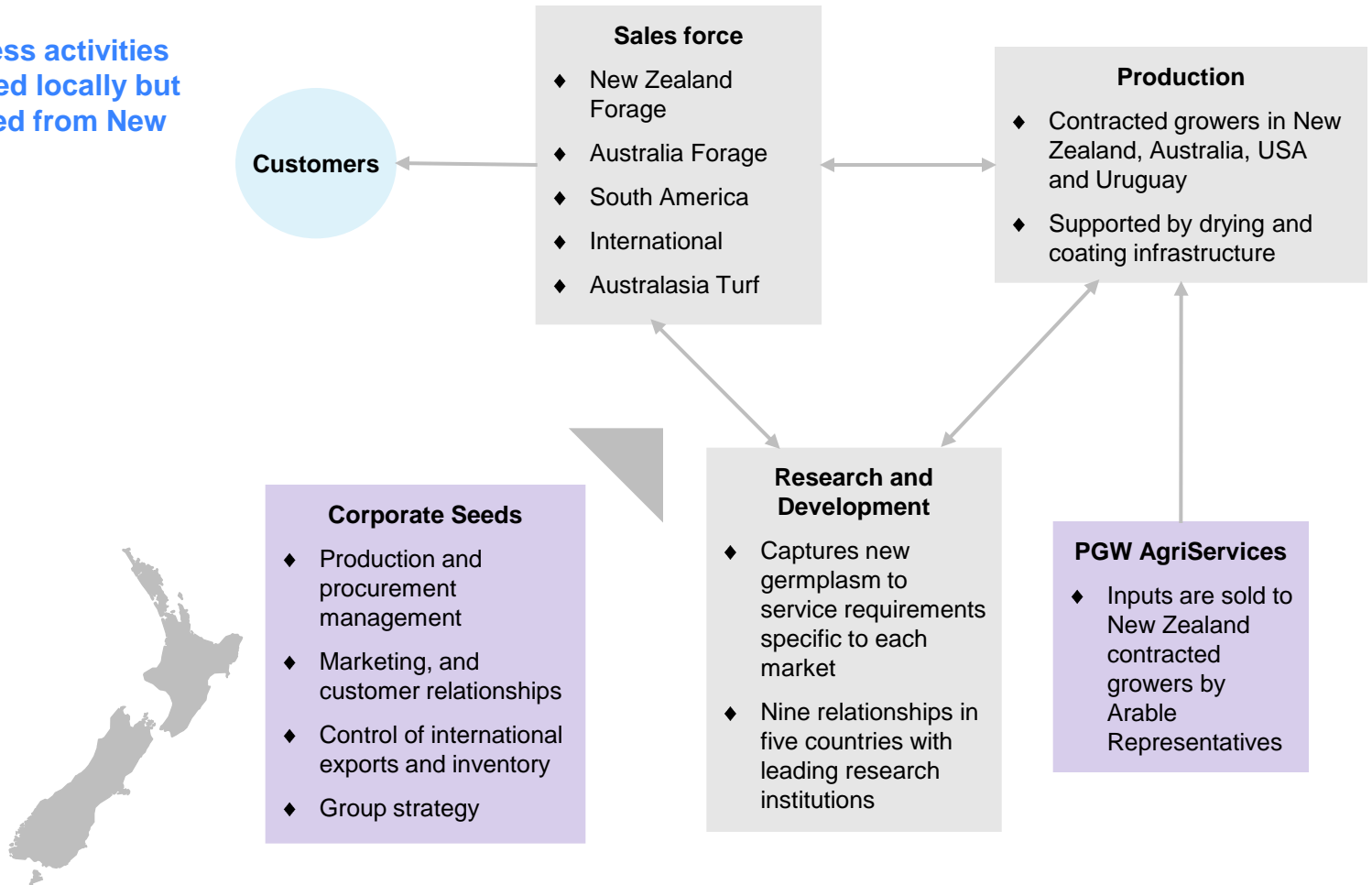
Note:

1

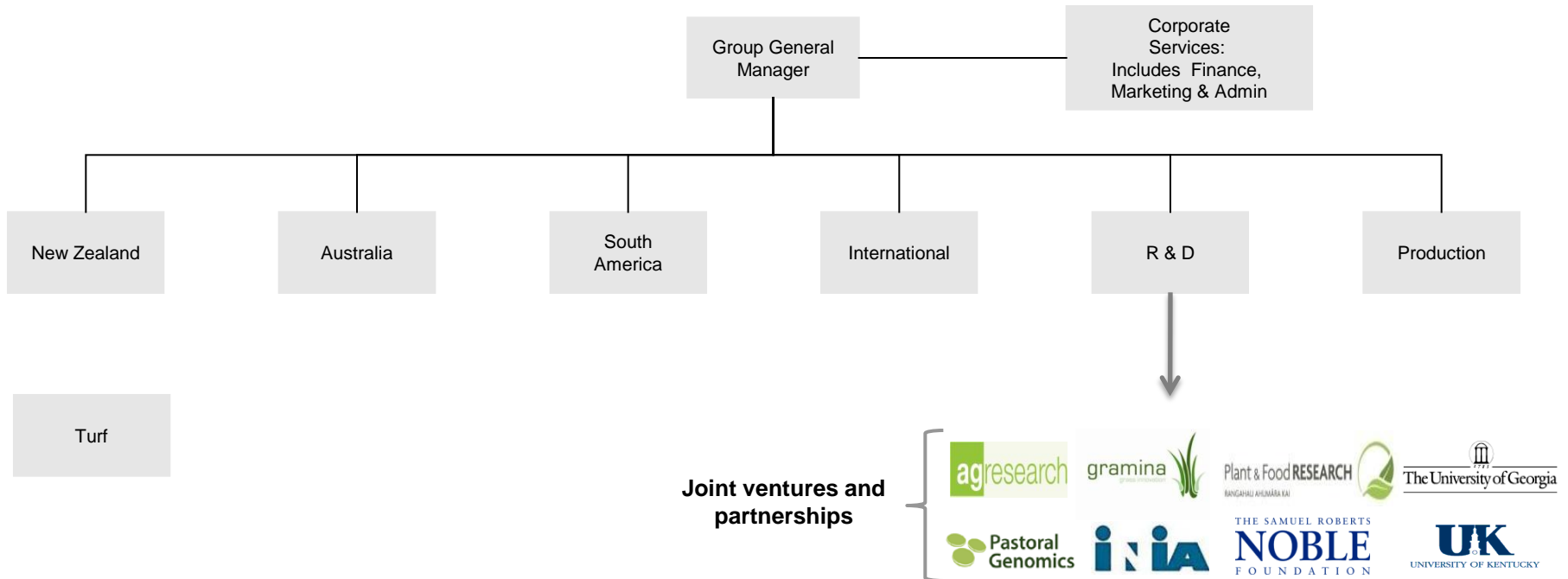
LOL is Land O' Lakes

Seeds Operating Structure

Key business activities
are delivered locally but
co-ordinated from New
Zealand



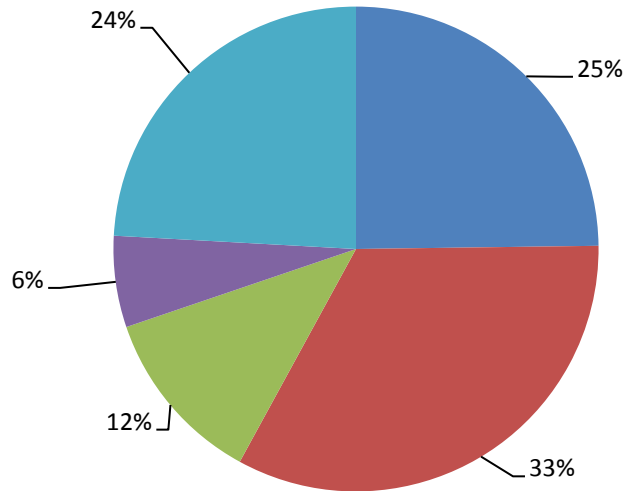
Business Structure



Seeds - Business Profile

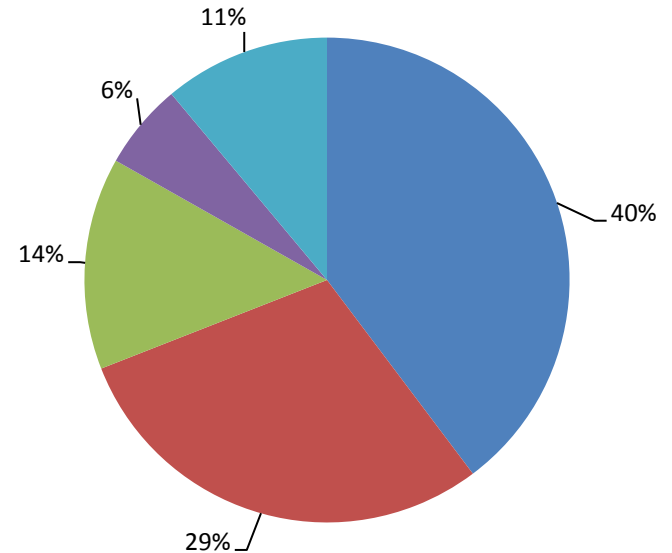
Core markets are New Zealand, Australia and South America

Seed Revenue (FY10)



■ NZ Forage ■ Aust Forage ■ International ■ Turf ■ South America

Seed EBITDA (FY10)



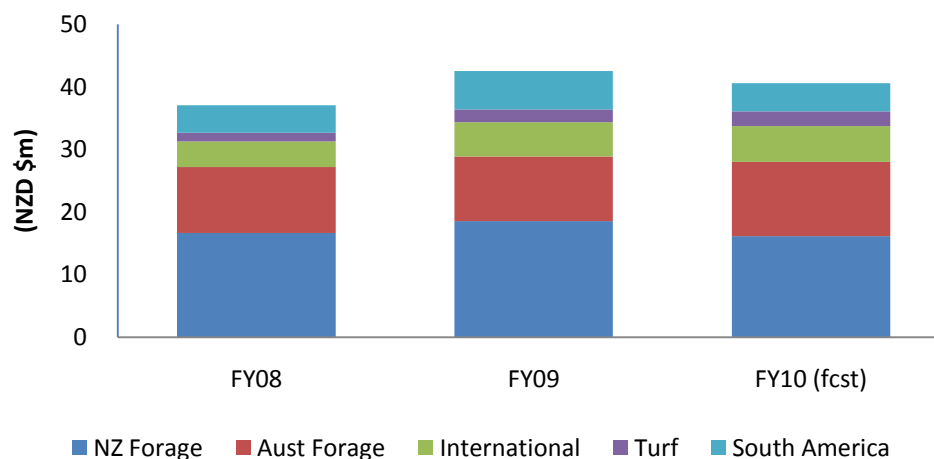
■ NZ Forage ■ Aust Forage ■ International ■ Turf ■ South America

* Based on PFI

Seeds Financial Performance – 3 years

	FY08 <i>Actual</i>	FY09 <i>Actual</i>	FY10 <i>Forecast</i>
Revenue (NZ\$m)	224.7	260.2	259.3
<i>Gross Margin %</i>	<i>29.9%</i>	<i>29.7%</i>	<i>30.4%</i>

Seeds EBITDA

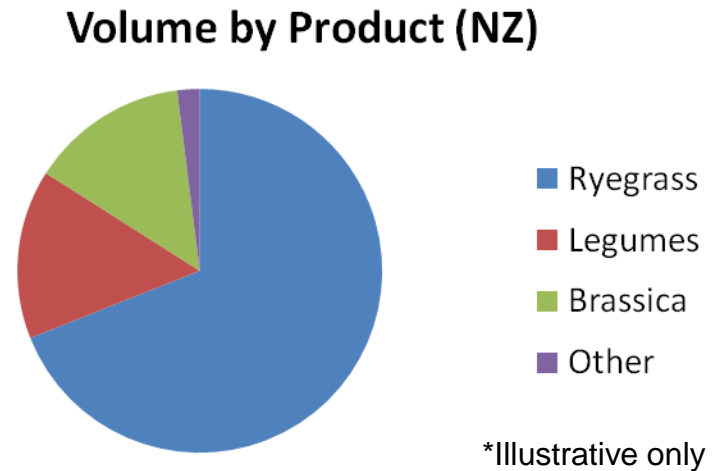
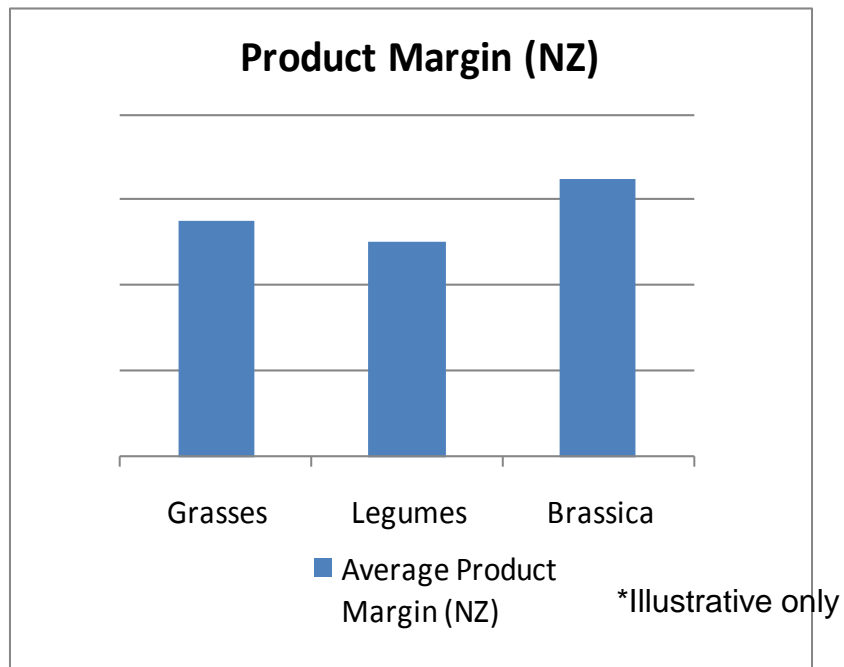


* Based on PFI

Seeds Product Portfolio

Extensive product portfolio caters to a range of pastoral requirements and climatic conditions

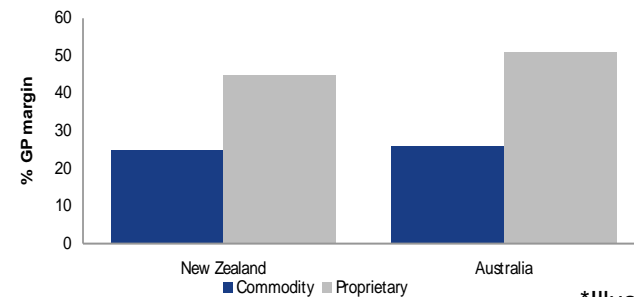
- ◆ Broad product portfolio across categories and within categories
- ◆ Helps meet diverse customer requirements and account for specific geographic requirements
- ◆ PGW Seeds strong in all product categories – especially New Zealand brassica market
- ◆ Seed coating and branded products create opportunities for additional margin



Proprietary sales are key driver of margin

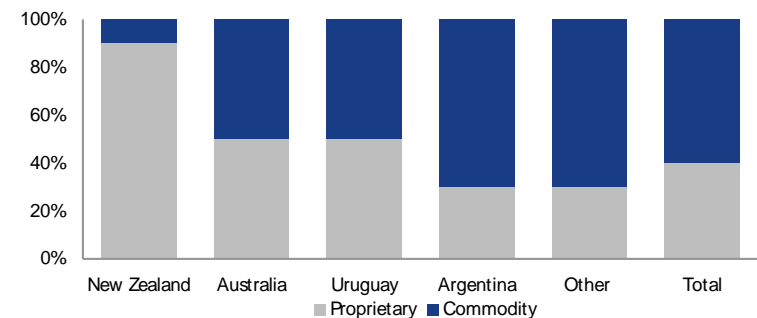
- ◆ Proprietary seed is the product from an R&D program and command a market premium
- ◆ Commodity seed is publicly traded and has no intellectual property rights
- ◆ Seed markets differ in their market share of proprietary vs. commodity seed.
- ◆ Product strategy involves the “proprietary push” and “commodity control”
 - push – improved seed through R&D, marketing and product demonstration programmes
 - pull – procurement and distribution of commodity to low-value markets

Margin comparison – commodity versus proprietary



*Illustrative only

Commodity vs. proprietary seed (volume split)

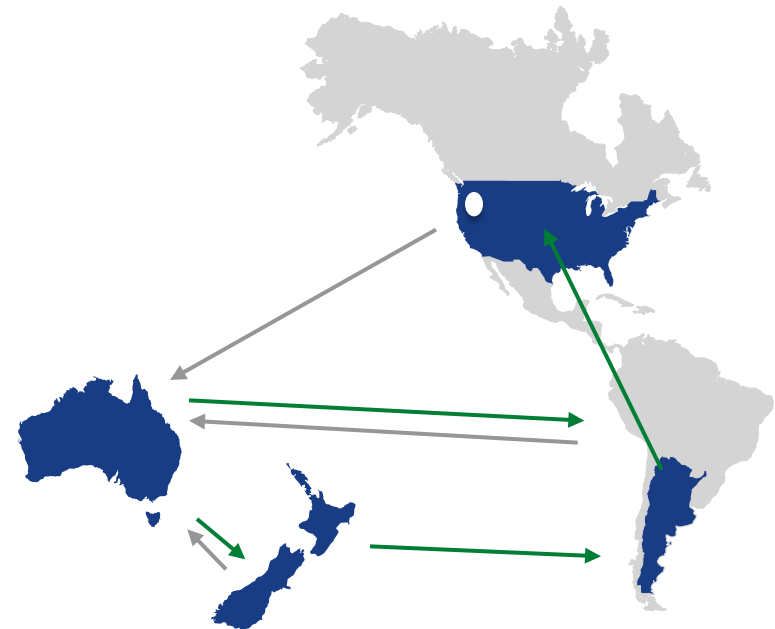


*Illustrative only

Production base is substantial and scalable

- ◆ Complex production requirements:
 - 22 species
 - 220 varieties
- ◆ Production sourced via both direct contracting with farmers and contracting through third parties
- ◆ Local factors dictate production decisions:
 - relative input costs and foreign exchange;
 - climatic risk and market access;
 - Infrastructure (i.e. irrigation dictates production yields);
 - species type limits locality of production (i.e. sub-tropicals limited to Australia and South America)

Global proprietary production platform



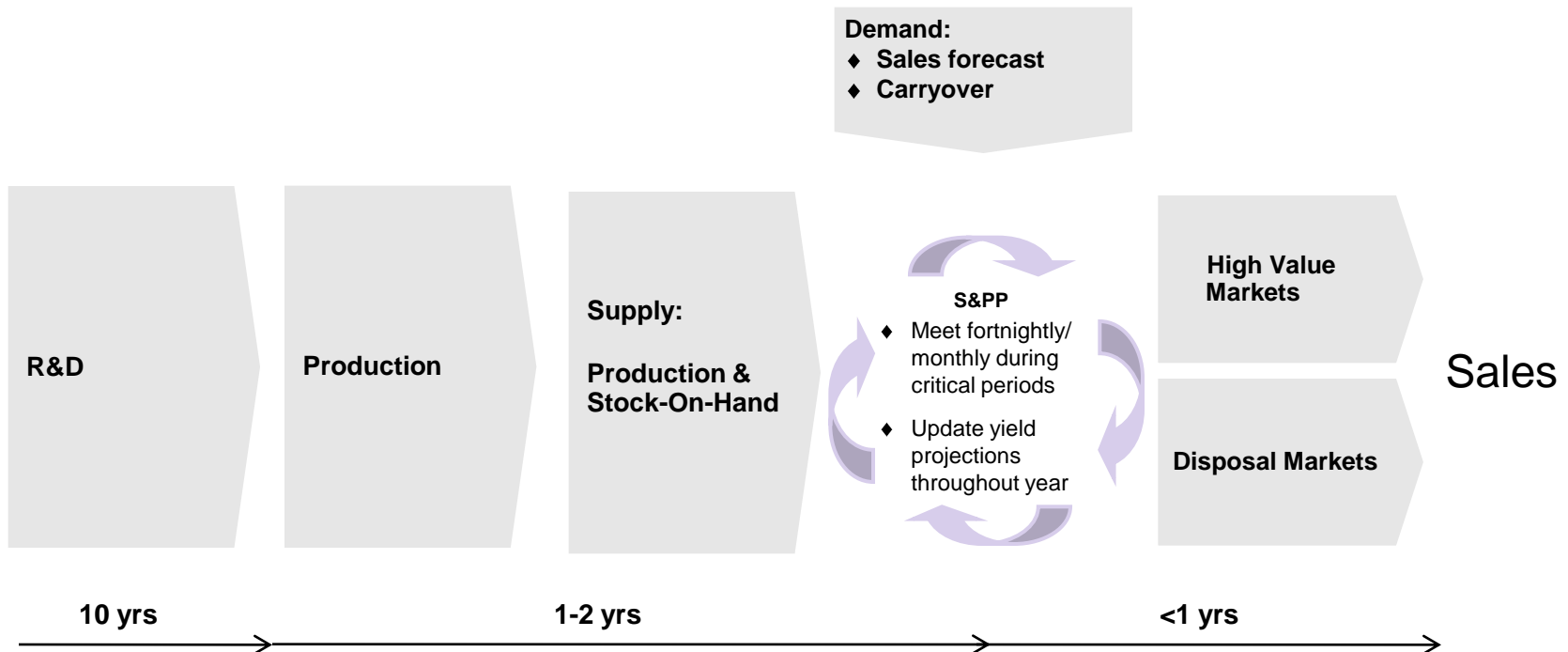
Note:

1 Grey arrow denotes major flows and green arrow denotes minor flows

Long Term Planning Processes

Long planning cycle and variability in supply and demand make the Sales and Production Planning function critical to business success

Sales and Production Planning Process



R&D – our competitive advantage

Ongoing investment in proprietary product innovation delivers higher margins and increased on-farm profit

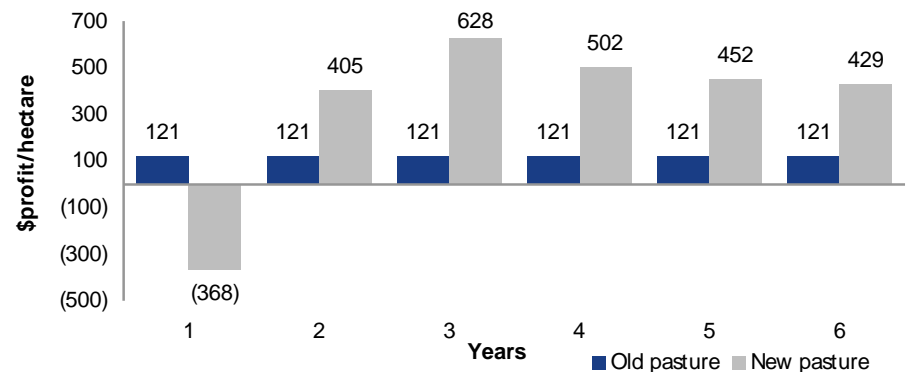


Notes:

- 1 Technology means seed and novel endophyte
- 2 Technology traits means genetic traits i.e. drought or forage quality

- ◆ R&D innovation programmes drive the value chain of the seeds business
- ◆ Higher margins are possible through proprietary products
- ◆ Market adoption of proprietary products is through demonstration of on-farm profitability
- ◆ Allows for “shifting and control” of markets

Indicative impact of pasture renewal on farm profitability



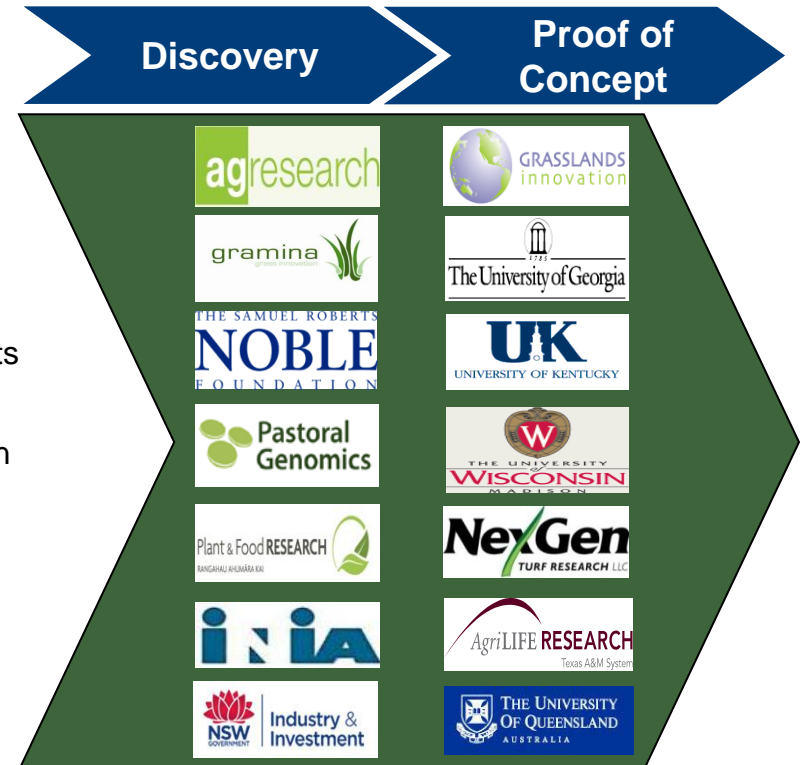
R&D – a portfolio approach



PGG Wrightson Seeds partners with leading R&D institutes worldwide

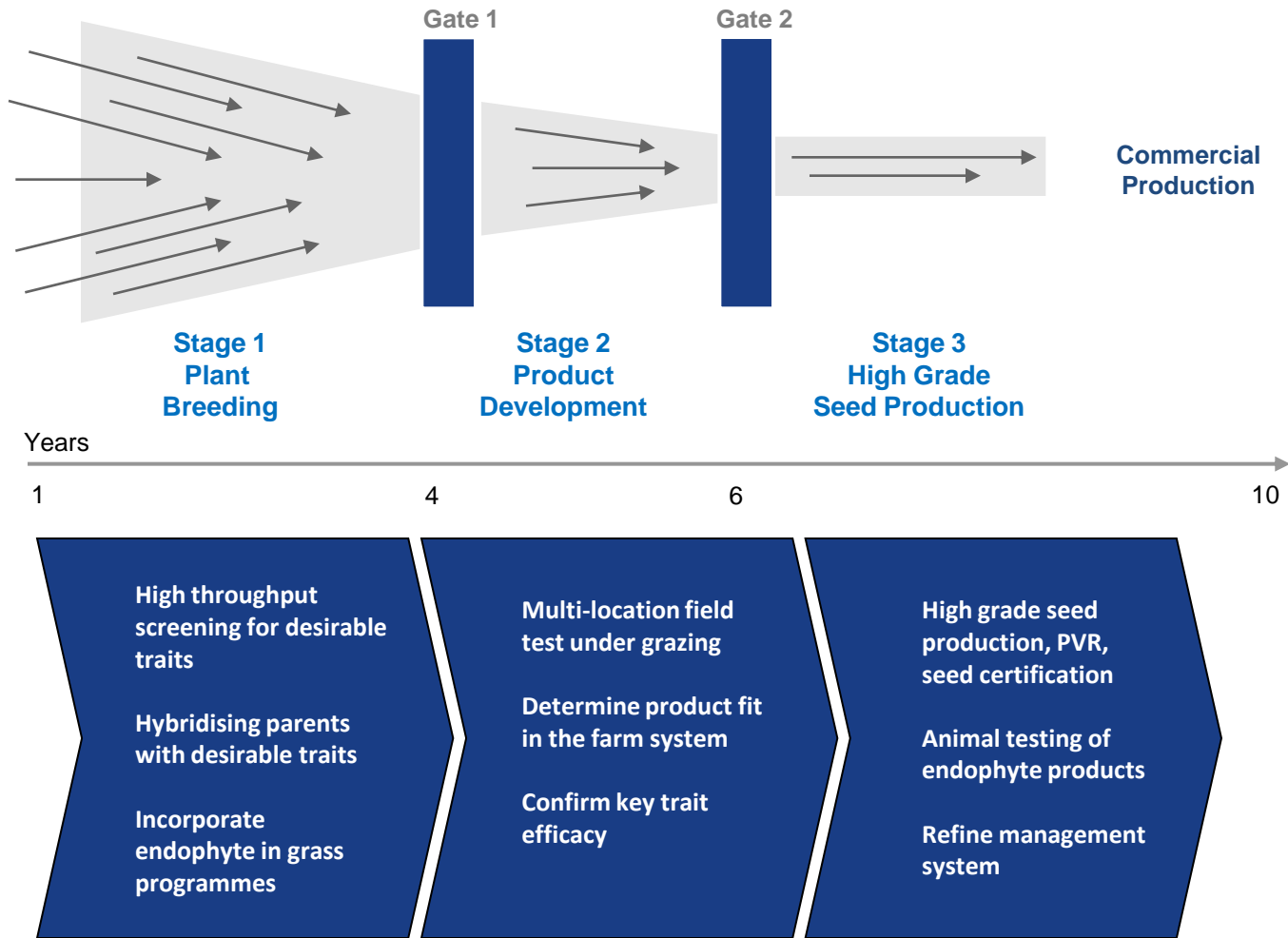
Key Facts and Features:

- Typical research partnership features include:
 - Contract R&D
 - Joint ventures (usually 50/50)
 - Consortia (e.g. PGGRC)
 - PGW retains 10-50% of patent rights, 100% of technology rights and exclusive marketing rights
 - Royalties received are typically reinvested into R&D to maintain science base
- PGW involvement ensures:
 - On-farm relevance during development phase
 - Sound project management
 - Succession planning for each market
 - Markets are prepared for new product release
 - Commercialises new products



R&D Pipeline and Stage Gate Process

Stage Gate Development Process



Biotechnology

Gramina JV

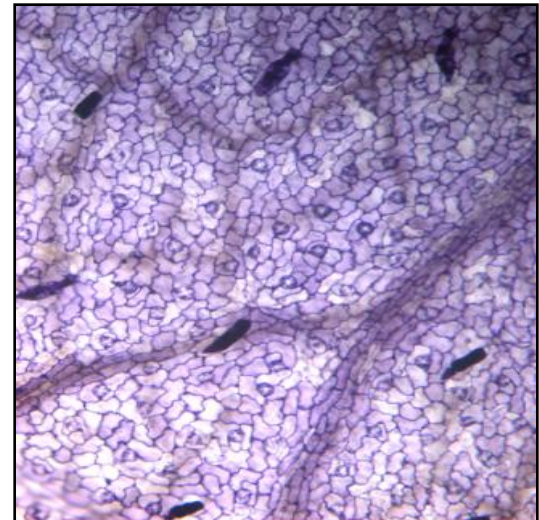
- **Increased Fructan Content – Ryegrass**
 - Increased ME concentration and nitrogen use efficiency
 - Increased dry matter intake
 - increased milk solids by 0.75 kg/cow/day
- **Decreased Lignin Content - Tall Fescue**
 - Increased digestibility and metabolisable energy (ME)
 - Increased feed conversion efficiency
 - Increase ME intake by 1-2 MJ ME/kg DM
- **Decreased Lignin Content - C4 grasses**
 - Decreased lignin content, altered lignin composition
 - Increase digestibility of C4 grasses by 5 – 10%

AgResearch

Pastoral consortia around increased lipids

Legumes and brassicas with condensed tannins

- Greenhouse gas mitigation
- Enhanced milk and meat production by 10-15%



Endophyte

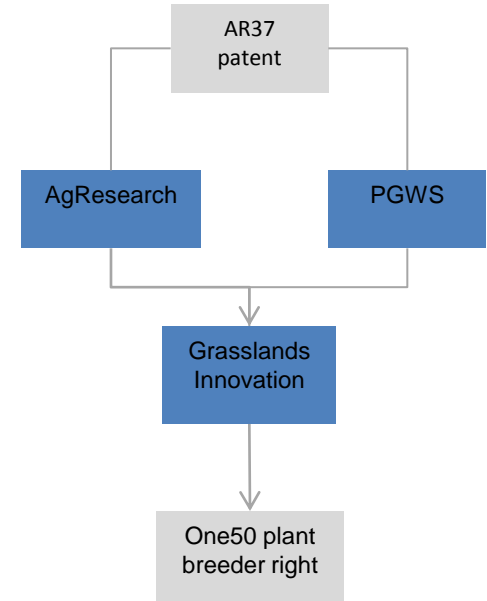
- ◆ Endophyte is a fungus naturally contained within the plant
- ◆ Endophytes produce toxins which can affect animal performance
- ◆ “Wild type” endophytes are found naturally in many grass species
- ◆ “Good” bioactives can also protect host plants against:
 - ◆ Insects
 - ◆ Nematodes
 - ◆ Plant disease
 - ◆ Drought and heat
- ◆ AgResearch have developed “novel” endophytes that protect against plant stress but are not toxic to animals
- ◆ “Novel” endophytes such as AR37 are protected by patent



Innovation - Case Study



- ◆ Developed in conjunction with AgResearch through joint venture vehicle Grasslands Innovation Ltd “Grasslands”
 - Grasslands has Plant Breeder Rights One50
 - AgResearch holds the patent for AR37 endophyte
 - PGWS has stake in AR37 patent
 - PGWS receives a share of the royalty for One50 through its shareholding in Grasslands
- ◆ AR37 may be licensed to competitors to include in their seed (e.g. “Intel inside”)
- ◆ PGWS gets a return on R&D investment from:
 - ◆ Wholesale seed margin
 - ◆ Share of royalty
 - ◆ Share of technology fee



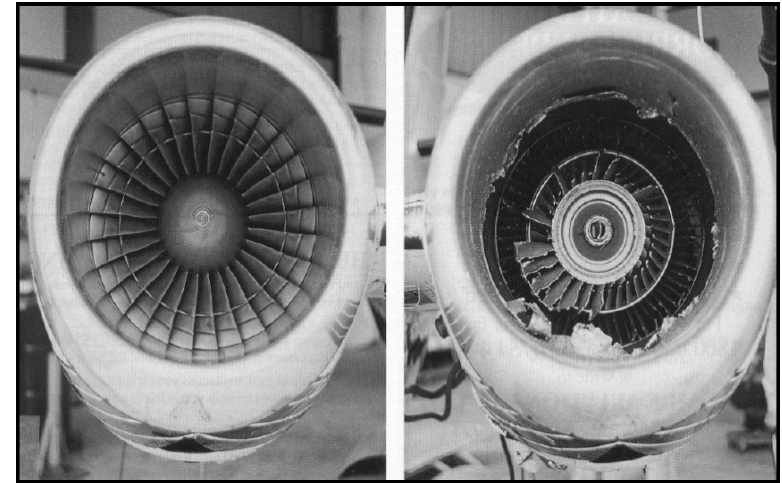
Case Study – Avian Deterrent Turf

- Bird strike causes US\$6 billion of damage annually
- There is a significant opportunity to use deterrent turf ryegrass and fescue seed products with novel endophytes that deter birds.
- Restrict birds from target areas by using plants that produce bioactives which act as a feeding deterrent
- PGP co-funding (\$1.8M) has been approved for development and commercialisation



Nil

Novel



Case Study –



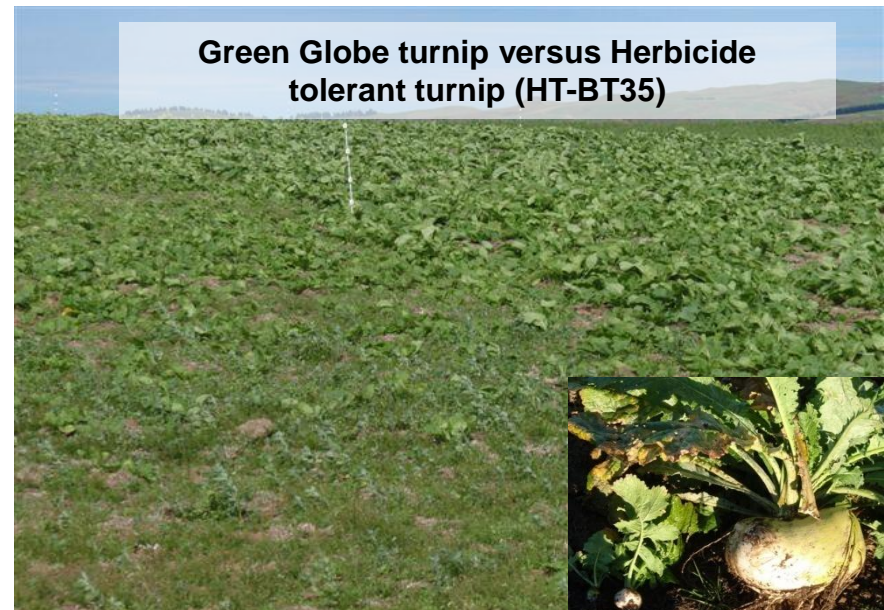
Brassica™

Key features of the Cleancrop™ system for HT Brassica are:

- HT Brassica cultivars specifically developed to be tolerant to Telar, a broad spectrum herbicide that provides excellent weed control
- Simplified weed control with wide control spectrum on economically important and difficult to control weeds
- Proven “Value add” in high weed infested areas
- High performance HT Brassica cultivars developed with traditional plant breeding techniques
- A best management and stewardship plan, designed to maximise on-farm performance and encourage responsible management of this new technology



Herbicide tolerant rape (HT-R24) versus Goliath Rape infested with wild turnip



Green Globe turnip versus Herbicide tolerant turnip (HT-BT35)

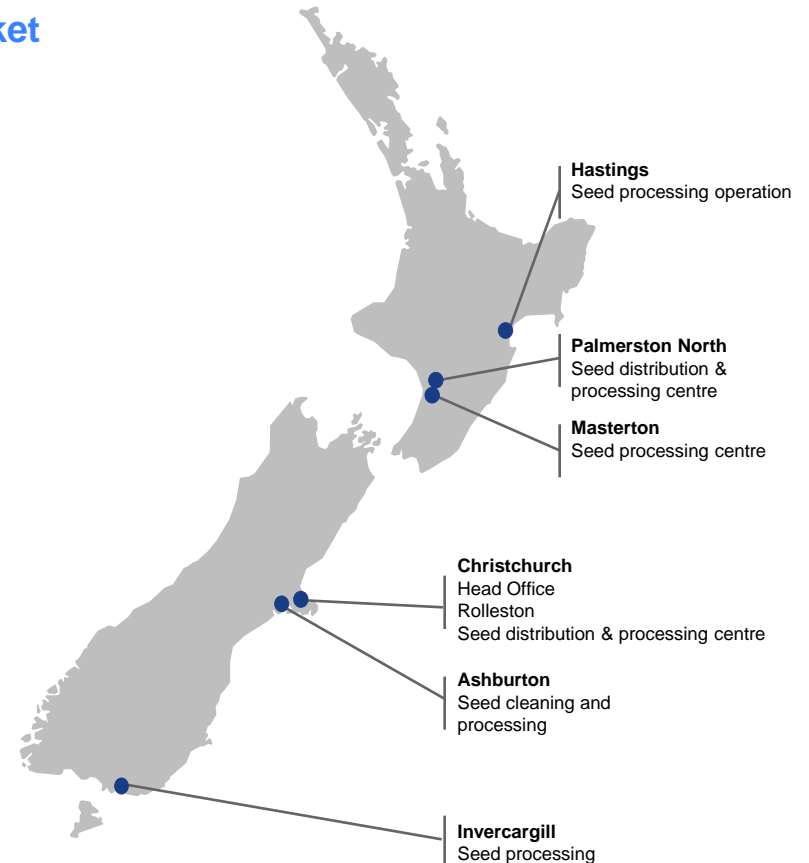
Go to Market Strategy – New Zealand Seeds

Sophisticated leader in a mature proprietary market

Key features

- ◆ Dominant market share of forage and turf seeds
- ◆ Two distribution centres; seven processing centres
- ◆ Sophisticated mixing and coating operations allow for full customer service
- ◆ Two brands competing in the market but focussed on different market segments
 - PGG Wrightson Seeds
 - Agricom
- ◆ Top 20 customers account for 95% of revenue
- ◆ Multiple customers assists with technology commercialisation
- ◆ Technology products help insulate against radical swings in product mix

New Zealand processing and distribution sites



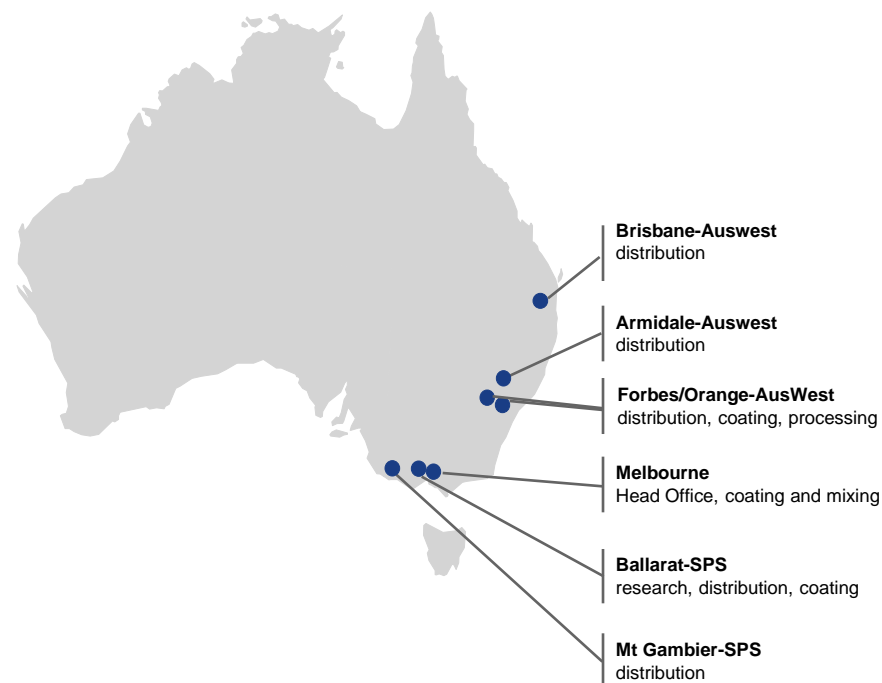
Australian Seeds

Australian processing and distribution sites

Market leader in temperate forage seeds

Key features

- ◆ Strong market position in forage & turf seeds
- ◆ Two proprietary brands:
 - PGG Wrightson Seeds Australia
 - PGG Seeds Australia
- ◆ Two seed distributors
 - AusWest Seeds
 - Stephens Pasture Seeds
- ◆ Sophisticated logistics capacity is competitive strength across large market



South America

Seeds underpins a strong growth platform for PGW in South America

Key features

- ◆ South American business has a broader product mix:
 - Proprietary seed
 - Commodity seed
 - Summer/winter annual crops
 - Fertiliser
 - Agrichemicals
 - all three businesses distribute to rural retailers and also sell direct to farmers
- ◆ Uruguay - #1 market position in USD80m market
 - Wrightson PAS
 - Agrosan
- ◆ Argentina – strong market position
- ◆ 51% Alfalfares
- ◆ 50:50 Joint Venture with ACA

South American sites



Brazil

Seeds opportunity in Brazil represents a strategic growth opportunity

Opportunity

- ◆ Enormous potential – 320mHa of agricultural land
- ◆ Currently a low value, commodity market, little respect for IP
- ◆ Positive attitude towards GM crops

Current Activity

- ◆ Registering cultivars for sale in Brazil
- ◆ Forging strong relationships with State Authorities and Research Institutes
- ◆ Establish an early seed trading presence, develop the full suite of sub-tropical and temperate forage products



International

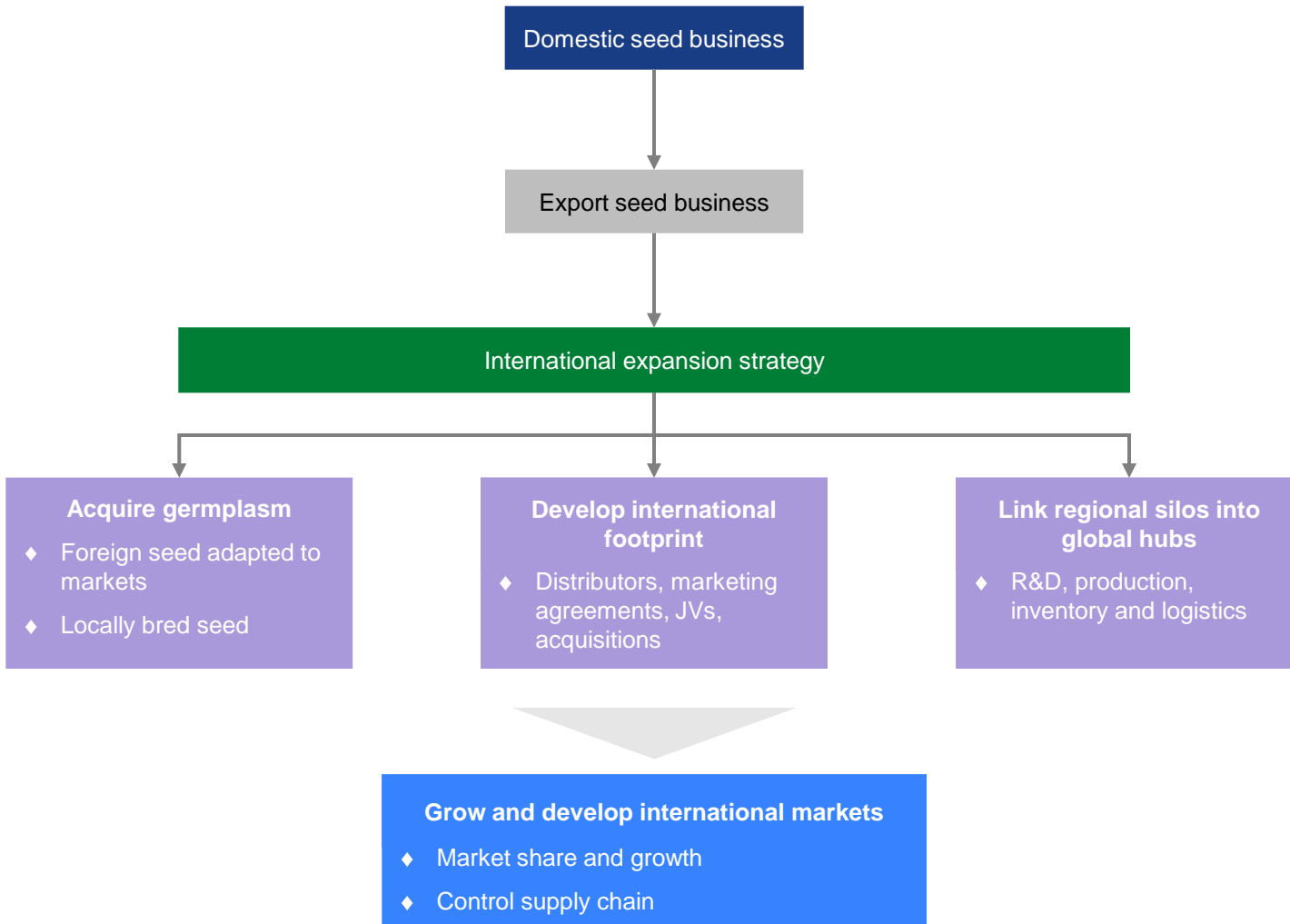
Provides initial entry into new international markets as well as being a channel for excess inventory

Key features

- ◆ International business includes:
 - proprietary seeds
 - commodity seeds
 - international pea trading
 - multiplications (contract production for third parties)
- ◆ Multiple activities help develop and lock in long term customer relationships
- ◆ Key markets:
 - ◆ Chile
 - ◆ USA
 - ◆ UK
 - ◆ Ireland
 - ◆ France



International Market Development

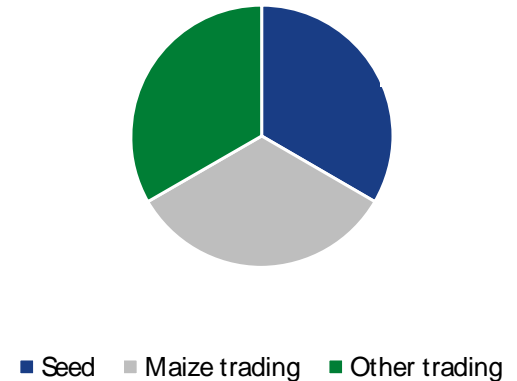


Grain

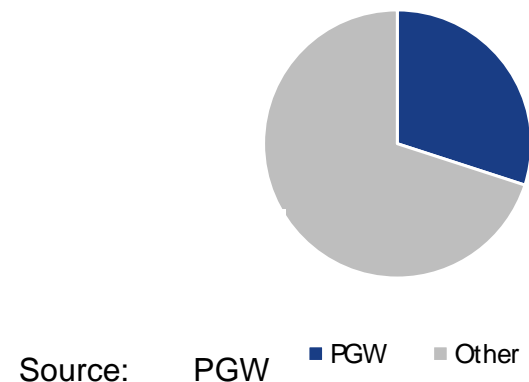
The Business

- New Zealand's largest grain brokerage and marketing service
- Key to model is contracts with growers and relationships with major customers
 - field representatives in New Zealand's key cropping areas have strong relationships with growers
- Business includes:
 - production in New Zealand's key cropping areas
 - cereal seed marketing
 - wheat and barley research and new variety development
 - drying and storage facilities
 - specialist agronomic staff
- Acts as a broker for large grain users
 - top five customers combined contribute 49% of revenue

Products

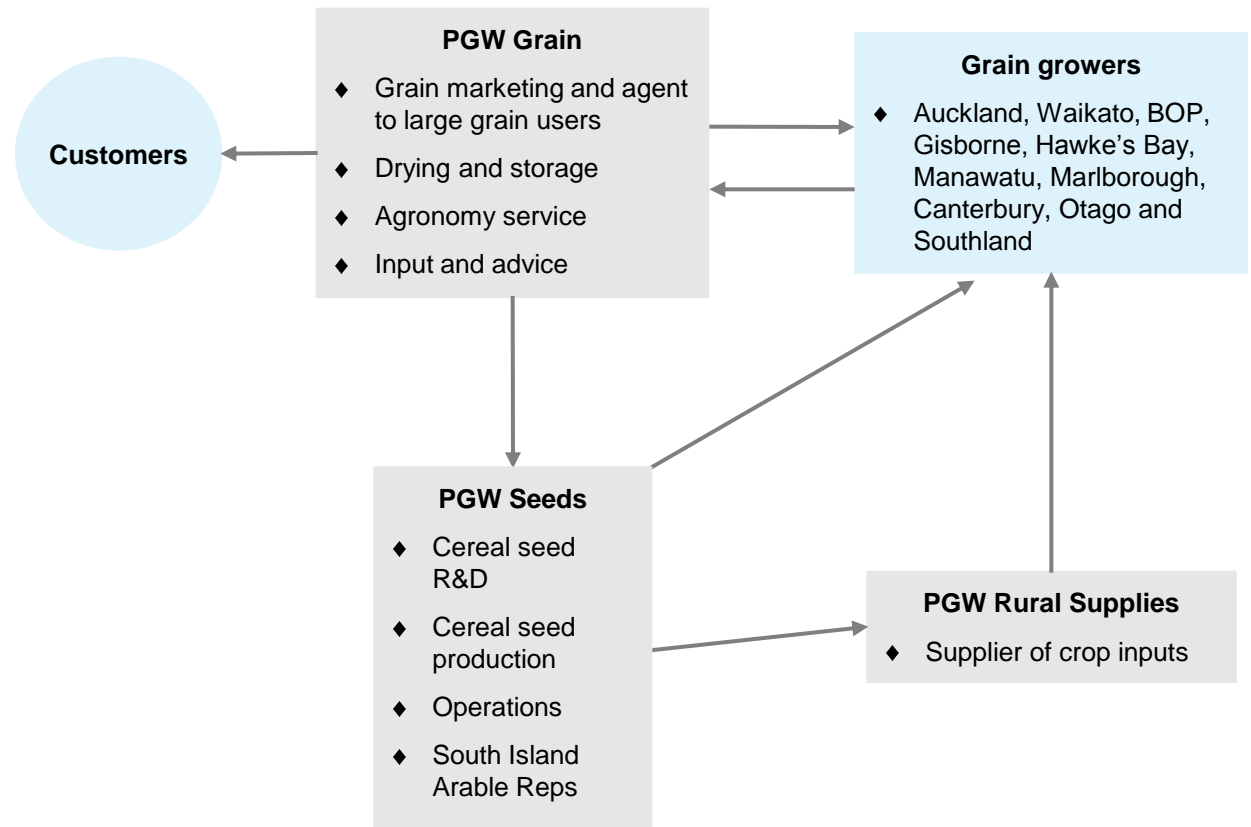


Market share estimate



Business Structure

PGW provides seed, inputs, advice, treatment and broking to its contracted grain growers



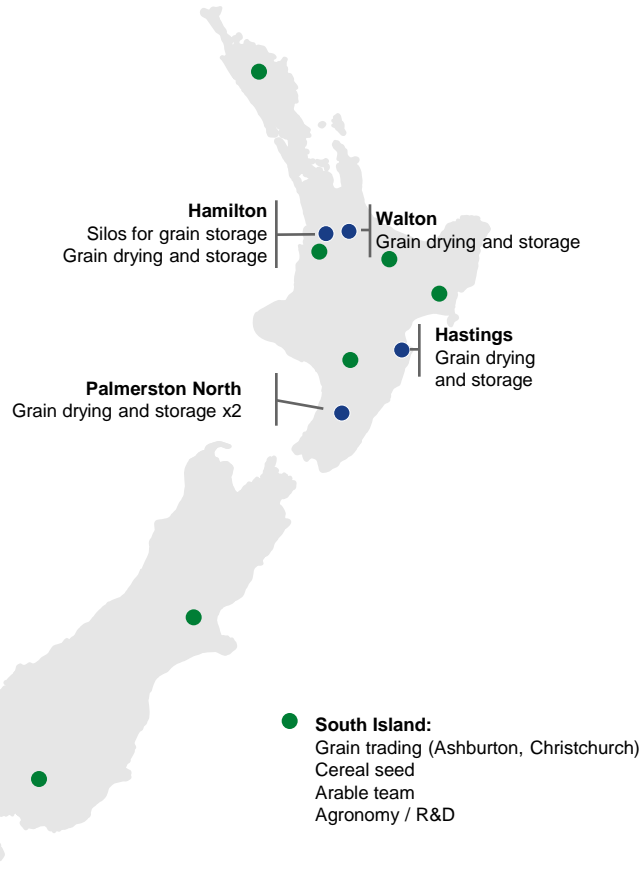
Business Profile

PGW is the leading New Zealand grain trader and seed supplier

Geographical representation and key growing regions

Upper North Island:
Grain trading (Hamilton)

Lower North Island:
Grain trading (Fielding)

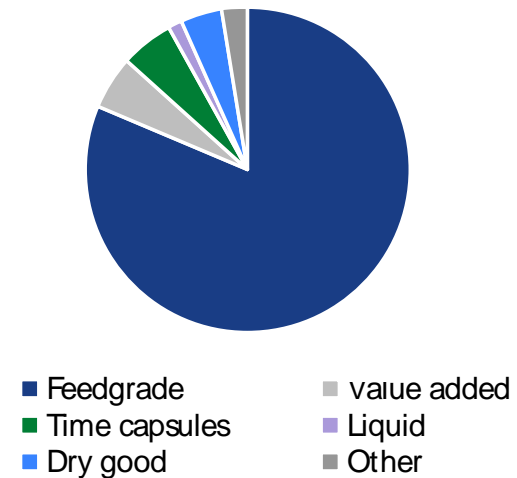


Nutrition

The Business

- Leading importer of cane molasses, liquid feeds, feed additives and feeding systems
- #1 market share, with competitive position supported by national storage and distribution infrastructure
- Wholesale business distributed through rural retailers
- Predominantly a dairy product with a current estimate that less than half dairy farmers use molasses product
- Feed additive technology being backed by AgResearch science
- Time Capsule aimed at facial eczema market
- Primary market share

Products



Market share estimate

Source: PGW

Business Profile

Cane molasses is a relatively new supplementary feed alternative predominantly for dairy

Geographical representation – storage infrastructure



Thank you