New Global Players from CHINA
Olam International at a Glance

1. The formative years
   - 1989-1994
     • Established to export non-oil products from Nigeria
     • Exports cashews from Nigeria, gradually expands into cotton, cocoa and sheanuts in multiple African origins and India
     • Originates, primary processes and markets
     • 7 products across 4 countries

2. Business model development
   - 1995-2001
     • Expansion into Asia and Europe
     • Refined farm gate to factory gate model
     • Entry into new products e.g. coffee, wood products
     • Incorporated in Singapore
     • 10 products across ~20 countries

3. Rapid Expansion, Private Equity and IPO
   - 2002-2005
     • Developed coherent legal holding structure and appointed global auditor
     • Private equity investments from Russell AIF, IFC and Temasek
     • In 2005, listed on SGX at PE multiple of 11x -- oversubscribed by 15 times
     • Expansion into Middle East, North and South America
     • 14 products across ~40 countries

4. Building a global leader
   - 2006-Present
     • Global leader in agri-supply chain management, participating across the value chain
     • 1st M&A transaction in 2007 (Queensland Cotton)
     • Subsequently completed 16 transactions at a total investment of >US$1bn
     • $300M equity injection by Temasek, Jun 09
     • 20 products, across ~68 countries

Transitioned from a trader to an integrated Supply Chain Manager

Creating value is our business
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
- Lenovo
- Huawei
- Gree
- Li-Ning
- Midea
- Baidu
- Sany
- OLAM
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 :: $30$Mn 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!

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