



FARM PRIDE FOODS LIMITED 2017 AGM

16 November 2017

People - Performance - Welfare

A promotional banner for Farm Pride eggs. On the left, two brown eggs are shown with simple black line drawings of angry faces. The background is a teal color with a subtle pattern of white dots. In the center, the text "You wanna Start Something this Saturday?" is written in a white, handwritten-style font. Below this, in a smaller, dark blue font, it says "It's game on. Start it right with Farm Pride." At the bottom left, there are social media icons for Facebook and Instagram, followed by the handles "@farmprideeggs" and "@farmpride.eggs", the hashtag "#startsomethingFPE", and the website "farmpride.com.au". On the right side, there is a small Farm Pride logo and a yellow egg carton with the word "EGGS" printed in large green letters. A small vertical text "©2017" is visible on the far left edge of the banner.

You wanna Start
Something this Saturday?

It's game on. Start it right with Farm Pride.

[f @farmprideeggs](#) [@farmpride.eggs](#) #startsomethingFPE [farmpride.com.au](#)

farm pride

EGGS

Farm Pride Foods Board of Directors



Peter Bell

Non-executive Chairman

Malcolm Ward

**Non-executive Director/
Audit Chairman**

Bruce De Lacy

Executive Director/CEO



Farm Pride Foods Management Team



Bruce De Lacy	CEO
Don Woodhouse	Business Manager – Manufacturing
Brent Phillips	National Sales Manager
Darrell Boyle	National Farms Manager



Farm Pride Foods – FY17 Performance Snapshot



Revenue	\$97.78M	up	4.3%
EBITDA	\$15.71M	down	1.7%
Profit after tax	\$ 8.48M	up	4.3%
Net Assets	\$46.64M		
Cash at 30 June	\$ 8.04M		
Net Debt	\$ 0.33M		
Earnings per Share	\$ 0.15		



FY17 Financial Performance

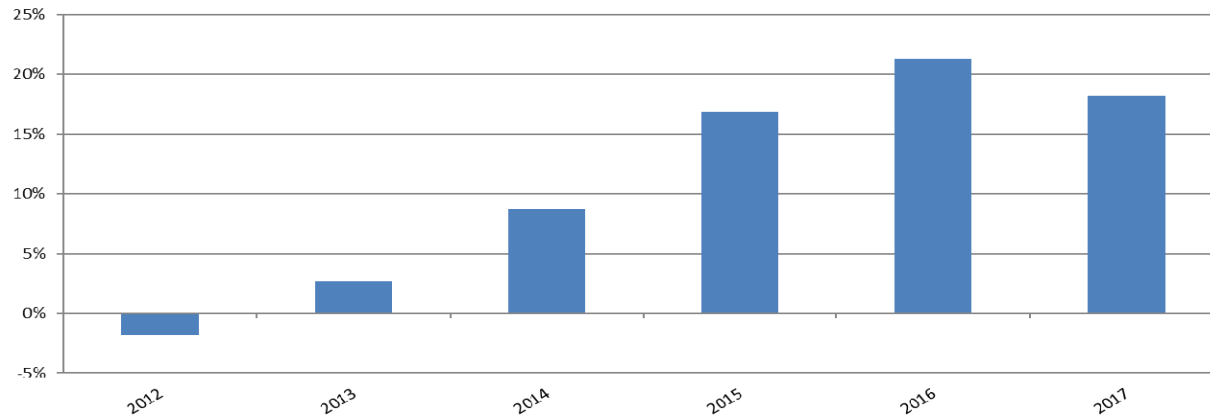


(\$'000)	2015	2016	2017
Revenue	91,341	93,765	97,778
Earnings before Interest & Tax (EBIT)	7,218	11,485	12,232
EBIT Depreciation & Amortisation (EBITDA)	12,190	15,988	15,713
Net Profit before tax (NPBT)	7,218	11,485	12,232
Net Profit after tax (NPAT)	5,053	8,127	8,481
Operating cash flow	9,233	13,687	7,661
Net debt	5,571	1,139	332
Net assets	29,942	38,159	46,640
Current ratio (Current Assets/Current Liabilities)	1.3	1.4	2.0
Debt ratio (Total liabilities/Total Assets)	2.4	3.2	4.0
Interest cover	12.5	38.7	104.8
Earnings per share	\$0.09	\$0.15	\$0.15
Shares on issue	55,180,175	55,180,175	55,180,175

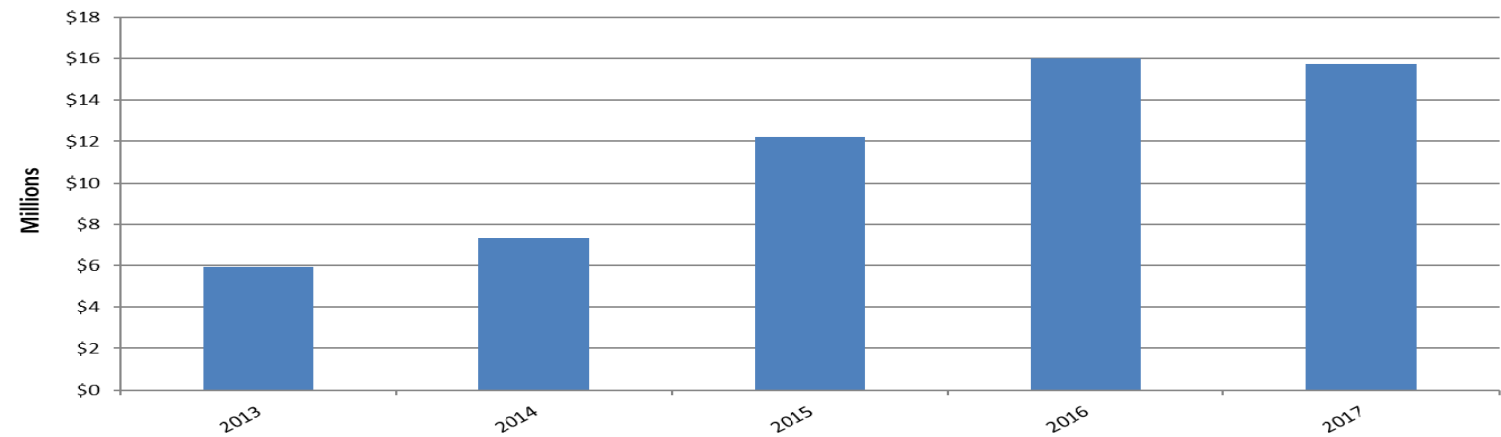
Improved Performance



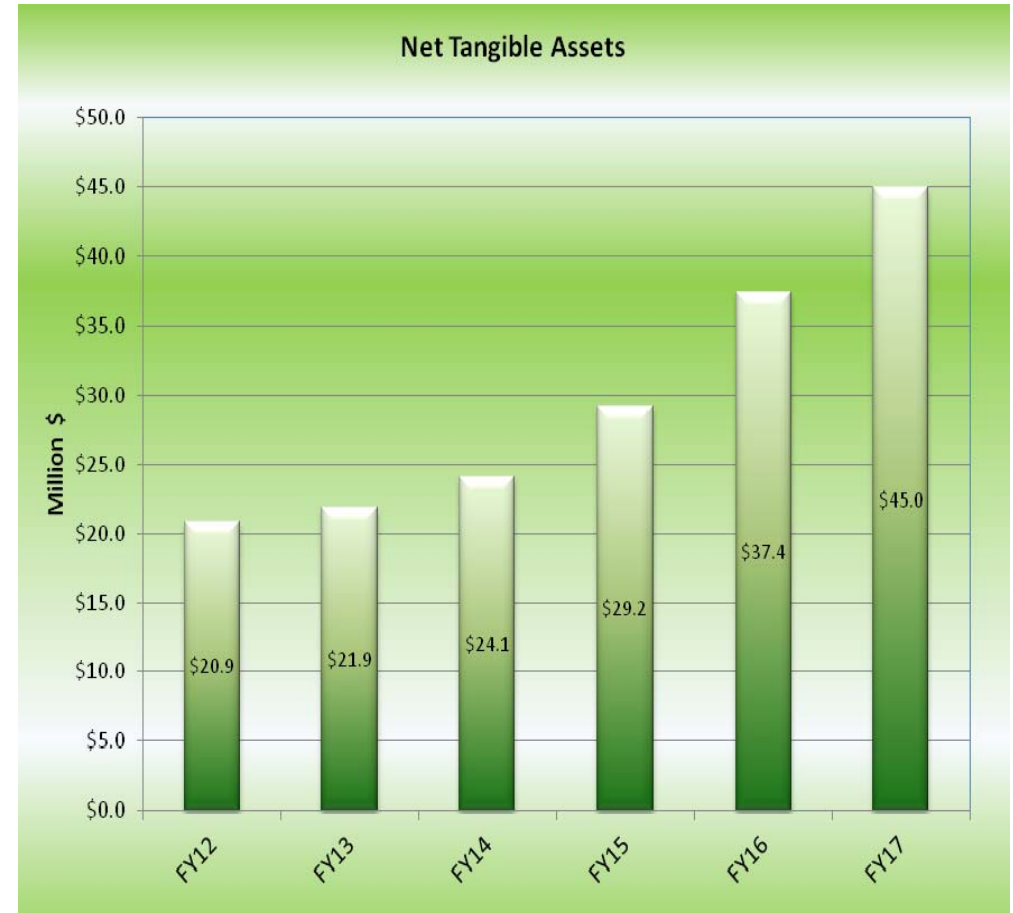
Annual Return on Equity % - Farm Pride Foods Ltd



EBITDA



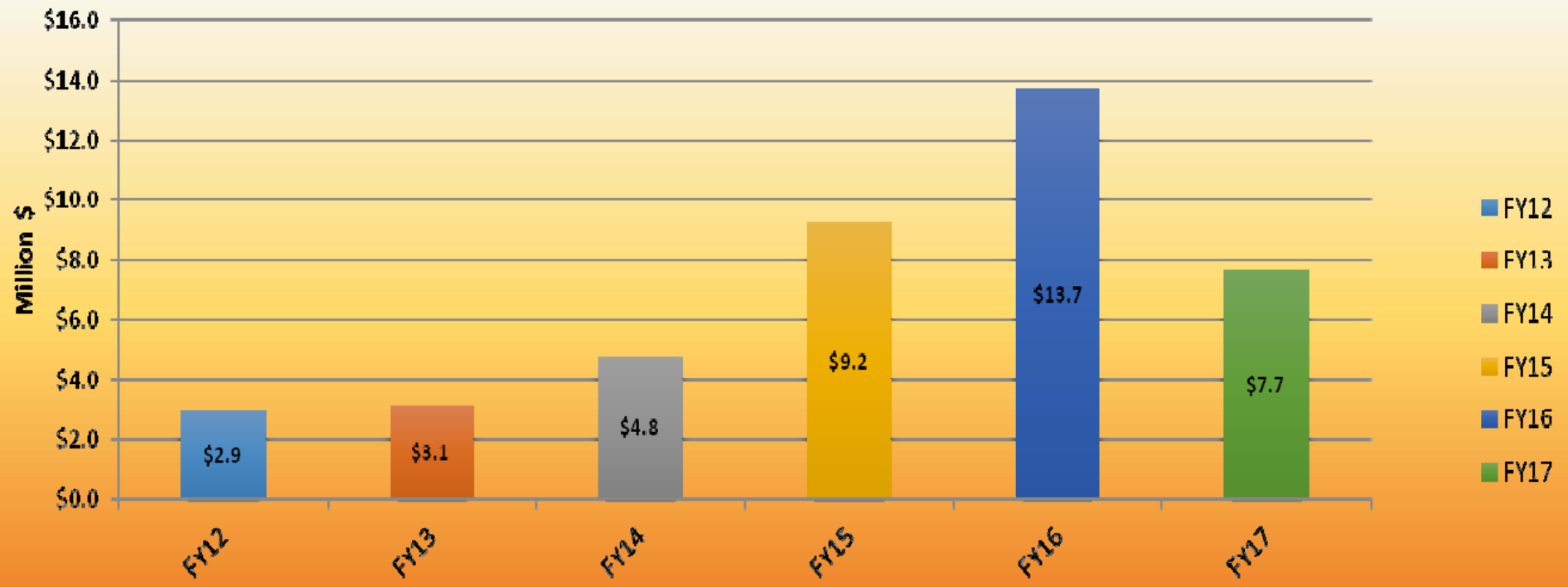
Improved Performance Continues





Net Cash Flow From Operating Activity

Net Cash Flow Provided By Operating Activities



Half Year Revenue



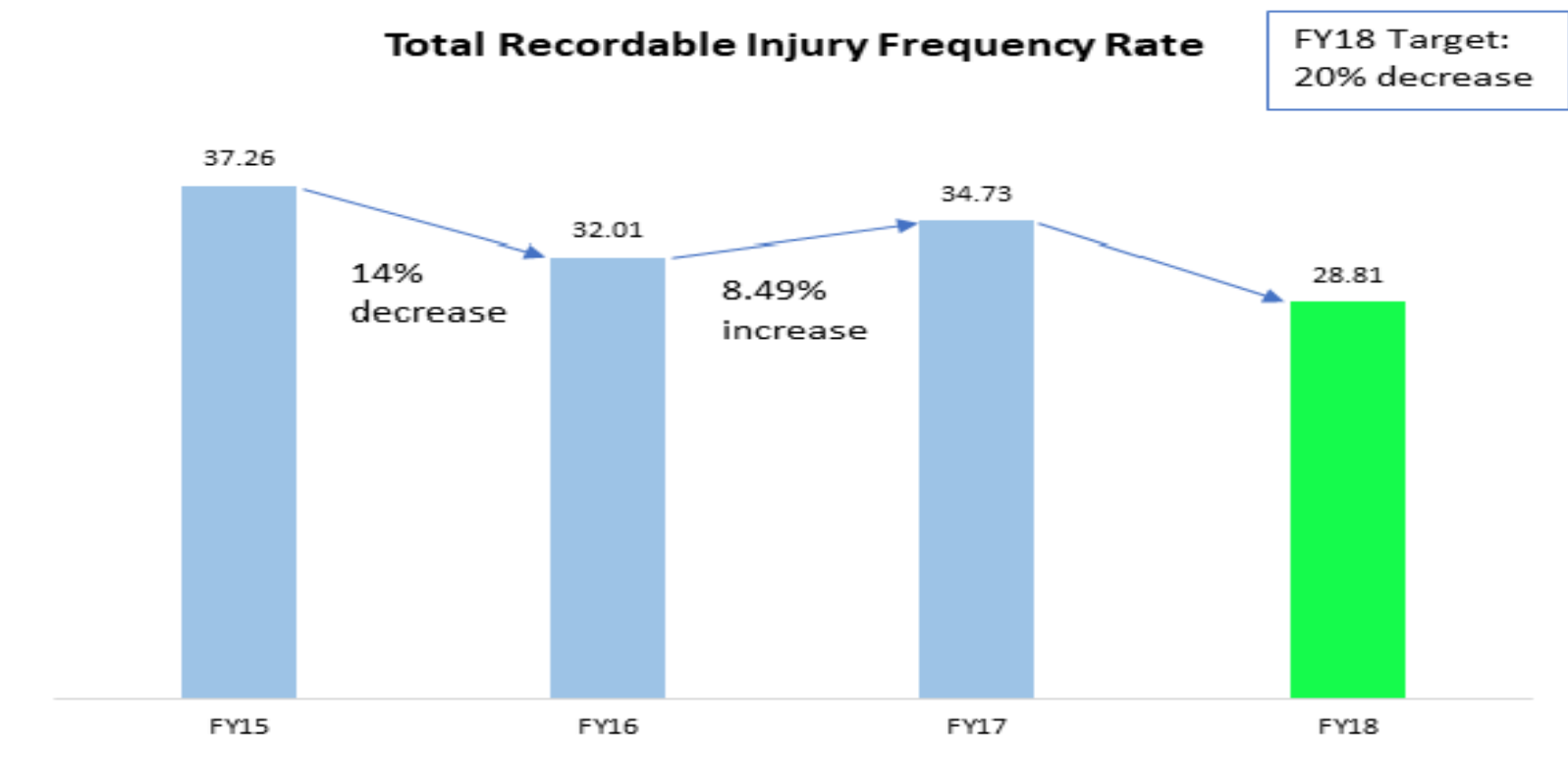
FY17 Financial Performance Summary



- Balance sheet is now healthy.
- The company is prioritising a number of capital projects.
- There has been very little capital expenditure over the last five years apart from new farm construction.
- Processing plant and equipment is very old.
- Capital expenditure needs to be in line with depreciation expense.



OHS Performance



Total Recordable Injury Frequency Rate is calculated as the number of injuries per million hours worked. Includes lost time and medical injuries.

Farm Pride Foods – Leading the way



Farm Pride is working hard to satisfy the changing demands of its customers.

New free range farm in northern Victoria to house free range hens at up to 1,500 hens per hectare.

New farm in Queensland with grading floor, feed mill and capacity for expansion to meet increased demand for eggs in that state

In response to changing consumer demand and buying habits, Farm Pride has moved production investment to non-cage methods.

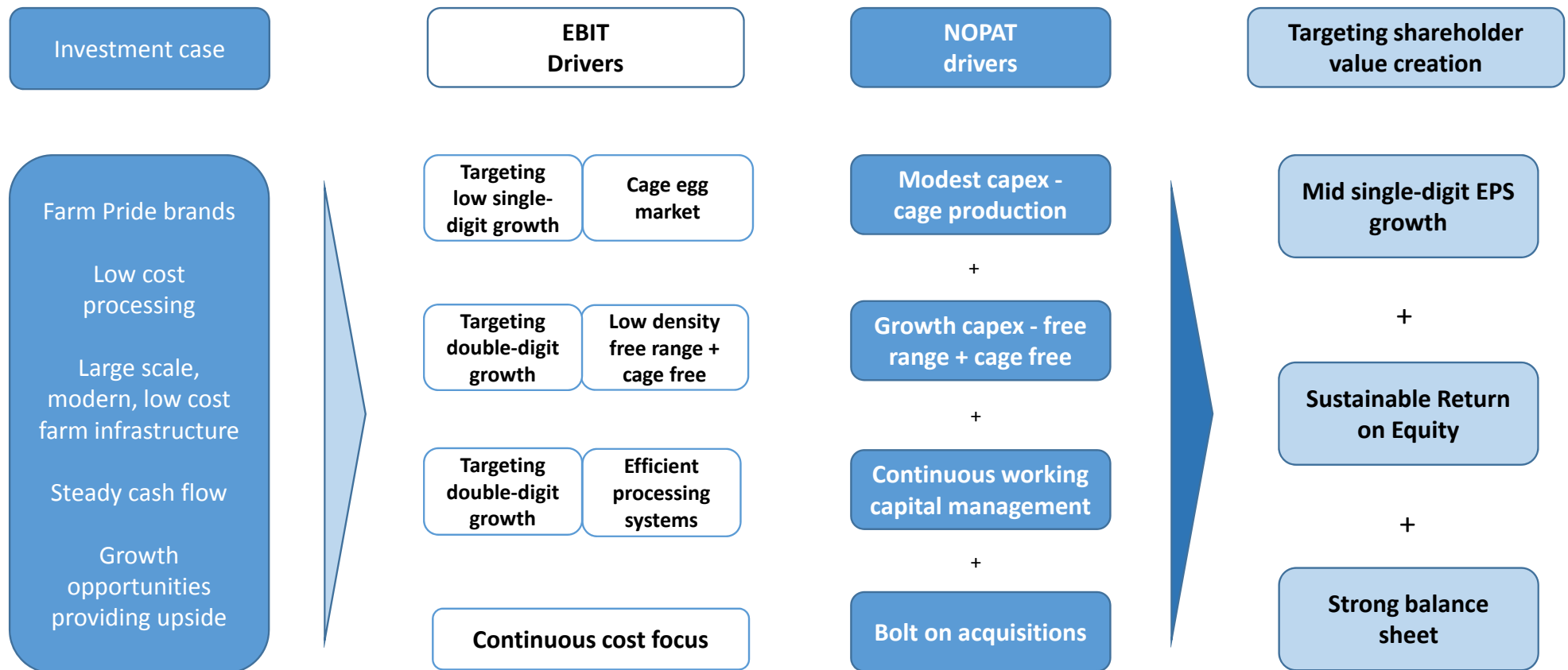
KEY CHANGES

- » New capacity for 90,000 free range bird in 2016-17.
- » Increasing product offerings by varying stock density ranging from 750 birds to 10,000 birds per hectare giving consumers more choice.
- » Farm Pride's production capability will be in line with changing consumer demand.

Shareholder value proposition remains unchanged



Farm Pride focus is to generate long term sustainable returns for all shareholders



Farm Pride Foods – Today



The Company continues to pursue its long term strategy of creating shareholder value. To this end in the last 12 months the Company has:

- Purchased land in Northern Victoria for a new poultry farm.
- Commenced construction at this site.
- Purchased the Darling Downs Fresh Eggs business.

The Company has also entertained several other growth opportunities but to date has not yet been able to find an appropriate fit.



Farm Pride Foods Northern Victoria Expansion



The company has purchased 650 acres of land in northern Victoria.

This site will be utilised to satisfy the growing requirement of our customers for cage free eggs and free range eggs.

Hens will be ranged at 1,500 per hectare.

Infrastructure and construction has commenced.

First free range shed expected to be completed in Q318

Phase One – consisting of 4 sheds could be completed as early as Q219 (subject to market conditions)

It provides additional capacity for future development



Farm Pride Foods Queensland Expansion



Announced ASX - 6 October 2017

Farm Pride Foods entered into an agreement with the Administrators to acquire the business and associated assets of Darling Downs Fresh Eggs, an egg business operating in Kincora, Queensland.

The assets included farm land, layer and rearing sheds together with a small grading operation and a small feed mill. Originally developed to house 210,000 cage layers. Currently not all the layer sheds are operational and will require additional investment to maximise the capacity of the site.

Consideration of \$6.5M was funded from a mix of cash and existing debt facilities.

The farm will be converted from cage to cage free over the next couple of years and has capacity for further expansion.



The Australian Competition Commission



“The Farm Pride Board and Management have introduced new controls within the business to ensure that the Company complies with consumer competition legislation”

The Full Federal Court has dismissed the ACCC’s appeal in its matter against the Australian Egg Corporation Limited (AECL), Farm Pride Foods Ltd (Farm Pride) and others.

The time for ACCC to apply for special leave to the High Court has now expired.

We are organizing a claim for costs of the appeal to go with the costs of the trial.



The Cyclic Nature of the Egg Industry

- Cyclical volatility is the norm for the egg industry. Profitability is impacted by changes in feed cost, national egg supply and disease.
- The Board indicated when the FY17 Accounts were released that due to increased feed costs, anticipated oversupply and reduced pricing there was an expectation of an EBITDA reduction of up to 20% for FY18 compared to FY17.
- Whilst feed costs spiked up at the start of FY18 and have now eased, industry supply conditions are significantly worse than expected with no immediate relief in site. This means that our expected trading EBITDA reduction will be in excess of 40% for the first half.
-



The Cyclic Nature of the Egg Industry



Blunder Road Country Markets
47 mins · 🌐

WOW 😲😲 HERE IS ONE OUR GREAT WEEKLY SPECIALS 700GM EGGS ONLY 78C DOZEN THATS RIGHT ITS NOT A MISS PRINT ONLY 78C DOZ 😄😄

😊 LIMITS DO APPLY 🙄🙄🙄 SPECIAL STARTS 14/11/17 TO 16/11/17 TUESDAY WEDNESDAY THURSDAY ONLY (LIMIT 6 DOZEN PER FAMILY) WHILE STOCKS LAST. PLEASE SHARE AND LIKE OUR FACEBOOK PAGE 😊

😊😊



In Europe the latest avian influenza outbreak forced the shutdown of free-range poultry farms close to any of the 2600 outbreaks that hit 29 countries, to minimise contact with wild birds carrying the virus.

A European Centre for Disease Prevention and Control report found the virus was far more virulent than those in the past, often killing more than 30 per cent of chickens in commercial flocks and a range of other poultry and wild birds.

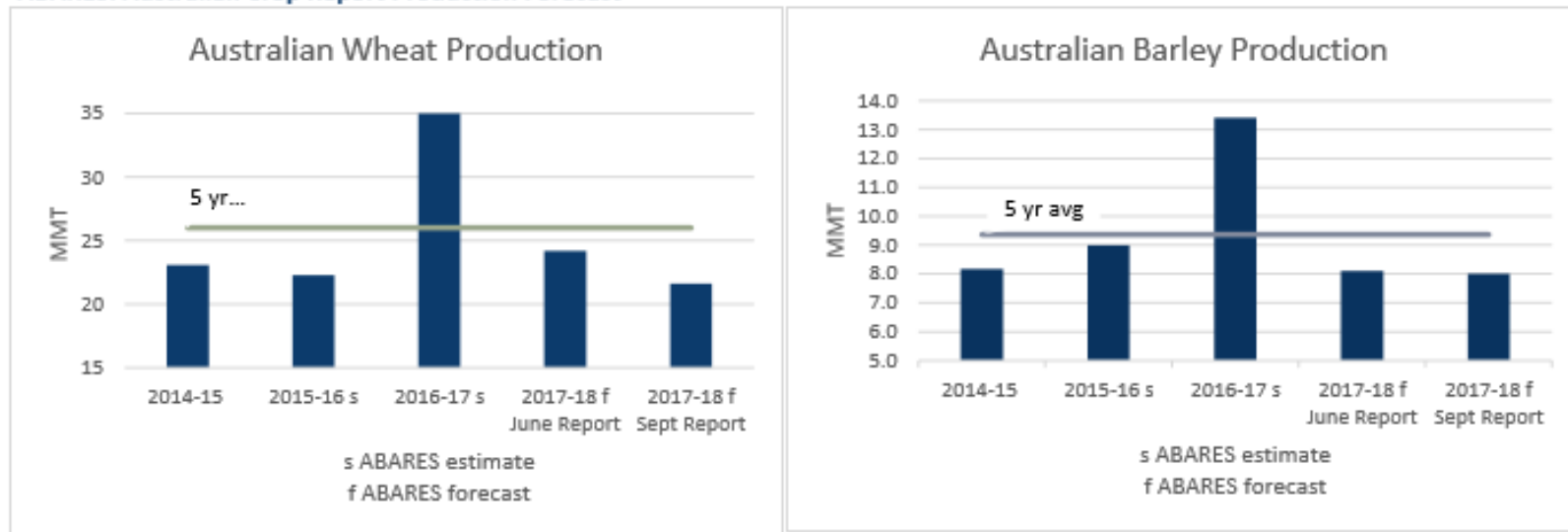
The ECDPC also found that in Asia the broad geographic spread, the increase of human cases and the emergence of a highly pathogenic avian influenza in China meant an increasing risk of continuing transmission to humans.



Feed Costs

ABARES has reported that overall, they expect the December 2017 forecast for Australia's winter crop production in Australia to be lower than the September 2017 forecast, but likely still around the 10 year average to 2015–16.

ABARES: Australian Crop Report Production Forecast



Although our feed prices are higher than ideal they remain relatively stable.

Shareholder Expectation vs. Reality



We continue to maintain a small management team that remains fully focused on the business.

We have aging plant and equipment that requires upgrading.

The capital spending needs of the Company are greater than the free cash flow that it generates.

The market is changing rapidly with the major supermarket chains driving price down and increasing their focus on cage free and free range egg.



Strategy Pressure Points



- *Retailer competition driving prices lower*
- *Domestic AI risk increasing reflecting overseas experience.*
- *Activist lobby continually trying to drive change in consumer preferences.*
- *Climate change is a driver for increasing grain costs and future welfare issues.*
- *Industry volatility is the norm.*

Farm Pride continues to work hard improving its ability to respond to these market pressures.



Strategy Opportunities



- *Improve operational efficiency across the supply chain recognising the importance of hen welfare, hen welfare management and new manufacturing technology.*
- *Maximise sales growth opportunities using cost effective promotional and marketing whilst continuing to focus on the importance of customer brands.*
- *Invest in strategically aligned business, new product and further processed egg product.*



Strategy - Revenue Growth



- *Align with those customers seeking to grow own brand product offerings.*
- *Seek out and grow brand to better appeal to those looking to align with a quality brand and value outcome.*
- *Invest in technology to grow higher value processed egg products.*
- *Invest in strategically aligned business, new product and further processed egg product*
- *Maintain a focus on the premium of the Farm Pride brand.*



Strategy Growth



- *Adopt appropriate cost effective smart marketing and promotional campaigns.*
- *Leverage work undertaken by Australian Eggs.*
- *Seek out further vertical integration opportunities including feed mills and further enhanced egg cartons.*
- *Invest in lower cost base outcomes.*



Egg Wars vs Financial Performance

Supermarket egg price war a threat to free range industry and 'a vote for caged eggs', lobby says

[Share on Facebook](#)
[Share on Twitter](#)




WA Country Hour By Bridget Fitzgerald

Updated 13 July 2017 at 8:18 pm

First posted 13 July 2017 at 7:14 pm

The Australian egg industry lobby says major supermarkets have "ignited a price war" by slashing egg prices in a move it says endorses caged over free range.

Egg Farmers Australia chief executive officer John Dunn said major supermarkets Woolworths, Coles and Aldi have dropped prices of eggs in their stores by up to 40 cents per carton in recent weeks.

Mr Dunn said it was a hypocritical move by the supermarkets, in particular by Woolworths and Aldi, which had made commitments to phasing-out caged eggs from their stores by 2025.



Egg Farmers Australia says a drop in free range egg prices is a signal to farmers to stick to caged eggs. (Flickr: Brianna Lehmann)

Free-range egg farmers cracking it over discounting

PETER HUNT, The Weekly Times
July 12, 2017 11:00am

FREE-range egg producers are being crushed by a supermarket discounting war that has slashed prices by more than 40 per cent.



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south australia

Supermarket free-range discounting war helping customers but hurting producers – just like dairy farmers

Free-range egg sales now account for 40 per cent of grocery store purchases — double that of a decade ago. Victorian Farmers Federation's Tony Nesci criticised the discounting, saying it was a repeat of the \$1-a-litre milk campaign, which would squeeze farmers' profit margins and damage the long-term viability of the egg industry.

"It's happened in dairy with \$1 milk, it happens routinely in the fruit and vegetable industry, and now it's happening with egg products," Mr Nesci said.

“Free-range egg sales now account for 40 per cent of grocery store purchases — double that of a decade ago”



“Companies that are better equipped to respond to market requirements and anticipate changing conditions are expected to achieve long-run competitive advantage and superior profitability

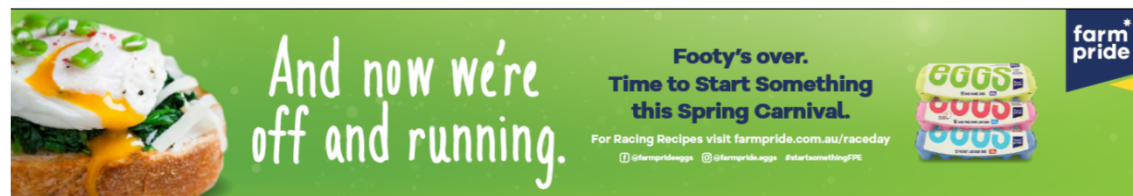
EGG PRICES		WAS/NOW
COLES		
Free range (600g)		\$4.20/\$3.80
Free range (700g)		\$4.60/\$4.20
Branded free range (800g)		\$5.20/\$5
WOOLWORTHS *Average price		
Free range (600g)		\$4.20/\$3.80
Free range (700g)		\$4.59/\$4.20
Cage free (700g)		\$4/\$3.60
Branded free range (700g)		\$6.50/\$5.30*
Branded cage (700g)		\$5/\$3.50*
ALDI		
Lodge Farms free range (600g)		\$3.99/\$3.69
Lodge Farms free range (700g)		\$4.39/\$4
Lodge Farms cage free (700g)		\$3.89/\$3.49

National Standards and Guidelines update



Farm Pride is working with the industry and its stakeholders to facilitate consistency of legislation across states and territories for improved and sustainable animal welfare outcomes.

New Standards and Guidelines are being developed that will replace the Fourth Edition of the Model Code of Practice for the Welfare of Animals.



Consumer Trends

ABC Rural By [Sarina Locke](#)

Updated 15 February 2017 at 2:28 pm

First posted 15 February 2017 at 2:02 pm

The RSPCA has threatened to walk out of developing new poultry standards unless it considers the phasing out of caged eggs.

It follows a letter written by animal welfare scientists some months ago, expressing concern their research on egg production had been selectively used to bolster the case for the caged egg industry.

The scientists have since taken part in revising the draft paper.

The RSPCA hopes to push the Animal Welfare Task Group to consider the end of caged hens.

"Quite frankly, battery cages are extremely cruel," said Dr Jed Goodfellow, a senior policy officer with the RSPCA.



The RSPCA is threatening to walk out of the consultation process for new animal welfare standards for poultry, over caged egg production concerns. (ABC Rural: Brett Worthington)

Activists – Consumer rights



The majority of our production is still cage eggs.

The Animal Activist lobby has been very critical of industry and producers for failing to agree on a phase out of caged systems.

The immediate removal of cages is something the Company simply cannot afford.

The phase out of cages must not be legislated. Such an outcome must be reflective of consumer choice.

Failure to reflect consumer demand imposes constraints on the rights of families on limited budgets and denies their right to cage eggs as a low cost source of high quality protein.



Egg Farms are Capital Intensive



Layer farms are capital intensive

Farm Pride Foods – Leading the way



Expenditure on supporting our brand has increased. Historically we have invested very little in promoting our brand. Brand reputation has become a critical driver of repeat purchase.

We will also continue to maintain our investment in Oritain to ensure there is an independent mechanism to audit our supply chain traceability.

Free range products continue to be the major focus for our customers.

Egg firm adopts food origin technology

Until recently, Australian egg producers have usually been unable to track their free range eggs after they leave the farm. In an Australian first, Farm Pride has engaged food traceability company Oritain to verify the origin of all its free range eggs, right down to the specific farm they were laid at.

Specialising in tracking and verifying food origin, Oritain is an independent, scientifically rigorous international company that works with some of the world's leading food brands.

The science behind the free range verification and tracking provides buyers with complete confidence that, when they buy Farm Pride free range eggs, they're in fact, free range eggs. The technology examines and tests those elements that make up a product's natural environment to create a 'chemical fingerprint' of origin, said to be accurate enough to be admissible in a court of law.



Farm Pride Foods – Leading the way





Aussies on a health-kick as more shoppers opt for natural wholefoods

“New research shows Aussies are more health conscious than ever, increasingly stocking their kitchens with natural wholefoods. As Mother Nature’s multi-vitamin, eggs are a perfect addition to the shopping list”

“People don’t have to worry about trying to decipher ingredient lists – an egg is naturally nutrient rich and comes in its own special package completely designed by nature.

“Importantly, eggs also have a low carbon footprint when compared to other protein rich foods, which makes them a frontrunner for consumers looking for an environmentally friendly option.”

Egg Consumption

“New research, unveiled for World Egg Day, highlights popularity of eggs with 15 million eaten in Australia each day”.

“Aussies have shown a real taste for eggs in new research unveiled to celebrate World Egg Day. Consumers now eat 35 per cent more eggs than they did a decade ago, with the average Australian enjoying more than 18,100 in their lifetime”.

“Findings from Australian Eggs show yearly consumption has grown to 231 eggs per person in 12 months to June 2017. That’s up from 225 in the previous year and just 175 in 2007.”

“Australian eggs are now so popular that approximately 15 million eggs are eaten every day which reflects annual consumption in Australia of 5.5 billion eggs per year.”

How many eggs do you eat each week?



Australian egg consumption

Results from 86,000+ adults who have completed the CSIRO Healthy Diet Score

Eggs are a natural source of high quality protein containing 11 vitamins and minerals as well as Omega 3 fats

Key results



On average adults consume **0.82 eggs** per day or **5.77** eggs per week



Almost one quarter of Australians consume at least **1 egg** per day



Gender matters: Men are eating more eggs than women



18-30 year old males have the highest egg consumption (**1 egg** per day)



Amongst females, **31-50** year olds have the highest egg consumption (**0.86 eggs** per day)

Farm Pride Foods Limited



Questions & Answer Session

Questions?



You wanna Start Something this Saturday?

It's game on. Start it right with Farm Pride.

[f @farmprideeggs](#) [@farmpride.eggs](#) #startsomethingFPE [farmpride.com.au](#)

The Farm Pride logo, featuring the words "farm" and "pride" stacked vertically in white lowercase letters on a blue square background with a yellow triangle at the bottom right corner.A yellow and white carton of Farm Pride Eggs, with the word "EGGS" in large green letters on the front.

12 FRESH BROWN EGGS