Richardson history

• James Richardson & Sons Limited (JRSL) founded in 1857

• One of Canada’s oldest and largest privately-owned companies
  – Five generations of family ownership

• Richardson International is the Agribusiness subsidiary of JRSL

• Canada’s largest agribusiness with operations in across Canada and into the U.S.
Richardson International

• Market and manage the movement of grains and oilseeds worldwide
  – Network of Ag Business Centres in Western Canada
  – Port terminals on West Coast, Great Lakes and St. Lawrence

• Supply crop input products & agronomic services

• Canola processing, oil refining and packaged goods
  – Crush/refining plants in Lethbridge, AB and Yorkton, SK
  – Packaging facilities in Lethbridge and Mississauga

• Oats and wheat milling
  – To be detailed later
Richardson’s Entry into Oat Milling

- Richardson International acquired the oat and wheat milling business from Viterra on May 1, 2013.
- Largest North American Oat Miller with 4 mills
  - Portage La Prairie, MB; Martensville, SK; Barrhead, AB
  - South Sioux City, NE
- Cluster and Coated grain production in S. Sioux City.
- Over 25 years of oat milling expertise.
Richardson’s Interest in Oat Milling

• Western Canada crop, where Richardson is well positioned

• Great extension to Richardson’s core business.
  • Having daily requirements to feed the oat milling plants allows for ongoing demand to our farm customers
  • Richardson’s network of grain handling facilities and merchandizing expertise can bring value to the oat milling business

• Fits into the health food story
  • More details to follow.

• Growth in the value added processing segment of the company
  • Diversifying cash flows and there by reducing business risk
Global Health Issues

• Cardiovascular Disease (CVD)
  • #1 cause of death globally
  • Estimated 80 million people in US have some form of CVD

• Cholesterol
  • Major risk factor to CVD and Stroke
  • 71 million people in US have high LDL cholesterol
  • Statins are the #1 selling prescription drug

• Diabetes
  • Causes general health issues
  • Leading cause of kidney failure
  • Impacts over 25 million people in US

• Obesity
Global Health Issues – Gov’t action

• FDA/USDA
  – Health Claims (soluble fiber, whole grains)
  – Proposed Trans Fat ban
  – My Plate

• Health Canada
  – Oat fiber health claim
  – Food Guide

• Mexico
  – High obesity rates are prompting food program changes.
  – Significant efforts being made to increase oat consumption.
Global Health Issues – Oat’s fit

• The “Original” Whole Grain.
  • Milling process designed to produce a stable whole grain
  • Suitable for whole grain claims

• High in fiber- both soluble and insoluble
  • Oat soluble fiber health claim (Beta-glucan)
  • Lowers cholesterol, therefore assists with reducing risk of CVD
  • Slows down digestion, thus reducing insulin response and diabetes issues

• High in protein – nearly a complete amino acid profile
  • Protein sources are in high demand in the “nutrition world”.
  • Provides satiety control (assisting in dieting)
  • Balanced protein consumption is important to good health
  • Fits with the “antient grains”
Oats – other good news attributes

• Sustainable – low inputs and moisture requirements
• Non GMO – growing interest from many consumers
  • Farm to fork – locally grown message
• Naturally Gluten Free
  • Although presences of volunteer “gluten” seeds must be managed
• Domestically produced
  • Farm to fork – locally grown message
North American Demand

• ~1.75 million MT of oats milled in North America. Supply is primarily for NA market.
• Major markets include:
  • Hot Cereals
  • Ready To Eat (RTE) Cereals
  • Cereal/Granola Bars
  • Snack Foods
  • Cookies/Crackers
  • Infant Foods
  • Beverages
  • Meal Supplements
Hot Cereals

• ~ 250,000 MT of oat demand
• Retail channels have been relatively flat for past few years.
  • Lack of convenience
  • Competition from bars and yogurt.

• Increase in restaurant channels offering oatmeal

• Multi-grain, ancient grains, flax, chia and protein are being combined with oats to expand market.
Cold Cereals (RTE)

- Leading brands are oat based
- Overall the category has been relatively flat
  - Lacking convenience
  - Less children in household with both parents working.
  - Bars, Yogurt (greek), Beverages have replaced traditional breakfast.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Sales (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Honey Nut Cheerios</td>
<td>$556</td>
</tr>
<tr>
<td>2. Frosted Flakes</td>
<td>$446</td>
</tr>
<tr>
<td>3. Honey Bunches of Oats</td>
<td>$380</td>
</tr>
<tr>
<td>4. Cheerios</td>
<td>$364</td>
</tr>
<tr>
<td>5. Cinnamon Toast Crunch</td>
<td>$292</td>
</tr>
<tr>
<td>6. Special K</td>
<td>$284</td>
</tr>
<tr>
<td>7. Frosted Mini Wheats</td>
<td>$281</td>
</tr>
<tr>
<td>8. Lucky Charms</td>
<td>$259</td>
</tr>
<tr>
<td>9. Froot Loops</td>
<td>$176</td>
</tr>
<tr>
<td>10. Raisin Bran</td>
<td>$170</td>
</tr>
</tbody>
</table>

- Innovation through use of alternative ingredients and inclusions (clusters). We see this with line extensions.
- Granola Cereals showing strength.
Granola Bars

• Viewed as a healthy snack option and extremely convenient.

• Very competitive category that requires new product development to differentiate

• Growth is expected to continue into the future

Projected U.S. Retail Sales of Food Bars, 2011-2016
(in millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>$ (mil)</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$8,293</td>
<td>6.6%</td>
</tr>
<tr>
<td>2015</td>
<td>7,781</td>
<td>6.5%</td>
</tr>
<tr>
<td>2014</td>
<td>7,303</td>
<td>8.0%</td>
</tr>
<tr>
<td>2013</td>
<td>6,759</td>
<td>8.8%</td>
</tr>
<tr>
<td>2012</td>
<td>6,211</td>
<td>9.6%</td>
</tr>
<tr>
<td>2011</td>
<td>5,669</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Packaged Facts
Other Growth Opportunities

• Healthy snakes, cookies, biscuits, etc containing oat products
  • Multi/whole-grain; fiber; protein

• Health Beverages
  • Extreme growth in this category
  • Consumers are seeking high protein, fiber, whole grains, antioxidants, vitamins, energy boost, etc…

• Organics and Gluten Free
  • Both are growth markets - based on consumers seeking “healthy” solutions
  • Oats are gluten free and can provide an excellent nutritional option for people adopting a gluten free diet.
  • Field production measures and milling practices can enable oats to meet the newly regulated 20 ppm limit
Although consumers have many more healthy food options, the "health halo" around oats is still extremely strong. Consumers immediately connect oats with healthy ingredients.
### Production Challenge

<table>
<thead>
<tr>
<th></th>
<th>08/09</th>
<th>09/10</th>
<th>10/11</th>
<th>11/12</th>
<th>12/13</th>
<th>Chge</th>
<th>5 yr avg</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUSSIA</td>
<td>5,835</td>
<td>5,401</td>
<td>3,220</td>
<td>5,333</td>
<td>4,004</td>
<td>-25%</td>
<td>5,034</td>
<td>22%</td>
</tr>
<tr>
<td>CANADA</td>
<td>4,272</td>
<td>2,907</td>
<td>2,479</td>
<td>2,998</td>
<td>2,854</td>
<td>-5%</td>
<td>3,470</td>
<td>15%</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>1,294</td>
<td>1,352</td>
<td>1,178</td>
<td>784</td>
<td>930</td>
<td>19%</td>
<td>1,184</td>
<td>5%</td>
</tr>
<tr>
<td>POLAND</td>
<td>1,261</td>
<td>1,413</td>
<td>1,337</td>
<td>1,301</td>
<td>1,439</td>
<td>11%</td>
<td>1,355</td>
<td>6%</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>1,157</td>
<td>1,165</td>
<td>1,140</td>
<td>1,735</td>
<td>1,243</td>
<td>-28%</td>
<td>1,339</td>
<td>6%</td>
</tr>
<tr>
<td>FINLAND</td>
<td>1,212</td>
<td>1,114</td>
<td>810</td>
<td>1,045</td>
<td>1,159</td>
<td>11%</td>
<td>1,081</td>
<td>5%</td>
</tr>
<tr>
<td>GERMANY</td>
<td>864</td>
<td>893</td>
<td>596</td>
<td>628</td>
<td>668</td>
<td>6%</td>
<td>784</td>
<td>3%</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>820</td>
<td>744</td>
<td>558</td>
<td>698</td>
<td>776</td>
<td>11%</td>
<td>742</td>
<td>3%</td>
</tr>
<tr>
<td>WORLD</td>
<td>25,679</td>
<td>23,349</td>
<td>19,311</td>
<td>22,657</td>
<td>20,895</td>
<td>-8%</td>
<td>23,343</td>
<td>100%</td>
</tr>
</tbody>
</table>

- North American Production is trending downward.
- Canada 2013 – Stats Can: 3,900, a nice improvement
• Lower acres in Canada – a significant contributor
Production Challenge

• Developing varieties that can deliver both agronomic (to remain competitive with other crops) while maintaining/enhancing health benefits is key to growing the market.

• Small Crop, so collaboration in breeding programs is important.
  • can’t afford competing agendas

• Likely opportunities to improve yields through production practices and management.
  • Richardson’s Kelburn Farm could play a role in this

• Potential modifications to the variety registration system could mean a quicker route to market for new varieties
THANK YOU