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Prairie Oat Growers Association Annual Conference

December 5th, 2013

Pat Van Osch
Senior Vice-President
Richardson International

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

CANADA'S BEST MANAGED COMPANIES

Location Map

- HEAD OFFICE
- RICHARDSON PIONEER REGIONAL OFFICE
- REGIONAL GRAIN MERCHANDISING
- AG BUSINESS CENTRE
- KELBURN FARM
- PORT TERMINAL
- JOINT VENTURE TERMINAL
- OILSEED
- RICHARDSON MILLING

MAY 2013

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

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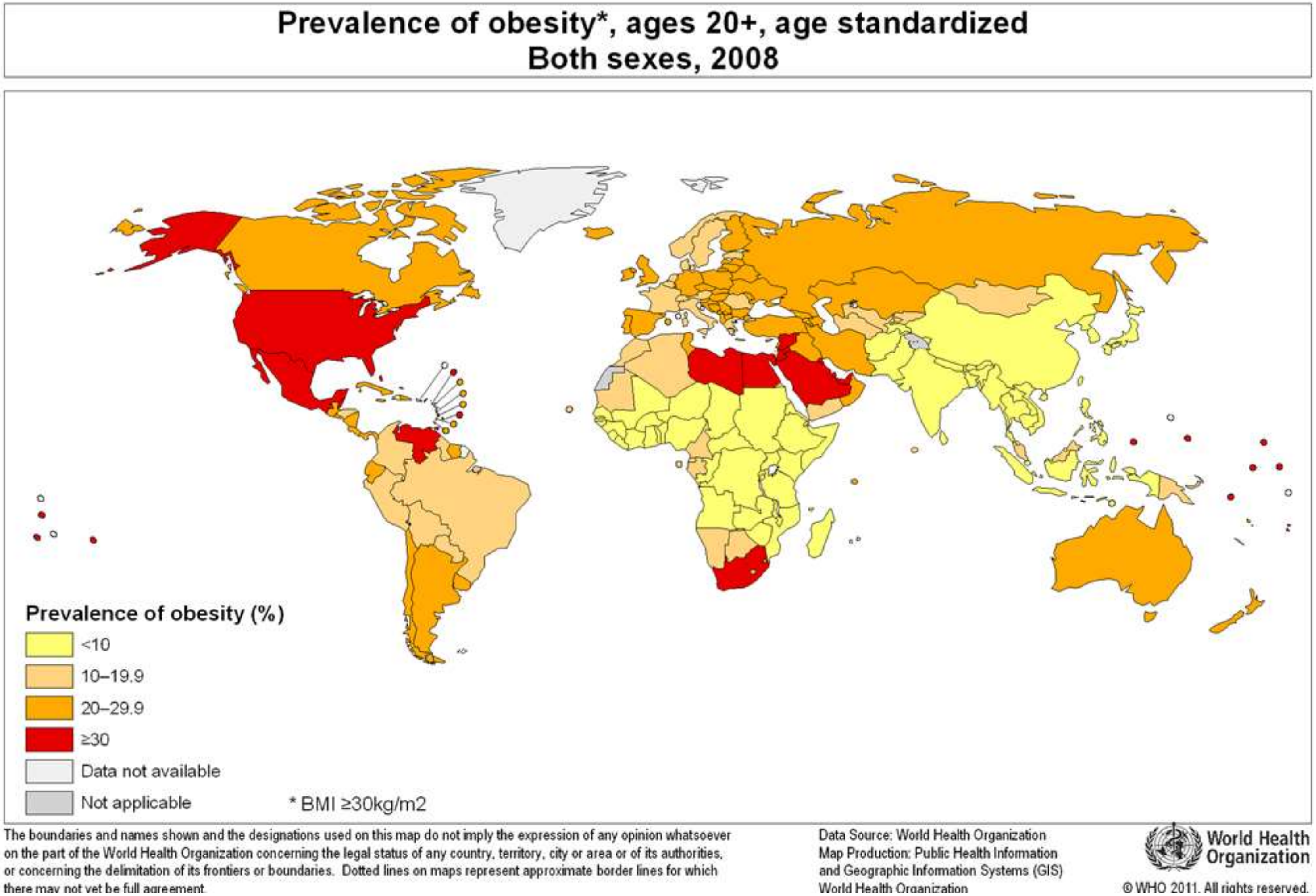
Global Health Issues

- 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



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.

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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

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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.

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Cold Cereals (RTE)

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

- 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.

- 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)

Year	$ (mil)	% Chg
2016	$8,293	6.6%
2015	7,781	6.5
2014	7,303	8.0
2013	6,759	8.8
2012	6,211	9.6
2011	5,669	--

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

Other Growth Opportunities

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

Production (000 mt)	08/09	09/10	10/11	11/12	12/13	Chge	5 yr avg	% of Total
RUSSIA	5,835	5,401	3,220	5,333	4,004	-25%	5,034	22%
CANADA	4,272	2,907	2,479	2,998	2,854	-5%	3,470	15%
UNITED STATES	1,294	1,352	1,178	784	930	19%	1,184	5%
POLAND	1,261	1,413	1,337	1,301	1,439	11%	1,355	6%
AUSTRALIA	1,157	1,165	1,140	1,735	1,243	-28%	1,339	6%
FINLAND	1,212	1,114	810	1,045	1,159	11%	1,081	5%
GERMANY	864	893	596	628	668	6%	784	3%
SWEDEN	820	744	558	698	776	11%	742	3%
WORLD	25,679	23,349	19,311	22,657	20,895	-8%	23,343	100%

- North American Production is trending downward.
- Canada 2013 – Stats Can: 3,900, a nice improvement

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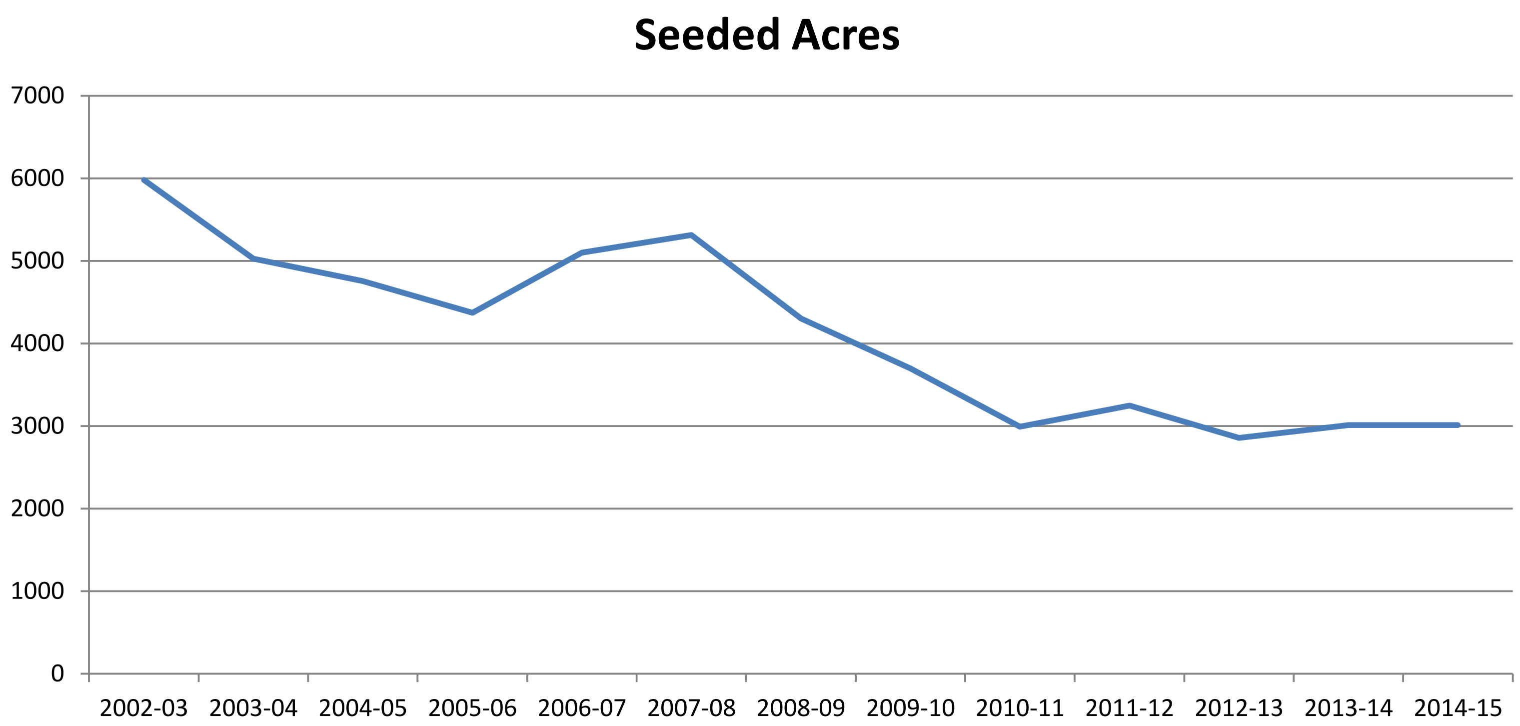
Production Challenge



- 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

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THANK YOU

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