

FUTURE
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DAIRY FORUM 2018

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PARTNER SESSION



[DISCOVER]

DISRUPTORS ON THE DAIRY SECTOR HORIZONS

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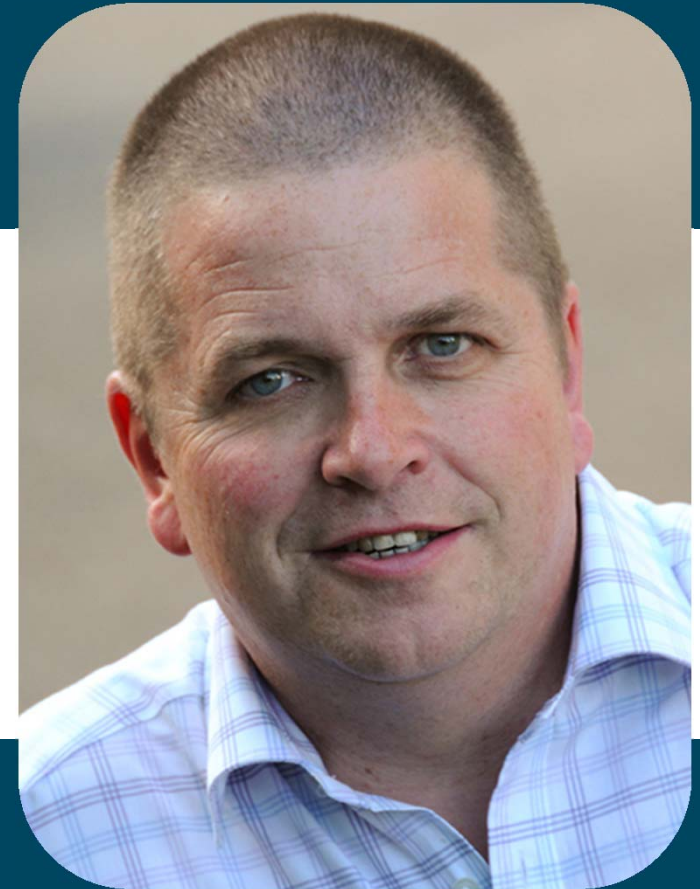
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Rabobank

Kevin Bellamy

Global Sector Head – Dairy
Rabobank





IDFA Dairy Forum 2018

Disruptors on the Dairy Sector Horizons



Rabo Securities

Overview of today's discussions



Introduce Rabobank's dairy sector coverage team

- Sector coverage team organized by Global Sector Head, Global Strategist, and network of six M&A coordinators globally
- Supported by a strong research team of eight regional analysts



Outlook for commodity markets

- Ample milk production has resulted in rising exportable surplus
- Commodity prices anticipated to be below long-term averages



Shifting consumer tastes and supply chain dynamics

- Premium segments within dairy categories leading growth
- Changing retailer environment and channels will impact supply chain

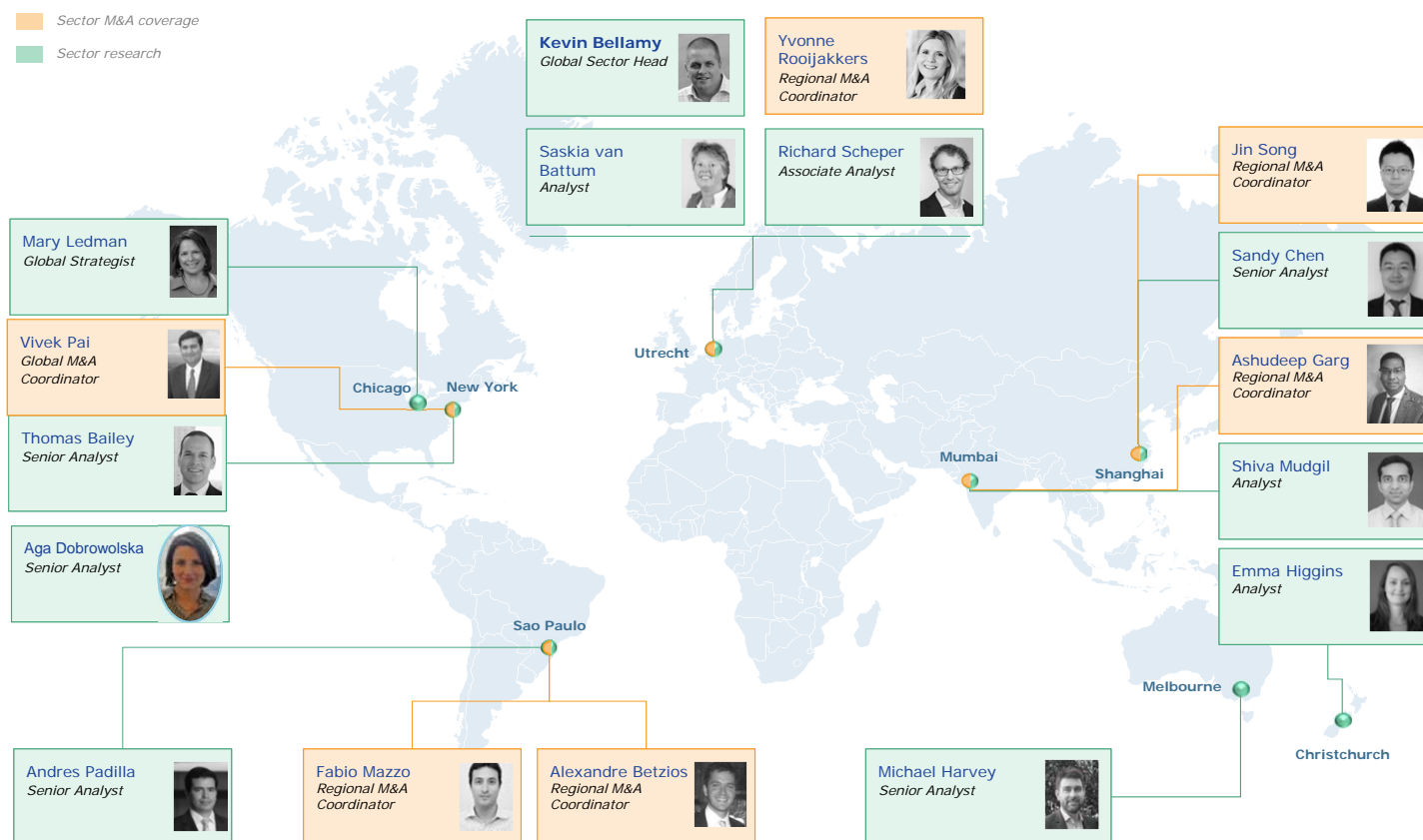


Outlook for M&A activity in North America

- Strong valuation levels for specialty branded businesses
- Deal environment likely to be active with several anticipated market situations



Global dairy sector coverage team



Market highlights

1

Exports have expanded in the face of rising global milk supplies

2

Prices have begun correcting to adjust supply growth

3

Demand should pick up in 2018, but not enough to absorb stocks

4

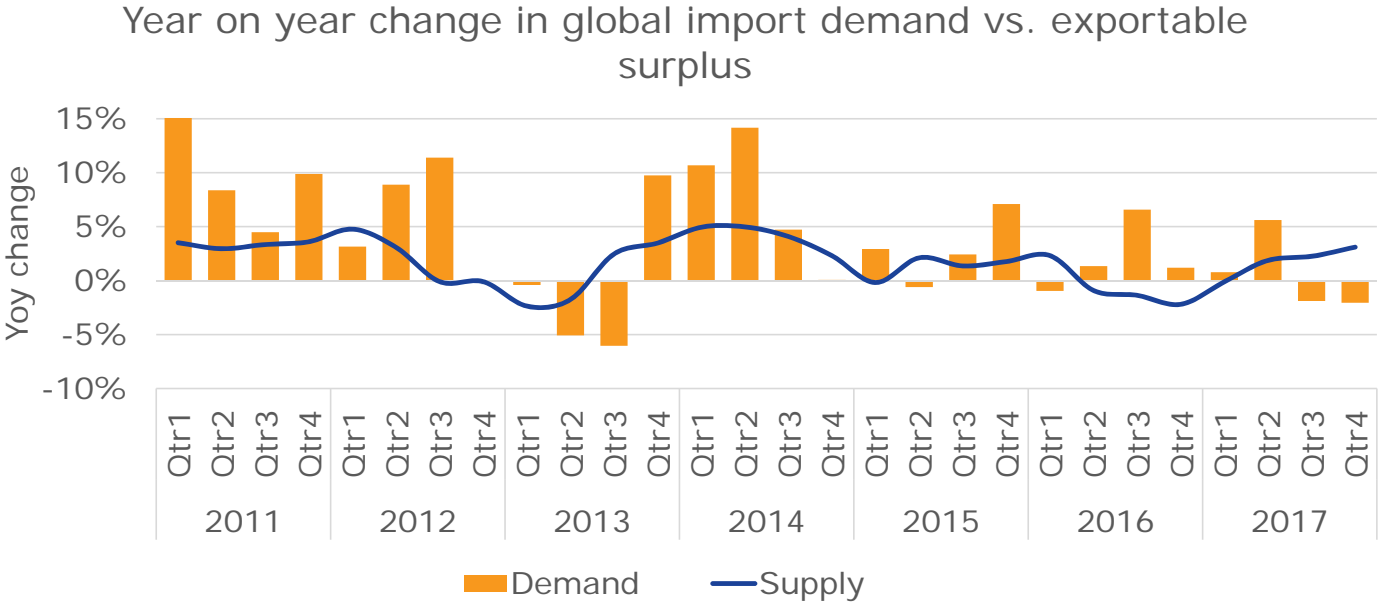
Low margins will precipitate consolidation and integration along the global dairy supply chain

5

As US supply outstrips demand more milk will be pushed into the global markets, and investors from around the world will be eyeing how they might be best positioned to capitalize on the opportunity

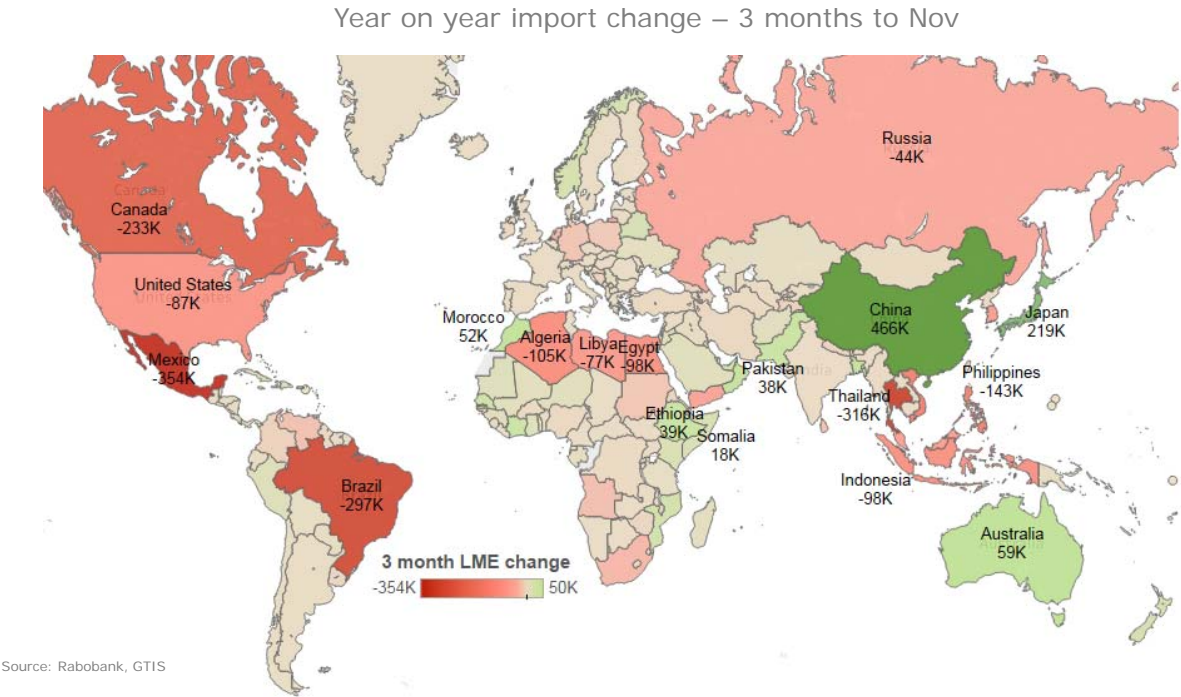


Global import demand has taken a step back in the face of the growing milk glut.

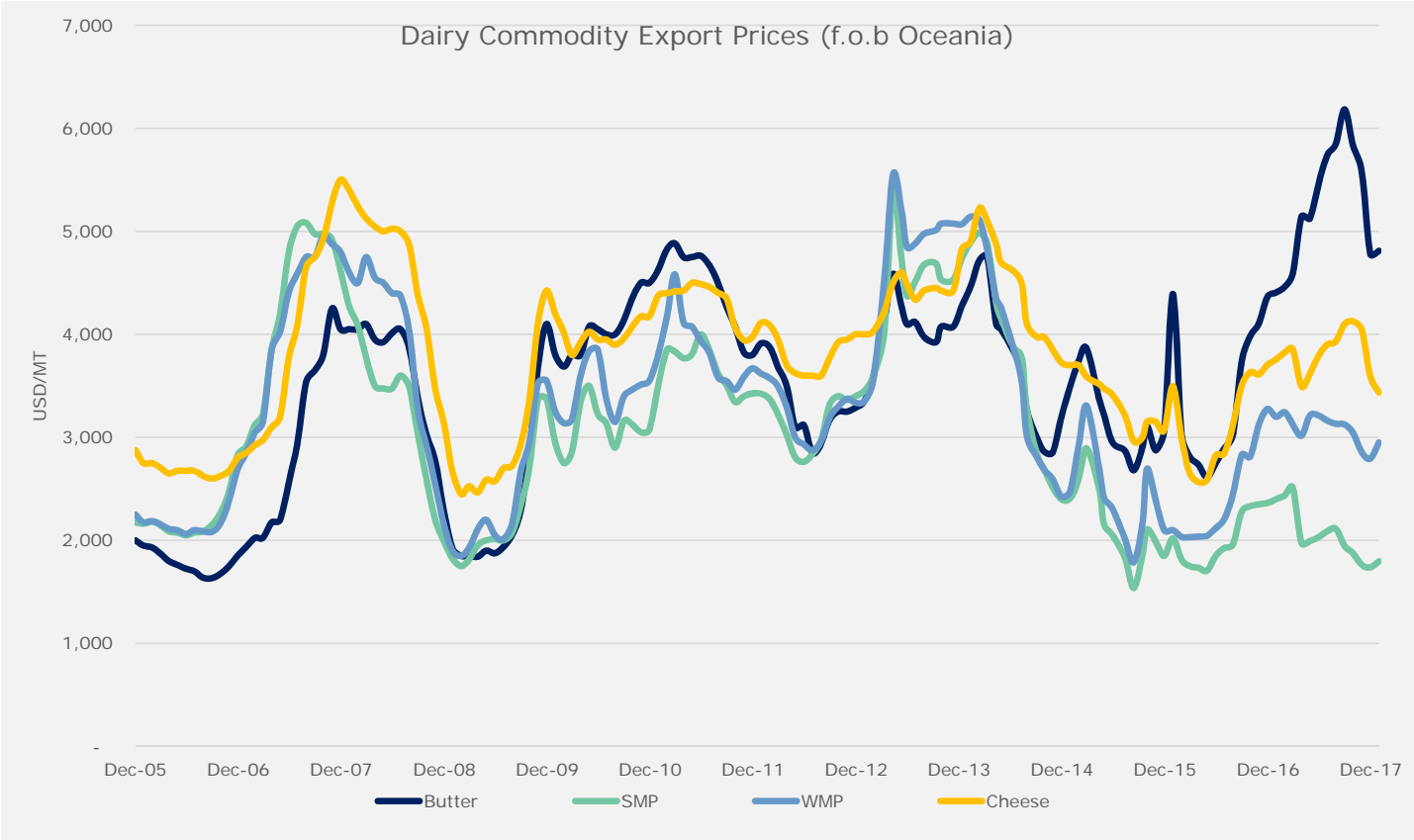


Source: Rabobank, USDA, GTIS

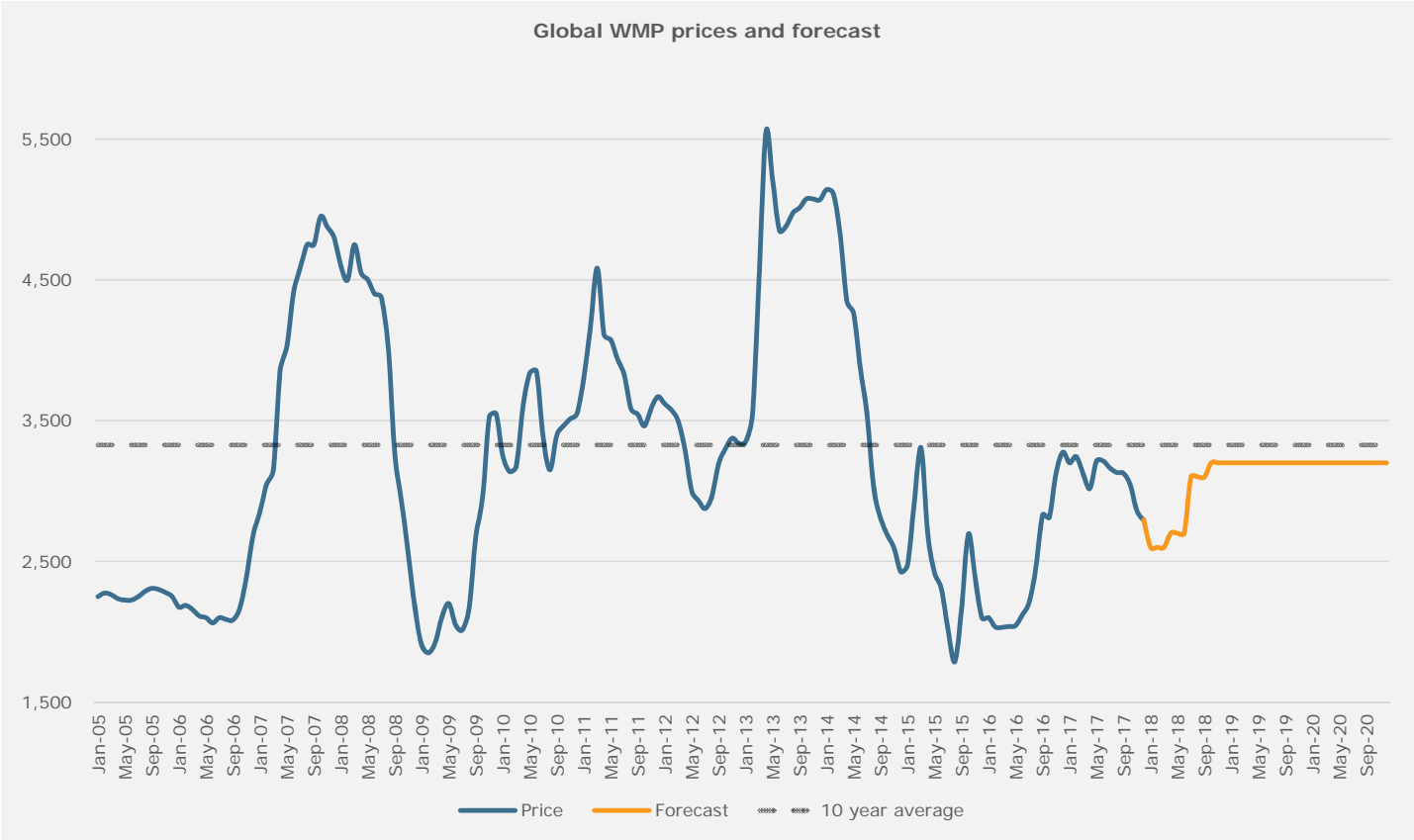
China has maintained pace of imports while others have stepped back.



Falling prices have taken a break from precipitous declines due to NZ drought fears



Even with some recovery, our midterm price remains below the 10 year average



NAFTA and other exogenous factors may derail the outlook.

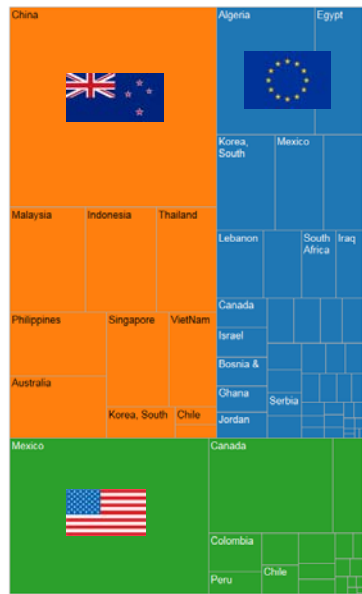
NAFTA withdrawal



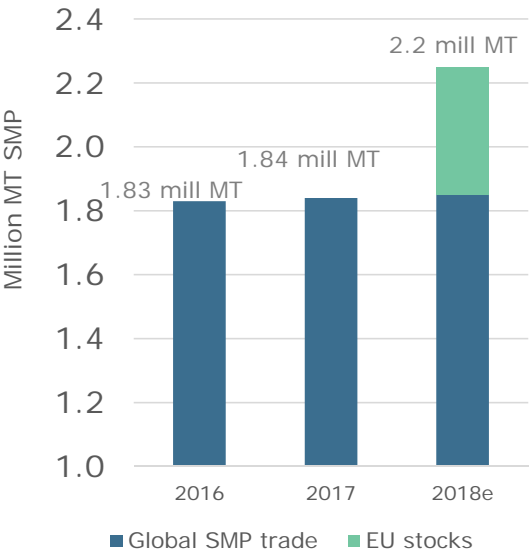
Donald J. Trump @realDonaldTrump
We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?
6:51 AM - 27 Aug 2017

Source: Rabobank, Twitter, GTIS, USDA

Big 3 relative market access by exported volumes



EU SMP Stocks?

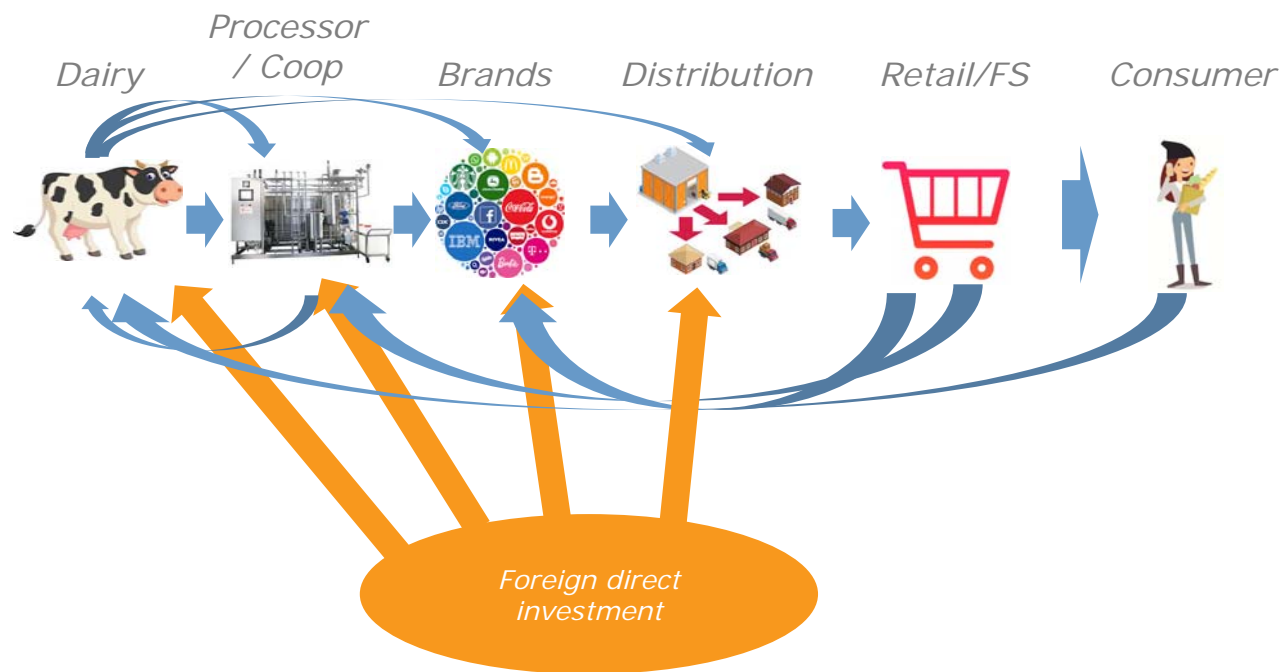


Investments along the dairy value chain – a US example.

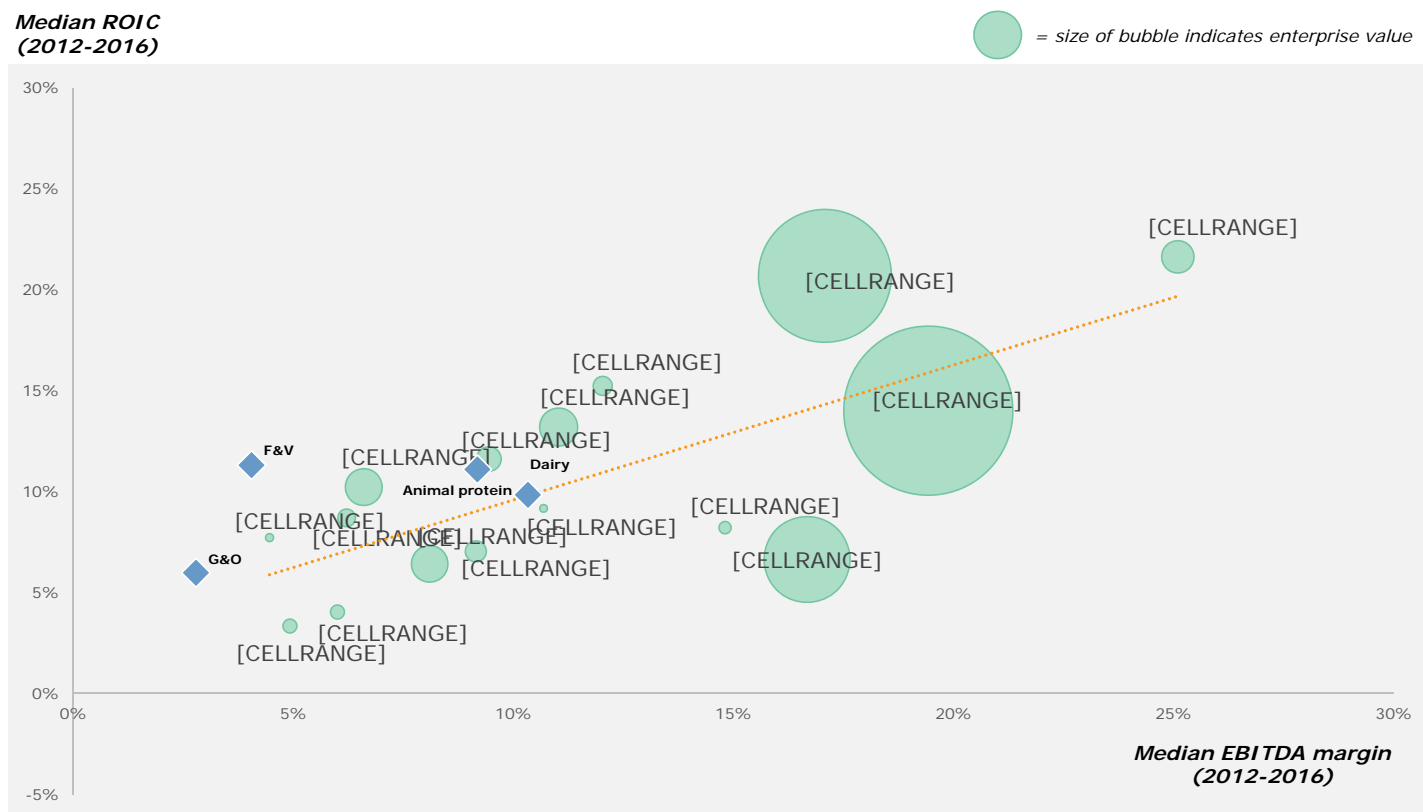
Low margins and disruptors pressuring dairy supply chain



And investments are responding accordingly.



Return on invested capital boosted by on-trend tailwinds



Source: FACTSET, Rabobank analysis

G&O = Grains & Oilseeds ; F&V = Fruits & Vegetables ;

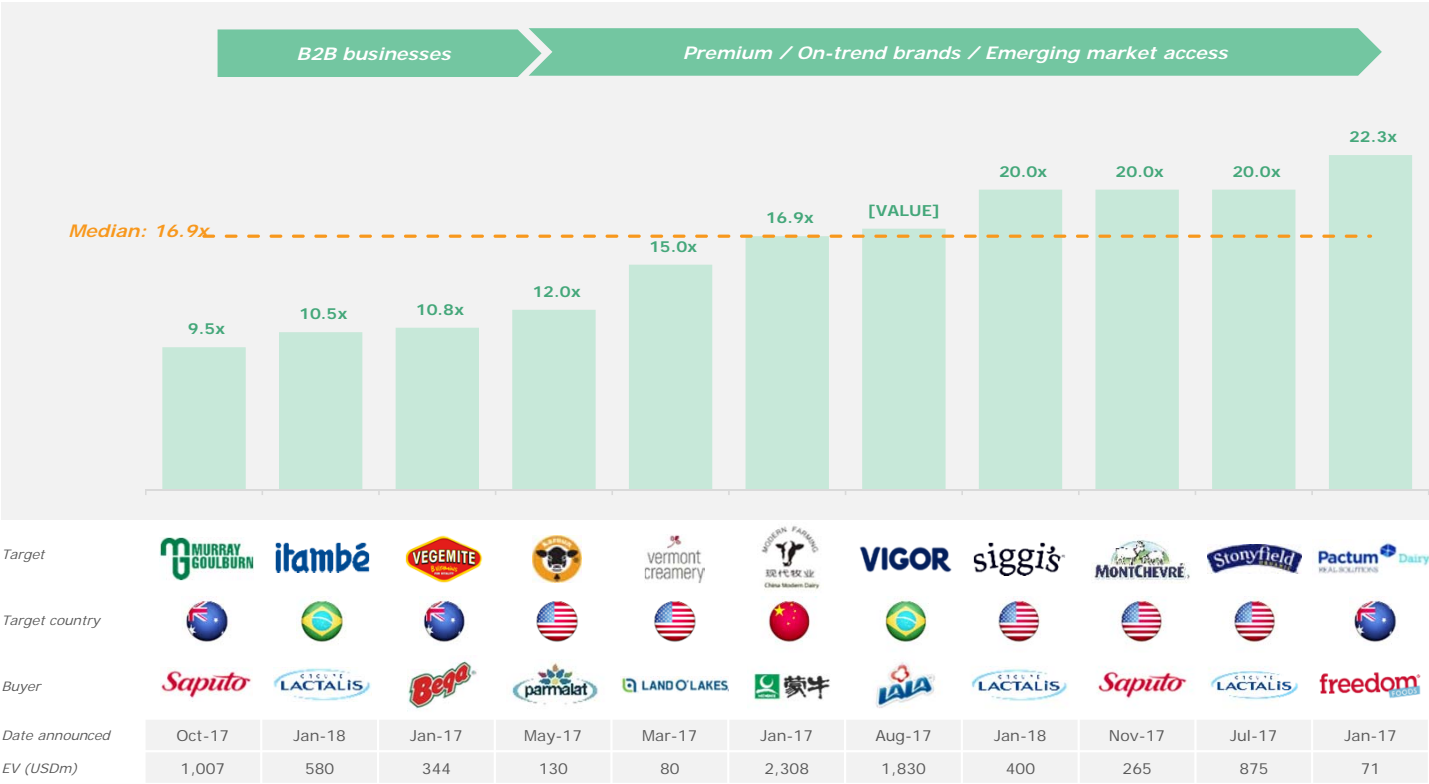
Animal protein index includes the following companies: Bachoco, BRF, Cofco Meat, JBS, Hormel, Maple Leaf, WH Group, Marfrig, Minerva, Pilgrim's Pride, Sanderson Farms, Tyson;

G&O index includes the following companies: ADM, Andersons, Glencore, Bunge, Wilmar;

F&V index includes the following companies: Fresh Delmonte, Total Produce

Valuations have been strong, particularly for branded businesses

EV/EBITDA



Sources: Capital IQ, Mergermarket, press releases, Rabobank estimates

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