

October 2016

Digital Technology Through The Supply Chain

Michael Whitehead



AGENDA

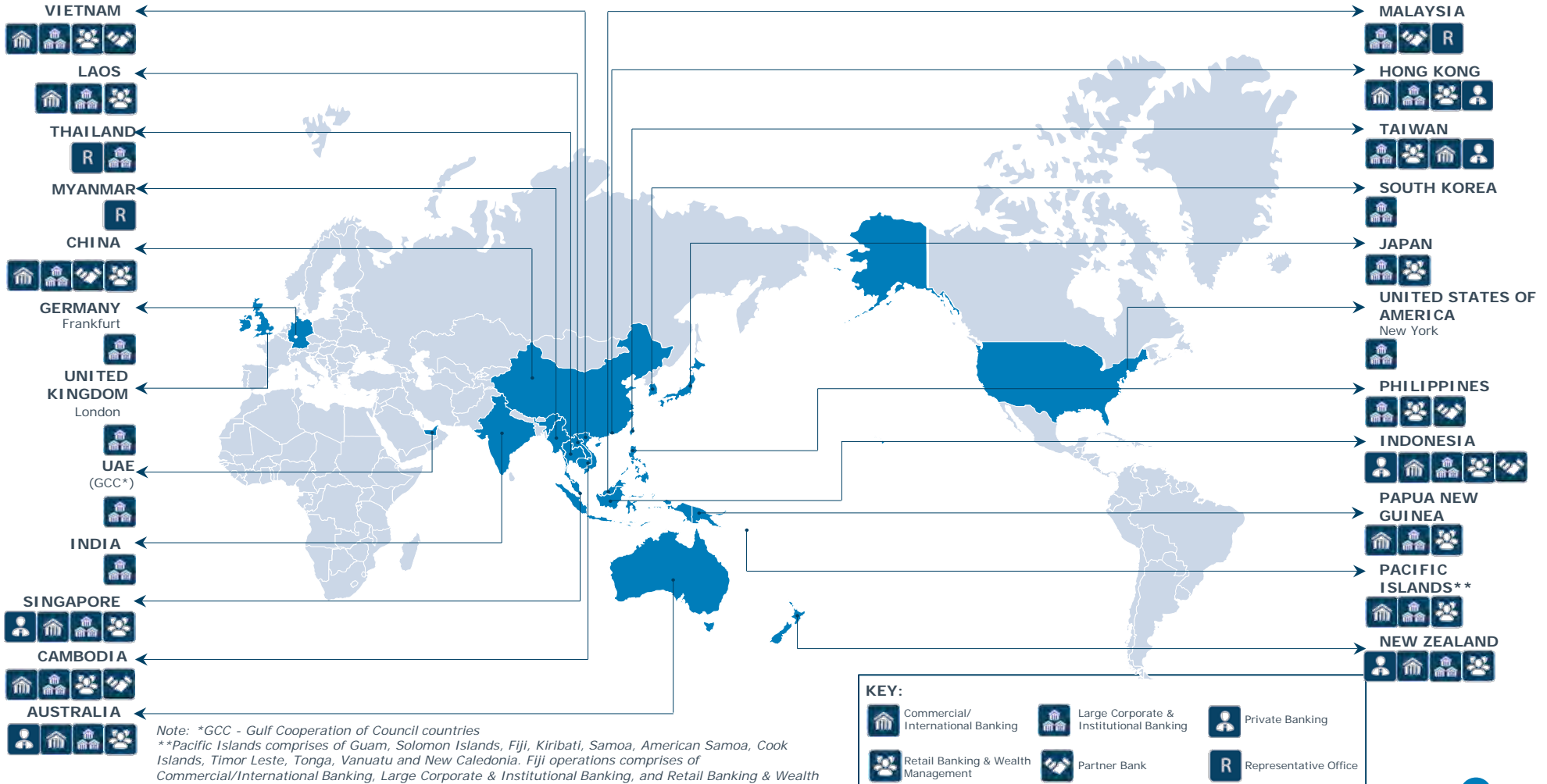
- **ANZ And Agri**
- **Real Time Financing**
- **Cattle As An Example**
- **Trust – New Market Entrants**
- **The Alibaba Effect**



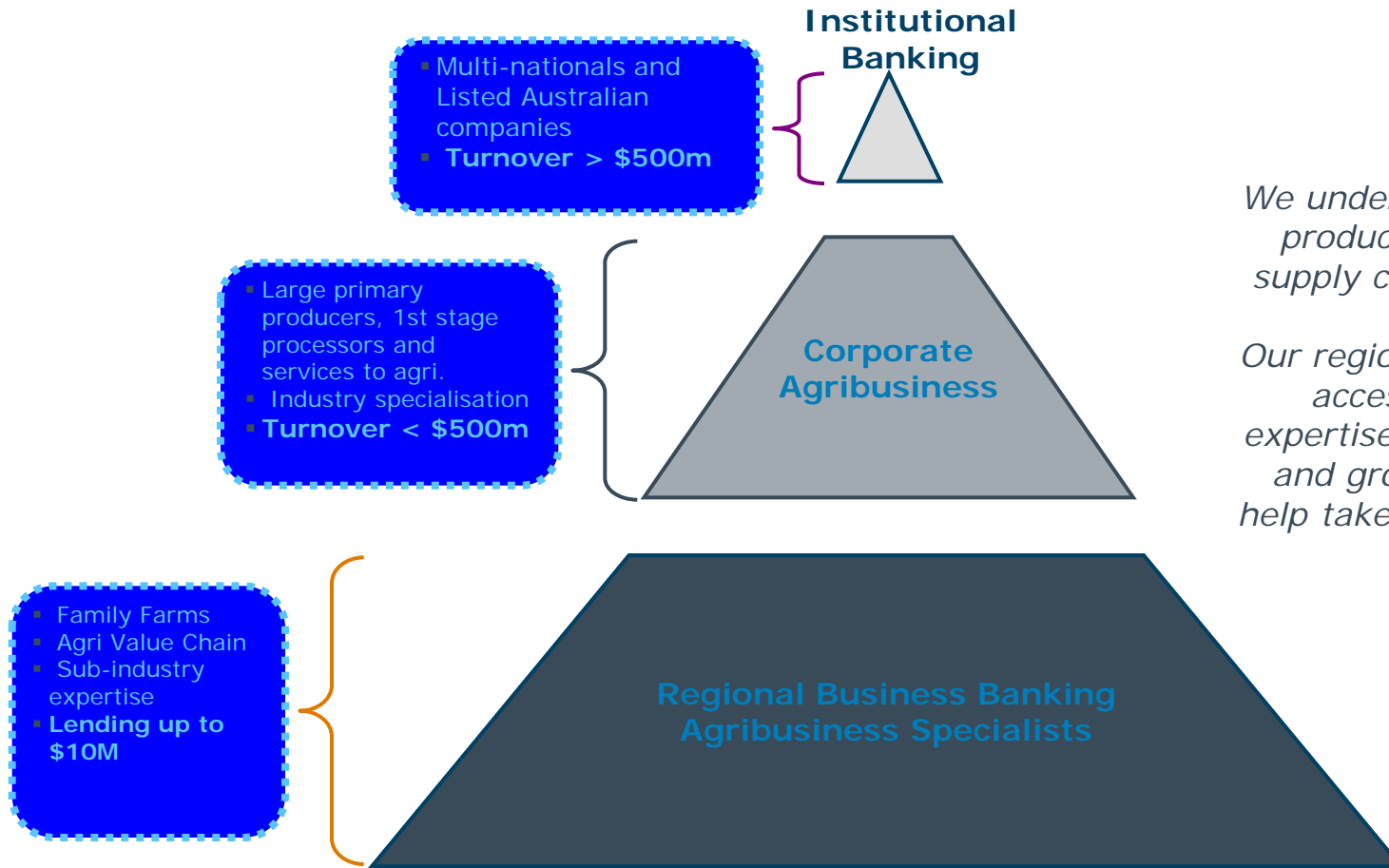
ANZ AND AGRICULTURE

OUR SUPER REGIONAL NETWORK

ANZ has an established regional network across 33 markets which include 15 Asian markets and representation in Europe, America and Middle East. ANZ is a leading bank in Australia and the largest bank in New Zealand & the Pacific Islands (12 markets)



ANZ AGRIBUSINESS



We understand the flow of your produce through the entire supply chain, from paddock to plate.

Our regional network offers you access to local industry expertise, valuable connections and growth opportunities to help take your agribusiness into the future.



AND TECHNOLOGY IS CHANGING THE COURSE – EXPONENTIALLY!

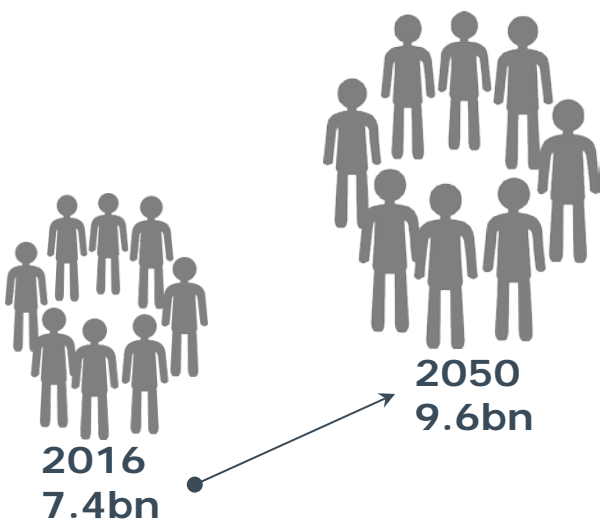




REAL TIME FINANCING

THE CHALLENGE TO FEED 9.6bn PEOPLE

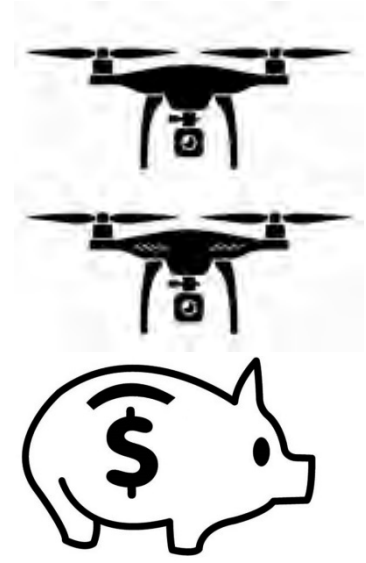
Rising Population



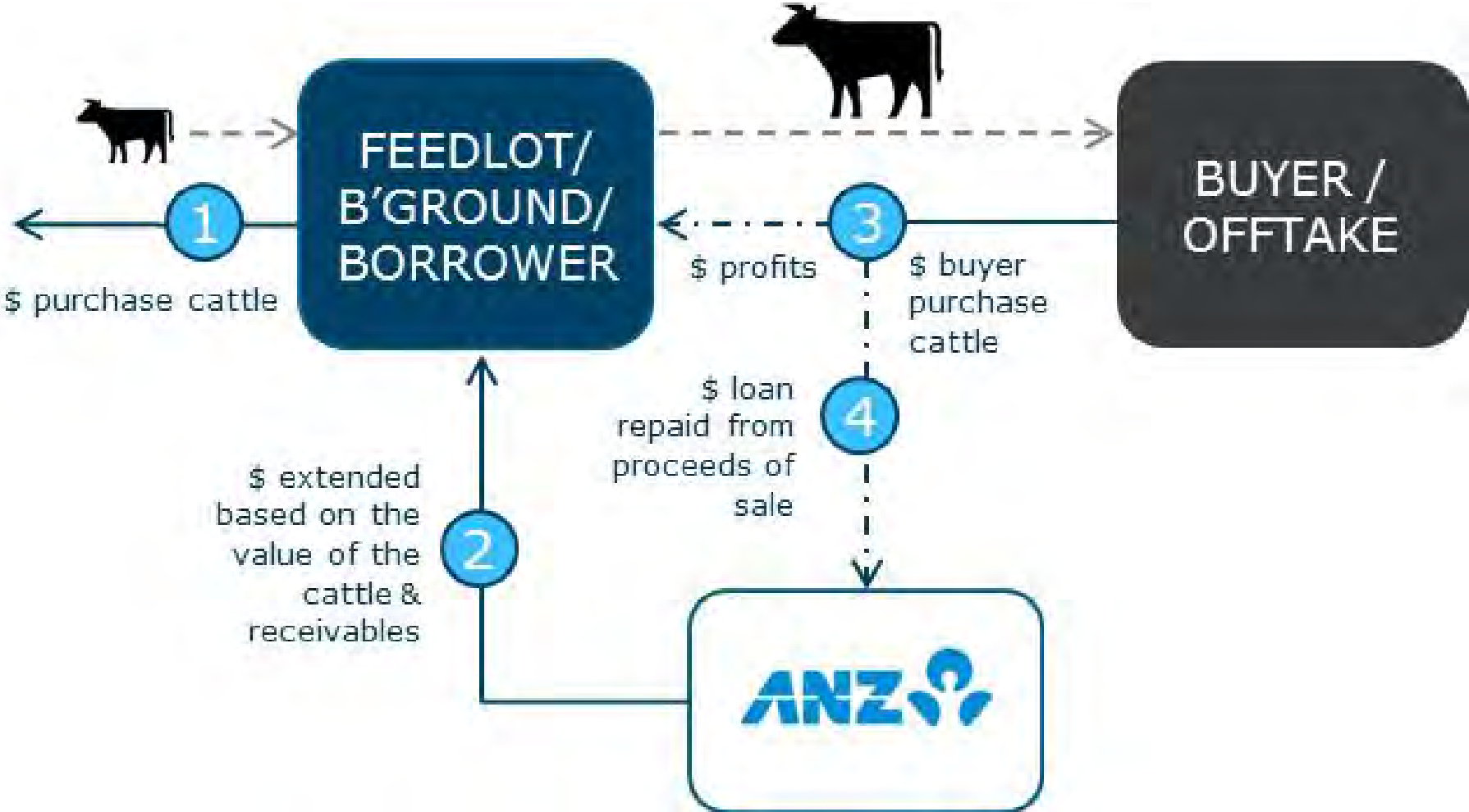
Capital Requirement



Current saving to fund future Investment



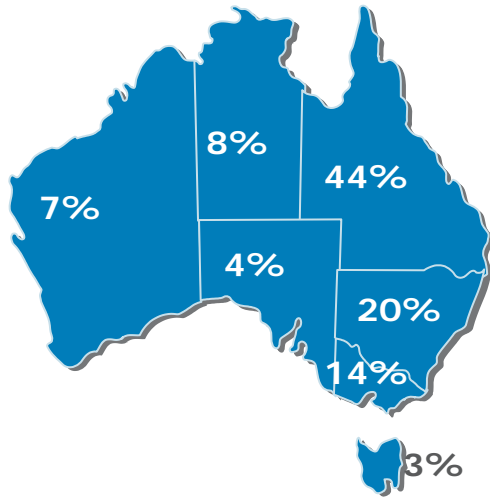
BANKS REMAIN INTEGRAL PART OF SUPPLY CHAIN



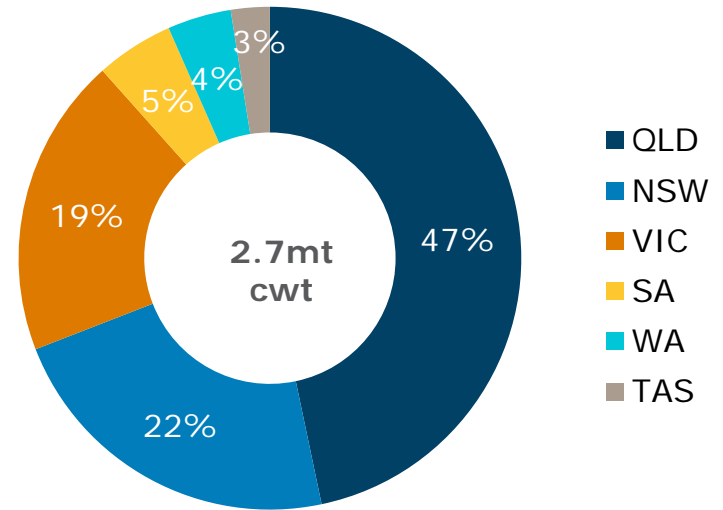
AUSTRALIAN BEEF INDUSTRY



29.1 Million



Beef



Feeding System

Grass Fed 28 m

Feedlot 1 m

Weight Gain

Grass Fed 1.1 Kg/Day

Feedlot 2.0 Kg/Day



CATTLE AS AN EXAMPLE...

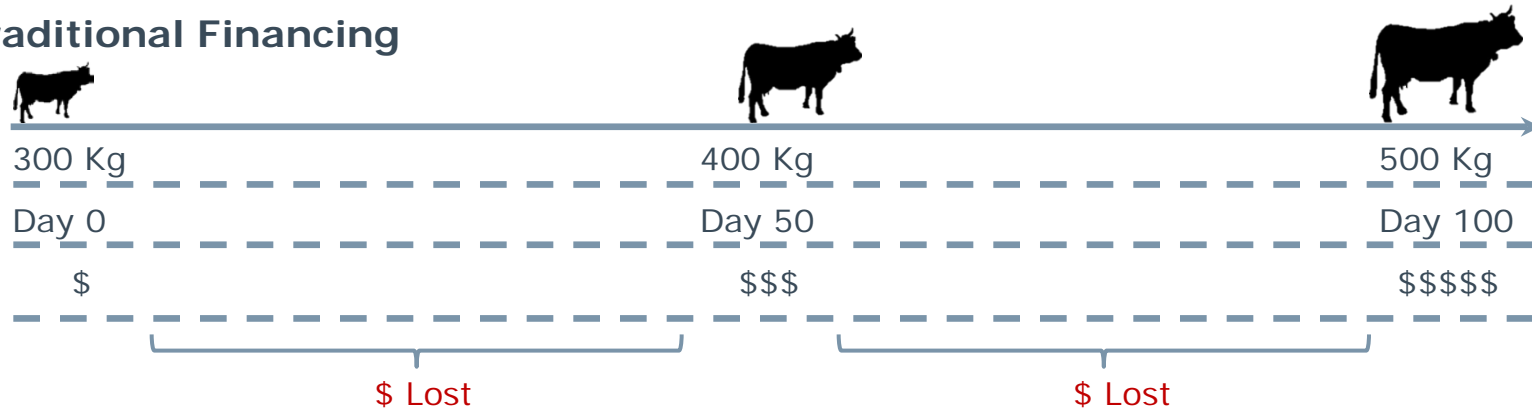
TRADITIONAL VS REAL TIME FINANCING

Funding Against Land



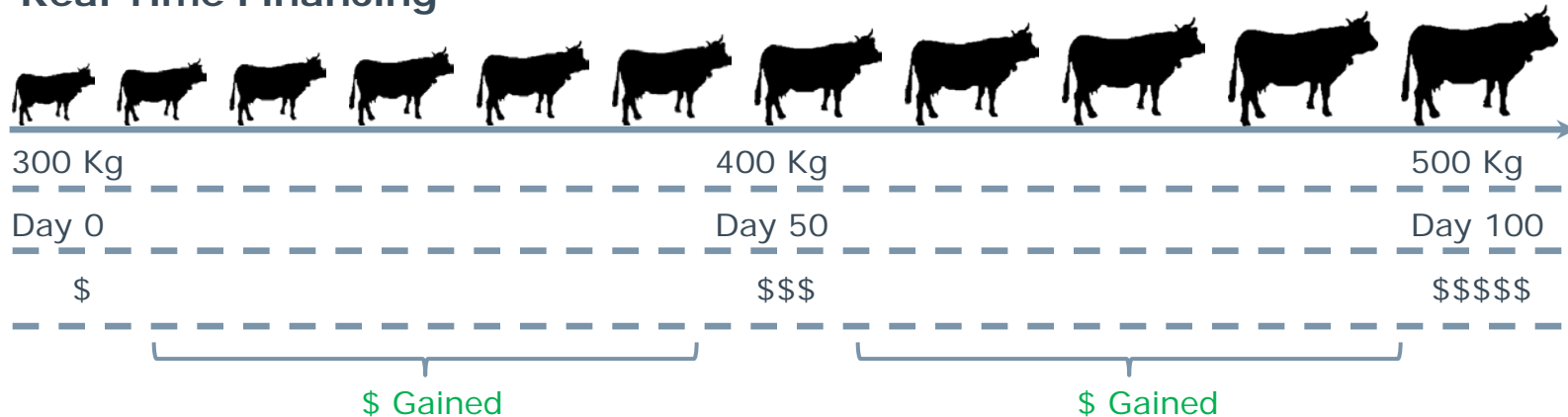
Failure to tap the working capital finance opportunity

Traditional Financing



Works well with operators with long operation history

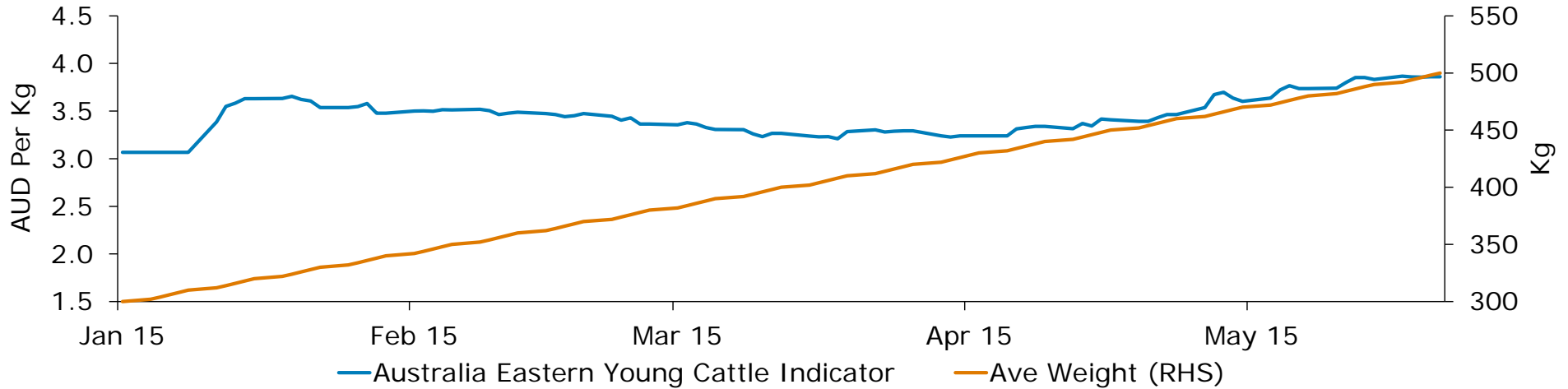
Real Time Financing



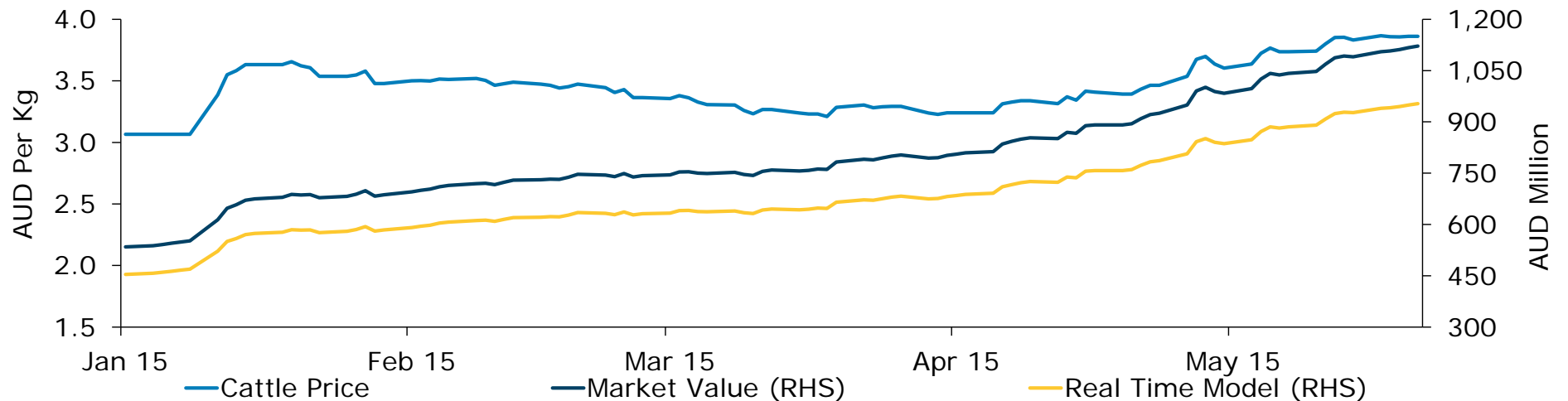
Technology provide opportunity to unlock working capital

DIGITAL FINANCING LEVERAGES ALL AVAILABLE INFORMATION

An Inventory that Grows: Feedlot



Tap the Market Value: Feedlot¹

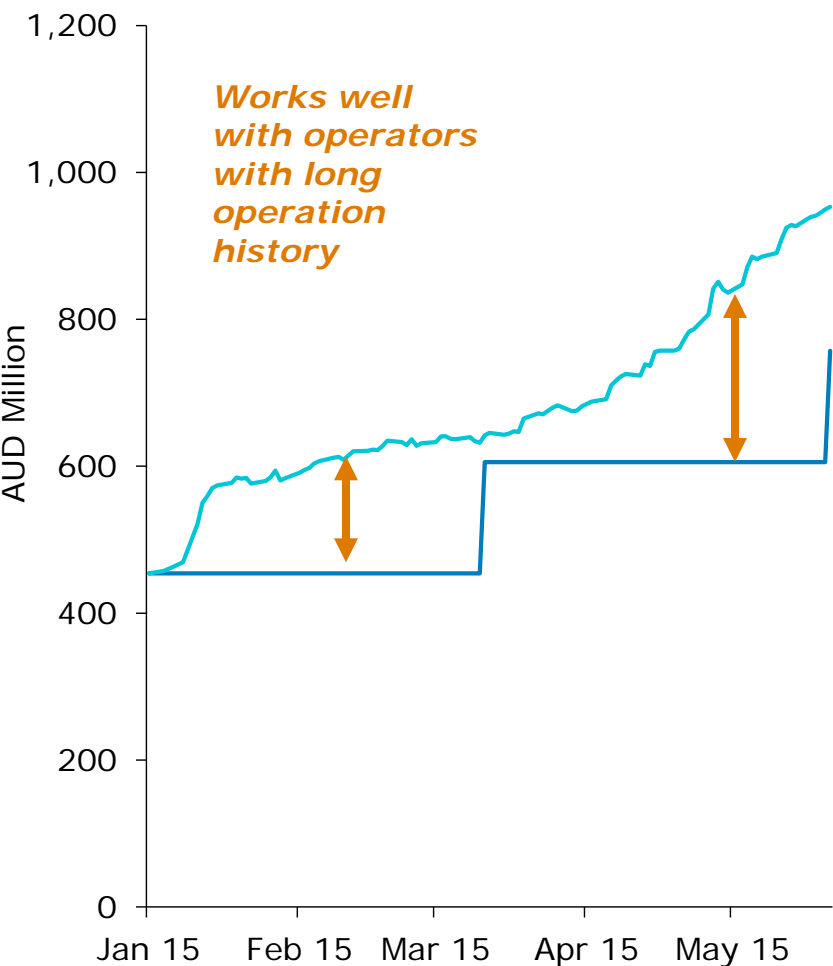


Note1: Dressing %=52%, 85% of market value for feed lot with 100 day cycle



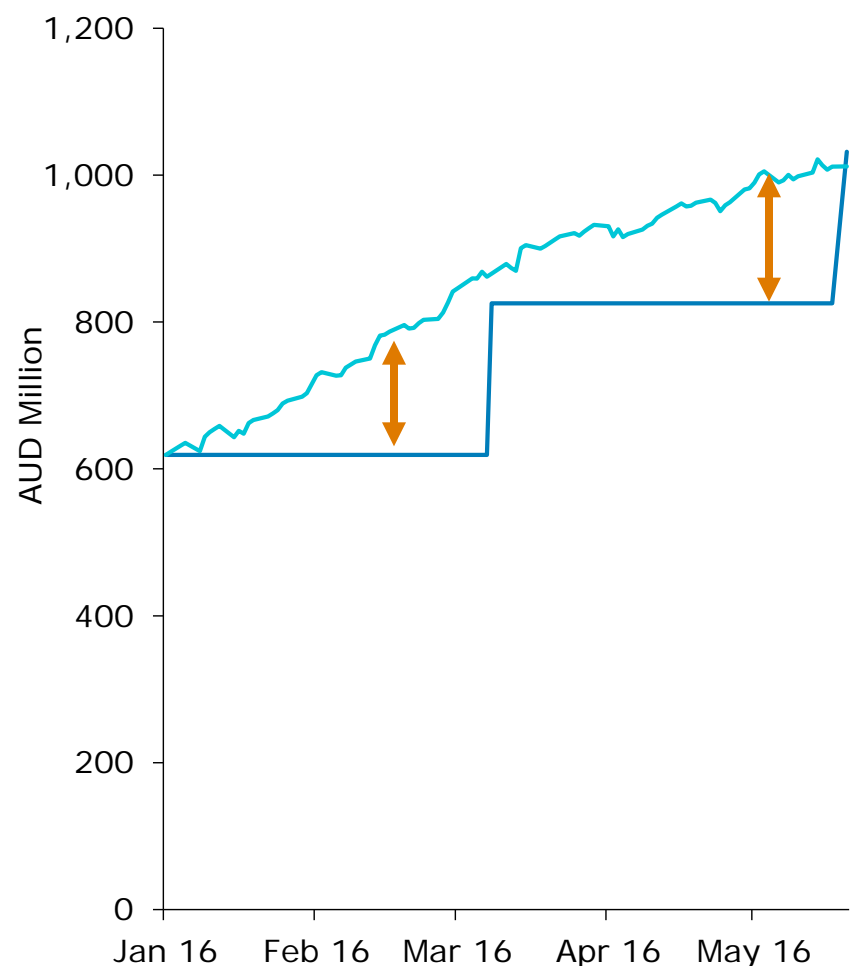
ABILITY TO ATTRACT NEW CAPITAL IN THE INDUSTRY BY UNLOCKING WORKING CAPITAL

2015¹



— Traditional Model — Real Time Model

2016¹

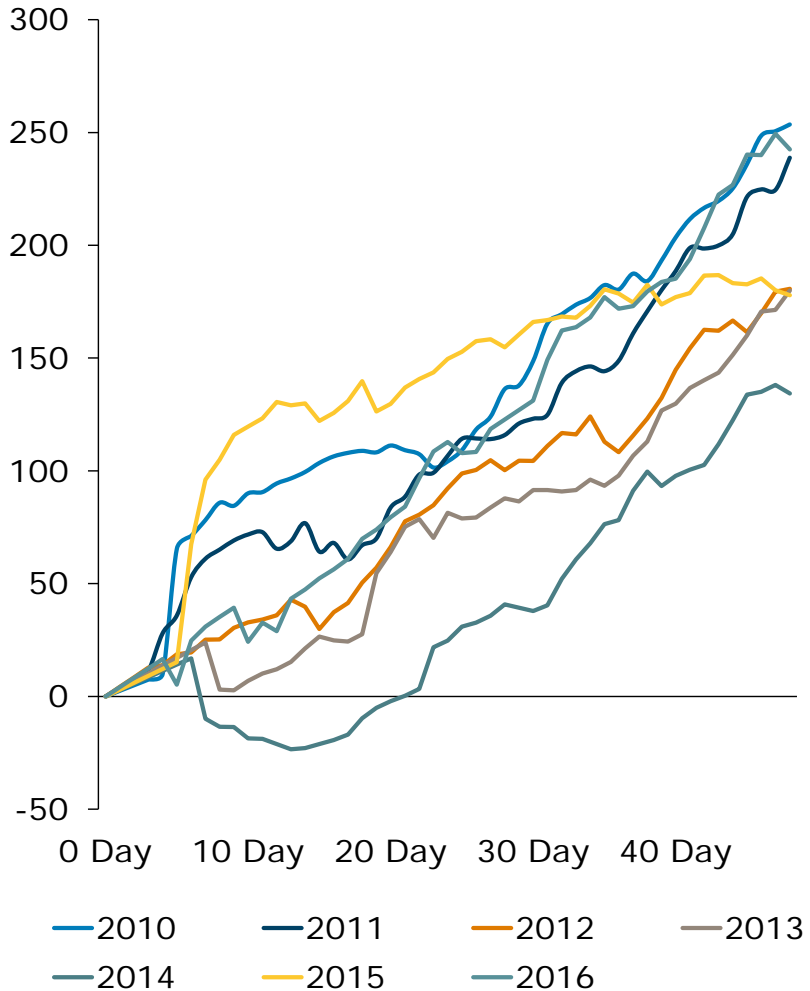


— Traditional Model — Real Time Model

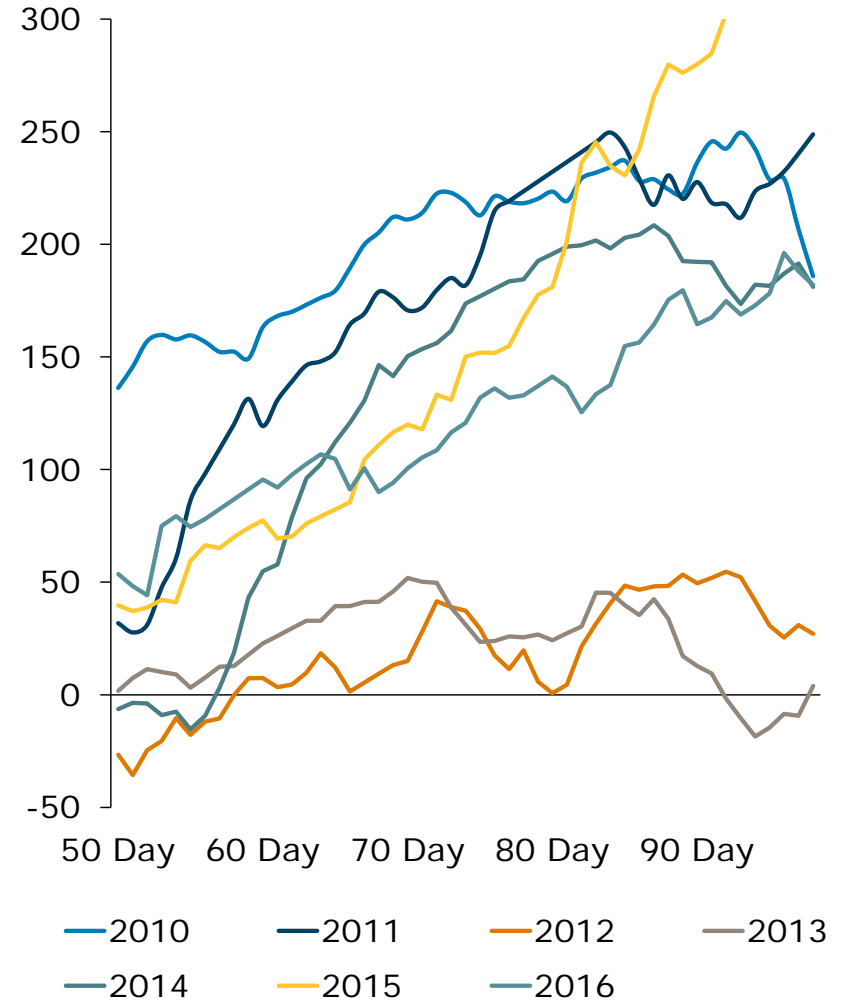
Note1: Dressing %=52%, 85% of market value for feed lot with 100 day cycle



Additional Capital 0-50 Days (In AUD m)



Additional Capital 50-100 Days (In AUD m)





THE WAY AHEAD

WHY BLOCKCHAIN?



Prohibits digital copies of assets



Individual ownership of data



Ability to uniquely identify each asset



Lower cost of operation



Faster processing

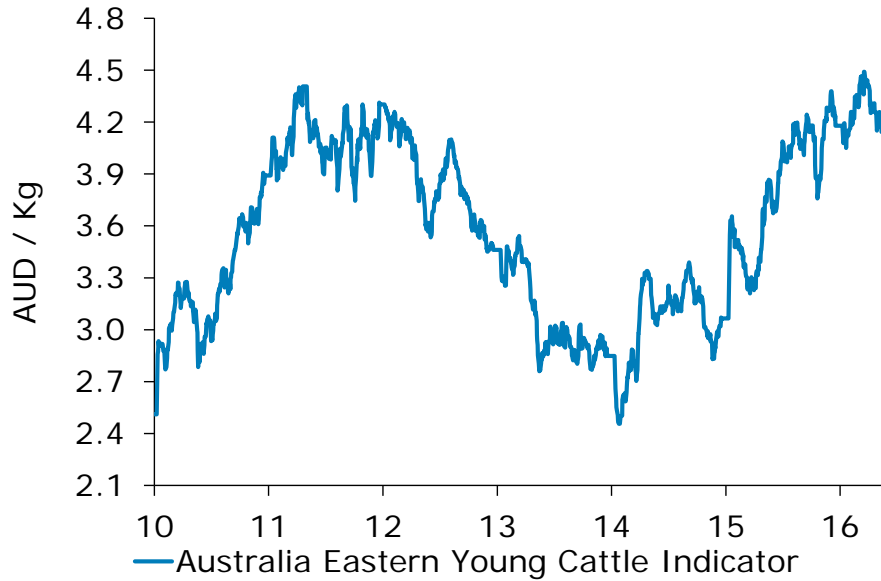


Failure resilience



THE WAY AHEAD

Drivers



Platform

Cattle in feedlot

2,000

Funding Based on Land

AUD 1.0m

Working Capital Opportunity

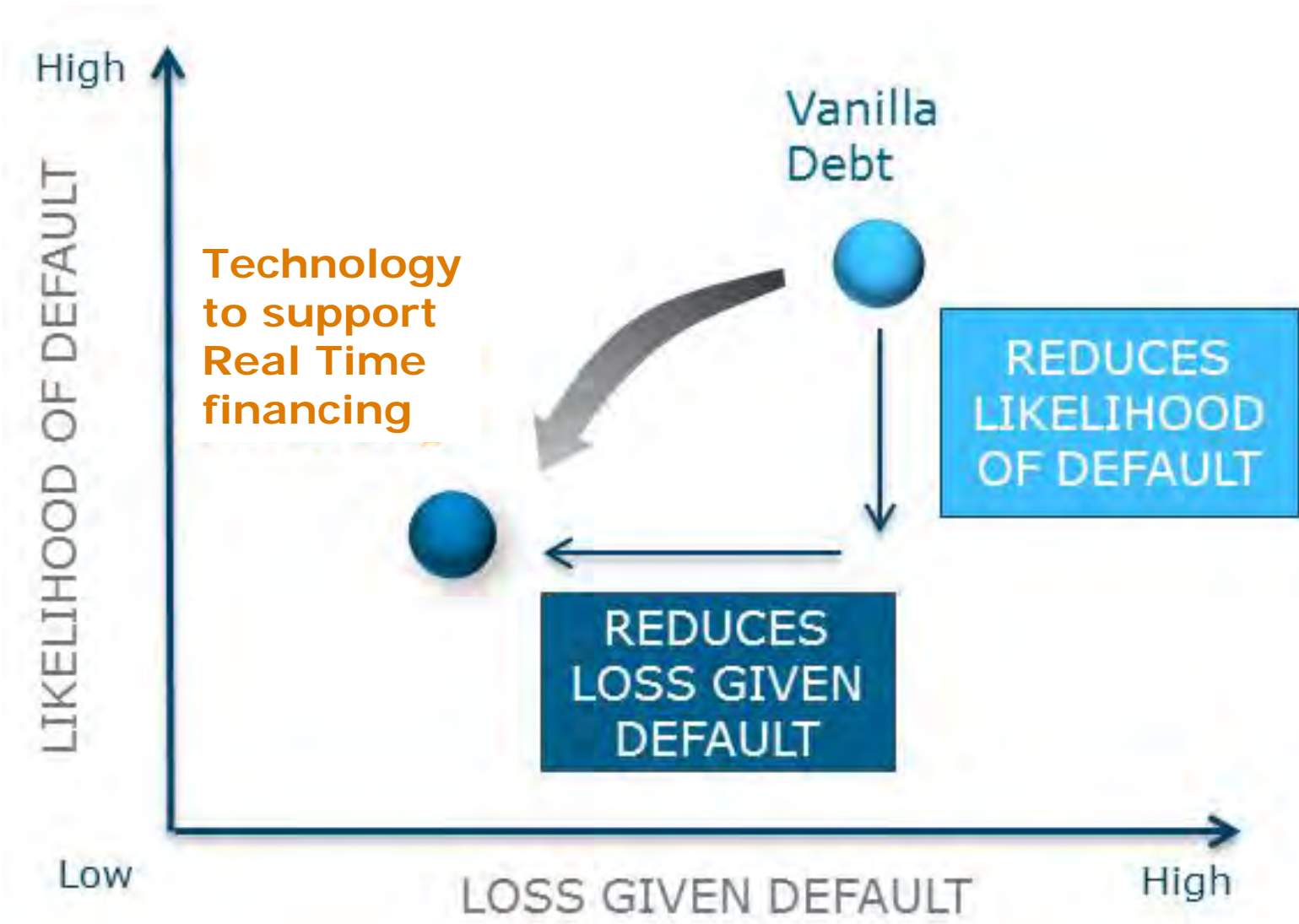
AUD 0.4m

Swipe Right to unlock AUD 400k



**ENHANCED TRUST =
NEW MARKET ENTRANTS**

LEVERAGE THE INFORMATION TO UNLOCK CAPITAL

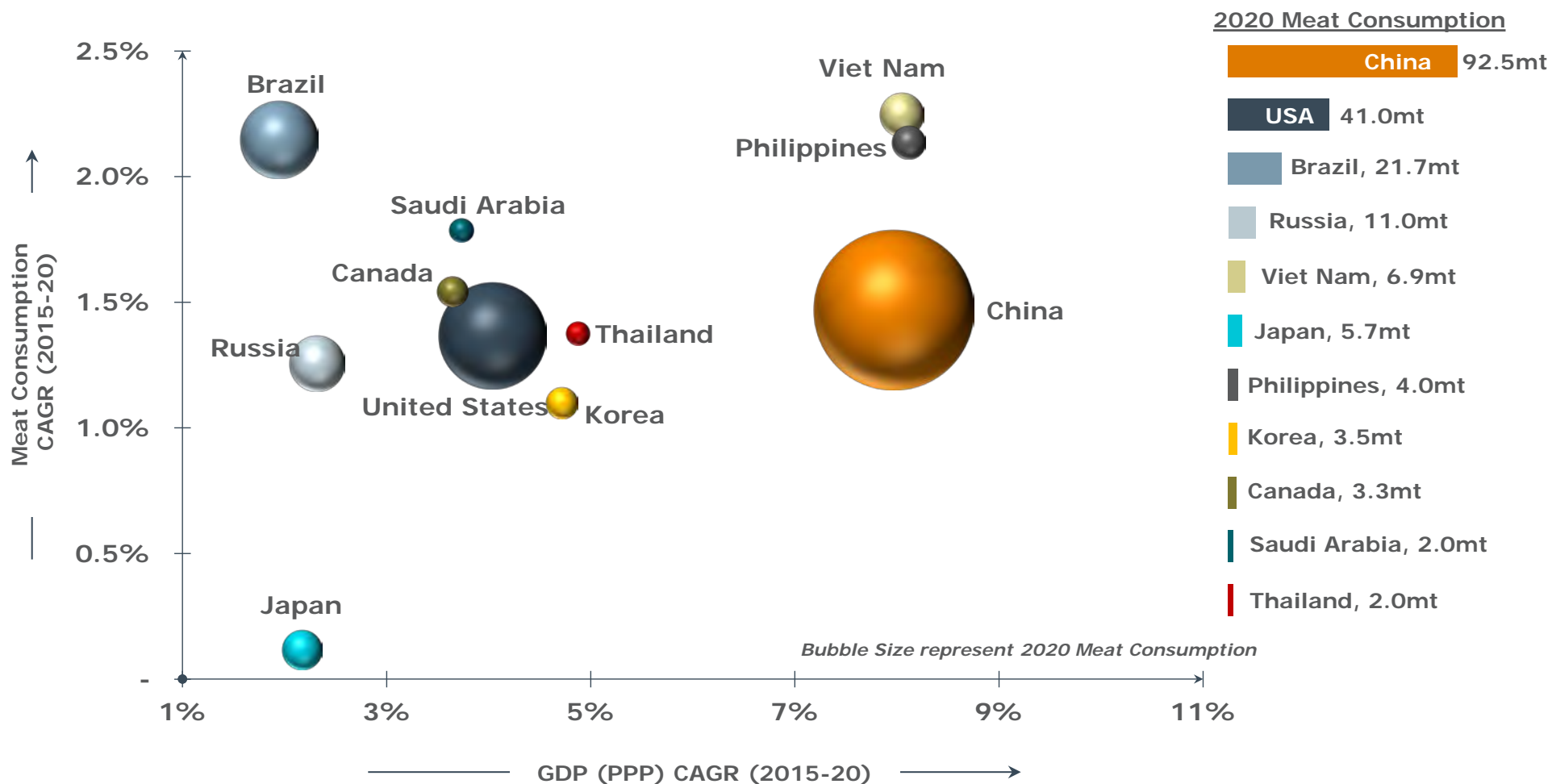




THE “ALIBABA” EFFECT

CHINA'S "OUTSIZED" AGRI DEMAND – MEAT

Meat Consumption (million tonnes) vs GDP (PPP)



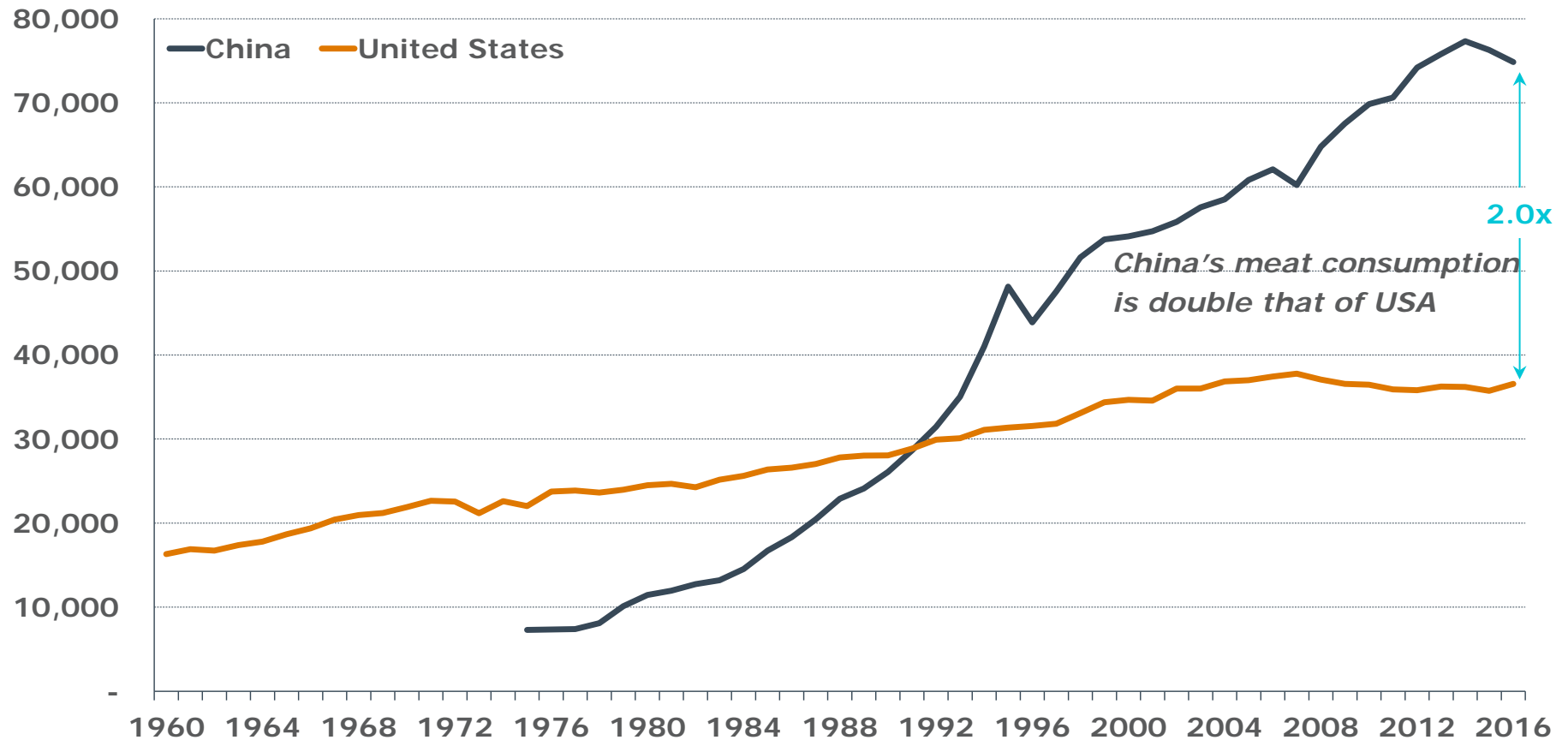
Notes:

1. Meat includes Beef & Veal, Sheep meat, Poultry and Pork

Source: BMI, IMF, ANZ

CHINA'S MEAT CONSUMPTION VS USA MEAT CONSUMPTION

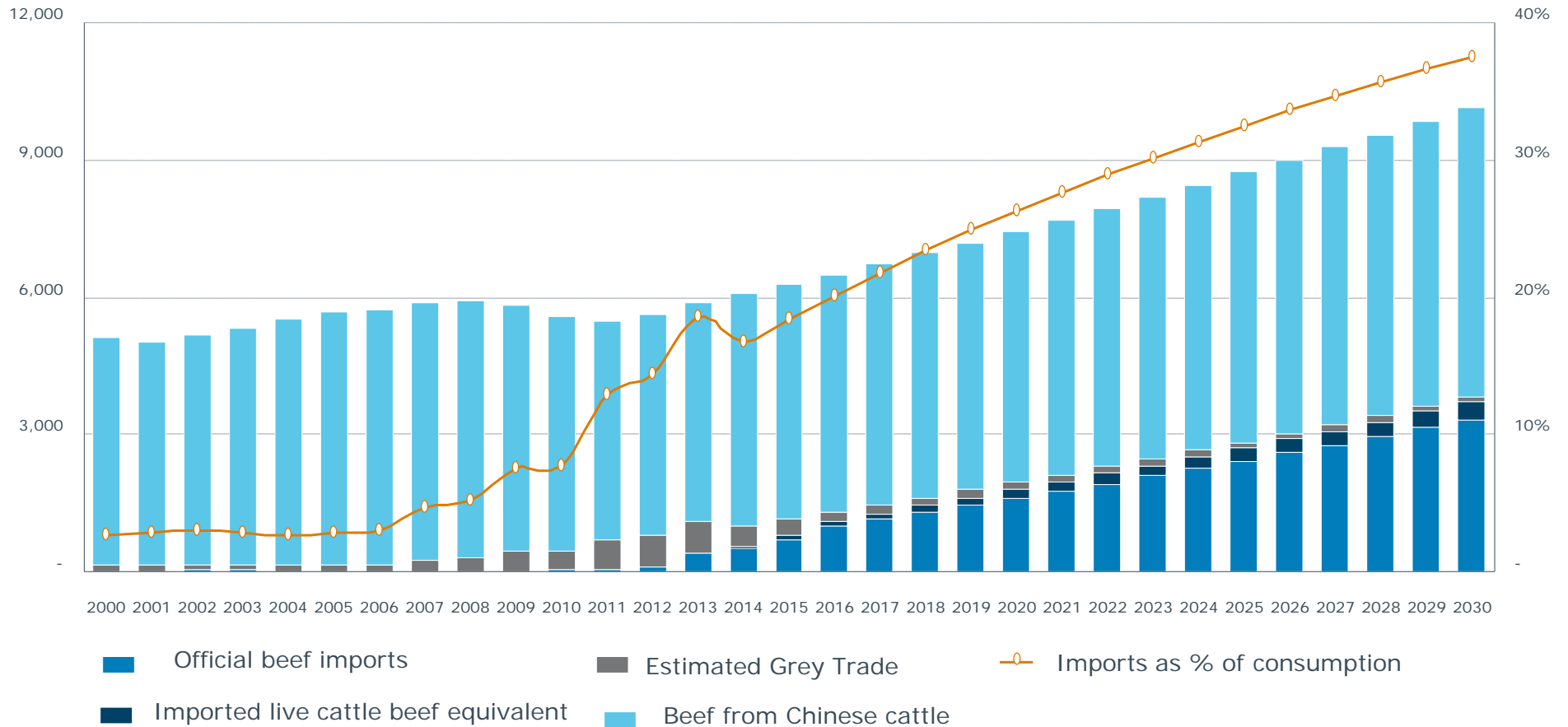
Meat Consumption ('000 MT)



WHERE WILL CHINA GET THE MEAT?

CHINA DOMESTIC BEEF PRODUCTION & IMPORT PROJECTIONS

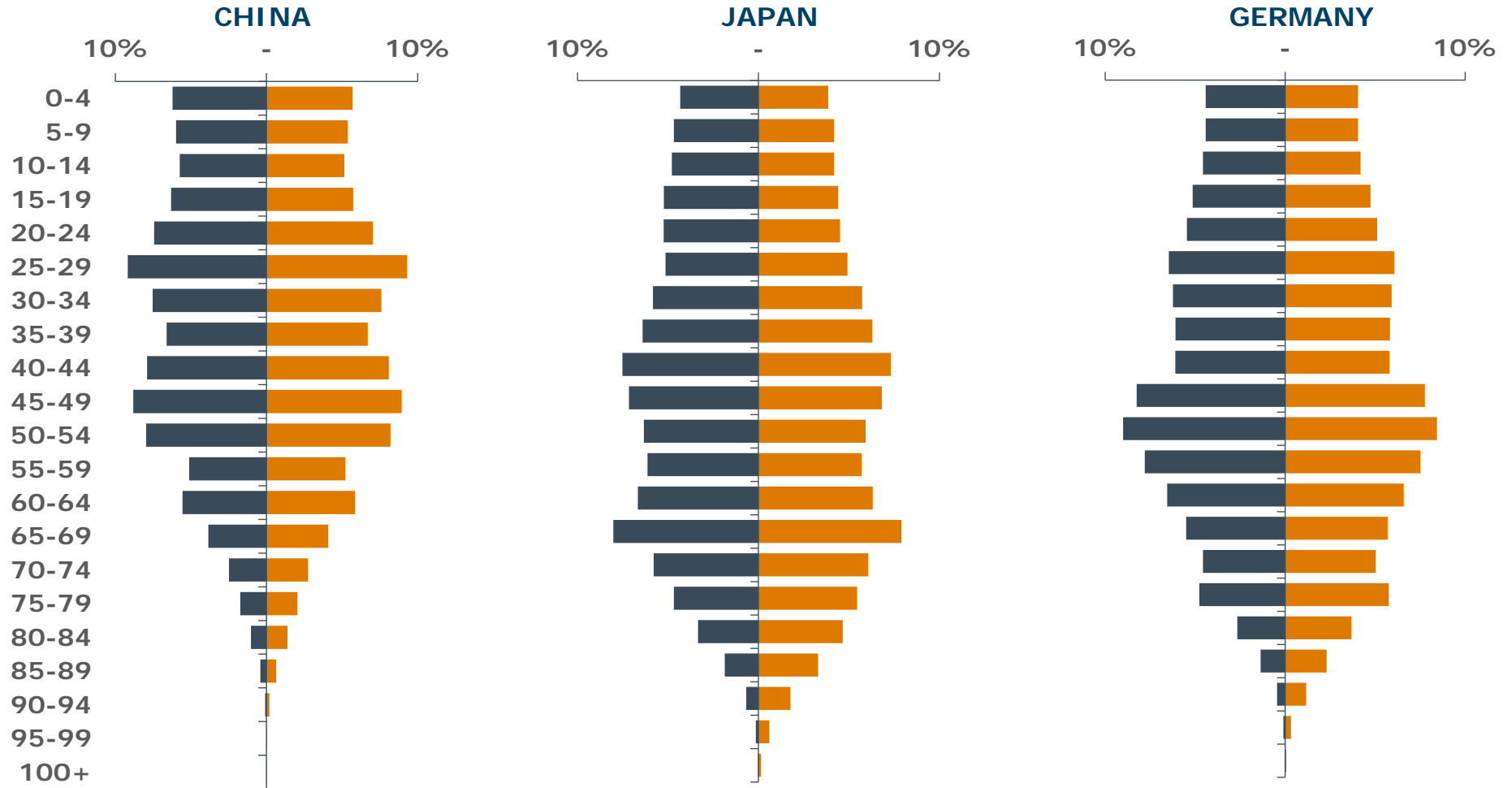
'000 tonnes cwt



CHINA DEMOGRAPHICS – INCREASING AGEING

Population by Age Group

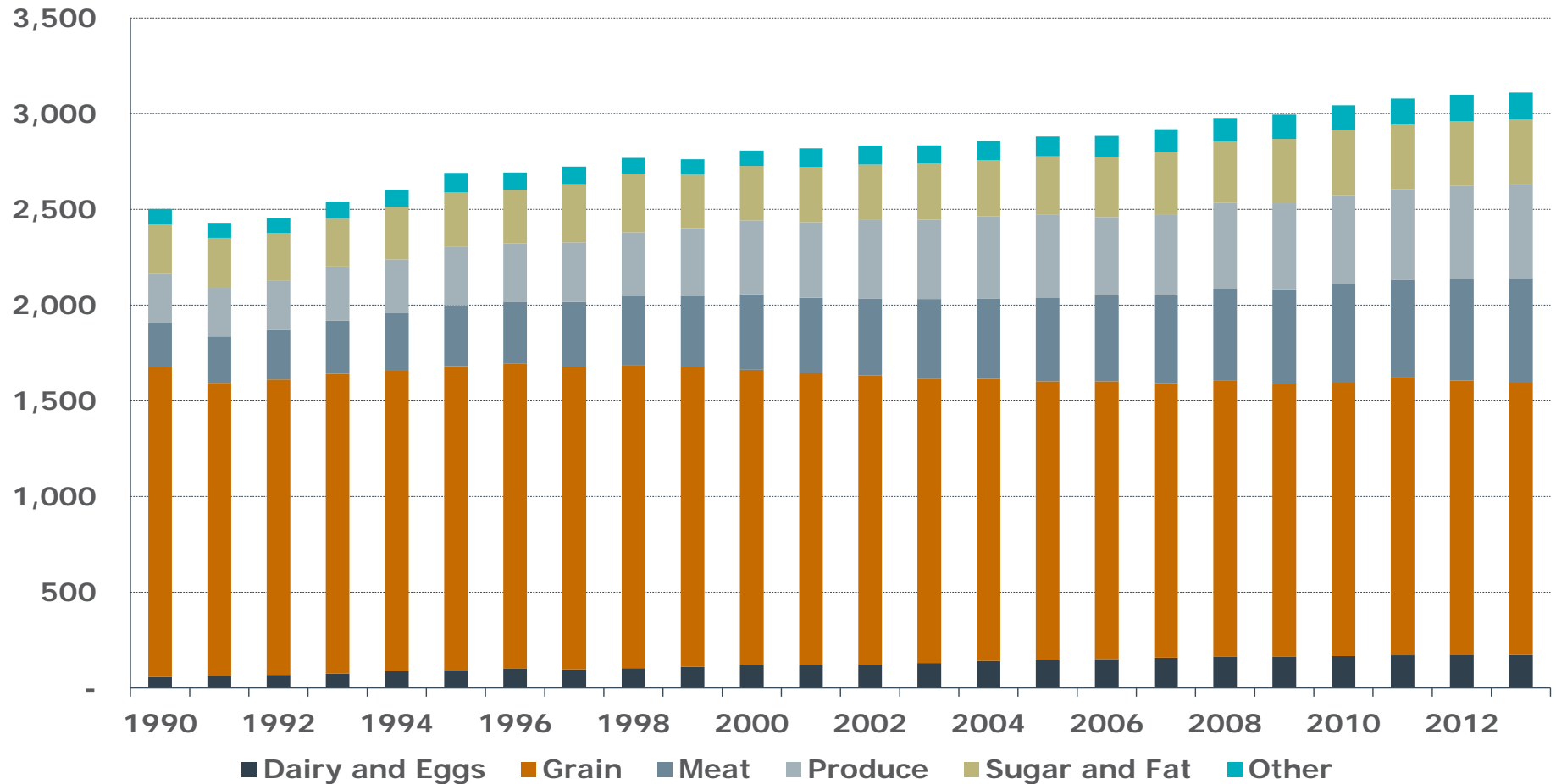
■ Male ■ Female



Source: US Bureau, International Database

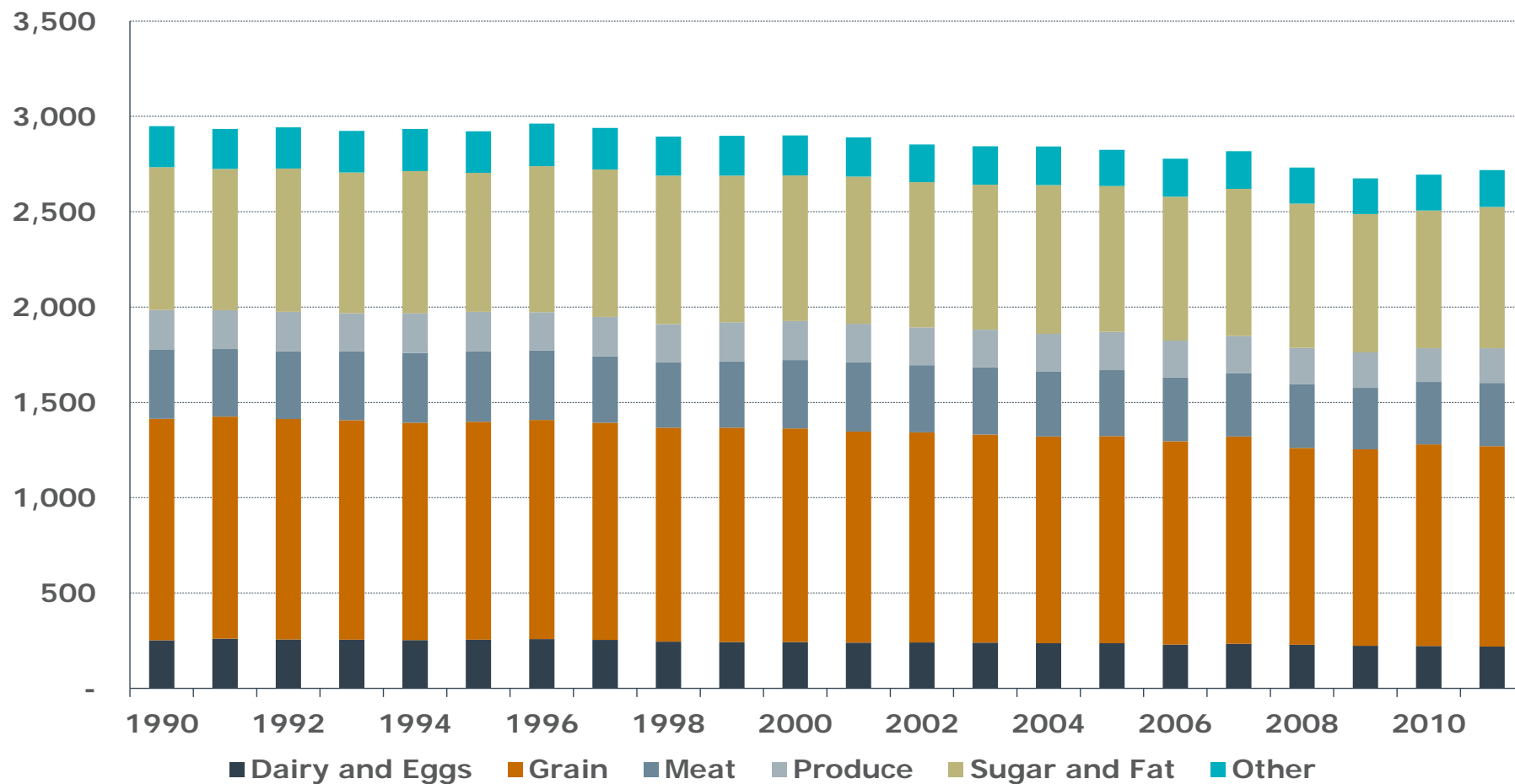
CHINA CONSUMES AS MANY CALORIES PER CAPITA AS JAPAN DID IN 1990

China Calorie consumption by Source



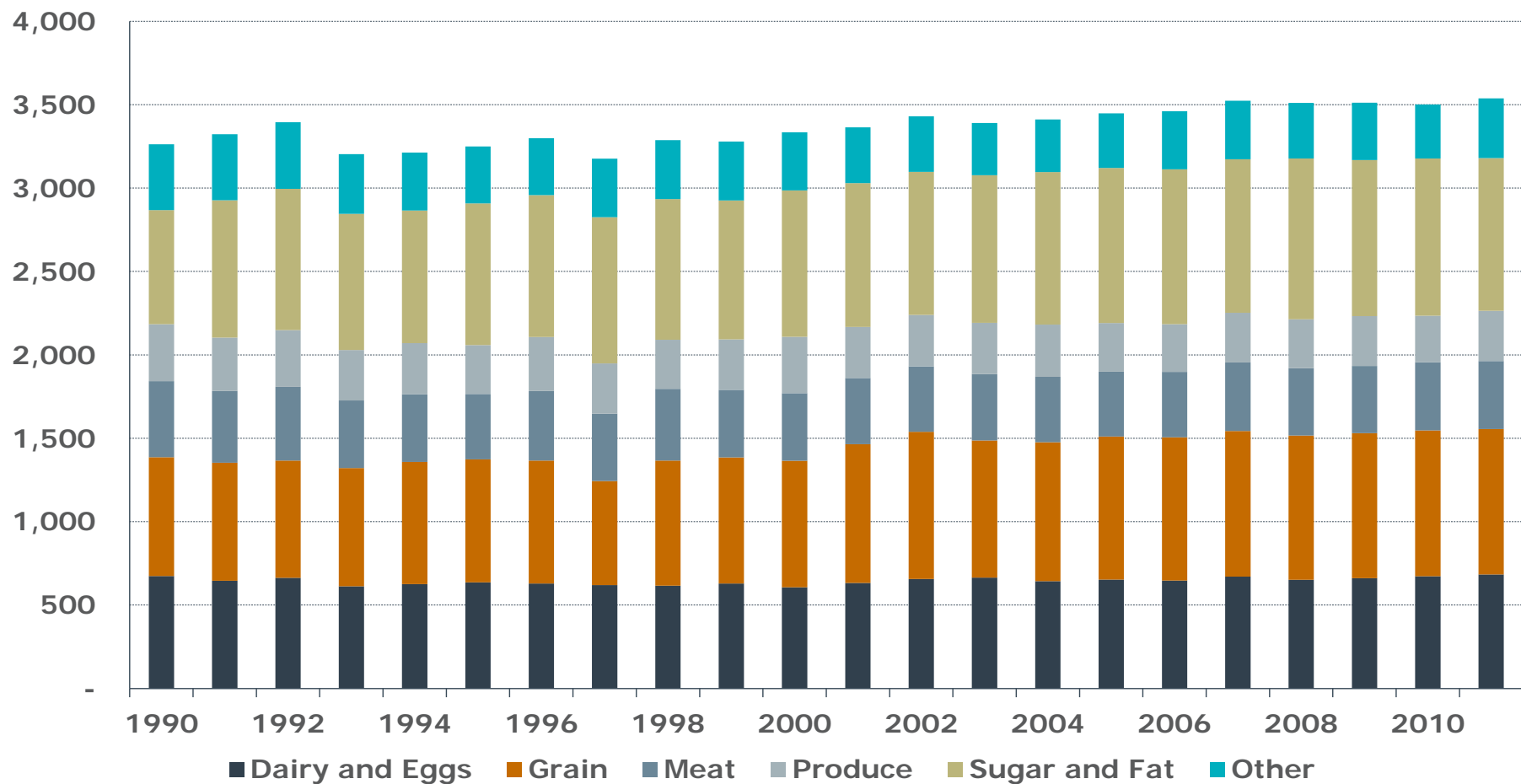
JAPAN'S CALORIE CONSUMPTION CONTINUES TO FALL SINCE 1990

Japan Calorie consumption by Source



GERMANY CALORIE CONSUMPTION HAD INCREASED BUT STAGNATED IN RECENT PAST

Germany Calorie consumption by Source

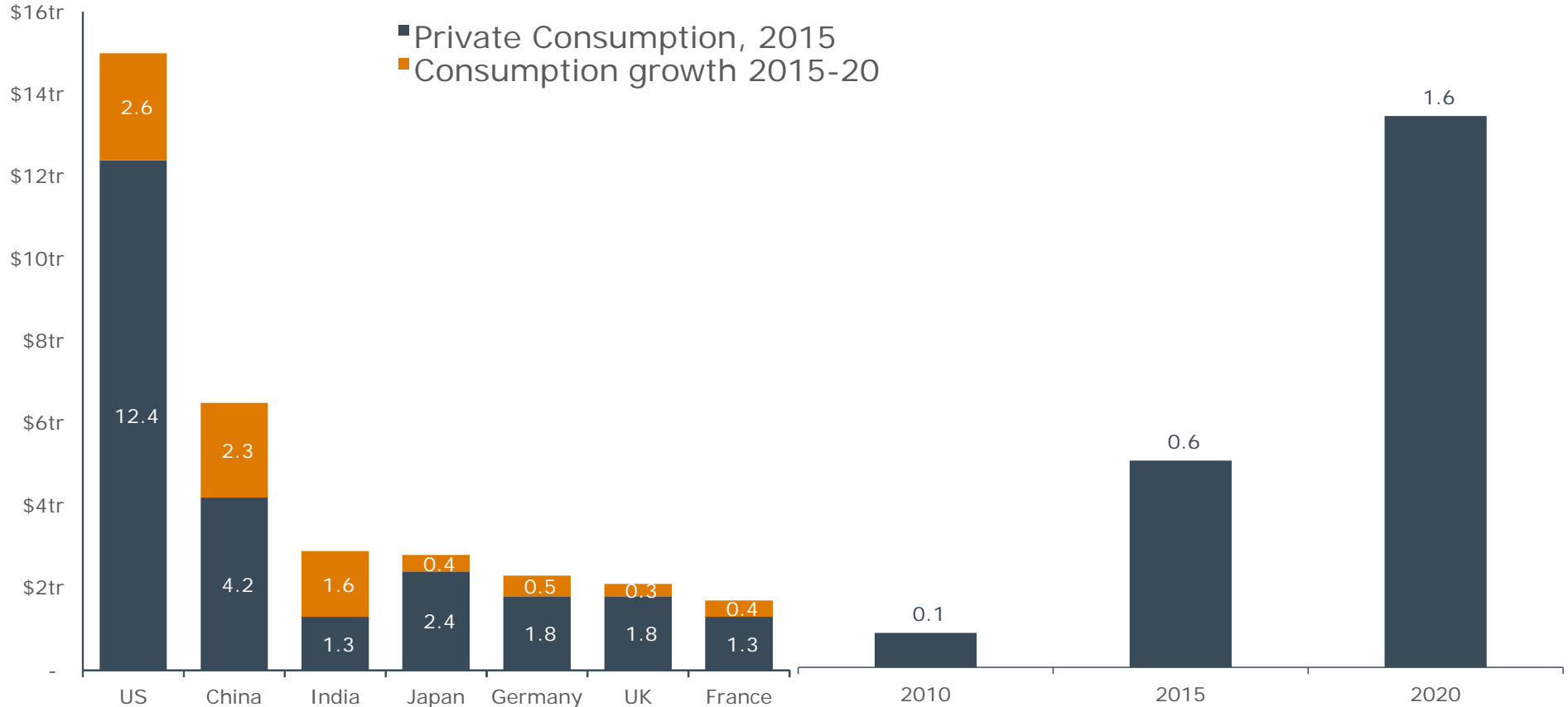


Source: FAO Statistics, ANZ

EVEN WITH LOW GROWTH SCENARIO, CHINA REMAINS IMPORTANT

Nominal Private Consumption Estimate – 2020¹
(USD trillions)

China e-commerce, Gross merchandise value
(USD trillions)

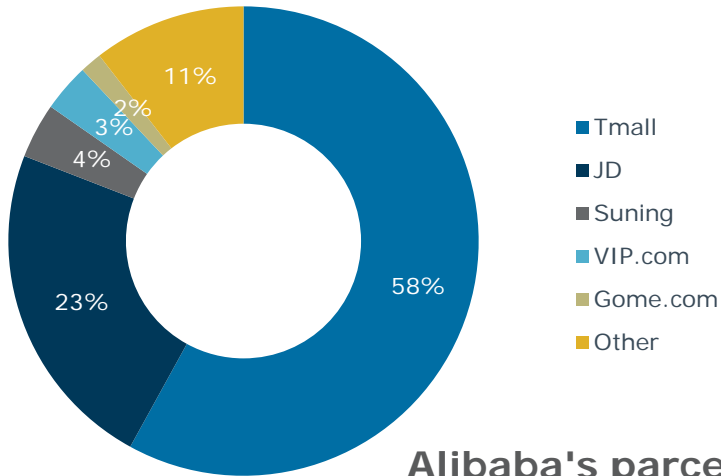


Notes:

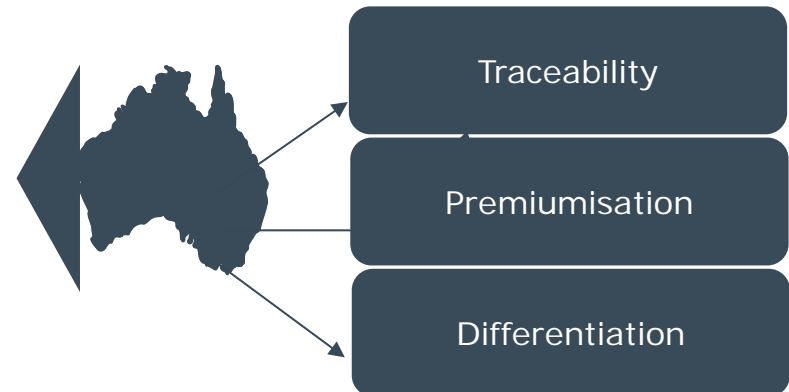
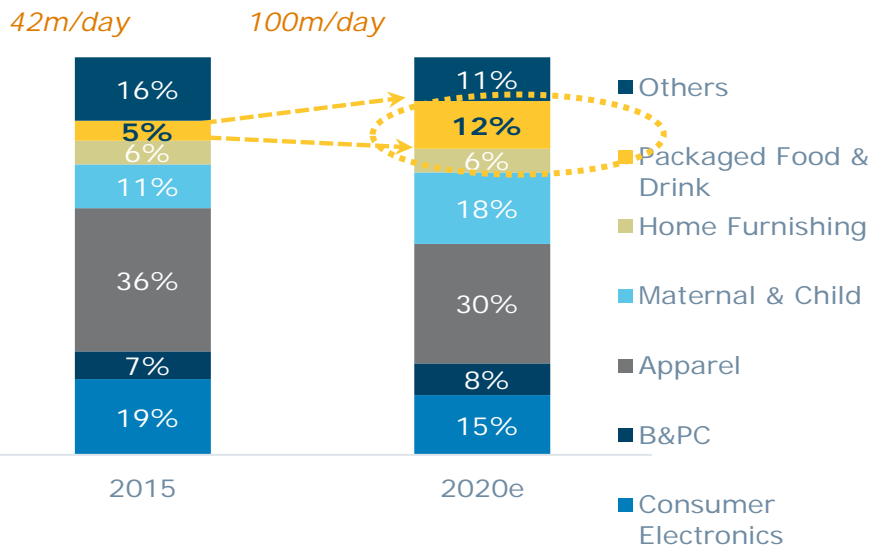
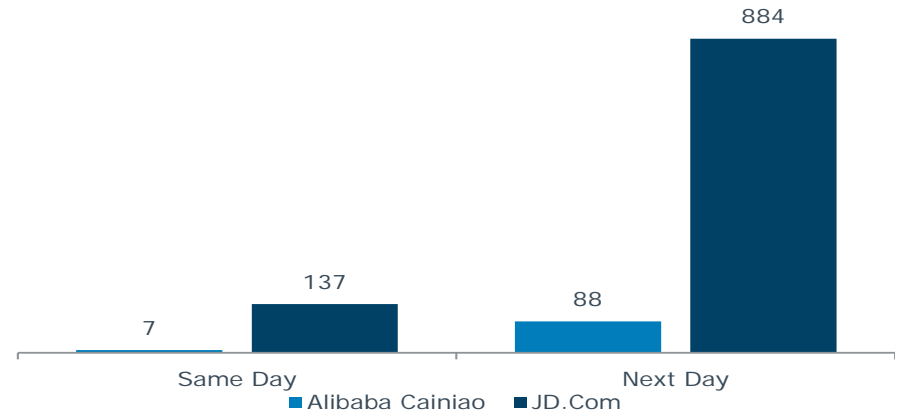
1. Sourced from World Economic Forum; China real GDP is assumed to be 5.5% pa

EMPHASIS ON USER EXPERIENCE, LOGISTICS SERVICES AND NEW CATEGORY EXPANSION

China B2C Online Shopping Market Share by GMV - 2015






Number of Cities for Same Day Delivery/Next Day Delivery



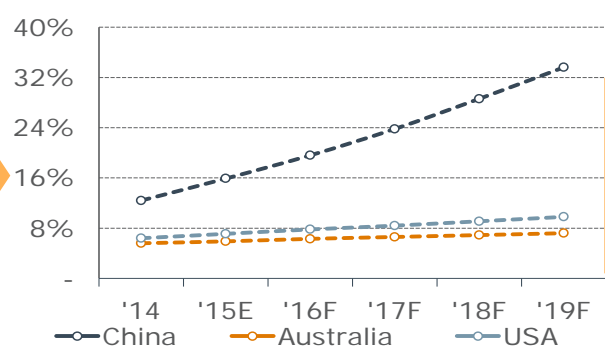
INCREASING ONLINE GROCERY RETAIL

With rising internet penetration ecommerce sales is expected to grow; online grocery market, although smaller in size, is forecast to grow by over 20% per annum in China, Australia & USA from 2015-2020F

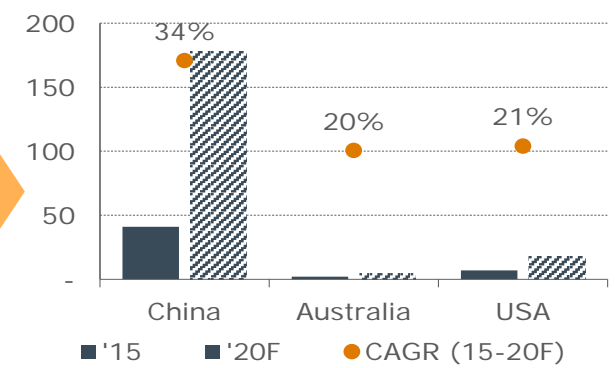
RISING DIGITAL BUYER PENETRATION^{1,3} % of population

	2014	2019F
	32.7%	51.7%
	63.1%	66.3%
	62.8%	71.1%

GROWING SHARE OF ECOMMERCE SALES^{2,3} Proportion of Total Retail Sales



ONLINE GROCERY MARKET 2015-2020F



Key Market Trends/Issues



- Online penetration of grocery is low in China. One of the primary reasons is slow development of cold-chain delivery infrastructure and shipping standards, especially in fresh food category
- Investments in online grocery and food has been on the rise since 2015
- Major online grocery players:



- Online grocery sales accounted for only 2.5% of total grocery revenue in 2015-16
- Companies such as Woolworths and Coles have invested significantly in online shopping solutions to ensure fast and efficient delivery
- Major online grocery players:



- Online grocery market is only a small share of USA grocery market at 2%
- In USA, over 2016, online grocery penetration for fresh foods and packaged foods is expected to increase from 8% to 26% and 16% to 28%, respectively
- Major online grocery players:

Note 1: Ages 14+ internet users who have purchased at least one item/service via online in a calendar year through any digital channel
 Note 3: For USA, forecast from Aug 2015; China excludes Hong Kong

Source: eMarketer Worldwide Retail Ecommerce Sales 2014-2019 report, IBISWorld, Morgan Stanley Global Ecommerce report (Jan 2016), EY – The Retailer report (Jul-Sep 2015), ANZ Analysis



THE EVOLVING AUSTRALIA CHINA WINE SUPPLY CHAIN: ACTIVE CHANNEL

Active Supply Chain Facilitation



THE EVOLVING AUSTRALIA CHINA MEAT SUPPLY CHAIN

Current State: Passive Supply Chain Participation

The screenshot shows the Alibaba.com interface for a product listing. The product title is "All Australian Meat, Food and live stock exports". The FOB Price is listed as "AU \$7 - 18 / Kilogram" with a link to "Get Latest Price". The minimum order quantity is "1 Forty-Foot Container", the port is "Australia", and the payment terms are "L/C,T/T,Western Union". There are buttons for "Contact Supplier" and "Leave Messages". On the right, a supplier profile for "AUSTRALIAN MEAT & FOOD EXPORTS PTY LTD" is shown, including a "2YRS" badge, location in Australia, and a "Supplier Assessments" icon. The page also features navigation menus for "Sourcing Solutions", "Services & Membership", and "Help & Community", along with a search bar and user account options.

Future State: Active Supply Chain Participation to Create Sustainable



Thank You

Michael Whitehead

