

Sustainability of the Australian food processing sector

Robert Hadler

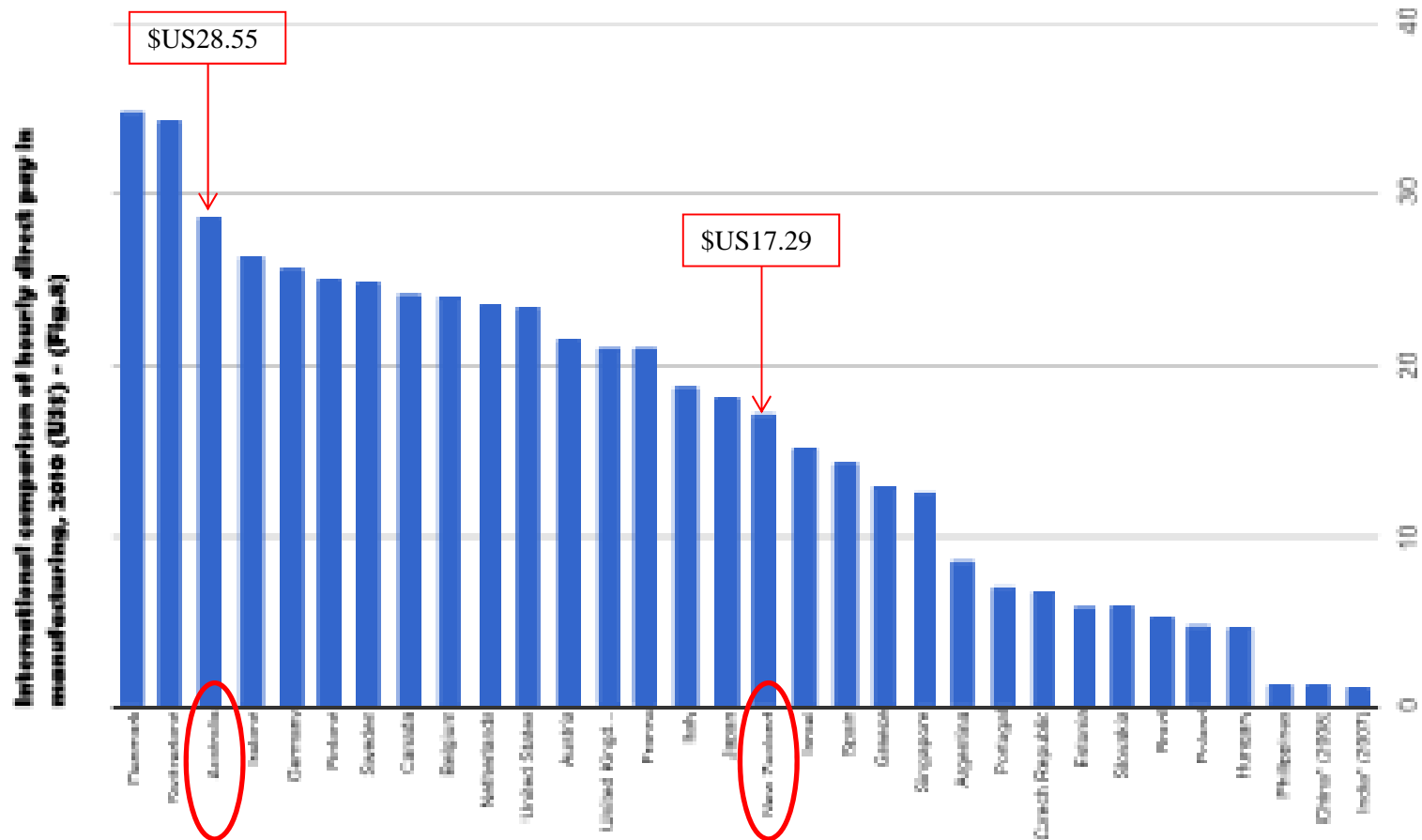
General Manager – Corporate Affairs

31 July 2013

Key messages

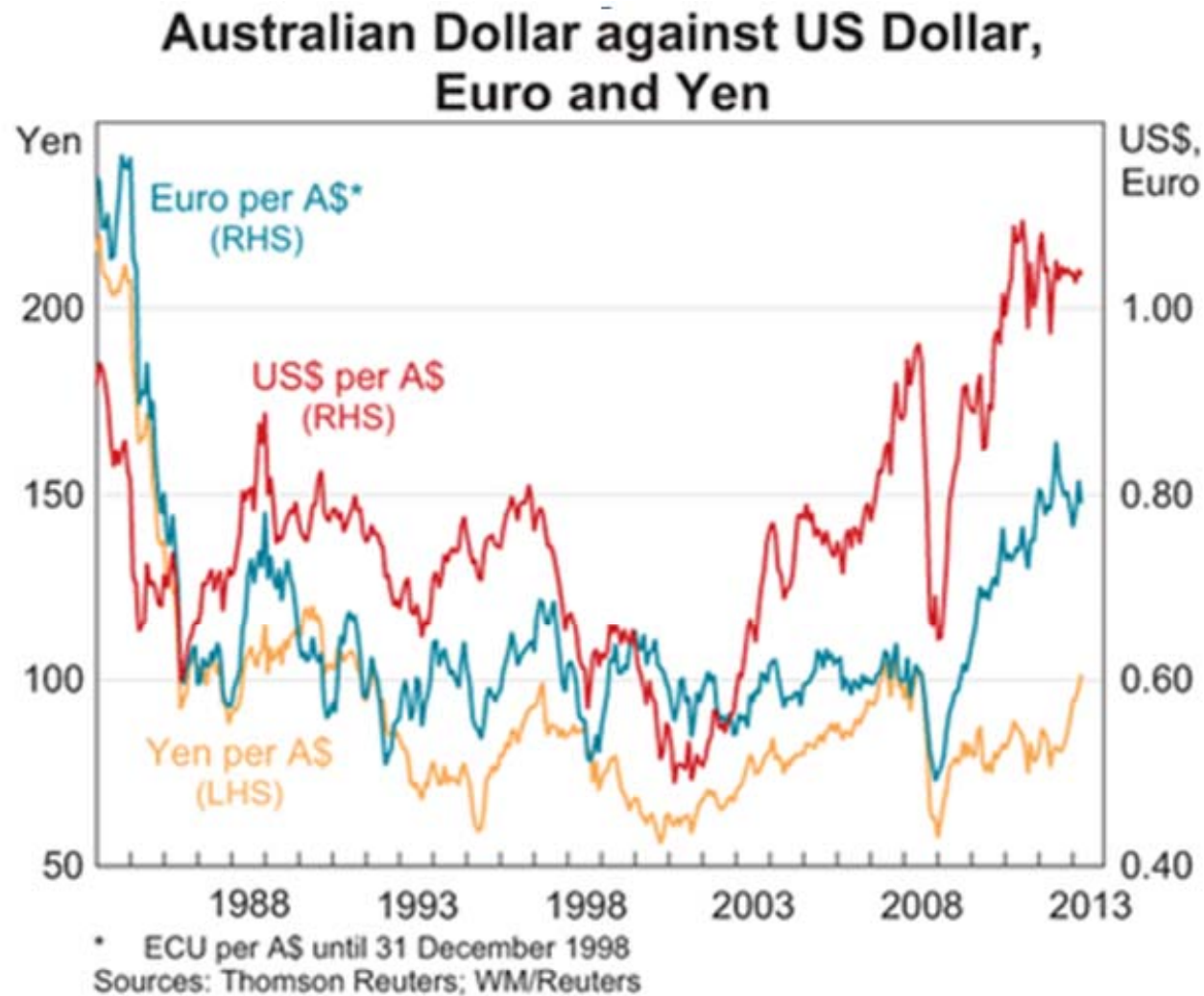
1. Many factors are affecting food manufacturing
2. High costs and a high dollar are key drivers
3. Consumers also want lower prices
4. Lower prices are driving sales for food companies
5. Coles is also supporting new product development
6. Strong partnerships will drive future growth

High manufacturing labour costs

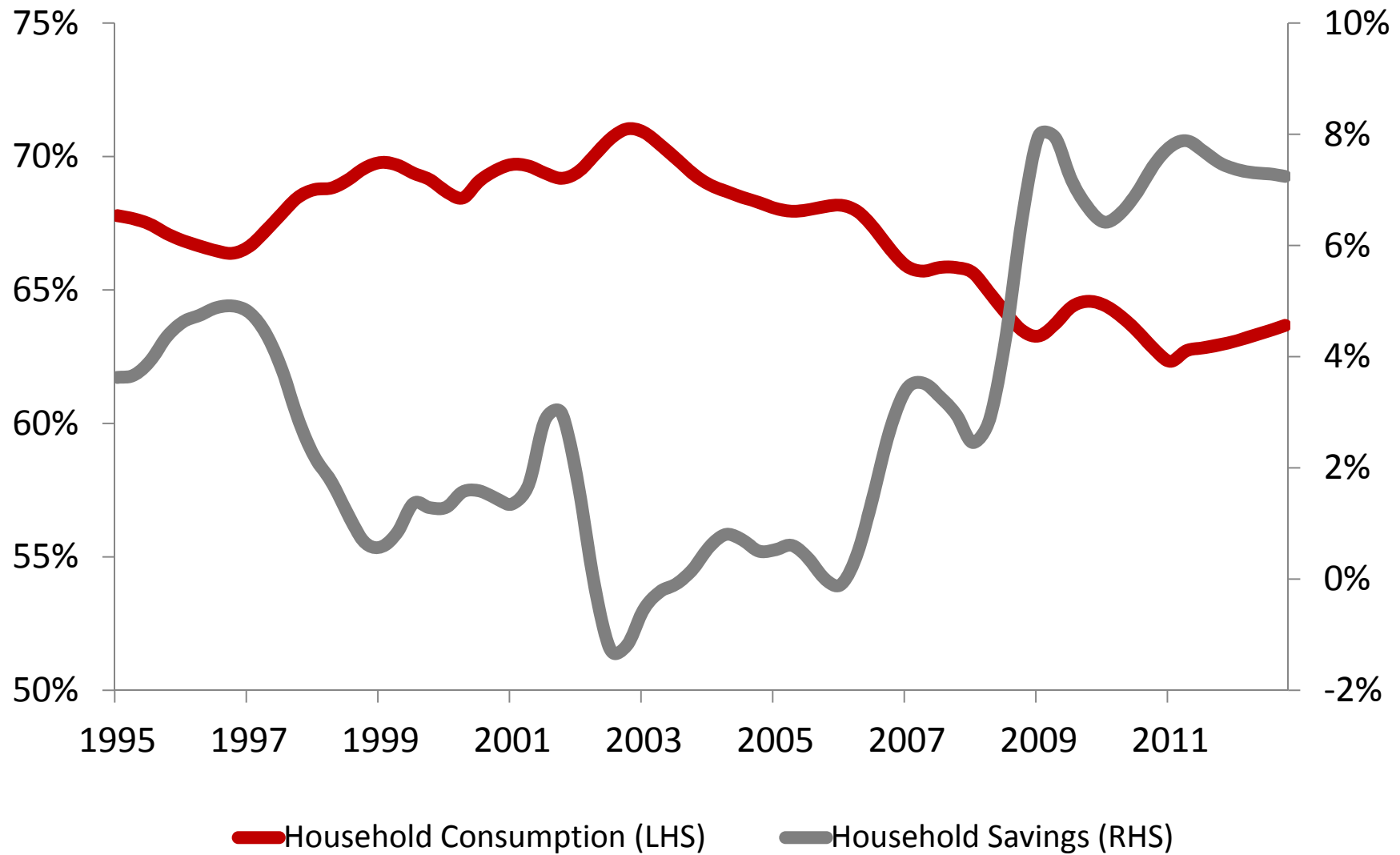


Source: United States Department of Labor, Bureau of Labor Statistics (BLS), 2011.

a strong Australian dollar



and weak consumer spending



Source: Australian Bureau of Statistics, May 2013

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are hurting some food manufacturers

Rosella's wings clipped

By ALEX SAMPSON

THE future of Australia's Rosella tomato sauce is under a cloud. And it has raised grower fears of increased cheap imports.

tary administration in December last year. Rosella could join many large local production and processing operations that have closed in said. "(Rosella's) closure reflects the incredible pressure and adversity that our food production industry is facing must be taken now to assist our local producers," Mr Mulcahy said. Ferrier Hodgson will now sell off Rosella brands include

Cannery calamity

Cheap imports come at a huge cost to local industry



Labelling laws may stem the tide of cannery closures, writes ALEX SAMPSON

THE relentless onslaught of cheap imported produce on to the Australian

growers to ask the Federal Government for financial packages to help them hold on to their

for failing to Australian pro

Windsor Farm Cowra cannery employees Nida Chown, Sonia Hollier, Susan Salisbury, Nora Hampton and Jin Gu managed a smile despite the company being liquidated on Tuesday.

It's a sad day, a big blow for Cowra

The last wholly Australian owned cannery is now officially gone

Spring Gully Foods collapses

RUSSELL EMMERSON BUSINESS REPORTER
THE award-winning family business Spring Gully Foods has collapsed with debts of more than \$3 million, leaving the future of 44 jobs uncertain.

The 60-year-old South Australian company, now in its third generation, went into

lost contracts with Coles, Woolworths and Aldi, leaving a major hole in its finances.

"The turnover was 60 per cent down within a few months. It is like it was delisted," he said.

"I had to ask 'Are you being victimised by your customers?'"

Managing director Kevin Webb would not

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Coles has invested in lower prices to drive sales



Our big brand partners are helping

BIG BRANDS

DOWN AND STAYING DOWN

\$4.00
WAS \$4.99
DOWN SINCE 08/05/13

NEW TO DOWN DOWN

CORN FLAKES
Kellogg's Corn Flakes 725g
\$5.99 per 100g

NEW TO DOWN DOWN

\$5.50
WAS \$6.99
DOWN SINCE 08/05/13

OR

2 for \$10
DOWN AND STAYING DOWN

OLD EL PASO
Taco Kit
Old El Paso Standard Taco Dinner Size
200g - 400g

NEW TO DOWN DOWN

\$12.00
WAS \$12.99
DOWN SINCE 08/05/13

DOWN AND STAYING DOWN

Nestle MILO
Nestle Milo 1.25kg
\$19.99 per 1kg

NEW TO DOWN DOWN

\$7.00
WAS \$7.99
DOWN SINCE 08/05/13

DOWN AND STAYING DOWN

VEGEMITE
CONCENTRATED YEAST EXTRACT
KRAFT
PROUDLY MADE IN AUSTRALIA SINCE 1923

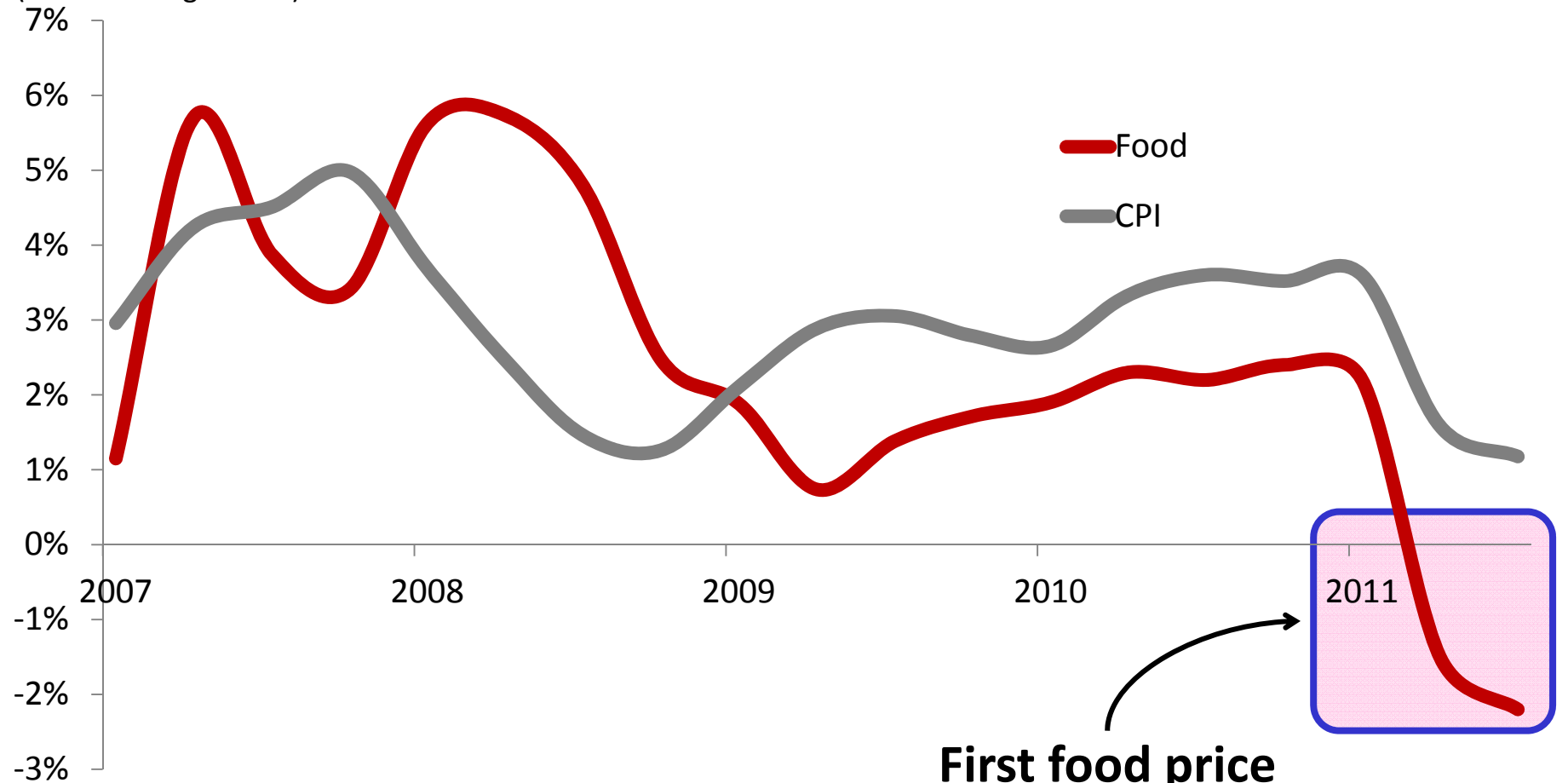
Quality food costs less | coles

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Delivering lower prices for customers

Inflation

(ex fruit & vegetables)

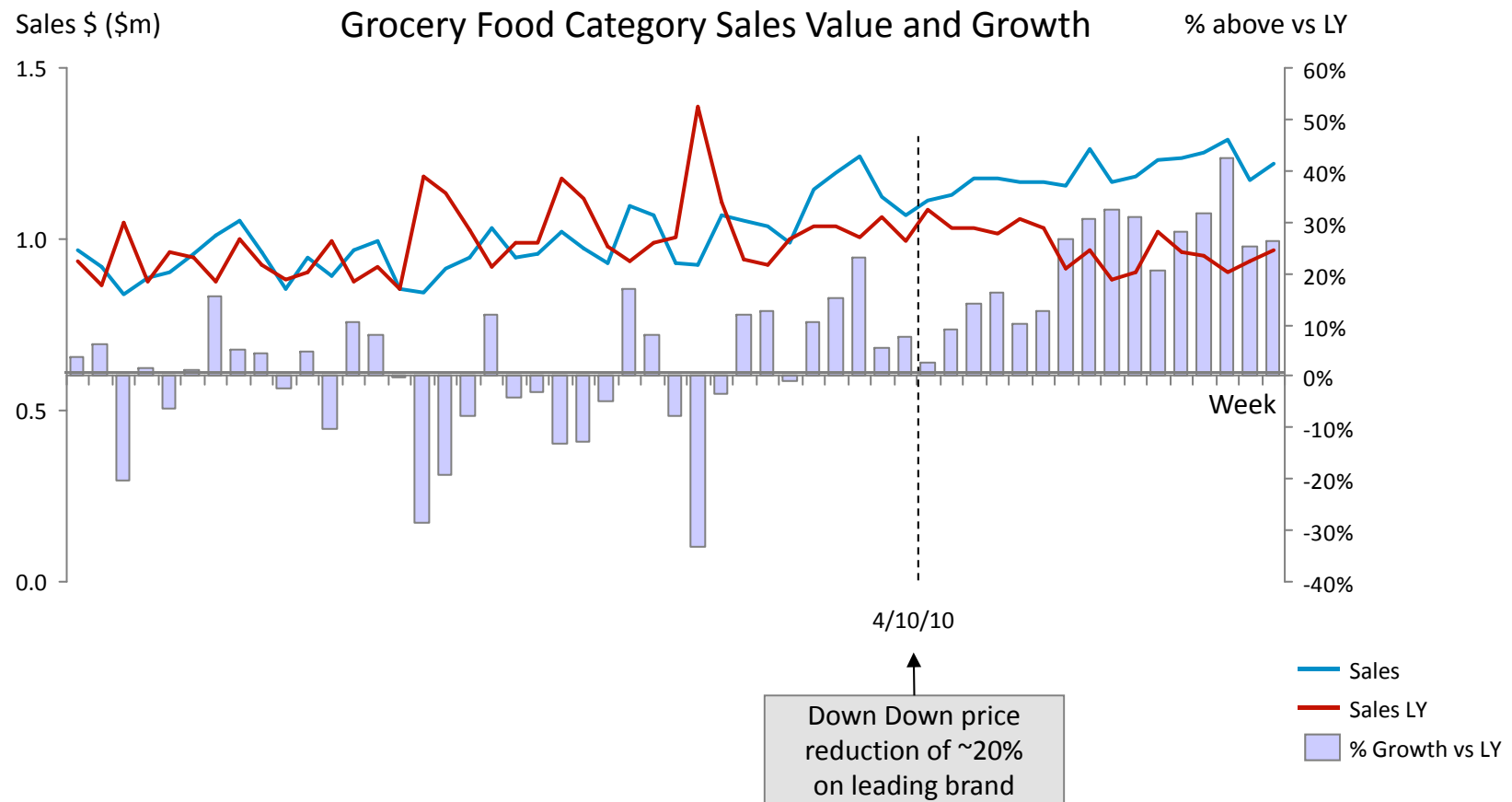


**First food price
deflation on record!**

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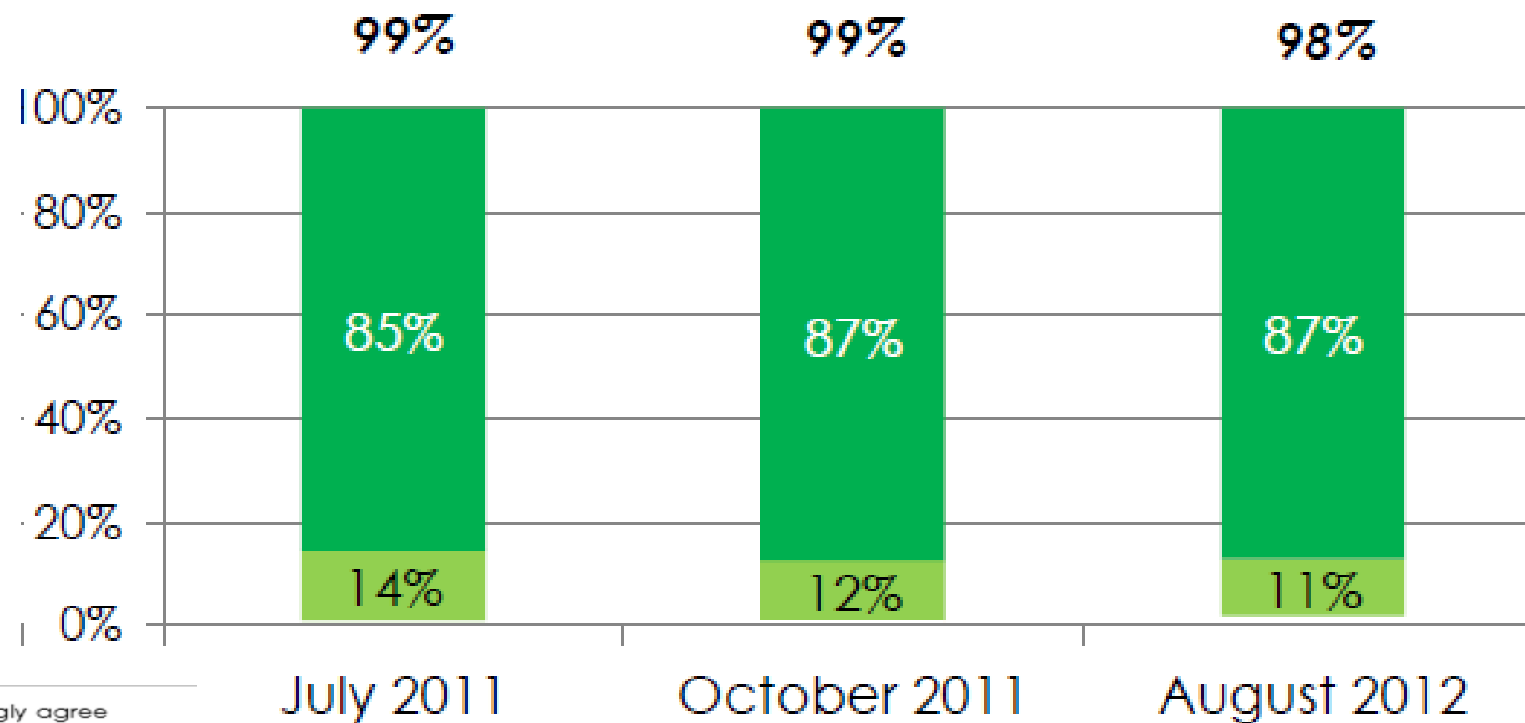
Coles "Down Down" suppliers are winning

Grocery Food Category sales growth of greater than 20% post Down Down



Customers want to buy Australian

It is important to buy Australian sourced fresh produce and meat to support Australian farmers



- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

Over 90% of Coles brand is Australian



100% Fresh Coles Brand meat is Australian



96% Coles Brand fresh fruit and vegetables is Australian



89% Coles Brand frozen vegetables are Australian

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Coles Brand is a big supporter of local food manufacturers



350 Australian suppliers of Coles Brand products



\$3.9 billion in last year paid to Australian Coles Brand suppliers

Coles brand helps many smaller, local companies survive and grow



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Coles supports new product development by Australian food companies



Outback Spirit
100% Australian



Simply Less
Range is 83%
Australian

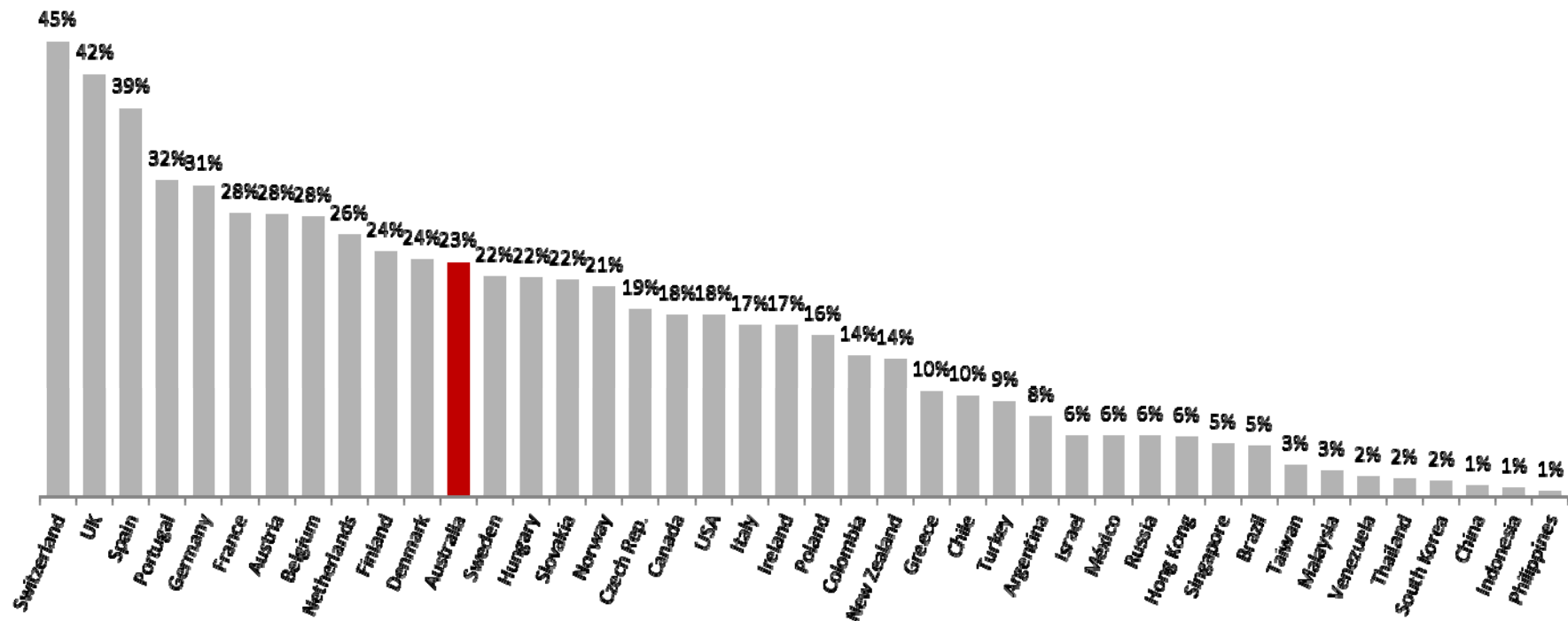


Grill Range
100% Australian

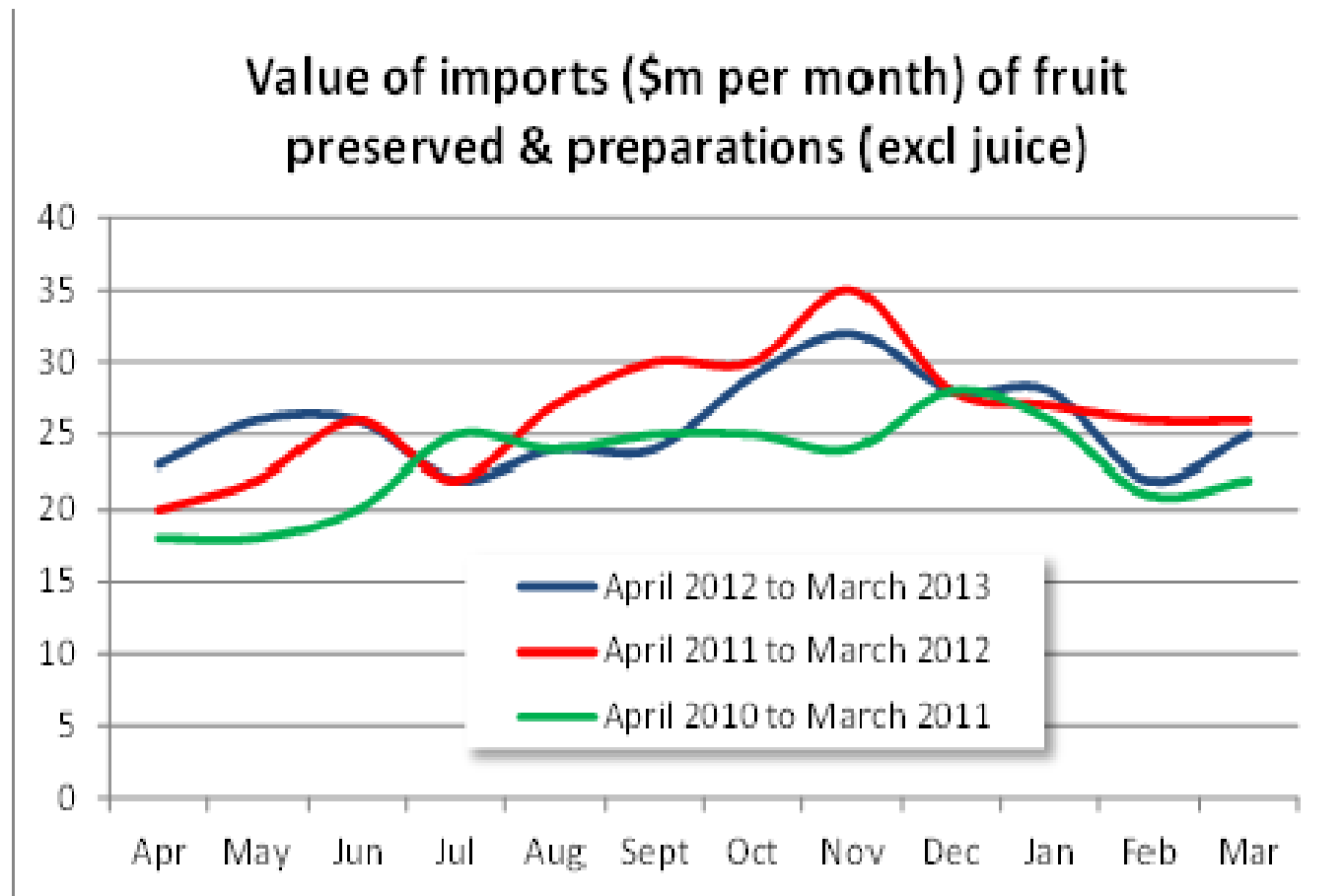


First Australian
sourced Coles
Brand canned
pineapple for
20 years

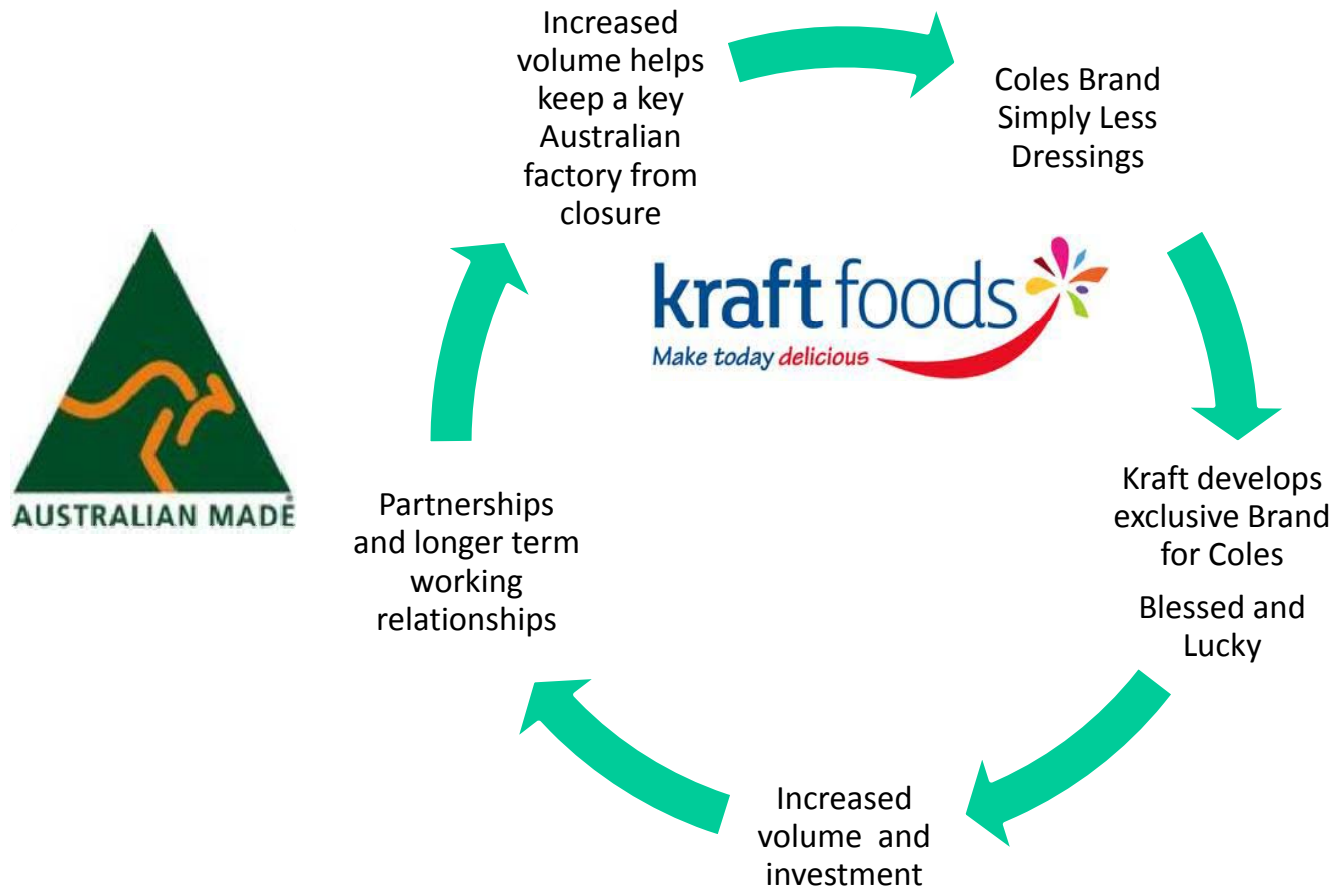
**Private label is growing in tough times
but is only 1 in 5 products in our stores**



Claims that canned fruit imports are 'flooding' supermarket shelves are false



Brands and private label are working together



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Strong partnerships will drive future growth



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Questions