AGT Foods Highlights

<table>
<thead>
<tr>
<th>Company Overview</th>
<th>Global Company &amp; Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>• AGT Food and Ingredients Inc. (&quot;AGT Foods&quot;) is a global leader in pulse,</td>
<td><img src="https://via.placeholder.com/150" alt="AGT Foods Brands" /></td>
</tr>
<tr>
<td>grains, staple food and food ingredient processing and distribution, with</td>
<td></td>
</tr>
<tr>
<td>merchandising offices and value-added processing facilities in Canada, the</td>
<td></td>
</tr>
<tr>
<td>U.S. Turkey, Australia, China and South Africa; India and European sales</td>
<td></td>
</tr>
<tr>
<td>offices, Russian origination office and a global customer base</td>
<td></td>
</tr>
<tr>
<td>• $1.55 billion sales reported in 2018</td>
<td></td>
</tr>
<tr>
<td>• Exports to 120 countries</td>
<td></td>
</tr>
<tr>
<td>• Approximately 2,000 employees globally</td>
<td></td>
</tr>
</tbody>
</table>
Challenge: The UN FAO estimates we have to produce the same amount of food in the next 40 years as the last 10,000 years. How do we do this?
Agriculture – Not just food anymore

- Agriculture not just hitting the “breadbasket” anymore
- Trends surrounding health, wellness, nutrition and consumer demands are driving this shift in perspective
- Protein is a key driver of agricultural markets
- Western Canada and Northern Tier States “first stop on the protein highway”
- Impact is moving up chain and reaching far outside Agri-Food:
  - Retail sector
  - Health and Wellness sector
  - Energy sector
  - Environment sector
  - Economy overall
Agri-Foods Market Dynamics

Traditional Markets for Agri-Food

**Growth Driver: Population & Global Demand for Food**

**Markets:** Asia Pacific, MENA, Central/South America, Africa

- 2050 - Global population expected to rise 30% to over 9 Billion
- Global food output will have to grow by **70%** to feed the world with growing middle class
- Pulses, grains are a sustainable source of vegetable protein, a key nutrient for large numbers of the world’s populations

New Markets for Pulses driven by:

**Growth Driver: Health, Nutrition and Sustainability**

**Markets:** Europe, North America, China

- Health, nutrition, changes in diet choices
- High Protein and Fibre, Nutrient Dense, Low Fat, Gluten Free, non-GMO, Low Allergenicity
- Lower Energy Use, Reduce Greenhouse Gas Emissions, Improve Soil Health through Rotational Cropping, Increase Water Use Efficiency

**MIDDLE CLASS CONSUMER SPENDING**

**OUTER RING:** 2030 in trillions, USD (projected)

**INNER RING:** 2009 in trillions, USD

Source: AAFC; UN FAO
Regions Agri-Food Endowment

- **Abundant natural resources** (e.g., freshwater, long coastlines suited to aquaculture, least densely occupied arable land in the world)
- **Strong network** of R&D facilities universities
- **Sophisticated, ethnically diverse consumer base** that stimulates product development
- **Early adopters** of technology
- **Reliable access to capital and inputs** (e.g., fertilizers, feed, seeds)
- **Lowest use** of pesticides per-hectare
- **Political stability and goodwill** that encourage foreign investment
- **Strong primary and secondary processing** sector

Source: Advisory Council on Economic Growth; AAFC
Region’s Ag Sector is . . .

The First Stop on Protein Highway

- #1 in Canola production
- #1 producer of high protein milling wheat
- #1 in pulse exports
- Leaders in meat, poultry, dairy, eggs

- In emerging economies, demand for protein is growing rapidly due to urbanization and rising incomes.
- USA and Canada ingredients, ag-products and food have a reputation of safety, quality and trustworthiness.
- USA and Canada's food brands enhanced by the North America's natural advantage producing food that is among the best in the world.

Source: McKinsey & Co; UN FAO
Challenges for USA and Canada Agri-Food

- Agricultural outputs are very dependent on export markets – pulses almost fully dependent
- Transportation infrastructure – production areas are landlocked and far from ports and markets
- Although North American agricultural output are exported to 182 countries, exports are dominated by a few key markets
  - India
  - China
  - Turkey/MENA
- Market access is an ongoing priority for the pulse industry
  - Bilateral free trade agreements
  - tariffs
  - Sanitary/phytosanitary issues, other non-tariff barriers
## Trade Agreements and Barriers facing Agriculture

### Tariffs / Free Trade Agreements

- **India** – key problem with pea and lentil tariff and fumigation
- Next gen Japan/TTP: ASEAN
- Collaboration Between USA and Canada key
- Bilateral agreements gives certainty if we can get their attention

### Non-Tariff Trade Barriers

- Tariffs, duties and quotas used to be the trade barrier of choice
  - Importing countries’ options have been limited by WTO negotiation rounds
- Export challenges increasingly include:
  - SPS/food safety barriers
  - Emerging markets with unpredictable regulatory and policy approaches
  - Increased maximum residue limit (MRL) monitoring and enforcement
  - For “minor” crops, importing companies often do not have MRLs in place – higher trade risk
- Governmental Disputes in other areas are spilling into trade
Protein in China

- China spends approximately $300 billion in meat – increasing by 3-4% per annum
- China beef sector dominated by small backyard farms - inefficient and lack the expertise and experience of the large-scale operations in N.A. or Brazil
- China’s 2016 beef consumption reported at 7.6 million tons, 7.9 million tons in 2017 and 8.5 million mt in 2018. Forecast to continue to grow.
- China’s continued urbanization, growing middle class, and changing consumption preferences continue to drive demand
- Availability of beef and beef products to Chinese consumers has been greatly improved by improving supply chain logistics from farm to retail, particularly in terms of increased cold chain capacity
- China is North America’s second-largest pulse export market after India with exports of almost 1 million mt of dry peas - use of peas as animal feed has potential in the Chinese market, because peas are rich in protein, lysine, and starch providing essential amino acids and energy required by high-producing animals
- Market access restrictions on canola and meat products introduced – reaction to other issues unrelated to agri-food?
Canola Exports ($)

Source: Statscan; CIMT
Key Market - India

Market Background

- Largest pulses market in the world with over 20 million MT of demand annually and the supply demand deficit is growing.
- Pulses are a cross-income consumption with the poorest and richest consuming.
- India is currently in a negative supply position with respect to local production which is trending down.
- India has typically imported an estimated approximately 5-6 million mt to meet the estimated 23-25 million mt of consumption to cover the gap left from an estimate 18-21 million mt of production.
- India has been Canada’s #1 export market for lentils (past 4 years) and for peas (past 3 years – however it has been overtaken by China in recent periods).

Current Situation

- Rising prices for staple pulse items caused by:
  - Drought and fluctuation in production volumes
  - Mismanagement of the supply chain
  - Lack of government policy on food security and agricultural prices
  - Market speculators inflating the market
- Production in India has been reported as impaired with imports expected to continue to meet domestic market requirements in advance of next harvest.
- Led to Government compensating on pulse tariff and non-tariff areas (tariffs on peas @ 50% with a volume restriction; lentils at 50% less 20% for non-U.S. origin (Canada); 30% on chickpeas).
- As markets adjust to government policy, volumes will rise until the next government intervention and the cycle will repeat.
- India needs pulses as a staple food item.

Source: StatsCan, AAFC; USDA
Technology and Innovation in Ag

DIGITAL AG?

Is this where we create new market advantages?

IT Technology, cloud technology, data mining and other advanced IT systems integrating data analytics in agriculture could increase global crop yields by 10-15% or $120-180 billion in annual value on the production side.

Source: Goldman Sachs Innovation Symposium 2017;

Cloud-based data integration
Remote sensing to monitor soil variability
Analytics to optimize vehicle speed
Transportation, Corridors and Gateways

- “Gateways” are major convergence points for the international flow of people and cargo that serve as points of entry to and exit from Canada.
  - Marine ports
  - Airports,
  - Border crossings (by land, international bridges, or waters)
- “Trade and transport corridor,” is a coordinated bundle of transport and logistics infrastructure and services that facilitates trade and transport flows between major centers of economic activity.
- May include transfer points, such as intermodal and distribution centres, where goods are changing hands or being transferred from one transport mode to another.
Natural Resources Corridor: Arctic Gateway

• The Arctic Gateway Group is owned by First Nations And Communities, Fairfax and AGT Foods, Building a Natural Resources Gateway Through the Arctic to the World.

Hudson Bay Railway/
Canadian Arctic Railway

Port of Churchill
The strategic advantage of Churchill, have not been fully realized as Churchill is North America's only rail serviced Arctic port.

Canada's Arctic neighbors have started to make investments to try and defend against the natural advantages available to Canada. (e.g. Russia, they benefit from eight rail-linked Arctic ports generating approximately 20% of their GDP)

With the opening of the Arctic, goods travelling from the Churchill port get to markets 40% faster increasing economic activity and reduces the impact on our environment.

Broadens Canada's connections with the rest of the world to the benefit of those seeking markets for Canada's incredible natural resources, and those seeking to bring the resources of the world to Canada in a more efficient way.