
CHAIRMAN'S ADDRESS AT THE ANNUAL GENERAL MEETING OF
BESTON GLOBAL FOOD COMPANY LIMITED

Held at

Hilton Adelaide, Ballroom C,
Level 1, 233 Victoria Square, Adelaide, South Australia
on

Tuesday 22 November 2016
commencing at 10.30 am (Adelaide time / ACDT).

INTRODUCTION

Good morning Ladies and Gentlemen. As it has just gone past 10:30, I declare this 2016 AGM open. I am Roger Sexton, the Chairman of the Beston Global Food Company.

On behalf of our Board and our staff, I would like to welcome you to this the second Annual General Meeting of the Beston Global Food Company, and thank you for attending.

I ask that you ensure that your mobile telephones are on silent mode or switched off.

With me, sitting at the front of the room, are your Directors:

Stephen Gerlach

Ian McPhee

Petrina Coventry

Jim Kouts

Catherine Cooper

The Company's CEO: Sean Ebert, and

Company Secretary, Richard Willson

Both Catherine Cooper and Ian McPhee have joined the Board during this calendar year, and hence this will be their first Annual General Meeting with the Company.

Each of them have had distinguished careers and bring very valuable skills and expertise to the Board. We are very pleased that they have seen fit to join us at BFC.

I will have more to say about them later in the Business Section of the meeting.

CHAIRMANS ADDRESS

Before we go into the detailed presentations from our Management team, I would like to take a step back and spend a few minutes explaining the origins of Beston Global Food Company (“BFC”) and our business model.

I think this is important as I am often asked why BFC was established, and what is different about us from other food companies.

Put simply, we saw an opportunity, some four years ago now, to capitalise on two, very critical emerging problems that are facing the world:

- The first, is FOOD SECURITY

and

- The second, is FOOD SAFETY

FOOD SECURITY

As someone who trained in economics and investment banking, I like to invest in industries where demand is rising and supply is falling.

That is exactly the situation we have in the global food industry.

The world's population is expanding by a net increase of 80 million each year. The total world population is forecast to increase from 7.4 billion people currently to more than 8 billion people by 2024.

As the global population increases, so too does the demand for food, particularly higher quality food. Indeed, the demand for food is expected to increase by 70% between now and 2050. World production of food will need to more than double to feed the global population by 2050.

Much of this increase in demand will come from our Asian neighbours to the north of Australia, where more than half of the people in the world now live (of the 7.4 billion people on planet earth, 4.4 billion or 59% live in the Asia region).

As incomes rise in Asia, people are also demanding more high quality food in addition to greater quantity. Rising incomes cause eating habits to change and increase the demand for more protein (such as from dairy products and seafood) as well as ancillary food and beverage products such as nutritional supplements, functional foods and wine.

This is certainly the experience from the emerging middle income class in Asia which is growing rapidly and is expected to increase 3.5 times from 525 million people currently to 1.75 billion by 2025.

These increases in demand for food are, however, occurring against a background where the footprint available in the world for producing food is shrinking.

Food supply is declining as a result of urban sprawl which is reducing the amount arable land; climate change which has increased volatility in weather conditions and a shortage of water (global demand for water is estimated to exceed supply by some 40% over the next 20 to 30 years).

All these factors are reducing the supply of food and raising its cost. Food security (i.e. having sufficient food to feed the population in countries) is already a key challenge for the world (some 805 million people in the world already go hungry) and will become even bigger challenge as each year goes by.

FOOD SAFETY

An equally critical challenge for the world is food safety... or ensuring that the food which is supplied to populations is safe to eat. The World Health Organisation has warned that food safety is one of the most serious risks to health which is emerging around the world.

The problem is that as the food production footprint shrinks and demand rises, some food manufacturers are making compromises to make their products go further (such as by using more artificial ingredients and “fillers” ...and taking more short-cuts in production).

Many disreputable producers are also popping up to take advantage of the situation (as we have seen in China for example with the “melamine in milk” and “cadmium rice” scandals) and are also producing copy products which typically might look like the real thing but have no resemblance whatsoever to the ingredients in the true product.

This food fraud, in fact, is estimated to cost around USD 40 billion per annum currently, and getting worse by the day.

BUSINESS MODEL

So how do all these problems relate to our business model?

In recognising the opportunity to capitalise on these critical issues of food security and food safety, we realised that the traditional model of agribusiness which has been practised in Australia for over 200 years, is not a model which can easily meet the emerging challenges.

This traditional model, where food companies manufacture commoditised product and distribute through wholesalers, fails to take account of the changing imperatives in the market place. These include:

- The concentration of buying power which, in Australia has been exacerbated by the duopoly of Coles and Woolworths over the last 10 to 15 years (and which is now only starting to be challenged by a third international operator, Aldi).
- The relatively small size of many agribusiness companies which makes it difficult to either penetrate or compete on international markets. (Even if they are able to establish a market presence, they often have difficulty in scaling up to meet the increased demand – or to do so with consistent quality).
- The trend for more meal preparation to be outsourced... particularly in affluent global cities where time-poor consumers are turning to more ready-to-eat meals and food service outlets such as restaurants. These consumers also tend to be technology enabled and often rely on smartphone apps to guide their food purchases.
- The demand from health-conscious consumers to understand the origins of the food they want to eat, the nature of its ingredients and whether it is safe to eat.

These various trends emerging in the global market place are game changers for the agri-business industry.

They require a different business model.

Food companies that have been successful for the past 20 to 30 years wont necessarily be successful for the next 20 to 30 years. To be

successful in the future, food companies need to be innovative and

quick on their feet so as to design products which meet the needs of consumers for more healthy, nutritious offerings and need to be able to re-make the supply chain so that they can extract more of the margins from distributors and wholesalers who have traditionally been able to command a disproportionate share of these margins.

In our Annual Report, we have reported on some of the initiatives which we have put in place to build a new business model – such as with food innovation and our sophisticated anti-counterfeit and traceability technology.

Our business model is unique we believe, at least in Australia, in having a closed loop supply chain which has:

- Our own sources of raw materials (via ownership of farms, fishing licences, lobster pot licences, water rights and other productive real property)
- Our own factories for value-adding to these raw materials and manufacture custom made food products
- Our own marketing and distribution outlets in key target markets in Asia.

As you all know, we are a relatively new company, having listed on the ASX on 28 August last year. We are very much in growth and development mode, and will be so for another 2 to 3 years . That said, we have come a long, long way in the past 12 months as our CEO will explain shortly.

Unfortunately, we had a few setbacks in the 2015-16 financial year as we have explained in market announcements during the year. These are also summarised in the Annual Report.

The most significant, in terms of its impact on our bottom line profit results, was the non-performance of the sales contract with Dashang.

BFC started the financial year with contracted sales to the Dashang Group which is a major supermarket chain in China and a significant BFC Shareholder. Sales of RMB 200 million or approx. AUD 42.0 million were committed in the contract signed with Dashang but did not eventuate, leaving a hole of some \$4.5 million in our net earnings for the year.

The other significant setbacks to our earnings for the year resulted from the termination of the lease over the Pedra Branca farm at Mt Gambier (which reduced our revenues by approx \$1.6 million in the second half of 2015-16) and delays in sales in China resulting from some non-tariff barriers and regulatory hurdles which have been introduced in China following the signing of the China Australia Free Trade Agreement.

As explained in the Annual Report, management has taken a number of very proactive actions to address each of these issues. Very importantly, one of these actions has been to put an alternative sales infrastructure in place in China which does not rely on third parties such as Dashang.

While it has taken the best part of this year to build this infrastructure, we are proud of what we have achieved in a relatively short period of time. It builds on some 40 years of “guanxi” or networks of connections and relationships in China and is now starting to generate serious momentum – which our CEO, Sean Ebert will explain very shortly.

Before he does, however, and by way of background to his presentation, I would like to give you all an understanding of the sales and marketing infrastructure we now have in place in China and across other parts of Asia:

In China, we now have four offices in

- Dalian
 - Beijing
 - Shanghai
- and
- Fuzhou

In the ASEAN region, we have an office in Bangkok which services all of Thailand (with dedicated personnel for the southern and northern regions of the country) as well as the nearby countries of Cambodia, Philippines and Myanmar.

We also have an office in Ho Chi Minh which services all of Vietnam.

The significance of this marketing and sales infrastructure across Asia is that we have our own employees who are committed 24/7 to working with customers and potential customers to service their needs and respond quickly to new orders for products.

We believe that by establishing our own sales infrastructure, we have created some unique opportunities to build close working relationships with our customer base and demonstrate our bona fides as a company that is genuine and serious about taking healthy food products to the growing population of Asia.

I will now call on our Chief Executive, Sean Ebert, to give you an overview of the activities of the Company over the 2015-16 financial year.

RESOLUTIONS

CLOSING REMARKS

Ladies and Gentlemen, that concludes the business section of this Annual General Meeting.

Before closing the meeting however, I would like to make a few remarks in order to provide some further context to the presentation made by our CEO, Sean Ebert.

Some of you may be asking why we are placing so much focus... and so much effort... on the China market when this has proven to be a very tough market for so many Australian food producers... including ourselves.

The answer is simple: It is where the big opportunities are going to be for our company for the next 15 to 20 years.

As the Economist Magazine put it recently: “The Chinese consumer has finally come of age”.

The report by the Economist’s Intelligence Unit noted that consumption is now the main driver of economic growth in China (versus fixed capital investment and exports which are now lagging) and predicted that the incremental annual growth in private consumption in China over the next 15 years will be more than the current level of consumer expenditure in the European Union.

The report states, amongst other things, that:

- Nearly 35% of the population, or around 480 million consumers, will move into the middle and high income brackets by 2030; and that
 - This emerging middle class will look to upgrade their consumption, shifting to higher quality and more branded products (particularly in the area of food, beverage and alcohol).
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The trend toward more expensive, premium foods is being evidenced already in the cheese market in China.

Cheese consumption in China grew at a rate of 20% per annum over the last 5 years and imported cheese grew at a rate of more than 24%.

There is no question that China's growing middle class, the steady urbanisation of the country and the growing attention of the population to healthy and safe food will drive an increasing demand for foodstuffs produced in the clean and green environment of Australia.

We need to be there.... And we are!

We are positioning Beston Foods to be a recognised and trusted brand in China... which can grow as the market in China grows.

Our positioning reflects market research which shows that consumers, particularly in the younger age groups, want to feel connected to the products that they buy... and that they are prepared to pay a premium to know that they are buying food that is safe to eat.

We have a highly differentiated, innovative and award winning range of products with which we are slowly building a loyal customer base...

not only in China, but across the whole Asia region. As this customer base grows so will our sales... and potentially at an exponential rate over the next few years.

This morning we announced to the ASX the signing of two very important strategic partnerships in Vietnam – one with TMT Trading Company Limited and the other with Vietnam Beef Business Company Limited.

TMT has placed an order for a 20ft container of our high alkaline 8.2 Ph water and are taking on the distribution of our Edwards Crossing and Kyubu cheese in Vietnam.

TMT has been well known to us for some time and is the very successful distributor in Vietnam of pasta products from the South Australian Company, San Remo.

The Vietnam Beef Business Company is a specialist beef producer and importer based in Hanoi which operates its own farms, own processing and own distribution of beef products throughout Vietnam and in certain provinces of South-West China.

The Company has significant investments in infrastructure, including feed lots and sea ports, and has entered into the Agreement with BFC with a view to expanding the range of food and beverage products it supplies to the market in Vietnam and better utilise its extensive distribution channels.

The Agreement targets minimum sales of AUD 10 million of BFC products by VBBC in the first full year of operations.

By virtue of the geographic location of the operations of VBBC in northern Vietnam, VBBC is in the process of expanding its marketing and distribution efforts into the Southern provinces of China (a market of 325 million people) and Cambodia (a market of 10 million people).

Under the terms of the Agreement, BFC and VBBC will explore and develop a number of projects for joint cooperation, including the manufacture of “Yarra Valley” ready-to-eat meals to replicate the arrangements which BFC has put in place in China with the Hondo Agricultural Company.

What is important about the signing of these two agreements in Vietnam is that they reflect the strategic focus of BFC to develop partnership arrangements with well-established companies in the key growth markets of Asia where the food and beverage products

produced by BFC can complement the attributes of the selected partner.

Those of you who were able to attend our factory tour and presentation yesterday would have recognised that our production facilities, along with our well invested marketing and distribution infrastructure, are all highly scalable to meet the growth in demand for premium foods that is rapidly emerging in the consumer markets of Asia (where, as I stated earlier), 59% of the world's population now lives.

Over the past 12 months we have achieved all of the 8 objectives we had set out in our 2015-16 strategic plan. These were:

1. To integrate technology into our whole supply chain
2. To develop healthy food products which could be consumed across the whole of a person's life span
3. To exploit synergies between our investee companies
4. To create new, value-added products
5. To develop strategic alliances with other companies to enhance our own capabilities
6. To enhance our manufacturing capacities and capabilities
7. To improve productivity on our farms
8. To build our own brands

Over the next 12 months, we will continue to build on these achievements while focusing on two key objectives:

1. To extract greater returns from our existing assets (particularly our farms and our factories)
 2. To increase sales revenues by leveraging the mainstream distribution channels we have now established, as well as continuing to pursue new channels.
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The management and the Board of Beston Global Food Company believe that our company is in a very exciting place in terms of the trends underway in the key consumer markets that we are targeting.

This past twelve months since we listed on the ASX have not been straight forward.... but we never thought they would be.

I am reminded of a comment by Steve Jobs, the founder of Apple, some time back:

“The gestation of great products... and great businesses... takes much longer than it appears. What seems to emerge from nowhere belies a long progress of development, trials and mis-steps”.

- Steve Jobs

We have had a few challenges thrown at us this year ... mostly from left field... but I am in no doubt that the Company that you have all invested in is in great shape (with no debt and some \$40 million of cash reserves) ...and is poised to benefit from the very solid business foundations which have been put down in Australia and Asia... and all the hard work which has been done by our staff.

I would like to pay tribute, indeed, to all our staff. They have worked incredibly long hours in this past year to get the Company to where it is today.

Finally, I would like to thank my fellow Board members for their dedication and contributions, and for the personal support they have given to me in what has been an extremely busy year.

I would also like to thank you, our shareholders, for your support in our first year as a listed company, and look forward to your continuing support as we continue to grow and enhance the value of your Company. Our modus operandi is about building on short-term wins to build long term value for our shareholders.

At the AGM last year I referred to our “North Star” ... or our corporate mission... as:

“An unswerving commitment and dedication to become one of the best branded food companies in the world”.

We believe that our Beston Global Food Company is in the right place at the right time to capitalise on the emerging trends in the global food industry that I outlined earlier.

And, as Jim Koch, the founder of the very successful Samuel Adams Beer Company in the US said in an interview recently,

“If you know you are right about something... you should stick with it and push it ... because time will prove you right.”

That is exactly what we are doing at Beston. We are working hard to build BFC into one of the biggest and strongest global food companies... and building on the best that we have in Australia to take safe, healthy and nutritious foods to the worlds growing communities.

I would now like to invite you to join with our Board members and staff in sampling some of our products in the BFC portfolio together with some of the wines produced by one of our other Beston family companies. We have cheese, lobster, oysters and other premium delicacies at the various tables at the back of the room produced either from our own farms and factories or those from our investee companies.

So please enjoy and take the opportunity to get to know our staff and the Board members. I am sure you will quickly get to appreciate the passion and the enthusiasm that they all share for our Company.

Ladies and Gentlemen, I thank you all for your attendance. I now close the meeting.
