



# AGRICULTURE IN SGS - THE WAY FORWARD

Jeff Newell – Executive Vice President, Agricultural Services

Olivier Coppey – Global Business Manager, Inland Services

Trish Kelly – SGS Agri-Food Laboratories, Canada

Tim Case – SGS Agricultural Research, USA

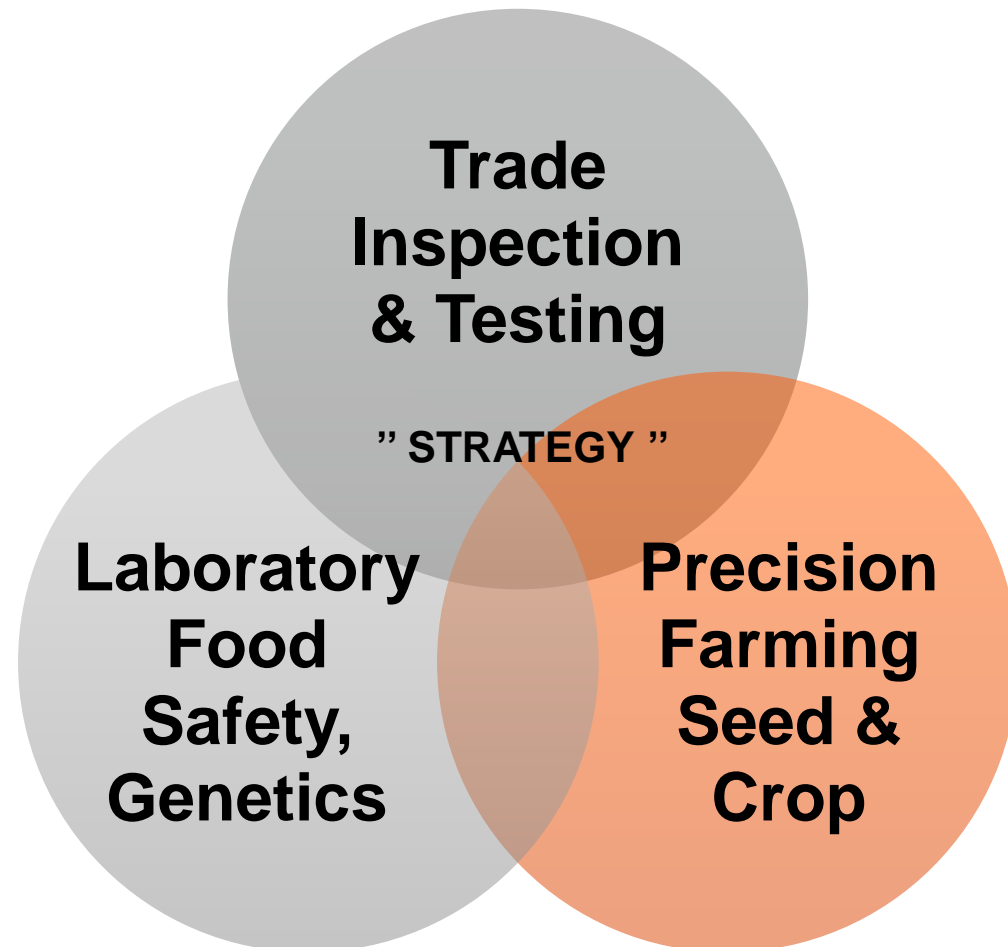
Investor Days, 26th-27th May 2011

WHEN YOU NEED TO BE SURE



# AGRICULTURE - A GLOBAL PERSPECTIVE

- By 2050 the world's population will reach 9.1 billion.
- 70% of the population will be urban.
- Food production must increase by 70% over today's level.
  - Annual Cereals production from 2.1 billion tonnes to 3.0 billion tonnes.
  - Annual Meat production will need to rise by 200 million tonnes.
- Increase in food production can be achieved; it will require:
  - Annual gross investment estimated at \$ 209 billion.
  - Increasing introduction of technology.
- International trade will be crucial to food security; developing countries net imports of cereals will more than double to 300 mio tonnes.
- All this will have to be achieved in an environment of “more with less” and in a sustainable manner.



# AGRICULTURAL SERVICES STRATEGY FOR SUSTAINABLE GROWTH & PROFITABILITY

## Governments and Institutions

- Protect & Regulate = Legislative
- Subsidize & Facilitate Investment = Technology
- Outsource Land for Cultivation

## Big Business, Traders & Banks

- Invest in Farming & Cooperatives
- Upscale Farming = Benefit of Scale
- Reduce Input Costs & Introduce Technology

## Science and Technology

- Bespoke Seed & Crops = Biotechnology
- Controlled Inputs = Yield Improvements
- Robotics & Automations

## The Public

- Social Impact = Sustainability
- Public Opinion = Government Action
- Food Chain Transparency & Food Safety



# SGS AGRICULTURE MOVING UP THE VALUE CHAIN

Olivier Coppey – Global Business Manager, Inland Services

WHEN YOU NEED TO BE SURE



# AGRICULTURE MOVING UP THE VALUE CHAIN

Based on the market's fundamentals and what we anticipated, **SGS SEED & CROP SERVICES** portfolio was launched as a new strategic market segment in 2007

to address the following imperatives in agriculture:

- Input use optimization, reduction of waste
- Yield increase
- Food safety & transparency of the supply chain
- Sustainability

to take advantage of the following market trends:

- Privatization of field & laboratory studies for registration of inputs
- R&D outsourcing by life science companies
- Rapid adoption of precision farming and biotechnology
- Rise of commercial farming
- Agriculture becoming a 'class asset'

## ■ Growth strategy

- Acquisition of key market players (MWSS USA May 2007, Alvey Group USA Jan 2008, CAL RSA Oct 2008, Nvirocrop RSA Jan 2011, Agri-Food Labs Canada March 2011 & ARA USA May 2011)
- Replication of these activities in other geographies leveraging our unique global network, key attribute for a global one-stop-shop (only SGS so far!)
- Introduction of new services

## ■ Still an AGRI initiative or a well established market segment for SGS Agricultural Services?

- More than 15% of global agri revenue in 2011
- Revenue growth (organic) in 2010 was >30% vs. PY
- Revenue in 2010 was generated from 25 countries located in all the key agricultural regions

## SERVICES TO AGRICULTURE UNIQUELY POSITIONED IN THE VALUE CHAIN



### SOIL/FIELD

### SEEDING

### CROP PROTECTION

### HARVESTING

GPS sampling  
Soil/leaf testing  
Fertility mgmt  
Soil classification  
Water testing  
Fertilizer field trials  
Consultancy/studies

Seed sampling  
Seed/GMO testing  
IP/traceability  
Seed field trials  
Lab research  
Training/Consulting  
ISTA certification

Field trials & studies  
(e-fate, ecotox, etc.)  
Product chemistry  
Field inspections, incl.  
crop scouting & yield  
assessment

Harvest monitoring  
Quality map

Crop monitoring/barter trade related services

Market & commodity research services

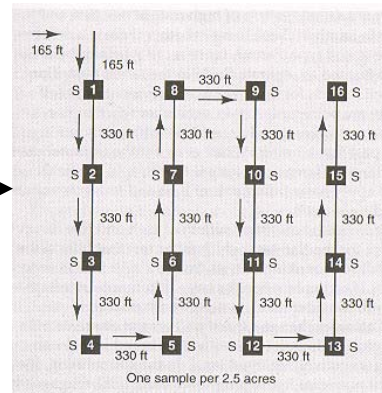
Ag audits (farm/GAP, sustainability, sub-licensees, IRM, biotech stewardship, fair labour, seed treatment plants, etc.)

Brand protection and supply chain integrity solutions for agrochemicals and seeds

Farmland projects (assessment of the land, technical due diligence of the business plan, implementation monitoring, etc.)



## PRECISION FARMING & SOIL FERTILITY



LABORATORY ANALYSIS AND RECOMMENDATION REPORT

Special Report No. 301-01000

Order No. 10542

Samples Submitted by: Mr. D. Smith

Client No. 10542

Sampling Date: 07/20/09

Report Date: 07/20/09

P.O. Box 59

Field Name: South

Sudbury, Ont. L3R 9V9

Field No.: 01

Sudbury, Ont. L3R 9V9

Field Name: South

Sudbury, Ont. L3R 9V9

Field No.: 01

SGS MINERS SOIL TESTING PLUS INC.

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field boundaries



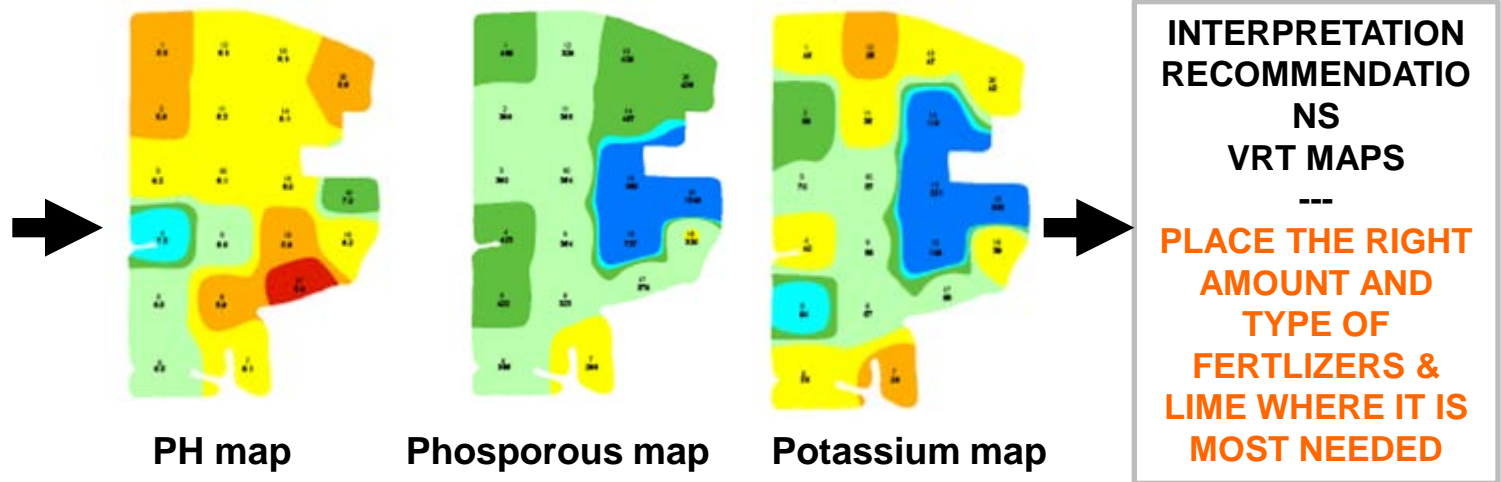
soil sampling (grid)



soil testing



## PRECISION FARMING & SOIL FERTILITY



## MAKING **GAINS** THROUGH **TECHNOLOGY**?

- Increase of precision brings the possibility of reduced fertilizer cost
- Increase in yield through accurate soil fertility recommendation
- Increased environment protection through accurate application of products

- Did you know that ..
  - SGS owns the largest private independent seed testing laboratory in the world.
  - SGS in the US met the challenge to develop bioassay tests for the industry to prove the presence of all eight proteins (to protect against insects & herbicides) in the new 'eight stack' corn hybrids.
  - SGS wrote the Code of Practice on behalf of the Seed Treatment Industry in Europe in relation to sustainability of seed treatment products and protection of honey bees.
  - SGS performs QA monitoring in Brazil on behalf of large seed companies of third-party seed production centers.
  - SGS operates the only private independent seed testing laboratory in India located in Hyderabad (the 'seed' capital of India).





### GETTING **EFFICIENTLY** TO MARKET?

Prior to commercialisation, new agrochemicals, seed varieties and fertilizers have to be tested in supervised field trials (for efficacy, crop tolerance & crop safety)

Life science companies are looking increasingly toward CROs matching their global needs



**NETWORK AND CAPABILITIES WHICH  
THE INDUSTRY CAN **TRUST****



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### China Corn Crop Failing to Keep Up With Projected Demand, SGS Survey Shows

By Jeff Wilson · Nov 8, 2010 1:00 AM GMT+0100

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**Play Video**

Oct. 22 (Bloomberg) — Jeffrey Curne, head of commodities research at Goldman Sachs Group Inc. talks about investing in commodities including gold, oil, corn, copper and platinum. He speaks with Francine \_\_\_\_\_

Corn production in [China](#) probably rose 7.3 percent this year, a survey of farmers showed, signaling output from the world's second-largest grower failed to keep pace with projected demand for a second year.

The harvest increased to 154.56 million metric tons (6.085 billion bushels) from 144.374 million last year, after farmers planted more and favorable weather boosted yields, based on interviews completed during the harvest in September and October by Geneva-based SGS SA for Bloomberg. The U.S. \_\_\_\_\_

- Independent solutions for strategic data gathering and processing in all major agricultural regions of the world
- SGS is uniquely positioned to deliver such services thanks to its extensive inland network

Creating the news on the web  
with Bloomberg

## BUILDING A GLOBAL NETWORK ACQUISITIONS SO FAR IN 2011



**CANADA**  
March 2011



**Ag Research  
Associates LLC**

**USA**  
May 2011



**SOUTH AFRICA**  
January 2011

Many more strategic acquisition & organic projects in the pipe ...

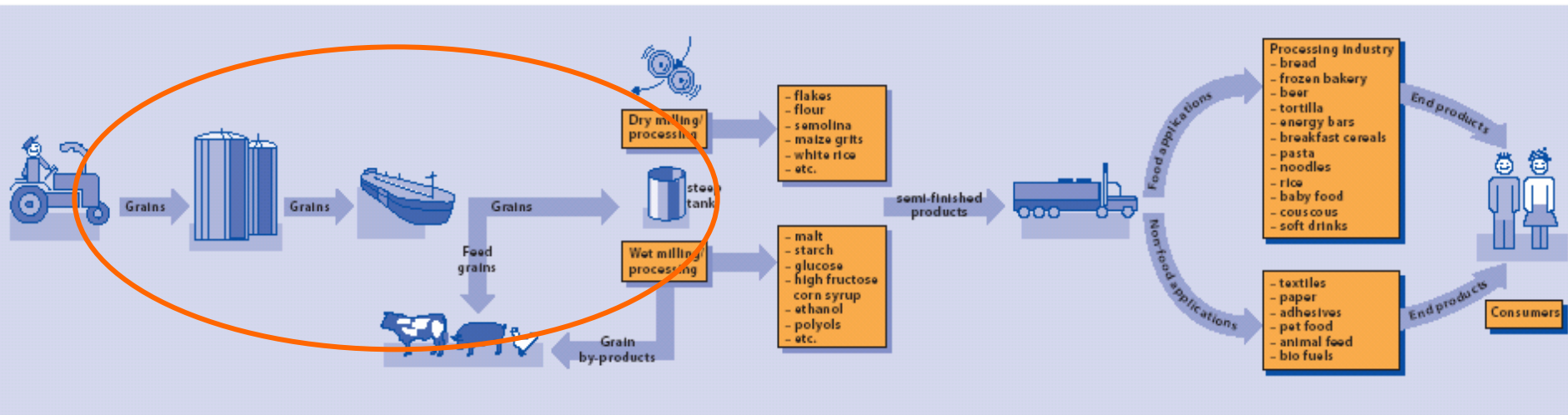
# SGS AGRI-FOOD LABORATORIES CANADA

Trish Kelly



- Market leader in agricultural analysis located in the heart of Canadian agriculture.
- A growing market in Canada currently estimated at \$45M
- We are the science behind farming providing nutritional analysis for animal feed components & raw materials, finished feed, forages, soil, fertilizer, compost manure, plant tissue and livestock water...
- We support precision agriculture with soil sampling and analysis as well as geo-referenced mapping.
- Strategic fit that will be replicated in Western Canada and Quebec
  - A single window of services for existing SGS customers – agriculture testing, complete value chain audit, IP traceability, logistic efficiency.
  - Opens new markets and complements SGS existing laboratory capability for analytical packages that include – pesticide residue testing, microbiology, heavy metals as well as auditing services, inspection services and customized solutions.
- Uniquely positioned to grow with precision agriculture and food safety legislation in Canada





**Input  
Companies**

**Growers**

**Country  
Buyers**

**Interior  
Logistics**

**Traders  
& Marketers**

**Additional  
Logistics**

**Processors**

**Seed  
Companies**

**Individual  
Growers**

**Country  
Merchants**

**Road  
Rail**

**Marketing Boards  
Grower Controlled  
Companies  
Global Trading  
Companies**

**Export  
Elevation  
Ocean  
Freight  
Packers**

**Millers  
Intensive Animal  
Industries  
Industrial Grain  
Produce Users**

**Fertilizer  
Chemicals**

**Co-Operatives  
Pool of farmers**

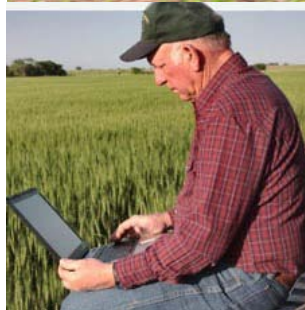
**Agency  
Networks**

**Large  
Storage  
Small  
Storage**

**Inspection  
Services**

**Fruit Juice  
Producer**

**SGS-AFL Customer Base**



- Science adds value, saves money, improves yield by managing inputs and reduces the impact of agriculture on the environment.
- Optimizing output and helping to produce more from less.
- Maximises value returns by controlling inputs across the production value chain from seeding through cropping and on animal feed management.
- Ensures transparency in animal feed supply chain, reduces risk of safety alerts and potential catastrophic recalls and shutdowns.
- A Tool to ensure compliance with environmental legislation and the principals of sustainable farming.
- Facilitates creation of carbon offset credits.
- Meeting increasing public demand for food safety and food chain transparency.

# BENEFITS TO OUR CUSTOMERS

## WHY DO WE DO IT?

- Provide complete package of services for sustainable agriculture – testing, agronomy and feed solutions
- Provide our customers with professional independent interpretation of our analytical results and advice on the impact of these results on production
- Allow farmers to optimize the application of fertilizers according to soil and plant requirements based on desired yields (the right fertilizer, at the right amount, in the right place at the right time)
- Provide nutritional profile of feed ingredients and forages that are used to optimize production economically through metabolic efficiencies
- Fast turn-around-time of analytical results is key to enabling our customers to make value adding & quick adjustments to production.
- Assist customers with on-site quality control programs
- Provide results that assist our clients in improving their economic efficiency, social accountability and environmental sustainability



# SGS Ag Research USA

Tim Case

WHEN YOU NEED TO BE SURE



## US AGRICULTURAL RESEARCH MARKET



- Fragmented market with approx. 70 independent private Contract Research Organizations (CROs)
  - The industry is divesting scientific R&D (retaining proprietary elements)
  - The industry is looking for collaborative research partnerships rather than just 'pay-and-deliver' services
  - Life science companies are actively encouraging the industry to consolidate and to move towards a 'one-stop-shop' (following the trend in Europe) having all the facets of Product Development within one company
- SGS capitalize on this change and lead the industry's consolidation

# AG RESEARCH ASSOCIATES JOIN THE SGS AGRICULTURAL SERVICES FAMILY

- SGS has become the industry's **clear leader** in agricultural research activities in line with our strategic objective in North America
- **Expanded** SGS's offerings with the major chemical & biotech companies. From regulatory affairs, project management to field research, sample preparation/shipping and lab testing
- Process to register/develop a new seed/agrochemical:



- The combination of SGS/ARA will meet client demands
- SGS is the only 'one-stop-shop' CRO in North America across EPA regions and a global reach in Europe, Latin America and Asia-Pacific.



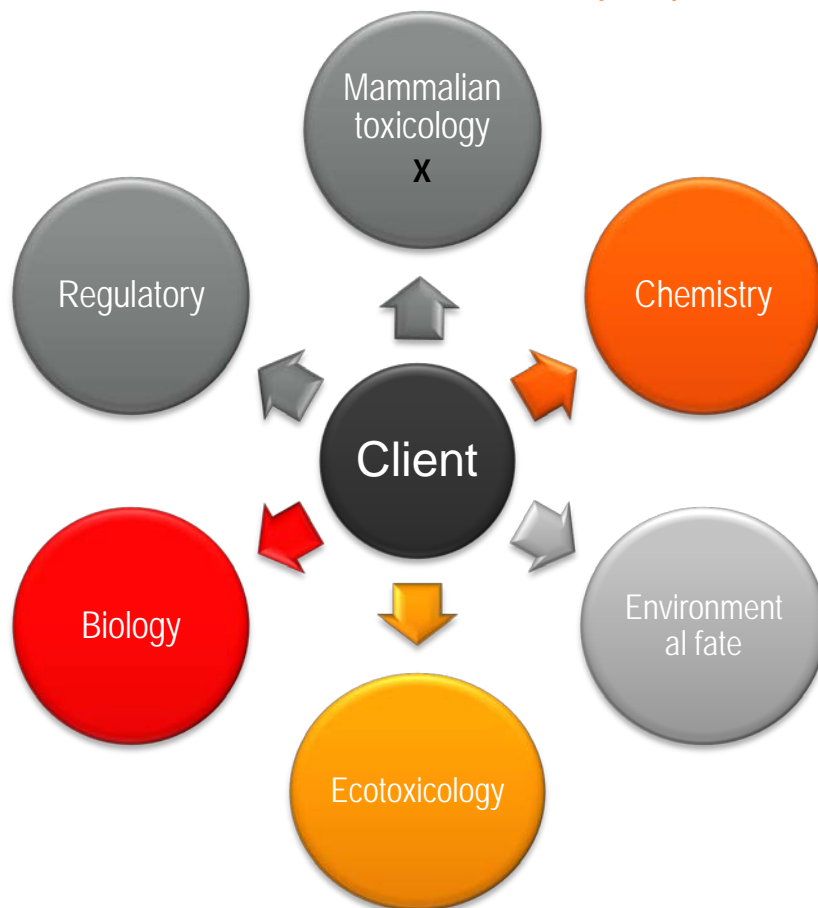
- The cost of bringing a new active ingredient to the marketplace is ~\$256 million.
- It take ~9.8 years for a product to move from discovery to first sale
- Field development costs for each new crop protection product encompass
  - Field Trials - \$54 million
  - Residue Chemistry - \$36 million
  - Toxicology - \$32 million
  - Environmental Chemistry - \$24 million
- For a product to receive registration it must be tested in each of the appropriate production regions designated by the EPA
- A genetically modified organism (seed trait enhancement) must receive permits from the USDA to allow field testing
- 2012 projections for R&D expenditures are ~\$210 million for each of the largest 14 crop protection companies



US Environment Protection Agency (EPA) has defined 13 regions for pesticide field trials and for each crop group the minimum number of trials per region

With the combination of SGS and ARA field networks, SGS is the **most capable company** to provide research across the country

### PROJECT MANAGEMENT (SGS)







- AstraZeneca – This client works with SGS in Germany and needed study directorship for a U.S. project. SGS with its enhanced capabilities is now capable of performing this work.



- NuFarm – This client had terrestrial dissipation projects with ARA. SGS is now able to place a portion of the soil work from these trials with our agricultural laboratory in Brookings, SD



- Soybean Decline Studies – a client of ARA's placed numerous soybean decline trials with us. With the addition of SGS sites in Iowa, Illinois and Indiana, SGS will not have to outsource any of this work.



- Dow AgroSciences global trial coordinator indicated the combination of ARA and SGS will create a company that will reach beyond field research placement. Dow now has a resource that can cover all aspects of regulatory submission from field research to analytical capabilities.



- BASF trial placement coordinator indicated the merger of SGS and ARA will allow them to authorize global work packages. They currently have significant work placement with SGS in Europe.

**SGS INVESTOR**  
**DAYS** 26 - 27 MAY 2011,  
TORONTO



**2014**  
**FOR THE**  
**COMPLETE PICTURE**

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