

COTSWOLD SWINE GENETICS

Exiting Cotswold is the final step in eliminating Ridley's direct ownership of pigs through its involvement in swine genetics and commercial swine production.

RIDLEY announced on July 16, 2003 that it had taken the decision to divest Cotswold Swine Genetics (CSG), its North American swine genetics business. Subsequent to making the decision, Ridley entered negotiations with parties interested in acquiring the business and continuing to produce and market the Cotswold product.

RIDLEY'S involvement in the swine genetics business began in the early 1990s with the acquisition of the Canadian franchise rights from Cotswold Pig Development Co. Limited in the United Kingdom. That involvement expanded in 1998 with acquisition of the parent company, which had operations in the United Kingdom and Germany and exported its swine genetics to more than 40 countries.

SINCE 1998, Ridley has incurred significant and sustained losses in the genetics business. Those losses stemmed primarily from the swine price crisis of 1998, the prolonged impact of Foot and Mouth Disease and Classical Swine Fever in Europe, and most recently the longest period of below break-even hog prices in North America's history. Although the disease outbreaks in Europe were the primary factor in Cotswold's losses, the key driver for recent operating results has been a prolonged period of below break-even hog market prices.



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IN fiscal 2001, Ridley announced its decision to exit Quality Swine Systems, reducing its direct exposure to the price risks associated with commercial pork production by one-third. Ridley further reduced its exposure in May 2002 with the sale of the Cotswold Europe swine breeding operations, completely exiting the swine genetics business in Europe.

RIDLEY also restructured its North American-based swine genetics business, renaming it Cotswold Swine Genetics, installing a new senior management team and taking a number of significant steps to reduce production costs, streamline operations, improve sales and implement a more effective risk management program. Each of these initiatives was completed with great success in fiscal 2003.

HOWEVER, despite the restructuring efforts, the North American business has been unable to overcome an operating environment of poor swine production economics. Hog market prices plunged in the second half of fiscal 2002 and stayed at below break-even levels for most of fiscal 2003, until spring of this year.

WEAK hog market prices reduced CSG's revenue from by-product sales, caused pork producers to delay their decision to purchase replacement breeding stock, and lowered the prices paid for breeding stock, all of which contributed to mounting losses. Revenues were down by \$5.5 million in fiscal 2003, partially offset by \$2.0 million in operating cost efficiencies, resulting in CSG reporting an after-tax loss of \$6.5 million, which was \$3.9 million in excess of expectations.

IN the end, although the pork industry in North America is showing signs of recovering, and there is strong demand for the Cotswold product, Ridley decided that the amount of additional capital necessary to update the production system, and the research and development expense required to keep the genetics business viable for the long-term, is not consistent with our core strategy of feed and nutrition, and not in the best interests of our shareholders.

EXITING Cotswold is the final step in eliminating Ridley's direct ownership of pigs through its involvement in swine genetics and commercial swine production. The decision, while difficult, enables Ridley to concentrate on growing its feed and animal nutrition businesses and returning future earnings to more satisfactory and predictable levels.

RIDLEY'S core feed and nutrition businesses, a significant portion of which is dedicated to serving pork producers, have posted several consecutive years of very good earnings and growth. These businesses remain very healthy, and divesting Cotswold enables the Company to focus its resources more intensely on Ridley's core competencies of feed and nutrition.

1. Steven J. VanRoekel, Vice-President, Cotswold Swine Genetics.

2. Cotswold's rigorous biosecurity measures provide assurance to swine producers that they are receiving breeding stock with a superior health status.