

Chairman's Report

Dr. J.S. Keniry | Chairman



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Ridley faced a very demanding operating environment in fiscal 2004, as a wide range of external factors combined to significantly impact our results. Production economics were weak for Ridley's customers in most sectors of our business. Weather patterns were not conducive for beef feed sales, and a number of regulatory issues, each with the potential to affect our business seriously, created concern for our customers and for us.

Our response to such adversity is to maintain our focus on the basics: providing superior products and outstanding service to our customers, keeping a tight rein on costs, ensuring an optimal allocation of our capital resources, anticipating changes in the marketplace and being prepared to manage the effect of such changes.

Bob Gallaway and his team will report on Ridley's results and its efforts to maintain a competitive edge in the following pages, but I take a particular interest in the Company's program of research & development, and I am pleased to say that Ridley's well-known commitment to research & new product development continued in fiscal 2004, generating some very tangible rewards.

Several new products were introduced and received an enthusiastic reception in the marketplace. Ridley Block Operations launched three new products in fiscal 2004, IONO-LYX® B300, the first ever FDA-approved Low Moisture Block with an ionophore, CRYSTALYX® Buffer-lyx™, a Low Moisture Block supplement used as a free-choice dietary buffer for dairy cows, and Equine HP™ Performance Bar, a nutrient dense feed supplement for horses. Ridley Feed Operations introduced PROVISION, a research-proven, performance-tested, flexible piglet nutrition program. In addition, one of McCauley's existing products, Alam®, a beet pulp based equine feed, was named the nutritional product of the year by *Horse Journal* magazine.

Each of these products was a success in the marketplace, addressing a specific need in a different segment of the market, and raising Ridley's profile for the entire range of our product offerings. Ridley's impressive Nutrition Services group is developing other innovative products and nutrition programs for introduction in the near future, providing our customers with a product range and technical support that is unsurpassed in the feed industry.

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One of the most important accomplishments for 2004 is the succession plan developed by the Board of Directors for Ridley's management team. Bob Gallaway has been Ridley's President and C.E.O. since June 2000, and his experience and dedication have been instrumental in guiding Ridley through some very challenging years. In many respects, Ridley's successes in this tough environment reflect the strength and expertise of the management team assembled under Bob's capable leadership.

These strengths, and a focused commitment to building shareholder value, will continue when Bob retires in 2005. As announced in a press release on July 14, 2004, Steven VanRoekel, formerly President of Ridley Feed Operations,

assumes the position of President effective September 1, 2004. Bob Gallaway will continue as C.E.O. until his retirement.

Concurrent with this move, Robert Frost, formerly Executive Vice President of Ridley Inc. and General Manager, Ridley Block Operations, becomes President of a newly formed division known as Ridley Nutrition Solutions, consisting of Ridley Block Operations, the newly acquired Sweetlix® business, the Equine Business Unit and Ridley Specialty Products.

Calvin Martin and Eddie Wells are appointed Executive Vice Presidents of Ridley Inc. and will have Chief Operating Officer-type responsibilities for specific parts of Ridley Feed Operations. Mike Mitchell retains his current responsibilities as Chief Financial Officer.

Rounding out the senior management team, Michael Hudspith, currently General Manager, Ridley Feed Ingredients, has been elevated to Vice President, Ridley Inc. and given a seat on the Executive Committee.

With these changes, Ridley is building on the strength of its existing management team, assuring stability and continuity, and enhancing its ability to succeed in a very competitive operating environment, both for today and the future.

In fiscal 2005, we will continue to pursue our strategic plan, meeting customers' expectations, improving our operating performance, leveraging our core competencies and exploring opportunities to maximize value for our shareholders.

With the commitment and dedication of our employees and our management team, and the guidance of Ridley's Board, we are confident that we will deliver further progress in fiscal 2005, and a high level of value to our shareholders and our customers.



Dr. J.S. Keniry
Chairman



Photo: CRYSTALYX® Low Moisture Blocks are an effective range management tool, attracting cattle away from riparian areas and resulting in more uniform utilization of forage lands.