



# Strategies for Agricultural Investment

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# Agribusiness has been increasingly attracting investor's attention

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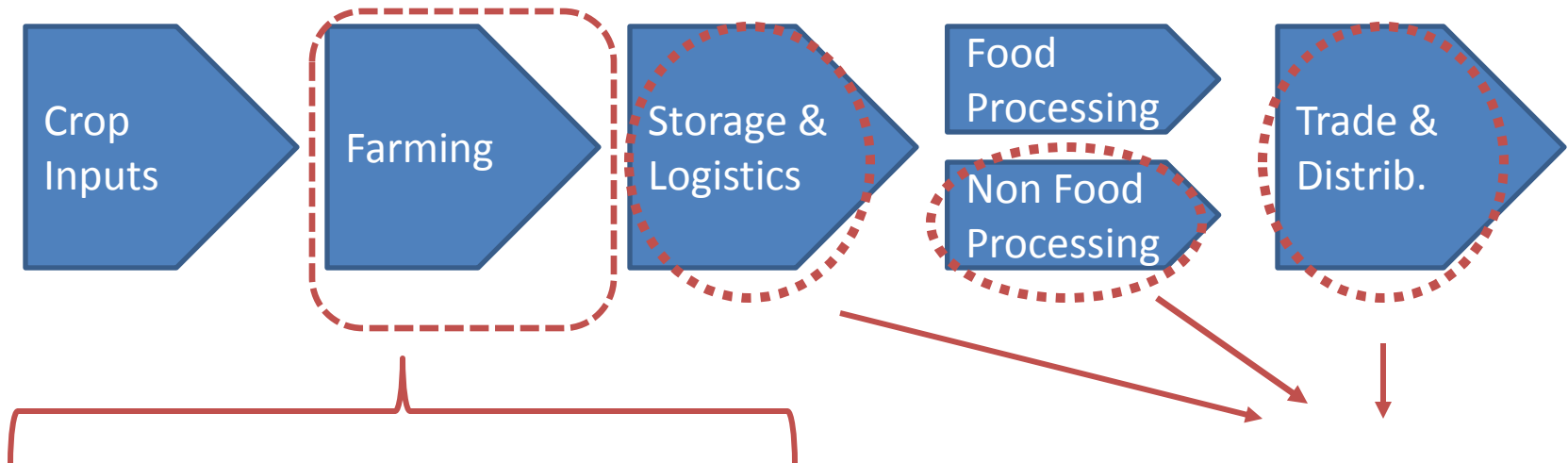
## The Drivers

- Supply & demand imbalance
  - Food and non food uses
  - Productivity improvements unable to keep up with demand
- Attention on the agribusiness sector
  - Pinning down Government intervention
- Extreme volatility elsewhere

## The Investors

- Hedge Funds
  - Some even specialized
- Sovereign Funds
- Pension Funds
- Family Offices
- Private Investors

# Value chain analysis to identify segments with most potential gains



Segment where most of the inefficiencies reside

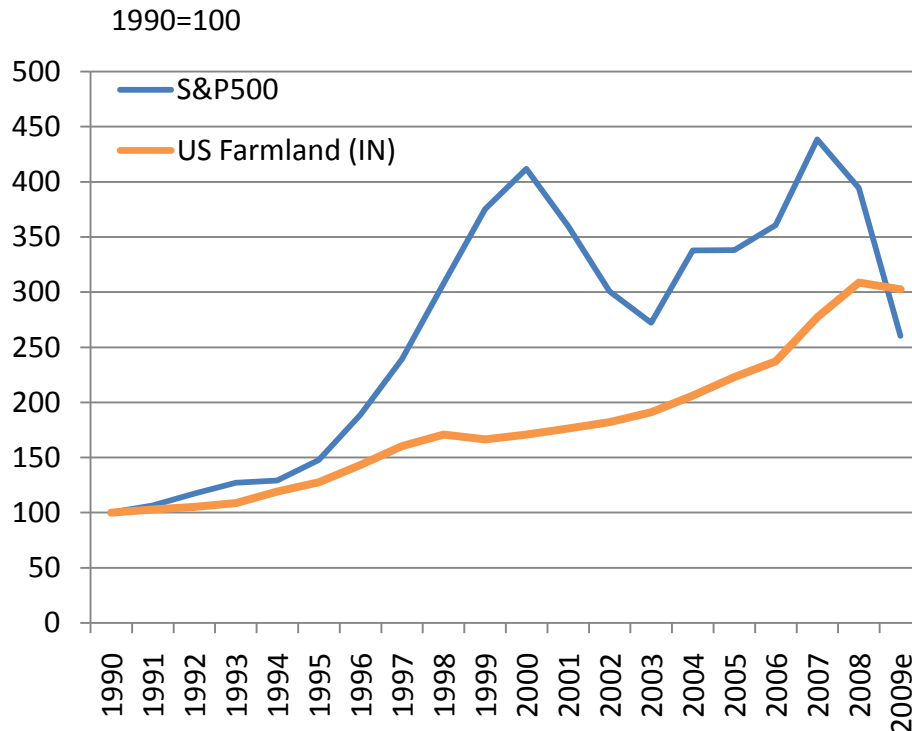
- Relatively few publicly traded companies
- Overall, perceived as being underlooked by investors
- Concentrates most of government intervention within chain

Possible runner ups

- Production and capacity imbalance;
- Dissociation between production and consumption location
- Gov't intervention

# Land stands out as an asset with significant attraction to new investors..

## Evolution of selected indexes



Source: AgriStrat estimates based on Bloomberg for Purdue University and Chicago 's Fed AgLetter for the US.

- Direct link with ag commodity prices
- Uncorrelated returns with stock mkt
- Least available
  - Through time concentrates the improvements through out the value chain
- Having been overlooked under used/over protected, contains “pockets” of value
  - Underleveraged
  - Transformation potential

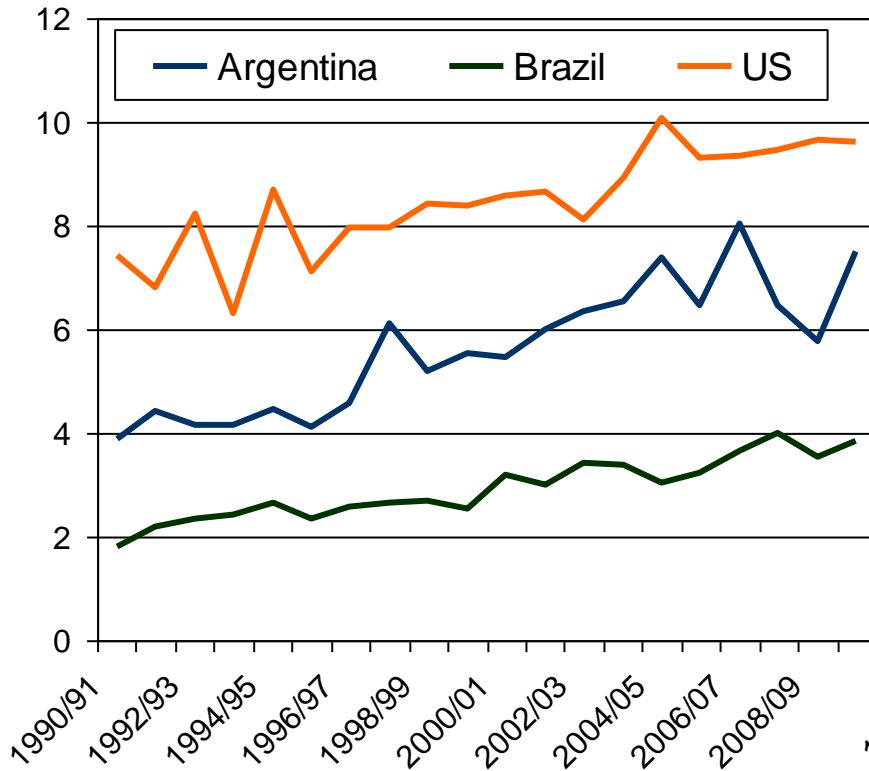
➔ Investment in land a key element under “flight to quality” schemes

# A competitor's analysis still favor's the U.S. farming segment in the short run..

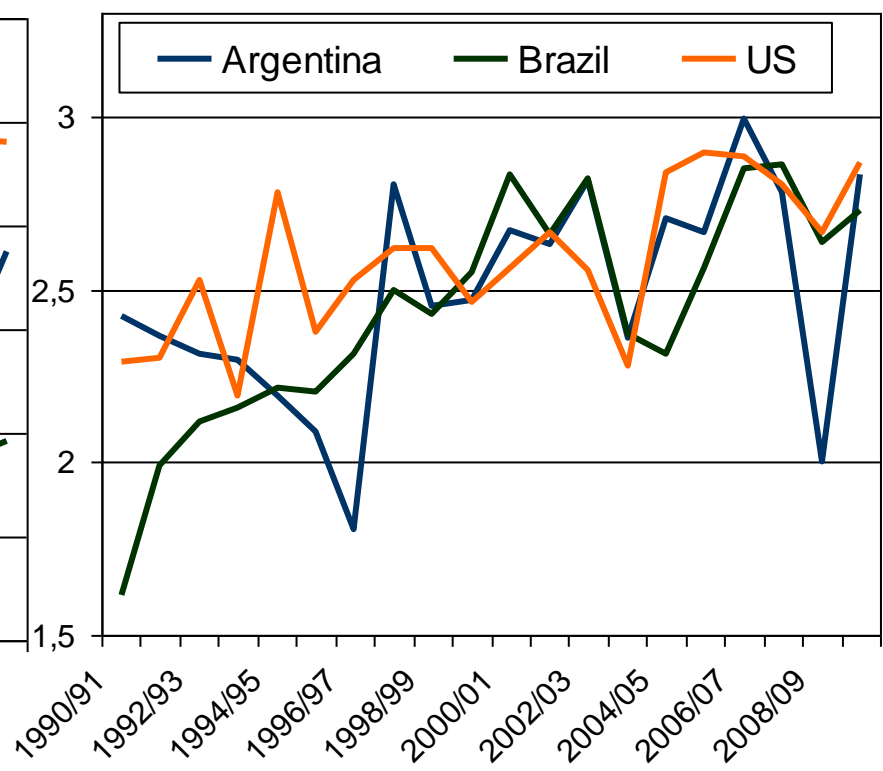
	Africa	Argentina	Brazil	New EU	US
Gov't	Restrictions and some uncertainty	Export taxes & price controls Source of uncertainty	Favorable	EU CAP providing some comfort	Support shifting, but not vanishing
Access to capital	To be developed	Limited. Increasing liquidity limitations	Improving	Improving	Easiest and still most innovative
Logistics	Most difficult	Investments in roads and port handling	Quickly making up for under looked activity	Investment needed	Best in class, although attention required
Mkt Size	Export dependent	Small. Export depend.	Large but not that wealthy. Export dep.	Preferential access to EU mkt	Large and still one of the wealthiest
Mgmt	Still under developed	Developments in some cases led by US farmers	Developing. Led by US, argentine and some locals	Overcoming lack of compet. spirit	Leading practices and access to tech.
Other	Highest transf. potential	Historic potential	Largest current land availability	Centralized mgmt culture	Continued innovation

# ..although cash crop yields attained by farmers in Argentina and Brazil are closing the gap....

## Evolution in corn yields. Selected countries



## Evolution in soybean yields. Selected countries



Source: USDA/PS&D

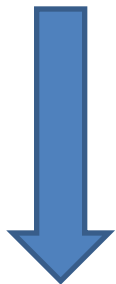


Largely due to impact of available technologies, and also no till practices

# .. and investments by new players redefine business models and the share of returns

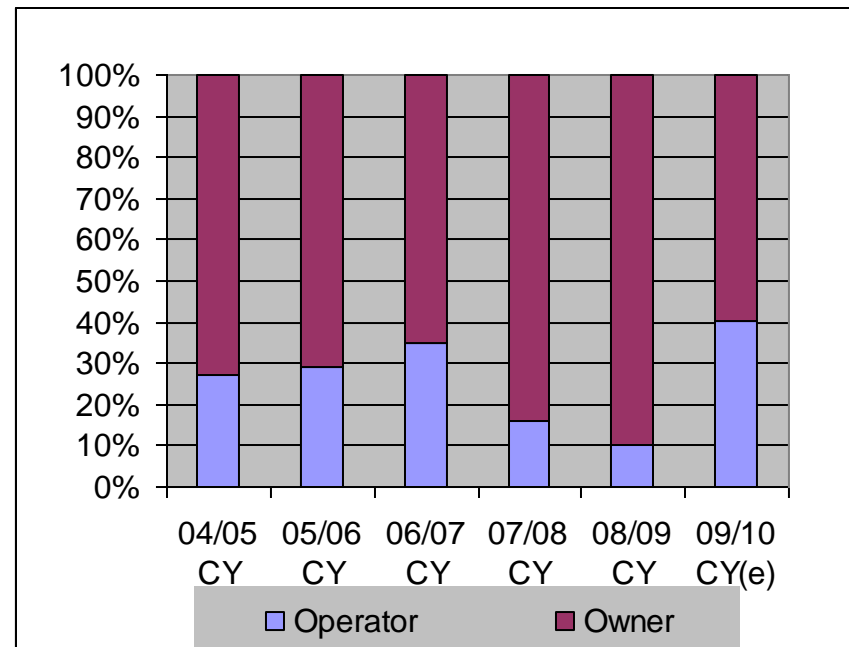
## Evolution in the Model for Large Scale Operators in Arg & Brazil

Production on Rented Land



Production on Rented and Owned Land

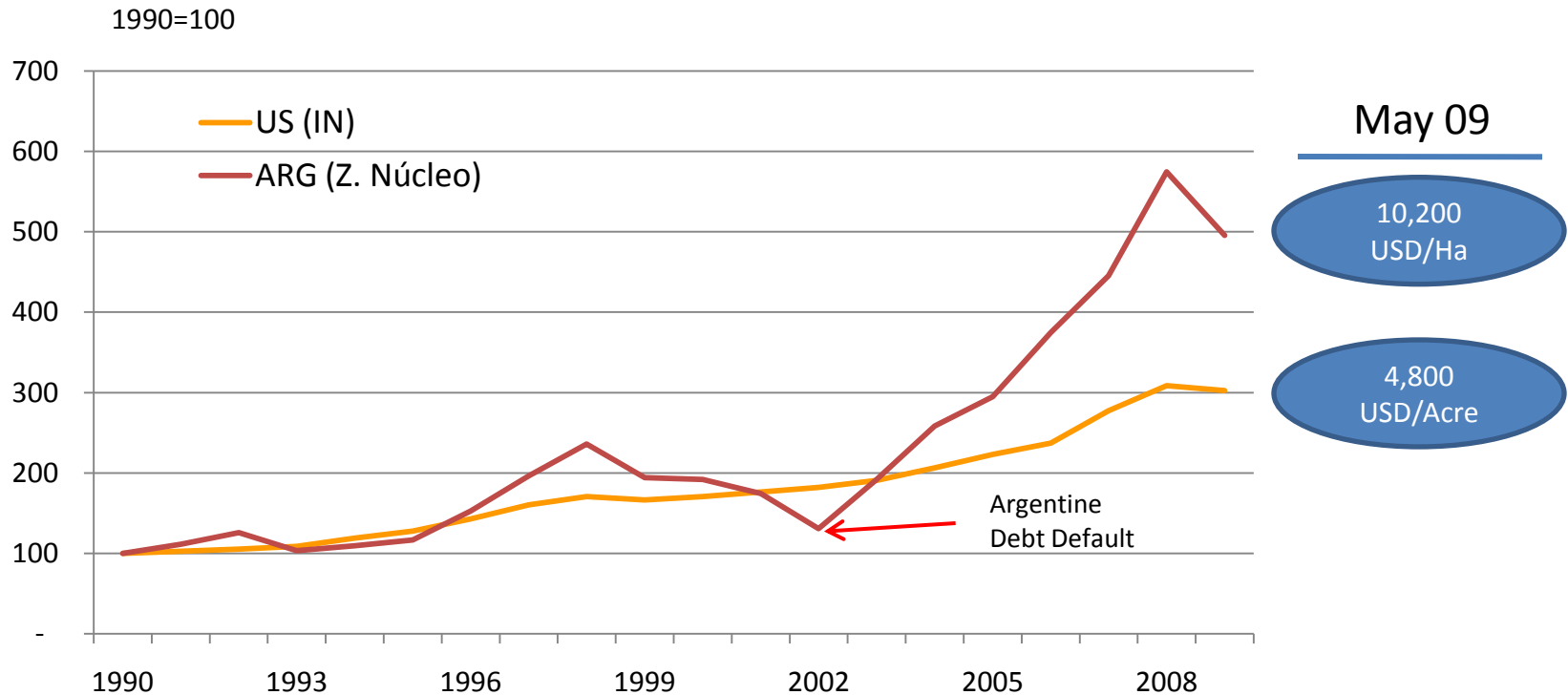
## Argentina. Estimated Evolution in the Crop's EBITDA Allocation



Source: Own estimates based on available market data

# While land prices are already reflecting (once again) economic and political uncertainty...

## Evolution in the farmland price index in the US & Argentina

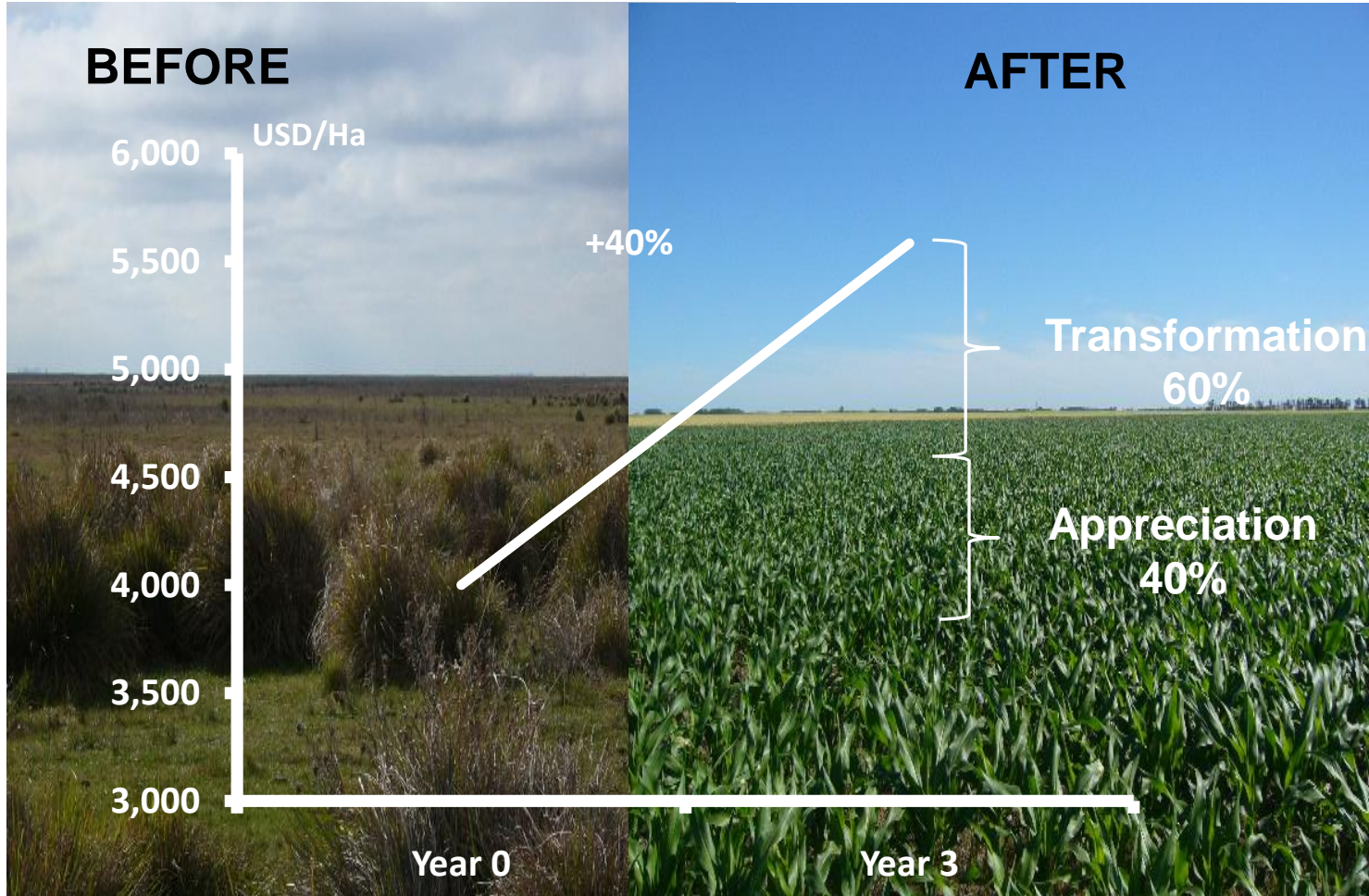


Note: Indiana top soils for the US and Zona núcleo for Argentina. Nominal terms as base.

Source: AgriStrat estimates based on Margenes Agropecuarios for Argentina and Purdue University and Chicago 's Fed AgLetter for the US.

# ..land transformation brings an additional source of profitability

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# Strategies looking forward....

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- More than just the investment in land
  - Look for transformation potential
  - Appropriate management team
  - Adequate institutional setting
- Logistics and infrastructure
- Management
  - Maintaining proper/specific R&D throughout value chain
  - Production, operators
  - Finance & marketing capabilities
- Investment vehicles
  - Friendly
  - Efficient
  - Transparent