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F&A Advisory Board Meeting

Asia-lution of the Food & Agribusiness value chain

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Strategies for Investment in Agricultural Land in South America

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Strategies for Investing in Agricultural Land in South America. Agenda

- Investing for total return vs. uncorrelated return
- Short term vs. long term timeframes
- South America
  - Increasingly important source of ag based products
  - Appetite for political risk required
- Long term partnerships with downstream industry participants
- The human capital aspect
  - Argentine vs US farmers. Case study
- Looking Forward

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Agribusiness has been increasingly attracting investor's attention

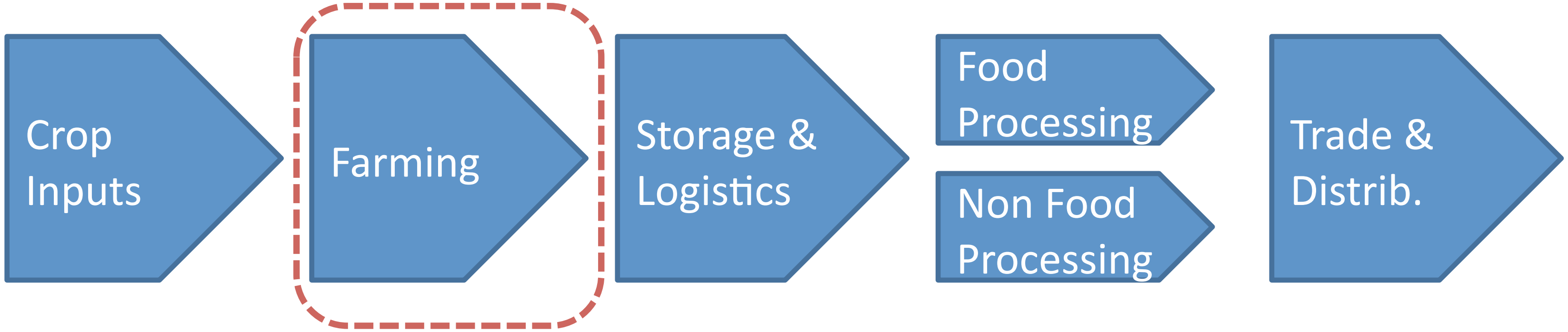
The Drivers

- Supply & demand imbalance
  - Food and non food uses
  - Productivity improvements unable to keep up with demand
- Pinning down Government intervention
  - Pricing & scarcity
  - Land ownership dilemmas
- Land investment vs rest of alternative uses of capital

The Players

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

Value chain analysis indicates that farming holds most pockets of higher investment returns



- Farming as that 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

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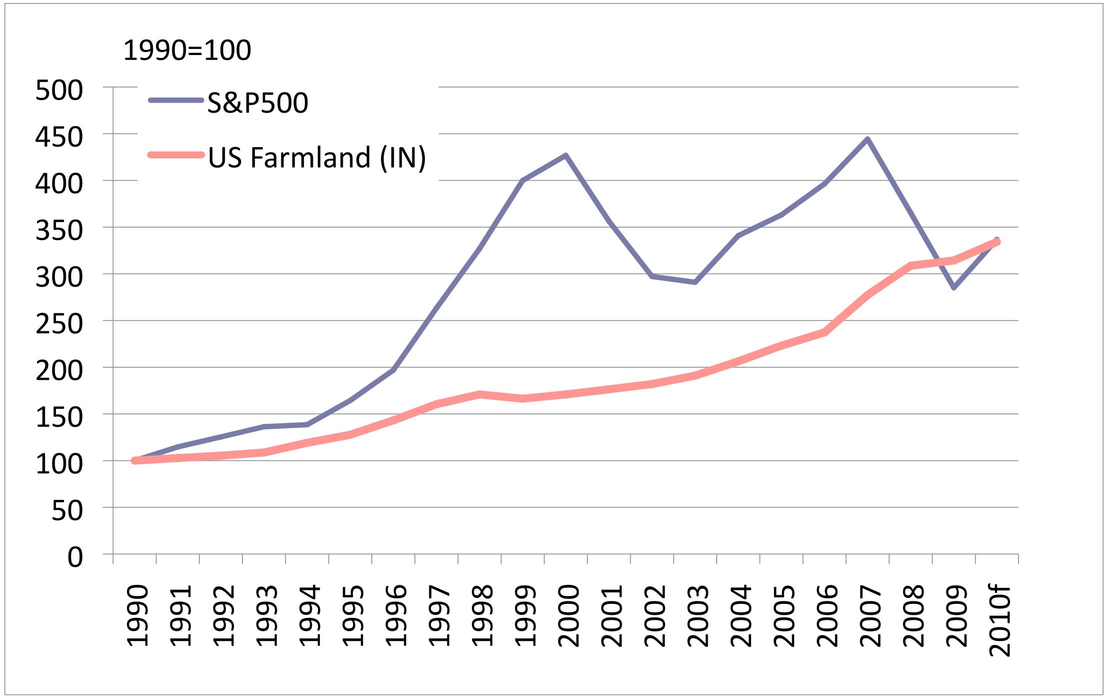
Land stands out as an asset with significant attraction to new investors..

Evolution of selected indexes



Source: Capital Agroindustrial SA estimates based on Bloomberg for S&P 500 and Purdue University & for farmland.

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

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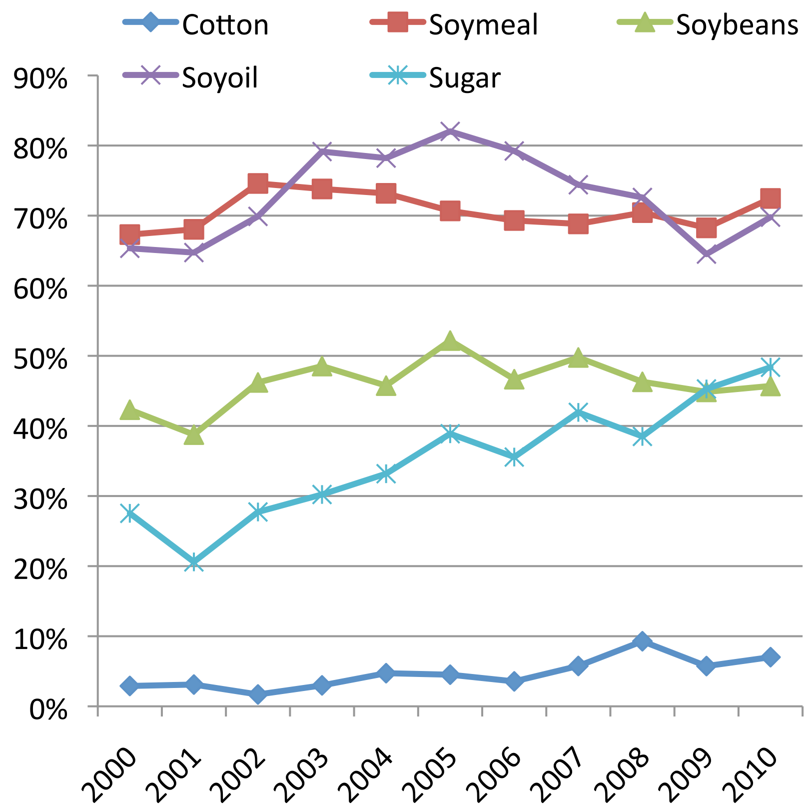
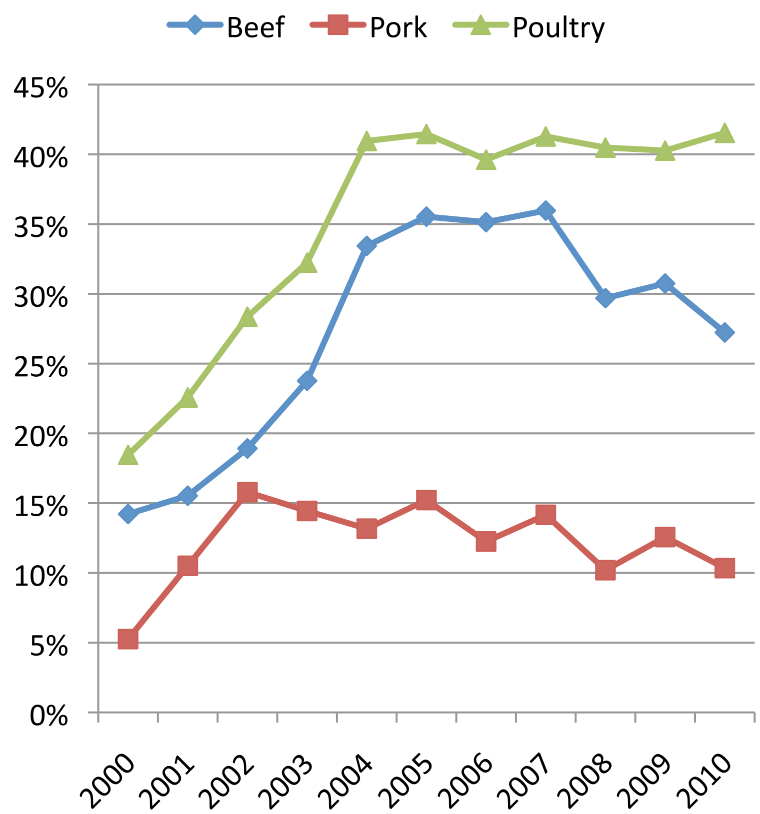
South America contributes today with an increasing share of the world's ag based products..

Evolution of Argentina's & Brazil's combined export share for selected ag commodities, 2010-2010





Source: Capital Agroindustrial SA estimates based on USDA's PS&D

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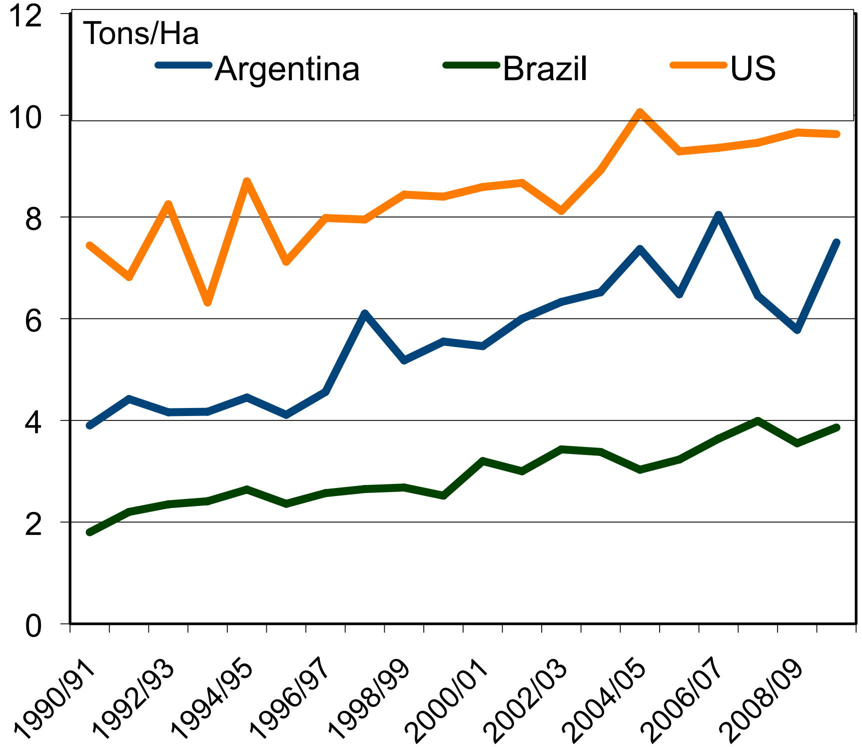
South America, stands out but not without government driven risks in the short run..

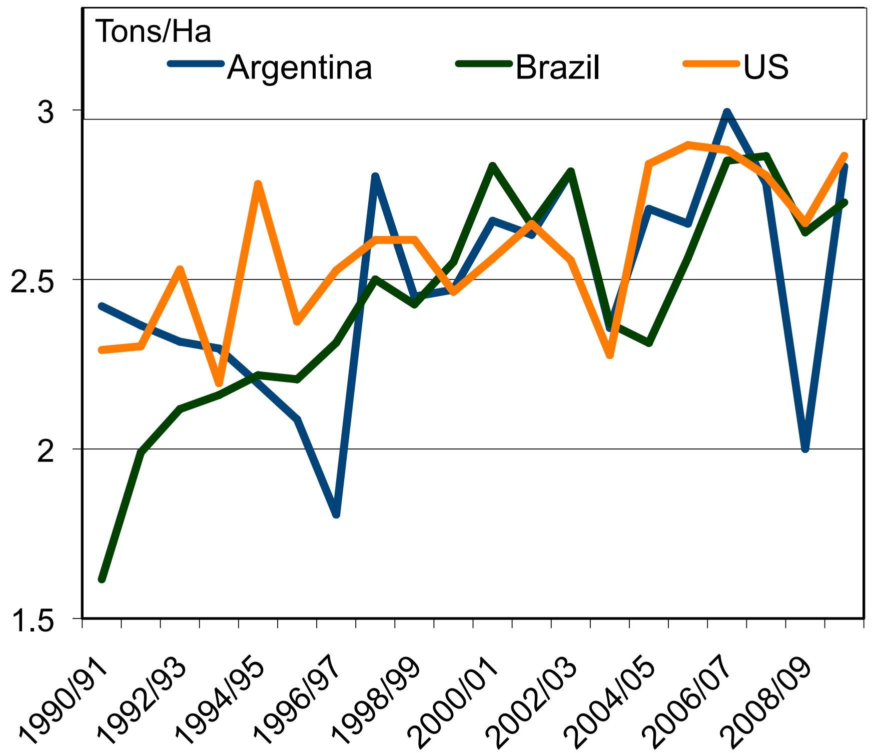
	Africa	Argentina	Brazil	New EU	US
Gov't	Restrictions and some uncertainty	Export taxes & price controls as a source of uncertainty	Favorable, but….	EU CAP providing some comfort	Support shifting, but not vanishing
Access to capital	To be developed	Limited. Increasing liquidity limitations	Improving	Improving	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	Indications of most innovative, progressive & **young.** Particip of US famers.	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

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: Capital Agroindustrial SA estimates based on FAS/USDA data.

Largely due to impact of available technologies (GMO, no till practices)

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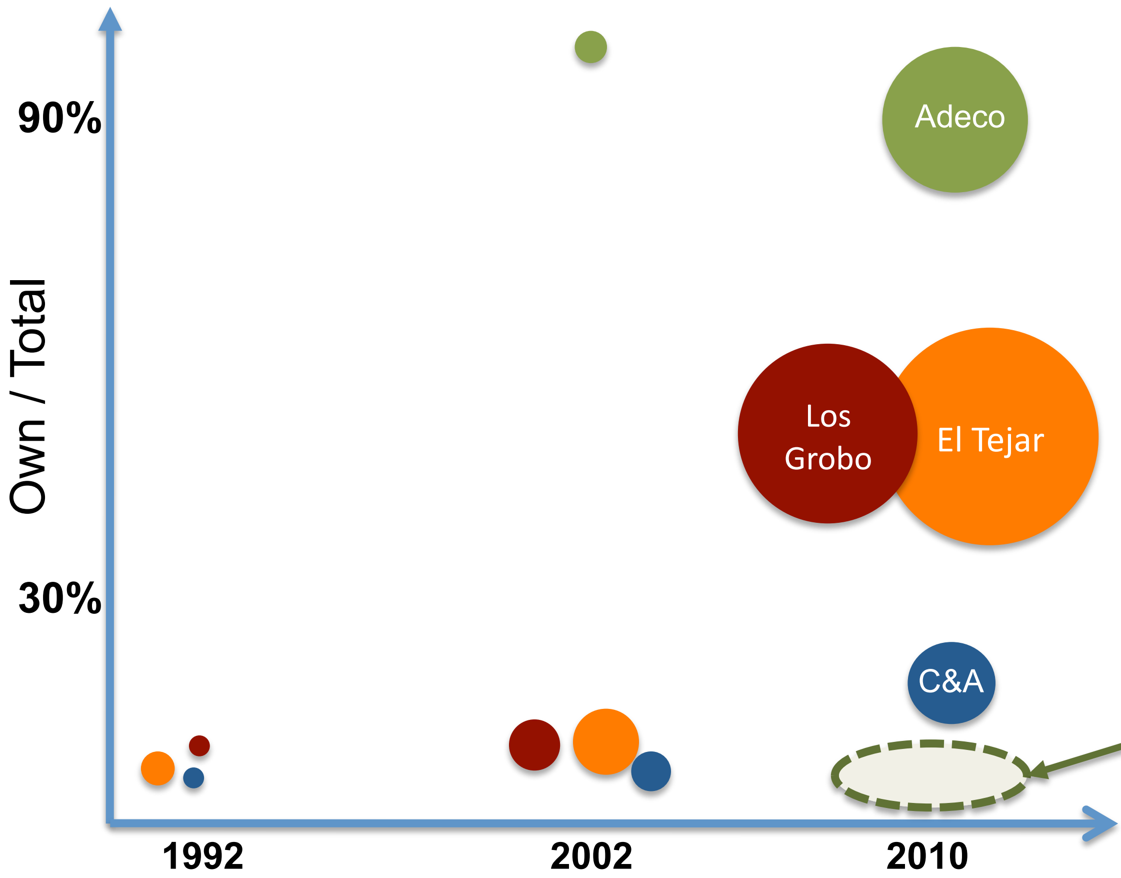
.. while investment inflow has redefined business models for new and existing players

Evolution in the Business Model for Selected Agricultural Operators in Arg, Brazil & Uruguay



Note: Size is a proxy for cultivated area. C&A is Cazenave & Asociados SA
Source: Capital Agroindustrial SA analysis based on market data

- Scale
- Internationalization
- From rented to owned & rented land under operation
- Professionalization (reporting & accounting)

Still a number of operators under the "rental only model"

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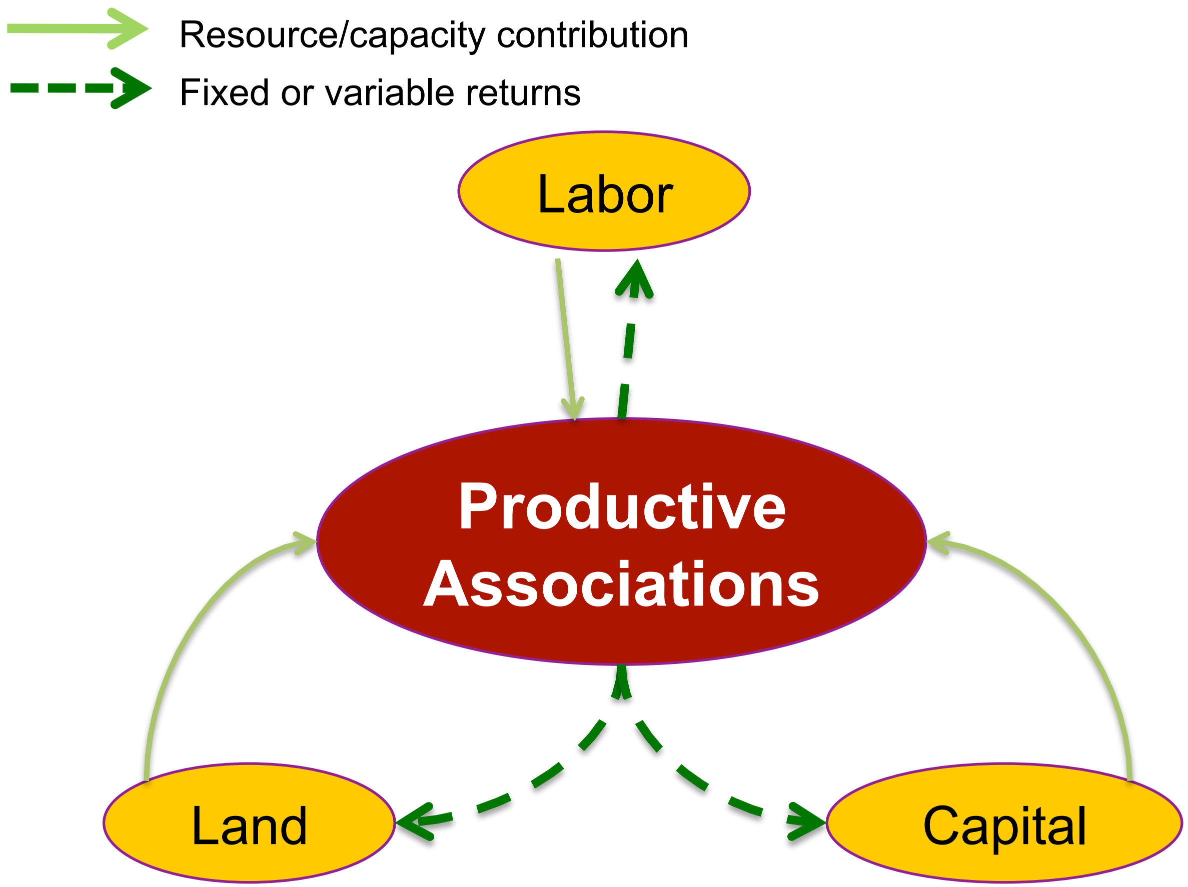
Risk management and resource use is altered via the development of "Productive Associations"…



Source: Diaz Hermelo, F & Reca, A, 2010

- Articulate on existing market imperfections
- Provides an investment vehicle for investors
- Constitute a source of capital for ag managers

Land owners and operators still obtain a return for assets and capabilities

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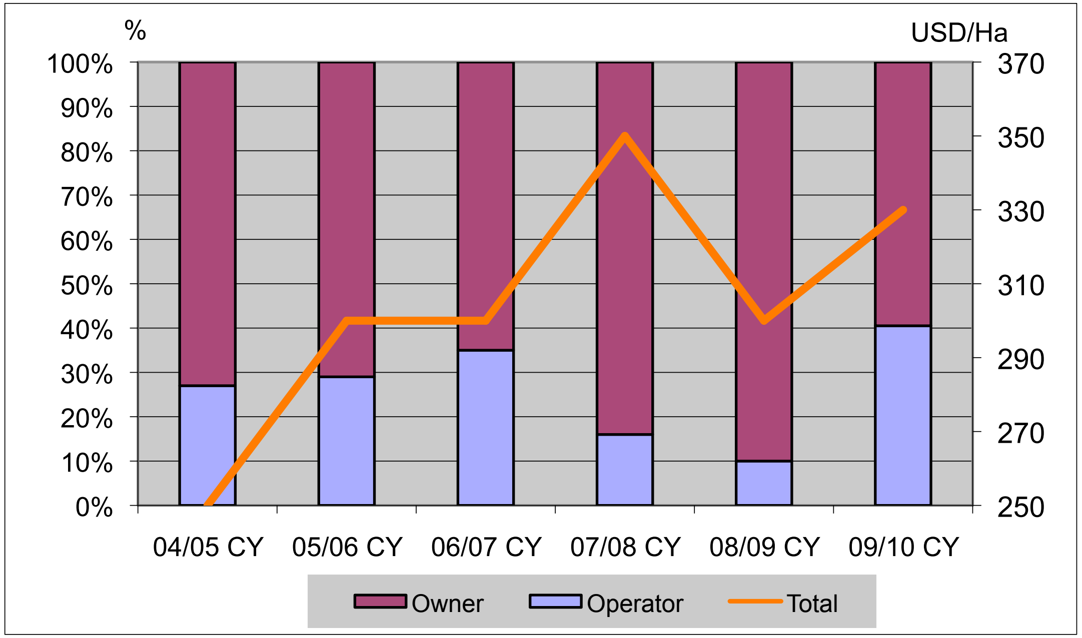
.. and the share of returns

Argentina. Estimated Evolution in the Crop´s EBITDA Allocation



Source: Capital Agroindustrial SA estimates based on available market data

- Increasing role for flexible (hybrid) land rental contracts
- Multiyear and crop specific denominations

- More symmetric and efficient schemes

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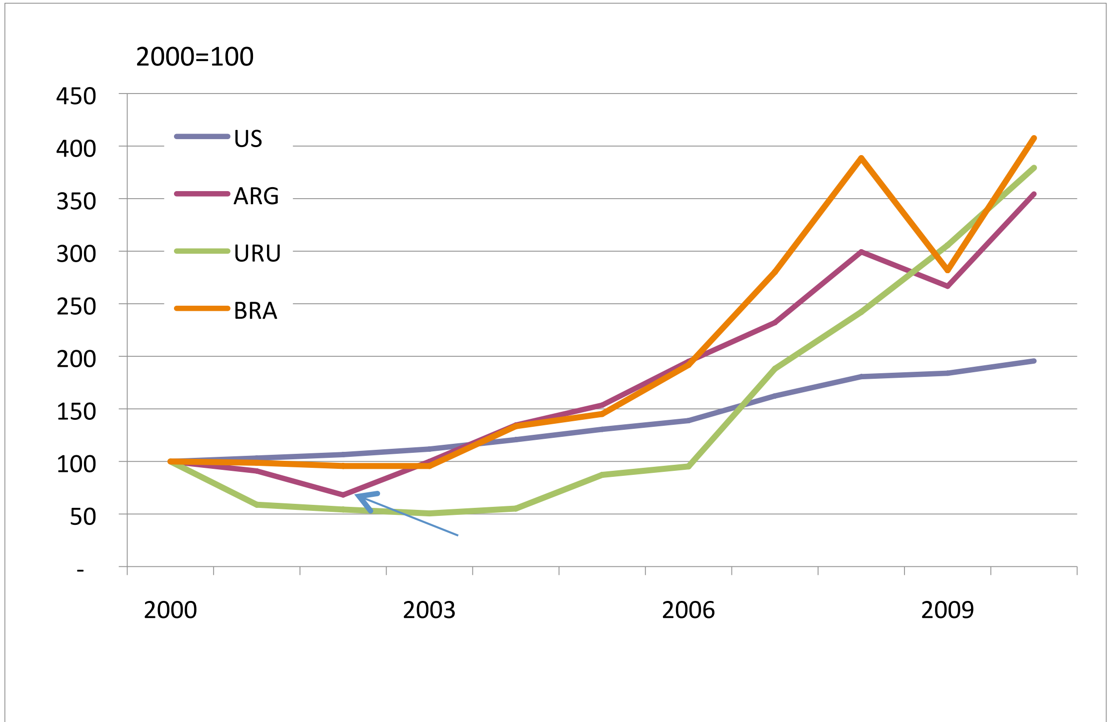
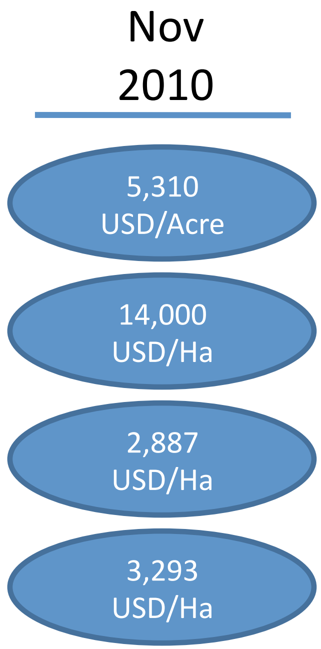
Land prices in the region are already reflecting this attractiveness…

Evolution in the farmland price index in selected countries





Note: Indiana top soils for the US, Zona Núcleo for Argentina, national average for Uruguay and Matto Grosso do Sul for Brazil. Nominal terms as base.
Source: Capital Agroindustrial SA estimates based on Márgenes Agropecuarios for Argentina, INIA for Uruguay, Fundación Getulio Vargas/IBRE for Brazil and Purdue University for US.

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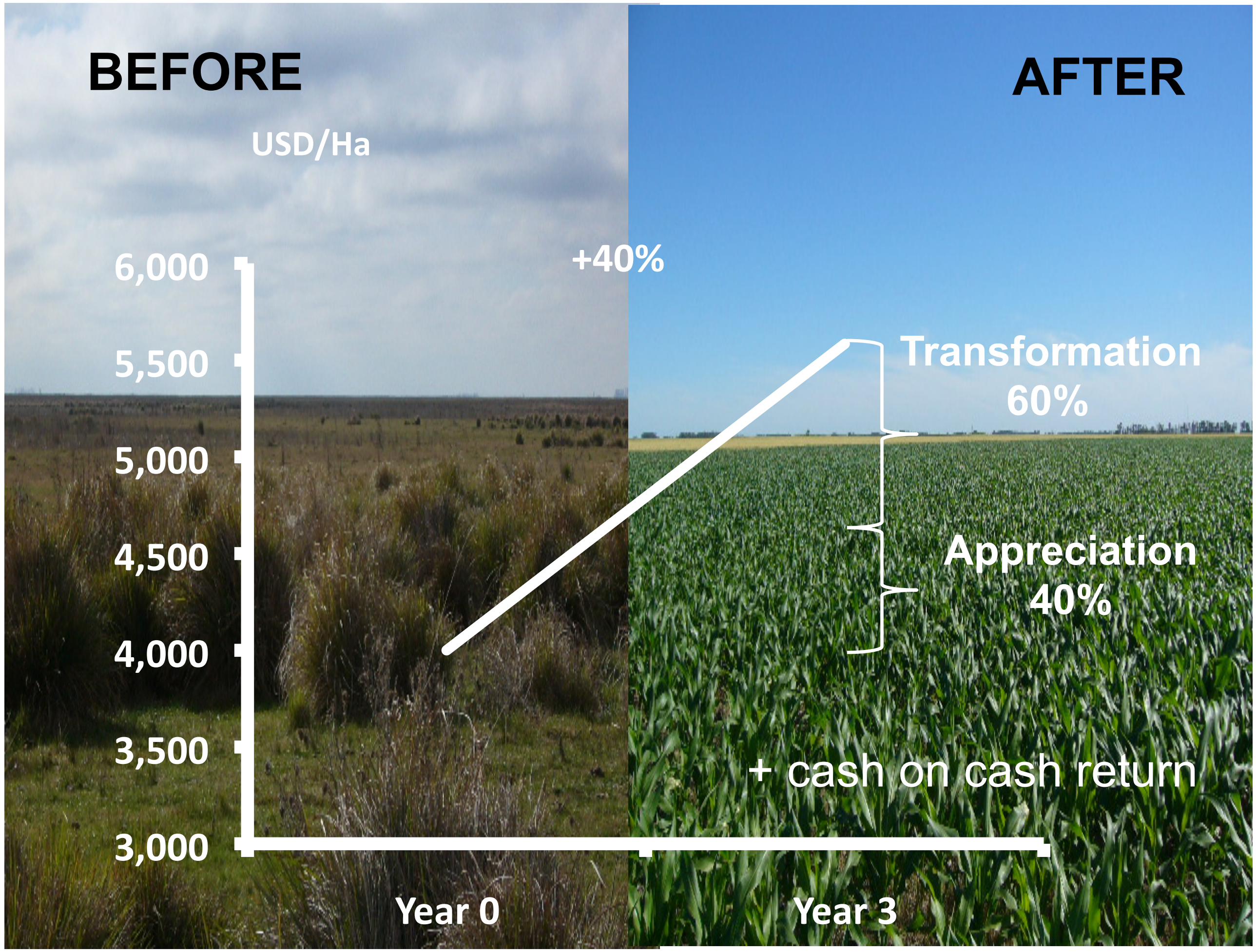
..while land transformation brings an additional source of profitability



Use of technology

Management skills

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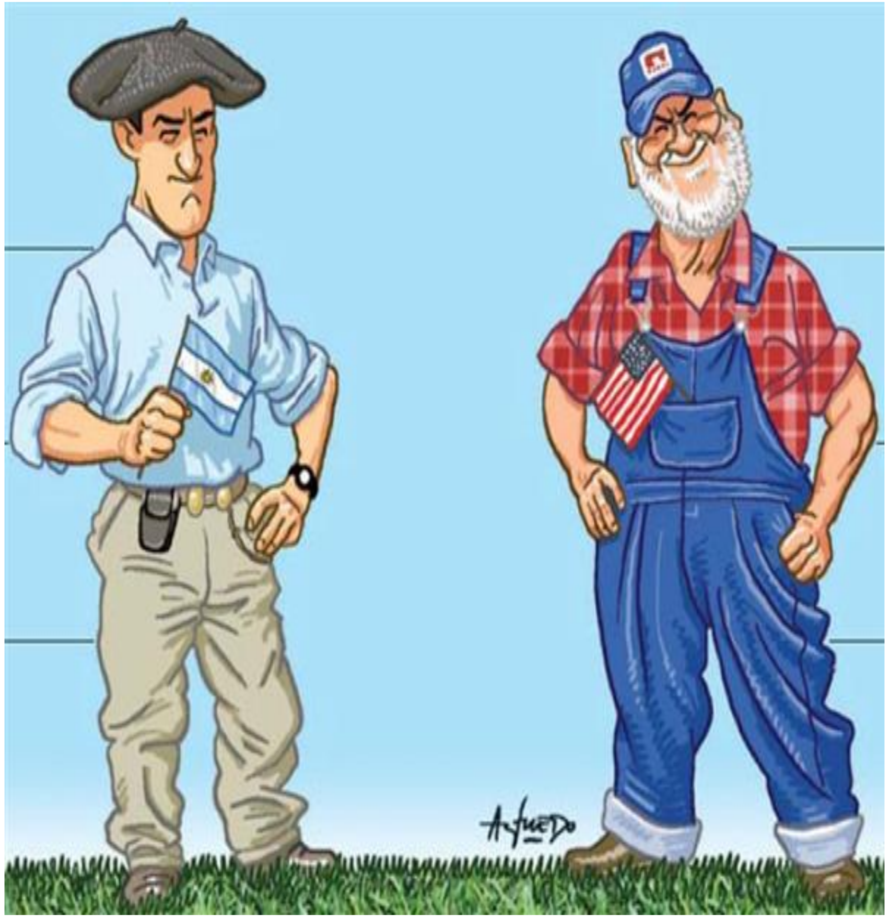
Around the world, *"farmers are not farmer's* ..



Key Characteristics of Argentine & US Farmers

	US	ARG
Age	64	44
Size	++	+++
Key challenge	Profitability	"weathering" the current conditions
Education	High school & college	Graduate) levels, particularly within large size farmers

Source: Capital Agroindustrial SA analysis, based on Purdue University & Universidad de Rosario joint set of surveys, 2008-2010

Looking forward: More than land availability !!!...

- Appropriate human resources at senior mgmt positions
  - Global understanding & view
  - Production driven but with a clear understanding of financial/reporting obligations
- Investment vehicles
  - Friendliness
  - Efficiency
  - Account for local senior management by aligning all interests
- Institutional Setting

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Looking forward: More than land availability !!!

- Logistics and infrastructure as segments for investment opportunities in the region, as primary production increases have outpaced logistics and infrastructure
  - Silobags provide temporary relief but not a structural solutions
  - Roads, ports and storage
    - Developing a fluent trade to Asia via Chile
- Crop input manufacturing and distribution
- Where will further transformation of grains and oilseeds take place?
  - The two W's: water and weather
  - + environmental restrictions