

GIC Group

An integrated agribusiness consulting and investment advisory firm



Global Overview and the Investment Outlook for the Agricultural Sector

July, 2009

Rick Gilmore, President/ CEO

GIC Group



Agenda

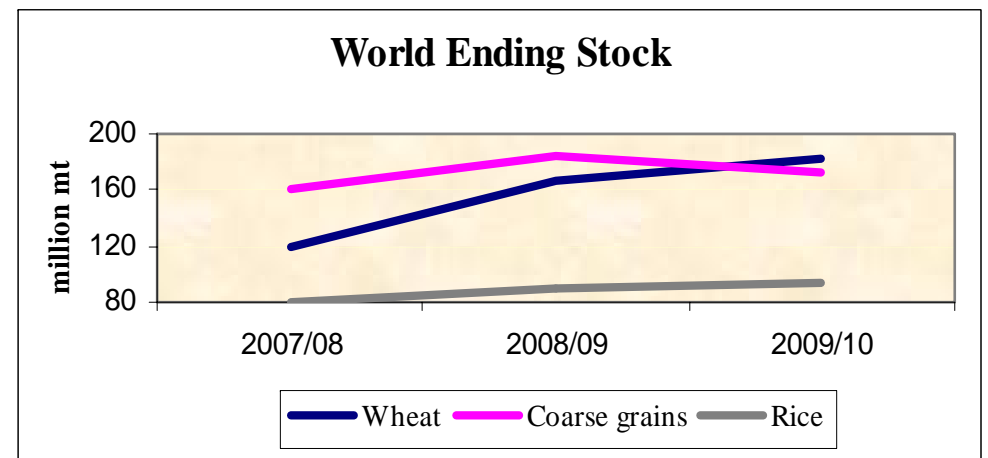
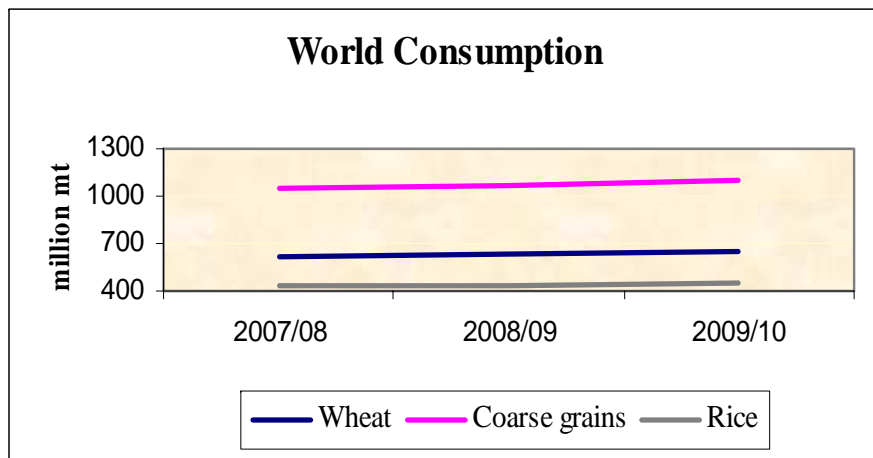
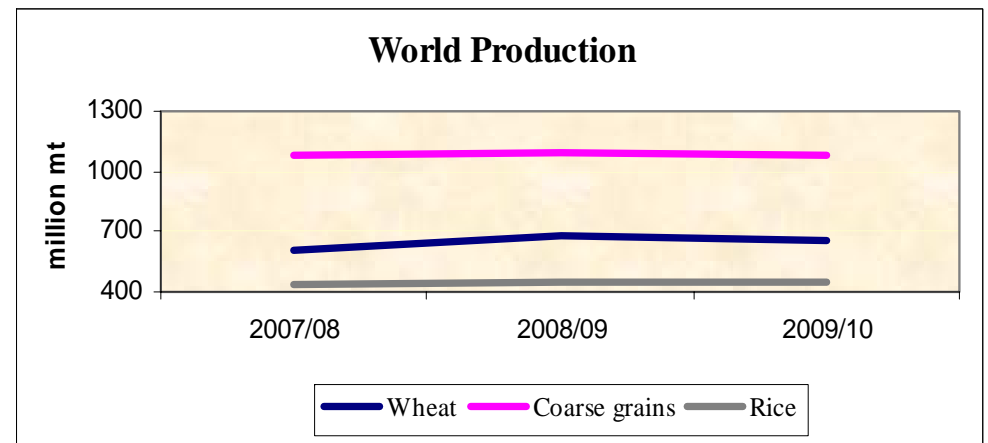
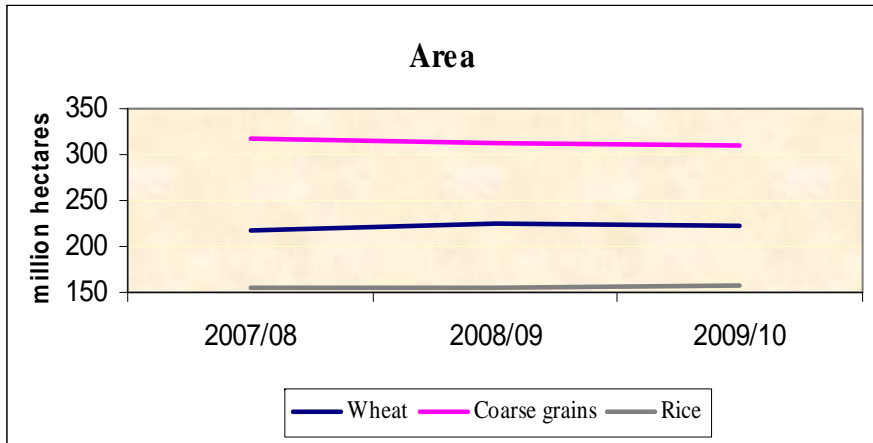
- Industry outlook: supply and demand
- Variables and economic crisis
- Commodity futures market
- Agribusiness Investment



Supply & Demand



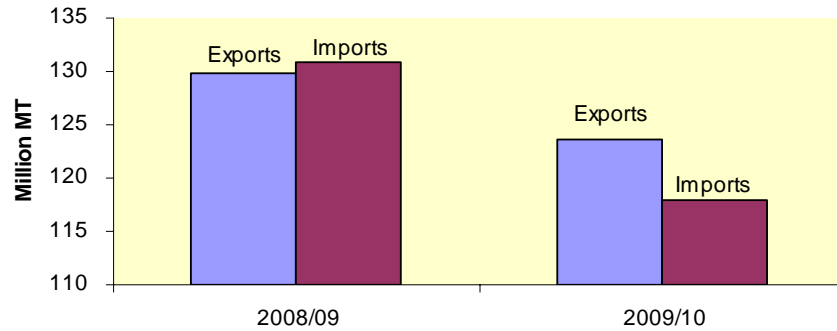
World Grains Supply & Demand



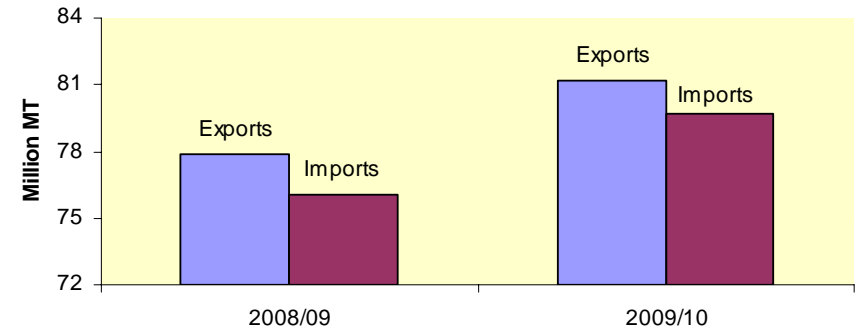


World Grains Trade

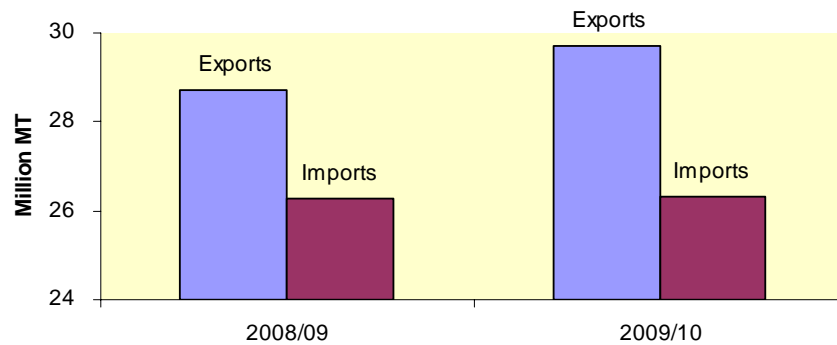
World Wheat Trade



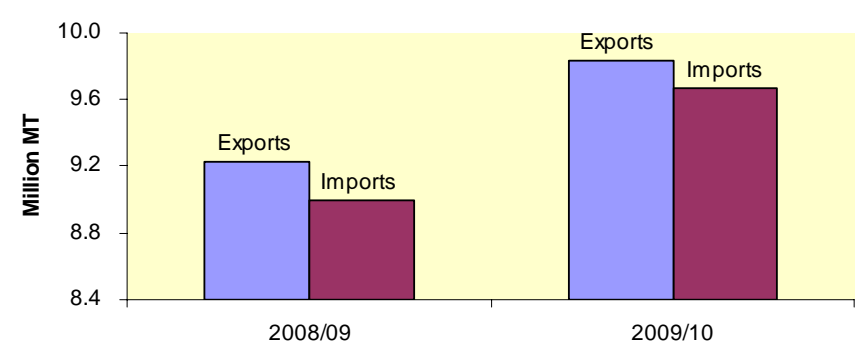
World Corn Trade



World Rice Trade



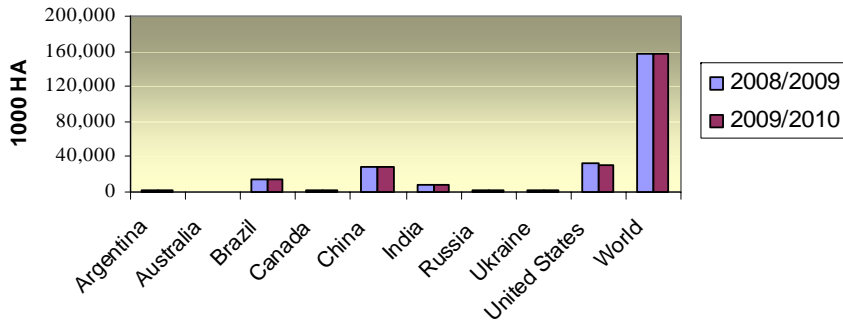
World Soybean Trade



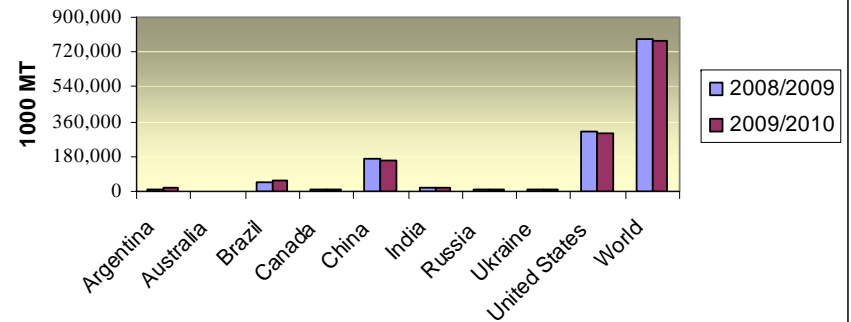


World's Corn Supply & Demand

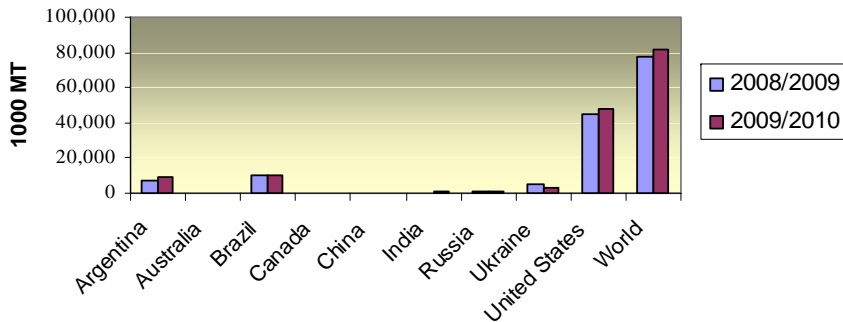
Area Harvested, Corn



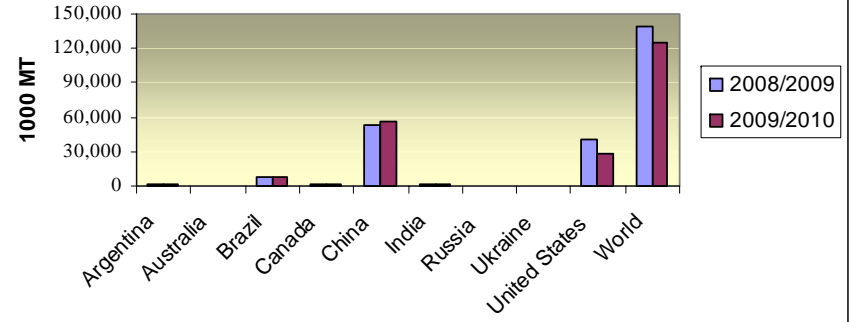
Production, Corn

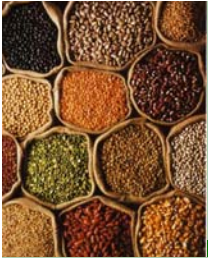


Exports, Corn



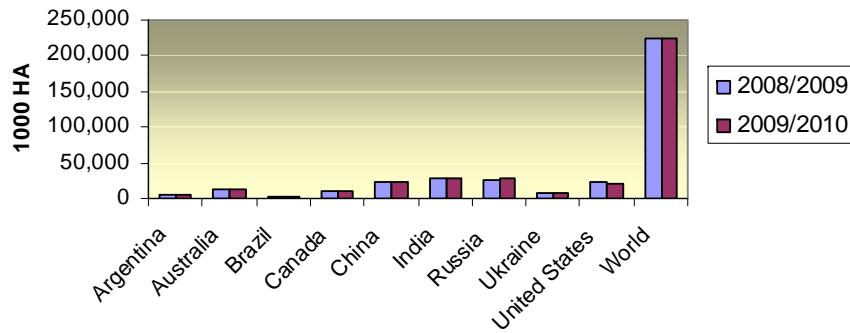
Ending Stock, Corn



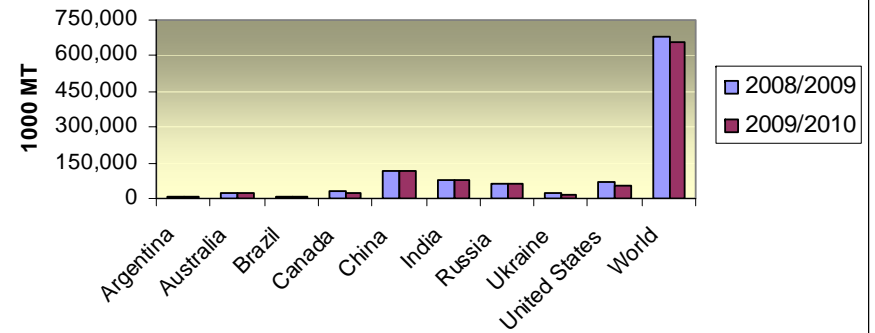


World's Wheat Supply & Demand

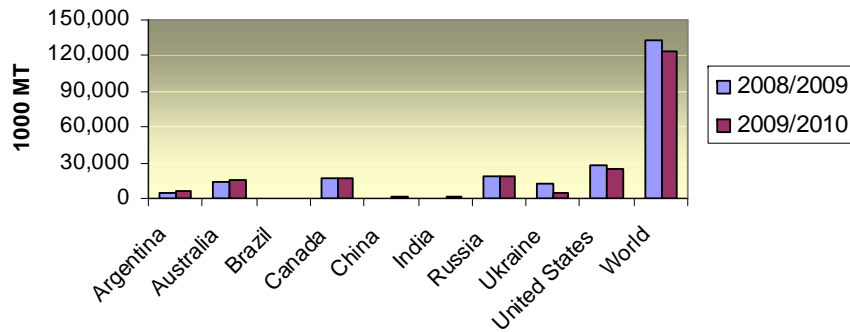
Area Harvested, Wheat



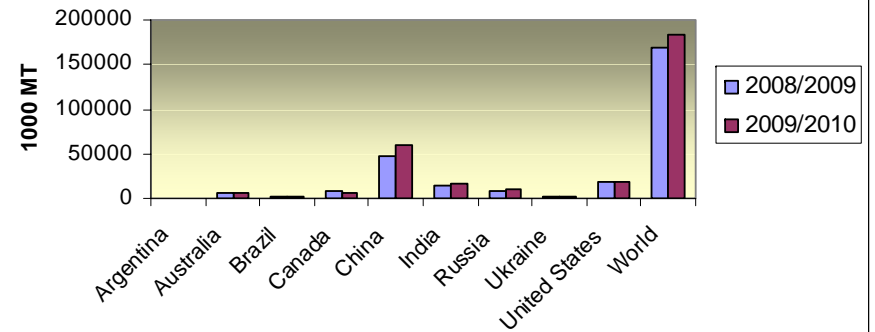
Production, Wheat



Exports, Wheat



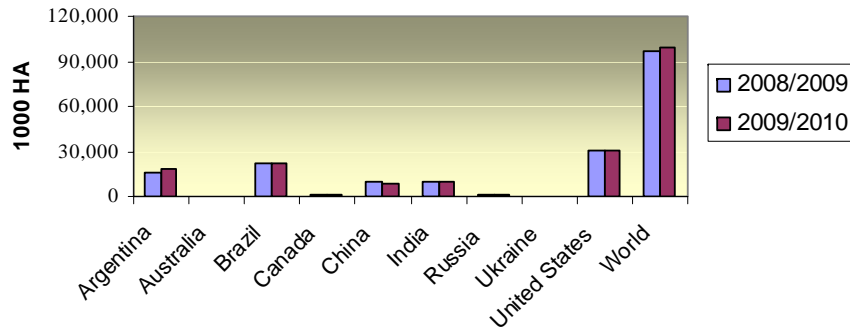
Ending Stock, Wheat



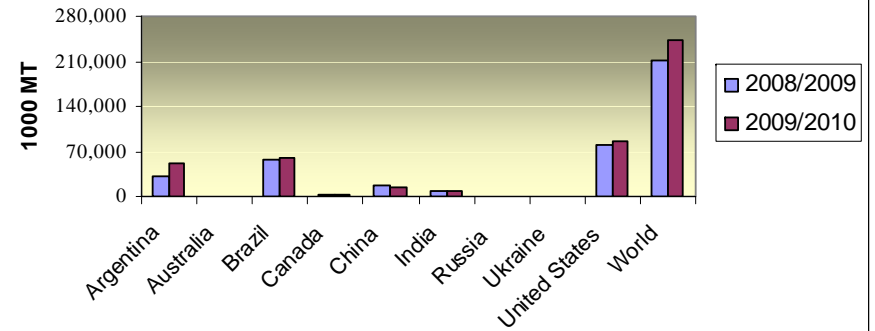


World's Soybean Supply & Demand

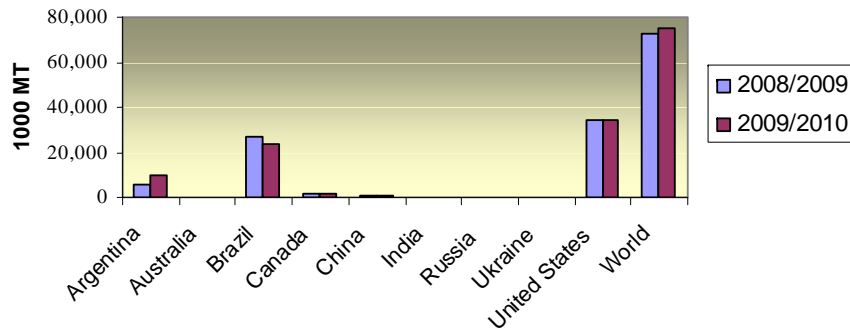
Area Harvested, Soybean



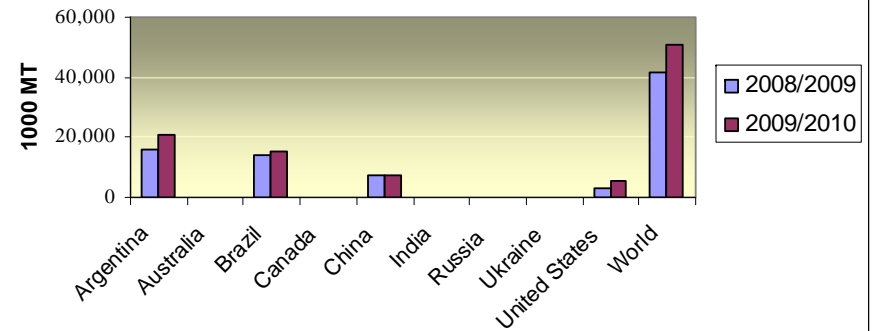
Production, Soybean

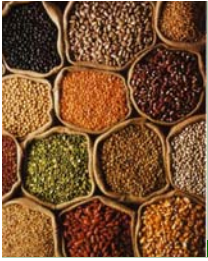


Exports, Soybean

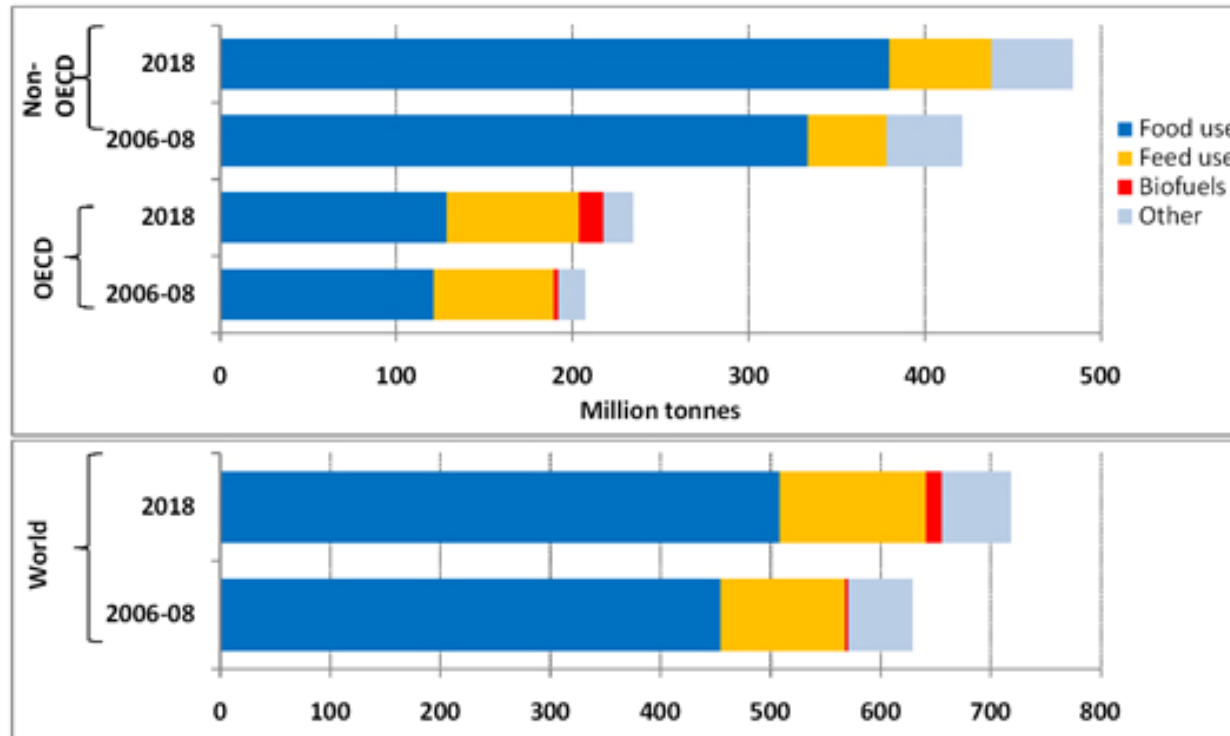


Ending Stock, Soybean

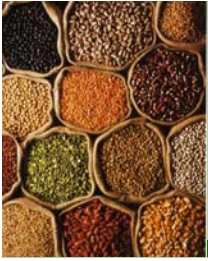




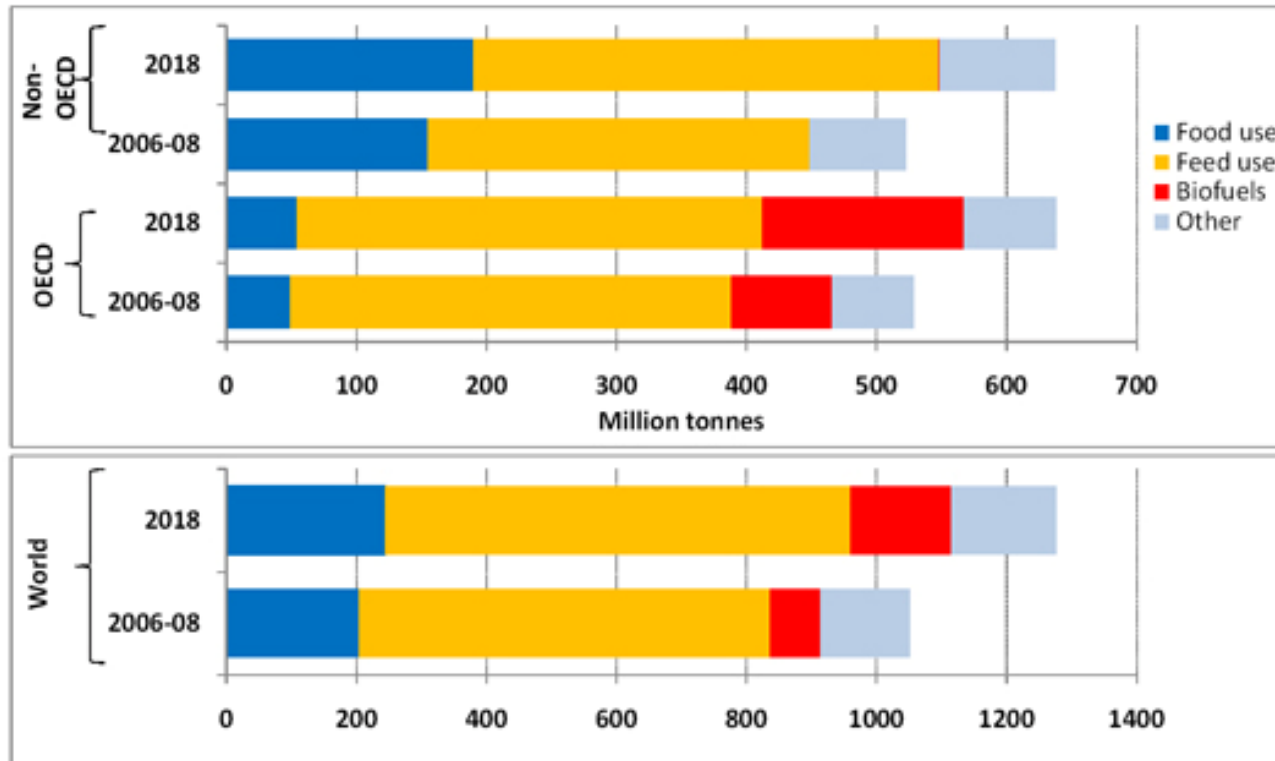
Food and Fuel Drive Up Demand for Wheat



Source: OECD-FAO



Feed and Fuel Push Coarse Grain Demand Up

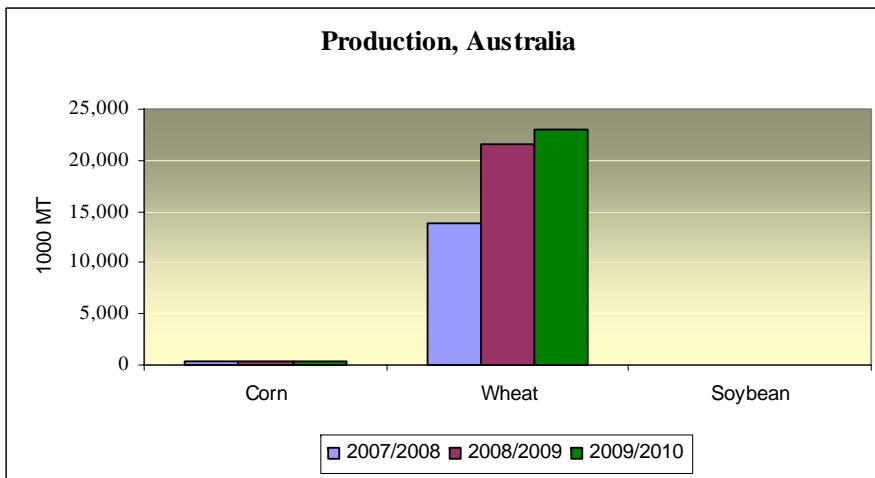


Source: OECD-FAO

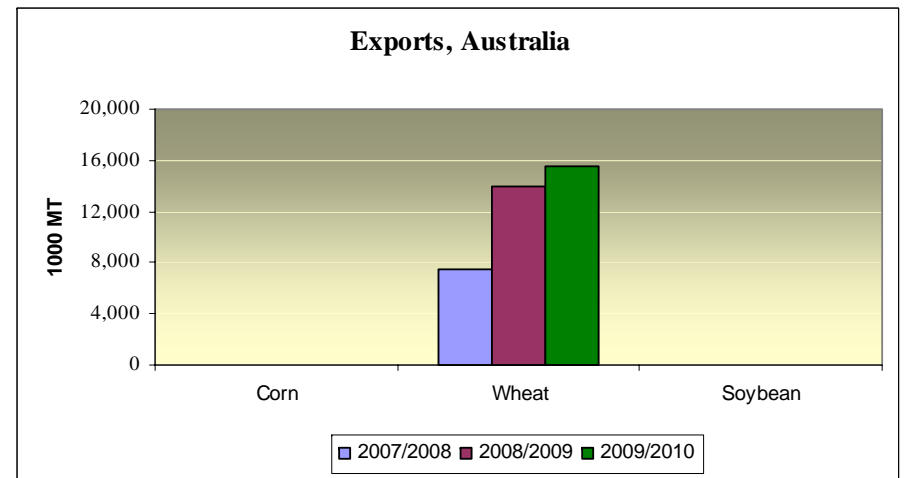


Australia Grains and Soybean

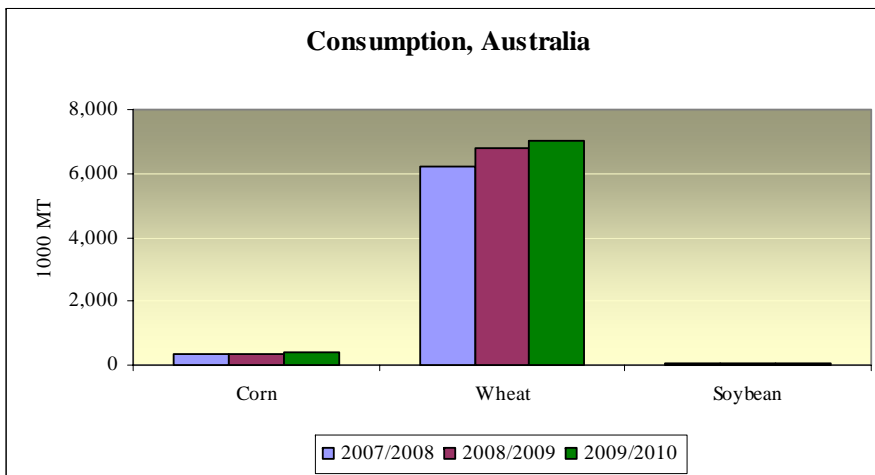
Production, Australia



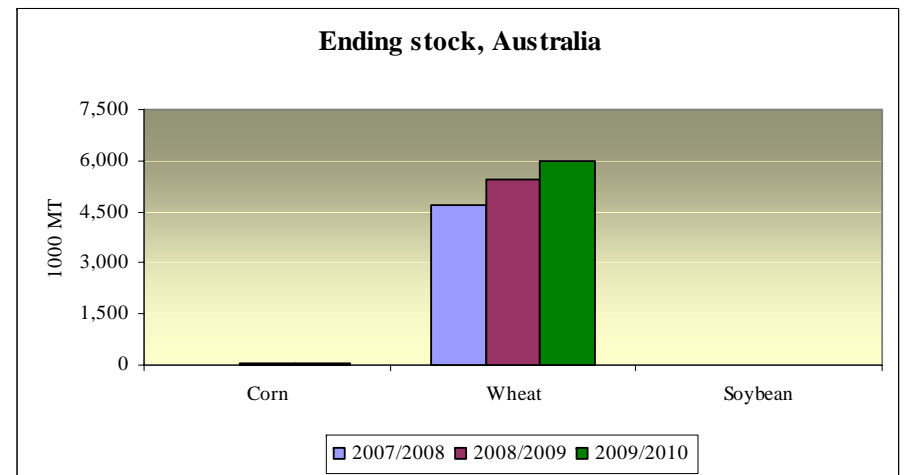
Exports, Australia



Consumption, Australia

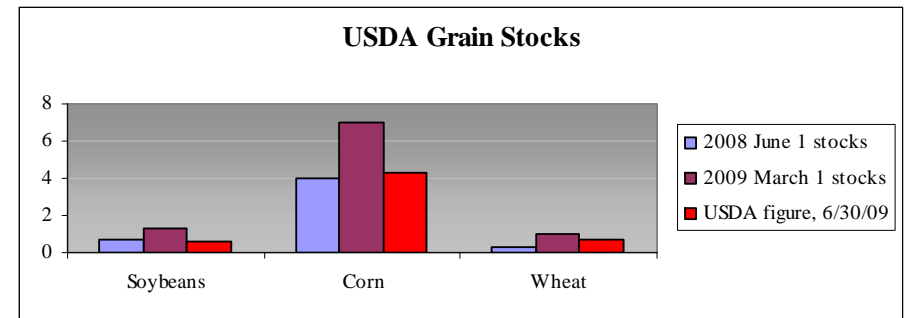
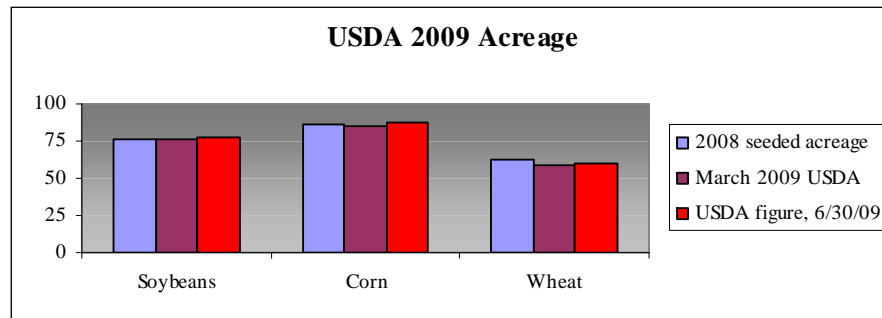


Ending stock, Australia





US Grain Stocks and Acreage



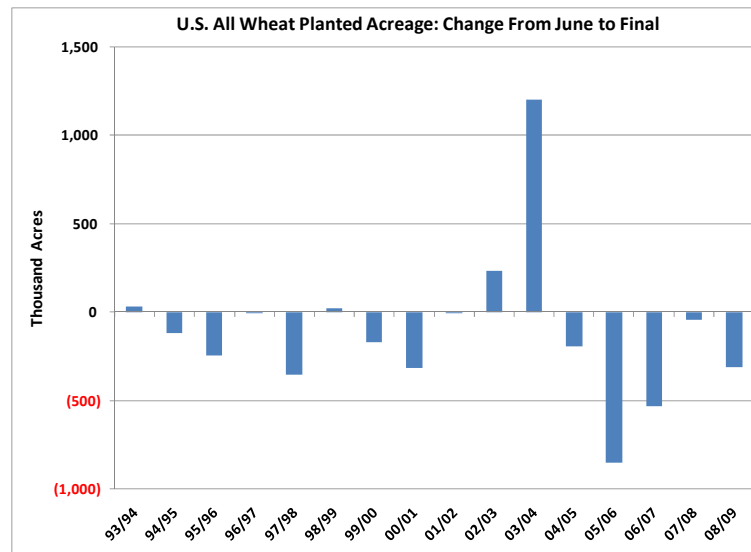
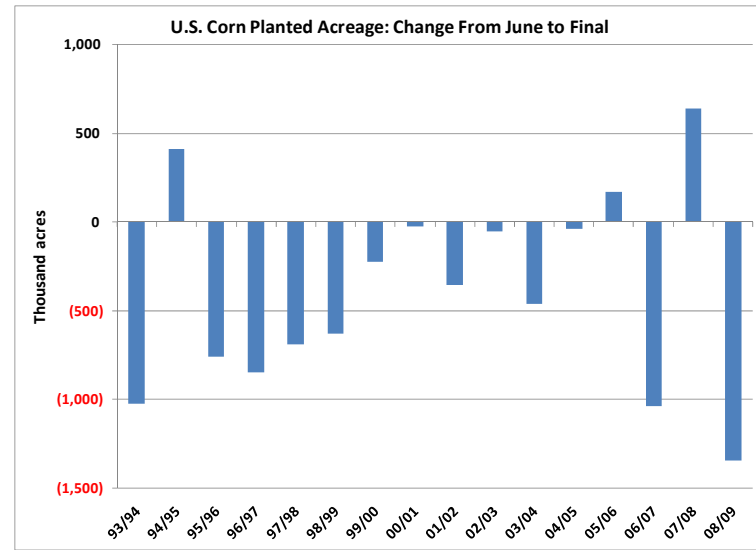
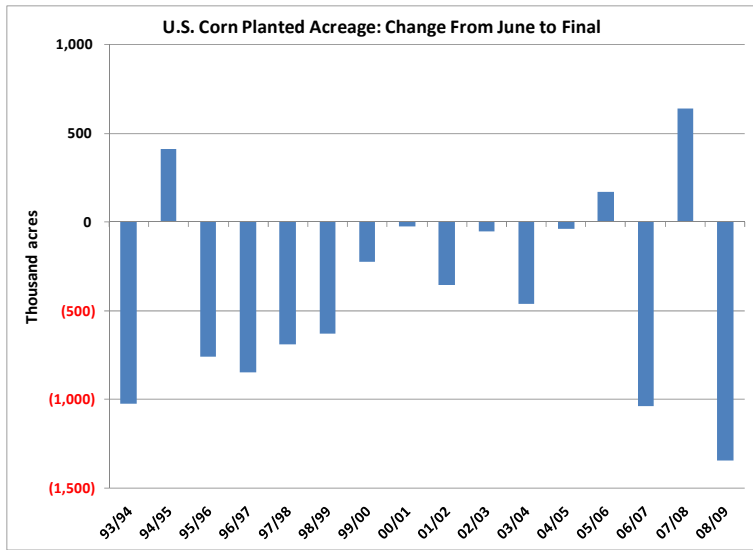
	2008 seeded acreage	March 2009 USDA	Average of analysts' estimates	USDA figure, 6/30/09
Soybeans	75.7	76	78.3	77.5
Corn	86	85	84.2	87
Wheat	63.1	58.6	58.3	59.8

	06/01/2008 stocks	03/01/2009 stocks	Average of analysts' estimates	USDA figure, 6/30/09
Soybeans	0.676	1.302	0.586	0.597
Corn	4.028	6.958	4.19	4.266
Wheat	0.306	1.037	0.67	0.667

Source: USDA, ATI/GIC

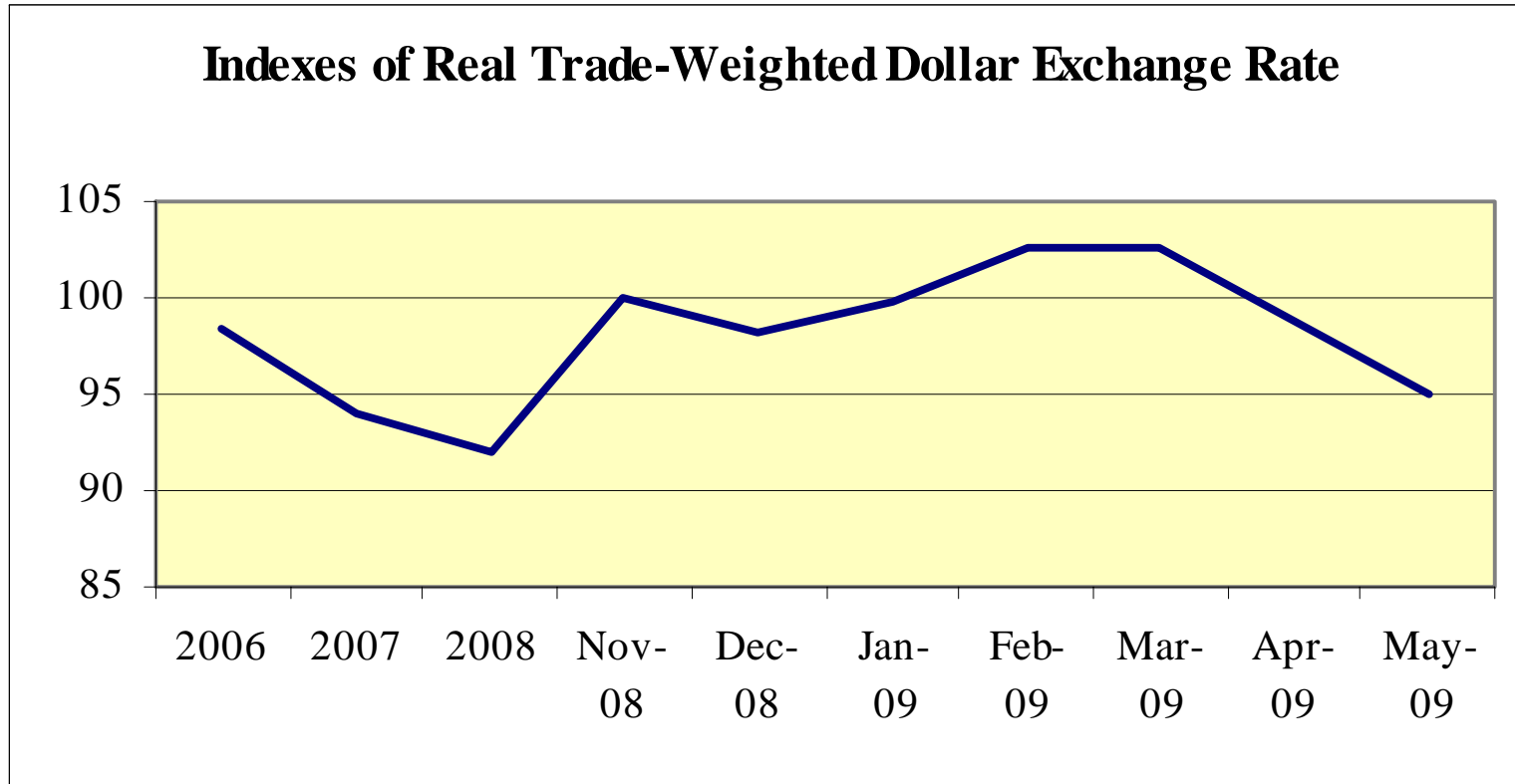


Historical Changes Between the June Report and the Final USDA Number





Indexes of Real Trade-Weighted Dollar Exchange Rates



Notes:

1. 2005 is base year.
2. The weights used for "total U.S. merchandise exports" index are based on U.S. total merchandise exports to the largest 79 trading partners.



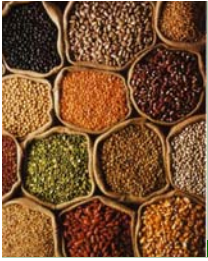
Variables



Weather's Impact on Commodities

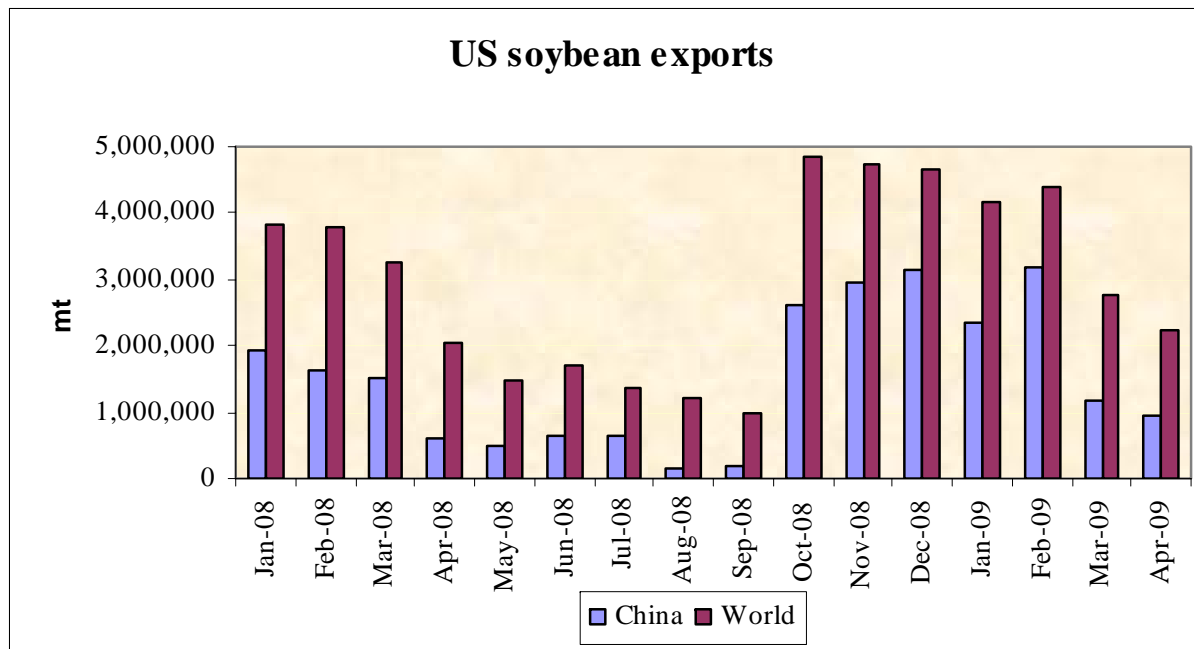
- **El Niño**

- ❑ Insufficient rain in the European Union and Argentina, and wet weather conditions in North America have reduced crop output. IGC projected poor rainfall and adverse weather conditions in Europe and the US are likely to dent global food grains production in 2009-10 by 3.7% to 1,715 million tones from 2008/09.
- ❑ It's very likely Australia will have an El Nino this year, according to the Australian Bureau of Meteorology. Australian grain production is still recovering from the worst drought in more than 100 years that reduced the 2006/07 crop to just 10.6 million tones and the 2007/08 crop to 13.0 million tones. Its crop is currently experiencing a second strong year and is expected to be between 21 and 23 million tones this year.



Impact Of Economic Crisis: The Chinese Wild Card

- Uncertainty over China's willingness to support exports (e.g. US soybean cancellations)
- Uncertainty over the impact of China's slowing economy and tightening credit markets on demand of grains and oilseeds





Carbon Credits Valuation and Revenue Variable

- Primary productions and secondary industries in agriculture are significant sources of greenhouse gas emissions (Methane, Carbon Dioxide and Nitrous Oxide).
- In developed countries primary production accounts from 6 to 25% (US & Western EU countries) and secondary industries contribute another 5 to 15%. On average, about 15 to 20% of GHGs come from agribusiness activities.
- In developing countries like Brazil, India, and China, primary agriculture contributes between 20 to 35% of GHGs with secondary production adding another 5 to 15%. On average, 25 to 35% of GHG emissions in these countries come from agribusiness.
- There are 1460 ag-related CDM projects out of total 4660 as of March, 2009. The total projected cumulative CERs by 2012 is 457 million and by 2020 1.1 billion.
 - USEPA estimates 168 m tons of CO₂ could be sequestered through soil initiative with a value of \$1.7bn to \$3.4bn per year.

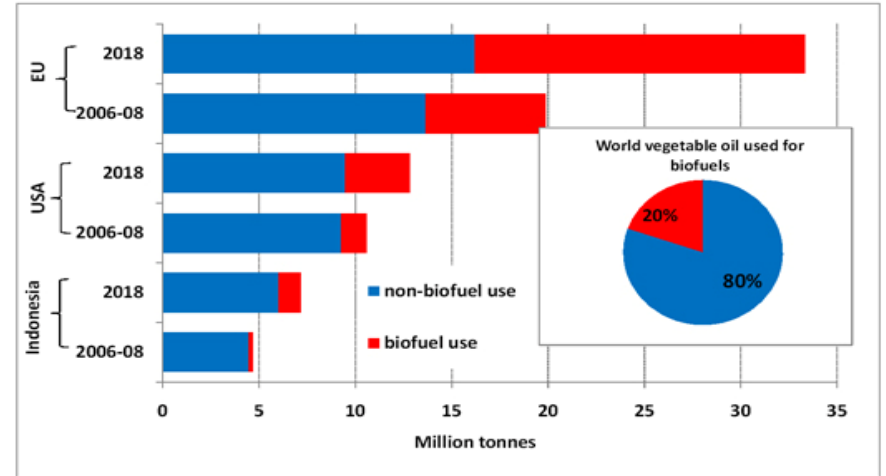
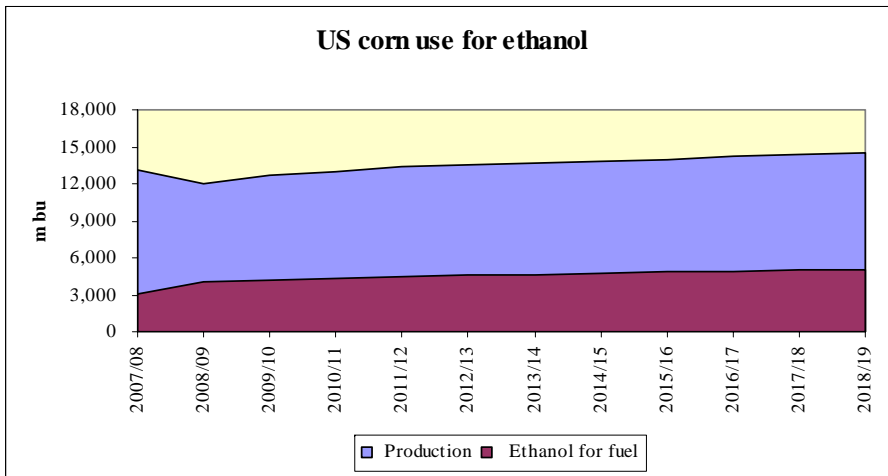
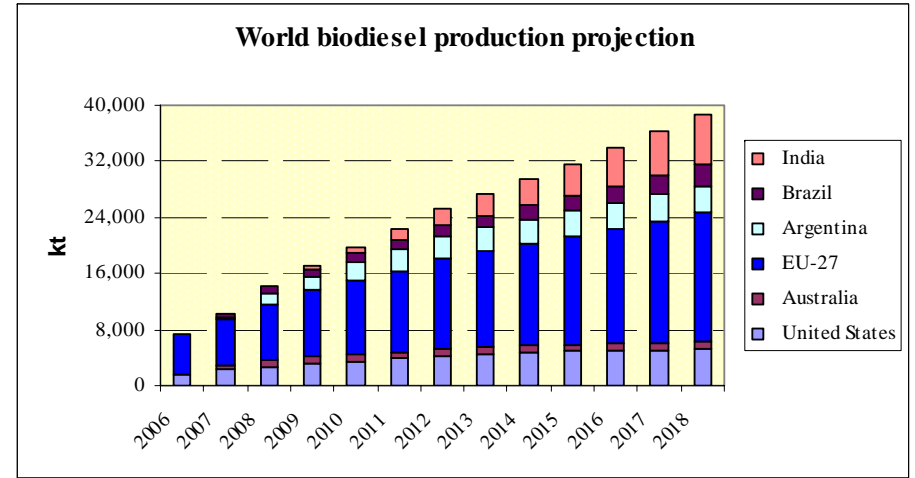
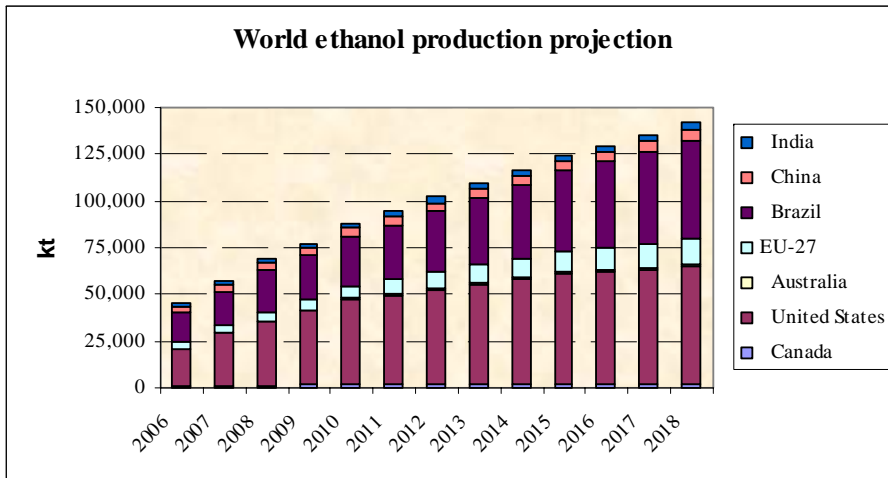


GIC-ACI: A Carbon Index for Global Agriculture

- **GIC-ACI (GIC Ag Carbon Index)** provides production agricultural, forestry and related secondary industries with a global price discovery mechanism for valuing the price of greenhouse gas emissions and offsetting credits, as measured in million metric tons of carbon dioxide equivalent (MMtCO₂e).
- GIC-ACI allows for the forward pricing of carbon credits in the production agriculture and secondary agro-industry sectors through hedging and cross-hedging on exchanges where carbon credits are traded.
- GIC-ACI gives project developers, carbon credit investors, market analysts, and mutual funds a tool to examine the potential value of carbon liabilities/exposure and offsets/assets for agribusiness at the product, firm, industry sub-sector, and industry-wide level. It can be used by firms to assess the risk/opportunity of acquiring/merging with a rival or complementary firm based on the firm's carbon emissions profile
- The Index is scaleable and can be updated and expanded as new cap & trade schemes come online to reflect changes in the demand for allowances and offsets from agribusiness worldwide.
- Agribusiness is a key component of the large developing countries' economies (BRICs) and understanding the ramifications for this sector will play a critical role in global trade and the reduction of trade barriers.



World Biofuel Production Projection



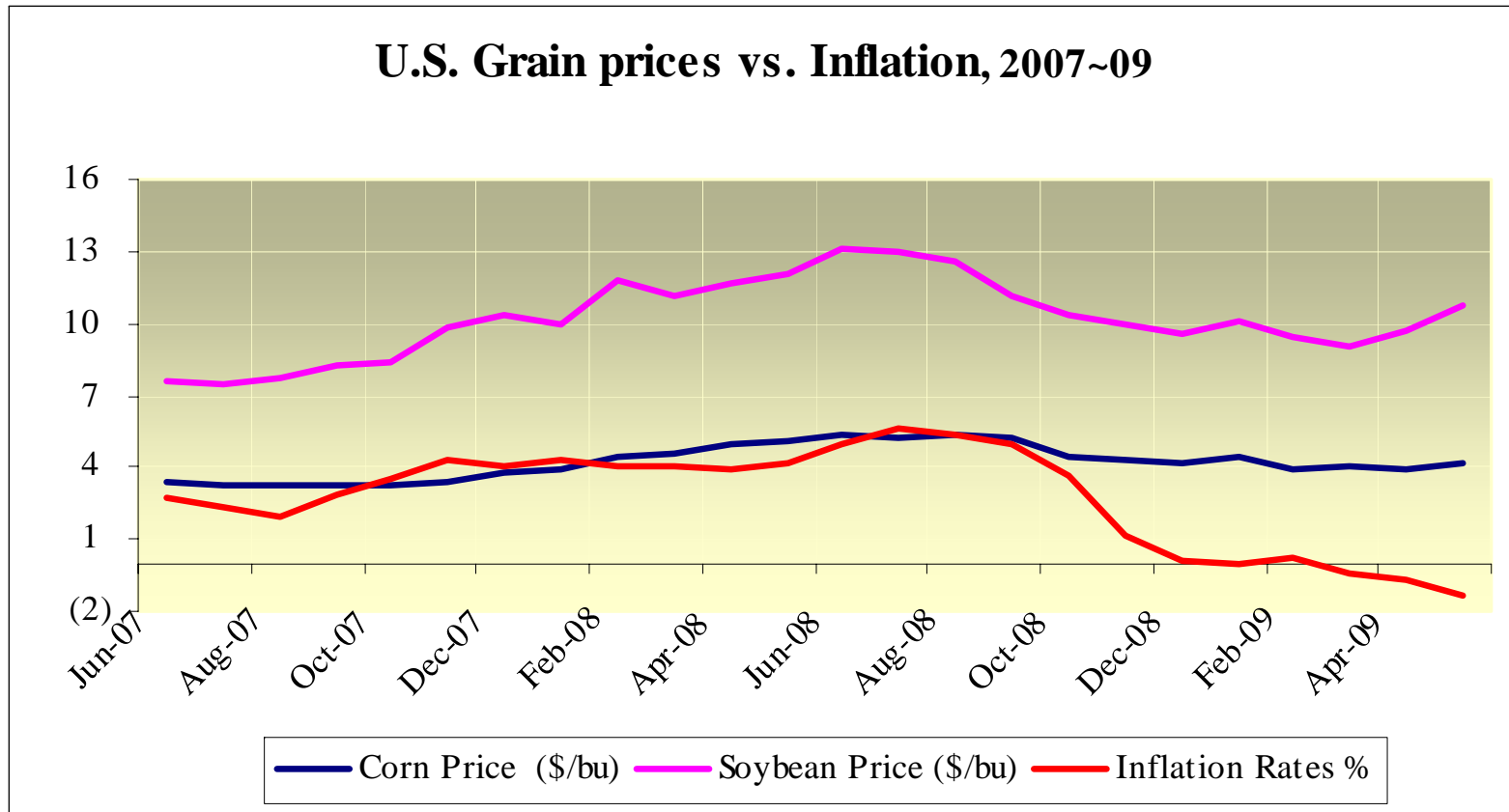
Source: USDA, OECD-FAO

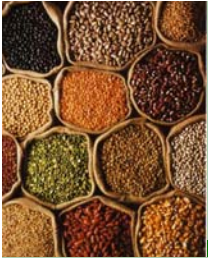


Economic Crisis's Impact on Agriculture

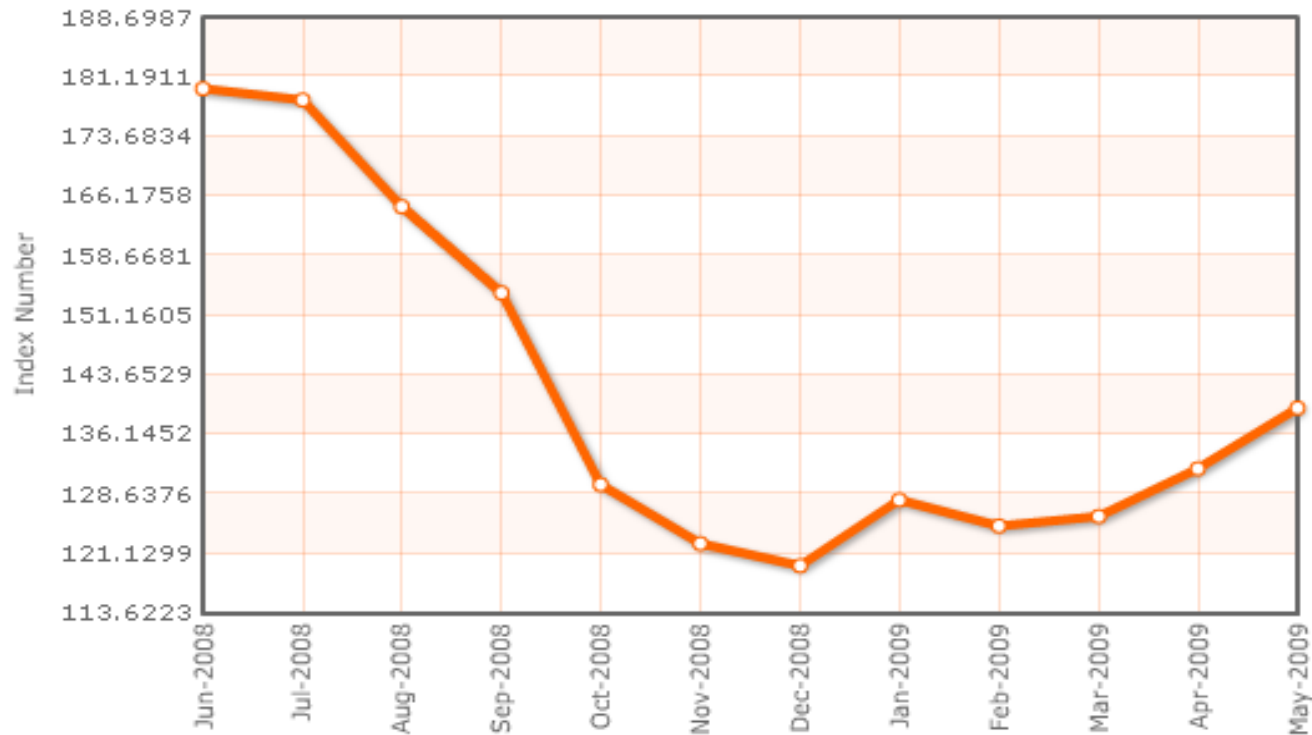


Global Recession/ Commodity Prices





Food commodity prices

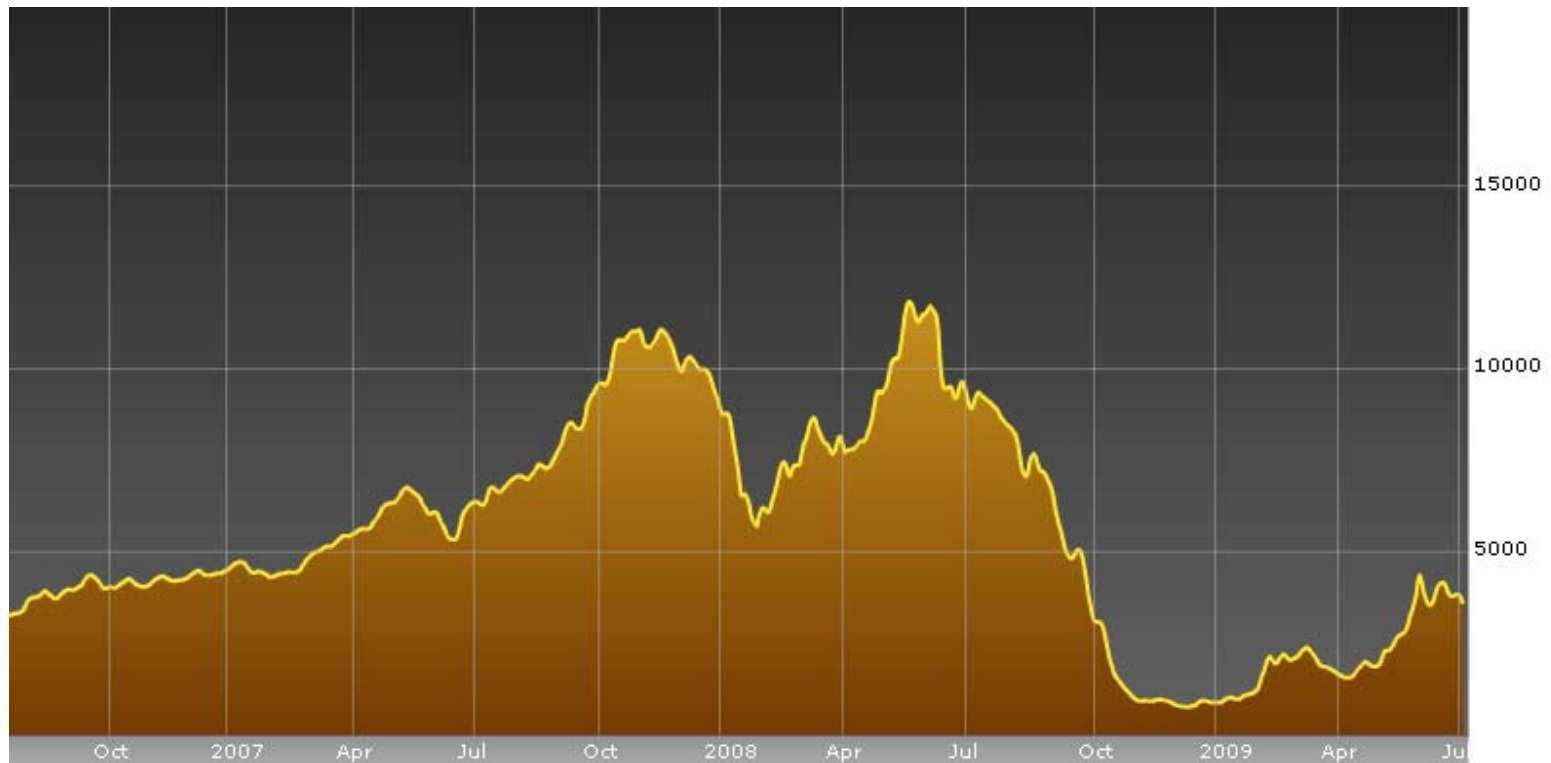


Note: Commodity Food Price Index, 2005 = 100, includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges Price Indices .

Source: International Financial Statistics, IMF



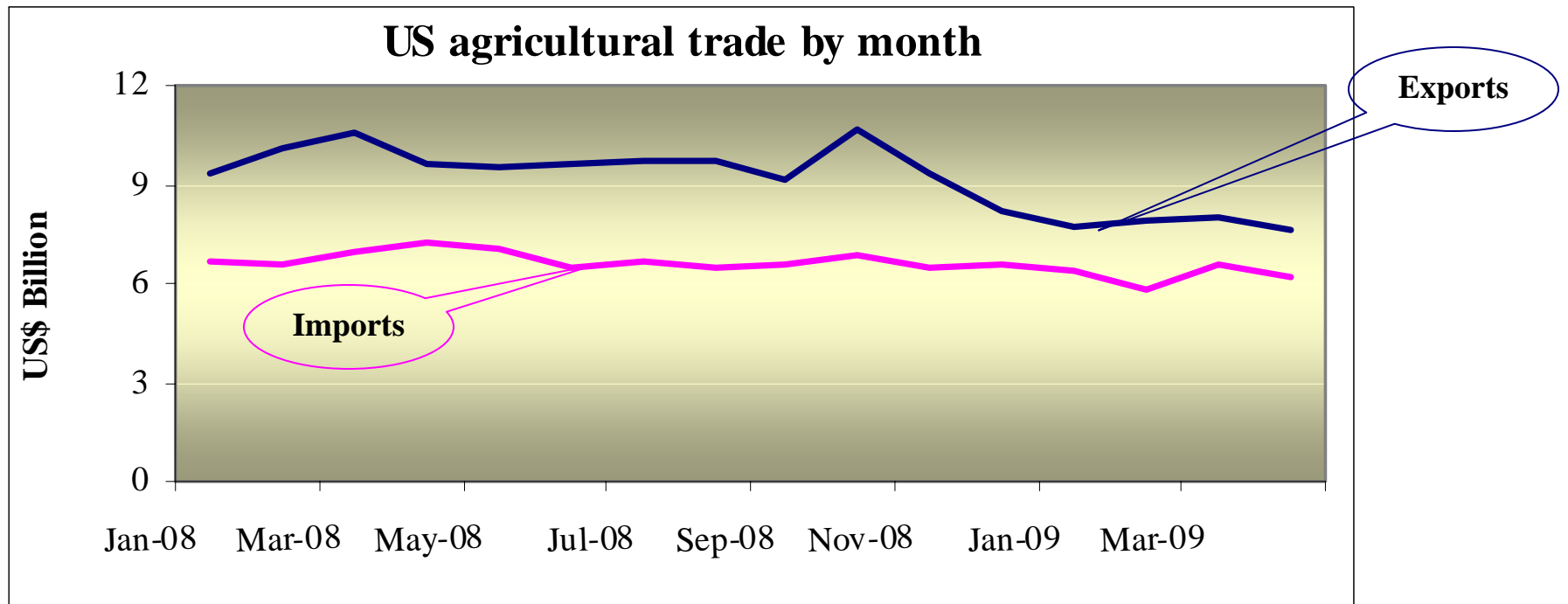
Baltic Dry Index, 2006~ 2009



Source: Bloomberg



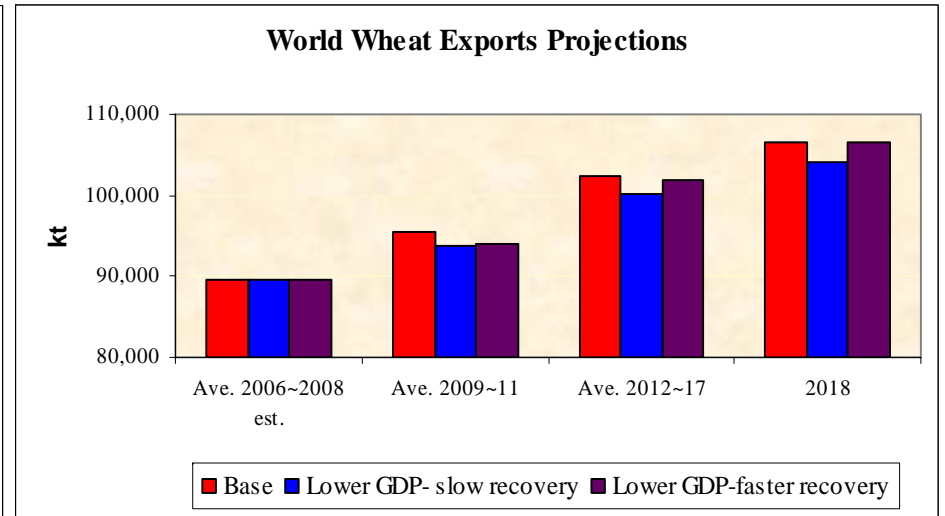
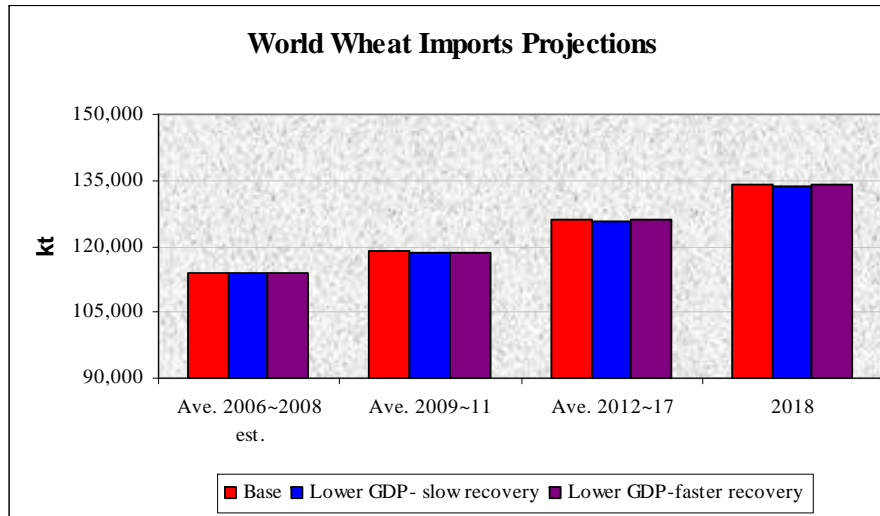
Impact of Economic Crisis



- U.S. agricultural exports could fall from \$117 billion in 2008 to \$96 billion in 2009.



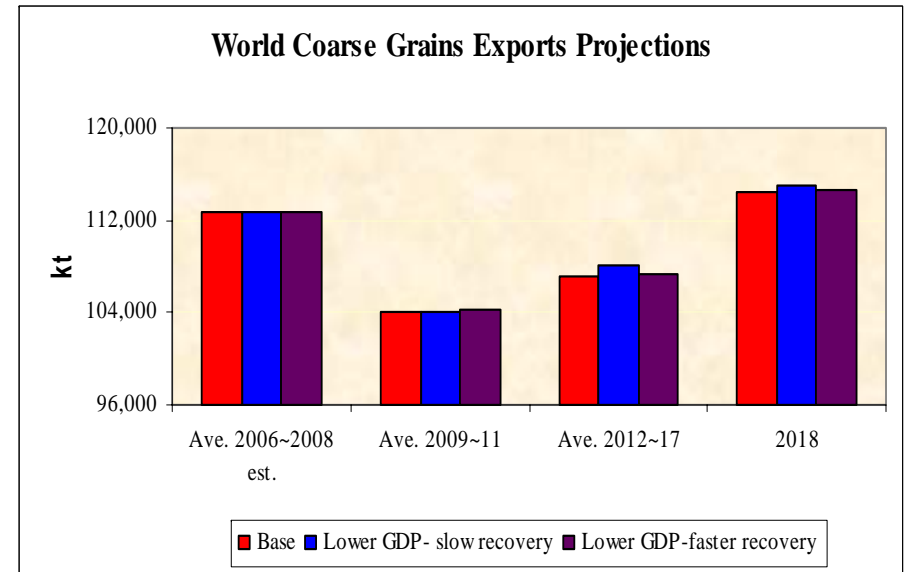
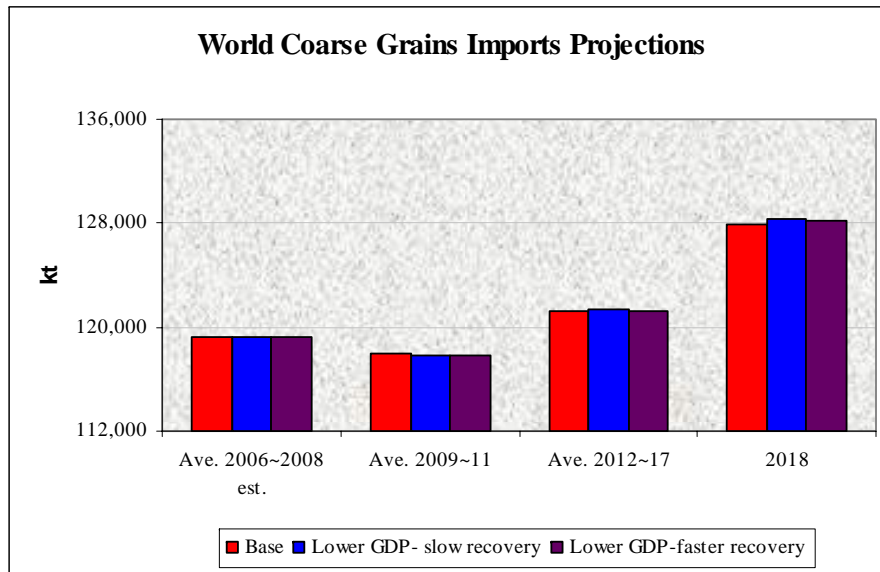
Wheat Trade Projections



Source: OECD-FAO



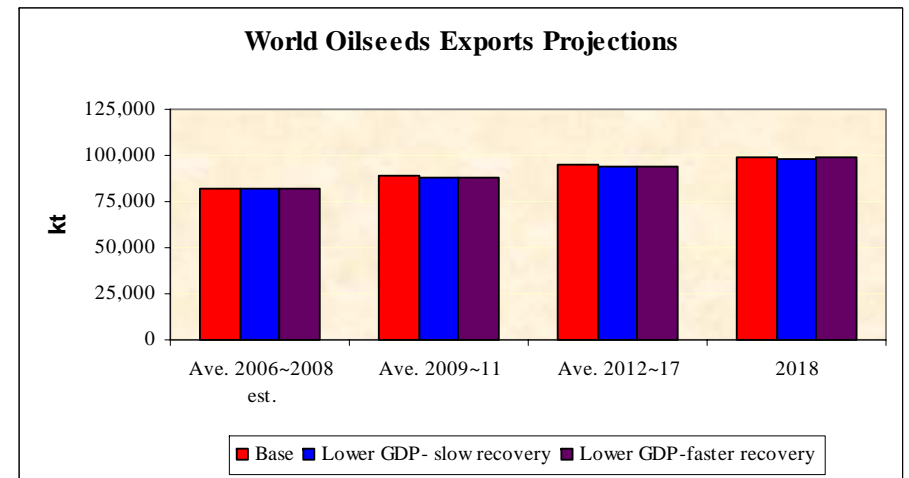
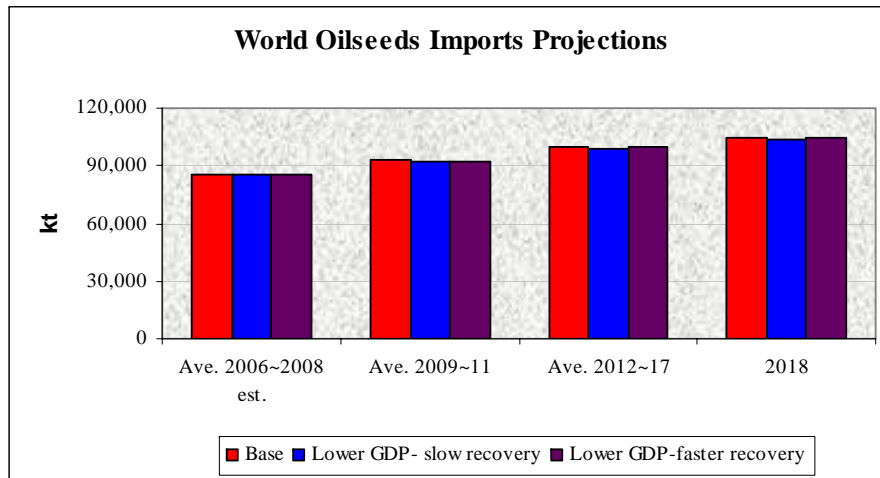
Coarse Grains Trade Projections



Source: OECD-FAO



Oilseeds Trade Projections



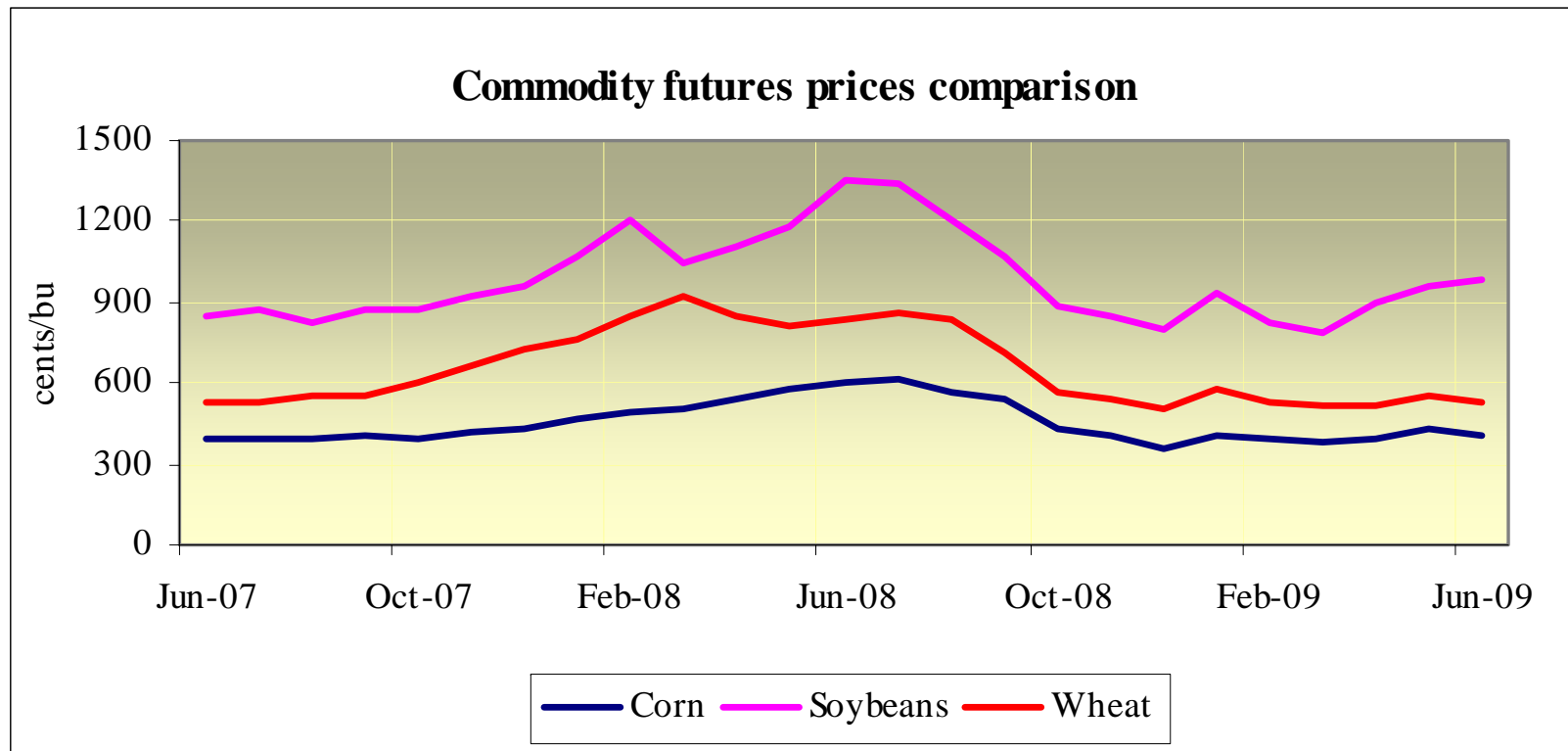
Source: OECD-FAO



Commodity Futures Market Trends and Regulations



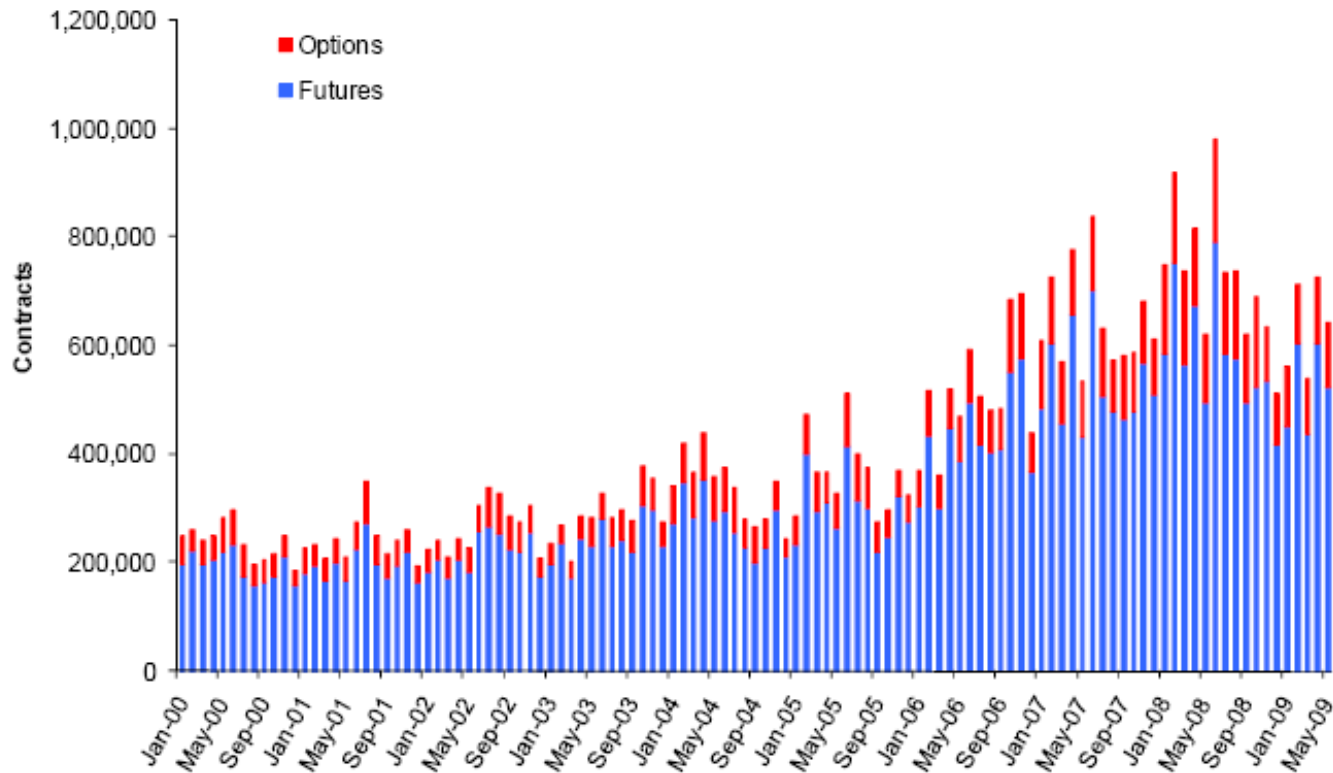
Commodity Futures Prices





Agricultural Futures and Options Trading Volume

Combined Futures and Options Grain and Oilseed - Average Daily Volume

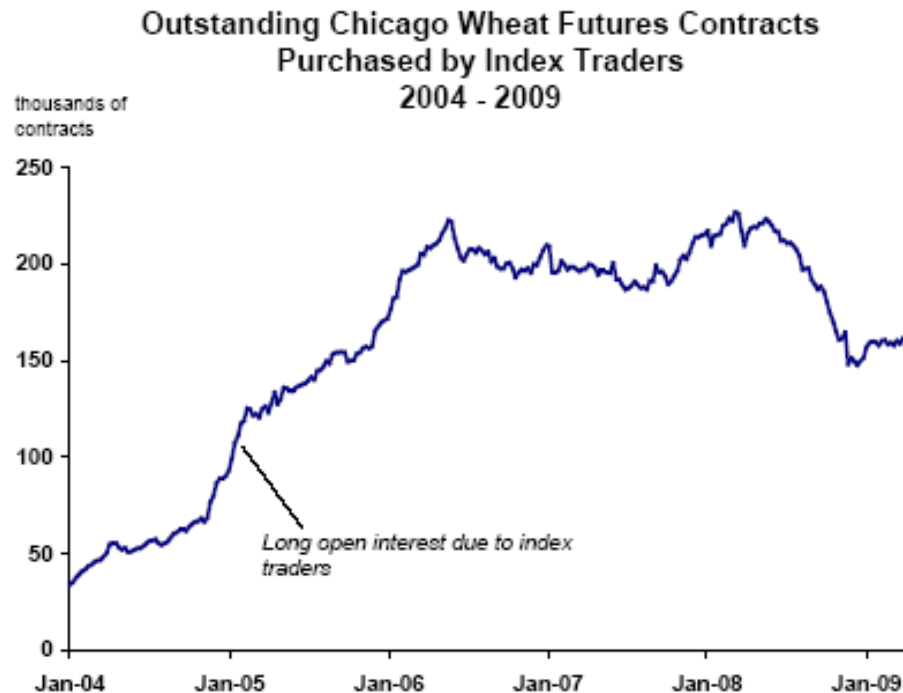


Sources: CME



Speculation In the Wheat Market

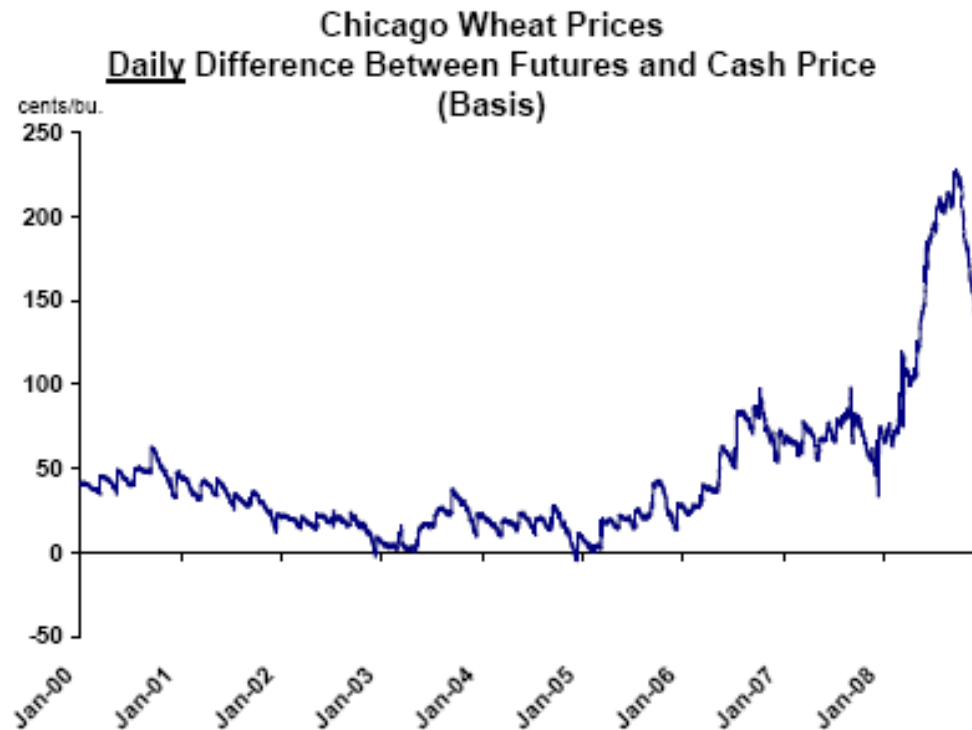
- The large growth in commodity index speculation is a recent phenomenon.
- The total value of the speculative investments in commodity indexes has increased from an estimated \$15 billion in 2003, to around \$200 billion by mid-2008.
- The amount of speculation in the wheat market due to sales of commodity index instruments has, correspondingly, grown significantly over the past five years.





Speculation In the Wheat Market, *cont'd*

- Since 2006, the daily gap between Chicago wheat futures prices and wheat cash prices (the basis) has been unusually large and persistent.

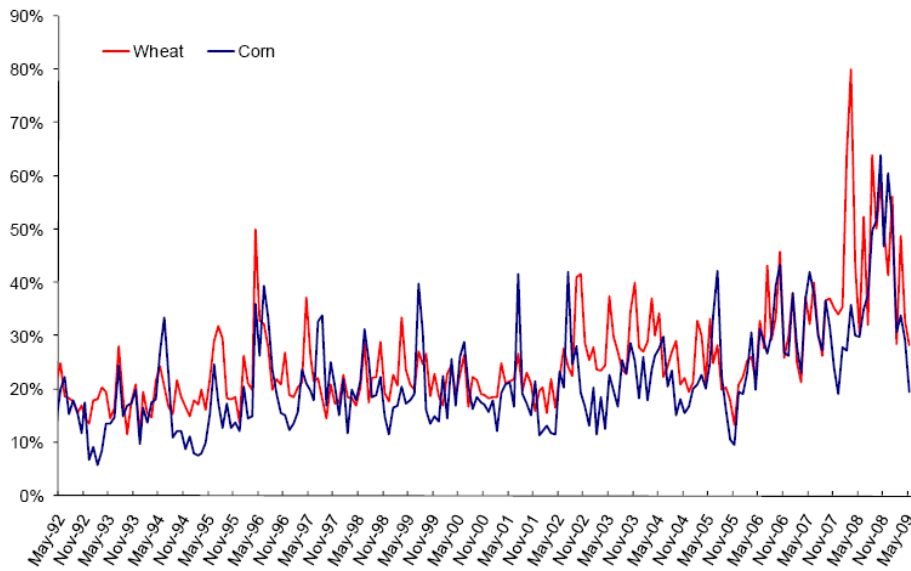


Data sources: CME (daily futures prices); MGEX (average daily cash prices)

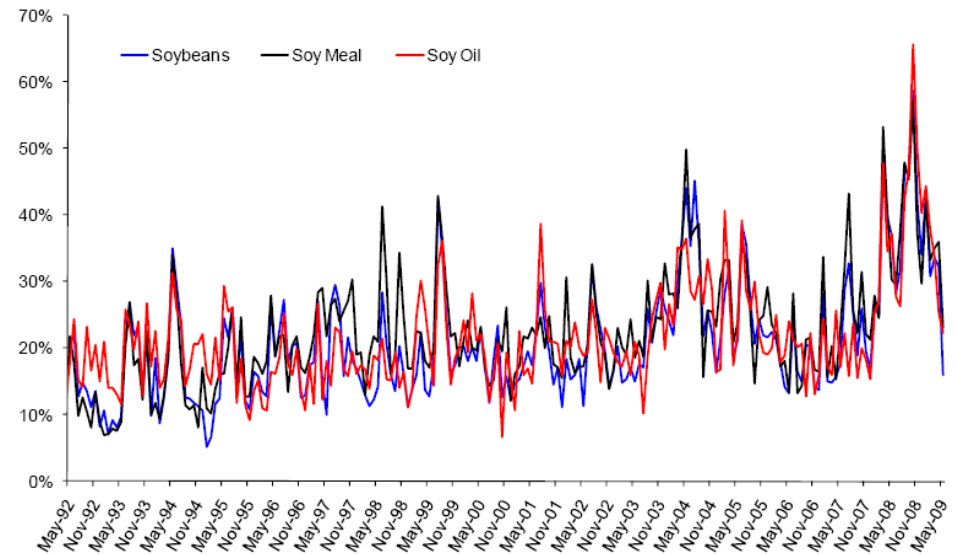


Monthly Historical Volatility- Commodity Trading

Corn and Wheat - Monthly Historical Volatility



Soybeans, Soy Meal and Soy Oil - Monthly Historical Volatility



Sources: CME



Investment



Investment Strategies

- Back to basics
 - Less leveraging
 - Renewed interests, production and origination
 - Strategics as lead investors
- Old deals slash new opportunities
 - Revisit public securities market
 - Biofuel acquisitions
- New technology
 - Carbon credits



Bunge, ITOCHU and STX Pan Ocean JV in PNW

- Bunge has created a joint venture with ITOCHU and STX Pan Ocean to spend more than \$200 million to jointly build and operate an export grain terminal at the Port of Longview, Wash. Called EGT Development, LLC, the project will be the first export terminal built in the United States in more than two decades.
- The terminal will be capable of handling grain, oilseeds and protein meals. The facility will include a highly efficient shuttle train unloading system as well as the capability to unload barges from the Columbia River. When it is fully operational, the facility will be able to handle more than eight million metric tons annually.

Name of company :	EGT Development, LLC
Location :	Head office in Portland, Oregon
Location of export terminal :	Export elevator, Longview, Washington
Founded :	June-09
Shareholder composition :	Bunge North America-51%
	ITOCHU Corporation- 4%
	U.S. corporation of ITOCHU Corp.- 25%
	STX Pan Ocean (America), Inc. - 20%
Total investment :	More than \$200 million
Annual handling target :	Approximately 8 million tons





Agribusiness Investment: Public & Private

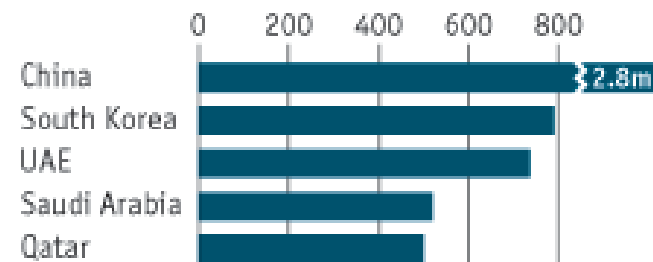
- Saudi Arabia, Kuwait, and China have been buying up more than \$20 billion of farmland.
 - Saudi Arabia has set up a \$800m agricultural investments company, a partnership between the public sector and domestic private companies, to invest in agriculture overseas to ensure food security. The new company is a part of a program to ensure adequate food supplies to the Gulf Arab country at cheaper prices.
 - A consortium of five Saudi business men has pledged an investment of \$266 million into agricultural projects in Sudan and Ethiopia.



Public- Private Investment in Food Security

Farms race

Selected investors, hectares obtained, 2006-09, '000



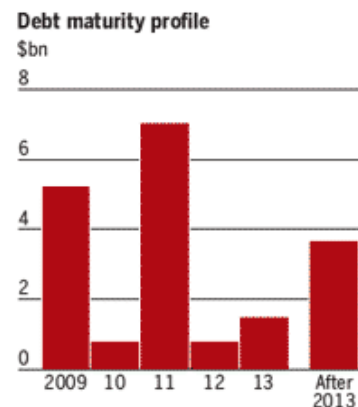
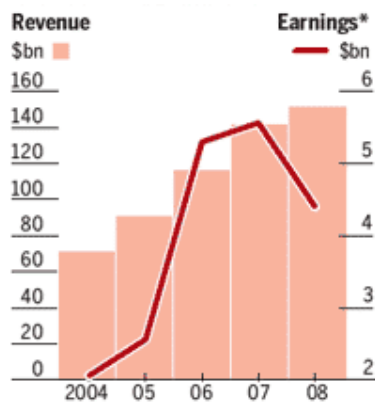
Source: International Food Policy Research Institute

- ✓ In Sudan, a Saudi Arabian firm Hail Agricultural Development Cooperation (HADCO) has leased 22,830 acres in the northern part of the country. The deal worth \$45.3 million sees HADCO lease the land for 48 years to grow wheat and corn for export to Saudi Arabia.
- ✓ The Ethiopian deal was reached as part of a wide ranging program of investments signed by Saudi agriculture minister and Ethiopian Finance minister.

Trading Houses: Limited Access to Capital

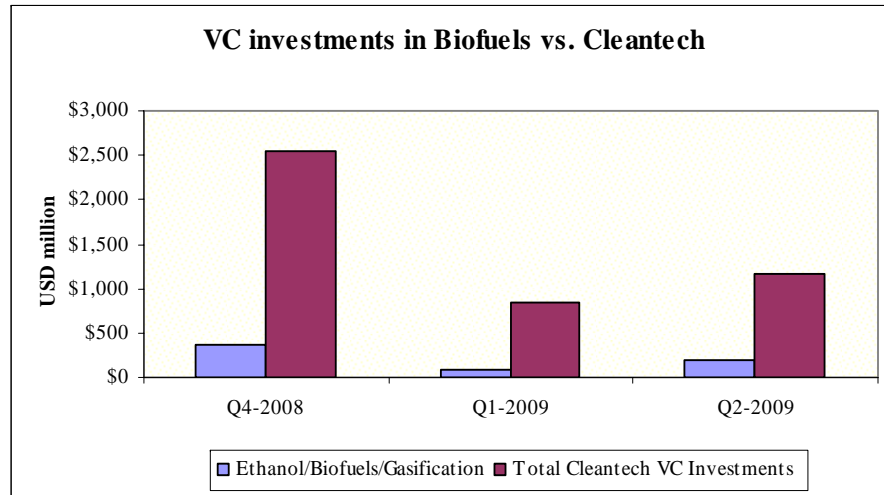
- Switzerland-based Glencore International AG has held preliminary talks with bankers about an initial public offering because of the financial constraints imposed by its private structure in tough economic times.
 - It reported \$14.4bn net debt held in bonds.
 - It lifted revenues last year from \$142bn to \$152bn.
 - EBITDA fell from \$5.5bn to \$4.4bn during the year.
 - Over three months from September 2008, the cost of insuring Glencore against a default on its debt spiked 16-fold to more than 3,000 basis points, on market speculation over its liquidity.

GLENCORE
INTERNATIONAL AG

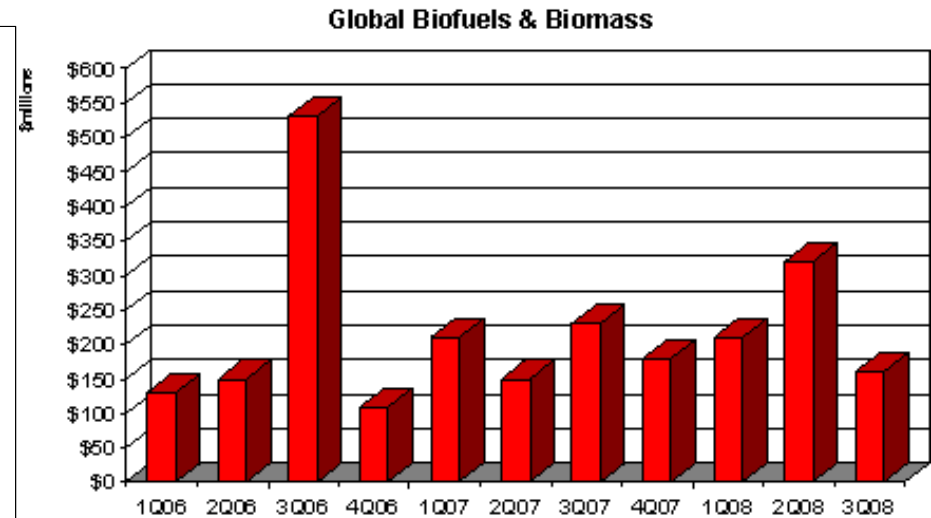




VC Investments in Biofuels



Sources: Greentech Media



Sources: UK Trade & Investment British Consulate-General



Biofuels Investments

- Algae photobioreactor pioneer **Solix Biofuels** announced the completion of its \$16.8 million Series A capital funding that added Shanghai Alliance Investment to its group. I2BF Venture Capital, Bohemian Investments, Southern Ute Alternative Energy LLC, Valero Energy Corp., and Infield Capital also invested in this round.
- The **Dow Chemical Co.** and **Algenol Biofuels Inc.** plan to build and operate a pilot-scale algae-based integrated biorefinery on 24-acres at Dow's Freeport, Texas, site that will convert carbon dioxide into ethanol (using carbon dioxide, salt water, sunlight and non-arable land).
- **Petrobras** confirmed that it will invest US\$2.8 billion in biofuel production including ethanol from sugar cane: a total of US\$174.4 billion for the period 2009-2013. A study estimates for Brazil to produce 23 thousand tons per year of ethanol now and 544 thousand tons per year in 2020. In that same period the study shows that the production in Southeast Asia will increase from 253 thousand to 845 thousand tons per year.
- **Valero** has assumed the investment in advanced biofuels developer Qteros originally owned by VeraSun Energy. Qteros, which raise \$25 million last year in its most recent capital raise, has also received \$2 million in federal grants towards the opening of a pilot processing plant this summer in Springfield. Valero acquired seven ethanol plants from VeraSun in a bankruptcy auction earlier this spring for \$477 million, with a combined capacity of 780 Mgy.

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