

Global Agri-food Investment Environment

Food Security: Global Trends & Opportunities Seminar

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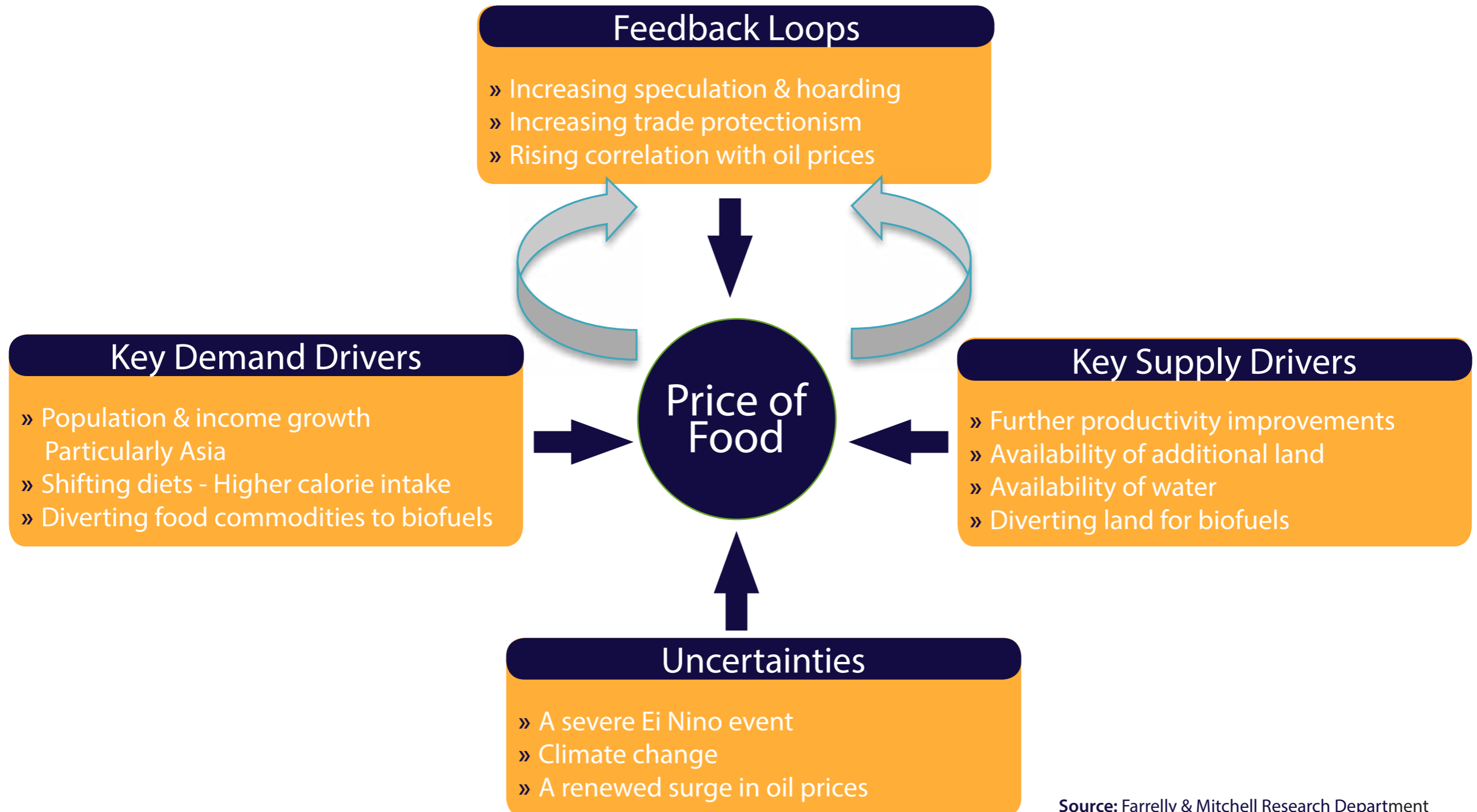
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Presentation:

- 1: Drivers of Global Food Prices
- 2: Global Arable Land in 2007
- 3: Global Population
- 4: Evaluation of Large Scale Investment in Agriculture
- 5: Principals for Responsible Investment in Agri-Investments
- 6: The Research & Due Diligence Process
- 7: Global Food Trade Flows
- 8: Investor Strategies
- 9: Global Value Chain
- 10: Building an Investment Strategy
- 11: Valuing Farm Land
- 12: Investment Sector & Locations
- 13: Potential Rates of Return
- 14: Sourcing the Right Opportunity

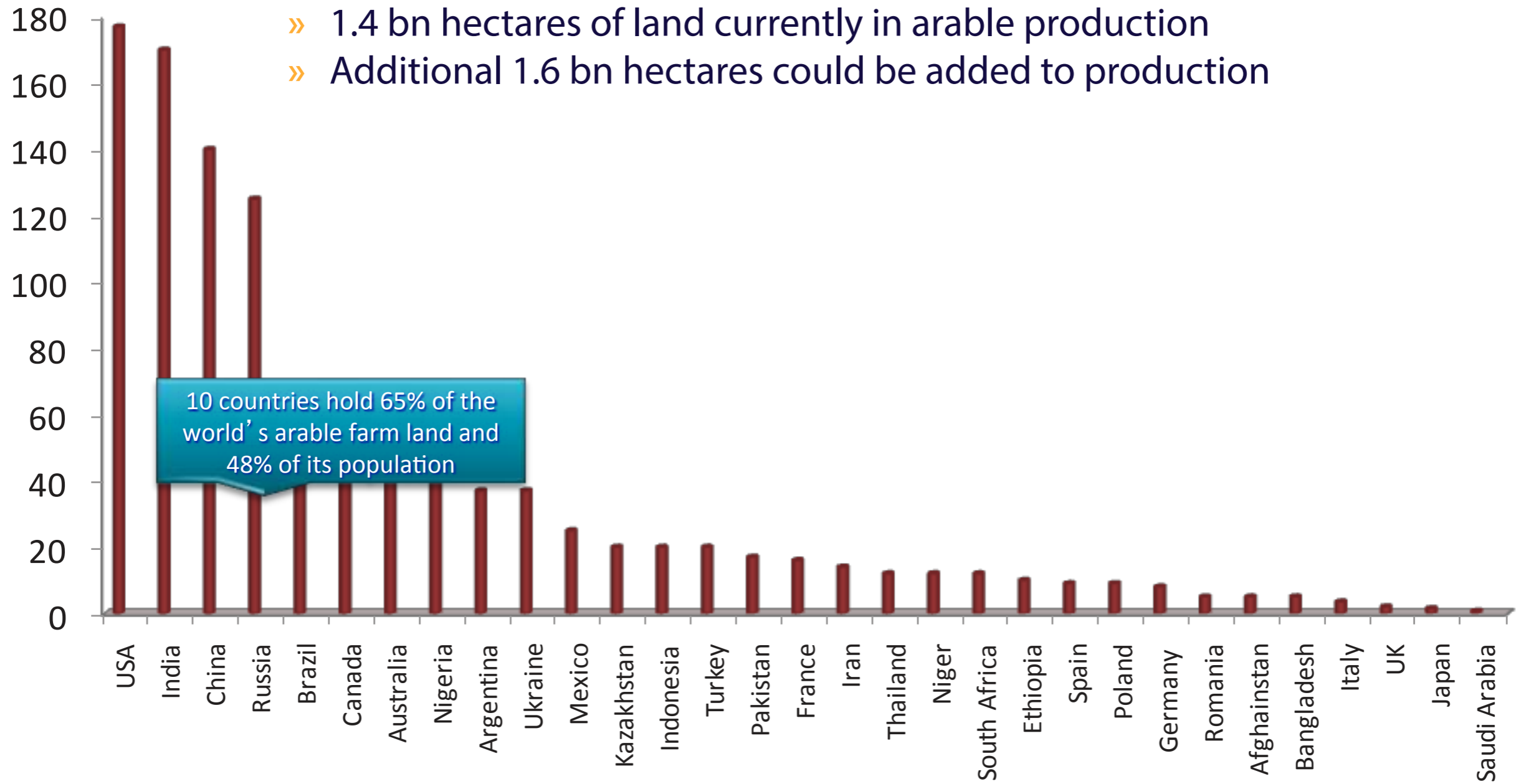


1: Drivers of Global Food Prices



Source: Farrelly & Mitchell Research Department

2: Global Arable Land in 2007

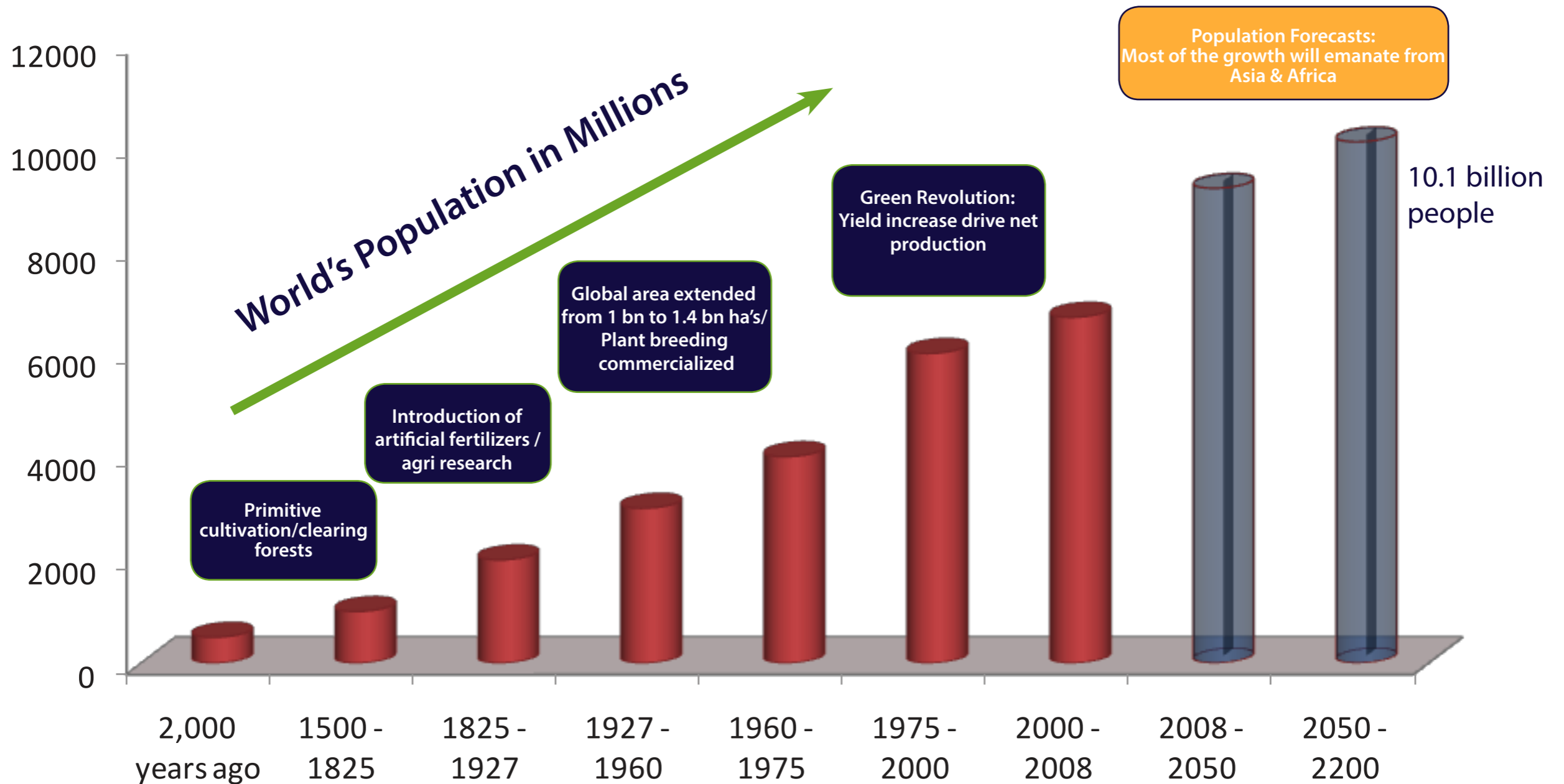


Millions of hectares

Source: Farrelly & Mitchell Research Department

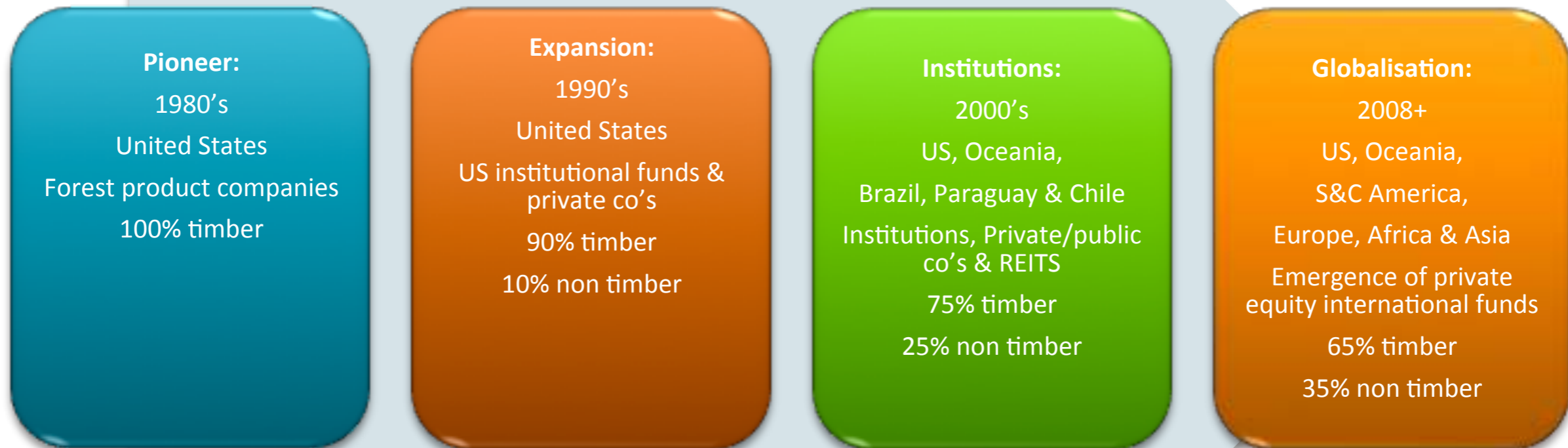
3: Global Population

Past & Future Trends



Source: UN Department of Economics & Social Affairs

4: Evolution of Large Scale Investment in Agriculture



5: Principals of Responsible Agro-Investment

Developed by: World Bank, FAO, IFAD, UNCTAD



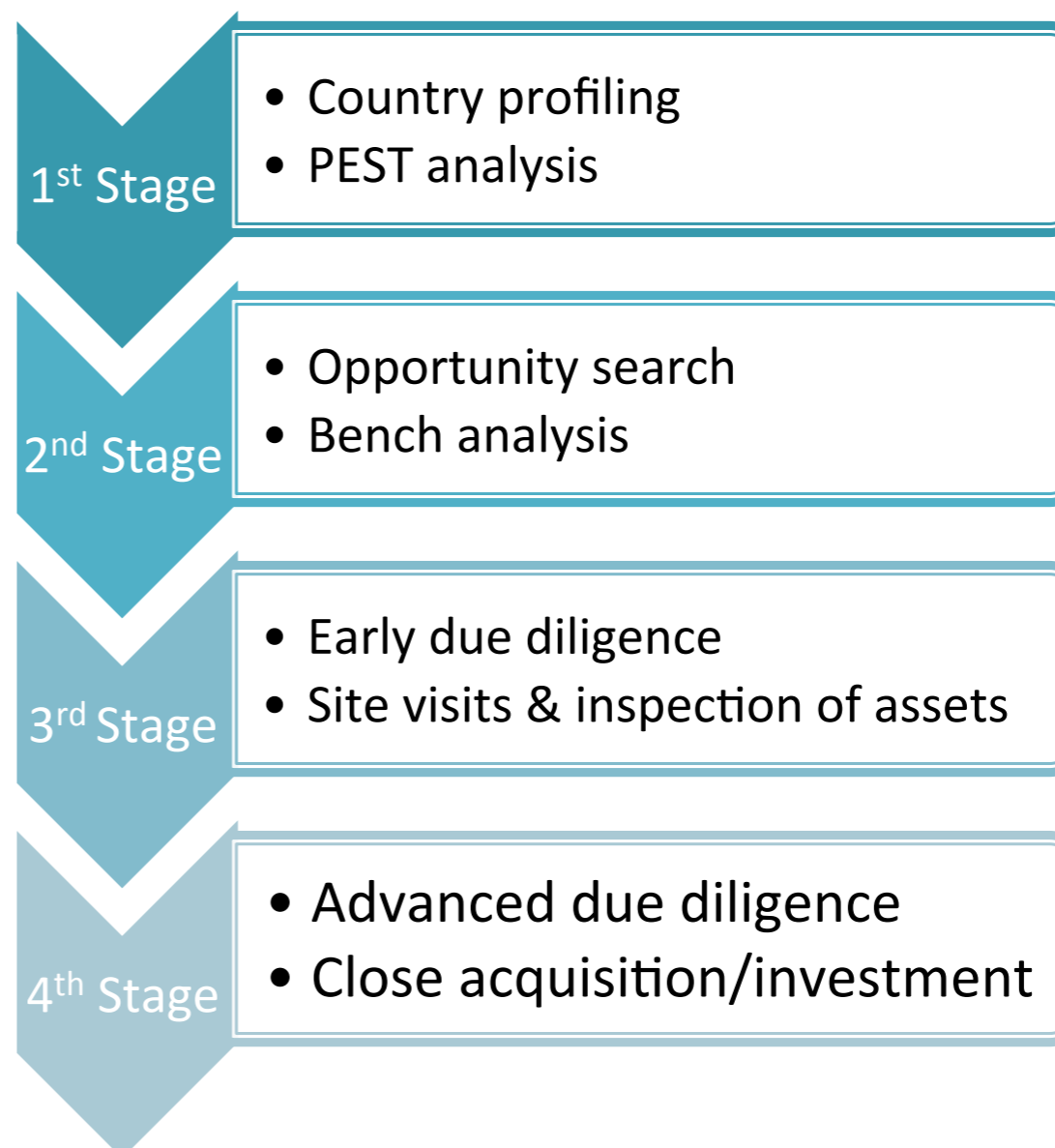
- » Respecting land and resource rights
- » Ensuring food security
- » Ensuring transparency, good governance, and a proper enabling environment
- » Consultation and participation
- » Responsible agro-investing
- » Social sustainability
- » Environmental sustainability



6: Research & Due Diligence



P E S T



7: Global Food Trade Flows



Top 10 Net Food Exporters		
Rank	Country	Net Food Exports (% of GDP)
1	New Zealand	7.5
2	Uruguay	6.6
3	Argentina	6.6
4	Costa Rica	4.7
5	Chile	3.1
6	Malaysia	2.9
7	Thailand	2.7
8	Ecuador	2.5
9	Denmark	1.8
10	Brazil	1.8

Top 10 Net Food Importers		
Rank	Country	Net Food Imports (% of GDP)
1	Hong Kong	-4.4
2	Lebanon	-3.9
3	Bangladesh	-3.3
4	Algeria	-2.8
5	Sri Lanka	-2.7
6	Egypt	-2.1
7	Morocco	-2.1
8	Saudi Arabia	-1.8
9	Portugal	-1.8
10	Libya	-1.7

8: Investor Strategies

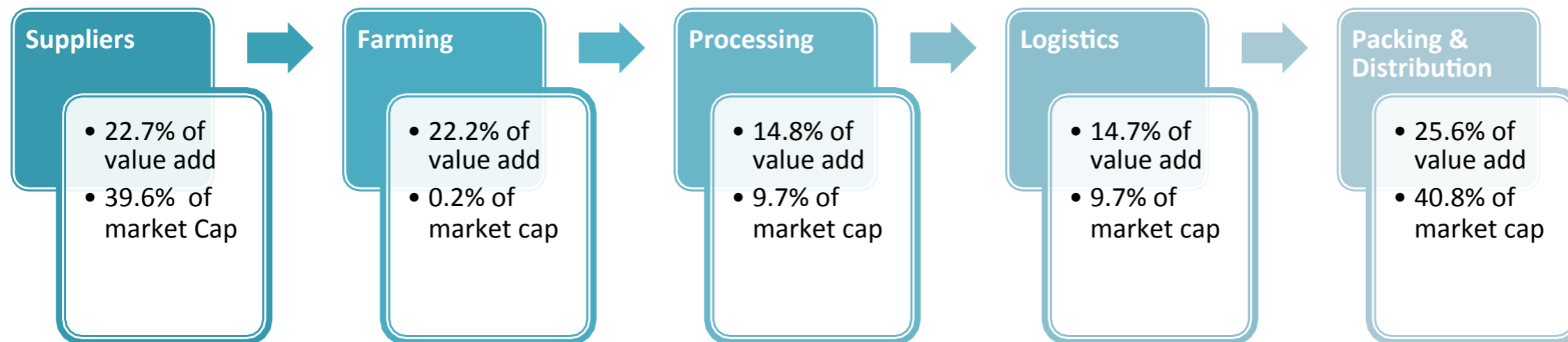


Key Metrics	Gov/SWF's	P/equity, Inst. Investors & Hedge Funds
Objectives	Strategic / Food supply	Financial returns
Duration	Long term	Short term (4-10 yrs)
Geographic Focus	Emerging Markets	Today OECD/Brazil/Argentina
Ownership	Long term leases	Preference for land ownership
*Deal Size	10,000 – 2m ha	Up to 15,000 ha
Risks	Accepts high political risks	Favours low political risk countries

*Refers to size of individual deals – aggregated size of hectares under management by funds or investment companies can also reach 1m hectares and above

9: Global Value Chain

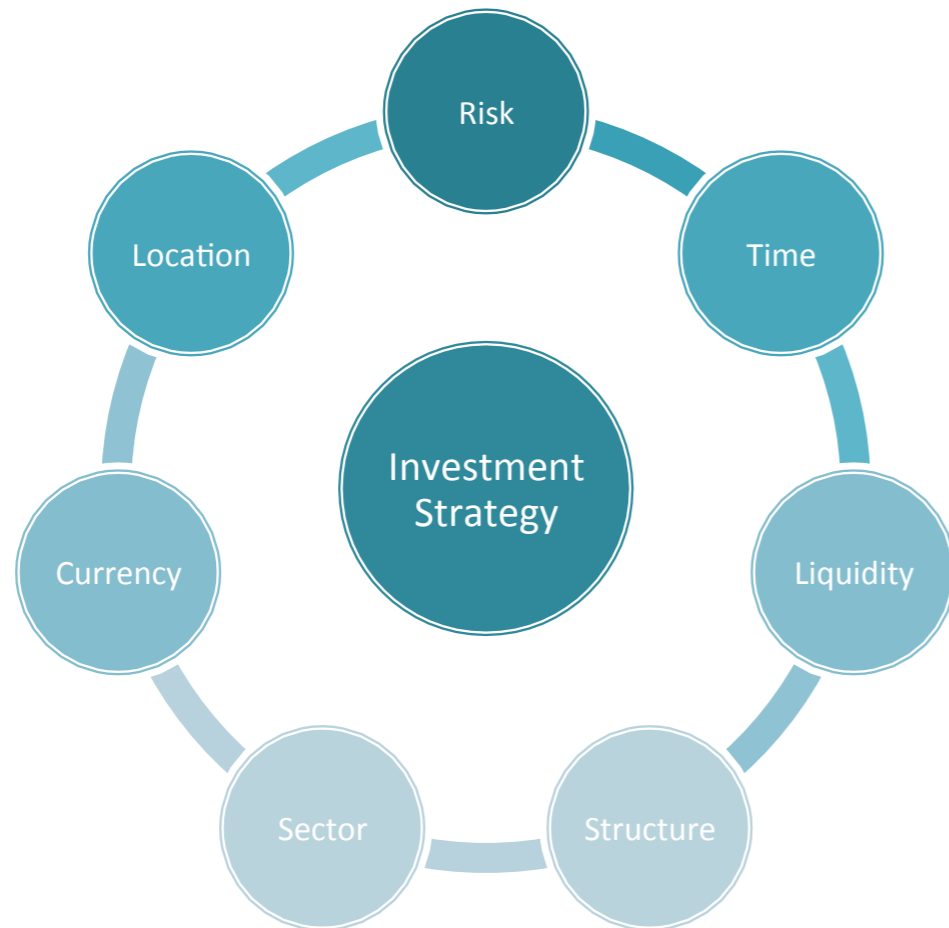
Analysis of publicly listed companies in global agribusiness



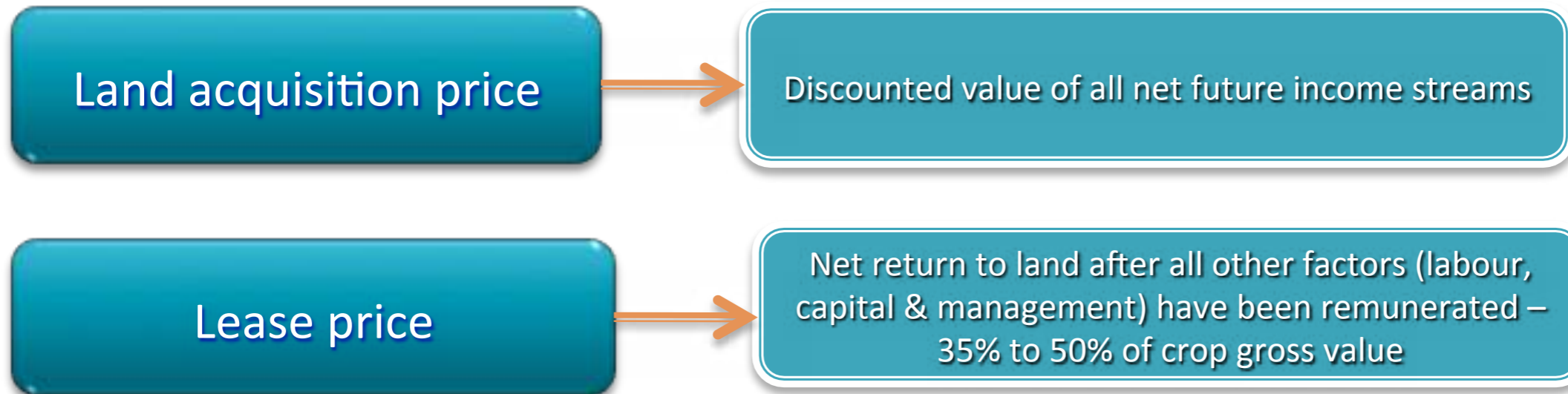
Source: The World Bank

- » Agriculture globally is dominated by family owned and operated farms
- » Processing and distribution are characterized by significant economies of scale
- » Three factors are critical determinants to the development of farm structures:
 - Access to credit & insurance,
 - Lumpy inputs (machinery & skills)
 - Nonagricultural wage rate

10: Building An Investment Strategy



11: Valuing Farm Land



Land value drivers -



12: Investment Sectors & Locations



Sector	Comment	Sample Locations
Grain	Weather/climate factor very important	Argentina, Ukraine, Sudan, Kenya, Balkans, Baltic's & Canada
Dairy	Access to stable quality feed supplies and local market are important	North America, Pakistan, Chile , Paraguay & New Zealand
Rice	Weather/climate factor very important	Vietnam, Argentina & India
Beef	Intensive system most profitable but highly volatile market	Brazil, Argentina, & Australia
Poultry	Specialist sector - access needed to vertically integrated buyer/processor	Brazil, Egypt & North America

13: Potential Rates of Return

Potential rates of return for selected sectors/opportunities -



Opportunity	Location	*Transparency Index (rank)	**Potential Returns (%IRR)
Intensive dairy production	United Kingdom	12	20% plus
Grain production	Balkans	64	20% plus
Intensive dairy production	United States	20	15 -25% plus
Grain production	South America	72 & 105 (Brazil & Argentina)	15-20% plus
Grain production	Ukraine	118	30% plus

Source: Farrelly & Mitchell Farrelly & Mitchell Research Department

*Source: The 2006 Transparency International Corruption Perceptions Index : Rankings; Finland – highest (1) & Somalia lowest (179)

**IRR calculations Includes discounted annual net cash flows and residual (movement) value of fixed assets

14: Sourcing the Right Opportunity



Our initial Screening Check List

- » Financial history
- » Physical performance
- » Capital structure
- » Management team
- » Information & control systems
- » Location climate
- » Location geopolitical / economic stability
- » Infrastructure / water availability & sources
- » Route to markets
- » Scalability
- » Future upside potential: Cash flow / improvements / investment/ assets
- » Planned exit strategy

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