SOUTH AMERICAN WHEAT

Regional Analysis
And Policies

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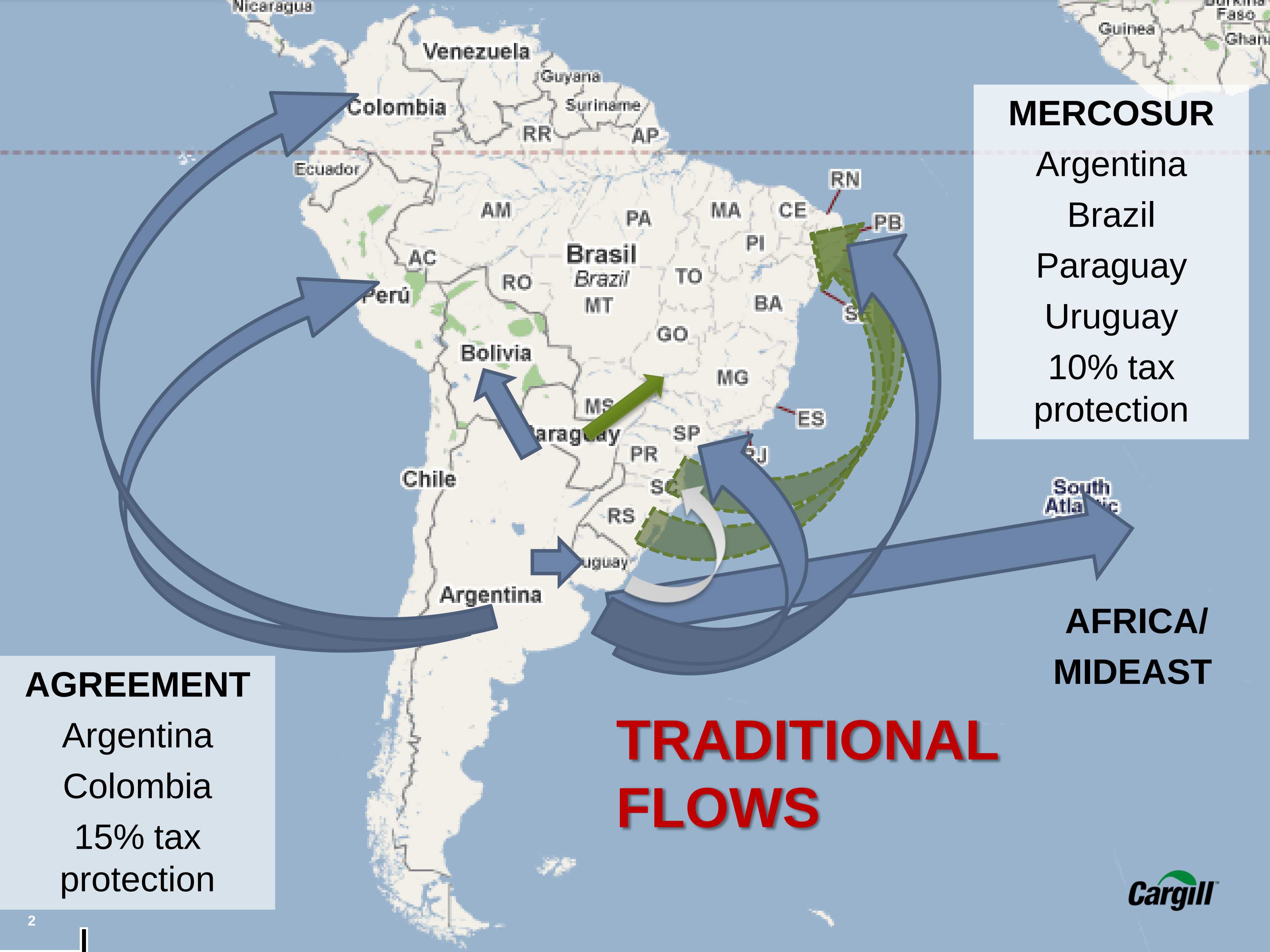
Cape Town, November 2010


MERCOSUR
Argentina
Brazil
Paraguay
Uruguay
10% tax protection
AGREEMENT
Argentina
Colombia
15% tax protection
AFRICA/ MIDEAST
TRADITIONAL FLOWS
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Venezuela
Guyana
Suriname
Colombia
RR
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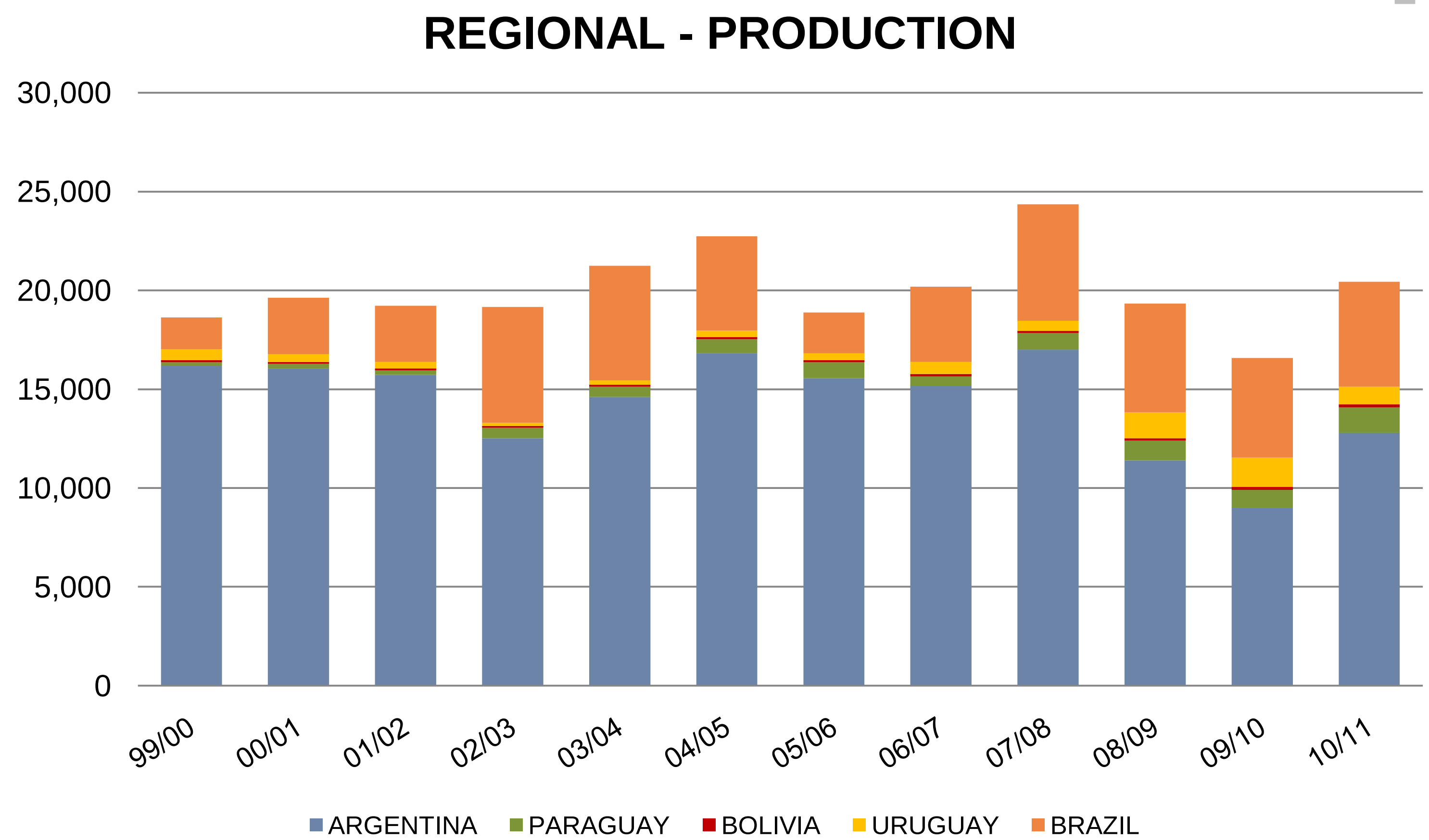
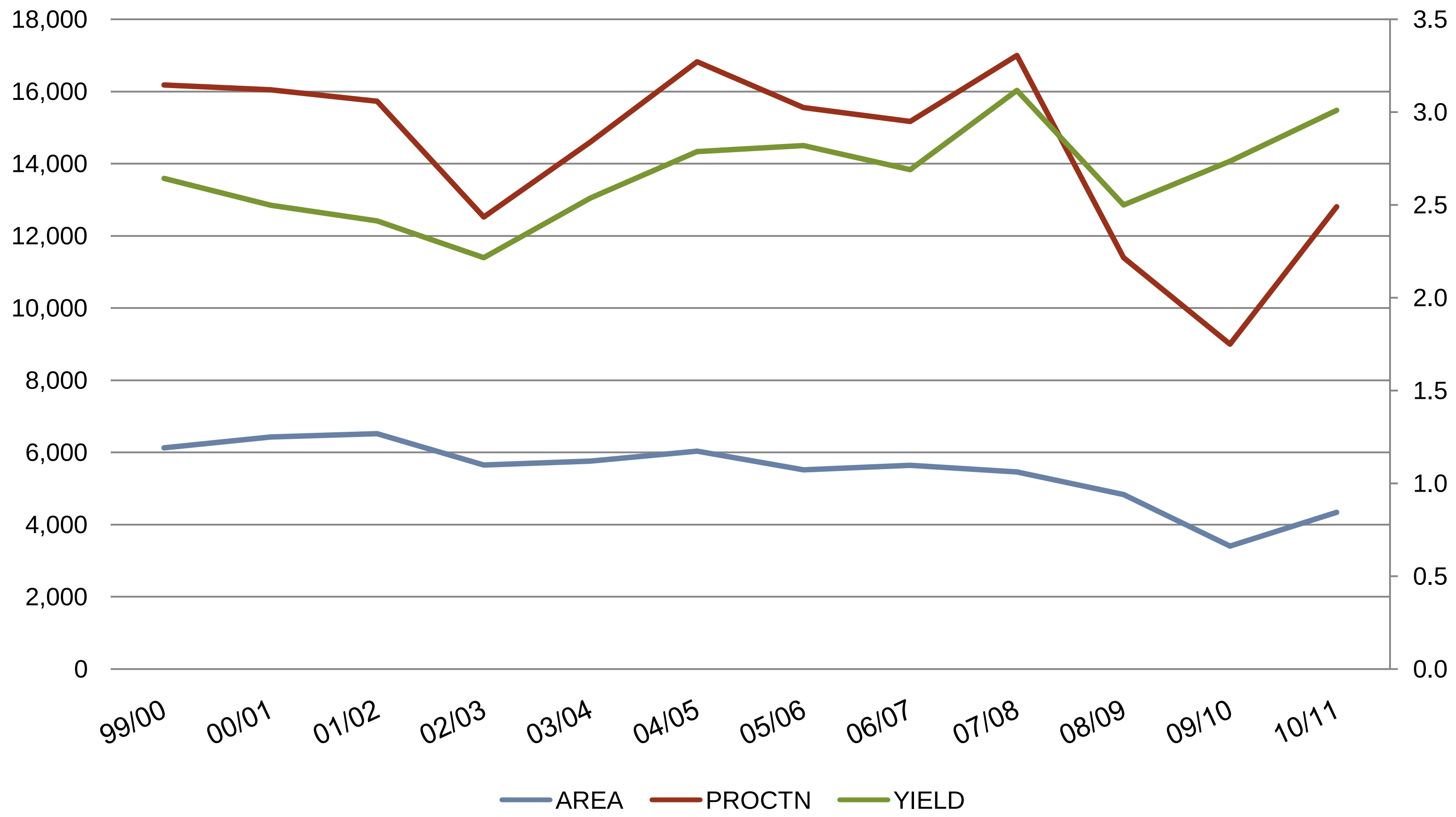
REGIONAL OUTLOOK

- ✓ ARGENTINA
- ✓ BOLIVIA
- ✓ BRAZIL
- ✓ PARAGUAY
- ✓ URUGUAY



ARGENTINA

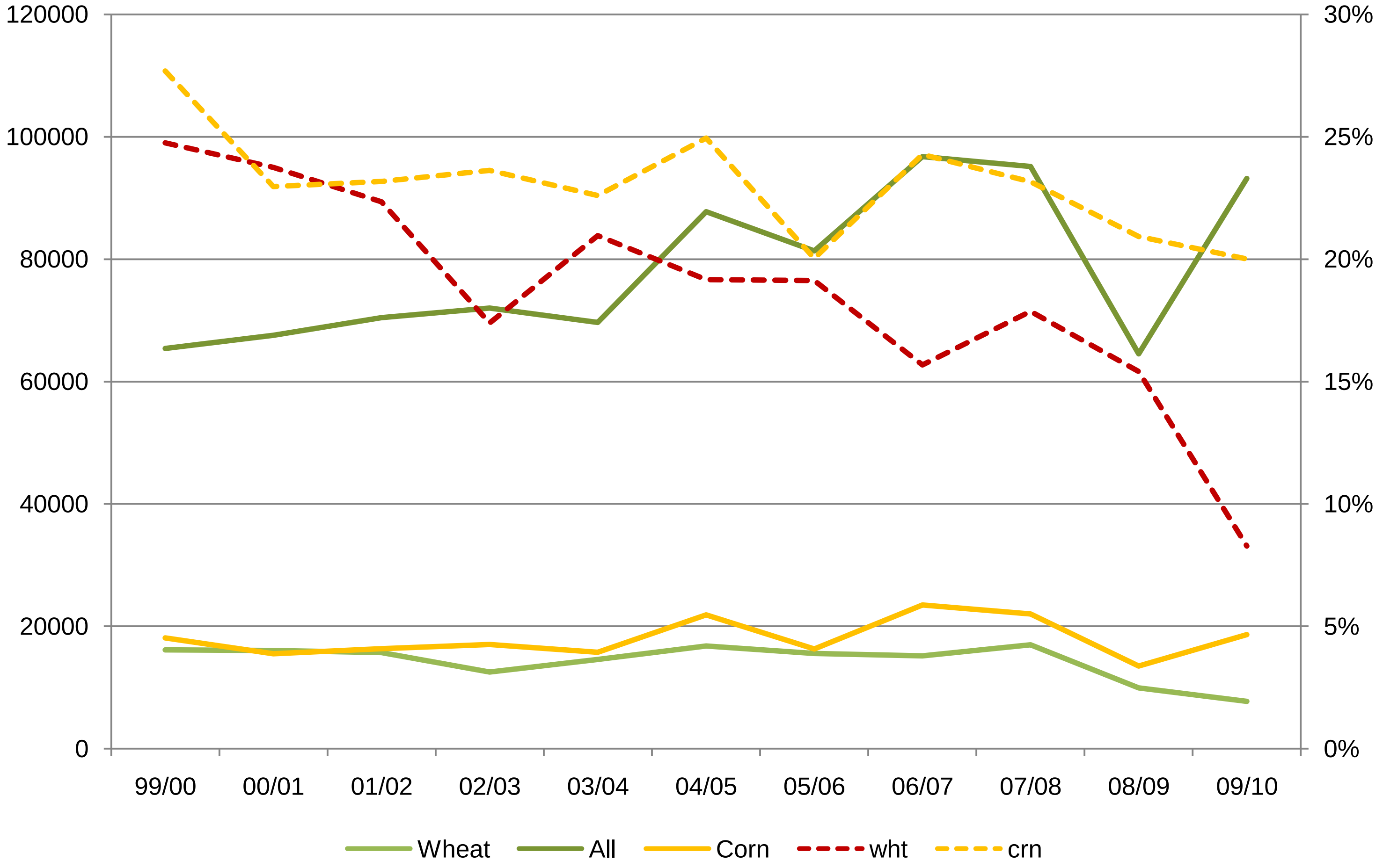
ARGENTINA



- WHT AREA DOWNSIDE FROM 2001 PARTIALLY OFFSET BY INCREASING YIELDS

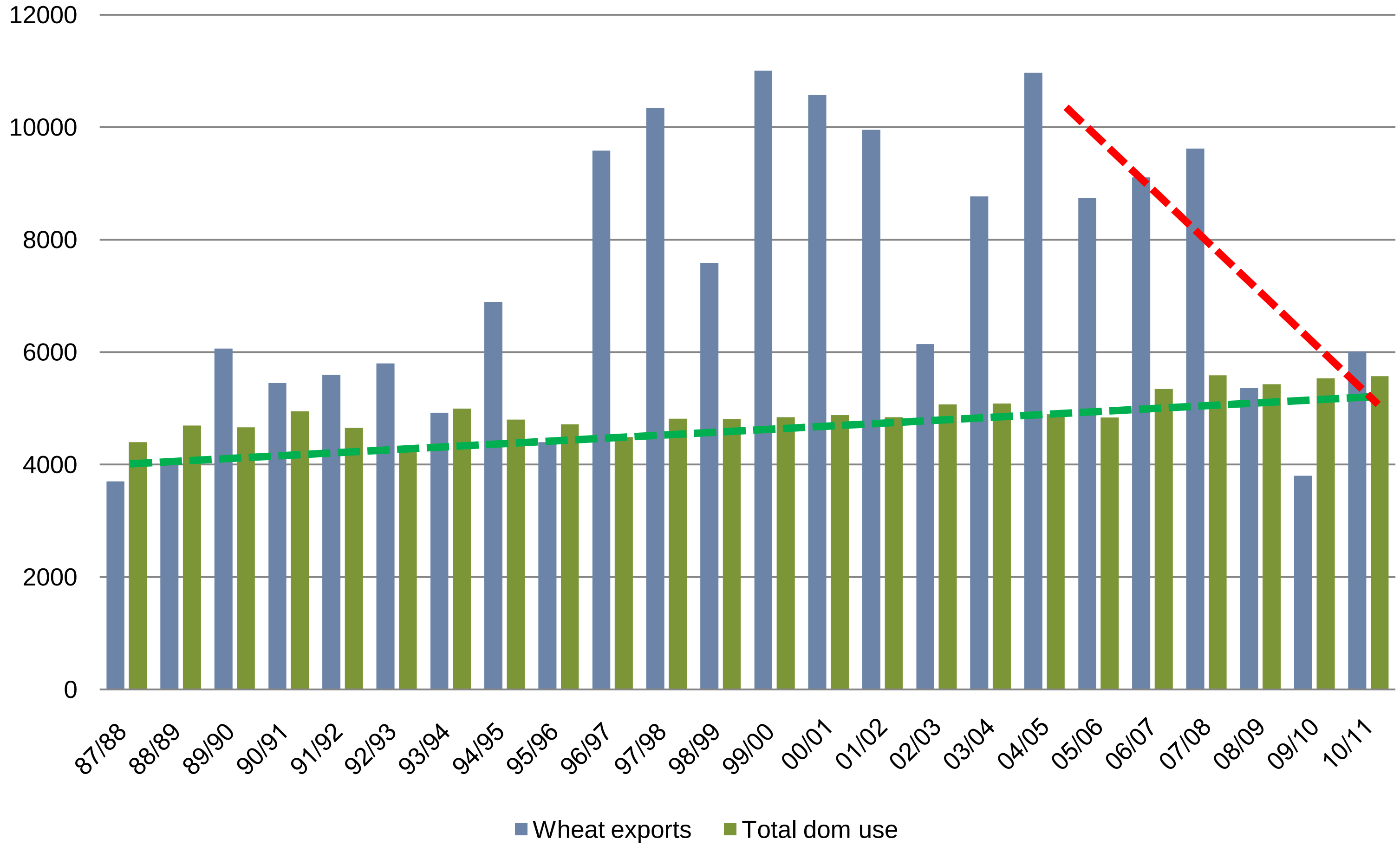
- BIG DROP IN AREA FROM 07/08 - **51%**

- DROP IN YIELD IN 2008/09 and 2009/10 (20% vs 5y avge)



- BOTH WHT AND CORN LOSING SHARE, MAINLY vs SBS
- DROP IN YIELD IN 2008/09 (20% vs 5y avge)
- LOWER WHEAT AREA IN 2009/10

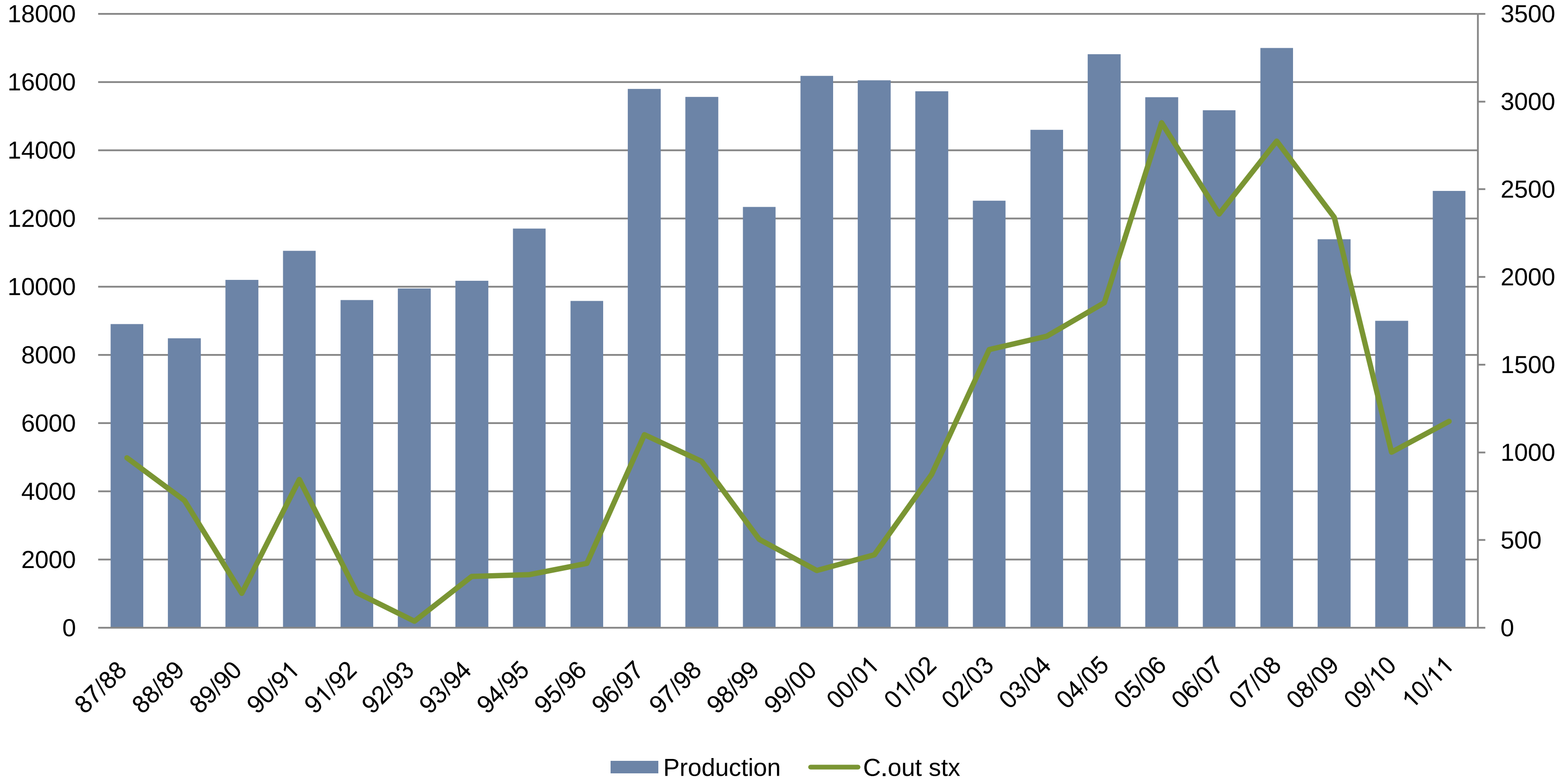
EXPORTS vs DOM USE



SUBSIDIES ON MILLING INDUSTRY: Kept total milling (dom+flour exports) at a constant increasing pace reaching 90% capacity

EXPORTS LIMITED: From 2006 the govmnt started limiting exports in order to guarantee the domestic supply (short term view)

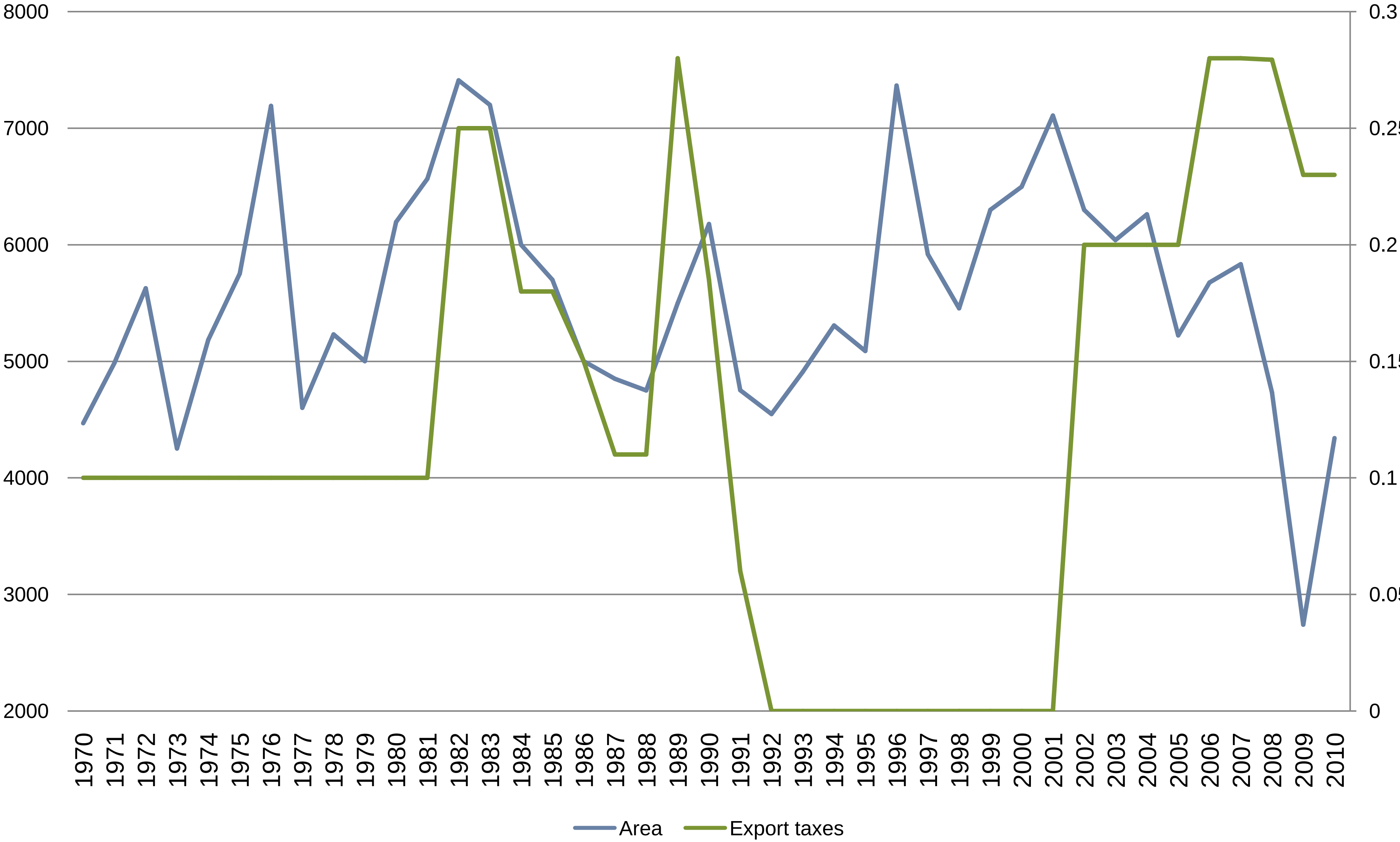
PRODUCTION & C/O STOCKS



LAST YEARS CROP FAILURE DROPPED STOCKS TO 2001 PRE-CRISIS LOW LEVELS & BROUGHT ALL FARMERS SAVINGS INTO THE MARKET..

SND ADJUSTMENT

Area evolution and Export taxes



SUMMARY

- ✓ **2001 – FINANCIAL CRISIS: end of convertibility system**
- ✓ **Bank system collapse, default**
- ✓ **$ devaluation**

- ✓ **2002 March – EXPORT TAXES: back in the game from 0% to 20%**

- ✓ **2007 Nov 7th – EXPORT TAXES: raised from 20% to 28%**

- ✓ **2007 Nov – closure of exports**

SUMMARY

- ✓ 2008 March 11th – FLOATING EXPORT TAXES SYSTEM => FARMERS STIKES & BLOKADES FOR MORE THAN 120 DAYS

- ✓ 2008 May – ONCCA creates ROE VERDE system and MATRIZ AGROALIMENTARIA.

- ✓ 2008 Dec 4th– EXPORT TAXES: cut from 28% to 23%

- ✓ EXPORTS LICENCES – SHIPMENT PERIOD:
  - ✓ 1992-2008 365 days
  - ✓ May 2008 ROE VERDE 45 days
  - ✓ Aug 2008 ROE VERDE 45 days or 90 days PREPAYMENT
  - ✓ Jan 2009 ROE VERDE 45 days or 180 days PREPAYMENT

WHAT'S NEW

- ✓ 2009, May 4th – FIRST AGREEMENT GOVMNT/EXPORTS
  - ✓ 1 MMT 08/09 @ full price
  - ✓ Supply dom mkt. Deadline =>Nov 15th.
  - ✓ ROE VERDE 365 for 1 MMT 09/10

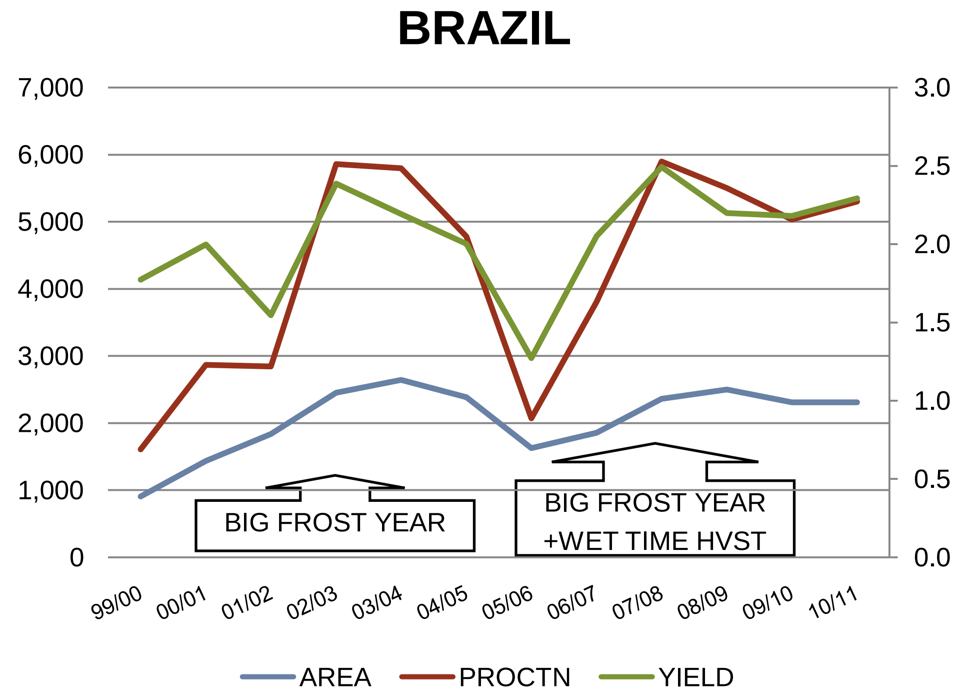
- ✓ 2009, June 16th – SECND AGREEMENT GOVMNT/EXPORTS
  - ✓ Additional 1 MMT 08/09 @ full price
  - ✓ Supply dom mkt. Deadline =>Nov 15th.
  - ✓ ROE VERDE 365 for 1 MMT 09/10 or UP TO 500 KMT 08/09

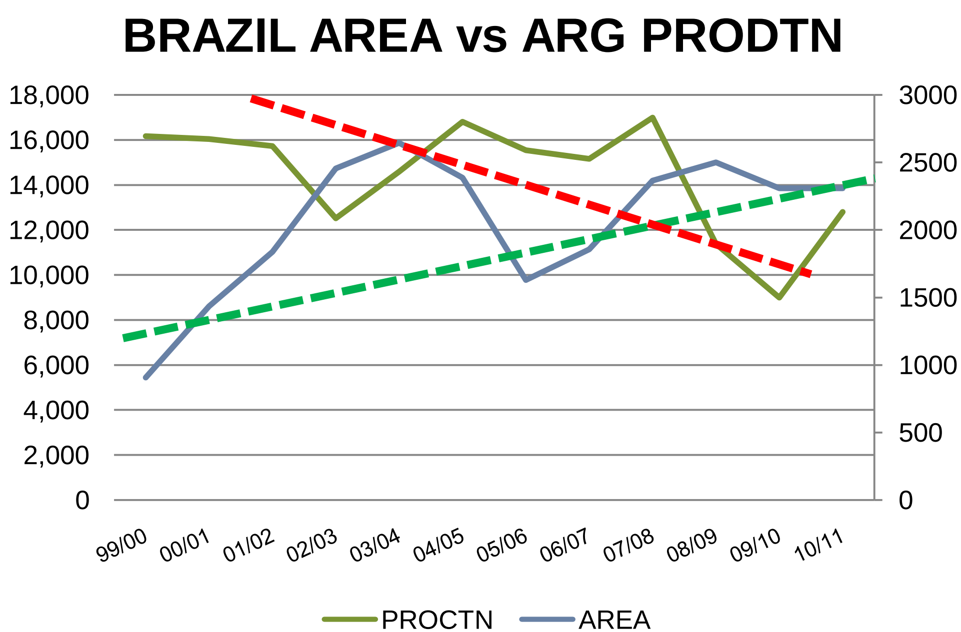
ENCOURAGE THE FARMER TO PLANT WHEAT

- ✓ 2009, Sept 10th – THIRD AGREEMENT GOVMNT/EXPORTS
  - ✓ Open quota, exporters commitment to supply dom mkt
  - ✓ Dom need defined as 6,5myn mt, balance exp surplus

BRAZIL

BRAZIL





-UPTREND IN AREA SINCE 2000 (48% INCREASE IN LAST 10 YRS) EVEN WHEN ARGENTINA HAD BIG PRODUCTION NUMBERS

-VOLATILE PRODUCTION BECAUSE OF FROST OR TOO WET HARVEST TIME CONDITIONS.

BRAZIL

> **GOVERNMENT STRATEGY: keep domestic wht production around 5 MMT (50% of the needs)**

> **INSTRUMENTS:**

✓ **PRODUCTION FINANCING**

✓ **OPTIONS**

✓ **AUCTIONS**

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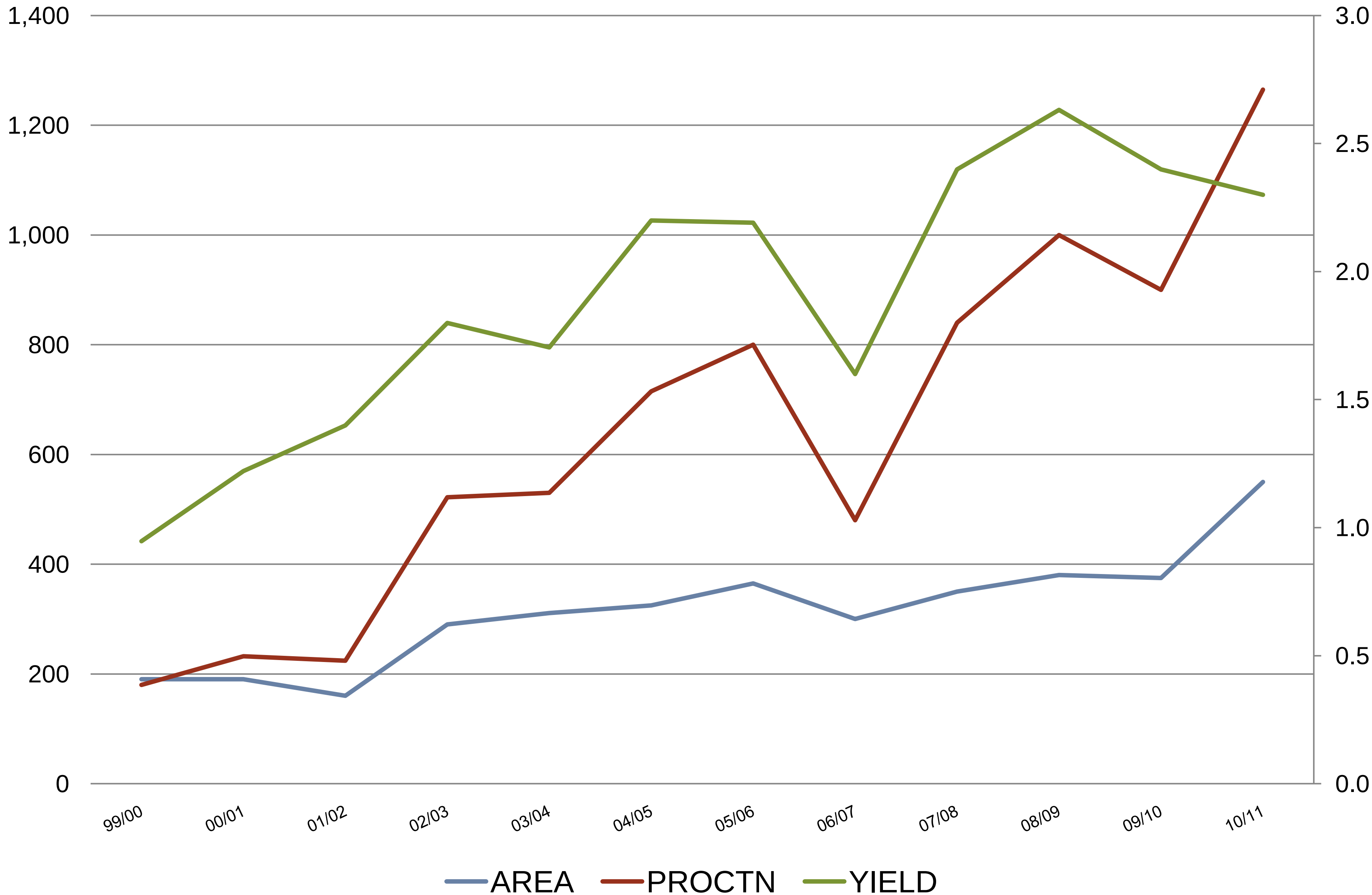
MINIMUM PRICE

PARAGUAY

PARAGUAY



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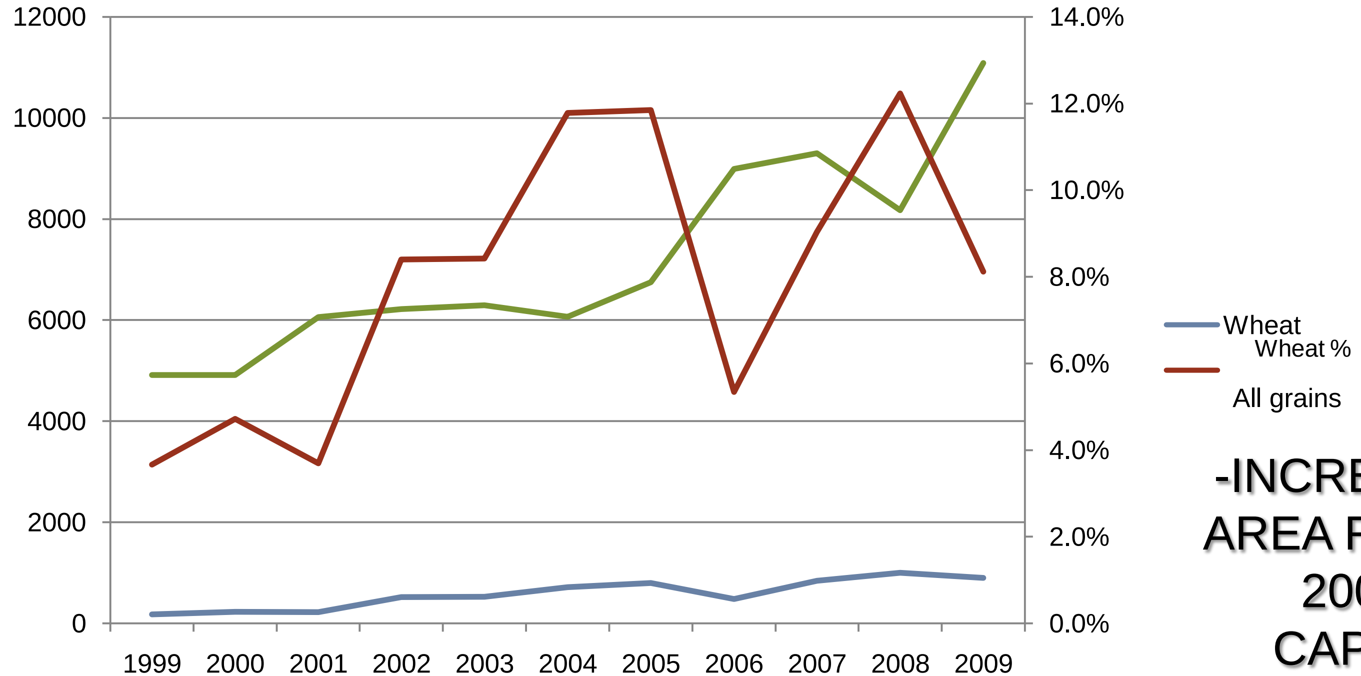
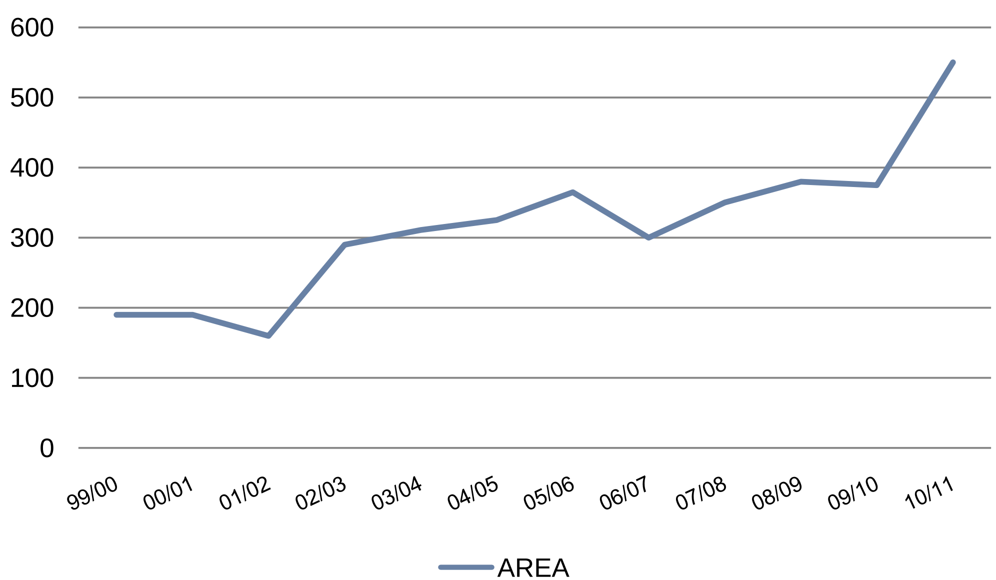
10/11
AREA
PROCTN
YIELD





-INCREASE IN PARAGUAYAN AREA FOR ALL CROPS SINCE 2003/04, NEW AREAS CAPTURED FOR AGRIC (100% INCREASE IN LAST 10yrs)

-WHEAT INCREASING SHARE

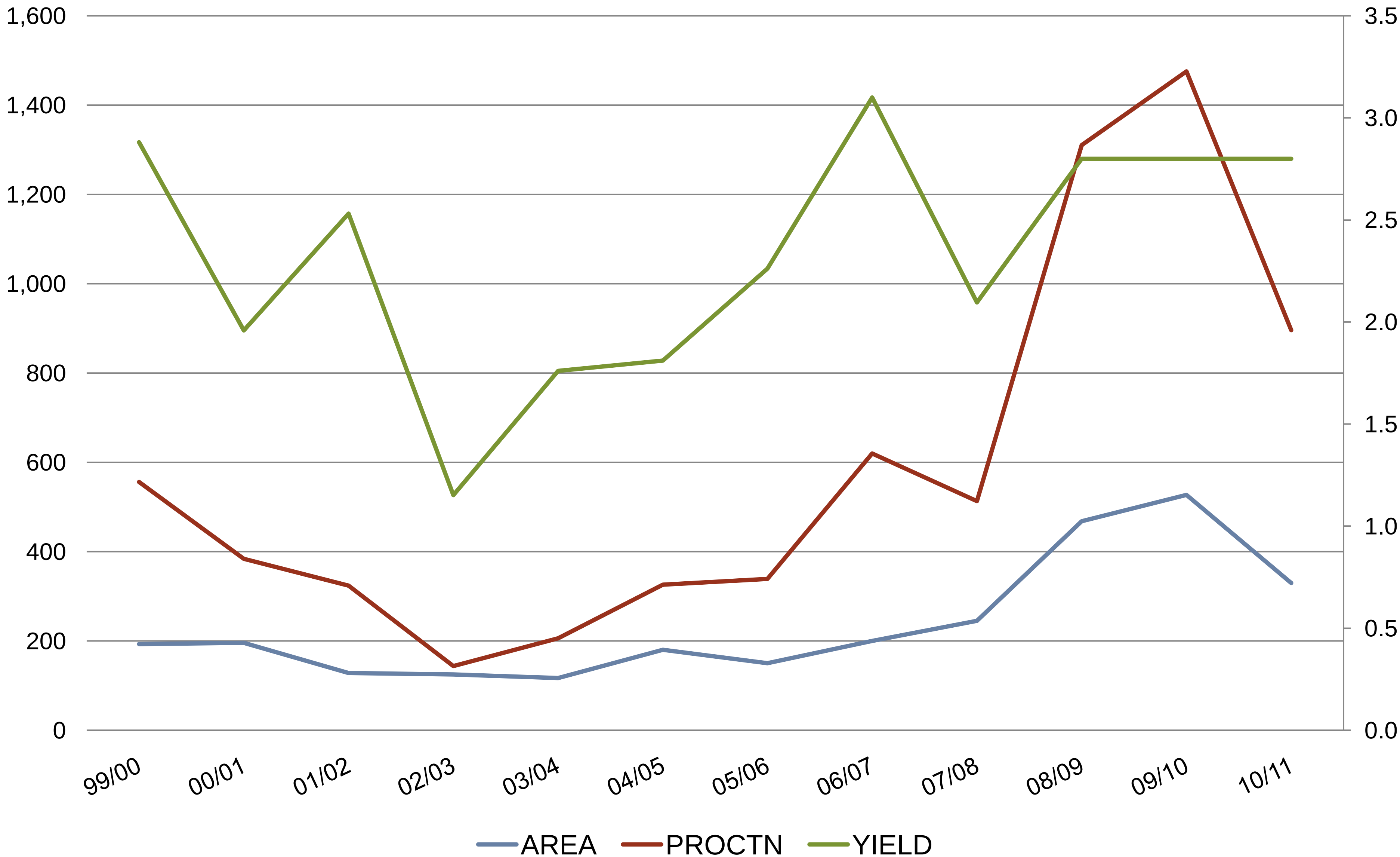
GROWTH COMING FROM

AREA AND YIELD

IMPROVEMENT

URUGUAY

URUGUAY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AREA
PROCTN
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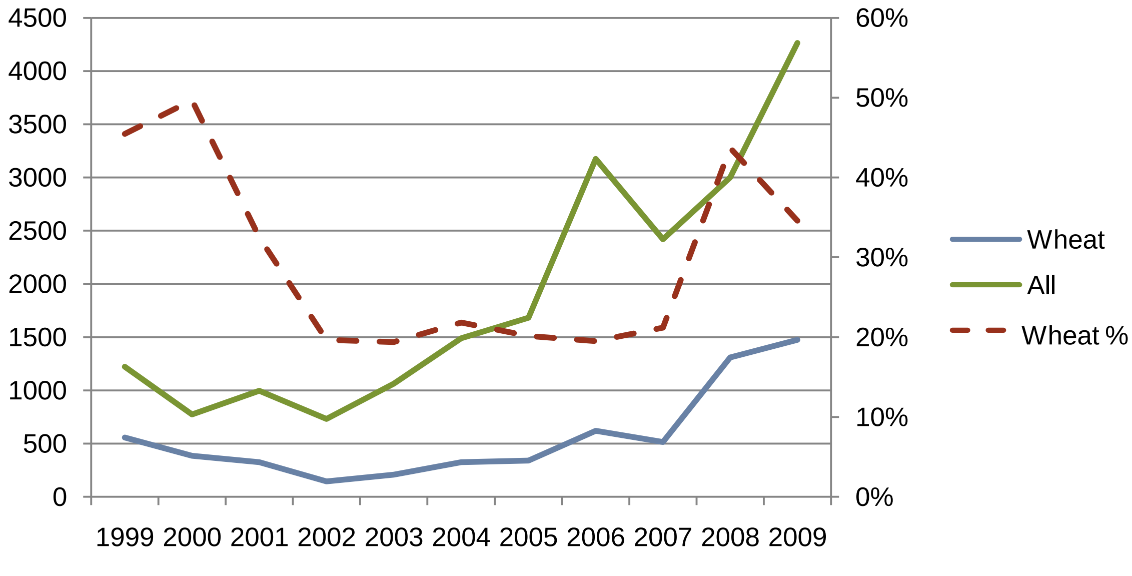
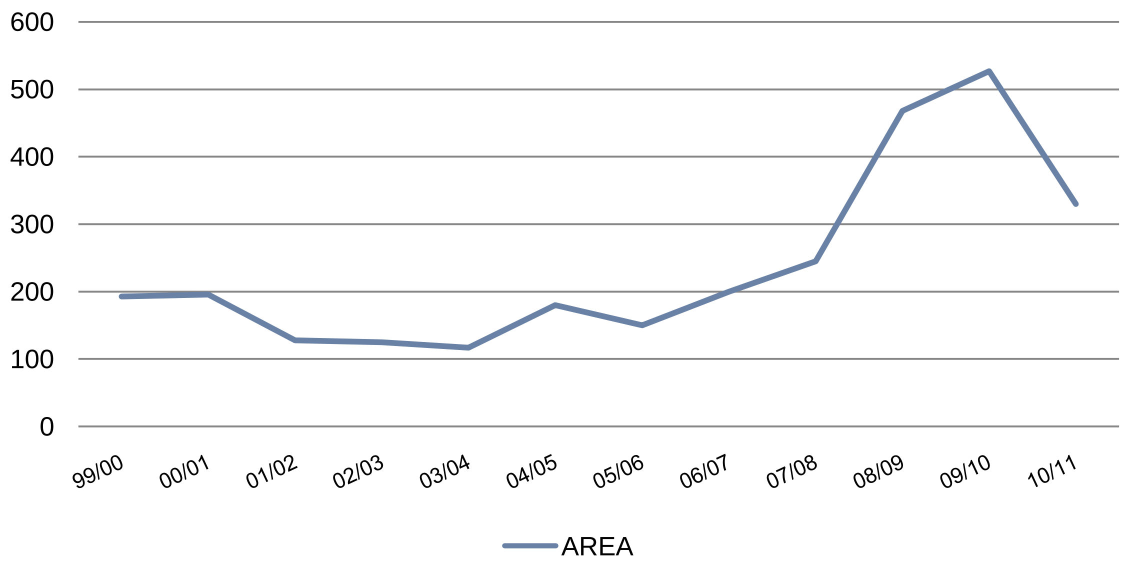
URUGUAY





- MASSIVE UPTREND IN URUGUAYAN CROPS SINCE 2000/01, NEW AREAS TAKEN FROM CATTLE PRODUCTION (200% INCREASE LAST 10yrs)

-WHEAT OVERPERFOMING

THE AVGE GROWTH

RESULTING FROM THE

INCREASE IN AREA

-2010/11 AREA DOWN DUE

TO EXCESSIVE MOISTURE

DURING PLANTING SEASON

POLICIES SUMMARY

	ARGENTINA	BOLIVIA	BRAZIL	PARAGUAY	URUGAY
EXP TAXES	Yes	No	No	No	No
PROD SUBS	No	No	Yes	No	No
MKTG SUBS	No	No	Yes	No	No
EXP RESTRC	Yes	No	No	No	No
GVMT INT IMPACT	Negative	Neutral	Positive	Neutral	Neutral
GVMT STRATEGY	Finance public sector & “guarantee” dom mkt supply		Encourage dom wht production and reduce imports dependence		

HOW THE PICTURE LOOKS THIS YEAR

SOUTH AMERICAN CROP PRODUCTION 10/11

ARGENTINA	12 – 13 mln mt
URUGUAY	0.8 – 1.1 mln mt
PARAGUAY	1.3 mln mt
BRAZIL	5 – 5.5 mln mt

HOW THE PICTURE LOOKS THIS YEAR CONT.

SOUTH AMERICAN EXPORTABLE SURPLUS10/11

ARGENTINA	6 mln mt
URUGUAY	0.9 mln mt
PARAGUAY	1 mln mt
BRAZIL	1.2 mln mt
TOTAL	9.1 mln mt

*** 3 mln mt of Arg registrations already released for 10/11 crop**

HOW THE PICTURE LOOKS THIS YEAR CONT.

SOUTH AMERICAN EXPORTABLE SURPLUS10/11

- 7 mln mt will be consumed in the region (Mercosur)
- 2.1 mln mt avail for exports outside the region
- Majority will be exported Nov 2010 thru Feb 2011
- 1 mln mt already been committed outside the region (Africa/Mideast)
- As of Mar 2011the balance of exports will exported to the region

CONCLUSIONS

- South America will continue to become a smaller player in the world export market pie
- Beans/China will continue to dominate this space
- Will see more Paraguayan/Uruguayan/Brazilian vs Argentine wheat exports
- Government intervention has been a cause for lower Argentine wheat crops
- 10/11 export wheat availability for destinations outside the region diminishing fast!!!!!!!!!

THANK YOU