Investing in Global Farm Productivity

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NCH Capital – Largest Western Farmland Operator in the Region

A pioneer in Eastern Europe/CIS with long-established regional presence

- U.S.A. based organization, headquartered in New York with 8 regional offices in Eastern Europe

- Investing into various asset classes throughout Eastern Europe/CIS since 1993, currently 8 funds under management with total invested capital over $3.5 billion (Agriculture, Real Estate, Private Equity and Public Securities Sectors)

- $1.4 billion invested into farmland (+850 thousand ha) and farming infrastructure/operations (approximately 1.4 million mt of grain storage)

- Built NCH agribusiness from the ground up in just over 7 years, assembling a proven team of highly experienced farming and investment professionals
NCH Ukraine/Russia: Current Farming Operations

- Holding companies: 12
- Farming companies: 88
- Average farm size: 8,400 ha
- Employees: +7,200
- Silo/elevators storage: 1.4 million mt
Investment Strategy – a Phased-In Approach

Strives to be one of the low-cost producers on the world market

- NCH has acquired (via direct purchase or long-term lease) high quality farmland at a deep discount to comparable quality land in other global markets

- Significantly increased crop yields - a result of modern farming methods and techniques

- Acquired/built grain storage facilities - strategically linked to NCH’s farming operations

- Implemented economies of scale - introduced “state of the art” equipment

- Exploit high barriers to entry - with two decades of experience in the region
Ukraine and Western Russia represent one of the three vitally important agricultural regions in the world.

Highly fertile black earth (chernozem) with high natural nutrient levels, superior moisture retention, and stress resilience qualities.

Favorable topography for large-scale farming, good climate, plentiful rainfall.
Why Eastern Europe Farming?

1. Severe capital shortage in one of the world’s top farming regions
   - Land is available at a fraction of the price of comparable land in other markets

2. Low cost of crop production and delivery due to
   - Some of most productive soil in the world (Black Earth)
   - Favorable climatic conditions
   - Existing logistics
   - Proximity to major export markets

3. Excellent growth potential due to
   - Current low crop yields
   - One of the few places in the world to assemble large tracts of high quality farmland
Dramatically Lower Farmland Values and Rents

Russia / Ukraine: Top agri-region with deeply undervalued assets

Farmland in the Region can currently be acquired or leased at dramatic discounts to similar (and often lower-quality) land in emerging and developed countries.

Sources: Credit Suisse, Savills, USDA, NCH. Latest available data shown for each market.

*Figures for Russia and Ukraine represent NCH estimates of average price during the Fund’s investment period, which in the case of Ukraine is subject to future lifting of the agricultural land sale moratorium.

Sources: Eurostat, USDA, NCH. Latest available data shown for each market.

*Ukraine and Russia figures are based on 2011 rents paid by NCH for high quality black earth farmland.
Why is Farmland Cheap in the Black Sea Region?

Farming was industrialized and relatively efficient through the ‘80s

During the ‘90s:

- Large collective farms collapsed, fragmenting into inefficient small units
- Capital was not available to support farming

As a result:

- Crop yields decreased
- Farming dropped to subsistence level
- Asset values collapsed
Farming Potential for the Black Sea Region

**Black Sea Region:**
- Over the past 20 years, the Black Sea Region increased its share on the world export market by almost 3X – from 5.6% to 15.3% (USDA)

**Ukraine:**
- APK-Inform Agency (Ukraine) believes that by 2025, grain and oilseed production may reach 96m tons in Ukraine
- 35m hectares of farmland, of which 20m hectares farmed on subsistence level
- If these 20m hectares produce the same crop yields as the average NCH farm,
  - Grain production would grow from 50m tons to 80m tons
  - Grain exports would grow from 20m tons to 50m tons
  - Export revenues from grain would grow from $4 to $10 billion
- Doubling crop yields on 20m hectares requires $40 to $60 billion of capital

**Russia:**
- Russian Ministry of Agriculture forecasts the estimated 2013 grain harvest could reach 95m tons (vs. 70.9m tons last year)
- Russian Gov.’s long-term forecast: grain production could reach 127-141m tons by 2030
  - Expanding planted areas from 43-45m ha to 46.7m ha
  - Increase average yields from 2.14tons/ha to 2.88 tons/ha
- This type of expansion will also require billions of dollars of investment in modern agricultural techniques (equipment, fertilizers, chemicals), and infrastructure
NCH: A Unique Regional Platform Built to Western Standards

- Established a proven and repeatable land aggregation process (over 850,000 ha)
- Developed a multi-crop rotation, geared to the global grain export market
- Efficient centralized procurement and sales
- Formed effective security protocols (GPS monitoring)
- Instituted thorough financial, legal, operational due diligence and achieved world-class management controls and reporting (IFRS for our international offices and US GAAP for Partnership reporting)