



HighQuest
P A R T N E R S

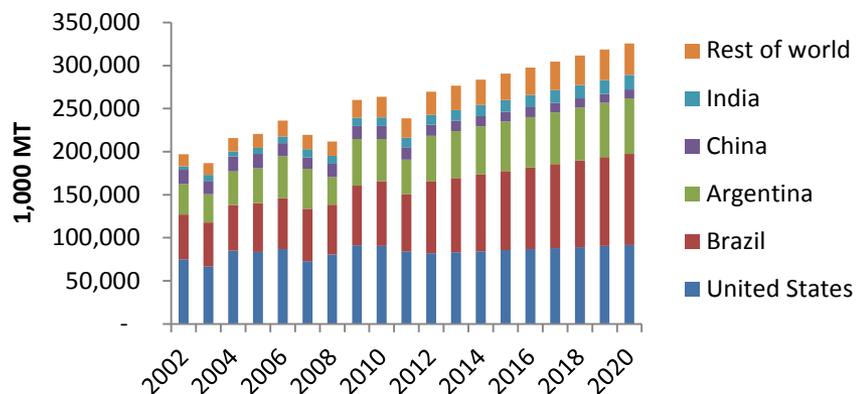
KC FED – Agriculture Infrastructure – Investor Perspective

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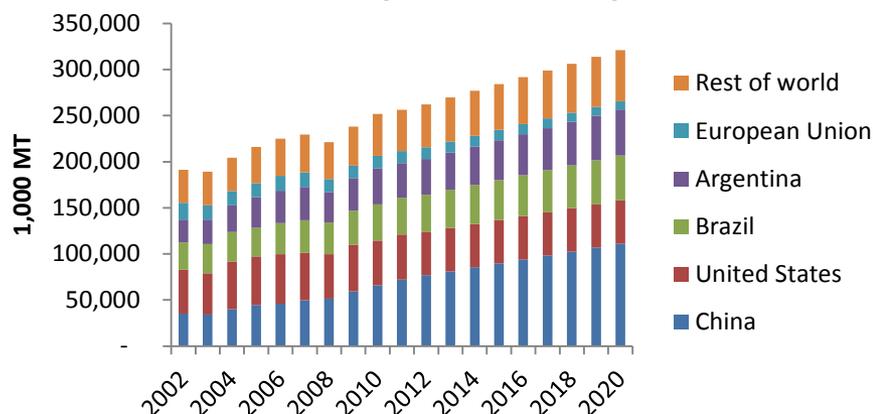
Global Supply and Demand

Global Soybean Supply and Demand

Global Soybean Production



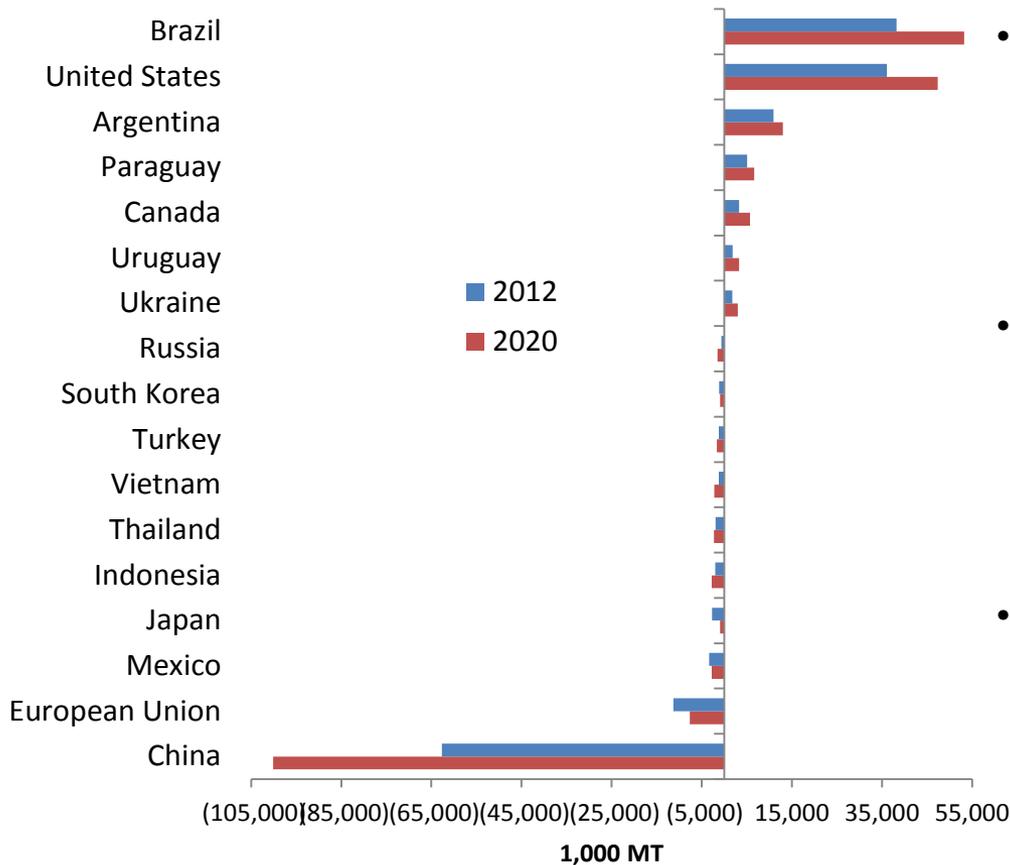
Global Soybean Consumption



- Over the last decade global oilseed supply and demand tightness has continued to intensify as a result of suboptimal crop yields, limited harvested area expansion and increased demand for food, feed and biofuel feedstock.
- Forecasted global production of soybeans is projected to grow slightly at a 10-year linear rate of 2.6% to 325 million MT. The traditional growers will continue to account for most of world soybean supplies including the US, Brazil and Argentina, however producers face increasing costs, environmental constraints and sustained profitability of competing crops.
- While growing food use has been the primary demand source of soybean oil consumption, soybean meal is expected to remain the dominant value driver over the forecast period. Growth in meal demand will come from emerging economies as they continue to industrialize their livestock industries. Global soybean consumption is projected to grow at a linear rate of 2.8% to 321 million MT by 2020.

Global Soybean Trade Flows

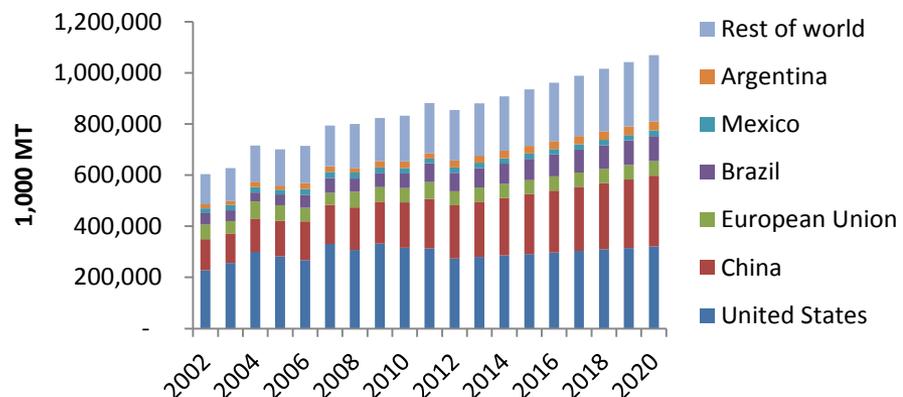
Global Soybean Trade Balance



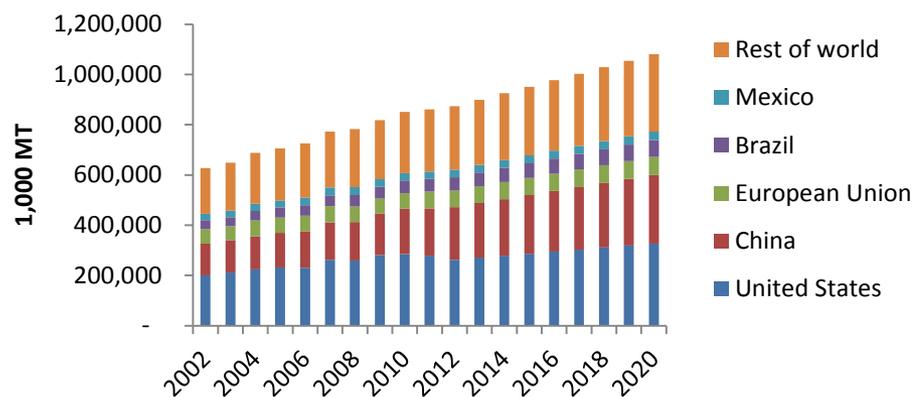
- Argentina, Brazil and the US currently make up 87% of global exports and they are expected to maintain this share over the next decade.
- As Brazil increases its harvested soybean acreage over the projection period, it is expected to become the leading soybean supplier to the global market. The country currently exports 38.4 million MT, however exports are projected to grow at a rate of 4.7%, reaching 52.8 million MT by 2020.
- Currently China is the largest net importer of soybeans in the world and it is expected to increase its demand significantly to 77% of global imports, or 100 million MT, by 2020. Expanded crush capacity along the coast is driving this major growth trend in response to increasing animal protein demand.
- The EU is the second largest net importer following China, but the region is expected to experience a decline in soybean imports as a result of greater demand for rapeseed crush, driven by biodiesel policies.

Global Corn Supply and Demand

Global Corn Production

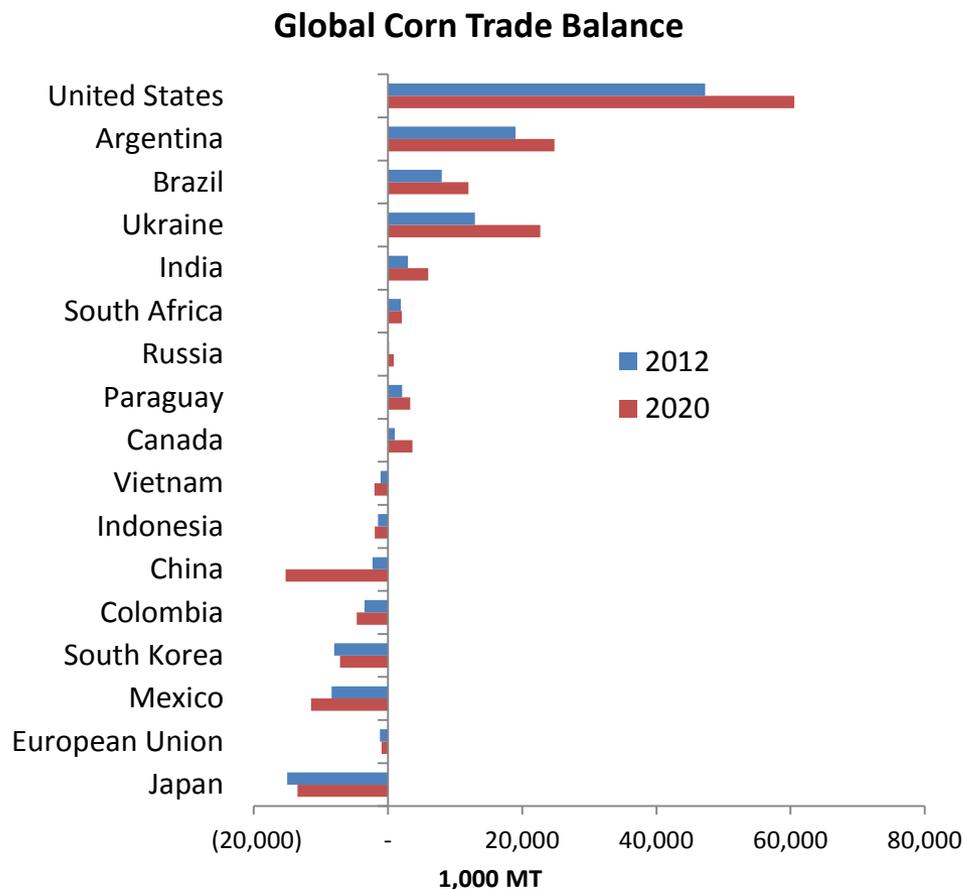


Global Corn Consumption



- Global production of corn is expected to increase at a linear rate of 1.2% by 2020; the slowdown in output is attributed to diminishing expanded acreage growth as well as less optimistic yield outlooks. Global corn production is expected to reach 1 billion MT by 2020. The US and China will remain the world's leading producers.
- Global demand for corn is projected to increase to 1 billion MT by 2020. Feed and residual uses will continue to drive this growth trend, which currently accounts for 70% of global consumption. The US ethanol mandates will keep demand elevated over the next decade as well.
- Lower than average corn inventories will keep markets sensitive to price changes of corn. Compared to other cereals such as wheat, the corn supply and demand balance is expected to grow even tighter due to the commodity's relatively elastic nature (non-food uses such as biofuels).

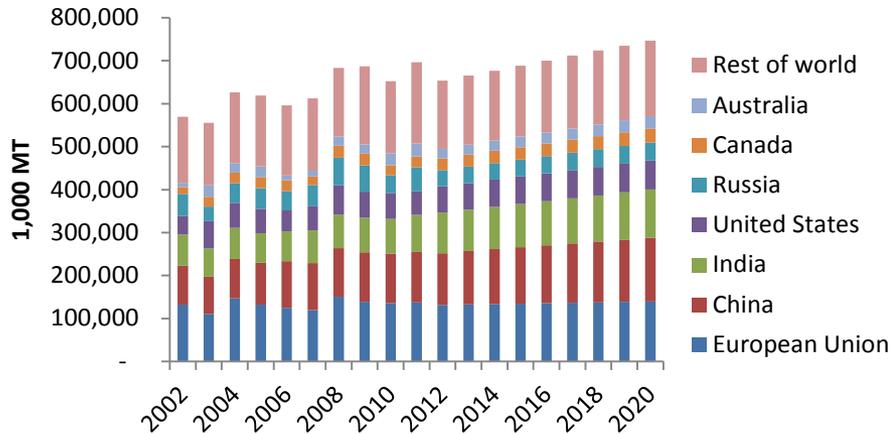
Global Corn Trade Flows



- As US farmers shift more acreage to corn in response to increased global demand, world exports are expected to continue to increase to 130 million MT by 2020. The US alone will account for nearly half of this trade balance.
- Currently Argentina and Brazil account for a combined 42% of global corn net exports, which is expected to gain moderate share over the next decade to a combined 57 million MT. Marginal acreage will most likely be diverted to soybean production.
- Although Ukraine only contributes to 14% of global corn trade, the country's exports are projected to grow to 22 million MT by 2020. This will account for an estimated 21 % of global trade in 2020.
- While China is presently not a major corn importer relative to other net importers, its rise in demand is expected to make it the world's largest net importer by 2020, importing an estimated 18 million MT. The region's population and GDP per capita growth will drive this increase in import demand.

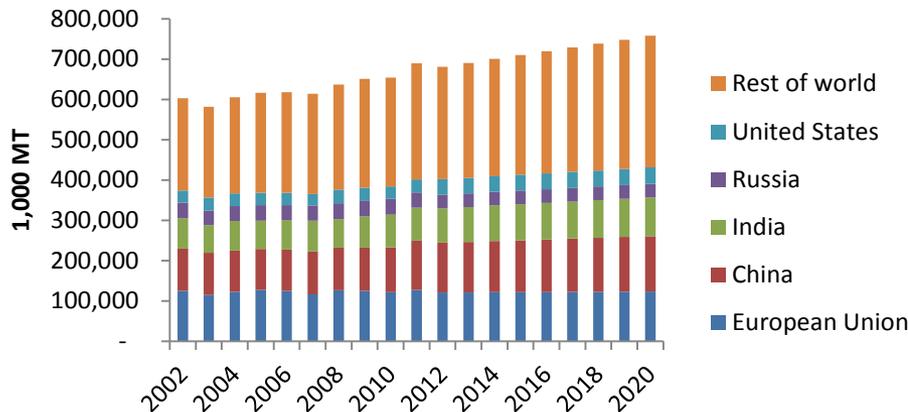
Global Wheat Supply and Demand

Global Wheat Production



- World wheat production is expected to reach 740 million MT over the next decade, about 1.8% higher than current levels, but with slower annual growth relative to the previous decade. The largest area expansions are anticipated in the Black Sea region and China, producing 88 million and 130 million MT by 2020, respectively. Currently China and the EU are the largest producers of wheat in the world and are expected to maintain their positions as the top two growers.

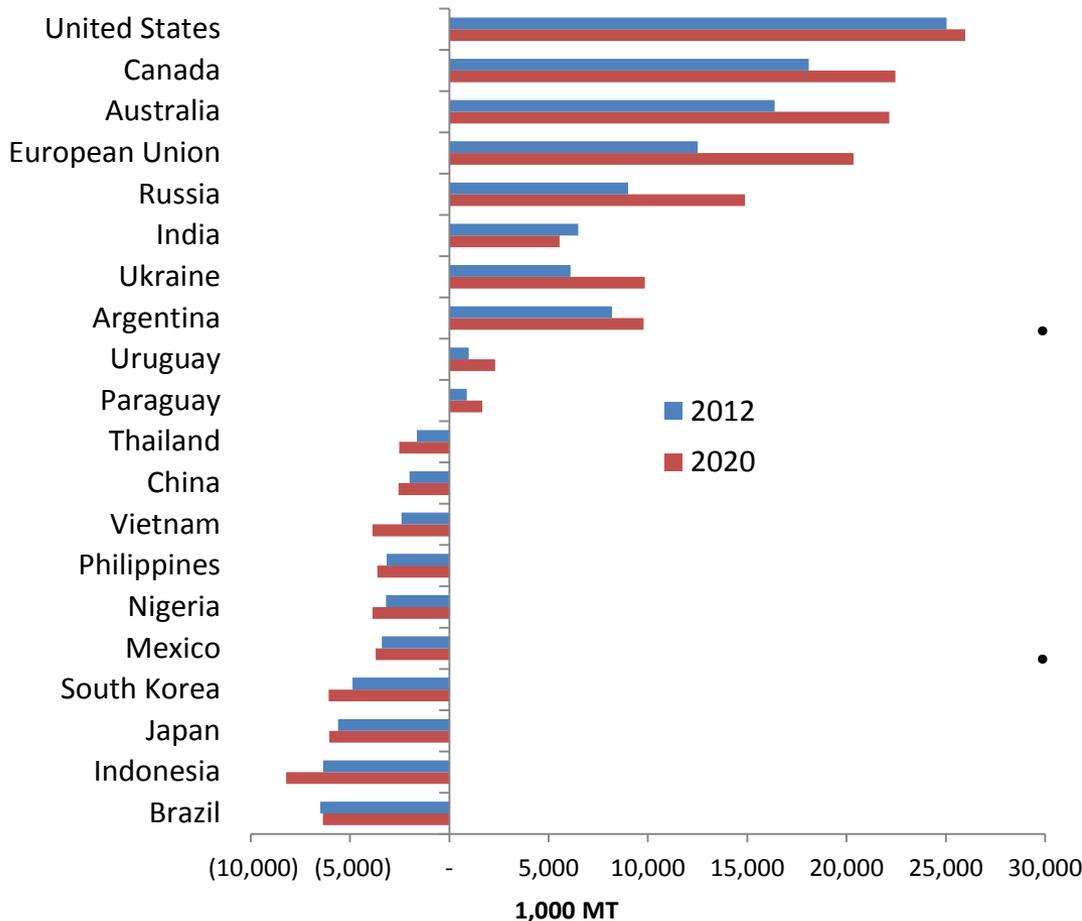
Global Wheat Consumption



- Total wheat utilization is projected to reach 735 million by the end of the forecast period, a slightly lower growth rate than the previous decade. Demand growth is primarily driven by food consumption, roughly 67% of total use by 2020. Other sources include the EU's wheat-based biofuel program. These food and fuel drivers make China and the EU the largest producers and consumers of wheat in the world.

Global Wheat Trade Flows

Global Wheat Trade Balance



- The US and Canada's wheat export markets are projected to grow marginally as wheat acreage becomes less competitive against rapeseed and soybean acreage. Over the next decade the US and Canada are expected to reach up to 30million and 23 million MT, respectively. However, North America's share of global wheat exports is expected to decline in the future due to increases out of the Black Sea region.
- Despite recent adverse weather conditions that have impacted Russia wheat yields, the Black Sea region is expected to grow significantly as a major supplier to the world wheat market. By 2020 Russia is projected to export 22 million MT while Ukraine exports 10 million MT. These countries will become increasingly competitive in major demand markets including the Middle East and North Africa.
- Major net importers are expected to grow at stable levels, including Indonesia, Japan, South Korea and Brazil.

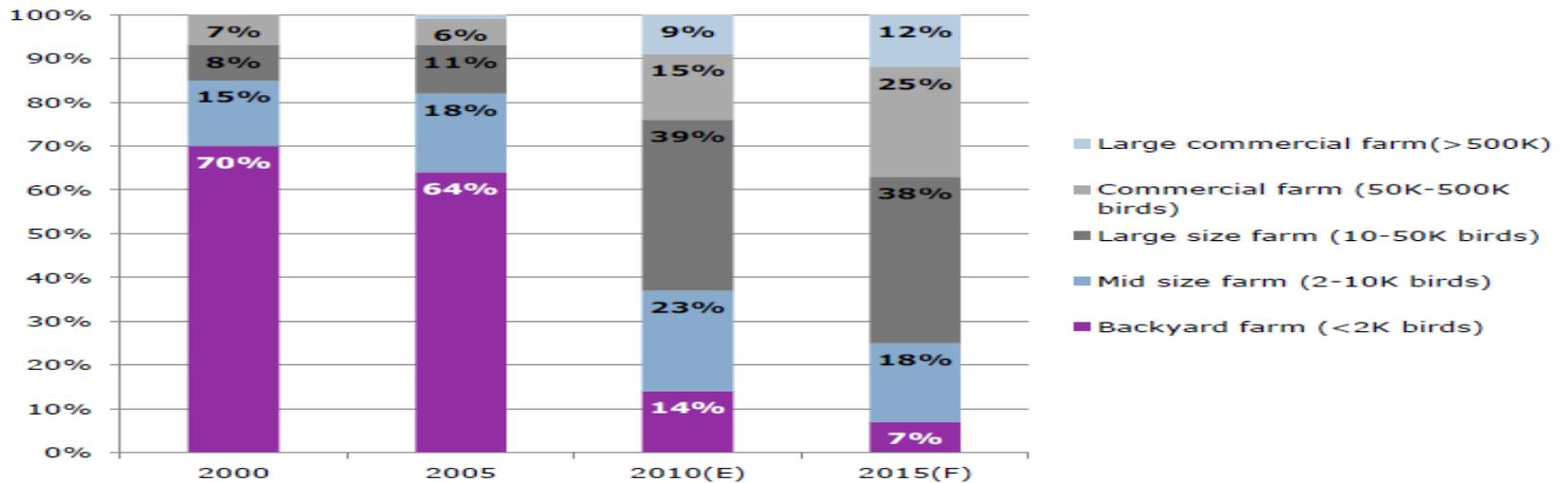
WHAT HAPPENED ON THE FARM LEVEL?

PROGRESSION FROM COTTAGE LEVEL TO SPECIALIZED FARMS

Herd Size of Hog Farms In China



Flock Size Of Poultry In China



Global Infrastructure

South American Perspective

Brazilian Storage, Transportation Loss

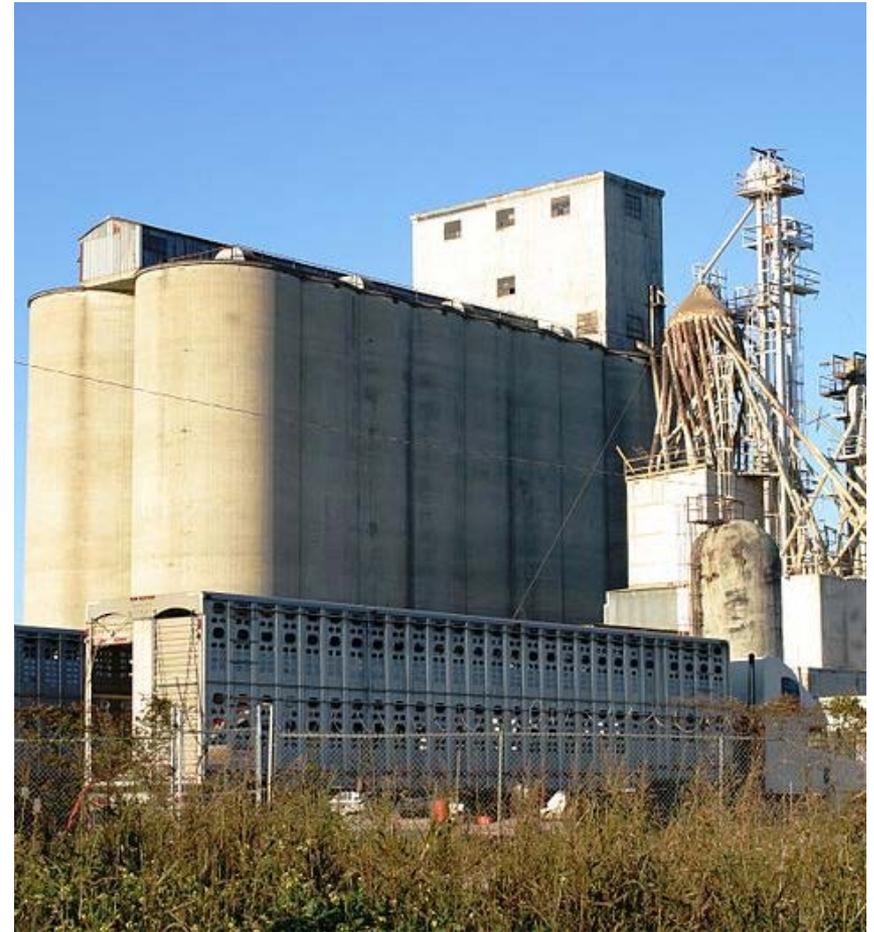
Brazilian Storage capacity is underdeveloped

- **Current Post Harvest Losses ~ 10% (Mato Grosso)**
- **State of Mato Grosso ~34% under capacity for storage**
 - Example: Region of Mato Grosso, 6.9 mn MT under capacity (assuming full double crop) – that is equivalent to ~5,400 50k bushel storage bins
- **Transportation Loss: ~3% due to poor condition of the trucks and roads in emerging markets**



Brazilian Government Initiatives

- **State Food Organization CONAB to receive \$250m for construction of new grain storage**
- **Co-ops and Private Companies to have access to \$12.5 bn in low interest, 15 year loans**
- **Goal is to increase storage capacity by 65 million tons in the next 5 years.**



BRAZILIAN INFRASTRUCTURE - INVESTMENT REQUIRED

Infrastructure improvement will be the primary driver in closing the efficiency gap in Brazilian Agriculture

Comparison to North American Rail Infrastructure

Deficit in basic transportation infrastructure



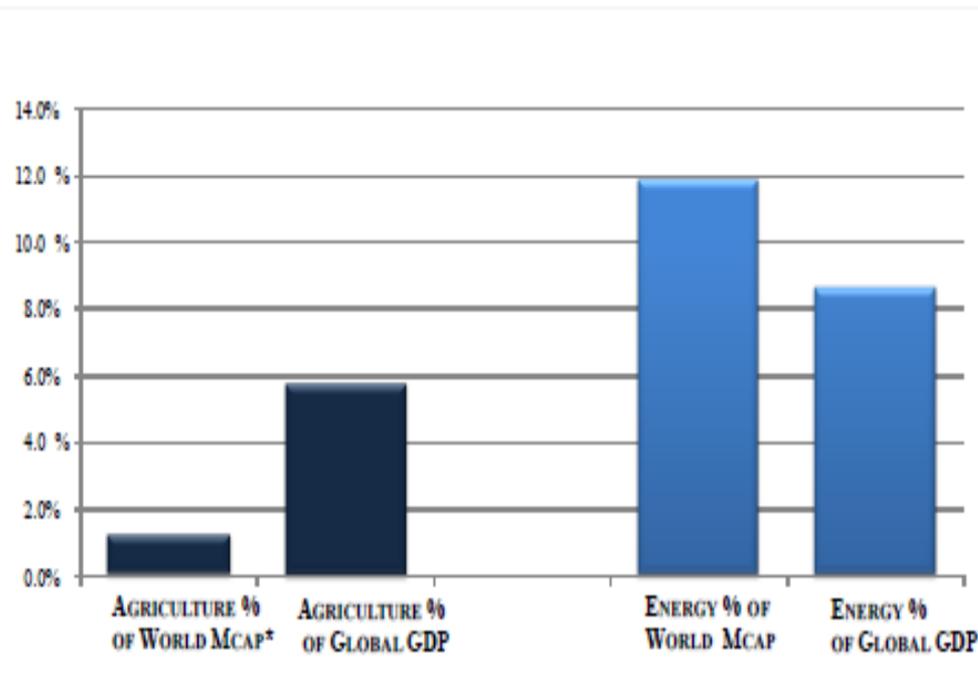
EXPANSION OF BRAZILIAN INFRASTRUCTURE PUSHING TOWARDS THE NORTH



Investment Case for Institutional Capital

AGRICULTURE REPRESENTATION IN GLOBAL EQUITY MARKETS

Agriculture is an important and under invested sector



*World Mcap is the sum of the market cap of all securities trading on Global exchanges (Data as of June 2011)

Source Central Intelligence Agency, Institute for energy Research

- Investors have an increasing demand for real return investment sources
- Agriculture has a diverse multifaceted risk profile
- Is a necessary sector of the global economic fabric
- Has traditionally not been sector weighted in investor portfolios

Selection of Ag Mid-Stream Acquisitions

- Temasek – 20% stake in Indian Firm, Godrej ([Agrimoney](#))
- GIC – 5% stake in Bunge ([Financial Times](#))
- TPG – Inghams Australian Poultry ([Sydney Morning Herald](#))
- Pritzker – Acquisition of Intersystems ([Crains](#))
- Blackstone – 12.5% of International Tractors (India) ([The Hindu](#))
- Centerbridge Partners – Acquisition and Sale of GSI ([WSJ](#))
- Paine & Partners – Acquisition of EuroDrip ([PEWire](#))
- China Investment Corp – 15% of Noble Resources ([Bloomberg](#))
- Carlyle – Investment in Africa (ETG) – ([WSJ](#))
- Private Equity – Acquisition and Sale of Gavilon ([Bloomberg](#))



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