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Driven by nature

The Latin American Oils and Fats Outlook

4th Global Oils and Fats Business Forum USA
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Americas

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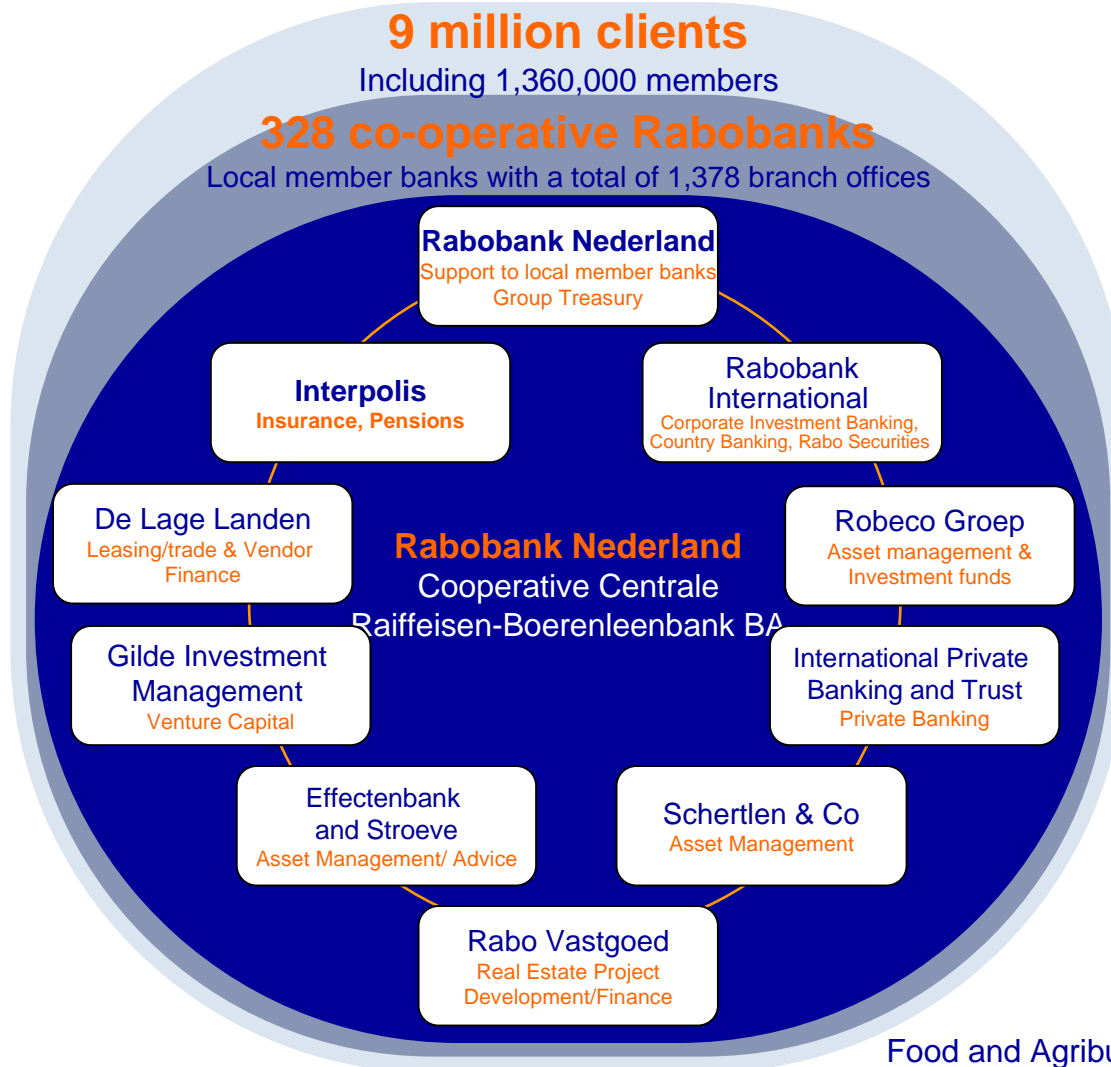


Your vision
Our insight

Section I Rabobank



The Rabobank Group: A Global Cooperative



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Strong balance sheet, international network and know how.....



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143 offices in 39 countries

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..with a broad F&A client network.....



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DIAGEO



agropur

The Coca-Cola Company



BUNGE



Saputo



ROBERT MONDAVI

Campbell Soup Company



Smithfield Foods, Inc.



SaraLee



TATE & LYLE



.. and sector knowledge as a competitive advantage



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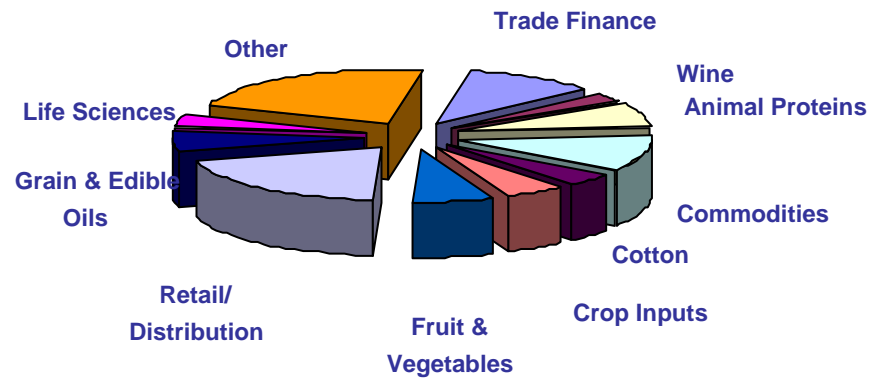


Commitment to the food and agribusiness sector in North America exceeds USD 7Bn



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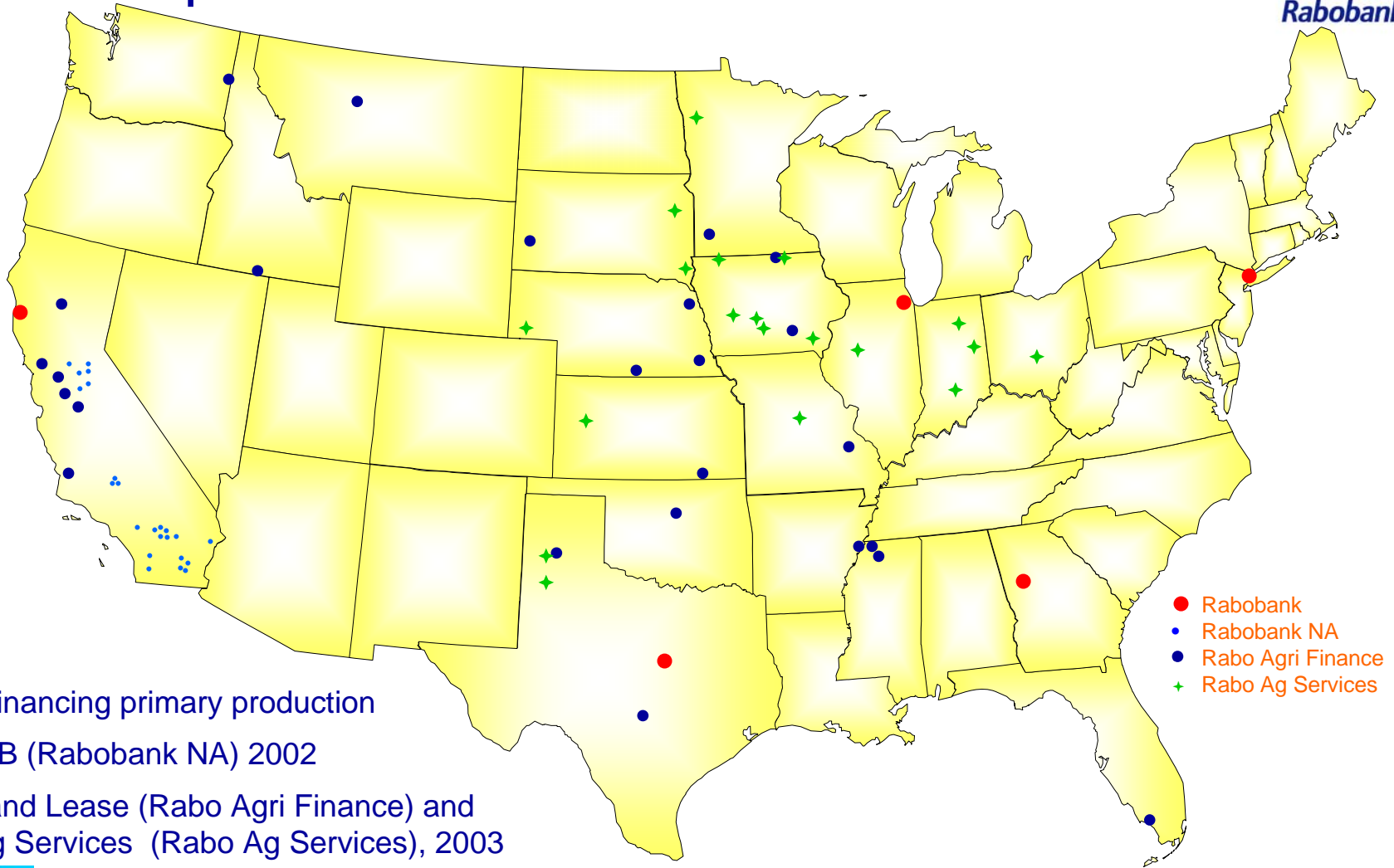
- Corporate Finance
- Corporate Lending
- Leveraged Finance
- Treasury Products
- Global products
- Leasing
- Structured Commodity & Trade Finance
- Mergers and Acquisitions
 - ▶ Leading position in terms of closed transactions for consumer food products
- Dedicated F&A Research Team
- Syndications
 - ▶ Leading syndicator in US F&A sector



..with a rapidly expanding geographic presence



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Into financing primary production

- ▶ VIB (Rabobank NA) 2002
- ▶ Land Lease (Rabo Agri Finance) and Ag Services (Rabo Ag Services), 2003





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Section II Demand



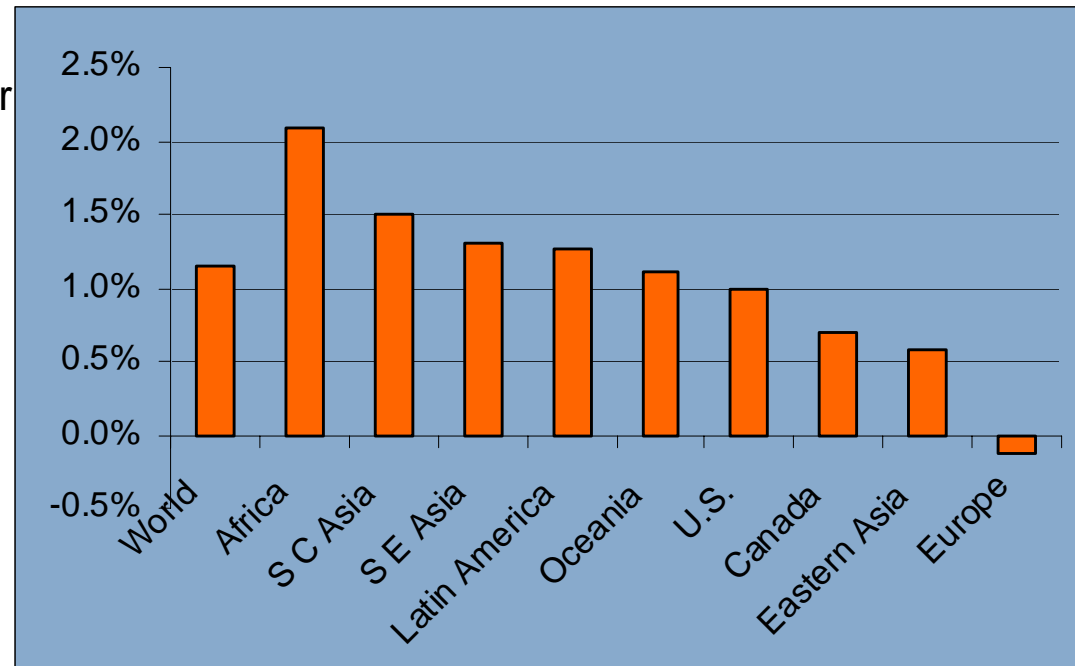
World population is growing at slower rates....



- The slowdown in growth rates although occurring worldwide has been more pronounced in developed economies, with strong implications for food demand
- Yet the world population is expected to grow from 6.4 to 7.2 billion between today-2015 (9 billion in 2050)
- Most of that growth will take place in developing countries
 - LA population to grow annually by 1.2%

2005	2015
561	634
MM	MM

Population Estimated Growth Rate, 2000-2015



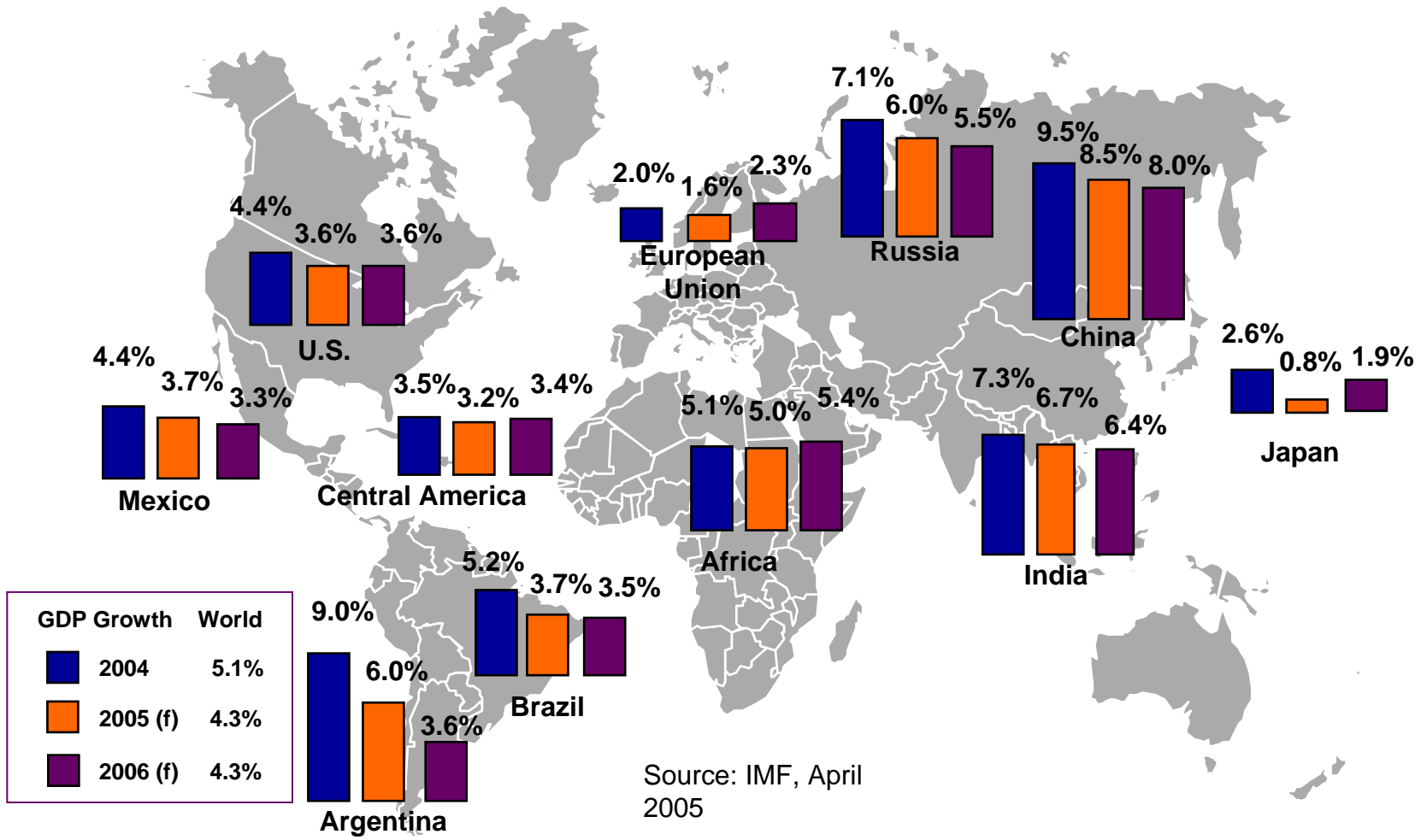
Source: Rabobank analysis based on UN data



..while economic growth forecasts are still strong



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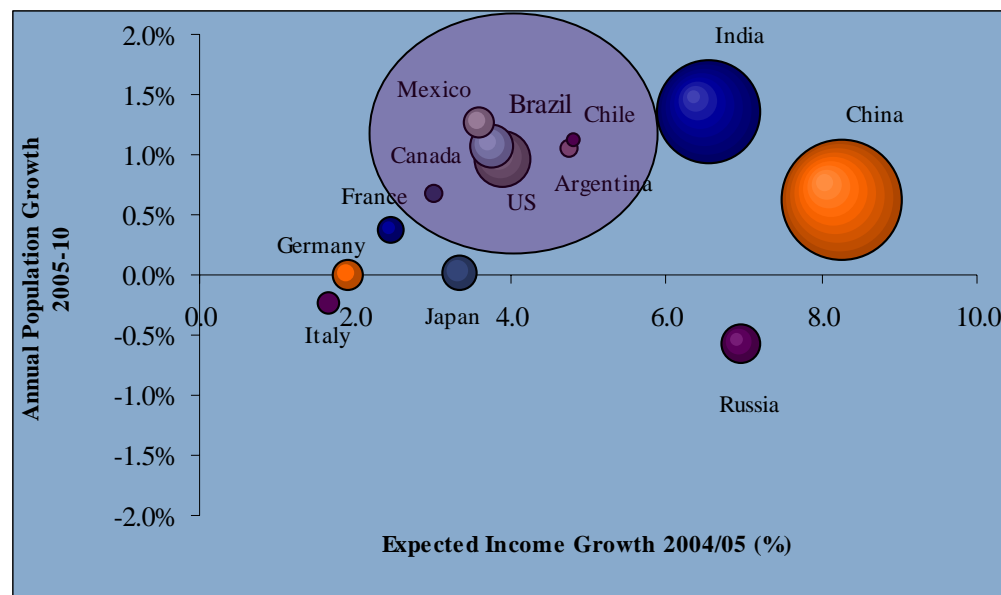
...but within a significant range, expanding food markets in developing countries



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- Today almost half of the world population still live below the poverty line
 - 1.25 billion people live on less than USD 1 per day
 - 3 billion people live on less than USD 2 per day
- Most of the growth will come from developing economies
 - Latin America population growth and increasing per capita food consumption

Expected population and income growth. Selected countries



Rabobank analysis base on UN-Population department and IMF data

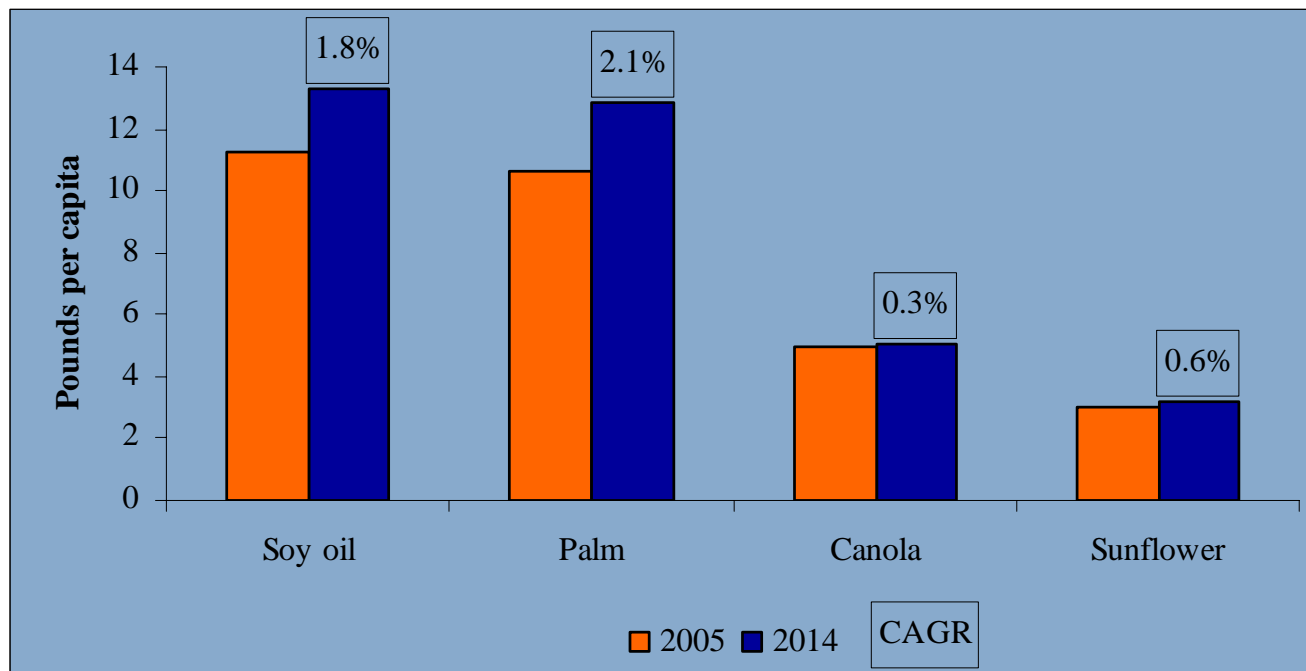


.... and more specifically, providing the basis for increasing demand for edible oils



- In developed countries non food use will account for most of the increase in demand
- Developing countries still have room to increase food use
- Soy and palm oils are best positioned to attend the increasing demand in developing countries

Projected evolution in world consumption of selected oils



Source: FAPRI projection



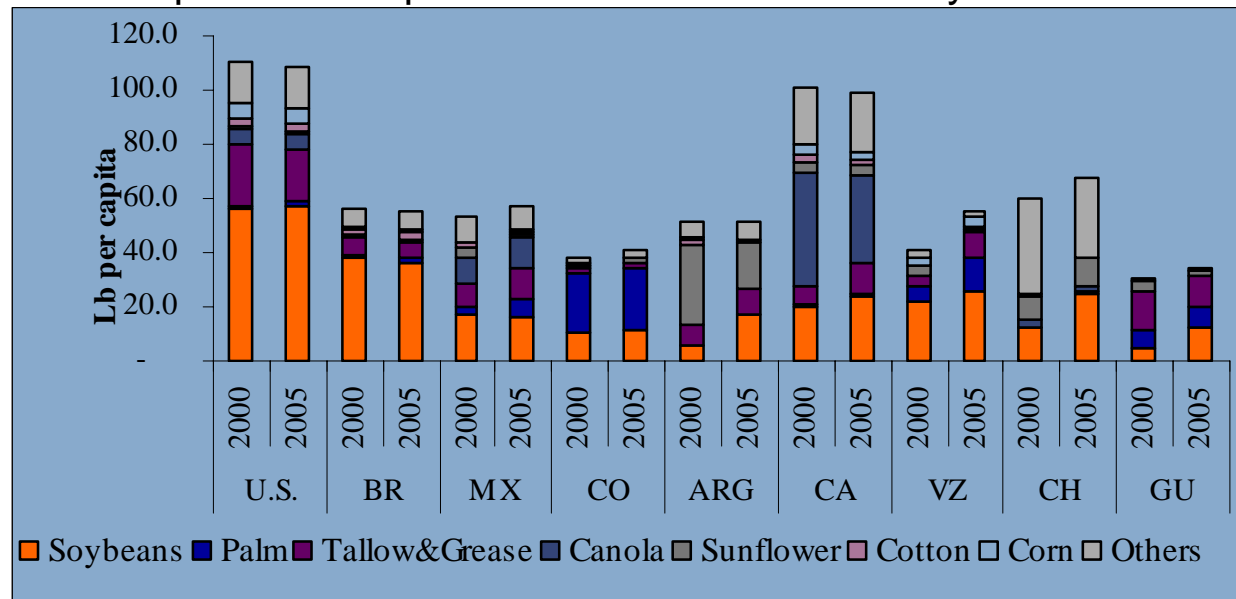
Changes will happen on overall consumption and in the consumption profile of different markets...



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- Overall increase in per capita edible oil consumption in the Americas
- Per capita consumption in LA well below US and Canada's
- Soy oil consumption increasing the most in volume
- Palm oil consumption increasing at the fastest pace
- Sunflower oil losing market

Per capita consumption of edible oils. Selected years



Population 2005								
U.	BR	MX	CO	AR	CA	VZ	CH	GU
30	18	10	46	39	32	27	16	13

Source: Rabobank estimates based on Oil World



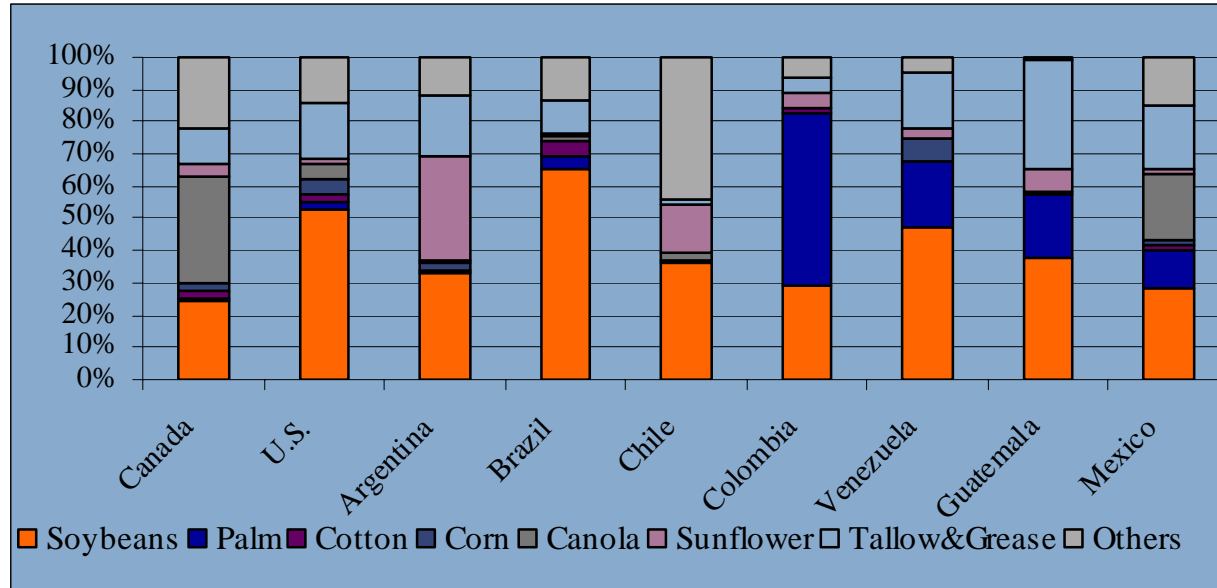
...based on local preferences ...



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Market share of the major edible oils in selected countries. 2005

- Supply
- Income level
- Urbanization
- Taste and tradition
- Convenience



Source: Rabobank estimates based on Oil World

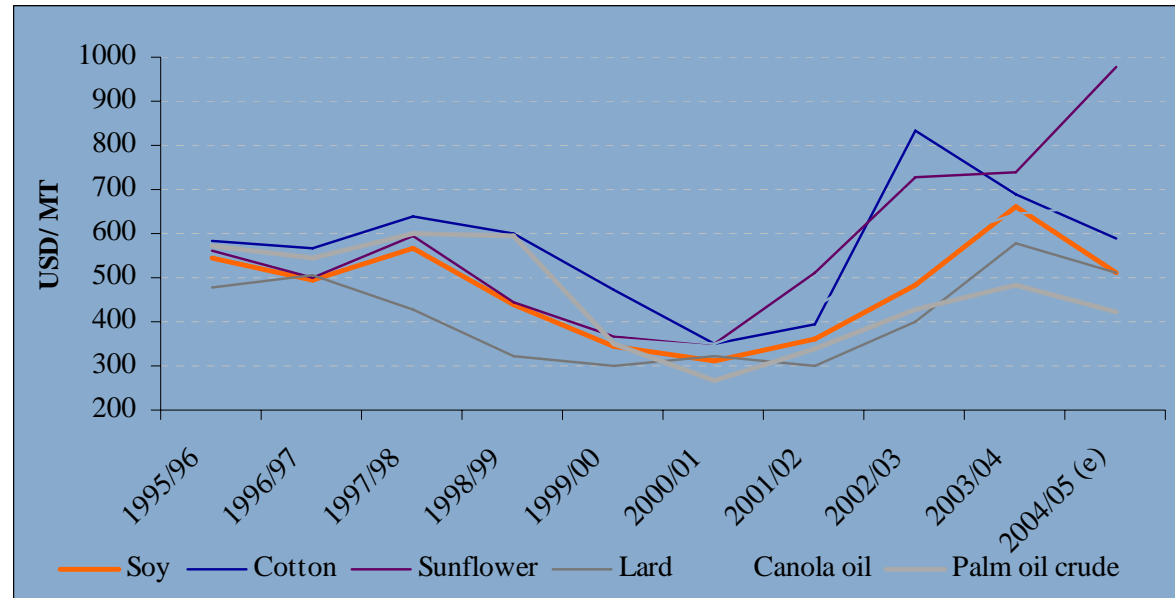


...and mostly price



- Price is the major driver of consumption
 - Function of supply
 - Substitution might occur as per capita income rises
- Soybean and palm oil are the most economic alternatives

Price evolution of selected oils and fat



Source: Rabobank based on Oil World and USDA data





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Section III Supply

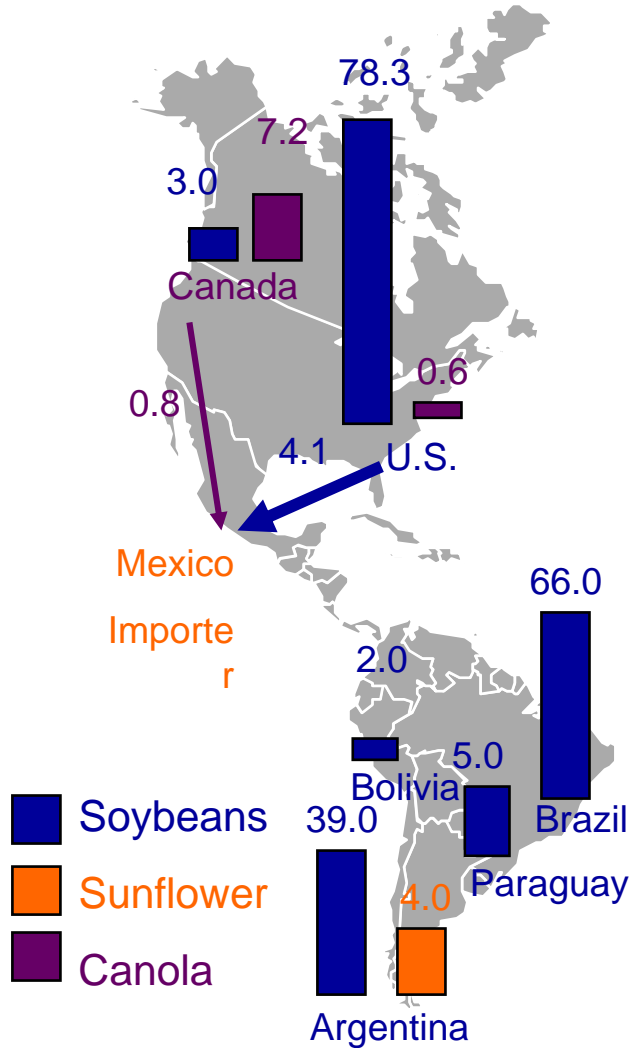


The Americas are the largest producer, exporter and market for soy products



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Domestic
Market orientation
Export



- US

Exports 36% of soybeans
 14% of soy meal
 6% of soy oil
- Brazil

Exports 35% of soybeans
 66% of soy meal
 50% of soy oil
- Canada

Exports 47% of canola; 21% of soybeans
 64% of canola meal
 63% of canola oil
- Argentina

Exports 23% of soybeans
 98% of soy meal; 88% sun meal
 98% of soy oil; 65% sun oil

Source: Rabobank analysis based on USDA data



Palm oil has a secondary position in the region..



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- Malaysia and Indonesia together account for 85% of the World production and 92% of world exports
- Colombia the 5th largest world producer account for 2% of global palm oil production and less than 1% of exports
- Soybeans and sunflower in Argentina, soybean and cotton in Brazil and canola in Mexico compete with palm oil for the LA edible oil market





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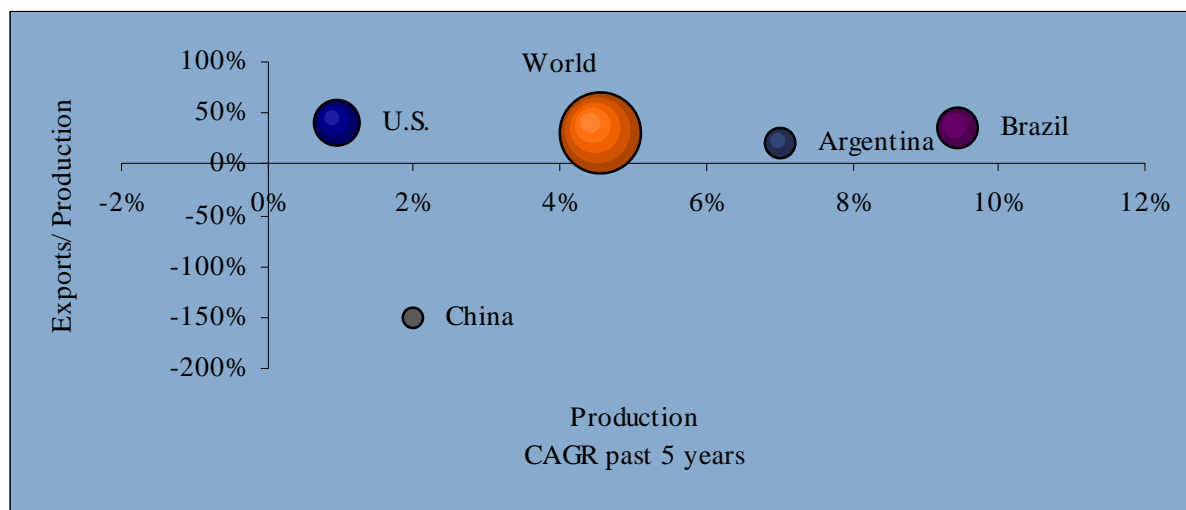
..and soy oil will be increasingly available

- Production in Brazil and Argentina expanded faster than in the U.S.

Country	CAGR past 5 years
Brazil	11%
Argentina	7%
U.S.	0%

- South America
 - Soybean is pegged to dollar
 - Demands lower investment per acre (less risk)
 - Yields are more constant
- North America
 - Corn has been the preferred crop because higher yields and (increasingly), ethanol

Evolution of soybean production at selected countries



Source: Rabobank analysis based on USDA data



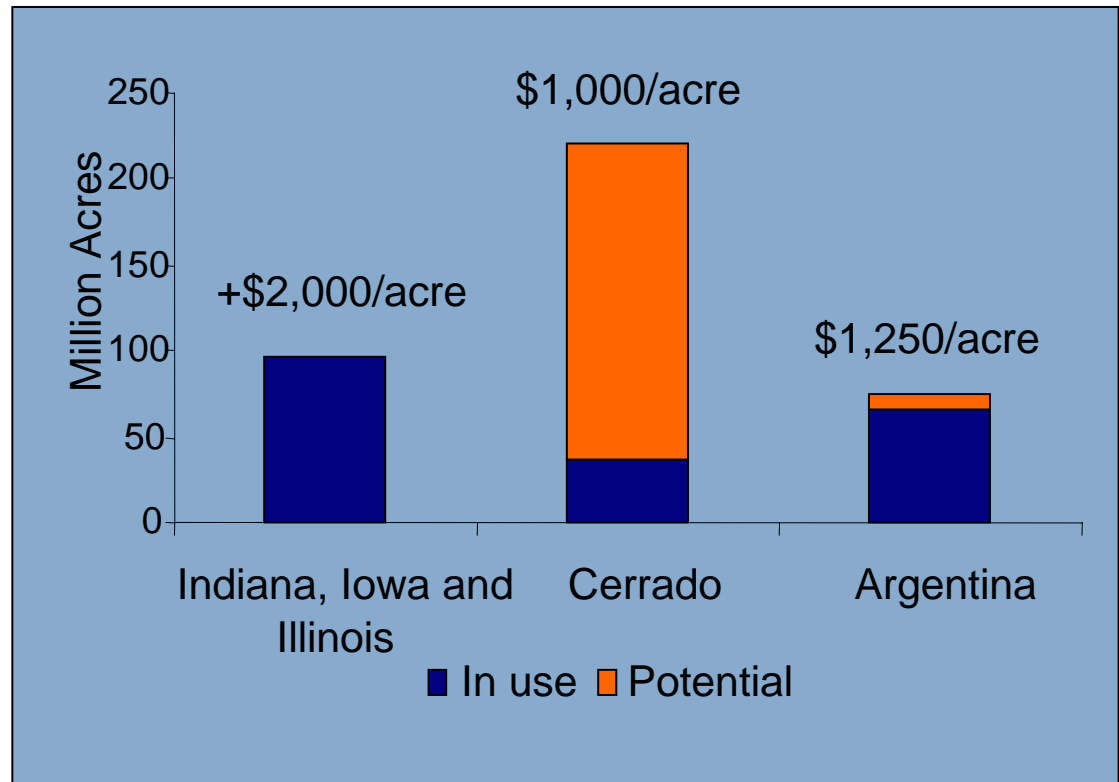
...as acreage expands in Brazil



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- Agricultural frontier land in Brazil can be purchased for less than USD 350 per acre
- There are 220 M acres of potential area in the “Cerrado”
- Indiana, Iowa and Illinois have a total area of 96 M acres
- Infrastructure is however a limiting factor

Use and potential of selected agricultural areas



Source: Rabobank estimates 2004



Argentina and Brazil are still low cost soy producers..



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- Land prices appreciation in the U.S. has been driven by:
 - Urbanization (Real estate appreciation)
 - Increase in farm income
 - (20 % from governmental support)
- Ex-farm costs favor the U.S.
 - Brazil is investing in logistics and might reduce the gap
 - But the U.S. seems to be realizing it needs to invest too
 - House approved 7 new locks on the Mississippi waterway
- U.S. farmers also benefit from
 - Latest technology
 - Low cost of capital
 - Governmental support
 - Strong managerial skills

2005-06

Soybean Cost Structure in selected countries

(USD/Bushel)

	U.S.	Brazil	Argentina
Land Rental	2.60	0.82	1.73
Labor & machinery	0.84	1.29	1.08
Seeds	0.64	0.31	0.36
Chemicals	0.52	0.91	0.38
Fertilizer, lime and gypsum	0.65	1.17	0.23
Total farm	5.26	4.50	3.79
Domestic freight	0.68	1.01	0.95
Port costs	0.05	0.19	0.08
Ocean freights	0.95	1.22	1.20
Total Cif-Rott.	6.94	6.92	6.02
Expected yield (Bushels/acre)	50	45	48

Source: Rabobank analysis based on market information



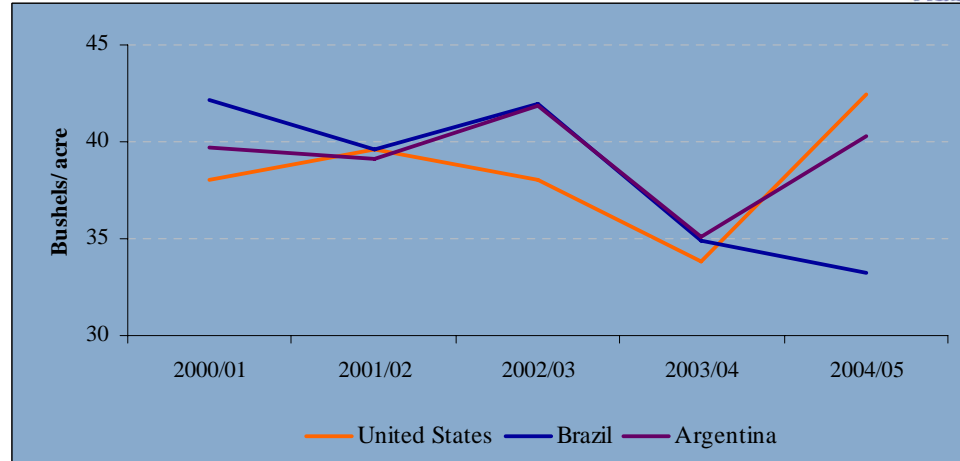
...although exchange rates and weather have hampered their competitiveness



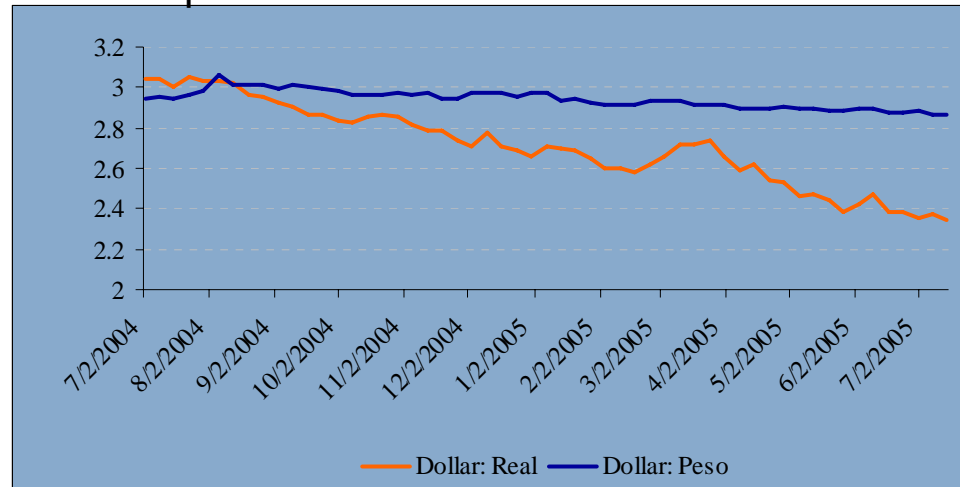
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- Adverse weather in Brazil during the past 2 CY
- Real and peso appreciation relative to the dollar
 - Much stronger for BRL
- Soy rust implying on average two fungicide applications, while still harmless in the U.S. and Argentina
- Declining farm income leading to lower investment per acre

Evolution in yields among the largest producers



Real and peso evolution relative to the dollar



Source: Rabobank based on Bloomberg and USDA

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Section IV Dynamics in processing

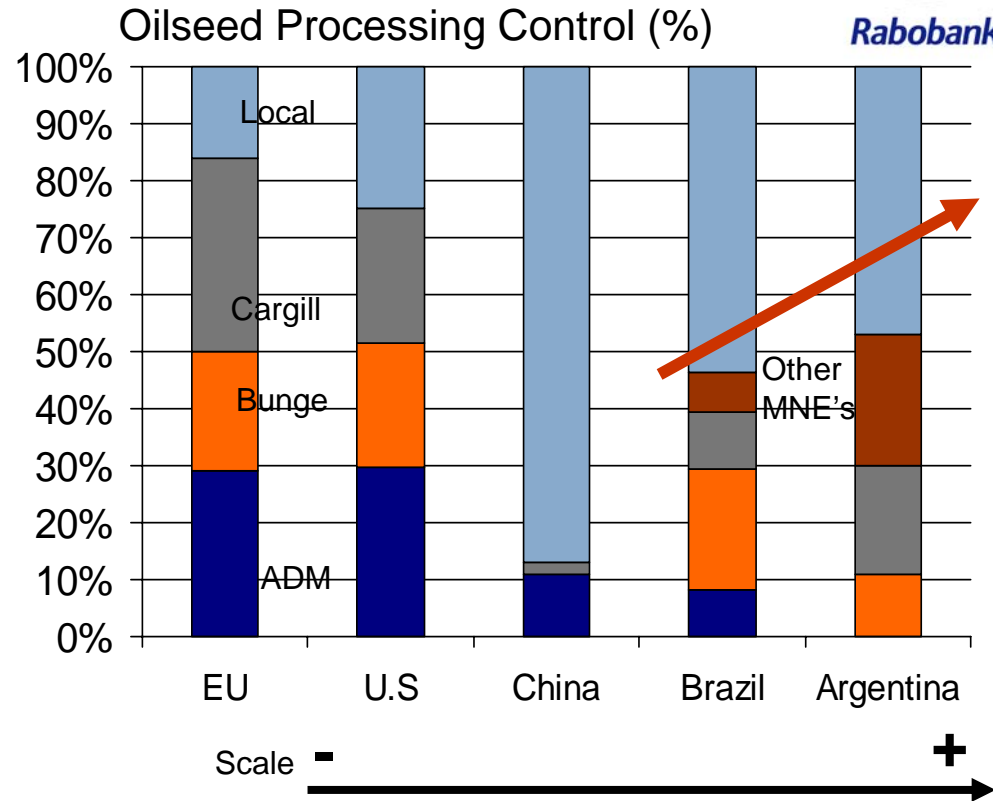


The internationalization in the soy sector will further increase



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- Industry is becoming increasingly global
- The three largest global companies now command about 45% of the crushing capacity in the main origination and consumption regions
- Latest developments
 - Bunge entering China
 - Cargill and ADM re-investing in ethanol and biodiesel



Source: RI estimates based on industry data

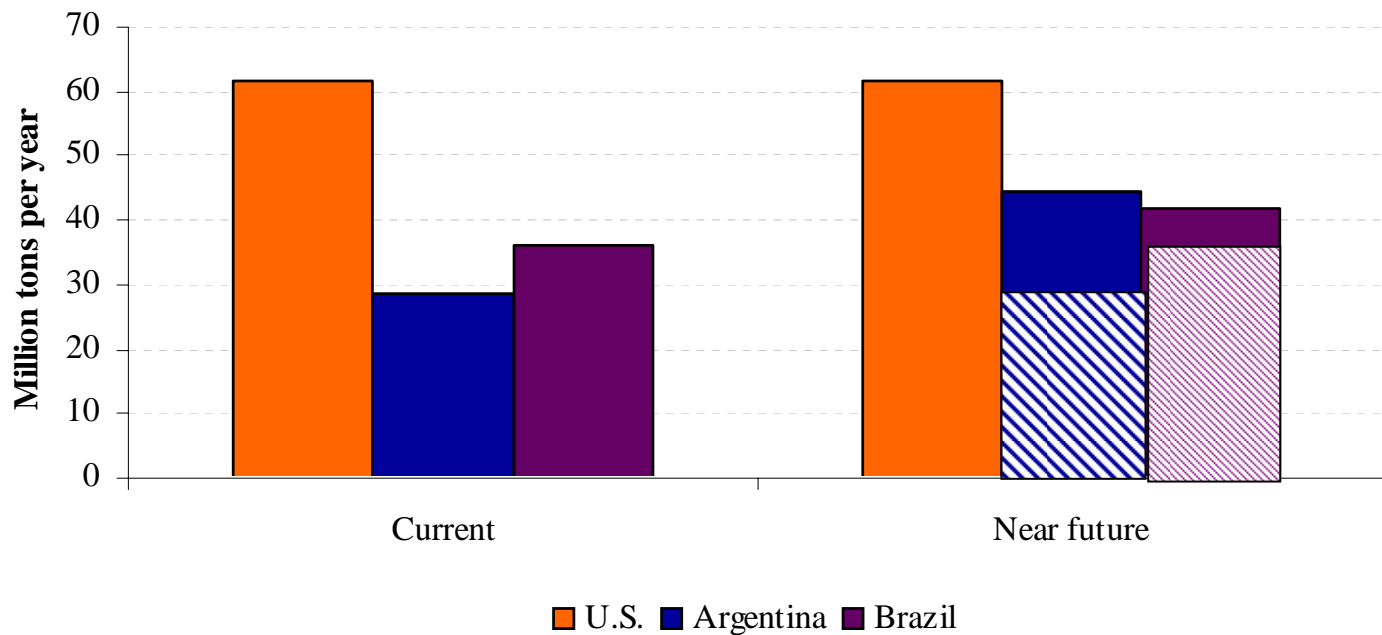
Room for further internationalization



Further expansion of crushing capacity to take place in South America



Crushing capacity. Selected periods and countries



Source: Rabobank estimates based on market information





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Section V
Moving forward

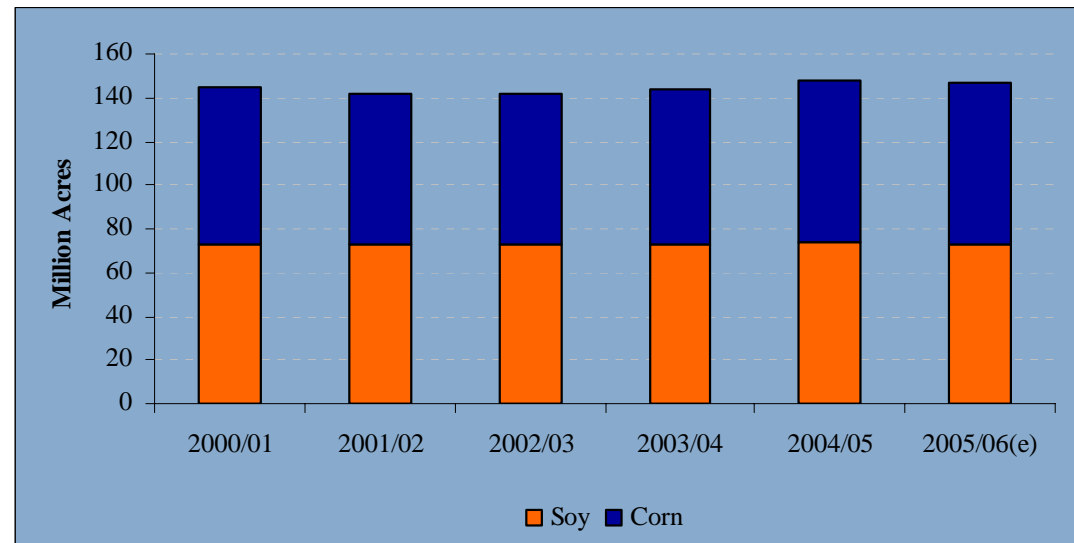


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U.S. corn and soybean crop allocation to change as the ethanol sector expands

- During the current CY, corn acreage expanded by 1% and soybean acreage declined by 3%
- Crop rotation is a well established practice, so corn and soybean acreage ratio has been consistently close to 50:50
- In the event of corn expanding over soybeans there are some important consequences:
- Any percentage change in soy oil demand is significant to other edible oils

Evolution of corn and soybean harvested area



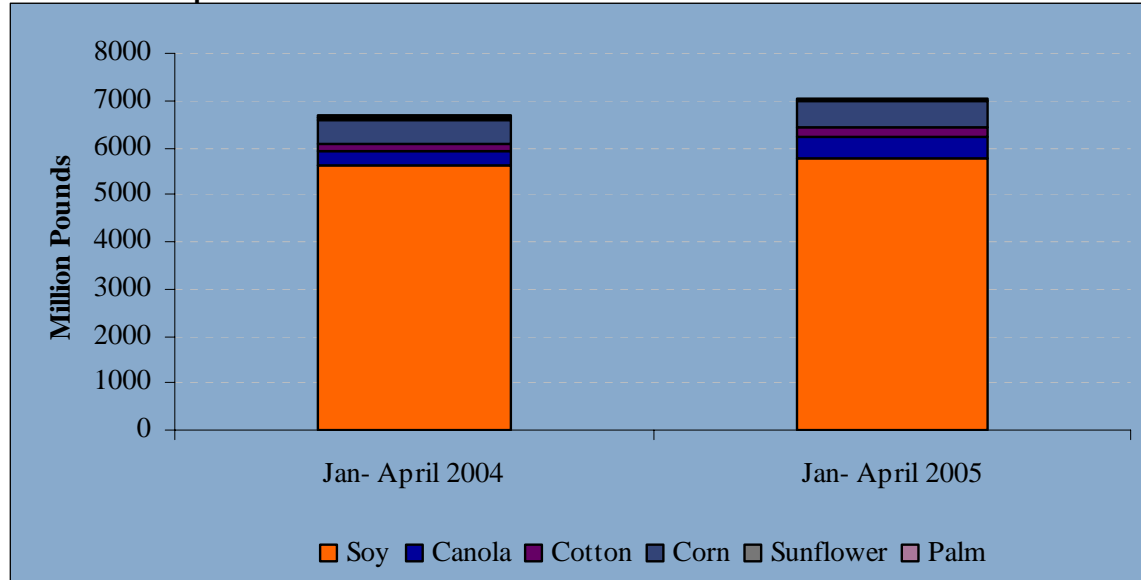
Source: Rabobank analysis based on USDA data

Trans fatty acids modifying U.S. vegetable oil use



- 54% of soyoil is used for manufacturing of margarine and baking/frying fats
- TFA debate & labeling: Food companies together with their ingredient suppliers are searching for alternatives
 - Canola and cotton oils appear as the preferred alternatives
 - Other processing methods?
 - New soy varieties?

Consumption of selected edible oils in the U.S.



Oils	Soy	Canola	Cotton	Corn	Sunflower	Palm
Change 05/04	2.29%	65.13%	35.83%	3.78%	-30.57%	15.98%

Source: US Census Bureau



But it still not an issue in Latin America

- LA markets are more price sensitive and less informed
- Palm oil largely perceived as unhealthy because of high saturated acids content
- Soy oil dominates the largest LA markets due to large supply

Relevant issues that will impact the edible oil sector



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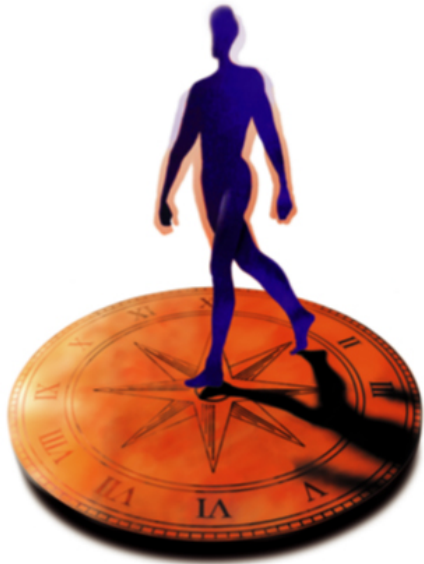
Issues	Rationale
<p data-bbox="218 388 428 431">Biodiesel</p> <p data-bbox="218 821 828 921">TFA (labeling mandatory in 2006)</p> <p data-bbox="218 1092 809 1135">South America Expansion</p>	<p data-bbox="967 388 1728 592">Growth will be based on legislation and subsidies: 5% in Brazil, Used oils, palm and soybeans should be the preferable feed stocks.</p> <p data-bbox="967 621 1698 756">Tricky in developed countries that might use biodiesel to support local farmers</p> <p data-bbox="967 849 1652 992">U.S. is a major market and any substitution can impact other oils demand/supply balance</p> <p data-bbox="967 1078 1709 1256">Increasing supply of soy oil as more soybeans are crushed in Brazil to attend the growing animal production sector</p>





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global food chain”®

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