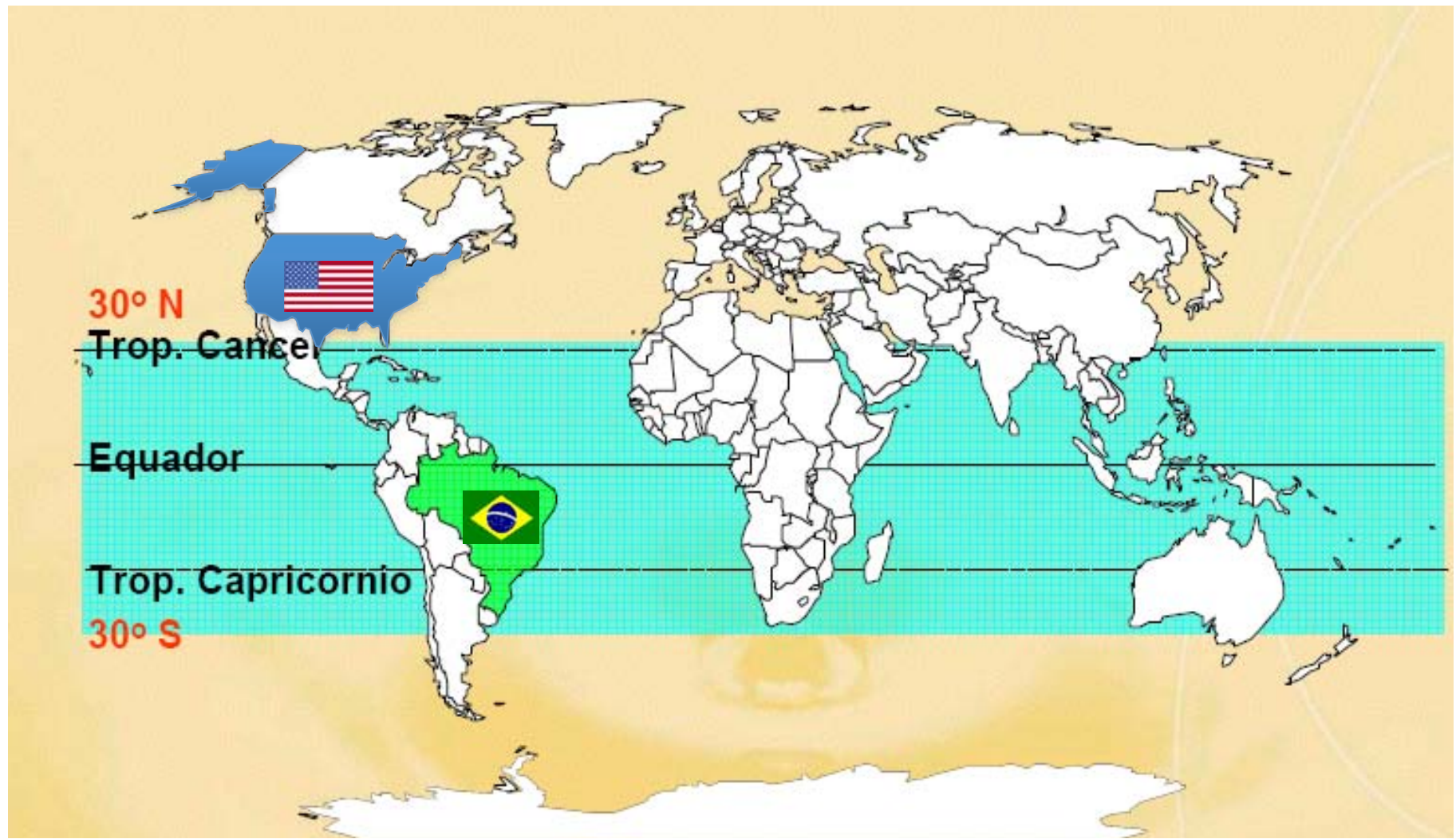


Brazil's Soybean Production and Processing Outlook

DTN/The Progressive Farmer 2010 Ag Summit



BRAZIL GEOGRAPHIC POSITION



BRAZIL x USA



BRAZIL x USA



	BRAZIL	USA
AREA (<i>km² - million</i>)	8.51 (5 th)	9.82(3 rd)
POP (<i>million people</i>)	201.1 (5th)	310.2 (3rd)
Demographic (<i>hab/km²</i>)	23.6	31.6
GDP (<i>US\$ trillions</i>)	2.0	14.3
GDP Per Capita (<i>US\$</i>)	10,100	46,000
Pop below poverty line	26% (2008)	12% (2004)
Unemployment rate	8.1%	9.3%

Source: CIA Factsheet, 2010

BRAZIL x USA



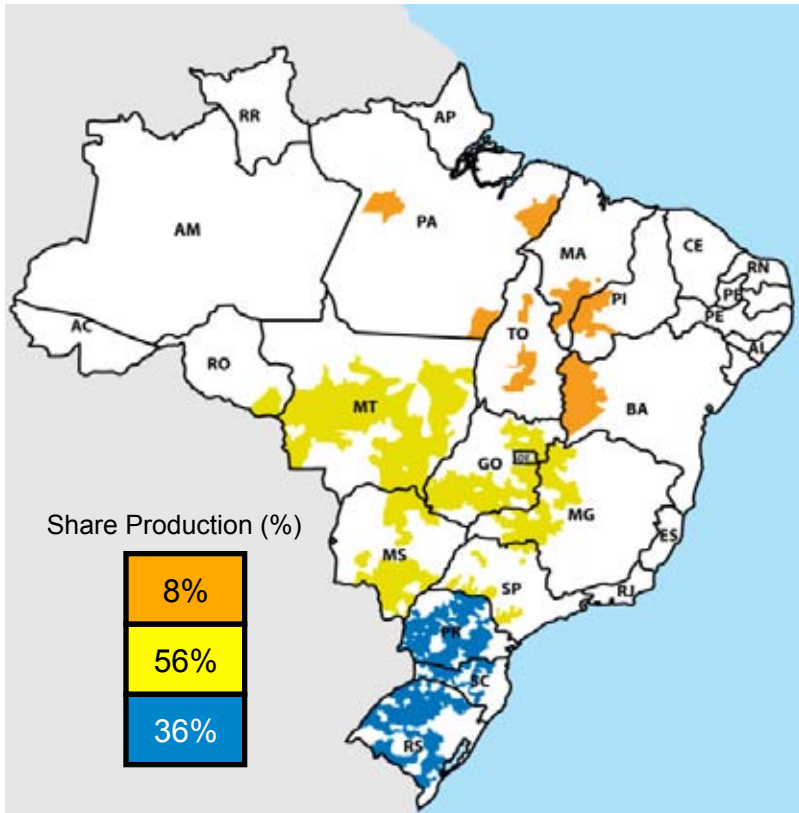
GDP by sector	BRAZIL	USA
<i>Agriculture</i>	6.1%	1.2%
<i>Industries</i>	25.4%	21.9%
<i>Services</i>	68.5%	76.9%
GDP Growth Rate	- 0,2%	- 2.6%
<i>Labor Force Occupation in Agric</i>	20%	0.7%
Arable Land Annual Crops Use (millions of ha)	58.7 (7%)	176.8 (18%)

Source: CIA Factsheet, 2010

Soybean Production

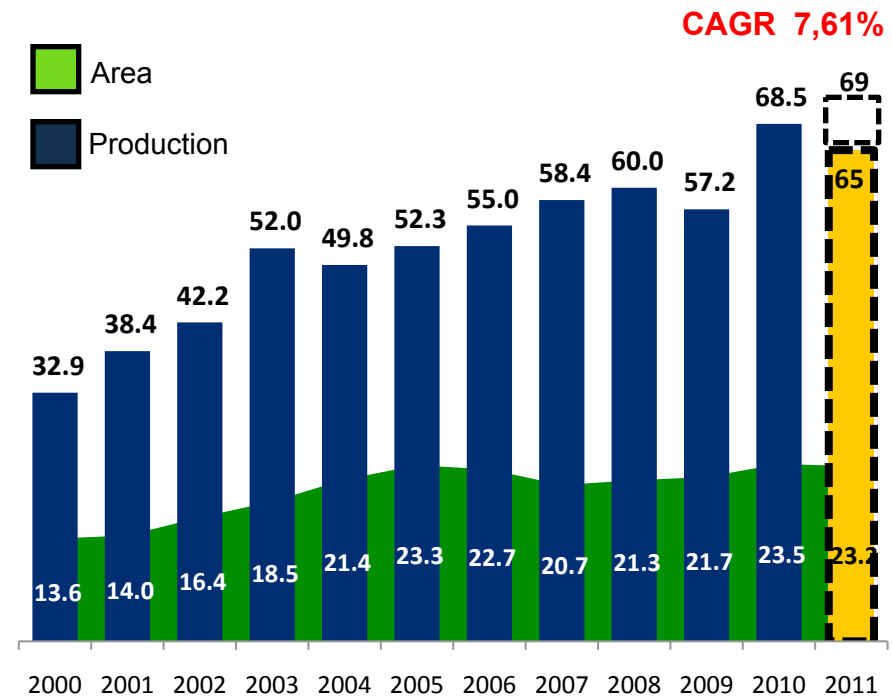


Soybean Production in Brazil

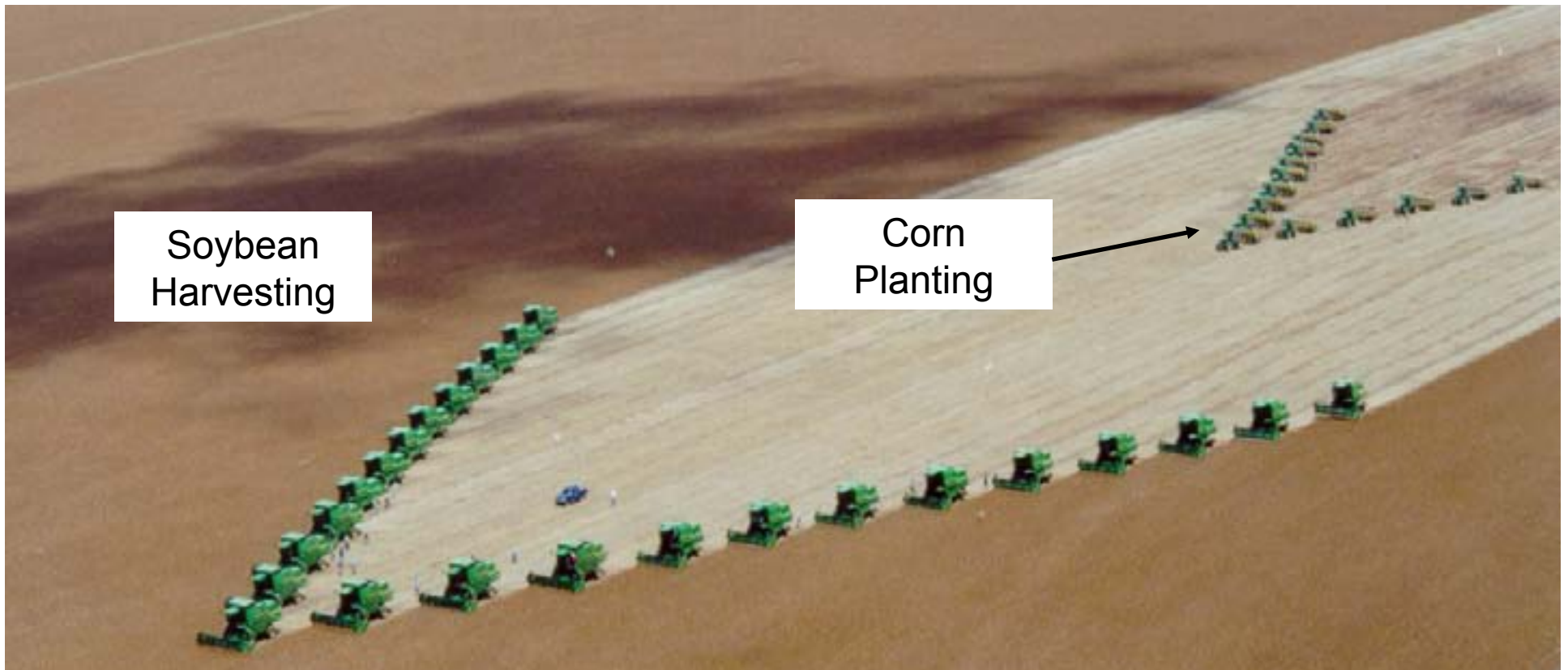


Soybean Production in Brazil

Millions of Hectares and Millions of Tons



Large Scale Farming in Mato Grosso



- Scale, mechanization, technology
- Two crops in the same year – soybeans/corn, soybeans/cotton
- No irrigation

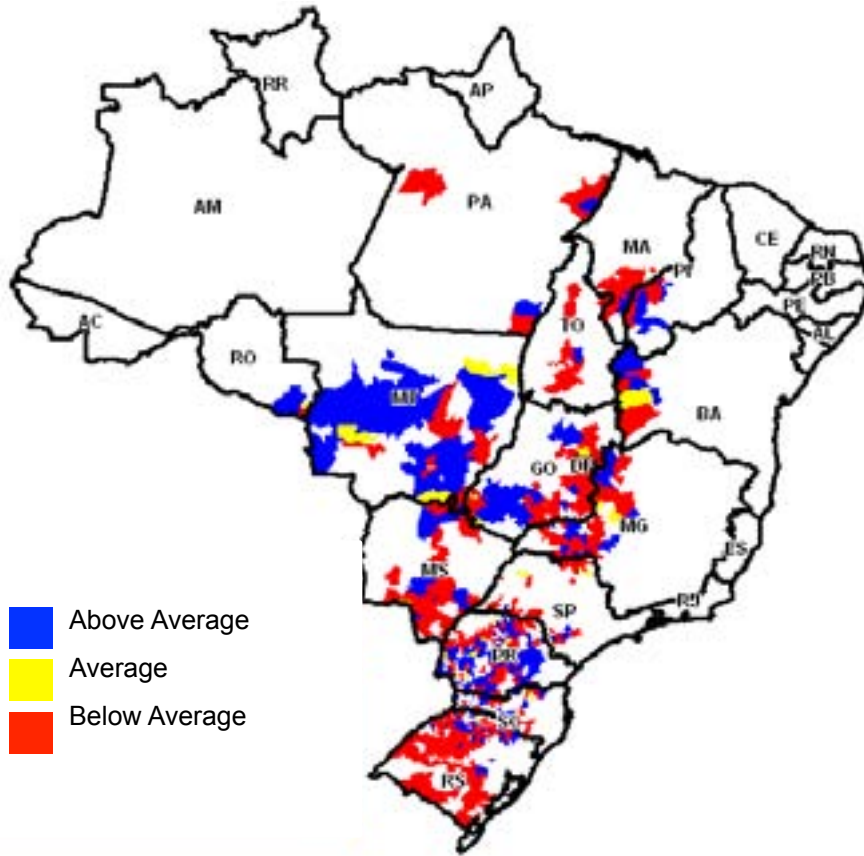
Average Yields and Production Risk in Brazil



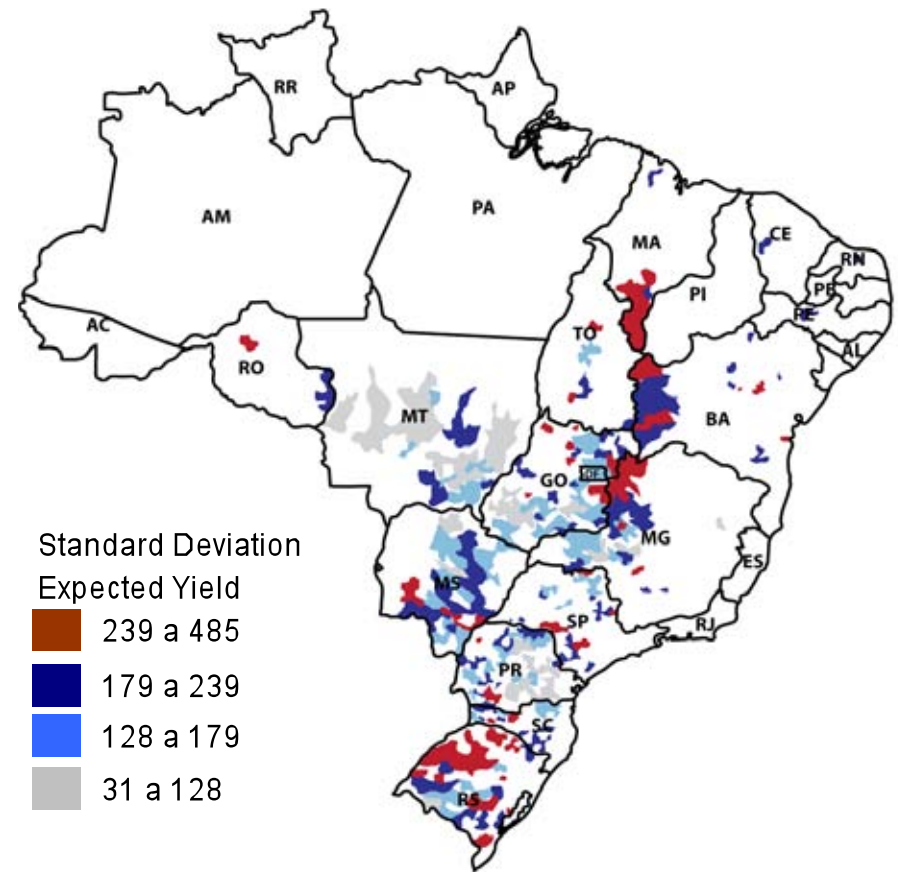
Mato Grosso state has the highest soybean yields per hectare

...and the lowest production risks...

Average Yields of Soybeans



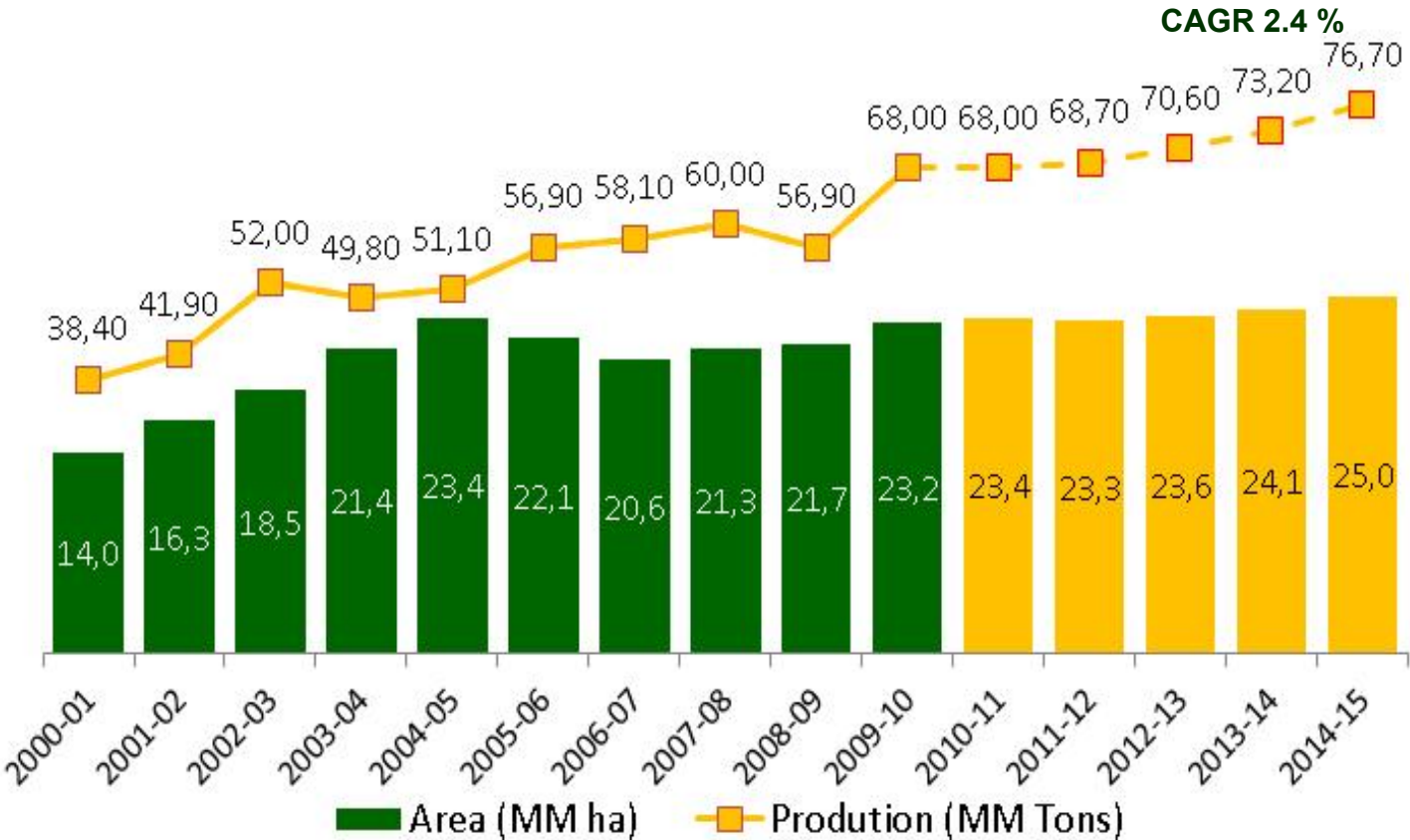
Standard Deviation of Yields of Soybeans



Soybeans - Area and Production Projections for Brazil



Soybean Production Projections (Million Tons and Million Hectares) - Brazil



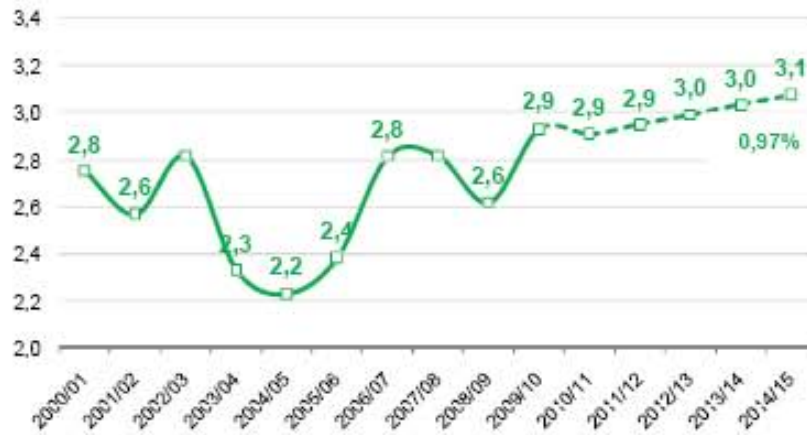
Source: Agroconsult

Soybean Yield (1.000 kg/ha) – Main Players

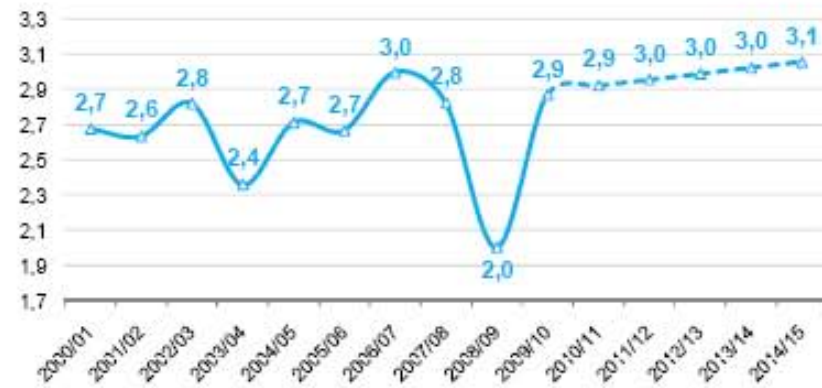


Soybean Yield Projections (1,000 kg/hectare) – Brazil, Argentina and USA

Brasil



Argentina



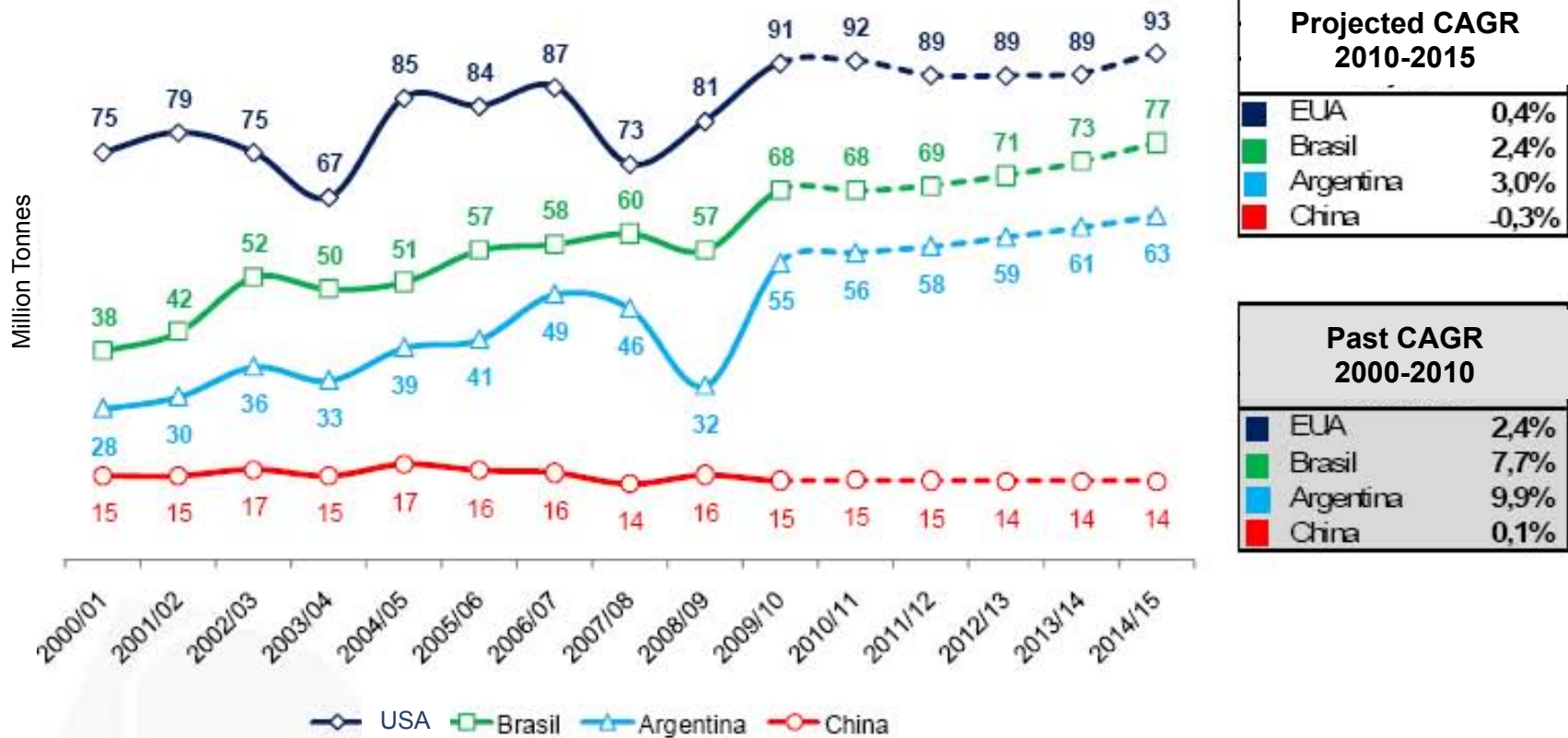
USA



Soybean Production Projections – Main Players



Soybean Production Projections (Million Tons)



Biotechnology

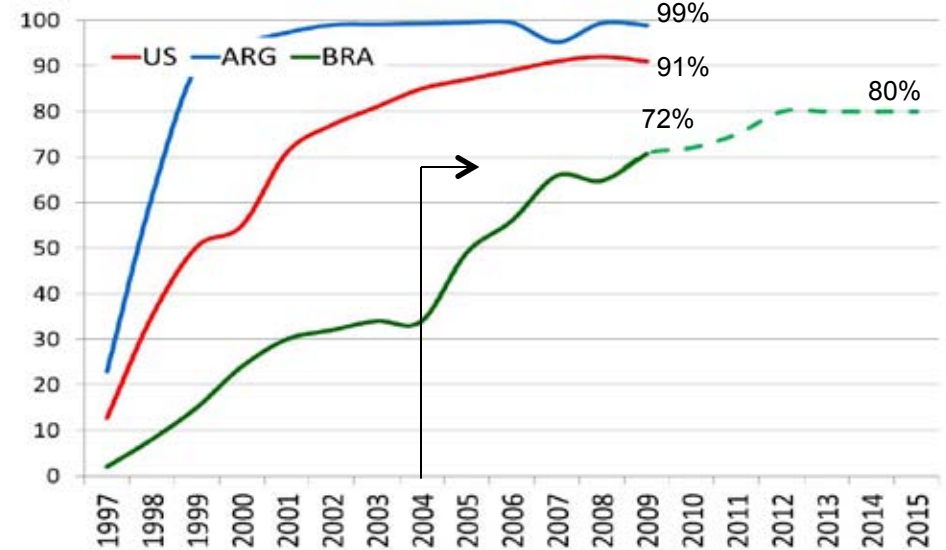


GMOs Approved in Brazil

Soybeans	Company	Commercial Name	Date of Approval	Number of Registered Cultivars
	Monsanto	Roundup Ready	1998/Mar 2005*	262
	BASF/Embrapa	Cultivance	Dec 2009	0
	Bayer	Liberty Link	Feb 2010	0
	Bayer	Liberty Link	Feb 2010	0
	Monsanto	Bt RR2	Aug 2010	0

(*) By Law n° 11.105/2005 (biosafety Law)

Adoption of Biotech-enhanced Soybean Seedstock

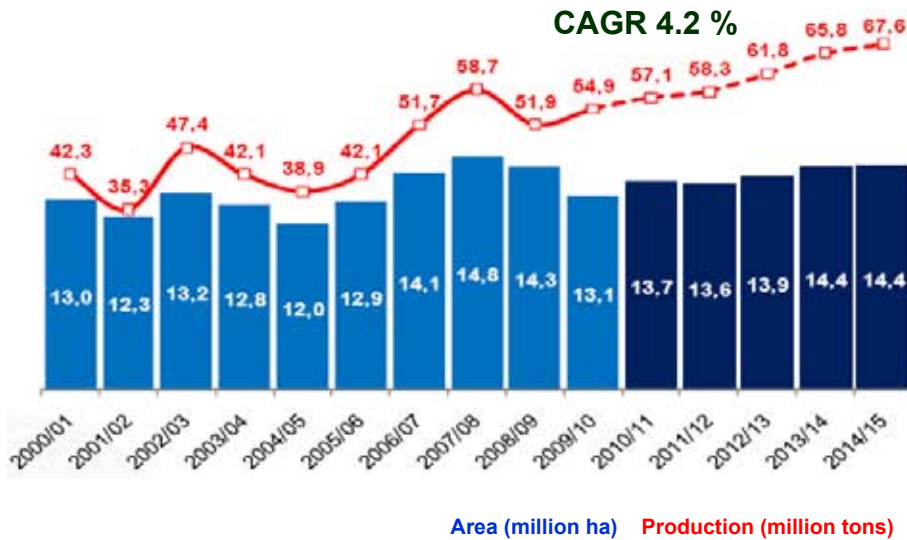


GMO soybeans planted before 2005 were brought into Brazil illegally from Argentina.

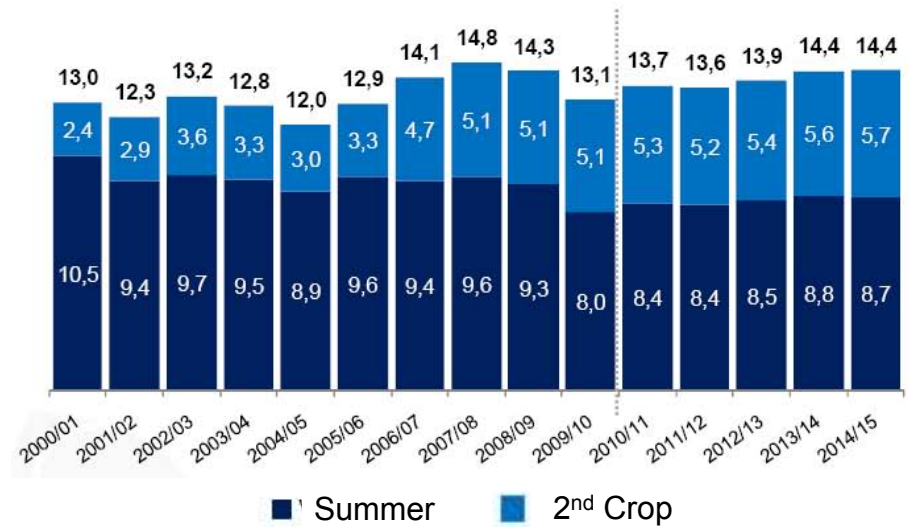
Corn Production in Brazil



Corn Area and Production - Brazil



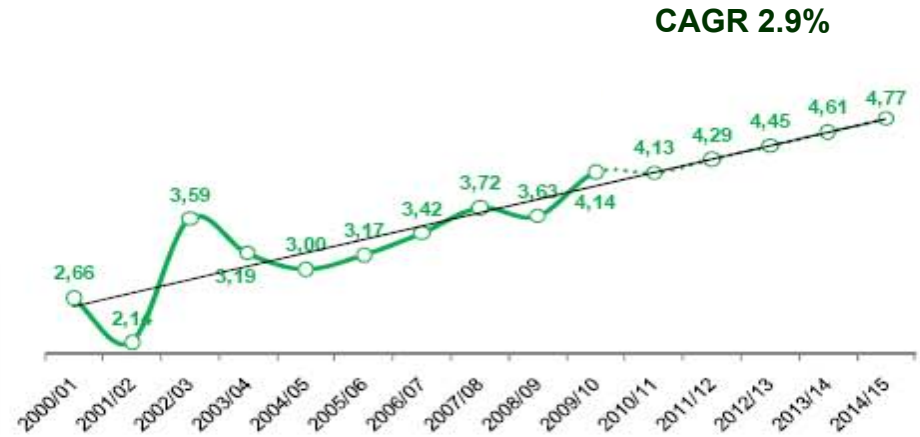
Corn Area Mix (Summer and 2nd Crop)



Summer Crop Yield (1000kg/ha)



Corn 2nd Crop Yield (1000kg/ha)



Biotechnology

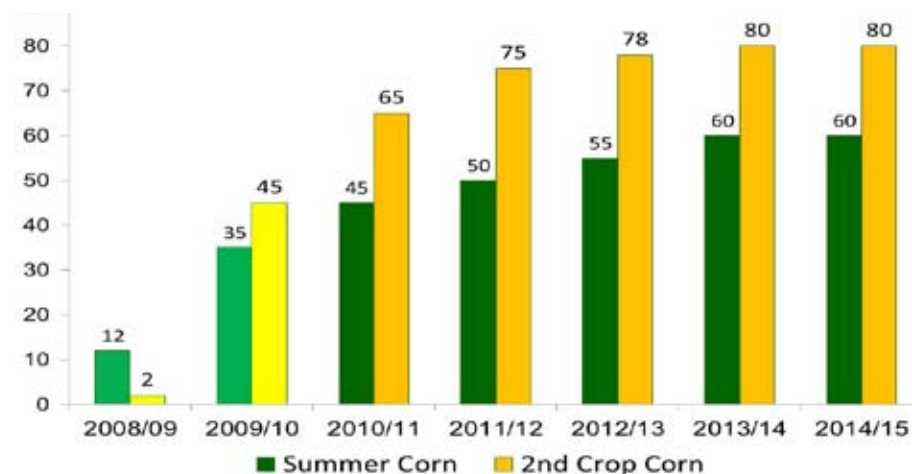
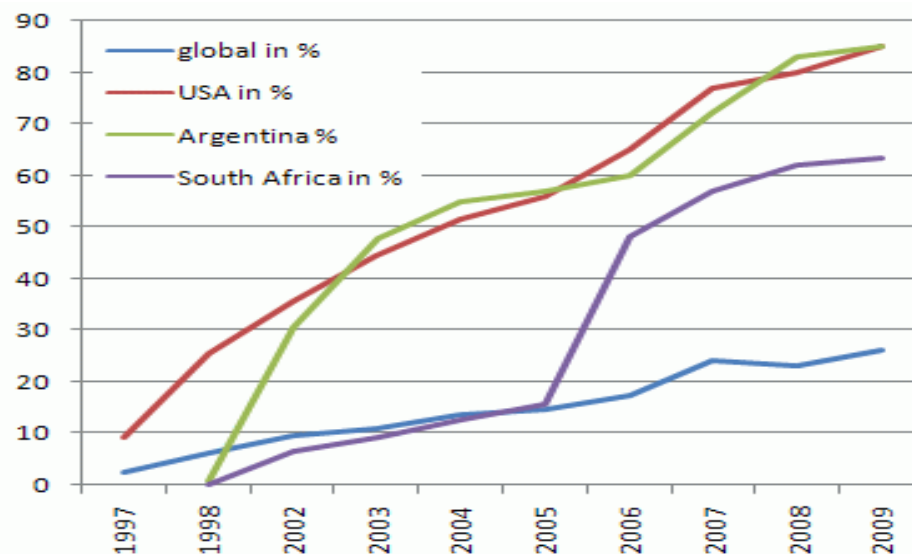


GMOs Approved in Brazil

Corn

Company	Commercial Name	Date of Approval	Number of Registered Cultivars
Bayer	Liberty Link	May 2007	0
Monsanto	Guardian	Aug 2007	101
Syngenta	BT11	Jan. 2008	25
Monsanto	Roundup Ready 2	Sep 2008	74
Syngenta	GA21	Sep 2008	0
Du Pont and Dow	Herculex	Dec 2008	102
Monsanto	MON 810 x NK603	Sep 2008	28
Syngenta	BT11 x GA21	Sep 2008	5
Syngenta	Agrisure Viptera	Sep 2009	8
Monsanto	YieldGard VT Pro	Oct 2009	19
Du Pont and Dow	TC 1507 x NK603	Dec 2009	31

Adoption of Biotech-enhanced Corn Seedstock



Source: CTNBio, GMO Compass, Agroconsult (Brazil data)

Points to Watch in the 10/11 Season



Weather Risk

La Niña. Planting in Mato Grosso delayed for 3 weeks at least. This will affect 2nd crop (area and yields and also transportation costs. Concerns of possible drought later in the season in the south of the country (RS), where weather yields have been good for last two years.

Costs and Returns

Farmers purchased inputs for the 2010/11 season during the first semester of 2010. Since, during this period futures price was around \$1.5 to \$2/bu lower than current standards, they managed to reduce their costs by 3% in US\$ and 16.2% in BRL.

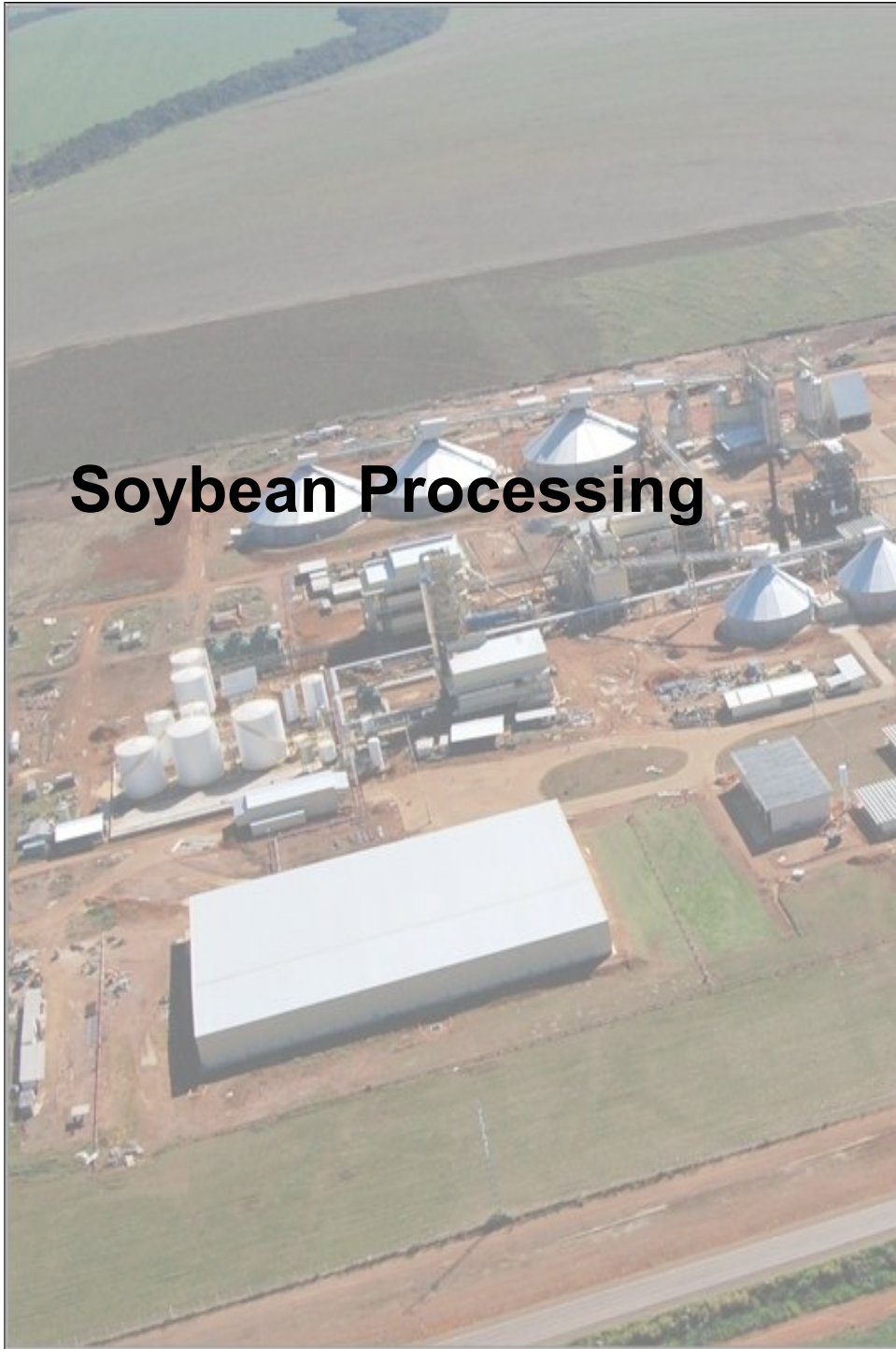
Consolidation Trend

The 20 largest producers in Mato Grosso planted 3 million acres (up from 1.3 mln acres five years ago) and were responsible for 20% of soybean output. (Source: IMEA)

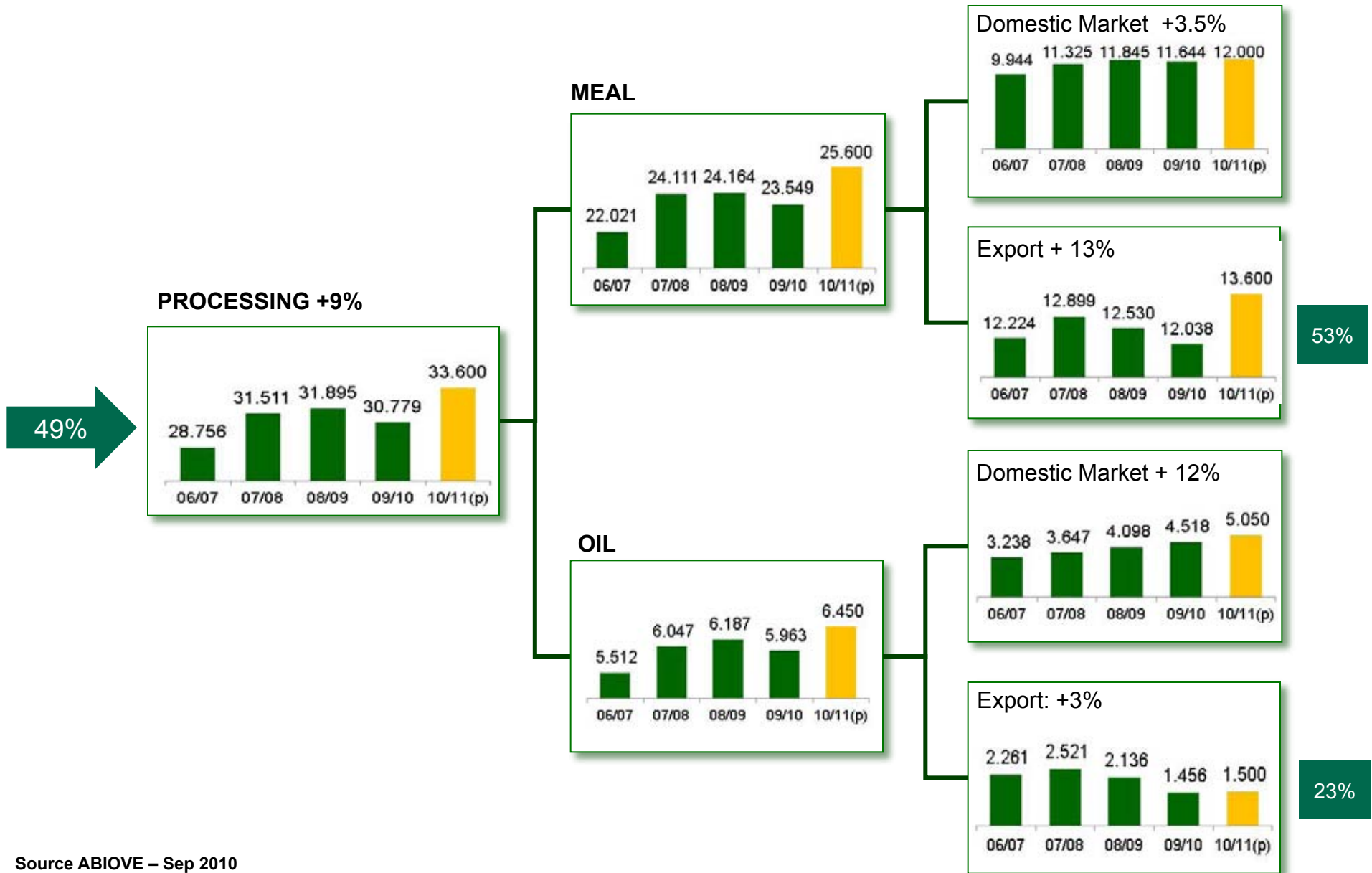
Restrictions on Foreign Ownership of Land

New interpretation of an old law (Lei n° 5.709/71) is creating uncertainty in the market. This interpretation states that brazilian companies with foreign ownership should be treated as foreign co.

Soybean Processing



Brazilian Soybean Processing 2006/07-2010/11 (000 Tons)



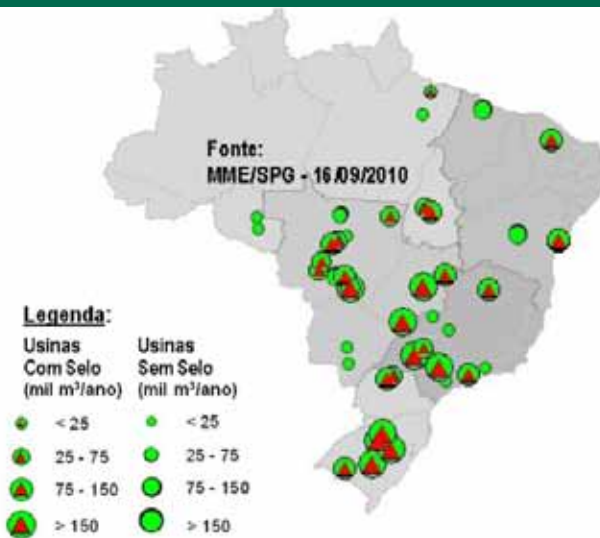
Biodiesel Mandate of 5% Drives Demand for Soyoil



Estimated Demand and Biodiesel Purchases through Brazil's Petrol Agency Auctions



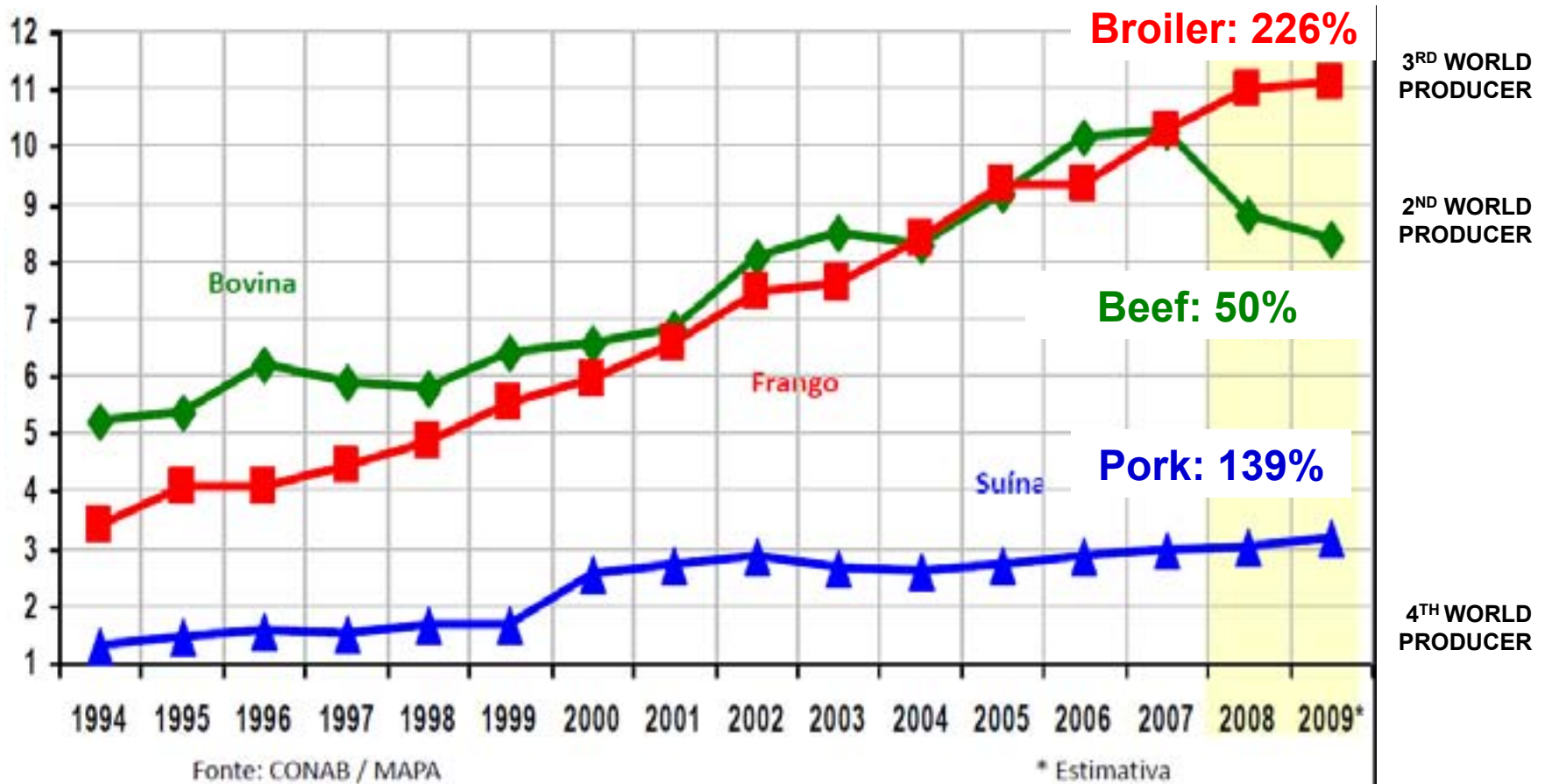
Biodiesel Plants and Capacity in Brazil (2010)



Região	nº usinas	Capacidade Instalada	
		mil m³/ano	%
N	6	193	4%
NE	5	597	13%
CO	21	1.802	38%
SE	11	844	18%
S	8	1.260	27%
Total	51	4.695	100%

Source: MME

Meat Production Growth (1994-2009)



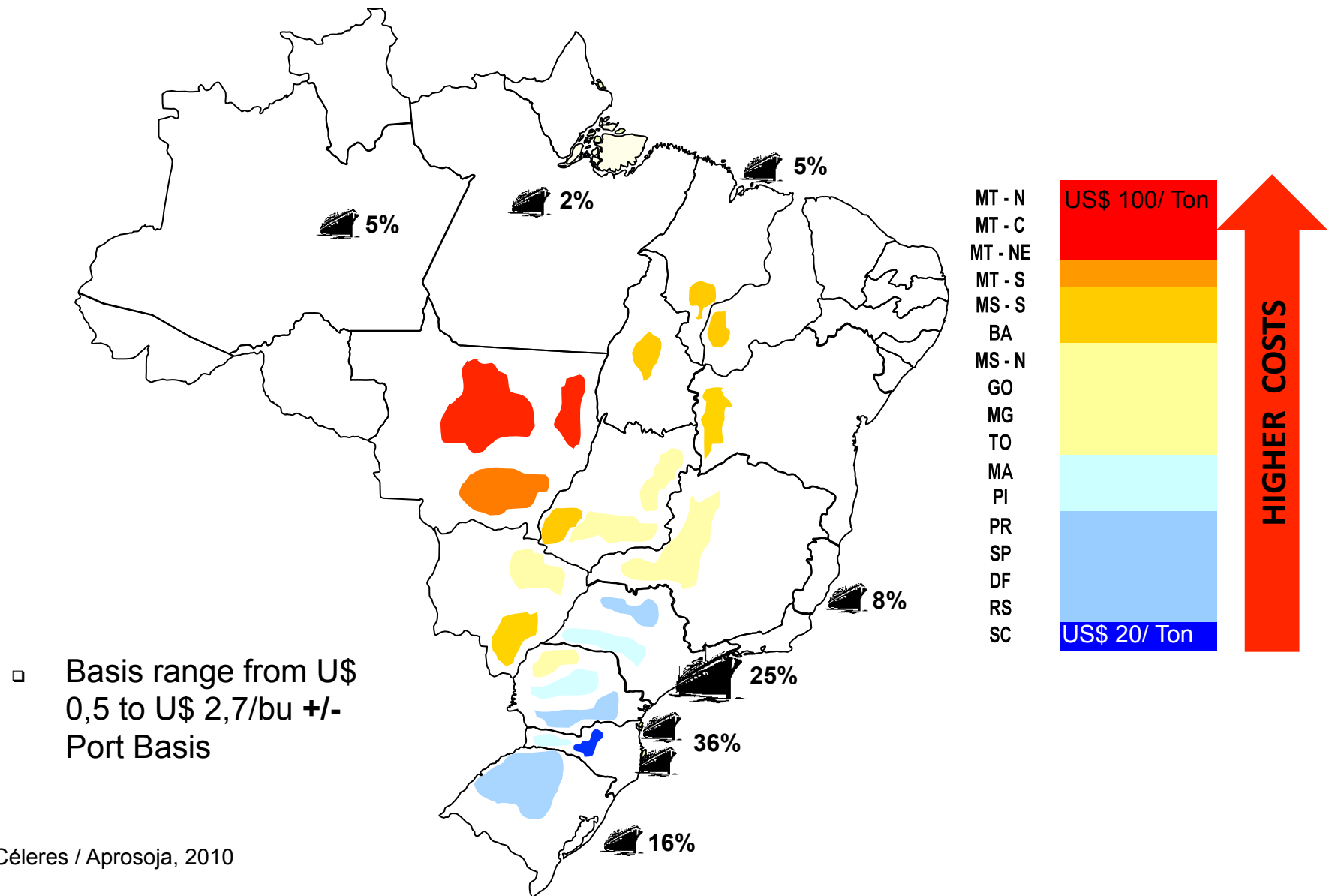
- 58% of Brazil's Soymeal demand is from Poultry and 27% from the Pork industry (both = 85%)
- Economic stabilization, strong domestic market, low cost and aggressive international marketing

Source: ABIEC, ABEF, UBA, SINDIRAÇÕES, and ABIPECS, 2010

Logistics



Soybean Production in Brazil – Logistics Costs



Source: Céleres / Aprosoja, 2010

BR 163



CUIABÁ	1767 km
BRASÍLIA	2910 km
RIO	4114 km
SÃO PAULO	3922 km
CURITIBA	4330 km
FLORIANÓPOLIS	4630 km
PORTO ALEGRE	5045 km




Transportation Cost Reductions with BR 163




Route Ferronorte

Sorriso – A. Araguaia, MT

 835 km (520 miles)

Alto Araguaia - Santos, SP


 1,100 km (690 miles)

Total: 1,935 km (1,210 miles)



Route BR 163

Sorriso – Santarém, PA

 1,344 km (840 miles)

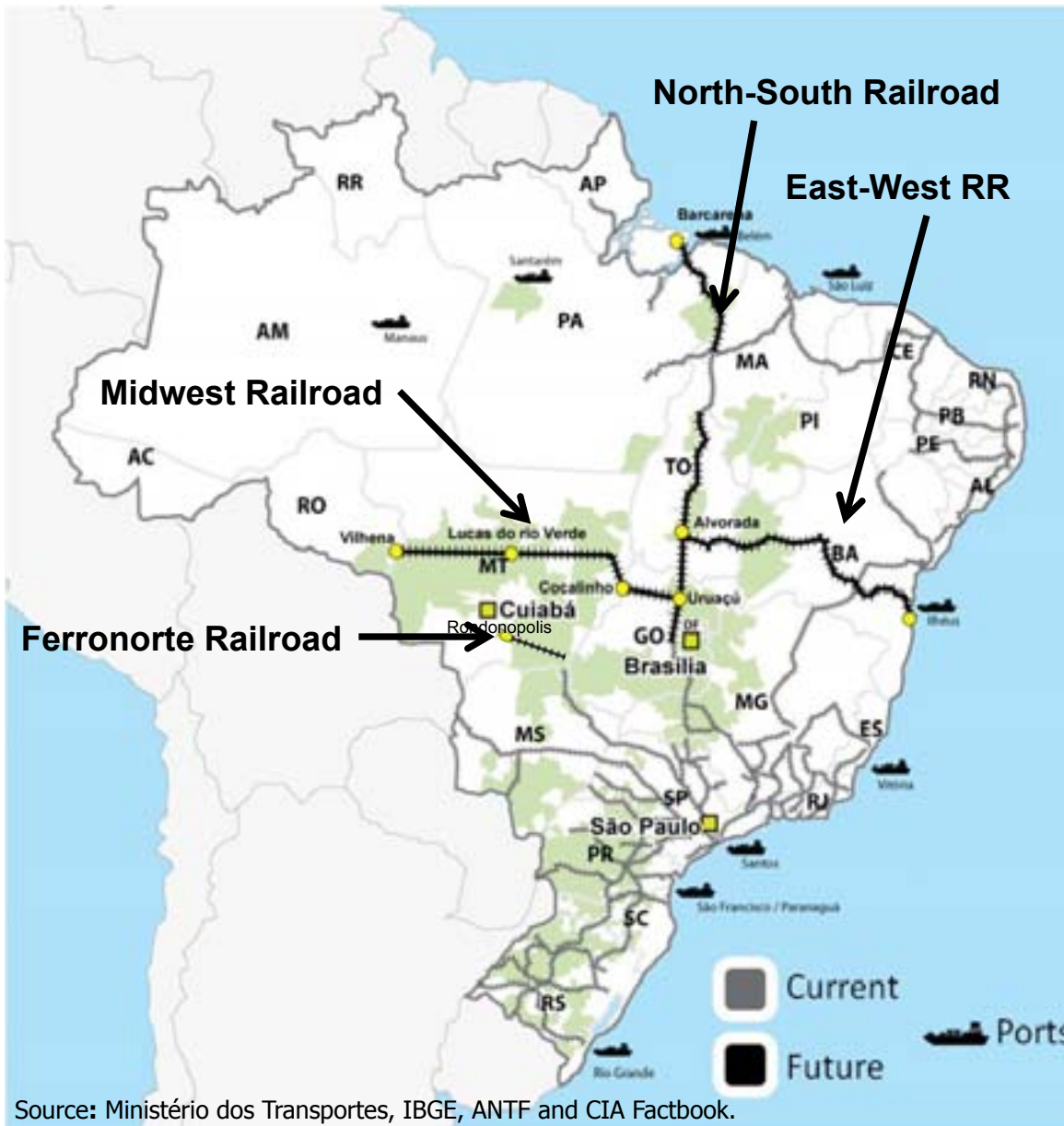
Total: 1,344 km (840 miles)



Cost Reduction (Estimated): US\$ 30/Ton

Source: Aprosoja

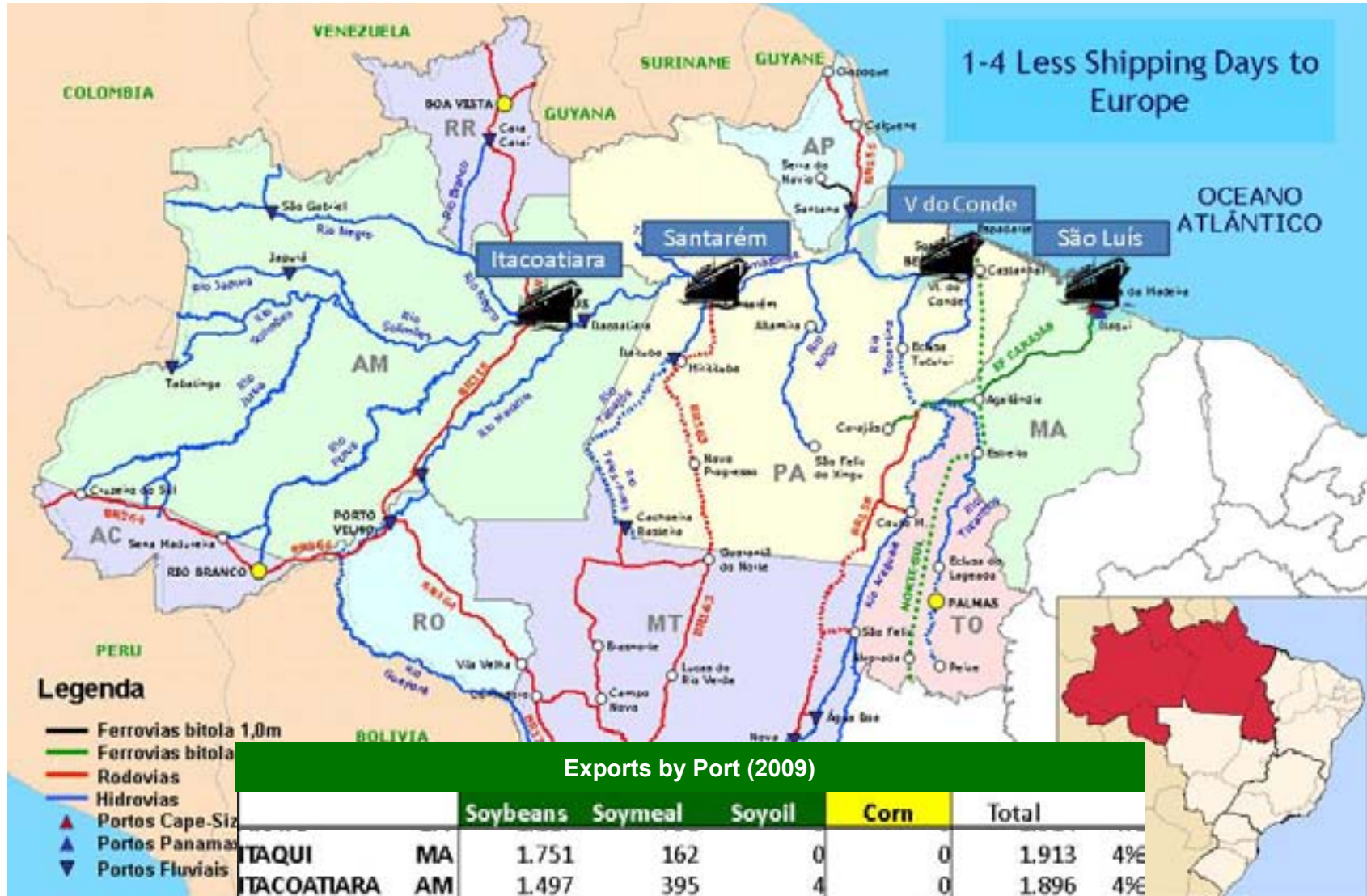
Expansion Projects of the Rail Mesh



Country	Railroad Mesh (km)	Country Area (Km ²)	Density
Germany	45.514	349.223	130,3
France	32.682	545.630	59,9
India	63.518	2.973.190	21,4
USA	194.731	9.158.960	21,3
China	65.650	9.326.410	7,0
Canada	64.994	9.220.970	7,0
Russia	87.157	16.995.800	5,1
BRAZIL	29.817	8.456.510	3,5

Source: Ministério dos Transportes, IBGE, ANTF and CIA Factbook.

Brazil's Northern Ports



Environment Issues



Brazilian Biomes



Brazilian Biomes	AREA (Millions of km²)	Conserved Area (%)
Bioma Amazônia	4.2	85.0
Cerrado	2.0	61.1
Mata Atlântica	1.1	27.4
Caatinga	0.8	62.7
Pampa	0.2	41.3
Pantanal	0.1	88.7

Source: Mapa de Cobertura Vegetal dos Biomas Brasileiros. Ministério do Meio Ambiente. 2006.

Brazilian Environmental Legislation



Other Countries

Cerrado

Forest



**Legal
Reserve**

0%

35%
(was 20%)

80%
(was 50%)

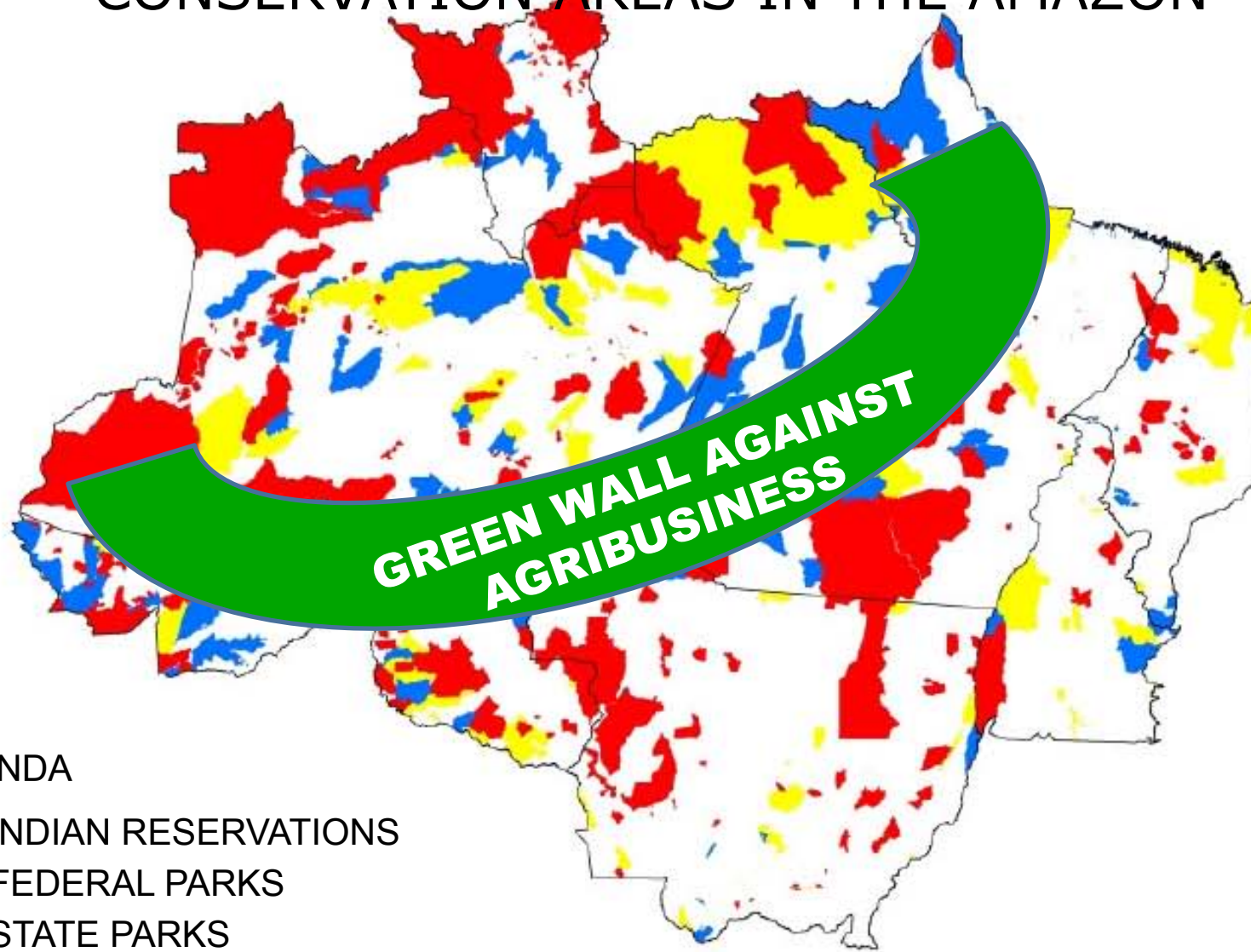
BRAZIL: WORLD LEADER IN GRAIN PRODUCTION?






	Country Area	Area with Agriculture	
COUNTRY	km ²	km ²	%
China	9,569.9	1,422.1	14.9%
USA	9,162.0	1,650.1	18.0%
Europe (27)	4,185.1	1,107.6	26.5%
India	2,973.2	1,451.8	48.8%
Brazil	8,459.4	586.2	6.9%

Source: CIA Factbook, 2010
Compiled by Ricardo Arioli Silva

INDIAN RESERVATIONS AND ENVIRONMENT CONSERVATION AREAS IN THE AMAZON



LEGENDA

-  INDIAN RESERVATIONS
-  FEDERAL PARKS
-  STATE PARKS

ENVIRONMENT PRESERVED AREAS IN MATO GROSSO STATE



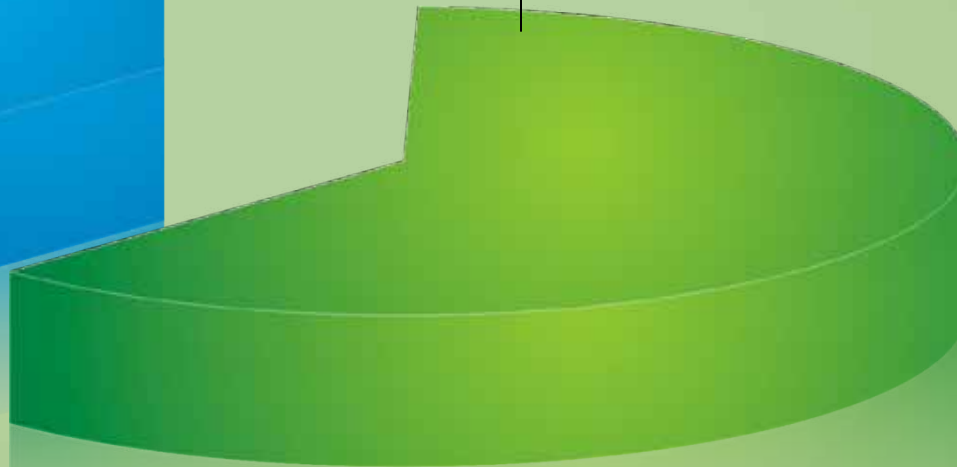
Converted Areas in
Mato Grosso

36%



Original Vegetation

64%



**Preserved Area is larger than California + Ohio states.
67% of these Preserved Areas belong to farmers**

MATO GROSSO X USA



TOTAL AREA *versus* AGRICULTURE AREA

STATE	Area (million hectares)		
	Total	Agriculture	%
Illinois	14,1	12,7	90,1
Iowa	14,5	13,0	89,8
MT	90,3	8,6	9,5

Source: USDA, NASS, 2010; IMEA, 2010.
Compiled by Ricardo Arioli Silva

MATO GROSSO X USA



CRP – Conservation Reserve Program

State	Preserved Area (1.000 acres)	Payment for Farmers (1.000 US\$)		In Bushels per acre Based on US\$ 12/bu
		TOTAL	Amount paid (US\$/acre)	
Illinois	1,065	112.344	105.50	8.8
Indiana	310	29.155	94.05	7.8
Iowa	1,934	209.707	108.40	9.0
Minnesota	1,793	110.416	61.60	5.1
Total USA	36,055	1.821.201	50.60	4.2
Mato Grosso	92,970	ZERO	ZERO	ZERO

Source: Conservation Reserve Program, 2007.
Compiled by Ricardo Arioli Silva

Future

13 16:52



Low Productivity pastures could be converted into Soybeans ...when? At what pace?



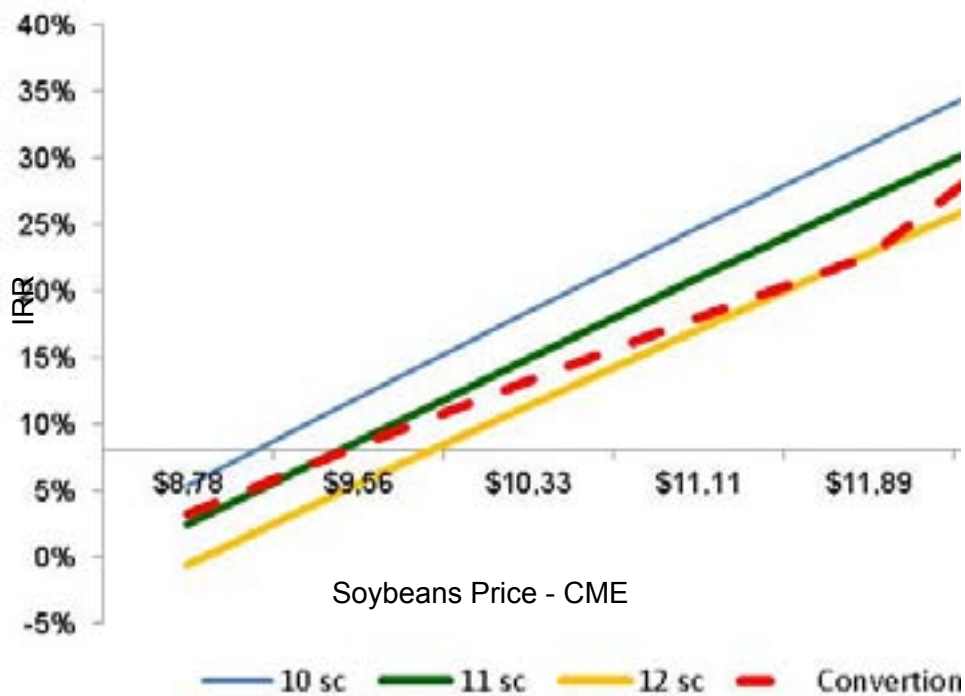
**170 Million hectares
(410 million acres)**



Economics of Pasture Land Conversion



Comparison – Leasing Land vs Converting Pasture



Lease contracts of 11bags/hectare are equivalent to pasture conversion @ 1,75 exchange rate in different price levels. If land leases of less than this amount are available, farmers would prefer the lease.

Source: Aprosoja / 1 sc = 1 bag of 60 kg of beans or 2.2 bushels/bag

Cost of Production



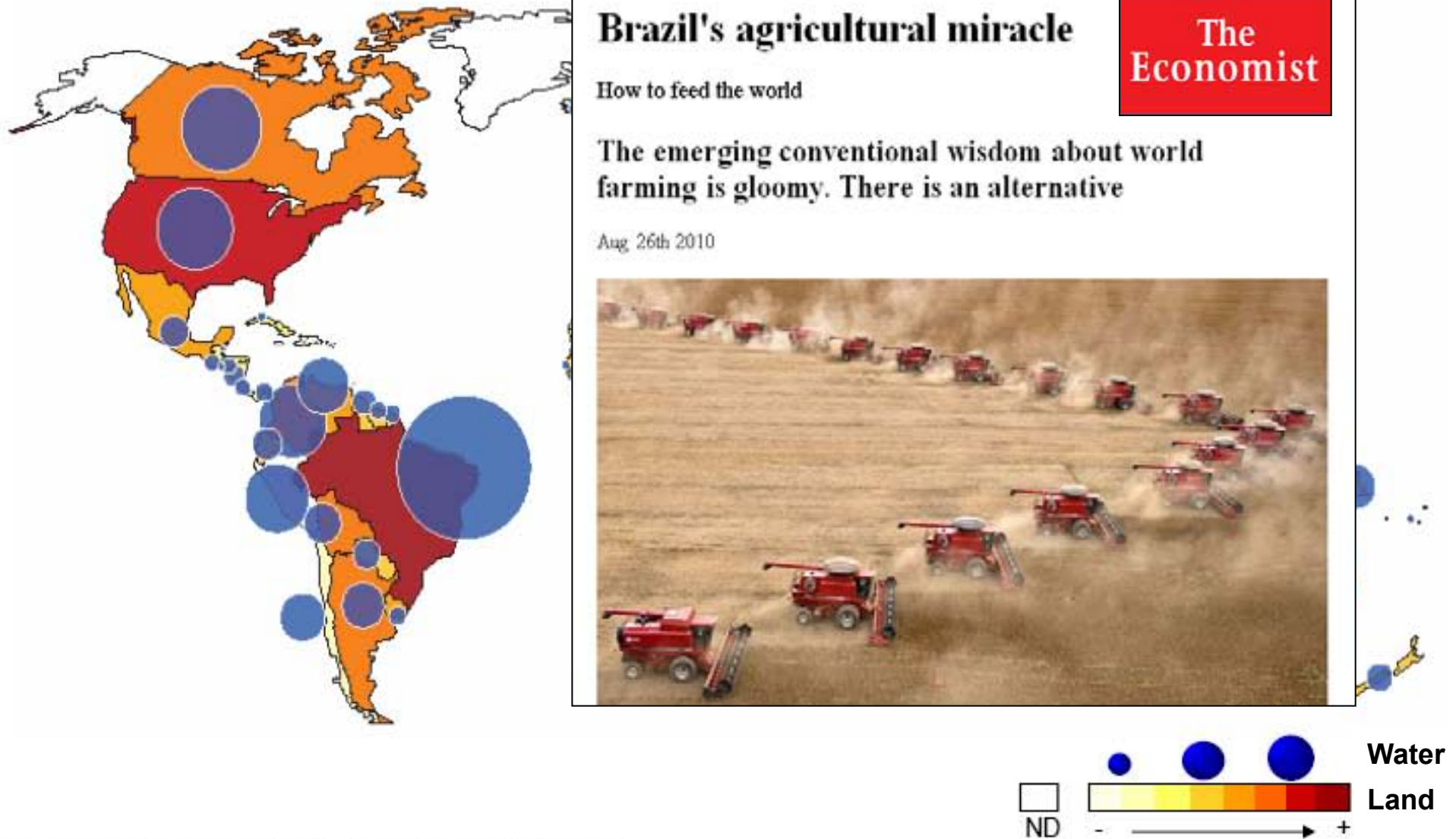
Soybean - Season 10/11

Central-North	US\$/acre
1. INPUT	169.49
Seeds	25.24
Soybean seed	20.81
Forage seed	4.43
Fertilizer	88.08
Lime	6.85
Macronutrients	79.69
Micronutrients	1.54
Chemical	56.17
Fungicide	16.36
Herbicide	13.96
Inseticide	22.66
Adjuvants	3.19
2. FIELD OPERATIONS	39.71
A - OPERATIONAL COST	209.20
3 - OTHER EXPENSES	74.32
B - VARIABLE COST	283.53
C - FIXED COST	49.46
Depreciation (machinery)	8.51
Land opportunity cost	40.96
TOTAL COST (B+C)	332.99
	\$
Price at the farm	7.18
Transportation Cost	3.42
Break-even at CBOT/	\$
CME	10.60

Corn - Season 09/10

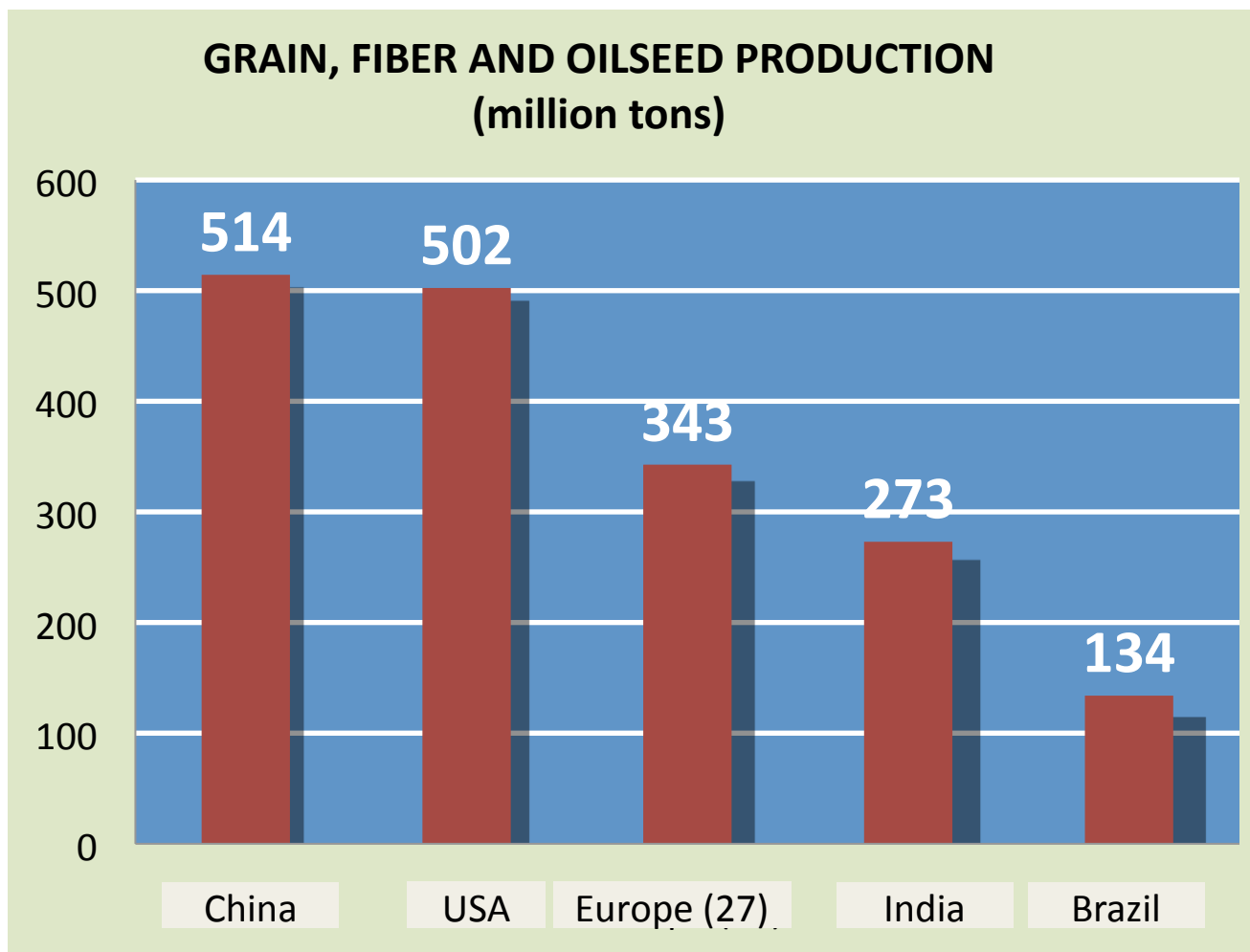
Medium technology	US\$/acre
1. INPUT	121.09
Seeds	21.25
Corn seed	21.25
Fertilizer	66.68
Macronutrients	66.68
Micronutrients	0.00
Chemical	33.16
Fungicide	5.49
Herbicide	13.34
Inseticide	13.71
Adjuvants	0.63
2. FIELD OPERATIONS	28.21
A - OPERATIONAL COST	149.30
3 - OTHER EXPENSES	58.87
B - VARIABLE COST	208.17
C - FIXED COST	24.71
Depreciation (machinery)	9.98
Land opportunity cost	14.74
TOTAL COST (B+C)	232.89
	\$
Price at the farm	3.06
Transportation Cost	2.36
Break-even at CBOT/	\$
CME	5.42

Brazil: Agricultural Superpower



Source: FAO (2000); FAO (2007). Elaboration: ICONE

Brazil: Agricultural Superpower ?



Source: CIA Factbook, 2010
Compiled by Ricardo Arioli Silva



APROSOJA



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