AN INTRODUCTION TO THE BRAZILIAN AGRICULTURE AND FOOD SECTOR

FACT PACK - AGRICULTURE AND FOOD INDUSTRY BRAZIL

November 2015
São Paulo, Brazil
BRAZIL IS EXPECTED TO SUPPLY UP TO 40% OF THE INCREASED GLOBAL FOOD DEMAND BY 2050

23%* of Brazil’s GDP

BRL 1tn in 2013

- **Agribusiness** represents 1/3 of employment and almost 40% of total exports
- Brazil is a top global supplier of a diverse array of agricultural goods such as beef, ethanol, cotton, soybean and cellulose

* INCLUDING AGRICULTURE, INDUSTRY, INPUTS AND DISTRIBUTION

SOURCE: IBGE, CEPEA/USP
AGRICULTURE PRODUCTION VALUE IS EXPECTED TO 30% IN THE NEXT 10 YEARS
LAND USE FOR MAJOR CROPS IS PROJECTED TO INCREASE 20% BY 2024

THE INCREASE IN RURAL CREDIT HAS SUPPORTED THE GROWTH IN AGRICULTURE PRODUCTION

SOURCE: MAPA, OECD

* FORECAST BASED ON PROJECTIONS FROM THE BRAZILIAN MINISTRY OF AGRICULTURE
GRAIN AND FRUIT PRODUCTION CONCENTRATED TO THE SOUTH AND MIDWEST.

MAIN CROPS DISTRIBUTION
- Soybean/Corn farms
- Sugar cane farms
- Coffee farms
- Orange Farms

LARGEST SOY AND CORN PRODUCTION AREA
- Mato Grosso State

LARGEST ORANGE AND SUGAR CANE PRODUCTION AREA

CROP GROSS PRODUCTION VALUE, BY PRODUCT (2014)
- TOTAL = 297,14 BBRL
- Soy (grain): 18%
- Sugar cane: 30%
- Corn (grain): 15%
- Orange: 6%
- Coffee (grain): 6%
- Tomato: 5%
- Banana: 4%
- Cotton: 4%
- Other: 12%

Brazil's world production rank
- Soybean Grain: 2nd
- Sugar: 1st
- Corn: 3rd
- Orange Juice: 1st
- Coffee: 1st

Brazil's world exporter rank
- Soybean: 1st
- Sugar: 1st
- Corn: 1st
- Orange Juice: 1st
- Coffee: 1st

Total exports 2013 (BUSD)
- Soybean: 22.8
- Sugar: 11.8
- Corn: 6.3
- Orange Juice: 2.3
- Coffee: 4.6

Main importer
- Soybean: China
- Sugar: China
- Corn: Japan
- Orange Juice: Belgium
- Coffee: U.S.

Brazil is a world-leading soy, sugar, corn, orange and coffee exporter.

Source: Conab, IBGE, Ministry of Agriculture, Ministry of Foreign Relations
BRAZIL IS THE WORLD’S LARGEST BEEF AND CHICKEN EXPORTER

..AND ALSO ANIMAL PROTEIN PRODUCTION

ANIMAL GROSS PRODUCTION VALUE, BY PRODUCT (2014)

BEEF AND CHICKEN REPRESENT 71% OF THE TOTAL ANIMAL PROTEIN PRODUCTION VALUE

SOURCE: CONAB, IBGE, MINISTRY OF AGRICULTURE, MINISTRY OF FOREIGN RELATIONS
THE LARGEST BRAZILIAN COOPERATIVES ARE CONCENTRATED TO THE STATE OF PARANÁ

Coamo has 27,975 associated producers generating 7 million tons, which represents 3.6% of total agricultural production in Brazil.

Company: Coamo Agroindustrial Cooperativa
Headquarters: Campo Mourão - PR
Net revenue (2014): 8,16 BBRL
Main Business: Soybean, corn, wheat, coffee

C. Vale has 15,562 associated producers.

Company: C. Vale Cooperativa Agroindustrial
Headquarters: Palotina - PR
Net revenue (2014): 4,61 BBRL
Main Business: Soybean, corn, cassava, wheat, milk, chicken, swine

Cocamar has approximately 12,500 associated producers.

Company: Cocamar Cooperativa Agroindustrial
Headquarters: Maringá - PR
Net revenue (2014): 2,74 BBRL
Main Business: Soybean, corn, wheat, coffee, orange

Lar has storage capacity of 1 million ton. It also manages a network of 15 supermarkets.

Company: Cooperativa Agroindustrial Lar
Headquarters: Medianeira - PR
Net revenue (2014): 3,02 BBRL
Main Business: Soybean, corn, chicken, swine

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THE SOUTH REGION OF BRAZIL COMPRISES THE LARGEST AGRICULTURAL COOPERATIVES

SOURCE: VALOR, COMPANIES’ WEBSITES

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6 APRIL, 2016
THE FOOD AND BEVERAGE INDUSTRY HAS GROWN MORE THAN BRAZIL’S GDP IN THE LAST 5 YEARS
LARGE CONSUMER MARKET AND EXPORTS SHOULD PUSH FOR GROWTH IN 2016

FOOD AND BEVERAGE INDUSTRY GROWTH

FOOD AND BEVERAGE INDUSTRY IN NUMBERS, 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Industry GDP</td>
<td>240 BUSD</td>
</tr>
<tr>
<td>Total GDP Share</td>
<td>10,2%</td>
</tr>
<tr>
<td>Industrial GDP Share</td>
<td>22,5%</td>
</tr>
<tr>
<td>Local Market Sales</td>
<td>175 BUSD</td>
</tr>
<tr>
<td>Employment</td>
<td>1,9 million</td>
</tr>
<tr>
<td>Total Employment Share</td>
<td>4%</td>
</tr>
<tr>
<td>Investments 2014</td>
<td>5 BUSD</td>
</tr>
<tr>
<td>Expected Investments 2016</td>
<td>5 BUSD</td>
</tr>
</tbody>
</table>

DESPITE THE ECONOMIC RECESSION, THE FOOD INDUSTRY IS EXPECTED TO CONTINUE INVESTMENTS AND GROWTH

SOURCE: IBGE, ABIA, BNDES

* FORECAST
* EXCHANGE RATE BRL/USD 2014 = 2,3475
FOOD INDUSTRY IMPORTS WHEAT FLOUR, MILK POWDER AND COCOA

MEAT, FATS AND SUGAR ACCOUNT FOR 50% OF THE INDUSTRIAL PRODUCTION OF THE FOOD INDUSTRY
FOOD INDUSTRY IMPORTS WHEAT FLOUR, MILK POWDER AND COCOA

MEAT AND BEVERAGES REPRESENT APPROX. 40% OF THE BRAZILIAN FOOD INDUSTRY, AND ARE THE FASTEST GROWING SEGMENTS

TOTAL: 212,2 BUSD

FOOD AND BEVERAGE INDUSTRY PRODUCTION, 2013

FOOD INDUSTRY SALES BY SECTOR, PRICES OF 2014 (BBRL)

SOURCE: IBGE, ABIA
São Paulo and Minas Gerais are the main food producing states. The main obstacle to the expansion of investments is the poor logistics infrastructure. Lack of roads, railways and ports and expensive freight make prices go up in distant regions. Logistics explain the existence of small regional food companies across the country, which supply the local demand. Large companies, local and foreign are acquiring smaller companies; the number of fusions of food companies tripled in 2015. There are strong Brazilian companies consolidated in the local market, which are exporting and expanding to foreign countries. Many companies, including large ones, produce “food commodities”, which can practice limited price differentiation compared to competitors. Thus, competition takes place on the lowest price.
... AND IS DOMINATED BY GIANT FOOD COMPANIES

MEAT, GRAINS AND BEVERAGES ARE THE MAIN BUSINESS OF THE LARGEST FOOD COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>Capital control</th>
<th>Net revenue (2014)</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>JBS S.A.</td>
<td>Brazilian</td>
<td>120,5 BBRL</td>
<td>Animal protein, dairy, cosmetics, cleaning products</td>
</tr>
<tr>
<td>BRF S.A.</td>
<td>Brazilian</td>
<td>29 BBRL</td>
<td>Animal protein, processed food</td>
</tr>
<tr>
<td>Marfrig Global Foods S.A.</td>
<td>Brazilian</td>
<td>21 BBRL</td>
<td>Animal protein</td>
</tr>
<tr>
<td>Ambev S.A.</td>
<td>Brazilian/Belgian</td>
<td>38,1 BBRL</td>
<td>Beers, soft drinks</td>
</tr>
<tr>
<td>Bunge Alimentos S.A.</td>
<td>Brazilian/Belgian</td>
<td>34,1 BBRL</td>
<td>Food, oils, grains</td>
</tr>
<tr>
<td>Cargill Agrícola S.A.</td>
<td>US</td>
<td>26,2 BBRL</td>
<td>Processed food, storage and reselling of grains</td>
</tr>
</tbody>
</table>

THE BRAZILIAN FOOD INDUSTRY COMPRISSE LARGA COMPANIES CAPABLE OF INVESTING IN HIGH-TECH PRODUCTS

SOURCE: VALOR, COMPANIES’ WEBSITES, MEDIA OUTLETS
PUBLIC FINANCING AND COST EFFICIENCY WILL DRIVE BRAZILIAN AGRIBUSINESS IN THE NEAR FUTURE

<table>
<thead>
<tr>
<th>INDUSTRY DRIVERS</th>
<th>CONSUMER TRENDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government financing</strong></td>
<td><strong>Quality</strong></td>
</tr>
<tr>
<td>BNDES financing and government programs will continue to drive both agricultural production and the purchase of new equipment manufactured in Brazil. Public financing is essential for investments in Brazil.</td>
<td>As consumers become more conscious about quality issues, label info, guarantee of origin, traceability, risk control and quality certification, solutions for such issues are becoming more important for food producers.</td>
</tr>
<tr>
<td><strong>Cost efficient technology</strong></td>
<td><strong>Sustainability</strong></td>
</tr>
<tr>
<td>Many large producers are focused on commodities, where competition takes place on the lowest price. Cost efficient solutions and reuse of by-products (such as biogas) are major drivers.</td>
<td>Consumers are getting more environmentally conscious. In parallel companies are increasingly adapting to environmentally friendly standards.</td>
</tr>
<tr>
<td><strong>Regulatory compliance</strong></td>
<td><strong>Healthier products</strong></td>
</tr>
<tr>
<td>Food regulations, as well as environmental legislation are getting stricter. This is an opportunity for suppliers of: food safety equipment, dryers, automation and packaging solutions, food analysis equipment.</td>
<td>Organic and functional products are niches where growth is expected for the next years, a trend also impacting Brazilian agriculture and food production.</td>
</tr>
<tr>
<td><strong>Mobility</strong></td>
<td><strong>Meat consumption trends</strong></td>
</tr>
<tr>
<td>Companies are searching for logistics solutions which can generate precise and fast information, in order to minimize losses. Transport and storage solutions are major concerns for agribusiness companies.</td>
<td>While increasing globally, meat consumption growth in Brazil is starting to stagnate as consumers are increasing consumption of other food stuffs.</td>
</tr>
</tbody>
</table>

BRAZILIAN FOOD CONSUMER MARKET IS DEVELOPING AND GETTING MORE DEMANDING

SOURCE: SWITZERLAND GLOBAL ENTERPRISE, EUROMONITOR, RESEARCH

BUSINESS SWEDEN
FOOD AND AGRICULTURE OFFERS GREAT OPPORTUNITIES FOR SWEDISH COMPANIES IN BRAZIL

**Investments**
- BNDES and government financing programs for clients of locally established manufacturers
- Pursue of clean and cost efficient technology
- Production of healthier products and innovation

** Demand**
- Recent economic slowdown and higher inflation in Brazil
- Lower commodities price
- Beef production to slow down due to local demand saturation

**Players**
- Large organized cooperatives who need to invest (e.g. storage, transport, implements)
- Brazilian large exporters who want to grow

**What challenges should companies be ready to face?**
- Confusing and excessively bureaucratic food regulations
- Complex tax system
- High import tariffs and other taxes

**Market**
- Protection of local industry
- Poor infrastructure for roads, energy, ports and airports
- Language barrier, mainly for agriculture

**Business in Brazil**
- Large agribusiness market, internationally integrated
- Advantages: diverse climate and land availability
- Diversified production and growth
- Devaluated BRL is stimulating exports

**Large and growing agriculture and food producer with increasing demand for technology**
BUSINESS SWEDEN OFFERS A FULL SERVICE PORTFOLIO FOR EFFICIENT MARKET ENTRY

OUR INDUSTRY FOCUS

| ICT | HEALTH CARE & LIFE SCIENCE | MATERIALS & MANUFACTURING | SECURITY | AGRICULTURE, FOOD & FOREST | ENERGY & ENVIRONMENT | TRANSPORT SYSTEMS |

OUR CUSTOMERS

| SWEDISH COMPANIES EXPANDING INTO BRAZIL | LOCAL SUBSIDIARIES OF SWEDISH COMPANIES | SWEDISH GOVERNMENT |

OUR MARKET OFFERING

| MARKET ENTRY STRATEGY | PARTNER SEARCH | MARKET ANALYSIS | IMPORT ANALYSIS | ACQUISITION SUPPORT | STAKEHOLDER MANAGEMENT | SOURCING ANALYSIS | BUSINESS SUPPORT OFFICE * | RECRUITING |

OUR STRENGTH

| EXPERIENCED TEAM WITH INDUSTRY FOCUS | UNIQUE OWNERSHIP PROVIDE ACCESS TO THE SWEDISH GOVERNMENT & FUNDING STRUCTURE | GLOBAL PRESENCE | LOCAL & SWEDISH PERSPECTIVE TO BUSINESS OPPORTUNITIES | ACCESS TO HIGH LEVEL AUTHORITIES & BUSINESS NETWORKS IN BRAZIL |

* BSO SERVICES INCLUDE: OFFICE PLACE & SERVICE, ADMINISTRATION, COMPANY ESTABLISHMENT (INCL LEGAL ADRESS), DELEGATE MANAGER AND FINANCIAL ANALYSIS
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BUSINESS SWEDEN IN BRAZIL

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