

KEY & COMPANY LLC

*an investment bank serving companies in the food and  
agricultural sector*

*Beech Hill Securities, Inc.*  
A registered Broker/Dealer with the FINRA  
(Financial Industry Regulatory Authority)  
880 Third Avenue, 16<sup>th</sup> Floor  
New York, NY 10022

**Round Table Presentation**  
***Investor Perspectives on Agriculture***  
**January 6<sup>th</sup>, 2011**



# KEY & COMPANY

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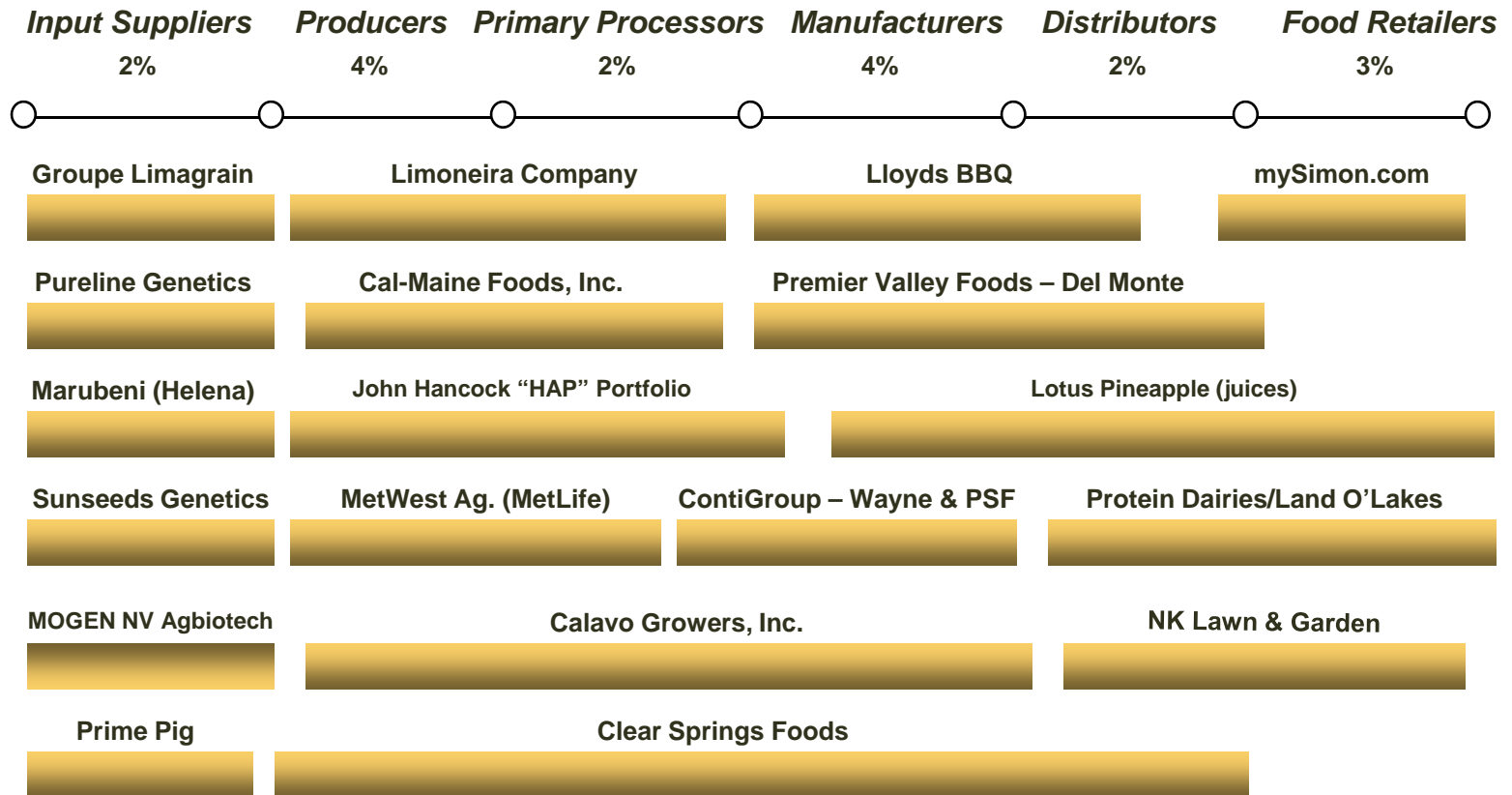


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## Clients in the Food Chain



*Estimated % of U.S. GNP (Harvard)*



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Some Recent Clients



Farm Credit  
OF WESTERN NEW YORK



An MFC Global Investment  
Management Company



**KILLERBIZ.COM**

What you Need, when you need it



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## Team





## Investors' Take Notice of Global Demand Factors



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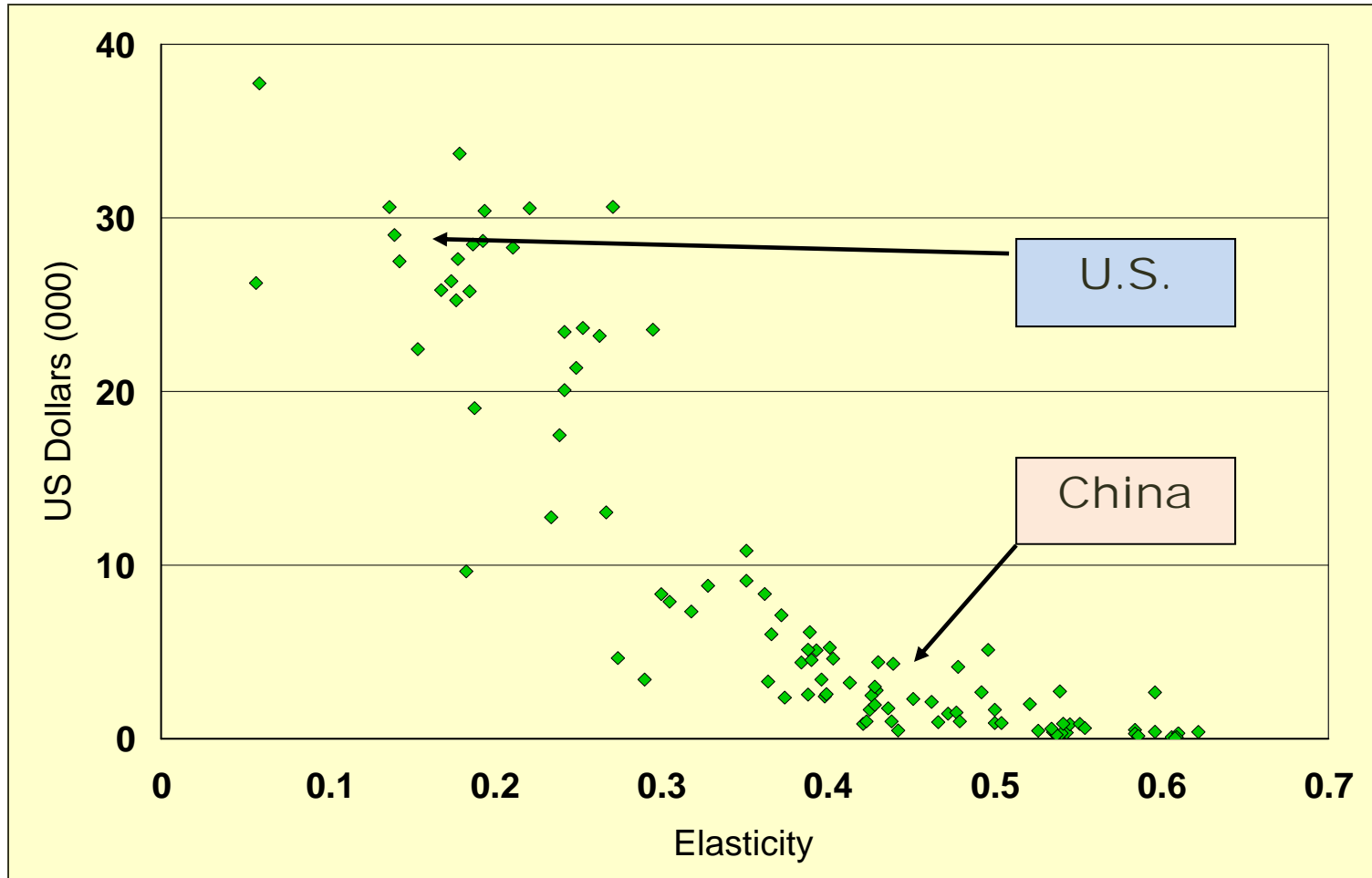
And for Agriculture...



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## Demand Elasticities - Developing and Developed Countries



Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS

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## Soybean Consumption by Country/Region

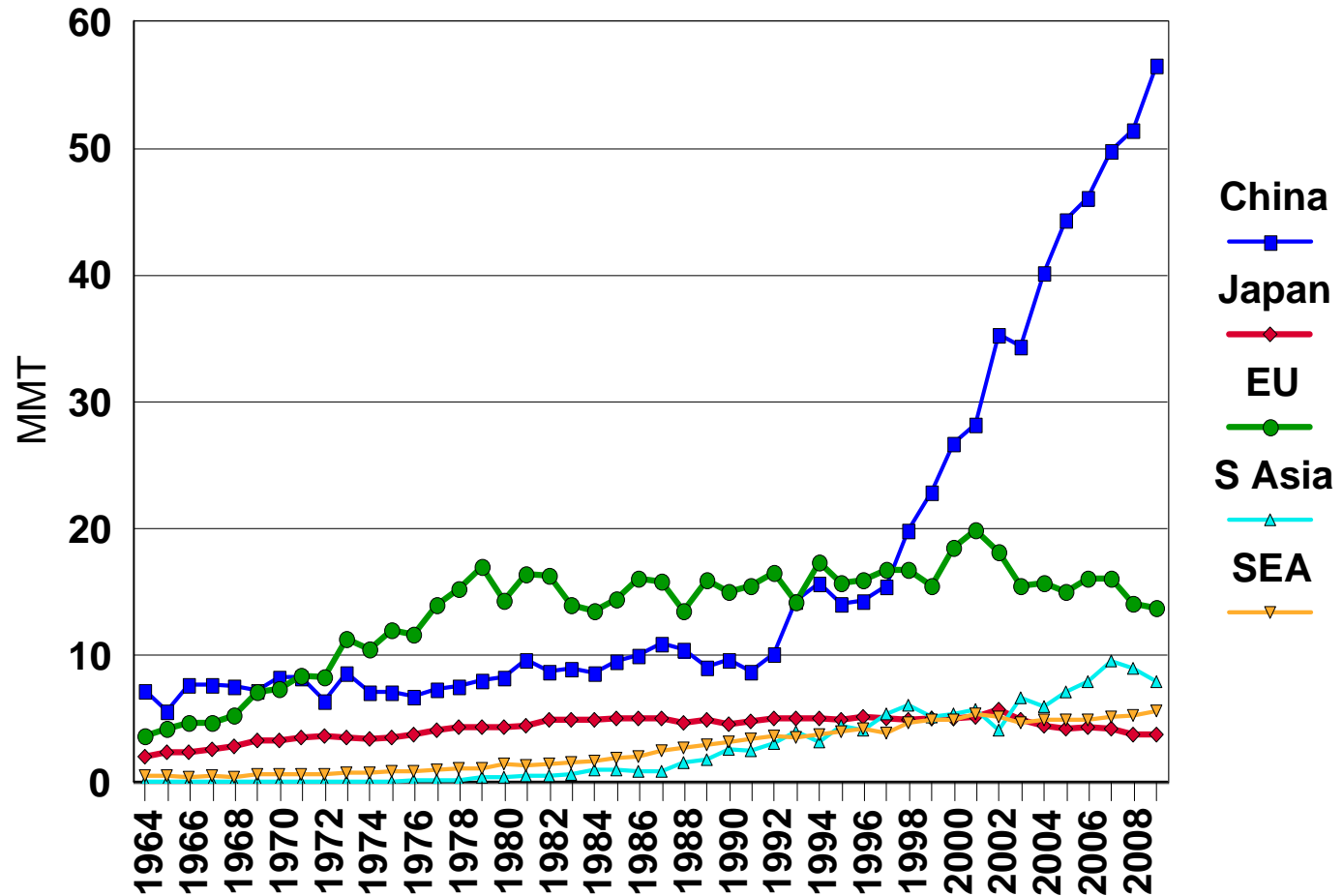


**China growth rate in soybean consumption is explosive at about 18% per year.**

Driven by

- Increased income
- Population
- Urbanization
- Irreversible changes in diets

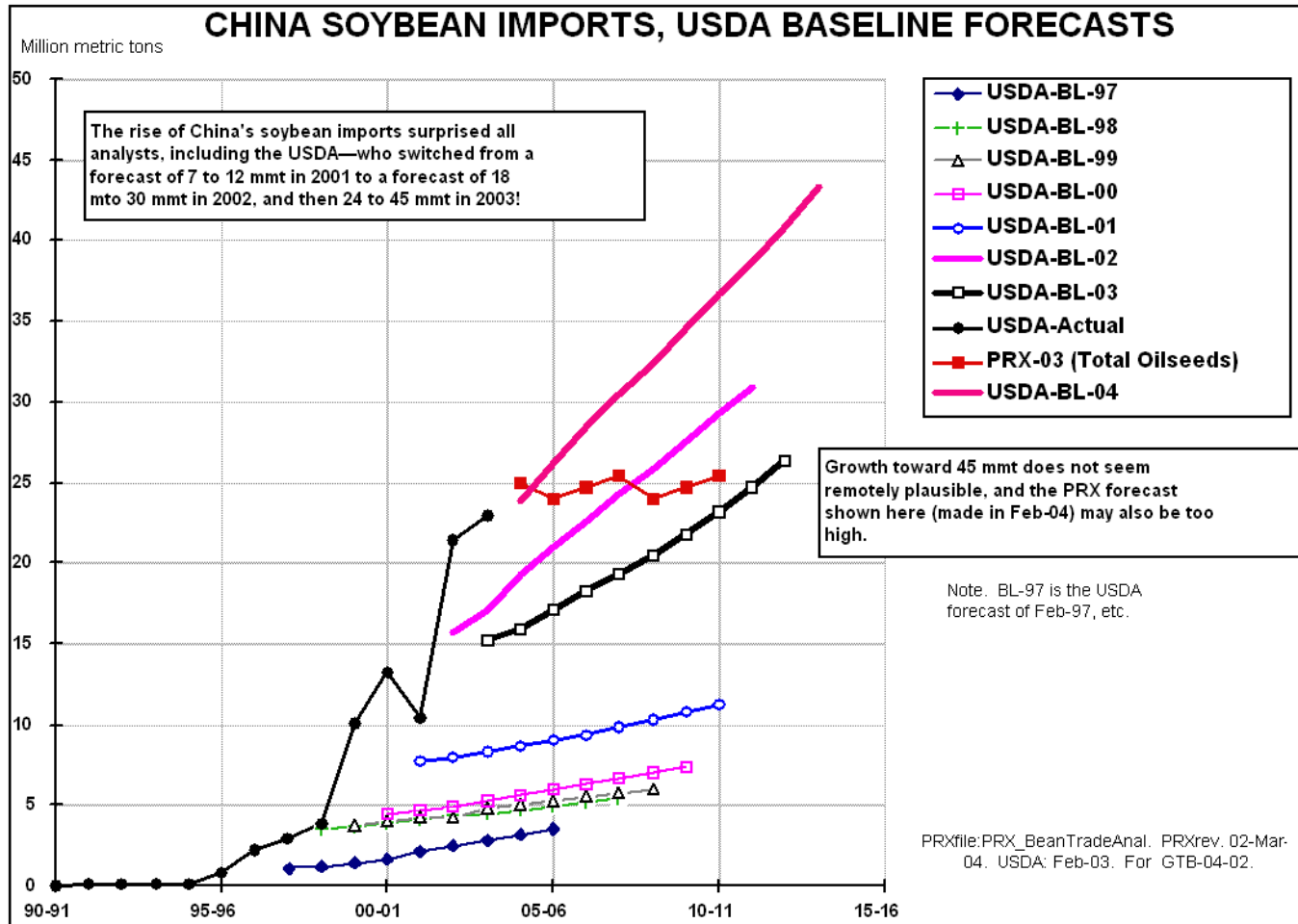
Growth in most other countries is typically about 1-2% per year per capita.



Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS



## Changing Forecasts of China Soybean Imports



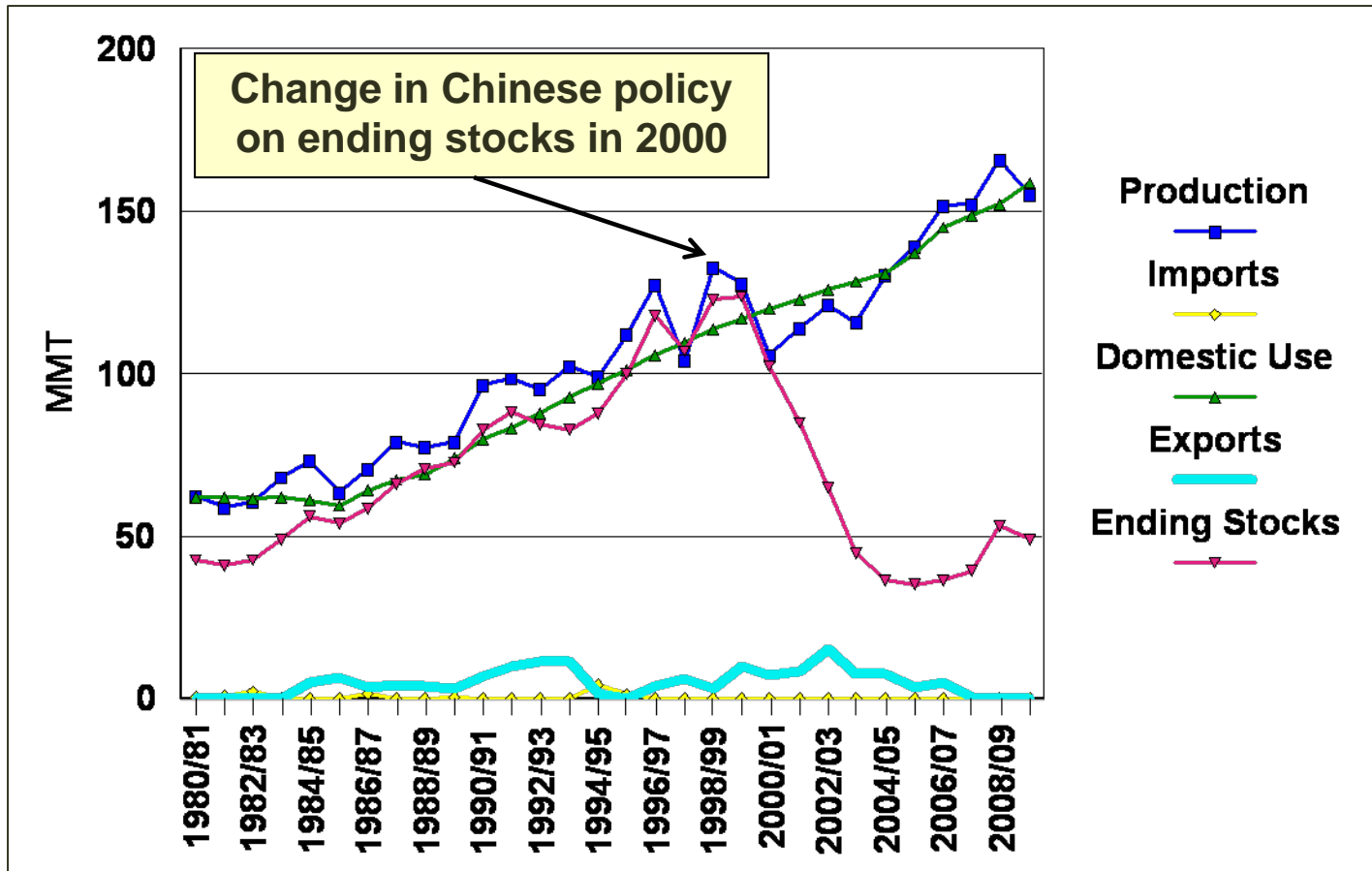
The USDA has had to continually revise its forecasts of Chinese soybean imports to reflect actual events.

Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS

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## China Corn - Production, Consumption and Ending Stocks

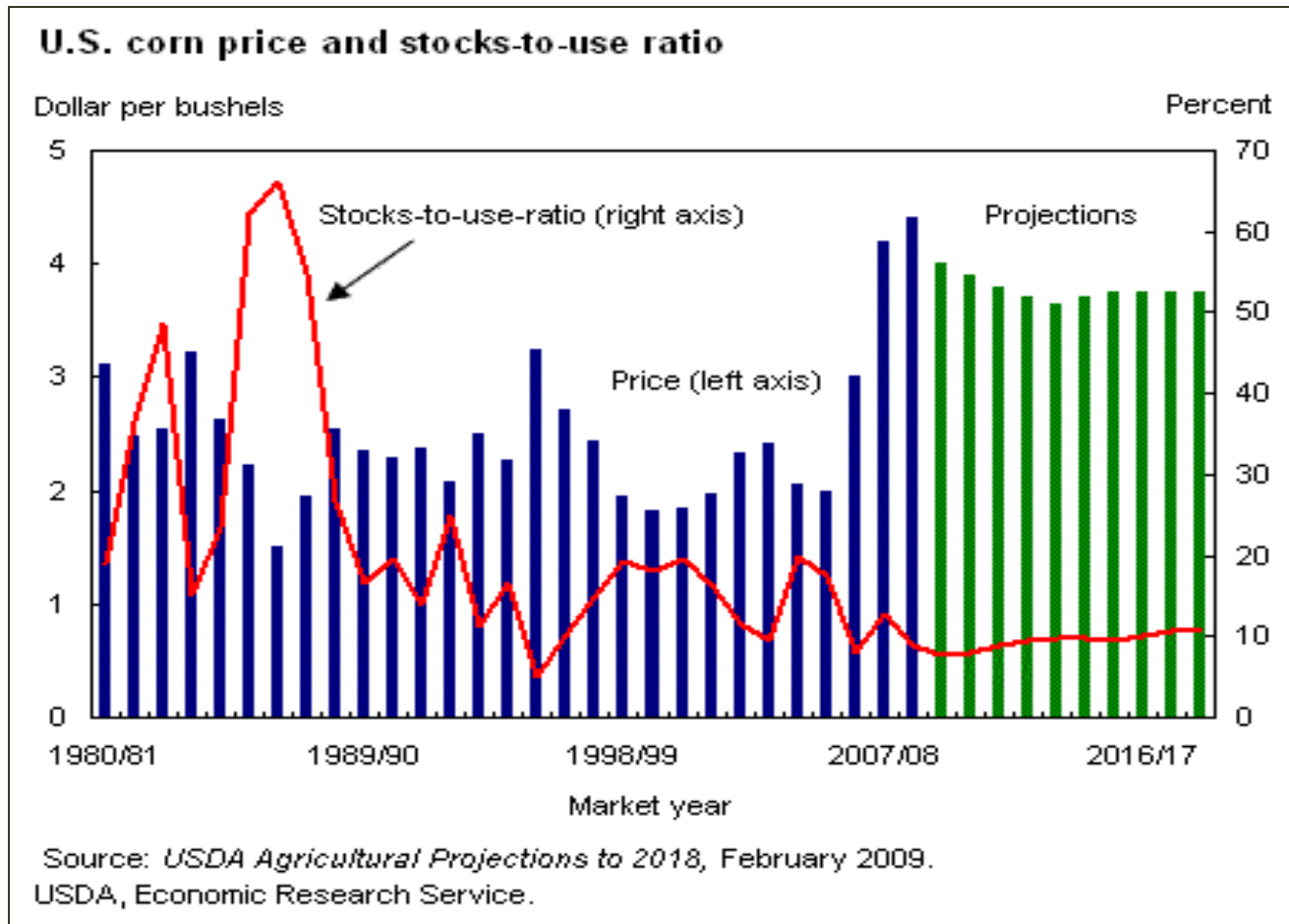


Chinese corn imports have been low due to a policy of self-sufficiency in this grain. However, analysts are expecting China to begin importing more corn, supported by recent market events.

Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS



## U.S. Corn Stocks Since 1980 and Forecast to 2017

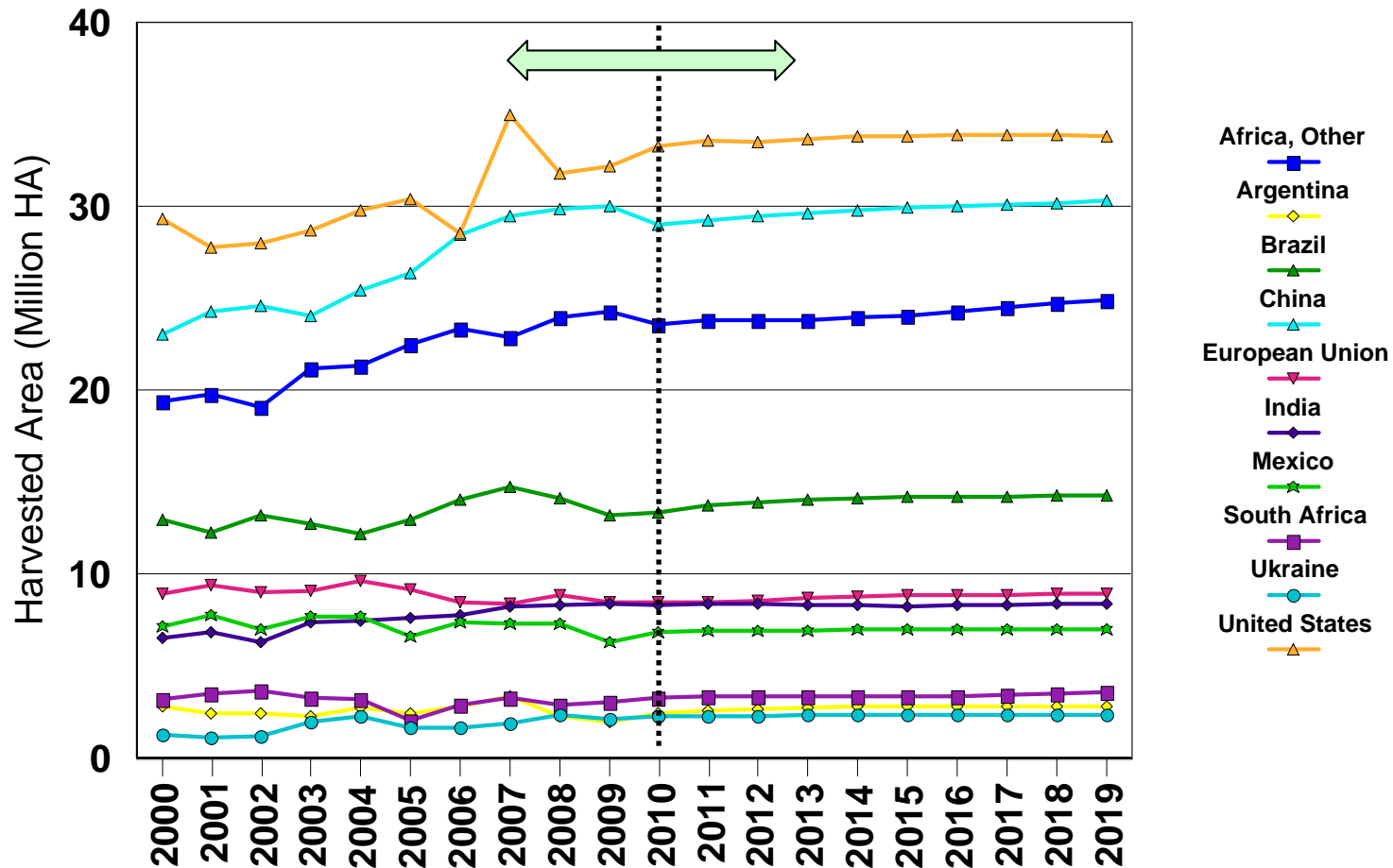


U.S. Corn Stocks have fallen since the early 1980's when surpluses were the norm. Today, the U.S. has approximately a 30 day supply on hand. Price forecasts by the USDA reflect continued low inventories.

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## Corn: Predicted Harvested Area *Selected Countries*

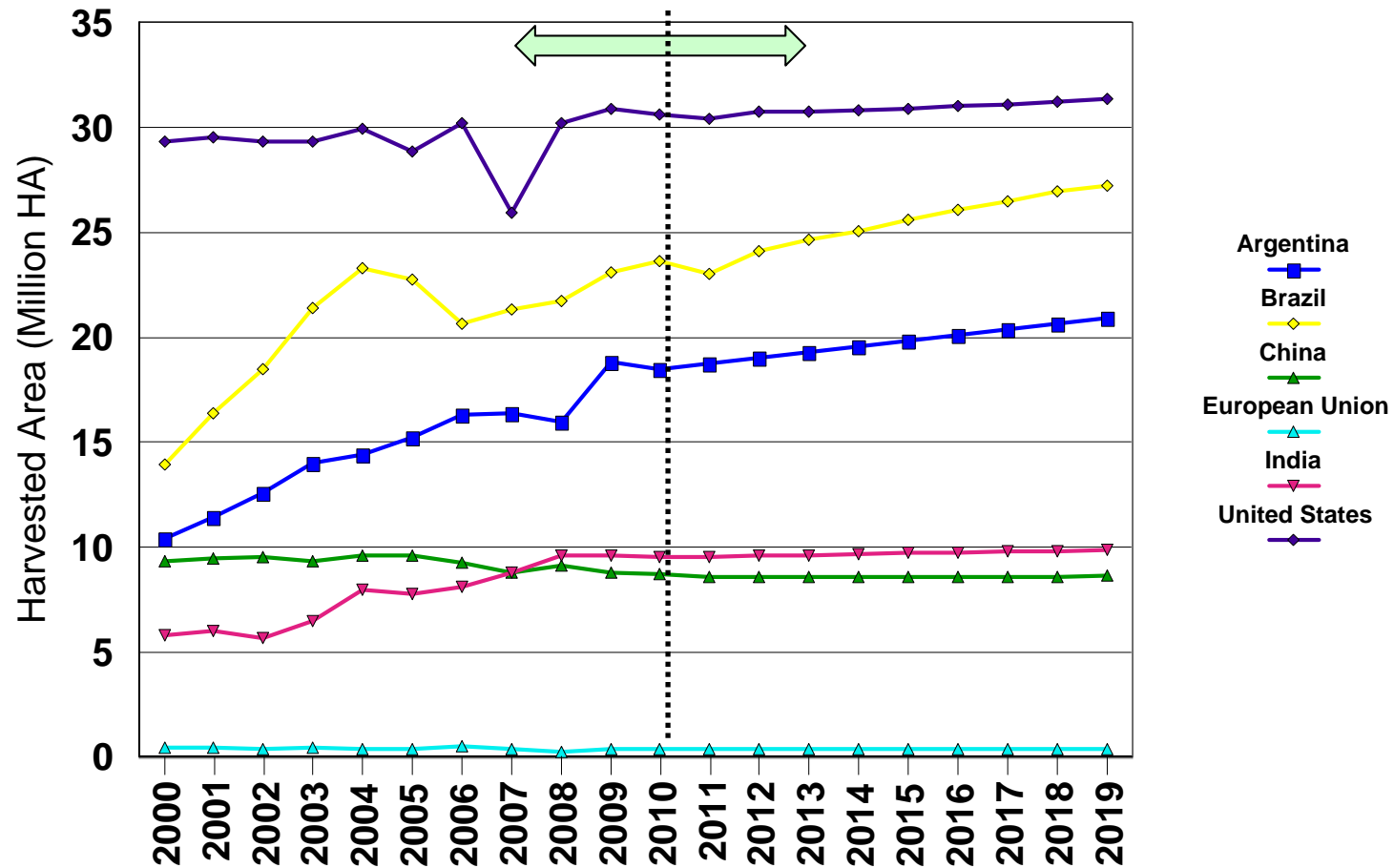


Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS

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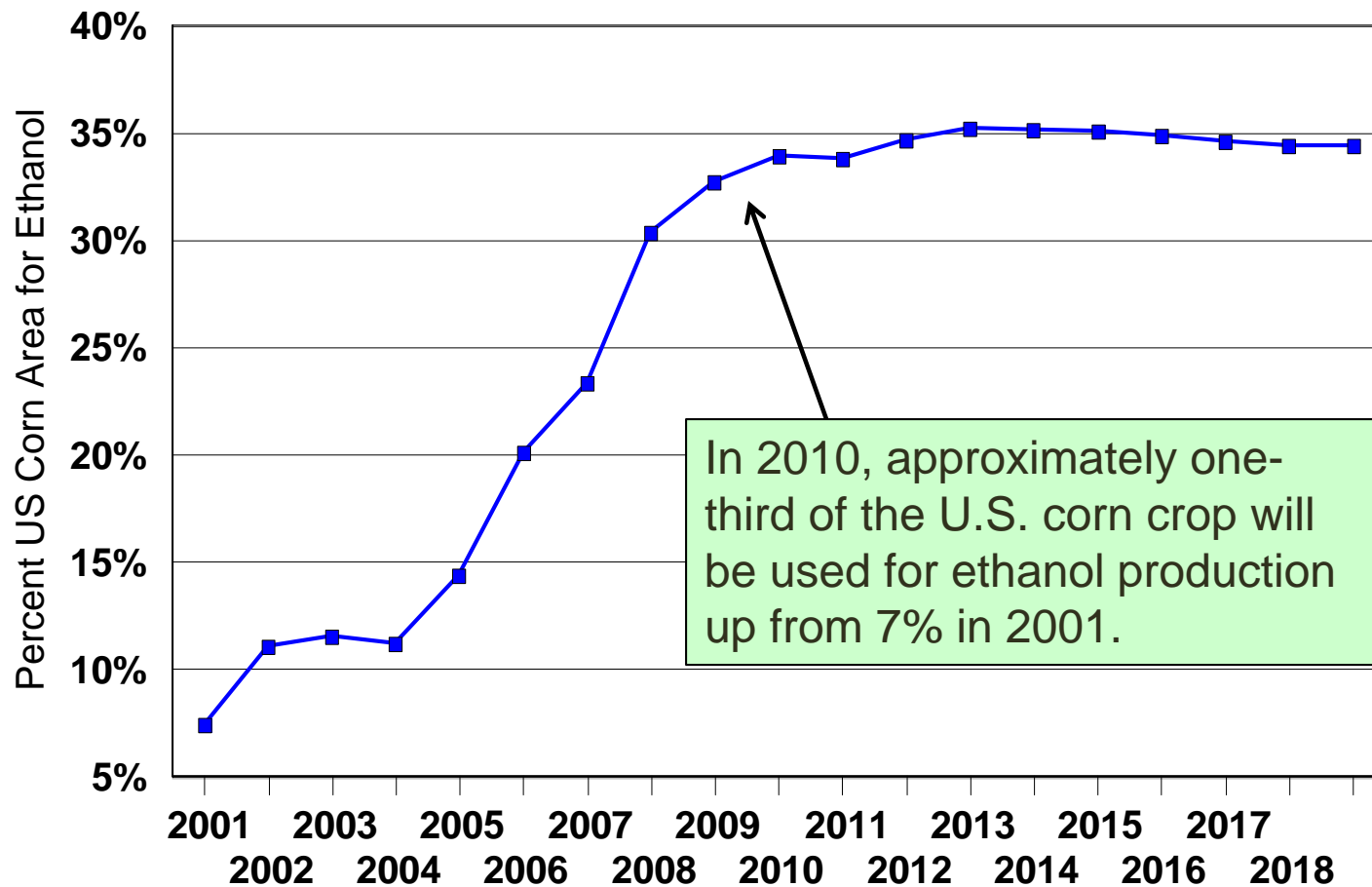
## Soybeans: Predicted Harvested Area *Selected Countries*



Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS

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## US Corn Area Devoted to Ethanol (USDA)

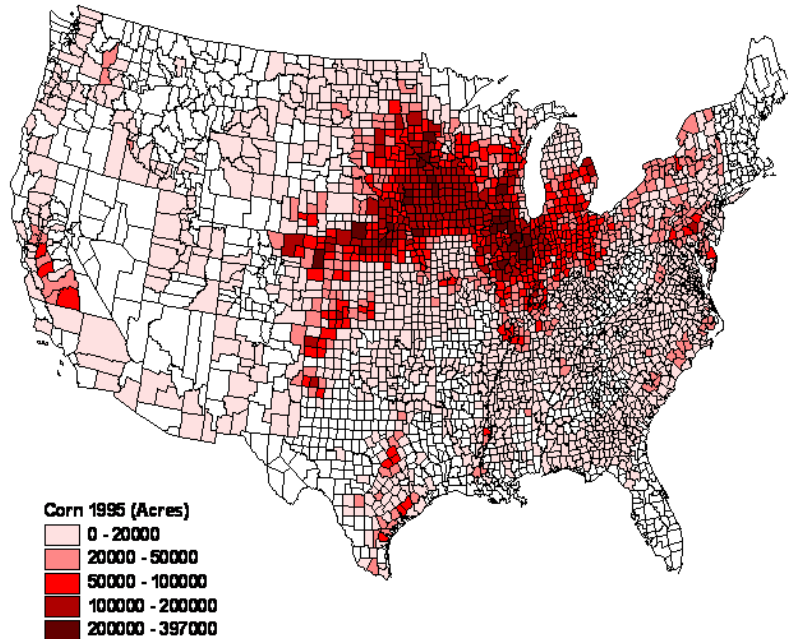


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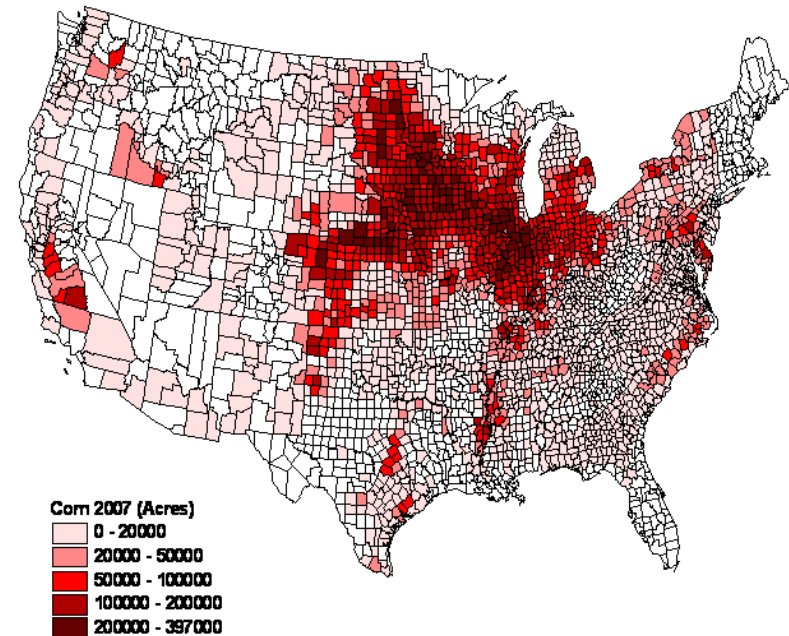
## The Impact of Agbiotech – Corn Moving North and West

Corn is replacing other crops as hybrids are continually bred to tolerate cold and drought. Soybeans also show a similar trend.

### Corn Planted 1995



### Corn Planted 2007



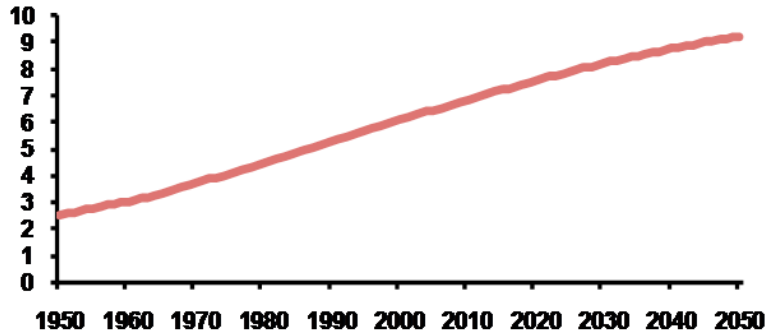
Source: William W. Wilson, Phd, North Dakota State University, USDA-ERS

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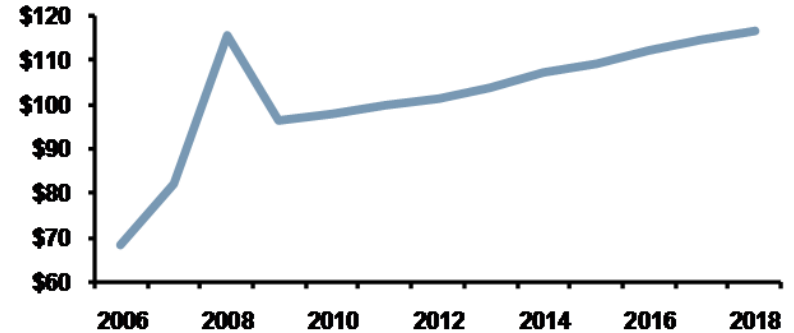
## Demand Factors

**World Population (1950-2050)**  
Billions



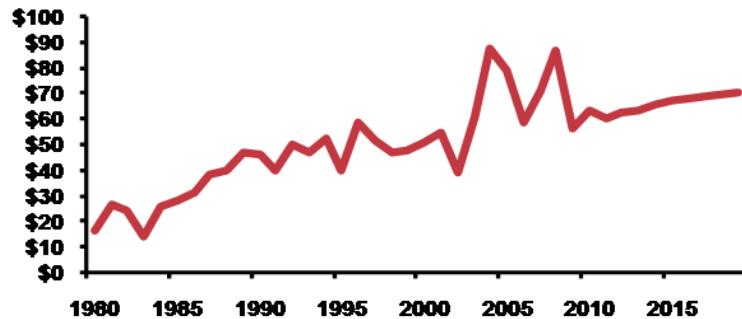
Source: U.S. Census Bureau, International Data Base

**Total U.S. agricultural exports**  
(\$ billions)



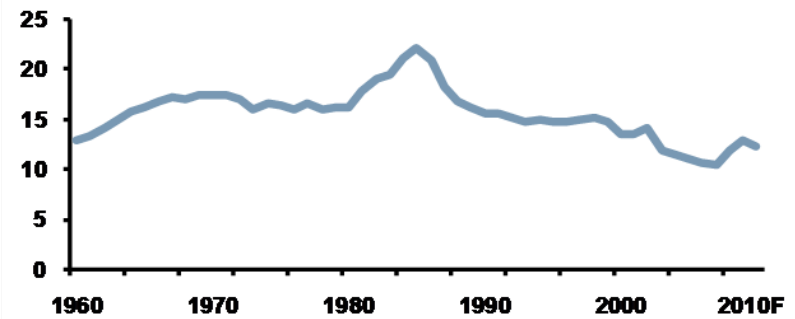
Source: USDA Long-term Projections, February 2010

**U.S. Net Farm Income**  
(\$ billions)



Source: USDA Long-term Projections, February 2010

**Farm sector Debt to Assets Ratio**



Source: Economic Research Service/USDA



## Summary of Trends in Agriculture

1. World population will increase 47% by 2050 to 8.9 billion.
2. There is little new arable land in the world that can be brought into production.
3. Demand growth is exceeding productivity growth.
4. Demand is driven by population growth, income, urbanization and changing diets; and, new uses including biofuels.
5. Grain Prices have become highly tied to the price of energy and will continue to be volatile.
6. Commodity prices will remain high enough to spur increased productivity.
7. Prime farmland will remain highly desirable as higher prices are capitalized into the price of land.
8. Agriculture has changed from a slow moving low priced industry into one that is rapidly changing and adapting to many new opportunities.



## Comments from Macro-Economists on Agriculture





- Institutional failures in 2008-2009 – both private and public.
- Seemingly dysfunctional political finger-pointing. No one has a mirror (public and private).
- \$70 trillion in current unfunded liabilities (social security, Medicare, Healthcare, Pension Guaranty Corporation, Fannie and Freddie etc...The U.S. collected \$1.4 trillion in personal taxes in 2008 before the crisis)
- \$700 billion annual trade deficit – oil a big component and no obvious routes to a balance (agricultural exports?)
- The greatness of our “pluralistic” society has bred an increasing number special constituencies who demand Government (our collective) resources.
- Monetary policy is being used more aggressively where fiscal policies have failed.

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How to Restore Confidence in our Institutions





### **Marc Faber – Economist – Barrons’ RoundTable**

*“My advice to investors is to buy farmland, stock up on gold and prepare for a “dirty war”. The US is going to go bankrupt. In Asia, stock pickers should play on future food and water shortages by buying into companies with exposure to agriculture and water treatment technologies.*

### **Jim Grant – Grant’s Interest Rate Observer**

*“They talk about quantitative easing to maintain long term asset value - no. It is money printing. And what they intend to do is to generate a cheaper dollar, otherwise known in trade as a debased currency. And with this inflationary dollar, to make everything seem better. That is the agenda.”*

### **Jim Rogers – Ex-Quantum fund**

*“I’m convinced that farmland is going to be one of the best investments of our time.”* (Buying Brazil and Canadian Farmland)



### **Don Coxe – Coxe Advisors (interview with Barrons)**

*“Agricultural productivity in the U.S. in the past 30 years has risen almost as fast as productivity in industrial products. People think of farmers as pretty dull people, but they've really improved the way they do business. That process must go forward or we will face starvation. So these [agricultural] companies we can feel good about, and they remain cheap”.*

### **Dexter Paine – Paine & Partners LLC**

*“To meet global demand for food, we need to invest in the smartest of agricultural technologies - that is the opportunity”*



- Harvard University Endowment Fund acquired Big Sky farm near Patearoa for NZD 28 million (approx. \$36 MM) on October 4, 2010. The Overseas Investment Office has approved the transaction. Big Sky has changed its name to Dairy Farms Partnership.
  - *Sidebar – Natural Dairy (NZ) owned by Chinese businessmen was prevented from buying Crafar farms, the largest dairy in NZ)*
- Sun Capital Partners, Inc. agreed to acquire Burlington Pork Processing Operations from Maple Leaf Foods Inc. (TSX:MFI) for CAD 20 million on November 9, 2010. The transaction includes a long-term contract with Maple Leaf Foods' rendering operations. The transaction is expected to close within the next few days.
- Spanish billionaire Enrique Banuelos acquired 86% stake in Maeda S/A Agro industrial from a family for BRL 100 million on May 29, 2010. \$55 MM



## Agriculture Investment Vehicles

- U.S. Farmland Funds
- Altima Partners \$850 million
- Emergent (Africa)
- Morgan Stanley – (Ukraine)
- Duxton (Asia, India Africa, South America)
- El Tejar (South America)
- Adeco Agro (Argentina, Brazil)
- Cresud S.A. (Brazil)
- Many Others



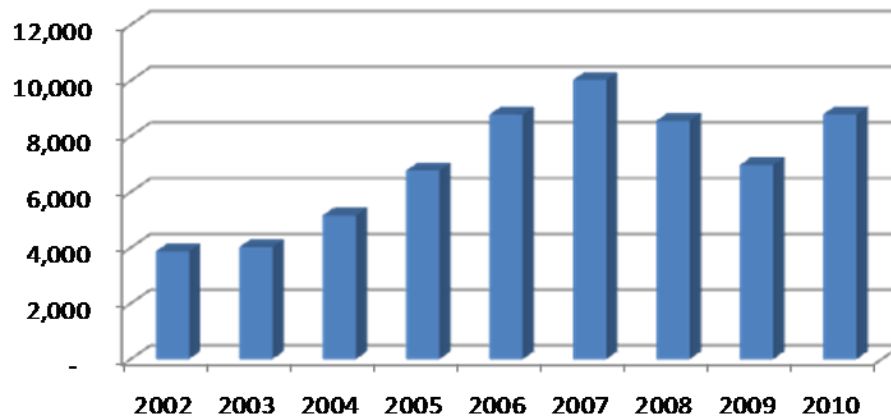
## Global Trends in M&A Activity



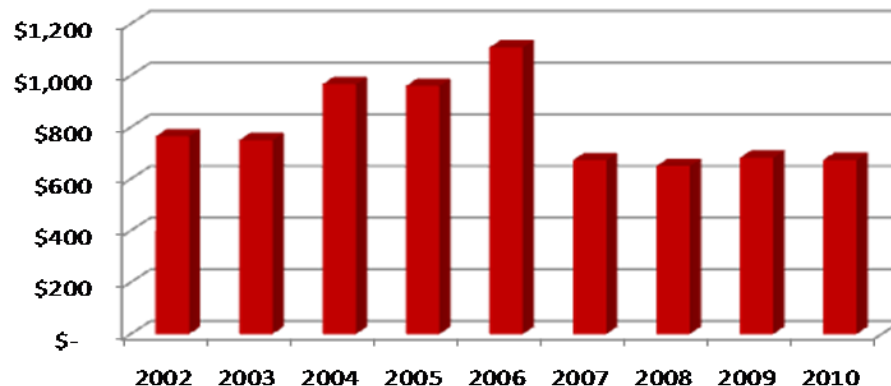
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## Total Global M&A Activity 2002-2010

### Number of M&A Transactions



### Aggregate M&A Value (\$Bln)



### Comments By Year

2002 – Telcom, Healthcare

2003 – Energy, Healthcare

2004 – Telcom, Banks

2005 - Energy, Technology

2006 - Real Estate

2007 - Banks, Infrastructure

2008 - Banks, Energy

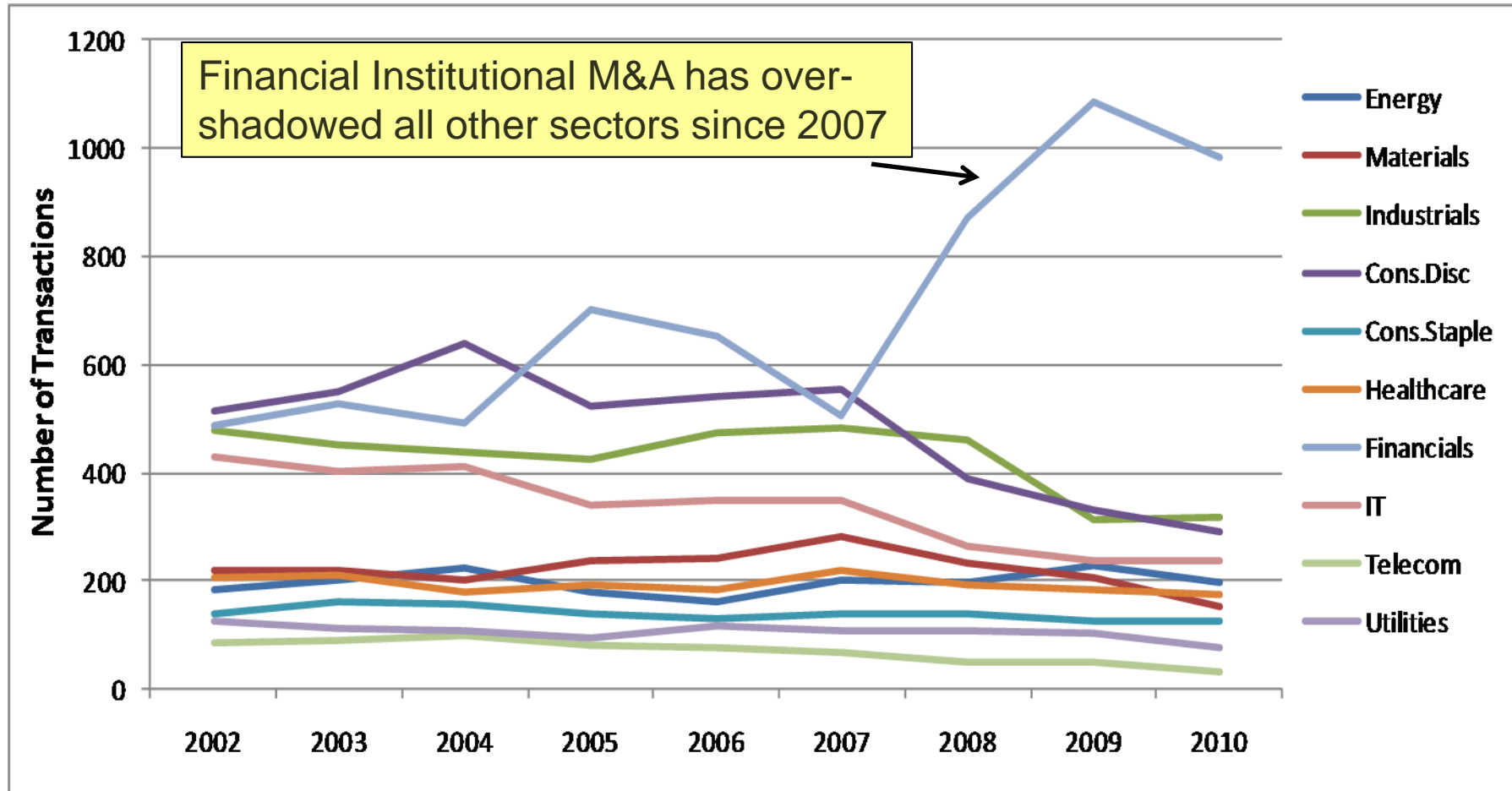
2009 - Banks

2010 - Materials, Infrastructure

Source: Capital IQ

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## Global M&A Activity 2002-2010

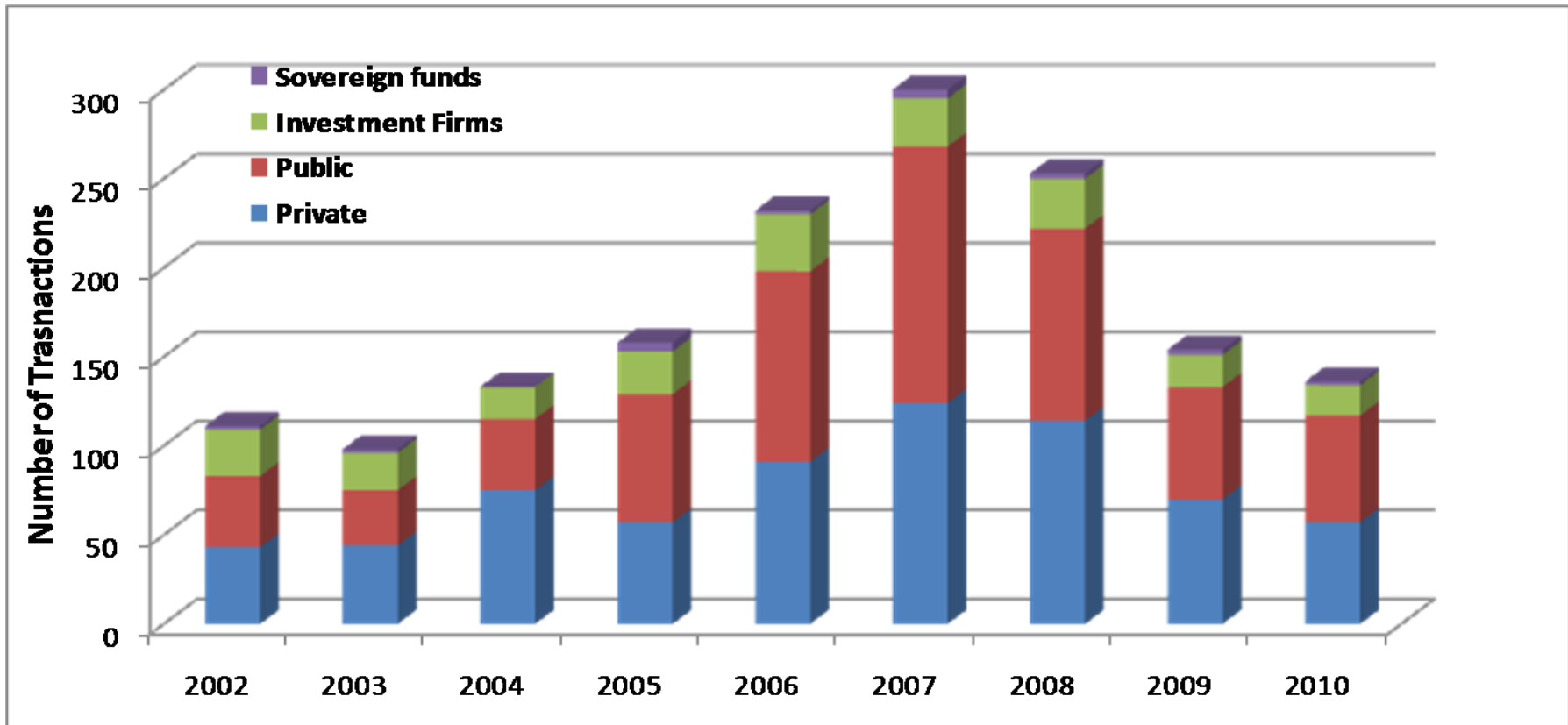


Source: Capital IQ

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## Global Food Products M&A Activity by Type of Investor



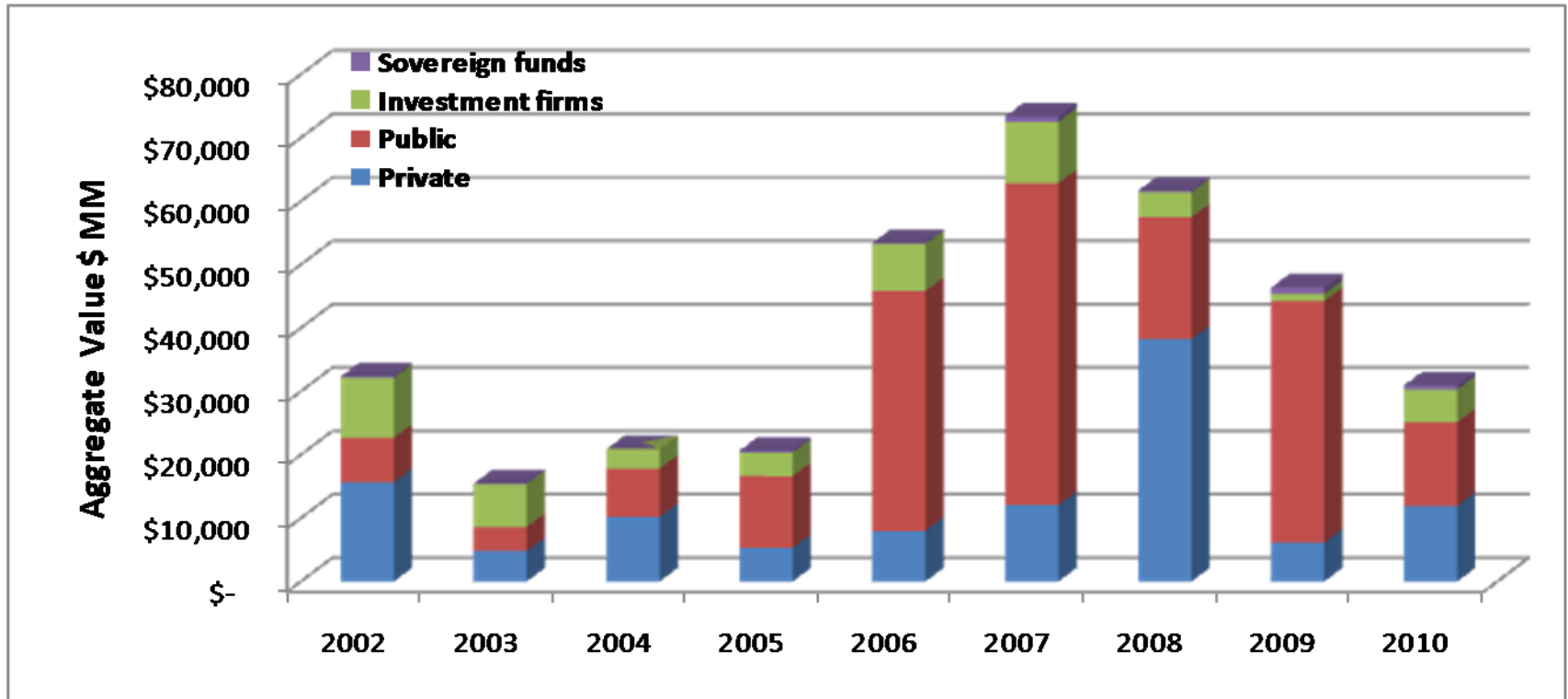
Since 2002, the majority investors in the food industry have been strategic buyers, both public and private. Sovereign Funds and investment firms account for less than 15% of all activity

Source: Capital IQ

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## Global Food Products M&A Activity by Type of Investor

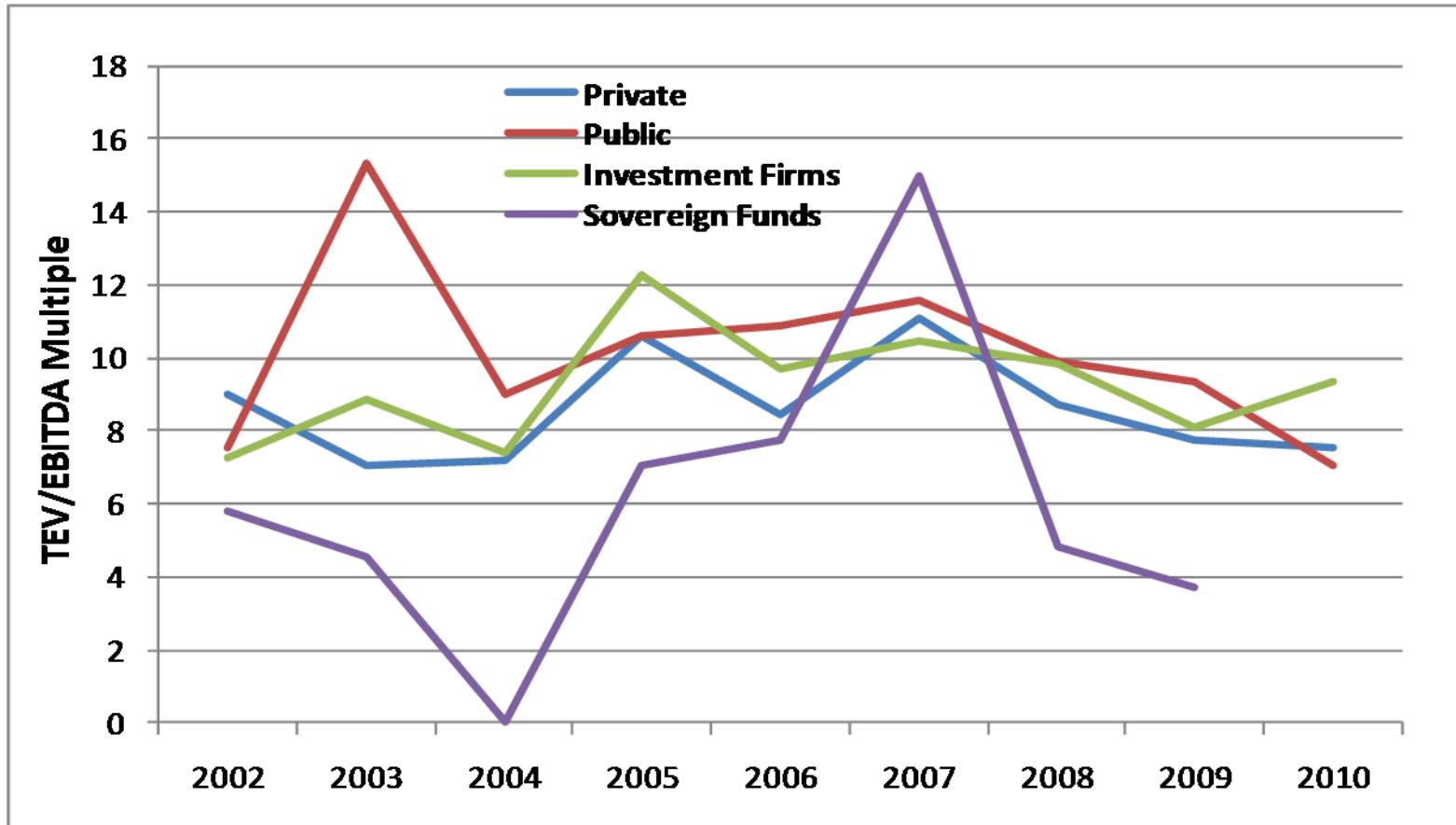


Public companies have used their superior financial resources to complete some of the largest transactions. They account for the majority of aggregate value in the food industry.

Source: Capital IQ

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## Global Food Products M&A Median Valuation Multiples



Valuations have been reasonably consistent and vigorous for the period through 2007 and then declining since the 2007 financial crisis

Source: Capital IQ

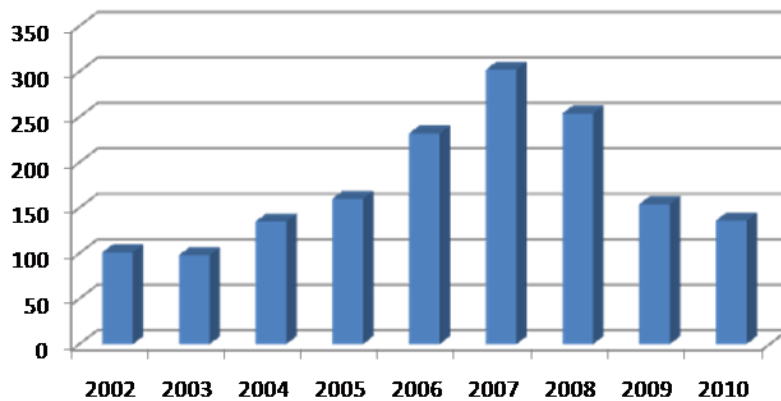
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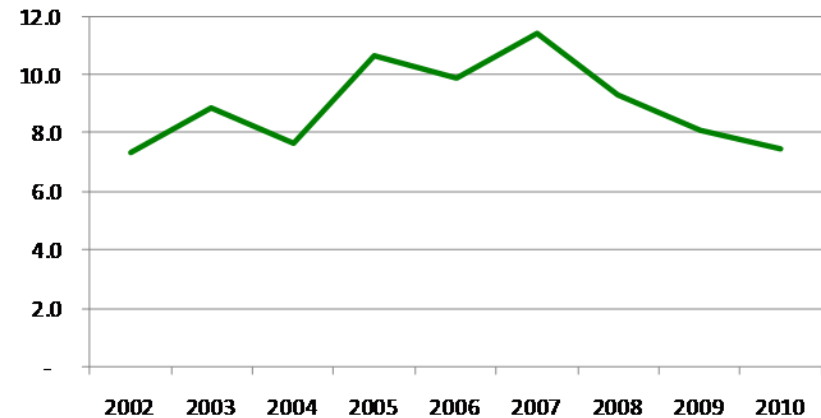
## Global Food Industry M&A Transactions 2002-2010



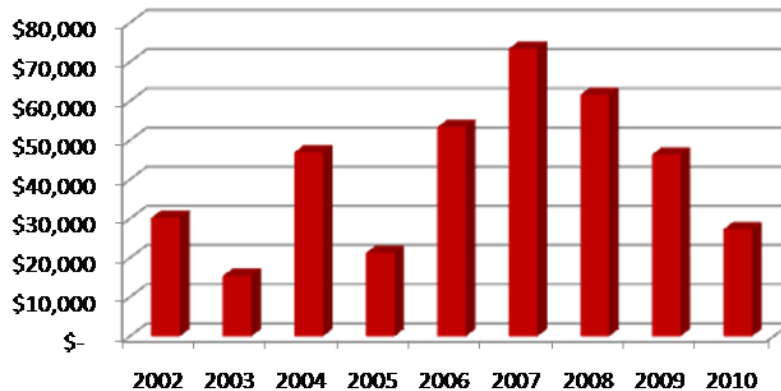
### Number of Transactions



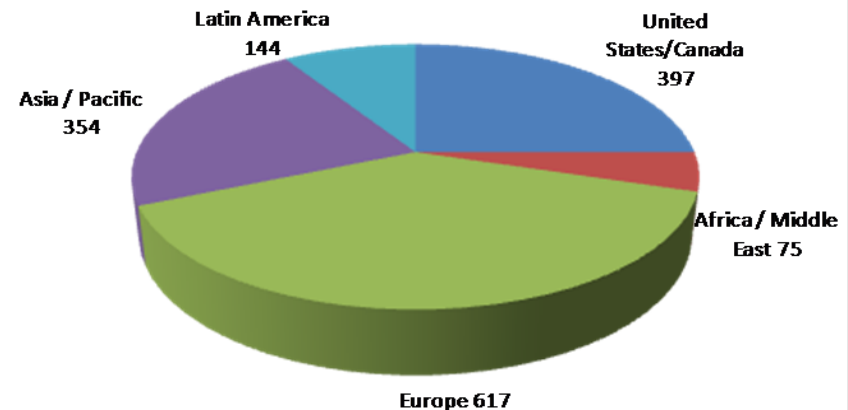
### Median TEV/EBITDA



### Aggregate Value (\$MM)



### Transactions by Region



Source: Capital IQ

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## Global Food Industry M&A Transactions 2002-2010

Most Active Buyers by No. of Transactions Company Name	Number of Transactions	Most Active Buyers by Total Size Company Name	Transaction Size (\$MM)
Hormel Foods Corp. (NYSE:HRL)	12	Kraft Foods Inc. (NYSE:KFT)	30,636
Smithfield Foods Inc. (NYSE:SFD)	11	Mars, Incorporated	23,367
BRF - Brasil Foods S.A. (BOVESPA:BRFS3)	10	Danone (ENXTPA:BN)	17,119
Olam International Limited (SGX:O32)	10	Nestlé S.A. (SWX:NESN)	8,416
CSM nv (ENXTAM:CSM)	9	BRF - Brasil Foods S.A. (BOVESPA:BRFS3)	7,052
Dean Foods Co. (NYSE:DF)	9	Sime Darby Berhad (KLSE:SIME)	5,792
Ralcorp Holdings Inc. (NYSE:RAH)	9	Premier Foods plc (LSE:PFD)	5,467
Vivartia S.A. (ATSE:VIVART)	9	The J. M. Smucker Company (NYSE:SJM)	5,289
ARYZTA AG (ISE:YZA)	8	Cadbury plc	5,200
Bunge Limited (NYSE:BG)	8	Ralcorp Holdings Inc. (NYSE:RAH)	4,731

Merger & Acquisition Statistics			
Valuation Summary		Number of Deals by Transaction Ranges	
Total Deal Value(\$mm):	\$ 356,189	Greater than \$1 billion	61
Average Deal Value:	\$ 224	\$500 - \$999.9mm	83
Average TEV/Revenue:	1.9	\$100 - \$499.9mm	358
Average TEV/EBITDA:	13.7	Less than \$100mm	1085
Average Day Prior Premium(%):	15.7	Undisclosed	0
Average Week Prior Premium(%):	18.5		
Average Month Prior Premium(%):	22.0		

Source: Capital IQ

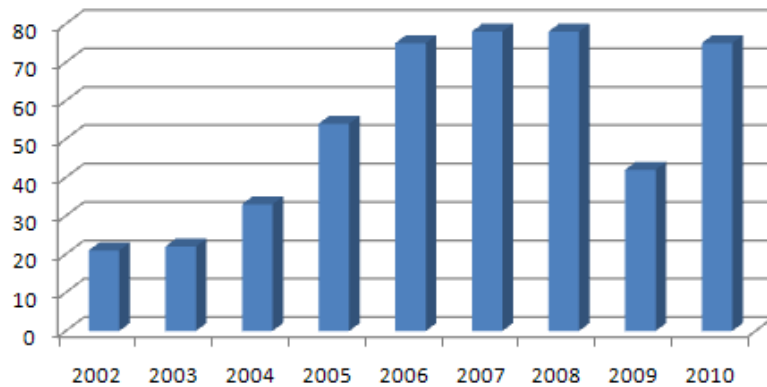
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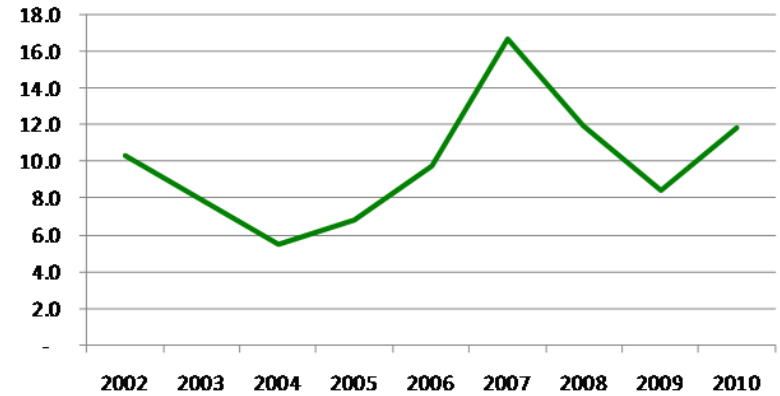
## Global Agrichemical M&A Transactions 2002-2010



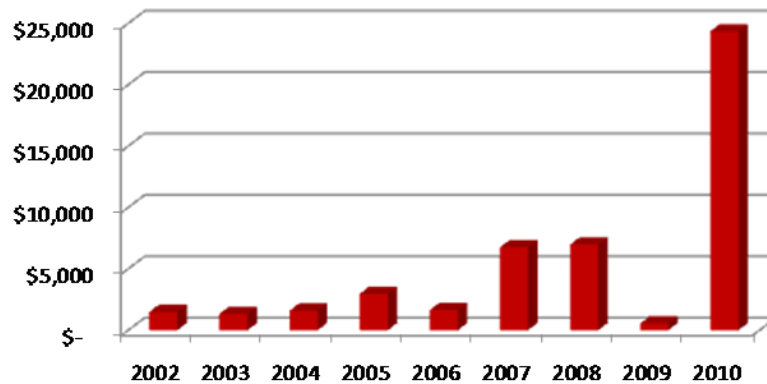
### Number of Transactions



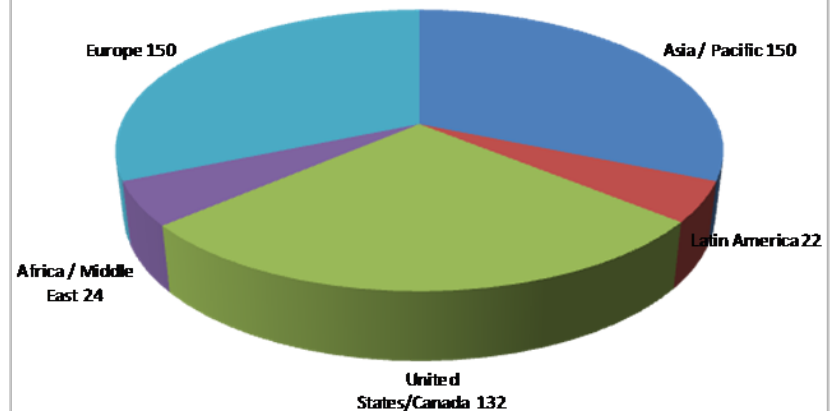
### TEV/EBITDA Multiples



### Aggregate Value (\$MM)



### Number of Transactions by Region



Source: Capital IQ

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## Global Agrichemical M&A Transactions 2002-2010



Most Active Buyers by No of Transactions Company Name	Number of Transactions	Most Active Buyers by Total Size Company Name	Total Trx Size (\$MM)
Yara International ASA (OB:YAR)	11	Uralkali JSC (RTS:URKA)	8,434.18
AMVAC Chemical Corporation	9	Yara International ASA (OB:YAR)	7,464.78
Potash Corp. of Saskatchewan, Inc. (NYSE:POT)	6	CF Industries Holdings, Inc. (NYSE:CF)	5,429.65
Uniphos Enterprises Ltd. (BSE:500429)	6	Orascom Construction Industries Company	3,375.74
UralChem OJSC	6	China National Chemical Corporation	2,801.22
CK Life Sciences International Holdings Inc. (SEHK:0815)	5	Industrial Equity Investments Limited	2,173.44
Cheminova A/S	4	Citi Venture Capital International	1,911.2
Makhteshim Agan Industries Ltd. (TASE:MAIN)	4	Rashed Al Rashed & Sons Group	1,911.2
Nufarm Ltd. (ASX:NUF)	4	Dubai Capital Group	1,911.2
Punjab Chemicals & Crop Protection Ltd. (BSE:506001)	4	Abraaj Capital	1,911.2

### Merger & Acquisition Statistics

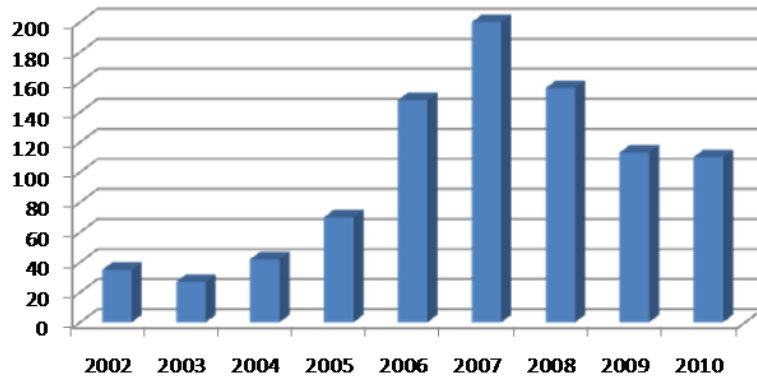
Valuation Summary		Number of Deals by Transaction Ranges	
Total Deal Value(\$mm):	\$ 47,681	Greater than \$1 billion	11
Average Deal Value:	\$ 208	\$500 - \$999.9mm	6
Average TEV/Revenue:	1.8	\$100 - \$499.9mm	30
Average TEV/EBITDA:	14.3	Less than \$100mm	182
Average Day Prior Premium(%):	34.0	Undisclosed	249
Average Week Prior Premium(%):	39.1		
Average Month Prior Premium(%):	43.3		

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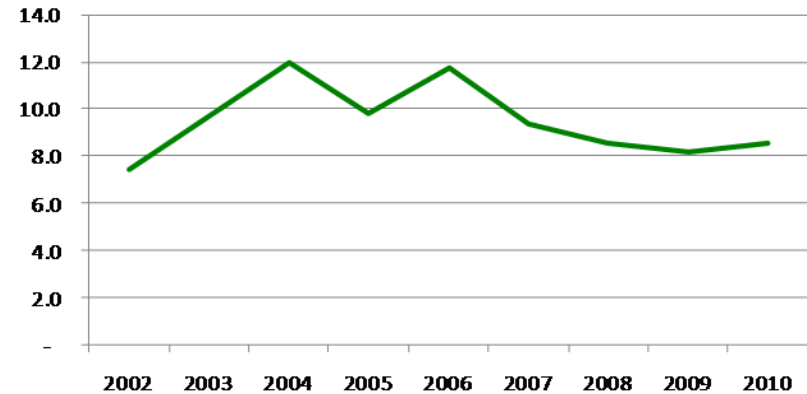
## Global Agricultural Products M&A Activity 2002-2010



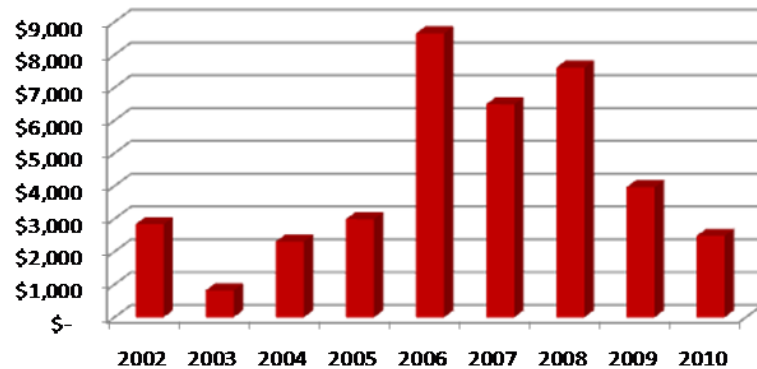
### Number of Transactions



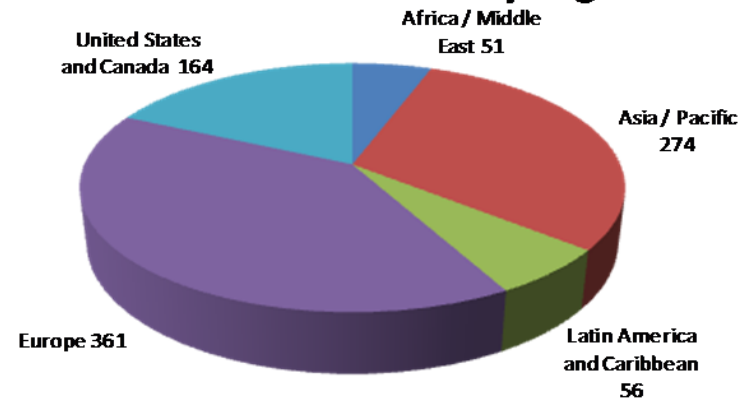
### Median TEV/EBITDA



### Aggregate Value (\$MM)



### Number of Transactions by Region



Source: Capital IQ

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## Global Agricultural Products M&A Activity 2002-2010

Most Active Buyers by Number Company Name	Number of Transactions	Most Active Buyers by Size Company Name	Total Transaction Size (\$mm)
American Seeds, Inc.	14	Sime Darby Berhad (KLSE:SIME)	5,791.85
Kernel Holding S.A. (WSE:KER)	13	Bunge Limited (NYSE:BG)	4,944.69
Syngenta AG (SWX:SYNN)	11	Monsanto Co. (NYSE:MON)	3,747.11
Monsanto Co. (NYSE:MON)	8	James Richardson & Sons, Limited	1,651.61
Vilmorin Clause & Cie SA (ENXTPA:RIN)	8	Ontario Teachers' Pension Plan	1,651.61
Astarta Holding NV (WSE:AST)	7	Ebro Foods SA (CATS:EBRO)	1,588.98
Olam International Limited (SGX:O32)	7	Permira Advisers Ltd.	1,578.63
Dow AgroSciences LLC	5	CP Pokphand Co. Ltd. (SEHK:43)	1,279.95
Ebro Foods SA (CATS:EBRO)	5	Paine & Partners, LLC	1,049.32
Fyffes plc (ISE:FQ3)	5	Syngenta AG (SWX:SYNN)	1,003.84

Merger & Acquisition Statistics			
Valuation Summary		Number of Deals by Transaction Ranges	
Total Deal Value(\$mm):	\$ 38,172	Greater than \$1 billion	8
Average Deal Value:	\$ 95	\$500 - \$999.9mm	10
Average TEV/Revenue:	5.0	\$100 - \$499.9mm	44
Average TEV/EBITDA:	13.0	Less than \$100mm	339
Average Day Prior Premium(%):	2.6	Undisclosed	505
Average Week Prior Premium(%):	5.6		
Average Month Prior Premium(%):	11.2		

Source: Capital IQ

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2010 – Agrichemicals + Food, Beverage and Tobacco

Most Active Buyers by Number of Trxs		Most Active Buyers by Total Size	
Company Name	No of Trxs	Company Name	Total Trx Size (\$mm)
Ayamas Food Corporation Sdn Bhd	4	The Coca-Cola Company (NYSE:KO)	12,086.79
Danone (ENXTPA:BN)	4	Heineken NV (ENXTAM:HEIA)	7,330.14
Emmi AG (SWX:EMMN)	4	Heineken Holding NV (ENXTAM:HEIO)	7,330.14
Ralcorp Holdings Inc. (NYSE:RAH)	4	Uralkali JSC (RTS:URKA)	6,843.35
Shiva Global Agro Industries Limited (BSE:530433)	4	Vestar Capital Partners	5,482.03
ARYZTA AG (ISE:YZA)	3	Kohlberg Kravis Roberts & Co. (NYSE:KKR)	5,482.03
Groupe Lactalis S.A.	3	Centerview Partners Management LLC	5,482.03
Monteforte Holding Limited	3	CF Industries Holdings, Inc. (NYSE:CF)	5,429.65
Morpol ASA (OB:MORPOL)	3	Yara International ASA (OB:YAR)	4,941.67
Pioneer Hi-Bred International, Inc.	3	Pepsi-Cola (Bermuda) Limited	4,666.99

Merger & Acquisition Statistics			
Valuation Summary		Number of Deals by Transaction Ranges	
Total Deal Value(\$mm):	94,825.84	Greater than \$1 billion	17
Average Deal Value:	225.24	\$500 - \$999.9mm	17
Average TEV/Revenue:	3.86	\$100 - \$499.9mm	59
Average TEV/EBITDA:	15.58	Less than \$100mm	328
Average Day Prior Premium(%):	8.51	Undisclosed	810
Average Week Prior Premium(%):	23.32		
Average Month Prior Premium(%):	33.32		



## What's Happening on Wall Street



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## Identity-Crisis for Wall Street





- Morgan Stanley wanted to build a new hog industry – 1993 – Premium Standard Farms
- Quote from Morgan Stanley’s Banker:

“We believe our cost structure will allow us to weather a downcycle in the hog industry where many smaller family producers will be forced out of the business. The profitability for us in a recovery will be enormous.”
- 1996 – default on \$420 million in junk bonds – ensuing bankruptcy.
- PSF then experienced later successes ... ..**the second mouse always gets the cheese.**
- but to this day hog deals are a difficult sell on Wall Street.



## 58<sup>th</sup> FI.PE firm at 59<sup>th</sup> & 5<sup>th</sup> NYC - \$6 Bln

### Fall 2010

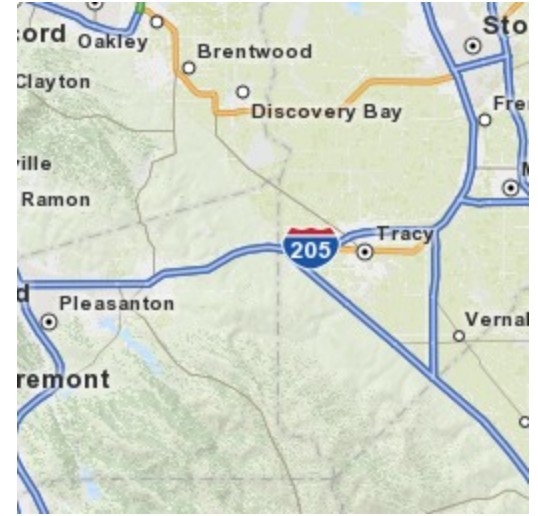
- “We have been studying the agricultural sector for about a year” (*impressive*)
- “Everybody needs food” (*profound*)
- “Where do you see the opportunities for us?”
- ❑ “How far do you want to integrate into production and the supply chain?”
- “We don’t like volatility, we want steady cash flow but we think we like private label (*lets look at private label supply agreements with large retailers*)



## West 57<sup>th</sup> Street PE firm \$10 Bln +

### *Late 2010*

- “We have been studying investments in agriculture now for about a year” *(not again).*
  - ❑ *Have you given thought on the risks of integration and supply chain exposure?*
- Not yet, but we are targeting returns in the 30% range *(let’s talk again when you determine how much risk you want to assume on the production side)*
  - “On average, hedge fund investors would have achieved the same returns as investing in the S&P 500 during the last 10 years with much less risk” ...Barrons....*



## Success Stories



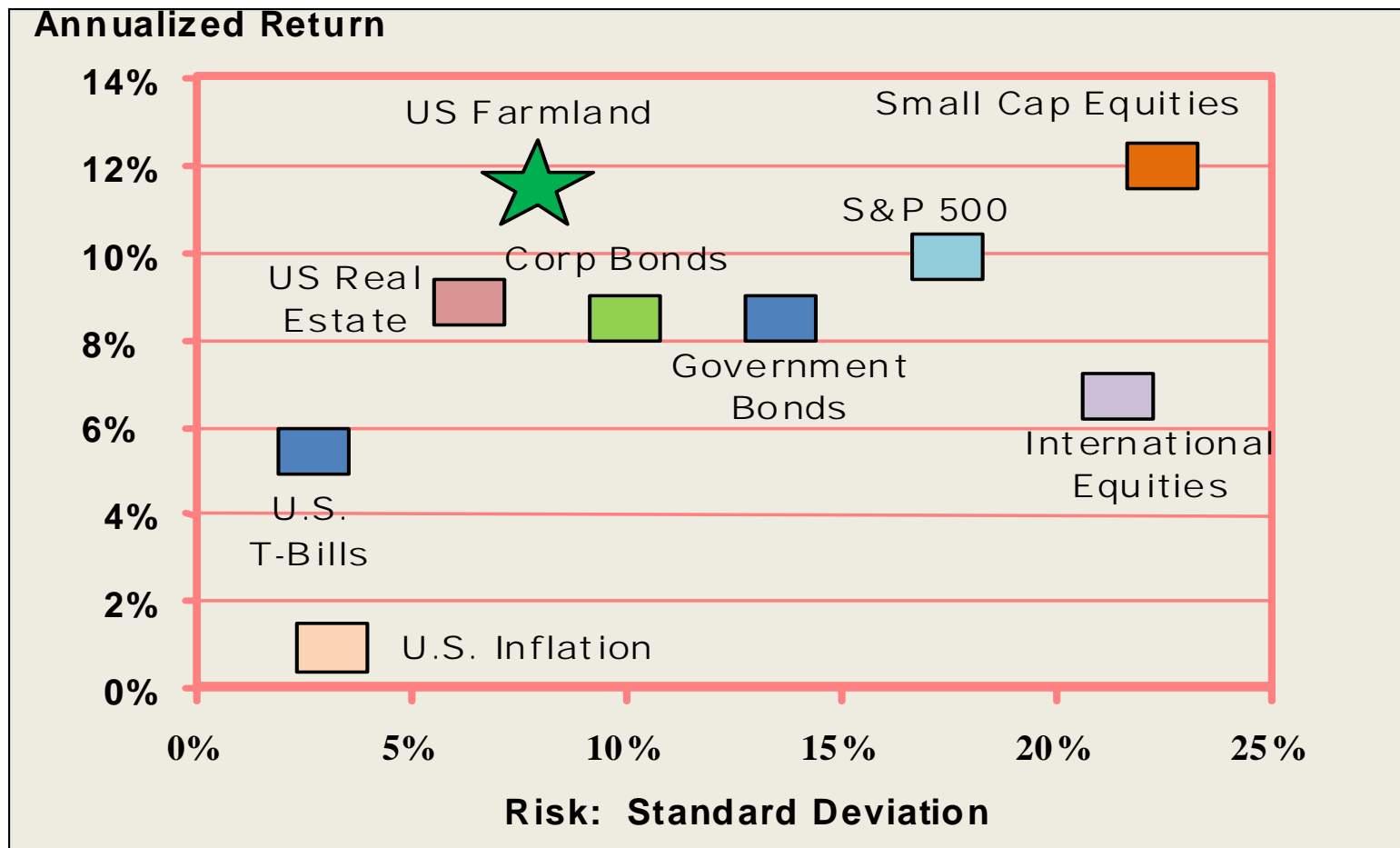
An historical review of the increase in value of farmland in seven states in the Upper Midwest and for the U.S. as a whole shows moderate but generally steady increases in farmland.

State	One Year	Five Years	Ten Years	Twenty Years	Fifty Years	Hundred Years
Illinois	13.2%	13.5%	8.9%	7.3%	6.2%	4.4%
Iowa	17.2%	14.5%	9.6%	8.6%	6.6%	4.5%
Minnesota	10.0%	13.2%	10.6%	8.6%	7.0%	4.8%
Nebraska	16.7%	11.5%	8.0%	6.3%	6.4%	4.0%
N. Dakota	18.5%	12.7%	7.2%	4.9%	6.4%	3.9%
S. Dakota	19.5%	15.0%	11.1%	7.2%	6.7%	3.9%
Wisconsin	5.8%	10.9%	12.9%	8.6%	7.6%	4.7%
<b>United States</b>	<b>8.0%</b>	<b>11.4%</b>	<b>9.0%</b>	<b>6.7%</b>	<b>6.6%</b>	<b>4.5%</b>

Source: USDA Economic Research Service

# KEY & COMPANY

## Comparative Investment Returns for Farmland












From 1971-2009, Farmland has performed better than most other asset classes with much lower volatility (risk)

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## Correlations with Other Financial Asset Classes

<i>Historical Correlations with U.S. Farmland</i>		
Correlations	Negative	Positive
Long Term U.S. Corporate Bonds	-0.43 	
U.S. Treasury Bills	-0.22 	
S&P 500	-0.18 	
International Equities	-0.15 	
U.S. Small Cap Equities	-0.07 	
U.S. Commercial Real Estate		 +0.23
S&P GSCI		 +0.28
Gold		 +0.30
U.S. Inflation		 +0.36

Correlation Scale

-0.50

-0.25

0.0

+0.25

+0.50



### WFMI PIPE Term Sheet

Date:	November 5, 2008
Amount:	\$425 Million
Security:	8% Preferred Stock, convertible into common at \$14.50/Share (17% of O/S)
No. of Shares	\$29.3 Million
Price at closing	\$11/Share
Current Price:	\$50/Share
Current Holdings:	19 MM recent sale of 5 MM at \$50/sh

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Success Stories – Leonard Green & Whole Foods

## Is this how to make money from organic foods?

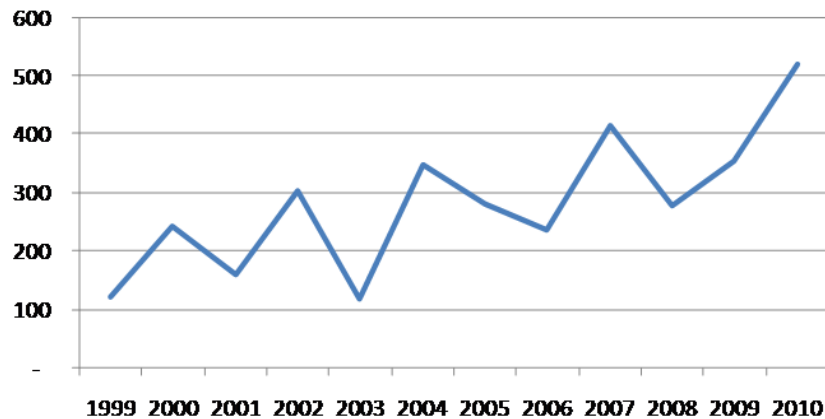


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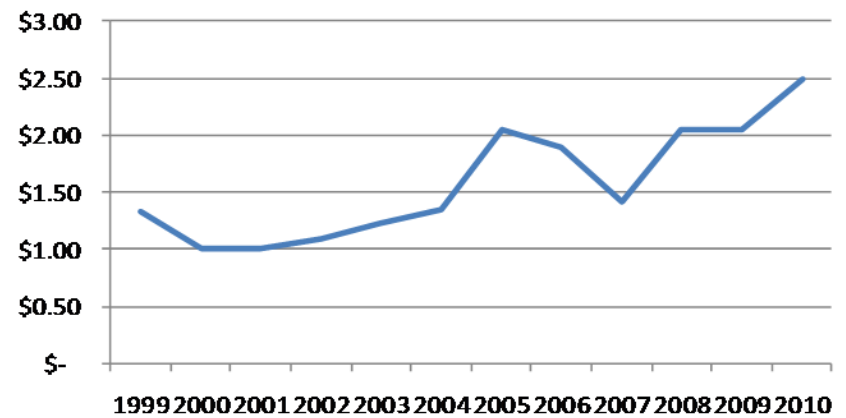
## Success Stories – California Pistachios – Why?



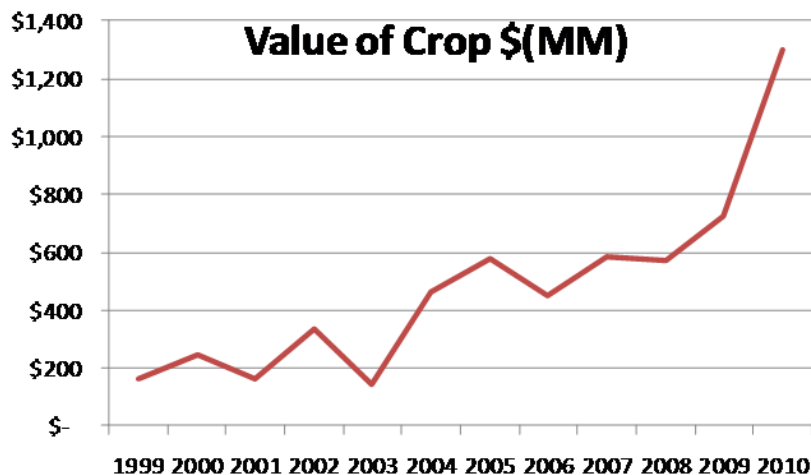
### CA Pistachio Production (MM lbs)



### Pistachio Prices (\$/Lb)



### Value of Crop \$(MM)



Since 1999, the Pistachio industry has grown in volume 4-fold, but increased in value 8-fold – One grower has approximately 30,000 acres and in 2010 netted \$10,000 per acre (estimate) – Even though volatility is evident is this a success story? What other crops can fit this model?

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## Success Stories - Diamond Walnut & Calavo Growers

### Diamond Walnut



Diamond Walnut successfully converted from a cooperative to a publicly-traded food and snack company with outstanding shareholder returns. The stock began trading at \$20/share in 2005 and is now \$52/share

### Calavo Growers



In 2000, Calavo changed from an avocado marketing cooperative to a California corporation. It issued common stock to its members at \$1/Share. CVGW finished the year of 2010 at \$24/share.

