

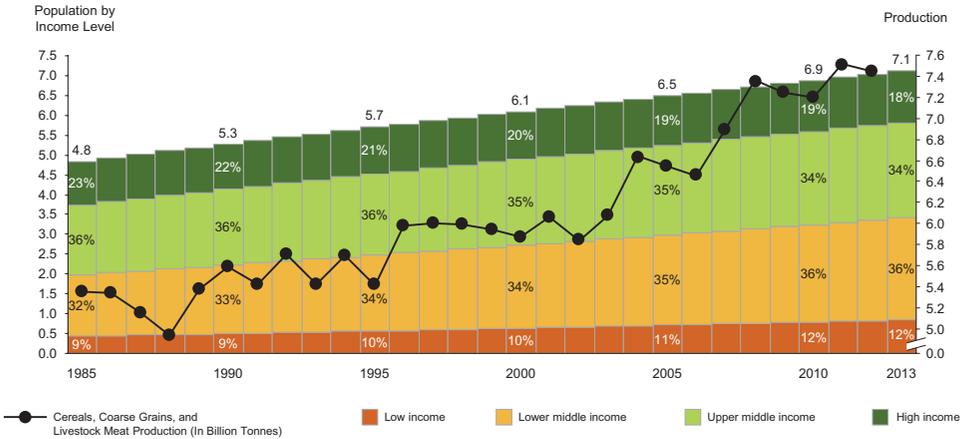
PRESSURE TO FEED MORE AMIDST LIMITED RESOURCES



THE GROWTH IN INCOME LEVELS AND POPULATION ARE PUTTING PRESSURE ON FOOD PRODUCTION

As per-capita income increases in poorer countries, calorific intake also increases, making population growth harder to support. Moreover, food consumption is outpacing population growth. This has been evident with the production of raw food products (cereals, grains and livestock) generally increasing at a faster rate than global population since 2007

Trends in Income Level, Population Growth, and Global Agriculture and Livestock Production over Time
(In Billions of People, 1985-2013 and In Billion Tonnes, 1985-2012)



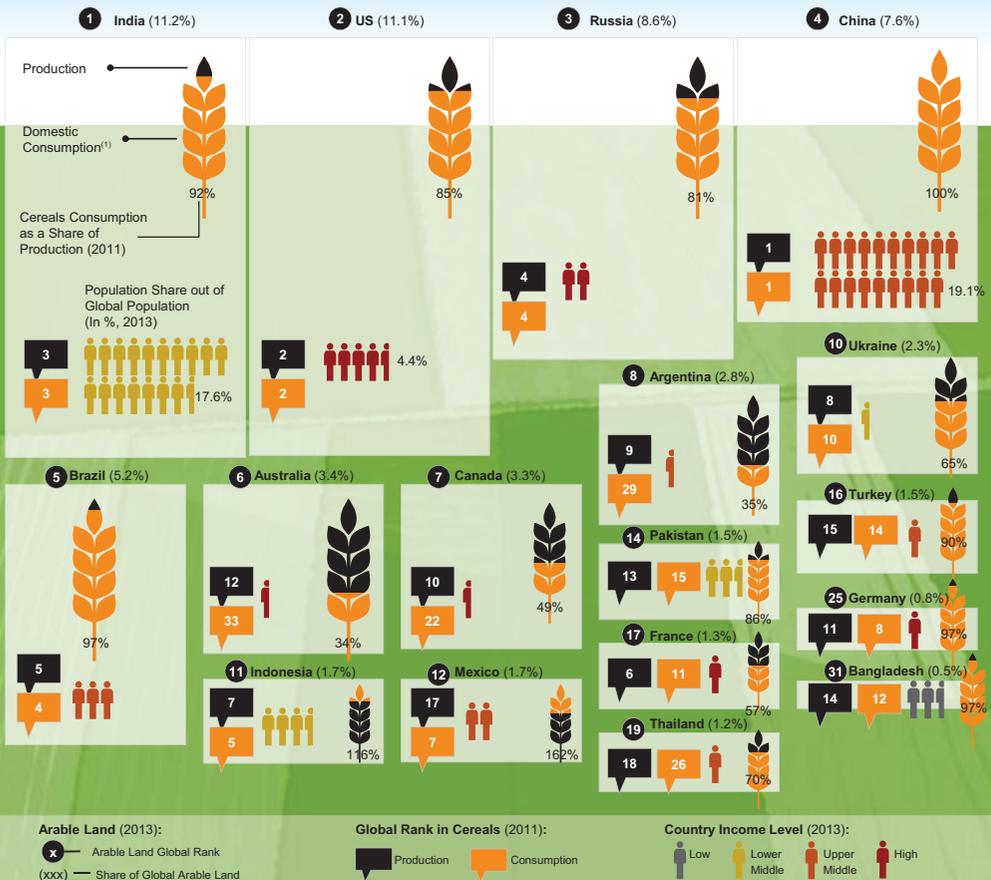
Sources: World Bank Development Indicators; FAO Statistics

POPULATION PRESSURE IS MOST EVIDENT IN THE WORLD'S LARGEST PRODUCER OF CEREALS—CHINA, which has 19% of the world's population but only 7.6% of its arable land

The pressure to produce food is on the rise, especially in the world's most populous countries. With limited arable land and scarce fresh water, China faces special challenges in increasing its agriculture trade. India produces enough cereal to be self-sufficient, but the country still faces pressure because of its high population of vulnerable food-insecure people. The mostly vegetarian diet in India also increases the challenges of cereal production

Arable Land, Population and Income Level in Top Producers and Consumers of Cereals

(In % of Total World Arable Land and In % of Total World Population, 2013 and In Domestic Consumption to Production ratio, 2011)

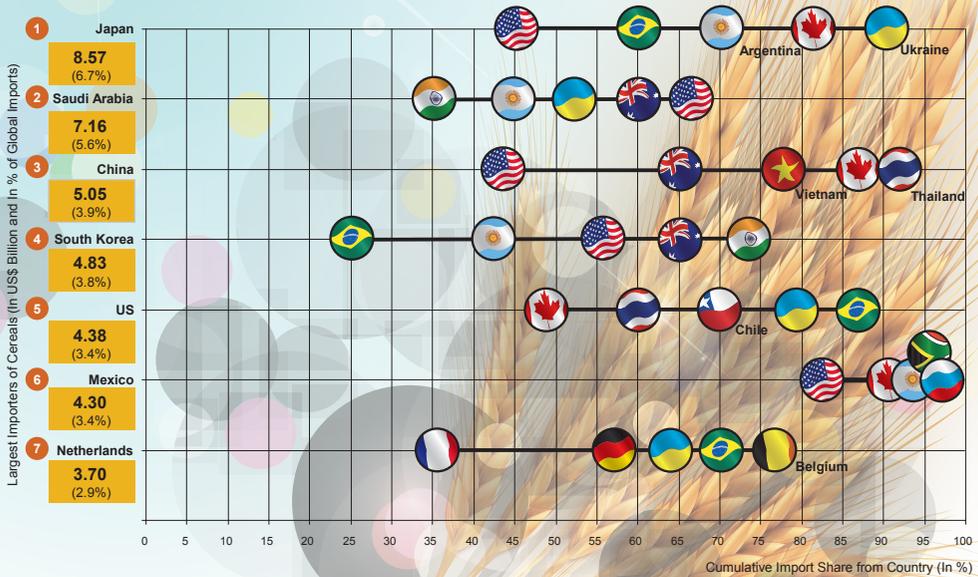


Note: (1) Domestic consumption refers to production plus imports minus exports plus changes in stocks (decrease or increase)
 Sources: FAOSTAT; World Bank Development Indicators

CHINA, THE THIRD-LARGEST CEREALS IMPORTER, DEPENDS ON THE US FOR CEREAL and has been buying stakes in food trading houses to manage cereal supply

Lack of self-sufficiency in some large countries, including in the Asia Pacific and GCC regions, has driven them to trade in cereals. (The US is in the unusual position of being both an importer of cereals and one of the largest exporters.) Of all the demand trends related to cereals, China's is the most alarming. The country requires almost half of every additional bushel of wheat the world produces to keep its citizens fed. In a bid to manage its supplies, China has gone beyond importing to also invest in food trading houses

Cereals' Import by Source for Top Importers
(In Cumulative % of Total Country Cereals Imports, 2013)



Recent Chinese Investments in Foreign Food Trading Houses

12.3
Overseas spend on takeovers and investments by Chinese & Hong Kong listed firms (In US\$ Billion, 2013)

NOBLE GROUP
Singapore-listed trading house



China Investment Corp (CIC) bought a 14.5% stake (US\$ 850 Mn) (2009)

China National Cereals, Oil & Foodstuffs Corp (Cofco) bought controlling stakes (US\$ 1.5 Bn) (2014)

NIDERA
Dutch agricultural trading house



Cofco bought controlling stakes (US\$ 1.3 Bn) (2014)

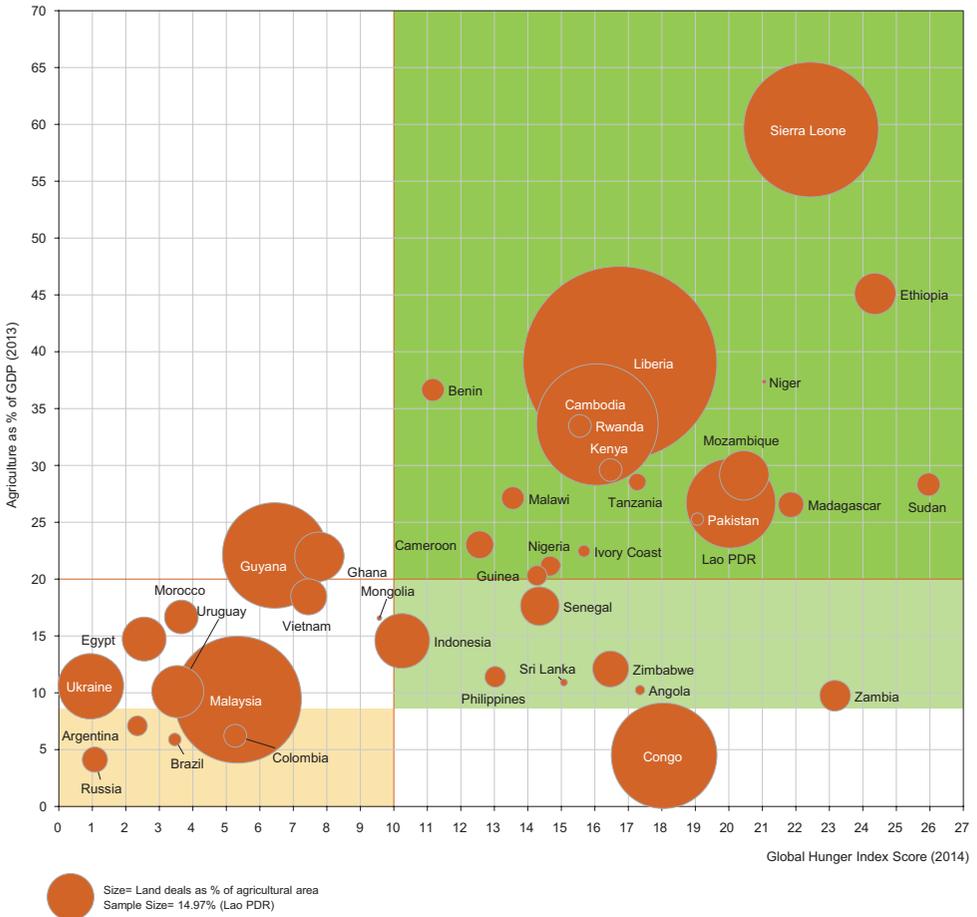
Source- Upper Chart: UNCTAD

Sources- Lower Chart: "Commodities trading houses see more assertive China", FT, 2014; "Food Replacing Oil as China M&A Target of Choice: Commodities", Bloomberg, 2014; "Chinese SWF buys stake in Noble to gain commodity trading exposure", Mineweb, 2009

COUNTRIES IN SEARCH OF FOOD SECURITY HAVE BEEN INVESTING IN LAND ABROAD although the majority of investments are taking place in areas vulnerable to hunger

The majority of international land deals to date have occurred in countries that experience higher-than-average levels of hunger and where the population depends heavily on agriculture. This raises questions about the sustainability of such practices particularly for the host country

Global Hunger Index, Agriculture Contribution to GDP and Land Investments in Selected Countries
(In Cumulative Historical Deals as % of Total Agricultural Area, 2012, In Index, 2014, and In % of GDP, 2013⁽¹⁾)



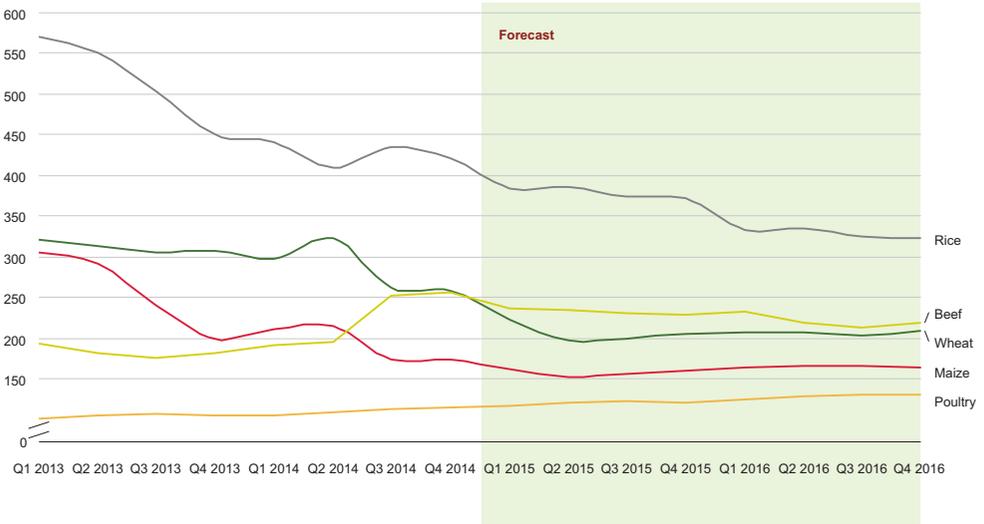
Note: (1) Except for Liberia for which agriculture contribution to GDP is for year 2012
Sources: Land Matrix Database; World Bank Development Indicators; International Food Policy Research Institute

AFTER A LONG PERIOD OF HIGH AND RISING PRICES, CEREAL PRICES ARE SET TO DECREASE reflecting the end of the commodities super-cycle

Cereal prices have decreased and are projected to decline further mainly because of slower economic growth and a recovery in the world's grain supply following the 2012 droughts in the US and CIS countries. The price declines coincide with the potential end of the commodities super cycle. The rise in the stocks-to-use ratio also signals ample supplies. Prices of dairy and meats aren't expected to decrease as dramatically as cereal prices because of rising demand for those goods in emerging markets

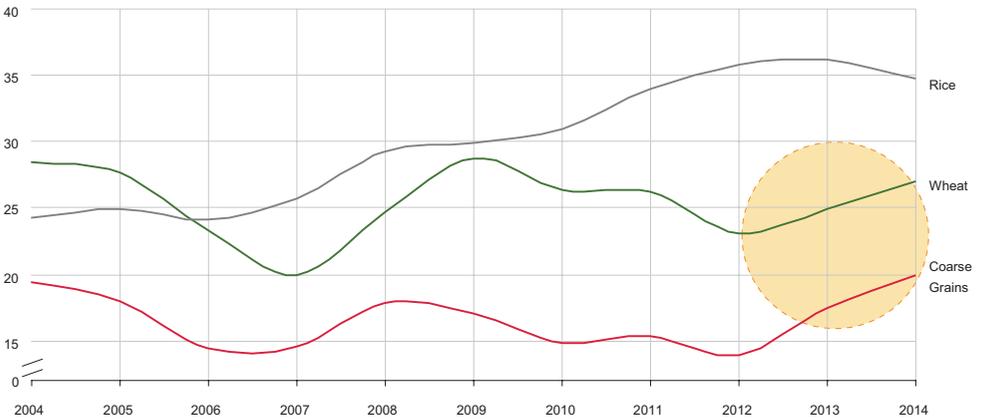
Agricultural Commodity Prices

(Cereals In US\$ per Tonne and Meat In US\$ Cents per Pound, Q1 2013 - Q4 2016)



Stock-to-Use Ratio of Most Cereals

(In %, 2004-2014)



Source- Upper Chart: IMF Commodity Projections
Source- Lower Chart: FAO Statistics