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Trends on the international market for cereals under the influence of bioenergy

Bernhard Chilla

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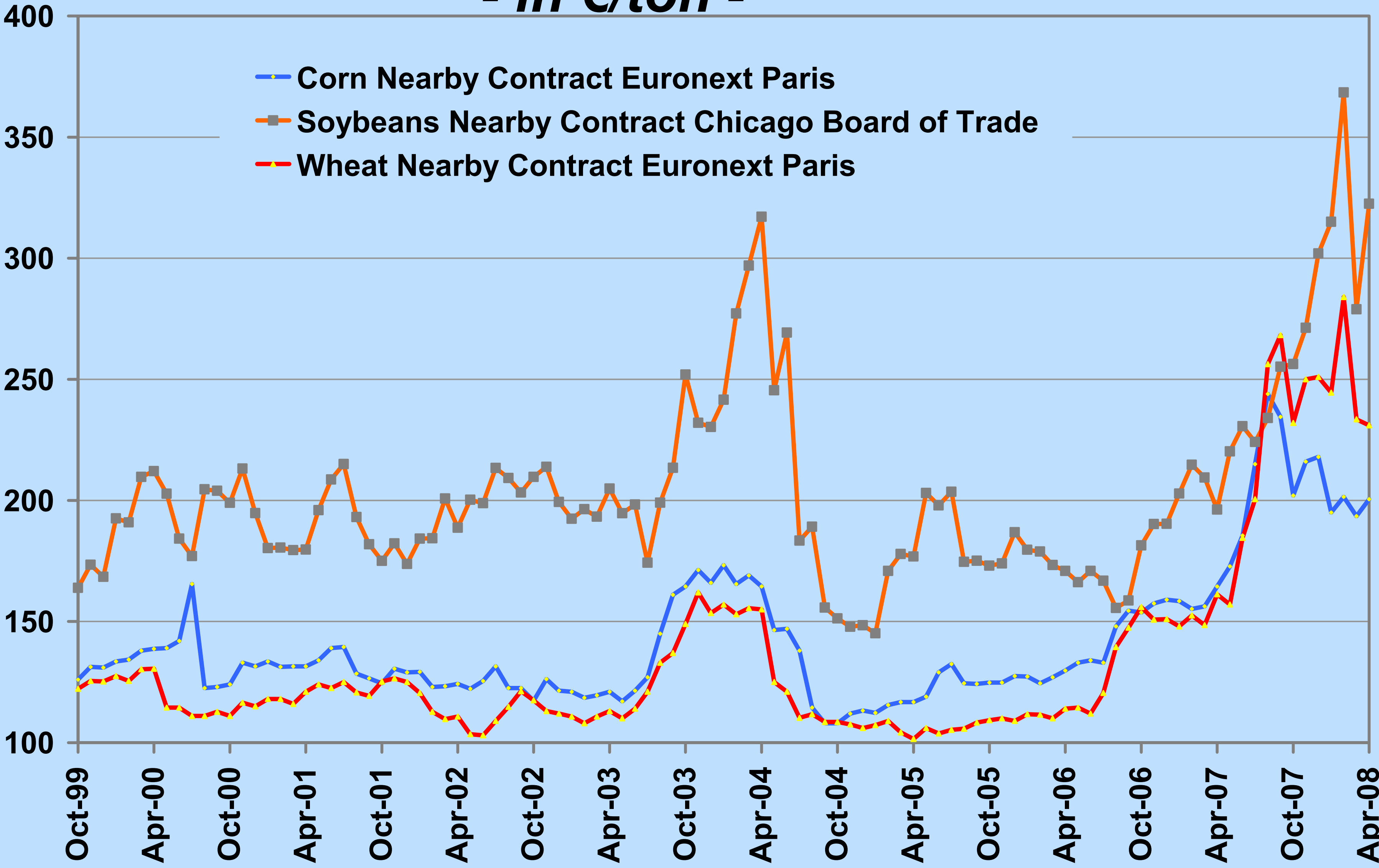
epfer International

40 offices
900 employee
43 mln t trade

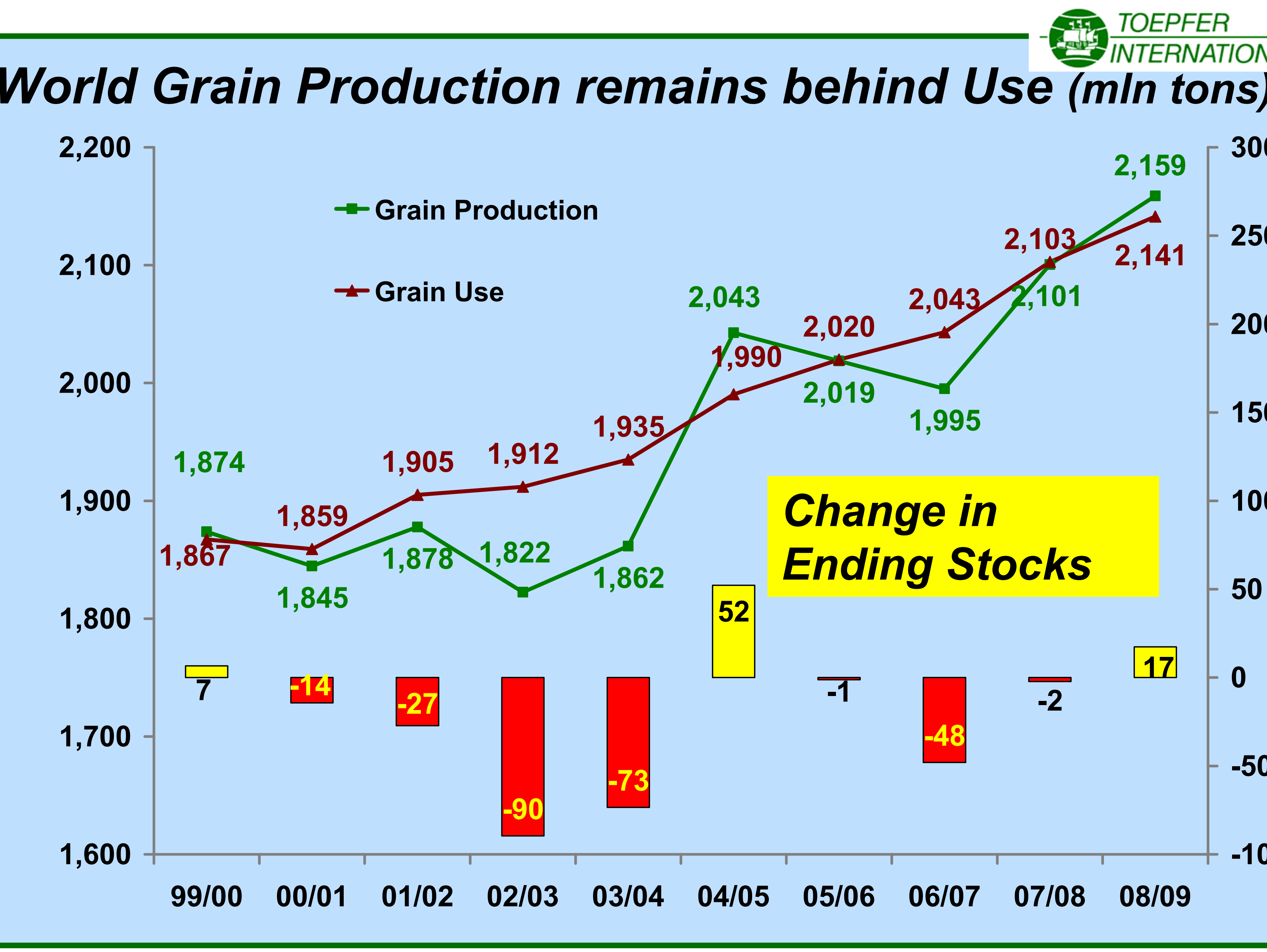
Price Development of Corn, Wheat and Soybeans
- in €/ton -



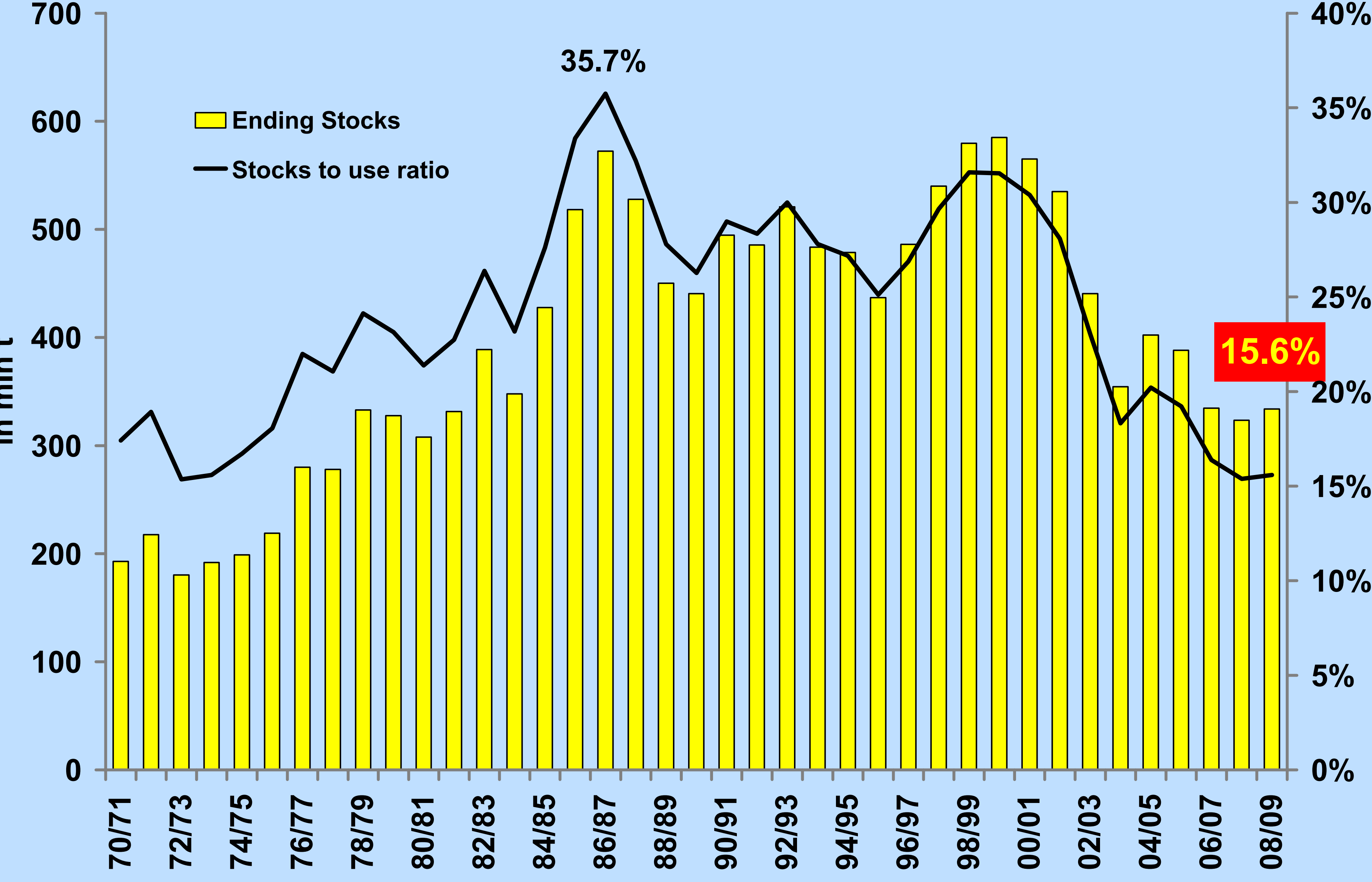
Developments on World and EU Grain Markets – Key Trends and Implications –

- Crops
- Stocks
- Demand
- Bioenergy
- Freight rates
- Investment funds
- Export embargoes, etc.

World Grain Production remains behind Use (mln tons)



World Grain: Tightest Grain Balance for 50 Years



Outlook 2008/09 – World Grain Market

Bumper crop expected

- USDA: 2.16 bln tons (incl. rice)
- For the first time since 2004/05, production will be higher than use
- Strong production growth in Ukraine, USA, EU

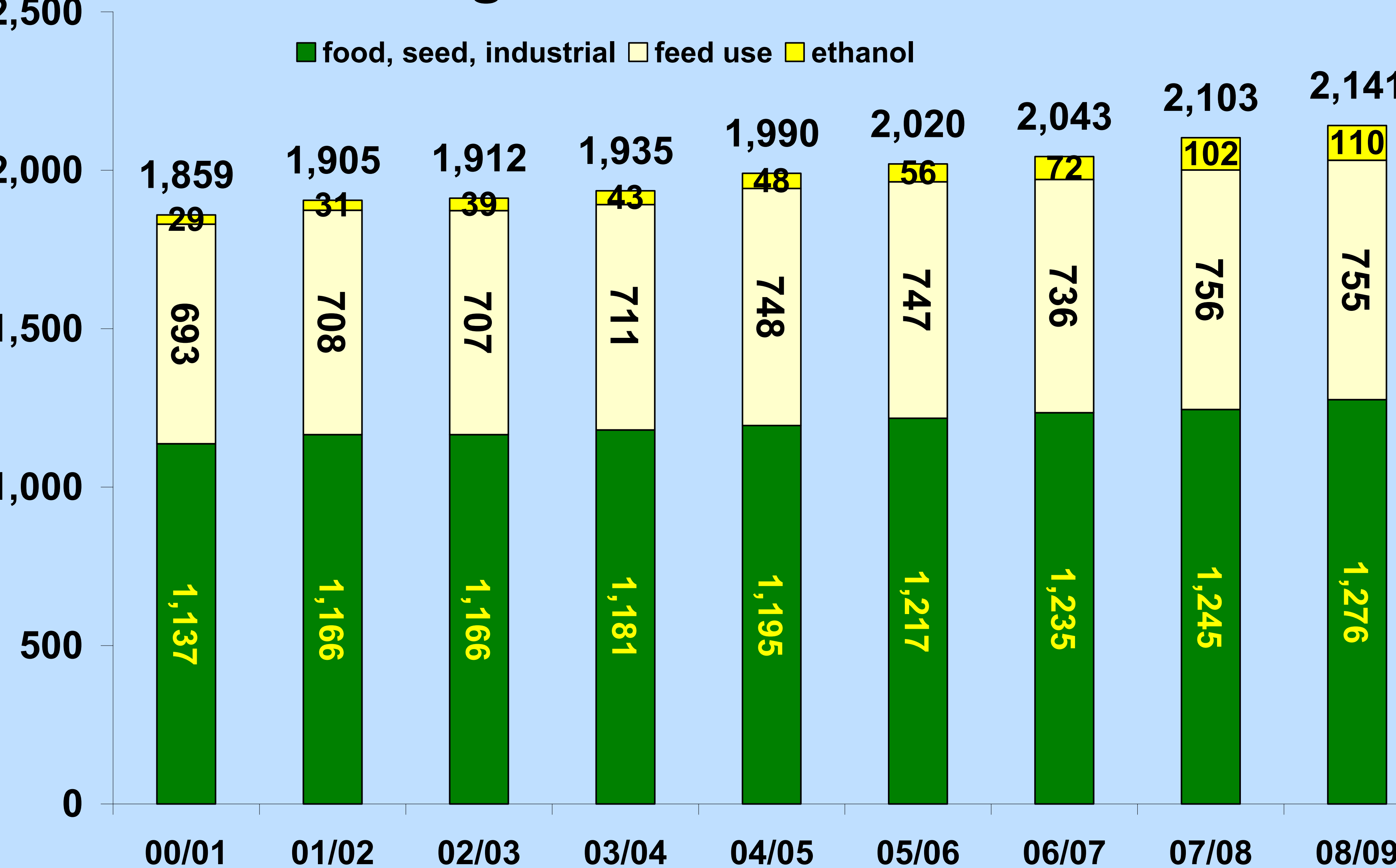
Reasons:

- Expansion of grain area, especially for wheat
- Partly better growing conditions so far compared to last year

Nevertheless:

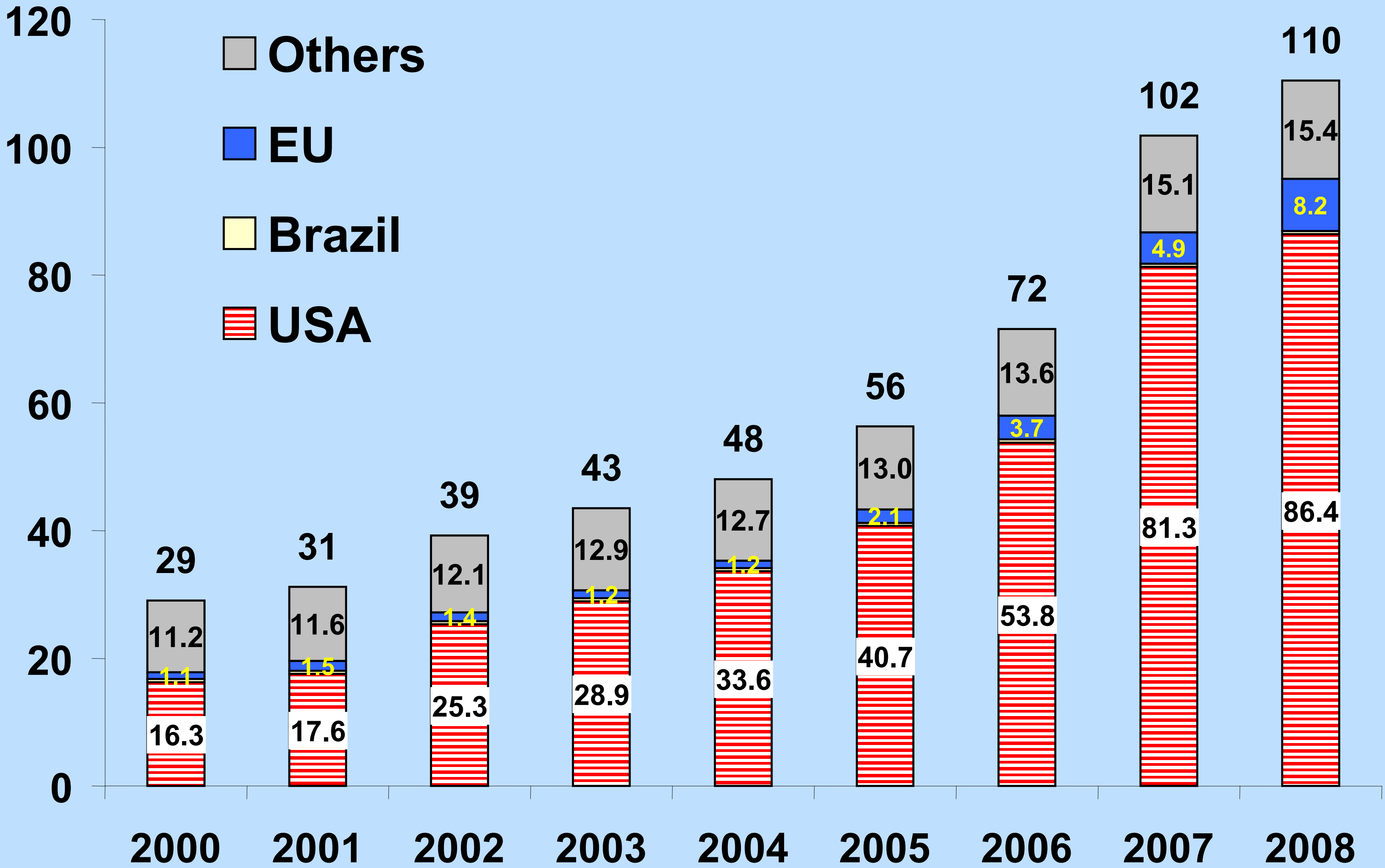
- Tight world supply and demand balance
- Further increase of grain use
- Result: only minimal increase of grain ending stocks
- Stocks-to-use ratio will rise only moderate

World: Rising Grain Use in all Sectors



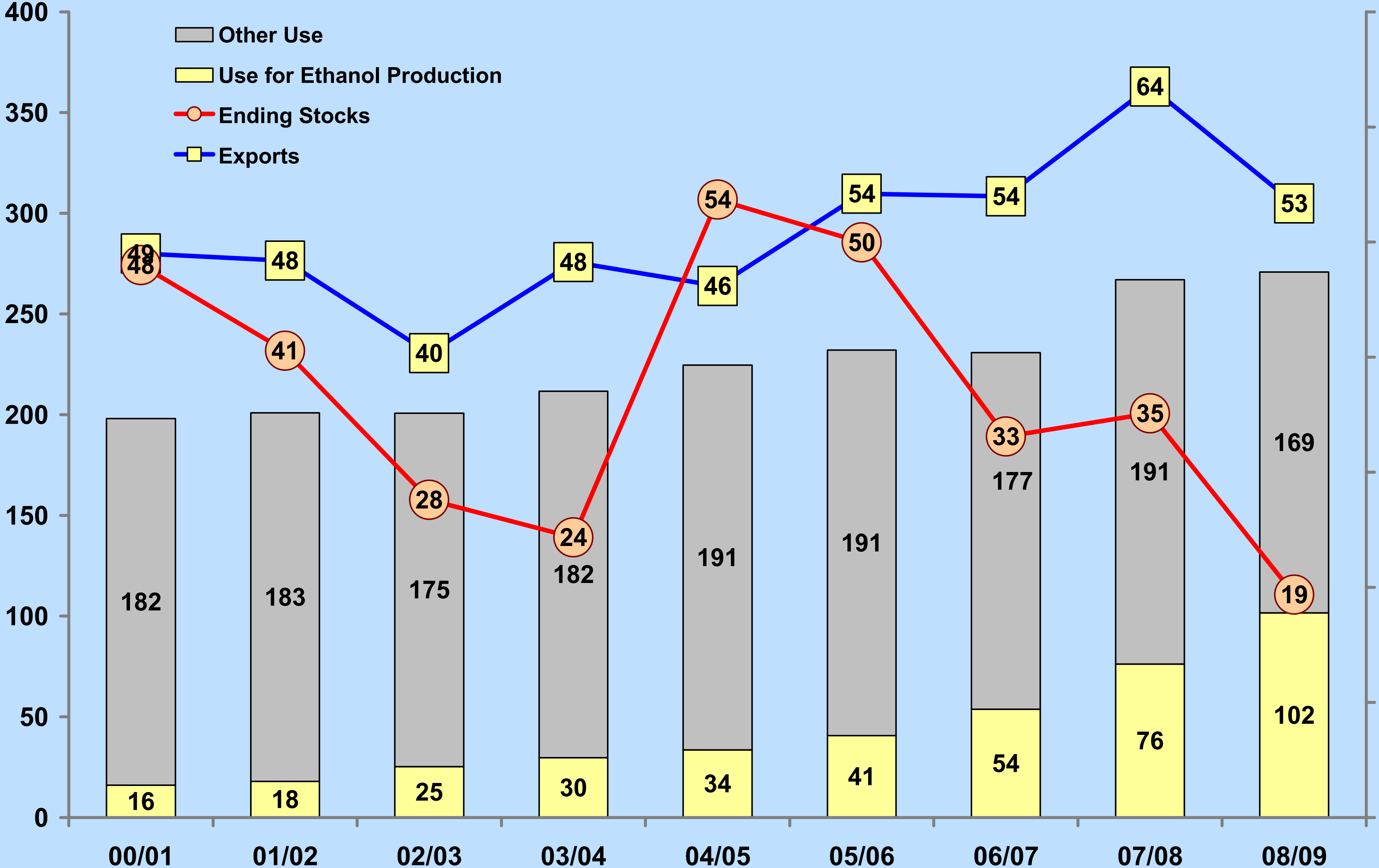
Quelle: USDA, A

Worldwide Grain Use for Ethanol Production



Source: USDA, ACT

Use of Corn in the USA - (mln t)



Source: U

Relationship between food and energy prices is stronger than ever

- **Prices for agricultural commodities are always depending highly on energy prices (fertilizers, plant protection products, transport, irrigation)**
- **Upcoming competition on other fields („food vs. fuel“)**
- **Result: Prices for agricultural commodities are depending more than ever on energy prices**
- **High energy prices will restrict the downside potential for agricultural commodity prices**

World Food Demand – Trends

- The world‘s population is expanding by approx. 80 mln citizens every year
- Millions of rural citizens have migrated from the countryside to the cities
- Higher incomes are being generated from new industrial jobs and more disposable income is leading to a transition from rice dominated diets to more nutritional meals including meat and dairy products
- Based on these macroeconomic trends, demand for food and feed is expected to double in the next 25 years

World Market Trends

- Productivity growth in most developing countries below average achieved world-wide

- Reasons:
  - traditional Agriculture = Based on resources
  - modern Agriculture = Based on knowledge (capital intensive und human resources intensive)

- Consequences:
  - Food shortages in developing countries to grow
  - Worldwide trade in agricultural commodities to rise

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Arable Land Availability by 2020

Additional arable land is available in basically three regions of the World (FAO):

- **South America: Brazil and Argentina (political stability, large-scale farming, good infrastructure)**
- **CIS: large area that is comparably easy to develop for agricultural production**
- **Sub-Saharan Africa has got the largest land potential but considerable development barriers (low political stability & very little infrastructure)**

Asia will have nearly exhausted its available arable land by 2020 and will thus rely on imports for increasing food demand

Climate change is expected to benefit crop production in the northern hemisphere (Canada, CIS, Scandinavia) while Australia, Northern Africa, the Near & Middle East and southern Europe will be most adversely affected

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Is a conflict between food and feed avoidable?

ES, but several conditions have to be met:

- Prices to be incentive for farmers to produce more
- New arable land to be brought into production
- Full utilization of productivity gains (2nd „Green Revolution“)
- Investments in infrastructure, logistics
- Limited support for bioenergy
- No too strict sustainability criteria
- Continuation of trade liberalisation