A VIEW FROM BRAZIL AND OUR EXPECTATIONS FOR THE FUTURE

LIVExchange
Darwin 25 November 2015

Iain Mars
COO MINERVA BEEF BRAZIL

Minerva Foods

1- Who is Minerva?

2- The Brazilian Beef Industry

3- View of the international Beef Market

4- Live Business

5- Future – Swot Analysis

Who is MINERVA?

History of
Minerva

QUEIROZ FAMILY INVOLVED IN CATTLE TRANSPORT

1965- Major contract with Anglo (Vestey) in 1966.

1992 PURCHASED MINERVA

plant in Barretos (State of São Paulo)

5 brothers started the business

2nd Generation run the business today

Fernando Queiroz – CEO Minerva Foods
Frederico Queiroz – COO Live Cattle

MinervaFoods

MINERVA – GEOGRAPHIC DIVERSIFICATION

2005

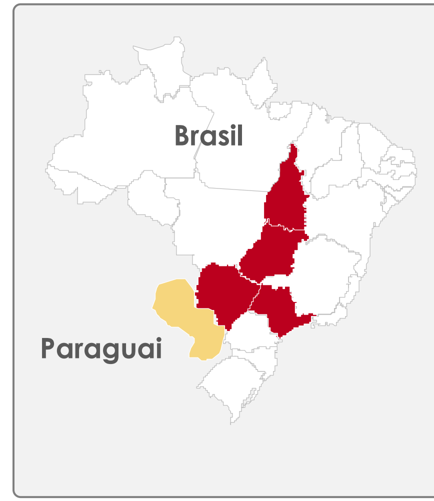
- 3 Plants

Access to 16% of the Brazilian cattle population

2007

- 5 Plants

Access to 30% of the Brazilian cattle population

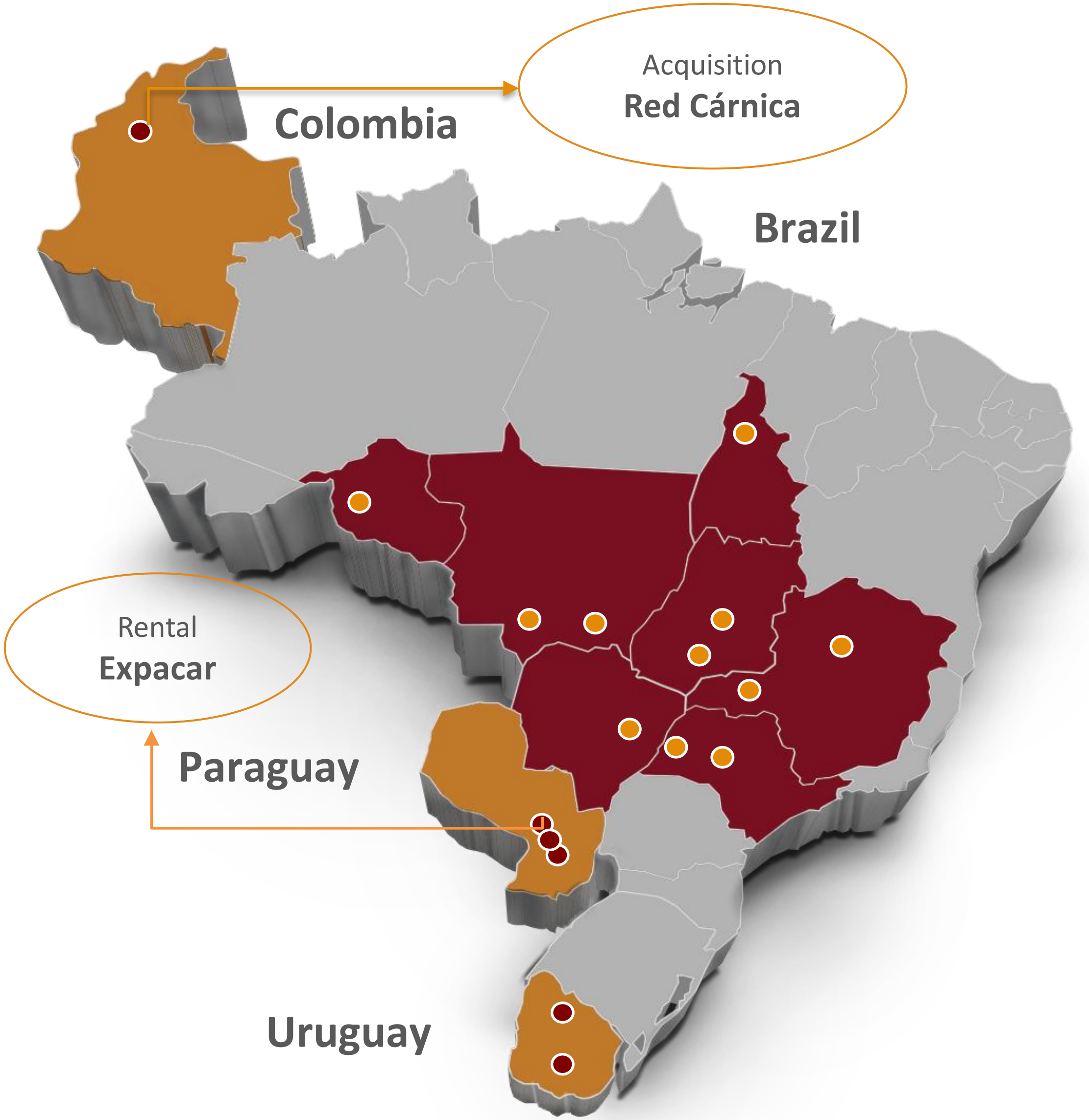


2010

- 8 Plants in Brazil
- 1 Plant inParaguay

Access to 40% of the Brazilian cattle population

MINERVA – GEOGRAPHIC DIVERSIFICATION



Unit	Heads/day
Total 12/31/14	15,880
Red Cárnica	850
Total after acquisitions	16,730
Expacar	600
Total after rental	17,330

Capacity by country	Heads/day	% of total
Brazil	11,880	69%
Paraguay	2,300	13%
Uruguay	2,300	13%
Colombia	850	5%

THE BRAZILIAN BEEF INDUSTRY

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CATTLE POPULATION

over 200 million head

20% of production exported

3 MAJOR PLAYERS ACCOUNT FOR 80% OF ALL EXPORTED

JBS

MINERVA

MARFRIG

CATTLE COST

São Paulo R$ 147@ = A$ 3.58/Kg

Pará R$ 135@ = A$ 3.28/kg

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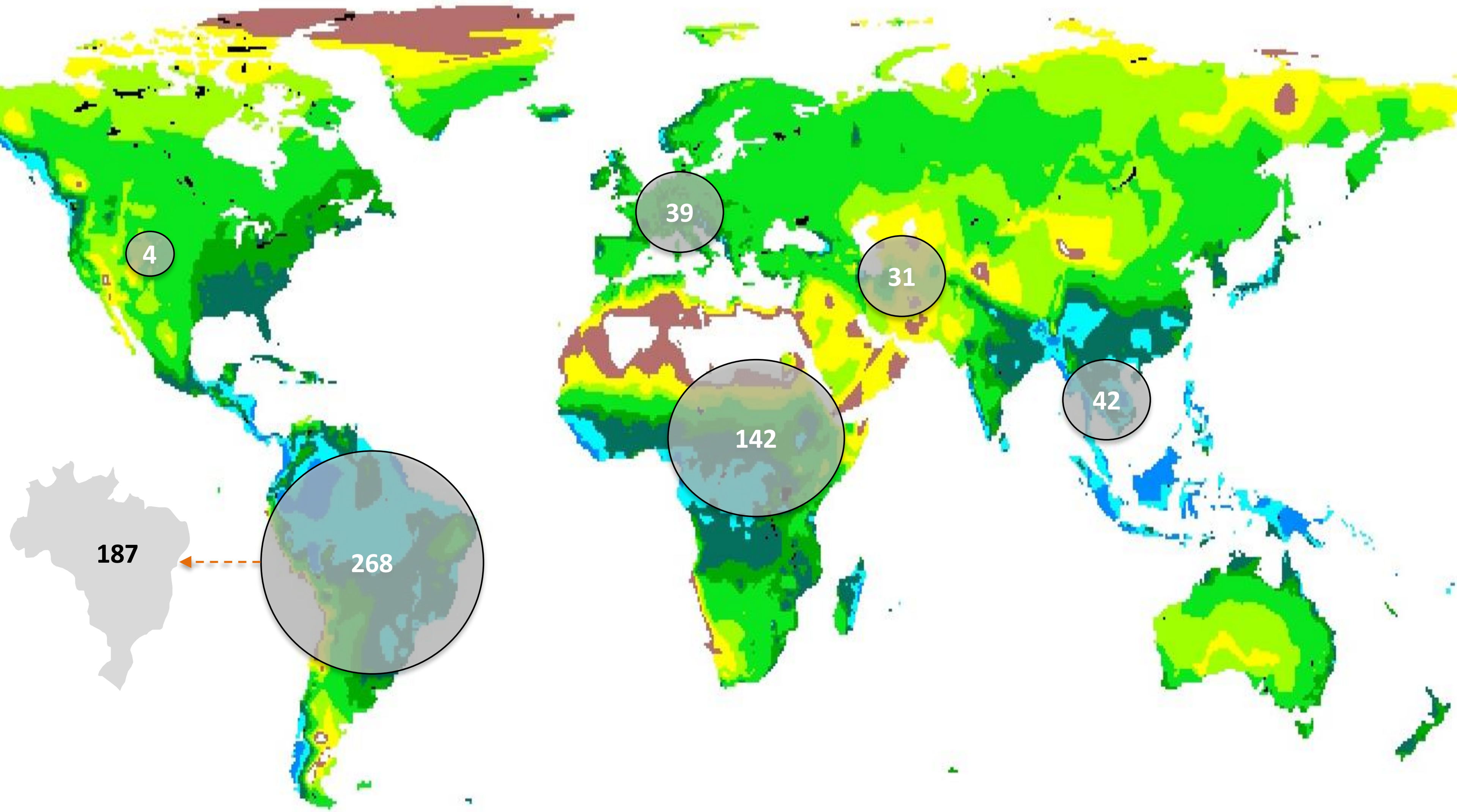
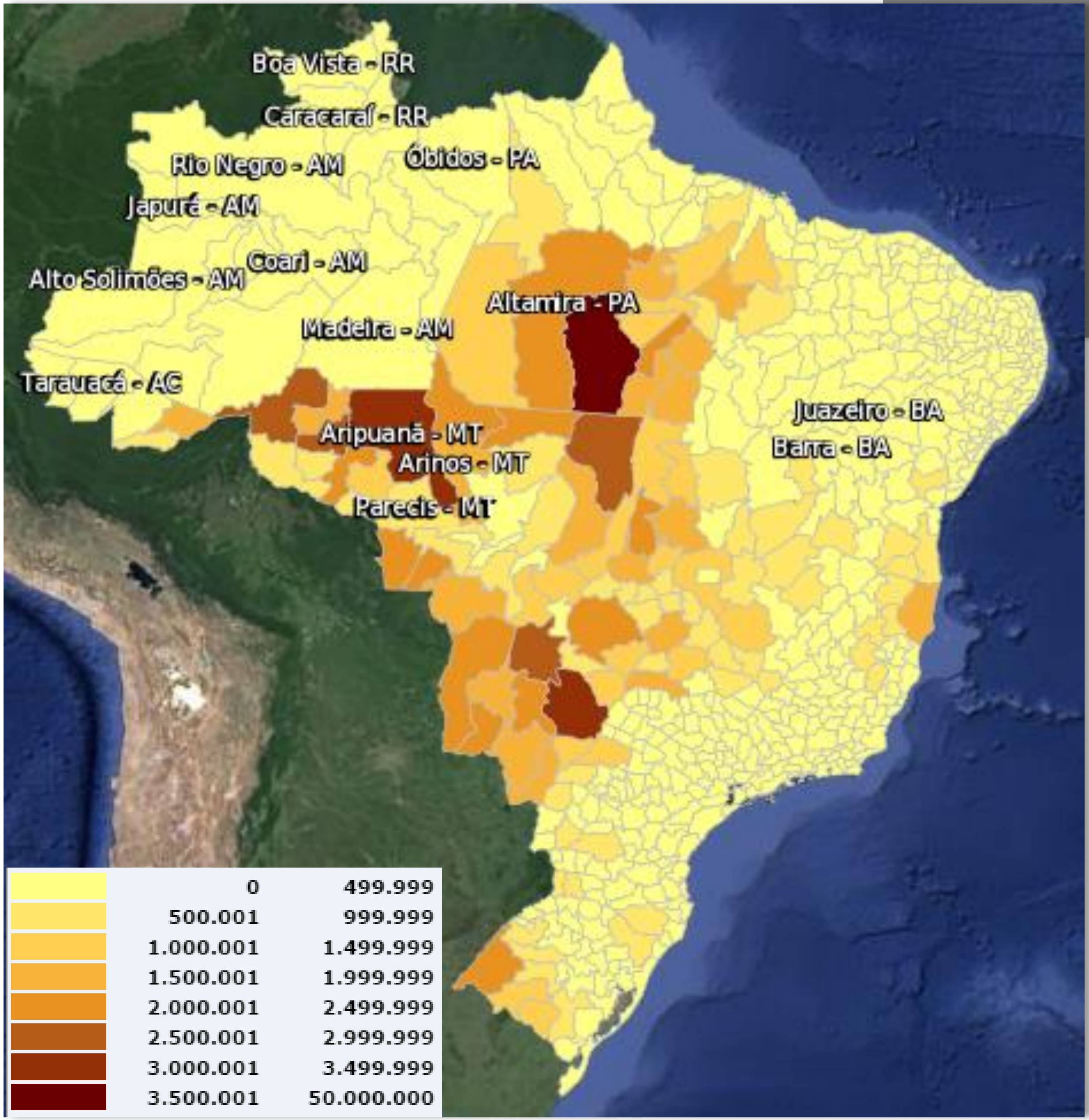
BIOMASS PRODUCTION POTENTIAL

Land availability (mi ha)



Fonte: FAO / IAASAF

BRAZILIAN HERD DISTRIBUTION (HEADS)



	0	499.999
	500.001	999.999
	1.000.001	1.499.999
	1.500.001	1.999.999
	2.000.001	2.499.999
	2.500.001	2.999.999
	3.000.001	3.499.999
	3.500.001	50.000.000

Minerva Foods

BRAZILIAN PRODUCTION SYSTEMS: SEMI-FEEDLOT

Pasture fed 300g(dry)to 800g(wet) gain/day
Semi-feedlot 4kg feed....1kg to 1.2kg gain/day
Feedlot in pasture 5-10kg feed....1.2-1.4kg gain/day
Feedlot 8-10kg feed 1.5-1.8kg gain/day

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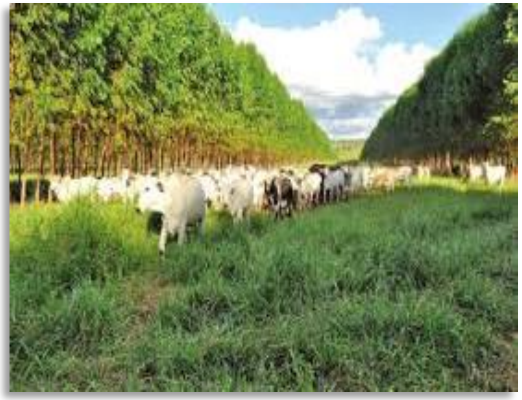
BRAZILIAN PRODUCTION SYSTEM: LIVESTOCK/AGRICULTURE/FORESTRY INTEGRATION

. Low carbon emission on food production;
. Soil recovery and conservation, less fertilizers need;
. Yield improvements on agriculture;
. Increased land usage and financial return on investment;
. More cost-effective production system.
. 3 million hectares under these systems

Pasture consortiated with corn



Pasture and forestry

Fully integrated system (agr, livest. and forestry)

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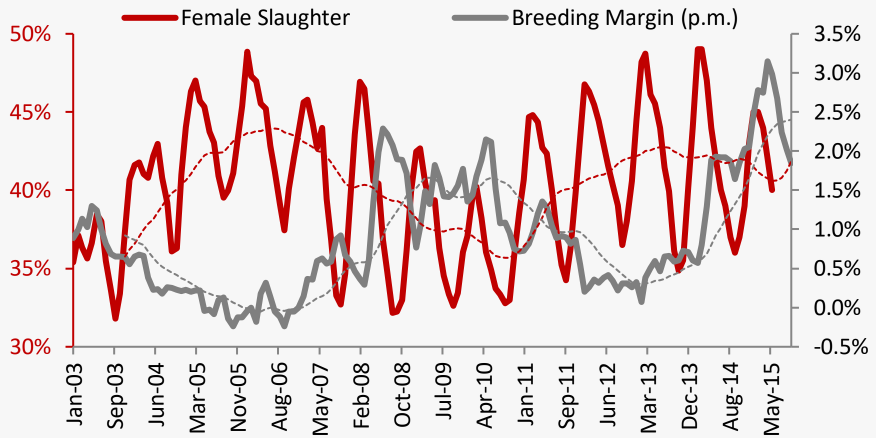
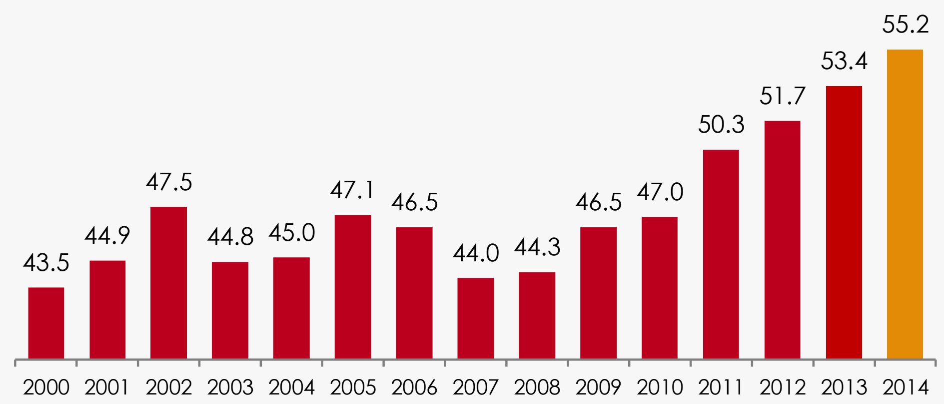
SECTOR OVERVIEW

BRAZIL

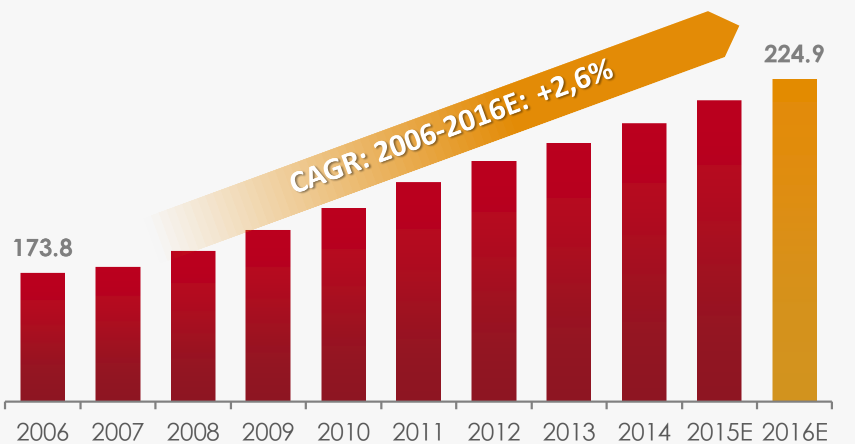
BREEDING MARGIN X FEMALE SLAUGHTER



CALF PRODUCTION (MN HEADS)



BRAZILIAN CATTLE HERD (MILLIONS HEADS)



HIGHLIGHTS

- Record calf production despite increase in female slaughter
- Female slaughter reduction mitigated by higher availability of males for slaughter
- Greater use of technology (feedlot, semi- feedlot, ILP, IA, IATF)
- Increase of carcass weight of 10% in the last decade

Sources: Agroconsult / Informa FNP / IBGE

PRODUCTIVITY: BRAZIL

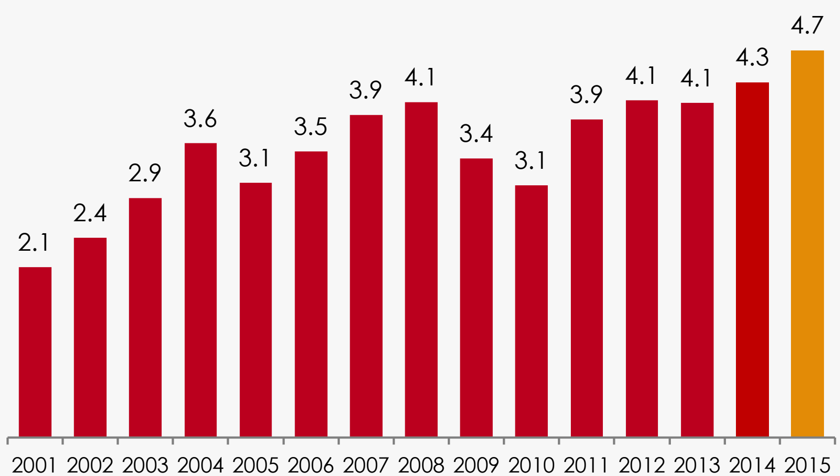
BRAZIL VS WORLD

Performance	Where	1997	2015(1)	Var
Cattle herd ('000 heads)	Brazil	144.7	219.1	*51%*
	World	1,038.4	971.3	*-6%*
Slaughtering ('000 heads)	Brazil	29.5	38.4	*30%*
	World	231.4	232.6	*1%*
Production ('000 cwt(4))	Brazil	6.1	9.4	*55%*
	World	51.8	58.4	*13%*
Exports ('000 cwt(4))	Brazil	0.2	1.6	*713%*
	World	5.8	9.6	*66%*

PRODUCTIVITY/ ZOOTECHNICAL INDEXES

Indicators	Where	1997	2015(1)	Var
Birth rate	Brazil	49.6%	54.9%	*5.3 pp*
	World	68.5%	64.3%	*-4.2 pp*
Slaughter rate	Brazil	20.6%	17.5%	*-2.9 pp*
	World	22.2%	24.0%	*-1.8 pp*
Carcass weight	Brazil	206.0	278.5	*35%*
	World	225.0	251.3	*12%*

FEEDLOT (MN HEADS)



CONSIDERATIONS

- Strong productivity increase, but still far from potential
- Agriculture expansion = opportunity
- Technologies: feedlot (10% of slaughtering), IATF[2] (10% of herd), ILP-F[3] (potential: 40 mi ha)

Source: ABIEC / USDA / FAO / IFNP / MAPA / Scot Consultoria

(1) 2014: Estimates
(2) IATF: Artificial insemination on fixed time
(3) ILP-F: Integration of farmer-livestock-forest
(4) cwt: carcass weight equivalent tonnes

THE INTERNATIONAL BEEF MARKET

DEMAND

Today

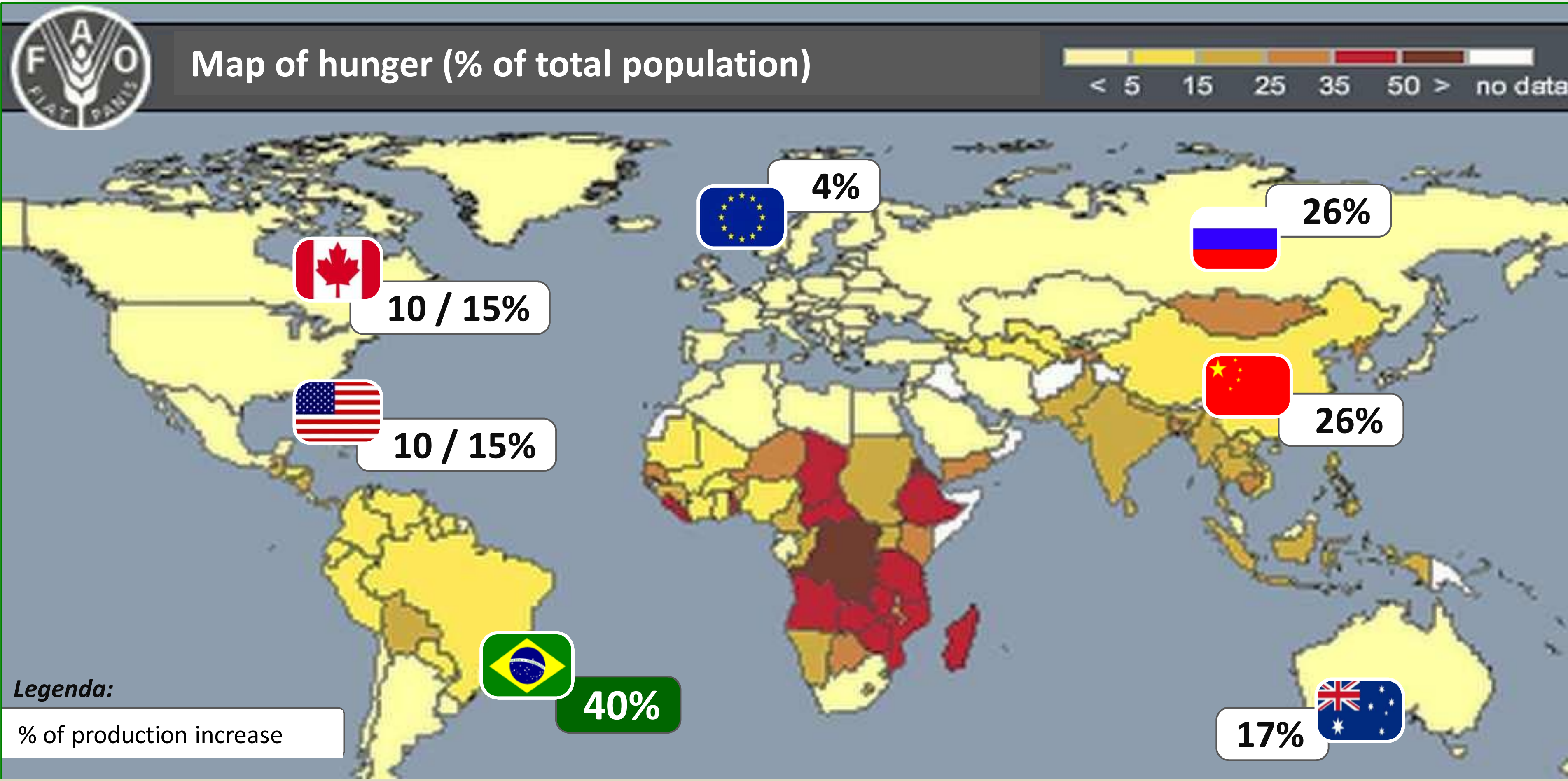
2050

- 7 billion people

- 9,6 billion people
- Food production needs to grow 70%

Fonte: Nutreco / UN

DEMAND

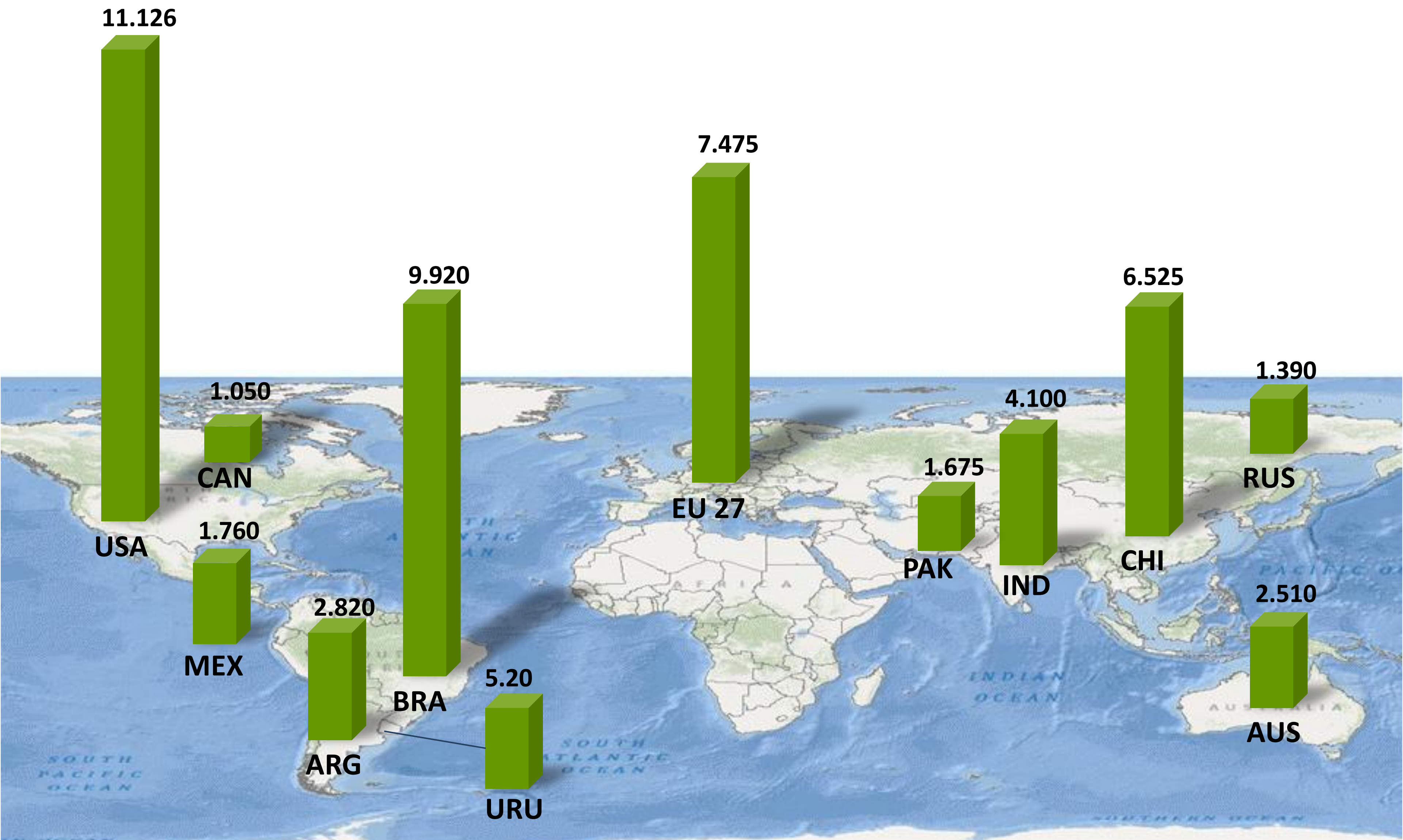


The world needs to increase food production in 20% to until 2020. **Brazil should be the one that increases the most, forecasted in 40%.**

Fonte: OCDE

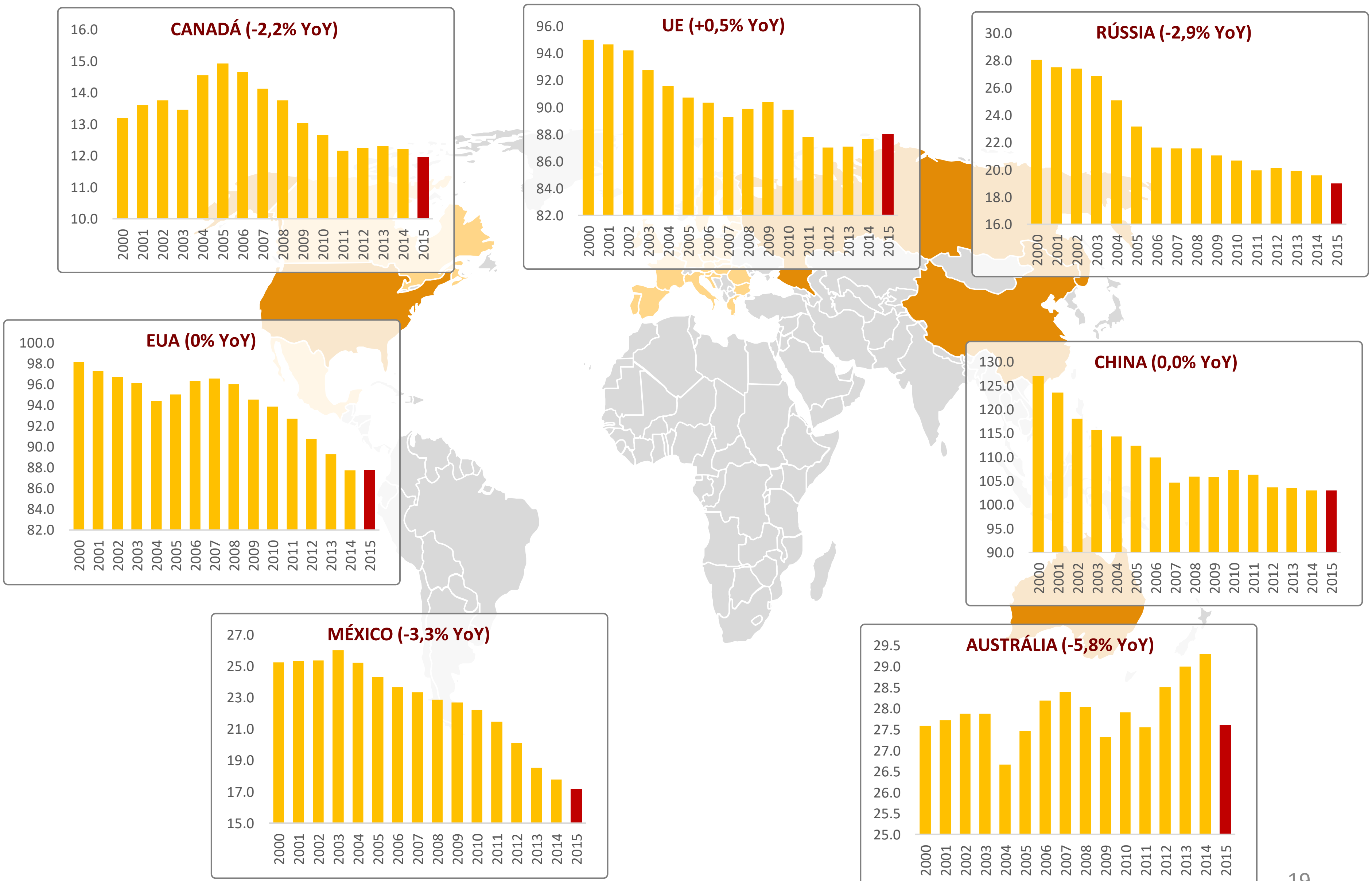
Beef production 2014 (1000 t)

World: 59.598



Fonte: USDA Elaboração: MBAgro

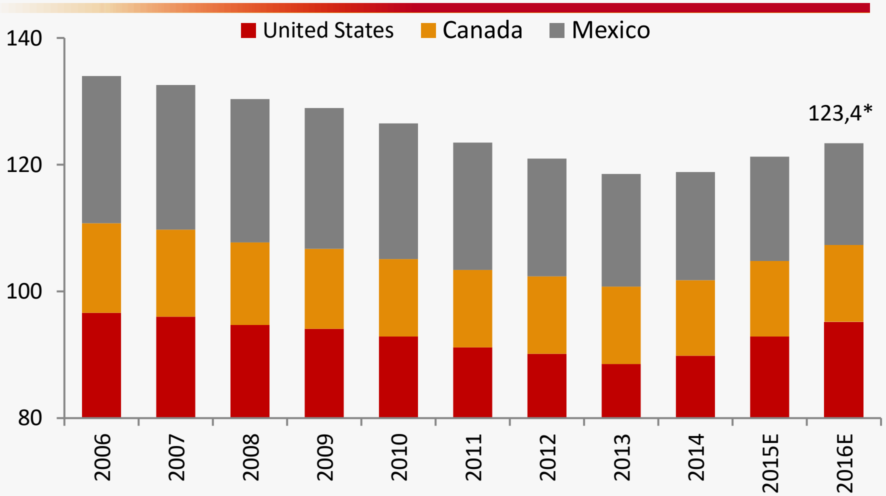
CATTLE HERD (MN HEADS)



Source: USDA

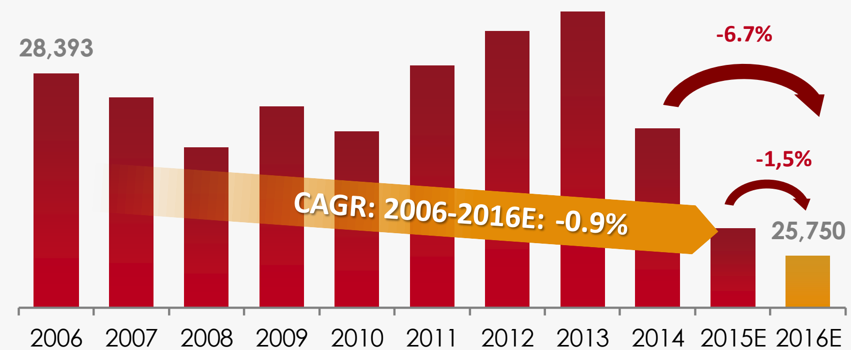
SECTOR OVERVIEW: SUPPLY

CATTLE HERD – USA, CANADA AND MEXICO



** United States: 95,2 – Canada: 12.1 – Mexico: 16.0*

AUSTRALIAN CATTLE HERD ('000 HEADS)



US BEEF INDUSTRY

mil ton cwe	2012	2013	2014E	2015E	2016E	2016E vs 2012
Production	11,848	11,751	11,076	10,861	11,389	-4%
Import	1,007	1,020	1,337	1,559	1,381	+37%
Export	1,112	1,174	1,167	1,035	1,100	-1%
Net	105	154	-170	-524	-281	

HIGHLIGHTS

NAFTA:

- 8% decline in the cattle herd in the last 10 years

USA:

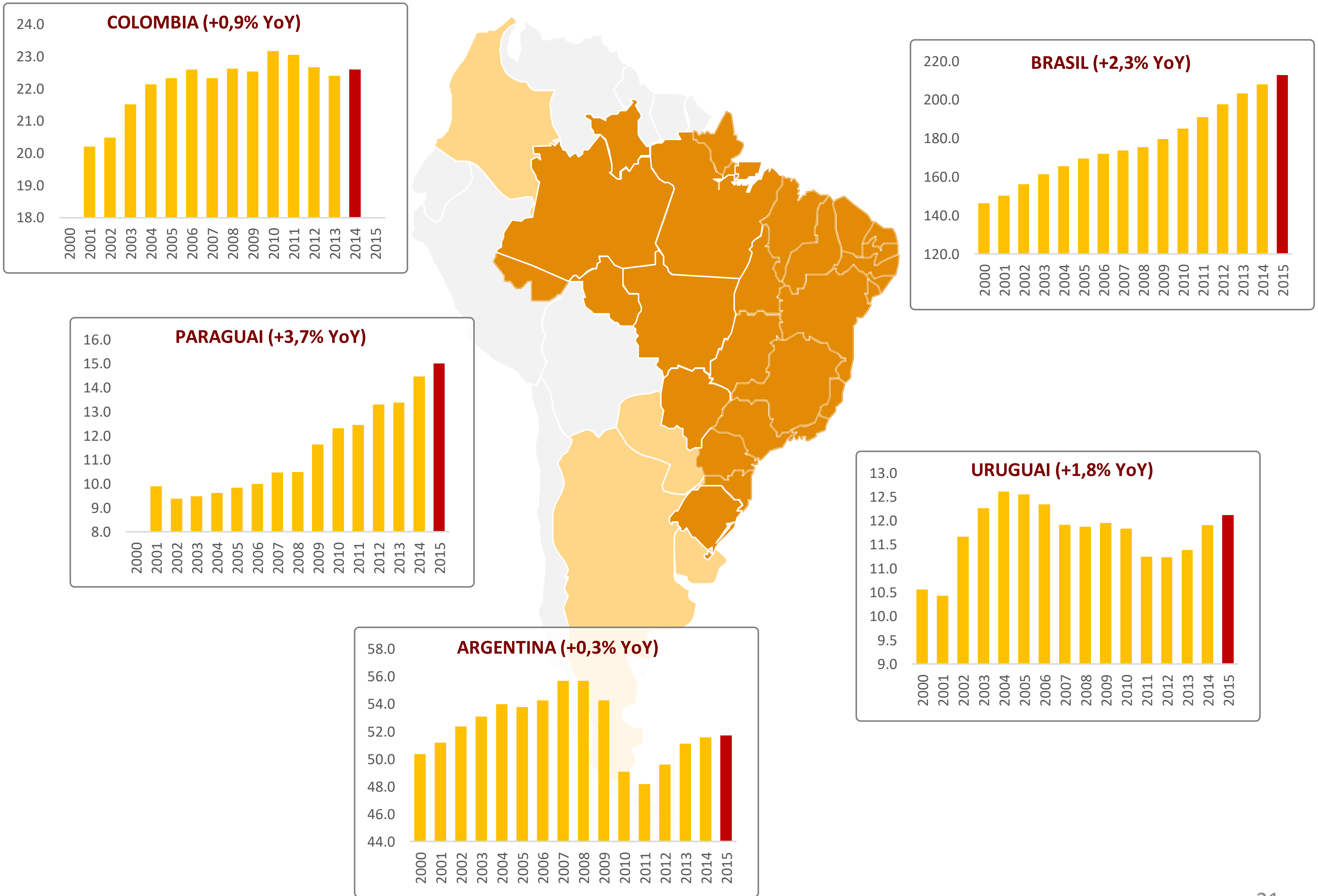
- Strong cattle price increase in recent years
- In 2014, USA became a net importer of beef

AUSTRALIA:

- Cattle herd decrease in 2014/2015/2016 (weather impact)
- 2015/2016: female retention to rebuild herd
- 10% reduction in beef production in 2016

Source: USDA

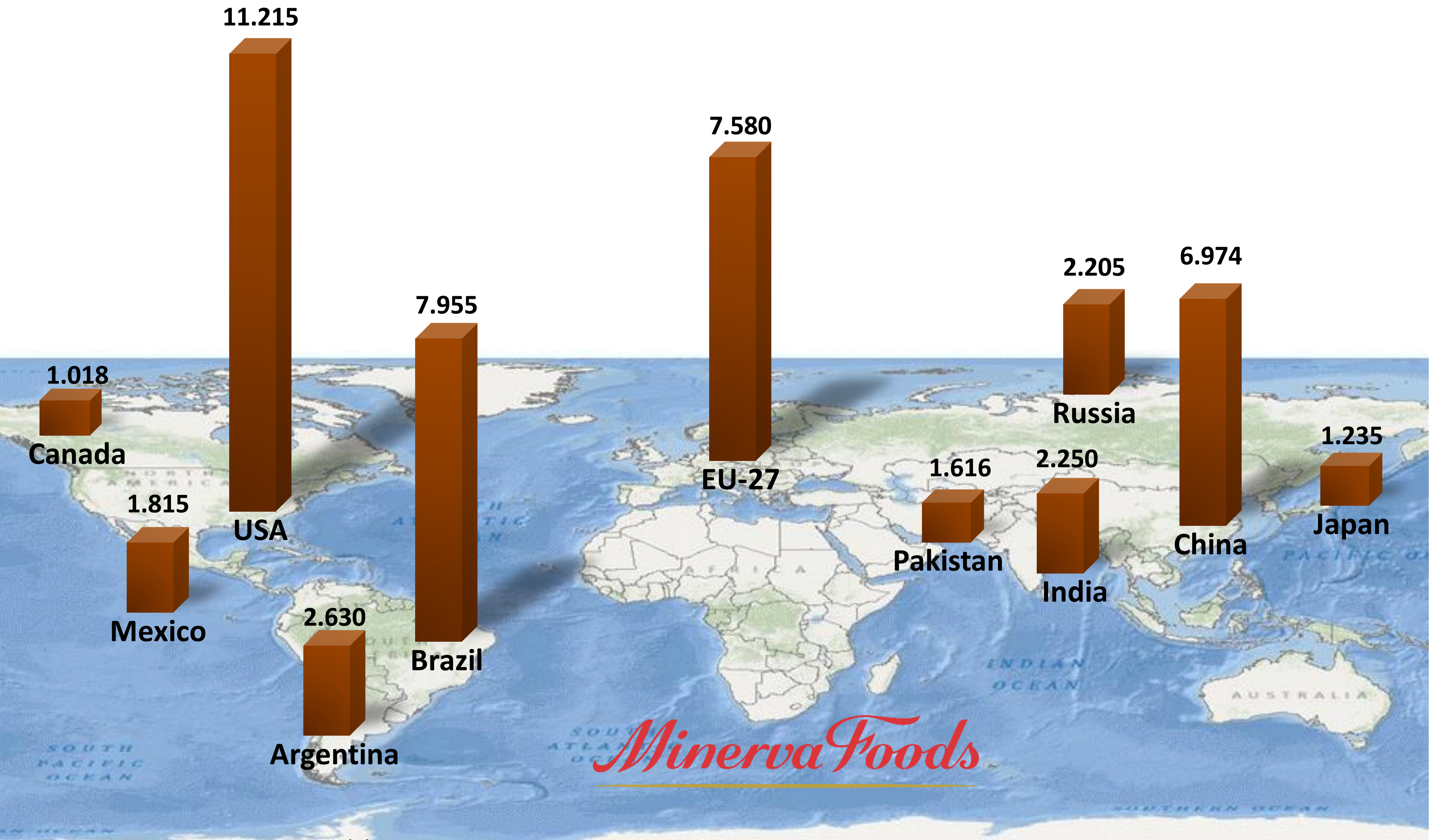
CATTLE HERD (MN HEADS)



Source: USDA

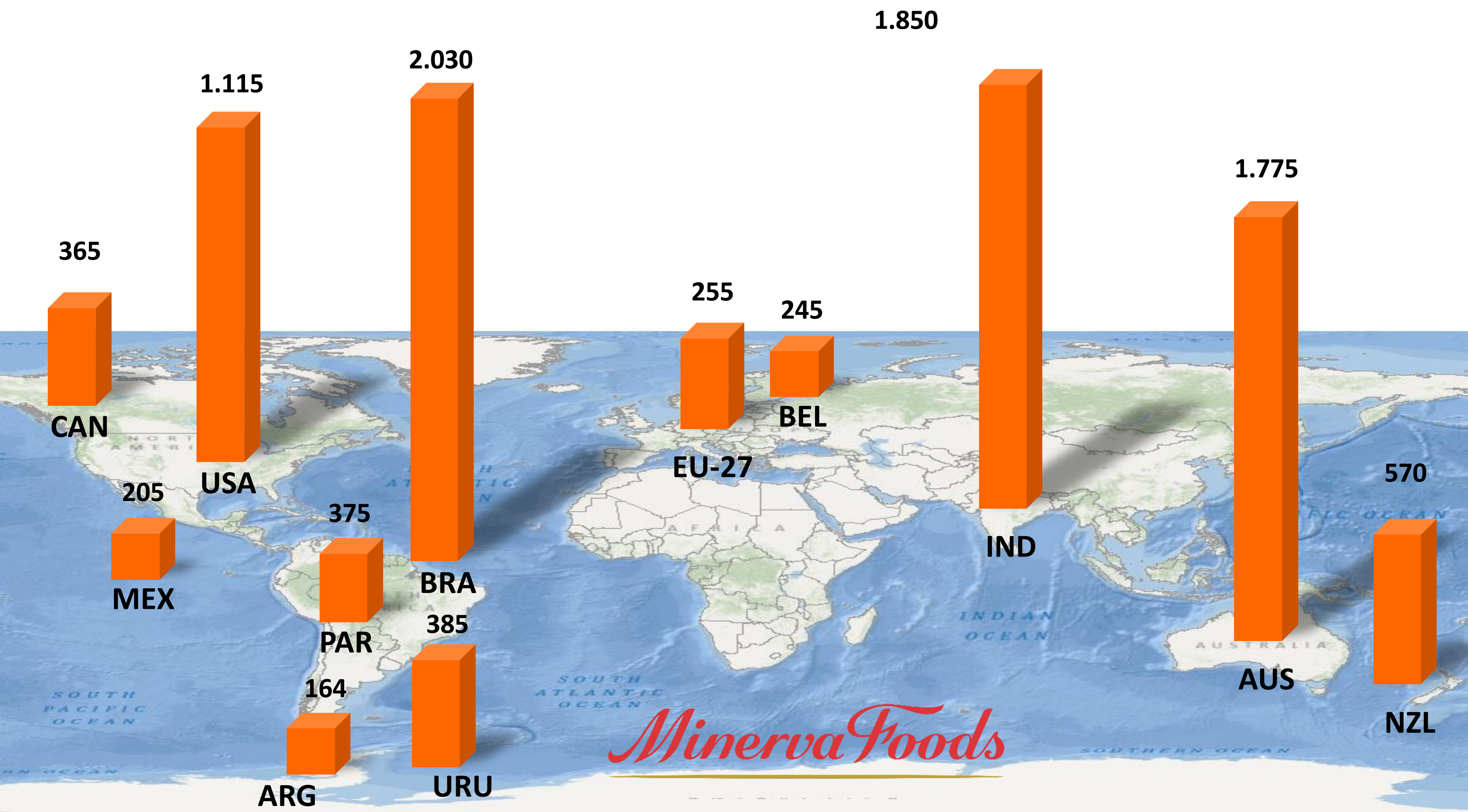
BEEF CONSUMPTION 2014 (1000 T)

World: 57.834



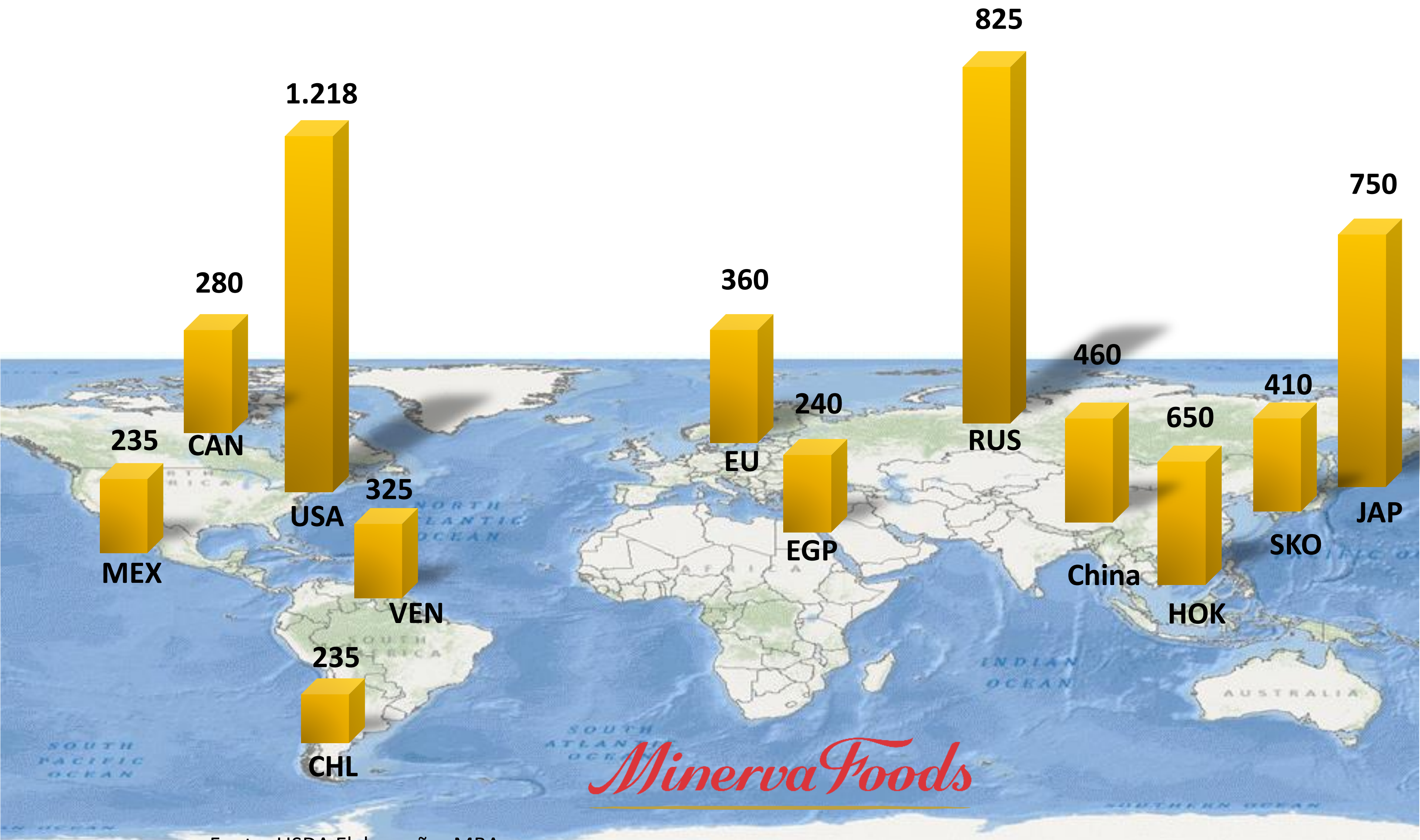
BEEF EXPORTS 2014 (1000 T)

World: 9.775



BEEF IMPORTS 2014 (1000 T)

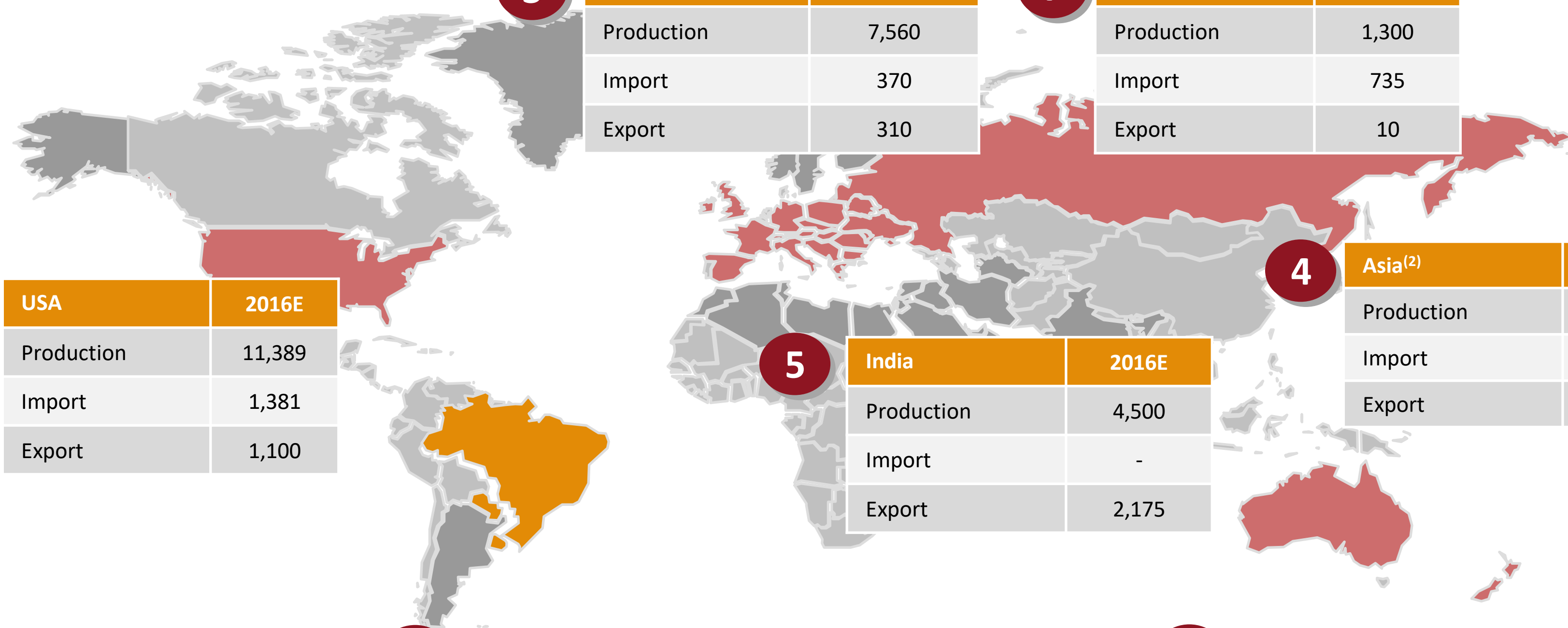
World: 7.876



Fonte: USDA Elaboração: MBAgro

GLOBAL BEEF MARKET

('OOO tons carcass weight equivalent)



3

European Union	2016E
Production	7,560
Import	370
Export	310

7

Russia	2016E
Production	1,300
Import	735
Export	10

2

USA	2016E
Production	11,389
Import	1,381
Export	1,100

4

Asia[(2)]	2016E
Production	7,590
Import	2,504
Export	32

5

India	2016E
Production	4,500
Import	-
Export	2,175

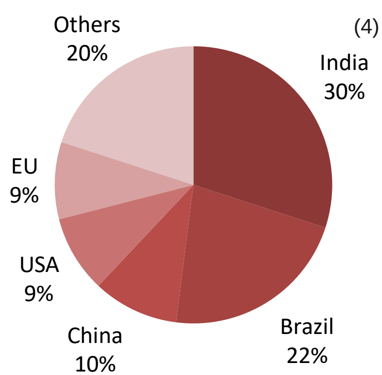
1

South America[(1)]	2016E
Production	14,992
Import	424
Export	2,865

6

Oceania[(3)]	2016E
Production	2,980
Import	30
Export	2,223

Global Herd



Source: USDA
Production:
(1) South America: Argentina (2,680), Brazil (9,600), Chile (232), Colombia (905), Paraguay (600), Peru (210), Uruguay (600), Venezuela (165)
(2) Asia: China (6,785), Japan (480), Hong Kong (8), Taiwan (7), South Korea (310)
(3) Oceania: Australia (2,300) and New Zealand (680)
(4) 35% of India's herd is comprised of buffalo

INDUSTRY OVERVIEW

BRAZIL - EXPORT

HIGHLIGHTS

- Favorable scenario by the global reduction of beef supply
- Dollar appreciation favors the exporters
- In the 3Q15, the cattle price in US dollar was 16% below average price in the 2Q15
- Exports beef prices in US dollar (Secex) was 8% higher in the 3Q15, comparing to 2Q15

OPENING OF THE NORTH AMERICAN MARKET

- USDA changed its regulations to authorize imports of unprocessed beef from 14 Brazilian states
- Initially Brazil would participate of the "Others" quota
- Great expectations that the country can be the main exporter able to fulfill this quota
- Opens opportunities to potential markets such as Canada, Mexico, Japan and South Korea
- The lobby of U.S. producers against the opening is strong and may postpone the opening process announced

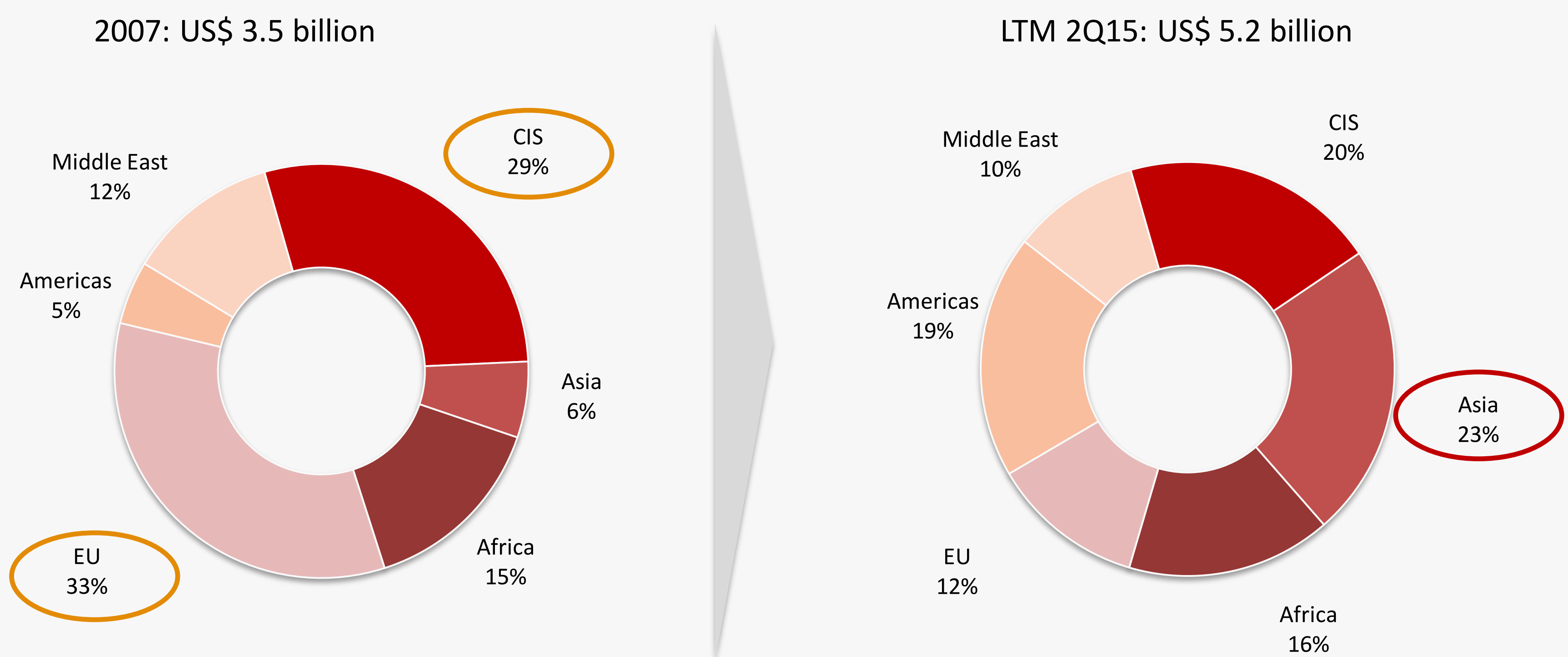
REOPENING OF THE CHINESE MARKET

- **Government revoked the decision which prohibited eight meatpacking plants from exporting fresh beef to Mainland China**
- **Other meatpacking plants are expected to receive authorization**
- **Shipments from Brazil began in June**
- **USDA: Potential increase in exports**

BRAZILIAN EXPORTS

- Export more concentrated (2007: 11 major exporters were ~ 70 % export | 2014 : 3 exporters did ~ 80% of exports)
- Increased diversification of Brazilian exports
- Reopening of markets: China mainland
- Brazil has access to less than 50% of the global Beef demand (not considering China and USA)
- Potential opening of new markets (Japan, Saudi Arabia and other NAFTA countries)

% OF TOTAL EXPORT REVENUES



Source: SECEX

MARKET ACESS

Reflection of USA opening

World Ranking of Beef Importers (industrialized + Fresh/Frozen/Chilled)				
Rank	**Country**	**2015E ('000 MT CWE)**	**% of Global beef imports**	**Brazilian beef imports allowed?**
1	USA	1.320	17%	No
2	Hong Kong	750	10%	Yes
3	Russia	750	10%	Yes
4	Japan	720	9%	No
5	China	500	6%	Yes
6	South Korea	400	5%	No
7	EU	365	5%	Yes
8	Canada	275	4%	No
9	Egypt	270	3%	Yes
10	Chile	245	3%	Yes
11	Malaysia	215	3%	Yes
12	Mexico	210	3%	No
13	Venezuela	200	3%	Yes
14	Philippines	175	2%	Yes
15	Saudi Arabia	170	2%	Yes
-	Rest of the World	1.232	16%	-
	Total	7.797	100%	46%

CWE = Carcass Weight Equivalent

+ 72%

+ 84%

Source: USDA, Abiec, GS

IMPORT QUOTA

Brazil will have access to the quota " Others "

	Countries included in the US quota system (TRQ) (Fresh beef/Frozen beef/Chilled beef)						Countries not included in the US quota system	
Country	Australia	New Zeland	Others	Uruguay	Argentina*	Japan	Canada	Mexico
Quota ('000 CWE)	378.2	213.4	64.8	20.0	20.0	0.2	No restriction	No restriction
Year	**% of quota historically filled**						**Total Import ('000 tonnes PWE)**	
1998	72%	92%	27%	65%	34%	5%	302	3
1999	76%	86%	32%	100%	100%	8%	336	3
2000	n.a.	100%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2001	100%	100%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	98%	90%	35%	n.a.	n.a.	0%	389	4
2003	99%	99%	41%	97%	0%	0%	254	4
2004	98%	99%	48%	99%	0%	0%	361	6
2005	83%	93%	46%	100%	0%	0%	356	8
2006	78%	87%	48%	98%	0%	20%	288	13
2007	78%	79%	59%	99%	0%	61%	268	16
2008	58%	81%	70%	92%	0%	59%	285	14
2009	69%	79%	62%	99%	0%	35%	276	24
2010	50%	72%	74%	73%	0%	13%	276	37
2011	39%	69%	95%	55%	0%	0%	227	56
2012	57%	75%	74%	88%	0%	14%	176	87
2013	55%	81%	0%	98%	0%	49%	178	90
2014	94%	90%	30%	96%	0%	72%	193	110
2015 YTD	41%	48%	36%	35%	0%	42%	80	54

TRQ = Tariff-Rate Quota Scheme
PWE = Product Weight Equivalent
CWE = Carcass Weight Equivalent

Source: USDA, Abiec and Goldman Sachs

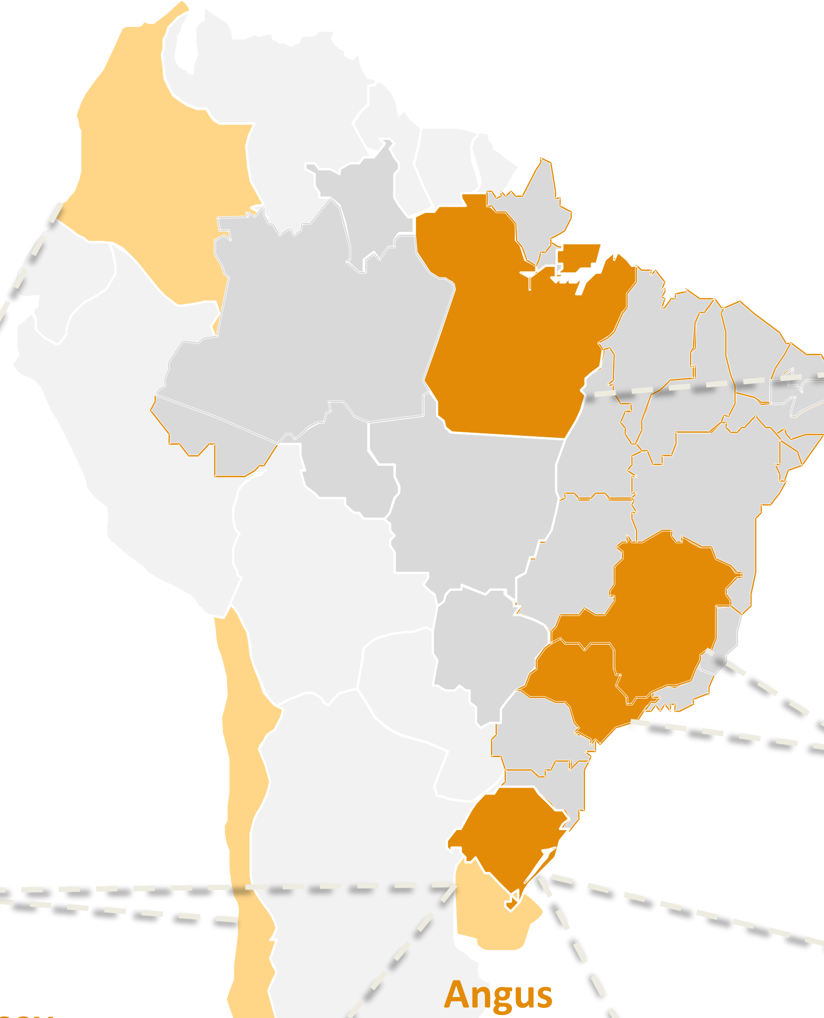

LIVE BUSINESS
Minerva Foods

LIVE CATTLE EXPORTS

Minerva shipments

Brahman

Nelore



Girolando

Holstein

Hereford

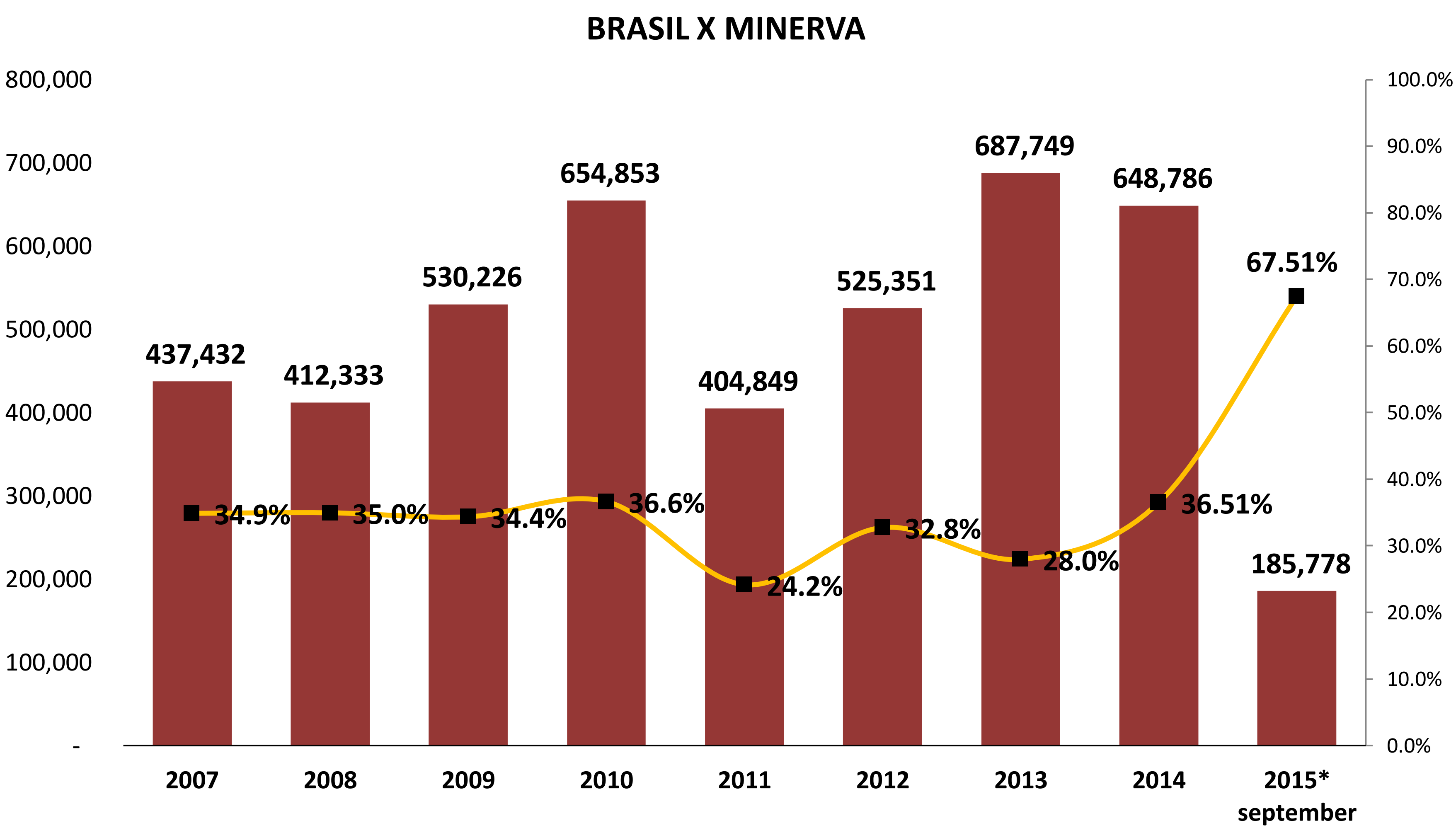
Angus

Jersey

Source: Minerva

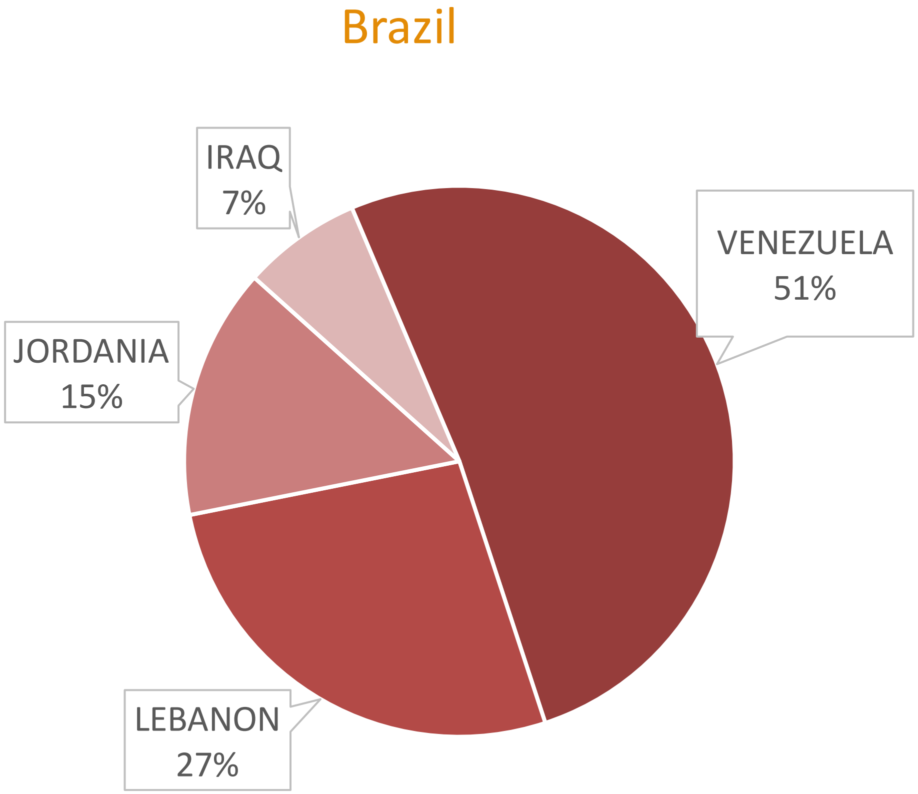
LIVE CATTLE EXPORTS

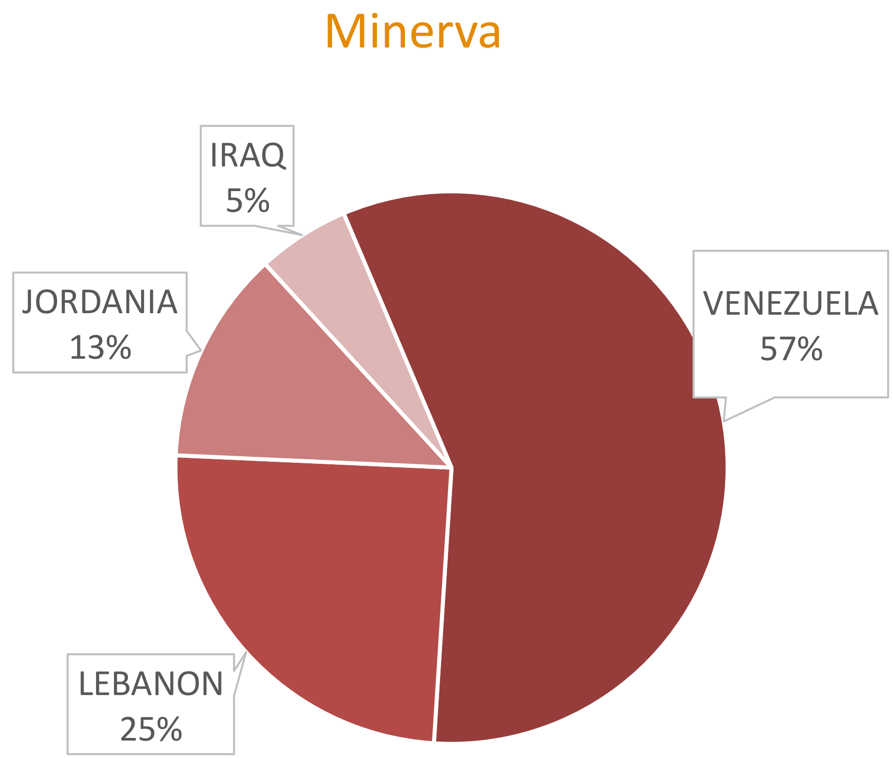
Brazil shipments and Minerva share



LIVE CATTLE EXPORTS

Brazil and Minerva shipments per destination



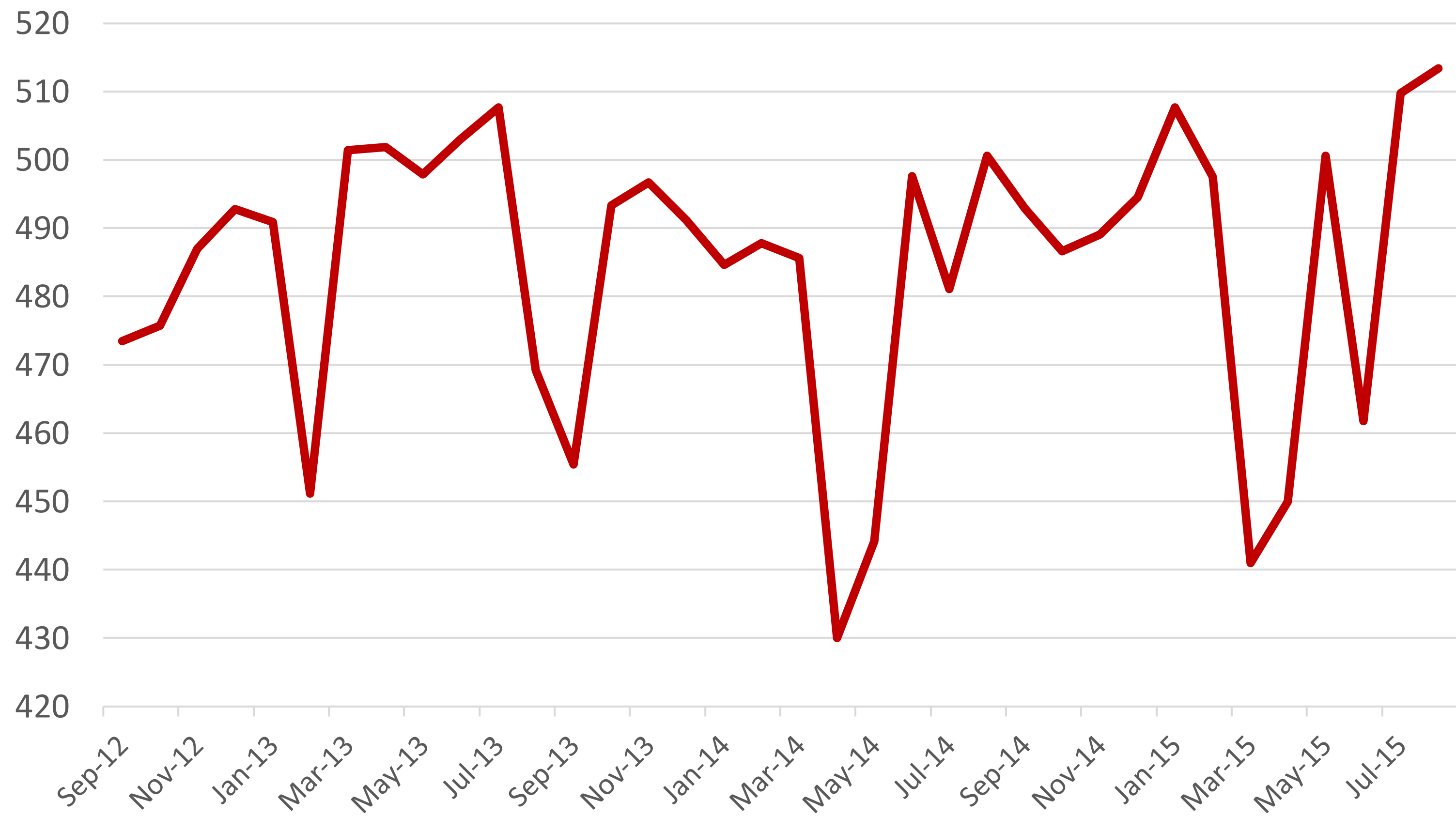


	BRAZIL	MINERVA	SHARE
VENEZUELA	95.367	72.000	75%
LEBANON	50.026	30.972	62%
JORDANIA	27.396	15.663	57%
IRAQ	12.989	6.789	52%
TOTAL	185.778	125.424	-

Source: Minerva

LIVE CATTLE EXPORTS

Average shipped weight from brazil (kg/animal) from sep/12 to aug/15



Source: Brazilian Ministry of Agriculture

LIVE CATTLE SHIPMENTS

2009 Brazil consolidates regulations on live cattle exports;

Cattle held for around one month on holding quarantine before shipment

>500kg	50%

<500kg	52%

SHIPMENT TIMES

Venezuela 5/6 days

Middle East 20 days

MinervaFoods


THE FUTURE
Minerva Foods

SWOT ANALYSIS AUSTRALIAN BEEF

Strength

- Strong genetics
- Disease free
- Location (S.E Asisa)
- Infrastructure
- Industry controls/ procedures
- Business relationships/ ethics

Opportunity

- Increased Demand
- Increased no of FTA´s
- Market Access
- Foreign Investment in supply chain

Weakness

- Weakenening supply
- Rural debt

Threat

- Continued drought
- Increased costs of doing

Business (regulations)

- Business environment not friendly

SWOT ANALYSIS BRASIL BEEF

Strength

- Plentiful supply
- Price competitivness
- Proactive industry
- Supportive Government
- Highly capitilised farm sector
- Relevent Grain Producer
- Different Production Systems

Opportunnity

- Increased demand
- Improved efficiency/ productivity
- Competitor weakness
- Improved genetics
- Improved pasture
- Improved Market access
- Increased quality
- Only 20% exported

Weakness

- Limited Market Access
- Infrastructure (Ports)

Threat

- Weakness in local economy
- Political instability

Minerva Foods

THE FUTURE - SUMMARY

Brazil will gain access to more markets

Brazil industry will continue to grow

Australia's ability to supply market will continue to weaken due the large decrease in the Australian herd size

Brazil will eagerly fill this gap in supply

Minerva Foods

Thank you