Potential For Crop Production In Argentina 2020
Hillock Capital Management

Hillock Capital Management provides high quality Asset Management, Execution, Consultancy and Advice in Agribusiness Sector.

Hillock manages farmland in Argentina & Uruguay for:

- Individuals
- Family Offices
- Financial institutions

In order to *OPTIMIZE* production in each property to its full potential we carefully design customized productive projects getting involved in all operations and activities such as:

- Crop production
- Cattle raising and fattening,
- Forestry.
- Irrigation
Main Agricultural Soils
- Molisols
- Alfisols
- Vertisols

INTA:
Agricultural Potential
Over 60mio Has
Crop Use of Soils in Argentina

- Total Planted Ever on One Crop Year: 35 mio Hectares
- Total Planted Grains & Oilseeds 2010-11: 30 mio Hectares
- Govt Projection All G&O 2020: 42 mio Hectares
- Market Projections Major G&O 2020: 37 mio Hectares
- Market All G&O: 40 mio Hectares
Main Agricultural Regions

Main Distinctive Agriculture Patterns

A: Humid Pampas
B: Sub Humid Pampas
C: North East NEA
D: North West NOA

Humid Pampas Precipitations

SubHumid Pampas Precipitations

NOA/NEA Precipitations
Hillock - Agribenchmark Typical Farms

- North Buenos Aires
- South East Buenos Aires
- West Buenos Aires (Sub-Humid Pampas Influence)
Argentine Agriculture & Technology

Agricultural Area under no tillage (Mio ha)

No Till
Today over 85%

GMO Dominance
Beans & Corn

Fertilization Over 80% Incidence

Double Cropping Widely Implemented

Complementary Irrigation Growing w/excellent productivity & returns***
1990’s and on...

Expansion of Agriculture into Native Forest Areas

Land Clearing at a 250K hectares per year pace.
Law 26.331 Nov 2007
“Native Forests Law”
Provinces: Compulsory Inventory of Native Forests
Mapping into three Categories

CAT I:
High Value Native Forests
NO CLEARING ALLOWED

CAT II:
Mid Value Forests
NO CLEARING ALLOWED
(Some Activities Allowed i.e. grazing)

CAT III:
Low Value Forests
CLEARING ALLOWED
Facts and Projections Total Ag Production 2020

**Total Ag Production (‘000 Tns)**

- TODAY: 100 Mio aprox
- PEA: 153 Mio
- MKT: 130 Mio

**Total Ag Planted Area (‘000 ha)**

- TODAY: 30 Mio Aprox
- PEA: 42 Mio
- MKT: 36 Mio
G&O Facts projections & trends

Mayor Oilseed Production ('000 Tns)
- Official: 76
- Projection: 72

Mayor Oilseeds Planted Area ('000 ha)

Mayor Grains Production ('000 Tns)
- Official: 72
- Projection: 53

Mayor Grains Planted Area ('000 ha)

3 mio
Today’s Real Impact of ET’s and Intervention

State Intervention generating Significant Market Distortions

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAS Mkt Today</td>
<td>145,00</td>
<td>134,83</td>
<td>318,00</td>
</tr>
<tr>
<td>Fob Index</td>
<td>260,00</td>
<td>227,00</td>
<td>513,00</td>
</tr>
<tr>
<td>Export Tax</td>
<td>23%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Fobbing &amp; Fas Com Cost</td>
<td>14,00</td>
<td>12,00</td>
<td>17,00</td>
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<tr>
<td>Total Cost</td>
<td>73,80</td>
<td>57,40</td>
<td>196,55</td>
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<tr>
<td>Theoric FAS</td>
<td>186,20</td>
<td>169,60</td>
<td>316,45</td>
</tr>
<tr>
<td>Difference Theoric/Real</td>
<td>-41,20</td>
<td>-34,77</td>
<td>1,55</td>
</tr>
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DISTORTION
Market Intervention Direct Loss to Farmers
(Excluding Export Taxes and Origination Costs)

Current Policies lead to the continuous growth of Soybeans in detriment of Corn and Wheat
Planted Area Trends by Product

- **Soybean Planted Area (000 ha)**: Increasing trend from 1986 to 2020.
- **Wheat Planted Area (000 ha)**: No significant trend observed.
- **Corn Planted Area (000 ha)**: Increasing trend from 1986 to 2020.
- **Sunflower Planted Area (000 ha)**: Decreasing trend from 1986 to 2020.
Yield Projections 2020 vs. 02/12 (10Y)

Are yield projections achievable without further intensification?

Is PEA Being TOO optimistic on yield? In this context...

Can they be achieved through input intensification in a different context?

<table>
<thead>
<tr>
<th></th>
<th>Avrg vs MKT</th>
<th>Avrg vs PEA</th>
<th>MKT vs PEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHEAT</td>
<td>8%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>SOYBEAN</td>
<td>19%</td>
<td>26%</td>
<td>6%</td>
</tr>
<tr>
<td>CORN</td>
<td>29%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>SUNFLOWER</td>
<td>13%</td>
<td>24%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Predicted Changes in Rotations until 2020

**Intensification**

**Trend**

**Actual**

**NORTH**

**WEST**

**SOUTH**

Gross Margin Comparison (USD/ha)

- Wheat
- Soybeans
- Late Soybeans
- Corn
- Sunflower

Hillock
In the 09/10 Crop Year only 22% of the N,P,K & S Values were replaced
Carbon/ha/year Amount necessary to keep an appropriated level of O.M (2.5% in an Argiudol Typical soil) = 4.3 tn/ha

Sustainable Rotation Targets

SOY 1º : 70 %
WHEAT/SOY : 20%
CORN : 10 %
TOTAL C/ha/y : 2.8 TN/HA

Wheat/Soy : 50
CORN : 50 %
TOTAL C/ha/y : 4.8 TN/HA

SUSTAINABLE EQ
11tn corn + 4.1tn wheat + 3.3 tn soy

UNSUSTAINABLE
Is PEA’s 42 Mio Planted Area Achievable?

Is Argentina Capable of Producing 153 Mio tns of Grains?

Do Current Trends Show PEA’s Projection Feasible? How about the Crop Shares?

Is it Possible to achieve Targeted Production projections under intensified and sustainable production schemes?

THANK YOU VERY MUCH FOR YOUR ATTENTION
Your Questions?

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