Gerd Boeckenhoff
General Manager of Rabobank Polska S.A.

Challenges of the Polish F&A industry

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Rabobank–The Financial Link in the Global Food Chain

- the leader in providing global full range financial services to F&A companies
- strong retail banking in Netherlands, Ireland, Poland (Bank BGŻ), California, Australia and New Zeland
- the only privately held bank awarded with the highest possible credit rating (AAA)

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Challenges (1): EU Accession

5 years of fundamental change

Structural funds

- **EUR 2.5 bn** per year for Polish F&A

Direct payments

- Until today, a total of ca. **EUR 10 bn** received by **1.4 m** Polish farmers

Production quotas

- Created development barriers
- Quotas for: **milk**, **sugar**, **isoglucose**, **potato starch**

Competition

- Domestic Competition increased due to Common Market.
- Upgrade of Food Industry

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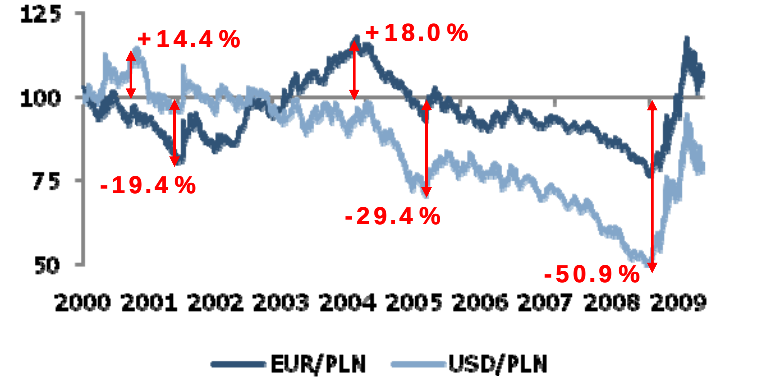
Challenges (2): Market Volatility

Unexpected changes against long-term strategies

- Common Agricultural Policy and EU programs to make economic conditions for agriculture more stable

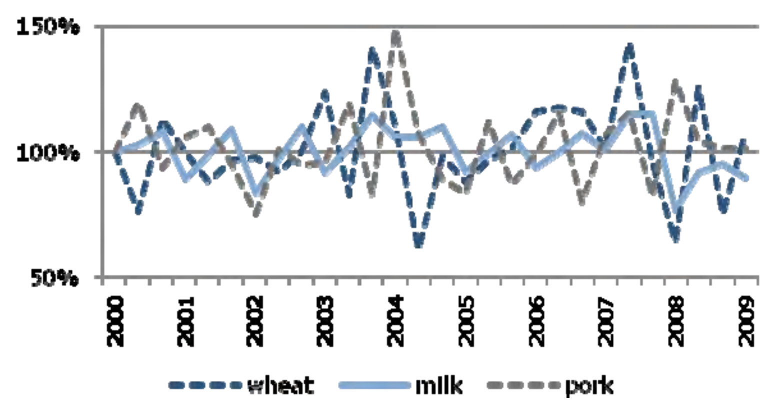
- But the main challenge remains - currency and product prices volatility

Currency fluctuations 2000-2009 (2000=100)



Source: Oanda

Price fluctuations 2000-2009 (2000=100)



Source: IERiGŻ

Post-accession situation in F&A industry

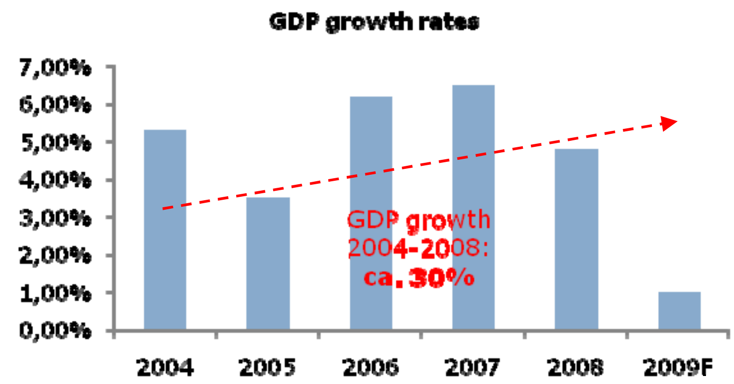
F&A sector grows faster than the economy overall

- Mainly as a result of direct payments, higher **per capita income** of farmers :

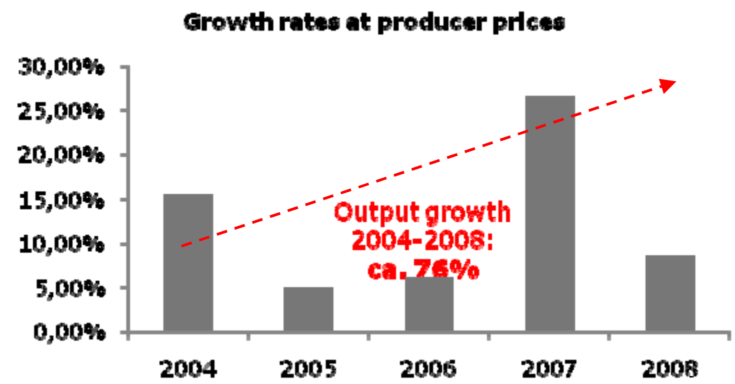
- lower **labour costs** still remain the major competitive advantage

- Polish F&A producers continue to play important role **in unregulated markets** (fruits, vegetables)
- Build a position **in dairy** and **meat markets**

Poland's GDP growth



Growth of output of the agricultural industry (in value)



Source: GUS, Eurostat

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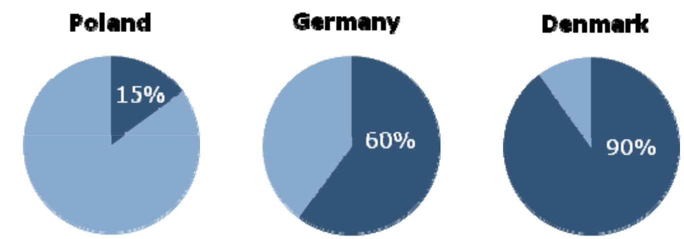
Growth Drivers of Polish F&A: Domestic

Attractive market in a supportive environment

- (I)Large domestic market (over 38 millions consumers)
- (II)High share of traditional retail Growth Potential of Modern Retail
- (III)Local food brands sentiment
- (IV)Supportive economic reforms
  - Easy access to equity
  - Competitive banking industry
  - Special Economic Zones

Retail structure – shares of top3 retailers



Most valuable Polish F&A brands

F&A on Warsaw Stock Exchange

At the end of 2007:

21 F&A companies listed

with market cap of over **EUR 4 bn**

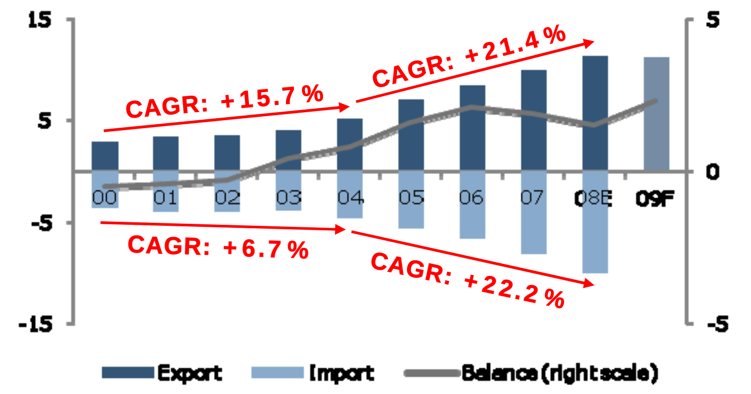
Source: GUS, Eurostat

Growth Driver of Polish F&A: Foreign Trade

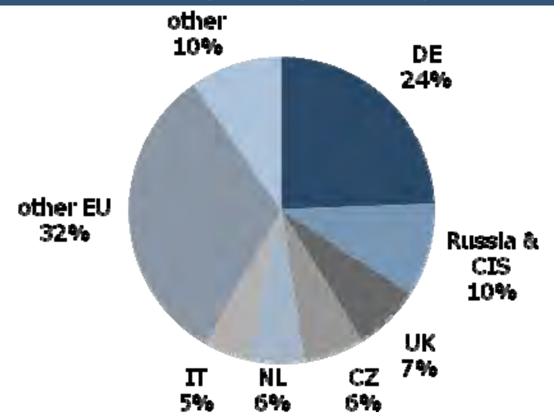
Still strong outlook for foreign trade

- Increasing share of export in Polish F&A production
- Increasing role of F&A trade
- Trade Surplus in F&A

Polish foreign trade of F&A products (in EUR bn)



Structure of F&A exports (in value)



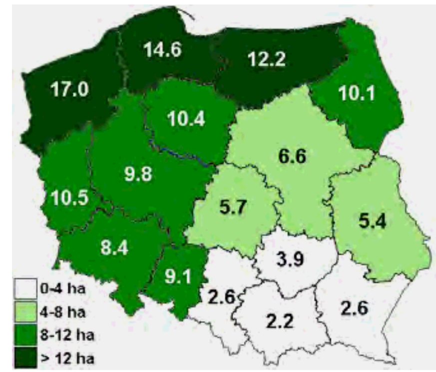
Source: GUS, Eurostat

Strenght and Potential of Polish Agriculture

Large and Efficient vs. Small and Subsistence

- Nearly 2.6m farms in Poland
- 70% with size of 5 ha or less
- The largest farms (100 ha or more) cover 19% of Poland's arable land
- Low specialization
- Below-average yields

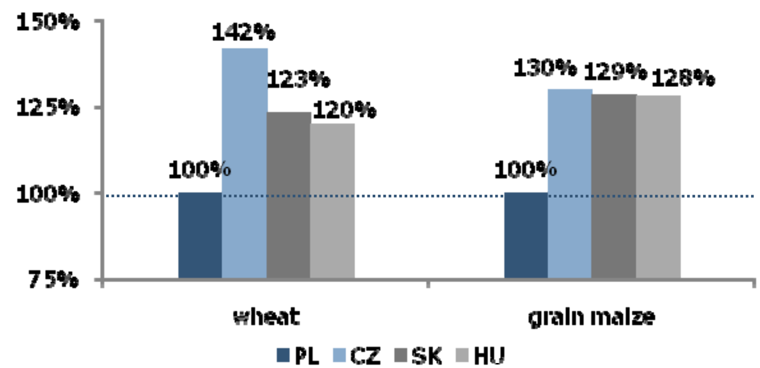
Average farm sizes in regions (in ha)



Poland's average: 6.3 ha

Source: IERiGŻ 2007/08

Average cereals yields (Poland=100%)



Source: Eurostat data for 2008

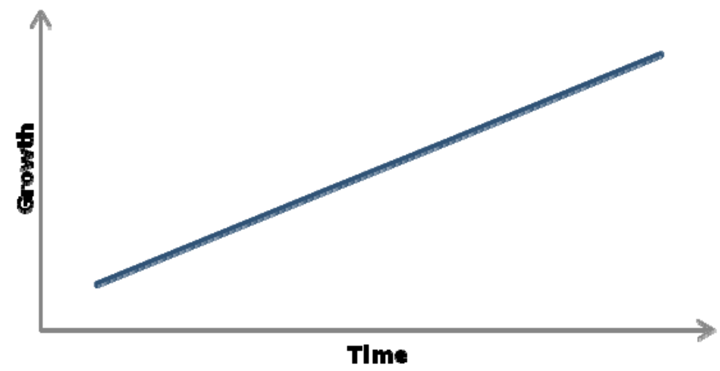
Outlook (1): Positive but variations among sectors

1. Key Driver: Domestic Income Growth, Consumption Patterns

- Processed Food
- Beverages

⇨ *stable growth rates*

Industries driven by domestic growth

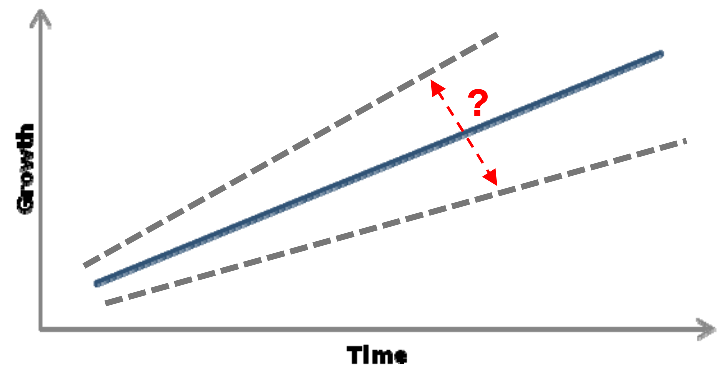


2. Key Driver: Global Market Prices

- Grain
- Oilseeds

⇨ *stable growth rates, some variability*
(Prices, Exchange rates, Harvest)

Industries driven by global market



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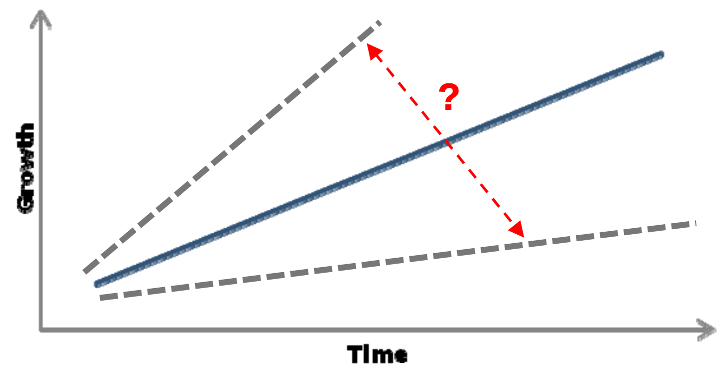
Outlook (2): Positive with variations among sectors

3. Key Driver: Sector Integration and Consolidation

- Dairy
- Meat
- Fresh Fruit
- Grain Milling

⇨ *stable growth rates, high variability*

Industries driven by integration and consolidation



Major Drivers leading to Variability:

- Lack of Market Consolidation
- Lack of Horizontal and Vertical Integration / Cooperation
- Lack of Distribution/ Logistics
- Lack Certification/Tracing

Thank you for your attention

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