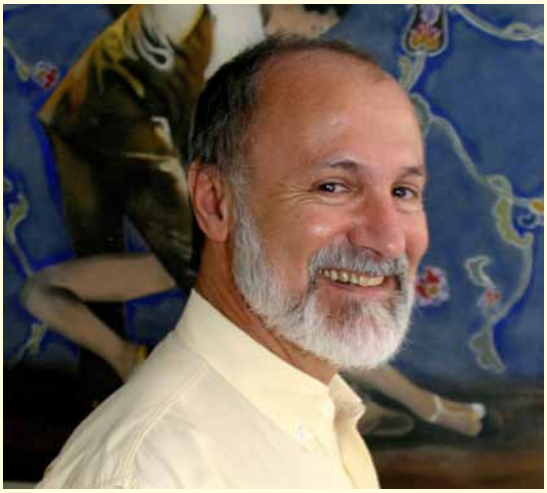
Strong in logistics



Cesar Borges de Souza

Vice President of Caramuru Alimentos

Klaus Kleber, São Paulo

With suppliers whose factories are far from the coast, Caramuru Alimentos, the largest national processor of soybeans, corn, sunflower, and canola, has to go a long way to get its products abroad. "Logistics is one of our strengths, Export of non-genetically-modified foods is another," says Cesar Borges de Souza, vice president of the group. The factory's products are transported from São Simão, in southern Goiás state, by water (Paranaíba-Parana-Tiete) to Pederneiras in São Paulo state, then by rail to Santos city on the coast. Soybeans from Mato Grosso state go by truck to Uberlandia in Minas Gerais state, where they are transferred to the Ferrovia Centro Atlantica railway to reach the port of Tubarão, on the coast of Espirito Santo state. Unlike other exporters, Caramuru is not concerned about the overvaluation of the Real currency. "What has much more impact than the exchange rate is fiscal policy, which prioritizes the shipment of raw material, in this case soybeans, at the expense of industrial products," says Borges de Souza.

***The Brazilian Economy* — What were Caramuru Alimentos revenues last year and what is its market share?**

Cesar Borges de Souza — Our turnover last year was R$2.2 billion (US$1.3 billion). This confirms the company's position as the largest national company processing soybeans, corn, sunflower, and canola. Founded in 1964,Caramuru Alimentos is a family business, but it has professional management. Besides industrial units in Itumbiara, São Simão, and Ipameri in Goiás state, it also operates a plant in Apucarana in Paraná state and rents a plant for refining soybean oil in Fortaleza, in Ceará state. The fact that we also produce non-genetically-modified grains adds value to our products, especially in foreign markets.

What is the company's work force today?

Altogether, we generate 3,468 direct jobs, and the indirect jobs number in the thousands, including suppliers of raw materials, transportation, port handling, trade, and other activities.

How much of the company's revenue comes from exports, and what are its main markets?

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Our exports totaled US$462 million last year. Despite the shrinkage in the external market, we were able to increase our export earnings by US$4 million. Foreign sales accounted for 49% of our total revenue in 2009. This year the forecast is for the value of our exports to increase 5% to 10%, mainly because of better prices for soybeans.

What are the most important foreign markets for non-GM crops?
They are mainly the Northern European countries, such as Germany, Britain, and the Nordics. We also have demand from central European countries like Austria and Switzerland.

How has the company performed in the domestic market?
Caramuru Alimentos strengthened its position, benefiting particularly from the effort to produce biodiesel and launch new product lines, such as white beans and peas. These products are marketed under our traditional Sinhá brand, along with corn and soybeans; corn, sunflower, and canola oils; and corn flour, corn meal, popcorn, cake mixes, and couscous. Today, the Sinhá brand represents 25% to 30% of the Caramuru group's business. We supply the Southeast, Northeast, and South. We also provide raw material for the food and drink industries.

What is the company currently doing in the area of biodiesel?
Our production of biodiesel from soybeans reached 103,000 tons in 2009. We are investing R$54 million (US$31 million) in a new biodiessel plant in Ipameri city, Goias state. In a few months it will gear up to annually produce 110,000 tons of biodiesel and 11,000 tons of glycerin. We are investing another R$30 million (US$17 million) to expand the plants for processing biodiesel and soybeans in São Simão, also in Goias state. Thus, biodiesel capacity will reach 187,000 tons.

Caramuru has a niche market, which is non-GM soy. How are the non-GM exports certified?
The process is done by two internationally recognized certification companies, which check all phases of production: planting, harvesting, transportation, loading ships, etc. This process is known as Hard IP (Identity Preserved). We also have ISO 9001, ISO 14001 certification, and guarantee that production of these products is NO GMO (Non-Genetic Modified).

What is the difference in international prices for GM soy and non-GM soy?
European and Asian markets give a higher value to non-GM products, paying premiums depending on the availability of raw materials and demand for the product. Currently, for example, producers of non-GM soy receive R$1.50 to R$2.00 more per bag.

Do you export other non-GM products?
Besides soybeans, Caramuru exports non-GM soybean meal for animal feed, soy oil, and soy lecithin. Because it is a

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natural product, for instance, non-GM soy lecithin is used to make cosmetics and pharmaceutical products and in the dietary and food industry as an emulsifier for pasta, chocolates, breads, etc.

With production units located so far away from ports, what do you do to reduce the cost of transportation?

Since we started to expand sales in foreign markets, this has always been one of our main concerns. We made an agreement with Ferronorte railway, which links Mato Grosso do Sul with the port of Santos to put on track five locomotives and 150 wagons, which we bought to meet the increasing volumes of goods requiring transportation. For this we invested US$10 million.

The company is also known for using water transportation, which is not so common in Brazil, although it is cheaper. How much was invested in this type of transportation?

Caramuru invested about R$100 million (US$57 million) in a project to integrate road-rail-waterway transport; today it is considered a benchmark in logistics, which is one of our strengths. The unit at São Simão, built on the Paraíba River, bordering the states of Goias and Minas Gerais, was designed to take advantage of the Paranaíba-Tietê-Paraná system — Caramuru, incidentally, is the largest user of this system. Barges depart from São Simão and travel 634 km to the terminal of Pederneiras in São Paulo.. From there, we use the railway operated by MRS Logística company to the port of Santos, where Caramuru operates two export terminals.

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We hear constant complaints from exporters about the overvaluation of the real. Has this factor affected your exports significantly?

Nobody denies that the real is overvalued and harms sales of manufactured goods. But the effect is attenuated in agroindustrial activities, since imported fertilizers, which account for a substantial part of the cost, are bought at a lower rate. Equally or more important than the exchange rate is tax policy, which prioritizes the shipment of raw material, in this case soybeans, at the expense of industrialized products.

Has Caramuru faced constraints or barriers in foreign markets?

Yes, like other companies in Brazil that export soybeans and derivatives, our business is affected by tariff barriers, especially the practices of China and the United States. We face so-called "sanitary" embargoes and other protectionist practices.

What other investment plans does Caramuru Alimentos have?

We are concentrating on biodiesel production. Caramuru Alimentos is investing R$105 million (US$93 million) in the expansion of its processing complex in Goias, and there are three projects at the Itumbiara plant in which we are investing a total of R$21 million (US$12 million). The first is setting up a production unit for soy-based beverages, with a capacity of 38 million liters

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per year. The second is a packaging facility with a capacity of 254 million pieces a year. And the third will allow a 23% increase in the capacity of the corn products plant from 215,000 today tons to 263,000 tons.

In general, how far do you think Brazil can raise its food exports, considering increasing demand from China, India, and other countries?

The prospects for food exports to China and India are promising, but it is difficult to quantify the growth potential, mainly because of protectionist practices, especially in China. Brazil, however, is leading the production and marketing of safe, non-GM products.

Is the company considering entering the capital markets?

Yes, we are considering it, over the long term. We want to do it in an orderly manner. We are already doing our homework, step by step. The company undergoes quarterly audits, and we are preparing ourselves internally to be a publicly traded company.

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