

MEDIA RELEASE

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Agribusiness is emerging as a notable investment theme, says First State's Macpherson

Companies around the world are seizing the opportunities presented by the future food production volume growth, according to Skye Macpherson, co-manager of the **First State Global Agribusiness Fund**. The Fund, which was launched in May 2010, invests in companies involved in the production, processing, distribution and marketing of soft commodities, as well as the suppliers of services and inputs to these companies, such as fertiliser, crop protection and seeds.

Skye Macpherson comments:

'It is no coincidence that we are currently seeing significant mergers and acquisitions activity across the agricultural sector globally. The most high profile example has been BHP Billiton's \$39 billion hostile bid for the global fertiliser producer and distributor Potash Corporation. Other notable developments include the proposed purchase of CSR's sugar division by Singapore-based Wilmar International in July and the bid by Agrium of Canada for the Australian wheat exporter and farm input retailer AWB in August. A key factor driving that activity is the expectation for agriculture related companies to see sustainable volume growth as they tackle significant increases in global food demand in the years to come. The higher demand is coming from a combination of population growth and rising incomes.'

Macpherson says that, according to United Nations estimates, the global population will grow from 6.5 billion 2005 to 9 billion in 2050. Rising incomes, another key driver of demand, will continue to be supported by the ongoing process of urbanisation taking place in emerging economies, such as China and India.

Skye Macpherson continues:

'It is not only that more food is consumed but that a rise in incomes across emerging markets is leading to a change in the type of food people consume. In turn, this change

results in an exponential rise in demand for grain because more expensive, protein-rich foods, such as pork and beef, require considerably bigger quantities of grain for their production. In fact, our research indicates that the world will need to more than double its food production by 2050 in order to meet this ongoing rise in demand.'

On the other hand, supply of soft commodities remains constrained, according to Macpherson. 'Increasingly unreliable weather patterns and pressure on arable land from urbanisation constrain supply. For example, some of the world's biggest consumers of agricultural products, such as China, could become increasingly reliant on imports', she says.

Macpherson concludes that the prospect of rising demand and constrained supply of soft commodities is opening up a number of opportunities in agribusiness for long term investors as companies across the sector strive to improve their productivity, efficiency and levels of mechanisation. Therefore, rather than speculating on short term movements of commodity prices, which are highly unpredictable, the **First State Global Agribusiness Fund** invests in companies which are set to benefit from increasing food production over the medium to long term, regardless of commodity prices.

The fund is managed by First State's award winning Global Resources team, which has a strong 13 year track record. This specialist team aims to identify investment opportunities through a global approach and extensive programme of company and site visits.

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Notes to editors:**About First State Investments**

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