



RABOBANK PRESENTATION

INDONESIA FOOD AND AGRIBUSINESS OUTLOOK

Adrian Foster PhD and John Baker PhD from Rabobank delivered enlightening presentations on food and agricultural sectors in a seminar hosted by INA on November 17 2011 at the Crown Plaza in Jakarta. Both speakers emphasized the global condition, recent situation of EU countries and prospects of Indonesian products for exports in light of the increasing global demand.

In 'Financial Markets Outlook – Trouble Everywhere You Look', Adrian Foster PhD highlighted several important issues.



Adrian Foster PhD

Financial crisis in EU

It started with the economic recession in Greece and the same symptoms are revealed slowly in peripheral countries such as Ireland, Italy, Spain and France. The benchmarking process in the paper he delivered is the forecast of foreign exchange of EU€ to US\$ and its comparison to other currencies such as JP¥, GBP, CHF and AU\$. This situation directly influences the unemployment rate exacerbated by job cutting in government and private sectors fuelling an economic recession in several EU countries.

Overview of economic condition in USA as a comparison

The points are

- Weak and slow government anticipation in handling unemployment issues causes the economy to show a weakened growth

Rabobank FX Forecasts

Major crosses	26-Nov-11	3M	6M	9M	12M
EUR/USD	1.35	1.33	1.39	1.45	1.48
USD/JPY	77.1	78.0	79.0	82.0	83.0
GBP/USD	1.58	1.56	1.62	1.69	1.74
USD/CHF	0.92	0.93	0.90	0.90	0.91
AUD/USD	1.01	1.00	0.98	0.97	0.94

Figure 1 Foreign Exchange Forecast

US jobs growth has slowed...

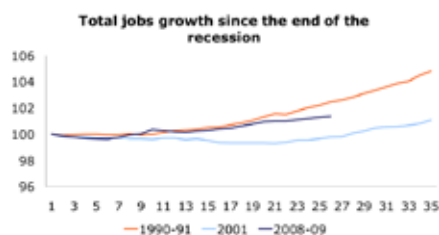


Figure 2 Overview of Jobs Market in US

- A debt crisis illumes as a consequence as shown in the following graphics

Debt crisis never went away...



Figure 3 Estimation of US foreign debts

- More or less same conditions in EU countries prevail, with a large difference in deficits of foreign trade among the periphery (GR, IR, IT, PO, SP) and core (AU, BE, FI, FR, GE, NE) countries. There will be one big question from economic players in general: Helping our neighbors or helping oneself? Meanwhile the crisis is coming closer to Spain and France.

- Budget deficits are estimated to decrease as forecasted below

Europe's crisis – there is some progress

Country	2010	2011F
EU	2.7	2.8
Germany	2.2	1.9
France	4.4	4.2
Japan	3.8	3.8
Italy	7.1	6.8
Spain	6.6	5.9
Netherlands	1.8	1.9
UK	12.2	7.8
US	10.4	6.5
China	11.8	7.9
Canada	11.1	8.0



Figure 4 Estimation of budget deficit in EU countries

Overview of the condition in Asian countries

The growth of GDP in nations like Hong Kong, Indonesia, Korea, Malaysia, Filipina, Singapore, Taiwan, Thailand, China and India shows an interesting positive tendency.

Asia region – Consensus comparison

GDP growth, YoY %	Average 2001 - 2007	2010E	2011F	2011	2012
Hong Kong	5.0	5.0	5.0	5.0	4.8
Indonesia	5.0	6.0	6.0	6.2	6.8
Korea	4.8	4.8	4.8	4.8	4.8
Malaysia	5.0	4.5	4.5	4.8	4.8
Philippines	5.0	5.0	5.0	5.0	5.2
Singapore	7.2	7.2	7.2	7.2	7.2
Taiwan	5.0	4.7	4.7	4.7	4.7
Thailand	5.0	5.0	4.7	4.7	4.7
Asia 8	5.6	5.6	5.6	6.1	6.8
China	10.0	9.2	8.2	7.2	7.2
India	6.8	7.8	7.2	8.2	8.8

Figure 5 Comparison GDP 8 countries in Asia, China & India

It can be concluded that the peak of inflation in Asian countries has passed as the seasons in which inflation normally peaks such as maximum oil price time (April 2011) or the rise of general food price (March 2011) have come and gone.

The eye of the inflation storm has passed

- Oil prices peaked in April
- Food prices peaked in March
- They both remain high but the YoY change starts to decrease in the months ahead
- Asia-Pacific central banks tightened about 50 times through recent recovery
- Leaving considerable scope to now ease if downside risks pan-out
- BI Has cut 75bps to 6.00% (6.50% during GFC)

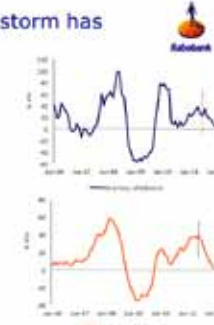


Figure 6 Graphic of Inflation in Asian countries

Estimation of Indonesian condition

Increasing exports to China can possibly be a good alternative if the demand of goods from US and EU

countries stagnates. This optimism is reflected on the tendency of currency rate of IDR to US\$ and it shows the strengthening position of the IDR. The slowing down of US and EU markets are probably caused by several factors. One of them are the decreasing demands of crude oil due to the high price in international market during the recent four years while at the same time, in developing countries, the development process still needs a huge amount of fuels to support it. Temporarily, for the oil exporting countries, oil is still the main product for export and main national income generator.

The next presentation 'Indonesia and Agribusiness Outlook', delivered by John Baker PhD, focused on three major topics: Macroeconomic trends, Domestic food demand growth and Export growth.



John Baker PhD

Indonesia shows a significant investment growth along with a growing young population. A new term is introduced: The New BRIC countries (Brazil, Russia, Indonesia, India and China) - as Indonesia reflects the same conditions as the BRIC countries.

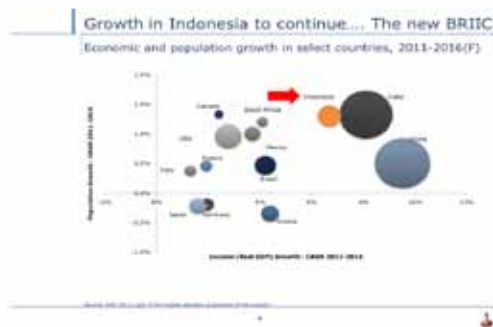


Figure 7 Comparison of global investment and population growths

Indonesia is considered as a big arena for companies dealing with food, especially agricultural products. Food processing, fruits & vegetables and seafood companies are placed in the top rank of companies and there are more than 1000 such companies established in Indonesia. There is a high demand for noodles products which has a strong relationship to urban life style and is also gradually expanding to rural areas in Indonesia. High demand is also seen for soft drinks products with the same tendency (this is also with the bottled drink products) and bakery also has become part of the basic needs for daily consumption. This situation has triggered the animal protein industries for basic ingredients of those products and automatically increased need for the animal feed industry. Domestic sources of animal feeds cannot fulfill demand so imports of animal feed ingredients are necessary to support the whole supply chain process. Indonesia still highly depends on imported animal feed materials

What about Indonesian exports? The main markets of Indonesian products are US, Germany and Netherlands.

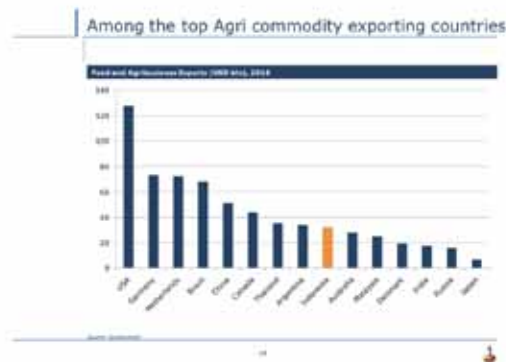


Figure 8 Countries for export target of Indonesian products

Indonesian agricultural exports in high demand are Palm Oil (Indonesia no. 1), Rubber (Indonesia no. 1), Cacao (Indonesia no. 3, after Ghana and Ivory Coast) and Coffee (Indonesia no. 3 after Brazil and Vietnam). The program of food self-sufficiency also triggered high demand for sugar from domestic industries and also the demand for fertilizer products. Imports are high for these products. The challenges are still on the matter of productivity, effective land usage, sustainability, inadequate infrastructure and under developed agricultural practices.

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