MERGENT
Adding Value to Information Since 1900

Latin America
Food & Beverage Sectors

A Company and Industry Analysis

August 2008

CONTENTS

Current Environment — Key Points

- The recent economic downturn in the US, the world's leading economy and one of Latin America's largest trading partners, started to affect some Latin American countries over the last six months.
- The Latin American F&B industry faced challenges in the first half of 2008 with rising oil prices, rising agricultural commodity prices and the depreciation of the US dollar.
- Even so, in the first half of 2008, the F&B industry in Latin America showed solid growth, with most leading companies reporting favorable earnings.
- The rising concern over the growing demand for junk food among children led to the passage of several laws that would make junk food a little harder for children to obtain by national and municipal governments across the region.
- Several large Latin American conglomerates invested in securing their market positions while expanding production, thanks to strengthening local currencies and healthy economic prospects.

Industry Profile — Key Points

- The demand for F&B in Latin America has grown simultaneously with the region's economy over the last two years, with most economies riding high on the global demand for commodities, both mineral and agricultural.
- Demand for convenience or ready-to-eat foods are at their highest levels. Additionally, consumers are trending towards healthier eating patterns.
- In Argentina, the F&B industry represents about 8.5% of the country's gross domestic product, or US$16.32 billion, figures from the Argentine Foreign Agricultural Service show. Chile is also one of the fastest growing F&B markets in the region, and is ranked 17th among the world's leading food exporting countries.
- In Latin America, Brazil is the largest dairy product consumer, followed by Mexico, with the two countries consuming nearly 60% of the 45 billion liters of milk produced in the region
- The beer industry in Latin America performed somewhat poorly in 2007, despite healthy growth in volume terms in the Argentinean and Mexican markets.

Market Trends and Outlook — Key Points

- Consumers are moving, slowly and at different rates, away from traditional home-cooked meals, as incomes grow.
- Global organic food and drink sales are soaring, as consumers increasingly seek healthy and more nutritious options.
- Latin America is a very attractive market, especially for the F&B industry, with foreign investment in the food processing industry picking up significantly since the 1960s.
- Lifestyles in Latin America are becoming increasingly demanding and hectic, with more women in the workforce, longer working hours, and population expansion in urban areas.
- The F&B industry in Latin America may be further affected in the second half of 2008 by a spillover from slower US economic growth and high oil and commodity prices. F&B companies are expected to see rising raw materials costs and consumers may face high and volatile food prices.

The Latin America Industry Reports are published by Mergent, Inc., headquartered in Fort Mill, South Carolina, USA. Each industry sector report is updated every six months. Mergent, Inc., a leading provider of global business and financial information on publicly traded companies, operates sales offices in key North American cities as well as London, Tokyo and Sydney.

Publisher
Jonathan Worrall

Director
John Pedernales

Managing Editor
Peter O'Shea

Research Analyst
Pong Wui Yeo

Website:
http://webreports.mergent.com

Customer Service:
1800 342 5647 or 704 559 7601
email: customerservice@mergent.com

Sales Enquiries:
Fred Jenkins - Executive Vice President, Sales
704 559 6897
email: fred.jenkins@mergent.com

Current Environment

Sector Overview

Globally, the food and beverage (F&B) industry has undergone significant changes over the past decade, driven by technological advances, shifts in consumption patterns and growing competition. However, the recent economic downturn in the US, the world's leading economy and one of Latin America's largest trading partners, started to affect some Latin American countries particularly over the last six months.

The Latin American F&B industry also faced challenges in the first half of 2008 with rising oil prices, rising agricultural commodity prices and the depreciation of the US dollar. The unpredictable and high oil prices caused a rise in food production costs, which affected consumer food prices, including processed meats, dairy products and beer. This to some degree was countered by the strong demand for F&B products in the region, with Latin American economies strong and with steady income growth among consumers.

In the first half of 2008, the F&B industry in Latin America showed solid growth, with most leading companies reporting favorable earnings. For example, most key F&B companies such as Coca-Cola FEMSA SAB de CV (MEXL KOFL), Sadia SA (BVSPA: SDIA4), Molinos RIO de la Plata SA (BUE: MOLI) and Compania Cervecerias Unidas SA (BSAN: CCU) saw significant growth in earnings driven by higher sales and increases in operating income. These leading players have built competitive advantages based on stronger and more internationally recognized brands, economies of scale, research and development (R&D) capacity and efficient global distribution systems. The achievement of greater economies of scale in production, marketing and, above all, distribution, has been important to the competitiveness of large multi-brand F&B companies, and has determined their ability to dominate the industry.

Consumer demand over the past six months also changed the structure of the F&B sector, leading to new market strategies to promote food and drinks based on their perceived impact on weight, well-being and health. The demand for junk food among children in Latin America, however, became an even more important issue for governments, F&B companies and parents. In countries such as Argentina, Brazil, Chile and Mexico, legislation and initiatives by national and municipal governments, and parents' associations, made junk food a little harder for children to obtain.

Sector Performance

In the first half of 2008, most key F&B players in Latin America saw their stocks perform remarkably well, as higher F&B spending boosted companies' earnings. Grupo Bimbo SAB de CV (MEX: BIMBO) led the rise in F&B stocks, with an increase of 20% in its share price in the first half of 2008. Mexican bread maker Bimbo's sales increased 8.6% to MEX$19.03 billion (US$1.89 billion) in the first quarter of 2008, thanks to higher prices and better product mix.

In the first half of 2008, Perdigao SA (BVSPA: PRGA3) and Fomento Economico Mexicano SAB de CV (FEMSA) (MEX: FEMSAUB) saw their share prices rise 10.1% and 9% respectively. Perdigao, a leading Brazilian processor of poultry and pork, reported that its net sales grew 62% to R$2.46 billion (US$1.56 billion) in the first quarter of 2008, compared with R$1.52 billion (US$151.13 million) in the equivalent quarter of 2007. The increase reflected the good performances in both the domestic and export markets with the strengthening of the company's sales bases in Brazil and overseas. Mexican beverage producer FEMSA's net income was up 16.5% to MEX$2.04 billion (US$202.83 million) in the first quarter of 2008, compared with MEX$1.75 billion (US$173.99 million) in the first quarter of the previous year. The rise was due to income from operations growth that more than offset lower gains in its monetary position and a hike in income taxes.

However, the share prices of a few Latin American F&B companies fell sharply in the first half of 2008, with that of Compania Cervecerias Unidas SA (BSAN: CCU/NYSE: CU) seeing the biggest decline of 18.8%. However, the decline did not reflect the company's recent financial results, including strong second quarter sales and an anticipated acquisition of Argentina's second largest beer producer, Compania Industrial Cervecera SA (ICSA) (BUE: CVZA). Chile's leading brewer projects that its share price will rise to CLP$4,280 (US$8.66) by the end of 2009, or US$44.10

Current Environment

Table 1: Stock Performances of Selected Latin American F&B Companies

Company	Country	% Increase in Share Prices (January – June 2008)
Grupo Bimbo SAB de CV	Mexico	20%
Perdigao SA	Brazil	10.1%
Fomento Economico Mexicano SAB de CV	Mexico	9%
Molinos Rio de la Plata SA	Argentina	(1.42%)
Cervecerias Unidas SA	Chile	(18.8%)

Source: Mergent Analysis, 2008

in American Depository Receipts, on anticipated higher profit when it completes its US$88 million acquisition of ICSA.

Leading Companies

Coca-Cola FEMSA SAB de CV (MEX: KOFL)

Coca-Cola FEMSA SAB de CV, headquartered in Mexico City, is a subsidiary of Fomento Economico Mexicano SAB de CV. It is the largest Coca-Cola bottler in Latin America and the second largest Coca-Cola bottler in the world in terms of volume. Along with Coca-Cola trademark beverages it produces bottled water, beer and other beverages in Latin America. The company's majority net income rose 32% to MEX$1.62 billion (US$161.07 million) in the first quarter of 2008, compared with MEX$1.23 billion (US$122.29 million) in the equivalent quarter of 2007. Its revenue grew 6.4% to MEX$17.26 billion (US$1.72 billion), compared with MEX$16.22 billion (US$1.61 billion) in the first quarter of 2007. The growth in earnings was due to an increase in operating income and lower financing costs.

Its operating income was up more than 15% to MEX$2.82 billion (US$280.38 million), compared with MEX$2.44 billion (US$242.60 million) in the first quarter of 2007, thanks to continued growth in the Mexican division. Total revenues from this division climbed 6.7% to MEX$7.77 billion (US$772.54 million), compared with MEX$7.28 billion (US$723.82 million) in the same quarter of the previous year. Total division sales volumes were up 4.9% to 264 million unit cases, resulting from a 3.1% sales volume growth in sparkling beverages, sales volume growth in bulk water and incremental volumes in the still beverage category.

Perdigao SA (BVSPA: PRGA3)

Perdigao SA, headquartered in Sao Paulo, Brazil, produces and sells poultry, pork, beef cuts, milk, dairy products, and processed food products in Brazil and internationally. Its net income dropped 18.7% to R$51 million (US$32.41 million), or R$0.25 (US$0.16) per share, in the first quarter of 2008, compared with R$62.7 million (US$39.83 million), or R$0.38 (US$0.24) per share, in the equivalent quarter of 2007. The drop followed tighter margins arising from a hike in costs and expenses. However, net sales grew 61.6% to R$2,461.7 million (US$1,563.97 million), compared with R$1,523.1 million (US$967.66 million) in the first quarter of 2007. The surge was due to a growth of 76.1% in sales in the domestic market, which accounted for 55.9% of total net sales.

In the quarter, domestic market sales swelled 69% from the same period in 2007 to R$1.74 billion (US$1.10 billion), with meat sales rising by 31% in volume and those of dairy products by 197%. Exports were up 46.7% in revenue to R$1.1 billion (US$698.85 million), reflecting growth in key markets, notably the Middle East and the Far East. Total sales volumes from export markets were up 31.9% for meats and 16.3% for other processed products such as pastas, pizzas and margarines.

Sadia SA (BVSPA: SDIA4)

Sadia SA, headquartered in Sao Paulo, Brazil, is a refrigerated and frozen protein products company, operating in the processed product, poultry, and pork and beef segments. The company's net income surged 123.4% to R$214.85 million (US$136.50 million) in the first quarter of 2008, compared with R$96.17 million (US$61.10 million) in the equivalent quarter of 2007. Its operating

Current Environment

revenue grew 21% to R$2.29 billion (US$1.45 billion), compared with R$1.89 billion (US$1.20 billion) in the first quarter of 2007. The quarter's results were boosted by a rise in purchasing power of the Brazilian population and by the growth in the consumption of meats in the global market, along with price increases.

Gross operating income totaled R$2.6 billion (US$1.65 billion), 20.3% higher than in the first quarter of 2007. There was a 19.3% increase in the domestic market and 21.6% in foreign markets. The highlights were the sales of processed products in both markets, and poultry in foreign markets. Its sales volume was up 8.6% in relation to the first quarter of 2007, reaching 533,200 tons in the first quarter of 2008, thanks mostly to 13.5% higher volume in the domestic market.

Mergers, Acquisitions and Alliances

Consolidation in the Latin American F&B industry picked up in the second half of 2007 and the first half of 2008. Several large Latin American conglomerates invested in securing their market positions while expanding production, thanks to strengthening local currencies and healthy economic prospects. The F&B industry is likely to see more M&A activity in the second half of 2008 as more companies seek to strengthen and expand their market share, while further developing their economies of scale. This, however, may be disrupted by a possible market downturn in the region if the economic downturn in the US worsens and forces local banks to squeeze credit facilities for prospective M&A deals.

Coca-Cola FEMSA SAB de CV (MEX: KOFL) announced on June 26 that it had agreed with The Coca-Cola Company (NYSE: KO) to acquire its Refrigerantes Minas Gerais Ltda (Remil) franchise territory. The aggregate value of the transaction is US$364.1 million and is subject to customary approval of local antitrust authorities. The transaction will expand Coca-Cola FEMSA's footprint in Brazil by more than a third, and boost the number of clients and customers.

In the first half of 2007, the level of merger and acquisition and joint venture activity in Brazil accelerated compared with the same period in 2006, with most of them occurring in the packaged food and beverage markets. Packaged food companies, particularly those operating in dairy products, invested in joint ventures to secure future supplies. In May 2008, the US company Kraft (NYSE: KFT) and Sadia SA (BVSPA: SDIA4), a Brazilian food firm, established a joint venture for the production, trade and distribution of cheese under Kraft's Philadelphia brand, together with cheeses and pates produced by Sadia. With an investment of R$30 million (US$19.06 million), the new joint venture was due to start operations in the second half of August 2008.

Kraft holds 51% of the voting shares in the joint venture, while Sadia holds 49%. The contract states that, apart from dairy products, Sadia will exclusively trade and produce Kraft cheeses in Brazil, as well as the items to be produced in the new factory.

Toward the end of April, New Zealand-based dairy giant Fonterra Co-operative Group (NZSE: FCGHA) announced that it was taking its stake in Chile's biggest dairy company Soprole to 99.4%. Fonterra, which already owned 56.85% of Soprole, bought an additional 42.6% shareholding from Fundacion Isabel Aninat, a Roman Catholic charitable foundation controlled by the Vatican, for US$201.9 million. Under the terms of the deal, Fonterra will own 86.2% of Prolesur, Soprole's southern manufacturing subsidiary, while the Fundacion Isabel Aninat retains its 13.6% stake.

This deal was an indicator of the success of the Chilean dairy company, which has been one of the New Zealand company's most profitable overseas assets, and it highlights the fact that Chile is an important part of Fonterra's export market. Soprole is an example of Fonterra's strategies of leveraging its expertise to build profitable businesses, and of securing new sources of fresh milk around the world.

Industry Profile

Industry Overview

The demand for F&B in Latin America has grown simultaneously with the region's economy over the last two years, with most economies riding high on the global demand for commodities, both mineral and agricultural. The largest industry in Latin America, F&B production, should expand by 4.1% in 2007 and 2008, according to the US-based research firm Manufacturers Alliance.

The Latin American F&B industry thrived in 2007, along with the region's rising disposable income. Latin Americans spent US$328.5 billion on F&B in 2007, an increase of 1.4% from US$324 billion in 2006, according to Economist Intelligence Unit. For instance, food expenditure in Brazil accounts for the largest share, 77%, of total expenditures by Brazilian households, according to the latest statistics provided by the Brazilian Institute of Geography and Statistics (IBGE).

Demand for convenience or ready-to-eat foods are at their highest levels as Latin Americans' higher disposable incomes support a desire for quality foods. Additionally, consumers are trending towards healthier eating patterns.

In Argentina, the F&B industry represents about 8.5% of the country's gross domestic product (GDP), or US$16.32 billion, figures from the Argentine Foreign Agricultural Service (FAS) show. Chile is also one of the fastest growing F&B markets in the region, and is ranked 17th among the world's leading food exporting countries. It supplies both fresh and processed F&B to more than 150 countries. Latest statistics by ProChile, the Trade Commission of Chile, show that Chile's food industry accounts for 24% of its GDP and is the second most important exporting sector.

Industry Segments

Processed Foods

Processed food product sales have continued to evolve in recent years, with consumer preferences changing, shaped by changing lifestyles and greater purchasing power. Thanks to its range of high quality and fresh products, Chile is the world leader in the production of processed fruits and vegetables, including olive and avocado oils, dried fruits, fruit preserves, fruit and vegetable pastes, raisins, frozen berries, and spices. Food industry association Chilealimentos estimates that Chile processes and exports around 50 types of fresh fruits and vegetables, reaching volumes of over 200,000 tons a year.

Dairy Products

The consumption of milk and dairy products in developing countries has grown over the past few years along with major shifts in demographic patterns. The region is the fourth largest dairy consuming market in the world. Between 2002 and 2007, the Latin American dairy industry grew by 11% according to the Organization for Economic Cooperation and Development (OECD).

In Latin America, Brazil is the largest dairy product consumer, followed by Mexico, with the two countries consuming nearly 60% of the 45 billion liters of milk produced in the region, according to the OECD. A burgeoning middle class, with expanding disposable incomes and changing dietary patterns, is driving the demand for milk and other processed dairy products. Producers in Brazil are positive about their future growth prospects, and the industry expects Brazil to become the world's second largest milk producer within five years. The OECD estimates that Brazilian milk production will rise to 29 billion liters by 2015.

Alcoholic Beverages

The large and youthful population of Latin America offers promising growth prospects for beverage companies in the medium and long term. Beer exports to, from or within Latin America have not been very significant, except for those of Mexican brewers such as FEMSA Cerveza, a subsidiary of FEMSA, and Modelo, which expanded toward the North American market.

The beer industry in Latin America performed somewhat poorly in 2007, despite healthy growth in volume terms in the Argentinean and Mexican markets. Beer sales in Latin America amounted to nearly 23 billion liters in 2007, down 0.2% over the previous year, according to Latin American Association of Beer Manufacturers. The lower sales volume was largely due to lackluster performances

Current Environment

in Brazil and Venezuela, where beer markets were affected substantially by the repercussions of the financial crisis that affected the region.

The beer market was worth nearly US$40 billion in 2007, down by nearly 7% from the previous year, according to the Latin American Association of Beer Manufacturers. Despite a disappointing performance in 2007, Brazil still generated the greatest volume and value of sales in the region. The country accounted for around one third of total regional volume sales in 2007, thanks to its large population.

Unlike Brazil, Colombia experienced robust growth in sales of beer, with a double-digit rises in both volumes and local currency constant value terms in 2007. The Colombian beer market was strengthened by local consumers trending away from wine and spirits in favor of the country's cheaper standard lagers. The move from expensive premium products to less expensive beers was due to Colombia's economic difficulties in the fiscal year.

Although sales volumes declined in 2007, most of the national markets in Latin America saw an expansion in the distribution of added-value beers as well as the consumer base for beers. Accordingly, the beer market is likely to see growth in the next few years, driven by the economic recovery and increases in the levels of disposable incomes that will allow a greater number of consumers to trade up to premium beers.

Non-Alcoholic Beverages

Sales of non-alcoholic beverages in Latin America have also seen growth in the past few years, driven by sales of water, sports/energy drinks and dairy substitute drinks such as rice and soy. This sector's growth reflects global consumption patterns, with a rise in the consumption of bottled water and other non-carbonated beverages such as juices.

Latin America is the second largest market for carbonates in the world, with Mexico the biggest carbonates market in Latin America consuming 300 million cases of soft drink a year. This puts Mexico second in the world, behind only the US, in terms of per capita consumption of soft drinks.

Chile is one of the main producers of concentrated juices in the Americas, with 95% of its total production exported. The most popular products are concentrated apple and grape juices, which continue to see rising demand. Chilean exports also include other varieties of concentrated fruit and vegetable juices such as peach, raspberry, blackberry, blueberry, grape, fresh and dried plums, kiwifruit and green and red peppers. Economic recovery in some Latin American countries, especially Argentina, is expected to buoy this sector's consumption growth in 2008, and this will be supported further by the region's large and youthful population.

Policy and Regulatory Environment

The rising concern over the growing demand for junk food among children has led to the passage of several laws that would make junk food a little harder for children to obtain by national and municipal governments across the region. The new laws have been strongly supported by parents' associations that have been pushing for some time measures such as controls over junk food advertising. According to the World Health Organization (WHO), junk food contributes to the problem of obesity, which affects more than 20% of people over age five in the region. The cause has been a change in eating habits and the lack of regulation of junk food advertising.

In Brazil, some city governments have banned sales of candy near or inside schools, while others have improved offerings at school snack time, including items such as fruit, vegetables and natural juices. One of the food experts at the Brazilian Consumer Defense Institute (IDEC) said that junk food advertising could be regulated by decree in Brazil.

In Mexico, national lawmakers have been studying a bill for restricting junk food advertisements since 2006. There is also a bill pending for labeling such products with warnings about their lack of nutritional value. However, legislative barriers have slowed progress, with some lawmakers reportedly receiving threats and meddling from manufacturers.

In Chile, senators of the co-governing Party for Democracy are considering a bill to regulate the manufacture of low-nutrition foods and restrict their sale in and near schools. In Venezuela, although there are no laws being considered for junk food sales or advertising, officials have banned consumption in many schools.

Local governments and family associations in Argentina, Brazil and Mexico have also decided not to wait for

Industry Profile

national regulations and have designed their own programs for limiting the availability of junk food in and around schools. Nonetheless, unless governments intervene — by way of creating new taxes to discourage manufacturing food with little nutritional value and limiting advertising of such food — F&B companies are expected to continue their aggressive marketing activities in these countries. For tens of millions of poverty-stricken Latin American consumers, particularly children, each peso spent on junk food will contribute to the deterioration of their daily diet.

Market Trends & Outlook

Snacks Market Continues to Grow

Consumers are moving, slowly and at different rates, away from traditional home-cooked meals, as incomes grow throughout Latin America. The trend for healthy snacks shows no signs of fading, as F&B companies still see strong demand for healthy, low fat, and low-calorie snacks. As the F&B industry continues to grow, globally minded food companies are increasingly looking at Latin America's snacks market.

The growing population in Latin America is replacing light meals with snacks, sales of which in Latin America are likely to surge 67% to US$35 billion by 2010, from US$20.9 billion in 2000, according to the World Bank. Annual per capita spending on snacks is likely to expand from US$45 to US$65, while consumption should grow from 13 to 19 kilograms (kg) per person. The top growing regions for processed snack sales will be Brazil, Mexico, and the Latin American cosmopolitan areas, which should account for 75% to 80% of the sales growth.

Table 2: Latin America's Snack Statistics

	Total	
	2000	2010 (F)
Foods (US$ billion)	287	451
Snacks (US$ billion)	20.9	35
Snacks/per capita (US$)	44	65
Snacks/per person (Kg)	13	19

Note: Figures for 2010 are forecast
Source: World Bank

Promar International, a Mexican research provider for the food and agriculture industry, estimates that sales of processed snacks in Latin America will expand from six million metric tons in 2000 to over ten million metric tons by 2010. Sales of salty snacks and cookies and crackers are likely to grow the fastest, with consumers looking for convenient and portable snack foods. Latin American sales are expected to grow from US$40 to US$45 to about US$65 to US$70 per capita in 2010.

Organic Food Market Expands

Global organic food and drink sales are soaring, as consumers increasingly seek healthy and more nutritious options. The worldwide organic food market was about US$26 billion in 2005, and it is expected to exceed US$80 billion this year. As it is in other developing or developed regions, organic food production is also increasing in Latin America. Changing populations affect sales of F&B products. As populations age, consumers are becoming more concerned with eating healthier, losing a few pounds, reducing their cholesterol and increasing their fiber intake.

Latin America is already a source of organic meat products. The amount of organic farmland in Africa, Asia, and particularly Latin America, has enjoyed triple-digit growth since 2000, compared with double-digit growth in other regions. With demand for organic foods continuing to strengthen across the globe, organic meat supply shortages and price hikes are expected to continue. A number of countries are reporting undersupply due to organic meat production not keeping pace with demand.

Table 3: Latin America's Snack Market, 2000-2010

	Sales (1,000 mt)		Sales (US$ million)		Sales/pc (Kg)		Sales/pc (US$)	
	2000	2010	2000	2010	2000	2010	2000	2010
Salty products	700	1,400	3,700	7,300	1.5	2.6	8	14
Biscuits & baked	2,100	3,700	4,800	8,300	4.5	6.9	10	16
Confectionery	1,350	2,100	6,500	10,000	2.9	3.9	14	18
Dairy	1,900	3,100	5,900	9,400	4.1	5.8	12	18
Total	**6,050**	**10,300**	**20,900**	**35,000**	**13**	**19.2**	**44**	**66**

Source: Promar International

Market Trends & Outlook

The most adversely affected region is North America, where supply has not been able to meet demand since the US Department of Agriculture introduced the National Organic Program (NOP) in 2002. This means that US processors have been importing organic meat products from Latin America, and these imports are increasing rapidly. The rising demand for organic foods will continue, and more F&B companies will venture into organic products in the next few years.

Food Sector Continues to Attract Investment

Latin America is a very attractive market, especially for the F&B industry, with foreign investment in the food processing industry picking up significantly since the 1960s. By one estimate, about 80% of the multinational food industry's investment in developing countries was channeled into the region between 1960 and 1975. The bulk of this investment was in reprocessed and junk food, following success in the US.

Since then, with the increasingly hectic pace of life, consumers are looking to products that offer value-added nutritional gains to offset deficiencies in their diets and to maintain energy levels. This has made health an increasingly important focus for packaged food manufacturers and is encouraging food processing companies in Latin America to expand and develop a wider range of food products and services.

A growing tourism industry is also supporting the region's F&B market over the years, since tourists generally enjoy food of local or ethnic nature. According to the World Tourism Organization, Latin America received a record total of 68.6 million international arrivals last year, an increase of 2.9% from 2006 — the fastest growth behind Asia.

Lifestyles in Latin America are becoming increasingly demanding and hectic, with more women in the workforce, longer working hours, and population expansion in urban areas. This has significantly influenced consumer eating and cooking patterns throughout the region in recent years, with consumers less willing or able to allocate large amounts of time to prepare meals. Going forward, convenience foods — in the form of quick or ready-prepared meals — will continue to be in great demand, as they allow Latin Americans to compensate for longer working routines and to optimise leisure time.

Market Outlook

The F&B industry in Latin America may be further affected in the second half of 2008 by a spillover from slower US economic growth and high oil and commodity prices. F&B companies are expected to see rising raw materials costs and consumers may face high and volatile food prices. Additionally, Latin American F&B companies will face new challenges and fierce market rivalries as the industry becomes ever more competitive.

Nevertheless, although the region's economic growth may slow down in the wake of a softening US economy, high fuel prices and rising costs, these are not expected to have a serious, denting effect on F&B consumption. With higher disposable incomes and the necessity of food consumption, consumers may look for cheaper, improved products that offer reliability, quality and convenience.

Overall, the prospects for the Latin American F&B industry remain solid, with increasingly stable, democratic market economies, rising per capita incomes, and a huge and growing regional market that will comprise over half a billion people by 2010. As the industry is getting more competitive, the number of consolidation is likely to grow as companies try to increase cost efficiency through synergy, gain new market opportunities, and obtain and strengthen brands. Increasingly, consolidation activities will be cross-border and even cross-continental.

Country Profile
Argentina

Sector Overview

Argentina is one of the largest food producers in the world, particularly meat, grains and soya, according to the United Nations Food and Agriculture Organization. However, the F&B industry in Argentina experienced a number of challenges in the past year, with rising global food and fuel prices and a nationwide strike by Argentinean farmers over new taxation recently paralyzing the country.

A strike was launched on March 13, 2008, when protesting farmers blocked roads to stop shipments of grain to voice their opposition to a new tax law enacted by the Government. According to the country's President, the taxes aimed to help Argentina's consumers combat rising food prices by keeping grains inside the country, where they could be sold for affordable prices.

The strike caused sporadic food shortages locally, dented international confidence in the Government and weakened the value of the peso currency due to fewer inflows of dollars from agricultural exports. In July 2008, the Argentine Senate refused to pass a bill enforcing high export taxes on agricultural goods after months of devastating protests by the farmers. The Senate decision helped sustained the F&B industry and protected consumers from further paying higher prices.

Despite these challenges, key F&B players saw growth in their financial performances in the first half of 2008, with most food enterprises managing to keep up with the rising food production and fuel prices.

Leading Companies

Molinos Rio de la Plata SA (BUE: MOLI)

Molinos Rio de la Plata SA, located in Buenos Aires, Argentina, produces and wholesales packaged foods including bottled oil, margarine, pasta, pre-mixes, packaged flours, yerba mate, rice, cold cuts, and frozen foods. It operates and owns 16 industrial plants and seven distribution centers in Argentina. The company's net income grew 469% to ARS$322.45 million (US$106.94 million) in 2007, compared with ARS$56.66 million (US$18.79 million) in 2006. Revenue increased 33% to ARS$5,656.28 million (US$1,875.92 million), compared with ARS$4,248.57 million (US$1,409.05 million) in the previous year. The rise in earnings was mainly due to the business synergies and asset accumulations that it achieved from its 2007 acquisitions.

Sector Development

The growing F&B industry in Argentina has attracted significant investment in recent years. In May 2008, US-based coffee shop chain Starbucks (NASDAQ: SBUX) opened its first outlet in Argentina and said that it could open up to four outlets in the country by the end of the year. The firm already has operations in seven Latin American countries, including neighboring Brazil and Chile. On April 20, Danish dairy group Arla Foods announced it would increase its investment in Argentina by a further US$10 million. The investment will finance further production of ingredients for ice cream and cheese. Last year, the board of directors decided to invest US$20 million in the expansion of the company factory in Portena. Arla will use the additional funds for a new spray tower, which will provide the appropriate technology to produce high quality whey permeate powder.

Industry Size and Value

The devaluation of the peso in 2002 fueled an annual growth of over 9% in the number of foreign tourists, which in turn has created a boom in hotel investment and a need for imported foods and ingredients. The main impact of the economic crisis in 2002 on the F&B industry was higher product prices in peso terms and lower F&B prices in dollar terms. This encouraged many local processors to export, caused a steep drop in domestic sales and consumption, the disappearance of many lines of products, and a drop in sales of higher-value items such as frozen foods and imported products.

However, from mid-2003 onwards, there have been good signs of recovery in the market. A growing F&B industry has opened new opportunities for imported F&B products. The USDA Foreign Agricultural Service (FAS) estimates that about 75% of all imported F&B is sold through hypermarkets, superstores and supermarkets. Most of the products are imported primarily from Mercosur countries

Country Profile - Argentina

because of lower freight costs and zero tariffs for most goods. Mercosur comprises Brazil, Uruguay, Paraguay, and Argentina, while Chile, Bolivia, Venezuela and Peru are associate members.

Market Outlook

The F&B industry in Argentina is a key driver of growth in the overall economy. The country had a wide range of imported F&B for a decade, until the economic collapse of 2001/02 made their importation unfeasible. However, with the economic growth of the past few years, imported F&B is returning to the market. The USDA forecasts that Argentinean imports of consumer oriented F&B should increase by 18% to US$650 million in 2008, compared with US$550 million in 2007. A continually growing economy, a stronger peso, higher prices of domestic products, and stronger purchasing power are likely to encourage further imports of F&B. Rising global food prices could provide Argentina with an opportunity to accelerate its economic growth, redistribute wealth and promote national economic development.

Country Profile

Brazil

MERGENT

Sector Overview

The F&B industry in Brazil has experienced strong growth in its food segment, benefiting largely from overall healthy economic growth. Moreover, health-conscious Brazilian consumers are now looking for products that emphasize different textures and health benefits. Additionally, most F&B companies are becoming innovative, introducing products such as milk shakes with yogurt, fruit-flavored milk drinks, juices, cereals and other healthy foods to expand their product lines to cater to current trends.

In Brazil, consumer prices rose by 0.79% in May, the fastest pace in more than three years. The increase highlighted concerns about inflationary pressures in Latin America's largest economy. F&B prices climbed 1.95% in May, after a 1.29% increase in April, according to the Brazilian Institute of Geography and Statistics (IBGE), and this was the main cause for the quickening of the inflation rate. If inflation rate continues to rise, consumers may make changes in their food product preferences to those that offer similar benefits but are cheaper. Producers, on the other hand, may not immediately pass the costs on to consumers to maintain their market share and are more likely to seek other ways to cut costs such as ceasing products that are not strategic to their portfolio.

Sector Development

The beverage industry in Brazil, particularly the beer market, has experienced growth over the past few years and so far in 2008. The Latin America Association of Beer Manufacturers estimates that the combined production of all Brazilian factories, which included exported beer, was a little above eight billion liters per year.

The Brazilian beer market is likely to see rises in investment, as most key players expand production capacity to take advantage of the country's accelerating economic growth and the growing beverage market. To this effect, in June 2008, Companhia de Bebidas das Americas (AmBev) (BVSPA: AMBV) said it would construct a new malt factory in Brazil costing R$213 million (US$135.32 million). The factory, in the southern Brazilian town of Passo Fundo, will produce 110,000 tons of malt per month. It will supply breweries in the states of Rio Grande do Sul, Santa Catarina and Sao Paulo when it begins production in 2009. The plant will initially employ 400 people, and is likely to generate additional jobs in the future.

Ambev is the biggest producer of beer in Brazil and controls more than half of the Brazilian beer market. In 2007, Ambev said it would invest about R$5 billion (US$3.18 billion) in Brazil over the next five years to expand in a growing market. The company needed to raise its level of investment to increase its production capacity, especially in northeastern and central-western Brazil.

Leading Companies

Companhia de Bebidas das Americas (BVSPA: AMBV)

Companhia de Bebidas das Americas (AMBEV), headquartered in Sao Paulo, produces, distributes, and sells bottled and canned beer, draft beer, malt, and non-alcoholic and non-carbonated products, principally in Latin America. The company's net income picked up by 15.2% to R$743.8 million (US$472.55 million), or R$1.22 (US$0.78) per share, in the first quarter of 2008, compared with R$645.9 million (US$410.36 million), or R$1.03 (US$0.65) per share, in the equivalent quarter of 2007. The increase was due to lower net operating and income tax expenses. Its net sales climbed 4.1% to R$4,847.8 million (US$3,079.92 million), from R$4,655 million (US$2,957.43 million) in the first quarter of 2007, boosted by price increases in Brazil at the end of 2007 and the start of 2008.

Its gross profit grew 3.1% to R$3,202.9 million (US$2,034.88 million), compared with R$3,105.2 million (US$1,972.80 million) in the first quarter of 2007. The total value of beverages produced increased 2.7% to R$35,784.8 million (US$22,734.91 million) from R$24,817.7 million (US$15,767.26 million) in the first quarter of 2007. Beer production values grew 3% to R$24,817.7 million (US$15,767.26 million) while that of carbonated soft drinks and non-alcoholic, non-carbonated beverages (CSD and Nanc) picked up 2% from the corresponding quarter of the previous year to R$10,227.1 million (US$6,497.51 million). However, Brazilian beer value fell 0.2% to R$16,908.9 million (US$10,742.61 million), compared

Country Profile - Brazil

with R$16,934.4 million (US$10,758.81 million), due to the effects of cold and wet weather, an early Carnival and the impact of food price inflation on disposable income.

Market Outlook

The negative effects of growing international food prices are expected to further affect the economies of developing countries and their F&B industries. Between 1995 and 2006, the consumer price index increased by 7.55% a year, while the index of food and non-alcoholic beverage prices grew by 8.95% a year. IBGE forecasts the consumer price index to increase at a rate of 3.84% per year from 2006 to 2011. While Brazil is in a better position than other countries to face the situation, by some estimates the Brazilian Government has offered nearly US$50 billion in credit to farmers for the 2008/2009 harvest. The offer is US$5 billion more than the Government credit offered for the 2007/2008 harvest.

Despite the grim economic outlook globally, Brazil is still capable of keeping its inflation under control, thanks to its strong reserves. According to Brazil's Minister of Finance Guido Mantega, the index used to measure inflation in Brazil, which was set at 4.7% in 2008, would be between 2.5% and 3% if the rise in food prices were dropped.

Also despite the crisis, significant opportunities could arise as the Brazilian industry increasingly integrates itself into the Latin American economy and pursues expanding international markets. The pick up in demand for products will be influenced by rates of changes of population, product prices and income per person. Between 1997 and 2007, the Brazilian population grew by 1.41% a year, according to IBGE. As the population continues to grow, demand for F&B is likely to surge in the coming years.

Country Profile

Chile

Sector Overview

Chile has a unique and yet competitive F&B industry. In the F&B sector, Chile supplies a wide range of products, including poultry and pork products, dairy products, fruit and vegetables, soft drinks, cookies, chocolates, bakery products, canned peaches and wine. As the industry continues to grow, the country has steadily improved food safety standards, and has become one of the leaders in this sector in Latin America.

The continuous economic growth of recent years, combined with government measures, has benefited food and beverage manufactures, with an increasing number of Chilean consumers opting for branded and value-added food and drink products. F&B manufacturers are moving quickly to benefit from this development, with many multinationals, which during the years of economic crisis held back investment in the region, now strengthening their presence. In April, New Zealand's largest dairy company, Fonterra Co-operative Group Ltd (NZSE: FCGHA), paid US$201.9 million to increase its holdings in Chilean dairy company Soprole SA, in which it already has a 56.85% stake. By increasing ownership, Fonterra can strengthen its presence in a region that it has identified as a key growth area for the company.

Leading Companies

Compania Cervecerias Unidas SA (BSAN: CCU / NYSE: CU)

Compania Cervecerias Unidas SA, based in Santiago, Chile, produces, bottles and distributes beer in Chile and Argentina. The company's net income picked up 18.8% to CLP$32,695 million (US$66.18 million) in the first quarter of 2008, compared with CLP$27,527 million (US$55.72 million) in the equivalent quarter of 2007. Revenues climbed 6.2% to CL$183,476 million (US$371.41 million), compared with CLP$172,753 million (US$349.70 million) in the first quarter of the previous year. The rise in earnings was mainly due to higher operating income and lower income taxes, partially offset by higher financial expenses, a decrease in gain from foreign currency exchange and lower minority interest.

Operating income grew 8.6% to CLP$40,918 million (US$82.83 million), compared with CLP$37,666 million (US$76.25 million) in the first quarter of 2007. Foreign currency exchange results decreased from a gain of CLP$87 million (US$176,113.23) to a loss of CLP$1,392 million (US$2.82 million) in the first quarter of 2008, driven by the effect of the US dollar's depreciation on the company's asset and liability composition in foreign currencies. Net financial expenses increased by CLP$238 million (US$481,781.02) in the quarter, buoyed by higher levels of financial debt. The Chilean beer business performed well during the quarter, with revenue increasing by 7.8% to CLP$79,676 million (US$161.29 million), compared with CLP$73,920 million (US$149.63 million) in the first quarter of 2007. Beer revenues in Argentina increased 4.3% to CLP$22,171 million (US$44.88 million), compared with CLP$21,261 million (US$43.04 million) in the same quarter of 2007.

Market Outlook

Across the globe, skyrocketing food prices are inciting stress among F&B companies and consumers. Like other Latin American countries, Chile is also facing environmental problems and challenges due to high production costs and an unfavorable exchange rate for exporters who use the dollar as transaction currency. In order to address the challenge at the international level and control inflation, the President of Mexico, Felipe Calderon, with industry representatives agreed to freeze the prices of more than 150 staples until the end of the year. The measure was carried out in an attempt to curb inflation which in May stood at 4.95% in interannual rate, the highest since December 2004. Commodities such as coffee, sardines, tuna, oil, soup or tea, among others are to keep their prices until December 31.

Nonetheless, the current economic slowdown is not expected to depress Chile's F&B industry for long. Chile is likely to see improvements in the F&B industry, with exports capturing a bigger share of the market. It is expected to export processed food worth US$2 billion by the year 2010, according Chilealimentos. Prepared vegetables,

Country Profile - Chile

prepared fruits, oilseed products and other frozen, canned and dried products have an exportation focus. Also, the signing of the free trade agreements (FTA) with the US, the European Union (EU), China, Japan, South Korea, Canada, Mexico, Mercosur, P4 (New Zealand, Singapore, Brunei), European Free Trade Association and other nations in Central and South America, should provide further impetus to the industry.

In addition, strong recent growth in international tourist arrivals is likely to boost the F&B industry in the next few years. Chile plans to continue to focus on attracting long-haul tourists, and this effort will result in more profit for F&B companies, as the Government seeks to honor its pledge to double tourism's share of GDP to 10% by 2010.

Country Profile

Colombia

Sector Overview

The economy of Colombia, the world's third biggest coffee producer and exporter, has performed remarkably in recent years, although significant disparities in income distribution remain. As the country's economy continued to show positive signs in the first half of 2008, a growing number of consumers benefited from rising spending power and the ability to choose premium food and beverage brands.

Currently, nearly 90% of all Colombian exports to the US enter duty-free, while US products face high duties in Colombia. In April 2008, the Grocery Manufacturers Association's (GMA) president and CEO Cal Dooley issued a statement regarding the US-Colombia Trade Promotion Agreement and Trade Adjustment Assistance (US-CTPA). The trade agreement aims to remedy the imbalance by giving US products duty-free access to Colombia.

Under the new agreement, Colombia will immediately open its market to 80% of the US exports immediately, including duty-free access for many processed food products. This agreement will also help to boost Columbia's F&B industry, while creating a more competitive market and greater efficiency in product development. Mergent also foresees the possibility of consolidations among leading F&B companies in Colombia as they try to compete with their US peers.

Leading Companies

Grupo Empresarial Bavaria SA

Grupo Empresarial Bavaria SA, a subsidiary of SABMiller (LSE: SAB), is a Colombian beverage company that produces and distributes beer, malts, bottled water, soft drinks, fruit juices and milk drinks. Company profit grew 765% to COL$213 billion (US$119.29 million) in the first nine months of 2007, compared with COL$25 billion (US$14 million) in the corresponding period of the previous year. Two significant developments influenced the positive results: the disposal of Productora de Jugos, its Colombian-based juice business, at the end of May 2007, and the merger of Bavaria SA with Cerveceria Leona SA in August 2007.

Operating profit was COL$496 billion (US$277.79 million), an increase of 23% from the first nine months of 2006. Total beer sales picked up 11.3% in first nine months of 2007, although growth slowed to 7.1% in the third quarter of 2007, because of increased consumer credit interest rates affecting private consumption expenditure across a wide range of consumer products. During the first nine months of 2007, Bavaria made capital investments of close to COL$400 billion (US$224.03 million), relating to production capacity, quality, logistics capabilities and returnable containers, representing both modernization and the need to keep up with growing demand.

Sector Development

In December 2007, Colombia's Minister of Agriculture announced a 5% increase in the maximum price at which a subsidy is paid on coffee to COL$420,000 (US$235.23) for a 125kg bag of parchment coffee. The Government last applied the price subsidy in September 2004, after first introducing it at the beginning of the 2001 to 2002 crop cycle, when Colombian producers suffered a severe crisis brought on by historically low prices. The newly implemented subsidy is to protect Colombia's 560,000 coffee-growing families from falls in the coffee price or in the US dollar.

Coffee is Colombia's third largest legal export revenue earner after oil and coal. Colombian producers will now receive a subsidy of COL$10,000 (US$5.60) per 125 kg of parchment coffee if local purchasing prices range between COL$410,000 (US$229.63) and COL$420,000 (US$235.23). If the price falls below COL$410,000 (US$229.63), producers will receive a subsidy of COL$20,000 (US$11.20). The subsidy could encourage producers to maintain a stable supply, especially when prices fall in the international market. It could also give a sense of job security to the 42 million Columbians involved in the coffee industry.

Market Outlook

The Colombian F&B industry is expected to benefit from its growing population, higher demand for quality products

Country Profile - Colombia

and growing investment levels over the next year. The rising number of working women and a growing awareness of international foods could also accelerate demand for new value-added, packaged, convenience and snack foods.

The National Federation of Coffee Growers (Fedecafe) expects Colombian coffee production to reach 12.4 million bags in 2007/08, up 1.9% from the previous year, while exports are forecast to remain high at 11.6 million bags, an increase of 3.2% from 2006/07. However, Fedecafe forecasts coffee production to fall to 12.2 million bags in 2008/09, or by even more if adverse weather conditions affect tree blooming. During the first quarter of 2008, the peso appreciated by 10.8% against the US dollar and this continues to have negative affects on farmer's incomes, although international coffee prices remain high.

Country Profile

Mexico

Sector Overview

The US credit crisis hit the Mexican F&B market in the first half of 2008. Sharp rises in prices of commodities, especially gasoline, slowed Mexico's economy in the six-month period as industrial production declined and consumer demand softened. Continued rises in oil prices in recent months also put inflationary pressures on the country's economy, including food prices. Presently, the country's low-income families, which comprise half of the population, spend 40% of their disposable income on food. A further aggravation of the country's economy going forward would prove disastrous, especially with World Bank indicating that more than half or 100 million people in the country are already impoverished.

A number of Mexican F&B companies also reported less favorable earnings and slower sales in the first half of 2008 as demand subdued. Economic slowdown in the US and higher ingredient costs pressured most of the companies' gross margins during the period. Many Mexican F&B companies are worried that weaker margin growth could denote weaker earnings in the next few months. Current market trends also point to growing demand for Mexican name brands, especially among the younger generation. Accordingly, Mexican F&B companies are increasingly competing to create the right products and market strategies to target younger consumers who have become more sophisticated over their food choices in recent years.

Leading Companies

Grupo Modelo SA de CV (MEX: GMODELOC)

Grupo Modelo SA de CV, which brews and markets beer, reported a 15.9% drop in net income to MEX$2.07 billion (US$205.81 million), or MEX$0.64 (US$0.06) per share, for the first quarter of 2008, compared with MEX$2.46 billion (US$244.59 million), or MEX$0.76 (US$0.07) per share, in the equivalent quarter of 2007. Its net sales fell by more than 2% to MEX$16.16 billion (US$1.61 billion), compared with MEX$16.56 billion (US$1.65 billion) in the first quarter of 2007 due to lower exports. Its export volumes declined by 7.7% from the corresponding quarter in 2007 to 3.293 million hectoliters, due largely to the economic slowdown in the US and a price increase in the first half of 2007. Nevertheless, first quarter 2008 domestic sales volumes picked up by 2.6% to 8.149 million hectoliters, from 941 million hectoliters in the same quarter of 2007. This was largely due to a 2% growth in sales of domestic brands such as Estrella and Victoria, and a 29.2% sales jump in the company's imported brand portfolio.

Grupo Bimbo SAB de CV (MEX: BIMBO)

Grupo Bimbo SAB de CV is a multinational baking company that manufactures and distributes bread, cookies, cakes, candies, chocolates, snacks, tortillas and processed foods. Its net income fell 3.6% to MEX$791 million (US$78.64 million) in the first quarter of 2008, compared with MEX$821 million (US$81.63 million) in the corresponding quarter of 2007. The slight decline in earnings was due to higher ingredient costs, which pressured gross margins. The cost of goods sold grew by 9.2% to MEX$9.23 billion (US$917.70 million), from MEX$8.45 billion (US$840.14 million) in the same quarter of 2007, due to higher prices for wheat flour, eggs, oils and fats, which comprise a major part of the company's key raw materials. Nonetheless, net sales picked up 8.6% to MEX$19.03 billion (US$1.89 billion), compared with MEX$17.52 billion (US$1.74 billion) in the first quarter of 2007, helped by higher pricing and a better product mix. For the first quarter of 2008, the company's gross profit picked up 8.2% to MEX$9.80 billion (US$974.37 million), versus MEX$9.06 billion (US$900.79 million) in the corresponding period a year earlier.

Beverages Market

The Mexican beverage market is the most profitable among the country's F&B markets. Mexico is one of the largest per capita consumers of beverages in the world. Beer is the most popular drink, accounting for around 95% of all alcoholic drinks sold by volume, although the country also produces soda, flavored water and energy drinks. Mexicans between the age of 18 and 34 are the main consumers of alcoholic drinks. Between 2005 and 2010 beer consumption is likely rise by more than 10%, according to the Indian research company RNCOS.

Carbonated drinks are the second most popular beverage in the country, and Mexico is the world's second-largest

Country Profile - Mexico

per capita consumer of carbonates, according to the Comision Federal de Competencia, a decentralized body of Mexico's Ministry of Economy. Cola-flavored drinks, particularly Coca-Cola and Pepsi, accounted for nearly 70% of domestic consumption. Wine, by comparison, only accounted for 4% of beverage products sold by volume. This is due to the climate, which restricts local production, and imports that are generally expensive, restricting access for low-income earners, which comprise half of Mexico's population.

Market Outlook

The Government has slashed its forecast for economic growth this year as the US, the country's biggest trading partner, teeters on the edge of recession. Economic expansion is expected to slow to 2.8%, the lowest in three years, from 3.2% in 2007, according to the Mexican finance ministry. Earlier, it had forecast 3.7% expansion for 2008 when it submitted the federal budget in September 2007.

The Mexican F&B industry is likely to remain tough throughout 2008 and most F&B companies are likely to see skyrocketing raw materials costs if oil prices continue to trend higher. Slower growth in the US, which buys 80% of Mexican exports, will also reduce demand from Mexico's factories and fewer jobs will be created, according to Deputy Finance Minister Alejandro Werner. However, more proposed government spending and programs to boost tourism will help Mexico weather a possible US recession and help improve or at least sustain the economy which, in turn, should boost the Mexican F&B industry.

Currency Conversion Table

Currency exchange rates, as of July 29, 2008

Currency Unit	Units per US$	US$ per Unit
Colombian Pesos (COL$)	0.000560067	1,785.50
Brazilian Reals (R$)	0.635323	1.57400
Chile Pesos (CLP$)	0.00202429	494.000
Mexico Pesos (MEX$)	0.0994255	10.0489
Argentina Pesos (ARS$)	0.331653	3.01520

Source: Federal Reserve Bank of New York

The Scope Of This Report

This report looks at the food and beverages industry in Latin America, with a focus on Argentina, Brazil, Chile, Colombia and Mexico. This report aims to paint a picture of the current environment and industry developments in a number of industry segments using available data and examination of key public companies in each segment whose core services fall into the above categories. Some reported key financial results are presented in the comparative data tables on proceeding pages.

Research analysts draw on a range of credible industry and company data sources as well as news and information services to research and analyze the current trading environment, industry landscape and market trends and outlook for a particular sector. Primary sources are used, unless otherwise indicated, and include company data, e.g. annual reports and company financial results; macroeconomic and trade data; data and information from global and country regulatory, industry and trade bodies; government data; and reports from industry organizations and private research organizations.

Industries covered by the industry reports are defined by standard industry classification systems and leading companies are identified on this basis. The following SIC codes are relevant to the industry: 2013 (Sausages and Other Prepared Meats); 2015 (Poultry Slaughtering and Processing); 2022 (Natural, Processed, and Imitation Cheese); 2023 (Dry, Condensed, and Evaporated Dairy Products); 2024 (Ice Cream and Frozen Desserts); 2026 (Fluid Milk); 2033 (Canned Fruits, Vegetables, Preserves, Jams and Jellies); 2034 (Dried and Dehydrated Fruits, Vegetables, and Soup Mixes); 2037 (Frozen Fruits, Fruit Juices and Vegetables); 2043 (Cereal Breakfast Foods); 2051 (Bread and Other Bakery Products, Except Cookies and Crackers); 2052 (Cookies and Crackers); 2064 (Candy and Other Confectionery Products); 2082 (Malt Beverages); 2084 (Wines, Brandy, and Brandy Spirits); 2086 (Bottled and Canned Soft Drinks and Carbonated Waters).

Key References

Global and Regional

World Health Organization (WHO)
WHO is the United Nations' agency for health issues.
http://www.who.int

World Trade Organization (WTO)
WTO is the global international organization dealing with the rules of the trade between nations. At its heart are agreements, negotiated and signed by the world's leading trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.
http://www.wto.org/

World Tourism Organization (UNWTO)
UNWTO is a specialized agency of the United Nations and the leading international organization in the field of tourism.
http://www.unwto.org

Organization for Economic Cooperation and Development (OECD)
The OECD consists of 30 member countries sharing a commitment to democratic government and the market economy.
http://www.oecd.org

US Department of Agriculture (USDA)
The USDA is the government agency that provides expertise, resources and information for the agricultural production sector in the US and other neighboring countries.
http://www.usda.gov

Foreign Agricultural Service (FAS)
The FAS of the US Department of Agriculture (USDA) works to improve foreign market access for US products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries.
http://www.fas.usda.gov/

Food and Agriculture Organization (FAO)
The FAO is an agency of the United Nations with a mandate to lead international efforts to defeat hunger. Serving both developed and developing countries, it acts as a forum where nations can negotiate agreements and debate policy. It develops policy proposals, collects and provides information, disseminates knowledge and runs programs to help developing countries to modernize.
http://www.fao.org/

International Food Information Council (IFIC)
The IFIC is a leading global authority on food science and safety information and a leading information provider on nutritional issues.
http://www.ific.org

Brazil

Instituto Brasileiro de Geografia e Estatística (IBGE)
The Brazilian Institute of Geography and Statistics is the agency responsible for statistical, geographic, cartographic, geodetic and environmental information in Brazil.
http://www.ibge.gov.br/english/

The Brazilian-American Chamber of Commerce
The Brazilian-American Chamber of Commerce is dedicated to various sectors including the F&B industry.
http://www.brazilcham.com

Mercosur Trade Center
An organization which acts as a resource for the Mercosur trade bloc and offers specialized services in international trade to Argentina, Brazil, Chile, Uruguay and Paraguay.
http://www.mercosurtc.com

Chile

Asociacion de Empresas de Alimentos de Chile
Chilealimentos is a business union association for processed food industry.
http://www.chilealimentos.com

Central Bank of Chile
The country's central bank.
http://www.bcentral.cl/eng/

Bolsa de Santiago
The Santiago Stock Exchange is Chile's principle stock exchanges and also publishes news, statistics, and regulatory information.
http://bolsadesantiago.com/english/index.asp

Colombia

Federación Nacional de Cafeteros (Fedecafe)
Fedecafe is a federation that supports research and development for the production of coffee through grants to local universities and through federation sponsored research institutes.
http://www.cafedecolombia.com

Bolsa de Valores de Colombia
The Colombian Stock Exchange is the trading forum for listed companies; it also publishes news, data and regulatory information about Colombia's stock market.
http://www.bvc.com.co/

Bank of the Republic
Colombia's central bank.
http://www.banrep.gov.co/index_eng.html (English)

Colombia Trade Bureau
Operating under the Embassy of Colombia and the Ministry of Trade, Industry and Tourism, the bureau publishes Colombia Trade News, and trade and economic data relating to Colombian industry.
http://www.coltrade.org/(English)

Mexico

Instituto Nacional de Estadística Geografía e Informática (INEGI)
The National Institute of Statistics, Geography and Information is a subsidiary of the Secretariat of Property and Public Credit and publishes statistical and geographic information on the country and its economy.
http://www.inegi.gob.mx/

Bolsa Mexicana de Valores
The Mexican Stock Exchange is the main stock exchange in Mexico. A private institution legally incorporated as a limited company, it operates under the supervision of Mexico's Ministry of Finance and Public Credit and is governed by the Securities Market Act.
http://www.bmv.com.mx/

Argentina

Instituto Nacional de Alimentos (INAL)
The National Food Institute regulates alcoholic and non-alcoholic beverages, with the exception of wine and controls the importation of alcohol beverages into Argentina.
http://www.anmat.gov.ar/

Company Name	Country	Ticker	Exchange	Primary SIC	Other SICs				
Fomento Economico Mexicano SAB de CV	Mexico	FEMSA UB	BMV	2082	2086	5411	4731	6719	
Companhia de Bebidas das Americas-AMBEV	Brazil	AMBV3	BVSPA	2086	2082	2083	6719		
Grupo Modelo SA de CV	Mexico	GMODELOC	BMV	2082	3089	3411	3221	2653	6719
Grupo Bimbo SA de CV	Mexico	BIMBOA	BMV	2051	2052	2096	2066	2064	6719
Coca-Cola FEMSA SAB de CV	Mexico	KOFL	BMV	2086	6719				
Sadia SA (New)	Brazil	SDIA3	BVSPA	2011	2015	2075			
Perdigao SA	Brazil	PRGA3	BVSPA	2011	2015	2075	5142	6719	
Bavaria SA	Colombia	N/A	N/A	2082	2086				
Molinos Rio de la Plata SA	Argentina	MOLI	BUE	2041	2098	2079	2044	2035	2013
Embotelladoras Arca SA	Mexico	ARCA	MEX	2086	3085	3089			

Company Name	Total Revenue - FYE - 1	Total Revenue - FYE - 2	Total Revenue - FYE - 3	EBITDA - FYE - 1	EBITDA - FYE - 2	EBITDA - FYE - 3
Fomento Economico Mexicano SAB de CV	$13,528,584,458	$12,603,120,226	$11,240,837,450	N/A	N/A	N/A
Companhia de Bebidas das Americas-AMBEV	$11,022,844,320	$8,248,024,819	$6,824,857,803	$4,213,300,421	$3,174,229,923	$2,216,270,367
Grupo Modelo SA de CV	$6,683,300,882	$5,459,357,252	$4,851,461,303	N/A	N/A	N/A
Grupo Bimbo SA de CV	$6,628,232,568	$6,188,232,026	$5,518,042,813	N/A	N/A	N/A
Coca-Cola FEMSA SAB de CV	$6,349,236,916	$5,929,910,652	$5,612,044,225	N/A	N/A	N/A
Sadia SA (New)	$4,837,694,811	$3,220,183,095	$3,129,811,401	$625,450,210	$318,888,317	$395,021,597
Perdigao SA	$3,721,381,767	$2,439,596,347	$2,200,391,738	$380,028,612	$149,964,879	$243,112,090
Bavaria SA	$2,496,212,649	$2,776,162,503	$2,409,506,356	N/A	N/A	N/A
Molinos Rio de la Plata SA	$1,795,206,225	$1,385,343,681	$900,669,306	N/A	N/A	N/A
Embotelladoras Arca SA	$1,704,028,339	$1,601,560,113	$1,434,029,734	N/A	N/A	N/A

Company Name	Net Income - FYE - 1	Net Income - FYE - 2	Net Income - FYE - 3	EPS - FYE - 1	EPS - FYE - 2	EPS - FYE - 3
Fomento Economico Mexicano SAB de CV	$1,094,345,090	$912,920,698	$806,022,112	$0.09	$0.07	$0.07
Companhia de Bebidas das Americas-AMBEV	$1,580,031,978	$1,314,097,869	$661,047,770	$2.57	$2.06	$1.01
Grupo Modelo SA de CV	$1,399,914,460	$1,086,747,465	$930,433,028	$0.27	$0.26	$0.22
Grupo Bimbo SA de CV	$358,852,772	$349,520,856	$287,273,583	$0.29	$0.29	$0.24
Coca-Cola FEMSA SAB de CV	$651,234,348	$508,957,919	$472,547,636	$0.69	$0.53	$0.50
Sadia SA (New)	$386,544,741	$176,346,523	$281,118,334	N/A	N/A	N/A
Perdigao SA	$180,256,381	$54,906,579	$154,370,269	N/A	N/A	N/A
Bavaria SA	$345,917,829	$15,474,150	($36,786,400)	N/A	N/A	N/A
Molinos Rio de la Plata SA	$102,341,331	$18,475,284	$14,115,784	N/A	N/A	N/A
Embotelladoras Arca SA	$227,786,977	$212,249,063	$191,644,601	$0.28	$0.26	$0.24

Company Name	Total Current Assets - FYE - 1	Total Current Assets - FYE - 2	Total Current Assets - FYE - 3	Long-Term Debt - FYE - 1	Long-Term Debt - FYE - 2	Long-Term Debt - FYE - 3
Fomento Economico Mexicano SAB de CV	$3,070,052,391	$2,576,639,970	$2,173,794,401	$2,811,502,361	$3,302,902,643	$2,911,503,176
Companhia de Bebidas das Americas-AMBEV	$4,420,973,352	$3,192,492,625	$2,341,289,826	$4,137,955,119	$3,494,237,415	$2,563,465,766
Grupo Modelo SA de CV	$3,508,505,932	$3,316,752,095	$2,815,470,713	N/A	N/A	N/A
Grupo Bimbo SA de CV	$1,024,848,309	$1,127,540,392	$909,150,788	$313,468,990	$506,550,623	$792,848,741
Coca-Cola FEMSA SAB de CV	$1,600,626,389	$1,157,724,179	$784,380,146	$1,292,933,517	$1,555,390,954	$1,535,168,196
Sadia SA (New)	$2,560,457,784	$2,185,272,302	$1,873,522,217	$1,508,058,906	$1,253,824,397	$733,236,539
Perdigao SA	$2,114,001,683	$1,288,478,576	$935,982,124	$681,104,628	$602,703,348	$481,278,707
Bavaria SA	$916,422,809	$1,047,676,951	$781,171,644	$517,789,343	$780,776,551	$2,092,963,043
Molinos Rio de la Plata SA	$645,289,555	$394,944,894	$381,987,465	$45,318,763	$96,081,909	$94,212,766
Embotelladoras Arca SA	$439,828,899	$420,508,680	$359,690,426	$46,678,824	$146,051,387	$149,918,325

Company Name	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	Date FYE - 1	Date FYE - 2	Date FYE - 3
Fomento Economico Mexicano SAB de CV	18.48	8.09	31-Dec-07	31-Dec-06	31-Dec-05
Companhia de Bebidas das Americas-AMBEV	16.17	14.33	31-Dec-07	31-Dec-06	31-Dec-05
Grupo Modelo SA de CV	24.21	20.95	31-Dec-07	31-Dec-06	31-Dec-05
Grupo Bimbo SA de CV	13.73	5.41	31-Dec-07	31-Dec-06	31-Dec-05
Coca-Cola FEMSA SAB de CV	14.45	10.26	31-Dec-07	31-Dec-06	31-Dec-05
Sadia SA (New)	23.67	7.99	31-Dec-07	31-Dec-06	31-Dec-05
Perdigao SA	9.96	4.84	31-Dec-07	31-Dec-06	31-Dec-05
Bavaria SA	16.75	13.86	31-Dec-07	31-Dec-06	31-Dec-05
Molinos Rio de la Plata SA	24.20	5.70	31-Dec-07	31-Dec-06	31-Dec-05
Embotelladoras Arca SA	19.85	13.37	31-Dec-07	31-Dec-06	31-Dec-05

Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company.
- N/A = Data Not Available.
- Companies ranked by total revenue for the full year most recently reported.

Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.
- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.

Industry Reports Coverage 2008

Regional Reports

North America

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Electricity
- Food & Beverage
- Healthcare
- Heavy Construction
- Hospitality & Tourism
- Insurance
- IT & Technology
- Media
- Medical Instruments & Equipment
- Metal Works
- Mining
- Oil & Gas
- Pharmaceuticals
- Precious Metals
- Property & Development
- Retailing
- Telecommunications

Europe

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

Asia-Pacific

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Heavy Construction
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

Latin America

- Automotive
- Banking
- Chemicals
- Food and Beverage
- Insurance
- Metal Works - Iron and Steel
- Mining
- Oil & Gas
- Property
- Textiles

The Preferred Source for
Global Business and Financial Information

FOR ADDITIONAL INFORMATION REGARDING ANY OF THE FOLLOWING MERGENT PRODUCTS, PLEASE PHONE OUR CUSTOMER SERVICE DEPARTMENT AT (800) 342-5647 OR (704) 559-7601, E-MAIL : CUSTOMERSERVICE@MERGENT.COM OR VISIT US ONLINE AT WWW.MERGENT.COM

Mergent's Products & Services

Online Products

MERGENT ONLINE™
- U.S. COMPANY DATA
- U.S. COMPANY ARCHIVES DATA
- U.S. ANNUAL REPORTS
- INTERNATIONAL COMPANY DATA
- INTERNATIONAL COMPANY ARCHIVES DATA
- INTERNATIONAL ANNUAL REPORTS
- INSTITUTIONAL HOLDINGS DATA
- INSIDER TRADING DATA
- FACTSHEETS
- INTERNATIONAL FACTSHEETS
- FACTSHEETS EXPRESS
- EXPANDED LONG-TERM DEBT
- GLOBAL EARNINGS ESTIMATES
- INDUSTRY REPORTS
- D&B MILLION DOLLAR DATABASE PLUS

MERGENT ACTIVE™

MERGENT EVENTSDATA™
- CORPORATE ACTION DATA
- CORPORATE DIVIDEND DATA
- INDICATED ANNUAL DIVIDEND DATA
- EX-DATE SERVICE
- UNIT INVESTMENT TRUST DATA
- CORPORATE NEWS
- FIXED INCOME
- CALLED BOND DATA

MERGENT WEBREPORTS™
MERGENT EQUITY PORTRAITS™
MERGENT CORPORATE BOND PORTRAITS™
MERGENT HORIZON™

Print Products

MERGENT MANUALS & NEWS REPORTS
- INDUSTRIAL MANUAL AND NEWS REPORTS
- OTC INDUSTRIAL MANUAL AND NEWS REPORTS
- OTC UNLISTED MANUAL AND NEWS REPORTS
- TRANSPORTATION AND PUBLIC UTILITY MANUAL AND NEWS REPORTS
- BANK & FINANCE MANUAL AND NEWS REPORTS
- NTERNATIONAL MANUAL AND NEWS REPORTS
- MUNICIPAL AND GOVERNMENT MANUAL
- COMPANY ARCHIVES MANUAL
- INTERNATIONAL COMPANY ARCHIVES MANUAL

MERGENT INVESTMENT GUIDES
- DIVIDEND RECORD AND ANNUAL DIVIDEND RECORD
- UNIT INVESTMENT TRUSTS SERVICE
- BOND RECORD & ANNUAL BOND RECORD
- INDUSTRY REVIEW

MERGENT HANDBOOKS & GUIDES
- MERGENT'S HANDBOOK OF COMMONS STOCKS
- MERGENT'S HANDBOOK OF NASDAQ STOCKS
- MERGENT'S DIVIDEND ACHIEVERS INDEX GUIDE

Mergent's Administrative Offices

- NEW YORK, NY 10010, 60 MADISON AVE, 6TH FLOOR - TEL: (800) 342-5647 OR (704) 559-7601
- FORT MILL, SC 29715, 580 KINGSLEY PARK DRIVE - TEL: (800) 342-5647 OR (704) 559-7601

www.mergent.com

MERGENT

Adding Value to Information Since 1900

Mergent, Inc., a leading provider of global business and financial information on publicly traded companies, operates sales offices in key North American cities as well as London, Tokyo and Sydney. Mergent's products date back to 1900 and contain information on more than 15,000 US public companies, 20,000 non-US public companies in 100 countries, and 20,000 US municipal entities, as well as extensive corporate and municipal bond, UIT and dividend information. More than 200,000 professional and individual clients worldwide turn to Mergent's products, which include Mergent Manuals, Mergent Handbooks and Investment Guides and its flagship Internet service, Mergent Online.