GE Capital

Industry Research Update

Food, Beverage & Agribusiness

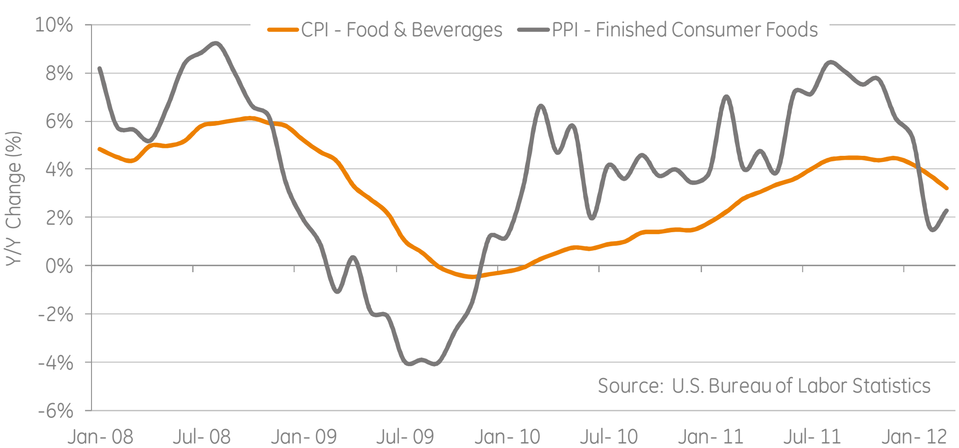
Key Developments

- US GDP grew 2.2% in 1Q 11, down from 3.0% growth in 4Q 11, according to the advance estimate from the BEA (Bureau of Economic Activity). Real personal consumption, a key economic driver, was up 2.9%.
- CFOs are slightly more positive on U.S. economy and business performance as compared to 3Q 11, according to the latest GE Capital's U.S. Mid-Market Survey.
- On April 24, USDA confirmed a case of Bovine Spongiform Encephalopathy (BSE) in an animal sampled for the disease at a rendering facility in CA. The USDA stated that the adult dairy cow was never presented for processing for human consumption, so at no time presented a risk to the food supply, or to human health.
- Nestle has agreed to purchase Pfizer Nutrition for $11.85 billion. Pfizer Nutrition, an infant nutrition business, generates nearly 85% of its sales from the emerging markets, and is expected to post revenues of $2.4bn in 2012.

Industry Fundamentals

Producer costs continue to increase Y/Y but at much lower levels compared to 2011. Due to this inflationary pressure, many producers are increasing product prices. There has been some resistance from budget conscious consumers, impacting volumes for many packaged food companies.

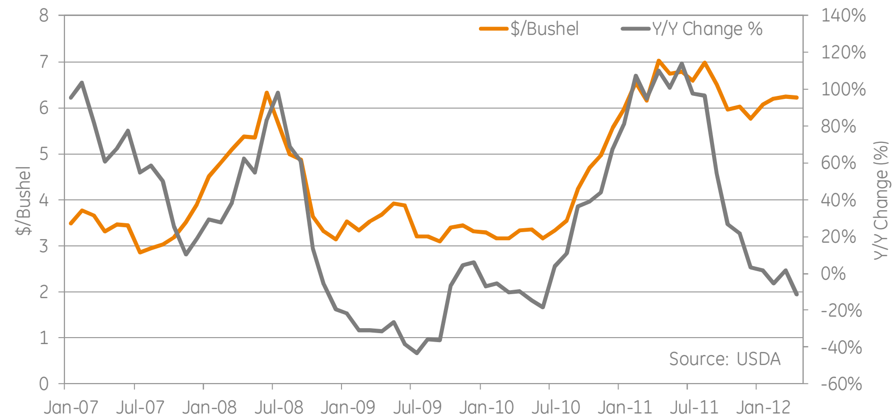
Consumer and Producer Price Indices



The **Consumer Price Index (CPI)** for food and beverages increased 3.2% March Y/Y, while **The Producer Price Index (PPI)** increased 2.3% Y/Y for the same period, according to the U.S. Bureau of Labor Statistics.

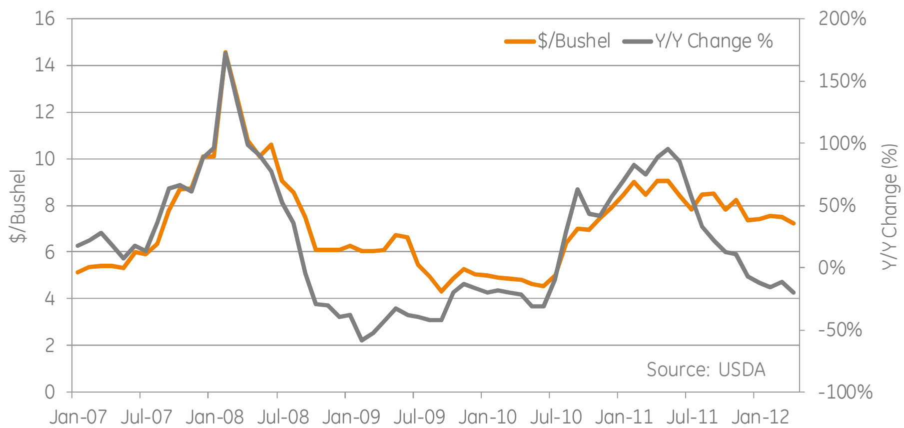
Soft Commodities

Corn



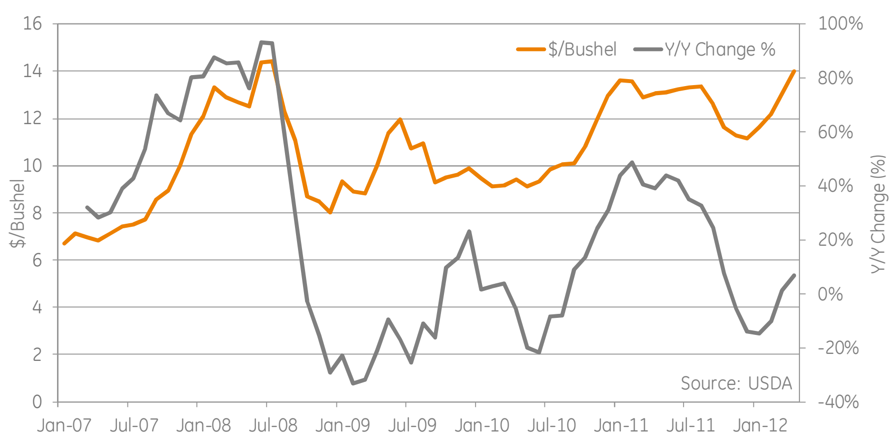
- Corn prices decreased 0.6% in April compared to March, and were 11.5% lower Y/Y.
- Despite projected record plantings, the USDA WASDE has not changed the already low-level ending stock forecast. The WASDE average farm price projection for corn in 2011/12 tightened in April to $6.00-6.40/bu. as compared to $5.90-6.50 in March.

Wheat



- April red winter wheat prices were 3.9% lower versus March and 20.3% lower Y/Y.
- Strong stocks are expected due to a 3% increase in planted acreage and projected high yields. This, combined with Russia's announcement that it will not restrict grain exports, has put downward pressure on wheat futures. The USDA WASDE average farm price for 2011/12 is within the $7.15-$7.45/bu range.

Soybeans

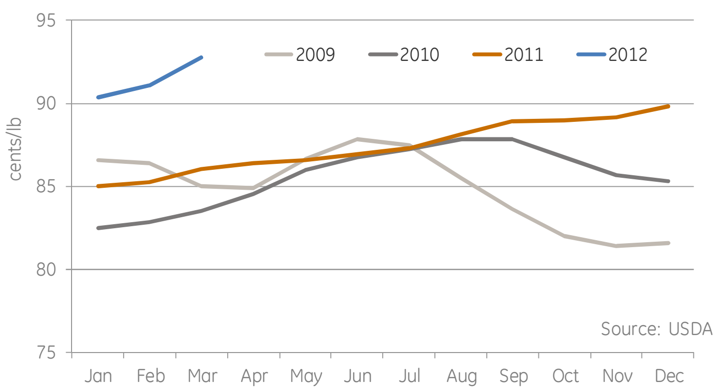


- Soybean prices increased 7.1% in April compared to prior month, and were 7.0% higher Y/Y.
- Soybean futures have risen due to projected lower yields for drought stricken Brazil and Argentina, as well as lower expectations for US soybean plantings. An expected increase in soybean demand by China is also supporting higher prices.

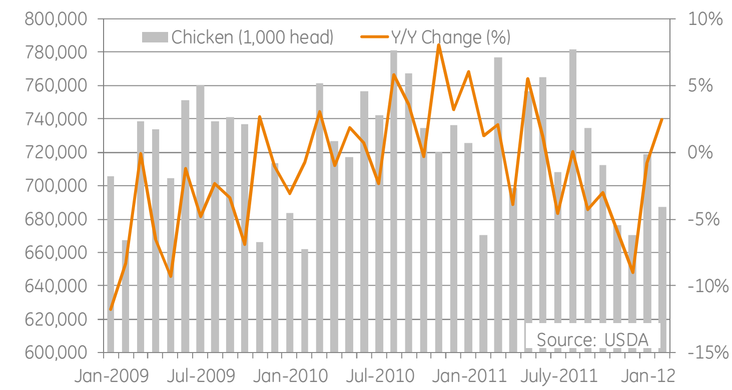
Poultry

A 1.7% decrease in production combined with strong livestock prices are expected to support increased broiler prices in 2012. Broiler exports are off to a strong start , up 17% February YTD with the greatest demand coming from Mexico and Russia.

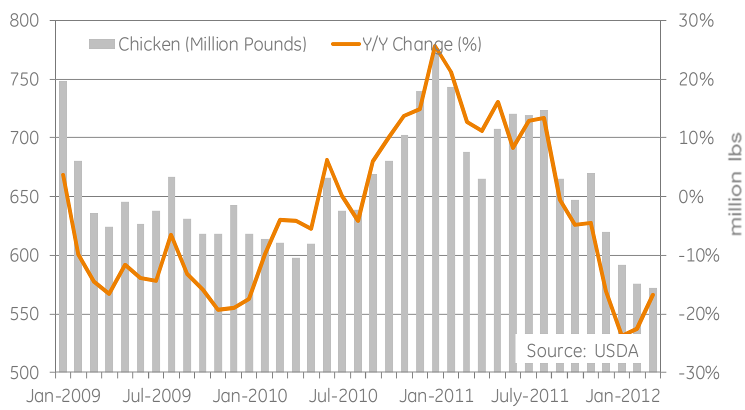
Georgia Dock Price – Whole Chicken



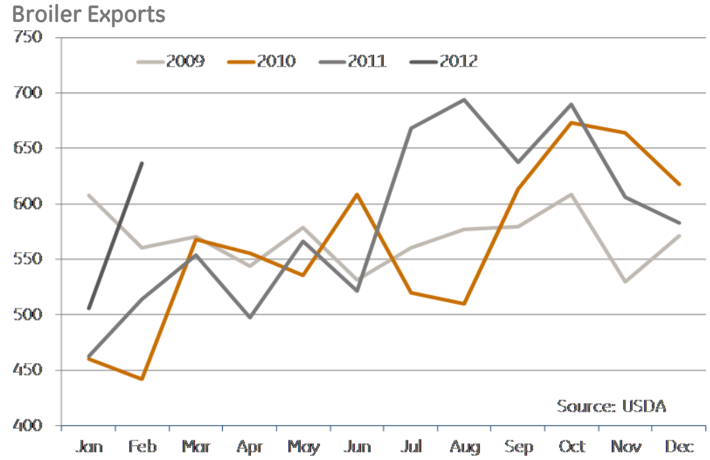
Monthly Processing



Cold Storage Inventories



Broiler Exports

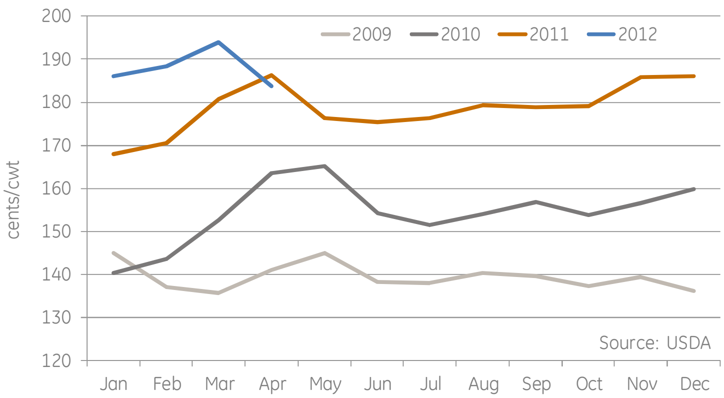


- **Whole bird prices increased 1.9% in March compared to prior month, and 7.8% Y/Y.** Rising prices for beef and pork have been favorable for chicken, as it is relatively less expensive. Lower production in 2012 will also support prices.
- **Chicken in cold storage decreased for the third consecutive month in March**. Beginning cold storage supplies for chicken were reported at 572.1 million lbs, 17% lower Y/Y. Broiler stocks have decreased 17% Y/Y, however legs and wings showed the largest percentage declines of approximately 45% and 52% respectively.
- **In March the number of birds processed decreased 2.4% Y/Y and 4.5% versus the previous month.** Lower production has supported poultry prices.
- **Broiler exports increased 25.8% in February compared to the previous month.** Mexico and Russia are the largest foreign destinations YTD, receiving 22.6% of US broiler exports.

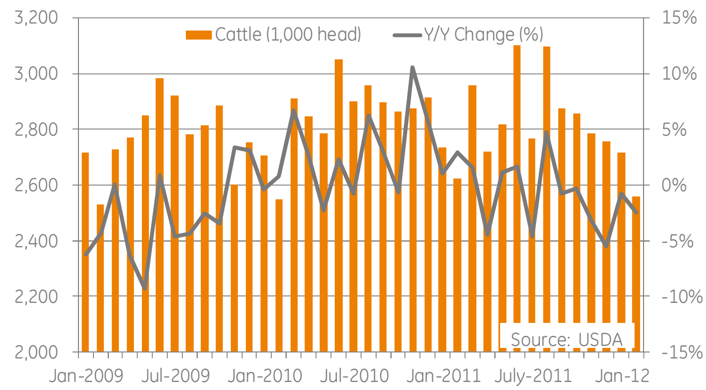
Beef

Two issues recently arose in the beef industry. The first is the controversy surrounding lean finely textured beef (LFTB) as a ground beef additive. This has had a negative effect on beef prices, and will reduce the U.S. beef supply. The second is the recent finding of a BSE infected dairy cow in Tulane County, CA - the impact at this time appears to be minimal.

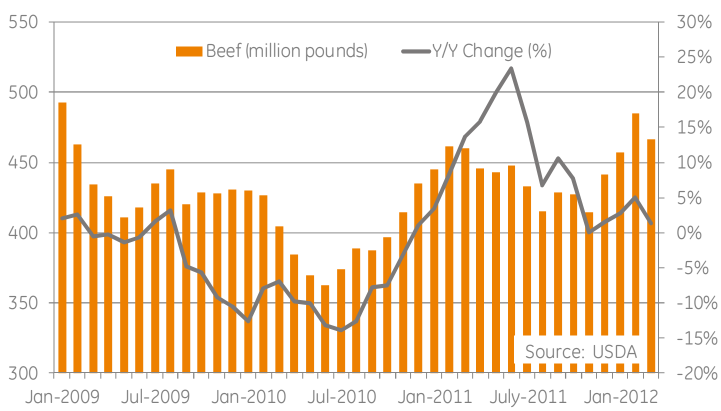
Cut Out Values



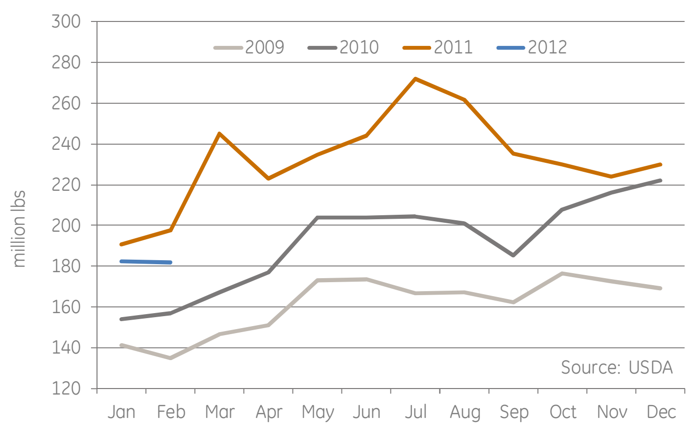
Monthly Processing



Cold Storage Inventories



Beef and Veal Exports



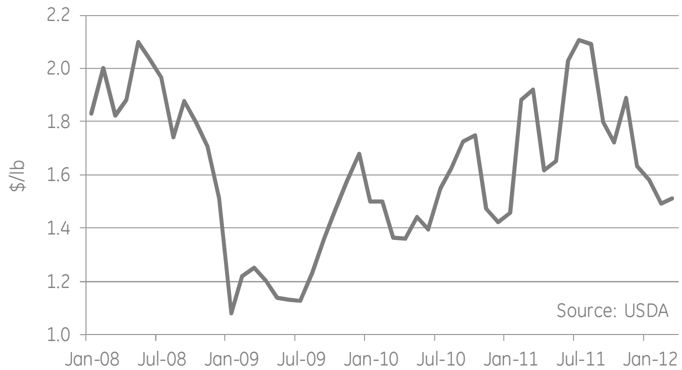
- **Beef cutout values were 1.3% lower Y/Y in April, and 5.2% lower than the previous month.** The recent BSE case discovered in California as well as public concern regarding lean finely textured beef (LFTB) have negatively impacted prices.
- **Beginning beef in cold storage decreased to 466.1 million pounds in March, down 3.9% versus prior month , and 1.4% higher Y/Y.** U.S. production is expected to decrease this year,
- **Beef processing decreased 5.8% in February as compared to the previous month, and 2.5% Y/Y.** The USDA forecasts a 4% decrease in annual production versus 2011.
- **Beef and veal exports were 182 million pounds in January, a decrease 4.4%Y/Y .** Mexico, Canada, and Japan were the largest foreign destinations. Exports are expected to decrease 2.3% this year due to lower production. U.S. beef and veal imports are expected to increase 19%, primarily attributed to increases from Australia, Brazil and Mexico.

Dairy

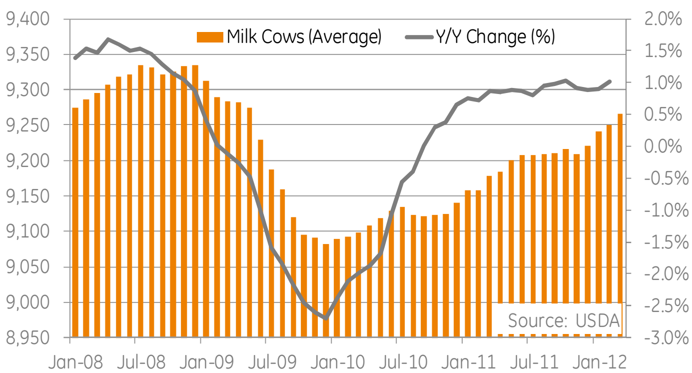
The dairy herd and yield per cow increased in March despite weakening dairy prices. Mild winter weather conditions in many parts of the country have contributed to higher production per cow. Lower dairy prices will likely result in dairy herd reductions later this year.

Class I Milk

American Cheese, 40lb. block



Dairy Herd



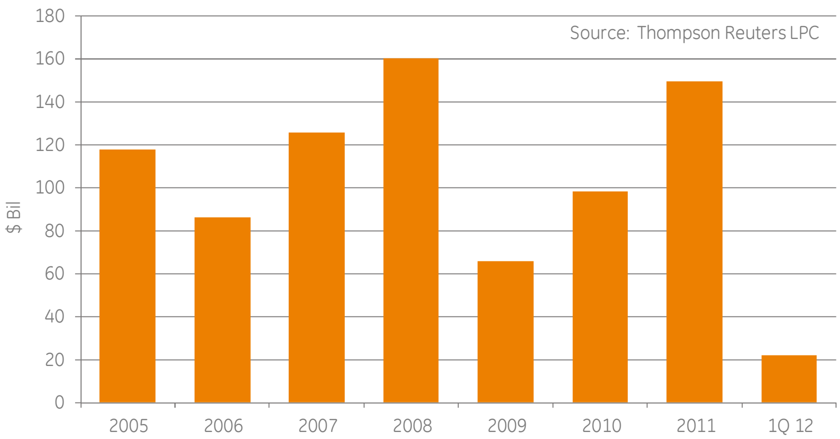
Grade AA Butter

- **Milk prices show modest increase.** The Class I milk price for May 2012 is $15.85/cwt, a 1.2% increase from April, but 19.7% lower versus prior year. Increases in US and Oceania production are putting downward pressure on prices.
- **The all states dairy herd increased 1.0% Y/Y in March 2012 while milk production increased 4,3%.** Increased production is attributed to mild weather conditions in addition to herd growth. Production is expected to decrease later in the year due to a combination of higher feed prices and lower dairy prices.

- **American cheese prices have been trending lower due to increased supplies .** Although they are 1.4% higher in March as compared to previous month, they are down 21.1% Y/Y.
- **Grade AA Butter prices were $1.55/lb in March, a mere 0.3% decrease compared to prior month, but 31.5% lower Y/Y.** This is lowest butter price since April 2010. The USDA projects butter prices to be between $1.51 and $1.60 for the year.

Financing Trends

Global Food, Beverage and Agribusiness Leveraged Loan Volume



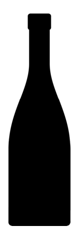
Global leveraged loan volume totaled $21.5B in 1Q 12, a 27% decrease compared to 1Q 11.

GE Capital Commitments

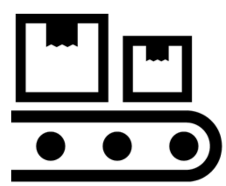
$17.3 Billion in Investments Across the Value Chain*

*GE Capital as of December 2011; Americas only

$1.4 Billion
Agribusiness



$3.2 Billion
Food & Beverage
Manufacturers



$1.7 Billion
Wholesalers &
Distributors

$11.0 Billion
Retail & Restaurants

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