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Brazil Opportunities

Food

By using ABIA's - Brazilian Association of Food Industry – food classification, in 2005 Brazil exported around US\$ 31.5 billions within the sector, of which more than 10% was destined to the Arab world. In the same year, the Arab League took the second position among the Brazilian food importing countries.

With a growth of 12%, in 2006 the Arabs reached the first position in the Brazilian food export destination with 10,45% of all Brazilian exports in the sector.

According a reasearch of Embrapa - The Brazilian Agricultural Research Corporation - Brazil is expected to be the main world food producer and it will also reflect on its capacity of supplying a great range of products internationally. Nowadays, Brazilian main products in the food segment are meat (20%), soy beans (19%), sugars (15%) and coffee (8.6%). The industry is living a diversification moment in terms of exports. Industrialized food, cereals and dairy, among other products, have presented expressive export growth.

To the Arab world, Brazil has been exporting basically meats and sugars. But by observing its products quality and various industries, the country is likely to diversify its exports to the Arabs. Preserved and industrialized food might be one of the key growing items in the export flow to the Arabs in a short to medium term.

Other important products which Brazil is eager to export are: farmed shrimps; fish; fruits and derivatives; chocolates, candies and sweets; pastas; honey and derivatives; specialty coffees; roasted coffee; organic products; and natural and organic products grown on family farms.

The food market in Brazil is also very expressive, there are various industries in the country, both nationals and multinationals. Even so the country imported in 2005 the equivalent to US\$ 3.3 billions – a very expressive number.

The main imported products are cereals – basically wheat and rice – 6.3 million tons in 2005; and also fish, edible fruits and beverages – mainly wine – among others.

Arab exports to Brazil were still subtle in 2005 adding up to US\$ 10 million. The most expressive products exported to Brazil in this segment were spices. Syria and Egypt were the main Arab suppliers of spices to Brazil.

Other products, which the Arabs export to Brazil are edible fruits and vegetables, most of them dried. In 2005, Brazil imported more than one thousand tons of edible vegetables and 718 tons of edible fruits and nuts from the Arab world. Each of those products presented a growth of 25% and 38% in relation to the amount imported in 2004, respectively.

Brazil also imports considerable amounts of olive oil. Know by the Brazilians as "azeite" (same word as in Arabic), it is used in a large number of Brazilian dishes.

In 2005, Brazil imported US\$ 106 million – almost 30% more than the amount imported in 2004. The value corresponds to 27 thousand tons, of which 52.5% is from Portugal and 27.6% from Spain – traditional suppliers of the product.



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Argentina is the third supplier of Brazil, mainly due to the price – normally 30% less than the FOB prices of oils imported from Portugal and Spain. Then, come Greece and the Arab world, exporting US\$ 207 thousand and US\$ 197 thousand respectively. Tunisia, Lebanon, Algeria and Morocco are the main Arab olive oil exporters to Brazil, but other countries like Syria do have potential.

Great part of Brazilian culture, including its cuisine has a great influence of Syrian – Lebanese dishes and tastes. Kibes, Esfihas, Tabules and other typical tastes are present almost everywhere in Brazil, especially in southern regions of the country.

This reflects the great receptiveness the country has for Arab food and ingredients. Besides that, the approximate 12 million Arabs and descendants may constitute not only a consumer group, but also a distribution channel, as they mostly deal with commerce in the country. In addition, there are many Arab food stores in São Paulo, where one can find from food seasoning to Arab sweets and arguile tobacco.

In 2006, the Arab Countries had a bigger share in the Brazilian food imports. In the first three months of the year, Morocco started to export frozen fish to Brazil, what increased Arab exports in 217%. This rhythm may be reinforced by other sectors in the various Arab countries.

Hotel Sector

The hotel sector is one of the economy segment which had the biggest growth in the last years. According to a research from the Hotel On Line Agency, in 2004 the development reached 3,7% and from the total national hotel area, establishments in the city for tourists represent 55,18%.

According to the Central Bank, in the first semester of 2005, foreigners left in the country US\$ 2,1 billions dollars. The number of international flights grew 28,3% in January of 2006 and new undertakings in hotel constructions from 2004 and 2005 represented an investment of R\$ 1,3 billion.

The hotel industry in Brazil is highly competitive and skilled. Annual sales amount to US\$ 35 billion creating more than 2 million direct and indirect jobs. According to official statistics, there are about 90 million Brazilians traveling either nationwide or internationally.

Besides that, even being considered a far destination, more than 5 million tourists disembark in the country, not only from the neighboring countries, but also and mainly from North America and Europe.

Each year domestic and foreign investment in this sector increases in a dynamic way benefiting new hotels, the process of modernization and computerization of older hotels also helping to open new establishments and exploit new tourist destinations.

Because of its size, 8.5 million Km², the 5th largest country in the world, Brazil offers a never ending selection of destinations and tracks: beaches, mountains, swamps, forests, and countless urban centers. All this is furnished by the full support from specialized companies.

Tourists wishing to experience Brazilian range of attractions are welcomed by the wide network of 20 thousand lodging establishments spread throughout the 5 Brazilian regions.



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The great numbers of establishments in the country is supplied by its huge industries including food, construction, furniture, decoration and amenities of which surpluses allow them to export to high demanding markets.

The partnership between Arabs and Brazilians in this sector can be largely expanded, from the simple trade of merchandising to sharing between those people.

The ten international bigger international hotel network present in Brazil are:

| | | | |
|----|---|-----|---------------------------------|
| 1° | Accor (France) | 6° | Posadas (Spain) |
| 2° | Sol Meliá (Spain) | 7° | Hilton (United States) |
| 3° | Atlantica (United States) | 8° | Marriott (United States) |
| 4° | InterContinental Hotels Group (United Kingdom) | 9° | Pestana (Portugal) |
| 5° | Golden Tulip Chambertin (Holand) | 10° | Starwood (United States) |

Investing in Bahia¹.

Bahia is without a doubt one of the most important tourism destinations in South America with its numerous attractions and pleasant climate throughout most of the year. Beaches, islands, rivers, caves and mountains are just a few examples of the many landscapes of this land, which is known for its great cultural diversity. Extensive conservation areas, delicious local cuisine and a wealth of folk traditions are other elements that make the state even more attractive to visitors.

A public administration committed to prioritizing tourism development, divided into teams responsible for planning, structuring and marketing the state's main tourism zones, as well as for training and quality control of tourism services, make Bahia the ideal place to implement accommodations, service and leisure undertakings.

As a state with a great vocation for tourism, Bahia opens its doors to investors through SUINVEST, the Superintendency of Investments in Tourism Development Zones, a department of the Secretariat of Culture and Tourism, which is responsible for overseeing development projects and receiving new investments. Bahia is already established as a tourism destination, as can be seen by the increasing number of visitors from all over the world.

¹ All the informations were gotten from the Secretariat of Culture and Turism of the State of Bahia (www.sct.ba.gov.br).



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Joint efforts between the government and the private sector are contributing to the development of Bahia's service and tourism infrastructure, whose quality standards are comparable to those of large urban centers worldwide.

Through the Tourism Development Program -- **Prodetur** — and other complementary initiatives the government has been working to promote the consolidation of tourism in Bahia with the aim of satisfying the needs related to infrastructure, environmental preservation and tourism promotion. To this end, actions have been carried out to improve the state's transport, sanitation and water distribution systems as well as urban development, environmental preservation and historic heritage, without overlooking safety, health, signage, tourism information, garbage collection and landscaping.

Tourism Revenues.

In terms of the revenues generated by tourism, the total for 2004 was US\$ 1.09 billion, nearly 8% of Bahia's Gross State Product. The following revenue projections for the state were based on growth rates of 5.0% and 7.0% a year until 2015.

| INTERNATIONAL LINES OF CREDIT | | | | | | | |
|---|------------------------------|---|--|---|-------------------------------------|--|--|
| PRODUCTS | SOURCE PROGRAM Administrator | TARGET PUBLIC | OBJECTIVE | FEES | PAYBACK SCHEDULE | | FINANCING LIMIT |
| | | | | | Payment Holiday | TOTAL | |
| IFC International Financial Corporation | IFC FUND World Bank | Companies with Receivables between US\$ 40 and 400 million annually | Fixed investments, working capital and operational costs | Interest based on 6-month LIBOR rate and variable risk spread | 2 to 3 years, adjusted to cash flow | 8 to 12 years, including payment holiday | Minimum of US\$ 10,000.00 Up to 25% for new projects and up to 50% for expansion projects |
| IIC Inter-American Investment Corporation | IIC FUND | Large Companies | Loans or stock capital investments | Interest or LIBOR + risk + market competitiveness | Adjusted to cash flow | 5 to 12 years, including payment holiday | Up to 33% of the cost of the project Up to 50% of the cost of the investment |



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| PRODUCTS | SOURCE PROGRAM <i>Administrator</i> | TARGET PUBLIC | OBJECTIVE | FEES | PAYBACK SCHEDULE | FINANCING LIMIT | OTHER CONDITIONS | TOTAL |
|---|---|------------------------------|--|--|----------------------|------------------------|---|--|
| | | | | | Payment Holiday | | | |
| PEMPE Micro and Small Business Support Program | BNDES <i>All banks</i> | Micro and small businesses | Fixed investments: Associated working capital up to 100% of the investment | Long term interest rate + Interest: BNDES 1% p.a. - Del-credere 3% p.a. or 2.5% p.a. (FGPC) | 3 to 4 years (hotel) | 8 to 12 years (hotel) | Max.: US\$ 3,500,000.00 Up to 90%, machinery, equipment Up to 70%, other items | Located in registered tourism municipality, EMBRATUR |
| FINEM Business Financing Program | BNDES <i>All banks</i> | Mid-size and large companies | Fixed investments: Associated working capital up to 35% | Long term interest rate + Interest: BNDES 1% p.a. - Del-credere 3% p.a. or 2.5% p.a. (FGPC) | 3 to 4 years (hotel) | 8 to 12 years (hotel) | Minimum US\$ 3,000,000.00 | Located in registered tourism municipality, EMBRATUR |
| PROFAT Workers Support Program | FAT <i>Banco do Brasil / Banco do Nordeste Desenhahia</i> | Micro and small businesses | Fixed investments: Associated working capital up to 50% | Long term interest rate + Del-credere 2.0% p.a. for micro and 4% p.a. for small businesses | 2 years | 5 years | Micro: US\$ 100,000.00 Small: US\$ 280,000.00 Up to 90% | Municipalities located within the jurisdiction of SUDENE |
| PRÓ-TRABALHO (Pro-Work) | FAT <i>Banco do Nordeste Desenhahia</i> | Companies of any size | Fixed investments: Associated working capital up to 50% for micro / small, up to 35% for mid-size / large | Long term interest rate + Del-credere 4% p.a. Micro/Small 4.5% p.a. Mid-size 5% p.a. Large | 3 to 4 years (hotel) | 10 to 12 years (hotel) | Max.: US\$ 200,000.00 100% for micro and small; 80% for mid-size 60% for large businesses. | Preferably municipalities located in Tourism Development Zones |
| FUNGETUR General Tourism Development Fund | FUNGETUR <i>Desenhahia / Banco do Nordeste</i> | Companies of any size | Fixed investments | Prime rate + Interest: 8% or 10% p.a. | 3 years | 8 years | Up to 65% | Located in registered tourism municipality, EMBRATUR |

DOMESTIC LINES OF CREDIT



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DOMESTIC LINES OF CREDIT

| PRODUCTS | SOURCE PROGRAM <i>Administrator</i> | TARGET PUBLIC | OBJECTIVE | FEES | PAYBACK SCHEDULE | FINANCING LIMIT | OTHER CONDITIONS | TOTAL |
|---|---|------------------------------|--|--|--|--|--|--|
| | | | | | Payment Holiday | | | |
| PRÓ-TURISMO Bahia State Tourism Support Program | FUNDESE <i>Desenbahia</i> Bahia Development Bank | Companies of any size | Fixed Investments | Long term interest rate + Del-credere 4% per annum (p.a.) | 2 years (vehicles 6 months) | 8 years (vehicles 5 years) | US\$ 250,000.00 60% - new projects 65% - vehicle acquisition 70% - expansion and remodeling | Collateral worth 130% of loan amount |
| PROATUR Regional Tourism Support Program | FNE <i>Banco do Nordeste</i> | Companies of any size | Fixed Investments: Tourism-related companies Associated working capital of up to 20% of the fixed investment financed | Pre-fixed interest rates: 8.75% p.a. Small business: 10% p.a. Mid-size: 12% p.a. Large: 14% p.a. | Examples: up to 4 years for hotels and 6 months for vehicles | Examples: up to 12 years for hotels and 5 years for vehicles | 90% micro and small businesses, 80% for mid-size, 70% for large | Located in registered tourism municipality (Embratur) Approval by state tourism agency required Micro / small business 25% discount for projects in semiarid regions and 15% for all other regions (Discounts on interest for on-time payments only) |
| Automatic BNDES - Brazilian National Social and Economic Development Bank | BNDES <i>All banks</i> | Mid-size and large companies | Fixed investments: Associated working capital up to 35% | Long term interest rate + Interest: BNDES 1% p.a. - Del-credere 3% p.a. or 2.5% p.a. (FGPC) | 3 to 4 years (hotel) | 8 to 12 years (hotel) | Max.: US\$ 3,500,000.00 Up to 80%, machinery, equipment Up to 70%, other items | Located in registered tourism municipality, EMBRATUR FGPC – Promotion and Competitiveness Guaranty Fund |



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Investing in Ceará ².

With an improved development policy, Ceará has been elevating its credibility among businessmen and Brazilian and International financial institutions. Thus, the state guarantees continuous access to private investments and long-term financing. Projects such as the Industrial and Harbor Complex in Pecém (Iron Company of Ceará and Pecém Harbor), Multi-use Station, Metropolitan Train, Castanhão and Eolic Energy Plants demonstrate, effectively, the investment Ceará has been making to implement enterprises of great impact for the economy of the state, pursuing its development.

The changes in infra-structure were important with investments in the energetic, logistic and basic sanitation sectors, as well as in the advanced model of water management, essential for life quality and development in Ceará.

Resources from the Action for the Development of Tourism Program - PRODETUR CE I, over US\$130 million invested, enabled the construction of a new passenger terminal at Pinto Martins International Airport and the structuring of road axes, which increased tourist flow not only to Fortaleza and to PRODETUR cities, but to the whole state.

Other actions of this Program, such as implantation and/or amplification of basic sewage systems, institutional development and environmental protection resulted in the qualification of Ceará as a tourist destination.

Changes in the infra-structure segment have been significant, with investment in the power sector, logistics, basic sanitation and in the advance model for water management, an indispensable input for quality of life and development in Ceará.

In the sphere of Tourism, recent years have seen an intensification of public policy regarding the activity, which has become a development priority for Ceará State. Tourism attained, in the year 2004, an 11.7% share in state GDP, the result of development of a Tourism Policy which, in recent years, has increased tourism demand in the State from 761,777 in 1996 to approximately 1,800,000 in 2004.

Funds from the Tourism Development Action Program – PRODETUR/CE I, with more than US\$130 million invested, enabled construction of a new passenger terminal at Pinto Martins International Airport and the highway which allowed the increase of tourist flow not just to Fortaleza and PRODETUR municipalities but to the State itself.

Other activities within the Program, such as implementation and/or expansion of basic sanitation systems, institutional development and environmental protection resulted in the qualification of Ceará as an ideal tourist destination.

Ceará's location is strategic for enterprises wishing to settle, near the main world markets. Ceará is just 6 and a half hours' flight from Europe and the USA and is a safe destination, free of political, ethnic and/or religious conflict.

² All the informations were obtained from the Secretariat of Turism of the State of Ceará (www.setur.ce.gov.br).



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Tax incentives

The access to lines of credit and to tax incentives makes tourism investments easy and feasible.

Federal Union - Northeastern Investment Funds - FINOR. Offers financial support by releasing funds and/or issuing stocks or bonds.

State -Industrial Development Fund - FDI. Postpones the payment of the Goods and Services Tax - ICMS, levied on machines and imported equipments.

Cities - Partial exemption of the Services Tax - ISS and Property Tax - IPTU for a maximum period of 10 years, according to the City Laws.

Credit Lines

Loans refer to credit lines granted to Tourism enterprises, by means of the National Economic and Social Development Bank -BNDES, Banco do Nordeste -BNB and Banco do Brasil – BB.

National Economic and Social Development Bank –BNDES. Forecast for disbursement in 2004: R\$ 60 billion. Made available through 170 public and private banks.

Banco do Nordeste do Brasil S/A – BNB

Annual budget of US\$ 750 million.

Constitutional Fund for Financing of the Northeast – FNE.

Tourism Support Program – PROATUR.

Workers' Support Fund - FAT.

Below, by way of illustration, we detail the Regional Tourism Support Program – PROATUR.

- Purpose: fixed investment and working capital.
- Periods: up to 12 years, including 4-year grace period.
- Advantage: good standing bonus of 15 to 25%.
- Guarantees: real (mortgage and pawn) minimum of 130%.

Tourism Legislation

Brazilian legislation, Federal Law nº 8.181, of March 28th, 1991 and Decree nº 5406 of March 30th, 2005, determines the compulsory nature of registration of the following tourism businesses: accommodation, agencies, tourist transport, event organization, theme parks and other service providers which perform activities recognized by the Ministry.

The documents necessary for registration are: a form supplied by the Department of Tourism / Control Unit of the Tourism Destination and Product Development Coordination Committee, duly filled out; articles of incorporation (notarized) + amendments (if there are any); CGF (Advice of Fiscal Management)

in the case of hotels (if there is a restaurant); CNPJ (National Company Name Registration) and payment of service tax. The same must be provided by means of printed forms, different for each segment of operations.



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The implementation of tourism enterprises is subject to prior environmental licensing, as established by the National Environment Policy – Law nº 6.938 and Resolution of the National Environment Council – CONAMA nº 237/97.

Information about environmental licensing in Ceará State may be found under Resolution nº 08/04 of the State Environment Council – COEMA, with details of types of license available and basic documentation necessary.

For guidance and opening of the process of environmental licensing, the Management and Service Unit – NUGA of the State Environment Department – SEMACE, should be contacted, where specialist provide guidance and answer questions.

Some Projects Looking for Investment Partnership.

- **Capitanis das Orquídeas Resort Hotel:** The Capitania das Orquídeas Resort Hotel complex offers a unique range of options with a theme park, entertainment village, water sports center, golf course, multi-purpose sport courts and clubhouse. Located in the All Saints' Bay region on Itaparica Island within an area of 100 hectares with 282 rooms, conference center, 3 restaurants, bars, 5,000 fruit trees, orchid house, botanical gardens and a private port, the resort is only a short boat-ride from the state capital, Salvador da Bahia. The project manager is **CB PATRIMONIAL**, a company founded in 1981 and headquartered in Salvador. This real estate and hotel development enterprise is the operator of Meliá Hotels and runs a successful time-sharing system in the State of Bahia. The developer is looking for partners to provide financial support for the project.
- **Eco-Resort WILD CANVAS:** The Eco-Resort WILD CANVAS is part of a nature reserve located on Itaparica Island, in All Saints' Bay, Bahia, Brazil.

The reserve is located in a large uninhabited sub-tropical area on the west coast of Itaparica. The site can be reached over a well kept road that is only 45 minutes from the state capital Salvador via ferryboat. Itaparica also has an airport that can handle small aircraft. The Wild Canvas Reserve's main activities will be research on wildlife and animal reproduction, environmental education and eco-tourism. The research center will be run in conjunction with Bahia State University and sponsored by local and international wildlife protection institutions. The project is currently in the development stage and private and institutional partners are being sought for investments of up to 1.5 million dollars each.

The Soul Foundation is a partner in this project and is officially registered in Amsterdam as a foundation and in Itaparica as an NGO.

- **Sauípe Coast:** In operation since October 2000 with 1,588 rooms, the Costa do Sauípe hotel complex is in reality the initial phase of what is known as the "Sauípe Project." Located on Bahia's beautiful Coconut Coast just 70 km north of Salvador's International Airport, the main access to the complex is via the BA-099 ecological highway, known locally as the "Green Line." The property

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belongs to the construction company, Construtora Norberto Odebrecht, that, besides being the developer, has been responsible for promoting the Sauípe region as a destination for tourism from the outset.

According to the project's Master Development Plan, the remaining 1,575 undeveloped hectares of land will be used for the construction of a variety of service and leisure facilities, such as theme parks, marina, convention center, dining and shopping areas, residential condominiums based on the concept of Vacation Ownership, cultural centers and a range of sports facilities.

The first phase of the project was built on a 172-hectare property, representing around 10% of the total area. It is estimated that it will take 20 years to completely finish the project, with new phases beginning operations every two or three years.

For the next phases of the project, Construtora Norberto Odebrecht is looking to include new partners, investors, developers and operators.

- **Praia do Forte Tourism Complex:** Located on just off the beach in the town of Praia do Forte, a one-time fishermen's village on Bahia's Coconut Coast. The project consists of ten hotels, parks, residential areas, two golf courses, common area, seaquarium, among other facilities. The property is situated on Bahia's north shore, 55 km north of Salvador's International Airport along the *Linha Verde* or Green Line highway.

The first phase of the project includes the construction of a beach resort, golf resort, beach clubhouse, eco-lodge, a 25-suite hotel, similar to a Relais Chateaux, with a gourmet restaurant, spa, sports area and gym. The project will be built within an Environmental Protection Area (APA), which has just been opened to controlled tourism development, and is only 60 km from Salvador, the capital and most important destination in the State of Bahia.

This project may be eligible for a variety of fiscal incentives, including an ISS service tax exemption, and a reduction in the ICMS value-added tax rate charged for electricity.

Information about the Developer:

Praia do Forte Empreendimentos is responsible for this project, and is the owner and operator of both the Tourism Complex and the Praia do Forte Eco-Resort, a pioneering property that has been in operation for 15 years.



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Ethanol

The oil shock of the seventies has led the government to announce the Pro-alcohol Program in 1975. The objectives were to decrease the Brazilian dependence on oil derivatives imports by stimulating their substitution, mainly gasoline, by ethanol. Studies show that since then, the economy in foreign currency amounted to 11,5 billion dollars and around 550 millions oil barrels besides environmental benefits.

The production of ethanol has been made mainly from sugar cane as Brazil is an important producer and exporter of sugar and the production cost is very low - about US\$200/ton. The importance of alcohol as an automobile fuel has granted flexibility to Brazilian cane growers, because when the sugar international prices fall down and internal prices are not attractive, the production can be transferred to the fuel sector.

In Brazil, ethanol is sold as a sole fuel and is also a component of the traditional gasoline (the government reset at the beginning of the year the percentage of ethanol in the gasoline from 25% to 20% as a way to increase the supply of this fuel in the attempt to keep the general price index at a controlled level).

In recent years with the new rise of gasoline's price and the advent of the "flex fuel" engine (an engine which works with gasoline or ethanol indistinctly), the ethanol market has drawn especial attention of investors all over the world. The importance of ethanol for the Brazilian economy can be checked in the graph I where are stated the automobile wholesales share, in units, by fuel-based engine. In 2000, about 10 thousand ethanol-based vehicles were sold, which represented only 1% of the sales. Four years later, this number rose to 24%, representing about 380 thousand vehicles and an average growing tax of 171% per year.

Most significant is the number of 2005. In that year sales of "flex fuel"-based automobiles and ethanol-based ones have reached almost 900 thousand vehicles, which means nothing less than 57% of all vehicles sold in the year. And the tendency is far from being temporary.

When talking about the production of ethanol itself, the statistical data shows that in 2000 the production was about 11 millions m³ whereas in 2004 the production rose up to 14.6 millions, a 37% increase.

New investments in the area will be constant for the next years not only because internal (and external) demand will rise but also because there is no foreseeable downward for oil derivative prices. "Sugar cane oil" arises not only as a profitable business but also as an environmental friendly solution for our energy needs.

The Brazilian energy sector shows an expansion tendency once expected private and public investments follow and boost a more expressive growth of the Brazilian GDP in order to have a sustainable development of the economy.

Some energy market analysts argue about the necessities of annual investments of R\$ 20 billions per year in the energy sector. With the actual economic policy of the Brazilian government, it is important to attract private investors (national or foreign) to complement the R\$ 2-3 billions public investment projected.



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The Brazilian electrical energy sector has interesting and adequate opportunities related to the new private enterprises in generation and construction of transmissions lines of electrical energy. At the same time, privatization process of distributions and generations systems is a good opportunity to foreign investors in Brazil. An important issue to foreign investor in Brazil is the universalization of electrical energy access to the isolated communities in the North and rural areas in Brazil.

Brazil is the only place of the world where the factories have the technology for extract, from the same sugar cane the alcohol, sugar and electricity. It is estimated that only 5% of the national ethanol production in Brazil are controlled by foreign investors. It implies a great opportunity for foreign investors that intend to participate in this market.

In the next years, Brazil will receive US\$ 199 billions in investments from Petrobrás and other private companies from the energy sector. It will be necessary to investments in the purchase of machines and other equipments, as well as providing a specialized work force to the energy and, mainly, petrochemical sectors.

"Ethanol is an alcohol made from the fermentation of the carbohydrate or sugar fraction in biomass (plant) materials" (Oregon Cellulose – Ethanol Study, p. 57).

The alcohol fuel derived from sugar cane and corn is obtained from the fermentation process where leavenings act, transforms these plants in a fuel used in intern combustion engines. The result is a fuel with ethanol and methanol composition. "... ethanol (which can be derived from sugar, corn or other crops) has a long history as supplement or substitute for fossil fuels. Ethanol produced from sugar cane is by far the most cost-effective biofuel currently on the market (much more than corn-based ethanol), and few parts of the world have a better combination of soil, climate, available land and low labor costs for sugar cane cultivation than Latin America and Caribbean. The technology for distilling sugar cane ethanol and blending it with gasoline is comparatively inexpressive and easily obtainable" (www.iadb.org).

Ethanol productions have been conditioned by the oil fluctuation prices in the international market. Brazil is changing its position because its impossible to reach the capacity offers for the intern and extern demand, without a productive organization directed for this specific objective. Brazil can't stimulate a more extensive use of ethanol fuel while the intern production structure is not able to provide the necessary quantity and quality of this type of fuel for the different demands.

The sugar cane juice manufactured in Brazil is the most competitive raw material that exists to produce ethanol, costing between 0,25 to 0,28 USD / liter. In the other hand, the ethanol produced from the corn (raw material) has a cost approximately of 0,50 to 0,60 USD / liter.

According to Eduardo Pereira de Carvalho, Sugar Cane Producers Union (UNICA in Portuguese) president, in 20 years, all the cars in Brazil will use ethanol. Brazilian ethanol production capacity is growing around 8% per year.

In the combustion process, the sugarcane ethanol produces the same quantity of carbon that the plant absorbed from the atmosphere during its growth. To produce ethanol derived from corn (USA) or wheat (EU), it is necessary to first transform the raw material in sugar (this process requires extra fuel) and then it can be transformed to ethanol. Using corn or wheat to produce ethanol is more expensive and pollutant then using sugar cane ethanol. The Brazilian plants are able to use the sugarcane pulp as energy



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source and this raw material is already transported with the sugarcane to the production plants. In USA and EU plants, are used fossil fuels to process these materials.

For each fossil fuel unit used in the sugarcane ethanol production, it is obtained eight times more energy. Using corn to produce ethanol, the outputs of energy are only 1.7 – 1.8 higher.

It's have been studied a form to use all parts of sugarcane to produce ethanol. This form is called hydrolysis and will allow a more efficient exploration of the plant. Nowadays, only the stalk is used to generate ethanol; with de hydrolysis development, all the sugarcane will be used to produce ethanol. Brazil is the only country of the world that has this technology and it's only the beginning; with the domain of this technology for the sugarcane, other plants can be used to generate ethanol. In two years, the researcher's forecast is to generate profits with this technology.

Brazil has a great competitive advantage because the factories already has the hydrolysis technology incorporated in it and Brazil has a logistical and transport structure to distribute the ethanol along the country. In other words, the investment risk in Brazil is not so high as it is in other countries around the world.



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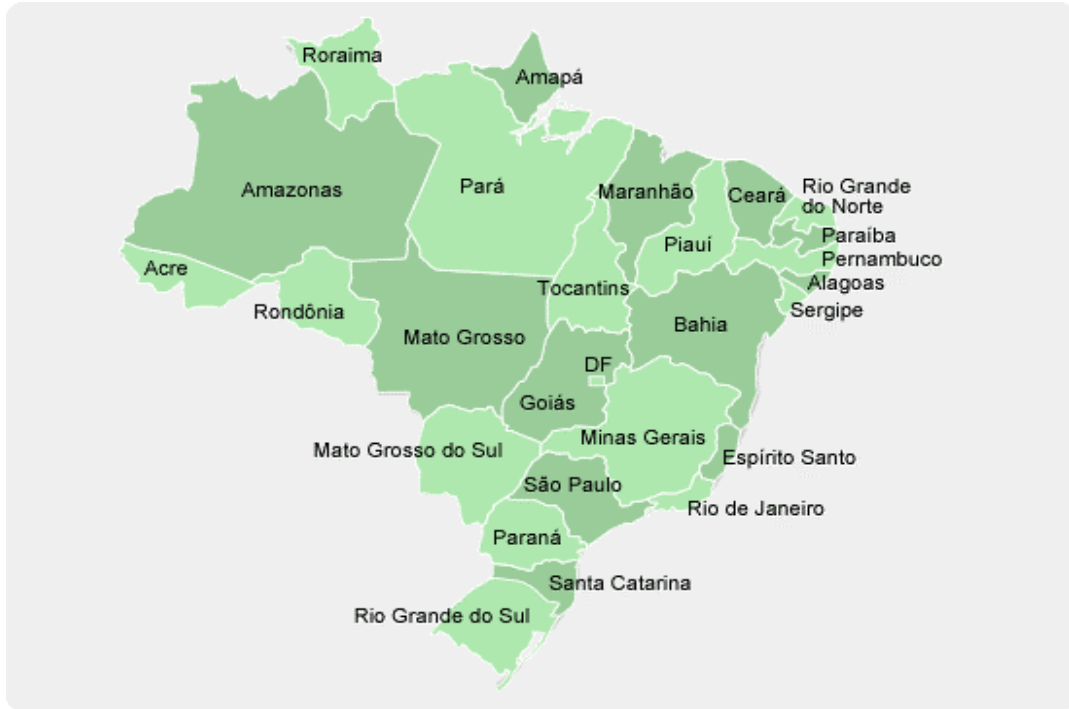
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Sugar Cane Plants by State



| | |
|---------------------|-----|
| São Paulo | 169 |
| Minas Gerais | 30 |
| Paraná | 29 |
| Pernambuco | 26 |
| Alagoas | 26 |
| Goiás | 16 |
| Mato Grosso do Sul | 11 |
| Mato Grosso | 11 |
| Paraíba | 9 |
| Rio de Janeiro | 8 |
| Espírito Santo | 6 |
| Bahia | 4 |
| Maranhão | 4 |
| Sergipe | 4 |
| Rio Grande do Norte | 3 |
| Ceará | 2 |
| Amazonas | 1 |
| Pará | 1 |
| Piauí | 1 |
| Rio Grande do Sul | 1 |



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Sugar Cane and the Environmental Protection against the pollution

Thanks to the sugarcane agroindustry, Brazil is a pioneer in the large-scale use of a clean and renewable fuel. The country provides a practical example of sustainable development by combining the contributions to environmental improvement, the exploration of local economic vocations and the decentralized generation of employment and income.

The State of São Paulo produces 60% of all the sugar in Brazil using advanced technology and management. It is a competitive product on the international market, and this helps the State to become responsible for 70% of Brazilian exports. São Paulo also generates 61% of the Brazilian alcohol production, which has allowed the country a continued savings in foreign currency for the last 22 years, representing an average of 1.8 billion US dollars per year.

Electric energy also comes from sugarcane, by cogeneration in the process of burning bagasse. To produce energy in the form of foodstuffs, but also as fuel and electric energy, the producers from São Paulo employ directly in the plantations and mills, about 400,000 people – 40% of rural employment in the State.

Currently, Brazil consumes about 540,000 barrels/day of Otto cycle fuel (gasoline and alcohol). The alcohol represents 50% of the total, which allows an evaluation of this fuel's contribution to reducing pollution in major urban centers.

From the environmental point of view, alcohol's advantages are recognized, either when used in isolation in the form of hydrated alcohol or when mixed with gasoline in the form of anhydrous alcohol. In both cases, it represents an immense advantage in reducing carbon monoxide emission and eliminating the use of lead tetra-ethyl as an additive, one of the most toxic elements in the atmosphere in large cities.

Thanks to alcohol, Brazil does not contribute to increasing the greenhouse effect and was the first country in the world to free itself from lead tetra-ethyl.

Apart from this advantage, fuel alcohol reduces primary pollutants emission and also a considerably reduces so-called reactive pollutant emissions.

However, what is more surprising is to see the final positive balance in alcohol production. Sugarcane cultivation results in the absorption of an amount equivalent to almost one-fifth of the total carbon emitted by burning fossil fuels in Brazil or, that is, a reduction of 39 million tons of CO₂ per year.

The pollution caused by mills has been drastically reduced since they began to use cane bagasse as a fuel and the wastewaters and filtration residues as fertilizers, reclassifying these last two from waste products to valuable inputs.

Alcohol generates energy that is progressively "cleaner", an enviable and highly attractive characteristic in a world in which concern with the levels of global pollution is growing.



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Over 20 years ago, the first World Conference on the Environment held under UNO's auspices, determined the establishment of a more balanced relationship between man and the environment as a condition for good international coexistence. Since then, the quest for this balance has become an irreversible movement all over the Planet.

Some countries have already created taxes on CO2 emission. A series of mechanisms are employed to ensure that the amounts thus collected are invested in projects that contribute to diminishing total gas released.

Alcohol, because of its positive contribution to the environmental question, could receive the benefit of similar mechanisms.

Economic (saving foreign exchange) and social (creating employment) reasons inspired the use of alcohol as a fuel to improve the environment.

As a clean fuel, alcohol became a great ally in the fight against environmental deterioration, principally in the large urban centers.

In the intermediate range there are the prospects of the fleet operating exclusively with gasoline containing 22% of ethanol and, in a more favorable environmental position, the mix of a fleet of circulating in 1989, comprised of 51% of vehicles with 22% ethanol in the gasoline and 49% of vehicles with pure alcohol.

Alcohol's principal environmental difference is its renewable origin. It is extracted from sugarcane biomass, with the recognized ability to sequester carbon from the atmosphere, which gives it great importance in the global fight against substances which cause the greenhouse effect.

Today, there is a legal provision requiring that all Brazilian gasoline contains from 20% to 24% anhydrous alcohol, with a variation of + or - 1. The exact definition is made by the Sugar and Alcohol Interministerial Council (CIMA - Conselho Interministerial de Açúcar e Álcool) so as to balance the ratio between supply and demand.

Brazil developed an unequalled infrastructure for distributing the fuel and has a network of over 25,000 filling stations, with hydrated alcohol pumps to supply almost three million vehicles, 20% of the domestic fleet.

***Source: UNICA – Sugar Cane Associations of the Industry Union**

Biodiesel

In the attempt to search for cheap and environment friendly sources of energy in the 70's the Brazilian government has devoted its attention to researches in the biodiesel field.

Biodiesel can be defined as a renewable fuel that comes from vegetable oils such as sunflower's, soybean's, castor's, cotton's, other oleaginous plants' and also animal fats. It is proper to be used in diesel engines (without the need of changes in it) in any concentration of mixture with diesel oil and its achievement is done through a chemical process, which separates the glycerin from the oil.

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The program launched in those years was called alike its counterpart for ethanol: "Pro-óleo". The similarities stopped by: the "óleo" program did not survive the 70's as the ethanol program revealed itself more profitable and the oil price has returned to a stable path. Researches on the field continued in many developed countries though.

Recently the Brazilian government has launched the National Program for use and production of biodiesel and some goals were established: for 2008 there would be 2% of biodiesel in the diesel oil and for 2013 this share must rise to 5%. The program will succeed if at the end of 2035 the share of biodiesel in the diesel oil reaches 40% (www.biodieselbr.com and www.anba.com.br).

The National Oil Agency estimates that the current biodiesel production sums up to 176 million liters yearly. For the initial fase of the program about 750 million liters are needed, which means a lot to grow. Investments in the field are announced everyday.

Last January, a pilot bus run on biodiesel, a mixture that is 95% diesel oil and a 5% additive of specially treated soy oil, was presented in Rio de Janeiro. The fuel was developed by the Engineering School at the Federal University of Rio de Janeiro's Post Graduate and Research Institute (Coppe/UFRJ). The pilot bus is part of a program, RioBioDiesel, which is run by the State Secretariat of Science and Technology and aims to have all the buses in Rio running on biodiesel by the 2007 Pan American games that will take place in the city.

Brazil with its characteristics of tropical country and with its enormous agriculturable area, of which only one third is current in use, will probably be one of the main world producers and sellers of biodiesel in the next years.

BR 116 / 324 public-private partnership (road concession)².

The BR116/324 is the first federal road project to be implemented in Brazil under the framework of the federal Public-Private Partnership Law (Law 11.079, the "PPP law"), approved on December 30, 2004. The project is being studied and structured in partnership by the Ministry of Planning, Budget and Management, BNDES (Economic and Social National Development Bank) and the IFC (International Finance Cooperation). Brazil is one of the few countries in Latin America that has set up a legal and regulatory PPP framework to promote private sector investments in infrastructure in collaboration with the public sector. The project consists of a concession to rehabilitate, maintain, operate and make capacity improvements to a 633-kilometer section of the BR-116 and BR-324 Federal roads in the State of Bahia. The term of the concession will be variable, between 13 and 17 years, depending on traffic level. The project aims to promote greater transport efficiency and economic growth by upgrading road infrastructure. The BR 116' road link the south and the north of Brazil and has a big volume of export-import freight along it.

² From The National Investment Information Network (RENAI in portuguese).



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Localization.



Other opportunities in road sector.

Highways

Construction of the BR-493, Metropolitan Highway Bypass of Rio de Janeiro (Port of Sepetiba - BR-040).

Railroads

Construction of the North-South Railway .
Construction of the São Paulo Railroad Ring .
Construction of the Ipiranga-Guarapuava Railroad Spur.



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Pontal irrigation project³.

The PONTAL irrigation project is located in the Municipality of Petrolina, in the semi-arid region of the state of Pernambuco in Northeastern Brazil. PONTAL has a total of 7,897 hectares, not irrigated yet. The Government of Brazil has spent approximately US\$70 million to partially build irrigation infrastructure from the Sao Francisco river to the project area, which it intends to transfer to the private sector. PONTAL represents a unique opportunity for agribusiness investors to position themselves in a region with advantageous conditions for fruit production in terms of climate and water availability and with an established logistics chain for export to international markets. The Petrolina region already produces over US\$100 million in fruit exports, largely from land under irrigation.

PROAPS - LEASES AND PARTNERSHIPS PROGRAM OF SANTOS PORT

The purpose of this program is to attract private initiative in an effort to amplify the cargo flux in the port. The program began in 2003 with 70,28% of the port leasing, with new investors and interested companies rising constantly. Until the end of the program the port expects to receive R\$ 1 billion in investments for its modernization, from this total R\$ 679 millions already assured.

| Leasing of the Port of Santos areas | | | | |
|--|---------------|-----------------------------------|-----------|------------------------------------|
| Total Area of the Port of Santos | | 7.700.000 SQM | | |
| Destined area for the leasing | | 4.500.000 SQM | | |
| Lease areas before the Law of Ports (8.630/93) | | 591.500 SQM | | |
| Lease areas after Law and before the PROAPS | | 276.768 SQM | | |
| Lease areas with signed contract in PROAPS | | 1.308.814 SQM | | |
| Areas in process for leasing in PROAPS | | 1.359.938 SQM | | |
| General Total (78,60% of the goal) | | 3.537.020,53 SQM | | |
| Areas already leased in PROAPS | | | | |
| Quantity of Areas | Area (in SQM) | Minimal forecast balance (Annual) | | Minimal Investment Forecast (US\$) |
| | | tons | container | |
| 24 | 1.308.814 | 10.519.120 | 865.500 | 188.222.145,30 |
| Areas in Leasing Process | | | | |
| Areas Quantity | Area (in SQM) | Minimal forecast balance (Annual) | | Minimal Investment Forecast (US\$) |
| | | tons | container | |
| 27 | 1.359.938 | 4.420.000 | 162.250 | 122.425.605,50 |

³ From The National Investment Information Network (RENAI in portuguese).



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Leased areas for the Private Initiative in the Port of Santos:

| Contracts: | Area: | Investmen Forecast: | Annual Goal: | Objects: |
|------------|---------------|---------------------|--|---|
| 38 | 1.844.975 SQM | US\$ 253.904.651,92 | 15.869.664 ton. 808.500 containers 10.000 passengers | Containers General load containers Vegetal Bulk Liquid Bulk Animal Bulk Solid Incinerator |



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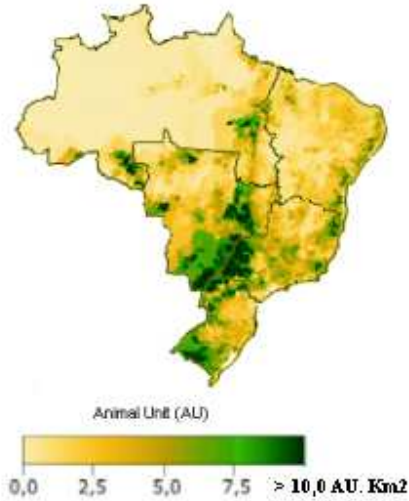
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Agriculture – Geographical Aspects*

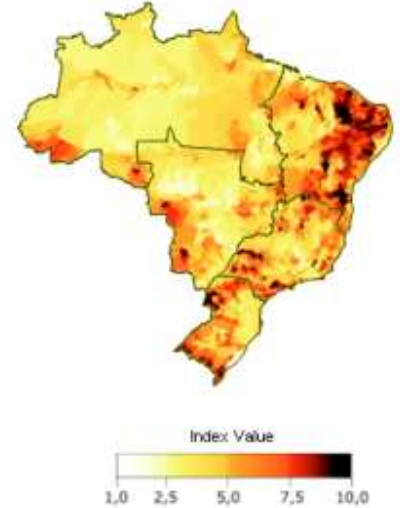
Cattle Density Exploration.



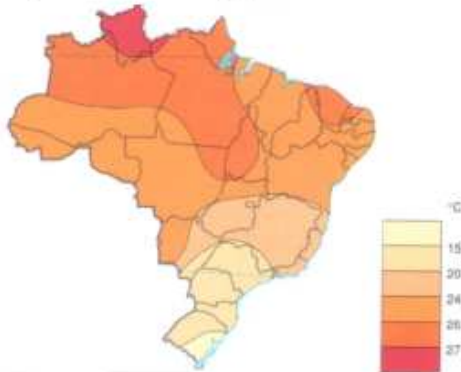
Hydrography and Relif



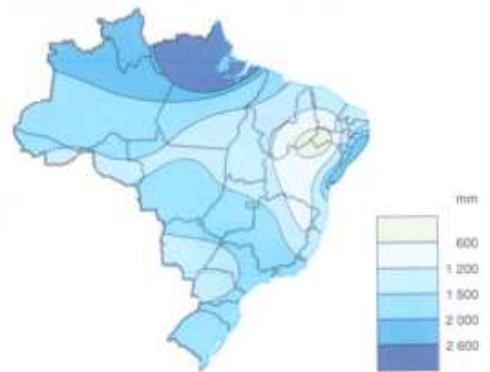
Ground Quality – Fertility Index



Temperature – Avarage / Year



Rain – Average / Year



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Soy – Planted Area



* Source: Ministry of Land Development.
Geografic Atlas – FERREIRA< Graça Maria Lemos.

Soybeans

Soybeans are the main agricultural crop in volume and revenues in Brazil with over 243,000 producers scattered over 17 states.

The national soybean production grew at a range of 11% over the last 6 years and has the potential to continue growing at high rates over the next years.

Brazil is the world's second largest producer and exporter of soybeans, soybean meal and soybean oil.

The evolution of crop techniques and the tropicalization of soybeans allowed the extensive and rudimentary occupation of the cerrado to be replaced by an activity based on technology, with economic, social and environmental sustainability. The soybean crop development brought about an improvement in the quality of life and the development of infrastructure in the areas of transport, education and health.

Benefits of direct planting: lower carbon emissions, less erosion and leaching, reduction in the use of diesel, better use of inputs, greater retention of water and reduction of production costs.

* Source: ABIOVE, 2007



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In 2004, Brazil was the second largest world producer of soybeans, with 50 millions tons which equals to 25% of the world production, estimated in 200 million tons.

Soybean in numbers:

(2004/2005 harvest)

- Soybeans in the world

Production: 216,3 million tons

Planted Area: 92,6 million hectares

Agro-industrial complex of soy puts generates U\$ 215 billion approximately/year

- Soybeans in Brazil

Production: 50,19 million tons

Planted area: 23,104 million hectares

Production cost: US\$11,00/bag of 60Kg

Agro-industrial complex of soy generates U\$ 30 billion/year

Average productivity: 2,173 kg/ha

* Source: CONAB July, 2005



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