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Los Grobo[1]

In September 2006, Gustavo Grobocopatel addressed the audience gathered for "The Network in the Farm" event held at Grupo Los Grobo's modern headquarters, located in the Pampas plain. "We want to see agricultural engineers exploring technological boundaries, increasing crops' productivity and quality, using their notebooks with real-time information, buying and selling grains, and adding value to your businesses. Today, our challenge is to make communication and information technology available right there where our business starts: the farm". This is how Gustavo Grobocopatel closed a session which purpose was to discuss the benefits of communication and information technology, inaugurating then, in Carlos Casares, the second digital forum with Internet Wi-Fi access and the first Wi-Max connection in Argentina. After the event, Gustavo Grobocopatel analyzed the achievements so far and the future of Los Grobo, the family-owned agricultural company he led.

Over the last few years, Los Grobo has grown considerably. In 2005, Los Grobo sowed approximately 100,000 hectares in the Pampas region, traded 800,000 tons of grains and oilseeds and had a 120 million dollar turnover (see **Exhibit 1**). Los Grobo had become a representative case of a new type of company in the agricultural sector, not only because it incorporated cutting-edge technology to its primary production, but also because it implemented an innovative organizational structure, a business network, while participating also in social development projects.

Gustavo Grobocopatel asked himself in which way the characteristics of the organization that had achieved excellent results in previous years would be of any value for new businesses and new areas. He was particularly interested in assessing two growth opportunities for Los Grobo: the expansion of its production model to new areas in Argentina, Uruguay and Paraguay, and the vertical integration and internationalization of the wheat chain through the sale of flour in Brazil. Would it be better for the group to focus on the primary production's horizontal expansion to other areas, or would it be more appropriate to drive an industrialization process through the commodity processing business and the sale of added value products? Gustavo Grobocopatel had to make up his mind to put forward concrete proposals to the shareholders and members of the Board of Directors.

Argentina in the World Grain and Oilseed Market

Products of Argentine origin had a significant participation in the global agrifood market. The rich natural resources, together with the high-end technology implemented in primary production and processing, let Argentina to become one of the top players in the global market of agricultural and derivative products. For instance, Argentina was the main world exporter of protein flour and soybean and

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1 This Case Study was prepared by Professors Jorge Forteza and Francisco Díaz Hermelo from the Administration Department of Universidad de San Andrés, in collaboration with Professor Silvina Cabrini and Bernardo Kosacoff, Director of the Economic Commission for Latin America and the Caribbean (CEPAL, for its initials in Spanish). This educational case study provides the basis for discussion within an academic environment and does not support individuals or organizations, is not intended to serve as illustrations of effective or ineffective management and should not be considered as a primary source of information.

sunflower oils. Additionally, agriculture was a key element in the economic and political development of this country. In 2006, the agroindustrial products made more than half of the total value of the country's exports (see **Exhibit 2**).

The Impact of the Argentine and Global Context on Agribusiness

Contrary to what has happened in many developed countries, where agricultural production was strongly subsidized, for years the Argentine agricultural sector has conveyed resources to other areas of the economy. The most common measures within the Argentine agricultural policies included price controls and taxes on agricultural product exports. The purpose of these measures was to control the prices of mass-market food products and make resources available for the Government, which would usually directly transfer said resources to social assistance programs or grants to other economic sectors. These measures normally resulted in an insufficient allocation of resources, thus failing to promote investment in the agricultural sector, particularly during periods of standard international prices. Since 1870, Argentina had developed an agricultural competitive capacity and had grown at a high speed. However, during the 70s and 80s, Argentina hesitantly became part of the "green revolution", leaving aside the best production practices and bringing its production to a standstill.

By the end of the 80s, price controls and export duties were eliminated. This was followed by significant domestic and international changes during the 90s that benefited the agricultural sector. The political and economic stability had created a better environment for investments. The hyperinflation of the previous years was being controlled with the convertibility plan that maintained the Argentine Peso (AR$) exchange rate at one US Dollar (US$) and import tariffs on several capital assets were significantly reduced. Within the market liberalization framework, ports, train, oil and communication companies and road systems were privatized. The inefficient government-run services improved considerably when they were transferred into private hands. The agricultural sector invested in new technologies and international agro-input companies established or expanded their businesses in the country.

As regards the international context, China, India and other Asiatic and former communist countries achieved a dynamic growth. These countries' population began to consume more beef, thus replacing grains. This change strongly affected the corn and soybean markets, which are the main sources of energy and protein for animal food. The income increase also had a strong impact on the demand of edible oils. Particularly, there was a strong increase in the consumption of soybean oil in China and India (see **Exhibit 3**). There was a growing demand for these products worldwide and Argentina, thanks to the then current free trade policy and a prompt business response, took advantage of the accumulated capacity and created new organization models and shared gains in order to drive strong growth in primary production and agroindustry. In particular, the soybean and corn productions doubled during the 90's.

Notwithstanding the productivity increase, the Government's failure to control the increase in public expenditure together with the high level of tax avoidance and legal uncertainty, an imperfect capital market and a US Dollar that revaluated against other currencies, dragging down the Argentine Peso and making the Argentine products lose competitiveness, determined significant inconsistencies in the macroeconomic system. By the end of 2001, during Fernando de la Rúa's Presidency (1999-2001), Argentina underwent a severe political and institutional crisis with five Presidents holding office in a few weeks. At the beginning of 2002, Eduardo Duhalde became President (2002-2003) and, in view of a deep crisis and a generalized termination of contracts, he took special economic measures including the sudden devaluation of the Argentine Peso against the Dollar, thus modifying the exchange rate from AR$ 1=US$ 1 to AR$ 3=US$ 1, the pesification of debts assumed in Dollars in the domestic market with an exchange rate benefiting the debtor (AR$1=US$ 1) and the reappearance of export duties aimed at making funds available for the Government.

Néstor Kirchner won the 2003 presidential election. Certain measures taken by said Government had a strong impact on the agroindustrial sector. On the one hand, the Government kept the Dollar at a high exchange rate – approximately AR$ 3=US$ 1 – by ordering the Central Bank to buy Dollars, thus avoiding the Peso's reevaluation and benefiting the export sectors. On the other hand, the export duties were kept at a high level, with values that amounted to 23.5% (see **Exhibit 4**). Duties were used to control inflation since they lowered the prices of agricultural products and by-products in the domestic market and, at the same time, represented 10% of the government's total income in 2006.

Notwithstanding the abovementioned duties, the two years following the devaluation were highly profitable for the production and trade of grains and oilseeds, basically due to global increase in grain prices. The devaluation had not much of an impact since most of the grain production costs were in Dollars. There was an ongoing increase in the production of these crops, with the most significant impact on the soybean, incorporating marginal areas that became profitable with the new input-product price relation. During the following years, production costs had gradually incrased and the profitability of producing and trading grains and oilseeds was almost equivalent to the values existing before the devaluation (see **Exhibit 5**).

By the end of 2006, there was great uncertainty as to what would be the following measures the Government would take. Various agricultural organizations put pressure on the Government to reduce market intervention. But the control of price increases was critical for the Government and the measures that were being taken included not only increases in the export duties but also prohibited or limited the exports of some products, such as beef and wheat. The Government was particularly interested in controlling the price of these products since they had influence on the price indexes because of their high level of consumption in Argentina. These measures meant significant changes in the profitability of the agroindustrial companies. The Argentine population faced a major dilemma: to export in order to improve public accounts and generate wealth or meet the domestic demand of low-priced food in order to stop inflation and assist the poor.

Changes in the Production Systems

No-till farming – farming with minimal soil disturbance – and biotechnology, together with the growing use of fertilizers and a state-of-the-art technological package, drove significant changes to the grain and oilseed production systems over the last 15 years. In 2006, genetically modified crops produced with a minimum soil disturbance covered large areas within the Argentine Pampas. Before the 90's, agriculture was related to intense soil plowing, which was used to prepare soil for sowing and remove weeds. Since plowing resulted in soil degradation, traditionally, farmers alternated some years of agricultural crops with several years of pastures for cattle. In this way, pastures helped recover soil's quality which had been degraded by years of agriculture. No-till farming, carried out with seeders specifically adapted to work on irregular soils covered with stubble, enabled farmers to keep up their production without degrading the soil, thus avoiding the years of pastures. In addition, it enabled a more efficient water use, attaining high and more stable production levels.

No-till farming was boosted by significant biotechnological advances. In 1996, the first transgenic soybean (RR soybean) created by Monsanto was launched to the market. Transgenic soybeans, obtained through genetic engineering, were glyphosate-resistant crops. The glyphosate herbicide controlled almost all soybean farming weeds and it was less expensive and less toxic than other herbicides. Thus, the production of transgenic soybeans in no-till farming was massively adopted by all Argentine producers, covering 98% of the soybean land in 2006.

The advantages included not only costs reduction, but it was also very beneficial from an environmental standpoint. The lower use of agrochemicals and the combination of transgenic soybean production with no-till farming became a viable alternative for cultivation in almost all areas but especially in marginal areas where plowing generated erosion or where water was an extremely limited resource. With this system many producers shifted to ongoing agriculture, thus expanding the agricultural area and displacing cattle breeding to poorer soils. Cattle breeders faced the challenge of shifting to the fattening system in feed lots to keep up their production in smaller areas.

This simplified crop management represented a significant benefit for the companies that cultivated crops in large areas and triggered other changes in production. During the mid 90's, capitals from non-agricultural sectors were attracted to the farms due to the high prices and the technological advances of agricultural production. Large foreign investors appeared, such as Cresud S.A., one of the major companies engaged in agricultural production, with 140,000 hectares destined to production. Cresud's initial capital was contributed by various investors, including George Soros, a successful investor from the US financial market, who later listed on the stock exchange. In 1995, the first agricultural investment fund was established, the Agricultural Direct Investment Fund (FAID, for its initials in Spanish), managed by Cazenave y Asociados S.A., a traditional agribusiness consulting company. This fund attracts capitals from the market and invests said capitals in leasing land producing crops. Other seed investment funds were created during the following years.

Rural contractors – usually family-owned small and medium companies – played an important role in this new production scheme. Large producers did not have enough capital to invest in machinery and lacked management capacity to manage such a large and geographically dispersed organization. In order to grow at fast pace, companies had to outsource the plowing process on the land they leased. The number and size of contractors equipped with machinery that worked in association with agricultural investment funds for plowing, sowing and harvesting increased.

The advantages of primary production at a greater scale achieved by these new organizations also meant for them having a stronger hand in negotiation with input and service providers as well as with the processing industry and exporters. Large producers and investment funds negotiated directly with processors or exporters when selling their products, avoiding one or more intermediaries (see **Exhibit 6**).

During those years, the concentration and competition for land in the Pampas region deepened, thus raising lease prices. Such concentration was as dynamic with respect to production control as to land ownership. Several small and medium-sized farm owners decided to lease their lands to investment groups that managed great extensions, since in this way they earned larger and more stable profits than engaging in crop production by themselves. Producers who lacked capital or scale for new technologies found a way out by leasing their land or selling their family-owned companies, reorganizing their structure of agricultural producer to become a contractor.

Los Grobo Group

Tradition and Innovation in the Argentine Farm

Adolfo Grobocopatel, son of Jewish immigrants who arrived to Carlos Casares from Bessarabia in 1910, founded Los Grobo in 1984. The company was created as a result of splitting the family-owned company, founded by Adolfo's father, which was engaged in agricultural production and grain trade. Adolfo decided to focus on production and kept 3,500 hectares of land, while his brother kept the commercial division. Adolfo quickly integrated his four children, Gustavo, Andrea, Gabriela and Matilde to the company's operation.

Gustavo Grobocopatel earned his Degree in Agricultural Engineering from Universidad de Buenos Aires. He began to work with his father leading the production's technical management. Gustavo's innovative spirit and energy in combination with other family members' support drove the company's growth and transformation. During his studies, Gustavo had specialized in soil management and had been a professor in that field for some years, thus getting to know in depth the new management soil techniques, even those that still had not been introduced in Argentina.

During the mid 80's, a major flood affected the central area of Buenos Aires, where Carlos Casares is located, leaving many producers with their farms useless for production. After the flood, several producers remained with no money whatsoever and afraid of assuming new risks. Thanks to his knowledge of soil, Gustavo could identify better than others which farms had been less affected in order to lease them for production. Thus, besides producing on their own lands, they then started producing on leased farms. Soon after that, the trade and stocking of agricultural products was added to the Group's activities.

Other family members also held top management positions. Andrea Grobocopatel, Bachelor of Economics, had a key role in Los Grobo's growth, leading the financial management. The other two daughters of Adolfo, Gabriela and Matilde, were in charge of procurement and internal services, and the coordination of Los Grobo Foundation, respectively. Other family members also held key positions. Paula Marra, Gustavo's wife, an Agricultural Engineer as well, was in charge of the talent management department, leading the company's staff recruiting and training. Juan Goyeneche, Matilde's husband, was responsible for the agroindustry business management.

In spite of the uncertainty with respect to the 90's new economic scenario, the Grobocopatel family enthusiastically adopted the productive transformations. They were pioneers in introducing no-till farming to the region, in obtaining quality certification for primary production processes and in actively using Internet communication and management tools in the field.

Innovations were not limited to the incorporation of state-of-the-art technology to production. Gustavo Grobocopatel, influenced by the texts on business management he read, noted that all the conditions were given to plan and implement a new business network organization model instead of the hierarchical organizational structure. Gustavo believed Los Grobo had to grow swapping services within a network of independent collaborators instead of doing everything in the company. In 2001, Gustavo Grobocopatel undertook the company's general management, accelerating the corporate transformation he had foreseen. The members of the family, particularly Andrea and Adolfo, accompanied and complemented him in this process of change and transformation.

Even though since 1996 Los Grobo has had external professionals holding managerial positions within the company, the relation was always the traditional employer-employee relation. Similar situation was that of suppliers and customers within the traditional relation pattern. Gustavo Grobocopatel defined Los Grobo as a business network. Such business network entailed creating stronger relations than a simple swapping of goods and services at market prices. Gustavo wanted to create an organization with more proactive representatives who felt owners of the organization and thus accountable of its results.

Los Grobo slowly became a network-organization. The network participants entered into agreements, sometimes informal agreements, to establish the specific terms and conditions of the partnership between the parties. “Los Grobo is a Group of agreements with individuals working in common projects. The company has a flat organization, where the organization’s leader has to give place for each one’s ideas to appear”, said Gustavo Grobocopatel. This organization system was based on the personal motivation of its partners and their independence as regards decision making, benefiting the parties by exchanging information and knowledge, allowing access to financing, fostering specialization and sharing the business’ risks. Informal verbal agreements many times replaced formal agreements. Although people from the interior of the country were more familiar with this attractive procedure, it was difficult to settle any conflicts of interest. Since this type of relation among the business network participants entailed a great autonomy and growth incentives, it attracted enthusiastic and motivated individuals who wished to make complementary businesses with Los Grobo (see **Exhibit 7**).

During the last years, Los Grobo became one of the major players within the Argentine agricultural industry, and attracted more attention of the massive media than any other agricultural company. As Gustavo stated:

> “The Group became a leader within the Argentine agricultural industry not only because of the number of hectares we cultivated but also because of some technological and organizational innovations we implemented, such as our human resources, natural resources, and knowledge management, concepts of the knowledge society applied to the farm, the new economy, the transaction costs, the professional risk management, and the fact we consider the agricultural production as a business portfolio, as well as the incorporation of biotechnology”.

Commodities production, together with its commercialization and stocking, have been the core business of the Grobocopatel family since Los Grobo’s onset. Although other activities have been added to the business portfolio, these are the main activities the corporate group has engaged in (see **Exhibits 8 and 9**).

Agricultural Production

In October, 2006, Marcelo Rey, Production Technical Coordinator of Los Grobo’s Production Department, analyzed the information on the advances of corn and soybean sowing he received directly through the online information system of the agricultural engineers who were in charge of the different production areas. Over the last years, the area cultivated by Los Grobo has rapidly extended. There had been a steady growth of the area sown (see **Exhibit 1**). Towards the end of 2006, Los Grobo had approximately 140,000 hectares of sown fields, including areas in the Humid Pampa, in the most marginal regions of Argentina and in the neighboring countries of Uruguay and Paraguay (see **Exhibit 9**). More than 90% of the area managed by Los Grobo involved farms owned by third parties under agreements with different partnerships with farm owners and investors. Marcelo Rey mentioned that Los Grobo’s reliability and dynamism lead individuals and corporations to negotiate with the company: “Even at the time of sowing summer crops, we still continue receiving proposals from farmers offering their land for lease”.

Los Grobo’s crop portfolio was mainly comprised by wheat, corn, soybean and sunflower (see **Exhibit 10**). Soybean production, covering an area of approximately 70,000 hectares (50% of the total amount) was a key activity for the Group. During the last years, soybean exports had become a key element in the Argentine economy and Gustavo Grobocopatel believed that the country had to strategically take the most of the competitive advantages to produce this high quality food of increasing demand worldwide.

Los Grobo’s agricultural production unit was organized as a business network. It had 17 Technical Leaders responsible for the production in different areas. Each Technical Leader was in charge of an average of 7,000 hectares. Technical Leaders were not employed by Los Grobo, but were partners of the company so that they were highly motivated to set their own businesses. They had no work place or time fixed and they used their own vehicles, computers and mobile phones. Their salaries varied according to the results obtained, receiving a percentage of the production plus bonuses for following up the processes established and conveying information on plots’ management on time. Raúl Carbajal was one of Los Grobo’s Technical Leaders. He began as an employee of the company and soon began to grow. He was one of the first offered to become a partner. In 2006, he was the owner of a family-owned company that rendered services related to the search of farms, negotiation of leases and the management of an 18,000 hectare production in the area of Guaminí. Carbajal pointed out: “The system of salaries with bonuses and the independence as regards decision making are highly motivating for Los Grobo’s Technical Leaders, although I must admit that at the beginning we were all afraid of change”.

At headquarters, the Agricultural Production Manager and the Technical Coordinator were the decision makers with respect to the 100,000 hectares sowed in Argentina, the crop portfolio composition and the definition of negotiation guidelines for lease agreements as well as the crop management standards. Besides the Manager and the Coordinator, two auditors were the liaison between headquarters and the Technical Leaders. At headquarters, MonteCarlo-type agricultural and financial simulation models were used to quantify the risks of areas, crops and management portfolio and contribute in the technical and economic decision making. These models were used, for instance, to calculate approximate values of the amounts offered to lease lands in different areas. In order to carry out such assessments, the Technical Leaders had to report to headquarters accurate information on plots' management. This information was collected and used to make better decisions on the management of future campaigns.

Several meetings were held every year with the Technical Leaders in order to exchange information on management practices. External consultants were occasionally invited to handle specific issues, such as crop fertilization or plague control. "The challenge of the network structure consists in communicating the corporate vision and the importance of a fluent communication among participants", stated Marcelo Rey, Agricultural Production Unit Technical Coordinator. Raúl Carbajal thought the continuous flow of information was a key element for Los Grobo's success as producers. Carbajal highly appreciated having access to technical and commercial valuable information that enabled him to make proper decisions.

In this new network structure, the flow of open information was essential to make correct decisions, promote the adoption of technology and avoid conflicts of interest. Therefore, the decision making and communication processes with respect to the agricultural production system, such as inclusions of new farms, crop planning, execution and harvesting, were clearly defined and ISO9001 certified. Los Grobo is the first company worldwide to obtain such certification on grain production processes.

The relations with landowners and contractors also played an important role in the agricultural production. The goal was to enter into long-term partnerships that benefited both parties under flexible agreements where investments and risks were shared according to the partners' preferences and needs.

The major competitors for the primary production unit included producers associations and investment funds that managed large farmlands. Unlike Los Grobo, these organizations had hierarchical structures that centralized all technical and commercial decisions and the persons who had responsibilities similar to the ones of the Technical Leaders were employees. There was also another type of large companies in the primary production business that had developed over the last years. These companies owned the land instead of leasing it, thanks to their larger financial resources. Such was the case of Cresud, which made a heavy investment in land, animals and technology and by 2006 produced 140,000 hectares, 85% of which was comprised by land it owned, and it had more than 90,000 cattle heads. Cresud was one of the few public companies within the industry, it listed on the Buenos Aires Stock Exchange and on the US NASDAQ with a market capitalization of US$ 425 million by the end of 2006. Several studies were carried out at Los Grobo to assess the company's pros and cons versus its competitors (see **Exhibit 11**).

Stocking and Agro-inputs

In 2005, 800,000 tons of grains were traded, the third part of which came from Los Grobo's production and the rest from customers of the stocking unit. In addition, the stocking centers had points of sale of agro-inputs that offered a wide range of products. By the 2006 harvest, the Group had commercial centers in more than 20 communities, with a total stocking capacity of 200,000 tons (see **Exhibit 12**).

At Los Grobo's headquarters located in Carlos Casares, the stocking and agro-inputs unit centralized the commercialization, the decision-making guidelines and the logistics. This group was led by a Stocking and Agro-inputs Manager, and included a commercial supervisor, a logistics coordinator, a plant coordinator, an administrative coordinator and the trading desk, all reporting to the Stocking and Agro-inputs Manager. In addition, the unit had 4 Zone Leaders and 36 Commercial Leaders. The Zone Leaders were employed by the company and were responsible for the development of a specific area and the management of input sale and stocking centers. The Commercial Leaders were partners and their income was based on a percentage of the grains' value set for Los Grobo and of the inputs they sold.

José Manuel Marín, who until 2001 had been Technical and Commercial Leader for the zone of General Pico, in La Pampa, said:

> "Farmers founded more attractive to negotiate with Los Grobo than with a multinational company such as Cargill. Negotiating with Los Grobo was like dealing with Nidera or Cargill in terms of reliability and stability, but with the possibility of talking face to face with the company's general manager in order to arrive at an agreement on many aspects of the transaction. In the case of large

companies, there is no such a thing as open dialogue."

In the grain and oilseeds stocking and trade business, Los Grobo's major competitors included large multinational companies such as Cargill, Bunge, and Nidera. These companies had stocking facilities in various locations within the Pampas region, where grains were purchased directly to producers and, at the same time, they were the main companies that exported these products. Unlike Los Grobo, these companies had a more centralized organization, with a hierarchical structure unable to offer business flexibility, although it offered very good price conditions for standard transactions (see **Exhibit 6**).

Gerardo Burriel, Los Grobo's Commercial Manager, was enthusiastic about the business' evolution and growth potential:

> "The wide range of services offered and our negotiation flexibility are key advantages when aiming at attracting customers. We stand out from other large competitors for our ability to arrive at handcrafted deals, tailor-made businesses for customers where all profitability variables, including capacity transference, are taken into account. Our challenge lies in easing the tension between the complexity given by flexibility and our capacity of control" (see **Exhibit 13**).

New Businesses

In the last years, Los Grobo has incorporated new activities that added value to the Group's customers and partners. Brokerage services[2] were offered through Chain Services, thus enabling customers the possibility to make transactions in the Argentine and US futures and options markets. In 2004, Los Grobo established a Mutual Guarantee Association (SGR, for its initials in Spanish), a project that had been conceived taking into account the financial needs of small and medium-sized companies that were part of the network. From its creation in 2004, the SGR has granted loans for an amount of $58 million to small and medium entrepreneurs – producers, contractors and transportation companies.

An agricultural trust of US$ 2.8 million was created in 2005. Los Grobo contributed 50% of the capital and the remaining 50% was obtained at the Mar del Plata Stock Exchange. The capital was invested in the lease of land and in agricultural production in the Southeastern area of Buenos Aires province. Therefore, Los Grobo expanded its operations to other regions and made its first steps in the OTC capital market. Many network members and employees also became investors of the fund.

Cristián Duckwitz, Technical Leader of the Mar del Plata areas, stated:

> "For a long time I have tried to convince Gustavo to consider the great opportunity he had in the Southeastern area. The company had a positive image and I knew many people within the area. But Gustavo did not make up his mind until the opportunity of the trust arose".

Los Grobo, together with other partners, created Bioceres, an organization established for the purpose of leading and managing research and development projects on agro-biotechnology and other scientific fields. As part of its evolution, a stimulating public-private cooperation was established, the CONICEL and CERIDER of Rosario. As regards animal production businesses, Los Grobo had interest in Avex, a major entrepreneurship engaged in chicken production export. The Group also evaluated other projects that involved animal production.

Social Responsibility

Training is essential for Los Grobo when working within a network with latest innovation. The Talent Management Unit, which reported to the Human Resources Department, organizes various training activities. Magdalena Eceizabarrena, the Unit's Manager, said:

> "Many of these proposals not only aim at training the company's employees, but also the whole community. In this way, people from the interior of the country have the possibility of participating in sessions, workshops or high level training courses without having to travel to the big cities".

At Los Grobo headquarters, postgraduate courses were given on various topics related to agribusiness, under an agreement with the Universidad de Buenos Aires, and the possibility of having a postgraduate program in rural tourism was being evaluated. In addition, Los Grobo and the Universidad de San Andrés introduced in 2007 a program for the management of small and medium family-owned companies, specifically prepared to provide assistance to Los Grobo's network of companies. "In this society where knowledge doubles every four years, it is necessary to get continuous training. But talents cannot attend the

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[2] Grain brokers are agents that receive orders from buyers and offers from sellers and they close the transaction between both parties. Grain brokers usually offer their clients the possibility of making transactions with futures contracts.

university for ever. Such training should be provided by the company and talents should be trained at their workplace", said Gustavo.

Los Grobo Group, through the Rural Entrepreneurships Foundation, actively parcitipates in projects that contributed towards the community's development focusing on how to improve the standard of living of small cities and towns throughout the country. The Foundation aimes at creating a social conciousness among the company's employees and partners, and it offers training and advice to those who participate in charitable projects so that they can enhance their performance as volunteers. Moreover, the company allows the network's members to use their work time and corporate facilities to design and implement volunteer actitivies.

The Foundation provides financing to charitable projects submitted by groups of individuals that identify actual needs in the communities. Several projects have been supported over the last years, most of them related to schools and other educational institutions in the interior of Buenos Aires province, such as the project of Escuela de Educación Especial No. 501 of Carlos Casares, the purpose of which was to develop an industrial sewing workshop thus providing a decent work opportunity for women with different skills and unemployed. Another example of Los Grobo's social commitment is the mutual collaboration agreement entered into with the Fundación Cardiovascular de Buenos Aires (Buenos Aires Cardiovascular Foundation) in 2006 to broadcast videoconferences on health prevention. The purpose of this project was to enable people from the interior of the country to have access to knowledge with regard to very important health-related issues.

Additionally, Los Grobo endeavores to improve the agribusinesses' efficiency and competitiveness in Argentina, from various entities within the sector. The Group actively participates in ASAGIR (Argentine Sunflower Association), AAPRESID (No-till Producers Association), AACREA (Association of Regional Consortiums for Agricultural Experimentation) and AEA (Argentine Enterprise Association), the main enterprise association in the country.

Looking to the Future

In view of the explosive growth of both the business and the organization over the last years, it became necessary to carry out a large reorganization process. In 2006, Los Grobo went through the final stage of professional development, facing the challenge of leaving behind the family-owned company in order to become a corporation, without losing the warm and simple way of relating with people. The company owners were in the process of leaving their management positions aside so as to exclusively continue as members of the Board of Directors. This was not a simple step. It entailed significant changes as regards employees and partners' responsibilities and the hiring of professionals capable of making critical decisions. The flexible and dynamic business management, which was of great value for Los Grobo's customers and partners, was also highly demanding for those who held managerial positions at the company. The members of the various business units all agreed about the great challenge the Group's reorganization would be during the following years.

Magdalena Eceizabarrena mentioned: "The Human Resources Department faced two major challenges to support Los Grobo's marked growth. The first one was to design a new structure and define the goals and objectives of each job position. The second one was to meet the needs of the staff. Open job positions are finally filled in, but the process takes time. Recruiting and training professionals capable of leading different activities represented a challenge. Besides, the fact that the company is located in a city in the interior of the country, although considered an advantage by many people because of its peaceful everyday life, it was occasionally an obstacle when hiring candidates who lived in big cities.

The company's organization as a business network, the main strength for the development of dynamic and competitive skills based on the creation and sharing of knowledge and responsibilities, could paradoxically become an obstacle for its growth. The type of relation among the network participants, which fostered independence as regards the participants' empowerment and decision making processes, at the same time hindered the control of the company's activities, particularly given the geographical dispersion of the agricultural products production and trade businesses and the various agreements entered into with the different members and potential conflicts of interest. Gustavo continuously encouraged Los Grobo's partners to increase the number of services rendered to the company, but there was always the question of how to handle potential conflicts of interest with, for example, the Technical Leaders that organized their own contractor companies to provide services to Los Grobo.

Apart from the need to reorganize the company, there was a compelling desire to continue growing. The members of the Board of Directors of Los Grobo had scheduled a meeting to discuss the corporate expansion plans for 2007 and 2008 and Gustavo Grobocopatel was particularly interested in evaluating two opportunities of growth: the expansion of the primary production to new areas and the flour sale business in Brazil. Both alternatives meant great opportunities and challenges for the company and they had to be assessed in order to decide to which extent Los Grobo had to consider engaging in the businesses.

Horizontal Expansion: Increasing the Sown Area

In the last years, Los Grobo's grain and oilseed origination business had greatly expanded in spite of the cost increase and the export duties. The business' future seemed encouraging. During 2006 and 2007, there was a steady demand for agricultural commodities. There was a worldwide increasing interest in renewable energy sources and the elaboration of biofuels had created new markets for grains and oilseeds. Market analysts forecasted an increasing price volatility of the main agricultural commodities with a consistent positive trend. In the US, the US Department of Agriculture (USDA) estimated that corn had already suffered a 20 to 25% increase as a result of the ethanol demand for its elaboration in replacement of petrol. In this context, Los Grobo had committed to become one of the major originators of agricultural primary products.

Los Grobo's primary production business unit considered the possibility of increasing the area sown in marginal zones, thus expanding its operations to the Northeast of Buenos Aires and South of Santa Fe. The expansion towards new zones had a double purpose: to increase the business volume, maintaining the profitability, and to reduce risks through diversification. Crop management in marginal areas entailed a greater challenge and Los Grobo, thanks to the expertise of its professionals and the gathering and assessment of information, would be in a better position than other competitors. In the Northern area of Buenos Aires province, the most fertile land in Argentina, which has more stable yields and fewer obstacles in terms of management, the company had to face a higher risk: intense competition. In both cases, it was essential to develop new network partners with extensive knowledge of the zones in order to avoid repeating the experience endured in the Southeastern area of Buenos Aires where the community rejected Los Grobo's entry from the beginning due to lack of trust. Another contradiction was that prices were increasing but profitability was decreasing due to higher leasing costs as a result of a great demand for land.

The trusts were an important resource for Los Grobo's expansion. Los Grobo had created its first trust in March 2005, called Fideicomiso Financiero Agrícola Grobo I, for a total amount of US$ 2.8 million for a one-compaign sowing of 11,000 hectares of wheat, sunflower and soybean in the Southeast of Buenos Aires. In April 2006, it created the second trust, Fideicomiso Financiero Agrícola Grobo II, for a total amount of US$ 12 million, for 45,000 hectares in the Southeast and Southwest of Buenos Aires and in Entre Ríos, for the 2006-2007 and 2007-2008 campaigns. These trusts enabled investors that were not part of the industry to invest in the agricultural sector. Los Grobo's management, with vast experience in agricultural products production and trade, was a guarantee for investors. The trusts were a challenge that Los Grobo had to face in its attempt to become known and enter the capital markets. Andrea Grobocopatel told us:

> "Trusts are the beginning of a path of liaison between Los Grobo and the capital markets. In the future, we may consider issuing corporate bonds or becoming a public company."

Los Grobo's expansion plans involved not only Argentine land, but also land in neighboring countries. Competition for land in Uruguay, Paraguay and Bolivia was not as fierce as in the Argentine Pampas. There were no local companies similar to Los Grobo in these countries and some of the major Argentine producers had established there seeking higher profitability and diversification. In 2003, Los Grobo entered into a partnership with the Uruguayan producer and businessman Marcos Guigou to create Agronegocios del Plata, a company that sows and trades grains and oilseeds in Uruguay. In 2004, Tierra Roja was organized, a company that was led by who was then Los Grobo's Production Manager, Pedro Zurro, so as to produce in Paraguay as well.

Agronegocios del Plata

Agronegocios del Plata (ADP) is engaged in the production and trade of grains and oilseeds for their export and the sale of agro-inputs in Uruguay. "Our goal was to become the most efficient grain producer in Uruguay", pointed out Marcos Guigou, partner in equal partnership with Los Grobo with regard to this entrepreneurship. Since its creation in 2004, ADP's agricultural area has tripled and by 2006 it managed 29,000 hectares.

Even though the agricultural production systems in Uruguay are similar to those in Argentina, there are some major differences, mainly due to the different soil characteristics. "The soil in Uruguay is not as deep as the soil in the Argentine Pampas so there is a lower accumulation of water and yield losses during drought periods may be very high. Therefore, it is essential to have a higher level of diversification and carry out crop management practices, such as no-till farming, so as to retain more water in the soil", explained Guigou. Moreover, the climate in Uruguay is warmer and 75% of the land is devoted to double crops, a winter crop (wheat, barley or rape), followed by a summer crop in the same year (soybean, corn, sorghum or sunflower). Another difference is that soybean's weight in the crops sowed by ADP is not as significant as in Argentina (see **Exhibit 10**).

Marcos Guigou's extensive knowledge on the local production systems, combined with Los Grobo's business network organization plans, resulted in the creation of an efficient and innovative company. ADP adopted several features of the production network, information organization systems and management that Los Grobo had developed in Argentina. The difference between ADP and other companies within the industry is ADP's great flexibility as regards contracts with owners, contractors and customers.

The production gross margins per hectare in Uruguay are similar to those obtained in Argentina. Fairly lower and more variable yields are compensated with higher prices. The main destination of ADP's production is the foreign market and, unlike Argentina, Uruguay has no export duties whatsoever. Grains and oilseeds are sold FOB to multinational export companies, such as Cargill, Dreyfus, and ADM.

Guigou trusted in ADP's substantial expansion during the following years. He and his family were very optimistic about the impact of ADP's development on Uruguay's agricultural production and, particularly, on how it would benefit the community of Dolores, a small city located in the interior of the country, where ADP has its headquarters.

Tierra Roja

Pedro Zurro had been an employee of Los Grobo in Argentina, working for the primary production unit for several years, until 2004, when Los Grobo invited him to farm Paraguayan lands. In 2006, Zurro had 3 agricultural engineers who reported to him and managed a 12,000 hectare sown area. Soybean was the prevailing crop, covering 80% of the area. Wheat and corn were also cultivated (see **Exhibit 10**). Tierra Roja had substantially expanded in spite of the severe drought suffered during the first years. Apart from this entrepreneurhsip with Los Grobo, Zurro had developed his own crop-spraying business in Paraguay.

The Paraguayan agricultural production system sharply differed from the Argentine and Uruguayan ones. Lease agreements in Paraguay had traditionally contemplated a fixed number of quintals payable upon harvesting. Los Grobo introduced the percentage agreement methodology. At the beginning, landowners were not attracted by this type of agreement, but later they understood that sharing risks benefited both parties. Percentage lease agreements were set at approximately 22% of the harvest for the landowner.

The business' profitability was similar to that obtained in Argentina. On the one hand, there were no export duties, but on the other hand, the cost to transport goods to shipment ports was very high. As in the case of Argentina and Uruguay, the production's main destination was the foreign market. The large multinational companies were the main exporters.

The business network system for primary production had not been largely developed in Paraguay. Most contractors were Brazilian companies which identified the opportunity to expand by offering services in the neighboring country. The companies that managed large areas were investment funds of Argentine and Brazilian capitals. Unlike the situation in Argentina, where the agricultural industry had lately adopted state-of-of-the-art technology and with a high level of professionalism, the outdated technology and skilled labor shortage hindered the production in Paraguay. Los Grobo had made substantial investments in order to have access to communication and information technologies in this area. Zurro stated:

> "When we landed in Paraguay, the locals rejected our organized way of conducting businesses, through formal agreements and processes. Later, they began to appreciate the advantages of Los Grobo's way of conducting businesses and nowadays we get several business proposals".

Pedro Zurro believes that the possibility of being connected with Los Grobo's headquarters, sending and receiving technical and economic information, led Tierra Roja to be in a better standing when compared to other producers. Pedro Zurro is confident that Tierra Roja has significant expansion possibilities in a developing market: "It is very difficult to make an estimate and to work with no clear rules. Los Grobo is committed to change the production systems. The droughts suffered during the last two campaigns generated losses and the non-fulfillment of agreed-upon deals, thus splitting the business chain. Because of this situation, today there is a greater interest to better organize the business".

Vertical Expansion: Sale of Wheat Flour in Brazil

In 2006, wheat production and trade were a major activity for Los Grobo. It had sowed approximately 30,000 hectares of wheat and estimated it would trade approximately 300,000 tons of this grain. Gustavo Grobocopatel believed that one of the Group's goals was to cover all the links in the wheat chain. Los Grobo's participation in such chain went from the process of improvement of wheat varieties through BioInta, an agreement entered into by and between Bioceres and the National Institute of Agricultural Technology (INTA, for its initials in Spanish), to the sale of flour and premixes to large consumers, and wheat production, transport logistics and stocking. In 2005, upon the acquisition of the flour mill Cánepa, Los Grobo became the fourth miller group of the country. Cánepa, which was located in Chivilcoy, was a mill of large capacity that processed 450 tons/day and had 120 employees. Los Grobo had another mill in Bahía Blanca and rented another one in Chacabuco.

The Group's managers forecasted that the businesses involving primary products processing and the distribution of agrifood would become in the mid term key businesses for Los Grobo. Juan Goyeneche, Agrifood Department Director, and Pablo Gabarró were evaluating a major step towards the wheat flour global market. Through a new business unit, Los Grobo Agroindustrial do Brasil, the new business was being planned and it involved the introduction of flour and premixes of Argentine origin into the Brazilian market by selling it to distributors, industries, bakeries and industrial bakeries.

In the last years, Argentina has exported between 20 and 30% of the wheat produced. Brazil was the main purchaser of Argentine wheat and one of the major importers of wheat worldwide (see **Exhibit 14**). During the 2005-06 campaign, 60% of the exports of Argentine wheat were destined to Brazil.

With the creation of Los Grobo Agroindustrial do Brasil, the Group would manage all the wheat chain from sowing to the sale of flour and premixes to large Brazilian customers. According to the vision of Pablo Gabarró, who was in charge of this business unit's development: "It is essential to create a product of superior quality and constant through time that enables its sale with a premium over the wheat-commodity price." Gustavo Grobocopatel explained that it was possible to have a price between 2 and 12% above the overall market price for high-quality wheat". Los Grobo's business was oriented to quality-demanding buyers in food industries, bakeries, pizzerias, and pasta factories. At the beginning, the business was planned based on wheat milling in Argentine mills and the possibility of investing in the acquisition of mills in Brazil was being evaluated for the future.

Wheat's quality for bakery is determined by its content of protein and gluten, its hectoliter weight, and other specific indicators related to the bakery industry. These factors are largely determined by the wheat varieties sown, but are also influenced by the environmental conditions of crop farming, such as temperature, rain, and fertilization level. Argentine wheat's quality is usually better compared to the wheat of Brazilian origin. Usually, Brazilian mills traded mixtures of wheat of Argentine origin with wheat of Brazilian origin, thus increasing the quality standards for bakery as regards local wheat. Although Argentine wheat is widely known in the Brazilian market for its superior quality, most Argentine exporters failed in appropriately segregating the wheat according to its quality and traded wheat with substantial quality variations among different batches. In the last years, an increasing mechanization in the bakery processes increased the importance of having wheat and flours of controlled quality.

If Los Grobo managed to integrate all the wheat chain from the origination to the sale of flour, it would guarantee quantity and quality. One of Los Grobo Agroindutrial do Brasil's projects consisted in the development of the flour brand "Auténtica", a name customers would identify with superior quality, for being a product elaborated by a realiable company that farmed and selected high-quality wheat. Pablo Gabarró mentioned: "Wheat's traceability given by the product's follow-up from the farm to flour's end consumers will be of great value for the buyers of Los Grobo's flour in Brazil".

Following Los Grobo's business network model, Los Grobo Agroindustrial do Brasil's plan was to enter into partnerships with local operators for the distribution of flour in Brazil. Following this strategy, the company would avoid a substantial increase in overhead during the business's first stages and would have the advantage of having partners with a deep knowledge on the local market. The business in the Brazilian market would not aim at making specific transactions with high profitability, but at establishing long-term relations with customers that appreciated the quality of Los Grobo's products.

Some competitors' quality and size proved a challenge for Los Grobo. Even though the business was not as concentrated as soybean's processing and trade, the wheat milling industry in Argentina had large multinational companies among its participants (see **Exhibit 13**). Like other businesses engaged in the processing and trade of agroindustrial commodities, the large companies had advantages as regards the costs incurred, given the overhead dilution due to larger volumes being processed and traded. Besides, there were other companies that did not efficiently operate but evaded taxes as a way of generating profitability and surviving through time.

Another issue Los Grobo had to consider in this business was the cultural differences with Brazil, which although not that significant, they established certain difficulties between the Argentine and the Brazilian people at the time of doing business.

Argentine regulations for the export of agroindustrial products were critical for Los Grobo's business in Brazil. Lately, the export duties on wheat and derivatives had suffered significant fluctuations (see **Exhibit 5**). Duties had a double purpose: to control prices within the domestic market and to be an important source of tax collection for the Argentine government. These taxes' fluctuations had a great impact on the agroindustrial activity's profitability; therefore, the business had to be continuously reevaluated. Although Argentina and Brazil are members of MERCOSUR, local companies' interests occasionally create obstacles in the commercial exchange between both countries. For example, in August 2006, the Brazilian milling industry put pressure so that measures were ordered limiting the import of flour and premixes of Argentine origin to the Brazilian market, by establishing additional sampling requirements for cargos containing Argentine products, a process which took several days in the Brazilian border.

In spite of these obstacles, Los Grobo's managers and employees that led the business were very optimistic about this new project's development. They believed that the wheat chain's vertical integration in Brazil was an excellent opportunity of growth for Los Grobo.

Challenges

Los Grobo has become an agricultural company model, not only because it has incorporated state-of-the-art technology to its primary production, but also because it has implemented an innovative corporate organization in the way of a business network, and strongly participates in social development projects. "Los Grobo has the responsibility of creating wealth, employment and well-being for the community", stated Gustavo Grobocopatel.

Gustavo has to decide with his family several questions as regards the company's future. To which activity will they allocate most of Los Grobo's resources and energies in the following years? One of the major issues to be solved is the structure of the new organization. Should they continue with the reorganization and standardization of agreements with partners and customers? Agreements' flexibility is a key factor when competing with larger multinational companies, but the administration of so many agreements is rather complex.

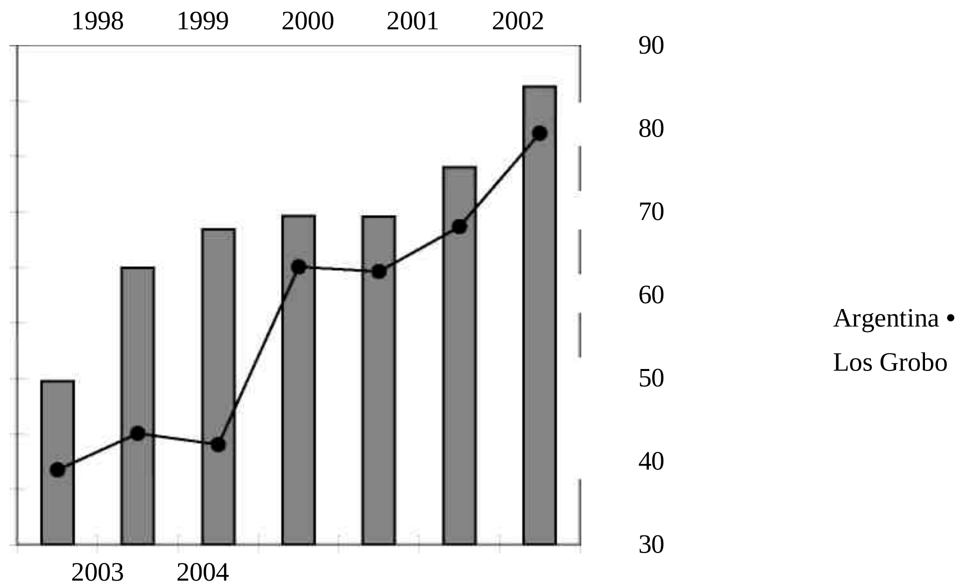
Even more difficult is to decide the level of social investment and the family's new role in the organization. The many social projects in which Los Grobo participates have led the company to have a high level of public exposure and a positive image that is desired by all the companies within the industry. However, the number, complexity and level of commitment with the projects increases every day. New technology projects, training in the field and preparation to entrepreneurs would be incorporated to the 2007 portfolio of social projects.

But the issue of the company's growth still has to be decided. Should the group focus on adding hectares to its production area, incorporating new zones within and without Argentina in a greatly heterogeneous context where best practices can still be promoted in more marginal areas? Would it be more convenient to adopt a vertical integration model through the biogenetics, wheat flour production and sale, or poultry production businesses? In which activity will Los Grobo's innovative ideas on the incorporation of technology and corporate organization, plus its previous experience be capable of creating more value for its employees, partners, investors and society?

Gustavo Grobocopatel and his family ask themselves: "To what extent the characteristics of the Group responsible for achieving excellent results in the production and trade of primary agricultural products in Argentina will be an advantage in the new areas and businesses? What will involve moving forward to other countries with very different rules and practices? Should Gustavo and his family focus on social projects and leave the company's management to a professional team?

Anexo 1: Evolución de la Producción de Cereales y Oleaginosas, Argentina y Los Grobo, 1995 - 2005

<u>**Superficie Cosechada de Trigo, Maíz, Soja y Girasol, Total Argentina y Los Grobo en Argentina**</u>



25.000

24.000

23.000

22.000

21.000

20.000

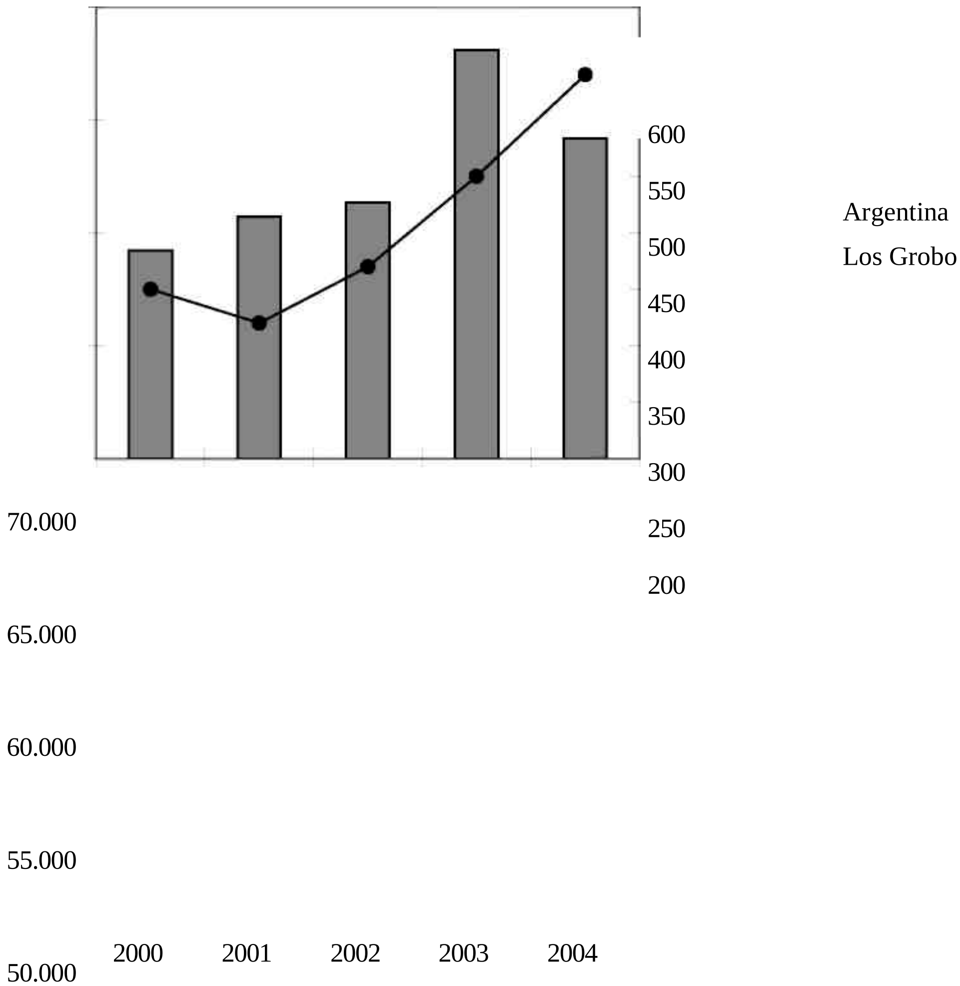
19.000

18.000

17.000

16.000

Volumen de Producción de Trigo, Maíz, Soja y Girasol en Argentina y Volumen Comercializado por Los Grobo



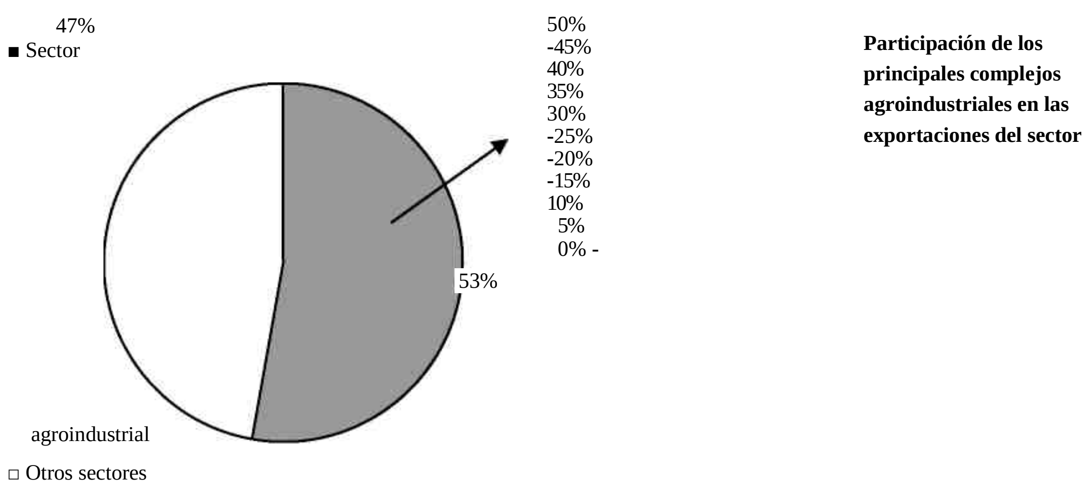
Fuente: FAO, Statistics Division, Plan Estrategico Los Grobo 2005.

Anexo 2: Argentina en el Mercado Mundial de Productos Agrícolas y Agroindustriales

Ubicación de Argentina en el Ranking Mundial de Exportación, 2005

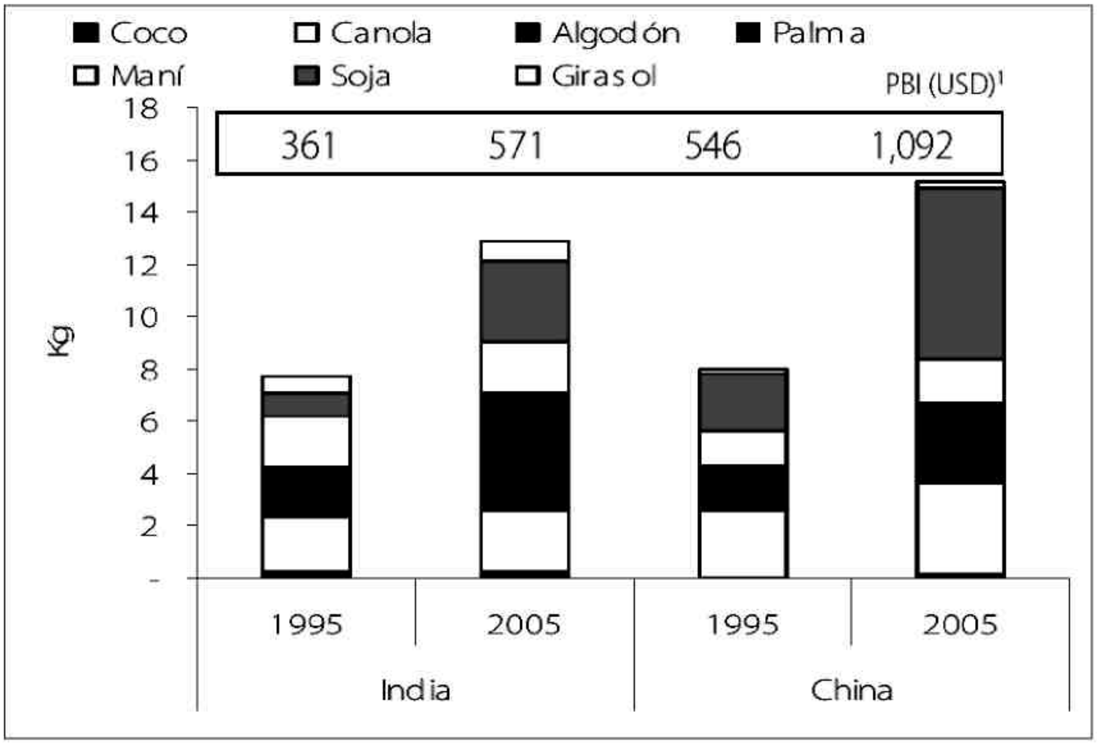
Producto	**Posición en el ranking mundial**
Aceite de girasol	1º
Aceite de soja	1º
Harina de girasol	1º
Harina de soja	1º
Jugo concentrado de limón	1º
Peras	1º
Maíz	2º
Miel	2º
Carne bovina	3º
Limones y limas	3º
Soja	3º
Lana grasienta	5º
Leche en polvo	7º
Papas congeladas	7º

Composición de las Exportaciones Argentinas, 2005



Fuente: FAO, USDA, Indec, Apuntes Agroeconómicos FAUBA

Anexo 3: PBI per Capita y Consumo de Aceites Vegetales, India y China, 1995 vs. 2005



[1] PBI per capita real en el 2000 **Fuente: Estimaciones de Rabobank basadas en USDA-ERS & FAS, Banco Mundial y UN.**

Anexo 4: Retenciones a las Exportaciones en Argentina, Productos Agropecuarios y Derivados, 1995 vs. 2006

Producto	Retenciones (%) 1995	
Maíz	0	20
Trigo	0	10,5
Harina de trigo	0	10,5
Soja	3,5	23,5
Aceite de soja	-0,5	20
Harina de soja	-0,6	20
Girasol	3,5	23,5
Aceite de Girasol	-2,5	20

Nota: Los valores negativos indican reintegros a las exportaciones.

Anexo 6: Comercilizacion de Cereales y Oleaginosas en Argentina

<u>Diagrama del Traslado de Granos desde el Campo y Capacidad de Acopio en los Diferentes Eslabones</u>

Acopiadores (21 mill tn)

Campo

acopio en el campo
silobolsa (16 mill)
silos (4 mill)

Cooperativas (9 mill tn)

Industria
Exportadores
Puertos
(11mill)

Anexo 7: La Red Los Grobo

Fuente: Los Grobo

Anexo 8: Grupo Los Grobo S.A. Tenencia Accionaria

GUSTAVO	ANDREA	MATILDE	GABRIELA	ADOLFO

GRUPO LOS GROBO S.A.
Actividad: Tenencia Accionaria

	Ama S.A.	Los Grobo Agropecuaria S.A.	Chain Services S.A.	Sedas Agropecuaria S.A	Los Grobo Servicios S.A.	Los Grobo Inversora S.A.	Proseme Pampeana S.A
	Agrícola	Acopio de Cereales Produccion Agrícola Ganadería	Corretaje	Agrícola	Transporte y servicios	Molienda	Acopio Transporte y servicios
Participaciones Accionaria							
Grupo Los Grobo	95,30%	92,60%	96,00%	97,88%	93,79%	90,00%	50,00%
Adolfo Grobo	2,35%	5,40%	2,00%	1,36%	4,22%	5,00%	0,00%
Edith Grobo	2,35%	2,00%	2,00%	0,76%	2,00%	5,00%	0,00%
Grupo Arcor							
Otros							50,00%
Fechas de Cierre	Diciembre	Abril	Diciembre	Junio	Abril	Abril	Diciembre
Bienes de Uso	4840 has	Ptas de silos Hacienda		9613 has Equipo riego	Camiones Maquinaria	Instalaciones Molino	Planta de Silos

Accionistas flia. Grobo

Avex	Agronegocios Del Plata S.A.	ADP S.A	Tierra Roja S.A.	Bioceres S.A	Los Grobo San Pedro S.A.	Los Grobo SGR	Unigral do Brasil
Rio Cuarto	Producción Agrícola Uruguay	Acopio Uruguay	Producción Agrícola Paraguay	Biotecnología	Acondicionamiento de Granos	Sociedad de Garantia Reciproca	Harina Trigo
	22.000 Hectáreas	240.000 Toneladas	11.000 Hectáreas	111 Productores		Fondo de Riesgo $ 20.000.000	

Fuente: Plan Estratégico Los Grobo 2005

Anexo 9: Los Grobo Indicadores de Desempeño Económico

EBITDA

	30/04/2006	30/04/2005
Ventas Totales	364.613.028,62	321.642.651,76
Patrimonio Neto	74.723.063,42	63.500.813,16
Resultado Operativo		
Ganancia del Ejercicio	12.107.273,04	16.474.807,26
Resultados Financieros	3.548.762,33	984.680,12
Amortización Bienes de Uso	2.568.049,75	1.636.206,43
Previsiones y Recuperos de Previsiones	445.000,00	42.000,00
Impuesto a las Ganancias	3.597.079,90	4.608.133,27
Amortización Activos Intangibles		
Ganancia Operativa EBITDA	22.266.165,02	23.745.827,08
Índices Base EBITDA		
Ganancia - Operativa/P.Neto	29,80%	37,39%
Ganancia - Operativa/Ventas Totales	6,11%	7,38%

Ingresos por Ventas y Servicios

Partidas	LGA - 2006
Ventas de Cereales y Oleaginosas en Consignación	174.058.262,86
Ventas de Cereales y Oleaginosas	124.122.376,82
Ventas de Agro Insumos	38.811.128,28
Ventas de productos y sub productos - Harinas	17.294.453,25
Ingresos por Servicios	6.735.944,57
Ventas de Hacienda Vacuna	2.965.765,01
Ingresos por Comisiones	520.424,52
Reintegro de Exportación	104.653,31
Total	**364.613.028,62**

Otros indicadores económicos

ROI (Rentabilidad Ordinaria antes de Impuestos)

EBT	18.669.085,12	29,82%	Este ratio apunta a establecer la rentabilidad de la "inversión" realizada por la empresa al inicio del período fiscal (que es el Patrimonio Neto excluido el Resultado Final del Ejercicio).
P.N. – RE	62.615.790,38		

ROE (Tasa de Retorno del Pat. Neto)

Rdo Neto	14.675.322,79	19,64%	Expresa el porcentaje de remuneración que puede ofrecerse a los capitales propios de la compañía (representados por el PN), mostrando las ganancias que los accionistas están obteniendo por su inversión
P.N.	74.723.063,42		

ROA (Tasa de Retorno del Activo)

Rdo Neto	14.675.322,79	6,55%	Mide la capacidad efectiva de la empresa para remunerar a todos los capitales puestos a su disposición, propios y ajenos (PN+Pasivos), que confirman el Activo. Muestra el retorno operativo de la empresa por cada peso de capital invertido en ella
Activo	224.107.819,41		

Efecto Palanca (Grado de Autonomía Financiera)

ROE	19,64%	3,00	Si es = 1 la relación entre el capital ajeno y el capital propio es la óptima. Si fuera < 1 la conclusión es que la empresa está sobre endeudada, mientras que si fuera > 1, a la empresa le convendría seguir endeudándose a las tasas de interés actuales.
ROA	6,55%		

Ratio de Cobertura

EBITDA	22.266.165,02	6,27	Es la relación entre la generación de caja de una empresa y los intereses anuales pagados, que nos indica la capacidad genuina de generar recursos en relación a la carga financiera, esta última medida a través del EBITDA.
Intereses	3.548.762,33		

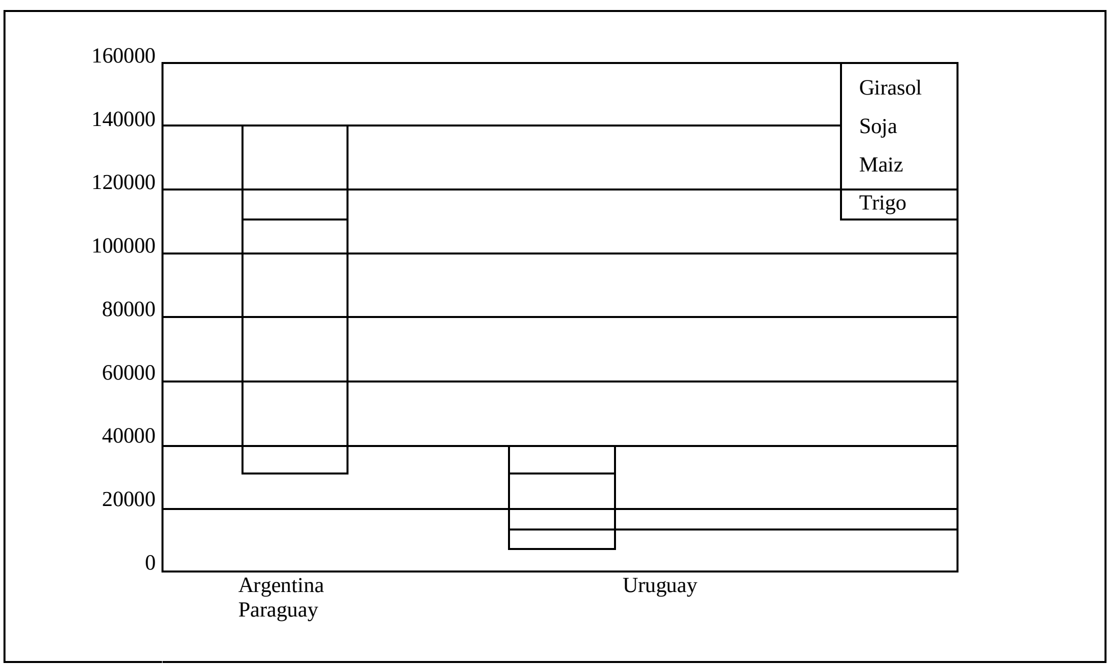
Fuente: Memoria y Balance Grupo Los Grobo S.A. Ejercicio Económico Finalizado al 30/4/2006.

Anexo 10: Producción Primaria de Los Grobo, Zonas y Cultivos, Campana 2006-2007

Zonas de Producción en Argentina, 2005

Zonas	Superficie sembrada (ha.)
Casbas y Guamini	17.800
Pringles y Dorrego	11.755
Sudeste I y II	10.767
Pehuajo	8.553
Entre Ríos	7.703
Darregueira y Guatrache	6.886
Casares y Ordoqui	6.700
San Luis	4.600
San Antonio de Areco y Arrecifes	4.444
Torquinst y Suárez	4.334
Tres Arroyos	4.143
Salliquelo y Pellegrini	3.361
25 de Mayo	1.756
Bunge	1.369
Monte	1.237
Chaco y Santiago de Estero	1.045
Timote	464
Bolivar	-
Trenque Lauquen	-
Tucumán y Salta	-
La Pampa	-
9 de Julio y Junín	-
Azul	-
Pergamino y Rojas	
Santa Fe	-

Portfolio de Cultivos Campana 2006-2007



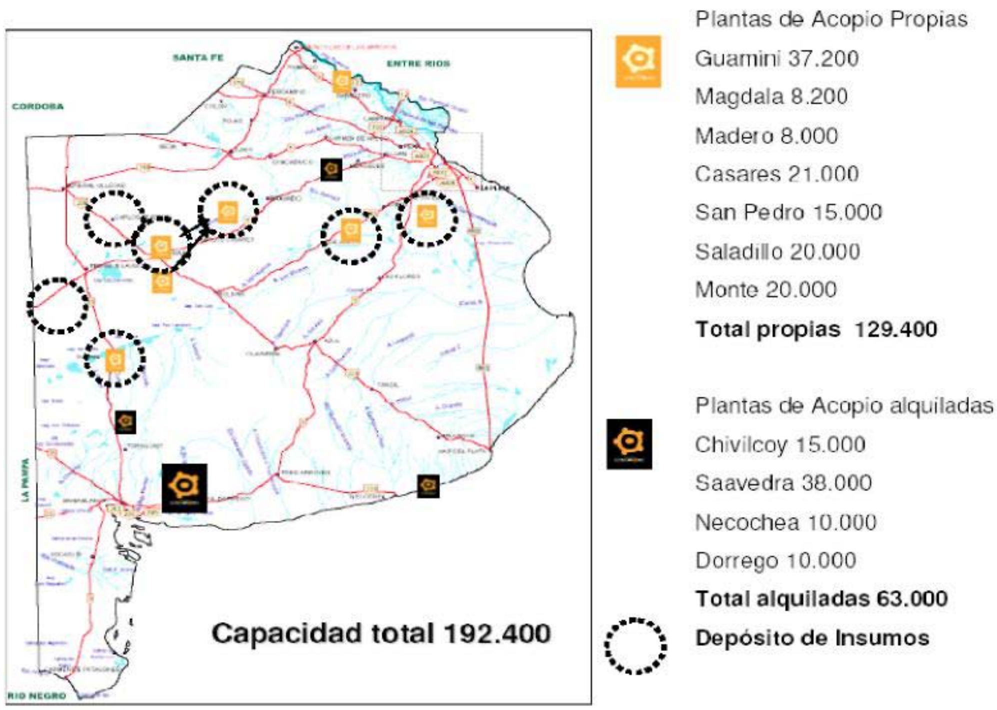
Anexo 11. Atributos de Los Grobo vs. Principales Competidores en Producción Primaria

Atributos	Competidor 1	Competidor 2	Competidor 3	Competidor 4	Competidor 5	Competidor 6	Los Grobo	Promedio
Imagen	6.0	6.6	7.5	8.0	8.4	9.0	8.1	7.7
Agresividad en los arrendamientos	7.7	7.8	8.5	9.0	7.4	8.5	5.7	7.8
Tecnología	7.0	7.0	7.8	7.0	9.2	7.0	9.7	7.8
Estructura de soporte	6.3	6.6	8.0	7.0	7.8	7.0	7.0	7.1
Administración	6.7	6.6	7.0	7.0	7.4	6.0	8.3	7.0
Recursos humanos	6.7	7.2	6.5	7.0	8.4	7.0	9.1	7.4
Asociación local	6.0	4.4	6.0	8.0	5.6	8.5	7.3	6.5
Plazos contractuales	6.3	6.6	6.3	8.0	7.2	7.5	7.9	7.1
Antigüedad en el negocio	5.0	8.8	8.8	7.0	8.0	8.0	8.0	7.7
Flexibilidad	7.3	6.4	7.0	9.0	7.6	9.0	7.7	7.7
Promedio general	**6.5**	**6.8**	**7.3**	**7.7**	**7.7**	**7.8**	**7.9**	**7.4**

Escala 1-10

Fuente: Encuesta a los Responsables Técnicos de Los Grobo, Plan Estratégico Los Grobo 2005-2010

Anexo 12: Localización de Plantas de Acopio y Depósitos de Agroinsumos



Fuente: Plan Estratégico del Grupo Los Grobo, 2005-2010.

Anexo 13. Atributos de Los Grobo vs. Principales Competidores en la Comercialización de Granos

Atributos	Los Grobo	Competidor 1	Competidor 2	Competidor 3	Competidor 4	Competidor 5	Competidor 6	Competidor 7	Competidor 8	Competidor 9	Competidor 10	Promedio
Precios de insumos	7	6	10	6	8	8	7	10	7	10	10	**8.09**
Cartera de productos	4	4	3	6	6	8	7	6	10	7	7	**6.18**
Logística de insumos	5	2	0	5	10	6	8	3	8	6	9	**5.64**
Crédito	9	5	8	9	6	8	9	10	5	10	10	**8.09**
Condiciones generales	9	4	10	0	5	6	8	9	9	10	10	**7.27**
Logística de cereales	9	0	0	0	0	0	9	7	10	9	10	**4.91**
Estructura de acopio	8	3	0	2	2	4	7	10	9	8	10	**5.73**
Agresividad comercial	5	5	10	8	7	9	6	10	5	10	10	**7.73**
Cantidad de sucursales	7	10	2	7	8	6	6	7	8	9	8	**7.09**
Estructura de soporte	5	5	0	6	10	9	7	6	5	7	10	**6.36**
Administración	6	2	9	7	5	8	6	4	6	5	4	**5.64**
Recursos humaos	4	8	5	5	10	9	6	6	8	8	9	**7.09**
Imagen	8	5	4	8	9	8	9	8	9	9	8	**7.73**
Promedio general	**6.62**	**4.54**	**4.69**	**5.31**	**6.62**	**6.85**	**7.31**	**7.38**	**7.62**	**8.31**	**8.85**	**6.73**

(Escala 1-10)

Fuente: Encuesta a los Responsables Zonal de Los Grobo, Plan Estratégico Los Grobo 2005-2010

Anexo 14: Indicadores la de Cadena de Valor de Trigo

	Toneladas
Producción de trigo (2005/2006)	12.575.176
Molienda nacional (2005)	4.997.698

Exportaciones de trigo y subproductos (2005)

Producto

	10.382.166
Toneladas	425,376
Trigo	80,829
Harina de trigo Salvado de trigo Total	10.888.371

Destinos de la molienda nacional (2005/2006))

Destino Toneladas	
Producción de harina	3.748.273
Exportación de harina	424,443
Industrialización	
Harina fraccionada	
Pastas secas	
Pastas frescas	
Galletitas	
Pan artesanal	
Pan industrial	

Principales compradores de Trigo Argentino (2005/2006)

País	%
Brasil	59,65
Perú	7,54
Chile	7,16
Sudáfrica	5,78
Colombia	4,27
Ecuador	2,83
Otros	12,76

Exportación y consumo de la molienda de trigo, 1991 - 2005