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TELEFÓNICA'S BID FOR THE MOBILE MARKET IN BRAZIL (C)



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Analysis of the Brazilian Market

Macro environment



Micro environment



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Macro environment

Macroeconomic Data

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- 7th largest economy by nominal GDP
- Biggest economy in South America
- One of the fastest growing economies - 5% on average per year
- Expected to be among world's five biggest economies



Economic Agricultural Hardfacts

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- Represents 4.53% of GDP and agribusiness 26.46%
- 3rd major agricultural exporter
- 4th major food exporter
- Largest producer and exporter of: soybean, coffee, cane sugar, orange juice, meat & tobacco



Land Hardfacts

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- Biggest reserves of not cultivated land in the world (equivalent to France & Spain together)
- Agricultural production grew 9.1% in 2008



National Contribution

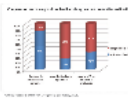


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- 19.3% of employment
- Domestic consumption captures 79% of total production

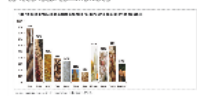
Main Points & Comparison to Agribusinesses

- 3. Small scale farmers are responsible for a large percentage of food production in Brazil
- 4. Family farming is responsible for a considerable portion of the national revenue from agriculture & jobs



Main Points & Comparison to Agribusinesses

- 1. Small scale farming is more efficient than large agribusinesses in terms of land use
- 2. Securing land rights of small scale farmers is critical to feed local communities



Family Farming

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- Small farms employ 75% of rural labor
- Family farmers represent 84.4% of the country's farming sector
- From the total of 5,175,489 million farms, 4,367,902 farms in Brazil have land plots with less than 10 hectares but only 24.3% of the total farmland

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Political & Legal Issues

- Bureaucracy: 119 days to start a business
- Taxes
- Patents
- Corruption



Other Challenges

- Preference for local companies
- Lack of high developed infrastructures & technology
- Local labor force
- Developing country with high levels of poverty

Technological Issues

- Problem of infrastructure
 - Bad conditions of the roads
 - Dependency on road transports rather than trains
- Lack of warehouse
- Poor capacity of storage in the ports
- International market share, more insolvency, hurt Brazilian agriculture

Environmental Issues

- Environmental impact
 - Responsible of 75% of the country's gas emission
 - Farmers have to take into account their impact on the environment
- Reduce the use of pesticides & growing genetically crops: constraint

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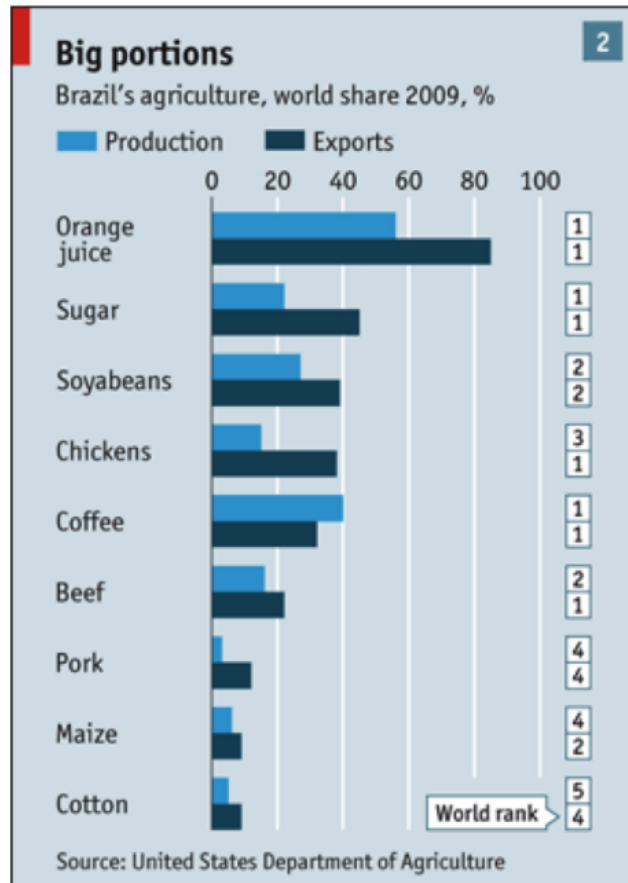
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