



Coal Trading Association & American Coal Council
The Dry Bulk Roller Coaster

Presented By
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& Business Development

New York
December 2008



Louis Dreyfus Commodities



Merchandising and trading soft commodities since 1851

- An affiliate of the Louis Dreyfus Group, an organization of diversified companies privately owned by Robert Louis-Dreyfus and the Louis-Dreyfus family



One of the world's largest commodity players

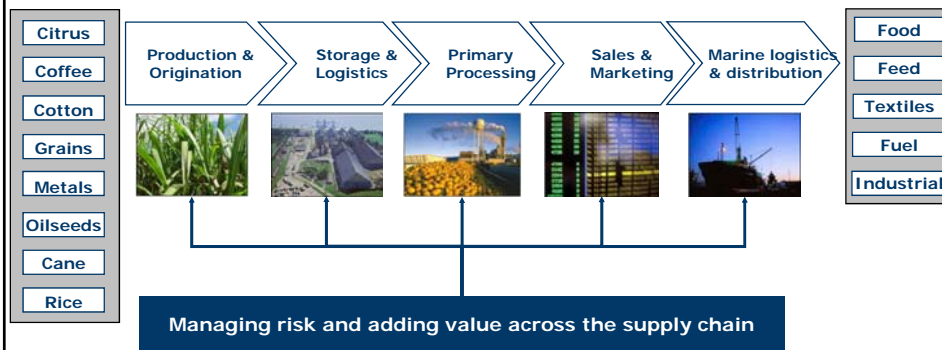
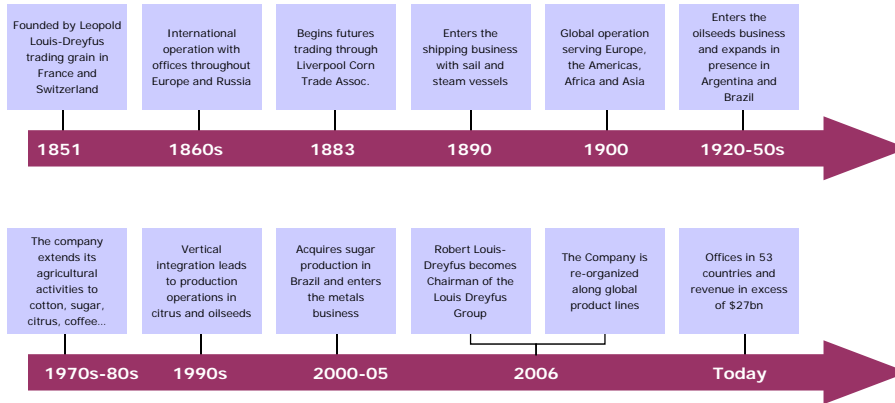
- 2007 net sales exceeded \$27 billion
- Record net income in 2007
- Over 11,000 permanent employees worldwide
 - 30,000 including seasonal workers

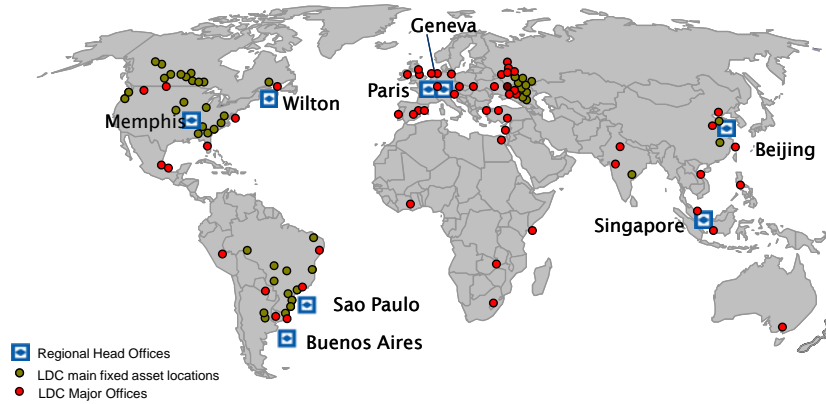


Global reach

- Offices in 53 countries worldwide
 - Headquartered in Geneva, Switzerland
 - Major offices in Argentina, Australia, Brazil, Canada, China, India, Singapore, South Africa, Switzerland, and the United States

From a physical grain marketing company into a diversified natural resources group





LDC is one of the world's three largest orange juice processors

- 15% of global FCOJ market
- Processing facilities in Brazil and Florida
- Combined annual capacity of 83 million boxes



LDC is the world's largest cotton merchant

- Annual handle in excess of 4 million bales per year
- 20% of world free trade



LDC processed ~ 12 million tons of sugar in 2007

- 3rd largest refiner in Brazil
- Capacity expansions will lift output to 20mmt by end 2009

LDC has quickly become a top tier base metals merchant

- Entered the base metals sector in 2006
- Concentrate volumes already > 1,00,000 mt per year



LD Commodities handles 12% of world soy-complex flows

- Operating some of the world's largest and most efficient processing plants in the world



LD Commodities handles 10% of world corn trade

- Origination and export operations in all major exporting countries



LD Commodities handles 14% of African imports

- Major marketing and distribution channels in the world's largest import markets

Worldwide market presence in the rapidly expanding biofuels sector

- Leading position in the Brazilian ethanol market
- Operating the world's largest *integrated* bio-fuels refinery in Claypool, Indiana

7



2008 Dry cargo carriage will exceed 30mmt

- Serving worldwide miners, utilities, and industrial organizations in addition to its own internal cargo requirements
- 2008 will represent a doubling in carried cargo over 2005 volumes



First Class Charterer, Vessel Operator, and Ocean Freight Trader

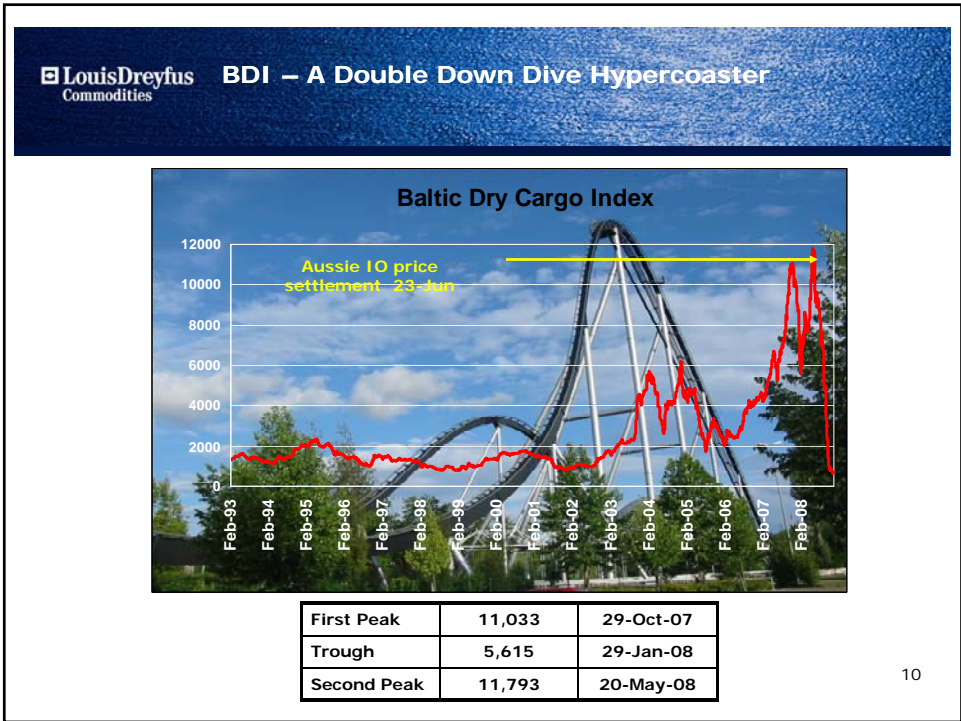
- An unparalleled track record of success in all types of market conditions
- Understanding and managing supply chain logistics to add value to the company's bottom line

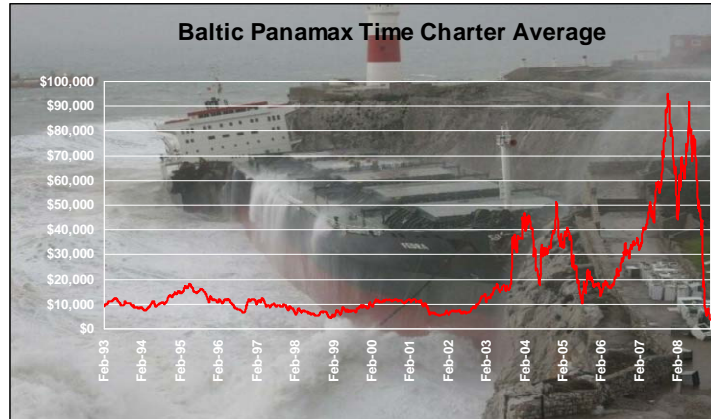


A Trusted Partner and Supplier

- Expansion being driven by our relationships with worldwide chartering organizations that are engaging our research, risk management, and logistics services to assist their operations
- Flexible solutions to manage price risk while maintaining operational flexibility
- **Over 100 years of honoring its contractual commitments without regard to changes in market conditions**

8





From a record high of \$91,710 on May 20, 2008

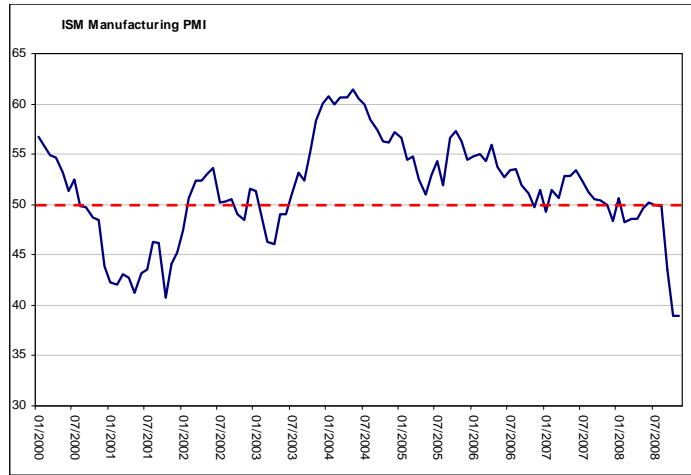
To an all time low of \$3,619 on December 10, 2008

11

What Happened?

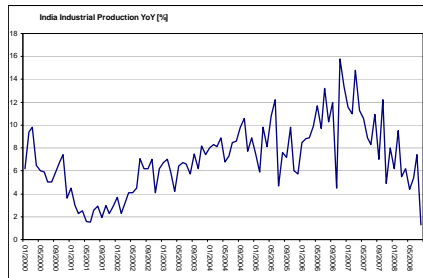
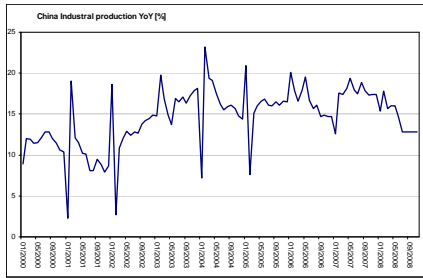
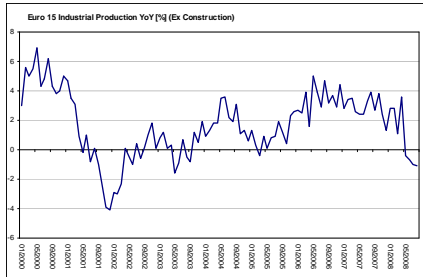
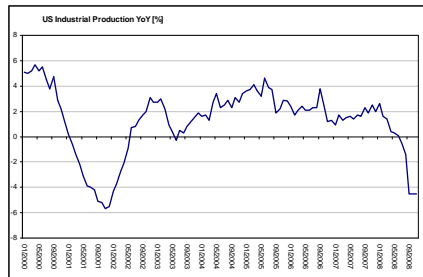
12

PMI Was Already Hinting Of A Slowdown

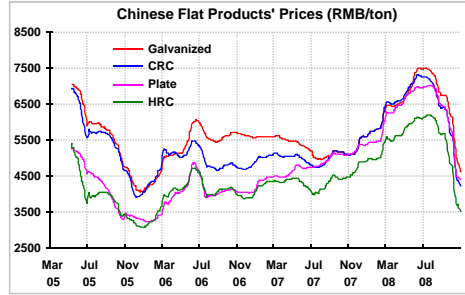
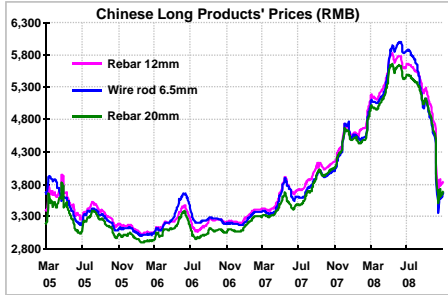


13

IP Growth Was Fading – Even in China + India



LouisDreyfus Chinese Steel Prices
Commodities



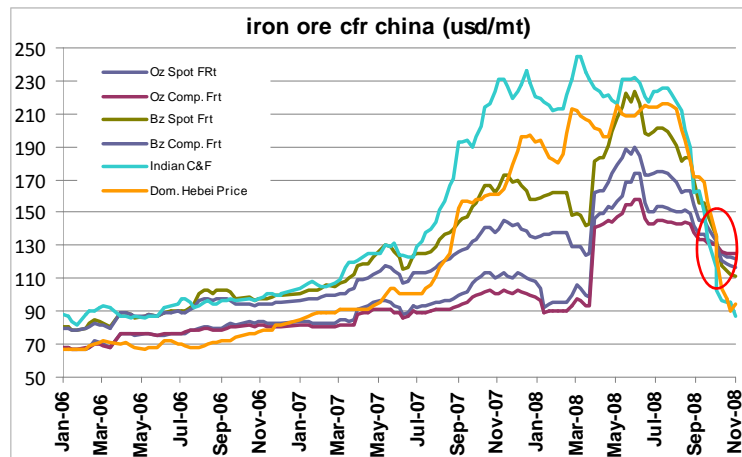
Note how Chinese steel prices peaked right after raw material settlements

The Beijing Olympics, and its construction restrictions, were a front page reason for a temporary demand slowdown

Chinese steel buyers didn't come back from their Olympic vacation

15

LouisDreyfus Spot Iron Ore Prices Take An Olympic Dive
Commodities



Spot prices are suddenly cheaper than contract prices

16

So What Happened?

- Slowing global growth
- A sharp increase in raw material prices
- Suddenly the “average ton” was priced like the “marginal ton”
- This was extremely problematic for world steel buyers
- The Credit Crisis explodes
- Steel buyers can’t be found – prices take a dive
- Follow through into raw materials – particularly iron ore
- Spot prices are suddenly cheaper than contract prices
- **PRICE MAJEURE!**
- Defaults are widespread throughout the supply chain

17

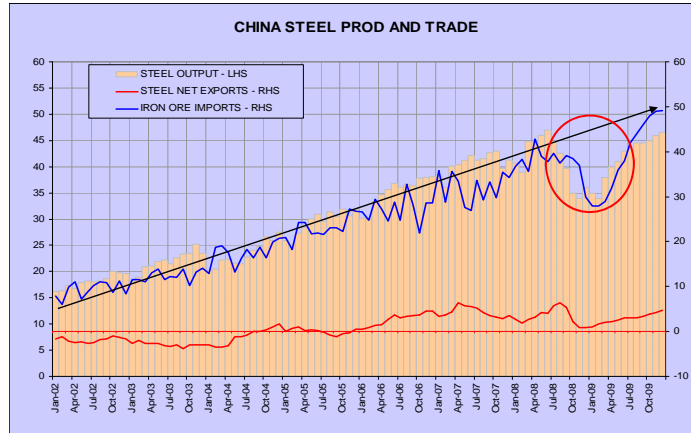
Market Outlook?



After the big drop, things are never quite as exciting for the rest of the ride

18

Chinese Steel Production Hole

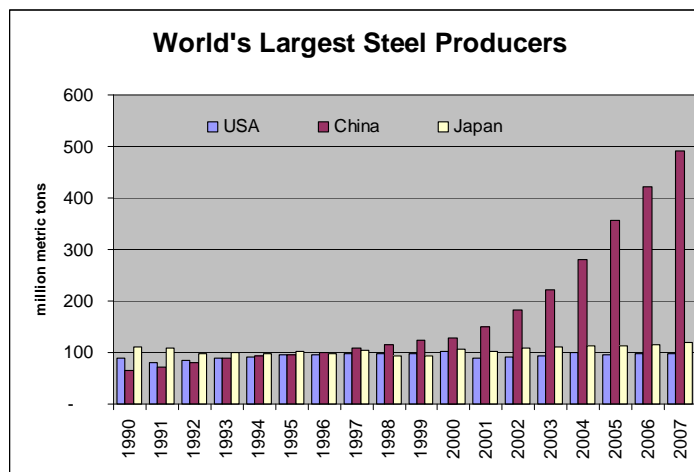


Raw material demand hole has been carved out

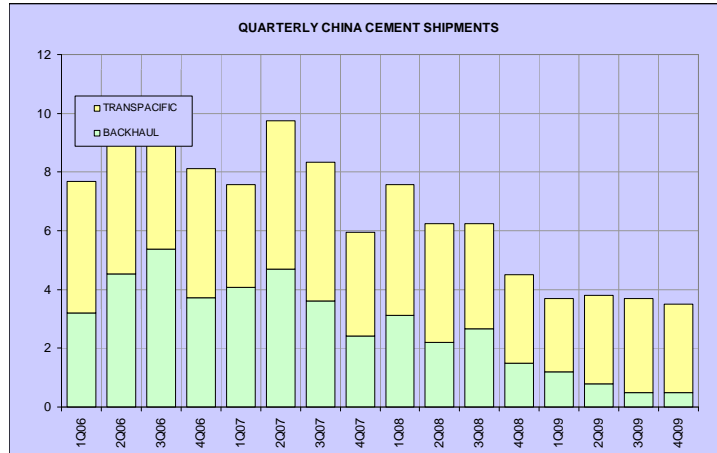
Difficult if not impossible to fill in today's economic climate

19

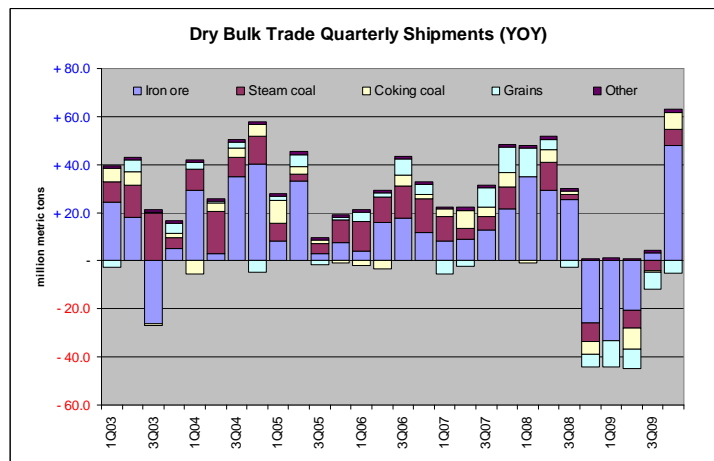
Why Chinese Steel Production Is The Driver



20

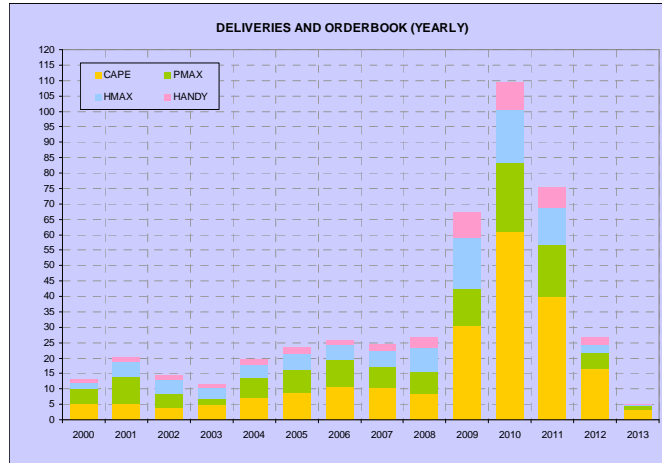


21



Iron Ore trades look dismal through at least the FH of 2009

22



Just as deliveries are set to accelerate

23

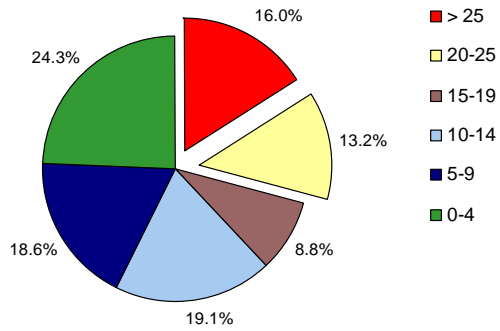
The Credit Crisis and market conditions are leading to...

- Shipyard Bankruptcies
- Buyers cancelling orders
- Underfunded orderbook
- Greenfield yards struggling to perform
- Sharp rise in insurance rates (+15% to 20%)
- An acceleration of scrapping!

• It will take time to cull the fleet...

24

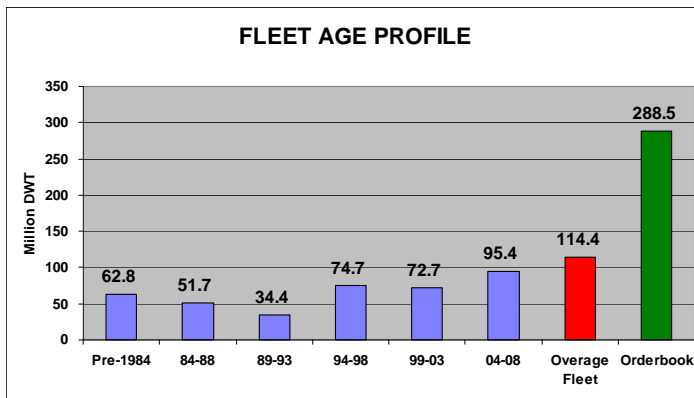
DRY BULK FLEET AGE PROFILE



Over 29% of the fleet is overage

Ships headed for layup will eventually head to the scrap yards

FLEET AGE PROFILE



A combination of scrapping + cancelled orders could work to bring the orderbook/overage fleet ratio back into a more manageable scenario

What can we expect?

- Freight rates will remain low for the foreseeable future
 - At or just above running cost
 - Until we scrap A LOT of ships and cancel new orders
- As overpriced supply chain materials are worked off, normal flows will begin to resume, albeit at lower levels
- This means freight will no longer dictate which coals move where
 - Coal sales will be based on price of coal, not freight
 - More threat of Aussie coals ending up in Atlantic Basin than we have seen the last few years
- Bankruptcies in the ocean freight sector will accelerate as months of extremely negative cash flows sink undercapitalized owners and operators
- Navigate with caution!

27



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28