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O32.SI - Q3 2016 Olam International Limited Earnings Presentation

EVENT DATE/TIME: NOVEMBER 14, 2016 / 2:30AM GMT

CORPORATE PARTICIPANTS

Hung Hoeng Chow *Olam International Limited - General Manager, IR*

Neelamani Muthukumar *Olam International Limited - President, Group CFO*

Sunny Verghese *Olam International Limited - Co-Founder and Group CEO*

A. Shekhar *Olam International Limited - Executive Director and Group COO*

CONFERENCE CALL PARTICIPANTS

Joan Ng *The Edge - Media*

Tomomi Kikuchi *Nikkei - Media*

PRESENTATION

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

Good morning, ladies and gentlemen. Welcome back this time to our third quarter and nine months' results for the period ended September 30, 2016. I'm Hung Hoeng from Investor Relations. A very good morning to all of you.

Once again, I will start off with the introduction of our senior management team present here this morning. Seated on the extreme right at our table is our Co-Founder and Group CEO, Sunny Verghese. On his right is Executive Director and Group COO, A. Shekhar. On his right is our Group CFO N. Muthukumar.

This is a notice on the cautionary statement, and it's taken as read.

Coming to the agenda, we will talk about our nine months' results, highlights, as well as the financial performance on our segments, on our balance sheet and cash flows, and the key takeaways, and these will be presented by our Group CFO, Muthu.

So, without further ado, I will invite him to the rostrum to start his presentation. Thank you.

Neelamani Muthukumar - *Olam International Limited - President, Group CFO*

Thank you, Hung Hoeng. Good morning, ladies and gentlemen. Welcome once again to the third quarter financial results of Olam.

I'm quite pleased to announce a very steady operational and financial performance continuing into the third quarter. Our PATMI grew 61% year-on-year, largely due to lower exceptional losses on account of buyback of bonds that we had last year. However, our operational PATMI grew at 2% at SGD261 million as compared to SGD255 million same period last year, obviously aided by a very strong growth from our confectionery and beverage ingredients segment and food staples and packaged foods segments.

On the balance sheet side, we have continued to optimize both our tenure and borrowing cost, which has resulted in a reduction of net finance cost of close to SGD36 million, and we are at SGD291 million as compared to SGD327 million year-on-year, in spite of significant increase in the invested capital over this period.

Our net gearing continues to be at 1.87 times, down from 1.98 times, where we were at June, and well within our limits of at our around 2 times. It is higher compared to last year this period, was primarily due to infusion of SGD915 million of equity by Mitsubishi who invested in us at 12% directly and 8% laterally.

Our positive net operating cash flow is at SGD812 million, almost double what we had this time last year. However, we had significantly higher CapEx during the year of SGD901 million, which resulted in a marginal negative free cash flow of SGD150 million.

As we had highlighted in Q1 and Q2, we continue to invest in our prioritized platforms, and our organic -- both through organic and inorganic investments. Our organic investment in animal feed and hatchery and poultry feeding business in Nigeria continues to be on budget and on schedule. We had successfully completed our Brooks Peanut Company acquisition at $100 million after adjusting for working capital on closing. And we have recently announced the acquisition of the East African specialty coffee business from Schluter.

Our JV with Mitsubishi Corporation in Japan commenced operations on October 1, on schedule.

Going to the financial performance, on the P&L analysis, we had a 15% -- or 16% increase on volume year-on-year at 10.2 million tonnes. Revenue grew a healthy 6%, as compared to volumes, offset by some low prices on commodities, very high on coffee and cocoa, but low on some other food staples commodities I will cover slightly in detail later. Net loss on biological assets is low at SGD3.7 million, primarily due to the dairy assets that we have both in Russia and Uruguay.

Point to note is the depreciation and amortization, it is a 35% increase, which was budgeted for, due to acquisition of the ADM's cocoa business that we completed in Q4 of last year which has completely flown in this year, and also augmented by our further two acquisitions. One is the wheat milling and pasta manufacturing facilities in Nigeria, and more recently, the Brooks Peanut Company in the US.

As earlier indicated, our net finance cost is down 11% at SGD291 million, as compared to SGD327 million. Our taxation is also lower by 10% year-on-year, due to mix in geographical earnings.

The exceptional items of SGD12 million as compared to SGD101 million, as I highlighted, was due to the buyback of expensive bonds that we did last year. And that has resulted in a 68% increase on PAT year-on-year, and more importantly, 61% on PATMI. And what we track as an operational metric, which is operational PATMI, still grew at 2% at SGD261.4 million.

Moving on to EBITDA and invested capital. Our EBITDA has grown 3.4% at SGD854 million as compared to SGD826 million at the portfolio level. More importantly, our EBITDA grew 7.7% quarter-on-quarter at SGD205 million as compared to SGD190 million this time last year.

You can notice that our invested capital has increased by SGD2 billion on a year-on-year basis, primarily due to acquisition of the cocoa processing, wheat milling assets, and Brooks, which is a peanut shelling company that we bought, and our continued investments in upstream and midstream assets organically.

We have also had increasing working capital from higher volumes post these acquisitions, obviously. And also we are carrying higher cocoa inventory levels and aided by higher cocoa and coffee prices.

We wanted to call out on the Gabon fertilizer project at SGD221 million, no further investment being done except for some capitalized overheads to keep the project running. And our long-term investment, which primarily concerns holds of PureCircle, stands at SGD161 million.

Moving on to segmental analysis, let me call out first on edible nuts, spices and vegetable ingredient business. EBITDA declined 25%. We had called this out in Q1 and Q2, primarily due to very low almond prices, a rather extremely high almond prices last year. And while the almond prices were declining, encouraging news is that almond prices are already looking up at $6.50 a kilo. And we believe that this business is very profitable and will continue to perform better next quarter.

However, the other businesses in the edible nuts segment, which is peanuts, supported by the MMI integration as well as the recent closing of our acquisition of the Brooks Peanut Company, performs and exceeds our investment thesis, and supported by cashew and hazelnut business, which are performing at or above our budget levels.

In the spices and vegetable ingredients, the US dehydrates business is doing very well, supported by all-time high garlic prices. And also the rest of the world spices business, in Vietnam, India and China are doing well. But as indicated in Q2, earlier, the tomato business in the US is facing some headwinds, primarily due to higher input costs as well as higher production both in US and China, and that has led to reduction in margins. We expect this trend to continue in Q4 as well for the tomato business. However, invested capital has declined by SGD400 million approximately, primarily due to lower almond prices and lower tomato-based prices.

Moving on to confection and beverage ingredients, a very, very good performance over the nine months, a 43.5% increase on EBITDA on a year-on-year basis, both from cocoa and coffee businesses. Cocoa results were primarily due to the contribution from the cocoa processing assets that we acquired from ADM. Very heartening to see that it is performing better than expected, already fully integrated. And although it was somewhat offset by a lower contribution from supply chain businesses due to volatility in prices as well as reduction in crop size that we had called out early in Q1 and Q2.

However, coffee, which I had indicated in Q2 as having one of the best starts in the last few years, continued to perform well both on the green coffee as well as in the soluble coffee businesses. Of particular highlight, our soluble coffee businesses in Vietnam and Spain are running to full capacity and already have a forward book of next one year, and both are looking at expanding their capacity as we speak.

Invested capital on a year-on-year obviously increased by SGD2.4 billion, as called out earlier, primarily due to acquisition of the cocoa processing assets, and also continued investment in our coffee plantations in Laos, Zambia and Tanzania and Brazil, and also expansion of soluble coffee processing facilities in Vietnam and Spain, and further augmented by the higher cocoa inventory levels and prices of cocoa and coffee.

On the food staples and packaged foods business segment, EBITDA again grew a healthy 38%, with most platforms improving over nine months 2015. So, wheat milling, which is in Nigeria, Ghana, Cameroon and Senegal, all continued to perform very well. The BUA wheat milling and pasta manufacturing asset that we acquired in January has been fully integrated, running to full capacity, and that is very, very heartening to see. We had increasing volumes also during these nine months due to grains trading that has significantly increased on a year-on-year period.

Dairy business, which was facing significant headwinds last year, especially in our upstream investment in Uruguay, has turned around. All our operational metrics are better. While it is still not having positive operational earnings, but we expect that moving forward, supported by some increasing dairy prices, will turn positive in 2017 and beyond. The Russian upstream dairy business continued to perform well, and supported by some increase in dairy prices recently, our supply chain business globally for dairy also is performing very well.

On the rice business, especially in spite of the continued ban of rice imports into Nigeria, our distribution businesses in Ghana, Mozambique and Cameroon are doing very well, and supported by higher trading volumes into the hinterland of western Africa and some parts of Middle East. Sugar business again, the trading business has -- doing very well compared to last year, and the sugar refining assets both in Indonesia and India are performing better than last year.

So, if you look at all platforms, except packaged foods business, which we have called out earlier as not performing to the budget but still performing very well compared to peer industries -- peer operating companies in Nigeria, primarily due to the significant policy issues and currency issues that we are facing in Nigeria and that we expect to continue in Q4.

The invested capital grew marginally by SGD133 million. As you know, we acquired the BUA wheat milling and pasta manufacturing assets in Nigeria, and also some continued expansion of wheat milling in Ghana and our palm plantations in Gabon. This was partially offset by the working capital reduction in other commodities, but again, due to higher grains volumes, working capital also increased marginally.

Moving on to industrial raw materials. As you know, industrial raw materials, the big business is cotton. We had called out earlier in Q2 that cotton trading business is facing some headwinds on the margins, and that continues to impact us in Q3. And we expect that to continue in Q4 as well. But, however, what is heartening to see is that the Gabon SEZ business, especially on the -- our Nkok business near Libreville is performing well, and that has positively contributed during this quarter and expect to contribute a little bit more in Q4. The rubber trading and fertilizer trading business are still growing, and they are performing on budget.

The invested capital was down at SGD163 million, primarily due to lower volume, lower inventory levels of cotton, because we had record sales volumes in nine months in cotton during this year as compared to last year. And also the fixed capital in Gabon, as we said, had come down in Q2, which has offset -- due to increase in fixed capital for our investments in rubber plantation in Gabon.

I also want to quickly call out on the commodity financial services segment, which we have not presented here, before we move on to balance sheet and cash flow. We had just broken even on EBITDA levels for the commodity financial segment. It is a tale of two parts.

The market-making and volatility trading business had faced some headwinds and that has -- but, however, the funds business, which has both quantitative and fundamental fund, are performing well, and we expect this trend to change and go into positive trajectory going forward.

Moving on to balance sheet and cash flow. Compared to September 2015, we have grown our balance sheet by SGD3.4 billion. And more importantly, I wanted to call out the highlight during the quarter. We had successfully issued $500 million perpetual securities, bearing a distribution date of 5.35%. We tapped on our senior bonds, fixed rate notes of 4.5%, another $150 million. Heartening to know that 101.651% of the principal. And more importantly, in October, we successfully completed our refinancing requirement of $2 billion through a one, two and three-year RCF program.

On the cash flow analysis, you can see that we have generated significantly improved free cash flow before CapEx and investments in nine months, at SGD501 million, compared to SGD148 million last year. However, that has been partially offset by our increase in CapEx and investments of SGD967 million as compared to SGD504 million that we had this time last year. However, if you look at the changes in working capital or the net interest paid or on tax paid, all our -- or on cash from divestments, all have been tracking well.

Our gearing remains in line with our objective of at or around 2 times; we are at 1.87. As I called out earlier, we were at 1.98 times in June, we had down at 1.87 times today and well below 1.96 times that we were at December. Our readily marketable inventory levels and secured receivables levels continued to be healthy and our net debt to equity adjusted is at 0.79%.

Our liquidity position continues to be very strong and has ability to cover all repayment and CapEx obligations. We have SGD6.7 billion of unutilized bank loans, a total liquidity of close to SGD15 billion. And you can see that the total debt, gross debt, is equally split between -- 50%, between short term and long term. And we will continue to focus and optimize our debt tenure and the borrowing cost and also the mix of both long term and short term to match our fixed and working capital requirements.

So, in summary, the cocoa processing business, which we had acquired in Q4 of last year, which was the largest acquisition net for Olam, a lot of expectations, we are happy to report that cocoa processing business is on track to meet targets for 2016. We have had significant earnings contribution from food staples and packaged foods compared to a year ago, which was facing significant headwinds last year.

Our continued debt optimization initiatives have resulted in lower finance costs, and we will continue to make more efforts on this front as we go along. Our balance sheet is strong and we have very good liquidity position. And we remain focused on executing our strategic plan of 2016 to 2021, and continue to invest in prioritized platforms.

Before I end this session, our advance wishes for a very happy, prosperous, peaceful and successful new year 2016. Looking forward to seeing you all in early next year. Thank you.

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

Thank you, Muthu.

QUESTIONS AND ANSWERS

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

We'll now go into the Q&A session. If you have a question, please raise your hand and -- so that our colleagues at the back can bring the mic to you. Please state your name and the firm you represent. Thank you.

Yes, Joan.

Joan Ng - *The Edge - Media*

Hi, I'm Joan from The Edge. Could you give an outlook for your cocoa business this year and talk a little bit about how pricing has affected you?

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

Yes. Since we last met, cocoa prices have declined, both in London and in New York. The decline has been a little bit more in New York because also the strength of the US dollar. Overall, the deficit for the 2015/2016 crop was more in the line of what we had said in terms of our supply/demand deficit scenario, well in excess of 325,000 tonnes, which is one of the largest deficits that we have seen in recent years.

The weather for the next crop, which is 2016/2017, has been reasonably good, although the crop has been delayed. As you know, the main cropping season for cocoa in West Africa starts in October. So, if you see the October/November arrivals, they've been lower than last year, but if you look at the potential crop that is on the trees, we expect that to be a fairly good crop.

But the deficit of 2015/2016 will mean that bean prices as well as bean differentials and product differentials versus butter, liquor, powder, cake differentials will continue to trade very firmly until the next crop comes in and production from the next crop starts and products from the next crop become available. So, as you've seen in the last three months, butter ratios for European butter has gone up from 2.3 to now about 3 ratios. As well as the same thing has happened to liquor as well. Liquor has moved from 1.35 to about 1.65. And powder prices and cake prices have sort of held.

So therefore, combined ratios during this period has been quite strong. And that has also been reflected in bean differentials and bean prices. So, I think you have a 2015/2016 deficit that is being played through in terms of prices, and the anticipation that 2016/2017 crop looks fairly good in the principal growing regions in Africa.

So, in that -- in the light of that background, we have very successfully integrated the ADM cocoa business. And therefore, the processing business, which we now have a footprint of roughly almost 700,000 tonnes of processing across the acquired ADM processing assets, as well as Olam's own cocoa processing footprint, that side of the business has done extremely well and better than our investment thesis. The supply chain business, because of the volatility that has been there in the market, has had some headwinds for Q3, and that is something that Muthu has sort of explained.

But overall we are very pleased with where we are as far as the cocoa business is concerned. I think the successful integration and our enhanced competitive position and all the strength that we bring to this business will stand us in very good stead going forward, including the near term which is the next season as well.

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

Next question?

Unidentified Participant

Hi. [Lizzie] from Mergermarket. So, in announcing the Company's strategic plan for 2016 to 2021, the management mentioned that the Company will further streamline its portfolio. Could you give us some update, including the update on the Gabon fertilizer project, because Olam has been trying to lower its holdings since 2013? Thank you.

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

So I think in terms of the next two, three years cycles, in terms of a strategic plan, we have continued really with the prior plan, because if you look at the major agricultural commodity market trends, that hasn't changed very much in the last three years.

So, if we look at our portfolio now and the emphasis going forward, we have said that we have prioritized the portfolio into four clusters. Cluster one includes six platforms. These are platforms which are prioritized platforms, so we will accelerate our investments in these platforms to continue to strengthen our position in these six platforms. And they include the edible nuts platform, the grains platform, the cocoa and the coffee platforms, the spices and vegetable ingredients platform and the cotton platform. So, this is what we call our cluster one platforms.

Then we have cluster two; we have five platforms which are platforms in which we have made significant investments in the last cycle. These investments are gestating. And we want to see the results and the outcomes from these gestating investments before we commit significant additional capital into these businesses.

So, this includes our palm business, our rubber business, our dairy business, our commodity financial services business and our packaged foods business. We have made significant investments in these businesses in the last three years. We want to see how these investments pan out as these investments complete their gestation.

And while we will make our ongoing investments in these platforms, for example the palm business we're investing, in Phase 1, 50,000 hectares in Gabon. So, there are ongoing commitments and investments in those businesses to complete that Phase 1 planting.

While we said in palm we're going to be investing in a 70,000 hectare outgrower program, a plasma program. So, that will -- those ongoing commitments will continue.

But in all of these platforms we will wait to see how the investments that we have made in the last three-year cycle is panning out before we commit significant additional investments in all these cluster two platforms.

And then we have cluster three platforms, which are platforms where we have said that we will move from an asset-medium investment stance to a more asset-light stance. And these includes three businesses; the rice business, the sugar business and the wood business. In the last three years, we have significantly restructured these three businesses. They have performed extremely well this year. These are businesses that will have much higher returns for us, but we will not be very capital intensive in these three platforms.

And then we have cluster four, which is really where we will partially sell down and monetize in three platforms where we don't have -- we don't think they are core businesses for us. And that includes our fertilizer business; as you know we want to sell down our stake from the current roughly 80% that we own and we will be below 50% in that business. So, there are three platforms we have identified in cluster four.

And finally, we have another cluster, five, which is treating Africa as a vertical. Because of our significant competitive advantage in Africa and our strong operating capabilities in Africa and our footprint in Africa, we are in 24 countries, we have decided to see and look at Africa as a vertical. And we are investing and continuing to invest in Africa along four investment themes.

The first is to invest in Africa in commodities, where Africa has a comparative advantage to produce them cheaper and better. So, that includes cocoa, coffee, cotton, edible nuts, sesame et cetera. The second theme along which we are investing in Africa is Africa is a growing consumer of food staples. So, Africa is eating more rice and consuming more wheat flour, eating more sugar and consuming more dairy products. So, these are the food staples that we're focused on.

The third theme along which we're investing in Africa is Africa's growing consumer story and urbanization story. So, the middle-class households in Africa, the demographics in Africa means that African consumers are now moving and migrating to low unit-priced packaged food brands. So, our packaged food business plays into that theme.

And the fourth thing that we're investing along is really agricultural logistics and infrastructure in Africa. And, as Muthu explained to you, our GSEZ project in Gabon and our ports investment -- we're investing in a bulk terminal port mill, bulk port and general cargo port. The bulk terminal port is already commissioned and the general cargo port will be commissioned sometime in the second quarter of 2017. And many countries in Africa have similar opportunities and similar infrastructure deficits. And that is the fourth theme along which we are investing.

So, in the consumer staples theme, we have made a big investment in animal feeds manufacturing in Africa, because protein consumption in Africa is beginning to pick up. And animal feed production in Africa is a big deficit; a lot of feed is now being imported. We see a great opportunity in investing there, so that's part of the second theme of growing food staples consumption.

Now coming to the last part of your question, which is about Gabon. As you know, Gabon went through a very contested elections. The incumbent government is now being declared the winners and they're back in power. So, the last few months had been uncertainty about the challenge to the elections and everything else. So, the challenge has now been dealt with by the constitutional court. And the constitutional court has decreed the incumbent president as the winner, so he has now formed his cabinet.

But the last three months was a lot of uncertainty in Gabon. And therefore, our negotiations with our potential investor partners for the sell down of our fertilizer stake has been put on hold as a result of that. And now that most of the embassies are now back in Gabon and things are now normal and stable, we expect to pick up those threads in terms of the discussions that we were having with potential investors in the Gabon fertilizer project. So, I think from the middle of this month, end of this month, those negotiations will restart in right earnest, given the stability now and the normalcy that has been restored in Gabon.

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

Thank you. The next question please. If there are none, I will just take a few from the webcast. Two questions. The first is, what is the outlook for palm oil production this year and the first half of next year? Second question is what is your outlook on La Nina?

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

So on the first question on palm, as you know, the palm production is now at a seasonal low and that is not surprising. But we expected a sharper recovery in Malaysia from the sharp drop in production as a result of the El Nino impact on both the Malaysian crop and the Indonesian crop. While the Indonesian crop has revived more than we expected, and the third quarter has been a strong revival in production, the Malaysian revival and production has lagged most people's median call on what the restoration of production in Malaysia would be.

So today we have dropped our Malaysian numbers to 17.2 million tonnes, which is about 2.6 million tonnes lower than what it was last year. We expect the recovery in production to be slower than what we had shared with you last August when we met. And we think that Malaysian production recovery will take more time and probably this will run into the first quarter of next year as well.

Indonesian production, on the other hand, we are now calling it at 32 million tonnes, which is 2 million tonnes lower than last year, but significantly better in terms of revival of the production, given that they also had a very significant El Nino impact.

So, really the two major producers have two different stories in terms of production trend lines, with Indonesian recovery being stronger and Malaysian recovery being weaker. That has resulted in, as you can see, palm oil prices remaining quite firm. For the three-month period, since we last met, palm oil prices have traded in a range of $610 to about $665. Some part of this impact is also on account of currency and the weakening ringgit. But in US dollar terms, the range has been $610 to $665.

As you can see, palm oil prices are now trading at about $675. It's about MYR2910 and pushing to challenge the MYR3000 mark. It is also because palm oil is one of the cheapest oils in the vegetable oil complex today. The palm oil, bean oil differential and the palm oil, soft oil differential is still very much in favor of increased palm oil demand and palm oil consumption.

So, we are also seeing a lot of funds rotating into the vegetable oil complex, compared to the last quarter. And this is because they see, from a relative basis, palm oil is quite undervalued. And the whole vegetable oil complex is quite undervalued. So, I think there is a lot of funds' participation now in many of these soft oil complexes across the globe, which is also supporting the whole vegetable oil complex, but also, importantly, palm oil prices.

On the La Nina impact, we have -- despite what the market is saying, we completely rule that out, based on all our leading indicators. And as you know, we do track this very, very closely. And we have proprietary research in this area. And we don't see a chance of a La Nina this season. So, I think any potential impact of even an average La Nina we rule out; at best it will be a very, very weak La Nina and most likely there will be no La Nina at all in the coming season.

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

We have a third question. It's probably a question that is on your mind as well; does Olam see any impact from Trump's presidency, particularly on speculation that he will renegotiate trade agreements?

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

Yes. So obviously, it has been an election of superlatives; the most unlikely candidate has won and won in a way that surprised everybody. And it continues with the Brexit surprise against all of the polls leading into the Brexit vote, people -- the pollsters have got it wrong because I think people don't want to publicly say that they wanted to leave the European Union. And the same thing has happened here. I think most people polled probably didn't want to say or were ashamed to say that they were going to vote for Trump. But the fact is people have overwhelmingly voted for him. And although he is probably not going to win the popular vote, he has decisively won the electoral vote.

So, what would this mean for us in our business and commodity markets? So firstly, Trump's policies on the economic side, the things to watch out for is clearly a big fiscal stimulus. So, he will, if he follows through on his promises, lower corporate tax very significantly, business tax, from 35% to 15%, which is quite dramatic. He will lower personal income tax from nearly 39.6% to 33%, so that's also a fairly significant move. He will invest very heavily in infrastructure; that is his commitment that America is falling apart in terms of its infrastructure. So, there will be a huge fiscal stimulus in terms of infrastructure spending.

I think all of these fiscal stimulus that he is likely to embark upon, will finally, I think, address the weak inflation that the US has had for several years now. So, I think we will see a steepening of the interest curve and the yield curves. And that will have a ripple impact across the globe in terms of a steepening yield curve; if he really follows through on all his fiscal stimuluses.

So, I think, therefore, the corporate income tax and the personal income tax will be favorable for all businesses. Its ramifications on what will happen to interest rates and the steepening yield curve -- we've all been used to a very benign interest rate environment in the past -- will have an impact.

In our business as you know, we have two kinds of investments. One is current assets and working capital investments. And the second is long-lived assets and fixed asset investments. The increase in interest rates on our current assets and our working capital investments is normally a pass-through, because cost of carry, whether it is interest costs or insurance costs or storage costs, is always priced in the market. And you pass through those costs. So, we're not so concerned about our exposure on that front.

But in the fixed and the long-term investments, that is not a pass-through cost. Eventually the market will adjust to that, but that is not a pass-through cost. So, all our long-term borrowings we have currently fixed our interest rates, so that we're not subject to any near-term volatility in those interest rates. And we have hedged ourselves as much as we can.

The second impact of Trump's presidency, if he really follows through, would be the trade sanctions and protective tariffs or punitive tariffs he's likely to impose. I think we need to really focus on two countries, that is his priority focus, which is Mexico. And he's threatened he will walk out of NAFTA and impose a 45% tariff on Mexican goods being imported into the US, and a 35% punitive tax on Chinese imports.

Both China and Mexico, while globally I think this would be negative to global trade and global GDP growth, we have looked at various implications and modeling of what this would mean. And I think we are most persuaded to go with the Peterson Institute of Economic Affairs modelling on what they think will be the consequence of a trade war that Trump and his administration could initiate in terms of an aborted trade war or a full-fledged trade war.

A full-fledged trade war, which is that 45% import duty against Mexico and the 35% import duty on China, we believe would result in US economy de-growing by almost 2%, 2.1% and tipping the US economy into a real recession. So, I hope his advisors will advise him against that and the Trump who is going to govern the US will be different from the Trump who campaigned as a Presidential candidate. But we will see what happens.

For Olam, neither China nor Mexico is important today in our portfolio. And therefore, the impact on Olam directly from what will happen in China and Mexico and the US trade wars against these two countries, would be very, very limited. But obviously overall there will be tit for tat in terms of a trade war breaking out globally. And that could have bigger consequences for all countries. I think de-regulating liberalized trade is always positive for a trading company like Olam. And more regulated, protected markets pose a little bit more of a challenge for trading businesses like ours.

So, we are waiting and watching very carefully about this. And that is why we have hedged ourselves in all of the markets that we operate, in terms of very actively participating now in the domestic opportunity and not only the export or import opportunity. We are very big players in the domestic demand story in most of these countries. And therefore, I think we are relatively well hedged. But I think it's a consequence that we will all need to be aware of.

But more than just Trump's victory in the US, one has to look out for what happens in the Italian referendum. And then next year we have elections in France, Germany and Holland. And if this trend persists -- and it is an anti-establishment, anti-globalization trend that the elites have taken care of themselves, there's widening income disparities and the people who are being impacted by globalization -- aggregate everybody has benefited, but there are a lot of people who have lost out big time as a result of that. And governments across the board have not really provided a safety net for them. And that is the backlash that we are seeing.

So, if you see the Italian referendum go against the current incumbent party and if you see France shift to the right and if you see Germany and Holland shift to the right, and now the probability of those things happening is now heightened dramatically as a result of this trend, because, at the end of the day, all of the political establishment in the US missed this trend.

Much as some of you sitting here and many of us might not agree with Trump's policy and politics, it was genius on his part to see this trend that others missed. And he swept the primaries so the Republican -- strong Republican field of 17 candidates who should have been -- who have been doing this for a living and should be understanding what the hell is happening with the electorate -- but he was the only one who saw it. And much to alienating many, many, many interest groups and stakeholders and constituents, he hammered at this one point.

And this will be seized by all of the extreme movements across Europe as well. And they will all be trying to ride on the coattails of what's happened in Brexit and what's happened in the US. And that is something that we have to watch out for more than just what's happened in the US with Trump's election.

But overall we are doing various scenarios in terms of what the impact of all this could be in our business. And we are trying to position ourselves as well as we can to hedge ourselves and also take advantage of what are opportunities that this might present.

Tomomi Kikuchi - *Nikkei - Media*

Hi, thank you. Tomomi from Nikkei. Could you give us an update on the -- your collaboration with Mitsubishi, the joint venture and everything else? Thanks.

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Yes, it's progressing as planned. We had initially indicated that the joint venture in Japan would commence operations from October 1. That's done, so we are quite hopeful with the kind of response we're getting from customers to the joint venture across all the key businesses that matter. That's been very positive. And we hope that -- but it's not going to happen overnight. It's a journey.

We are still continuing to look at various other areas of cooperation which we have again highlighted in the past. And we will see how some of those develop and in which form and manner that we develop this partnership further. The people -- the directors are on Board, on the Olam Board for the last year. We have had some key management members also joining the Olam team. All of that has been very positive and just builds a stronger foundation for the future.

Tomomi Kikuchi - *Nikkei - Media*

When do you expect the -- is the joint venture actually generating business as of now? And when do you expect that to happen?

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Yes, the joint venture is already operational. So, the -- from October 1 they are invoicing in Japan all the commodities that Olam trades in. So, there's obviously a transition period that Olam had an existing contract that we have to execute. But new contracts are being done by the joint venture across all the products.

Hung Hoeng Chow - *Olam International Limited - General Manager, IR*

Any questions? We have no questions on the webcast as well. We would like to thank you for the participation. Hope to see you the next quarter in February.

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

Thank you.

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Thank you and have a happy New Year.

Sunny Verghese - *Olam International Limited - Co-Founder and Group CEO*

Yes.