Development Model Of Nacala Corridor: Implications of Agribusiness, Extractives and Infrastructure Projects to Food Sovereignty and Social Development

07th December, 2015
Tokyo

Source: MINAG, 2012
Economic and Social Date

- Is estimated to have approximately a population of 4.5 million, and 51.6% is active population and 40.4% is unemployed.

- Agriculture is the main economic activities, with represent almost 40% of the GDP of the region;

- The main crops are maize, cassava, vegetables and beans. Other crops for market are cotton, Tabaco, sesame and cash nuts;

- Family agriculture employs 81% of people in the Nacala Corridor, are produce more than 90% of food.

- The provinces of Nampula, Niassa and Cabo Delgado contribute to almost 25% of the national GDP;

DEVELOPMENT MODEL FOR NACALA CORRIDOR

**Source:** GAZEDA, 2014
Impact of the Current Development Model of Nacala Corridor

- Land Grab
- Food Insecurity
- Human Right Violation

- 519,000 hectares for tree plantation
- 1 million hectares for food crops (soybean)

- Livestock Resources (163,000), Pasture (366,000)
Abandoned Community because of the advance of tree plantation in Nacala Corridor

SEE WHAT HAPPEN IN MANICA PROVINCE.

BEFORE

NOW
LINK BETWEEN COAL, GAS AND LOGISTIC

Natural Gas in Rovuma Basin

Coal Mining exploration in Tete

Nacala Port

Source: GAZEDA, 2014

Mitsui to participate in Coal and Rail & Port Infrastructure Business in Mozambique

Dec. 9, 2014

Mitsui & Co., Ltd. ("Mitsui", Head Office: Tokyo, President & CEO: Masami Iijima), has agreed with Vale S.A. ("Vale") to participate in the Moatize coal mine project ("Moatize project") and the Nacala Corridor rail & port infrastructure project ("Nacala project"), which Vale has been operating and developing in Mozambique.

Mitsui will own a 10% equity interest in Vale’s wholly-owned investment subsidiary that holds a 95% equity interest in the Moatize project, and own a 50% equity interest in Vale’s investment subsidiaries that have been promoting the Nacala project. Mitsui's upfront payment amount for investment and loans is USD 450 million for the mine and USD 313 million for the infrastructure. The amount for the mine will be adjusted based on the future actual performance results of the Moatize project, so the final payment amounts could vary based on the conditions of the contracts.
Investment structure

Vale
100% investment
Vale's Subsidiaries

Mitsui's Subsidiaries

50% investment & loan
50% investment & loan

50% investment & loan

5% investment

EMEM

5% investment

Coal operating company

4 Rail & Port operating companies

Mozambican company and CFM

Lenders


1. Promotion of an integrated business model of mineral resources and infrastructure development

- Engagement in coal mine operations with high competitiveness and infrastructure operations with stable revenue

<table>
<thead>
<tr>
<th>Investment &amp; Loans</th>
<th>Initial Amount of Investment &amp; Loans</th>
<th>Development cost to be borne</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal Mine</td>
<td>1,336,400 million</td>
<td>1,331,19 million</td>
<td>With Price adjustment clause</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,383,13 million</td>
<td>-</td>
<td>Project Finance to be arranged</td>
</tr>
</tbody>
</table>

- Creating added value by linking businesses

Mitsui (2014 Dec.) “Mitsui’s Participation in Coal, Railway and Port Business in Mozambique”

2. Participation in one of the most competitive operating coal mines in the world

*Moatize Mine*

- **Huge coal reserves**
  - 691 million tons in total of metallurgical and thermal coal reserves; mine life over 30 years (possibility of greater amount of reserves)

- **Highly competitive**
  - Its coal seams are located relatively near the surface, enabling a large-scale open-cut operation (cost-competitiveness).
  - Metallurgical coal from this project is premium hard coking coal.
  - Thermal coal is high calorific value generating premium grade coal (price-competitiveness).

- **Brown-field project**
  - Started production in 2011; with the production to reach 22 million tons by 2017.

*Strategic Significance for Mitsui*

- **Diversification of supply sources**
  - Secure a new supply source in addition to the existing Australian assets, to ensure and strengthen stable supply.

- **Reinforcement of the earning base for coal business operations and acquisition of an excellent resource asset, from a long-term perspective**
  - The first large-scale acquisition of a mine concession since 2004, which allows the diversification of our supply sources and enhancement of the earning base for the coal business.
  - Today, investment in mineral resources concessions calls for stringent selection of projects.
  - Our policy is to continue securing access to prime projects strategically.

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6. Multi-tiered business development with Vale, Mitsui’s strategic partner

- **Excellent partner:** The world’s largest iron ore supplier and leading railway operator

- Mitsui owns 15% equity interest in and designates directors to Valepar, a controlling shareholder of Vale

- **Conclusion of a strategic alliance agreement:** Cooperating with Vale in various business areas, including iron ore, nickel, phosphate rock, general cargo transportation

  - Jointly strive to maximize the asset value of the coal mine and infrastructure project business

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Human Right Violations by coal mining of Vale in Tete

Moatize, 23th December, 2013

Moatize, January 10th, 2012

International Articulation of People Affected by Vale is a movement of people, communities and workers affected by Vale from Brasil, Chile, Peru, Argentina, Mozambique, Canada and Indonesia created in 2010.

Atingidas e Atingidos pela Vale lançam documento político sobre o V Encontro Internacional, em Minas Gerais

Encontro reuniu atingidas e atingidos de diferentes partes do mundo

Entre os dias 13 e 15 de agosto deste ano, mais de 100 mulheres e homens do Brasil, Moçambique, Peru, Colômbia, Suíça, Canadá e Argentina estiveram reunidos no V Encontro Internacional das Atingidas e Atingidos pela Vale. Foi uma oportunidade para debater as experiências acumuladas, assim como para traçar estratégias no enfrentamento das violações cometidas pela mineradora Vale por todo o mundo.
Additional information on Other Japanese Companies


• The Nippon Steel & Sumitomo Metal holds the exploitation rights of the Revuboe Coal Mines in Moatize District, Tete Province (http://www.nssmc.com/en/news/20130404_100_01.pdf)

Japan's Mitsubishi buys 20% stake in Olam

• Japan’s Mitsubishi Corporation has bought a 20 per cent stake in global-agribusiness Olam through two transactions as the companies launch a strategic partnership.

Singapore-listed Olam sold 332.73m new shares — the equivalent of 12 per cent of the enlarged issue — to Mitsubishi for S$915m, the company said in a statement, David Sheppard writes in London.

In a separate transaction Mitsubishi has bought the equivalent of further 8 per cent from the co-founding family of the company, the chief executive of Olam told the Financial Times.

"We think this will be a significant transaction that will allow both companies to take a bigger share of the Japanese market," Olam chief executive Sunny Verghese said in a telephone interview.

"This deal allows us to raise capital and supports our strategic growth plan."

Singapore’s sovereign wealth fund Temasek Holding retains a majority stakeholding of 51.4 per cent in Olam. While it has sold no shares, its position has been diluted from 58.4 per cent by the issuance of
Mozambique's small farmers fear Brazilian-style agriculture

Programme to increase crop output by bringing in large-scale agribusinesses is displacing traditional farming populations

Amos Zacarias Nampula, Mozambique, for IPS, part of the Guardian development network

Wednesday 1 January 2014 13.00 GMT

The district of Malema, 230km from the city of Nampula, is also experiencing turbulent times. Major agribusiness companies such as Japan's Nitori Holding Company operate in the area. Nitori was granted a concession to grow cotton on 20,000 hectares of land, and the people who live there will be resettled elsewhere.

Another of the companies is Agromoz (Agribusiness de Moçambique SA), a joint venture between Brazil, Mozambique and Portugal, which is producing soy on 10,000 hectares.

THERE IS NO POSSIBLE COEXISTENCE BETWEEN THOSE TO MODEL.

OBRIGADO!