Financial Statements

SLC Agrícola S.A.

December 31, 2008 and 2007
with Report of Independent Auditors

SLC AGRÍCOLA S.A.

Financial statements

December 31, 2008 and 2007

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A free translation from Portuguese into English of Report of Independent Auditors on financial statements in accordance with accounting practices adopted in Brazil

Report of Independent Auditors

Management and Shareholders of
SLC Agrícola S.A.

1. We have audited the accompanying balance sheets (Company and consolidated) of SLC Agrícola S.A. as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, cash flows and value added for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. We conducted our audits in accordance with generally accepted auditing standards in Brazil which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and subsidiaries, (b) the examination, on a test basis, of the documentary evidence and accounting records supporting the amounts and disclosures in the financial statements, and (c) an assessment of the accounting practices used and significant estimates made by the management of the Company and its subsidiaries, as well as an evaluation of the overall financial statement presentation.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SLC Agrícola S.A. at December 31, 2008 and 2007, and the results of its operations, changes in its shareholders' equity, its cash flows and value added for the years then ended, in accordance with accounting practices adopted in Brazil.

4. As mentioned in Note 2, due to the changes in accounting practices adopted in Brazil, in 2008, the financial statements for the prior year, presented for comparison purposes, were adjusted and are being restated as provided for by Brazilian FASB (CPC) Pronouncement No. 12 (CPC 12) – Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

Porto Alegre, February 25, 2009.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP15199/O-6/F/RS

Américo F. Ferreira Neto
Accountant CRC-1SP192685/O-9/S/RS

SLC AGRÍCOLA S.A.

Balance sheets
December 31, 2008 and 2007
(In thousands of reais – R$)

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets				
Current assets				
Cash and cash equivalents (Note 5)	**216,308**	146,248	**225,207**	167,139
Trade accounts receivable (Note 6)	**9,044**	6,062	**11,975**	13,240
Inventories (Note 7)	**172,323**	77,241	**259,079**	134,976
Growing marketing years (Note 8)	**130,783**	62,231	**193,855**	95,454
Advances to suppliers	**6,239**	295	**6,409**	563
Recoverable taxes (Note 9)	**22,636**	9,562	**37,803**	23,548
Deferred income and social contribution taxes (Note 15)	**23,295**	74	**42,387**	1,173
Dividends receivable	**2,134**	1,500	**-**	-
Notes receivable	**3,060**	1,360	**3,060**	1,360
Derivative financial instruments (Note 21)	**732**	12,811	**732**	26,347
Other accounts receivable	**261**	285	**441**	457
Receivables from related parties (Note 12)	**610**	5,269	**4**	-
Prepaid expenses	**2,051**	1,925	**2,131**	2,130
Total current assets	**589,476**	324,863	**783,083**	466,387
Noncurrent assets				
Long-term receivables				
Receivables from related parties (Note 12)	**56,512**	778	**-**	-
Recoverable taxes (Note 9)	**4,358**	1,934	**5,986**	2,629
Deferred income and social contribution taxes (Note 15)	**48,613**	33,046	**56,541**	37,398
Prepaid expenses	**5,890**	5,720	**5,890**	5,720
Notes receivable	**6,121**	-	**6,121**	-
Derivative financial instruments (Note 21)	**-**	2,303	**-**	2,303
Other accounts receivables	**652**	654	**1,144**	905
	122,146	44,435	**75,682**	48,955
Investments (Note 10)	**250,694**	180,800	**229**	182
Property, plant and equipment (Note 11)	**222,070**	115,201	**674,320**	354,931
Intangible assets	**8,526**	6,306	**8,539**	6,314
Total noncurrent assets	**603,436**	346,742	**758,770**	410,382
Total assets	**1,192,912**	671,605	**1,541,853**	876,769

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable	**8,697**	2,189	**10,535**	5,444
Loans and financing (Note 13)	**118,365**	55,603	**180,790**	126,723
Advances from customers	**28,607**	3,451	**37,220**	9,565
Taxes, fees and sundry contributions	**2,203**	732	**4,751**	7,292
Labor legislation liabilities	**3,880**	4,510	**6,336**	6,638
Deferred income and social contribution taxes (Note 15)	**5,675**	6,481	**9,322**	13,982
Related parties (Note 12)	**6,485**	3,157	**-**	515
Notes payable (Note 16)	**-**	-	**43,549**	29,050
Derivative financial instruments (Note 21)	**68,326**	5,421	**120,207**	9,214
Dividends payable (Note 17g)	**10,595**	7,504	**10,595**	7,504
Other liabilities	**6,917**	957	**8,758**	1,373
Total current liabilities	**259,750**	90,005	**432,063**	217,300
Noncurrent liabilities				
Loans and financing (Note 13)	**172,856**	24,335	**211,898**	58,485
Deferred income and social contribution taxes (Note 15)	**33,787**	19,462	**59,220**	36,203
Notes payable (Note 16)	**-**	-	**77,263**	4,426
Derivative financial instruments (Note 21)	**9,633**	-	**21,936**	-
Discount on investments in subsidiaries (Note 10)	**-**	-	**22,587**	22,552
Other liabilities	**548**	548	**548**	548
Total noncurrent liabilities	**216,824**	44,345	**393,452**	122,214
Shareholders' equity (Note 17)				
Capital	**557,434**	253,256	**557,434**	253,256
Capital reserve	**177,887**	231,768	**177,887**	231,768
(-) Treasury shares	**(13,894)**	-	**(13,894)**	-
Profit reserves	**56,486**	24,093	**73,484**	24,093
Equity adjustments	**(61,575)**	10,565	**(78,573)**	12,729
Retained earnings	**-**	17,573	**-**	15,409
Total shareholders' equity	**716,338**	537,255	**716,338**	537,255
Total liabilities and shareholders' equity	**1,192,912**	671,605	**1,541,853**	876,769

See accompanying notes.

SLC AGRÍCOLA S.A.

Statements of income
Years ended December 31, 2008 and 2007
(In thousands of reais – R$, except per share information)

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Gross operating revenue				
Sales of products	**230,637**	145,954	**441,372**	287,978
Deductions – Taxes and mandatory contributions	**(15,739)**	(13,177)	**(27,712)**	(19,274)
Net operating revenue	**214,898**	132,777	**413,660**	268,704
Cost of sales	**(146,538)**	(106,021)	**(247,319)**	(194,464)
Gross profit	**68,360**	26,756	**166,341**	74,240
Operating income (expenses)				
Selling expenses	**(13,176)**	(8,945)	**(28,930)**	(22,086)
General and administrative expenses	**(16,743)**	(11,566)	**(23,314)**	(17,440)
Management fees (Note 18)	**(3,573)**	(966)	**(3,573)**	(966)
Equity pickup (Note 10)	**15,880**	33,082	**-**	-
Financial income (expenses) (Note 19)	**(30,658)**	11,429	**(63,267)**	26,544
Other operating income (Note 24)	**11,797**	1,487	**13,195**	431
	(36,473)	24,521	**(105,889)**	(13,517)
Income before taxation	**31,887**	51,277	**60,452**	60,723
Income and social contribution taxes (Note 15)				
Current	**-**	-	**(3,997)**	(9,370)
Deferred	**(6,472)**	(6,294)	**(11,844)**	(8,534)
Net income for the year	**25,415**	44,983	**44,611**	42,819
Net earnings per thousand shares	**256,98**	502,60		
Number of outstanding shares (in thousands)	**98,897**	89,500		

See accompanying notes.

SLC AGRÍCOLA S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2008 and 2007
(In thousands of reais – R$)

		Capital reserves			Profit reserves					
	Capital	Premium on issue of shares	Granted options recognized	Treasury shares	Legal reserve	Expansion reserve	Profit retention reserve	Equity adjustments	Retained earnings	Total
Balances at December 31, 2006	140,961	-	-	-	-	-	-	-	50,922	191,883
Prior-year adjustments (Note 2)	-	-	-	-	-	-	-	-	4,187	4,187
Balances at December 31, 2006 – adjusted	140,961	-	-	-	-	-	-	-	55,109	196,070
Capital increase (Notes 1.b and 17a)	112,295	245,746	-	-	-	-	-	-	(50,041)	308,000
Dividends paid (Note 17g)	-	-	-	-	-	-	-	-	(881)	(881)
Equity adjustments										
Unrealized gain on hedging instruments, net of taxes (Note 2)	-	-	-	-	-	-	-	6,115	-	6,115
Unrealized gain on hedging instruments, net of taxes in subsidiaries (Note 2)	-	-	-	-	-	-	-	4,450	-	4,450
Net income for the year originally published	-	-	-	-	-	-	-	-	31,597	31,597
Unrealized loss on hedging investments, net of taxes (Note 2)	-	-	-	-	-	-	-	-	(604)	(604)
Stock option plans recognized for the year (Note 2)	-	-	387	-	-	-	-	-	(387)	-
Expenses on public offering of shares, net of taxes (Notes 1.b and 2)	-	(14,365)	-	-	-	-	-	-	14,365	-
Equity pickup (Note 2)	-	-	-	-	-	-	-	-	12	12
Net income for the year – adjusted	-	-	-	-	-	-	-	-	44,983	31,005
Proposed allocation:										
Legal reserve (Note 17d)	-	-	-	-	1,580	-	-	-	(1,580)	-
Expansion reserve (Note 17e)	-	-	-	-	-	16,885	-	-	(16,885)	-
Profit retention reserve (Note 17f)	-	-	-	-	-	-	5,628	-	(5,628)	-
Proposed dividends (Note 17g)	-	-	-	-	-	-	-	-	(7,504)	(7,504)
Balances at December 31, 2007	**253,256**	**231,381**	**387**	**-**	**1,580**	**16,885**	**5,628**	**10,565**	**17,573**	**537,255**

See accompanying notes.

SLC AGRÍCOLA S.A.

Statements of changes in shareholders' equity (Continued)
Years ended December 31, 2008 and 2007
(In thousands of reais – R$)

		Capital reserves			Profit reserves					
	Capital	Premium on issue of shares	Granted options recognized	Treasury shares	Legal reserve	Expansion reserve	Profit retention reserve	Equity adjustments	Retained earnings	Total
Balances at December 31, 2007	**253,256**	**231,381**	**387**	**-**	**1,580**	**16,885**	**5,628**	**10,565**	**17,573**	**537,255**
Setup of expansion reserve (Note 17e)	**-**	**-**	**-**	**-**	**-**	**17,573**	**-**	**-**	**(17,573)**	**-**
Capital increase (Notes 1.b and 17a)	**26,592**	**231,840**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**258,432**
Expenses on public offering, net of taxes (Notes 1.b and 2)	**-**	**(10,239)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,239)**
Capitalized reserve (Note 17a)	**277,586**	**(277,586)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchase of own shares (Note 17c)	**-**	**-**	**-**	**(13,894)**	**-**	**-**	**-**	**-**	**-**	**(13,894)**
Stock option plan recognized for the year (Note 2)	**-**	**-**	**2,104**	**-**	**-**	**-**	**-**	**-**	**-**	**2,104**
Equity adjustments										
Unrealized loss on hedging instruments, net of taxes (Note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(55,826)**	**-**	**(55,826)**
Unrealized loss on hedging instruments, net of taxes in subsidiaries (Note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,314)**	**-**	**(16,314)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,415**	**25,415**
Proposed allocation:										
Legal reserve (Note 17d)	**-**	**-**	**-**	**-**	**1,271**	**-**	**-**	**-**	**(1,271)**	**-**
Expansion reserve (Note 17e)	**-**	**-**	**-**	**-**	**-**	**13,549**	**-**	**-**	**(13,549)**	**-**
Proposed dividends (Note 17f)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,595)**	**(10,595)**
Balances at December 31, 2008	**557,434**	**175,396**	**2,491**	**(13,894)**	**2,851**	**48,007**	**5,628**	**(61,575)**	**-**	**716,338**

See accompanying notes.

SLC AGRÍCOLA S.A.

Statements of cash flows
Years ended December 31, 2008 and 2007
(In thousands of reais – R$)

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash flow from operating activities				
Net income for the year	**25,415**	44,983	**44,611**	42,819
Adjustments to reconcile net income to cash provided from operating activities:				
Depreciation and amortization	**24,780**	13,338	**43,508**	29,389
Retirement of permanent assets	**1,288**	735	**3,340**	2,259
Write-off of goodwill	**(34)**	-	**-**	-
Capital gains (losses) on investments	**790**	(74)	**-**	-
Equity pickup	**(15,880)**	(33,082)	**-**	-
Interest and monetary restatement on loans	**36,447**	3,981	**51,738**	12,217
Minority interests	**-**	-	**-**	(26,701)
Discount on investments in subsidiaries	**-**	-	**-**	22,120
Equity adjustments	**(51,376)**	6,114	**(91,301)**	12,729
Dividends received from subsidiaries	**22,156**	41,362	**-**	-
	43,586	77,357	**51,896**	94,832
(Increase) decrease in assets:				
(Increase) decrease in accounts receivable	**(2,982)**	(4,441)	**1,265**	(9,006)
Increase in inventories and growing marketing years	**(163,634)**	(62,903)	**(222,504)**	(77,567)
Increase in recoverable taxes	**(54,286)**	(12,993)	**(77,969)**	(13,646)
(Increase) decrease in other accounts receivable	**(51,362)**	(23,199)	**13,853**	(8,745)
	(272,264)	(103,536)	**(285,355)**	(108,964)
Increase (decrease) in liabilities:				
Increase (decrease) in trade accounts payable	**6,508**	(19)	**5,091**	1,849
Increase in taxes and social charges	**14,990**	11,612	**15,816**	20,092
Increase (decrease) in liabilities to subsidiaries	**3,328**	(48,821)	**(515)**	515
Increase in derivative transactions	**72,538**	4,873	**132,929**	8,241
Increase in notes payable	**-**	-	**87,336**	33,476
Increase (decrease) in other accounts payable	**33,577**	(9,575)	**37,829**	(5,253)
	130,941	(41,930)	**278,486**	58,920
Net cash flow provided from (used in) operating activities	**(97,737)**	(68,109)	**45,027**	44,788
Cash flow from investing activities				
Investments	**(96,179)**	(23,009)	**(47)**	(66)
Property, plant and equipment	**(134,410)**	(70,932)	**(366,190)**	(203,313)
Intangible assets	**(2,258)**	(3,303)	**(2,272)**	(3,303)
Net cash flow used in investing activities	**(232,847)**	(97,244)	**(368,509)**	(206,682)
Cash flow from financing activities				
Payment of capital	**258,432**	308,000	**258,432**	308,000
Repurchase of shares	**(13,894)**	-	**(13,894)**	-
Expenses on public offering	**(10,239)**	(14,365)	**(10,239)**	(14,365)
Stock option plan	**2,104**	387	**2,104**	387
Payment of dividends	**(10,595)**	(8,385)	**(10,595)**	(8,385)
Loans and financing obtained	**253,803**	86,074	**351,365**	170,522
Payment of loans and financing	**(78,967)**	(72,510)	**(195,623)**	(158,570)
Net cash flow provided from financing activities	**400,644**	299,201	**381,550**	297,589
Increase in cash and cash equivalents	**70,060**	133,848	**58,068**	135,695
Increase in cash and cash equivalents				
Cash and cash equivalents – at beginning of year	**146,248**	12,400	**167,139**	31,444
Cash and cash equivalents – at end of year	**216,308**	146,248	**225,207**	167,139
Increase in cash and cash equivalents	**70,060**	133,848	**58,068**	135,695

See accompanying notes.

SLC AGRÍCOLA S.A.

Statements of value added
Years ended December 31, 2008 and 2007
(In thousands of reais – R$)

	Company				Consolidated			
	2008		**2007**		**2008**		**2007**	
Revenues								
Sales of products and services	**229,800**		143,010		**430,241**		287,771	
Other operating revenues	**11,860**		1,437		**13,262**		324	
Revenues from construction of own assets	**69,270**		30,910		**86,960**		45,192	
	310,930		175,357		**530,463**		333,287	
Bought-in materials and services								
Raw materials	**(59,015)**		(49,184)		**(120,729)**		(101,848)	
Cost of sale for products and services	**(469)**		(77)		**(479)**		-	
Materials, electric energy, outsourced services and others	**(112,303)**		(70,156)		**(177,278)**		(123,580)	
Impairment/recovery of assets	**49**		3,488		**49**		6,279	
	(171,738)		(115,929)		**(298,437)**		(219,149)	
Gross value added	**139,192**		59,428		**232,026**		114,138	
Retentions								
Depreciation and amortization	**(15,485)**		(12,534)		**(31,644)**		(29,747)	
Value added, net	**123,707**		46,894		**200,382**		84,391	
Value added received from third parties								
Equity pickup	**15,880**		33,082		**-**		-	
Financial income	**44,859**		35,711		**100,110**		61, 489	
Other	**97**		260		**159**		314	
	60,836		69,053		**100,269**		61,803	
Total valued added to pay (wealth generated by the Company)	**184,543**		115,947		**300,651**		146,194	
Value added to pay	**184,543**		115,947		**300,651**		146,194	
Taxes, charges and contributions	**33,531**	**18%**	11,980	10%	**50,136**	**16%**	30,587	21%
Federal	**20,588**		12,261		**33,597**		28,916	
State	**12,943**		(281)		**16,539**		1,671	
Personnel	**33,988**	**18%**	25,758	22%	**50,624**	**17%**	41,083	28%
Direct compensation	**27,953**		17,634		**40,469**		27,415	
Benefits	**4,535**		6,761		**7,822**		11,446	
FGTS	**1,500**		1,363		**2,333**		2,222	
Interest on third-party capital	**91,609**	**50%**	33,226	29%	**155,280**	**52%**	31,705	22%
Interest	**74,080**		21,009		**151,021**		29,819	
Rental	**17,529**		12,217		**4,259**		1,886	
Interest on equity capital	**25,415**	**14%**	44,983	39%	**44,611**	**15%**	42,819	29%
Dividends	**10,595**		7,504		**10,595**		7,504	
Retained earnings	**14,820**		37,479		**34,016**		35,315	

See accompanying notes.

SLC AGRÍCOLA S.A.

Notes to financial statements
December 31, 2008 and 2007
(In thousands of reais – R$, except when indicated otherwise)

1. Operations and going public related matters

a) Operations

SLC Agrícola S.A., founded in 1977, (hereinafter referred to as "Parent Company", "SLC" or the "Company") and its subsidiaries are engaged in agriculture and livestock activities, the production and sale of seeds and seedlings; the processing and sale of their products, also importing and exporting goods for their own use; the supply of primary agricultural and livestock commodities and goods in general; the provision of services involving handling, cleaning, drying and storing of third party's cereal grains; the provision of services involving agricultural machinery and tools to third parties; and the sale, import and export of agricultural products; agro-industrial activities related to the processing of sugarcane, alcohol and its by-products; and holding equity interest in other companies.

During the 2007/2008 marketing year, the Company operated eight farms extending over a total planted area of approximately 170 thousand hectares, of both own and leased land, located in five Brazilian states, namely: Mato Grosso, Mato Grosso do Sul, Goiás, Bahia and Maranhão. Grain marketing yearping was represented as follows: soybean, 82.6 thousand hectares; cotton, 55.1 thousand hectares; and corn, 28.8 thousand hectares, among other marketing years.

During the 2008/2009 marketing year, starting September 1, 2008, the Company has been operating ten farms extending over a total planted area of approximately 221 thousand hectares (29% higher than in the 2007/2008 marketing year), of both own and leased land, located in five Brazilian states, namely: Mato Grosso, Mato Grosso do Sul, Goiás, Bahia and Maranhão. Considering its main marketing years, the Company estimates that they will be represented as follows: soybean, 117.8 thousand hectares; cotton, 63.5 thousand hectares; and corn, 36.2 hectares.

b) Going public process and public offering

On May 24, 2007, the Board of Directors approved and authorized a Primary Offering of 22,000,000 common shares and a Secondary Offering of 8,437,500 common shares, totaling 30,437,500 common, all registered, uncertified shares, without par value, issued by the Company, simultaneously in Brazil and abroad. The number of shares offered was 30,437,500 common, registered uncertified shares. As a result of the Primary Offer of 22,000,000 common shares for R$14.00, the amount of R$308,000 (R$293,635 net of fees, other expenses and tax effects) was raised.

1. Operations and going public related matters (Continued)

b) Going public process and public offering (Continued)

On June 9, 2008, the Board of Directors approved and authorized another Primary Offering of 9,397,500 common shares and a Secondary Offering of 4,027,499 common shares, totaling 13,424,999 common, all registered, uncertified shares, without par value, issued by the Company, simultaneously in Brazil and abroad.

On June 26, 2008, the Brazilian Securities and Exchange Commission (CVM) granted registrations related to the primary and secondary distributions, such trading starting on June 27, 2008, and being settled on July 1, 2008. As a result of the Primary Offer of 9,397,500 common shares for R$27.50, the amount of R$258,432 (R$248,193 net of fees, other expenses and tax effects) was raised.

The Company is a publicly-traded company, listed on the São Paulo Stock Exchange (BOVESPA) under the symbol "SLCE3" at the special level of Corporate Governance named New Market.

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08

Authorization to complete the preparation of these financial statements was given in the board meeting held on February 20, 2009.

The financial statements of the Company and its subsidiaries (Company and consolidated) for the year ended December 31, 2008 were prepared in accordance with accounting practices adopted in Brazil, and rules from the Brazilian Securities and Exchange Commission (CVM), in light of accounting guidelines contained in the Brazilian Corporation Law (Law No. 6404/76), with new provisions introduced, amended and repealed by Law No. 11638, of December 28, 2007, and Provisional Executive Order (MP) No. 449, of December 3, 2008.

Pursuant to CVM Rule No. 565, of December 17, 2008, which approved CPC Pronouncement No. 13 – First-time Adoption of Law No. 11638/07 and of MP No. 449/08, and in line with the requirements established by CVM Rule No. 506, of June 19, 2006, the Company set January 1, 2007 as the transition date for adoption of the new accounting practices. The transition date is defined as the starting point for the adoption of changes in accounting practices adopted in Brazil and is the base date on which the Company prepared its first balance sheet in light of the new accounting provisions in 2008.

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

CPC 13 released companies from the obligation to apply the provisions set forth in NPC 12 and CVM Rule No. 506/06 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors upon the first-time adoption of Law No. 11638/07 and MP No. 449. This rule establishes that, in addition to separately identifying the effects of the new accounting practice adoption in the retained earnings/accumulated losses account, companies state their opening balance sheet for the account or group of accounts relating to the oldest period for comparison purposes, as well as other comparative amounts presented, as if the new accounting practice had always been in use. As described below, with the first-time adoption of Law No. 11638/07 and MP No. 449, there were no changes in accounting practices whose retrospective application would be required. The Company, however, opted not to adopt the elective exemption allowed by CPC 13, and its financial statements for the years 2007 and 2008 were prepared in accordance with the same accounting practices and therefore, are fully comparable.

These changes in accounting practices that had effects on preparation or presentation of the financial statements for the year ended December 31, 2008, on the opening balance sheet at January 1, 2007 (not presented herein), and on the financial statements for the year ended December 31, 2007, prepared for comparison purposes, were measured and recorded by the Company, when applicable, based on the following accounting pronouncements from Brazilian FASB (CPC) and approved by the Federal Board of Accountancy (CFC):

- Basic Framework for Preparation and Presentation of Financial Statements, approved by CVM Rule No. 539, of March 14, 2008;
- CPC 01 Impairment of Assets, approved by CVM Rule No. 527, of November 1, 2007;
- CPC 03 Statement of Cash Flows, approved by CVM Rule No. 547, of August 13, 2008;
- CPC 04 - Intangible Assets, approved by CVM Rule No. 553, of November 12, 2008;
- CPC 05 - Disclosure on Related Parties, approved by CVM Rule No. 560, of December 11, 2008;
- CPC 07 – Government Grants and Government Assistance, approved by CVM Rule No. 555, of November 12, 2008;
- CPC 08 – Transaction Costs and Premium upon Issue of Marketable Securities, approved by CVM Rule No. 556, of November 11, 2008;
- CPC 09 Statement of Value Added, approved by CVM Rule No. 557, of November 12, 2008;
- CPC 10 - Share-based Payment, approved by CVM Rule No. 562, of December 17, 2008;

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

- CPC 13 - First-time Adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08, approved by CVM Rule No. 565, of December 17, 2008;
- CPC 14 - Financial Instruments: Recognition, Measurement and Evidence, approved by CVM Rule No. 566, of December 17, 2008.

The opening balance sheet as of January 1, 2007 (the transition date) was prepared considering the exceptions required and some of the elective exemptions permitted by CPC 13, as follows:

a) Presentation of comparative financial statements - elective exemption:

The financial statements for year 2007 were prepared based on accounting practices effective in 2008. The option provided by CPC 13 for not adjusting 2007 financial statements to the accounting standards effective for 2008 was not exercised by the Company, for purposes of comparison between referred to years.

b) Classification of financial instruments at their original recognition date - elective exemption:

Although CPC 14 determines that financial instruments shall be classified at their original recognition date, for FTA purposes, CPC 13 allowed their classification as at the transition date, and this was the Company's option.

c) Maintenance of balances under deferred charges until realization - elective exemption:

The Company reclassified all the balances recognized in the "Deferred charges" group to the "Intangible assets" group, as they refer to soil correction, cleaning, ground leveling, and software implementation expenses, and meet the criteria for recognition as such assets.

d) Recognition of share-based payment - elective exemption:

The balances of share-based payment, as mentioned in Note 24, outstanding at December 31, 2008, were measured and recognized by the Company in accordance with CPC 10, and related effects were recorded retroactively at the beginning of the year in which the shares/options were granted through the transition date.

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

e) Presentation of statements of cash flows and value added without disclosing the prior-year amounts - elective exemption:

Quarterly disclosure of the statements of cash flows and value added in the accompanying Notes was one of the practices already adopted by the Company. With a view to ensuring comparability, the Company elected to present the amounts of the statements of cash flows and value added for the year ended December 31, 2007, in conformity with the preparation and presentation requirements set out in CPC 03 and CPC 09, respectively. The Company also elected not to present the statements of changes in financial position for the years ended on or after January 1, 2008.

f) Tax neutrality upon first time adoption of Law No. 11638/07 and MP No. 449/08:

The Company opted for the Transition Tax Regime (RTT) introduced by Provisional Executive Order (MP) No. 449/08, whereby the calculations of Corporate Income Tax (IRPJ), Social Contribution on Net Profit (CSLL), and contribution for Social Integration Program (PIS) and contribution for Social Security Financing (COFINS), for the biennium 2008-2009, continue to be determined on the accounting methods and criteria set by Law No. 6404, of December 15, 1976, effective on December 31, 2007. As a result, deferred income taxes on the adjustments deriving from adoption of the new accounting practices set forth by Law No. 11638/08 and MP No. 449/08 were recorded in the Company's financial statements where applicable, in accordance with CVM Rule No. 371. The Company will disclose such option in its Corporate Income Tax Return (DIPJ) for 2009.

g) Application of the first-time periodic assessment of the useful life of fixed assets – elective exemption:

Until December 31, 2009, the Company will reassess the expected useful life of its property, plant and equipment, used in determining relevant depreciation rates. Any changes to estimated useful life of the assets arising therefrom, if significant, will be treated as changes in accounting estimates to be recognized on a prospective basis.

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

In accordance with first-time adoption disclosure requirements of the new accounting practices, in the following table the Company presents for both current and prior year, for comparison purposes, a brief description and the amounts corresponding to the impacts on shareholders' equity and net income (Company and consolidated) referring to the changes introduced by Law No. 11638/07 and MP No. 449/08:

I) Fair value measurement of derivatives: CPC 14 established that investments in financial instruments, including derivatives, are recognized: (i) at their market or equivalent value, whenever these investments are held for trading or available for sale; and (ii) at acquisition or issue cost, restated in accordance with relevant legal or contract terms, adjusted to probable realizable value, when the latter is lower. Also, this CPC introduced hedge accounting, an approach that allows direct recognition in equity of transactions involving non-financial instruments intended for hedge, as long as these hedge relationships are properly documented and highly effective (80% to 125%).

II) Fair value measurement of share-based payment: CPC 10 set forth that the entity that grants stock option plan to beneficiary employees and directors must recognize in P&L the amount of this benefit, based on the fair value of capital instruments at the grant date, through profit or loss over the vesting period of the capital instruments granted.

III) Due to the adjustments derived from items (i) and (ii) of the topic I) above, net of taxes, results from equity investments in subsidiaries were also subjected to adjustments reflected on the equity pickup (Company) and minority interest (Consolidated).

IV) Transaction costs upon issue of marketable securities: CPC 08 established that transaction costs incurred with funding raising through issue of membership certificates must be recognized, in a separate account, as a reduction of shareholders' equity, net of taxes (if any).

V) The effect of income and social contribution taxes, a combined rate of 34% levied on the adjustments made as set out in items I) and IV) above.

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

VI) Government grants and government assistance: CPC 07 set forth that government grants must be accounted for as revenues over the period, matched against relevant expenses to be offset.

Summary of the effects on the Company's shareholders' equity:

	Brief adjustment description	Year ended December 31		
		2006	2007	2008
Shareholders' equity before the changes introduced by Law No 11638/07 and MP No. 449/08		191,883	523,095	**809,046**
Unrealized gain (loss) on hedging instruments recognized in P&L	(I)	2,609	1,694	**(9,130)**
Unrealized gain (loss) on hedging instruments recognized in shareholders' equity	(I)	-	9,264	**(68,578)**
Unrealized gain (loss) on hedging instruments in subsidiaries	(I)	-	4,450	**(16,314)**
Equity pickup in subsidiaries	(III)	2,465	2,479	**(25,107)**
Deferred income and social contribution taxes	(V)	(887)	(3,727)	**26,421**
Net effects from full adoption of Law No. 11638/07 and MP No. 449/08		4,187	14,160	**(92,708)**
Shareholders' equity after full adoption of Law No 11638/07 and MP No. 449/08		196,070	537,255	**716,338**

Summary of the effects on the Company's net income:

	Brief adjustment description	Year ended December 31		
		2006	2007	2008
Net income (loss) before the changes introduced by Law No 11638/07 and MP No. 449/08		(20,005)	31,597	**52,008**
Unrealized gain (loss) on hedging instruments	(I)	2,609	(915)	**(10,824)**
Equity pickup in subsidiaries	(III)	2,465	12	**(27,584)**
Share-based payment	(II)	-	(387)	**(2,104)**
Expenses in public offering	(IV)	-	21,765	**15,514**
Deferred income and social contribution taxes on the above adjustments	(V)	(887)	(7,089)	**(1,595)**
Net effects from full adoption of Law No. 11638/07 and MP No. 449/08		4,187	13,386	**(26,593)**
Net income (loss) after full adoption of Law No 11638/07 and MP No. 449/08		(15,818)	44,983	**25,415**

2. Basis of Preparation and Presentation of the Financial Statements and first-time adoption of Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08 (Continued)

	Consolidated			
	Brief adjustment description	Year ended December 31		
		2006	2007	2008
Net income (loss) before the changes introduced by Law No 11638/07 and MP No. 449/08		(20,005)	31,597	**52,008**
Unrealized gain (loss) on hedging instruments	(I)	6,472	(4,305)	**(23,530)**
Equity pickup (capital gains and losses)	(III)	(754)	(1,091)	**(1,739)**
Share-based payment	(II)	-	(387)	**(2,104)**
Expenses in public offering	(IV)	-	21,765	**15,514**
Deferred income and social contribution taxes on the above adjustments	(V)	(2,201)	(5,937)	**2,724**
Government grants and government assistance	(VI)	754	1,177	**1,738**
Minority interest	(III)	(84)	-	**-**
Net effects from full adoption of Law No. 11638/07 and MP No. 449/08		4,187	11,222	**(7,397)**
Net income (loss) after full adoption of Law No 11638/07 and MP No. 449/08		(15,818)	42,819	**44,611**

In addition, due to the elimination by Provisional Executive Order (MP) No. 449/08 of the "Nonoperating result" line, the Company reclassified R$11,871 (income) and R$284 (expense) in the financial statements for the year ended December 31, 2008 and 2007, respectively, to "Other operating income (expenses)" line, together with the disclosure thereof in relevant accompanying notes.

3. Consolidated financial statements

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose ownership structure at the balance sheet date is summarized below:

Companies	Direct subsidiary - %	Indirect subsidiary -%	Core business activity	Location
Fazenda Planorte S.A.	**100**	**-**	Cultivation of cotton, soybean and corn marketing years.	Mato Grosso – MT
Fazenda Paiaguás S.A.	**100**	**-**	Cultivation of cotton, soybean and corn marketing years.	Mato Grosso – MT
Fazenda Parnaíba S.A.	**100**	**-**	Cultivation of cotton, soybean and corn marketing years.	Maranhão – MA
SLC Empreendimentos e Agricultura Ltda.	**89.30**	**10.70**	Lease of arable land.	Rio Grande do Sul – RS

3. Consolidated financial statements (Continued)

The fiscal years of subsidiaries included in consolidation are the same as those of the Company, also accounting policies were consistently applied by the consolidated companies and are consistent with those used in prior year.

The main consolidation procedures are:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of equity interest, reserves and retained earnings of consolidated companies;
- Elimination of the balances of revenues, expenses and unrealized profits resulting from intercompany transactions;
- Determination of taxes on unrealized profits, presented as deferred taxes in the consolidated balance sheet.

Reconciliation between net income and shareholders' equity (Company and consolidated) is as follows:

	2008	2007
Net income for the year – Company	**25,415**	44,983
Unrealized gain (loss) on hedging instruments, net of taxes	**19,196**	(2,164)
Net income for the year - Consolidated	**44,611**	42,819

Transactions that generate differences between Net income - Company and Net income - Consolidated refer to unrealized gains or losses on hedging instruments contracted by the parent company or subsidiaries through non deliverable forwards (NDFs), qualified as "*Cash Flow Hedge"* for consolidated hedge of futures sales. These operations are contracted based on future consolidated sales forecasts, with hedge effectiveness assessed between 80% – 125%, and were recorded under the heading "Equity adjustments" in consolidated shareholders' equity.

4. Summary of significant accounting practices (Continued)

a) Determination of profit or loss

Revenues are determined on the accrual basis of accounting. Revenues from the sale of goods are recognized in the statement of income when all risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding its realization.

b) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (reais), at the rate of exchange in effect at the respective balance sheet closing date. Gains and losses arising from restatement of these assets and liabilities between the rate of exchange in effect at the transition date and the fiscal year closing dates are recognized as financial income or financial expenses in the statement of income.

c) Financial instruments

Financial instruments are only recognized when the Company becomes a party to the contractual provisions of said instruments. They are initially recognized at fair value plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified at fair value through profit or loss, when such costs are directly charged to the net income for the year. Their subsequent measurement is determined by their classification as financial assets and liabilities at each balance sheet date.

c1) **Financial assets**: These are classified in the categories below according to the purpose for which they have been purchased or issued:

c1.1) Financial assets measured at fair value through profit or loss (FVTPL):

These include financial instruments held for trading and assets initially recognized at FVTPL. They are classified as held for trading if originated for the purpose of sale or repurchase in the short term. Derivatives are also classified as for trading, excepting those designated as hedge. These are measured at fair value at each balance sheet date. Interest, monetary variation and foreign exchange gains/losses and fluctuations arising from measurement at fair value are recognized in profit or loss, as incurred, under “Financial income” or “Financial expenses”.

4. Summary of significant accounting practices (Continued)

c1.2) Held-to-maturity investments:

Non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the intention and ability to hold them to maturity. After their initial recognition, they are measured at amortized cost using the effective interest rate method. This method uses a discount rate that when applied to estimated future receivables, over the expected life of the financial instrument, results in the net book value thereof. Interest, monetary variation and foreign exchange gains/losses, less impairment, if any, are recognized in profit or loss, as incurred, under "Financial income" or "Financial expenses".

c1.3) Lending and receivables:

Non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After their initial recognition, they are measured at amortized cost using the effective interest rate method. Interest, monetary variation and foreign exchange gains/losses, less impairment, if any, are recognized in profit or loss, as incurred, under "Financial income" or "Financial expenses.

c1.4) Available for sale:

Financial assets that do not fit into categories c1.1 to c1.3 above, and are measured at fair value at each balance sheet date. Interest, monetary variation and foreign exchange gains/losses, if any, are recognized in profit or loss, as incurred, and differences arising between the investment value restated in accordance with relevant contract conditions and related fair value measurement are recognized in shareholders' equity, under "Equity adjustments" while the asset is not realized. Once the asset is realized, they are transferred to the net income (loss), net of taxes.

The main financial assets recognized by the Company are: cash and cash equivalents, short-term investments, unrealized gain on derivative transactions and trade accounts receivable.

4. Summary of significant accounting practices (Continued)

c2) **Financial liabilities**: These are classified in the categories below according to the nature of financial instruments contracted or issued:

c2.1) Financial liabilities measured at fair value through profit or loss:

These include financial liabilities usually traded before maturity, liabilities stated upon initial recognition at fair value through profit and loss and derivatives, excepting those classified as hedging instruments. These are measured at fair value at each balance sheet date. Interest, monetary variation, foreign exchange gains/losses and fluctuations arising from measurement at fair value, as applicable, are recognized in the profit or loss, as incurred

c2.2) Financial liabilities not measured at fair value:

Non derivative financial liabilities not usually traded before maturity. They are initially measured at amortized cost using the effective interest rate method. Interest, monetary variation and foreign exchange gains/loss, when applicable, are recognized in profit or loss, as incurred.

The main financial liabilities recognized by the Company are: trade accounts payable, unrealized losses on derivative transactions and loans and financing.

c3) **Market value**: The market value of financial instruments traded in an active market such as a recognized stock exchange is determined based on the amounts quoted in the market at the balance sheet date. If an active market does not exist, the market value is determined through valuation techniques. These techniques include use of recent market transactions between independent parties, discounted cash flow analysis or other valuation methods

4. Summary of significant accounting practices (Continued)

c4) **Hedging instruments**: derivative financial instruments used to hedge risk exposures or change the characteristics of underlying financial assets and liabilities, firm commitments not recognized, highly probable transactions, or net investments in foreign transactions, and that: (i) have high correlation with the changes in their market value in relation to the market value of the hedged item, both at inception and over the life of the contract (effectiveness between 80% and 125%); (ii) have documentary identification of the transaction, of the hedged risk, of the risk management process, and of the hedge effectiveness methodology used; and, (iii) are considered effective at reducing risk associated with the exposure being hedged, are classified and accounted for as hedging instruments according to their nature:

- *Fair value hedge* – These are derivative financial instruments used to offset risks arising from exposure to changes in the fair value of the hedged item. The hedged items and underlying derivative financial instruments are recorded against the relevant income or expense account, in the statement of income for the period;

- *Cash flow hedge* – These are derivative financial instruments used to offset change in the entity's estimated future cash flow. The hedged items and underlying derivative financial instruments are accounted for as follows: (i) the effective portion of gain or loss on the hedging instrument is recognized under the heading "Equity adjustments" in shareholders' equity; and (ii) the non-effective portion of gain or loss on the hedging instrument is directly charged to the net income for the period; and

- *Foreign investment hedge* – These are derivative financial instruments used to offset the effects of foreign exchange rate changes upon currency translation of financial statements regarding foreign investments. The hedged items and underlying derivative financial instruments are accounted for as follows: (i) the effective portion of gain or loss on the hedging instrument is recognized under the heading "Equity adjustments" in shareholders' equity; and (ii) the non-effective portion of gain or loss on the hedging instrument is directly charged to the net income for the period.

For the years ended December 31, 2008 and 2007, the Company and its subsidiaries had only cash flow hedge transactions.

4. Summary of significant accounting practices (Continued)

d) Allowance for doubtful accounts

The Company and its subsidiaries do not present amounts requiring setting up of allowance for doubtful accounts once there are no expected losses on accounts receivable.

e) Inventories

Agricultural products were valued at the production cost, not exceeding their realizable value. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

Inventories of seeds, manure, fertilizers, pesticides, fuel, lubricants, stored and sundry materials were valued at their average acquisition cost, not exceeding their market value.

f) Growing marketing years

These are stated at cost incurred through the balance sheet date, and represent marketing year formation in the related fiscal years.

g) Investments

Investments in subsidiaries are valued at the equity accounting method. Other investments are stated at acquisition cost and adjusted to market value, as applicable.

h) Property, plant and equipment

Property, plant and equipment are stated at acquisition, buildup or construction cost. Depreciation is calculated on the straight-line basis at the rates mentioned in Note 12 and takes into consideration the estimated useful life of the assets.

i) Liabilities

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Due to uncertainty with respect to the timing and amount of the outflow of economic benefits required for settlement, certain liabilities are estimated as incurred and recorded as a provision. Provisions are recorded reflecting the best estimates of the risk involved.

4. Summary of significant accounting practices (Continued)

j) Taxation

Sales revenues are subject to the following taxes and mandatory contributions, at the following statutory tax rates:

	Rate
State VAT (ICMS)	0% to 17.00%
Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	7.60%
Social Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1.65%
Rural Workers' Assistance Fund Tax (Funrural)	2.85%

These expenses are stated as sales deductions in the statement of income. Credits deriving from non-cumulative PIS/COFINS are recorded as a deduction from the cost of sales in the statement of income.

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R$ 240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore additions to book income deriving from temporarily non-deductible expenses or exclusions from temporarily non-taxable income upon determination of current taxable profit generate deferred tax assets or liabilities.

k) Cost subsidies

The Governments of Mato Grosso do Sul and Mato Grosso states, through Decrees No. 9542/99 and No. 1261/00, respectively, granted incentives allowing deferral of ICMS debits through inclusion of Fazenda Planalto under the Fundersul Program (Fund for the Development of the Road System of Mato Grosso do Sul state) and the inclusion of Fazenda Planorte and Fazenda Paiaguás under the FETHAB Program (Fund for Transportation and Housing).

The Governments of Mato Grosso do Sul, Mato Grosso and Goiás states, through Decree No. 9716/99, Decree No 1589/97 and state Law No. 13506/99, granted ICMS matching credits for cotton-lint operations, with reduction of ICMS payable by 50% to 75% through inclusion of Fazenda Planalto under the PDAGRO Program (Mato Grosso do Sul), of Fazenda Planorte and Fazenda Paiaguás under the PROALMAT Program (Mato Grosso) and Fazenda Pamplona under the PROALGO Program (Goiás). ICMS matching credits are recorded in the statement of income in the deductions-taxes and mandatory contributions account as a counterentry to recoverable taxes.

4. Summary of significant accounting practices (Continued)

l) Share-based payment

The Company has a Stock Option Plan for Company directors and managers, under the administration of a managing committee created by the Board of Directors. In the years ended December 31, 2008 and 2007, the Company measured and recognized these benefits as expense in accordance with CPC 10.

m) Accounting estimates

These are used in the measurement and recognition of certain assets and liabilities in the financial statements of the Company and its subsidiaries. These estimates take into consideration experience from past and current events, assumptions in respect of future events, and other objective and subjective factors. Significant items subject to such estimates include selection of useful lives of property, plant and equipment and intangible assets; allowance for doubtful accounts; provision for inventory losses; analysis of recoverability of property, plant and equipment and intangible assets; deferred income and social contribution taxes; provision for contingencies; fair value measurement of share-based payments and financial instruments; and recognition considerations. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on a quarterly basis.

n) Statements of cash flows and value added

The statements of cash flows and value added were prepared in accordance with CVM Resolution No. 547, dated August 13, 2008, which approved Technical Pronouncement CPC 03 and CVM Resolution No. 557, dated November 12, 2008, which approved Technical Pronouncement CPC 09, respectively.

5. Cash and cash equivalents

Type	Yield	Company		Consolidated	
		2008	**2007**	**2008**	**2007**
Cash	-	**2,609**	22,214	**2,800**	27,076
Trading securities:					
Bank Deposit Certificates –	100% of CDI*	**109,435**	25,311	**110,827**	30,730
Interbank Deposits (CDB–DI)					
Repurchase and resale agreements	103% of CDI*	**104,033**	97,064	**111,240**	107,573
Other investments	-	**231**	1,659	**340**	1,760
		213,699	124,034	**222,407**	140,063
		216,308	146,248	**225,207**	167,139

* Average yield as of December 31, 2008

Short-term investments are represented by Bank Deposit Certificates (CDB) and repurchase and resale agreements (debentures) at market prices and rates, restated at interest earned through the balance sheet date, not exceeding the trading value.

6. Trade accounts receivable

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Domestic market	**2,862**	471	**3,189**	1,236
Foreign market	**6,182**	5,591	**8,786**	12,004
Total	**9,044**	6,062	**11,975**	13,240

At December 31, 2008 and 2007, the Company and its subsidiaries had no overdue notes receivable.

7. Inventories

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Agricultural products	**57,693**	13,182	**77,055**	25,094
Seeds, manure, fertilizers and pesticides	**97,564**	55,482	**155,438**	95,948
Advances to suppliers	**13,025**	7,125	**20,926**	11,113
Other inventories	**4,041**	1,501	**5,660**	2,870
Valuation allowance for market value	**-**	(49)	**-**	(49)
	172,323	77,241	**259,079**	134,976

8. Growing marketing years

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Soybean	**62,052**	28,292	**110,722**	51,556
Cotton	**56,919**	25,018	**68,513**	33,693
Corn	**5,852**	5,011	**8,841**	6,556
Corn-seed	**1,579**	1,593	**1,534**	1,529
Coffee	**4,059**	1,951	**3,972**	1,864
Other marketing years	**322**	366	**273**	256
	130,783	62,231	**193,855**	95,454

Growing marketing years are substantially represented by costs incurred with marketing year formation, such as: seeds, fertilizers, pesticides, depreciation and labor used in the marketing years.

Marketing years of soybean, corn and cotton are usually as follows:

		Marketing years		
Farm/Unit	**Location**	**Soybean**	**Cotton**	**Corn**
Fazenda Planalto	Costa Rica-MS	Oct 1 a March 20	Dec 5 to Aug 15	Jan 25 to Jul 10
Fazenda Paiaguás	Diamantino-MT	Sep 20 to Mar 15	Dec 10 to Aug 15	Jan 25 to Jul 10
Fazenda Planorte	Sapezal-MT	Sep 20 to Mar 10	Dec 15 to Aug 15	Jan 25 to Jul 10
Fazenda Pamplona	Cristalina-GO	Oct 25 to Apr 15	Nov 5 to Aug 15	Oct 20 to Apr 30
Fazenda Parnaíba	Tasso Fragoso-MA	Oct 25 to Apr 05	Dec 15 to Aug 10	Dec 1 to May 15
Fazenda Planeste	Balsas-MA	Oct 15 to Mar 30	Dec 20 to Aug 15	Dec 10 to Jul 10
Fazenda Palmeira	Buriti-MA	Jan 20 to Jun 5	N/A	Jan 20 to Jun 10
Fazenda Panorana	Correntina-BA	Nov 1 to Apr 25	Nov 20 to Dec 15	Nov 1 to Apr 1
Fazenda Piratini	Jaborandi-BA	Nov 1 to Apr 25	N/A	N/A
Fazenda Palmares	Barreiras-BA	Nov 1 to Apr 25	Nov 20 to Aug 10	N/A

9. Recoverable taxes

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Income tax	**2,660**	3,257	**4,681**	6,705
Social contribution tax	**636**	8	**2,239**	1,652
ICMS	**15,291**	7,251	**19,931**	9,430
COFINS	**3,437**	793	**9,985**	5,250
PIS	**738**	164	**2,358**	1,331
Withholding Income Tax (IRRF)	**4,185**	2	**4,537**	1,775
Other	**47**	21	**58**	34
	26,994	11,496	**43,789**	26,177
(-) Current assets	**(22,636)**	(9,562)	**(37,803)**	(23,548)
Noncurrent assets	**4,358**	1,934	**5,986**	2,629

Income and social contribution taxes

These refer to income and social contribution tax prepayments that are realized through offset against federal taxes and contributions due.

ICMS, PIS and Cofins to be offset / recoverable

These refer to credits generated in the normal course of operations of the Company and its subsidiaries, which may be offset against taxes of the same nature. The Company's management expects that the balances as of December 31, 2008 will be realized with no significant losses.

Recoverable IRRF

This refers to withholding income tax on short-term investments. These credits are realizable through offset against federal taxes and mandatory contributions due.

10. Investments

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Investments in subsidiaries	**250,595**	180,701	**-**	-
Other investments	**99**	99	**229**	182
	250,694	180,800	**229**	182

The significant investments in subsidiaries companies, valued by the equity accounting method, are shown in the table below:

	Fazenda Parnaíba S.A.	**Fazenda Planorte S.A.**	**Fazenda Paiaguás S.A.**	**SLC Empreendimentos e Agricultura Ltda.** (1)	**2008**	**2007**
Capital	20,650	46,400	30,010	141,180		
Shareholders' equity	20,322	66,733	35,474	153,691		
Net income (loss) for the year	198	8,985	(6,214)	14,459		
Number of shares/units of interest						
Common shares (thousand)	5,353	11,506	44,517	-		
Units of interest	-	-	-	1		
Equity interest percentage (%)	100%	100%	100%	89,30%		
Opening balances – initial recognition	38,844	31,556	36,545	75,968	**182,913**	148,468
Prior-year adjustments – Law No. 11638	585	1,454	4,890	-	**6,929**	-
Adjusted opening balances	39,429	33,010	41,435	75,968	**189,842**	148,468
Payment of capital	-	30,000	10,000	56,179	**96,179**	45,129
Realized losses on hedging instruments	(584)	(1,122)	(2,744)	-	**(4,450)**	4,450
Unrealized losses on hedging instruments	(7,304)	(2,006)	(7,004)	-	**(16,314)**	-
Investment capital gain/loss	-	-	-	790	**790**	75
Equity pickup	198	8,985	(6,213)	12,910	**15,880**	33,082
Dividends receivable	(11,417)	(2,134)	-	(8,605)	**(22,156)**	(41,362)
Equity value – ending balances	20,322	66,733	35,474	137,242	**259,771**	189,842
Goodwill (2)	-	-	12,980	-	**12,980**	12,980
Discount (3)	(22,156)	-	-	-	**(22,156)**	(22,121)
Ending balances	(1,834)	66,733	48,454	137,242	**250,595**	180,701

(1) Net equity was adjusted in the amount of R$ 12,419 and R$ 10,030, and net income in the amount of R$ 3,479 and R$ 1,683, for years 2008 and 2007, respectively, referring unrealized profit resulting from intercompany transactions.

(2) Represents the goodwill paid on the acquisition of Fazenda Paiaguás on July 20, 2000, with economic basis attributed to arable land appreciation. Relevant amortization shall take place only upon its write-off/disposal or loss of economic basis.

(3) Represents the discount determined upon the acquisition of shares of subsidiary Fazenda Parnaíba S.A. from third parties, which took place in years 2007 and 2008.

11. Property, plant and equipment

	Company				
	Average annual depreciation rate	2008			2007
		Cost	Accumulated depreciation	Net	Net
Arable land	-	186	-	**186**	995
Soil development	20%	85,961	(22,591)	**63,370**	29,177
Buildings and improvements	4%	20,229	(1,902)	**18,327**	13,701
Furniture and fixtures	10%	1,489	(613)	**876**	627
Office equipment and facilities	20%	2,257	(1,127)	**1,130**	829
Agricultural equipment and industrial facilities	12%	150,860	(46,401)	**104,459**	48,678
Vehicles	25%	8,919	(4,147)	**4,772**	1,936
Permanent marketing years	6%	4,923	(1,144)	**3,779**	3,703
Advances to suppliers	-	9,063	-	**9,063**	11,116
Work and refurbishments in progress	-	15,798	-	**15,798**	4,439
Construction in progress	-	310	-	**310**	-
		299,995	(77,925)	**222,070**	115,201

	Consolidated				
	Average annual depreciation rate	2008			2007
		Cost	Accumulated depreciation	Net	Net
Arable land	-	312,974	-	**312,974**	138,202
Goodwill – Land appreciation	-	12,980	-	**12,980**	12,980
Soil development	20%	133,952	(46,877)	**87,075**	45,565
Plots	-	42	-	**42**	42
Buildings and improvements	4%	68,702	(16,218)	**52,484**	40,939
Furniture and fixtures	10%	2,389	(1,001)	**1,388**	1,056
Office equipment and facilities	20%	3,179	(1,681)	**1,498**	1,060
Agricultural equipment and industrial facilities	12%	259,169	(92,423)	**166,746**	86,523
Vehicles	24%	13,169	(6,778)	**6,391**	2,853
Permanent marketing years	7%	9,295	(3,057)	**6,238**	5,763
Advances to suppliers	-	9,292	-	**9,292**	11,694
Work and refurbishments in progress	-	16,902	-	**16,902**	8,254
Construction in progress	-	310	-	**310**	-
		842,355	(168,035)	**674,320**	354,931

At December 31, 2008, work and refurbishments in progress, in the amount of R$16,902, were substantially represented by building and expansion of functional buildings (accommodation modules, workers' cafeteria, etc.) in the amount of R$2,714; infrastructure works (electric grid, draining system, etc) in the amount of R$2,464, refurbishment of Fazenda Pamplona processing unit, in the amount of R$1,584 and cotton machines' construction in Fazenda Panorama, in the amount of R$4,748, , all of them scheduled for completion over the next 12 months.

12. Balances and transactions with related parties

	Fazenda Planorte S.A.	Fazenda Parnaíba S.A.	Fazenda Paiaguás S.A.	SLC Empreendimentos e Agricultura Ltda.	Ferramentas Gerais Com. Imp. S.A.	Total 2008	Total 2007
ASSETS:							
Current assets:							
Credits from subsidiaries	535	23	-	48	4	**610**	5,269
Noncurrent assets:							
Credits from subsidiaries	10,878	5,021	22,387	-	-	**38,286**	778
Advance for future capital increase	-	-	-	18,226	-	**18,226**	-
						56,512	778
LIABILITIES:							
Current liabilities:							
Liabilities to subsidiaries (loans)	-	-	-	6,485	-	**6,485**	3,157
INCOME (EXPENSES)							
SALES:							
Goods	648	862	25	-	-	**1,535**	400
PURCHASES:							
Goods	46	80	944	-	-	**1,070**	1,499
FINANCIAL INCOME							
Interest	160	91	193	-	-	**444**	259
FINANCIAL EXPENSES							
Interest	-	3	1	-	-	**4**	5,401

12. Balances and transactions with related parties (Continued)

The balance of R$515, not eliminated on consolidation, refers to a refund to subsidiary Ferramentas Gerais Comércio e Importação S.A., for the operating system implementation, with maturity in January 2008.

The Company and its subsidiaries have loan agreements represented by current accounts, indexed to 99% of the CDI-OVER rate nominal variation, maturing in indeterminate periods.

The Company has a rural lease agreement entered into on January 1, 2007, with subsidiary SLC Empreendimentos e Agricultura Ltda., effective for a period of 10 years maturing on December 31, 2016, which may be reviewed at any time in the event market changes take place that render it unfeasible to achieve balance and encumber excessively any of the parties thereto.

This agreement provides for the delivery of land, facilities and other assets by the lessor that allows the lessee to perform its agricultural activities by planting cotton, soybean, corn, sorghum, coffee and pea, in consideration for an amount in the form of lease payments. At December 31, 2008, the lease amount is as follows:

	Total hectares leased	Annual leasing amount (a)	Soybean sack quotation in the region (b)	R$
Fazenda Planalto	13,157,78	11.0	42.00	**6,079**
Fazenda Pamplona	12,619,85	10.5	43.50	**5,764**
Fazenda Planeste	12,831,30	7.0	41.50	**3,727**
Fazenda Palmeira	4,515,00	5.0	48.00	**1,084**
Fazenda Panorama	6,570,00	8.0	41.50	**2,181**
Fazenda Paiaguás	24,197,42	8.5	36.50	**7,507**
Fazenda Piratini (c)	3,000,00	-	41.00	**-**
Fazenda Palmares	1,533,00	9.0	41.00	**566**
				26,908

(a) Equivalent in soybean sacks per hectare arable per marketing year year.
(b) Average price per soybean sack prevailing in the region of each farm, obtained as of December 31, 2008, in reais.
(c) As contractually provided for, leasing costs will be incurred as from marketing year year 2011/2012.

The leasing price will be paid annually based on the over-the-counter (OTC) price of the soybean sack for each region on the payment date, to be established by the lessor at least 15 days before maturity, with no provision for agreement resetting.

13. Loans and financing

		Average annual interest rates (%)		Company		Consolidated	
	Index	2008	2007	2008	2007	2008	2007
Used in property, plant and equipment							
Finame – BNDES	Prefixed and TJLP*	9.23%	9.87%	**27,935**	13,716	**40,941**	24,320
Constitutional Funds***	-	7.39%	7.92%	**49,597**	20,236	**85,858**	56,589
Used in working capital							
Advance on export contracts	US$	10%	5.89%	**4,698**	-	**4,697**	3,612
Rural credit	-	6.75%	6.87%	**13,636**	4,246	**39,372**	52,108
Constitutional Funds***	-	7.38%	7.65%	**100,067**	36,080	**126,532**	39,500
Foreign loans	US$, Libor + Prefixed	5.12%	5.53%	**95,288**	5,660	**95,288**	5,660
Rural savings	TR** + Prefixed	-	8.82%	**-**	-	**-**	3,419
				291,221	79,938	**392,688**	185,208
(-) Current liabilities				**(118.365)**	(55,603)	**(180,790)**	(126,723)
Noncurrent liabilities				**172,856**	24,335	**211,898**	58,485

* Long-Term Interest Rate (TJLP)
** Referential Rate (TR)
*** Calculation of Constitutional Funds average cost considers a 15% discount relating to non-default bonus applied to these operations.

Finame – BNDES – Guaranteed by a statutory lien and pledges on financed assets by SLC Agrícola S.A. or SLC Participações S.A.. Amounts are amortized on a monthly, semiannual or annual basis, with maturity dates between January 15, 2009 and August 15, 2014.

Constitutional Funds – Guaranteed by sureties by SLC Agrícola S.A. or SLC Participações S.A. and, in some operations, by pledge and mortgage on land. Amounts are amortized annually, with maturities between January 1, 2009 and June 25, 2015.

Advance on Export Contracts - Guaranteed by sureties by SLC Participações S.A., and the frequency of payments depends on the receipt of credits in connection with foreign sales. Final maturity is scheduled for November 6, 2009.

Rural Credit – Guaranteed by sureties by SLC Agrícola S.A. or SLC Participações S.A., and, in some transactions, by pledge on the marketing years. Amortization takes place on a monthly basis, with maturities between April 1, 2009 and September 10, 2009.

Foreign Loans – Funds received under IFC – International Finance Corporation, with maturities scheduled for January 15, 2018, guaranteed by sureties by subsidiaries and the Fazenda Paiaguás S.A. mortgage. This agreement provides for performance

of certain covenants regarding current ratio, DEBT-EBITDA/Equity ratio and annual

13. Loans and financing (Continued)

debt amortization in relation to operating cash generation. At December 31, 2008, the Company had fully complied with all these covenants.

The aging list of long-term loans and financing is as follows:

	Company		Consolidated	
Maturity	**2008**	**2007**	**2008**	**2007**
2009	**-**	10,339		25,598
2010	**32,057**	6,693	**44,684**	16,625
2011	**26,650**	4,916	**37,281**	10,796
2012	**24,116**	2,229	**30,903**	3,692
2013	**21,270**	158	**27,131**	1,344
After 2013	**68,763**	-	**71,899**	430
	172,856	24,335	**211,898**	58,485

14. Provision for contingencies

At December 31, 2008, the Company recorded a provision for labor contingencies in the amount of R$83 (R$871 in the consolidated). The amounts provided for refer to legal claims filed by former employees, with respect to which an unfavorable outcome has been assessed as probable by Company's legal advisors.

In accordance with applicable legislation in Brazil, the federal, state and municipal taxes as well as social security contributions are subject to review by tax authorities for periods varying from 5 to 30 years.

15. Deferred income and social contribution taxes

Deferred income and social contribution taxes were recognized as follows:

	Company			
	2008			2007
Description	Income Tax	Social Contribution Tax	Total	Total
Assets:				
Temporary differences:				
Taxes on activities not entitled to tax benefits	138	-	**138**	138
Provision for inventory adjustment to market value	-	-	**-**	16
Derivative transactions	19,427	6,994	**26,421**	-
Other	110	39	**149**	58
Income and social contribution tax losses	33,327	11,873	**45,200**	32,908
	53,002	18,906	**71,908**	33,120
(-) Total current assets			**(23,295)**	(74)
Noncurrent assets			**48,613**	33,046
Liabilities:				
Incentive depreciation for rural activities	27,344	9,844	**37,188**	21,998
Deferred capital gain	2,025	-	**2,025**	219
Derivative transactions	-	-	**-**	3,726
Other	183	66	**249**	-
	29,552	9,910	**39,462**	25,943
(-) Total current liabilities			**(5,675)**	(6,481)
Noncurrent liabilities			**33,787**	19,462

	Consolidated			
	2008			2007
Description	Income Tax	Social Contribution Tax	Total	Total
Assets				
Temporary differences:				
Taxes on activities not entitled to tax benefits	138	-	**138**	138
Provision for inventory adjustment to market value	-	-	**-**	16
Derivative transactions	35,440	12,759	**48,199**	
Other	1,460	524	**1,984**	149
Income and social contribution tax losses	35,832	12,775	**48,607**	38,268
	72,870	26,058	**98,928**	38,571
(-) Total current assets			**(42,387)**	(1,173)
Noncurrent assets			**56,541**	37,398
Liabilities				
Incentive depreciation for rural activities	48,859	17,408	**66,267**	41,747
Deferred capital gain	2,025	-	**2,025**	220
Deferred exchange variation	-	-	**-**	679
Derivative transactions	-	-	**-**	7,539
Other	184	66	**250**	-
	51,068	17,474	**68,542**	50,185
(-) Total current liabilities			**(9,322)**	(13,982)
Noncurrent liabilities			**59,220**	36,203

15. Deferred income and social contribution taxes (Continued)

Based on a technical study of future taxable income, the Company expects to recover these tax credits in the following years:

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
2008	**-**	74	**-**	1,173
2009	**23,295**	8,548	**42,387**	10,140
2010	**23,298**	8,012	**31,226**	10,772
2011	**25,315**	10,054	**25,315**	10,054
2012	**-**	6,432	**-**	6,432
	71,908	33,120	**98,928**	38,571

The expected recovery of the tax credits is based on the projections of future taxable income, taking into consideration various business and financial assumptions at the end of years 2008 and 2007. Accordingly, these estimates may not materialize in the future due to the underlying uncertainties involved.

Pursuant to CVM Rule No. 371/02, and based on expected generation of future taxable income, as determined in a technical study approved by management, the Company and its subsidiaries recognized tax credits on income and social contribution tax losses carryforward and temporary differences, which may be carried indefinitely. The carrying value of deferred charges is reviewed annually by the Company, and the related adjustments have not been significant in relation to management's initial estimate. The technical study considers the investments and the income tax reduction incentive of up to 75% on profits from tax incentive activities carried out at qualifying farms.

15. Deferred income and social contribution taxes (Continued)

Reconciliation of tax expenses at official rates

Income tax (IR) and social contribution tax (CS) calculated at their nominal rates are reconciled to the amount recorded as income and social contribution tax expenses, as follows:

	Company			
	2008		2007	
	IR	CS	IR	CS
Income before taxation	**31,887**	**31,887**	51,277	51,277
Income and social contribution taxes at nominal rate of 25% and 9%, respectively	**(7,972)**	**(2,870)**	(12,819)	(4,615)
Adjustments to reflect the effective rate				
Equity pickup	**3,970**	**1,429**	8,271	2,977
Permanent additions	**(758)**	**(272)**	(119)	(43)
Other	**1**	**-**	46	8
As per income statement	**(4,759)**	**(1,713)**	(4,621)	(1,673)

	Consolidated			
	2008		2007	
	IR	CS	IR	CS
Income before taxation	**60,452**	**60,452**	60,723	60,723
Income and social contribution taxes at nominal rate of 25% and 9%, respectively	**(15,113)**	**(5,441)**	(15,181)	(5,465)
Adjustments to reflect the effective rate				
Permanent exclusions	**1,871**	**674**	2,210	785
Permanent additions	**(793)**	**(287)**	(174)	(63)
Tax incentives of subsidiaries	**1,737**	**-**	1,177	-
Other	**1,174**	**337**	(828)	(365)
As per income statements	**(11,124)**	**(4,717)**	(12,796)	(5,108)

16. Notes payable - Consolidated

	12/31//2008	12/31/2007
Jaques Valori Lima (a)	**5,854**	5,053
Floryl Florestadora Ypê S.A. (b)	**-**	28,399
Agroparaná S.A., Agropecuária Lages Ltda. and Leandro Volter Laurindo de Castilhos (c)	**3,154**	-
Agropecuária Vale do Juruena Ltda. and Others (d)	**66,508**	-
Agropecuária Veloso de Araujo Ltda. and Others (e)	**13,759**	-
Estate of Mr. Francisco Veloso de Araujo (f)	**5,148**	-
Fausto de Guimarães Garcia (g)	**3,673**	-
Solo Sagrado Colonizadora e Negócios Ltda.(h)	**22,716**	-
Other	**-**	24
	120,812	33,476
(-) Current liabilities	**(43,549)**	(29,050)
Noncurrent liabilities	**77,263**	4,426

Breakdown of balances at December 31, 2008 is as follows:

(a) Represented by the acquisition of 2,718 hectares of arable land in the municipality of Correntina, Bahia (Fazenda Panorama), by SLC Empreendimentos e Agricultura Ltda., for R$8,857 (equivalent to US$4,447). The balance of R$5,854 at December 31, 2008, equivalent to US$2,505, monetarily restated on the U.S. dollar fluctuation, will be paid in 4 annual installments maturing as from May 31, 2009.

(b) Represented by the acquisition of 25,000 hectares of arable land in the municipality of Jaborandi, Bahia (Fazenda Piratini) by SLC Empreendimentos e Agricultura Ltda., for R$30,472 (equivalent to US$16,075). The balance, monetarily restated on the U.S. dollar fluctuation, was settled up on September 19, 2008.

(c) Represented by the acquisition of 5,165 hectares of arable land in the municipality of Barreiras, Bahia (Fazenda Palmares) by SLC Empreendimentos e Agricultura Ltda., for R$35,000. The balance of R$3,154 at December 31, 2008, will be paid upon release of deed for land in the name of the Company.

(d) Represented by the acquisition of 10,635 hectares of arable land in the municipality of Campos de Julio, Mato Grosso (neighboring area of arable land in Fazenda Planorte S.A.), for R$82,950 (equivalent to 2,370 thousand soybean sacks). The balance of R$66,508 at December 31, 2008 refers to the 6 remaining installments (equivalent to 1,980 thousand soybean sacks), monetarily restated by soybean sack fluctuation, the next installment with maturity in May 2009, and subsequent annual installments, with final maturity on May 31, 2014.

(e) Represented by the acquisition of 3,406.62 hectares of arable land in the municipality of Tasso Fragoso, Maranhão (neighboring area of arable land in Fazenda Parnaíba S.A.), for R$14,000 (equivalent to 350 thousand soybean sacks). The balance of R$13,759 at December 31, 2008 refers to the 15 remaining annual installments, with maturities between May 2009 and May 2022, the first installment being equivalent to 58,364 soybean sacks and the remaining installments equivalent to 20 thousand soybean sacks each, totaling 338,364 soybean sacks.

16. Notes payable - Consolidated (Continued)

(f) Represented by the acquisition of 1,237.74 hectares of arable land in the municipality of Tasso Fragoso, Maranhão (neighboring area of arable land in Fazenda Parnaíba S.A.), for R$4,800 (equivalent to 137,142 soybean sacks). The balance of R$5,148 at December 31, 2008, refers to: R$2,700 to be paid upon release of the deed for the land in the name of the Company; and the remaining annual 5 installments, with maturities between May 2009 and May 2013 (equivalent to 12 thousand soybean sacks each, totaling 60 thousand soybean sacks.

(g) Represented by the acquisition of 3,068.81 hectares of arable land in the municipality of Tasso Fragoso, Maranhão (neighboring area of arable land in Fazenda Parnaíba S.A.), for R$6,660 (equivalent to 180 thousand soybean sacks). The balance of R$3,673 at December 31, 2008, refers to 90 thousand soybean sacks with maturity in May 2009.

(h) Represented by the acquisition of 26,598 hectares of arable land in the municipality of Santa Filomena, Piauí (Fazenda Parnaguá) by SLC Empreendimentos e Agricultura Ltda., for R$34,969. The balance of R$22,716 at December 31, 2008, refers to R$14,221 payable upon release of the deed for land in the name of the Company, and R$8,495 (equivalent to 208,200 soybean sacks), payable in May 2009 and May 2010.

17. Shareholders' equity

a) Capital

At the Extraordinary Shareholders' Meeting held on March 30, 2007, Company's capital was increased from R$140,961 to R$191,003, through capitalization of retained earnings for prior years amounting to R$50,042, without issue of new shares.

As per the minutes of the Extraordinary Shareholders' Meeting held on August 11, 2008, capitalization was approved in the amount of R$277,586, corresponding to part of the capital reserve account balance – premium on issue of shares, thereby increasing Company's capital to R$557,434.

At December 31, 2008, subscribed capital amounting to R$557,434 (R$ 253,256 at December 31, 2007) is represented by 98,897,500 (89,500,000 at December 31, 2007) common registered shares, without par value, held as follows:

	Number of shares	
Shareholder	**2008**	**2007**
SLC Participações S.A.	28,948,586	32,976,085
Evaux Participações S.A.	21,520,787	21,520,787
Board of Directors	3	3
Treasury shares	1,185,600	-
Other	48,428,124	35,003,125
	98,897,500	89,500,000

17. Shareholders' equity (Continued)

b) Capital reserve – premium on issue of shares

The balance of R$175,396 at December 31, 2008, is represented by premium received on the public offerings of shares in June 2007 and June 2008, totaling R$477,586, less i) share issue costs (commissions, fees and other expenses), net of taxes in accordance with CPC 10, in the amount of R$24,604; and ii) R$277,586 for the capital increase, as mentioned in item a) above.

c) Treasury shares

In 2008, 1,185,600 Company's own issued shares were acquired, totaling R$13,894, including transaction costs, with a view to meeting the Company's stock option plan requirements (Note No. 24).

d) Legal reserve

The legal reserve is set based on 5% of net income for the year up to 20% of share capital.

e) Expansion reserve

According to the articles of incorporation, an expansion reserve will be set up based on the remaining net income for the year after the deductions set forth by relevant legal requirements and articles of incorporation. This reserve is intended to be used for investments in operating assets, and cannot exceed share capital.

At December 31, 2008, the reserve was set up in the amount of R$13,549 (R$16,885 at December 31, 2007 before adoption of Law No. 11638/07), and for the year ended December 31, 2008, the Company reclassified a balance of R$17,573 due to the adjustments derived from the adoption of said Law.

17. Shareholders' equity (Continued)

f) Profit retention reserve

The remaining balance of accumulated earnings for year 2007, amounting to R$5,628, has been retained and recorded under profit retention reserve, to be applied for new investments established in capital budget, according to article 196 of Brazil's Corporation Law.

g) Dividends

According to the minutes of the Shareholders' Meeting held on January 26, 2007, the payment of dividends amounting to R$881 was approved, based on retained earnings for prior years.

The Annual Shareholders' Meeting held on April 3, 2008 approved and scheduled for April 11, 2008 payment to shareholders of year 2007 dividends amounting to R$7,504, equivalent to R$0.0838 per common share.

According to the articles of incorporation of the Company, mandatory dividends are established based on 25% of remaining net income for the year, after recognition of statutory reserves.

Of profits earned in the year ended December 31, 2008, and based on the Company's ability to generate operating cash, management proposed, to be approved at the Shareholders' General Meeting, the distribution of dividends, as follows:

	2008	**2007**
Net income for the year	**25,415**	31,597
Appropriation of legal reserve	**(1,271)**	(1,580)
Proposed dividends calculation base	**24,144**	30,017
Proposed dividends	**10,595**	7,504
Base %	**43.88%**	25.00%

18. Management fees

Management receives compensation in the form of estimated self-employment income, included in payroll. Total compensation amounts, including bonuses and other benefits, are shown in a specific account in the statement of income and are broken down as follows:

	Company and consolidated	
	2008	**2007**
Estimated self-employment income	**1,215**	685
Bonus	**1,227**	86
Stock option plan	**1,131**	194
	3,573	966

19. Financial income (expenses), net

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Financial expenses:				
Interest payable	**11,250**	12,578	**19,449**	15,999
Foreign exchange variation	**33,026**	1,769	**51,692**	3,159
Monetary restatement	**2,465**	-	**28,496**	-
Loss on derivative transactions	**26,957**	6,563	**48,639**	10,285
Contribution Tax on Financial Transactions (CPMF)	**138**	2,572	**209**	4,015
Other	**844**	800	**1,591**	1,487
	74,680	24,282	**150,076**	34,945
Financial income:				
Short-term investment income	**21,050**	12,250	**24,383**	14,188
Foreign exchange variation	**6,482**	3,382	**13,976**	8,273
Monetary restatement	**2,820**	-	**29,110**	204
Gain on derivative transactions	**12,241**	18,955	**18,054**	37,200
Other	**1,429**	1,124	**1,286**	1,624
	44,022	35,711	**86,809**	61,489
	(30,658)	11,429	**(63,267)**	26,544

20. Commitments

20.1. Non-deliverable forwards contracts

The Company and its subsidiaries have entered into NDF contracts with some customers, as follows:

Company					
Commodity	**Delivery date**	**Volume**	**No. of Contracts**	**Unit**	**Unit price - US$**
2007/2008 Marketing year year					
Cotton lint	January to April 2009	28,385	40	Ton	1,377
Soybean	January 2009	2,933	1	Sack	18
Corn	January 2009	78,743	5	Sack	11
Coffee	January 2009	4,480	6	Sack	147
Cottonseed	January 2009	5,609	8	Ton	134
2008/2009 Marketing year year					
Cotton lint	July 2009 to January 2010	25,125	18	Ton	1,539
Cotton lint	October 2009 to February 2010	2,500	4	Ton	To be set
Soybean	February to March 2009	289,378	3	Sack	16
Soybean	March to May 2009	416,666	4	Sack	To be set
2009/2010 Marketing year year					
Cotton lint	August to November 2010	600	1	Ton	1,411
Soybean	March 2010	24,60	1	Sack	9

Consolidated					
Commodity	**Delivery date**	**Volume**	**No. of Contracts**	**Unit**	**Unit price - US$**
2007/2008 Marketing year year					
Cotton lint	January to April/2009	35,050	40	Ton	1,380
Soybean	January 2009	2,933	1	Sack	18
Corn	January 2009	78,743	5	Sack	11
Coffee	January 2009	4,480	6	Sack	147
Cottonseed	January 2009	6,635	10	Ton	138
2008/2009 Marketing year year					
Cotton lint	July 2009 to January 2010	35,700	18	Ton	1,539
Cotton lint	October 2009 to February 2010	5,500	4	Ton	To set
Soybean	January to March 2009	1,681,044	13	Sack	19
Soybean	February to May 2009	749,998	6	Sack	To set
2009/2010 Marketing year year					
Cotton lint	August to November 2010	1,000	1	Ton	1,411
Soybean	March 2010	24,600	1	Sack	9

20. Commitments (Continued)

20.2. Leased land agreements

At December 31, 2008, the Company and its subsidiaries have 63,201 hectares of leased land, distributed as follows:

Farm/Unit	Location	Total hectares leased	Maturity	Amounts (in soybean sacks/ hectare/year)	Type of Lease
Pamplona	Cristalina-GO	4,080	2011 to 2013	3 to 12	Operating
Planalto	Costa Rica-MS	1,677	2009 *	11	Operating
Planeste	Balsas-MA	9,854	2010 to 2023	1 to 8.25	Operating
Panorama	Correntina-BA	14,404	2015	8	Operating
Piratini	Jaborandi-BA	5,000	2021	- **	Operating
Palmares	Barreiras-BA	20,430	2015	9	Operating
Parnaíba	Tasso Fragoso-MA	2,181	2023	1	Operating
Planorte	Sapezal-MT	3,861	2013 to 2018	5.5 to 8	Operating
Paiaguás	Diamantino-MT	1,714	2010	6	Operating
Total		63,201			

* Renewed annually. This area has been leased by the Company since 1999.
** Leasing costs will be incurred beginning 2011/2012 marketing year year.

Future commitments under these lease agreements are set based on the average price per soybean sack prevailing in the region of each farm, as of their respective payment date.

21. Risk management and financial instruments

The Company and its subsidiaries recorded sales revenues deriving mainly from sale of agricultural commodities such as cotton, soybean and corn; products that are not quoted in dollars on the Chicago Board of Trade - CBOT and the Intercontinental Exchange Futures US - ICE. These commodities accounted for 42.2%, 31.9% and 14.6%, respectively, of the gross operating revenue in 2008 (45.0%, 34.1% and 9.9%, respectively, in 2007). As such, The volatility of commodity export prices and foreign exchange rates are the market risks to which the Company and its subsidiaries are exposed.

a) Use policy, objectives and strategies

Derivative financial instruments are used by the Company and its subsidiaries to protect their operating margins (EBITDA). The Company created a Risk Management Steering Committee in July 2008 and approved the Risk Management Policy at the Board of Directors' meeting held on October 29, 2008.

The Company's production cycle starts with the purchase of main inputs (fertilizers, agrochemicals and seeds), thereby determining the production cost in reais. After plantation, the cotton, soybean and corn development cycles take 190, 125 and 135 days, respectively. Given that the prices of Company products are quoted on international exchanges and in dollar, the Company has asset exposure to dollar and to international price movements. The Risk Management Policy determines the acceptable exposure parameters for each variable (currency and commodity prices), as well as a standard deviation limit on the operating margin, covering the current and the subsequent year.

Transactions involving derivative financial instruments are made with prime banks, observing the limits and exposures of commodity price and foreign exchange risks of the counterparties on a regular basis.

b) Gains (losses) on derivative financial instruments in the shareholders' equity of company and consolidated

All transactions involving non deliverable forwards (NDFs) were recognized in the consolidated financial statements under hedge accounting, in accordance with CPC 14, approved by CVM Rule No. 566/08. The Company recorded in a specific account, in shareholders' equity, the effects not yet realized of these instruments entered into for own operations or for consolidation purposes to hedge future sales.

21. Risk management and financial instruments (Continued)

b) Gains (losses) on derivative financial instruments in the shareholders' equity of company and consolidated (Continued)

Although the issue of dollar call options and financial commodity transactions, are also hedging instruments, hedge accounting is not used in such cases and therefore, their effects are recognized as financial income or financial expenses in the statement of income.

c) Foreign exchange risk

Contracting these derivative financial instruments has the objective of hedging the sales revenues of Company and its subsidiaries subject to currency volatility. The portfolio of these instruments is represented, basically, by currency futures contracts, through non deliverable forwards (NDFs), and option contracts.

These over-the-counter (OTC) transactions are carried out directly with financial institutions, there being no need for margin calls. The impact on the cash flow of Company and its subsidiaries occurs at the contract settlement date. Yet, the settlement of these financial transactions is associated with receipt of sales, which likewise are associated with currency fluctuation, therefore offsetting gains or losses, if any, on the hedging derivative instruments due to foreign exchange rate fluctuations.

To analyze the currency risk exposure, the Business Plan is constantly updated, considering the following assumptions: (i) planted area forecast; (ii) expected productivity; (iii) commodity prices, quoted in dollar, considering the volume-weighted average of prices for the sales made, and the market prices of the volume to be sold; and, (iv) the sales distribution over the periods under analysis. After the Business Plan definition and measurement of the items previously mentioned, one arrives at a total currency exposure of US$271,415 thousand in 2009, and of US$323,950 thousand in 2010 (unaudited forecast amounts). Based on the cost already built up with anticipated purchase of main inputs (fertilizers, agrochemicals and seeds) and the fixed cost estimate, the expected operating margin is arrived at. Thus, the risk management committee will apply the parameters specified in the Risk Management Policy, with a view to reducing the standard deviation from the target operating margin.

21. Risk management and financial instruments (Continued)

c) Foreign exchange risk (Continued)

The table below sets out the positions of Company and its subsidiaries, at nominal and fair values of each instrument contracted as of December 31, 2008, namely:

Description	Notional amount			Fair value			Accumulated effect (current period)		
	Currency	2008	2007	Currency	2008	2007	Currency	Receivable/ (received)	Payable/ (paid)
With maturity in 2008									
Non-deliverable forwards (NDF):									
Short position									
Foreign currency	USD	**-**	114,970	R$	**-**	26,347	R$	**30,307**	**-**
Long position									
Foreign currency	USD	**-**	14,500	R$	**-**	(1,995)	R$	**-**	**(2,448)**
Option contracts:									
Writer – Put (Call)									
Foreign currency	USD	**-**	26,500	R$	**-**	(6,716)	R$	**1,516**	**-**
Total – Maturities in 2008	**USD**	**-**	**155,970**	**R$**	**-**	**17,636**	**R$**	**31,823**	**(2,448)**
With maturity in 2009									
Non-deliverable forwards (NDF):									
Short position									
Foreign currency	USD	**203,500**	8,500	**R$**	**(106,271)**	2,303	R$	**-**	**(101,995)**
Option contracts:									
Writer – Put (Call)									
Foreign currency	USD	**30,000**	-	**R$**	**(13,936)**	-	R$	**2,010**	**-**
Total – Maturities in 2009	**USD**	**233,500**	**8,500**	**R$**	**(120,207)**	**2,303**	**R$**	**2,010**	**(101,995)**
With maturity in 2010									
Non-deliverable forwards (NDF):									
Short position									
Foreign currency	USD	**20,000**	-	**R$**	**(12,844)**	-	R$	**-**	**(13,851)**
Option contracts:									
Writer – Call									
Foreign currency	USD	**20,000**	-	**R$**	**(9,092)**	-	R$	**806**	**-**
Total – Maturities in 2010	**USD**	**40,000**	**-**	**R$**	**(21,936)**	**-**	**R$**	**806**	**(13,851)**
Grand total	**USD**	**273,500**	**164,470**	**R$**	**(142,143)**	**19,939**	**R$**	**34,639**	**(115,846)**

21. Risk management and financial instruments (Continued)

c) Foreign exchange risk (Continued)

The table below sets out the breakdown of currency derivatives per counterparty (of Company and its subsidiaries):

Description	Notional amount			Fair value		
	Currency	2008	2007	Currency	2008	2007
Merrill Lynch de Investimentos	**USD**	**65,000**	-	**R$**	**(34,083)**	-
Banco Alfa de Investimentos	**USD**	**55,000**	8,000	**R$**	**(25,727)**	958
Citibank	**USD**	**35,000**	37,360	**R$**	**(20,820)**	3,071
Unibanco	**USD**	**35,000**	25,000	**R$**	**(19,560)**	4,523
Banco Itaú BBA	**USD**	**20,000**	33,710	**R$**	**(9,727)**	8,321
Deutsche Bank Suisse	**USD**	**20,000**	5,000	**R$**	**(9,011)**	347
Banco Santander Brazil	**USD**	**20,000**	2,500	**R$**	**(11,756)**	726
Banco Votorantim	**USD**	**15,000**	25,000	**R$**	**(8,364)**	(3,165)
Banco Bradesco	**USD**	**5,000**	8,000	**R$**	**(2,593)**	(127)
Banco ABN AMRO Real	**USD**	**3,500**	14,900	**R$**	**(502)**	3,518
HSBC Bank Brazil	**USD**	**-**	5,000	**R$**	**-**	1,767
Total	**USD**	**273,500**	164,470	**R$**	**(142,143)**	19,939

The following criteria were used to determine the fair value of these operations:

- Non deliverable forwards (NDF) – the future dollar curve published by the Brazilian Mercantile and Futures Exchange (BM&F) *www.bmf.com.br* at each year end was taken into consideration. Based on this information, the forecast adjustment at the maturity of each transaction is discounted at the interest curve between Ptax at year end and future quote at the maturity of the derivative published by the BM&F.

- Options contracts – the fair value of transactions for issuing call options on dollar is equivalent to the market value of reversal of such transactions confirmed by the financial institutions with which the Company has entered into these transactions.

21. Risk management and financial instruments (Continued)

d) Price risk

Commodity price volatility is mostly hedged through advance sales made directly with our customers (forward contracts), futures and option contracts, traded on exchanges, and financial transactions under swap and option contracts, with financial institutions. These transactions are negotiated based on the commodity prices on the futures market. All transactions are related to the net exposure of the production of Company and its subsidiaries, so that every transaction is backed by a physical commodity. Exchange-traded transactions require available initial margin funds and daily adjustments are made according to changes in notional prices. In turn, initial margin funds are not required for transactions performed with financial institutions. These transactions are backed by a credit limit previously approved by the financial institutions.

At December 31, 2008 the Company and its subsidiaries had engaged into the following derivative transactions to hedge against commodities price volatility, at the following maturities:

Description	Notional amount			Fair value			Accumulated effect (current period)		
	Currency	12/31/2008	12/31/2007	Currency	12/31/2008	12/31/2007	Currency	Receivable/ (received)	Payable/ (paid)
With maturity in 2008									
Option contracts:									
Holder – Call									
Commodities – Soybean	USD	-	805	R$	-	3,974	R$	-	-
Holder – Put									
Commodities – Soybean	USD	-	400	R$	-	(549)	R$	-	-
Writer – Call									
Commodities – Soybean	USD	-	509	R$	-	(4,542)	R$	-	-
Writer – Put									
Commodities – Soybean	USD	-	452	R$	-	614	R$	-	-
Total – Maturities in 2008	**USD**	**-**	**2,167**	**R$**	**-**	**(503)**	**R$**	**-**	**-**
With maturity in 2009									
Swap contracts - Accumulators									
Commodities – Cotton	USD	**8,712**	-	R$	**732**	-	R$	732	-
Total – Maturities in 2009		**8,712**	**-**		**732**	**-**		**732**	-
Grand total	**USD**	**8,712**	**2,167**	**R$**	**732**	**(503)**	**R$**	**732**	**-**

21. Risk management and financial instruments (Continued)

d) Price risk (Continued)

All transactions involving agricultural commodities were traded OTC or on exchanges. The fair value of exchange-traded transactions is calculated from the closing price of the contract traded, which is disclosed daily by the exchange. Concerning over-the-counter (OTC) transactions, their fair value is provided by the financial institutions with which the transactions were entered into.

Description	Notional amount			Fair value		
	Currency	12/31/2008	12/31/2007	Currency	12/31/2008	12/31/2007
Exchange-traded						
Direct transactions	**USD**	-	2,167	**R$**	-	(503)
OTC						
Morgan Stanley C. Group	**USD**	8,712	**-**	**R$**	732	-
Total	**USD**	**8,712**	**2,167**	**R$**	**732**	**(503)**

The table below sets out the consolidated derivatives of the Company, which are reflected on its asset and liability accounts:

Description	Notional amount			Fair value recorded in Assets			Fair value recorded in Liabilities	
	Currency	12/31/2008	12/31/2007	Currency	12/31/2008	12/31/2007	12/31/2008	12/31/2007
FOREX hedging								
Non deliverable forwards (NDFs)	**USD**	**223,500**	137,970	**R$**	**-**	28,650	**119,115**	1,995
Option contracts	**USD**	**50,000**	26,500	**R$**	**-**	-	**23,028**	6,716
Total	**USD**	**273,500**	**164,470**	**R$**	**-**	28,650	**142,143**	8,711
Commodity hedging								
Cotton - Swap contracts and accumulators	**USD**	**8,712**	-	**R$**	**732**	-	**-**	-
Soybean – Option contracts	**USD**	**-**	2,167	**R$**	**-**	-	**-**	503
Total	**USD**	**8,712**	**2,167**	**R$**	**732**	-	**-**	503
Grand total	**USD**	**282,212**	**166,637**	**R$**	**732**	28,650	**142,143**	9,214
(-) Current		**-**	**-**	**R$**	**732**	(26,347)	**(120,207)**	(9,214)
Noncurrent		**-**	**-**	**R$**	**-**	2,303	**21,936**	-

21. Risk management and financial instruments (Continued)

Following is the consolidated gains and losses for the period, stated at fair value and grouped into the main risk categories:

Description	Currency	Gains and losses recorded in Net income		Gains and losses recorded in Shareholders' equity (2)	
		Year ended 12/31/2008 (1)	Year ended 12/31/2007	Year ended 12/31/2008	Year ended 12/31/2007
FOREX hedging					
Non deliverable forwards (NDF)	**R$**	**(803)**	33,123	**(119,051)**	19,287
Options contracts	**R$**	**(14,832)**	(5,106)	**-**	-
Total	**R$**	**(15,635)**	**28,017**	**(119,051)**	**19,287**
Commodity hedging					
Cotton - Swap contracts and accumulators	**R$**	**732**	**-**	**-**	**-**
Soybean – Option contracts	**R$**	**(4,551)**	**(1,102)**	**-**	**-**
Total	**R$**	**(3,819)**	**(1,102)**	**-**	**-**
Grand total	**R$**	**(19,454)**	**26,915**	**(119,051)**	**19,287**

(1) Out of the total amount net, R$11,131 was recorded in gross revenue, and a negative balance of R$30,585 was charged to financial income (expenses), in the consolidated statement of income.

(2) Represented by the amounts of R$78,573 and R$12,729 in the consolidated shareholders' equity, respectively, net of taxes.

e) Credit risk

A significant portion of sales made by the Company and its subsidiaries is intended for a selected group of highly qualified clients, i.e. trading companies, weaving companies etc., which usually acquire large volumes that guarantee local and internationals deals. Credit risk is managed through specific rules of client acceptance, credit rating and setting of limits for customer exposure. The Company and its subsidiaries historically do not record material losses on trade accounts receivable.

f) Market values

At December 31, 2008, the market values of cash, financial investments, accounts receivable and payable, as well as loans and financing approximate the respective carrying amounts due to their short-term nature, or also because such they are subject to variable interest rates.

21. Risk management and financial instruments (Continued)

g) Sensitivity analysis

The Company engages in derivative financial instrument transactions, solely and exclusively as a hedge against fluctuation in foreign exchange rates and sale prices of the commodities it trades, which are pegged to USD quote and soybean and cotton prices on the international market.

As already disclosed in 3Q08, we performed a risk sensibility analysis for derivative financial instruments in accordance with Rule No. 550, of October 17, 2008, and CPC 14, grouped according to their risk factor: changes in foreign exchange rates, in commodity prices, and in interest rates (CDI, TJLP, Libor).

Should any of the following scenarios projected by the Company management come to materialize, either as a gain or a loss, they will be entirely offset against the contrary effect arrived at on the realization of Company's sales revenues.

Foreign exchange risk

The Company projected the impact of foreign exchange hedge operations and of its USD debt in the following 5 scenarios for the years 2009 and 2010:

- Probable Scenario: Based on the FOCUS report (Bacen) of December 26, 2008, we defined this scenario considering exchange rate to US dollar of R$ 2.25.

- A 25% fall in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 1.6875, the equivalent to a 25% fall in relation to the Probable Scenario.

- A 50% fall in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 1.1250, the equivalent to 50% fall in relation to the Probable Scenario.

- A 25% rise in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 2.8125, the equivalent to a 25% rise in relation to the Probable Scenario.

- A 50% rise in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 3.3750, the equivalent to a 50% rise in relation to the Probable Scenario.

21. Risk management and financial instruments (Continued)

g) Sensitivity analysis (Continued)

The summary below sets out the projected impacts on each scenario:

Description	Risk	*50% Fall Quote: R$1.1250*	*25% Fall Quote: R$1.6875*	*Probable Scenario Quote: R$2.2500*	*25% Rise Quote: R$2.8125*	*50% Rise Quote: R$3.3750*
Year 2009						
Revenues (underlying item) (*)	USD rate change	(236,077)	(83,406)	76,765	229,436	382,107
Non deliverable forwards (NDF)	USD rate change	158,297	43,828	(70,641)	(185,109)	(299,578)
Option contracts	USD rate change	1,376	1,376	(6,124)	(22,999)	(39,874)
Total		**(76,404)**	**(38,202)**	**-**	**21,327**	**42,654**
Year 2010						
Revenues (underlying item) (*)	USD rate change	(357,792)	(175,570)	9,652	191,874	374,096
Non deliverable forwards (NDF)	USD rate change	14,658	3,408	(7,842)	(19,092)	(30,342)
Option contracts	USD rate change	1,190	1,190	(1,810)	(13,060)	(24,310)
Total		**(341,944)**	**(170,972)**	**-**	**159,722**	**319,444**
USD debt						
Total	USD rate change	**52,877**	**28,336**	**3,796**	**(20,745)**	**(45,286)**
Grand total		**(365,471)**	**(180,838)**	**3,796**	**160,304**	**316,812**

(*) Future revenue forecast (unaudited)

Commodity price risks

The Company projected the impact of commodity price hedging operations in the following 3 scenarios for the year 2009:

- Probable Scenario: In this scenario, the cotton price was considered to be USD/GBP 0.5492, the equivalent to the closing price at December 31, 2008 of the cotton-lint contract with maturity in December 2009 on ICE (Ice Futures US).

- Possible Scenario: In this scenario, the cotton price would rise by 25%, i.e., USD/GBP 0.6865, in relation to the Probable Scenario.

- Remote Scenario: In this scenario, the cotton price would rise by 50%, i.e., USD/GBP 0.8238, in relation to the Probable Scenario.

21. Risk management and financial instruments (Continued)

g) Sensitivity analysis (Continued)

The summary below sets out the projected impacts on each scenario:

Description	Risk	Probable Scenario *Cotton USD/GBP 0.5492*	Possible Scenario *Cotton USD/GBP 0.6865*	Remote Scenario *Cotton USD/GBP 0.8238*
Year 2009				
Swap contracts and accumulators	Rise in price	842	675	617
Total		**842**	**675**	**617**

Interest rate risks

With a view to analyzing interest rate sensitivity on debts and short-term investments of the Company, as of December 31, 2008, 5 different scenarios were defined. Based on the FOCUS report (Bacen) of December 26, 2008, we defined the index rates for Interbank Deposit Certificates (CDI) and FOREX; concerning Libor, we considered the BM&F future curve as of December 31, 2008, and for the Long-term Interest Rate (TJLP), we considered the rate valid at the year closing date. Based on this information, we defined the Probable Scenario to be analyzed, and arrived at a variation between 25% and 50% therefrom.

Financial expense or gross financial income was considered in analyzing each scenario, not including taxes or debt maturity terms and redemption of short-term investments scheduled for 2009. The portfolio base date was December 31, 2008, and the interest rates were projected over a one-year period, their sensitivity being analyzed in each one of the 5 scenarios.

Following is a summary of the impacts on each scenario:

	Interest rate	Balance at 12/31/2008	50% Fall	25% Fall	Probable Scenario	25% Rise	50% Rise
Debts in reais – Fixed rate							
Rural Credit	6.75%	39,372	N/A	N/A	N/A	N/A	N/A
Constitutional Funds	7.38%	212,389	N/A	N/A	N/A	N/A	N/A
BNDES	10.60%	6,888	N/A	N/A	N/A	N/A	N/A
Debts in reais - Floating rate							
BNDES	TJLP + 2.83%	32,081	(1,910)	(2,412)	(2,913)	(3,414)	(3,915)
USD debts							
Libor	Libor 6M + 2%	95,288	(2,929)	(3,440)	(3,952)	(4,463)	(4,975)
Advance on export contracts	10%	4,698	N/A	N/A	N/A	N/A	N/A
BNDES	Basket of currencies + 2.50%	1,973	(92)	(113)	(135)	(156)	(177)
Short-term investments							
CDB and Debentures	101.5% on CDI	221,790	14,002	21,003	28,004	35,005	42,006

* Average annual rates

22. Employees' profit sharing

Under the Collective Labor Agreements executed with their employees' professional categories, the Company and its subsidiaries have established a profit sharing scheme, covering all its employees, based on adjusted operating income computed each calendar year up to 2007.

Beginning 2008, the amounts payable in the form of profit sharing started to be computed on consolidated net income of the Company. This amount is, in part, freely distributed to the beneficiaries and, in part, based on goals predefined by each production unit.

Profit sharing is determined by applying 9% on consolidated net income. Amounts payable to the beneficiaries of all the production units are calculated by applying 60% thereon, and the remaining 40% will depend on the achievement of goals set by each production unit. The amount corresponding to goals achieved is limited to 2 (two) nominal salaries per beneficiary employee.

Profit sharing recorded by the Company in 2007 amounted to R$3,046 (R$4,453 in consolidated), paid to employees in January 2008. In 2008, the Company recorded profit sharing amounting to R$2,800 (R$3,997 in consolidated), paid to the employees in July 2008, as an advance, and the remaining balance was settled in January 2009.

23. Stock option plan

At the Extraordinary Shareholders' Meeting held on May 23, 2007, Company shareholders approved the stock option plan, effective as from June 15, 2007, designed for the Company's officers and managers. The Plan is managed by a Managing Committee, created by the Board of Directors on the same date.

The Stock Option Plan is limited to a maximum number of options resulting in dilution by 3% of the Company's capital on the date each Annual Plan is created. The dilution corresponds to the percentage represented by the number of shares considered for the options in relation to the total number of shares issued by the Company.

Stock Option Plan beneficiaries shall exercise their options within 5 years from the respective grant date. Vesting period shall be up to 3 years, with releases corresponding to 20% as from the first anniversary, 40% as from the second anniversary and 100% as from the third anniversary. The Company may issue the shares within a 30-day period as from the date of delivery of the Stock Option Exercise Instrument.

23. Stock option plan (Continued)

At the Board of Directors' meeting held on October 31, 2007, Stock Option Program for 2007 was approved, whereby 640,000 stock options were granted. After the grant, 70,000 stock options have already been cancelled due to separation of 2 beneficiary managers, one in 2008 and the other in January 2009, and the remaining 570,000 stock options are yet to be exercised.

The price for exercising stock options for year 2007 has been set at R$ 14.00 (fourteen reais) per share, equivalent to the distribution price per share established at the initial public offering, not including monetary restatement.

Vesting periods for the exercise of year 2007 options are as follows:

Vesting periods as from option grant	% of options released for the year	Maximum number of shares
As from the first anniversary – 10/31/2008	20%	114,000
As from the second anniversary – 10/31/2009	40%	228,000
As from the third anniversary – 10/31/2010	100%	570,000

At the Board of Directors' meeting held on December 16, 2008, Stock Option Program for 2008 was approved, whereby 720,000 stock options were granted. After the grant, 20,000 stock options have already been cancelled due to separation of 1 beneficiary manager in January 2009, and the remaining 700,000 stock options are yet to be exercised.

The price for exercising stock options for year 2008 has been set at R$ 14.80 (fourteen reais and eighty cents) per share, on the basis of 90 trading day average of the closing price of the Company's common stock on the São Paulo Stock Exchange (BOVESPA), prior to the plan approval, at a 19.97% discount.

Vesting periods for the exercise of year 2008 options are as follows:

Vesting periods as from option grant	% of options released for the year	Maximum number of shares
As from the first anniversary – 12/16/2008	20%	140,000
As from the second anniversary – 12/16/2009	40%	280,000
As from the third anniversary – 12/16/2010	100%	700,000

23. Stock option plan (Continued)

For the 2007 and the 2008 Stock Option Plans, the weighted average fair value of the plan options at the grant date is R$21.2528 and R$23,8985, respectively, considering premiums of R$7.2528 and R$9.0985 each year, respectively. The amounts were estimated from the Black-Scholes model, assuming a volatility of 32.03% and 76.05% for the Stock Option Plans in 2007 and 2008, respectively.

In accordance with CPC 10, based on the vesting periods above and their respective expiration, the stock option plan was recognized as expense in the amount of R$2,104 at December 31, 2008 (R$387 at December 31, 2007), matched against a specific capital reserve account in shareholders' equity.

24. Other operating income

At December 31, 2008, the balance was substantially represented by capital gain of R$9,449 on the sale of the remaining area of Fazenda Paineira, of 821,225 hectares, on March 31, 2008.

25. Insurance *(Unaudited)*

At December 31, 2008, the Company and its subsidiaries had retained business insurance to cover any losses considering the nature of their activities and risks involved in their operations. Insurance coverage was taken out at amounts considered sufficient by management to mitigate risks identified, and it is detailed as follows:

Policy No.	Nature	Period covered	Coverage
03.31.1502185	Vehicles of SLC Agrícola	9/10/08 to 9/10/09	100% Fipe* price list
03.31.1502449	Vehicles of Fazenda Parnaíba	9/10/08 to 9/10/09	100% Fipe price list
03.31.1502451	Vehicles of Fazenda Planorte	9/10/08 to 9/10/09	100% Fipe price list
03.31.1504449	Vehicles of Fazenda Paiaguás	9/10/08 to 9/10/09	100% Fipe price list
45-1-0000006	Master business insurance, fire lightning, explosion of any kind, theft and robbery, windstorm, smoke and vehicle impact, farm products, manure, inputs and pesticides.	9/10/08 to 9/10/09	R$21,000

(*) Institute of Economic Research (FIPE)

Message to the Shareholders

The year 2008 was memorable year to SLC Agrícola. In June, we undertook another Public Offering of Shares, one year after going public. The PO was successfully completed, even at a time of growing risk aversion and fall of international exchanges. As a result, we strengthened our cash, which allowed us to broaden our expansion plan for the 2008/09 marketing year year. In September, we started planting an area of 220,657 hectares, i.e., a growth of 88.4% on the 2006/07 marketing year year.

Since we went public, in June 2007, we have purchased nearly 90,000 hectares of arable land, which means that our own land area increased by 69.6% on the 2006/07 marketing year year, while our plantation on leased land increased by 51,152 hectares, a growth of 535.5% in the same period.

The collapse of the US real estate market and of financial assets backed by such market triggered one of the worst global crises of trust and confidence on the international market. The prices of agricultural commodities were severely hit and economic scenario forecasts were revised overnight.

With a history of more than 30 years in agricultural production market, we have witnessed a cyclical characteristic of prices on the agricultural commodities market. Price volatility is inherent in our industry. We trust in our operating capacity and market risk management. We have implemented a plan to cut down operating expenses, combined with a revision of our 2009 investment plan, solely for cash preservation. The credit crunch, combined with lower prices in relation to 2008, is beneficial to well-capitalized players with low credit risk and available financing sources. Therefore, we believe this uncertain and unstable scenario may bring good opportunities for the company consolidation.

The Company ends 2008 with a healthy cash position and maintains the expansion plan for the next marketing year year, when it estimates to add another 50 thousand hectares to its planted area, reaching a 270 thousand hectare cotton, soybean and corn planted area.

Operating Performance

Planted Area – 2008/09 Marketing Year

As already disclosed, we forecast an increase of 29.3% in the Company's planted area for the 2008/09 marketing year. The stronger growth in the soybean planted area in relation to the cotton planted area is chiefly due to the installation of new production units on undeveloped land, where we opted for soybean as the first marketing year. In terms of the corn planted area, the biggest expansion should be in the second marketing year (33.4%), primarily due to the lower production costs in relation to the first corn marketing year.

The expansion of 49,971 hectares in planted area was achieved through: (i) leases; (ii) the purchase of areas adjacent to existing farms announced since July 2007; (iii) the startup of operations at two new production units, the Piratini and Palmares farms, both located in the state of Bahia and acquired in November 2007 and June 2008, respectively; and (iv) the expansion in the second marketing year planted area at the Planalto, Planorte and Paiaguás farms.

Marketing year Mix	Achieved 2007/08 ha	Estimated[1] 2008/09 ha	Share %	Δ Absolute ha	Δ Percentage %
Cotton	55,120	63,546	28.8%	8,426	15.3%
Cotton 1st marketing year	*48,671*	*55,297*	25.1%	6,626	13.6%
Cotton 2nd marketing year	*6,449*	*8,249*	3.7%	1,800	27.9%
Soybean	82,558	117,805	53.4%	35,247	42.7%
Corn	28,777	36,188	16.4%	7,411	25.8%
Corn 1st marketing year	*3,440*	*2,382*	1.1%	(1,058)	-30.8%
Corn 2nd marketing year	*25,337*	*33,806*	15.3%	8,469	33.4%
Others[2]	4,231	3,118	1.4%	(1,113)	-26.3%
Total	**170,686**	**220,657**	**100.0%**	**49,971**	**29.3%**
Planted Area Mix					
Physical Area Under Control	137,163	176,315	79.9%	39,152	28.5%
Owned Area	*103,493*	115,610	52.4%	12,117	11.7%
Leased Area	*33,670*	60,705	27.5%	27,035	80.3%
2nd marketing year	33,523	44,342	20.1%	10,819	32.3%
Total	**170,686**	**220,657**	**100.0%**	**49,971**	**29.3%**

(1) SLC Agrícola estimate, planted area may be adjusted by agricultural planning.

(2) Coffee, wheat and corn seed.

Property Portfolio

We currently control the following portfolio of properties:

Areas 2008/09 (ha)		Owned	Leased	Under Control	Planted[1]
Farm	State	---------- ha ----------			
Pamplona	GO	17.094	4.080	**21.174**	17.308
Planalto	MS	17.489	1.677	**19.166**	22.560
Planorte	MT	23.794	3.861	**27.655**	32.872
Paiaguás	MT	26.257	1.714	**27.971**	41.034
Parnaíba	MA	33.798	2.181	**35.979**	24.887
Planeste	MA	18.256	9.854	**28.110**	29.556
Palmeira	MA	14.625	-	**14.625**	4.431
Panorama	BA	9.220	14.404	**23.624**	20.804
Piratini	BA	25.002	5.000	**30.002**	5.502
Palmares	BA	5.280	20.430	**25.710**	21.703
Parnaguá	PI	26.598	-	**26.598**	-
Total		**217.413**	**63.201**	**280.614**	**220.657**

[1] SLC Agrícola estimate, planted area may be adjusted by agricultural planning.

Financial Analysis

EBITDA and Adjusted EBITDA (with amendments introduced by Law 11,638/07 and Executive Order 449/08)

The enactment of Law 11,638/07 and Executive Order (MP) 449/08 impacted the calculation of the Company's EBITDA in three ways, as shown below:

1. The Hedge Accounting methodology was introduced by Law 11,638/07 and was regulated by the accounting standard CPC 14 and Instruction 566/08 issued by the Securities and Exchange Commission of Brazil (CVM). This methodology represented a major advance in Brazilian accounting practices by enabling companies using instruments to hedge market risk to recognize the results from hedge operations at the same time and in the same way as the item being hedged (in the case of SLC Agrícola, in the Gross Revenue line). We applied this methodology to all hedge operations in fiscal year 2008. Thus, as of fiscal year 2008, EBITDA will no longer be adjusted by hedge results, since these figures will already have been booked under gross revenue.

2. Nonrecurring expenses from the initial public offering (IPO) were booked under the line Shareholders' Equity, in accordance with CPC08. Therefore, these costs do not require further adjustments in EBITDA, since they no longer are included in the income statement.

3. With the issue of Executive Order (MP) 449/08, non-operating income no longer exists. Therefore, the amounts previously booked in the line non-operating income and that were not part of the EBITDA calculation are now booked as operating income, and thus are included in EBITDA.

(R$ thd)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Net Revenue	**268,704**	**413,660**	**53.9%**	**89,270**	**150,426**	**68.5%**
(-) Cost of Goods Sold	**(194,464)**	**(247,319)**	**27.2%**	**(56,566)**	**(90,282)**	**59.6%**
Gross Income	**74,240**	**166,341**	**124.1%**	**32,704**	**60,144**	**83.9%**
(-) Selling expenses	(22,086)	(28,930)	31.0%	(8,445)	(12,272)	45.3%
(-) General and administrative expenses	(17,440)	(23,314)	33.7%	(7,810)	(10,670)	36.6%
(-) Board and directors Payment	(966)	(3,573)	269.9%	(272)	(452)	66.2%
(-) Other operating income	431	13,195	2961.5%	399	516	29.3%
(=) Operational Result	**34,179**	**123,719**	**262.0%**	**16,576**	**37,266**	**124.8%**
(+) Depreciation and amortization	29,389	31,644	7.7%	8,583	13,555	57.9%
(+) Non reccuring expenses	-	-	n.m.	(108)	1,660	n.m.
EBITDA	**63,568**	**155,363**	**144.4%**	**25,051**	**52,481**	**109.5%**
EBITDA Margin	**23.7%**	**37.6%**	**13.9p.p.**	**28.1%**	**34.9%**	**6.8p.p.**
Hedge transactions	31,217	-	n.m.	16,587	(13,581)	n.m.
Exchange rate	32,319	-	n.m.	16,733	(10,808)	n.m.
Commodities	(1,102)	-	n.m.	(146)	(2,773)	1799.3%
Soybean	(1,163)	-	n.m.	(221)	(2,773)	1154.8%
Cotton	163	-	n.m.	158	-	n.m.
Coffee	(102)	-	n.m.	(83)	-	n.m.
Non reccuring expenses	-	-	n.m.	108	-	n.m.
Adjusted EBITDA[(1)]	**94,785**	**155,363**	**63.9%**	**41,746**	**38,900**	**-6.8%**
Adjusted EBITDA Margin[(2)]	**35.3%**	**37.6%**	**2.3p.p.**	**46.8%**	**25.9%**	**-20.9p.p.**

[(1)] Adjusted EBITDA corresponds to EBITDA plus the net result of hedge operations and nonrecurring expenses.
[(2)] Adjusted EBITDA Margin corresponds to Adjusted EBITDA over net revenue.

EBITDA in fiscal year 2008 was primarily impacted by the growth of 124.1% in gross income, from R$74,240 thousand in 2007 to R$166,341 thousand in 2008. The average prices of the main products, cotton and soybean, increased by 17.1% and 24.5%, respectively. Net revenue rose by 53.9%, driven by the expansion of 45.6% in planted area and the higher sales prices.

Gross Operating Revenue

(R$ thd)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Gross revenue	**287,978**	**441,372**	**53.3%**	**96,258**	**159,916**	**66.1%**
Cotton lint	116,024	151,953	31.0%	47,155	89,197	89.2%
Cotton seed	13,596	34,313	152.4%	4,917	17,250	250.8%
Soybean	98,154	140,606	43.3%	26,795	26,432	-1.4%
Corn	28,554	64,350	125.4%	8,848	16,115	82.1%
Coffee	10,686	4,969	-53.5%	2,211	1,276	-42.3%
Others	20,964	34,050	62.4%	6,332	9,646	52.3%
Hedge transactions	-	11,131	n.m.	-	-	n.m.

(Tonnes)	2007	2008	AH	4Q07	4Q08	AH
Volume sold						
Cotton lint	47,571	53,193	11.8%	20,308	29,414	44.8%
Cotton seed	70,603	97,242	37.7%	20,907	50,294	140.6%
Soybean	224,148	257,903	15.1%	42,294	37,247	-11.9%
Corn	79,758	172,442	116.2%	17,809	46,923	163.5%
Coffee	2,630	985	-62.5%	522	223	-57.3%
Others	21,523	16,777	-22.1%	9,890	4,375	-55.8%

Gross operating revenue rose by 53.3% to R$441,372 thousand in 2008, up from R$287,978 thousand in 2007, driven mainly by higher sales of soybean, cotton lint and corn. In 2008, the cotton, soybean and corn marketing years accounted for 42.2%, 31.9% and 14.6% of overall operating gross revenue, respectively. Export sales accounted for 54.9% of overall gross revenue in the year, compared with 58.9% in 2007.

Cotton Lint		2007	2008	Δ%
Planted Area[1]	ha	32,272	55,120	70.8%
Cotton Lint				
Yield [1]	kg/ha	1,621	1,516	-6.5%
Volume sold	Ton	47,571	53,193	11.8%
Gross revenue	R$ thd	116,024	151,953	31.0%
Price/tonne	R$ thd / Tonne	2.44	2.86	17.1%
Caroço de Algodão				
Yield [1]	kg/ha	2,188	1,985	-9.3%
Volume sold	Ton	70,603	97,242	37.7%
Gross revenue	R$ thd	13,596	34,313	152.4%
Price/tonne	R$ thd / Tonne	0.19	0.35	83.2%

[1] Where mentioned 2007 e 2008, consider marketing year 2006/07 and 2007/08, respectively.

Gross revenue from cotton lint grew by 31.0% year on year in 2008, mainly due to:

- The increase of 17.1% in the average price practiced in 2008 to R$2.86 thousand per metric ton in 2008, versus R$2.44 thousand per metric ton in 2007, given the higher international commodity prices in 2008;
- the increase of 11.8% in sales volume. Although the planted area expanded by 70.8% in the 2007/08 market in relation to 2006/07, a large part of the cotton lint marketing year was stored at the end of 2008 due to the delays in cotton ginning and consequently in cotton lint shipments.
-

Exports accounted for 61.4% of gross cotton revenue in 2008, compared with 53.7% in 2007.

Soybean		2007	2008	Δ%
Planted Area[1]	ha	68,537	82,558	20.5%
Yield [1]	kg/ha	3,293	3,155	-4.2%
Volume sold	Tonne	224,148	257,903	15.1%
Gross revenue	R$ thd	98,154	140,606	43.3%
Price/tonne	R$ thd / Tonne	0.44	0.55	24.5%

[1] Where mentioned 2007 e 2008, consider marketing year 2006/07 and 2007/08, respectively.

Gross soybean revenue grew 43.3% year on year, primarily due to:

- the increase of 24.5% in the unit price, driven by the variation in international commodity prices;
- the growth of 15.1% in sales volume due to expansion in the planted area in the 2007/08 marketing year versus 2006/07.

Export sales accounted for 66.1% of total gross revenue from soybean in 2008, compared with

66.7% in 2007.

Corn		2007	2008	Δ%
Planted Area[(1)]	ha	13,884	28,777	107.3%
Yield [(1)]	kg/ha	5,813	6,320	8.8%
Volume sold	Tonne	79,758	172,442	116.2%
Gross revenue	R$ thd	28,554	64,350	125.4%
Price/tonne	R$ thd / Tonne	0.36	0.37	4.2%

[(1)] Where mentioned 2007 e 2008, consider marketing year 2006/07 and 2007/08, respectively.

Gross corn revenue grew by 125.4% year on year, chiefly due to:

- the growth of 116.2% in sales volume, led by the expansion of 107.3% in planted area; and
- the increase of 8.8% year on year in yield in the 2007/08 marketing year.

Sales to the export market accounted for 21.0% of overall gross revenue from corn in 2008, compared with 63.6% in 2007.

Cost of Goods Sold

(R$ thd)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Cost of goods sold	**(194,464)**	**(247,319)**	**27.2%**	**(56,566)**	**(90,282)**	**59.6%**
Cotton lint	(78,593)	(87,307)	11.1%	(26,903)	(46,550)	73.0%
Cotton seed	(9,594)	(21,826)	127.5%	(9,394)	(21,110)	124.7%
Soybean	(83,438)	(98,583)	18.2%	(15,289)	(13,675)	-10.6%
Corn	(9,801)	(30,064)	206.7%	(2,218)	(7,409)	234.0%
Coffee	(8,135)	(3,922)	-51.8%	(1,528)	(1,086)	-28.9%
Others	(4,903)	(5,617)	14.6%	(1,234)	(452)	-63.4%

Cost of goods sold climbed 27.2% in 2008. The cotton, soybean and corn marketing years accounted for 44.1%, 39.9% and 12.2% of COGS, respectively.

Cotton lint

Cotton lint COGS increased by 11.1% to R$87,307 thousand in 2008, from R$78,593 thousand in the previous year, driven by the growth of 11.8% in sales volume versus 2007. The cotton lint sold in 2008 refers to part of the production from the 2006/07 and 2007/08 marketing years, while that sold in 2007 refers to the 2005/06 and 2006/07 marketing years. Unit cost in 2008 stood 0.7% below the 2007 figure.

Soybean

Soybean COGS increased by 18.2% to R$98,583 thousand in 2008, from R$83,438 thousand in 2007, mainly due to the expansion of 20.5% in planted area in 2007/08 in relation to the previous marketing year. Unit cost in 2008 was 2.7% higher year on year.

Corn

Corn COGS increased by 206.7% to R$30.064 thousand in 2008, from R$9.801 thousand in 2007, due to the increase of 116.2% year on year in corn sales volume. Unit corn cost was 41.9% higher due to the changes in the practice of allocating fixed costs to second marketing years.

Gross Income

Gross income totaled R$166,341 thousand in 2008, representing a significant increase of 124.1% over the R$74,240 thousand recorded in 2007. In 2008, gross margin was 40.2%, up 12.6 p.p. on the 27.6% recorded in 2007, due to the following factors:

- The increases of 31.0% in cotton gross revenue and 43.3% in soybean gross revenue due to the higher sales volume resulting from the 45.6% expansion in planted area.
- The increases of 17.1% in the cotton sales price and of 24.5% in the soybean sales price.

Selling Expenses

(R$ thd)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Freight	17,706	21,305	20.3%	6,065	9,418	55.3%
Storage	2,476	3,851	55.5%	523	861	64.6%
Commissions	812	772	-4.9%	407	280	-31.2%
Products classification	661	6	-99.1%	538	3	-99.4%
Others	431	2,996	595.1%	912	1,710	87.5%
Total	**22,086**	**28,930**	**31.0%**	**8,445**	**12,272**	**45.3%**
% Net revenue	**8.2%**	**7.0%**	**-1.2p.p.**	**9.5%**	**7.6%**	**-1.3p.p.**

Selling expenses moved up 31.0% year on year, due to the higher volume of corn transported, for which the freight is our responsibility.

In 1Q07, there was a reversal in the provision created in 2006 to adjust corn seed revenue in the amount of R$1,347 thousand, which ended up influencing analyses in the year. Excluding this reversal, other expenses climbed 68.6%, driven by port expenses with cotton lint.

General and Administrative Expenses

(R$ thd)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Personnel	10,754	13,348	24,1%	6,248	7,217	15.5%
Fees	1,696	2,504	47,6%	400	576	44.0%
Depreciation	1,398	1,478	5,7%	341	1,325	288.6%
Travel expenses	839	1,661	98,0%	231	421	82.3%
Others	2,753	4,323	57,0%	590	1,131	91.7%
Total	**17,440**	**23,314**	**33,7%**	**7,810**	**10,670**	**36.6%**
% Net revenue	**6.5%**	**5.6%**	**-0.9p.p.**	**8.7%**	**7.1%**	**-1.6p.p.**

General and administrative expenses rose by 33.7%, mainly due to:

- the increase in personnel expenses of R$2,594 thousand as a result of the higher number of employees at the head office, as well as the stock option plan booked in 2008 in the amount of R$972 thousand (R$194 thousand in 2007); and
- the increase of R$1,570 thousand in other administrative expenses, due to the R$357 thousand increase in spending on software maintenance, the R$206 thousand increase in communication costs, the R$328 thousand increase in publications and the R$127 thousand increase in rural property tax, as well as other incremental increases in costs in the year.

Net Financial Result

(R$ mil)	2007	2008	AH	4Q07	4Q08	AH
	(Adjusted by Law 11,638/07)			(**Not** Adjusted by Law 11,638/07)		
Gain (loss) with hedging instruments	26,915	(30,586)	n,m,	16,588	(11,965)	n.m.
Income from short-term investments	14,188	24,383	71,9%	4,712	6,346	34.7%
Interest	(15,999)	(19,449)	21,6%	(5,125)	(6,749)	31.7%
Monetary variation	204	614	201,0%	204	(1,567)	n.m.
FX variation	5,114	(37,716)	n,m,	2,109	(23,548)	n.m.
Other financial income (expenses)	(3,878)	(513)	-86,8%	(911)	(306)	-66.4%
Total	**26.544**	**(63.267)**	**n.m.**	**17.577**	**(37.789)**	**n.m.**
% Net revenue	**9.9%**	**-15.3%**	**-25.2p.p.**	**19.7%**	**-25.1%**	**-44.8p.p.**

Our net financial result declined to (R$63,267) thousand in 2008, from R$26,544 thousand in 2007. This net financial result in fiscal year 2008 was impacted by:

- the foreign exchange loss of R$37,716 thousand with no cash effect, of which R$30,978 thousand represented the foreign exchange variation on financial debt, R$2,376 thousand the foreign exchange variation on property acquisition obligations and R$5,655 thousand the foreign exchange variation on accounts receivable.

- the loss of R$30,586 thousand with hedging instruments related to (i) the recognition of a loss of R$14,832 thousand from operations with options (with no cash effect), (ii) the loss of R$11,934 thousand from non-deliverable forwards (NDFs), and (iii) the loss of R$3,817 thousand from commodity price hedges that did not qualify for hedge accounting; and,
- the net gain of R$4,934 thousand from interest on investments.

Net Income

Net income was R$44,611 thousand in 2008, an increase of 4.2% over the R$42,819 thousand recorded in 2007. In 2008, net margin was 10.8%, expanding by 5.1 p.p. in relation to the net margin of 15.9% in 2007. Net income in 2008 was impacted by the net financial expenses of R$63,267 thousand.

FX and Agricultural Commodity Hedging

The company's sales revenue comes mainly from the sale of agricultural commodities, such as cotton, soybean and corn, which are quoted in U.S. dollar on the foreign exchanges Chicago Board of Trade (CBOT) and Intercontinental Exchange Futures US (ICE). Therefore, the company has exposure to foreign exchange variation and the prices of these commodities. To protect from foreign exchange variation, we use hedging instruments, with the portfolio of these instruments comprised basically of NDFs and option contracts. Most of the instruments to hedge against variations in commodity prices consist of forward contracts made directly with our clients. We also use futures and option contracts traded on stock exchanges, as well as swap and option operations contracted with financial institutions.

The use of financial hedging instruments aims to protect the Company's operating margins (EBITDA). The Risk Management Policy, which was approved by the Board of Directors on October 29, 2008, establishes acceptable exposure parameters for each risk variable (currency and commodity prices), as well as a predetermined limits for standard deviation in projected operating margin for both the current and subsequent fiscal years.

The following chart shows our FX and commodity hedge positions on December 31, 2008:

	Cotton		Soybean		Corn		FX Rate	
	%	US¢ / lb[1] [4]	%	US$ / bushel[2] [4]	%	R$ / bag[3] [4]	%	R$ / US$
2009	72%	68.9	51%	11.2	4%	23.6	75%	1.90
2010	-	-	-	-	-	-	6%	1.86

[1] Reference price at ICE.
[2] Reference price at CBOT.
[3] Reference price at BM&F.
[4] Production units prices are influenced by locations differential (port differential and transport, port basis and others).
NOTA: Commodities share is measure over total production and percentage of FX is measure over total gross revenue.

In 2008, 75% of the foreign exchange exposure of 2009 revenue was hedged by financial operations carried out exclusively to protect against the appreciation in the Brazilian real. As mentioned in the previous quarter, SLC Agrícola has not carried out any type of leveraged sale of dollars. All forward sales of dollars have an offsetting item in the revenue stream. Therefore, any sharp increase in the exchange rate will negatively impact financial operations, but will be offset in the same proportion by an increase in dollar-pegged gross revenue denominated in Brazilian real.

In the cotton hedge position, 72% of the production estimated for sale in 2009 was locked in at a price of US¢68.9/lb. In the case of soybean, 51% of production estimated for sale in 2009 was locked in at US$11.2/bushel.

Hedge Accounting

Open positions on December 31, 2008 in non-deliverable forwards (NDFs) maturing in 2009 and 2010 (see the table below) were booked according to the hedge accounting methodology, in accordance with accounting standard CPC14 approved by CVM Instruction 566/08. This methodology results in accounting impacts from hedge operations that are identical to the economic impacts, in accordance with the accrual accounting method. Hedging instruments contracted to hedge against a specific and documented risk should be classified into three categories:(i) fair value hedge; (ii) cash flow hedge; and, (iii) foreign investment hedge.

The Company's hedge operations are classified in the category cash flow hedge, which are hedges to protect from exposure to variations in cash flow that are attributable to a specific risk and associated with highly probable transactions that could impact the entity's overall profit.

In the cash flow hedge category, the appreciation or depreciation of the hedge item should be booked as follows: (i) in the case of open positions, the effective gain or loss from the hedging instruments should be booked directly under Shareholders' Equity in the line Adjustment To Equity Value; and, (ii) the ineffective gain or loss from the hedge should be booked in the financial income or expense line in the fiscal year.

Description[1]	Reference Value - Nocional (US$ thd)	Fair Value (R$ thd)	Gains and losses at Shareholders' Equity (R$ thd)	Gains and losses at Income Statement (R$ thd)
Maturing in 2009				
Short position - **NDF**	203,500	(106,271)	(106,211)	(60)
Short position – sell (call) - **Options**	30,000	(13,936)	-	(13,936)
Maturing in 2010				
Short position - **NDF**	20,000	(12,844)	(12,840)	(4)
Short position – sell (call) - **Options**	20,000	(9,092)	-	(9,092)
TOTAL	**273,500**	**(142,143)**	**(119,051)**	**(23,092)**

[1] Summary table includes only operations with open positions, i.e., with maturities in 2009 and 2010.

Inventories and Growing Marketing years

Inventories (R$ thd)	2007	2008	AH
Agricultural products	25,045	77,055	207.7%
Seeds, manure, fertilizers and chemicals	95,948	155,438	62.0%
Advances to suppliers	11,113	20,926	88.3%
Other inventories	2,870	5,660	97.2%
	134,976	**259,079**	**91.9%**

Our inventories increased 91.9% in 2008 driven by:

- the 62.0% increase in agricultural inputs, due to the 29.3% expansion in planted area in the 2008/09 marketing year versus 2007/08; and
- the 207.1% increase in the inventory of agricultural products, due to the significant build in cotton lint inventories due to delays in cotton ginning and shipments.

Growing Marketing years (R$ thd)	2007	2008	AH
Soybean	51,556	110,722	114.8%
Cotton	33,693	68,513	103.3%
Corn	6,556	8,841	34.9%
Coffee	1,864	3,972	113.1%
Others	1,785	1,807	1.2%
	95,454	**193,855**	**103.1%**

The concept of growing marketing years is similar to the concept of product in manufacture used in the manufacturing industry. Included in this group are the costs incurred with marketing years in the production process that have not yet been harvested or processed.

The balance of the growing marketing year account increased 103.1%, driven by:

- the increased use of fertilizers per hectare at the new farms in Bahia; and
- the expansion of 29.3% in planted area in the 2008/09 marketing year in relation to 2007/08.

Property, plant and equipment

CAPEX (R$ mil)	2007	2008	ΔV
Land Acquisition	103,080	**175,581**	47.6%
Machinery and equipment	39,471	**93,255**	25.3%
Soil Correction	29,799	**52,959**	14.4%
Land Cleaning	2,044	**6,262**	1.7%
Cotton Ginning	7,001	**16,000**	4.3%
Construction	2,028	**7,026**	1.9%
Others	19,890	**17,426**	4.8%
	203,313	**368,509**	100.0%

Fixed assets increased by 90.0% to R$674,320 thousand in 2008, from R$354,931 thousand in 2007, mainly due to:

- the investment of R$175,581 thousand in land acquisitions;
- the investment of R$93,255 thousand in agricultural machinery and equipment; and,
- the investment of R$52,959 thousand in soil corrections.

Net Debt

(R$ thd)	Currency	Interest rate % p.a.	2007	2008	AH	AV
Constitutional Funds[1]	R$	7.4%	96,089	212,390	121.0%	54.1%
Rural Credit	R$	6.8%	52,108	39,372	-24.4%	10.0%
BNDES	R$	9.4%	23,687	38,969	64.5%	9.9%
Rural Savings	R$	-	3,419	-	n.m.	0.0%
		7.6%	**175,303**	**290,731**	**65.8%**	**74.0%**
IFC	US$	5.1%	-	95,288	n.m.	24.3%
4131 Resolution	US$	-	5,660	-	n.m.	0.0%
ACC	US$	10.0%	3,612	4,697	30.0%	1.2%
BNDES	US$	7.8%	633	1,972	211.5%	0.5%
		5.0%	**9,905**	**101,957**	**929.3%**	**26.0%**
Total Debt			**185,208**	**392,688**	**112.0%**	**100.0%**
(-) Cash			**167,139**	**225,207**	**34.7%**	
(=) Net Debt			**18,069**	**167,481**	**826.9%**	

[1] To calculate the average cost of the Constitutional Funds, we considered a discount of 15% relative to the performance bonus applicable to these operations.

Net debt stood at R$167,481 thousand at the close of 2008, primarily due to the funding operations conducted in the fiscal year, which resulted in a Net Debt/EBITDA ratio of 1.1x.

The balance of loans from the Constitutional Funds, which have an interest rate of 7.4%, grew by 121.0% in 2008. This increase was driven by funding operations to finance investment, which mature in 6 years, and operations to finance working capital, which mature in 1 year. Our balance of loans from the Constitutional Funds is composed of 44% of loans for investment and 56% of loans for working capital. In 2008, disbursements of financings contracted with Banco do Nordeste do Brasil totaled R$103,698 thousand for working capital and R$43,926 thousand for investment.

In 2008, US$40,000 thousand (R$95,288 thousand) was raised from the International Finance Corporation (IFC). The operation has a term of 10 years, a 3-year grace period for repayment of principal and a cost of 6-month Libor + 2.00% p.a.

In 2008, cash and cash equivalents increased by 37.7% in relation to 2007, mainly due to the net proceeds of R$248,193 thousand raised from the Follow-on Offering in June 2008.

Amendments introduced by Law 11,638/07 and Executive Order (MP) 449/08

The effects on the Company's net income from the enactment of Law 11,638/07 and Executive Order (MP) 449/08 are described below.

(R$ mil)	2007	2008
Net income before Law 11,638/07 and MP 449/08	**31,597**	**52,008**
Not accomplished gains (losses) with hedging instruments	(4,305)	(23,530)
Equity pickup	(1,091)	(1,739)
Stock options	(387)	(2,104)
Public share offering expenses	21,765	15,514
Income and social contribution taxes from the above adjustments	(5,937)	2,724
Governmental subvention and assistance	1,177	1,738
Net effect	**11,222**	**(7,397)**
Net income after Law 11,638/07 and MP 449/08	**42,819**	**44,611**

Stock Performance (January 1 to December 31, 2008)

Our stock (SLCE3) closed the year at R$14.00, down 15.2% from a year earlier, while the benchmark Bovespa Index declined by 41.2% over the same period. This stock price represents market capitalization of approximately R$1.4 billion. During the period, a total of 37,525 trades were made (versus 15,775 in 2007), for financial volume of R$1,309,591 thousand (versus R$574,617 thousand in 2007). Average daily trading volume in 2008 was R$5,259 thousand, with an average of 151 trades per day. On January 2, 2009, SLC AGRÍCOLA was included in the composition of the Brazil Index (IBrX100), which features the 100 most liquid stocks traded on the São Paulo Stock Exchange (Bovespa) based on the number of trades and financial trading volume.

Company Strategy

- ✓ Acquire and lease new farms. By carefully analyzing factors such as size, soil quality, location, regional climate, altitude, topography, price per hectare, potential for logistics development and quality of documentation, among other factors, the company seeks to identify, acquire or lease rural properties in the Brazilian Cerrado region that offer excellent potential for production and price appreciation;

- ✓ Expand production by leasing land. Leasing areas close to our farms, thereby boosting planted area, will enable us to expand production through the use of existing infrastructure, with a consequent dilution of and reduction in our fixed costs and unit production costs;

- ✓ Increase the cultivation of second marketing years. Weather conditions and our technological expertise have allowed us to obtain two marketing years of cotton and corn per season, in turn increasing planted area, reducing unit production costs and leading to technical benefits for marketing year management.

Adherence to Arbitration Chamber

SLC AGRÍCOLA is subject to arbitration under the Market Arbitration Chamber of the São Paulo Stock Exchange (Bovespa), in accordance with the arbitration clause in the Company's Bylaws.

Independent Auditors

SLC AGRÍCOLA strives for the professional independence of its auditors when contracting their services. Accordingly, in 2008 it did not contract from the independent auditors any services other than the external auditing services.