

CRESUD INC
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15b-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of June, 2012

Cresud Sociedad Anónima, Comercial, Inmobiliaria,
Financiera y Agropecuaria
(Exact name of Registrant as specified in its charter)

Cresud Inc.
(Translation of registrant's name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Moreno 877
(C1091AAQ)
Buenos Aires, Argentina
(Address of principal executive offices)

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

CRESUD S.A.C.I.F. and A.
(THE "COMPANY")

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Financial Statements of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2012 and 2011.

Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera
y Agropecuaria

Annual Report and Financial Statements
for the fiscal years ended
June 30, 2012 and 2011

Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

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LETTER TO SHAREHOLDERS

Dear Shareholders,

During this year Cresud has consolidated as one of the foremost agricultural players at regional level, with operations in Argentina, Brazil, Bolivia and Paraguay. Our vision of a growing world population that strongly pushes the demand for food, along with the shortage of farmable land in the globe and the attractive weather, soil and water conditions in the region, encourage us to position ourselves in Latin America as a major producer and exporter of food to the world.

For this reason, we have continued our regional expansion strategy: we have broadened operations in Brazil, Paraguay and Bolivia, on the one hand by increasing our shareholding interest in BrasilAgro (from 35.75% to 39.64%) and on the other by making progress in the development of new agricultural land which we add to our production portfolio season after season.

Apart from rolling out our strategy in the South American agricultural industry, we have also continued to increase our interest in IRSA, driven by our trust in its business and the value of our investment in it. During this year our shareholding interest reached almost 64.20% of IRSA's total stock capital. This has been a significant investment for us and we consider it to be an important part of our strategy. Indeed, IRSA has recorded an 8.7% increase in its annual revenues and a rise of 20.1% in its EBITDA. We hope that the successful implementation of its strategy will lead to positive results during 2013, a year that is sure to bring with it new challenges.

During this season we made significant achievements and addressed strong challenges as well. The region has been witness to a severe drought which, although not as tough as the one experienced during the 2008/2009 season, has affected a large portion of the core agricultural areas in South America, causing Cresud to end a season with mixed results in its various lines of business. As of year-end, the Company had harvested an aggregate of 204,489 hectares, generating a crop production of almost 1,163,159 tons. Although yields have not been the highest ones we could have obtained in the region, the area under operation has been growing year after year, mainly in the farms owned by us, inspired by our trust in this business.

As from this fiscal year, we have started consolidating BrasilAgro into our financial statements. As a result, during this period Cresud recorded Production Income for ARS 700.4 million, 72.3% higher than in the previous period, Sales from the Agriculture and cattle raising business for ARS 997.1 million, 107.6% higher than in 2011; consolidated Operating Income of ARS 654.5 million, 10% lower than in the previous period and consolidated Net Income of ARS 78.3 million, 64.7% lower than in the previous period.

The Crops segment recorded an operating loss of ARS 119.9 million, mainly reflecting the ARS 115.6 million loss from the international business, which includes the results from BrasilAgro and the operations in Bolivia and Paraguay. BrasilAgro's results generated operating losses of ARS 91.6 million, mainly due to losses from inventory holdings (ARS 51.7 million) caused by drops in prices and derivative transactions, along with higher administrative expenses which, combined with those derived from our growing operations in Bolivia and Paraguay, totaled ARS 74.6 million. We expect that part of the losses from inventory holdings will be reverted during the first quarter of fiscal year 2013 and that the good weather forecasts for the region will contribute to better results in this segment during the next fiscal year.

As concerns the lease of farms, during the last season we noted an increase in the risk-return ratio of this market, with high prices and significant risks of drought. For this reason, we were much stricter at the time of adopting lease decisions, and thus reduced the total area of lands leased in Argentina.

In this country, the Company harvested an aggregate of 91,269 hectares, with yields of 2.10 tons per hectare in soybean crops and 5.74 tons per hectare in corn crops. Total production of both leased and owned farms in Argentina

reached 385,739 tons compared to 408,404 tons in the previous season. In Brazil, we reached an area of 63,410 hectares allocated to agriculture, a great achievement for an operation that is concluding only its fourth agricultural season. The outstanding performance of sugarcane production, which reached 576,048 tons during the last season, has been noteworthy. In Paraguay, where we have entered into a joint venture with Carlos Casado, we achieved yields of 1.41 tons per hectare in the production of soybean (the main crop in these fields). Finally, as concerns our operations in Bolivia during this season we managed to improve production levels in our farms thanks to the experience gathered in our operations in this region, as we harvested 23,048 hectares (including double crops) with soybean yields close to 2.04 tons per hectare.

As part of our regional positioning, during this fiscal year we started FOB (free on board) sales operations from Argentina. This allows us to obtain better prices for our products and to improve our margin vis-à-vis sales made in the domestic market. To this end, we have developed a new foreign trade area aimed at further increasing profitability of our grain production business, whilst improving efficiency and saving costs.

In connection with land transformation, Cresud has developed 27,200 hectares in the region during this fiscal year. In Argentina, we continued increasing the production area in our land portfolio, adding 3,340 hectares in “Los Pozos” farm, 682 hectares in “La Suiza” farm and 2,236 hectares in ANTA farm. We plan to add 3,749 hectares in the next season and to start developing 7,634 new hectares. In Brazil, during the last fiscal year an aggregate of 9,000 hectares was developed in various farms owned by the company, and we expect to keep up this rhythm by developing 15,504 additional hectares during the 2012/2013 season. Our operations in Paraguay continue to grow year after year thanks to our development of lands in the Chaco Paraguayo area, where we were pioneers in the production of soybean. In our farm located in this region, we added 1,347 hectares to the area under operation and we expect to add 3,187 more hectares during the next season. In Bolivia, up to now, we have only purchased already developed farms; we are working on improving yields relying on our management’s contribution to the operations and we are developing sugarcane production. In this way, during this fiscal year we sold farms acquired in 2008, obtaining gains yielding IRR close to 28%.

During the last two years we carried out a consolidation process in our milk business, concentrating operations in our “El Tigre” dairy farm located in La Pampa, Argentina. This farm has top-notch facilities and a milking capacity of 2,600 cows per day. During 2012, it produced 16.6 million liters of milk with an average of 2,112 milking cows per day. We have achieved good production levels with controlled costs. On the other hand, our beef cattle breeding and fattening business has had a good year, thanks to the rise in beef prices recorded in the Argentine market during this fiscal year. We have taken advantage of this trend and realized profits by selling part of our stock. In this way, our stock decreased from 79,512 heads at the closing of fiscal year 2011 to 65,619 heads at the closing of this fiscal year. We still have one of the largest herds in Argentina and play a leading role in the domestic market.

However, the rise in beef cattle wholesale prices has presented major challenges to our management in the meat packing business. During this fiscal year, operations were threatened by the effects of the higher costs of supplies (cattle heads) and certain difficulties to carry out sales transactions due to the restrictions on beef exports in place in Argentina. In line with this, after a series of capital contributions and finally through a mutual agreement, we became the only shareholder of the cold storage plant, thus ending our partnership with Tyson Foods. We decided to carry on operations and we expect to be able to revert the complications derived from an unfavorable environment.

Given the difficulties faced by our cold storage plant in exporting its products abroad, during fiscal year 2011 it had to redirect its sales strategy and increase its participation in the domestic market. In this market, other competitors are in a more favorable position because they do not apply the quality standards to which we are subject. For this reason, we had to adopt the difficult decision to cease operations effective December 2011.

Finally, after various negotiations and agreements with the Argentine Government, the Government of the Province of La Pampa and the Beef Workers’ Union of La Pampa, we agreed upon new conditions for our cold storage plant to resume operations and restart activities since August 2012. We hope that in the future market conditions will be more

favorable, allowing this sector to be profitable again.

With respect to our activities in the capital markets, during this fiscal year we carried out two transactions that are worthy of note because of their significance in both the financial markets and our business proper. On the one hand, we were the first agricultural company to issue notes in the global capital markets. The deal was closed in September 2011, and involved the issuance of our series VIII notes for USD 60 million due in 2014. On the other hand, in June 2012, we issued series IX, X and XI notes in the Argentine market for a total principal amount of ARS 383.1 million, a record figure.

Our group has always been characterized for its fine relationship with the financial market and its significant footprint in the Argentine and global markets. This relationship of more than 20 years has allowed us to expand and finance our businesses. In line with this, during this fiscal year we paid again to our shareholders a cash dividend.

Moreover, although we are always subject to the risks inherent in the agricultural business, unlike the past season in which the “La Niña” weather effect caused droughts throughout our region, in the 2012/2013 period we expect to suffer the effects of “El Niño”, which produces higher than usual rainfall levels. In the whole region, we plan to plant 214,561 hectares. We expect that yields in the next season will be better than in the past one, and that thanks to our land development activities we will be able to make progress in transforming our large regional portfolio, which is of such an extent that, should we intend to keep up the rate of development of the past years, we would be able to develop lands without need of acquiring any new properties for another 8 years. Moreover, in the past months there has been a severe drought in the agricultural region of the United States, probably the worst in its history. This drought coincides with the planting period and critical development stage of its traditional crops, such as corn and soybean. Therefore, the international commodity markets have experienced sharp increases in the prices of those crops which are exported from our region and many of which are produced by us. We believe that this harmful situation for the U.S. region gives us the opportunity to obtain high profits from our operations and encourages us to keep on growing.

Not only does this event impact on us positively, but it also generates more favorable macroeconomic environments in the countries in which we operate. In particular, we hope that the Argentine economy will be healthy, favoring the business of our subsidiary IRSA.

With a future that presents challenges and opportunities alike, we believe that the commitment of our employees, the strength of our management and the trust placed on us by our shareholders will be key elements in our ability to continue growing and successfully implementing our strategy. To all of you, my most sincere thanks.

City of Buenos Aires, September 10, 2012.

Alejandro G.
Esztain
Second
Vice-Chairman
acting as
Chairman

Our Strategy

We seek to maximize our return on assets and overall profitability by:

- (i) identifying, acquiring and exploiting agricultural properties having attractive prospects for agricultural production and/or medium or long-term value appreciation and selectively disposing of properties subsequently as appreciation is realized,
- (ii) optimizing the yields and productivity of our agricultural properties through the implementation of state-of-the-art technologies and agricultural techniques and
- (iii) preserving the value of our significant long-term investment in the urban real estate sector held through our affiliate IRSA.

To such end, we seek to:

Focus on maximizing value of our agricultural real estate assets.

We conduct our agricultural activities with a focus on maximizing the value of our real estate assets. We seek to rotate our portfolio of properties over time by purchasing large parcels of land which we believe have a high potential for appreciation and selling them selectively as opportunities arise to realize attractive capital gains. We believe that our ability to realize gains from appreciation of our farmlands is based on the following principles:

Acquiring under-utilized properties and enhancing their land use:

We seek to purchase under-utilized properties at attractive prices and develop them to achieve more productive uses. We seek to do so by:

- (i) transforming non-productive land into cattle feeding land,
- (ii) transforming cattle feeding land into land suitable for more productive agricultural uses,
- (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities; and
- (iv) reaching to the final stage of the real estate development cycle by transforming rural properties into urban areas as the boundaries of urban development continue to extend into rural areas.

To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

Applying modern technologies to enhance operating yields and property values.

We believe that an opportunity exists to improve the productivity and long-term value of inexpensive and/or underdeveloped land by investing in modern technologies such as genetically modified and high yield seeds, direct sowing techniques, machinery, crop yield optimization through land rotation, irrigation and the use of fertilizers and agrochemicals. To enhance our cattle production, we use genetic technology and have a strict animal health plan controlled periodically through traceability systems. In addition, we have introduced a feedlot to optimize our beef cattle management and state-of-the-art milking technologies in our dairy business.

Anticipating market trends.

We seek to anticipate market trends in the agribusiness sector by:

- (i) identifying opportunities generated by economic development at local, regional and worldwide levels,
- (ii) detecting medium and long-term increases or decreases in supply and demand caused by changes in the world's food consumption patterns and
- (iii) using land for the production of food and energy, in each case in anticipation of such market trends.

International expansion.

Although most of our properties are located in different areas of Argentina, we have begun a process of expansion in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2005 we and several Brazilian partners founded BrasilAgro. As of June 30, 2012, BrasilAgro had 8 properties totaling 172,671 hectares, purchased at highly attractive values compared to the average prices prevailing in the respective regions, all of which have a huge appreciation potential. In addition, since fiscal year 2009, Cresud entered into a number of agreements to formalize its positioning in South American countries. At June 30, 2012, the Company owned 16,255 hectares located in the Republic of Bolivia, and 50% of 45,578 hectares located in the Republic of Paraguay.

Increase and optimize production yields.

We seek to increase and improve our production yields through the following initiatives:

Implementation of technology. We seek to continue using state-of-the-art technology to increase production yields. We plan to make further investments in machinery and the implementation of agricultural techniques such as direct sowing to improve cereal production. We believe that we may improve crop yields by using high-potential seeds (GMOs) and fertilizers and by introducing advanced land rotation techniques. In addition, we intend to continue installing irrigation equipment in some of our farms to achieve higher output levels.

We seek to continue improving beef cattle production through the use of advanced breeding techniques and technologies related to animal health. We plan to improve the use of pastures and expect to make further investments in infrastructure, including installation of watering troughs and electrical fencing.

We have implemented an individual animal identification system, using plastic tags for our beef cattle and "RFID" tags for our dairy cattle, to comply with national laws on traceability. Also, we acquired software from Westfalia Co. which enables us to store individual information about each of our dairy cows. In the beef cattle business, we initiated Argentina's first vertically integrated beef cattle processing operation by entering into a partnership with Tyson Foods (through its controlled subsidiary Provemex Holdings LLC), hereinafter "Tyson Foods", to set up Cactus Argentina S.A. ("Cactus"), a feedlot and slaughterhouse operator. During the last year we acquired Tyson Food's equity interest in Cactus, and at present we are its sole shareholder.

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health.

Increased production.

Our goal is to increase our crop, beef cattle and milk production in order to achieve economies of scale by:

- Increasing our owned land in various regions of Argentina by taking advantage of attractive land purchase opportunities as they arise.
- Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural and livestock activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value.
- Developing properties in areas where agricultural and livestock production is not developed to its full potential. As of June 30, 2012, we owned 350,249 hectares of land reserves and held approximately 109,617 hectares under concession, as reserves for future developments. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, current or future environmental regulations could prevent us from fully developing our land reserves by demanding us to maintain part of those lands as natural woodlands not allocated to production.
- Diversifying market and weather risk by expanding our product and land portfolio. We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, weather conditions and other factors affecting the agricultural and livestock sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to seed a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

Preservation of long-term value of our investment in IRSA.

We seek to maintain the long-term value of our significant investment in the urban real estate sector through IRSA. We believe that IRSA is an ideal vehicle through which to participate in the urban real estate market due to its substantial and diversified portfolio of residential and commercial properties, the strength of its management and what we believe are its attractive prospects for future growth and profitability.

Macroeconomic Context

International Outlook

During 2011, the global economy continued its recovery after the 2008 financial crisis. According to International Monetary Fund (“IMF”) data, in the year 2011, the world’s Gross Domestic Product (“GDP”) rose 3.9% and accumulated an annualized growth of 3.6% in the first quarter of 2012. GDP in the developed countries increased 1.6% in 2011, whereas in the developing countries’ markets, it soared 6.2%.

During fiscal year 2012, the financial markets’ outlook was gloomy. At global level, the MSCI All Countries index dwindled by 8.68% when measured in US Dollars; the MSCI World (representative of developed markets) dropped 7.99% whilst the MSCI Emerging Markets fell 17.87%. Except for the S&P500, which rose 4.04%, the performance of most of the markets was negative: the FTSE 100 fell by 5.13%, the Nikkei by 7.81%, the Bovespa by 11.96% and the Merval by 28.85%.

According to the IMF, inflation at global level was 4.5% in 2011, 1 percentage point higher than in 2010. In line with the growth rate observed, inflation in the emerging markets was 7.1%, higher than the one recorded in developed countries, which stood at 2.7%.

During 2011 and the first six months of 2012, the commodities markets were uneven. On the one hand, the GSCI All Metals Industrial index shows that metal prices fell 20.56% in 2011 and 7.24% in the first six months of 2012. The price of energy, as measured by the GSCI Energy index, increased 11.4% in 2011 and shrunk by 5.54% in 2012. Finally, the GSCI Agriculture saw a decline in the prices of agricultural commodities, which dropped 14.12% in 2011, a trend that was substantially reverted in 2012 as they increased 22.27%.

According to the IMF, the improvement in the USA’s activity levels during the second half of 2011 and the adoption of adequate policies in the eurozone in response to the deepening of the economic crisis reduced the threat of a sharp global deceleration. However, the IMF estimates that world growth will contract from 3.9% in 2011 to 3.5% in 2012 but will then recover until reaching a growth rate of 4% in 2013. It is estimated that due to the problems in Europe, activity levels will continue to be in the doldrums for developed economies as a group, where expansion will reach only 1.5% in 2012 and 2% in 2013.

On the side of the emerging economies, the real GDP growth rate is expected to decelerate from 6.2% in 2011 to 5.75% in 2012, and then rebound until reaching 6% in 2013 (thanks to the implementation of more lenient macroeconomic policies and the strengthening of external demand).

The IMF considers that the most immediate concern continues to be the chance that the deepening of the crisis in the eurozone could lead to a massive run to lower-risk assets. Other latent risks are presumed to be the disturbances in the world bond and currency markets due to the budgetary deficits in Japan and the United States and the plunging of certain emerging economies.

One of the most noteworthy policy responses adopted during the last fiscal year was the recent decision to combine the European Stability Mechanism (ESM) with the European Financial Stability Facility (EFSF), a positive fact that will strengthen the European mechanism for controlling the crisis. In the United States and Japan, the fiscal tightening policy to be

implemented in the short term appears to be enough; yet, it is still necessary to set targets that help achieve sound and sustained fiscal consolidation in the medium and long term.

Looking ahead, the main challenges for developed countries are focused on making further progress in consolidating fiscal accounts (including a sweeping reform in social security systems) and making structural reforms to stimulate potential output.

As concerns the emerging or developing economies, the main challenges are adequately calibrating economic policies to withstand the significant deceleration risks coming from developed economies. Another priority is to prevent economic overheating due to the strong credit growth, volatile cash flows, still high levels of raw material prices and the reemergence of energy price risks that impact on inflation and fiscal balances.

The Argentine Economy

As concerns the Argentine economy, during 2011 the GDP maintained the high growth rate experienced in 2010 (when it increased 9.2%). According to the Ministry of Economy, while in the third quarter of 2011 it recorded a year-on-year growth of 9.3%, during the fourth quarter a slight deceleration was observed, translated into a 7.3% growth rate. In this way, in 2011 GDP grew by 8.9%. In the year to date, a deceleration in economic activity levels is noted, although the same positive trend is maintained. For the first 5 months of 2012, the Monthly Economic Activity Estimator (EMAE), usually used to predict the GDP, recorded a year-to-date increase of 3% compared to the same period in the previous fiscal year, showing a downward trend.

Once again, the main component of aggregate demand that largely explains the growth in activity levels has been private consumption, along with the increase in purchasing power. In this regard, private consumption recorded an annual growth of 10.7% in real terms, accounting for 66.1% of the GDP.

On the side of supply, during the second half of 2011 there was an annual deceleration in the goods-producing industries, whose main sectors, industry and construction, were the ones most severely affected. In turn, agricultural production fell for the third consecutive quarter.

In connection with the labor market, in 2011 the unemployment rate declined slightly to 6.7% of the active population, compared to 7% in 2010. On the salary side, the average salary in the Argentine economy accumulated a 29.45% raise in 2011, way above the official figures for retail inflation and even private sector inflation estimates. According to the INDEC's salary index, the accumulated increase in the first half of 2012 was 11.53%.

In 2011, Argentina's fiscal situation deteriorated slightly as compared to 2010. Although the primary balance was still a ARS 4,920.6 million surplus (0.3% of GDP), this figure was far below the ARS 25,115 million recorded in 2010. On the other hand, fiscal deficit reached ARS -30,663.9 million (-1.7% of GDP).

Argentina's external sector showed a surplus trade balance during 2011, with exports for USD 83.9 billion and imports for USD 73.9 billion according to official data. The negative balances for the third and fourth quarters curbed the current account surplus for 2011 to almost nil, ending with a positive balance of only USD 17 million.

During fiscal year 2011, Argentina's country risk as measured by its five-year Credit Default Swap ("CDS") for senior USD-denominated indebtedness increased significantly, maintaining a spread that is high when compared to the most solid countries in the region, Brazil and Chile. The surcharge Argentina pays for its debt stood at 1,238 points as of July 2012, compared to

Brazil's 150 points and Mexico's 141 points. The difference between the CDS in Argentina and Brazil or Mexico is high compared to historical values.

In the local financial markets, the international uncertainty combined with the repercussion of certain political measures adopted by the federal government led to fluctuations in the rate of bank deposits at 30 days, showing a slight increase from 9.43% as of July 2011 to levels close to 11.87% for June 2012. In turn, the Private Badlar rate in pesos increased from 11.37% to 13.25%.

As in the past years, the BCRA continued its controlled flotation policy. The foreign exchange rate depreciated by 10% in the period June 2011 through June 2012 and the level of reserves was maintained at USD 46.3 billion (a reduction of USD 5,769 million compared to the previous year).

Mention should be made of the current status of Argentina's gross sovereign debt: according to data from the Ministry of Economy, as of December 31, 2011 it amounted to USD 178,963 million (41.8% of Argentina's GDP). During 2011, sovereign debt as a percentage of GDP decreased by 3.5 percentage points as compared to 2010. This reduction was basically led by the dynamics with the private sector, which recorded a fall of USD 5,524 million in its stock of debt for 2011 as compared to 2010. In this way, the stock of debt held by the private sector stood at 13.5% of the GDP, representing a fall of 4 percentage points as compared to 2010.

(*) As of Dec '02, the Debt held by the Private Sector was estimated to be 127% of GDP.

Source: Argentine Ministry of Economy

As of December 31, 2011, the composition of Argentina's sovereign debt was as follows: 53.8% was held by governmental agencies, 13.9% by multilateral and bilateral credit agencies, while the remaining 32.3% corresponded to private-sector portfolio financing (mainly government securities).

During 2011, the multilateral real exchange rate was also affected by the difference between the depreciation of the Peso compared to the basket of currencies that make it up and the inflation sustained by the Argentine economy. There was a 0.7% appreciation, deflated by INDEC's CPI; yet, the figures released by private sources point to an even higher real appreciation. The Peso/U.S. Dollar real exchange rate experienced a 1.4% depreciation, whereas the Peso appreciated 3.75% vis-à-vis the Brazilian currency.

According to official data, Gross Domestic Fixed Investment (“GDFI”), measured in real terms, was in the region of 24.45% of GDP for 2011 with the following distribution: 10.51% for the durable goods sector and 12.33% for the construction sector.

The use of industrial installed capacity was 73.1% in May 2012, 5% lower than the level posted in the same month of 2011. In general, the sectors that experienced the worst performance were the automobile manufacturers (with a 17% fall) and the mechanic steel industry (which recorded a 12% decrease in the use of installed capacity).

Agriculture and Cattle Raising Sector in Argentina

Argentina has positioned itself over the years as one of the world's leading food producers and exporters. It is the second largest country in South America after Brazil and has particularly favorable natural conditions for diversified agricultural production: vast extensions of fertile land and varied soil and weather patterns.

During the decade of the nineties, the Argentine agriculture and cattle raising industry experienced sweeping changes, such as a significant increase in production and yield (thanks to a sustained agricultural modernization process), relocation of production (crops vs. livestock) and a significant restructuring process within the industry, as well as land concentration. Taking advantage of a favorable international context, the agriculture and cattle raising sector has been one of the major drivers of the Argentine recovery after the economic and financial crisis of 2002.

Wheat

In its latest report, the International Grains Council estimated that the world's production of wheat will be 685 million tons (5 million less than in the previous season). On the other hand, the USDA (United States Department of Agriculture) estimated that the world's stocks of wheat lowered to 209.58 million tons from 213.1 million tons.

According to the monthly report released by CREA (Regional Agricultural Experimental Associations), as concerns wheat, the news for the 2011-12 season is focused on exports by the Eastern European countries, mainly Russia, which could impose export duties or restrict foreign sales due to the high speed of grain exports. According to USDA estimates, Russian exports would be record high, and for this reason rumors have spread that exports will be closed. If these rumors are confirmed, against the governmental authorities' reassurances to the contrary, the American wheat could be demanded again, after a sustained loss of competitiveness during the last months.

In the local sphere, the most important news has been the increase in the export quota for the 2011-12 season, which has reached a total of 9.6 million tons. In this way, pursuant to CREA reports, the supply and demand conditions are as shown in the table below. With a production of 13.7 million tons and beginning stocks of 3.7 million, total supply for the 2011/12 season is 17.5 million tons. As concerns consumption, 6.4 million are deemed to be processed locally, whereas 700 thousand tons are allocated to seed. If we add the authorization to export 9.6 million tons, the remaining final stock would be 900 thousand tons.

Argentine Wheat Supply/Demand

Season	11/12	10/11
Data in millions of tons as of:	03-07-12	03-09-11
Supply	17.5	16.4
Beginning stock	3.7	1.4
Production	13.7	15.0
Planted area (millions of hectares)	4.60	4.43
Yield (t/ha)	3.05	3.45
Demand	16.6	13.5
Export (authorized balance)	9.6	7.0
Internal consumption	7.0	6.5
Milling	6.4	5.9

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Allocated to seed	0.7	0.6
Final Stock	0.9	2.9

Source: CREA based on Ministry of Agriculture and Bolcereaes data.

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According to the Buenos Aires Cereal Exchange, the Argentine average yield was 31.6 hundredweight per hectare; for the Ministry of Agriculture, the yield was 29.7 hundredweight per hectare; and for the Rosario Stock Exchange it was 29.2 hundredweight per hectare.

The 2012-13 season was officially estimated by the USDA's latest report as slightly bullish in terms of prices, as world production is expected to be lower than in the past season. The USDA estimated a world production of 665.33 million tons and final stocks of 188.13 million tons, compared to 694.69 and 206.27 million tons in the previous cycle.

The following chart shows the main exporting countries. The second column shows the changes in production estimated by the USDA for this new cycle as compared to the 2011-12 season, whereas the orange bar shows each country's share in world exports.

In the local sphere, the USDA forecasts a production of 14 million tons for the 2012-13 season. According to data from the Bahía Blanca Cereals and Commodities Exchange, 3.9 million hectares will be planted with wheat, representing a fall of 15% compared to the previous season. The following chart shows the steady decrease in the area allocated to wheat from 1910 onwards.

Corn

According to USDA data, the world's corn production reached 873.7 million tons, an increase of 5.37% compared to the production for the previous season.

By mid August, local corn planting reached 86.1% of the apt land, reflecting a year-on-year decrease of 2.8%. The domestic mean yield, of 52.1 hundredweight per hectare, allowed to accumulate a partial volume of more than 15.7 million tons. Faced with this scenario, the Exchange maintains its final output projection at 19.3 million tons. In its latest monthly report, the USDA maintained unchanged the crop volumes forecasted for Argentina, estimated at 21 million tons for the 2011-12 season. As a result, the 2011-12 season would leave an export balance of 16 million tons. However, as most of the export balance for 2011-12 has already been traded and the consumption share is almost nil, the local market continues to focus on the corn for the next season.

USDA projections for the 2012-13 season estimate that world production would reach 905 million tons, with an average yield of 5.16 tons per hectare. In the case of Argentina, the planted area is expected to remain steady at 3.4 million hectares, although production will increase to 25 million tons.

Soybean

The main concern during the 2011-12 season were the weather conditions, and in particular the drought experienced by South American countries and the United States. According to the USDA's latest report published in July 2012, the world soybean production contracted by 11% as compared to the 2010-11 season, falling to 235.88 million tons.

Argentina was one of the countries that was most severely affected by the drought in South America. During the 2011-12 season, total production amounted to 41 million tons (down from 49 million tons in the previous season).

As concerns projections for the 2012-13 season, the USDA estimated that the world production would be in the whereabouts of 267.16 million tons (13% higher than in the previous season). Yet, according to Oil World, the excessive heat conditions affecting the US soybean crops, coupled with the small production recorded in South America during this year, could cause the global supply of soybean to be too small to satisfy the demand for the next months. This shortage in supply for the next months is one of the main factors that contribute to the formation of prices in the international grains market.

The USDA estimates that Argentina's soybean production will increase by 14 million tons, reaching 55 million tons. This increase is expected to result from both an expansion in the land allocated to soybean and a higher average yield (that would reach 2.79 million tons per hectare).

Beef Cattle

According to FAO (Food and Agriculture Organization) projections, factors such as lower stocks of cattle due to the droughts suffered in 2011, the high feed prices, and outbreaks of animal diseases have underpinned international beef prices, which have remained at record levels during the past times. In April, the FAO's beef price index reached 182 points, surpassing the record of 181 points recorded in November 2011. However, the FAO reports that signs of a deceleration in the demand for imports are being observed, mainly as concerns pigmeat, which would imply weakened international prices.

According to FAO's estimates, the world beef production reached 297.2 million tons in 2011 and will maintain a slight growth trend during 2012, with a projected production of 302 million tons.

In the case of Argentina, the FAO estimates that despite the closing down of approximately one quarter of the slaughtering houses during the past 3 years, beef production reached 4.72 million tons in 2011. Projections for 2012 point to approximately 4.88 million tons.

Argentina is one of the largest producers and exporters of cattle beef in the world. According to the FAO's latest report, during 2011 cattle beef production in Argentina reached 2.53 million tons, and it will increase to 2.6 million in 2012. In line with the growth in production, the FAO estimates that cattle beef exports will increase from 220 thousand tons in 2011 to 231 thousand tons in 2012.

Milk Sector

The FAO's latest report shows that the world production of milk will increase from the current level of 730.1 million tons in 2011 to 749.5 million tons in 2012. These figures are way above the average value of 702 million tons recorded during the 2008-2010 period.

Most of this increase is expected to derive from Asia, mainly India (the world's largest producer of milk), which will increase production by 5.2 million tons until reaching a total production of 127 million.

In the case of Argentina, the 12 million ton production recorded in 2011 is expected to increase to 12.5 million in 2012, while exports of dairy products will rise from 2.2 million tons in 2011 to 2.4 million tons in 2012.

Business Description

Our Company

We are a leading Latin American agricultural company engaged in the production of basic agricultural commodities with a growing presence in the agricultural sector of Brazil, through our investment in BrasilAgro—Companhia Brasileira de Propriedades Agrícolas (“BrasilAgro”), as well as in other Latin American countries. We are currently involved in several activities including crop production, beef cattle raising and milk production. Our business model focuses on the acquisition, development and exploitation of agricultural properties having attractive prospects for agricultural production and/or value appreciation and the selective sale of such properties where appreciation has been realized. Our shares are listed on the Buenos Aires Stock Exchange (“BCBA”) and the NASDAQ.

As of June 30, 2012, we owned 33 farms with approximately 645,815 hectares distributed in Argentina, Brazil, Bolivia and Paraguay. Approximately 185,925 hectares of the land we own are used for crop production, approximately 83,360 hectares are for beef cattle production, 85,000 hectares are for sheep production, 3,022 hectares are for milk production and approximately 11,748 hectares are leased from third parties for crop and cattle beef production. The remaining 350,362 hectares of land reserve are primarily natural woodlands. In addition, we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Out of this total, we have developed 22,383 hectares for crop production. Also, during fiscal year 2012 ended on June 30, 2012, we leased 42,515 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

During the fiscal years ended June 30, 2011 and 2012, we had consolidated sales of ARS 2,133.8 million and ARS 2,757.4 million, production income of ARS 406.5 million and ARS 700.4 million and consolidated net income of ARS 221.9 million and ARS 78.3 million, respectively. During the fiscal years ended June 30, 2011 and June 30, 2012, our total consolidated assets increased 0.35% from ARS 9,721.0 million to ARS 9,755.2 million, and our consolidated shareholders’ equity decreased 1.8% from ARS 2,101.7 million to ARS 2,063.3 million.

The following table sets forth, at the dates indicated, the amount of land used for each production activity (including owned and leased land and land under concession):

	Land Use				
	Fiscal Year ended June 30,				
	2008	2009	2010	2011	2012
	(1) (6)(7)(11)	(1) (6)(7)(8)(11)	(1) (6)(7)(8)(11)	(1) (6)(7)(8)(9)(10)(11)	(1) (6)(7)(8)(9)(10)(12)
	in hectares				
Crops (2)	63,900	115,411	104,627	126,178	185,925
Beef Cattle (3)	123,935	128,859	105,857	102,279	95,995
Milk	4,320	4,334	4,900	2,571	3,022
Sheep	90,000	100,911	100,911	100,911	85,000
Natural woodlands (4)	383,573	356,796	343,153	339,744	459,979
Owned farmlands leased to others	8,467	8,317	11,049	14,026	25,538
Total (5)	674,195	714,628	670,497	685,709	832,964

- (1) Includes 35.723% of approximately 8,299 hectares owned by Agro Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest.
- (2) Includes wheat, corn, sunflower, soybean, sorghum and others.
- (3) Breeding and fattening.
- (4) We use part of our land reserves to produce charcoal, rods and fence posts.
- (5) As of June 30, 2008, 30,449 hectares were leased for agricultural production and 32,895 were leased for beef cattle production. As of June 30, 2009, 59,615 hectares were leased for agricultural production and 32,795 hectares were leased for beef cattle production. As of June 30, 2010, 42,696 hectares were leased for agricultural production and 12,635 hectares for beef cattle production. As of June 30, 2011, 52,205 hectares were leased for agricultural production and 12,635 hectares were leased for beef cattle production. As of June 30, 2012, 42,515 hectares were leased for agricultural production and 12,635 hectares were leased for beef cattle production.
- (6) Does not include 20,833 hectares of "Tapenagá" farm, 14,516 hectares of "Los Pozos" farm or 50 hectares of "El Recreo" farm, which were sold in fiscal year 2007.
- (7) Does not include 4,974 hectares of "Los Pozos" farm or the 2,430 hectares of "La Esmeralda" farm, which were sold during the fiscal year 2008.
- (8) Includes 12,166 hectares of "San Cayetano", "San Rafael", "La Fon Fon" and "Las Londras" farms, which are located in Santa Cruz de la Sierra, Bolivia. Includes 50% of the 45,578 hectares of "Jerovia" farm located in the District of Boquerón, Paraguay, owned by our subsidiary Cresca S.A. Does not include 1,658 hectares of "Los Pozos" farm sold in April 2009. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus Argentina S.A. Does not include the income of the 1,829 hectares of El Recreo.
- (9) Does not include 12,701 hectares of "Tali Sumaj" farm, sold on December 17, 2009.
- (10) Includes 5,000 hectares of "La Primavera" and "4 Vientos" farms, located in Santa Cruz de la Sierra, Bolivia.
- (11) Does not include BrasilAgro.
- (12) As from fiscal year 2012, it includes BrasilAgro.

In September 2005, we, together with other Brazilian partners, founded BrasilAgro, a company organized to exploit opportunities in the Brazilian agricultural and cattle raising sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares. As of June 30, 2012, we owned 39.64% of the outstanding common shares of BrasilAgro. Through this company we control 8 farms, extending over a total surface area of 172,671 hectares allocated to the production of sugarcane, corn, soybean and timber.

In 2008 we started to operate in Bolivia acquiring four parcels of land in the area of Santa Cruz de la Sierra. Besides, in 2011 we acquired two parcels of land, extending our operations, and we sold a portion of a farm generating appreciation values over 40%. As of June 30, 2012, we had a total of 31,260 hectares intended for agriculture (including double crops) in that country.

Under a joint venture with Carlos Casado S.A., known as Cresca (in which we hold a 50% interest), we acquired a farm in Paraguay along with the option to purchase up to 100,000 hectares for the purpose of developing agricultural and cattle raising operations. As of June 30, 2012, Cresca had 1,084 hectares intended for beef cattle, 8,378 hectares intended for agriculture and 36,116 hectares of natural woodlands for future developments.

We are also directly engaged in the Argentine real estate business through our subsidiary IRSA, one of Argentina's leading real estate companies. IRSA is engaged in the development, acquisition and operation of shopping centers, premium offices, and luxury hotels in Argentina, as well as the development of residential properties. A majority of our directors are also directors of IRSA.

History

We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as a part of such liquidation, our shares were distributed to Credit Foncier's shareholders and in 1960 were listed on the Buenos Aires Stock Exchange. During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

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During 1993 and 1994, Consultores Asset Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Asset Management (including Dolphin Fund plc.) purchased additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1997, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. In March 2008, we made a capital increase for 180 million shares, in which 100% of the shares offered were subscribed locally and internationally.

In 2005, we organized BrasilAgro together with other partners, in order to replicate our business in Brazil. BrasilAgro is engaged mainly in four business segments:

- (i) sugarcane;
- (ii) grains and cotton;
- (iii) forestry activities; and
- (iv) livestock.

In May 2006, BrasilAgro's shares became listed in the Novo Mercado of the Brazilian Stock Exchange (BOVESPA) with the symbol AGRO3.

After a series of transactions and agreements, we have concluded the shareholders' agreements with our partners and currently hold a 39.64% interest in BrasilAgro's stock capital. As from fiscal year 2011, we present our financial statements in consolidated form with BrasilAgro's.

As part of a series of transactions that implied a further expansion of Cresud's agriculture and cattle-raising business in South America, in July 2008, Cresud purchased, through various companies, 12,166 hectares located in Santa Cruz de la Sierra, Republic of Bolivia for a total price of USD 28.9 million. In June 2011, two parcels located in the same region were purchased, with a total area of approximately 5,000 hectares intended for agriculture. In addition, in that same month the sale of a 910 hectare parcel of land allocated to agriculture was agreed upon, for a total price of USD 3.6 million, equivalent to USD 4,000 per hectare, which had been purchased in 2008 for a price of USD 2,300 per hectare.

On the other hand, in September 2008, Cresud entered into a series of agreements for accessing the real estate, agricultural and cattle raising and forestry markets of the Republic of Paraguay. Under these agreements, a new company was organized together with Carlos Casado S.A., named Cresca S.A. in which Cresud holds a 50% interest and acts as adviser for the agricultural, cattle raising and forestry exploitation of a 41,931 hectare rural property and up to 100,000 additional hectares located in Paraguay under a purchase option already exercised, whose title deed is to be executed in the name of Cresca in 2013.

As of June 30, 2012, we had invested approximately ARS 981.0 million to acquire 64.20% of the outstanding common shares of IRSA. Between December 2007 and June 30, 2012, we acquired 172,144,937 shares of IRSA, increasing our interest to 64.20% at the closing of fiscal year 2012. As from October 1, 2008, Cresud presents its financial statements in consolidated form with IRSA's.

Our Principal Business Activities

During the fiscal year ended June 30, 2012, we conducted our operations on 33 owned farms and 71 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time.

The following table sets forth, for the fiscal years indicated, our production volumes by principal product line:

	Production of Primary Agricultural Products				
	Fiscal Year ended June 30,				
	2008	2009	2010	2011	2012
	(1)(5)	(1)(5)	(1)(5)	(1)(5)	(1)(6)
Crops (2)	198,146	237,031	322,616	466,910	606,201
Sugarcane	-	-	-	-	576,048
Beef Cattle (3)	8,786	7,112	3,153	6,519	9,000
Milk (4)	20,825	20,898	21,690	19,605	16,563

(1) Does not include production from Agro Uranga S.A.

(2) Production measured in tons.

(3) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.

(4) Production measured in thousands of liters.

(5) Does not include BrasilAgro.

(6) As from fiscal year 2012, it includes BrasilAgro.

Product (in tons)	Stock	Fiscal Year	Fiscal Year	Stock as of
	as of	2012	2012 Sales	06/30/2012
	06/30/2011	Production	2012 Sales	06/30/2012
	(1)	(3)	(3)	(3)
Wheat	4,259	18,269	20,746	6,350
Corn	45,691	250,435	224,481	86,297
Sunflower	7,151	14,503	18,095	3,501
Soybean	56,707	199,559	251,218	45,009
Sugarcane	-	576,048	636,335	45,819
Milk(2)	-	16,563	16,267	-
Beef	27,105	9,000	15,437	22,882

(1) Does not include BrasilAgro.

(2) In thousands of liters.

(3) Includes BrasilAgro.

The following chart shows, for fiscal year 2012, the surface area in operation for each line of business:

- Does not include Agro Uranga S.A. (35.72% over 8,299 hectares).

The following chart illustrates, for the fiscal year ended on June 30, 2012, the surface area in operation and the hectares held as land reserves, classified into own, under lease or under concession:

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- Does not include Agro Uranga S.A. (35.72% over 8,299 hectares).

Crop Production

Our crop production is mainly based on grains and oilseeds and sugarcane. Our crop production includes mainly wheat, corn, soybean and sunflower. Other crops, such as sorghum, are sown occasionally and represent only a small percentage of total sown land.

The following table shows, for the fiscal years indicated, our crop production volumes:

	Crop Production				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(2)
	Fiscal Year ended June 30, (in tons)				
Wheat	21,583	21,375	11,636	16,386	18,269
Corn	94,021	110,149	127,060	171,614	250,435
Sunflower	9,283	13,030	7,641	13,512	14,503
Soybean	59,479	76,893	126,956	154,008	199,559
Sugarcane	-	-	-	-	576,048
Other	13,780	15,584	49,323	111,391	123,435
Total	198,146	237,031	322,616	466,910	1,182,249

(1) Does not include production from Agro Uranga S.A. or BrasilAgro.

(2) Does not include production from Agro Uranga S.A. Includes BrasilAgro.

Out of the total production of 1,182,249 tons recorded during this fiscal year, the crop farms located in Argentina contributed 385,739 tons, the crop farms located in Brazil contributed 732,967 tons (including sugarcane), the farms located in Bolivia contributed 58,280 tons and the farms located in Paraguay contributed 5,262 tons. However, as of the end of the fiscal year, harvesting had not been completed, estimating a total production of approximately 474,230 tons of grains and 830,448 tons of sugarcane. This delayed effect, which will be recognized in the next fiscal year, mainly affects corn and results from the rotation in the portfolio of Argentine own farms and leased farms experienced in the last years, as the weighting of farms located in the north of Argentina has increased.

The following table shows the sown surface area assigned to crop production, classified into owned, under lease and under concession for the fiscal years indicated below:

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Sown Land for Crop Production

Fiscal Year ended June 30,

2008(1)(2)(3) 2009(1)(2)(3) 2010(1)(2)(3) 2011(1)(2)(3) 2012(1)(2)(4)
(in hectares)

Owned	25,379	43,193	47,448	59,122	132,607
Leased	30,449	59,615	42,696	52,205	44,494
Under Concession	3,811	8,067	10,816	10,401	8,778
Total	59,639	110,875	100,960	121,728	185,879

(1) Sown land may differ from that indicated under “Uses of Land”, since some hectares are sown twice in the same season and therefore are counted twice.

(2) Includes hectares from Agropecuaria Anta, merged with Cresud on July 1, 2010.

(3) Does not include BrasilAgro or Agro Uranga S.A.

(4) Includes BrasilAgro. Does not include Agro Uranga S.A.

The following table shows the hectares sown and tons harvested for the fiscal years indicated below:

	Fiscal year ended June 30,			
	2011(1)		2012(2)	
	Hectares sown (ha)	Production (tn)	Hectares sown (ha)	Production (tn)
Wheat	9,419	16,386	9,247	18,269
Corn	48,802	171,614	62,055	250,435
Sunflower	7,833	13,512	10,093	14,503
Soybean	60,928	154,008	104,834	199,559
Sugarcane	-	-	11,298	576,048
Other	15,828	111,391	24,360	123,435
Total	142,810	466,910	221,886	1,182,249

(1) Does not include hectares from Agro Uranga S.A. or BrasilAgro.

(2) Does not include hectares from Agro Uranga S.A. Includes BrasilAgro.

As of June 30, 2012, our crop stocks consisted in 6,350 tons of wheat, 86,297 tons of corn, 45,009 tons of soybean, 2,581 tons of sorghum, 3,501 tons of sunflower and 45,819 tons of sugarcane; whereas as of June 30, 2011, our crop stocks consisted in 4,259 tons of wheat, 45,691 tons of corn, 56,707 tons of soybean, 3,114 tons of sorghum and 7,151 tons of sunflower. In the season ended on June 30, 2012, the surface area of leased land was 26% of the total sown land.

We seek to diversify our mix of products and the geographic location of our farmlands to achieve an adequate balance between the two principal risks associated with our activities: weather conditions and the fluctuations in the prices of commodities. In order to reduce such risks, we own and lease land in several areas of Argentina with different climate conditions that allow us to sow a diversified range of products. Our leased land for crops is mostly located in the Pampa region, a favorable area for crop production. The leased farms are previously studied by technicians who analyze future production expectations based on the historic use of the land. The initial duration of lease agreements is

typically one or three seasons. Leases of farms for production of crops generally consist of lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (“aparcería”) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. The principal advantage of leasing farms is that leases do not require us to commit large amounts of capital to the acquisition of lands but allow us to increase our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

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In order to increase our production yields, we use, besides technology, labor control methods which imply the supervision of the seeding's quality (density, fertilization, distribution, and depth), crop monitoring (determination of natural losses and losses caused by harvester) and verification of bagged crop quality. In this way, we work jointly with our suppliers to achieve the best management of inputs, water and soil.

Wheat seeding takes place from June to August, and harvesting takes place from December to January. Corn, soybean and sunflower are sown from September to December and are harvested from February to June. Grains are available to be sold as commodities after the harvest from December to June and we usually store part of our production until prices recover after the drop that normally takes place during the harvesting season. A major part of production, especially soybean, wheat and sunflower seeds, corn and sorghum, is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine. The rest of the production is either sold at current market prices or delivered to cover any futures contract that we may have entered into.

Beef Cattle Production

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As of June 2012, our beef cattle aggregated 59,435 heads, and we had a total surface area of 83,360 hectares of own lands dedicated to this business activity.

During the fiscal year ended June 30, 2012, our beef cattle activities generated sales of ARS 135.0 million, representing 12% of our total consolidated sales from the agriculture and cattle raising business, and our production was 9,000 tons, an increase of 38.1% compared to the previous fiscal year.

The following table sets forth, for the fiscal years indicated below, the beef cattle production volumes:

	Fiscal Year ended June 30,				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(1)
			(in tons)		
Beef cattle production(2)	8,786	7,112	3,153	6,519	9,000

(1) Does not include production from Agro Uranga S.A.

(2) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.

Management by lot in our pastures is aided by electrical fencing which may be easily relocated to supplement our land-rotation cycles. Our cattle herd is subject to a 160 kg to 360 kg fattening cycle by grazing in pastures located in our north farmlands, where conditions are adequate for initial fattening. For fattening above 360 kg, cattle are fattened until they reach 430 kg in our San Luis feedlot. The feedlot fattening system leads to homogeneity in production and beef of higher quality and tenderness because of the younger age at which animals are slaughtered.

Our cattle breeding activities are carried out with breeding cows and bulls and our fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are directly submitted to the fattening process. Upon starting this process, cattle have been grazing for approximately one year to one and a half year in order to be fattened for sale. Steer and heifers are sold when they have achieved a weight of 380–430 kg and 280–295 kg, respectively, depending on the breed.

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency notwithstanding the adverse weather conditions. Genetics and herd management is expected to further improve pregnancy levels in the coming years. Reproductive indicators improved thanks to the implementation of technologies, which have included handling techniques and females artificial insemination with cattle genetics especially selected for the stock which is purchased from specialized companies in quality semen elaboration for meat production. We use veterinarian products manufactured by leading national and international laboratories. It is important to emphasize the work of a veterinarian advising committee, who are external to us and visit each establishment monthly to control and agree tasks.

Currently, the cattle raising farms are officially registered as export farmlands pursuant to the identification and traceability rules in force in Argentina. Animals are individually identified, thus allowing for the development of special businesses in this area.

Our beef cattle stock is organized into breeding and fattening activities. The following table shows, for the periods indicated, the number of head of beef cattle for each activity:

	Heads of Beef Cattle (1)				
	Fiscal Year ended June 30,				
	2008(2)	2009(2)	2010(2)	2011(2)	2012(2)
Breeding	57,999	59,283	61,859	50,430	42,109
Fattening	22,359	28,520	9,379	22,697	17,326
Total	80,358	87,803	71,238	73,127	59,435

(1) For classification purposes, upon birth, all calves are considered to be in the breeding process.

(2) Does not include heads of beef cattle from Agro Uranga S.A.

We seek to improve beef cattle production and quality in order to obtain a higher price through advanced breeding techniques. We cross breed our stock of Indicus, British (Angus and Hereford) and Continental breeds to obtain herds with characteristics better suited to the pastures in which they graze. To enhance the quality of our herds even further, we plan to continue improving our pastures through permanent investment in seeds and fertilizers, an increase in the watering troughs available in pastures, and the acquisition of round bailers to cut and roll grass for storage purposes.

Our emphasis on improving the quality of our herd also includes the use of animal health-related technologies. We comply with national animal health standards that include laboratory analyses and vaccination aimed at controlling and preventing disease in our herd, particularly FMD.

Direct costs of beef production consist primarily of seeds for pasture (for instance, gatton panic, oats and barley) and crops for feeding and dietary supplementation purposes and animal health costs, among others.

Milk Production

As of June 30, 2012 we conducted our milk business in the dairy facility located in “El Tigre” farm in La Pampa, Argentina. We have a capacity of 2,600 cows in milking per day and seek to increase total productivity through the application of new technologies including improved genetic management for milk production, feeding strategic planning based on cattle specific requirements and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by surveying the information supplied by the farm.

Within the process of de-commoditization and technological innovation, we implemented an identification and tracing system in compliance with European and SENASA standards. We also obtained Global Gap and HCCP certification. Our goal in this respect is to distinguish our production and obtain higher prices in production sales.

Our milk production is based on a herd of Holando Argentina dairy cows, genetically selected through the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in raising and approximately 100 days being fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day subsequent period. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.

Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade to preserve quality and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

The following table sets forth, for the periods indicated, the average number of our dairy cows, average daily production per cow and our total milk production:

	Milk Production				
	Fiscal Year ended June 30,				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(1)
Average dairy cows per day	3,174	3,286	3,297	2,816	2,112
Production (daily liters per cow)	18	17.4	18	19.1	21.5
Total production (thousands of liters)	20,825	20,898	21,690	19,605	16,563

(1) Does not include production from Agro Uranga S.A.

At the closing of fiscal year 2012, we had 6,184 heads of cattle on 3,022 hectares involved in the production of milk; whereas as of June 30, 2011, we had 6,385 heads of cattle on 2,900 hectares.

Farms

Land Acquisitions

We intend to increase our farmland portfolio by acquiring large extensions of land with high appreciation or production potential. We also intend to transform the land acquired from non-productive to cattle breeding, from cattle breeding to farming, or applying technology to improve farming yields so as to generate higher land appreciation.

In our view, the sector's potential lies in developing marginal areas and/or under-utilized areas. As a result of current technology, we may achieve similar yields with higher profitability than core areas; this may result in the appreciation of land values.

At present, prices of farmlands used in agricultural production have increased in the southern hemisphere (mainly South America) but continue to be relatively low compared to the northern hemisphere (U.S. and Europe). Our financial strength relative to other Argentine producers gives us the chance to increase our land holdings at attractive prices, improve our production scale and create potential for capital appreciation.

Several important intermediaries, with whom we usually work, bring farmlands available for sale to our attention. The decision to acquire farmlands is based on the assessment of a number of factors. In addition to the land's location, we normally carry out an analysis of soil and water, including the quality of the soil and its suitability for our intended use (crops, beef cattle, or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the property title; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data regarding neighboring farms (generally covering a 50-km area). Based on the foregoing factors, we assess the farmland in terms of the sales price compared against the production potential of the land and the appreciation potential of the capital. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is scarce competition for the acquisition of bigger lots.

In addition, we may consider the acquisition of farmlands in marginal zones and their improvement by irrigation in non-productive areas as well as the installation of irrigation devices in order to obtain attractive production yields and create potential for capital appreciation.

On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a portion of a farm located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of USD 3.0 million, USD 1.2 million of which were paid on that date.

On December 13, 2008, the Company was formally recognized as principal of the transaction; the balance of USD 1.8 million will be paid by the Company upon execution of the title deed.

On September 5, 2008, we signed the title deed for the purchase of 10,910 hectares of "Estancia Carmen" farm located in the Province of Santa Cruz. The transaction was agreed for a price of USD 0.7 million, that was paid in full.

On July 28, 2008, we signed a bill of purchase for 4,566 hectares of "Las Londras" farm located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of USD 11.4 million, which had been fully paid as of June 30, 2011.

On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of "San Cayetano" and "San Rafael" farms, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of

USD 8.8 million, which had been fully paid as of June 30, 2012.

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On July 28, 2008, we signed a bill of purchase for 3,748 hectares of “La Fon Fon” farm, located in the Province of Obispo Santiesteban, Republic of Bolivia. The transaction was agreed for a price of USD 8.6 million, which had been fully paid as of June 30, 2012.

Following our expansion strategy at international level, during September 2008, we signed a bill of purchase for a 50% undivided interest in 41,931 hectares located in Mariscal José Felix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of USD 5.2 million, in order to contribute them to the new company recently organized (Cresca S.A.). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009.

On March 19, 2010, in connection with the option previously exercised with respect to the property, Cresca S.A. required Carlos Casado S.A. to transfer to it 3,614 hectares. As agreed in the Option Agreement, Cresca S.A. should pay Carlos Casado S.A. USD 350 per hectare. The last payment was made on March 4, 2011.

On June 2 and 8, 2011, the companies Yuchán and Yatay entered into purchase agreements for two plots of land located in Santa Cruz, Bolivia, with a total surface area of approximately 5,000 hectares, to be allocated to agriculture.

The first plot is a farm called 4 Vientos, of approximately 2,660 hectares, allocated to sugarcane production. Its purchase price was USD 8.4 million. Upon the execution of the purchase agreement USD 2 million were paid; and in July 2011, December 2011 and June 2012, USD 2.0 million, USD 1.4 million and USD 1.4 million, respectively, were paid. The balance is payable in October 2012.

The second purchase involves a farm called La Primavera, of approximately 2,340 hectares, allocated to soybean production. Its purchase price was USD 5.0 million, USD 3.7 million of which have been paid already. The remaining balance is payable in two semi-annual consecutive installments, with the last payment falling due in June 2013.

On March 2, 2011, the Company purchased, jointly with Zander Express S.A., a rural property composed of thirteen plots of land located in the District of Perdriel, Luján de Cuyo Department, in the Province of Mendoza. As a result of this acquisition, Cresud has become owner of a 40% undivided interest in all and each of the properties, while Zander Express S.A. holds the remaining 60%. The total agreed price for this transaction was USD 4.0 million; therefore, the amount of USD 1.6 million was payable by Cresud, which had been already paid as of the moment of execution of the deed of conveyance of title.

The following chart shows, for the fiscal years indicated below, certain information concerning our land acquisitions for each of the last 15 fiscal years ended on June 30:

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- (1) Includes the acquisition of “Ñacurutú,” “Tapenagá,” “Santa Bárbara” and “La Gramilla,” “La Sofia,” “La Suiza,” “Esmeralda” and “Tourné” farms of 30,350 hectares, 27,312 hectares, 7,052 hectares, 1,223 hectares, 41,993 hectares, 11,841 hectares and 19,614 hectares, respectively. It also includes the acquisition of “Las Vertientes” which is a silo plant.
 - (2) Includes the acquisition of “El Tigre” farm of 8,360 hectares.
- (3) Includes the acquisition of “La Adela” and “El Invierno” farms of 72 hectares and 1,946 hectares, respectively.
 - (4) Includes the acquisition of “Sao Pedro” farm of 6,022 hectares.
 - (5) Includes the acquisition of “8 de Julio” farm of 90,000 hectares.
- (6) Includes the acquisition of the remaining 25% of “La Adela” farm of 18 hectares and 80% of “La Esperanza” farm of 980 hectares.
- (7) Includes the acquisition of “Estancia Carmen”, “Puertas de Luján”, “Las Londras”, “San Cayetano”, “San Rafael”, and “La Fon Fon” farms and 50% of “Jerovia” farm, of 10,911, 115, 4,566, 883, 2,969, 3,748 and 20,966 hectares, respectively.
 - (8) Includes exercise of the option over 50% of the “Jerovía” farm of 3,646 hectares.
- (9) Includes the acquisition of “La Primavera” and “4 Vientos” farms of 2,341 hectares and 2,659 hectares, respectively. In addition, it includes the acquisition of 943 hectares of the Mendoza farm.

Land Sales

We periodically sell properties that have reached a considerable appraisal to reinvest in new farms with higher appreciation potential. We analyze the possibility of selling based on a number of factors, including the expected future yield of the farmland for continued agricultural and livestock exploitation, the availability of other investment opportunities and cyclical factors that have a bearing on the global values of farmlands.

The following chart shows, for the fiscal years indicated below, certain information concerning our land sales for each of the last 15 fiscal years ended on June 30:

Gain

- (1) Includes the difference between the gross proceeds from sales (net of all taxes and commissions) and the book value of the assets sold.
- (2) Includes the sale of 7,878 hectares of “Moroti” and “Santa Rita” farms.
- (3) Includes the sale of “El Meridiano” and “Runciman” farms of 6,302 and 3,128 hectares, respectively.
- (4) Includes the sale of “El Bañadito” and “Tourne” farms of 1,789 and 19,614 hectares, respectively.
- (5) Includes the sale of “El Silencio”, “La Sofia” and “El Coro” farms of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.
- (6) Includes the sale of “Los Maizales” and “San Luis” farms of 618 and 706 hectares, respectively.
- (7) Includes the sale of “41-42” farm of 6,478 hectares and 5,997 hectares of IGSA’s land reserves.
- (8) Includes the sale of “Ñacurutú” and “San Enrique” farms of 30,350 and 977 hectares, respectively. It also includes the results of the sale of a two-hectare parcel owned by IGSA.
- (9) Includes the sale of “El Gualicho” farm of 5,727 hectares.
- (10) Includes the sale of 20,833 hectares of “Tapenagá” farm and the partial sale of 14,516 hectares of “Los Pozos” farm and 50 hectares of “El Recreo” farm.

(11) Includes the partial sale of 4,974 hectares of “Los Pozos” farm and the partial sale of 2,430 hectares of “La Esmeralda” farm.

(12) Includes the partial sale of 1,658 hectares of “Los Pozos” farm and the partial sale of 1,829 hectares of “El Recreo” farm.

(13) Includes the sale of 12,071 hectares of “Tali Sumaj”.

(14) Includes the sale of “La Juanita” farm, of 4,302 hectares, and the partial sale of 910 hectares of “La Fon Fon” farm.

On July 24, 2008, we sold two parcels of “El Recreo” farm (1,829 hectares), located in the Province of Catamarca. The transaction was agreed for a price of USD 0.36 million, that was collected in full. The gain from this transaction has been already recognized.

On April 7, 2009, we signed the deed of sale for 1,658 hectares of “Los Pozos” farm located in the Province of Salta. The transaction was agreed for a price of USD 0.5 million, that was collected in full.

On June 15, 2010, we signed the deed of sale of the “Tali Sumaj” farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of USD 4.8 million, that was collected in full.

Since as of the date of these financial statements the preliminary attachment levied in the matter of “EXAGRIND S.A.- Estancia San Rafael v. Tali Sumaj et al, on Damages” had not been released, the Company promised to take all actions available to it so as to obtain the release and/or the replacement of the attachment, and undertook to perform all obligations that might arise if an adverse judgment was entered against it and to bear all legal costs and further procedural expenses resulting from the entry of a final and conclusive judgment in the case. To such end, the Company delivered a performance bond for the benefit of the purchaser as security for its obligations.

On September 3, 2010, we signed the title deed of sale of the “La Juanita” farm, located in the District of Trenque Lauquen, Province of Buenos Aires. The transaction was agreed for a total price of USD 18 million, which have been fully paid. The sale resulted in a gain of approximately ARS 49.6 million.

In addition, we agreed upon the sale of 910 hectares belonging to Yuchán and Yatay, allocated to agricultural production, for a total amount of USD 3.6 million. From the total sales amount, USD 2.0 million have been already collected, while the balance is payable in three semi-annual consecutive installments, with the next payment falling due in December 2012 and the last one in December 2013.

On September 28, 2011, BrasilAgro sold the Sao Pedro farm, a rural property located in the Municipality of Chapadão do Céu – GO with a total surface area of 2,447 hectares, including 1,724 hectares suitable for agriculture, for a total amount in Reais equivalent to 580,000 bags of soybean seeds. The sale is part of BrasilAgro’s strategy, aimed at obtaining profits from the sale of properties in addition to agricultural production income.

The purchaser made a payment of BRL 9,769 (equivalent to ARS 23,480), equal to 210,000 tons of soybean. The remaining balance is payable in four annual installments due on March 30 of each year, for an amount of 92,500 bags of soybean each. The transaction amount is BRL 23.3 million (equivalent to ARS 59.8 million).

On March 2, 2012, the sale of 1,194 additional hectares in La Fon Fon farm was agreed upon for USD 4.8 million, USD 1.1 million of which have been collected. The balance is payable in seven semi-annual consecutive installments, beginning on November 30, 2012. Possession was surrendered on June 30, 2012.

On May 22, 2012, the Company sold, assigned and conveyed to APSA a 115-hectare plot of land located in the district of Luján, Province of Buenos Aires, for a total amount of USD 8.9 million, which has been fully collected.

Farmland Portfolio

As of June 30, 2012, we owned, together with our subsidiaries, 33 farms, with a total surface area of 646,759 hectares.

The following table sets forth our farm portfolio as of June 30, 2012:

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Use of Farms Owned and under Concession as of June 30, 2012

Locality	Province	Date of Acquisition	Surface Area (has)	Main Business	Beef Cattle (has)	Sheep (has)	Milk (has)	Agriculture (has)	Cattle Heads
La Adela	Lujan	Buenos Aires	Original	1,054	Agriculture	37		822	1
El Recreo	Recreo	Catamarca	May '95	12,395	Natural Woodlands				
Los Pozos	JV González	Salta	May '95	240,858	Beef Cattle/ Agriculture/ Natural Woodlands	47,910		4,089	42,779
San Nicolás (1)	Rosario	Santa Fe	May '97	1,431	Agriculture			1,250	
Las Playas (1)	Idiazabal	Cordoba	May '97	1,534	Agriculture/ Milk			1,448	
La Gramilla/ Santa Bárbara	Merlo	San Luis	Nov '97	7,072	Agriculture under irrigation			2,281	
La Suiza	Villa Angela	Chaco	Jun '98	41,993	Agriculture/ Beef Cattle	34,700		4,967	12,875
La Esmeralda	Ceres	Santa Fe	Jun '98	9,370	Agriculture/ Beef Cattle			8,118	
El Tigre	Trenel	La Pampa	Apr '03	8,360	Agriculture/ Milk		3,022	4,363	6,184
El Invierno	Rancul	La Pampa	Jun '05	1,946	Agriculture			1,844	
San Pedro	Concepción de Uruguay	Entre Rios	Sep '05	6,022	Agriculture			4,076	
8 De Julio/ Estancia Carmen	Puerto Deseado	Santa Cruz	May '07/ Sep '08	100,911	Sheep		85,000		11,980
Cactus Argentina	Villa Mercedes	San Luis	Dec '97	171	Feedlot	170			
Las Vertientes	Las Vertientes	Cordoba	-	4	Silo				
La Esperanza	Rancul	La Pampa	Mar '08	980	Agriculture			334	
Las Londras/ San Cayetano/ San Rafael/ La Fon/ Fon/ La	Santa Cruz	Bolivia	Jan '09/ Nov '08	16,255	Agriculture			18,992	

Primavera/
Cuatro
Vientos