Farmland Investment in Uruguay

February 2014
Advantages of Investing in Farmland

- Increasing global demand for food
- Consistent long-term appreciation
- Annual cash return
- Non-volatile asset
- Store of value
Why Uruguay?

Investor-Friendly Country:

- Foreign and local investors treated equally
- No limitations to ownership by foreign buyers
- No currency exchange controls or forced conversion
- Foreign currency can be used: Dollars, Euros, etc.
- No restrictions or taxes when transferring money into, or out of the country (repatriation of capital)
Why Uruguay?

Stability and Safety:

- Latin America’s safest country
- Tops rankings in political and economic stability
- Tops rankings in transparency and lack of corruption
- No social turmoil: existence of middle class and Latin America’s lowest income gap
- Solid legal system with strong reputation for respect of contracts and private property
Why Farmland in Uruguay?

A) Most suitable country

B) Turnkey, easy investment to operate

C) Transparent market
A) Uruguay’s Suitability

- Non-degraded soil
- Even rainfall year-round
- World’s largest aquifer beneath region
- Temperate climate
- Two crops per year (over long run, 1.7)
- Competitive producer
- No government intervention in the market
- Developed land rental market
Uruguay: A Global Player

- 6th exporter of soybeans
- 5th exporter of dairy products
- 4th exporter of rice
- 5% of global beef exports

A country of 3 million feeding 50 million
Global soil degradation, and where Uruguay stands
Global water shortage and where Uruguay stands

Source: Intergovernmental Panel on Climate Change, 2007
B) Turnkey, Easy Investment

- The investor may farm the land directly...
- Or have a farm management company handle every aspect of the operation...
- Or lease out the land (there is a very liquid rental market for cropland)
C) Transparent Market for Land

- The country is mapped, with soil types classified according to their productivity.
- Each type of soil is has a productivity index ("CONEAT" index).
- The map is available online.
- Thus, land productivity is verifiable.
The Online “CONEAT” System

- Type www.prenader.gub.uy/coneat
- Plug in the property number(s)
- The system will show the specific property’s:
  - location and water resources (rivers, creeks, lakes)
  - detailed soil map, with soil types in different colors, and the percentage of each soil type
  - description of each soil type
  - the productivity index of each soil type
  - the average CONEAT (productivity) index for the property
The Online CONEAT System: Example

Map of the property, with different soil types

Location of the property

Water resources

Average CONEAT index for the property

Property number

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Advantages of the CONEAT System

- It allows anyone to verify the productivity potential of a property in Uruguay.
- It provides a tool to determine uses for a specific farm.
- The CONEAT index of a property correlates with the price of the land. The market is transparent: it is easy to compare properties and determine their fair value.
Types of Land in Uruguay

- Agriculture (soybeans, wheat, rice, etc.)
- Cattle/sheep ranches, dairy farms
- Forestry: eucalyptus, pine
- Vineyards / olives / blueberries
- Oceanside rural land for development
Uruguay’s most attractive options

Agriculture: Soy, Wheat, Corn
► Global player, among leading exporters

Cattle: Angus, Hereford
► High quality
► Traceability
► 5% of global beef exports

Forestry: Eucalyptus, Pine
► World’s two largest paper mills
► World’s highest FSC certification
The Cost of Land

USD 2,500/hect (USD 1,012/acre) Coneat 50

USD 6,500/hect (USD 2,631/acre) Coneat 130

USD 11,000/hect (USD 4,453/acre) Coneat 150-180

USD 4,000/hect (USD 1,619/acre) Coneat 80
## CONEAT Index and Prices

<table>
<thead>
<tr>
<th>CONEAT Index</th>
<th>USD per Hectare</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>2,700</td>
</tr>
<tr>
<td>80</td>
<td>3,500</td>
</tr>
<tr>
<td>100</td>
<td>4,600</td>
</tr>
<tr>
<td>130</td>
<td>7,000</td>
</tr>
<tr>
<td>160</td>
<td>10,000</td>
</tr>
<tr>
<td>180</td>
<td>12,000</td>
</tr>
</tbody>
</table>

One hectare = 2.47 acres
## Returns

<table>
<thead>
<tr>
<th>Type of use given to the land</th>
<th>Profitability as a % of the price of land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4 - 9%</td>
</tr>
<tr>
<td>Cattle breeding</td>
<td>3 - 6%</td>
</tr>
<tr>
<td>Forestry</td>
<td>6 - 10%</td>
</tr>
<tr>
<td>Buy land and lease it</td>
<td>3 - 4%</td>
</tr>
</tbody>
</table>

Expected returns based on historic average market returns, last five years

*Quoted returns do not include the appreciation of the land*
Taxes in farming

Farming has favorable tax treatment in Uruguay:

- **Income tax:**
  - Flat 25% income tax rate (effective rate can be less w/deductions)
  - For small farms, rate is lower: farms with income below USD 238,000 per year have a capped tax amount of USD 5,125

- No asset tax, even if held by a corporate vehicle*

- Low property taxes: average is 0.2%

- No V.A.T. or sales tax on most supplies and machinery

- No V.A.T. or sales tax on sale of farm products (except 1% municipal sales tax on sale of livestock)
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Leading Full-Service Law Firm

Farm-investment advisory unit:
- Sourcing farmland according to client needs/preferences
- Structuring purchases
- Organizing corporate structures, investor agreements

Firm Services (covering all of Uruguay):
- Conveyance / Legal Assistance in the Purchase Process
- Tax and Banking Advice
- Company Formation
- Title Guaranty Advice
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Main office: Rincón 487, Piso 4, Montevideo, Uruguay

References:
- First American Corp., Stewart (title guaranty companies)
- World Bank ([www.doingbusiness.org](http://www.doingbusiness.org))
- Global law firms: Mayer, Brown, Rowe & Maw; White & Case
- Member Transatlantic Law International ([www.transatlanticlaw.com](http://www.transatlanticlaw.com))

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