

Farmland Investment in Uruguay

2015

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**

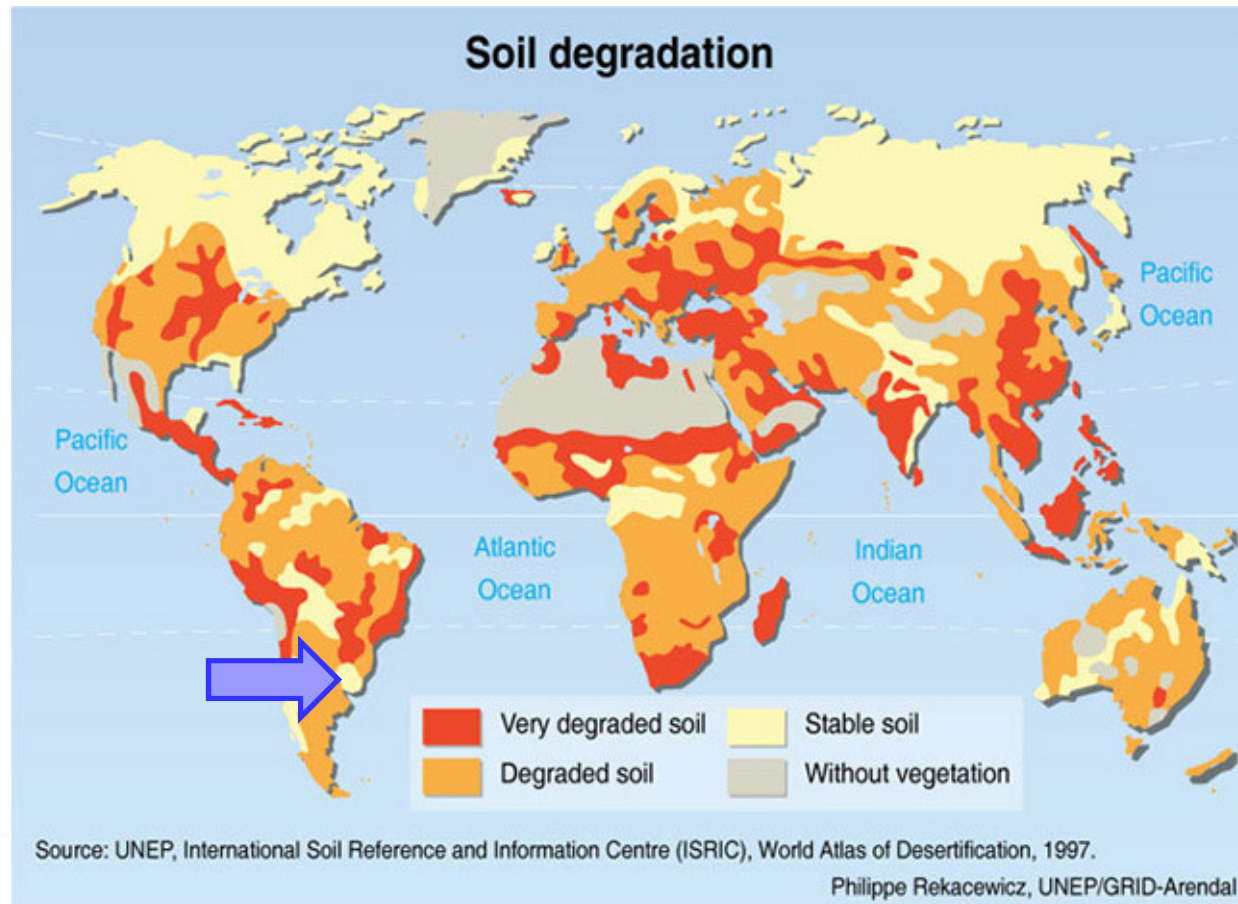
Agricultural Suitability

South America

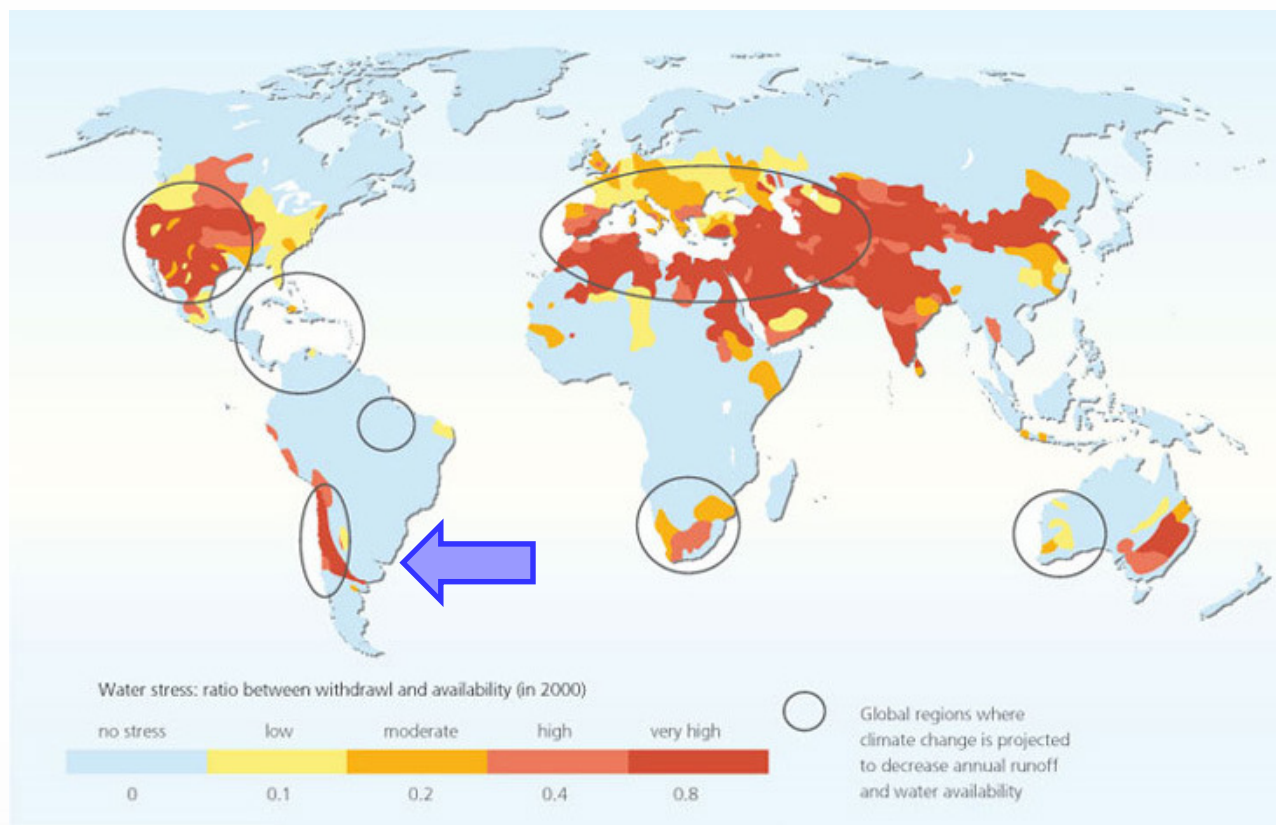


Source: Atlas of the Biosphere
Center for Sustainability and
the Global Environment
University of Wisconsin - Madison

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

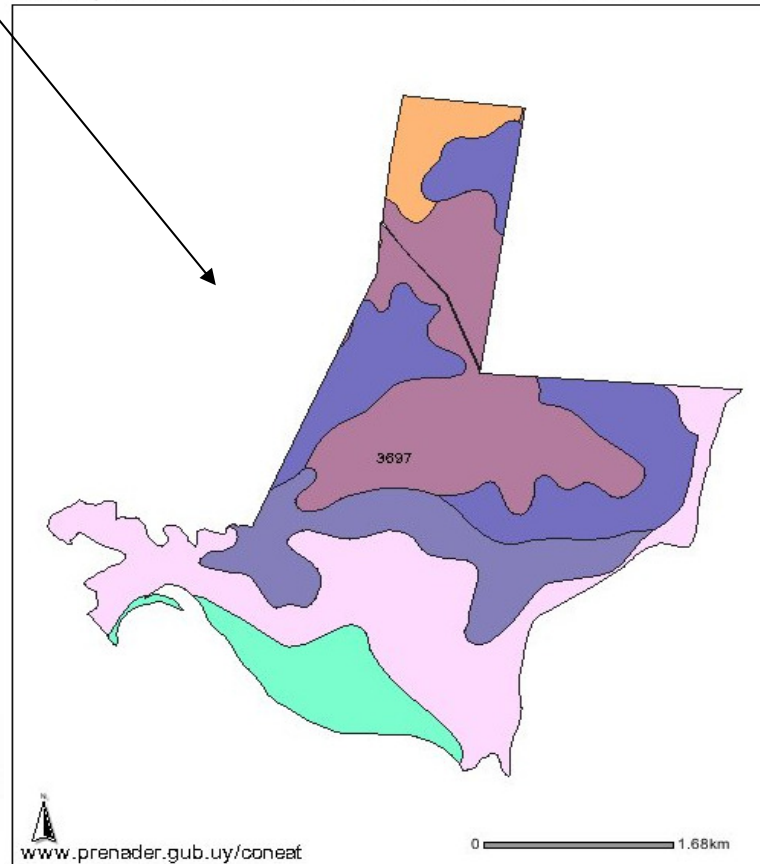
The Online “CONEAT” System

- 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

CROQUIS DE GRUPOS DE SUELOS CONEAT



Location of the property

Water resources

CROQUIS DE UBICACION



Average CONEAT index for the property

Suelos					
10.8a	10.8b	03.10			
03.3	03.2	09.4			

DEPARTAMENTO	NRO. PADRON	SECC. JUDICIAL	SUP. CATASTRAL (Has.)	IND. PROD.
San Jose	3697	2	1143.3621	113

Property number

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

- ▶ Top global quality
- ▶ 100% traceability
- ▶ 5% of world beef exports

Forestry: Eucalyptus, Pine

- ▶ World's two largest paper mills
- ▶ World's highest FSC certification







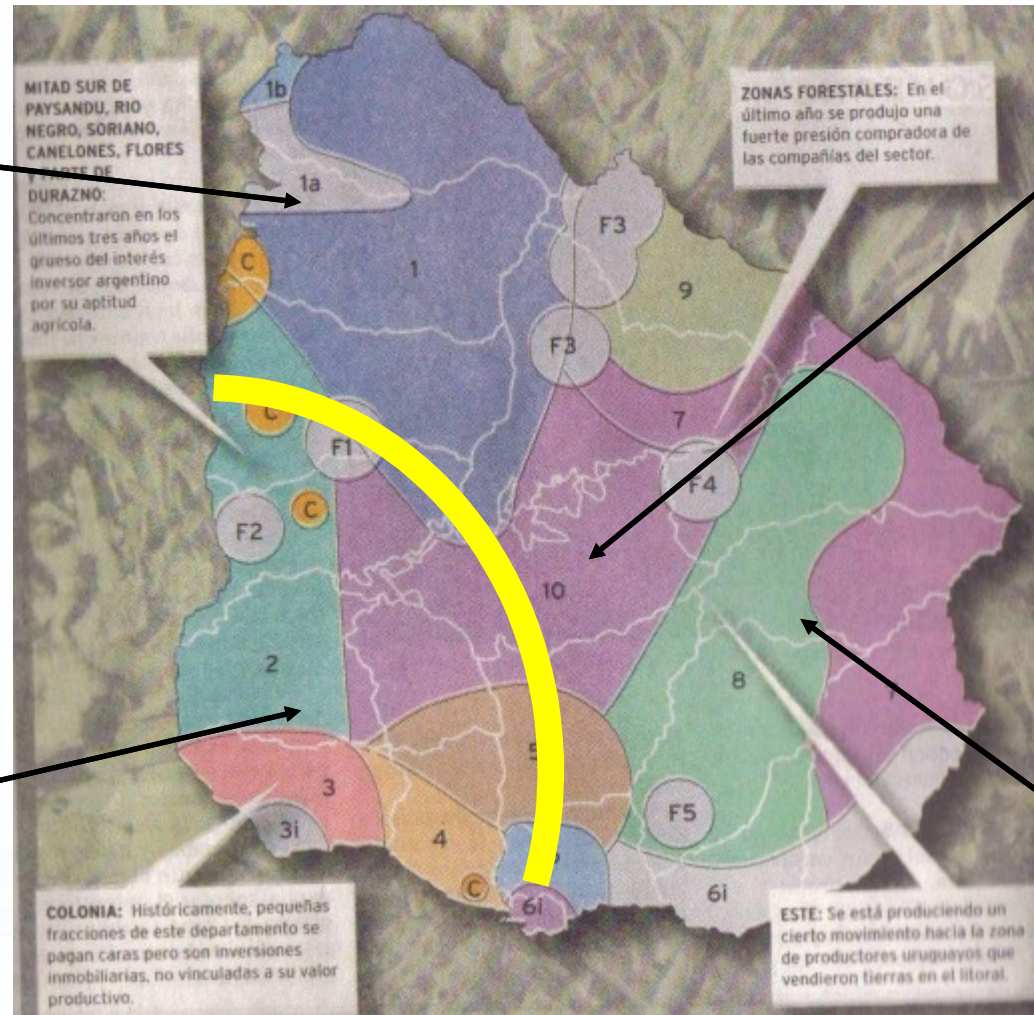
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The Cost of Land

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

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



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

USD 4,000/hect
(USD 1,619/acre)
Coneat 80

CONEAT Index and Prices

CONEAT Index	USD per Hectare
50	2,500
80	3,500
100	4,600
130	7,000
160	10,000
180	12,000

One hectare = 2.47 acres

Returns

Type of use given to the land	Profitability as a % of the price of land
Agriculture	4 - 7%
Cattle breeding	3 - 5%
Forestry	6 - 10%
Buy land and lease it	3 - 4 %

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)


Examples of Available Farm Properties on the Market




35 h (86 acres) in SW, index: 160 (high)
USD 350,000 (4,070 / acre)



60 h (146 acres) in SW, index: 140 (high)
USD 562,000 (3,850 / acre)



600 h (1480 acres) in E, index: 100 (avg)
USD 2.7 M (1,850 / acre)

A wide-angle photograph of a vast, flat agricultural field, likely a wheat or barley field, filled with green crops. The field stretches to a flat horizon under a clear blue sky. In the distance, there are a few small, dark silhouettes of trees and possibly some buildings. The lighting suggests it might be late afternoon or early morning, with a soft glow on the horizon.

2,730 h (2,743 acres) in W, index: 135 (high)
USD 21.8 M (3,238 / acre)

Fischer & Schickendantz

- Leading Full-Service Law Firm
- Farmland 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 Incorporation
 - ☐ Title Guaranty Advice

Fischer & Schickendantz

■ Main office: Rincón 487, Piso 4, Montevideo, Uruguay

■ References:

☐ First American Corp., Stewart (title guaranty companies)

☐ World Bank (www.doingbusiness.org)

☐ Global law firms: Mayer, Brown, Rowe & Maw; White & Case

☐ Member Transatlantic Law International
(www.transatlanticlaw.com)

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