

# Latin American Agriculture – A Better Investment Alternative

Presented by AG DTours

Gain First-Hand Experience and Knowledge Before You Invest

## 1. Executive Summary

Weak traditional U.S. investment options highlighted by the stock market's unsustainable growth, the declining bond market, and inflated prices within the U.S. agricultural market have many investors searching for a geographically diversified, stable investment alternative that is less susceptible to U.S. market fluctuations. For many investors, Latin American agriculture is that better alternative. Ample arable land and water resources, affordable and diverse agricultural opportunities, beneficial foreign-investor business practices and tax incentives, and competitive returns from four different Latin American countries (Argentina, Ecuador, Panama, and Uruguay) were used to showcase the industry's attractiveness and possibilities.

Customized research investment tours offered by AG DTours provide investors with a unique opportunity to gain first-hand experience and knowledge about Latin American agriculture before they invest. AG DTours' owner and founder Michael DeSa's technical background (B.S. in Agricultural Engineering from Texas A&M University), years of management and problem solving experience in the Marine Corps, previous and current land ownership endeavors in two different South American countries, and his extensive travels throughout the region make him uniquely qualified to personally plan and lead every one of AG DTours' investment research trips. Michael and his family recently sold their beach-front property in Ecuador for a nearly 20% return on their initial investment in just over two years. He is now currently a partner in the ownership of an agricultural-based investment in San Rafael, Argentina, hosting a mix of alfalfa, plums, and pears with the addition of cattle likely toward the end of the year. In 2015, Michael and his family designed, built, and executed their own 6-month, 6-country investment research trip to Latin America in order to gain first-hand experience about different agricultural practices and investment opportunities before making their own agricultural-based investment in Argentina. During that trip, Michael conducted over 100 unique agricultural site visits in more than 50 different regions in six countries (Ecuador, Peru, Chile, Argentina, Uruguay, and Panama); proving him with an invaluable sense of perspective and breadth of knowledge about a variety of asset classes and agricultural practices.

The need to diversify with a tangible, stable asset outside the United States couldn't be more vital than it is today. Bold, unconventional action in the face of uncertain and trying times can be uncomfortable, but is necessary in the pursuit of financial stability and security.

## 2. Introduction

Rising U.S. agricultural land prices, fundamentally weak stock market growth, and a declining bond market have many U.S. investors searching for alternative investment options. As once potentially productive U.S. agricultural land is developed, prices for remaining farmland are increasing as a result of

the decreasing supply. Not only has availability of U.S. farmland decreased and prices increased, but annual returns on agricultural land have also decreased. Investment opportunities within the U.S. stock and bond markets, markets where over 50% of U.S. adults have some form of investment, are as risky and unstable now as they were before the 2008 financial crisis. The yield on the U.S. Treasury 10-Year note is at a 50-year low and while the S&P 500 is showing an upward trend, companies that comprise the index are actually earning less money in 2016 than 2015. These are not indications of strong or sustainable markets.

This leaves many investors searching for a stable, diverse asset less influenced by the actions of U.S. markets. An investment in Latin American agriculture answers this call by providing a geographically diversified, tangible storage of wealth outside of the United States, making it less susceptible to the instability of common U.S. markets. Latin America is home to the largest agricultural land and water availability per capita. Comprising only 15% of the world's land area, the region receives nearly 30% of the world's precipitation and is home to almost 35% of globally available renewable resources<sup>1</sup>.

With the availability of arable agricultural land shrinking as the world's population continues to increase (expected to reach nine billion by 2050), the need for agricultural land capable of supporting sustained food production is paramount. Not only can Latin American agriculture be a way to geographically diversify as well as support the world's growing need for food production in the coming years, but it can also generate annual yields that are competitive with the more expensive and shrinking U.S. agricultural market. Latin American land prices, especially raw land ideal for pasture land and agriculture, are often many times less than current U.S. land prices.

The objective of this white paper is to highlight the viability of Latin American agriculture as an alternative investment option to traditional U.S. markets. The framework will outline the current issues with the more customary U.S. investment options then provide details emphasizing Latin American agriculture as a quality investment alternative. Investment research tours offered by AG DTours will provide potential investors with first-hand experience and real-world examples showing the diverse agricultural potential in Argentina, Ecuador, Panama, and Uruguay. These agricultural investment research tours will highlight each country's affordable prices, positive return potentials, and geographical diversification benefits; key investment criteria sought after by many U.S. investors.

### **3. Background/Problem Statement**

When considering U.S. investment options, several common markets and opportunities come to mind such as stocks, bonds, and agriculture. However, in today's risky and unstable economic times, none of these markets are as profitable or secure as they once were. First, the S&P 500, the market index that tracks 500 of U.S.'s largest companies and represents roughly 70% of all the stocks publically traded, suffered a major decline in January 2016. It fell 8.8% during the first six weeks of 2016; erasing nearly \$3 trillion in stock market value. However, then it rallied tremendously. The S&P 500 Index and the U.S. market in general shot up farther and faster than any other time in the last 90 years. This massive recovery is neither a strong or sustainable rally. The S&P suffered another major hit following the Brexit vote, plunging nearly 5.5 % in only four days. Both events indicate a weak and unstable market.

Stock prices discount the future. When profits rise, investors assume profits will continue to rise and drive stock prices up. The higher a company’s outlook for future profit, the higher its share price. However, if companies miss those earnings targets, then one should expect share prices to fall accordingly. The problem with the recent stock market rally is the fundamentals don’t support it. Prices aren’t rallying based on earnings; in fact, earnings are falling, and therefore, so should share prices. However, the exact opposite is happening: stock prices are rising in spite of declining company earnings. This could mean that the recent rally is a result of “short covering,” or short sellers buying back shares to close out their trades. Short sellers made up close to 5% of all traded U.S. shares at the height of this year’s selloff. Hedge funds and money managers are quick to short the market when it’s weak, but eventually, they have to cover, which can ignite a stock market rally. While a rally in the market due to short coverings may cause a rise in share prices, it’s fundamentally weak and unstable “growth”.

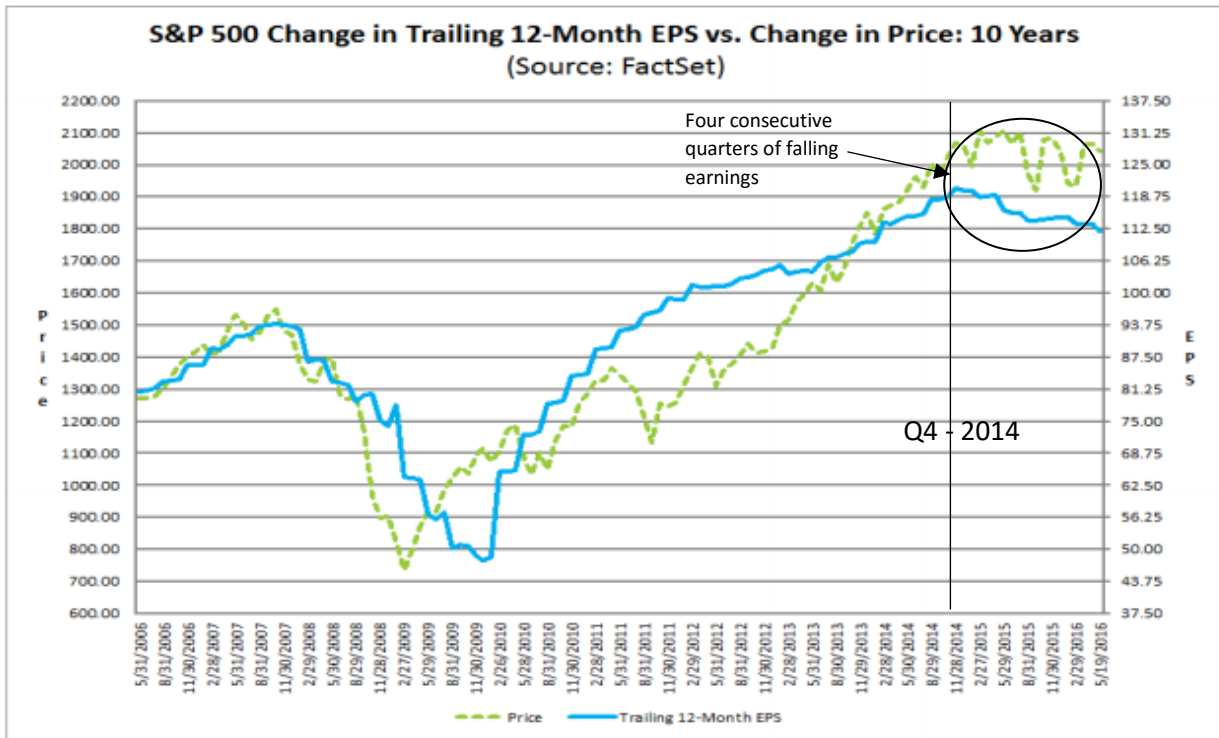
Although the S&P bounced back from its February 2016 low, it has not made a new high since. In fact, notice in the chart below that the index has not made a new high since May 2015. After each drop, it quickly regains ground but fails to make up all the ground it lost. These are relative signs of weakness.

S&P 500 Index: Feb 2015 – May 2016



Source: Morning Star

In fact, companies in the S&P 500 reported another consecutive earnings decline; this time -6.8% for Q1 2016<sup>2</sup>. This the first time the S&P has recorded four consecutive quarters of declines in earnings since the 2008 financial crisis. The chart below further highlights that company Earnings Per Share (EPS) have steadily declined since late 2014.



The next supposed safe haven for many U.S. investors, the bond market, is also in a state of economic decline. The yield on the benchmark 10-year U.S. note was 1.76% in May 2016, down from 4.6% in 2007. The graph below shows Gary Shilling's, cited by the Wall Street Journal as one of their top bond-market analysts and stock forecasters, prediction that the yield on the 10-year note could reach 1% before the year's end<sup>3</sup>.



Source: Bloomberg

Typically, low interest rates drive investors into riskier markets like bonds and equities. As millions of investors flock to the equities market in the hopes of profiting from its upward trend, it's easy to see how the market rallied, albeit an unhealthy and unsustainable rally. However, many investors see through the "false" stock market growth and want a go-to hedge against equities; therefore, many turn to bonds. Historically, low interest rates make bonds more attractive because they drive the bond price down. A lower bond price generally means a higher yield. After nearly six years of less than 1% interest rates, bond yields should be at all-time highs. However, the 10-year note is down almost 3% in the last eight years. It should be clear that we are in unconventional and unpredictable times, potentially on the verge of another recession, and that the bond market is not immune to these current economic uncertainties.

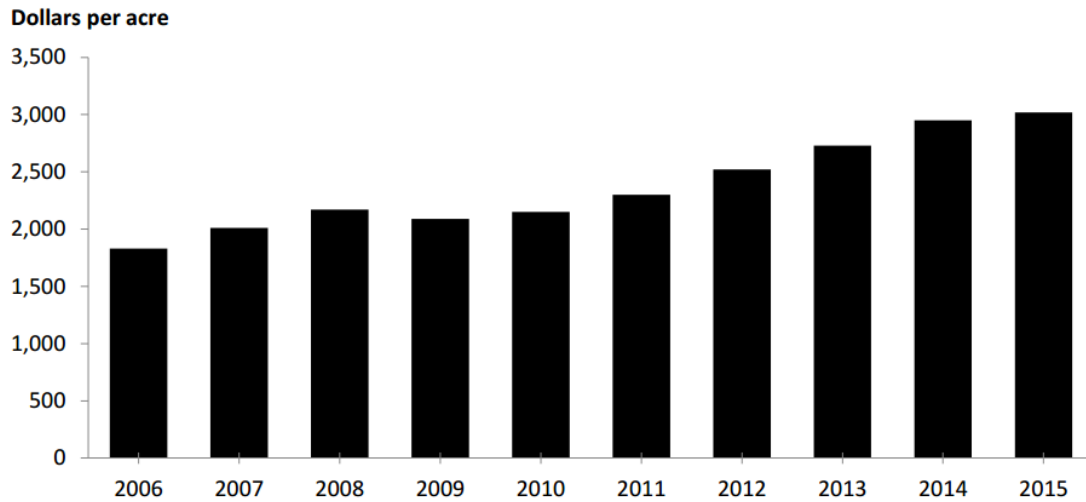


Bonds are supposed to rise in price when recessionary periods push equities down, because recessions prompt central banks to lower interest rates and that, in turn, lifts bond prices<sup>4</sup>. However, rock bottom interest rates have removed investor's tools for hedging their stock portfolio because central banks can no longer do anything to support bonds if we enter into a recession. This means investors will look elsewhere for a hedge<sup>5</sup>. If the equities market is full of unsubstantiated and fundamentally unwarranted growth and the bond market is showing yields with all-time lows and in a state of instability, then many investors may turn to U.S. agriculture as an investment alternative. However, they'll find the U.S. agricultural market is not as plentiful or affordable as it once was.

An investment in agriculture can be a stable, tangible alternative to the equities and bond markets, but only if it can be entered into at a reasonable price. Potentially productive U.S. agricultural land is being developed at an alarming rate and as a result of this shrinking supply, prices for remaining farmland are increasing. From 2007 to 2012, nearly 3.5 million acres of rural land in the United States was converted to non-agricultural uses<sup>6</sup>. During that same time period, U.S. farm real estate, cropland, and pasture

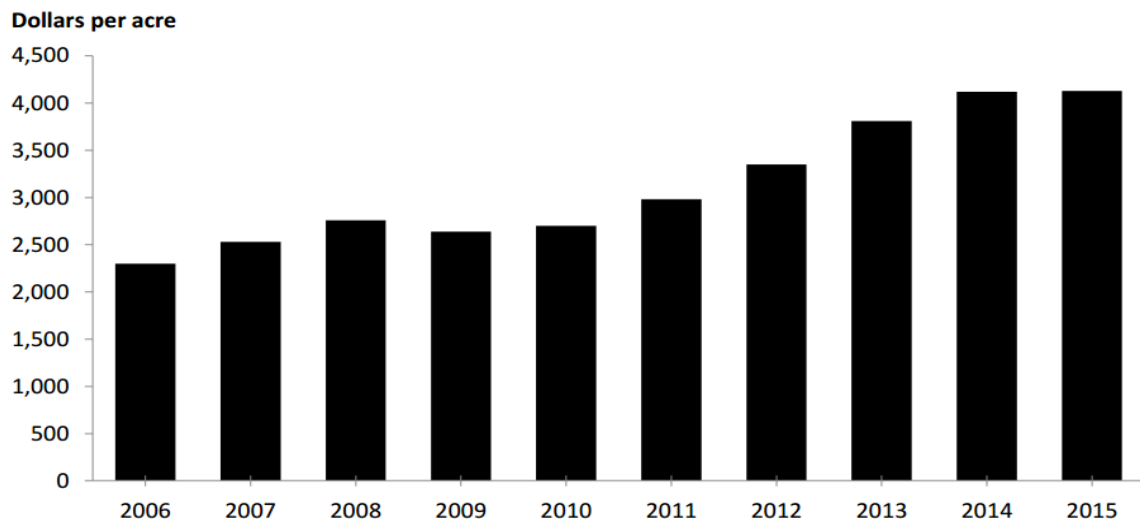
land rose in price per acre an average of 22%<sup>7</sup>. According to the graphs below from the USDA's 2015 Land Value Summary, farm real estate was valued at \$3,020/acre, cropland at \$4,130/acre, and pasture land at \$1,330/acre<sup>8</sup>, all up an average of nearly 2% from 2014 to 2015 and will likely continue to rise in the coming years.

## Average Farm Real Estate Value -- United States



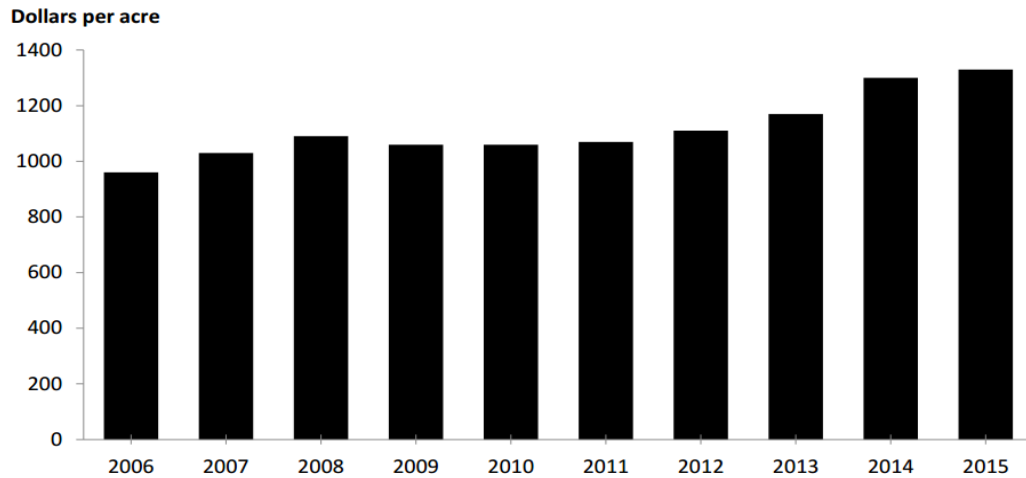
USDA - NASS  
August 5, 2015

## Average Cropland Value -- United States



USDA - NASS  
August 5, 2015

## Average Pasture Value -- United States



USDA - NASS  
August 5, 2015

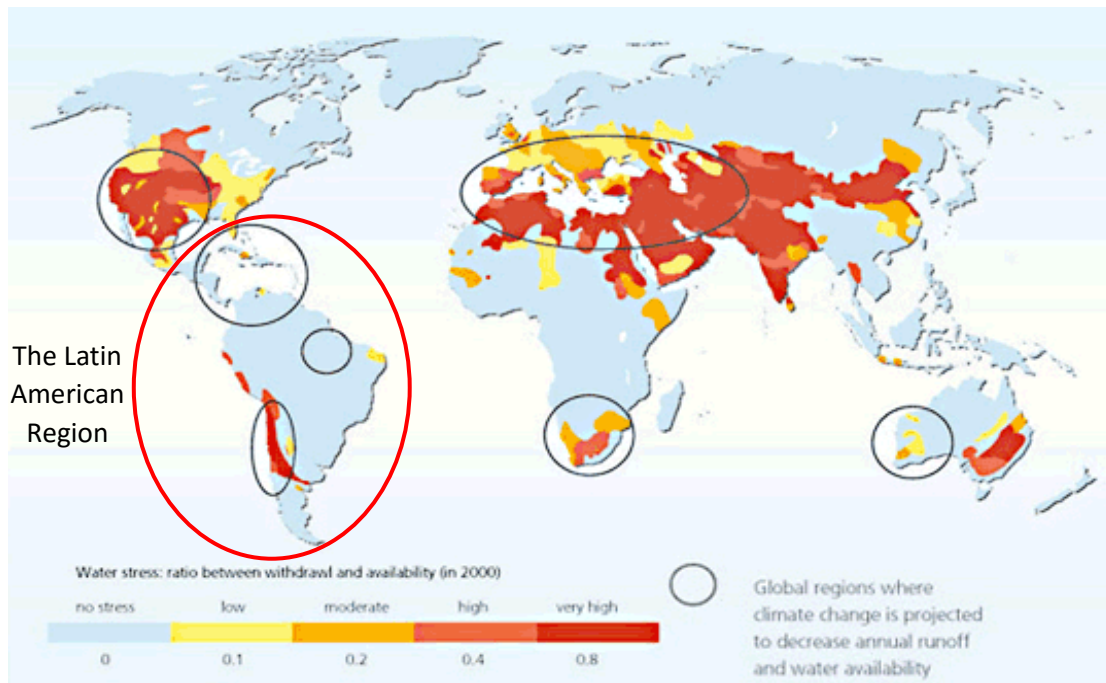
Source: USDA 2015 Land Value Summary

As the availability of U.S. farmland continues to decrease and the price increases accordingly, U.S. investors are also discovering that annual returns are falling. According to the National Council of Real Estate Investment Fiduciaries (NCREIF), annual returns for their Farmland Index decreased an average of 2.4% from 2013 to 2015<sup>9</sup>. With agricultural prices rising and returns falling, the stock market demonstrating signs of weakness, and decreasing yields in the bond markets, U.S. investors are left searching for a more profitable alternative.

Latin American agriculture can be the alternative investment solution in which many U.S. investors are seeking. An investment research tour offered by AG DTours can be an excellent way to experience the varied investment possibilities, affordable prices, positive returns, and benefits of geographical diversity found in Latin American agriculture for yourself or your business. It is through this experience and first-hand knowledge that AG DTours provides their clients with opportunities to see and learn about this comprehensive investment alternative for themselves.

#### 4. Proposed Solutions

The multi-faceted investment opportunities in Latin American agriculture provide an assortment of solutions in which countless investors – large and small- are needing. A critical consideration when researching agricultural land as an investment is the availability of arable land and sufficient water resources in that region to support sustained agriculture. The Latin American region is home to the world's greatest agricultural land and water availability per capita. As you can see from the image below, much of Latin America has a water stress level (ratio between withdrawal and availability) of zero. Essentially, there is very little competition or stress between the amount of water being consumed by the population and it's availability in the environment. The same cannot be said for the United States.



Source: Land Commodities Research

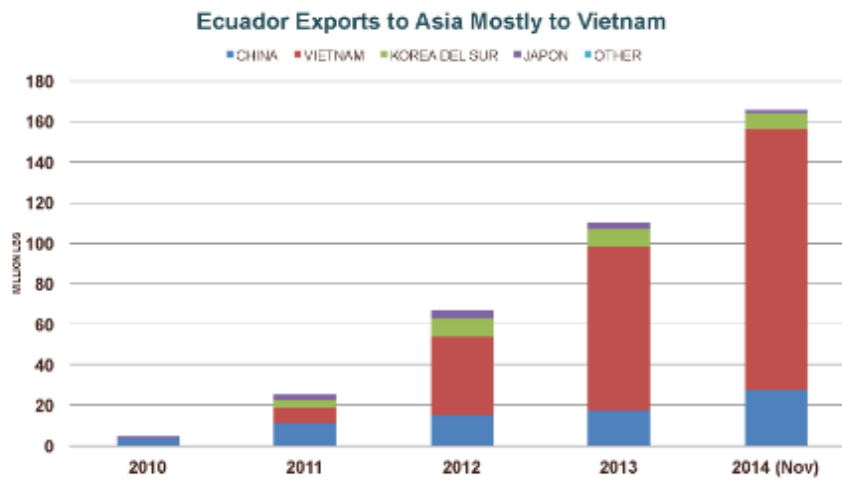
AG DTours used research such as this as well as their personal experience, knowledge, and network of relationships in the Latin American agricultural industry to build an investment research tour company for investors and entrepreneurs highlighting the best possible agricultural-based investment options. AG DTours currently offers agriculture investment research tours to four Latin American countries: Ecuador, Argentina, Panama, and Uruguay. These countries are some of the most foreign-investor friendly, affordable, and stable countries in the entire region. Each country offers its own unique agricultural investment options and business benefits.

## Ecuador

Ecuador's varied and diverse agricultural practices, favorable weather conditions, strategic geographic location, competitive land prices, and friendly foreign-investor business practices make it an ideal investment country. One of Ecuador's staple economic activities is agriculture, with nearly 30% of their land in permanent crops and pasture land<sup>10</sup>. Ecuador is home to one of the largest varieties of agriculture products in the world, including commodities ranging from coffee, tropical fruit, and sugar to cattle, cacao, and shrimp. Ecuador is the world's leading banana exporter while Ecuadorian shrimp exports have more than doubled since 2005<sup>11</sup>. As the graph below shows, Ecuadorian shrimp exports to the Asian market increased 73% in 2013 and 61% in 2014. In May and June 2015, Ecuador's combined shrimp exports to its top five major markets (Asia, the U.S., the E.U., Africa, and Latin America) were the two largest monthly export volumes Ecuador ever recorded. Ecuador's assorted agricultural commodity market is made possible by its ideal weather and precipitation conditions.



## SHIPMENTS TO ASIA INCREASE 61% IN 2014 (73% IN 2013)



NATIONAL FISHERIES INSTITUTE



Source of Data: Ecuadorian Central Bank

GRMC 2015 22

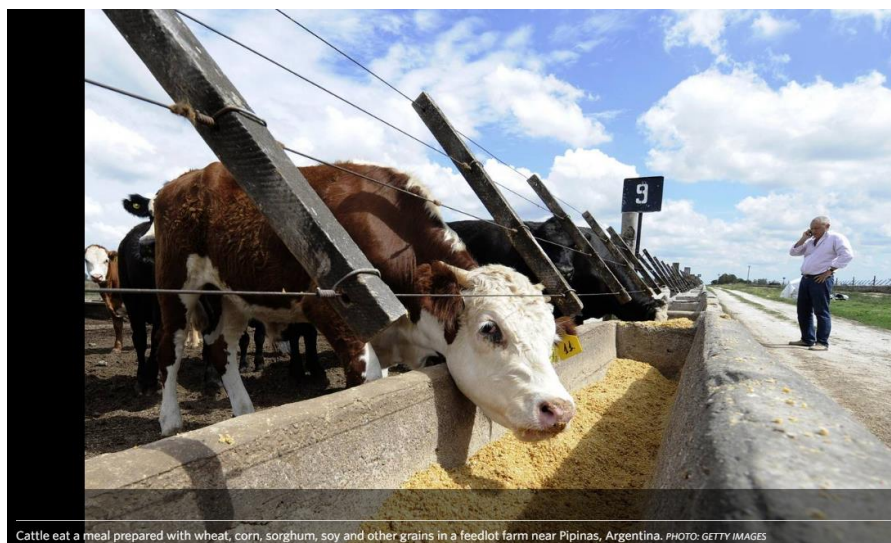
Ecuador's climate and strategic geographic location not only provide the country with a diverse array of agriculture, but also an efficient means of export. A year-round growing season and stable weather conditions offering a clearly defined rainy and dry season make agriculture in Ecuador predictable and sustainable. Its geographic location in the northwestern part of South America on the Pacific allow it direct access to many Latin American countries, all of East Asia, and the west coast of the U.S. Its proximity to the Panama Canal offer expedient and safe access to Europe, the eastern U.S., and the Middle East<sup>12</sup>. Even with its established agricultural market and year-round growing seasons, Ecuadorian land prices have remained quite affordable.

Land value prices in Ecuador are some of the best in the region. For example, raw, never-before cultivated pasture land in Ecuador is valued at approximately \$200 - \$2,000 acre, depending on a host of different factors (water access, proximity to roadways, availability of electricity, etc). Over the past five years, the AG DTours family has taken many site visits all over Ecuador, one of which was to a fully operational and productive coffee farm near Cotacachi of nearly 70 acres and 35,000 mature coffee plants with an asking price of only \$300,000. This particular farm had an average annual profit potential over a five year period of approximately \$50,000; a possible average annual yield of over 16% over a five year period. A 50 acre track of beachfront property near Bahia, Ecuador with immediate access to a developed road, ideal for shrimp farm operations, subsistence agriculture, or grazing recently yielded the AG DTours family a nearly 20% return on their investment within a two year period and with minimal effort. For an investor looking for something a little larger like a 250 acre farm with a rustic home, good location, readily accessible access to fresh water via a well and electricity access, prices can be as little as \$1,000/acre<sup>13</sup>. With simple pasture land in Texas, arguably one of the cheapest places in the U.S. for pasture land, hovering around \$1,300/acre and rising (nearly 1.5% from 2014 – 2015), there are still some bargain values available in Ecuador with strong upside potential.

Investor friendly business practices and tax benefits also make investing in Ecuador an attractive alternative. Agricultural products and equipment can be imported duty-free into Ecuador while the country's bilateral free trade agreement with Colombia, Bolivia, and Chile provide a close and reliable outlet for many of their agricultural commodities<sup>14</sup>. The rights of a foreigner to own property in Ecuador are identical to those of an Ecuadorian citizen, allowing the investor to own individual title for their specific property. The USD has been the currency in Ecuador since 2000, making transferring and/or repatriating profits simple and efficient. Although only residents of Ecuador can open a bank account, Citibank has an established presence throughout the country and only an initial deposit of \$300 is required to open an account if an investor is pursuing eventual dual citizenship in Ecuador. Foreign residents of Ecuador are taxed on their Ecuadorian-made income only; income earned outside the country is non-taxable under Ecuadorian law. Income taxes are charged at progressive rates ranging from 5 – 35% with the first \$8,570 of an individual's Ecuadorian income non-taxable<sup>15</sup>. Residential property taxes are based on the percentage of the property value and most owners, especially on large, rural properties, usually pay no more than \$200/year. Homeowners over the age of 65 pay about half of these typical property tax rates. Capital gains taxes are based on the change in value of the property between the time it was bought and sold and typically range about 0.5% of the difference in purchase and sale price (long-term capital gains in the U.S. are 15 – 20%). In February 2015, President Correa announced a tax refund and reduction in the documentation required to obtain an export permit<sup>16</sup>. As you can see from Ecuador's varied agricultural market, ideal climate, competitive land prices, and foreigner-friendly investor practices and laws, investing in Ecuadorian agriculture is a sound investment alternative.

## Argentina

Argentina is one of the few countries in the world with the ability to be completely self-sustaining, hosting an abundance of natural resources, an educated population, and of course, famed agricultural land covering nearly 55% of the country. According to data collected by the World Bank, the percentage of agricultural land in Argentina has grown more than 7% since 2000 and is on the rise<sup>17</sup>. Agricultural goods account for over half of Argentina's foreign exchange and remain a dominant pillar of the country's economic prosperity. An estimated 10-15% of Argentine farmland is foreign owned, speaking to the soundness of its foreign-investor friendly business practices<sup>18</sup>. Argentine agriculture accounted for over 8% of the country's entire GDP from 2011 – 2015. The wide-ranging opportunities for agricultural investment in Argentina fit the needs and desires of almost any investor.



Cattle eat a meal prepared with wheat, corn, sorghum, soy and other grains in a feedlot farm near Pipinas, Argentina. PHOTO: GETTY IMAGES

Similarly to Ecuador, Argentina hosts a wide variety of agricultural opportunities at competitive prices. As an example, a fully functioning, managed, mixed crop farm was recently purchased by the founder of AG DTours and his family for approximately \$1,360/acre. The farm is nearly 60 acres with over 30 acres in alfalfa and the rest planted with over 3,000 plum and 2,000 pear trees. Cattle pasture land is available in the \$400 - \$1,200/acre range, depending on the quality of the soil and availability of water. In April 2016, Argentina's beef exports were up 25% from April 2015, likely due in part to the USDA's lifting of a 14-year hold on the importation of Argentine beef products. High quality, fattening pasture land is available for approximately \$2,000/acre while virgin land with potential for profitability through the creation of farming or ranching starts at as little as \$120/acre<sup>19</sup>. Not counting the initial land investment and feed costs, it's possible to yield a 40-45% annual ROI per head of cattle. Large plots of raw land in Mendoza Province, ideal for growing the staple Malbec grape or grazing world-famous cattle, were available for as little \$500/acre in 2015. A fully operational vineyard in Mendoza province boasting three varieties of world famous grapes, irrigation rights, and equipment on over 40 acres is possible for purchase for around \$4,500/acre. For those looking for more of a self-sufficient type agricultural property, a mixed agricultural farm on nearly 18 acres with 50+ year old olive trees, a home, livestock, and a variety of subsistence agriculture crops was selling for approximately \$2,700/acre in 2015. With the average price of cropland in the U.S. at over \$4,000/acre in 2015, Argentina boasts competitive land prices coupled with a modernized agricultural industry and infrastructure.

Argentina is a member of the MERCOSUR, a trade agreement aimed at providing free circulation of goods, services, and productive factors within member countries (Brazil, Paraguay, Venezuela, and Uruguay) through the elimination of obstacles to regional trade<sup>20</sup>. Argentina is also a member of the Latin American Integration Association (LAIA), an organization designed to create a common market for member countries through progressive tariff reductions and the promotion of free trade. There is also a tax-free trade zone in the southern part of the country near *Tierra del Fuego*, offering special incentives for certain activities. A number of other free trade zones exist throughout the country where goods generally are not subject to customs controls and, for the most part, no duties or taxes are levied on goods entering and leaving the country<sup>21</sup>. There are currently no restrictions on foreigners buying or owning farmland in Argentina. In fact, foreigners have the ability to own titled land as either an individual, a corporation, or a limited liability company and possess the same property rights as Argentine nationals. Foreign companies may also invest in Argentina on equal footing with domestic firms without prior government approval<sup>22</sup>. The only requirement for potential farmland owners in Argentina is for individuals to obtain a CDI tax number from the government, a step that can be accomplished in a few days with the help of an *escribano* (a public notary who is responsible for actions associated with land transactions) for less than \$150 USD. While the Argentine peso is the official currency in Argentina, the sale of farmland can be done in USD. Property taxes are very favorable for Argentine farmland. For example, property taxes on the AG DTours family farm were less than \$50 USD for 2015 while surface and well water usage fees came in at approximately \$50/month. Argentina, with the exception of Buenos Aires and Entre Rios provinces, does not currently levy an inheritance or gift tax on residents or non-residents. Additionally, if you don't work for an Argentine company and are not in the country for more than 12 consecutive months, then you don't pay any Argentine income taxes<sup>23</sup>.

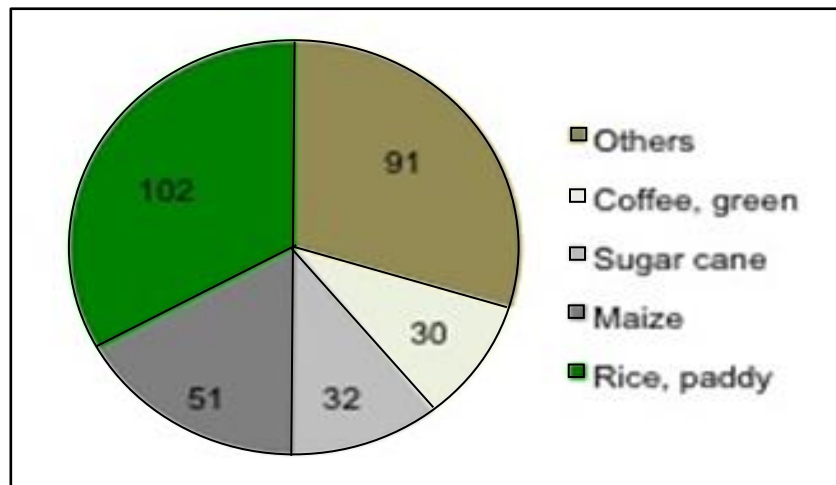
Taxes on agricultural commodities are shrinking by the day. Shortly after his election in December 2015, President Mauricio Macri ushered in a new market-friendly administration which immediately began

implementing a series of agriculturally beneficial tax reforms. He reduced the export tax on soybeans and its byproducts by 5% and eliminated all export taxes on all other remaining commodities. These commodities with a new zero percent export tax include meat products, grains, fruits, and vegetables. He also eliminated export permit requirements for grains and oilseeds and removed the country's foreign exchange restrictions, which devalued the Argentine peso by approximately 45%<sup>24</sup>. This action allowed the peso to float freely in relation to the USD, nearly eliminating the "black market" for the USD almost overnight. Many of these changes are expected to significantly improve farmer returns and encourage greater wheat and corn planting for the 2016-17 season and beyond. In March of 2016, the Argentine government suspended the collection of the \$160 USD reciprocity fee from U.S. passport holders who visit Argentina for less than 90 days for tourist or business purposes<sup>25</sup>. As you can see from Argentina's thriving agricultural industry, modest land prices, pro-foreigner land ownership practices, and emerging tax reforms for farmers, it's no wonder why an agricultural investment in Argentina is a viable investment alternative, one the founder of AG DTours and his family have already capitalized on.

**Panama**

Only a short flight from Miami, come see why Panama is one of the fastest growing economies in Latin America. Foreign investments in Panama amount to nearly 9% of the country's GDP, which is the largest share in the Americas and speaks to the country's investor friendliness<sup>26</sup>. Foreign direct investment into Panama is up 61% since 2013 and accounted for 11.3% of the country's GDP in 2014. With Panama boasting the second largest Free Trade Zone in the world, it's easy to see why a thriving expat community (3,000 foreigners from 30 different countries) has stimulated the growth of new businesses owned by foreigners and locals alike. Investing in Panama is straightforward as the currency is the USD, there are no restrictions on foreign ownership, nor any exchange controls. The U.S.-Panama Trade Promotion Agreement from October 2012 granted U.S. exporters immediate duty free treatment accounting for more than half of current trade<sup>27</sup>. The country's tropical climate is favorable to agricultural practices as the humid climate can permit up to two growing cycles per year with the proper

Panama's 2010 Harvested Area



Source: FAO Stat Feb 2013

farming techniques. Couple that with cool, mountain climate retreats and Panama emerges as an ideal agricultural investment location with the added benefit of being a sought after retirement destination.

Panama’s particularly fertile soil and favorable growing climate afford the country many unique agricultural opportunities. For example, greenhouse operations are an excellent way to maximize the benefits of both factors. With proper management and water supply, it’s not out of the question to see yields of up to 400,000 pounds of bell peppers and 800,000 pounds of tomatoes from as little as 2.5 acres of greenhouses. Greenhouse construction costs are approximately \$60,000 per acre, however, annual revenue potential from 2.5 acres of greenhouse operations could be as much as \$450,000. Therefore, it may be possible for an investor to recoup their entire initial investment of 2.5 acres of greenhouses within the first two to three years, depending on the initial cost of the land. Forestry is also another potentially profitable opportunity in Panama, with over 50% of the land forested. For example, teak has been valued for more than 2,000 years as a durable construction material and is now a worldwide coveted commodity. With the right investment, it’s possible to see an investment in Panamanian teak yield 10% or more in annual returns over a 20+ year timeframe. There are also reforestation visas available through the Panamanian government where investors can apply for a temporary Panamanian visa or permanent residency, depending on the type and amount of the investment in addition to receiving a tax break on their Panamanian taxes<sup>28</sup>. Other profitable investment opportunities in Panamanian agriculture are also available in a variety of other areas. For example, an investment in Panamanian mangos or organic limes could yield an investor a 10 – 15% annual return over a 15 – 20 year period through a fully managed, turnkey investment of as little as \$45,000 for 2.5 acres (~1 hectare)<sup>29</sup>.

**Potential Yields at Key Stages of a Teak Rotation over a 25-Year Investment Period**

<b>Year</b>	<b>Yield at Key Stages of Teak Rotation (2.47 acres per hectare)</b>
12	\$3,000/hectare
18	\$6,000/hectare
25	\$130,000/hectare

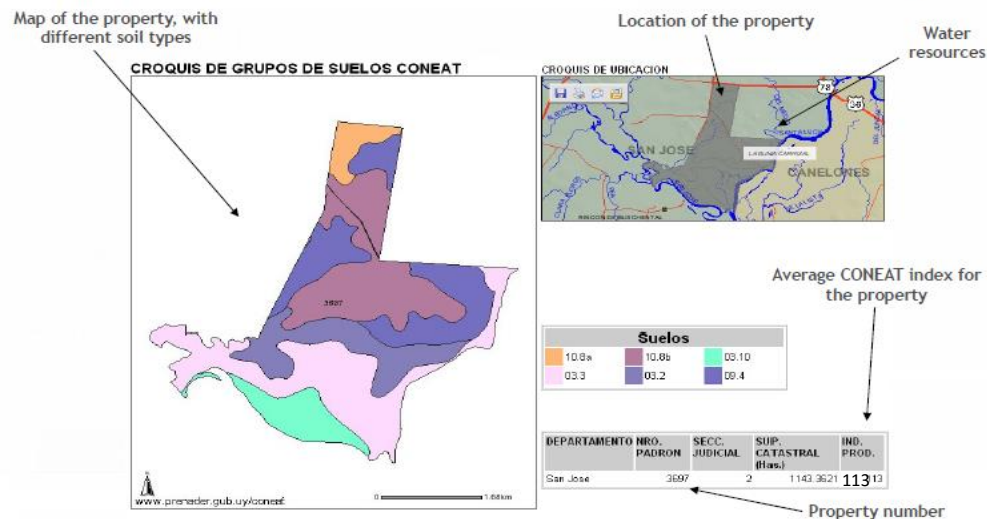
The business and tax incentives in Panama are extremely attractive to foreign investors. Panamanian income taxes (only 7 % after the first \$9,000 and capped out at 27%) apply only to Panamanian-generated income. Capital gains taxes can be as low as 10% and all inheritance taxes have been completely abolished. The Foreign Investor Protection law grants foreign investors the same rights and freedoms as Panamanian citizens to own land<sup>30</sup>. There is also a law targeting reforestation investments that provides a 25-year income tax exemption to those who purchase farmland for the purpose of reforestation. Panama also boasts an all-around stable economy, where inflation is maintained at 2% with a Value Added Tax (VAT – similar to a U.S. sales tax) of 0%. Property taxes are extremely affordable in Panama, with properties having a registered value of less than \$30,000 paying 0% and only 2.1% on properties more than \$75,000<sup>31</sup>. Investors in agricultural activities are exempt from paying Panamanian income taxes on their agriculturally-earned income if the annual income is under \$100,000 as well as taxes on income earned from exports. Agricultural investors are also exempt from Panamanian property taxes if their agricultural land is used exclusively for farming and the registered value of the property is less than \$150,000. Exporters of non-traditional agricultural products (melons, watermelons,

pumpkins, pineapples, etc) enjoy the benefits of exemption from taxes for income earned from exports, duty-free importation of materials and equipment, and negotiable tax credits for amounts exported<sup>32</sup>. Foreign-friendly business practices, agricultural tax benefits, and extremely affordable tax rates make Panama an enormously attractive agricultural investment opportunity.

## Uruguay

Political stability, exceptional land quality, a world-recognized agricultural industry, simple and certain foreign-investor practices, and year-round favorable climate for agriculture are just some of the reasons to consider financial diversification with Uruguayan farmland. The World Bank recently reported Uruguay's annual growth rate from 2006 to 2014 at 5.2%, highlighting its strong economic performance and ability to withstand external market fluctuations. Extreme poverty was reduced to 0.3% and unemployment dropped to a historic low for Uruguay of only 6.6% during that same time period<sup>33</sup>. Uruguay's agricultural market is one of the strongest in the world due to their predictable, year-round rainfall, geographic location above the world's largest aquifer, the potential for two crops per year growing cycles, developed land rental market, and limited government intervention in the industry. Nowhere else in the world does the potential exist for the agricultural market to be more transparent than in Uruguay, made possible, in part, by the fact that the entire country's soil productivity is mapped, verifiable, and given a qualitative value based on their unique rating system, the CONEAT index. Foreign and local investors have nearly identical property ownership rights and there are currently no limitations on land ownership for foreign investors. While the official currency of Uruguay is the Uruguayan peso, contracts may be drawn up in any currency with the USD being one of the most commonly used foreign currencies. Uruguay offers the investor the ability to introduce capital to the country without restriction, repatriate capital or profits, and freely exchange currency. It is because of these attractive qualities that many investors are flocking to Uruguayan farmland as an investment alternative. Uruguay's stable and developed agricultural market and practices make it an ideal destination for all types of investors. The CONEAT Index is a unique factor in which potential investors are able to quantify the value and productivity of a piece of agricultural land<sup>34</sup>.

## The Online CONEAT System: Example





In the late 1960s, the Uruguayan government led an effort to map the entire country’s soil composition, classifying it based on soil type and therefore, its potential productivity. Each soil type was given a productivity rating (CONEAT Index), thereby allowing a buyer to verify the productivity of a piece of land before they purchase it. This also makes Uruguay’s agricultural market relatively transparent because the CONEAT index correlates a piece of property, along with several other factors, to a certain anticipated productivity, therefore, making it simpler for an investor to compare properties and determine their fair market value.

Similarly to Ecuador, Argentina, and Panama, Uruguay hosts a diverse range of agricultural-based investment possibilities at varying prices and yield potentials. Agricultural crops include soybeans, rice, and sorghum in the summer and wheat in the winter as well as more non-traditional opportunities such as vineyards, olives and olive oil, and blueberries. Uruguay is the world’s 4th and 6th largest exporter of rice and soybeans respectively. Uruguay’s beef products are 100% traceable (the only place in the world this is possible), export to over 150 world markets, and nearly all of their 12 million cows are raised on natural pastures and among superior quality and sanitation practices where hormones and antibiotics are forbidden<sup>35</sup>. Emerging opportunities can be found in their sheep meat market while dairy farming is also a proven investment option with Uruguay ranking 5th in the world in exports of dairy products. Forestry opportunities in eucalyptus and/or pine are also strong investment alternatives as two of the world’s largest and most modern paper mills are located in Uruguay. Uruguay also boasts an 85% certification rating of its forest plantations from the Forest Stewardship Council (FSC)<sup>36</sup>. In addition to Uruguay’s wide range of strong agricultural-based investment options, land prices and tax benefits for investors are equally appealing.

As stated above, the price of Uruguayan farmland is closely linked to its productivity, provided by the CONEAT index. In addition to a host of other factors affecting land prices, land with a higher CONEAT index is generally more productive, and therefore, tends to be more valuable. The table below illustrates approximate land value prices and corresponding CONEAT indexes<sup>37</sup>. It’s important to remember that nowhere else in the world is a country’s soil mapped and given a productivity rating.

## CONEAT Index and Prices

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

Source: Fischer & Schickendantz

One hectare = 2.47 acres

Potential rates of return are as equally attractive. Approximate annual ROIs on agricultural land and buying and leasing land is approximately 2-3%. Forestry and cattle investments are slightly higher, around 3-4%. Note that the ROI percentages do not take into account the likely appreciation of the land over time in one of the most stable and foreign-investor friendly agricultural markets in Latin America.

Competitive land prices and attractive potential rates of return are not the only benefits to investing in agricultural farmland in Uruguay. The tax benefits and foreign-investor friendly business practices can be just as inviting. In addition to being a founding member of MERCOSUR, Uruguay also boasts that foreign investors and Uruguayan citizens share nearly the same rights and freedoms to own property, either as an individual, a sole proprietorship, limited partnership, limited liability company, or corporation. A foreign-owned company may locate anywhere in Uruguay and receive local treatment while investments in national territory are declared to be of national interest. Uruguay practices a flat rate income tax and non-Uruguayan citizens are not taxed on income generated outside the country. Goods and raw materials may be imported into certain free trade zones without paying customs duties. Agricultural farms with an income below \$238,000 USD annually have a capped income tax amount of \$5,125 USD while companies with an annual revenue of \$34,763 or less pay a flat rate tax of only \$104/month. According to the Index of Economic Freedom and the Heritage Foundation, Uruguay is the 43th freest economy in the 2015 ranking (178 countries total), with the strongest country categories of investment freedom, freedom from corruption, and property rights. Certain smaller agricultural entities have the option to pay sales tax of as little as 2.5%, depending on the goods sold<sup>38</sup>. Uruguay has also eliminated any inheritance tax. The 2015 global economic slowdown put a temporary halt on the steadily increasing Uruguayan land prices of the past ten years.

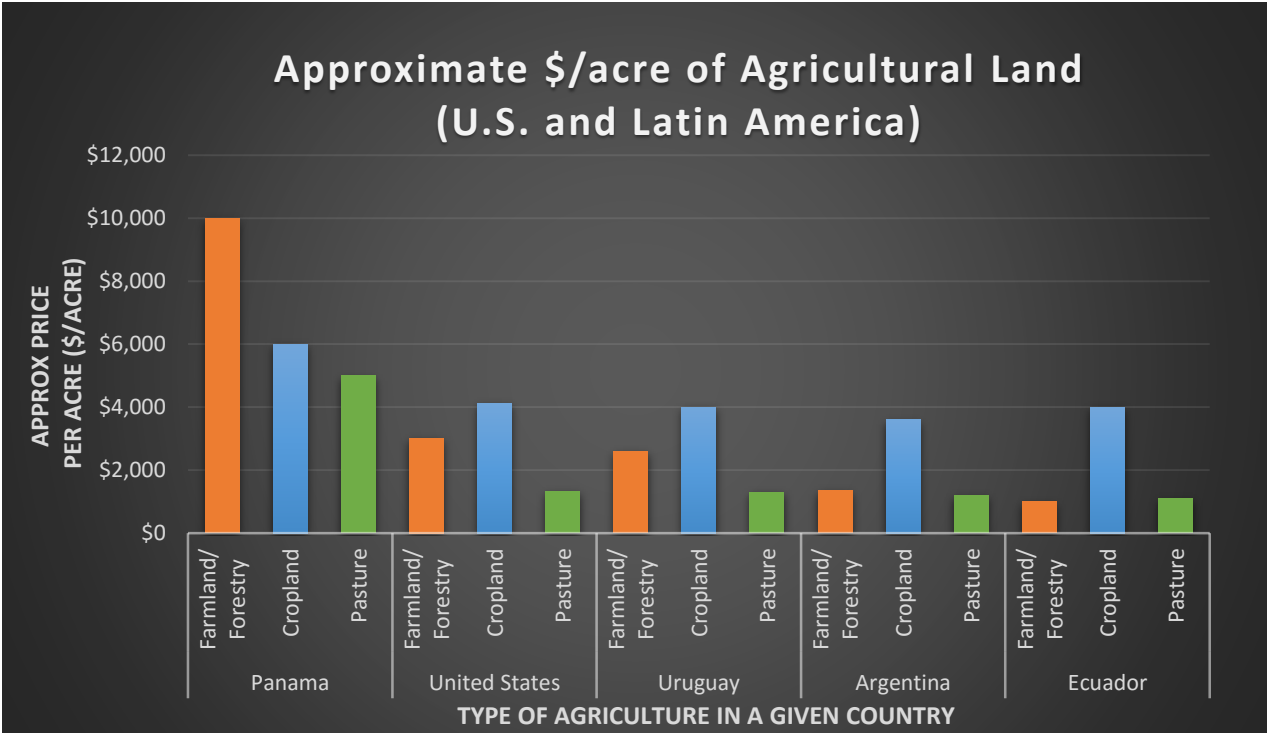
For the first time in over a decade, Uruguay's land prices have decreased, creating an excellent buying opportunity for the savvy investor. Land prices are 25% off their peak and are likely to remain there through 2016 and into early 2017 before resuming their expected long-term appreciation trend<sup>39</sup>. Now is an ideal investment opportunity that has not presented itself since 2002-2003.



Source: Fischer & Schickendantz



In summary, there are a vast array of profitable and diverse investment opportunities in agriculture outside of the U.S. From attractive annual yields and tax benefits to a varied and affordable agricultural market, it's easy to see why investors should consider Latin American agriculture as the hedge against unstable U.S. stock and bond markets. As the graph below shows, the average price of varying types of agricultural land in many different Latin American countries is extremely competitive if not better than current U.S. agricultural land prices.



Source: Composite of data from numerous references and personal experience

It's important to remember that Panamanian land prices are influenced by the country's excellent foreign investor and business practices, their longstanding and proven track record of excellent agricultural practices, their proximity to the U.S. and ease of export, as well as their currency in the USD. Uruguay, Argentina, and Ecuador, on average, show more affordable land prices than their North American counterpart.

**5. Pricing and Competition**

AG DTours provides potential investors searching for diversity through agriculture outside the U.S. with professional and affordable investment research tours to four different Latin American countries. AG DTours used their personal experience, knowledge, and network of relationships in the Latin American agricultural industry to build a variety of tours designed to highlight the best possible agricultural-based investment options Ecuador, Argentina, Panama, and Uruguay have to offer. These countries are some of the most foreign-investor friendly, affordable, and stable countries in the entire region. Below you'll find a brief summary of each of their different tour packages:

## Argentina Farm Tour



### Tour Includes:

- Airfare from the U.S. to Mendoza, San Rafael to Bariloche, and Bariloche back to the U.S.
  - Tour includes Mendoza vineyards, San Rafael orchards, alfalfa, and vineyards, local cabañas/B&B business opportunities, and dairy farms in Northern Patagonia
  - (2) presentations on agriculture opportunities and foreign-investor land ownership in Argentina
  - Locations: Mendoza, San Rafael, and San Carlos de Bariloche
  - 9 days / 8 nights
  - 11 Meals
  - In-country transportation services
  - 24/7 services of a professional tour manager
  - Price: \$4,500 per person (based on a minimum group size of four)
- 

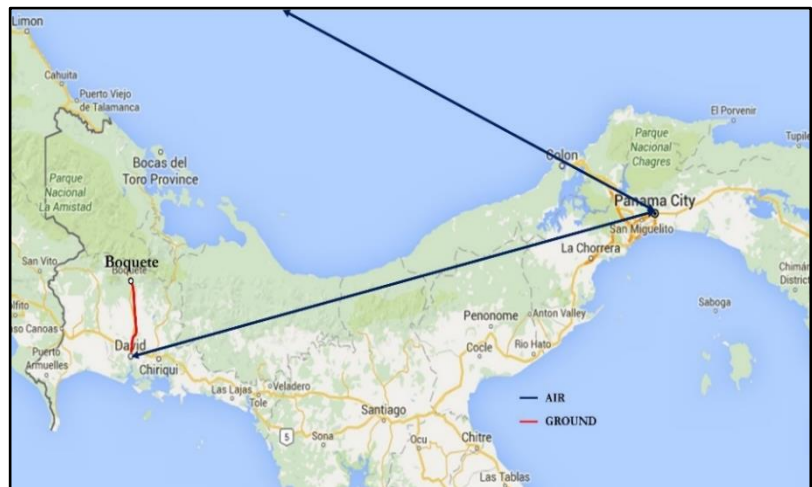
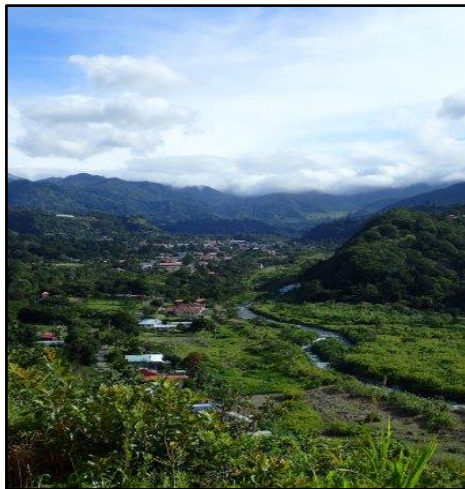
## Ecuador Farm Tour



### Tour Includes:

- Airfare from the U.S. to Quito, Cotacachi to Cuenca, and Cuenca back to the U.S.
  - Tour includes a variety of Coffee Farms, a Coffee Co-Op Organization, B&B Business Opportunities, and Subsistence Agriculture Possibilities
  - (2) presentations on agriculture opportunities and foreign-investor land ownership in Ecuador
  - Locations: Quito, Cotacachi, Intag Valley, Otavalo, and Cuenca
  - 8 days /7 nights
  - 12 Meals
  - In-country transportation services
  - 24/7 services of a professional tour manager
  - Price: \$3,200 per person (based on a minimum group size of four)
- 

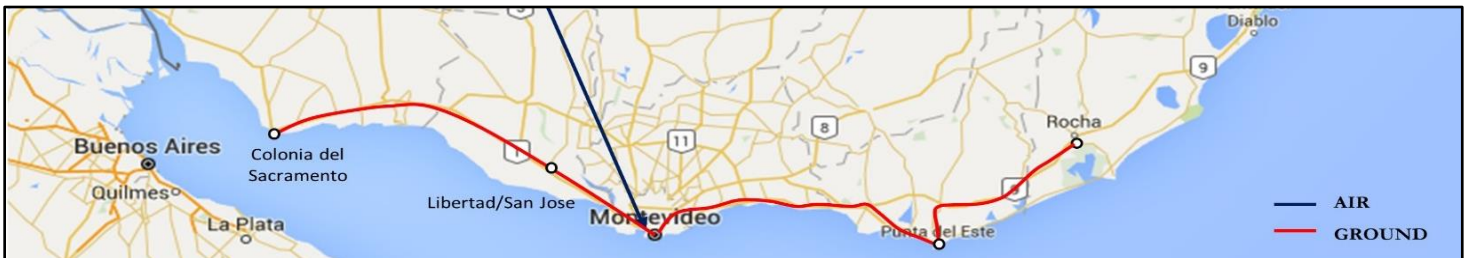
### Panama Farm Tour



### Tour Includes:

- Round trip, non-stop airfare between the U.S., Panama City, and David
- Tours includes greenhouse/cattle operations, timber investment possibilities, mixed agriculture, and diversified raw land opportunities
- (2) presentations on agriculture opportunities and banking/foreign-investor land ownership in Panama
- Locations: Panama City, David, and Boquete
- 7 days / 6 nights
- 10 Meals
- In-country transportation services
- 24/7 services of a professional tour manager
- Price: \$3,200 per person (based on a minimum group size of four)

## Uruguay Farm Tour



### Tour Includes:

- Round trip airfare between the U.S. and Montevideo
- Tour includes livestock/dairy farms, a variety of agricultural farmland, unique Uruguay investment opportunities, and forestry investment options
- (2) presentations on agriculture opportunities and foreign investor land ownership in Uruguay
- Locations: Montevideo, Colonia del Sacramento, Libertad, San Jose, Punta del Este, and Rocha
- 9 days / 8 nights
- 15 Meals
- In-country transportation services
- 24/7 services of a professional tour manager
- Price: \$4,200 per person (based on a minimum group size of four)



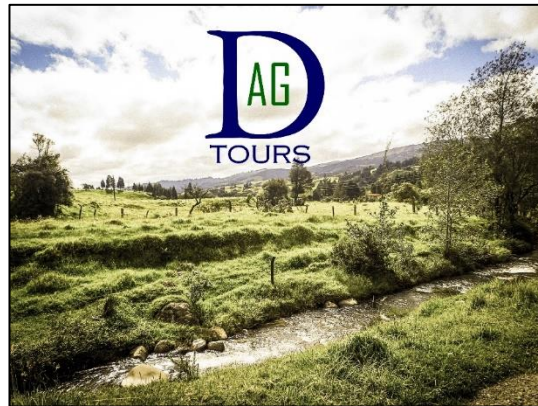
AG DTours offers a unique service to their clients unlike that of any other traditional tourism company. Our largest competitor, Trump Tours, offers agricultural based tours for farmers and farm associations with a focus on exposure and traditional tourism, not on research for the purpose of investment. They do not currently offer tours to Uruguay or Panama, two of the most developed and stable agricultural industries in Latin America. AG DTours offers more in each tour than Trump Tours and is customizable to the needs of their clients. For example, Trump Tour's Colombia trip (eight days, seven nights) is priced at \$4,500 per person while AG DTour's Argentina trip is nine days, eight nights, offers two professional presentations, and two in-country flights for the same price. Trump Tours is designed for the farmer, not the investor. AG DTours offers specialized opportunities for potential investors through in-depth presentations from host-country lawyers and local agricultural representatives as part of each tour package. AG DTour's ability to customize each trip for their clients is a service Trump Tours and other similar organizations do not offer.

## **6. Conclusion**

The objective of this presentation was to capture the weaknesses of the conventional U.S.-based investment options by highlighting the stock market's unsustainable growth, the declining bond market, and the inflated U.S. agricultural market prices. The purpose was to illuminate the viability of Latin American agriculture as a sound investment alternative for investors looking to geographically diversify. Affordable and multi-purpose agricultural land, beneficial foreign-investor business practices and tax incentives, and competitive returns in four different Latin American countries were the examples used to highlight the industry's attractiveness. Finally, the customized research investment tours offered by AG DTours provide investors with a unique opportunity to gain first-hand experience and knowledge about Latin American agriculture for the purposes of personal or business investment. The need to diversify with a tangible, stable asset outside the United States couldn't be more paramount than it is today. Bold, unconventional action in the face of uncertain and trying times is necessary to preserve financial stability and security.

## About Us

AG DTour's owner/founder, Michael DeSa, is an experienced Latin American land owner and farmer, husband and father to three boys, and a former Marine Corps Officer of seven years. His degree in Agricultural Engineering from Texas A&M University has proven extraordinarily useful in buying, selling, and managing property in Latin America. Michael and his family previously owned beach-front property in Ecuador which they recently sold for a nearly 20% return on their initial investment in just over two years. He is now currently a partner in the ownership of an agricultural-based investment in San Rafael, Argentina. Their family's fully-managed and operational Argentina farm is a mix of alfalfa, plums, and pear trees. They are also conducting feasibility studies on the viability of raising cattle in the near future. In addition to that, Michael and his family are co-managers of a self-sufficient homestead farm in East Texas, raising a variety of traditional agricultural crops, hydroponic greenhouse produce, multiple varieties of chickens, and goats for milk and cheese production.



Michael's technical background, years of leadership and management experience in the Marine Corps, previous and current land ownership endeavors in two different South American countries, and his extensive travels throughout the region make him uniquely qualified to personally plan and lead every one of AG DTour's investment research trips. Last year, Michael and his family designed, built, and executed their own 6-month, 6-country investment research trip to Latin America in order to gain first-hand experience about Latin American agricultural practices before investing in their own agricultural operation in Argentina. He and his wife also built an extensive network of contacts in the region from local farmers and land managers to real estate agents and *escribanos* in preparation for launching AG DTours upon their return. During that trip, Michael conducted over 100 unique agricultural site visits in more than 50 different regions in six different countries (Ecuador, Peru, Chile, Argentina, Uruguay, and Panama). Everything from coffee in Ecuador and vineyards in Mendoza to sheep in Uruguay and timber in Panama. Let Michael and AG DTours use their first-hand experience, education, and network of contacts across the region to offer you a customized investment research tour showcasing Latin American agriculture as a formidable investment alternative. For more information or to book a tour, contact Michael by any of the means listed below:

**Website:** [www.agdtours.com](http://www.agdtours.com)

**Phone:** 210.660.8302

**Email:** [contact@agdtours.com](mailto:contact@agdtours.com)

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