

Beef Industry in Colombia



January 2010

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This document provides relevant information regarding the beef industry in Colombia; you will be discovering our competitive advantages, the benefits privileging your investment and the support we can provide you from Proexport (*the Government's Agency for Investment Development*) and Fedegan (*The National Federation of Cattlemen*) so that your investment becomes a reality in Colombia while consolidating the best project.

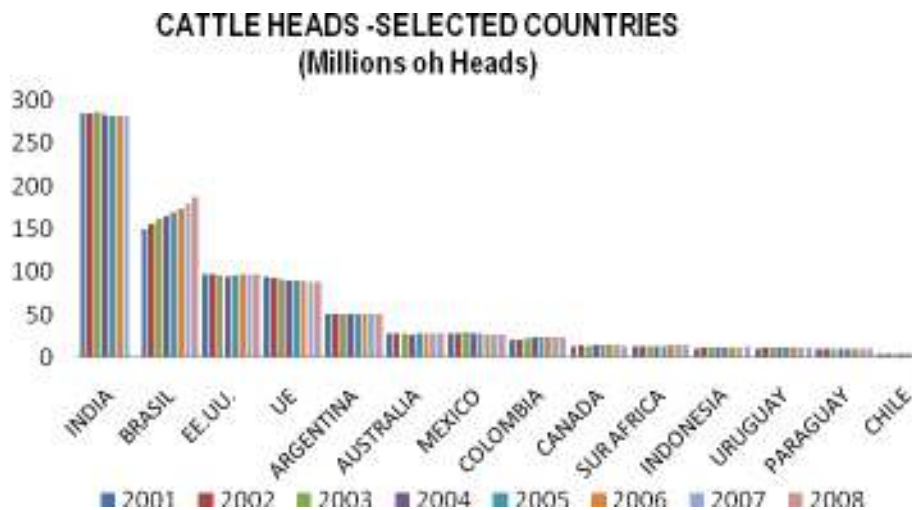
The following are clear reasons for investment:

- i. **Colombia has the Fourth Highest Beef Herd of Any Country in Latin America** with a 23, 6 million cattle head inventory to 2008.
- ii. **Feeding based on pastures throughout the year** as we are located in the tropical strip of the equatorial line, a region with the necessary sunlight for the continuous production of biomass throughout the whole year.
- iii. **Colombia has a Cattle Head Inventory with Excellent breeds herd such as Cebú (Brahman)**. Within the cebu breeds, the Colombian Braham, ideal for beef production in tropical conditions, stands out as having the highest quality in genetics worldwide.
- iv. **Colombia, the fourth largest beef cattle producer in Latin America** with a production of 911,000 tons in carcasses weight equivalent (t cwe) in 2007.
- v. **Colombia has a growth production potential of 22% in the next ten years to meet the increase in beef demand worldwide**, a percentage higher than the one registered by the U.S.A., Argentina, Brazil, Canada, Mexico and New Zealand.
- vi. **Important advances in health matters**. In 2009 all the national territory will be apthous fever-free with vaccination.
- vii. **Access to different export markets** such as CAN (*Andean Community Countries*), Mercosur, Chile, Cuba, Canada and Mexico. With Mexico and the EU (*European Union*) under trade negotiations while the FTA with the U.S.A. is pending for approval.

1. Colombia an opportunity to invest in the beef industry: Know the reasons.

1.1 With 23.6 Million heads Colombia has the seventh largest cattle livestock worldwide.

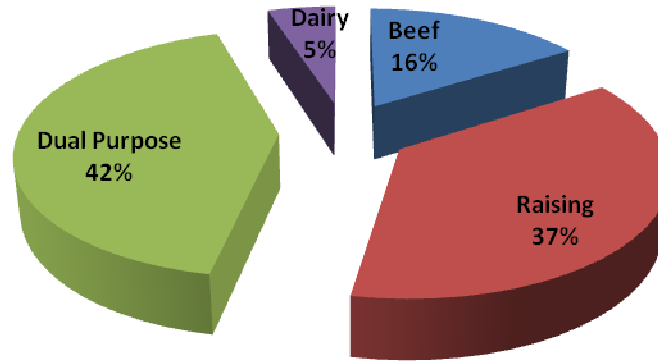
Colombia is an important cattle producer, ranking among the first 13 producers worldwide, with a share close to 2% of the total. In Latin America we stand as the fourth largest producer with Brazil, Argentina and Mexico.



Source: GIRA - FAPRI - FEDEGAN

In 2007 cattle livestock in Colombia reached 23.6 million heads. Beef production amounted to 53%, dual purpose 45% and dairy production 5%.

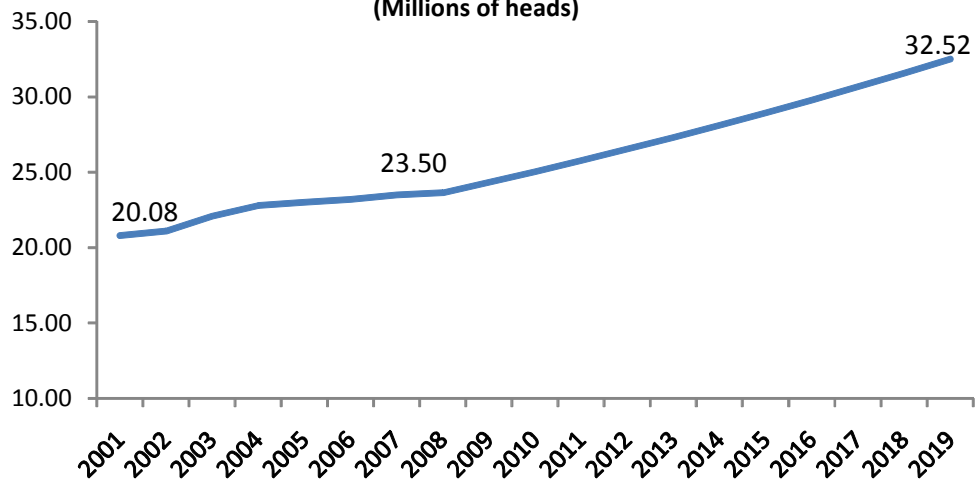
COLOMBIA – CATTLE LIVESTOCK SEGMENTATION, 2008



Source: Livestock Survey. Second Planning Office. FEDEGAN

For 2019 we will have 32.5 Million heads. For the year 2019 projections are aimed at a sustained growth of livestock as a result of the continuation in the strategies in the productivity and genetic improvements, which will place the bovine head, count in 32.50 million heads of livestock.

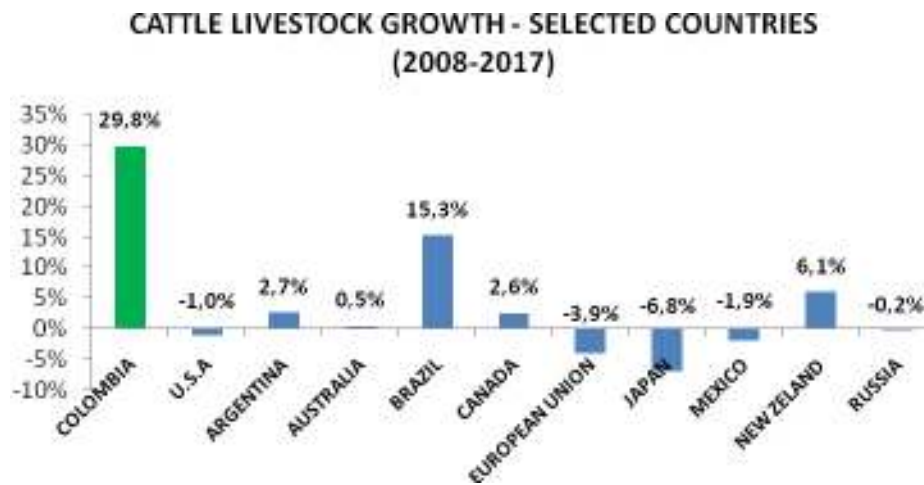
COLOMBIA - BOVINE HEAD COUNT FORECAST 2019
(Millions of heads)



Source: Fedegan

With a 30% annual average growth until 2017, Colombia has the highest cattle growth potential in the world. Colombia offers a significant and permanent potential growth for cattle livestock reaching increases of up to 30% for the years 2008 to 2017 above Brazil, Argentina and New

Zealand. The forecasts on cattle livestock growth place the country first among the main cattle livestock producing countries. Producers such as the U.S.A., the European Union, Japan, Mexico and Russia will experiment decreases in their existences. The foregoing evidences that, in the next decade cattle livestock in South America will lead the world's supply, among which Colombia offers the highest growth potential.



Source: FAPRI-Fedegán

1.2 25% of the national cattle livestock is Cebú, a breed with the highest quality in the world

Colombia has approximately 40 million hectares for rising cattle; over 60% of them are in tropical areas considered as one of the most suited regions for the development of the Cebú breed. This breed counts for at least 25% of the 23.5 million of the total cattle livestock of the country.

Among the Cebu breeds, the Colombian Brahman, ideal for beef production in tropical conditions, stands out as having the highest genetic qualities worldwide. The systematic work on selection and improvement has allowed the development of one of the breeds with best muscular masses and exceptional conditions in terms of adaptation, productivity and profitability for the cattle business.

Currently, the Asociación Colombiana de Criadores de Ganado Cebú (Asocebú) (*the Colombian Association of Cebu Cattle Raisers*) is the world's largest association in terms of registers of the Brahman breed, only in 2006 exceeding 52 thousand certification requests on the purity of the animals.

Brangus, an added value for the Colombian export cattle industry. Facing the challenge to explore new horizons with market niches where the Colombian cattle industry may introduce meats with high added value, the Brangus breed has appeared as one of the most relevant options to

generate a livestock which allows the consolidation of a specialized and permanent sector of high quality beef supply, with a system of pasture selection and somewhat conditions, similar to some Colombian regions; but nonetheless, allowing the production of high quality meat which can be exported to markets demanding high value cuts; while at the same time offering animals of moderate size with excellent reproductive parameters, weight gain and meat quality.

Therefore, the project “Brangus: Added Value for the Colombian Export cattle industry – EMBRIOGAN”, being implemented in Colombia, is aimed at the establishment of a productive base, which will select through continuous evaluations, the best adapted line to the more demanding local and foreign market expectations.

1.3 Feeding based on pastures throughout the whole year: a comparative advantage of the Colombian cattle livestock

Our privileged geographical location allows the feeding of cattle with pastures throughout the whole year without the use of hormones or growth promoters and respecting the natural cycle of development and fattening of the animal. These characteristics allow the production of clean, biological and organic meats with high demand in international markets.

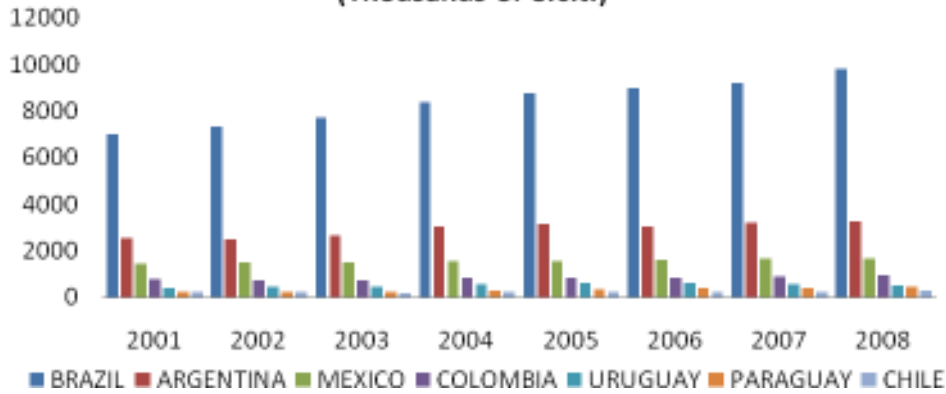
A livestock fed based on pastures is not affected by the rising trends affecting corn, sorghum and soy beans as a result of the booming demand for bio-fuels which is de-stimulating the cattle industry among traditional producers.

1.4 Colombia is the fourth largest beef cattle producer in Latin America

In Latin America, Colombia is positioned as the fourth largest producer of beef cattle after Brazil, Argentina and Mexico. In 2008, beef production in our country reached a total of 911,000 equivalent carcass tons (e.c.t.)

It is important also to highlight that, between 2001 and 2007 beef cattle production in Colombia increased 18.4%, above the increase registered in Mexico (16%) and Chile (15%).

BEEF CATTLE PRODUCTION - SELECTED COUNTRIES
(Thousands of e.c.t.)



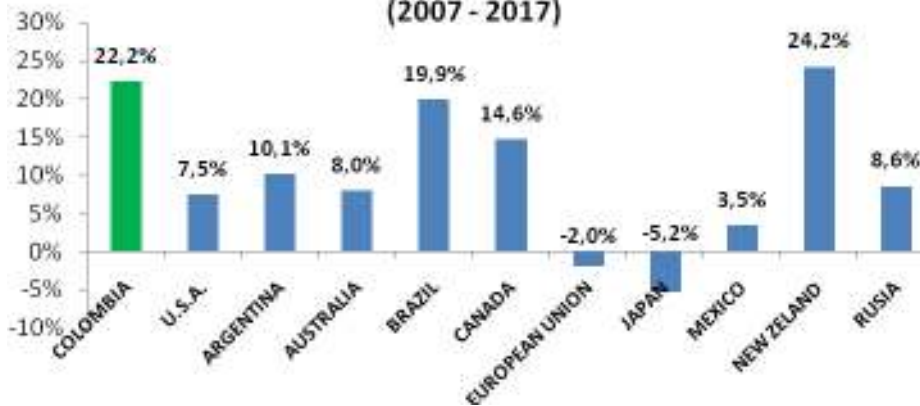
Source: GIRA

1.5 Colombia has the highest growth potential in beef cattle production over the next decade.

Colombia has a growth outlook in beef cattle production of 22%, above the percentage registered by the U.S.A., Argentina, Brazil, Canada, and Mexico.

By the year 2015 the world's beef consumption will increase to approximately eight million tons, stimulated by a higher demand from China and India. Nonetheless, from the supply side the world's tendency shows lower participation from countries traditionally considered as large producers of beef cattle, as they are in the limits of their production frontier and/or suffer the impact of the booming of bio-fuels. This situation becomes an opportunity for Colombia as the country has high growth perspectives.

GROWTH IN BEEF CATTLE PRODUCTION - SELECTED COUNTRIES
(2007 - 2017)

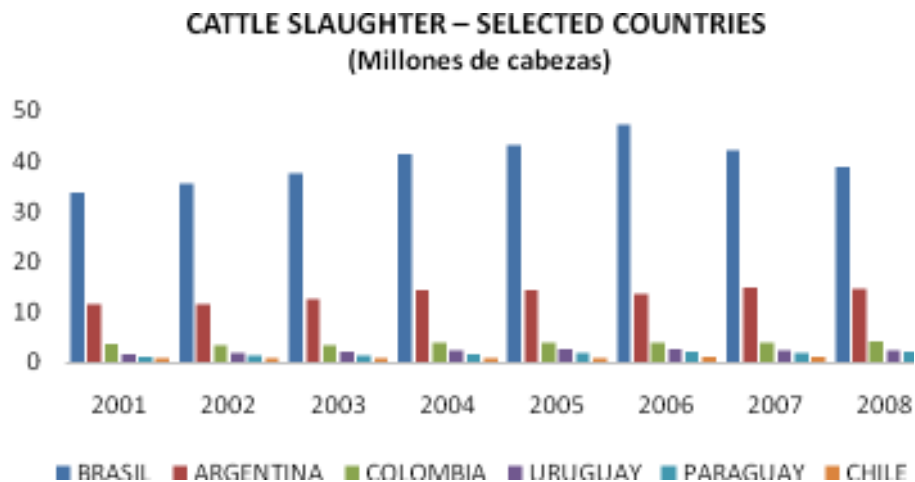


Source: FAPRI – Fedegán

1.6 Cattle slaughter infrastructure under modernization, with clear spaces for foreign investors

In Colombia, the formalization process of the Sistema Nacional de Sacrificio (*National System for Slaughtering*) represents a valuable investment opportunity in the industry as it opens the space to the implementation of modern plants with the necessary capacity to absorb the informal slaughter which represents approximately 55% of the nation's total.

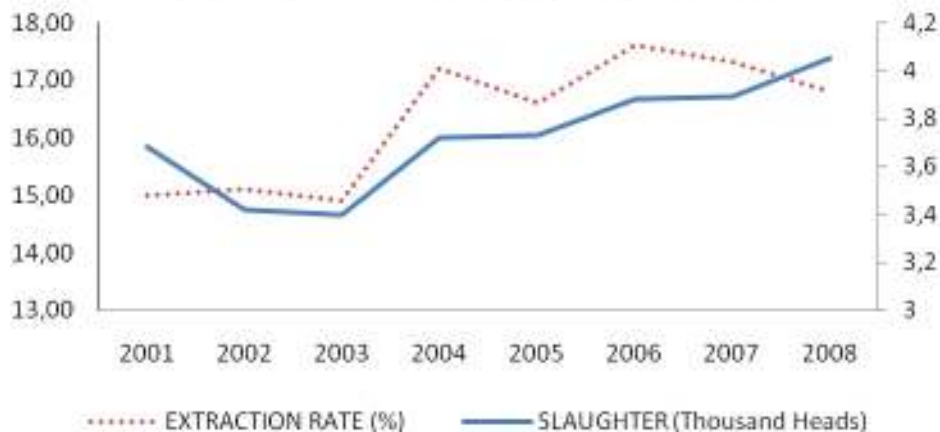
In Latin America, Colombia is third in terms of slaughter volume with four million heads in 2008.



Source: GIRA

Slaughter levels, as well as other indicators of productivity have registered important increases in recent years, however, the international standards of known producers have not yet been reached, and therefore, **there is still a very wide space to increase beef production capacity in Colombia.**

COLOMBIA SLAUGHTER & EXTRACTION RATES



Source: Fedegán

Fedegan's goals, the leader union of Colombian cattlemen, aim towards the modernization of the Colombian cattle industry to enter into the big players in the South American meat circuit. Thus, it is expected that in the year 2019 the country will have the capacity to meet the internal demand with consumption rates close to 30 kg per capita, and significantly increasing its export volumes with high value added meats.

GOALS OF THE COLOMBIAN BEEF CATTLE INDUSTRY

Parameter	2010	2015	2019
Extraction Rate	0.19	0.18	0.20
Birth Rate (%)	0.58	0.65	0.7
Interval between births (days)	627	562	518
Young's mortality (rate)	5.3	4.7	4.3
Adult's mortality (rate)	1	1	1
Productivity			
Weight gain (gr/day)	380	425	485
Weight after weaning (kg)	150	160	165
Slaughter mothers weight (kg)	382	399	410
Slaughter males weight (kg)	457	476	485
Total slaughter weight (kg)	417	419	420
Age at slaughter (months)	38	37	35
Carcass yield	0.52	0.53	0.53

Source: Fedegán

Furthermore, for over a decade Fedegan has been leading programs to induce modernization in the slaughter process in the country, making investments in 12 slaughter plants located in the main producing areas, taking

advantage of the synergies of bringing together such an important slaughter capacity, and generating an effective incidence in the price formation for the cattleman.

Formal cattle slaughtering 2008

Heads/Year	N° Slaughter Plants	Slaughter 2008 (Heads)	Participation
0-3.600	660	527.449	13,9%
3.601-18.000	92	670.586	17,7%
18.001-36.000	16	428.984	11,3%
36.001-90.000	8	398.249	10,5%
90.001-180.000	3	451.925	11,9%
Más 180.000	5	1.309.762	34,6%
Total	784	3.786.955	100%

Source: Fedegan – Coordination of Collections – Calculations Planning Office

Investments in meat processing plants have rendered larger slaughter capacities in these establishments. In fact, out of the 784 existing plants in the country, 57% of the slaughter is concentrated in eight meat processing plants with an annual capacity which varies between 18,000 and over 180,000 heads.

Likewise, the State's commitment is to formalize this activity in all areas of the country (CONPES 3376 and Decree 1500), encouraging the creation of regional slaughter plants with an efficient operation from the environmental, sanitary and economic stand point, privileging association mechanisms among public entities, or between said entities and the private sector.

It is also important to point out that in Colombia the policy for modernization of cattle slaughter is designed under the criterion of "regionalization" which favors the installation of meat processing plants in strategic geographical areas near the most important production centers of the country, which allows the process of significant numbers of animals in one plant, thus generating increases in meat production capacity, higher levels of efficiency and the possibility to make available high quality products, in compliance with all the necessary sanitary standards to meet the supply the local and international markets.

1.7 Important advances in sanitary aspects. In 2009 Colombia apthous-free¹

In 2009, World Organization for Animal Health (OIE) certified the national territory apthous-free with vaccination. Since the year 1994 Colombia has been implementing the Plan Nacional de Erradicación de Fiebre Aftosa (*National Plan for Eradication of Apthous Fever*) which has made the country free from this

¹ The OIE recognizes zones and countries certified in apthous fever and EEB. The Colombian official health service recognizes herds, zones and country free from brucellosis and tuberculosis.

disease. The current health status of Colombia as defined by the World Organization for Animal Health (OIE) has recognized 100% of the Colombian territory free from the disease.

In terms of Brucella, in 2007 Colombia had 1,062 estates certified as disease free. That same year there were 233 farms free from tuberculosis with 29,487 bovines.

COLOMBIA HEALTH STATUS - GOALS

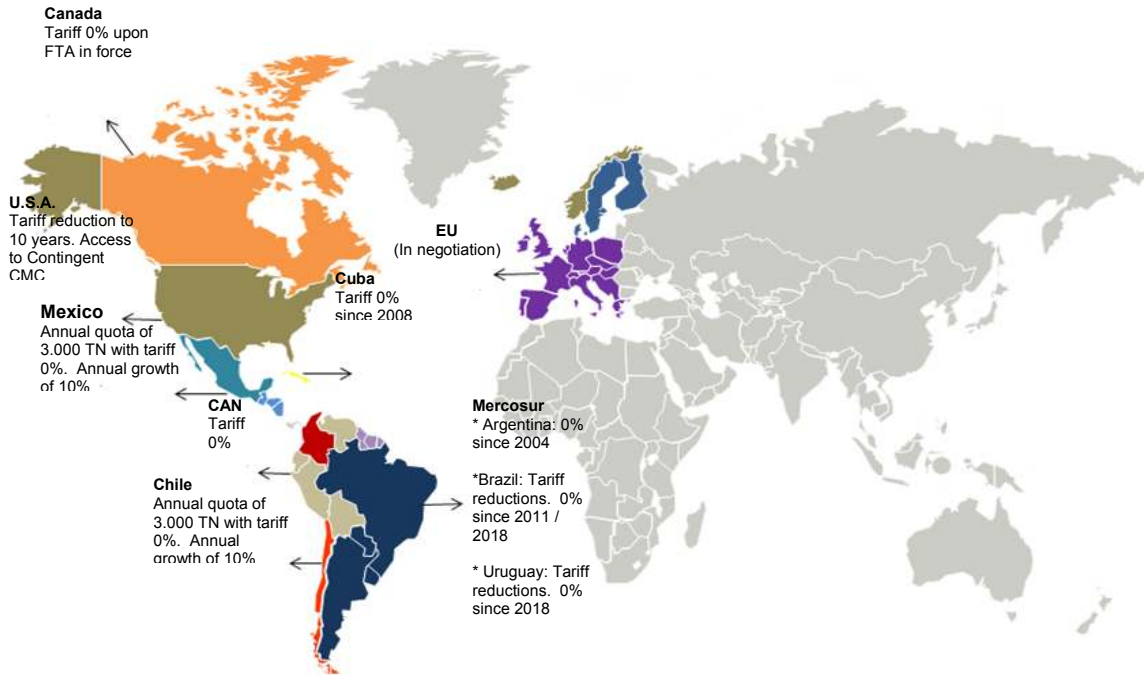
APHTHOUS FEVER	Recognition free with vaccination – 99.9% of the territory and the national livestock in 2009
BRUCELLOSIS	Country certified free from the disease in 2012
TUBERCULOSIS	Eradication in endemic zones 2009
BEE	Country of insignificant risk 2009

Source: Fedegan

1.8 Preferential Access to 419 million consumers

In terms of beef cattle the country has preferential access to CAN, Mercosur, Chile, Cuba and the Canadian markets. Likewise, trade negotiations are underway with Mexico and the EU, while the FTA with the U.S.A. is pending for approval.

Results trade negotiations of beef cattle



81

Source: Fedegan

1.9 Fedegan: A Solid Union Institution

The Colombian cattle industry has a strengthened union oriented towards the development of an ordered and modern activity articulated with the regional and national development, which allows it to represent and defend the interests of its members as well as the development of common benefit and large scale programs, vital when facing the demands of the current economic environment and the challenges of competitiveness and globalization.

Among the actions undertaken by Fedegan, we highlight the “Plan Estratégico de la Ganadería Colombia (PEGA) 2019” (*Strategic Plan for the Colombian Cattle Industry*), a guideline to achieve modernization and competitiveness towards the transformation of the Colombian cattle activity into a profitable, sustainable and prosperous industry with social responsibility.

2. Legal Incentives to the investor in the industry

The Colombian legislation allows the Beef Industries to settle anywhere in the country. Hereunder you will find the current incentives for the industry in Colombia, as well as the regulations for Free Trade Zones and the

requirements for the projects to request the status of Free Trade Zones. In addition, you will find information regarding the “Plan Vallejo”, a special import export system and contracts for legal stability.

2.1 Single enterprise Agribusiness Free Trade Zones

These zones are designated for one single company to request the status of free trade zone in an area where the enterprise will be operating.

Subsectors which are eligible for FTZ status under agribusiness requirements
Meat and Fish
Biofuels
Oil and grease products from vegetables and animals
Dairy products
Legume and fruits, prepared or preserved, tea, soup, vinegar, sauces and yeast*
Coffee

Source: Ministry of Commerce, Industry and Tourism

Agro-industrial projects may install their processing plants within a Single enterprise Free Trade Zone provided they fulfill requirements mentioned hereunder:

Requirements:

- Invest an amount of 18.63 million dollars².
- Generate 500 related jobs to the production

Benefits

- One single income tax rate of : 15%
- No generation or payment of customs duties (VAT-TARIFF)
- VAT exemption for raw materials, supplies and finished goods sold from the national territory subject to custom duties to industrial users in FTZ
- Possibility to sell in the national territory the 100% of the production of good and services manufactured in the FTZ with the respective payment of tariffs and VAT, only on the percentage of supplies coming from third countries.

² Exchange rate: US\$ 1 = COP 2,000. Minimum Monthly Legal Wages (M.M.L.W.) for 2009 is COP 515,000. M.M.L.W. and Exchange Rate are subject to changes.

- Exports from FTZ to third countries obtain the benefit from international trade agreements (Except Peru)

2.2 Importation of capital goods exempt from tariffs: “Plan Vallejo” System for Imports and Exports

The “Plan Vallejo” on capital goods is a special Import and Export system under which the person requesting the plan may import some capital goods exempt from the payment of customs duties and the payment of VAT is deferred.

- **Requirements:**
 - Capital goods must be in the listing of Resolution 1148 of 2002³.
 - The person applying for the plan must export 1.5 times the FOB value of the capital good imported
 - File the application before the Dirección de Impuestos y Aduanas Nacional DIAN (*the Colombian Tax and Customs Office*).

2.3 Importation of supplies and raw materials without payment of VAT and Tariffs: “Plan Vallejo” for Supplies and Raw Materials

This is a modality under which the person applying for the plan may import supplies and raw materials without the payment of VAT and customs duties, provided however that said person exports 60% of the goods produced with such raw materials.

2.4 Colombia offers contracts of legal stability to guarantee investments

Contracts of legal stability are tools provided to foreign and local investors to **consolidate secure and stable investments in Colombia**. The main characteristics of such contracts may be described as follows:

Purpose	Guarantees the legislation and administrative interpretation which is a determinant for investment projects
Conditions	Amounts above US\$1.84 million* (150.000 T.U)** Investor pays 1% premium based on the amount of the investment. 0.5% in unproductive periods
Term	3 to 20 years

*The investment requirement is calculated with an exchange rate of COP \$ 2000 = 1 USD. It is responsibility of the investor to calculate the investment requirement at the moment of submitting the application for the Legal Stability Agreement.

³ <http://www.mincomercio.gov.co/eContent/NewsDetail.asp?ID=567&IDCompany=1>

** One Tax Unit equivalent COP\$ 24.555 or US\$ 12,2

In consideration of the above the investor will pay a premium in favor of the State of 1% of the investment made or forecasted for the project.

Contracts of legal stability exclude regulations regarding the social security system; the obligation to file and pay taxes which the Government may decree under situations of exception; indirect taxes (i.e. the VAT or the Tax on financial movements); prudential regulations of the financial system, and the regulatory rates on public utilities.

3. Proexport's services to investors

The Colombian government makes special emphasis in generating favorable conditions and offers the best possible support to investors. Proexport, the Government's Agency for Investment Development offers services to foreign investors including among others the following aspects:

- Information Requests (economic, legal, or procedural information, on any specific sector, etc.)
- Contacts with the public and private sector.
- Organization of agendas when investors decide to visit Colombia.
- Support services to investors already established in the country.
- Evaluation and improvement of the business outlook.

All services are free of any charges. Our main purpose is to support the development of new business ventures through efficient and friendly processes. All the information provided in the process will be handled in a strictly confidential manner.

Proexport has customer service teams in 18 cities around the world. It will be our pleasure to serve you. Please find our contact information at:

4. Entities of Interest

- Federación de Ganaderos (*Federation of Cattlemen*). FEDEGAN. Fondo de Estabilización para la Promoción de las Exportaciones de Carne, Leche y Productos Derivados - FEP. (*Fund of Stabilization for Export Promotion of Meat, Milk and Dairy Products*) (1) 5 78 2020.
- PROEXPORT. Vice-presidency of Foreign Investment. (1) 5600 100
- Ministry of Agriculture. (1) 334 1199
- Ministry of Trade, Industry and Tourism. (1) 2821691,

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