THE WORLD INVESTS IN COLOMBIA

INVESTMENT IN COCOA, CHOCOLATE AND THE CONFECTIONERY INDUSTRY

Colombian cocoa was declared as fine or flavored cocoa, a category that covers only 5% of beans traded worldwide. (International Cocoa Organization ICCO, 2011).

Ecuador, Colombia, Peru and Venezuela produce 70% of the world’s fine or flavor cocoa. Of this, Ecuador has 402,434 hectares, Colombia has 151,926 hectares, Peru has 97,658 hectares, and Venezuela has 59,757 hectares. (FAO, 2013 - *MinAgricultura 2013)

It is expected that by 2020 there will be a cocoa deficit of around 1,000,000 tons. (MARS Incorporated, 2012).

Colombia has a strategic geographic position. Because it is a tropical country located in an equatorial area, its national territory benefits from permanent sunlight all year round.

PRODUCTION OF FINE OR FLAVOR COCOA ACCUMULATED OVER 2008-2014, IN THOUSANDS OF TONS


* Values of Colombia 2014, others 2013
**INVESTMENT OPPORTUNITIES**

**GREENFIELD PROJECT**

Colombia has up to 2 million hectares suitable for the development of cocoa cultivations. (Colombian Agricultural Research Corporation, National Federation of Cocoa Growers and the Ministry of Agriculture and Rural Development, 2013).

**PRODUCTIVE ALLIANCES WITH PRODUCERS**

Develop productive alliances with small producer/land owners to link them into the joint development of medium and long-term projects where there is a commitment to supplying raw materials.

**GENETIC MATERIAL**

Colombia has genetic material defined for use based on each of the country’s agro-ecological zones.

**COCOA PRODUCING AREAS IN HECTARES**

1. **SANTANDER AND NORTH DE SANTANDER** 56.170
2. **TOLIMA AND HUILA** 15.748
3. **ARAUCA** 14.670
4. **ANTIOQUIA** 13.777
5. **NARIÑO** 13.636
6. **OTHER** 37.925

Ministry of agriculture * Last values 2013
Production of raw materials for the production of chocolates; products resulting from its initial transformation such as butter and cocoa liquor.

Alliance with local partners: investment in industrial plants via technological development and innovation in processes and products.

Chocolate and confectionery products: access to international markets via processed foods.

Commercial trade balance and use of free trade agreements

The commercial trade balance has had a surplus of confectionery products and cocoa derivatives in recent years. In 2015, the exports of derived from cocoa and confectionery products reached US$333.2 millones.

Confectionery products represented 10% of the exports of the agribusiness sector, over US$333 millions in 2015. On the other hand, cocoa products represented only 1.9% of exports, and amounted to US $ 39 million for exports the same year. (DANE-2015)

The main products exported in 2015 by Colombia were chocolates, caramels, and candy, which recorded a 58.1%(US$193.6 millions) of the total exported, followed by other food preparations that contain cocoa, with a 13%, and over US$ 40 million in exports. (DANE - 2015).

Source: DANE, DIAN (Dirección de Impuestos y Aduanas Nacionales de Colombia [National Directorate of Taxes and Customs])
In 2014, world imports of confectionery products and cocoa derivate exceed US $97,000 million, with the United States as the main importer for this segment with nearly 9% (US $8.681 million) of the total imported worldwide, followed by countries like Germany (7.5%), Netherlands (5.6%), and United Kingdom (4.9%). (Trade Map - 2014)

Within the top 10 main importers of confectionery and cocoa products in the world, eight countries in the regions of North America and Europe have been identified where Colombia has free trade agreements in force. (Trade Map - 2014)

<table>
<thead>
<tr>
<th>RANK</th>
<th>COUNTRY</th>
<th>IMPORTS 2014 (FOB$ miles)</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States (FTA)</td>
<td>8,681,926</td>
<td>8.9%</td>
</tr>
<tr>
<td>2</td>
<td>Germany (FTA)</td>
<td>7,359,505</td>
<td>7.5%</td>
</tr>
<tr>
<td>3</td>
<td>The Netherlands (FTA)</td>
<td>5,421,624</td>
<td>5.6%</td>
</tr>
<tr>
<td>4</td>
<td>United Kingdom (FTA)</td>
<td>4,783,252</td>
<td>4.9%</td>
</tr>
<tr>
<td>5</td>
<td>France (FTA)</td>
<td>4,607,866</td>
<td>4.7%</td>
</tr>
<tr>
<td>6</td>
<td>Belgium (FTA)</td>
<td>3,679,846</td>
<td>3.8%</td>
</tr>
<tr>
<td>7</td>
<td>Italy (FTA)</td>
<td>2,697,850</td>
<td>2.8%</td>
</tr>
<tr>
<td>8</td>
<td>China</td>
<td>2,630,363</td>
<td>2.7%</td>
</tr>
<tr>
<td>9</td>
<td>Canada (FTA)</td>
<td>2,626,784</td>
<td>2.7%</td>
</tr>
<tr>
<td>10</td>
<td>Malaysia</td>
<td>2,449,200</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>52,558,671</td>
<td>53.9%</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>97,496,887</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Trade Map - 2014.

The existence of potential strategic partners, companies that are currently involved in producing, transforming and trading activities, that have knowledge of consumer patterns and national distribution networks.

In Colombia there is a significant industry presence, represented mainly by the companies Nacional de Chocolates and Casa Luker. Additionally, there are 25 companies that are transforming the chocolate and confectionery sector located among the main cities of the country, which are also the main consumption centers (Medellin, Cali and Bogota).
MAIN COMPANIES IN THE CHOCOLATE AND CONFECTIONERY SECTOR IN COLOMBIA

1. **ANDEAN REGION**
   - **HUILA**: Industrial Cacaotera del Huila S.A.
   - **SANTANDER**: Ficas Ltda.

2. **CARIBBEAN REGION**
   - **BOLIVAR**: Golosinas Trululú S.A.

3. **COFFEE-GROWING REGION**
   - **ANTIOQUIA**: Compañía Nacional de Chocolates S.A.S.
   - **CALSAS**: Casa Luker S.A. C.I. Super de Alimentos S.A.

4. **PACIFIC REGION**
   - **VALLE**: Colombina S.A., Cadbury Adams Colombia S.A.

**INCENTIVES**

Investments in new late-yield plantations, including cocoa, are exempt from income taxes. This benefit covers plantations established up to December 31, 2014 and is extended for 10 years counting from the start of production.

1. **Act 939 de 2004, Article 1º.** In all cases, companies are subject to the CREE [Income tax on equality](9% for 2013-2015 and 8% after 2016).
2. **Act 939 of 2004, Article 2º.**
**MAJOR COCOA, CHOCOLATE AND CONFECTIONERY COMPANIES IN COLOMBIA**

**AGROTROPICAL COLOMBIA S.A.S.**: project in which 430 CCN-51 cocoa plants have been planted in Cesar, with an interest in finding a strategic partner and investor with which they can develop an agro-industrial project jointly, integrating cocoa production moving forward, and with which they can develop products from cocoa that are differentiated from the national supply currently offered based on this product.

**NUTRESA**: venture capital fund “Cocoa for the Future”. Opportunity for investment due to the attractive economic, tax and social advantages. The fund is socially linked to small producers and has the support of the recognized company Compañía Nacional de Chocolates. The fund invests directly in cocoa cultivations, in coordination with small and medium-sized Colombian farmers.

**CASAC LUKER**: through Granja Luker [Luker Farm], the company has been devoted to researching and studying issues like diseases that limit cocoa production in Colombia, planting distances, hybrid improvements, varieties and clones. They transfer technology at all levels to technicians, students and farmers, and generate hybrid materials and plants for propagation for the different productive zones of the country.

**RELATED ENTITIES**

**PRODUCTIVE TRANSFORMATION PROGRAM**: seeks to develop world-class sectors via the formulation and execution of sectoral business plans that favor economic growth and strengthen the national productive apparatus via public-private alliances.

**MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT**: leading entity in the formulation, management and coordination of policies for agriculture, fisheries, forestry and rural social development, which promotes harmonization with macroeconomic policy and an execution that is decentralized, cooperative and participative.

**PROCOLOMBIA**: entity in charge of promoting investment, exports, and tourism in Colombia.

**PROCOLOMBIA.CO**