

ARGENTINA

THE INVESTMENT CASE FOR FARMLAND IN A TURBULENT WORLD —————



Investing in one of the world's most competitive and resilient
agricultural real assets.

APRIL - 2024

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EXECUTIVE SUMMARY

- Can Argentina once again emerge as a beacon of freedom, safety, and prosperity reminiscent of its golden era between the late 19th and the early 20th centuries?
- The country's recent history is against this, and the country faces a myriad of challenges. However, societies often experience tipping points, and amidst the turbulence of our modern world, coupled with the vision presented by the new government, there is potential for Argentina to reclaim the status it once held long ago.
- The government is progressing on macroeconomic stabilization, but the reform agenda faces opposition. Economic consistency and the ability of the government to build and maintain political capital and social approval will be key necessary factors in its success.
- In this report, we examine different scenarios and present the case for investing in farmland in Argentina.
- Argentine farmland stands out as one of the most compelling and resilient agricultural real assets globally, offering significant value compared to other prominent agricultural nations.
- The risk-return value proposition looks attractive for investors who accept the country's risk. It offers plenty of upside and limited downside.
- Valoral Advisors, a leading international investment advisory firm specializing in food and agriculture, and El Renuevo, a leading farm management company in Argentina, have a relation that spans over two decades and today are joining forces to support foreign investors interested in exploring and investing in farmland opportunities in the country.
- Amidst today's turbulent global landscape, investing in Argentine farmland not only serves as a compelling component of a diversified long-term portfolio but also acts as a hedge against the increasingly intricate risks emerging worldwide. Think about it as an option amidst global uncertainty, with the plus of enjoying its beauty and tranquility.
- We invite you to contact us for a further discussion on the ample opportunities that we see in the food and agriculture sector of Argentina.

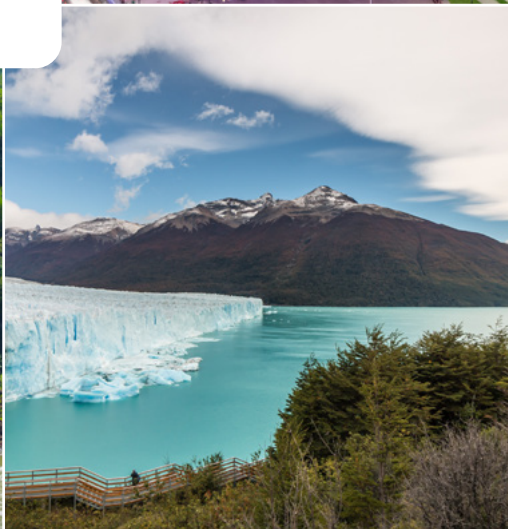


A WORD ON LATIN AMERICA'S APPEALING IN A TURBULENT WORLD

- With a population of 650 million spread across 20 countries, Latin America stands to benefit from the shifting global landscape towards a multipolar order.
- Endowed with abundant natural resources such as food, energy, and metals, the region plays a crucial role in meeting global demands.
- Moreover, its youthful and dynamic population demonstrates a readiness to pursue higher education, embrace urban lifestyles, and engage with new products and services.
- While political and economic volatility has historically plagued certain nations within the region, there are signs of increasing stability on both fronts.
- However, we acknowledge that safety concerns persist in various countries, and challenges to the rule of law have historically posed significant barriers to foreign investment.
- In this evolving multipolar world, and as sustainability concerns continue to mount, Latin America is at a pivotal juncture.
- The region not only has the opportunity but also the responsibility to emerge as a global beacon of prosperous, peaceful, and sustainable development.
- This presents a significant opportunity for Argentina, especially as a new government adopts structural reforms aimed at setting the country on a path toward lasting development.



ARGENTINA:
NATURALLY
WONDERFUL,
CULTURALLY
ENJOYABLE

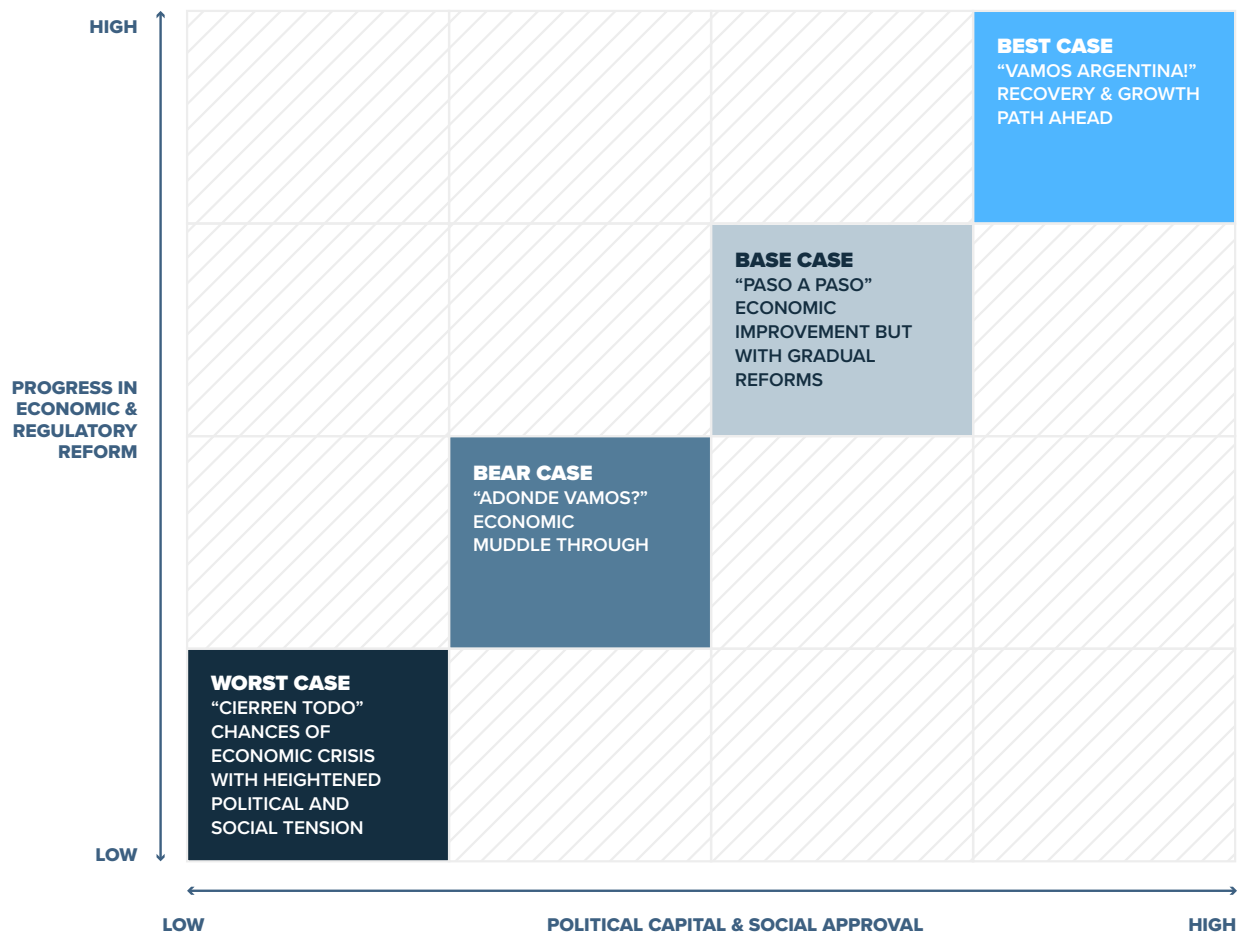


ARGENTINA: IS THIS TIME DIFFERENT?

- Argentina's history is like a rollercoaster, filled with ups and downs. It's a story of aiming high and achieving greatness but also facing setbacks and disappointment due to unstable politics and economic mismanagement.
- At the end of 2023, Argentina found itself entrenched in yet another chapter of its tumultuous history, characterized by mismanagement, decline, and corruption. With an annual inflation rate surpassing 270% and national poverty exceeding 40%, it was evident that the populist system was collapsing. This system had long hindered private investment and job creation while bloating an inefficient public sector that failed to fulfill its obligations to the people.
- Against this backdrop of turmoil, people chose Mr. Milei, who assumed office on December 10th, 2023, and promptly implemented a shock therapy approach. This involved imposing austerity measures and initiating efforts to stabilize prices across the economy. Argentina's macro stabilization is progressing rapidly, with authorities fulfilling unprecedented promises of fiscal consolidation and rebuilding foreign exchange reserves. This fiscal consolidation is the economic program's anchor.
- Central to Milei's agenda are structural reforms outlined in an executive order, also known as Necessity and Urgency Decree ("DNU"), which seeks to repeal various laws, an omnibus bill aimed at removing barriers to growth, and labor reform. The successful execution of these reforms hinges on the government's ability to negotiate with opposition forces. The passage of a significant portion of these reforms is crucial to stimulating private investment and job creation, thereby fostering sustainable economic growth.
- Milei follows a line of Argentine presidents who have endeavored to tackle the nation's economic challenges with bold reforms. Consequently, investors remain cautiously optimistic, wondering if this administration will achieve what its predecessors could not. Only time will provide the answer. However, in the initial four months of Milei's tenure, investors have displayed optimism, embracing his ambitious reform agenda.
- Yet, for this endeavor to succeed, the Argentine population must also be willing to accept the effort. Will the population, particularly the low and middle classes, accept and afford the challenge? This could be the decisive factor in making this time different - a recognition by the people, and especially the political class - that Argentina's greatness demands effort and discipline.

INVESTORS CAN CONSIDER FOUR BROAD SCENARIOS FOR ARGENTINA'S TRAJECTORY IN THE YEARS AHEAD

Argentina has historically experienced economic, political, and social volatility. However, the current government has an opportunity to steer the country towards sustained development.



- **"Vamos Argentina!"** Economic stabilization and structural reforms enable an economic recovery with social support for reforms. Investment picks up and asset prices go up.
- **"Paso a Paso"** Economic stabilization drives a gradual economic recovery however structural reforms take more time to be adopted.
- **"Adonde vamos?"** Amid more challenging conditions on the fiscal and current account fronts and with political deadlock in Congress and limited social support, the economy struggles to take off and it muddles through.
- **"Cierren todo"** The worst-case scenario, in which the new government fails to ignite growth in the economy amid fierce political opposition and loss of social support, losing credibility and increasing political and economic uncertainty.

WHAT IS THE OPPORTUNITY AHEAD IF THE COUNTRY TAKES OFF?

- In our best case - the **“Vamos Argentina!” scenario** -, the government is able to address the key structural challenges limiting the country’s potential. Fiscal and broader market reforms, in the context of a normalized monetary policy and normalized capital markets, can unlock the full potential of Argentina’s diverse economy, fostering investment, job creation, and sustained economic growth.
- In this virtuous cycle of eliminating restrictions, increasing stability, investment inflows, and growth, there are various sectors and assets in the real economy that are of interest.
- Several capital-intensive and export-driven sectors can bring opportunities to investors, notably the agriculture, energy, and mining sectors. Technology is another emerging industry with relevant potential.
- We would argue that even in the base case - **“Paso a Paso”** – with a slower pace of reform, the country will still be able to attract foreign investments that target these sectors that offer high-growth potential.



ARGENTINA: AN AGRICULTURAL NATION WITH UNTAPPED POTENTIAL

Argentina is one of the leading countries in the world supplying food to the world. The country has an untapped potential to expand the production and export of nutritious and sustainable food. Realizing this potential requires substantial investment across the entire food and agriculture local production system.

Conducive climate	<ul style="list-style-type: none">• Argentina boasts a wealth of diverse climates, offering an optimal blend of temperatures, sunlight, and rainfall conducive to cultivating a broad spectrum of crops and supporting varied livestock productions.• Moreover, the country enjoys relative immunity from natural disasters such as earthquakes, hurricanes, or other extreme events, further enhancing its agricultural stability and resilience.
Excellent soils	<ul style="list-style-type: none">• The central agricultural region of Argentina, encompassing the provinces of Buenos Aires, Santa Fe, and Córdoba, boasts exceptionally fertile soils and an outstanding aptitude for agriculture throughout the area.• The superior quality of these soils, coupled with the prevailing climate conditions, allows the practice of double cropping within the region with high yields.
Large productive scale	<ul style="list-style-type: none">• Argentina stands as a global agricultural powerhouse, with approximately 40 million hectares dedicated to cereals, oilseeds, and pulses, along with an additional 1 million hectares allocated to fresh vegetables and permanent crops such as vineyards, olives, citrus fruits, nuts, and various others including tea and mate leaves.• This extensive agricultural output solidifies Argentina's position as a leading nation in the agricultural sector worldwide. Furthermore, the country has the potential to further boost production through sustainable intensification practices, including seed genetic improvement and implementation of precision irrigation systems, leveraging its abundant water resources.
Diversified production	<ul style="list-style-type: none">• Thanks to the favorable conditions outlined above, Argentina ranks among the foremost producers and exporters of agricultural crops and their industrial derivatives, notably soybean meal and soybean oil, as well as wheat and corn.• Additionally, Argentina holds significance as a producer of beef, poultry, and pork. Furthermore, the nation boasts a diversified food industry encompassing dairy products, wine, olive oil, essential lemon oil, and various byproducts, showcasing its broad spectrum of agricultural and food-related offerings.
Competitive position	<ul style="list-style-type: none">• Despite the economic challenges confronting Argentina, its farmers exhibit remarkable resilience in bringing their agricultural production to market and competing globally. This resilience underscores the innate competitiveness of the local agriculture sector.• Moreover, with the emergence of favorable conditions for investment, this inherent strength has the potential to be further amplified, propelling Argentina's agricultural sector to even greater heights.
Expertise & innovation	<ul style="list-style-type: none">• Argentina's rich agricultural heritage encompasses significant innovations and breakthroughs, with notable contributions such as the pioneering no-till system, which has rapidly gained global adoption. This legacy reflects the country's culture of innovation and entrepreneurial drive, which is evident in the farming sector.• Currently, over 300 AgriFoodTech startups in Argentina are actively engaged in developing solutions aimed at fostering more sustainable and efficient food production systems, showcasing the nation's commitment to advancing agricultural practices and technologies.

FARMLAND, AS A REAL ASSET, PLAYS AN IMPORTANT ROLE IN A DIVERSIFIED PORTFOLIO

- Low correlations with traditional asset classes provide diversification potential.
- Asset values often correlate with inflation, providing a potential hedge.
- Inelastic demand and supply often result in hybrid-like return characteristics:
 - Stable, bond-like current income.
 - Equity-like upside potential for capital appreciation.
- Long-term hold strategy can optimize asset performance.
- Agricultural land offers relatively low volatility and is not exposed to financial market speculation.

INVESTMENTS IN FARMLAND ARE WELL SUPPORTED BY COMPELLING FUNDAMENTAL FACTORS

- Tangible assets - Underlying asset values help ensure capital preservation.
- Rising population – The ongoing population growth, urbanization, and changes in diets – especially in emerging markets - increase overall food demand.
- Depleting resources - Agricultural resources are in finite supply and increasingly pressured, with values rising over time.
- Sustainability imperative – The agriculture sector is expected to play a major role in reducing GHG emissions and in capturing CO2. Farmland is at the center of this opportunity, with a shift towards more regenerative farming practices.

INVESTORS HAVE DEPLOYED SIGNIFICANT CAPITAL IN THIS ASSET CLASS IN THE LAST DECADE

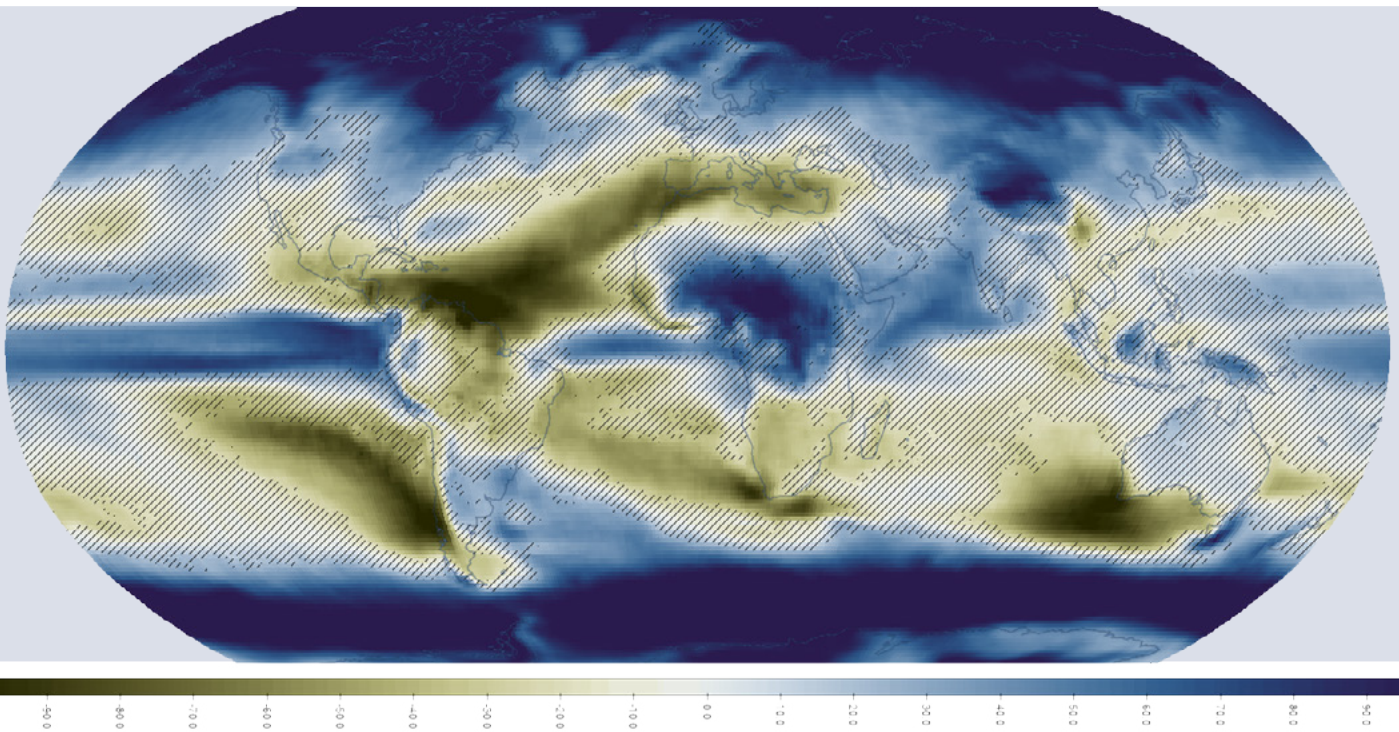
- Today, the farmland investment landscape boasts more than 220 specialized investment funds, collectively managing assets worth nearly \$50 billion.
- Furthermore, an increasing array of institutional investors, such as pension funds and insurance companies, actively manage portfolios comprising direct farmland investments, with asset volumes comparable to those of dedicated farmland funds.
- While the U.S. remains the primary destination for these funds, other significant regions attracting investment include Australia and New Zealand, Spain and Portugal, Brazil, and the Andean region encompassing Chile and Peru. Other emerging destinations include Mexico, Colombia, and Uruguay in Latin America and Morocco in North Africa.
- Argentina has been a notable absence in this investment cycle, leaving the country well behind regarding the asset appreciation evidenced in other markets.

ARGENTINA'S CORE AGRICULTURAL AREA LOOKS MORE RESILIENT THAN MOST OTHER MAJOR AGRICULTURAL REGIONS IN THE WORLD

Long-term projections developed by IPCC and based on various scenarios of possible future development pathways for human societies, known as Shared Socio-economic Pathways (SSPs), provide insights into how precipitation patterns may evolve globally.

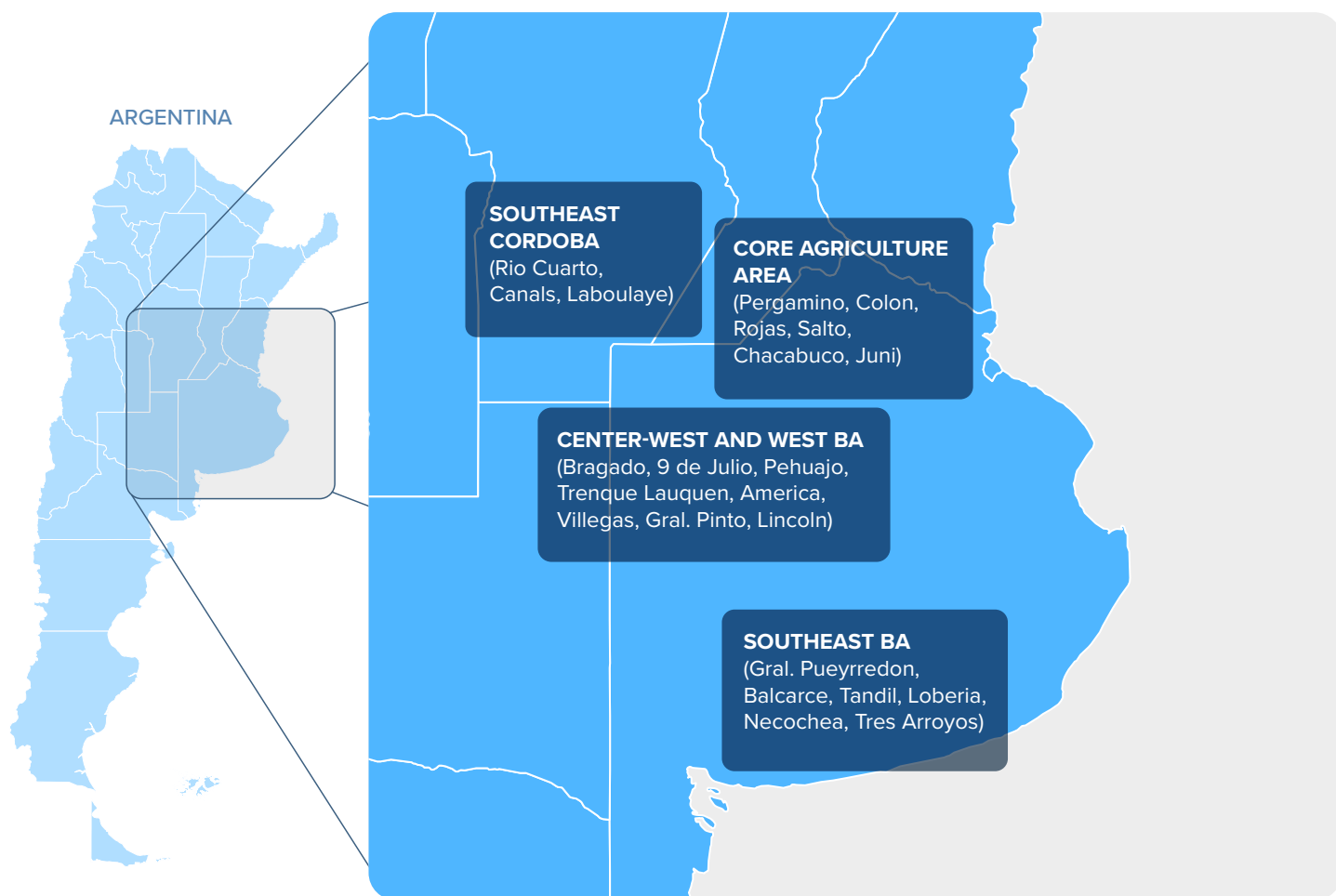
In contrast to concerning projections for other major agricultural regions such as the Mediterranean basin, the west coast of the U.S., and the central and northern regions of Brazil, the central agricultural region in Argentina anticipates a slight increase in expected precipitation across different scenarios. This contrasting outlook underscores the potential resilience of Argentina's agricultural sector amidst changing climate conditions, positioning it favorably compared to other regions facing more challenging precipitation projections.

**CMIP6 - Standardized Precipitation Index (SPI-6) Change % - Medium Term (2041-2060)
SSP5-8.5 (rel. to 1850-1900) - Annual (32 models)**



Source: *The Intergovernmental Panel on Climate Change (IPCC - United Nations body for assessing the science related to climate change) - Sixth Assessment Report*

WE HIGHLIGHT FOUR CORE FARMLAND AREAS IN THE CENTRAL AGRICULTURAL REGION



- These four areas concentrate most of the country's cereals and oilseeds production with their characteristic flat, homogeneous, and fertile soils.
- The conducive template weather provides plentiful light and the necessary rainfall and temperature range to produce two crops per season in many areas.
- These areas have access to local crushing hubs and main ports to ship production to global markets.
- These areas have a high concentration of farmers, providing a very dynamic market for leasing (over 60% of the farms in these areas are leased).

CURRENT PRICES IN THESE AREAS LOOK VERY ATTRACTIVE IN CURRENT TERMS

Current price ranges reflect different soil qualities in the different regions and different levels of improvements in the farms.

Region	Representative locations	Typical production	Current price range (US\$/Ha)
CORE AGRICULTURE AREA	Pergamino, Colón, Rojas, Salto, Chacabuco, Junín	Wheat, soybean, corn	US\$ 11,000 - 17,000
CENTER-WEST AND WEST BA	Bragado, 9 de Julio, Pehuajó, Trenque Lauquen, América, Villegas, Gral. Pinto, Lincoln	Wheat, soybeans, corn, sunflower	US\$ 6,000 - 10,000
SOUTHEAST BA	Gral. Pueyrredon, Balcarce, Tandil, Lobería, Necochea, Tres Arroyos	Wheat, soybeans, corn, sunflower, potatoes	US\$ 6,000 - 10,000
SOUTHEAST CORDOBA	Rio Cuarto, Canals, Laboulaye	Soybeans, corn, sunflower, peanuts	US\$ 6,000 - 11,000

LOCAL FARMLAND PRICES ARE WELL BELOW COMPARABLE ASSETS IN OTHER COUNTRIES, REFLECTING THE DIFFICULT ECONOMIC ENVIRONMENT

Farmers face costs and regulatory constraints that impact their profitability and diminish liquidity in the local farmland market, consequently influencing farmland prices. This situation is anticipated to evolve in the near future if the government effectively implements its reforms.

	Current restrictions	Expected changes in the coming years	Potential impact on farmland prices
TIMEFRAME FOR POSSIBLE IMPROVEMENT SHORTER-TERM LONGER-TERM	Existing law that restricts foreign ownership of land (repealed but being challenged).	Effective repeal of the existing law.	✓ ✓ ✓
	Access to foreign exchange remains restricted with an FX gap against the official FX.	FX unification.	✓ ✓
	Import tax that increases cost of imported agricultural inputs.	Elimination of import tax.	✓
	Export taxes on agricultural crops and sub-products and other commercial restrictions (permits, export quotas, etc.).	Gradual reduction and ultimate elimination of export tax.	✓ ✓
	High tax burden at the municipal and provincial level.	Rationalization of municipal and provincial taxes and tax rates.	✓
	High inflation rates and the consequent cost and restricted availability of local funding.	Gradual improvement in access to and cost of funding in the context of improved macro conditions.	✓ ✓ ✓

THE LAW THAT RESTRICTS FOREIGN OWNERSHIP OF FARMLAND HAS BEEN REPEALED, PENDING APPROVAL OF THE DECREE BY THE HOUSE OF REPRESENTATIVES IN CONGRESS

Enacted in December 2011, Law No. 26,737 sought to regulate and restrict foreign ownership of rural land. Key provisions of the Rural Land Law included, among other topics:

- Limits on Foreign Ownership: No more than 15% of rural land in the entire nation could be owned or possessed by foreign persons, including legal entities owned or controlled by foreign persons.
- Nationality Quotas: Of the 15% nationwide, no more than 30% may be of the same nationality.
- Limits on Landholding: The Rural Land Law identified certain geographic core zones and limited ownership by individual foreign persons, with a maximum of 1,000 hectares in these zones (incl. the core agricultural areas in Buenos Aires, Cordoba, and Santa Fe).
- Over the years, the Rural Land Law underwent several changes, tending to be more restrictive under some governments and less restrictive under others, depending on their outlook toward foreign direct investment. Nevertheless, for over 13 years, the law has discouraged investment in rural Argentina.
- Following an extensive census-like effort, in July 2013, the government announced that their land survey revealed that foreign owners held 15.9 million hectares of Argentine land. Equivalent to about 5.9% of total rural lands, this amount fell well below the 15% limit. Indeed, the land owned by foreign owners was mostly concentrated in the Northeast and Northwest of the country, with the core agricultural land having very limited foreign ownership.

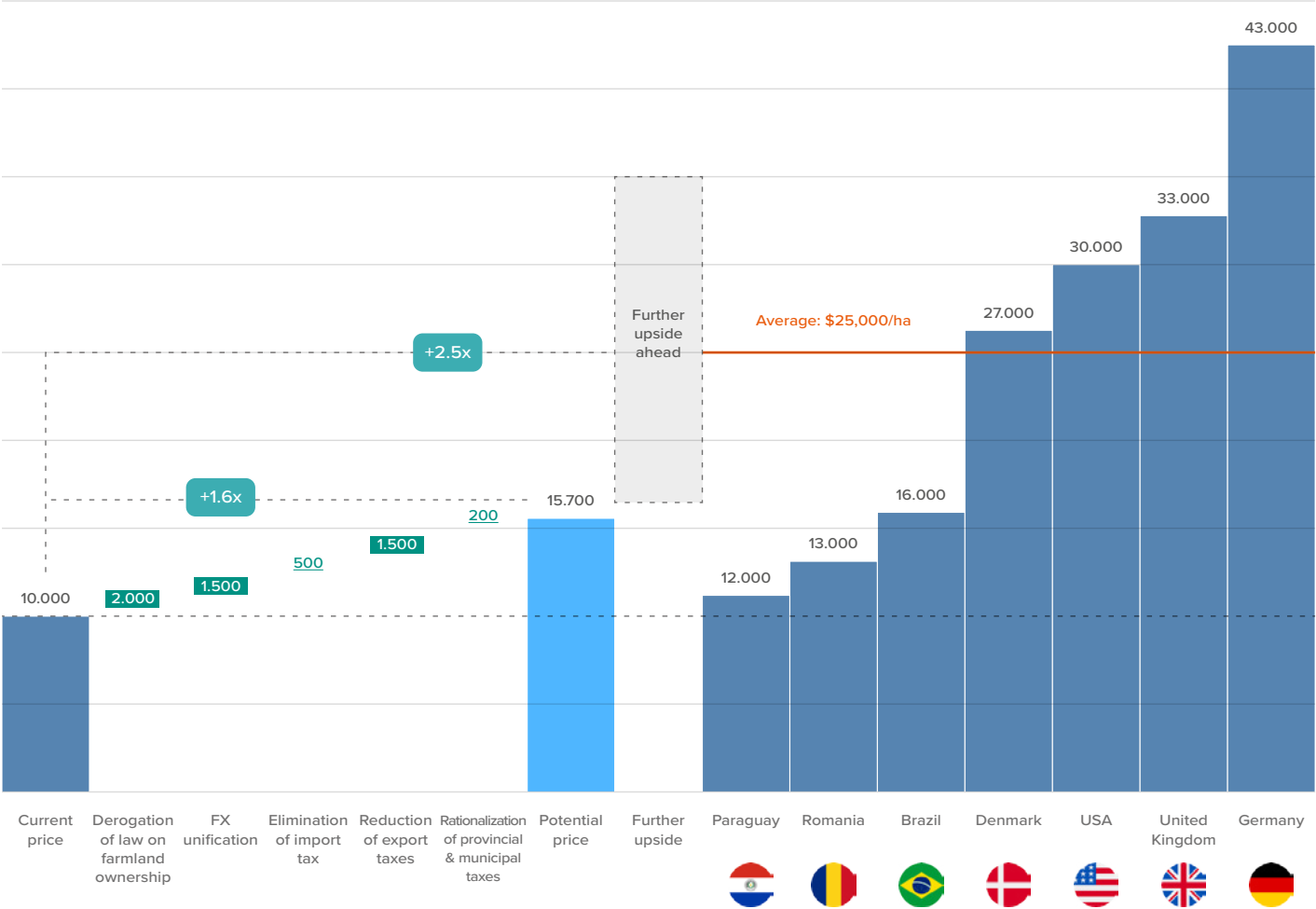
An executive order by President Milei, which went into effect on December 29th, 2023, and which contains multiple decisions on a wide range of topics, repeals the Rural Land Law in its entirety. The Congress has to vote on this executive order or “DNU”:

- Both legislative houses (Senate and House of Representatives) must vote to accept or reject the executive order. The vote is on the entirety of the DNU; it cannot be partially approved or rejected.
- If either house approves it, the executive order stands and has the “force of law.” Conversely, if both houses disapprove, the DNU is void in its entirety, but all acts taken in reliance on the DNU during its effect shall remain valid and binding.
- The Senate has rejected the DNU, and it is expected that the House of Representatives will vote in April 2024.

THERE IS CONSIDERABLE POTENTIAL FOR INCREASED FARMLAND PRICES IN OUR MOST FAVORABLE SCENARIO, ANYWHERE FROM 1.6X TO 2.5X

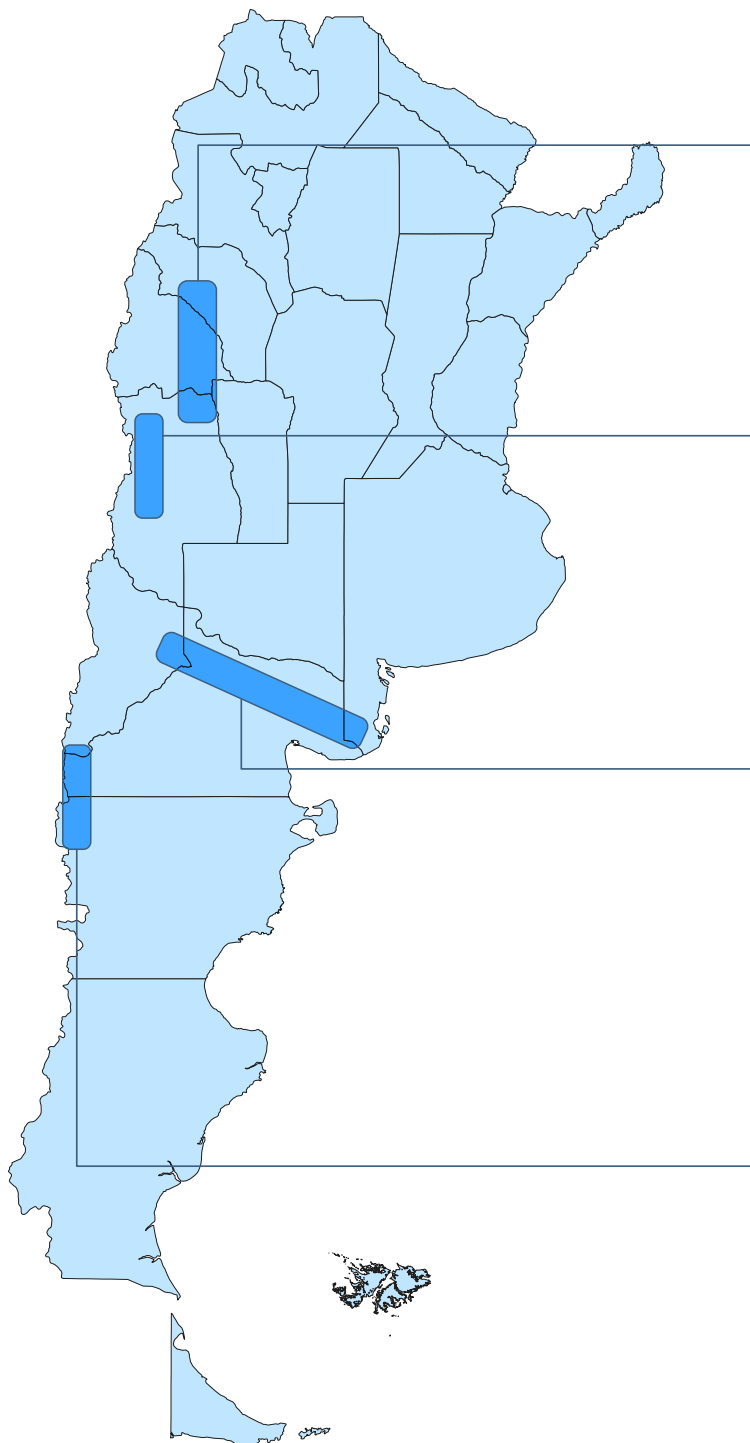
Current price and potential appreciation of farmland in Argentina – Example of Central-West farm in Buenos Aires (as of April 2024, US\$/Ha, estimated potential impact on government measures on a five-year timeframe)*.

For illustrative purposes only



For other countries, prices are based on broad average estimates of prime arable land prices in 2023 (\$12,000/ha in Paraguay, €12,000/ha in Romania, BR\$80,000/ha in Brazil, €25,000/ha in Denmark, \$12,000/acre in the U.S., £26,000/ha in UK, and €40,000/ha in Germany).

INVESTORS CAN ALSO CONSIDER FARMLAND OPPORTUNITIES IN OTHER GEOGRAPHIES ACROSS ARGENTINA



SAN JUAN & LA RIOJA

- This is a traditional area for vineyards and olives, thanks to its semiarid, continental climate.
- The region also grows different nuts and other fruits and vegetables with irrigation.

MENDOZA

- Famous for its vineyards overlooking the Andean mountains.
- Opportunities also exist for walnuts, stone fruits, and olives. All irrigated.
- Increasingly demanded for lifestyle investments.

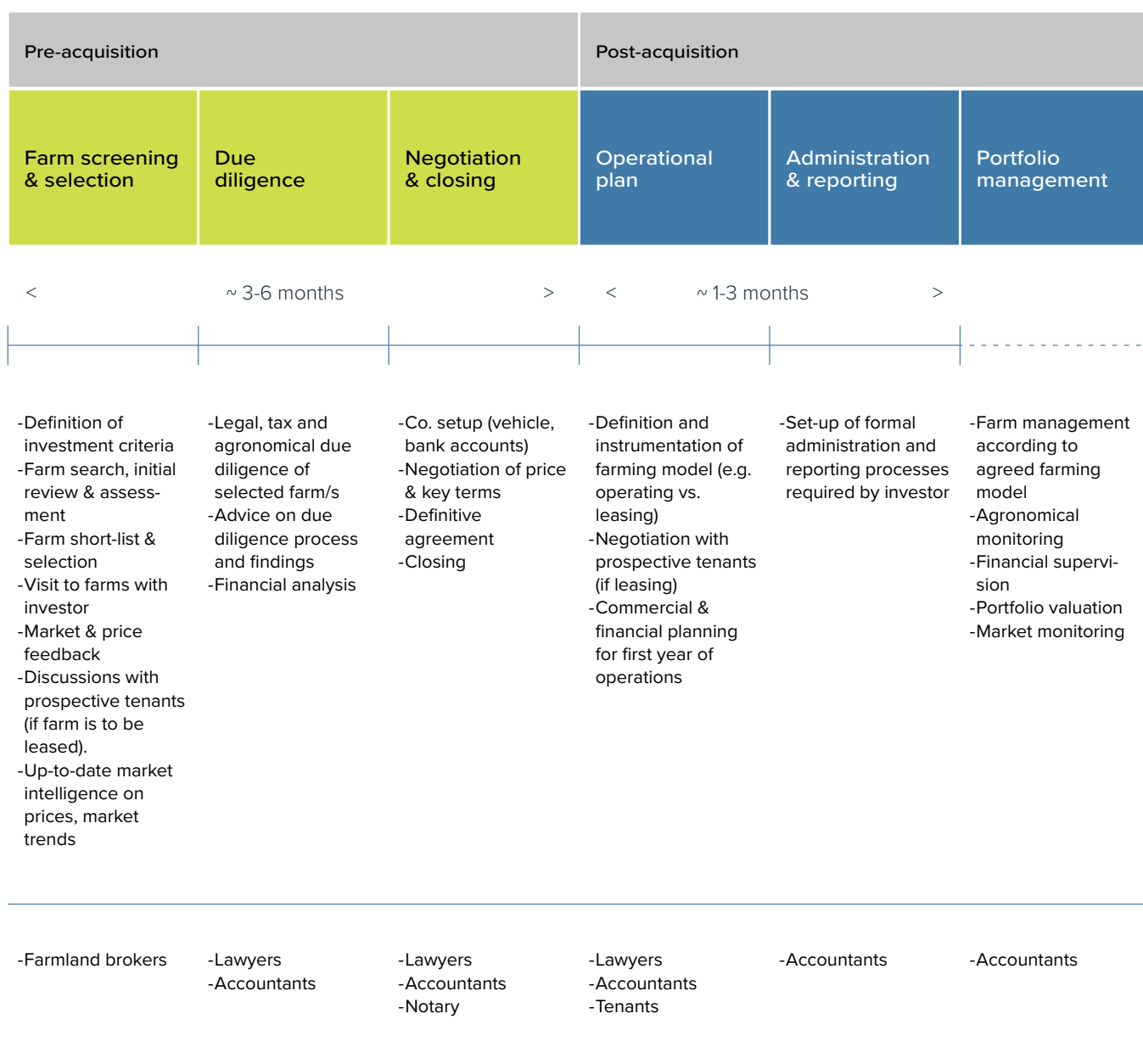
RIO NEGRO VALLEY

- The Rio Negro Valley enjoys conducive climate conditions and abundant freshwater resources to grow and irrigate a variety of crops.
- Cherries, walnuts, and hazelnuts are among the most attractive crops.
- The valley is also a growing area for alfalfa and cereal production.

PATAGONIA

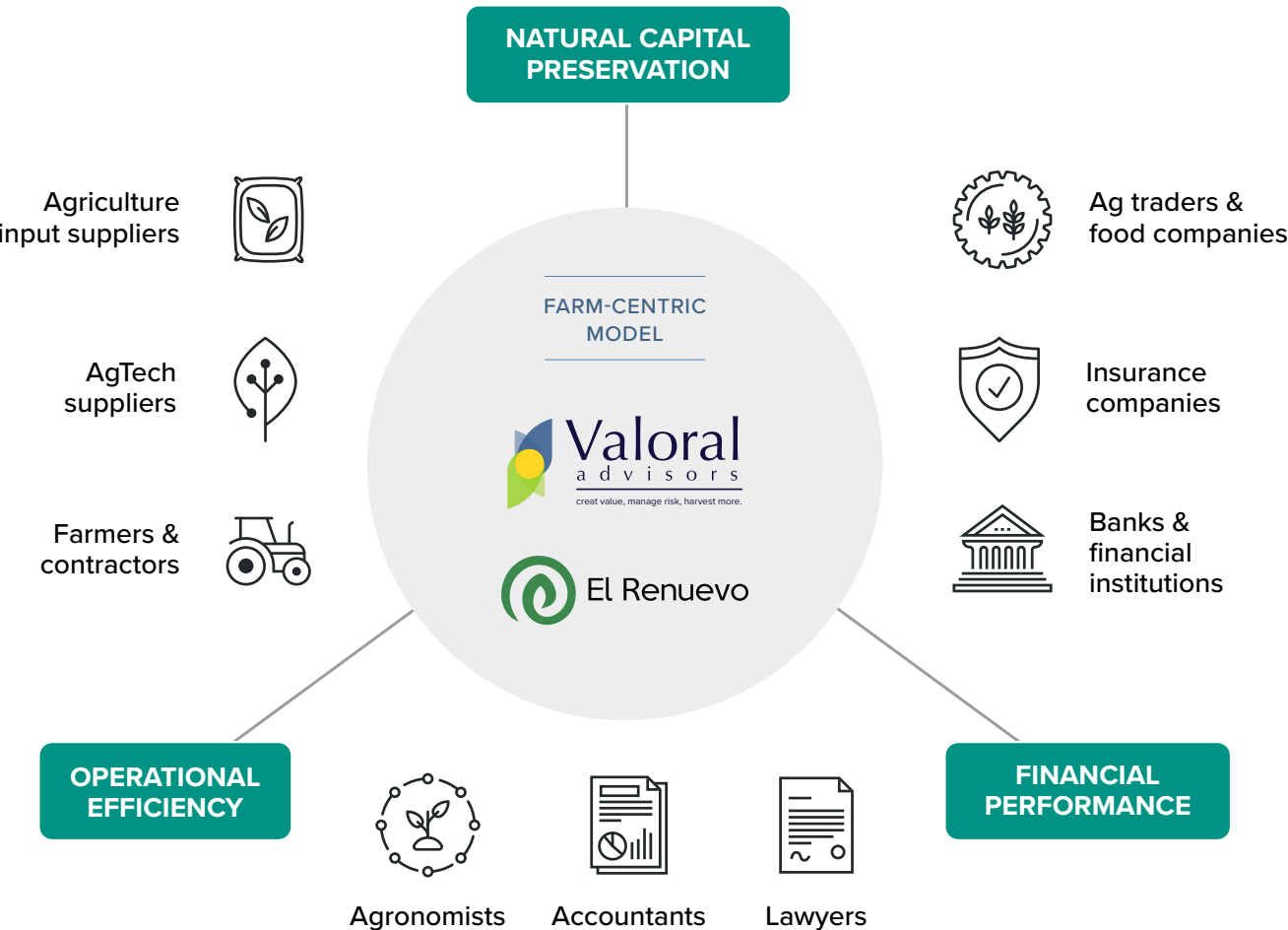
- The Patagonian region, nestled alongside the majestic Andean mountains, spans hundreds of kilometers. Its awe-inspiring landscapes seamlessly blend prairies, lakes, and mountains within a pristine natural setting.
- Opportunities are centered around lifestyle farms for recreational purposes.

VALORAL ADVISORS AND EL RENUEVO OFFER A COMPREHENSIVE SOLUTION FOR FOREIGN INVESTORS WILLING TO ACQUIRE AND OWN FARMS IN THE COUNTRY



WE MANAGE A UNIQUE NETWORK OF PARTNERS AND SERVICE PROVIDERS THAT CREATE A SEAMLESS ECOSYSTEM AT YOUR SERVICE

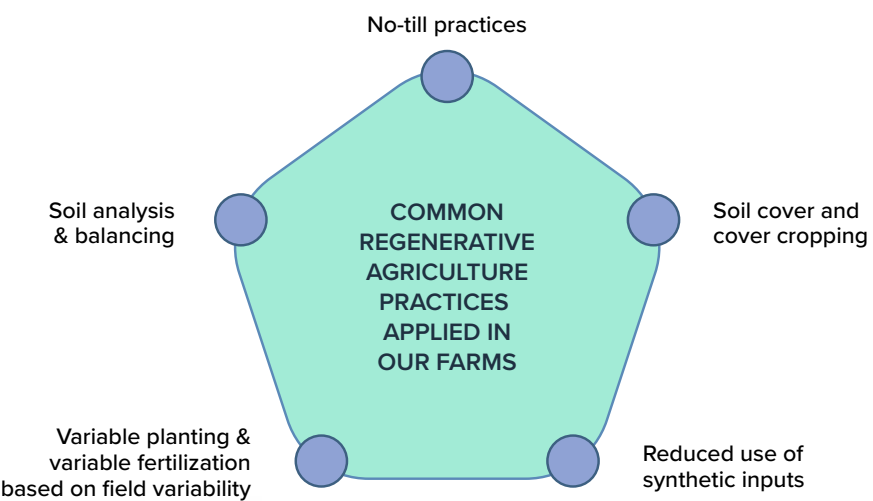
Valoral Advisors and El Renuevo bring together a wealth of experience in advising investors and managing their farmland investments in Argentina. Our collaborative efforts ensure seamless operation and coordination, leveraging a comprehensive network of partners and service providers. Our goal is to optimize operational efficiency and deliver outstanding financial performance, all while safeguarding and enhancing your investment in natural capital.



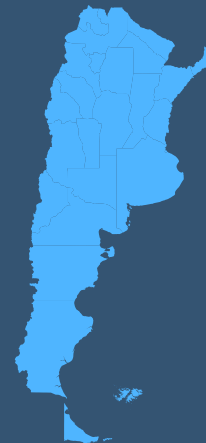
WE ARE GOOD STEWARDS OF YOUR LAND, APPLYING A SUITE OF REGENERATIVE FARMING PRACTICES TAILORED TO THE SPECIFIC CONDITIONS OF EACH FARM

Based on the specific context of each farm, we always strive to follow and apply regenerative agriculture practices, an outcome-based farming approach that protects and improves soil health, biodiversity, climate, and water resources while supporting farming business development.

In the central agricultural region of Argentina, our focus is on minimizing soil disturbance and achieving permanent soil cover. We aim to rebuild soil organic matter and improve soil biodiversity. These practices improve the soil's structure and nutritional profile and retain more humidity, with a direct impact on crop development.



WE INVITE YOU ON A FARM TOUR ACROSS THE CENTRAL AGRICULTURAL REGION IN ARGENTINA



Valoral Advisors and El Renuevo organize farm tours for investors keen on gaining firsthand insights into the attributes of farmland assets in the country, as well as the management practices employed on farms. When you join a farm tour, you can expect to:

- Visit several farms showcasing different agriculture environments and farming conditions.
- Meet local farmers and farming groups who own and operate a wide spectrum of farms in the country.
- Engage in conversations with leaders and representatives of the local food and agriculture industry.
- Meet specialized local service providers, including law and accounting firms, to understand the investment process and main investment considerations.
- Enjoy the local hospitality with the opportunity to attend a range of social activities.



El Renuevo, founded by Luis Dillon and Santiago Gutiérrez Cantilo, started operations in 1993 and rapidly became one of the leading farm management companies in Argentina. It brought innovation and professionalization to the farming sector.

Today, El Renuevo has an unrivaled footprint in the local food and agriculture sector, managing a significant farmland portfolio for local families and foreign investors.



Over 30 years of farm management activities in Argentina



Team of 35 collaborators, including 15 agronomists



Over 140 farms managed in Argentina with an area in excess of 200,000 hectares



Activities in 11 of 24 jurisdictions across the country

VALORAL ADVISORS: BORN AND RAISED IN LUXEMBOURG, WITH A GLOBAL REACH

WWW.VALORAL.COM

Valoral Advisors is an internationally recognized advisory Firm specializing in the global food and agriculture investment space. We work with fund managers, private and institutional investors, and business owners to help them invest profitably while fostering a better agriculture - more productive, efficient, and sustainable -.

Since 2010, we have supported clients in a wide range of food and agriculture investment opportunities in over 40 countries.

Founded in
Luxembourg
in 2010

70+ clients
from 25 countries

Leading source
for food & ag
investment
intelligence

Network of 20,000+
professionals in the food
& ag sector

Tracking of 960+ food
and agriculture funds
with \$150b+ AuM

1.0+ Million hectares
of farmland assets
assessed worldwide

Support in food &
ag PE transactions

Mapping of 10,000+
AgriFoodTech startups
worldwide

**We invite you to contact
us to speak further about
the opportunities to
invest in our sector.**



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