



Food and Agriculture
Organization of the
United Nations



Hand-in-Hand
Initiative



SOCIAL, ENVIRONMENTAL AND ECONOMIC TRANSFORMATION OF DAIRY FARMING IN COLOMBIA:

Investment opportunities for sustainable
development in vulnerable territories.

Investment Forum | Rome, Italy
| October 17-20, 2023



Colombia

Section 1: Agricultural Sector Overview

Pillar of the Colombian economy



The agri-food sector contributes **14% of national GDP** (Uniandes, 2021)



15% of national employment (DANE, 2022)

Challenges



Territorial disparities: **31 %** multidimensional poverty in rural areas and **11.5%** in urban areas. (DANE, 2022).



All people should have an adequate and healthy diet: **35% Moderate/severe food insecurity**, (DANE 2023)



Peace: Transforming conflict dynamics and proposing alternatives to illegal economies



Global demand for more nutrient-rich foods: fruits, vegetables, meats and dairy products

Opportunities



Colombia is a **food power**



Diverse agro-climatic and cultural conditions for producing a wide variety of foods



There are commitments to reduce the sector's carbon footprint and productive reconversion.

40 million hectares of agricultural frontier, but only 8 million are cultivated.

There is a potential to structure a significant volume of value-added dairy products.

AGENDA



1

SECTION 1

Agricultural Sector Overview

2

SECTION 2

The investment climate

3

SECTION 3

Colombia, a world agri-food power: The dairy sector

4

SECTION 4

Investment Note

5

SUPPORT

A commitment to sustainable dairy production

Section 1.1: Agricultural Sector Overview



National Development
Plan
2022 - 2026



Agricultura
Priorities for the Ministry of
Agriculture and Rural
Development



Peace Agreement
Integral Rural Reform



Agencia de Renovación
del Territorio - **ART**
Incentives for private companies:
Works for Taxes



PROCOLOMBIA
EXPORTACIONES TURISMO INVERSIÓN MARCA PAÍS
National Competitiveness and Productivity
Policy



Alignment with national
priorities to promote the
agricultural sector and
sustainable development.



OECD
Rural Policy Review of Colombia
OECD, 2022

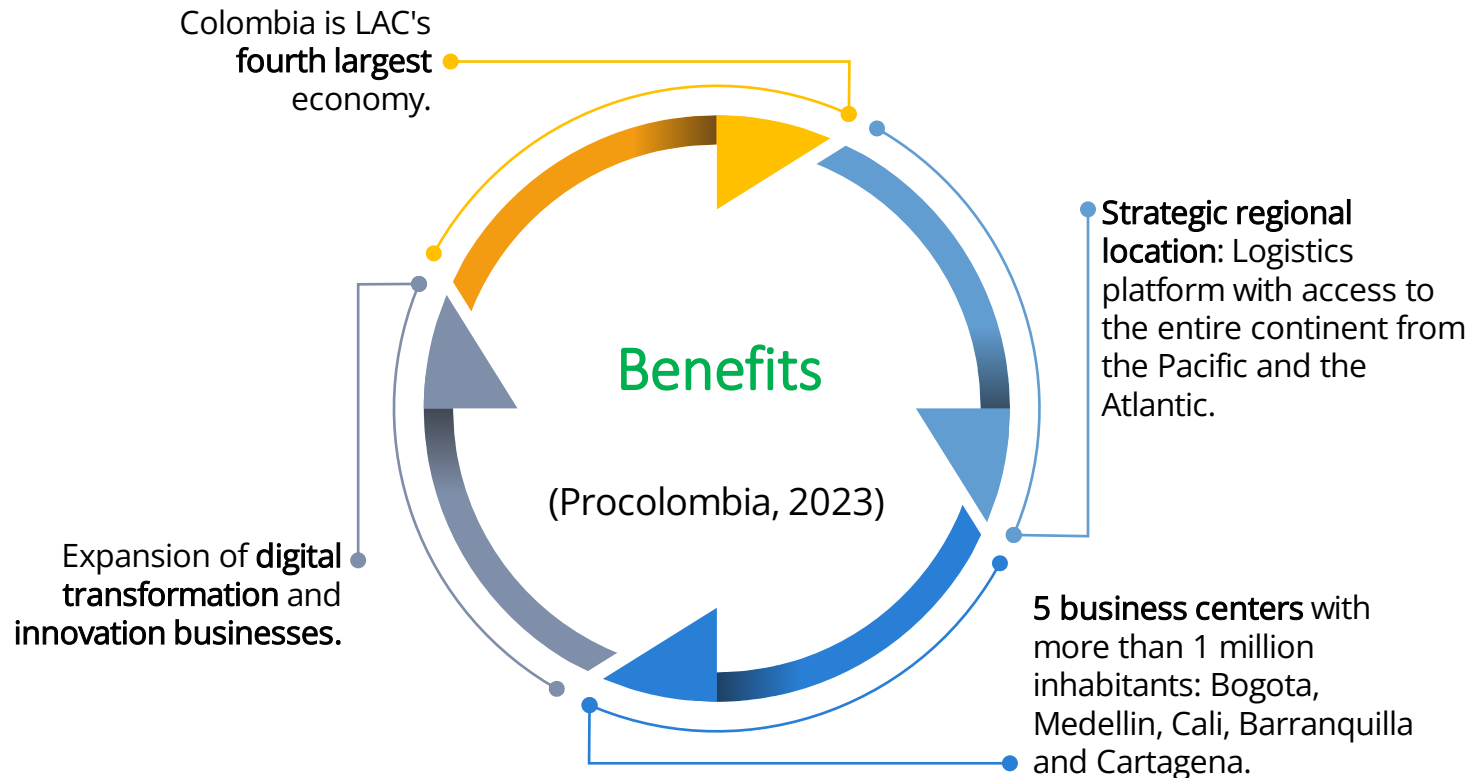
Section 2: The investment climate

Reasons to Invest In Colombia

A market with 52 million potential consumers.

5.800 companies dedicated to food and agricultural products.

Knowledge of consumption patterns and distribution networks

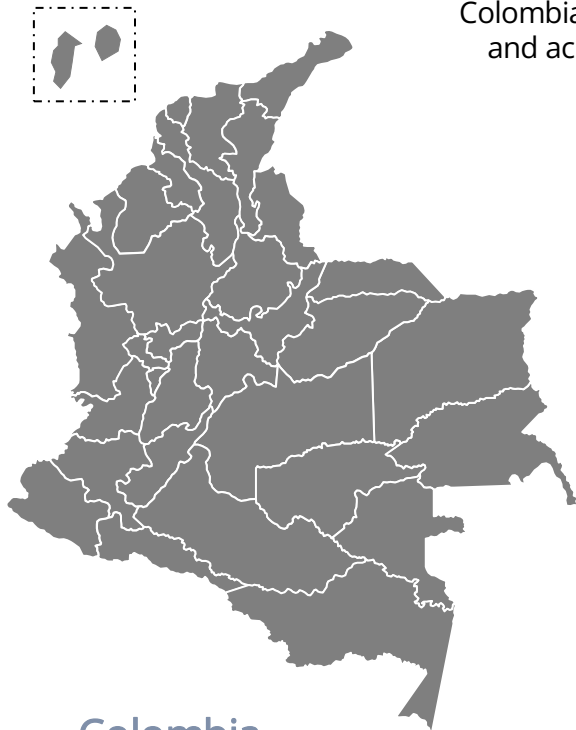


Investment Promotion - Legal Incentives

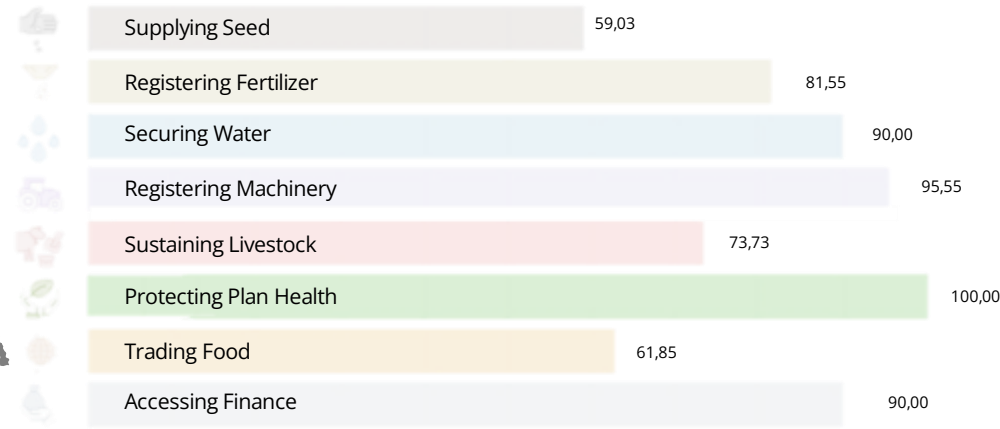


Section 2.1: The investment climate

Enabling the Business of Agriculture Indicators For Colombia



Colombia achieved a high score by combining sound plant health and access to finance rules with effective water management regulations.



Colombia
81,53

Argentina
76,00

Brazil
75,25

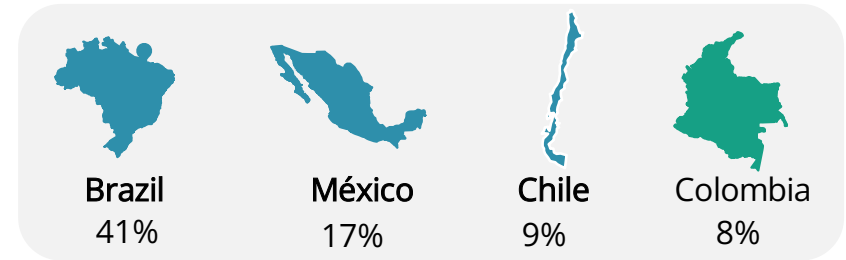
Mexico
69,46

Chile
66,19

Fuente: Enabling the Business of Agriculture, 2019

Foreign Direct Investment

In 2022: **USD\$224.579 Million** entered LAC
 FDI in LAC increased by **55,2%**, reaching its highest value in history



Fuente: CEPAL, Inform IED in LAC, 2023

Investment Grade 2023		
Raters	Rating	Perspective
Fitch Ratings	BB+	Stable
S&P Global	BB+	
Moody's	Baa2	



The financial stress in developed economies has not directly affected the Colombian financial system



Fuente: Financial stability report, BR, 2023

Section 3: Colombia, a world agri-food power



Country commitment: Productive Management of the Dairy Chain

The strategy of the Ministry of Agriculture and Rural Development in the dairy industry is aimed at:

Bringing the dairy production sector to the levels and standards of large producers in the region.

Generating productive bets that add value and improve the competitiveness of the sector.

Increasing Colombia's net export rate.

Increasing consumption from 154 to 170 liters per capita.

strengthening the productivity of farming families.

Budget in the
Production
Management
Plan 2043:

COP\$2.7
billion



Ministerio de
Agricultura y
Desarrollo Rural

Prioritization:

Southwest
of the country

Section 3.1: The importance of the Dairy Chain in Colombia

Important subsector for the national economy

- ✓ 36.7% Livestock GDP
- ✓ 700,000 direct Jobs
- ✓ 70 % of the national agricultural frontier has dairy aptitude (UPRA, 2023)



Colombia is the fourth largest milk producer in Latin America after Brazil, Argentina and Mexico.

- ✓ Produced 7,251 million lt/year in 2022,, is competitive in production costs Entre enero y marzo de 2023,
- ✓ Between January and March 2023, exports grew 126% year-on-year, with a value of US\$8.3 million (Fedegan, 2023).
- ✓ In the same period, imports decreased by 7.9% with a value of US\$86.4 million (Fedegan, 2023).



Dairy production chain seeks to generate greater productivity and competitiveness

- ✓ Average production of 6.36 l/cow/day (Uruguay 7.95; Argentina 18.6 l/cow/day) (FAO, 2022).
- ✓ Colombian milk is recognized for its quality, with protein and fat levels higher than New Zealand, Germany, Switzerland, Canada and USA (Procolombia, 2023).



Sustainability challenges

1. Intensify dairy production through sustainable production models.



2. Decrease GHG Emissions and increase carbon sinks



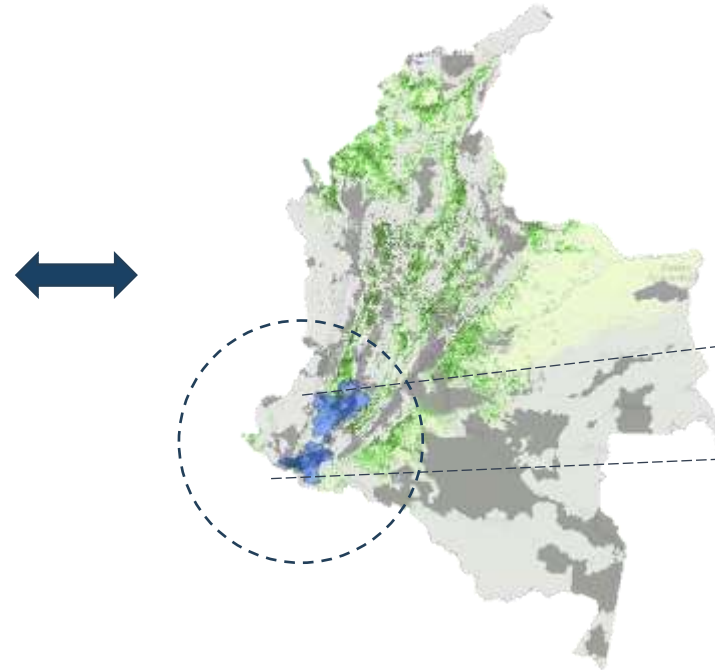
3. Promote the conservation of ecosystems and encourage sustainable productive landscapes.

Section 4: Investment Note - Potential of prioritized departments

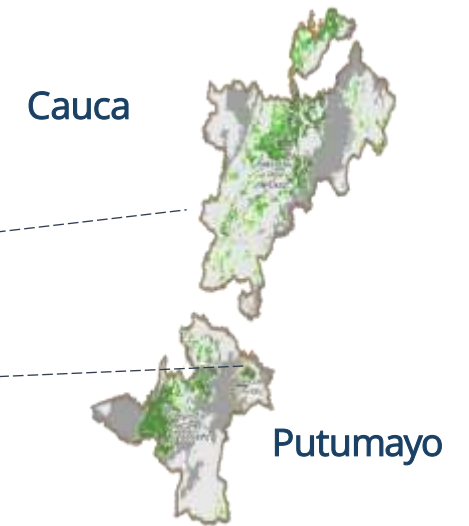
Colombia - Typology of the dairy sector



Colombia - Dairy Production Suitability Zoning (Upra, 2023))



Southwestern Region Zoning



CHARACTERIZATION OF THE DAIRY SECTOR IN CAUCA AND PUTUMAYO

Livestock farms and productivity

> 13.867 livestock farms

- > 64% Small - 6,3 lt/vaca/día
- > 24% Med-sized - 15 lt/vaca/día
- > 7.7% Large - 18 lt/vaca/día

> 96,355 cows - 60% are of production age.

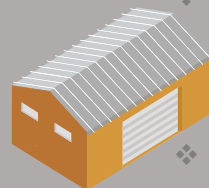


Milk collection and marketing

❖ In 2019 the formal collection was 91,785 lt/day.

❖ In 2023 (June) it was reduced to 25,388 lt/day - (USP-MADR)

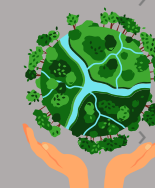
❖ Currently, there is an estimated 90% informal marketing in the area.



Ecosystems

> Cattle ranching in areas of environmental and water importance (paramos).

> Deforestation processes, soil degradation, etc.



Section 4: Investment Note - Potential of prioritized departments

PUBLIC-PRIVATE PARTNERSHIP - INTERNATIONAL COOPERATION



Resilient, sustainable and low-carbon rural development project for the dairy chain in the department of Cauca.

Scope of the Cauca Dairy Network Project

4 Municipalities
Department of Cauca

US\$ 1.5M
Appeal by the
Embassy of Sweden

400
Beneficiaries



Objective:

Improving sustainable production in the dairy sector in Cauca

- Articulation of key actors in the territory
- Implementation of a concerted scalable sustainable production model.
- Environmental management with a focus on connectivity
- Increased productivity and milk quality
- Associative and commercial strengthening
- Empowerment of women, youth and indigenous communities

Section 4.1: Investment Note - Colombia

SOCIAL, ENVIRONMENTAL AND ECONOMIC TRANSFORMATION OF DAIRY FARMING IN COLOMBIA

Objective

Promote the social, economic and environmental transformation of dairy farming in Colombia, meeting the strategic development objectives of the dairy chain in targeted territories of the southwestern dairy region of Colombia.

Scope of the Investment Note HiH

Location

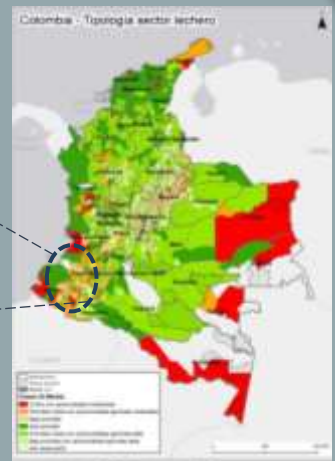
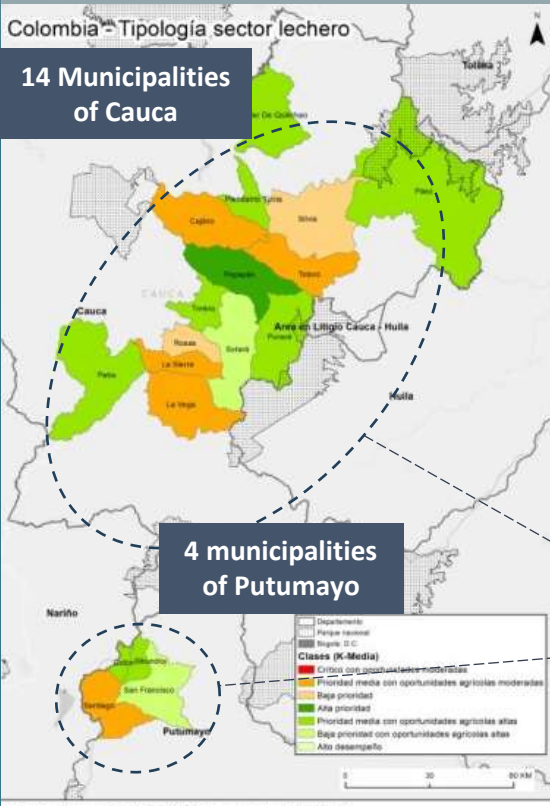
18 municipalities prioritized in the departments of Cauca and Putumayo
Southwestern Dairy Basin

Resources to manage

US\$34.9M

Beneficiaries

8.000



Section 4.2: Livestock reconversion investment



Value chain

Investment components

Primary production

Milk collection

Processing and marketing

1

Environmental management

2

Productivity and competitiveness

3

Associative collection of small producers

4

Dairy processing and development of regional products

US\$ 10,6 million

Sustainable livestock production systems

US\$ 2,4 million

20 collection centers

8.000 beneficiaries

US\$ 21,9 million

3 Processing plants

Total investment: US\$ 34,9 Million

Section 4.2: Investment and expected results

1 Environmental management Component

Intervention

Expected Results

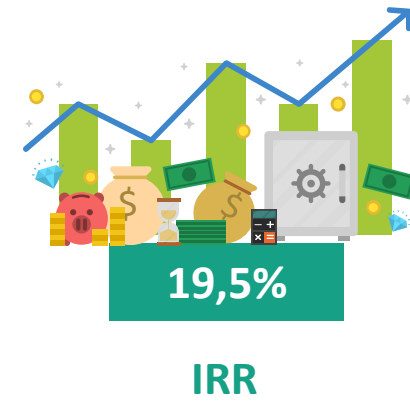
- > 2.2 M tCO₂eq captured by 2043 (based on EX-ACT modeling, 2023)
- > Reduced production costs in the medium and long term

Management Areas

- > Water quality
- > Propagation of plant material
- > Bioinput production

Investment Items

- > 2000 Silvopastoral systems
- > Water storage tanks
- > Community nurseries

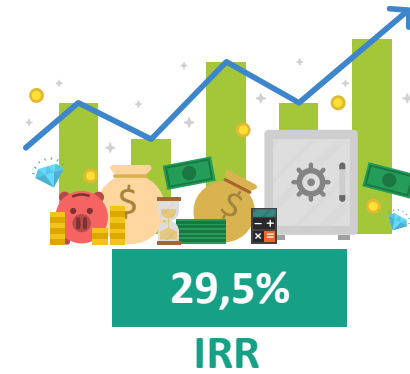
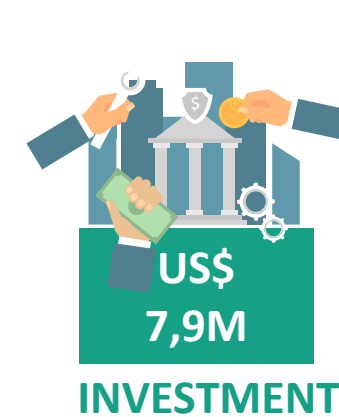


Section 4.2: Investment and expected results

2 Productivity and competitiveness Component

Intervention

- Expected Results
 - 66% Increase in productivity (lt/cow/day)
 - GFP for animal production implemented
- Management Areas
 - Genetic improvement
 - Animal welfare
 - Food preservation
 - Good Practices
- Investment Items
 - Best practices infrastructure

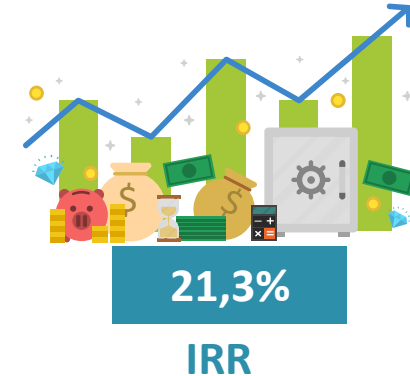
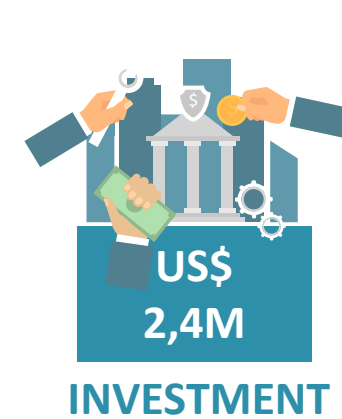


Section 4.2: Investment and expected results

3 Associative collection of small producers Component

Intervention

- Expected Results → Increase in formal marketing
- Management Areas → Strengthening associativity and participation
Milk quality control
- Investment Items → 20 collection centers strengthened



Section 4.2: Investment and expected results

4

Component Processing and marketing

Intervention

Expected Results

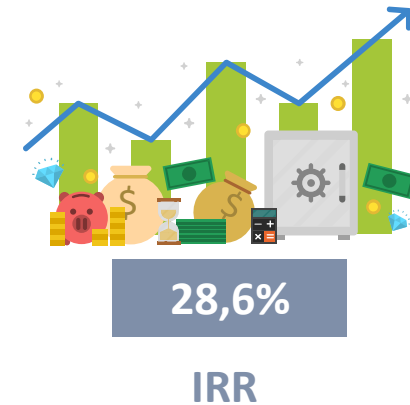
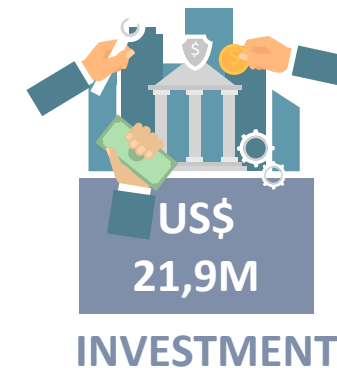
- › Increased household income
- › 5 New dairy products developed
- › Local and regional market supply

Management Areas

- › Dairy product processing infrastructure
- › Development of products with regional identity
- › Quality management

Investment Items

- › 3 new dairy processing plants



Section 4.2: Summary of investments and expected results

1. Environmental management

- Water quality
- Propagation of plant material
 - Bioinput production



2. Productivity and competitiveness

- Genetic improvement
- Animal welfare
- Food preservation
- Good Practices



4. Processing and marketing

- Dairy product processing infrastructure
- Development of products with regional identity
 - Quality management



3. Associative collection of small producers

- Strengthening associativity and participation
- Milk quality control



Summary	
US\$34,9M Total investment	
28,2% Average IRR	
USD\$52,5 M Total NPV	
2,2 B/C	
2.000 Direct beneficiaries	6.000 Indirect beneficiaries
2,2 M tCO2eq captured by 2043	
47,4% Increase in per capita income	