



Food and Agriculture
Organization of the
United Nations



Iniciativa
Mano de la mano



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

Investment opportunities for sustainable
development in vulnerable territories.



Ministerio de
**Agricultura y
Desarrollo Rural**

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

Colombia

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

ENABLING ENVIRONMENT

A commitment to sustainable dairy production

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)



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.

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.



Rural Policy Review of Colombia
OECD, 2022

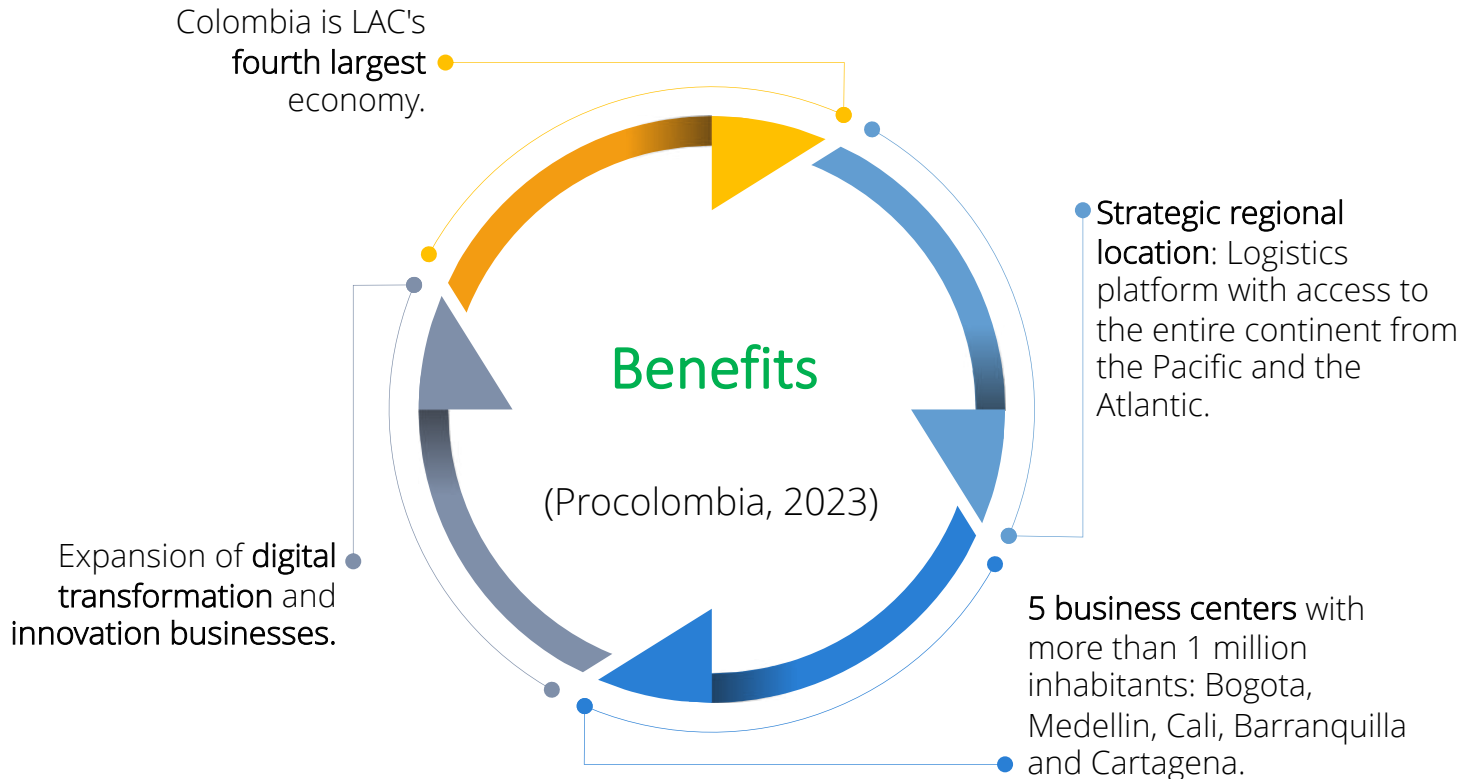
Reasons to Invest In Colombia

A market with 52 million potential consumers.

5.800 companies dedicated to food and agricultural products.

Knowledge of consumption patterns and distribution networks

Colombia is LAC's fourth largest economy.



Investment Promotion - Legal Incentives

The Political Constitution guarantees equal treatment for foreign and domestic investment (Procolombia, 2023).

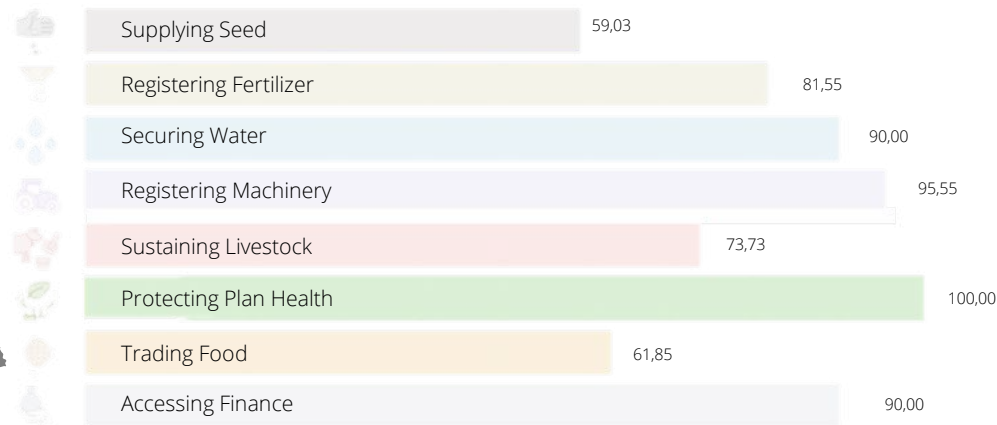
Free trade zones: import of inputs under special customs regime (Procolombia, 2023).

Some agricultural services exempted from the sales tax (Ley 2010 de 2019)

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

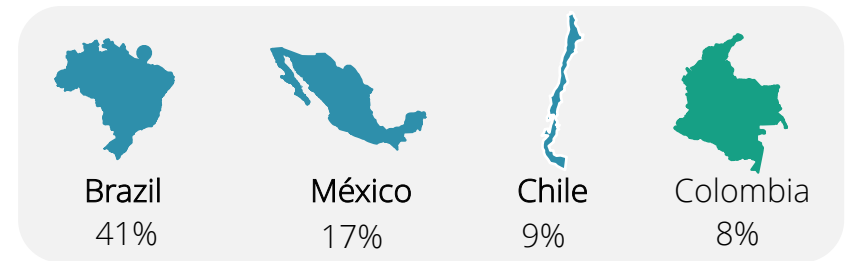


Chile

66,19

Foreign Direct Investment

In 2022:



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



Section 3: Colombia, a world agri-food power

Country commitment: Productive Management of the Dairy Chain



Budget in the
Production
Management
Plan 2043:

COP\$2.7
billion



Ministerio de
Agricultura y
Desarrollo Rural

Public-Private Partnerships
to accelerate the
industrialization of the dairy
sector

Prioritization:

Southwest of
the country

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.



The importance of the Dairy Chain in Colombia

Important subsector for the national economy

- ✓ 2.3% National GDP - 24.3% Agricultural and 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.

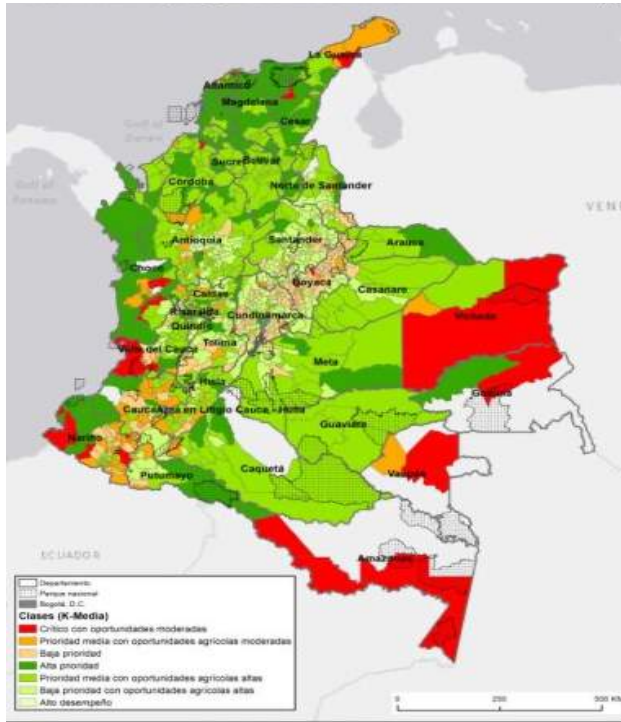


- › 2. Decrease GHG Emissions and increase carbon sinks

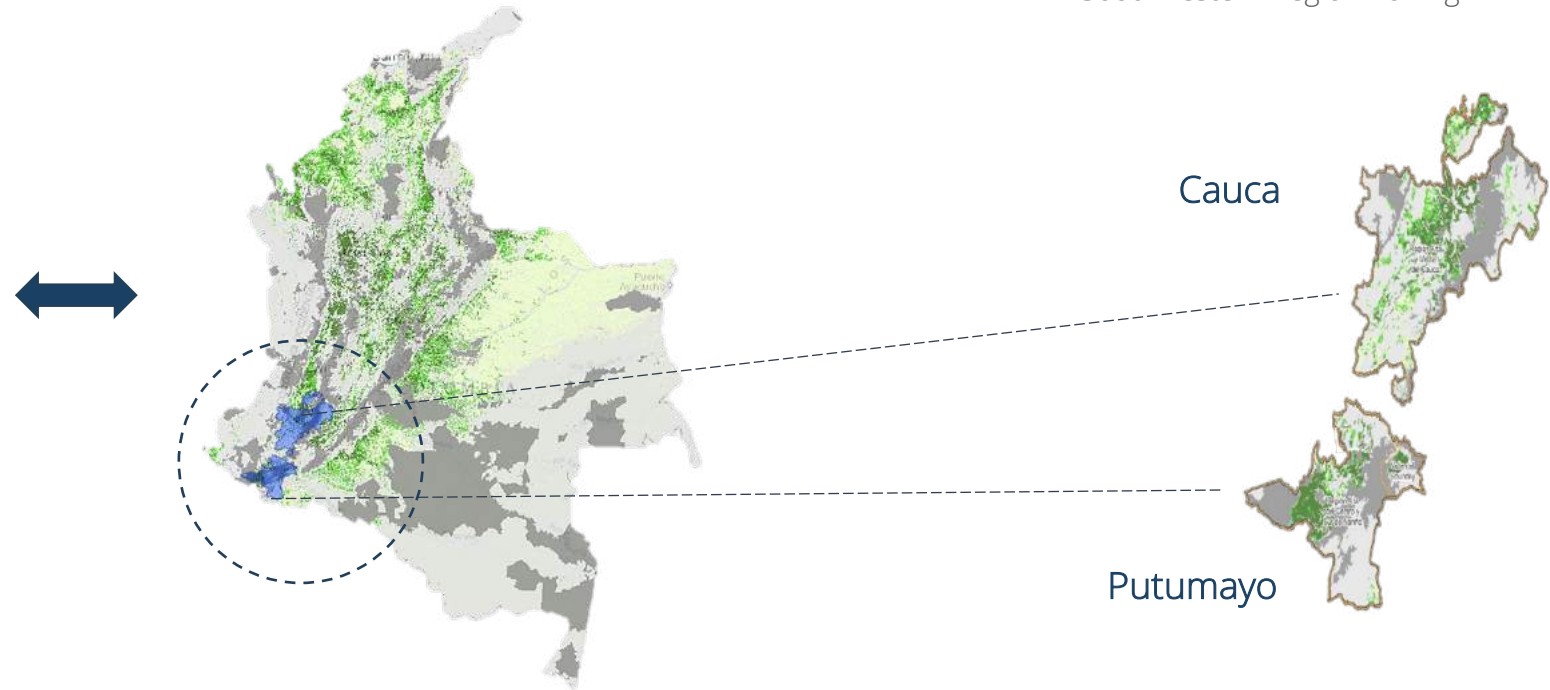


- › 3. Promote the conservation of ecosystems and encourage sustainable productive landscapes.

Colombia - Typology of the dairy sector



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



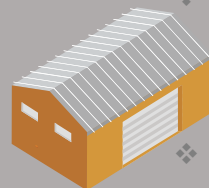
CHARACTERIZATION OF THE DAIRY SECTOR IN CAUCA AND PUTUMAYO

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.

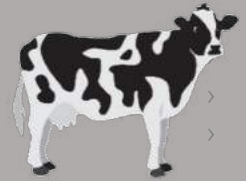
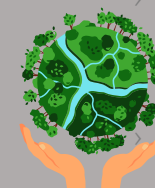
❖ In 2023 (June) it was reduced to 25,388 lt/day - (USP-MADR)

❖ 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.



SOCIAL, ENVIRONMENTAL AND ECONOMIC TRANSFORMATION OF DAIRY FARMING IN COLOMBIA

Goals

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

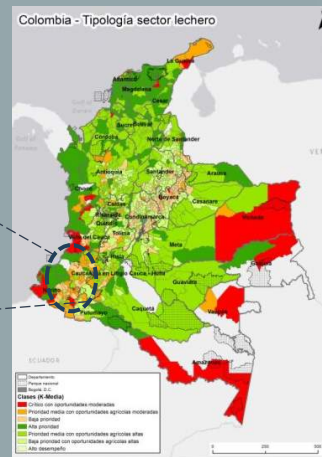
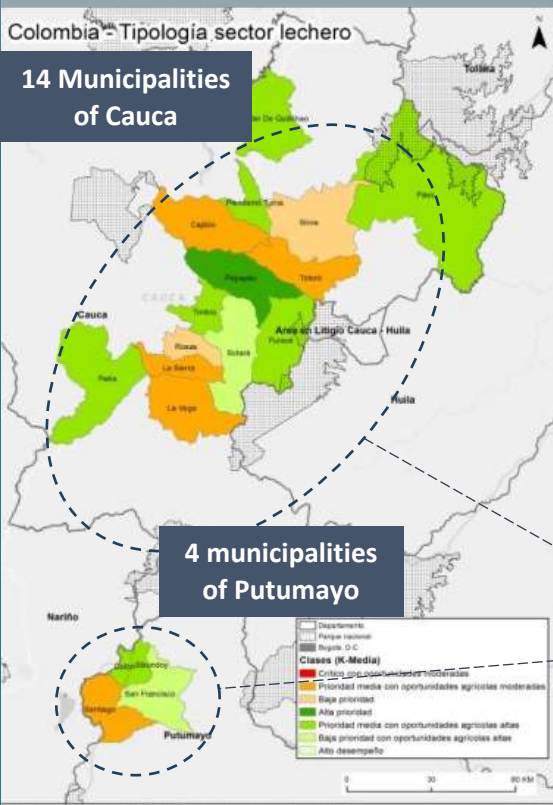
18 municipalities prioritized in the departments of Cauca and Putumayo
Southwestern Dairy Basin

Resources to manage

US\$34.9M

Beneficiaries

8.000



Livestock reconversion investment program

Value chain



Primary production

1

Environmental management

2

Productivity and competitiveness

US\$ 10,6 million

Sustainable livestock production systems

Milk collection

3

Associative collection of small producers

US\$ 2,4 million

20 collection centers

8.000 beneficiaries

Processing and marketing

4

Dairy processing and development of regional products

US\$ 21,9 million

5 Processing plants

Total investment: US\$ 34,9 Million

Investment components

Section 4: 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

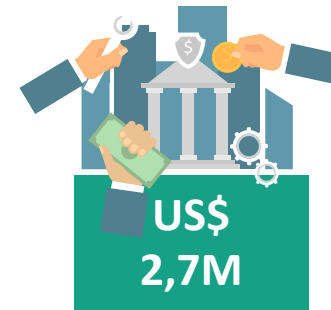


- › Water quality
- › Propagation of plant material
- › Bioinput production

Investment Items



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



INVESTMENT



IRR



NPV



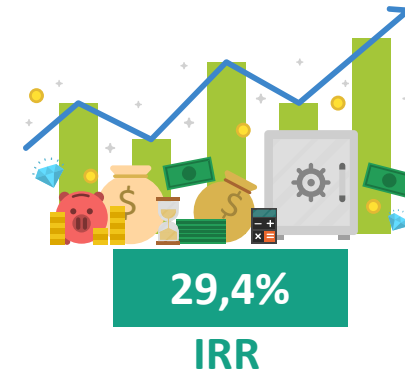
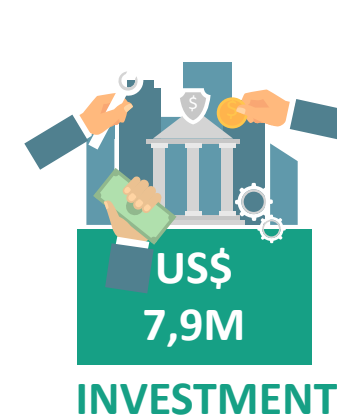
B/C

Section 4: Investment and expected results

2 Productivity and competitiveness Component

Intervention

- Expected Results
 - 72% 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

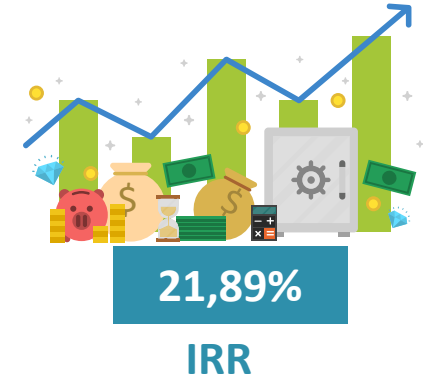


Section 4: Investment and expected results

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: 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

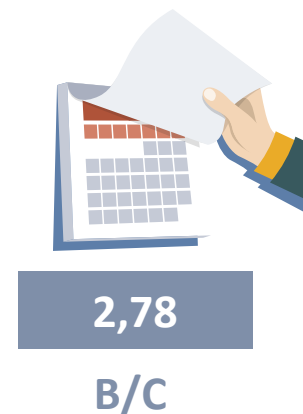
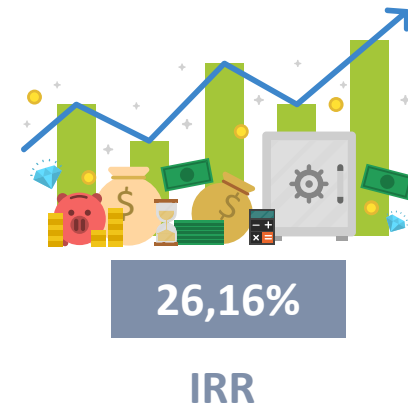
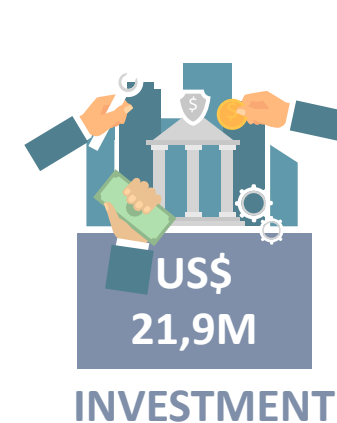


- › Dairy product processing infrastructure
- › Development of products with regional identity
- › Quality management

Investment Items



- › 3 new dairy processing plants
- › 2 strengthened production plants



Section 3.4: Summary of investments and expected results

01

Agroecosystem management

Water quality
Propagation of plant material
Bioinput production

Inversión

US\$2,7M

02

Productivity and competitiveness

Genetic improvement
Animal welfare
Food preservation
Good Practices

Inversión

US\$7,9M

03

Associative collection of small producers

Strengthening associativity and participation
Milk quality control

Inversión

US\$2,4M

04

Processing and marketing

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

Inversión

US\$21,9M

Resumen

US\$34.9M

Total investment

24,09%

Average IRR

8.000

Beneficiaries

170%

Increase in per capita
income

2.2 M tCO₂eq

captured by 2043

Section 4.2. Enabling Environment

PUBLIC-PRIVATE PARTNERSHIP - INTERNATIONAL COOPERATION



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



Goal:

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

Scope of the Cauca Dairy Network Project

4 Municipalities
Department of Cauca

US\$ 1.5M
Appeal by the
Embassy of Sweden

400
Beneficiaries



Food and Agriculture
Organization of the
United Nations



Iniciativa
Mano de la mano



Thank you

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



Ministerio de
**Agricultura y
Desarrollo Rural**

Colombia