

# FAQ Oranges is Paraguay

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# 1. Legal

## 1.1 Company structure

What does the company structure look like?

The Agri Terra Group consists of 14 independent companies (as of May 2020). It specializes in agricultural investments and agricultural projects and enables private and institutional investors to gain access to highly profitable, long-term and often insured investment projects in central South America under German contract law with a consciously personally liable shareholder.

Agri Terra KG, Germany, is the parent company and the headquarters.

Agri Terra S.A., Paraguay is the Paraguay parent company and is the extension of Agri Terra KG.

CitriPar S.A., Paraguay is the management company for the orange and citrus plantations and HortiPar S.A., Paraguay is the management company for the greenhouses.

CitriPar S.A., Paraguay, and HortiPar S.A., Paraguay, are under the control of Agri Terra S.A., Paraguay. All the companies are under the umbrella of Agri Terra KG, the headquarters.

Paraguay AG Invest (located in Panama City, Panama) is the global English marketing company for Agri Terra KG, Germany.

Agri Terra Panama S.A. holds private real estate in Panama.

## 1.2 Land registry

How long does it take to have the lot registered?

The whole titling process of registration and notarization usually takes up to 18 months which is a normal timeline for title process in Paraguay to receive the final title.

In the contract, the investor authorizes the company to notarize the purchase and register the lot in his name with the land registry.

The investor will then receive the title deeds, registry entry, and other ownership documents by courier.

Agri Terra KG reviews the status of the process every 120 days.

### **1.3 Taxes**

Who deducts all Paraguayan taxes, so the investor will receive his income net?

Agri Terra S.A., Paraguay pays all the Paraguayan taxes.

### **1.4 Audit**

Who is the leading international auditor of the certification of the annual results?

Audition of the annual results is done by Deloitte.

### **1.5 BAFIN**

What consequences does the BAFIN entry (due to a missing prospectus) have?

An entry at the German BAFIN in 2018 was due to a missing prospectus, so the investment could not be publicly sold in Germany. Therefore German investors are not allowed to invest directly with less than 200'000 Euros.

Multiple German investors in one corporation or entity name, or multiple German investors in one person's name who can come up with at least 200'000 Euros, are allowed to invest.

Meanwhile Agri Terra K.G. has been approved by BAFIN to open a fund for German investors. Once the fund is operated, German investors can buy shares in the fund, but they will not own the land.

Investors from other countries are allowed to invest directly into ½ lot or 1 lot.

## **2. Financials**

### **2.1 Purchase process**

How is the purchase process done?

With the decision to buy a ½ lot or 1 lot the investor provides his personal information as well as a copy of his passport to Paraguay AG Invest. A contract is done for the investor to sign and Agri Terra KG to countersign.

The total purchase price is paid to Agri Terra KG into a separate trust account. The payment is covered by a breach of trust policy by the Zürich insurance group in Germany.

Agri Terra S.A. already owns the plantation. Depending on the time of the purchase some work has already been done on the plantation like preparing the soil and planting the saplings.

The purchased lot is now allocated to the investor and the investment is running. The contract is sent to Paraguay for the land registry which will take up to 18 months.

### **2.2 Payment and payout**

How is payment and payout done?

The total purchase price is paid to Agri Terra KG into a German trust account. They hold it in a separate trust account until the lot is registered in the name of the investor, the purchase documentation sent to the investor and the management company signed the contract. The payment is also covered by a breach of trust policy by the Zürich insurance group in Germany.

All payouts are also done from a German account in US\$ (or Euro if asked for by the investor).

### **2.3 Currency**

Are all financial transactions calculated and paid in US\$ or also in Guarani, the local currency of Paraguay?

All financial transactions and profits are calculated and paid in US\$. Clients can also purchase in Euros, if preferred.

## **2.4 Cost of land**

What portion of the \$35,000 is for the land and what portion is for the implementation?

The entire plantation is purchased ahead of time by Agri Terra S.A., additional cost is created by the purchase of the trees from the nursery in Brazil. Therefore a specific differentiation of costs cannot be done.

The land (lot) itself is not that valuable but the trees and the implementation and maintenance is responsible for most of the cost and the value.

## **2.5 Operating cost**

Why is operating cost from year 3 to year 6 higher and drops in year 7?

The first 6 years are much more time consuming until the trees reach their full size. Therefore the operating cost will be lowered in year 7 in favor of the investor.

## 2.6 ROI

How much ROI can I expect and how is it calculated?

See charts below for ½ lot and 1 lot

### Orange Cultivation in Paraguay (½ lot - \$18,500)

Calculations based on 0.62 acres of land with 160 orange trees

Year	Harvest quantity in kg per tree	Gross harvest proceeds, total	Operating costs	Harvest proceeds after costs	Management (fee 5%)	Pre-tax harvest proceeds	Paraguay Taxes (10%)	ROI payout amount	Annual ROI %
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	70.78	3,534.93	1,040.40	2,494.53	124.73	2,369.80	236.98	2,132.82	11.53
4	70.78	3,605.62	1,061.21	2,544.42	127.22	2,417.20	241.72	2,175.48	11.76
5	83.44	4,335.14	1,082.43	3,252.71	162.64	3,090.07	309.01	2,781.07	15.03
6	91.67	4,857.96	1,104.08	3,753.87	187.69	3,566.18	356.62	3,209.56	17.35
7	129.17	6,982.21	900.93	6,081.28	304.06	5,777.21	577.72	5,199.49	28.11
8	129.17	7,121.85	918.95	6,202.90	310.15	5,892.76	589.28	5,303.48	28.67
9	129.17	7,264.29	937.33	6,326.96	316.35	6,010.61	601.06	5,409.55	29.24
10	129.17	7,409.57	956.07	6,453.50	322.67	6,130.82	613.08	5,517.74	29.83
11	129.17	7,557.77	975.20	6,582.57	329.13	6,253.44	625.34	5,628.10	30.42
12	116.67	6,962.90	994.70	5,968.20	298.41	5,669.79	566.98	5,102.81	27.58
13	116.67	7,102.15	1,014.59	6,087.56	304.38	5,783.18	578.32	5,204.86	28.13
14	116.67	7,244.20	1,034.89	6,209.31	310.47	5,898.85	589.88	5,308.96	28.70
15	100.00	6,333.50	1,055.58	5,277.92	263.90	5,014.02	501.40	4,512.62	24.39
16	100.00	6,460.17	1,076.69	5,383.47	269.17	5,114.30	511.43	4,602.87	24.88
17	100.00	6,589.37	1,098.23	5,491.14	274.56	5,216.59	521.66	4,694.93	25.38
18	83.33	5,600.97	1,120.19	4,480.77	224.04	4,256.73	425.67	3,831.06	20.71
19	83.33	5,712.98	1,142.60	4,570.39	228.52	4,341.87	434.19	3,907.68	21.12
20	79.17	5,535.88	1,165.45	4,370.43	218.52	4,151.91	415.19	3,736.72	20.20
21	75.00	5,349.41	1,188.76	4,160.65	208.03	3,952.62	395.26	3,557.36	19.23
22	75.00	5,456.40	1,212.53	4,243.87	212.19	4,031.67	403.17	3,628.51	19.61
23	66.67	4,947.13	1,236.78	3,710.35	185.52	3,524.83	352.48	3,172.35	17.15
24	66.67	5,046.08	1,261.52	3,784.56	189.23	3,595.33	359.53	3,235.80	17.49
25	66.67	11,580.75	1,286.75	10,294.00	514.70	9,779.30	977.93	8,801.37	47.57
								\$ 100,655	
<b>Total IRR for 25 year investment</b>									<b>17.22%</b>

Assumptions: Calculations based on 0.62 acres of land with 160 orange trees, wholesale price per kg oranges 30 US cents, running time 25 years, the trees will be sold as firewood in the last year for US \$4,000.  
NOT considered: sale of the farmland. Numbers indexed at 2%.

### Orange Cultivation in Paraguay (1 lot - \$35,000)

Calculations based on 1.24 acres of land with 320 orange trees

Year	Harvest quantity in kg per tree	Gross harvest proceeds, total	Operating costs	Harvest proceeds after costs	Management (fee 5%)	Pre-tax harvest proceeds	Paraguay Taxes (10%)	ROI payout amount	Annual ROI %
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	70.78	7,069.85	2,080.80	4,989.05	249.45	4,739.60	473.96	4,265.64	12.19
4	70.78	7,211.25	2,122.42	5,088.83	254.44	4,834.39	483.44	4,350.95	12.43
5	83.44	8,670.28	2,164.86	6,505.42	325.27	6,180.15	618.01	5,562.13	15.89
6	91.67	9,715.91	2,208.16	7,507.75	375.39	7,132.36	713.24	6,419.13	18.34
7	129.17	13,964.41	1,801.86	12,162.55	608.13	11,554.43	1,155.44	10,398.98	29.71
8	129.17	14,243.70	1,837.90	12,405.81	620.29	11,785.51	1,178.55	10,606.96	30.31
9	129.17	14,528.58	1,874.66	12,653.92	632.70	12,021.23	1,202.12	10,819.10	30.91
10	129.17	14,819.15	1,912.15	12,907.00	645.35	12,261.65	1,226.16	11,035.48	31.53
11	129.17	15,115.53	1,950.39	13,165.14	658.26	12,506.88	1,250.69	11,256.19	32.16
12	116.67	13,925.79	1,989.40	11,936.39	596.82	11,339.57	1,133.96	10,205.62	29.16
13	116.67	14,204.31	2,029.19	12,175.12	608.76	11,566.37	1,156.64	10,409.73	29.74
14	116.67	14,488.39	2,069.77	12,418.62	620.93	11,797.69	1,179.77	10,617.92	30.34
15	100.00	12,667.00	2,111.17	10,555.83	527.79	10,028.04	1,002.80	9,025.23	25.79
16	100.00	12,920.34	2,153.39	10,766.95	538.35	10,228.60	1,022.86	9,205.74	26.30
17	100.00	13,178.74	2,196.46	10,982.29	549.11	10,433.17	1,043.32	9,389.85	26.83
18	83.33	11,201.93	2,240.39	8,961.55	448.08	8,513.47	851.35	7,662.12	21.89
19	83.33	11,425.97	2,285.19	9,140.78	457.04	8,683.74	868.37	7,815.36	22.33
20	79.17	11,071.76	2,330.90	8,740.87	437.04	8,303.82	830.38	7,473.44	21.35
21	75.00	10,698.82	2,377.52	8,321.31	416.07	7,905.24	790.52	7,114.72	20.33
22	75.00	10,912.80	2,425.07	8,487.73	424.39	8,063.34	806.33	7,257.01	20.73
23	66.67	9,894.27	2,473.57	7,420.70	371.04	7,049.67	704.97	6,344.70	18.13
24	66.67	10,092.16	2,523.04	7,569.12	378.46	7,190.66	719.07	6,471.59	18.49
25	66.67	23,161.50	2,573.50	20,588.00	1,029.40	19,558.60	1,955.86	17,602.74	50.29
								\$ 201,310	
<b>Total IRR for 25 year investment</b>									<b>18.01%</b>

Assumptions: Calculations based on 1.24 acres of land with 320 orange trees, wholesale price per kg oranges 30 US cents, running time 25 years, the trees will be sold as firewood in the last year for US \$ 8,000.  
NOT considered: sale of the farmland. Numbers indexed at 2%.

## 2.7 ROI calculation

Is calculation done for each lot or for the whole plantation?

It is done for each lot. This is how it is generally done in Paraguay. A record is kept of each lot's output.

## 2.8 Financial transactions in Paraguay

In what currency are local financial transactions done in Paraguay like buying land and saplings, paying wages and selling products to local stores?

A combination of USD and the local currency is used, depending on what type of transaction is done.

## **3. Risk and insurance**

### **3.1 Breach of trust insurance**

How is the loss of funds covered due to negligence or premeditated intent?

The payment is covered by a breach of trust policy by the Zürich insurance group in Germany which covers any loss of funds entrusted to the company due to negligence or premeditated intent by the key personnel. The insurance does not cover any loss of revenue.

### **3.2 All risk insurance**

What main risks are covered by the all risk insurance?

The company has an all risk insurance policy with South American market leader Sancor Seguros, which covers any risk that could potentially lead to the loss of the investments, e.g. fire, hail, frost, pests, theft, flooding, sabotage, etc. The policy covers the replacement of the investment and also the loss of crop failure income to a limited degree.

### **3.3 Replanting guarantee (10%)**

What is the replanting guarantee (10%)?

In the unlikely event that any of the trees die before fruiting, the company will replant up to 10 percent of the total number at no additional cost to the investor.

## **4. Market and operating**

### **4.1 Economic situation of Paraguay**

What is the economic situation of Paraguay?

The main industry is agriculture. Socioeconomic inequalities, as measured by the Gini index have significantly decreased in recent years. As recently as 2011 Paraguay was one of the world's most unequal countries, but this improved greatly by 2013, and is better than the regional average. When the current president took office, he declared the war on poverty as one of his main objectives.

The main agricultural products are soybeans and beef, and the country also exports energy and services. The manufacturing is growing slowly, though the government is working to promote direct foreign investment. Overall, Paraguay's economy is continuing to improve.

Leading ratings agencies such as S&P, Moody's and Fitch produce ratings not only for financial instruments, but also for countries. These are a measure of their creditworthiness, including their ability to pay interest on repayments. The agencies use various combinations of letters, numbers and short descriptions.

S&P rates Paraguay as stable (2016), Moody's as Ba1 stable (2020), and Fitch as BB+ (2019).

Broadly speaking, all agencies have placed Paraguay around the golden mean.

### **4.2 Disease**

How is the protection against disease?

While oranges are prone to various diseases, they are particularly susceptible to the Huanglongbing bacterium, known as HLB, which causes citrus greening disease. This is transmitted by flies and mosquitoes, and kills the trees, so they have to be cut down and replaced by new ones.

This disease is very rare in Paraguay. Plantations are hundreds of kilometers apart, making it very difficult for it to spread.

The Agri Terra plantations are medium sized, and easy to manage with a full-time staff (crop care is the main way to prevent greening).

Also, the trees are surrounded by a double hedge of eucalyptus, neem and other shrubs, providing an effective natural barrier against vectors of this and other diseases. It acts as a repellent, in the same way that lavender repels moths. Also, as the insects can fly only very short distances on their own, they

are dependent on being carried by the wind. The hedge prevents this from happening.

The plantation is also protected by using insecticides, particularly along the outer barrier.

The skilled staff inspects the trees daily, so they can respond immediately in the event of an outbreak. Affected trees are surgically removed to protect the rest. The plantation has its own in-house disease expert responsible for the monitoring process.

Any felled trees are sold as firewood, and the proceeds used to fund replanting. The management company also has a reserve of trees for this eventuality.

The plantation is covered by fire, pest and crop failure insurance.

### **4.3 Weather conditions**

How is the protection against weather conditions?

Orange trees do not like long frosts. Sustained temperatures of below  $-2^{\circ}\text{C}$  reduce their yield, and temperatures below  $-8^{\circ}\text{C}$  for periods longer than six weeks can put them at risk.

Temperatures in this subtropical country very rarely fall below zero. Even in the Paraguayan winter, which lasts about four weeks, they drop only to about  $10^{\circ}$  to  $15^{\circ}\text{C}$ .

However, temperatures close to freezing do sometimes occur when Antarctic air flows arrive, though this never lasts more than a couple of days and occurs mainly in the highlands.

During cold weather, which is necessary to give the fruit a full orange color, temperatures can also be reduced by high winds. The hedges of eucalyptus and neem provides a natural barrier against the wind and prevents the temperature from falling too far.

The experienced staff takes additional measures to protect the trees, especially their roots, in the event of unusually cold weather.

## **4.4 Testimonials**

Why can this be considered as a good investment?

Several trustworthy sources analyzed this investment opportunity and gave a positive feedback.

### **4.4.1 Dietmar Siebholz**

Respected German Economist and Lot-Owner with Agri Terra KG

<https://paraguayainvest.com/about-us/>

### **4.4.2 The Real Estate Guys**

The Real Estate Guys with their weekly podcast running for over 23 years check out a lot of investment opportunities. Whenever they send out information about a certain investment, they did a thorough due diligence process. Whenever they have a podcast about an investment it is a quality sign that this investment is considered to be a potential opportunity for great returns. They also went on a field trip to Paraguay and did a commercial video which they rarely do.

<https://www.youtube.com/watch?v=57FSXReqVj0>

<https://paraguayainvest.com/about-us/>

### **4.4.3 Sachwert Magazin**

The German Sachwert Magazin put Carsten Pfau, the owner, on the frontpage of summer edition of 2020 and printed a 4-page article about the market of Paraguay, the company, the owner and the investments.

<https://sachwert-magazin.de/2020/06/11/der-paraguay-investor-carsten-pfau-im-interview/>

### **4.4.4 Cashflow Coaching**

Due diligence was also done by Cashflow Coaching and it is considered to be a solid investment.