



**Capitalization and Investment Fund
for the Rural Sector**

May 5th, 2015

Introduction

- FOCIR is a specialized financial agent, coordinated by the Ministry of Finance and Public Credit of Mexico (SHCP), and whose mandate is to promote the capitalization of the rural sector and, in particular, the agribusiness industry, through the use of private equity instruments.
- FOCIR has over 20 years experience, being the first specialized investment fund for the agribusiness sector in Mexico.
- In addition, FOCIR operate resources from different government programs that support agribusiness development, as well as the financing of small and medium enterprises (SME).

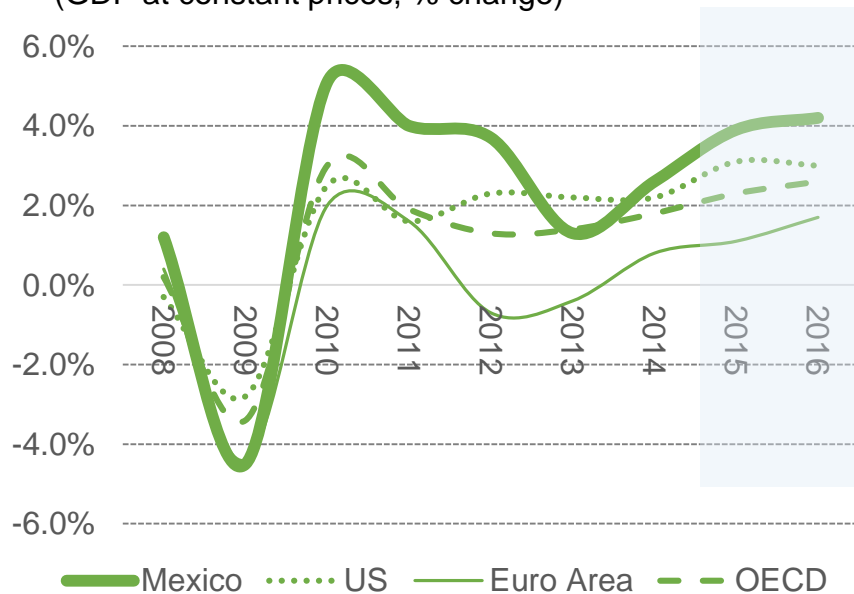


Mexico Macroeconomic Outlook

- Mexico is a newly industrialized country with vast potential.
- It has the **14th largest GDP (11th largest by PPP)**, and is predicted to be the **world's seventh-largest by 2050**.
- Mexico offers an increasingly skilled workforce, and free trade agreements with 40+ countries.

GDP growth

(GDP at constant prices, % change)



Source: www.oecd.org, 2015

Economic snapshot

	2012	2013	2014	2015	2016
GDP growth	4.0	1.1	2.1	3.1	4.2*
Export growth	5.9	1.1	7.0	6.2	7.0*
Import growth	4.4	1.8	5.0	4.2	5.5*
Inflation	4.1	3.3	4.5	3.1	3.1*
Unemployment	4.9	4.6	4.4	4.7	4.7*

Source: www.banxico.org.mx, 2015

*Forecast, www.oecd.org, 2015

Structural Reforms

Congress has recently passed several landmark economic reforms that will strengthen the economy in the years to come, including the following:

- **Energy Reform:** To open the oil and gas industries to private investment, and boost competition to lower electricity costs.
- **Telecommunications Reform:** To increase competition and access to broadband, information and communication technologies.
- **Finance Reform:** To strengthen competition and lower the cost of borrowing, specially to small and medium size businesses.

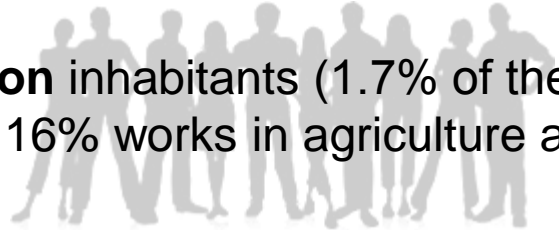


Mexico: Food & Agriculture

Resources:

- Mexico has **26.9 million hectares** for crop growing, an area larger than the territory of the United Kingdom. 
- Mexico has a **maritime surface of 3.15 million square kilometers**. If it were land it would be equivalent to the land area of India. 
- Mexico produces **818 food and agriculture products**.
- Mexico is the largest producer of **avocado**, the second producer in **lime** and the fourth producer in **berries** worldwide.

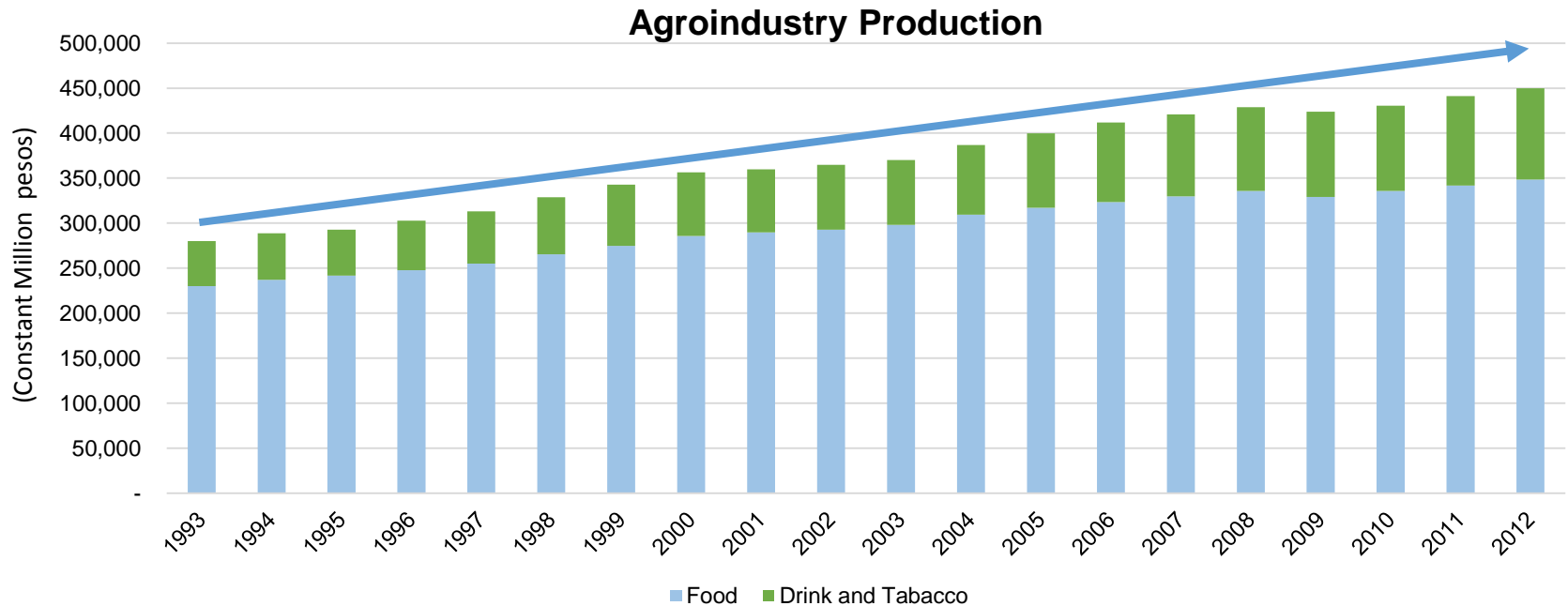
Population:

- Mexico has **119.7 million** inhabitants (1.7% of the world's population), out of the total labor force, 16% works in agriculture and food production. 



Mexico: Agribusiness Sector

- The agribusiness sector in Mexico has seen constant growth in recent years, and most companies in the sector have performed well.
- In recent years the **exports of agricultural & food products** surpassed **24 billion dollars**.
- More than **75%** of total agriculture & food industry products sales in Mexico were exported to the US.

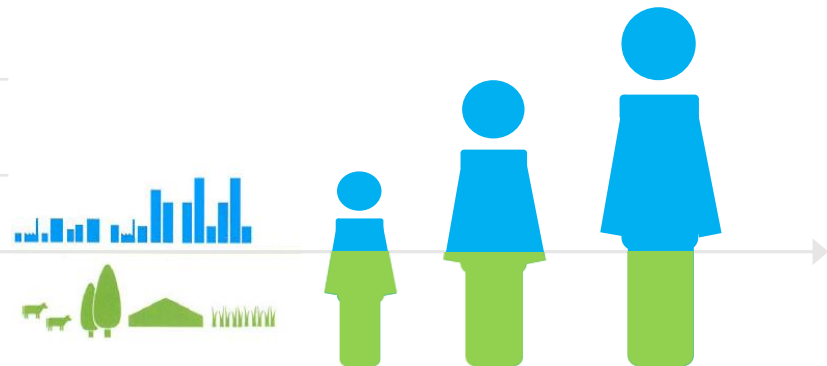


New Opportunities

There are new opportunities in agribusiness as a result of:

- Changes in the pattern of food consumption due to increasing world population, urbanization, and purchasing power increase in many developing countries.
- Need to satisfy demand with product quality and competitive prices.
- Changes in food requirements patterns from starch-based diets to a more balanced menu, including more fruit, vegetables and protein products.
- Challenge to integrate efficient value chains, to link the 'farm gate' to the 'food plate'.

	1960	2010	2050
Total World Population (millions)	3,038	6,896	9,306
Percentage Living in Cities	34%	51%	67%



NAFTA Success

- NAFTA has had a substantial impact on the integration of North America's agricultural markets.
- Today, intraregional agricultural trade is now almost completely free of tariff and quota restrictions (evidenced by rising trade in a wider range of agricultural products, substantial levels of cross-border investment, and important changes in consumption and production).
- The total value of intraregional agricultural trade has increased 233 percent between 1993 and 2013.
- In addition to work to deepen regional integration, the NAFTA countries are seeking more open trading relations with non-NAFTA countries as a means of cultivating new markets for their agricultural and nonagricultural products (this particularly important for the TPP initiative).

FOCIR's Role

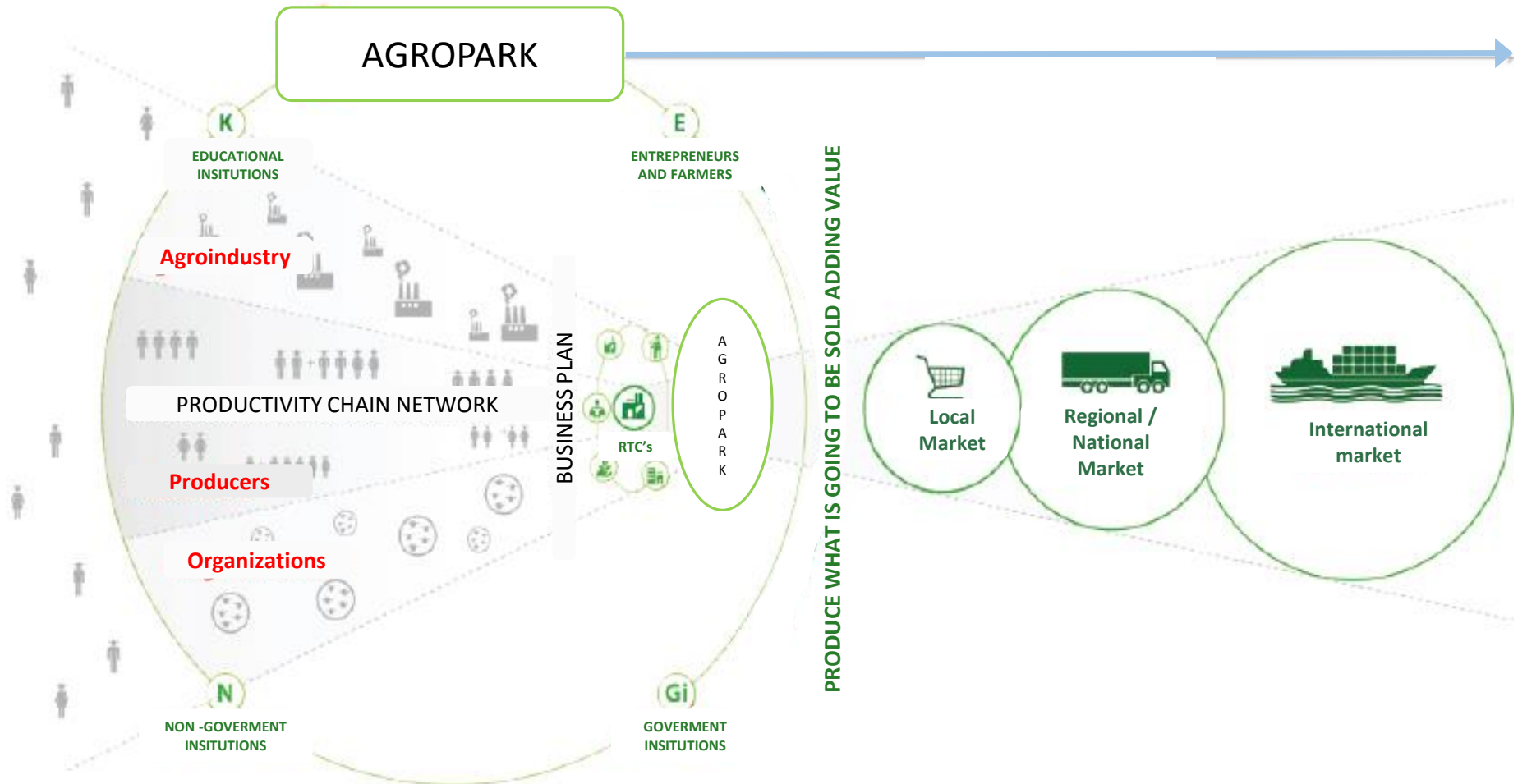
To take advantage of the new opportunities, FOCIR is undertaking the following initiatives:

- Help to develop an Agro-parks System.
- Strengthen rural infrastructure using PPP schemes.
- Continue using private equity instruments to increase the capitalization of the rural and agribusiness sectors.



Investment Opportunities: Agroparks

- Agro-parks are strategic facilities that share a common infrastructure to facilitate access to national and international markets, foster the use of new technologies, and increase valued added in food production.
- There is one agro-park already in operation and at least 3 more under construction.



Investment Opportunities: Public Private Partnerships

- The aim is help to structure PPP schemes for the development of irrigation systems, renewable bioenergy complexes and storage facilities.

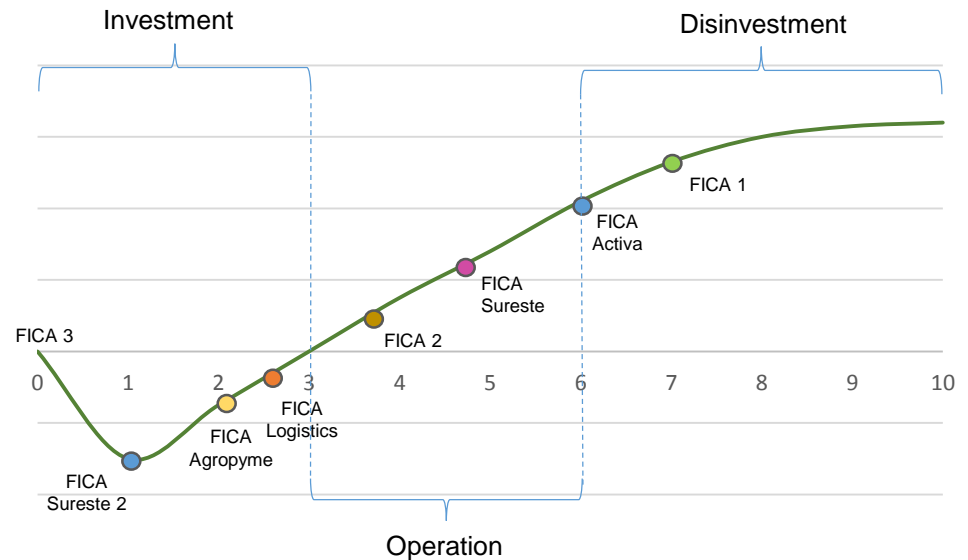


- ✓ Specific regulatory framework since 2012.
- ✓ Projects aiming to reduce the lag in supply of rural infrastructure and increase productivity.
- ✓ Combine public resources with private investment to develop infrastructure projects.
- ✓ The risk distribution is optimal between the public and the private sectors.
- ✓ FOCIR can participate in the financial structure with capital investment.



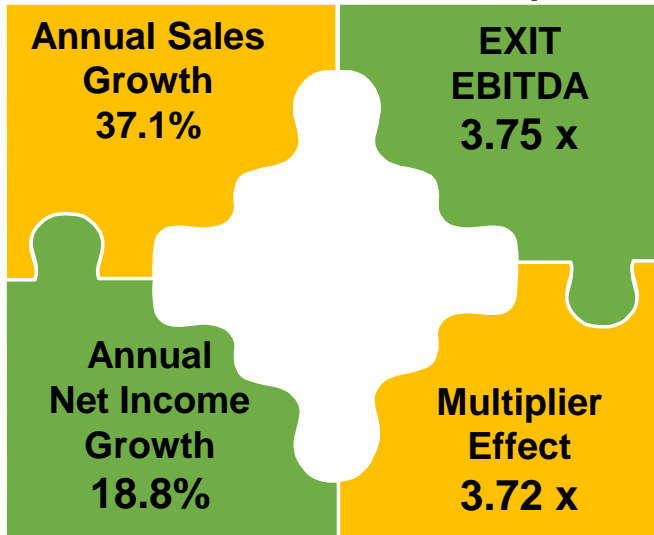
Investment Funds

- One of FOCIR's main instruments are the Agribusiness Equity Investment Funds (FICA for its Spanish acronym), which are specialized purpose vehicles that combine public and private resources for agribusiness investment projects.
- As of today, FOCIR manages 8 private equity funds focused exclusively in agribusiness.



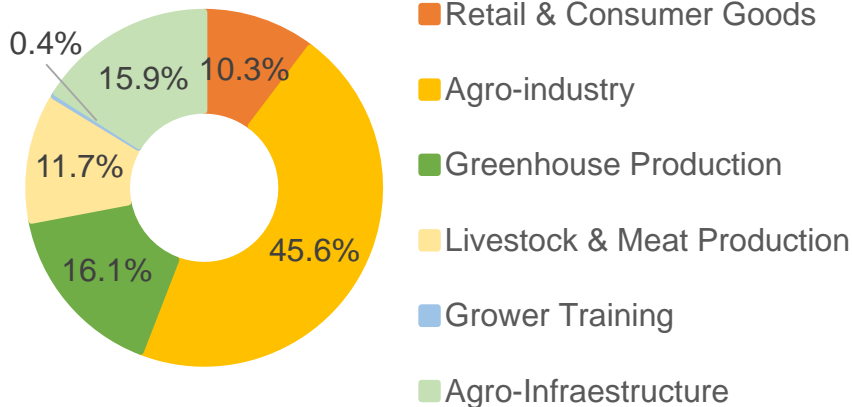
FOCIR Investments - Snapshot

FOCIR PE investments - Snapshot

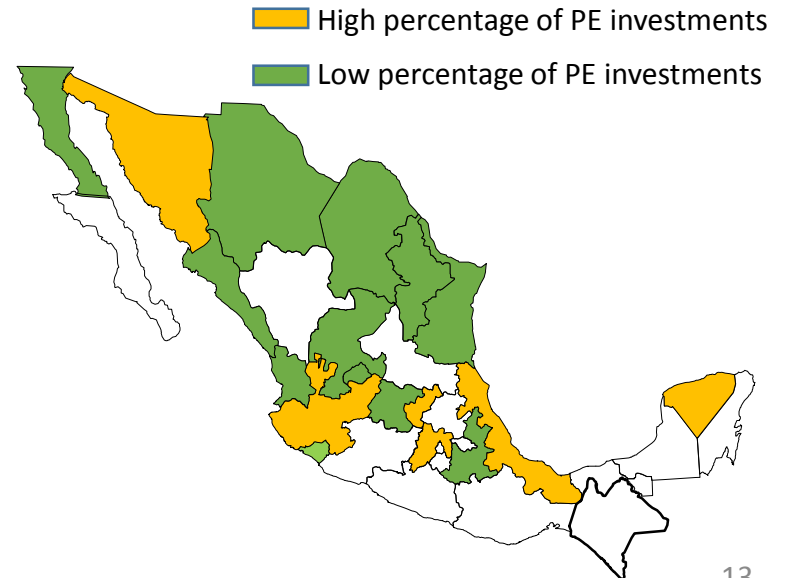


- FOCIR's PE investments have helped to increase growth and productivity in different agribusiness projects.
- For every dollar invested by FOCIR, the private sector invests 3.7 dollars more.

PE investments - Subsectors



PE investments - Mexico



Sample Investments

InterDeli



Interdelli produces and commercializes fresh natural goat cheese, *jocoque*, pita bread, hummus and dairy products including Greek yogurt. In 2011 FOCIR invested in the company with the objective of consolidating the market and building a new state-of-the-art industrial plant.

Rancho El 17

Rancho El 17 is a beef cattle producer with more than 15,000 cattle in continuous production that constantly develops new technology which allows them to be ahead of their competitors. In 2013 FOCIR invested in the company in order to consolidate their new product lines and commercial growth.



Sample Investments

Química Agronómica de México



Developed and presented for the first time the use of Gentamicin Sulfate as a solution to prevent and contain bacterial diseases in agricultural crops. Their products count with trademark registration and patents in over 15 countries including the U.S., Brazil, New Zealand, Australia, and is in process of authorization in the European Union and Japan. In 2012 FOCIR invested in the company for the development of two new biological and antibiotic production plants.

SUCROLIQ

Sucroliq is a firm focused on the transformation of granular sugar of low quality into refined liquid sugar with the highest standards of quality through its patented purification process. In 2009 FOCIR invested in the company for the development of a production plant. Today Sucroliq counts with two production plants in Mexico and one under construction in Argentina.



Sample Investments



Productora Pecuaria ALPERA

With more than 40 years in the Mexican west coast market, Alpera is dedicated to the production of poultry and swine products. It is considered the main producer of swine products and the second in poultry in the region. In 2010 FOCIR invested in the company in order to expand its operation and enter new markets.

ENERALL

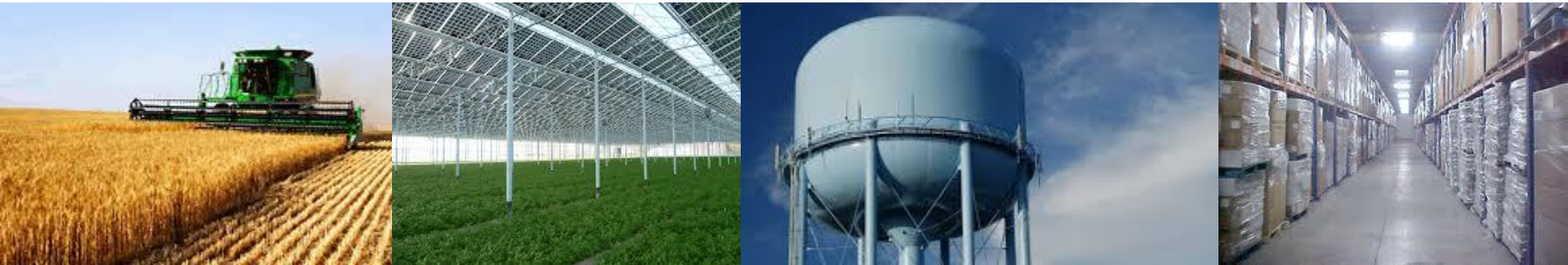
Enerall is an agro-industrial company based in the south of Mexico focused on the transformation of derelict land into arable land, with access to water, using proprietary soil transformation technology based on mechanical, biological and organic processes. In 2013 FOCIR invested in the company for land acquisition and production of castor oil. Recently, a North American investment fund co-invested in a second capital round.





FOCIR

Fondo de Capitalización e Inversión del Sector Rural



www.focir.gob.mx