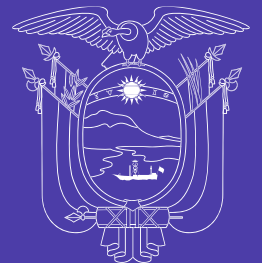




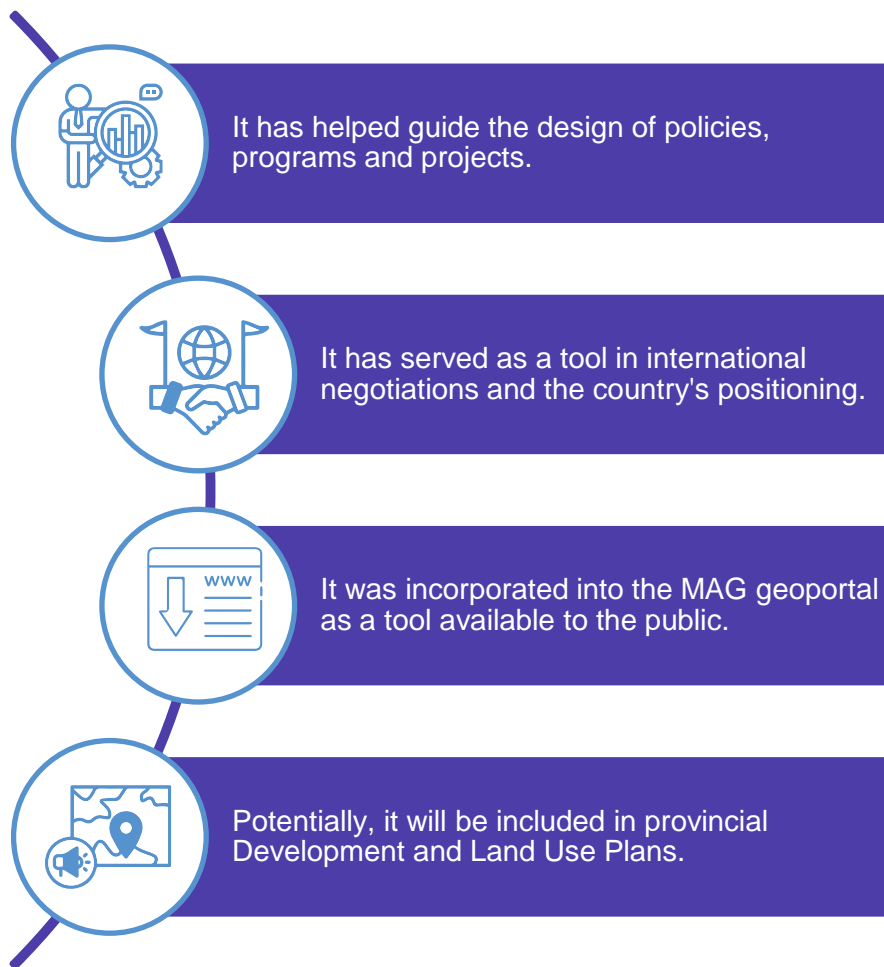
***Investment Plan for the
Expansion of Organic Exports
and the Development of the
Dairy Chain in Ecuador***

Hand in Hand Ecuador - 2024

**Rome - Italy
15 - 17 October, 2024**



For Ecuador, the **Hand in Hand Initiative** has been a valuable instrument since its implementation.



Investment Project	Resources Mobilized 2022-2024	Projected Contributions 2025-2027
National Livestock Reconversion and Sustainability Project	\$ 10.783.551,49	\$ 5.596.246,40
Integrated Agro-productive Diversification and Agricultural Reconversion Project (PIDARA)	\$ 42.090.200,50	\$ 138.563.483,85
EMPRENDER Project	\$ -	\$ 26.580.000,00
Total	\$ 52.873.751,99	\$ 170.739.730,25

Source: MAG

\$230 million resource mobilization for investment projects over the last period

Ecuador's National Development Plan promotes the economic dynamization of its territories through investments in the agri-food sector.



¡Al Nuevo Ecuador lo construimos todos!

- SO4. Stimulate the economic and public finance system to **boost investment and trade relations.**
- SO5. To promote **sustainable** production, improving **productivity levels in the agrifood sector.**
- SO6. Encourage the generation of **decent work**, prioritizing young people between 18 and 29 years of age.



With FAO's Hand in Hand Initiative, Ecuador is committed to **attracting investments to modernize rural areas with innovative and sustainable approaches that promote employment opportunities for youth and women.**

01
*General
Overview
of Ecuador*



Agribusiness Sector: Importance to Ecuador's Development



PRODUCTIVE



20 % Agribusiness surface area (5.1 million ha)

Megadiverse and agroproductive potential and vocation

75 % Productive agribusiness units are Family Agriculture (FA)

60 % Production of foods consumed in the country come from FA

17 % Of agro-exports possess incorporated technology

ECONOMIC

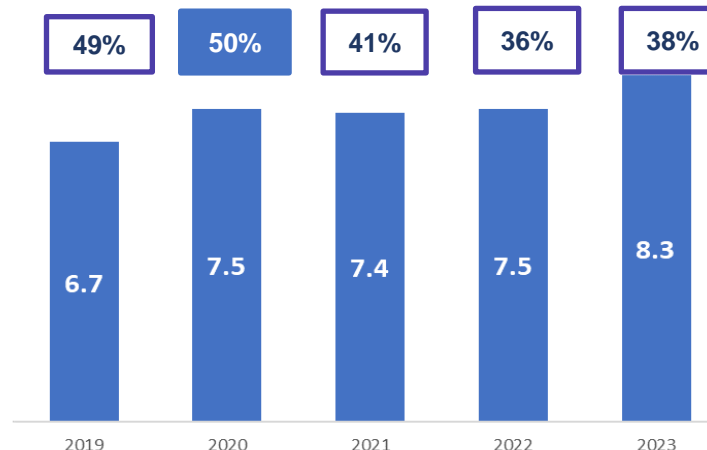


15 % Contribution of the agrifood sector to Gross Domestic Product

Foreign exchange income to the country One out of every three export dollars entering the country comes from the agricultural sector.

38 % 80% of exports are primary exports

Evolution of the contribution of agricultural and agroindustrial trade



SOCIAL



Poverty by income Rural Areas **42 %** Urban Areas **18 %**

Unemployment Rural Areas **3 %** Urban Areas **6 %**

Agribusiness Employment **1/3** One out of every three employed people work in the agricultural and livestock sector

Women **40%** Youth **26%**

02 Why Invest in Ecuador?

In the Middle of the World

Enabling Environment



Ecuador is the center of great opportunities



Direct access to the Pacific Ocean and only 700 miles from the Panama Canal.

At the center of the world and of the Andean market

Investing in Ecuador is a good deal due to its competitive advantages

Developed Infrastructure
4 ports, 4 international airports, 2 cross-border airports, 7 domestic airports; 10,000 km road network

Dollarized economy and low inflation
Economic stability, sound financial system, financial integration, reduced transaction costs.

Investment Incentives
5-point reduction in the income tax rate. Exemption from Foreign Currency Outflow Tax

Policy of trade openness to the world
Trade agreements, double taxation agreements, free trade zones.

Clear normative framework
Ecuador is a party to the International Centre for Settlement of Investment Disputes.

Qualified human talent
Incentive for the labor market insertion of young people

Investment Policies

Economic Efficiency and Employment Generation Act (2023)

Energy Competitiveness Law (2024)

Youth Employment Promotion Act

01 Free Trade Zones

02 Renewable Energy

03 Youth participation in labor market



03

Investment Opportunities in Ecuador



1. Organic Sector - Current Trends

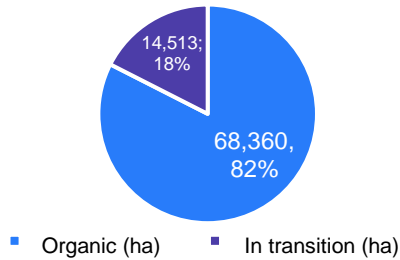
Ecuador is a “Big Player” in Organic Exports



Organic production strengthens resilience to climate change through sustainable practices that conserve ecosystems and biodiversity.

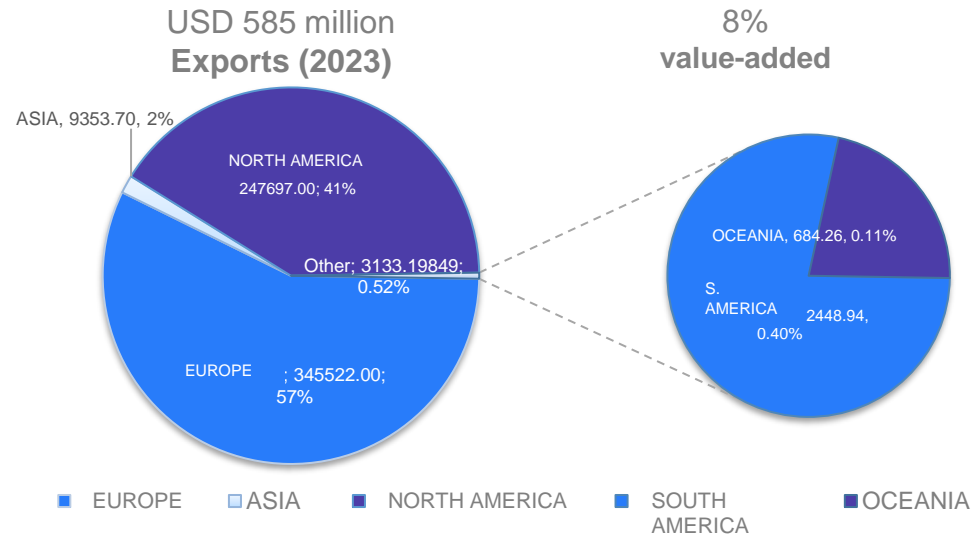
92.2 % Organic production comes from Family Agriculture.

As of 2024, there are 82,873 certified hectares



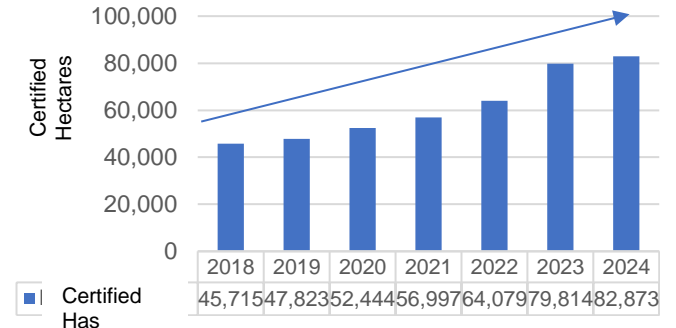
Source: Agrocalidad, 2024

For the fourth consecutive year, Ecuador ranks first among the ten “big players” exporting organic products (bananas: 90%) to the European Union (Netherlands, Germany and Sweden) and the United States.



Source: Agrocalidad, 2023

45 % From 2018 to 2024, certified organic hectares in Ecuador have grown exponentially.



Source: Agrocalidad, 2024





Value Chain

Investment Opportunities



Sustainable Production

Transition from conventional to organic production models

USD 35 million



- Implementation of **1 Territorial Development Program**: training and technical assistance in **good agro-productive practices** and **certification**.
- **Research, development and innovation (R&D&I)** for pest and disease control.

Traceability

Strengthening traceability systems for new international trade requirements

USD 9.5 million



- Strengthen the MAG's **existing traceability system for coffee and cocoa** and scale the experience for other traditional and non-traditional products.
- Implement **1 National Certification Laboratorie**

Added Value

Promote technological innovation to industrialize and diversify organic products

USD 31 million



- Technical assistance for cooperative associations, and implementation and sustainability of business models
- Promote the creation of 9 cooperative rural firms under Inclusive and Sustainable Business Models (industrial plants and equipment) in prioritized territories.

Market Access

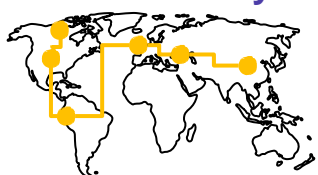
Promote technological innovation to industrialize and diversify organic products

USD 2.2 million



- **Commercial intelligence**: Elaboration of 6 Market Profiles and Supply-Demand Studies.
- Development of **promotion strategies** for organic products.
- **Equivalence Agreements** with EU and USA.

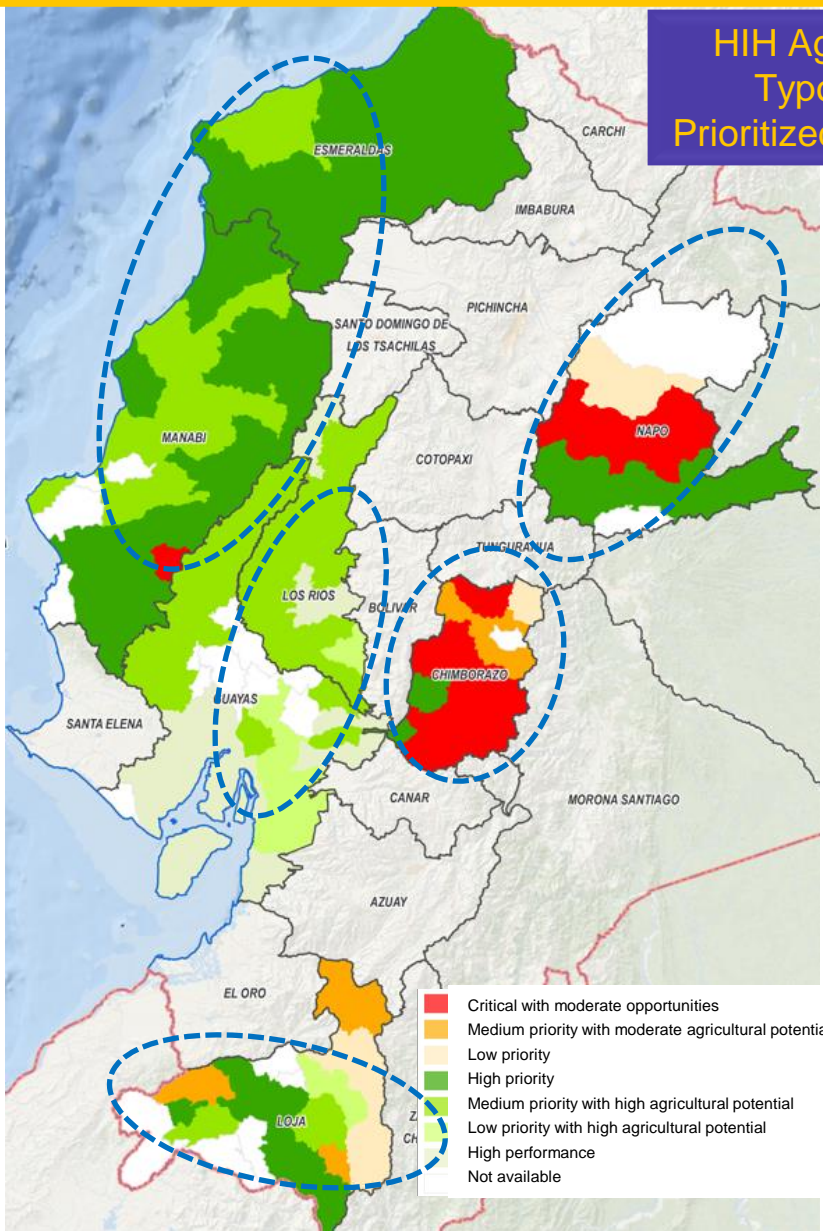
Market Analysis



Total Investment Amount: USD \$77,611,739

Scope: 5,569 producers 19,429 ha





HiH Agricultural Typologies
Prioritized Territories

Total Investment Amount: **USD \$77,611,739**

Current Government Investment: **USD \$5,136,519**



20.48%
IRR average



\$13,322,162
NPV average

2.18
B/C Coverage

Expected Impacts:



5.569
Direct
Beneficiaries

19.603
Indirect
Beneficiaries



Per Capita Income Increase:
Banana by 5%
Coffee by 34%
Cocoa by 16%

Productivity increase (agricultural productivity index):
From 140 to 177 points



25,654 tons CO2
equivalent avoided
annually



2. Dairy Sector - Current Trends

Productive sector important for the **national economy** and food security

- **Raw milk** contributes 3.5% to the agricultural GDP and the entire **dairy sector** contributes 6.4%.
- Mainly destined for the **domestic market 99.4%**.
- **Local consumption** is lower than the regional average 114.2 liters vs. 140.



Key sector for **territorial development**

Engine for job creation (502,800) for family farmers, although with difficulty in **generational renewal**. Average age of **58 years**.



Growing opportunities for **trade expansion** at the regional and global levels

Potential opening of markets via **value addition**: milk, cheese, butter.



Transition to **sustainable production systems**

Livestock is one of the main sources of **soil contamination** and nutrient depletion, reduction of organic matter, pathogens and residues in freshwater sources. Besides **GHG emissions**.





Sustainable Production

Modernization, innovation and sustainable intensification of cattle ranching



USD 48 million

-Strengthening **Livestock Production Strengthening Schools** in the transition to sustainable production models
-Implementation of regenerative practices aimed at **supporting cultural change toward sustainable livestock systems**

Traceability

Integrating traceability and recording in the production chain for quality improvement



USD 2.2 million

Implementation of **1 National Digital Traceability Management System powered by Blockchain** for quality improvement and control against informality.

Added Value

Technological innovation for dairy product diversification and value addition



USD 35.3 million

-Technical assistance for cooperative associations, and implementation and sustainability of business models
-Establishment of industrial plants for value addition and productive diversification under Inclusive and Sustainable Business Models in which cooperativism or strategic alliances are implemented.

Market Access

Promoting domestic consumption of dairy products and access to international markets



USD 4.3 million

-Strengthening of the **National Campaign "Lácteos Sí"**.
-Elaboration of **1 Market Profile and Supply-Demand Study** of international dairy products, identifying consumer preferences and assessing market viability.
-Strengthening of the **Dairy Observatory** of

Ecuador

QUESO



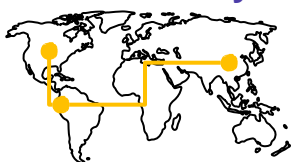
YOGURT



MANTEQUILLA



Market Analysis



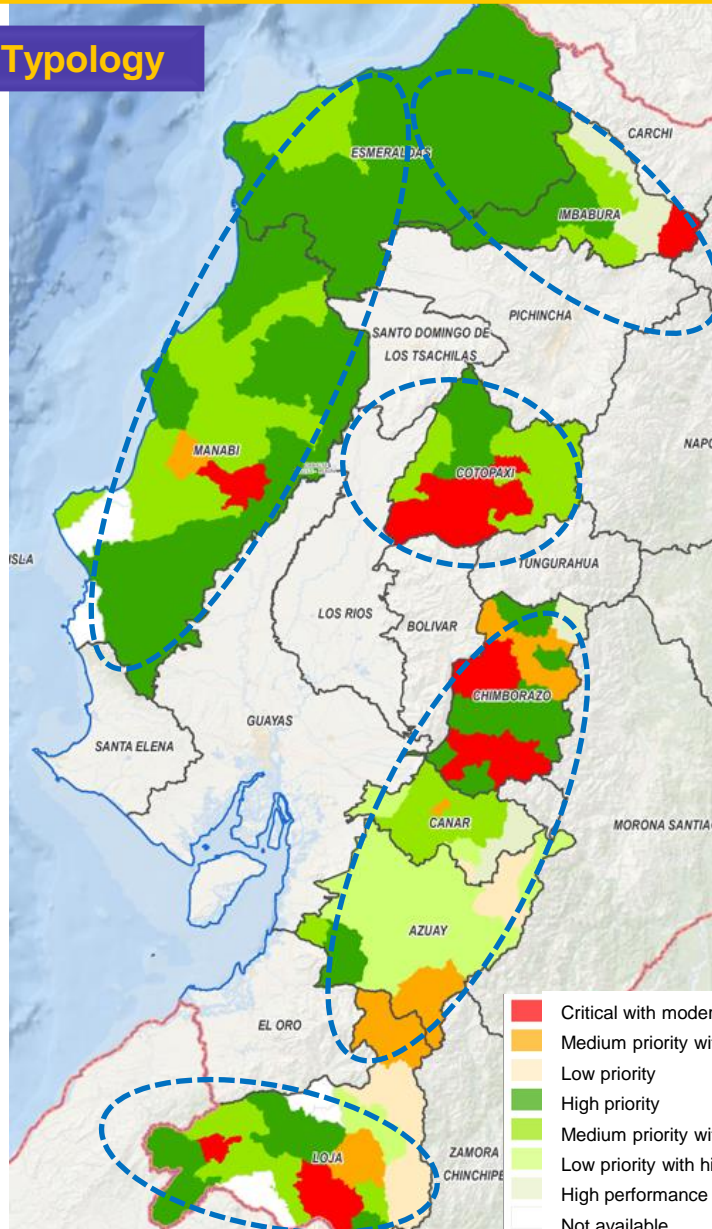
Total Investment Amount: USD \$90,304,500

Scope 49,833 UPAs 431,038 heads of cattle

HiH Investment Note – Developing the Dairy Value Chain



HiH Dairy Typology



- Critical with moderate opportunities
- Medium priority with moderate agricultural potential
- Low priority
- High priority
- Medium priority with high agricultural potential
- Low priority with high agricultural potential
- High performance
- Not available

Total Investment Amount: **USD \$90,304,500**

Current Government Investment: **USD 15,718,269**



26.98%
IRR



USD \$23,792,420
NPV

2.46
B/C

Expected Impacts:



49,833
Direct
Beneficiaries

159,465
Indirect
Beneficiaries



**Per Capita Income
Increase:**
USD \$8,131/year

**Increase in milk
production yield
(lt/cow/day):**
From 5.3 to 6.1
(prioritized territories)



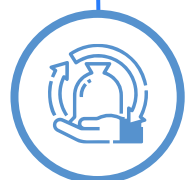
936,234
Tons of CO2 reduced
annually



Summary: 2024 Ecuador Investment Plan



SUMMARY



USD \$167,916,239

Total investment required



234,470

Direct and indirect beneficiaries



23.73%

IRR overall average



USD \$37,114,582

NPV overall average

Expanding Organic Exports

Total Investment Amount (USD)

USD \$77.611.739

IRR (%)	20.48%
NPV	USD \$13,322,162
B / C	2.18

Sustainability benefits

Direct Beneficiaries: 5,569
 Indirect Beneficiaries: 19,603
 Increase in per capita income:
 Banana by 5%
 Coffee by 34%
 Cocoa by 16%
 ton CO2 equivalent avoided: 25,654



Developing the Dairy Value Chain

Total Investment Amount (USD)

USD \$90.304.500

IRR (%)	26.98%
NPV	USD \$23,792,420
B / C	2.46

Sustainability benefits

Direct Beneficiaries: 49,833
 Indirect Beneficiaries: 159,465
 Increase in per capita incomes: USD \$7,412/annual
 ton CO2 equivalent reduced : 936,234

