

Oranges in Paraguay



**Creating Generational
Cashflow, Naturally**

Investment in orange plantations in Paraguay

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1. Management Summary

Business

- Purchase of a specific lot of land where orange trees will be planted
- Management company that works the lot to generate cashflow

Country

- Paraguay

Provider

- Agri Terra KG started agriculture in Paraguay in 1995

Investment period

- 25 years +

ROI / Return

- Average above 21% over 25 years
- First payout in year 3

Cost

- US\$ 18'500 for ½ lot (0.62 acres / 2'500 m2 of land)
- US\$ 35'000 for 1 lot (1.24 acres / 5'000 m2 of land)
- CHF 2'000 for VIP Cashflow Program
- Restrictions for German investors (see chapter 7 Cost)

Risk assessment

- Low
 - Registered and titled lot of land
 - Experience of local partner since 1995
 - Field trips to the plantations possible

A previous performance does not indicate or guarantee future development.
There is no implied or explicit guarantee of the future development of performance.
In addition, forecasts do not provide reliable indications of future developments.

2. Business

2.1 Overview

Orange income is an investment combining land ownership with cashflow-income:

- Land ownership: adopts a more conservative attitude and seeks to preserve and increase the value of the asset
- Cashflow-income: is earned more proactively by selling harvests

This offer allows you to acquire lots of top-quality agricultural land in Paraguay, part of a large, professionally managed and extremely lucrative orange plantation, and earn income from them. At a time of low returns on cash, equities and property, and shortages of land, it provides the ideal response to investor needs.

While owning a whole plantation would not be financially viable for most individual investors, dividing it up into lots makes it available to a large number of people at a relatively affordable cost. Smaller lots also offer more transparent prices and are easier to sell in the future. They therefore provide a relatively high degree of liquidity.

Paraguay offers ideal conditions for growing very high-quality oranges. It is subtropical, with ample rain, year-round sunshine, and the very short winters required to make the fruit sweet. The soil is also ideally suited for citrus crops.

Having carried out a detailed study of all the factors involved, it is believed that the project offers the potential for exceptional. The owners of the company will themselves be among the biggest investors and will be contributing their own personal assets.

This is an exciting, financially sound and highly lucrative project in Paraguay, far from the economic volatility of the world's markets.

2.2 Concept

As an investor, you buy a specific lot of land, one of many forming a large orange plantation in Paraguay. In your contract, you authorize the company to notarize the purchase and register the lot in your name with the land registry. You will then receive the title deeds, registry entry, and other ownership documents by courier.

Your contract authorizes the company to sign a management contract with the management company in your name, and subject to the conditions detailed in the appendix to the contract. The management company is responsible for the local operations.

½ lots are 0.62 acres (2'500 m²) with space for at least 160 trees and each full lot is 1.24 acres (5'000 m²) with space for at least 320 orange trees. The average tree produces more than 130 kilograms of fruit, giving a total maximum harvest of over 45 tons per full lot.

After the land has been bought and the registration has been started, the saplings will be ordered from a specialist citrus nursery in neighboring Brazil.

The saplings are transported to the plantation by truck, and planted professionally by the staff, who has prepared the soil thoroughly beforehand. It takes up to six months before the saplings are big enough to plant, and they are specifically cultivated to suit the plantation's soil and climate.

The La Colmena orange plantation is located in Paraguay's rainy southern region, close to the small village of La Colmena, about 130 kilometers southeast of the capital, Asunción. The newest orange and greenhouse plantation, Nueva Italia, is located in the village of Nueva Italia, about 50 kilometers of Asunción.

Long before the orange trees are in place, a double hedge of eucalyptus, neem and other trees and shrubs will be placed around the plantation. This provides almost complete protection against pests and diseases and against the cold winds of Paraguay's very short winters. It effectively eliminates the two main risks involved in the investment, namely pest infestation and short periods of temperatures below -8°C , which could reduce the trees' yield. The subtropical country Paraguay rarely has temperatures below 5°C , not even in winter time; however, by planting the hedge, even the theoretical risk of cold weather (trees can withstand over six weeks at -8°C in an extreme scenario) is eliminated.

Once your saplings have been planted by the staff, your lot (s) will be marked and numbered. Over the next three years, the saplings are tended until they grow into sizeable trees and produce fruit for the first time. In the unlikely event that any of your trees die before fruiting, the management company will replant up to 10 percent of the total number at no additional cost to you.

Your oranges will be picked as soon as they are ripe. The average tree produces 110 to 130 kilogram a year when mature, so the harvest from a full lot may easily exceed 45 tons. The management company uses very experienced pickers, who are full time employees and receive a basic wage plus a bonus based on how much they pick.

The plantation is planned so that different varieties fruit at different times, and in practice, picking is done almost the entire year. This means no seasonal workers are used, and some of the staff lives on the plantation all year.

The fruit is picked as it ripens, and a record kept of each lot's output. This is standard practice in Paraguay, and it is used as the basis of the pickers' remuneration. The figures are checked and certified by a leading international firm of auditors.

Oranges are packed in boxes and sent by truck to Asunción for delivery to various buyers.

3. Market

The Paraguayan market is very favorable for oranges. Paraguay is known as a row-crop country historically, and they are also experiencing rapid economic growth, so demand for high quality citrus and vegetables is high. Currently Paraguay imports up to 85% of their Orange products and greenhouse quality vegetables from neighboring countries. The entire orange plantations harvest will be sold on the National Market, inside Paraguay.

In general, the demand for food is fairly stable, even in economic downturns. While people may give up buying a new car or going on vacation when money is tight, they will still need to eat.

In addition, worldwide demand for citrus fruit (high in Vitamin C which boosts our immune system) and vegetables grown in controlled environments is steadily increasing.

All the produce is for the local Paraguayan market, so your income is not dependent on the financial markets. This is why investing in agricultural real estate is not correlated to the stock market. Crops are an excellent hedge against inflation, the market is strong, with demand constantly rising.

The main industry in Paraguay 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.

4.Provider

Agri Terra KG (company) is a general partnership under German law. Agri Terra KG is the umbrella of the group and responsible for all financial transactions.

General partner and chief executive Carsten Pfau has unlimited personal liability for the partnership.

Agri Terra KG is domiciled in Munich, in the state of Bavaria. It is registered at the Munich district court, registration number HRA 107824, and operates in central Europe and America.

The partnership has a flat hierarchy. It is managed by Carsten Pfau and his brother Michael Pfau, both of whom have business degrees.

The group has a Paraguayan associated company, Agri Terra S.A., Paraguay which holds 2 associated companies CitriPar S.A. (management company for citrus and oranges) and HortiPar S.A. (management company for greenhouses). Furthermore, the group has investments in several companies in the agro sector in Paraguay. The group is repeatedly listed along the most influential companies in Paraguay.

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

4.1 Directors

Carsten Pfau, Managing Director

- Born 1970
- Business degree from Mannheim University
- Personally liable partner of Agri Terra KG
- Lives in Paraguay since 1997, and has excellent connections there
- Has been a passionate cattle owner in Paraguay since 1995
- Began dealing in agricultural land in 1995

Michael Pfau, deputy Managing Director

- Born 1973
- Business degree from Bielefeld University
- Limited partner in Agri Terra KG
- Has lived in Paraguay
- Has owned cattle and land in Paraguay since 1995

4.2 Management company

The management company CitriPar S.A., Paraguay will do the local operation. The management company reports to Agri Terra S.A., and Agri Terra S.A. supervises everything the management company does on their behalf.

4.3 Environment

By investing in oranges, you are making a valuable and sustainable contribution to tree planting and helping to prevent climate change and protect the environment.

Orange plantations in Paraguay use beehives for pollination, as there is clear evidence that this increases the trees' productivity. Your investment therefore plays a valuable part in protecting the bee population, and thus in global food security.

Agri Terra S.A., Paraguay and CitriPar S.A. work closely with environmental organizations in Paraguay. The creation of sustainable local production capacity reduces the need to import oranges from remote locations by truck, thereby reducing pollution.

The plantation is managed in accordance with sustainable international standards.

4.4 Employment (social responsibility)

A large plantation creates well paid long-term jobs. Traditionally, rural families in Paraguay often have to survive on one income, so your investment is making a valuable contribution to the socioeconomic development of a developing country.

Pickers are full time employees (usually pickers are independent workers and are only engaged on a seasonal basis) and receive a basic wage plus a bonus based on how much they pick (profit share). Many of them live directly on the plantation and have a superior lifestyle compared to other pickers.

Other employment includes support of sports teams, free food for local families in need as well as various support for education and literacy and vocational training in agriculture, including plans to build a local elementary school.

4.5 Field trips to the plantations

Paraguay AG Invest, the global English marketing company of Agri Terra KG, invites the investors to join them in Paraguay for a very educational tour of the orange and greenhouse plantations.

You can experience first-hand the agricultural strength of Paraguay and why it is highly rated by many agriculture investment experts today.

You can see the planting of orange sapling trees and over 155,000 growing orange trees and visit the Nueva Italia Citrus and Greenhouse plantation where you will see the most modern technology in operation producing delicious red & yellow peppers, tomatoes and cucumbers.

You can meet the experienced local farming engineers and staff and join Carsten Pfau, Agri Terra Group, CEO, for dinner, listen to his experiences in Paraguay over the past 25 years and ask him all of your important questions.

The field trips are designed to experience another culture, meet other like-minded investors and have fun!

In Paraguay, Paraguay AG Invest will pay for all ground transportation to and from the airport, Sheraton Hotel room fees and all delicious meals (airfare is not included in the free tour offer).

5. Investment period

The basic idea is Passive Cashflow. Therefore, this investment is declared as a long-term investment. You buy a lot where saplings of orange trees are planted.

At the end of the trees' natural life spans, they produce fewer and fewer fruit. In year 25, after the last large crop, they are felled and sold as firewood, providing an additional income. They can then be replanted.

5.1 Total investment period

25 years +

5.2 Minimum investment period

There is no minimum investment period

5.3 Determination

If you wish, you can sell your lot yourself or through a Paraguay AG Invest representative. There is a high demand for producing lots, so a fast sale within weeks in this vibrant resell market is predictable.

6.ROI / Return

After deducting taxes and costs, the company expects to pay an annual net income of \$2'133 to \$5'628 per ½ lot. Significant yields from fruit are likely to be achieved from year 4.

- The income from the oranges begins in year 3 after planting, providing an annual income for the lifetime of the trees
- The forecast annual payments from year 3 rise from \$2'133 to up to \$5'628 per ½ lot, for at least 23 years
- The crops and annual income are verified by a leading international auditor
- The income is paid in US\$

The yield curve of an orange tree is a parabola. It rises from one year to the next until the tree reaches its maximum output, stabilizes for several years, and then gradually declines.

After a lifetime of twenty-five years, the trees become less productive and therefore less profitable. They are therefore sold as firewood to make space for new trees or other uses, whichever you prefer. The firewood results in an additional payment of around \$4'000 per ½ lot after the last harvest.

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	
Total IRR for 25 year investment									17.22%

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%.

6.1 Taxes

The company provides an invoice that may be deductible for tax purposes; please contact your accountant for advice. You may also be able to claim the cost of an annual inspection trip to Paraguay.

Agri Terra KG deducts all Paraguayan taxes, so you will receive your income net. Paraguay does not have relevant double taxation agreements with any European country or the US.

7. Cost

The total cost consists of:

- Cost of investment
- VIP Cashflow Program
- Annual handling fee

7.1 Cost of investment

- US\$ 18'500 for ½ lot (0.62 acres / 2'500 m² of land)
- US\$ 35'000 for 1 lot (1.24 acres / 5'000 m² of land)

Due to the decision of BAFIN, German investors are not allowed to invest directly with less than 200'000 Euros. Agri Terra KG is in the process to open a fund for German investors so that they can buy shares, but they will not own the land.

The funds are transferred directly from the investor into a trust account. The price of the investment includes the land itself and the cost of preparing, maintaining, and managing your lot and harvesting the oranges. Your contract specifies that you will not be liable for any additional payments.

The price of the investment includes:

- The cost of the land
- Notarization and land registration
- Preparing the ground for planting
- Purchase, delivery and maintenance of saplings
- Hedge planting, access paths, buildings, weighing and loading station
- Replanting guarantee (10%)
- Care, watering, and pest and disease protection
- Remuneration of workers and supervisory staff during preparation, planting and cultivation until the first year of harvest
- Administration staff remuneration
- Land taxes
- Management and supervision
- External audit costs

From year 4 onwards all of the above current costs, including land tax, and part of the operating costs, will be covered by the income from the harvest.

You will be paid the net income from your lot once a year. Agri Terra KG will be responsible for payment of the Paraguayan income tax and the land tax for as long as the lot is being cultivated. Agri Terra KG will send you a deduction certificate in your name, which is an important document in Paraguay.

7.2 VIP Cashflow Program

The VIP Cashflow Program cost is CHF 2'000. You will receive the following benefits from Cashflow Coaching as a stressless-package:

- All information needed in German language
- All questions answered in German
- Conference call with Paraguay AG Invest with German translation
- Support for setting up the investment
- Support with filing documents
- Assistance in signing the contract
- Help with translations of documents and content

7.3 Annual handling fee

The annual handling fee for Cashflow Coaching is 20% of the net profit. It is due after the profit has been paid, no cash-out for the investor. You will receive the following benefits as a stress-free package:

- Single point of contact for all questions in German
- Coordination and clarifications with the company
- Translation of email traffic and newsletters
- Obtaining the necessary documents from the company for your income taxes
- Help with organizing field trips to the plantations

8. Risk

8.1 Risk assessment of Cashflow Coaching

The risk is considered to be low.

- You own a registered and titled lot of land
- Experience of the company in agriculture since 1995
- Field trips to the plantations possible

8.2 Risk factors

Risk factor	Assessment Cashflow Coaching
Too little experience in the local market	<p>The directors live and do business in Paraguay for more than 25 years, they know the local market very well and they have a lot of important connections.</p> <p>This risk can be classified as low.</p>
Depreciation	<p>The local market is known well and 85% of oranges are imported. The ROI chart shows detailed information on development of the business.</p> <p>This risk can be classified as low.</p>
Company withdraws from business	<p>Established business in Paraguay with several companies in the agro sector in Paraguay and Panama. Also the directors are living in Paraguay for over 25 years and have their own money in the company. There are more than 115'000 orange trees planted.</p> <p>This risk can be classified as low.</p>
Embezzlement 1	<p>No criminal record is known. An entry at the German BAFIN in 2018 was due to a missing prospectus, so the investment cannot be publicly sold to non-accredited investors in Germany.</p> <p>This risk can be classified as low.</p>
Embezzlement 2	<p>The total purchase price is paid to Agri Terra KG into a German trust account.</p> <p>Your payment is covered by a breach of trust policy by the Zürich insurance group in Germany.</p> <p>This risk can be classified as low.</p>

Embezzlement 3	<p>You own a registered and titled lot of land. If the company or the management company goes out of business, you still own the land which secures the investment.</p> <p>This risk can be classified as low.</p>
Embezzlement 4	<p>Annual results will be certified by a leading international auditor.</p> <p>This risk can be classified as low.</p>
Bankruptcy of the company	<p>No signs are shown that the company(s) could go bankrupt. The company is growing in various areas (agriculture, cattle, real estate, business, ...) so a further growth is predictable. Due to the fact that the investment period is 25 years +, a bankruptcy is possible with a complex company structure like this.</p> <p>This risk can be classified as middle.</p>
Bankruptcy of the company	<p>Your registered and titled ownership of trees and land is protected in case of company's bankruptcy.</p> <p>This risk can be classified as middle.</p>
Volatile market	<p>The agriculture market can be classified as steady. The local demand for oranges is ongoing and 85% of oranges are imported. The investment is not correlated with the stock market, even during economic downturns people still need food.</p> <p>This risk can be classified as low.</p>
Inflation 1	<p>Paraguay has a stable currency for 70 years, an inflation below 5% for the past five years and an 4.5% average Gross Domestic Product (GDP) growth over the past 10 years. The Guarani is the most stable currency in South America.</p> <p>This risk can be classified as low.</p>
Inflation 2	<p>High-quality agricultural land has the potential to increase significantly in value and offers a very good hedge against inflation.</p> <p>This risk can be classified as low.</p>

Political situation	<p>Paraguay has a very stable democracy since 1992. Paraguay has investment protection treaties with many countries (e.g. Germany)</p> <p>This risk can be classified as low.</p>
Natural disaster (earthquakes, flooding, fire, pest, crop failure, ...)	<p>There is no coast in Paraguay and no earthquakes. The plantation is covered by fire, pest and crop failure insurance.</p> <p>This risk can be classified as low.</p>
Diseases 1	<p>The Huanglongbing bacterium, known as HLB, causes citrus greening disease. Plantations are medium sized, fully staffed all year long with the keen attention to crop care (the key to prevent greening) and are located hundreds of kilometers apart, making it very difficult for it to spread.</p> <p>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.</p> <p>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.</p> <p>This risk can be classified as low.</p>
Diseases 2	<p>Insecticides are also used in the plantation. The plantation has its own in-house disease expert responsible for the monitoring process.</p> <p>This risk can be classified as low.</p>
Weather condition	<p>Temperatures of below -0°C can put oranges at risk. Temperatures very rarely fall below zero. Hedges of eucalyptus and neem provides a natural barrier against the wind and prevents the temperature from falling too far.</p> <p>The experienced staff takes additional measures to protect the trees, especially their roots, in the event of unusually cold weather.</p> <p>This risk can be classified as low.</p>

This product can be associated with a high risk up to total loss and is not suitable for many investors. This notice informs you of any risks associated with this product, but cannot explain all the risks, including how these risks behave in your personal circumstances. If you are unsure, you should seek professional advice. It is important that you fully understand the risks involved before deciding to invest in this product, and that you have the appropriate financial resources to sustain such risks. You should not invest money that you cannot afford to lose.

9.No offer, disclaimer

All information provided, including all financial information, is provided for informational purposes only and does not constitute an investment recommendation, an offer or a solicitation to buy, hold or sell any financial or investment products. They do not constitute investment, legal, tax and/or other advice.

In particular, a previous performance does not indicate or guarantee the future development. There is no implied or explicit guarantee of the future development of performance. Investments in foreign currencies are also subject to currency fluctuations. In addition, forecasts do not provide reliable indications of future developments.

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Interested parties should seek advice from a qualified professional before making investment decisions.

