

Good morning!!

I would like to thank EIHA and specially Mr. Micheal Craus for the opportunity of introducing you into the South American prospective.

General status

International prices for agricultural products have brought prosperity to the area, growth has been consistent for the last 10 years, averaging 3,5%, prices are expected to keep on increasing.

According to data from World Bank Latin America`s economy is the third largest in the world, being MERCOSUR , integrated by Argentina, Brazil, Paraguay and Uruguay the largest commercial bloc in the area with a GDP of 2,5 trillion, accounting for three quarters of the economical activity of the continent. MERCOSUR produces almost 9% of the world agricultural product and more than 30% of the world meat production.

With 240 million people is the fourth largest bloc in the world behind European Union, NAFTA and the Association of South East Asian Nations.

In this chart you can see a comparison of the evolution of agricultural GDP between developed countries and South American.

Barriers for hemp

There are difficulties for the production of hemp in South America, legislation does not establish differences between hemp and cannabis with high THC.

“LAHT” has been formed in 2006 for the introduction of the hemp industry in South America.

We have defined 3 key success factors for the development of hemp agribusiness in South America.

First: To introduce the necessary changes in legislation to have a stable legal framework and regulations with clear and fair rules following the examples of the European Community, Canada and Australia laws among others.

It is extremely important to know the productive capacity of the region. Therefore, it is essential to know if the climate and soil conditions are suitable and which are the varieties with the highest yields, in order to know what must be developed at a commercial stage. Getting the expertise on cultivation and technologies is important.

It is necessary to get down to work to identify the development of the destination markets for the grains, seeds and fibres, both internationally and domestically.

It is essential to inform involved third parties, the government, the public sector, businesses and the society as a whole, of the marked difference between hemp and marijuana.

Strategic Partners

We have associated with Ecofibre Industries from Australia and receive the collaboration of its business partner Infinite Fibre. They provide us with know-how on cultivation and transformation and put the best cultivars for each purpose at the disposal of the Project. (fibre, grain / seed).

In order to carry out research on the adaptability of hemp as an industrial cultivation for fibre, seed/grain and oil, a research agreement was signed with the National Institute for Agricultural Research (INIA) of Uruguay.

We have been carrying out R + D activities since 2010 to continue providing the Project with the necessary knowledge and information to ensure its success in the commercial stage.

We would like to start the hemp business in Uruguay, and Why Uruguay?

I would like to introduce Uruguay to you by means of a video prepared by Uruguay 21, the Governmental Agency for the Promotion of Investments and Exports of my country.

Let me tell you Uruguay in figures

1.- Uruguay has 3,25 million inhabitants, and a GDP of almost 50 thousands millions and 6%.

2.- Inflation government forecast of 7,1% for the present year.

3.- Unemployment has been falling for the last 8 years, at present is 5,7%.

5.- VAT is 22%. Price of gasoline U\$D 1,81 per litre.

The Uruguayan-German Chamber of Commerce & Industry monthly generates information about the situation of Uruguay. Here you can see the most relevant data.

I want to highlight that after going through one of its most severe crisis in 2002, Uruguay satisfactorily recovered with an economy that has been growing for 10 consecutive years and with a prospect of continuing in that path.

This scenario, together with the legal stability and the clear rules that are a characteristic of Uruguay,

Plus how Uruguay is ranked in South America and the world with respect to the indicators shown.

Policies for promotion of foreign investments as you can see

Made that Standard and Poor's award the country the "Investment Grade".

As you can see, in MERCOSUR only Uruguay and Brazil received that grade.

Coming back to where we were

Uruguay has a long agricultural tradition which was spectacularly boosted during the last years.

Soy and forestry have accelerated this process. In the last years soy went from 10 thousand cultivated hectares to almost one million cultivated hectares while forestry presently takes seven hundred and fifty thousand hectares. Uruguay is one of the ten biggest rice producers in the world and for several years it has been the biggest exporter in Latin America.

Due to its size, Uruguay is the smallest country in MERCOSUR. It aims at specializing in market niches. At present we export special cuts of meat to highly demanding markets, wines, dairy products and rice, among others. This specialization strategy has been fostered by the government during several years and is considered a priority for the development of the country. I think this is fundamental for the development of hemp in Uruguay: We can consider it a specialization crop while Uruguay is the most suitable country to develop its introduction in the region.

We must also add the productive flexibility Uruguay has shown or the best attitude shown by its agricultural businessmen to channel productive resources towards places where there is a market-demanded option. Its only necessary to observe the growth experimented by soy cultivated areas during the last years. A fact that must be highlighted is that 100 % of rice cultivated areas are irrigated. And this is another positive sign. As we've seen during the essays, hemp crops demand lots of water. So having significant irrigated areas in the country would allow us to have suitable surfaces to cultivate hemp. Therefore, if the market does require it, we could achieve a sustained growth in Uruguay with no inconveniences.

Action taken

LAHT has presented a draft of a bill to the Uruguayan government to make hemp agribusiness viable.

We have been informed by the National Office of Agricultural Services that this year the government will prepare a proposal for the bill. We expect to participate in its final draft. The proposal will then be submitted to the Uruguayan Parliament for it to be passed as law. It is worth saying that the government party is in parliamentary majority.

We expect this year experimental crops will continue, as the parliamentary process will take some time. However, we believe that if everything goes as expected and planned, the first commercial crop authorized by the Uruguayan government could be sown in 2013/2014.

Likewise, we have presented a project to authorize food and cosmetics based on hemp. The Ministry of Public Health studied the information presented by LAHT and apparently it satisfactorily passed.

But We think that everything will be approved as a whole once there exists legislation on cultivation.

This is why we can expect to start developing the domestic market for food and cosmetics during 2013.

We are carrying out experimental crops for the second subsequent year jointly with our research partners, INIA, the experimental centre "La Estanzuela", Ecofibre Industries and Infinite Fibre. The essays are the first ones to be carried out in South America; LAHT is, for the time being, the only company working with experimental crops.

Research provides technical support to the lobby actions we are taking and it is the main source of information for technicians, the government and the politicians to base their decision making on local information.

As an objective of the research activities we included its adaptability to the conditions of Uruguay to produce fibre and seeds to estimate the economical feasibility during the commercial stage. Knowing the phenology of the crop, the adaptability of technologies to the local conditions and identifying the variety to use for each purpose, is essential to improve the yield of the crops.

Let's take a look now to the graphic material about the experimental crops, the research design, and then share the most significant conclusions and results.

4 varieties provided by Ecofibre Industries are being studied: 2 are "fibre" varieties and 2 grain varieties.

The experimental design was of incomplete blocks (alpha lattice). The blocks were designed with 8 sowing lines and 6 metres in length. During the first year of essays, three repetitions were performed in different sowing seasons. During the second year, 5 sowing seasons were used to 5 sowing seasons were used to understand the crop phenology and three sowing seasons to adjust the plant density for better performance.

And these are the most relevant results: Industrial hemp showed it is a promising crop with great adaptability to Uruguayan conditions. It is agronomically viable under spring-summer local conditions and highly adaptable to our agricultural ecosystem. The obtained yield was: 6,099 kg/ha. equivalent of fibre production (as stalks) on a dry bases and 1,225 kg/ha. of grain with a Humidity of 13%, being the fat matter in the grain of up to 32.8 % on dry matter basis.

Those are the results of the first study, 2010/2011 season. At present, data of the second season are being processed. Our estimations show they will exceed the previous results.

Lobby actions have taken place not only with the government, but with the political sector as a whole, and received the support of it all.

We have established a bond with the Uruguayan Chamber of Industry and obtained support from it during lobby actions with the government. We have also approached the Uruguayan-German Chamber of Commerce & Industry and received their absolute support.

Now here you can see the details of the communication campaign towards the public opinion and the business world. High impact and selective traditional communication media have been used, local and regional press

We have participated in several radio programmes, with special segments on industrial hemp to comment in detail what hemp is in order to inform the general audience and businesspeople.

We will continue to work in the same direction to strongly position industrial hemp.

It is essential to think about a healthy growth to launch the activities in Latin America. While there is not a cultivated area to guarantee a continuous quality and quantity of fibre to supply different either primary or secondary markets, it is convenient to participate at the beginning, in the international market of seeds and grains to supply the producers of the Northern hemisphere in counterseason while including value added by producing oil in Uruguay and taking part in the international oil market.

In a coordinate way, it is possible to develop the domestic market for hemp-based food and cosmetics importing those from current world suppliers.

The development of the fibre market, besides depending on guaranteeing the supply of raw material, will depend on the industries adapting their productive processes to use the supply “hemp”, first as raw material, to then generate value added products. To achieve this, I find it essential to jointly work with EIHA and

HIA among other actors, so that the current users of the fibre in your countries and continents with industrial activity in South America may plan the transformation of their productive processes to include the use of hemp in South America. On the other hand, those industries undergoing expansion processes towards South America will be able to be supplied with raw material in a planned way.

Our Conclusions

We can assure that Uruguay offers a good opportunity for hemp, it is a country with no geographic accidents, mild weather, there is plenty of agricultural know-how, a population with a farming-tradition, suitable soils, a big network of rivers and streams to irrigate the crops, state-of-the-art agricultural machinery with satellite technology available, with a productive flexibility and production focused in the specialities for market requirements.

And last but not least, a serious country that honours its commitments and a defined legal frame for foreign investments.

Once the activity starts in Uruguay, the remaining MERCOSUR countries will gradually accept the different hemp products, either as raw material or as value added products. Uruguay will be a supplier and transformer of fibres for the region as well as seed, grain and oil supplier for the international market. This is our strategy to introduce and develop in a healthy way hemp agribusiness in South America.

We want to continue adding strategic partners to develop this new and attractive market. As we know working jointly with every world producer and local and global industry is essential, besides all the parties involved to generate a world hemp supply chain. Bear in mind we can expect to start growing hemp commercially in 2013 in South America, so we need to start working immediately to quickly develop these markets and do excellent business in the region.

Before I let you go, I want to thank all the companies and people that have joined this challenge and those who will surely join. Thank you very much for your attention!

If you have any questions or comments, I would be glad to answer them.

Have a nice day! Thank you!