

Interview with Mr. Alejandro Bulgheroni, President and Owner of Agroland, Uruguay

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InFocus Reports (IF) : Uruguay boasted an average annual economic growth rate of 9% between 2005 and 2008. Today, although not as high, the country continues to enjoy strong growth and is one of the most significant economies in the region. How would you rate the current socioeconomic situation of Uruguay if you had to define it in three key points?

Alejandro Bulgheroni:

- Uruguay is well known globally for respecting all of its legal institutions and it is economically stable, which is expressed in the dialogue that the government keeps up with the opposition.

- As a result of this economic boom, remarkable and historically low unemployment figures have been achieved. These range between 5% and 7%, which is a percentage that Uruguay struggled to reach earlier in the 20th century.

- The poverty index has decreased to around 13%, which is below that of Chile. The below-poverty index is small, barely reaching 1% and this is also the best percentage at a regional level and comparable with Chile, which, again, it exceeds.

IF: Agroland has 12 years' experience in terms of being the main agro-industrial development reference in the southern zone. Could you explain briefly how this mega-project was born?

Agroland is the materialization of a dream that my wife and I shared. The story goes back to 1999, when we discovered Garzón, a really old part of Punta del Este, located 28 kilometers from José Ignacio, which for us became the "small Tuscany in Uruguay".

Here we have a combination of the flavors of Italian ancestry with the local air in a really exquisite place. It is here that we produce food items for the most demanding tastes. The geography of the area combines



Mr. Alejandro Bulgheroni, President and Owner of Agroland

hills, brooks and streams which fall over the flatland and stretch out towards the sea. This beautiful and unusual scenery inspired the growth of Agroland, and offers an extraordinary environment for our plantations, which, in turn, complement the natural beauty of this place.

IF: How did Agroland evolve and grow into what it is today?

After we started in 1999, the agro-industrial business grew very quickly with new projects located in Uruguay and then also in Argentina, the U.S. and most recently in Europe. These projects, using state-of-the-art technology and with values based on taking care of the environment, include the development of vineyards, olive plantations, cultivation of berries, fine fruit and dried fruit, forestry, dairies, cattle-raising, organic fertilizers, biodiesel, wind energy and biomass. We are able to place excellent high quality products on the market.

We took the risk of investing in new products in a new location. The success achieved in our projects has encouraged investors to take risks as well "on the basis of something sure" and cultivated lands are expanding across the region and the country.

IF: What is your company's philosophy?

Agroland is going forward with frontline projects to promote industrial development, thus favoring an increase in jobs for qualified personnel, alongside improving their training. The purpose is to attain the best results possible, whilst always considering sustainable initiatives to render services and create A-star products.

As local pioneers in the cultivation of produce in which we specialize, we have proven experience using the potential of our own resources. Our aim is to continue investing, innovating and fostering the best team of professionals, so that we can offer healthy and natural products that reach a high degree of satisfaction for our consumers.

With a deep belief in the vital importance of our land and environment, we cover all stages of the production process using the technical and ecological advances necessary to ensure the care and preservation of all that the environment offers.

We are convinced that teamwork and commitment to quality are also key to the success of our company. This, together with other pillars such as innovation, efficiency and comprehensiveness, are the values that feed our enthusiasm, within a framework of the sustainable initiatives that have made it possible for us to reach this high degree of growth.

From the very start of my working experience, I discovered that I really enjoy working—working 365 days a year has to be more passion than work! This doesn't mean that everything's perfect, but I believe that we have to be capable and have the vision to see beyond any imperfections that may be put aside, to continue forward in the search for excellence. Bettina, my wife, accompanies me in this process, and she is especially involved and committed to the production of olive oil, almonds and blueberries in addition to her new cosmetics project.

Olives

IF: You are one of the largest producers in the area with overall control of all processes. What is the position of the olive growing industry in Uruguay?

Olive oil production in Uruguay started in the first

decade of 2000, and Agroland S.A. was a pioneer in this area. Today the country has more than 8,000 hectares of olives planted mostly within the framework of modern production methods. Undoubtedly, state-of-the-art technology in the oil production industry has contributed to the growth of this sector. It is important to point out that despite the fact Uruguay is a country that had no long standing tradition in the cultivation of olives, it was possible to achieve, in just a few years, a high level of Extra Virgin quality olive oil. Agroland S.A., as a leader in quality and having received many international awards, is now considered the sixth best Extra Virgin Oil production company in the world.*

After many years expressing an interest in becoming party to the International Agreement on Olive Oil and Table Olives, Uruguay has finally completed all administrative proceedings to formalize its acceptance as a member country of the International Olive Oil Council (IOOC). This will certainly guarantee the high-quality levels of oils manufactured in Uruguay, ensuring industry business people and government agencies commit to and comply with the manufacturing and certification procedures of their products at an international level.

IF: What are Agroland's prospects for the future? How many hectares does the project have so far?

At present, Agroland has a total of 550 hectares with olive trees planted. Most of them (some 450 hectares), with varieties that produce Extra Virgin Oil, are located in our exclusive "boutique" factory Colinas de Garzón. The remaining surface area, (some 100 hectares) is for table olives, a project that we have recently started to complement a family of high-quality products.

IF: What will you be focusing on in the coming years?

In the short-term, we are aiming to have 600 hectares of olive trees for the production of oil, consolidating the presence of our product in the most demanding markets. As far as table olives are concerned, and based on the results to be achieved, it is our intention to determine a firm scale for our project, always aiming at an excellent high quality product.

We have some 3,000 additional hectares of olive trees through our associated company Nuevo Manantial, 1,000 hectares of which are already producing olives today.

IF: Which is the main market for your produce?

We are confident that we have a unique high quality product at hand. We are developing highly demanding trade channels, aside from the fact our produce will reach large-scale markets, such as those in the U.S., China, Russia and Brazil. We are also developing an off-season market for the most demanding European customers, which, thanks to our high quality extra virgin oil, will have new oil available throughout the year, as it will be produced only six months earlier.

***Highlights:**

The International Organization **WORLD'S BEST OLIVE OILS** has ranked Agroland S.A. sixth in its rankings of **Best Extra Virgin Olive Oil Producers Worldwide**.

It shares this position together with two Italian companies, and follows five Spanish producers, proving that Agroland has a really outstanding position in the world as the best **non-European oil mill**. It is the head of the list of the only four American companies included in this ranking, which was prepared with the results obtained in many international contests of this area of the industry.

In 2012 **Colinas de Garzón** achieved more than 20 maximum awards at worldwide level, which meant that for the fifth consecutive year, our extra virgin oil received more awards at an international level than any other Uruguayan company.

Wines

IF: This is a project in the initial stages of implementation, a project that is focused on top quality wine production for foreign markets. What is the current stage of the Wines Project?

Everything started back in late 2006 when I asked Alberto Antonini (a world-famous Italian winemaker) to visit the property and analyze the chances of developing a premium wine project there. Antonini immediately fell in love with the place and the ballast soil. Ballast is a short, stony, well drained soil which, when added to the cool marine breeze of the Atlantic Ocean, creates a

climate that he found had many similarities with Galicia and Bordeaux.

What is amazing is the beauty of the landscape in Garzon: the vineyards are all on the hillside and the average size of each vineyard is less than one acre!! So, there are hundreds of small vineyards mixed with small woods, big rocks and natural palm trees. I would describe it as a blend of Tuscany, Burgundy and California... something really special.

I found all of this very exciting, but also challenging as there were no vineyards in the area. We started preparing the land in 2007 and by the end of 2012 we finished planting the first 180 hectares: Over the next two years, an additional 60 hectares will be planted to achieve the goal of 240 hectares (576 acres).

I had planned it very clearly from the beginning. I wanted a "state-of-the-art vineyard" focusing on making only premium wines.

IF: What kind of wines are you offering?

When it came to selecting varieties, the idea was to focus on Tannat for the reds and Albariño for the whites. The Tannat really does well in this climate, which is proven by how long it has been growing in Uruguay. The Albariño is also developing well, taking into account the similarity of the soil and weather conditions with Galicia in Spain, where the grape hails from. We also thought that other grapes could do well here, for instance, Merlot, Cabernet Franc, Pinot Noir, Marselan and Caladoc for reds, and Sauvignon Blanc, Pinot Grigio, Viognier and Petit Manseng for the whites. All the different grape varieties planted should do well in this environment.

Petit Manseng is expected to be a candidate for a great late harvest white wine, which is still lacking in South America, as most of the vineyards are grown in dry climates and it is hard to get Noble Botrytis on the berries. Petit Manseng is grown in the Madiran region of France, as well as Tannat, and they are both doing well in this climate. Merlot and Cabernet Franc will do well on their own, but we also have the option to explore blending them in small amounts with Tannat, to soften tannins and add layers of complexity.

The idea is to make a distinctive Tannat, which could become what the Argentinian Malbec has become over

the last decade.

IF: Which markets are you focusing on?

At the moment, we are focusing on our big neighbor, Brazil. But there is no reason why we shouldn't look into other attractive markets like the U.S, United Kingdom, and China.

IF: What is your future strategy?

Our goal is to make Premium wines with a strong identity, and personality, and a sense of place. Our message to the markets is that Uruguay CAN make Premium wines and we will see that it is acknowledged worldwide.

Tourism

IF: Thanks to the investment of foreign business people like yourself, not only have you developed the manufacturing potential but also the tourist potential, especially in Garzon. What does the promotion of the country and the beautiful landscape mean for Agroland?

I believe that agro-industrial developments are complemented by real estate and tourism opportunities. The beautiful landscapes are one of the main reasons we are investing in Uruguay. Our products are refined, high-end, and gourmet, and incorporate many of the values you would find in the countryside of Uruguay. In essence, our products and the landscape become one.

We are constantly dedicated to teaching and enriching the experience for visitors, by offering pleasant activities. One of those experiences, which may be the most significant and popular, is a guided wine and oil tasting tour. These tours, for which we have experts in the area, bring tourists closer to the product as they are given the required tools to personally test the quality of our wines and oils.

Our main objective is to generate encounters between consumers and our product. As we involve consumers in this comprehensive production process, we make them a real participant, a player in what we do and bring them closer to our achievements and international awards. Not only does this approach aid the development of the brand, which relies on nature and its landscapes, but it also allows tourists to take a piece of Uruguay home

with them, wherever that may be.

Our tourism activities create another means of export for Uruguay, an opportunity to ensure that local businesses grow. We are trying to expand tourist attractions, which are at present mainly concentrated during the summer months and almost exclusively focused on beach resorts. It is possible to extend the tourist season with our proposals for visitors and, accompanied by this business unit, we make it possible for Uruguay to cement its presence on the world map.

Energy

IF: In the new energy matrix powered by the Ministry of Industry, Energy and Mining, renewable energy has become increasingly important. Could you tell us a little bit about the production of alternative energy?

Uruguay is not alien to the present-day energy problems. It is a country with clear-cut government policies and it is proactive in the development of alternative energies. Sharing this vocation, we wanted to accompany this challenge by contributing to the growth of renewable energy sources.

To this end we have developed two wind energy farms—our own energy source—so we can be self-sufficient and contribute any excess to the public utility.

As far as Agroland goes we have at present 0.45 MW of installed capacity, with three wind turbines, and are planning on expanding that by adding five more turbines of 0.5 MW each, which will make it possible to have 2.95 MW of installed capacity.

At Nuevo Manantial, we have 19 units with 13 MW of installed capacity, which are expanded to 29 units, thus achieving an installed capacity of 18 MW. We are expecting to have this expansion completed during the first days of March.

IF: It is already almost 2013, what other projects will we be seeing during this year?

This year we will be partially launching the industrial area of our winery located in the Garzon hills; and finalizing the civil works and industrial facilities for the 2014 harvest season.

We have also expanded the installed capacity of our Colinas de Garzón oil mill and will be opening new production, packaging and bottling areas.

As I mentioned earlier, we are building a small table olive plant and another small plant for the processing of dry nuts, mainly almonds, which we plan to expand in the future.

It is quite evident that these projects will generate an additional attraction for tourists, and there will be more on offer to visitors.

IF: China is Uruguay's second largest trading partner; the trade between both countries had reached USD 3.000 million in 2011. In addition, China is the engine of the world's economy due to its high demand for commodities. What is your opinion about the state of bilateral relations with China?

Bilateral relations between China and Uruguay are excellent; they were resumed when Uruguay came back into democracy in 1985 with the first administration of President Julio Maria Sanguinetti. If you recall, up until that date, Uruguay traded with Taiwan. The insertion of Uruguay on the international markets demanded that a state policy be defined in the mid 1980s. This included all of the political parties represented in parliament, and led to the break up of diplomatic relations with Taiwan and the fostering of a political, diplomatic, trade and cultural relationship with China.

IF: What is the interest in establishing ties with China?

Everybody is interested in establishing a relationship with China nowadays and Uruguay is no exception. Uruguay has been convinced for more than 25 years that China is a major partner in international trade and this is part of the foreign trade strategy of any country that is open to the world.

IF: Great managers always convey their own personal ideology to the companies they manage. How do you define yourself ideologically?

The best "ideology" transmitted by business leaders to the staff of their companies is based upon a humanistic approach inspired by respect for human

beings and healthy boss-employee relationships at an appropriate social level. In connection with this, the productivity concept, awards for achievement, and fair compensation for efforts is the best way to transmit the "ideology" because the discussion margins between opposite ideologies are becoming ever smaller in the modern world. In accepting market regulations and becoming part of the World Trade Organization (WTO), China has pragmatically shown that the barriers that existed before were imposed by ideologies that should be surmounted, and they are now looking for a higher horizon, which is the welfare of nations.

I define myself as a man who really worships work and I have assumed the pertinent responsibilities with people and society that are a consequence of the need to make decisions. I believe that the best ideology of a businessman is to always adhere to universal rules regarding moral and ethical standards.

IF: Finally, what final message do you want to give China about Uruguay?

Uruguay is a country with a small geographical surface and scarce population that is quickly acquiring modern technology and adapting to the requirements of international markets.

It has a strategic location:

1. The port of the City of Montevideo is a natural harbor which has the best conditions in the Río de la Plata.
2. It is close to Argentina and Brazil and wants to achieve integration; it is a member of MERCOSUR, and has an excellent relationship with its border countries. Uruguay is small, but its projections are large. As a country with an integrated vision, it achieved an extension with the addition of Venezuela into the MERCOSUR. Uruguay has recently been able to achieve "observer" status in the initial agreement 'Asia – Pacific' which is evolving between Chile, Peru, Colombia and Mexico.

In summary: Uruguay is a democratic republic that is politically, economically, culturally, and religiously stable and open to the world whilst abiding by international treaties.