



SEMILLERO VENTURES
— A FOOD AND AGRICULTURE INVESTMENT FUND —

September 2, 2016

The Honorable Orin Hatch, Chairman
Congressional Task Force on Economic Growth in Puerto Rico
104 Hart Office Building
Washington, DC 20510

Dear Chairman Hatch:

Thank you for taking time to consider comments and proposals from the different economic sectors in Puerto Rico to develop the Congressional Task Force's ("Task Force") Report on Puerto Rico's Economic Development.

Semillero Ventures LLC ("Semillero" or "the Fund") and Puerto Rico Farm Credit ("PRFC") are key players in Puerto Rico's food and agriculture sectors, collaborating to develop and expand the agribusiness sector on the Island. At the same time, Semillero and PRFC are working on building the base for further potential equity investment in the Fund through the Rural Business Investment Company ("RBIC") license, with the goal of expanding access to lending and stimulating agribusiness growth in Puerto Rico.

As promoters and stakeholders of the sector, we believe Agriculture should become a key engine to the Island's economic growth and development. [Below we have identified a number of areas of opportunity and challenges that merit examination and attention]. Among those, we have included some opportunities where the federal government, specifically, the US Department of Agriculture ("USDA") could become involved.

I. Background

In 1950, agriculture was 18% of Puerto Rico's GDP, by 1970 it was 3.2 %. Today it represents less than 1% (Puerto Rico Planning Board). If agriculture were at 1950's levels, this would represent \$17B of additional economic activity. With an estimate of 48.5 jobs created for every \$1 million of agricultural activity, modern agribusiness can radically transform Puerto Rico's economy while creating hundreds of thousands of jobs.

The introduction of tax incentives (Section 936 of the U.S. Internal Revenue Tax Code, 26 U.S.C. § 936) to Puerto Rico in the 1970s led to a rapid rise in the manufacturing and pharmaceutical industry. This focus, combined with the evolution of a sophisticated agribusiness food supply chain in the US helped accelerate the demise of modern agribusiness in Puerto Rico.

In an \$8.5 billion retail food and beverage market, Puerto Rico currently imports 85% of its food source, yet has over 400,000 acres of unused arable land. In its driest areas it has 20-year rainfall that average more than twice that of Salinas, California, a region that grows two-thirds of the nation's produce. There are both significant import substitution and export opportunities available to Puerto Rico with duty free access to the mainland US \$1.8 trillion food and beverage retail market.

The formal food and agricultural investment sector Puerto Rico is extremely limited and lacks formal structure. This brief aims to demonstrate several of the existing assets on the ground and identifies opportunities at the intersection of local and federal policy that could stimulate the potential for agribusiness in Puerto Rico.

II. Addressable Opportunities for the Federal Government in Puerto Rico Commercializing Tropical Research & Development

Puerto Rico is home to the only tropical land grant university in the United States, the University of Puerto Rico, Mayagüez. This is complimented by the USDA Tropical Agricultural Research Station ("TARS") in Mayagüez, the US Forest Service's International Institute of Tropical Forestry, and a USDA Regional Hub for Risk Adaptation and Mitigation to Climate Change ("Climate Hub").

Because of its climate and growing conditions, Puerto Rico has a strong showing of global players at the forefront of transgenic and hybrid seed breeding with more than a dozen active agricultural biotechnology companies. These include: Monsanto, Pioneer Hi Bred, Mycogen Seeds, 3rd Millennium Genetics, Syngenta Seeds, Bayer Puerto Rico and Dow AgroSciences.

In a global scenario of increasing demand for food, climate volatility and drought, Puerto Rico has a unique advantage and opportunity based on this set of private and public stakeholders

As an example, the global market for seed was valued at \$53.76 billion in 2014 and is projected to reach \$92.04 billion by 2020, at a compounded annual growth rate of 9.4% from 2015 to 2020. While North America dominated the global market, the tropical and Asia-Pacific region is expected to be the fastest-growing market due to population growth and technology driven agriculture practices.

A federally sponsored public-private partnership for research, development and commercialization is key. This could be coordinated between the US Forest Service's International Institute of Tropical Forestry Climate Hub and TARS and would allow the

development of a commercialization programme to promote innovation and drive economic development.

Agribusiness Investment Opportunities Roadmap for Puerto Rico

An agribusiness roadmap is important as guidance to agribusiness entrepreneurs and investors on where they should consider investing capital. For Puerto Rico to succeed in the years ahead, several barriers must be recognized and removed.

A lack of coordination in the food and agriculture system, particularly between Puerto Rico and statewide food and agriculture interests, impedes the territory's ability to unlock the full potential of its assets. The territory's current business climate and an absence of policies to promote innovation are obstacles to expansion and investment in food and agriculture. Moreover, the Island's infrastructure has been hampered by underinvestment and poor coordination, which restricts the flow of Puerto Rico's food and agriculture products to market. Lastly, the low visibility of Puerto Rico's food and agriculture sector is a major obstacle to expansion in existing and new markets, both at home and abroad.

This project's objective is to develop that vision and provide a comprehensive roadmap for Puerto Rico to ensure that all stakeholders - farmers, industry, research institutions, government, and nonprofits - work together in a coordinated fashion to advance Puerto Rico's interests. The Agribusiness Investment Opportunity Roadmap will be made available to the public upon its completion. We have estimated that it will take four (4) months to develop a comprehensive and integrated strategic plan to ensure statewide, sustained, innovative leadership in the broad and diverse food and agriculture sector.

Partnership among stakeholders and effective government leadership and support are critical to success. With minimal funding from federal resources, including the USDA, this could be readily achieved.

Private Sector Investment and Access to Growth Capital

Semillero Investment Fund I ("Semillero" or the "Fund") is a growth-stage private equity fund targeting the food and agribusiness sectors. The Managing Partners are Alex Borschow, Jonathan Lassers, and Gualberto Rodríguez. The primary geographic focus of the fund is Puerto Rico because of its untapped and overlooked opportunities.

Besides the lack of capital available to scale agribusiness in Puerto Rico, many entrepreneurs lack knowledge of supply chains, technology, marketing, food safety and distribution, preventing them from achieving that next level of value creation and capture. This know-how requires active and experienced partners. The Fund is uniquely positioned to be the first and only access to these resources.

Semillero Ventures will be submitting an application to become licensed as a Rural Business Investment Company ("RBIC"). The RBIC license will help raise capital and enable Semillero to provide the tools and experience that entrepreneurs require.

Semillero Ventures is grateful for the opportunity to present ideas and initiatives that promote economic development through agriculture. We look forward to working with the Task Force to address the opportunities and challenges this sector faces. We are confident that together we can transform Puerto Rico's economy.

Sincerely,



Gualberto Rodriguez III

Managing Partner, Semillero Ventures