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EVALUATION OF THE  
AGRIBUSINESS EMPLOYMENT/INVESTMENT  
PROMOTION PROJECT IMPLEMENTED  
BY THE LATIN AMERICAN  
AGRIBUSINESS DEVELOPMENT CORPORATION  
DE CENTRO AMERICA, S.A.  
(LAAD-CA)

Contract No. 596-0000-C-00-3100-00

Prepared for:

Regional Office for Central American Programs  
U.S. Agency for International Development  
Guatemala City, Guatemala

Prepared by:

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November, 1983

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November 28, 1983

Mr. Kevin Kelley  
Private Sector Officer  
Regional Office for Central American Programs  
Agency for International Development  
8a. Calle 7-86, Zona 9  
Guatemala City, Guatemala

Dear Mr. Kelley:

It is our pleasure to submit this report on an evaluation of the Agribusiness Employment and Investment Promotion Project.

The evaluation focused on the sub-loans made by the Latin American Agribusiness Development Corporation de Centroamerica (LAAD-CA) under AID Loan Number 596-T-017, authorized at a level \$6 million.

The assignment had a duration of 18 days during which time interviews were undertaken with LAAD-CA, its borrowers under this loan, and ROCAP. It should be pointed out that the depth of the conclusions and recommendations reached was circumscribed somewhat by the brevity of the assignment.

Checchi and Company undertook two previous evaluations of LAAD-CA in 1974 and 1977. Mr. Ronald Ivey, the evaluator of this loan, participated in both evaluations.

We believe this report will provide you with the information requested in the terms of reference for this assignment. It has been a pleasure to serve you.

Sincerely,

*Ronald J. Ivey*  
Ronald J. Ivey  
Senior Development Economist

Enclosure

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## ABBREVIATIONS

CARDINSA	Cardamomera Internacional, S.A., a Guatemalan cardamom export firm
CBI	Caribbean Basin Initiative
GDP	Gross Domestic Product
INTERMATRA	International Maritime Trade, Inc., a Panamanian shrimp export firm
LAAD	Latin American Agribusiness Development Corporation headquarters, Coral Gables, Florida
LAAD-CA	LAAD's Central American regional office located in Guatemala
LAAD-Caribe	LAAD's Caribbean regional office in Santo Domingo, Dominican Republic
PROEXPORT	Promociones de Exportacion, S.A., a Guatemalan sesame seed export firm
ROCAP	Regional Office for Central American Programs, Agency for International Development, Guatemala

## TERMS OF REFERENCE

AID/ROCAP set forth the following scope of work for this evaluation:

1. Review LAAD-CA'S procedures for identifying and assessing potential sub-loans, including analysis of the technical, financial and risk criteria taken into account in determining sub-loan feasibility.
2. Identify problems and constraints affecting project implementation.
3. Assess the extent to which progress toward the project goals is being attained, with particular attention to the outputs established in the Project Paper.
4. Recommend appropriate changes to improve project implementation.

## CONCLUSIONS

1. LAAD-CA's procedures for identifying potential sub-borrowers have been limited to: (a) approaching previous borrowers whose loan repayment record is well-established; (b) by referral from a local or international bank. Given the political and economic conditions which currently exist in Central America, we find these procedures adequate.

2. The company's procedures for assessing potential sub-borrowers are well-established and are one of the strong features of LAAD-CA's operation. In addition to its careful assessment, LAAD-CA loaned to those capable of providing strong collateral or guarantees, usually 150 percent of the loan value.

3. LAAD-CA has faced considerable external problems and constraints which have affected project implementation: worsened regional business conditions, foreign exchange shortages, and nationalization of its Nicaraguan portfolio. LAAD-CA presently has a delinquency rate of 31 percent for its overall portfolio. None of the loans evaluated were in default, but one may have to be rescheduled in November 1983.

LAAD-CA staff time has been used to resolve these problems, and its ability to make new sub-loans has been somewhat reduced.

4. In the two years since Loan 596-T-017 was effected, only four sub-loans have been disbursed, with four sub-loans scheduled for disbursement by December 1983. These eight initial sub-loans total \$3.7 million for an average loan size of \$462,500.

5. There has been satisfactory progress toward the attainment of project goals given the business environment in which LAAD-CA has been operating. The consultant could not project the impacts of the sub-loans with precision, but, based on information and data provided, it appears that the likely impacts will be strongest in foreign exchange earnings and GDP increases. Income impacts, based on independent producer purchases,

appear to be very good, but it was impossible to estimate with accuracy the number of small farmers selling to LAAD-CA's sub-borrowers. The lowest impact is likely to be in plant employment and income.

6. Exhaustive analysis of the sub-borrowers' financial reporting was not possible within the limits permitted by the timeframe of the assignment; however, accounting records appeared to be in good order and in accordance with acceptable accounting standards used in Central America.

7. LAAD-CA's present strategy is, according its management, to: (a) drawdown quickly the remainder of the AID loan with sub-loans that meet project objectives (small farmer purchases, rural employment creation, or non-traditional exports); (b) continue to be active and visible in agribusiness; (c) continue to maintain cash flow, liquidity and bad debt reserves by working with Central Banks to receive dollar payments from sub-borrowers; (d) maintain profit levels and thereby credibility with international lenders; (e) avoid foreign exchange problems by concentrating on export loans with a short turnover on the funds and retention arrangements in the U.S., and by making loans in Panama (which uses the U.S. dollar as its currency); and (f) be prepared to make term loans in the future.

Given the present conditions in Central America, the consultant agrees with this strategy.

8. LAAD-CA has managed to keep its staffing small while maintaining the high quality of its operations. All sub-borrowers stated complete satisfaction with their relationship to LAAD-CA and the rapidity with which it processes and disburses loans. Because of these factors, LAAD-CA occupies a unique niche among banks lending to agribusinesses in Central America. Much of LAAD-CA's success can be attributed to its President, Mr. Tom Mooney, whose considerable energy has gone to resolve the problems which accompany managing a lending institution at a critical time.

9. LAAD-CA's interest rates are viewed as good to very good depending on the country. Compared to AID-provided Caribbean Basin funds available at 19 percent in Honduras and 23 percent in Costa Rica, LAAD-CA loans at 12 to 13.5 percent are considered very attractive. Favorable terms are made possible because AID's fixed interest rate allows LAAD-CA to lend at a fixed rate while other banks are applying variable rates.

10. LAAD-CA is a useful channel through which AID/ROCAP can direct funds to benefit the private sector in Central America. Its operations complement well AID's Caribbean Basin Initiative in Central America.

Part I  
BRIEF DESCRIPTION OF LAAD

The Latin American Agribusiness Development Corporation, S.A. (LAAD) was incorporated as a private investment and development corporation in 1970. Its shareholders are leading industrial and financial corporations with substantial commitments to agribusiness development in Latin America.

LAAD's headquarters is located in Miami with subsidiary operations in Central America (LAAD-CA) and the Caribbean (LAAD-Caribe). LAAD-CA's offices are located in Guatemala City, and LAAD-Caribe is located in Santo Domingo, Dominican Republic, with a branch office in Bridgetown, Barbados. This evaluation deals exclusively with LAAD-CA.

The purpose of LAAD is to finance small- and medium-sized agribusinesses which would increase employment and income of the rural poor in Latin America.

The \$6 million loan evaluated in this report is the fifth such loan made by AID to LAAD. AID has provided \$29 million through unsecured loans in 1971, 1975, 1976, 1980 and 1981. These loans are payable in increasing semi-annual dollar installments, and they bear 3 percent or 4 percent per annum. LAAD has made its payments to AID on time, reducing its debt to \$17.2 million.

At the end of 1982, LAAD's consolidated balance sheet stood as follows:

	<u>Millions</u>	<u>Percent</u>
<u>Assets:</u>		
Cash	\$ .3	.7
Time deposits	2.0	4.8
Marketable securities	7.8	18.6
Loans	31.3	74.7
Equity	.9	2.1
Accrued interest and dividend receivable	2.4	5.7
Less: bad debt allowances	(3.0)	(7.2)
Other assets	<u>.2</u>	<u>.6</u>
Total Assets:	\$ 41.9	100.0
<u>Liabilities and Stockholders' Equity:</u>		
Loans payable to banks	\$ 13.9	33.2
Accrued interest and other liabilities	1.0	2.4
Loans from AID	17.2	41.1
Stockholders' Equity	<u>9.8</u>	<u>23.3</u>
	\$ 41.9	100.0

LAAD functions as a profit-making private business, earning \$1.5 and \$1.4 million <sup>1/</sup> in 1982 and 1981.

As of October 1, 1983, LAAD-CA had 52 loans in its portfolio with an outstanding balance of \$14.5 million. Appendix A contains a complete listing of all loans in LAAD-CA's current portfolio. Notable are 28 delinquent loans in the amount of \$3.3 million. These delinquencies exclude 1.2 million quetzales <sup>2/</sup> held in restricted accounts in Guatemala pending redemption of the dollar bonds.

The loans in the portfolio were distributed as follows by country and activity.

1/ LAAD's earnings are not subject to U.S. taxes.

2/ One quetzal equals US\$1.00.

Exhibit I-1  
PORTFOLIO SUMMARY

	<u>Outstanding Balance (Millions)</u>	<u>Percent</u>
<b>1. <u>By Country</u></b>		
Guatemala	\$ 3.9 <sup>1/</sup>	27.0
Costa Rica	3.1	21.4
Honduras	2.7	18.6
Nicaragua	2.5 <sup>2/</sup>	17.2
El Salvador	1.6	11.0
Panama	<u>.7</u>	<u>4.8</u>
	\$ 14.5	100.0
<b>2. <u>By Activity</u></b>		
Traditional - coffee, sugar	1.9	13.2
Farm inputs/machinery	1.3	9.4
Financial institutions	1.0	7.3
Livestock/poultry raising	1.0	7.0
Livestock/poultry processing	1.0	6.6
Shrimp	.7	4.5
Flowers/ornamental plants	.6	4.3
Cardamom	.6	4.2
Rubber	.6	4.2
Wood products/furniture	.5	3.5
Seed/oil processing	.5	3.4
Food processing	.4	3.1
Vegetable/fruit farming	.4	2.5
Miscellaneous	.3	1.3
Subtotal:	<u>10.8</u>	<u>74.5</u>
El Salvador government bonds	1.2	8.3
Nicaragua portfolio	<u>2.5</u> <sup>2/</sup>	<u>17.2</u>
	\$ 14.5	100.0

1/ Guatemalan borrowers have repaid \$1.2 million in quetzales which are held in restricted accounts. These funds will be redeemed for dollars and paid to LAAD-CA by the Banco de Guatemala as LAAD-CA disburses new dollar loans to Guatemalan borrowers.

2/ Currently frozen, but not considered as delinquent.

Part II  
 LAAD-CA'S PORTFOLIO  
 UNDER LOAN 596-T-017

A total of eight sub-loans have been made by LAAD-CA under the subject \$6 million loan which AID extended in 1981. About 60 percent of the funds have been committed. Disbursements have been made on four sub-loans. The average size of the sub-loans is \$462,500.

Appendix B contains summaries of each of the sub-borrowers.

Exhibit II-1  
 SUB-LOANS UNDER LOAN 596-T-017  
 October 1, 1983

COMPANY	AMOUNT	TERMS	DISBURSEMENT DATE	ACTIVITY
<u>Guatemala</u>				
Cardamomera Internacional S.A. (CARDINSA)	\$ 400,000		--- <u>1/</u>	Cardamom selection and export
Industrias Sesamo	300,000		--- <u>1/</u>	Sesame decortication and export
PROEXPORT	250,000		--- <u>1/</u>	Sesame decortication and export
<u>Honduras</u>				
Cztacamas Internacional S.A.	1,000,000	<u>2/</u>	07/07/83	Slaughtering and meat export
<u>Costa Rica</u>				
American Flower	400,000		09/07/83	Flower growing and export
<u>Panama</u>				
Provedora Internacional de Mariscos	350,000		05/31/83	Shrimp catching, processing, and export
INTERMATRA	300,000		04/30/82	Shrimp catching, processing, and export
Empacadora Avicola	700,000		--- <u>1/</u>	Poultry raising, processing and retailing
TOTAL	<u>\$3,700,000</u>			
AVERAGE LOAN SIZE	\$ 462,500			

1/ Not yet disbursed.  
2/ \$600,000 disbursed.

Part III  
LAAD-CA PROCEDURES FOR IDENTIFYING AND  
ASSESSING POTENTIAL SUB-LOANS

A. Identification

LAAD-CA has used two means to identify potential borrowers of AID loan funds:

- o By approaching previous borrowers (Industrias Sesamo, PROEXPORT, Catacamas International/Grupo Agrodinamica, American Flower, Grupo Melo, CARDINSA);
- o By referral from a local or international bank.

Industrias Sesamo fits both categories. In operation since 1967, it had regularly relied upon a line of credit from the Bank of Chicago. When that bank decided to reduce its Central American exposure, it suggested that the company contact LAAD. Since then LAAD has provided Industrias Sesamo with four loans: a \$350,000 term loan and three working capital loans.

PROEXPORT had not received a loan before, but other companies owned and controlled by PROEXPORT's major shareholder previously borrowed \$960,000 from LAAD-CA.

The loan to Catacamas International was the seventh LAAD-CA loan to the San Jose-based Grupo Agrodinamica. Previous loans totalled \$1.4 million.

American Flower previously had received five LAAD-CA loans. Furthermore, LAAD was a shareholder until 1978 in American Flower Shippers, S.A., a Panamanian trading company owned by the major shareholder of American Flower.

CARDINSA previously had borrowed \$400,000 from LAAD-CA to purchase the 1982/83 cardamom crop. The original contact between CARDINSA and LAAD-CA was suggested by LAAD-CA's attorney.

The Melo Group in Panama City, a large vertically integrated chicken raising, processing, wholesaling and retailing operation previously had borrowed \$975,000 from LAAD-Caribe.

Only two of the eight loans evaluated, INTERMATRA and Proveedora Internacional de Mariscos, were new LAAD-CA borrowers. Both of these had been referred by Banco Industrial y Comercial, a Panama City bank.

In addition to the fact that most of the borrowers had previous experience with LAAD, this group of borrowers also had considerable personal and company net worth with which to guarantee the repayment of the loans. LAAD's lending policy requires collateral or guarantees which equal 150 percent of the loan.

In summary, LAAD-CA has relied strongly on previous borrowers to move these loan funds. No easy answer exists as to whether these loans, all to firms with substantial financial backing, collateral, and guarantees, were incremental. The consultant during this brief evaluation was unable to carry out an in-depth analysis of the matter. He believes, based on his knowledge of the present Central American financial situation, that a substantial number of the loans were incremental.

#### B. Assessment

The consultant evaluated the procedures for assessing sub-borrowers in a previous evaluation and found them to be satisfactory. LAAD-CA's review and approval procedure has not changed substantially since our last evaluation in 1977.

The procedure entails a quick, in-depth review of the applicant's operations and experience with other lenders. The applicant participates

directly in the review by providing information, assumptions and projections.

The project analysis covers: (1) adequacy of management, (2) availability of raw material supplies, (3) existence of a reliable market for the finished product, (4) the existence of adequate transportation, warehousing and handling services, (5) technical soundness, (6) profitability, and (7) ability to repay (cash flows analysis).

Information is collected on the following forms:

- (1) Project Proposal. A brief memorandum prepared after the first contact with a prospective client.
- (2) Initial Questionnaire. A form prepared by the loan officer upon which the decision to proceed with the project is based.
- (3) Format for Investment Proposal setting forth (a) borrower, (b) loan amount, (c) purpose, (d) term, (e) interest, (f) security, (g) conditions, (h) project description, and (i) financial statements.
- (4) Bank Reference Request
- (5) Project Assessment Form indicating (a) borrower, (b) location, (c) activity, (d) target group impact (employment, technology, foreign exchange, income, productivity, consumption, (e) national economic impact, (f) agribusiness systems development, (g) rural development, (h) environmental considerations.

The Investment Proposal and Project Assessment forms were similar to those made available to the consultant during previous evaluations. According to respondents, LAAD-CA staff spent four to ten days with the borrowers developing these applications. The analyses reviewed by Checchi were complete and matched information collected in our interviews. Financial projections appeared well-founded. One project (INTERMATRA) funded

under this loan is in difficulty. Three had losses or weak earnings last year (Catacamas, Proveedora Internacional de Mariscos, PROEXPORT), but they reported strong profits this year.

The completed forms are reviewed by company officials, the LAAD-CA President, and the LAAD President, prior to their review by the Loan Committee members. The Loan Committee meets every quarter; however, urgent loan requests can be approved by telephone. The President of LAAD can approve loans of \$300,000 or less without forwarding these applications to the Committee.

The consultant believes the assessment process is one of the strong points of the LAAD-CA operation. The information developed exceeds that which would be developed by a commercial bank in that the commercial bank generally stresses collateral. Further, it allows a direct, personal link to be forged between LAAD-CA and the borrower. This personal relationship enhances the likelihood of loan repayment.

Part IV  
PROBLEMS AND CONSTRAINTS AFFECTING  
PROJECT IMPLEMENTATION

A. Lack of Foreign Exchange

The political problems of Latin America are well known and they obviously impact on LAAD-CA operations. The economic by-products of these problems include a reduction in foreign bank lending, a strong increase in capital flight,<sup>1/</sup> a reluctance to invest by both local and foreign businessmen, and a reduction in local and regional markets. These create a severe lack of foreign exchange throughout Central America especially in El Salvador, Guatemala and Honduras.<sup>2/</sup> Foreign exchange scarcity has created two problems for LAAD-CA: (1) LAAD-CA's requirement of repayment in dollars has contributed to the large number of delinquencies, and (2) borrowers, especially those producing for internal markets, have been reluctant to borrow in dollars for fear of an inability to repay. The higher delinquency rate means a reduction in LAAD-CA's cash flow and profits, and the inability to place loans also jeopardizes its profitability.

LAAD-CA has spent considerable time during the past year devising solutions to the problems caused by the lack of foreign exchange and the Central Banks' allocation of foreign exchange. The mechanisms worked out in each country to resolve these problems are discussed below. The lack

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1/ The Florida International Bankers Association estimated Latin American flight capital deposits at \$7 billion, and Appraisal and Research Economics, Inc. estimated Latin American real estate investments in southern Florida at \$5 billion (The Miami Herald, October 3, 1983.)

2/ This problem has subsided in Costa Rica due to relatively large amounts of U.S. dollar aid entering the economy. Panama, on the other hand, uses U.S. dollars as currency.

of foreign exchange has caused observable changes in LAAD-CA's lending strategy and geographic focus. The most notable strategic difference is a stronger emphasis on exports which reflects the typical views of Central American governments that the most socially palatable means to resolve the foreign exchange shortage is to increase exports. Furthermore, the effect of the world recession upon prices for traditional products has created a greater push for diversification into non-traditional products (cardamom, sesame, flowers, shrimp, etc.).

A summary of the foreign exchange problems of three of LAAD-CA's client countries follows.

1. Guatemala

LAAD-CA has had a number of borrowers who have been unable to repay their loans in dollars, but have been able to purchase dollar bonds in exchange for quetzales (1.2 million quetzales have been paid into restricted accounts pending dollar availability in the Banco de Guatemala). These quetzal payments have reduced LAAD-CA's cash flow and funds for lending. In May 1983, LAAD-CA reached a unique agreement with the Central Bank whereby LAAD-CA's borrowers will be able to redeem the bonds in exchange for dollars to repay their loans in an amount equal to new LAAD-CA dollar lending in the country. The three companies evaluated have or will shortly receive loans from LAAD-CA totalling \$950,000 enabling it to receive payment on nearly all of its delinquent Guatemalan loans.

To facilitate payment of these most recent loans, the borrower will instruct the U.S. or other foreign bank handling its line of credit to retain and remit a portion (12 to 20 percent) of the sales proceeds directly to LAAD's New York bank account. The Central Bank has agreed to these retention arrangements because it recognizes the need to support exporters who will generate additional foreign exchange.

2. Honduras

The retention arrangement for payment established in Guatemala is similarly in effect in Honduras. The Catacamas loan will be paid off through a 12 percent retention over the next two years.

3. El Salvador

The Banco Central de la Reserva has issued five year interest bearing dollar bonds with a prescribed payment schedule. LAAD-CA was given these bonds, valued at \$1.25 million, in lieu of dollar payments.

The Commercial Officer of the U.S. Embassy has been urging the Banco Central to make dollars available so that two Salvadoran banks can repay LAAD-CA. LAAD-CA is willing to make new loans in El Salvador if these old bank loans are paid off.

B. Nationalization of Sub-Borrowers Assets

LAAD-CA's Nicaraguan operations virtually stopped as a result of the Sandinistas' take-over of the government and their subsequent nationalization of many privately-owned companies. The LAAD-CA'S Nicaraguan portfolio is as follows:

	<u>Outstanding Balance</u>
Category I (loans guaranteed by the government and rescheduled for payment over a 13-year period)	\$1,007,100
Category II-B (property directly confiscated by the government, loans for which have been rescheduled over a ten-year period)	728,502
Category III (operating companies which are unable to make payments because of lack of profits or access to foreign currency)	749,371
	<u>\$2,484,973</u>

### C. Reduction in Investment

New local and foreign investment has fallen off sharply in Central America. The consultant believes that most existing industries are continuing to operate although at a reduced level. In particular, two groups of investors are seeking new opportunities: small industrialists who have been less prone to shift their resources out of the country and who feel less threatened by what happens politically; and, a more important group for LAAD-CA, those with expanding (non-regional) export markets. The processing of loans for the former requires much more work in terms of obtaining audited financial statements, verifying collateral and evaluating marketing, managerial and technical aspects.

With the fall in new investment and the increasing emphasis on (and need for) exports, LAAD-CA's present strategy is to: (a) draw down the AID loan with sub-loans that meet AID project objectives (usually involving small farmer purchases or non-traditional export elements); (b) continue to be active and visible in the agribusiness field; (c) be in a flexible, liquid position (by working with the Central Banks to receive dollar payments from sub-borrowers); (d) maintain its profits so that it may continue to borrow from international lenders; (e) contribute to foreign exchange earnings by concentrating on exports; and (f) be prepared to make term loans at an appropriate opportunity.

In the cases of Industrias Sesamo, CARDINSA, and PROEXPORT no additional investments are being made at the plant level. We believe that relatively few investments are being promoted on the farm. The main benefit has been to keep these organizations operating and increase their exports.

The loans to Catacamas, American Flower, INTERMATRA, Proveedora Internacional de Mariscos, and Empacadora Avicola, on the other hand, are supporting additional investment. Catacamas is increasing its cattle supply through expansion of its own herd and pasture preparation assistance provided to independent cattlemen. American Flower is constructing

new greenhouses for pompon cultivation. INTERMATRA has purchased two fishing vessels and equipped them with heavy duty winches, cables and nets. Proveedora Internacional de Mariscos soon will be purchasing from seven independent shrimpers and has made substantial improvements in plant and equipment. Empacadora Avicola is constructing a new storage and distribution building.

We believe that there are a considerable number of lending opportunities which LAAD-CA has not been able to explore either because it has been too busy with delinquencies and foreign exchange problems or which are not known to its "network". Two such investors made contact with the consultant during the evaluation and were referred to LAAD-CA's office. It appears that one, a Honduran wood products manufacturer who plans to double his workforce of 90 employees, will receive a \$250,000 loan.

LAAD-CA's preoccupation with problems caused by foreign exchange shortages and delinquencies has resulted in a reliance upon borrowers with previous experience with LAAD-CA where obviously the risk is lower. The consultant recommends that, without compromising its present standards of safety, LAAD-CA should be more aggressive in identifying new borrowers.

Part V  
ASSESSMENT OF PROGRESS TOWARD OBJECTIVES

A. Outputs Described in the Project Paper

The specific goals established for the AID loan cover the following:

1. Number of Loans

At least 23 loans averaging \$350,000 would be made.

2. Short-Term Economic Impact

- a. GDP effect: \$30 million
- b. Import effect: \$7.8 million

3. Long-Term Economic Impact

- a. Value added or GDP: \$30 million
- b. Imports: \$7.8 million
- c. Exports: \$15 million
- d. Direct employment: 3,000 jobs
- e. Small farmer purchases: \$6 million

4. Other Financial Sources

The AID loan would generate \$8.8 million in finances from other sources:

- \$2.0 from private banks
- \$6.8 million from sub-borrowers

## B. Evaluation of Sub-Loans

### 1. Technical Soundness

For purposes of this evaluation, technical soundness refers to managerial, marketing and technological aspects of the sub-projects. Financial soundness is covered in a separate section.

#### a. Management

The consultant gives the company owners and managers very high marks overall in management capability. In our brief contact, we found especially good management in terms of knowledge, skills and control in CARDINSA, Catacamas, and American Flower. The highest productivity was noted at the Empacadora Avicola and Catacamas plant. Catacamas management also has useful, up-to-date, computerized information regarding number of animals slaughtered, pounds shipped, profits, etc.

#### b. Marketing

The most skillful in marketing were Industrias Sesamo, CARDINSA, Catacamas, American Flower and Proveedora Internacional de Mariscos. Catacamas' final product, frozen beef, has excellent appearance and quality, as do the products of CARDINSA, American Flower, Empacadora Avicola, INTERMATRA and Proveedora de Mariscos. Empacadora Avicola supplies one-fourth of the chickens consumed in Panama City. That plant dresses 16,000 to 20,000 chickens daily and sells them in 21 retail outlets.

INTERMATRA immediately needs marketing assistance to help resolve U.S. market entry problems. Empacadora Avicola requires assistance to upgrade the appearance of its 21 PioPio retail outlets.

c. Technology

The consultant observed several good examples of technology utilization among the plants visited. CARDINSA has mechanical cleaners and an electronic color sorter for cardamom and uses a helicopter to collect production from remote suppliers. Industrias Sesamo and PROEXPORT are the only decorticators of sesame in Guatemala. Catacamas has a very modern and sanitary facility which uses a cryovac machine for packaging beef cuts destined to Puerto Rican consumers. Frozen beef is shipped by container.

American Flower has staged plantings and forced blooming to program its cut flower deliveries. The flowers are chilled and shipped by air to U.S. markets.

INTERMATRA is exploiting a heretofore untapped Panamanian resource, a shrimp species found 600 to 900 feet below sea level. Trawling at such depths required equipping its boats with extra heavy duty winches and cables. The catch is removed from the ship's refrigerated hold by suction pipes. The plant pre-cooks and mechanically peels shrimp before packaging, flash freezing and shipping by container. The final product is superb.

2. Financial Soundness

Exhibit V-1 shows that all sub-borrowers who have operated three years or more are profitable. While the current ratios are demonstrably low in some cases, there should be little problem for LAAD-CA to be repaid because of the guarantees and collateral provided. None of the sub-borrowers under Loan 596-T-017 is currently in default.

Standards in the ratios from Central American balance sheets and profit and loss statements are not the same as those in the U.S. In many countries, affiliated companies are used to shift profits and reduce taxation.

Exhibit V-1

FINANCIAL SOUNDNESS ANALYSIS  
(Based on most recent fiscal year)

	Debt/Equity	Current Assets/ Current Liabilities	Net Profit/ Net Worth	Net Profit/ Sales	Initiation of Operations
CARDINSA	24.7	.58	85.20	.10	1978
Industrias Sesamo	.9	.89	.03	.02	1967
PROEXPORT	2.5	4.20	.25	.09	1962
Catacamas International	2.0	2.10	(.10)	(.03)	1982
American Flower	4.2	.76	.31	.06	1966
17 Proveedora Internacional de Mariscos	13.6	.98	.31	.02	1980
INTERMATRA	47.6	.14	(1.75)	(.61) <sup>1/</sup>	1982
Empacadora Avicola	2.0	.88	.16	.03	1948

Note: Parentheses indicate negative figures.

<sup>1/</sup> Eight months of 1983 only.

INTERMATRA is experiencing the most difficulties as a result of problems derived from introducing new technology, difficulties in marketing and a lack of experience in this industry. INTERMATRA will have to reschedule its debt to LAAD-CA (its first loan payment following an 18 months grace period is due in November 1983).

Catacamas International, which showed a loss last year, has reached a point of profitability operating in the black during the first three months of the current business year. It achieved profitability by raising the number of animals slaughtered daily from 60 to 150 despite a radical change in the way of purchasing beef from the ranchers.

### 3. Economic Impact

It is difficult to evaluate the overall economic impact of the sub-loans in that four of the sub-loans have not been disbursed.

Following is the duration and purpose of each sub-loan:

<u>Sub-Borrower</u>	<u>Loan Duration</u>	<u>Purpose</u>
CARDINSA	short-term	working capital
Industrias Sesamo	short-term	working capital
PROEXPORT	short-term	working capital
Catacamas International	one year	working capital
American Flower	5 years	expansion of greenhouse area
INTERMATRA	5 years	purchase of two shrimping vessels
Provedora Internacional de Mariscos	5 years	working capital
Empacadora Avicola	5 years	construction of storage and distribution facilities

a. Employment Impact

The sub-borrower presently employs 1,523 workers. Exhibit V-2 shows a projected increase of 126 workers as a result of the LAAD-CA loans. Payroll increases due to the added personnel are projected to be \$131,000. While this may not seem a high level of employment created or income added (by \$3.7 million in loans), it should be borne in mind that conditions are currently difficult in Central America. The seeds planted and the continuity provided will yield considerable benefits once economic conditions have improved.

As a result of LAAD-CA financing Catacamas expects to employ up to 36 new production workers as their slaughter volume increases. American Flower expects to employ 25 extra workers in their newly constructed pompon greenhouses. Proveedora Internacional de Mariscos projects an additional 40 sorters as the independent shrimpers begin delivering to the plant. Empacadora Avicola expects to add 20-25 new workers to man the new cold storage building being constructed with the LAAD-CA loan. INTERMATRA is undecided about adding employees, preferring perhaps to install an additional line of shrimp peeling machinery. The short-term cardamom and sesame working capital loans are not expected to generate new employment at the plant level.

Exhibit V-2 further reflects the rather limited total employment by these agribusinesses. In addition, such firms tend to eliminate unproductive workers and more effectively use the productive ones. American Flower Corporation is a case in point: it employed 175 workers when we evaluated it in 1974, and only 237 today in a far larger operation.

Doubtless, a greater impact on employment is felt on-farm, but there is no source of information to indicate how many small farmers have benefited from the purchases of firms such as CARDINSA, Industrias Sesamo, and PROEXPORT. Figures below would indicate the number to be around 5,000. Catacamas purchases cattle from 249 ranchers; 100 of them are small producers.

Exhibit V-2

ESTIMATED SUB-BORROWER EMPLOYMENT AND INCOME

	Employment (Persons)				Projected Employment Increase	Payroll (dollars)		
	Adminis- tration	Sales	Full-time Equivalent Production <sup>1/</sup>	Total		Annual Present Payroll	Projected Annual Payroll	Payroll Impact
CARDINSA	6	-	74	80	0	\$ 53,000	\$ 53,000	0
Industrias Sesamo	19	-	20	39	0	74,400	74,400	0
PROEXPORT	8	-	63	71	0	58,000	58,000	0
Catacamas International	13	-	127	140	36	316,598	352,598	36,000
American Flower	7	-	230	237	25	303,544	334,267	30,723
20 Proveedora Internacional de Mariscos	8	-	83	91	40	96,706	135,779	39,073
INTERMATRA	10	-	137	147	0	58,146	58,146	0
Empacadora Avicola	22	268	428	718	25	2,972,000	2,997,000	25,000
	103	268	1,162	1,523	126	\$3,932,394	\$4,063,190	\$130,796

<sup>1/</sup> Equivalent of full-time workers; many work part-time.

b. Raw Material Purchases

The firms which purchase raw materials directly from farmers and ranchers create a considerable income effect. As evidenced in Exhibit V-3 these sub-borrowers will be purchasing \$15.1 million in raw materials, an increase of nearly \$4.8 million over last year.

If the entire AID loan were disbursed, these purchases are estimated at \$7.7 million which surpasses the Project Paper goal.

c. Foreign Exchange Impact

(1) Exports

LAAD-CA's strategy to lend short-term working capital to finance the exports of large-scale firms results in strong net foreign exchange earnings. Exhibit V-4 forecasts an annual increase in exports of \$10.9 million. If all of the loans were disbursed, the increase in exports is projected to be \$17.5 million, thereby exceeding the Project Paper goal of \$15 million.

(2) Imports

Sub-borrower imports, on the other hand, are low compared to the annual goal set forth in the Project Paper. Imports are estimated to increase by \$3.5 million as contrasted with the goal of \$7.8 million.

A further point regarding imports: although imports are currently at a low level (probably for the combined reasons of foreign exchange shortage and the fact that the sub-borrowers are beyond the start-up phase), most of the equipment for communications, processing packaging, transportation, etc. involve U.S. brand names. Future orders for replacement parts, and possibly new equipment will in all Exhibit V-4 likelihood come from the U.S. Central America constitutes a 'natural' market for U.S. manufacturers, and LAAD loans indirectly contribute to U.S. exports.

Exhibit V-3

ESTIMATED SUB-BORROWER DOMESTIC RAW MATERIAL PURCHASES

	Previous Annual Purchases <sup>1/</sup>	Projected Annual Purchases	Projected Purchases Impact
CARDINSA	\$ 3,300,000	\$ 4,300,000	\$ 1,000,000
Industrias Sesamo	2,020,000	2,764,000 <sup>2/</sup>	744,000
PROEXPORT	581,000	718,000 <sup>2/</sup>	137,000
Catacamas International	4,645,931	7,124,000	2,478,069
American Flower	-	-	-
Provedora Internacional de Mariscos	-	400,000	400,000
INTERMATRA	-	-	-
Empacadora Avicola	70,000	74,880	4,880
	<u>\$10,616,931</u>	<u>\$15,380,880</u>	<u>\$ 4,763,949</u>

1/ Includes most recently concluded fiscal year.

2/ Bonded warehouse financing enables these businesses to borrow their working capital on LAAD-CA unsecured loans.

Exhibit V-4

ESTIMATED FOREIGN EXCHANGE EARNINGS IMPACT  
(Millions of Dollars)

	1982 Exports <sup>1/</sup>	Less: Imports	Net Foreign Exchange Earnings	1983 Exports	Less: Imports	Net Foreign Exchange Earnings	Net Foreign Exchange Impact <sup>3/</sup>
CARDINSA	3.9	.1	3.8	6.0	.2	5.8	2.0
Industrias Sesamo	3.5	-	3.5	6.0	1.8 <sup>2/</sup>	4.2	.7
PROEXPORT	.9	-	.9	2.7	-	2.7	1.8
Catacamas International	6.0	.2	5.8	8.5	.3	8.2	2.4
American Flower	.8	.2	.6	1.1	.3	.8	.2
Provedora Internacional de Mariscos	1.1	.3	.8	2.3	.3	2.0	1.2
INTERMATRA	.6	.1	.5	1.1	.2	.9	.4
Empacadora Avicola	-	.2	(.2)	-	.2	(.2)	0
	16.8	1.1	15.7	27.7	3.3	24.4	8.7

Source: Investment proposals, project assessment reports, and company interviews.

<sup>1/</sup> 1982 actual; 1983 estimated.

<sup>2/</sup> Estimated purchases from Philippine broker.

<sup>3/</sup> Excludes debt service.

### (3) Foreign Exchange Impact

The sub-borrowers will exceed the Project Paper goal of \$7.2 million by a large margin. Exhibit V-5 shows a foreign exchange increase of \$8 million. The projected increase in foreign exchange with all of the AID funds disbursed is estimated to be approximately \$12.9 million.

#### d. Gross Domestic Product Effect

The Project Paper sets forth a goal of \$30 million, actually \$18.6 million in light of the 62 percent disbursements in GDP, impact. That goal is based on a multiplier of 2.0 applied to investments in estimating the total effect of those investments.

In Exhibit V-5 we have estimated the GDP effect for the eight firms receiving LAAD-CA loans, using a method of estimation different from that employed in the Project Paper (i.e., rather than two times total investments, we have used the sum of the expenditures on final goods and services, private investments, and exports, less the value of imports). As indicated below, the borrowers produced an \$11.4 million annual GDP increase thus falling short of the Project Paper goal.

#### 4. Technical Assistance

LAAD-CA provides very limited technical assistance to its borrowers. Those contacted described LAAD's activities as strictly those of a lender. Several evaluated have need of managerial, marketing and technical advice, but most seem to have the capability to resolve their own problems and remove obstacles.

Exhibit V-5  
ESTIMATED GDP IMPACT  
(Millions of Dollars)

	1983				Estimated GDP Impact <sup>2/</sup>
	Local Sales (+)	Exports (+)	Investment (-)	Imports	
CARDINSA	.3	6.0	1/	.2	6.1
Industrias Sesamo	-	6.0	1/	1.8	4.2
PROEXPORT	-	2.7	1/	-	2.7
Catacamas International	1.2	8.5	2.0	.3	11.4
American Flower	.1	1.1	.2	.3	1.1
Provedora Internacional de Mariscos	.6	2.3	1.6	.3	4.2
INTERMATRA	-	1.1	.4	.2	1.3
Empacadora Avicola	25.7	-	1.6	.2	27.1
<b>Total</b>	<b>27.9</b>	<b>27.7</b>	<b>5.8</b>	<b>3.3</b>	<b>58.1</b>
	1982				
CARDINSA	.2	3.9	-	.1	4.0
Industrias Sesamo	-	3.5	.3	-	3.8
PROEXPORT	-	.9	-	-	.9
Catacamas International	.9	6.0	1.2	.2	7.9
American Flower	-	.8	.3	.2	.9
Provedora Internacional de Mariscos	.3	1.1	.7	.3	1.8
INTERMATRA	-	.6	.7	.1	1.2
Empacadora Avicola	21.4	-	-	.2	21.2
<b>Total</b>	<b>22.8</b>	<b>16.8</b>	<b>3.2</b>	<b>1.1</b>	<b>41.7</b>
GDP Effect Created by the Loan	5.1	10.9	2.6	2.2	11.4

Source: Investment proposals, project assessment reports, and company interviews.  
<sup>1/</sup> Supplier investments will take place, but are not quantifiable with documentation provided.  
<sup>2/</sup> Effects are stated in nominal terms.

Technical assistance, however, is required by the raw material suppliers (small farmers, independent fishermen). Every sub-borrower who purchased his raw materials from such suppliers cited opportunities where technical assistance and training could be fruitfully applied. These opportunities are listed below.

CARDINSA. Small growers harvest at improper times, handle the product poorly (expose it to the sun, make late deliveries to the driers), and their crop is subject to diseases. Some kind of paratechnical extension and training, possibly provided through radio broadcasts in local dialects, could raise output and loyalty to CARDINSA.

Catacamas. Small cattlemen are provided land clearing and pasture preparation services at cost and on credit. Additional services of a veterinarian, and a pasture and ranch management specialist could help raise production and strengthen relationships.

INTERMATRA can expand its catch by working with independent shrimpers, assisting them to equip their boats with heavier winches and cables to enable them to trawl at greater depths, and possibly to install sonar to facilitate location of shrimp schools.

Empacadora Avicola is a vertically integrated processor which has 21 chicken farms, a feedmill, processing plant, distribution system and retail outlets. It buys from only two independent growers who provide about 12,000 chickens weekly. The company would like to expand the number of independent growers.

Provedora Internacional de Mariscos will be buying from seven, and possibly more, independent shrimpboats in the near future, providing them with diesel fuel, mechanical repair service, radio contact and eventually sonar systems as it will provide to its own 12 boats. Since the firm can market as much as it can process, it could work with even more shrimpers to increase plant volume.

Industrias Sesamo and PROEXPORT buy sesame for the most part through middlemen. Technical advice to increase production of small growers could be provided.

Given the political, social and economic problems in Central America, it is of the utmost importance that sub-borrowers be encouraged to examine the feasibility of providing technical assistance to their suppliers. The resulting increase in volume of activity could be profitable for the plants and expand the benefits of the loans such as increased foreign exchange benefits, and more employment and income.

Part VI  
RECOMMENDATIONS

A. We recommend that with resources remaining under Loan 596-T-017 that LAAD-CA does not abandon its current lending strategy. As conditions improve, it should take steps to broaden its portfolio and provide additional term loans.

B. Given the paucity of lending for private enterprise in Central America and the projected rapid draw-down of AID funds by LAAD-CA, ROCAP should seek an additional \$6 million which could be made available to agribusinesses engaged in non-traditional export activities. Sub-loans should be made in conformance with Recommendation 1. These funds would enable LAAD-CA to expand its portfolio and to finance projects which complement AID's CBI activities throughout the region.

C. Sub-borrowers should be urged to work with their raw material suppliers to raise the quantity and quality of production. This can be done through earmarking a portion of the loan for training, technical assistance, farm credit, materials and/or services. Such services could build producer loyalty to the companies, and vice versa.

Concomitantly, ROCAP is encouraged to seek additional funds, say \$1 million, which could be reloaned by LAAD-CA on soft terms (5 to 6 percent interest) for periods of up to five years. The loans would be used for purposes and services such as described above. Discussions with sub-borrowers assured the consultant that they are concerned about the status of the rural poor in Central America and are willing to do more. The consultant believes that this could best be achieved through private sector firms rather than government.

D. ROCAP should consider the formation of a separate private financial organization which would lend to industries not engaged in agroindustry. LAAD-CA has demonstrated how to lend effectively and efficiently to agribusinesses in Central America. The strongest benefits under the Caribbean Basin Initiative will be earned by firms that can take most advantage of

the free trade (tariff reduction) feature. Non-agroindustrial firms are in the best position to take advantage of this. ROCAP can begin by undertaking a regional market study: (a) to assess new investments aimed at taking advantage of the CBI (for example, we understand that two new Brazilian industries have been set up in Costa Rica and that there is considerable interest by Japanese investors in Panama; (b) to determine how lending might best be structured to stimulate these investments. The current AID channels employed for CBI and balance of payment support funds (Central Bank - commercial banking sector) result in interest rates too high to be conducive to new investment.

GUATEMALA

LAAD-CA'S PORTFOLIO AS OF

OCTOBER 1, 1983

GUATEMALA

PROJECT	OUTSTANDING BALANCE	DATES PRINCIPAL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAYMENT RECEIVED	DATE LAST PRINCIPAL PAYMENT RECEIVED	TOTAL DELINQUENT PRINCIPAL	NEGAT DELINQUENT INTEREST	RATE OF MORATORY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE FINAL PAYMENT
Agro Inversiones, S. A. Ornamental Plants	\$ 53,572.00	April 1, October 1	January 1, April 1 July 1, October 1	11%	08/02/82	04/19/82	35,714.00	5,974.81	12%	41,488.81	08/12/78	10/01/81
Agro Recursos, S. A. Farming & marketing of broccoli & tomato	170,000.00	April 1, October 1	January 1, April 1 July 1, October 1	14%	03/30/82	-----	170,000.00	47,379.99	12%	-----	09/14/80	10/01/81
Agro-Químicos de Guatemala, S. A. Insecticides and machinery	638,654.04	Monthly payments	February 1, May 1 August 1, November 1	3% Over Prime	08/23/83	12/31/82	435,350.00	48,644.00	12%	482,000.00	10/20/80	11/01/81
Alimentos Guatemala, S. A. (AGSA) Cotton seed oil extraction plant	335,541.79	Feb. 1, August 1	February 1, May 1 August 1, November 1	3% Over Prime	01/27/83	01/27/83	235,541.79	28,050.58	12%	218,597.87	02/02/81	02/01/82
Alimentos Regia, S. A. Food processing plant	100,000.00	March 1, Sept. 1	March 1, June 1 Sept. 1, December 1	13%	07/25/83	11/17/82	50,000.00	9,851.84	12%	28,000.00	04/29/79	09/01/81
Cardamomos Internacionales, S. A. (CARDINSA) Cardamom exporter	211,671.53	20% retentions	20% retentions	15%	05/11/83	05/11/83	-----	-----	---	-----	12/14/82	-----
CONCEPO <sup>1/</sup> Agricultural equipment dealer	7,018.23 <sup>2/</sup>	-----	-----	3%	07/11/83	07/12/83	-----	7,018.23	---	5,495.93	-----	-----
Compañía Agrícola Fuchoná Rubber plantations	600,000.00	April 1, October 1	January 1, April 1 July 1, October 1	16%	06/03/83	-----	171,120.00	87,866.49	12%	51,741.86	04/03/79	10/01/81
Industrias Sésamo, S. A. (INSESA) Sesame processing	-----	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	11%	02/01/83	02/01/83	-----	-----	12%	-----	04/26/78	04/01/82
Industrias Sésamo, S. A. (INSESA) Sesame processing	-----	15% retentions	15% retentions	15%	06/30/83	06/30/83	-----	-----	12%	-----	11/03/82	-----
Internacional de Comercio, S. A. (INTERCOM) <sup>2/</sup> Commodities trading and agricultural financial services	271,878.40	-----	-----	---	-----	-----	-----	-----	---	-----	-----	-----
Los Cerros, S. A. Cardamom plantations	600,000.00	April 1, October 1	January 1, April 1 July 1, October 1	16%	11/17/82	-----	114,320.00	85,111.14	12%	76,433.36	04/03/79	10/01/81
Juan Porras Cattle	-----	June 1, December 1	March 1, June 1 Sept. 1, December 1	13%	04/11/83	04/11/83	-----	-----	12%	-----	11/30/78	12/01/82
Proyección Alimenticia Distributor of bakery & butcher equipment	14,400.00	March 1, June 1 Sept. 1, December 1	March 1, June 1 Sept. 1, December 1	14%	04/31/83	04/31/83	14,400.00	-----	12%	14,400.00	11/14/78	09/01/82
Danteo Saravia Agriculture studies	12,200.00	Monthly payments	Monthly payments	14%	09/07/82	09/07/82	-----	-----	12%	-----	11/12/79	07/07/81
Técnica Universal, S. A. (TECUM) Distribution of agricultural equipment	645,041.91	Monthly payments	March 1, June 1 Sept. 1, December 1	3% Over Prime	04/30/83	04/15/82	193,400.00	889,400.00	12%	307,000.00	04/25/80	07/01/82
Luis Valdés Farm equipment	47,216.32	Monthly payments	Monthly payments	14%	04/31/83	-----	-----	-----	12%	-----	04/21/81	04/21/82
Vegetales R. & S. Farming and marketing of tomato and broccoli	8,175.00	April 1, October 1	January 1, April 1 July 1, October 1	14%	07/15/83	09/21/83	8,175.00	-----	None	-----	08/28/79	10/01/81
Café Oriental de Guatemala, S. A. (COGUMSA) Coffee exporter.	400,000.00	December 1	December 1	12%	-----	-----	-----	-----	None	-----	05/12/83	12/01/81
	<u>\$3,935,368.52</u>						<u>1,424,420.29</u>	<u>438,303.08</u>		<u>1,261,657.83</u>		

<sup>1/</sup> Guarantee to ICE AUREOPORTOPORT BRASON of license on sale of low-priced agricultural equipment to Guatemalan dealer

<sup>2/</sup> Equity; LAAD-CA holds 2,000 shares; Book value of shares: \$125.83

<sup>3/</sup> Exposure

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PROJECT	OUTSTANDING BALANCE	DATES PRINCIPAL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAYMENT RECEIVED	DATE LAST PRINCIPAL PAYMENT RECEIVED	TOTAL DELINQUENT PRINCIPAL	TOTAL DELINQUENT INTEREST	RATE OF MORATORY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE PAYMENT
Arrocera San Francisco, S. A. de C. V. Rice processor	\$ 62,500.00	June 1, October 1	March 1, June 1 Sept. 1, Dec. 1	12%	04/10/83	04/10/83	-----	\$ -----	12%	-----	11/22/78	12/01/83
Banco Ahorro, S. A. de C. V. Automobile financing	-----	Feb. 1, August 1	Feb. 1, May 1 August 1, Nov. 1	13%	12/08/82	12/09/82	-----	-----	None	-----	01/31/81	01/31/83
Banco de Desarrollo e Inversión, S. A. Financial institution	90,909.14	May 1, November 1	May 1, November 1	9%	12/10/82	12/10/82	45,454.54	4,813.66	12%	-----	10/29/76	12/01/83
Financiera Salvadoreña, S. A. (FISAL) Financial institution	90,909.14	May 1, November 1	May 1, November 1	9%	12/17/82	12/17/82	45,454.54	5,129.29	12%	-----	10/28/76	11/01/83
Granja El Faro, S. A. de C. V. Poultry operation	-----	May 1, November 1	February 1, May 1 August 1, Nov. 1	11%	07/10/83	07/10/83	-----	-----	None	-----	10/29/76	11/01/83
Alimentos del Pacifico Sesame processor plant	127,458.00	March 1, Sept. 1	March 1, June 1 Sept. 1, Dec. 1	16%	04/22/83	10/11/82	14,200.00	5,227.87	12%	-----	01/02/78	09/01/83
Central Bank Bonds	1,194,700.00	April 1, October 1	April 1, October 1	12%	-----	-----	-----	-----	None	-----	10/01/82	08/31/83
	<u>\$1,566,376.28</u>						<u>105,109.08</u>	<u>15,036.92</u>				

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HONDURAS

HONDURAS

PROJECT	OUTSTANDING BALANCE	DATES PRINCIPAL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAYMENT RECEIVED	DATE LAST PRINCIPAL PAYMENT RECEIVED	TOTAL UNPAID PRINCIPAL	TOTAL UNPAID INTEREST	RATE OF MATURITY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE FINAL PAYMENT DUE
Astro Agrícola, S. A. Agricultural services company	\$ 166,670.00	March 1, Sept. 1	March 1, June 1 Sept. 1, Dec. 1	16%	12/27/82	12/27/82	111,110.00	24,573.21	12%	-----	02/21/78	03/31/84
Banco Financiera Hondureña, S. A. (BANFINHO) Financial institution	227,272.76	May 1, November 1	February 1, May 1 August 1, Nov. 1	9%	08/01/80	06/04/80	227,272.76	84,715.88	12%	-----	10/09/75	11/31/82
CIUDERON Meat Processing	170,000.00	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	15%	07/28/83	-----	-----	-----	12%	-----	07/28/82	08/31/84
Empacadora Alus, S. A. de C. V. Slaughtering and meat exporter	320,000.00	April 1, October 1	January 1, April 1 July 1, October 1	14%	07/13/83	10/29/82	-----	-----	12%	-----	10/02/79	10/31/85
Plantaciones Agrícolas Citric Plantations	170,799.03	June 1, December 1	March 1, June 1 Sept. 1, Dec. 1	12%	-----	-----	-----	3,284.74	12%	-----	06/01/83	06/31/88
Granja Avila, S. de R. L. de C. V. Poultry operation	240,000.00	May 1, November 1	February 1, May 1 August 1, Nov. 1	15%	03/16/83	08/25/82	62,222.22	15,151.03	12%	-----	04/10/78	05/31/80
Granja Avila, S. de R. L. de C. V. Poultry operation	84,444.45	May 1, November 1	February 1, May 1 August 1, Nov. 1	3% over Prim	03/16/83	06/10/82	21,111.11	3,333.27	12%	-----	04/23/81	05/31/85
Industrias Molineras, S. A. Flour mill	150,000.00	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	13%	09/15/83	07/15/83	-----	12,622.10	12%	-----	07/25/79	08/31/84
Leche y Derivados, S. A. Milk products	-----	June 1, December 1	March 1, June 1 Sept. 1, Dec. 1	9%	01/08/83	01/03/83	-----	-----	12%	-----	11/16/78	12/31/82
Muebles Contessa, S. de R. L. Production and export of wood furniture	333,333.20	May 1, November 1	February 1, May 1 August 1, Nov. 1	15%	03/11/82	02/28/80	222,222.20	87,397.40	12%	-----	10/19/77	03/0
Pastificios Hondureños, S. A. de C. V. Paste manufacturing facility	90,722.97	Feb. 1, August 1	Feb. 1, August 1	13.25%	06/02/83	08/02/83	-----	-----	---	-----	08/14/78	08/0
Prohisa, S. A. de C. V. Breeding and fattening of cattle	60,000.00	April 1, October 1	January 1, April 1 July 1, October 1	14%	07/13/83	10/29/82	-----	-----	12%	-----	10/02/79	10/0
Rancho San Lorenzo, S.A./Catacama Int. Slaughtering and meat exporter	650,000.00	12% Retentions	12% Retentions	12%	-----	-----	-----	-----	12%	-----	07/07/83	12/0
	<u>2,600,131.90</u>						<u>643,938.28</u>	<u>257,867.76</u>				

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COSTA RICA

COSTA RICA

PROJECT	OUTSTANDING BALANCE	DATES PRINCIPAL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAYMENT RECEIVED	DATE LAST PRINCIPAL PAYMENT RECEIVED	TOTAL DELINQUENT PRINCIPAL	TOTAL DELINQUENT INTEREST	RATE OF MORATORY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE PAYMENT RECEIVED
Agrupacion Mision, S. A. Cattle fattening & agricultural operations	\$ -----	January 1, July 1	January 1, April 1 July 1, October 1	8%	02/17/83	02/17/83	-----	-----	12%	-----	06/02/76	07/02/76
American Flower Corporation Flower growing for export	400,000.00	March 1, June 1 Sept. 1, Dec. 1	March 1, June 1 Sept. 1, Dec. 1	13.5%	-----	-----	-----	-----	12%	-----	09/07/84	12/01/84
Banco Agrícola de Cartago Financial Institution	161,815.00	April 1, October 1	January 1, April 1 July 1, October 1	8%	22/05/83	04/03/81	\$ 161,815.00	21,037.83	12%	-----	08/04/77	04/07/77
Banco de Costa Rica Financial Institution	161,815.00	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	8%	08/05/83	06/03/81	161,815.00	24,001.24	12%	-----	07/22/76	08/02/76
Cultura Las Brisas, S. A. Sugar plantation	125,000.00	November 1	February 1, May 1 August 1, Nov. 1	3% over Prime	05/02/83	05/02/83	-----	4,569.46	12%	-----	11/06/81	1
Follaga Incorporated Canning and export of farm	61,452.00	March 1, June 1 Sept. 1, Dec. 1	March 1, June 1 Sept. 1, Dec. 1	15%	07/12/83	07/12/83	-----	-----	12%	-----	07/08/81	0
Conserva Industrial, S. A. (CISA) Slaughtering and meat exporter	31,672.00	May 1, November 1	February 1, May 1 August 1, Nov. 1	11%	03/18/83	04/18/83	-----	-----	12%	-----	10/11/76	1
Naciona La Trampa Ltda. Cows and bull for a dairy herd	327,272.35	May 1, November 1	February 1, May 1 August 1, Nov. 1	16%	04/12/83	04/12/83	54,545.45	-----	12%	-----	12/13/77	1
Naciona Las Delicias Cattle breeding and fattening	270,425.35	June 1, December 1	March 1, June 1 September 1, Dec. 1	16%	07/05/83	07/05/83	-----	-----	12%	-----	05/17/77	1
Melchior Internacionales Canning and export of farm	106,325.17	March 1, June 1 Sept. 1, Dec. 1	March 1, June 1 Sept. 1, Dec. 1	15%	06/04/83	06/04/83	-----	1,167.71	12%	-----	07/08/81	0
Ingam, Taloga, S. A. Saw mill	375,000.00	November 1	February 1, May 1 August 1, Nov. 1	3% over Prime	05/02/83	05/02/83	-----	12,769.25	12%	-----	11/09/81	1
Inmersiones Corobici, S. A. Cattle operation	-----	May 1, November 1	February 1, May 1 August 1, Nov. 1	11%	04/05/81	07/13/83	-----	25,927.81	12%	-----	10/06/77	1
Estajela, S. A. Cattle fattening & ag. operations	-----	January 1, July 1	January 1, April 1 July 1, October 1	8%	01/17/83	01/17/83	-----	-----	12%	-----	04/02/76	0
La Ribera, S. A. Sugar plantation	250,000.00	May 1	February 1, May 1 August 1, Nov. 1	3% over Prime	03/22/83	-----	50,000.00	-----	12%	-----	05/04/82	0
Mico Tico Alimentos, S. A. Production of coconut milk	-----	Monthly	Monthly	15%	07/21/83	07/21/83	-----	-----	12%	-----	05/01/81	0
Sinches Currida Hermanos, S. A. Coffee	750,000.00	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	3% over Prime	04/22/83	-----	225,000.00	-----	12%	-----	05/04/82	0
Naciona Las Delicias Cattle breeding and fattening	-----	Feb. 1, August 1	February 1, May 1 August 1, Nov. 1	16%	04/02/82	04/02/82	-----	-----	12%	-----	07/26/81	0
	<u>3,262,377.36</u>						<u>693,175.45</u>	<u>154,072.47</u>				

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NICARAGUA

NICARAGUA

PROJECT	OUTSTANDING BALANCE	DATES PRINCIPAL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAYMENT RECEIVED	DATE LAST PRINCIPAL PAYMENT RECEIVED	TOTAL DELINQUENT PRINCIPAL	TOTAL DELINQUENT INTEREST	RATE OF MONATORY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE FINAL PAYMENT DUE
<b>CATEGORY I-1/</b>												
Government of Nicaragua	\$1,007,100.00	January 1, July 1	January 1, July 1	10%	06/30/82	06/30/82	31 9,300.00	51,474.00	2%	-----	02/27/81	01/01
<b>CATEGORY II-B<sup>2/</sup></b>												
Government of Nicaragua	720,502.22	March 1, Sept. 1	March 1, Sept. 1	6 <sup>1/2</sup> %	10/15/82	-----	-----	-----	---	-----	03/12/82	03/31/82
<b>CATEGORY III</b>												
Mexican Bario, S. A. Sesame harking plant	204,600.00	May 1, November 1	February 1, May 1 August 1, Nov. 1	10%	10/30/79	10/30/79	32 4213,332.00	45,315.22	12%	-----	10/26/77	11/01/
Myrorge Hidalgo & Co. Ltda. Breeding cattle operation	400,000.00	April 1, October 1	January 1, April 1 July 1, October 1	11%	12/15/81	-----	33 290,908.90	245,177.90	12%	-----	09/13/77	10/01/
Government of Nicaragua	82,705.29	April 1, October 1	April 1, October 1	7.5%	-----	-----	-----	-----	---	----- <sup>4/</sup>	05/21/83	04/01/
	<u>2,444,973.51</u>						<u>513,541.76</u>	<u>342,207.12</u>				

1/ Loans to or guaranteed by government

2/ Loans to borrowers cofinanced by the government

3/ The balance of the loan plus 3/8 of 1 rate is capitalized annually.

4/ VILAND-CA holds \$13,000 in 5-year, 7-1/2% Central Bank dollar bonds (\$5,000 of this amortizes payments from Nielsen Siquiera and \$20,000 from Mexican Bario.)

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FORM 1

FORM 1

PROJECT	OUTSTANDING BALANCE	DATES PAID... VL PAYMENTS DUE	DATES INTEREST PAYMENTS DUE	INTEREST RATE	DATE LAST INTEREST PAY- MENT RECEIVED	DATE LAST PRINCIPAL PAY- MENT RECEIVED	TOTAL DELINQUENT PRINCIPAL	TOTAL DELINQUENT INTEREST	RATE OF MONETARY INTEREST	AMOUNT LOCAL CURRENCY HELD IN PAYMENT	DATE OF ORIGINAL DISBURSEMENT	DATE FINAL PAYMENT DUE
International Maritim Trade (INTERMOTRA) Sriap	1300,000.00	May 1, November 1	February 1, May 1 August 1, Nov. 1	15.51	06/17/83	-----	-----	-----	12%	-----	04/30/82	05/01/87
Procedera Internacional de Mariacos, S. A. Sriap	350,000.00 <u>540,000.00</u>	June 1, December 1	March 1, June 1 Sept. 1, Dec. 1	12%	-----	-----	-----	-----	12%	-----	05/31/83	04/01/86

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## APPENDIX B

### A. Sub-Borrower Summaries

#### 1. Industrias Sesamo, S.A.

##### a. Loan - Amount \$300,000

LAAD's loan to Industrias Sesamo provided short-term working capital which will be used to purchase sesame and sell it as either decorticated or natural (depending on the market price). The interest rate is 12 percent and this loan will be paid for by retentions of 12 percent from the company's export transactions. LAAD has made other loans to Industrias Sesamo, a long-term one for plant and equipment, and annual working capital loans.

##### b. Product

This company deals in the purchase, decortication and export of sesame seed. It is the largest Guatemalan exporter of sesame, accounting for 25 percent of sesame exports. It is one of the two decorticators. The remainder of the competition, about 11 firms, export natural (undecorticated) seed.

Sesame is not a new product in Guatemala, having been grown there since the 1920's. Cristian Minondo, the owner of Industrias Sesamo, entered the business in 1967.

##### c. Process - Technical Soundness

It was not possible to visit the decortivating plant given the short duration of the evaluation and the fact that it was located 180 kilometers from Guatemala City in the southern coastal region.

d. Markets

Mr. Minondo originally entered the market to sell natural seed directly to Japan rather than through U.S. brokers. He presently exports 60 percent of his purchases to Europe and 40 percent to the U.S. and Canada. His most important buyers are in New York, Miami, Los Angeles, Holland and Germany. Mr. Minondo is a very able and widely traveled marketer.

Currently the U.S. Food and Drug Administration restricts the import of Guatemalan natural seed because of insect skeletons and fecal matter found in shipments. The decortication process overcomes these problems; thus, Industrias Sesamo has no problem shipping to its U.S. customers.

e. Management

From LAAD's point of view, Mr. Minondo is viewed as a successful sub-borrower and manager because of the previous loans. We could draw no conclusion from our interview.

f. Financial Soundness

Industrias Sesamo lost money in 1980 and 1981, \$49,000 and \$93,000 respectively, because it entered the market late and could not sell its entire inventory. Carrying the inventories cost unanticipated finance charges which resulted in losses. Purchases of natural seed through a Philippine broker for decortication also proved unprofitable.

The firm was profitable in 1982, earning a net \$21,000. It anticipates earnings of approximately \$200,000 when its accounting year closes in October 1983.

LAAD's loan was secured by unconditional personal guarantees of the owners and their wives and an insurance policy on warehoused raw materials. A Guatemalan bank is providing Industrias Sesamo a loan of 700,000 quetzales <sup>1/</sup> guaranteed by bonded warehouse receipts. The total working capital of \$1 million provided by these two loans can be increased based upon warehouse receipts for purchased grain.

g. Employment/Income

The company, in addition to the two owners, has 17 year-round and 20 full-time equivalent production employees.

h. Farmer Purchases

Industrial Sesamo competes with 12 other buyers for the production of approximately 3,000 mostly small farmers. The firm purchases through six casiques who receive a commission of 1 quetzal per quintal. The casiques have their own small warehouses or the grain is stored in container trailers provided by the company. The total purchases for 1983/84 will be \$3.5 million.

Deliveries are checked for excess dirt, intentional "padding", and moisture.

In the past, some advances were given to the farmers, but that is not presently done. He stated that he refuses to purchase from cooperatives because of their alleged unreliability.

i. Foreign Exchange

Sales for 1982/83 are estimated at approximately \$6 million, including the Philippine seed purchases. The foreign exchange

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<sup>1/</sup> One quetzal equals US\$1.

effect depends upon the price received and the proportion of sales which are natural or decorticated. For the purpose of this analysis, we are assuming foreign exchange earnings of \$4 million.

## 2. CARDINSA

### a. Product

In 1947, cardamom was introduced in Guatemala, which now leads the world with production of about 5,000 tons.

Cardamom is used as an ingredient in coffee preparation, cooking and confectionary. It grows where coffee grows, and, although some is grown by large farmers, the bulk is grown by perhaps as many as 10,000 small holders.

Shifts in production require at least three years, the time needed for newly-planted cardamom to yield. Also, plant viruses reduce Guatemalan output.

### b. Process-Technical Soundness

CARDINSA operates a small plant in Guatemala City where it cleans, sorts and grades. The plant is clean and well laid out. It includes several pieces of highly sophisticated equipment, including an electronic color sorter. Careful sorting results in very high prices for the premium grades.

One problem is the lack of competence of the small farmer in handling the harvested product. The product deteriorates quickly if not mechanically dried shortly after harvesting.

An affiliated company operates a helicopter service which is used to transport cardamom from remote regions to the Guatemala City plant.

c. Markets

Most cardamom ends up in the Middle East or northern Europe. CARDINSA sells to a major Jordanian dealer (40 percent), a Houston-based buyer (35 percent) and the rest goes to smaller buyers in Europe and the Middle East.

Demand seems to increase steadily, and CARDINSA is looking at a possible 43 percent increase in sales this year if they can successfully increase their purchases.

Many inexperienced groups are undertaking cardamom exports this year because of the "foreign exchange shortage/pressure to export" phenomenon and depressed coffee prices, and this may tend to drive prices upward. A favorable factor for Guatemala is that India, a major producer, will not export this year.

d. Management

Mr. Pablo Brose, the owner of CARDINSA, and Mr. Rene Munoz, manager, give a clear impression of sound management. Mr. Brose's coffee export operation is highly successful. Mr. Munoz has held management positions in PanAm and Ford.

CARDINSA has operated since 1978 and Mr. Brose has grown cardamom for 18 years.

e. Financial Soundness

CARDINSA earned a net profit of \$428,000 in 1982, and \$413,000 in 1983. It hopes to increase those profits even more with greater sales in 1983/84.

LAAD's loan is guaranteed by the two owners of Cafetalera Internacional and CARDINSA. Checchi and Company considers the loans to be very well secured and sound.

f. Farmer Purchases

CARDINSA purchases cardamom from approximately 50 dryers, small businessmen who act as middlemen. The dryers purchase from the numerous cardamom growers, and mechanically dry it to prevent deterioration. Most cardamom driers and growers with whom CARDINSA deals are in the Altaverapaz region.

Approximately \$3.3 million was purchased each of the last two years, and the company hopes to increase that this year. Prices paid to farmers range from \$50 to \$90 per quintal, and small farm production ranges from 10 to 30 quintals. Under the best conditions, a small farmer would earn \$2,700 in gross income.

g. Foreign Exchange

CARDINSA's sales of \$3.3 million are all exports, and all materials for packaging are purchased in Guatemala. Thus, we estimate a positive \$3.3 million in foreign exchange impact.

h. Nutrition

This sub-loan has no visible effects upon nutrition.

3. Catacamas Internacional

a. Loan - Amount \$1 million

This loan is a working capital loan which will require about two years to completely repay. A retention arrangement has been set up whereby 12 percent of export sales will go directly to LAAD. This arrangement has been approved by the Central Bank.

Interest is 13 percent, which is highly favorable to Catacamas given that Caribbean Basin funds are now available at the commercial banks at

19 percent. LAAD holds first mortgage on the company's slaughter plant and ranch which are valued at \$1.1 million.

LAAD had previously made six loans totalling \$1.4 million to Grupo Agrodinamica, the holding company of Catacamas, and all were satisfactorily repaid. Agrodinamica has had good relations with Citibank in Honduras, but this loan opportunity came available as a result of a reduction in Citibank's Central American exposure. Agrodinamica agreed to provide additional capital of \$1 million, which was done.

b. Product

Catacamas slaughters and ships beef destined to U.S. industrial users and Puerto Rican supermarkets. Some sub-products are sold in Honduras.

The slaughterhouse was purchased in early 1982 from a U.S. owner who had gone broke. Agrodinamica operates two other slaughterhouses in Honduras and one in Costa Rica. It changed the method of purchasing cattle immediately and placed skilled meatcutters in the plant.

c. Process - Technical Soundness

The plant is modern, clean and quite efficient. The slaughtered animals move through the plant at a rapid pace and all workers appear very productive. A change in cutting technique has yielded higher prices for beef cuts than the previous owner received. National inspectors are on the scene supervising cleanliness and methods.

A bone meal processor is located at the site and skeletons are immediately processed.

The final product has an excellent appearance. The beef cuts are vacuum packed.

The plant has a daily capacity of 250 head. About 120 head are slaughtered daily and break-even has been estimated at 60 per day.

d. Markets

All meat is shipped by refrigerated container to meat brokers in Miami and San Juan. There have been no difficulties in selling all the produce either in terms of volume or quantity.

The U.S. market price guides what they will receive, and therefore the price paid to suppliers.

e. Management

The consultant spent a day and a half with Catacamas' management. On the whole he was impressed with the knowledge, intelligence and sincerity displayed by the general manager, the plant manager and the assistant director of administration. All appeared to be capable and responsible. The accounting for the group is computerized and all spoke in terms of their projections.

f. Financial Soundness

During its start-up period in 1982 and 1982/83, Catacamas lost money -- \$190,000 on \$6.9 million sales. During the three months in this accounting period, July through September, 1983, they have been ahead of budget. They project for the year \$9.7 million in sales with \$571,000 in profits.

The key to achieving this level of profitability is maintaining supply, and as previously noted, they are presently operating at twice the break-even level. After a decline in U.S. cattle prices through December, the consultant believes that Catacamas will be receiving higher prices as the effects of the U.S. grain drought are realized.

g. Farmer Purchases

At present 249 cattlemen and intermediaries provide animals to the plant. Fifty large ranchers sell to the plant as do 100 small ones. The previous owner only purchased from 5 large ranchers.

The ranchers had to adjust to a net weight purchasing arrangement instead of the traditional weight "one the hoof" method. This arrangement eliminates all opportunities for the seller to trick the buyer.

Catacamas sees Olancho province (which is larger than El Salvador) and even Gracias a Dios province in the future as having increasingly greater importance for livestock raising. The company has been providing heavy equipment services at cost and on credit to cooperatives, grupos campesinos, and other ranchers preparing credit. This type of assistance is impressive and important.

The company should consider the feasibility of raising production even more quickly through the financing for a training component consisting of a veterinarian, a pasture management specialists, and a ranch management specialist.

h. Foreign Exchange

Sales in 1982/83 were \$6.9 million with approximately 87 percent of \$6 million generated in foreign exchange.

4. American Flower Corporation

a. Loan Amount - \$400,000

American Flower has borrowed this money to finance the expansion of 28,200 square meters of greenhouses for pompon cultivation. The loan bears interest of 13.5 percent and 1 percent payable at the loan

closing. The local banks do have funds available for lending, but at 23 percent interest. The current inflation rate is estimated at 14 to 15 percent.

LAAD-CA has lent to American Flower on four previous occasions. American Flowers considers that LAAD-CA has been instrumental in its past expansion.

b. Product

The firm has operated in Costa Rica for the past 17 years and has well-established markets for its products. The company cultivates pompons and roses for exports to the U.S and the Caribbean and decorative firms for the European, primarily West German, market.

AFC grows the product on three different farms in Costa Rica.

The owners were working on some minor quality problems at the time of the visit which demonstrated their conscientiousness. The employees displayed a great deal of care for the product and the final product was excellent.

c. Process - Technical Soundness

The greenhouses, while not permanent structures, are far more substantial than those existing at the time of our 1974 evaluation. The owners have the production process down to a routine: the bed preparation, irrigation, fumigation, picking, handling and shipping are carried out with practiced precision. Seeds are planted according to future delivery schedules and forced blooming is used to achieve simultaneous plant maturation.

The pompons and roses are refrigerated and shipped via air freight; the ferns, a more durable product, are shipped by container to Europe.

d. Markets

The markets are as follows:

		<u>Percent</u>
Cut flowers	United States	45
	Latin America & Caribbean	18
Ferns	Europe	27
Second quality cut flowers	Costa Rica	<u>10</u>
Total:		100

e. Management

Michael Thomas and Wilbur Ramirez, the owners, have developed a well-run operation. Employee relations are good, and the employees are productive.

Financially, AFC has been an excellent borrower from LAAD-CA repaying all previous loans on time.

f. Financial Soundness

AFC produced profits in 1981 and 1982, but it is anticipating little profit in 1983 and 1984 because it anticipates expensing some of the expansion it is undertaking. When full operation is achieved, the profitability of AFC will be substantial.

g. Employment/Income

AFC employs 7 administrative workers and 230 full-time workers on the farms. The farm labor is paid US\$.60 per hour plus US\$.30 is paid in retirement benefits and insurance. In addition, management

evaluates its workers 3 to 5 times per year and based on those evaluations pays bonuses. Employees who twice do not receive a good evaluation are fired.

h. Farmer Purchases

AFC does not purchase flowers or ferns from other suppliers, such as small farmers, for resale.

i. Foreign Exchange

This year, the company estimates exports of \$1.1 million and imports of \$300,000.

5. International Maritime Trade, Inc. (INTERMATRA)

a. Loan Amount - \$300,000

INTERMATRA is a shrimping operation located in Vacamonte, Panama. The operation consists of a very modern, recently constructed processing plant and two specially equipped shrimping vessels. LAAD-CA's loan was used to purchase the two shrimping vessels.

The loan has a five-year term and bears 13-1/2 percent. The loan had an 18-month grace period which will have to be extended given the financial difficulties of the Company.

b. Product

The owners were experimenting with getting into the shrimp business when one of the persons they were working with accidentally made large catches of Cabezon Shrimp at about 100 fathoms. Most shrimpers in Panama trawl at 7 to 17 fathoms. Thus, INTERMATRA exploits a natural resource which was previously unknown.

The product is refrigerated on the shrimping vessels so that they arrive fresh. After processing the shrimp is flash frozen. The quality is superb. All of the plant's output is exported to the U.S.

c. Process - Technical Soundness

The shrimping vessels are especially with heavy duty winches, cables and nets because of the weight involved in trawling at such depths. The Nino Current has shifted farther out to sea which has made trawling at even greater depths necessary.

The plant is one where a great deal of the most recent technology has been introduced. The shrimp arrives refrigerated and fresh in Vacamonte. The product is unloaded by large suction tubes which eliminates hand loading and open conveyor belts. It passes through cookers, peelers, a chemical solution to maintain liquid content. After manual sorting, excess moisture is removed, the shrimp are flash frozen, and packaged in attractive plastic bags. The bags are boxed for shipment by container to Miami.

INTERMATRA had some difficulties during the start-up phase with the introduction of all of these new technologies. Most of the technical problems have been resolved. As stated above, the final product is excellent.

d. Markets

The firm is exporting of its production to the U.S. Despite the excellent quality of its product, it is encountering difficulties in finding reliable wholesalers. The firm has not received what it considers fair prices an several shipments were not accepted. INTERMATRA needs immediately technical marketing assistance to help resolve these problems.

e. Management

INTERMATRA has technically good management, but the Plant Manager lacks experience in the business. Good information is available explaining the current financial plight of the Company. The Plant Manager and the owners, not having any experience in the business and introducing so much new technology in the short-term, have run up large losses, approximately \$1.3 million.

Despite these start-up losses, INTERMATRA's management has overcome many problems, and appear to have the ability to achieve profitability.

f. Financial Soundness

Of the eight loans evaluated, INTERMATRA is the least sound financially. From LAAD's point of view, the loan has sufficient collateral, the first mortgage on the two shrimping vessels which were appraised (the appraisals comprise part of the loan package) at \$400,000.

In addition, the Company's owners have very substantial net worths indicating that the Company can weather the current difficulties if they are willing to continue to back it financially. The danger for LAAD-CA is that the losses will mount up to such a high level that even though profits are possible, the turn around can only be achieved by large amounts of money and time.

g. Purchases from Independent Fishermen

INTERMATRA presently uses its own vessels to trawl for shrimp. The Plant Manager believes that once they work out their marketing problems, volume could be achieved by financing the equipping of independent shrimpers so that they, too, can trawl for the Cabezon species.

h. Foreign Exchange

The Company exports all of its production and has low imports (about 20 percent of sales). In 1983/84, exports are estimated to be about \$1.1 million with \$200,000 in imports producing foreign exchange earnings of \$900,000.

6. Provedora Internacional de Mariscos

a. Loan Amount - \$350,000

Provedora Internacional borrowed this money in order to purchase shrimp caught by independent fishermen. The loan has a term of five years and bears 12 percent interest.

The loan is the first given by LAAD-CA to this Company; therefore, the collateral and guarantees are substantial. LAAD-CA holds the first mortgage on plant and equipment as well as personal guarantees of the shareholders.

b. Product

Provedora Internacional produces frozen shrimp. The shrimp are caught at conventional depths, 100 feet, by the Company's 12 vessels.

The shrimp are not pre-cooked or peeled as at INTERMATRA, but they are sorted, boxed and frozen for delivery. While the product does not have the excellent appearance of the INTERMATRA product, the Plant Manager has no problems selling it in the U.S. or locally.

Provedora's plant appears to be about twenty-five years old, and apparently under government ownership was allowed to become quite decrepit. Provedora has done much to repair and paint the plant, move machinery into a better layout, and create more sanitary conditions.

When Proveedora purchased the plant, only one of the 12 vessels was in working order; now all 12 function.

c. Process - Technical Soundness

The process, while somewhat antiquated, is adequate to produce good quality shrimp. Also, the mechanical and manual sorting enables the plant to receive the maximum sales revenue possible.

d. Markets

Currently, 80 percent of output is sold in the U.S. and 20 percent is sold locally. Shrimp is shipped frozen to Panama City by truck and from there by air freight to the U.S. Management claims to have no problems either with sanitation inspections or sales in the U.S. Daily green sheet price quotes are available via telex. Proveedora is considering a joint venture with an English firm which would provide it with higher technology, better markets and, thus, higher prices.

e. Management

We spent an entire day in the plant observing the unloading of shrimp, sorting, etc. The Manager almost did not speak at all to his employees. He had no recent financial figures available -- they were in the Panama City office. Despite a call to Panama City, these reports were never delivered.

To the Plant Manager's credit, the work crew knew their jobs well.

One of the owners was present during the visit. He seemed to be responsible for the repair of the disabled boats, for expanding the parts inventory, and for maintaining the drydock area.

f. Financial Soundness

The operation lost \$198,000 in 1981, rebounded to a profit of \$25,000 in 1982, and is projecting profits of \$229,000 for 1983. The owner present thought "they had made a grave error in purchasing the plant, but now it looked like things were going to go all right."

The LAAD-CA loan will be instrumental in raising the plant volume and lowering per unit fixed costs which should lead to greater profits.

g. Employment/Income

The Company currently has the following personnel:

Management	3
Administration	5
Full-time production	22
Part-time production	23
Boat crews	36
Mechanics	<u>9</u>
	98

Total annual payroll is estimated at \$96,706. Boat captains and crews are paid a percentage of the value of the catch.

h. Independent Shrimper Purchases

LAAD-CA's loan which was disbursed in May 1983 was to have increased these purchases. To date purchases have been made from three independent shrimpers. Management stated that it will begin purchasing from seven additional independents in the near future.

There are advantages for the independents: (1) Proveedora's plant is located nearer to rich shrimping areas than is Vacamonte, the government-constructed fishing port; (2)-Proveedora will make available its drydock

facilities to them as well as access to its parts inventory. The plant has a speedboat which can be dispatched with the replacement part so that the boats do not have to interrupt their trip.

Purchasing from independents is important to proveedora for two reasons: (1) the plant's capacity is 7.5 tons per day and it currently processes 1 ton daily; (2) its own boats are old and the upkeep is very expensive.

Plant management was very open to purchasing from additional independent fishermen.

i. Foreign Exchange

The Plant Manager noted that the government disallows the purchase of new equipment (such as fishing vessels), but some imports, mostly replacement parts from the U.S., are made. He estimated that around 78 percent of total sales resulted in foreign exchange earnings. Therefore, we estimate foreign exchange earnings for the current year at \$2 million.

7. Empacadora Avicola

a. Loan Amount - \$700,000

Empacadora Avicola which raises, processes, wholesales and retails chicken, is a division of the Melo Group of Panama City, Panama. Empacadora Avicola borrowed the funds to build storage and distribution facilities. At the time of the visit to the plant, the new facilities were 50 percent completed.

The loan has terms of six years at a fixed interest rate of 11.5 percent. The loan was secured by first and second mortgages on Melo assets valued at 150 percent of the loan amount.

LAAD-Caribe previously loaned \$975,000 to the Melo Group.

b. Product

Empacadora Avicola supplies 25 percent of the chicken consumed in Panama City. Sales for 1983 will be over \$25 million. Once processed, the chickens are sold to wholesalers or to Melo's 21 Pio Pio stores which retail fresh and fried chicken.

c. Process - Technical Soundness

The processing plant operates at a high volume, slaughtering 16 to 20 thousand birds per day. The live birds appeared healthy, the plant was sanitary, and final product was of very good quality.

The production line, manned by approximately 100 workers, was equipped with automatic scalders and pickers.

d. Markets

The Company sells all of its dressed chickens in the local Panama City market. It had considerable information regarding its competition including up-to-date data on market shares. They estimate an annual sales increase of 10-15 percent.

The visit included stops at three Pio Pio retail outlets. Their clientele is low- to middle-income persons. The outlets are unattractive, but with a little imagination they could be upgraded to attract more customers away from their competition. Some of their competitors are selling from butchershop-type shops, and Pio Pio could do better if they more closely emulated Kentucky Fried Chicken or McDonald's.

e. Management

Based on a limited visit, management appeared to be quite top-heavy although this could be a result of the concentration in one location of all of the management personnel for the entire Melo Group.

Nevertheless, the various departments contacted during the interview could quickly produce information requested.

f. Financial Soundness

Questions regarding the divisions finances brought smiles to the face of the interviewee: whereas \$780,000 in net profits had been projected for 1983, it appears now that the final figure will be nearly \$1.5 million. There should be no problem in repaying LAAD-CA's loan.

g. Employment/Income

The division employs 718 persons with a payroll of \$2.9 million. The categories and numbers of employees are as follows:

Administration	22
Marketing	75
Processing	103
Live chicken sales	18
Farm operations	325
Restaurants	<u>175</u>
	718

h. Independent Farmer Purchases

Empacadora Avicola purchases chickens from only two independent farmers. The total purchases are 120,000 annually, representing only about six production days in the plant. The interviewee expressed only a limited interest in expanding the number of independent suppliers.

i. Foreign Exchange

The Company exports none of its product, and only a limited amount (we estimate around \$200,000 annually) of operating materials or

supplies are imported. Freezing equipment for the new storage facilities are being imported from the U.S.

8. Promociones de Exportacion, S.A. (PROEXPORT)

a. Loan Amount - \$250,000

LAAD-CA's loan provides short-term working capital to PROEXPORT which is expanding its sesame seed inventories. The loan bears 12 percent interest and is payable through 20 percent retentions of the borrower's collecting banks in the U.S. LAAD-CA previously loaned \$910,000 to PROEXPORT's major shareholder.

b. Product and Markets

PROEXPORT intends to export 2,500 metric tons of sesame, about 6.5 percent of Guatemala's sesame exports, in 1983/84. A subsidiary company, EXASA, is one of two decorticators in Guatemala.

PROEXPORT has no difficulty selling its decorticated product to the U.S., Japan or Western Europe. As a decorticator its product can enter the U.S. market whereas import of Guatemalan natural seed is forbidden. Sesame seed is used for oil extraction, in bakeries and snack manufacture.

c. Process - Technical Soundness

EXASA experienced technical difficulties with an enzyme process it tried to introduce. Those problems were resolved when a more conventional decorticating process was used.

d. Management

PROEXPORT is currently managed by a person who has established a reputation as a trouble-shooter and turn-around specialists. Under his leadership, PROEXPORT hopes to expand volume and thus profits. We were favorably impressed by this executive.

e. Financial Soundness

PROEXPORT has been achieving small profits to date: \$12,000 on \$1.1 million sales in 1981; \$5,000 on \$458,000 in sales in 1982. Preliminary figures show \$90,000 profits on \$953,000 in 1983. The firm hopes to achieve \$1.5 million sales in 1984.

LAAD-CA stands little chance of making a bad loan in this case, given the retention arrangement and the personal guarantee of PROEXPORT's major shareholder.

f. Employment/Income

Employment is low: only 8 persons in administration and 63 full-time equivalent production employees. Annual payroll is estimated to be \$58,000.

h. Independent Farmer Purchases

PROEXPORT purchased sesame from a number of independent farmers including 6 which had an average farm size of around 270 hectares and a very large number of small farmers.

Purchases from farmers equalled \$357,000 in 1982 and \$718,000 in 1983. With the LAAD-CA loan and other bank financing, PROEXPORT projects raw material purchases of \$1.1 million for next year.

i. Foreign Exchange

PROEXPORT exports 100 percent of its product and imports virtually no operating materials. We project foreign exchange earnings of approximately \$2.7 million in 1984.