



U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
USAID THAILAND  
BANGKOK, THAILAND

CABLE : USAID THAILAND

TELEPHONE: 252-8191-9

March 19, 1986

Dr. Sura Sanittanont  
President  
CKS Holding Company, Ltd.  
Bank of Ayudhya Bldg.  
550 Ploenchit Road  
Bangkok

Dear Dr. Sura:

Subject: A.I.D. Grant No. 940-2002.02-G-00-6022-00  
Reimbursable Cost-Sharing Grant for Feasibility  
Study of Farmer-Outreach Pineapple Processing  
Plant, Thailand

Pursuant to the Authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants CKS Holding Company, Ltd., (hereinafter referred to as "Grantee") the sum of not to exceed \$45,000 to provide up to 50 percent of the cost of completing a feasibility study in Thailand as described in the schedule of this Grant and in Attachment 2, entitled "Project Description".

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of feasibility study objectives during the period beginning with the date of acceptance by Grantee of this Grant and ending four calendar months thereafter. Disbursement of Grant funds to Grantee is conditioned upon the submission of a completed feasibility study acceptable to A.I.D. within four calendar months following Grantee acceptance of the Grant, and acceptance by Grantee of all terms and conditions of this Grant as signified by countersignature below, including but not limited to the condition that Grantee will refund to Grantor all proceeds received pursuant to this Grant if within two years from the date of acceptance by A.I.D. of the completed feasibility study:

1. Grantee, CKS Holding Company, Ltd., or their equity investors make a debt or equity investment in the project examined in the feasibility study;
2. Grantee, CKS Holding Company, Ltd., or their equity investors become principal supplier of goods or services to the resulting investment project;

GRANT  
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Dr. Sura Sanittanont  
February 19, 1986

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3. Grantee, CKS Holding Company, Ltd., or their equity investors become principal customers or managers of the resulting investment project; or
4. Grantee, CKS Holding Company, Ltd., or their equity investors make a debt and/or equity investment in, become principal suppliers of goods or services to, or become principal customers or managers of any business venture when feasibility is based substantially on the findings of the study supported by this Grant.

The terms of such refund are negotiable and can range from an immediate, in-full payment to payments made in prescribed installments at negotiable, competitive interest rates. If, however, A.I.D. provides financing for the ensuing venture, the Grant financial contribution to the cost of the feasibility study will be treated as a loan facility fee payable in full at loan closing or such other date soon thereafter as A.I.D. may agree to in writing. Dr. Sura Sanittanont warrants that he has authority to sign on behalf of CKS Holding Company, Ltd., and thereby obligate CKS Holding Company, Ltd., to make the refund described above.

This Grant is made to the Grantee with the understanding that the funds will be administered in accordance with the terms and conditions set forth in Attachment 3, entitled "Standard Provisions", which have been agreed to by you.

Please sign the original and seven (7) copies of this letter to acknowledge your receipt and acceptance of the Grant, and return the original and six(6) copies to me.

Sincerely yours,



John R. Eriksson  
Director

Enclosures:

1. Schedule
2. Project Description
3. Standard Provisions

Acknowledged and Accepted:



Dr. Sura Sanittanont  
President  
CKS Holding Company, Ltd.



ATTACHMENT I

SCHEDULE

A. Purpose of the Grant

The purpose of this Grant is to provide financial assistance to share up to 50 percent of the costs of developing a feasibility study/business plan for a farmer-outreach pineapple processing plant proposal in Thailand.

B. Period of the Grant

1. The effective date of this Grant is March 19, 1986. The expiration date of this Grant is four calendar months following the date of acceptance of this Grant by the Grantee or July 31, 1986, whichever is earlier.

2. Funds hereunder obligated for Fiscal Year 1986 are available for project expenditures for the estimated period of February 26, 1986 to July 31, 1986, as shown on the financial plan below.

3. Disbursement of Grant funds to Grantee is conditioned upon submission of a completed feasibility study/business plan acceptable to A.I.D. within four calendar months of the acceptance of this Grant by the Grantee and written acknowledgement and acceptance of all terms and conditions of this Grant including the conditions relating to refund.

C. Amount of the Grant and Payment

1. The total estimated amount of this Grant for the period shown in B.1 above is U.S. \$45,000.

2. A.I.D. hereby obligates the amount of up to U.S. \$45,000 for project expenditures during the estimated period set forth in B.2 above and as shown in the financial plan below.

3. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, Standard Provisions.

D. Financial Plan

The following is the Financial Plan for this Grant, including local cost financing items. Any revision to this plan shall be made in accordance with Standard Provisions of this Grant, entitled "Revision of Financial Plans".

Cost Element

Feasibility Study/Business Plan cost sharing	U.S. \$45,000.00
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E. Reporting and Evaluation

The Grantee will submit brief monthly reports to USAID/Thailand/ORPE (Office of Regional Private Enterprise) describing the progress Grantee has made in

implementing the project. The Grantee will also forward to USAID/Thailand/ORPE any reports prepared by U.S. firms retained by the Grantee.

The Grantee will also provide an accounting of its expenditures pursuant to completion of this project. All the foregoing reports will be prepared in English.

F. Title of Property

Title of any property acquired pursuant to implementation of this project will be vested in the Grantee.

G. Authorized Geographic Code

Goods and services procured under this project, the cost for which will be reimbursed by Grant funds, shall have their source and origin in the United States or Thailand or A.I.D. Geographic Code 941 countries, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall be only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

H. Contracting

A.I.D. reserves the right to review and approve in advance personnel selected to be contracted to provide services, salary levels for such personnel and their scope of work.

I. Standard Provisions

The Mandatory and Optional Standard Provisions contained in Attachment 3 are applicable to the Grant except to the following extent: Delete optional standard provisions 2, 12, 13, 15, 16, 18, and 19.

## ATTACHMENT 2

### PROJECT DESCRIPTION

The Grant will provide financial assistance to CKS Holding Company, Ltd., to share up to 50 percent of the costs of developing a feasibility study/business plan for a farmer-outreach pineapple processing plant proposal in Thailand.

CKS Holding Company, Ltd., is a subsidiary of the Bank of Ayudhya. The Bank of Ayudhya, a private commercial bank, engages in commercial banking, insurance and investments. In recent years its strategy has included investments which involve the transfer of technology and the development of new markets.

Dr. Sura, President of CKS Holding Company, Ltd., and a member of the Bangkok banking community since 1972, first approached the Bureau for Private Enterprise (PRE) in June 1985 with the idea of purchasing an existing pineapple canning facility in southern Thailand near the city of Hua-Hin. Because the Bank of Ayudhya has provided financial services to this pineapple company, Dr. Sura is familiar with the company's financial situation. The company has suffered from management negligence manifested by deterioration of plant and equipment and loss of market share. Dr. Sura, as champion of the takeover scheme, proposes to introduce new management, refurbish plant and equipment and radically alter raw material procurement. The latter element entails significant farmer ownership of the company and enhanced coordination between factory "throughput" capability with pineapple field production. This will be achieved by enlisting farmers as sponsors at the organizer level. The feature of farmer participation as organizers and, ultimately, owners makes this project an attractive one for the PRE investment program.

The context driving the project is composed of the following:

- Strong Export Demand For Thai Pineapple: Canned pineapple exports from Thailand have increased steadily over the past five years. This is partially due to shifting of production from high cost areas (Hawaii) and from unstable areas (Philippines). Additionally, CKS views there to be market growth potential in the Middle and Near East. The magnitude and trend of the factors indicating strong export demand for Thai product will be confirmed by the marketing study proposed as part of the feasibility work.
- Concentrated Processing Industry: The canned pineapple industry in Thailand is dominated by a small number of large producers. Concentration of processing offers opportunities for new entrants to compete for industry profits.
- Negligent Management: Existing management has been inattentive to plant and equipment and erosion of market share. CKS judges that installation of new management will result in dramatic improvement on productivity and market development. As part of the feasibility study, opportunities for joint-ventures with international marketing firms will be explored.
- Troubled Pineapple Supply System: Management negligence at the cannery level has also resulted in problems with farmer supplies. To mitigate problems at the supply level, CKS has been working with farm leaders to conduct audits of field production capability and to form farmer groups. Organizational efforts at

the farm level will be used to develop a tailored farmer outreach program reflecting canning and field production constraints.

To further improve on the relationship between the cannery and the farmers - a relationship which if poor cripples cannery operations - 20 percent ownership will be reserved for farmers. The purchase mechanism for shares will be worked out in the feasibility analysis, but will likely combine conversion of a portion of existing debt of the cannery held by some 50 to 60 farmers for 10 percent of the equity with purchase options for another 10 percent. A total of 100 million Baht (US \$3,774,000) is estimated as the total equity base. The potential number of farmers supplier/owners is 300 to 350.

CKS has focused on the need to introduce farmers in the early planning stages of the project. In view of delinquent debt and their interest in strong stable markets, farmers have been motivated to participate in organizational efforts. This project offers PRE an opportunity to support an innovative financing and management scheme in a rural-based, export industry.

Preparation of the business plan will explore in full the context summarized above as well as thoroughly develop and analyze financial projections, marketing, technical requirements, raw material procurement strategy, ownership, and management structure. Tentatively, elaboration of the business plan would be conducted by the following:

1. Dr. Sura, CKS Holding Company, Ltd. - Management Structure
2. Bank of Ayudhya - Financial/Economic Analysis
3. Tony Zola, Hawaiian Agronomics - Agronomic Study
4. Peter Frankel, Siamtec - Engineering
5. David Lyman, Tilleke & Gibbins, R.O.P. - Legal Analysis

Tentatively, the outline for the business plan is as follows:

I. Agronomic Study and Farmer Outreach Program

- A detailed study of the pineapple growing conditions in Petchburi - Prachuab where the proposed plant is to be located. This includes present acreage and output, farm size and location, varieties and quality, production costs, etc. It will also look into potential alternative fruits or crops that can be processed in the same plant, such as baby corn and asparagus.

- An implementable farmer outreach program to involve about 350-400 households for a total of 25,000-30,000 rai of growing area (2.5 rai = 1 acre) in a cooperative-contract-farming arrangement to supply the factory with constant delivery of fruits in order to avoid gluts and scarcities. The scheme will also include plans for cooperative transportation and procurement of essential inputs to reduce costs to farmers.

## II. Production and Engineering Study

• Part of the study involves a full inspection and evaluation of an existing plant to be taken over and a renovation and expansion plan necessary to bring these facilities up to standard with production capacities of up to 2.0 million cases per year. The other part of the study is to make an estimate for a state-of-the-art modern facilities for 2.0-2.2 million cases per year. Comparative analysis will be made on the technical merits and demerits of operating an existing plant versus building a new one.

## III. Market Study and Marketing Plan

• A comprehensive study of the canned pineapple industry in Thailand: number of factories, production capacities, marketing pattern, etc. An implementable marketing plan will be designed to ensure the success of the project when launched. This will involve direct contact with major distributors in the U.S., Europe, Japan as well as exploring new markets. Long term price trends in the world market will be analyzed.

## IV. Financial Analysis and Financial Plan

• Evaluate the financial viability of the project based on foregoing analyses of input, processing and marketing. Standard financial analyses will be performed. Realistic short- and long-term financial plans will be devised for various phases of project implementation.

## V. Equity and Management Structure

• In order to reflect the "public" nature of the proposed project (as opposed to the more prevalent form of family-dominated ventures in Thailand), both equity participation and management will reflect the contributions of each participating group: namely the farmers, processors and distributors. A fair and equitable structure is essential for the long-term viability and stability of the venture.

The detailed budget estimate for preparation of the business plan is as follows:

I.	Agronomic Study and Farmer Outreach Scheme (This study will be performed by the Hawaiian Agronomics (International) Inc. and Mr. Wolfgang Stuetzel. <sup>1</sup> The costs include traveling and per diem for fieldwork in the Petchburi-Hua Hin area.)	US\$ 17,500
II.	Production and Engineering Study (To be performed by Siamtec International Inc. A second opinion will be sought from Dravo Engineers, Inc. through their local agent.)	20,000

<sup>1</sup> Mr. Wolfgang Stuetzel, Thai-born, Thai-speaking German used to manage a German lamp factory and a Dutch milk factory. Now, among other activities, a consultant to East-West Data Co. Ltd. He will play a major role should the project be implemented.

III.	Market Analysis and Marketing Plan (To be performed by CKS Holding Co., East-West Data Co. Ltd. <sup>2</sup> , and Marubeni Corp. <sup>3</sup> The costs include international traveling expenses to the Philippines, Japan, U.S., Europe, and possibly the Middle East.)	22,500
IV.	Financial Analysis and Management Structure (To be undertaken by IFCT <sup>4</sup> , CKS Holding Co. and East-West Data.)	12,000
V.	Operational Support Costs	
	- Local Transportation	US\$ 2,500
	- Communication	1,000
	- Secretarial and printing	3,000
	- Legal fees	5,000
	- Misc. and contingencies	<u>6,500</u>
		<u>18,000</u>
	<b>Grand Total</b>	<b>US\$ 90,000</b>

<sup>2</sup> East-West Data Co. Ltd. is a local research and consulting firm.

<sup>3</sup> Marubeni Corp. is a major Japanese trading company.

<sup>4</sup> IFCT (Industrial Finance Corporation of Thailand) is a potential source of investment finance and equity for the project.