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CONFERENCE REPORT

Executive Workshop on
Agribusiness and Agriculture
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C O N T E N T S

1.	<u>SUMMARY OF CONCLUSIONS</u>	4
1.1	Relating Agribusiness and Farmers.....	4
1.2	Agribusiness Opportunities in Panama.....	8
1.2.1	Livestock.....	8
1.2.2	Fruit.....	10
1.2.3	Aquaculture.....	11
1.2.4	Industrial Raw Materials.....	13
2.	<u>BACKGROUND</u>	15
3.	<u>PRESENTATIONS</u>	16
3.1	Agriculture in Panama: Ing. Frank Omar Perez, Minister of Agricultural Development.....	16
3.2	Private Agribusiness in Panama: Ing. Dominador B. Bazan, President, Chamber of Commerce, Industry and Agriculture.....	19
4.	<u>OPPORTUNITY PROFILES</u>	22
4.0	Environment for Agribusiness.....	22
4.1	Livestock.....	25
4.2	Fruit and Vegetables.....	34
4.3	Aquaculture and Fishing.....	44
4.4	Industrial Raw Materials.....	48
5.	<u>APPENDICES</u>	54
5.1	Program.....	55
5.2	List of Participants.....	58
5.3	Sources of Financing.....	63
5.4	Market Information Available from the U.S.D.A.....	76

1. SUMMARY OF CONCLUSIONS

The Workshop brought together 63 participants of whom 34 were executives of Panamanian organizations (agribusiness firms, farms, government institutions, and associations), and 29 represented foreign organizations (agribusiness companies, public and private foreign aid institutions, consulting firms).

The twofold objective of the Workshop was to deepen the understanding of relations between agribusiness and farmers, and to define some concrete opportunities for new agribusiness projects in Panama.

The Workshop sessions were divided into two cycles of discussions of four concurrent groups. The first cycle analyzed four historical cases written by FMME which give account of what happened in various countries when farmers of limited resources collaborated with transnational agribusiness companies to produce cauliflower, milk, banana, and sugarcane. The second cycle examined the opportunities which present themselves in Panama in the production of livestock, fruit and vegetables, aquaculture, and industrial raw materials.

The groups presented their recommendations in plenary sessions which then discussed them critically. In addition, the foreign experts who participated in the panel discussion in the final session offered their evaluations of the recommendations.

1.1 Relating Agribusiness and Farmers

1.1.1 Chimachoy

The first group analyzed the history of relations between some 2,000 Indian producers in Guatemala who were growing cauliflower and broccoli for sale to a subsidiary of Hanover Brands of Pennsylvania, U.S.A.

It was noted that, initially, the vegetables were produced on the company's own farm and other large farms, but within a short time the company opted to contract with small producers because of the high quality of their product and difficulties which arose in dealing with large producers.

In discussing the problem of over production, an important observation was that the company managed to negotiate satisfactory arrangements with the producers who were organized in a cooperative, but the independent producers lost a good part

of their harvest. In this way, much was lost as regards mutual trust, but the value of producers' organization came to be better appreciated.

The group thought that in Panama relations between farmers and agribusiness require:

- a. government intervention to guarantee income, to purchase products in excessive supply, to supervise contracts, and to provide incentives for processors;
- b. development of a cooperative system to aid the farmer of limited resources;
- c. transfer of technology.

1.1.2 Chontalpa

The second group undertook a critical examination of the case of Chontalpa in the State of Tabasco, Mexico. The Nestle company answered the call of the government of Mexico to promote the production of milk in a backward region. However, in the opinion of the group technical and economic criteria never came to determine the policy of the project. Instead, a political consideration prevailed - the government's desire to provide benefits to newly settled ejido members. At the same time, the government did not comply in a duly punctual manner with its commitment to act as intermediary in the provision of infrastructure (land preparation by drainage and irrigation). The group concluded that the ejido members gained little more than a fortuitous windfall. The government's plan failed. The company gained experience, but little raw material.

With a view on making relations between agribusiness and the farmer more dynamic in Panama, the group suggested that the following considerations be taken into account:

- a. The multinational agribusiness company must have an objective and clear understanding of the setting in which it is about to act; similar clarity must enter relations with the government as, e.g., in Contracts with the Nation.
- b. The company must apply a policy of business management which is compatible with the local setting.

1.1.3 Guanchias

The third group of participants in the Workshop studied the case of the Guanchias, Ltd. cooperative of Yoro Province, Honduras. The cooperative contracted the production and sale of bananas with the Standard Fruit Co. The group first analyzed the origins

of the considerable success which the cooperative achieved over a decade. Various factors came into play: human resources skilled in banana production; physical infrastructure suited to banana production; government help with regard to organization and credit; the motivation of the members, former United Fruit Co. workers, to enjoy a good income once again; natural leaders who received training; reinvestment of profits; above all, a secure and remunerative market offered by the company, which, in addition, provided technical assistance to assure exportable quality of the fruit.

Next, the group tried to determine the causes of failures. The government attempted to replicate the success of the Guanchias cooperative in other parts of the country, but the results were much more modest. The cooperative itself incurred losses when it tried to diversify its production, adding corn, beef cattle, hogs, and eggs. The group thought that, first, some of these activities might have been crowned with success had more time been allowed. In addition, the other cooperatives received much that they had not fought for, they were not blessed with leaders of comparable stature, and consumed all that they earned. The diversified crops had no assured market, and the members were not entirely familiar with them.

After that, the group discussed some special aspects of the Guanchias case. One of these was the provision of credit. The conclusion was that the farmer of limited resources, having recourse as he must to the public development banks, encounters delays which bring about dislocations in the agricultural cycle. Consideration should be given to the feasibility of channeling development credit through private mechanisms such as private banks, input vending companies, and cooperatives. At any rate, credit should be granted to those who enjoy a reputation as good managers, and in kind. It is essential to pin down right at the beginning a reasonably assured market at prices which would facilitate the repayment of credit, and leave a profit.

Thinking of project planning in Panama, the group thought that:

- a. Use should be made of the concept of the Pilot Project, an intermediate stage between studies and prior experience which has been analyzed already, and full-scale execution of the project. An example would be shrimp culture on 200 hectares, based on a feasibility study which would contain all the technical data and sum up the eight-year experience in aquaculture in Panama. The pilot stage would consist of farming 20 hectares first. The results might identify unforeseen problems such as the inadequacy of human resources for the tasks; nocturnal robbery; the presence of harmful substances which were not detected previously.
- b. Every successful case has its own characteristics which come together in that instance and are not necessarily replicable in another place.

- c. The producer's familiarity with the product constitutes a comparative advantage.
- d. As long as it has access to an elastic market, the cooperative may be a mode of assisting the farmer of limited resources.

1.1.4 Mumias

The fourth group discussed the case of the Mumias Sugar Co., a Kenyan sugar business. The government of Kenya had contracted with a British private enterprise to develop and manage a project of sugarcane production and refining.

While the government of Kenya was the principal owner (70% of shares), the contract which was signed with Booker Agriculture International gave the company great leeway in the management of a nucleus estate of 3,400 hectares, as well as the development of some 20,000, hectares operated by private farmers, and the construction and operation of a refinery with a milling capacity of 80TM/hour.

The group noted that Booker, winding up in Guyana, had a surplus of technicians, that Kenya was experiencing a big deficit in the production of sugar, and that the Western Province where the project was sited was one of the poorest and most populous. The achievements were noteworthy: increase in the production of sugar from 21,000 TM in 1973 to 110,000 TM in 1979; growth of producer incomes and of taxes collected by the government, as well as profits which accrued to the company. The project achieved its objectives both in terms of import substitution and job creation benefiting the incomes of some 13,000 farmers of limited resources. The impact of the falling price of sugar which occurred subsequent to the period covered by the case study is unknown; however, it was noted that project policy did not permit participating farmers to put more than half of their land in cane.

The conclusions which the group drew and which may be useful to project planning in Panama are the following:

- a. The concept of a nucleus estate combined with outgrowers makes the project attractive from the social point of view.
- b. If the project is to be managed by a well-experienced private company, it is wise to give it strong control over all management decisions and even over the operations of individual producers.

- c. Government assistance should transcend changes in the government administration. The steadfastness of government help is strengthened by the exigencies of internal demand and the generation of fiscal income by the project.
- d. It is worthwhile to carry out a thorough study which lays the foundations for the project and clarifies the responsibilities of all participants, their incentives, and the operating mechanisms which are to be employed.
- e. The company which manages the project must be very perceptive in its dealings with independent producers, building trust.

1.2 Agribusiness Opportunities in Panama

The second cycle of group sessions and the final plenary of the Workshop were dedicated to the discussion of opportunities to launch new projects of production, processing, and export of Panamanian agricultural products. As a point of departure, the Workshop used the Opportunity Profiles which had been prepared by FMME beforehand (see Chapter 4). The Profiles focused the discussions on four rubrics: livestock, fruit and vegetables, aquaculture, and industrial raw materials.

The goal was to evaluate the opportunities for launching new agribusiness ventures, and to establish direct contact between the parties who might have business interest in the suggested projects. Also, it was announced that during 12 months following the Workshop, FMME would provide brokerage services in order to assist interested parties (not necessarily participants in the Workshop) in the realization of their agribusiness objectives. That effort will be assisted by the Federation of Chambers, the National Investment Council, the General Directorate of Foreign Trade of the Ministry of Commerce and Industry, the Panamanian Autonomous Cooperative Institute, the Commercial Attache of the Embassy of the United States in Panama, and USAID/Panama.

1.2.1 Livestock

The working group noted that the Panamanian cattle herd amounted to 104,000 head of dairy cattle, and 1,370,000 head of beef cattle in 1982. That year 274,000 cattle were slaughtered. However, milk imports went up from 50 million liters in 1975 to 94 million liters in 1980, while domestic milk production increased from 70 million liters to only 91 million liters, failing to satisfy internal demand. Meat exports reached only 29,000 head in 1982. Of the 173,000 cattle imported by the United States from

Latin America in 1982, only 7,000 came from Panama (as compared with 70,000 head exported by Costa Rica, 45,000 by Honduras, 20,000 by Nicaragua, and 15,000 by the Dominican Republic). At the same time, there is great potential to expand livestock production, mainly in the Atlantic watershed which, given appropriate technology, could become an important producer.

The working group analyzed the causes of the slow growth of Panamanian livestock industry in the following manner:

- a. Panama has not kept up with the Central American countries as regards policies to provide incentives for exports so as to earn foreign exchange.
- b. On the contrary, the Panamanian policy has been to assure abundant meat supply to the domestic consumer at a low price. The strict regulation of the price of milk does not permit adequate profitability, and thus does not allow the producer to employ improved technologies. For the same reason, the milk processors have ceased to provide free technical assistance to the producer (however at the Workshop the Compania Panamena de Alimentos announced the resumption of its technical assistance program).
- c. Up until two years ago, the cattlemen did not participate in slaughter and marketing operations which have been in the hands of butchers. Many of the slaughterhouses are deficient, and at present only one is approved by the U.S.D.A.
- d. It is a recent accomplishment that exports are free of quota restrictions (in view of increasing supply due to the droughts of 1982 and 1983).

If the shortcomings of the Panamanian livestock industry are to be corrected, the working group recommended the following measures:

- a. A government policy for the short and long term which would assure the cattleman of adequate profitability.
- b. Elimination of the concept of price control with regard to both meat and milk, since what is happening is that consumer dependency is being created to the detriment of the producer.
- c. Only those plants should be allowed to import milk that buy fresh milk maintaining a ratio of local procurement, and apply the difference towards providing technical assistance to the producer.
- d. The cattlemen should participate more in the marketing of meat, reducing the excessive number of butchers and slaughterhouses. The government should limit the proliferation of small slaughterhouses.

Three possible projects were discussed:

- An American firm which supplies technology to agribusiness projects will stay in touch with organized cattlemen to design and implement technical improvements in some of the slaughterhouses.
- A milk producer established contact with an intermediary organization which offers individual advisors, for the purpose of changing the composition of his Brown Swiss herd.
- Several cattlemen invited contact with foreign firms with an eye on introducing new technologies of pasture improvement and handling. However, much will depend on a better treatment of the cattleman by the Office of Price Regulation.

1.2.2 Fruit

The Director General of Foreign Trade who was one of the members of the working group stated that the export of fresh and processed fruit is a government priority, and consequently that the government lends support to such activity.

The group first analyzed the bottlenecks which inhibit the export of Panamanian fruit:

- a. High cost of raw material products, such as the tomato, which prevents the export of its derivatives. There is a need for more sophisticated production systems and economies of scale.
- b. Difficulties which are encountered at the point of inspection of products exported to the United States. It was said that on occasion, when Panamanian products compete with American goods, the inspectors find ways to reject the imports, inventing the infection of the month, the size of the month, delays in carrying out the inspection, etc. The group thought that the major part of the problem could be prevented by having good communication (partnership) with the importers.
- c. Panama supposedly enjoys the advantage of frequent shipping due to the Canal. However, maritime shipping tariffs to the United States are sometimes higher than those from Taiwan, Ecuador, and Chile. It was said that the reason is the low volume of embarcations, excessive tariffs imposed by the Port Authority on pier usage, as well as its actions which increase insurance premiums (rejection of casualty claims

under \$2,000 and non-payment of greater casualties), delays and cargo pilferage on the piers. As a solution, it was suggested that perhaps port operation should pass into private hands which would run it on the basis of regulations established by law.

As regards strategies of export fruit marketing, the group suggested the idea of identifying special buyers, such as the distributors that supply supermarkets with Latin clientele, instead of competing in the large-volume market. It was mentioned that the problem of the high cost of electricity is on its way to being solved thanks to the Law of Agricultural Incentives (application must be presented to MIDA).

The key problem is quality. The only solution is that the exporter should classify strictly - it is much cheaper to discard the rejects here than there. However, what counts is the condition of the shipment at its point of destination. What the would-be exporter should do is get advice before initiating his operations. There are consulting companies which can advise on quality standards, sanitation, and distribution channels in the United States. Some are willing to form joint ventures. In any case, the exporter should provide the importer a calendar that would indicate:

- a. date of availability,
- b. duration of offer,
- c. available options to process the product instead of shipping it fresh,
- d. its conformance with established standards.

The exporter should offer products which are in active demand, and which are intended for a specific segment of the market. Afterwards, it is important to maintain constant communication and coordination between the exporter and the buyer.

The participants who were in working group #2 outlined two projects that were of direct interest to them: the export of processed guava, and the export of melons (honeydew and cantaloupe). In addition, markets will be sought for cashew and bee honey.

1.2.3 Aquaculture

Working group #3 concluded that clearly Panama offers a favorable environment for commercial shrimp farming.

Recently completed studies indicate that there are approximately 12,000 hectares of government land which are apt for growing salt

water shrimp, apart from other, private lands. These sites are located in the areas of Parita, Aguadulce, and Punta Chame. Concessions to put these sites into operation are available to private firms from the national government. The concessions are available on the Pacific coast which abounds in the species Penaeide vannamei and P. stylirostris. Both species have performed successfully in Ecuador in commercial terms.

There are various ways to obtain working and fixed capital to permit the development of shrimp culture, such as bank financing of joint ventures, sale of shares, or a combination of the two. At present, commercial banks dispose of ample capital available at rates of interest between 9 and 12%. The National Bank of Panama has a special line of credit for aquaculture from resources provided by the Inter-American Development Bank on terms which are compatible with the characteristics of aquaculture projects. This NBP-IADB-MIDA program also trains technical and administrative personnel. A closed-cycle hatchery has been planned.

The principal aquaculture enterprise is Agromarina de Panama (a Ralston-Purina subsidiary) which has 4,500 hectares under concession of which 800 are in operation. This enterprise has its own hatchery, thus assuring itself of guaranteed seed supply. The majority of the private entrepreneurs involved in shrimp culture obtain their seed by marine capture.

At present there are shrimp processing plants in Puerto Vacamonte and other locations. These enterprises buy and market shrimp obtained both from aquaculture farms and the sea. The principal markets are United States, Japan, and Europe. However, only the North American market has been penetrated, because of its strong demand.

Panamanian pisciculture is currently experimenting with carp and tilapia. A pilot project is underway at the community level for the purpose of improving the diet of the rural population.

Some members of the group came to agreements with regard to four projects that they would like to carry out:

- An American investment company is considering an application for a shrimp culture concession, in association with a Panamanian firm and including another which supplies juveniles captured at sea.
- A Panamanian firm has a plan to produce and market aquaculture feed.
- Panamanian producers have solicited the technical assistance of an American voluntary organization which provides technologies, in order to find commercial uses for shrimp heads.

- An American firm specialized in pisciculture is in contact with the National Investment Council in an effort to realize an investment in the commercial production of tilapia for export.

1.2.4 Industrial Raw Materials

Working group #4 analyzed first the prospects for promoting the production of cacao in Panama. In the face of an internal demand of some 8 million pounds, the country produces only 1 million. The only processing plant exports 4 million pounds in the form of butter, liqueur, and cake, importing 3 million pounds of beans, mainly from Ecuador. Just to fill the gap, some 1,200-1,400 hectares need to be put into production. The factory could easily be expanded to process the production from another 1,000 hectares. Panama is endowed with soils and climates suitable for growing cacao, and possesses the necessary technology. The quality of the bean is very good, and the cost of production is competitive. Consequently, incremental production could be placed in external markets without a problem. In Ghana, the leading world producer, production has been declining due to political instability. Africa (Ghana, Nigeria, and Ivory Coast) has been producing some 75% of the supply to a nearly-stable world market. Brazil, Malasia, and other countries have been increasing their production, filling the vacuum left by Ghana. The group observed that the supply analysis indicates that only the efficient producers (Malasia, e.g., has reduced costs by 50%) can be secure in their ability to market their products at a remunerative price in the future. In addition, given the risks of the monilia and natural disasters, it is advisable that cacao growers diversify their production.

In conclusion, the group recommended a cacao production project. The participants suggested that the processing plant should modify its plans, and adopt the nucleus estate model - establishing its own plantation on a modest acreage but employing advanced technology, and additionally contracting with a number of independent producers so as to expand the acreage to the 2,000-3,000 hectares. One of the considerations which entered in this analysis was the possibility to qualify for concessional credit.

The other industrial crop which became the center of much discussion was the oil palm. The two oil refineries in Panama process some 30,000 TM of crude oil which is imported in its entirety except for minor quantities of coconut, thus worsening the balance of payments to the tune of approximately \$25 million. The Barú Project (MIDA-NBP-IBRD) which is underway involves the planting of 3,000 hectares at a cost of \$8.3 million, and a \$9 million plant which will produce some 12,000-13,000 TM of oil. This project, coupled with GESCLA, is expected to be producing in

1990 40-50% of the vegetable oil requirement of Panamanian consumers. The shortfall of nearly 15,000 TM justifies the planting of some additional 4,000 hectares of oil palm.

The working group felt that there was a need for a project inspired by the Mumias model which was studied during the first phase of the Workshop. That is to say, a private company should be formed with the participation of the Panamanian oil processors, the government (the Agroindustry Directorate of MIDA and NBP), and a project management firm with experience in oil palm. The management company, under a management contract, would establish a mother plantation and a processing plant, and would organize additional plantings by a substantial number of independent producers. The contract should go beyond the present relationship between the Agricultural Service of United Brands and the Barú Project which is limited to agronomic aspects. The Barú Project itself as well as others indicate that success depends on the control of operations by an efficient entity. Various participants expressed direct interest in the proposed project.

2. BACKGROUND

In April, 1981 the Fund for Multinational Management Education of New York and the Aspen Institute for Humanistic Studies of Colorado held a conference to address the topic of the "The Multinationals: New Approaches to Agricultural and Rural Development". Held at the Mohonk Mountain House in New Platz, New York, the Conference brought together 65 participants with affiliations to governments of developing countries, American and European companies, voluntary agencies, consulting firms, and financial agencies of the United States and of international organizations.

The Conference analyzed twelve cases of joint ventures between farmers of limited resources and agribusiness companies, and concluded that certain intermediating services were indispensable in order to ensure that the association produced benefits for both sides. Intermediation was defined as those services (frequently performed through a separate and autonomous entity) that are not usually needed in a business or a family-run farm, but which are necessary if the association between the two entities is to be economically productive, its cost less onerous, and its result socially positive.

The necessity to plant intermediation in the relationship between farmers of limited resources and businesses arose from the Seminar's other conclusion: it is necessary to have large-scale private enterprise participation in the process of rural development, which has suffered setbacks in precisely the areas which represent the strengths of the private sector: management, technology and marketing.

At the conclusion of the Mohonk Conference, several participants from the developing countries asked that a call to convene seminars at the national level in various parts of the Third World be included among the conclusions of the Workshop, with the aim of disseminating the concept of intermediation as a means of facilitating better relations between businesses and farmers of limited resources.

Responding to this call and with the favorable reaction of several companies in mind, the Fund for Multinational Management Education undertook to organize a series of workshops on the design of projects between farmers of limited resources and agribusiness. The first workshop was held in Ocho Rios, Jamaica, from the 28th of February to the 3rd of March, 1982. The second workshop took place in Puerto Plata, the Dominican Republic, from the 17th to the 20th of June, 1982. The third in San José, Costa Rica, from April 7 to 10, 1982. The Workshop held in Tocumen, Panama was the fourth.

3. PRESENTATIONS

3.1 Agriculture in Panama

Address delivered by Mr. Frank Omar Perez, Minister of Agricultural Development.

Upon inaugurating the Executive Seminar on Agribusiness and Agriculture, Mr. Perez described it as "a praiseworthy initiative at this opportune time when the efforts of the private and public sector need to be coupled in order to give impetus to this strategic primary sector of the national economy." Welcoming American participants, he expressed his hope that "we will be able to have a fruitful exchange of experiences and lay the foundations for future trading agreements which would facilitate the establishment of agricultural production and processing enterprises."

Beginning his presentation with an agroecological analysis, he stated: "However, if one compares the available area which has agricultural potential with the area currently in use, we note that less than 50% of the suitable land are utilized at present." He added: "On the other hand, there is a reservoir of lands on the agricultural frontier which will undergo planned settlement, with adequate conservation and rational use of renewable natural resources."

The agroeconomic analysis which the Minister presented focused on the topics of productivity, traditional exports, livestock industry, and imports. He said: "Even though important gains have been realized in the last two decades in the agricultural sector which have made it possible to satisfy the demand for the principal products of interest to domestic consumers, such as rice and beans, as well as other important rubrics such as vegetables, fruit, and coffee, it must be taken into account that these products are produced on varying technological levels at a fluctuating yield, so that we must continue the effort to increase productivity."

Passing from analysis to a statement of the strategy of the Government of Panama, Mr. Perez specified the following, noting that in the short term, the problems which are characteristic of the sector cannot be eliminated entirely. Nevertheless, it is hoped that in time agriculture will attain two fundamental goals:

1. Generate a flow of production which would take care of the domestic demand for food for human consumption, animal feed, and agroindustrial raw materials based on an efficient and balanced economic concept.

2. Increase the production of the traditional export crops, and also produce others which would be well received on the international market and in which Panama enjoys comparative advantage.

"For the medium term, agricultural development must make agriculture attractive, and activity which would benefit the great part of the population, particularly, those living in the rural areas of the country" ... "allowing for improvements in productivity by enabling all producers to share in technological advances."

"The long term objective may be summarized in the following manner: Agriculture must be guided by the criteria of high productivity and economic profitability which would position it competitively in relation to other national economic activities. At the same time, we expect that at that time, all lines of production would be duly integrated, either with the internal or external markets."

"Global Policies for the Sector. To attain the objectives, we are putting in place a general policy which consists of a package of four groups of basic policies. These policies cover the aspects of consolidation of organizational structures at the producer level, institutions, and private businesses."

"Specific policies are intended to address aspects closely related to the above. Among these the following may be mentioned:

- increase of production in the deficit rubrics such as corn, beans, onions, fruits, coconut, oil palm, soybeans, beef, pork, milk, etc. with the objective of increasing the food supply and substitute for imports;

- promote production for export in the traditional rubrics such as shrimp, coffee, cacao, bananas, and bee honey, and non-traditional ones such as sweet and hot peppers, passion fruit, melon, and processed products such as manila hemp, sisal, soursop, cashew nut, cherry tomato, pork and poultry products;

- increase the production of oil with national products such as the coconut and the African palm."

"In addition to these specific production policies other, parallel policies have been announced which permit the technical and economic growth of the sector, such as: an aggressive irrigation policy backed by a national irrigation and drainage plan intended to facilitate agricultural and livestock development and the operations of the food processing industry."

"Part of this strategy is support of the banking system so that it would expand its loan portfolios, thus enabling the producers to incorporate this technology in their operations, particularly with regard to greater profitability and export potential."

"Price policy in the agricultural and livestock sector has been based on setting support prices to the producer, and regulating consumer prices, although changes had to be made in some rubrics. Prices will be set based on technical studies of the real costs of production at levels of efficient production for each rubric, and the international prices for those products. This policy may be in effect until levels of efficiency have been attained that would permit supply and demand to take over."

"As an additional incentive to production, the Institute of Agricultural and Livestock Insurance should, in the medium and long run, expand its coverage so as to include the major part of the national crops and the national producers, inducing the clients of private banks to enter the agricultural insurance system."

"With regard to credit, one policy approach is to speed up the economic activities of the sector promoting and aiding the provision of credit on a priority basis to activities such as irrigation and drainage, agroindustry, forestry activities, the acquisition and titling of land, channelling it primarily towards medium and long term investments."

"With regard to conservation, use, and the rational exploitation of the natural resources, we would like to emphasize that the policy contemplates the following:

- to increase and optimize the utilization of the producing forests, diversifying their supply and technifying their exploitation;
- promoting the establishment, development, and improvement of rationally planned forest industries to utilize the forestry raw material to the utmost;
- make efforts to establish forests of evergreens and species which are appropriate to produce long fiber pulp for the manufacture of papers and cartons;
- promote the conservation, management, and exploitation of wild flora and fauna resources. In this category we see great perspectives for the production of hides, antidote serums, and exotic animals for export."

"As regards agroindustry, a substantial effort needs to be made in the next decade, particularly by private industry."

"This effort, it is expected, will significantly increase the value added of the national production and the creation of additional jobs in the rural sector."

"For the agroindustrial policy to be effective, it is necessary to reinforce the existing incentives for the establishment of industries in rural areas, export incentives, and streamline the procedures so that investors could launch their projects in the shortest time and the lowest cost possible."

"In essence, agroindustry will need to be oriented mainly towards the processing of export products."

Finally, the Minister made reference to the actions undertaken by MIDA with the aim of helping the farmer, such as transfer of technology, the program of small irrigation works (4,000 hectares), and the rehabilitation of irrigation works (2,000 hectares), animal and plant sanitation, the special programs in aquaculture, coffee, and cacao, agricultural insurance, improved seed, mechanization, marketing, and organization of production.

Mr. Perez ended his speech with the following statement: "We firmly believe that with the implementation of these policies and with an adequate amount of investment in production, agroindustry and marketing efficiency and profitability will increase, thus opening up additional opportunities of expanding business in this sector in the future."

3.2 Agribusiness in Panama

Discourse of Mr. Dominador B. Bazan, President, Chamber of Commerce, Industry, and Agriculture of Panama.

After recalling the long history of agro-related private enterprise in Panama, Mr. Bazan took note of the substantial importation of processed foods, and the fall of the rural population from 51% to less than 27% over the last 30 years, and said: "Taking cognizance of these facts, and seizing the opportunity presented by the Second Congress of FEDECAMARAS which took place in Chitré in October, 1982, we declared that "we must act in such a manner that our lands would become once again productive with an upbeat rhythm so as to assure us of food self-sufficiency, development of agroindustries, and to ready us for the export of products which are in short supply in other latitudes." The President of the Chamber of Commerce expressed his faith that the

Workshop will mobilize action: "The intent to link American agribusiness companies with our producers and businessmen, with an eye on accomplishing understandings and cooperation which would foster and improve our agricultural production, is a positive sign of the new focus in the United States with regard to our area, and foretells the success which the Caribbean Basin Initiative must achieve as a dynamic and effective policy designed to lift us up from underdevelopment and facilitate our progress within a definite period of time.

We feel that the attitude of our businessmen, the ample extension of land which lends itself to cultivation or pasture, and the abundant supply of human resources may be coupled with the input of the executives who are our guests today and many others who may visit in the future, so as to realize projects combining capital, technology, and productive capacity. If this focus is correct, and if such joining of forces will come about, we shall have taken a long step forward toward being in position to order our agrarian policy on the basis of coordinated efforts of private enterprise, the wisdom of a new United States' policy in the Caribbean area, and a precise re-allocation of government resources which need to be mobilized in order to attain such goals."

"The history of modern Panama", stated Mr. Bazán, "begins with serious problems in the rural areas due to the flight of people who migrated to the Canal Zone to take jobs which later abruptly ceased to exist. It was easier to import all the basic needs - cattle and rice from Nicaragua, from the United States great quantities of canned foods and even eggs. The national restructuring began in 1952, and he stated that "in agriculture, in merely two years, self-sufficiency was achieved in the production of rice, corn, and other grains. Animal husbandry was strengthened to the point where, in a few years, we became exporters of meat at significant levels. Feasibility studies were carried out which enabled the businessmen to build a solid poultry industry which, in addition to satisfying domestic consumption, was able to penetrate international markets.

Rapid transformation took place then, based on governmental support of private enterprise which in turn accepted the challenge and attained the desired goals. Unfortunately, with the beginning of the decade of the '70s, the National Government initiated and kept up populist experiments which only resulted in an erosion of what had been gained. The emphasis on statist schemes ran athwart private enterprise activity, and private initiative, at all levels. The consequences were predictable, and were and even today are felt: decline in agricultural production, financial losses, and a serious crisis in agricultural activity.

"At this time, we perceive an intent on the part of the present Administration to remedy these negative results by means of judicious assistance to the private sector, which has the capability to operate and consolidate the economy. Of this we have the evidence already; and thus I can inform you, with great satisfaction, that in anticipation of this meeting the Chamber of Commerce, Industry, and Agriculture of Panama, and the National Association of Agricultural Import Distributors organized a symposium to analyze the existing law governing agricultural production incentives. In that symposium, which took place yesterday in the offices of the Chamber, the cited norm was examined in detail to determine its real meaning and the positive effects which it might have. That effort, added to the achievements which may result from this Executive Seminar, surely will become the point of departure for arriving at a new focus of agricultural activity in Panama. We cherish the certitude that this intense, positive activity will yield the best results."

4. OPPORTUNITY PROFILES

Panama offers an advantage to the agribusiness investor which is rare in these times of deteriorating balance of payments, which have induced many governments of developing countries to impose severe restrictions on the movement of capital. It imposes no currency restrictions whatever, and the U.S. dollar is the legal tender of the country. One result is that credit at reasonable rates is plentiful.

- The climate of Panama is hot and humid. The western uplands extend somewhat the range of crops which can be grown successfully, but the big opportunities are in tropical agriculture and livestock.

- Availability of land makes possible extensive animal husbandry and production of plantation-type crops.

- The Atlantic and Pacific oceans which wash Panama's shores offer abundant opportunities in marine fishing, and provide seedstock for aquaculture, for which the climate and available land sites are hospitable.

4.0 Environment for Agribusiness

Panama has the highest standard of living in the region with the highest economic growth (4 to 7% p.a. in real terms). The heart of the economy is international trade, banking services, and the Canal which has been recently supplemented by a trans-isthmus oil pipeline. Panama suffers from a stagnant agricultural sector growing at about 1% p.a. Agriculture employs about 20% of the workforce but accounts for only 16% of GDP (manufacturing 13% and services 56% of GDP). Thus, unemployment is a major problem, stemming in part from the inability of agriculture to provide work for the large rural population.

Agricultural output has traditionally been dominated by bananas, sugar and coffee; all three are highly vulnerable to fluctuations in world market prices.

During the first semester of 1982 exports were 22% below the same period in 1981 with the leading loss in the sugar and banana subsectors. Consequently, the trade deficit was aggravated, stimulated also by higher demand for consumer goods and food. Panama incurs an annual trade deficit in excess of \$1 billion, which is offset by the surplus of the service sector of about \$.7 billion and by borrowing the rest. Agricultural exports in general played a smaller role in the Panamanian economy relative to other Central American countries in 1982.

TABLE 1
SIX MONTH EXPORT RESULTS (US\$m) - 1982

	1981	1982
Oil Products	43.6	40.8
Bananas	41.7	32.6
Shrimp	19.9	23.6
Sugar	42.5	16.0
Apparel	5.8	7.8
Coffee	6.4	5.2
Beef	1.7	5.2
Fishmeal	3.1	0.9
Livestock	0.4	0.6
Condensed Milk	2.9	1.3
	<hr/>	<hr/>
Total Exports	195.8	158.8

Banana production fell largely because of poor weather, but output declined also because of world oversupply. As a result, 23.5% less volume of the fruit was sold. Following the trend of the past 3 years, the size of cattle herd, and the production of corn, vegetables and other food items for the local market remain stagnant. Price controls continue on certain products to control inflation which registered at 7.3% in 1981 down from 15.3% in 1980. Producers and retailers of milk, meat, bread, potatoes and sugar are putting pressure on the government to relax these controls which, they argue, are a disincentive to increase production. To offset the reduction in government spending, private investment has been enthusiastically encouraged. It is the government's hope that, by building up business confidence and thereby increasing investment, output will be stimulated and economic revival maintained. The fiscal austerity measures accord with IMF suggestions to increase incentives to the private sector and reduce public spending.

As part of the Caribbean Basin Initiative geared toward private investment, a bilateral investment pact was initialled in October. It is the second such pact in Latin America and provides for greater cooperation between Panama and U.S. investors. Foreign investors are guaranteed treatment equal to Panamanian nationals, and are offered protection against expropriation without compensation. It will also permit Panamanian products to enter the U.S. duty free.

The two development banks are Corporacion Financiera Nacional (Cofina) and Banco de Desarrollo Agropecuario (BDA). Cofina primarily promotes private and mixed firms in agribusiness and exporting. (Cofina is not lending at present, awaiting reorganization). BDA offers credit for crop financing (usually for less than a year), acquisition of agricultural machinery and equipment

(medium-term), cattle breeding, dairy cattle and ranch development (medium-to long-term). Most operations are concentrated on short-term crop financing for smaller farmers. Short-term financing is generally awarded to clients with a well-established relationship with their banks. Commercial operations are at higher interest rates, while cooperatives and other agricultural groups are at lower rates with the terms varying according to the type of project. In mid-1983, loans at the net rate of 9% were available to some farmers.

In general, conditions for investors are presently good, and foreign investment is actively encouraged by the government particularly in agribusiness. Panama enjoys an expanding role as an international financial center attracting many new foreign banks, and is also expanding its role in providing loans for the whole of Latin America. There are no exchange controls, and transfers of funds are never blocked. Dividends and profits, payments for technical service, and management fees may be freely remitted. Government approval of foreign investors is not required, other than a license from the Ministry of Commerce and Industry. Many foreign corporations and individuals are attracted by Panama's unique banking facilities and flexible monetary system.

In the agricultural sector, more attention to alternatives is needed to increase production. Intensive land use projects are being studied as well as applied research to develop new crop varieties, and the propagation of knowledge through expansion of technical assistance. Problems in agriculture are aggravated by a costly marketing system for farm products. Incentives are being offered to foreign corporations in order to aid the development of agriculture. There is an emphasis on processing industries and "new technology" particularly in farm inputs. This, in turn, should allow for greater diversification of the land especially in areas where the climate is good for initiating industrial crops and diversifying production and exports.

The key law of interest to agribusinessmen is No. 19 of October 5, 1982. It offers a number of incentives to agricultural and livestock operations. Among these are the following:

- 2% reduction of bank loan interest (subsidy through the Banking Commission);
- 30% Tax base deduction on income from other sources which is invested in agricultural or agroindustrial activities of no less than 3 years duration;
- gradual exemption from price controls of products which would substitute for imports (which will be prohibited) mainly fresh produce, canned food produced in Panama, all products based on corn, tomato, rice, beans, citrus fruit, mango, milk, hogs, poultry, eggs, fruit syrups, fish, and crustaceans;

- 50% minimum tariff on food imports (except baby foods and food for pregnant women).

The Colon Free Trade Zone is second only to Hong Kong. Its strategic location, outstanding transportation facilities, excellent communications, offshore boating services, ample and inexpensive labor and relative political stability have brought about strong growth. Subsidiaries of foreign companies may defer taxes on foreign source income until profits are remitted to the parent company. There are other tax benefits. In this segregated zone companies may bring in duty free, store and process any product.

The investment climate of Panama has attracted 116 foreign banks and foreign investment totalling \$3 billion (\$2.5 billion of which are U.S. investments putting Panama behind only Brazil and Mexico in that regard).

4.1 Opportunity Profile No. 1: Livestock

In 1983 the cost of producing a pound of beef in Panama was \$.365, and \$.338 for a liter of milk (see Tables). Given the domestic price of beef which is controlled by the Office of Price Regulation at \$.40/lb. (and similarly for milk), the basic problem which Panamanian cattlemen face is the price of domestic sales.

In consequence, the opportunities which present themselves in the Panamanian livestock industry have to do with production technology and exports, in search of better margins.

Since Panama produces little in the way of grains and oilseed cakes, the first step in the upgrading of livestock technology is pasture improvement, involving irrigation (plastic pipes and tubes), chemical inputs (fertilizer, herbicides), and management technology (seed, fences). The second step is technified herd management (purebred stock, animal sanitation, insemination, transplants). The third step is the economical production of feed, the finishing off of animals in feed lots, and sale of cuts (which are imported at present).

TABLE 2
COST OF ESTABLISHING 1 HA OF IMPROVED PASTURE

Day-wages (4 man/days @ \$4.50)	18.00
Machinery (4 hours)	72.00
Seed (2 TM, incl. shipping)	102.36
Fertilizer (6 qq @ \$22.18)	133.08
Herbicides (11 gal @ \$1)	11.00
Various pesticides	19.17
 SUB-TOTAL	 355.61
Incidental expenses (10%).....	35.56
TOTAL.....	391.17

Source: MIDA 1983

In 1982, 274,000 beef cattle were slaughtered; of these, 30,000 head were exported. In addition, some heifers are exported (e.g., 8,000 head were sold to Peru in June, 1983 where temporary pasture became available). The bulk of the exports leave as de-boned beef chilled to 28°. The countries of destination are primarily the United States (via Miami and New Orleans), Venezuela, and the Caribbean islands. In the past, the exporters' principal problem was the uncertainty of obtaining export licenses (which are kept under controls so as to protect domestic supply).

At present, this problem is no longer important, given the priority which the Government has assigned to exports. Nevertheless, prudence would dictate that the investor/exporter should seek Government guarantees with regard to future export licenses before making a commitment. Several slaughterhouses have received U.S.D.A. approval.

TABLE 3
STOCK, SITUATION AND EXPORT VOLUME OF PANAMANIAN LIVESTOCK

Year	Stock	Milk Cattle	Meat Cattle	Sacrifice
1975	1,347,900	43,000	1,304,900	222,391
1976	1,361,200	48,100	1,313,100	242,124
1977	1,373,900	64,200	1,309,700	239,755
1978	1,395,000	77,200	1,317,800	216,322
1979	1,436,700	68,800	1,367,900	196,534
1980	1,404,900	85,800	1,319,100	214,396
1981	1,344,980	94,380	1,250,600	238,741
1982	1,474,400	103,818	1,370,582	274,132

Source: IMA Dirección de Estadística y Censo de la Contraloría General de la República.

Note: The exportation of meat in 1980 - 1983 has given the following results:

Years	1980	1981	1982
Total of pounds	947,335.00	4,864,917.74	12,629,434.61
Cattle	6,010	15,018	28,803

The domestic marketing of cattle and meat continues to be anachronous and disadvantageous for the cattleman.

At present there are 450 slaughterhouses in the country of which 19 are considered commercial; of these, only 14 are under the supervision of the Ministry of Health, since the other five - in Chepo, Pacora, Capiro, Anton, and Chitre do not meet hygienic standards. Those that are under the supervision of the Ministry

are the plants approved for exports - Matadero Chiriqui, S.A., Karne de Chiriqui, S.A., Matadero de Azuero, S.A., and those of the Abbatoir Nacional, S.A., Aguadulce, Penonome, and Bugaba.

The slaughterman, without having invested a single cent in the slaughterhouse, makes use of it, regardless of whether it is private or municipal, in most cases without incurring any cost, leaving the cowhide as payment for the slaughtering facilities.

The proliferation of slaughterhouses and the competition which the slaughtermen represent for the meat processors in the sale of meat impede the processing of by-products.

To process the by-product, the number of animals that are slaughtered must reach a certain level per day; in the absence of quantity, very few slaughterhouses can process carnarina, e.g., and none is in a position to process blood for grarina, a product of high protein content. The same waste occurs with the horns, hooves, tails, veins, etc., which are then cremated.

The practice of keeping the price of beef low has made Panamanians great consumers of it. The per capita consumption of nearly 50 lbs. p.a. places Panama fourth in the Americas, after the United States, Argentina, and Uruguay.

The law which created the Office of Price Regulation has given that office ample authority, but no guidelines or criteria to be considered. In consequence, the Office of Price Regulation wields great discretionary powers which it has used in the case of beef to keep the price low, and takes action only when the pressure from the producers forces it. Due to that, current beef prices are nearly 10% lower than those of 1970 when the devaluation of the dollar has been taken into account. The small differentiation between the price of a steer and a heifer signals low demand for the heifer which is the factory of the livestock industry.

The cost of fattening up in stables is much above the \$.40 at which the cattleman must sell, as required by the Office of Price Regulation.

TABLE 4

COST OF PRODUCTION OF FEED FOR 50 STEERS ON 50 HAS. FOR
18 MOS.

Description	1st Year Cost	2nd Year Cost	TOTAL
1. Direct Costs			
Calves (50 @ \$200 eac.)	10,000.00	---	10,000.00
Pasture clearing (\$20/ha)	1,000.00	500.00	1,500.00
Herbicide applica- tion	200.00	200.00	400.00
Fence maintenance	16.00	16.00	32.00
Herd management	520.00	260.00	780.00
De-horning, branding, castration, hardware, vaccination and deworming	24.00	---	24.00
Herbicide Purchase	200.00	200.00	400.00
Sanitation and salt	360.00	180.00	540.00
Calf transportation	100.00	---	100.00
Unforeseen 5%	621.00	67.80	688.80
SUB-TOTAL	13,041.00	1,423.80	14,464.80
2. Indirect Costs			
Administration (\$50/month/animal)	300.00	150.00	450.00
Amortizations	381.50	190.75	572.25
12% interest on invested capital	628.80	314.40	943.20
SUB-TOTAL	1,310.30	655.15	1,965.45
TOTAL COST	14,351.30 =====	2,078.95 =====	16,430.25 =====
INCOME			
Sale of 50 heifers, average weight 900 lbs.			45,000 lbs.
Price x pound			.40
Total income			18,000.00
Cost x pound			0.365

Source: MIDA, 1983

Dairy

The price policy affects equally the production of milk. Dairying is an activity which requires constant and adequate attention. The production of the cow's milk is influenced by its feed: in the case of the specialized dairy farms known as Grade A, the feed supplements which are provided; and in the dairy farms which produce commercial milk, the quality and quantity of available pasture.

Considering the control of the price of milk, many dairymen either have given up or have suspended production due to its low profitability in relation to the work and effort which it requires.

Export Policy

Panama became a meat importing country when work began on the Canal, and once again turned into an exporter in 1958. The Livestock Institute which was established at that time asked the Government for an export quota; that was granted, but it rose and fell in accordance with the criteria applied by the Ministry of Agriculture. The Livestock Institute itself handled the exports of steers on the hoof until the National Abattoir was established and was able to export de-boned, frozen meat; the same quota system was followed in either case.

However, ever since that time the complaint of any butcher that he was left without meat for a day practically amounted to an authorization for the Ministry of Agriculture and the Office of Price Regulation to cancel the export permit. Naturally, that put Panama in a disadvantageous position in comparison with other Central American countries.

At present, Panamanian cattlemen have become involved in meat exports through their participation in such companies as the Stockyards of Azuero and Chiriqui which are stock companies formed by cattlemen.

Before that, when the plants were in private hands and the local market consumed 90% of the animals slaughtered, it was better business for these plants to reduce their volume of exports with the objective of creating a local cattle glut which in turn allowed them to buy cattle below the price fixed by the Office of Price Regulation.

TABLE 5

PRINCIPAL CHARACTERISTICS OF DAIRY PROCESSING ESTABLISHMENTS

Description	1975	1976	1977
Establishments	11	10	11
Vol. of sales(\$1,000)	43,143	46,885	50,820
Gross value of production	44,749	44,252	51,302
Value of intermediate consumption(\$1,000)	34,145	30,161	33,255
Personnel employed	1,078	1,051	955
Administ. personnel	155	135	135
Technicians	76	85	67
Line workers	847	831	753
Crude milk buyers	8	7	7
Total purchases (1,000 litres)	51,832,848	56,529.4	60,853.649
Local purchases	51,132,405	55,775.7	60,853.649
Imports (1000 lt)	700,443	753.7	---
Buyers of powdered milk	10	11	12
Total purchases*	2,926,752	1,611,181	3,071,282
Local purchases*	77,320	104,452	301,531
Imports	2,849,432	1,506,729	2,769,751
Vendors of pasteurized milk	4	3	3
Quantity produced (lts.)	24,452,859	24,912,944	26,681,000
Quantity sold	24,452,152	23,731,871	26,136,045
Sales volume (\$)	8,265,693	8,532,496	9,483,026
Icecream vendors	6	6	7
Quantity produced (lts)	5,455,166	6,397,399	6,140,992
Quantity sold (lts)	5,453,122	6,397,399	5,972,676
Sales volume	3,291,258	4,484,405	3,998,537

Source: Panamanian Statistics - Economic Situation - Industry

TABLE 6

INTERNAL AVAILABILITY AND PER CAPITA CONSUMPTION OF MILK

1975:		
Internal availability	=	70,337,500
Import litres	=	50,050,000
Export litres	=	751,320
Internal availability litres	=	119,636,180
Population	=	1,428,082
Per capita consumption	=	82.77
1976:		
Internal availability	=	72,836,200
Import litres	=	20,400,000
Export litres	=	1,281,700
Internal availability litres	=	91,954,500
Population	=	1,500,725
Per capita consumption	=	61.27
1977:		
Internal availability	=	83,366,200
Import litres	=	37,353,800
Export litres	=	3,443,000
Internal availability litres	=	117,277,000
Population	=	1,577,063
Per capita consumption	=	74.36
1978:		
Internal availability	=	90,626,200
Import litres	=	39,421,000
Export litres	=	7,057,300
Internal availability litres	=	122,989,900
Population	=	1,657,284
Per capita consumption	=	74.21
1979:		
Internal availability	=	90,716,800
Import litres	=	43,566,000
Export litres	=	9,086,100
Internal availability litres	=	125,196,700
Population	=	1,741,585
Per capita consumption	=	71.89
1980:		
Internal availability	=	91,179,200
Import litres	=	94,349,900
Export litres	=	14,577,900
Internal availability litres	=	170,951,200
Population	=	1,830,175
Per capita consumption	=	93.40

TABLE 7

IMPORTS OF BEEF INTO THE UNITED STATES DURING 1980-1981 IN ACCORDANCE WITH THE LAW OF IMPORTATION OF BEEF (000lbs.)

Country	total 1980	total 1981 (estimated)	total 1982 (projected)
Costa Rica	47,828	64,089	70,000
El Salvador	4,404	370	3,000
Guatemala	18,964	10,632	9,000
Haiti	1,706	2,733	2,000
Honduras	67,911	48,792	45,000
Mexico	242	1,586	1,500
Nicaragua	48,046	17,968	20,000
Panama	2,790	4,511	7,000
Dom. Republic	2,358	10,097	15,000
Subtotal			
Latin America	194,349	160,778	172,500
Australia	806,296	572,581	525,000
Canada	92,636	120,603	121,000
New Zealand	328,029	351,373	345,000
Others	10,018	11,405	11,200
World Total	1,431,228	1,216,840	1,174,700

Source: Departamento de Agricultura de E.U., Cifras de Aduanas.

Note: As a result of the reduction in beef imports for three successive years the quotas imposed by the Law of Importation of Beef of 1979 has been suspended.

Credit for cattle breeding is amply available. There is a World Bank line of credit which is handled by the Agricultural Development Bank. Commercial banks currently lend at 9% (12% less a 3% subsidy provided by the Banking Commission). The Chase Manhattan Bank has a long tradition of financing the Panamanian livestock industry, and maintains eight technicians in the field. The milk processors (Borden, Nestle, Estrella Azul) who also used to keep in close touch with the producers have ceased to offer free technical assistance due to the pressures brought on them by the controls on the price of milk.

Other opportunities exist in hog raising. The technology which the breeders currently use is quite low. However, the price of pork is no longer controlled.

TABLE 8
PRODUCTION, OFF-TAKE, AND STOCK OF HOGS (1975-1981)

Production (I.M.)

1975 = 3,900
1976 = 3,800
1977 = 4,300
1978 = 4,620
1979 = 4,661.4
1980 = ---
1981 = ---

Off-take (# of heads)

1975 = 87,141
1976 = 85,915
1977 = 96,107
1978 = 103,661
1979 = 105,046
1980 = 120,734
1981 = 132,099

Stock (thousands of heads)

1975 = 166.1
1976 = 179.0
1977 = 201.7
1978 = 204.0
1979 = 194.0
1980 = 215.6
1981 = 208.6

Source: Contraloría General de la República

Panamanian cattlemen are organized in the Cattlemen's Association (Dr. Rolando Miranda, President). In addition, there are regional associations (Cattlemen's Association of Chiriquí) and specialized entities (Cattlemen's Cooperative (David), Dairymen's Cooperative (David), Zebu Breeders' Association of Panama, Association of Hog Breeders of Bugaba).

Development Perspectives

In so far as livestock is concerned, the Pacific Coast sector is more-or-less in full production; whoever wants to raise cattle in this sector must acquire a producing ranch, in as much as, with the exception of Darien, 90% is in production. In consequence, livestock raising and much of agriculture has to move towards the Atlantic Coast sector; the numbers provided by the 1981 census indicate that. The growth of the cattle population in Colon was 114% and in Bocas del Toro 149%.

In order for this shift to take place in the right way, it must be spearheaded by producers, planners, scientists, technicians to define the sites of plants and pastures, fertilizers, and practices which must be adopted in the area; it must be kept in mind that the Atlantic Coast sector is completely different from the Pacific Coast sector, both as regards its topography and its soil fertility, climate, and precipitation.

Panama could become the principal supplier of red meat in the Central American area, but to accomplish that under a short term program not less than \$300 million will be required, to establish 250,0000 hectares of pasture. To that amount must be added the cost of breeding stock, and of infrastructure such as roads, bridges, etc.

4.2 Opportunity Profile No. 2: Fruit and Vegetables

4.2.1 Long-Cycle Fruit

Panama's climate favors the production of a wide range of tropical fruit and nuts. Low lying terrain with good soil (river valleys) lends itself very well to the cultivation of the guava, passion fruit, lime, and papaya; lowlands with poor soil are suitable for cashew, mango, and pineapple; uplands with good soils which are without much cloud cover or rainfall are apt for the grapefruit, orange, and naranjilla. Paradoxically, national consumption of these fruits is quite low. Cool weather fruits (apples, pears) are imported instead. In consequence, national production of tropical fruit is low, dispersed, and fairly primitive.

The opportunity which presents itself is to put to use the comparative advantages of Panama to produce tropical fruit on a commercial scale for export markets. The main harvest periods are the following:

tangerine	November-December
lime	June-November
avocado	April-July
papaya	January-May
pineapple	April-September
grapefruit	November-March
mango	June-July

Commercial orchards would be in a better position to overcome the problems which affect Panamanian fruticulture: tropical pests and viruses (pesticide technologies), droughts (drip irrigation), winds on the strong side (15-20 mph), windbreaks. Experts have suggested that the enormous fruit industry of Florida has been

developed on the basis of a combination of climate and technology, on infertile, sandy soils which are much poorer than most soils of Panama.* However, before going any further, some of the varieties would need to be changed, since many of the varieties currently grown in Panama are better suited for the local market than for export or processing.

- Avocado - Reasonable quantities of the West Indian type are produced in Veraguas and Chiriqui. The harvest period could be extended from the current four to at least nine months by the introduction of good commercial clones such as the Guatemala, which is a late-maturing variety, and the crosses between the two varieties at altitudes between 2,000 and 5,000 ft. (using the nursery in La Concepcion).

- Pineapple - This fruit grows well in the loamy soils of Chiriqui and Veraguas at altitudes between 2,000 and 3,000 ft. The Smooth Cayenne variety which has been brought from Hawaii has been performing well. There have been problems with the export of fresh fruit due to the presence of the Grenada worm. The production of pineapple is in the hands of small producers in Chiriqui, where the rainfall is between 1270 and 1778 mm (May to December), and the Pacific islands and coast at sea level to 1,500 ft. Of importance are the Island of Taboga, Chorrera, Arraijan, and Lidice, as well as Alenje and Dolega. The variety grown is the "water pineapple" which stems from the Smooth Cayenne variety; it has an agreeable aroma and taste but does not transport well. In the seventies the production was estimated at 87,000 fruit on the islands, 60,000 in Chiriqui, and 26,000 in Chorrera and Lidice.

- Papaya - The current production based on local varieties lacks uniformity, but there is one commercial farm (Bio-Control in Capira). It would be advisable to introduce the Hawaiian Solo variety which produces fruit of up to 2 lbs. with a sugar content of 11-17% in a consistent manner. The principal production zones are Azuero, Cocolé, Panama, and Veraguas.

- Guava - This plant which is native to Panama grows well below 4,500 ft. Clones of the improved varieties which have been introduced in Hawaii, Puerto Rico and South America should be implanted by grafting, considering that the varieties which are marketed for deserts do not have the right level of acidity for processing. Guava is produced in Azuero, Cocolé, Chiriqui, and Veraguas.

- Naranjilla - At present naranjilla is grown in Boquetes (uplands of Chiriqui) at altitudes above 4,000 ft. There have been some problems with vascular wilt and nematodes.

- Passion Fruit - The yellow Fluvicarpa variety grows vigorously in Panama in hot areas below 3,000 ft. with good soils and

* Carl W. Campbell, Professor of Horticulture, U. of Florida, 1974.

rainfall. The quality is very good and shows a great potential for export as juice concentrate or for mixing with orange juice which in Panama tends to be of low acidity. The yellow fruit variety of this vine contains 13-18% of soluble solids, registers an acidity of 2.8-4.4 and pH of 2.8-3.3, and contains 80% water, 10% sugars, 0.8% proteins, and vitamins C and A (carotene).

- Cashew - This nut tree grows in hot areas below 3,000 ft. without much attention. In the ceded zone of the Canal, 1,500 ha. have been planted, and are coming into production now. Other plantations exist in Veraguas and Cocle.

Processing

There is a large citrus company known as Citricos Chiriqui. Originally owned by the Ludwig interests, this enterprise shut down in 1974 due to labor and financial problems. The Government undertook to keep the business in operation, in the interest of the 600 families which depend on it. Between 1975 and 1978 negotiations took place between the owners and the Government, but the difference between the asked and bid price was not resolved (\$7.9 million was asked in 1975, B/. 6 million was offered in 1978). The Cooperative CITRICOOP R.L. which runs the estate at present estimated its 1983 sales as follows:

TABLE 9
Production in 1983
(000 gals.)

orange juice	486
naranjilla juice	192
pineapple juice	700

In addition, the plan was to market 47,000 doz. flowers, and 8,000 gals. of honey. Gross earnings were expected to reach B/. .9 million.

There have been various studies of fruit processing plants. One of these suggests the production of purees of those Panamanian fruits which due to their consistency do not require the vacuum concentration process, and their export in No. 10 cans. The fruits which do not require especially lined cans due to the acidity level of their juice would be:

- Papaya - (experiments with a blend of the red and yellow varieties yielded a brilliant puree of agreeable color and taste (fruit average 6.5 lbs.).
- Guava - (mixing the currently produced varieties to gain volume, given the long cycle of the tree).
- Guineo banana - (fruit fully ripened on the stem so as to achieve optimal aroma and taste).
- Mango - (processed as chutney, adding tamarind).

Other studies deal with the La Montuna tropical fruit processing plant in Calabacito which has been promoted by MIDA. The plan called for the production of pineapple juice, and the nectars of passion fruit, papaya and passion fruit, and guava and passion fruit; later, guava, mango, tamarind, naranjilla, and canned slices and cubes of pineapple. The plant was planned on the basis of fruit production in Veraguas (Lola, La Mesa) and Coclé (Calabacito, Sagreja, Chumical). It was estimated that 560 g cans could be sold \$.95 below the price of imported pineapple slices, \$.11 with regard to pineapple juice, and the tropical fruit nectars \$.03-.04 below the price of imported pear, peach, and apricot nectars. However, the plant's originally designed capacity would have been 790 TM of pineapple slices and 566 TM of cubes, while imports of these amounted only to 50 TM in 1975. The national market of cool weather fruit juices and nectars was then 9,000 TM (against the plant's capacity to produce 5,300 TM of tropical juices).

The commercial fruit processors are Nestle (Cia. Panamena de Alimentos) and Selecta (Cia. Panamena de Alimentos Selectas). Trading margins are estimated by the Office of Price Regulation at 9-12% for the processors, 7% wholesale, and 16-19% retail.

4.2.2 Vegetables and Short-Cycle Fruit

The main production areas for vegetables in Panama are the uplands of Chiriqui. The most important products are potatoes, onions, tomatoes, lettuce, carrots, cabbage, and red beets. The central provinces produce onions, tomatoes, and peppers.

The internal marketing of vegetables is injurious to production. Prices vary greatly due to lack of assured markets; consumer preferences with regard to quality are not transmitted to the producer; retail margins are quite high due to losses of perishables and to the insufficient classification done at the farm level. Vegetables represent only 8-9% of the food consumed in Panama.

As a result, the external market is very attractive for Panamanian vegetable producers. For the foreign importer, countercyclical harvest periods are of interest:

hot peppers	April-August (also see below)
table tomatoes	March-May
proc. tomatoes	April-July
melons	February-March
cassava	July-February
yam	February-April
sweet potato	February-April

Production costs tend to be a little high in comparison with the United States average due to lack of mechanization. Consequently, the products which are particularly promising for export are

those that do not lend themselves well to mechanization: okra (by air), hot peppers (in brine or dried to overcome high perishability). Okra is produced in Rio Alto, Azuero, Herrera, Los Santos; hot peppers are abundant in Boquete all year round, and in Los Santos and Herrera from November to May. The yam is another opportunity, since it is a familiar crop to farmers. The principal production area is Los Santos, but substantial quantities could be produced in many other parts of the country once a reliable marketing opportunity has presented itself. At present, the volume of production per farm is modest; it is sold to assemblers. Small quantities of cassava are exported to Miami (chopped, frozen) from Veraguas, Azuero, Capira, Chorrera, Chiriqui. The cassava flour mill in Los Pozos has been closed due to problems of water supply, flavor alteration, high costs.

Nestle (Cia. Panamena de Alimentos) contracts with independent producers for the production of processing tomatoes at the level of 60 million lbs. p.a. Its milk processing plant receives some 100-130,000 liters of milk per day during the rainy season, but only 15,000 liters during the dry period.

During that time the idle capacity of the milk processing plant is used to process tomatoes by evaporation. The production serves to substitute for traditional paste imports from California, Mexico, Portugal, Italy, and Greece.

There are three cooperatives which have specialized in the production of vegetables: Horticultural Cooperative of Boquete (which has 400 members, refrigeration rooms, transport (hot peppers, cauliflower); Producers' Cooperative of Nata (Los Santos; sells to Nestle); Horticultural Cooperative of Valle (sells to Selecta). Distribution of inputs is carried out by COAGRO for the benefit of 35 cooperatives with some 80,000 members.

TABLE 10
VEGETABLE HARVEST

Product	V e g e t a b l e H a r v e s t (in qq)		
	1977	1978	1979
tomato 1/	447,200	(R) 561,700	672,500
hot peppers.....	19,000	17,900	21,700
melon 2/	585,100	296,400	413,700
watermelon 2/	378,600	324,700	370,600
cucumber	14,300	11,000	12,600

1/ Refers to table and processing tomatoes. Data have been adjusted based on a survey of purchasing by industrial establishments.

2/ Figure refers to units.

TABLE 11

COST OF PRODUCTION (1 HA OF PEPPERS)

Machinery	116.00		
Inputs.....	354.20		
Labor	364.00		
Other costs	167.20		
Sub-total	B/ 973.20		
Unforeseen 10%	97.32		
GRAND TOTAL	B/1,098.52		
Breakdown of production	240 qq.	10.00	2,400.00
60% export	120 qq.	6.00	720.00
30% internal consumption.			
Total	360 qq		3,120.00
Cost/Benefit analysis			
3,120.00/1,168.53 - 2.67			
Source: MIDA, 1983			
Note: According to the National Bank (1983):			2,557.16

TABLE 12

COST OF PRODUCTION (1 HA OF YAMS)

Machinery	68.50		
Inputs	313.47		
Other costs	67.20		
Labor	504.00		
Sub-total	953.17		
Unforeseen 10%	95.31		
GRAND TOTAL	1,048.48		
Source: MIDA, 1983			
Note: According to the National Bank (1983):			1,860.37

TABLE 13

COST OF PRODUCTION (1 HA OF MELONS)

Fixed costs	154.64		
machinery	85.00		
inputs	610.87		
labor	290.00		
TOTAL Variable Costs....	985.87		
Source: MIDA, 1983			
Note: According to the National Bank (1983):			1,079.36

TABLE 14

COST OF PRODUCTION (1 HA OF PINEAPPLE)

Machinery	124.00
Inputs	2,545.50
Labor	1,315.00
Equipment	2,150.00
Other costs	1,125.00
Sub-total	7,259.50
Unforeseen 10%	725.95
 GRAND TOTAL	 7,985.45

ESTIMATED PRODUCTION

1st Year 63.63 TM
2nd Year 63.63

Source: MIDA, 1983

Note: According to the National Bank (1983) 8,436.87

TABLE 15

COST OF PRODUCTION (1 HA OF GUAVA)

Activity	1st Year	2nd Year	3rd Year	4th Year	
Machinery	302.50	60.00	60.00	60.00	482.50
Inputs	279.00	91.50	162.50	162.50	695.50
Labor	95.00	80.00	85.00	235.00	495.00
Equipment	2,165.00	15.00	15.00	15.00	2,210.00
Other costs	50.00				
Sub-total	2,891.50	246.50	322.50	622.50	4,083.00
Imprevisto 10%	289.15	24.65	32.25	62.25	408.30
 TOTAL	 3,180.65	 271.15	 354.75	 684.75	 4,491.30

ESTIMATED YIELD

4th Year 10 TM
5th Year 20 TM
6th Year 22 TM

Source: MIDA, 1983

TABLE 16
COST OF PRODUCTION (1 HA. OF CITRICS)

Activity	First year	Second year	Third year	Fourth year	Total
1. Machinery	310.00	60.00	60.00	60.00	490.00
2. Inputs	299.65	131.65	193.60	253.80	878.70
3. Equipments	2,165.00	30.00	40.00	40.00	2,275.00
4. Labor	85.00	85.00	92.50	112.50	375.00
5. Others	50.00	---	---	350.00	400.00
TOTAL	2,909.65	306.65	386.10	816.30	4,418.70
Unforeseen 10%	290.96	30.66	38.61	81.63	441.87
Total	3,200.61	337.31	424.71	897.93	4,860.57

ESTIMATE PRODUCTION

IV	Year	3.36 Tm.
V	Year	6.00 Tm.
VI	Year	9.01 Tm.
VII	Year	12.01 Tm.
VIII	Year	15.01 Tm.

TABLE 17
COST OF PRODUCTION (1 HA. OF PAPAYA)

Activity	1 Year	2 Year	Total
Machinery	235.00		235.00
Inputs	477.20	322.20	799.40
Equipment	2,180.00	30.00	2,220.00
Labor	270.00	480.00	750.00
Others	25.00	50.00	75.00
Total	3,187.20	882.20	4,069.40
Unforeseen 10%	318.72	88.22	406.94
GRAND TOTAL	3,505.92	970.42	4,476.34

ESTIMATE PRODUCTION

I	Year	5.45 Tm.	
II	Year	13.63 Tm.	
III	Year	9.09 Tm.	
IV	Year	4.54 Tm.	3,099.88

TABLE 18
COST OF PRODUCTION (1 HA OF CASHEW)

Activity	I Year	II Year	III Year	IV Year	V Year	Total
Machinery	302.50	60.00	60.00	60.00	60.00	542.50
Inputs	133.20	35.00	55.00	65.00	65.00	353.20
Equipm.	150.00					150.00
Labor	40.00	20.00	20.00	20.00	120.00	220.00
Others	25.00				5.50	

ESTIMATED PRODUCTION

I Year	1 Tm.	VI Year	1 Tm.
II Year	1 Tm.	VII Year	1 Tm.
III Year	1 Tm.	VIII Year	1 Tm.
IV Year	1 Tm.	IX Year	1 Tm.
V Year	1 Tm.	X Year	1 Tm.

Source: Mida 1983

4.3 Opportunity Profile No.3: Aquaculture and Fishing

4.3.1 Aquaculture

Shrimp has been the most important species in the Panamanian fishing industry. To increase the catch and the exports which have reached a respectable volume, aquaculture of the penaeid shrimp has been promoted. The largest producer is AGROMARINA, S.A., a subsidiary of Ralston Purina established in 1974. The Government has assigned a high priority to aquaculture. With World Bank funds, COFINA has been providing credit to aquaculturists. At present, there are 1,330 hectares of ponds growing out shrimp, and 29 hectares producing fish for the local market. A FAO Mission has identified additional sites which are suitable for aquaculture; some of these have been acquired by investors. However, going on-stream awaits further technological advances.

In 1982 the Inter-American Development Bank approved a loan of \$13.2 million to the National Bank of Panama to finance the development of aquaculture by private shrimp farms in coordination with the National Directorate of Aquaculture of MIDA. These funds are intended to finance up to 1,500 hectares of salt marsh ponds in units of between 20 and 100 hectares, each having a biologist, producing 2,164 TM p.a. in total, and bringing in \$17.6 million of foreign exchange. The first four loans were approved by the National Bank in early 1983, with a tenor of 7-10 years, 3-year grace period, and interest of 9-12%. The Bank has established a limit of 500 ha. of ponds in the first phase, considering that the capture of gravid females at sea is approaching its natural limit. In that connection, the IDB loan has provided for the establishment of a hatchery of post-larvae and juveniles of the penaeid vannamei. The Government of Panama has been receiving technical assistance from Taiwan in that regard. AGROMARINA has been successful in closing the biological cycle, and currently is reproducing shrimp in captivity. However, it is common knowledge that the costs of this hatchery do not permit the expected profit.

The opportunities which present themselves to foreign interested parties are investment in production, transfer of technology, and sale of equipment for ponds and the hatchery.

The Association of Aquaculturists of Panama is located in Aguadulce where there is also a Fisheries Experimental Station.

4.3.2 Marine Fishing

A number of fish species which abound in the Panamanian waters of the Pacific have been underexploited, since Panamanian fishing is purely artisan. The more interesting species are red snapper, tuna, corvina, jurel, shark. Among the crustaceans, in addition to shrimp there is lobster (Bocas).

Given that Panamanian law does not permit foreign ownership of fishing vessels (and the difficulty of controlling pilferage), the opportunities for foreign firms are in processing and export. Recently an American company established a subsidiary to process, pack, and export red snapper to the United States. Japanese interests have invested in the processing and freezing of tuna.

In order to expand the new port of Vacamonte so as to accommodate tuna boats, the Government of Panama has programmed five new tunaboat piers in addition to the existing four, at the cost of \$18 million. In view of the national interest in foreign investment in fish processing, the final design of the port expansion is subject to discussion with such firms.

Shrimp is the most important species both in terms of exports and in total marine capture:

TABLE 19

NATIONAL PRODUCTION OF FISHERIES
YEARS 1972 TO 1981
(Metric Tons)

Description	1972	1979	1980	1981
TOTAL	58,690	142,784	193,029	118,412
Fish (Indus. use)	50,286	132,482	181,694	104,842
Anchovy	34,499	116,389	156,811	77,043
Herring	14,314	15,695	23,333	24,547
Others	1,473	398	1,550	3,252
Incidental				
Fishing 1/	1,754	2,159	2,267	2,450
Mechanic				
Fishing 2/	1,369	3,001	3,262	3,915
Crustaceus 3/	5,281	5,142	5,806	7,205
Shrimps	5,281	4,990	5,559	7,051
White	2,322	1,567	1,724	1,949
Red	1,353	1,290	1,710	1,001
Titi	1,421	1,536	1,627	2,960
Carabali	99	202	118	141
Fidel	---	394	350	379
Cabezon	---	---	30	621
Solenocera	86	1	0	0
Lobster 2/	---	152	247	154

1/ Estimate from the fishing of the shrimp fleet and boats

2/ Partially estimated numbers

3/ Weight of the tails

--- There is no information

0 Value higher than 0 but less than 0.6

Source: Direccion de Recursos Marinos, MICI

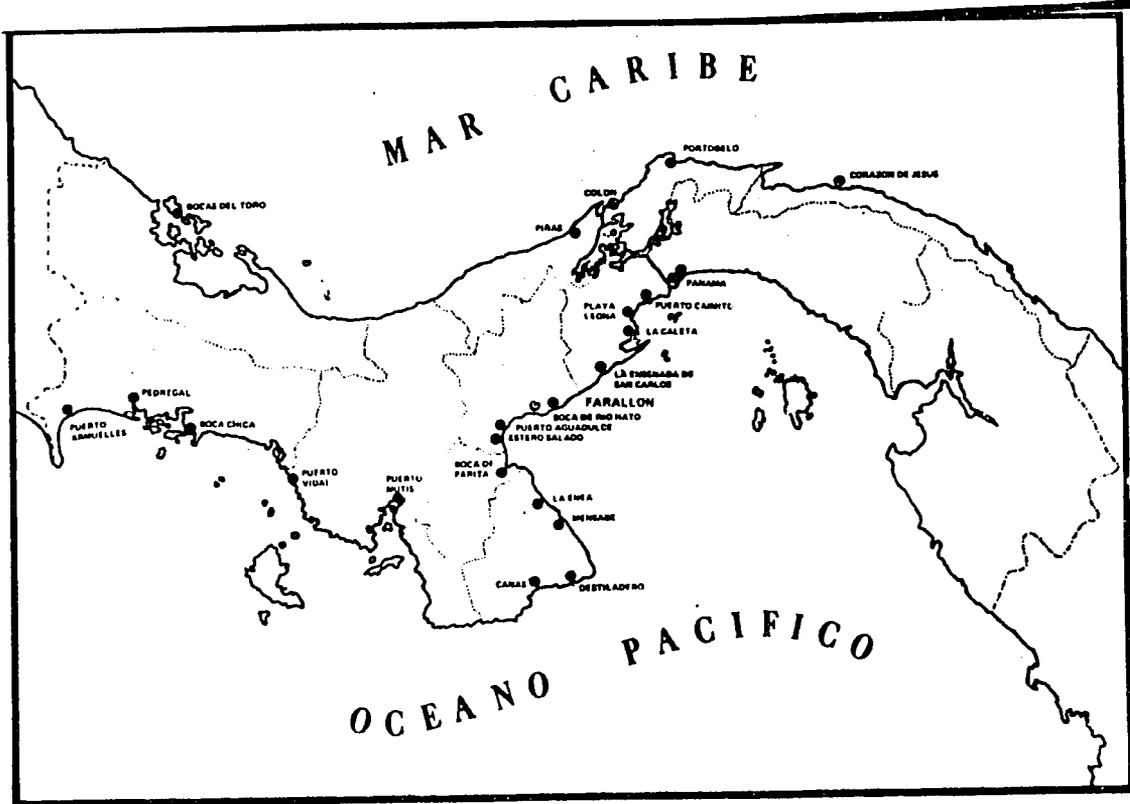
TABLE 20
 EXPORT OF FISHERIES PRODUCTS
 First Quarter 1983

Fisheries Products	C.O.	TOTAL Kilos	B/.
Black clams	20	40.030	58,116.00
Clams with no commercial value	1	12	2.50
Shark fins	1	2,870	26,100.00
Art. of shrimps	2	2,275	5,400.00
Frozen shrimps	38	1,241.107.30	3.858.024.72
(Camaron apanados)	7	114.540.54	478.800.00
(Camaron de prueba)	4	38.01	210.00
(Camaron sin cabeza) tails	5	76,779.64	252,260.50
Empty sea shells	1	9,072	3,000.00
Sea bass filet	-	9,081	22,022.00
Braize (red silk)	6	38,612	93,060.00
Lobsters tails	1	6,544	91.060.00
TOTALS C.O	86		
TOTALS KILOS		1,540.961.49	
TOTALS BALBOAS			4,888.019.72

Note: C.O (Certificate of Origin)

Source: Direccion General de Recursos Marinos, Ministerio de Comercio e Industrias.

HOME PORTS FOR ARTISAN FISHING



4.4 Opportunity Profile No.4: Industrial Raw Materials

The Panamanian economy incurs a deficit of some \$20 million in the rubric of edible oils - an amount which approaches the entire national consumption. The World Bank has estimated Panamanian consumption of edible oils in 1990 at 33,000 TM. Some \$11 million worth of crude soybean oil is imported now annually for local refining. At the same time, favorable conditions exist to produce oil palm and coconut.

In a similar fashion, although Panama produces cacao bean of excellent quality, annual production barely tops 1 million lbs. in the face of internal demand for 8 million lbs.

4.4.1 Oilseeds

With the aid of the World Bank, the Government of Panama decided in 1979 to promote the production of the oil palm in Barú (Chiriqui), in view of its yield per hectare which is 6 TM of oil. The first 2,400 hectares which have been planted will yield their first harvest in 1983. This IBRD-financed program envisions a total of 3,000 ha. of oil palm groves at a cost of \$8.3 million. The oil palm has been planted on abandoned banana plantations, and in its first phase the program was administered by the Pacific Banana Corporation (COBAPA), a governmental entity. However, in 1982 the program was transferred to MIDA due to the limited management capability of COBAPA.

In June of 1983 bids were opened for the construction of a processing plant for which the IBRD loan allocated \$7.6 million (planned capacity: 20 TM of racemes per hour).

Taking into account that the Barú processing plant will not go on-stream immediately, there is an opportunity to buy the 1983 and 1984 production of the established palm groves. At a short distance, in Coto on the other side of the border with Costa Rica there are, e.g., the oil palm installations of United Brands.

In 1981 the imported soy crude was bought by Panamanian refiners at \$700/TM. The refining costs are estimated at \$365/TM. Retail price was \$1.5 per liter (i.e. \$1,530/TM). He who can compete with these prices will encounter buyers. It must be assumed that the habits of the Panamanian consumer will not change abruptly, and therefore that the imports of soy crude will continue. Besides, the plantations of oil palm which have been programmed will not cover even a third of the national demand for edible oils.

According to the French Oilbearing Plant Institute, other zones of Panama are suited for the growing of oil palm as well as Barú, Bocas de Toro (Changuinola) and Darien. Large tracts of

land are available. In Darien conditions permit the cultivation of the African palm (*E. Guineensis*) which has a greater yield than the hybrids, without risk of stem rot. However, this would require a solution to the forbidding transport problem (which, however, has been alleviated in Changuinola recently by the construction of a new oil pipeline road). In Icacal there is a 1,050 ha. plantation of hybrid oil palm (situated at 35 km. west of Colon) which was originally established in the sixties by the Amsterdam Agricultural Company, but being located in that area it experiences shortage of labor, and its processing plant with a capacity of 9 TM racemes per hour cannot be kept busy. The plantation and the plant are now operated by the Agroindustrial Cooperative of Icacal under the supervision of MIDA. The zone most suitable for future oil palm projects appears to be Darien. (See table 23, page).

Due to stem rot problems which affect the African palm and the unpredictable polinization of the oil palm hybrids, and perhaps most of all because of the traditions of the Panamanian farmer, cultivation of the coconut palm is favored over the oil palm. The coconut yields 4-4.5 TM of oil per hectare under good conditions, requires but simple processing to produce copra, and grows in very sandy soils. The areas of Panama which are best suited for the cultivation of the coconut may be found all along the Atlantic Coast on both sides of the Canal, in the Bayano valley, certain valleys in Darien, and the alluvial soils of Bocas and Chiriqui Grande.

The critical considerations are pest control and fertilization (except in Chiriqui). The recommended varieties are the hybrids and the dwarfs. The coconut palm does not give a commercial yield before its eighth year (1.5 TM/ha), except the hybrids which begin to produce in the fourth year, and reaches its maximum production in their eleventh year (2.7 TM/ha). Thus it is an eminently long-cycle crop. Given that more than half of the Panamanian farmers do not have a clear title to their land, investment in perennial crops is viewed with caution. The existing plantations are to a large degree concentrated in the San Blas region where production is oriented entirely toward Colombia due to the high price which is offered (more than twice the international price) and to the flow of contraband for which coconuts serve as return cargo.

4.4.2 Cacao

The area which produces cacao is located in the Bocas del Toro Province in the western part of the Atlantic coast, from the border with Costa Rica as far as the middle of the Laguna Grande, at elevations under 200 meters. Rainfall in this zone varies from 1,700 to 5,000 mm p.a. and the number of rainy days from 222 to 253 p.a. The cacao plantations which are in commercial production are in the western part (Changuinola, Almirante, Bocas). Most of them are old and neglected (originally they were

established by United Fruit). The cultivated area covers some 1,000 hectares, the average farm size being 3.2 hectares (that is to say, that part of the farm which is in cacao; the farmers, most of whom are Indians, grow subsistence crops at the same time).

Since 1981, a \$5.3 million loan of the World Bank facilitates the provision of credit to cacao growers through the Agricultural Development Bank, and technical assistance through MIDA. Over the five years of the loan program, it is expected that new cacao plantations will be established on 800 hectares by 400 borrowers, and that 1,500 ha. will be rehabilitated by 500 borrowers in Bocas del Toro.

The cacao growers' cooperative in Almirante serves as an assembly center for the entire production in the area; it also distributes inputs. Previously, the cooperative used to export cacao in bulk to New York through IMA. Currently, production is sold to the Industria Panamena de Cocoa, S.A. (IPC) in Colon.

IPC was established in 1981, and it is the only cacao processing plant in the country. Its installed capacity is 4 million lbs. p.a. More than half of the beans are imported from Ecuador and other countries. The final product is cacao butter, cake/powder, and liqueur for export to the United States (there is no chocolate factory in Panama). The company has plans to establish three plantations of its own - 1,000 ha. in Bocas del Toro, 500 ha. in Chiriqui, and 500 ha. in Colon - with an eye on promoting additional production in these zones by independent producers.

The cacao bean produced in Panama is large (342 beans per pound), and has a high yield of butter as well as excellent aroma and taste in powder form. IPC purchases cacao at the closing price of the New York Coffee, Sugar, and Cocoa Exchange. That price has averaged \$1.17/lb. fob point of origin over the last six years, and it was quoted at \$.99/lb. in August, 1983. IPC has indicated interest in partnership ventures.

TABLE 21

COST OF PRODUCTION OF 5 HAS. OF COCONUT

	Type of Expenses Labor	Inputs	Total of Expenses
1 Year -	1,331.00	297.65	1,628.65
2 Year -	616.00	470.54	1,086.54
3 Year -	616.00	666.84	1,282.84
4 Year -	616.00	891.78	1,507.78
5 Year -	616.00	540.20	1,156.20
6 Year -	792.00	540.20	1,332.20
7 Year -	924.00	540.20	1,464.20
8 Year -	1,056.00	540.20	1,596.20
9 Year -	1,056.00	540.20	1,592.20
TOTALS	7,623.00	5,027.81	12,650.81

Source: National Bank of Panama, 1983

COST OF ESTABLISHMENT AND MAINTENANCE OF 1 ha. OF CACAO

LAVOR	Quantity	1	2	3	4	5	6	7
Preparation + Cleaning Soil	20 J.	100.00	-	-	-	-	-	-
Traced and marks	5 J.	25.00	-	-	-	-	-	-
Planting and Replanting	10 J.	50.00	-	-	-	-	-	-
Trimming	-	10.00	40.00	50.00	60.00	60.00	60.00	60.00
Regulation of shade	-	35.00	60.00	60.00	40.00	40.00	40.00	40.00
Weed control	-	100.00	150.00	150.00	60.00	60.00	60.00	60.00
Fertilizer application	4 J	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Phitosanitary application	-	30.00	30.00	30.00	40.00	40.00	40.00	40.00
Recollection	-	-	-	-	77.00	82.00	105.00	110.00
Transportation	-	-	-	-	40.00	50.00	60.00	65.00
Fertilizers	5 qn.	120.00	120.00	120.00	120.00	120.00	120.00	120.00
Phitosanitarries	-	40.00	40.00	40.00	50.00	50.00	50.00	50.00
Cacao Plants	1,000	300.00	-	-	-	-	-	-
SUB-TOTAL	-	825.00	460.00	470.00	507.00	522.00	555.00	565.00
Unforeseen 10%	-	82.00	46.00	47.00	51.00	52.00	56.00	56.00
TOTAL	-	E/.907.00	B/.506.00	B/.517.00	B/.558.00	B/.574.00	B/.611.00	B/.621.00

Source: National Bank of Panama - 1983.

12/2/83

TABLE 23

OIL PALM

STRUCTURE OF THE INVESTMENTS AND COSTS OF
EXPLOITATIONS FOR 1 HA. OF NEW SURFACE

	Investments		Exploitation	
	Costs (B)	%	Costs (B)	%
Preparation of vegetal material	314	11.5	-	-
Preparation of soil	632	23.1	-	-
Planting	180	6.6	-	-
Maintenance	1,203	44.0	325	38.2
Crop	---	---	225	26.5
Gral. Services Org. system	190	7.0	55	6.5
Property	70	2.6	-	-
Agri. material	80	2.9	7	0.8
Vehicules	15	0.5	3	0.4
Transport, recolect.and transf.	---	---	220	25.9
General expenses	48	1.8	15	1.8
Sub Total	2,732	100%	850	100%
Unforeseen 5%	138		40	
TOTAL	2,870		890/Year	

Source: World Bank 1981

5. APPENDICES

5.1 Program

EXECUTIVE SEMINAR ON AGRIBUSINESS AND AGRICULTURE

Hotel La Siesta, Tocumen, Panama

September 23-25, 1983

P R O G R A M

Thursday, Sept. 22	4:00PM	registration (lobby)
	7:00	welcome cocktail (Concorde)
	OPENING	<u>PLENARY SESSION (Bayano)</u>
Friday, Sept. 23	9:00AM	Inauguration (Dominador B. Bazán, Chamber of Commerce, Nancy S. Truitt, FMME)
	9:10	<u>Agriculture in Panama</u> Frank Omar Perez, Minister of Agriculture
	9:40	<u>Private Agribusiness in Panama</u> Dominador B. Bazán, President, Chamber of Commerce, Industry, and Agriculture
	10:00	coffee break
	10:30	<u>Incentives and Services for Investors</u> Frank Kardonski, Managing Director, National Investment Council
	11:00	questions and answers
	11:30	<u>Analysis of Agribusiness Projects</u> George A. Truitt, Director, Agribusiness Project, FMME
	11:55	announcements
	12:00	lunch
		<u>WORKING GROUP SESSIONS (break-out rooms)</u>
	2:00	<u>Analysis of Cases (farmer/business relationship)</u>

- 3:30 coffee break
- 4:00 discussion of farmer/business relations in Panama. Formulation of group conclusions

PLENARY SESSION ON FARMER/BUSINESS RELATIONS (Bayano)

Saturday,
Sept. 24

- 9:00AM presentation of Working Group conclusions
- 9:40 discussion
- 10:00 coffee break
- 10:30 discussion
- 11:00 intermediary institutions (JACC, IPAC, IESC, VITA)
- 11:30 Agricultural Credit
Jorge A. Oller, National Bank of Panama
- 12:00 lunch

WORKING GROUP SESSIONS (break-out rooms)

- 2:00PM Analysis of agribusiness opportunities by experts
- 2:45 discussion
- 3:30 coffee break
- 4:00 formulation of group recommendations by crop

FINAL PLENARY SESSION (Bayano)

Sunday
Sept. 25

- 9:00AM presentation of Working Group recommendations
- 9:40 discussion
- 10:30 coffee break
- 11:00 Agroindustry
Edmond B. Borgeaud, Syndicate of Industrialists, Victory M. Guillen, Director General, Agroindustry, MIDA

11:40 The Opportunities (round table
discussion)
George A. Truitt, Moderator
Louis Weber (livestock),
William M. Washburn (fruit and
vegetables),
Gale Rozell, (industrial raw materials)

12:45PM lunch

1:15 Caribbean Basin Initiative
Peter Becker, Economic Counselor
U.S. Embassy

1:30 questions and answers

2:00 adjournment

5.2 List of Participants

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5.3 Sources of Financing

INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC's principal tasks are to provide financing and bring together technical assistance and management needed to develop productive investment opportunities. The IFC can make both equity and loan investments without government guarantees but will never invest alone. It expects to mobilize and supplement private capital, not to replace it.

Decision Criteria for Loans and Investments:

- Degree of local private sector involvement
- Bankability of the project
- Need for IFC involvement
- Relation to the development needs of the country.

Priorities of the IFC for Costa Rica are not firmly fixed but they appear to favor:

- a. projects having a significant impact on the balance-of-payments
- b. agriculture, particularly food processing
- c. projects using domestic resources
- d. projects making significant contributions to employment

Equity Financing

- IFC can take an equity position of up to a maximum of 25%. (IFC has financed projects in the range of \$4 - \$450 million.)
- IFC will not take an active role in management.
- IFC will want to dispose of their equity in the local market, if possible, once the project is successful.

Loan Financing

- Long term (7-12 years) at fixed rates of interest (currently 13½-14% in U.S. dollars, less in some other hard currencies).
- The funds may be used for fixed assets or for working capital.

There is no standard form of application for IFC financing. However, IFC needs certain preliminary information to enable it to decide whether an investment proposal warrants serious consideration. This should include at least the following items: the enterprise's legal status and financial history, its present and proposed operations, the amount of financing needed and the purpose for which it is required, information on the cost and

availability of raw materials and other inputs, together with a review of technical assistance or other agreements and pertinent market information.

Information

- Giovanni Vaccheli, Director of Investments, Latin America and the Caribbean, (202) 676-0701
- Jean-Pierre Schwartz, Investment Officer, (202) 676-0708
- Kirby Jones, Public Information Office, (202) 676-1171

Address: International Finance Corporation
1818 H Street N.W.
Washington, D.C. 20433

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC has two major programs, investment insurance and finance. Its insurance program provides protection against losses resulting from political acts that private investors may face in the developing world. OPIC also finances ventures in developing countries by providing direct loans or guaranteed loans to projects abroad sponsored by or involving U.S. investors.

Insurance

The risks which OPIC can insure against are non-convertibility of local currency into dollars; loss of investment due to expropriation, nationalization or confiscation by action of a foreign government; loss due to war, revolution, insurrection, or civil strife.

Eligible for insurance are the investments of citizens of the U.S. or corporations, partnerships, or other associations created under U.S. law which are substantially owned by U.S. citizens, or foreign corporations at least 95% owned by eligible U.S. entities. There is no requirement that the project in which the investment is made must be owned by U.S. investors. Thus, a joint venture project may be majority foreign owned but a U.S. investor may secure insurance for his investment in the joint venture.

Only new investments, (including significant expansions or modernizations of existing enterprises) are insured, and OPIC insurance may be available for anticipated earnings as well as the initial investment of which OPIC will cover 90%. (10% coinsurance is normally required).

Financing

OPIC provides financing through its Direct Investment Fund and through loan guarantees. OPIC staff will assist in designing the financial plan and coordinating financing with other lenders or funders.

The Direct Investment Fund has \$15 million available this year for application worldwide. As of February 1983 there are funds remaining for the support of eligible projects. Any project to be funded must meet one of the following conditions: have substantial involvement by a small U.S. business (not within the Fortune 1,000 companies) or, have direct ownership by a small, U.S. business. Among those projects for which OPIC will not provide financing are runaway plants, housing, and production of particular crops for export to the U.S.

OPIC takes into consideration the developmental contribution of the project. Among the social and economic factors considered are creation of employment opportunities and skills training; transfer of technology; increased availability of goods and services; and foreign exchange earnings or savings.

OPIC must also consider the balance of payments and employment effects on the U.S. economy as well as those of the host country. Thus such factors as the extent of U.S. procurement, net financial flows, and net project exports to the U.S. are also considered.

Conditions: OPIC does not purchase equity in a project but can provide debt or loan guarantees for up to 50% of the project cost. Because its programs are designed to support private sector investment in financially viable projects, OPIC does not offer concessional terms. OPIC loans generally range from \$100,000 to \$4 million for which OPIC absorbs much of the administrative costs involved with interest rates currently at 13-14% with approximately equal semi-annual principal payments following a suitable grace period, with final maturity of five to twelve years.

Financing Applications: initial inquiries to OPIC should contain the following information: name, location and business of the proposed project; identity, background and financial statements of the principal sponsors; planned sources of supply, anticipated output and markets, distribution channels and the basis for projecting market share; summary of costs and sources of procurement of capital goods and services; proposed financing plan, including the amount of OPIC participation anticipated, and financial projections; and a brief statement of the contribution the business is expected to make to local economic and social development.

Feasibility Studies

OPIC will take part in cost-sharing arrangements with U.S. firms to investigate and study the feasibility of an opportunity. Maximum OPIC participation is normally \$100,000. (However, if OPIC insurance or finance is used in connection with the investment, an offset or reduction amounting to the first-year's premium or finance charges, or both, is allowed).

Firms interested in exploring funding for feasibility studies should provide OPIC with the following information: scope of the survey, outlining in detail the factors to be studied; a preliminary budget for the survey, indicating the members of the study team; tentative estimate of total project costs should the results be positive, and the applicant's contemplated investment in the project as well as the information outlined above for financing applications. However, it is recommended that discussions be held with program personnel before submitting an application.

CONTACTS

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BUREAU FOR PRIVATE ENTERPRISE (PRE)

A.I.D.'s Bureau for Private Enterprise was established to develop new approaches to private sector development and to support and supplement, where appropriate, private sector programs undertaken by other parts of the Agency. The Bureau intends to make four types of investment, co-financing of projects with a strong development impact; capitalization of private intermediate financial institutions; direct lending to selected business ventures; the granting or lending of money to an enterprise and taking convertible debentures for the start up period.

Technical Advice and Assistance

The Bureau will take an active role in identifying and developing projects, including taking the lead in making technical studies, finding technical and financial partners and putting together a financial plan. In addition, the Bureau will help organize and finance companies that promote investments in a specific sector or area, or participate in financing companies organized to develop specific projects and help applicants satisfy requirements for preliminary information.

Priorities Initially the focus will be on the following sectoral priorities:

Agribusiness, with a high priority on the transfer of U.S. agricultural expertise;

Intermediate institutions, with a focus on mechanisms for developing and transferring capital;

Leasing of capital equipment and machinery;

Manufacturing keyed to raw materials, labor, and market potential aimed at generating jobs and technical improvements

Management training, through the investment in advanced training programs for the private sector that are self-sustaining.

Project Criteria To be selected, projects and enterprises must be in the priority sectors described above; must have substantial indigenous ownership; must be consistent with the existing A.I.D. programs and strategies within the country; must fall into one of three categories of new types of investment, i.e., co-financing, capitalization of intermediate financial institutions, direct investment in replicable projects; must demonstrate effective management and profit-making potential; must be privately owned or operated, at least in part or be willing to operate within private sector criteria; must have development benefits that rank high on the list of host government priorities - job creation, foreign exchange earnings, and transfer of technical and managerial skills are particularly important; must show that funds are not available elsewhere on reasonable terms.

Application Requirements The following outlines preliminary project information required by PRE to form an initial judgement concerning interest in providing financing:

- Project Description, including background of project, present status, background of firm, legal arrangements;

- Financing Requirements, including total costs, proposed financial structure, source of funds and anticipated terms, critical factors affecting investment opportunity;
- Technical Plan, including technology(ies) to be used, appropriateness, feasibility, source(s), ease of incorporation, advisory assistance and training requirements, source of raw materials, equipment and labor, location;
- Marketing Plan, including market and customer profile, transportation and distribution, pricing, competition;
- Financial Plan, including projected five year statement and balance sheet, cash flow analysis, and rate of return;
- Legal requirements, including potential impediments, import/export duties, tax legislation, foreign exchange restrictions/regulations, ownership/management requirements;
- Management and implementation plan, including structure, skills (existing and needed), training requirements.

AID/PRE has flexibility in negotiating terms and conditions depending upon the nature , risk level, and developmental impact of any project. General guidelines however are that PRE will finance up to \$2.5 million with the emphasis in the range of \$250,000 to \$1.0 million but not more than 25% of the total project cost with a 15 year maximum term and a negotiable grace period for principal, fixed interest rates which emphasize free market competitive profitability, with loans to be used to capitalize a new enterprise and/or expand an existing one.

The Bureau for Private Enterprise will never invest alone. Rather, its role is to mobilize and supplement private capital. The enterprise's capital requirements should be such that A.I.D. can take the longer maturities and commercial banks and others can take the shorter maturities. Interest rates for loans and other forms of debt will, in most cases, be higher than under normal A.I.D. terms.

Contact: Bruce Bouchard
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U.S.A.I.D.
Department of State, Room 5893
Washington, D.C. 20523
(212) 632-5743

TRADE AND DEVELOPMENT PROGRAM

Trade and Development Program, which is a component of the International Development Cooperation Agency, located in Washington, D.C., has feasibility study funds available for projects which meet the following criteria:

They must

- be of high priority in the country's development program;
- lead to exports from the United States (equipment, agricultural inputs, etc.);
- have a well developed financing plan;

The average amount provided per feasibility study to date is in the range of \$100,000 - \$300,000. The funds are provided to U.S. investors on a cost shared basis with agreement by the investor to reimburse TDP for its share of the studies if the investment goes forward.

Contact: Dr. Lawrence A. Marinelli
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SA-16, Room 301
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(703) 235-3657/8/9

EXPORT-IMPORT BANK OF THE UNITED STATES (EXIM)

The Export-Import Bank of the United States is a United States Government Agency whose purpose is to aid in financing and facilitating exports of United States goods and services. EXIM implements its legislative mandate by providing loans, guarantees, and insurance cover for U.S. export transactions.

Direct Loans and Financial Guarantees

By providing direct loans to foreign buyers, EXIM makes available the longer-term, fixed-rate financing required for major U.S. export sales of capital equipment, requiring repayment terms over five years. EXIM, however, only provides a portion of the required financing, commercial banks generally provide the remainder. In some instances, the Private Export Funding Corporation (PEFCO), owned by U.S. commercial banks and major U.S. exporters, will also participate. PEFCO was organized as a supplemental lending source and makes loans only when the necessary funds are not available from traditional private sector sources on normal credit terms at competitive rates of interest. It makes fixed interest rate loans; its minimum loan size is \$1 million.

Commercial Bank Guarantees

EXIM guarantees the repayment of medium-term (181 days to 5 years) export credit extended by U.S. banks to foreign buyers, without recourse to the U.S. exporters. The commercial bank retains a share of the commercial risk for its own account and is protected by the EXIM guarantee against the remaining commercial and political risks.

Small Business Support

EXIM has established a small business advisory service to assist companies in various aspects of export financing including guidance on the use of EXIM programs as well as the use of commercial bank facilities. For Small Business Advisory Service the toll-free hotline is (800) 424-5201.

(Insert as a new paragraph - after Commercial Bank Guarantees paragraph).

Programs for Medium-Term Sales

Eximbank's Small Manufacturers Discount Loan program enables U.S. commercial banks to extend fixed-rate, medium-term export loans by providing standby assurance that the bank can borrow from Eximbank against the outstanding value of a medium-term foreign debt obligation. The program is for exports by companies with gross annual sales of \$25 million or less.

The Medium-Term credit program provides fixed interest rate support for those medium-term export sales that are facing subsidized, officially-supported export credit competition from abroad. Eximbank will make a fixed interest rate loan commitment to a U.S. bank that is financing the export sale and will lend its funds to the U.S. bank.

Exim's Export Trading Company Loan Guarantee program satisfies the requirements of the Export Trading Company Act of 1982, which was signed into law by President Reagan in October of 1982. Eximbank's program provides export trading companies and other exporters with access to working capital loans that would not be provided without Eximbank's assistance.

FCIA Export Credit Insurance

The Foreign Credit Insurance Association, a group of U.S. property, casualty and marine insurance companies, cooperates with Eximbank to cover repayment risks on short- and medium-term export credit transactions. FCIA, in conjunction with Exim, insures short-term (up to 180 days) and medium-term (181 days to 5 years) export credit provided by the private sector. FCIA provides insurance coverage against defined commercial risks, while EXIM provides political risk coverage and reinsures FCIA against excessive commercial losses. The program spreads the risk

in export credit among the exporter, FCIA, and EXIM in accordance with classic insurance principles, thereby enabling exporters to sell abroad and the private market to provide the needed financing.

The Private Export Funding Corporation (PEFCO) and Eximbank work together to finance U.S. exports by using private capital. Potential recipients of PEFCO loans are public and private borrowers located outside the United States who need medium and long term financing in order to buy U.S. goods and services. Eximbank must unconditionally guarantee PEFCO loans for principal and interest. 54 commercial banks, seven industrial corporations, and one investment banking firm make up the private corporation of PEFCO.

More information: Private Export Funding Corporation
280 Park Avenue
New York, N.Y. 10017
(212) 5573112

SMALL BUSINESS ADMINISTRATION

Firms that wish to establish or expand their export organizations may have up to \$500,000 of commercial financing guaranteed by the Small Business Administration (SBA). A concern (including its affiliates) that is independently owned and operated, not dominant in its field, and which falls within employment or sales standards developed by the agency, is defined as a "small business" by the SBA.

More information: Nearest SBA District Office

Licensed and regulated by the SBA, Small Business Investment Companies (SBIC) are limited partnerships or corporations certified under state law. An SBIC's primary purpose is providing equity capital and long-term financing to small business concerns for growth, expansion and modernization. Although usually an SBIC finances small businesses located in the United States, some funds may be loaned to small businesses for use outside the United States. Firms are eligible for these funds if the funds will 1. be used to acquire materials abroad for an SBIC's domestic operations 2. be used for its foreign branch operations and foreign joint ventures 3. be used for transfer to a foreign subsidiary it controls.

More information: Director
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(202) 653-6584

USAID/PANAMA

I. Integrated Rural Development (IRD) Project

Activities under the IRD project are limited geographically to the district of Sona, although eventually the impact of the project is expected to extend throughout Veraguas Province.

Agri-livestock services under IRD are available to small and medium producers in the target area and include inputs (i.e., seed, fertilizer, credit, etc.), extension assistance, equipment and marketing support. Agri-livestock pertains to all products without exception, but emphasis is given to traditional products of the area. Agronomic services are provided through the "Agentes de Desarrollo" of the Ministry of Agricultural Development who visit the farmers once every two weeks. Credit is furnished through field agents from the Banco de Desarrollo Agropecuario (BDA).

Production credit is available to participating small and medium size farmers through BDA. Based on the recommendation of the local "Agente de Desarrollo" and his signature, a farmer can obtain as much as B/. 5,000 in production credit.

Under IRD's new agro-industrial component, funds can be used to finance feasibility studies and production-related equipment/facilities/activities. Agro-industrial funds are channeled through the BDA which reviews/approves all feasibility studies and actual proposals. Funds for the Agro-industrial component are programmed as follows:

Feasibility Studies/Research	B/. 400,000
Production	B/. 800,000
Total	<u>B/1,200,000</u>

Note: Cotton, tobacco, alcohol, sugar and palm oil are not eligible for financing with AID funds.

II. Rural Growth and Service Centers (URBE)

The eight growth and service centers targeted under the loan are Puerto Armuelles, La Concepcion, David, Santiago, Chitre, Los Santos, Las Tablas, Aguadulce and Penonome. To be eligible for project financing under the COFINA program, the agro-industries must be physically located in the provinces of Chiriqui, Bocas del Toro, Veraguas, Herrera, Los Santos, and Coclé.

Agro-industry is broadly defined by COFINA under the URBE project and may include anything from shark fishing/processing to coconut dehydration and sausage production. Of the B/ 3.2 million

originally programmed for agro-industrial credit under URBE, approximately B/. 1.0 million remains. However, this is expected to be committed for new sub-loans by September 1983. Funds generated by sub-loan reflows are anticipated to run approximately B/. 500,000 per year.

Agro-industry credit funds under URBE are not available for pre-feasibility or feasibility studies since COFINA already has adequate funds furnished by the IDB through a special pre-investment fund. Credit is provided for the development and implementation of specific agro-industrial enterprises. The credit worthiness is the basis of their technical and financial feasibility as well as the financial viability of the requesting party.

III. Agricultural Technology Transfer

Project implementation is just now beginning. No credit is provided under the project. Technical assistance (i.e., agriculture extension services) is provided to small and medium producers in Chiriqui and selected other areas where the pilot extension program will be introduced, tested and adapted. Test areas were selected during the early design phase based on their agricultural potential, local farmer interest and other criteria. The exact amount of funds programmed for technical assistance cannot be released at this time because contracting details have yet to be finalized; however, substantial funding is anticipated.

IV. Entrepreneurial development (APEDE)

The APEDE (Panamanian Association of Business Executives) members who are larger, successful entrepreneurs provide technical assistance and training. Both technical assistance and training are oriented towards "linking" small business in urban areas throughout the country with credit and other assistance. Financial lending (credit) is not part of the APEDE project.

Technical assistance, including specialized consultant services, is directed towards developing/strengthening the administrative and managerial capabilities of small businesses and individual Panamanian entrepreneurs. Services are provided beginning with an assessment of each business's needs and developing training programs to address those needs. This is followed by management training seminars, workshops, conferences and other courses. In addition, specific problem-oriented technical assistance is made available to deal with the particular requirements of individual small business enterprises.

Managerial training includes courses in: a) basic accounting; b) cash flow management; c) inventory controls; d) financial statement analysis; e) marketing; f) production management; g) production development; h) preparation of loan applications. Conferences have been held in such areas as: a) contracting and labor relations; b) social security enrollment and professional risk; c) family budgeting; d) income tax workshops; and e) manage-

ment objectives. Specialized technical assistance is provided in production processes, plant/equipment distribution, etc. Legal assistance is also offered to small businesses.

A total of B/. 795,000 is programmed for technical assistance of one type or another. To date more than 300 small business operations or individual entrepreneurs have received technical assistance under the APEDE project.

The only other on-going assisted activity which provides technical assistance to Panamanian farmers is the Agricultural Technology Development project. The general thrust of the project is applied agricultural research, through Panama's Institute for Applied Agricultural Research (IDIAP). Under this project improved crop/livestock varieties and techniques are identified, tested, adapted and disseminated to small and medium producers in the eight major agro-climatic zones of Panama.

Neither credit nor feasibility studies are financed under the latter project.

Available Assistance

U.S. Firms

U.S. & Panamanians Co.s

Panamanian

	Investment Insurance	Investment Loan Guarantee	Export Credit	Export Credit Insurance	Commercial Guarantees	Export Credit Funds For Feasibility Studies	Investment Loans	Equity Investment	Technical Assistance
OPIC									
EXIM		x		x	x				
TDP									
PEFCO									
IFC									
SBA SBIC PRE AID									
AREDE ATT USAID URBE									x x
IRD									x

75-

5.4 Market Information Available from the U.S.D.A.

USDA MARKET INFORMATION

The USDA publishes a great deal of material weekly, monthly and yearly, and provides several 24-hour market news telephone services. A fairly comprehensive overview of USDA publications and other available services can be found in The Market News Service on Fruits, Vegetables, Ornamentals, and Specialty Crops, which is issued by:

- Agricultural Marketing Service,
USDA
Washington, D.C. 20250

This pamphlet provides a good listing of available USDA information and is a good source for finding more detailed listings of products being marketed in the U.S.

The Fruit and Vegetable Division of the Agricultural Marketing Service publishes a summary of fresh fruit and vegetable prices at New York and Chicago markets and at leading shipping points. This report gives a good indication of what months are most competitive, and which are more favorable as far as importing is concerned. For example:

Shipping Pt.:

Blueberries: cultivated, film wrpd, 12-pt. flat ¹	Jan	May	June	July	Aug	Sep	Oct	Dec
W. & C. Michigan:	-	--	-	-	9.30	9.42	9.17	- -- -
S. & C. New Jersey:-	--	-	9.91	8.78	8.86	-	- -- -	-

1) p. 5, May 1983, Fresh Fruit and Vegetable Prices, 1982; U.S.D.A., Washington, D.C. 20250.

A weekly (Wednesday) summary on fresh fruit and vegetables and ornamental crops is also published, by commodities, origins, and arrivals. This report is very useful in determining the year-to-year rates of arrivals. The following is an example of an entry:

Commodity Origin	<u>Arrivals - Rail, Air, Boat, & Truck Combined²</u> (Units of 1,000 CWT)					
	6/25- 7/1, '83	6/18- 6/24, '83	6/16 7/2, '83	Total '83- 7/1	Total '82- 7/1	'82 Total
Lemons: (Aug-Jul)						
California	87	87	72	2299	2319	2533
Others	-	-	1	353	366	385
Total	87	87	73	2652	2685	2918

From this, one can determine that for the period from January 1 to July 1, '83, the market for lemons has dropped a total of 1.2%, but that number really reflects the 3.5% drop in lemons coming from areas other than California (which only suffered a 0.8% drop).

2) Page 22, No. WS-26-83, July 5, 1983, Fresh Fruit and Vegetables; Ornamental Crops; U.S.D.A., Washington, D.C. 20250

A guideline which may be of help, as an example of a country exporting to the U.S., is a report on Mexico entitled:

Marketing Mexico--Fruits and Vegetables: 1981-82 Season, published by the:

- Fruit and Vegetable Division
Market News Service
USDA

This lists principle imports by weight and price and gives a brief summary of each product. Crossing restrictions and import regulations are also included as well as a short article on the impact of the peso devaluation on winter-vegetables in relation to Florida.

Market information can also be obtained from specific markets, such as New York, which publishes an annual summary at a mailing cost of US \$4.00. This lists products by origin, week entered, price and package size. The New York copy is available from:

- Federal-State Market News Service
Hunts Point Market, Room 4A
Hunts Point and East Bay Avenues
Bronx, NY 10474
(212) 542-2225

Information on Ornamental Crops can be found in a report entitled Ornamental Crops: National Market Trends, which is available from:

- The Federal-State Market News
630 Sansome Street, Rm. 727
San Francisco, CA 94111
(415) 556-5587

This is a weekly account which details the current market status for ornamental crops.