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**DIVESTITURE OF THE
BANANA CONTROL BOARD FARMS**

BELIZE

REPORT BY

Jalil Shoraka

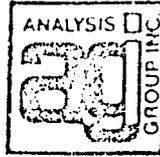
CENTER FOR PRIVATIZATION

1750 New York Avenue, N.W.
Washington, D.C. 20006

Center Project No. 2

March 31, 1986

Prepared for the
BUREAU OF PRIVATE ENTERPRISE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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DIVESTITURE OF THE BANANA CONTROL BOARD FARMS

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REPORT

BY

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CENTER FOR PRIVATIZATION

1750 New York Avenue, N.W., Washington, D.C. 20006

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AID Contract No. DPE-0008-C-00-5808-00
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The author, Jalil Shoraka, is a consultant to Equity
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Cooperative Society Limited
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DIVESTITURE OF THE BANANA CONTROL BOARD FARMS
BELIZE - CENTRAL AMERICA

Assignment Report Prepared by Jalil Shoraka
March 31, 1976

THE PURPOSE OF THE PROJECT:

The purpose of the project was to prepare financial packages for the farmers and the companies who were the beneficiaries of the banana farm divestiture by the government of Belize. The loan packages were to be presented to "a financial institution" in order to finance the purchase of approximately 2,000 acres of banana producing land from the Banana Control Board, and to undertake the expansion of approximately 2,000 additional acreage in the future.

TASK ASSIGNMENT:

PHASE I

- To review the terms and requirements for access to the Commercial Bank Discount Fund (AID Project No. 505-0005).
- To review the terms of sale already negotiated under which the farms will be purchased from the Banana Control Board.
- To review alternative sources of funds.
- To review the business plan, to expand the acreage and production per acre over the next 4-5 years.

PHASE II

- To review the project and loan package with the applicant farmers.
- To review the project papers with the commercial banks and provide additional information if necessary.
- To review the project papers with the Central Bank and monitor the progress made through the system.
- To provide technical assistance in loan negotiation.

PERIOD OF ASSIGNMENT:

PHASE I

Twenty-eight person days, starting January 17 and ending March 7, 1986.

PHASE II

Twelve person days, starting March 9 and ending March 28, 1986.

ASSUMPTIONS:

- The USAID Mission-Belize contemplated that the loan requirement for the project would consist of two parts:

1. A loan of US\$750,000 for the purchase of the banana plantation by the farmers.

2. A loan of approximately US\$750,000 to be made to the farmers and the companies who were the beneficiaries of the divestiture. The purpose of the loan was to increase the acreage under cultivation as well as the productivity of the farms.

- The USAID Mission contemplated that the loans would be made available through the Commercial Bank Discount Fund (AID-CBI Project No. 505-0005). Access to this facility, however, has been difficult. A number of amendments to the project authorization and the loan agreement have been made during the past year, which, though helpful, have not solved the problem of the accessibility to the Fund.

The Mission's opinion regarding the existing commercial banks was expressed in a telegram to AID/W in January 1986 which, in part, makes the following points:

- The commercial banks only deal in short term, low risk needs of retail and wholesale importers. They seek 200% collateral and in defining collateral exclude assets which have little or no resale value in the Belize market.

- The home offices of the commercial banks, in most cases "have given no valid reason for turning down many of the well prepared proposals - implying that they have made a policy decision not to lend long term in Belize."

- The Development Finance Corporation (DFC) has a loan portfolio of \$13.4 million, \$6 million of which is loaned to the agricultural sector. Poor portfolio management has made DFC ineffective in carrying out its assignment. DFC's financial stability remains highly questionable with some 35% of portfolio in arrear for up to 90 days. For these reasons, plus the fact that DFC is a government institution, AID is reluctant to consider it as a participant in the project.

TASKS PERFORMED:

1. Reviewed the Commercial Bank Discount Fund Project (Project No. 505-0005) and all amendments thereof.
2. Held meetings with USAID Mission's staff and discussed matters related to:
 - a) accessibility to the Fund;
 - b) problems with commercial banks;
 - c) the Banana Control Board's role in the divestiture;
 - d) the state of affairs regarding the divestiture;
 - e) the task of this consultant.
3. Held meetings with the managers of three commercial banks and discussed issues related to: (1) the financing requirements of the banana farmers, and the bank's possible role in providing such financial resources; (2) information required for processing loan applications; and (3) accessibility to the Commercial Bank Discount Fund.
4. Held meetings with officials of the Banana Control Board (Big Creek District). Reviewed the files at the Banana Control Board concerning sale of the farms, evaluation of the farms, progress reports regarding the divestiture, the contract with Fyffes (subsidiary of United Food Corporation) for sale of bananas, financial statements etc.
5. Visited the farms (Stann Creek District) and compiled information regarding the operation of the farms.
6. Held meetings with individual farmers and managers of the farms who are the beneficiaries of the divestiture, reviewed their financial needs and compiled information on their financial affairs and status.

7. Discussed findings with the USAID Mission Representative and his staff.

8. With the Mission's concurrence prepared five feasibility reports, one on each divested farm. Each report (copies enclosed) includes the following information:

- Description of the project
- Cost of the project
- Project financing
- Management
- Economic feasibility
- Financial feasibility
- Recommendation

9. Reviewed the "task performed" Phase I with officials of AID/W and the Center for Privatization at a debriefing session held at the Department of State, Agency for International Development, Washington D.C. on February 26, 1986.

10. Returned to Belize and carried out Phase II of the project as follows:

- Reviewed the project papers with applicant farmers (Big Creek District); New information was incorporated into the project of one applicant and request for loan was withdrawn in the case of another applicant.

- The revised and updated project papers were discussed with the commercial banks as well as with the Central Bank.

- The problems confronting the accessibility of the Fund were presented to the Financial Secretary and the Governor of the Central Bank of Belize in a meeting hosted by Mr. Neboysha Brashich, the AID representative (March 24, 1986).

The consultant has been assigned to a new project, Financial Market Assessment, and henceforth will remain in Belize for 30 more days during which period he will continue to monitor the progress made in the divestiture and the loan process.

FOLLOW-UP

The consultant visited Belize on June 15 through 28 on another assignment, "A Study of the Financial Market of Belize", and found occasion to follow-up on the progress made in the divestiture of the government owned banana farms. It was observed that the divestiture was completed, and financing was provided by the commercial banks (Barclays Bank and the Bank of Nova Scotia), Latin American Agricultural Development Bank, and Development Finance Corporation. AID contributed \$125,000 through the Discount Fund. The present state of affairs is best explained in a telegram sent by the Mission to AID/Washington on June 25 which, in part, reads as follows:

PRIVATIZATION AND LEVERAGING. IN CONJUNCTION WITH IMPLEMENTING THE COMMERCIAL BANK DISCOUNT FUND, THE MISSION TOOK THE LEAD IN SUPPORTING AND IMPLEMENTING THE COMPLETE DIVESTITURE OF THE GOVERNMENT OF BELIZE'S BANANA PLANTATIONS. THE DIVESTITURE IS NOW COMPLETE. IN THE PAST FOUR MONTHS, USAID PREPARED LOAN PROPOSALS FOR MOST OF THE BANANA FARMS BUT, CONTRARY TO INITIAL PLANS, LEVERAGED ITS FUNDS RATHER THAN USED THE DISCOUNT FUND EXCLUSIVELY. IN THE PROCESS, AID CONTRIBUTED DOLS 125,000, WHILE IN EXCESS OF DOLS 2.0 MILLION OF NEW MONEY WAS LOANED TO THE BANANA INDUSTRY (BY LAAD, DFC, BB AND BNS). USAID PROVIDED EXPERTISE, AND CONDUCTED POLICY DIALOGUE WITH THE HIGHEST LEVELS OF GOB IN ORDER TO FACILITATE THE PROVISION OF MOST OF THE DOLS 2.0 MILLION NEEDED BY THE INDUSTRY.

POLICY DIALOGUE. USAID HAS ACHIEVED SUBSTANTIAL PROGRESS IN BANKING POLICY REFORMS BY COMMERCIAL BANKS IN THE LAST FOUR MONTHS. LOANS THAT WERE BEING CONSIDERED JUST FOR THE DISCOUNT FUND, ARE NOW BEING FINANCED BY THE BANKS THEMSELVES. THE BANKS ARE CURRENTLY VERY LIQUID. NORMALLY, IN A TIME OF HIGH LIQUIDITY, BANKS PLACE EXCESS FUNDS IN GOB T-BILLS. ON A SMALL SCALE, BANKS ARE BEGINNING TO APPROVE MID AND LONG-TERM DEVELOPMENT LOANS. BARCLAYS BANK, IN PARTICULAR, IS FOCUSING ON PROVIDING DEVELOPMENT LOANS TO THE AGRICULTURAL SECTOR. THEY HAVE JUST RECENTLY APPROVED A DOLS 450,000 LOAN TO A BANANA FARMER. ALSO, THEY HAVE STARTED A "FARM PLAN LOANS" PROGRAM TO HELP SMALL FARMERS WITH LIMITED TECHNICAL ASSISTANCE, AGRICULTURAL INPUTS AND EQUIPMENT RENTAL.

CONCLUSION. USAID FIRMLY BELIEVES THAT ITS EFFORTS OVER THE PAST SIX MONTHS HAVE RESULTED IN SIGNIFICANT IMPROVEMENT IN IMPLEMENTATION. WITH THE DOLS 582,000 DRAWDOWN, NEARLY DOLS ONE MILLION WILL HAVE BEEN DISBURSED. BEFORE YEAR END 1986, WE EXPECT AN ADDITIONAL DOLS 1,000,000 TO BE APPROVED AND DISBURSED. USAID WOULD GREATLY APPRECIATE YOUR SUPPORT IN ENSURING THAT ANY RECOMMENDATION COMING OUT OF THE PIPELINE REVIEW BE SUPPORTIVE OF THE STATUS DESCRIBED ABOVE.

DIVESTITURE OF THE BANANA CONTROL BOARD FARMS

BELIZE - CENTRAL AMERICA

APPLICANT: SAGITUN BANANA COMPANY

PURPOSE OF THE PROJECT: EXPANSION OF FARM AND IMPROVEMENT IN PRODUCTIVITY

COST OF PROJECT: BZE\$235,000

AMOUNT OF LOAN REQUESTED: BZE\$235,000

SECURITY OF THE LOAN:

1. SECOND LIEN ON THE BANANA FARMS AND EQUIPMENT (first lien is held by DFC for BZE\$450,000)
2. PERSONAL GUARANTY OF THE PARTNERS

APPLICANTS: SAGITUN BANANA COMPANY

PURPOSE OF THE PROJECT: EXPANSION OF FARM AND IMPROVEMENT IN PRODUCTIVITY

COST OF PROJECT: BEE\$235,000

AMOUNT OF LOAN REQUESTED: BEE235,000

SECURITY OF THE LOAN:

1. SECOND LIEN ON THE BANANA FARMS AND EQUIPMENT (first lien is held by DFC for BEE\$450,000)
2. PERSONAL GUARANTY OF THE PARTNERS.

The Company was established in early 1984 for the purpose of (1) operating an established banana farm with a total area of 108 acres, and (2) expanding the plantation area to 500 acres in four years. In 1985 the Company expanded the farm to 207 acres of plantation, and at present, the Company is in the process of adding 100 acres, which would bring the total to 310 acres by the year-end. The Company owns a total of 700 acres of land and plans to put an additional 100 acres in 1987 and beyond until the total of 500 acres is under plantation. The land is located outside of Cowpen area, in the south of Stann Creek District 20 miles north of Cowpen.

Cost of the Project

The Company will be continuously expanding the farm during the next four years. Development Finance Corporation (DFC) has approved a loan of BEE\$450,000 for the company which is to cover the cost of the additional cable-ways needed for the expansion, repairs of packing station, construction of raw material warehouse, repairs of existing cable ways and purchase of water pump for irrigation. At the time of this report a total of \$250,000 was drawn from the DFC loan account and the remaining balance of \$200,000 was pending on further progress in the implementation of the project.

The present project will provide for plantation of 240 acres of land during 1986 and 1987. The cost of plantation per acre of land (excluding equipment and drainage) is calculated as follows:

Seeds:	850 seeds per acre at \$.50	BZE\$225.00
Labor:	\$0.16 per seed	136.00
Mocap:	106 pound at \$2.00	218.00
Transportation:	850 seeds at \$0.03	25.00
Fertilizer:	213 pound at \$0.25	53.00
		<u>657.00</u>
	Say	BZE\$660.00

The cost of the project, therefore, is estimated as follows:

	<u>1986</u>	<u>1987</u>	<u>Total</u>
New plantations/acres	100	140	240
Cost of plantation/acre	860	860	860
Total plantation cost	86,000	120,400	206,400
Additional irrigation equip.	30,000	-	30,000
Total cost of project	<u>BZE\$116,000</u>	<u>120,000</u>	<u>BZE\$236,400</u>

Project Financing

During the months of February and March of this year, there were two "chill" damages to the banana farms which destroyed approximately 70 percent of the bananas for the following two months. The farm will gradually return to normal production by the end of May, however, during this period the company will face short-term cash flow problems which needs to be dealt with expeditiously. The consultant, therefore suggests that the total cost of the project, BZE\$235,000, be financed through the Discount Fund, leaving the Company's financial resources to be applied toward the financing of the capital investment of the expansion program, as well as the additional working capital needed for coping with the recent "chill" damages.

Management

Mr. Tony Zabaneh is the managing partner of the company. He is 51 years old and has been engaged in farming for the past 25 years. The ancestors of the Zabaneh family migrated from the Middle East (JAFFA) in early 1900, some to Spain and some to Central America. Tony's father was engaged in farming in Salvador until the mid 1930's when he migrated to Belize. Tony has been in banana farming as an independent farmer since 1975.

Tony is also the Mayor of the village of Independence. In the village he owns a small hotel (6 rooms), a movie house (one show per week), a gas station, and a retail store (managed by his wife). He spends more than 50 percent of his time on the farm. The day to day management of the farm is carried out by the following persons:

Mr. Hector Ovedo, 40, a Hondurean is the foreman of the farm. He has been in banana farming for over 20 years. He came to Belize in 1975 and worked in the banana industry since arrival. He joined Sagitun in January 1984.

Mr. Francisco Fernandez, a Hondurean, has been in banana farming for the past 15 years. He came to Belize in early 1964 and joined Sagitun as an assistant manager.

Mr. Ricardo Pavon, 50, Hondurean, worked for the Banana Control Board for 7 years before he joined the Company in 1985. He is capable of repairing and installing cable ways, pruning and time keeping.

Mr. Justo Torres Sr. is a Belizean, assistant to the managing director, overlooking the entire operations. He is 52 years old, and has been in banana farming for some 20 years. He joined the Company in 1984.

The Company employs approximately 50 permanent workers on the farm. In addition, the Company employs between 40 to 65 regular part-time workers for harvesting; packing and shipping of the bananas.

Market and Prices

The products of the Company are sold to FYFFES Group - a subsidiary of United Food Corporation - through a contractual arrangement made by the Banana Control Board in February 1982. According to the terms of the contract, the Banana Control Board agrees to sell and FYFFES Group agrees to buy all bananas from the area under the contract. The sales contract is for a period of ten years. At the date of the contract the area under contract covered 1,600 acres including 108 acres of the Sagitun farm which is located outside of Cowpen area in the south of Stann Creek District. Furthermore the contract mandates a set of "planted" and "irrigated" targets with the objective of increasing the area under contract to 4,000 acres. At present the entire operation under the supervision of Banana Control Board covers an area of approximately 2,100 acres. It is, therefore, assumed that the Company would have no problem in marketing its products.

Economic Feasibility

Background

Historically, bananas have been an important crop in Belizean agriculture. Export of bananas with a value of approximately US\$3.5 million in 1985, ranks fourth after sugar, citrus and fish products. The Industry, however, has faced five major problems in the past:

1. Occurrences of natural disasters, such as hurricane, draught, and Panama disease.
2. Lack of shipping facilities, as the local market is too small and does not warrant an economically feasible size of banana industry.
3. Lack of financial resources.
4. Lack of technical expertise.
5. Lack of entrepreneurial incentive due to public ownership.

According to an elderly banana farmer; in the 1930's, the banana industry was flourishing in Belize; United Food Corporation, an international food trade giant was the major marketing agent of Belize bananas. In the late 1930's, because of World War II, the shipping of bananas was halted and the banana industry deteriorated. In late 1940, with financial, marketing and technical assistance of the Commonwealth Development Corporation (CDC), the banana industry began to play an important role in Belize's agriculture, until the early 1950's when Panama disease struck the fields and destroyed the industry. CDC converted the fields to citrus. In 1954 an American, Jack Atkins, began to develop a banana farm in WAHALEAF area (20 miles north of Stann Creek) and by 1965 his banana plantation covered an area of approximately 1,200 acres. He delivered the products by a ship owned by his company and marketed the bananas in the United States. In 1967, Jack Atkins sold the farm, and the new owners lacked the technical, marketing, shipping, and financial capability to maintain and expand the banana plantation.

Banana Control Board was established by the Government of Belize in 1972 and was empowered to raise funds, to make arrangements for the cultivation, harvesting, packing, transporting, and marketing of the bananas, and in general, to develop and control the banana industry.

The Banana Control Board has made several agreements for the sale and marketing of the bananas, for providing technical advice, for making necessary arrangements for shiploading and transportation, and last but not least, for providing financial resources for implementation of the project. Although the industry has suffered greatly from natural disaster during the last decade - such as a hurricane in 1974 and a draught of unusual severity in 1975 - it has remained fairly viable and has expanded its field of operation to approximately 2,000 acres. The industry is well aware of its problems, and has made concerted efforts to deal with them; by maintaining, and improving the irrigation systems, the danger of loss from draught is eliminated; by providing regular application of pest controls, the chances of plant diseases are reduced to a minimum. The Banana

Control Board is assisting the farmers in shipping arrangements, by coordinating the delivery of bananas on barges to ships in Honduras. And, finally, the financial assistance to the farmers through the AID Discount Fund will facilitate the expansion of the farms and an increase in productivity.

At present, the objective of the Banana Control Board is two fold:

1. With the technical and financial assistance of USAID, to divest the banana farms into the hand of private sector, particularly into the hand of the companies and farmers who have expertise in farming in general and in the banana industry in particular.
2. To provide technical and marketing assistance so that; (a) the field of operation expands from the present 2,000 acres to 4,000 acres by the end of 1988; and (b) the per-acre-production is increased from the present 450 boxes/acres to 700 boxes/acres in 1988.

According to the BCB contract with FYFFES, the selling price of the bananas is negotiated every two years. The present selling prices are as follows:

First class banana	BZE\$12.98 per box of 42 pound net weight
Second class banana	BZE\$ 8.01 per box of 42 pound net weight

The prices to the farmers, however, are BZE\$9.01 for first class and BZE\$4.50 for second class. These prices are arrived at after deduction of the cost for boxes, barging, ship loading, export charges and technical service. It is estimated that 85 percent of the products are of first class and 15 percent of second class quality. For the purpose of our forecast, therefore, we used an average price of BZE\$8.33 paid to the farmers for one box of banana delivered.

Feasibility of the Project

The accompanying forecast shows the Income Statement for the years 1986 through 1990. In forecasting the revenue, due consideration was given to the fact that the company is in the process of expansion, and therefore, production forecast was based on the land under cultivation during the previous year. Furthermore, in order to account for the effect of the recent "chills", production per acre was estimated at 400 boxes per acre per year which is about 50 boxes less than the actual production in 1985. The Company however plans to gradually increase its productivity to 600 boxes per acre per year by the end of 1989.

The cost of production is based on a recent study by the Banana Control Board which is substantially in line with the information provided by the farmers. Administrative expenses includes interest on DFC loan of \$350,000, working capital loan of \$180,000 and the proposed loan of \$235,000.

The forecast shows that the Company would accumulate a loss of approximately BZE\$600,000 during the years 1986 and 1987, turning to an accumulated earnings of \$1,574,795 by the end of 1990. The losses in 1986 and 1987 are mainly due to the fact that the cost of operation is calculated on the total acreage under cultivation, while revenue is based on acreage under actual production during those years. Since there is a time lag of approximately 9 to 12 months between plantation and production, part of the operating expenses during 1986 and 1987 is in effect a capital investment for the years 1988 and beyond, which is reflected in the forecast by the rapid accumulation of earnings in the year 1989 and beyond.

The consultant therefore considers the project economically sound and financially feasible and recommends a loan of BZE\$235,000 for the project. The loan should be supervised and disbursed as progress is made in the implementation of the project. The borrower should be required to submit quarterly progress reports during the period of the loan until the loan is fully repaid.

SAGITUN BANANA CO.
STATEMENT OF INCOME FORECAST
1986 - 1989 (BZE\$)

	1986	1987	1988	1989	1990
Sales					
Land under cultivation (acres)	310	450	500	500	500
Production boxes per acre (1)	400	450	550	600	600
Total production/boxes (1)	82,800	139,500	247,000	300,000	300,000
Total Sales BZE\$8.33 per box (2)	689,000	1,162,035	2,057,510	2,499,000	2,499,000
Cost of product sold (3)					
Wages	260,400	375,000	420,000	420,000	
Fertilizer	124,000	180,000	200,000	200,000	
Lime	18,600	27,000	30,000	30,000	
Magnesium	18,600	27,000	30,000	30,000	
Mocap	130,200	191,250	212,500	212,500	
Black segatoka	186,000	270,000	300,000	300,000	
Irrigation	37,200	54,000	60,000	60,000	
Packing and trucking	124,000	180,000	200,000	200,000	
Total cost of productions	899,000	1,304,250	1,452,500	1,452,500	1,452,500
Administrative Cost					
Administrative expenses	15,500	22,500	25,000	25,000	25,000
Interest expenses (4)	65,000	120,000	120,000	120,000	120,000
Misc. expenses (BZE\$50/acre)	15,500	22,500	25,000	25,000	25,000
Total Administrative Cost	96,000	165,000	170,000	170,000	170,000
Total Cost	995,000	1,469,250	1,622,500	1,622,500	1,622,500
Income (Loss) from operation	(306,000)	(307,215)	435,010	876,500	876,500
Accumulative earnings (Loss)	(306,000)	(613,215)	(178,205)	698,295	1,574,795

SAGITUN BANANA CO.

Notes to the Income Statement Forecast

1. This farm is located 20 miles of Compen area; has no irrigation system. The operation started in 1984 with 108 acres of new plantations, increasing to 207 acres in 1985. The productions for the years 1986 to 1989 is based on the area put under cultivation during the previous year.
2. The price for first class fruit is BZE\$9.01, and for second class BZE\$4.50. It is assumed that sales consist of 85 percent of first class banana and 15 percent of second class, resulting in average price of BZE\$8.33 per box.
3. Cost of production is based on a recent study by Banana Control Board which includes cost of irrigation, pest control, packing and trucking, fertilizer, salary and wages, and administrative expenses. The Company does not have an irrigation system, but it is located by a river and intends to irrigate by pumping water from the river and applying it by pipes.

Cost is applied to total acres of plantation, while only the field put under plantation in the previous year would bear fruit. Therefore, a portion of the cost is infact capital investment.

4. Interest expense is based on the following calculations:

<u>1986</u>	<u>1986</u>
Interest on existing loan	
DFC BZE\$250,000 (annual average)	
at 12.5 percent	BZE\$31,250
Working capital loan \$150,000	
(annual average) at 17 percent	25,500
Interest on new loan - BZE\$120,000	
for six months @ 14 percent	8,400
Total Interest for 1986	<u>BZE\$65,150</u>
Say	65,000

1987 through 1989

Working capital loan \$180,000 at 17 percent	BZE\$ 30,600
DFC loan \$450,000 at 12.5 percent	56,250
New loan \$235,000 at 14 percent	<u>32,900</u>
Total	<u>119,750</u>
Say	BZE\$120,000

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SAGITON BANANA FARMS LTD.
BALANCE SHEET
31ST DECEMBER, 1985

ASSETS

Current Assets
Cash on hand

Total Current Assets

Fixed Assets

Machinery and Equipment (1)

700 Acres land (2)

Land Improvements

205 Acres of Banana (3)

Total Fixed Assets

Total Assets

483,450.00

70,000.00

820,000.00

\$1,383,450.00

\$1,383,450.00

LIABILITIES

Current Liability

Bank of Nova Scotia

Overdraft limit \$180,000.

Accounts Payable

Total Current Liabilities

Long Term Debt

Development Finance Corporation (4)

Owners Equity

Loan A. Zabaneh (5)

Capital 1000 - 10.00 shares
authorized issued

Total Owners Equity

Total Liabilities

124,934.73

3,741.02

128,675.75

125,000.00

1,119,774.25

10,000.00

\$1,129,774.25

\$1,383,450.00

SAGITUN BANANA FARM LTD.

Notes to Balance Sheet dated December 31, 1985
(Prepared by Mr. Craig Griffith)

1. Machinery and equipment

Packing shed and improvements	75,000
Dump truck	10,000
350 HP. Pick Up Ford	3,500
Stitching Machine	4,700
Water Pump	750
Generator	12,000
Skidder	60,000
Cableways	307,500
Tractor	8,000
2 Trailers	2,000
	<u>485,450</u>

2. The Company has leased with an option to purchase 700 acres of land in South Stann Creek, from Government. Due to mitigation with previous lessor final purchase price has not been agreed and a price of 100.00 per acre based on other land sales in the area has been put aside by Mr. Zabaneh.
3. As of 31/12/86 205 acres have been fully developed. 108 acres of bananas are in production and the remainder will come into production in March through June.
4. A loan of \$450,000 has been approved by Development Finance Corporation under the following terms and conditions: interest rate 12.5 percent. Repayment - 2 years moratorium - on payment for two years repayable over 7 years by equal quarterly installments of \$16,071.43.
5. Mr. A. Zabaneh has been funding the operation from his own resources and his loans to the Company are interest free with no fixed repayment.

DIVESTITURE OF THE BANANA CONTROL BOARD FARMS
BELIZE - CENTRAL AMERICA

APPLICANT: ZABANEH BROTHERS LTD

PURPOSE OF THE PROJECT: EXPANSION OF BANANA FARM AND
IMPROVEMENT IN PRODUCTIVITY

COST OF PROJECT: BZE\$380,000

AMOUNT OF LOAN REQUESTED: BZE\$380,000

SECURITY OF THE LOAN: 1. FIRST LIEN ON THE FARM
AND EQUIPMENT

2. PERSONAL GUARANTEE OF THE
PARTNERS .

APPLICANT:	ZABANEH BROTHERS LTD.
PURPOSE OF THE PROJECT	EXPANSION OF BANANA FARM AND IMPROVEMENT IN PRODUCTIVITY
COST OF THE PROJECT	BZE\$380,000
AMOUNT OF LOAN REQUESTED:	BZE\$380,000
SECURITY OF THE LOAN:	1. FIRST LIEN ON BANANA FARM AND EQUIPMENTS 2. PERSONAL GUARANTY OF THE PARTNERS

The partnership of the Zabaneh brothers was established in 1985 for the purpose of operating an established banana farm with a total area of 373 acres. The farm is made up of 176.5 acres of farm previously owned by the Banana Control Board and 196.5 acres of farm given to the partnership in exchange for 222 acres of farm that they owned in Farm II. This arrangement was made in the interest of divestiture and for the purpose of consolidation. The partnership agreed to pay the Government BZE\$150,000, which according to the Banana Control Board, was basically for the packing station. The unaudited balance sheet, dated December 31, 1985 is enclosed (Appendix I).

The Project

The purpose of the project is:

1. To expand the productivity of the farm from 300 boxes per acre per year in 1985 to 600 boxes per acre per year in 1989. During 1985 the Company suffered losses in production because of the consolidation process and the need for rehabilitation of some 100 acres of the farm. The production in 1985, therefore, should not be used as a gauge for measuring the present productivity of the farm.
2. To expand the field of operation from 375 acres in 1985 to 386 acres in 1986, 423 acres in 1987, and 450 acres in 1988.

In order to meet its objectives, the company needs to improve the irrigation system, repair and maintain the cable ways system, provide timely application of fertilizer, nemeticide and pest control, and undertake an orderly replantation program.

The cost of the project, as estimated by the Company and checked with the established norms in the industry is as follows:

Irrigation pump	BZE\$100,000
Replantation of 60 acres	54,000
New Plantation 13 acres	26,000
Fertilizer	35,000
Nematicide	35,000
Segatoka control	50,000
Total cost of the project	<u>300,000</u>
Banana Control Board	80,000
Total	<u>BZE\$380,000</u>

According to a letter of acceptance dated September 2, 1985 and signed by Hon. Dean R. Lindo, Minister of Natural Resources, the price of the farms, after trade-in, was set at BZE\$150,000. The Company has agreed to pay one dollar per box of first class bananas shipped until the debt is paid in full. The debt does not bear interest. The Company intends to repay the remaining balance owed to the Government, in order to avoid payment of BZE\$1.00 per box of fruits sold and instead apply the fund to the working capital. If approved the total cost of the project would amount to BZE\$380,000.

As it was mentioned earlier, the Company has undergone the consolidation and rehabilitation of its farm, and therefore, its operation in 1986 will not generate excess cash to finance any part of the project. It is therefore suggested that the total cost of the project (BZE\$380,000) be financed by AID Discount Fund.

Management

Mr. Manuel Zabaneh is the managing partner of the farm. He is 53, the eldest of Zabaneh family. Their ancestors migrated from the Middle East (JAFFA) in early 1900, some to Spain and some to Central America. Traditionally they were engaged in farming. Manuel's father was engaged in farming in Salvador until the mid 1930's when he migrated to Belize. Manuel has been in banana farming for the past 22 years. He was among the first group of farmers to become a tenant-farmer to the Banana Control Board.

The farm is divided into two parcels, each parcel is managed by two captains as follows:

Mr. Seguindino Garcia is a Hondurean. He is 46 years old and has spent all his career in banana farming. He started working at the farm in 1981.

Mr. Fidel Nunez, 36 years old, a Belizean. He was with the Banana Control Board for 7 years as field supervisor, and joined the Company in 1985.

Mr. Meza, 36 years old, a Hondurean. He was in banana farming in Honduras since he was 19. He started working at the farm in 1982.

Mr. Cabral, 32 years old, Belizean. He worked with the Banana Control Board as packing shed supervisor for 5 years before he joined the Company in 1985. Before joining BCB, he worked for FYFFES, a subsidiary of United Food, as quality control person.

The Company's payroll includes 45 full time workers for farming and 62 regular part time workers for harvesting, packing and shipping. Mr. Zabaneh's son, Manuel Jr., 20, helps his father in the farm management, and runs the farm in his father's absence.

Market and Prices

The products of the Company is sold to FYFFES Group - a subsidiary of United Food Corp - through a contractual arrangement made by the Banana Control Board in February 1982. According to the terms of the contract, the Banana Control Board agrees to sell and FYFFES Group agrees to buy all bananas from the area under the contract. The sales contract is for a period of ten years. At the date of the contract the area under contract covered 1600 acres which included the COWPEN District where the Company farms are located. Furthermore the contract mandates a set of "planted" and "irrigated" targets with the objective of increasing the area under contract to 4000 acres. At present the entire operation under the supervision of Banana Control Board covers an area of approximately 2100 acres. It is, therefore, assumed that the Company would have no problem in marketing its products.

Economic Feasibility

Background

Historically, bananas have been an important crop in Belizean agriculture. Export of bananas with a value of approximately

US\$4.5 million in 1985, ranks fourth after sugar, citrus and fish products. The Industry, however, has faced five major problems in the past:

1. Occurrences of natural disasters such as hurricane, draught, and Panama disease
2. Lack of shipping facilities, as the local market is too small and does not warrant an economically feasible size of banana industry.
3. Lack of financial resources.
4. Lack of technical expertise.
5. Lack of entrepreneurial incentive due to public ownership.

According to an elderly banana farmer; in the 1930's, the banana industry was flourishing in Belize; United Food Corporation, an international food trade giant was the major marketing agent of Belize bananas. In the late 1930's, because of World War II, the shipping of bananas was halted and the banana industry deteriorated. In late 1940, with financial, marketing and technical assistance of the Commonwealth Development Corp (CDC), the banana industry began to play an important role in Belize's agriculture, until the early 50's when Panama disease struck the fields and destroyed the industry. CDC converted the fields to citrus. In 1954 an American, Jack Atkins began to develop a banana farm in WAHALEAF area (20 miles north of Stann Creek) and by 1965 his banana plantation covered an area of approximately 1200 acres. He delivered the products by a ship owned by his company and marketed the bananas in the United States. In 1967, Jack Atkins sold the farm, and the new owners lacked the technical, marketing, shipping, and financial capability to maintain and expand the banana plantation.

Banana Control Board was established by the Government of Belize in 1972 and was empowered to raise funds, to make arrangements for the cultivation, harvesting, packing, transporting, and marketing of the bananas, and in general, to develop and control the banana industry.

The Banana Control Board has made several agreements for sale and marketing of the banana, for providing technical advice, for making necessary arrangements for shiploading and transportation, and last but not least, for providing financial resources for implementation of the project. Although the industry has suffered greatly from natural disaster during the

last decade - such as a hurricane in 1974 and a draught of unusual severity in 1975 - it has remained fairly viable and has expanded its field of operation to approximately 2000 acres. The industry is well aware of its problems, and has made concerted effort to deal with them; by maintaining, and improving the irrigation systems, the danger of loss from draught is eliminated; by providing regular application of pest controls, the chances of plant diseases are reduced to a minimum. The Banana Control Board is assisting the farmers in shipping arrangements by coordinating the delivery of bananas on barges to ships in Honduras. And, finally, the financial assistance to the farmers through the AID Discount Fund will facilitate the expansion of the farms and an increase in productivity.

At present, the objective of the Banana Control Board is two fold:

1. With the technical and financial assistance of AID, to divest the banana farms into the hand of private sector, particularly into the hand of the companies and farmers who have expertise in farming in general and in the banana industry in particular.
2. To provide technical and marketing assistance so that; a) the field of operation expands from the present 2000 acres to 4000 acres by the end of 1988; and b) the per-acre-production is increased from the present 450 boxes/acres to 700 boxes/acres in 1989.

According to the BCB contract with FYFFES, the selling price of the bananas is negotiated every two years. The present selling prices are as follows:

First class banana	BZE\$12.98 per box of 42 pound net weight
Second class banana	\$ 8.01 per box of 42 pound net weight

The prices to the farmers, however, are BZE\$9.01 for first class and BZE\$4.50 for the second class. These prices are arrived at after deduction of the cost for boxes, barging, ship loading, export charges and technical service. It is estimated that 85 percent of the products are of first class and 15 percent of second class quality. For the purpose of our forecast, therefore, we used an average price of BZE\$8.33 paid to the farmers for one box of banana delivered.

Feasibility of the Project

The accompanying statement shows the forecast of income statement for the year 1986 through 1989. Sales revenue for 1986 is estimated at 350 boxes per acre which is below the industry's average. This is mainly due to the problems that the Company faced in the process of consolidation and rehabilitation of its farm. The Company however plans to gradually increase its productivity to 600 boxes per acre in 1989. Furthermore, the Company intends to increase its field of operation from 386 acres in 1986 to 423 acres in 1987 and 450 acres in 1988.

The cost of products sold is based on a study made by the Banana Control Board and substantially confirmed by the managing partner and the farmers. The cost of production also includes replantation cost; 60 acres of replantation per year at a cost of BZE\$860 per acre.

The forecast shows that the Company will incur a loss of BZE\$98,347 in 1986 improving to a profit of BZE\$65,871 in 1987, BZE\$450,900 in 1988 and BZE\$825,750 in 1989.

The consultant therefore finds the project economically sound and financially feasible, and recommends a loan of BZE\$380,000 for a period of five years including one year of grace period, to be repaid in four equal installments starting in 1988. The loan should be supervised and disbursed as the project is implemented. The borrower should be required to submit quarterly progress reports during the period of the loan until the loan is fully repaid.

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ZAHANEH BROTHERS, LTD
STATEMENT OF INCOME FORECAST
FOR THE YEARS 1986 - 1989

	1986	1987	1988	1989
Sales				
Land Under Cultivation (acres)	386	423	450	450
Production Per Acre (boxes) (1)	350	400	500	600
Total Production (boxes)	135,100	169,200	225,000	270,000
Total Revenue (BZE\$8.33/box) (2)	1,125,383	1,409,436	1,874,250	2,249,100
Cost of Product Sold (3)				
Wages				
Lime	324,240	355,320	378,000	378,000
Manganeseium	23,160	25,380	27,000	27,000
Mocap	23,160	25,380	27,000	27,000
Black Segatoka	164,050	179,775	191,250	191,250
Fertilizer	231,600	253,800	270,000	270,000
Packing & Trucking	154,400	169,200	180,000	180,000
Irrigation	154,000	169,200	180,000	180,000
Replantation	46,320	50,760	54,000	54,000
Total Cost of Production	51,600	51,600	51,600	51,600
Administrative Costs	1,172,930	1,280,415	1,358,850	1,358,850
Administrative Expense	19,300	21,150	22,150	22,500
Interest Expense	31,500	42,000	42,000	42,000
Total Administrative Costs	50,800	63,150	64,500	64,500
Total Costs	1,223,730	1,343,565	1,423,350	1,423,350
Net Profit	(98,347)	65,871	450,900	825,750

ZABANEH BROTHERS LTD.

Notes to the Income Statement Forecast

1. Due to the consolidation of the farm and the need for rehabilitation, the Company experienced loss of productivity in the first year of its operation, May 1985 to May 1986.
2. The price for first class fruit is BZE\$9.01, and for second class BZE\$4.50. It is anticipated that 85 percent of the product would be of first class and 15 percent of second class, resulting to an average price of BZE\$8.33 per box.
3. Cost of production is based on a recent study by Banana Control Board which include cost of irrigation, pest control, packing and trucking, fertilizer, salary and wages, and administrative expenses.
4. It is assumed that the Company would undertake a replantation program covering 60 acres per year, and providing total replantation of the farm in 7 years.
5. Based on the balance sheet dated December 31, 1985 the Company's only obligation is to Banana Control Board which at time of this report stands at BZE\$80,000. This obligation bears no interest. The forecast therefore includes interest on AID-BCB loan of BZE\$380,000 at the rate of 14 percent. In the year 1988 and 1989 the interest expense stays constant in order to cover interest on working capital loan which may be required.

ZAHANEH BROS. LTD.
BALANCE SHEET*
31ST DECEMBER, 1985

ASSETS

Current Assets	
Cash on hand	21,356.35
Total Current Assets	<u>21,356.35</u>
Fixed Assets	
Machinery and equipment (1)	753,200.00
Land 750 acres Cowpen (2)	
Land improvements (3)	75,000.00
388 acres of bananas	1,544,000.00
Total Fixed Assets	<u>2,372,200.00</u>
Total Assets	<u>2,393,556.35</u>

LIABILITIES

Current Liabilities	
Accounts Payable	7,971.94
Loan B.C.H. (4)	96,290.00
Total Current Liabilities	<u>104,261.94</u>
Owners Equity	
Loans A. Zahaneh	1,139,147.20
M. Zahaneh	1,139,147.21
Capital 1000 Shares at 10.00	
Shares authorized and issued	10,000.00
Total Owners' Equity	<u>2,278,294.41</u>
Total Liabilities*	<u>2,393,556.35</u>

* The balance sheet and the notes thereof were prepared by Mr. Manual Zahaneh with assistance of Mr. Craig Griffith.

ZABANEH BROS LTD.

Notes to the Balance Sheet - December 31, 1985

1. Machinery and equipment	
Packing shed and improvements	150,000
Cableways	559,500
Stitching Machine	4,500
2 Water pumps	11,200
Generator	18,000
2 Vehicles	10,000
	<u>753,200</u>

2. The Company owns approximately 750 acres of land, in Cowpen subject to a loan of \$96,290 from the Banana Control Board.

3. The Company has developed 386 acres of Bananas.

4. During 1986 it is anticipated that Zabaneh Bros. Ltd. will produce sufficient fruit to repay the Banana Control Board in full at the rate of 1.00 per box of first class fruit.

DIVESTITURE OF THE BANANA CONTROL BOARD FARMS
BELIZE - CENTRAL AMERICA

APPLICANT: TRIO LTD

PURPOSE OF THE PROJECT: TO EXPAND A BANANA FARM FROM 415 TO 715 ACRES. ALSO TO INCREASE PRODUCTIVITY FROM 400 BOXES TO 600 BOXES PER ACRE

COST OF PROJECT: BZE\$1,478,900

AMOUNT OF LOAN REQUESTED: BZE\$1,000,000

SECURITY OF THE LOAN:

1. FIRST LIEN ON THE FARMS
2. PERSONAL GUARANTEE OF MAJOR SHAREHOLDERS

APPLICANT:	TRIO LTD
PURPOSE OF THE PROJECT:	TO EXPAND A BANANA FARM FROM 415 TO 715 ACRES. ALSO TO INCREASE PRODUCTIVITY FROM 400 BOXES TO 600 BOXES PER ACRE
COST OF THE PROJECT:	BZ\$1,478,900
AMOUNT OF LOAN REQUESTED:	BZ\$1,000,000
SECURITY OF LOAN:	1. FIRST LIEN ON THE FARMS 2. PERSONAL GUARANTEE OF MAJOR SHAREHOLDERS

Trio Co. was established by Mr. Michael Dunker in April 1985 for the purpose of operating two established banana farms; one in Cowpen with a total cultivated area of 360 acres; and one in Bladen Trio with a total cultivated area of 115 acres. According to Mr. Craig Griffith, the chairman of the Banana Control Board, both farms were equipped with cable ways and irrigation system, however only 246 acres (46 acres in Bladen and 200 acres in Cowpen) were in producing conditions. He also stated that even the producing farms in Cowpen had deteriorated over the past two years. The Company purchased the farms from the Government at a price of BZ\$400,000 for Cowpen and BZ\$170,000 for Bladen Trio Farm, and agreed to pay a total of BZ\$170,000 as down payment, the balance to be paid at a rate of BZ\$1.00 for each box of first class fruit sold, until the farms are fully paid for.

The Project

The project consists of three parts:

1. The Company intends to replant the existing farm in Cowpen, as the farm has not been producing bananas in acceptable quantity for approximately two years. It is estimated that 200 acres of the farm will be replanted and/or newly cultivated in 1986 and the remaining 215 acres will be replanted and/or newly cultivated in 1987.
2. The Company needs working capital to provide input for the fields which are in operating conditions.
3. The Company intends to expand the Bladen Trio Farm by 300 acres in 1986 through 1988.

At the end of 1988 when the project is completed, the Company would have approximately 715 acres of banana plantations; 415 acres in Cowpen area and 300 acres in Bladen Trio area.

Cost of the Project

Cost of the project is based on the replantation of the existing farm covering an area of 418 acres, and expansion of the farm by 300 acres within three years. Any change in the expansion program would directly affect the total cost of the project. The cost of the project is calculated as follows:

	<u>1986</u>	<u>1987</u>	<u>1988</u>
1. Replantacion acres	200	215	
Replantacion cost per acre (BZES)	860	860	
Cost of replantacion (BZES)	<u>172,000</u>	<u>184,900</u>	
2. New Plantation in Bladen 100 acres each year at BZES4,000 (cost estimated by Banana Control Board)	400,000	400,000	400,000
3. Working Capital Input for 6 months on operating field 1986; 215 acres at BZES1,500/acre	322,500		
Total	<u>BZES894,000</u>	<u>584,900</u>	<u>400,000</u>

The cost of replantacion is estimated at BZES860 per acre, calculated as follows:

Seed: 850 per acre at \$0.50	\$425
Labor: \$0.16 per seed	136
Mocap	218
Fertilizer	53
Total	<u>857</u>
Say	860

Financing

The Company has succeeded in obtaining a loan of US\$400,000 (BZES800,000) from Latin American Agricultural Development Bank (LADD) with a term of 10 years, including two years grace period, at an interest of 11 percent per annum. As the enclosed balance sheet shows, the total amount of this loan has been utilized by December 31, 1985.

The Company has also obtained a line of credit amounting to BZES420,000 from the Bank of Nova Scotia. The utilized amount of the credit line was BZES1,600 at the closing date of 1985, leaving an unutilized balance of BZES418,400.

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The total amount of loan and line of credit which have been made available to the Company is BZES\$1,220,000 as compared to the total cost of the project for 1986 which is BZES\$894,000. However, cash generated from the operations in the year 1987 is not sufficient to finance the portions of the cost which falls in 1987. Therefore, the Company would need additional financing of BZES\$258,900 for the year 1987 which is calculated as follows:

LADD Bank, and Working Capital Loan	BZES\$1,220,000
Cost of Project	1,478,900
1986	894,000
1987	584,900

Loan requirement for the year 1987 BZES 258,900

In the year 1988, as the enclosed Profit and Loss forecast shows, the operations would generate sufficient cash flow to finance the cost of the final segment of the project. However, any change in the expansion program would have a direct effect on the cost, and henceforth on the financing requirements of the project.

The Company also owes the Banana Control Board BZES\$400,000 which the Company intends to pay in advance in order to avoid payment of BZES\$1.00 per box of fruit sold and apply the fund to the working capital. If approved, the total amount of the financing requirement of the Company would be as follows:

Payment to Banana Control Board	BZES\$400,000
Balance of the project cost	258,900
Total financing requirement	<u>BZES658,900</u>

In order to avoid duplication of the project financing, the consultant could not make a final assessment of the project and could not make any recommendation at this time, until the LADD project is reviewed in detail.

TRIO LTD
STATEMENT OF INCOME FORECAST
1986 - 1989 (IN BZE\$)

	1986	1987	1988	1989
Sales				
Land under cultivation (acre)	415	615	715	815
Land producing bananas (acres) (1)	215	415	615	715
Production - boxes per acre	400	450	500	550
Production - total boxes	86,000	186,750	307,500	393,250
Total Sales BZE\$8.33 per box	716,380	1,555,627	2,561,475	3,275,772
Cost of Product Sold (2)	646,075	1,247,075	1,848,075	2,148,575
Interest expense (3)	159,000	160,000	160,000	160,000
Total Cost	805,075	1,407,075	2,008,075	2,308,575
Operating Profit (Loss)	(88,695)	148,552	553,400	967,197
Cumulative Profit (Loss)	(88,695)	59,875	613,257	1,580,454

11.

TRIO LTD

Notes to the Income Statement Forecast 1986 - 1989

1. The Company is in rapid stage of development; part of the acreage under cultivation is in plantation stage, not yet producing bananas. In the year 1987 and beyond production is based on the acreage of the previous year.

2. Cost of production is based on a recent study by Banana Control Board as follows:

COST OF PRODUCTION PER ACRE FOR BANANAS BASED ON 400 ACRES

Administration	BZE\$	50.00
Wages 20 persons per 100 acres at BZE\$350 per month		840.00
Packing and Trucking		400.00
Fertilizer_ 4 cycles		400.00
Lime 1 cycle		60.00
Magnesium 1 cycle		60.00
Mocap 3 cycles		425.00
Black Segatoka 32 cycles		600.00
Irrigation 3 cycles		120.00
Miscellaneous		50.00
		<u>BZE\$3,005.00</u>

3. Interest expense is calculated as follows:

LAAD Bank 800,000 at 11 percent	BZE\$ 88,000
Commercial Line of Credit 420,000 at 17 percent	BZE\$ 71,400
Total Interest Expense	<u>BZE\$159,400</u>

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TRIO LTD.
BALANCE SHEET
31ST DECEMBER, 1985

ASSETS

Current Assets

Cash on hand

Stocks

Accounts Receivable

40,000.00

Total Current Assets

40,000.00

Fixed Assets

Machinery and equipment (1)

1,179,000.00

Land 2000 acres (2)

457,000.00

Improvements

470 acres planted at

4,000 per acre (2)

1,880,000.00

Total Fixed Assets

3,516,000.00

Total Assets

3,556,000.00

LIABILITIES

Current Liabilities

Bank of Nova Scotia

Overdraft limit \$420,000

1,617.07

Accounts Payable

90,309.39

Current Portion Long Term Debt

308,000.00

Total Current Liabilities

399,926.46

Long Term Debt

LAAD Bank (400,000 U.S.) (3)

800,000.00

Banana Control Board

102,164.00

Southern Pride Ltd. (5)

400,000.00

Loan M. Dunker (4)

1,803,909.54

Capital 1000 - 10.00 shares

Authorized and Issued

10,000.00

Total Liability Equity

3,556,000.00

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TRIO LTD.

Notes to the Balance Sheet Dated December 31, 1985 (Prepared by Mr. Craig Griffith)

1. Machinery and equipment	
2 packing stations	210,000
1985 Gimic 1 ton pickup	20,000
Dump truck	7,000
Bulldozer	100,000
John Deere Tractor	15,000
Trailer	5,000
Cableways	622,500
4 Generators	30,000
3 welding pumps	25,000
2 water pumps	22,500
Stitching machine	4,000
1985 Tamara Diesel	20,000
2 tractors. Massey Ferguson	30,000
Misc. pipes, etc.	30,000
2 caravans	20,000
Housing (employees)	18,000
	<u>1,179,000</u>

2. The Company purchased 1,500 acres at Bladden Trio which contained 46 acres of bananas and 500 acres of land at Cowpen with 312 acres of bananas. The Cowpen land has been replanted and increased to 350 acres. Trio Bladen has been increased to 130 acres.

3. A loan of US\$400,000 was approved by LAAD Bank in 1985. The terms and conditions are as follows:

Interest rate 11 percent. Repayment over 8 years with a 2 year moratorium repayable by monthly payments of \$7,000. Security Trio Bladen Farm.

4. Mr. M. Dunker has been funding the operation from his own resources and his loans to the Company are interest free with no fixed repayment.

5. The interest rate is variable and at present 16 percent.

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DIVESTITURE OF THE BANANA CONTROL BOARD FARMS
BELIZE - CENTRAL AMERICA

APPLICANT: BELIZE BANANA GROWERS COOPERATIVE
SOCIETY LIMITED

PURPOSE OF THE PROJECT: WORKING CAPITAL AND IMPROVEMENT IN
PRODUCTIVITY

COST OF PROJECT: BZE\$251,000

AMOUNT OF LOAN REQUESTED: BZE\$248,000

SECURITY OF THE LOAN:

1. MORTGAGE ON 431 ACRES OF BANANA
PLANTATION
2. PROMISSORY NOTES BY THE
COOPERATIVE
3. PERSONAL GUARANTEE OF THE
COOPERATIVE MEMBERS

APPLICANT: BELIZE BANANA GROWERS COOPERATIVE SOCIETY LIMITED
 PURPOSE OF THE PROJECT: WORKING CAPITAL AND IMPROVEMENT IN PRODUCTIVITY
 COST OF THE PROJECT: BZE\$251,000.00
 AMOUNT OF LOAN REQUESTED: BZE\$248,000.00
 SECURITY OF THE LOAN:

1. Mortgage on 431 acres of banana plantation.
2. Promissory Notes by the cooperative.
3. Personal guarantee of the Cooperative members.

The cooperative was established in April of 1985 by ten farmers for the purpose of operating an established banana farm with a total area of 431 acres. The farm is subdivided into 10 separate smaller farms, each owned, and paid for, by individual farmers as follows:

Olegario Escalante	30.0 acres
Sabino Lozano	30.0 acres
Walter Panting	35.1 acres
Filiberto Castaneda	60.2 acres
Wiston Duncan	34.3 acres
Charles McCoon	30.0 acres
Francisco Cruz	62.8 acres
Thurman Foreman	47.6 acres
Clifford Augustine (Elma Enterprise)	71.0 acres
Aubrey Gordon	30.0 acres
Total	<u>431.0 acres</u>

The Project

The Cooperative intends to increase the productivity of the farms from 450 boxes per acre in 1985 to 650 boxes per acre in 1988. For this purpose the Cooperative needs to maintain and improve its equipment and to provide sufficient and timely amount of inputs such as fertilizer, nematicide, irrigation, etc. The Cooperative also plans to overhaul the existing cable way system, and install new cable ways on 20 acres of additional plantation. Cost of the project as estimated by the Cooperative and checked with the norms established by the Banana Control Board is as follows:

500 Rollers and parts	BZE\$ 14,000
Installation of cable ways system	32,000
Overhauling of existing cable ways	18,000
Sagatoma control material	55,000
Fertilizer	42,000
Nematicide	40,000
Seed bed	20,000
Pick-up truck	30,000
Total	<u>BZE\$251,000</u>

The enclosed income statement and balance sheet forecasts indicates that the operations of the farm will generate sufficient cash flow to finance approximately 20 percent of the project cost. The Cooperative, therefore, would need a loan of BZE\$200,000.00 to finance the remaining balance of the project cost.

Management

Members of the Cooperative are farmers and have been in the banana industry -- as tenant-farmers, or as field supervisor for the Banana Control Board -- for the past ten years. Each farmer manages his own farm. However, common services, such as packing, shipping, purchase of materials, pest control, sales, and financial management, are provided by the Cooperative.

Mr. Thurman Foreman is the general manager of the Cooperative. He is a Belizean, 51 years old and has been in farming since he was 16, when he joined the Department of Agriculture. He joined the Banana Control Board in 1974 as field supervisor and he left the Board in 1980 to become a tenant farmer. In 1982 he returned to the Banana Control Board and worked as a Production Record Keeper. In March 1985 he joined the Cooperative as general manager. His responsibilities include the following:

- Maintenance of cable ways systems
- Maintenance of road and bridges
- Management of harvesting operation
- Maintenance of irrigation system
- Managing packaging at shed (The ten farms have only one packing shed)
- Managing transportation of the products to barges.

The Cooperative employs 53 full time workers for farming and harvesting as well as 45 to 60 regular part time workers for packing and shipping.

Market and Prices

The products of the Cooperative is sold to FYFFES Group - a subsidiary of United Food Corp - through a contractual arrangement made by the Banana Control Board in February 1982. According to the terms of the contract the Banana Control Board agrees to sell and FYFFES Group agrees to buy all bananas from the area under the contract. The sales contract is for a period of ten years. At the date of the contract the area under contract covered 1600 acres which included the COWPEN District where the Cooperative farms are located. Furthermore the contract mandates a set of "planted" and "irrigated" targets with the objective of increasing the area under contract to 4000 acres. At present the entire operation under the supervision of Banana Control Board covers an area of approximately 2100 acres. It is, therefore, assumed that the Cooperative will have no problem in marketing its products.

According to the BCB contract with FYFFES, the selling price of the bananas is negotiated every two years. The present selling prices are as follows:

First class banana	BZE\$12.98 per box of 42 pound net weight
Second class banana	\$ 8.01 per box of 42 pound net weight

The prices to the farmers, however, are BZE\$9.01 for first class and BZE\$4.50 for the second class. These prices are arrived at after deduction of the cost for boxes, barging, ship loading, export charges and technical service. It is estimated that 85 percent of the products are of first class and 15 percent of second class quality. For the purpose of our forecast therefore we used an average price of BZE\$8.33 paid to the farmers for one box of banana delivered.

Economic Feasibility

Background

Historically, bananas have been an important crop in Belizean agriculture. Export of bananas with a value of approximately US\$3.5 million in 1985, ranks fourth after sugar, citrus and fish products. The Industry, however, has faced five major problems in the past:

1. Occurrences of natural disasters, such as hurricane, draught, and Panama disease
2. Lack of shipping facilities, as the local market is too small and does not warrant an economically feasible size of banana industry.

3. Lack of financial resources
4. Lack of technical expertise.
5. Lack of entrepreneurial incentive, due to public ownership.

According to an elderly banana farmer; in the 1930's, the banana industry was flourishing in Belize; United Food Corporation, an international food trade giant was the major marketing agent of Belize banana. In the late 1930's, because of World War II, the shipping of bananas was halted and the banana industry deteriorated. In late 1940, with financial, marketing and technical assistance of the Commonwealth Development Corp (CDC), the banana industry began to play an important role in Belize's agriculture, until the early 50's when Panama disease stroke the fields and destroyed the industry. CDC converted the fields to citrus. In 1954 an American, Jack Atkins began to develop a banana farm in WAHALEAF area (20 miles north of Stann Creek) and by 1965 his banana plantation covered an area of approximately 1200 acres. He delivered the products by a ship owned by his company and marketed the bananas in the United States. In 1967, Jack Atkins sold the farm, and the new owners lacked the technical, marketing, shipping, and financial capability to maintain and expand the banana plantation.

The Banana Control Board was established by the Government of Belize in 1972 and was empowered to raise funds, to make arrangements for the cultivation, harvesting, packing, transporting, and marketing of banana, and in general, to develop and control the banana industry.

The Banana Control Board has made several agreements for sale and marketing of the bananas, for providing technical advice, for making necessary arrangements for shiploading and transportation, and last but not least, for providing financial resources for implementation of the project. Although the industry has suffered greatly from natural disaster during the last decade - such as a hurricane in 1974 and a draught of unusual severity in 1975 - it has remained fairly viable and has expanded its field of operation to approximately 2000 acres. The industry is well aware of its problems, and has made concerted effort to deal with them; by maintaining, and improving the irrigation systems, the danger of loss from draught is eliminated; by providing regular application of pest controls, the chances of plant diseases are reduced to a minimum. The Banana Control Board is assisting the farmers in shipping arrangements by coordinating the delivery of bananas on barges to ships in Honduras. And, finally, the financial assistance to the farmers through the AID Discount Fund will facilitate the expansion of the farms and an increase in productivity

At present, the objective of the Banana Control Board is two fold:

1. With the technical and financial assistance of AID, to divest the banana farms into the hand of private sector, particularly into the hand of the companies and farmers who have expertise in farming in general and in the banana industry in particular.
2. To provide technical and marketing assistance so that; a) the field of operation expands from the present 2000 acres to 4000 acres by the end of 1988; and b) the per-acre-production is increased from the present 450 boxes/acres to 700 boxes/acres in 1989.

Feasibility of the Project

The accompanying statement shows forecast of income statement for the years 1986 through 1989, as well as forecast of balance sheet statement for the years ending 1985 (actual) through 1989. The figures reflected in the forecast was completed after lengthy discussions with individual farmers, owners, as well as with the officials of the Banana Control Board.

Sales revenue for 1986 was estimated at 450 boxes of banana per acre per year at a price of BZE\$8.33, gradually increasing to 600 boxes per acre in the year 1989. The cost of production is based on a recent study made by the Banana Control Board and substantially confirmed by the members of the Cooperative. The cost also includes replantations expenses with the assumptions that the farm would be gradually replanted in seven years.

The forecast shows that the Cooperative will have a Profit of BZE\$236,245 in 1986 increasing to BZE\$745,479 in 1989 which as percentage to sales and equity will be as follows:

	<u>As percentage to Sales</u>	<u>As percentage to Coop's & farmers' equity</u>
1986	14.6	9.7
1987	22.7	17.0
1988	29.7	24.1
1989	35.6	31.1

The consultant, therefore finds the project economically sound and financially feasible and recommends a loan of BZE\$250,000 for a period of five years including one year of grace period, to be repaid in four equal installments of BZE\$50,000 starting in 1988. The loan should be supervised and disbursed as the project is implemented. The borrower should be required to submit quarterly progress reports during the period of the loan until the loan is fully repaid.

BELIZE BANANA GROWERS
COOPERATIVE SOCIETY LIMITED
STATEMENT OF INCOME FORECAST
1986 - 1989 (IN BZE \$)

	1986	1987	1988	1989
Sales				
Land under cultivation (acre)	431	441	441	441
Production boxes per acre (1)	450	500	550	600
Total production/boxes	193,950	220,500	242,550	264,600
Total sales BZE\$8.33 box (2)	<u>1,615,600</u>	<u>1,836,800</u>	<u>2,020,000</u>	<u>2,204,100</u>
Cost of product sold				
Wages	362,040	370,440	370,440	
Packing and Trucking	172,400	176,400	176,400	
Fertilizer	172,400	176,400	176,400	
Lime	25,860	26,460	26,460	
Magnesium	25,860	26,460	26,460	
Mocap	183,175	187,425	187,425	
Black Segatoka	258,600	264,600	264,600	
Irrigation	51,720	52,920	52,920	
Total Cost of Productions	<u>1,252,055</u>	<u>1,281,105</u>	<u>1,281,105</u>	<u>1,281,105</u>
Administrative Cost				
Administrative expenses (3)	21,550	22,050	22,050	
Interest (4)	31,250	40,000	40,000	
Miscellaneous BZE\$50/acre	21,550	22,050	22,050	
Total Administrative Cost	<u>74,350</u>	<u>84,100</u>	<u>84,100</u>	<u>84,100</u>
Total Cost	<u>1,326,405</u>	<u>1,365,205</u>	<u>1,365,205</u>	<u>1,365,205</u>
Income from operation	289,195	471,595	654,795	838,895
Plantation cost (5)	52,950	54,180	54,180	54,180
Net Profit	<u>236,245</u>	<u>417,415</u>	<u>600,615</u>	<u>784,715</u>
Distributed among farmers (6)	224,432	396,544	570,584	745,479
Retained earning	11,813	20,871	30,031	39,236
Say	12,000	21,000	30,000	40,000

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BELIZE BANANA GROWERS COOPERATIVE

Notes to Statement of Income Forecast

(1) Members of the Cooperative believe that their production will exceed the forecast. They estimate production would be 550 boxes/acre in 1986, increasing to 600 in 1987, 650 in 1988 and 700 in 1989.

(2) It is assumed that the crop would be 85 percent first class and 15 percent second class. Farmers are paid BZE\$9.01 for first class and BZE\$4.50 for second class, averaging to BZE\$8.33 per box of banana delivered to barges. (Sales revenue is rounded to BZE\$100)

(3) Administration cost is based on BZE\$50 per acre and it includes expenses of owner/farmer incurred in operation of the farm.

(4) At present the Cooperative has a loan of BZE\$100,000 from Inter American Foundations. The term of the loan is 5 years including 2 years grace period with interest at 5 percent per year. The new loan of BZE\$250,000 is assumed to have a term of five years with a year grace period and interest at 14 to 16 percent per annum.

Interest expense

1986 Inter American Foundation	BZE\$ 5,000
AID-CBB Loan (1-4-86 to 31-12-86)	26,250
	<u>BZE\$31,250</u>
1987 Inter American Foundation @ 51.	5,000
AID - CBB @ 14 to 16 percent	35,000
	<u>BZE\$40,000</u>

1988-1989 interest is kept at BZE\$40,000 to provide for short term working capital financing.

(5) It is anticipated that the farm is replanted every seven years (1/7 of the farm each year) at the cost of BZE\$860.

(6) Farmers do not receive salaries and it is assumed that 95 percent of the income is distributed among farmers and 5 percent is remained in the Cooperative.

BELIZE BANANA GROWERS
COOPERATIVE SOCIETY LIMITED
BALANCE SHEET FORECAST
DEC. 31, 1985 THROUGH 1989
(IN BZE \$)

	Dec 31, 85	Dec 31, 86	Dec 31, 87	Dec 31, 88	Dec 31, 89
Assets					
Current Assets					
Cash on hand	1,715	2,000	3,000	4,000	5,000
Bank deposits	77,024	104,000	73,600	51,600	38,600
Inventory, materials, and supplies	7,168	10,000	12,000	14,000	16,000
Receivables, sales (2)	48,964	134,000	153,000	168,000	184,000
Receivables, members (1)	115,031	144,000	148,000	148,000	148,000
Receivables, employees	1,131				
Office supplies	1,857	10,000	12,000	12,000	12,000
Total Current Assets	<u>252,890</u>	<u>404,600</u>	<u>401,600</u>	<u>397,600</u>	<u>403,600</u>
Fixed Assets (4)					
Packing Shed	82,236	83,000			
Bacadilla	9,389	10,000			
Power and lighting	18,311	19,000			
Irrigation system and equipment	22,714	23,000			
Cable ways	160,283	225,000			
Vehicle	1,500	32,000			
Total Fixed Assets (3)	<u>294,433</u>	<u>392,000</u>	<u>462,000</u>	<u>462,000</u>	<u>462,000</u>
Less Depreciation	24,536	64,000	110,000	156,000	202,000
Net Fixed Assets	<u>269,897</u>	<u>328,000</u>	<u>352,000</u>	<u>306,000</u>	<u>260,000</u>
Total Assets	<u>522,787</u>	<u>732,600</u>	<u>753,600</u>	<u>703,600</u>	<u>663,600</u>

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BELIZE BANANA GROWERS
 COOPERATIVE SOCIETY LIMITED
 BALANCE SHEET FORECAST (CONTINUE)
 DECEMBER 31, 1985 THROUGH 1989
 (in BZE \$)

	Dec 31, 85	Dec 31, 86	Dec 31, 87	Dec 31, 88	Dec 31, 89
Liabilities					
Current Liabilities					
Account payable BCB	2,832	-	-	-	-
Account payable, allowances	-	-	-	-	-
Total current liabilities	<u>2,832</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Long Term Liabilities					
Inter American Foundation	100,000	100,000	70,000	40,000	10,000
AID-BCB Loan	-	200,000	150,000	100,000	50,000
Total Long Term Liability	<u>100,000</u>	<u>300,000</u>	<u>220,000</u>	<u>140,000</u>	<u>60,000</u>
Total Liabilities	<u>102,832</u>	<u>300,000</u>	<u>300,000</u>	<u>220,000</u>	<u>140,000</u>
Equity					
Member shares	101,729	102,000	102,000	102,000	102,000
Appraisal Capital	179,633	180,000	180,000	180,000	180,000
Reserves and retained <i>earnings</i>	138,592	150,600	171,600	201,600	241,600
Total Equity Earnings	<u>419,955</u>	<u>432,600</u>	<u>453,600</u>	<u>483,600</u>	<u>523,600</u>
Total Liabilities	<u>522,787</u>	<u>732,600</u>	<u>753,600</u>	<u>703,600</u>	<u>663,600</u>

5-

BELIZE BANANA GROWERS COOPERATIVE SOCIETY LIMITED

Notes to Balance Sheet Forecast

- (1) This represents the total amount of advances paid to the Cooperative members for Aerial spraying, materials and supplies, fertilizers, lime, and harvesting. Receivables from members is assumed at 6 weeks of cost of product for the years 1986 through 1989.
- (2) This represents receivables from sales of banana to FYFFES. It covers the period from the date of delivery of banana to the time the farmers receive the proceeds. Under normal condition it should take two weeks to finalize payment; however, we are assuming one month of receivables to allow for all eventuality and provide a smoother operation.
- (3) Depreciation is assumed at 10 percent of the shed and equipments.
- (4) It is anticipated that in 1987 the packing shed will be expanded at an estimated cost of BZE\$70,000.

DIVESTITURE OF THE BANANA CONTROL BOARD FARMS

BELIZE - CENTRAL AMERICA

APPLICANT: GREENGOLD LTD

PURPOSE OF THE PROJECT: TO REHABILITATE A BANANA FARM WITH AN AREA OF 418 ACRES AND TO INCREASE THE PRODUCTIVITY OF THE FARM FROM 360 BOXES PER ACRE IN 1986 TO 550 BOXES PER ACRE IN 1988

COST OF PROJECT:

REHABILITATION/EXPANSION	BZE\$518,000
BANANA CONTROL BOARD	420,000
TOTAL	<u>BZE\$938,000</u>

AMOUNT OF LOAN REQUESTED: BZE\$938,000

SECURITY OF THE LOAN:

1. MORTGAGE ON THE FARM INCLUDING 418 ACRES OF BANANA PLANTATION AND EQUIPMENT
2. PERSONAL GUARANTEE OF THE MAJOR SHAREHOLDERS

APPLICANT: GREENGOLD LTD.
 PURPOSE OF THE PROJECT: TO REHABILITATE A BANANA FARM WITH AN AREA OF 418 ACRES AND TO INCREASE THE PRODUCTIVITY OF THE FARM FROM 360 BOXES PER ACRE IN 1986 TO 550 BOXES PER ACRE IN 1988

PROJECT COST: REHABILITATION/EXPANSION BZE\$518,000
 BANANA CONTROL BOARD 420,000
 TOTAL BZE\$938,000

AMOUNT OF LOAN REQUESTED: BZE\$938,000

SECURITY OF LOAN: 1. Mortgage on the farm including 418 acres of Banana plantation and equipment.
 2. Personal guarantee of the major share holders.

The Company was established in May 1985 by Eugene Zabaneh for the purpose of operating an established banana farm with a total area of 418 acres. The farm was fully planted, but in poor condition and, according to the Banana Control Board, required considerable input and rehabilitation. The Company purchased the farm at a price of BZE\$750,000 from the Government and agreed to pay BZE\$250,000 as down payment, with the remaining balance to be paid at a rate of BZE\$1.00 per box of first class banana shipped. The debt does not bear interest.

The Project

The purpose of the project is as follows:

1. Rehabilitation of the farm. The Company intends to replant the farm during the years 1986 and 1987. It is anticipated that 209 acres of the farm will be replanted in 1986 and 209 acres in 1987. The cost of replantation is estimated at BZE\$860 per acre calculated as follows:

	\$
Seeds; 850 seeds per acre at \$0.50/seed	\$425
Labor; \$0.16 per seed	136
Transportation; \$0.03 per seed	25
Mocap; 106 lbs. per acre at \$2.06/lb.	218
Fertilizer; 213 lbs. per acre at \$0.25	53
Total	<u>BZE\$857</u>
Say	\$860

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2. The Company intends to increase the input of fertilizer, mocap, and pest control in order to improve the productivity of the farm from 360 boxes per acre in 1986 to 600 boxes per acre in 1990.

Cost of the project is estimated as follows:

	<u>1986</u>	<u>1987</u>	<u>Total</u>
Rehabilitation:			
418 acres at \$860	180,000	180,000	360,000
Additional working capital:			
3 months of the cost of production for 200 acres	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Project Cost	238,000	180,000	518,000

The Company also intends to repay the remaining balance owed to the Banana Control Board in order to avoid payment of BZE\$1.00 per box of fruit sold, and apply the fund to the working capital. If approved, the total financing requirement of the Company would amount to BZE\$938,000.

Management

Mr. Eugene Zabaneh, 45 years old, is the managing director of the Company. The ancestors of the Zabaneh family migrated from the Middle East (City of Jaffa) in early 1900, some to Spain and some to Central America. Traditionally, they were engaged in farming and local trading. Eugene's father was engaged in farming in Salvador until the mid 1930's when he migrated to Belize. Eugene's farming career started in 1962, when he began working on his father's farm in the Stann Creek District. He started his first citrus farm in 1972, which now extends to 700 acres of citrus, 200 acres of pasture, and 200 head of cattle. His interest in banana farming, however, is recent, since the divestiture was contemplated.

Mr. Augustine Cruz, is the general manager of the farm. He is a Belizean and has four years of experience in banana farming. Before he joined the Company in 1985, he worked for the Banana Control Board. The farm is managed by four captains, each responsible for approximately 105 acres. The captains are: Prudencio Muschamp, 47, Belizean, former tenant-farmer with 12 years of experience in banana farming; Leonel Longsworth 43, former tenant-farmer, with 11 years of experience in banana farming; Romaldo Paz, 49, Hondurean, with 30 years of experience in banana farming; Alvaro Bonnilla, 42, Hondurean with 20 years of experience in banana farming, ten years with the Banana Control Board.

The Company employs 52 permanent workers, 13 to each captain. It also employs 75 regular part-time workers for packing and shipping.

Market and Prices

The products of the Company are sold to FYFFES Group - a subsidiary of United Food Corp - through a contractual arrangement made by the Banana Control Board in February 1982. According to the terms of the contract, the Banana Control Board agrees to sell and the FYFFES Group agrees to buy all bananas from the area under the contract. The sales contract is for a period of ten years. At the date of the contract the area under contract covered 1600 acres which included the COWPEN District where the Company's farms are located. Furthermore, the contract mandates a set of "planted" and "irrigated" targets with the objective of increasing the area under contract to 4000 acres. At present the entire operation under the supervision of Banana Control Board covers an area of approximately 2100 acres. It is, therefore, assumed that the Company will have no problem in marketing its products.

According to the BCB contract with FYFFES, the selling price of the bananas is negotiated every two years. The present selling prices are as follows:

First class banana	BZE\$12.98 per box of 42 pound net weight
Second class banana	BZE\$ 8.01 per box of 42 pound net weight

The prices to the farmers, however, are BZE\$9.01 for first class and BZE\$4.50 for the second class. These prices are arrived at after deduction of the cost for boxes, barging, ship loading, export charges and technical service. It is estimated that 85 percent of the products are of first class and 15 percent of second class quality. For the purpose of our forecast therefore we used an average price of BZE\$8.33 paid to the farmers for one box of banana delivered.

Economic Feasibility

Background

Historically, bananas have been an important crop in Belizean agriculture. Export of bananas with a value of approximately US\$4.5 million in 1985, ranks fourth after sugar, citrus and fish products. The Industry, however, has faced five major problems in the past:

1. Occurrences of natural disasters, such as hurricane, draught, and Panama disease.
2. Lack of shipping facilities, as the local market is too small and does not warrant an economically feasible size of banana industry.
3. Lack of financial resources.
4. Lack of technical expertise.
5. Lack of entrepreneurial incentive, due to public ownership.

According to an elderly banana farmer; in the 1930's, the banana industry was flourishing in Belize; United Food Corporation, an international food trade giant was the major marketing agent, of Belize banana. In the late 1930's, because of World War II, the shipping of bananas was halted and the banana industry deteriorated. In late 1940, with financial, marketing and technical assistance of the Common Wealth Development Corp (CDC), the banana industry began to play an important role in Belize's agriculture, until the early 50's when Panama disease struck the fields and destroyed the industry. CDC converted the fields to citrus. In 1954 an American, Jack Atkins, began to develop a banana farm in WAHALEAF area (20 miles north of Stann Creek) and by 1965 his banana plantation covered an area of approximately 1200 acres. He delivered the products by a ship owned by his company and marketed the bananas in the United States. In 1967, Jack Atkins sold the farm, and the new owners lacked the technical, marketing, shipping, and financial capabilities to maintain and expand the banana plantation.

The Banana Control Board was established by the Government of Belize in 1972 and was empowered to raise funds, to make arrangements for the cultivation, harvesting, packing, transporting, and marketing of banana, and in general, to develop and control the banana industry.

The Banana Control Board has made several agreements for sale and marketing of the bananas, for providing technical advice, for making necessary arrangements for shiploading and transportation, and last but not least, for providing financial resources for implementation of the project. Although the industry has suffered greatly from natural disaster during the last decade - such as a hurricane in 1974 and a draught of unusual severity in 1975 - it has remained fairly viable and has expanded its field of operation to approximately 2000 acres. The industry is well aware of its problems, and has made concerted effort to deal with them; by maintaining, and improving the irrigation systems, the danger of loss from draught is eliminated; by providing regular application of pest controls, the chances of plant

diseases are reduced to a minimum. The Banana Control Board is assisting the farmers in shipping arrangements by coordinating the delivery of bananas on barges to ships in Honduras. And, finally, the financial assistance to the farmers through the AID Discount Fund will facilitate the expansion of the farms and an increase in productivity

At present, the objective of the Banana Control Board is two fold:

1. With the technical and financial assistance of AID, to divest the banana farms into the hand of private sector, particularly into the hand of the companies and farmers who have expertise in farming in general and in the banana industry in particular.
2. To provide technical and marketing assistance so that; a) the field of operation expands from the present 2000 acres to 4000 acres by the end of 1988; and b) the per-acre-production is increased from the present 450 boxes/acres to 700 boxes/acres in 1989.

Feasibility of the Project

The accompanying forecast shows the Profit and Loss Statement for the years 1986 through 1990. Sales revenue is based on 320 boxes of banana per acre per year which is below the industry's average. This is mainly due to the fact that the Company will be in process of rehabilitation of the farm during the years 1986 and 1987. The Company, however, plans to gradually increase its productivity to 650 boxes per year per acre in 1989.

The cost of production is based on a recent study by the Banana Control Board which is substantially in line with the information provided by the farmers. It is further assumed that the Company would implement a replantation program designed to replant the farm in 7 years.

The forecast shows an accumulated loss of BZE\$520,000 at the end of 1988 turning to an accumulated profit of BZE\$1,122,180 in 1990. However, there are two considerations which are not included in the forecast: 1) The Company will no longer pay \$1.00 per box after the debt to Banana Control Board is paid in full, and 2) When the banana industry reaches the point of 30,000 boxes per week, the cost of barging will be reduced by approximately BZE\$1.30.

The consultant therefore considers the project economically sound and financially feasible, and recommends a loan of \$518,000 for the project. Should the Company need to pay the Control Board for the remaining balance of the purchase price of the farm, the financing requirement of the Company will be BZE\$938,000. The loan should be supervised and disbursed as the project is implemented. The borrower should be required to submit quarterly progress reports during the period of the loan until the loan is fully repaid.

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GREENGOLD LTD.
STATEMENT OF INCOME FORECAST
FOR THE YEARS 1986 THRU 1990

	1986	1987	1988	1989	1990
Sales					
Land under cultivation (acres) (1)	418	418	550	650	650
Production boxes per acre (2)	320	400	500	550	600
Total production/boxes	133,760	167,200	209,000	302,500	390,000
Total sales BZE\$8.33 box (3)	1,114,220	1,392,775	1,740,970	2,519,825	3,243,700
Cost of product sold					
Wages	351,120	351,120	462,000	546,000	540,000
Fertilizer	167,200	167,200	220,000	260,000	260,000
Lime	25,080	25,080	33,000	39,000	30,000
Magnesium	25,080	25,080	33,000	39,000	30,000
Mocap	177,650	177,650	233,750	276,250	270,250
Black Segatoka	250,800	250,800	330,000	390,000	390,000
Irrigation	50,160	50,160	66,000	78,000	73,000
Packing and trucking	167,200	167,200	167,200	220,000	260,000
Replantations (4)	51,600	51,600	51,600	51,600	51,600
Total Cost of Productions	1,265,890	1,265,890	1,596,550	1,899,850	1,939,850
Administrative Cost					
Administrative expenses	20,900	20,900	27,500	32,500	32,500
Interest (5)	167,200	167,200	167,200	139,200	111,200
Miscellaneous expenses	20,900	20,900	27,500	32,500	32,500
Total Administrative Cost	209,000	209,000	222,200	204,200	176,200
Total Cost	1,474,890	1,474,890	1,818,750	2,104,050	2,116,050
Income (Loss) from operation	(360,670)	(82,115)	(77,780)	415,775	1,137,650
Cumulative earning (Loss)	(360,670)	(442,785)	(520,565)	(104,790)	1,122,180

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GREENGOLD LTD.

Notes to the Statement of Income Forecast

(1) According to Mr. Eugene Zabaneh, the Company plans to spend the year 1986 and 1987 for rehabilitation of the farm. His expansion program starts in 1988, when he hopes to expand the farm by some 250 acres.

(2) The land is in the process of rehabilitation; also there was a "chill" in February of 1986 which caused a loss of 10 percent in that year's production. Production is calculated on the land under cultivation during the previous year.

(3) Cost of products sold is based on a recent study by Banana Control Board.

(4) It is assumed that the Company would implement a replantation program designed to replant the farm in 7 years. The cost of replantation is BZE\$860 per acre. Each year 60 acres will be replanted.

(5) According to the unaudited balance sheet of the Company dated December 31, 1985 prepared by SJP Ermeav Sr. (in association with Coopers and Lybrand Intl.), the Company has one interest bearing loan in the amount of BZE\$156,233.00 (overdraft facility). Interest expense is calculated as follows:

Overdraft BZE\$200,000 at 17 to 18 percent
Long-term loan BZE\$940,000 at 14 percent

\$ 35,600
131,600
\$167,200

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GREENGOLD LIMITED
BALANCE SHEET
DECEMBER 31, 1985

	BZE
	\$
ASSETS	
Current assets:	
Cash	38,821
Accounts receivable	18,591
Inventories	<u>18,887</u>
Total current assets	76,299
Property, plant and equipment	<u>1,940,815</u>
Total assets	<u>2,017,114</u>
LIABILITIES	
Current liabilities:	
Bank overdraft	156,233
Current portion of Medium term debt	250,000
Accounts payable	<u>15,000</u>
Total current liabilities	421,233
Medium term debt, less current portion	284,052
STOCKHOLDERS' EQUITY *	<u>1,311,829</u>
Total liabilities and stockholders equity	<u>2,017,114</u>

Unaudited and intended for internal management use only. Prepared by SJP Ermeav Sr. (in association with Coopers and Lybrand Intl.)

Stockholders' equity of \$1,311,829 includes a surplus of \$1,250,000 on revaluation of banana farm and related assets.

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