

# LATIN AMERICAN AGRIBUSINESS DEVELOPMENT CORPORATION LAAD



## Mission

**To finance small and medium size agribusiness projects to promote sustainable economic and social development in Latin America.**

# Shareholders

- Bank of America
- Cargill, Inc.
- Deere & Company
- DEG – Deutsche Investitions- und Entwicklungsgesellschaft
- Dole Food Company, Inc.
- Gerber Products Company / Nestle
- The Goodyear Tire & Rubber Company
- IFC-International Finance Corporation
- JPMorgan
- Monsanto Company
- Rabobank Curacao, N.V.
- Unilever

# LAAD: The Direct Approach



# LAAD: Channeling Credit

Commercial  
Banks

Central  
America

Bonds

LAAD

South  
America

CBI  
DEG  
FMO  
IFC  
IIC  
NORFUND  
USAID  
FINFUND

The  
Caribbean

# LAAD's First Decade: The 70's

## Issue

- Start-up company – Net Worth (US\$2.6M)
- No portfolio

## Action Plan

- Established partnership with USAID
  - Preferential funding
- Increased Funding/Portfolio
  - 1971 - US\$6 million (Central America)
  - 1975 - US\$5 million (Central America)
  - 1976 - US\$6 million (Caribbean and Panama)

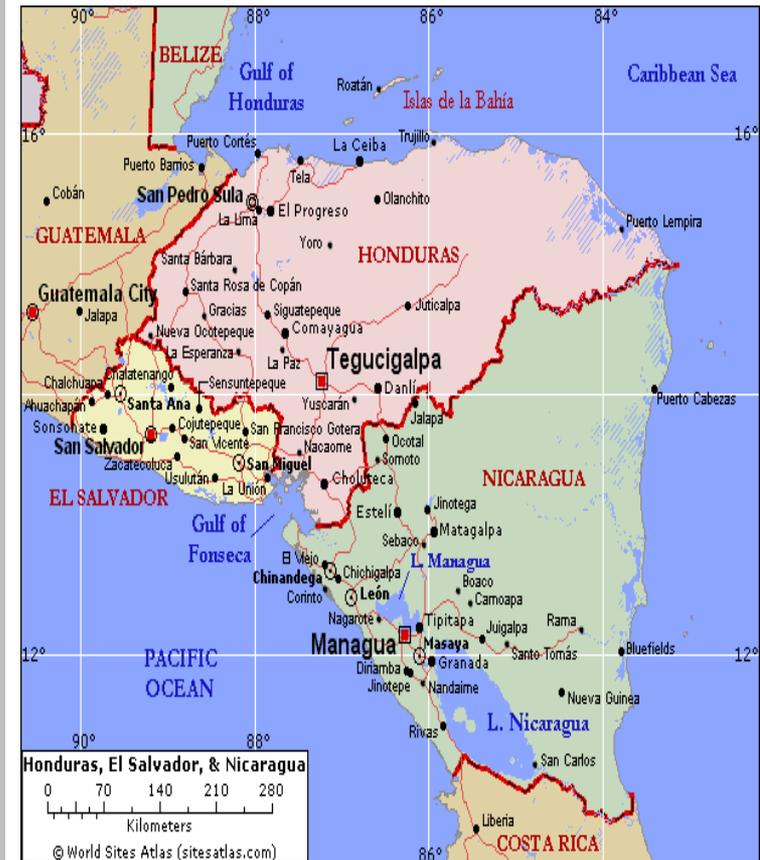
# LAAD's Second Decade: The 80's

## Political / Economic Problems:

- Nicaragua - Sandinistas
- El Salvador - Civil War
- Guatemala - Social Unrest
- 40% of portfolio
- Lack of U.S. dollars
- High interest rates

## Action Plan

- Rescued blocked funds (US\$0.50 freed/US\$1.00 new)
- Diversification into South America
- Retention agreements w/exporters



# LAAD'S 3<sup>rd</sup> and 4<sup>th</sup> Decades: 1990's-2000's

## Opportunity in Latin American Growth:

- Democracy, Free trade policies
- Private investment

## Action Plan

- Strengthen funding
  - USAID/935/Bond issue (US\$25M)
  - Commercial banks / Syndications (US\$397M)
  - Multilateral / Bilateral Institutions (US\$78M)
- Increase Presence
  - Honduras and Panama (1991)
  - Bolivia (1992), Peru (1994)
  - Ecuador (1997), Chile (1998)
  - Uruguay (2003), Brazil (2004)



# LAAD IN FIGURES

	1971	1980	1990	2000	2010
<b>Loan Amount US\$MM</b>	<b>0.4</b>	<b>50</b>	<b>140</b>	<b>377</b>	<b>1.065</b>
<b>Number of Projects</b>	<b>3</b>	<b>150</b>	<b>351</b>	<b>768</b>	<b>2,773</b>
<b>Outstanding Portfolio US\$ MM</b>	<b>0.4</b>	<b>31.3</b>	<b>45.4</b>	<b>105.8</b>	<b>305.6</b>
<b>Net Worth US\$ MM</b>	<b>2.6</b>	<b>7.8</b>	<b>17</b>	<b>38</b>	<b>88</b>
<b>Jobs Created</b>	<b>80</b>	<b>9,000</b>	<b>27,000</b>	<b>47,000</b>	<b>120,000</b>
<b>Countries with operations</b>	<b>1</b>	<b>9</b>	<b>15</b>	<b>14</b>	<b>16</b>
<b>R.O.E %</b>	<b>3%</b>	<b>9.40%</b>	<b>9.50%</b>	<b>11.10%</b>	<b>10.8%</b>

# The G.F.C

## Severe Credit Crunch

### Impact on LAAD

- Disappearance of Commercial Funding
- Cost increased by more than 50%
  - L +250bp to L+375bp
  - Multilateral / Bilateral DFIs active
    - IFC, DEG, FMO, FinnFund Norfund Proparco
- **Impact on Clients**
  - Minimum impact on commodities producers
  - Strong impact in end markets for non traditional products ie. Flowers, roses, ornamentals

# LAAD Post Crisis Strategy

## 1. Improve Knowledge Industry & Client

- Understand impact / situation
- Strengthen communications w/other creditors

## 2. Preserve Existing Portfolio

- Strengthen Weakened Operations
  - Additional Financing, Improved Terms
- Maintain Productivity – working capital

## 3. Increase Product Diversification

# What happen in Latin America after the G.F. C.

- Minimum impact versus other regions
- Solid financial banking system
- In general economies in good shape
- Revaluation of local currencies
- Role of commodities
  - Oil, minerals, agricultural
- Less dependence from U.S. market
- Key countries
  - Brazil, Chile, Colombia, Peru
    - Mexico , Argentina

# What are the challenges

- Importance of food security in the world
  - Increasing population / Purchase capacity
- Bio-fuels are demanding more ag. Products
- Efficient use of water
  - Water tables declining and affecting other stakeholders access
  - Drip irrigation & fertigation leading to lower use and leakages

# What are the challenges

- **Inclusive supply chains**
  - Traders & processors working with suppliers to increase quality and yields (inclusion of smallholders)
- **Impact on the environment**
  - Deforestation
  - Land is limited (prices)
- **New technologies**
  - GMO, seeds, biotechnology

**Thank You**