



Funding rapid growth at Latina Farms

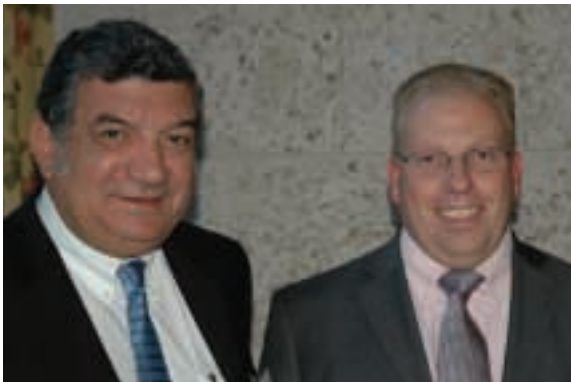
Latina Farms

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| MLA: | Texel Finance Limited |
| Borrower: | Latina Farms SA |
| Amount: | \$30 million |
| Margin: | In excess of Libor +4% |
| Final maturity: | 42 months from the effective date of the facility |
| Lender: | Growth Management Limited (Jersey) |
| Adviser to lender: | GML International Limited |
| Legal counsel: | Denton Wilde Sapte (UK), Mauad & Mauad (Panama), Eduardo Linares (Peru) |

Structuring a trade financing in the soft commodity sector is usually tough, and when it is for a relatively unknown soft fruit producer in Latin America there are invariably few who will even look at the deal. In this case, London-headquartered arranger Texel Finance succeeded in arranging a \$30 million financing for Panama-based Latina Farms with funding through a hedge fund, and this taking place after the bank market had turned the deal down.

The deal is an innovative structured trade finance facility, which blends the traditional pre-export finance structure with comprehensive insurance cover to provide a fully secured self-liquidating financing package for Latina Farms, a special purpose company registered in Panama to centralize and coordinate the borrowings of three producing companies (Dos Valles, Panama; Corporacion Frutera del Pacifico Panama; and, Consorcio del Agro, Peru). At Texel, Ian Henderson, who expertly led the deal, was the banker who arranged the first ever bank financing with Latina Farms when he was with UFJ back in 2004. That deal also included Rabobank. But the relationship with the client was lost when Henderson moved to Texel and UFJ was taken over by BoTM.

Speaking of the new financing, Henderson admits: "It's not an easy credit, Latina Farms is a company that is growing quickly, the business is fresh fruit production and carries a high level of leverage. The process of consolidation has only started so the credit analysis is not easy." He adds: "When we were trying to arrange the finance, the initial plan was to do a 12-18 month deal and some banks were interested, but none of these materialized at the end of the day. So we leap-frogged this and left the bank market behind, going with investment fund Growth Management Limited (Growth). The financial adviser was Suresh Advani and he did a very thorough due diligence to move the deal ahead in a relatively short period of time."



Manuel Haito of Latina Farms and Ian Henderson of Texel Finance

For Latina Farms, president of the company, Manuel Haito, based in Panama, explains what the deal means to the company's growth prospects: "The \$30 million deal has a two-year grace period. The financing allows us to consolidate the business and grow steadily instead of year by year. Now I can plan the entire business thoroughly and this is important as we have production of crops in Panama and Peru the whole year round. The plan is to go from a company with a \$30 million – \$35 million annual turnover, to one with a \$70 million – \$75 million turnover within three-years. GML has an option on equity, so in three years the exit option for them is quite attractive. This is something we are comfortable with."

The deal is structured with comprehensive insurance cover to mitigate the crop and perish ability risks and all the risks associated with the packing and transport of fresh produce from the packing plants to end buyers in the US and Europe. States Henderson: "The deal has a very comprehensive crop insurance policy attached as well as a marine cargo policy. The premium rates on these are improving as the company efficiency improves which results in fewer claims. This policy eliminates a lot of the pre-finance risk." The insurance was fronted by Panamanian Cia Internacional de Seguros, and re-insured by SwissRe and Mapfre.

Explaining how the supply and distribution chain is improving, Manuel Haito states: "There are very smooth layers to the deal. The marine cargo insurance is covered by Chubb. This is fairly complex covering both shipping and distribution. We have improved all the facilities in the transport and distribution chain, including cold storage facilities. From Panama we are exporting pineapples, melons, watermelons and butternut squash, and from Peru mangoes, avocados and sweet onions. When we started we didn't have the Latina brand, we used to export through larger companies, so the whole process has been to set up our own brand, and we have opened a new distribution company in Miami to facilitate the delivery of produce."

He also notes: "There is no shortage of market demand. The market is there and the clients are there. We already had a good track record with the multinational buyers. We have grown quite rapidly and it has been a bit of a struggle, but we are really getting there. The banks missed a real opportunity when we were looking for finance in 2006. Now the growth has to be financial and this will be done through the banks. The intention is to come back to the banking market in the next 12 months."

Speaking of the fund's involvement in this deal, Suresh Advani, portfolio manager at GML International says: "This is a classic example of where there are groups in the market that the banks feel uncomfortable in financing, in this case probably for sectoral reasons. This is one of the things that GML as an adviser to an emerging markets credit fund, focuses on. It is our hope that with this financing Latina Farms will grow and this financing structure will put it back into the syndicated bank market in the next year or two."

"When you see how Latina Farms works, and the supply chain operates, you understand instantly that it works in a really efficient manner. It is an impressive set up. If you do site visits you understand the potential risks and you can see what is being done to mitigate those risks. You can't work out whether a business is creditworthy without seeing it. We looked at the company and financials very closely and we are happy to become involved by recommending this to Growth Management Limited. The commercial banks really missed an opportunity." ■