



AGRICORP PROJECT (NI-L1045)

PROJECT ABSTRACT

Project name:	AGRICORP
Project number:	NI-L1045
Country:	Nicaragua
Sector	Agribusiness
Borrower:	Agricorp S.A.
Total Project Cost:	US\$55.3 million
Proposed IDB A-Loan:	US\$14.2 million Tranche I: US\$10.6 million Tranche II (OM Facility): US\$1.38 million Tranche III (OM Facility): US\$2.2 million
Department:	Structured and Corporate Finance Department (SCF)
Status:	Due Diligence
Date:	October 7, 2009

I. PROJECT DESCRIPTION

Agricorp S.A. (the “Company” or Agricorp) is the leading distributor of rice, wheat, beans and other staple food products in Nicaragua and therefore a strategic player in ensuring stability of the country’s food supply. Agricorp’s main business is to import, process, trade, store and distribute basic food products working in alliances with local producers and distribution channels in Nicaragua.

IDB’s proposed US\$14.2 million loan facility (the “Project”), to be extended in part through the Opportunities for the Majority initiative, will allow the Company to: (i) refinance its short term debt so as to complement short-term financing from local commercial banks and from suppliers, re-balancing its mix of debt to achieve a sustainable capital structure; (ii) build a new bean processing and warehousing facility to grow its bean distribution business; (iii) support small bean producers associated with the FrijolNica program, through working capital financing to purchase seeds and fertilizer, and investments to improve crop yields; and, (iv) implement a complementary technical assistance program which aims to increase productivity of small producers as well as improve social and environmental aspects of bean production processes.

The refinancing will replace short-term debt and extend the Company’s loan tenors to five years. The longer debt tenor will provide the Company with increased operating flexibility and liquidity to manage working capital needs.

II. IDB PARTICIPATION

The Bank's financing will enable the Company to free-up cash flows that are currently utilized for short-term debt service, thereby achieving a debt structure more consistent with the Company's asset profile and growth potential. IDB's extended tenor, not otherwise available in the Nicaraguan market, will allow Agricorp to improve its liquidity, better insulating it against volatility in commodity prices, and will allow it to invest in replicating the efficiencies obtained in the rice supply chain to other products such as salt and beans.

The Opportunities for the Majority component of the Project will enable the Company to serve as a more stable outlet for the purchase and storage of beans from small farmers, as well as a source of working capital finance and technical assistance to help improve the production yields and economic earning potential of small bean producers in Nicaragua.