

Investors set bonds for agriculture financing

Investors expect to obtain approximately 8% of benefits in US Dollars annually. The cost for producers would be of about 11%. The project is supported by Carbap. Important cost reductions may also be obtained.

The lack of financing for the real sector, and the institutional investors claim for low risk instruments are two factors that prompt the return of the financial trusts as market engines, something that had happened in 2001, when the looming crisis situation began to close the way for the traditional financial devices. While things are slowly coming back to normality, many projects are turning up. In that sense, with the support of Confederación de Asociaciones Rurales de Buenos Aires y La Pampa (Cardap), Horwath Financial Services has almost finished rolling over a trust that will manage U\$S 7 M to finance approximately 100 soy producers.

The new trust will be structured as a financial trust within a guarantee trust, whose task is to get a critic mass of hectares [between 35.000 and 40.000] for the production of soy. The grains, which will be sold in the future, constitute the guarantee [underlying asset]. On the other hand, the investors will subscribe their financial trust debt certificates and will use that money to purchase credit certificates for the supplies to be delivered to producers. Then, invoices will be cancelled through the sale of the grains.

Due to the larger volume managed by the trust, producers will be able to obtain financing with an annual average rate of 11% in US Dollars and at the same time get better prices for the insurance when purchasing supplies. The traditional exchange, which is how the agricultural sector gets finance, has an annual cost higher than 18%.

Likewise, the senior bond investors [those with more guarantees] will obtain annual benefits of around 8%. There is a great interest for instruments that are adjusted by the US Dollar and with a genuine backing in that currency.

In the next weeks, the bank to act as the Trustee and Settlor of trust will be chosen. On the other hand, the presentation before the CNV is being prepared in order to obtain the bond's public offer. The trust will be rated by Fitch Rating

Provided by Sebastián C. Rodrigo
ALFARO-ABOGADOS Argentina