

CENTRAL AMERICA AND THE CARIBBEAN

Increased sowings for 2016 main autumn-winter wheat crop

The early outlook for 2016 suggests that cereal production in **Mexico**, the subregion's major producer, will remain high. The planted area for the autumn-winter maize crop, which accounts for about 30 percent of the total annual output, is officially estimated to have sharply risen by 18 percent compared to the area for corresponding season last year. Wheat is only grown in the autumn-winter season and planting has been concluded for the crop that will be harvested from May. Early estimates indicate a 3 percent increase in area compared to the previous year. Early indications of producers' intentions for the main 2016 spring-summer crop, planted later in the year, also point to production remaining at a similarly high level compared to the 2015 harvest.

Elsewhere in the subregion, planting of the 2016 main "de primera" season will not begin until late April and will conclude in late June. Rainfall levels are reported to have remained mostly below average due to the impact of the ongoing El Niño event, which is forecast to end in June. As a result, the main "de primera" season plantings may be affected for the third consecutive year.

Record 2015 cereal production in Mexico, while prolonged dry weather reduced outputs elsewhere in the subregion

The subregion's aggregate cereal production in 2015 is estimated to have reached an all-time high level of 44 million tonnes, largely on the back of a record output in **Mexico**. The 2015 maize



production in Mexico is estimated at a high of 25 million tonnes, about 4 percent up from the previous year's level, while the wheat output is put at 4.2 million tonnes, up from previous expectations due to better-than-expected yields. However, by contrast, elsewhere in the subregion, prolonged and severe dry weather associated with El Niño negatively affected cereal production in

Table 16. Latin America and Caribbean cereal production
(million tonnes)

	Wheat			Coarse grains			Rice (paddy)			Total cereals			
	2013	2014	2015 estim.	2013	2014	2015 estim.	2013	2014	2015 estim.	2013	2014	2015 estim.	Change: 2015/2014 (%)
Central America & Caribbean	3.4	3.7	4.2	35.9	36.4	37.1	3.2	3.0	2.8	42.4	43.1	44.2	2.6
El Salvador	0.0	0.0	0.0	1.0	1.0	0.8	0.0	0.0	0.0	1.1	1.0	0.8	-14.4
Guatemala	0.0	0.0	0.0	1.8	1.8	1.7	0.0	0.0	0.0	1.8	1.9	1.8	-4.6
Honduras	0.0	0.0	0.0	0.6	0.4	0.4	0.1	0.1	0.1	0.7	0.5	0.5	-8.3
Mexico	3.4	3.7	4.2	30.7	31.8	32.8	0.2	0.3	0.2	34.3	35.8	37.3	4.3
Nicaragua	0.0	0.0	0.0	0.6	0.4	0.5	0.5	0.5	0.5	1.2	0.9	0.9	2.7
South America	19.2	24.4	20.7	141.1	137.4	148.1	24.3	24.8	25.8	184.6	186.6	194.6	4.3
Argentina	9.2	13.9	11.3	40.9	39.9	42.4	1.6	1.6	1.6	51.7	55.4	55.2	-0.3
Brazil	5.7	6.3	5.4	83.5	82.9	88.6	11.8	12.1	12.4	101.1	101.3	106.4	5.1

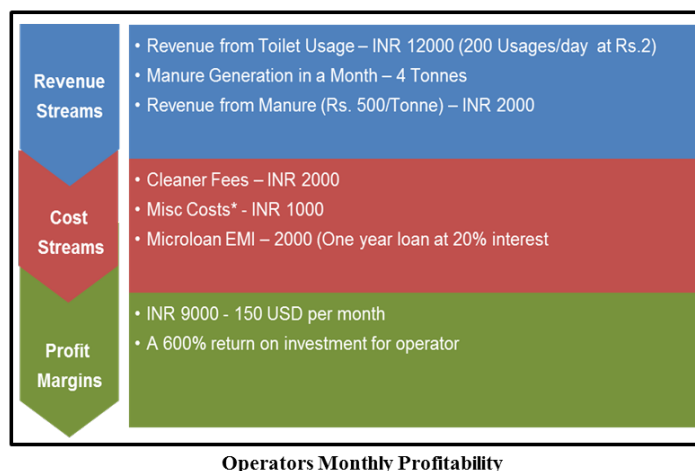
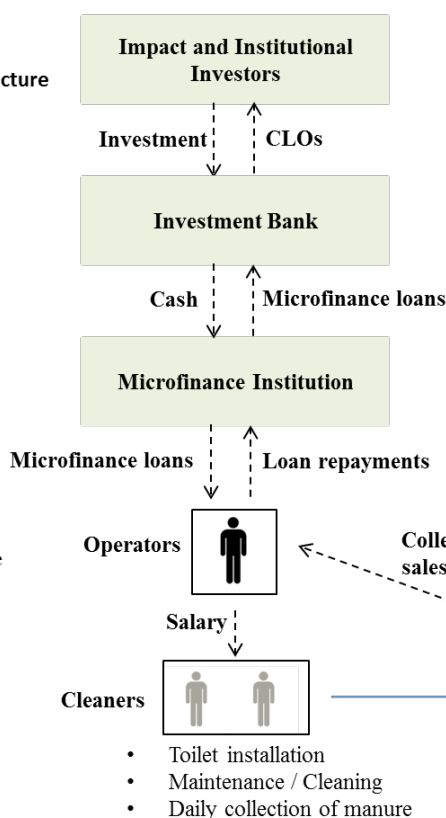
Note: Totals and percentage change computed from unrounded data.

Operating Model

CLO Capital Structure



Operator Capital Structure



Social Impact: Monitoring and Measurement

- **Sanitation:** Number of portable toilets and frequency of their usage (target 64,400 toilets installed and 9 million toilet users in five years)
- **Monetary:** Return on CLOs to investors; income of operators and cleaners, the amounts of which are proportionate to the above indicator
- **Job creation:** Number of operators and cleaners
- **Women empowerment:** Toilet marketing and entrepreneur recruitment with a particular focus on women

Risk Factors

- **Default risk of operators:** Operators may default if they cannot generate sufficient revenue through toilet payments from users and manure sales. Partnering with the local microfinance institution will mitigate this default risk through MFI's frequent visits and business advice to the operators
- **Availability of resource:** Maintaining the hygiene of the Toilet would be a challenge and it will be up to the toilet owner to ensure the operations come through.
- **Conflict with the existing subsidies programs:** Discussion will be held with the Government of India to reduce toilet subsidies in the target areas
- **Conflict with the existing Sulabh program:** Consultation will be made to Sulabh International to clearly differentiate our project from their existing programs and develop operational partnership where appropriate
- **Lack of technical skills of operators:** In partnership with the MFI and toilet producer, Slum Lav Millionaire will provide initial technical training to operators as needed
- **Confrontation with local operators:** Local Slum Mafia can be problematic within the local operation of the toilet, but the financial model for the operator will have to take into consideration the miscellaneous costs to deal with them. Partnering with government & local NGOs will help mitigate risk.

Details of CLO

- \$20M notional
- Maturity 5 years
- 2 tranches of CLO [Collateralized Loan Obligation] according to investor type
- Junior tranche 30% exp. yield of 14% [First hit by NPLs]
- Senior tranche 70% exp. yield of 8%
- FX hedged

What are the economics?

Revenues

- MFI loan: 20~25%
- RBI recently listed upper limit of 26% (8. Feb 2014)

Costs

- Investment return: 8~14%
- WACC: 10%
- MFI costs: 4%
- IB costs: 3%
- NPL cost: 3~7%
- Slum Lav Management Fee: 1%

Team

- Tina Aikyo: *Japanese*, 29, 4yrs advisory
- Ik Jae Jeong: *Korean*, 29, 6yrs marketing
- Kaustubh Rajnish: *Indian*, 32, 6yrs consulting
- Kevin Delissy: *Swiss*, 29, 5yrs equity sales

Acknowledgement

- Ian Potter: *Distinguished Fellow*, INSEAD



LES SIMS

Insufficient separation of poultry from other raw food in a market.



LES SIMS

The poultry market in this picture has been separated from market stalls selling other produce.

“ VENTILATION IN MY MARKET IS POOR. ”

The following three examples show markets with poor ventilation.

Note also the wooden slats that are hard to clean and the uneven surface that is difficult to decontaminate effectively.



LES SIMS

Air flow in the rear of the stall (where slaughtering is performed) is poor.



LES SIMS

The slaughter area in this market is surrounded by live poultry, and ventilation is poor.



LES SIMS

This market was fully enclosed and has poor ventilation especially in the middle of the market with the entrances providing the only available air flow.

Distressed Investments

Time is coming

Why now is the time to prepare

Rucker Capital Advisors, LLC (“Rucker Capital”) is a New Jersey private merchant bank whose strategy is to become the largest sponsor of high risk high return investment opportunities for accredited investors. Rucker Capital stresses to its clients to control high risks by only investing what he or she can comfortably afford to lose. Seeking to achieve extraordinary returns involves risks and limiting how much money is committed is essential to managing that risk.

Rucker Capital is not for everyone. “Our strategy is only for a special type of high income risk taking individual and is certainly not for everyone, especially those that follow the crowd,” states Rucker Capital’s spokesperson. Our sponsored companies raise pools of capital through private placements for companies that use their capital to acquire or merge with distressed and high growth venture stage companies.

Rucker Capital Advisors’ sponsored companies use their cash in acquisitions or mergers which effectively provide funding for the target company. Despite the stock market’s current performance, no one except contrarians like Rucker Capital are currently focused on distressed companies. However the firm believes that over the next three years distressed opportunities will offer some of the best profit generating opportunities that have been seen in decades because of the probability of asset prices (including stock prices), decreasing is substantially higher than the probability of asset prices increasing. This higher probability of an asset price decrease combined with very high corporate and governmental debt levels will result to many companies having unsustainable debt levels, therefore causing them to become distressed.

Rucker Capital Principals, who have advised on billions of dollars of financial transactions, point to the following fundamentals that indicate the probability of this asset decline is high:

