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#### Defaults Predicted in Brazil Agriculture

A wave of defaults is set to hit banks that have made loans to the Brazilian agriculture and farm companies, predict local restructuring experts eyeing the sector. “There will be lots of defaults in the coming several months that will spur a negative cycle for the agriculture sector, with banks unwilling to lend and borrowers unwilling to pay,” Glauco Abdala, founding partner of restructuring and consulting firm Galeazzi Associados, tells LatinFinance. The executive says that over the past four years, abundant credit has led banks of all kinds, including mid-market banks, large Brazilian banks and European lenders, to extend dollar-denominated credit to agriculture companies with USD revenues. But with dollar funding costs going through the roof, banks have reduced their ability to lend, making it difficult or impossible for companies to rollover debt. “Companies will pay their suppliers and their employees before they pay down their debt with a bank that refuses to lend them more money,” says Abdala. While larger institutions like Bradesco, Itau, Santander and HSBC have deeper pockets to weather defaults, smaller mid-market banks like Daycoval, BicBanco and Fibra are most vulnerable since they are likely to get squeezed on both ends with defaults on one hand, and zero access to dollar lines on the other, says Abdala. Last week Fitch placed Daycoval, BicBanco, Panamericano, Pine and Tricury on review for downgrade, citing liquidity pressures on funding. S&P put Daycoval and Indusval on review for downgrade, citing similar reasons.