

Uplifting Peruvian farmers' livelihoods while regenerating the environment

Anticipated transaction impact

Peruvian ginger farmers are further connected to international markets, lifting livelihoods.

Impact score Pass (18/20)
Credit score Pass (24/28)

Loan Overview

Commitment limit	USD 300,000
Tenor and structure	5 years; 3 monthly payments of interest only, followed by 57 payments of principal and interest.
Interest rate	9%

Financial Overview

2022 Revenue	\$4.6M
2022 Net Profit	\$335k
Net Assets as of 30 Nov 2022	\$2.1M

Company Information

Legal name	Elisur Organic S.A.C.
Incorporation date	Mar 28, 2016
Corporate address	Pichanaki, Peru
Nature of business	Exporter of organic ginger and turmeric
Website	https://elisurorganic.com/

Shareholders

Name	Nationality	Share (%)
Caleb Alcala	Peruvian	30
Fredy Mauricio	Peruvian	27.5
Kristel Camargo	Peruvian	25
Wildo Ramirez	Peruvian	17.5

Company management

Name	Nationality	Position
Kristel Camargo	Peruvian	General Manager
Caleb Alcala	Peruvian	Director
Wildo Ramirez	Peruvian	Director

Recommendation

Approval of a \$300,000 loan based on Elisur's credit and impact rating.

Elisur



Business overview

Elisur Organic is one of the leading exporters of organic fresh ginger and turmeric from Peru. They are located in Pichanaki, in the district of Junín, within the Central Jungle of Peru. They work alongside smallholder farmers throughout the planting season, before processing the harvest in their local facility for export to seven countries in Europe and North America.

Elisur was founded in 2016 with a vision to facilitate trade between this remote area of Peru and the world, in a way that cares for people and the environment. This vision has become a present reality, evidenced by a profitable business and a natural farming approach that benefits people and improves biodiversity. The company has a plethora of organic and fair-trade certifications from the countries it exports to.

Elisur has been exporting to developed markets for the last 7 years and currently works with 64 certified farmers across ~199 hectares of land. In the 2022/2023 season, they expect to export nearly 6,000 tons of fresh produce in over 250 containers. Successfully growing and processing *fresh, perishable, organically certified* products for export to developed nations is a competitive edge Elisur has developed.

Not all the harvested ginger and turmeric, however, can be exported as fresh produce. Some of the crop is unsuitable for export because of cosmetic blemishes or small size. Currently, this ginger is sold in the local market at cost. With the addition of new processing equipment, this produce can be converted into powdered ginger which can be sold at a premium to the same buyers of Elisur's fresh ginger.

Elisur is seeking a loan to purchase the equipment it needs to dry and powder fresh rhizomes. The revenue growth and margin improvement from adding a dry line to complement the fresh line ought to enable the company to comfortably make our monthly loan payments of \$6,487.

Impact background

Covering a land area of 1.28 million square km, Peru is the third largest country in South America. It is made up of megadiverse geography, from the snowy peaks of the Andes mountains to the cooler plains of the Pacific coastal region, with forests, jungles, and the Amazon basin in between. The coast, only 12% of the country in land size, supports 50% of the country's population, many of whom have migrated there from other parts of the country to benefit from fertile irrigated land. It is no wonder that heaving cities have developed, most notably the Lima-Callao metropolitan area which is home to almost a third of the country's population.

This leaves the mountains and forested areas behind developmentally. There are limited employment opportunities in these isolated areas due to high investment costs and poor infrastructure. Even farming is challenging; farmers feel ill-equipped to select the best seeds, manage soil health, control pests and diseases, and harvest well for farming to be a worthwhile, profitable venture.

Among Elisur's farmers are ex-coffee and citrus farmers who did not do well because they had no access to an evolving set of best practices that can help them prevent or remedy plant diseases and improve yield. Farmers struggle when trees do not fruit as they should, or when trees are sick. Without someone to lead them, traditional ginger farmers are also stuck in a quality rut and cannot access high-value organic markets internationally.

Impact delivery

It is in the sloping jungles, in the center of Peru, among traditional farmers, that Elisur works. Field engineers who are trained agronomists visit farmers regularly, to help them with plot selection and preparation, sow healthy seeds and transplant seedlings, improve soil health and manage pests strictly without the use of costly and harmful chemicals. They also deal with any infestation swiftly. At the end of the growing cycle, support is provided so that only fully matured crops are harvested and not damaged in the process.

Elisur's effect on the communities where it operates is substantial and sustained. Trained agronomists visit the 64 farmers (rising to 81 in the upcoming season) to provide them with one-on-one instruction to increase yield and quality while upholding organic standards that lead to *premium payments*. Best practices are routinely shared, leading to improvements in both quality and quantity. For example, a hectare usually yields ~20 tons of ginger but Elisur's farmers get closer to 30 tons of organic ginger.

As part of our due diligence, we hired a freelance agronomist to visit the company. Grober Galindo, who made the trip on Jan. 7, 2023, spoke with farmers and found that Elisur helps to professionalize a sector that can be unpredictably informal. By issuing written purchase orders, paying a price that is "better than selling elsewhere," and always settling payments in a punctual way through a bank, farmers work and live with confidence and dignity. One of the farmers was able to buy "a little house" in Pichanaki because farming organic ginger with Elisur has been profitable.



Figure 1 (Left) Farmer Rosa Ines who has bought "a little house" and (Right) Farmers at an "Ina Quipats" show and tell.

Among Elisur's certified farmers, a conservative estimate of net income is \$650/month per hectare of land. This is more than 3x the minimum wage of Peru and can double when ginger prices are higher.

Elisur's contribution to the region of Junín isn't limited to its team of certified farmers. It also runs a mobile ginger and turmeric school, called "Ina Quipatsi" which means *Mother Earth* in the native Ashaninka language. The mobile school pools private and public institutions such as National Service of Agrarian Health of Peru (SENASA), National Institute of Agrarian Innovation (INIA), universities, and practitioners from the company to demonstrate best practices in ginger and turmeric farming to local farmers. As with its team of certified farmers, the company doesn't just tell, it shows. Conducted in demonstration plots and going through a whole growing cycle, Ina Quipatsi empowers local farmers while building a pipeline of supply for the future.

For its contribution to the central region of Peru, Elisur was awarded by Promperu (the Commission for promotion of exports and tourism of Peru) as the foremost exporting company in 2020.

Industry overview

Also known as *kion*, ginger is considered a "superfood" due to its nutritional properties and health benefits. Its vitamin C content is a standout, as it promotes the healthy development of tissues in the body and strengthens the immune system. It is also rich in vitamin B, especially B9 (folic acid), and minerals such as magnesium and potassium, which work together to help our digestive system and muscles function optimally. Plus, it contains essential oils, such as gingerol, which have antiseptic and anti-inflammatory properties.



Figure 2 (Left) Ginger rhizome and (Right) Turmeric rhizome.

It is no wonder that this essential spice continues to enjoy a strong and growing global demand. It's estimated that the global market for ginger is ~\$6.8 billion in 2020, and it's expected to grow to \$8.5 billion in 2027¹, an average annual growth rate of 3.1%, around 3.6 times faster than the world's population growth.

Peru is the third largest exporter of ginger globally, after China and the Netherlands². China, with an export market share of ~50%, is firmly in pole position. As with most goods that enjoyed a surge in demand during the pandemic, ginger at the close of the 2022 season experienced the effects of the tide going out, as the unusually high demand normalizes. Fortunately, freight rates have also largely normalized, helping to counteract the price volatility of ginger.

Company overview

Elisur was incorporated in March 2016 and is wholly owned by four partners and led by a woman. Kristel Camargo, who owns 25% of the company, leads the company as General Manager. Other directors are Caleb Alcalá (30%), Fredy Mauricio (27.5%), and Wildo Ramirez (17.5%).

¹ [Global Ginger Market Report 2021-2027 - Acceptance of Ginger in Pharmaceutical and Cosmetics Industries Boosts the Market \(prnewswire.com\)](#)

² [Ginger | OEC - The Observatory of Economic Complexity](#)

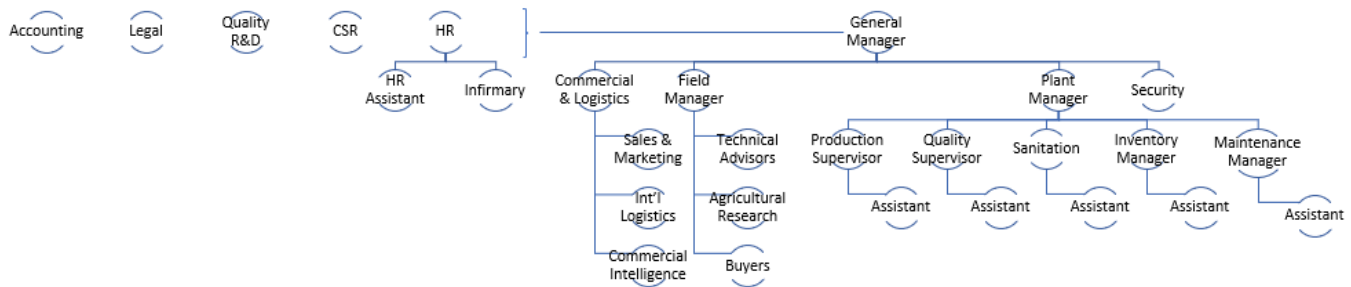


Figure 3 Company Organizational Chart

The company is organized by functions, some led by directors (refer Management section below). Functional managers have the autonomy to make decisions within their areas of responsibility. Medium-term decisions are made jointly with management while long-term decisions are made jointly with management and partners outside the company but within the supply chain.

There is a good gender mix in the company. Females make up 35% of administrative and 53% of operations roles. Grober, who visited the company on our behalf, spoke with a few employees. Among them is the quality supervisor, Marlhid Tomas who testified of receiving relevant training and employment benefits, as well as the opportunity to grow professionally. Through her work at Elisur, she’s able to help her parents and siblings cope with living expenses. Another interviewee was Benjamin Rojas, who works as a plant operator. Like Marlhid, he also spoke well of the company, and even plans to further his studies to pursue a technical career in agribusiness.

Management

The directors of the company are also managers in the company. Apart from Kristel, who serves as General Manager, Wildo Ramirez serves as field manager and provides technical assistance to the farmers of Elisur. He grew up as a farmer and shares his knowledge accumulated from experience. Because he works in the fields, he shares a bond with farmers that deepens their loyalty to the company.

Another director, Fredy Mauricio, heads the Internal Control System (ICS) team. ICS monitors compliance with organic standards and other certification requirements, which provides assurance on product quality as it passes through the supply chain (planting, harvesting, processing).

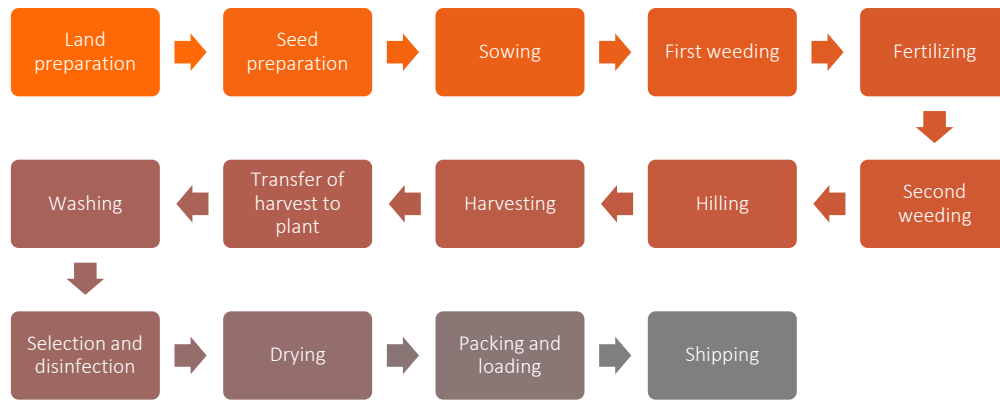
Jefferson, CEO of Doselva, one of our borrowers in Truss Fund II, referred Elisur to Beneficial Returns. Doselva operates in Nicaragua, specializing in the dry line of ginger and turmeric. Jefferson offered his unequivocal support for the management of Elisur, whom he has met and whom he hopes to deepen a strategic partnership with, given the complementary growing season between the two countries. He believes this relationship will be mutually beneficial as they share their respective areas of expertise – fresh and dry.

Given how Elisur is organized into teams that collectively cover every function, and directors offer a plurality of leadership while serving as operators within the company, we assess keyman risk to be low.

Supply chain

Unlike perennial crops, both ginger and turmeric are annual crops that need to be sowed afresh every year, from September. The rhizomes grow and mature underground for approximately 9 months before they are ready for harvest, from June of the following year onwards. Elisur works closely with certified farmers to grow the ginger and turmeric crops that they export.

The growing and harvesting process follows a predictable cycle of:



As we have mentioned earlier in the memo, in the part of the cycle involving farmers, field engineers act as technical advisors and literally work hand-in-hand with farmers to ensure both high quality and quantity of the eventual harvest. The Internal Control System (ICS) team acts as internal auditors, making doubly sure that the entire supply chain complies with standards the various certifying bodies have stipulated. Traceability is strictly enforced – every pallet is comprehensively labelled and can be traced back to both the plot and the farmer. This is helpful in case a dispute arises where a customer is dissatisfied with quality on arrival.

The National Service of Agrarian Health of Peru (SENASA) has been inspecting the processing plant since 2017, the year after the company’s incorporation. This annual inspection ensures that the company complies with the standards that the Peruvian health authority sets.

The processing in the plant concludes when the crates of ginger and turmeric are loaded onto 40-foot containers, ready for shipping. The containers are transported to Port Callao on the western coast of Peru for export to 7 destination countries – USA, Canada, Spain, Germany, the Netherlands, Italy, and UK. It takes between 10 to 27 days to arrive at its destination.

The company’s list of certifications include Global G.A.P., USDA Organic, Organic Certification from the EU, Organic Canada, Fair Trade, and Fair Trade USA.



Recent unrest in Peru

Ted spoke with Philip Stafford, Country Risk Director for the Americas, Wells Fargo for his perspective on the recent unrest in Peru and the risks associated with making a loan in Peru. Philip described Peru as having a long history of a dysfunctional government without impacting the economy or the business community. The country has the second highest credit rating in Latin America after Chile, much of it due to its independent central bank, its strong banking regulations and its protection of foreign investors through ironclad property rights.

Nonetheless, Peru is experiencing tumultuous times with six presidents in the past five years and civil unrest which has led to airport closures, mine closures, and road blockades, particularly in the south. For the first time in a

generation, it is possible that political drama could develop into an economic matter, but Philip thinks it is unlikely. The government has recently committed to spending \$1.35B on additional handouts, a figure the country can absorb with its low debt to GDP ratio and high foreign exchange reserves.

Philip remains bullish on Peru; Wells is not currently making any adjustments to its lending exposure in the country. Any next steps might involve a small increase in the interest rates charged there. Philip, did, however, flag two risks for any agricultural business:

- 1) access to chemical fertilizer is limited due to the war in Ukraine;
- 2) the social unrest is led by the rural poor; businesses that are perceived to exploit the poor are at risk of boycott or sabotage.

The risks cited by Philip underscore our rationale for lending to Elisur. Agriculture needs more practitioners like them who farm regeneratively and are people-centered, willing to work alongside farmers to advance the common good.

Financial overview

Financial performance

Elisur has been profitable since 2018. As with some other BR borrowers offering organic food products, sales and profits waxed during the pandemic but waned when countries relaxed its restrictions, towards the latter part of 2022. Even then, the 10.6% drop in revenues as prices fell from pandemic highs was not as steep compared both to the drop in Peruvian and global ginger exports, which fell 19.5% and 12.8%³ in 2021 vs. 2020, respectively.

Gross margin fell in 2021 and 2022 because Elisur had to pay for freight in a greater % of shipments. In 2019, 92% of its sales were FOB and this has fallen to only 44% in 2022. The company recognizes that freight costs have eroded its gross margin and is presently negotiating with buyers to distribute this burden.

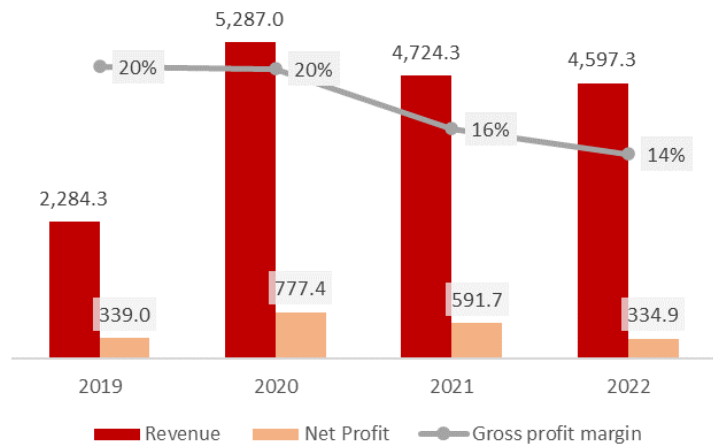


Figure 4 Income statement in \$ '000s

Elisur sources their customers mostly from international trade fairs and targeted digital marketing. Promperu helps by organizing business roundtables with international buyers. The company has a diversified customer base, with the top customer accounting for 15% of sales and the top 5 customers accounting for 48% of sales. Customers are attracted to Elisur for its quality, traceability, and social mission.

The company believes that as they extend beyond the fresh line into the dry line, they can explore more combinations of selling their harvest. The extended shelf life of dry ginger and turmeric will help both top and bottom line.

³ ITC data, [ITC - Trade Impact for Good \(intracen.org\)](https://intracen.org)

Financial position

Elisur's years of profitability have accumulated into a healthy net worth.

Balance Sheet (in \$ '000s)	2019	2020	2021	2022
Cash	36	329	268	232
Accounts receivable	516	1,102	1,151	1,089
Other receivables	135	213	331	746
Inventory	6	36	64	60
Other current assets	11	14	11	12
Current assets	705	1,694	1,825	2,140
Current liabilities	401	730	635	795
Working Capital	304	964	1,191	1,345
Total assets	865	1,919	2,344	2,839
Total liabilities	422	737	635	795
Total equity	443	1,182	1,709	2,044

At year-end 2022, we found no concentration in accounts receivable (AR). Based on the AR on Dec. 31, 2022, the balance turns over ~4.6 times a year. The company clarified that AR is high because we're just coming off the high season, and that to date they've had no difficulty collecting from customers. The bulk of the company's expenses are variable direct costs and based on present cash-at-hand, the company can weather over 6 months of operating expenses.

It has funded most of its expansion from retained earnings. As of Dec. 31, 2022, it has two loans outstanding, listed below:

Debt service (USD)	Original Notional	2021	2022	2023
BBVA Banco Continental	263,158	21,930	131,579	100,022
Banco de Credito del Peru	78,947	0	13,158	52,632
BR loan	300,000	0	0	52,162
Total debt		21,930	144,737	204,816
DSCR Calculation		27.0	2.3	1.6

Adding the debt service for the proposed loan from BR, DSCR will fall to 1.6x if net income doesn't grow from 2022's level. Given the proposed addition of a dry line, and a continued expansion of the fresh line, Elisur expects net income to grow ~50% in the 2023/24 season, back to the level it achieved during the pandemic. If this happens, DSCR will hover around **2.5x**. Given the strong working capital the company has, we assess the credit risk to be low.

Transaction Overview

Elisur is seeking a loan of \$300,000 to finance the purchase of drying equipment that will enable it to operate a dry ginger and turmeric line. Given the company's profitable track record, we have proposed a 60-month loan secured by equipment with value of >=\$360,000. Directors with at least 20% ownership stake will also provide a personal guarantee on loan repayment.

As it takes time to operate a new piece of equipment, we have offered a 3-month interest-only period followed by 57 months of amortizing principal and interest payments.

Major risks and mitigating factors

Risk	Risk factor	Probability	Risk mitigating factor
Interruptions in Elisur’s operations	Political unrest in Peru disrupts Elisur’s supply chain	Moderate	<ul style="list-style-type: none"> Containers aren’t moving as quickly from warehouse to port, but they are moving. For example, 3 containers are shipped per week now compared to 6 before the political unrest. Since this season’s harvest are 100% sold through confirmed orders, this impact might impact cashflows in the short-term but is not expected to affect annual sales.
	Quality of the dry line initially suffers	Moderate	<ul style="list-style-type: none"> Compared to the fresh line, the dry line is easier to control. The strategic partnership with Doselva whose expertise is in the dry line will help.
Repayment ability to BR	Falling sales or profitability stresses cashflows	Moderately low	<ul style="list-style-type: none"> Peruvian ginger has a firm standing in the market and the region where Elisur’s farmers grow their ginger is especially suited for the crop. The company has a diversified client base which mitigates concentration risk. Adding a dry line further diversifies risk. The company has adequate net worth that can weather temporary declines in sales.

Conclusion

Elisur strikes us as a company that is well-founded. It is steered by a complementary and exemplary team of leaders who work alongside both staff and farmers. The results are plain to see – loyal employees, partner farmers, customers, and a profitable business, all while preserving the natural environment. We believe this transaction will help the company diversify product risks and capture a greater market share so it can realize even more of its founding vision. We recommend extending a loan of \$300,000 to Elisur.

Appendix 1: Company Name Impact Assessment

Impact score: 18 out of 20

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. Minimum score of 20 for approval.

	Low	Moderately		High	Score
		Low	High		
1 DEPTH AND BREADTH Is the breadth of impact wide, relative to the current size of the org? How meaningful are the changes to the beneficiaries? Are the beneficiaries truly excluded and marginalized?				✓	4
2 SYSTEMIC CHANGE Is the social enterprise focused on systemic change? Is the social enterprise directly driving policy change or serving as an example to the industry and its peers? What behavior change has taken place? Do the beneficiaries become dependent on the social enterprise?			✓		3
3 COMMUNITY ENGAGEMENT Does the social enterprise engage all stakeholders in their work? Is the social enterprise building local, human resources? Does it actively share its insights with others? Are indigenous communities involved?				✓	4
4 INTENTION How committed to its social or environmental mission is the social enterprise?				✓	4
5 ADDITIONALITY Is Beneficial Returns' investment crucial to the company's goals related to the loan?			✓		3
TOTAL					18

Appendix 2: Company Name Credit Assessment
Credit score: 24 out of 28

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately , and 4 points for High. Minimum score of 20 for approval.

	Low	Moderately		High	Score
		Low	High		
1 BELIEF IN MANAGEMENT Does the social enterprise have a strong management team (extensive industry experience, strong leadership and entrepreneurial background)? Is the governance structure adequate?				✓	4
2 ACCOMMODATIVE BUSINESS ENVIRONMENT Is the social enterprise operating in an industry with low level of competition? Does the social enterprise provide products or services that have low threat of substitution?			✓		3
3 RELIABILITY OF FINANCIAL INFORMATION Can the financial information provided be depended on? Has its financial statements been audited? What is their financial reporting cadence?			✓		3
4 ABILITY TO BE PROFITABLE Does the social enterprise have a positive earnings trend? Are the earnings sustainable?			✓		3
5 STRENGTH OF FINANCIAL POSITION Does the social enterprise maintain adequate financial ratios (DSCR, Debt-to-equity, Current ratio) to support a debt obligation?				✓	4
6 ABILITY TO SERVICE DEBT Does the social enterprise have the ability to establish a strong cash position to meet its debt obligations on time?			✓		3
7 COLLATERAL OR GUARANTEES Is there collateral for the loan with an adequate loan-to-value amount? Is there a guarantor for the loan?				✓	4
TOTAL					24