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AGRICULTURAL CREDIT IN COSTA RICA*

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INTRODUCTION

The economic development of Costa Rica presents features similar to those of other Central American republics. The outstanding characteristics of this type of development are the product of evolution from a colonial economy towards an economy of monoculture. The economic structure of the country has been determined by the production of coffee, which started in the middle of the nineteenth century, and later - and to a lesser degree - by banana-growing. On the one hand these crops have caused the development of foreign trade, but on the other they have resulted in the concentration of immovable property and favoured the expansion of the peonage system, together with a decline in the relative importance of the production of commodities for internal consumption.

Another result of monoculture is that the economic upheavals in industrial centres where coffee and bananas are consumed have had an immediate repercussion on countries in the periphery such as Costa Rica. The declaration of war in 1914 had a considerable effect on all coffee-producing countries, and the chief feature in the history of banking in Costa Rica consists in the attempt made by government since that time to enforce a credit policy in order to counteract in so far as possible the adverse effects of the cycle. On several occasions, and particularly in periods of depression, the Government has done its utmost to help the farmer by means of a credit policy on an extensive scale with the object of stimulating the development of the activities within the country.

This has been the case from 1914 up to the present day, and although the banking and credit policies have changed several times to adapt themselves to the economic social or political situation, the concept of the need to help the farmers has been ever-present.

We will endeavour in this introduction to study the evolution of agricultural credit in relation to the economy of the country as a whole, particularly in regard to money, credit and banking.

The 1914-1949 epoch can be divided into two main periods: from 1914 to 1936 there was an absence of state control and a disorganized banking system. The Banking Law of 1900, which was in force during the whole of this period,

/gave the

gave the Secretario de Hacienda (Secretary of the Treasury) complete control over all banks. As is noted by Don Rodrigo Facio in his study on "Currency and the Central Bank in Costa Rica" ("La Moneda y la Banca Central en Costa Rica"), the lack of concrete information regarding banking operations made it practically impossible to exercise any such control, or at least reduced it to a purely statistical control.

On the 5th November 1936, Decrees Nos. 15 and 16 were promulgated, providing for the establishment of a rational banking system which facilitated the profitable development of agricultural credit.

1914-1936 Period.

The world war caused temporary disorganization in the coffee market and restrictions regarding loans to Costa Rican farmers. On the one hand, the Government needed credit to meet its own expenditures, and on the other, it was essential to provide immediate assistance to the farmers of the country.

The Government accordingly passed a series of measures which had profound repercussions on the economic life of the country. It created the International Bank of Costa Rica, the first State Bank in Central America, and enforced non-convertibility. At the same time the first Cajas de Crédito Rural (Rural credit agencies) were formed.

The new Bank issued four million colones in non-convertible bank-notes. Half this issue was to be lent to the Government, and the other half to farmers.

Non-convertibility, which meant the suspension of the gold standard, resulted in inflationary policies during several succeeding administrations. This is characteristic of the history of the political economy in Costa Rica.

The creation of the new Bank enabled the Government not only to act in the field of credit, but also to have an economic development policy.

The creation of the first "Cajas de Crédito Rural" proved to be valuable experience which led later on to the establishment of the present "Sistema de Juntas Rurales de Crédito" (System of Rural Credit Boards). This first attempt failed, mainly on account of an inadequate administration and of lack of funds; so that, shortly after 1914, the farmers were without any efficient assistance on the part of the Banks. During that period the
/economy

economy of the country as a whole suffered from the effects of the world war and from the consequences of serious political disorders. It was not until 1922 that a period of stability supervened, which was marked, from the financial viewpoint, by the creation of a Caja de Conversion (Conversion Department) which was the only agency to have the privilege of issuing bank notes against gold and foreign currencies. The purpose was to achieve the stability of the colon by maintaining the dollar exchange at 400%. Thus began a period of prosperity which reached its peak in 1928 and ended with the 1929 crisis.

This period was marked by a series of measures beneficial to the economy of the country and more specifically by the creation, by the decree of January 20th 1927, of the Crédito Hipotecario (Mortgage Credit Bank).

This institution was formed without any capital, and acted solely as intermediary between capitalists and mortgagors. It made loans for a period of 20 years and over, at a rate of interest not exceeding 6% per annum. The Crédito Hipotecario did not give legal tender to the mortgagor, but bearer bonds which were guaranteed by the mortgaged property, the Bank, and the Government and which could be discounted. The Bank received them in part or full payment of the debt at their nominal value.

At first the scheme proved a success. The capitalists accepted the bonds willingly. The rate of interest on mortgage loans was lowered. According to Mr. Tomás Soley Guell, the general rate of interest in the market fell from the rate of 15% to that of 8% which had been fixed by the new Bank.

The success of the Crédito Hipotecario was such that having exhausted the capacity of investment of the country, it was able to sell bonds to Spanish capitalists to the extent of four million dollars.

Unfortunately the 1929 crisis had a series of economic repercussions which affected the development of the Crédito Hipotecario during the 1929-1936 period. The depression had repercussions on the fiscal policy and the Government used the International Bank to issue non-convertible currency as it had done in 1914. A series of measures taken at this time gradually deprived the Caja de Conversion of its powers, and the period of financial stability and convertibility was succeeded by a period of exchange control by a Junta de Control de Cambios (Exchange Control Board).

/According

According to Costa Rican economists who have made a careful study of this period, these measures had disastrous effects on the currency and on the credit of the country. Yet they cannot be said to have been bad from the standpoint of the defence of agricultural interests. Some of them served to counteract the effects of the crisis on farmers and especially on the land tenure system. The law of the 15th January 1932, which authorized the issue of six million colones by the International Bank, laid down that 1,250,000.00 colones were to be set aside for the "Crédito Hipotecario".

While its financial resources were being increased in this manner, a moratorium in favour of the Crédito Hipotecario was decreed in January 1933, and its administration was handed over to the International Bank for purposes of liquidation. The same year saw the fixing of the rate of 6% for mortgages and 3% for current debts, and a moratorium was granted to debtors who paid interest with punctuality.

Another measure adopted by the International Bank of Costa Rica which was extremely valuable was an issue of 8 million colones in the form of bonds at a rate of 3 per cent interest and 2 per cent amortization. Half of the funds obtained by these means were destined (4,000,000.00 colones) to loans for coffee producers, 1 million for loans guaranteed by livestock, and 1 million for the Government to provide employment through expenditure in public works.

This issue of bonds was a success. The guarantee was perfectly safe. On the one hand the International Bank could in the last resort issue currency to amortize the bonds. On the other hand, there was an excess of currency in circulation and for the private banks the acquisition of bonds constituted safe and profitable operations.

From the farmers' standpoint, the facilities offered made possible the continuance of their activities, and prevented the concentration of property into a few hands, which might well have occurred if credit had been lacking.

While these useful measures were being carried into effect, other factors were causing confusion in the banking system. The exchange control system which was put into effect in 1932, had not produced the results that were hoped for and it had to be abandoned in 1935.

/These

These sudden changes created an atmosphere of anxiety regarding the banking policy of the country. In any case the International Bank needed reform. In the course of time it had become involved in various activities, and the time had come to reorganize its entire structure.

In these circumstances the International Bank, with Government approval, invited Dr. Max from Chile to come to San José of Costa Rica to reorganize the banking system of the country; this was in 1935. His mission resulted in the promulgation of two laws which laid the foundations of the financial and credit system of Costa Rica. These were Laws No. 15 (General Banking Law) and No. 16 (Law of the National Bank of Costa Rica, the successor of the former International Bank), both of November 5th 1936.

These two laws, and particularly the Law of the National Bank, had profound repercussions on the country's agriculture. The creation of the Mortgage Department and of the "Sección del Crédito Agrícola del Departamento Comercial" (Agricultural Credit Section of the Commercial Department) in the National Bank were measures of the very greatest value and will be studied in the course of the present report.

1936/1949 Period

The system of banking established by the Laws of 1936 have enabled the country to go through the series of economic changes which have occurred during recent years without serious losses.

The 1936/1949 period can be divided into four parts. From 1936 to 1940 the banking system functioned along the lines determined by Dr. Max; the Republic's budget was balanced and even showed surpluses, and the balance of payments was favourable, although the trade balance was negative.

During this period agricultural credit progressed and the outstanding loans made by the "Juntas Rurales de Crédito Agrícola" passed from 145,295 colones in 1937 to 1,731,525 colones in 1940.

From 1940 to 1944, and especially since 1941, there was an inflationary tendency; the government expenditure rose and there were budget deficits; the Balance of Trade was unfavourable whilst the balance of payments remained favourable. Outstanding loans to farmers made by the "Juntas Rurales"

Rurales" rose from 2,078,737 colones in 1941 to 4,447,681 colones in 1944.

When the war ended in 1944, the increased volume of imports and the decrease in foreign investments and loans resulted in a change in the balance of payments, which became passive. The "Juntas Rurales" continued their cautious policy and increased their outstanding loans from 4,930,621 colones in 1945 to 9,307,657 colones in 1948.

In 1948 a new period in the banking history of Costa Rica was inaugurated with the promulgation of Decrees No. 71 and No. 313 of June 21 and December 29 respectively, whereby commercial banks were nationalized.

It is not yet possible to determine the extent to which the said decrees modified the system of credit for farmers. It can, however, be stated that in 1949 there was a large increase in loans made by the "Juntas Rurales".

It can be seen from the above that the policy of the National Bank (the only institution offering loans to farmers on favourable terms) has always followed the same line and has remained both prudent and progressive in the midst of economic changes due to variations in the national or international policies. The results go to prove that the policy followed by the "Juntas Rurales" has been a good one. In the course of the present report it will be seen that the results have been satisfactory from the standpoint of the security of the investments. We shall also see that agricultural production has been showing a steady rise, and that the "Juntas Rurales" have exercised a stabilizing influence of an unexceptionable kind from the social point of view.

The "Juntas Rurales de Crédito" of Costa Rica give an example worth following. Their development has been possible because of the desire to serve shown by the staff, and also because of the country's tradition concerning agricultural credit.

CHAPTER I

THE PRESENT CREDIT SYSTEM

A. Banking Legislation

The basis of the banking legislation of Costa Rica is the General Banking Law (No. 15 of the 5 November, 1936), the purpose of which was to integrate and coordinate the various banking institutions of the country.

The tendency towards the integration of the banking system became more marked in 1948, and the "Junta Fundadora de la Segunda República" (Decreets Nos. 71 and 313 of 21 June and 29 December) nationalized all commercial banks. Nevertheless the banking law of 1936 remains in force insofar as its basic principles are concerned, and for this reason it is useful to examine its main provisions.

The General Banking Law defines as a Bank "any legally constituted entity who receives deposits of any kind and who invests these deposits, together with its own capital either in its own concerns, or in the form of loans of any kind".

This classic definition, which is of course applicable to nationalized banks, has been used in order to determine which organizations come within the scope of nationalization.

The General Banking Law also provides for the distribution of banking profits, limiting the payment of dividends to a maximum of ten per cent per annum on the paid-in capital until the legal and special reserves are constituted, and subsequently at 12 per cent per annum. These provisions, which exercised very considerable influence on the banking system, ceased to apply when the banks were nationalized.

The General Banking Law also includes in its first article, provisions for the legal liquid assets and minimum legal liquid assets. The law determines which assets can be considered as liquid, as well as the minimum liquid assets that should be maintained as a guarantee of the deposits (20 per cent on the total value of sight liabilities and 10 per cent on the total value of other liabilities). (See Table I-1). This was perhaps the most important of the provisions of the General Banking Law, since it

/was assumed

was assumed that once the Law's requirements were fulfilled, the banks could receive the support of the bank of issue acting as bank of banks.

Other important provisions of the General Banking Law were those referring to banking and foreign exchange operations and to the "Superintendencia de Bancos".

The law established that the "Superintendencia de Bancos" is a dependence of the "Secretaría de Hacienda" (Secretary of the Treasury). It was the function of the "superintendente" to supervise the Banks. Recently the "Superintendencia de Bancos" has been incorporated in the Central Bank under the denomination of "Auditoría General de Bancos". The functions of the "Auditoría General de Bancos" have been, so far, the same as those established by the above mentioned General Banking Law for the "Superintendencia de Bancos". The "Auditor General" (General Auditor) can carry out inspections and ask the Banks for statements that reflect their financial position.

Table I-1: Liquid Assets of the Commercial Banks in Costa Rica
(in thousands of colones)

Periods	Obligations subject by law to provision of liquid assets			Funds which may be used as liquid assets						Minimum legal liquid assets ^{a/}	Excess legal assets ^{c/}	Total funds that can be computed as liquid assets ^{b/}		
	Sight and less than 30 days	Foreign Exchange Control Deposits	More than 30 days	Total	Bank notes	Coinage	Deposits in the "Departamento Emisor"	Bonds and bills of exchange	Total	Amount ^{b/}	Amount ^{b/}			
										% ^{b/}	% ^{b/}			
Averages														
1947	112,306	-	4,793	117,099	9,634	189	9,321	14,088	33,232	22,937	19.57	10,295	8.79	28.38
1948	96,655	7,279	4,442	108,376	9,543	260	13,176	11,827	34,811	27,051	24.96	7,760	7.16	32.12
1949														
January	95,006	17,273	4,200	116,479	9,321	413	21,103	11,862	42,699	36,694	31.50	6,005	5.16	36.16
February	101,587	19,514	4,279	125,380	8,356	334	24,169	13,308	46,667	40,259	32.11	6,408	5.11	37.22
March	104,870	20,628	4,415	129,913	8,944	275	23,710	15,047	47,976	42,043	32.36	5,933	4.57	36.93
April	106,486	21,675	4,622	132,783	8,389	253	24,436	15,157	48,235	43,435	32.71	4,800	3.61	36.32
May	104,000	21,597	6,477	132,074	8,616	265	24,754	16,253	49,888	43,045	32.59	6,843	5.18	37.77
June	108,560	23,304	4,930	136,794	8,476	269	25,634	18,843	53,222	45,509	33.27	7,713	5.64	38.91
July	111,113	25,816	4,968	141,897	8,686	288	28,311	19,010	56,295	48,536	34.20	7,759	5.47	39.67
August	113,193	23,567	4,891	146,651	8,173	277	30,977	17,280	56,707	51,695	35.25	5,012	3.42	38.67
September	114,977	32,132	4,672	151,781	7,738	258	34,494	17,281	59,771	55,595	36.63	4,176	2.75	39.38
October	117,147	35,027	4,709	156,883	7,768	233	37,782	17,607	63,390	58,927	37.56	4,663	2.84	40.40
November	117,630	37,997	4,761	160,388	8,351	235	40,740	17,490	66,816	61,999	38.66	4,817	3.00	41.66
December	116,109	40,601	4,703	161,413	8,032	214	43,857	17,375	69,478	64,293	39.83	5,185	3.21	43.04

Source: Journal of the National Bank of Costa Rica.

a/ 20 per cent on sight or less than 30 day obligations, 100 per cent on Foreign Exchange Control Deposits and 10 per cent on 30 day or more obligations.

b/ This percentage has been calculated on the total obligations subject to provision of liquid assets.

c/ Funds which may be used as liquid assets minus excess legal assets.

/The provisions

The provisions that have influenced most the banking structure are the above mentioned Decrees Nos. 71 and 313. The banking system has been completely changed, from the legal point of view, by Article I of Decree No. 71.

Article I. Private banks are nationalized. Only the State can, through its own banking institutions, mobilize the deposits of the public".

Article II of the same Decree provides further: that "shares of the Banco de Costa Rica, the Banco Anglo Costarricense and of the "Crédito Agrícola de Cartago" are expropriated on grounds of public policy. The State, through its Ministry of Economy, is to take possession immediately of these banking institutions. The forms and conditions of payment of the expropriated shares will be provided for in a subsequent decree".

Decree No. 313 of the "Junta Fundadora de la Segunda República" legally and financially consolidates the nationalization of the banking system. In its Article II, it defines what is the national banking system, which is composed by: the "Banco Nacional de Costa Rica", "The Banco de Costa Rica", the "Banco Agrícola de Cartago" (the specific functions of which will be determined subsequently), and the "Caja de Amortización de la Deuda Pública" (Amortization Fund of the Public Debt), as well as any other institution which could be incorporated into the system if it is deemed advisable. Since the 28 of January 1950, there exists in addition, a bank of issue, the "Banco Central de Costa Rica" (Central Bank of Costa Rica). Its methods of operation as well as those of the other banks will be dealt with in Section B of this chapter.

B. Sources of Credit

The sources of credit in Costa Rica are

- (1) The Central Bank of Costa Rica;
- (2) The "Sistema Bancario Nacional" (National Banking System);
- (3) The Banco Lyons (Lyons Bank)
- (4) The coffee millers and exporters of coffee
- (5) Other private money-lenders.

The main source of credit is the national banking system, and in particular the National Bank of Costa Rica. The Lyons Bank performs all

/banking

banking operations, but as it does not receive deposits and operates solely with its own capital it has not been nationalized.

The coffee millers and other private money-lenders make loans mainly for coffee production and marketing, and act to a great extent as agents of the National Bank, which makes use of them in order to make funds easily available to the producers.

1) The Central Bank of Costa Rica. The Central Bank of Costa Rica is of recent foundation, having been established by Law No. 15 of 2 January 1950. It is primarily a bank of issue and a regulator of credit operations. Before its establishment, banknotes had been issued by the "Departamento Emisor" (Issue Department) of the National Bank.

The governing body of the Central Bank is the "Junta Directiva" (Board of Directors) composed of seven directors, the Minister of Economy and Finance (ex officio member), and six persons elected by the "Consejo de Gobierno".

The Government, although it appoints the members of the Junta, does not interfere with the administration of the Bank. The directors alone are responsible for the administration and are personally liable, with their private possessions, for losses incurred by the Bank as a result of operations forbidden by law.

The capital of the Bank amounts to 3,000,000 colones, and its reserves to 1,500,000 colones.

The Central Bank possesses all the powers of the former Departamento Emisor (Issue Department) of the National Bank; but the law of 2 January 1950 has made a number of innovations which may have highly important consequences for credit in general, and particularly for agricultural credit.

The Departamento Emisor (Issue Department) of the National Bank has been able to control the credit of the country by means of the faculty to determine and alter the rates of re-discount, discount and interest on the operations it performed. The Central Bank Law widened these powers. In the explanatory section of the law it is stated that "the expansion of the economy of the country implies that new methods should be adopted for credit and that, insofar as possible, quantitative and selective controls should be applied".

/The essential

The essential provision of the Law is contained in Article 9.

Article 9. "The Central Bank shall also have the power to establish, according to a general and uniform standard, rules and regulations to which the national banks shall conform with regard to the granting of credit, in order to conciliate its social duties with the need to ensure its liquidity and solvency."

The Central Bank is thus enabled, by its rediscount policy and by even more direct action, to regulate credit. Although it has been created recently it has already taken steps to orient credit and has given particular attention to investments which are liable to foster the economic development of the country.

In accordance with this policy the Bank has fixed the following interest and rediscount rates on 22 February 1950.

- a) For rediscount to commercial banks of commercial documents with terms not exceeding 180 days: 4 per cent per annum.
- b) For rediscount to commercial banks of documents related to agricultural or industrial operations, with terms not exceeding 360 days: 3 per cent per annum.
- c) For rediscount to commercial banks of documents connected with operations of the "Sección de Crédito Agrícola e Industrial" (Agriculture and Industry Section of the National Bank) with terms not exceeding 360 days: 3 per cent per annum.
- d) For rediscount to commercial banks of documents connected with price control operations made by the "Consejo Nacional de Producción" (National Production Council): 2 per cent per annum.
- e) For loans to the Commercial Department of the National Bank of Costa Rica, intended solely for the financing of the "Juntas Rurales de Crédito Agrícola", with terms not exceeding 90 days: 1.1/2 per cent per annum.
- f) For loans to commercial banks, with terms not exceeding 90 days: 4 per cent per annum.

The Board of Directors of the Central Bank of Costa Rica also

/established

established on 22 February the maximum percentages that the commercial banks might charge in addition to the rates of rediscount of the Central Bank, in the form of interest, discount, commissions and any other charges, without the relevant credit documents ceasing to be rediscountable in the Central Bank.

- a) For current commercial documents: 2 per cent per annum
- b) For documents relating to agriculture, livestock and industry: 3 per cent per annum
- c) For documents connected with transactions relating to the fattening of livestock: 4 per cent per annum
- d) For documents connected with transactions in the "Sección de Crédito Agrícola e Industrial": 4 per cent per annum
- e) For documents connected with price control operations made by the "Consejo Nacional de Producción": 2 per cent per annum
- f) For documents relating to the financing of the coffee harvest: 3 per cent per annum.

It must be noted that the Central Bank gives marked preference to rediscount of documents related to loans granted to farmers. At the same time, the Central Bank allows the commercial banks greater margins for non-commercial transactions. The Central Bank recognizes moreover that agricultural credit is more costly. Too great a narrowing of the margin would result in the restriction of credit on the part of the banks.

Tables I-2 to I-6 complete the information available on the Central Bank of Costa Rica.

Costa Rica has a serious foreign exchange problem, and although the strict control regulations have caused the total reserves to increase, the pressure of applications for foreign exchange becomes greater every day (See Tables I-2 and I-3).

The percentage of variation of the currency in circulation is steadily positive all through the year and may be seen from Table I-4.

The deposits and loans of the "Departamento Emisor" (now the Central Bank) have also increased considerably; investments, on the other hand, have shown a decrease (See Tables I-5 and I-6).

2. Commercial Banks. The sources of short term credit are the nationalized banks ("Banco de Costa Rica", "Banco Anglo-Costarricense", "Banco Agrícola de Cartago" and Commercial Department of the National Bank) as well as the Lyons Bank

/Table I-2:

**Table I-2: International Monetary Reserves held by the
 National Banking System of Costa Rica**

(in U.S. Dollars)

Dates	International Monetary Reserves of the National Bank of Costa Rica	Monetary Reserves of the Commercial Banks ^{b/}	Deposits of the Public, the Treasury and other institutions ^{b/}	Total International Monetary Reserves
1947	4,791,787	570,252	161,729	5,523,768
1948	4,283,582	370,416	73,150	4,727,148
1949				
January	4,202,375	513,052	195,439	4,910,866
February	5,400,475	539,865	183,531	6,123,871
March	6,375,531	637,395	104,148	7,117,074
April	5,915,248	190,959	155,245	6,286,352
May	5,407,029	316,121	144,748	5,867,898
June	4,897,683	389,779	123,219	5,410,681
July	5,065,673	917,526	400,560	6,400,759
August	5,291,172	1,052,803	197,628	6,517,603
September	5,097,183	1,075,099	175,439	6,347,721
October	4,773,745	926,080	163,274	5,863,099
November	4,643,354	1,157,596	39,560	5,840,510
December	5,077,392	994,057	167,416	7,128,865

a/ Now the Central Bank of Costa Rica

b/ Including the Commercial Department of the National Bank of Costa Rica.

Source: National Bank of Costa Rica

Table I-3: Applications for foreign exchange in Costa Rica
during 1949
(in thousands of dollars)

Figures supplied by the "Junta de Control de Exportación de Productos" (Exports Control Board)

DATES	Before 1948 ^{a/}				After October 1948				TOTAL
	Applications received	Applications granted	Monthly differences	Backlog	Applications received	Applications granted	Monthly difference	Backlog	
1948									
December				7,131				589	7,720
1949									
January	2,912	430	+2,482	9,613	1,154	84	+1,070	1,659	11,272
February	-1,670	325	-1,995	7,618	594	208	+ 386	2,045	9,663
March	48	506	- 458	7,160	918	193	+ 725	2,770	9,930
April	- 146	494	- 640	6,520	1,865	965	+ 900	3,670	10,190
May	27	558	- 531	5,989	2,072	1,043	+1,029	4,699	10,668
June	- 102	278	- 380	5,609	1,477	745	+ 732	5,431	11,040
July	- 2	20	- 22	5,587	1,605	321	+1,284	6,715	12,302
August	-	30	- 30	5,557	1,343	330	+1,013	7,728	13,285
September	-	32	- 32	5,525	1,450	124	+1,326	9,054	14,579
October	-	28	- 28	5,497	1,681	99	+1,582	10,636	16,133
November	-	30	- 30	5,467	1,275	83	+1,192	11,828	17,295
December	5	207	- 202	5,265	1,131	64	+1,067	12,895	18,160

Source: Journals of the National Bank of Costa Rica, December 1949.

a/ Applications made before the emergency legislation regarding foreign payments came into force in October 1948.

Table I-4: Average Currency in Circulation in Costa Rica

Totals and Percentages

(in thousand colones)

Periods	Deposits in current accounts in commercial banks			Cash in hands of the public			Currency in Circulation	
	Amount	% of total	% of Variation	Amount	% of total	% of Variation	Amount	% of Variation
1947	91,962	56.83	+ 8.08	69,661	43.17	+ 8.82	161,823	+ 8.40
1948	81,186	45.34	- 11.72	97,858	54.66	- 40.08	179,044	+ 10.64
1949								
January	82,101	43.83	+ 6.26	105,206	56.17	+ 0.21	187,307	+ 2.77
February	88,727	45.72	+ 8.07	105,337	54.28	+ 0.12	194,064	+ 3.61
March	91,879	46.59	+ 3.55	105,321	53.41	- 0.02	197,200	+ 1.62
April	92,903	47.08	+ 1.11	104,439	52.92	- 0.84	197,342	+ 0.07
May	90,209	46.99	- 2.90	101,787	53.01	- 2.54	192,996	- 2.71
June	94,191	48.42	+ 4.41	100,331	51.58	- 1.43	194,522	+ 1.32
July	96,158	49.16	+ 2.09	99,437	50.84	- 0.89	195,595	+ 0.55
August	97,896	49.75	+ 1.81	98,861	50.25	- 0.58	196,757	+ 0.59
September	98,871	50.30	+ 1.00	97,693	49.70	- 1.18	198,564	- 0.10
October	99,585	50.26	+ 0.72	98,560	49.74	+ 0.89	198,146	+ 0.80
November	101,028	50.53	+ 1.45	98,910	49.47	+ 0.35	199,938	+ 0.90
December	99,492	49.28	- 1.52	102,403	50.72	+ 3.53	201,895	+ 0.98
Average	97,420	48.19	+ 16.30	101,524	51.81	+ 3.75	195,944	+ 9.44

Source: Journal of the National Bank of Costa Rica, December 1949.

/Table I-5:

Table I-5: Deposits in the Departamento Emisor^{a/}
of the National Bank of Costa Rica
(in thousands of colones)

PERIODS	Commercial Banks	Commercial Department	Deposits for Foreign Exchange Control	Mortgage Department	Treasury and other Institutions	The Public	Monetary Fund and International Bank	Other types of deposits	TOTAL
End of 1947	4,378	4,570	179	245	-	100	28,238	103	37,813
1948	5,146	3,357	18,778	664	-	10	34,994	477	63,426
1949									
January	2,379	1,184	20,833	1,445	-	100	34,994	305	61,240
February	2,303	3,156	23,787	1,199	-	-	34,994	307	65,746
March	1,965	655	25,500	554	-	55	34,993	732	64,454
April	1,193	983	25,316	534	-	103	34,993	5	63,127
May	2,909	1,745	25,979	232	-	163	20,086	5	61,119
June	2,271	1,812	27,978	926	-	50	30,086	5	63,128
July	2,489	2,174	31,249	677	-	100	30,086	5	66,780
August	2,169	1,384	34,557	220	-	280	30,086	1	68,697
September	2,108	1,672	38,317	312	-	140	30,086	62	72,697
October	1,490	2,357	41,686	264	140	-	30,086	1	76,024
November	1,334	2,552	44,668	2,239	140	-	23,067	-	74,000
December	2,892	2,638	46,883	470	-	-	23,066	56	76,005

Source: Journal of the National Bank of Costa Rica, December 1949.

a/ Now the Central Bank of Costa Rica.

Table I-6: Loans and investments of the Departamento Emisor
(now the Central Bank) of the National Bank of
Costa Rica, 1947-1949

(In thousands of colones)

	1947	1948	1949
LOANS			
Commercial Banks ^{a/}	49,423	63,509	81,737
Mortgage Department of the National Bank	13,195	13,062	12,930
Mortgage Credit Bank of Costa Rica	50	-	-
Treasury	8,821	8,557	8,232
Other allocations	126	227	4
Total allocations	71,615	85,355	102,903
INVESTMENTS			
Bonds of the National Banking System ^{b/}	-	1,459	1,409
Securities	3,950	3,826	3,668
Treasury Notes	-	26,560	16,670
Total investments	3,950	31,845	21,767

a/ Including the Commercial Department of the National Bank of Costa Rica.

b/ Up to December 1948 the bonds are only of the National Bank of Costa Rica.

Source: National Bank of Costa Rica.

/Table I-7 shows

Table I-7 shows the main items of the balances of the commercial banks during the last three years. It will be noted that the availabilities have risen constantly in the country since 1947. This rise reflects fundamentally the changes in the availabilities in the country since the funds coming from foreign sources have decreased considerably during 1949.

The increase of availabilities could be considered, at least in part, as being the consequence of inflation since during 1949 there were inflationary tendencies of some magnitude (see Table I-4). Loans of the "Departamento Emisor" (today Central Bank) and of the National Bank (see Table I-6) augmented considerably and so did the total deposits in the commercial banks (see Table I-8).

It is to be noted that the term deposits, which are those which can best be utilized for agricultural loans at medium or long term, have hardly increased at all during the last three years.

Table I-9 shows the loans of the commercial banks from 1947 to 1949. It is interesting to note how the differences of credit have varied during 1949. Current account operations passed from 10.9 to 7.9 million colones. Short term loans (less than a year) followed an upward trend with a regular and moderate rise passing from 58.5 to 65.0 million colones in the course of the year; long term loans of more than a year followed an irregular trend, which on the whole is upward, passing from 4.7 to 10.2 million colones; lastly agricultural and industrial loans followed a constant upward trend passing from 41.9 to 52.5 million colones. These last figures are the most significant and they show how credit expansion in Costa Rica has taken place with a basic idea of development of production.

3. Mortgage Banking. The main course of long term loans in Costa Rica is the Mortgage Department of the National Bank. This is particularly so in the case of long term credit related to agriculture. In effect the National Bank, through its Mortgage Department is the only institution that issues its own bonds in the form of mortgage bonds and its capital represents nearly 90 per cent of the total of the mortgage institutions of the country.

Table I-10 shows the principal items of the balances of the mortgage banks of Costa Rica, as of 1 December 1949. It will be noted that the availabilities diminished considerably at the end of the year and that the outstanding loans passed from 40.0 million colones in January to 53.0 million in December. Loans made during January reached the maximum of 22.1 million and decreased all through

/1949 until

1949 until they reached 7.8 million in the month of December. The items Sundry Liabilities and Debts to the "Departamento Emisor" (today Central Bank), as well as to the Commercial Department of the National Bank remained stable during the year and presented similar amounts to those of the two preceding years.

The bonds in circulation, which in January totalled similar sums to those shown in 1947-1948 were reduced to more or less half in February 1949, owing to the redemption of the bonds that were still in circulation of the issues made in 1933 and 1941.

Capital increased from December 1948 to January 1949, owing to the increase of 20 millions of the capital of the Mortgage Department of the National Bank.

4. "Banco Nacional de Costa Rica" (National Bank of Costa Rica)

The National Bank of Costa Rica is the main source of agricultural credit in that country. It is the successor of the old International Bank of Costa Rica founded in 1914 and it is ruled by Law 16 of 5 November 1936.

The administration of the Bank is in the hands of the "Junta Directiva General" (General Board of Directors) which is composed of nine members, all appointed by the Government. Article 8 of the Law provides that the members of the Board are to fulfill their functions in absolute independence of the Government. In order to give more strength to this provision, Article 9 of the Law provides that the members are permanent during their term of office, unless they should infringe the Law.

The National Bank, in consequence, can be defined as being a public institution with a minimum intervention of the Government. Nevertheless it must be noted that the budgets made by the Manager must be approved not only by the Board of Directors but also by the Government. However, there have not been conflicts in this field between the Board and the Government.

The Board elects among its members, a President and a Vice-president and appoints a General Manager whose function is to administrate the Bank according to the Law.

The capital of the National Bank, when it was created, was of 10 million colones, all of public property. In 1948 this capital was increased to 58 million colones. When in 1950 the Issue Department was separated from the Bank in order to form the Central Bank, it received the corresponding capital, that is to say three million colones. Today, however, the capital of the Bank amounts to 55 million colones.

Table I-7: Main Items in the Balance Sheets of the Commercial
Banks of Costa Rica
(in thousands of colones)

Periods	A S S E T S				L I A B I L I T I E S				
	Avail- able Funds	Loans	Invest- ments	Other accounts	Total	Deposits	Other accounts	Capital and Reserves	Total
End of									
1947	47,339	151,140	19,645	3,217	221,341	127,308	54,142	39,891	221,341
1948	64,334	151,359	20,814	8,183	244,690	124,105	68,931	51,654	244,690
1949									
January	72,172	154,668	33,673	29,245	289,758	136,217	91,341	62,200	289,758
February	75,405	158,926	33,863	29,797	297,991	144,604	91,187	62,200	297,991
March	76,529	159,966	34,576	9,851	280,922	149,153	69,569	62,200	280,922
April	69,164	159,267	36,995	11,364	276,790	146,503	68,087	62,200	276,790
May	76,383	159,808	47,554	8,149	291,894	151,390	72,486	67,518	291,894
June	78,205	161,933	48,949	3,348	292,435	153,895	69,634	68,906	292,435
July	80,261	159,934	51,904	3,389	295,488	157,264	69,254	68,906	295,488
August	81,567	163,210	53,743	5,063	303,583	164,418	70,267	68,898	303,583
September	85,245	170,556	55,597	5,430	316,828	173,214	74,716	68,898	316,828
October	92,142	172,816	55,777	5,922	326,657	175,407	82,352	68,898	326,657
November	97,907	175,697	56,921	7,564	338,089	178,975	90,409	68,705	338,089
December	96,482	173,322	63,363	3,830	336,997	179,070	88,198	69,729	336,997

Source: Superintendencia de Bancos de Costa Rica. (Now the Auditoría General de Bancos).

Note: Including the Commercial Department of the National Bank of Costa Rica.

Table I-8: Deposits in the Commercial Banks of Costa Rica
(in thousands of colones)

PERIODS	TREASURY AND PUBLIC INSTITUTIONS			COMMERCIAL BANKS			P U B L I C			OTHER DEPOSITS, SUNDRY CREDITORS, ETC.			TOTAL DEPOSITS
	In national currency	In foreign currency	TOTAL	In national currency	In foreign currency	TOTAL	In national currency	In foreign currency	TOTAL	In national currency	In foreign currency	TOTAL	
End of													
1947	10,267	63	10,330	396	-	396	98,269	7,514	105,783	10,705	94	10,799	127,308
1948	15,774	67	15,841	426	-	426	92,456	11,575	104,031	3,696	111	3,807	124,105
1949													
January	17,539	582	18,121	523	-	523	102,048	11,971	114,019	3,539	15	3,554	136,217
February	19,672	518	20,190	159	-	159	106,870	14,214	121,084	3,158	13	3,171	144,604
March	18,787	192	18,979	207	-	207	115,347	11,860	127,207	2,756	4	2,760	149,153
April	16,210	356	16,266	261	-	261	114,148	11,765	125,913	3,673	90	3,763	146,503
May	16,841	239	17,080	67	-	67	120,328	10,547	130,875	3,860	8	3,868	151,890
June	17,751	194	17,945	236	-	236	121,734	10,123	131,857	3,830	27	3,857	153,895
July	17,946	1,744	19,690	743	-	743	124,793	8,131	132,924	3,870	37	3,907	157,264
August	18,728	304	19,032	416	-	416	132,827	8,577	141,404	3,530	36	3,566	164,418
September	20,338	203	20,541	339	-	339	135,623	10,174	145,797	6,524	13	6,537	173,214
October	20,113	219	20,332	208	-	208	137,282	12,488	149,770	5,088	9	5,097	175,407
November	22,744	4	22,748	263	-	263	137,932	12,475	150,407	4,882	675	5,557	178,975
December	18,714	287	19,001	106	-	106	144,727	11,260	155,987	3,969	7	3,976	179,070

Source: National Bank of Costa Rica.

Note: Including the Commercial Department of the National Bank of Costa Rica.

/Table I-9:

Table I-9: Loans of the Commercial Banks of Costa Rica
(in thousands of colones)

<u>I N N A T I O N A L C U R R E N C Y</u>									
PERIODS	Current Accounts	Short-term loans (up to 1 year)	Long-term loans (more than 1 year)	Loans for Agricultural and Industrial Credit	Discounts	Other allocations	TOTAL	In foreign currencies	Total allocations
End of									
1947	15,201	49,673	6,482	35,237	39,023	2,547	148,163	2,977	151,140
1948	10,746	57,216	4,122	41,418	34,805	2,654	150,961	398	151,359
1949									
January	10,988	58,593	4,703	41,918	35,299	2,774	154,275	393	154,668
February	10,543	60,842	4,991	40,770	37,948	3,433	158,527	399	158,926
March	9,523	61,511	5,522	40,866	38,540	3,553	159,515	451	159,966
April	9,749	61,665	6,331	41,161	37,499	2,503	158,908	359	159,267
May	8,078	58,076	9,906	43,375	38,582	1,732	159,749	59	159,808
June	7,973	58,257	10,192	44,535	39,186	1,789	161,932	1	161,933
July	8,095	56,909	10,992	45,145	37,480	1,313	159,934	-	159,934
August	7,368	57,153	11,947	45,387	40,177	1,168	163,200	10	163,210
September	7,445	65,672	9,110	47,271	39,725	1,306	170,529	27	170,556
October	8,414	61,646	13,320	48,551	37,737	3,144	172,812	4	172,816
November	9,035	65,236	9,764	50,624	35,225	5,728	175,612	85	175,697
December	7,962	65,032	10,203	52,529	32,486	4,550	172,762	560	173,322

Source: "Superintendencia de Bancos" (now the "Auditor General de Bancos") of Costa Rica.

Note: Including the Commercial Department of the National Bank of Costa Rica.

Table I-10: Main Items of the Balance Sheets of the
Mortgage Banks of Costa Rica
(in thousands of colones)

Periods	Availabilities	Loans	Investments	Various Obligations	Owed to Departamento Emisor	Owed to Commercial Department	Mortgage Bonds	BONDS AND VOUCHERS IN CIRCULATION				TOTAL	Capital and Reserves	
								Mortgage Certificates	Lien Bonds	1933 Bonds	1941 Bonds			
End of														
1947	301	39,219	4,308	5,741	13,245	4,000	1,219	4,464	500	3,630	2,086	11,899	13,449	
1948	657	39,918	2,494	5,772	13,074	3,775	1,128	4,177	500	3,361	1,934	11,100	13,580	
1949														
January	1,565	40,040	22,146	6,420	13,051	3,700	1,099	4,170	500	3,361	1,934	11,064	33,917	
February	1,380	40,089	22,137	6,269	13,040	3,700	1,099	4,168	500	-	-	5,767	33,917	
March	747	40,181	22,136	5,687	13,029	3,625	1,069	4,159	500	-	-	5,728	33,917	
April	710	40,233	22,134	5,726	13,018	3,625	1,069	4,119	500	-	-	5,688	33,917	
May	479	40,330	21,888	5,355	13,307	3,625	1,069	4,112	500	-	-	5,681	33,917	
June	1,130	41,469	20,444	5,647	12,996	3,550	1,039	4,106	500	-	-	5,645	34,318	
July	656	44,625	17,525	5,325	12,985	3,550	1,039	4,089	500	-	-	5,628	34,318	
August	318	45,757	16,360	5,265	12,974	3,550	1,039	4,079	200	-	-	5,318	34,318	
September	483	46,352	15,898	5,398	12,963	3,475	1,008	4,057	200	-	-	5,265	34,318	
October	338	47,459	14,844	5,242	12,952	3,475	1,000	4,040	200	-	-	5,240	34,318	
November	2,478	48,618	13,834	7,569	12,941	3,475	988	3,983	200	-	-	5,171	34,318	
December	494	53,656	7,849	5,016	12,930	3,400	957	3,966	200	-	-	5,123	34,611	

Source: Journal of the National Bank of Costa Rica, December 1949.

The essential characteristic of the internal organization of the Bank is its division in three departments. When the Bank was organized in 1936, Dr. Max recommended the creation of three departments: the Issue Department, the Commercial Department and the Mortgage Department. In 1936 the need to create a Central Bank was felt but Dr. Max explained that "it was preferable to avoid the immobilization of large sums in a country which was in a phase of full development". In 1950 it was decided, taking into account the development of the Bank and the economy of the country, to segregate the Issue Department and to found a Central Bank. In consequence, the National Bank is now divided in two departments, which according to the Law (Article No. 25), are entirely independent. Each Department has its own accounting system and presents a separate balance as well as a separate profit and loss accounts.

The profit and loss accounts of both departments are, of course, melted into one general profit and loss account of the Bank. This division of the Bank in two parts implies that each Department has a separate capital which is of 25 million for the Commercial Department and 30 million for the Mortgage Department.

Mortgage Department

The Mortgage Department of the National Bank was created for historical reasons. When, during the 1929-1932 crisis the Crédito Hipotecario de Costa Rica lost its prestige, the National Bank took charge of its administration for liquidation purposes and also increased its own mortgage operations. The 1936 Law gave a legal structure to the Department which took charge of these operations which today has all the characteristics of a Mortgage bank. Its functions are to make mortgage loans to persons and to corporations with the exclusion of joint stock partnerships and of joint stock companies ("sociedades en comandita y sociedades anónimas"). The principal source of the funds of the Bank are the mortgage bonds; these bonds are bearer bonds and are transferable and negotiable. The Mortgage Department is authorized to issue bonds only up to an amount determined by the Board of Directors with the approval of the Government. The sum total of the mortgage property constitutes the security of the bonds in circulation which are also guaranteed by the assets of the Bank.

Besides the mortgage bonds, the Bank can issue lien bonds ("bonos de prenda"); these are issued for no more than five years and are guaranteed by chattel. The Law establishes that the sums available from the issue of these bonds must be used to finance the operations of the Agricultural and Industrial Sections of the

Commercial Department. There is a noticeable effort being made on the part of the legislators to ensure that the Mortgage Department's funds should be used either directly or indirectly for the development of production and not for commercial payments. On the other hand, the fact that the product of the issue of bonds is destined to operations of the Agricultural and Industrial Section of the Commercial Department enables the latter to use the funds coming from sight or short term deposits for commercial purposes in accordance with the classic banking doctrines.

The principal function of the Bank is, of course, to make long term loans with mortgage securities. The Law provides that these loans must be used for (a) buying land for agricultural purposes; (b) productive agricultural operations; (c) buying or building constructions of a productive character.

This provision has had excellent results on the general policy of the Mortgage Department. Besides, from the point of view of the agriculture of the country, the interests of the farmers are safeguarded by the provisions of the Law of 17 March 1939 which modified Article 103 of the National Bank Law. The new Article 103 establishes that the Department will, in the first place, give loans that will be used for the development of agricultural production, and that for that purpose, the Board of Directors will distribute them as follows: (1) 70 per cent will be used for purely agricultural ends with the guarantee of rural property; (2) 30 per cent will be used for building with the guarantee of either urban or rural property. The consequence of this new Article 103 is to restrict credit with urban guarantee and to give marked preference to mortgage credit for agricultural purposes.

It has also been noted that the use of the credit and not only the guarantee are taken into account and that, for instance, the Bank cannot give more than 30 per cent of its funds for the buying or construction of buildings even if the guarantee is rural

Commercial Department

The Commercial Department of the National Bank is the successor of the Commercial Section which existed within the International Bank of Costa Rica since 1914. As has been seen, from the total capital of the Bank, 25 million colones constitute the capital of the Commercial Department. The essential characteristic, in reference to the use of the capital is that one half of it must be used exclusively for the financing of the operations of the Agricultural Credit and
/Industrial

Industrial Section. As in the case of the Mortgage Department, the Commercial Department has, within the Bank, an independent position. It operates in the same way as any other Commercial Bank with the limitation that it cannot make loans for purposes of consumption. The interests and discount rates applied by the Commercial Department are determined by the Board of Directors. Nevertheless, as has been seen, the Central Bank can dictate to the National Bank the rates of interest and discounts to be effected.

CHAPTER II

AGRICULTURAL CREDIT IN THE NATIONAL BANK

The financing of agriculture in Costa Rica has fallen traditionally upon the National Bank. Today the nationalization of the Commercial Banks and the separation from the National Bank of the Issue Department, together with the marked trend towards the specialization of the bank institutions, have made this function of the Bank even more important. For that reason, when a study is made of agricultural credit in Costa Rica, the credit granted for agricultural purposes by the National Bank through its system of "juntas rurales de crédito agrícola" is most interesting.

The Commercial Department of the National Bank grants, in general, short-term loans and operates its own capital and deposits and rediscounts at the Central Bank. This department absorbs the greatest part of "avío" credit for coffee which is granted in Costa Rica.

The Mortgage Department generally makes long-term loans, and operates with its own capital as well as with the product of the mortgage bonds.

The "Juntas Rurales de Crédito Agrícola" (rural credit Boards) which are affiliated to the National Bank are administered by a special section of the Bank. These agencies do long and short-term operations, exclusively for agriculture and up to determined sums. They operate with funds that come from the Commercial Department or the Mortgage Department according to the type of operation.

The most important section of the Commercial Department insofar as this study is concerned, is the Section of Industrial and Agricultural Credit which operates with the "Juntas Rurales". In addition, the Department deals with "avío" credit for coffee and finances the coffee millers in order that the latter may in turn finance the producers.

All the agricultural loans that are given within a year amount to an average of two and a half million colones (in this figure the "avío" loans for coffee are included). These operations are of relatively small importance. The most important operations are done through the "Juntas Rurales de Crédito Agrícola" in small loans or through the coffee millers who generally receive more important loans, a large part of which goes in special conditions to the producers to finance their crop.

During the last three years the Department has loaned an average of
/10 million

10 million colones per annum through the "Juntas" and 20 million colones through the coffee millers.

More interesting and original operations are those done by the "Juntas" and they will be studied in a separate chapter. The financing operations of the coffee millers are made in the Central Office of San José or through any of the branch offices and agencies in the form of large loans for coffee millers who in turn distribute the money they receive among small producers in accordance with norms established by the law.

The coffee millers and exporters of coffee are direct and indirect sources of agricultural credit in the country. They also make loans with their own funds to small producers. Before the Second World War, coffee millers and exporters obtained from their British buyers credits in pounds sterling which were used for the financing of the crop. When war was declared in 1939, those credits were interrupted and a form of credit, known long before and which has been increasing constantly since 1940 up to this date, had to be established. This type of credit is called in Costa Rica, "crédito de aceptaciones" (acceptation credit). The procedure adopted is the following: the coffee miller requests the Bank for an important sum (between 10,000 and 1 million colones), and gives the Bank a guarantee in the form of (a) agricultural or livestock liens, (b) mortgages, (c) personal securities, or (d) lien bonds signed by small producers.

After having examined these guarantees the Bank puts at the disposal of the miller the sum that the latter has requested without charging interest. This means that the miller has the possibility of requesting funds from the Bank.

When the miller actually needs the funds, he accepts in the favour of the Bank a bill of exchange on terms that vary according to the operation, which the Bank discounts at the rate of 6 per cent per annum. In many cases, the credit that is thus obtained by the coffee miller is used by him to make small loans to smaller coffee producers with the guarantee of lien bonds. All the Banks of Costa Rica make these kinds of operation. From the 30 April 1949 to the 1 March 1950 the amounts of these loans for coffee amounted to a total of 41,992,283.80 colones which were distributed as follows:

Banco de Costa Rica	9,603,690.00
" Anglo-Costarricense	8,447,232.00
" Nacional	21,165,271.70
" Lyons	2,551,090.15
" Cartago	22,000.00
Total:	41,992,282.85

The Mortgage Department, operating through its central office or through any of the branch offices or agencies, or "juntas rurales", is the principal source of long-term bonds for agriculture. According to the law, the Department uses more than 70 per cent of its budget for mortgage loans for agriculture.

In 1948, which is the last year for which statistics are available, 530 operations were made for a sum total of 3.39 million colones. This constitutes a decrease over 1947. In the course of that year 932 mortgage loans were made and the total was 7.16 million colones. In 1948 the mortgage loans made for agriculture represent 73.7 per cent of the total mortgage loans.

One of the most important activities of mortgage banks is the appraisal of the sureties. Costa Rica is in advance, as compared with the other Central American countries, in the manner of methodology of the appraisal. We will, therefore, examine the methodology of appraisal in detail.

Methodology of Appraisal

Assessment of Real Estate: During the first years of its activities, the International Bank of Costa Rica and later its successor, the National Bank of Costa Rica, employed for the evaluation of the warranties well-known agricultural producers who appraised the properties with no other knowledge than that they could acquire in their practical life as farmers.

In these conditions, the evaluation of real estate was based on the costs of re-establishment of the holdings at the moment the assessment was done. As could have been foreseen, the economic prosperity that took place during the last part of the period 1920-1930 had an impact on the prices of the costs which rose considerably.

In many cases this method of assessment was conducive to the loan being larger than the real value of the surety. When the world crisis broke out, the loans ceased to be safe, and in many cases executions were made which resulted in great losses for the Bank.

These facts obliged the Bank to form a body of farm appraisers and to adopt more scientific methods of appraisal. In 1937 a special section was formed within the Bank and since then there has been a continuous progress in the methods employed. This experience of more than 12 years shows that the percentage of unsuccessful loans has diminished considerably and that, if it is sure that some of the loans have led to executions because of defaults in the payment of interests

/and amortization,

and amortization, in every case the sale of the mortgaged property has not only covered the total debt but also, under certain circumstances, has given profits to the Bank.

It must be noted, nevertheless, that although the quality of the Bank's portfolio can in part be attributed to the appraisal system, the economic prosperity that the country has known since the establishment of this system of appraisal has also had great influence on the success of the operations of the Bank. The methods of appraisal have not as yet been tested during a grave economic crisis.

The method of appraisal is simple and is based on the following concepts:

1. The gross product of the holding is the sum total of the gross returns of the agricultural holding.
2. The costs of production are the sum of expenditures that occur in the farming of an agricultural holding.
3. The capital charges are the sum of the administration costs calculated at 3 per cent of estimated value of the property to which are added rates and taxes, insurance charges and the rent of the land (calculated at a rate of 5 per cent of the estimated value of the property).
4. The net income of the holding is the gross product of the holding minus the costs of production and the capital charges.
5. The economic value of the property is the capitalization at 10 per cent of the net income of the holding.
6. The estimated value is the value estimated by the farm appraiser of a property taken as a whole. It corresponds to the value that before the introduction of this new method was considered as the final assessment and which is still used in the mortgage banks of the rest of Central America. The estimated value is used as a basis to calculate the costs of administration and the rent of the land.
7. The minimum ratio is the quotient of the division of the estimated value by the economic value and gives an estimation of the desirability of a property. The desirability is based principally on two factors: the location and the agronomic conditions of the holding. The location of a holding is determined by its distance to the principal consuming centres and by the means of transport to those centres. The agronomic conditions are measured by the rental value of the crops.

The Bank has reached the conclusion that the less desirable holdings in

Costa Rica have a minimum ratio of 300 per cent and assumes that, in general, the location and the agronomic conditions have an equal impact on the desirability of the property. Taking this as a basic hypothesis, scales have been drawn going from 0 per cent to 150 per cent that represent the minimum location ratio. Another similar table has been made to represent the minimum crop ratio. The scales of the minimum location ratio comprise 8 basic zones, determined after a complete study of the population centres and means of transport in Costa Rica. The scale of the minimum agronomic conditions ratio, which for simplification has been transformed to a scale of minimum crop ratio, has been obtained by drawing the weighted averages of long series which indicate the influence of each of the principal crops in Costa Rica on the rental value of the holding; the scale comprises 23 crops or enterprises in a decreasing order of desirability.

The location scale varies little with the progress of time; the crops scale varies constantly because of the influence of the prices of the products, and the Bank prepares every year a new scale of minimum crop ratio.

In the light of the foregoing, the Bank applies the following formula to determine the value of the property:

$$X = \frac{50 \left[\bar{P} - (GE + CC) \right]}{5 (RMS + RMC) + 4}$$

100

in which:

X = Value based on the rent value of the agricultural holding.

P = The holding's expenditures.

CC = Capital charges.

GE = Capital charges.

RMS = Minimum location ratio.

RMC = Minimum crop ratio.

This method of appraisal implies that the appraiser must collect a considerable quantity of data and information to make the economic study of the agricultural holding, which must forcibly be made before applying the formula described above. The Bank gives the appraiser basic statistics' series and scales of minimum ratios, but there are many data that can only be obtained on the spot.

Once the appraiser has calculated the value of the land, taking as a basis its rent value, he considers it in relation to special factors which will augment

/or diminish

or diminish the value; he then estimates the value that he fixes in his report which will serve to determine the acceptability of the guaranty.

The value that has thus been estimated by the appraiser can be either equal or smaller than that obtained by the application of the formula. It can never be greater unless the special conditions of location lead to the conclusion that the agricultural enterprise is susceptible to urbanization.

Appraisal of other sureties: For the appraisal of chattel goods, the systems that are used by the appraisers of the National Bank are still more simple and exact.

Agricultural products such as maize, rice and beans are valued at the minimum price, guaranteed by the National Council of Production (Consejo Nacional de Producción). For the cattle, the Statistics Section of the Bank prepares each year scales of prices for the different types of head, based on the quotation of the live cattle in Alajuela (which is the principal cattle market of the Republic) during the preceding year. For sugar and "panela" the fixed prices are based on those annually determined by the Sugar Cane Board (Junta de La Caña). Insofar as farm machinery is concerned, the appraisal of machinery is made on the basis of the market prices to which appreciation percentages are applied based on calculations made by the Bank. To these elements is added the personal opinion of the appraiser on possible factors of depreciation or valorization.

CHAPTER III

CREDIT FOR SMALL FARMERS

1. Historical background

In 1914, through Government action, the "Cajas de Crédito Rural" were created in all the counties (cantones) of the Republic.^{1/}

This first intent to expand the credit facilities for farmers arose from the need to set up credit institutions in the agricultural centres of the country which would enable the farmers to obtain the indispensable funds to develop the agricultural activity of the country as a whole.

The simultaneous and rapid expansion of the different "Cajas" without any previous experience, and the limited financing capacity of the Central body, brought the disintegration of the system which had to be liquidated within a short period of time. The principal defects in the administration arose from the fact that the directors of each "Caja" were directly responsible to the Bank and that there was not, between the "Cajas" and the Bank that financed them, the constant and effective link that would enable an opportune correction of the possible deviations, whether well meant or not, in the credit procedures.

Although this trial was not very important, insofar as the expansion of credit is concerned, it did, however, contribute to establish the experimental basis upon which the system functions today with full success.

The present "Juntas Rurales de Crédito Agrícola" (Rural Credit Boards) began their operations in 1937 and are agencies of the National Bank of Costa Rica. As such, they can be considered as penetration agencies of this Organisation in the rural centres of the country. They are administered by rural boards (which are considered necessary to establish effective and direct contact with the farmers). Besides, a Central Office has been established in the National Bank, the function of which is to orient credit procedures, control the investments and guarantees and establish, insofar as possible, uniform methods.

A direct and constant link between the Bank and the "Juntas" is the resident Bank Delegate who is at the same time a counsellor and Manager and who orients the credit procedures in the best way possible in accordance with the policy of the Central Office.

^{1/} Costa Rica is divided in 7 provinces that are sub-divided into a total of 62 cantones.

The system endeavours to give small farmers opportune and easily obtained credit based on the moral and economic solvency of the individual, his capacity for work, as also on the utilisation of the loan.

2. Organisation

The "Juntas Rurales de Crédito Agrícola" have been established in the regions which contribute most towards the agricultural production of the country. Its expansion was made progressively so that the necessary experience was actually obtained. During the first and second years four "Juntas Rurales de Crédito Agrícola" were founded per annum in regions that were not only good from the point of view of agricultural production but also were representative of other larger regions of the country. Later, other "Juntas" have been organised in accordance with the possibilities of the Central Office of the Bank and in accordance with the needs of the different agricultural regions of the Republic. At the present time there are 32 "Juntas" that are operated in nearly all the territory of the Republic where it is felt that credit facilities for small farmers are needed.

Each "Junta Rural de Crédito Agrícola" is composed of three members and two substitutes, all appointed by the Board of Directors of the National Bank. The members of the "Junta" must live in the territory under their jurisdiction, be over 25 years of age and preferably be farmers who have a special knowledge of the region. Their term of office is two years, but it can be prolonged indefinitely; they meet in ordinary sessions every fortnight and get honoraria each time they attend a meeting.

Each "Junta Rural" is provided with an office which is under the authority of a Delegate of the National Bank and which has all the necessary facilities to attend to the credit business.

The Delegate, who is an employee of, and who is paid by the Bank, lives in the locality where the offices are; he controls and supervises the credits which have been given by the "Junta". He is an agricultural engineer specially trained in order to help small farmers with their technical problems.

When the importance of the work justifies it, the Bank appoints assistants to help the Delegate with his work, either in his office or in the field. When there are rural communities which are of different access, auxiliary offices have been established which are attended at fixed dates (once or twice a week) by the Delegate. The farmers can, in this way, make the necessary operations without

/having to

having to make long journeys or lose time and money in a way which would make credit more costly.

Generally the geographic limits of the activities of the "Juntas Rurales" are marked by the limits of the "canton" of which the "Junta" bears the name. Nevertheless, there are "Juntas" which deal either totally or partially with territories that belong to other "cantones". This system has contributed not only to the fact that each "Junta" performs its functions in a territory which gives it an appropriate amount of business, but has also made possible the study of the conditions in determined locations so that when a segregation is decided on, the creation of a new "Junta" can be made on a more solid basis. In any case when a "Junta" is assigned an operational territory, the fact that its territory must be sufficient for a correct control of the investments and allow for a good knowledge on the part of the members of the "Junta" of the clients has not been overlooked. In such a way it is possible to obtain from the farmers the necessary confidence in the Organisation to ask for its services and to make it possible for the Directors to make just decisions on the requests for loans that are presented to them.

The National Bank of Costa Rica has got in its Central Office a "Sección de Juntas Rurales de Crédito Agrícola" (Rural Credit Board Section), which controls and directs all the activities of the "Juntas", systematises the work, accountancy and internal organisation of the Rural Offices and centralises the documents and the accountancy of the whole system. It also calculates costs of production for various regions of the country and keeps a record of inspections made by the Delegates of the availabilities, movements in the financial situations of the "Cajas" for each type of credit, as well as a duplicate of the "book of debtors" of each "Junta". Lastly, it assembles and analyses the statistics related to the system.

Each "Junta", in addition, has its own accounting systems and archives which are extremely simple: a book of debtors, a cash sheet in which the payments made to the Bank and the expenditures made in cash are noted, a card index of the debtors and their collaterals and copies of the documents of the "Junta". In the smaller "Juntas" the functions of treasurer and cashier are carried out by one of the Directors who is elected by his fellow Directors for this purpose. In the "Juntas" where there is considerable activity, there is a special employee or, in some cases, the Branch Office or Agency of the National Bank performs these

/functions for

functions for the "Junta".

3. Operations

The farmer presents his request for credit in the office of the "Junta" and the Delegate helps him to fill in the forms, to determine the amount and the term that are most convenient for his needs, to formulate an investment plan, etc. and gives him advice as he sees fit. The Delegate studies the request, evaluates the guarantee and makes his observations and presents the case to the "Junta" for decision. If the "Junta" approves of the operation the farmer signs a credit document and receives the money immediately. If the loan must be given by quotas, in conformity with the plan of investment, the necessary documents are prepared immediately and remain in the hands of the "Junta", to be handed to the farmer on the appropriate date. Once the loan has thus been formalised, the operation is entered in the book of debtors of the "Junta" and the Delegate is in charge of the control of the investment and guarantees.

The requests for loans with mortgage guarantee: a) which exceed the amount with which the "Junta" is authorised to deal; b) those which are made to relatives of the Delegates or Directors; or c) those which in some way differ from the ordinary requests, are referred to the National Bank before they are finally approved. In most cases, it is the Manager of the "Sección de Juntas Rurales de Crédito Agrícola" who, in the last instance, takes the decision. Nevertheless, when the authorisation of the Board of Directors of the Bank is needed, all necessary steps are taken to expedite the operation in order to allow the farmer to obtain the loan as soon as possible.

The funds with which the "Juntas Rurales" operate are taken entirely from the National Bank of Costa Rica which earmarks annually for each of them, an estimated sum to meet the needs of credit in each of the different classes of loans.

Loans are granted to farmers at a uniform interest of 6 per cent per annum, without any extra costs such as taxes, commissions, costs of inspection and assessment, stamped paper, fiscal stamps, register charge, notary charges, etc.

The interests are only paid on those sums that are actually drawn by a loanee and for the time that these are used.

The maximum amount of single loans granted by the "Junta Rural" is 16,000 colones; 8,000 colones in short and medium term loans and 8,000 Colones in long term mortgage loans.

4. Different types of credit granted by the "Juntas"

The National Bank of Costa Rica classifies the loans granted by the "Juntas Rurales de Crédito Agrícola" in accordance with the utilization thereof:

A. - Loans made with funds of the Commercial Department of the Bank at short or medium terms:

- a) "Avío Agrícola" (Crop loan). These are loans which are granted for cropping operations which recur every year, such as sowing of maize, rice, potatoes, beans, tobacco, vegetables, care of coffee and sugar plantations, repair of fences, re-sowing of perennial crops, etc. These loans are granted at a maximum term of twelve months and are in each case limited to the cycle of recuperation of the financed operations. Guaranties are personal sureties, agricultural liens^{1/}, livestock or industrial^{2/} liens, urban^{3/} or rural mortgages, or any other guaranty acceptable to the "Junta". The repayment is made at the end of the term. If the productivity of the investment allows it, partial amortizations are requested before the end of the term.
- b) "Avío Ganadero" (Livestock loan). These loans are made for betterment of pastures, for sowing grass for hay, for materials for ensilage and other similar operations. In this case the same maximum terms, the same guaranties, and the same method of reimbursement are adopted as in the case of crop loan operations.

1/ When the crops are grown on rented property, the owner foregoes his rights to the harvests in favour of the "Juntas".

2/ In operations with the livestock guaranty, a minimum of three heads is requested unless there is a subsidiary guarantee. Besides, no head, notwithstanding its quality, can represent more than 40 per cent of the total guaranty.

3/ The "Juntas" do not grant loans on partial rights in undivided property or on property that does not include the interest of that property. The properties offered by way of guarantee must have been entered at least two years previously in the Register of Landed Property and must be entirely or partly under cultivation, since the Boards do not grant credits on uncultivated lands. Moreover they only accept first mortgages. Other subsidiary mortgages are only accepted when the previous mortgages have been made in favour of the Bank of Costa Rica.

- c) "Avío Agrícola Especial" (Special Crop Loan). These loans are granted for part of the cost of production of crops such as maize, rice, beans, which are cultivated in places where the temporary bad conditions of the roads do not permit the products to be moved. The guaranty that is requested in this case is a special type of lien without transfer of the harvested crops to the lender. They are warehoused by the owner. The "Juntas" determine the term of these loans in the different territories under their jurisdiction; nevertheless, the terms are always determined by the conditions of the roads and are fixed for the time in which these conditions improve owing to the change of season. These loans are re-imbursed by the total payment at the end of the term with the product of the sale of the crop. The amount must never exceed 70 per cent of the value of the surety estimated by the Delegate according to the minimum price determined by the National Council of Production of Costa Rica.
- d) "Fomento Ganadero" (Livestock Development Loans) These loans are intended for the development of the livestock industry, i.e. for the purchase of animals for breeding, for the dairy industry, or for fattening purposes. The guaranty is either chattel (livestock or industrial lien)^{2/}, or urban or rural property mortgages^{3/}, or else personal surety.^{4/} The maximum terms granted for repayment are eight years^{5/} for stud animals, eighteen months for animals for

^{4/} Operations guaranteed by personal surety cannot be allowed a longer term than twelve months according to the regulations of the "Juntas". In the case of improvement or rural development loans, personal sureties are accepted only as additional or subsidiary provided the value of the real estate guarantees represent at least 100 per cent of the total amount of the loan.

^{5/} Operations guaranteed by livestock and for the improvement of breeding are limited in the first instance to a term of two years, renewable every two years up to a maximum of eight years. Those intended to promote the fattening of livestock, or those which are guaranteed by this type of surety, have a maximum term of eighteen months, and those guaranteed by a mortgage may continue over a period of eight years.

fattening, and four years for the development of dairy industry. Repayment of these types of credit has to be effected on the expiration date, or by means of monthly or annual amortizations, according to the productivity of the investment.

e) "Refaccionario Ganadero" (Livestock Improvement Loans)

These are loans for the purchase of draught animals, for which guarantees are accepted on the same basis as in the case of loans for livestock development. The maximum terms are four years, and the loans are repayable on the expiration date, or by means of monthly or annual amortizations, according to the productivity of the investment.

f) "Refaccionario Mobiliario" (Chattel Improvement Loans)

These are loans for the purchase of agricultural machinery in general, or for the acquisition of implements and tools for agricultural holdings. The Boards accept mortgage guarantees on either urban or rural property^{3/}, liens with livestock or industrial guarantee^{2/} or personal sureties^{4/}; the maximum term granted is three years, and the amortization of the loan has to be made in instalments, every three, six or twelve months, according to each individual case.

g) "Refaccionario Inmobiliario" (Real Estate Improvement Loans)

The Boards grant so-called real estate improvement loans for the installation of machinery, for the construction of stables and shacks, for the making of fences for the perennial coffee and sugar-cane plantations as well as the permanent pastures, for drainage operations, and for other investments in real estate for agricultural development within a medium term period. The guarantees required and the methods of repayment are identical to those adopted in the case of chattel improvement loans; the maximum term however can be extended to five years.

h) "Fomento Rural" (Rural Development Loans) These loans are made for the purchase of properties, for the building or repairing of farm houses, for the cancellation of mortgages on them, for expenses connected with obtaining the title-deeds, for the
/drawing-up

drawing-up of plans, and for expenditures of a similar nature. As guarantees for these loans, the "Juntas" require livestock or industrial liens^{2/} or personal sureties^{4/}. The maximum terms are six years^{6/} and repayment has to be made by annual amortizations of at least 15 per cent of the loan; for the debtor's convenience, these may be divided into monthly, three-monthly or six-monthly payments.

B. - Loans made with the funds of the Mortgage Departments of the National Bank of Costa Rica, both medium and long-term, solely with mortgage guaranties:

- a) "Refaccionario Inmobiliario" (Real Estate Mortgages) The "Juntas" grant this type of loan for the planting or renewal of perennial crops which give slow returns, or else for the acquisition and installation of machinery. The maximum term is five years, and repayment is in the form of fixed cumulative instalments in capital and interest equal to 23 per cent of the original sum, to be paid in advance every three months, or by annual amortizations at 20 per cent of the original sum, the appropriate interest being paid in advance every three months.
- b) "Fomento Ganadero" (Livestock Development Loans) These loans for a term of five years, and are authorised for the purchase of young cattle for breeding purposes. Repayments are made along the same lines as repayments on real estate improvement loans, as described above.
- c) "Fomento Rural" (Rural Development Loans) The Boards grant credit for Rural Development with a mortgage guarantee for a term of fifteen and a half years. These loans are made for the purchase of agricultural property or livestock, for the cancellation of mortgages, for farm buildings, for expenses

6/ The term of these loans is one of two years in the first instance, and they are subject to annual amortizations of at least 15 per cent of the original sum. The transaction can however be renewed for two periods of the same length, in succession, on the same terms as the first, when the recovery of the investment or the economic situation of the recipient do not enable him to pay his debt on the expiration date.

connected with death duties or with the costs of title-deeds etc. Repayment is made by means of fixed cumulative instalments in interests and capital at a rate of ten per cent of the original amount of the loan, to be paid in advance every three months, or also by annual amortizations at ten per cent of the original sum, the appropriate interest being paid in advance every three months. The dates for payment are fixed for about the time when the farmer will sell his produce.

5. The portfolio of the system of "Juntas Rurales"

The system of the Juntas Rurales de Crédito Agrícola of The National Bank of Costa Rica has been expanding steadily, and has come to maturity, on firm foundations, until it has succeeded in becoming one of the most important factors in the progress of agriculture in Costa Rica. Table No. III-1 gives some idea of the way in which the system has developed, showing the number of Juntas in operation, the credit transactions that have taken place, and their sum total for each year since the system began to function up to December 31st, 1949.

Table No. III-2 shows the number of loans granted during 1949, and Table No. III-3 gives the outstanding loans and the number of transactions to December 31st 1949. Table No. III-4 shows, in addition, the transactions effected in 1949, classified according to the type of guarantee in each case. It is obvious that the Juntas Rurales de Crédito Agrícola have attached special importance to the production of rice, maize and beans - which form the staple diet of the Costa Rican people - to the breeding of dairy cattle, and to the routing of the farmers to the soil, by assisting them to purchase properties. The majority of the transactions have been carried out with funds from the Commercial Department of the National Bank, and the Juntas have shown a marked preference for personal surety; consequently the system might well have suffered heavy losses from irrecoverable loans; yet the percentage of losses on loans during the twelve years over which the system has been in operation scarcely amounts to 0.02 per cent of the total. The reason for this success may perhaps lie in the fact that the Juntas, despite the expansion of the system, are fundamentally conservative in the granting of loans, and insist that the guarantor should possess real estate which is

/in a productive

in a productive condition, and is entered under his name in the Register of Real Estate.

Table III-1 Development of the System of Juntas Rurales
de Crédito Agrícola of Costa Rica
(Rural Agricultural Credit Boards)

Year	Number of Boards	Transactions Performed	Total Amount
1937	4	578	145,295
1938	8	1,746	487,930
1939	13	3,547	1,139,700
1940	18	5,124	1,731,525
1941	18	5,809	2,078,738
1942	19	6,085	2,470,378
1943	26	6,872	3,201,602
1944	27	8,264	4,447,682
1945	28	8,682	4,930,622
1946	30	11,936	7,078,961
1947	30	12,641	8,829,703
1948	31	12,847	9,307,657
1949	32	15,846	13,987,843
Totals	32	99,997	59,837,636

Source: National Bank of Costa Rica

Table III-2. Distribution of the Loans granted by the Juntas Rurales de Crédito Agrícola in 1949

Board of:	RURAL DEVELOPMENT						Total
	Purchase of agricultural holdings	Cancel-lation of mortgages	Cancel-lations of obligations	Housing		Various items	
				Build-	Repairs		
				ing			
Oretina	105,815	3,360		600	800	4,000	716,240
Puriscal	94,030	3,360	7,780	1,500		225	546,169
Santa Cruz	91,850			5,000	2,800	2,000	812,605
Turrialba	89,250	4,850	8,800	4,500	2,750	5,000	368,385
Palmares	45,150		4,000	4,000	400		432,115
San Ramón	70,200		5,700	1,500	400		436,792
Paraiso	40,890		2,340	2,300	100		240,116
Carrillo	16,950			4,250	700		181,960
Escazu	51,190	18,920	1,040	4,850	7,300	900	240,706
San Carlos	109,300	11,000	3,250	5,900	500	1,000	641,675
Naranjo	140,775	10,570	2,500	3,000	2,230		423,235
Tarrazu	126,217	1,233	4,000	3,050			738,150
Pococi	8,000			2,800	1,200		289,225
Abangares	30,450			2,800	200		229,550
Atenas	59,475	2,728		1,600	272		410,900
Grecia	147,900	21,000	8,600	12,000	1,600		416,900
Alvarado	72,525	3,000		6,300			536,810
Nicoya	55,870			3,000	400		900,035
Acosta	96,925	6,800		13,575	1,750		668,117
Esparta	103,345		79	7,755			674,725
Oreamune	14,750	8,000					370,375
El Guarco	13,300						276,575
Tilarán	85,636	1,400	1,400	5,750	1,800		566,921
Liberia	29,600					6,800	423,550
Coronado	23,600	8,000	1,800	5,800	12,825	500	348,450
Pérez Zeled.	110,870		3,600	40,200	300	550	643,525
Turrucares	32,000	7,200	2,750		1,700	800	301,737
Alfaro Ruiz	74,300		1,000		500		206,390
Cañas	31,700			2,000	1,000	100	291,550
Tobosi	94,775	7,700	2,600	6,300			335,100
Belen	78,450	23,300	9,500	1,800	2,200		302,260
Puntarenas	2,000						17,000
Totals	2,146,488	139,061	71,455	152,130	43,727	21,875	13,987,843

Source: National Bank of Costa Rica.

Table III-2. Use of loans made by the Juntas rurales de Credito during 1952

Junta	Crop loans									
	Rice		Maize		Beans		Potatoes		Tobacco	
	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢
Orotina	924-C	393,275	33-9	6,050	17-5	4,475				
Pariscal	649-2	148,475	1,336-0	160,307	80-5	10,080			113-7	42,364
Santa Cruz	839-8	89,322	1,524-0	142,493	108-0	8,925				
Turrialba	37-5	6,900	357-3	39,345	32-5	5,025	8-5	2,650	6-0	750
Palmares			496-6	101,000	259-9	33,975	4-2	1,500	355-1	166,181
San Ramon	20-7	4,400	1,212-7	122,135	289-7	31,233	5-2	1,254	13-5	5,000
Paraiso			77-4	12,350	131-1	20,600	6-3	4,550		
Carrillo	142-3	25,535	185-1	25,025						
Escazu	47-2	11,135	381-0	34,175	137-9	12,721	-2	100	3-5	1,000
San Carlos	186-5	32,000	151-0	19,650	58-5	8,030	2-5	1,300		
Naranjo			271-0	38,550	68-5	9,600	3-0	850	205-9	88,400
Tarrazu	7-0	600	882-2	80,225	110-8	10,650	2-5	1,050		
Pococi	8-5	4,250	284-5	23,250						
Abangares	160-0	29,375	317-5	57,275	45-0	6,800	-5	100		
Atenas	558-1	181,275	457-5	65,675	183-5	27,330	-2	75	46-8	18,270
Grecia	1-0	500	19-7	3,220	10-0	1,000	-5	200		
Alvarado			618-5	89,645	-8	150	294-0	139,825		
Nicoya	1,343-5	134,960	1,610-0	159,555	463-5	74,260				
Acosta	383-0	52,825	980-0	142,200	336-5	34,892	1-2	800		
Esparta	1,179-7	274,380	358-1	39,225	224-0	22,690				
Dreamans			171-0	31,400	17-5	3,300	514-8	263,625		
El Guarco			395-5	81,300	103-8	21,750	18-5	9,350		
Tilaran	348-0	46,400	261-0	28,325	275-0	26,175			2-5	1,170
Liberia	331-8	87,100	163-0	29,400	138-5	27,200				
Coronado			76-1	13,700	4-5	600	15-5	9,800		
Pérez Zeled.	327-3	26,035	1,946-2	101,900	632-0	46,235	1-2	130	5-5	850
Turrucares	547-0	179,630	27-5	3,395	42-8	4,962				
Alfaro Ruiz			227-4	39,225	1-5	175	24-1	16,500		
Cañas	240-9	34,600	640-5	69,640	172-0	16,300				
Tobosi			446-2	67,120	35-9	5,900	1-2	640		
Belen	185-1	57,850	89-5	17,700	185-0	31,850				
Puntarenas	11-0	1,800	8-0	1,500	2-5	200				
Total	12-1	1,822,622	16,005-9	1,845,955	4,169-2	507,083	904-1	454,299	752-5	323,985

Total

Junta Rural de Costa Rica.

Costa Rica - C. Agron.

Table III-2. (Continued)

Junta	Crop Loans											
	Coffee		Sugar Cane		Manioc		Vegetables		Oleaginous		Sundry	
	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢
Orotina			3-0	200			3-7	1,500	15-3	6,500	5-0	2,000
Puriscal	45-0	5,710	73-0	4,300								
Santa Cruz	1-5	170	7-5	400			-5	100			215-5	3,735
Turrialba	223-3	32,150	83-5	8,100	9-0	1,550	9-5	1,625			13-0	1,050
Palmares	235-5	37,885	4-0	400	2-7	350	-5	190	1-5	750	1-5	539
San Ramón	71-6	12,925	2-0	200	1-0	100	24-5	4,800				1,120
Paraiso	99-1	18,160	19-7	2,660	121-5	43,931	70-8	17,675			37-5	7,160
Carrillo									13-0	3,350		
Escazu	59-4	9,630	14-5	1,820			52-3	31,350	1-5	300	7-3	895
San Carlos	62-2	1,950			2-5	310	45-0	7,815	3-0	500	13-0	640
Naranjo	415-7	58,475			4-0	650	8-0	1,575				
Tarrazu	750-4	76,925	232-6	23,070							15-5	2,450
Pococi			8-0	650	23-5	4,650					92-8	4,300
Abangares	6-0	850	1-0	50			22-5	4,200	16-9	3,600		
Atenas	28-5	1,850	11-7	1,575			1-5	1,100				
Grecia	83-3	20,025	98-1	17,050	31-9	8,525	6-0	3,700			14-0	4,925
Alyarado	-5	200	58-2	10,425	3-0	550	14-6	3,250			6-0	675
Nicoya	16-0	4,050	25-0	2,500							2-0	3,890
Acosta	849-4	95,075	428-9	49,050								
Esparta					15-6	3,000	4-7	900	12-0	3,000	2-5	550
Oreamuno							51-4	27,500				
El Guarco	43-2	6,750			5-0	1,050	18-1	5,250				525
Tilaran	98-5	8,600			1-0	100	12-0	2,400	7-0	1,100	1-0	200
Liberia	15-0	1,200					1-0	500			50-0	1,000
Coronado	242-4	42,000					112-0	44,800			4-0	1,000
Pérez Zeled.	59-3	2,905	17-2	865			10-5	2,800	39-0	10,070	12-0	375
Turrucares	1-5	400					6-0	2,960			2-0	1,500
Alfaro Ruiz	1-0	1,000					32-2	11,550				
Cañas	1-0	150							22-8	3,900		
Tobosi	322-0	57,400	35-3	6,760							2-5	800
Belen	10-5	5,300	2-0	600			59-1	35,685	54-0	21,975		
Puntarenas												1,000
Totals	3,741-8	501,735	1,125-2	130,715	220-7	64,766	566-4	213,225	186-9	55,015	497-1	40,329

Table III-2: (Continued)

Junta	Real Estate Improvement Loans												
	Perennial Crops						Build- ing	Other work on immoveable property	Chattel improve- ment loans				
	Fruit		Coffee		Sugar Cane					Pastures		Sundry	
Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢	Mz.	¢				
Orotina			-2	250			37-0	5,000		1,000	1,300	9,600	18,225
Puriscal			19-2	9,028			10-0	975		9,310	2,550	5,500	7,550
Santa Cruz			8-0	1,375			156-0	8,950	1-5	950	2,850	71,770	8,700
Turrialba			58-4	21,540			127-0	17,250	48-7	6,900		3,700	12,700
Palmares			24-9	12,375	1-5300						1,000	1,250	1,160
San Ramón			47-3	34-375			52-0	7,500			1,000	900	6,600
Paraiso			14-0	11,225			7-0	1,300	24-2	9,225		850	7,910
Carrillo									3-5	1,000		5,200	1,450
Escazu			14-5	10,900					-8	7,604	8,346	870	10,800
San Carlos			11-6	9,200		1,396-0	173,200	139-0	19,350	5,800	30,400	30,400	7,200
Naranjo			56-3	22,450						6,100		1,500	2,575
Tarrazu			192-3	112,050			75-0	4,750	1-5	150		4,800	14,075
Pococi							37-0	5,600	12-0	2,400	1,300	22,075	9,750
Abangares			10-5	3,150			38-0	3,400			1,400	27,150	1,650
Atenas			2-5	1,600	1-0500								6,500
Grecia	7-2	3,025	63-3	58,080			241-0	29,050	1-0	2,300	4,000	1,500	7,150
Alvarado			2-0	800			25-0	3,150			150		8,600
Nicoya							4-0	200				36,470	5,100
Acosta			180-6	61,225			66-0	8,450	1-0	3,100	2,000	3,150	20,450
Esparta	-5	75	1-0	350								18,765	7,000
Oreamuno													
El Guarco			-5	200			9-0	1,800		2,000	1,650	1,900	6,350
Tilaran			35-5	4,850			733-0	64,845	78-0	10,725	3,500	24,345	9,750
Liberia			15-0	5,300			99-0	12,300	1-0	1,700	1,000	17,050	1,100
Coronado			20-6	12,400			30-5	6,000	5-5	2,300	29,500	2,750	6,000
Pérez Zeled.	2-0	425	61-6	18,620			643-0	38,700	39-5	7,310	6,100	54,405	35,000
Turrucares	6-0	3,400								2,000	1,300	4,600	9,760
Alfaro Ruiz			-2	100			181-5	19,015	5-0	700	1,450	3,790	1,250
Cañas							36-0	3,000	2-0	1,400		16,560	5,700
Tobosi			47-1	29,640					3-7	1,535		2,200	9,950
Belen			-2	250							800		4,000
Puntarenas										1,000			5,500
Totals	15-7	6,925	887-3	441,333		2-5800	4,003-0	414,435	370-9	93,959	83,096	373,050	259,505

Table III-2. (Continued)

Junta	Livestock Loans				Livestock Improvement Loans							
	Meat		Milk		Beef Cattle		Dairy Cattle		Hogs		Brought Animals	
	Mz.	¢	Mz.	¢	Head	¢	Head	¢	Head	¢	Head	¢
Orotina	2-0	400	327-0	5,300	7	13,000	289	95,450			100	41,500
Puriscal			176-0	3,540	50	12,245	20	7,000			33	10,300
Santa Cruz	426-0	6,660	5,296-0	52,550	1,907	225,835	741	79,570	34	2,600	13	3,900
Turrialba	31-0	1,100	295-0	8,900	186	22,300	138	42,475			43	17,225
Palmares			18-0	500	15	2,000	27	10,350			20	6,860
San Ramón	275-0	5,500	85-0	1,800	161	27,400	242	70,200	5	1,000	64	19,550
Paraíso	24-0	900	52-0	1,200			21	11,140			58	23,650
Carrillo	65-0	800	257-0	4,550	409	50,100	316	42,350			3	700
Escazu							23	8,550			24	6,310
San Carlos	726-0	10,100	1,144-0	20,630	390	80,300	204	58,350	79	6,100	48	17,900
Naranjo			5-0	50	1	200	38	17,485			40	15,700
Tarrazu	60-0	900	2,837-5	52,250	41	9,300	393	151,630			185	58,775
Pococi	110-0	4,400	129-0	4,200	132	25,900	234	84,675	6	550	171	79,275
Abangares	105-0	1,100	100-0	1,000	122	17,650	153	29,450			26	7,900
Atenas			44-0	675	64	13,500	106	21,000			14	5,900
Grecia	80-0	1,000	32-0	1,150	166	32,100	58	19,150			20	8,150
Alvarado			18-0	500	6	700	310	138,400	20	1,115	134	56,850
Nicoya			449-0	10,410	452	71,130	2,374	335,465			7	2,775
Acosta	1-0	100	632-5	18,600	9	1,900	113	29,600	8	550	90	25,100
Esparta			20-0	1,000	120	20,180	663	156,815			48	14,900
Oreamuna							27	10,850			27	10,950
El Guarco			120-0	1,900	10	1,100	157	67,900			130	52,500
Tilaran	170-0	3,400	1,174-0	20,775	546	94,950	507	104,500	11	725	36	14,100
Liberia	172-0	4,300	465-0	10,320	600	108,600	397	71,950			26	7,730
Coronado	60-0	500	153-5	4,650	8	1,500	207	111,850	7	775	19	5,800
Pérez Zeled.			945-5	16,945	181	28,550	180	45,945	64	2,950	133	40,890
Turrucare	150-0	2,500	22-0	200	68	13,200	4	2,300			57	25,180
Alfaro Ruiz			140-5	4,815	18	2,300	69	24,070	8	600	24	4,050
Canas			210-0	4,800	264	32,050	365	54,025			40	14,625
Tobosi			25-0	460	2	500	46	20,600	2	70	58	20,150
Belen							1	500			28	10,500
Puntarenas							12	3,300			2	700
Totals	2,457-0	43,660	16,172-5	253,670	5,993	908,490	8,435	1,926,995	244	17,035	1,726	630,395

/Table III-2. Outstanding

Table III-3: Outstanding loans made by the Juntas Rurales
de Credito Agricole on 31 December 1949.

Board of:	Loans made with Funds of Commercial Department				Loans made with funds of Mortgage Department				
	Crop loans	Improvement	Livestock development	Rural development	Sub-totals	Medium-term	Long-term	Sub-totals	Mortgage Totals
Orotina	251,911.70	109,562.95	149,837.40	81,877.50	593,189.55	3,000.00	122,518.09	125,518.09	718,707.64
Furiscal	355,970.00	52,448.20	23,350.80	7,680.00	439,449.00	6,788.00	233,551.75	240,339.75	679,788.75
Santa Cruz	265,898.12	115,299.60	343,739.95	146,058.15	870,995.82		13,900.00	13,900.00	884,895.82
Turrialba	86,383.25	131,905.20	92,300.70	51,265.00	361,854.15	5,650.00	118,412.57	124,122.57	485,976.72
Palmares	320,985.05	35,220.00	25,775.00	19,740.00	401,693.05		71,944.95	71,944.95	473,638.00
San Ramón	171,492.60	84,650.00	108,420.00	47,460.00	412,022.60	6,740.00	123,540.88	130,280.88	542,303.48
Paraiso	90,330.00	74,250.00	14,515.00	204,615.00	203,695.00	5,826.00	58,417.16	64,243.26	267,938.26
Carrillo	51,510.00	10,525.00	114,125.05	25,910.00	202,070.05		11,200.00	11,200.00	213,270.05
Escazu	86,462.30	44,755.00	15,905.00	22,960.00	170,082.30	13,640.00	156,465.69	170,105.69	340,187.99
San Carlos	81,978.00	359,275.50	134,575.00	55,675.00	631,503.50	25,436.00	134,711.05	160,147.05	791,650.55
Naranjo	180,500.00	50,075.00	25,635.00	14,025.00	270,235.00	6,620.00	176,092.51	182,712.51	452,947.51
Tarrazu	164,346.50	232,547.50	212,757.00	652,359.50	655,959.50	2,650.00	236,294.20	238,944.20	894,903.70
Pococi	28,742.45	135,209.10	136,525.00	14,445.00	314,921.55		11,209.79	11,209.79	326,131.34
Abangares	86,861.00	56,100.00	53,924.50	53,270.00	250,155.50	800.00	1,830.00	2,630.00	252,785.50
Atenas	284,875.00	17,850.00	39,455.00	20,775.00	362,955.00		106,170.26	106,170.26	469,125.26
Grecia	55,055.00	123,980.00	71,925.00	73,150.00	324,110.00	24,030.00	207,247.51	231,277.51	555,387.51
Alvarado	200,093.75	70,875.00	191,595.00	75,925.00	538,488.75		61,096.54	61,096.54	599,585.29
Nicoya	373,066.75	72,581.00	503,817.00	92,277.85	1,041,742.60	2,400.00	15,950.00	18,350.00	1,060,092.60
Acosta	343,681.75	183,261.37	40,550.00	57,800.00	625,293.12	12,700.00	153,298.44	155,998.44	781,291.56
Esparta	293,420.25	42,422.50	192,250.25	73,498.00	547,601.00	7,700.00	97,722.88	105,422.88	653,023.88
Oroamuno	211,604.85	10,129.25	16,800.00	11,450.00	249,984.10		21,860.00	21,860.00	271,844.10
El Guarco	98,022.50	72,553.70	86,600.00	13,000.00	269,976.20		25,218.05	25,218.05	295,194.25
Tilarán	96,019.10	199,645.00	243,085.00	73,015.00	611,764.10	20,080.00	190,219.28	210,299.28	822,063.38
Liberia	173,525.00	43,530.00	194,847.00	46,499.00	448,401.00				448,401.00
Coronado	60,670.00	66,314.75	115,399.50	16,220.00	258,604.25	3,700.00	66,237.61	69,937.61	328,541.86
Pérez Zeled.	159,119.00	255,052.00	86,865.00	117,908.00	618,944.00	15,270.00	122,512.45	137,782.45	756,726.45
Turrucares	164,890.10	36,305.00	17,700.00	22,769.00	241,664.10		39,304.53	39,304.53	280,968.63
Alfaro Ruiz	66,940.15	43,770.00	41,445.00	46,225.00	198,380.15	7,490.00	136,394.04	143,884.04	342,264.19

/Limon

Table III-3. Outstanding loans made by the Juntas Rurales de Crédito Agrícola on 31 December 1949 (Cont.)

Board of:	<u>Loans made with funds of Commercial Department</u>				<u>Loans made with funds of Mortgage Department</u>				
	<u>Crop loans</u>	<u>Improvement</u>	<u>Livestock development</u>	<u>Rural development</u>	<u>Sub-totals</u>	<u>Medium-term</u>	<u>Long-term</u>	<u>Sub-totals</u>	<u>Mortgage totals</u>
Limón		800.00			800.00				800.00
Cañas	119,926.00	41,750.00	93,112.00	33,650.00	288,438.00	800.00	15,800.00	16,600.00	305,038.00
Tobosi	125,020.00	77,150.00	23,670.00	58,525.00	284,375.00		61,092.50	61,092.50	345,467.50
Belen	129,710.00	22,250.00	1,550.00	34,100.00	187,610.00		74,629.12	74,629.12	262,239.12
Puntarenas	42,417.50	22,565.00	34,164.75	2,650.00	101,741.25				101,741.25
Totals	5,157,410.17	2,894,416.62	3,450,109.90	1,475,762.50	2,987,699.19	151,320.00	2,864,901.95	3,026,221.95	16,004,921.14

Fuente: Banco Nacional de Costa Rica

Table III-4. Guaranties accepted by the Juntas Rurales de
Municipios Agrícolas during 1949

Class of guaranty	Number of operations	Percentage	Total	Percentage
Personal	11,519	72.694	8,592,651.35	61.429
Livestock	2,502	15.790	2,854,465.00	20.407
Livestock & personal	146	0.921	204,105.00	1.459
Livestock & Industrial	408	2.575	308,890.00	2.208
Livestock, industrial & personal	44	0.278	74,560.00	0.533
Livestock, agricultural & personal	4	0.025	4,550.00	0.033
Livestock & agricultural	6	0.038	4,600.00	0.033
Mortgage	676	4.266	1,595,337.00	11.405
Mortgage & personal	2	0.013	5,000.00	0.036
Industrial	36	0.227	44,900.00	0.321
Mortgage & livestock	1	0.005	450.00	0.003
Industrial & Personal	8	0.050	15,900.00	0.114
Agricultural	425	2.682	178,383.00	1.275
Agricultural & personal	65	0.410	91,552.00	0.655
Agricultural & industrial	1	0.006	500.00	0.003
Personal, livestock, industrial & agricultural	2	0.013	4,000.00	0.029
Personal, industrial & agricultural	1	0.006	8,000.00	0.057
Totals	15,846	100.000%	13,987,843.35	100.000%

Source: National Bank of Costa Rica

ANNEX A

PRINCIPAL BRANCHES OF AGRICULTURAL PRODUCTION IN COSTA RICA

In order to have an idea of what is financed by the Costa Rican banks, we will examine briefly the agriculture of this country.

The agriculture of Costa Rica, although it is similar to that of the other countries of Central America, insofar as the number of products for export is concerned, differs substantially from the others in other aspects. Property is considerably divided and in spite of the fact that large properties (latifundios) can be found where coffee, banana, or live-stock are produced, the principal characteristic of the Costa Rican farmer is that he is nearly always the owner of some holding or is in a position to obtain it immediately with the present legislation on barren lands pertaining to private individuals. In these conditions the farmer can diversify his labours and count on a greater quantity of food than that which is at the disposal of the "peon" from El Salvador or the "indígena" from Guatemala.

Table A-I shows the area under cultivation, the production costs and the prices of the principal agricultural products which are marketed in Costa Rica. It has not been possible to assemble statistical series which show the variation of a period of years, but data have been taken on production and sown area for 1948 which, according to the Ministry of Agriculture, was a normal year insofar as the activity of the farmers, climatic conditions and yields are concerned. The costs and prices have been taken for 1949.

Besides the products that appear in the previously mentioned table, the Costa Rican farmers cultivate many other crops for internal consumption, many of which are hardly marketed. They consume, besides, more meat and dairy products than most Central American farmers.

Table A-1. Principal branches of Agricultural Production in Costa Rica

Crops	Area under cultivation (manzanas)	Production (in quintals of 46 Kgs.)	Cost per unit (in colons per quintal)	Price per unit (in colons per quintal)
Coffee	68,600	397,900	100	180
Bananas	31,000	-	-	-
Maize	23,120	456,600	15	20
Bean	22,000	225,000	25	48
Rice	13,900	319,600	30	56
Sugar	5,000	451,000	17	-
Unrefined brown sugar	12,200	773,400	-	-
Potatoes	3,100	272,600	13	27
Tobacco	2,000	-	100	-

Source: Departamento de Estadística y Economía (Statistics and Economics Department), Ministry of Agriculture, and National Bank of Costa Rica.

Notes:

- a/ The figures for the area under cultivation and for production are those of 1948, which in the opinion of the Ministry of Agriculture was a normal farming year. The costs and prices are those of 1949.
- b/ Costs calculated by the Juntas Rurales de Crédito Agrícola of the National Bank.
- c/ Wholesale prices in the San José market, except for coffee and bananas, where the export prices F.O.B. at Costa Rican ports are given.
