

Early Warning System

IDBI-12292-01

Grupo KOWI

Quick Facts

Countries	Mexico
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2018-11-27
Borrower	Porcikowi S.A. de C.V. ("Porcikowi"), and Genetikowi S.A. de C.V. ("Genetikowi")
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 400.00 million
Project Cost (USD)	$ 400.00 million

Project Description

According to the bank, the operation consists of a loan in Mexican pesos of up to MX $400 million to Kowi Group, S.A. de C.V. ("KOWI"), to finance fixed asset investments in pig farms related to installed capacity expansion processes in different stages. The detail of the investments is the following: (i) Placement of 10,000 sows on maternity farm Site I; (ii) Implementation of wean to finishfarms on Sites II and III; (iii) Permanent working capital (Jointly, (i), (ii) and (iii) are hereinafter called the "Project").

People Affected By This Project

Grupo Kowi ("KOWI") is a group that has been producing, processing and marketing pork for more than 40 years through its subsidiaries (its pig farms are Genetikowi, S.A. de C.V. and Porcikowi S.A. de C.V.), while Alimentos Kowi S.A. de C.V. is the marketer through which all KOWI sales pass. It is a company located in the south of the state of Sonora, one of the main pig producing states, from where more than 70% of the country's pork volume is exported. The most important markets for KOWI are Japan and the United States; highlights include a market share of close to 28% of all Mexican pork exports abroad, 26% of the export market to Japan, and approximately 23% of the national market in branded pork products. KOWI is one of the three most important companies in the pork sector in Mexico in terms of sales and amounts exported to Japan.

Kowi is committed to offering its customers the highest quality; therefore, it has a platform to guarantee quality and compliance with national and international health and hygiene standards, backed by the following certifications: TIF Certification (specific to its Processing Plants, granted by the SENASICA - SAGARPA[1]), Mexico Calidad Suprema, and SQF (Safe Quality Food). For these certifications, Kowi has a Quality Assurance organizational structure with a Farming Improvement Coordinator and a Farm Quality Supervisor who ensure compliance with the quality and safety protocols that apply to live pig suppliers for Frigorifico Kowi; i.e.: (a) They review the Standard Farm Operation procedure using the F3 Format, which prescribes staff training; (b) They carry out the inspection of live pig supplier farms on a plant by plant basis, where the following aspects, among others, are reviewed: (i) the SSOP (Standard Sanitation Operation Program) formats, which prescribe farm cleaning schedules; (ii) the Harmful Fauna format, which states whether pest control exists; (iii) the Flora format (weed control), which consists of the farm's weeding log and which chemicals are used; (iv) the bacteriological and physicochemical analysis of the pigs' drinking water; (c) Training and instruction of pen and slaughter personnel, pig farm and live pig transportation personnel, on any strategy, information, or special procedure involved in pig welfare and quality; (d) Training and instruction of farm doctors and owners on matters related to the plant (improvements made to the plant, biosecurity measures taken in plants, training and awareness on the use of needles and medicines, etc.); (e) Coordination of annual visits to farms for the MEXICO CALIDAD SUPREMA certification, with inspectors from OCETIF - Certification Body for the Food Industry; (f) Cooperating and/or advising farms on the Good Livestock Practices certification[2]; (g) Coordination and monitoring the approval of laboratories and/or allowed chemical substances for the catalog of chemical substances used by the plant; and (h) Internal Inspector for the SQF System.

The scope of this environmental and social review included the analysis of the Project's environmental permits and sanitary licenses, meetings and conference calls with representatives of the borrower, as well as an environmental and social due diligence (ESDD) visit on June 19, 20 and 21, 2018, where staff responsible for IDB Invest's Social, Environmental, and Governance Division (SEG) held meetings with staff responsible for the KOWI company at its headquarters located in Navojoa, Sonora and carried out the inspection visit to Type II and III model farms, located in the Batacosa area, Municipality of Navojoa, Sonora. During the visit to the KOWI Type II and III farms, through a visual assessment, the environmental and health and safety conditions of these facilities were evaluated; as well as the welfare of the animals. Finally, during this ESDD, a visit was made to the Processing Plant (Alimentos Kowi, S.A. de C.V.) located in Navojoa, Sonora, and the Slaughter Byproducts and Offal Processing Plant (Kofanor de Mexico, S. de R.L. de C.V.) located in Esperanza, Sonora, which are both associated with the production cycle and management of process residues (including farm carcasses) of the KOWI value chain. It is important to clarify that neither the Processing Plant nor the Offal Processing Plant will be part of the Project. At the end of this ESDD visit, the documents associated with manuals, procedures, internal and external audit reports, among others, were reviewed.

2. Environmental and Social Categorization, and its Foundations

This is aCategory BProject, in accordance with IDB Invest's Environmental and Social Sustainability Policy, since overall its environmental and social risks are expected to be reversible and capable of being mitigated through currently available technologies. The key environmental and social impacts related to the Project's construction of this type of pig farms include:

Investment Description

- IDB Invest (IDBI)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Genetikowi SA de CV	Client	-
-	-	-	-	Porcikowi SA de CV	Client	-

Contact Information

For questions about the Project, please contact:
Client's contact name: Daniel Fernandez
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Email:
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For inquiries and comments for IDB Invest, please contact: IDB Invest Communications Group. Email: divulgacionpublica@iadb.org

For Project inquiries, including questions on environmental and social issues related to IDB Invest's investment, please contact the Client or IDB Invest using the contact information provided above.

As a last resort, communities affected by the Project have access to the IDB Invest Independent Consultation and Investigation Mechanism (http://www.iic.org/en/who-we-are/integrity-and-transparency).

Telephone: +1 (202) 623-3952. Fax: +1 (202) 312-4057. Address: 1300 New York Ave. NW Washington, DC. United States. 20577. Email: mechanism@iadb.org or MICI@iadb.org

Bank Documents

- Kowi-Environmental and Social Action Plan.pdf [Original Source]

Campaign Documents

- Genetikowi S.A. de C.V. information
- Porcikowi SA de CV website

Other Related Projects

- IDBI-15913-01 KOWI - Supporting working capital and capex requirements in Mexico