

 Early Warning System

IDBI-12365-01

San Miguel



Quick Facts

Countries	Argentina, Peru, Uruguay
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2018-11-12
Borrower	S.A. San Miguel A.G.I.C.I. y F. (Argentina); S.A. San Miguel Uruguay, Samifruit Uruguay S.A., San Mi
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	\$ 60.00 million
Project Cost (USD)	\$ 60.00 million



Project Description

According to the bank, S.A. San Miguel A.G.I.C.I. y F. (Argentina); S.A. San Miguel Uruguay, Samifruit Uruguay S.A., San Miguel International Investments S.A. (Uruguay); and Agrícola Hoja Redonda S.A. (Peru) (jointly "San Miguel" or the "Companies") are one of the southern hemisphere's primary producers and exporters of off-season fresh citrus (180,000 tons of lemon, sweet citrus avocado and grape), and of products derived from citrus crushing with added value (essential oils and essences, juice, pulp and peel). San Miguel is a citrus leader, with a 9% market share of the off-season lemon market and 15% of global lemon crushing volume.

IDB Invest's operation consists of an A/B loan to San Miguel for up to \$ 60.0 million, with a nine-year term (seven years for the B loan), a two-year grace period and a guarantee on assets acceptable to IDB Invest. The funds will be used to finance: (i) capital investments for San Miguel's (agricultural and industrial) growth and maintenance for the years 2018, 2019 and 2020 in Argentina, Uruguay and Peru; (ii) permanent working capital to cover the structural needs of San Miguel's agricultural business cycle for its operations in Argentina, Uruguay and Peru; and (iii) refinance short- and medium-term debt (the "Project").



People Affected By This Project

San Miguel was founded in 1954 by the Mata family in the province of Tucuman, Argentina to produce fresh lemons. Starting in 2003, the Companies invested in farms and industrial operations in Uruguay, South Africa and Peru, and diversified its product mix by including sweet citrus fruits and other fruits. In 2017, the Companies acquired Agricola Hoja Redonda, a company in the city of Chinchá, Peru, with plantations and a packing facilities in the province of Chinchá and in the city of Chepen (located in Libertad department in northern Peru).

The Companies combine two complementary businesses: (i) the export of 180,000 tons of fresh fruit in the off-season, with a diversified supply of lemon, sweet citrus fruit (oranges, tangerines and grapefruit) and other fruits (avocados and table grapes), which represents 56% of its turnover in 2017; and (ii) the sale of processed foods derived from the crushing of 400,000 tons of citrus fruits (essential oils and flavorings, juices with and without pulp and dehydrated peel) for the major multinational producers of beverages, foods, pharmaceuticals, fragrances, flavors and cosmetics, which represent 44% of its turnover in 2017

San Miguel is developing the genetics of its citrus fruit in six nurseries (3 in Argentina and 3 in Uruguay), where it grows the seedling varieties that are best suited to each region's climate conditions and soils. Approximately 300,000 plants are produced in these nurseries each year and are used both to grow new hectares and replace trees that are entering their unproductive stage and for the varietal replacement that the market demands.

San Miguel manages a total of 9,834 hectares (its own and third-party) distributed as follows: 5,330 hectares of lemon in Argentina; 1,800 hectares of lemon, tangerine and oranges in Uruguay; 1,322 hectares of oranges, lemon and tangerine in South Africa; and 1,382 hectares of tangerine, avocado and table grapes in Peru. In addition, 35% of the volume of fruit is purchased from strategic producers associated with San Miguel, with which it maintains long-term relationships, including the transfer of genetic material and best phytosanitary practices to ensure product quality. San Miguel owns six packing plants in Argentina, Uruguay, South Africa and Peru and one industrial plants in Argentina, and JVs in Uruguay and South Africa through which they crush citrus, which equates to a total grinding capacity of 420,000 tons/year. San Miguel's production is primarily exported to the European market and to Russia, the United States, Canada, Asia, and the Middle and Far East

Environmental and social due diligence at San Miguel was conducted by personnel from the Environmental, Social and Governance Division (SEG) of IDB Invest during the period August 21-30, 2018, with visits to plantations, nurseries and production facilities in Argentina, Uruguay and Peru. In Argentina, the team visited the Famaila industrial plant (grinding capacity of 300,000 tons/year) where concentrated juices, dehydrated peel, pulp, flavorings, essences and distilled oils are produced. In Tucuman, fruit packing has been outsourced to Latin Lemon, a company located in Bella Vista, Tucuman. The SEG team also visited a private biodiversity reserve of 7,278 hectares that San Miguel created with the cooperation of the NGO Pro-Yungas. The reserve is located on San Miguel's farm Caspinchango, in the department of Monteros, where San Miguel owns 1,006 hectares of lemon plantations.

In Uruguay, SEG staff visited a lemon plantation and nursery at Farm 31 outside the city of Bella Union, in the northern part of the country. The visit to Uruguay included the Novacore juice and by-products industrial plant in the city of Paysandu (joint venture with Azucitrus, a firm with a crushing capacity of 50,000 tons/year) and the packing plant in Young (110,000 tons/year). A new processing plant will replace the current lemon line 2 at the Novacore plant so that, once the new plant is installed, Novacore will only process fruits from the discarding of the packing plant in Young (lemon, oranges and tangerines) and the new plant will only process lemons that did not pass previously by the packing.

In Peru, SEG staff visited the facilities of Agricola Hoja Redonda, acquired by San Miguel in August 2017. The visit included plantations in the province of Chinchá (686 hectares) and the packing plant in Chinchá. The visit to Peru included plantations (1,000 hectares) and the outsourced packing plant (Agricola Cerro Prieto) outside the city of Chepen in the northern part of the



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
-	-	-	-	S.A. San Miguel A.G.I.C.I. y F	Client	-



Contact Information

For queries on project, contact:

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5. Local Access to Project Documentation

Argentina

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Uruguay

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Perú

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Contact Information:

For questions and comments regarding the projects, including environmental and social issues related to an IDB Invest transaction, please contact the client (see Investment Summary file), or IDB Invest by e-mail divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism via e-mail at mecanismo@iadb.org or MICI@iadb.org, or telephone at +1(202) 623-3952.



Bank Documents

- [San Miguel -Environmental and Social Action Plan.pdf](#) [Original Source]

Campaign Documents

- [Company Overview of S.A. San Miguel A.G.I.C.I. y F.](#)