Early Warning System

IDBI-12399-01

Fecovita

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Quick Facts

Countries	Argentina
Specific Location	Province of Mendoza, Argentina
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-04-22
Borrower	Federacion de Cooperativas Vitivinicolas Argentinas Cooperativa Limitada ("FECOVITA")
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 15.00 million
Loan Amount (USD)	$ 15.00 million

Project Description

TheFederacion de Cooperativas Vitivinicolas Argentinas(Federation of Argentinian Vitivinicultural Cooperatives) is a secondary cooperative that associates 29 primary cooperatives comprising 5,000 wine producers and winemakers in the province of Mendoza, Argentina. The production area covers 25,000 hectares of vineyards. The company bottles and markets wines and musts, with its brand "Toro" being the second top-selling mass-consumption wine in the world. Fecovita currently has four business units: i) The first ("Masivos"), is dedicated to the sale of mass consumption wines; ii) The second unit ("Bodegas"), is dedicated to the sale of medium- and high-end wines, with a significant investment in the winery located in the Tupungato department (Bodega Estancia Mendoza); iii) The third business unit ("Concentrados"), is dedicated to developing the concentrated grape juice markets; and the fourth, ("Graneles") is dedicated to the sale of bulk wines of all types.

IDB Invest financing would be used to improve the company's debt profile and rebuild its working capital. As of 12/31/2018, the total financial debt of US$62 million was 66% short-term and 34% long-term, while 42% was used for working capital and 58% for investments. The company intends to realign this financial mismatch, which was mainly generated by the "Nuevo Proyecto Toro" inaugurated in October 2018. Financing will be made effective through a Senior Loan secured for up to 7 years with a first mortgage on the Borrower's assets that comprise an economic unit.

People Affected By This Project

Fecovita has 998 own employees (156 of whom are women) and 175 contractor employees. In addition to ensuring that production is purchased, Fecovita offers its associates technical advisory services, financing options for the purchase of equipment and machinery, provides inputs (fertilizers, agrochemicals, etc.), insurance against inclement weather, among other services.

The Cooperative has four productive units: The Gutierrez General Plant ("Headquarters", located in the department of Maipu - province of Mendoza), "Bodega Resero" (located in the department of Albardon, province of San Juan), "Bodega Toro" (in the department of San Martin, province of Mendoza), "Bodega Estancia Mendoza", which produces medium to high range wines (located in the department of Tupungato - province of Mendoza). It also has a wine cellar called "Hugo Hidalgo" (in the department of Guaymallen - province of Mendoza).

Fifty percent of internal sales in Argentina are dispatched through 12 distribution centers located in its main cities, serving more than 2,000 customers throughout the country. The remaining 50% of production is distributed directly to customers with adequate storage capacity from a National Distribution Center located in the department of San Martin, province of Mendoza. Part of the production is exported to more than 27 countries, with the company having two subsidiaries abroad (Shanghai and Sao Paulo).

Between September 11 and 14, 2018, staff responsible for the Social, Environmental, and Governance (SEG) Division of IDB Invest carried out environmental and social due diligence on this transaction, having held meetings with the staff responsible for Fecovita, with all producer representatives (in an assembly meeting), with technical advisors from Fecovita (agricultural engineers), and with the staff responsible for two associated wineries. The visit included the facilities at the Headquarters, the new Bodega Toro, ancillary facilities (such as the effluent treatment plant), and two associated producer cooperatives. Visits to the facilities have allowed us to appreciate their safety conditions and equipment, the quality of the working environment and the management of environmental and social aspects.

In light of IDB Invest's Environmental and Social Sustainability Policy, the assessment results classify this as a Category B transaction. While the possible environmental, social, and health and safety risks and impacts are considered potentially relevant, there is a possibility that they be properly managed through well-known plans, programs and procedures of widespread use in the sector.

The potential environmental, social, health, security and safety risks and impacts associated with the transaction include various hazards inherent to industrial plant operations (hearing , electrical, fire, falling and ergonomic hazards), risks associated with driving vehicles and agricultural machinery, as well as possible health effects on workers and community members in the event of a contingency or mismanagement in the handling, transportation and/or application of agrochemicals (such as insecticides, herbicides, fertilizers). Under this hypothesis, the effects would also include water and soil pollution and a possible impact on biodiversity. Given the nature and magnitude of the possible impacts and risks that have been identified, the following IFC Performance Standards apply ([1]): (PS) 1 (Assessment and Management of Environmental and Social Risks and Impacts), PS 2 (Labor and Working Conditions), PS 3 (Resource Efficiency and Pollution Prevention), and PS 4 (Community Health, Safety and Security).

The facilities where Fecovita's activities take place are located in the province of Mendoza,an Argentinian provincelocated in the country's Midwest, bordering the province ofSan Juanto the north, the province ofSan Luisto the east,La PampaandNeuquento the south andChileto the west, across theAndes Mountain Range. Its capital is the city ofMendoza. The province is divided into 18 departments; its surface area covers 148,827 square kilometers and its population is estimated at 1,900,000 inhabitants. The mountainous area covers the western half of the province. It has asemi-aridcontinentalclimate, with very dry summers and more humid winters. The mean temperature for January (summer) is 24degC and the mean

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Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	FECOVITA	Undisclosed	-

Contact Information

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ACCOUNTABILITY MECHANISM OF IADB/IDB Invest

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

Bank Documents

- FECOVITA -Environmental and Social Action Plan