Early Warning System

IDBI-12434-01

Delta Sucroenergia

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Quick Facts

Countries	Brazil
Specific Location	Minas Gerais
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2018-12-04
Borrower	Delta Sucroenergia S.A.
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 70.00 million

Project Description

Delta Sucroenergia (Delta) is a sugar and ethanol corporate group based in Minas Gerais, Brazil. It operates three mills with a combined sugarcane milling capacity of 11 million tons. In fiscal year 2018, the Group produced 532,000 tons of high-polarity sugar (VHP), 375,000 tons of crystal sugar, 289,000 m3 of ethanol (sold primarily as a fuel to replace petroleum derivatives for motor vehicles), and 659 GWh of electricity via co-generation of bagasse, 72% of which was sold to third parties.

The proposed financing will be used to: i) renew 14,100 hectares of sugarcane fields; ii) purchase 12 cane harvesters, 20 tractors, 30 trucks and a non-motorized fleet; iii) adopt new varieties of sugarcane and introduce the practice of crop rotation; and iv) capital expenditures in industrial facilities.

People Affected By This Project

Delta Sucroenergia (Delta) is the largest sugar and ethanol corporate group in the state of Minas Gerais. In addition to its planted areas, the Company has three sugar and ethanol mills with a milling capacity of 11 million tons/year, 61% of which is accomplished using its own raw material and 39% with cane obtained from suppliers. Average annual production is 968,000 tons of sugar and 392,000 m3 of ethanol. And, it operates a 700 GWh-electricity cogeneration power plant which powers its own operations while selling the remainder to the national public grid.

The Volta Grande unit was the Group's first industrial plant in the Minas Triangle. Installed in 1996, it is situated in the municipality of Conceicao de Alagoas. In 2000, the Group acquired the former Delta Acucar e Alcool mill in the municipality of Delta. In 2011, the Company leased the industrial infrastructure of a mill in the region and made it part of Delta as its Conquista de Minas Unit. Facilities also include a 138-kV electric power substation, and a 15.5 Km-long 138 kV feeder branch transmission line that connects to the Delta transmission line in Industrial District III of the city of Uberaba.

Business activity encompasses the harvest and the off-season. Because sugarcane harvesting is totally mechanized, the harvest period lasts about 240 days, from April to November.

The off-season runs from December to March. That is when machinery and equipment are maintained, as is the fleet of vehicles. It is also when cane is planted. Cogeneration of electricity continues. According to data furnished by the Company for 2017, 61% of the 160,000 hectares that comprise its farm area is land that it owns or leases, while the remainder (39%) belongs to suppliers scattered throughout the region around the mills. Suppliers work separately or grouped in condominiums or associations of producers.

For purposes of the environmental and social (E&S) assessment of the Project, environmental and social due diligence was performed on 25-27 September 2018 by the IDB Invest E&S Officer and an Independent E&S Consultant (IESC) supporting IDB Invest E&S officer. Interviews were held with those responsible for the areas of environment, occupational health and safety and human resources, as well as management of financial, administrative, legal, and corporate industrial areas. The Delta and Volta Grande plants were visited, as were three small, medium-sized, and large suppliers of sugarcane identified by the Company. Legal and managerial documents related to these areas supplied by Delta were examined.

2. Environmental and Social Categorization and Rationale

According to IDB Invest's Environmental and Social Sustainability Policy, the Project was categorized as Category B since its potential environmental and social risks are related to: (i) possibility of industrial fires and agricultural fires (the latter related to third parties); (ii) risk of occupational accidents at industrial facilities; (iv) risk of traffic incidents; and (v) possible loss of vegetation cover (related with the suppliers' crops expansion). All the impacts prone to be generated by the Project are deemed to be of medium magnitude and considered to be either reversible or easily manageable through standard mitigation measures.

The Performance Standards (PS) triggered by the Project are: i) PS-1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS-2: Labor and Working Conditions; iii) PS-3: Resource Efficiency and Pollution Prevention; iv) PS-4: Community Health, Safety and Security.

Performance Standard 5 - Land Acquisition, Involuntary Resettlement and Economic Displacement does not apply to this project since no land acquisition is anticipated; only agricultural partnerships for purposes of planting are involved. Performance Standard 7 does not apply either, since no indigenous people or traditional communities are near the mills and plantations. Performance Standard 8 - Cultural Heritage, does not apply since there are no cultural heritage sites in the Project area.

3. Environmental and Social Context

Investment Description

- IDB Invest (IDBI)

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Bank Documents

- Environmental and Social Action Plan - Delta