Early Warning System

IFC-33505

Muyuan Loan 2

This project is still under review by the EWS. Project information and/or project analysis may be incomplete.

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Quick Facts

Countries	China
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Borrower	MUYUAN FOODSTUFF CO LTD

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Project Description

PROJECT DESCRIPTION

Muyuan Foodstuff Co, Ltd is a large-scale, integrated, farrow-to-finish intensive pig breeder and hog producer headquartered in Neixiang County, Henan Province, China. Since the establishment of the first hog farm in 1992, the business has seen progressive expansion. IFC has two existing investments in the Company; the first was an equity investment in Muyuan in 2010 (#29089) and the second (#32156) a loan in 2012. This proposed loan, a USD $20M equivalent loan, therefore represents a third investment in the Group. Currently Muyuan operates 25 farms, including two boar stations, breeder farms (great grandparent, grandparent and parent farms) and hog farms. The farms range in size from 0.43 ha to 109.5 ha. In addition, Muyuan currently operates one feed mill in Guanzhang town with an annual production capacity of 400,000 tons.Existing farms are located away from local communities in rural/agricultural areas; the farms being proposed under this investment are similarly located. The majority of the land area of each farm is occupied by housing for the pigs. Pigs are provided with on-demand feed and water, the feed being delivered from silos located outside each unit. Slatted floors under the pigs allow for the collection and storage of solid waste and urine with subsequent flushing or gravity flow to biogas digestors. Summer cooling is provided through ceiling or wall fans and shutters: buildings are designed to maximize air flow through the unit. Winter heating is provided by piping warm water through a ground level piping system. Farms also have offices, accommodation and a canteen.As per the previous loan, IFC's proposed investment of $20M can be considered a corporate loan but it is understood that the proceeds will be used for the development of the Xi Yin He commercial hog farm facility and the Jiu Kou feed mill. Upon completion of the farms under construction, Muyuan's annual hog production capacity will have expanded to over 1.5 million.Identified Applicable Performance StandardsIFC's environmental and social due diligence indicates that the following Performance Standards are, or have the potential to be, applicable to this investment, namely:- PS1: Assessment and Management of Environmental and Social Risks and Impacts- PS2: Labour and Working Conditions- PS3: Resource Efficiency and Pollution Prevention- PS4 Community Health, Safety and SecurityA prior review of Muyuan's process for identifying and securing land concluded that PS 5 (Land Acquisition and Involuntary Resettlement) was not applicable for any land transaction that had occurred at the time of the equity investment in 2010; this conclusion was also reached in 2012 and this appraisal finds that still to be the case. Issues associated with the following PS were also assessed but found to be not applicable to the Project: PS6: No adverse impacts to biodiversity or sustainable natural resource management were found and the supply chain requirements under PS6 are not applicable due to supplies for feed mills emanating from local farms where no such issues exist; PS7: No Indigenous People are known to have been in the area or affected by the project; PS8: No evidence of the presence or impact to issues associated with Cultural Heritage. The Company site selection manual specifically prohibits Company's operations from occupying the core and buffer zones of drinking water protection areas, scenic spots, and natural reserve areas. A sample review of farm site selections made to date confirms this practice continues.

OVERVIEW OF IFC'S SCOPE OF REVIEW

The IFC Environmental and Social (E&S) Review of Muyuan III included a review of the Company's E&S policies, management procedures and practices of Muyuan Foodstuff Co, Ltd ('Muyuan" or the "Guarantor".) Field visits to the following Group sites were undertaken: the pig farm of Wolong Muyuan Breeding Co., Ltd, the recipient of a prior IFC investment (project # 32156), which is presently under construction (i.e. some rearing operations are already underway); the greenfield site of a future rearing operation (Xi Yin He); and two feed mills, both under construction, one located adjacent to the Wolong farm and one in proximity to the Xi Yin He farm site. Interviews with project management were held at the above sites, including those responsible for oversight of general contractors who were responsible for the construction of the feed mills. Further review (conducted at Group headquarters near the city of Neixing) included: (i) interviews with key management staff responsible for environment, human resources, and occupational health and safety (OHS); (ii) review of documents and reports made

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Investment Description

- International Finance Corporation (IFC)

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Contact Information

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

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Other Related Projects

- IFC-43279 Muyuan ASF