Early Warning System

IFC-39264

Jalles Machado

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Quick Facts

Countries	Brazil
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2017-10-06
Borrower	JALLES MACHADO SA
Sectors	Agriculture and Forestry, Energy
Investment Type(s)	Loan
Loan Amount (USD)	$ 34.00 million

Project Description

Jalles Machado S.A. (“Jalles Machado” or the “company”) is a sugar/ethanol producer in Brazil operating two mills, Jalles Machado and Otavio Lage in the State of Goiás in Brazil. The company has a crushing capacity of 4.6 million tons/year of sugarcane and operates over 65.4 thousand hectares of land under cultivation for sugar cane. During FY17, the company produced 187.7 thousand tons of sugar (conventional and organic), 67,300 m3/year of anhydrous ethanol and 134,400 m3/year of hydrous ethanol and generated 279,389 MWh electricity through cogeneration.The proposed investment will support the company’s investment program to (i) plant 20,646 ha of sugarcane, including 3,000 ha of planting expansion, (ii) install a white sugar processing plant at the Otavio Lage mill with capacity of 750 tons of sugar per day, and (iii) irrigation of 3,500 ha which includes fertigation using vinasse. The latter will consist of subsurface drip (250 ha) and pivot irrigation (3,250 ha).

Expected Development Impact
(i) Support the expansion of a globally competitive sector: The investment will support the development of Brazil's sugar and ethanol industry, one of the most important sectors in the Brazilian economy, by helping one of the leading companies to improve efficiencies and upgrade its operations. (ii) Promote climate change mitigation: The project will support climate change mitigation by increasing efficient production of biofuels. Hydrous ethanol made from sugarcane is the most competitive CO2 alternative to gasoline and one of the "greenest" fuels. (iii) Strengthen a frontier region: The Company's operations are located in Goianesia, part of the Cerrado region, where the project will be undertaken. By expanding the company's activities, the project will create about a 100 new jobs and contribute to government revenues in a region that is highly dependent on the agricultural sector for income generation but has lagged behind national averages in terms of development indicators. (iv) Contribute to government revenues: The Brazilian agribusiness sector is highly competitive globally and is key to the economy in terms of its capacity to raise government revenues. This investment will allow the Company to expand its operations and will contribute to the growth of the Brazilian economy.

IFC's Expected Role and Additionality
(i) Long-term Financing: IFC's involvement will provide the Company with the necessary financing for its capital expenditures which is not otherwise available in the market on comparable terms. (ii) Mobilization: IFC will mobilize additional long-term capital from a commercial bank through the B-Loan program, expanding the Company's access to finance further. (iii) Environmental and Social Standards: By introducing the Performance Standards on Social and Environmental Sustainability, IFC will help Jalles Machado further improve its sustainability practices. (iv) Corporate Governance: IFC will help Jalles Machado strengthen its Corporate Governance policies and practices by implementing the Corporate Governance Improvement Plan.

Investment Description

- International Finance Corporation (IFC)

IFC is considering a financing package of an A-Loan of up to US$34 million.

Contact Information

CONTACT

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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/