

 Early Warning System

IFC-45105

GWFP Mercon 2021



## Quick Facts

Countries	Brazil, Guatemala, Honduras, Nicaragua, Vietnam
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2021-04-25
Borrower	MERCON B.V.
Sectors	Agriculture and Forestry, Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	\$ 60.00 million



## Project Description

### Project Description

The proposed investment consists of a participation of US\$60 million by IFC in a two-year revolving credit facility (the “Facility”) in favor of Mercon Coffee Group (“Mercon”), with an option for an additional year. The facility aims at supporting Mercon’s activities across the coffee sector value chain from production and storage in IDA countries of origin in Central America (Nicaragua, Honduras) and other producing countries (Brazil, Guatemala, Vietnam) to transportation and commercialization in multiple destinations. This project prioritizes improving farmers’ access to markets and finance, provision of technical expertise, and climate-smart considerations.

Mercon is a vertically integrated coffee company. Its footprint encompasses all segments of coffee value chains, from (i) upstream Robusta production on four farms of a total of 1,644 hectares (ha), including 600 ha of forest conservation area in the Atlantic region of Nicaragua; (ii) midstream operations, including 22 wet and dry mills of which six are under Mercon’s own management, plus warehousing, in countries of origin; (iii) downstream coffee sourcing and trading operations in ten countries through which Mercon sources raw green coffee beans from more than 9,000 third-party suppliers and distributes coffee to consumers in 40 countries.

### Overview of IFC's Scope of Review

IFC’s environmental and social (E&S) review of the proposed investment included a virtual meeting in March 2021 with Mercon’s Director for Latin America Operations, Sustainable Production Manager, Strategic Planning and Sustainability Manager, Environment, Occupational Health and Safety (EHS) Manager, Sustainability analyst, Human Resources (HR) Director, and the Chief of Security and was supported by a review of Environment, OHS, Stakeholder Engagement Policies, Farm and Supplier Codes, draft EHS Standard Operating Procedures (SOPs), environmental permits and licenses, and preliminary result of EHS and supply chain risk assessment. IFC previously supported Mercon’s and in this context IFC’s review also drew on monthly meetings held with Mercon since July 2020 to monitor the development of the company’s sustainability framework; Site Supervision Visits (SSVs) of Mercon feed mills in Nicaragua (El Carmen), Honduras (CIGRAH) and Vietnam (Mercafe mills) undertaken in January / February 2020, and an earlier visit to San Carlos mill (Nicaragua).

IFC’s appraisal also used the Global Map for risk assessment and management of Agro-Commodities Production (GMAP) for high-level E&S risk screening associated with coffee production in all countries of origin, the Integrated Biodiversity Assessment Tool (IBAT) to screen for negative impacts on critical habitats from current farming production and sourcing operations (using GPS coordinates of farms or coffee post-harvest centers and a 50 km radius around the coffee mills, representing the coffee beans’ catchment areas (especially in Nicaragua and Brazil as pre-financed sourcing), the Global Forest Change (University of Maryland, Department of Geographical Sciences) - <https://earthenginepartners.appspot.com/science-2013-global-forest>) to assess habitat conversion adjacent to areas of coffee sourcing in all countries of origin. This biodiversity review confirmed that coffee production and sourcing in all origins are in consolidated agricultural lands and/or not located in recently deforested areas, although Guatemala, Honduras and Vietnam are considered “high-risk” for future deforestation. IFC’s Gender-Based Violence (GBV) risk screening tool was also used to screen for GBV risk in Nicaragua. The U.S. Department of Labor ILAB Sweat and Toil app was used to screen for exploitative labor practices in countries of origin.

Due to limitations arising from the COVID-19 emergency, IFC has been unable to visit any of Mercon’s operations since February 2020. Once travel restrictions are lifted, IFC will conduct a field visit, and as needed, update this ESRS and the E&S Action Plan (ESAP) accordingly.

IFC previously supported Mercon in 2019. The ESRS prepared in advance of that investment may be reviewed at:



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## Investment Description

- International Finance Corporation (IFC)



Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Mercon Coffee Corporation	Client	Industry and Trade



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## Contact Information

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## Other Related Projects

- IFC-41276 DIGRANISA