

 Early Warning System

IFC-42454

GWFP Mercon 2019



Quick Facts

Countries	Brazil, Guatemala, Honduras, Nicaragua, Vietnam
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Borrower	MERCON B.V.



Project Description

This proposed investment consists of a participation of US\$40 million by IFC in a revolving credit facility (the “Facility”) in favor of Mercon Coffee Group (“Mercon”). The facility aims at supporting Mercon’ activities across the coffee value chain from production and storage in countries of origin (Guatemala, Honduras, Nicaragua, Brazil, 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 684 ha, as of May 2019, distributed in three farms on the Atlantic side of Nicaragua (La Esperancita (92 ha), San Antonio (379 ha) and San Jose (213 ha). Total land of the farms cover 1,545 ha, including forest conservation area; (ii) midstream operations, including 14 wet and dry mills – six under its own management (Nicaragua/San Carlos; Nicaragua/La Luz; Nicaragua/El Carmen; Honduras/CIGRAH; Vietnam/Mercafe Agri Product in Lam Dong Province and Vietnam/Mercafe Vietnam Company in Dong Nai Province) and eight third-party mills (Brazil/Acaua Armazens Gerais Eireli; Brazil/ Alameda do Café; Brazil/ Cafeco Armazens Gerais LTD; Brazil/ Dinamo Inter Agricola; Guatemala/ SUBE, S.A.; Guatemala/ Santa Rita; Guatemala/Santa Isabel; Guatemala/RCMA) located in countries of origins to maximize value-addition and job creation and 109 warehouses (e.g. buying/collection centers); and, (iii) downstream coffee sourcing and trading operations in nine countries (Nicaragua, Honduras, Guatemala, Brazil, Vietnam, Panama, USA (Miami) and Europe (Spain/Netherlands). Mercon sources raw green coffee beans from more than 9,000 third-party suppliers and distributed its Arabica and Robusta coffee in 40 countries to end-customers (e.g. illy, Lavazza, Caffe Nero, Paulig, Starbucks, Kraft Foods, Nestle North America). FMO has provided three long-term loans to support Mercon operations in Nicaragua in 2017 and 2018. In aggregate, these loans sum up US\$25M, US\$20M which are for Capital investment in the two key mills (San Carlos and La Luz), and, US\$5M to support financing to farmers for short- and long-term requirements. The Environment and Social Review Summary (ESRS) prepared by an E&S consultancy firm (CEGESTI), on behalf of FMO, in October 2016, was shared with IFC and the E&S Action Plans (ESAPs) agreed upon by Mercon in 2016 and 2018, including implementation progress status and ESAP’s supportive evidences of successful completion.



Investment Description

- International Finance Corporation (IFC)



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/>