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A Weekly Review of Business Opportunities

## COPERSUCAR INVESTMENT OF 140 MILLION REAIS

Ferrari Agroindústria SA, based in Pirassununga (São Paulo State), has become a Copersucar SA stakeholder and invested 140 million reais to increase crushing capacity to 2.5 million tons from 1.8 million in the 2009/2010 crop. Nearly 140,000 tons of sugar and 94 million liters of ethanol will be produced. This month Ferrari will also start cogeneration of 45 MW/h of power, with the sale of a surplus of 30 MW/h, i.e. 130,000 MW/h per crop. With this new partner, Copersucar will own 34 producing facilities in São Paulo, Paraná and Minas Gerais states, representing the processing of 78.6 million tons of sugarcane in this crop season. Sugar production amounts to 4.5 million tons and ethanol production totals 4 billion liters. Source: *CEISE*.

## PERDIGÃO AND SADIA CLOSE TO A MERGER DEAL

Merger talks between Sadia and Perdigão are expected to lead to an agreement in the next few days, said people close to the companies. The talks have intensified in the past few weeks, and the companies are likely to announce the agreement as soon as this week. Both of them have declined to comment. The market expects, as reported, that the deal will not involve capital investment by Perdigão, but only the purchase of shares. The Brazilian Development Bank (BNDES) may finance the Sadia-Perdigão deal. If it occurs, the merger will result in the creation of the world's biggest animal protein company. The turnover of the two companies together is more than 22 billion reais. With the deal, the profits of the two companies working synergically are estimated at around 2,2 billion reais, according to Brascan brokerage. The Investors Central has said the market value of the new company may reach 11.8 billion. Source: *Folha de São Paulo*.

## MEAT PACKERS TO NEGOTIATE FARMER PAYMENT PRIORITY

Given farmers' inflexible position not to supply slaughterhouses with more cattle until debts are paid off, meat packers have no choice but to find a way to give priority to these payments within the judicial reorganization plan. Arantes group confirmed it is trying to negotiate the farmer payment in its municipality. An offer has recently been made to settle the 6 million debt in 12 installments, a proposal turned down by producers. Farmers from the center-west await actual payment signs by meat packer Independência before resuming cattle supply in the company's five plants of Mato Grosso do Sul state. "There is a strong movement of resistance here in Mato Grosso do Sul state", says Pérsio de Souza e Silva, President of the Rural Trade Union of Aparecida do Taboado (Mato Grosso do Sul). Independência is trying to resume operations, initially, in Nova Andradina (Mato Grosso do Sul), Juína, Colíder and Pontes e Lacerda (Mato Grosso state). Source: *Gazeta Mercantil*.

## INDEPENDÊNCIA CRISIS

At a meeting with representatives from the Federation of Agriculture and Livestock of Mato Grosso (Famato) last Thursday, the President of Independência, Miguel Russo Neto, submitted a recovery plan for the company, which had filed for judicial reorganization, and again stated that a solution to farmer payments is a top priority. "One of the options they [Independência] have found is to raise awareness in other creditors, such as banks and suppliers with the largest amount as to giving priority to payments to obtain raw material in order to improve working capital and settle debts", said Eduardo Alves Ferreira Neto, Famato's treasurer, in a release by the institution. Source: *Valor Econômico*.

## BNDES EXCEEDS SHORT-TERM CREDIT CEILING

The demand for BNDES short-term loans has already exceeded the budget planned for this year. Launched in December to reduce the credit deficit, the PEC (Special Loan Program) line totals 6 billion reais and will be available through the end of the year. In five months, the demand for loans reached 6.685 billion reais. Before late April, the most interested in this type of loans were meat packers. Affected by a context of lower external demand for beef and more expensive loans, they have already borrowed 1.473 billion reais. Working capital loans are not within the scope of BNDES. The bank focuses on long-term financing for investment. The PEC line total costs are around 15%, according to the bank, still competitive compared to private banks' credit lines. Source: *Folha de São Paulo*.