

Year 4 No. 28

July 13-17, 2009

For further information, contact

Coordinator: marco.ortega@iica.int

A Weekly Review of Business Opportunities

SUGAR AND ETHANOL PLANTS UP FOR SALE

At least 50 mills in Brazil's center-south are up for sale, which reflects the financial crisis facing the sugar and ethanol sector. In this context, traditional groups like Santelisa Vale, based in Sertãozinho (São Paulo state), which is being taken over by French Louis Dreyfus, and other plants such as Moema, based in Orindiúva (São Paulo), are part of the mill package being negotiated. The sector crisis worsened in the second half of last year as a result of the global financial turbulence. The sector's situation, however, had been sensitive for a year at least, due to the falling prices of sugar and ethanol. Many firms became indebted when they undertook greenfield projects. With short-term debts, a lot of these companies cannot change their debt situation because of the credit deficit in the market. Since last year, a large number of sugar and ethanol companies have filed for judicial recovery to prevent bankruptcy. *Source: ProCana.*

AMAGGI TO CRUSH SOYBEAN IN EUROPE

André Maggi will start processing soybean abroad as well. The group's new move involved the acquisition of a 51% stake in Norwegian Denofa, which will give Amaggi a share in a soybean crushing plant in Fredrikstad, Norway, which has a capacity of 430,000 tons per year. The deal also includes a canola oil plant in Poland. Norgrain, former controller of Denofa, will retain a minority stake now. Norgrain's stake in Denofa has fallen from 60% to 49% with the sale of the 11% share to the Brazilian group. The remaining 40%, which gave Amaggi a 51% stake in the facility, was acquired by Agrenco Netherlands, a subsidiary of Agrenco Ltd. *Source: Valor Econômico.*

JBS LAYS OFF WORKERS BUT BOOSTS OPERATIONS

The layoffs in some cattle slaughter plants in São Paulo state confirmed by JBS-Friboi on July 14 indicate that the company's strategy is to give priority to areas with higher availability of cattle, like Mato Grosso state, say sector analysts. The company says the layoffs are justified by "the continuous improvements in company efficiency and facility modernization". The communications department of the company –the world's largest beef processor– said 276 employees have been laid off in the Barretos plant, 208 in Presidente Epitácio and 258 in Andradina, totaling 742 people. In an attempt to seek proximity to raw material supply, in early July the company announced the lease of five plants in Mato Grosso and hired 3,000 people. According to JBS, the layoffs in the São Paulo plants will not lead to a reduction in production of these facilities or in slaughter capacity. *Source: Valor Econômico.*

NESTLE LEASES PARMALAT FACILITY IN CARAZINHO

Legal issues have made Nestle put off the acquisition of the largest facility of Laep Investments, which controls Parmalat, located in Carazinho (Rio Grande do Sul state). Neither company has commented. The pending legal issues are due to Parmalat Brasil's judicial recovery process; the Carazinho asset sale thus relies on judicial authorization. The Carazinho plant produces long life milk, special milk, milk powder, condensed milk and cream. Carazinho is considered Parmalat's main asset. In addition to its good condition, the plant is well located and is in a major milk producing area in Brazil. The unit is 90 km from Palmeiras das Missões (Rio Grande do Sul), where Nestle has set up a plant for precondensed (dehydrated) milk production. The sale of assets was part of the restructuring plan of Laep, which has been in crisis since mid 2008. *Source: Valor Econômico.*

MOEMA AND BALBO RECEIVE 167.5 MILION REAIS FOR INVESTMENT

The Development Council of the Minas Gerais state government (COIND) has approved a loan of around 167.5 million reais for two sugar and ethanol plants in the state. Usina Frutal Açúcar e Álcool SA, owned by Moema, will receive 107.7 million reais for an agroindustrial facility in Frutal, in the *Triângulo Mineiro* in western Minas Gerais state, estimated at 220.8 million reais. Usina Uberaba SA, owned by Grupo Balbo, based in Sertãozinho (São Paulo), will receive the remaining 62.8 million reais to set up a facility in Uberaba city. *Source: Agroind.*