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Fernández administration announces attempt to take over bankrupt agriculture company

Yesterday evening (June 8), Argentine President Alberto Fernández announced a government takeover of Vicentín, one of Argentina's main agroindustrial companies.

Vicentín, which is a major producer and exporter of grains, oils and other food products, sought bankruptcy protection in February and is currently in talks with creditors to restructure approximately USD 1.35 billion of debt.

As a first step towards a takeover, the president has signed an executive order designating an *interventor* (an interim auditor/manager) to oversee the company for the next 60 days. The government next plans to send a bill to Congress to expropriate the company's assets. The government will seek to take over 51 percent of the company, and its assets will be put into a trust that will be managed by YPF Agro, a subsidiary of state-run, mixed-capital energy company YPF. **The timeline for advancing with the expropriation bill, which will face strong criticism from the opposition in Congress, is not clear.**

The government's decision to intervene evinces a concern about the possible negative impacts of the company's failure on employment and Argentina's agricultural sector. In addition to its soy and oil products, Vicentín has wide-ranging interests including in milk production, a winery and a renewable energy venture with Glencore. The government has framed the move as aimed at "preserving its [the company's] assets, protecting at-risk jobs, and avoiding damage to the agro-export market and economy in general". The president said the government will work to help the company meet payments to producers in the country's heartland, and undertake negotiations with its creditors. The government, through state-run Banco de la Nación, is one of Vicentín's main creditors.

The decision had been in the making for weeks, and is supported by several sectors within the governing coalition who had been calling for intervention in the struggling company in the public interest. Support from within the coalition includes from sectors linked to former President Cristina Fernández de Kirchner (CFK), and several Peronist governors of agricultural provinces such as Santa Fe, who are concerned about the impact on small producers and providers to whom the company is indebted.

Discussion within the government in recent weeks focused on the best approach to bailing out the company, which is widely seen as "too big to fail". The previous administration of Mauricio Macri had offered the company support through credit from public banks; however, the current administration favors more direct intervention by the state. **The absorption of Vicentín's assets under the umbrella of YPF would increase the government's foothold in one of Argentina's most strategic export industries, and position it as a leading market participant as well as regulator. This would give it greater leverage in a sector that will be key for generating dollars in the context of a future**



economic recovery. In this sense, we believe the takeover responds to specific circumstances surrounding the company and its role in the agricultural sector; **we do not believe that this should be read as an indication of further nationalizations to come in other sectors.**

The announcement and subsequent congressional treatment of both the executive decree and expropriation bill will be subject to heated political debate. The opposition *Juntos por el Cambio* coalition has already expressed strong rejection of the takeover effort. It has said the move is “unnecessary” and will undermine investor confidence at the cost of economic recovery. **It will seek to highlight the move as an illegal takeover and abuse of state power.** For its part, the government will try to make the case that it was seeking to avoid a problematic collapse of an important company, and that it does not represent a general risk towards private enterprise. **The government's ability to successfully make this case and limit reputational impacts will be key to ensuring it remains able to continue managing its agenda. It is worth noting that previous nationalizations, including of YPF and Aerolíneas Argentinas, have proved to be popular with the public.**

Further, we anticipate that the most hardline anti-government sectors of the agricultural industry will use this as an opportunity for renewed confrontation with the government. However, the government will be in a new position to face this opposition as a market player and sectoral influencer. This new role may help it shore up support from some smaller and independent agricultural producers who are anticipated to benefit from its involvement in the sector.

President Fernández made the announcement alongside Production Minister Matías Kulfas, and National Senator from Mendoza Province, Anabel Fernández Sagasti, a close ally of CFK who will sponsor the government's expropriation bill in the Senate. Gabriel Delgado, who has been named as the company's *interventor*, was also present. Delgado is a widely respected economist specialized in agricultural economics with a PhD in finance who is close to President Fernández. He previously headed the Center for Research in Political, Economic and Social Sciences at the *Instituto Nacional de Tecnología Agropecuaria* (National Institute of Agricultural Technology) and served as agriculture secretary from 2013-2015 during CFK's second term, among other experience.

We will continue closely monitoring the situation and provide updates of any developments.

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