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JUDICIAL RECOVERY AND BANKRUPTCY OF SUGARCANE AGROINDUSTRIES IN THE STATE OF PARANÁ

RECUPERAÇÃO JUDICIAL E FALÊNCIA DAS AGROINDÚSTRIAS CANAVIEIRAS NO ESTADO DO PARANÁ

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Abstract

This paper aims to present a current overview of the bankruptcy and judicial recovery of sugarcane agribusinesses in the State of Paraná and to verify its leading causes. As a result, this sector showed an expansion behavior (from 2003) followed by a crisis (from 2008). The common cause of this crisis is related to macroeconomic problems, such as the issue of gasoline subsidies and credit reduction, and microeconomic problems, such as the climate issue and management problems. It is worth mentioning that the current paradigm in force in this sector is technological, being urgent to be attentive to minimizing production costs and maximizing the productivity of the sugarcane culture, aiming at the survival of the plants/distilleries in a more competitive market context. Thus, nine of the thirty-one plants in Paraná have been deactivated or temporarily stopped their activities; of

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these, five sought the Judiciary to recover their activities, one of which was declared bankrupt, and the others face long sanitation processes.

Keywords: Sugarcane companies. Crisis. Situation.

Resumo

Este artigo tem como objetivo apresentar um panorama atual da falência e da recuperação judicial das agroindústrias canavieiras no Estado do Paraná, verificando suas principais causas. Como resultado, observa-se que este setor apresentou um comportamento de expansão (a partir de 2003), seguido de uma crise (a partir de 2008). A causa em comum dessa crise está relacionada aos problemas de ordem macroeconômica, como: questão de subsídios à gasolina e redução de crédito; problemas de ordem microeconômica, como: questão climática e problemas de gestão. Cumpre citar que o atual paradigma vigente neste setor é o tecnológico, sendo premente estar atento à minimização dos custos de produção e de maximização da produtividade da cultura canvieira, visando à sobrevivência das usinas/destilarias em um contexto de mercado mais competitivo. Destarte, nove dentre as trinta e uma usinas paranaenses sofreram desativação ou pararam suas atividades temporariamente. Dessas, cinco buscaram o Poder Judiciário para recuperação de suas atividades, sendo que uma delas foi declarada falida e as demais enfrentam longos processos de saneamento.

Palavras-chave: Empresas canavieiras. Crise. Conjuntura.

Introduction

This paper aims to present a current overview of the bankruptcy and judicial recovery of sugarcane agribusinesses in the State of Paraná and to verify its leading causes.

According to the Center for Advanced Studies on Applied Economics (CEPEA, 2018), the Gross Domestic Product of the sugar cane production chain, which considers the segments of inputs, primary activities (agricultural production), industry, and services (transport and trade), has an estimated value of R\$ 156 billion, making it one of the largest GDPs in Brazilian agribusiness. Even in the face of this strength, many mills and distilleries are going through a severe economic crisis, failing to meet commitments with creditors, going bankrupt, or seeking judicial protection.

The evolution of the sugarcane agroindustry is linked to a set of variables and not only to the production or quantity of natural resources. The alteration from a subsidiary character (in which the State acted with subsidies and other intervention forms) to a technological one (in which it is essential to be attentive to cost calculation, development of new technologies, and use of products and by-products) contributed to the competition arising from the post-deregulation of the sector. Likewise, the more competitive market ended up showing some difficulties of companies not prepared for this new competitive scenario (SHIKIDA; RISSARDI JÚNIOR, 2017). More specifically, from 2008, also with the worsening of the international crisis, the plants/distilleries started to present great difficulties generated by the inefficient management, scarce financial resources, and unfavorable climatic conditions (SANTOS *et al.*, 2016).

The judicial recovery processes and the bankruptcy of the sugarcane agribusinesses in Paraná have been present in some companies recently, and it is necessary to investigate their causes, as well as convergence points of the problems experienced by the sector in a period considered in crisis.

The methodology used is characterized by an exploratory and explanatory study. The collection of secondary data of economic and legal order, regarding the plants/distilleries in the process of crisis and attempted judicial recovery, took place through a survey based on data from specialized companies in the industry, reports, bibliographies, and websites of legal archives, due to the specificity of the work (ROESCH, 2009).

The present study is divided into five sections; this introduction is the first one. In section two, there is a brief analysis of the sector, highlighting its cyclical character. The data and information regarding Paraná companies in a crisis that closed, stopped, or have undergone some

kind of procedural filing are presented in section three. Section four highlights important technical notes on the processes of judicial reorganization and bankruptcy of companies in Paraná; last but not least, the paper ends with the final considerations.

Sugarcane agribusiness: development and crisis

The sugarcane agribusiness experienced several stages throughout its history; this work, however, portrays more recent periods (post-1975). The “Moderate Expansion” (1975-1979) was a phase in which the sugar cane agribusiness was adapted to new opportunities in the sugar and alcohol market, making a reasonable technological advance necessary. For this reason, all the possibilities and challenges imposed in this scenario played a part in the expansion process of the National Alcohol Program (Proálcool), based at that time on anhydrous ethanol. Concerning the “Accelerated Expansion” phase (1980-1985), there was a more significant “orchestration” of interests in the different agents of this market, intensified by a higher number of resources destined to alcohol production. In this phase, the production of cars powered by alcohol grew significantly, jumping from 28.5% in 1980 to 96% in 1985, promoting a higher demand for hydrated alcohol. In the “Deceleration and Crisis” phase (1986-1995), the imbalance between what was produced and consumed alcohol caused the need to import this commodity, being at odds with the proposed currency savings, that is, one of the objectives from the program. These constraints for the development of the sugarcane agribusiness were associated with the reduction of public resources directed to the sector, together with productive climatic instabilities and reduced production of vehicles powered by alcohol (SHIKIDA, 2014).

According to Cruz, Guerreiro, and Raiher (2012), after the 2000s, following the rise and decline of Proálcool, when it no longer seemed to be a recovery for alcohol (its name changed to ethanol), there was a new opportunity to resume in this market with the increase in the price of oil in international trade. Furthermore, in this new scenario, the bi-fuel car (which uses either ethanol or gasoline or a mix of both), originated in Brazil in 2003, much favored the option for the fuel to be used, stimulating the consumption of ethanol in the country.

With the resumption of ethanol in the flexible fuel car market, international groups made several investments in the sector. However, the negligence on the part of the government to plan and conduct the gasoline price policy meant that ethanol consumption did not have the desired demand, with discouragement to this consumption (SHIKIDA; RISSARDI JÚNIOR, 2017).

In addition to the Brazilian Development Bank (BNDES) injecting massive amounts of resources so that the plants could expand their infrastructure and its productive capacity and factors such as ethanol being less polluting vis-à-vis gasoline, the insertion of flex car technology in the market propitiated the great moment of the sugar cane agroindustry occurred between 2003 and 2007 (DASSIE, 2016).

After that period, in mid-2008, the agribusiness started to face serious problems. In addition to issues related to management and lack of financial resources, climate issues in recent years have had a significant influence on making the difficulties of the plants/distilleries more pronounced. In recent years, 44 industries have closed down in Brazil, 24 in the State of São Paulo, 5 of which in the city of Sertãozinho, in the northwest region of São Paulo, seen as a hub in the production of sugar cane (EM SP, 2014).

The diagnosis of the crisis indicates problems of profitability in the ethanol sector based on gasoline subsidies, to maintain stable prices. However, in 2016 and 2017, the sugar cane agribusiness showed signs of recovery, with improved prices for both sugar and ethanol (Table 1).

Table 1: Annual average prices from 2010 to 2016 (sugar and ethanol).

PRODUCTS	Annual average prices						
	2010	2011	2012	2013	2014	2015	2016
Sugar (sack of 50Kg) R\$	60.59	65.89	54.8	46.83	49.44	55.98	85.54
Anhydrous Ethanol (Liter) R\$	1.0517	1.4354	1.2558	1.3298	1.4089	1.5142	1.867
Hydrous Ethanol (Liter) R\$	0.9195	1.2118	1.1086	1.1756	1.2613	1.3601	1.684

Source: Extracted from Soares (2016).

In this context, new hires occur in the state of São Paulo. The main expectation revolved around the production of sugarcane biomass, which is an excellent generator of renewable energy,

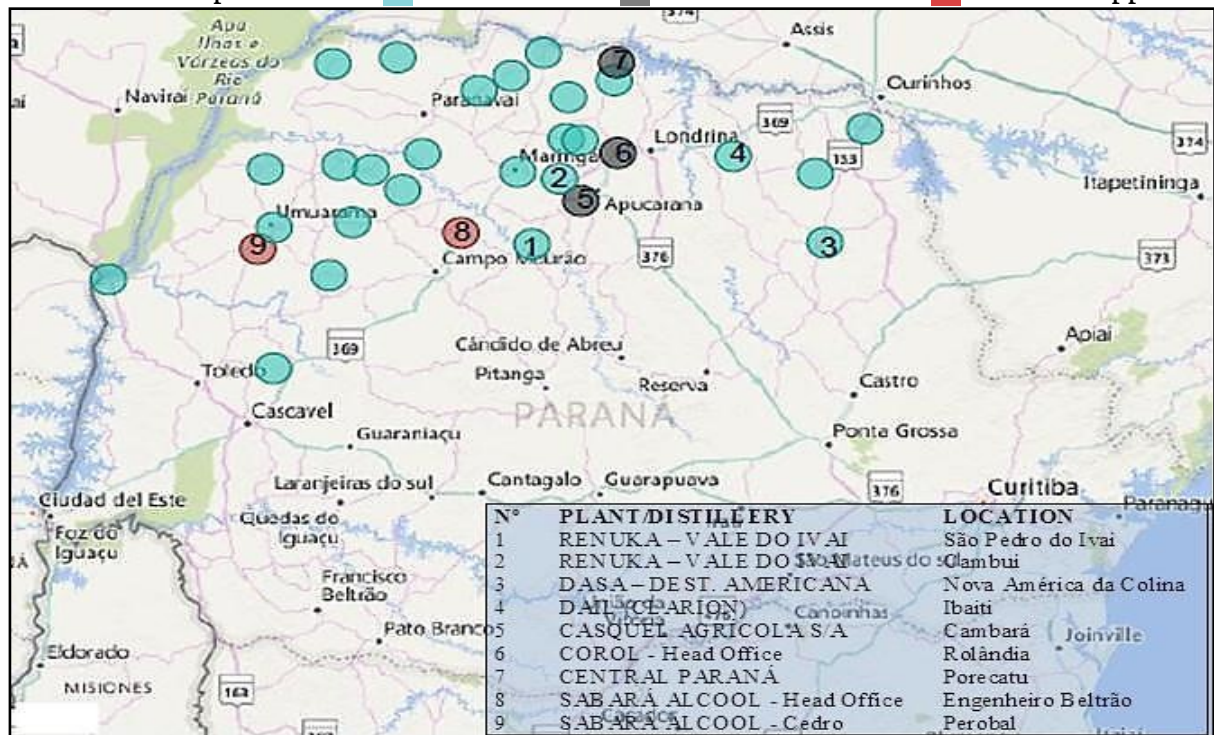
produced through vegetable waste. In 2017, some companies were able to obtain positive results as a result of the change in the tax policy on fuels (BIGHETTI, 2016; RAMOS, 2017). In the 2016/2017 and 2017/2018 harvests, ethanol exports recovered slightly (UNICA, 2018).

Deactivated or paralyzed sugarcane agribusinesses (2011 to 2016) 6

As already explained, the sugar cane economy has been in crisis for at least eight years, despite the great enthusiasm experienced in the segment, especially after the introduction of flex-fuel technology in the automotive market. For the installation, operation, and maintenance of a sugarcane agribusiness, the costs are very high, and production is susceptible to various aspects of a non-controllable nature, causing destabilization in this market and consequences for an entire sector, bringing little safety to its production (DASSIE, 2016; SANTOS *et al.*, 2016).

Figure 1 shows the survey of deactivated or stopped sugarcane agribusinesses (2011 to 2016). Regarding Paraná units in productive conditions, five plants are not operating, three are deactivated (numbers 5, 6, and 7), and two plants are stopped (numbers 8 and 9) (INFOCANA, 2018b). Regarding the Paraná plants in operation, four of them are in the process of Judicial Recovery (numbers 1, 2, 3, 4), and the number 5, called Casquel Agrícola S/A, is in bankruptcy via the courts and disabled (NOVACANA, 2018).

Figure 1: Paraná plants and ■ Active ■ Deactivated ■ Stopped.



Source: Infocana (2018b) – Adapted by the authors.

About the five plants in the process of judicial recovery or bankruptcy, Chart 1 presents a brief report on identification, productive and legal conditions, as well as notes on the 2013/2014 to 2015/2016 harvests (milling, sugar production, and ethanol).

⁶ Several attempts were made to obtain primary data from the deactivated or paralyzed companies; however, they were unsuccessful. The use of secondary sources has become the only option to describe and analyze this crisis situation; even so, some information was only possible after consultations with Paraná's judicial authorities.

Chart 1: Plants and distilleries in Paraná – in the process of recovery or bankruptcy.

PLANT/DISTILLERY		RENUKA - VALE DO IVAÍ	RENUKA - VALE DO IVAÍ	DASA-DESTILARIA AMERICANA	DAIL (CLARION)	CASQUEL AGRÍCOLA S/A
Production Condition		Active	Active	Active	Active	Deactivated
Legal Condition		Judicial Recovery	Judicial Recovery	Judicial Recovery	Judicial Recovery	Bankrupt
Harvest and Milling (T)	2013-2014	1,727,561	694,270	1,088,559	0	0
	2014-2015	1,451,611	650,057	451,598	252,938	0
	2015-2016	1,498,226	440,671	437,402	126,386	0
Harvest and Sugar Production (T)	2013-2014	87,396	27,446	0	0	0
	2014-2015	57,479	18,154	NR	NR	NR
	2015-2016	42,379	30,493	0	0	NR
Harvest and Ethanol Production (m ³)	2013-2014	69,393	25,336	0	18,644	0
	2014-2015	67,880	28,276	34,896	16,805	NR
	2015-2016	79,087	0	34,513	8,109	NR

Source: Novacana (2018); Infocana (2018a). P.S.: NR – No reply

When comparing the 2013/2014 harvest to the 2015/2016 one, it is possible to verify that Renuka - Vale do Ivaí, units of São Pedro do Ivaí and Cambuí, presented a decrease in the milling of sugarcane; the same happened with Dasa – Destilaria Americana. Dail (Clarion) did not present milling activity for the 2013/2014 harvest; however, it also showed a decrease when compared to the 2014/2015 harvest compared to 2015/2016.

For the company Casquel Agrícola S/A, as it is in bankruptcy, there is no information regarding the milling of cane and the sale of sugar or ethanol, unlike the previously mentioned ones that were productive, but in a condition of judicial recovery.

It is worth mentioning that two units of the Renuka Group in Brazil, named in Paraná as Renuka - Vale do Ivaí, also own two production units in the state of São Paulo: Renuka Tevati, in Brejo Alegre; and Renuka Madhu, in Promissão. The Group also has electricity generation and cogeneration companies and companies related to agriculture and livestock.

According to Scaramuzzo (2016, p. 1, our translation), "the sugar and alcohol group Renuka do Brasil, controlled by the Indian company Shree Renuka since 2009, [...] has not been able to honor its debts with sugarcane suppliers and banks for over a year". Shree Renuka, which in the early 2000s was considered one of the largest sugar producers in the world, "entered Brazil with the expectation of advancing in the country, [...] the expansion plans of the Indians were frustrated in Brazil with the crisis that has befallen the sugar and alcohol sector". The beginning of their bankruptcy and judicial reorganization processes dates back to 2014.

In the case of Dasa – Destilaria Americana, requests for judicial reorganization occurred in 2011, as it faced financial difficulties, being unable to honor its payments and debts. According to MBF (2011), an agribusiness company responsible for the economic report on Dasa's judicial recovery process, the beginning of its crisis originated in 2007, first with an excess supply of ethanol on the market, which had to be sold below of the cost price. The subsequent scarcity of credit, aggravated with rains that affected the sugarcane productivity in the extraction of ethanol in the years of 2008 and 2009.

Dail (Clarion), also listed among those undergoing judicial recovery, "operates in large part of the agribusiness production chain: crushing of soybeans, refining, and marketing of vegetable oils, refining of sugar, crushing of sugarcane, and alcohol production" (CLARION, 2012, p. 3, our translation). However, due to financial difficulties, it sought to concentrate from 2011 on the production of ethanol and sugar, given the scarcity of financial resources available on the market, which made it difficult to "obtain Working Capital in the year 2011, which ended up generating a significant reduction in its activities" (CLARION, 2012, p. 25, our translation). In 2011 and 2012, the company filed for bankruptcy.

Casquel Agroindustrial plant had its bankruptcy decreed in 2016 by the Civil Court of the District of Cambará, also denounced for fraud.

The sugar and alcohol distillation industrial complex had been experiencing financial problems since 2008. [...] In one of the strategies, the owners of Casquel, [...] founded another company to manage the plant's assets. Registered as Usina Cambará S/A Bioenergética, the new company, which also had its bankruptcy decreed in September 2015, according to Justice, was created to cause equity confusion, embezzling assets and defrauding creditors. [...] In 2010, the Casquel Usina de Açúcar e Álcool suspended alcohol production altogether and, due to the accumulation of debts, abandoned its structure in Cambará (MARTINS, 2016, p. 1, our translation).

In addition to the five units mentioned above, four other companies in the sector are deactivated or paralyzed, but without presenting any information regarding the bankruptcy or judicial recovery lawsuits, based on the information by Infocana (2018b). Chart 2 presents a brief report on identification and data entry on the 2013/2014 to 2015/2016 harvests (milling, sugar, and ethanol production).

Chart 2: Plants and distilleries in Paraná – deactivated or paralyzed.

PLANT/DISTILLERY		COROL Head Office	CENTRAL PARANÁ	SABARÁLCOOL Head Office	SABARÁLCOOL Cedro
Production Condition		Deactivated	Deactivated	Paralyzed	Paralyzed
Legal Condition		Not reported	Not reported	Not reported	Not reported
Harvests and Milling (T)	2013-2014	0	609,938	913,251	865,102
	2014-2015	0	0	379,969	461,275
	2015-2016	0	0	0	0
Harvest and Sugar Production (T)	2013-2014	0	47,081	30,728	21,671
	2014-2015	0	NR	4,190	202
	2015-2016	NR	NR	NR	NR
Harvest and Ethanol Production (m ³)	2013-2014	0	9,097	39,164	48,383
	2014-2015	NR	NR	18,145	25,558
	2015-2016	NR	NR	NR	NR

Source: Infocana (2018a). P.S.: NR – No reply

The Corol plant, located in Rolândia, “employed 6% of the local workforce and to account for 5% of the city's revenue. In 2011, the plant went bankrupt with a debt of 600 million reais” (SALOMÃO; BARROS, 2013, p. 1, our translation). The crisis at Corol began, in fact, in 2008, and several producers were harmed once the sugarcane remained in the field and could not be harvested under contract, even preventing the producers from negotiating with other interested mills (MARQUES, 2011). According to Chart 2, there was no data on milling for the analyzed period.

Regarding the Central do Paraná plant, it operated for the last time in the 2013/2014 harvest, according to Infocana (2018a). However, this company intends to resume activities from investments in restoring and recovering sugarcane crops. The value is around R\$ 100 million, but, for this to be possible, it is necessary to comply with the “legal decisions on repossession - [...] of 25 thousand ha - invaded by landless groups. The invasions started in 2008, and the court granted injunctions for the reintegration of all properties, but the Government of Paraná does not comply with this determination” (ASSESSORIA, 2015, p. 1, our translation).

The last plants to have their activities stopped were the companies of the Sabarálcool Group, both from the headquarters, located in Engenheiro Beltrão, and from the subsidiary, located in Perobal. There was a decrease in cane milling volumes from the 2013/2014 to 2014/2015 harvests. “The economic crisis forced Sabarálcool to suspend its activities and lay off employees, abandoning sugarcane fields”, a fact that occurred in 2015 (USINA, 2015, p. 1, our translation), so that no more data on milling, sugar production and nor ethanol was found for the 2015/2016 harvest (INFOCANA, 2008a).

According to Miguel Tranin, president of the Association of Bioenergy Producers of the State of Paraná (Alcopar), the fact that the Sabarálcool Group does not process sugarcane in the 2015/2016 harvest, in addition to the economic crisis experienced by businessmen, highlights the fact that its units are also located in a region where the grain segment competes for land with the sugarcane crop (EM 2015/16, 2015).

Santos *et al.* (2016), when carrying out a study on forty years of sugarcane agroindustry in Brazil taking into account its process of expansion, stagnation, crisis, expansion and again crisis, clearly reflect this last period experienced by companies in the sugar and alcohol sector in Paraná, where companies paralyzed its milling and other activities filed for recovery and even bankruptcy. Likewise, this dynamic of crisis is not only present in the state of Paraná but extends to other large-scale cane producing regions.

Rissardi Júnior (2015) points out that many plants and distilleries went bankrupt or ended their activities in Paraná due to managerial unpreparedness, governmental interference (as in the period of sales of oil products at a lower price, causing loss of ethanol competitiveness) and weather.

This report corroborates what Santos *et al.* (2016, p. 40-41, our translation) identify on the crisis in the sector: “critical situations with indebtedness exceeding annual revenue, starting in 2012, in addition to reduced operating margins for all agents”, influenced the context of rising production costs agriculture, plus the increase in the cost of credit and the decrease in margins, aggravated by the artificial control of the price of gasoline and the consequent reduction in the competitiveness of ethanol. These factors contributed to the emergence of new arrangements for share control, mergers, and asset sales, resulting in the concentration of production.

According to Santos (2016, p. 168, our translation), climatic problems also severely affected the production and productivity of sugarcane in the South Central region. When the author refers to the South, he is mentioning Paraná, more susceptible to “climatic events (excesses droughts, rains, and frosts), added to productivity losses in crops.” Still, the fall in productivity in the South Central region stands out due to “difficulties in adapting the mechanization of the harvest, bad weather (frosts, droughts, and rain, in addition to the natural support of the plants), aging of the cane fields, as well as the lag technological and maintenance of crops.”

Indeed, the bankruptcy or paralysis of the activities of a sugar cane agroindustry has immediate negative consequences for the municipalities; for example, a contingent of workers is no longer employed, which also affects local trade; there is a population drain; the tax collection in the affected municipality reduces. “The deactivation of industry, such as that seen a few years ago in Engenheiro Beltrão, created a gap that will hardly be filled. [...] We lost part of the population, which left and, with that, a portion of the Municipal Participation Fund” (INDÚSTRIA, 2017, p. 5, our translation).

When searching for information regarding the paralyzed plants and which did not present indications of Judicial Recovery or Bankruptcy, there were dozens and even hundreds of lawsuits against them in different instances, related to legal proceedings, primarily debts to suppliers, labor issues, and problems with land tenants for planting sugarcane crops.

As reported, not all companies observed sought judicial recovery. The option for recovery is a way to avoid bankruptcy and, according to Alves and Oliveira (2015, p. 280, our translation), “its use as a tool to postpone the bankruptcy of manifestly insolvent activities should not be tolerated, or, even less, to promote the emptying of assets under the judicial seal.”

Thus, the leading cases related to companies that are undergoing judicial reorganization will be dealt with in more detail below.

Technical notes on the recovery and bankruptcy processes of five companies

Starting from the 31 plants/distilleries in Paraná, those in the process of judicial recovery and bankruptcy will be analyzed. Mainly the companies Renuka - Vale do Ivaí (two units), Dasa – Destilaria Americana, Dail Clarion, and Casquel Agrícola. A relevant difference between the latter and the former ones is noted. The company Casquel is in bankruptcy (the process of total liquidation of its assets for payment of the liabilities, which is larger), unlike a judicial recovery process (in which the intention is to allow, with certain adjustments, a recovery plan so that the plant returns to regular operation). It is the reason why the analysis begins with the company Casquel, in which a study of the recovery plan is not involved like other cases.

In the case of Casquel Agrícola e Industrial S/A (or Usina Cambará de Bioenergia S/A – CNPJ No. 75.717.140/0001-84), headquartered in Cambará, process no. 0002460-17.2013.8.16.0055, filed on Oct. 2nd, 2013, at the Civil Court of the District of Cambará, in which the company itself pleaded an attempt at judicial reorganization, but which was converted into a bankruptcy process on Sep. 14th, 2015, an opportunity that the court recognized that the recovery plan presented was an attempt to

defraud creditors, which is why the company would have to be liquidated (TRIBUNAL DE JUSTIÇA DO PARANÁ, 2018).

It was a very delicate case involving almost 600 dependent processes and 3000 procedural acts, which is also peculiar since this plant did not have control of a large business group, but a family one, of Mr. Adalgiso Antônio Silva Casquel, who ended up dying in the course after the recognition of the company's bankruptcy. It should be noted that the proposed recovery plan revolved around the injection of capital via the purchase of another company (Despal Paulista), which the court considered to be a fraud process, determining the opening of bankruptcy.⁷

The second case concerns the company Renuka - Vale do Ivaí S/A (Registered no. 75.177.857/0001-80), headquartered in São Pedro do Ivaí and a branch in Cambuí (CNPJ No. 75.177.857/0003-42). The respective process is No. 1099671-48.5015.8.26.0100, filed on Sep. 28th, 2015, in the 1st Bankruptcy and Judicial Recovery Court of the Justice Court of São Paulo.

This process was presented in the state of São Paulo, as it covers several joint companies of the same business group with Indian capital (one of the largest in the world in the area) with other plants in São Paulo, in addition to the two in Paraná, with thousands of employees, who accumulated a total debt of more than 3 billion reais (GOMES, 2017). Therefore, it is a different case to the first one presented, of a family-owned plant. It is essential to mention that the present research found a previous process, from the year 2014, pending in the District of Jandaia do Sul (No. 0002882-14.2014.8.16.0101) in which the company Paulifer S/A had already filed for bankruptcy against Renuka for unpaid debts, which ended in an agreement.

Regarding the Renuka case, it is interesting to differentiate it from all the others, as it is a later process since the investments took place in 2010. As already mentioned, the sector was starting a severe crisis. There was an attempt at judicial recovery that has been going on for more than two years. The central point of the recovery plan involves the expansion of cash flow and the injection of almost one billion reais for the attempt to sell the Madhu unit in São Paulo (responsible for a milling output of six million tons), which did not occur until the beginning of 2018. The BNDES is questioning such action for the alleged frustration of guarantees to public resources (SCARAMUZZO, 2016).

It is also worth highlighting the reasons for judicial recovery. In this sense, the following are cited: the crisis after 2008 (economic and financial crisis in the world credit market); climate problems after 2009; problems related to the São Paulo agro-environmental protocol, which would have reduced productivity in terms of mechanization and burning control (PLANO DE RECUPERAÇÃO JUDICIAL, 2016).

The third case refers to the company Dasa - Destilaria Americana S/A (CNPJ No. 75.625.608/0001-00), headquartered in Nova América da Colina. The respective process is No. 0001038-02.2011.8.16.0047, filed on April 12th, 2011, at the Civil Court of the District of Assaí, and with a judicial recovery plan already approved (PLANO DE RECUPERAÇÃO JUDICIAL, 2011). Regarding this plan, it is worth mentioning the presence of a history of the Group's activity since 1981 and the change of performance in 1996, with the control of the sugarcane production area (production verticalization) to supply the total capacity of operation of the plant with 10,000 ha of planting (by Agrícola Nova América Ltda.) to produce 80 million liters of alcohol.

The fourth case refers to the company Clarion Agroindustrial S/A (CNPJ No. 24.956.666/0001-86), headquartered in Ibaiti, also known as Dail S/A Destilaria de Álcool Ibaiti (CNPJ No. 77.128.882/0001-08). The respective process is No. 0001587-12.2013.816.0089, filed on June 5th, 2013, at the Civil Court of the District of Ibaiti (it has more than 1500 joint cases and more than 10,000 procedural acts), with a judicial recovery plan already approved (PLANO DE RECUPERAÇÃO JUDICIAL, 2013). Regarding this plan, it is also relevant to mention the history of the group's activity since 1964, initially with soy and soy oil and only after, in 2008, with sugarcane, being hit by the crisis from 2010. Still, in this recovery plan, the Ibaiti unit is cited as the most important in the group, with the capacity to process 5,000 tons of cane per day and its own planted area of around 20,000 hectares, of which 12,000 hectares are sugarcane and the rest of livestock (benefited by residues/by-products of sugarcane).

Final Considerations

⁷ For a technical consultation of this judgment, see: ARQUIVO JUDICIAL.COM (2016), referring to Process No. 1199133-0/02 – Interlocutory Appeal – July 28th, 2016 of TJPR.

This article aimed to present a current panorama of the bankruptcy and judicial recovery of the sugar cane agroindustries in the state of Paraná, verifying its leading causes.

As a corollary, the causes of bankruptcy and judicial recovery of Paraná plants/distilleries have two critical factors to be highlighted: first, there was a cycle of investment expansion and subsequent crisis in the sector; second, there was, in some cases, an attempt to continue the activities of the plants with the renegotiation of liabilities and capital injection.

In the context of its sectoral evolution, the sugarcane agro-industry showed substantial expansion in Brazil from 2003, now under a technological paradigm instead of the formerly existing subsidizing paradigm, in which the State acted in order to protect the business interests of this secular activity. In this institutional environment, still related to the coordination of public and private agents in fuel pricing and with the entry of flex-fuel vehicles and credit incentives for the expansion of the sector, it was important to be attentive to minimizing production costs and maximizing culture productivity sugar cane, aiming at the survival of the plants/distilleries. There were many domestic and international investments in the sector, supported by BNDES, from 2003 until mid-2010, as shown at the end of this period, the entry of the Renuka Group with Indian capital.

However, affected by management problems, weather conditions, and, mainly, institutional (fiscal) problems concerning the federal government's subsidies on gasoline, due to the artificial maintenance of fuel prices through Petrobrás, a severe crisis that affected the sugarcane agroindustry in Brazil and, in the state of Paraná, affected more 30% of its companies (nine out of 31 units). Such companies have suffered a lot in their profitability, leading to an increase in the liabilities of the plants.

Even so, attempts were made to recover some companies. This attempt has the Judicial Recovery and Bankruptcy Law as an essential mechanism, allowing some plants, through a specific recovery plan submitted to the courts, to extend and minimize debt payments with continued activities. Companies seek to increase cash flow, including the sale of part of the assets, since many of these companies have had an enormous expansion, with accelerated verticalization of their processes, as the almost total control of input, such as sugarcane planted areas. Nevertheless, the future scenario is still uncertain about inferring the prospects of success or failure of these actions.

Finally, this work had its limitations, such as the lack of primary data with sugarcane agribusinesses undergoing judicial recovery or bankruptcy. Thus, future studies can contribute to the debate on this topic.

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