

Investment Development

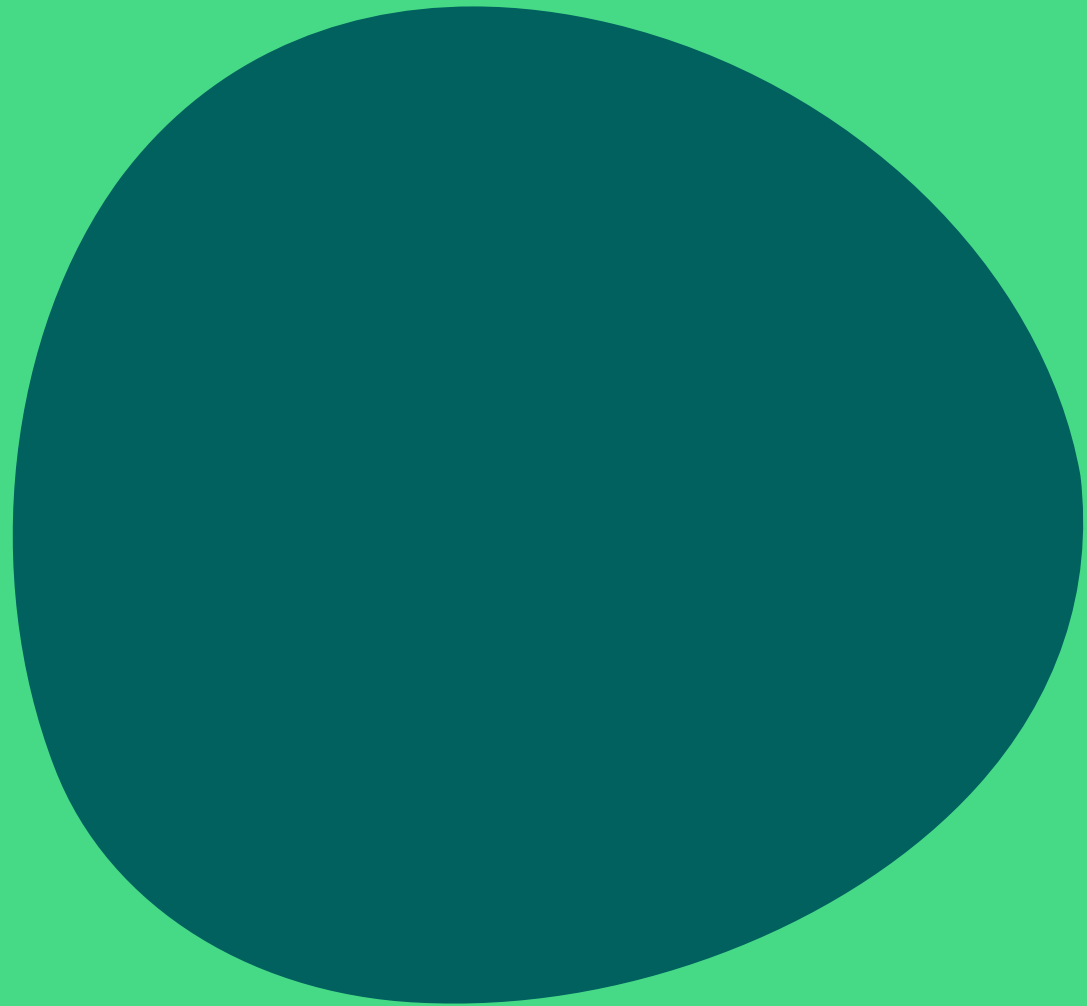
*TAF supported soy projects,
opportunities and challenges*

May 2024



idh
transforming markets





IDH
Investment
Development











IDH Investment Development

IDH manages an investment fund, an independent TA facility and 3 linked TA facilities

➤ Technical Assistance Facilities at IDH; multiple mandates enables strong cross-learning and effective investment match making

Independent TA model

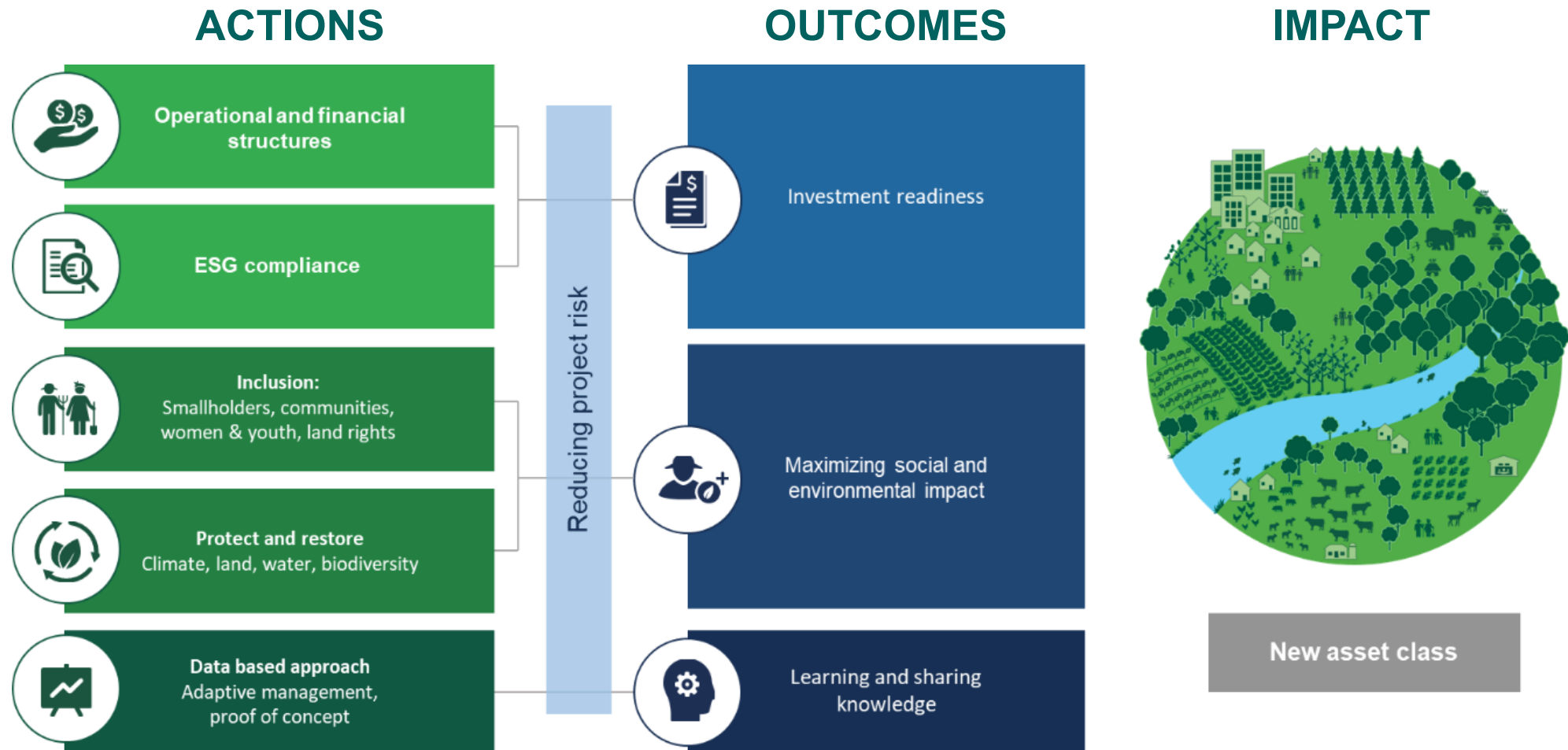
Linked TA model

Fund and Technical Assistance Facilities	Impact targets	Partners
Farmfit Fund <i>FarmFit Business Support and Intelligence Center</i> <i>Technical Assistance Facility (€2M)</i>	Improve the lives and incomes of 3m smallholder famers	
Land Degradation Neutrality Fund <i>Technical Assistance Facility (€5M)</i>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  25 million tons of carbon sequestered </div> <div style="text-align: center;">  350,000 hectares converted to SLM </div> <div style="text-align: center;">  70,000 decent jobs created/supported </div> </div>	
AGRI3 Fund <i>Technical Assistance Facility (€5M)</i>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center; border: 1px solid yellow; border-radius: 50%; padding: 10px;"> 1 Forest protection and reforestation </div> <div style="text-align: center; border: 1px solid blue; border-radius: 50%; padding: 10px;"> 2 Sustainable agriculture </div> <div style="text-align: center; border: 1px solid brown; border-radius: 50%; padding: 10px;"> 3 Improved rural livelihoods </div> </div>	
&Green Fund <i>Technical Assistance Facility (€2M)</i>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> 5 million hectares of tropical forest protected, conserved or restored </div> <div style="width: 45%;"> 500,000 households benefitting from the Fund through enhanced yields and incomes, creation of jobs and/or other income-generating opportunities </div> </div>	
Mobilizing Finance for Forests <i>Consortium partners Technical Assistance Facility (€7M)</i>	Combat deforestation and other environmentally unsustainable land use practices contributing to global climate change	



Technical Assistance

what do our TA facilities support



AGRI3 TA Facility



AGRI3 Value proposition

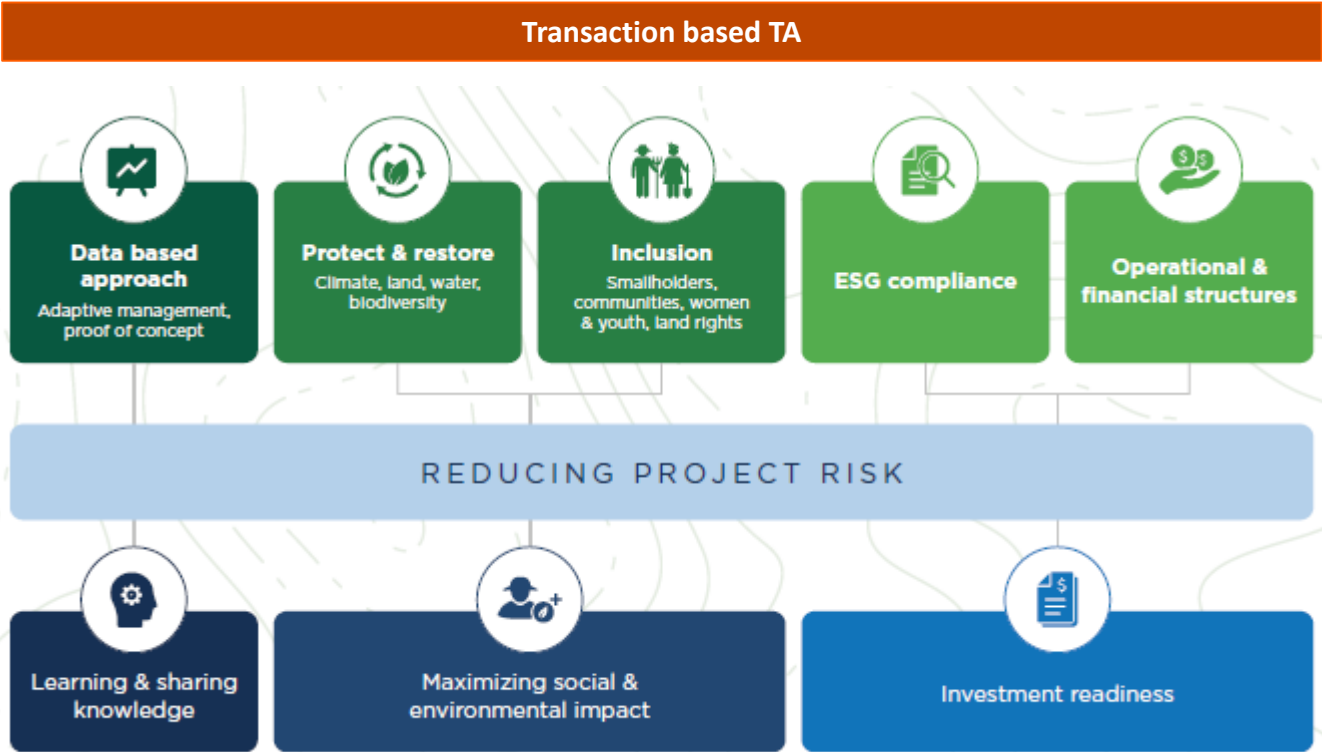
The fund supports banks to lend to projects outside their usual risk appetite

- Guarantees and subordinated loans provided by AGRI3 Fund will allow Partner Financial Institution to finance transactions of their clients that would otherwise not be possible due to their tightly defined risk statements.
- This can offer a number of opportunities for commercial banks including - the ability to **invest in higher risk, but more innovative projects and business models, offer longer tenor loans, or invest in portfolios of smaller, but higher risk farmers**



Technical Assistance

What does the AGRI3 TAF support



Where we are...



On the TA Facility, we have the following soy projects in place...

What is the initiative/business?



Row Crops Program



- Initiative that provides improved loan conditions (extended terms) to farmers to **expand areas over degraded pastureland**
- In exchange they commit with forest code compliance and 0 deforestation requirements`

Responsible Commodities Facility



- Initiative that provides below market rate **working capital loans to committed soy producers in the Cerrado**
- The operations are monitored by SIM, a sustainable investment management company

Wehrmann Group



- Wehrmann is an agricultural group focused on the **production of soybean and corn seeds, seed genetics and adapted cultivar research**, with sustainability credentials and certifications

Who is funding?



Who?

How?



- Provides funds for the loans to farmers. Also select interested farmers from client list

Who?

How?



- Provides funds for the loans to ranchers. Also select interested farmers from client list

Who?

How?



- Wehrmann is one Rabobank's clients prioritized by the bank



- Provides guarantee improving loan conditions



- Provides guarantee improving loan conditions



- Provides guarantee improving loan conditions



- Provides support through the TAF



- Provides support through the TAF



- Provides support through the TAF



- Design and development of the standard and scoring methodology
- Develop on farm assessments
- Ongoing monitoring



- Develop farm diagnosis and opportunities for intervention on Rabobank's clients' farms, on 3 workstreams: Sustainability; Livelihoods & Gender equality



- Implement an FSA based assessment protocol
- Train Wehrmann group farmers in the protocol. And apply it.

What is the TA Scope?



- Existing projects provide different incentives for farmers to commit to sustainability.
- TA funds have been used to consolidate the knowledge of different initiative teams, strengthen sustainability approaches, and expand areas over degraded pasture lands.
- The TAF can provide incentives by supporting environmental assessments and roadmaps of farms through *Produzindo Certo*.
- It is also available to discuss ideas where risks are mitigated, impact is strengthened, and learnings are shared.
- TAF resources can also be used as a catalytic element to leverage additional investment and mobilise investments with sustainability criteria.



Challenges and Opportunities...

Challenges



- **Political Polarization:** Sustainability, particularly zero deforestation within BR agribusiness VC's, is highly politicized. This climate often discourages farmers from recognizing potential opportunities.
- **Permanence of Environmental Services:** Enabled by impact finance is a challenge, as existing initiatives in the sector have limited leverage to demand better practices in the long term.
- **Economic Feasibility of Sustainable Practices:** These need to be attractive to farmers when compared to conventional practices, which is not always the case for some innovative and high-end inputs.
- **Unclear Regenerative Agriculture Frame:** What specific practices a farmer should undertake to be considered regenerative.
- **Inconsistent enforcement of environmental legislation:** reduces the pressure for environmental compliance. Land Governance is also an issue.

Opportunities



- **Climate adaptation:** can be a great starting point for discussing sustainability interventions with farmers, as the negative impacts of climate change are already materializing.
- **AgriTechs:** Brazil has a thriving agricultural start-up sector, with some companies working in precision agriculture to reduce the use of inputs and non-renewable resources.
- **Capacitation programs:** Beyond what is demanded by law, capacitation of local youth by soy farming companies (including sustainable production topics) is a great way to generate regional impact and at simultaneously reduce risks of labor shortfall.

Contact us

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