

AGRI3 Fund partially guarantees a USD 13 million, 10-year loan for Agricultural Producer in Brazil to restore degraded pastureland

An established producer of vegetables, soybean and maize, and trader of soy and maize seeds for the Brazilian and export markets has entered into a USD 13 million, 10-year loan agreement with Rabobank Brazil to finance the conversion of a degraded pastureland area in the State of Goiás into a new production site with substantial restoration and conservation of native vegetation as well as the implementation of modern sustainable production techniques. The loan is partially guaranteed by AGRI3 Fund.

AGRI3 will cover 50 percent of the exposure at the start of the loan. This will amount to a USD 6.5 million participation, increasing to 100 percent of the risk as of year 7 of the loan when Rabobank Brazil's exposure is fully repaid. Commercial banks in Brazil are not able to provide the long-term financing that is needed for a project of this extent. This due to the large investment required, while being exposed to completion risks on top of the usual weather and price risks.

This is a high impact undertaking with the new 8,000 ha farm being setup in areas that were formerly occupied by degraded pastures that have a low productive capacity and thus, requires a significant investment in improvement. The financing will be used for land preparation, nature restoration, input purchase, machinery & equipment, infrastructure and irrigation systems that are required for to build this new sustainable farm. The transaction also supports land preservation, and research activities.

The degraded land will be prepared for the production of crops and will have production carried out in line with sustainability standards. The company aims to preserve the native vegetation and wildlife in the forest reserve areas of the project, as well as to recover the degraded reserve areas and has committed to go beyond simple forest code compliance and protect/restore 1 ha of native vegetation for every ha used for crop production which will result in a reserve more than twice as large as legally required (50 percent instead of 20 percent).

The company has further agreed with Rabobank and AGRI3 on the implementation of an Environmental and Social Action Plan which includes several actions to make sure that the farm development and restoration of native vegetation will be properly implemented, while the company has also committed to research opportunities to obtain certification for sustainable production.

In addition, a research station will be established to test new cultivars, hybrids and farming techniques which will be better suited to the project. The project is also committed to developing educational environmental activities at four schools in the region.



This transaction strongly supports AGRI3's ambition to contribute to sustainable agricultural value chains, reforestation and improving rural livelihoods. Nearly 200 additional jobs will be created at the site, in an area where permanent, good quality jobs are scarce. The transaction supports the sustainable intensification of agricultural production on already cleared, degraded land while restoring and protecting remaining forest reserves are considered essential elements of alleviating expansion pressure from agricultural production in Brazil.

About AGRI3 Fund

AGRI3 Fund was created by the United Nations Environment Programme (UNEP) and Rabobank, together with partners IDH, the Sustainable Trade Initiative and FMO, the Dutch Entrepreneurial Development Bank, to support the transition to sustainable agriculture. The Ministry of Foreign Affairs of the Netherlands is a donor to AGRI3 Fund. FOUNT and Cardano Development are the Investment Advisors for the Fund.

AGRI3 Fund aims to mobilise additional public and private capital globally and at scale. The Fund works with commercial banks, development finance institutions (DFIs), impact investors and institutional investors and provides credit enhancement tools and technical assistance to projects which actively prevent deforestation, stimulate reforestation, contribute to efficient sustainable agricultural production and value chains and reduce carbon emissions and improve rural livelihoods.