

Issue Brief: IFC and Agribusiness

AT A GLANCE:

- **Agribusiness is a strategic priority because of the sector's potential for broad development impact and especially strong role in poverty reduction.** In low income countries, the agricultural sector often accounts for half or more of the GDP and 60-80 percent of total employment.
- **High food prices gave a new urgency to the development of the sector. IFC stepped up its support, investing over \$1.4 billion along the agribusiness value chain,** to boost production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers. **IFC is looking to increase its agribusiness investments by 20% in FY09.** More than forty percent of IFC's agribusiness projects were in low income countries. Investments in Africa reached \$116 million.
- **High food prices offer opportunities for many emerging markets to grow and develop their agricultural sectors.** This can help increase the food supply and reduce poverty in rural areas while linking local farmers to markets, improving consumer access to competitively priced food, and creating new export sectors.
- **Key elements of IFC's strategy** include **increasing production** in the middle income countries with strong agribusiness potential; supporting **south-south investments** to transfer knowledge and technology; increasing **access to credit** through wholesale facilities with traders and financial intermediaries; bringing land into sustainable production; improving logistics, infrastructure and water efficiency; developing modern financial instruments for agriculture.
- Substantial investments in **infrastructure** are needed to facilitate farmers' access to markets, reduce post-harvest waste, lower costs, and facilitate trade.
- **Sustainability, increasing pressure on natural resources, and climate change** are key challenges for the sector. IFC promotes better management practices through participating in sustainability roundtables in a number of industries such as palm oil, soybean, and sugar cane and through launching a donor supported **Biodiversity and Agricultural Commodities Program**.
- **Biofuel** production is a contentious issue in the current environment of high food prices. In the past, IFC supported ethanol projects from sugar cane associated with cogeneration from bagasse. As all other projects, biofuel projects must be consistent with IFC's environmental and social performance standards and be economically viable without subsidies, tax rebates or mandated blending.

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