

## IFC and Agribusiness

### *AT A GLANCE:*

- **Agribusiness is a strategic priority for IFC** because of the sector's potential for broad development impact and its especially strong role in poverty reduction. In low-income countries, the agricultural sector often accounts for half or more of GDP and 60 to 80 percent of total employment.
- Last year's high food prices gave a new urgency to the development of the sector. **IFC has significantly scaled up its investments in the sector, providing more than more than \$1.4 billion in fiscal year 2008 along the agribusiness supply chain** to boost agricultural production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers. More than 40 percent of IFC's projects were in IDA countries, with investments in Sub-Saharan Africa reaching \$116 million.
- **The availability and affordability of food for the poor remain a top concern for the World Bank Group.** Although the prices of agricultural commodities have declined sharply, most prices remain above their long-term trend. The prices of wheat, corn, rice and soybean remain 30 percent above the 2005 level. The economic crisis compounds the impact of high food prices. As a result, the number of chronically hungry people has surpassed the 1 billion mark for the first time.
- **IFC is implementing a market-driven and private sector-led strategy to increase global food production.** Key elements of the strategy include; 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; increasing production in middle-income countries with strong agribusiness potential improving logistics, infrastructure, and water efficiency; and developing modern financial instruments for agriculture.
- In response to the decreased availability of financing in the agribusiness sector, IFC is also contemplating development of a **Global Food Fund** to address short- and medium-term constraints in the global food-supply chain. The size of the fund would be between \$1.5 billion and \$3 billion, and would consist of contributions from IFC and its partners. The fund would focus on IFC's priority geographical areas: Sub-Saharan Africa and frontier regions of other emerging markets.
- Sustainability, increasing pressure on natural resources, and climate change are key challenges for the sector. **IFC has promoted better management practices by participating in sustainability roundtables** in a number of industries such as palm oil, soybean, and sugar cane, and by launching a donor-supported Biodiversity and Agricultural Commodities Program.
- IFC investments made directly in the agricultural sector during the first half of 2009 are expected to **provide direct employment to 9,000 individuals while benefiting 42,000 farmers and about 200 micro, small, and medium enterprises.**

## *NOTEWORTHY INVESTMENTS*

- **Salala Rubber Corporation:** In Liberia, IFC has been focusing on financial markets and agribusiness as key sectors to jump-start economic growth after a decade of civil war. IFC is providing \$10 million in financing to Salala Rubber Corporation, one of the country's largest rubber companies, to help rehabilitate and expand its plantations, optimize processing capacity, and increase employment. The 11-year loan is IFC's largest agribusiness investment to date in this post-conflict country.
- **PRAN Group:** PRAN Group is a leading agro-processing company in Bangladesh. The company aims to make high-quality, low-cost, processed and packaged food readily available to the lower- and middle-income population of Bangladesh and other countries it serves. IFC is providing a \$15 million loan to help PRAN modernize and expand support to local suppliers and small farmers while creating additional jobs. The loan marks the first time IFC has financed a project in Bangladesh's strategically and economically important agribusiness sector.
- **Altima One World Agriculture Development Fund:** IFC is providing \$75 million, its largest equity investment in agribusiness, to help set up a fund that will support farming and food production in emerging markets to increase the global food supply. IFC teamed up with Altima Partners LLP, which manages the \$625 million Altima One World Agriculture Fund, to create a parallel vehicle that targets emerging markets. The new Altima One World Agriculture Development Fund will invest in agricultural production land and world-class farm operators that will can improve farm productivity by implementing modern technology and best practices.

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