



IFACC 2022 MARKET REPORT

FEBRUARY 2023





©André Dib | The Nature Conservancy

INTRODUCTION

In our **first annual market report**, we highlight the IFACC-aligned financial products in the market in 2022, including product partners, impact goals, structures, disbursement amounts, and opportunities to scale disbursements. This report seeks to **raise awareness of market progress and innovations and to help inform our many partners who are working to create and expand similar mechanisms in 2023**. Following a summary and observations of 2022 activities, a brief summary of each of the products is provided.

2022 AT A GLANCE

Launched at COP-26 in Glasgow in November 2021, **IFACC now has 15 signatories who have collectively committed US\$ 4.3 billion for deforestation-and-conversion-free (DCF) soy and cattle production in South America.**

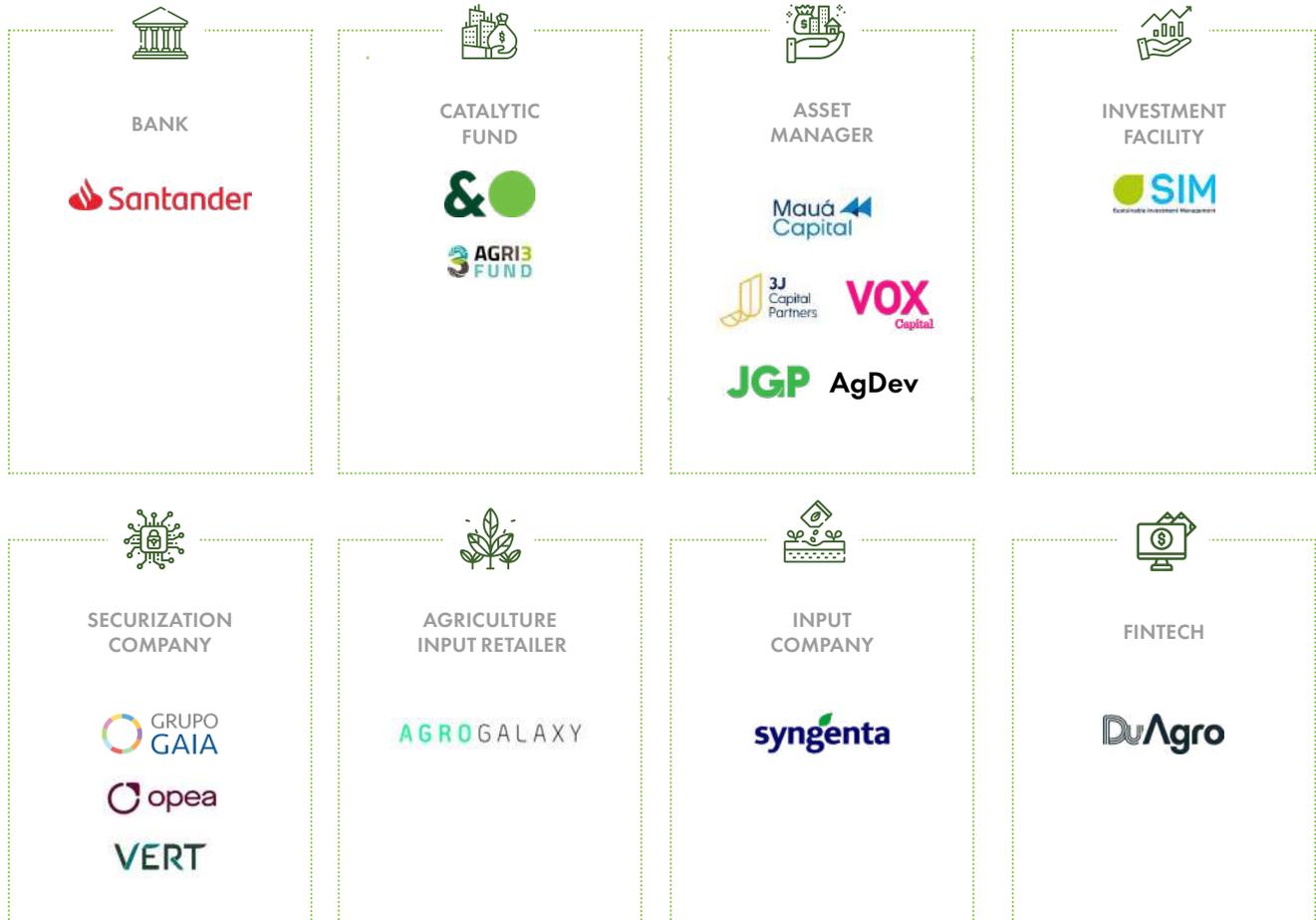
In 2022, our signatories offered eight different products in the market – seven of which are new products launched in 2022 and one of which is an expansion of an existing product. **Six of these products disbursed US\$ 111 million** to farmers and other recipients in 2022, aligned with the IFACC minimum E&S requirements and guidelines.

This set of products has distinct characteristics, which reflect the variety of signatory organizations and the diversity of agriculture financing needs. In terms of geographic coverage, five of these products are focused on the Cerrado biome, one on the Amazon and two are offered in both biomes. None of the products to date targets the Chaco biome in Argentina and Paraguay.



IFACC SIGNATORIES

IFACC signatories have made commitments worth \$4.3 billion to soy and cattle production that is free of deforestation and land conversion in South America



In terms of product types, five offer long-term loans to producers for a variety of sustainable practices including expansion of soy and agriculture over degraded pastureland, yield improvement, sustainable management and intensification of cattle ranching and forest restoration. Another farm lending instrument offers low-cost, annual crop finance to farmers who agree to protect their forest cover beyond the legal requirements. There was also one corporate loan to a leading ethanol producer to support DCF sourcing of corn. One other innovative product channels carbon payments to farmers who protect forests in the Amazon. Two instruments raised financing in the capital markets using a securitized agricultural receivables structure that is growing in Brazil (CRA – Certificado de Recebíveis do Agronegócio¹).

All these products offer better financial terms than are generally available in the market, such as longer tenors, grace periods or lower interest rates, in order to provide incentives for best agricultural practices. Three products used guarantee structures that were offered together with commercial loans allowing for longer than usual tenors for projects that require longer payback. Regarding the currency of disbursed products, two were denominated in Reais and five in dollars, while one has not yet disbursed.

¹ Agribusiness Receivables Certificates (CRA) are fixed income securities backed by receivables arising from business between rural producers and third parties.



IFACC 2022 FINANCIAL PRODUCTS BY INSTRUMENT AND CHARACTERISTICS

	DISBURSEMENTS IN DOLLARS*	DCF Cattle	DCF Soy	Amazon	Cerrado	Chaco	Farm Loan Products	Capital Markets Offerings	Corporate Debt Instruments	Carbon Based Structures
REVERTE Syngenta, Itaú, TNC	32	✓	✓		✓		✓			
&GREEN & FS	30		✓		✓		✓		✓	
LOCKS GROUP SUSTAINABLE AGRICULTURE LENDING Agri3, Rabobank, Grupo Locks, IDH and ReNature	20	✓	✓		✓		✓		✓	
RESTORATION OF DEGRADED PASTURELAND LOAN Agri3, Rabobank	13		✓		✓		✓			
RESPONSIBLE COMMODITIES FACILITY Sustainable Investment Management (SIM), OPEA/Planeta, Traive and UK Retail Supermarkets	11		✓		✓		✓	✓		
GREENGALAXY JGP Asset, Agrogalaxy and Vert Capital	5		✓		✓		✓	✓		
RENOVA PASTO Agri3, Rabobank and IDH	N.A.	✓	✓	✓	✓		✓			
SIMFLOR PROGRAM Sustainable Investment Management (SIM), and Ecoscurities	N.A.	✓		✓						✓
TOTAL	\$ 111									

* Products disbursements were converted from reais (R\$) to dollars (US\$) adopting R\$ 5,1 / 1 exchange rate.



In addition to products implemented by IFACC signatories, two other announcements in 2022 were the [*IFC US\\$ 200 million loan to LDC Brasil*](#) to support the implementation of their DCF sourcing policy in the Cerrado, and the [*US\\$ 500 million loan approved by the World Bank to Banco do Brasil*](#) to expand their sustainability linked loan offerings. As the specifics of the activities in these programs are still under development, we do not include these products in our annual totals.

While \$111 million of disbursements is only a fraction of the finance opportunity to expand production of cattle and soy in the region without further habitat conversion, the progress in 2022 represents a major expansion of the market that is encouraging for future growth. Indeed, several of these products are being tested initially, with plans for rapid scaling in 2023 and beyond. We are also encouraged by the additional signatories who have joined IFACC in late 2022 and the opportunities for more partners in 2023.

Key challenges we have observed across signatories are the ongoing time and transaction costs of structuring these products and partnerships in a way that meets farmers and investor needs, and the time involved in accessing catalytic capital for blended finance structures. These are important challenges and IFACC looks forward to work with signatories to address these issues. For example, in 2022, IFACC developed an "[*Investor landscape for sustainable agriculture in the Amazon, Cerrado and Chaco: Opportunities and design guidance for IFACC*](#)" report which has provided new insights and relationships for accessing catalytic capital for IFACC transactions.

Looking ahead, we see momentum building for IFACC products as a result of the more favorable political environment in Brazil for the DCF agenda, the accelerating interest among companies, banks, asset managers and investors to implement Net Zero and Scope 3 climate goals, and the growing interest of catalytic capital providers to finance such products. **We look forward to another year of rapid growth in 2023, and to working with our partners to overcome the most difficult challenges to scale.**





IFACC 2022 PRODUCTS

(IN ORDER OF 2022 DISBURSEMENT AMOUNT)

All products adhere to the IFACC E&S requirements including legality and no conversion or deforestation of native vegetation from January 2020. IFACC signatories and partners are highlighted in **green** below.

1. SYNGENTA, ITAÚ PASTURE RECOVERY PROGRAM (“REVERTE”)	
CLOSING DATE	In 2022 the Reverte program was expanded, following the initial launch in 2021.
DISBURSED AMOUNT²	R\$ 173,2 MM (equivalent to US\$ 32,1 MM) in 2022 (in addition to R\$ 96,2 disbursed in 2021, equivalent to US\$ 20,1 MM)
PARTNERS	Syngenta , Banco Itaú and The Nature Conservancy
OVERVIEW	Long-term financing provided by Itaú to Syngenta clients to expand soy production over degraded pastureland in the Cerrado using regenerative agriculture practices, including integration with livestock production. Restoration of degraded soil includes investments in input packages, infrastructure, and machinery.
STRUCTURE AND TERMS	Loan tenor of up to 10 years with up to three -year grace period, providing patient capital for farmers at attractive interest rates. Itaú is lender of record to the farmer; Syngenta shares a portion of lending risk.
EXPECTED IMPACT	Program has financed agricultural expansion over 60,000 hectares of degraded pastureland, reducing pressure of expansion over native vegetation areas. Agricultural practices also enable sustainable yield improvements for farmers.
SCALE OPPORTUNITIES	The program aims to scale to 1 million hectares over the coming years and is exploring other financial solutions that can unlock funding at the scale needed.

LEARN MORE



² Products are shown as in their original currency denomination (R\$ for reais and US\$ for dollars).



2. &GREEN & FS - CORN ETHANOL LOAN

CLOSING DATE	May 2022
DISBURSED AMOUNT	US\$ 30 MM
PARTNERS	&Green, FS
OVERVIEW	<p>Long-term corporate loan to support FS in the origination of DCF corn for biofuel and animal feed production in the Mato Grosso State region. FS sources corn from farmers who produce it as a second crop to soybeans, their main grain. Within this system, corn plays a fundamental role as it produces a large amount of husk that helps protect the soil, recycle nutrients, and increase the organic matter in the soil.</p>
STRUCTURE AND TERMS	<p>Long-term finance (8-year tenor) to FS corporate entity. Use of proceeds will promote DCF soy by engaging suppliers and stakeholders, improving the supply chain traceability, land use intensification, forest restoration and forest conservation.</p>
EXPECTED IMPACT	<p>The commitments undertaken by FS will drive the transformation of sourcing practices used by corn producers in MT, and, by implication, the production practices of soy producers from whose farms the corn is sourced as a second crop. FS will source corn from 800,000 hectares of planted area per year in both the Amazon and Cerrado biomes in Mato Grosso (close to 20% of the soy farming area in the State).</p> <p>The program will also promote yield increase through land use intensification on 40.000 hectares of degraded area, forest restoration of 5.000 hectares, and conserve 224.000 hectares of forest through its direct and indirect suppliers, of which 28.000 exceed the Legal Reservation. The project also aims to secure 96% of FS biomass demand from renewable sources. The transaction also sets specific targets for the on-the-ground implementation of strategies, as well as performance indicators for the E&S impacts.</p>
SCALE OPPORTUNITIES	<p>Additional investments from different types of co-investors to fund future expansion activities are expected.</p>

LEARN MORE



3. AGRI3 & RABOBANK – LOCKS GROUP SUSTAINABLE AGRICULTURE LENDING

CLOSING DATE	October 2022
DISBURSED AMOUNT	US\$ 20 MM
PARTNERS	AGRI3 , Rabobank, Grupo Locks, IDH and ReNature
OVERVIEW	Long-term Rabobank loan with a de-risking guarantee provided by Agri3 to support Locks Group, a grain and cotton producer from the Mato Grosso State region, in their transition to a more regenerative, DCF agriculture model (soy, corn, cotton, sorghum and other grains).
STRUCTURE AND TERMS	Rabobank provided a 10-year loan facility of US\$ 20 MM that was de-risked by US\$ 8 MM (unfunded) risk participation from Agri3, whereby Agri3 will guarantee 100% of the last 3 years of the loan.
EXPECTED IMPACT	The loan is expected to support the improvement of land for agricultural production, improve soil health and potentially increase yields and yield resilience. Investments include expanding the utilization of cotton by-products for animal feed, the recycling of animal manure into fertilizer, and adoption of technology and other measures that will help reduce agro-chemical application and water and energy usage.
SCALE OPPORTUNITIES	Demonstrating value in this deal is expected to act as a pilot to the farmer to extend the methods and approaches across the rest of their farms. Critically, it is expected this will mobilize increased interest from other farmers in the region for similar practices and crowd in more commercial banks to finance sustainable farming systems in Brazil. The partners also plan to extend the approach to other commodities and market segments over the coming year.

LEARN MORE





4. AGR13 RESTORATION OF DEGRADED PASTURELAND AND FOREST CONSERVATION LOAN	
CLOSING DATE	March 2022
DISBURSED AMOUNT	US\$ 13 MM
PARTNERS	AGRI3 , Rabobank
OVERVIEW	Long-term loan with a partial de-risking guarantee to fund the conversion of degraded pastureland to agricultural production in the State of Goiás with substantial restoration and conservation of native vegetation as well as the implementation of modern sustainable production techniques.
STRUCTURE AND TERMS	10-year loan agreement with Rabobank Brazil, being partially guaranteed by the AGR13 Fund, covering 50% of the amount (US\$ 6.5 MM) and increasing to 100% of the risk as of year 7 of the loan, when Rabobank exposure is fully repaid. Use of proceeds will be directed to the adoption of farming best practices for conversion of degraded pastureland into crop production areas (investing in inputs, machinery & equipment), conservation and extensive restoration practices.
EXPECTED IMPACT	New 8,000 hectare farm being setup with sustainable production methods in areas that were formerly degraded pastures and that have a low productive capacity. Protection and restoration of 1 hectare of native vegetation for every hectare used for crop production, resulting in a legal reserve and permanent protection area (“APP”) of twice as large as legally required (50% instead of 20%). The transaction will also foster nearly 200 additional jobs at the site, improving significantly rural livelihoods in an area where permanent, good quality jobs are scarce. The project is also committed to developing environmental education activities at four schools in the region.
SCALE OPPORTUNITIES	The transaction supports AGR13’s ambition regarding the sustainable intensification of agricultural production on already cleared, degraded land while restoring and protecting remaining forest reserves that are considered essential elements of alleviating expansion pressure from agricultural production in Brazil. The loan is expected to mobilize increased interest from other farmers in the region for similar practices and crowd in more commercial banks to finance sustainable farming systems in Brazil.





5. RESPONSIBLE COMMODITIES FACILITY – CERRADO PROGRAMME 1

CLOSING DATE	August 2022
DISBURSED AMOUNT	US\$ 11 MM
PARTNERS	Sustainable Investment Management (SIM), OPEA/Planeta , Traive and UK Retail Supermarkets (Tesco, Sainsbury and Waitrose)
OVERVIEW	Securitized agricultural receivables to provide low-interest annual loans to 36 soy farms in the Cerrado committed to protect their forest cover beyond the legal requirements in Brazil.
STRUCTURE AND TERMS	Dollar-denominated Certificates of Agricultural Receivables (“CRAs”) registered in the Vienna stock exchange were issued to finance soy producers in the Cerrado, offering one-year loans with interest rate reductions of approximately 20%.
EXPECTED IMPACT	The program is targeted to farmers who have forest cover beyond the legal requirements and will thereby conserve 3,500 hectares of this surplus legal reserve and over 10,000 hectares overall (including the areas legally required to be protected). The program will conserve carbon stocks (4.0-million-ton CO ₂ e) and biodiversity while supporting the production of deforestation and conversion-free soy (expected 50,000 tons of DCF soy produced).
SCALE OPPORTUNITIES	The facility intends to scale new tranches in the future, working with the corporate supply chain companies from the retail sector that financed the first phase as well as a broader set of commercial investors.

LEARN MORE





6. JGP, AGROGALAXY AND VERT - GREEN GALAXY	
CLOSING DATE	December 2022
DISBURSED AMOUNT	BRL 20 MM (equivalent to US\$ 5 MM)
PARTNERS	JGP Asset Management, Agrogalaxy and Vert Capital
OVERVIEW	<p>Securitized agricultural receivables to fund a new program called “GreenGalaxy” that provides funding and technical solutions to help small and medium farmers transition to sustainable, low-carbon and regenerative agriculture.</p> <p>The program aims to help farmers raise yields and expand production on already-cleared lands, while avoiding deforestation and improving input use.</p>
STRUCTURE AND TERMS	<p>Reais-denominated Certificates of Agricultural Receivables (“CRAs”) with tenors of up to 40 months, with Agrogalaxy corporate guarantee. JGP acts as an anchor investor.</p> <p>Agrogalaxy provides their input receivables in the form of credit rights, that are structured into a securitization vehicle by Vert. Qualified as “transitional” by NINT Second Opinion.</p>
EXPECTED IMPACT	<p>This initial product will include 10,000 hectares and up to 25 small and medium-sized farmers committed to zero deforestation and conversion in the Amazon, Cerrado and Atlantic Forest biomes.</p>
SCALE OPPORTUNITIES	<p>By the end of 2023, the GreenGalaxy program intends to expand its coverage to 100,000 hectares and reach 2 million hectares by the end of the decade.</p>





7. AGR13 & RABOBANK - RENOVA PASTO

CLOSING DATE	Initiative announced in 2022; first transaction closed January 3, 2023
DISBURSED AMOUNT	No disbursements in 2022. The program was announced in December 2022 with an initial \$10 million committed; the first loan was for \$500,000 and disbursed in January, 2023.
PARTNERS	AGR13 , Rabobank and IDH
OVERVIEW	<p>Initiative offering a standardized package of long-term loans and technical assistance to cattle producers in the Cerrado and Amazon regions for the restoration of degraded pasturelands and to accelerate the protection and restoration of legal reserves and critical ecosystems.</p> <p>This initiative combines the partners capacities in the provision of rural credit, long term credit guarantees and technical advisory in agricultural production, to support farmers to transition to improved agricultural production and the protection and restoration of native vegetation.</p>
STRUCTURE AND TERMS	Standardized long-term loans of up to 10 years with 3 years grace provided by Rabobank. These loans are supported by partial guarantees from AGR13 of up to 40% in years 1-3 and gradually increase to 100% in years 7-10. This structure enables the bank to extend its financing tenor and support non-cash generating activities, such as forest conservation. This will be supported by technical assistance, provided by IDH directly to farmers.
EXPECTED IMPACT	Restoration of degraded pastureland to sustainably intensify cattle ranching and reduce pressure on expansion over native vegetation. Accelerate compliance with the forest code, improving conservation and restoration of forest areas on cattle farms. It also supports improved rural livelihoods through increased technical capacity and assistance.
SCALE OPPORTUNITIES	A standardized and replicable model of finance, which allows for many smaller deals, with clear E&S conditions, to be executed in expedited deal timelines with eligible Rabobank clients. It is intended that the practices implemented will act as demonstrations to other farmers and the structure of the loan product could be adopted by other financial institutions. The partners also plan to extend the approach to other commodities and market segments over the coming year.

LEARN MORE





8. SIMFLOR PROGRAM

CLOSING DATE	October 2022
DISBURSED AMOUNT	No disbursements in 2022.
PARTNERS	Sustainable Investment Management (SIM) , and Ecoscurities
OVERVIEW	A system to promote implementation of the Brazilian Forest Code using carbon finance to purchase Forest Reserve Credits (CRAs ³) from landowners in the Amazon biome who conserve forests beyond the legal requirement.
STRUCTURE AND TERMS	<p>The consortium raised a credit line of R\$ 1 billion from international carbon traders to quickly promote the implementation of the Brazilian Forest Code through the acquisition of Forest Reserve Credits (CRAs – Cotas de Reserva Ambiental) from landowners in the Brazilian Amazon.</p> <p>Under the Brazilian Forest Code, landowners who conserve their forests beyond the legal requirement can sell CRAs associated with that surplus area. SIMFlor is entering into CRA agreements with landowners willing to conserve their forests for at least 30 years, and then monetize the carbon value of the avoided deforestation in the voluntary carbon markets in order to make payments to the landowners.</p>
EXPECTED IMPACT	Conservation of 500,000 ha of native vegetation, of which 100,000 hectares of surplus legal reserve, and conservation of 300 MtCO ₂ e of carbon stocks in these areas, of which 60 Mt CO ₂ in areas of excess legal reserves. In addition, this mechanism has the potential to stimulate greater interest and scaling of the CRA mechanism in Brazil which could accelerate Forest Code compliance and Brazil's path to zero deforestation.
SCALE OPPORTUNITIES	Launched in 2022 with R\$ 1 billion, the program seeks to deploy R\$ 3 billion in the coming years.

LEARN MORE



³ Cotas de Reserva Ambiental



THE IFACC INITIATIVE

IFACC is working to support our partner companies, banks, asset managers and investors to accelerate lending and investment in agricultural production models that can grow production of beef, soy and other commodities without further deforestation and conversion of natural vegetation. IFACC provides support on environmental and social impact management, connections to catalytic capital providers and other business partners, access to the best intelligence on product structures and approaches, and advice on leveraging DCF financial products to achieve net zero goals and monetizing the carbon benefits of these products.

The initiative has produced several value-added reports to share leading research and information on science, economics, and practice of innovative finance for cattle and soy in the region.

The list below summarizes the most relevant market intelligence reports produced in 2022.



[Finance for a Forest-Positive Future:
The transition to sustainable cattle and soy production](#)



[Impact Indicator Guidelines](#)



[Investor landscape for sustainable agriculture in the Amazon, Cerrado and Chaco:
Opportunities and design guidance for IFACC](#)



[Pathways to Leverage Carbon Finance for Deforestation-and-Conversion-Free
Soy and Beef Production in the Amazon and Cerrado](#)



[Training on innovative finance for Brazilian financial institutions](#)



[WEBSITE](#)



[LINKEDIN](#)



[KNOWLEDGE HUB](#)

