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INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS): HOW MUCH MONEY DO AGROHOLDINGS NEED? MORE!

18 June 2018 - International financial institutions (IFIs) play an important role in the capital formation of large agroholdings. In order to expand their businesses, agroholdings conclude many loan agreements with various IFIs every year. This allows agricultural companies to build new production facilities, invest in new technologies and expand their land operations. On the other hand, such activities are often criticized in Western countries, because IFIs get their funding predominantly from Western taxpayers.

The activities of agroholdings are often susceptible to public criticism because of the established negative attitude to large scale farming. Frequent accusations of overuse of pesticides, cultivation of GMOs, violation of environmental norms and social standards contributed to the overall negative image of agroholdings.

At the same time, loans from IFIs improve the country's investment attractiveness. More investment - more business development. In recent years, particularly Ukrainian agroholdings succeeded in raising capital from IFIs as the number of loan deals between agroholdings and IFIs has been growing. Special programs for investing in agriculture are part of the IFIs working agenda. For example, International Finance Corporation (IFC) has a strategy to accelerate agricultural growth, which requires necessary financing.

This allows agroholdings to access necessary funds. For example, in May 2018, IFC allocated a \$ 30 million loan to the Astarta agroholding for the development of agro-logistics and improvement of resource efficiency. As reported by Astarta,

FURTHER INFORMATION

The Financialisation of Farmland in Ukraine
(http://www.mattersburgerkreis.at/dl/oqqqJMJLloJqx4KooJK/JEP-2-2014_03_PLANK_PLANK_The_Financialisation-of-Farmland-in-Ukraine.pdf)

The financialization of agri-food in Canada and Australia
(<https://www.sciencedirect.com/science/article/pii/S0743016715300036>)

over the past five years the company signed agreements with the European Bank of Reconstruction and Development (EBRD), the Dutch Development Bank and the European Investment Bank (EIB). All of them are mainly aimed at improving the use of natural resources.

The funding of certain projects often gets extended. For example, in summer 2012, the Agrotrade group and the EBRD signed a loan agreement for the replenishment of working capital for up to \$ 15 million and a senior loan of up to \$ 8 million for upgrading the elevator network of the group. Thanks to this, the group built the first stage of the modern elevator in Chernihiv region from scratch and reconstructed three more grain elevators - Hadyachskyy, Kolomaskyy and Doch-Khleby. Also, Agrotrade invested in the purchase of equipment for the seed factory. In 2015, the parties signed a new agreement until 2020 to continue the construction of these facilities.

The requirements for companies in these loan agreements are quite strict. According to Elena Vorona (COO, CFO of the Agrotrade group), the activities of the applicant company should be open and transparent. She sheds light on the conditions the EBRD sets for its borrowers.

"It is necessary to provide audit reports, confirmed by auditors accredited at the EBRD. The bank trusts the "Big Four" auditors and a number of other international companies," she explains. Without audit reporting, the EBRD will refuse to allocate funding. This is quite logical, since the Bank can be sure the company will be able to repay the loan.

In addition, there are requirements related to social responsibility and compliance with environmental standards. "For example, when Agrotrade was applying for funding to change the dryers at its elevators, one of the main preconditions for a loan was that the new equipment was more environmentally friendly," - Vorona tells.

Another requirement of the EBRD is regular reporting. The company must submit financial, managerial and audit reports annually in due time, in which it describes in detail what and how is done, and most importantly – why it is done.

"Compared to other banks, the EBRD has more requirements, they control everything more carefully, more documents must be provided. However, the presence of the EBRD in the lender portfolio is prestigious for any company. This is a reliable partner that will support in case of a crisis, because its task is to help the business develop," - Vorona adds.

Representatives of the IMC agroholding note that the publicity of the company is not a mandatory requirement to get a loan, but it is a significant advantage. The same applies to the experience with international lenders. The company says that the main thing is business profitability and a clear strategy supported with a sound financial model.

Astarta's managers echo this point and maintain that projects have to be consistent with the development impact indicators set by anIFI (development indicators, energy efficiency

indicators, and others).

The trust of financial institutions toward Ukrainian agribusinesses seems to be growing in the future. Andriy Perederiy, the analyst of the Concorde Capitalinvestment company says the increase in the number of loan agreements between agroholdings and IFIs is expected in the years to come. "IFIs actively cooperate not only with public organizations, but also with private agricultural companies in Ukraine. The most often funded projects aim to improve crop yields using modern technologies, renewable energy production, and logistics efficiency. Many agricultural producers are interested in this type of finance as it provides the possibility to improve cost efficiency," Perederiy says.

Funding provided to Ukrainian agroholdings by IFIs in 2009-201

Company	Lender	Sum, \$ million	F p
<i>Kernel (https://www.kernel.ua/)</i>	EBRD 2014	50	To s Kerr worl capi relat purc grain Ukra well subs stor tran and tran
	EBRD 2016	20	To fi field oper
	IFC 2016	95	To s the c worl capi
	Syndicate of European banks 2017	200	To fi worl capi spher sunf proc Ukra

Company	Lender	Sum, \$ million	F p
<i>Agroprosperis (NCH)</i> (https://www.agroprosperis.com/en/index.html)	EBRD 2009 for New Europe Property Fund L.P., controlled by NCH Capital Inc.	50	To fi need worl capi Ukra com cont the f
	EBRD 2014 for New Europe Property Fund L.P., controlled by NCH Capital Inc.	40	To ir the e of th Func proj Ukra field agric
<i>MHP</i> (https://www.mhp.com.ua/)	IFC 2013	50	To s expa the C Ukra regio Vinn
	IFC 2014	250	To e proc and the s chai
	EBRD 2015	85	To d and oper
	EBRD 2017	250	To c biog with capa MW Lady Vinn regio

Company	Lender	Sum, \$ million	F p
<i>Astarta-Kyiv</i> (http://www.astartakiev.com/en/index.htm)	EBRD 2016	20	To ir ener effic redu use reso tran: Best Tech suga proc
	EBRD 2017	25	To ir stor: infra
	IFC 2018	30	To ir ener effic redu use reso tran: Best Tech suga proc purc agric mac
	EIB 2017	43,3	To ir stor: infra
<i>Mriya</i> (https://www.iamo.de/typo3/mriya.ua/en/)	EBRD 2011	25	To r the v capi M-Ti a su the l agrc

Company	Lender	Sum, \$ million	F p
	IFC 2011	35	To e proc oper and stor: infra in Te Ivan Fran Cher Khr regio
	IFC 2013	65	\$ 60 the f thre revo to re worl capi 5 mi impr com ener effic
<i>IMC</i> (http://www.imcagro.com.ua/en/)	IFC 2014	30	To e agric oper and worl capi com subs
	EBRD 2016	20	To p pre- harv finar
<i>Nibulon</i> (http://nibulon.com/?t=1529311860)	EBRD 2015	130	To r prev 125 sync whic sign 201: expi Jun

Company	Lender	Sum, \$ million	F p
	EIB 2016	71	To d and moc com logis infra
	IFC 2017	100	To c the reco of th ship and repa Myk ensu deve of th tran: infra
	EBRD 2018	50	To e and moc com grain infra in 20 as w cons fleet
<i>Agrotrade</i> <i>(http://www.agrotrade.ua/en/index)</i>	EBRD 2012	23	To r worl capi to \$ and loan 8 mi finar ener effic activ expa capa proc and cere

Company	Lender	Sum, \$ million	F p
<i>Milkiland-Ukraine</i> (https://www.iamo.de/typo3/www.milkiland.ua/en/)	EBRD 2009	30	To d and the c oper
<i>Nyva Pereyaslavshchyny</i> (http://niva-group.com/en)	EBRD 2014	30	To e two farm the c for r proc and stor incre unde oper purc agric mac
	IFC 2015	25	To s plan expa com oper and refin med cred obliq

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Source: [www.agroportal.ua \(http://agroportal.ua/publishing/analitika/mfo-kholdingam-skolko-deneg-nuzhno-bolshe/#\)](http://agroportal.ua/publishing/analitika/mfo-kholdingam-skolko-deneg-nuzhno-bolshe/#)



(/microsites/www.largescaleagriculture.com/_processed_/c/f/csm_AdobeStock_91102929_9479a3ad9d.jpg)

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