FOPEPRO: Bridging The Financial Divide To Reach Small Farmers

**Better Access to Finance for Smallholder Farmers**

Latin American farmers who grow food on small plots of land are the backbone of the rural economy in the region. Getting food from fields to markets creates many jobs, especially in lower income countries, where 30 percent of the population works in smallholder agriculture. Smallholders need better access to finance and training to produce and earn more, but traditional banks rarely operate in rural areas. It is expensive and seen as risky to lend to farmers with little or no credit history, seasonal production and limited collateral.

A new private social investment fund, Fondo para los Pequeños Productores Rurales en América Latina (FOPEPRO), is solving the problem by providing credit to small rural producers from the base of the pyramid. FOPEPRO provides working capital and investment loans to groups of farmers, processors and rural microfinance institutions in up to nine Central and South American countries.

The Opportunities for the Majority Initiative (OMJ) has provided FOPEPRO a $2 million loan and leveraged $1.6 million from social investors Deutsche Bank Trust Company Americas, Calvert Foundation and Monarch Community Funds.

**Loans to Umbrella Organizations**

In Latin America, those raising crops on small plots of land produce much of the agricultural output; up to 60 percent in Central America. Yet, only 15 percent of the rural population of Latin America and the Caribbean has access to formal financial services. Distance and costs are the main barriers and FOPEPRO bridges that divide by sending managers specialized in agricultural lending into the field to offer financial products to umbrella groups of small producers, and small and medium enterprises that serve them. Two private social investment companies with 30 years of investing in agriculture in Latin America sponsor FOPEPRO and identify the groups. FOPEPRO also funds micro-finance institutions with track records lending to small farmers in underserved areas.

FOPEPRO provides financing for production and processing of staples and high value export crops, or to buy equipment that benefits all members of an association. Groups receiving working capital loans can channel money to individual farmers. The fund aims to reach at least 70 smallholder organizations, or 10,000 producers, in ten years.

**Investing in Farmers, Adding Value to Products**

Besides lending, FOPEPRO also gives grants to strengthen management of organizations and train farmers, producer groups and cooperatives, and processors and marketers to certify crops and products. It will also help to improve financial management systems of borrowers and work to improve productivity. Training companies that process and bring food to market gives smallholders better services and boosts the value chain.

FOPEPRO’s managers know the agriculture sector, have access to credit histories of producer groups, and can create financial products that take into account crop variability and seasonality. The fund will operate in Honduras, Guatemala, El Salvador, Nicaragua, Colombia, Ecuador, Bolivia, Peru and Paraguay.

In addition to cash crops like coffee and cocoa, FOPEPRO will invest in maize, beans, dairy, vegetables and livestock, important foodstuffs for local and regional populations. Investing in varied commodities in several countries also limits the fund’s exposure to sudden price drops or the effects of natural disasters.

FOPEPRO’s expertise allows it to tailor loans to small farmer groups in rural areas with sparse population and little economic activity. The fund’s target is to raise and manage $20 million. Investing in FOPEPRO allows OMJ to support economic development of grassroots agricultural producers taking out small loans, and promote a new market-based model for sustainable growth of their small operations. The model can be scaled up or replicated in Latin America or elsewhere.

For more information about the program, contact: OM-IDB@iadb.org
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