

Federative Republic of Brazil

FY 2023 Ex-Post Evaluation of Private-Sector Investment Finance Project  
“Agricultural Supply Chain Enhancement Project”

External Evaluator: Mitsue Mishima, OPMAC Corporation

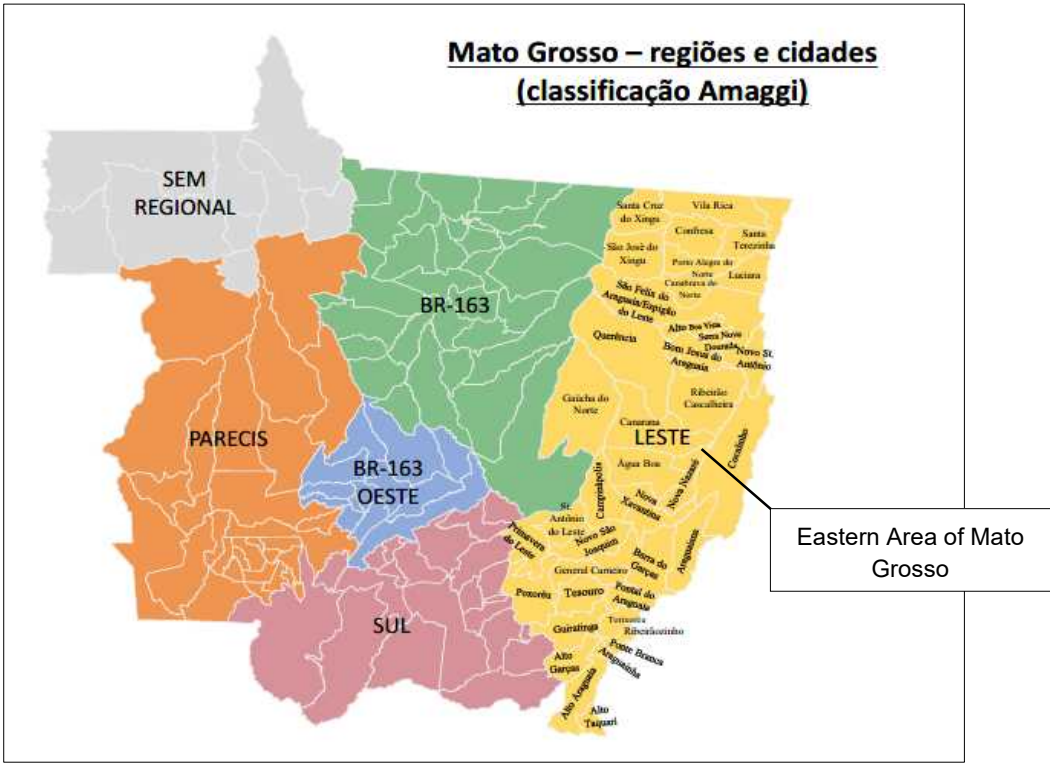
1. Project Description



Project Location Map  
(Source: Prepared by evaluator)



Agua Boa Branch and Grain Storage facility in  
Mato Grosso State  
(Source: photo taken by evaluator)



Source: Materials provided by Amaggi  
Figure1 Eastern Region of Mato Grosso (as defined by Amaggi)

## 1.1 Background

In the late 1970s, with the financial and technical support of the Japanese government and JICA, the Brazilian government initiated a project to convert the Cerrado in the Midwest region into grain farmland for soybeans, corn, and other crops. As a result, this region became a huge grain belt that now accounts for about 80% of Brazil's grain production, making Brazil one of the world's largest grain exporters. The development of agricultural land throughout the Midwest has now been almost completed, but there remained an urgent need to further increase agricultural production and achieve balanced development of the regional economy and the agricultural development of northeastern Brazil, including in the eastern part of the state of Mato Grosso.

Under these circumstances, Amaggi, a Brazilian grain major that exports grain to the world, including Japan, planned to promote agricultural development and expand its grain collection network in the eastern part of the state of Mato Grosso, a grain collection area where future growth is expected. The company also planned to develop grain storage facilities in the area while expanding cultivation loans and farm management guidance that would contribute to the stability of farmers' businesses.

The project aimed to improve grain transportation logistics and to increase agricultural productivity in the eastern region of Mato Grosso State and Roraima State in Brazil, through comprehensive support for the business of Amaggi, including the development of grain transportation infrastructure to meet the increase in grain production and collection, the provision of cultivation loans and farm management guidance for farmers, and grain purchase, thereby contributing to the promotion of agricultural development in the region.

## 2. Outline of the Evaluation Study

### 2.1 External Evaluator

Mitsue Mishima (OPMAC Corporation)

### 2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule:

Duration of the Study: August 2023 - January 2025

Duration of the Field Study: February 20 - March 12, 2024

### 2.3 Constraints During the Evaluation Study

It was not possible to confirm the actual amounts of Amaggi's cultivation loans to farmers or farm management guidance for the self-financing portion of the project, in the items of the plan for all project expenses at the time of project appraisal. Therefore, it was decided that the project would be evaluated by comparing the planned and actual project cost of the JICA-financed portion only, and not the total project cost.

Regarding the project period, it would have been ideal had the period been originally set with the physical completion of the storage facility as project completion. However, the project period was not defined based on the confirmed construction schedules of the grain storage facility and agricultural material storage facility, either at the time of the initial plan or on plan modification. Therefore, the project period was defined as the loan disbursement period, as set at the time of appraisal, and the evaluation was based on a comparison of the plan and the actual loan disbursement date of the project.

### **3. Conclusion**

The project aimed to improve grain transportation logistics and to increase agricultural productivity in the eastern region of Mato Grosso State and Roraima State in Brazil, through comprehensive support for the business of Amaggi, including the development of grain transportation infrastructure to meet the increase in grain production and collection, the provision of cultivation loans and farm management guidance for farmers, and grain purchase, thereby contributing to the promotion of agricultural development in the region. The results of the evaluation are as follows.

**Relevance:** The project was considered to be consistent with Brazilian development policy, private investment needs in grain logistics infrastructure (grain storage facilities), and the needs for cultivation loans for grain farmers. The development priorities of the target areas were high since cultivated land had expanded rapidly through the shift from pasture land in the eastern part of Mato Grosso State. In Roraima, the production of soy beans increased through the agriculture promotion policy of the state government. In the original plan, the states of Para and Mato Grosso were the target areas; however, due to revisions in the project plan, the target facilities for the project were changed to a grain storage facility in Mato Grosso and a grain storage facility and an agricultural material storage facility in Roraima. The target areas for loans to farmers for cultivation were also changed to Mato Grosso and Roraima. The process of these changes was appropriate.

**Coherence:** Although internal and external collaboration with JICA was not planned, the project was coherent with the development cooperation policy of the Japanese government at the time of project appraisal. The project was also coherent with the necessity for assistance through private-sector investment finance while it continued to be difficult for Amaggi to obtain stable long-term financing from general financial institutions.

**Efficiency:** The outputs were changed due to changes in the location and scale of the grain storage facilities and the significant reduction in the amount of cultivation loans to farmers. However,

these are considered to be appropriate vis-à-vis the inputs. The actual project cost and period were within the plan.

**Effectiveness:** The operational and effect indicators set for the project at the time of the revision of the project components (utilization rate of grain storage facilities and grain collection volume) exceeded both target figures in Mato Grosso State. Grain storage facilities in Roraima State have operated sufficiently. The utilization rate of the grain storage facilities has been beyond the target figure and the volume of grain collection volume has been increasing, although it has not yet reached the target figure. Grain purchase funds under the project loan were also fully utilized. On the other hand, the effectiveness of cultivation loans was limited due to significant decreased needs in comparison to the plan. Significant decrease in cultivation loans was due to Amaggi's tightened credit policy for farmers because of increased credit risk to the farmers, sluggish growth in farmers' needs for cultivation loan since they had enough funds owing to abundant soybean production, and other reasons. The agricultural materials storage facility constructed in Roraima State was not yet in operation at the time of the ex-post evaluation (as of October 2024), therefore, this could not be evaluated.

**Impacts:** The project contributed to the promotion of agricultural development and economic development in the target area by supporting the promotion of grain distribution, and increased exports by Amaggi during loan implementation. It is also considered to have contributed to the remarkable increase in the soybean and corn exports of Brazil to other countries, including Japan. As for environmental impact, Amaggi have devoted themselves to social and environmental considerations in their operations and have provided technical assistance to the recipient farmers of its cultivation loans to mitigate impacts on soil health and ecosystems. Other negative impacts were not observed particularly.

**Sustainability:** There are no concerns regarding the policy and system, institutional/organizational, technical, or financial aspects for the sustainability of the project components. A solid policy for environmental and social considerations has been adopted by Amaggi in their operations and no problems were found in terms of response to risk. Slight issues have been observed in the operation and maintenance of the agricultural materials storage facility, for which the operation was delayed; however, there are good prospects for resolution.

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