

PROJECT ABSTRACT

APRIL 2015

Country:	PERU
Sector:	Agro-industry
Project Name:	Sociedad Agrícola Viru.
Project Number:	PE-L1168
Borrower:	Sociedad Agrícola Viru S.A.
Sponsors:	N.A.
Proposed A Loan:	US\$ 56.70 million

PROJECT OVERVIEW

Peru's agro-exporting sector has grown seven-fold in the past 10 years. The Country has experienced a transformation in the agricultural sector which has become the major catalyst for employment generation. By supporting investments in irrigation infrastructure, producers in the coastal regions have transformed arid land into productive agricultural areas where high-value specialty crops like asparagus, artichokes, peppers, and increasingly fruits are grown for export markets. Subsequently, Peru has become a strategic food supplier to the world markets as people demand more and higher quality food products.

Sociedad Agricola Viru S.A. ("Viru" or the "Company") is one of Peru's leading agro-exporting companies that ranks within the country's top three exporters of processed asparagus, artichokes and peppers. The Company's food processing facilities are located in the Viru and Chincha valleys near farming areas, thus assuring the freshness of the products. The Company began operations in 1994 as a processor of asparagus and has achieved greater product diversification (artichokes, peppers, sauces lines) during its 20 years of business operations. It conducts its agricultural operations in several thousand hectares of land certified under Globalgap, employs approximately 6,000 people, and provides technical assistance to small farmers in its supply chain to ensure high quality food products.

PROJECT DESCRIPTION

IDB seeks to provide a senior secured corporate loan to Viru to finance the acquisition of new machinery and equipment as well as to develop plantations to expand its vegetable processing export business and conduct its operations in a socially inclusive and environmentally sustainable way. These actions are expected to strengthen Viru's competitiveness. The investment plan includes: i) increase agricultural output by developing additional asparagus, avocado and heart of palm plantations; ii) increase the application of technologies to conserve water on irrigated land, improve food quality, and reduce production costs; iii) *improve its financial structure* by refinancing existing loans; and iv) finance working capital (collectively, the "Project").

DEVELOPMENT IMPACT

By enhancing Viru's competitiveness and financial structure, the Project will contribute to the strengthening of the Company's business within the Peruvian non-traditional agriculture sector, which is increasingly becoming an important generator of export revenues and local employment. The Project will create opportunities along the Company's value chain by supporting smaller farmers with technical training and resources, and will benefit Viru's direct and indirect employees and suppliers, as well as the creation of additional direct jobs. Additionally, investments in technical innovation will enable the Company to improve the quality of its products and reduce the amount of energy consumed in the production processes.

IDB'S ADDITIONALITY

IDB will also provide long-term financing, still relatively scarce for mid-size agro-industrial companies for agricultural investments like field renovation and industrial capital investments. In addition, IDB's partial refinancing of the Company's medium-term debt will allow Viru to extend the average maturity of its debt structure thus strengthening its financial solvency. Moreover, IDB will assess Viru's agricultural and industrial operations against international standards and practices, identify any environmental management gaps, and recommend an action plan to be in compliance. IDB will also work with Viru to identify shared-value and/or biodiversity technical cooperation with significant social impact and aligned with the Company's core business.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Project is consistent with IDB's objectives in its promotion of social inclusion through job creation, training and its work with small and mid-size farmers. The Project is consistent with the IDB Peru Country Strategy (2012-2016), approved by the Board of Directors in July 2012 (GN-2668), as it supports rural development and agriculture, and increases competitiveness in the agro-industrial sector. Moreover, the Project meets GCI-9 as it promotes sustainable agribusiness practices (drip-irrigation, and agronomic-training programs), and inclusive business through partnerships with small-holder farmers.