

EXECUTIVE SUMMARY

The Latin America and Caribbean region expanded its agricultural production considerably in the second half of the twentieth century as a consequence of rapid mechanization, professionalization of farming practices, the introduction of high-yield varieties, and other factors. Yet significant and increasingly latent environmental and social challenges persist, such as rural poverty, exclusion, disparities in production performance among farms, and the impact of climate change on agricultural production. A large number of small and medium-scale farmers in Latin America and the Caribbean were left behind, many of whom experience low productivity, vulnerable livelihoods, poor environmental performance, and a low level of climate resilience. This scenario puts increasing pressure on the region's food production systems to find new solutions enabling them to transition to more sustainable and inclusive models.

Innovative solutions developed by agriculture sector ventures ("agtech ventures") can play a central role in that effort, particularly for small and medium-sized farms with low productivity, by transforming the sector's value chains so that they provide more inclusive and transparent conditions and offer solutions at the farm level to improve production performance, livelihoods, and climate resilience. However, the agtech venture ecosystem is still emergent, and entrepreneurs in the sector face highly limited access to capital and specialized mentoring.

In keeping IDB Lab's approach of supporting the development of specialized funds in sectors with potential for high impact and clear financing gaps, the project will invest in the regional fund specializing in agtech ventures to be managed by Yield Lab LatAm (YLL). YLL is a leading venture capital fund manager specializing in investment and mentoring for agtech ventures that offer solutions with the potential to transform food production systems, making them more sustainable and efficient. After successfully managing two prior funds, YLL is launching its third fund (YLL Opportunity Fund I), a specialized regional fund that will invest in up to 30 early stage agtech ventures in Latin America and the Caribbean. In addition to solid financial performance, the solutions supported by YLL have had positive social and environmental outcomes. With that objective, IDB Lab will invest US\$4 million in YLL Opportunity Fund I, contributing value-added as an anchor investor by unleashing the investment of other investors in a nascent innovation segment, offering knowledge and connections in the region, and guiding YLL in the incorporation of key benchmarks for measuring impact. The Fund is expected to benefit 270,000 small and medium-scale farmers through investments in agtech solutions that could translate into greater productivity and income, improved livelihoods, better environmental performance, and greater climate resilience. The project has benefited from close coordination with IDB Invest and from collaboration with the Environment, Rural Development, and Disaster Risk Management Division (CSD/RND).