China, People's Republic of: Environmentally Sustainable Agricultural Input Distribution Project

Project Name: Environmentally Sustainable Agricultural Input Distribution Project

Project Number: 51201-001

Borrower/Company:
- Kingenta Ecological Engineering Group
- Kingfarm Agricultural Services
- Linyi Kingfarm Cooperative Agricultural Services

Country: China, People's Republic of

Location: Anhui, Hebei, Henan, Hubei, Jiangsu, Shaanxi, Shandong, Shanxi

Approval Number:
- 7518/3559, 7519

Type of ADB Assistance / Amount:
- Ordinary capital resources USD 50.00 million
- Ordinary capital resources USD 30.00 million

Strategic Agendas:
- Environmentally sustainable growth
- Inclusive economic growth

Drivers of Change:
- Gender Equity and Mainstreaming

Partnerships:
- Private sector development

Sector / Subsector:
- Agriculture, natural resources and rural development - Agricultural production

Gender Equity and Mainstreaming:
- Some gender elements

Responsible ADB Department:
- Private Sector Operations Department

Responsible ADB Division:
- Office of the Director General, PSOD

Responsible ADB Officer:
- Lemoine, Martin

Project Sponsor(s):
- Kingenta Ecological Engineering Group

Description:
The project is to partner with Kingenta, IFC and Huaxia Bank to establish a new company Kingfarm which will (i) set up 300 crop production service (CPS) centers that will provide compound and specialty fertilizers, seeds, and other agricultural inputs, and agricultural services to about 3 million smallholder farmers in eight PRC provinces; and (ii) construct 10 associated fertilizer plants to produce compound and specialty fertilizer that will serve the CPS centers and help expand the CPS market penetration.

Objectives and Scope:
The project aligns with the government's strategic orientations for agricultural modernization and rural development, particularly the government's calls to (i) improve the quality and competitiveness of the PRC's agricultural products through high-quality farmland and professional farmers, (ii) increase the nutrient use efficiency of fertilizers from the current 33% to 40% in 2020, and (iii) slow the growth in fertilizer consumption to zero by 2020. The project will improve the accessibility and affordability of high-efficiency and environmentally sustainable compound fertilizers and other quality agricultural inputs for about 3 million smallholder farmers in eight PRC provinces. The project also promotes modern and environmentally sound agricultural production with more efficient agricultural input and services in the PRC. The project will reduce the use of conventional nitrogen and phosphate fertilizers through climate-smart agriculture and precision-farming practices. Higher efficiency in nutrient delivery will result in less fertilizer being applied, leading to improved productivity and reduced soil contamination and pollution to waterways and the atmosphere.

Linkage to Country/Regional Strategy:
The project aligns with ADB's Midterm Review of Strategy 2020, which emphasizes the need to contribute to food security and agricultural productivity and to promote food safety and quality standards. The project is also consistent with ADB's country partnership strategy, 2016 to 2020 for the PRC, which supports (i) modern agriculture through high-efficiency agricultural input and mechanical equipment; (ii) circular agriculture through value chains to reduce resource inputs and waste outputs; (iii) knowledge sharing between the public and private sectors; and (iv) climate resilience through agricultural infrastructure, technology, and practices. Through this project, ADB will support the sustainable development of knowledge-intensive agriculture in the PRC through the application of science and technology and agriculture services that CPS centers would provide.

The project aligns with ADB's Operational Plan for Agriculture and Natural Resources, which stresses that ADB's private sector agribusiness investments have the potential to benefit millions of smallholder farmers directly and contribute to public goods, such as food security, food safety, and reduced soil and water pollution.

Summary of Environmental and Social Aspects:

Safeguard Categories:
- Environment: B
- Involuntary Resettlement: C
- Indigenous Peoples: C

Environmental Aspects:
The potential environmental and social impacts of the project have been identified and effective measures to avoid, minimize, mitigate, and compensate for the adverse impacts are incorporated in the safeguard reports and plans. Potential risks and impacts during construction are generally site-specific, short-term, and can be effectively managed by good engineering, construction, and housekeeping practices based on construction environmental management plans.
### Involuntary Resettlement

No involuntary resettlement are envisaged for the project. The new facilities (upgrade plants) will either be constructed within existing premises and facilities or in adjoining lands belonging to industrial parks or zones. Subprojects with significant environmental or social impacts will not be supported by the proceeds of ADB's investment.

### Indigenous Peoples

No indigenous people issues.

### Stakeholder Communication, Participation, and Consultation

### Timetable for assistance design, processing and implementation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
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<tbody>
<tr>
<td>Concept Clearance</td>
<td>04 Aug 2017</td>
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<tr>
<td>Due Diligence</td>
<td></td>
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<tr>
<td>Credit Committee Meeting</td>
<td>07 Aug 2017 to 07 Aug 2017</td>
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<tr>
<td>Approval</td>
<td>07 Sep 2017</td>
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<tr>
<td>Last PDS Update</td>
<td>12 Jun 2019</td>
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### Project Page

https://www.adb.org/projects/51201-001/main

### Request for Information

http://www.adb.org/forms/request-information-form?subject=51201-001

### Date Generated

06 November 2019

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