FINANCING AGRICULTURE FORUM 2012

A PRESENTATION BY THE ZAMBIA NATIONAL COMMERCIAL BANK PLC

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Emergent Farmers Finance Programme

Zambia

Zambia National Commercial Bank PLC
Best Soccer Team in Africa!!!
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Zanaco: “the People’s Bank”

- Created in 1969
- Universal bank (retail/corporate)
- Partially privatized in April 2007
- Listed on LuSE in November 2008
- 59 Branches & Agencies, 121 Additional Points of Presence

Ownership
- Rabo bank – 45.6%
- Public - 26%
- GRZ – 25%
- ZNFU – 3.4%
Objective

The main objective of the Program is;

- to develop and test a model, using strict business principles, to provide commercially based access to finance and agri support services to a class of farmers currently unable to access bank finance.

- Focus is on farmers with;
  - minimum three year track record
  - proven or identifiable enterprise in the farmer
  - adequate equity
  - minimum farm size depending on the farm enterprise
Food and Agriculture In Zambia
Bankable Production

Traditionally bankable

Previously unbankable

Bilateral contracts

Supply chain finance

Agri corporates

Commercial Farmers

Emergent Farmers

Small Scale Farmers
Limitations In Accessing Finance

- Low Yields to inadequate Agronomic Skills.
- Lack of Adequate Financial Management Skills
- Poor Record Keeping.
Improving Access to Finance

- In 2008 - Zanaco partnership with:
  - Rabo Bank
  - ZNFU
  - IFC
Technical Assistance

- Fertilizer companies & agricultural lime companies
- Agri chemical companies
- Farmers Associations like; the Poultry Association
- Co-operatives, Dairy Processing Companies, etc.
- Crop Insurance companies
- Business Training Consultancy Firms
Agri product & features

<table>
<thead>
<tr>
<th>Products</th>
<th>No. of farmers</th>
<th>Value of finance USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seasonal overdrafts</td>
<td>12</td>
<td>906,154</td>
</tr>
<tr>
<td>Term loans</td>
<td>83</td>
<td>2,477,310</td>
</tr>
<tr>
<td>Seasonal Overdraft + Term loans</td>
<td>18</td>
<td>1,161,536</td>
</tr>
<tr>
<td>Other services</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124</strong></td>
<td><strong>4,545,000</strong></td>
</tr>
</tbody>
</table>

- Dairy
- Piggery
- Maize and soya beans
- Poultry
- Sugar cane
- Beef
## Impact of Technical Assistance

<table>
<thead>
<tr>
<th>Financed Agri Sector</th>
<th>Yield before intervention</th>
<th>Yield after Intervention 2008/09</th>
<th>Yield after intervention 2009/10</th>
<th>Yield after intervention 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>10 lts/cow/day</td>
<td>12.5 lts/cow/day</td>
<td>16 lts/cow/day</td>
<td>17.2 lts/cow/day</td>
</tr>
<tr>
<td>Poultry</td>
<td>75% peak production</td>
<td>80% peak production</td>
<td>90% peak production</td>
<td>93% peak production</td>
</tr>
<tr>
<td>Maize</td>
<td>2.38 tons/ha</td>
<td>5.2 tons/ha</td>
<td>5.8 tons/ha</td>
<td>4.9 tons/ha</td>
</tr>
</tbody>
</table>
Key statistics

<table>
<thead>
<tr>
<th></th>
<th>2008/09 USD</th>
<th>2009/10 USD</th>
<th>2010/11 USD</th>
<th>2011/12 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposure</td>
<td>530,000</td>
<td>940,000</td>
<td>1,705,000</td>
<td>4,545,000</td>
</tr>
<tr>
<td>Av. loan size</td>
<td>38,000</td>
<td>35,000</td>
<td>49,000</td>
<td>37,000</td>
</tr>
<tr>
<td>No. of farmers</td>
<td>14</td>
<td>27</td>
<td>35</td>
<td>124</td>
</tr>
</tbody>
</table>
Success Factors

• Adequate & Timely Access to Finance
• Adequate & Timely Access to Technical Assistance
• Customers must run their farms as businesses
• Skilled Agricultural Bank Staff
Challenges

- Inadequate farmer management information systems
- There’s still room for improvement in provision of training.
- Inherent fear of approaching formal banking services by farmers
- Crop marketing challenges.
- Monopoly of some service providers
Zambia should be a bread basket

- Lots of land
- Fertile Soils
- Good water resources and availability if irrigated
- Reasonable rains nation wide
- Good banks
- Good farmers