Financing Agriculture Forum 2012

Advances in Transaction, Savings, and Payment Services:

Farmer Participation in Unlocking Transactional Value of African Agriculture

29th March 2012
Kampala
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The Barclays Group has a presence in 12 African countries …

Absa/Barclays 13 operations in Africa

- **South Africa (since 1991)**
  - # customers: 11.8m
  - # branches & ATMs: 898 / 8,783
  - # staff: 36,770

- **Egypt (since 1999)**
  - # customers: 304k
  - # branches & ATMs: 65 / 109
  - # staff: 2,113

- **Kenya (since 1925)**
  - # customers: 728k
  - # branches & ATMs: 117 / 231
  - # staff: 3,598

- **Tanzania (since 2000)**
  - # customers: 551k
  - # branches & ATMs: 85 / 290
  - # staff: 2,270

- **Uganda (since 1927)**
  - # customers: 280k
  - # branches & ATMs: 50 / 75
  - # staff: 955

- **Seychelles (since 1925)**
  - # customers: 36k
  - # branches & ATMs: 7 / 14
  - # staff: 245

- **Zimbabwe (since 1912)**
  - # customers: 137k
  - # branches & ATMs: 52 / 100
  - # staff: 695

- **Botswana (since 1950)**
  - # customers: 272k
  - # branches & ATMs: 52 / 100
  - # staff: 1,368

- **Mauritius (since 1919)**
  - # customers: 138k
  - # branches & ATMs: 27 / 41
  - # staff: 1,003

- **Mozambique (since 2002)**
  - # customers: 209k
  - # branches & ATMs: 62 / 151
  - # staff: 1,119

- **Zambia (since 1918)**
  - # customers: 109k
  - # branches & ATMs: 53 / 91
  - # staff: 923

- **Ghana (since 1917)**
  - # customers: 541k
  - # branches & ATMs: 91 / 137
  - # staff: 1,564

- **Estonia (since 1999)**
  - # customers: 304k
  - # branches & ATMs: 65 / 109
  - # staff: 2,113

Market position based on total revenue²
Market share analysis (South African Agricultural Market) ...
Involved across the entire market...

Market Share (%) Turnover Categories (US Dollars)

- ABSA
- First National Bank
- Standard Bank
- Nedbank
- Other

Equidem 2011
Understanding flow of money is of utmost importance in financing agriculture …
Farmer participation will unlock value across the agricultural value chain…

Financing the agricultural value chain

Identify key value chains
• Build partnerships along the value
  ✓ Both Bank and Farmer organisation see value from small scale producer
  ✓ Farmer organisation able to hold accountable its accredited dealers and supports in the management of price risk
  ✓ Solutions to manage production and market risk are in place.
  ▪ Value of the produce can be maintained within given limits
  ▪ Farmer Company accredited dealer offers off-take with given quantity and defined pricing mechanism
  ▪ Pricing mechanism is transparent.

How do we aggregate?

<table>
<thead>
<tr>
<th>Bank</th>
<th>International/Local market</th>
<th>Food &amp; Energy</th>
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</thead>
<tbody>
<tr>
<td>Process</td>
<td>Bulking of production and services</td>
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<tr>
<td>Store</td>
<td>Transport</td>
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<tr>
<td>Harvest</td>
<td>Store</td>
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<tr>
<td>Plant</td>
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<tr>
<td>Produce</td>
<td>Harvested Produce</td>
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<tr>
<td>Input Supplies</td>
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</tbody>
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Farmer organisation Accredited Dealers

Small Scale Farmers

Bulking of production and services
Farmer organisation secures the value chain...

Farmer Business Units (FaBU)

Bulk Suppliers ➔ Input Suppliers ➔ Producers ➔ Off-takers ➔ Manufacture ➔ Wholesale ➔ Retail ➔ Consumer
Farmer organisation ensures Farmer “Wallet” needs are met...

Seasonal Spend:

Multiple Facilities Loaded on Card:

- Fuel
- Seed
- Fertilizer

Seasonal Spend Overlap:
How does the farmer transact? ...

Farmer ‘Wallet’ (Own or debt)

Farmer Business Unit (FABU)

Guarantees

Issue Cards

Agri Procurement System (APS)

Pre-approved Suppliers

Guaranteed payments

Verification of utilisation by Field Agents.

Controlled spend at pre-approved Suppliers, according to cash flow budget and season loaded on the card.

Payment for Harvest

Off-takers Agreement

Harvest

Producer Accounts
Flow of funds in the farmer structure...

Producers

- Approved Co-op, Agri Business
- Dedicated POS
- Payment Confirmation SMS

Real Time Payment

Farmer Management System

Off-takers

- Mobile Network

Dedicated Procurement Account

Guaranteed Payment

Supplier Account
Case studies: Close Loop Payment Scheme

Case 1 – Major Agribusiness
- Client base 16,000 commercial and emergent farmers
- National foot print
- Diverse product range (farm inputs and farm produce)
- Annual turn over US$ 200 million
- Increase market penetration - 55% of clients by Year 3
- Business benefits increase with trading activity, US$ 400 million handled in a closed environment
- Most inputs suppliers linked – seed, fertilizer, animal feed, fuel, etc.

Case 2 – Major Agro processor
- Main buyer for 180 commercial and emergent producers
- Local production area (limited foot print)
- Supplier of seed, fertilizer chemicals, fuel
- Input supplies valued at US$ 150 million per annum
- Market penetration at 75% of clients by Year 3
- Business benefit - Increase in trading activity, US$ 210 million handled in a closed environment
Benefits to the farmer structure and financiers ...

- Creates a closed payment system
  - Payment triggers will vary i.e. Biometric, Card, Cell phone, etc
- No leakage of funds
  - Maintain value government and donor support
- Controlled spend at accredited suppliers
- Bulking of farmer input purchases
  - Discounts used to build reserves
- Bulking of the small-scale farmers’ produce
  - Same system used by the buyers of the produce
- Effective market and price management
- Access to extension services and technical support
- Facilitate investment into value chains by small scale farmers
Thank you

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