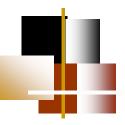


AGRIBUSINESS VALUE CHAIN FINANCING

THE CASE OF EQUITY BANK

May 2015





EQUITY BANK

Our purpose

We exist to transform the lives and livelihoods of our people socially and economically by availing to them modern, inclusive financial services.

Our Vision

To be the champion of the social-economic prosperity of the people of Africa

Our mission

We offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders



Challenges facing farming as a business

- For majority small scale farmers farming is an occupation not business
- Dependency on rain fed agriculture
- Ability to access agricultural credit
- Lack of market information
- Low quality products
- Huge production costs
- Poor infrastructure in rural areas



Pre-Requites for Successful Innovations in Agriculture financing



Business Model Innovations

Smart Public Policies

Coalitions- Strategic Alliances

Capacity Building & Enhancement

Leveraging Existing Infrastructure

Experimentation - Redefine Futures

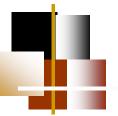




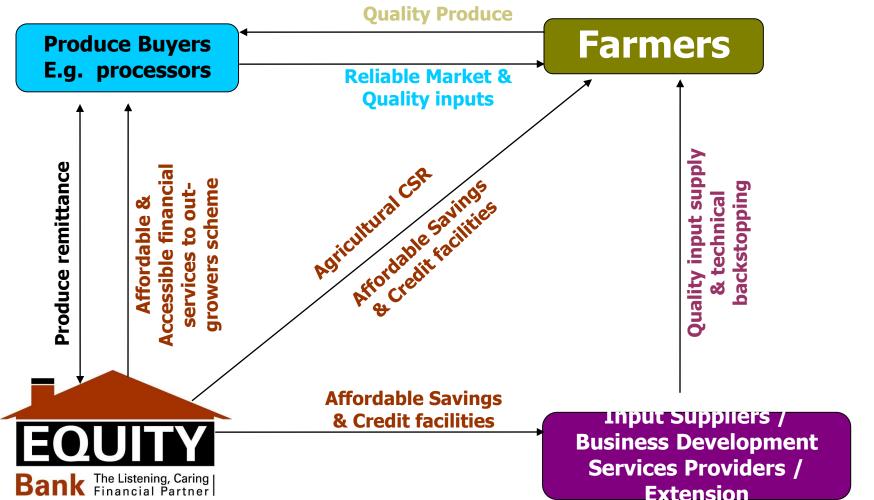


FINANCING AGRIBUSINESS THROUGH THE VALUE CHAIN

- The concept allows integration of the various players in agriculture production, processing and marketing.
- It defines the various roles of players while at the same time, scope and purpose of partnerships that can be established.
- It enhances synergy through forward and backward linkages with value chain actors



Financing value chain model



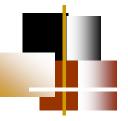


Agriculture value chains



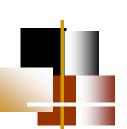
- Equity Bank strives to transform agriculture from subsistence to commercially sustainable enterprises.
- Domestic value chains.
 - Cereals/Grains (Wheat, maize, Sorghum, Pulses)
 - Poultry
 - Horticulture (Bananas, tomatoes, potatoes etc.)
 - Dairy
 - Beef
 - Apiary
 - Fisheries etc.





Export value chains

- Horticulture (French beans, sugar snaps, baby corn etc.)
- Fruits (Mangoes, avocado, banana etc.)
- Floriculture (Cut flowers and plants)
- Tea
- Coffee
- Edible herbs and spices

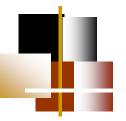


Equity -Indu farm- Bayer & farmers partnership



- Started in 2009
- High level of commitment of partners
- Extension services provided by partners
- Clear roles of partners
- Transformational model
- Scalable model

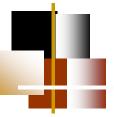




Financing Terms

- Lending based on clients unique needs and their ability to pay.
- Lending approach is cash flow based as opposed to collateral based.
- The loan period and repayment schedule is tailored to fit the clients specific needs and cash flow projections
- The collateral requirement is dependent on the amounts required and ranges from simple chattels mortgage on household goods to charge on land and other property.
- Under contract farming, contracts with off takers form part of the loan collateral.





Our interventions

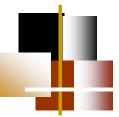
Farmer targeted interventions

- Finance for production Input acquisition, labour etc.
- Finance for acquisition of assets Trucks, tractors and other farm implements
- Post harvest facilitation under warehouse receipt systems
- Finance for herd improvement for dairy
- Expansion of farming enterprise
- Finance for construction of modern dairy or poultry units , greenhouses and drip kits.
- Finance for irrigation infrastructure development
- Finance for restocking Beef and broilers.
- Finance for consumer needs Construction of family houses, pay school fees etc.

Other interventions.

- Facilitate remittance
- Market Linkages
- Use of technically trained staff to manage agriculture relationships
- Financial literacy training

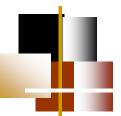




Farmer related challenges in accessing credit

- Inadequate cash flow.
- Market availability and fluctuation/instability.
- Seasonality of cash flow.
- Adverse weather.
- Low level of acceptance of insurance.
- Lack of quality inputs.
- Accessibility of the farms.
- Poor record keeping.
- Produce price variability.
- Agronomic knowledge gaps.





Interventions to challenges

- Enterprise targeted interventions.
 - Working capital finance.
 - Asset finance.
 - Remittance services.
 - Electronic voucher system for input disbursement and monitoring in contract farming.
- Enterprise challenges in credit access.
 - Inadequate securities.
 - Market risks
 - Enforcement of contracts.
 - Currency risks.



Challenges in adapting the Model

- Cost of appraising individual farmers.
- Vastness of the areas of coverage.
- Risk of default due to adverse weather, MRL and rejection by regulators
- Price fluctuation especially during glut
- Implementation of GAP requirements



THANK YOU

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