Our Mission

Grow rural prosperity by investing in small and growing agricultural businesses that build sustainable livelihoods in Africa and Latin America.
Financing the Rural “Missing Middle”

- Venture Capital
- Private Equity
- Banks

- Microfinance Institutions

- Rural Finance Gap

- Capital Need

- Location

- Urban

- Rural

$2MM

$10K

$0K
Capital Constraints Facing African Agriculture

% loans to agriculture

Contribution of agriculture to total GDP, %

Our Three-Pronged Model

- Finance
- Impact
- Advise
Organizational Overview

$120M
Capital Under Management

97%
Repayment Rate from Borrowers

$835M
Cumulative Disbursements Since 1999

80%
Operational Self-Sufficiency

Amount Outstanding as % of Total Notes Payable

Investors

Corporate 14%
Foundation 34%
Government and Multilateral 31%
Individual 13%
Institution 8%
2014 Lending

- Loan Disbursements: $178M
- Enterprise Revenue: $1.1B
- Enterprise Payments to Farmers: $842M

- Enterprises: 279
- Farmers: 655K
- Hectares: 672K

Annual Loan Disbursements

- 2005: $15M
- 2006: $20M
- 2007: $28M
- 2008: $41M
- 2009: $57M
- 2010: $80M
- 2011: $113M
- 2012: $122M
- 2013: $122M
- 2014: $178M
Financing Agricultural Value Chains

Technical Assistance
- Post-harvest handling and processing
- Agronomic practices
- Financial planning
- Post-harvest handling
- Cost accounting
- Internal credit system development
- Agronomic practices

Buyer
- Commercial Banks
- Specialized Ag Lenders
- Microfinance Institutions
- Savings & Credit Cooperatives
- Local NGOs

Agricultural Enterprise
- Loans for Working Capital
- Loans for Pre-Harvest Credit
- Loans for Capital Expenditure
- Loans for Farm Renovation
- Post-harvest handling and processing
- Agronomic practices
- Financial planning
- Cost accounting
- Internal credit system development
- Agronomic practices

Smallholder Farmers
Triangulating with Buyers

1. Order goods
2. Make loan
3. Ship goods
4. Pay for goods
5. Remit payment

Agricultural Enterprise (Borrower)

Buyer

Root Capital
Case: Financing Cashew Exports in West Africa

Annual Disbursements – West African Cashew

- 2011: $1.8M
- 2012: $3.0M
- 2013: $4.1M
- 2014: $8.7M

$200K WORKING CAPITAL LOAN

200 EMPLOYEES (75% women)

$196K IN PAYMENTS TO FARMERS

$2M WORKING CAPITAL LOAN

660 EMPLOYEES (90% women)

$1.7M IN PAYMENTS TO FARMERS

An Example of Enterprise Growth
Challenges

1. Informality of many value chains
2. Disaggregation of farmers
3. Absorptive capacity of enterprises
4. Availability of collateral and registration process
5. Currency risk
6. Market volatility
7. Crop failures
Case: Financing the Sorghum Value Chain in Ghana
Connecting smallholder farmers with a high-value market

1. Structuring the Transactions
2. Impact
3. Collaboration
4. Lessons Learned
5. Future Opportunities
Case: Financing the Sorghum Value Chain in Ghana
Connecting smallholder farmers with a high-value market

1. Structuring the Transactions
   • Fit and alignment with Root Capital's mission and selection criteria
   • Understanding the financing need – nature of business, production cycle, use of funds, amount required and timing
   • Stages of the value chain at which financing is required: pre- and post-harvest
   • Pricing and currency issues
   • Risk assessment and mitigation – collateral and insurance
   • Access to Forex by aggregators for transfer to Root Capital
   • Scheduling of repayments
     • 1st year structured as fixed monthly payment beginning from harvest period
     • 2nd year changed to a flexible repayment based on aggregator's cash flows
Case: Financing the Sorghum Value Chain in Ghana
Connecting smallholder farmers with a high-value market

2. Impact

- In 2013, increased access to credit for aggregators; previously these businesses struggled with inadequate finance offerings from a local MFI
- Continued financing in 2014 with increased loan amounts and financed a third aggregator
- Improved access to production inputs for sorghum farmers
- Increased income for farmers consequently increased food security
  - Of 205 farmer surveyed, 85% reported increased incomes of 50%+
  - Average reported productivity increases of 130%
  - Income gains reduced household pressure to sell food crops when cash was scarce and improved food security
- Increased output and supply to GGBL
Case: Financing the Sorghum Value Chain in Ghana
 Connecting smallholder farmers with a high-value market

3. Collaboration

• Barclays Bank serves as co-financier and supported funds transfer to Root Capital

• Guinness Ghana Limited acts as buyer of farmers’ produce, reducing the risk of the transaction by serving as a stable off-taker

• AGRA/Concern Universal is providing valuable technical assistance to aggregators and producers

• Currently in discussion with IFDC to link aggregators to fertilizer suppliers
Case: Financing the Sorghum Value Chain in Ghana
Connecting smallholder farmers with a high-value market

4. Lessons Learned
• Increased understanding of the dynamics of domestic value chains
• Managing FX risk associated with the transaction

5. Future Opportunities
• Finance more aggregators to increase sorghum supply
• Replicate in other countries in which GGBL operates (e.g., Cameroon, Nigeria)
• Replicate in other crops that are part of GGBL supply chain (e.g., maize, cassava)
• Link other multinationals to local sources of sustainable agricultural commodities