



rootcapital®  
GROWING RURAL PROSPERITY

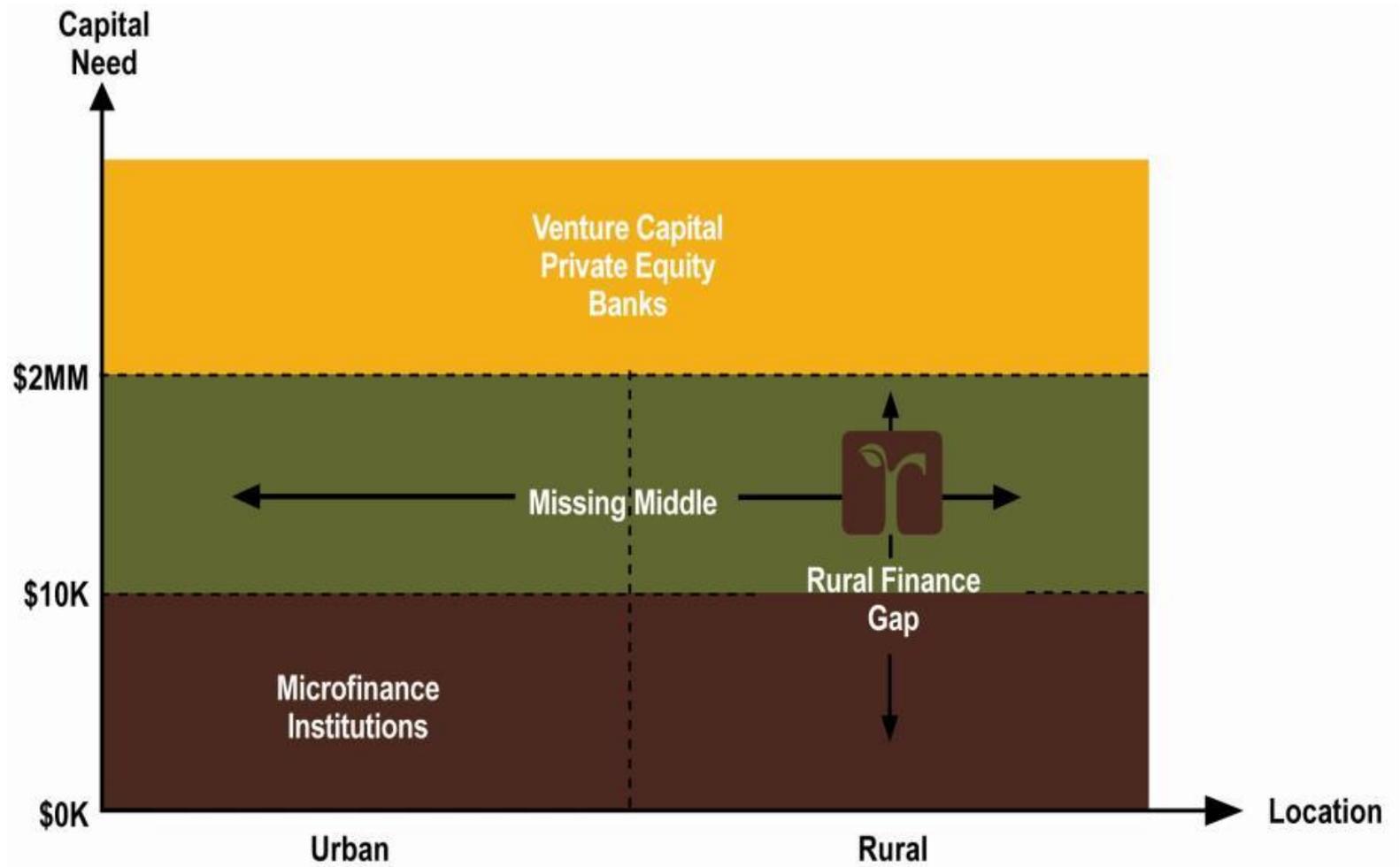
AgriFin Forum 2015



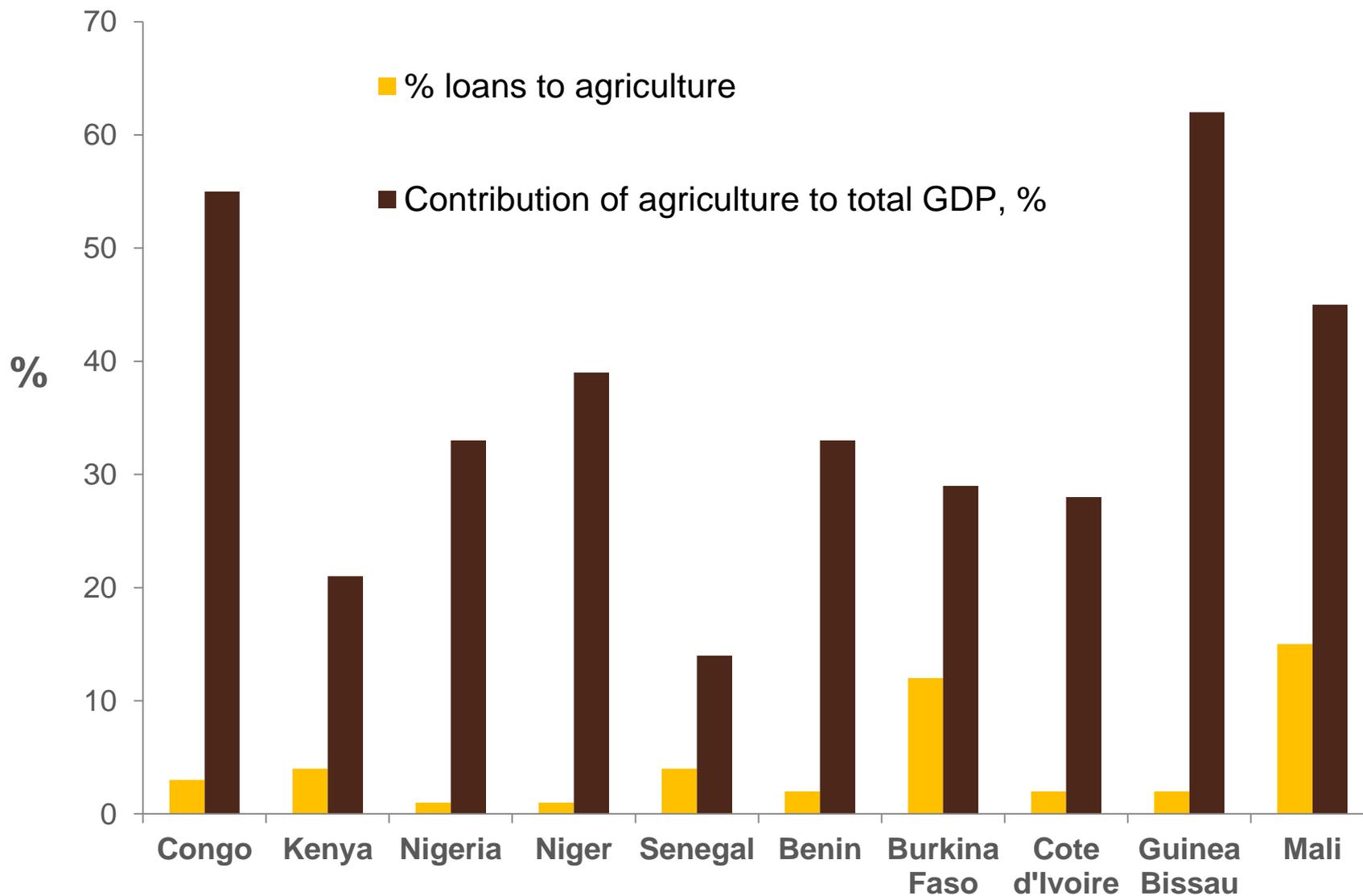
## **Our Mission**

**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”



# Capital Constraints Facing African Agriculture



# Our Three-Pronged Model



# Organizational Overview

**\$120M**

Capital Under Management

**97%**

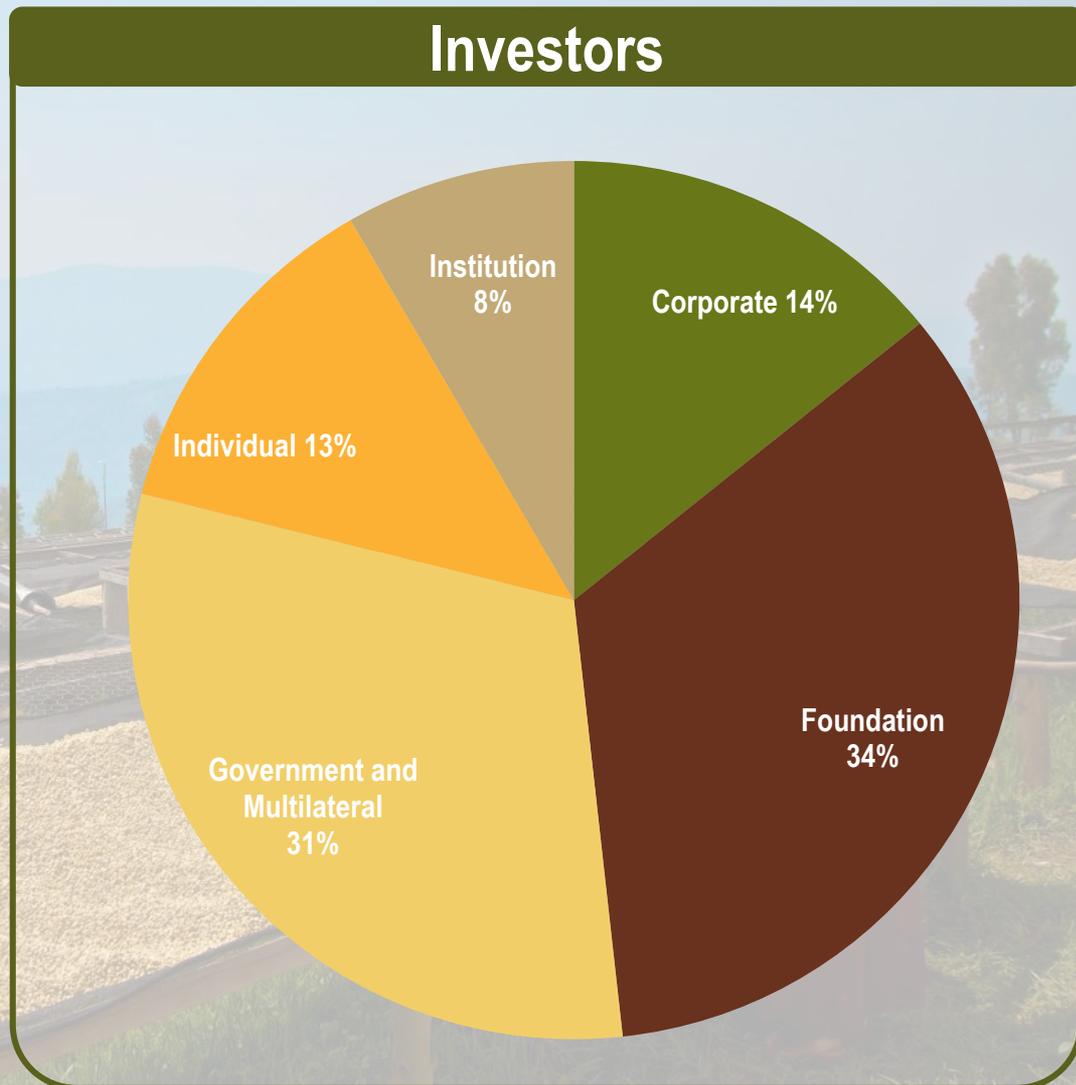
Repayment Rate from Borrowers

**\$835M**

Cumulative Disbursements Since 1999

**80%**

Operational Self-Sufficiency



*Amount Outstanding as % of Total Notes Payable*

# 2014 Lending

**\$178M**

Loan  
Disbursements

**279**

Enterprises

**\$1.1B**

Enterprise  
Revenue

**655K**

Farmers

**\$842M**

Enterprise Payments  
to Farmers

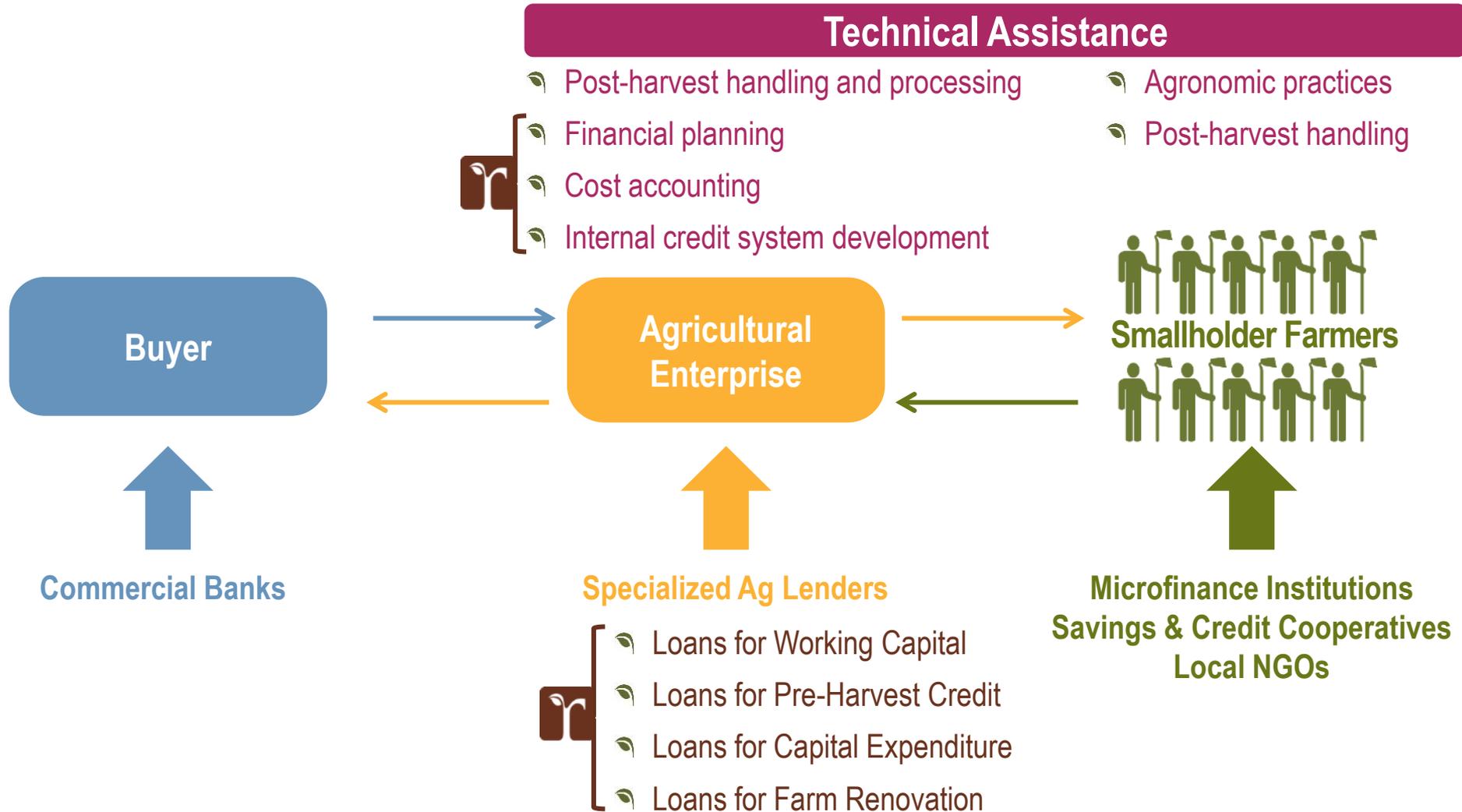
**672K**

Hectares

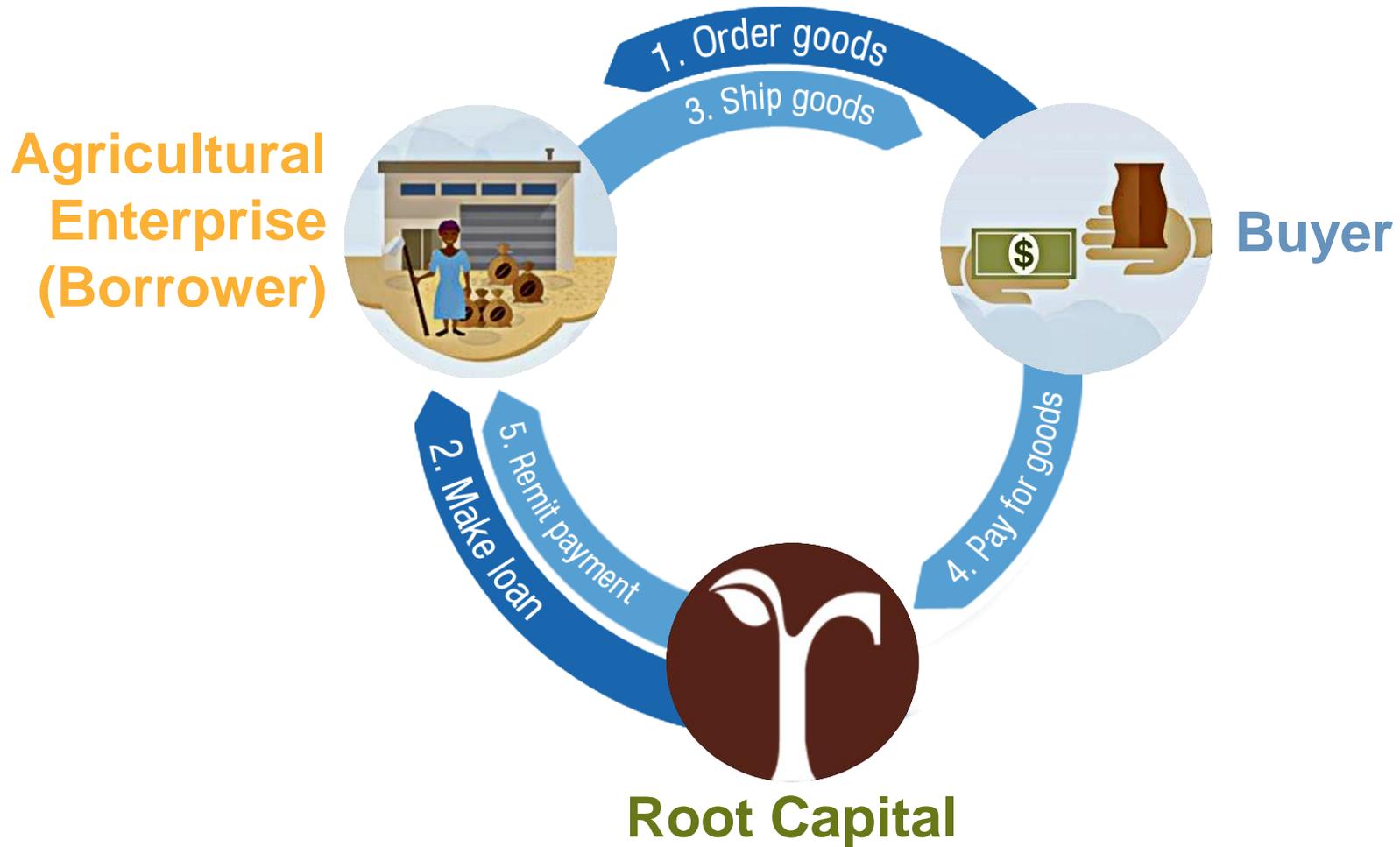
## Annual Loan Disbursements



# Financing Agricultural Value Chains

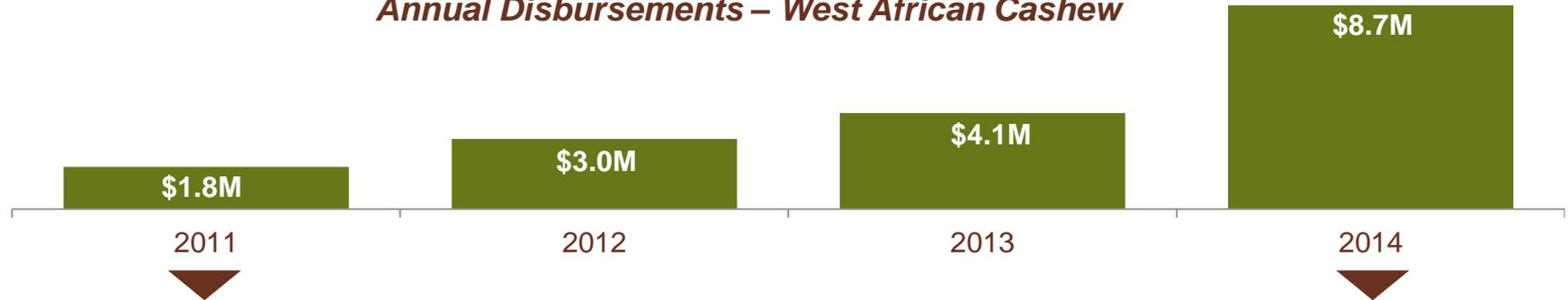


# Triangulating with Buyers



# Case: Financing Cashew Exports in West Africa

Annual Disbursements – West African Cashew



## An Example of Enterprise Growth

**\$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



# 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



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# 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

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## 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