

# LENDING TO PRODUCER COOPERATIVES

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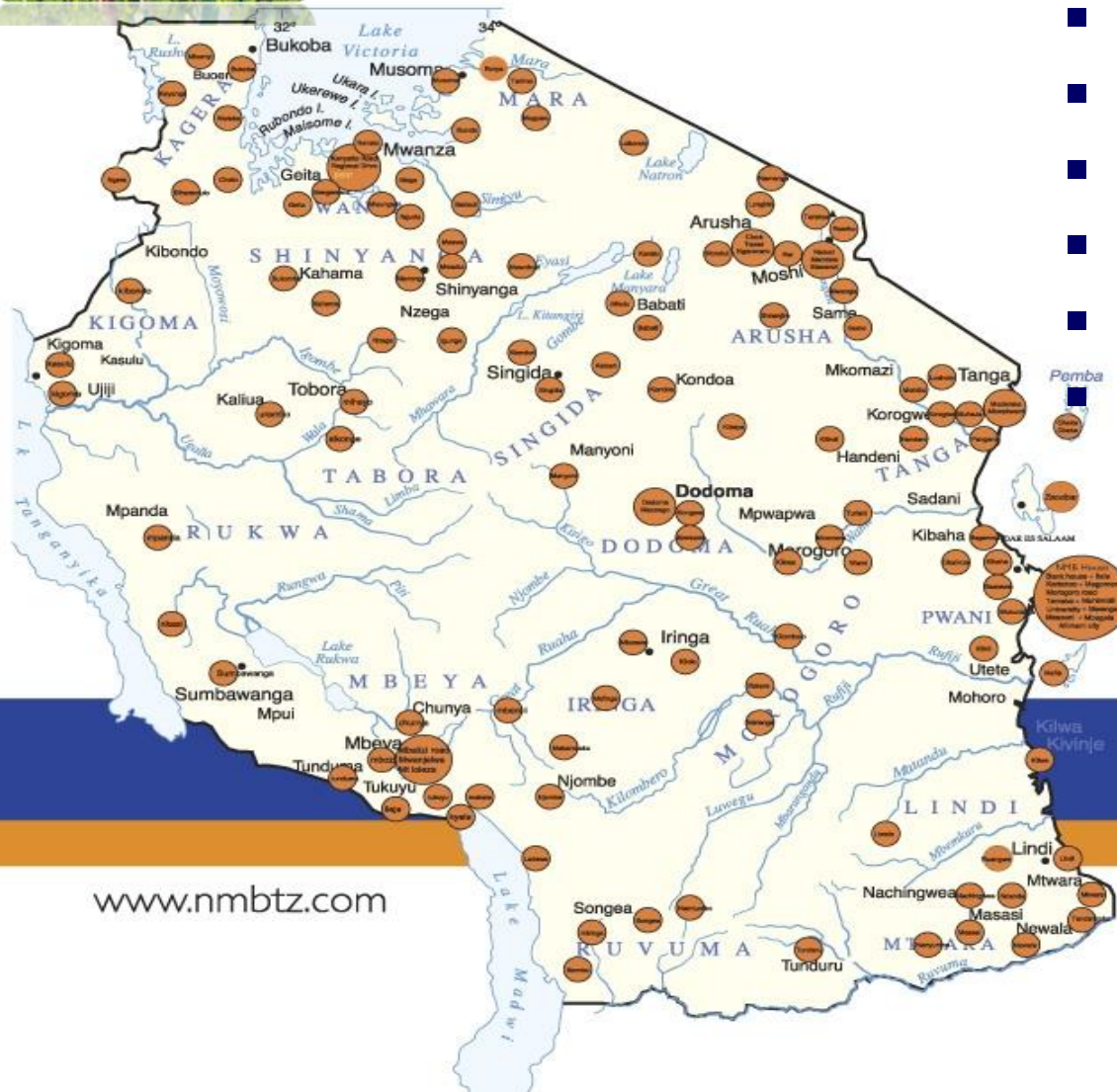
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# TANZANIA

- 46Mn people
- 44Mn Ha's of arable land
- 11Mn Ha's under utilization
- 29Mn Ha's can be irrigated
- 28% GDP is from Agriculture
- 7% estimated GDP Growth



[www.nmbtz.com](http://www.nmbtz.com)





# NMB at a Glance

1.8million customers

Largest bank in TZ by distribution network

TZS2.8trillions (1.8Bn \$) total assets, TZS 97b PAT (2012 FY)

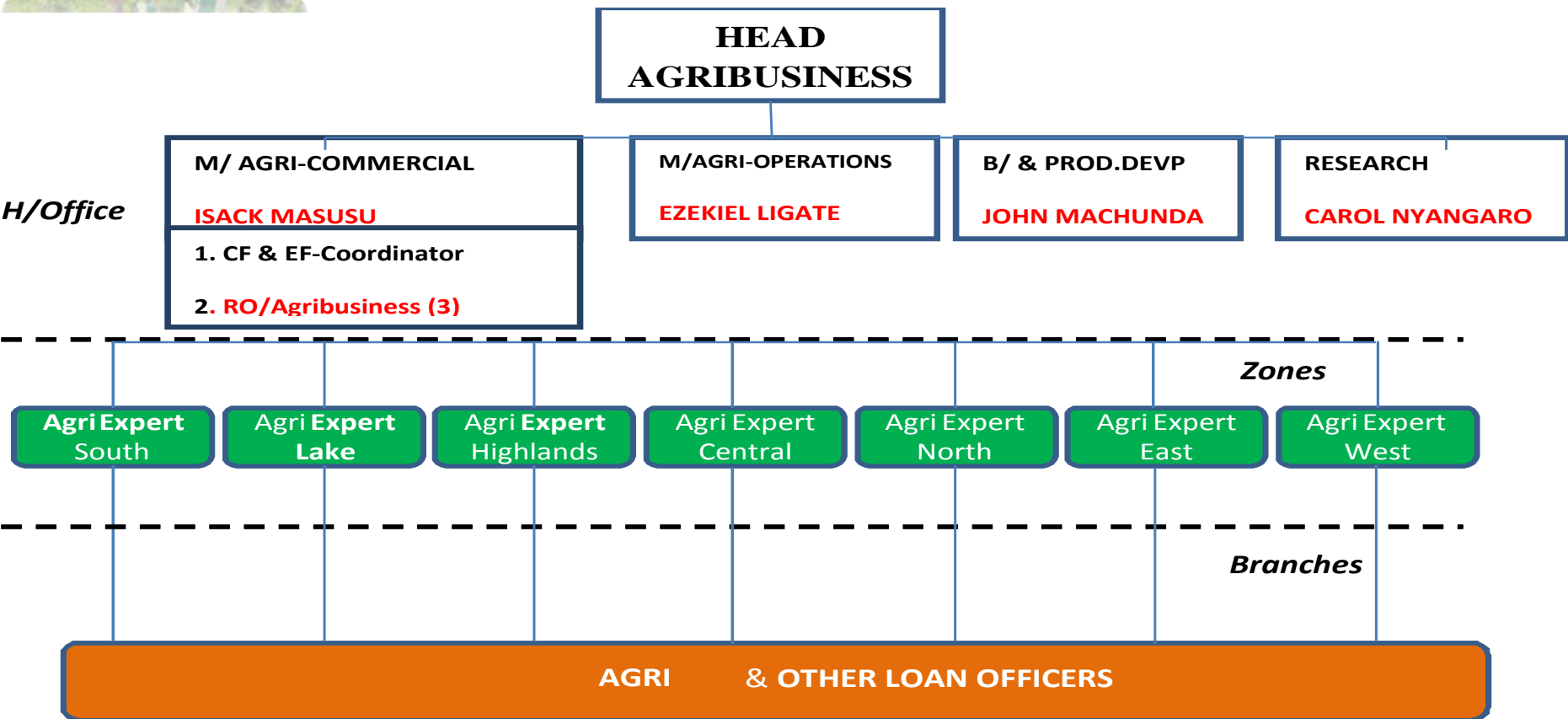
150 branches, present in 95% of 134 administrative districts

Full fledged wholesale, business and personal banking value propositions





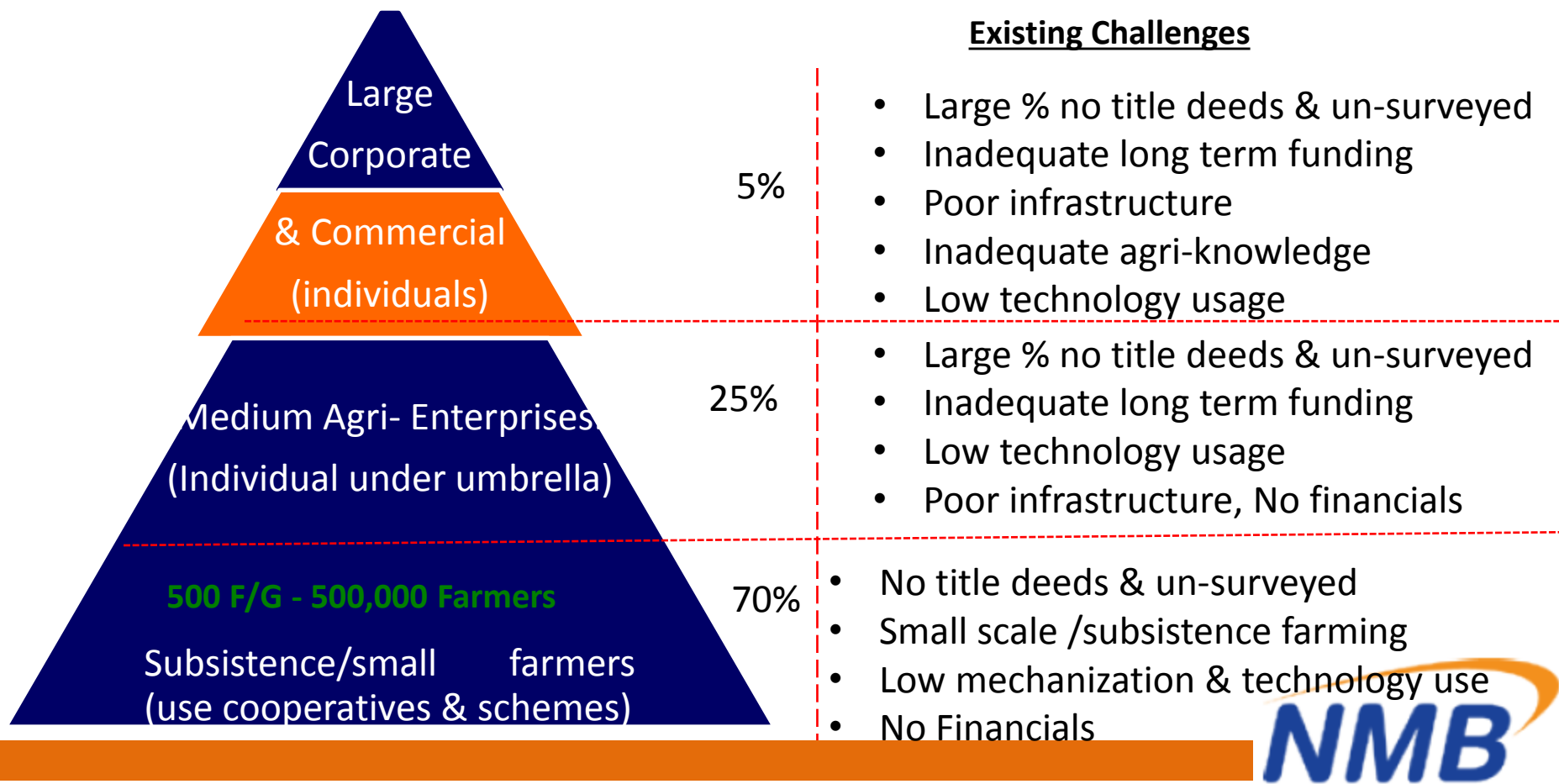
# Agribusiness Department structure





# Tanzania Agriculture landscape

Tanzania agriculture is dominated by the bottom of the pyramid; 70% smallholder/subsistence, 25% Medium and 5% Commercial large agri- farmers. Arable land 44Mn Hectares







# NMB approach in agri-lending

**Input  
Supplies**

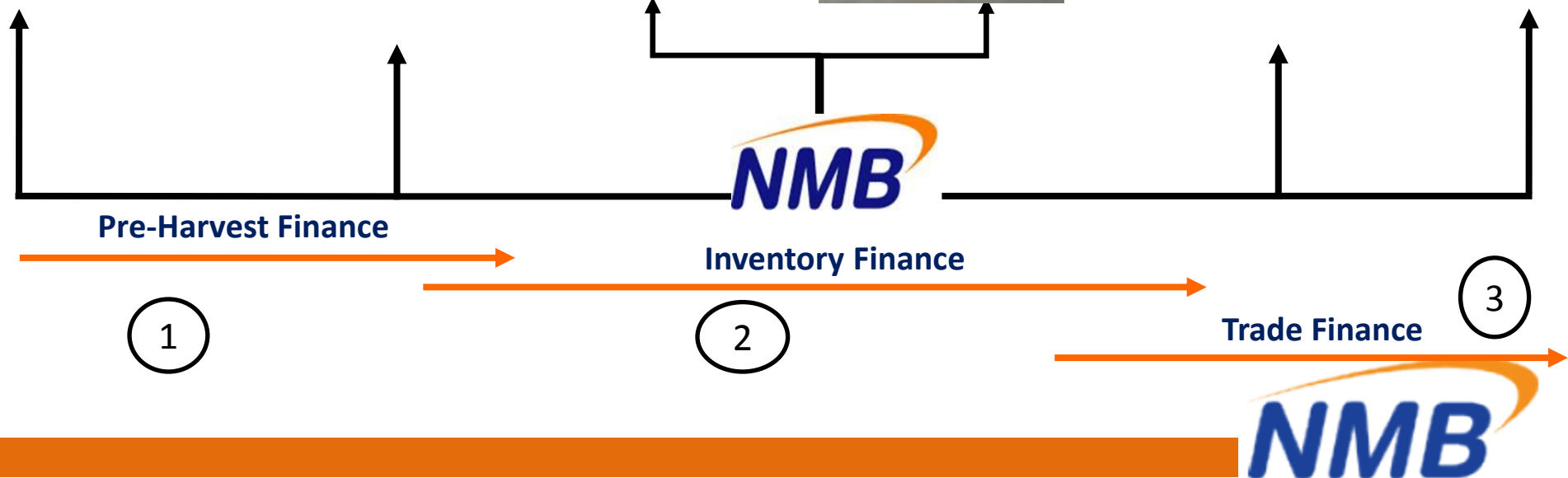
**Crop  
Farming**

**Post-Harvest**

**Transport &  
Processing**

**Distribution  
& Export**

**Retail &  
Marketing**





# NMB Agri-Clients segmentation

## Client Segments

- A. Subsistence small holder farmers at the bottom of the pyramid
- B. Medium Agriculture Enterprises:
  - Few dealing with production
  - Large % dealing with small scale agri-commodity processing
- C. Large Commercial farmers dealing with agri-production
- D. Large agri-processors & exporters

## Responsible Department

A. Agribusiness

B. Agribusiness

MSME Dept.

C. Agribusiness

D. Corporate Dept.







# NMB Coops. Vs. P/Companies assessments

## Cooperatives

- Past three (3) years production & sales turnover is required
- Good Coop management & leadership is required
- Coops must be formed from a common need
- Coops must have positive equity to qualify for L/T loans
- Past records including realistic cash flow projection is needed

## Private Companies

- Past three (3) years audited financial statements is a must
- Good Management with competent agri-staff is required
- Good Business plan must be submitted
- Past three (3) years experience in agriculture business is key
- Positive equity including projected financial statements & cash flow projections is key





## NMB key criteria for pre-harvest lending

- Farmers must be farming under contract. Crop to be produced, volume and price must be known in advance
- There must be a purchase contract with tenor indicated signed between farmers and financially strong off-taker
- Farmers must have past three (3) years track record on production & sales turnover
- Pre-harvest finance amount is up to 50% of the expected sales. Previous year sales are used to check if it is realistic
- Projected income, B/S and Cash flow which is realistic is key
- Tri-partite agreement (Buyer, Bank & Grower) is needed



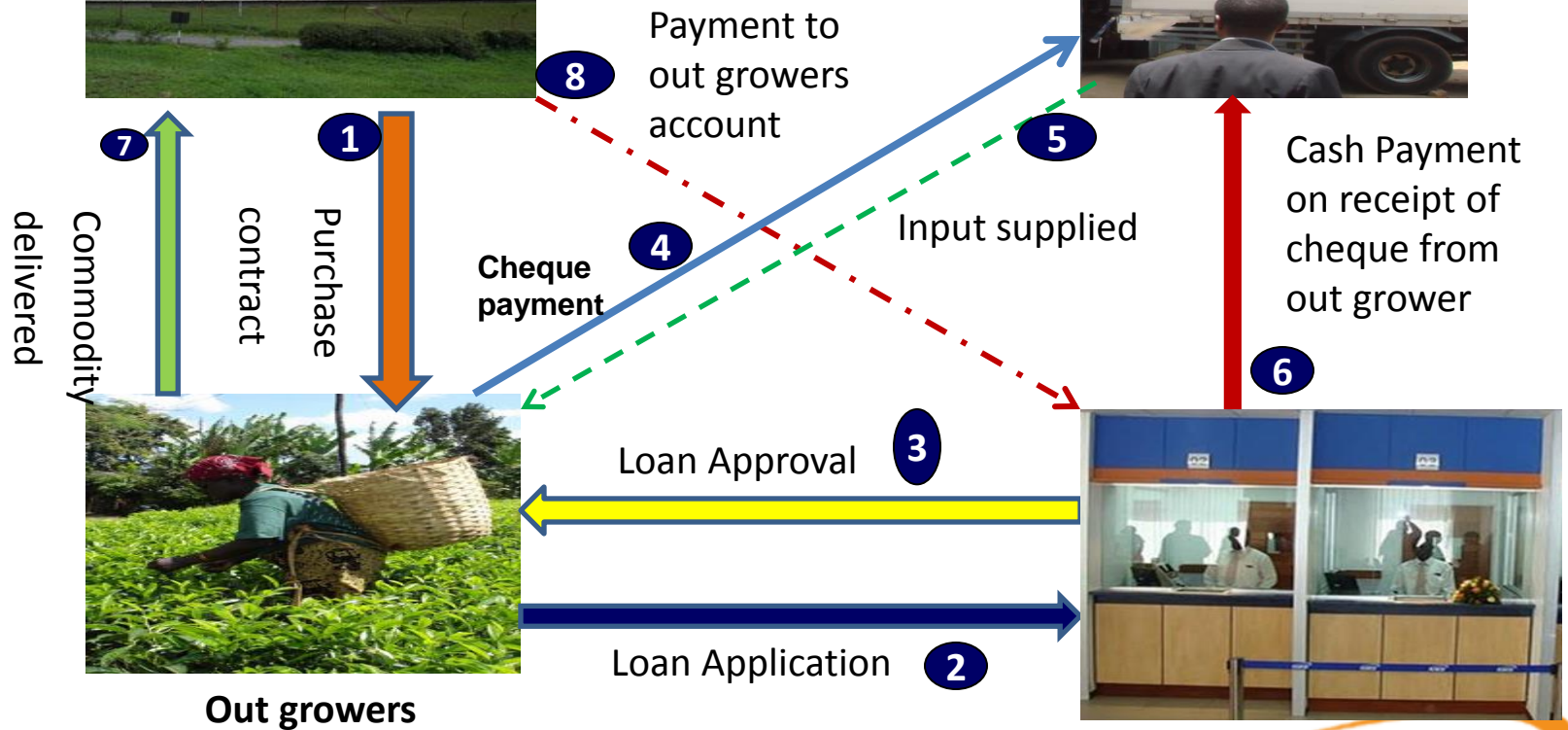
# Lending mode – Pre-harvest finance



Factory



dealers/  
t Seller





# NMB Pre-Harvest loans assessment

..\Pre-Harvest Finance - CA.doc

..\Crop Budget & cash flow projections.xlsx



## NMB Key Criteria for Inventory Finance

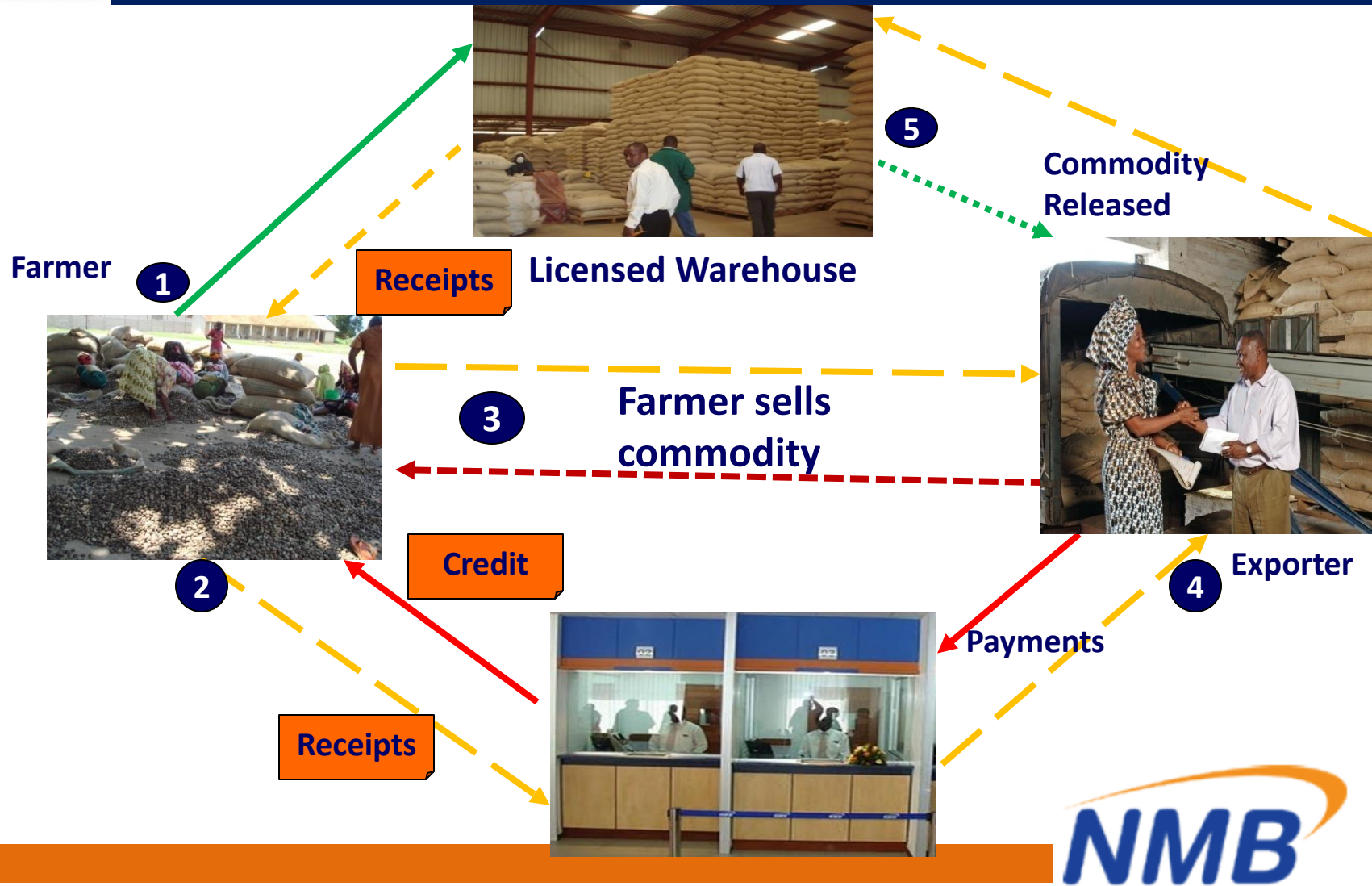
- Farmer Coops or individuals Coy. must be dealing with non-perishable commodities
- Commodity being financed must be delivered to the controlled warehouses before loan disbursement. All disbursements are made against receipts
  - *In-case advance payment is needed, the borrower must provide collateral.*
- There must be approved warehouse operator/independent stock custodian approved by the bank
- Maximum loan amount is determined using cash flow projections. Disbursed amount is up to 80% of the value
- Audited financial statements for coops. Not mandatory







# Lending Mode – Inventory Finance





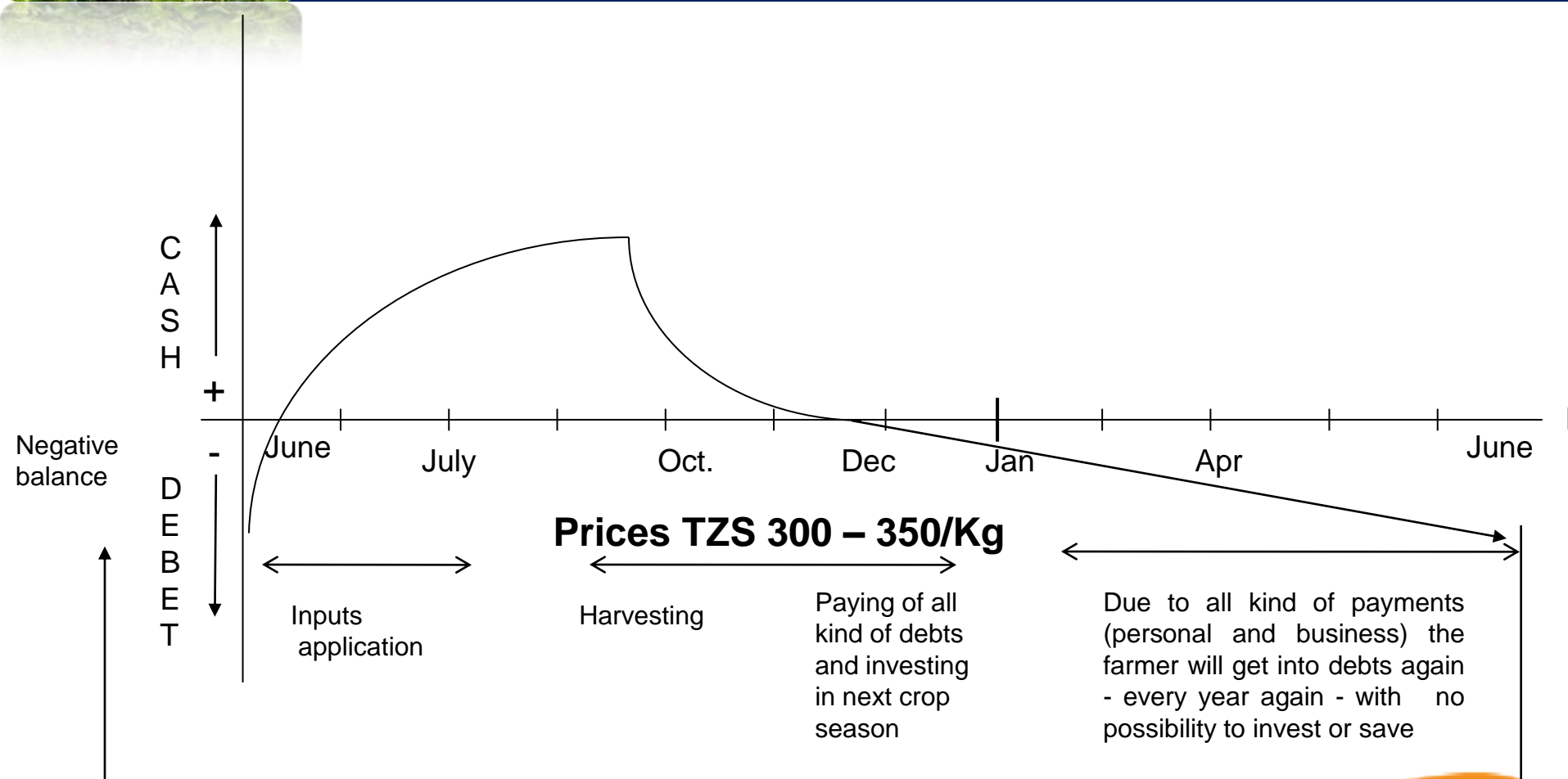
# NMB Inventory Finance loan assessment

..\WRS Application Form Template (3).xls





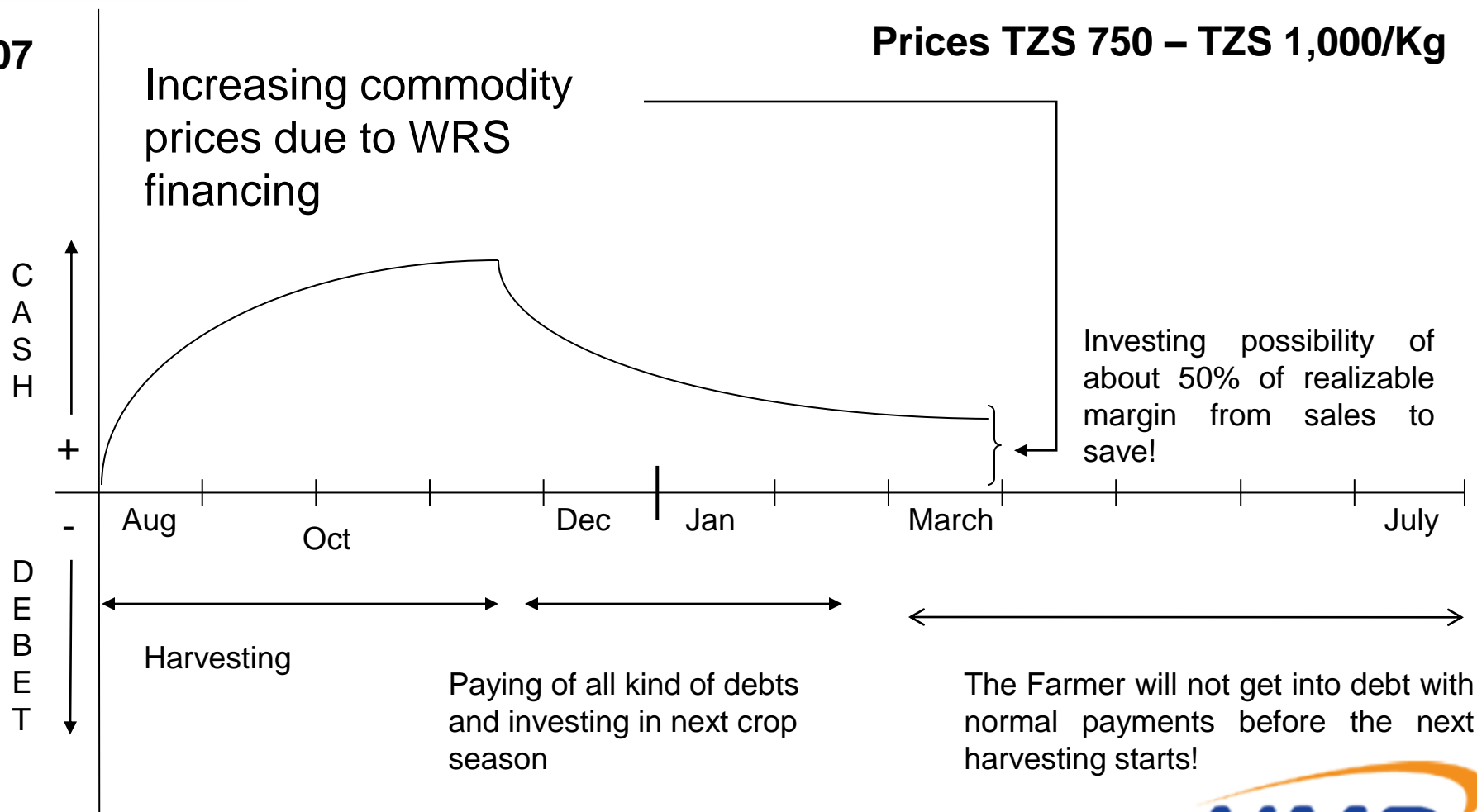
# Cashew sector Financing – Case study





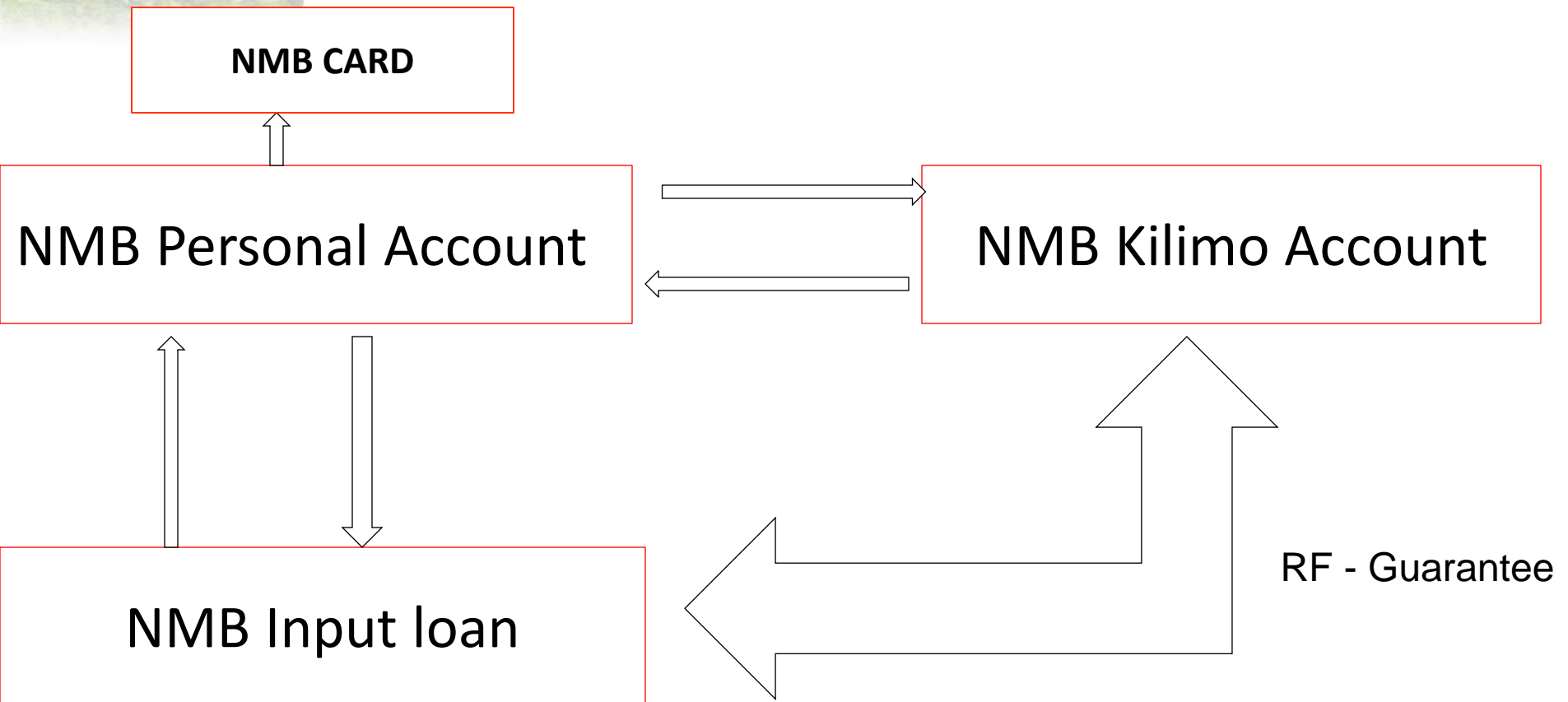
# Cashew sector after NMB started financing

2007





# NMB Kilimo Acc. package





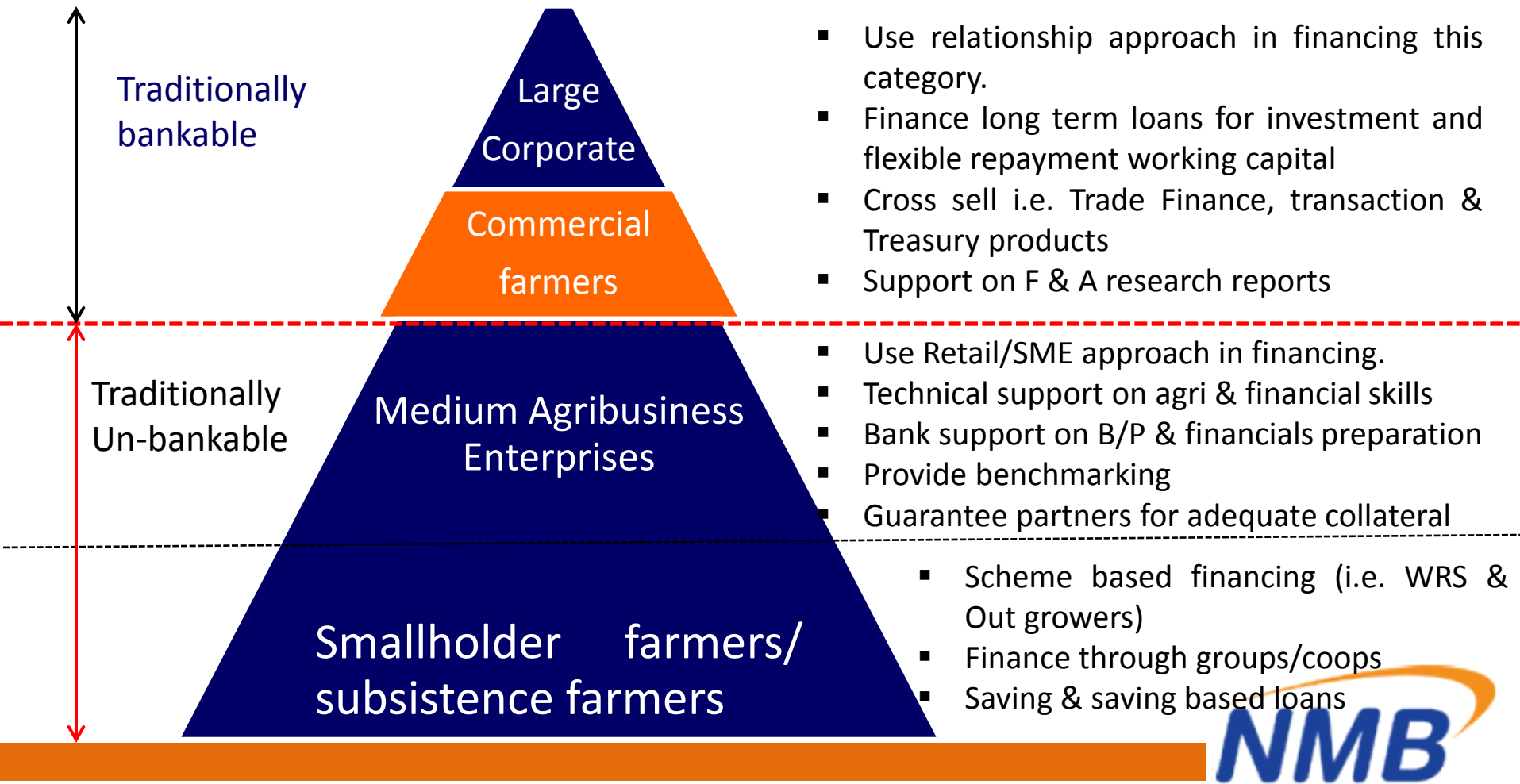


# NMB Kilimo loans assessment

[..\KILIMO LOAN TEMPLATE-updated.xls](#)



# How to Finance despite the challenges?





# No one size fits all!

- ❖ What type of farmers & activities to finance? Segment
- ❖ What are the skills and competencies required to serve agricultural clients?
- ❖ What delivery channels are more effective in the area of finance?
- ❖ How to structure financial products for Agriculture given the specific country agri-landscape?
- ❖ How to monitor and assess credit risk given the specific country agri-landscape and the global commodity trend?
- ❖ Engage PPP to build up the ecosystem to mitigate agri-risks?



# TIME IS NOW, WE CAN CHANGE LIVES!!!!



FROM ABSOLUTE POVERTY



TO GREEN REVOLUTION IN AFRICA

**NMB**