



Sector Policy Training

Overview Financing Products

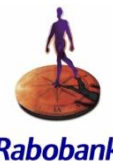
BPR Agribusiness Team

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BPR – Sector Policy Product Overview





Overview Financing Products

- Input finance
- Raw material collection finance
- Inventory finance
- Asset finance



Overview Financing Products

- For each of these products:
 - What is the client need?
 - How does the product work?
 - What are the key criteria?



Overview Financing Products

- What is our objective?
 - “Quick scan” -> is product suitable for my client
yes / no?
 - If yes -> refer to product policy for more detailed
information



Status product policies

Product policies

Status

Input finance – basic structure

Draft

Input finance - Agriculture Save for a loan product

Pilot

Raw material collection finance

Draft

Inventory finance

Later on

Asset finance

Later on



Our Approach

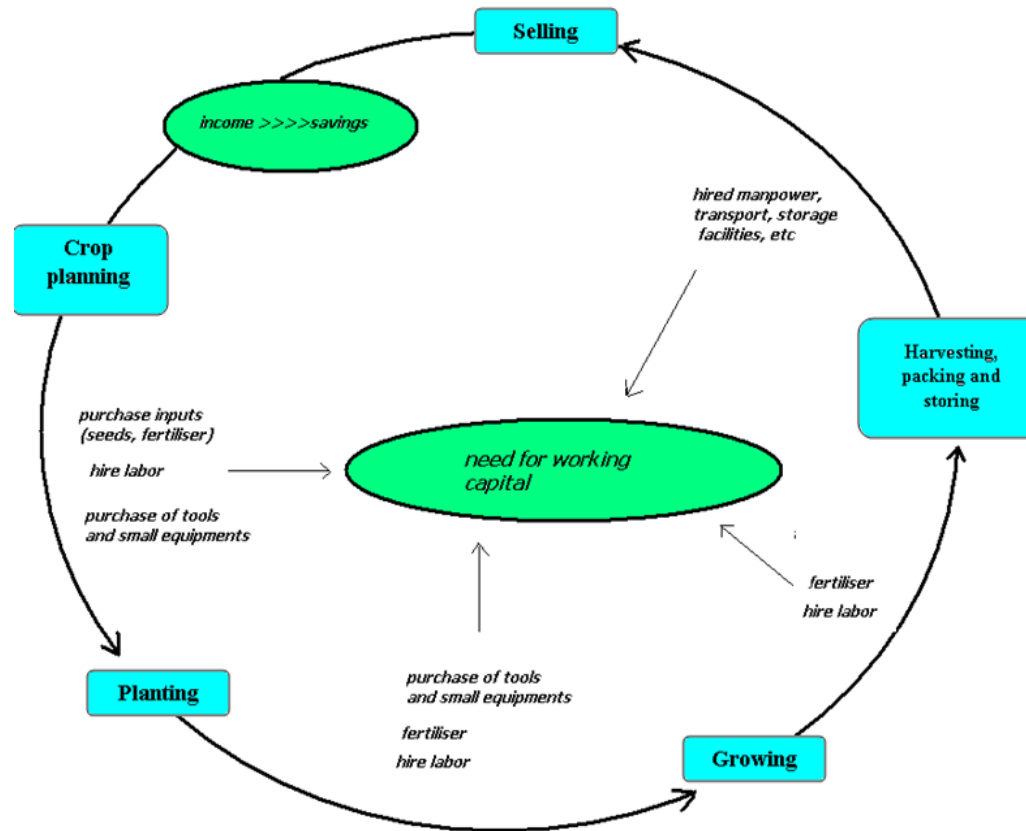
- We focus on the cash flows / payment capacity of our clients.
- We focus on the financing needs of our clients (working capital versus assets).
- Collateral is important but second line of defense.



Input Finance – The Client Need

- Finance to buy inputs necessary to produce a crop and/or to realise a higher crop yield (i.e. seeds, fertilizers, chemicals)
- Typical clients: farmers, cooperatives

Input Finance – The Product





Input Finance – The Product

- Overdraft facility
- Facility is drawn when inputs are bought
- Facility is repaid when produce are sold



Facility closely follows crop growing cycle and sales process



Input Finance – Key Criteria

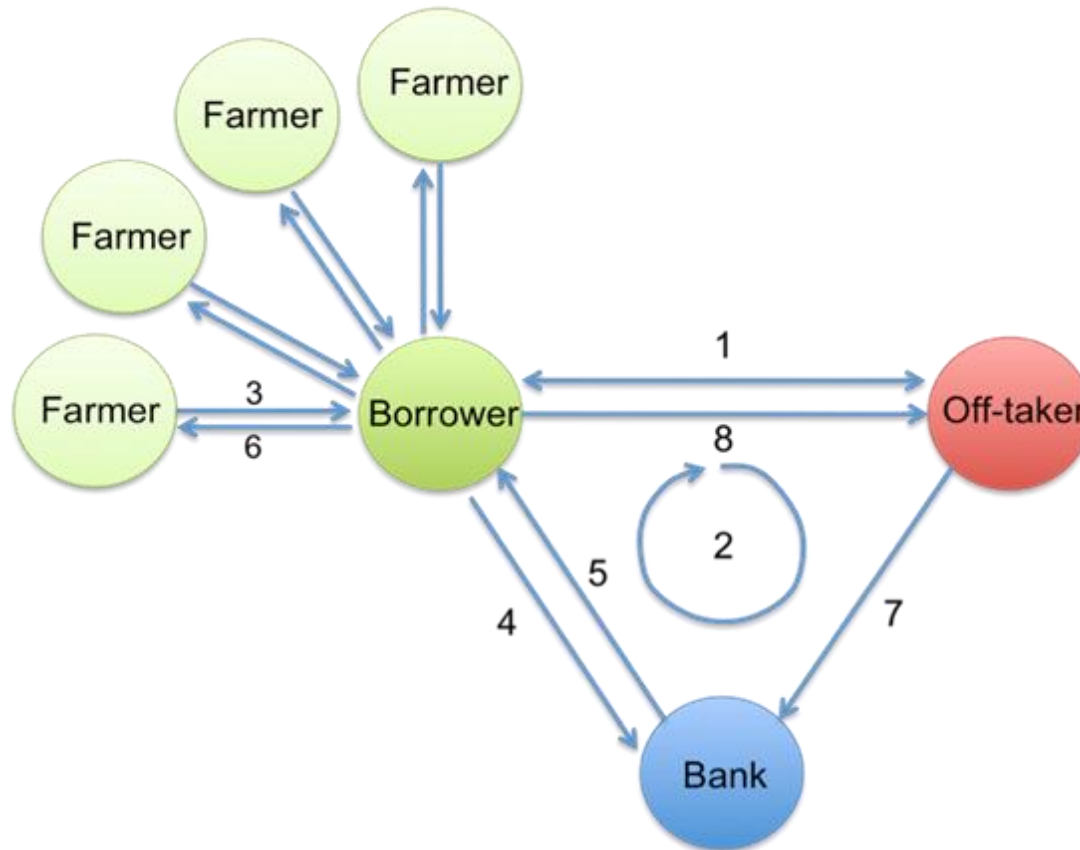
- Track record of farmer / cooperative
- Amount of inputs related to crop, no of ha, yield/ha
- Estimated income of sales needs to be (more than) sufficient to repay loan
- Grip on cash flows (i.e. limited own consumption and side selling, sales to a cooperative / off-taker,)
- Tri-partite agreement



Raw Material Collection Finance - Need

- Provide financial means to an entity collecting raw materials or commodities from small farmers or producers with a view to fulfil an off-take supply contract with an “Off-taker”.
- Typical clients: Cooperatives, traders

RMCF – The Product





RMCF – Key Criteria

- An off-take agreement must be in place with an acceptable off-taker
 - Reputable and credit worthy off-taker
 - Quantity
 - Price
 - Quality
 - Tenor
 - Payment terms



RMCF – Key Criteria

- Purchase crops based on strict quality and quantity criteria set out in off-take
- Storage managed by approved operator (under Bank contract) or double lock system
- Tri-partite agreement between bank, off-taker and cooperative



Inventory Finance – The Client Need

- Providing financial means to an entity that wants to hold stocks of commodities. For instance to take advantage of carry in the market or to secure supply.
- Typical clients:
 - Cooperatives
 - Traders and
 - Processors(?).



Inventory Finance – The Product

- Overdraft facility.
- Facility is drawn when stocks move into the warehouse.
- Facility is repaid when stocks are sold / processed and sold.



Facility closely follows stocks
in the warehouse



Inventory Finance – Key Criteria

- Amounts linked to underlying business of client (no speculation)
- Valuation based on market prices
- An off-take agreement with an acceptable off-taker and/or
- Large and liquid commodity market
- Non-perishable goods
- Storage managed by approved operator (under Bank contract) or double lock system



Asset Finance – The Client Need

- Provide the financial means to purchase assets (i.e. machinery, transportation, warehouses, processing plants).
- Typical clients: farmers, cooperatives, processors



Asset Finance – The Product

- Term loan
- Loan is disbursed to purchase the asset(s)
- Loan is repaid through cash flow generated by the asset(s)



Repayment schedule closely mirrors cash flows



Asset Finance – Key Criteria

- First and foremost: the investment must generate sufficient cash flow to cover interest + repayments on loan!
 - Machinery
 - Transportation
 - Warehouses
 - Processing
- Tenor of loan close relationship with economic life of assets
- Max tenor: 6 – 7 years