

Savings and Credit Forum, SDC, Nov. 18th 2011

« Good Practice » Agriculture Value Chain Financing

Red Oil, Poultry and Rice Value Chain Financing by FECECAV , Togo

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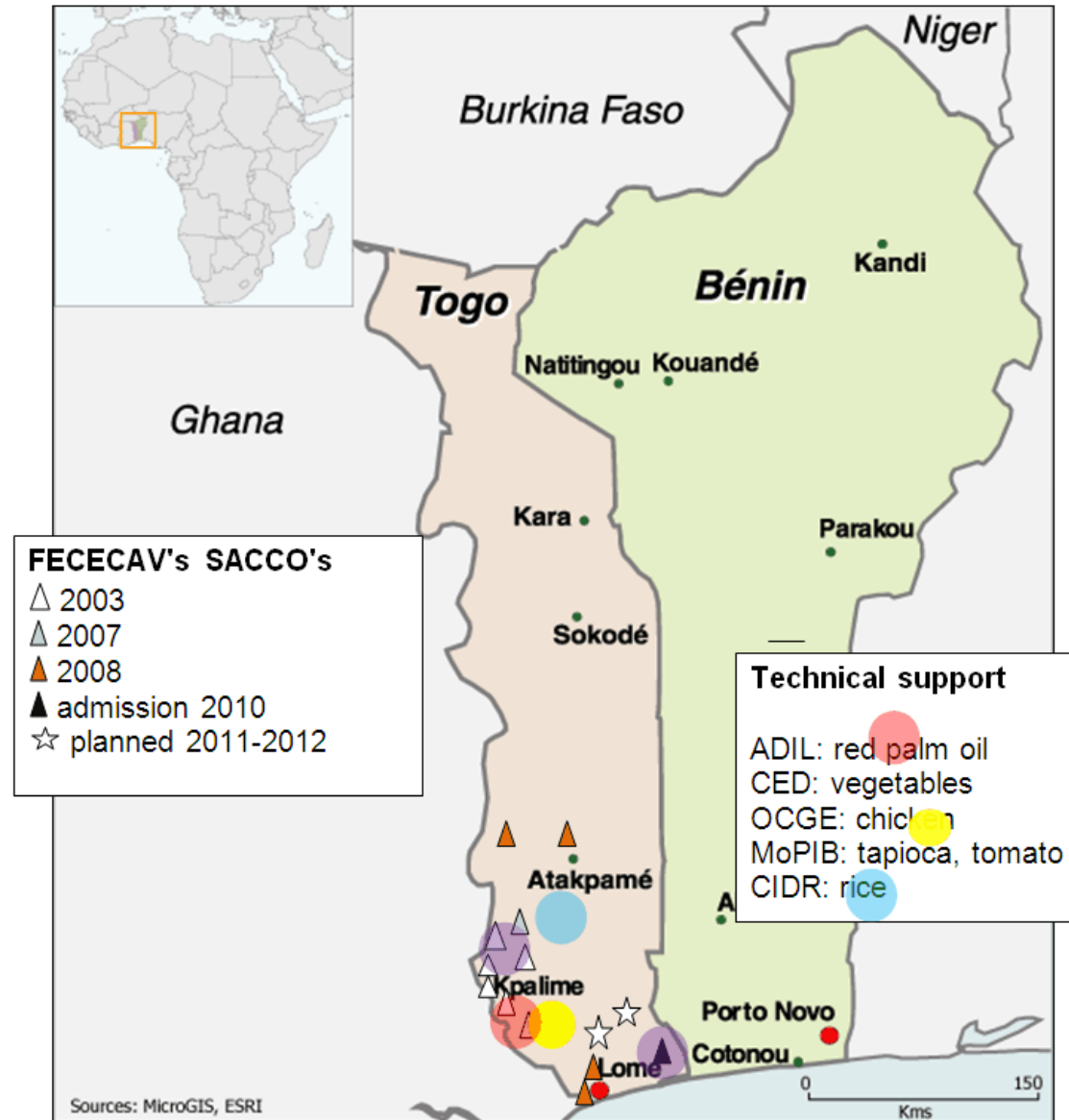
Entwicklungszusammenarbeit,
die wirkt

Brücke · Le pont, value chains and microfinance

- Programm « Decent work » (2 mio CHF/y): foster employment and income, improve working conditions,
- Togo-Benin: development of agricultural value chains since 2009
- FECECAV: rural MFI
- Rationale: better adapted financial products are good for MFI... and for enhancing incomes of poor actors

FECECAV

- Union of 13 Savings and Credit Cooperatives (SACCO's)
- Staff =100 (15 at Union)
- among 4 leading rural MFI's



tp 16.9.2011

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FECECAV: figures (30.06.2011)

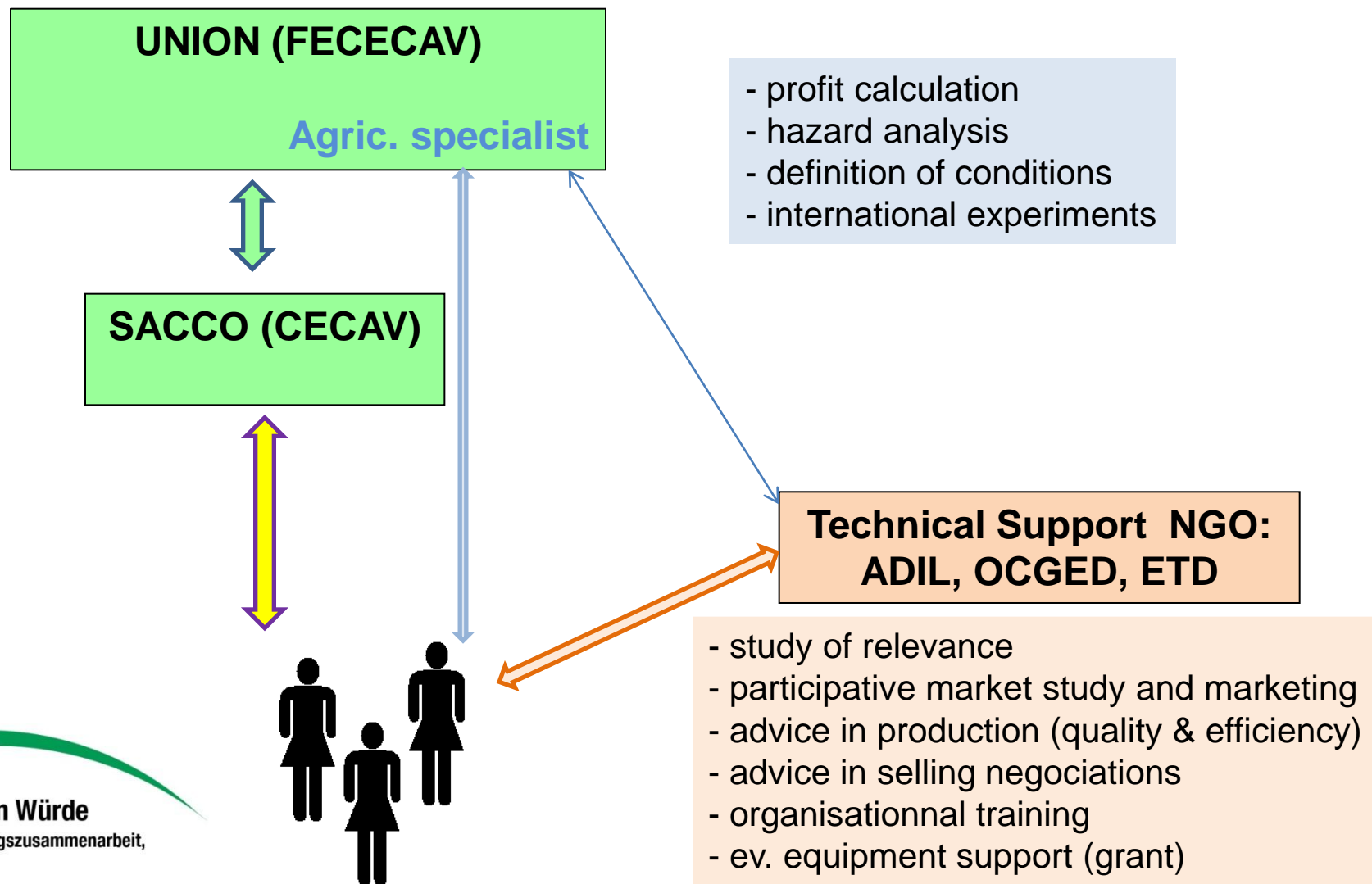


Members	27'080
Members & clients	52'992
Savings (volume)	2'322'448 €
Outstanding loans	2'466'997 €
% rural loans (volume)	41.4 %
% rural borrowers	63.2 %
Loan portfolio:	
agricultural production	17.1 %
trade of agricultural products	25.6 %
<i>Portfolio at risk 30d</i>	5.86 %

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Process of developing financial products



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Red palm oil



Market today

Togo

Test

Quality

Zomi Q1

Zomi Q1

Sales

19.7 mio l/year

11 625 l

Price: purchase by
wholesaler

1 € / l

1 € / l

Value

19.7 mio € / l

11'341 €

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Poultry

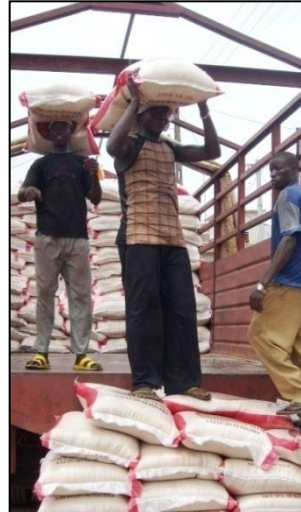
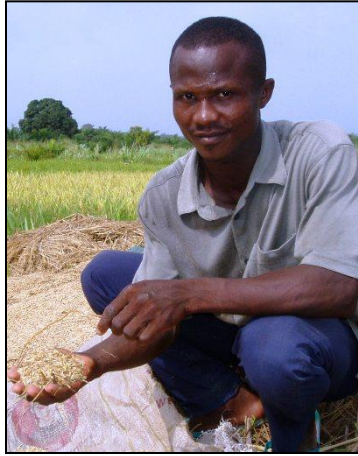


Market today	Capital region	Test
Quality	Local chicken alive	Local chicken alive
Sales	24 mio/year	6 450
Price: average	3.3 € / chicken	3.3 € / chicken
Value	80 mio € / year	21 631 €

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Rice



Market today	Capital	Test	Test
Quality	diverse	Long grain white perfumed	Cracks
Sales	20 000 to/year	31.3 to	21.6 to
Price: purchase by retailer	0.7 €/kg	0.7 €/kg	0.5 €/kg
Value	16 mio €/year	22 240 €	10 366 €

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Conditions of credit (latest tests)

	<i>Commercial (normal)</i>	Red palm oil	Chicken	Rice
Loan amount		7 203 €	1 842 €	9 970 €
Compulsary savings	33 % (1st time)	10 %	15 %	15 %
Loan taker	<i>Individual</i>	Cooperative (new)	Individual	ESOP company
Period (months)	4 - 6	11	12	8
Grace period (months)	1	flexible	4	7
Nominal interest (%/year)	18 %	15 %	18 %	15 %
Insurance	1 %	1 %	1 %	1 %
Other fin. costs	0.1 - 3 %	< 1 %	< 1%	< 1%

Outreach and financial results

	Red palm oil	Chicken	Rice
Type of actors	Oil processors (w)	Chicken breeders (m/w)	Producers (m/w) through company
Loan amount €	7 203	1 842	9 970
Own capital €	3 294	11 722	?
Other IMF loan €	-	-	32 012
Other financing	suppliers (& subsid)	(subsidies)	(subsidies)
Number of actors	43	30	300
Turnover €	11 341	21 631	25 621
Turnover/person €	263	721	85
Profit €	2 104	8 384	5 656
Profit /pers €	49	279	19
Use or profit	Food, clothing, school, savings	Food, clothing, school, savings	Food, clothing, school, savings

Client satisfaction



Reasons of satisfaction:

- Loans: well adapted for buying inputs
- Loan conditions are better than those of competitors

Wishes for improvement:

- Lower amount of compulsory savings (collateral)
- Higher loan amounts
- Lower interest rate

Challenges

1. High unpredictable risks linked to agricultural production
2. Sectorial risk in microfinance: need of effective state-control
3. Outreach: reach thousands of (poor) actors
4. Refinancing for social performance: risk sharing, IR < 7%
5. Competition among MFI stimulates efficiency but what about innovation?
6. Context of « grants for poors », subsidies
7. Stimulating the financial autonomy of the MFI vs innovation

For Brücke - Le pont (what we would do differently)

1. Purchasing power is the major limit for better food: → macroeconomic analysis... and cost-reduction of the food
2. MFI-staff with solid agricultural knowledge
3. Risk-sharing by smart subsidies to foster innovation
4. In-depth studies about the real behavior of clients

Ideas for others

- a. Social commitment from donors and investors
- b. Externalize technical support to clients
- c. Social impact is interesting for MFI control-unit too
- d. Successful commercialization of the food is *sine qua non*

Outlook: Long-term trends

FECECAV (MFI)

- Large up-scaling through capacity-building of staff
- Value-chain services and social monitoring as profile
- Develop saving products: for cheaper, long-term financing

Brücke - Le pont

- Grants to FECECAV: more specific for innovation
- Enhance quality and outreach of non financial support
- « Smart lobbying » for local agriculture



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