

Can small be beautiful in agriculture?

cooperation needed to meet opportunities and challenges

Pierre Schonenberg - 21 September 2015



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Rabobank background



Cooperative

- Started by farmers in 1898
- All finance bank
- Leading market shares in the Netherlands
- 108 local banks, 520 offices
- 2 mln members, 8.8 mln clients

Food & Agri

- Banking for Food
- Finance, knowledge & network
- Global leader F&A financing
- EUR 97 bio exposure in F&A

Sustainability

- Active involvement in sustainability initiatives
- Roundtable sustainable palm oil, soy, Bonsucro, Better Cotton, WWF partnership
- Sustainability is also about access to finance

Rabo Development within the Rabobank Group



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- Development of cooperatives, microfinance and sustainable agri value chains in rural communities of developing countries
- Project based through grants, guarantees, (soft) loans



Rabo Development / RIAS

- Create access to financial services in developing countries with F&A potential through rural retail banks
- Advisory services on supply chain development, agri banking and cooperatives



Rabobank Group

- Rabo International
 - F&A Banking
- Local Member Banks
 - Retail banking
- Group entities
 - Leasing, insurance, etc.

Sustainable cooperative banking with involvement in the F&A value chain

Agribusiness Advisory (RIAS): focus areas



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Agribusiness Advisory

Agri finance Capacity Building

Agri strategy
development

Agri Credit & Risk
management & tools

Value chain financing

Agri commodity
finance/WHR finance

Cooperative financing

Risk Sharing &
Guarantee
Instruments

Cooperative Capacity building

Financial
management

Cooperative scoring

Cooperative
governance

Member
communication

Bankability

Capitalization Policies

Supply chain Development

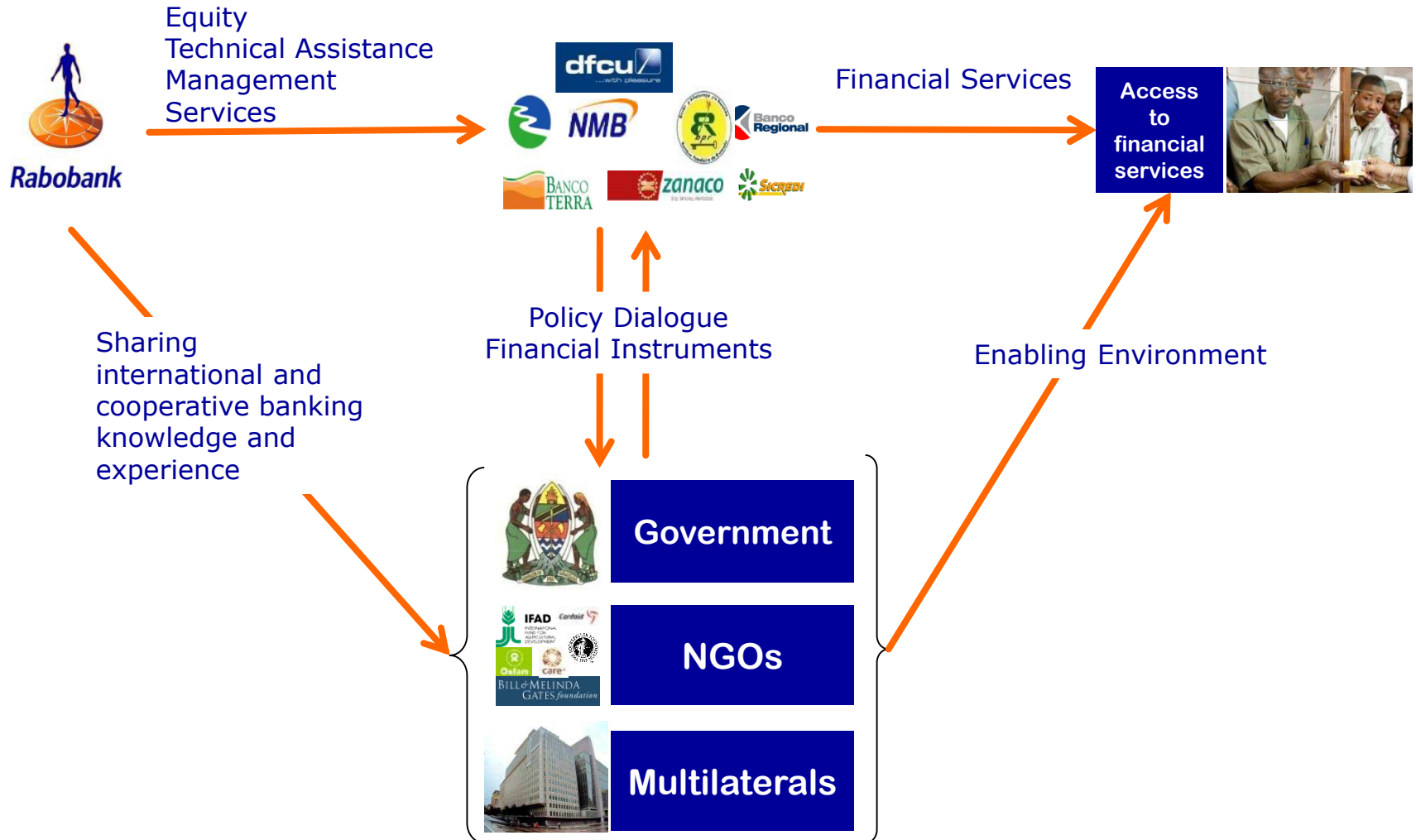
Streamlining value
chains

Develop value chain
finance solutions

Studies for IDH, IFC,
WB, etc.

- Coffee
- Cocoa
- Grains
- Rice
- Oilseeds
- Horticulture
- Cotton
- Sesame
- Sugar
- Dairy
- Poultry

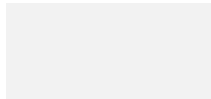
Context of Rabo Development's activities



Agribusiness Advisory: F&A project partners



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initiatief duurzame handel



DE FOUNDATION



ECOM



FrieslandCampina



WAGENINGEN UR
For quality of life



Food and Agriculture Organization of the United Nations



Royal Netherlands Embassy

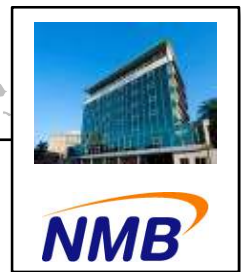
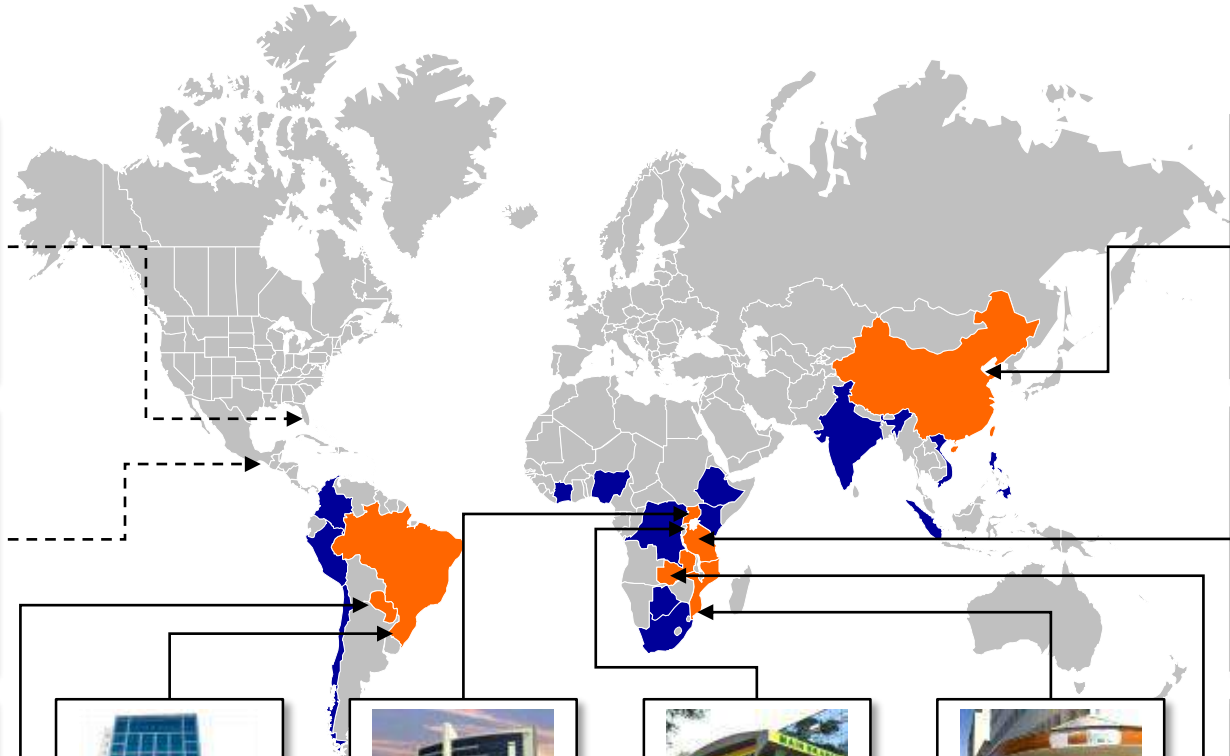
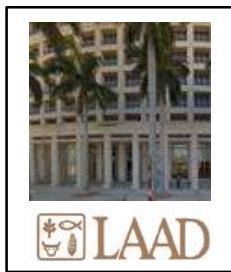


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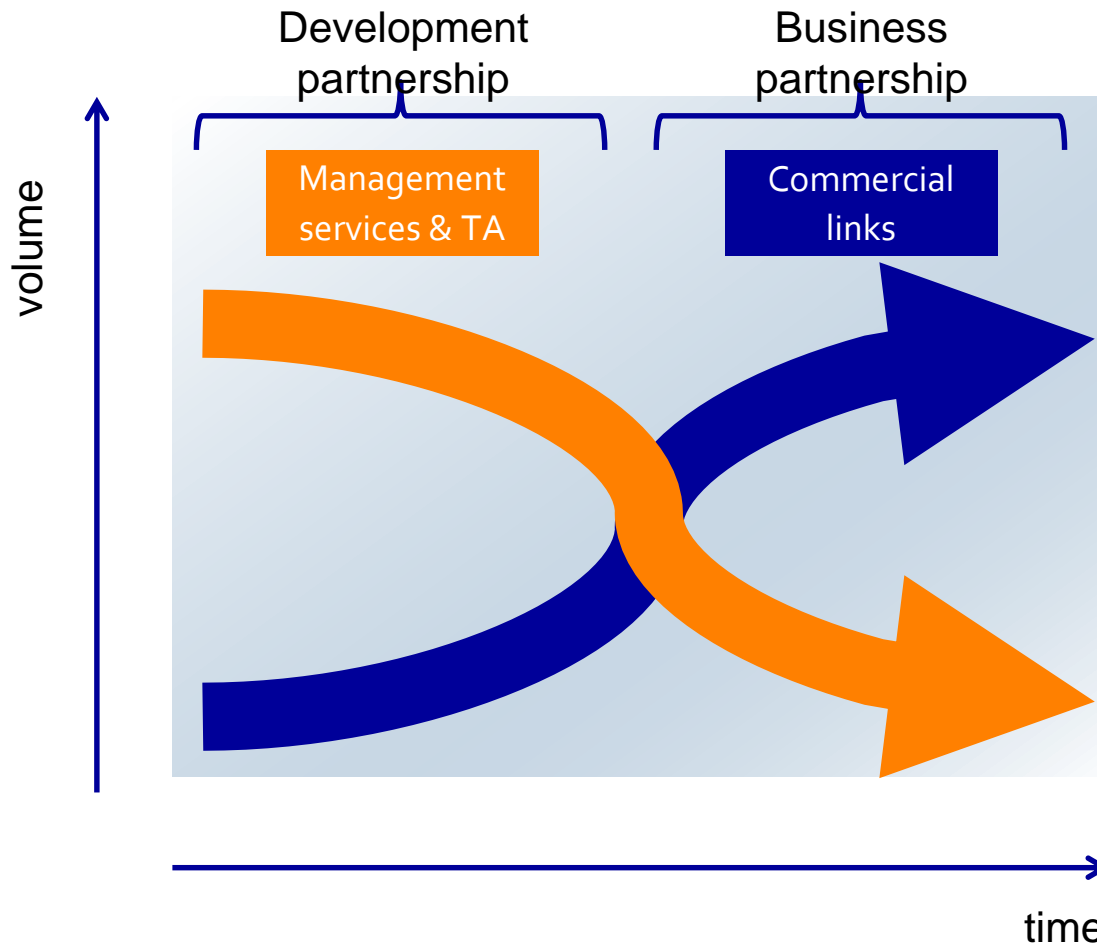
Rabo Development partnerbanks and advisory projects



Partner banks
Advisory projects



Development Partner bank relationship



Commercial links

- Trade & Commodity Finance
- Corporate F&A clients
- Introduction of Dutch SMEs

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Mega trends

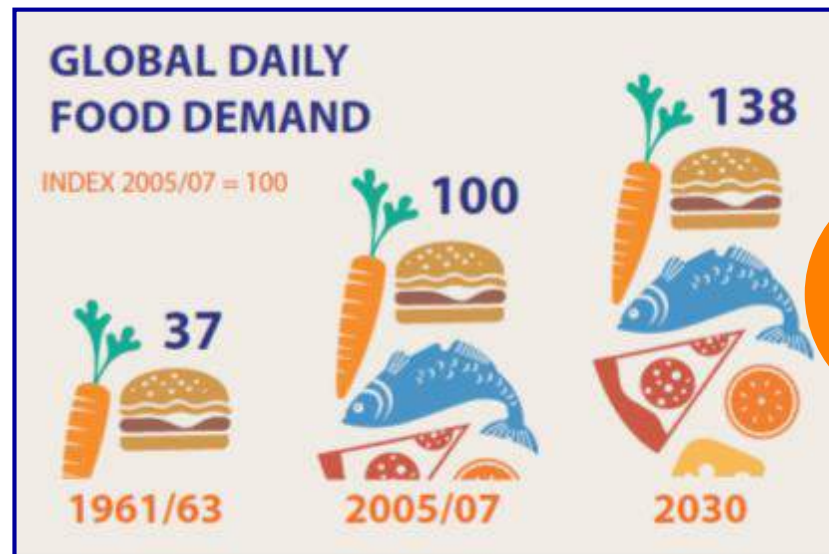
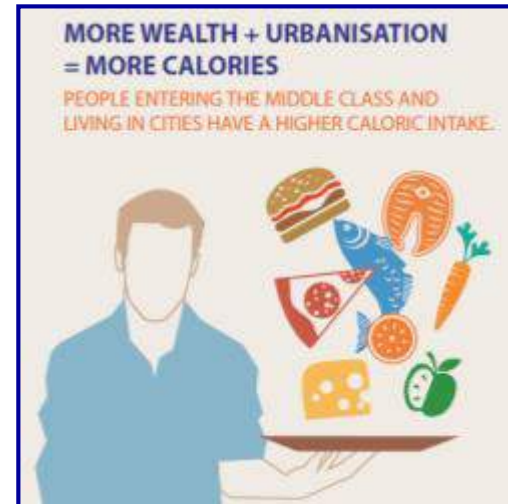
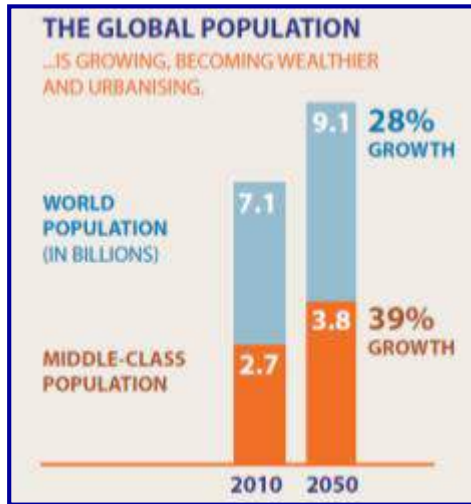


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What the world needs in 2050



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38%
increase
by 2030

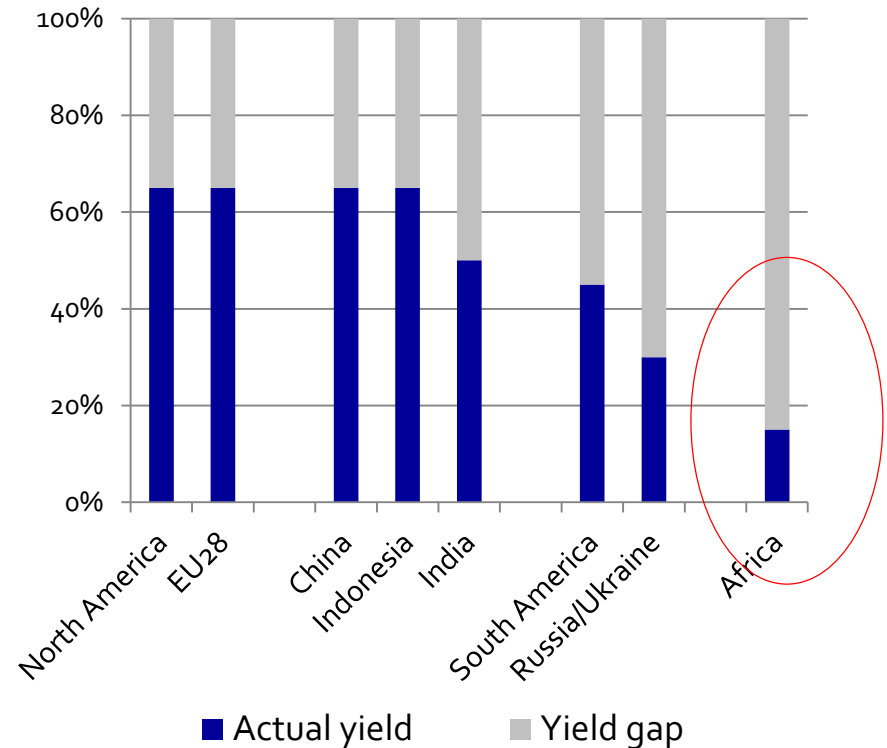
What needs to change? More land, better yields



Frontier regions can be brought into production

Million hectares	Currently cultivated	Potential additional land
S America and Caribbean	162	123
E Europe and C Asia	252	52
Sub-Saharan Africa	210	202
Rest of the world	878	68
World total	1,502	445

Average yields can improve

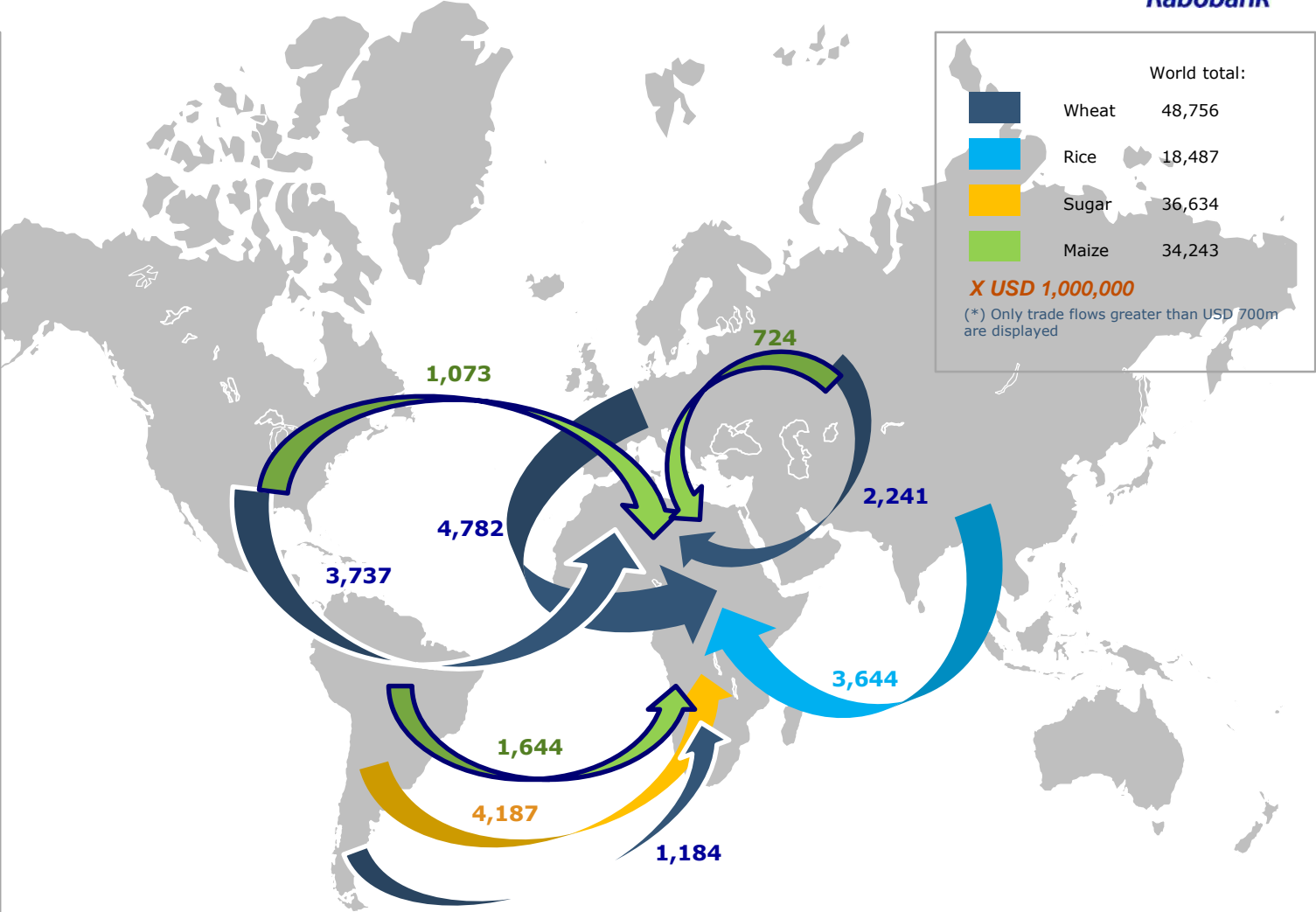


Global African import flows



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Client presence:



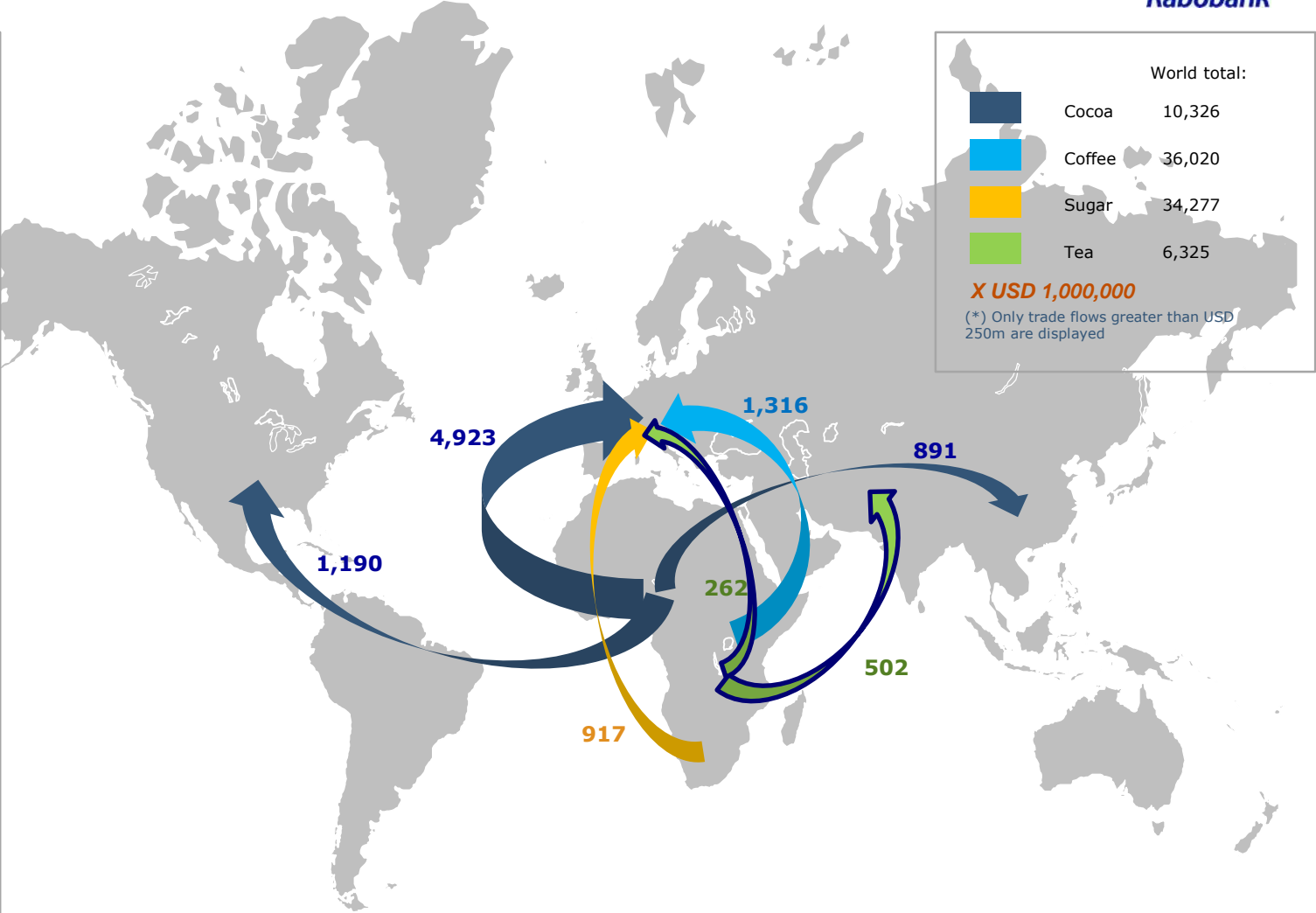
Source: Comtrade (2011), Rabobank (2014)

Global African export flows



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Client presence:



Source: Comtrade (2011), Rabobank (2014)

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Opportunities and challenges



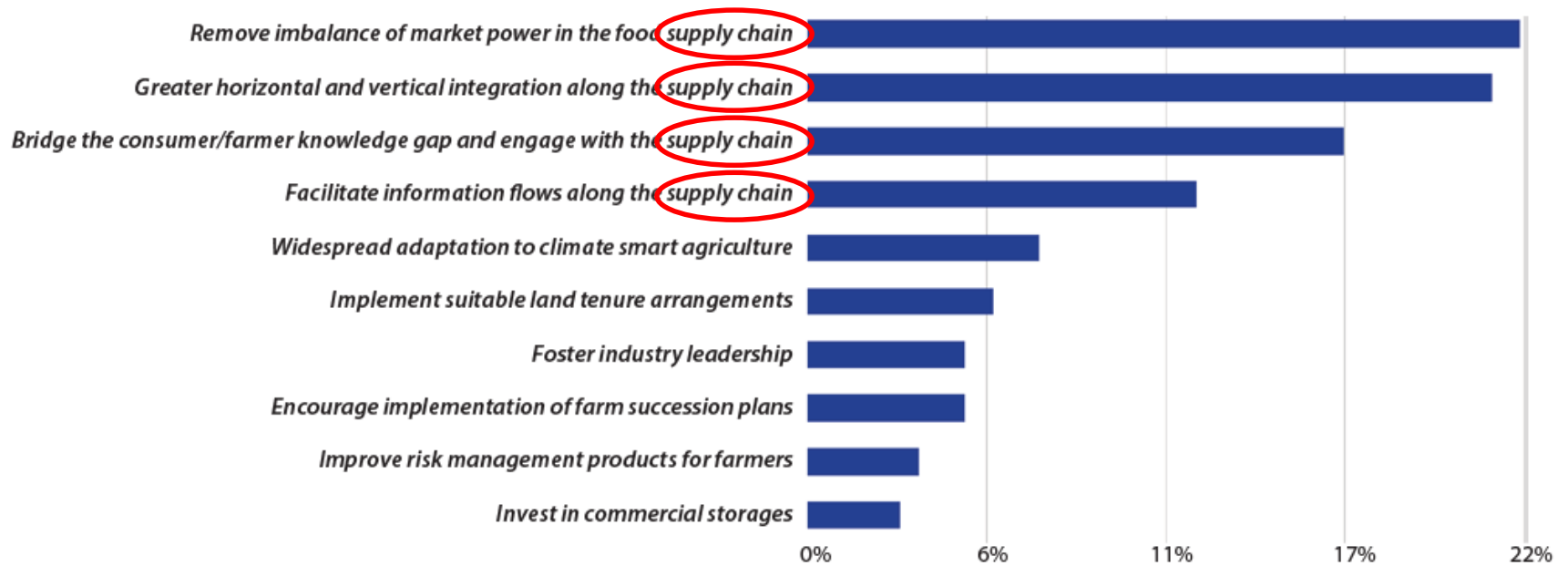
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What needs to change? Improve system stability



*F20 survey – what is needed to enhance food system stability?
Many solutions but one common theme – strengthen supply chains*

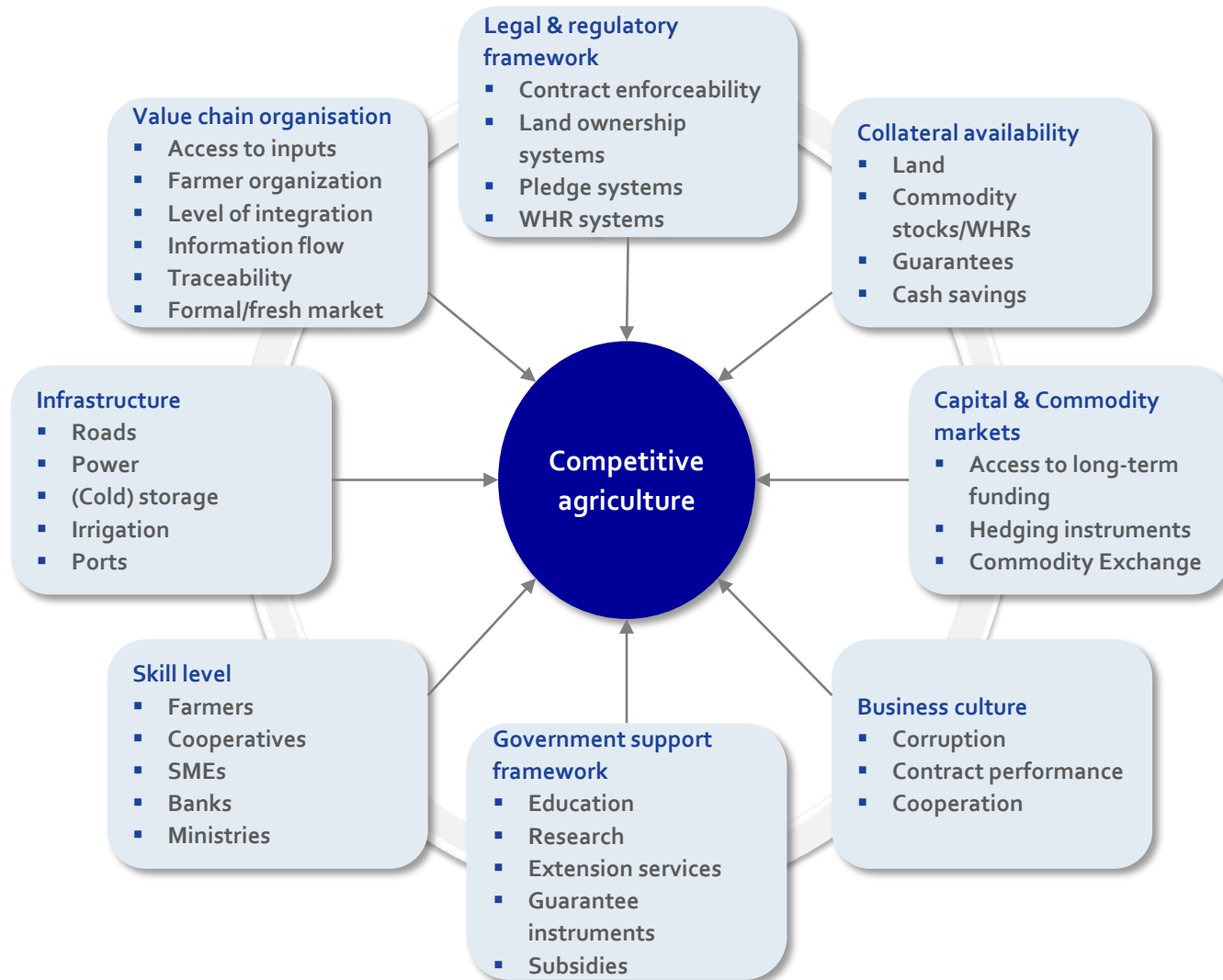
Solutions to enhance stability



Enabling environment is critical



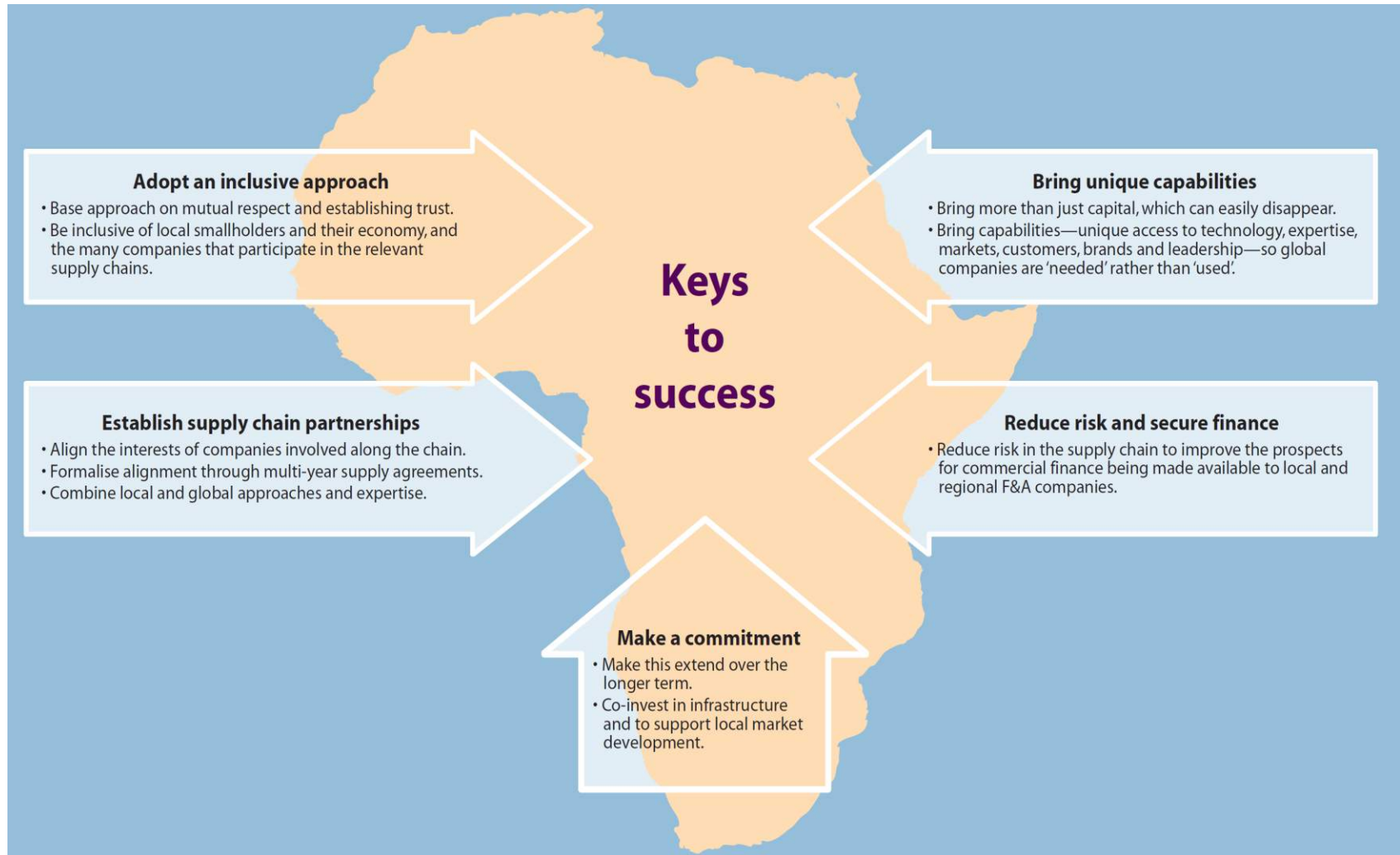
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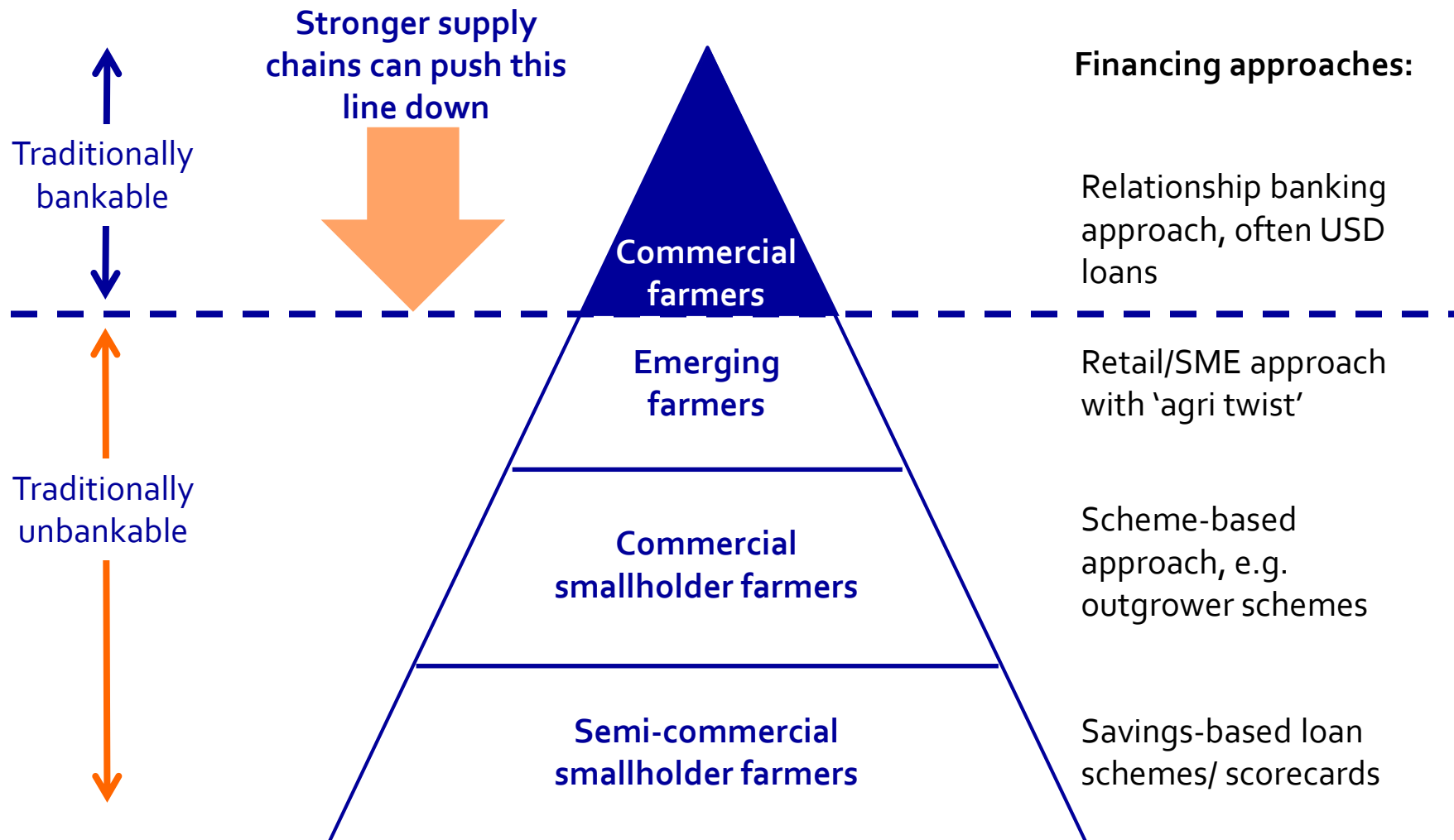
This is what creates success for global F&A companies in Africa



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Different segments need different financing approach



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Promising VC examples



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Smallholder financing concepts



- ✓ Digital payment systems, agency banking
- ✓ Warehouse receipts financing systems Tanzania, Ethiopia, Kenya
- ✓ Nucleus farming systems (e.g. Mozambique, Ethiopia)
- ✓ Cooperative value chain structures (e.g. coffee, tea, maize, dairy, sugar, rice, etc)
- ✓ National smallholder programs (e.g. LIMA Zambia, FNC Colombia, IHCAFE Honduras)
- ✓ Emerging farmer programs (e.g. Zambia, South Africa)
- ✓ Save-for-loan schemes

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*What could make small
beautiful in agriculture*



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Stimulate farming as a business



Primary Production level:

- ✓ Farmer segmentation & selection (high input models)
- ✓ Economies of scale (aggregation points, e.g. Mars cocoa doctors)
- ✓ Access to price info, better inputs, improved seeds, mechanization
- ✓ Access to extension services, training on GAP, R&R
- ✓ Digital payments to smoothen payments (non-cash)
- ✓ Mobile banking creates financial track-record for future lending

Post harvest handling & market access:

- ✓ Value chain integration (shorter chains, traceability, direct sourcing)
- ✓ Agri logistics, rural infrastructure

Regulatory framework

- ✓ Targeted & consistent agri policies
- ✓ Warehouse receipts systems
- ✓ National Agri Guarantee Funds & LT funding lines
- ✓ Land ownership systems, land consolidation (governed by clear laws)
- ✓ PPPs can work but keep them simple and targeted
- ✓ Involve research to boost progress

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PPP dairy project Zambia



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Dairy sector in Zambia



- The dairy value chain is in place
- dairy farmers mostly organized in cooperatives
- Respectable number of emerging dairy farmers (> 20 cows)
- Strong needs for new heifers, good quality feed, AI, etc
- Access to finance is limited, what hampers development

An Important, promising sector with potential

- Zanaco, the leading food and agri bank in Zambia introduces

LOAN-A-COW-scheme

Ready, or just the beginning?



Challenges to overcome:

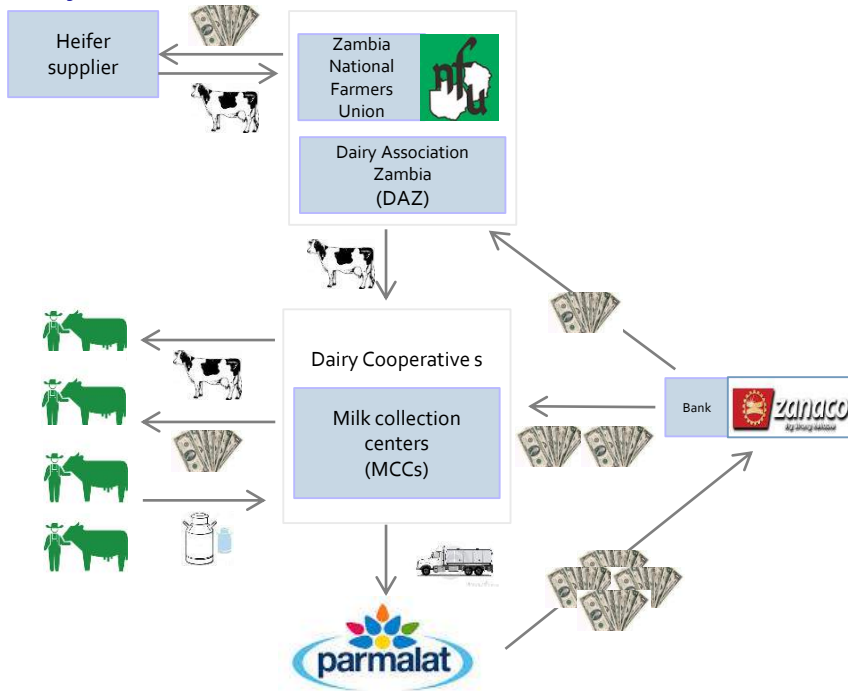
- How to find good quality dairy cooperatives
- How to support these cooperatives to be the successful borrower on behalf of their milk producing members
- How to support the benefitting farmers to receive, maintain and milk the (new) cows properly
- How to secure the milkflow to market via the dairy cooperatives
- How to secure the cash flow in order to get the bank repaid.

Dairy project chart



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Project structure



Project objectives

1. **Better farming practices** leading to improved herd quality and feed management which result in increased milk production of better quality and higher net producer incomes.
2. **Better business management skills of farmers** enabling farmers to manage their farms in a business like manner, prepare business plans and take better investment decisions.
3. **Better management of the dairy cooperatives**, enabling more transparent value chains and improved accounting and financial literacy, leading to better service to farmers, better terms of trade and better marketing.
4. **Link to markets** with traceability and quality payment systems and possibly even certification.
5. **Value chain financing** design of value chain finance structures between the dairy coops / emerging farmers, processors and Zanaco.

Key stakeholders & roles

- ❑ **Parmalat & Zambeef Plc:** provide market and extension services by buying the produce for good price (quality based payment system), off take contracts (up to 5 years) and possible participation in financing schemes.
- ❑ **ZNFU/DAZ:** co-select dairy cooperatives and emerging farmers to support their development. Support the Zambian dairy sector to develop simultaneously.
- ❑ **Dairy Cooperatives:** organizing logistics, marketing and inputs for small holders.
- ❑ **Input providers:** deliver quality inputs for good prices and arrange the logistics. Offer suitable extension services, possible participation in financing schemes.
- ❑ **Local consultants:** technical assistance to farmers and board of cooperatives. Support in implementation and change
- ❑ **Zanaco / Rabo International Advisory Services (RIAS):** develop financing schemes for dairy farmers, provide financial training. Assess dairy coops and develop and conduct dedicated support programmes. RIAS supports Zanaco to optimize the financing process to provide working capital / investment loans to dairy cooperatives and emerging farmers.

Results (target)

- Management of 18 dairy coops trained (approx 2000 dairy farmer members).
- 7 coops financed (+ 7 new coops by end of 2016)
- Target financing of USD 6 mln for w/c and investment to facilitate production capacity expansion by 2017
- besides Parmalat and Zambeef Plc, other processors become interested to participate in similar scheme with other dairy cooperatives.

Our role:



Rabo Development's mission:

Drawing on Rabobank's cooperative heritage and banking knowledge in the Netherlands, Rabo Development/RIAS aims to increase access to financial services in developing countries that have substantial potential in the food and agri sector.

- We present 'ingredients' and start to co-produce a 'menu'.
But the (local) client will always be the 'chef-cook'
- In most developing countries, this is the 'quick win' and a sustainable foundation for further development development for food and agri clients, now having access to the financial system

It is (only) a push, a tool, a facilitator, but....

**the sector also has to
embrace the opportunities
and take it further**

Topics for research



- Regional or national market studies and identify/prioritise needs in promising sectors.
- Agronomic aspects like seeds/genetics, feed improvement, management tools, marketing, impact measurement,.....
- Initiate and support the 'golden triangle-approach' in developing sectors;
- Regional climate change impact related to important agri activities
- What is the good moment to participate in projects?



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Thank you very much

Any questions?

