

Innovative funding for agribusiness SMEs

3rd PAFO Continental Briefing

Advancing African agriculture through agribusiness development

28-29 November 2015, Durban, South Africa

Positioning PAFO

- Vis-à-vis agribusiness
- Vis-à-vis research

Agribusiness opportunities

1. processing, storage, food preparation and other food interventions post-farm
2. healthier packaged food

Research opportunities

1. processing, storage, food preparation and other food interventions post-farm

Examples:

EC/FP7 AFTER: African Traditional Food Revisited by Research ;
DANIDA/UniBRAIN incubators; Soy milk Benin

2. healthier packaged food

Example:

Pack4Food

Agribusiness opportunities

SMEs in mechanisation and Renewable Energy

1. Irrigation
2. Agro-processing
3. Mechanical energy
4. Cooking
5. Cooling/refrigeration

Research in mechanization and Renewable Energy

1. Irrigation:

Diesel pumping systems fueled with biofuel, micro-hydro, solar PV, wind

2. Agro-processing:

Biodiesel pumps, micro-hydro, microgrids, solar dryers

3. Mechanical energy:

Biodiesel pumps, micro-hydro

4. Cooking:

Cleaner biomass cookstoves, biogas, solar cookers

5. Cooling/refrigeration:

Larger-scale solar PV and wind, biodiesel, and micro- and picohydro stations (power generation of under 5 kW); biodiesel engines

Which funding are we talking about?

1. From farmer cooperative to agribusiness
2. From micro SME to SME
3. From SME to agri SME

Agribusinesses funding

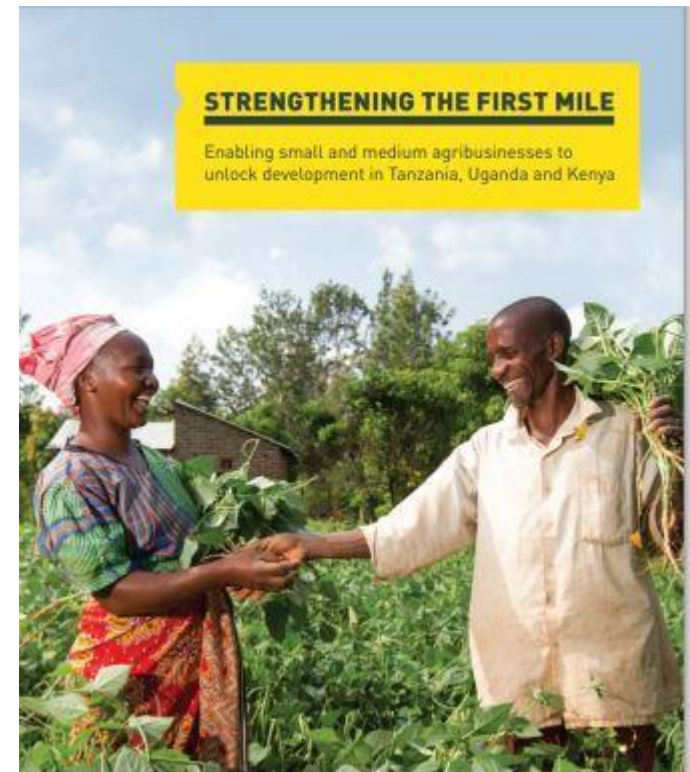
1. Financial institutions (banks)
2. National SME funding (ex.: South Africa)
3. NGO-SME equity funds (int)
4. EC-SME equity funds (int)
5. Investment funds (int)
6. Business 2 Business (b2b) (int)

Financial institutions . . . have:

- Most banks have SME departments – but exceptionally agribusiness - with varying degrees of understanding of what constitutes an SME, whether by annual turnover, number of employees, or financing needs.
- A number of banks are also trying to formalise their relationships with agri SMEs through 'Business Clubs' for SME managers and overseas trips to market trade finance products.
- Financial institutions are not lending to agricultural SMEs (the 'supply' side).
- And SME agribusinesses are not applying for finance (the 'demand' side).

Financial institutions . . . regard SMEs as:

- too risky and unprofitable to lend to
- poorly managed, inexperienced and
- lacking sound business plans
- Under capitalised and without sufficient assets such as land against which to lend



The missing middle

- There is a 'missing middle' of financial products that are suitable for agricultural SMEs and that this is holding back their growth.
- Agricultural SMEs tend to be too big for very small-scale loans offered by NGOs and others, but too small to be able to borrow money from commercial lenders affordably and viably
- There is a need for innovative funding schemes to bring tailor-made loan products to agricultural SMEs

Agro-Processing funding

In **South Africa**: Agro-Processing and Agriculture funding

- The Industrial Development Corporation (IDC) of South Africa funds the development of competitive proposals of competitive processed food, beverage, fibre, forestry and derivative industry that optimally utilises and develops local and regional resources to supply domestic demand and increase participation in international trade.
- This is achieved by expanding production capacity and promoting value adding expansionary agro processing activities in a manner that fosters economic inclusivity.
- The business unit of IDC provides support to a wide range of economically viable activities in agro-processing (food and non-food) sectors such as: Maize, Wheat and sugar, Livestock such as cattle, poultry, pigs and game, Fishing and aquaculture, Beverages, Forestry, Horticulture including fruit, vegetables, nuts, tea and coffee

SME Equity fund from an NGO

- ICCO Cooperation, an international Dutch development organization launched in May 2015 its Agri-Business Innovation Challenge
- The purpose is to kick-start and boost the **business** of innovative agri-entrepreneurs in Uganda.
- There were cash prizes up to **EUR** 20,000 for the three most promising businesses to roll out their business models, and a chance to qualify for investment by the ICCO Investment Fund.



SME Equity fund of the EC

The Delegation of the European Union to Uganda will launch in 2016 a SME Development Fund (Equity Fund) It will be open to all sectors of agribusiness, including livestock.

- Invest in commercially viable enterprises with strong growth potential that empower smallholder farmers in Uganda to increase their revenue, livelihood
- Fund size: USD 30 million (at first closing) – EU will invest **EUR 10 million**
- Investment period: 5 years
- The EU/Uganda aims at targeting at least 25-30 companies with the first closing of the fund.

Investment Funds: example

Rabobank Foundation supports

- African exporters of fruits and vegetables can benefit from slow capital
- farmers to combine forces by forming cooperatives
- the purchasing power, the sales position and obtain financing to develop farming and export operations.
- It allows to commission research according to FO and private sector priorities



22 June, 2015. Utrecht. Rabobank. Conference "The Future of Farming and Food security in Africa".

Business 2 Business (b2b)

Entrepreneurs 4 entrepreneurs (Belgium)

■ Drink yoghurt Laki Laki in Kenia

Farm in Thika, factory in Juja

Nutritious breakfast (tourism) and orphanage.

Request: 25,000 Euro for business plan development



■ REEL FRUIT (Nigeria)

Vitamin rich food snacks. Mechanized food processing. Request: 80,000 Euro



■ Geoffman Chili (Uganda):

Chili pepper for food, pharmacology, pepper-spray.

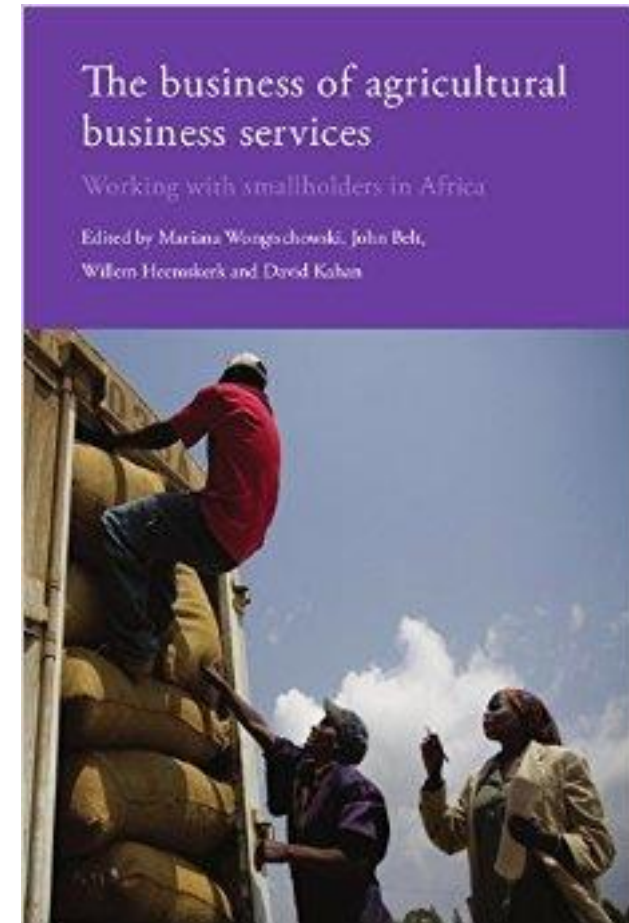
The trees prevent erosion. Request: 50,000 Euro



Agricultural business development services

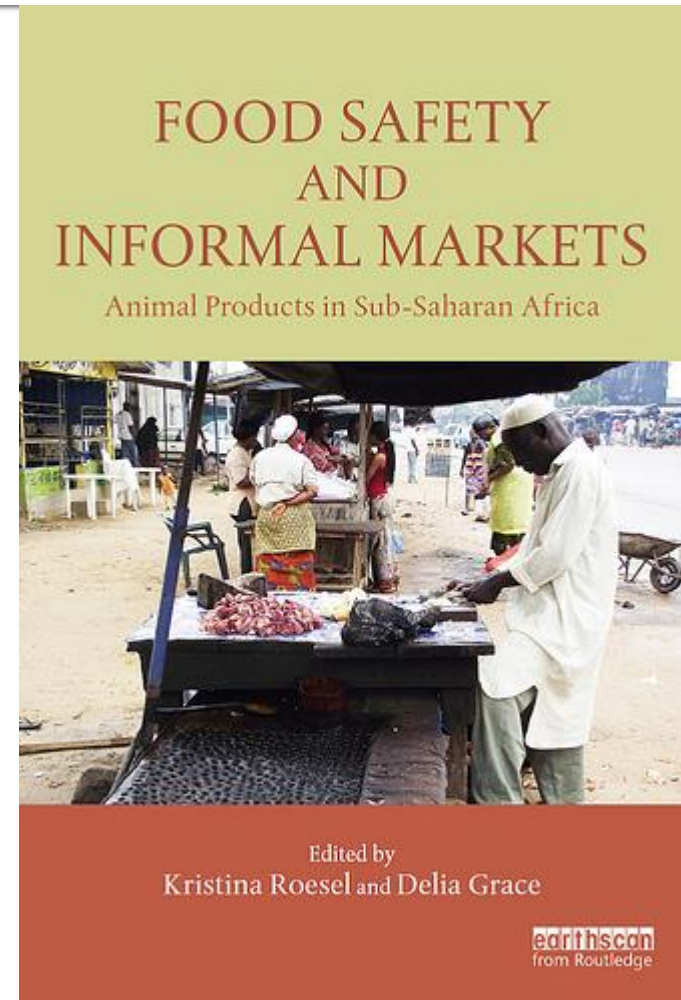
Two dominant approaches to providing services:

- supply-driven (where the funder decides what services should be offered),
- and market-driven (where more emphasis is put on market forces).



Food safety (a)

- The book includes a review of the key issues and 25 case studies of the meat, milk, egg and fish food sectors
- drawn from a wide range of countries in East, West and Southern Africa



Food safety (b)

The Aflatoxin contamination of food and feed requires to bridge the gap between:

- research,
- farmer organisations,
- SME
- and multinationals.

