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Drivers of success for agricultural transformation in Africa

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Financing African Agriculture: Perspective from
the Private Sector.

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Table of Contents

1. Success and Challenges of African Agribusiness Finance
2. Value and Risk along the Value Chain
3. Disconnect between Businesses in a Value Chain
4. Solution to Missing Middle
5. Investments to Integrate Value Chain Operations

Success and Challenges of African Agribusiness Finance ...

Areas of Success

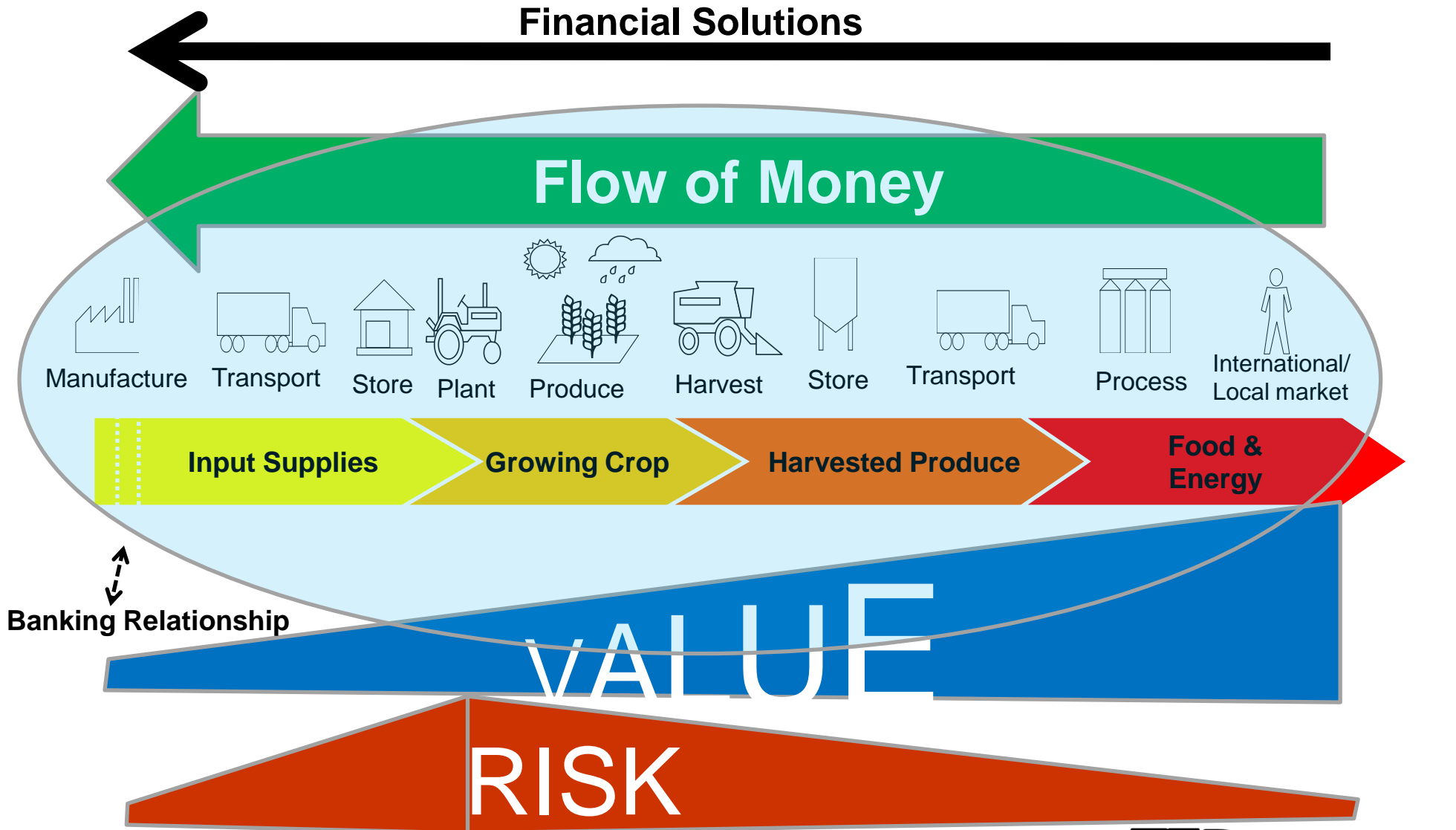
- Some agribusiness clients are over banked
 - Larger local corporates
 - Multinational companies
- Well organised small scale farmer businesses in stable value chains (Tea, Coffee, Sugar, etc.)
- Short term finance (Working capital)
- Increase in availability of value chain based finance

Challenges

- Limited small scale/smallholder finance
- Limited long term and development finance
- Poor appetite for entrepreneurial risk irrespective of scale
- Poor integration of value chains
- Some policy environments not strong enough for value chain finance. Regulatory environment too flexible thus poor stability of value.
- Value chain finance not compensating for the perceived primary agricultural risk

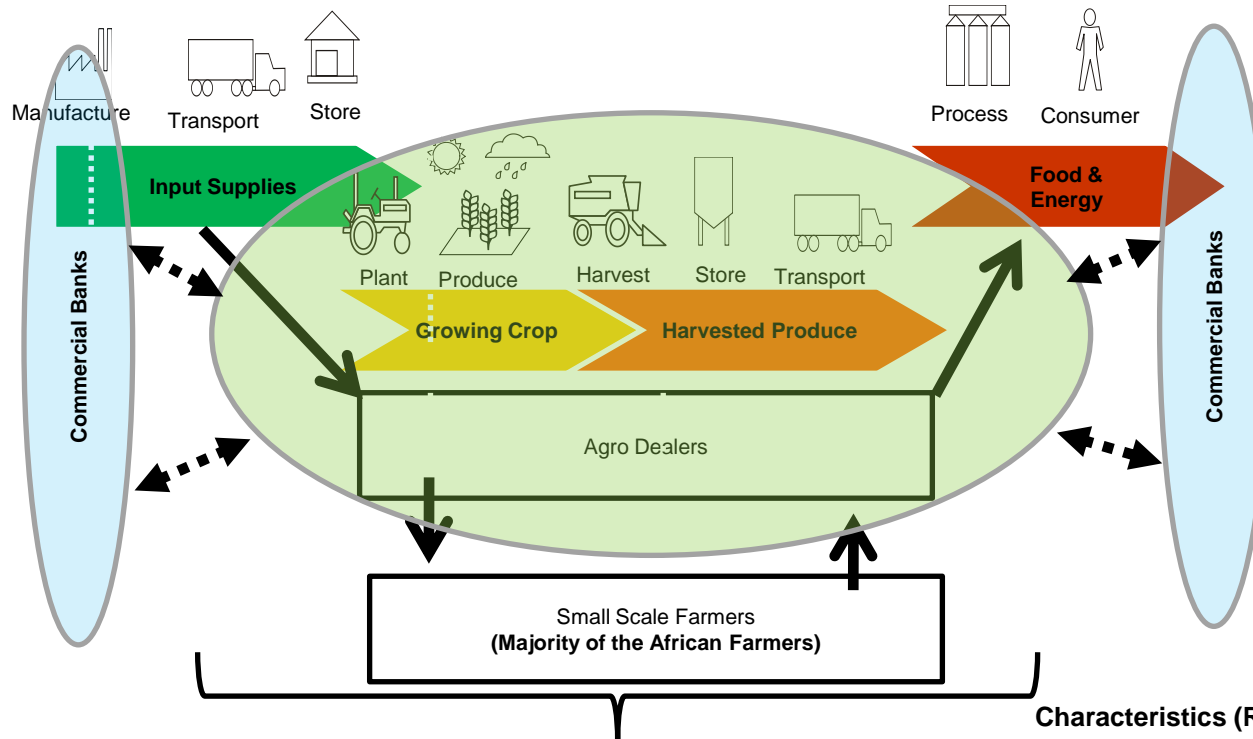
Value and Risk along the Value Chain ...

Figure 1: Perception of Risk in a Non-Integrated Value Chain



Disconnect between Businesses within a Value Chain (Missing Middle) ...

Figure 2: The Small Scale Farmers and the Agricultural Value Chains



Characteristics (Left)

- Less risk
- Access to multiple financial institutions
- Growth among actors is too slow
 - Limited repeat business (Most are new farmers)

Characteristics of the Missing Middle

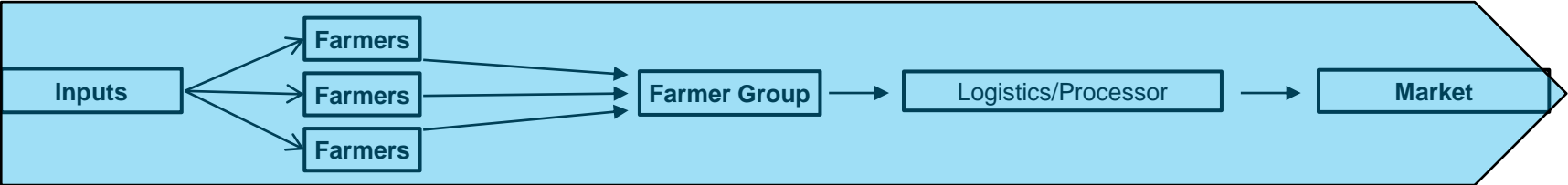
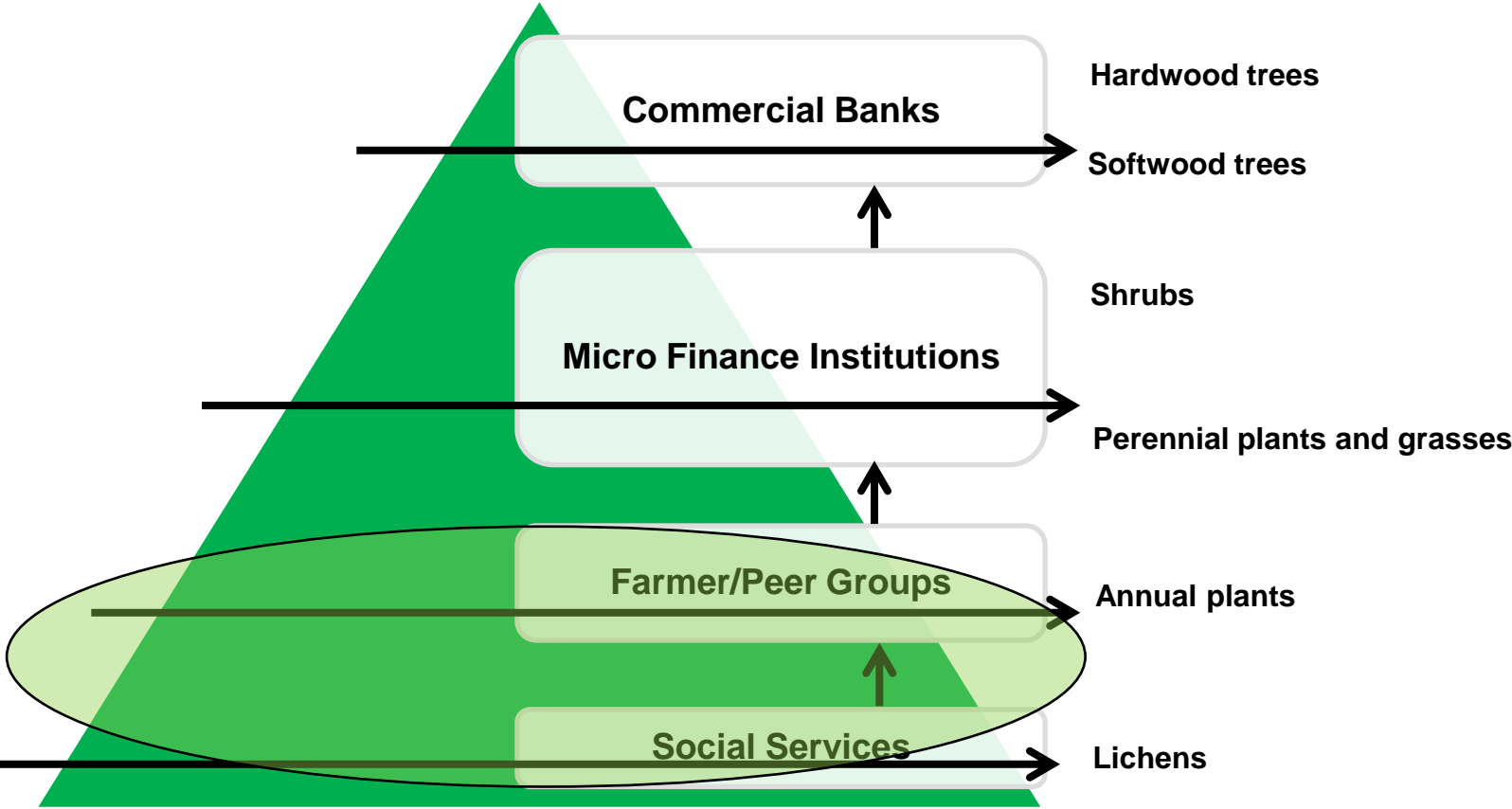
- Activities led by the NGO sector
- Individual scale very small
- Poor profitability of the smallholder farmers
- Lack of collateral

Characteristics (Right)

- Less risk
- Access to multiple financial institutions
- Limited local supply (size of operations)
- Limited local demand (purchasing power) and scale is too small for profitable international export.

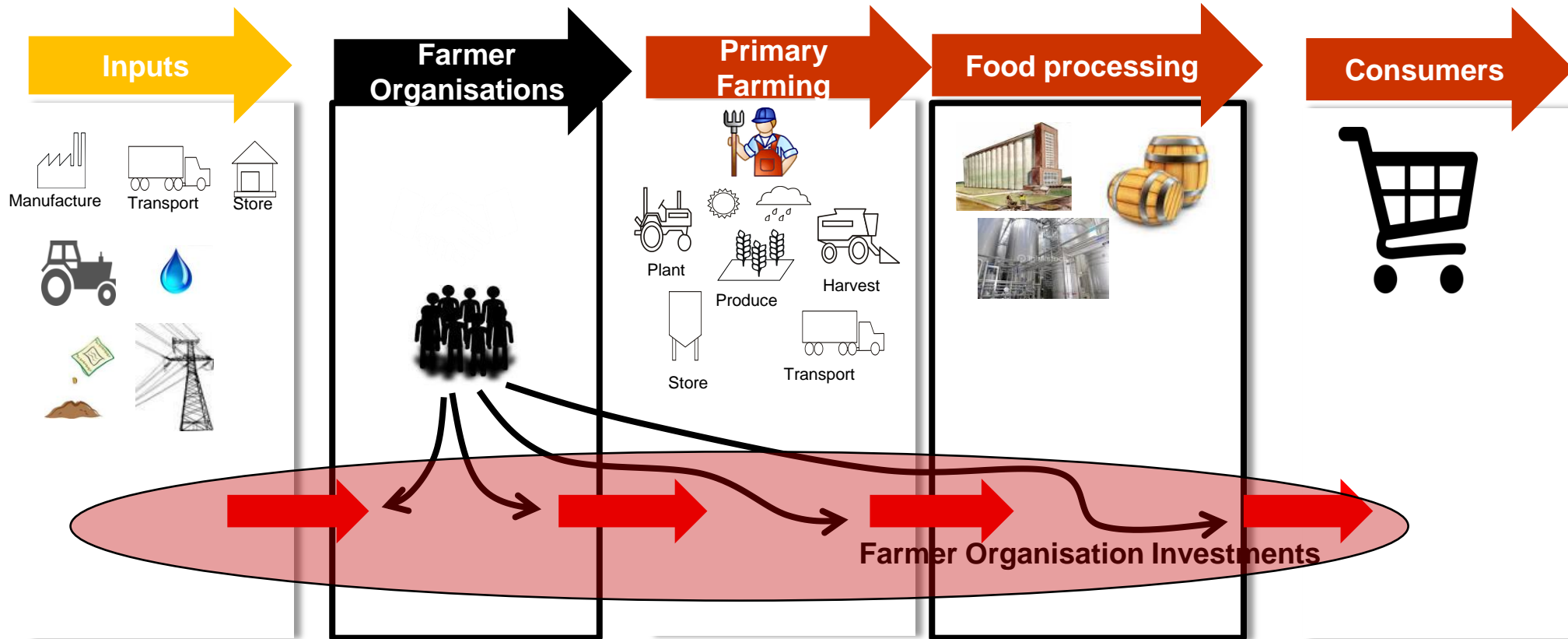
Solution to Missing Middle ...

Figure 3: Small Scale Farmers and the Agricultural Value Chain



Investments to Integrate Value Chain Operations ...

Figure 4: Aggregation of Activities within the Value Chain



Thank You

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