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for agri-value chains

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Linking Rural Entrepreneurs to Financial Services.

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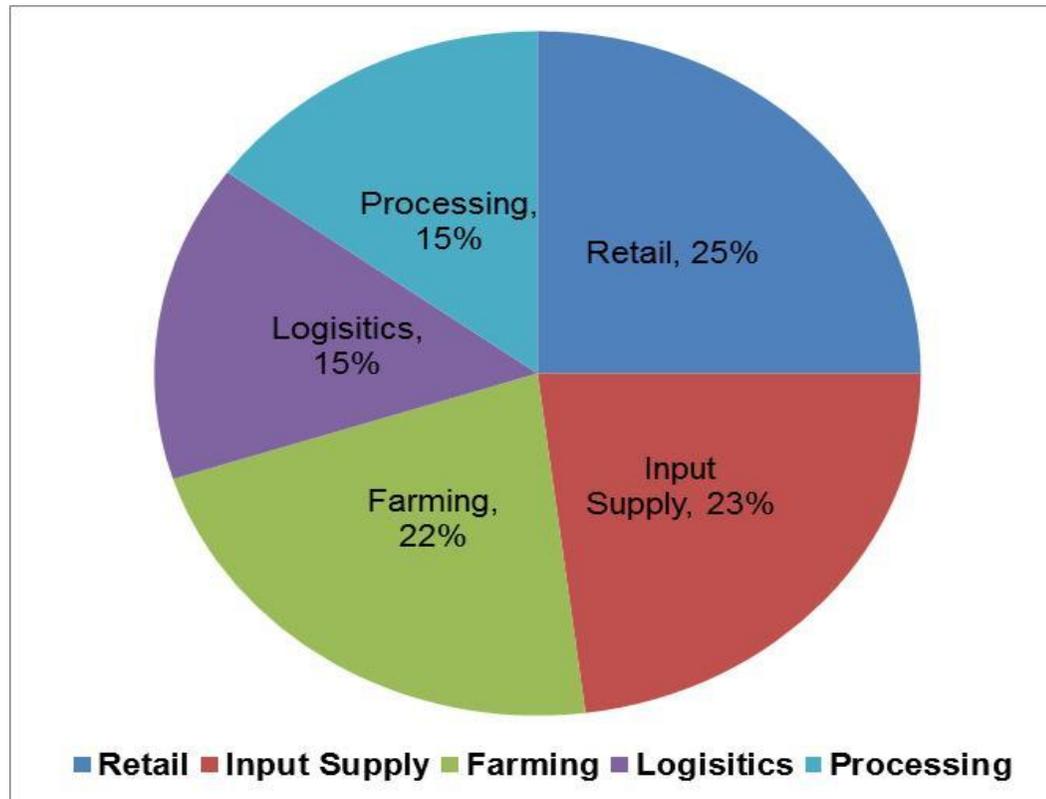
ZED (Pty) Limited

Table of Contents

1. The challenge faced by the African agricultural Entrepreneur.
2. Why Link Rural Entrepreneurs to Financial Services
3. Typical Farming Arrangement
4. New Generation Smallholder Agribusiness Model
5. Challenges

The challenge faced by the African Agricultural Entrepreneur ...

- On average globally upstream and down stream farming activities account for 78% of the value added in all agricultural value chains.



Source: World Bank 2012

Figure 1: African Agribusiness Pyramid

Why Link Rural Entrepreneurs to Financial Services ...

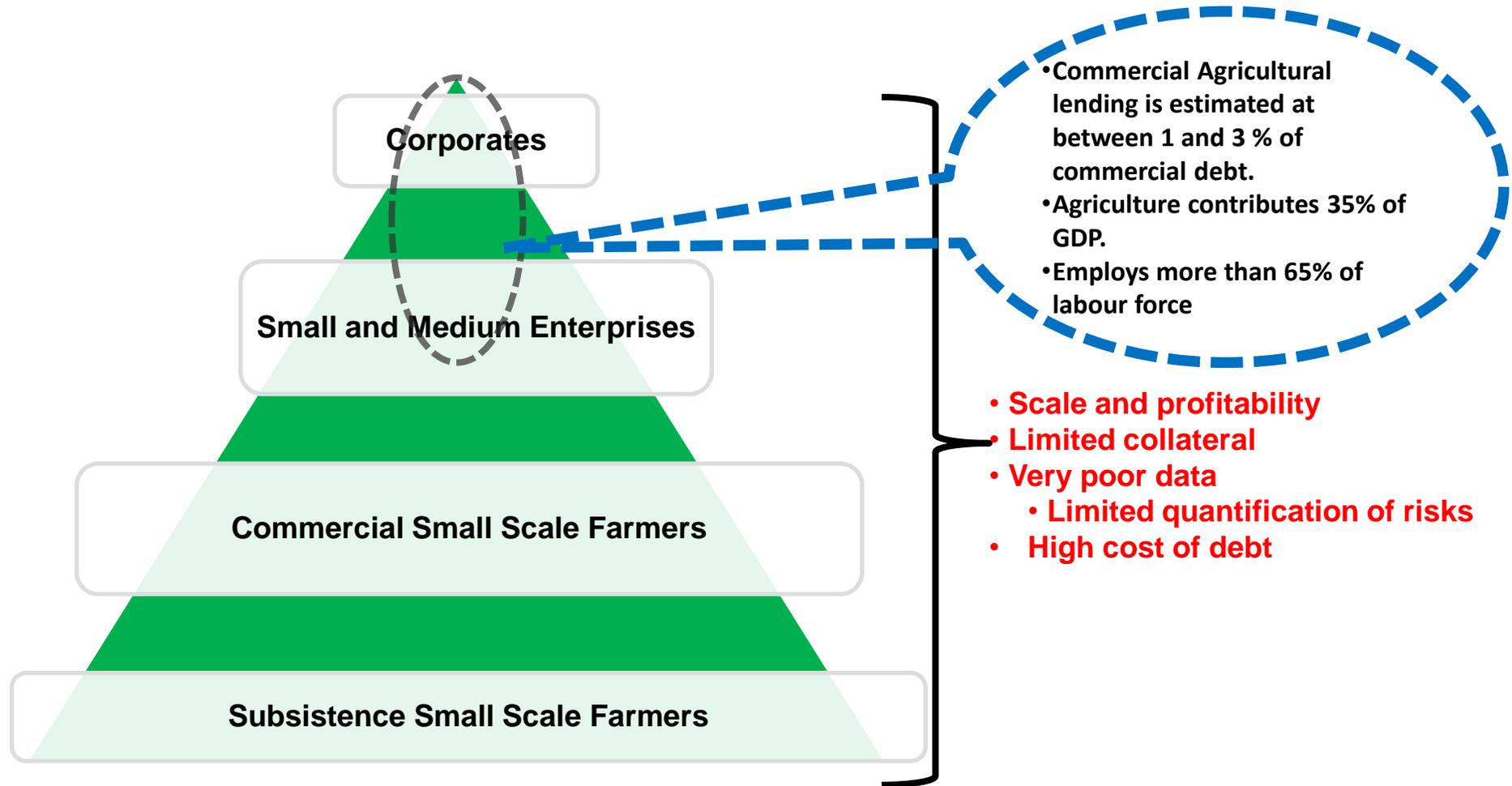
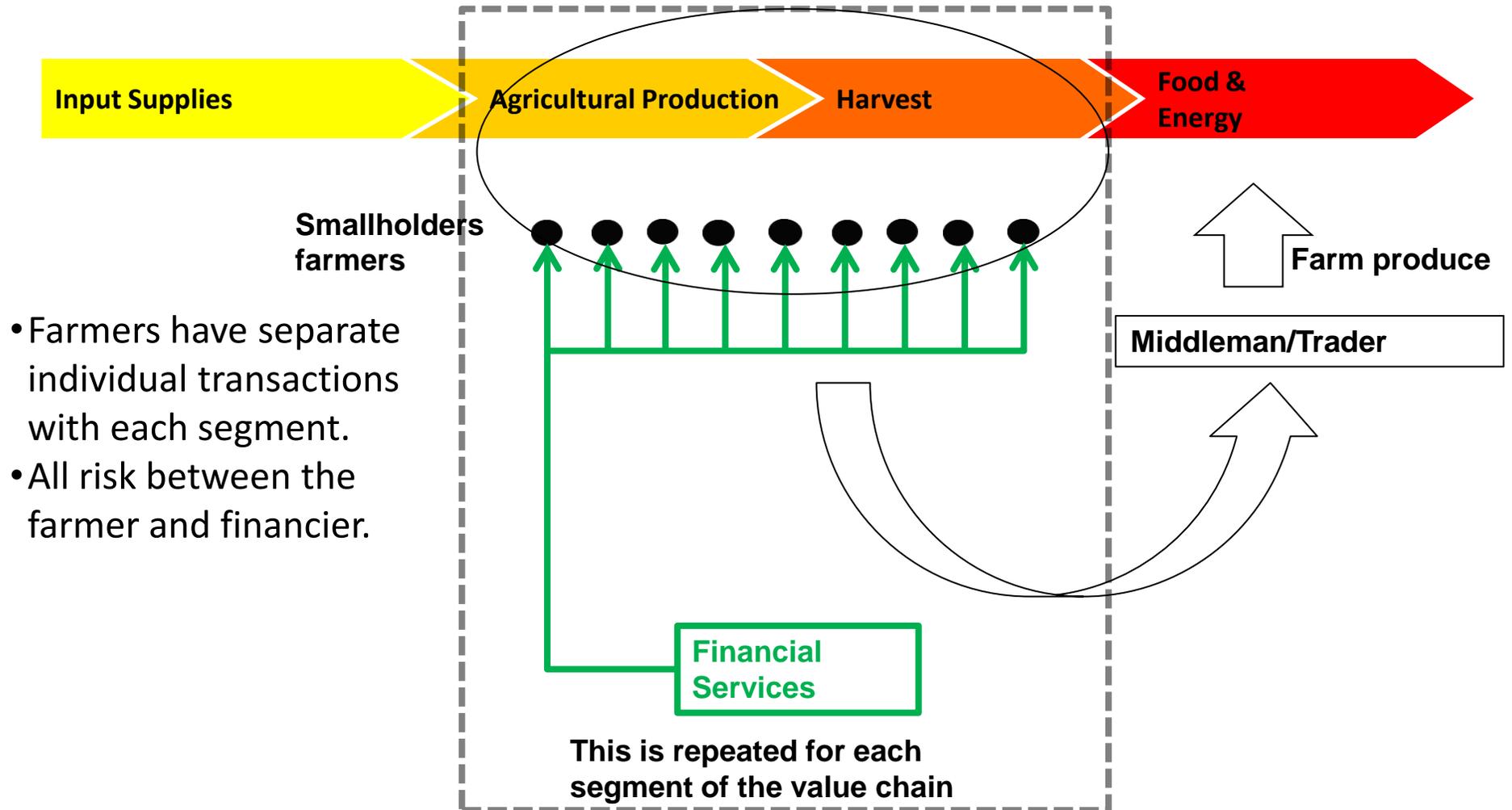


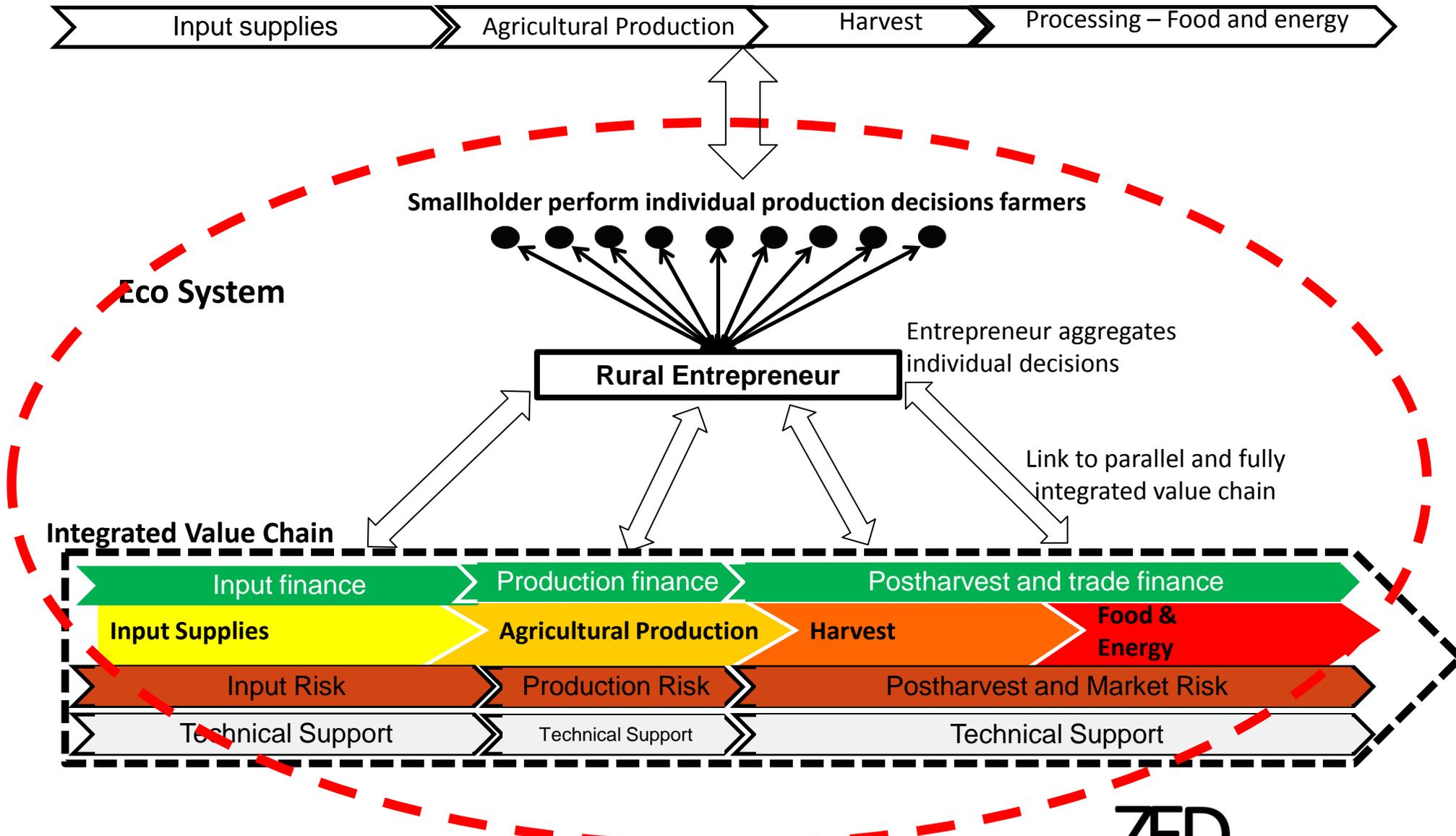
Figure 2: African Agribusiness Pyramid

Typical Farming Arrangement ...



New Generation Smallholder Agribusiness Model ...

Figure 3: Key Aggregation Activities for Smallholder Value Chains



Example ...

- Several rural entrepreneurs moving in this direction with the active participation of key input suppliers.
 - Not many farmer organisations
- Quality Food Products (Tanzania) Limited is a good example of an entrepreneur - working to create a fully integrated value chain.
 - Distribution of inputs
 - Advisory services with support of input suppliers
 - Mechanisation services
 - Markets
 - Aggregation of services such as finance and insurance
- The Southern African Confederation of Agricultural Unions (SACAU) is playing a leading role to ensure farmer centric models of operation.

Challenges ...

- Corporates not open to entrepreneurial risk.
- All risks identified and possible mitigation put in place.
- Unresolved risks are shared by all the key actors (Farmers, Entrepreneurs, Input suppliers, offtake and financial service provider) – Goal is to limit the value at risk to each segment actor's profits within the ecosystem.
 - Most of the key actors (corporates) have to account for this risk.
 - Slow process for all the necessary approves.
 - Limits the potential for scale.
- Identification of like minded value chain actors.

Challenges ...

- The Rural entrepreneur does not have the financial capacity to lead the creation of an integrated value chain.
- The initial basket of services in the ecosystem is small due to scale.
 - Insurance (crop insurance or weather based index insurance).
 - Cost should drop with expanded use.
 - Transportation and storage.
 - Mechanisation services.
 - Trading volume.

Thank You

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