

Training Manual: The Basics of Financing Agriculture

Module 1.5 | Agricultural Loan Product Profile

Acknowledgement

The Agriculture Finance Training Manual is part of AgriFin's Agriculture Finance Training Tools. The Manual was developed by [IPC](#) - Internationale Projekt Consult GmbH as part of AgriFin's technical advisory project for Cameroon Cooperative Credit Union League ([CamCCUL](#)).

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Session Overview

LEARNING OBJECTIVE	To be able to effectively serve the agricultural clients, an Agricultural Loan Officer (ALO) should thoroughly know the financial instruments offered by the bank, including their general clauses, client suitability, and key features.
SCOPE	<p>By the end of this session, the trainee will have a knowledge of the following key concepts:</p> <ul style="list-style-type: none">• An understanding of general clauses and repayment schedules of agricultural loans• Maturity plan, repayment schedule, and target clientele for micro-agro business products• Maturity plan, repayment schedule, and target clientele for very small agro business products• Maturity plan, repayment schedule, and target clientele for small and medium agro business products
TARGET	Agriculture loan officers, trainers, financial analysts, agriculture experts, and other professionals interested in agriculture financing
DURATION	2 hours



Content

1. General description
2. The micro agro business product
3. The very small agro business product
4. The small and medium agro business product

1. General description

General requirements

- **minimum experience:** one year or three production cycles
- **loan purpose:** working capital and/or investment
- **maturity:** 1 to 36 months
- the payments can be **regular or irregular**
- in case of a combination of different loan purposes (agricultural and commercial), a minimum of **70%** of the loan amount has to be used for **agricultural purposes**
- the **mode of payment must be appropriate** for the cash flow of the entity (grace periods up to six months and deferred instalments are permitted in cases where it is required to avoid negative cash flow)
- **Interest rates** are determined by the CU

2. Micro Agro Business Product

Amount	XAF 100,000 to XAF 500,000
Maturity	maximum: one year
Repayment	<ul style="list-style-type: none"> • equal monthly instalments or • individual repayment schedule • grace period according to production cycle and cash flow of the farm
Interest rate	indication: 1.7% to 2.5%
Collateral	<ul style="list-style-type: none"> • guarantor(s) • savings • inventory for agribusiness (up to 80% of the loan amount) • future harvest for farmer (up to 80% of the loan amount) • household furniture • minimum coverage of loan amount: 100%
Target group	<ul style="list-style-type: none"> • farmers (maize, other vegetables, poultry, etc.) • agribusiness
Experience	<ul style="list-style-type: none"> • farmers: minimum three production cycles • agribusiness: minimum one year
Methodology	<ul style="list-style-type: none"> • Mainly based on reputation • Assessment form : the “Micro Agro Business Loan Form”



2a. Micro Agro Business Product (contd.)

Target group

- Small-scale crop producers – subsistence farmers

Loan purpose

- for working capital and fixed assets in order to finance an existing business, i.e. to expand the business.

Analysis of creditworthiness based on:

- repayment capacity
- character and willingness to repay
- reputation in its community
- capital and collateral
- cash flow
- credit history

3. Very Small Agro Business Product

Amount	XAF 500,001 to XAF 6,500,000
Maturity	<ul style="list-style-type: none">• maximum: 12 months for working capital• maximum: 24 months for investments (in exceptional cases, the term can be extended to three years)
Repayment	<ul style="list-style-type: none">• equal monthly instalments or• individual repayment schedule• grace period according to production cycle and cash flow of the farm
Interest rate	indication: 1.7% to 2%
Collateral	<ul style="list-style-type: none">• guarantor(s)• savings• land title or mortgage or movable assets, depending on the situation• future harvest (for farmers) or inventory for agribusiness (up to 50% of loan)• household furniture• minimum coverage of loan amount: 100%
Target group	<ul style="list-style-type: none">• farmers (maize, other vegetables, poultry, etc.)• agribusiness
Experience	<ul style="list-style-type: none">• farmers: minimum three production cycles• agribusiness: minimum one year
Methodology	<ul style="list-style-type: none">• based on financial data and client’s reputation in her community and business• assessment form: “Very small agro business loan”

3a. Very Small Agro Business Product

Target group

- Small farmers or small livestock producers, commercially oriented
- Small-scale livestock producers

Loan purpose

- for **working capital** and **fixed assets** in order to finance an existing business, an expansion (of the existing business or into a new business line or market)
- as well as for **private investments** in housing, home improvement and, in rare cases, consumer goods

Analysis of creditworthiness based on:

- payment capacity
- willingness to repay the credit exposure
- credit history

4. Small and Medium Agro Business Product

Amount	from XAF 6,500,001
Maturity	<ul style="list-style-type: none">• maximum: 12 months for working capital• maximum: 36 months for investments
Repayment	<ul style="list-style-type: none">• equal monthly instalments or• individual repayment schedule• grace period according to production cycle and cash flow of the farm
Interest rate	indication: 1.7% to 2%
Collateral	<ul style="list-style-type: none">• guarantor(s)• savings• land title or mortgage or movable assets, depending on the situation• future harvest (for farmers) or inventory for agribusiness (up to 50% of loan)• household furniture• minimum coverage of loan amount: 100%
Target group	<ul style="list-style-type: none">• farmers (maize, other vegetables, poultry, etc.)• agribusiness
Experience	<ul style="list-style-type: none">• farmers: minimum three production cycles• agribusiness: minimum one year
Methodology	<ul style="list-style-type: none">• the assessment focus is on financial data• assessment form: “Small & Medium agro business loan”,



4a. Small and Medium Agro Business Product (contd.)

Target group

- Large-scale crop producers
- Large-scale livestock producers
- Commercial enterprises

Loan purpose

- For working capital and fixed assets in order to finance an existing business
- To expand existing business or to enter into a new line of business or market
- Private investments in housing and home improvement

Amount

- Small enterprises: business credit needs between XFA 6,500,000 and XFA 25,000,000.
- Medium enterprises: all credit needs of XFA 25,000,000 and above.

For more resources please visit AgriFin's website

www.AgriFin.org

We welcome your feedback to help us further refine these training materials. Please contact us at agrifin@worldbank.org.