



Financing Agriculture Forum 2012

Approaches in Targeting Different Client Segments:

New Models for Lending to Small and Medium Agricultural Enterprises

28th March 2012
Kampala

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- Typical financing needs of an agribusiness
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The Barclays Group has a Presence in 12 African Countries ...

Absa/Barclays 13 operations in Africa

Ghana (since 1917)

- # customers: 541k
- # branches & ATMs: 91 / 137
- # staff: 1,564

2

Egypt (since 1999)

- # customers: 304k
- # branches & ATMs: 65 / 109
- # staff: 2,113

12

Kenya (since 1925)

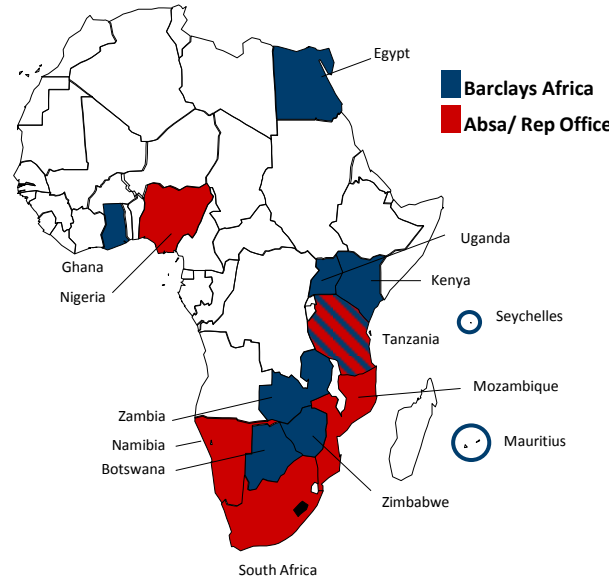
- # customers: 728k
- # branches & ATMs: 117 / 231
- # staff: 3,598

1

Zimbabwe (since 1912)

- # customers: 137k
- # branches & ATMs: 52 / 100
- # staff: 695

4



Tanzania¹ (since 2000)

- # customers: 551k
- # branches & ATMs: 85 / 290
- # staff: 2,270

3

Zambia (since 1918)

- # customers: 209k
- # branches & ATMs: 62 / 151
- # staff: 1,119

1

Uganda (since 1927)

- # customers: 280k
- # branches & ATMs: 50 / 75
- # staff: 955

3

Mozambique¹ (since 2002)

- # customers: 297k
- # branches & ATMs: 53 / 91
- # staff: 923

4

Seychelles (since 1925)

- # customers: 36k
- # branches & ATMs: 7 / 14
- # staff: 245

1

Botswana (since 1950)

- # customers: 272k
- # branches & ATMs: 52 / 100
- # staff: 1,368

1

South Africa (since 1991)

- # customers: 11.8m
- # branches & ATMs: 898 / 8,783
- # staff: 36,770

2

Mauritius (since 1919)

- # customers: 138k
- # branches & ATMs: 27 / 41
- # staff: 1,003

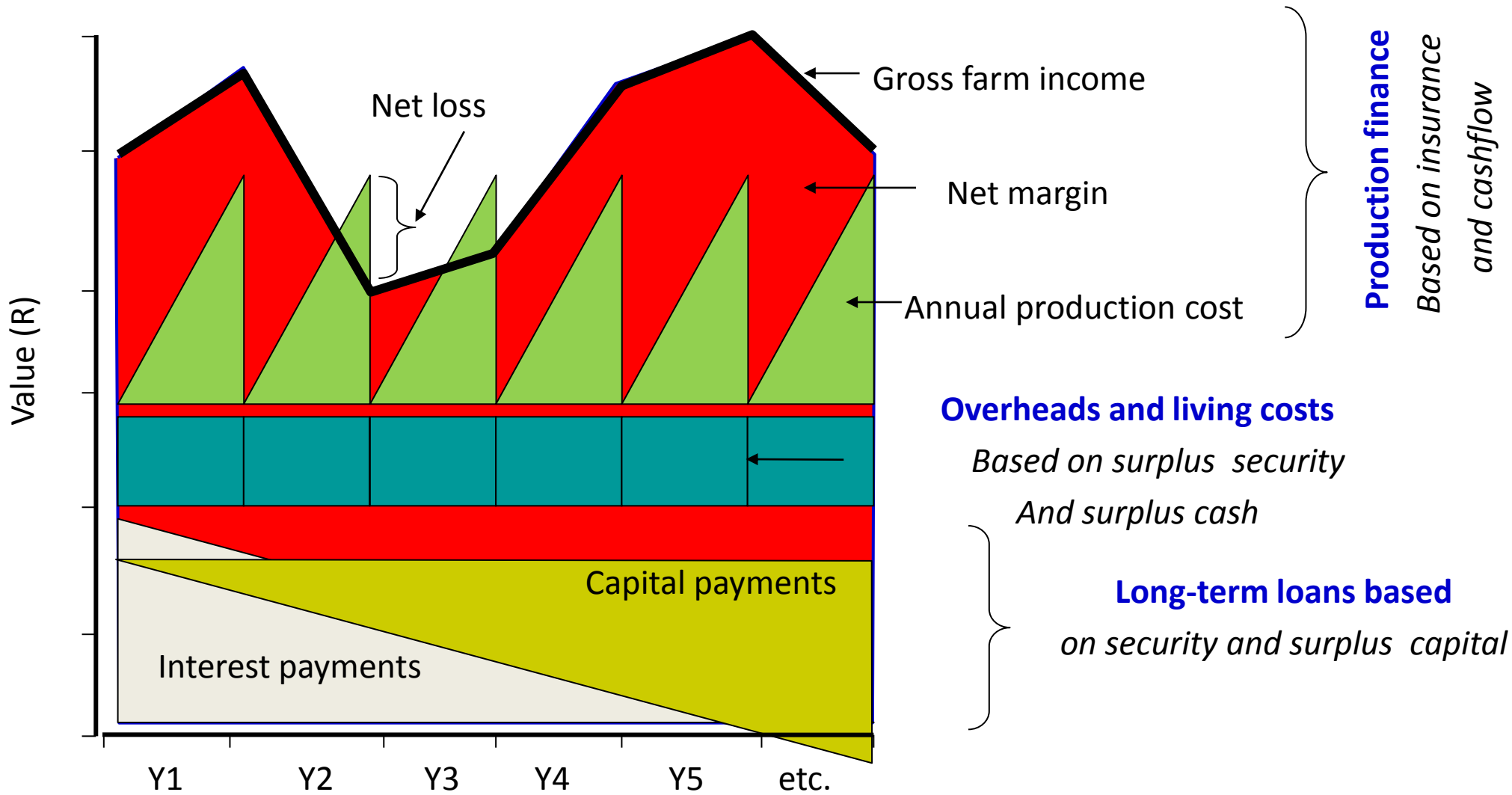
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X Market position based on total revenue²



Typical Financing Needs of an Agribusiness ...

Capital requirements for a farming venture



Risk Identification and Mitigation ...

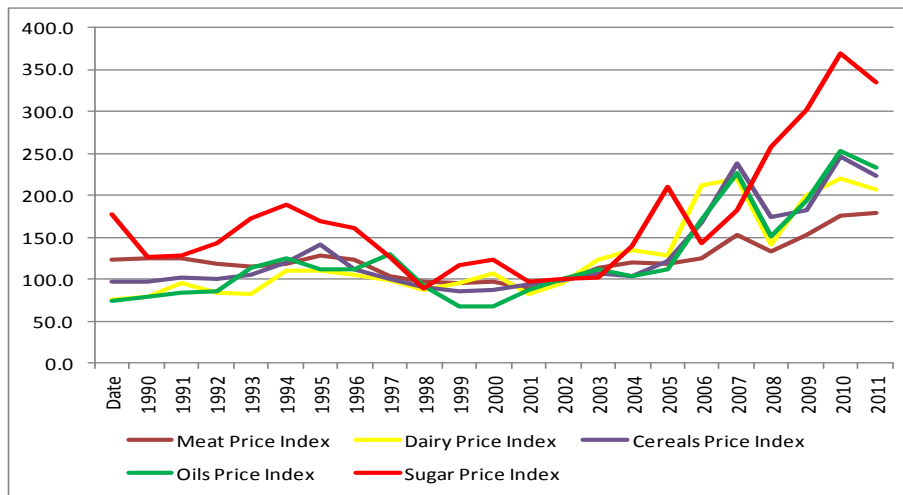
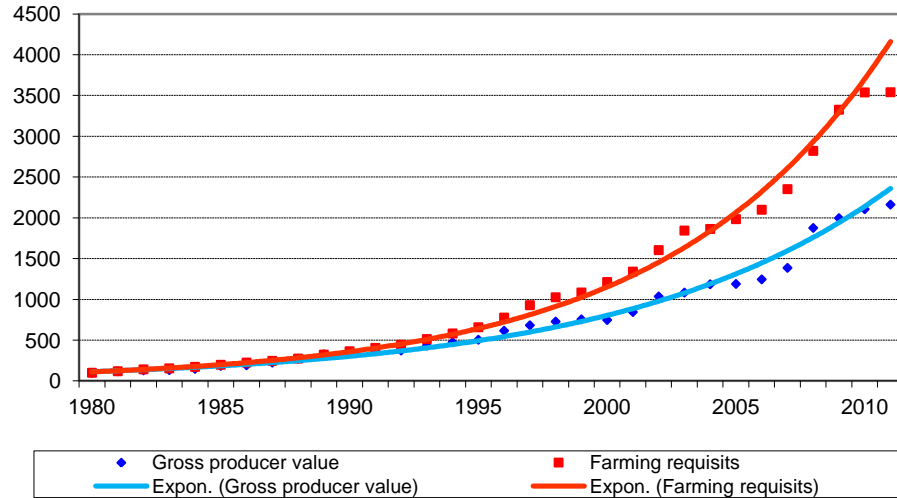
- **Market risk (Price, Storage, Third party risk)**
 - ✓ Agribusiness is exposed to international markets - global players in a global market irrespective of size
 - ✓ Agribusinesses have very little control over pricing levels and tend to be price takers
 - Prices range between import parity and export parity depending on supply and demand conditions on the local and international market.
 - ✓ Other factors influencing price include international production trends, exchange rates, import and export tariffs.
- **Production risk**
 - ✓ Production risk due to climatic conditions (drought, too much rain, late rains, hail, etc).
 - ✓ Production volumes (Inability to service debt).
 - ✓ Production volatility (Agronomic practices, technology, insurance products, etc.)

As financiers, we have to be prepared for future eventuality to keep impairments low ...



Financing Risk Increasing with rising input costs ...

Agricultural cost and Price Trends



Source: www.fao.org (2012)

Highlights

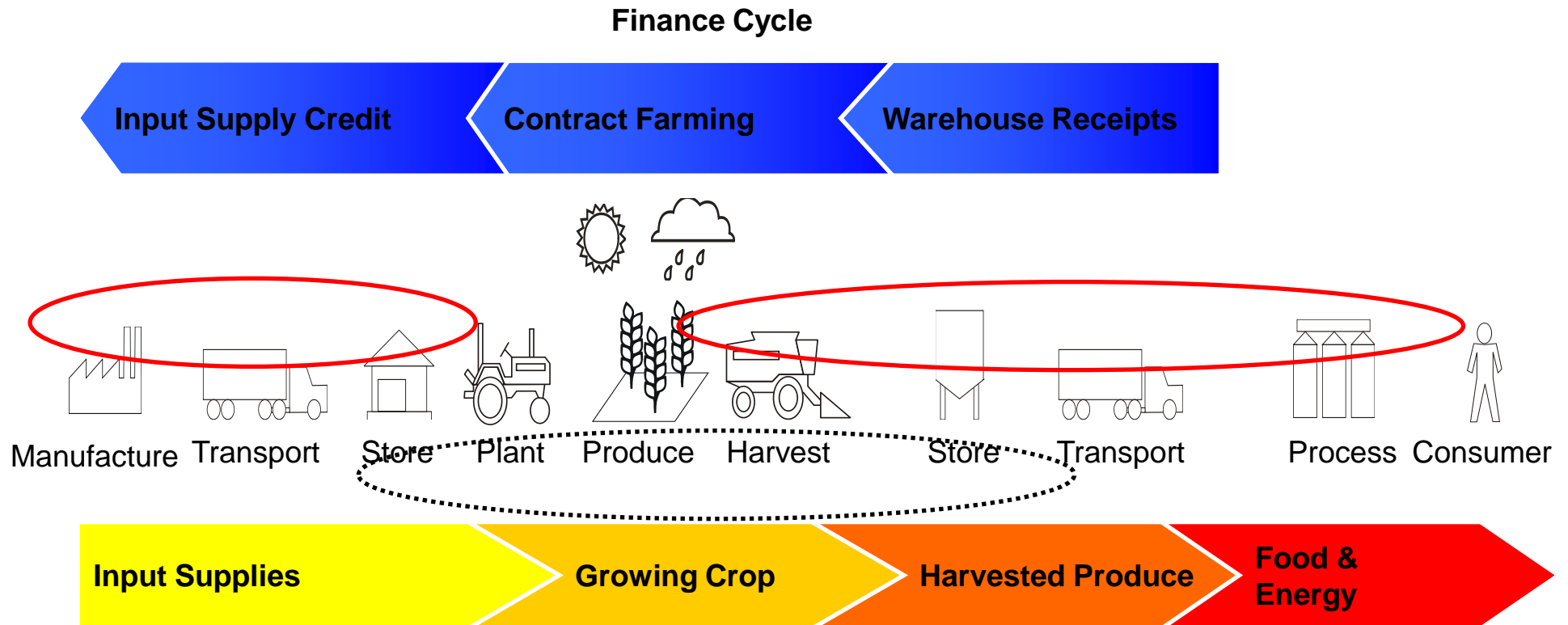
- Input costs on the increase
- Value of access to land improving
- Collateral increasingly playing a diminishing role in financing as input cost rise – Playing in the hands of most African land tenure systems
- Ability to recover after financial distress at an all time low – therefore risk management imperative (access to markets and price volatility management)
- Absa AgriBusiness has an impairment of 0.3%
- All income handled through the Financier

Securing cash flow has become more important due to high input costs ...



Solutions for Agricultural Finance ...

- Solutions vary based on the uniqueness of the value chain.
- Key risks addressed: production, market risk (price volatility), third party risk, delivery.



Array of Solution Sets to Meet Agribusiness Needs ...

	Low Complexity			High Complexity		
PRODUCT						
Transactional	Savings Account	Cheque Account	Debit/Credit/ Garage Cards	Electronic Banking	Call/Notice/Fix Deposits	
Trade Solution	Spot FX	LC	CFC Account	FEC	Currency Loan	
Short term Debt	Overdraft	Credit Line	Production Loan	Call Loan	Working Capital Solutions	
Long term Debt	Commercial Asset Finance	Term Loan	Mortgage Loan	Specialised Risk Sharing Solutions	Bespoke Risk Sharing Solutions	
Financial Services	Personal Insurance	Household Insurance	Vehicle/Asset Insurance	Hail/Fire/Crop Insurance	Multi Peril Crop Insurance	
Structured Finance	Input Cost Insurance Finance	Inventory Finance	SAFEX Trader Discount	Milldoor	Warehouse Receipt Finance	
Risk Management	Forward/Swap	Cap Price Structures: Call Option	Cap Price Structure: Put Option	Protection with some Flexibility: Collar	Non Margin using OTC Swaps Accumulator with Double up and Knock out	
SERVICES						
Agri Services	Agri Business Seminars	Financial Needs Analysis	Cash Flow Planning & Profit Management	Feasibility Studies	Risk Analysis and Strategic Planning	



Key Challenges ...

- Integration of agricultural finance and the management of farmer organisation structure.
 - Value chain
 - farmer (heavily influenced by value chain performance)
 - Social dynamics
- Remain ahead of the cost curve (to secure future finance)
 - Re-engineer and lower costs on a regular basis
 - Value chain integration (commercial and small-scale farmers)



Thank you

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Disclaimer: Although everything has been done to ensure the accuracy of the information, the Bank takes no responsibility for actions or losses that might occur due to the usage of this information.

