



Financing primary agriculture – a game of understanding

Alternative forms of financing using movable assets as collateral may be a solution to the challenge small to medium enterprise farmers face in getting loans.

There are often views that banks do not understand the business of agriculture. This sentiment was widely shared by a number of delegates at the SACAU annual conference held in May in Swaziland where it was stated that by failing to understand that approximately 45% of the gross domestic product (GDP) in Africa is from agriculture, banks on the continent are “dead”. The nature of agriculture, which is often characterised by uncertainty and unpredictability, was compared to an idea whose future is unknown. The irony is that venture capitalists invest their money in such ideas despite

not being any more certain than agriculture, which is tangible. Indeed, these views depend on which side of the fence one sits on.

The reality however is that banks will only provide credit to eligible individuals. Knowing the often stringent requirements of banks becomes key when seeking credit. One delegate at the conference attested to this, also stating that “we bring people who are not bankable and don’t even have records”. The cost of borrowing unfortunately cannot be overlooked and it is the responsibility of banks to ensure that they do business with individuals who are able to

provide reasonable assurance that they have the ability to service their debt, as loans are often the principal way in which they earn income.

Some of the aspects that borrowers need to consider is the large cost involved in establishing banks and the exposure to unmitigated risk. It costs R250 million to obtain a banking license in Africa and at least five years to be profitable. Weather patterns, for instance, are now a big deal in the banks and the only way to finance agriculture is to understand the various risks in the sector better, in addition to credit risk.

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CEO's Letter



by Ishmael Sunga

This month, the Secretariat has been hard at work on all fronts. We share snippets of some of these with you in this issue.

One area has been the preparation of a supervision mission by the International Fund for Agricultural Development (IFAD) of the Support to Farmers' Organisations in Africa Programme (SFOAP). SFOAP is one of our biggest initiatives and is directly associated with some of the activities of the SACAU Secretariat and those of some of our members. We attach great value to these exercises and do our utmost to ensure that they are a success, and this consequently calls for very thorough preparations. We are expecting a successful mission with positive outcomes.

On a different thrust is our involvement in the Technical Centre for Agricultural and Rural Cooperation's (CTA) flagship programme for southern Africa on climate resilient solutions



focusing on grains and livestock in the smallholder sector. As part of the preparations for the launch of the programme, we had the pleasure of hosting Dr Olu Ajayi of CTA at our offices in Centurion, and we look forward to collaborating with them on this exciting project.

Another highlight was the negotiations skills training. The training was highly rated by participants who came out more astute, including knowing when to cut their losses and walk away from the proverbial negotiation table. This information is the currency of negotiations and clearly, we will need to do more of this stuff.

Finally, we undertook several

advocacy missions, one of which was participating in the African Union/ European Union partnership on advancing food security in Africa. We continued drumming the importance of investing in youth for agricultural transformation on the continent and how ICTs and an "enterprise-development" approach is key in this respect. Another key message that we delivered was the importance of finance for farmers in general, also bringing in the element of the youth. Our golden rule on finance for farmers is that it should be available to farmers as much as possible, for as long as possible and for as cheap as possible!

Enjoy the read!

Financing primary agriculture

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Some quarters put forward different approaches that could be adopted to improve farmers' access to finance such as the use of alternative financing. This type of financing provides lenders with various solutions which are flexible and provides them with innovative ways to finance their growth. This caters for entrepreneurs or owners of small and medium-sized enterprises (SMMEs) who typically

would not be able to obtain traditional forms of financing due to lack of consistent cash flow, limited track records, low debt-to-income ratios or more commonly; the lack of collateral.

The recognition that most farmers often do not qualify for traditional financing has led some financiers to consider movable assets as collateral and financing based on the strength of the value chain. It is comforting to know that banks

are now increasingly focusing on the value chain. The use of land as collateral may however be challenging in the African context as most land on the continent is not securitised. These innovations, albeit their shortcomings, indicate that not all is doom and gloom. What remains is to build bridges between banks and farmers, and dialogue is the starting point to this, and to tackling the misunderstandings between the two groups!

Learning when to walk away – negotiations skills training

SACAU, in collaboration with We Effect, organised a three-day negotiations skills training for its members along with We Effect's partners from 13th -15th July 2016 in Pretoria, South Africa.

The primary aim of the training was to equip participants with the core negotiation skills and tools that will empower them to make a meaningful difference in the outcome of their negotiation endeavours upon their return to their areas of responsibility.

The training took the form of lecture-style delivery as well as hands-on learning, where participants worked on cases in groups and explored new approaches to tackle a number of scenarios. Creating a negotiation climate conducive to mutually beneficial and value-enhancing exchange provided participants with insight into a number of crucial, yet often disregarded, variables such as the tone and volume of their voice or the type of questions asked and how to respond to seemingly unaccommodating questions were some of the aspects that influence the outcomes of negotiations.

Participants were encouraged to identify their interests as well as those of the other party's when approaching the proverbial negotiation table. Sharing these interests as a means to establish trust and to put across one's underlying reasoning before proposing solutions was promoted rather than adopting a positional-bargaining approach which is one-sided and does not jointly create value. It was clear at the conclusion of the course that paradigm shifts in the negotiation mindset of participants had started to take effect.

Interestingly, participants were also cautioned to set clear "walk away points" prior to the commencement of a negotiation, and to ensure that they also clearly determine what their



Participants gained valuable negotiating skills including identifying both their and the other party's interests as well as when to walk away from a negotiation.

Best Alternatives To A Negotiated Agreement (BATNA) would be in the event that they may need to walk away, to ensure that they do not find themselves accepting agreements which are ultimately self-damaging.

Professor David Venter, a negotiations practitioner for over 20 years and Honourary Professor at the Vlerick Business School, took participants through an intense three days of training. With his wealth of knowledge in human behavior as well as experience in

negotiation and conflict resolution; he walked participants through a number of fairly complex concepts and negotiation scenarios which he himself was involved in. Professor Venter, lectures MBA candidates at two of South Africa's top universities and a number of universities across three other continents.

Participants enjoyed the training and gave an overwhelmingly positive feedback, as has been the case by previous groups attending the same training.

Data enables agricultural development

The integration and use of data in agriculture empowers farmers and enables development in the sector.

There is growing evidence that data - whether it is meteorological, market prices or research-based innovations - that is up to date and easily accessible is important in helping farmers make critical decisions. These decisions include issues such as how to deal with climate change in food production.

The shift to information revolution - driven by new technology - has triggered innovative services for farmers and other stakeholders to access, share and exchange information.

According to the Technical Centre for Agricultural and Rural Cooperation (CTA) infographic titled Data: the Next Agriculture Revolution, farmers are able to receive advice and warnings on soil and weather conditions as well as market information. Giving farmers access to reliable data can translate into higher productivity and greater access to markets.

“Open data is helping, and can continue to help, the agriculture and nutrition sector meet the challenge of sustainably feeding the world in the context of population growth, climate change and volatile markets”, says the Global Open Data for Agriculture and Nutrition (GODAN)

Data: the next agricultural revolution

How data is transforming agricultural and rural development across the ACP region

Data-driven world

The volume of data in the world is **increasing exponentially**

But most of it is **not accessible** to everyone (machine-readable, published under open licence)

40% increase per year in size of the digital universe¹

Only **10%** of datasets are truly open²

Example project 1

Improving production MUUIS, Uganda

Market-Led, User-Owned ICT4Ag-Enabled Information Service (MUUIS) is a 3-year project to provide farmers with **access to agricultural advice via mobile phone**

Subscribing farmers will receive **daily weather forecasts, drought early warnings, climate smart tips** and other advice by SMS. They will also have access to a **farmer help desk** and **affordable crop insurance** to counter climate change

Within 3 years, MUUIS will reach at least 350,000 farmers with data-driven products

Data-driven agribusiness

Technology is transforming the supply chain, linking growers to buyers

Who are the producers? How much is the product? Where is it located?

Data provides **buyers** the answers:

- Farmer registries e.g. Blue Number Initiative
- Give small-scale farmers an **online presence**
- Enhance traceability and encourage **sustainability** improvements

Example project 2

Women in Business Development Incorporated (WIBDI) redeveloped their database which includes information on **GPS points**, and **GIS mapping** by drone on their organic farms

WIBDI developed an app called **FarmBank** intended to build business literacy which will give farmers information about their bank balance and e-receipts

Linking farmers to markets

WIBDI Farm to Table, Samoa

Data-driven growing

Data is empowering farmers and farmers associations to make smart decisions

What will the weather be like? What soil conditions do I have? How much can I get for this crop?

Data provides **farmers** the answers:

- Open data from **satellites**
- Open **soil maps**
- Market **information** systems

Data-driven knowledge

Access to new forms of data analysis is revolutionising research

Media mentions
Analysis of mentions of crops in the media can be a model for future pricing

Mobile phone data
Analysis of data records from mobile phones can indicate mobility of populations and provide census information

Crowdsourcing
By sharing data openly research analysis can be crowdsourced

Genomic
A new plant breeding method that uses statistical modeling to predict how a plant will perform

Example project 3

An open-access **web portal** facilitated by IFPRI

Brings together international, regional and country-level data, news and research on **food security** in one place

Gives policymakers, development professionals and researchers access to **accurate, timely, relevant data**

Improving food security Africa South of the Sahara Food Security Portal

— Source CTA website

IFAD to conduct supervision mission

Officials from the International Fund for Agricultural Development (IFAD) will visit SACAUI from 15th to 25th July 2016 to review implementation progress of the Support to Farmers' Organisations in Africa Program (SFOAP) in the region and provide support where required. The specific areas of focus for the mission are, progress on programme activities and achievements so far; sustainability of programme activities; monitoring and evaluation measures deployed by participating national farmers' organisations (NFOs); overall financial management and the identification of main implementation constraints. The mission will meet the SACAUI president and CEO and project staff at regional level and management and leadership of Namibia National Farmers Union (NNFU) on a field visit to Namibia.

SFOAP is a continental programme initiated by four regional networks of Farmers' Organisations (FOs) in sub-Saharan Africa (East African Farmers Federation (EAFF), Plateforme Regionale des Organisations Paysannes d'Afrique Central (PROPAC), Le Réseau des Organisations Paysannes et de Producteurs de l'Afrique de l'Ouest (ROPPA) and SACAUI). It aims to strengthen and consolidate the institutional capacities of FOs and give them a greater say in agricultural policies. The program also supports the development of FOs' economic service provision to facilitate the integration of smallholder farmers in value chains.

In SACAUI the implementing NFOs are; the Agricultural Council of Tanzania (ACT), Coalition Paysanne de Madagascar (CPM), Seychelles Farmers' Association (SeyFA), Swaziland National Agricultural Union (SNAU), Lesotho National Farmers' Union (LENAFU) and NNFU.



Training and funding through SFOAP has greatly improved the position of FOs.

Support program improves stakeholder confidence

National farmers' organisations (NFOs) receiving funding from the "Support to Farmers' Organisations in Africa Program (SFOAP)" continue to gain confidence of stakeholders in their respective countries. This is due to the tremendous improvements these organisations have made in good corporate governance, management and other aspects, mainly with support from SFOAP, which has greatly improved their credibility. The organisations are steadily becoming indispensable partners in the policy discourse in their respective countries. For instance, from January to June 2016, six NFOs received over 244 invitations from local and international stakeholders. This is a great achievement considering the fact that most of them were not in existence seven years ago.

In addition to them being invited at such a rate, five of these FOs are members of about 48 special committees/task forces that are set at national level to steer agriculture programs in their countries. Their participation in these committees provides them with opportunities to directly contribute towards interventions that take into account the views of farmers at every level of program or project cycle from planning to evaluation. Farmers'

organisations engagement on national policy matters has also increased. In addition, the SFOAP support has assisted them to engage with their members as well as other stakeholders in a number of policy areas.

Collectively, a total of 49 policy consultation meetings were conducted by these organisations in six months, focusing on a variety of policy matters affecting farmers' businesses. A total of eight policy related studies/reviews were undertaken in Tanzania, Madagascar and Lesotho, while 15 policy positions/statements/briefs were developed and presented to authorities in respective countries. These organisations also organised 9 lobby and advocacy events where they presented their positions to the relevant stakeholders. All these activities have ensured that farmers' views are adequately represented during review or formulation of policies. Participating FOs in southern Africa are the Agricultural Council of Tanzania (ACT), Coalition Paysanne de Madagascar (CPM), Seychelles Farmers' Association (SeyFA), Swaziland National Agricultural Unions (SNAU), Lesotho National Farmers' Union (LENAFU) and Namibia National Farmers' Union (NNFU).

SAGNET reassesses platform's future

The Steering Committee of the Southern Africa Grain Network (SAGNET) convened a consultative meeting from 23rd -24th June 2016 in Johannesburg, South Africa. At this meeting, participants shared experiences on various issues of interest that advance the work of the platform. The Committee also had an opportunity to assess the progress made by the platform since its inception in September last year.

Taking into consideration the high level of ambition articulated in the business plan, the meeting found that urgent steps were required to accelerate the implementation of activities as per the strategic objectives of the platform. The meeting also considered avenues for collaboration with FoodTrade East and Southern Africa (ESA), a regional programme which is funded by UKAID to support investments in enhancing regional trade in grains. This was against the backdrop that the FoodTrade



SAGNET Steering Committee members, representatives of Food Trade ESA and SACAUI Secretariat staff.

ESA representatives sought to gain insight into SAGNET and its ambition, with a view to establishing best mechanisms to support its forthcoming activities.

The Committee agreed to establish a secretariat, a decision which was subsequently approved by the broader stakeholders of the Network. Over the next few months,

SAGNET will be working closely with the SACAUI Secretariat to advance this. These are the defining steps which are going to be prioritised in order to achieve the network's vision of being a vibrant, well-integrated, viable and sustainable grain value chain network that contributes to the creation of wealth, employment and food and nutrition security.

CTA and SACAUI conclude talks on project

The Technical Centre for Agricultural and Rural Cooperation (CTA) will be working with SACAUI on a climate change flagship project. This new project aims to promote information provision and access to four of the proven climate solutions to increase food security, nutrition and income of smallholder cereal and livestock farmers.

Citing the huge risk which climate change poses to agriculture in southern Africa, and specifically smallholder farmers' dependence on rain fed production systems, the mono-modal rainfall regime which the region faces makes farmers far more vulnerable to climate variability. As a result, weather patterns highly influence agricultural activities in southern Africa, and in turn the food security, nutrition and income of rural households. With up to six million people adversely affected by the prevailing climatic conditions in the



CTA's Programmer Coordinator, Dr Oluyede Ajayi.

current agricultural season, there is an increasing call by development practitioners on the need to recognise drought as the "new normal" in the region and to respond appropriately.

While the need for "relief efforts" is necessary to cater for those who are in dire straits, part of the response is the shift to "production relief", that is; helping farmers adopt practices that

make them resilient and help them continue to produce despite climate change uncertainties.

Dr Oluyede Ajayi, CTA's Programmer Coordinator who manages the climate change project visited the SACAUI Secretariat in June to discuss this new project. Working with other stakeholders, the project will focus on (i) stress-tolerant germplasms; (ii) ICT-enabled climate information services; (iii) diversified livelihood options through livestock; and, (iv) innovative weather-based insurance. The initiative will be launched in September 2016.

The SACAUI Secretariat is eager to get things going on this project which has immense potential to arm farmers with the tools they will need to fight the negative effects of the rapidly changing climate. Watch this space for further developments!

AU and EU collaborate to advance food security

The African Union and the European Commissions have taken their partnership in the agricultural sector to the next level during a meetin the Netherlands.

Leaders representing the two regions gathered at a global conference called "AU-EU Investing in a Food Secure Future" held in the town of Noordwijk between the 4th to 6th July.

The latest collaboration seeks to support governments, farmers, the private sector, scientists, businesses, civil society as well as regional blocs and international organisations in addressing agricultural, forestry and fisheries practices, food systems and social and economic policies. That's in order to try and reach a new level of food security. It also brought together participants from governments, international organisations, businesses, investment groups, research institutions and civil society to share experiences in an effort to transform agriculture to achieve food security, improved nutrition, and rural growth.

SACAU's CEO Mr Ishmael Sunga attended the high-level conference as a panelist in a working session on Improved Market Access which looked at addressing the challenges and opportunities in regional market integration.

"The current agriculture system



SACAU CEO Ishmael Sunga speaks at the AU-EU meeting in Noordwijk, Netherlands.

is not sustainable; there are a lot of contradictions and inequalities," said Mr Sunga. "With respect to subsistence farming, what we see is desperation and destitution, and why must we continue to romanticise that poverty?"

He emphasised the importance of attracting young entrepreneurs into agriculture and the crucial role that the digital revolution would play in enhancing competitiveness and creating worldwide alliances. He also called for the creation of entrepreneurship development funds and special purpose arrangements to be able to support youth entrepreneurs and ICT investments.

The main topics highlighted in the conference were climate smart agriculture, fighting food losses and waste, improved market access, responsible private sector investment, and science and innovation for agricultural development.

Speaking at the conference was the Minister for Agriculture of the Netherlands Mr Martijn van Dam. In his opening speech he said cooperation was required for a food secure future.

"The challenge in the coming decades, as global populations continue to grow exponentially, will

be to produce more food in better, smarter ways, while also taking into account Earth's finite resources," he said.

The Commissioner for Agricultural and Rural Development of the African Union Ms. Rhoda Peace Tumusiime said climate change and scarce resources are making it difficult to improve food security in a growing population.

The conference resulted in partners committing to support the AU and EU in accelerating the implementation of relevant agreements and actions as well as to strengthen cooperation with the private sector.

The government of the Netherlands committed to funding between two and four Agri-business incubators for Africa and also expressed an interest in working with other relevant parties.

The EU also made a commitment to deepen their work in the five thematic areas. These included EC Funds, ENI for North Africa, the Global Public Goods Fund, Agrifi, and Funds of the European Investment Bank. Furthermore, the EU said it would facilitate a roundtable focused on implementation aimed at a strong and lasting partnership between the AU and EU around the five main themes.



Mission

To be the main voice of farmers on regional, continental and global matters, and to promote and ensure strong and effective farmers/producers' organisations in all countries in southern Africa.

Values

SACAU is founded on the following values and principles:
 Consultation • Transparency • Accountability • Honesty and integrity • Objectivity • Impartiality • Professionalism • Non-discriminatory • Independence • Subsidiarity and complementarity • Political neutrality

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Newsletter

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