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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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 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 Honorary Professor at the Vlerick Business School, took participants through an intense three days of training. With his wealth of knowledge in human behaviour 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).

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

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 1
Market-led, User-Owned ICT4Ag: Enabled Information Service (MUSIC) is a 2-year project to provide farmers with access to agricultural data via mobile phones. Subscribing farmers will receive daily weather forecasts, drought early warnings, climate and market information via SMS. They will also have access to finance, help desk and affordable crop insurance to cushion climate change. Within 2 years, MUSIC will reach at least 300,000 farmers with these services.

Example project 2
Women in Business Development: Incorporated with different agricultural databases which includes information on gender, markets and GIS mapping by Skype on their mobiles, WBD developed an app called FarmerLink intended to facilitate business farmers and get farmer information about their bank accounts and inputs.

Example project 3
Improving food security—Africa South of the Sahara Food Security Portal

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

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Source CTA website
IFAD to conduct supervision mission

Officials from the International Fund for Agricultural Development (IFAD) will visit SACAU 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 SACAU 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 de ’Afrique de l’Ouest (ROPPA) and Le Réseau des Organisations Paysannes et de Producteurs de Madagascar and Lesotho, while 15 of these FOs 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 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 Union (SNAU), Lesotho National Farmers’ Union (LENAFU) and Namibia National Farmers’ Union (NNFU).

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 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 Union (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 review 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 enhancing regional trade in grains. This was against the backdrop that the FoodTrade Support program improves stakeholder confidence

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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 meeting in 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, 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 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.