

A photograph of a cacao plantation. In the foreground, a large pile of harvested cacao pods lies on the ground, showing various colors from yellow to dark brown. In the background, cacao trees are visible with several pods still attached to their branches. The scene is lush and green, suggesting a healthy and productive farm.

FMO

Entrepreneurial
Development
Bank

FARMER FINANCE

Investing
in **local**
prosperity

The role of Farmer Finance

FMO's Farmer Finance program works with agribusiness companies and financial institutions on projects that enhance the livelihoods of (smallholder) farmers.

Through our financing, expertise and grants, farmers can build up their knowledge and invest in their farms with the aim of becoming financially sustainable.

The program focuses on innovative financing structures targeted at improving (smallholder) farmers' access to finance for quality farm inputs, farm rehabilitation and/or replanting of crops. Through improvements in productivity and better access to markets, (smallholder) farmers can increase their profitability.

The next level

We are looking for agribusiness companies that work with and source from (smallholder) farmers and want to take relationships with their suppliers to the next level. One way to do this is by providing financ-

ing/advances to farmers for quality farm inputs and/or investments in their farms. This provides the company with an efficient supply of produce in the future and creates meaningful impact and loyalty at the supply base.

In addition to loans and guarantees, we offer capacity development to strengthen the client's ability to manage a farmer finance program (product design, credit policy, loan-monitoring system, implementation of Client Protection Principles). FMO can also support the client's efforts to train its suppliers.

FARMER FINANCE IN ACTION

Examples of how our financing is used include scaling up innovative farmer servicing models and supporting captive banks to make long-term investments in their sector. Both investments are made through the MASSIF fund, which is managed by FMO on behalf of the Dutch government.



Award-winning social enterprise

The Farmer Finance program extended a US\$ 4 million loan to Babban Gona, an award-winning Nigerian social enterprise. The money is being used to support and expand its innovative farmer service model, which has increased smallholders' yields up to twofold and income up to 3.5 times, compared to the national average.

The Babban Gona franchise demonstrates that the smallholder segment is a viable model for investment. Over the past six years, it has provided services to more than 21,000 (smallholder) farmers while maintaining a 99.9% loan repayment rate. Babban Gona is currently the premier maize producer in Nigeria and has a goal to scale up and impact one million (smallholder) farmers by 2025.



Unique partnership

Through a unique partnership, agri-finance company Agronomika Finance Corporation and agri-business company Kennermer Foods International Inc., along with FMO (Farmer Finance) and the Sustainable Trade Initiative IDH, are supporting (smallholder) farmers in the Philippines.

The Farmer Finance program has provided a Philippine peso loan equivalent to US\$ 2 million and this is being used by Agronomika Finance Corporation to provide loans to (smallholder) coconut farmers to invest in cocoa, a crop that could raise farm incomes by 400%. A combination of technical support, access to finance and offtake of the produce empowers farmers to grow from subsistence farming to commercial farming. In time, these farmers will build operational and financial track records that should give them independent access to finance via regular banking channels.



FARMER FINANCE PRODUCTS

As well as providing support in the form of capacity development, FMO's two main Farmer Finance products are:

Farmer Finance Loan

A loan to a company or financial institution to be lent on to (smallholder) producers for productive investments in crop inputs or fixed assets (i.e. pre-harvest finance).

Benefits

- Loan is part of a medium-term commitment (up to 5 years) to support the company in investing in its supply chain and gaining better access to raw materials
- Loan can be unsecured (with a negative pledge on the farmer loan portfolio), which allows companies to expand their activities without the need to post collateral
- Possibility to share credit risk with FMO (subject to company's experience)

Farmer Finance Guarantees

Funded or unfunded guarantee to cover part of the credit risk in a loan portfolio consisting of farmer loans (for productive investments in crop inputs or capex).

Benefits

- Ability to expand farmer finance without the need to absorb all credit risk
- Grant and knowledge support to professionalize farmer financing activities
- Ability to tailor risk division between the company and FMO:
 - First Loss Guarantee by FMO up to 50% of the first loss portion
 - Second Loss Guarantee by FMO up to 90% of the second loss portion
- Possibility to share credit risk with FMO (subject to company's experience)

In both cases, services and products are preferably provided in kind, backed by offtake of produce and supported by training where needed.



EXPLORE YOUR OPTIONS

If you are a representative of an agribusiness company or financial institution with an interest in or connection with (smallholder) farming in developing countries, and you would like to know what FMO's Farmer Finance program can do for you, we would be happy to discuss the various options.

FMO is the Dutch development bank. FMO has been investing in the private sector in developing countries and emerging markets for more than 47 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution will have the largest long-term impact: financial institutions, energy and agribusiness, food & water. www.fmo.nl

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