Analyzing the Value Chain Requirement for Agricultural Investment Financing: An African Perspective

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Introduction

Africa

South Africa

AgriSaMoz

Mozambique
Introduction

Agricultural financiers

Producers

Value chain

What credit risk assessment criteria do agricultural financiers consider when evaluating a South African producer's application for expansion into Mozambique?
Research method

Qualitative – semi-structured interviews

3 commercial banks:

Banco Terra

Standard Bank

Barclays Africa
Literature review

Mozambique

Agricultural Finance in Mozambique
Empirical results

Context – 1 size does NOT fit ALL

Credit assessment criteria:
1. Financial history
2. Repayment ability
3. Collateral
4. Management profile of producer
Empirical results

Financial history
3 years history of:

Income statement:
  (EBITDA x factor) less

Balance sheet
  Debt liability (current)
  Gearing ratio
  Current ratio

Cash flow statement

Debt repayment ability

Cash flow repayment ability
36 months’ forecast:
  Income
  Production costs (expenditure)
  Depreciation charge

(EBITDA x factor) = Debt repayment ability

Debt repayment ability x % = maximum loan amount

Collateral
Owner of land in South Africa?
  Yes
  Use as collateral
  No
  Alternative collateral

Management profile of producer
Management abilities:
  Experience
  Production techniques
  Value chain risks (production, price and market risk)
Questions?