CASE STUDIES: FINANCE

CASE STUDY 1: Warrantage System, Niger

The Food and Agriculture Organisation of the United Nations (FAO) provided support to cooperatives in Niger from 2008 to 2013. During this time the FAO project helped to establish farmers associations and cooperatives, which built more than 100 warrantage warehouses.[1] Farmers can store any end-of-season surplus produce in the secure warehouses that are owned by their cooperatives. The cooperative retains one key to the storage facility whilst the bank or microfinance institution keeps the other key. Farmers who deposit produce into the warehouse are given a loan that is negotiated by the cooperative against what is in the storage facility (known as their 'collateral'). This allows the members to finance other household or commercial activities. By 2013 warrantage was available to more than 100,000 farmers.

Farmer repayment in Kenya. Credit, One Acre Fund

Typically the surplus is stored for 6 months, by which time the market price for crops is higher as the market is no longer flooded. Money from the warrantage arrangements can be used to buy inputs such as fertilisers. The project therefore also set up 264 cooperative-managed input shops. Using the shops as a base, the cooperatives ran 375 farmer field schools with 780 demonstration plots. The success of the cooperatives has spread to villages outside of the initial project area, and now more than 780 input shops exist in Niger, reaching more than half of the agricultural villages in the country.[2]

By buying better inputs, smallholders have increased yields by between 34%-120%, and incomes have increased by between 19%-113%.[3] Sorghum yields have increased by 100%, whilst millet yields have increased by 81%. However, a particular issue with the system is that a bad harvest may result in little or no surplus, whilst in high produce seasons there may be more surplus than storage. In that case, there may also be insufficient financing available from the banks to cover all of the produce.

CASE STUDY 2: Equity Bank, Limited, Kenya

Equity Bank provides microfinance services via local branch offices and mobile units to more than 250,000 people in Nairobi and Kenya's Central Province. In 1994 Equity Bank started to tailor its loan and savings products to a microfinance market by adding 2 loan products targeted at tea and dairy farmers that are secured by agribusiness contracts. The deposit base of Equity Bank grew as a result to US$ 44 million by 2003, and its outstanding loan portfolio was more than US$ 22 million.

Tea farmer in Kenya. Credit, Georgina Smith CIAT

Equity Bank launched a new *Bank2000* system in 2000, aimed at customers in more remote rural areas who needed small loans. The new computerised system reduced customer turnaround time from 35 minutes to 5 minutes compared to previous manual systems, which meant the administrative time on each 'loan dollar' was decreased, making it a viable operation for the bank. Furthermore, Equity Bank put 2 4-wheel drive mobile banking units into action in the same year, helping them to reach more remote customers.

By the end of 2003 the mobile banking units made weekly visits to 30 rural villages, serving more than 12,000 people and accounting for more than US$ 1.3 million in deposits.[4] In 2015 Equity Bank will launch its new *Eazzy 247* mobile phone banking service, which hopes to further reduce costs to both the bank and farmers. Participating farmers will pay KSh50 (US$0.5) per transaction, compared to the average bank charge of KSh200 (US$2).[5]

CASE STUDY 3: Juhudi Kilimo, Kenya

Around 80% of Kenya's 30 million inhabitants earn their livelihoods from farming. With an average farm size of less than 2.5ha, a powerful route to economic growth for Kenya's smallholder farmers is access to productive agricultural assets. However, 36% of rural Kenyans have no access to any form of financial services, making these assets unattainable.

Micro irrigation. Credit, USDA

The Juhudi Kilimo approach is tailored towards helping women and youth, and prevents recipients spiralling into debt by permitting investment in physical assets that generate income, rather than providing cash. Technical support is offered to the farmers as part of the package with information and services delivered directly and through strategic partners.[6]

Through Juhudi Kilimo, Kenyan smallholder farmers can access high-quality agricultural assets that enhance the productivity of their farms, such as irrigation equipment, chicken coops, or improved breeds of dairy cows that can produce more milk. The assets are insured as part of the package, to further reduce the risk of investment, and assets are used as collateral in case of default. Juhudi Kilimo plans to increase its reach from 10,000 borrowers to more than 100,000 by the end of 2015 – aiming to improve the lives of nearly 500,000 rural Kenyans.[7]

[1] Food and Agricultural Organisation of the United Nations (FAO) (no date), 'Putting the right inputs in the hands of Niger's farmers' *FAO: News* Available from: < http://www.fao.org/news/story/en/item/179019/icode/> [26 June 2015].

[2] Food and Agricultural Organisation of the United Nations (FAO) (no date), 'Putting the right inputs in the hands of Niger's farmers' *FAO: News* Available from: < http://www.fao.org/news/story/en/item/179019/icode/> [26 June 2015].

[3] Hernandez, E 2012, 'Warehouse receipt systems: lessons from Niger' *Technologies and Practices for small agricultural producers,* FAO, Rome, Available from: <http://teca.fao.org/technology/warehouse-receipt-systems-lessons-niger#sthash.AaooH1xG.dpuf> [26 June 2015].

[4] Pearce, D & Reinsch, M 2005, 'Equity Building Society of Kenya Reaches Rural Markets' *CGAP Agricultural Microfinance Case Study Series*, no. 4, World Bank, Washington, D.C.

[5] Balancing Act (no date), 'Equity Launches Cellphone Banking in Kenya' *Balancing act News* Available from: <http://www.balancingact-africa.com/news/en/issue-no-421/web-and-mobile-data/equity-launches-cell/en> [26 June 2015]

[6] Juhudi Kilimo (no date), *Our Approach*, Available from: <http://juhudikilimo.com/our-approach/> [30 June 2015].

[7] Acumen (no date), *Juhudi Kilimo* Available from: <http://acumen.org/investment/juhudi-kilimo/> [30 June 2015].