



Rabobank



# Rabobank Rural Fund & Rabobank Foundation

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# Rabobank



## Introduction

- Established in 1860
- A merger of small agricultural cooperative bank
- A Dutch retail bank
- Strong focus on Food and Agriculture
- International leader in Food & Agri
- Presence in more than 43 countries
- Rabobank Group is one of the world's largest financial institutions.
- AA-rating: one of the safest privately owned banks in the world
- Rabobank Foundation was established in 1973
- Rural Fund was set up in 2011 to focus on financing of farmer cooperatives and SMEs in developing countries

# Presence of Rabo Rural Fund and Rabobank Foundation



## **We focus on:**

Asia, Africa and Latin-America

## **Types:**

- SME's
- Producer Organisations
- membership based organisations (coops/ assoc.)*

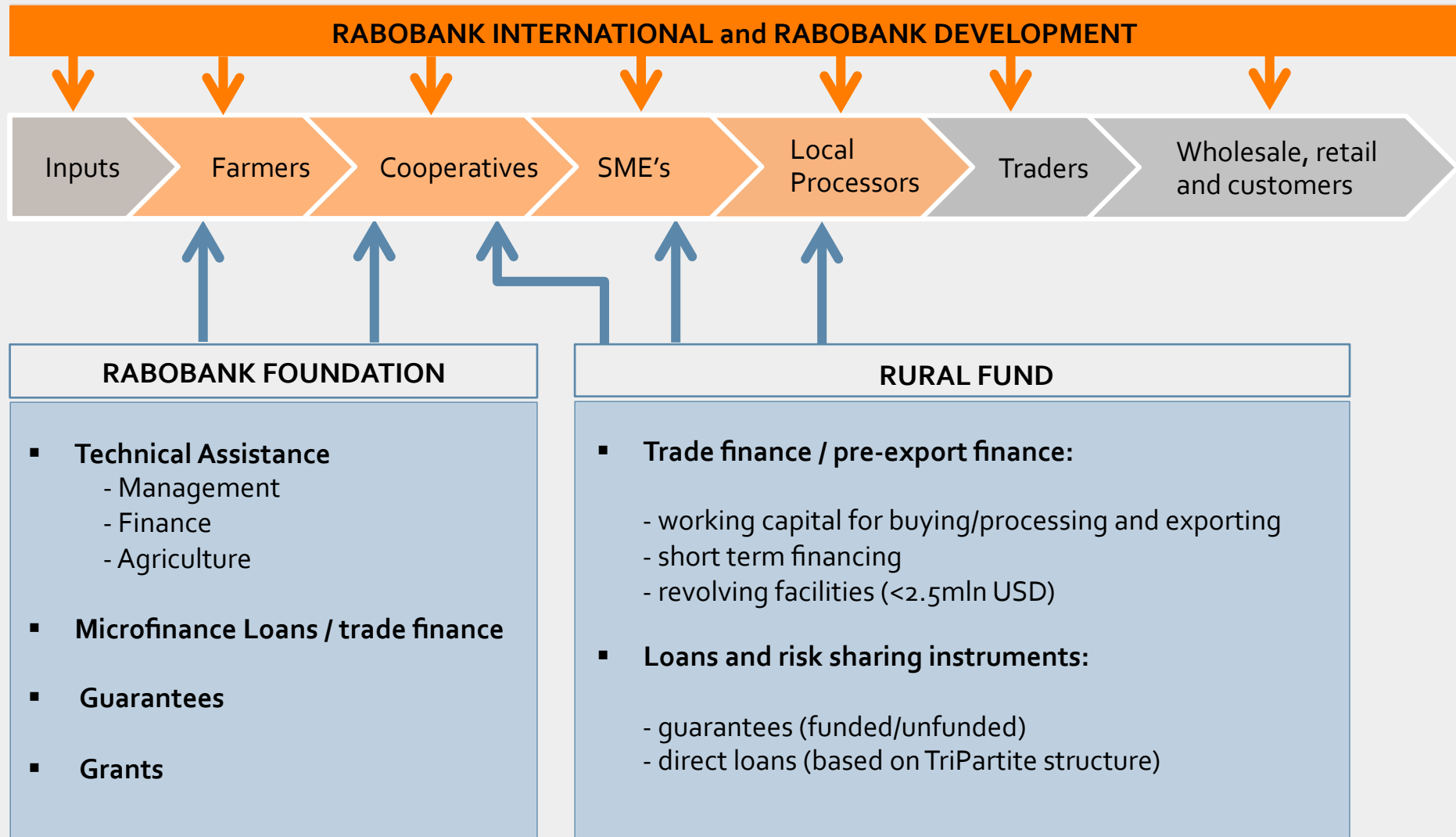
## **Commodities:**

Non-perishable agricultural products, including but not limited to:

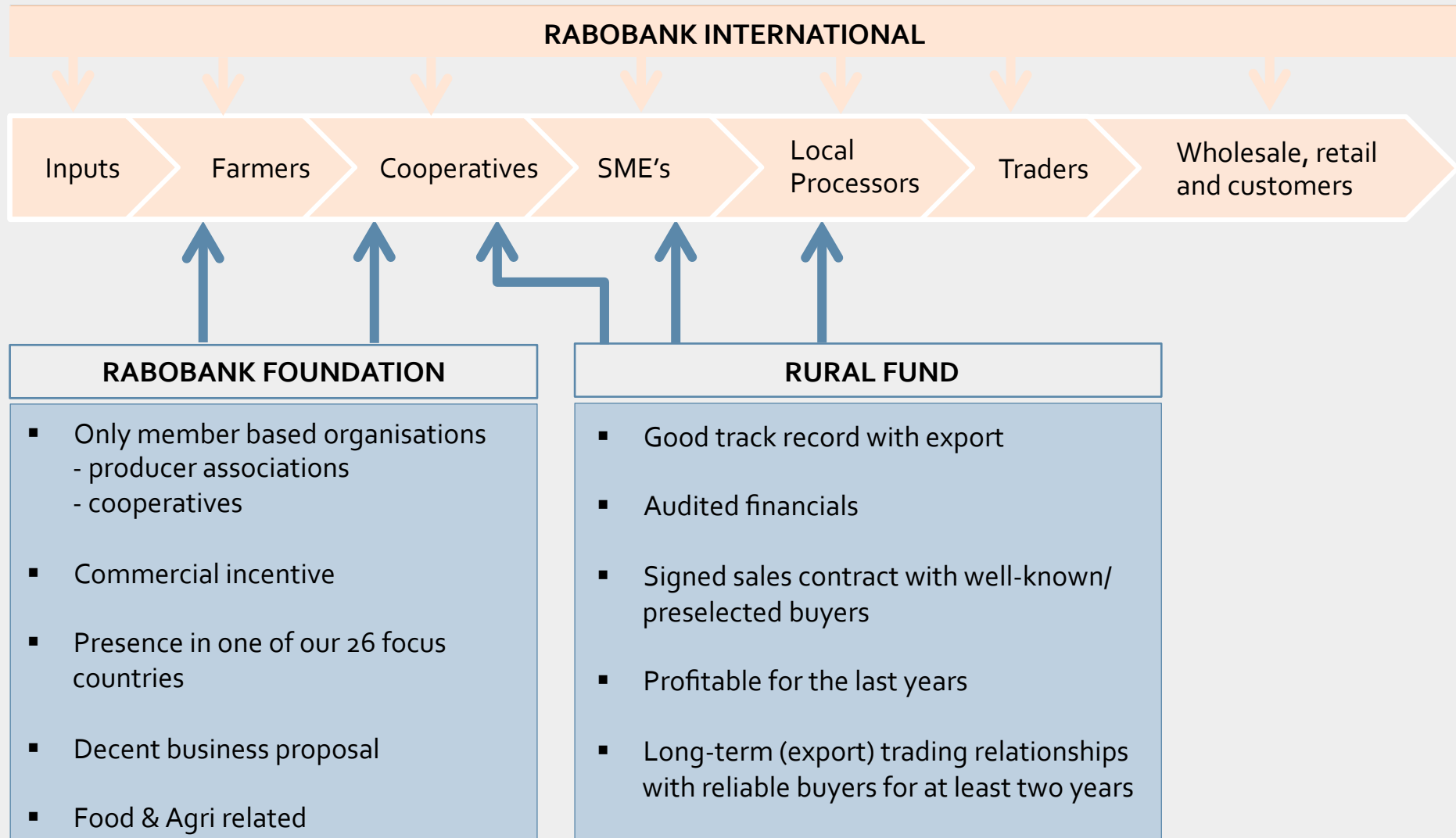
- |                                  |             |
|----------------------------------|-------------|
| coffee                           | red peppers |
| cocoa                            | honey       |
| cotton                           | spices      |
| canned and -<br>dried vegetables | soy         |



# "Together we finance the whole value chain..."

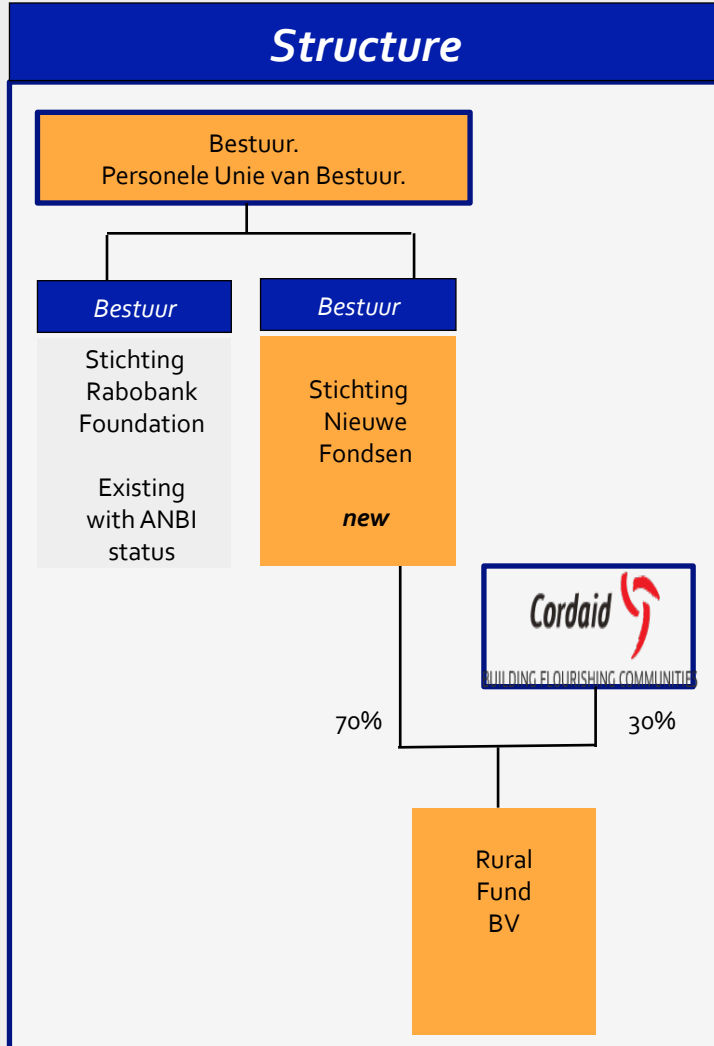


# Our criteria



# Rabo Rural Fund Governance & Features

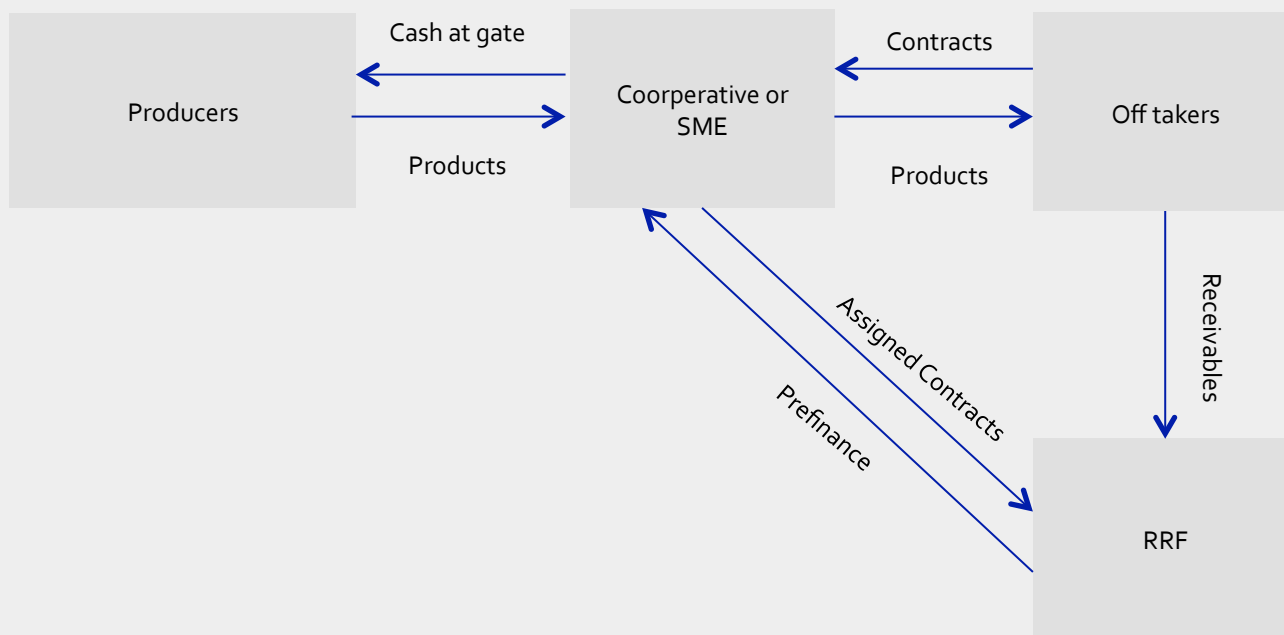
## Structure



## Key features

- Fund Size: \$ 18.000.000
- 2014: revolving \$ 27.000.000
- Investment focus 2011-2013: Latin-America & coffee / cocoa
- Profitability 2011-2014: operationally 'break even'. Important influencers were: incidental grant and provisioning
- Local representatives: local Rabobanks, partnership banks and local consultants

# Pre-export financing



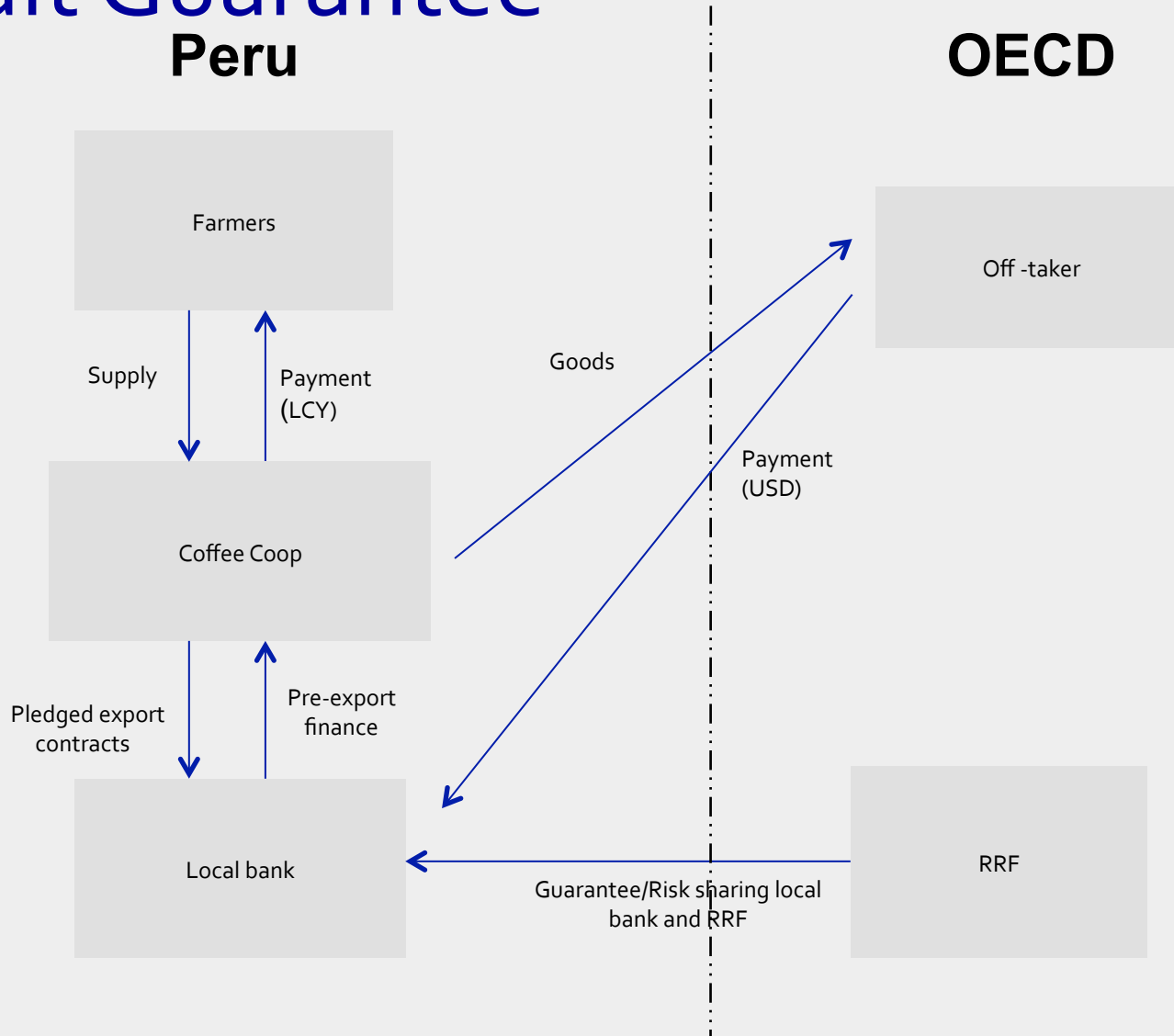
## Standard instrument for short-term trade finance

- *Trade financing* with export contracts as collateral
- Working capital to purchase, process and trade
- Assignment of sales contracts to RRF
- RRF receives payment from off-taker after delivery

## Alternative instruments

- *Borrowing base financing* (high quality coffee requires inspection before acceptance)
- *Long term / CAPEX financing*
- *Co-financing / Club deals for Short term and long term*

# Structure example of a partial Credit Guarantee





# How does Rabo Rural Fund finds its partners



- *Rabobank Foundation*
- *NGO's*
- *Traders*
- *Rabobank partner banks / Rabo Development*
- *Local Banks*
- *Existing clients*
- *Other social lenders*

# A typical assessment process



- *Introduction of potential partner*
- *Application form for new financing sent to prospect*
- *Initial analysis of audited financial accounts and filled out application form*
- *With a positive outcome of the initial analysis a further in depth analysis together with the prospect*
- *Application sent to credit committee*
- *After approval legal documentation will be prepared*
- *The initial process will take about 2 months, the second year the turnaround time will be limited to 1 months*

## Critical success factors for a positive loan application

- *Early start of the process (not 1 week before the harvest)*
- *Proven track-record of the organisation*
- *Timely and precise follow-up on information requests*

# Government - enabling environment



- *Incentivise agricultural banking for commercial banks*
- *Farmer empowerment*
  - Agronomic training
  - Extension services
- *Legal framework*
  - Legal enforceability
  - Timely process
  - Promotion of enabling legal system – efficient warehouse receipt programme
- *Inefficient incentives or protectionism*
  - Kenya – inefficient cooperatives
  - Ethiopia – regulations restricting access to outside working capital

# Case study Africa



- *Local cooperative union*
- *Grown in 10 years from producing 1 container to more than 100 containers export*
- *Rabobank Foundation's initial involvement in the form of high risk loans when track record was not existing*
- *Rabo Rural Fund provided working capital funding when track record was not sufficient for local commercial banks*
- *Partnerbank of Rabobank has provided first funding for last crop season in coordination with Rabo Rural Fund*
- *The partnerbank is looking to develop retail products that further empower the farmer*

# Case study SE-Asia



## RRF pre-finance facility to cooperative

- Coffee cooperative in SE-Asia.
- In 2013-14 pre-finance facility provided by RF and RRF (50/50 basis).
- Due to rapid development of the organisation, RRF assumes trade finance facility for 2014-15 (USD 500.000).
- Due to Rabobank (RF/RRF) support, the organisation is able to contribute own funds as of this year.
- Primary target: 20.000 coffee growing communities in 250 villages
- Intended result: Providing members with pre-financing facilities (cash at gate).
- Farmers benefit from Fairtrade system (premiums and minimum prices), improving livelihoods.

# Case study Latin-America



## RRF borrowing base facility to local specialty coffee processor

- The organisation has track-record with achieving high prices for its coffee exports
- Farmers receive high prices for their coffee especially when high quality coffee is produced
- Farmer receives training and extension services and is incentivised to produce/deliver high quality coffee
- The organisation can only negotiate high (exceptional) prices at the moment the coffee is 'cup'-ready
- Lending institutions only typically provide finance at the moment contracts are concluded prior to purchasing the cherries
- The solution is a borrowing base structure whereby the organisation has the ability to bridge the gap between the start of the purchasing season and conclusion of contracts while maintaining high sales prices
- Lender has the security that the funds are used for purchasing coffee while trusting that the organisation has the ability to source high quality coffee and market the coffee at high quality differentials

# Questions?



Thank you!  
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