

Standard Bank – financing Agriculture across Africa

Prickle: Many South African farmers have chosen to diversify and expand their businesses into Africa. For these farmers, accessing finance outside of South Africa's borders should not be fraught with problems when they have access to the same expertise that exists within South Africa

The strengths of the “Big 4” banks in South Africa are well known to customers. What is less well known is their reach and expertise beyond our borders. In the context of world globalization, agriculture too has become part of the global market. As a result banks have had to adapt how they operate in the agricultural sector. In meeting this challenging and adapting to world globalization Standard Bank is now the largest African bank (by assets) with 40000 employees in Africa and over 48 000 worldwide.

As a result of its broad geographical footprint Standard Bank has extensive expertise in the agricultural sector that operates across borders and across the value chain. Agricultural experts have a specialised knowledge of the area in which they work and testimonies to Standard Bank's expertise throughout Africa abound. “We have a number of successful commercial farmers and community projects on our books, often achieved with innovative structuring of finance,” says Jacques Taylor, Director of Agricultural Banking, Standard Bank Africa. “Its important for customers to understand that we do not offer just straight funding but that we able to be creative and flexible in order to meet a client's needs.

In terms of agriculture the bank provides a range of solutions to meet the diverse requirements of small holders, commercial and corporate farming operations. Lack of access to finance is a major constraint to unlocking the potential of agriculture in Africa, but on the other side “Supplying finance to agricultural enterprises in Africa can be extremely challenging,” says Taylor. Constraints include a high transaction cost for service providers due to the remoteness of clients and heterogeneity among communities and farms; the dispersed demand for financial services due to low population densities; a lag between investment needs and expected revenues due to the seasonality of agricultural production and a lack of useable collateral which stems from ill-defined property and land-use rights, high cost or lengthy registration procedures, and social constraints to foreclosure. Other constraints include high, interrelated covariant risks such as variable rainfall and lack of irrigation, pests and diseases, price fluctuations, and constrained smallholder access to inputs, advice, and markets; the small size of farms and of individual transactions; underdeveloped communication and transportation infrastructure as well as weather and price risk.

However, despite these constraints Standard Bank covers the entire value chain in terms of its product offering to farmers in Africa. Furthermore, Standard Bank is unique in that it has a full service bank product offering across the continent which includes investment banking, corporate banking, personal and business banking, investment management; and life assurance. Their relationship with Industrial and Commercial Bank of China (ICBC) provides further international reach and strengthens its access to what will soon be the world's largest economy. Furthermore the bank has extensive expertise in the complicated dynamics of emerging markets. “This enables us to effectively partner clients and our stakeholders in achieving their strategic objectives,” says Taylor. The bank is represented in 17 African with over 700 branches in South Africa and over 300 branches in the rest of Africa. In addition Standard Bank operates in 20 countries outside

Africa with offices in key regional financial centers including London, Moscow, New York, Hong Kong, Sao Paulo and Dubai.

Taylor says that understanding Standard Bank’s reach outside of South Africa is important as “many South African farmers have agricultural investments in other parts of Africa.” He adds, “For these farmers, accessing finance outside of South Africa’s borders should not be fraught with problems when they have access to the same expertise that exists within South Africa.” Standard Bank’s branch infrastructure in Africa is in key locations and offers full physical banking services as well as smaller branch centres and agencies. In addition, the bank offers comprehensive electronic banking, internet, cell phone banking etc. There are also alternative channels available that include global markets trading systems, call centres, community based micro banking support, card based payment services and branchless banking.

Apart from financing commercial farmers Standard Bank is also financing small holder agriculture which has unique challenges. Taylor explains, “Standard bank has embraced a model that uses risk management as its key tool.” Financing is often done through contract farming where the financier can influence a farmer’s decisions regarding production and marketing and where a fixed/hedged commodity price is in place. Weather index insurance is also used to mitigate risks. “Reliance is placed on the potential cash flow and underlying crop.” Taylor says that that the Bank’s strategy in Africa is “to service the value chain and to assist in making finance, formal markets and direct inputs more accessible to smallholder farmers.” Standard Bank has partnered with organisations such as the Alliance for a Green Revolution in Africa (AGRA), Kilimo Trust, Millinium Challenge Account (Mozambique) and MiDA (Ghana) which contribute by providing loss guarantees as well as training and mentorship. The Bank has launched an initiative that provides innovative financing partnerships that will accelerate food production and raise the incomes of thousands of farmers in Mozambique, Tanzania, Uganda and Ghana.

According to research done by the World Bank, global food production will need to double in the next 30 years to sustain population growth. With over 70% of potentially arable land reserves located in South America and sub-Saharan Africa, the latter is in a great position to expand production and benefit from increased investment. However, to do this, innovative financial solutions must be available. Looking to the future, Taylor says, “The Bank believes that traditional agriculture in Africa can be transformed rapidly into a modern sector through adoption of science-based technology. In order to achieve this it is important to build strong relationships and connect various players in the agricultural value chain.” He adds, “The Bank is looking forward to building relationships with its customers in Africa and being able to add real value to agricultural businesses.” With its vulnerability to weather, global markets and fluctuating prices, agriculture can be a tough industry to be in but it seems that the financial side doesn’t need to be.

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Standard Bank’s Footprint in Africa*		
Central and West Africa	East Africa	Southern Africa & Islands
Ghana	Kenya	Botswana
Nigeria	Malawi	Lesotho
DRC	Tanzania	Mozambique

Angola	Uganda	Namibia
		Swaziland
		Zambia
		Zimbabwe
		Mauritius
		South Africa

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