The Council on Smallholder Agricultural Finance would like to thank MIX for leading the collection and analysis of members’ data, and the Small Foundation for its generous support of this report and CSAF activities more broadly.

We would also like to recognize financial support from USAID and analytical work by Dalberg Advisors to create a benchmarking report of the loan-level economics for CSAF members’ lending. With support from Ceniarth, DFID, Omidyar Network, and Small Foundation, Dalberg Advisors will conduct a second phase of the benchmarking later in 2018 with local financial institutions in East Africa. Findings from both phases will inform the Prosper Africa initiative that CSAF is co-designing with its partner, Global Development Incubator, with support from Mastercard Foundation, Open Society Foundation, and Rabobank Foundation.
The Council on Smallholder Agricultural Finance (CSAF) is a pre-competitive alliance of financial institutions serving small- and medium-sized agricultural enterprises (“agricultural SMEs”). CSAF provides a forum for members to share learning and develop industry standards and best practices for agricultural SME finance.

**Mission**

- Facilitate market expansion to meet a greater share of the demand for finance among agricultural SMEs.
- Promote responsible lending principles—including environmental, social, and governance standards—so that a growing agricultural SME finance market benefits smallholder farmers, workers, and the natural resources on which we all depend.

**Vision**

CSAF envisions a thriving, sustainable, and transparent financial market that generates long-term social, economic, and environmental benefits by meeting the financing needs of agricultural SMEs worldwide.

**Target Market**

Each CSAF member maintains a portfolio of loans and independently pursues its respective mission to deliver financial solutions that create social and environmental impact. As distinct from micro-lending directly to individuals, CSAF lenders seek to promote environmentally sustainable practices and improve the livelihoods of smallholder farmers by financing businesses that purchase crops from hundreds or thousands of individual producers and then aggregate, process, and sell those crops into domestic or global markets. These businesses vary in size (annual revenues range from $250K to well over $10M) and structure (from farmer-owned cooperatives to private enterprises). In addition to providing economic opportunities for farm households, the businesses served by CSAF members generate substantial seasonal and year-round employment and often function as multi-service providers, offering farmers access to finance, farm inputs, and agronomic training. Many also provide non-agricultural services, such as scholarships for local youth, clean drinking water, or health insurance. With reliable access to finance, agricultural SMEs can play an important role in building prosperity and climate resilience in developing economies.

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Recent Updates

CSAF activities and accomplishments over the past year include:

• Welcomed SME Impact Fund as a new regional member for East Africa.

• Gathered members for global meetings in the United States (November 2017) and Kenya (June 2018) to share learning and identify common challenges. CSAF colleagues in Africa and Latin America now meet multiple times a year to discuss challenges and solutions at the regional level.

• Held two convenings for stakeholders from leading philanthropic, public, and private sector institutions to discuss challenges and potential solutions for increasing capital supply, expanding addressable demand, and strengthening the enabling environment for agricultural SME finance.

• Based on input from stakeholders at the November meeting, engaged Global Development Incubator to co-design the “Prosper Africa” initiative to identify and address constraints to agricultural SME lending in East Africa.

• As part of Prosper Africa, launched a financial benchmarking analysis of the loan-level economics for serving various segments of the agricultural SME market. The results from the first phase of this exercise are summarized on page 25 and described in more detail in the concurrently released “CSAF Financial Benchmarking Report.” CSAF and Dalberg are now collaborating on a second phase of this analysis drawing upon data from local financial institutions in East Africa to develop a more comprehensive view of the regional market.

• Held a two-day workshop on environmental, social, and governance (ESG) risks and due diligence in Lima, Peru for CSAF regional staff. At the workshop, loan officers learned more about emerging ESG threats to the coffee value chain in Peru and discussed two environmental challenges that are particularly acute for Peruvian coffee farmers: deforestation and climate change.

• Implemented a standardized loan monitoring process—initially with coffee borrowers in Central America and expanding to other value chains in South America and Africa—to streamline reporting for borrowers served by multiple CSAF members.

• Continued partnership with MIX to harmonize key metrics and industry terminology across lenders, especially those related to portfolio performance, financial products, and commodity types.

• Instituted a risk management working group to create a framework for identifying early warning signals that borrowers may default and to coordinate actions in the case of default among borrowers held in common.
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Overview

In this fourth annual CSAF State of the Sector report, we revisit themes from the 2017 report regarding opportunities for growth and binding constraints to expanding the financial market serving small- and medium-sized agricultural enterprises (or “agricultural SMEs”). The impact case for lending to agricultural SMEs—for improved farmer livelihoods, job creation, food security and nutrition, climate resilience, and economic development—is strong. However, despite significant progress in recent years, the business case continues to be an obstacle to unlocking capital flows at the scale required to meet demand.

Lending to agricultural SMEs by the 12 members of the Council on Smallholder Agricultural Finance (CSAF) has more than doubled over the past five years as existing players have grown their portfolios and new players have entered the market. Hundreds of businesses aggregating well over two million farmers now have access to finance. In some countries, local financial institutions are increasingly lending to market segments they previously ignored. There is growing interest in agricultural finance broadly, and agricultural SME finance more specifically, among financial service providers, impact investors, and donors.

However, interventions are needed to stimulate further market growth. Loan disbursements among CSAF members plateaued from 2016 to 2017 and the number of enterprises receiving loans declined, albeit only slightly, for the first time since we began collecting data in 2013. Further, after four consecutive years in which lenders reduced their exposure to the leading crop (coffee) and diversified into less developed value chains, lending in both coffee and the second leading crop (cocoa) increased in 2017.

We conclude from these trends and discussions among CSAF members that, while market demand remains vast, it is not easily reached. The current risk levels and costs to serve the majority of the market present challenges for lenders that need to return capital to investors. This is particularly the case with loans for earlier-stage enterprises, those operating in less developed value chains and geographies, and longer-term growth capital.
Recent reports by CGAP, IDH, Initiative on Smallholder Finance, and Rural and Agricultural Finance Learning Lab, and others have increased industry knowledge for smallholder finance. Yet much of this learning has been concentrated in the direct-to-farmer segment of the market (i.e., credit issued as cash or in-kind inputs directly to farmers). Much less is known about the capital supply and demand at the agricultural SME level or the financial performance of capital providers serving this market.

CSAF seeks to address that knowledge deficit with our annual State of the Sector report and two new initiatives that will advance industry data and learning:

1. In collaboration with our data partner, MIX, CSAF will develop an online and publicly accessible platform where users can track trends and create customized reports. As part of this initiative, we plan to invite other financial institutions serving agricultural SMEs to contribute data on their annual lending activity so the platform represents a growing cross-section of the agricultural SME finance market. We expect this platform to go live in early 2019.

2. This year’s State of the Sector report is being released concurrently with the results of a first-of-its-kind financial benchmarking analysis conducted by Dalberg Advisors and funded by USAID. It incorporates data from nine CSAF members on 3,556 loans totaling $2.35B to break down the loan-level economics of members’ lending by geography, loan size, value chain, financial product, and other factors. The findings confirm the conclusions from the 2017 State of the Sector report: that certain market segments are not financially sustainable to serve—at least for CSAF members—under current conditions. For more details, see page 25.

The benchmarking findings raise important questions: To what extent have CSAF lending economics been saddled with the challenges of pioneering new markets (e.g., one-time costs to acquire new borrowers, understand new value chains, and build appropriate systems and processes) vs. being representative of the operating costs and systemic risks inherent to agricultural SME lending? Which business models are best suited to different segments of the market? How can innovation lower operating costs and improve risk management? What types of interventions might be most catalytic in addressing the immediate need while also accelerating the development of a more competitive market in the medium- to long-term?

During Q3 2018, Dalberg Advisors will conduct a second round of financial benchmarking focused specifically on financial service providers in East Africa. The results will be available in Q4 2018 and inform the design of proposed solutions as part of the Prosper Africa initiative that CSAF is co-developing with the Global Development Incubator, described on page 28.

While Prosper Africa is initially focused in East Africa, we see a need and opportunity for blended finance and other creative approaches to address market constraints to agricultural SME finance across Latin America and Asia as well. CSAF members have been pioneers in opening new markets, and others are beginning to follow. But the economics of lending to the agricultural “missing middle,” as highlighted by the benchmarking report, help to explain why this segment has been overlooked for so long and suggest that market forces will not self-correct without targeted interventions. Solutions must combine the best of emerging blended finance approaches, innovations in technology and business models, and public-private commitment to the Sustainable Development Goals.
2017 at a Glance

Plateau in Lending

- Aggregate lending by the 12 CSAF members increased by a modest 2% from 2016 after growing at an average rate of 12% over the prior two years.
- Regional growth rates varied significantly, with lending in sub-Saharan Africa (+24%) and South & East Asia (+18%) growing the fastest. Lending declined in South America for the second year in a row (-13%).
- CSAF members now provide finance to 794 businesses, a slight decrease from 804 in 2016. Countries with the largest net increases in borrowers include Kenya (+9), Indonesia (+5), and Rwanda (+4).

Risk Management & Portfolio Consolidation

- Coffee remains the most financed value chain and increased to 44% of members’ lending (up from 39% in 2016). Overall, lenders increased their concentration in the top three commodities (coffee, cocoa, and nuts) in 2017 after prior years of industry diversification and corresponding increase in risk.
- In line with the renewed concentration in coffee—a sector with well-established cooperatives in many countries—there was a slight increase in share of lending to cooperatives and a decrease in lending to private enterprises. This trend follows several years where private enterprises had been a growing share of borrowers.
- Overall “portfolio at risk at 30 days” (PAR30) increased slightly in 2017 to 8.5% (from 8.1% in 2016). Risk levels for smaller loans declined from a high of 20% in 2015 to 11% in 2017, but still remain above risk for medium and larger loans.
- Overall, CSAF members had a steady average borrower retention rate of 85%, but there was a slowdown in new borrowers leading to a decline in the number of enterprises reached for the first time since CSAF began collecting data in 2013.
- Overall loan sizes continued to increase (by 3%), but average loan sizes for new borrowers declined by 30% from 2016.

We delve into these trends and the factors that underpin them in more detail in the following pages.

Continued Impact & Additionality

- CSAF borrowers provided market access to 2.2 million smallholder farmers, 35% of whom are women (up from 29% in 2016), and employed 82,000 workers.
- Consistent with CSAF members’ commitment to additionality, the vast majority of CSAF borrowers (82% globally and 90% in Africa) received financing from only one CSAF member. However, the 18% of borrowers receiving financing from more than one member accounted for 50% of total borrowing as these enterprises tend to have larger financing needs.
Global Insights

During 2017, CSAF lenders disbursed $716M in credit to 794 businesses across 63 countries. These businesses connected 2.2 million smallholder producers—35% of whom are women—to domestic and international markets, and provided 82,000 permanent jobs in rural communities.

Overall lending increased slightly, though growth trends varied by region. On a global, aggregate basis, topline lending increased by 2%, a significant slowdown from average annual growth of 12% over the prior two years. Underpinning this plateau in lending at the global level are contrasting trends at the regional level: lending in sub-Saharan Africa increased for the fourth consecutive year, lending in Central America rebounded after decreasing in 2015/2016, and lending in South America declined for the second straight year. For more detail on regional trends, see page 21.

Total number of borrowers decreased for the first time since CSAF began collecting data in 2013. As in prior years, some borrowers paid down their loans, declined to renew, or had difficulty repaying, resulting in a 15% attrition rate from 2016 to 2017, compared to 12% the prior year. While lenders had a net increase in enterprises reached in some countries—including Kenya, Rwanda, and Indonesia—at a global level there was a net decline in enterprises reached by 10 borrowers (1%) to 794 enterprises. Based on this data and discussions with CSAF members, we conclude that, despite massive unmet financing need among smallholder farmers and agricultural SMEs writ large, CSAF members are seeing limited new opportunities with prospective borrowers that meet the risk-return expectations of the capital they manage.

Credit quality decreased slightly, and risk remains high compared to lending in other sectors. At the end of 2017, portfolio-at-risk greater than 30 days (PAR30) across all CSAF member portfolios was 8.5%, up from 8.1% at year-end 2016. From extreme weather events and crop diseases to political unrest and price volatility, enterprises and their financiers are exposed to systemic risks that, in more developed markets, are mitigated by a favorable enabling environment (e.g., government-backed disaster relief or loan guarantees) or offloaded through sophisticated financial products that have yet to be adapted to agricultural SMEs.
The Perils of Enterprise Growth

As agricultural enterprises grow and require increased financing, they can become highly leveraged, making them vulnerable to disruptions from weather, political instability, or market volatility. This is particularly an issue for farmer-owned cooperatives or associations, where many decisions are made through democratic processes. For understandable economic reasons, farmers often vote to distribute the majority of their earnings, as opposed to retaining surpluses to build the enterprise's capital base. In this context, reliable access to working capital financing is an important factor in the enterprise's ability to grow and remain competitive, but lenders assume increasing risks as enterprises become more leveraged (i.e., borrow increasing amounts on top of a limited equity base).

We believe the recent increase in PAR30 levels for loans above $1M, as described on the following page, is related to this dynamic: businesses that have grown over multiple lending cycles and taken on increasing loan sizes without building commensurate equity base. This raises important questions:

• When should lenders cap loan amounts to growing businesses that have performed well historically?

• How can lenders and other stakeholders raise awareness among cooperative management and their farmer members about the importance of capitalizing their businesses to sustain growth and build resilience?

Equity investment can provide a stronger capital base to support enterprise growth, but there are many barriers to agricultural SMEs accessing equity, namely:

• The legal structure of farmer-owned cooperatives and associations often prohibit equity investments by private individuals or firms.

• Many agricultural SMEs operate with thin margins and are therefore not attractive to equity investors.

• Even when agricultural SMEs have strong cash flows, equity investors may be deterred by the limited market for exits. This is the case in agricultural markets in general, and further amplified in weak or fragile states subject to narco-trafficking or political unrest.

Despite these challenges, a growing number of equity investors are engaging with agricultural SMEs that are also accessing loans from CSAF members. From a lender perspective, equity investment in a borrower enterprise offers liquidity to support investment in human capital, physical infrastructure, and a buffer against unexpected business disruptions. While there are positive examples to report, a few recent situations also raise concerns that highlight the range of practices across the industry:

In one case, an equity investor made a multimillion dollar commitment that exceeded the revenue of the investee business. The investor then disbursed the entire investment intended for construction of a processing facility in a single tranche at the beginning of the harvest when businesses are typically focused on purchasing as much volume as possible and might be tempted to divert funds to maximize growth in the short term.

In another instance, an equity investor told a business that it was committed to investing before securing its own sources of capital. It then represented to prospective investors in its fund that the business was part of its pipeline.

These examples point to the need for more dialogue between equity investors and lenders as well as standards and best practices for responsible equity investing in agricultural SMEs.
PAR30 for smaller loans (those less than $250K) continued to decrease for the third consecutive year (to 11%) and is now comparable to the $250-500K segment (10%) and, surprisingly, slightly lower than the $1-2M segment (12%). Medium-sized loans ($500K-$1M) now have the lowest PAR at 5% (down from 10% in 2016), while PAR30 for the largest loans ($2M+) more than doubled from 3% to 7%. While it is too soon to draw any firm conclusions from these fluctuations, one thing remains consistent over the years: PAR30 levels for agricultural SME lending are still three to four times greater than typical rates for lending to microfinance institutions, reflecting the nascent stage of industry development and higher systemic risks in agricultural SME lending.

The majority of lending went to private enterprises, but cooperatives received a slightly higher share of loans in 2017 than in 2016. After four consecutive years of increasing proportion of loans going to privately owned businesses, (from 44% in 2013 to 63% in 2016), this figure declined slightly to 60% in 2017. This micro trend is linked to the re-concentration in coffee and small increase in lending in Central America, where the vast majority of lending (86%) is in coffee and where farmer-owned cooperatives accounted for 56% of borrowing in 2017. Conversely, private enterprises account for a substantially larger proportion of borrowing in South & East Asia (88%) and Sub-Saharan Africa (80%), both regions that continue to outpace global CSAF lending growth.
**Portfolio size and growth rates vary substantially among CSAF members.** CSAF members are primarily focused on providing debt, yet there is wide variability in the size and makeup of member portfolios and the regions they serve. Some have minimum loan amounts of $500K or even $1M while others lend as low as $50K. New regional member SME Impact Fund currently operates only in Tanzania, while most CSAF members lend across Africa and Latin America, and several are now lending in South and East Asia as well.

Growth rates also varied across lenders: six reported a slight to moderate decrease in lending volume, two reported a slight to moderate increase, and four members reported significant growth of more than 40% (up from two members reporting this in 2016).

**While general working capital loans increased significantly, trade credit remains the most frequently used form of financing.** Seasonal trade credit accounted for 63% of lending by CSAF members in 2017. Structured based on a borrower’s purchase orders with a known buyer, these loans cover the cash flow gap between when enterprises need to pay farmers for their harvest and when enterprises get paid by their buyers, usually six to nine months later.

There was a significant increase in CSAF member lending in the form of general working capital, from 12% in 2016 to 33% in 2017, as lenders continued to evolve their product offering from focusing on pre-financing sales contracts to more revolving lines of credit linked to inventory and accounts receivable. Long-term loans for capital expenditure held steady at 28% of CSAF members’ total portfolios, but only represent 4% of new disbursements in 2017.

**Loan amounts decreased for new borrowers and increased for existing borrowers.** Average loan sizes for existing borrowers continued to grow steadily, from $751K in 2016 to $812K in 2017. At the same time, average loan sizes for new borrowers decreased 30% from $864K in 2016 to $608K in 2017, as some members that focus on larger loans slowed their acquisition of new borrowers.

The share of lending activity targeted toward businesses in the $500K to $2M and higher range continues to increase. With each year, CSAF members are originating fewer loans below $500K (dropping slightly from 46% in 2016 to 44% in 2017). This shift reflects the challenging economics of covering costs for smaller loan sizes, which is underscored by the data from the financial benchmarking exercise summarized on page 25. Still, several CSAF members actively prioritize lending to smaller and earlier-stage businesses, especially those that face high obstacles to accessing capital. In 2017, 23% of active loans were for amounts below $250K.
Figure 8: Active Loans by Size

Figure 9: Active Loans Under $500K Among New Borrowers

Figure 10: Loan Size – New Borrowers

Figure 11: Loan Size – Existing Borrowers
Though it may seem counterintuitive, the world’s top exporter of Brazil nuts is not the product’s namesake but rather neighboring Bolivia. Grown in the depths of the Amazon, the Brazil nut presents distinct environmental and agricultural challenges, as well as opportunities.

The tree, which can take 12 to 15 years to produce its fruit, depends on natural pollinators and heavy rainfall to flourish. Because the nuts are collected seasonally in primary forests, the Brazil nut market is vulnerable to changing climate patterns and human-driven deforestation. No industrial-scale Brazil nut plantations exist, despite growing export demand for this “superfood” in the US, Europe, and Australia. As many indigenous Amazonian communities depend on the Brazil nut harvest for their livelihoods, they have a strong incentive to preserve the forest environment and keep others from encroaching for logging or mining.

The Fairtrade Access Fund (FAF), which is managed by CSAF member Incotex, has provided financing and advisory services to four Brazil nut enterprises since 2013. Collectively, these businesses work with 485 Brazil nut collectors and employ 1,240 in their processing facilities. With financing from FAF, these enterprises have more than tripled their sales over the past four years.

Additionally, FAF assisted the businesses in developing capacity to manage land and forest resources in a sustainable manner. While the natural process of Brazil nut harvesting is free of pesticides, enterprises have improved their forestry protection practices and obtained Fairtrade and other certifications indicating commitment to environmental conservation. In order to comply with local labor and environmental regulations, borrowers are required to obtain proper licensing and permits for forest intervention work. By maintaining sustainable practices, the businesses are able to earn an average of $391K per year in Fairtrade premiums, which are used to fund community development projects, such as constructing new roads or worker housing.
Value Chain & Regional Trends

Value Chains

After a period of value chain diversification, the trend in 2017 was a moderate re-concentration in coffee.

While coffee has always been the most financed value chain for CSAF members in terms of proportion of total lending, disbursements to coffee businesses decreased in 2015 and again in 2016. In 2017, however, coffee lending by CSAF members rose by $44M to $318M, accounting for 44% of disbursements. Members report that this rebound in coffee lending is primarily a response to the elevated risk that accompanied the previous years of diversifying into other value chains. It also reflects the stabilization of the coffee sector in Central and South America following the disruption caused by an outbreak of coffee leaf rust disease a few years ago. The overall number of borrowers in coffee increased only slightly, from 275 in 2016 to 277 last year, indicating that lenders are extending larger loans to repeat borrowers.

Cocoa lending continued an upward trajectory.

For the second year in a row, cocoa disbursements increased by $16M (a 20% year-over-year increase), from $82M in 2016 to $98M in 2017. Much of this lending is concentrated in sub-Saharan Africa, where it comprises 29% of the regional portfolio at $68M. In particular, there was an increase of $21M in cocoa lending in Cote d’Ivoire. Cocoa is the second-most financed value chain for CSAF members, but at 14% of the portfolio it is still far behind coffee.

Beyond Trade Credit: Building Climate Resilience for Coffee Farmers

It may be tempting to interpret the slowdown in net new coffee borrowers as indicative of market saturation. However, we know that much more finance is needed in the coffee value chain. Setting aside the substantial financing needs among earlier-stage coffee enterprises—let alone unorganized farmers who typically have the least access to finance—there are significant unmet financing needs among existing CSAF borrowers. These include long-term term loans at both the enterprise- and farmer-levels to adapt to and mitigate climate change: for example, organic fertilizer production facilities, irrigation equipment, and renovation and rehabilitation of aging coffee trees. While several CSAF members have made loans for one or more of these types of investments, none have landed on the formula for managing the risks and complexity of offering these loans at scale.

CSAF member Root Capital’s experience with its Coffee Farmer Resilience Initiative suggests that a mix of operating support for research and development; blended finance to share risk; and partnerships with technical experts, buyers, and service providers will be required to unlock more lending for climate resilience. We are aware of at least one new fund being set up by a leading global coffee buyer with a blended finance structure to target resilience investments in the coffee supply chain. Much more investment in this area is needed.
Notably, while cocoa was 11% of total disbursements in 2017, it represented a disproportionate share of client turnover (21% of both the total clients dropped and clients added in 2017). The majority of this churn is happening in Africa, which accounted for nearly half the turnover in number of clients and around 75% in terms of disbursements. These dynamics are indicative of a growth market pre-consolidation.

Recognizing this growing market, CSAF members have increased overall lending in tree nut value chains—especially cashew and macadamia—over the last few years. These industries also have great potential for environmental and social impact beyond those described for Brazil nuts on page 15.

Like cocoa, lending in cashew nuts continues to grow. From 2016 to 2017, there was a 48% increase in cashew lending, rising from $49M to $72M (10% of total disbursements). This increase was concentrated primarily in sub-Saharan Africa, where lending to cashew enterprises—mainly processing facilities—went from $24M in 2016 (13% of the regional total) to $40M in 2017 (17% of the regional total), a 67% increase. Outside of Africa, most cashew lending went to processing businesses in Vietnam ($21M in 2017, up slightly from $20M in 2016, but concentrated in just a few businesses). Though global lending intensified in this value chain, the number of borrowers only increased by one, signifying that average loans for existing borrowers are growing in size.

Lending in other nut value chains was more varied. While macadamia nut disbursements increased by $5M in 2017 (all in Kenya), lending in Brazil nuts decreased for the second year in a row by $1.4M. This decrease follows an influx of Brazil nut lending in 2015, when disbursements increased by almost $12M, and is likely explained by lower production and yields during the 2016-2017 season linked to adverse climate conditions. While still a relatively small proportion of the portfolio (2%), lending in maize rose significantly in 2017. After a previous high of $8M in 2015, disbursements to maize enterprises grew to $13M in 2017 (a 117% increase from $6M in 2016). The total number of maize borrowers also increased from 21 in 2016 to 44 in 2017. Most of this lending growth occurred in Rwanda (+$5M), followed by India (+$2M), Tanzania (+$1M), and Indonesia (+$1M). CSAF members made no disbursements to maize enterprises in these four countries in 2016.

The Growing Potential of Nut Value Chains

Healthy snack foods are a $20 billion-plus global business that continues to grow each year. With their high nutritional content, nuts are at the forefront of this trend. Food companies are increasingly selling packaged nuts for snacking, as well as incorporating them into existing items (granola bars, cereal, etc.) and processing them into nut-based milks.

Recognizing this growing market, CSAF members have increased overall lending in tree nut value chains—especially cashew and macadamia—over the last few years. These industries also have great potential for environmental and social impact beyond those described for Brazil nuts on page 15.

Since cashew and macadamia trees can be grown alongside other crops, these integrated agroforestry systems can make efficient use of inputs and land. Cashew and macadamia trees can produce fruit in a relatively short three to five years. And though the crops are intensive to process, these facilities provide hundreds of community members—often women or youth with little to no prior experience in the formal labor market—with salaried positions in grading, de-shelling, management, and more. Impact studies conducted by one CSAF member found that, across a representative sample of 1,200 employees at three cashew processing facilities financed by the lender in Benin and Togo, workers had an incremental income of 60% relative to their previous informal sources of income.
Figure 14: Cote d’Ivoire Cocoa Lending & Borrowers

Figure 15: Global Cashew Lending & Borrowers

Figure 16: Coffee & Non-Coffee Lending

Figure 17: Coffee & Non-Coffee Borrowers

© Shared Interest
BORROWER PROFILE

Creating Opportunities for Young Coffee Farmers in Honduras

The outbreak of coffee leaf rust a few years ago hit Honduran coffee farmers especially hard, destroying a large percentage of trees and leading the government to declare a state of emergency in January 2013. After seeing their parents grapple with this challenge, many young people chose to leave rural communities behind and migrate to cities in Honduras or onward to the United States.

Leaders of COCAFELOL—a 338-member coffee cooperative in Ocotepeque, Honduras—recognized that this trend threatened the strength of their community and the long-term sustainability of their business. They began offering vocational training to their producers’ teenage children, in everything from soil health to quality control. When young people complete their training, they can find jobs in different aspects of the business that interest them: not just farming, but also agronomy, cupping, or financial management. The training provides rural youth with decent work opportunities that offer an alternative to migration, while COCAFELOL builds a steady pipeline of young talent that will help the enterprise grow.

To run such a strong educational program, COCAFELOL needed a strong business foundation. CSAF member Oikocredit began financing the cooperative in 2013 and the enterprise also participates in Oikocredit’s Price Risk Management program (described in more detail on the following page), implementing measures to reduce price risk and improve efficiency and profitability. COCAFELOL receives additional financing from CSAF members Alterfin, Incosan, and Root Capital, who lend side-by-side as the cooperative’s credit needs exceed the concentration limits of any one lender. The latter has also conducted extensive on-site training to help the enterprise improve its accounting, financial management, and agronomic systems.

Access to credit and capacity building has helped COCAFELOL increase its annual sales more than six-fold in just five years. With a thriving business, the cooperative is able to invest in other services for its suppliers, such as an organic fertilizer production facility and environmental management initiatives aimed at protecting water basins and forests. These services for farmers, coupled with the cooperative’s commitment to creating opportunities for youth in the community, represent the virtuous cycle that is possible when a farmer enterprise can invest human and financial capital in its future.
Price Risk Management (PRM) for Coffee Cooperatives in Latin America

Daily New York Stock Exchange prices may seem far from the reality of the typical smallholder coffee farmer, but the effect of price swings can be dramatic. Coffee is the second-most traded commodity globally (after petroleum) and has been the target of substantial financial speculation that amplifies price volatility. When prices spike, enterprises that have signed fixed-price contracts with buyers may not be able to secure sufficient product as farmers are tempted to “side-sell” to benefit from high prices. In these situations, enterprises struggle to fulfill their contracts, sometimes lose buyers, and may not be able to meet their loan obligations. Conversely, when prices drop precipitously, farmer enterprises may not be able to turn a profit, especially if they purchased coffee at a higher price than they can sell it.

To build capacity for managing price risk volatility among farmer enterprises, CSAF member Oikocredit joined with Inter-American Development Bank, Catholic Relief Services, Fair Trade USA, and Keurig Dr. Pepper to launch a three-year Price Risk Management (PRM) project in Latin America. The objective of the PRM project is to enable 22 coffee cooperatives across six countries in the region to mitigate the effects of price volatility on their business. The program provides tailored capacity building to cooperative managers and board members to implement price risk management tools, including inventory management and financial hedging.

In the coming months, Oikocredit expects to offer unsecured loans for cooperatives that have demonstrated capacity to participate in the derivatives market.

Price volatility is a standard feature of today’s coffee market (and also common across other crops, such as cocoa, where CSAF members are active). Preparing farmer enterprises to navigate these complexities will position both them and their lenders for success in complex and volatile markets.
Regions

Lending in sub-Saharan Africa continues its upward trajectory. Driven largely by the cocoa and cashew nut sectors, lending in sub-Saharan Africa grew by 24%. While the rate of growth was significantly less than in 2016, when it was 46%, this is still the fastest-growing region for CSAF members. Strong lending growth in Africa persists, despite only modest increase in the total number of borrowers in the region (7%), based on increasing loan sizes to repeat borrowers. Lending in Cote d’Ivoire increased from $39M in 2016 to $63M in 2017, making it the country with the third most CSAF lending after Peru and Nicaragua. As most growth is concentrated in larger loans to existing borrowers, the number of borrowers in Cote d’Ivoire rose slightly from 29 in 2016 to 32 in 2017. Meanwhile, disbursements in Uganda declined from $36M in 2016 to $27M in 2017 even as the number of borrowers rose slightly from 28 to 30.

Lending in South America declined for the second year in a row. Peru remains by far the country with the most CSAF lending activity globally with 129 enterprises receiving a total of $123M in lending from 10 CSAF members. However, total lending decreased by 13% in South America, with slight declines in all three of the countries where CSAF members are most active in the region: Peru, Colombia, and Bolivia. The majority of lending in South America was in coffee (59% of disbursements), followed by cocoa (10%), quinoa (8%), and Brazil nuts (6%). While disbursements in most of these value chains decreased, coffee lending in South America increased significantly in 2017 from 2016, when it was only 40% of total disbursements in the wake of the coffee leaf rust outbreak in 2013-2014 that reduced coffee production, particularly in Peru.

Lending in Central America increased, after declining for the last two years. While the number of borrowers decreased in Central America from 2016 to 2017 (from 162 to 147), total disbursements in the region increased by 9%. This is following two years of declining lending by CSAF members after a prolonged period of low coffee prices and borrowers recovering from the coffee leaf rust outbreak. The overwhelming majority of lending in Central America remains in coffee (86%).

Lending in South & East Asia continues to increase, though at a slower rate than in previous years. Many CSAF members have expanded lending in South & East Asia over the last few years, resulting in rapid growth in 2014 (by 152%) and 2015 (by 79%), albeit from a small base. Since that initial expansion, lending has continued to increase, but at lower rates—from $85M in 2016 to $100M in 2017 (18% growth). Three countries—India, Vietnam, and Indonesia—account for 72% of the lending in Asia. More than half of regional lending is in the coffee and cashew nut sectors.

Lending in other regions, the smallest portion of CSAF members’ collective lending, decreased by 51%. Lending in this category includes countries in Eastern Europe, the Middle East, and North Africa, and is primarily focused on wine, dates, and hazelnuts. The decrease from 2016 is due in large part to the strategic withdrawal of one CSAF member that had previously been most active in these regions. That decision was informed by regional trends, such as low interest rates and increasing government regulations in key countries, as well as a determination that there are greater opportunities for impact in other regions.

Figure 18: Annual Credit Volume and Number of Businesses Reached, by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>$176M</td>
<td>$149M</td>
<td>$154M</td>
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<td>$15M</td>
<td>$38M</td>
<td>$68M</td>
<td>$85M</td>
<td>$100M</td>
</tr>
</tbody>
</table>

Figure 18: Annual Credit Volume and Number of Businesses Reached, by Region
Political Unrest in Nicaragua

What began as protests against proposed changes to Nicaragua’s national pension system in April 2018 quickly escalated into violent clashes that have killed an estimated 300 people as of the publication of this report in July. With $64 million in lending going to 37 enterprises, Nicaragua has the second-largest concentration of CSAF lending globally. The vast majority of this lending is to the coffee sector, which employs 15% of the Nicaraguan labor market and accounts for more than half of its agricultural sector.

The current unrest comes after most farmers have harvested and sold their beans to their cooperatives. Most of the loans from CSAF members are therefore tied up in inventory that is being processed at enterprise-owned facilities, en route to port, or already on boats headed for North American or European markets. Loans for the current cycle appear to be on track, but Nicaragua’s coffee cooperative sector, which has historically been associated with the Sandinista movement and the government of President Daniel Ortega, is in a precarious position. Farmers will soon need credit and inputs to fertilize their trees in preparation for the next season. It appears increasingly likely that the 2018-2019 coffee season will be disrupted, with broad implications for rural livelihoods and the country’s economy.
The Power of Demonstration: Crowding in Local Financial Institutions

Honduras

With $41M disbursed to 26 enterprises in 2017, Honduras receives the fourth largest share of total CSAF lending, behind only Peru, Nicaragua, and Cote d’Ivoire. The Central Reserve Bank of Honduras registers loans made in the country, including bank statements and in-flows and out-flows of capital. In recent years, the bank analyzed currency movements by industry and identified significant financing activity in the coffee sector that did not remain in the country (because CSAF lenders are domiciled abroad). The Central Reserve Bank shared this information with local commercial banks and, in 2017, at least one leading local bank that had long been active in the agriculture sector (but previously required fixed asset collateral) began lending for the first time using purchase orders as collateral and at competitive rates in local currency. Other local banks are now following suit and this shift in approach is significantly expanding the availability of credit to agricultural SMEs, including some that could previously only borrow small amounts based on their limited assets and others that have not had any access to bank financing.

Peru

Over the past fifteen years, CSAF lending in Peru has grown from a few million a year to over $120M to 129 enterprises. In recent years, commercial banks have also been lending increasingly to enterprises that previously did not have access to bank financing. Anecdotal reports by CSAF members’ loan officers in Peru suggest that banks continue to require fixed asset guarantees but are now serving more agricultural SMEs that have built up an asset base and demand for large loan amounts over several years of growth fueled by financing from CSAF members. We are also starting to see some innovation and direct competition in the smaller loan size segments as some of the better capitalized savings and credit cooperatives have increased their agricultural lending. At least a couple of these players appear to be replicating the approach of lending against purchase orders that CSAF members have implemented for many years and that lowers the barrier to serving agricultural SMEs with limited assets.

Rwanda

CSAF members first began working in Rwanda in the early 2000s in collaboration with development projects funded by USAID to rebuild the coffee sector. From those first loans, six CSAF members are now providing $24 million in financing to 30 enterprises. In addition to facilitating market access for enterprises and their affiliated farmers, these loans have generated profits that have allowed many enterprises to invest in coffee washing stations to improve the quality and value of their product. Private banks and Rwanda’s development bank are now financing these fixed assets and being repaid using the cash flows from the enterprises’ seasonal output, which continues to be financed through unsecured loans made by CSAF members.
Catalyzing a Market: From Frontier Lending to Scale

Our view of the agricultural SME finance market today is much like the mountain climber who ascends one peak only to gain visibility into a far more daunting peak ahead. In the case of CSAF members, a much larger, but also riskier and costly-to-serve market awaits.

First, the progress. CSAF lending more than doubled from 2013 to 2017 as existing actors scaled up their activity and new players entered the market. This market growth generated substantial impact: access to finance allowed more enterprises to increase their purchases from more smallholder farmers and in turn provide direct market linkages, often with higher prices, and other services such as inputs, credit, and agronomic training. Beyond these direct benefits to agricultural SMEs and the smallholder farmers they aggregate, CSAF lending has also played a catalytic role in market development by demonstrating viable opportunities that local lenders are increasingly serving.

The rapid growth in CSAF members’ lending from 2013 to 2016 (103% increase in loan disbursements) significantly outpaced solid but more modest growth in the number of enterprises receiving loans (43% increase during the same period). The slight decline in enterprises reached by CSAF members from 2016 to 2017 raises a couple of questions: What is happening in the broader market of agricultural SME lending beyond CSAF (for which there is limited data)? To what extent is the market saturated, and what can the apparent plateau in CSAF lending tell us about the constraints to expanding the market?

Relative to the $150 billion in unmet demand for smallholder finance estimated in the 2016 Inflection Point report by Initiative for Smallholder Finance and Rural and Agricultural Finance Learning Lab, the $716 million in annual agricultural lending by CSAF is a drop in the ocean. It is therefore tempting to assume that capital supply is the limiting factor on market growth. The experience of CSAF members over the past few years suggests that the bottleneck in expanding the agricultural SME lending market is rather the mismatch between the risk-return expectations of capital providers and the addressable demand. The re-concentration by CSAF members in coffee, cocoa, and nuts following three years of diversification suggests that members have reduced risk appetite. The findings from the financial benchmarking analysis (i.e., the higher risks and costs to serve borrowers in less developed value chains) help to explain why.

We know that CSAF lending is meeting just a fraction of the financing need in value chains like coffee and cocoa where it is most concentrated, nevermind in less developed value chains like staple grains. To extend the mountain climbing metaphor, summiting the next peak of the agricultural SME finance market will require both innovation—in business models and approaches to reduce costs and manage risk—as well as smart subsidy.

In industries where there is a demonstrated path to profitability, there are well-established funding mechanisms for innovation through both venture capital and the internal research and development budgets of large corporations (e.g., Apple spends $10 billion, or roughly 5% of annual sales, on R&D). In industries with a longer or less-established pathway to profitability, the philanthropic and public sectors play a larger role in the innovation process. The United States government assumed this role in developing what eventually became the Internet. International donors spent billions of dollars over 25 years to nurture the microfinance industry. Agricultural transformation in Africa will require a range of investments; nurturing the nascent industry for agricultural SME finance should be one of them. The question should not be whether to invest public and philanthropic resources to build this market but rather how to channel those investments so they can be most catalytic.
Summary of Findings from Financial Benchmarking of CSAF Members’ Loan-Level Economics

As part of a broader effort to advance learning around the opportunities and barriers to expanding the market for agricultural SME finance, CSAF initiated a financial benchmarking exercise focused on the loan-level economics of members’ lending. With funding from USAID, Dalberg Advisors conducted an analysis of 3,556 loans totaling $2.35B made by nine CSAF members from 2010 to 2016 to identify the actual revenue and write-offs from these loans and an appropriate allocation of operating costs. Dalberg Advisors then overlaid this analysis with a standardized impact cost of funds to determine loan-level profitability. They found that, on average, CSAF-member loans were not profitable, though economics varied substantially based on five key risk factors:

- **REGION**: CSAF loans in Latin America performed better than loans in Africa. Loans in Africa are twice as likely to end up in recovery and have operating costs that are 22 percent higher than loans in other regions.

- **LOAN SIZE**: Larger loans performed better than smaller ones. The operating costs are similar across different loan sizes, but interest and fee income is proportional to loan size. In addition, loans below $500K have an approximately 80% higher risk of default than loans above $500K.

- **FIRST-TIME BORROWERS**: Loans to existing borrowers are significantly more profitable than loans to new borrowers. The risk of default is twice as high for new borrowers than existing borrowers, and origination costs are also 50% higher.

- **VALUE CHAIN**: Loans in more formal coffee and cocoa value chains performed better than loans in other crops. Loans to crops other than coffee and cocoa were 2.5 times more likely to default. Several lenders also reported higher origination costs for these crops owing to a self-perpetuating cycle of less developed value chains and lower familiarity by lenders reluctant to take on higher risk.

- **TENOR**: Short-term loans (less than 12 months) performed better than long-term loans (12 months or more). Loans with tenors of more than 12 months were more than four times more likely to fall into arrears than loans under 12 months.

The full report includes detail across each of these five risk areas and breaks down the buckets of cost and revenue into their component parts. A second phase of analysis is being conducted in Q3 2018 with local financial institutions in East Africa. Results are expected in Q4 2018.
Financing Food Security & Nutrition in Africa

In no region is investment in agriculture more critical, more risky, and more likely to generate outsized impact than in sub-Saharan Africa. Seventy percent of Africans depend on agriculture for their livelihoods. Yet investment in the sector accounts falls well short:

- While agriculture accounts for 18% of GDP in the region, on average, African governments allocate less than 4% of their national budgets to the sector.
- Private lenders are no better. For example, in Kenya, less than 4% of bank lending goes to agriculture.
- At the international level, less than 7% of official development assistance to Africa goes to agriculture.

The African Development Bank estimates that there is a $23-31 billion annual funding gap to achieve inclusive agricultural transformation in sub-Saharan Africa. But the need goes well beyond regional economic development. Africa contains 60% of the world’s uncultivated arable land, but imports $35 billion of food annually, with that figure projected to triple by 2025. At the same time, one in five Africans is chronically malnourished.

Recognizing both the demand and the market imperative, CSAF members are increasingly financing African enterprises at various stages of food crop value chains.

CSAF members have made a handful of loans to facilitate production and distribution of high-quality inputs, but felt it was premature to share “success stories” given limited experience to date and the relatively high default rates from initial lending experience in this segment.

**INPUTS**

Fertilizer use in Africa is roughly one-eighth the global average and only 20% of African farmers use drought-resistant or other improved seed varieties.

**PRIMARY PRODUCTION**

Yields for staple grains in Africa are one-third the global average.

Afri-Oils is a processing business in Malawi that purchases groundnuts from smallholder farmers. CSAF member AgDevCo invested $1.5 million of debt and equity in 2016 to finance a new factory for the company. Alongside its investment, AgDevCo provides capacity building to strengthen the business’ governance and management, and supports an extension program to increase farmer productivity. Over the past three years, Afri-Oils has quadrupled production and is now buying from more than 23,000 farmers, the majority of whom are women. The company sells graded nuts into regional markets, including to a manufacturer of ready-to-use therapeutic foods that supplies UNICEF and the World Food Programme. By 2021, the company expects to buy from at least 40,000 farmers as its factory becomes fully utilized.

**POST-HARVEST**

20-50% of harvest rots or is otherwise lost from farm to market.

VERT Limited is a Kenyan company that specializes in exporting fresh vegetables to the European market. CSAF member Alterfin was the first investor to provide VERT with a working capital loan to finance the growth of its fresh vegetable business. In 2016, the company identified a complementary opportunity that would diversify its operations while helping farmers tap into a high value-add crop to increase their incomes. Many of VERT’s farmers also cultivate mango trees, but a production glut during the harvest season means that up to 50% of mangoes are left to rot. To reduce post-harvest loss, VERT is now purchasing lower-grade fruit from its farmers for use in juicing and pulping. Alterfin supplemented the company’s working capital loan with a long-term loan to acquire fruit pulping equipment, as well as technical assistance to build VERT’s expertise in this new value chain.

**PROCESSING**

Less than 30% of industrially milled maize in Africa is fortified.

Halisi Products, Ltd is a woman-owned agro-processing company in Tanzania focused on developing nutritious flour, honey, soya drinks, and spices. With financing and capacity building from CSAF regional member SME Impact Fund, the company has nearly tripled the volume of raw materials purchased from farmers over the past three years. The enterprise now employs 18 people full-time and sources from 212 smallholder farmers. To support the enterprise’s growth and deepen its impact, SME Impact Fund has also provided Halisi Products with capacity building related to business planning, financial projections, human resource management, and worker safety.
Looking Ahead: Prosper Africa & Beyond

There is growing consensus that agricultural SMEs can be lynchpins for inclusive agricultural transformation that improves rural livelihoods, strengthens food security, builds resilience to climate change, and accelerates economic development across sub-Saharan Africa. Yet too often SMEs fail to realize their potential; in large part because they have limited access to capital and capacity building and no favorable enabling environment to fuel their growth.

During 2018, CSAF is teaming up with the Global Development Incubator (GDI) to design Prosper Africa. This multi-stakeholder initiative will address immediate barriers and generate incremental investments in agricultural SMEs. Prosper Africa will initially focus on four countries—Kenya, Rwanda, Tanzania, and Uganda—with potential to expand to other countries across the continent in the future. CSAF and GDI seek to engage a broader set of financial service providers and partners in the design and implementation of a three-pillar strategy to:

1. **Increase capital supply to agricultural SMEs:** Create blended finance solutions that leverage a catalytic pool of public and philanthropic funding to unlock additional lending by private actors to inclusive agricultural SMEs;

2. **Expand addressable demand:** Establish a market-oriented approach for high-potential SMEs to access capacity building from affordable, local technical assistance providers; and

3. **Strengthen the enabling environment:** Partner with experienced stakeholders to identify legal, regulatory, and policy barriers to agricultural SME market development and make the case for forward-leaning African governments to invest in solutions on both the capital supply and demand sides to support self-sustaining investment in the agricultural sector.

CSAF and GDI are drawing upon findings from the financial benchmarking analysis to inform the design of blended finance solutions under #1 above. Prosper Africa will focus on gaps in the market where there are compelling opportunities for impact, including early-stage enterprises and food crops. We are working with stakeholders to design Prosper Africa and look forward to sharing proposals to catalyze market growth in Q4 2018.

Public sector actors increasingly view approaches that use blended finance to mobilize private capital as critical to achieving the Sustainable Development Goals, especially mandates around climate, food security, and opportunities for women and youth. Indeed, the need for blended finance solutions extends beyond Africa to other regions; we see a need for similar approaches to promote resilience investments in agroforestry crops in Latin America and sustainable fisheries in Southeast Asia (see example below), among others.

The private sector has growing appetite to pursue blended finance solutions in agriculture, as food companies look to invest upstream in sustainable supply chains and the finance industry pushes into frontier markets serving the base of the pyramid. At the same time, the use of blended finance tools remains relatively nascent, constrained by limited data and market transparency. Donors recognize their funding is limited and are reluctant to subsidize the private sector, while private sector actors are wary that they will bear excessive risk or realize lower returns.

Agricultural SME finance presents a compelling test case to tackle these bottlenecks. As data becomes available on the true costs for lenders to serve agricultural SMEs, donors, investors, practitioners, and policymakers can understand what types of interventions are required and which pathways for market development are most efficient. There is an opportunity to leverage the operating platforms of existing actors in the market, including CSAF members and local financial service providers, to unlock increased lending to underserved segments of the market. At the same time, new technologies and disruptive business models are needed to drive down the operating costs to serve agricultural SMEs so lending economics become increasingly commercial. As we develop Prosper Africa and explore similar approaches in other regions, we seek partners to develop these answers together and collectively catalyze a thriving and sustainable agricultural finance market.
BORROWER PROFILE

Netting a Sustainable Livelihood for Indonesian Fishing Communities

As CSAF members have expanded their lending in South and East Asia, they have focused on a mix of familiar value chains (e.g., coffee, cashews) and new ones. One relatively nascent value chain with strong potential for social and environmental impact in the region is fresh fish. Demand for seafood, particularly sustainably sourced seafood, is growing worldwide. Although environmental risks from overfishing are acute, seafood harvesting and production is less resource-intensive and results in lower greenhouse gas emissions than any other animal-based protein. Sustainable fisheries have the potential to help counteract global trends of rising food insecurity and resource scarcity.

On the remote Indonesian island of Sumbawa, between Bali and Timor, small-scale fishers have traditionally been dependent on middlemen to get their product to market. Lack of proper cold chain storage means they are often unable to sell their entire catch, which decreases their overall earnings.

With a long-term loan from CSAF member Rabo Rural Fund, the Indonesian company PT Bali recently opened the first of four fish processing plants in this rural area. These processing plants are part of the entrepreneur’s long-term vision to build a more sustainable future for fisheries while boosting earnings for fishing communities. Around 150 people are employed in and around PT Bali’s first factory, which aims to do business directly with small boats operated by more than 1,000 fishers. The company reports that these local fishers can expect a 15 percent increase in their income this year and it is working with them to ensure they employ sustainable fishing methods.

Sustainable fisheries like PT Bali adopt a whole ecosystem lens that protects not only food stocks, but also surrounding species that are critical to overall ecosystem health. They provide oversight that mitigates overfishing by banning specific types of nets that can damage the sea floor or capture high levels of bycatch. They may also restrict the number and type of fishing licenses in a given area to maintain a sustainable stock. Investment in sustainable fisheries management—thus far an underdeveloped value chain—can help address the looming threats of both global hunger and climate change.
Appendix 1: A Note on Methodology

The results presented in this report are based on agricultural lending activity by the nine CSAF global members, two global affiliates, and one regional member from January 1, 2017 to December 31, 2017. CSAF members and affiliates (collectively referred to in this report as members) provided this information to MIX, an organization that promotes financial inclusion through data and insight, under a nondisclosure agreement. Subsequent analysis was conducted by MIX using an aggregate dataset and therefore does not identify either the borrower or the lender.

To account for inconsistent data types and to improve trend analysis, MIX applied a unified adjustment methodology across both new and historical data. Therefore, readers will notice variations from the data published in CSAF’s previous annual reports.

We believe this methodology presents the most accurate and up-to-date picture of our constantly evolving industry. Additionally, we restrict our reporting to only active loans, which are defined as meeting at least one of the following criteria:

• a maturity date in 2017 or later;
• one or more disbursements during 2017; or
• an outstanding balance (not subject to write-off) at any point during 2017.

To complement and contextualize the data presented in this report, CSAF members participated in qualitative surveys and discussions covering trends affecting portfolio growth and credit quality, with insights incorporated throughout this report.
Appendix 2: Data Summary

<table>
<thead>
<tr>
<th>Region</th>
<th>Borrowers</th>
<th>Amount Disbursed</th>
<th>% Change from Previous Yr</th>
<th>Number of Borrowers</th>
<th>Change from Previous Yr</th>
<th>% of Total Borrowers</th>
<th># of CSAF Members</th>
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</tr>
<tr>
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<td></td>
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<td>24%</td>
<td>305</td>
<td>19</td>
<td>38%</td>
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<tr>
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<td>54%</td>
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</tr>
<tr>
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<td>4%</td>
<td>8</td>
</tr>
<tr>
<td>Ghana</td>
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<td>-34%</td>
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<td>-6</td>
<td>4%</td>
<td>6</td>
</tr>
<tr>
<td>Kenya</td>
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<td>$19.3M</td>
<td>16%</td>
<td>42</td>
<td>9</td>
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<tr>
<td>Madagascar</td>
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<tr>
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<tr>
<td>Mali</td>
<td></td>
<td>$0.6M</td>
<td>-25%</td>
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<tr>
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<td>Other regions</td>
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<td>-51%</td>
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<td>0</td>
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<td>5</td>
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<tr>
<td>Bulgaria</td>
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<td>$0.8M</td>
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<td>3%</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<td>-68%</td>
<td>2</td>
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<td>0%</td>
<td>2</td>
</tr>
</tbody>
</table>

Standard methodology applies. Data does not total due to rounding and the exclusion of countries with fewer than two borrowers or fewer than two lenders (e.g., Democratic Republic of Congo). For businesses with a regional presence, disbursements are categorized by the country where a borrower is headquartered.
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