

Agricultural Finance For Smallholder Farmers Rethinking Traditional Microfinance Risk And Cost Management Approaches University Meets Microfinance

This report assesses the achievements and challenges for microfinance service delivery in Malawi, with particular attention to rural and agricultural markets. It identifies key elements that influence the development of Malawi's financial system, and provides some recommendations and opportunities for investors, donors, government and private sector entities to support the development of an inclusive financial system.

Smallholder farmers in developing countries face substantial constraints that limit their ability to reach their production potential. Two constraints—risk exposure and limited access to liquidity—pose particular challenges. Smallholders face a wide variety of risks that constrain both the choices they can make and their willingness to make investments. Limited availability of affordable credit, borrowing and saving products poorly aligned with the needs of the agriculture sector, and prohibitive borrowing eligibility requirements all impede farmers' access to the liquidity necessary for investing in new, more profitable crops and technologies (International Finance Corporation, 2014). Observers have noted that a large share of long-term credit needs is not being met in Southeast Asia, despite its location near some of the world's largest consumer markets (Shakhovskoy & Wendle, 2013). While existing financial services may be suitable for some farmers, access to finance is particularly inadequate among women, low-income groups, and ethnic minorities, and risk excluding the most vulnerable groups from these emerging economic opportunities.

Building on FAO policy advice and incorporating lessons from ongoing agricultural carbon finance projects of FAO and other organizations, this document will provide an overview of potential mitigation finance opportunities for soil carbon sequestration. The first part provides an overview of the opportunities for climate change mitigation from agricultural soil carbon sequestration. The second part is aimed primarily at carbon projects developers and decision makers at national level concerned with environmental and agriculture policies and incentives and farmers' associations working towards rural development and poverty alleviation.

Smallholder farmers in developing countries face several different constraints limiting their ability to reach their production potential. One such constraint is access to formal finance; smallholders and other agricultural value chain participants frequently cannot access credit necessary to invest in new crops or technologies, deal with risks and shocks, and or savings products to safely carry wealth from harvest to planting. New technologies, markets, and government priorities in several Southeast Asian countries combine to suggest new opportunities are emerging to overcome long-standing challenges to expanding

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agricultural finance: Those challenges include: (i) high transaction costs to financing in rural areas; (ii) managing risks unique to agriculture; and (iii) knowledge about how to deliver agriculture-based products.

Smallholder Agriculture and Market Participation discusses the evolution of policies for smallholder development, including the role of value chains, and the linkages that exist with the Sustainable Development Goals. New, innovative financial mechanisms and linked initiatives are outlined, and their potential to improve the availability of financial services and reduce market transaction costs. Risk management for agricultural smallholders is covered, together with the increasing role of insurance as a mechanism for risk management among smallholders. Empirical data are used to illustrate the more conceptual work. The last part of the book provides case studies of selected commodity value chain investments involving smallholders in Africa (Ethiopia, Tanzania and Zimbabwe) and South America (Peru), implemented by FAO. The lessons concern project design and targeting, product and market analysis, regulatory issues, sustainability and improved natural resources management.

Spore magazine 191: Scaling: A high priority for agriculture Agricultural innovations must have a more substantial impact to meet the United Nation's Sustainable Development Goals (SDGs) by 2030 – which call for a concerted effort from the public and private sectors, as well as farmers and processors. SPORE is the quarterly magazine of the Technical Centre for Agricultural and Rural Cooperation (CTA), offering a global perspective on agribusiness and sustainable agriculture. CTA operates under the Cotonou Agreement between the countries of the Africa, Caribbean and Pacific (ACP) group and the European Union and is financed by the EU. p.p1 {margin: 0.0px 0.0px 0.0px 0.0px; font: 13.0px Helvetica} p.p2 {margin: 0.0px 0.0px 0.0px 0.0px; font: 13.0px Helvetica; min-height: 16.0px}

From a war-torn and famine-plagued country at the beginning of the 1990s, Ethiopia is today emerging as one of the fastest-growing economies in Africa. Growth in Ethiopia has surpassed that of every other sub-Saharan country over the past decade and is forecast by the International Monetary Fund to exceed 8 percent over the next two years. The government has set its eyes on transforming the country into a middle-income country by 2025, and into a leading manufacturing hub in Africa. The Oxford Handbook of the Ethiopian Economy studies this country's unique model of development, where the state plays a central role, and where a successful industrialization drive has challenged the long-held erroneous assumption that industrial policy will never work in poor African countries. While much of the volume is focused on post-1991 economic development policy and strategy, the analysis is set against the background of the long history of Ethiopia, and more specifically on the Imperial period that ended in 1974, the socialist development experiment of the Derg regime between 1974 and 1991, and the policies and strategies of the current EPRDF government that assumed power in 1991. Including a range of contributions from

both academic and professional standpoints, this volume is a key reference work on the economy of Ethiopia.

Crop receipts are a promising innovation in agricultural finance first developed in Brazil about 20 years ago and recently replicated in Eastern Europe. Crop Receipts allow farmers to obtain pre-harvest finance against a promise to produce a certain amount of crops, with their future farm production serving as main collateral. Taking inspiration from past successes, this study examines the scope for adapting crop receipts to the African context and for introducing them on a pilot basis. The study analysis of the evolution of crop receipts and explores opportunities, challenges and entry points for crop receipt in Africa. Crop receipt pilots in Uganda and Zambia are considered based on a detailed assessment of the legal frameworks, financial and agricultural sectors, and stakeholder consultations. The report closes with the main findings and offers some strategic and operational considerations for introducing crop receipt finance in Africa. The study was conducted by the FAO investment Centre within its partnership with the International Finance Corporation (IFC) with co-funding from the GAFSP Private Sector Window. While the primary objective of the study is to guide IFC in exploring concrete investment opportunities for piloting crop receipts, its findings and recommendations could be of interest to a broader set of stakeholders in agricultural finance and development.

Smallholder agriculture in many developing countries has remained largely self-financed. However, improved productivity for attaining greater food security requires better access to institutional credit. Past efforts to extend institutional credit to smaller farmers has failed for several reasons, including subsidized operation of government-aided credit schemes. Thus, recent efforts to expand credit for smallholder agriculture that rely on innovative credit delivery schemes at market prices have received much policy interest. However, thus far the impacts of these efforts are not fully understood. This study examines credit for smallholder agriculture in the context of Uganda, where agriculture is about 35 percent of gross domestic product, most farmers are smallholders, and the country has introduced policies since 2005 to extend credit access to the sector. The analysis uses newly available household panel data from Uganda for 2005-2006 and 2009-2010 to examine (a) whether credit effectively targets agriculture, by examining determinants of borrowing across different sources; (b) agricultural and nonagricultural determinants of supply and demand credit constraints among non-borrowers; and (c) the effects of borrowing and credit constraints on household income, consumption, and agricultural outcomes. The analysis finds that although not many households report borrowing specifically for agriculture, credit is fungible and agricultural outcomes do substantially improve with institutional borrowing, particularly microcredit. Among non-borrowers, supply and demand credit constraints have fallen considerably over the period, particularly in rural areas. Access to institutions and infrastructure play a strong role in alleviating the negative effect of credit constraints on welfare outcomes, as well as determining the source of lending among borrowing households.

Even though traditional microfinance has successfully paved the way for offering financial services to low-income populations without traditional collateral, many microfinance institutions (MFIs) are still reluctant to move into rural areas and agricultural finance, due to the perceived high risks and costs. Daniela Röttger's

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research demonstrates how MFIs can mitigate risks and costs of lending to smallholder farmers by using a combination of proven traditional microfinance mechanisms while adapting specific loan features and lending mechanisms to the particularities of smallholder agriculture. She systematically compares traditional microfinance risk management mechanisms with agricultural microfinance approaches and identifies successful strategies. For this purpose, eight MFIs providing agricultural finance to smallholder farmers in four countries in East and West Africa (Uganda, Kenya, Benin, Cameroon) were interviewed and their loan features and agricultural lending mechanism were analyzed. The study shows that MFIs can successfully serve smallholder farmers in rural areas. However, the extent of adaptations is reason enough not to commit to such an endeavor lightly. A strong commitment combined with sound in-house knowledge of agricultural value chains and the flexibility to adapt loan terms and lending procedures to the particularities of agriculture are needed to successfully develop and sustain agricultural microfinance.

Highlights the main characteristics of smallholder credit systems in Zimbabwe for the period 1980 to 1999.

Blended finance in the agricultural sector deserves its own debate. This is why the Technical Centre for Agricultural and Rural Cooperation (CTA) together with the EC Directorate-General for International Cooperation and Development (DG DEVCO) organised the first international conference on Blending for Agriculture ("Blending4Ag") in November 2016 in Brussels. The conference brought together an impressive group of financiers, high-level agricultural experts, policy-makers and practitioners to share lessons and best practices in designing and implementing blending. This conference focused on how public finance for smallholder agriculture can achieve the greatest possible leverage in terms of private investments in developing countries.

Stefan Ouma seeks to debunk the misconceptions and assumptions about "finance-gone-farming" with a penetrating analysis of case studies taken from both the developed and developing world. The book provides fascinating insights into the inner workings of the agri-focused asset management industry.

This book reflects the current state of discussion about agricultural and rural finance in developing and transition countries. It provides insight into specific themes, such as commodity value chains, farm banking and risk management in agricultural banking, structured finance, crop insurance, mobile banking and how to increase effectiveness in rural finance. Case studies illustrate various aspects of agricultural and rural finance in developing economies. The book is based on one of the yearly financial Sector Development Symposia held by the KfW Development Bank.

Credit constraint is considered by many as one of the key barriers to adoption of modern agricultural technologies, such as chemical fertilizer, improved seeds, and irrigation technologies, among smallholders. Past research and much policy discourse associates agricultural credit constraints with supply-side factors, such as limited access to credit sources or high costs of borrowing. However, demand-side factors, such as risk-aversion and financial illiteracy among borrowers, as well as high transaction costs, can also play important roles in credit-rationing for smallholders. Using primary survey data from Ethiopia and Tanzania, this study examines the nature of credit constraints facing smallholders and the factors that

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affect credit constraints. In addition, we assess whether credit constraints are gender-differentiated. Results show that demand-side credit constraints are at least as important as supply-side factors in both countries. Women are more likely to be credit constrained (from both the supply and demand sides) than men. Based on these findings, we suggest that policies should focus on addressing both supply- and demand-side credit constraints, including through targeted interventions to reduce risk, such as crop insurance and gender-sensitive policies to improve women's access to credit.

Everywhere in the world, small agricultural producers are entrepreneurs, traders, investors, and consumers, all rolled into one. In all these roles, small agricultural households constantly seek to use available financial instruments to improve their productivity and secure the best possible consumption and investment choices for their families. But the package of financial services available to small farmers in developing countries is severely limited, especially for those living in remote areas with no access to basic market infrastructure. When poor people have limited saving or borrowing options, their investment plans are stifled and it becomes harder for them to break out of poverty. If households have no access to insurance and are unable to accumulate small savings that enable them to pay for household and business expenses, especially during lean seasons, they are forced to limit their exposure to risk, even if high returns are expected, once again making the pathway out of poverty more arduous than necessary. Inadequate access to financial services is thus part of what is often called the "poverty trap."

Spore magazine - issue 184 - A global perspective on agribusiness and agricultural development

ICT Update is a bimonthly printed and on-line magazine (<http://ictupdate.cta.int>) and an accompanying e-mail newsletter published by CTA. This issue focuses on agricultural mobile finance.

ICT Update is a bimonthly printed and on-line magazine (<http://ictupdate.cta.int>) and an accompanying e-mail newsletter published by CTA. This issue focuses on linking the farmers to markets.

`An insightful and complete analysis of agricultural value chain financing---Mark D. Wenner, Inter-American Development Bank --

This open access book discusses the current role of smallholders in connection with food security and poverty reduction in developing countries. It addresses the opportunities they enjoy, and the constraints they face, by analysing the availability, access to and utilization of production factors. Due to the relevance of smallholder farms, enhancing their production capacities and economic and social resilience could produce positive impacts on food security and nutrition at a number of levels. In addition to the role of small farmers as food suppliers, the book considers their role as consumers and their level of nutrition security. It investigates the link between agriculture and nutrition in order to better understand how agriculture affects human health and dietary patterns. Given the

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importance of smallholdings, strategies to increase their productivity are essential to improving food and nutrition security, as well as food diversity.

Agricultural Finance for Smallholder Farmers Rethinking Traditional Microfinance Risk and Cost Management Approaches Columbia University Press

Spore magazine 190: Farm data: Serving smallholder farmers in a digital age Increasing amounts of agricultural data are being produced at faster speeds, using a greater variety of technologies and innovations than ever before. But what is the value of information sharing for smallholders, and what are the risks? SPORE is the quarterly magazine of the Technical Centre for Agricultural and Rural Cooperation (CTA), offering a global perspective on agribusiness and sustainable agriculture. CTA operates under the Cotonou Agreement between the countries of the Africa, Caribbean and Pacific (ACP) group and the European Union and is financed by the EU.

This handbook addresses the challenges that agribusiness companies face when working with smallholder suppliers in their value chain.

This paper highlights the role that Catholic Relief Services and its implementing partners have played in creating effective linkages between financial service providers and smallholder producers in Nicaragua.

In the modern globalized economy, it is important for businesses of all sizes to take advantage of the opportunity to enter diverse markets around the world. Through an international presence, organizations can remain competitive. Agricultural Finance and Opportunities for Investment and Expansion provides emerging research on the sources and profitable uses of funds in agricultural enterprises and sustainable agricultural production. While highlighting topics such as agricultural credit, enterprise expansion, and risk management, this publication explores the theoretical applications of agriculture through a business perspective. This book is an important resource for managers, academics, researchers, scholars, and graduate-level students seeking current research on the implementation of agriculture as a means of improving society and economy.

As a key pillar of the Ugandan economy, the agriculture sector is a critical driver of economic growth and poverty alleviation. Uganda's agricultural sector is dominated by smallholders with low levels of productivity. The agriculture sector is highly exposed to co-variant risks, which include weather, biological, infrastructure (post-harvest loss), price, and market risks. This plethora of risks suppresses appetite for investment in the sector. Despite the sector's contribution to the economy, farmers' access to finance remains a major constraint.

Recognizing agriculture finance's critical role in the agricultural transformation agenda, the government of Uganda (GoU) is supporting several initiatives to unlock agricultural finance. To manage the financial impacts of production shocks, the GoU seeks to use agricultural insurance to derisk rural lending and expand access to rural credit for smallholders. In partnership with private insurance companies, the GoU launched the Uganda Agriculture Insurance Scheme (UAIS) as a five-year pilot in July 2016. The objectives of the scheme are to ensure that Ugandan farmers are protected against the effects of agriculture risks, especially production risks; to increase farmers' access to credit; and to make crops, livestock, and aquaculture insurance affordable to smallholder producers. The UAIS offers a range of crop, livestock, poultry, and aquaculture insurance coverage to Ugandan farmers, and is promoted by the GoU through the provision of premium subsidies. The objective of the review is to provide recommendations for enhancing the scalability and sustainability of the GoU's approach to promoting agriculture insurance in Uganda.

There are about 450 million small farms today and they are getting more numerous and smaller by the day. Many have become too small to provide adequate livelihoods or to compete successfully in today's globalised markets. This has led to considerable debate about the future role of small farms and whether it still makes sense for governments to invest in

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them. This book reviews the current status of small farms around the developing world, and the challenges that they face. It finds that policy makers need to differentiate more sharply than in the past between different types of small farms and the types of assistance they need, and discusses strategies appropriate for each type. The book draws on a wealth of recent experience at IFAD and elsewhere to help identify best practice approaches.

This report describes the present state of agricultural value chain finance in Indonesia and suggests policies that could help expand its availability where formal financial services have been unable to meet value chain actors' needs. We first consider the features of a policy environment needed for agricultural value chain finance to flourish. Key points related to the policy environment are: Allow interest rates for loans from the formal sector to be priced by the market; Support secure, inclusive payment systems and transaction frameworks; Develop a legal framework that supports both the use of movable collateral in loans and a warehouse receipts system; Develop a legal and/or regulatory framework that supports contract farming among smallholders; And allow for a more open, technology-driven financial architecture that facilitates market entry among nontraditional financial service providers.

This review assesses the performance of Vietnamese agriculture over the last two decades, evaluates Vietnamese agricultural policy reforms, discusses the policy framework for sustainable investment in agriculture and provides recommendations to address key challenges in the future.

The COVID-19 pandemic has hit human capital directly in Europe and Central Asia, adversely affecting both education and health. School closures may lead to learning losses equivalent to a third to a full year of schooling, and they are likely to exacerbate inequalities, by disproportionately affecting students from disadvantaged backgrounds. The disease has already killed thousands of people, and some patients who survive will suffer long-term damage to their health. Recovery from the pandemic will thus require strong investment in education and health. This update examines human capital outcomes in the region and the ways in which the pandemic is likely to affect them. A focus on the quality of tertiary education and health risk factors of obesity, smoking, and heavy drinking highlights the challenges that are particularly important for the region. Post-COVID 19 policy initiatives to improve education and health will need to recognize the challenges posed by increased reliance on remote learning and the importance of being prepared for future pandemics, given the vulnerability of the region's aging societies and the large number of people with underlying health risks.

Farmers and other actors in agricultural value chains find it difficult to access or provide the financial services the sector needs – services that are critical for the development of agricultural products, and are integral to upstream and downstream processes. At the Brussels Development Briefing Revolutionising finance for agri-value chains, experts considered innovative solutions that could improve the livelihoods of smallholder and rural producers, and promote economic transformation in the poorest countries.

At 4:00 am, Leonida Wanyama lit a lantern in her house made of sticks and mud. She was up long before the sun to begin her farm work, as usual. But this would be no ordinary day, this second Friday of the new year. This was the day Leonida and a group of smallholder farmers in western Kenya would begin their exodus, as she said, "from misery to Canaan," the land of milk and honey. Africa's smallholder farmers, most of whom are women, know misery. They toil in a time warp, living and working essentially

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as their forebears did a century ago. With tired seeds, meager soil nutrition, primitive storage facilities, wretched roads, and no capital or credit, they harvest less than one-quarter the yields of Western farmers. The romantic ideal of African farmers—rural villagers in touch with nature, tending bucolic fields—is in reality a horror scene of malnourished children, backbreaking manual work, and profound hopelessness. Growing food is their driving preoccupation, and still they don't have enough to feed their families throughout the year. The wanjala—the annual hunger season that can stretch from one month to as many as eight or nine—abides. But in January 2011, Leonida and her neighbors came together and took the enormous risk of trying to change their lives. Award-winning author and world hunger activist Roger Thurow spent a year with four of them—Leonida Wanyama, Rasoa Wasike, Francis Mamati, and Zipporah Biketi—to intimately chronicle their efforts. In *The Last Hunger Season*, he illuminates the profound challenges these farmers and their families face, and follows them through the seasons to see whether, with a little bit of help from a new social enterprise organization called One Acre Fund, they might transcend lives of dire poverty and hunger. The daily dramas of the farmers' lives unfold against the backdrop of a looming global challenge: to feed a growing population, world food production must nearly double by 2050. If these farmers succeed, so might we all.

The regional study collects and analyzes recent innovative risk transfer and sharing strategies used by private or public financial institutions and enterprises leading agricultural investments in Asia. It makes an illustration of the channels through which recent strategies overcome obstacles for the delivery of various financial services to agribusinesses, such as long-term loans, savings, insurance, hedging instruments, and leasing. An explanation of the context in which these strategies seem to work is provided in addition to those constraints that currently limit further outreach to the agribusiness sector, specially to smaller agro-enterprises with growth potential where poorer rural households participate.

This book includes examples of achieving wider change in smallholder agriculture, through influencing policy decisions, linking smallholders to value chains, innovating service provision for small farmers, with an emphasis on promoting equitable livelihoods and developing rural women's economic leadership.

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