

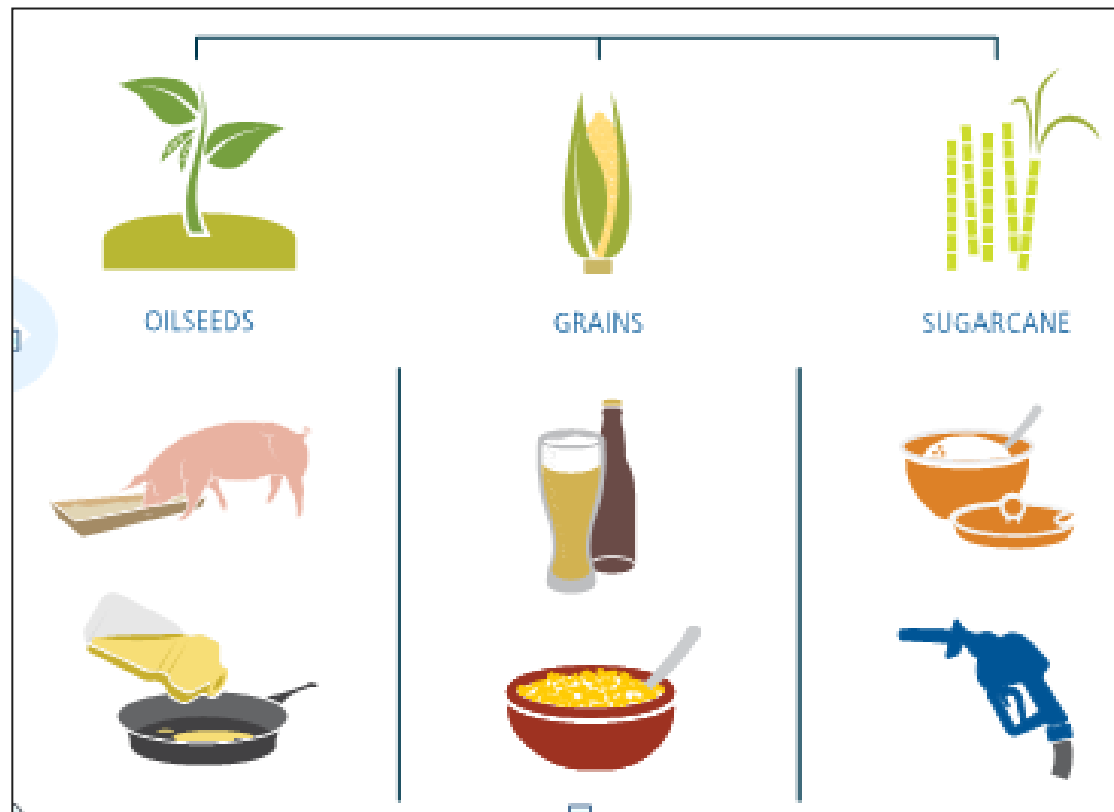
“Importance of Local Information to International Trade”

14 July 2014

Promoting inclusive finance models for farmers in Africa



What We Do: Connect Farmers to Consumers



- ▶ We **connect farmers** to the global marketplace
- ▶ We **supply end customers**, from nations to small livestock producers, with high-quality commodity products derived from a variety of crops
 - **Purchase** grains and oilseeds from farmers
 - **Store**, transport and sell raw commodities to end customers in domestic and export markets
 - **Process** oilseeds into protein meals and crude vegetable oil for sale to livestock producers, feed millers, food processors, the biofuels industry and other customers
 - **Provide financial services**, risk management and logistics services to end customers
 - **Execute risk management** strategies in the process

The Bunge Footprint and Plans for Africa



- Africa is new territory (3yrs)
- JV in RSA, Mal, Zambia and Mozambique
- Trading office for East Africa, Mombasa, Kenya
- No assets yet
- Committed to invest in Africa
- Right model key for success
- Partnerships with the key stakeholders critical
- Right information needed

	Elevator	Fertilizer	Mill	Oilseed Proc.	Refining	Port	Sugar Mill
South America	74	21	7	15	9	18	8
Asia				4	4	1	
Europe	14			17	29	3	
North America	78		6	16	18	4	
Total	166	21	13	52	60	26	8

Agribusiness Chain Catapulted by Farmers

The Agribusiness Chain



Farmer

- Soy
- Corn
- Wheat
- Sorghum
- Barley
- Canola
- Rapeseed
- Sunseed
- Flaxseed
- Rice



Grain Origination

- Storing
- Blending
- Drying
- Financing



Logistics

- Rail
- Truck
- Barge
- Port terminal
- Ocean vessel



Basic Processing

- Soybean
- Rapeseed
- Canola
- Sunseed
- Specialty seeds



Sales & Distribution

- Raw material
- Protein meal
- Vegetable oil
- Financial services

Food & Ingredients



Refining, Value Added & Packaging

- Edible oils
- Margarine
- Mayonnaise
- Corn, wheat & rice products

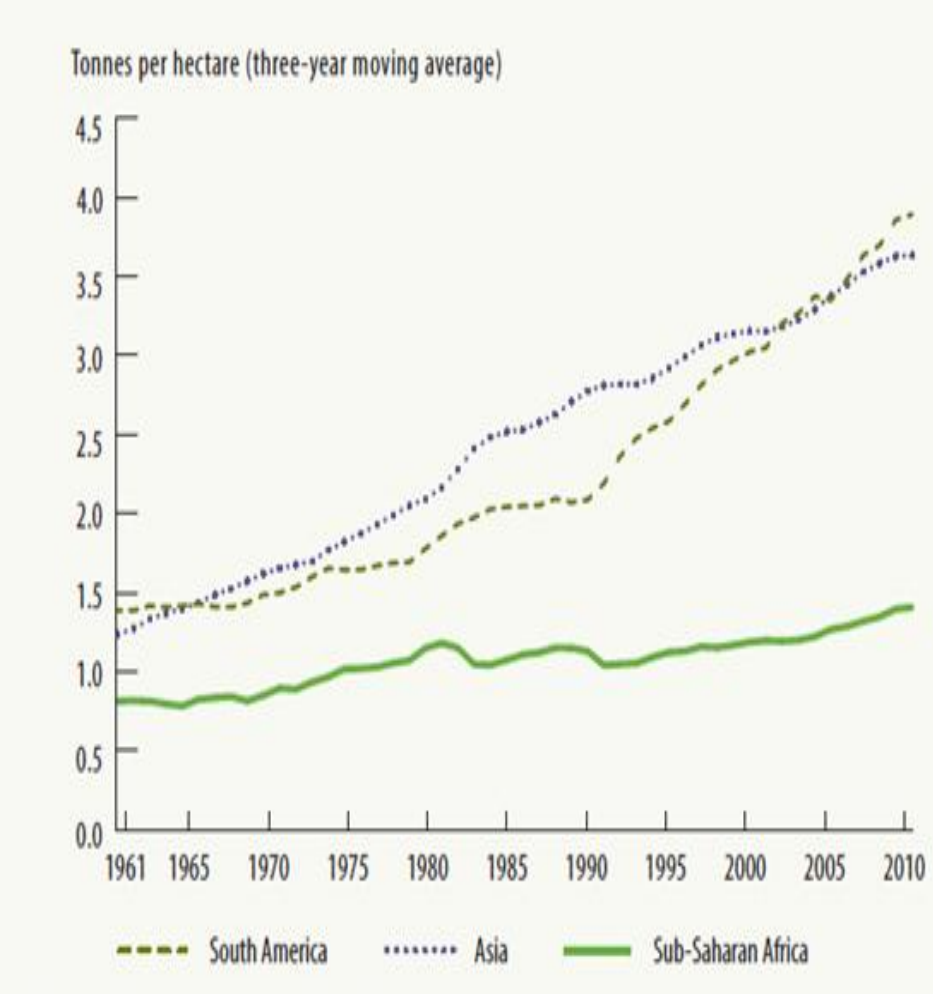
← Risk Management →



The right market information is essential to make business decisions

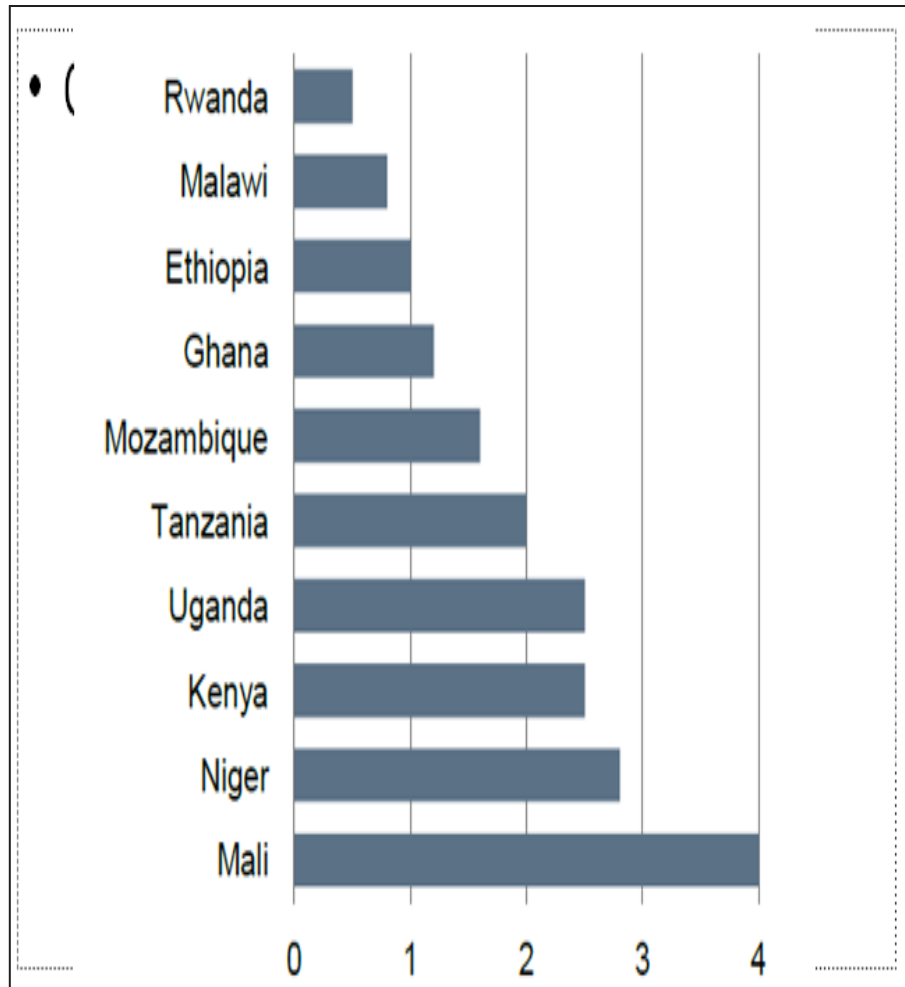
Challenges of Agribusiness in Africa

Low productivity (tons/ha)



Source: Calculations based on FAO (2012c).

Small farm holdings (ha/household)

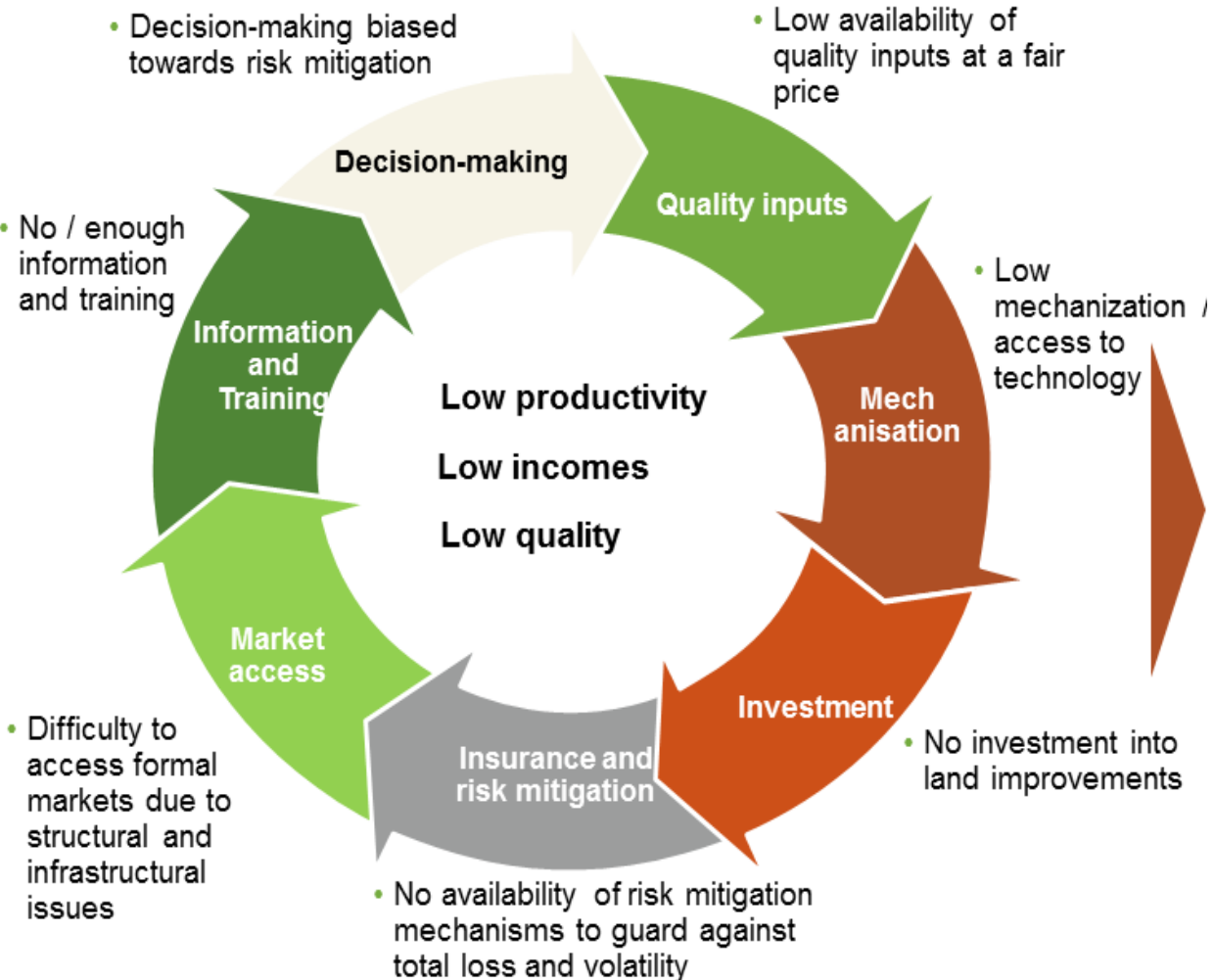


Sources: AGRA, AfdB, Deutsche Bank Research



Success comes through sustainable poverty reduction

African subsistence farmer poverty cycle



Explanations

- Due to existing dynamics, farmers are not positioned to benefit from best in class global farming practices
- BUT**
- It is possible to break this vicious cycle without subsidies and donor grants etc.
 - Innovations in existing supply chain dynamics are required

Source: Grow Africa

Important information for International traders

➤ Critical Mass

- Sufficient commodity quantities (.k tons)
- Quantities meeting the right quality standards (1&2, A&B)
- Resilience to shocks (vagaries of weather)
- Growth potential

➤ Supply and Demand

- Opening, new, domestic use, carryover stocks (balance sheet)
- Trends, historical and future prospects

➤ Proximity to cross-border markets

- Export/import parity geographies
- Formal/informality of cross border trade

➤ Logistics and Infrastructure

- Road, rail, storage, ports accessibility/efficiency

➤ Political Economy

- Food security policies/intervention mechanisms
- Macro economic fundamentals



Importance of local information and role of farmers



➤ Production data

- Area planted, time of planting
- Technologies and traits - early, medium, late maturing
- Crop rotational programmes
- Level of mechanisation



➤ Marketing arrangements

- Marketing objectives – max value/cashflow
- Cooperative/individual marketing
- Marketing infrastructure – handling/storage/transport
- Economies of scale (discounts and premiums)









➤ Policy advocacy

- Through the Union/Association debottleneck adverse ag policies
- Advocacy for free market system (comparative advantage)
- Clarity by farmers on free market versus control



Example of a Maize Value Chain Initiative - Tanzania

 <p>JOHN DEERE</p>	<ul style="list-style-type: none"> • Provision of Ag equipment, tractors, planters, harvesters and technical knowledge on the use of these
	<ul style="list-style-type: none"> • Provision of hybrid seed technology and crop protection products to maximise production yields
	<ul style="list-style-type: none"> • Provision of high quality fertilisers and other soil nutrients services to maximise crop yields
	<ul style="list-style-type: none"> • Provision of credit for crop production (seeds, herbicides, fertilizer and labour costs) to maximise crop yields
	<ul style="list-style-type: none"> • Organise the medium scale and small holder farmers into production units that ensure critical mass (quantity) and quality (market standards)
	<ul style="list-style-type: none"> • Provide market access and linking farmers to viable domestic and regional markets through reliable price discovery mechanisms

Overall approach

- Involvement of **all key value chain actors** including smallholder farmers,
- **Common purpose** and in a coordinated and integrated formation for mutual commercial benefit
- Demonstrate **sustainability** within the framework of market/commercial principles

Guiding principles/values

- Mutual respect and trust
- Mutual benefit and risks sharing
- Openness/transparency and accountability
- Fairness
- Collective responsibility
- Commitment
- Professional integrity
- Market based principles
- Common vision/purpose

Anticipated outcome/benefits

- ▶ Farmers using the best technologies available => yields from 1.2t/ha to 5-6t/ha
 - Conservation tillage, hybrid seed, fertilizers and herbicides
 - Agronomic advice on planting through to harvesting
 - Mechanised operations even for smallholder farmers (4ha)
- ▶ Addressing a known marketing window
 - June to September huge deficit in Kenya (before main rains harvesting season)
 - The best market values to reward the whole chain
 - EAC standards and trading flows
 - Proximity to Kenya, 280 km
- ▶ Scalability
 - The production region, Arusha has potential of 150 – 200k ha
 - Projection of up to 1million tons at full scale operation
 - Potential to turn the Masaai land into a food basket region
- ▶ Investment opportunity
 - Warehousing and bulk handling facilities
 - Irrigation agriculture and crop diversification

Farmers' ability to be equal opportunity partners

- ▶ Should be part of the Organised Agriculture
 - Farmers Union/Commodity associations
 - Work cooperatively with other farmers to access credit, insurance and market intelligence
- ▶ Strengthened capacity of Farmers Organisations
 - Professional secretariat articulating policy and market issues
 - Technical team to collect, collate and disseminate production statistics
 - Mindset shift from food security matters to commercial orientation
- ▶ Farmers Organisations to consider investment partnerships with other private players. Possible areas of investment
 - Logistics - trucking
 - Storage infrastructure
 - Crushing facilities
 - Feed/food processing

Thank You!

Asante Sana!