

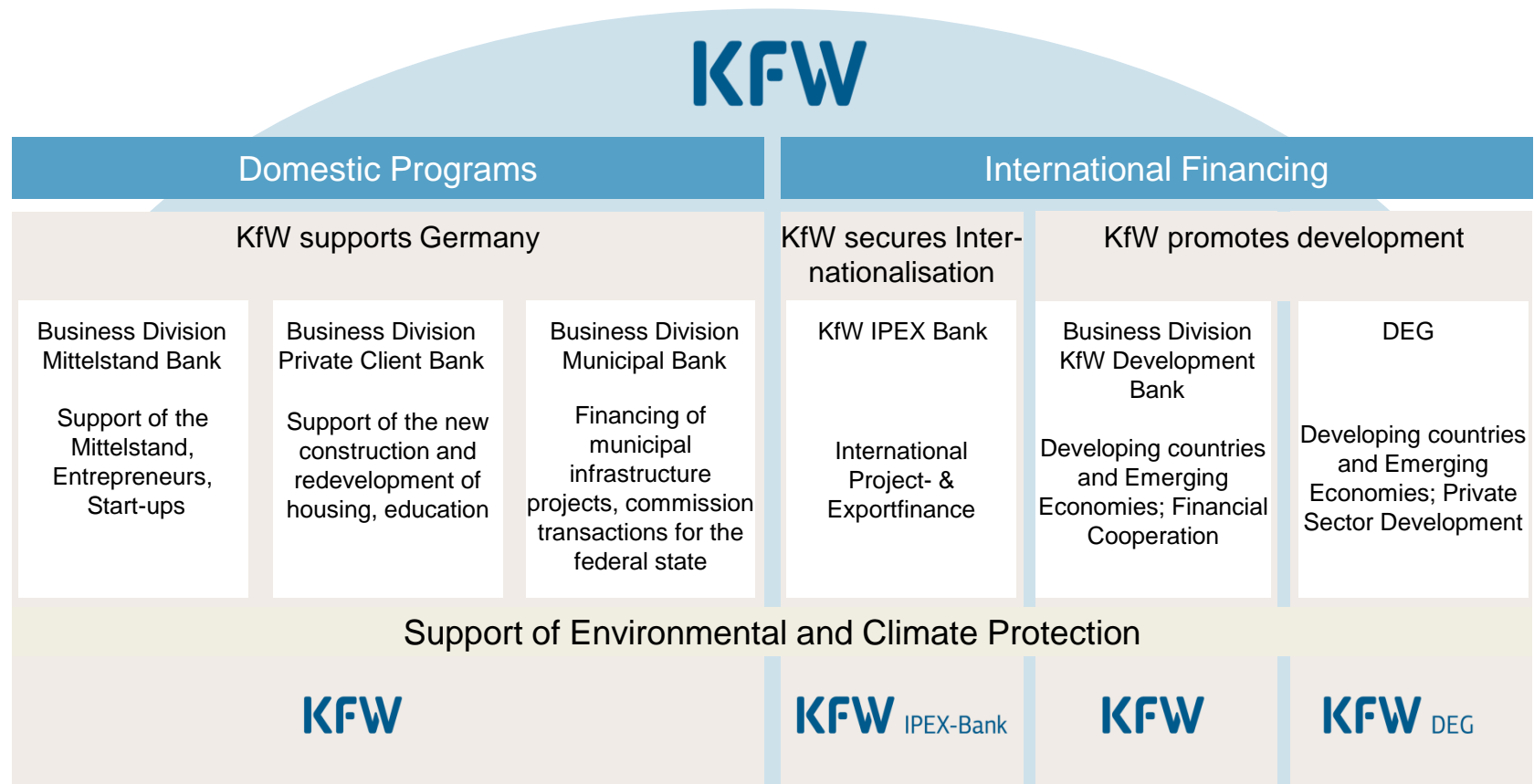
# Financing Agricultural Business in Africa

Agritechnica

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# »»» DEG at a glance

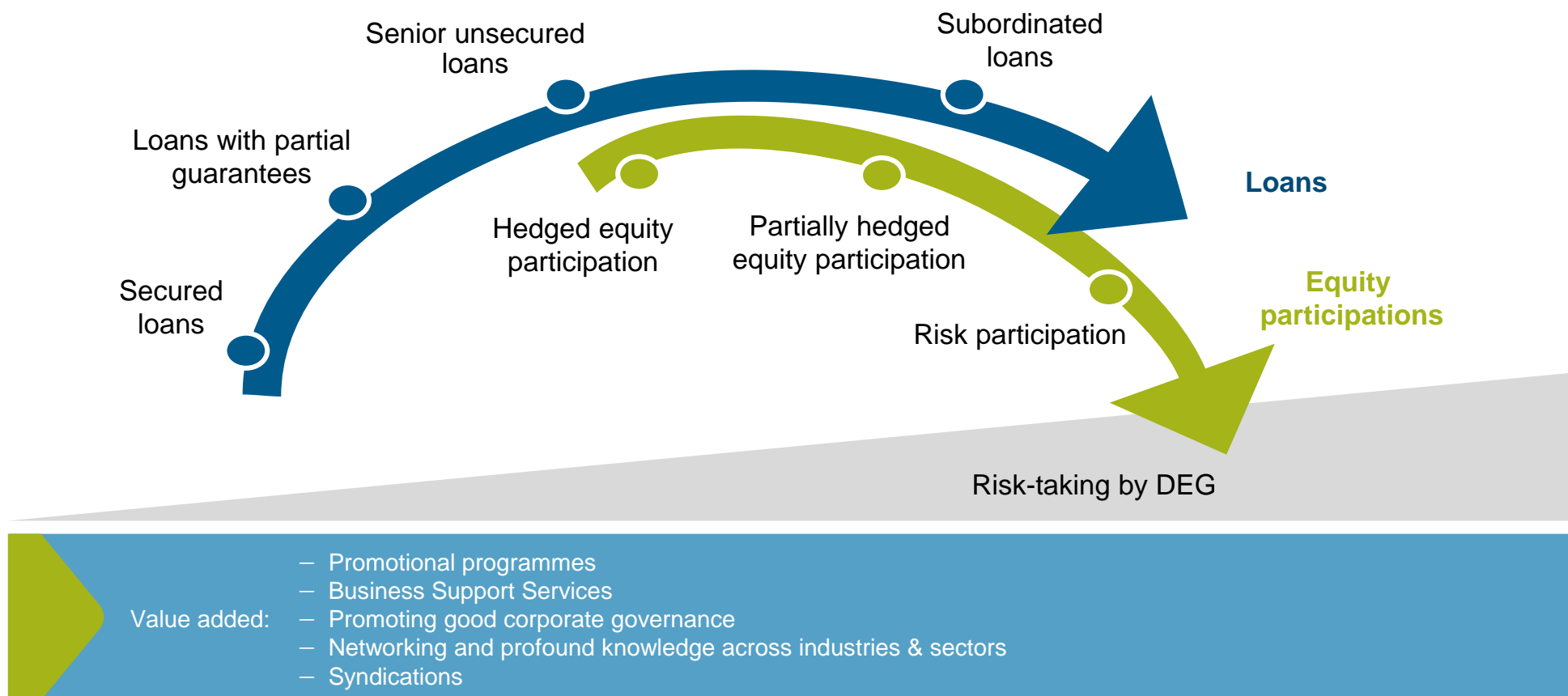
## Facts and figures

|                                   |                |
|-----------------------------------|----------------|
| <b>Founded</b>                    | 1962           |
| <b>Employees</b>                  | 630            |
| <b>Headquarters</b>               | Cologne        |
| <b>Shareholder</b>                | KfW, Frankfurt |
| <b>New business</b>               | EUR 1.9 bn     |
| <b>Portfolio</b>                  | EUR 8.4 bn     |
| <b>Equity</b>                     | EUR 2.5 bn     |
| <b>Balance sheet total (2018)</b> | EUR 5.9 bn     |



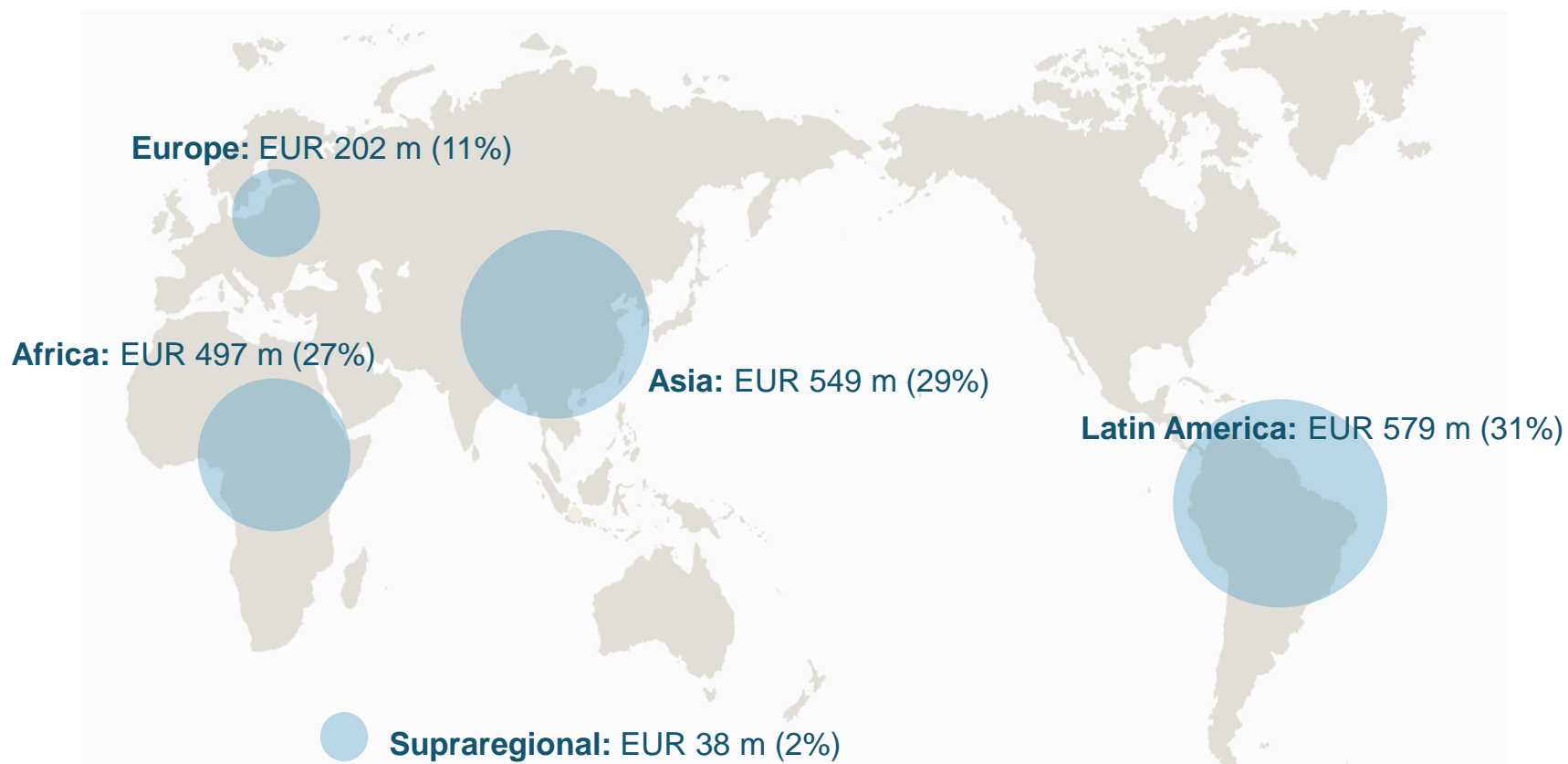
# >>> DEG solutions

For investments in emerging and developing countries

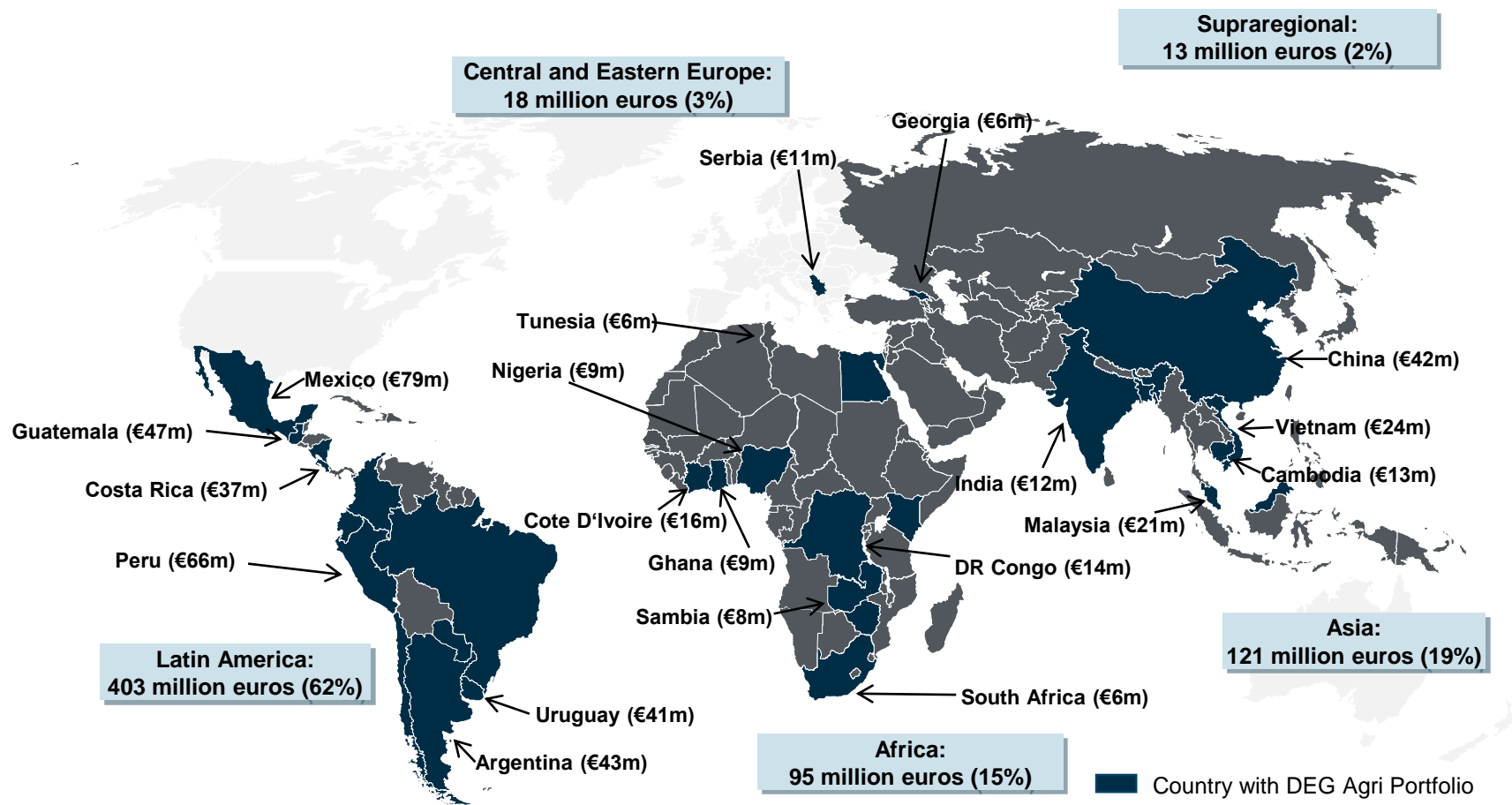


# >>> New commitments 2018 by region

Around EUR 1.9 bn allocated to entrepreneurial investments



# Net investments as of December 2018 – countries with agribusiness portfolio



# >>> DEG Agribusiness financing

DEG finances the entire Agri-value chain



- Solutions suited to individual project and risks
- Terms suited to the individual project
- Market-oriented conditions

# »»» Services provided to DEG's agribusiness customers



## Complex supply chain and outgrower schemes

- DEG understands the challenges of supply chain management of processing companies and focuses the due diligence on the critical aspects
- DEG's technical assistance program offers support – e.g. in structuring outgrower schemes



## Influence of local production conditions and seasonality on financials and working capital needs

- permanent working capital needs can be part of the DEG-financing
- suitable financial analysis and ratio analysis



## Direct and indirect dependence on volatile commodity prices, regional markets and regulatory environment

- is reflected in DEG's financial modelling
- may be considered in the terms and conditions of the financing



## Challenges of environmental and social requirements

- DEG supports the project company to achieve and finally comply with international environmental and social standards by elaborating tailor-made project-specific action plans in close cooperation with the project company's team
- The project company benefits from DEG's experienced E&S team and network of skilled experts

# >>> Product offering for the agribusiness sector

## Syndicated loan

|   |   |   |
|---|---|---|
|  | <p><b>MK Group</b><br/>Serbia, Eastern Europe<br/>New client 2013</p> <p>Trader, primary producer, provider of pre-financing for farmers, seed and agri.-services supplier.</p> | <p>Syndicated loan EUR 50 m (DEG lead. Together with FMO &amp; OeEB).</p> <p>Financing of energy efficient agriculture solutions and working capital.</p> <p>Securing German sugar supply</p> |
|---|---|---|


## Tailor-Made – 3x long-term loan and TA-Support

|   |  |   |
|---|--|---|
|  | <p><b>Zambeef</b><br/>Zambia, Africa<br/>Client since 2007</p> <p>Zambia's largest agri.-company. Integrated producer: from primary production to end-customer sale.</p> | <p>Loans in (in USD): 2006 (5 m), 2009 (25 m, with EDFI partners through EFP) and 2012 (5 m, and 5 m through EDFI-partner FMO)</p> <p>TA for food safety (quality &amp; hygiene) and E&amp;S measures</p> <p>Know-How transfer and implementation of international standards.</p> |
|---|--|---|

## Long term loan and TA-Support

|   |   |  |
|---|---|--|
|  | <p><b>Kevian</b><br/>Kenya, Africa<br/>Client since 2012</p> <p>SME that processes fruit from local small-holders to make juices for the local and export market.</p> | <p>Long-term loan USD 7.5 m.</p> <p>For the expansion of production capacity and development of new products.</p> <p>TA for : i) implementation of EPR-System at two sites, ii) E&amp;S measures, and iii) Quality management certification.</p> |
|---|---|--|

## Equity, loans and PPP-support

|   |   |  |
|---|---|--|
|  | <p><b>Sekem</b><br/>Egypt Africa<br/>Client since 1987</p> <p>Organic production of herbal medicine, food and cloths, founder holds alternative nobel prize</p> | <p>Initially equity investment in 1987 for first expansion.</p> <p>Long-term loans for expansion into new business segments in 1999, 2002, 2009 and 2011</p> <p>PPP-support for pilot plants, water efficiency, alternative energy</p> |
|---|---|--|

## PPP-Project with international partners

|  |   |   |
|--|---|---|
|  | <p><b>COMPACI</b><br/>Supraregional, 6 African countries<br/>Project since 2012</p> <p>"Competitive African Cotton Initiative" – promotion of sustainable cotton.</p> | <p>DEG is financing COMPACI together with GIZ. The project is further sponsored by the Bill and Melinda Gates Foundation and corporates.</p> <p>Involving 485.000 farmers (3.15 million people when incl. families).</p> <p>Agri. training &amp; farmer business school for participants.</p> |
|--|---|---|

## Agri-Bank and TA-Support

|  |   |   |
|--|---|---|
|  | <p><b>Zanaco</b><br/>Zambia, Africa<br/>Client since 2011</p> <p>Universal bank, owned by Rabobank and with strong focus on the agri.-sector.</p> | <p>Loan of USD 25 m signed in 2013.</p> <p>TA for an external consultant, for the promotion of E&amp;S standards.</p> |
|--|---|---|

# >>> Project example

## Kevian - Juice Production, Kenya



### Financing of the expansion project of a local juice producer

- › DEG contributed a long-term loan of USD 7.5 m
- › TA-measures

### The challenge

- › Expand the food processing facilities for growth in the local market and the export market
- › Implement high quality standards

### The solution

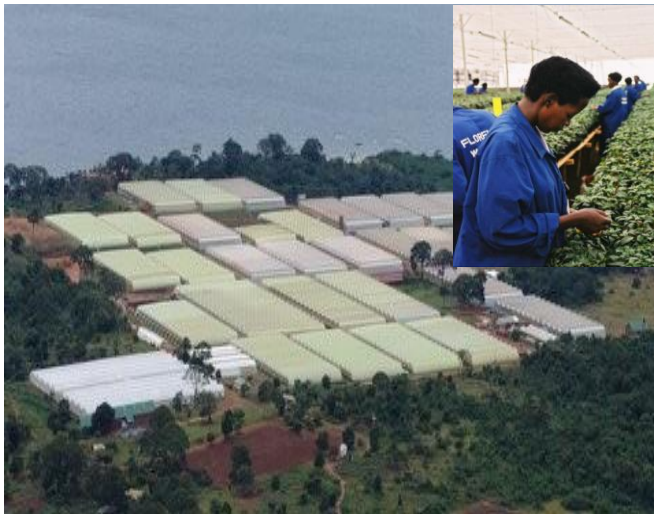
- › Long term loan allowing quality P&E investments
- › New German machinery increasing the output and introducing the production of concentrates (for the export)

### Value Added by DEG

- › First DFI loan to Kevian
- › In preparation: technical assistance to improve the supply chain with local small farmers and technical assistance for financial management

# >>> Project example

## Wagagai - Growing of Cuttings, Uganda



### Contribution of a long term loan

- › DEG provides a long term loan of 3.5 million euros to expand capacity in order to supply Selecta
- › Support through PPP-Programme to build a clinic for employees and community

### The challenge

- › Expand the capacities to supply the German company Selecta Klemm
- › Build stable relationship with European companies

### The solution

- › Long term loan allowing to expand capacity and strengthen the financial condition of Wagagai

### Value Added by DEG

- › International recognition of Wagagai
- › Better production conditions of Selecta Klemm in Uganda by stabilising financial condition of Wagagai
- › Reduce external deficit of Uganda by supporting an export oriented company

# >>> Innovative greenhouses for South Africa

## Alensys and SUNfarming

- Harvesting fruits, vegetables and energy: Alensys and SUNfarming, two companies from Brandenburg, have developed innovative greenhouses with integrated photo-voltaic modules that can provide all this. Fruits and vegetables are cultivated as hydroponics in so-called “Food and Energy” plants. The construction ensures water-saving irrigation and a sustainable food supply. At the same time, renewable energy is produced via solar panels installed on the greenhouses.
- At the North-West University in Potchefstroom, South Africa, the “Food and Energy” concept is being tested. DEG co-finances the plant, set up by Alensys and the University, with develoPPP.de-programme funds from the German Federal Ministry for Economic Cooperation and Development (BMZ).
- Alensys is now able to analyse local production conditions and train technical staff for the plants. It is primarily women from low-income families that are trained to be-come specialised for the “Food and Energy” plants. On top of that, food produced in these plants is marketed in the immediate surrounding, which improves the income situation of the local population.



*“The advice and financing provided by DEG enabled us to move into South Africa. By operating the demonstration facility we can test whether our idea is sustainable.”*

Markus Köhn, Project Manager Alensys



# »» Special aspects of financing agribusiness

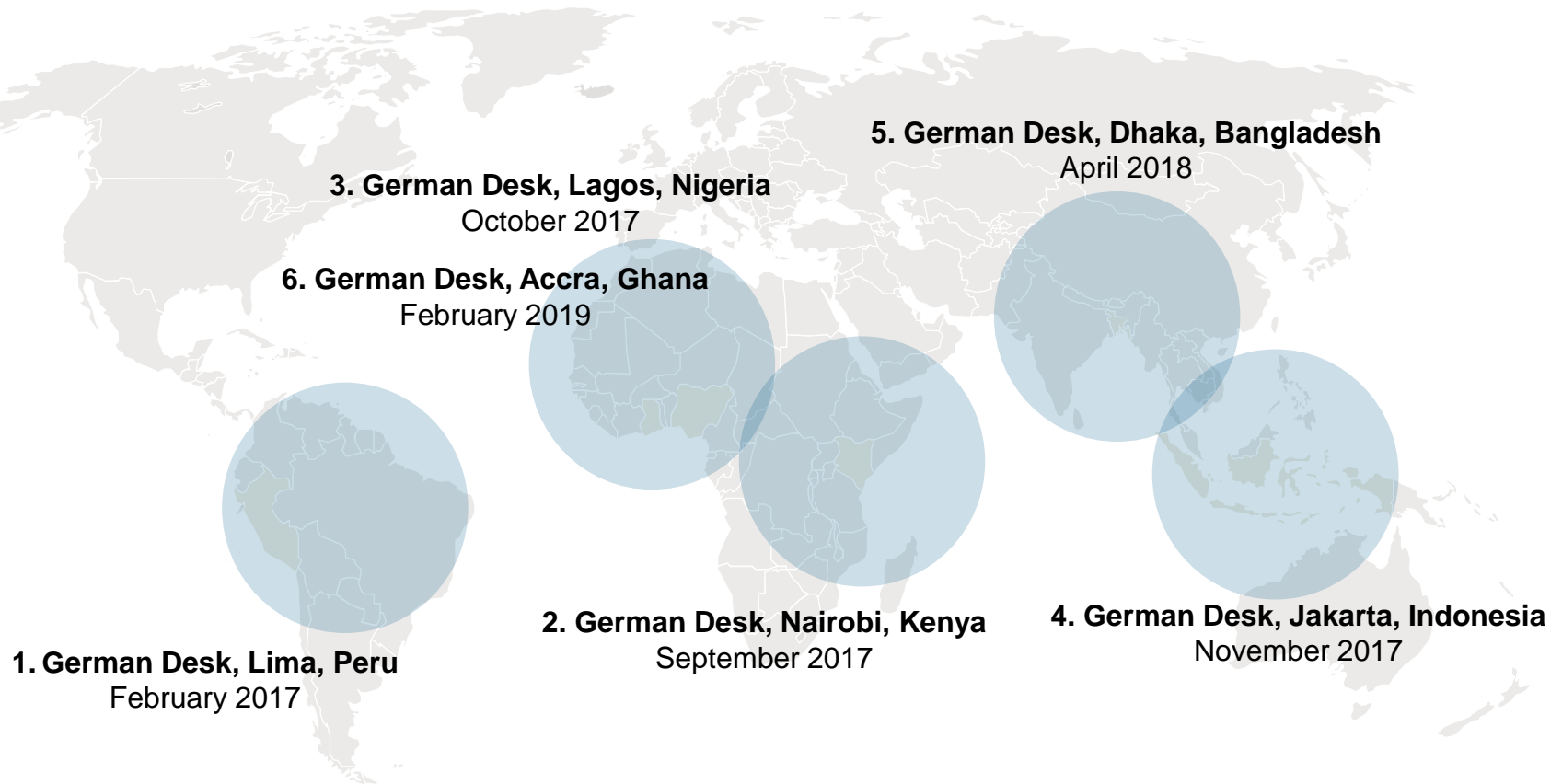
Special aspects have to be taken into account when financing projects in the agribusiness sector:

- Agricultural risks (weather, pests or diseases, supply of raw materials)
- Influence of given production conditions (soil, climate, etc.) in relation to international competitiveness
- Natural production process and seasonal peaks, e.g. in working capital requirement
- High demand on production know-how, marketing, management as well as quality and hygienic standards
- Direct or indirect dependence on volatile world market prices and regulatory influence on markets
- Commitment to implement international environmental and social standards



# German Desks – Global Footprint

## – German Desks in Latin America, Africa and Asia



# >>> German Desk – Financial Support and Solutions

## Solutions for German companies that operate internationally



# ➤➤➤ Agricultural Finance by German Desk partner banks

**i&M Bank**  
LIMITED  
09 / 2017

**access** ➤➤➤  
10 / 2017  
02 / 2019

- Agricultural Finance lies in the scope of the German Desks – Financial Support and Solutions; financings along the entire agricultural value chain are possible
- First financings have been closed
- Often, banks can offer a range of products from commercial or regular facilities to intervention schemes; broader solution horizon
- Yet, the usual problems are at work

# Thank you for your attention!

**PIRON Global Development**  
Fundraising – Management – Communication

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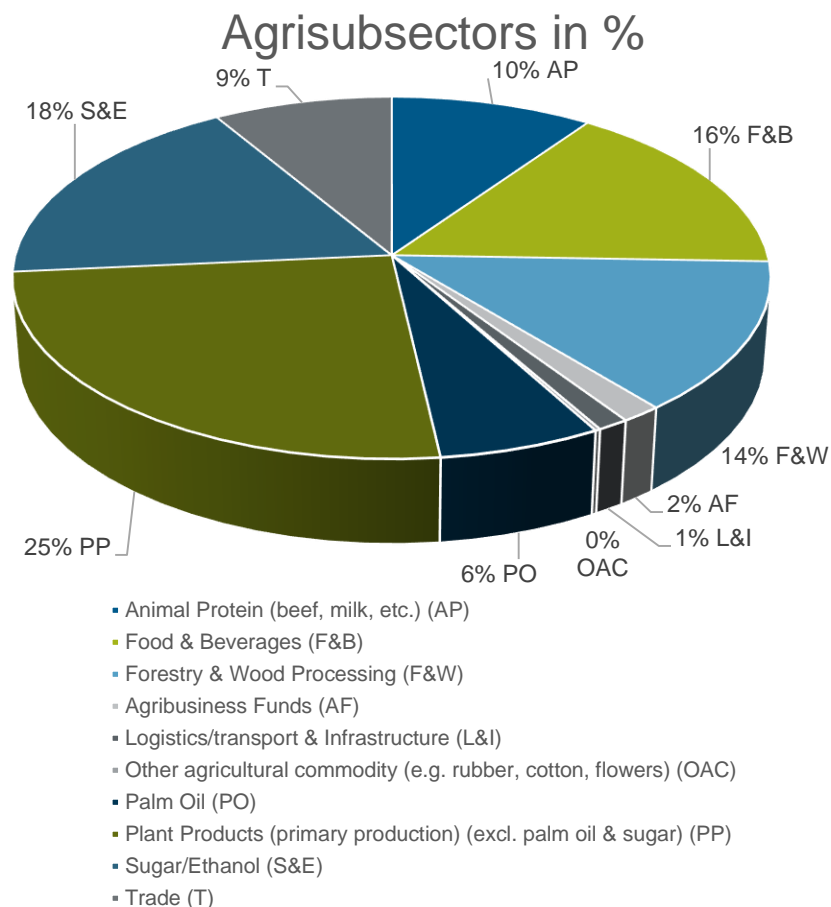
## »»» DEG's promotional programmes at a glance (I)

| Programme                              | Actions   |
|--|---|
| <b>Business Support Services (BSS)</b> | Businesses can boost their performance, increase growth and enhance the development impact of their investments. BSS operate in the fields of corporate governance, staff and supplier training, risk management, environmental and social governance, and efficient resource and energy management. Some of the costs can be met by DEG. |
| <b>Up-Scaling</b>                      | Innovative pioneering investments of German and local SMEs in developing countries that are in the start-up phase may be financed. Projects such as these can be co-financed by up to EUR 500,000 – repayable on success.   |
| <b>Feasibility studies</b>             | DEG can bear a share of the costs (up to EUR 200,000) for European SMEs planning to invest in a developing country and conduct a feasibility or environmental study, a legal survey or a market analysis. The funds are from the BMZ.   |

## »»» DEG's promotional programmes at a glance (II)

| Programme   | Actions  |
|---|--|
| <b>develoPPP.de</b>                                 | German, other European and local companies planning a developmentally effective project in a developing or emerging country receive up to 50% of the project costs (EUR 100,000 – EUR 2 million) from funds provided by the Federal Ministry for Economic Cooperation and Development (BMZ). Funding is provided for pilot projects, the introduction of environmental and social standards and training measures. |
| <b>Climate partnerships with the private sector</b> | Measures from corporates promoting the spread of climate-friendly technologies can be funded with up to EUR 200,000 from funds provided by the Federal Environment Ministry.   |

# »»» DEG Agri financing (Dec 2018): Portfolio – subsectors



## 650 million euros invested in over 60 companies:

- 41% of DEG's commitments in agribusiness sector for financing of primary production of vegetable food (25%) (here without sugar and palm oil) as well as food & beverage production (16%)
- Another 10% into the production of animal proteins, i.e. dairy products, eggs, meat and fish
- 9% of DEG's commitments for trading companies
- Financing for sugar producers (18% of the portfolio): primary for investments in sugarcane plantations, expansion of sugar refineries and cogeneration facilities
- Forestry and wood processing projects (14% of the portfolio)
- DEG's palm oil projects (6% of the portfolio) produce crude palm oil which is further sold to local or international processing companies
- Logistics/transport & infrastructure: 1% of DEG's commitments
- DEG finances indirectly small and medium sized agribusiness companies through investment funds (2%) and provides credit lines for 3 financing institutions specialized in the agribusiness sector (58 million euros, not included in this graph)