

CSAF FINANCIAL BENCHMARKING

Jean-Marc Debricon



ALTERFIN MISSION STATEMENT

“Alterfin aims to improve the livelihood and overall living conditions of the socially and economically disadvantaged people and communities mainly in rural areas in low- and middle-income countries worldwide.

To achieve this, Alterfin provides financial and non-financial services to its partners in low- and middle-income countries worldwide by:

- mobilizing funds primarily from individual investors and other socially responsible institutions,
- structuring and promoting ethical and sustainable investments, and
- developing networks of like-minded organizations.

With this, Alterfin contributes to the Sustainable Development Goals.”

ALTERFIN IN A NUTSHELL

Since 1994

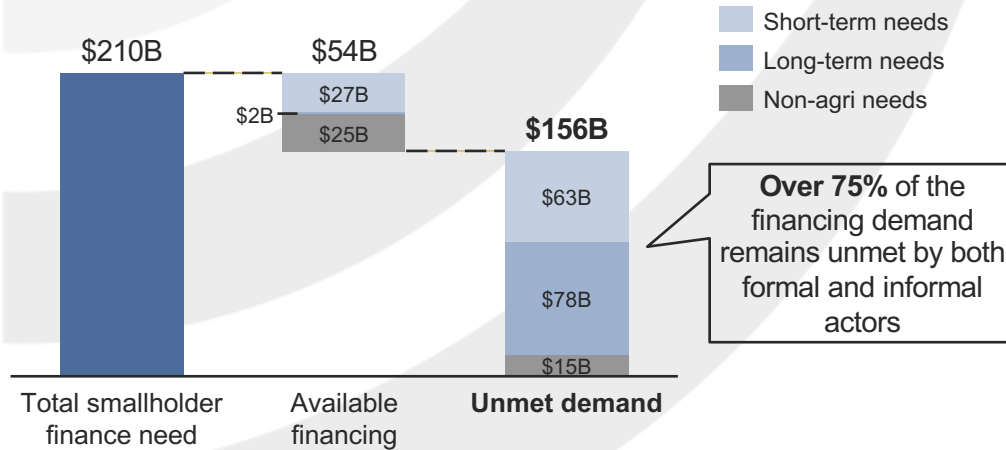
- 1,350 loans disbursed
- EUR 450m disbursed
- EUR 336k average loan amount
- To 290 partners
- 190,000 direct beneficiaries
- 3.7m indirect beneficiaries

As of 30th June 2018

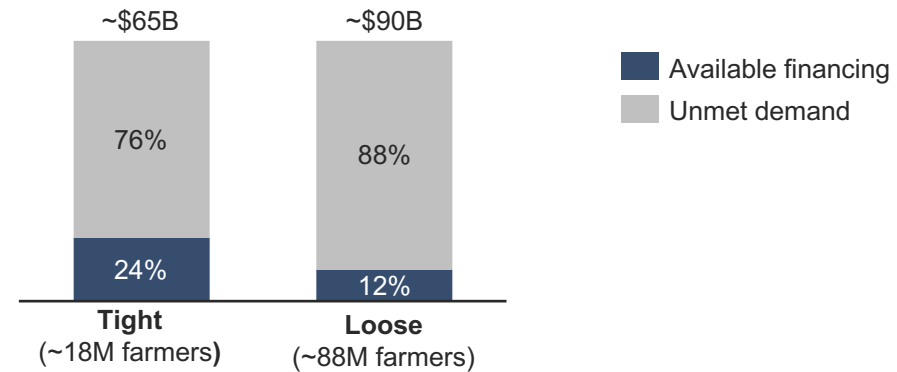
- EUR 74m gross portfolio
- 34 countries
- 149 partners
- 14 value chains: cereals, cocoa, coffee, fishery & aquaculture, fruits & vegetables, honey, machineries, nuts & oil seeds, oil & butter, pulses, spices, sugar, textile, wine
- EUR 60m capital
- 6,000 shareholders, 96% private

Three quarters of smallholder farmer financial needs remain unaddressed due to market and sector characteristics

Demand for smallholder farmer financing
(Annual disbursements, USD billion)¹



Financial needs and disbursements of commercial smallholder* farmers by value chain (USD Billion)¹

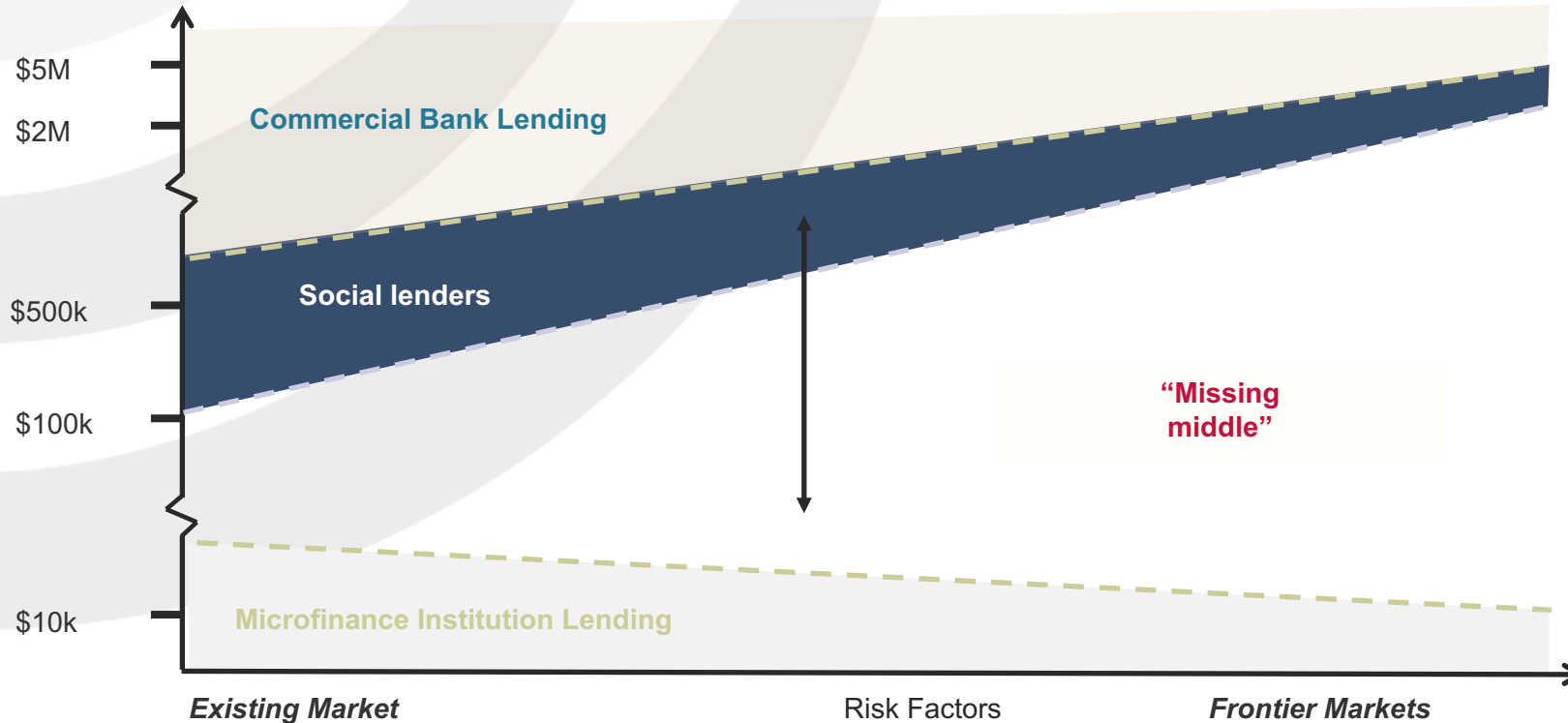


(1) Inflection Point: Unlocking growth in the era of farmer finance, Initiative for Smallholder Finance and Rural Agriculture Finance Learning Lab and executed by Dalberg, 2016 (2) Risk in Agriculture, USDA, 2015; World Bank, Agriculture Finance, 2015 (3) Segmentation of Smallholder Households: Meeting the Range of Financial Needs in Agricultural Families, CGAP, 2013 (4) Catalyzing Smallholder Agricultural Finance, Dalberg, 2012
Notes: (*) Supply includes formal, informal fin. institutions and value chain actors, demand includes agricultural and non agricultural needs of smallholder farmers

Financial need is greatest for the “missing middle”¹, i.e., SMEs that serve smallholder farmers with capital needs between \$50K and \$1M USD

Illustrative representation of the state of the market in 2018²

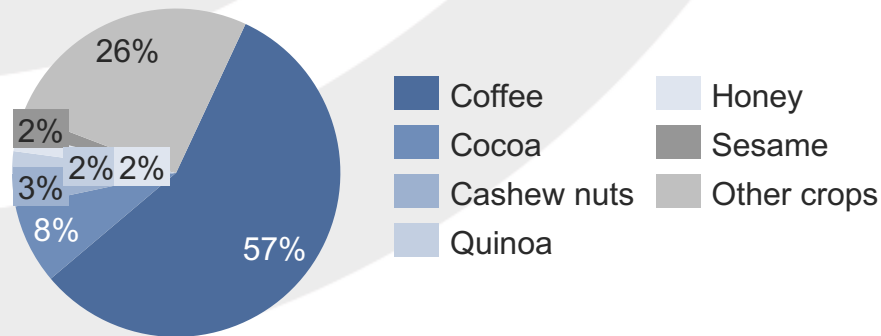
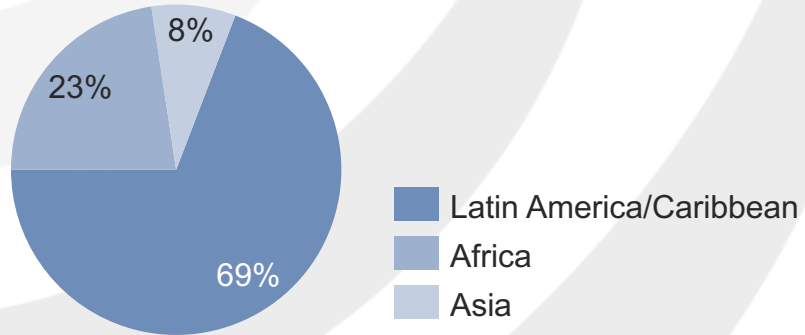
Loan size, USD



This illustrative representation only refers to agricultural SMEs. An important financing gap also exists in direct financing for individual smallholder farmers.

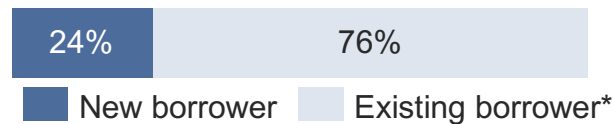
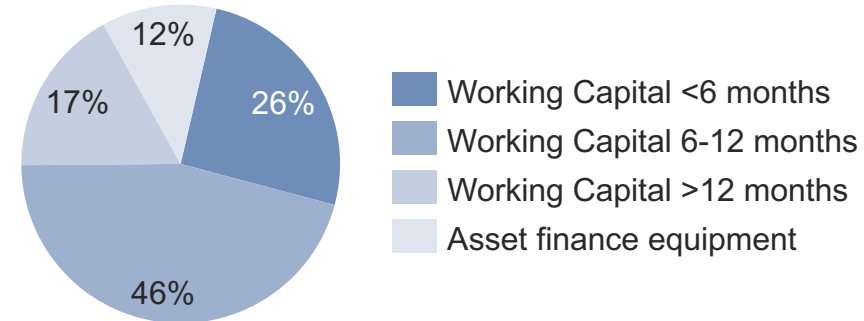
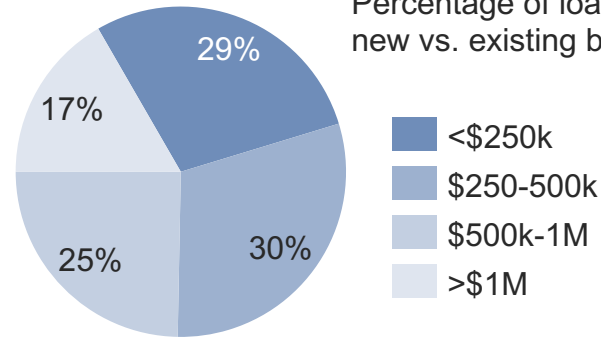
(1) The Elephant in the Room: Financial Inclusion for the Missing Middle, 2015
 (2) Graphic courtesy of CSAF
 (3) Initiative for Smallholder Finance, “A Roadmap For Growth: Positioning Local Banks For Success In Smallholder Finance,” 2013

The largest share of loans analyzed were for working capital in Latin America in the coffee value chain to existing borrowers



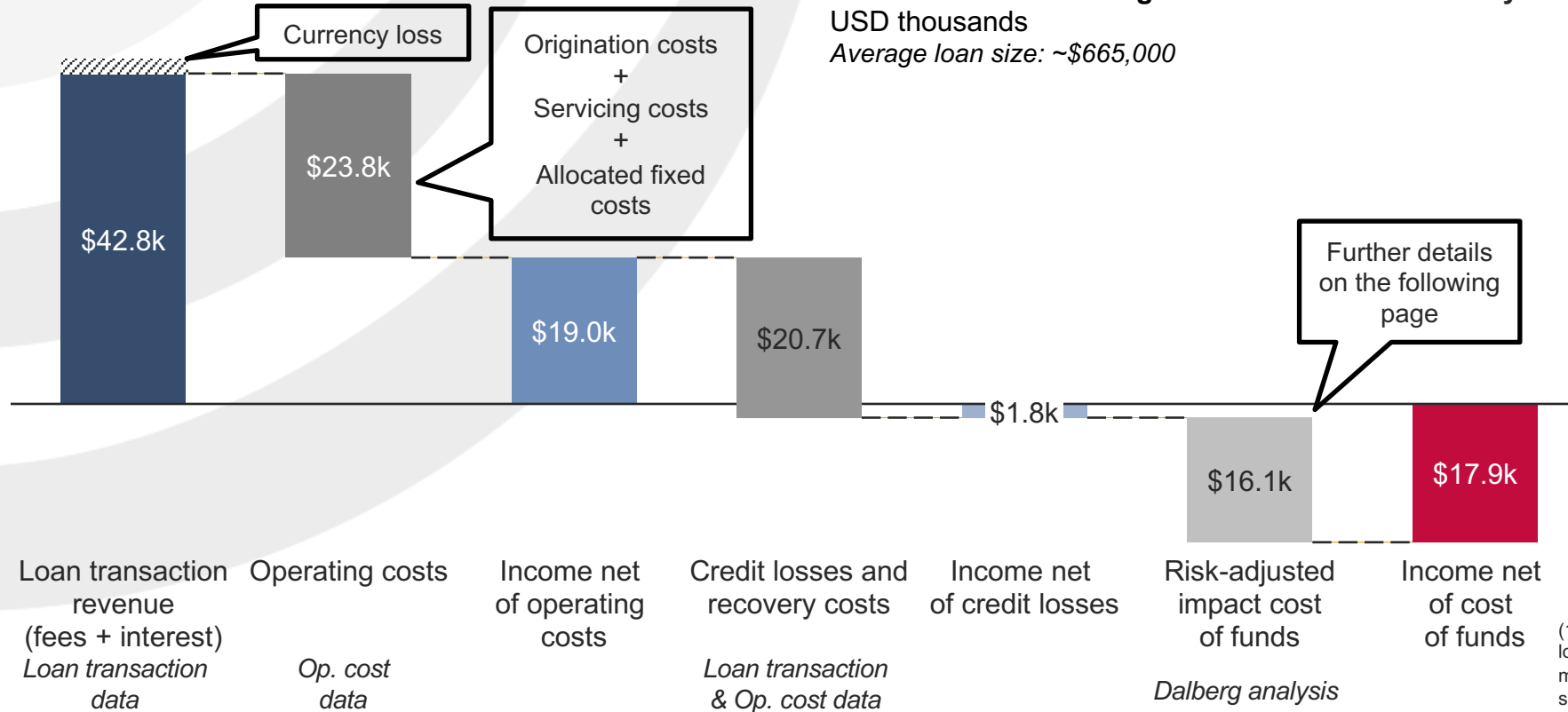
Breakdown of all loans disbursed 2010-2016

Percentage of loans, by region, loan size, value chain, financing product and new vs. existing borrower



The resulting data was broken down to determine net-profit for an average loan in the CSAF dataset, and later analyzed within different segments

Loan economics averages for all CSAF loans analyzed¹
 USD thousands
 Average loan size: ~\$665,000

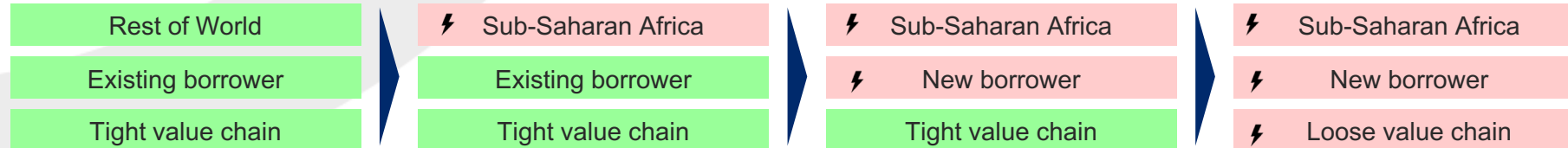
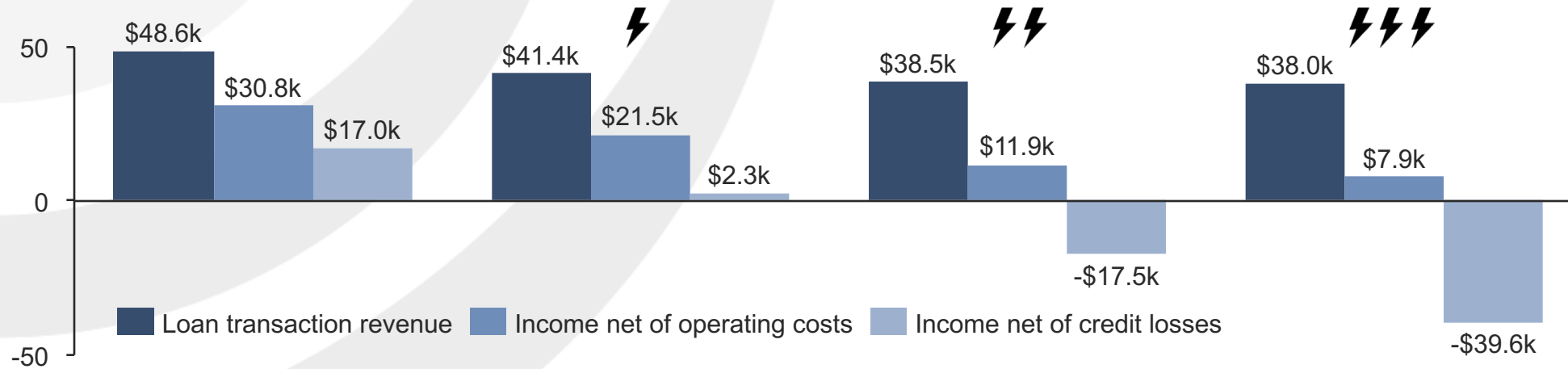


(1) Calculated based on averaging each individual metric across all loans in a given dataset; all analysis with this title utilize the same methodology (but with potentially different datasets depending on segmentation)

The impact of the risky segments compound and drive profitability further downwards

Average loan transaction revenue, income after operating costs, and income after credit losses
Assuming a 12-month fully-drawn loan of \$500k, in USD thousands

⚡ = 1 risk segment



# loans	1,562	266	92	188
% of portfolio	43%	7%	3%	5%
Avg. loan size	\$706k	\$767k	\$649k	\$326k



For any questions, please contact:

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CSAF Council on Smallholder
Agricultural Finance

Dalberg

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