



WOCCU's Agricultural Lending Toolbox

Innovative Holistic Agricultural lending



Building upon decades of experience improving access to rural credit, WOCCU has developed a toolbox that enables financial institutions to viably lend to smallholder farmers. The Agricultural (Ag) Lending Toolbox consists of a standardized, scalable method of **mitigating risk** and **designing financial products** for farmers who are viewed by traditional lenders as being too risky. This methodology has achieved positive and sustainable outcomes across a variety of geographies, climates, cultures, and crops. These results were achieved by creating:

- Holistic **agricultural lending ecosystems**, including agronomists, insurers, lenders, input suppliers, and agricultural commodity purchasers in order to support farmers and reduce their operational and market risks
- **Innovative due diligence processes and financial products** that leverage digital innovations, help farmers access credit and are profitable for financial institutions

LOAN DUE DILIGENCE

The Toolbox enables credit unions to expand the pool of eligible borrowers to include smallholders who do not qualify for traditional loans

LOAN DUE DILIGENCE CRITERIA	TRADITIONAL LENDING	WOCCU TOOLBOX
Borrower assets	✓	✓
Household cash flow	✓	✓
Future value of crops	✗	✓
Crop insurance	✗	✓
Forward purchasing contracts	✗	✓

LOAN DISBURSEMENT & MANAGEMENT

The Toolbox improves loan disbursement and management processes further increase the chances of positive outcomes

LOAN DISBURSEMENT & MANAGEMENT	TRADITIONAL LENDING	WOCCU TOOLBOX
Cashless loan	✗	✓
Technical support	✗	✓
Sales & marketing assistance	✗	✓
Payments timed with harvest	✗	✓

By addressing critical market linkages as well as risks through crop insurance - not only the lack of access to capital - WOCCU's comprehensive approach has already created measurable, substantial, and sustainable benefits throughout over 60 agricultural value chains.

The Ag Lending Toolbox is purposefully designed to be flexible so that it can be adapted and adopted into new contexts. Two billion small-scale and family farmers produce 80 percent of the food supply in the developing world, but many lack access to finance to improve their productivity and build resilience (FAO). Access to affordable, adapted credit could, if addressed, alleviate many of the challenges faced by smallholder farmers and help move them forward in their journey to self-reliance.

The Innovative Methodology

WOCCU is able to mitigate the risks associated with lending to smallholder farmers and successfully facilitate access to credit by implementing the following methodology:

INNOVATION	CHALLENGE	SOLUTION
Alternative collateral & credit scoring	Small farmers, especially women, lack hard assets to serve as collateral.	<ul style="list-style-type: none"> • Include other pertinent factors such as household cash flow and the future value of crops to be harvested as potential collateral • Consider accounts receivables & signed forward contracts for agricultural SMEs / coops as potential collateral
Adapted payment terms	Farmer cash flow cycles follow the harvest and sales cycles which does not align with most lenders' payment terms	<ul style="list-style-type: none"> • Farmers are allowed to make "balloon" payments to coincide with the end of the growing cycle rather than being required to make fixed principal and interest payments on a monthly basis.
Cashless loans	Cash handling suffers leakages and extra costs related to factors such as transport and security.	<ul style="list-style-type: none"> • Loans are disbursed to recipients in the form of inputs, increasing transparency of funds used • Reduces moral hazard risk of borrower deploying cash elsewhere and therefore delinquency rates as well
Crop insurance & market risk management	Farmers have little protection from force majeure events such as weather and pests as well as market risks	<ul style="list-style-type: none"> • Integrated into the loan process, insurance reduces default risks from force majeure events • Forward contracts from produce purchasers ensure pricing and protect farmers from market volatility. • Payments from forward contracts are made directly to CUs, ensuring that they are used to pay back loan.
Smallholder technical support, agronomist	Many financial institutions lack the knowledge of agricultural processes & markets and smallholder farmers often are not as productive as they could be	<ul style="list-style-type: none"> • Agronomists help evaluate prospective borrowers' productive potential during due diligence • Agronomists help increase produce yields and quality after loan is taken out
Digital transformation	Many steps in the lending process occur manually, limiting transparency, efficiency and monitoring	<ul style="list-style-type: none"> • Loan due diligence is input on tablets/phones linked directly to CU software • Use of satellite imaging to monitor crops reduces the number of field visits required by agronomists • Lenders link with digital finance partners, like a mobile money provider to enable e-payment of loans





Impact Snapshot



Guatemala

Increased lending:

Starting in December 2010, the WOCCU toolbox was implemented in 4 of the country's 25 credit unions. By December 2013, their agricultural loan portfolio had increased by 66% from US\$ 9M to \$15M. The 2014-2018 data is outlined below:

	 Ag loans disbursed by 4 CUs with Toolbox in \$	Ag loans disbursed by 21 CUs w/o Toolbox in \$	 # of ag loans disbursed by 4 CUs with Toolbox	# of ag loans disbursed by 21 CUs w/o Toolbox
2014	\$17M	\$47M	556	2,347
2018	\$26M	\$62M	729	1,756
% change	+53%	+12%	+31%	-25%



Crop types financed:
46

Sustainability:

As of April 2015, WOCCU was no longer actively managing the program. It has **been running self-sufficiently since** and has started to be implemented by other credit unions in the country.

