State of the Sector
2019
The Council on Smallholder Agricultural Finance would like to thank MIX for leading the collection and analysis of members’ data, and the Small Foundation for its generous support of this report and CSAF activities more broadly.

We would also like to recognize financial support from Ceniarth, DFID, Omidyar Network, Small Foundation, and USAID, as well as analytical work by Dalberg Advisors on the lending economics for 20 financial institutions serving small- and medium-sized agricultural enterprises ("agricultural SMEs"). Reports are now publicly available on the lending data from [CSAF members at a global level](#) as well as [local financial institutions in East Africa](#). A follow-on analysis incorporating data from additional local lenders in East Africa is currently underway with results expected in September. Findings from these benchmarking analyses will inform the Aceli Africa initiative (previously "Prosper Africa") to address capital supply and demand barriers to financing agricultural enterprises in East Africa. CSAF is co-designing Aceli Africa with its partner and new institutional host, Global Development Incubator, and with support from Convergence Finance, IKEA Foundation, MacArthur Foundation, Mastercard Foundation, Open Society Foundation, Propel Capital, and Rabobank Foundation. More information about Aceli Africa is available on page 10 of this report and its [website](#).
The Council on Smallholder Agricultural Finance (CSAF) is an alliance of financial institutions serving small- and medium-sized agricultural enterprises (SMEs) in Africa, Asia, and Latin America. CSAF provides a forum for members to share learning and develop industry standards and best practices for agricultural SME finance.

Mission

- Facilitate market expansion to meet a greater share of the demand for finance among agricultural SMEs.
- Promote responsible lending principles—including environmental, social, and governance standards—so that a growing agricultural SME finance market benefits smallholder farmers, workers, and the natural resources on which we all depend.

Vision

CSAF envisions a thriving financial market that generates long-term social and environmental benefits by meeting the financing needs of agricultural SMEs worldwide.

Target Market

Each CSAF member maintains a portfolio of loans and independently pursues its respective mission to deliver financial solutions that create social and environmental impact. As distinct from microlending directly to individuals, CSAF lenders seek to promote environmentally sustainable practices and improve the livelihoods of smallholder farmers by financing businesses that purchase crops from hundreds or thousands of individual producers and then aggregate, process, and sell those crops into domestic or global markets. These businesses vary in size (annual revenues range from $250K to well over $10M) and structure (from farmer-owned cooperatives to private enterprises). In addition to providing economic opportunities for farm households, the businesses served by CSAF members generate substantial seasonal and year-round employment and often function as multi-service providers, offering farmers access to finance, farm inputs, and agronomic training. Many also provide non-agricultural services, such as scholarships for local youth, clean drinking water, or health insurance. With reliable access to finance, agricultural SMEs can play an important role in building prosperity and climate resilience in developing economies.
Dear Stakeholder,

In this fifth annual CSAF State of the Sector report, we examine how lenders have responded to increased risk in their portfolios following a period of growth and diversification. We also share our outlook on what is required to expand the finance market for agricultural SMEs and align market growth with social and environmental objectives. With CSAF’s relocation to our new institutional host, the Global Development Incubator (GDI), and progress on the Aceli Africa initiative that is slated to launch in early 2020, CSAF is entering a new phase in which we play a more prominent role in advancing industry knowledge and practice to address market challenges. More on that below and in the report; but first, an overview of lending trends in 2018.

Following a five-year period of growth where lending by the 12 CSAF members more than doubled from $345M in 2013 to $716M in 2017, topline loan disbursements declined in 2018 for the first time since CSAF began collecting data in 2013. The 2018 disbursement figures of $628M to 711 businesses are almost identical to those in 2015. Given the enormous unmet need for financing among agricultural SMEs in the countries where CSAF members operate, what has happened over the past three years to slow a market that just a few years ago seemed so promising?

The short answer: risk-adjusted returns. Simply put, there is limited addressable demand at risk levels that allow lenders to come close to breaking even with current operating models and cost of capital. Lenders’ experiences in 2018 underscore the myriad and often compounding risk factors in serving agricultural SMEs. To highlight some of the most notable ones:

- **Headline events.** A few years ago, coffee leaf rust, or **roya**, decimated production in Latin America and precipitated a 12% decline in coffee lending from 2014 to 2015. In 2018, buyers responded cautiously to political instability in Nicaragua and Tanzania—two of the top five lending countries in 2017—and lenders followed suit, with 2018 disbursements declining 19% and 64%, respectively.

- **Market trends.** Structural changes in the coffee and cocoa industries, from price volatility to shifts in buyers’ contracting and payment terms, are forcing difficult decisions on producer organizations and lenders—with farmers, of course, bearing the brunt of the impact.

- **Climate.** There are also slow-drip risk factors linked to climate change—periodically punctuated by extreme events such as **roya** or drought across East Africa—like warming temperatures that are gradually shrinking the areas where it is viable to produce specialty coffee in Central America.

A few years ago, several CSAF members made a push to diversify their lending beyond certified value chains into specialty products, such as cashews, macadamia...
nuts, and quinoa, as well as horticulture, dairy, and staple grains. A spike in portfolios-at-risk ensued, leading many lenders to retreat to a focus on borrowers and crops that are more familiar and deemed lower risk. In 2018, borrower attrition was the highest since we began collecting data (132 of the businesses financed in 2017 did not receive loans in 2018, compared with attrition of 52 businesses from 2014 to 2015) while the number of new borrowers also fell to its lowest level (49 in 2018 down from 249 in 2013) as lenders struggled to identify borrowers that meet their more stringent risk parameters. While a survey of CSAF members indicates that many expect modest growth in lending in 2019, the trends in 2018 illustrate the tension for lenders between additionality to expand the market and financial sustainability of their portfolios.

As each CSAF member navigates difficult strategic decisions at an institutional level, our dialogue at an industry level has focused on the question: What can we do as CSAF to grow the finance market for agricultural SMEs while promoting responsible practices aligned with social and environmental impact? We have begun with two related initiatives:

1. **Bringing transparency to the lending economics of serving agricultural SMEs and establishing appropriate operating benchmarks.** CSAF members’ experience indicates that there is a mismatch between the risk-return expectations of capital providers, including many development finance institutions and impact investors, and the addressable demand in the market. We believe that this mismatch is the driving factor in the continued financing gap for agricultural SMEs in the “missing middle.” In 2018, we set out to test this hypothesis and build an evidence base to advocate for solutions by collaborating with Dalberg Advisors to conduct an analysis of the economics of agricultural SME lending. To date, 20 financial institutions have participated in this financial benchmarking exercise, including 11 CSAF members and 9 lenders that are not members of CSAF; a follow-on effort is currently underway in East Africa with an additional 10 commercial banks and local non-bank financial institutions. The results begin to fill in the picture about where the commercial markets are functioning and where targeted interventions may be required.

2. **Creating blended finance mechanisms that can serve as demonstration models for larger-scale programs and policies.** In 2018, CSAF came together with GDI to design a new concept that is now called Aceli Africa (it is also housed at GDI and independent from, but affiliated with, CSAF). Aceli Africa will draw upon the financial benchmarking data to raise a grant-funded facility that will provide $40M in financial incentives for lenders paired with $10M in technical assistance for SMEs to mobilize $700M in high-impact loans in East Africa by 2025. Aceli Africa is described in more detail on page 10 of the report and at aceliafrica.org.

To support this expanded agenda, members voted in 2018 to shift the structure of CSAF from a part-time coordination team located within one of the founding members, Root Capital, to a more formal structure with a dedicated team housed at the Global Development Incubator. During the second half of 2019, we will be conducting a strategic planning process and seeking input from stakeholders on how CSAF can build upon our efforts to date and accelerate our dual objectives of growing the finance market for agricultural SMEs while aligning that growth with responsible lending practices and long-term social and environmental impact. We look forward to engaging you in this strategy process and welcome your feedback.

Sincerely,
Brian Milder

CSAF Director
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Recent Updates

CSAF activities and accomplishments over the past year include:

- Moved to a new institutional home at the Global Development Incubator (GDI). This shift reflects a recognition by members that CSAF can better pursue an ambitious learning, engagement, and advocacy agenda if it has a dedicated team housed in an institution that specializes in building initiatives.

- Members voted to create a Steering Committee to provide support to CSAF staff. The committee consists of two CSAF representatives, Jean-Marc Debricon of Alterfin and Mauricio Benitez of responsAbility, along with CSAF Director Brian Milder and Senior Advisor Tom Carroll representing GDI.

- In collaboration with Dalberg Advisors and as part of the new Aceli Africa initiative, facilitated an analysis of 4K loans totaling $2.7B made by 20 financial institutions to determine loan-level profitability. This exercise included lending by members at a global level, as well as commercial banks and non-bank financial institutions in East Africa. A follow-on study is currently underway in East Africa that will result in a final data pool of more than 30 lenders, including 20 that are not CSAF members. The results from data collected in 2018 are publicly available (global report; East Africa regional report).

- Convened meetings in Kenya (June 2018) and The Netherlands (November 2018) with CSAF members, East African financial institutions, technical assistance providers, donors, industry alliances, and other ecosystem actors to discuss the Aceli Africa initiative and the financial benchmarking analysis.

- Expanded standard loan reporting to streamline the monthly reporting requirements for borrowers receiving seasonal trade finance loans from multiple CSAF members. Members initially piloted standard loan reporting with three borrowers in Peru in 2016 and are now applying the tool to more than 50 borrowers across South America, Central America, and East and West Africa.

- In 2019, members will incorporate into the standard reporting tool a new component focused on price risk management that will allow borrowers to track their cash flow and inventory relative to changing market conditions.

- Within CSAF’s Risk Management Working Group, members held several discussions on how to avoid over-indebting large enterprises and how to implement inter-creditor agreements when multiple lenders are financing the same enterprise.

- Continued to develop regional chapters with regular meetings in Kenya and Peru, as well as an emerging group in Central America.

- CSAF and MIX jointly launched a public data platform where users can dig deeper into the lending data presented in the annual State of the Sector reports.
2018 at a Glance

Reduction in Lending

- Aggregate lending by the 12 CSAF members decreased by 12% in 2018 from $716M to $628M, the first decline since data collection began in 2013.
- This decline in disbursements was shared by the majority of members and impacts all leading value chains. In coffee, the decline comes primarily from loans >$500K and is linked to low prices and delays in buyers issuing contracts.
- Decline in disbursements varied across regions, with lending in South & East Asia (-43%) decreasing the most. Lending in South America made a small recovery (+6%) after three years in decline, while lending in sub-Saharan Africa decreased by 11%.
- CSAF members now provide financing to 711 businesses, a decline of 10% from 2017 (794 businesses).
- Survey responses indicate most CSAF members are optimistic about a growth in lending disbursements in 2019.

Risk Management & Portfolio Consolidation

- CSAF members further consolidated lending to existing clients, representing 93% of businesses in the portfolio (vs. when member portfolios were growing rapidly in 2013, and existing clients were 57% of borrowers). More than 50% of disbursements in 2018 went to clients financed continuously since data collection began in 2013.
- Overall “portfolio at risk at 30 days” (PAR30) declined slightly to 7.4% from 8.5% in 2017. Risk levels for loans under $500K increased to 15% from 11% in 2017.
- Coffee remains the most financed value chain, remaining steady at 45% of members’ lending. Overall, lenders continued to concentrate lending in coffee, cocoa, and cashew nuts in 2018, though the absolute volume of disbursements decreased in all three value chains versus 2017.
- CSAF client retention rate declined to 77% in 2018 after three years at a steady level of 85%. Along with a slowdown in new borrowers, borrower attrition resulted in the 10% decrease in total client base.

We delve into these trends in more detail in the body of the report.

Continued Impact & Additionality

- Reached enterprises providing market access to 2.2 million smallholder farmers, 30% of whom are women, and employing 71,000 workers.
- The vast majority of borrowers (79% globally, 89% in Africa) received financing from only one CSAF member. However, the 21% of borrowers receiving financing from more than one member accounted for 55% of total disbursements as these enterprises tend to have larger financing needs.
BORROWER PROFILE

Strengthening Food Security in Tanzania through Financing and Capacity Building for Agro-Processing

Based in Dodoma, central Tanzania, Chamwino Super Sembe Supply Ltd sources maize from smallholder farmers and processes fortified maize flour for domestic food consumption.

Maize is the staple food for the majority of Tanzanians and it is a critical crop for food security. Most maize in Tanzania (80 percent) is produced by small-scale farmers and it is grown both for subsistence and as a cash crop. Yet very little of the maize that is domestically grown is nutritionally fortified before it reaches consumers. By contrast, Chamwino mills maize into flour while fortifying it with iron, zinc, folic acid, and other vitamins. Chamwino supplies its products to wholesalers, retailers, and government agencies, as well as hospitals, public schools, and colleges across the country.

Chamwino annually purchases and processes 5,500 metric tons of maize sourced from 1,800 smallholder farmers, the majority of whom (~60%) are women. The company also employs 30 full-time staff in its factory and 40-50 part-time employees depending on production volumes.

Since accessing its first loan from CSAF member SME Impact Fund in 2015, Chamwino has doubled its processing capacity in a new factory with modern equipment and also expanded distribution of its fortified flour by adding six delivery trucks. In that time, the enterprise has transformed its basic factory into an improved facility complete with modern milling and drying equipment.

SME Impact Fund has also provided Chamwino with technical assistance in creating a business plan and financial projections, introducing a robust financial management and record-keeping system, and developing business and human resources management skills. This investment in the management capacity of Chamwino is an essential accompaniment to financing in support of the business’ ability to produce nutritious products for a growing consumer base.
**Blended Finance Solutions to Increase Agricultural Lending in East Africa**

In late 2017, CSAF began developing a concept that has evolved to become Aceli Africa, which is now a separate but affiliated initiative of CSAF housed at the Global Development Incubator. Aceli Africa is in the process of raising funding and expects to launch in early 2020 with a combination of CSAF members and local financial institutions participating to increase lending to agricultural SMEs in East Africa. This section provides background and an update on the initiative. (Note: Aceli Africa was originally called “Prosper Africa” but renamed after the U.S. government adopted Prosper Africa as the name for its Africa policy in December 2018.)

**Agricultural Financing Gaps**

Agriculture employs 60% to 70% of the population in most countries in sub-Saharan Africa and accounts for 25% to 30% of GDP, yet the sector receives less than 5% of commercial bank lending. A 2018 study commissioned by KfW and conducted by Dalberg Advisors estimated that across Africa there is a financing gap of $120B for agricultural enterprises requiring $25K to $5M loans, with more than half of this unmet demand concentrated among enterprises requiring less than $1.5M. A 2018 report by the Kenya Bankers Association (KBA) sheds light on this disparity, noting that “the primary underlying reason for [low-levels of bank lending in agriculture] is that the risk-adjusted returns to capital are too low to justify commercial lending to agriculture when other opportunities exist.” This finding is consistent with CSAF members’ experience lending in Africa—and indeed in other regions as well—and is the motivation for developing Aceli Africa.

Aceli Africa is founded on the three-fold premise: i) as the KBA report finds, the financial returns for agricultural SME lending are too low to attract commercial capital at scale; therefore, ii) targeted interventions are required to bring capital supply and demand into alignment; and, perhaps most importantly, iii) these interventions should be market-based, informed by data on the actual lending economics of serving different segments of borrowers, and structured in ways that will transition the market to becoming increasingly commercial.

For decades, governments around the world have provided financial incentives or subsidies to promote investment that advances the public good. Investment subsidies are the norm in everything from large infrastructure projects to oil and gas to agribusiness. Of course, subsidies are often influenced by politics or designed with perverse incentives. But valid critiques of faulty design or implementation should not be conflated with a more fundamental point: commercial markets are often not aligned with the public good, so some corrective measures are required.
At a global level, the United Nations Sustainable Development Goals (SDGs) map a path for social, economic, and environmental progress by 2030 that has been embraced and signed by 193 countries. Analysts estimate that there is a $2.5 trillion annual financing gap to achieve the SDGs and take it as a given that the risk-adjusted returns are insufficient to attract commercial capital at the scale that is required. “Blended finance” whereby concessional capital from public and philanthropic sources is combined to mobilize commercial capital has become the catch-all solution. Yet very few of the blended finance vehicles in the market today are based on actual data of the underlying economics so that concessional capital can be optimized for highest leverage in any given asset class or investment.

A Data-Driven Approach

Aceli Africa aims to bridge the gap between theory and practice for blended finance, starting with lending for agricultural SMEs in East Africa. To do so, Aceli Africa has collaborated over the past year with Dalberg Advisors to gather data on the lending economics for serving various types of agricultural SMEs by loan size, geography, value chain, financial product, and borrowing history. This financial benchmarking sought to bring quantitative analysis to the following hypothesis: Larger loans to repeat borrowers in more formal value chains, such as coffee, are more profitable for lenders than smaller loans to new borrowers in less developed value chains. Given Aceli Africa’s initial focus in East Africa, we also wanted to supplement CSAF members’ data at a global level with data from commercial banks and non-bank financial institutions (NBFIs) operating at a country and regional level in order to get a sense of how lending economics varies across the market.

To date, 20 financial institutions, including 11 CSAF members and 9 local banks and NBFIs, have contributed data on close to 4K transactions totaling $2.7B in combined lending. Additional data collection is currently underway with at least 10 local banks and NBFIs in East Africa expected to participate; the results from this latest round will be available in August. The first round of data covered CSAF member lending and identified five factors that make lending economics less profitable:

1. Smaller loan sizes;
2. Geography (risk is twice as high in Africa as in Latin America and operating costs for lenders are 20%+ higher);
3. Value chain (less formal value chains are riskier and costlier to serve vs. coffee and cocoa);
4. New borrowers; and
5. Long-term loans (more than 12 months).

The second round of data focused on local lenders in East Africa and found that risks and costs to serve agricultural SMEs are substantial barriers to portfolio growth. Notably, the banks surveyed in this round do appear to be profitable on much of the agricultural lending that they reported. But this is in the context of conservative risk parameters typically requiring collateral that is 200% of the loan value; thus, they are reaching a very limited portion of the market. We expect that the forthcoming report will provide much more insight into lending activity and economics by local banks and NBFIs.

Aligning Financial Incentives with Impact

There are already several guarantee mechanisms that offer agricultural lenders 50% risk-sharing on a loan-by-loan basis and, while these facilities have had some impact, they tend to be under-utilized by lenders, who often view them as an insurance policy on loans they would otherwise make (as opposed to an incentive to increase their risk appetite). Aceli Africa aims to take a different approach in aligning financial incentives for lenders with impact objectives to increase access to finance for SMEs that both improve rural livelihoods and strengthen domestic food security and nutrition. Drawing on the financial benchmarking data, Aceli Africa is creating a new facility that will take in grant funding from bilateral and philanthropic donors and offer two types of financial incentives to lenders:

1. **1st-loss coverage at a portfolio level** to increase lenders’ risk appetite so they are incentivized to make more high-impact but risky loans (e.g., to first-time borrowers in food crop value chains). Each lender will have its own reserve account that will be credited every time it makes a loan that meets Aceli Africa’s impact criteria, which include additionality of the loan and livelihood benefits for smallholder farmers and enterprise employees. Top-up incentives will also be offered for loans that contribute to domestic food security and nutrition, meet the 2X Challenge criteria for gender inclusion created by the G7 development finance institutions, or meet similar standards for youth inclusion. The amount of each credit will depend on the riskiness of the loan as well as its impact (i.e., loans in food...
crop value chains will be credited more than those in coffee). The more high-impact loans the lender makes, the larger its reserve account becomes. When there are losses in the lender’s portfolio, it can draw upon this reserve account as a first-loss.

2. **Incentive payments** to mitigate higher operating costs of making smaller loans to earlier-stage enterprises that tend to be unprofitable even when the borrower repays. These incentive payments will complement the revenue generated from interest and fees so that lenders can charge SMEs affordable rates while covering the higher operating costs to serve them. As with the first-loss coverage, baseline payments will be tied to impact criteria related to loan additionality and livelihoods benefits, while top-up payments will be offered for loans that meet additional impact criteria.

Financial incentives to lenders will range from an estimated 3% to 8% of the value of each loan, with the specific amounts informed by the round of data collection currently underway and tied to risk factors and impact criteria. **We project that $40M in financial incentives will mobilize $700M in lending across Kenya, Rwanda, Tanzania, and Uganda by year-end 2024 and that every dollar of donor-funded incentive will generate at least $4 of incremental income for smallholder farmers.** Alongside CSAF members, at least half of the lenders participating in Aceli Africa will be local banks and non-bank financial institutions. The incentives will be designed such that at least half of the loans are going to food crop value chains for domestic and regional consumption in East Africa.

In addition to the financial incentives for lenders, Aceli Africa also aims to expand the addressable demand by facilitating pre- and post-investment technical assistance for agricultural SMEs. The initiative is exploring an innovation window for supporting technologies and business models (e.g., low-cost credit scoring models) for both lending and technical assistance that lower the cost to serve agricultural SMEs and reduce the need for smart subsidy in the long term. Ultimately, Aceli Africa aims to be a demonstration model with two-fold objectives:

1. Catalyzing a more competitive and efficient financial market that drives down the costs to serve agricultural SMEs and reduces the need for donor funding—in this way, increased impact can be generated at reduced cost over time.

2. Building the evidence base for the impact return on investment of these approaches and collaborating with partners to advocate for policies at the country level that sustain growth and investment in agricultural SMEs.

More information about Aceli Africa is available at [aceliafrica.org](http://aceliafrica.org).
Global Insights

During 2018, CSAF lenders disbursed $628M in credit to 711 businesses across 61 countries. These businesses connected 2.2 million smallholder farmers—30% of whom are women—to domestic and international markets, and provided 71,000 jobs in rural communities.

Overall lending decreased by 12%, with variation across regions. On a global, aggregate basis, topline lending decreased—a reversal from average annual growth of 12% over 2015 and 2016 and the slower 2% growth in 2017. The one region that bucked this trend was South America, where disbursements increased 6% from 2017, making a small recovery after three years in decline. For more detail on regional trends, see page 25.

Total number of borrowers decreased for the second year in a row. As in prior years, some borrowers paid down their loans, did not renew, or had difficulty repaying, resulting in a 23% attrition rate from 2017 to 2018, compared to 15% the prior year. While lenders had a net increase in enterprises reached in a few countries—particularly Rwanda, in which ten more clients were added—at a global level there was a net decline in enterprises reached by 83 borrowers (10%) to 711 enterprises. The biggest decrease in number of borrowers occurred in Peru, which went from 129 borrowers in 2017 to 116 in 2018. Despite that reduction, Peru remains the strongest country for CSAF members both in terms of number of borrowers and total disbursements.

Credit quality improved slightly but remains high for agricultural financing relative to other sectors. At the end of 2018, portfolio-at-risk greater than 30 days (PAR30) across all CSAF member portfolios was 7.4%, down from 8.5% at year-end 2017. Lending to agricultural SMEs in low- and middle-income countries is inherently risky. In addition to limited management capacity, these enterprises are operating in regions vulnerable to drought and other climate events, as well as market and political volatility and a host of other exogenous risks. In short, for lenders working across many countries, something is bound to go wrong somewhere—the question each year is how many things, how big will each be, and where? In 2018, exogenous risk flared up in two of the countries that were in the top five in terms of CSAF disbursements in 2017: Nicaragua and Tanzania. Further, coffee prices declined to levels widely considered to be below the cost of production, let alone a living wage. Notwithstanding these challenges, portfolio-at-risk has declined, in part, because CSAF members have pulled back from less formal value chains where cash-flow based lending approaches may not be as viable.
PAR30 for smaller loans (those less than $250K) more than doubled across all regions to 28% (from 11% in 2017), driven primarily by lending in sub-Saharan Africa. For the $250-500K segment, PAR30 remained steady at 10%. Medium-sized loans ($500K-$1M), which previously had the lowest PAR30 at 5% increased in 2018 to 12%, while risk levels for loans $1M and up decreased to 5% (from 9% in 2017).

The share of lending that went to private enterprises declined, but still remained the largest proportion of disbursements by client type. After four consecutive years of increasing proportion of loans going to privately owned businesses (from 47% in 2013 to 63% in 2016), this figure declined for the second year in a row to 53%. Conversely, the share of lending to cooperatives continued a three-year growth trend, from 34% in 2016 to 44% in 2018. This relates to the continued consolidation of members’ lending in coffee and the increase in lending in South America. Coffee cooperatives are particularly prevalent in Central and South America, where they account for 44% of the total lending and 65% of the lending in coffee. The share of lending to cooperatives also increased in sub-Saharan Africa from a modest 21% in 2017 to 27% in 2018 (though the bulk of disbursements in this region still goes to private enterprises).

Users can further explore the data through the interactive filters and charts to dig deeper in the data or zoom into a specific area. The interactivity is made possible through filters (for example, by year, region, country, or type of client), chart information, or a chart serving as a filter for another chart. For data lovers, the portal also provides a separate data table to summarize the numbers.

With the launch of Aceli Africa in 2020, we expect that portfolio information from local financial institutions in East Africa will be added. Going forward, we look forward to engaging lenders or actors in other regions that are already collecting data and would like to participate in the platform so that it represents a growing cross-section of the agricultural SME finance market.

Calling All Data Lovers

CSAF members understand the power of information in unlocking capital for agricultural SMEs and producer organizations, like the ones that we finance. Each year since 2015, CSAF members have shared learning from our experience via these annual reports to inform how more capital and support services can flow to agricultural value chains.

Building upon these efforts, CSAF and our data partner MIX are pleased to announce the launch of the CSAF Open Data Portal (data.csaf.org). The portal is an online and publicly accessible platform that allows users to track CSAF member financing trends. Through headline messages and exploratory charts, the platform shows highlights of the 2018 CSAF members’ loan portfolios, as well as trends going back to 2013. It currently has six interactive dashboards that provide information on disbursements, clients, value chains, loan size, and portfolio risk.

Figure 4: Portfolio-At-Risk Greater Than 30 Days

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
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<th>2015</th>
<th>2016</th>
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<th>2018</th>
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<tr>
<td>PAR30</td>
<td>8.6%</td>
<td>6.0%</td>
<td>11.4%</td>
<td>8.2%</td>
<td>8.5%</td>
<td>7.4%</td>
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Figure 5: Disbursements by Borrower Type

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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>Private Enterprise</td>
<td>51%</td>
<td>46%</td>
<td>40%</td>
<td>34%</td>
<td>37%</td>
<td>44%</td>
</tr>
<tr>
<td>Cooperatives &amp; Associations</td>
<td>47%</td>
<td>52%</td>
<td>58%</td>
<td>63%</td>
<td>60%</td>
<td>52%</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Users can further explore the data through the interactive filters and charts to dig deeper in the data or zoom into a specific area. The interactivity is made possible through filters (for example, by year, region, country, or type of client), chart information, or a chart serving as a filter for another chart. For data lovers, the portal also provides a separate data table to summarize the numbers.

With the launch of Aceli Africa in 2020, we expect that portfolio information from local financial institutions in East Africa will be added. Going forward, we look forward to engaging lenders or actors in other regions that are already collecting data and would like to participate in the platform so that it represents a growing cross-section of the agricultural SME finance market.
Despite the overall decline in lending, growth rates varied among CSAF members. The overall decline in disbursements was shared by a majority of CSAF members (7 out of 12). Among those with a decrease in lending, the number reporting the largest declines (more than 20%) went from one member in 2017 to four members in 2018. On the other hand, three members reported significant growth of more than 40% in 2018—down slightly from four members reporting high growth in 2017. While some trends, such as portfolio consolidation, have been shared by many CSAF members over the last few years, it is important to remember that members’ portfolios are diverse in terms of overall size, growth stage, value chain focus, and geographic concentration, so overall trends may not reflect the experience of individual lenders.

Seasonal trade credit remains the most frequently used form of financing, accounting for 74% of lending by CSAF members in 2018, up from 63% in 2017. Structured based on a borrower’s purchase orders with a known buyer (as opposed to asset-backed lending requiring more formal collateral), these loans cover the cash flow gap between when enterprises need to pay farmers for their harvest and when enterprises get paid by their buyers, usually several months later.
Loan amounts decreased for both new and existing borrowers. Average loan sizes for existing borrowers dipped slightly after five consecutive years of growth, from $813K in 2017 to $783K in 2018. At the same time, average loan sizes for new borrowers also decreased from $595K in 2017 to $510K in 2018, an indication that lenders are looking down-market at earlier stage enterprises to grow their portfolios. At the regional level, average loan sizes for new borrowers declined in Central America and sub-Saharan Africa, but increased in South & East Asia and more than doubled in South America from $417K to $949K, albeit among a small sample size of 11.

Overall, the share of lending activity targeted toward businesses in the $500K to $2M and higher range decreased for the first time since data collection began. In prior years, CSAF members had been originating a growing number of loans in the higher range, and fewer loans below $500K. However, the share of active loans under $500K increased from 44% in 2017 to 48% in 2018. We believe that there are two factors explaining this dip in loan size: 1) lower coffee prices such that borrowers exporting comparable volumes in 2017 and 2018 required less financing in 2018; and 2) limited growth opportunities with new borrowers at larger ticket sizes compelled lenders to look down-market to find new borrowers. Increased lending to new borrowers at small ticket sizes is reminiscent of the trends that fueled CSAF lending growth in 2013-2014, though the absolute number of new borrowers was much larger in those earlier growth years.

There are, however, some signs of modest growth opportunities as members’ responses to a survey in early 2019 indicated cautious optimism in a lending uptick for the current calendar year. Seven CSAF members stated in the survey that they expect growth in total disbursements in 2019 as compared to 2018. However, most of the expected growth is concentrated in serving enterprises in more established value chains (e.g., coffee and cocoa), rather than expanding to new ones. Members are positive about growth opportunities in 2019 and beyond in all regions, with concerns remaining about the opportunities in certain countries—such as Nicaragua and Tanzania—where political risks are expected to remain for the foreseeable future.
Figure 10: Active Loans by Size

Figure 11: Active Loans Under $500K Among New Borrowers

Figure 12: Loan Size – New Borrowers

Figure 13: Loan Size – Existing Borrowers
UES (Union de Ejidos y Comunidades San Fernando, S.P.R. de R.I.) is a group of 1,379 coffee producers in the state of Chiapas in southern Mexico. The cooperative was founded in 1984 and became the very first Fair Trade certified organization in Mexico in 1991. Since its founding, UES has offered technical assistance to its farmers to improve coffee quality. The cooperative provides farmers inputs, such as seedling coffee varietals that are tailored to the weather patterns and altitudes of different farms. It also provides farmers training on agricultural practices, including organic farming standards.

Located high in the mountains, UES-affiliated coffee farms had been mostly protected from the scourge of coffee leaf rust, which thrives in warmer weather. But in 2014, warmer temperatures brought leaf rust to the higher altitudes where UES members farm.

As UES implemented a renewal program focused on soil and plant health, CSAF member Shared Interest stepped in to provide financing. The main objectives of the renewal project were to i) increase yields by removing older, less productive trees, planting healthier ones, and ii) invest in agronomic practices to enhance soil quality and pruning techniques.

Since 2015, farmer yields have increased by 50% while annual sales by the cooperative have more than doubled. UES Assistant General Manager Silvia Herrera says, "We are very grateful to Shared Interest for believing in our plantation renewal program. Our producers now have healthier farms and roya is finally under control."

As a mission-driven enterprise, UES goes beyond supporting its members’ coffee production and marketing to promote a holistic vision for living and producing in harmony with nature: “The commitment we have made with nature and love of the countryside drives us to keep in organic production, and not only that, but look for alternatives that allow us to give back a little of everything that the earth has given us. We are in a privileged area, where land, water and climate are supplemented for the production of our coffee.”
Value Chain & Regional Trends

Value Chains

Lending in coffee, like disbursements overall, decreased in 2018. While coffee remains the most financed value chain for CSAF members, disbursements decreased by 10% in 2018 from $317M to $284M. This accounted for 45% of total disbursements. Members report that this decline resulted primarily from a drop in larger loans, as the median loan size to existing coffee clients decreased from $600K to $500K. The overall number of borrowers in coffee decreased slightly from 275 to 266, of which 246 are repeat borrowers.

Cocoa lending also decreased by 10% in 2018, from $98M to $88M. Much of this lending was concentrated in sub-Saharan Africa, which accounts for 70% of cocoa lending. In Côte d’Ivoire, where there was a $21M increase in cocoa lending in 2017, disbursements decreased by $15M in 2018 down to $42M. Peru, on the other hand, saw a $5M increase in disbursements to cocoa clients to $21M, consistent with the larger trend of lending recovery in South America. The total number of borrowers in the cocoa value chain remained steady year-over-year at 73. Overall, though cocoa is the second most-financed value chain for CSAF members, it remains only 14% of the portfolio, compared to 45% in coffee.

Low cocoa prices hovering around $2,100 per metric ton have recently spurred coordinated action on the part of the Ghanaian and Ivorian governments. As of the printing of this report, the two governments have called for a minimum price of $2,600 per metric ton and suspended forward sales for the 2020-2021 season. Cocoa shares many similarities with coffee in that both are agroforestry crops primarily grown by smallholder farmers in tropical countries and exported to a relatively consolidated set of buyers, primarily in Europe and North America. This recent announcement underscores an important difference between the two crops: The concentration of cocoa production in Ghana and Côte d’Ivoire—and accompanying negotiating power—may improve the odds that market forces can be tilted a bit more in the direction of smallholders.
Macro trends in the coffee industry are putting downward pressure on producer organizations and farmers, compounding the threats from climate change and undermining the long-term viability of smallholder coffee production. Here, we highlight two set of challenges.

First, and most visibly, are the low market prices that threaten the already precarious livelihoods of the 25 million smallholder coffee farmers globally. In August 2018, the trading price for Arabica coffee on the Intercontinental Exchange—known as the ‘C-price’—fell below $1 per pound for the first time in 12 years. The price drop was driven in part by record production in Brazil along with high levels of speculation that distorted the global price. But coffee prices have been at or below farmers’ cost of production for some time following a price spike that went as high as $2.53/lb in 2011.

While Fair Trade and other coffee certifications are meant to ensure higher price for farmers, the current Fair Trade minimum price for Arabica coffee is $1.35 per pound (with additional premiums for organic and/or washed coffee), still well below a living income for most smallholders. As any coffee consumer knows well, the Fair Trade price and even the living income price are only a fraction of the retail price. According to the 2018 Coffee Barometer, only 10% of the $200 billion global coffee industry stays in producing countries and an even smaller fraction goes to farmers.

Low prices are compounded by other challenges that can quickly create a downward spiral for farmers. Farmers struggling to get by cannot afford to fertilize and renovate their coffee trees, so their plant stock ages and becomes less resilient to disease outbreaks such as coffee leaf rust. Not surprisingly, coffee farming is less and less attractive to younger generations, which contributes to increased migration to the US from rural communities in Central America.

Second, shifts in contracting and payment terms, linked in part to consolidation among end buyers, have created a new set of challenges for producer organizations. Leading specialty buyers have increased their payment terms for importers from 90 days just a few years ago to 360 days in many cases today. These business decisions, made thousands of miles from origin, cascade down the value chain first to importers, who have responded by delaying signing contracts with producer organizations. Another increasingly common practice is for buyers purchasing Fair Trade coffee to offer “combination contracts”—i.e., making their purchase of some containers of coffee at higher Fair Trade prices contingent on producer organizations also selling other containers at lower, conventional prices. In the end, producer organizations and their farmers get lower prices and less certainty, both of which makes it more difficult for lenders to finance on the basis of confirmed cash flows (i.e., signed contracts), which was the original innovation that allowed CSAF members to unlock opportunities at the base of the supply chain.

Delays in contracting have adverse effects on lenders because their fixed operating costs are spread across shorter duration loans (i.e., less interest revenue), while risk has increased because there is more competition for producer organizations to secure coffee later in the season. Producer organizations and farmers suffer the most because uncertainty and delays in contracts and financing lead to survival decisions, like farmers selling a portion of their crop early in the season at a steep discount to intermediaries, to ensure they have income while they wait to get paid by their producer organization when contracts and financing are finally available.

Figure 16: Avg. Yearly Price of Coffee Per Pound, 1990-2018

References Fig 16: https://www.investing.com/commodities/us-coffee-c-historical-data
Like the other primary value chains, lending in cashew nuts experienced a slight decrease overall in 2018. From 2016 to 2017, there was a 54% increase in cashew lending, rising from $46M to $71M, primarily concentrated in sub-Saharan Africa. In 2018, cashew disbursements decreased by 11% to $63M with a decline in Vietnam from $21M in 2017 to $2M in 2018 outpacing a surge in Côte d’Ivoire from $6M in 2017 to $23M in 2018. The total number of cashew borrowers remains relatively small, with 20 borrowers in 2018, declining from 25 in 2017. The structure of the cashew industry means that average loan sizes in cashew are well above those for other crops. Thus, over 80% of CSAF member lending in the cashew value chain went to enterprises with at least $5 million in annual revenues, while as recently as 2014, only 20% of CSAF lending in the sector went to these larger borrowers.

This shift speaks in large part to changes in the West African cashew processing industry in the wake of donor-funded programs to invest in local processing capacity. Many of these enterprises have not succeeded, while some have grown spectacularly, in part fueled by CSAF members’ lending. With some processors receiving multimillion dollar loans from more than one CSAF member, a couple of new borrowers—or, conversely, non-renewals—can drive substantial lending growth or contraction. The decline in Vietnam is a case in point: A large international trader invested in one borrower, which therefore no longer needed financing from its CSAF lender; at the same time, another borrower faced business challenges and its loans were restructured—these two cases account for most of the lending decline in Vietnam.

Lending in other nut value chains, while remaining a smaller proportion of CSAF members’ portfolio, saw notable increases. Disbursements to Brazil nut businesses rose from $12M in 2017 to $20M in 2018, driven primarily by a $7M increase in Bolivia, which accounts for the majority of Brazil nut production globally, as well as new disbursements of $1M to two borrowers in Peru. Overall, borrowers in the Brazil nut value chain increased from 8 to 11. In macadamia, lending rose from $15M to $19M, maintaining a steady number of borrowers (all nine of them in Kenya). Out of all value chains in CSAF members’ portfolio, Brazil nuts and macadamia saw the most growth in lending volume in 2018. Both Brazil nuts and macadamia value chains have a similar structure as cashews: production (or wild-harvesting in the case of Brazil nuts) happens at the smallholder level and processing is done in facilities that typically employ 100 to 300 people and require multimillion dollar injections of working capital annually.
BORROWER PROFILE

An Agro-Forestry Business Model for Environmental Preservation in Nicaragua

The natural forest in Nicaragua has decreased from 7.2 million hectares to 2.4 million hectares in the last 25 years. MLR Forestal de Nicaragua SA was created in 2013 by three entrepreneurs who sought to provide a buffer to the Bosawas UNESCO Biosphere Reserve by planting and managing an agro-forestry system that inter-crops cocoa with shade-providing teak trees. MLR will also keep 30% of land under management as natural forest. This will protect the rivers and streams from erosion and provide protection and habitat for native flora and fauna. Starting in 2030, MLR expects that future planting will occur on previously harvested lands, making its business model sustainable.

Teak is recognized as one of the most valuable premium woods globally. It is particularly sought-after for its beauty, stability, good strength properties, easy workability, and outstanding resistance to decay and rot. Cultivating teak requires patience and investment as the trees take 20 to 25 years to reach a suitable size for the market. Most teak production occurs in Southeast Asia, but the tree also grows in Latin America—and is being cultivated more and more there due to increasing global demand.

Given the long production cycle for teak, models that produce cash flow in the short-term are attractive. Thus, MLR’s program to introduce shade-grown cocoa intercropped with its teak trees is not only good for the environment and for cocoa crop quality—it also sustains and diversifies livelihoods.

MLR’s teak plantations are certified by the Forestry Stewardship Council (FSC) while its cocoa plantations are certified by UTZ-Rainforest Alliance. From a social impact perspective, MLR provides employment for 263 full-time workers and another 109 part-time workers. In expanding its land under management, MLR purchases deteriorated pasture lands and converts them to agro-forestry plantations. Preliminary calculations indicate that the plantations will sequester 3.2 million tons of CO2 over the next twenty years. CSAF member Impact Finance recently approved a $2M loan to MLR as part of a larger financing package for MLR to double the project size from 2019 to 2023.
Advancing Policy and Practice for Environmental and Social Impact

Since CSAF’s founding, members have exchanged learning regarding their efforts to deepen environmental and social impact. Here are some recent examples of members’ activities related to impact frameworks and tools, advisory services, and thought leadership:

- **Alterfin** has created an Environmental and Social Performance Management (ESPM) system to make more informed decisions as a social investor aiming for deep impact and additionality. The principles underpinning the ESPM are that: i) it is built on dynamic data collection, ii) it is embedded in Alterfin’s management cycles and decision-making processes, iii) it is geared toward learning and continuous improvement in enhancing the impact of Alterfin’s investments, and iv) the results are shared and analyzed in an open and transparent way.

- **Incofin** created a framework for integrating the UN Sustainable Development Goals into its existing four-part impact and investment methodology. Incofin’s methodology includes an impact thesis, social and environmental performance audit, measurement, and responsible exit. Using this integrated framework, Incofin can now align all new investments to the SDGs across its six active funds, including those focused on financial inclusion outside of agricultural SMEs, totaling $1B.

- **Rabo Rural Fund** revised its environmental policy to redefine ecological impact as “Empower Smallholder Farmers with Ecological Sustainable Businesses.” Within this new definition, Rabo Rural Fund measures ecological impact of businesses based on multiple indicators, including land use, water use, soil health, reduction of post-harvest losses, and adaptation to climate change.

- **Root Capital** partnered with coffee roaster Intelligentsia to convene a four-day workshop with coffee farmers and business leaders in Colombia focused on teaching growers how to boost coffee quality and market competitiveness. The workshop was part of Root Capital’s larger partnership with USAID and Keurig Dr Pepper to promote the competitiveness of coffee enterprises by improving quality and strengthening resilience to climate change through targeted advisory services.

- **Triodos Bank** released a paper on food and agriculture systems detailing its vision for changing the way food is produced, traded, and consumed in order to achieve food security for a growing global population without damaging the planet. Recognizing that the current agricultural system exceeds planetary boundaries, Triodos is calling on governments, companies, the financial sector, science, and consumers to work together to develop a more balanced and resilient system.
Regions

Lending in sub-Saharan Africa declined for the first time since data collection began. Consistent with the overall portfolio decrease, disbursements in sub-Saharan Africa went from $237M in 2017 to $212M in 2018, a decrease of 11%. While lending declined throughout the region, the biggest decrease occurred in Tanzania—from $34M in 2017 to $12M in 2018. For more information on lending in Tanzania, see page 27. The biggest commodities in sub-Saharan Africa, as in the larger portfolio, continue to be cocoa ($61M), cashew nuts ($57M), and coffee ($37M). Of these, only cashew nuts grew in 2018, with disbursements increasing by 43%. Additionality remains high in the region, with 89% of sub-Saharan African clients receiving financing from a single CSAF member. In 2018, almost 60% of new clients served by CSAF members were in sub-Saharan Africa, but this large share masks an absolute decline in the number of new borrowers in the region from 37 in 2017 to 30 in 2018.

Lending in South America increased slightly after a three-year period of decline. Peru remains by far the country with the most CSAF lending activity globally with 116 borrowers receiving $127M in financing. Disbursements in Peru represent 60% of the regional portfolio and 20% of the total global portfolio. Mild increases in lending in other countries, including Bolivia, Argentina, Paraguay, and Brazil, helped grow total disbursements in the region by 6% over 2017. Similarly, this increase was not concentrated in any one value chain, but rather spread out in modest growth across coffee, cocoa, and Brazil nuts. The majority of lending in South America remained in coffee (56% of disbursements), which held steady in volume from 2017 to 2018, following a long-term recovery in the wake of the coffee leaf rust outbreak in 2013-2014.

Lending in Central America decreased by 18% following a smaller increase in 2017. Total disbursements in the region declined from $154M to $127M, while the number of borrowers also decreased from 147 to 132. Both in terms of total volume of disbursements and share of the global portfolio, this is the lowest level since 2016, when coffee growers in the region were still recovering from the coffee leaf rust outbreak. The decline in 2018 was a combination of lower coffee prices and delayed purchase contracts, which particularly affects Central America since coffee is the predominant crop for CSAF lending in the region. Another factor was lender cautiousness linked to political risk in Nicaragua and instability in Honduras.

Lending in South & East Asia contracted significantly in comparison to previous years. Many CSAF members have expanded lending in South & East Asia over the last few years, resulting in rapid growth in 2014 (by 152%) and 2015 (by 79%), albeit from a small base. In 2018, however, lending declined by 43% from $100M to $57M, the lowest credit volume seen since 2014. This was primarily driven by a steep drop in disbursements in Vietnam, down from $24M in 2017 to $4M in 2018, and in Indonesia, down from $18M in 2017 to $10M in 2018. In Indonesia, this decrease was primarily in coffee, while in Vietnam the size of loans to existing borrowers in cashew nuts decreased sharply as two large borrowers did not renew their loans.

Figure 20: Annual Credit Volume and Number of Businesses Reached, by Region
Building Industry Standards: Loan Reporting and Price Risk Management

While 79% of borrowers receive a loan from just one CSAF member, the 21% that receive loans from multiple members account for 55% of total disbursements. In some cases, larger producer organizations have borrowing relationships with as many as five or six CSAF members on top of borrowing from local banks. As a condition of their trade finance loans, borrowers are required to report on their cash and inventory positions on a monthly basis during the harvest cycle. This can be burdensome for borrowers managing financing with several lenders. Thus, in 2016, CSAF members came together to pilot a new tool intended to streamline the financial reporting for borrowers receiving loans from multiple CSAF members. Borrowers now fill out a single report on a monthly basis and send it to all of their CSAF lenders. This coordinated process also allows lenders and the borrower to communicate and problem solve together earlier and more proactively in the midst of changing market conditions.

Since piloting the standard loan reporting tool with two Peruvian farmer cooperatives in 2016, CSAF members have steadily expanded its application to 45 borrowers in South America and a growing number in Central America and East and West Africa. Members are now collaborating on version 2.0 of the tool to incorporate price risk management (PRM) that allows borrowers to monitor their cash flow and exposure amid price volatility. The PRM functionality builds upon efforts by CSAF member Oikocredit with funding from the Inter-American Development Bank and in partnership with Catholic Relief Services, Fair Trade USA, and Keurig Dr Pepper as part of a three-year project to pilot these tools with coffee cooperatives in Latin America.
A Volatile Business Climate in Tanzania

In 2017, the Tanzanian government imposed export bans on food commodities, such as maize and rice. This, combined with imports of maize from Zambia and rice from Pakistan, resulted in large surpluses and decreasing consumer prices—which led to substantial losses for local agricultural enterprises. Simultaneously, the Tanzanian government introduced a national identity card that is required for a number of business transactions, including registering loan collateral and incorporating an enterprise. The procedure to obtain an ID is cumbersome, leaving agricultural SMEs waiting for months as their paperwork is processed.

As a result of these government interventions, many borrowers in Tanzania have endured cash flow problems, making them unable to repay loans as scheduled and ineligible for new loans in 2018. At the same time, it has been difficult for lenders to find new clients in the current business climate. The result is a 64% decline in disbursements by CSAF members in the country in 2018. This example, while specific to the Tanzanian context, demonstrates the ways that a shifting political economy can have abrupt and adverse impacts on agricultural lending.

Cautious Optimism for Nicaragua Portfolio

In April 2018, demonstrations broke out in several cities across Nicaragua. Protestors rallied against changes to the national pension system proposed by President Daniel Ortega that would increase taxes and decrease benefits. While the reforms were quickly canceled, the protests—and disproportionate government response—escalated into the deadliest civil conflict since the end of the Nicaraguan civil war in 1989. Attempts at a dialogue between the government and civil society failed. In September, after the deaths of more than 300 civilians, the president declared all political protests illegal.

The political situation remains extremely tenuous, but much of the instability has been contained to urban areas. Disruptions to the coffee harvest in 2018 were not as extensive as previously feared. Coffee is the third-largest export in Nicaragua, which is the poorest country in Central America. Disbursements by CSAF members in the country decreased by 20% in 2018, due in part to cautiousness by buyers who fixed contracts late in the season, the low price of coffee globally, and lenders being more cautious about disbursements. However, the number of borrowers has remained steady, indicating that CSAF members were able to maintain their longstanding relationships with clients in Nicaragua despite the political instability.
Looking Ahead

Over the past five years, lenders have grown and diversified their portfolios rapidly and then slowed to consolidate and manage risk amid commodity price cycles, climate-related disease outbreaks and drought, and political instability. The next five years will surely bring at least as many challenges to what is already a daunting market environment. In the face of these challenges, CSAF members reaffirm our commitment—both as independent institutions and as an industry alliance—to advancing sector knowledge and practice to grow the finance market for agricultural SMEs for greatest impact. We welcome the opportunity to engage in dialogue and collaborate with stakeholders who share these goals.
Appendix 1: A Note on Methodology

The results presented in this report are based on agricultural lending activity by the ten CSAF global members, one global affiliate, and one regional member from January 1, 2018 to December 31, 2018.

CSAF members and affiliates (collectively referred to in this report as members) provided this information to MIX, an organization that promotes financial inclusion through data and insight, under a nondisclosure agreement. Subsequent analysis was conducted by MIX using an aggregate dataset and therefore does not identify either the borrower or the lender.

To account for inconsistent data types and to improve trend analysis, MIX applied a unified adjustment methodology across both new and historical data. Therefore, readers will notice variations from the data published in CSAF’s previous annual reports.

We believe this methodology presents the most accurate and up-to-date picture of our constantly evolving industry. Additionally, we restrict our reporting to only active loans, which are defined as meeting at least one of the following criteria:

- a maturity date in 2018 or later;
- one or more disbursements during 2018; or
- an outstanding balance (not subject to write-off) at any point during 2018.

To complement and contextualize the data presented in this report, CSAF members participated in qualitative surveys and discussions covering trends affecting portfolio growth and credit quality, with insights incorporated throughout this report.
## Appendix 2: Data Summary

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<td>-48%</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>$0.1M</td>
<td>-88%</td>
</tr>
<tr>
<td>Tunisa</td>
<td>$3.3M</td>
<td>38%</td>
</tr>
</tbody>
</table>

Standard methodology applies. Data does not total due to rounding and the exclusion of countries with fewer than two borrowers or fewer than two lenders (e.g., Democratic Republic of Congo). For businesses with a regional presence, disbursements are categorized by the country where a borrower is headquartered.
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