

Stanbic Bank supports Uganda's agriculture sector

Stanbic Bank plans to increase its lending to Uganda's agriculture sector this year, adding to the US\$25 million already made available by financial institutions, according to Ricardo Sengo, head agriculture development finance, Standard Bank Africa.

He was speaking at the Agriculture Finance Conference in Kampala, Uganda late last month, where more than 300 international and local agriculture finance experts as well as central governors of 10 African central banks converged to discuss agriculture finance issues.

Total lending from financial institutions to Uganda's agricultural sector is just under US\$100-million.

Lack of finance, a major challenge

Sengo said: "The conference was an opportunity for Stanbic Bank to interact and share information with fellow local and international industry leaders. Lack of finance of agricultural organisations and projects is a major problem in Uganda, and this is where institutions like Stanbic Bank come in. Because of our experience in the sector, we offer tried and tested innovative financing solutions."

Stanbic Bank offers farmers the opportunity to grow their businesses in the country and there is scope for commercial financial institutions to get involved in supporting innovative structures in Uganda's agriculture sector. Earlier this year Stanbic Bank with partners such as the; Alliance for a Green Revolution in Africa (AGRA), has been involved in the promotion of commercial farming. Two agricultural financing schemes were established, these are schemes which ensured that more than 5,000 of Uganda's farmers are able to plant and grow several crops with guaranteed buyers for the outputs.

Total lending from financial institutions to Uganda's agricultural sector is running at under US\$100-million. And yet, Uganda's agricultural sector still employs 70% of the population mostly on subsistence farms of less than five acres, contributing only 31% to GDP.

Supporting agricultural schemes

Stanbic Bank has been able to support a scheme of the Kapchorwa Commercial Farmers Association (KACOFA) as well as a further umbrella scheme for 38 farmer groups that are backed by the Export Trading Company (ETC). The Kapchorwa scheme is currently playing a role in unlocking the potential of 3,060 farmers in the Kapchorwa District, began with only 25 members. The umbrella application came from 38 producer groups across the Budaka, Manawa, Mbale and Pallisa districts.

Kapchorwa grew from a small smallholder farmers' organisation into one of Uganda's leading for-profit cooperatives with significant market share and several supply contracts with local and international marketing companies. The association focuses on the cultivation of barley, maize, wheat, sorghum and potatoes.

Kapchorwa has received financing from Stanbic Bank Uganda to enable the cooperative to aggregate the commodities produced by member and non-members smallholder farmers and then sell it in the market under specific off-take agreements. In addition, Kapchorwa used part of the funds received from Stanbic Uganda to purchase agricultural machinery to service its members.

Procurement process undertaken by ETC

The project involves producers cultivating maize, beans and soya. The entire procurement process has been undertaken by ETC, an East African agribusiness with extensive experience of working with smallholder farmers. Operating in 10 African countries, the company also has its own cleaning and processing plants with more than one-million tonnes of storage capacity.

Through the application lodged by ETC, production loans will be made to the producer groups, who will in turn sell their production at agreed prices to ETC.

An ETC partner, Farmer Service Centre, will be responsible for the procurement, transport, and delivery of seeds, fertilizers and chemicals to member farmers. Farmer Service Centre will also assist with advice on agronomy that will be supervised by qualified extension officers.

"We are pleased at the prospects of growing with the local agricultural organisations and partnering with them in developing the country's agricultural capabilities. As active partners we see this not only as a contribution in the local agriculture sector but also as contributors to the economy, helping in the growing of a more healthy and viable economy" concluded Sengo.

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