

Agrofinanzas



“ *Agrofinanzas helps improve the lives of rural Mexican farmers and food producers by providing them with financing.* ”

COMPANY INFORMATION

★ Headquarters

Mexico

Countries of operation

Mexico

Year founded

2005

Annual revenue

US\$10.7 million

Employees

26-100

Sector

Agriculture, Finance

COMPANY HISTORY

Agrofinanzas was founded in 2005, when the Esteve family, majority shareholders in ECOM, an international company that trades soft commodities, spun off the supplier financing division of their Mexican subsidiary. Since then, Agrofinanzas has grown and spread, and today serves more than 6,500 clients in 21 Mexican states.

WHO THEY ARE

Agrofinanzas is a non-deposit taking financial institution that provides financing to farmers and food producers in Mexico. Agrofinanzas' clients produce 25 commodities, including sugar cane and sugar, corn, wheat, sorghum, cotton, coffee, cocoa, poultry, pork, and beef, and more than 80 percent of them have never received financing before.

Before Agrofinanzas, these small producers had trouble obtaining financial services for several reasons. First, they didn't have credit histories and there was little financial information available about them. Before Agrofinanzas entered this market, food distributors and processors used their own credit lines to finance individual food producers. Since banks were never involved directly with producers, they never received information about them. The producers also didn't have much collateral to offer, and because the scale of production was small, banks questioned their commercial viability. Finally, the transaction costs in originating and collecting loans were high.

As a result of all these factors, these small producers not only had trouble finding financing—many of them didn't have access to any financing at all. If they did manage to obtain financing, it was through the processor buying their production, making them highly dependent on their purchaser.

HOW THEY REACH THE BOP

Agrofinanzas changes all that, financing supply and distribution chain producers on an individual basis using a profit-and-risk-sharing agreement. These producers get financing at competitive interest rates competitive with those offered by processors and distributors, and far lower than those offered through microfinance institutions. Agrofinanzas also sends information to the national credit bureau on its clients' credit behavior.

AGROFINANZAS' IMPACT

Partnering with Agrofinanzas not only supplies smallholders with capital, but also helps them build a credit bureau history that can be verified by a formal financial intermediary. As a result, Agrofinanzas' clients become free to form a relationship with a formal financial institution, giving them access to services many have never enjoyed before, such as checking and savings accounts, personal loans, and insurance services. A recent poll showed that 35 percent of Agrofinanzas' BOP clients experienced an improvement in their standard of living as a result of Agrofinanzas' services.

LINKS AND RESOURCES

Official website <http://www.agrofinanzas.com/> (Spanish)

Products offered http://www.agrofinanzas.com/index_archivos/Page319.htm (Spanish)

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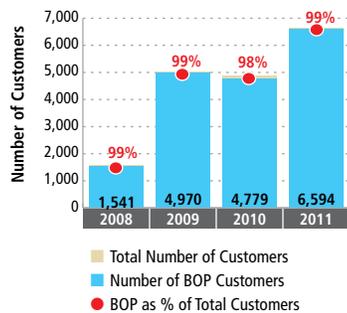
GEOGRAPHY/EXPANSION

Agrofinanzas has grown dramatically in the past few years and is now serving 21 Mexican states, with more than 6,500 clients in 25 commodities. Ninety percent of Agrofinanzas' clients are in rural areas, earning an average income of less than US\$13,850 per year.



KEY DEVELOPMENT RESULTS

For Agrofinanzas' development results, BOP customers are defined as having an income of less than US\$38 per day. Of Agrofinanzas' BOP customers, 90 percent live in rural areas and 10 percent live in urban environments.



“ Agrofinanzas' loan portfolio has doubled since 2008 to reach US\$100 million in 2011. ”

“ It's a very secure business. We have 100 percent recovery on these loans. ”

—Francisco Mere, CEO

Among Agrofinanzas' clients are a group of strawberry farmers in rural Mexico who have historically had very little access to basic services. Before receiving loans from Agrofinanzas, these farmers had no channel through which to market their harvest, and were forced to sell their strawberries on the road.

Today, thanks to Agrofinanzas, these farmers now sell their produce to one of Mexico's largest marmalade and juice processing companies, which in turn supplies a large food products company.

Part of Agrofinanzas' model is to connect rural producers with larger companies in the agribusiness supply chain. The farmers and the companies agree on a price in advance at the beginning of the cycle. Making agreements to sell to large companies means the farmers always have a buyer for their harvest. More importantly, with the selling agreement in place, Agrofinanzas can predict how much the farmers will make from the harvest—and can finance them with minimal risk.

The process of assessing risk and deciding whether to make a loan is different for a small producer than it is for a large company. In the case of strawberry farmers, financing is arranged using crop insurance. To determine the likelihood of recovering the loans, Agrofinanzas selects promising producers and assesses their commitment to produce and sell to the large food products company. To date, Agrofinanzas' loans to strawberry farmers have had a zero default rate.