



Frankfurt School of
Finance & Management
Bankakademie | HfB

EastAgri Annual Meeting 2014

18 – 19 June, Belgrade - Serbia

EDUCATION
MADE IN
GERMANY

*Improving Finance Opportunities
For Agribusinesses:
Turkey Example*

Fatma Dirkes



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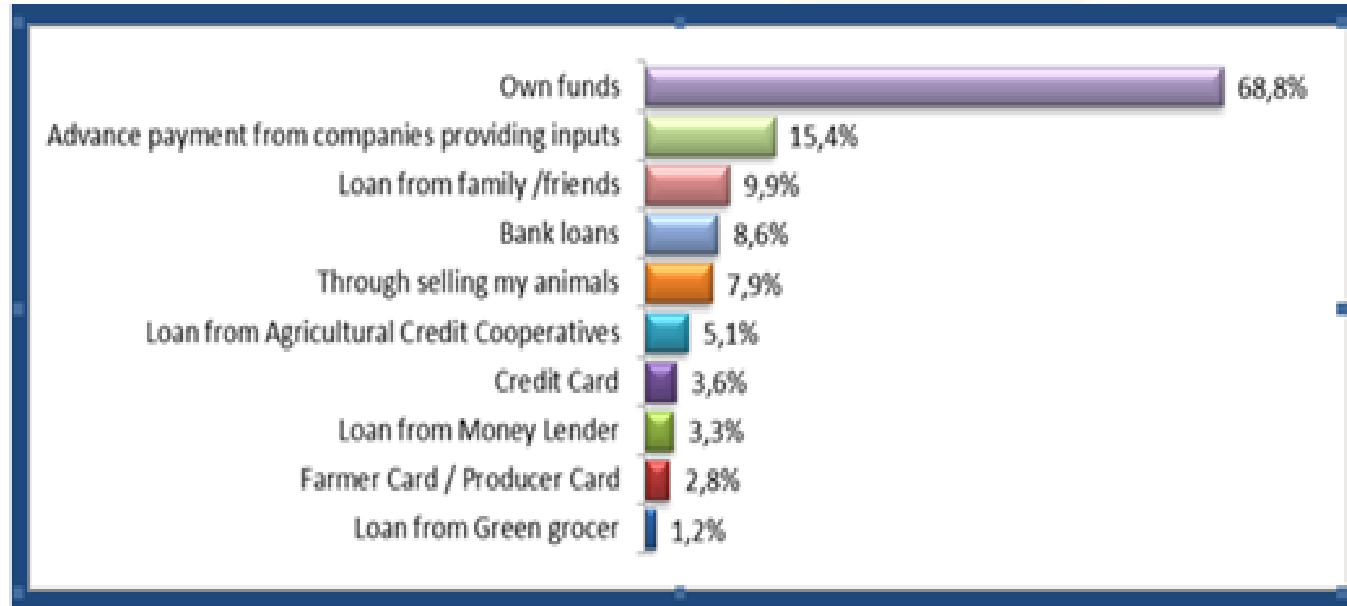
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Results from Turkey “Access to Finance in Agriculture” study

- 12 provinces ; 607 field interviews with farmers

Which of the following options do you use to finance working capital needs (purchase of animal feed, seeds, fertilizers, pesticides) of your farm or enterprise?



How easy is it to obtain a loan from a bank in your point of view?



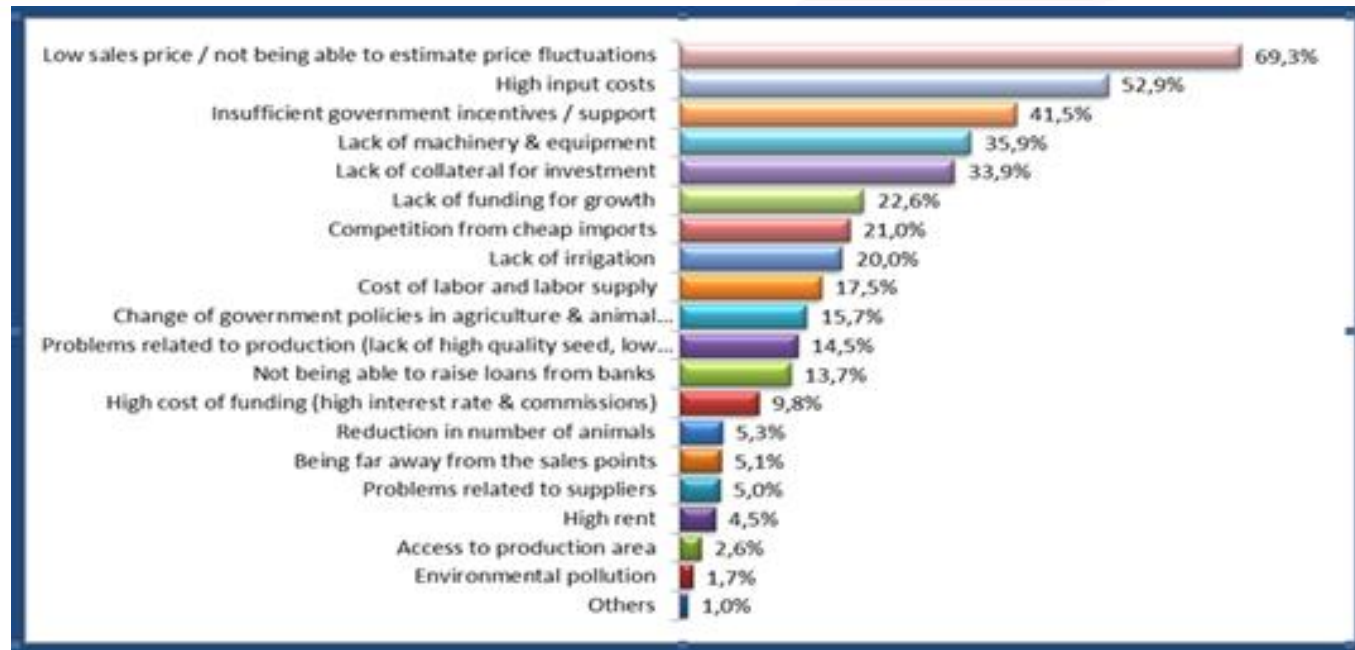
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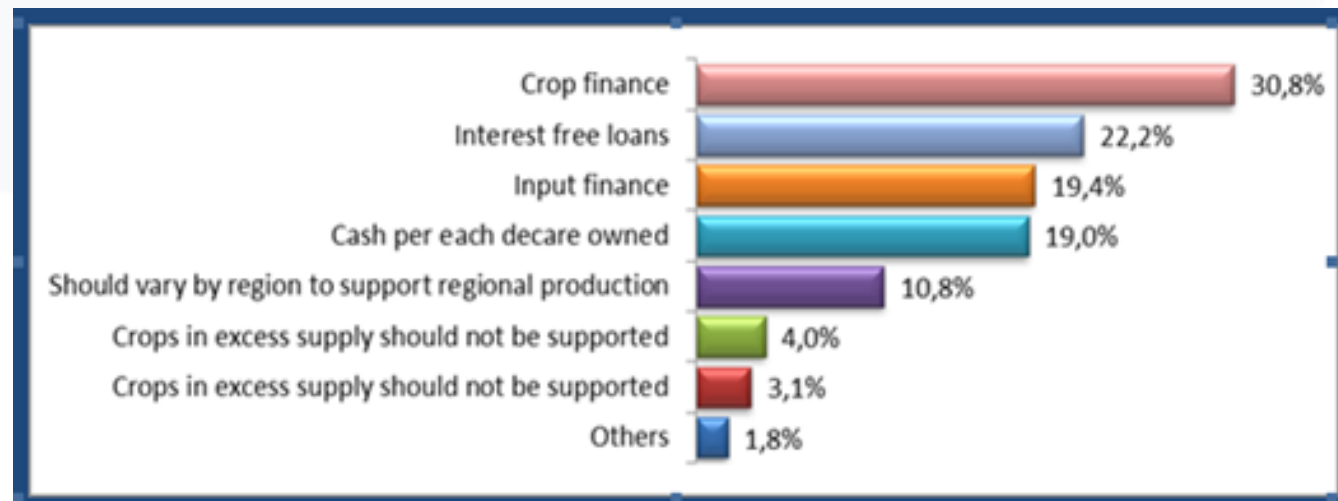


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What are the most significant problems you?



How should government support be provided?

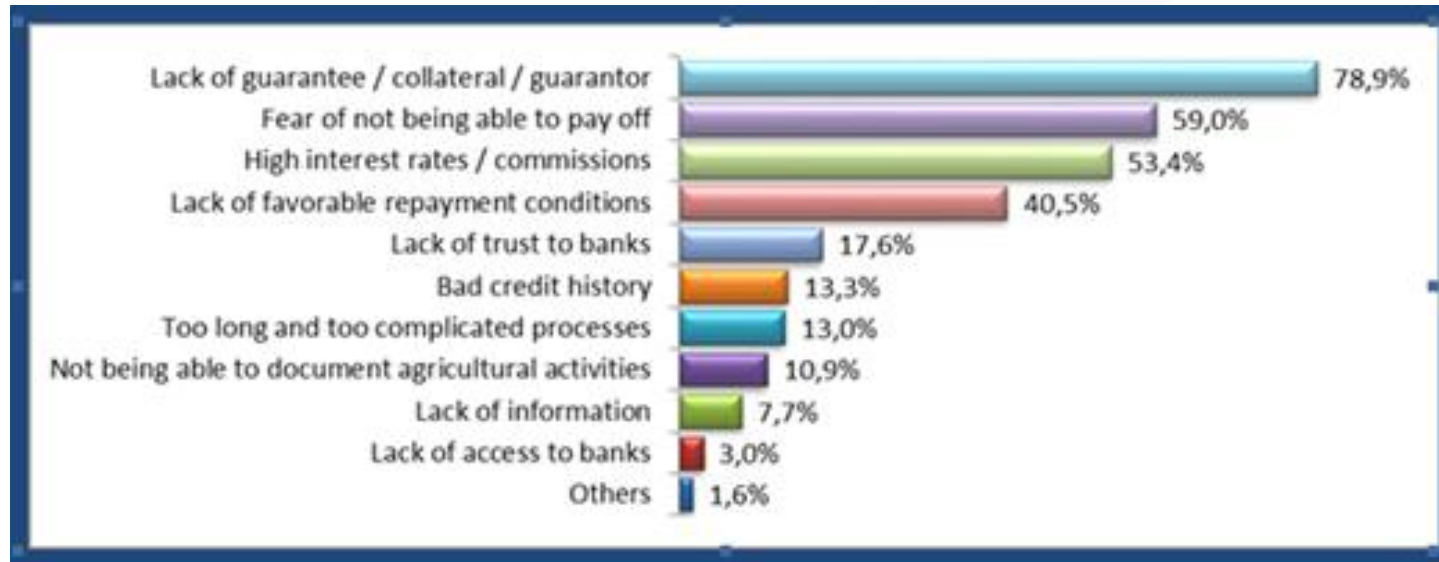


Results from Turkey “Access to Finance in Agriculture” study

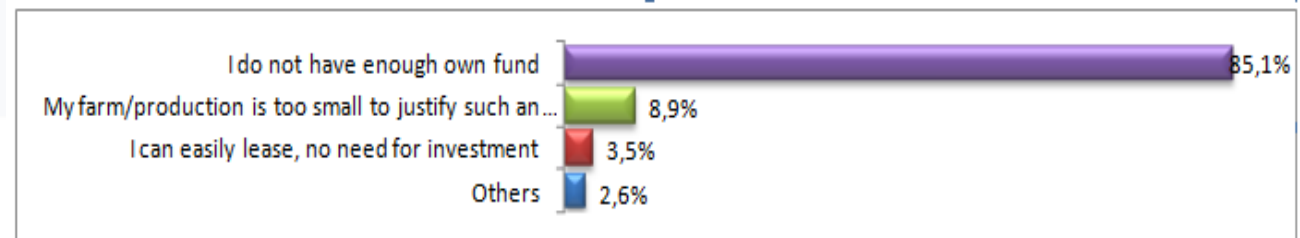
- 12 provinces ; 607 field interviews with farmers



In your opinion, what are the three most significant constraints in obtaining a loan from a bank?



Why don't you invest in machinery and equipment?



Results from Turkey “Access to Finance in Agriculture” study - from Bankers’ view:

- Collateral
- Subsidized loans
- Scale of farming
- Difficulty in monitoring loans
- Lack of entrepreneurial spirit
- Lack of education and farming knowledge
- Insufficient capital

Small / Medium-sized Farmers:

➤ Financing needs for:

- ✓ working capital,
- ✓ agricultural machinery, vehicle & equipment,
- ✓ medium term investment capital

➤ Typical loan size:

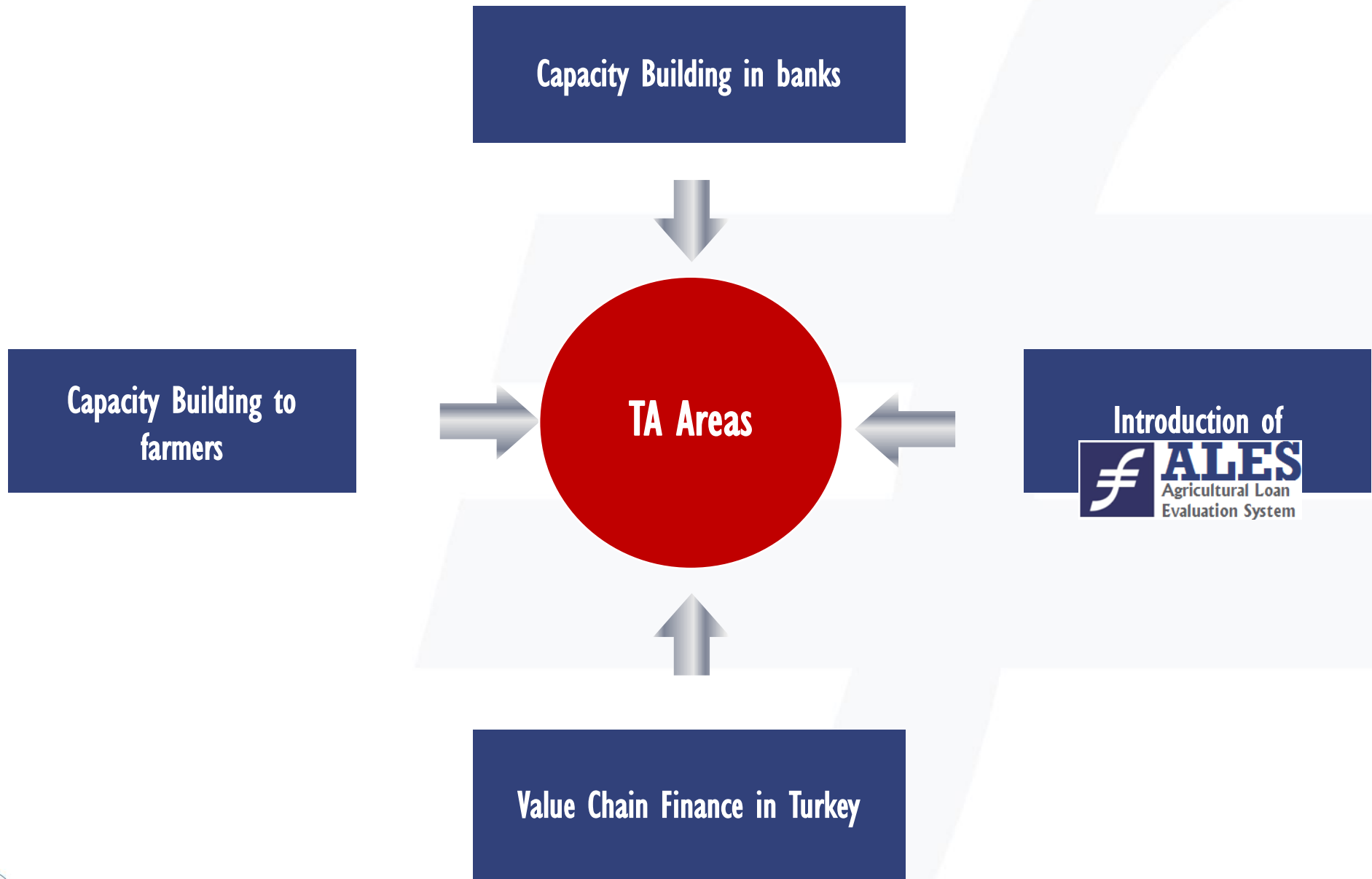
- ✓ Up to 20,000 EUR for working capital,
- ✓ 25,000 – 100,000 EUR for medium term investment capital

Proposed Strategy to Cover Target Market

- Create clear procedures for short term working capital and medium term capital investment lending products.
- Develop staff capacity, portfolio management structures (incl. scoring system) and marketing activities (incl. VCF initiatives).

Agricultural investment finance in Turkey

Concentration of the upcoming TA in the following areas:



Introduction of ALES (Agricultural Loan Evaluation System)

**Financial
Institutions (Banks,
MFIs, etc.)**



**Farmers &
Agribusinesses**

- Innovative scoring tool for loan officers to establish the agronomic quality of a potential client and to calculate the working capital need and repayment capacity of the client.
- ALES uses tech cards
- As inputs, yields as well as the prices paid to producers vary greatly from one region to another and are also depending on the season or other external events the ALES requests regular up-dates which can be done easily.
- ALES is aligned with the financial institution's lending strategy as well as risk appetite and risk policy.
- By end-2015, this number of banks using ALES is expected to rise **up to 20**;
- Sustainability via transfer to KKB (Credit Registration Bureau of Turkey). April 2014; **9,124 applications** were received at „TARDES“.



- Established **8 VCF schemes** in different regions in cooperation with leading commercial banks in Turkey.
- The firms signed protocols / contracts with the respective banks and numerous producers. Through VCF, producers guaranteed the sales of their products **at reasonable prices** while the processors guaranteed supply of agricultural products.
- VCF scheme **solved the lack of collateral problem** of producers through purchase guarantee of buyer and assignment of receivables to the bank.
- The firms obtained VCF loans from respective banks **for their new investments and modernization operations.**
- Not only the firm, but **also the contracted producers received loans** from the banks for financing their new investments.
- By coordinating and taking part in the cash flow cycle, banks gained new clients and **created an interest-free deposit source.**

- Some banks introduced a specific loan product for the VCF.
- Within VCF framework, banks launched **agricultural credit cards** and allocated to farmers.
- Agricultural credit cards
 - offer **interest-free period** to producers
 - enable maturity to be arranged **according to harvest time**
 - enable producers to purchase their inputs by using the card
 - enable **cash withdrawal** in some cases
- Banks also installed their POS terminals to contracted firms.



- Determination of strategy and vision (competitive positioning, target market, regional or sectoral orientation, lending methodology etc.);
- Organizational development and agricultural structuring;
 - Establishment of an agri-lending unit;
 - Branch – regional office organization;
 - Setting agricultural targets for the bank (overall), regional offices and branches (i.e. size of loan portfolio, average loan size, number of new clients etc.);
 - Defining duties, limits and authorities of branches and regional offices;
 - Inclusion of agricultural targets set by the bank into the performance evaluation of bank staff.
- Creation of agricultural lending policies and procedures & new product development;
- Classroom and on-the-job training programmes on agricultural finance and Training of Trainers;
- Consultancy on branch extension and agricultural risk monitoring;
- Consultancy on agricultural project / investment finance including preparation of projections & consultant opinion, on-the-job training, joint client visits)

- Frankfurt School provides assistance to farmers and agribusinesses in involving in VCF schemes in order to increase the efficiency and eliminate the uncertainties regarding purchase / sales of the products.
- Agribusinesses receive support in agricultural project / investment finance schemes;
- Producers have the possibility of delivering their questions through a dedicated website of a partner bank to our team of agricultural experts.
- Regular articles published on Agrotime Journal aim to increase the financial literacy of farmers & agricultural enterprises.

Thank you for your attention!



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