

Products and services offered by Small Farmer Development Micro Finance Institution (SFDMFI)

to promote Agriculture value
chain

Dr. Nav Raj Simkhada





VALUE CHAIN –DEFINITION

The business activities of particular product linking from:

- **Provision of inputs & Technical Supports**
- **Primary production**
- **Processing**
- **Marketing and**
- **Up to final consumption**

FARM TO FORK



दूधको मूल्य शृङ्खला



Honey Value Chain



Bee farming & primary processing

Processing & packaging



Marketing



Consumption

Rationale for Ag. VCP

Agricultural Value chain Promotion (VCP) help:

- To analysis problems, constraints, and possibility to increase benefits for Farmers, processors, traders, input suppliers
- To promote equitable distribution of benefits among value chain actors
- To support for poverty alleviation and economic growth



Identifying needs of VCP

Lead questions

- What are the reasons for the VC to stagnate?
- Which gaps exist from market demand and its current performance?
- Which constraints reduce the competitiveness - Is it finance, technology, quality, cost, storage, marketing, distribution,
- How the poor producers can be benefited

Processes/steps of value chain promotion

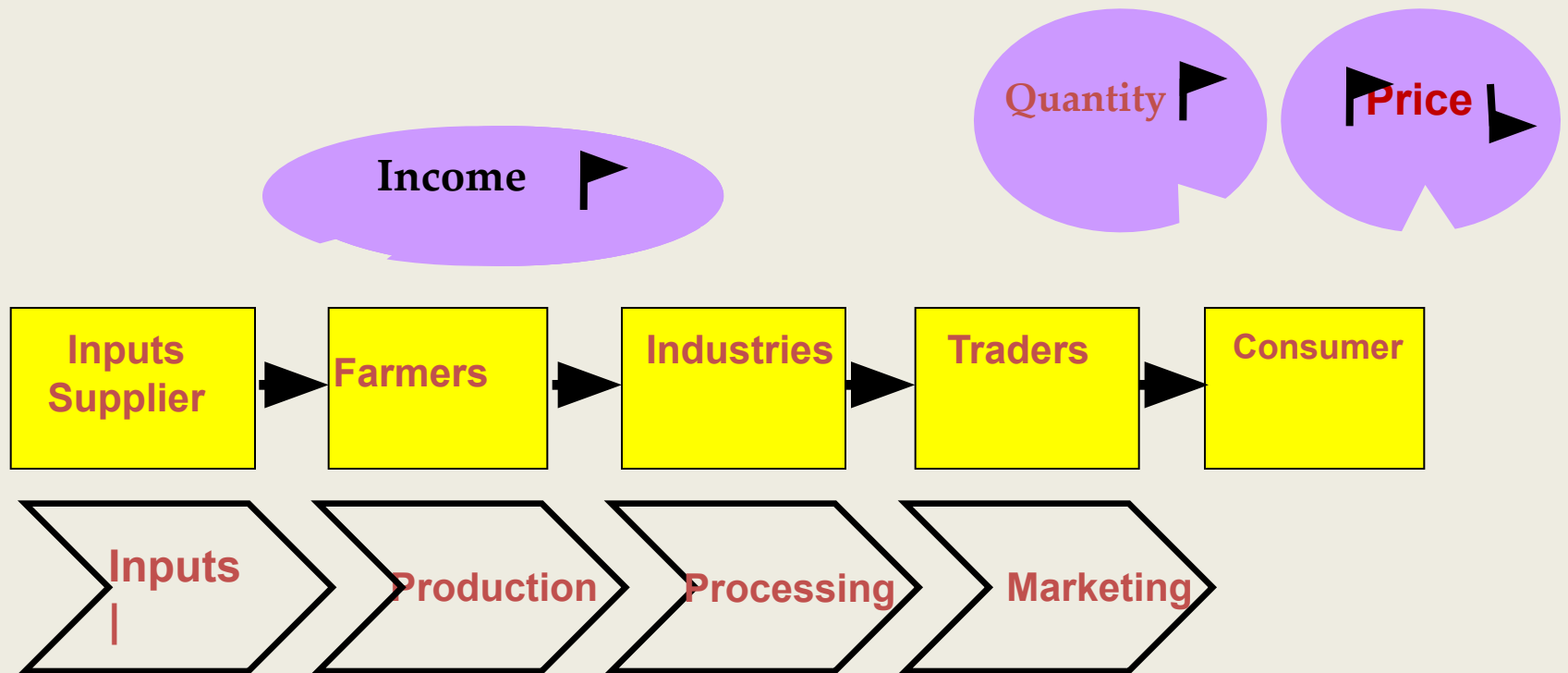
- Mapping of value chain actors of particular product/s
- Collection of data for actors analysis
- Feasibility analysis – Technology, Market, profitability
- Focus group discussion with different actors in different level
- Chain analysis & formulation of chain upgrading strategy
- Implementation of value chain promotion activities
- Monitoring impacts and managing for development results.

BASIS FOR SELECTING VCP

- **High domestic demand**
- **Potential to export**
- **Competitive advantage**
- **Creation of more jobs**
- **Pro-poor focus and contribution for poverty alleviation**
- **Availability of technical and financial services for VCP**
- **Potential to increase production- feasible and profitable**

Basis For Selecting VCP

*Increase in Income = Unit price * Quantity sold*



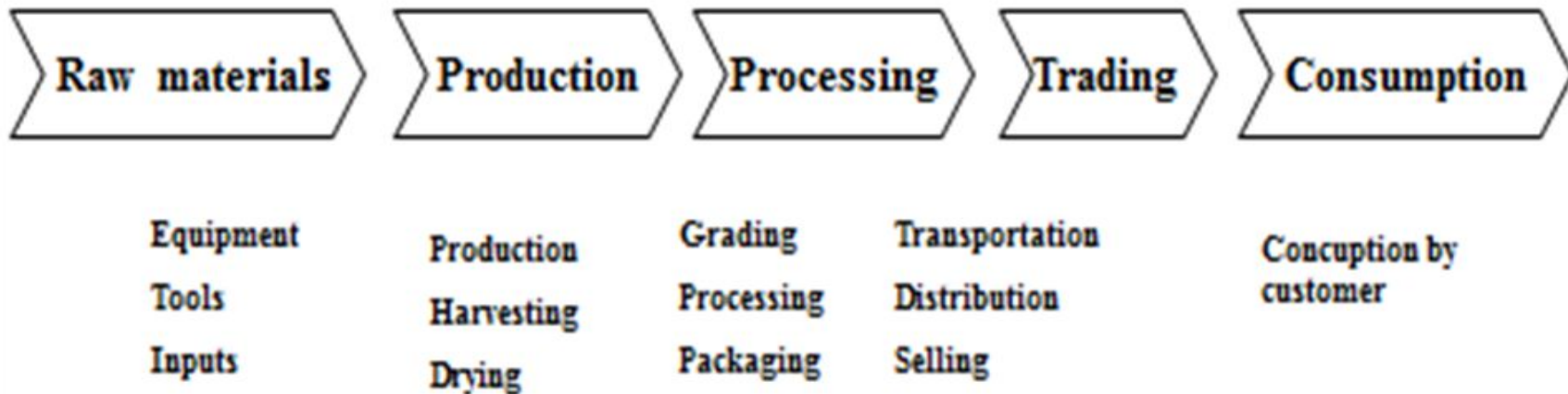
Products offered by SFDMFI
to promote agriculture value chain

Designing Appropriate Financial Products

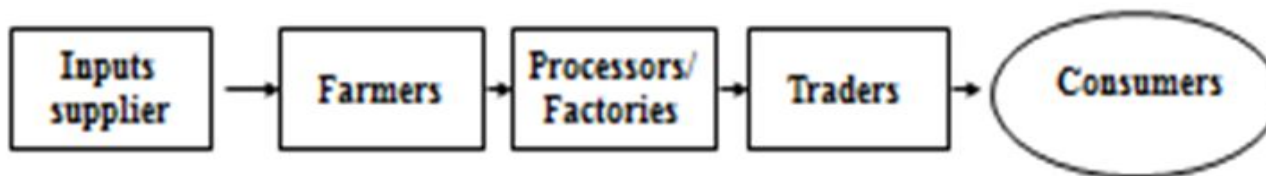
VC actors	VC activities	Financial products	Appropriate services providers
Inputs suppliers	Selling of agricultural inputs, tools, equipment	suitable loan products:	Responsive- range of services
Farmers	Primary production and processing of Ag products	1. Working capital 2. Fixed capital 3. Seasonal loan suitable savings, and insurance products	Timely available of services
Collectors	Buying products from farmers and selling to processors or wholesalers		Flexibility to pay
Processors/ factories	Processing of the products Packaging and pricing		Friendly
Wholesalers	Buying from processors and selling to retailers		Less administrative hassle
Retailers	Buying from wholesalers and selling to retailers		Nearby

Value Chain Map

Activities of Value Chain



Actors of Value Chain



System Approach in Rural and Agriculture Finance

**Apex-Financial
Institution for
Refinance
ce
(SFDM
FI)**

**Federations to
Provide

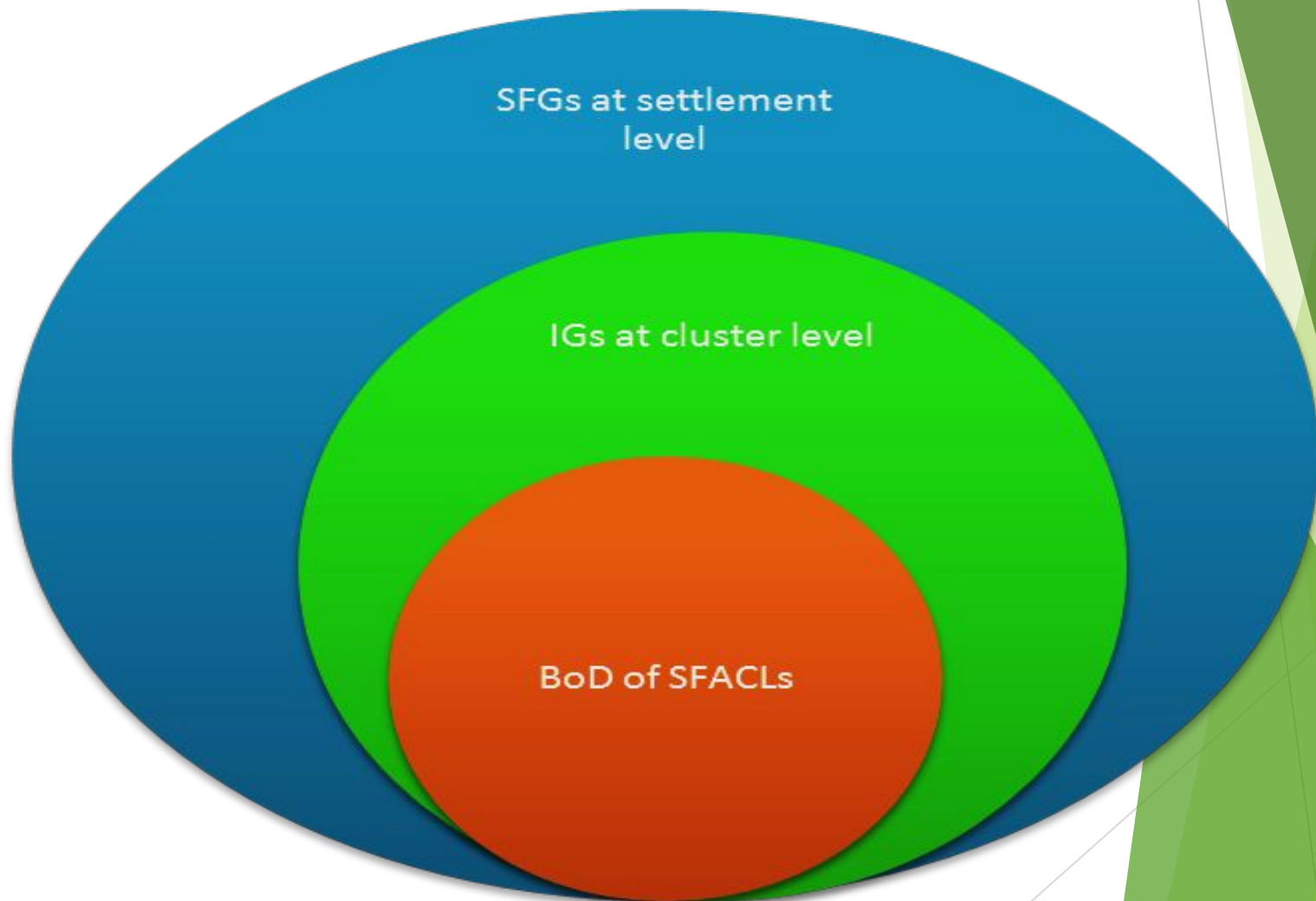
Non-Financial
Service
s**

Small Farmer Agriculture Cooperatives Ltd.
**Local ownership, pro-poor, member-based, democratic governance,
provision of full range of services, financially viable**



VC Financing -SFDFI Model

Pro-poor approach



Characteristics of Small Farmers Cooperatives

- Three-tiered community-based structure
- Owned and managed by small farmers
- One door financial and non-financial service
 - Financial service: savings, credits, insurance, remittances
 - Non-financial services: VC promotion-production, processing, marketing
- Low administrative cost
- Replication of new SFACLs in neighboring communities
- Suitable model for the hills and mountain areas



Financial products & service for VCP



Loan products for promoting VC

□ **Self –employment loan**

- General Microfinance Credit
- Livelihood Restoration Credit
- Self Reliance Credit

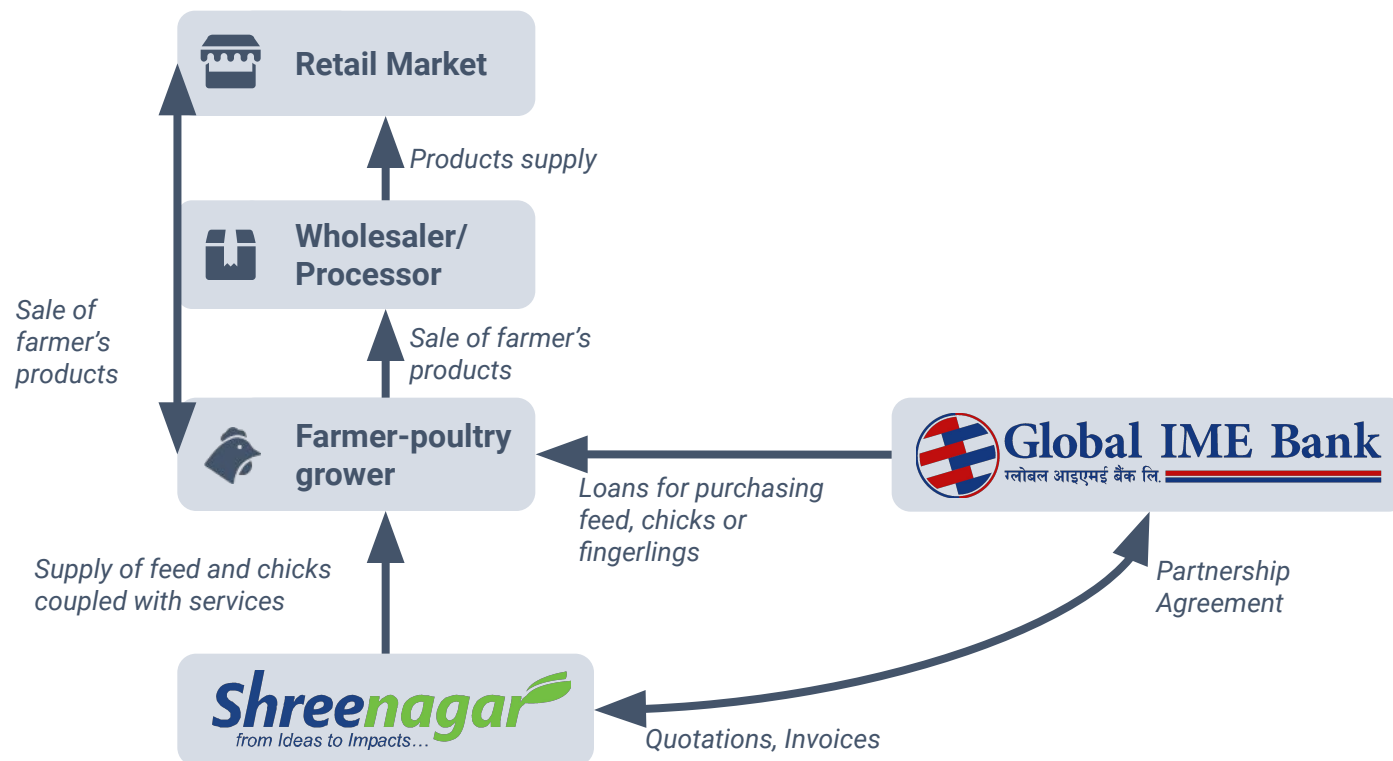
□ **Agricultural Production Loan**

- Vegetable Farming Credit
- Livestock credit
- Cereal Crops

□ **Enterprise Loan**

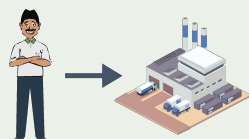
- Ag products processing - Tea, rice, oil, milk, others
- Commercial agriculture

Other model of VC finance practice in Nepal

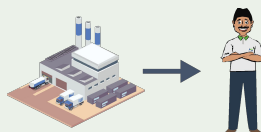


Financing SAF Customers: Steps

1 Entrepreneur (customer) comes to Shreenagar & learns about the program



2 Customer takes a quotation on goods & prices



3 Consumer comes to GIBL, Provides quotation and apply for a facility



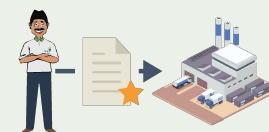
4 Bank processes & evaluates the customer's application



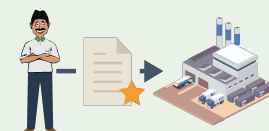
5 Bank signs an offer letter with customer on facility to procure goods



6 Bank issues and provides customer with confirmation Letter for Shreenagar



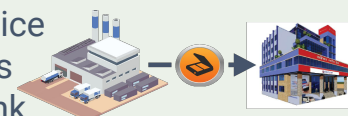
7 Customer comes to Shreenagar, provides Confirmation letter & takes goods



8 Shreenagar issues the invoice signed by customer on supplied goods



9 Shreenagar provides invoice copy to Bank and receives the payment from the bank



Covid -19 Context

- Online training to supports on business plan development and other technical consultation
- Use or software to process and approve loan application
- Use of Interbank Payment System(IPS) and other online payment to transfer loan amount to client account
- Support for transporting and marketing of agriculture products





Thank You

