

11th ACA Annual Cashew Conference



A NEW VISION FOR PARTNERSHIPS & INVESTMENTS



Cotonou, Benin

September 18-21, 2017

Knowledge sharing. Exposition. Field trips.



ACCESS TO INVESTMENT FINANCING FOR CASHEW

Carol I. Nyangaro | NMB Bank Plc. | September 20th, 2017

EMERGING TRENDS IN AGRICULTURE AND AGRIBUSINESS FINANCE IN AFRICA

❑ The Value Chain Finance approach

- i. Increased consumers demand for products traceability have compelled chain actors to adjust accordingly
- ii. Financial flows have developed a knee jerk reflex over products flows and chain actors orientation
- iii. Therefore, increased financial flows requires commitment, governance and compliance to standards at all levels.

❑ Technology and Innovation

- i. Digital technology has become an essential ingredient in rural financial inclusion
- ii. Growing trend of interoperability between Mobile Network Operators (MNO's) and traditional Brick and Mortar financial institutions is becoming more pronounced in the region

EMERGING TRENDS IN AGRICULTURE AND AGRIBUSINESS FINANCE IN AFRICA. CONT.,

❑ Agricultural insurance

- i. Cashew farming may be an exception given its hardy nature.
- ii. Observed a growing trend of insurers to partner with financial institutions.
- iii. Downstream actors i.e. processors, exporters a good case of insurers sweet spot in Africa

❑ Financing for Women

- i. A controversial subject in the region due to cultural barriers yet, It is very evident that women play greater role African Agriculture.
- ii. To address the subject some countries have set specific polies to address the problem i.e. Tanzania has gone further into the spectrum by establishing Tanzanian Women Bank (*Only that its current CEO is a man!!*)

TANZANIA FINANCIAL SERVICES: RECENT TRENDS

- ❑ **Total of 57 licensed banks dominate the financial sector.**
 - i. Banking sector accounts for 71% of financial system assets in Tanzania
 - ii. 29% is in pension funds, insurance companies and collective investment schemes.

- ❑ **Enhanced household access to financial services**
 - i. Tanzania has surpassed its sub-Saharan counterparts
 - ii. Largely driven by expansion of mobile money and banking services
 - iii. At least two third of adults have access to formal financial services
 - iv. In 2015 mobile money accounted for 52% of GDP

- ❑ **Myriad of challenges deter the financial sector optimal performance (to be explained during presentation)**

NMB BANK PLC: THE LEADING BANK IN TANZANIA

NMB Bank Plc. Shareholding Structure

Shareholders name	% Share
Banque Pictet & CIE SA	1.0%
Parastatal Pension Fund (PPF)	1.0%
SQM Frontier Africa	1.30%
Morgan Stanley	2.20%
Aunali & Sajjad Rajabali	5.10%
Nicol	6.60%
Other	16.10%
Government of Tanzania	31.80%
Rabobank**	34.90%

95% presence in Tanzania.

- +4million customer base
- +192 branches
- +700 ATMs countrywide
- B1 rated local bank in the country by Moody's Rating Agency
- +1 million NMB Mobile users
- New NMB MasterCard for all customers
- Fully fledged wholesale, business and personal banking value propositions



** Rabobank shares in new partnership i.e. FMO and Norfund to form a consortium named ARISE
Source: Company data (2017)

NMB BANK PLC: THE LEADING BANK IN TANZANIA. Cont.,



The most profitable and stable bank in the country

- ❑ Profit after Taxes, 2016 -TZS.154.2 Bln (US\$69 Mln)
- ❑ Assets - TZS 4.9 Trillion (US\$ 2.2 Bln)
- ❑ Deposits -TZS 3.65 Trillion (US\$1.6 Bln)
- ❑ Loan Portfolio-TZS 2.80 Trillion (US\$ 1.25 Bln)

Various accolades

- ❑ Euro money Award for Excellence 2015 and 2017- The Best Bank Transformation in Africa and The Best Bank in Tanzania
- ❑ Asian Banker Award 2016 – Best Retail Bank in Tanzania
- ❑ Recognized as the leading bank in Agricultural Value Chains transformation

NMB BANK PLC: KEY BUSINESS AREAS AND PRODUCT LINES

	1 Retail	2 Wholesale	3 Agribusiness	4 Treasury
Customers	<ul style="list-style-type: none"> Personal banking Civil servants Micro & SMEs 	<ul style="list-style-type: none"> Corporates National & local Government Institutions 	<ul style="list-style-type: none"> Small holders farmers in AMCOS and groups Commercial farmers Food and Feed processors Emerging farmers Traders & Exporters 	<ul style="list-style-type: none"> Corporates Retail Government & institutions
Products	<ul style="list-style-type: none"> Salary Worker Loans (SWL) Personal loans Short-term loans Mortgages SME loans Micro enterprise loans 	<ul style="list-style-type: none"> Short / medium term loans Overdraft facilities Letters of credit Payments & collections Trade finance 	<ul style="list-style-type: none"> Warehouse receipt Overdraft Working capital Input finance Trade finance Term loan 	<ul style="list-style-type: none"> Retail FX sales Wholesale FX sales Interbank lending Time deposits Treasury notes & bonds

SWOT ANALYSIS: TANZANIA CASHEW SUBSECTOR

STRENGTH(S)	WEAKNESSE(S)	OPPORTUNITIE(S)	THREAT(S)
<ul style="list-style-type: none"> <input type="checkbox"/> Well organized crop aggregation through warehouse receipt system <input type="checkbox"/> Producer driven auctions (Cooperatives) <input type="checkbox"/> Strong YoY production volume growth <input type="checkbox"/> Amongst Best quality nuts in the world i.e. good nut count & up 56 lb. Shell Outturn (SHOT) <input type="checkbox"/> Excellent road infrastructure connecting all central warehouses to Mtwara port <input type="checkbox"/> Availability of sufficient storage capacities in production areas. 	<ul style="list-style-type: none"> <input type="checkbox"/> Producer market information asymmetry <input type="checkbox"/> Below global average trees productivity i.e. old and largely unattended <input type="checkbox"/> Suboptimal farm inputs supply and use <input type="checkbox"/> Unclear strategy/vision for capital build up to producer organizations <input type="checkbox"/> At times it can be bureaucratic and nuisance for and especially to foreign investors while pursuing country's investment protocols. 	<ul style="list-style-type: none"> <input type="checkbox"/> Investors (processors) benefit proximity to consolidated volumes of raw materials <input type="checkbox"/> Financial inclusion made very easy i.e. inputs financing, capital investment, export arrangement etc. <input type="checkbox"/> Backward and forward linkages easily executable linking producers directly to end consumers. <input type="checkbox"/> Processors can establish contract (out growers) arrangement to ease access to raw cashew nuts (refer The Cashew nut Industry Act # 18 of 2009 part 14 (1-6) http://www.parliament.go.tz/polis/uploads/bills/acts/1452144182-ActNo-18-2009.pdf) 	<ul style="list-style-type: none"> <input type="checkbox"/> Strong dependence to Raw cashew nuts render producers susceptible/prone to importing countries supply position/policies <input type="checkbox"/> Regulatory bodies invariable turning a blind eye on the possibility for contract farming in the cashew subsector <input type="checkbox"/> Perceived political/country risk

SWOT ANALYSIS: TANZANIA CASHEW SUBSECTOR

STRENGTH(S)	WEAKNESSE(S)	OPPORTUNITIE(S)	THREAT(S)
<ul style="list-style-type: none"> ❑ Strong research institute to support adaptive seedlings/plantings innovation ❑ Tanzania at a strategic geographic location and opportune global cashew production orientation (Southern Crop) ❑ Refreshed regulatory framework to support cooperative good governance resonating with the 5th Government vision ❑ Supportive policy instruments for foreign/local investors reinforced by the 5th Government strong tone on industrialization <ul style="list-style-type: none"> i. Tanzania Certificate of Incentives through Tanzania Investment Centre (TIC-one stop shop) ii. Tanzania Special Export Processing Zones 	<ul style="list-style-type: none"> ❑ To some investors (foreign/local) low gearing hence struggle with local financial arrangements ❑ Questionable port capacities especially during seasonal peak time ❑ Minimal or limited value addition/ cashew processing (about 10,000-15,000 Mt annually) 	<ul style="list-style-type: none"> ❑ Possibility for partnership with local cashew processors. You do not need to start from the scratch ❑ Mtwara port now under expansion ❑ Room to invest in warehouses construction near the port etc. 	<ul style="list-style-type: none"> ❑ Investors perspective about access to land, labor skills/knowledge and the associated laws ❑ Global kernel market price volatility resultant of availability of alternative cheap nuts / changing global macro economic conditions/ geopolitical orientation or disorientation etc.)

IN SUMMARY

- ❑ Despite challenges, the African financial sector evolves in the right direction towards financing/investing into the Agricultural sector**

- ❑ Tanzania powered by both mobile money and traditional brick and mortar financial sector ahead of her sub-Saharan counterparts. The future is bright though challenging.**

- ❑ NMB Bank Plc, the leading bank in Tanzania provide a strategic importance to financing the Agriculture sector with her strong market presence backed up by some of the world's leading financial powerhouses**

- ❑ Tanzania cashew subsector shows resilient growth in the region, attractive and open for investors especially on value addition backed up by 5th Government focus on industrialization**

IN CONCLUSION

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Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favors the few, and not the many.

- Barack Obama, 44th President of the United States

- ❑ Therefore, I urge everyone of to use positive aspects of African/Tanzanian cashew subsector as a motivation to use/turn its challenges into opportunity.
- ❑ In return on behalf of my superiors, my fellow countrymen and women and my self, I am personally committing to support any investor that seeketh to start operations particularly in Tanzania.