

AFRILAND FIRST GROUP'S AGRO-BASED CLUSTERS MODEL

***FIRST IMPLEMENTED IN 2007, IT HAS BEEN
SUCCESSFULLY REPLICATED IN SOME
COUNTRIES WHERE OUR GROUP IS ESTABLISHED***

Replicating the Agro-based Clusters Model in Africa

- DRC: A pilot rubber plantation in a village in the Equateur Province in partnership with the GMG Investment Congo;
- Zambia: A pilot competitiveness growth project in the rural cotton sector in Northern Zambia in partnership with Cargill and COMPACI;
- Liberia: A pilot project for the rehabilitation of local rubber plantations in partnership with FARMBUILDERS;

Modeling Agro-based Clusters

Initially a combination of the determination three stakeholders:

- Afriland First Group's determination to promote wealth creation among the underprivileged;
- The State's determination to reduce poverty to the minimum in keeping with its economic policy;
- The community's determination to manage its own affairs.

Further to the combination of the determination of these three stakeholders leads to the following model:

- Pattern:
 - Cession or sub-letting by the State or the large plantation of individual lots to local farmers for at least 30 years renewable.
 - The large plantation continues its farming activities as well as transformation or semi-transformation
- Objectives :
 - Enable every local farmer to develop his or her lot into a modern plantation.
 - Increase agricultural production
 - Ensure the large plantation increase production at a lower cost.
 - Improve agricultural productivity.
- Beneficiaries
 - Mainly the local community around the large plantation.
 - A few non native residents of the area.

Modeling Agro-based clusters

Main Actors

- The large plantation, sponsor of the operation, collects and buys the produce of small farmers, provides them with training and technical assistance.
- Farmers develop their individual plantations and sell their produce exclusively to the large plantation. Their revenues are paid into their accounts in the local micro-bank/MC². They organise themselves into a cooperative to better cater for their common interests.
- The micro-venture capital fund, a subsidiary of Afriland First Group ensures the follow of credit and build farmers' capacities in management.
- The micro-bank/MC² , provides financial services with the support of a development NGO.
- Development funding agencies provide support in the form of guarantees, training grants or loans at a subsidised rate.

Modelising the Agro-based Clusters

Cession of lots to farmers

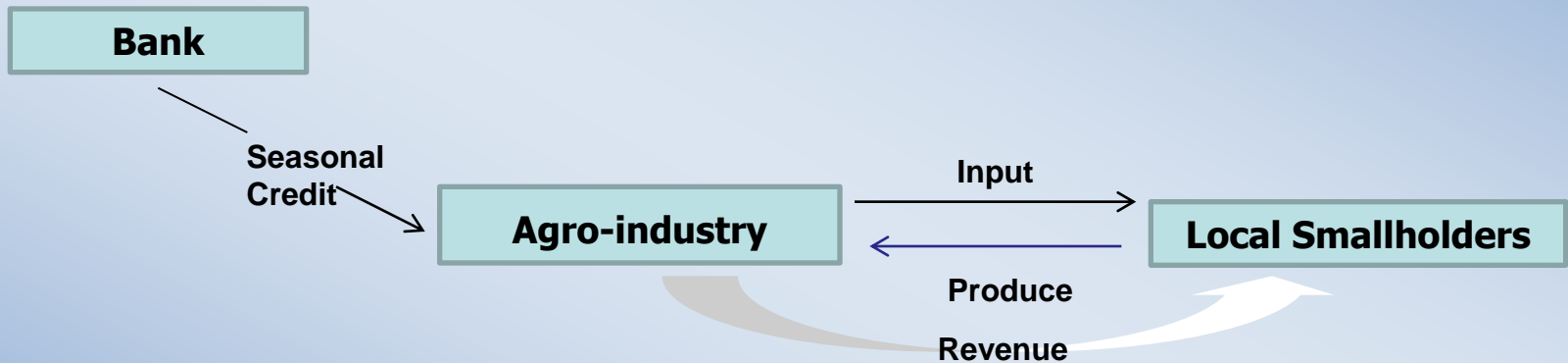
The operation is a package with several components:

- A large partitionable plantation of 2600 ha for example
- A smallholder setting : partitioning a large plantation, at an individual scale, into small productive plots of 10 to 20 ha for example according to crop type.
- A guaranteed minimum price
- The purchase of produce from smallholders is guaranteed
- Appropriate funding and bank guarantees.
- Proximity monitoring system
- Regeneration for the purpose of perenity according to crop type.

Classical Model

Classical Model

Agro-Industry-local smallholder plantation



Decisive Advantages of Agro-based Clusters over the Classical Model

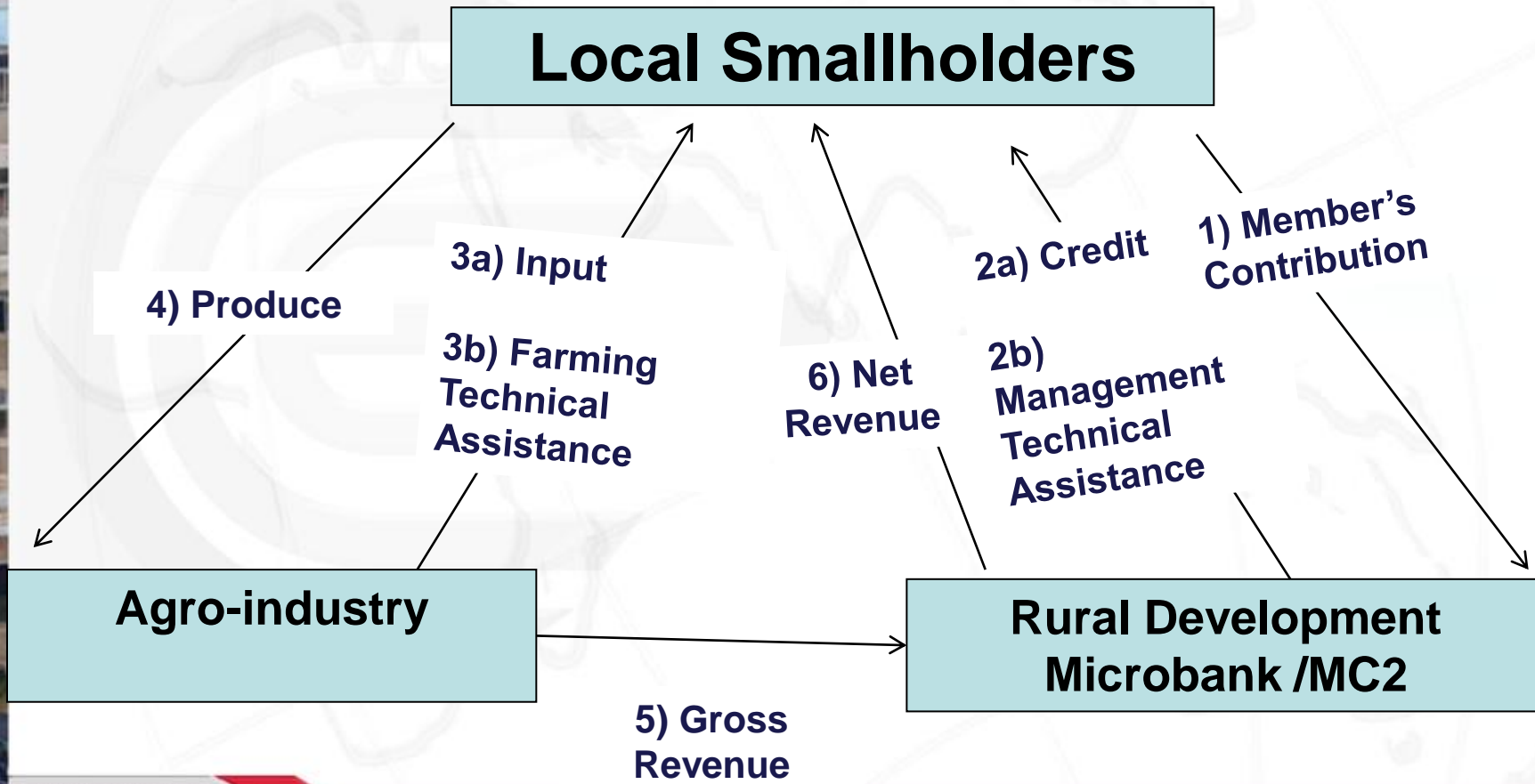
- Through the micro-bank/MC², the community has access to huge funding at lower rates and to context specific guarantees.
- Through the books of the micro-bank/MC², the economic authority can easily track and measure the rate of wealth creation among the target population.
- The existence of a micro-bank/MC² within the target community makes it easier for the economic authority to transfer development subsidies.
- The target community is henceforth the owner/manager of the banking tool (micro-bank/MC²), which manages the flow of funds for investment, sales, savings, loans, and loan refunds.

Decisive Advantages of Agro-based Clusters over the Classical Model

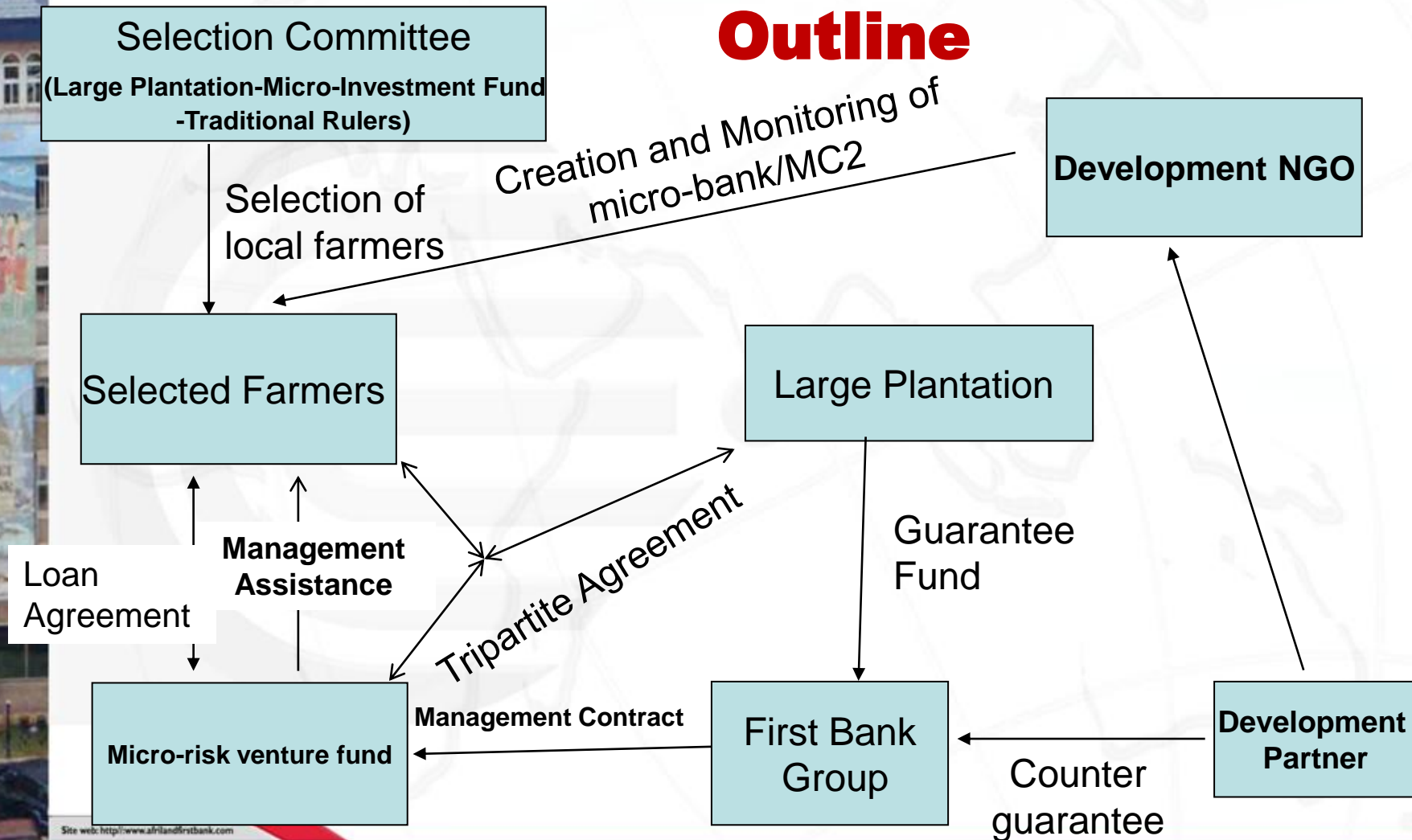
- Empowering the target community on management and the management of agricultural production.

Agro-based Clusters Model

Local smallholders-Agro-industry- Rural Development Micro-bank/MC2



Agro-based Clusters Model Implementation Outline



Site web: <http://www.afrilandfirstbank.com>

CAMEROON, FIRST EXPERIMENTAL MODEL : SOCAPALM FARMS IN ESEKA



Socapalm/SPFS
Oil Palms : 31 490 h
Oil Mill : 140 t/h
Refinery : 50 t/d
Output : 91.000 T CPO

Plantations

The Case of the Cameroon Oil Palm Sector

A Comparison of the performance of local plantations and that of agro-industries

| Actors | Number | Surface area cultivated per laborer in hectares | Surface area planted in Hectares | Number of cones produced in tonnes | Oil extraction rate | The production cost per kilogramme (FCFA) | Challenges |
|-----------------|--------|-------------------------------------------------|----------------------------------|------------------------------------|---------------------|-------------------------------------------|---------------------------------------------------------------------------------|
| Local Farmers | 15 000 | 1.5 | 35 000 | 7 | 11% | 45 | Access to inputs, insufficient mastery of best practices |
| Agro industries | 5 | 5 | 65 000 | 14 | 21% | 25 | Plant ageing, pressure from local community on the plantation, lack of manpower |

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Presentation

The operation is a package with several components:

- A large partitionable plantation of 2600 ha for example
- A smallholder setting : partitioning a large plantation, at an individual scale, into small productive plots of 10 to 20 ha for example according to crop type.
- A guaranteed minimum price
- The purchase of produce from smallholders is guaranteed
- Appropriate funding and bank guarantees.
- Proximity monitoring system
- Replanting for the purpose of perenity

Main Actors

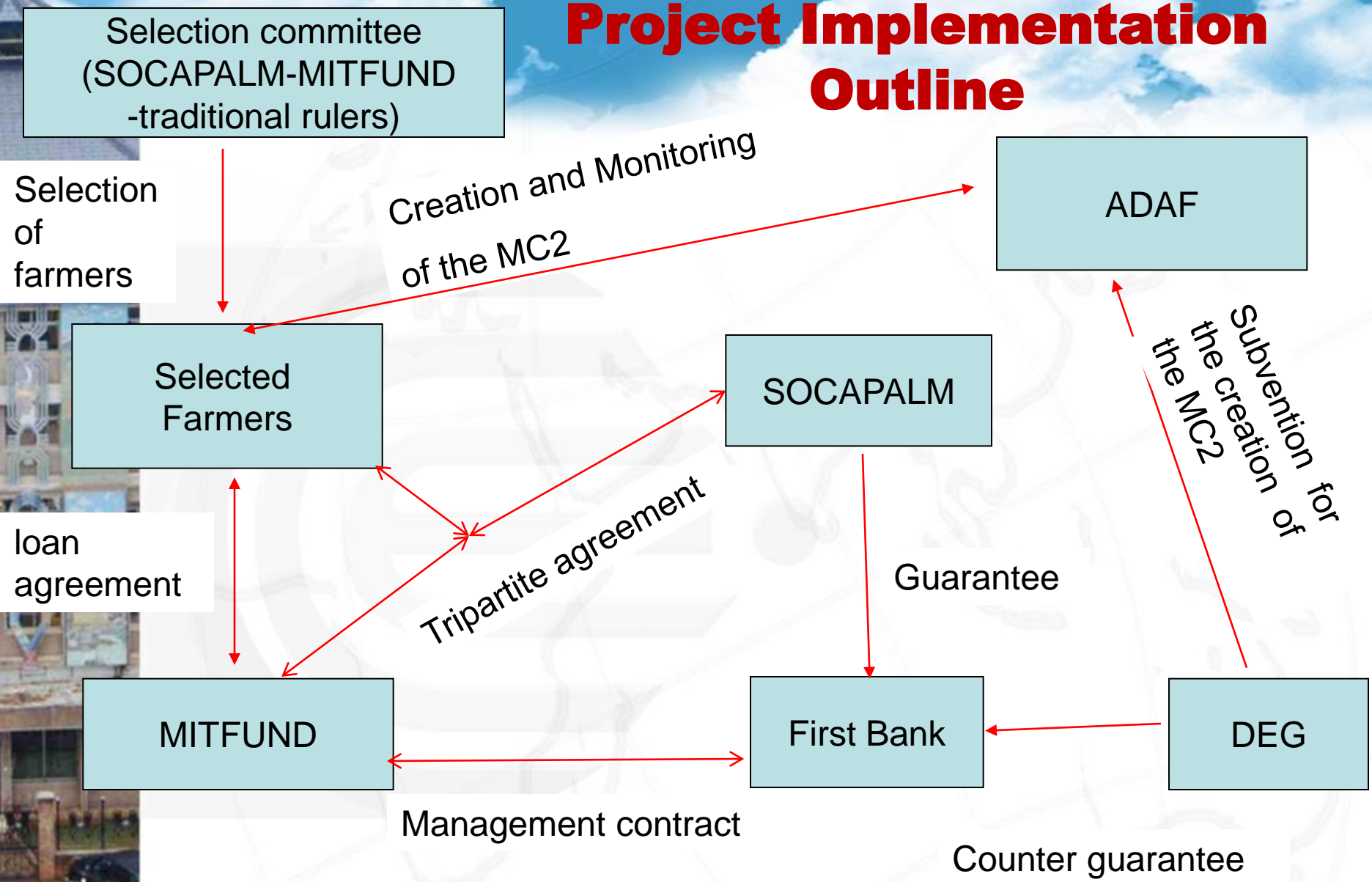


- SOCAPALM, sponsor of the operation, collects and buys palm nut cones from small farmers, provides them with training and technical assistance.
- Farmers develop their individual plantations and sell their produce exclusively to SOCAPALM. Their revenues are paid into their accounts in the local micro-bank/MC². They organise themselves into a cooperative to ensure a better management of their farms.

Main Actors

- MITFUND- Afriland First Bank monitors loans and trains farmers on how to manage agricultural units.
- MC2 , with ADAF's support, ensures payment operations and the deduction of commercial bills (deeds) at the source.
- DEG provided in an 80% guarantee of loans to farmers and contributed to the creation of MC2 ESEKA.

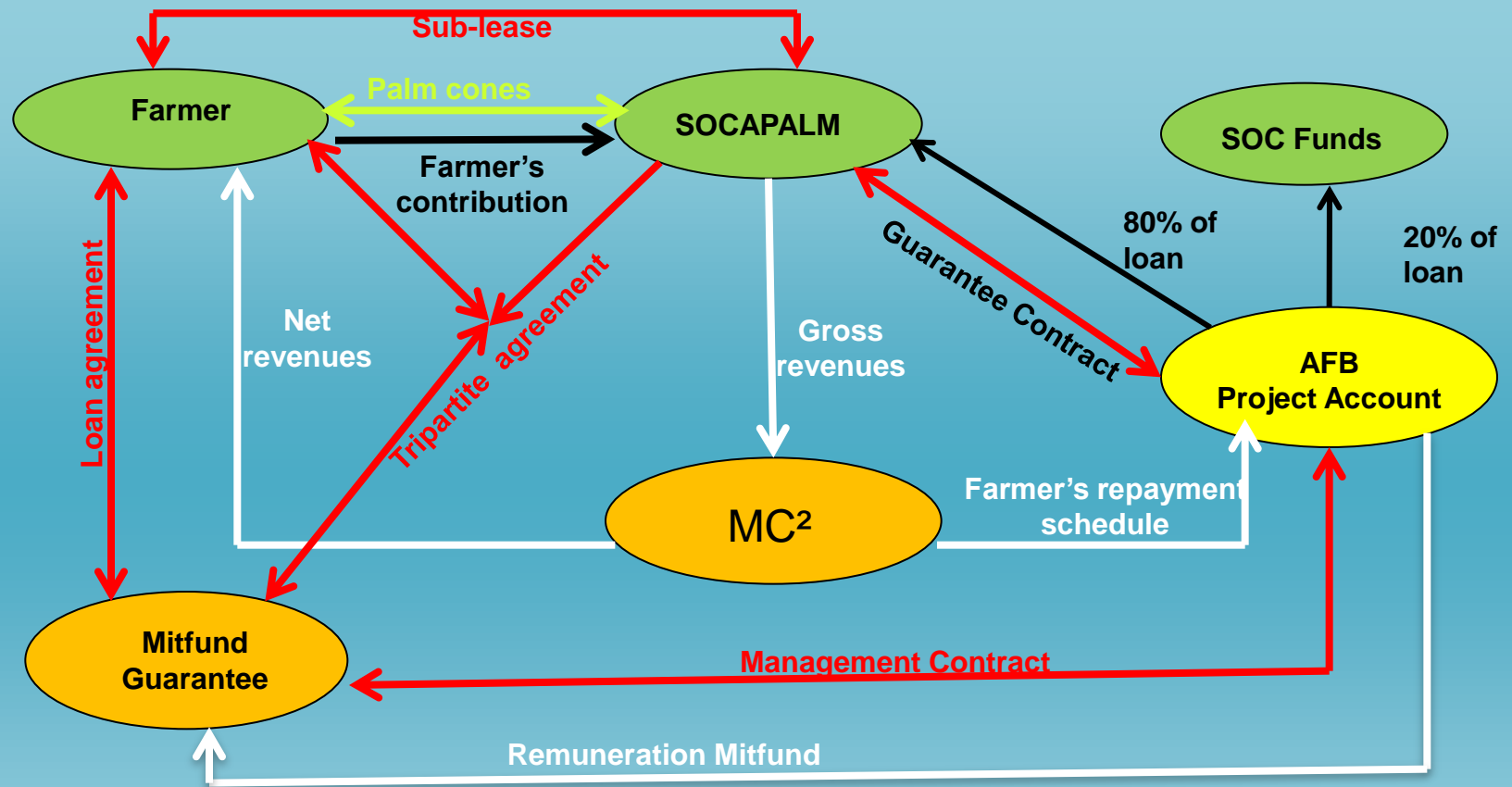
Project Implementation Outline



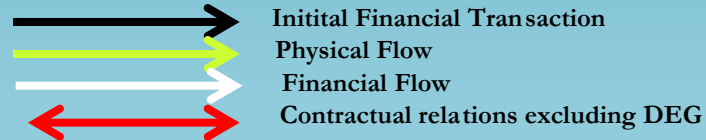
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Synopsis of project setup

Le Partenaire Sûr



- Selection Committee Member
- Compiles Farmer's Files
- Signs Loan Agreement
- Provides support to farmer
- Manages SOC and DEG Guarantee procedures



Financial Structure of the Pilot Project

- Total amount of funds: CFAF 1500 M
- Term of Loan: 8 years (2007 – 2014)
- Subsidised Interest rate of 8% (Tax excluded)
- A personal minimum contribution per farmer of 5% of the value of the lot.
- 102 beneficiaries selected by a committee made up of traditional rulers and technical and financial partners (SOCAPALM – MITFUND-MC2)

AVERAGE INCOME STATEMENT

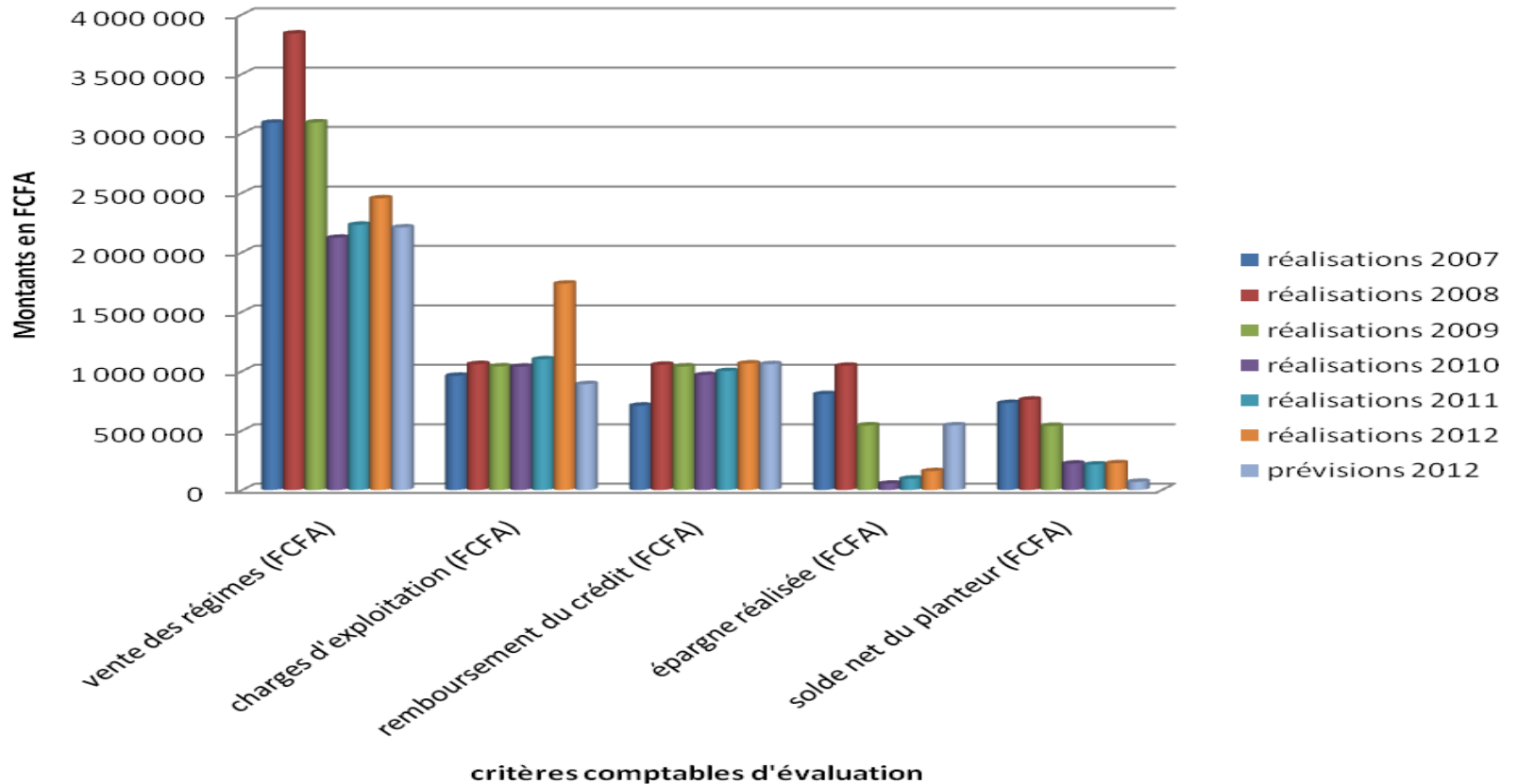
| INCOME STATEMENT OF A 10 HECTARE OIL PALM PLANTATION | | | | | | |
|------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| HEADING | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| REPLANTING (HA) | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| TOTAL YIELD | 100 | 90 | 80 | 70 | 64 | 61 |
| PURCHASE PRICE CFAF/KG | 35.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 |
| SOCAPALM REPLANTING BONUS | - | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PLANT MAINTENANCE EXPENSES (000 CFAF) | 368 | 385 | 441 | 464 | 493 | 540 |
| HARVEST EXPENSES | 620 | 558 | 496 | 434 | 397 | 378 |
| LOAN REPAYMENT (000 CFAF) | 1 058 | 1 058 | 1 058 | 1 058 | 1 058 | 1 058 |
| SALES OF NUTS (000 CFAF) | 3 250 | 3 105 | 2 760 | 2 415 | 2 208 | 2 105 |
| FAMERS NET INCOME | 1 204 | 1 104 | 765 | 459 | 260 | 129 |
| SAVINGS (000 CFAF) | 891 | 817 | 566 | 340 | 193 | 95 |
| TOTAL SAVINGS (000 CFAF) | 891 | 1 358 | 1 574 | 1 564 | 1 407 | 1 152 |
| DEDUCTIONS FROM REPLANTING SAVINGS (000 CFAF) | - | 350 | 350 | 350 | 350 | 350 |
| BALANCE AFTER SAVINGS (000 CFAF) | 313 | 287 | 199 | 119 | 68 | 34 |
| INTERNAL PROFITABILITY RATE | 15% | | | | | |

AVERAGE INCOME STATEMENT

INCOME STATEMENT OF A 10 HECTARE OIL PALM PLANTATION

| HEADING | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------------------|-------|-------|-------|-------|-------|-------|
| REPLANTING (HA) | 1.0 | 1.0 | 3.0 | - | - | - |
| TOTAL YIELD | 61 | 63 | 47 | 61 | 75 | 97 |
| PURCHASE PRICE CFAF/KG | 35.5 | 34.5 | 34.5 | 32.5 | 32.5 | 32.5 |
| SOCAPALM REPLANTING BONUS | 2.0 | 2.0 | 2.0 | - | - | - |
| PLANT MAINTENANCE EXPENSES (000 CFAF) | 581 | 623 | 698 | 802 | 719 | 751 |
| HARVEST EXPENSES | 378 | 391 | 291 | 378 | 465 | 601 |
| LOAN REPAYMENT (000 CFAF) | 1 058 | 1 058 | - | - | - | - |
| | | | | | | |
| SALES OF NUTS (000 CFAF) | 2 105 | 2 174 | 1 622 | 1 983 | 2 438 | 3 153 |
| FAMERS' NET INCOME | 87 | 102 | 632 | 803 | 1 254 | 1 800 |
| SAVINGS (000 CFAF) | 65 | 76 | 457 | - | - | - |
| TOTAL SAVINGS (000 CFAF) | 867 | - 274 | - 593 | - | - | - |
| DEDUCTIONS FROM REPLANTING SAVINGS (000 CFAF) | 350 | 350 | 1 050 | - | - | - |
| BALANCE AFTER SAVINGS (000 CFAF) | 23 | 27 | 175 | 803 | 1 254 | 1 800 |

Evaluation des performances d'un lot type du Projet de 10 hectares



Performances of the Eseka/Socapalm Project

EVOLUTION DU PROJET DES FERMES AGRICOLES SOCAPALM / ESEKA

| Mois / Année | Total production (Kg) | Recette brute H.T. (FCFA) | Charges globales d'exploitation (FCFA) | Rembourse-ment Prêts (Intérêts + Principal + TVA) FCFA | Epargne replantation (FCFA) | Solde net planteurs (FCFA) |
|---------------------|--------------------------|---------------------------|-------------------------------------------------|-----------------------------------------------------------------|-----------------------------------|----------------------------------|
| fév 07- janv 08 | 22 568 182 | 797 990 529 | 248 015 791 | 183 149 061 | 208 199 889 | 188 935 250 |
| fév 08- janv 09 | 21 887 463 | 991 572 038 | 273 463 859 | 271 957 158 | 269 728 363 | 196 219 999 |
| fév 09 - janv 10 | 16 145 627 | 798 523 693 | 204 664 519 | 268 198 003 | 140 135 032 | 139 189 193 |
| fév 10 - janv 11 | 10 961 612 | 547 891 978 | 267 731 617 | 249 771 430 | 13 641 833 | 57 171 497 |
| fév 11- janv 12 | 11 522 277 | 576 113 870 | 283 875 371 | 258 218 519 | 24 489 517 | 55 193 909 |
| fév 12- janv 13 | 12 670 582 | 633 529 100 | 436 894 415 | 274 722 858 | 40 824 292 | 57 951 259 |
| Cumul projet | 95 755 743 | 4 345 621 209 | 1 714 645 572 | 1 506 017 030 | 697 018 925 | 694 661 107 |

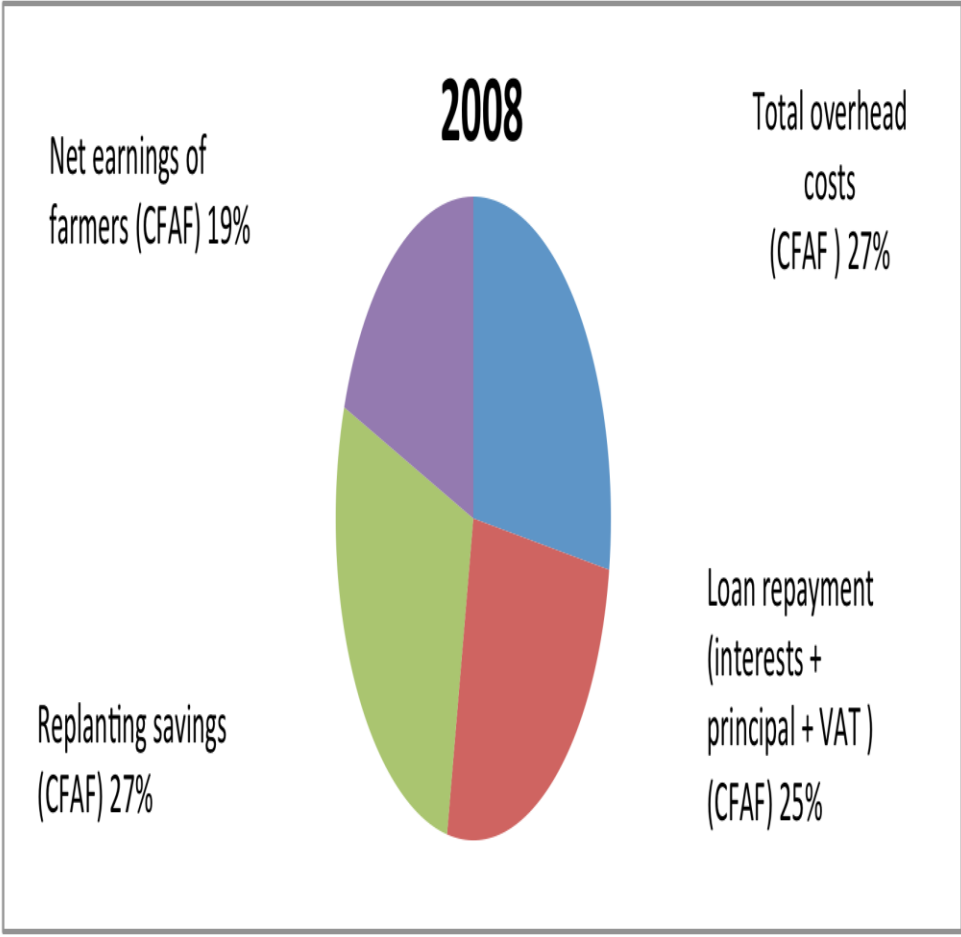
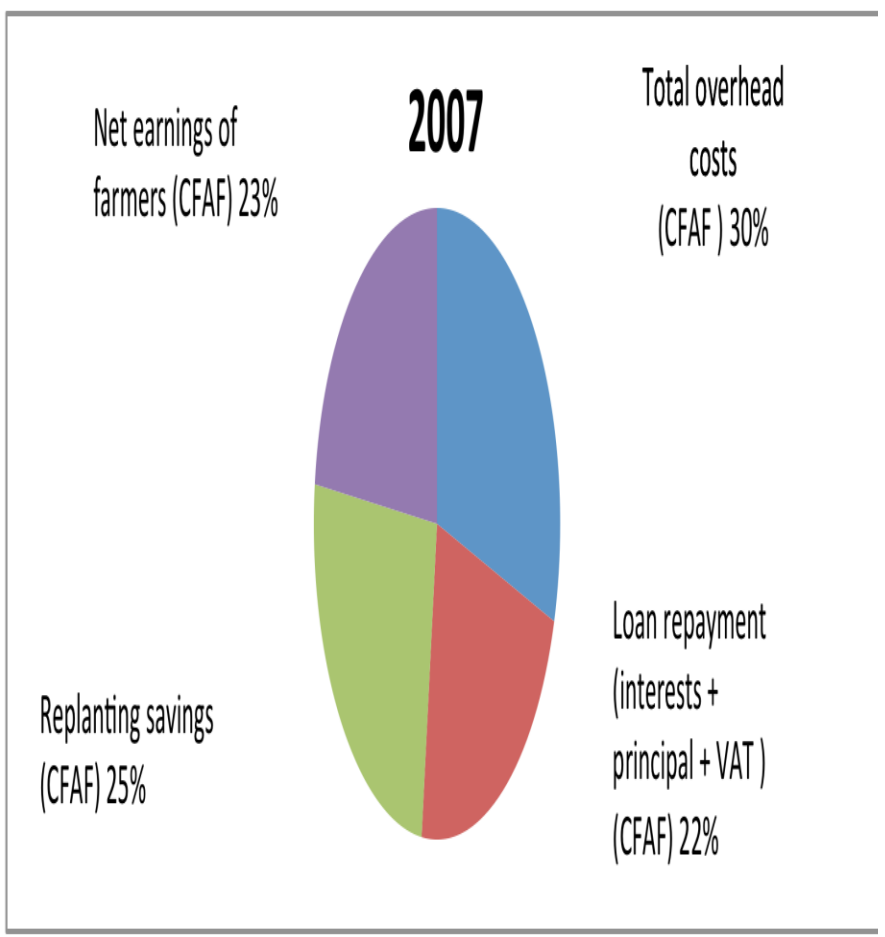
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Performances of Eseka/Socapalm Project

Evolution du planteur moyen du projet des fermes agricoles SOCAPALM/ ESEKA

| Mois / Année | Recette brute H.T. (FCFA) | Charges globales d'exploitation (FCFA) | Rembourse-ment Prêts (Intérêts + Principal + TVA) FCFA | Epargne replantation (FCFA) | Solde net planteurs (FCFA) |
|---------------------|---------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|----------------------------|
| fév 07- janv 08 | 7 823 437 | 2 431 527 | 1 795 579 | 2 041 175 | 1 852 306 |
| fév 08- janv 09 | 9 721 294 | 2 681 018 | 2 666 247 | 2 644 396 | 1 923 725 |
| fév 09 - janv 10 | 7 828 664 | 2 006 515 | 2 629 392 | 1 373 873 | 1 364 600 |
| fév 10 - janv 11 | 5 371 490 | 2 624 820 | 2 448 740 | 133 743 | 560 505 |
| fév 11- janv 12 | 5 648 175 | 2 783 092 | 2 531 554 | 240 093 | 541 117 |
| fév 12- janv 13 | 6 211 070 | 4 283 279 | 2 693 361 | 400 238 | 568 150 |
| Cumul projet | 42 604 130 | 16 810 251 | 14 764 873 | 6 833 519 | 6 810 403 |

Distribution of Oil Palm Sales



Financial Situation

| | |
|---------------------------------------|---------------|
| Total Amount of Funds for 102 Farmers | 1 443 166 798 |
| Total Outstanding loans | 453 282 795 |
| Total Repayment | 1 600 621 376 |
| Total Repayment of Principal | 989 860 837 |
| Total Interests | 513 114 551 |
| Total VAT | 98 758 711 |
| | |

Advantages of the Agro-Based Clusters Model

- Tens of farmers have access to relatively substantial bank funds.
- Farmers have access to quality input with interesting results.
- Farmers have access to technical assistance in agriculture and management.

Advantages of the Agro-Based Clusters Model

- Repayment rate is more than 98%.
- Transactions costs are reduced.
- Methodical and comprehensive monitoring.
- Farmers have access to financial services through the rural development micro-bank (MC²)

Challenges of the Agro-Based Clusters Model

- Good communication and coordination among the partners is essential to sustaining the commitment of actors and ensure operational efficiency.
- Conflict management and prevention among the parties must be clearly defined and organised from the outset of the project.

Key Success Factors of the Model

- **Economic and Financial Level:** The project must delivered high profitability in order to enable various partners to meet their financial obligations.
- **Social Level:** The target population must be clearly identified, analysed and represented at the negotiation table.
- **Institutional Level:** Mechanisms for monitoring and for the regulation of contractual commitments but be defined.
- **Political Level:** Unwavering support of the State and local communities.



The Pact with Success

Le Pacte de Réussite



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