

Minutes meeting side event World Food Day by NFP, 12-10-2023

Inclusive Finance for Sustainable Food Systems

Hosted by European Microfinance Platform (e-MFP)

Introduction:

The session is hosted by **the European Microfinance Platform (e-MFP)** with the focus on “inclusive finance for sustainable food systems”.

- Moderator: Ferdinand Tuinstra, e-MFP board member
- Speaker/ panelist: Sam Mendelson, e-MFP , financial inclusion specialist
- Panelist: Thon Huijser, Oikocredit, Global Head Agribusiness,
- Panelist: Femke Bos, Invest international, Director of Business Development, Strategy and Impact.

Agenda:

1. Introduction to the meeting.
2. Introduction slides on e-MFP and this year’s award on Finance for food security.
3. Panel discussion
4. Q&A and participatory discussion

Ad 1 - Introduction to the meeting

Sam starts the event with a short introduction to e-MFP and the annual award for inclusive finance. This year the award of 100.000 Euro was about finance for food security with the emphasis on what finance can do and how finance can stimulate food security. The moderator and the panelists also give a short introduction to their background.

Ad 2 – e-MFP & Award Finance for Food Security

Sam, e-MFP, explains the award process, the assessment of candidates by using the FAO framework of availability, access, utilization, and stability (see the attached slides). Several practical examples of candidate Financial Services Providers (FSPs) are provided. The presentation ends with the critical success factors that make the cases work well.

*“Client centered and context specific approach which is demand led is always better than ‘bathtub’ developed approach” -
Sam Mendelson, eMFP*

Ad3 - Panel discussion

The panelists were requested to share their experiences:

Thon Huijser explains that **Oikocredit** is an impact investor for 50 years and has been investing in pro-poor agriculture since then, with a strong focus on improving livelihoods of small holder farmers. In recent years they came to realize that farmers benefit more from a given value chain if the costs along the chain are reduced. Since prices are fixed, if costs and margins of other chain actors such as middlemen are cut out, farmers will receive a better source price, so this is a strategy for them now. They also discuss with companies to pay a better source price to farmers. As an alternative, farmers can opt to cultivate and sell organically and get a better end price, however, to be certified for organic production is a long process and the additional income often is spread to other chain actors (aggregators/ processors). Thon provides some samples of this approach in

“We focus on increasing the livelihood of farmers, we try as much as possible to take out the middlemen so that farmers can get more for their produce” - Thon Huijser, Oikocredit

the coffee chain with a cooperative in Peru. He also explains that due to climate change, farmers had to produce coffee higher uphill, which results in available land for other crops downhill. Oikocredit stimulated farmers to use the free land for sugarcane production. In the agri-department of Oikocredit, the value chain concept has now become very important.

Femke Bos explains how **Invest International** supports international companies worldwide, with the aim “to employ Dutch solutions for global challenges”. She provides some examples such as investment in cooling infrastructure in Kenya, (not directly with smallholders, but in the end, it can also benefit smallholders e.g. when they produce avocado for export). In Ethiopia Invest International collaborates with Africa Improved Foods to source locally through outgrowers schemes. They observe that more and more companies aim to source locally.

Finance & Climate issues: On the question of how the panelists address climate issues in their work, Thom (Oikocredit) responds that including assessment of climate impact becomes more important for Oikocredit. The availability of data is increasingly important in this respect. Now data on companies, outgrowers schemes and on smallholder farmers are available and can be used for any investment decision. The latest topic in Oikocredit is to assess how smallholder farmers also get a fair share from the carbon financing streams. (e.g. from agro forestry and renewable energy) The recent EU regulation on reforestation and reduction of deforestation will have an impact on the global value chains and the smallholders that operate in these chains.

Femke (Invest International) mentioned the example of tomato greenhouses in Tunisia, which have shown to lower CO2 emission compared to cultivating tomatoes in the Netherlands (even when including the CO2 emission from flying the tomatoes to the Netherlands). They are also exploring collaboration with a giant Kelp producer, which will eventually distract a lot of carbon.

Both panelists are reflecting on how to address climate issues in their finance, and reduce their carbon footprint.

Ad 4 - participatory discussion

The floor is opened for questions from the audience.

Question: most of the climate finance is addressing **climate mitigation** issues, is the focus also on **climate adaptation** and **what role can insurance play** in this?

Answer: the panelists acknowledge the importance of insurance, and they provide some working examples e.g., the cooperative bank in Kenya works on an agri-insurance system. Another example is an Israeli based fintech operating mobile based crop insurance on climate events for 6 major crops in West-Africa, the testimonies of farmers using this system are good.

However, as Thon (Oikocredit) states, the silver bullet on agri-insurance for smallholder farmers has not yet been found. Reducing costs of technology will help to make such insurance eventually more available for farmers.

“There is no silver bullet yet but one thing which will help is a reduced cost of technology, how to collect data in a cheaper way” - Thon Huijser, Oikocredit

Question: finance is indeed a constraint for us, food processors in Kenya, and **if it is a loan, it has to be paid back**. What happens when it is an international loan?

“Some of the highest levels of loan defaulting are in the agri portfolio” - Femke Bos, Invest international

Answers: Femke (Invest International) mentioned that so far they have not yet experienced a lot of default, however, mostly they create partnerships with local banks when local finance is needed. Local banks are sometimes hesitant because they have bad experiences with financing in agriculture. In previous positions Femke indeed experienced that the agri portfolio had the highest incidence of non-repayment.

Thom (Oikocredit) also acknowledges that in such cases, Oikocredit will make arrangements and in worse case will call the collateral, since they have to be accountable to their investors (60.000). Banks are also running a business and usually at low profit margins. That is why many banks are not interested in financing Agri- or SME's.

“The key to access to finance is local solutions” - Femke Bos, Invest international

“Risk sharing is an option where for instance development partners guarantee part of the loan” - Ferdinand Tuinstra, eMFP board member

Ferdinand (board member e-MFP) mentions that in some occasions development finance organizations provide risk sharing facilities (e.g. blended finance constructions)

Question: thanks for the presentations. We are learning a lot on the topic of inclusive finance of food systems. **How is the knowledge shared**, e.g. also with local banks? Secondly, **what would be your top priority when investing in food systems finance?**

Answers: On knowledge sharing, Thom mentions that Oikocredit is member of CECAF¹ and shares relevant knowledge with FMO, Rabobank etc. Apart from investments, they also provide capacity building to local FSPs and companies.

Femke emphasizes that in terms of priority, good smallholder finance insurance products could really be a gamechanger. In terms of knowledge sharing; overall education on adaptation to climate change is important. She advocates for public-private partnerships in this respect. She sites another example whereby they financed resistant seeds for potato production.

According to Thom (Oikocredit), for adaptation it is also important to invest in equipment (water management), good storage facilities and other climate protection measures, e.g. such as the example in Latin America where Oikocredit provides covers for apple orchards to reduce the sunburn of apples. The investments were high (15.000 USD/ hectare) but the results were very good.

Question: How would the panel look at **financing young farmers?** **How to engage more youth in farming?**

¹ <https://cecafinternational.net/>

Answers: Thom states that for Oikocredit financing young farmers is important and even for Thom himself this is a high priority area. It is noticed that many young people do not want to become a farmer, they have seen their parents struggling and do not opt for that kind of life. With the recent introduction of innovations, farming has become more attractive again. In Brazil Oikocredit is now working on a succession loan for young farmers that want to take over the farm from their parents. They have chosen to introduce this product with a cooperative that has sophisticated management.

Question: Do the organizations of the panelist have **specific policies on climate mitigation and adaptation strategies?** Is finance **stimulating (bio) diversity and mitigation?**

Answers: this is a broad question and would probably need a longer discussion but the panelists react briefly during the limited time at the end of this session:

Femke, Invest International, mentions that climate finance in agriculture is a big challenge since **agriculture is part of the problem and part of the solution**. They are trying to investigate opportunities to invest in regenerative agriculture, reforestation and in agro-forestry but it is challenging.

Oikocredit is also diversifying its portfolio not only financing coffee, but also in reforestation, dairy and use of local fertilizer.

With this last question the session is closed by the moderator.

Words of gratitude

We thank e-MFP, specifically Sam and Fernando, for preparing and hosting this side session at NFP's World Food Day 2023. A big thank you also to the panelists Ferdinand, Femke and Thon for their presentations and expert contribution in the panel. Last but not least we thank the audience for their active participation. Are you actively involved in Food System Finance? Check out **NFP's Community of Practice on Food System Finance** [here](#) and sign up to stay informed or propose specific dilemmas for joint learning.

On behalf of e-MFP & NFP,

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