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The Credit for Agriculture Producers Project

PROGRESS UPDATE

Ukrainian credit unions and partner rural farms use new technology to increase agricultural lending



PHOTO 1

Kostiantyn Danylenko, the head of the “Krutyi Yar” farm in Cherkassy oblast. This model farmer is testing innovative techniques with the Kredyt-Soyuz Credit Union (Photo credit: Volodymyr Kazarinov, CU “Kredyt-Soyuz”).

A central goal of the USAID Credit for Agriculture Producers (CAP) Project is to ensure successful farm operations in Ukraine. Ukrainian farms must have access to affordable agribusiness credit through credit unions in rural areas. Therefore, CAP builds partner credit unions’ capacity to expand agribusiness lending, and is now helping credit unions, such as the “Kredyt-Soyuz” credit union and their farm customers, “Krutyi Yar,” through agrarian receipts and AgriAnalytica, a web-based platform.

A farmer can now secure a credit union loan using an agrarian receipt, in which a farmer pledges repayment through future agricultural yields or cash. The credit union conducts a risk assessment of loans with agrarian receipts, based on a cash flow analysis of the farm’s agricultural production. This pledge decreases the value of hard collateral traditionally needed to secure the loan, which is essential for lending to small farms in Ukraine, as the average value of hard collateral available is often insufficient to secure long-term financing at appropriate amounts.

AgriAnalytica, for its part, also enables credit unions and farmers to assess a farm business’s “capacity to pay” through a database that can generate cash flow statements for agricultural production cycles using input measures provided by the farmer (crop type, field size, technology and agricultural supplies needed, etc.)

CAP’s partner credit union—the “Kredyt-Soyuz” Credit Union in Cherkassy oblast—is one of the largest Ukrainian credit unions intensively expanding agri-lending with technical assistance from CAP. “Krutyi Yar,” its farm customer is among the most successful in the region. The farm began operations in 1993 with financing solely from family resources. Hoping to access external financing the business became one of the first members of the “Kredyt-Soyuz” credit union in 2003. Today the farm, managed by Kostiantyn Danylenko, exceeds 400 hectares in Cherkassy oblast.

In July 2017, with implementation support from CAP, cooperation between the “Krutyi Yar” farm and “Kredyt-Soyuz” credit union went to the next level—the farm began securing larger loans with long term financing through agrarian receipts. CAP also concluded its partnership with “Strategia e Sviluppo Consultants (SSCU) Ukraine,” in May to use AgriAnalytica. CAP presented this modern tool to partner credit unions, including Kredyt-Soyuz, and trained the credit unions’ loan officers on the new methodology.

“Krutyi Yar” became a champion in testing the new tools with the Kredyt-Soyuz credit union. Kostiantyn Danylenko, made detailed calculations of future harvests using AgriAnalytica. His analysis made it possible to obtain a loan of 500,000 UAH to finance production needs, secured by the agrarian receipt issued by the farm. Successful concurrent use of both innovations – the modern risk assessment tool and agrarian receipt – allowed a decrease in the value of collateral required to secure the loan.

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The application of the web-platform expands horizons for farms applying modern, complex crop production techniques to improve planning and monitor production cycles. CAP partner credit unions, with guidance from the project, outlined new directions for the AgriAnalytica expansion, and submitted their proposal to the developer. This will enable AgriAnalytica to serve as an efficient risk assessment tool for credit unions and planning tool for farmers. CAP will support implementation of the tool in all Ukrainian credit unions that seek to noticeably increase their agri-lending.



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