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# The Credit for Agriculture Producers Project

## PROGRESS UPDATE

### Agricultural businesses grow in Dnipropetrovsk oblast through long term partnerships with local credit union

March 2018



The CU “Yednannia cherez pryrodnyy zakon” employees participate in the individual training session on credit risk assessments and cash-flow analysis which was held in March 2018.



Volodymyr Denysenko, an agricultural producer, starts a new season in the field. Financing from the CU has enabled him to expand production from 30 to 100 ha.

(Photo credit: Mykola Tryfonov, CU “Yednannia cherez pryrodnyy zakon”)

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Lack of access to finance is one of the main impediments to increasing productivity of Ukraine’s smallholder farmers and micro-, small and medium-sized enterprises, which play a critical role in economic stability and growth of rural areas throughout Ukraine. For years, credit unions (CUs) have been working to fill this gap as the only reliable source of finance in rural areas.

In 2008, when Nataliya Dovzhenko had insufficient funds to repair her tractor, she turned to CU “Yednannia cherez pryrodnyy zakon” located in the small town of Marganets in the Dnipropetrovsk oblast in southeastern Ukraine for her first 12-month loan of UAH 5,000<sup>1</sup>. Since then, the CU, which Nataliya refers to as “our magic wand,” has provided her with loans for machinery repairs, seeds and fertilizers to expand her production.

Understanding that the need for finance increases for members like Nataliya as they grow, and that there is additional unmet demand for agricultural finance, the CU joined the Credit for Agriculture Producers (CAP) project in April 2017. Through CAP, the CU—along with 22 other CUs throughout Ukraine—gains access to training to strengthen operations and expand their agricultural credit portfolios. Leveraging the expertise of European and US expert volunteers, support focuses on working with the CUs to increase the volume and efficiency of agricultural lending to enable farmers’ businesses to develop and grow along with the CU.

This year, in preparation for the 2018 agricultural season, Nataliya took out a larger loan of UAH 26,250<sup>2</sup> for two-years, which has enabled her to expand her cultivated land area from 15 to 70 hectares (ha.). “I like working with my CU,” Nataliya says. “The interest rate is not high, everything is fair, and no hidden payments like how banks are set up. The CU issues loans quickly that meet our needs; this is the most advantageous cooperation.”

Volodymyr Denysenko, a wheat and sunflower producer, has taken out progressively larger loans from the CU starting with his first loan of UAH 52,000<sup>3</sup> in 2012. The credit has allowed him to address needs in a timely manner, including buying spare parts for tractors, purchasing fuel and fertilizers, reconstructing a hangar to store agricultural products and equipment, and expanding from 30 ha to 100 ha.

Volodymyr appreciates the individual approach, transparency and high-quality service of the CU. He receives his loan quickly, and now pays interest monthly and the principal after harvest. This spring, with a loan of UAH 103,000,<sup>4</sup> Volodymyr will continue to rely on the CU to help him increase production and grow his agribusiness.

<sup>1</sup> USD 948 based on the average exchange rate in 2008 of UAH 5.27 per one USD.

<sup>2</sup> USD 966 based on the average exchange rate in February 2018 UAH 27.17 per one USD.

<sup>3</sup> USD 6,508 based on the average exchange rate in 2012 of UAH 7.99 per one USD.

<sup>4</sup> USD 3,910 based on the average exchange rate in March 2018 of UAH 26.34 per one USD.

