

**Budgets & Cashflows for cattle production; &
Accessing loans for beef farming enterprises**

Erasmus Bhunu

Head – Business Banking, NMB Bank

NMB Key shareholders

African Century (18.25%)

- Has vast portfolio Investments in Sub-Sahara Africa.
- Focus on portfolios that grow GDP and increase consumer demand.

Arise (17.11%)

- Second Largest shareholder
- A group of DFIs with key interests in development finance.

Old Mutual (14.40%)

- Diversified financial services group with investments across different continents.

Africinvest (8.77%)

- Africinvest is a pan-African private equity fund founded in 1994 with over EUR 1.9Billion of assets under management.



Budgets for Cattle Production:

1. Budgets are an estimate of income and expenditure for a set period of time – used to estimate the profitability of the enterprise.
2. Budgets are used to estimate the expected income, expenses, and profit of the cattle production, to compare the profitability of alternative production plans.
3. Often to evaluate the effect of a change in farm size and estimate the availability of farm resources (land, labour, capital, and management).

Budgets for Cattle Production:

14. Budgets are also very useful in being used to provide an estimate of the resource requirements for the cattle production plan.

5. Used in projected cash flow budgets to estimate seasonal cash inflows and outflows and borrowing needs for the production operation.

6. Before financing operations, the farmer has to show that there was careful evaluation of potential earnings and credit needs with good budgets.

Cashflow for Cattle Production:

1. Cash flows plan how cash will be coming into the operation (cash inflows) and leaving the operation (cash outflows) in cattle farming.
2. The cash flow budget provides three primary values - forces the planning function of management, provides a means of communicating the amount and timing of borrowing and investment needs with the lender and that during times of low profitability, cash flow is a survival strategy.



Cashflow for Cattle Production:



3. Completing the cash flow budget requires that a plan is made ahead, ensures the farmer to know estimate what they will raise, input needs, input costs, output prices, capital asset replacement, sales or purchases, and other factors that could either provide or take cash from the business.

4. It also helps the tracking of important cash outflow demands (farm business expenses, debt payments, etc.) and match them with cash inflows in a given period (e.g., sales, loans, etc.).

Accessing loans for beef farming enterprises:

1. Facility is **not restricted** to NMB Customers.
2. Facility open to all beef entities who want to scale up production and new companies that are beef and value chain oriented.
3. Funding accessible for both capital expenditure and working capital needs.



Accessing loans for beef farming enterprises:

4. Tenors up to **12 months for working capital and 24 months on CAPEX**. Interest & repayment structure negotiable depending on risk profile and cash flow structures.
5. Key pointers – land (water), capital, human resources, markets, and entrepreneurship.
5. Tangible (immovable property) securitization required.



Challenges faced by beef farmers in accessing bank loans (F Chimhenga)

1. Failure to clearly articulate borrowing requirements (purpose and amount)

- Banks look at borrowing causes to establish loan amount and purpose. These are distilled from the business case presented by the farmer. The farmer carries the vision and strategy and banks come in to support the aspirations of the farmer. In the process, bankers, being specialized people in finance, they help to come up with the right loan product for each case. Before approaching any lender for loans, think through the business case and be very clear of how much is required, how long will be the operating cycle (deploying the loan into production and getting back cash inflows). These cash inflows are critical for loan repayment and they reflect / contain farmer's profits. EB highlighted that cash flow projections are the centre of the financing matrix.



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Challenges faced by beef farmers in accessing bank loans



Failure to clearly articulate borrowing requirements (purpose and amount)continued

- **Ascertain the required** amount to capacitate the operations.

Separate the borrowing requirement from that portion which is being funded internally. Asking for 100% funding from a lender may send a signal that the owner is not keen on taking risk in their own operation. Let's have own commitment upfront and this boosts confidence when calling for debt finance.

Challenges faced by beef farmers in accessing bank loans



Failure to clearly articulate borrowing requirements (purpose and amount)continued

- **Be very truthful** about the operating cycle, peak cash flows and margins. If you are into mixed farming, it is good to tie in total farm cash flows to support cattle breeding ventures, which are known to have long cycles.

Presenting a very rosy picture means the farmer gets the loan but repayments will be tough. The loan may get to be restructured thereby affecting the farmer's future access to finance from the same bank or other lenders in the industry.

Challenges faced by beef farmers in accessing bank loans

- Owner's contribution boosts confidence and be clear on what needs to be financed by the bank against the owner's contribution.

2. Poorly structured farming operations

The first touch point when requesting for finance from banks is the farm visit. If farming operations are poorly set up then loan requests do not progress further. The farmer must demonstrate knowledge and direction in terms of scale and vision. Banks hardly fund startups because these come with too many surprises. Set up the business and invite financiers when there is some sort of structure to the operations. If the operations are solid bankers quickly commit.



Challenges faced by beef farmers in accessing bank loans

3. Unexplained losses and poor financials

Farmers value record keeping for the farm and they are very good at it (production side).

Over the years, I have seen some farmers who then don't pay attention to the financial records and financial reporting. Some farmers do not take farming as a business where over and above good cashflows, one needs to know the profit levels from the operations. Some farms just do not have financial reports at all. Those that have may show unexplained persistent losses. Farmers must build a culture of good financial reporting with all reports available even during times when one is self-financing. It can be hectic to put up reports when faced with a borrowing cause. Bank end up dealing with incomplete records and develop the business case from their interaction with the farmer. This delays loan approval and increase chances of rejection. Endeavour to maintain timeous and accurate financial records.



Challenges faced by beef farmers in accessing bank loans

4. Lack of good management & marketing skills

The success of any business boils down to management & marketing skills.

Farmers, like wise, should also build strong management & marketing teams if they are to go beyond certain gearing levels and reach high profit margins.

Large-scale farming calls for strong management teams different from sole traders. As you become more ambitious and expand / integrate the business (backward and forward) carefully incorporate astute managers.

Strong marketing teams unlock new markets and brings diversity in customer profiles.



Challenges faced by beef farmers in accessing bank loans

5. Absence of lucrative markets

Previously enjoyed beef exports to EU are no longer accessible to various reasons hence too much reliance on domestic market which is characterized by low income levels.

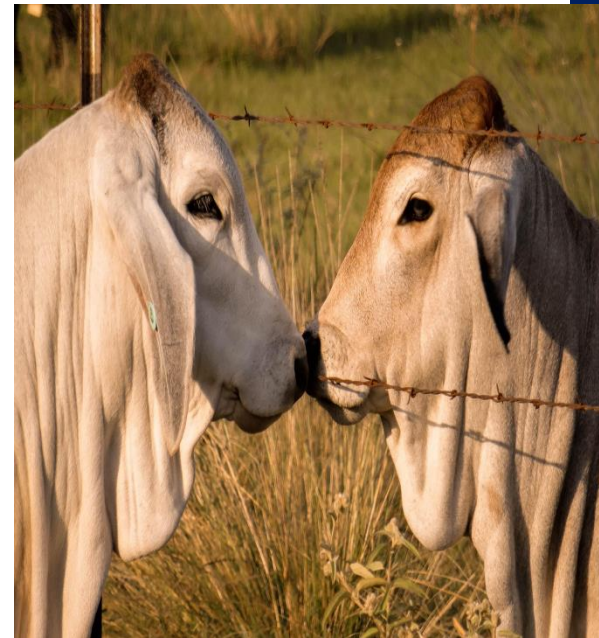
It then becomes critical to be very efficient in herd management and make sure quality in the end is top notch. Quality will guarantee good price & ultimately returns for the farmer which is a big attraction to financiers.



Challenges faced by beef farmers in accessing bank loans

6. Character

Be of good standing at all times and repay debts on time. Some farmers think of themselves first and divert sales proceeds into production. Bad behavior and arrogance post loan disbursement will always catch up with the farmer. The market is small; bank reports and bureau reports don't lie. Even when things go wrong, always co-operate. Business people get funding for who they are. Banks have a long memory.





THANK YOU