

Agribusiness Finance checklist



Ensuring **Food security** through agribusiness

Introduction

Citizen Entrepreneurial Development Agency (CEDA) was established by the Government of Botswana to provide financial and technical support for business development with a view to promote viable and sustainable citizen owned businesses. CEDA provides subsidized loans for various sub sectors within Agribusiness to enable citizen participation in sustainable agricultural activities.

The Agribusiness Sector has two offerings; Agribusiness Mainline Funding and Young Farmers Fund.

Criteria for funding

- Citizens and citizen owned companies aged 18 years and above.
- For the Young Farmers Fund, the age limit ranges from 18 years to 40 years.
- CEDA will finance all business proposals that are financially viable and sustainable in the long term.

Loan Limits

CEDA offers the following categories of loans;

- P500 – P500 000 (attracts an interest rate of 5% per annum).
- P500 001 – P4 million (attracts an interest rate of 7.5%).
- Applicants are also eligible for loans up to P30 million, which will attract the prevailing prime lending rate.

General Requirements

For the business to operate efficiently, the following minimum requirements must be met as the pre-screening criteria when dealing with debt funding applications related to horticulture, cattle breeding, small stock, piggery as well as layers and broilers.

Business Plan accompanied by the following documents.

- Certified copies of Omang (individuals, partners, shareholders and directors).
- Resolution by Board of Directors to apply for a loan (in case of Company). Resolution should be in the Company's letter head and stamped.
- Form 2 (list of shareholders/directors).
- Form 3 (certificate of incorporation), in case of a company.
- Form 4 (allotment of shares).
- Copy of title deed or lease.
- Usage of land should be in line with the proposed business.
- A provisional offer of land allocation is required under the Young Farmers Fund scheme.
- Proof of availability of adequate and suitable water (refer to individual sub-sector).
- Copy of necessary license to operate the business (where applicable).
- Livestock brand certificate (where applicable).
- Letter of intent.
- Soil and water tests (for horticulture and dry land farming).
- Consent from Land Board to reticulate water from one plot to another (leeway).
- Valuation report (farm property pledged as security)
- Compliance Certificate (for purchase of undeveloped land)
- Lease agreement that covers the loan repayment period (in case of leased property)

Risk Assessment

- Maximum repayment period will be 120 months (10 years) depending on the type of asset and viability of the business.
- Terms of the loan will be linked to the remaining life of the assets and all used assets will have to be accompanied by a valuation report.
- Contribution will be 10% for the new assets and 20% for assets which are 2 years or less.

Specific requirements for Subsectors within the Agribusiness sector

Amongst others, CEDA finances the following sub sectors with the following specific requirements:

1. Horticulture

This refers to the production of vegetables, fruits, flowers etc.

To access CEDA funding, the following will be required;

- ✓ Title Deed or Lease Agreement (with terms and conditions).
- ✓ There must be developments on leased farms as determined by CEDA.
- ✓ A minimum of 0.5 ha of the land is recommended to have a net shade.
- ✓ A minimum size of 2 ha shall be considered as the most preferred scale.
- ✓ Water yield of 5 - 6m³ per hour/ha
- ✓ Soil and water test report.

2. Citrus Crops

- ✓ Require a minimum of 4 ha of land.
- ✓ A minimum of 6m³ per hour of water is required.

3. Rain Fed Agriculture (Seasonal)

These are field crops that rely on rainfall. Examples are grains, fodder etc.

- ✓ A minimum of 150 ha for rain fed projects.

4. Cattle Production

Cattle breeding are the production of animals by inbreeding. Cattle are mostly raised as livestock for beef.

Requirement

- ✓ Title Deed or Lease Agreement.
- ✓ Minimum breeding stock for commercial farming of 100 cows.
- ✓ Minimum breeding for stud of 40 cows.
- ✓ Weaner production of 100 cows.
- ✓ Weaner finishing of 200 cows.
- ✓ A minimum distance of 6km between water points/bolehole.

5. Small stock

This is the production of goats and sheep for meat.

- ✓ Minimum breeding stocking rate of 200 goats/sheep.
- ✓ Minimum land requirement is 2ha per goat/sheep per year.
- ✓ Buck to Doe ratio is 1:25.

6. Poultry

Broilers

A broiler is the type of chicken raised specifically for meat production.

Every poultry project should meet the following conditions:

- ✓ A minimum of 10 000 birds per cycle.
- ✓ An abattoir should meet the minimum standards of the livestock and meat industries' act. (if included in loan)
- ✓ Reliable and acceptable slaughter facilities must be provided for.
- ✓ Reliable source of water and electricity.

Layers

Layers are chickens raised specifically for eggs production.

- ✓ A minimum of 5 000 birds per cycle.
- ✓ Reliable source of water and electricity.

7. Piggery

Piggery is the production of pigs for meat.

Minimum stock should be 100 sows.

- ✓ There must be an abattoir within the sub district otherwise an abattoir must be included as part of the budget.
- ✓ Reliable source of water is a requirement.

8. Dairy Farming

- ✓ A minimum of 100 cows
- ✓ 20ha for fodder production per 100 cows.
- ✓ The dairy farm should be 100km on tarred road and 70km on gravel road from the market.
- ✓ Electricity must be available.
- ✓ 60litres of water per cow per day, therefore at least a borehole yield of 5m³ per hour is required.

9. **Feedlot**

- ✓ CEDA requires that farmers must have an agreement with BMC under the BMC feedlot scheme.
- ✓ Water yield of 5m³ per hour is required.

Grace Period

Different businesses have different grace period. CEDA can allow a grace period of up to 4 years. The length of the grace period is determined by the following:

- The nature of the business. For example, grace period for cattle breeding will differ from that of horticulture.
- The ability of the business to repay the loan.

Security

All businesses financed by CEDA shall be secured to the satisfaction of the Agency. The Agency can require up 100% security cover depending on the viability of the business and the risk appetite of the Agency from time to time. Acceptable collateral for loans are tangible assets, real estate and all assets financed shall form part of the security.

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