



# Agrarian Receipts

## **Syngenta Kazakhstan,**

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Classification: PUBLIC

***Simple and efficient solution for trade credit management and financing of needs of crop producing companies***

**What is an Agrarian Receipt?**

- Unconditional obligation of a debtor secured by future crop either to deliver agricultural products (commodity) or pay funds (financial)
- Links collateralized crop to nominated land plots registered in the cadaster system
- Registered with notary in web-based register to ensure transparency (in Kazakhstan can be implemented through web-portal)
- Subject to special accelerated enforcement
- All participants in the issuance / endorsement chain are jointly liable (i.e. grower, distributor)

## Benefits for farmers

- Accessible and understandable tool to get access for finance
- Easy to issue
- Better commercial conditions from Creditors (Banks or inputs suppliers)
- Increase of collateral base
- Developing of good credit history



Benefits for creditors – secured credits supported by:

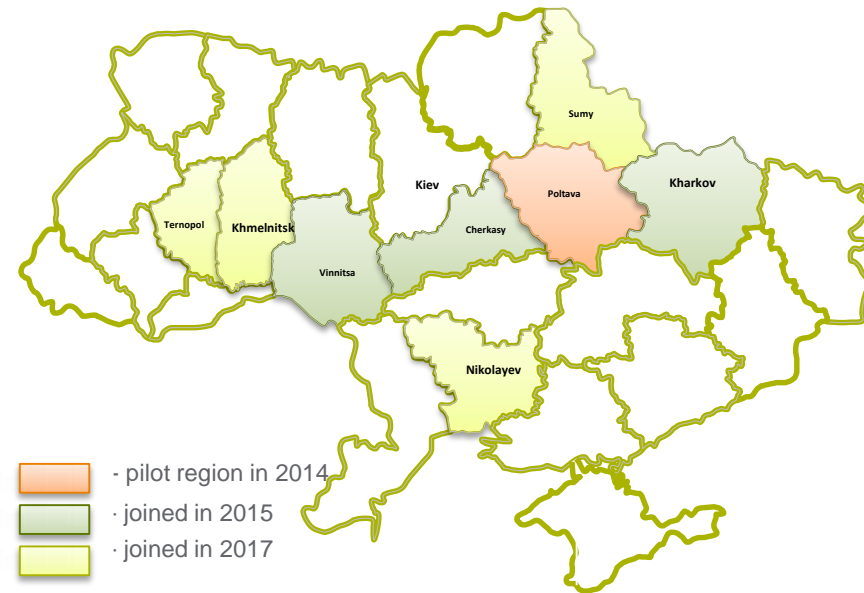


- Simple and clear legal processes
- Out-of-court enforcement
- Flexibility and transparency
- Endorsement – ability to re-sell the pledge
- Fix the volume of commodities (in case of Commodity Agrarian Receipt)

## Ukraine experience

### Status:

- Pilot started in 2014. Official register in place and nationwide roll out and outreach program by IFC started.
- 2018 full run of projects in all regions
- Two types of agrarian receipts:
  - **Financial Agrarian Receipts** with obligation to pay money after the season. More popular in banks and inputs suppliers
  - **Commodity Agrarian Receipts** with obligation to delivery certain crops after the season. More popular in traders and processing plants



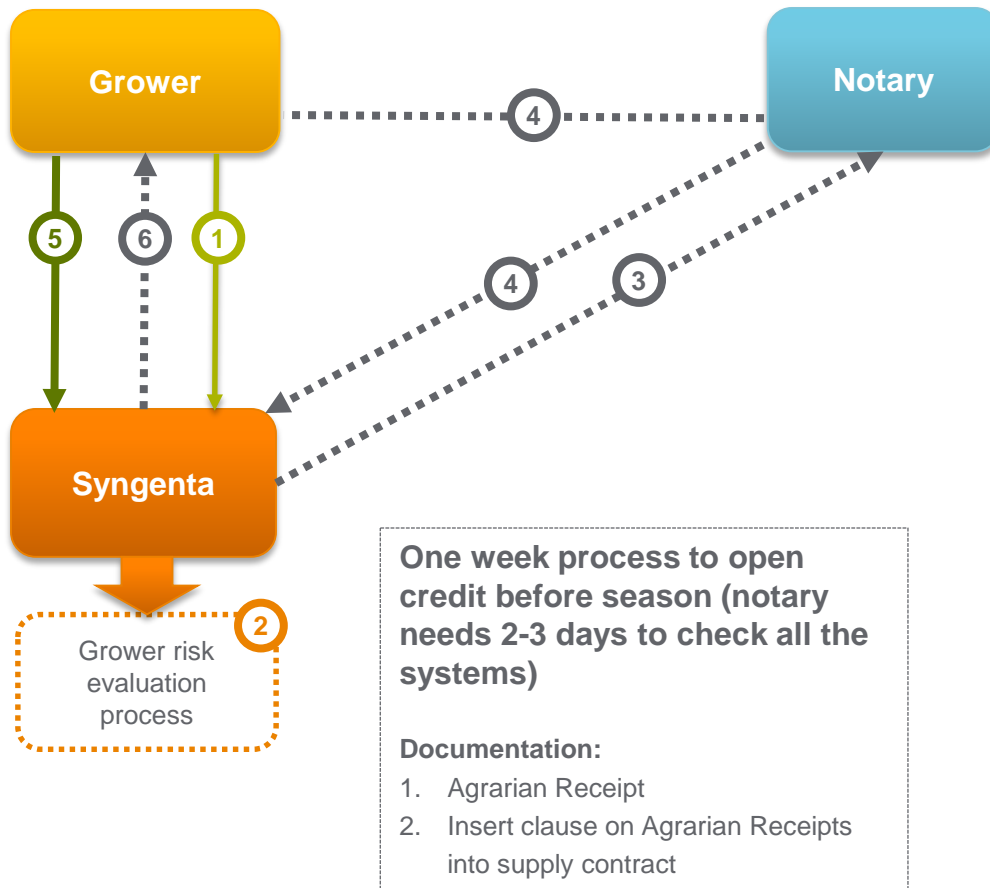
### Statistics at the end of 2018:

**859** AgR issued, value **\$257m**

**91** creditors, **32** crops as pledge, **4** organic crop receipts, **1** international crop receipt (issued to foreign creditor), **8** receipts out-of-court

enforcement, **0** default

## How it works? Syngenta Ukraine experience



### Before season:

- ① Grower applies to participate in our AgR program and provides required documents
- ② Syngenta UA evaluates grower using existing process (Grower Risk Evaluation Process)
- ③ AgR template issued to notary for preparation
- ④ Grower issues AgR (before / after receiving products) to Syngenta

### After season:

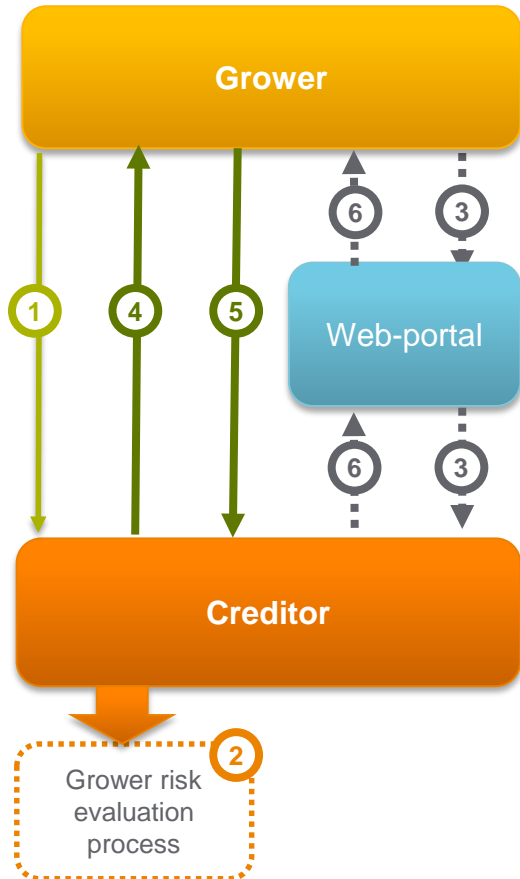
- ⑤ Grower supplies commodity to Syngenta UA
- ⑥ Syngenta release back AgR to grower

## How it can works in Kazakhstan?

Through Qoldau.kz issue of AgR can be done in 1 day

Documentation:

1. Agrarian Receipt (electronic)
2. Insert clause on Agrarian Receipts into supply/financing contract



### Before season:

- ① Grower applies to participate in AgR program and provides required documents.
- ② Creditor evaluates grower using existing process.
- ③ Grower issues AgR (before / after receiving inputs suppliers products) to creditor through web-portal.
- ④ Creditor provides inputs or finance to the grower

### After season:

- ⑤ Grower supplies commodity to creditor or pay money depends on the type of AgR:
  - grower delivers crops (if Commodity AgR)
  - grower pays money (if Financial AgR)
- ⑥ Creditor returns AgR to the grower in the web-portal.

## Reasons to believe

- Market environment:
  - High cost or Very limited access to finance for growers
  - Limited level of available traditional pledges
- Strong interest from creditors
  - Credit ranking of agriculture in Kazakhstan is relatively low and all creditors are interesting in additional securitization
- Well developed infrastructure
  - Very well integrated Government systems in Kazakhstan provides opportunities to implement project very fast with limited require for additional sources
  - Positive experience of Electronic Grain Receipts implementation in Kazakhstan



**Thank you for your attention!**