



Photo by RLDP/Athumani Zuberi.

“.....this loan was huge boost in my business growth and I am prepared to take it again this season” Abdullahi Kololi- Managing Director; Kololi Sunflower Oil Mill-Babati.

This Success Story is produced by:

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Oiling the Wheels of Agricultural Finance

The Processors' Story

Sunflower is a major cash crop – second only to cotton – in Tanzania drought hit central corridor. The sector employs 200'000 small scale farmers with an average of three acres, it contributes 30% of national edible oil and 61% of sunflower in Tanzania is produced in central corridor. It is grown mostly in the Dodoma, Singida and Manyara regions (Source; RLDC sector market assessment, 2008). The national demand for edible oil stands at 330'000 tons (2009/2010 season) per year while production (supply side) capacity is 200'000 tons (Source: MAFSC) Besides the issue of drought the banking sector for long time in Tanzania has been reluctant to extend credits to borrowers because of low repayment rate and processors lack proper market access. As a consequence the agricultural sector has remained the least financed sector.

What has been done? In 2010/2011 season, RLDC has worked with CRDB Bank in intervention that aimed to link TASUPA, the sunflower processors' association to access working capital finance.

Collateral Management System. Through consultative discussion, CRDB Bank met with processors and discussed how they could access the agriculture financing window for working capital during the buying season. Because processors could not finance their loans, the bank agreed to accept **bought sunflower** as collateral for loans secured.

What has been achieved? The CRDB Bank had to conduct the cost-benefit analysis agricultural lending and ultimately the bank agreed to lend 5.6 billion Tanzanian Shillings (US \$ 3.5mln) to 43 processors in Dodoma, Mpwapwa, Kondo, Bahi and Babati Districts. The CRDB Bank becomes the first bank in Tanzania to employ such facility to the sunflower processors.

The future. This collateral management system with the CRDB Bank has promised these processors a future in enterprise development and this is because the bank is willing apart from lending working capital, it is also committed to improve their processing capacity through overdraft facility for purchasing machines from India and China. This will allow oil produced in central corridor to have high quality and therefore fetch wider market.

“The farmers could not believe the price they received; it was higher for the first time since they started farming perhaps. We bought for TZS 50,000 per bag and we (processors) were scrambling for sunflower” explained Marusu, Representative of Geneva Sunflower Oil Mills in Kondo



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