AFRICAN GRAIN TRADE SUMMIT

# RESILIENT GRAIN MARKETS: UNLOCKING AFRICA'S FOOD SECURITY POTENTIAL

2ND-4TH, OCTOBER 2025 | ZANZIBAR, TANZANIA

Main Session 4

## Financing African grain markets:

### Driving access to affordable capital and enabling local currency trade

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**Session** Sponsors: idh transforming markets

# DRIVING ACCESS TO AFFORDABLE CAPITAL AND ENABLING LOCAL CURRENCY TRADE

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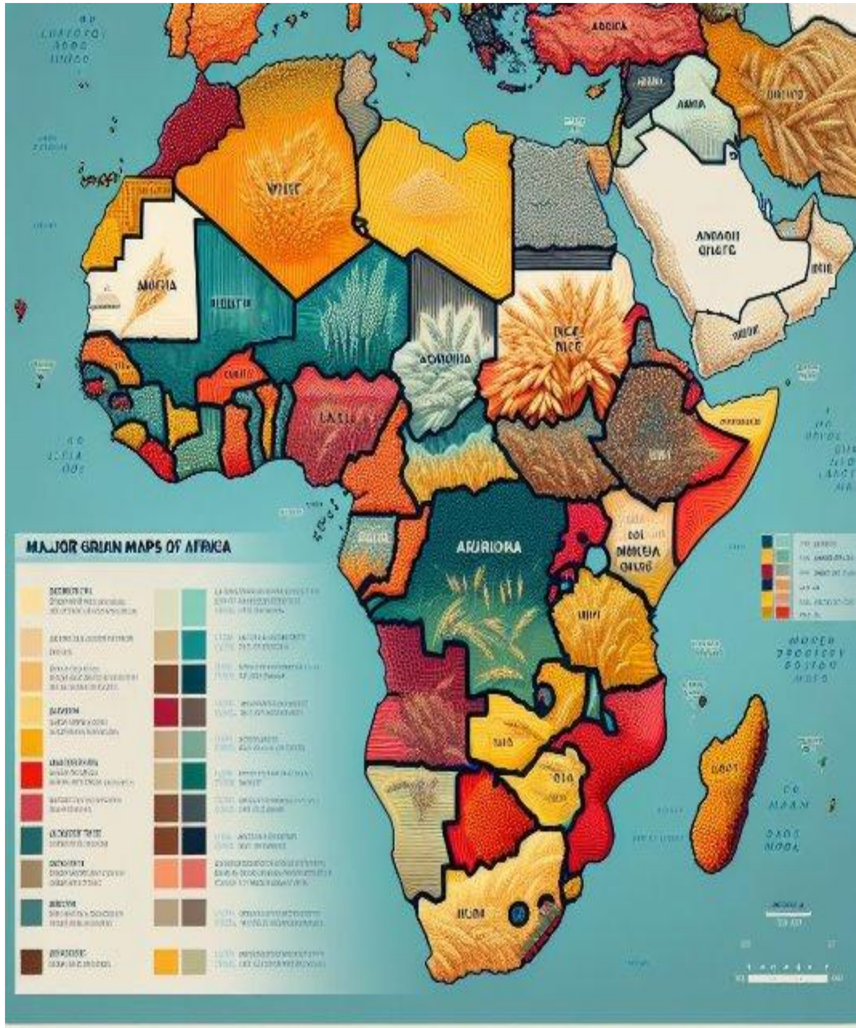
RESILIENT GRAIN MARKETS: UNLOCKING AFRICA'S FOOD SECURITY POTENTIAL

# The Problem Statement




## Africa’s farmers feed the continent - Yet the capital flowing to agriculture barely scratches the surface of what’s needed.

# Overview of Grain Trade Market in Africa 2024

## Staple Grains

- Cereals, Pulses/Legumes, Oilseeds

## Economic contribution

- Support millions of livelihoods and make significant contribution to national GDPs

## Food Security Importance

- Critical for Food security (Rural & Urban)

Volume: 283 Million MT
Value: $126.1 Billion

2035: $ 150.1 Billion

# How many currencies are there in Africa?

**42**

**Separate currencies as of 13th October 2022**

# The Financing Gap



| Sector Segment | Annual Financing Need | Current Annual Funding | Financing Gap | Key Challenges |
|---|---|---|---|---|
| **Agricultural SMEs (130,000 in Sub-Saharan Africa)** | $90 billion | $15.5 billion | $74.5 billion (83%) | Average needs ~$700K per SME; limited collateral |
| **Smallholder Farmers & Farmer Organizations** | $170 billion | Minimal formal coverage | ~$170 billion (Near total gap) | 98% of long-term financing needs unmet; average loans only $13K |

# How is the current Landscape?



## Financial Deficit

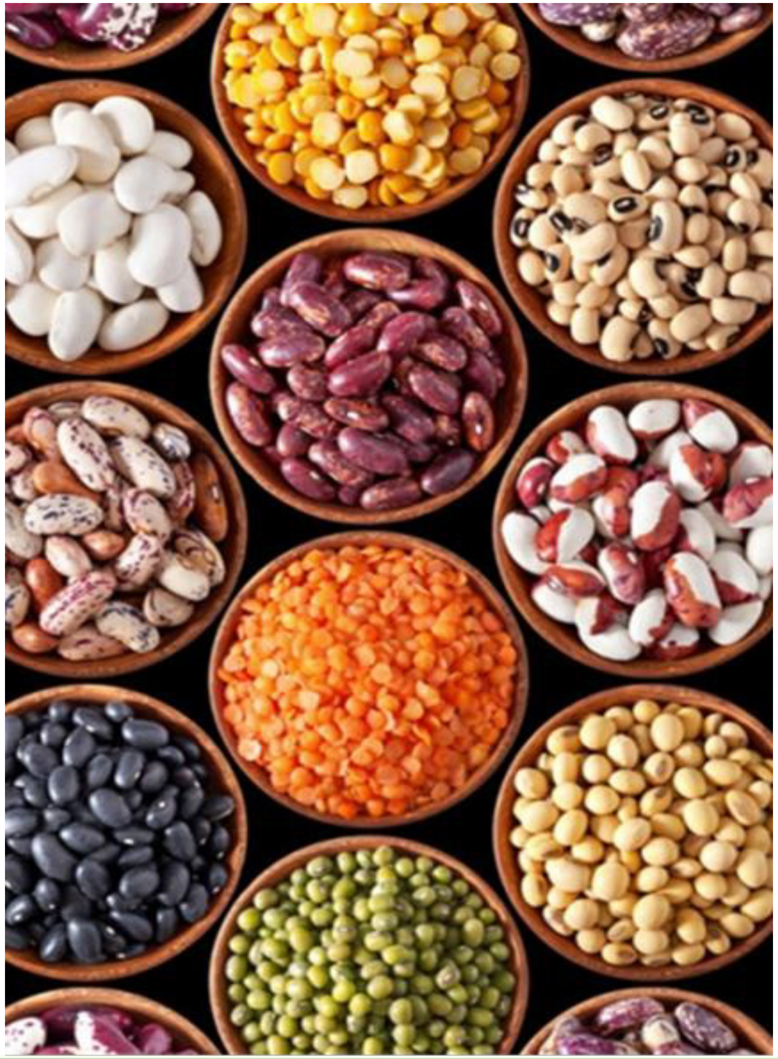
- High Cost of Borrowing – over 20% interest.
- Unsuitable Financial Products
- Price volatility
- Foreign Exchange dependency

## Systemic Barriers

- Limited financial history
- Lack of Market information
- Infrastructure deficits

# Impact of Financing Gap in Grain Markets

- Restrict Regional Trade
- Limited Value Addition:
- Food Security Implications



# STRATEGIC SOLUTIONS

# 1. Strengthening Financial Infrastructure & Instruments

## Credit Reporting System

- Establish comprehensive credit bureaus
- Leverage alternative data, e.g., mobile data
- Cross-border information sharing

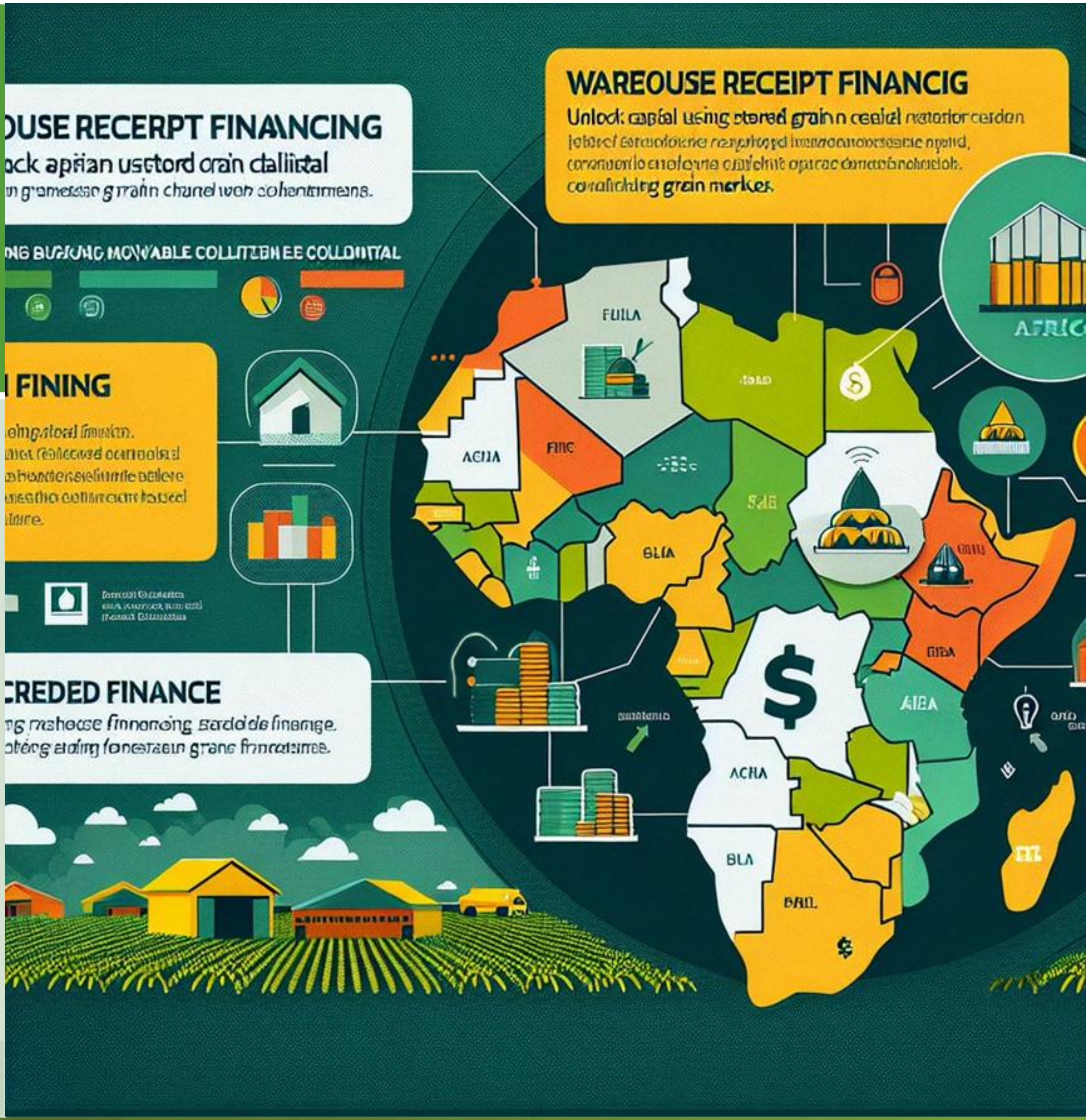
## Movable Collateral Registries

- Enable asset-based lending
- Electronic registry platforms
- Legal Reforms, e.g., land ownership

## Strengthening Financial Infrastructure and Instruments

# Innovative Financing Model

- Warehouse Receipt Finance
- Blended Finance, e.g., Guarantees and First Loss capital
- Leverage Supply Chain Finance



# 2. Advancing Local Currency Trade & Payment Systems

### Pan-African Payment & Settlement System (PAPSS)

- Direct Local Currency Settlement
- Substantial cost reduction
- Current Reach – 15 countries, 150 commercial banks & 14 national switches

### PAPSS African Currency Market Place (PACM)

- Offers currency convertibility solutions
- Addresses trapped capital – solving over $2+ billion in trapped capital.
- Unlocks exchange restrictions

### Benefits of local currency trade

- Reduced FX Risk
- Enhanced Regional Integration – supports AfCFTA
- Financial Sovereignty

# 3. High-level Capacity Building & Enhancing Inclusion

## Sensitisation on International commodity trade processes and financing instruments

## Gender Inclusive Approaches

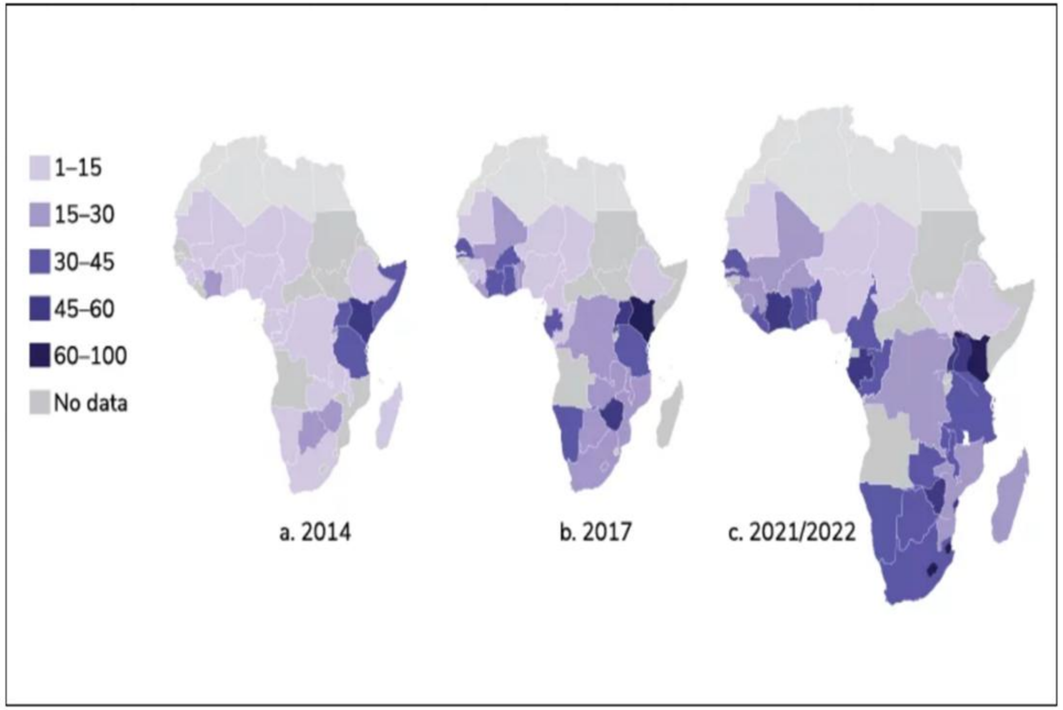
- Gender sensitive financial products
- Legal and Leadership reforms

# High-level Capacity Building & Enhancing Inclusion



## Digital Transformation

- Mobile Banking Platforms - PESALINK, SWIFT
- Digital Tools for Agriculture – Trading, Price monitoring, weather and soil testing
- Digital Payment Systems – MPESA




Mobile money account ownership in Africa, 2014 (left) vs 2017 (middle) vs 2021/22 (right). By 2021 most

# 4. Forster Strategic Partnerships and Supportive Policies

## Multistakeholder Collaborations

- Public Private Partnerships (PPP)
- Development Finance Institutions
- Value Chain alignment

## Supportive Policy Frameworks

- Promote the establishment of specialised agriculture development banks
- Risk Sharing facilities
- Regional Trade Policies –e.g., standards, regulations and harmonisations

# Strategic Investment and Capacity Building

- Infrastructure Investment
- Market Information Services
- Training and Capacity Building

# Scaling Innovative Financial Products



- Microfinance Expansion
- Warehouse Receipts Financing
- Digital Credit Products

# POLICY ACTION FOR SUSTAINABLE GRAIN MARKET DEVELOPMENT



- Regulatory Reforms
- Support Local currency Trade
- Public Private Collaboration

# THANK YOU.