Improving agricultural value chain financing in Southeast Asia

A value chain is a series of producers and production steps required to bring a product from its source to consumers. At each step in the chain, the processes undertaken by consecutive enterprises add value to the product. When credit or other financial services flow through enterprises along the chain, it is referred to as value chain financing. Efficient value chain financing is critical in agriculture since it enables small- to medium-scale farmers, traders, and processors along the chain to optimize financial investment, resource allocation, and capacity expansion.

Information on how to choose the ideal model to ensure sustainable and profitable value chain financing is critically important for governments, financial institutions, agribusinesses, producer organizations, and other stakeholders. Given the pivotal role that agriculture plays in the economies of developing countries in Asia, especially in the southeast, the APO organized a conference on Agricultural Value Chain Finance in Malaysia, 12–14 December 2007. The conference was jointly implemented by the UN Food and Agriculture Organization (FAO) and Asia Pacific Rural and Agricultural Credit Association Center for Training and Research in Agriculture Banking in collaboration with the NPC, Malaysia. It was attended by 34 participants working in financing institutions, the private sector, academia, and ministries of agriculture, finance, and industry.

Twelve papers were presented on the following themes: "Context of agriculture value chain finance"; "Value chain financing models"; "Integrating technical assistance in the value chain"; "Role of financial institutions in value chain financing"; "Success stories of value chain financing and how to replicate them"; "Roles of financial institutions in value chain financing"; "Successful stories of Inter-American Development Bank and FAO in value chain financing"; and "Case studies with the examples of Vietnam and Myanmar."

Some of the conclusions reached at the conference pointed to inadequate credit and financing facilities that undermine support for enterprises in the value chain. Access to finance for agricultural value chains is limited by the fact that most institutional credit facilities have rigid requirements in terms of collateral. There is a need for innovative solutions from both the public and private sectors to enhance the flow of financial resources along the value chain. With this in mind, the case studies presented at the conference should be disseminated among countries in the region.