



Agrovoltaic farm with solar panels above crops. PHOTO CREDIT: WORLD BANK

# Why financing is the missing link in Africa's agri-food systems transformation

By Patrick Githinji

At 5:30 a.m., before the sun rises over eastern Kenya, Naomi Kamau walks through her half-acre plot checking her maize leaves one by one. Last year, she nearly gave up farming. The rains had come late, fertiliser prices had doubled, and the local buyer paid her weeks after harvest. She harvested just six bags of maize, barely enough to feed her family. Yet the soil was not the real problem.

Naomi did not lack knowledge. She had attended extension trainings. She knew

the value of improved seed, soil testing, and proper spacing. What she lacked was something less visible but far more decisive; finance.

A season earlier, she tried to access a bank loan to purchase certified seed and fertiliser. The bank asked for collateral; a land title in her name. The title belonged to her late father, still in probate. She tried a microfinance institution; interest rates were too high for a smallholder farmer dependent on rainfall. She turned to a middleman who offered inputs on credit but locked her into selling her harvest at a low price.

"Farming is not risky," she later said. "Farming without money is risky."

The following year, everything changed. Through a farmer cooperative linked to a digital credit platform, Naomi received a small input loan, bundled with crop insurance and agronomy advice sent to her phone, through Apollo Insurance in partnership with African Development Bank Group initiative - African Fertiliser Financing Mechanism. She planted improved seed and applied fertiliser on time. At harvest, she produced 14 bags; more than double her previous output and sold through an aggregation centre





that paid her within 48 hours via mobile money.

Her story is not unusual. It is, in fact, the story of African agriculture.

Africa possesses nearly 60 percent of the world's remaining uncultivated arable land and a rapidly growing workforce. Agriculture employs more than half of the continent's labour force and contributes significantly to livelihoods, food security, and trade. Yet productivity remains far below global averages.

For decades, development debates have focused on seeds, fertilisers, irrigation, and extension services. These matter. But beneath them lies a deeper constraint: Africa's agri-food systems are chronically underfinanced.

Smallholder farmers, who produce most of the continent's food, rarely qualify for traditional bank loans. Agriculture is perceived as high risk due to climate variability, price volatility, weak storage systems, and fragmented markets. Financial institutions therefore lend sparingly to the sector. In many countries, agriculture receives less than 5.0 percent of total commercial lending, despite its central role in the economy.

The result is a structural paradox: Africa relies on agriculture for employment and food, yet capital largely flows elsewhere; to trade, real estate, and short-term services.

Without finance, farmers cannot invest. Without investment, productivity stagnates. And when productivity stagnates, food imports rise. The challenge extends far beyond farmers.

An agri-food system includes input suppliers, transporters, storage facilities, processors, wholesalers, retailers, and exporters. Weak financing at any point disrupts the whole chain.

Consider a tomato farmer in northern Nigeria. Even with a good harvest, inadequate cold storage forces immediate sales at low prices. A processor who wants to build a factory cannot secure long-term credit. A transporter cannot afford refrigerated trucks. The outcome is familiar across Africa: post-harvest losses estimated at 30–40 percent for perishable crops.

In other words, Africa's food challenge is not only about production, it is about working capital, infrastructure financing, and risk management. The African Development Bank Group is trying to change this through special agro-processing zones (SAPZ) in Nigeria.

Agriculture faces multiple uncertainties at once: weather shocks, pest outbreaks, price fluctuations, and market access constraints. A drought can wipe out an entire loan portfolio. Unlike salaried workers, farmers have irregular income cycles. Many lack formal financial records or collateral.

Traditional banking models therefore struggle to fit rural economies. But this is precisely why innovation in agricultural finance matters.

Across Africa, a quiet transformation is underway. The question is shifting from whether agriculture is bankable to how to make it bankable.

Several new approaches as highlighted by AGRA's Africa Agriculture Status Report (2024) are beginning to unlock investment:

#### **Value chain financing**

Instead of lending to individual farmers in isolation, financial institutions lend through aggregators — cooperatives, processors, or buyers — who guarantee markets and repayment structures.

#### **Blended finance and risk-sharing**

Development finance institutions provide guarantees that absorb part of the risk, encouraging commercial banks to lend to agriculture.

#### **Digital financial services**

Mobile money, satellite data, and digital farm records now allow lenders to assess creditworthiness without traditional collateral.

#### **Insurance and climate risk tools**

Index-based weather insurance reduces the fear of drought-related default, making loans safer for both farmer and lender.

#### **Patient capital for agribusiness**

Long-term investment funds are supporting storage facilities, irrigation schemes, and food processing — areas

conventional banks often avoid.

Africa's food import bill continues to rise, not because the continent cannot grow food, but because productivity and value addition remain low. Financing addresses both simultaneously.

With credit, farmers can purchase inputs on time. With working capital, traders can store produce instead of dumping it at harvest. With investment capital, processors can transform raw commodities into higher-value products.

Financing agriculture therefore does more than increase yields; it stabilises food prices, creates jobs, and strengthens rural economies.

It also directly affects youth employment. Africa's population is projected to grow dramatically in the coming decades, and millions of young people will enter the labour market annually. Agriculture, especially agribusiness and food processing, is one of the few sectors capable of absorbing this workforce; but only if investment follows.

Naumi now plans her farm differently. She keeps digital records of input use, yield, and sales. She has opened a savings account and is considering poultry production to diversify income.

Her transformation was not driven by a new seed variety alone. It came from access to finance; the ability to treat farming as a business rather than a gamble. This is the broader lesson for Africa. The continent's agricultural future will not be determined solely in fields and rainfall patterns. It will be determined in credit committees, investment funds, and financial policy frameworks. When capital reaches farmers, traders, processors, and rural entrepreneurs, agriculture shifts from survival activity to economic engine.

Africa does not merely need more agriculture. It needs a financed agri-food system. And sometimes, the difference between hunger and prosperity is not the harvest — it is the loan that makes the harvest possible.

*Patrick Githinji is a digital communications specialist based in Nairobi*