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News Update (January 20, 2017 14:47:38pm...)

AfDB approves \$20m for Meridian's soft commodity value chain operations in Southern Africa



The African Development Bank has approved US \$20 million to finance Meridian's soft commodity value chain operations in Malawi, Mozambique and Zimbabwe.

This Soft Commodity Finance Facility is designed to provide pre- and post-shipment finance along various stages of Meridian's soft commodity value chain operations in the three countries concerned, to help local farmers and soft commodity suppliers to grow their revenues and produce quality crops for export.

Specifically, the facility will be used to provide funding to purchase farm inputs (mainly fertilizer) to be supplied to farmers so as to ensure consistency and quality of the commodities being supplied to Meridian; purchase of soft commodities from over 10,000 farmers in Malawi, Zimbabwe and Mozambique; and, upon purchase of the soft commodities, provide working capital to Meridian to enable the company engage in basic processing of the soft commodities prior to export.

It will enable the Bank to reach small-scale farmers indirectly through a regional aggregator (Meridian) that understands the market in which it has accumulated a 40-year track record; understands the operational risks and is able to mitigate and manage them.

Established in 1970 to assist the small scale farmer, Meridian focuses on production and supply of various agricultural inputs/outputs through a chain of vertically integrated subsidiaries in Malawi, Mozambique, South Africa, Zambia and Zimbabwe.

The company currently employs over 4,200 employees and is one of Southern African Development Community's largest commodity aggregators, distributing over 250,000 metric tons of goods per annum throughout the region. Meridian is also a major buyer of soft commodities from small-scale farmers using its retail network of over 120 shops spread across rural areas. Among its shareholders is African Agriculture Fund (AAF), in which AfDB owns has 20% stake.

Thus, as one of the largest commodity aggregators in Southern Africa, the Meridian group plays a significant role in the promotion of agribusiness in five countries where its operations are in line with four of the Bank's High 5 development priorities (Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the quality of life for the people of Africa).

Meridian's key markets in Africa are Malawi, Mozambique, Zambia and Zimbabwe. Agriculture in these four countries accounts for approximately 32% of GDP and provides a livelihood to 81% of the population in the form of smallholder subsistence farming (56 million people). The group uses its retail outlets to distribute farming inputs to small-scale farmers such as fertilizer, seeds and hardware products.

The project conforms to the Bank's core operational priority of private sector development as articulated in the Ten-Year Strategy (2013-2022) and the Trade Finance Program, which aims to promote exports through support to agriculture and SMEs. It is aligned with Pillar II of the Financial Sector Development Policy and Strategy (2014-2019) to broaden and deepen Africa's financial systems, and Pillar III of the Bank's Private Sector Strategy (2013-2017), which seeks to facilitate enterprise development. Additionally, it is aligned with the Feed Africa Strategy for Agricultural Transformation in Africa 2016-2025, which aims to make Africa a net food exporter, self-sufficient in key commodities and operate commercially viable agribusinesses.

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