

CROP RECEIPTS

Fast and cost-effective financing instrument



WORLD BANK GROUP

IFC | International
Finance Corporation



В партнерстві з:

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Федеральний Департамент економіки,
освіти та науки Швейцарії (EAER)
Державний секретаріат Швейцарії
з економічних питань (SECO)



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UKRAINE CROP RECEIPTS PROJECT

Ukraine Crop Receipt Project is implemented by IFC, a member of World Bank Group in partnership with the Swiss Confederation

Project Aim: to improve access to finance for small and medium farms by introducing crop receipts as a financial instrument in Ukraine.

Project Objective: attract financing to the agricultural sector with the new instrument

Project Partners: government institutions, private sector

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MINISTRY OF ECONOMIC DEVELOPMENT,
TRADE AND AGRICULTURE OF UKRAINE

OFFICIAL WEB - SITE



Міністерство юстиції України



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CROP RECEIPTS IN UKRAINE

 **2081** CROP RECEIPTS
1230 in 2019

 **126** CREDITOR COMPANIES

 **574** MILLION US DOLLARS
\$317 M in 2019

 **35** "CROPS" PLEDGED
70% grains

 **262** PRIVATE NOTARIES

 **16** ENFORCEMENT CASES

Statistics as of September 12, 2019

ADVANTAGES OF CROP RECEIPTS

FARMERS

- ✓ Increase of property for collateral
- ✓ Collateral: future harvest
- ✓ Fast issuance procedure
- ✓ Access to international financing
- ✓ Building positive credit history
- ✓ Reducing the risk of land rights conflicts





CREDITORS

- ✓ Secured future delivery
- ✓ Out-of-court enforcement: quick and transparent procedure
- ✓ Possibility of financing from abroad
- ✓ Application of different business models
- ✓ Open register of outstanding receipts

Crop receipts is a simple and reliable financing instrument for agricultural producers

CONCEPT OF THE INSTRUMENT



-  Flexible format
-  Notarized
-  Public register
-  Endorsement
-  Out-of-court enforcement

Combining the competitive advantages of alternative instruments

FARMER'S OBLIGATION



UKRAINE



**COMMODITY
CROP RECEIPT**

To deliver
FIXED QUANTITY
OF SINGLE CROP

It is possible to specify the formula
for conversion of crop's
quantity depending on its quality

Н 36

Україна: Бюро міжбанківських гарантованих актів на роздривання.



UKRAINE



**FINANCIAL
CROP RECEIPT**

To pay
THE AMOUNT OF MONEY
ACCORDING TO THE FORMULA,
that accounts for the crop quantity

Formula options:

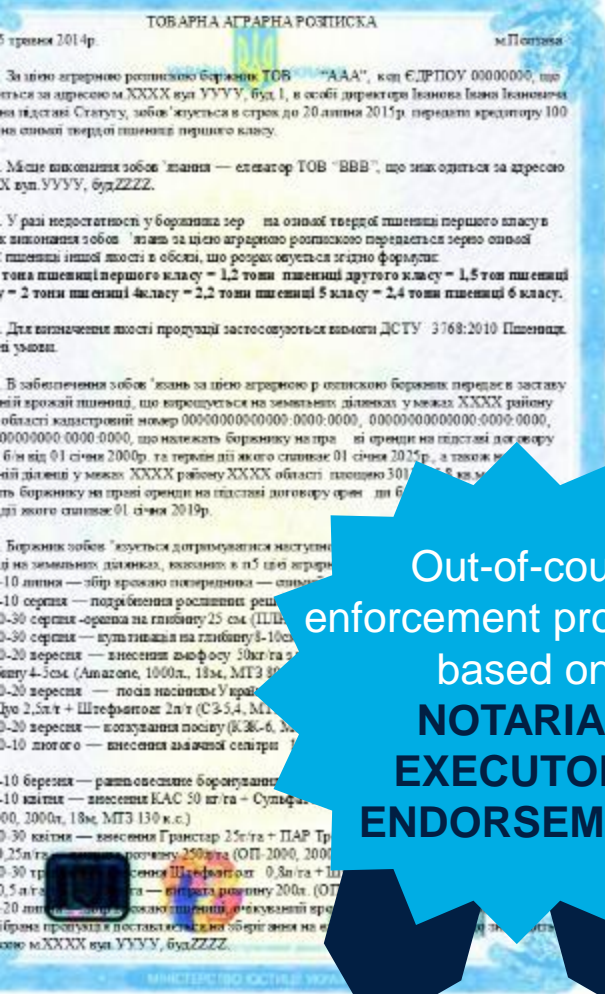
- fixing the amount
at the date of conclusion
- future calculation of the amount
(price, exchange rate)

Н 36

Україна: Бюро міжбанківських гарантованих актів на роздривання.

Crop receipt contains the obligation of the farmer only and is his unilateral act

OUT-OF-COURT ENFORCEMENT



Quick and transparent procedure

- Start from the first day of default
- Clearly defined legislative framework

Indisputable requirements

- A crop receipt without fulfillment inscription is a sufficient proof of the creditor's claims credibility

Collection based on collateral

- Commodity receipts: transfer of the ownership
- Financial receipts: realization and settlement

Additional alternative

- Creditor always has the right to go to court

The fastest and most transparent procedure for protection of creditors' rights in agribusiness

COLLATERAL

Each crop receipt for a specific type of agricultural product

HARVEST



FUTURE CROP
from specific land plots



CORRESPONDING TONNAGE
of agriculture product

In stock, in transit to the delivery point or prior to the payment date, specified in the crop receipt

- Cadastral numbers
- Location area
- Title documentation

Collateral is saved for the next season until crop receipt is fulfilled

CROP RECEIPTS REGISTER



Crop receipt is considered issued and effective on registration in Crop Receipt register (closure of receipts in order of their issuance)



Publicly available information on all crop receipts open at date of inquiry (possible search by debtor, land, etc.)



Access to full information on issued crop receipts and their circulation history subject to consent of both debtor and creditor, and notary's inquiry

| # | Тип розписки | Номер | Дата посвідчення | Боржники | Кінцева дата зобов'язань |
|------|--------------|-------|------------------|---|--------------------------|
| 1381 | Фінансова | 2093 | 02.07.2019 | ФЕРМЕРСЬКЕ Г... ПОДАРСТВО... 2007» | 15.07.2019 |
| 1382 | Фінансова | 2094 | | ...с, сорт культури зерно КУКУРУДЗИ 3-го класу В... | 15.10.2019 |
| 1383 | Товарна | 2095 | | Кількість 10000.00 тон ...моги до якості продукції | 01.12.2019 |
| 1384 | Товарна | 2096 | 03.07.2019 | ...ИСТВА... ОБМЕЖЕНОЮ ДПОВІДАЛЬНІСТ Ю "УКРАЇНА+" | 01.12.2019 |
| 1385 | Товарна | 2097 | | ...ЕРСЬКЕ Г... ПОДАРСТВО... Актив | 01.12.2019 |
| 1386 | Товарна | 2098 | 03.07.2019 | ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІ ДПОВІДАЛЬНІСТ Ю «АКВАВІКА-Т» | 01.12.2019 |
| 1387 | Товарна | 2099 | 03.07.2019 | Приватне Підрис мство "УКРАЇНА- АГРО-2С" | 15.08.2019 |

**INFORMATION
on farmer's obligation
and collateral under open
crop receipts**

Unified state register ensures transparency of collateral and farmers' obligations

MANDATORY TERMS OF CROP RECEIPTS



Title

«Commodity crop receipt» or
«Financial crop receipt»



Delivery date

(commodity delivery or payment)



Obligation

(commodity delivery or payment)



Terms and place of settlement

(commodity delivery or payment)



Creditor bank details



Transfer of rights terms

TRANSFER OPTIONS:

- Permissible
- Prohibited
- Limited



Collateral description



Date and place of transfer



Borrower's details, signature and stamp

Farmer's unilateral act
Creditor's signature is optional

Standard provisions comply with standard agribusiness contracts



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ADDITIONAL AND RECOMMENDED TEXT PROVISIONS



Reference to the contract



Contract value of the crop receipt



Interpretation



Approval of expert institution

POSSIBLE OPTIONS :

- **Contract performance**
The farmer is no longer obliged under the contract and is obliged under crop receipt only.
- **Contract security**
The farmer is obliged under the contract. The Creditor holds the crop receipt as security and levies against it in case of enforcement.

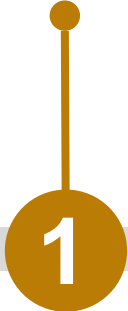
For accounting purposes
Requirement of the crop receipts register

Marketing year
Crop failure

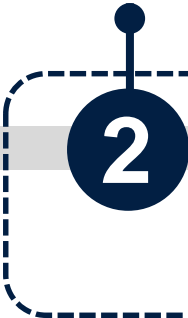
Additional conditions may be included at the parties' discretion

CROP RECEIPT CLOSURE

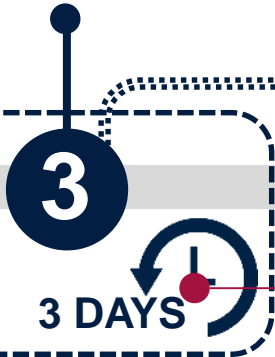
**FARMER
FULFILLS
OBLIGATIONS**



**CREDITOR
MAKES
INSCRIPTION
«FULFILLED»**



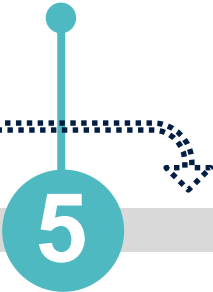
**CROP
RECEIPT
RETURNED
TO DEBTOR**



**CROP
RECEIPT
CLOSED IN
REGISTER**



**STATE REGISTER
OF LIENS ON
MOVABLE
PROPERTY**



Product delivered
commodity crop
receipt

Money paid
financial crop receipt



**in person
or
by registered letter**

Sanctions for violations:
<1 month: 10 min. wages
1-6 months: 100 min. wages
>6 months: 300 min. wages

BUSINESS MODELS WITH CROP RECEIPTS



farmer



Input supplier

financial / commodity crop receipt + supply contract

- 58% of all crop receipts agreements

ENDORSEMENT of crop receipts from distributors to suppliers



farmer



bank

financial crop receipt + loan agreement

- 28% of all crop receipts agreements



farmer



trader

commodity crop receipt + forward contract

- 12% of all crop receipts agreements



farmer



cooperative /
credit union

commodity / financial crop receipt

- 1% of all crop receipts agreements



farmer



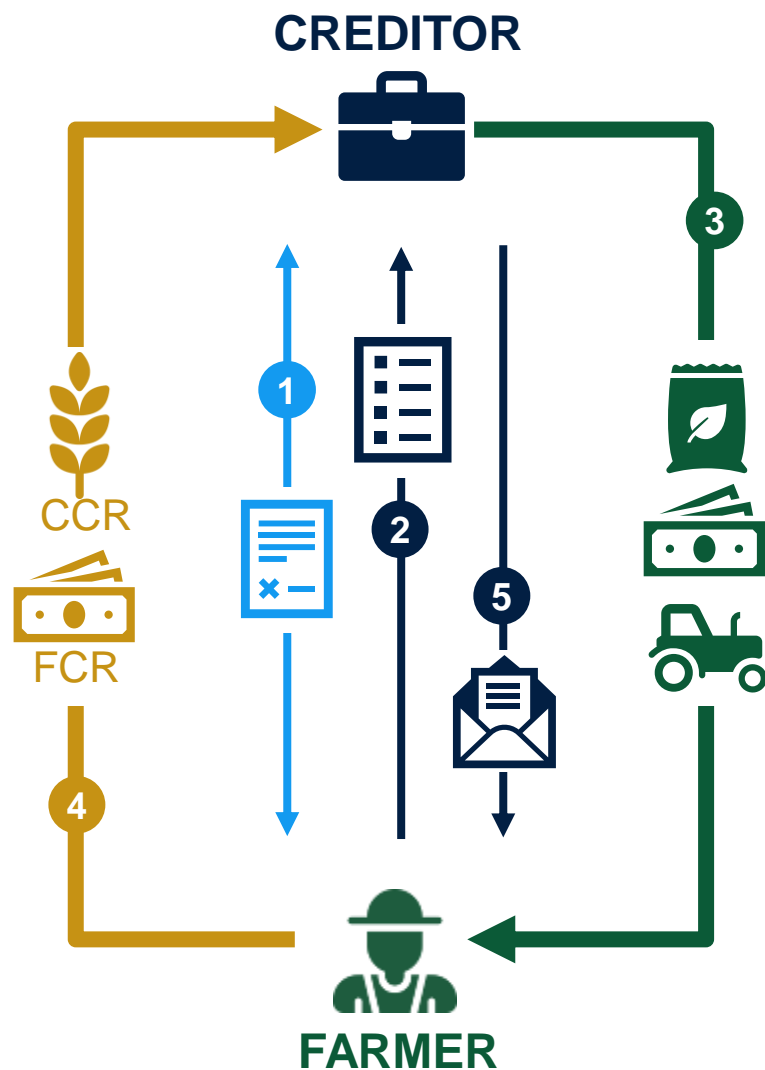
non-resident

commodity / financial crop receipt for non-resident

- 1% of all crop receipts agreements

Business models successfully used in practice

OPERATION MODEL



- 1 Contract with the creditor (supply, forward, loan)
- 2 Crop receipt issuance (commodity of financial)
- 3 Receipt of credit resources (seeds, PPA, equipment, credit, prepayment, service...)

AFTER HARVESTING

- 4 Commodity crop receipt:
delivery of products at agreed terms
Financial crop receipt:
payment of funds
- 5 Receiving a copy of the receipt from the creditor and terminating it in the registers

OUR CONTACTS

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