

# WHAT IS A CROP RECEIPT?



**A Crop Receipt** is a document of title that establishes the debtor's unconditional obligation, secured by a pledge, to deliver agricultural products or to make payment subject to terms specified.



In Ukraine, the first Crop Receipts were issued in 2015 in Poltava region. Till 2017 the Crop Receipts Register worked in a pilot mode in several regions. National Crop Receipts Register was launched in early 2018, and the instrument worked all across Ukraine

## Crop Receipts provide many benefits to the users

- The obligation under a Crop Receipt is secured by the future crop collateral
- Crop Receipts are issued on special paper and notarized
- Information on all Crop Receipts is available in the State Crop Receipt Register
- Legal principles for the operations with the instrument are regulated by the Law of Ukraine 'On Crop Receipts'

### For agricultural producers:



- A Crop Receipt is an opportunity to access credit using future crop as collateral
- Crop receipts are simple to document and easy to be negotiated between farmers and creditors
- Any farmer can use Crop Receipts regardless of his specialization and the size of the land bank. Only properly registered land plot and future harvest is required to issue a Crop Receipt

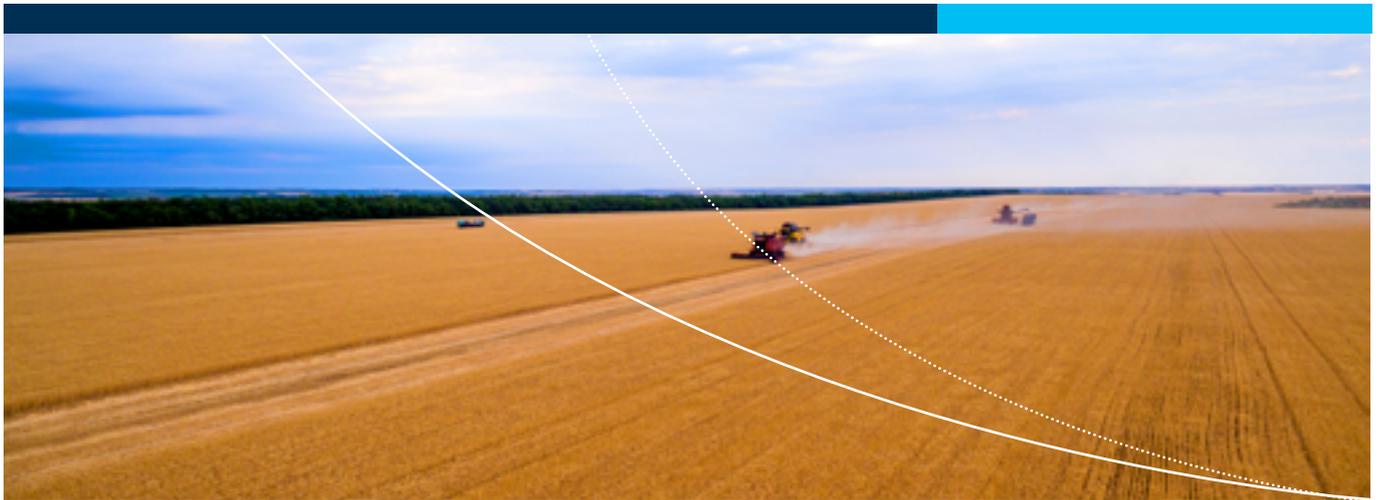
### For creditors:



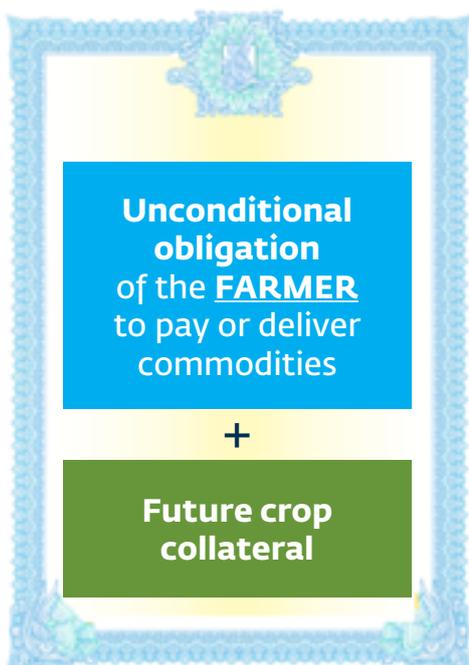
*(any entity or individual providing credit to Ukrainian farmers)*

- A Crop Receipt is a reliable instrument to ensure fulfillment of the farmers' obligations
- Crop Receipts are tailored for agriculture combining key features of the alternative instruments while providing extra benefits for its users





## WHAT IS A CROP RECEIPT?



-  Versatile financing instrument for agriculture
-  Flexible format
-  Notarized
-  Public Register
-  Tradable (transfer of creditor's rights)
-  Out-of-court enforcement



### Types of Crop Receipts:

#### COMMODITY CROP RECEIPT



To deliver a **FIXED QUANTITY OF SINGLE CROP**

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

#### FINANCIAL CROP RECEIPT



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

Formula options:

- fixing the value on the date of issuance
- linking to any variables (i.e. price, currency rate) to calculate the value in future



There are two types of Crop Receipts:

- Commodity Crop Receipts are settled by delivery of agricultural products
- Financial Crop Receipts are settled by payment

### Settlement by payment or commodities delivery – depending on the needs of the farmer and creditor

- The farmer and creditor choose the type of Crop Receipt – Financial or Commodity – based on their business needs.
- For example, banks and financial institutions only work with Financial Crop Receipts, while traders and processors are interested in the receipt of commodities and prefer Commodity Crop Receipts.

**! All Commodity Crop Receipts** specify the amount of the agricultural product, which the farmer is obliged to deliver. It is only possible to recalculate the volume depending on the quality of the product, provided that the formula was specified in the text of the Crop Receipt.

**Financial Crop Receipts** can either specify the agreed amount of money or specify the formula to calculate the amount of money in the future on the moment of settlement. The formula can account for exchange rate or future crop prices, as an example. If the creditor is a local Ukrainian entity, the Financial Crop Receipt is issued in hryvnia. If the creditor as a non-resident, the Crop Receipt can be issued in any other foreign currency. Also, according to the Law, financial Crop Receipts must specify the amount of farmer's obligation (both determined and variable) in the formula that accounts for the crop quantity.

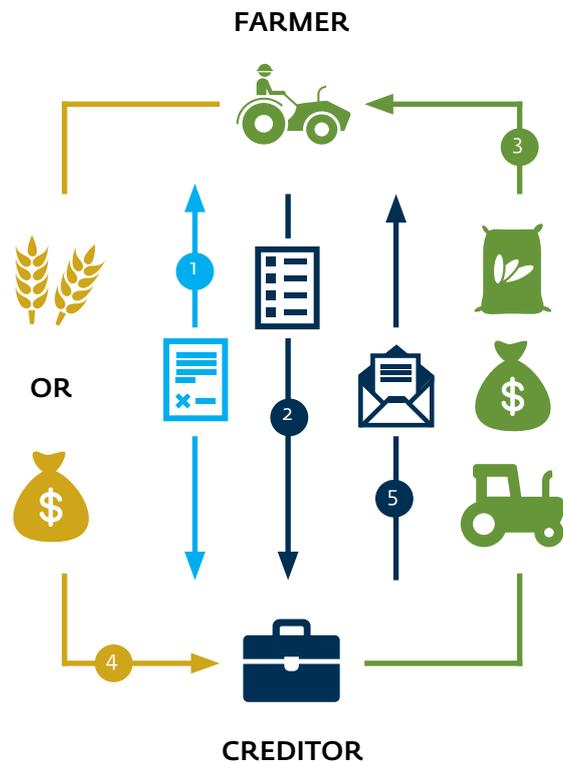
*The farmer's obligation within all Crop Receipts is secured by the **future crop collateral from the specified land plots.** After harvest, collateral is the corresponding amount of agricultural products. Both the land plots and the volume of the commodity is specified in the text of the Crop Receipt.*

*It is considered that all of the farmer's agricultural products, which suit the collateral description, were harvested from the land plots specified in the Crop Receipt.*



Please note that each Crop Receipt is issued only for a single type of crop

# HOW CROP RECEIPTS WORK?



1	Contract with the creditor (supply, forward, loan)
2	Farmer issues a Crop Receipt (commodity of financial)
3	Creditor provides goods or services (seeds, crop protection, equipment, credit, prepayment, service)
4	<b>AFTER HARVESTING</b> Commodity Crop Receipt: commodity delivery Financial Crop Receipt: payment
5	Creditor returns Crop Receipt to the farmer, the Crop Receipt is closed in the Crop Receipt Register and Register of Liens on Movable Property

