



## Catalyzing Rural Prosperity through Affordable Financing

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Root Capital has invested nearly \$500 million in 400 small agricultural businesses to lift people out of poverty in environmentally vulnerable locations in Africa and Latin America.

Among the 2.6 billion people who live off two dollars or less a day, 75% earn their living by producing and selling agricultural products such as cocoa, coffee and cotton. At the same time, demand for these products continues to grow and companies in these industries have profited considerably. Starbucks, for instance, saw its stock price increase by more than 400% during the last ten years. Why do coffee producers remain gravely poor while others in the industry profit handsomely? The main barrier to rural prosperity is an indirect access to the markets and a dependence on middlemen, who purchase produce from farmers at low prices and charge the farmers high interest rates for working capital, which entirely erode the farmers' ability to make more than a subsistence living from their farming.

Willy Foote realized that access to affordable credit for small businesses is the key to ending the cycle of poverty for both local producers and sellers. As a result, Willy created Root Capital in 1999, a non-profit social investment fund that provides affordable capital to small businesses that buy and sell agricultural products, while supplying them with local farming advice that they can transfer to the producers they purchase from. By supplying affordable capital, small businesses are able to purchase more products from farmers at fair prices, as well as provide low-interest-rate loans to farmers. As a result, farmers can now sell to and borrow from these rural small businesses, eliminating the need to rely on exploitative middlemen.

In addition to providing financing as a catalyst to economic growth, Willy also connects small businesses to new markets. He saw an opportunity in the increasing demand for high-quality, locally-sourced products from developing countries. Major corporations, such as Starbucks and Whole Foods, have branded their businesses around these principles. Willy connects small agricultural businesses to these major purchasers, providing reliable buyers for their products and an increased sense of security for farmers and small businesses alike. Importantly these



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customers are important in helping secure financing for farmers. Customers such as Starbucks commit to purchasing farmer harvests in advance and Root Capital uses forward purchase contracts from these credit-worthy customers as collateral to facilitate low-cost loans for farmers.

This retooling of the value chain also produces flexibility to significantly improve the quality of the commodities rural farmers sell and the sustainability of their farming techniques. Large corporations also benefit, in that they are able to give their customers access to healthy, authentic products. But the impact of Foote's model centers on the rural agricultural businesses. Because they are able to increase and diversify the goods they sell, they are now able redistribute a part of their profits into their communities, mainly into schools, health centers, and roads.

Through providing financing as a catalyst to economic growth, Root Capital has affected over 750,000 families in rural areas across Latin America and Africa. He has also improved sustainable farming for over 1 million hectares of agricultural land. By 2016, Root Capital aims to increase its portfolio to \$190 million, reaching 650 businesses.

*Ashoka is the world's largest association of leading social entrepreneurs, with over 3,000 Fellows from more than 70 countries around the world.*