

Explanation of Lending

PRODUCER LENDING PRODUCTS

We offer a range of credit and loan finance products for fair trade producers, farmers and artisans across the world. We also lend to fair trade organisations involved in the production of commodities and handcrafts.

We offer:

Pre-financing: This facility provides sufficient working capital to producer groups to enable them to complete and deliver new orders. Customers can borrow a maximum of 80% of the value of any order received (60% for some commodity orders). Repayment happens once delivery is made and when the buyer pays for the order via Shared Interest Society. We deduct the amount borrowed and any interest due.

Term loans: We offer producer groups term loans primarily for the purchase of assets such as a coffee washing station, cableway for transporting bananas or trucks to transport the produce. Borrowing is usually for between one and five years and repayments are set depending upon the circumstances of the producer group. Loan sizes are determined by the financial situation of the producer group and its ability to repay the loan. We have extended the maximum duration of our term loans from five to seven years in order to assist producer organisations with both pests/disease and climate change, particularly coffee producers who need to renew crops that have suffered with leaf rust in recent years.

Stock facility: We offer producer groups a short term revolving loan for the purchase of stock. Borrowing is for up to a 12-month period and repayments are arranged according to the cash flow of the producer group.

Pre-harvest loan: Similar to a stock facility, this product is available to help producer groups maintain and improve their crops by purchasing fertilisers ahead of the harvest and the setting of contracts.

BUYER LENDING PRODUCTS

We offer a range of credit and loan finance products for fair trade buyers across the world. We also lend to fair trade organisations involved in the procurement of commodities and handcrafts.

We offer:

Buyer Pre-financing credit facility: Fair trade buyers are required to provide a pre-payment to producer groups of at least 50% of the order value if it is requested. However, buyers can find themselves struggling to provide sufficient pre-finance from their own cash reserves. We assist by offering fair trade buyers a facility that can be used to prefinance orders with their producers. In addition a buyer can also benefit from a further credit period of up to six months after the order is received, enabling them to sell their product and receive an income prior to repayment of the amount borrowed.

Term loans: Our first term lending for buyers was approved in 2008. We provide the loans generally for the purchase of assets and for website development or working capital. Borrowing is for between one and five years and repayments are set depending upon the circumstances of the buyer. Loan sizes are determined by the financial situation of the buyer and its ability to repay the loan.