

# CROP RECEIPTS


Seminar for American Chamber of Commerce Kiev  
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**WORLD BANK GROUP**

**IFC** | International  
Finance Corporation

In partnership with:

 Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
State Secretariat for Economic Affairs SECO

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# AGENDA



**Crop Receipts – The Basics**

**Endorsement**

**Crop Receipts as collateral**

**Quizz**

# UKRAINE CROP RECEIPT PROJECT

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

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

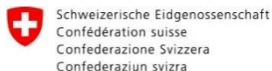
**Project Partners** include government institutions (Ministry of Agrarian Policy and Food of Ukraine, Ministry of Justice of Ukraine); private sector (banks, input suppliers, traders) and international organizations



Міністерство юстиції України



In partnership with:



Swiss Confederation

# REASONS TO BELIEVE



**777** CROP RECEIPTS



**NATIONWIDE**



**200** MILLION USD



**50** CREDITORS



**25** "CROPS" COLLATERALISED



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# WHO CAN USE CROP RECEIPTS?



## **CREDITOR**

**Suppliers, banks, traders,  
processors, alternative  
financial institutions**

## **BORROWER**

**A private individual or legal  
entity, who owns or has the  
right to use agricultural  
land.**

# BUSINESS MODELS WITH CROP RECEIPTS

## CURRENT BUSINESS MODELS



Farmer



Supplier

**Financial or commodity Crop Receipt + supply contract**

**Endorsement** from distributors to suppliers



Farmer



Bank

**Financial crop receipt + loan agreement**



Farmer



Trader

**Commodity crop receipt + Forward contract**



Farmer



Cooperative /  
Credit union

**Commodity or financial Crop Receipt**

## IN DEVELOPMENT

Commodity CR or financial CR issued to non-resident

Endorsement of CR by resident to non-resident

Securitization / secondary market of Crop Receipts



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# CROP RECEIPTS - THE CONCEPT



## CROP RECEIPT

=

1. Document of title
2. Defines debtor's unconditional obligation
3. Secured by future crop pledge on specific land plots

to deliver commodity or agricultural produce

OR  
PAY

## LAND TITLE AND RIGHTS OF USE

Ownership  
Usage  
Lease  
Sublease  
Emphyteusis



Co-operation agreement  
Contract farming



COMMODITY CROP RECEIPT

FINANCIAL CROP RECEIPT

- ✓ NOTARIZATION
- ✓ REGISTER



Land not pledged under Crop Receipt - only future crop

# CROP RECEIPTS REGISTER

ПУБЛІЧНИЙ ПОШУК

Номер запису в реєстрі:

Боржник:

Номер нотаріального бланку:

Кадастровий номер:

Товарні розписки  Фінансові розписки

#	Тип розписки	Номер	Дата посвідчення	Боржники	Кінцева дата зобов'язання
1	Товарна	464	12.04.2018	Товариство з обмеженою відповідальністю «ЛПК Україн а»	31.08.2018
2	Товарна	466	12.04.2018	Товариство з обмеженою відповідальністю «ЛПК Україн а»	30.11.2018
3	Товарна	467	13.04.2018	Селянське фермерське господарство "РЕВІК"	30.11.2018
4	Товарна	468	13.04.2018	Приватна агропромислова фірма "Воля"	30.11.2018
5	Товарна	469	13.04.2018	Селянське фермерське господарство "РЕВІК"	30.11.2018

Publicly available information on all Crop Receipts open at date of inquiry



CR considered issued and effective on registration in Crop Receipt register

Full information on issued Crop Receipts subject to consent of both debtor and creditor

Номери нотаріальних бланків: ННВ656345, ННВ656344, ННВ656343, ННВ656342

Тип розписки:  Товарні розписки  Фінансові розписки

Номер розписки та дата реєстрації:

### Боржники

#	Тип особи	Назва/ПІБ	ЄДРПОУ/ПН
1	Юридична особа	Приватна агропромислова фірма "Воля"	32730636

Тип с/г продукції: Рослинництво

Вид с/г продукції: кукурудза 3-го класу

Опис, сорт культури: 3 клас

Кількість: 1000.00

Вимоги до якості продукції: Вологість – макс. 14. Смітна домішка - ма. Зернова домішка – н

Нормативно-технічні вимоги до встановленої якості продукції (ГОСТ, ДСТУ тощо): ДСТУ 4525:2006



# BENEFITS FOR ALL STAKEHOLDERS

## CREDITOR

Performance secured  
Flexibility and transparency  
Simple and clear legal processes  
Opportunity to generate new business

## FARMER

Accessible and understandable  
Easy to issue  
Able to manage commodity price risk  
Able to build credit history  
Reduced risk of land conflict

# MANDATORY TERMS

## COMMODITY CROP RECEIPT

## FINANCIAL CROP RECEIPT

1	Title Commodity Crop Receipt	Title Financial Crop Receipt
2	Commodity delivery date	Term of payment of funds
3	Creditor's bank details and endorsement terms under the receipt	
4	Obligation to deliver commodity of specified quantity and quality fixed volume or formula	Obligation to pay money according to the formula, that takes into consideration quantity and generic characteristics of the commodity
5	Delivery terms	Payment terms
6	Description of collateralized asset	
7	Date and place of issue	
8	Borrower's bank details, signature and stamp	

**Crop Receipt only valid if (a) information above included and (b) entered in register**

# NOTARY FEES



## FEES FOR PRIVATE NOTARIES TO NOTARIZE CROP RECEIPTS



**200**  
PRIVATE NOTARIES  
CONNECTED TO  
REGISTER

### ① STATE DUTY

(notarization of pledge agreements)

0.01% of pledged asset value

However  $\geq 5$  and  $\leq 50$  pre-tax minimum wages

### ② CROP RECEIPTS REGISTER

UAH 355

### ③ OTHER FEES

extracts, statements, notary letterheads

### ④ COST OF NOTARIAL WORK

Based on actual workload

**Experience to-date - 0.1% - 0.3%**

# CLOSURE

**FARMER  
FULFILLS  
OBLIGATIONS**

1



**Product delivered**  
commodity Crop  
Receipt

**Money paid**  
financial Crop Receipt

**CREDITOR  
MAKES  
INSCRIPTION  
«FULFILLED»**

2



**CROP  
RECEIPT  
RETURNED  
TO DEBTOR**

3

3 DAYS



**In person  
or  
By registered mail**

**CROP RECEIPT  
CLOSED IN  
REGISTER**

4



**PLEDGE CLOSED IN  
REGISTER OF LIENS  
ON MOVABLE  
PROPERTY**

5



## **Sanctions**

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

# ENFORCEMENT PROCEDURE I




Creditor contacts notary and receives a **notarial writ (executory endorsement)**

 On last day of shipment of payment period




On creditor's application, **enforcement proceeding** can be opened immediately

 **1 day**  
No response from farmer required

## COMMODITY CROP RECEIPT




Enforcement officer takes crop (**pledged assets**) and transfers to creditor

 **7 days**  
To transfer pledged asset

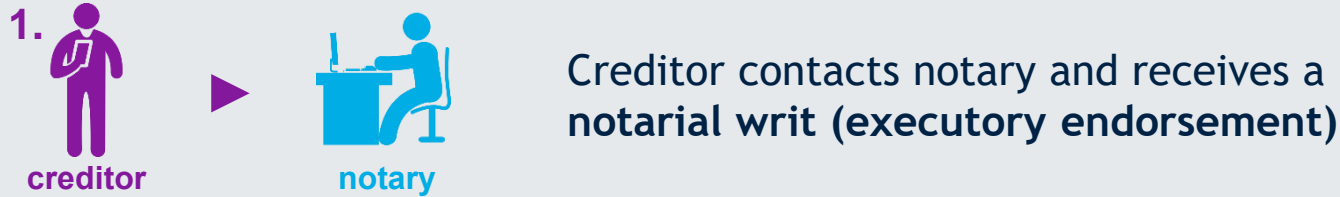
## FINANCIAL CROP RECEIPT




Enforcement officer arrests crop (pledged asset) and **sells it to pay creditor**

 **7 days**  
To transfer pledged asset  
**35 - 45 days** to auction crop

# ENFORCEMENT PROCEDURE II

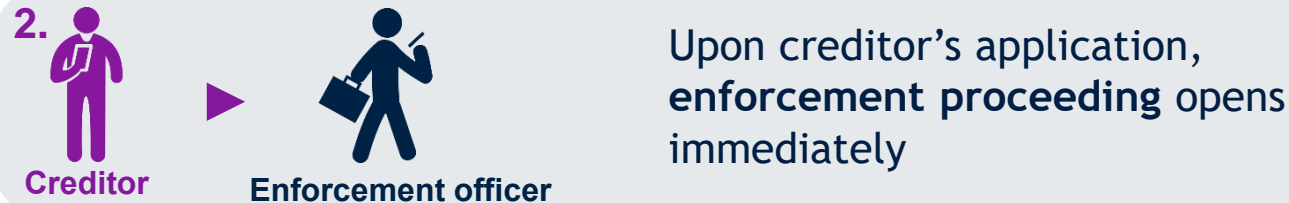



 On last day of payment / shipment period

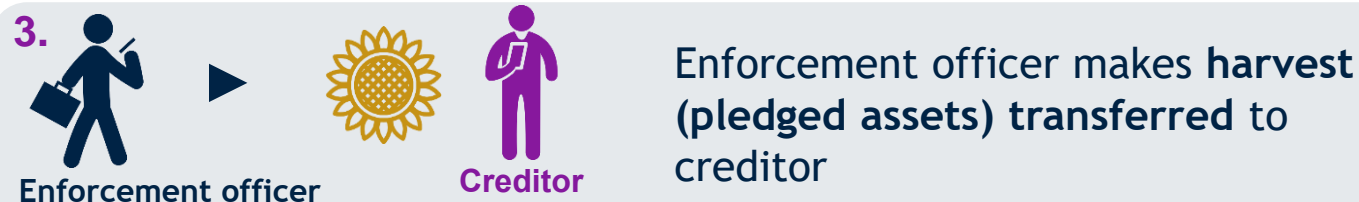
**WHEN** 12 months from day after the last day of the shipment or payment period


## DOCUMENTS

- ✓ Original Crop Receipt
- ✓ Copy of notice to farmer remedy default under Crop Receipt
- ✓ Original mail receipt with description of enclosure document from notice to farmer
- ✓ Application, identification documents and notarized power of attorney



 **1 day**  
No time for voluntary prepayment is provisioned



 **7 days**  
For transfer of the pledged asset

# BENEFITS COMPARED TO OTHER FINANCIAL INSTRUMENTS

	Promissory note (avalised)	Promissory note (non-avalised)	Crop receipt	Future crop collateral	Forward contract
Administrative burden (resources required to manage)	★	★	★	★	★
Speed of issue	☆	★	★	☆	★
Level of security (soft / hard collateral)	★	☆	☆	☆	☆
Cost	☆	★	☆	★	★
Enforcement (speed, ease & effectiveness)	★	★	☆	☆	☆
Flexible pricing (incl. FX)	☆	☆	★	★	★
Endorseable	★	★	★	☆	★
Flexibility	☆	☆	★	☆	★
Transparency	☆	☆	★	★	☆

# ENDORSEMENT (ASSIGNMENT)



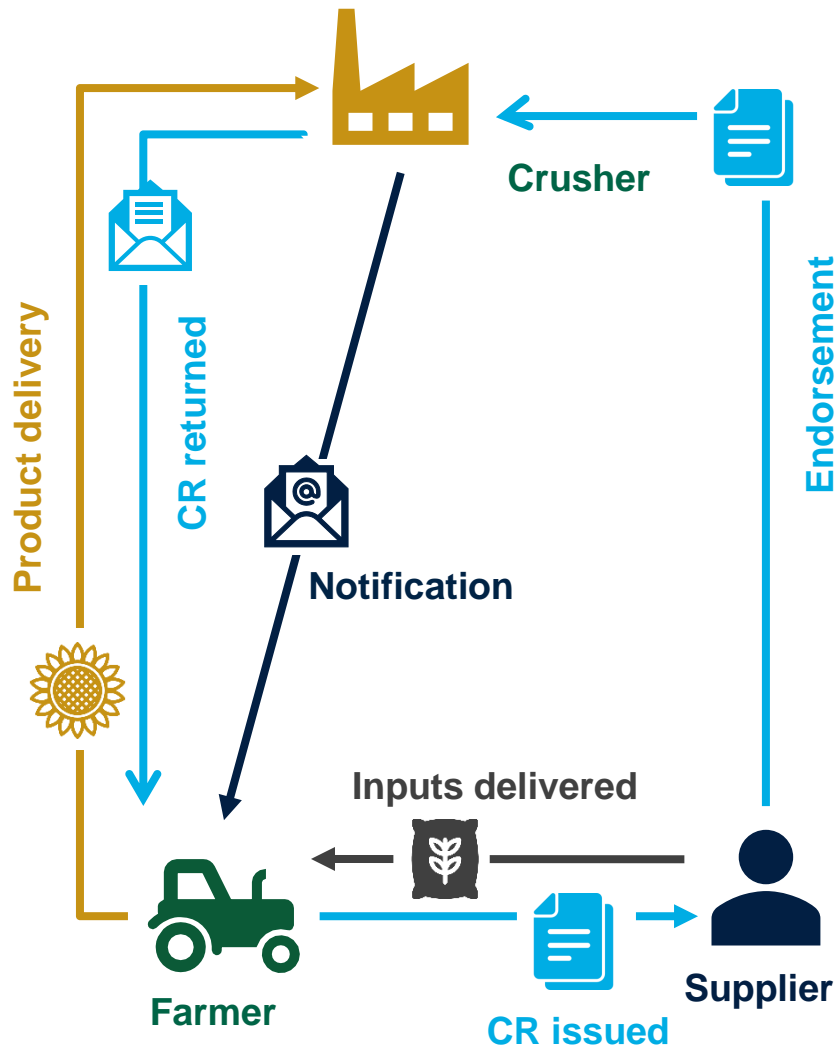
Crop Receipt may be assigned to a different creditor only subject to farmer's agreement

Permission to assign Crop receipt is key terms in Crop Receipt

Crop Receipt may be assigned to any creditor or a list of creditors

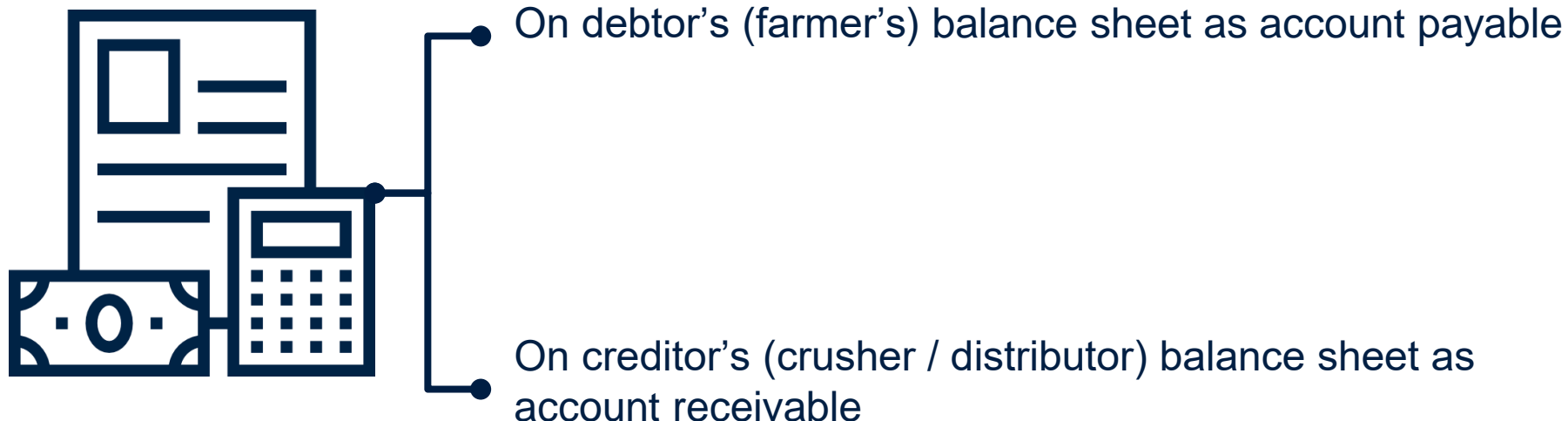


# STEP BY STEP ENDORSEMENT – SUNFLOWER CRUSHER



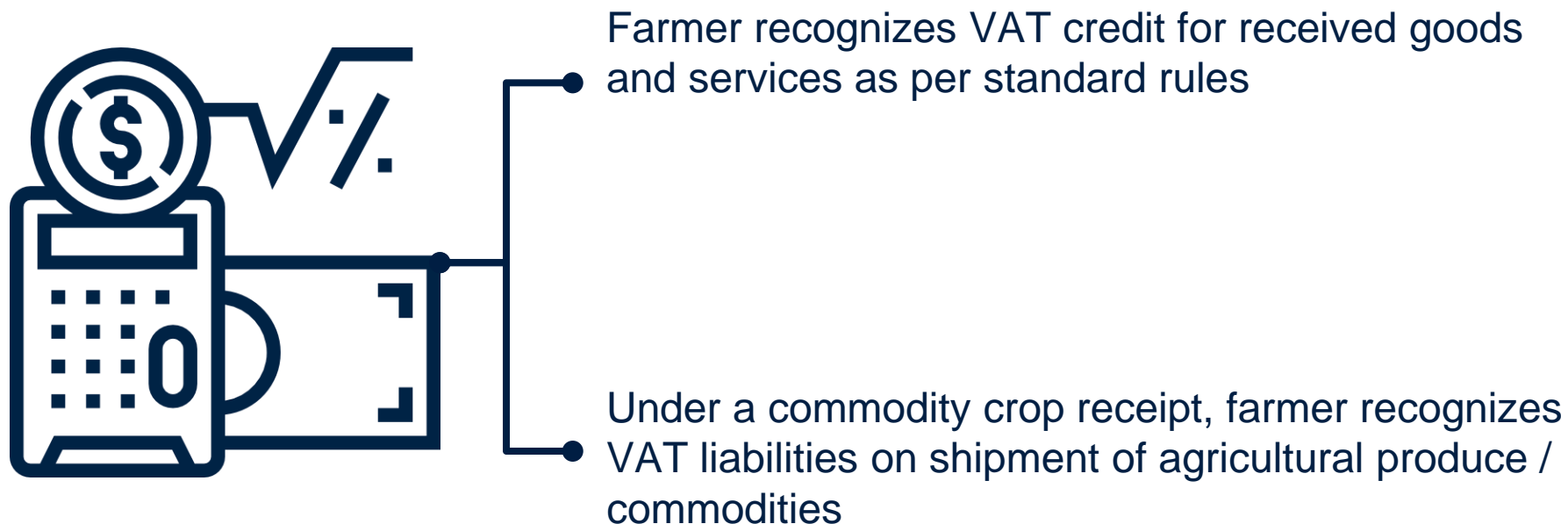
1. Supplier delivers inputs (seeds) to farmer under supply agreement
2. Farmer issues a commodity Crop Receipt as “payment” for inputs
3. Supplier endorses commodity Crop Receipt to crusher based on contract to sell Crop Receipt  
*(endorsement inscription on commodity CR, notarization of this inscription, CCR transfer and receipt act)*
4. Farmer notified on change of creditor
5. Farmer delivers sunflower seeds to crusher
6. After delivery crusher returns Crop Receipt to farmer

Crop Receipt is an asset and is accounted for:



**In case of endorsement, off-balance sheet accounting is not possible**

## Crop Receipt transactions are not subject to VAT:



**Simple and understandable as per general rules of taxation of inputs**

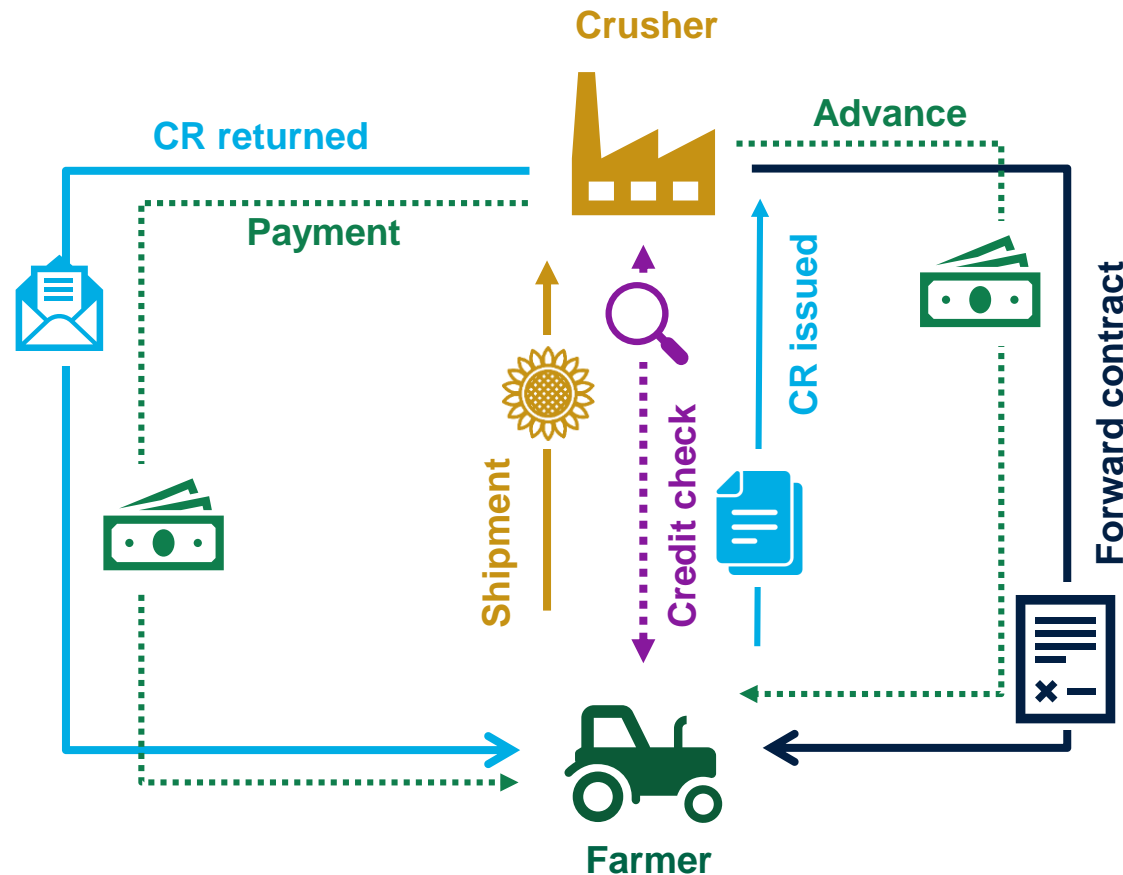
# STEP BY STEP – SUNFLOWER CRUSHER

## SPRING

1. Farmer successfully completes credit risk assessment process
2. Farmer and crusher sign forward contract in spring. Crusher pays cash advance against contract.
3. Farmer issues commodity Crop Receipt.

## AUTUMN

3. Farmer delivers sunflower seed.
4. Payment of the remaining cost of the product
5. On completion of shipment, crusher returns CR to farmer



Commodity Crop Receipt issued as “security / guarantee” for forward contract

# IMPORTANT POINTERS

**Same principles apply for Financial Crop Receipts used as collateral for credit agreement**



**Crop Receipt issued as “performance guarantee” for forward contract / credit agreement**



**Payment \Shipment made under Crop Receipt**



**Fulfillment of Crop Receipt means main contract completed**



**Enforcement under Crop Receipt**



**Any excess funds / money to be reimbursed, after any penalties or losses**

# LINK: CONTRACT, CROP RECEIPT & COLLATERAL



## Contract value < Crop Receipt

- Crop Receipt used to fulfill contract
- Extra money covers interest, costs or penalties under contract or returned to farmer
- Out of court enforcement (via notary) for full CR value

## Contract value = Crop Receipt

- As above but all costs or penalties enforced via court

## Commodity Crop Receipt = Delivery of fixed tonnage

- If tonnage insufficient to cover Crop Receipt or contract value (price drop), difference enforced via court

Need to understand link between contract, Crop Receipt and commodity prices



## **Credit agreement (1m UAH) & Financial Crop receipt (1.5m UAH)**

- Crop Receipt used to fulfill agreement - payment against Crop Receipt
- Extra 0.5m UAH covers interest, costs or penalties under agreement from agreement or returned to farmer
- Enforcement for full value via notary
- If credit agreement and Crop Receipt same value, interest, costs or penalties enforced via court



## **Commodity crop receipt**

- Delivery of given tonnage irrespective of commodity price

# CONTRACT TEXT HARMONISATION

## Recommended text for forward contract

“

*Виконання зобов'язань Постачальника за цим Договором здійснюється шляхом передачі Покупцю сільськогосподарської продукції на виконання Товарної аграрної розписки, яка буде видана Постачальником, як Боржником, на користь Покупця, як Кредитора за Товарною аграрною розпискою.*

”

## Recommended text for Crop Receipt

“

*Ця Аграрна розписка надається Боржником в забезпечення виконання ним зобов'язання в рамках договору купівлі-продажу № \_\_\_\_\_ від «\_» \_\_\_\_ року.*

”



# QUIZZ



## QUESTION 1



Where is a Crop Receipt issued and registered?

1. Village council
2. “ZAGS”
3. Notary

## QUESTION 2



Can the value of the collateralized crop be less than the value of obligation under the crop receipt?

1. Yes
2. No

## QUESTION 3



Can several crops be collateralized on one Crop Receipt?

1. Yes
2. No

## QUESTION 4



Can a Crop receipt be done on land that is used based on a sublease?

1. Yes
2. No

## QUESTION 5



Is the issuance or transfer of any form of Crop Receipt subject to VAT?

1. Yes
2. No



Thank you  
Any questions?