

Financial Restructuring for Agribusiness SME

How to Fix Your Agribusiness Finances Without Taking Another Loan

If you run an agribusiness in Ghana or anywhere in Africa, you know the struggle. You plant in one season, wait months for rain, then wait more months for harvest and sales. But your bills—wages, fuel, rent, loan payments—come every single month. That mismatch kills more agribusinesses than bad weather ever will.

When money gets tight, most people run to borrow more. That only works if your business is structurally sound. If it's not, more loans just dig a deeper hole.

What you actually need is **financial restructuring**. Big words, simple meaning: reorganising how money moves through your business so you stop leaking cash and start building strength.

Here is a practical, step-by-step guide based on real work with a grain processing SME. Three tools. No theory.

Tool 1: Check Your Business Health Honestly (Stop Guessing)

Before you fix anything, you must know exactly what is broken. Most agribusiness owners look at their bank balance and think, "I have 10,000 cedis, I'm fine." That is not health. That is a snapshot.

A proper health check answers three questions:

1. **How many days between paying for seeds/fertiliser and getting paid for your harvest?** If it's more than 90 days, you have a problem. One horticulture exporter we worked with was waiting 120 days. That means borrowing money for four months just to operate.
2. **Are your assets working hard enough?** That tractor, that storage shed, that cold truck—are they bringing in more money each month than they cost you in loan payments and fuel? If not, sell them or share them with other farmers.
3. **What is your break-even point?** Simple: if you harvest 2 tons per hectare, do you cover costs? If the price of maize drops by 20%, can you still survive? Calculate that number. Then you know your danger zone.

What this gave one SME: They discovered that 34% of their money was stuck in old stock and unpaid customer debts. That was not a loan problem. That was a management problem. Once they saw it, they could fix it.

Tool 2: Build a Cash Flow System That Matches Your Farming Season

Bank budgets are monthly. Farming is not. You spend big money for two months (planting) and earn money for one month (harvest). You cannot use a monthly budget. You need a **seasonal system**.

Here is how to build one with a pen and paper—no software required:

- **Create two money buckets:**
Bucket 1 = Survival money (fuel, wages, irrigation, loan payments).

Bucket 2 = Growth money (new land, new equipment).

During hard times, every single cedi goes into Bucket 1. Do not touch Bucket 2 until Bucket 1 is full.

- **Make a 90-day rolling plan.** Every week, write down your expected cash in and cash out for the next 90 days. Update it every Friday. This catches problems early. If you see a dry spell coming in week 5, you can cut costs now, not panic later.
- **Know your minimum survival buffer.** Calculate how much money you need to survive two months of off-season with zero sales. That is your floor. Never go below it. To build that buffer, sell old stock at a discount if you have to. Painful? Yes. But better than closing down.

What this gave one SME: They stopped bouncing salary cheques. They stopped begging suppliers for credit. Their treasurer could look at a Wednesday and say, "We have 23 days of cash left." That is control.

Tool 3: Fix Your Debts So They Match Your Harvest Calendar

Most agribusiness debts fail because the repayment schedule does not match the farming calendar. You are asked to pay in March—when you are buying seeds. But your harvest money comes in August. That is a design flaw, not a failure of character.

Here is how to restructure your debts like a pro:

- **Change your payment dates.** Go to every lender and ask: "Can my payment be due 60 days after harvest instead of during planting?" In Ghana, one processor did this and their cash flow mismatch dropped by 40%. Lenders will often agree because they want you to succeed.
- **Offer different collateral.** Instead of pledging your family land, ask if you can pledge a warehouse receipt for your stored harvest. This is common in Kenya and Nigeria. It protects your land and gives the lender confidence.
- **Split your debt into two parts.** Tell your lender: "Let me split my debt. Part A is small but must be paid no matter what. Part B is larger, but I only pay it if my harvest is above 5 tons per hectare." This is called tranching. It sounds fancy, but it is just sharing risk. Lenders who say no to everything will say yes to this.
- **Ask for a payment holiday on interest.** If you are really struggling, ask to add this year's interest to the principal loan amount. You pay no interest now, but you pay a bit more later. One SME used this to survive a bad season and then paid back faster in year two.

What this gave one SME: Their ability to repay debts went from 0.8 (meaning they earned only 80% of what they needed to pay) to 1.35 (meaning they earned 35% more than needed). Lenders who were threatening to take their assets became partners who offered bigger loans at lower rates.

Final Word: Stop Hoping. Start Structuring.

You do not need a miracle. You do not need a big grant. You need a clear, honest look at your numbers and a simple plan to match your money to your seasons.

Your action steps before next planting season:

1. Calculate how many days between spending on inputs and getting paid from sales. If it is over 90 days, fix that first.
2. Write down your minimum survival buffer (two months of off-season costs). Build it.
3. Call your lenders now—not when you are desperate—and ask to move payment dates to 60 days after harvest.

Resilience is not magic. It is just good planning. And any African agribusiness can do it.

