

Reserve Bank of Malawi (RBM) deputy governor for financial institutions supervision Dr. Grant Kabango has commended the Agricultural Commodity Exchange for Africa (ACE) for introducing the warehouse receipt system.

The Warehouse receipt system is an initiative which allows smallholder farmers and buyers to borrow money from commercial banks using their farm produce as collateral.

Speaking last week in Lilongwe at a workshop on warehouse receipt system, Kabango said the initiative will help to improve the livelihoods of small-scale farmers. "One of the challenges smallholder farmers were facing was failure to access finance and this initiative deals with that problem." He said.

ACE chairperson Dyborn Chibonga stressed the importance of smallholder farmers using the concept. "The system was established to ensure that the interests of smallholder farmers get priority in the activities of ACE. In this system, small traders can access loans to buy more products, thereby increasing profitability. This is also the best way for large traders to access loans," he said.

Chibonga further said the receipt system is not owned by ACE, but everybody. "This system should be utilized by all. This is a contractual relationship agreed upon by warehouse operators, depositors and financial institutions. ACE is just facilitating the interactions," He added. ACE was established in 2004 and has 40 registered users operating in six countries. Chibonga said in Malawi, the system incorporates farmer organizations, nongovernmental organizations and the private sector. He said international interest is predominantly from companies wanting to buy commodities from Malawi through ACE. ACE Principal Advisor, Kristian Wa Moller, said the system will among other things, intensify its awareness campaign so that this concept reaches the 3.5 million smallholder farmers in the country. "We need collective efforts to scale it up so that it reaches as many farmers as we can and hopefully we will do this in the coming years.