

Malawi's first public warehouse receipt has been issued at GSL (a Farmers World Company) silos in Kanengo, Lilongwe. The Agricultural Commodity Exchange for Africa (ACE) and Grain Traders and Processors Association (GTPA) has implemented the system, which is still in the pilot phase, but all the fundamentals are in place. An owner of agricultural commodities can deposit grain and opt to get a warehouse receipt, which can immediately be financed by a bank. This provides buyers an opportunity to purchase more grain of a known quality and quantity, whilst at the same time providing the depositor the prospect of accessing funds to meet immediate needs, while at the same time, keeping ownership of the grain.

A consortium of donors, Common Fund for Commodities, EU, AGRA and USAID COMPETE are funding different components of the system, ranging from software development, rural warehouse refurbishment, training, linking farmers and actual implementation.

Mr Lawrence Chikhasu, owner of Bucow Investment, a small commodity trading company based in Mchinji was the first take advantage of the system. "I am a businessman and I need financing to keep buying maize from farmers. The storage cost is higher than what I am used to, but my maize is secure and the quality and quantity is guaranteed – I don't have to think about post harvest losses anymore." Mr Chikhasu deposited 14.5 MT and received 60% of the value, being MWK 261,000.00 at 20% interest per year. "The warehouse receipt system is making it possible for me to buy much larger volumes and keep the maize till the prices are good. I believe the price of maize will be 35 to 40 kwacha/kg early next year when I want to sell my maize; so I will earn a good premium after paying storage and interest cost."



**Mr Chikhasu receives the first warehouse receipt**



**Maize about to be offloaded at the GSL silos**

The second warehouse receipt was issued to Mr Andrew Kachete, who also operates a small trading business. Mr Kachete deposited 35 MT of Maize and received nearly MWK 600,000 in financing. "This is a very good opportunity for small operators", he said.

Mr Kristian Schach Moller, Principal Advisor at ACE Said "The level of financing and interest offered by OIBM is a good beginning, but I hope to see 80% of the value at 16% to 18% interest per year when more banks are included in the system." The warehouse receipt is

a very secure document, the banks have very little risk in financing these receipts; and, buyers know they will get what they pay for when they buy a receipt – the receipt is a form of performance guarantee". Mr Moller continued, "Delivery on a contract is made when transfer of ownership is done on the receipt; the maize doesn't even have to move for delivery to take place. Trade will be very easy and secure and this should attract more buyers and give Malawi a much more liquid and vibrant agricultural market."