

SUCCESS STORY

Storing Up for a Better Future

Southern Africa Trade Hub improves farmer incomes with innovative receipt system



Warehouse manager Gavin Muteto displays the first-ever electronic warehouse receipt issued in Zambia following months of Trade Hub support

USAID's Southern Africa Trade Hub has been recognized with two major awards for its work supporting WRS.

The President of Zambia, His Excellency Edgar Chagwa Lungu, honored USAID's Southern Africa Trade Hub in October 2015 with an award on behalf of the Zambia National Farmers' Union for the Trade Hub's support for WRS.

In addition, the prestigious Oracle Sustainable Innovation Award 2015 was awarded to USAID's Southern Africa Trade Hub at Oracle's annual conference OpenWorld in October 2015 as a result of the Warehouse Receipts System IT program. The Trade Hub was one of five awardees this year (including CISCO) as selected by a voting board at Oracle in San Francisco.

The Oracle Excellence Awards program recognizes customers and partners that have excelled in driving business value. In particular, the Sustainable Innovation Award highlights the use of technology to support sustainability and efforts that improve conditions for others.

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At the end of every harvest season in Southern Africa, the market is flooded with grain as crops such as maize, soy, and peanuts are supplied at peak levels. Prices are at their lowest of the year, but farmers usually have to sell since they lack secure storage and need cash to buy supplies.

Working closely with local partners, USAID's Southern Africa Trade Hub brought a solution to the Feed-the-Future countries of Malawi, Mozambique, and Zambia. The Warehouse Receipts System (WRS) allows farmers to store grain in accredited, secure warehouses and sell their harvest when prices are favorable, using their warehouse receipt to access finance for new seed and other expenses in the meantime.

The system combines an understanding of traditional agriculture in Southern Africa with twenty-first century technology. An online portal records each farmer's grain deposit and issues an electronic receipt on the spot that can be used immediately for bank financing. Because the loan is secured by WRS, banks are more willing to lend, and often at a lower interest rate.

In Malawi, the Trade Hub worked with the Agricultural Commodity Exchange to establish WRS and increase access to bank financing through a specialized insurance bond facilitated by African Trade Insurance. In Mozambique, the first-ever electronic warehouse receipt was issued on May 28, 2015 when a farmer delivered 740 kgs of maize to Cargill, collected his warehouse receipt, and walked away with a loan approval and his grain safely stored in the warehouse. In Zambia, the Trade Hub worked closely with the Zambian Agricultural Commodities Exchange to help issue the first warehouse receipt on September 16, 2015.

Word has spread to farmers and traders about the access to safe storage and finance offered by WRS. In July, Mozambican farmer Pedro Milanzi deposited his maize when the selling price was 6 Metacais/kg, and sold it in September at 10.5 Metacais/kg: an increase of 68.7% after the costs of financing and storage. "By using the system I was able to increase my profit and use a loan to buy inputs for my business," Pedro explained. "More farmers should use the WRS and deposit their maize in safe storage."

WRS creates incentives for small-scale farmers to join formal value chains and markets, offering them financing at lower rates and fair, transparent pricing based on crop quality standards. Cargill and other companies are also making higher quality inputs available in rural areas to improve agricultural productivity. As a result of USAID's support, WRS is now seen as one of the most important tools for making agricultural finance and safe storage available to small-scale farmers in the region.