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THE GHANA WAREHOUSE RECEIPT SYSTEM: A POTENTIAL MODEL FOR WEST AFRICA

CONFERENCE REPORT

AGRIBUSINESS AND TRADE PROMOTION (ATP) PROJECT

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ACRONYMS

CECAM	*Caisse d'Epargne et de Crédit Agricole Mutuelle*
CPC	*Centrale des Producteurs des Céréales*
GGC	Ghana Grains Council
GFDC	Ghana
METASIP	Medium-Term Agricultural Sector Investment Plan
MFI	Microfinance institution
MIS	Market information system
MOFA	Ministry of Food and Agriculture
MOTI	Ministry of Trade and Industry
NAFCO	National Food Company
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*
USAID	United States Agency for International Development
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union
WRS	Warehouse receipt system

EXECUTIVE SUMMARY

This report is an output of the United States Agency for International Development (USAID) conference on the Ghana Warehouse Receipt System: Potential Model for West Africa, which took place in Accra on September 14-15, 2011. The report was drawn up on the basis of three conference presentations, feedback from participants in plenary sessions and country working groups, and a visit to the nearby Novell Commodities rice warehouse.

The main themes emerging from discussions are as follows:

1) One can identify varied approaches to warehouse receipting and inventory credit, including public warehousing (not to be confused with public ownership); private warehousing, which includes conventional systems of collateral management; and approaches that are exclusively farmer-focused, including cooperative and microfinance-linked approaches. Each of these has its pros and cons, and may be more or less suitable depending on the local context.
2) Building a supportive public policy framework is a key challenge, and the absence of it has prevented some past warehouse receipt system (WRS) initiatives from prospering. This was the case with the Ghanaian pilot of 1993–1997. As the country embarks on another attempt under the auspices of the Ghana Grains Council (GGC), the current policy framework is more favorable. Indeed the best way private stakeholders can ensure supportive policies and policy implementation is to constitute strong and independent national bodies along the lines of the GGC (interprofessional associations, or *associations interprofessionelles* in Francophone countries), and use these to engage the government in policy dialogue.
3) There is an over-riding need to build professionalism and confidence in warehousing, without which depositors and financiers will lose interest. Banks must see warehouse receipts as very secure collateral if they are to lower their risk premiums and actively compete for WRS business. Confidence can best be achieved by ensuring the involvement of competent and experienced people in running warehouses, and establishing rigorous systems of regulation accountable to banks and other key stakeholders.
4) The above-mentioned approaches do not provide all possible blueprints, and each country needs to stand back and consider what is appropriate in its case. The case of Ghana suggests two possible courses of action, one starting with large public warehouses, another focusing on the development of a network of rural merchants/service providers in close contact with farmers. If either or both of these courses of action are followed, they need to be supported with business plans showing how the system can develop and become independent of donor funding.
5) Whatever is done to develop the value chain, there should be a continued search for better ways to integrate farmers. Conventional cooperative approaches often encounter difficulties and there is a need for continued learning and pragmatism in this area.

In the feedback from country work groups, participants indicated that in order to support the widespread development of WRS, there would need to be further investment in warehouses, as well as improvements in management and maintenance. Reports from Ghana and Senegal highlighted the need to clarify ownership of community warehouses.

Government support is mainly concerned with agricultural production, but needs to focus more on marketing and storage. Ad-hoc export bans create considerable market uncertainty, a particularly acute problem in Togo. At the same time, there is generally poor coordination between those who would need to participate in developing national WRS—specifically producer organizations, traders,

microfinance institutions (MFIs), banks, insurers, and government. There were various calls for national workshops to raise awareness about WRS.

Francophone country participants consistently mentioned the absence of legal and regulatory frameworks for WRS, and the lack of provision for public warehouses or transferable warehouse receipts. It would make sense to implement a thorough review of the legal framework surrounding warehousing in the West African Economic and Monetary Union (WAEMU) region. Several country groups mentioned the need for better market information systems (MIS) to support the development of the WRS.

The Nigerian group discussed the great benefits that a national WRS could bring to the country, to firms, and to producers. The Senegalese group called specifically for the establishment of a Grain Council and a WRS pilot in the Senegal River basin, involving a large public warehouses, to demonstrate the concept. Participants from Mali, Burkina Faso, and Nigeria emphasized the need to train producers and their organizations, particularly in literacy, cooperative organization, and management.

1. INTRODUCTION

This report was drawn up on the basis of conference presentations, feedback from participants in plenary sessions and country working groups, and a visit to the nearby Novell Commodities Ltd warehouse. There were three presentations:

- "Warehouse Receipt Systems in Africa," by Jonathan Coulter, consultant in agricultural marketing and post-harvest economics
- "The Ghana Warehouse Receipts System: Success so Far," prepared by Emmanuel Mante, Manager of the GGC, presented posthumously by Karen Hendrickson, GGC Board Member
- "Meeting the Criteria for Success in a C/WRS: The Ghana Experience," by Samuel Owusu, Managing Director of Ecosafe collateral managers, and previously Operations Manager for SGS Ghana Ltd.

The report starts with a discussion of some key themes emerging from the presentations and discussions, and then follows feedback from country-specific working groups focusing on Ghana, Côte d'Ivoire, Senegal, Mali, Burkina Faso, Nigeria, Benin, and Togo. At the end of the report, there is a list of reports on warehouse receipts and related matters to facilitate further reading.

2. WAREHOUSE RECEIPT AND INVENTORY CREDIT MODELS

There are varied approaches to warehouse receipting and inventory credit, each with pros and cons. They are collectively referred to in Francophone countries as "*warrantage*." They can be classified in three main categories: 1) public warehousing, 2) private warehousing, and 3) farmer-focused approaches. These are not exact categories and there is some overlap, but they provide a framework for discussing the topic, as laid out below.

2.1 PUBLIC WAREHOUSING

"Public warehousing" has the following characteristics

- Public warehouses are open to deposits by all comers, including farmers, rural aggregators, agribusiness, etc.; if located in rural areas, farmers are often the leading users.
- They issue depositors with transferable warehouse receipts, so that they can transfer ownership of the underlying stocks to buyers or pledge them to lenders, by endorsement.
- They are often the object of a regulatory regime, the purpose of which is to endow the system with trust, minimize the risk of fraud and malpractice, and ensure the negotiability of warehouse receipts. The regulator may be a government body or one established by the trade itself, e.g., a commodity exchange or body representing the relevant stakeholders (banks, agribusinesses, farmers, etc.).

It is important to be clear that the word "public" does not imply public ownership but that the warehouse receives deposits from the public in general. In some countries (e.g., the United Kingdom, South Africa) people have established public warehouses without any specific legislative framework, and the system is mainly governed by contractual law and jurisprudence. In the case of South Africa, a large portion of warehouses are registered and inspected by the SAFEX Division of the Johannesburg Stock Exchange. This allows the warehouses to issue depositors with transferable silo certificates (i.e., warehouse receipts) that the holders can subsequently deliver to SAFEX in fulfillment of their exchange contracts.

By contrast, many civil law countries, starting with France, have since the 19th century opted for a regulatory framework whereby the state licenses "General Warehouse" companies (*Magasins Generals* in French). These are normally non-trading entities that hold stock on behalf of the public. General Warehousing legislation has been adopted throughout Latin America, but does not appear to be applicable in Francophone West Africa. In the United States, public warehousing of grain took off in the mid-19th century to handle vast quantities of grain when the prairies of the Midwest were opened up to agricultural production. Individual states gradually found it necessary to provide regulatory frameworks to prevent malpractice and fraud, and in 1916 the Federal Government passed the U.S. Warehouse Act, under which the industry is still regulated. Unlike the case with General Warehouses in most civil law countries, American agricultural warehouses are normally trading entities that also provide depositors with fee-paying services (cleaning, drying, and storage) and issue them with tradable warehouse receipts.

2.2 PRIVATE WAREHOUSING

"Private warehousing" occurs in or near public markets, or is carried out with the assistance of collateral managers. The first case is particularly developed at Dawanau market in Kano, Nigeria; indeed some of these services could be considered a form of public warehousing. The second case is evident at the Novell Commodities warehouse that conference participants visited on September 15. Collateral management agreements normally bring together three parties: 1) a lending bank; 2) an individual depositor seeking financing against the security of his stock; and 3) the collateral manager, who is the bank's agent in ensuring the security of the collateral against which the bank lends to the depositor. Ecosafe Ghana Ltd. is an example of a Ghanaian collateral management company. Audit, Control & Expertise Ltd. is a Swiss-based company whose local subsidiary collaterally manages the Novell Ltd. warehouse.

2.3 FARMER-FOCUSED MODELS

"Farmer-focused" approaches are those targeted exclusively at farmer-depositors, and can be sub-divided into two categories: cooperative approaches and microfinance-linked inventory credit.

Cooperative approaches are those where a bank provides a producer organization/cooperative with post-harvest marketing credit in exchange for a charge over the warehoused stock. One example of this is the scheme supported by TechnoServe-Ghana and the Agricultural Development Bank from 1989 to after 2000. Another is the scheme involving the Malian producer organization Faso Jigi and the National Agricultural Development Bank.

Under microfinance-linked inventory credit, as practiced in villages of Madagascar and Niger, stocks are normally held either in community warehouses or in specially conditioned private dwellings under a dual-key arrangement, where one key is held by the producer organization or owner and the other by the MFI. Each bag of grain is normally "identity preserved"[1] in the name of the individual owner; once the loan has been reimbursed and the warehouse opened up, each owner is free to dispose of the grain as he or she desires (for example selling it or consuming it at home).

2.4 APPLICABILITY OF DIFFERENT WRS MODELS

As indicated above, there is often some overlap between these alternatives, for example a public warehouse may sometimes employ a collateral manager so as to give more comfort to banks. To choose between these alternatives, it is important to understand the pros and cons of each in order to identify what fits best in particular circumstances.

Public warehousing requires quite large operations to cover the fixed costs associated with running warehouses and regulatory compliance. In the first conference presentation, Coulter recommended piloting this system with well-capitalized operators with large (e.g., 5,000-ton capacity) warehouses. This does not mean that smaller warehouses (e.g., 1,000-ton) cannot prove profitable; nonetheless, other things being equal, larger operations provide the best chance of gaining the confidence of the banks in the early stages and convincingly demonstrating the virtues of the system.

Scale factors are also important for the use of collateral managers. The visit to the Novell Commodities warehouse showed how collateral management services have facilitated financing of import and export trade of commodities throughout West Africa, giving comfort to the banks and trading companies involved. However, it also begs the question of why such services are not used more to finance the storage of domestically produced food crops like maize and rice. Why is there such a disparity between

[1] Identity-preserved product is maintained in storage so that it remains attributable to its depositor. It can be differentiated from co-mingled product in which the same type, variety (if appropriate), and grade of commodity from multiple depositors is held together so that any part of the common deposit may be issued in delivery against a warehouse receipt, irrespective of the original depositor.

services available to importers and domestic suppliers? The explanation lies largely in the atomized nature of most of the trade in domestic commodities, which makes it difficult to cover the fixed costs associated with the employment of collateral management companies (upwards of $1,000 per site per month, exclusive of the physical handling, security, etc.).

Experiences in Madagascar and Niger show that microfinance-linked approaches can be successful at a much smaller scale, making use of small village warehouses and rooms in domestic dwellings that have been specially fitted-out for the purpose. Management overheads are largely absorbed by the community itself, and the MFI becomes a sort of regulator. It is simplest to implement with crops that are easy to store, such as paddy rice, millet, and groundnuts, and in relatively dry climates, so that pest control does not pose a major challenge. This approach has proved effective in some semi-subsistence environments where farmers want to store the product in their own name (preserve its identify) and, after redeeming their grain, be free to sell it individually or use it for home consumption.

However, such microfinance-linked warehouses cannot provide all the functionality of public warehouses. They are generally low-tech warehouses where farmers store on an identity-preserved basis, making it more difficult to enforce strict grading standards. It is difficult to envisage such warehouses issuing transferable warehouse receipts or being used by larger-scale buyers to bulk up and consolidate supplies in rural locations.

Larger-scale operations involving collective marketing by producer organizations are more likely to be funded by a bank rather than an MFI. This was the case both with TechnoServe in Ghana and Faso Jigi in Mali.

3. CHALLENGES TO ESTABLISHMENT OF SUSTAINABLE WAREHOUSE RECEIPT SYSTEMS

3.1 NEED FOR A SUPPORTIVE PUBLIC POLICY FRAMEWORK

Building a supportive public policy framework is a key challenge. It is a paradox that while WRS are designed to assist governments to stabilize prices, governments sometimes act in ways that have the effect of undermining them. They often intervene at borders or through reserve-stocking activities in ways that upset market fundamentals and make it more difficult for private players using the WRS to foresee seasonal price movements. This discourages these players from storing crops and sometimes exacerbates price rises, quite the opposite of governments' intentions. At the same time, governments are sometimes reluctant to let go of under-utilized parastatal grain handling and storage that could be put to better use by private parties within the framework of a WRS. In the case of Zambia, the failure to push through enabling legislation was a key constraint to the development of the WRS piloted between 2002 and 2007.

The lack of supportive public policy was evident in Ghana's WRS pilot in the 1993–1997 period, as described in the Mante/Hendrickson presentation. After three years of steady growth in volumes deposited, the scheme failed when selected parties were granted ad-hoc exemptions on duty and value-added taxes (VAT) on imported grain. Another contributing factor underlying the failure of the pilot was the use of poor storage practices by the parastatal body (the Ghana Food Distribution Company, or GFDC) that was warehousing most of the produce. Both of these factors resulted in the private parties that were storing maize under the auspices of the pilot suffering financial losses. Part of the problem is that GFDC had competing agendas as both a buyer of grain and as a service provider. The government could have forestalled the storage problem by privatizing the GFDC silos or putting them under private management, but was unwilling to do so, maintaining this position into the following decade.

Current Ghanaian policies are generally more supportive, as can be appreciated from the declarations of the Ministry of Food and Agriculture (MOFA), the Ministry of Trade and Industry (MOTI), and the Medium-Term Agricultural Sector Investment Plan (METASIP) for 2011–2015. The latter provides for the government to support and build capacity of the private sector to store grains. It does this by facilitating establishment of a regulated warehousing system, rehabilitating warehouses, establishing public-private partnerships, linking smallholders to the warehousing system, providing market information, providing necessary infrastructure such as roads, and improving the grading and standard-setting system. Moreover, MOFA and MOTI are seeking the development of a regulatory framework for the warehouse receipts system and a commodity exchange in Ghana. They have convened task forces with GGC involvement. GGC is also collaborating with MOFA to achieve the latter's food security goals.

The Government of Ghana has established a new grain buffer stock agency, the National Food Company (NAFCO), which has taken over the old GFDC storage sites. NAFCO could follow the example of

some other countries, including the U.S., and use the WRS to hold its stocks. If it did this, it would not need to have its own storage facilities, but could hold all its stocks in the form of transferable warehouse receipts issued by private operators. NAFCO may be receptive to such ideas since, during the conference its Managing Director, Mr. Osei-Owusu, indicated that NAFCO would be an off-taker for grains held on the WRS.

Notwithstanding these very positive signals, the feedback from the Ghanaian working group included some residual concerns about government interventions. There was a mention of the lack of "clear-cut policies in relation to imports and exports," echoing one of the problems that derailed the 1993–1997 WRS pilot, and some anxiety about the possibility of "crowding out" by government.

Stakeholder-government relations are unlikely to be a simple matter. Private stakeholders are relatively fixed in their occupation, but politicians and senior civil servants are prone to change and sideways movement, risking a loss of institutional memory. The best thing private stakeholders can do is to constitute strong national bodies along the lines of the Ghana Grains Council (interprofessional associations or *associations interprofessionelles* in Francophone countries), and use these to engage successive governments in policy dialogue. However, it should be noted that in largely atomistic trades such as those for grains in West Africa, it is not easy to establish such bodies on a sustainable basis. Although donor support can provide the basis for the establishment of such organizations, to be sustainable they need steady income streams that can take the place of this initial donor support.

3.2 NEED FOR PROFESSIONALISM, CONSTRUCTIVE REGULATION, AND STAKEHOLDER VIGILANCE

It is critical to ensure that the personnel operating warehouses and issuing warehouse receipts are properly qualified and apply uniformly high standards; otherwise, negligence and fraud can completely undermine confidence in warehouse receipting, particularly among financing banks. If WRS fail to perform properly, the depositors and financiers affected must be able to obtain speedy recourse. Specialist collateral managers have emerged to meet the need for professionalism, backed up by insurance for professional liability and fidelity, but as Owusu indicated in his presentation, some countries have still experienced serious cases of warehousing fraud. This suggests the need for some form of industry regulation or self-regulation, particularly with public warehouses that take deposits from farmers and the public in general.

Ghana has a relatively good record in this area, but stakeholders know they need to be vigilant, for which reason the GGC is seeking to set up a national regulatory framework for grain warehouses. Such regulatory bodies should be accountable to the relevant stakeholders, notably banks, and have the power to intervene quickly in failing warehouses along the lines of receivers, to protect the interests of depositors and financiers.

Regulatory bodies must be shielded from the sort of political influence that could result in the licensing of an unqualified warehouse operator or delay in acting against a failing one. In principle it is quite legitimate for government departments to license warehouses, but in practice this approach risks underfunding and politicization, and a resulting loss of confidence among banks and other stakeholders.

3.3 NEED TO ENGAGE FINANCIAL INSTITUTIONS' INTEREST

The touchstone of an effective regulatory system is the way it is seen by banks. In most African countries, banks have difficulty placing all their short-term loanable funds due to the substantial risks involved. Hence, the way to market the WRS to banks is to show that warehouse receipts are very low-risk collateral, and to bring about a situation where banks compete for the business and reduce their risk premiums accordingly. Conversations with Ghanaian banks suggest that they might eventually cut as much as 7 percent off their normal rates on products where the main risks are substantively covered.

One of the advantages of microfinance-linked approaches to warehousing is that they have less need of a special regulatory framework. The job of oversight falls primarily upon the MFIs involved, and a strong MFI network like the *Caisses d'Epargne et de Crédit Agricole Mutuelles* (CECAMs) in Madagascar can oversee the performance of a large number of local warehouses. Moreover, the decentralization of stock-holding and individual ownership of bags means that there is also strong local accountability.

3.4 NEED FOR A CLEAR UNDERSTANDING OF WRS ROLE AND POTENTIAL

The fragmented or atomized nature of most of the West African grain trade makes public warehousing difficult in most locations. It is easier to establish such warehouses where there are major off-takers (e.g., millers, brewers, and poultry farmers) that require large quantities of grain of consistent quality. Large-scale roller mills are conspicuously absent in West Africa. The ATP scoping study on a regional exchange (Coulter and Aning 2011) suggested that there would be considerable potential for such a public warehousing system in Nigeria, given: (a) the large size of the formal sector grain market (circa 2 million tons), and; (b) that it would meet pressing needs of some of the key aggregators who could themselves become leading warehouse operators. The conference participants from Senegal believe that a large pilot warehouse should be established in the Senegal River valley. There may be scope for similar initiatives in some other major producing areas.

If scale factors make it difficult to establish public warehousing, while the volume of tradable surpluses make the Nigerien microfinance-linked approach unattractive, what can one do? In the case of Ghana, GGC's current agenda contains a range of elements, including building a large network of warehouses (about 350-ton capacity) with drying/cleaning facilities that are accessible to farmers for sale and storage; developing a cadre of competent and well-capitalized rural merchants; ensuring contract performance (delivery and payment) throughout the chain, thereby reducing the cost of doing business; ensuring grades and standards; easing access to trade finance; establishing the warehouse receipt system; and making GGC self-sustaining and independent of donor support.

In reality, the establishment of a network of small rural merchants may not be entirely congruent with the establishment of a public warehouses, for which financial viability requires a larger scale of operation. Hence, to move forward GGC needs to prioritize among objectives and avoid trying to do everything at once. If the priority is to develop the WRS, it would be best to start with some relatively large warehouses run by highly competent and prestigious operators that will attract bank finance and convincingly demonstrate the system within Ghana and the region, that is to say complete the job that the GFDC failed to complete in the 1990s. The large Weinco warehousing site in Tamale might provide a suitable venue.

If the priority is to establish a network of rural merchants with 350-ton warehouses, GGC should focus single-mindedly on this objective. It should build the merchants' capacity as traders, so that they can ensure the quality and grade of their grain, enter into and fulfill contracts, manage their finances, and keep their books. It should also establish a system of contract enforcement, backed up by credible penalties, to ensure delivery and payment. It may be possible to establish a proto-WRS by which these players can obtain credit against pledges to banks; it will not be cost-effective for collateral managers to place staff permanently on each site, but with a combination of surveillance and collateral-based indemnity it may be possible to sufficiently mitigate risks. The merchants may store for farmers, but it will be something less than a system of public warehousing.

As highlighted by one observer during the conference, GGC needs a business plan showing how it can achieve its objectives and become independent of donor financing over a reasonable time horizon. Rural merchants will likewise require business plans.

What about the farmers? There should be a constant but pragmatic search for ways of better including them in the value chain.

A Burkinabé participant asked how the WRS as presented at the conference related to producers; at present he couldn't see their ownership (appropriation) of the system. Such concerns were also raised during the visit to the collaterally managed rice warehouse near Tema, which—far from holding stocks of local product—was facilitating the importation of Vietnamese rice.

In defense of the Ghanaian system, GGC says it is seeking to enlist members from the entire value chain, from producer organizations onwards; indeed there is already a producer organization on the Board of Directors. In addition, farmers are advising on where warehouses should be placed and who the warehouse operators should be. For the main part, GGC is attempting to associate farmers with warehousing initiatives, rather than requiring them to be run by producer organizations. Past experience with cooperative approaches, notably in the case of the TechnoServe scheme in Ghana and Faso Jigi in Mali, suggest that GGC may be correct in this determination.

Due to the high level of seasonal price instability for maize, the TechnoServe scheme proved highly profitable to farmers. Very high interest rates were a problem, but were normally very affordable given the very high level of seasonal price variability. However, the NGO eventually removed its support and the scheme terminated. Mante/Hendrickson describe the scheme as having a few challenges due to its dependence on TechnoServe and the subsidy, but lacking in the necessary sense of ownership to ensure sustainability.

Faso Jigi is a very interesting multi-tiered producer organization located in and around the massive *Office du Niger* irrigation scheme that annually produces around half a million tons of irrigated rice. Faso Jigi allows its farmer-members to access production credit from MFIs, while marketing the product with the assistance of bank loans secured against the product stored in its warehouses. It thereby assists farmers both in intensifying their production and obtaining good prices for their output. According to workshop participants, it is the most prestigious organization of its kind in Mali, but has not performed fully in line with expectations and has not been widely replicated. It has received over 12 years of external support (mainly Canadian) and has marketed up to 7,000 tons of product in a year, which is significant but quite modest in relation to the overall production of the zone. The following problems were mentioned: (a) farmers' debts resulting from default on production loans; (b) frequent delivery of poor-quality product by farmers to Faso Jigi; and (c) a high cost of management more in line with a donor-funded project than a cooperative business. The underlying problem seemed to lie in a lack of sense of ownership at the grassroots level and in the enterprise often being seen as a donor affair, coupled with low levels of education and literacy.

This account suggests that two of the most important cooperative warehousing initiatives in the region have, despite a strong financial rationale, faltered on account of a similar problem: an insufficient sense of grassroots ownership and too much donor dependency. This is somewhat surprising given the expertise and pro-private sector philosophy of the promoting organizations—TechnoServe Inc. and the Quebec Agricultural Producers' Union. It leads to the question of whether there are further insights to be gained from such past experiences, and to whether more could be achieved if support for marketing cooperatives was accompanied by a larger investment in education and training, including literacy, as suggested by the conference participants from Mali.

Notwithstanding these observations, the Burkinabé participant asked a reasonable question. Whatever is done to develop the value chain, there should be a constant but pragmatic search for ways of better inserting farmers and better serving their interests. Several ways can already be identified: (a) forming primary marketing groups that can bulk up and store in a public warehouse, with inventory credit; (b) working with local merchants who provide a range of services, including input supply, outright purchase, storage services etc.; and (c) ensuring that producer organizations build their own capital and constitute themselves as local merchants.

3.5 CHALLENGES BY COUNTRY: FEEDBACK FROM GROUP WORK

Conference participants formed into eight country groups, each of which was asked to answer questions about the adequacy of three factors for implementing warehouse receipt systems in their countries: (a) physical infrastructure, ownership, and management; (b) the policy and regulatory environment; and (c) relationships among key actors. The groups varied widely in terms of the number (from one to more than 10) and the experience of participants, and this makes it difficult to draw firm conclusions. Nonetheless, the group feedback provided some useful insights that are highlighted below.

3.5.1 GENERAL OBSERVATIONS

There is considerable warehousing infrastructure in the hands of parastatal institutions and private traders, and a significant number of village warehouses belonging to local communities or producer organizations. However, to support the widespread development of WRS, there needs to be further investment as well as improvements in management and maintenance.

Government policies focus mainly on agricultural production, rather than marketing and storage. For the most part, there is a lack of awareness of the potential for improving rural livelihoods through WRS. Ghana seems to be ahead of most other countries in this regard. Ad-hoc export bans create considerable market uncertainty, nowhere more than in Togo, a country where nobody lives more than about 70 km from a border and cross-border trade is of major importance to livelihoods.

Francophone participants consistently mentioned the absence of legal and regulatory frameworks for WRS. The regional *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA) law provides a framework for pledges on stock, but there is no provision for public warehousing or transferable/negotiable warehouse receipts. While this does not prevent microfinance-linked inventory credit or collateral management as currently practiced, it would make sense to implement a thorough review of the legal framework surrounding warehousing in the WAEMU region with a view to making improvements.

Conference participants generally reported poor coordination between those required to participate in developing national WRS (e.g., producer organizations, MFIs, banks, insurers, and governments). There were various calls for national workshops on the topic.

Several country groups mentioned the need for better MIS to support the development of the WRS.

3.5.2 COUNTRY-SPECIFIC OBSERVATIONS

Ghana

The country needs warehouse infrastructure that is accessible to farming communities and that is professionally run. A credit guarantee scheme is needed to help implement this. To avoid past problems, it is very important to clearly define the ownership of such warehouses. At the same time, the regulatory framework for WRS needs to be developed in line with current plans.

The private sector needs to communicate to government its ideas on public policy, notably regarding imports and exports of grains, a subject where greater clarity is needed. There should also be a review of existing laws and regulations as they affect private sector involvement. In addition, the public needs to be educated about policy issues.

Burkina Faso

Participants are seeking the enhancement, rehabilitation, and equipping of stores and the development of a network of certified warehouses with the support of the state. There is a need for business and cooperative training and for assistance linking buyers and sellers of grains.

Mali

As in Burkina Faso, participants wanted to develop the WRS, but at the same time stressed the need for literacy training among farmers and stronger producer organizations with staff trained in management and accounting.

Côte d'Ivoire

Group participants indicated that cooperatives are unable to obtain bank credit in Côte d'Ivoire. This and other comments suggest that after years of civil unrest, the country is in a particularly needy state, not least in terms of supportive public policy and stakeholder coordination. Ivorian participants were particularly keen to learn from the experience of neighboring Ghana.

Senegal

The overall policy framework is quite supportive, but there needs to be a Grain Council. The lack of adequate storage results in large price swings. A major priority is a large-scale warehouse pilot in the Senegal River valley that would store rice, maize, and millet. The pilot is needed in a situation where seeing is believing ("don't tell me, but show me!"). This sort of warehouse requires supportive legislation, and in this regard Articles 100-105 of the OHADA law need to be redrafted. There is lack of clarity of ownership of community warehouses, which needs to be sorted out.

Togo

The presenter was a representative of the *Centrale des Producteurs des Céréales (*CPC), which represents 1,096 grassroots producer organizations with 25,877 members, and has started implementing microfinanced-linked inventory credit. Last season, 108 tons were stored, using a network of small (10-ton) warehouses. CPC is prepared to take the lead in establishing a national system of warehouse receipts, with the support of partners and the government, but this will need to include an overhaul of the country's very restrictive policy toward cross-border trade.

Benin

Producer organizations already implement *warrantage* (inventory credit), but there is a need for a national system that would work at different levels with major involvement of producers. It is important to activate civil society organizations to raise stakeholder awareness and advocate with policymakers.

Nigeria

As indicated in the Coulter and Aning study commissioned by ATP, there is major potential for WRS in Nigeria. There are many privately owned warehouses, but standards of management and repair vary widely. The marketing system has numerous weaknesses, including unstable transport costs, lack of storage, under-utilization of much of the existing storage capacity, spoilage, physical loss, price volatility, and high interest rates (21 percent +). A system is needed to address these weaknesses, while being fair to both farmers and agribusiness. There needs to be a source of cheap financing to build suitable warehouses (government intervention funds could be used for this purpose), while state governments need to make the necessary land available at low cost.

By instituting the Abuja Commodity Exchange without a supporting WRS, the country has put "the cart before the horse." The policy framework is currently very weak, although it appears that the government is quite open to ideas from ATP and similar organizations. There needs to be a lot of work in this area, including training of stakeholders and development of stronger producer organizations.

4. RECOMMENDED READING

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