

Case Study: Malawi

**Malawi's Agricultural Commodity Exchange for Africa (ACE) and the Grain Traders and Processors Association (GTPA): Encouraging WRs first steps**

- The Agricultural Commodity Exchange for Africa (ACE) and the Grain Traders and Processors Association (GTPA) have implemented Malawi's first public warehouse receipt system, to help depositors access finance, as well as facilitating trade through the use of these receipts.
- Using this system, an owner of agricultural commodities can deposit grain securely, until it is profitable to sell, and opt to receive a warehouse receipt, which can be used to obtain immediate finance from a bank. This potential to time grain sales to obtain better prices, access cash and secure storage, provides incentives for grain warehousing and allows grain buyers and traders to access more grain of a known quality and quantity.
- A consortium of donors including, the Common Fund for Commodities, the European Union, the Alliance for Green Revolution in Africa and USAID COMPETE are funding different elements of the system which requires software development, rural warehouse refurbishment, training, and linkages with farmers to become a fully operational warehouse receipt system, benefitting smallholder farmers and other depositors alike.
- In July 2011, the first warehouse receipt was issued at GSL Silos in Kanengo, Lilongwe. Lawrence Chikhasu, owner of Bucow Investment, a small commodity trading company, was the first to take advantage of the new system; Bucow Investment deposited 14.5 metric tons.
- Three banks, Opportunity International Bank of Malawi, Standard Bank and the National Bank of Malawi consider the warehouse receipt to be a secure, tradable document and WRs financing as a reduced risk loan and expressed their willingness to provide finance on ACE's receipts.
- In October, ACE hosted the sale of a warehouse receipt totaling 35.319 MT of maize. The quantity and grade was guaranteed by Grain Security Limited. The receipt had been issued on August 3rd, when prices were around \$179 per MT. After only 2 months of storage the receipt owner received a price of \$216 per MT, increasing his profit on the stored maize by \$1265.
- Additionally, the maize sold within 2 ½ hours of the receipt owner listing his price, with clear indications that the market was moving up and that he probably could have listed his maize at an even higher price and made more profit than he actually realized. This is an indication of how a properly functioning warehouse receipts system can benefit depositors, even after a relatively short period of storage and for a relatively low value commodity.