

Warehouse Receipts Finance and Insurance

A look at how WRS and Value Chain Finance have been Implemented around the Region

Ian Goggin Structured Trade Specialist
USAID/COMPETE Program

Warehouse Receipts

What is a warehouse receipt?

1. Document of title (ownership) of the goods described on the receipt at the location at which they were deposited.
2. Negotiable document (can be bought and sold).
3. Makes financing easier by using the receipt and the underlying commodity as collateral.
4. A document certifying possession of a commodity in a licensed warehouse that is recognized for delivery purposes by an exchange.

What is a warehouse receipt?

7. A receipt of commodities deposited in a warehouse, identifying the commodities deposited.
8. Document guaranteeing the existence and availability of a given **quantity and quality of a commodity in storage**; commonly used as the instrument of transfer of ownership in both cash and futures transactions.

Requirements for successful Warehouse receipts system

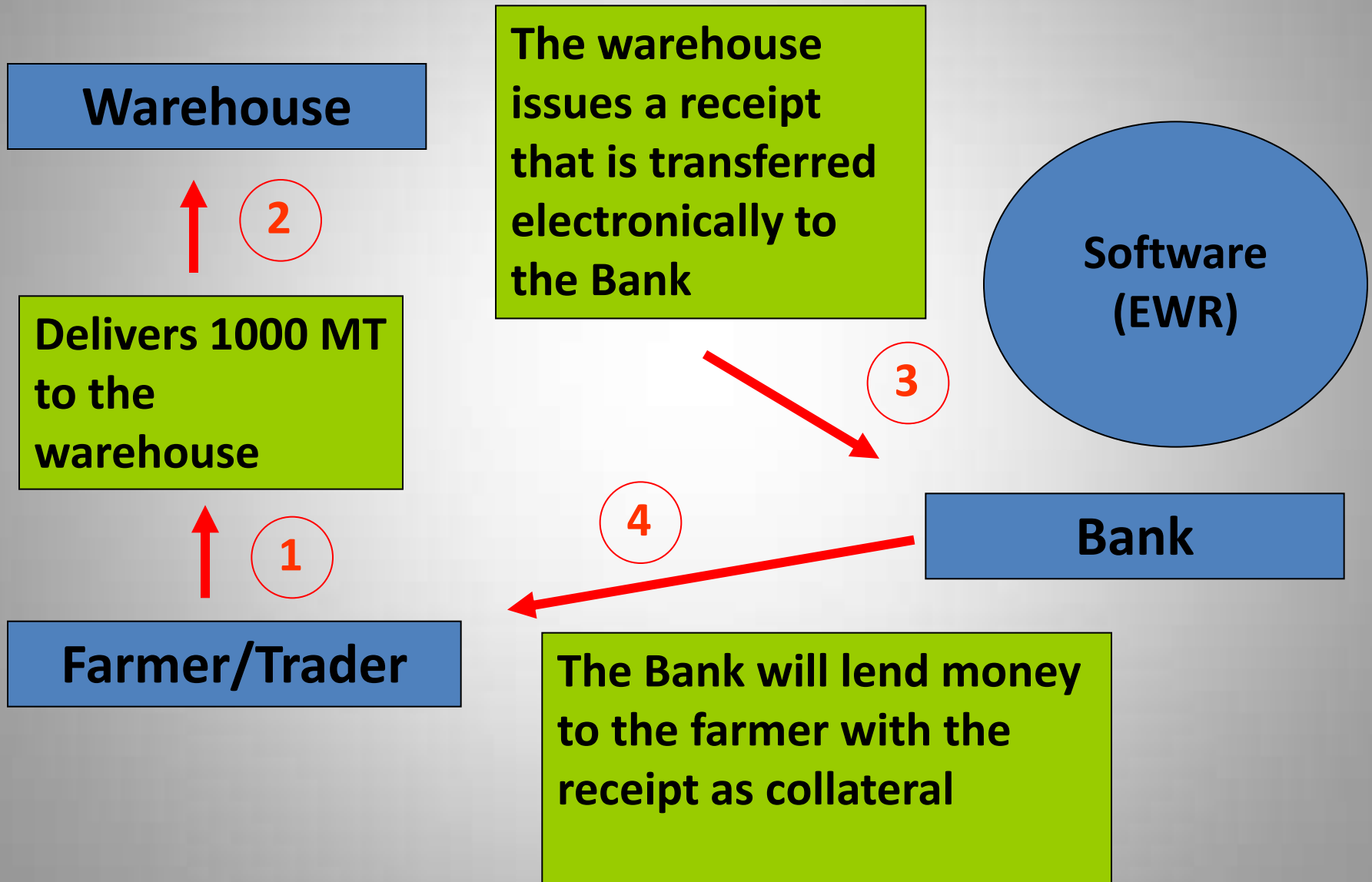
For viable WRS:

- **Build discipline and trust in the warehouse- integrity is key;**
- Economies of scale to save costs of oversight and administration;
- Cut costs of financing that are passed on to farmer;
- Find correct balance of regulatory oversight by state;
- Bond and insurance requirements against default, loss or theft.

For viable transferrable/negotiable receipts:

- Specific licensing of warehouse operators for WR;
- Establish tracking system for WR to register every change of ownership (to ensure only one party has legal title);
- Establish clear legal rights for receipt bearers and legally establish receipts as documents of title.

Warehouse Receipts



BY SILO OWNER _____

CT OF SILO _____

D FROM
(SITOR) _____



ZIMACE
ZIMBABWE
AGRICULTURAL
COMMODITY
EXCHANGE



STORAGE AND HANDLING CHARGES

Storage and handling charges have been paid on the product covered by this certificate up to and including the last date endorsed below by the silo owner.

STORAGE AND HANDLING CHARGES PAID UP TO AND INCLUDING

STORAGE AND HANDLING CHARGES PAID UP TO AND INCLUDING

DATE

DATE

SIGNATURE OF SILO OWNER

SIGNATURE OF SILO OWNER

DATE

DATE

SIGNATURE OF SILO OWNER

SIGNATURE OF SILO OWNER

DATE OF ISSUE

QUANTITY (DIGITS)

DAY	MONTH	YEAR

QUANTITY (WORDS)

PRODUCT															
<table border="1"> <tr> <th colspan="2">WHEAT - PREMIUM</th> </tr> <tr> <td>PROTEIN</td> <td>SPECIFIC WEIGHT</td> </tr> <tr> <td>11% +</td> <td>75 Kg/hl +</td> </tr> </table>	WHEAT - PREMIUM		PROTEIN	SPECIFIC WEIGHT	11% +	75 Kg/hl +	<table border="1"> <tr> <th colspan="2">OTHER COMMODITY</th> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </table>	OTHER COMMODITY							
WHEAT - PREMIUM															
PROTEIN	SPECIFIC WEIGHT														
11% +	75 Kg/hl +														
OTHER COMMODITY															
<table border="1"> <tr> <th colspan="2">WHEAT - STANDARD</th> </tr> <tr> <td>PROTEIN</td> <td>SPECIFIC WEIGHT</td> </tr> <tr> <td>10.5% +</td> <td>75 Kg/hl +</td> </tr> </table>	WHEAT - STANDARD		PROTEIN	SPECIFIC WEIGHT	10.5% +	75 Kg/hl +	<table border="1"> <tr> <th colspan="2">GRADE ONE</th> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <th colspan="2">GRADE TWO</th> </tr> <tr> <td> </td> <td> </td> </tr> </table>	GRADE ONE				GRADE TWO			
WHEAT - STANDARD															
PROTEIN	SPECIFIC WEIGHT														
10.5% +	75 Kg/hl +														
GRADE ONE															
GRADE TWO															
<table border="1"> <tr> <td>MAIZE</td> <td>AB</td> <td> </td> </tr> </table>	MAIZE	AB													
MAIZE	AB														
<table border="1"> <tr> <td>MAIZE</td> <td>AB</td> <td> </td> </tr> </table>	MAIZE	AB													
MAIZE	AB														
<table border="1"> <tr> <td>BEANS</td> <td>B</td> <td> </td> </tr> </table>	BEANS	B													
BEANS	B														

ISSUED AT _____

DATE _____ SIGNATURE OF SILO OWNER _____

RECORD OF TRANSFER OF SILO CERTIFICATE

The undersigned transferor, who on the first occasion of transfer shall be the depositor, hereby endorses this certificate and certifies that on the transfer date stated he is the owner of the product covered by this certificate and that the silo owner's lien shown on the face of this certificate, there are no liens or other encumbrances on said product except as stated hereon.

NO.	TRANS. DATE	TRANSFEROR'S NAME	TRANSFEROR'S/AGENT SIGNATURE	TRANSFEE'S NAME	TRANSFEE'S/AGENT SIGNATURE	ZIMACE WITNESS

The buyer nor the seller nor the holder of this silo certificate nor any other person shall have any claim against ZIMACE or any of their members, representatives or employees for delivery of the product or for any loss or damage arising from non-delivery or defective delivery of the product or for unsuitability or poor quality of the product delivered or for the inactivity of the silo owner.

Summary

- Points for discussion: -
- Legislation or not?
- If yes, what should the legislation cover?
- Benefits of having legislation?
- Benefits of not having legislation?

Observations

- It surely cannot be coincidence that the countries in which WRS work best have no legislation, but do have buy-in from the banks – South Africa and Malawi (Zimbabwe).
- Where legislation is in place programs have not been too successful, Uganda, Tanzania (successful WRS operates outside the system) and Zambia.

Thank You.