International Finance Corporation: Supporting Farmers through the Global Warehouse Finance Program

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Agricultural commodities are stored in warehouses before shipment, and in most cases, farmers need to sell their production earlier than they desire to meet their urgent financial needs. Warehouse financing is a secured lending technique that allows farmers access to finance secured by commodities deposited in warehouses. It is especially beneficial for farmers and small- and medium-sized entrepreneurs, who are often unable to secure borrowing requirements due to lack of sufficient conventional loan collateral. Warehouse financing allows banks to shift risk from borrowers' fixed assets to the commodities that farmers produce. It also allows farmers to enhance income by having more flexibility in timing sales to protect against price seasonality.

The IFC's Global Warehouse Finance Program (GWFP), established in late 2010, aims to increase working capital financing to farmers and agriculture players by leveraging their own production. The Program supports the agriculture sector by providing banks with liquidity and/or risk coverage for assets that are backed by warehouse receipts or equivalent (such as Collateral

Management Agreement or Stock Monitoring Agreement). According to a market study conducted by IFC in 2009 which covered 15 countries worldwide, the availability of warehouse financing is between zero and seven percent of financing needed in less developed emerging markets. The GWFP was established to address that gap and to build capacity among local financial institutions to provide this type of financing.

Under this Program, IFC offers a short-term loan to a bank, which will in turn use the funds to lend to farmers, cooperative unions, aggregators, exporters or traders against warehouse receipts or equivalent. IFC can also provide guarantee up to 50 percent of short-term loans extended to those agriculture borrowers by a bank. To date, IFC has financed soy beans, maize, grain, wheat, rice, sugar, vegetable oil, coffee, cocoa, cashew nuts, cotton, sesame seeds, sunflower seeds and oil, among others, in countries such as Burundi, Rwanda, Senegal, Cote d'Ivoire, Togo, Benin, Ghana, Guinea Conakry, Cameroun, Nigeria, Tanzania, Guinea Bissau, Kenya, Ethiopia, Mozambique, Mali, Angola, The Gambia, Paraguay, Brazil, Guatemala, Colombia, Peru, Egypt, Kazakhstan, Ukraine, Bosnia, Montenegro, Moldova, Croatia, Russia, Indonesia, and Vietnam. The Program is expected to reach up to 208,600 farmers across emerging markets in all regions and contribute to food security for 7.5 million people by 2016.

To showcase an example from Latin America, IFC helped one bank in Paraguay increase its support to local exporters of soybeans, corn, and wheat. IFC signed a short-term debt agreement with Sudameris under GWFP in 2011 to provide $15 million to expand access to finance for local farmers and small- and medium-sized entrepreneurs in the agribusiness sector, in which Paraguay has a strong competitive advantage. In 2012, Sudameris increased their agricultural portfolio by 60 percent in less than a year due to GWFP's intervention.

IFC has committed to knowledge sharing activities in the area of warehouse financing since the inception of GWFP. In June 2012, IFC facilitated the 1st Global Warehouse Receipts Conference in Ethiopia which was attended by 270 participants from 21 countries. IFC also published the warehouse finance guide called "Warehouse Finance and Warehouse Receipt Systems - A Guide for Financial Institutions in Emerging Economies" and is scheduled to organize warehouse financing workshops in emerging markets. IFC will continue to provide knowledge sharing opportunities and welcomes any input toward warehouse financing to GWFP@ifc.org (mailto:GWFP@ifc.org).

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