



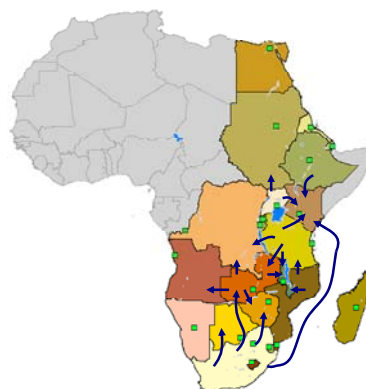
Increasing food security through regional grain trade

Presented at the
AAMP Policy
Seminar
by
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What is required?

- COMESA region produces surplus of 4m MT of maize, yet there are many pockets of deficits
- Intra-regional trade in maize is limited

Regional Trade Flow



Pre-requisites for expanded regional trade

- Market Intelligence
 - Timely and accurate info. on production, consumption, export/import, market prices, and cross border flow
 - Documentation of trade policies
 - Export/import, phytosanitary etc
 - Inquiries to buy & offers to sell

Pre-requisites for trade...

- Freer Market - An enabling environment
 - Predictable export ban policy using trigger stocks
 - KE, TZ, Ethiopia, Malawi, Zambia, (creates uncertainty in the market)
 - Govt banning of trade by private sector, setting of prices
 - Policy harmonization e.g Grades & Standards, cross border harmonisation

Pre-requisite for expanded trade...

- Good infrastructure
- Organized sector players
- Market systems operational-Risk Management (Warehouse Receipt System, Commodity Exchange...)

What is EAGC doing?

About EAGC

It is a member-based organization for the grain value chain

- **Membership**
 - All stakeholders along the grain value chain
 - Producers, Processors, Traders
 - Service Providers (Whse Keepers, Transporters)
 - Financial sector (Banks, Insurance)
- **Current Members are** from UG, KE, TZ, Zambia & RSA

Mission Statement

- Our mission is to bring order to the regional grain trade, practicing and promoting approaches to trade that help farmers, suppliers, processors, traders and consumers transform their businesses and lives

What services does EAGC offer?

- Provide timely and accurate regional grain market information
- Linking buyers to sellers
- Provide training on contracts, standards, arbitration, Warehouse Receipt System.
- Provide quick dispute settlement through arbitration
- Liaising with Govt. regulatory authorities on grain trade policies
- Coordinating the WRS

EAGC role in grain trade facilitation

- Promoting structured trading systems
- Open border policies

What is Structured Grain Trading System?

This is a system in which grain is traded in an organized way using systems;

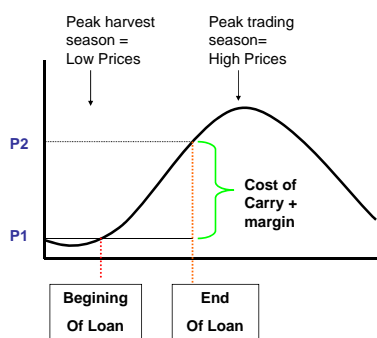
- Farmers are organized and can aggregate volumes
- Proper storage facilities exist and are used
- Grades and standards are known & harmonised
- Rules of trade exist, contracts are used and honored
- Policy environment is predictable
- Market Intelligence exist and price can be discovered at a commodity exchange
- System in which Warehouse Receipts are used by stakeholders

What is a Warehouse Receipt?

An EAGC warehouse receipt is a title document stating a precise quantity of known quality of a commodity, held in a known store

EAGC Warehouse Receipt

Warehouse Receipt System

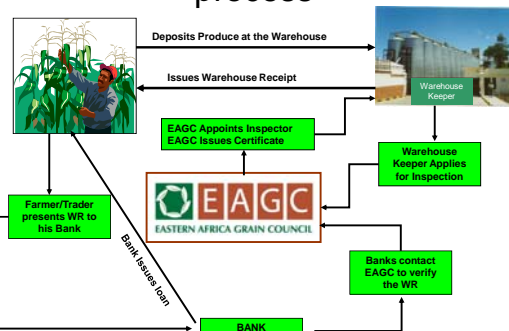


- Create choice – producers do not have to sell immediately after harvest
- Get funds through loans for a crop without selling
- Stabilise a crop price by controlling supply
- Orderly marketing
- Processors do not have to buy and store all commodity at once
- Reward for storing crop well
- Creation of a new type of collateral in a single

Prime Players

- Producers and traders who deposit commodities in the warehouses
- Warehouse operators who provide secure storage and issue warehouse receipts
- Inspectors who certify warehouse standards
- Lenders who accept receipts as collateral
- Insurers who insure contents against loss
- EAGC as a regulator to coordinate the system

Warehouse Receipt financing process



What was done during pilot

- Farmers -small and large scale deposited maize at Nakuru silos; managed by Lesiolo
- 11,000 bags of maize went through the system.
- All of the maize was financed and loans repaid after sale
- Farmers made profit over 800Ksh/bag
- FSD provided financial support



Plans for coming season

- Sensitize and train the grain value chain players, farmers, traders, millers
- Certify more warehouses in the grain basket
- 8000MT (about 80,000 bags) of maize to go through the system
- Depositors able to get financing secured by WR

EAGC Development Partners



Thank You

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USAID Mission Director, Mr. Eric Ward, July the sign of the launch of the Pilot Warehouse Receipt System in Kenya at The Eastern African Grain Council in Nairobi. 07/24/09, 12:00 PM

Receipting system in warehouses to end farmers' woes with middlemen

By THOMAS M. MURPHY
 NAIROBI (AP) — Small African farmers who have long been at the mercy of middlemen are now able to sell their produce without exploitation, according to a report published by the U.S. Agency for International Development. A report published recently in the January 2009 issue of the journal "Development" says that the U.S. Agency for International Development (USAID) is helping to launch a pilot warehouse receipt system in Kenya. The report says that the system will allow farmers to sell their produce directly to the market, bypassing middlemen who have often exploited them. The report also says that the system will help to increase the income of small farmers and to reduce their dependence on middlemen. The report is part of a larger effort by USAID to help to improve the lives of small farmers in Kenya. The report says that the system will be a major step towards ending the exploitation of small farmers by middlemen. The report also says that the system will help to increase the income of small farmers and to reduce their dependence on middlemen. The report is part of a larger effort by USAID to help to improve the lives of small farmers in Kenya.