Farming is an inherently risky enterprise, and access to finance is a major challenge for farmers, especially small farmers in poor countries. Warehouse financing is a lending technique that allows farmers in emerging countries to get credit from banks secured by their harvested crops stored in warehouses.

Warehouse financing enables banks to reach small farmers who would otherwise be difficult to support. In Senegal, it will benefit both importers and exporters of food crops, and support the livelihoods of many small farmers.

The Global Warehouse Finance Program (GWFP) was created in 2010 to increase working capital financing to farmers and agricultural producers using their crops as collateral. In 2012, the program was approved for $500 million. GAFSP will contribute an additional $20 million to GWFP to expand the program in low-income countries and for riskier crops. In the first GWFP project to receive investment and advisory support from GAFSP Private Sector Window funding, IFC is guaranteeing up to $20 million of loans made by Banque Internationale pour le Commerce et l’Industrie du Senegal (BICIS), supporting a portfolio expected to reach up to $40 million.

EXPECTED RESULTS:

The main beneficiaries of this project will be importers of food crops and exporters of cash crops, who will be offered affordable finance as an alternative to expensive informal loans from middlemen. By financing more working capital to farmers, suppliers, processors, traders and others along supply chains, the project will positively impact food security, employment, and the livelihoods of many small farmers.

The project will help to reduce post-harvest losses by improving storage conditions and stakeholder accountability. It will allow commodities owners more freedom in timing the sale of their products, thus helping reduce income instability due to commodity price volatility – a big concern in markets such as Senegal, where agricultural infrastructure is limited. The initiative will support capacity-building of commodity exchanges and help to lower transaction costs in the markets by guaranteeing quantity and quality.

By providing a first-loss guarantee, the project will help overcome perceived or real risks that currently limit access to finance to Senegal’s agricultural sector. In an advisory role, IFC will contribute its financial structuring expertise to BICIS, and will require BICIS to inspect warehouses to ensure borrowers are in compliance with E&S standards and to develop and implement appropriate E&S procedures.