

Guidelines to be formulated for Warehouse Receipt Financing:
Deputy Governor SBP

Deputy Governor of the State Bank of Pakistan Mr. Saeed Ahmad has said that development of commodities physical trade and marketing system is inevitable for improving performance of the agricultural sector. He was chairing a meeting on formulation of Working Group on Development of Warehouse Receipt Financing. The working group will have representatives from leading commercial banks, Islamic banks, International Finance Corporation (IFC) and ACE Control & Expertise Global (Pvt.) Ltd. He said that the working group will serve as a platform for all stakeholders to identify bottlenecks and devise strategies to establish a mechanism for Warehouse Receipt Financing in the country. He stressed upon formulation of guidelines for introduction of warehouse receipt financing to enable farmers, traders, aggregators, processors and exporters in getting access to formal financing.

In the meeting, it was pointed out that Pakistan produces around 30 million tons of grains including wheat, rice and maize but the storage capacity provided by the federal and provincial food department is only for around 5 million tons. Consequently, Pakistan's agri. sector suffers from a compounded problem of a lack of infrastructure and market structure for agri. produce. The resulting inefficiencies impact all market participants and keep the sector away from becoming competitive.

SBP has initiated the development of storage, marketing and post harvest financing system in collaboration with Karachi Stock Exchange, Pakistan Mercantile Exchange (PMEX), Pakistan Banks Association (PBA), Competitiveness Support Fund (CSF) and Pakistan Farmers Association. SBP has already launched a refinance scheme for construction of silos & warehouses for agri. produce at subsidized rates to encourage private sector participation.

Mr. Saeed Ahmad said that the adoption of warehouse receipt system would facilitate development of efficient and accessible rural financial systems. "In addition, banks will find it profitable to finance the construction of new warehouses under such scheme as profitability of the new businesses is more clearly identified under this system. Markets transparency is another crucial element that comes along the proposed scheme. All players will be able to know and act on the National Spot Prices."

Deputy Governor urged his team to closely work with Pakistan Mercantile Exchange (PMEX), banks and Farmers and other players to structure and rollout system of warehouse receipt financing in the country on fast track basis.

Development of storage capacities will save billion of rupees to the national exchequer through curtailment of post harvest losses of more than 10 percent for grains and 30 to 35 percent for fruits and vegetables. It will also pave way for linking commodities markets with international commodities exchanges through trading against Warehouse Receipts.

* * *