



Foundations For Establishing Warehouse Receipt Financing System in Myanmar : Some Reflections

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Three Pillars of MAPCO – Corporate Core Agendas



MRF, and by Extension MAPCO, has always been interested in Warehouse Receipt Financing...



MAPCO is a business arm of MRF, covering not only rice but also other agribusinesses, and is formed to mobilize investment in agriculture and agro-based industries.



- Sustainable Food Security
- National Stockpile management
- Effective & Efficient Coordination along Supply Chain, Value Chain
- Food Safety & Environment Conservation

Identifying & joining the dots: 2018, in collaboration with IFC came up with Paddy Quality and Grading System



- Domestic & International Trade
- Investment in Agribusiness Sector
- Contract Farming
- Fertilizer Distribution
- Seed Production & Distribution
- Infrastructure & Logistical Development
- Special/strategic Industrial Projects

Empirical country experiences – many new dimensions and benefits BUT also pitfalls ...



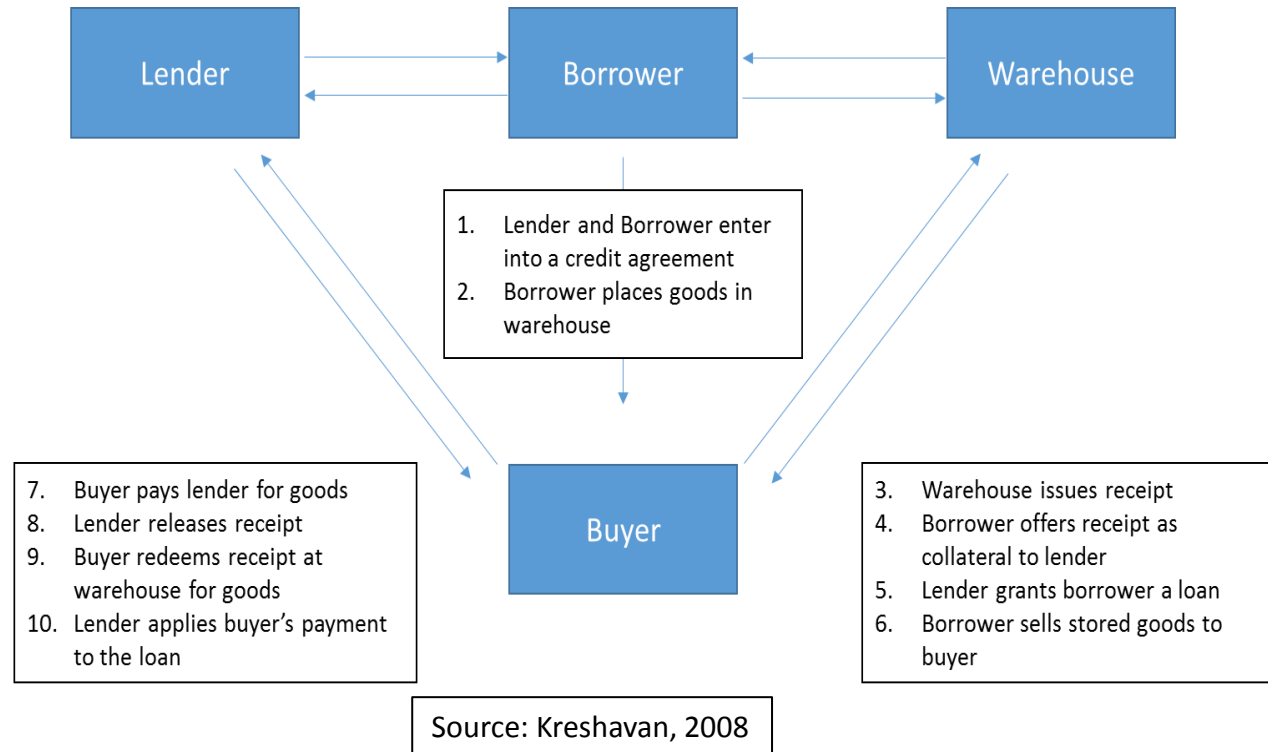
- Market Harmony & Sustainability
- Policy advocacy to Government
- Price & Supply Stabilization (Buffer Stock Practices)
- **Warehouse Receipt Financing**
- Commodity Exchange Centers (COMEx)

With digitalization (IoT, Blockchain & Big data) – Need to Re-imagine Future Warehouse Receipt Financing System for Myanmar

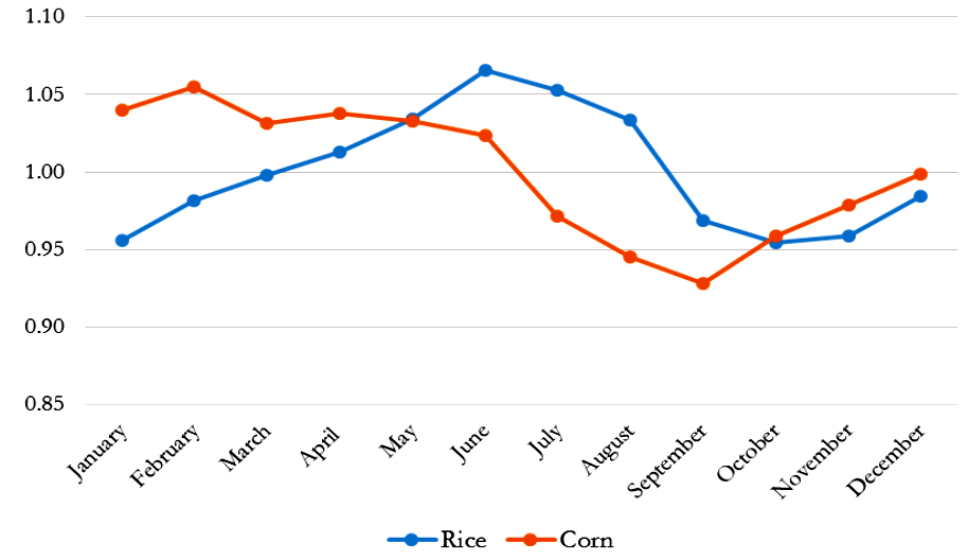
WHY WAREHOUSE RECEIPT FINANCING?

- Traditionally governments and lending institutions extended credit to farmers to boost productivity at farm level
- With Warehouse Receipt Financing, the postharvest financing pain point is addressed - farmers avoid selling immediately after harvest when prices are low

Basic features of a warehouse receipt financing transaction



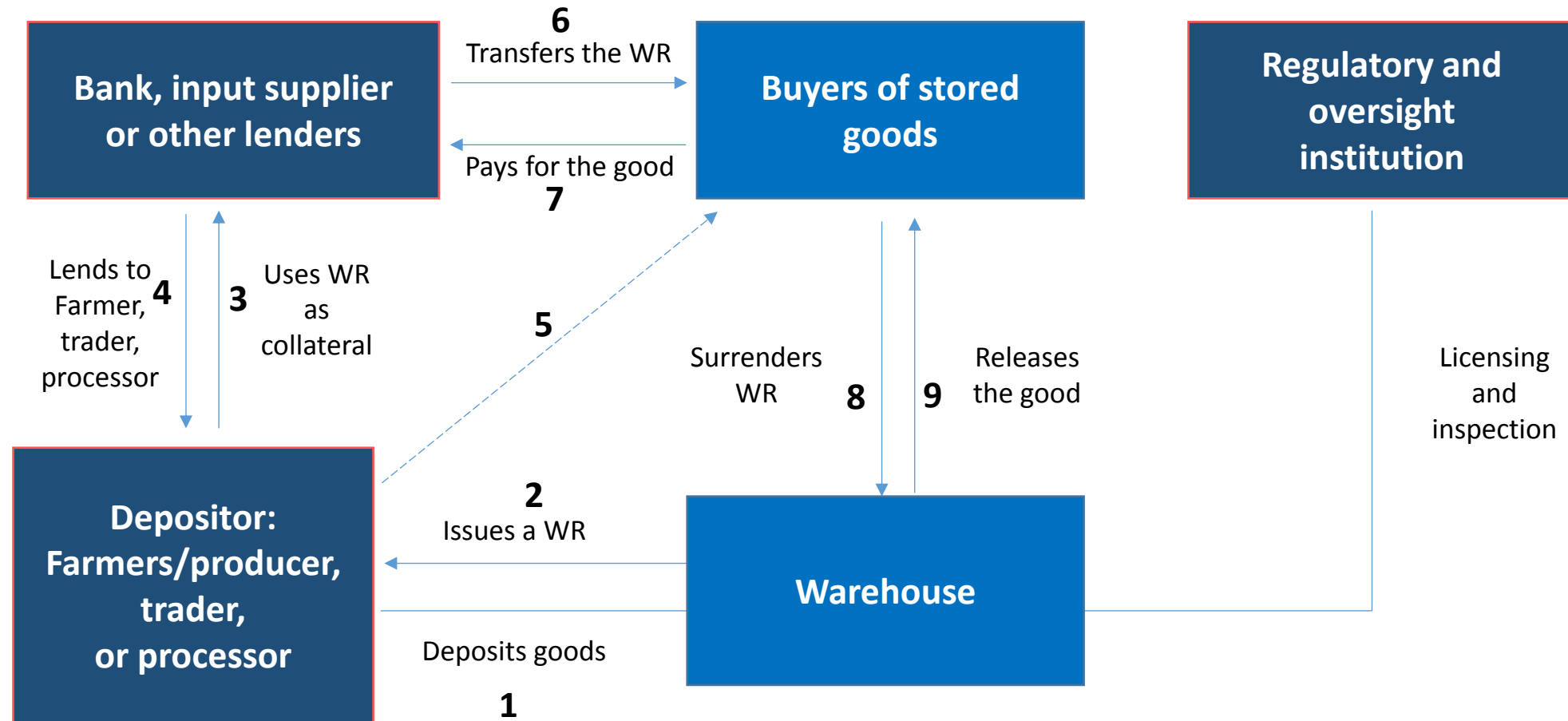
Seasonal Price Index, 1990-2015



Source: Briones and Tolin (2016)

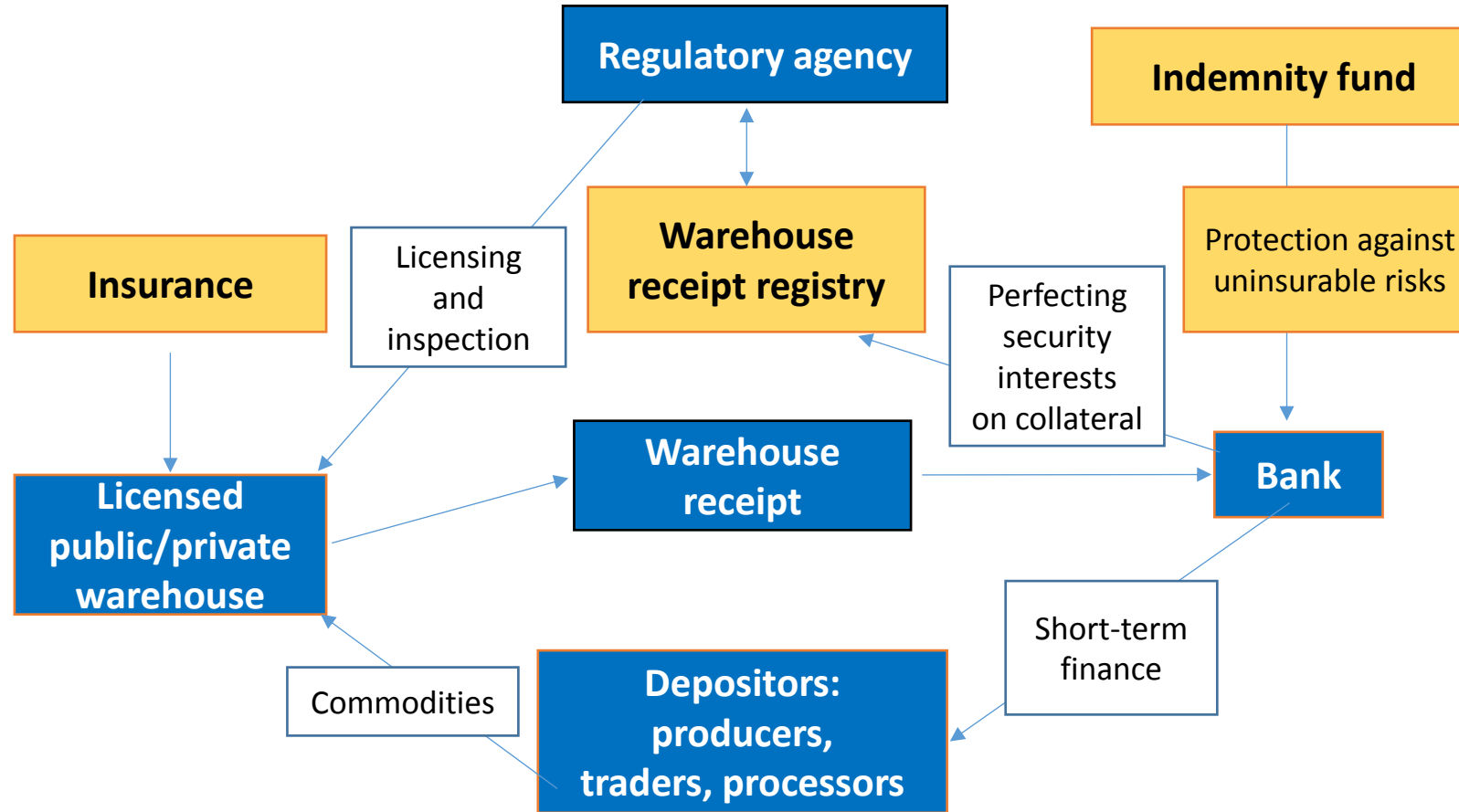
- Since 2000s, many developing countries adopted and adapted warehouse receipt financing system and added new dimensions and obtained additional micro and macro benefits

HOW? SCHEMATIC OF MATURING WAREHOUSE RECEIPT FINANCING SYSTEM



Source: Adapted from Wehling and Gathwaite, 2015

HOW? ELEMENTS OF WELL-DEVELOPED /MATURED WAREHOUSE RECEIPT FINANCING SYSTEM



NEW DIMENSIONS:

- Countries which performed well – structured Legal and Institutional framework – separate Regulator established by Act of Parliament
- Progressively better structured and covering incremental number of commodities

BENEFITS (Micro and Macro):

- Farmers – loans against WR quicker; increasingly better price realization; resulting in higher profit/income
- Informal money lender charging hefty interest will be crowded out
- Encourage better scientific storage – reduce post-harvest spoilage/wastage (from current 15-30%) – crowd in modern warehouse investment especially private sector – which in turn increase scientific storage of farm produce in market driven value chains
- Banks – WRF average tenor less than 6 months with collateral - – great help to asset-liability mismatch issues for agric loans
- For overall economy - it can significantly reduce inter-seasonal prices fluctuations and increase liquidity in rural economy, facilitating consumption – in toto, often leading to a lower inflation-lower interest rate regime in successful countries

CAUTIONARY NOTE:

- ‘All that glitters is not necessarily gold’
- Preconditions and Foundations crucial – incremental approach immediate, medium and longer term – step by step, fit for purpose within individual countries - Multiple Objective and Multi-sectoral Planning

- Crucial to have a proper legal framework Acts and regulations – as a bed rock. All successful countries has focused much effort in getting this right and continue to make on course corrections (amendments). The institutional framework should also transform in tandem with that of the legal framework
- Crucial to scope out the key components of the WRF system as the system evolves, as empirical evidence has shown that there is an apparent sequence for the introduction and functioning of components of an increasingly mature WRF system. In tandem with this is the capacity building of stakeholders in the key components with an emphasis on transformational leadership at all levels.
- Continuously onboarding of the key stakeholders and ensuring their continued participation and feedback so as to incrementally improve the performance of the system and its relevance over time.
- A well constituted core team or working group comprising select key stakeholders be established and allowed to evolve and drive the development and functioning (increasingly in a multifunctional manner) as systems transform – evolving quality and standards, registries and assessment of impact and performance as well as bottle necks preferably involving well structured pilots

MOVING FORWARD & CONCLUSION

- Guided by Myanmar's shared vision of developing its agriculture sector and having to produce more with less in an inclusive, resilient and sustainable manner in future, developing an increasingly interconnected WRF System constitute a key strategic thrust
- The above account of some reflections culminated in some foundations for the desired WRF system that should be built up by the key stakeholders in the respective value chain acting in tandem in Myanmar's effort to 'Build Forward Better' post Covid-19 and international disruptions to global, regional and national value chains
- The hallmark of more successful countries in economic, agriculture and digital transformation is the ability and discipline to make on-course corrections, especially strategic ones with the dovetailed development objectives, strategies, and action plans which are invariably interconnected. The effort to develop a 'fit for purpose' Warehouse Receipt Financing System should be guided by this cognizance.
- Relatedly, as the potential benefits from WRF will be greatly enhanced by digitalization, IoT, block chain and big data analytics, the proposed public, private, people partnership should include the young one (MRF's Young Entrepreneurs Society?)
- Towards this end, we must continue steadfastly to get the basics and balance right, while opening our minds to ideas and to adopt, adapt and become adept at them while forging a Warehouse Receipt Financing System for Myanmar and then executing it step by step.
- There-in lie the real challenge!



THANK YOU!

Kye Zu Tin Ba De !

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