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საქართველოსთვის
The European Union for Georgia



POTATO WAREHOUSE FINANCE SCHEME

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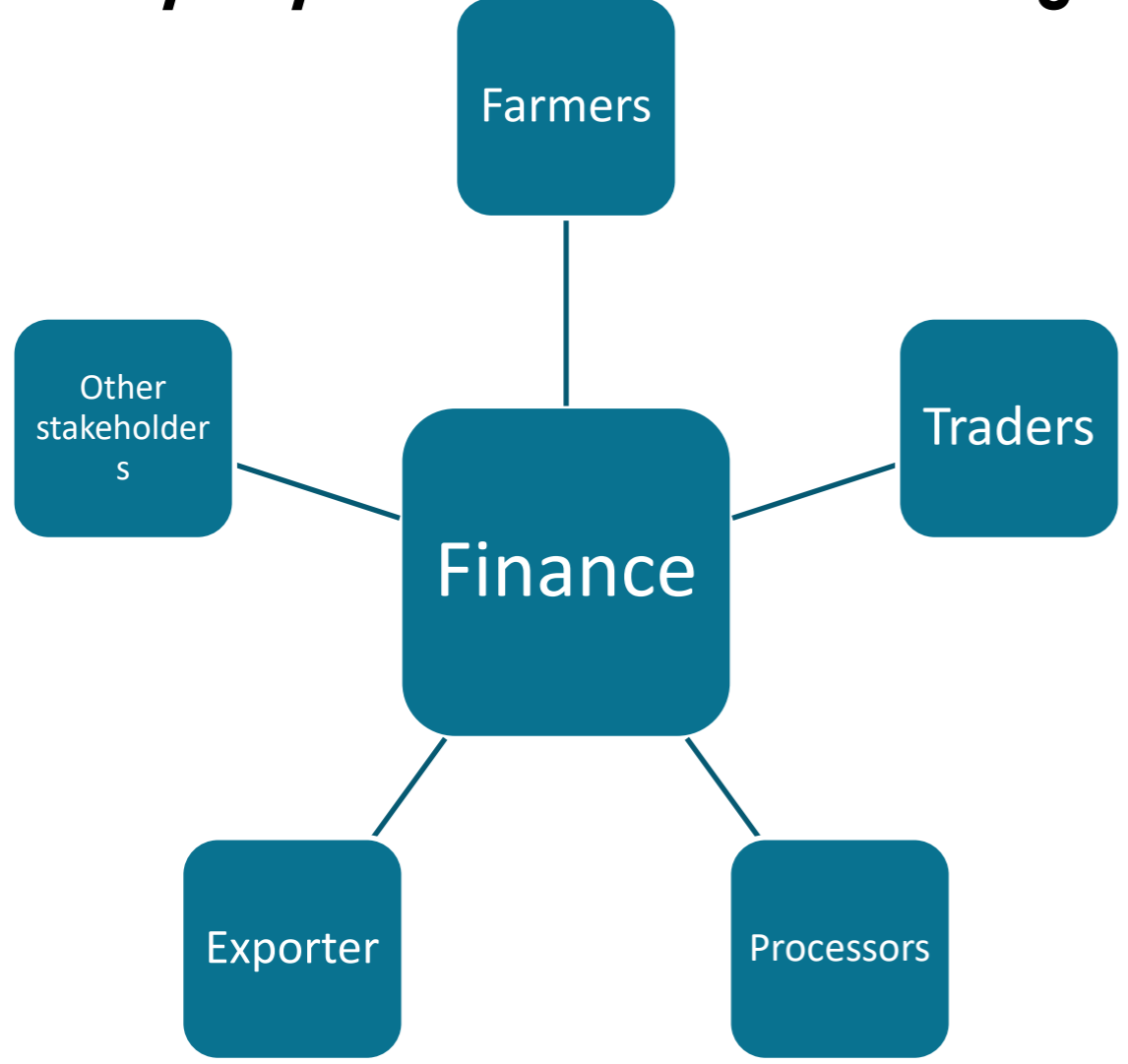




Agenda

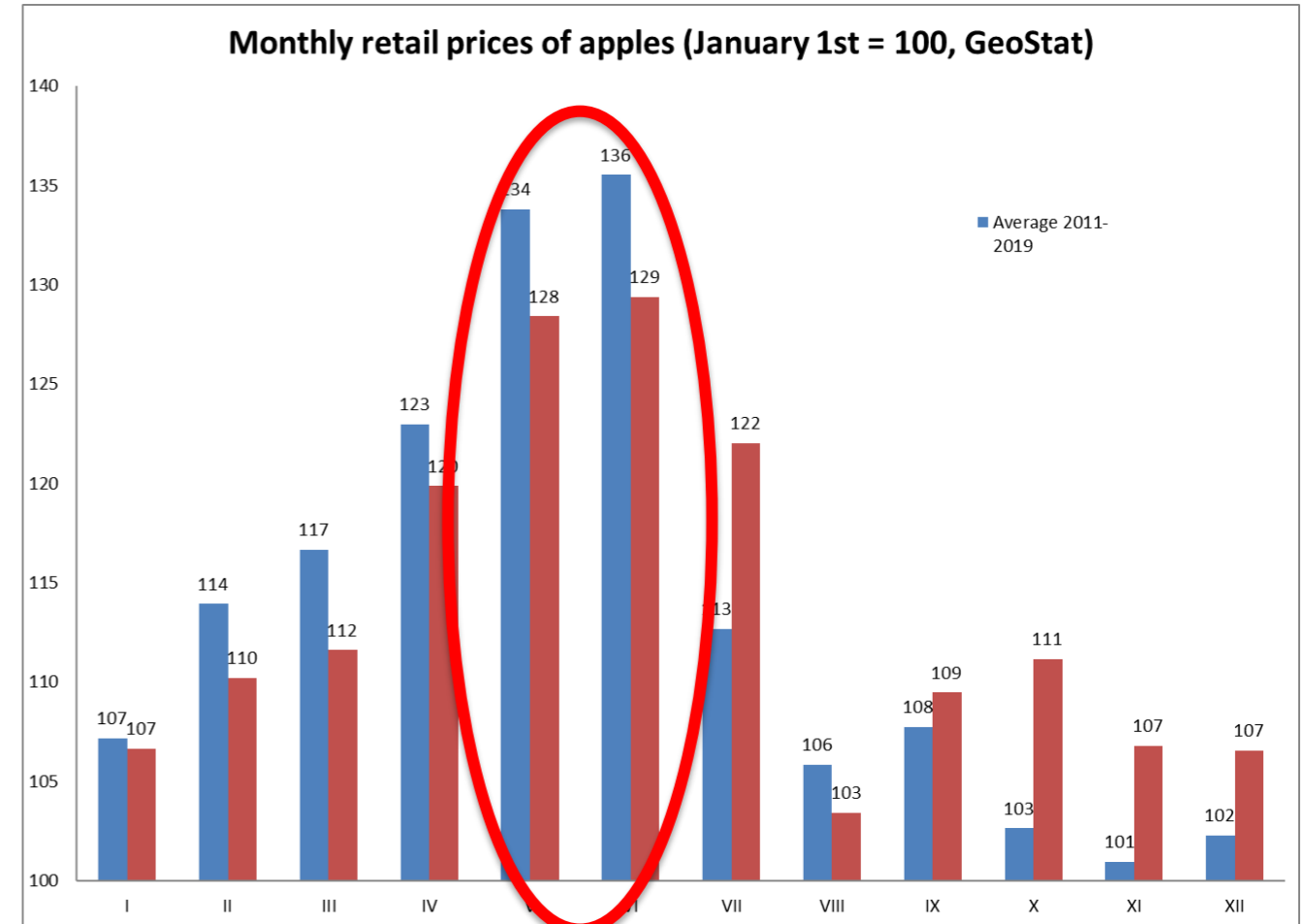
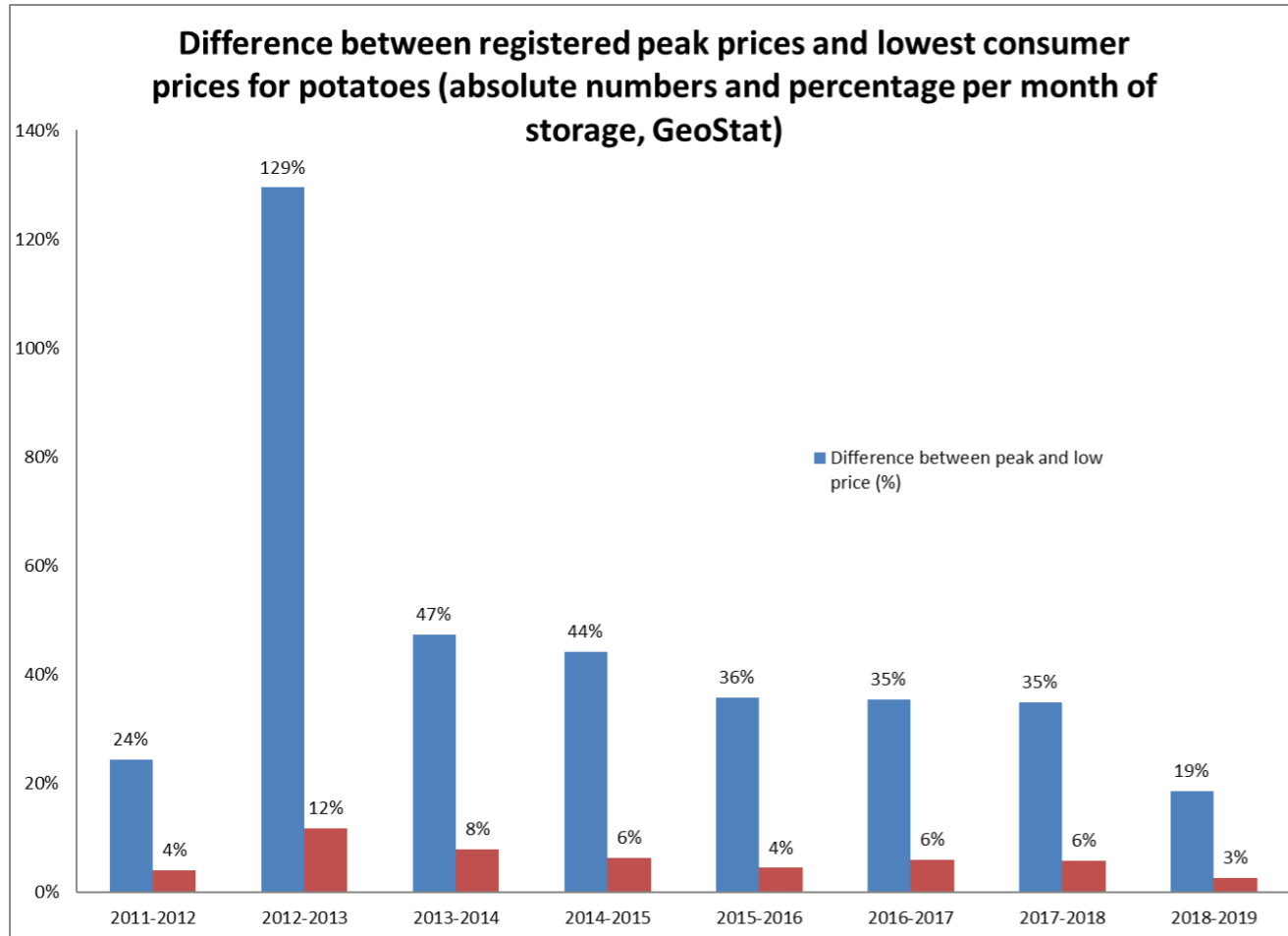
- Introduction
- Farm Records
- Preparation of Information and Data Collection
- Calculating Gross Margins
- Annual Cash Flow Budgeting
- Use of Generated Gross Margins and Annual Cash Flow Budgets on Extension Services
- Question and Answers

Everybody needs finance for working capital, investment capital and trade operations

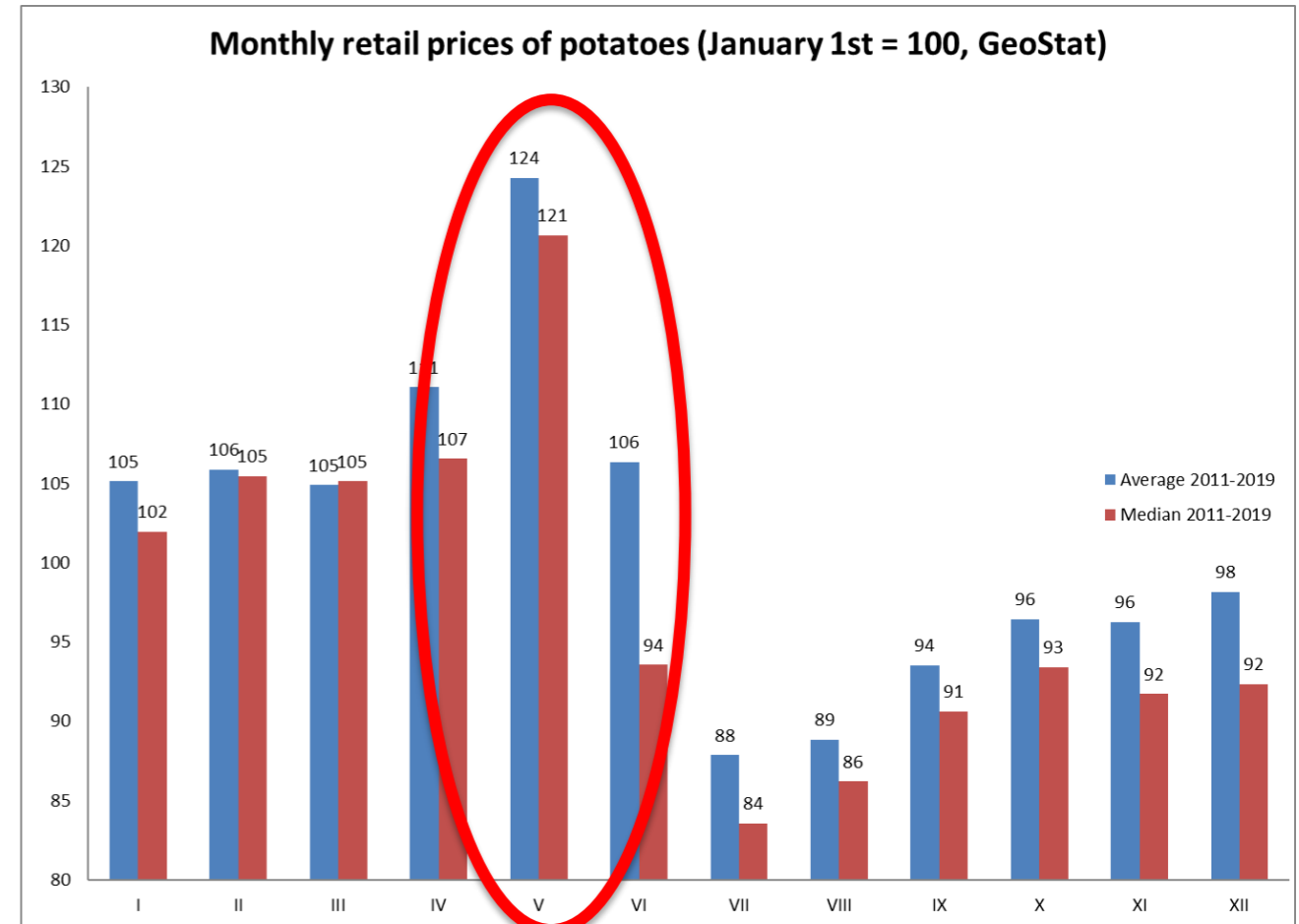
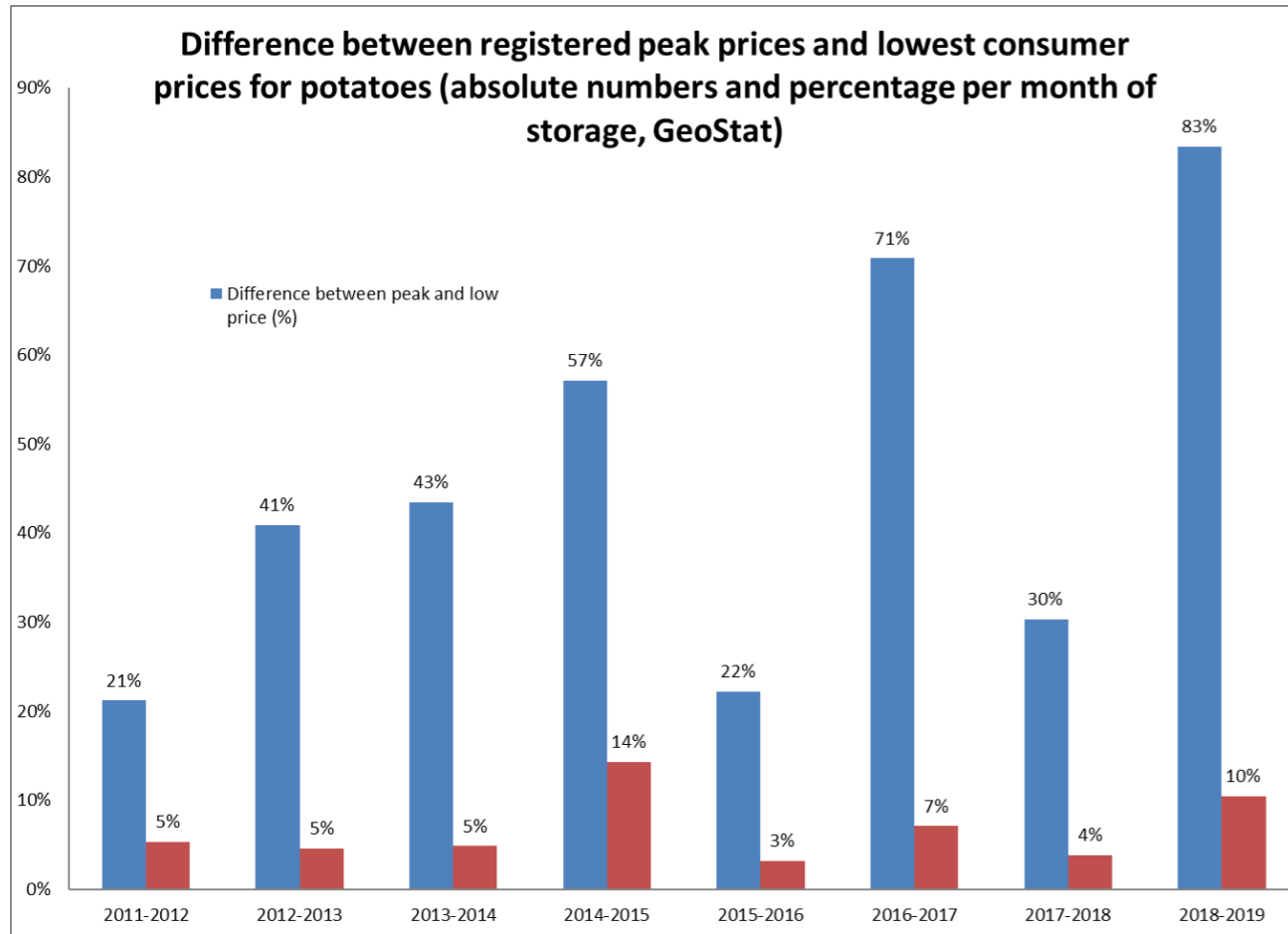


- Collateral
- Legal Restrictions
- Institutional Shortcomings
- Banks' Criteria

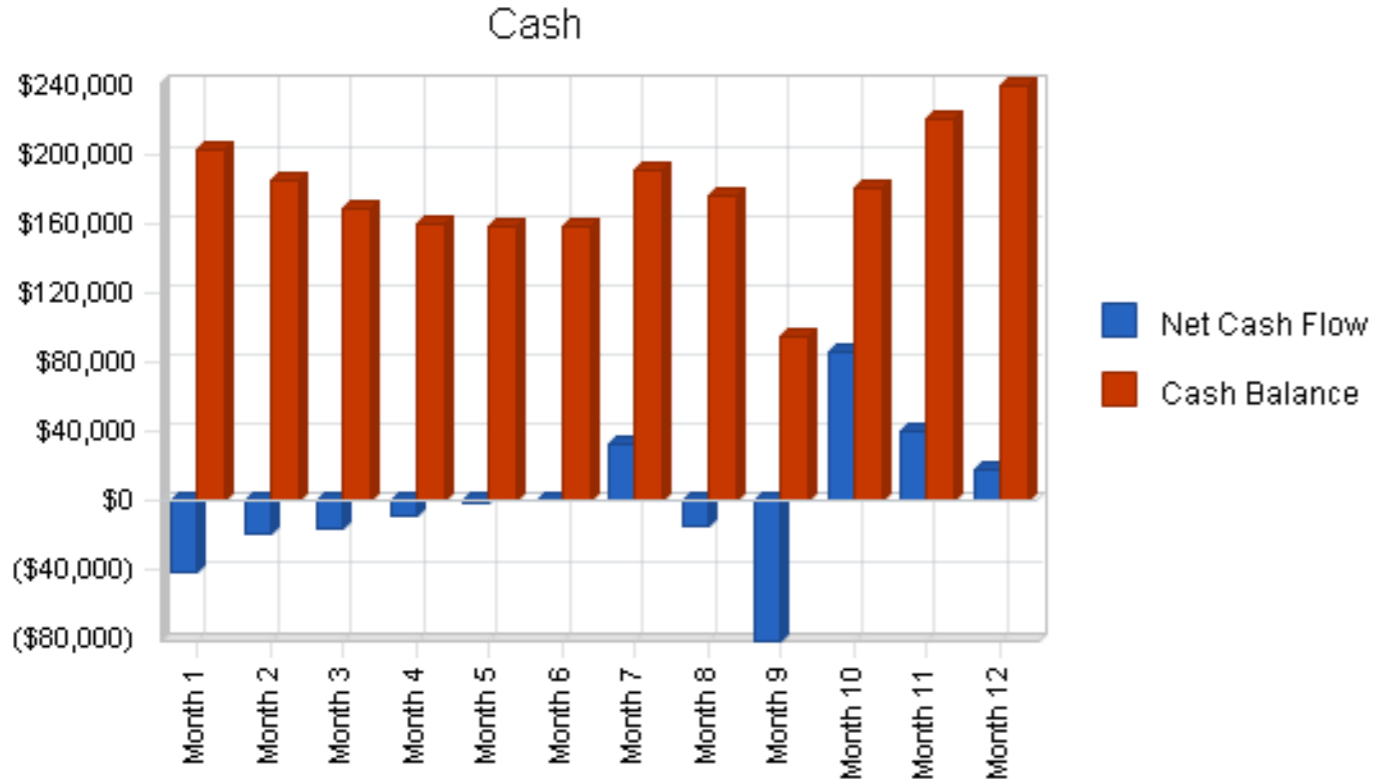
Farmers can achieve higher profits if they would not sell their products on the harvest time



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However, farmers in need of an instant cash for their expenses, debts etc. right after the harvest

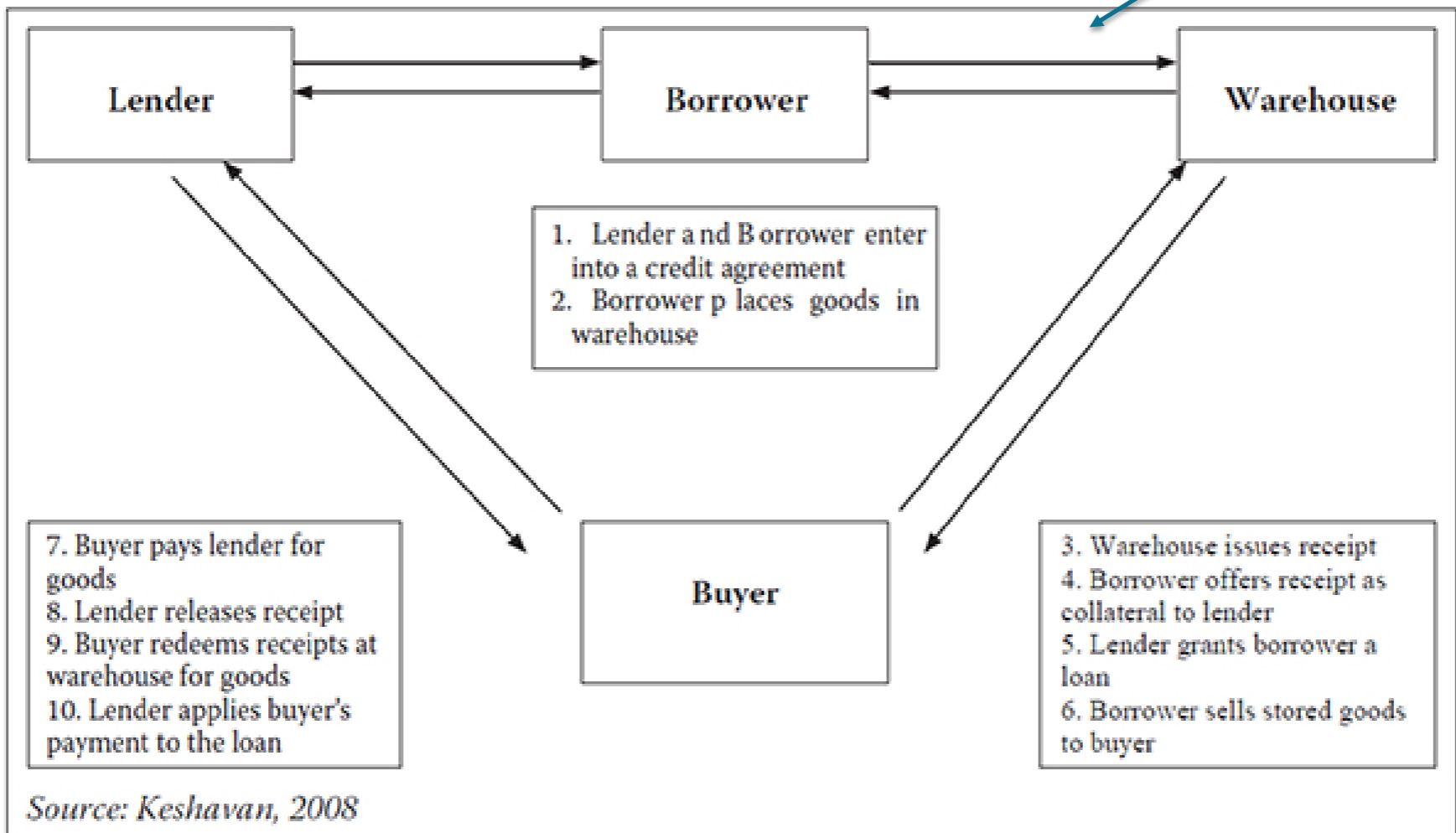


Solution:
Warehouse Receipt Financing



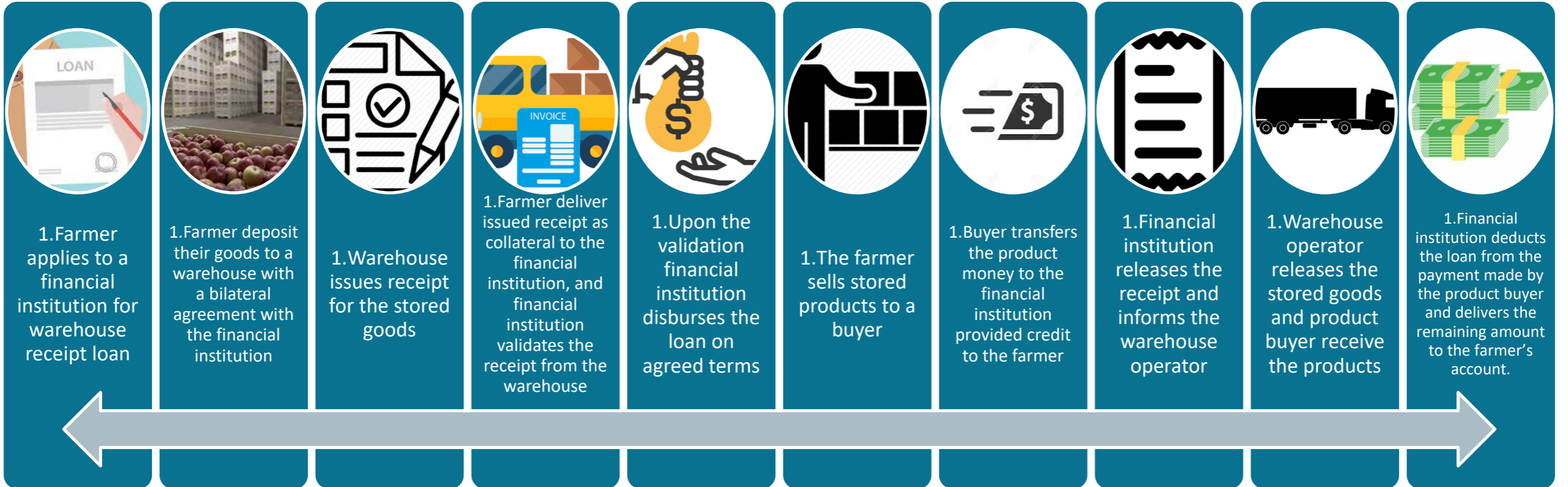
Warehouse Finance Scheme

Bilateral Contract between the borrower and the warehouse operator



Source: Keshavan, 2008

Stages of Warehouse Financing





Warehouse Receipts

- Warehouse name and address

- The name of the product stored

- The date and serial number of the certificate

- A statement of liens

- The name of the depositor

- The deposit date and maturity date

- A description of the storage fees due

- Insurance situation of the product against the risks

- The date of and analysis results for the classification of the product weight

- Value of the product on storage date

- The signature of the authorized person or persons at the warehouse

- Any other information to be declared



Warehouse Operators

- Warehouse operators shall guarantee the products quality and quantity;
- Operator must analyse the product before accepting and the delivery of the good;
- Warehouse operator shall be responsible for safe and healthy storage of the goods;
- Stored product into the warehouses shall be covered by the insurance schemes.
- Legal infrastructure of the warehouse finance is not exist in Georgia;
- Thus, warehouse operators shall make bilateral agreements with the financial institutions;
- To ensure the safety of warehouse operator and analysis of the stored goods a certification body is needed.



Suggested Warehouse Finance Loan Type and Specifications

Target market: Rural / household / semi-commercial / subsistence farmers / commercial farms producing apple or potatoes and store their harvest to a warehouse with a bilateral agreement.		
Objectives:		
<ul style="list-style-type: none"> To enable the apple and potato producers to have access to financial services. Increase the market penetration of the farmers Protect the farmers from price drops on harvest periods Increase the awareness of the farmers on storage use To offer a demand-driven product reducing the hassle of the rural inhabitants in accessing funds at non-suitable terms. 		
Loan products	Apple warehouse receipt loan	Potato warehouse receipt loan
Loan type	Individual / commercial loan with bullet payment	Individual / commercial loan with bullet payment
Loan purpose	Providing finance to apple and potato farmers to avoid distress sale of their produce on the harvest time and provide liquidity to farmers to meet their needs until the selling of product.	
Eligible clients	Apple producers store their harvested crop on a warehouse with a bilateral agreement	Potato producers store their harvested crop on a warehouse with a bilateral agreement
Client's age	18-70	
Crop production client's experience	At least 2 years	
Duration of residence (staying) in one territory	At least 2 years	

Loan amount	70% of the product value declared on the warehouse receipt	70% of the product value declared on the warehouse receipt
Loan duration	1 - 12 months	
Annual interest rate	Depends on the bank policy	
Interest payments	Monthly or with grace period equal to the storage time	
Grace period or principal repayment frequency	One bullet payment based on the agreed terms, maximum 12 months.	
Late loan repayment penalty	No	
Early loan repayment	No penalties or commission fees	
Tranche loan disbursements	Up to 2 tranches	Up to 2 tranches
Loan collateral / guarantees	Warehouse receipt provided by the agreed warehouse operator. Additional collateral can be requested based on the bank's risk appetite.	



Suggested Warehouse Finance Loan Type and Specifications

Process	<p><i>1. Loan application and appraisal.</i></p> <p>A farmer applies to a bank for warehouse receipt credit, and agri client officer checks the client's eligibility through their appraisal methods. CO ensures signing the loan application form by a client and initiates the client's check at the Credit Registration Bureau for his/her credit history.</p> <p>If it is successful, the CO requests validation from the agreed warehouse and checks the stored good stated by the client. Subsequently, the CO comprises a balance sheet of the client's agribusiness and makes its analysis. If additional collateral is requested, CO will conduct a site visit to the farmer's location and assesses and checks the physical presence of collateral provided by the client and take pictures of it.</p> <p><i>1. Loan approval.</i></p> <p>After the validation of warehouse receipt and collateral, the CO prepares the loan file and all corresponding forms for the Credit Committee. The Credit Committee discusses the loan case and approves, defers or declines</p> <p><i>1. Loan Contract and Disbursement.</i></p> <p>If the loan is approved and after getting the funding confirmation for the loan disbursement, the CO / Office Assistant prepares all necessary credit documents: the Loan and Collateral Agreements together with the repayment schedule, ensures that the client, financial institutions authorized representative and warehouse operator sign and then registers the collateral agreements. Upon the signature of the loan agreement, the product stored in the warehouse is blocked. After getting all credit documents signed and registered, the loan will be disbursed to the client.</p> <p><i>1. Loan Collection.</i></p> <p>If the client sells their stored product to a product buyer, the money shall be transferred through the bank provided the loan. Otherwise, the client will make loan repayments to the financial institutions on the dates of loan repayment according to the loan repayment schedule. The financial institution releases the stored goods upon the repayment of the warehouse loan. In case of a default, the financial institution will be the owner of the stored good and will market the products by themselves.</p>
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Physical Evidence	Clear and easy to understand application forms based on the warehouse receipts will be developed for the clients. A loan agreement, as well as a repayment schedule, will be provided to a borrower on loan disbursement day.
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THANKS A LOT FOR YOUR ATTENTION!

