

Warehousing and microfinance in Madagascar



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TWO APPROACHS

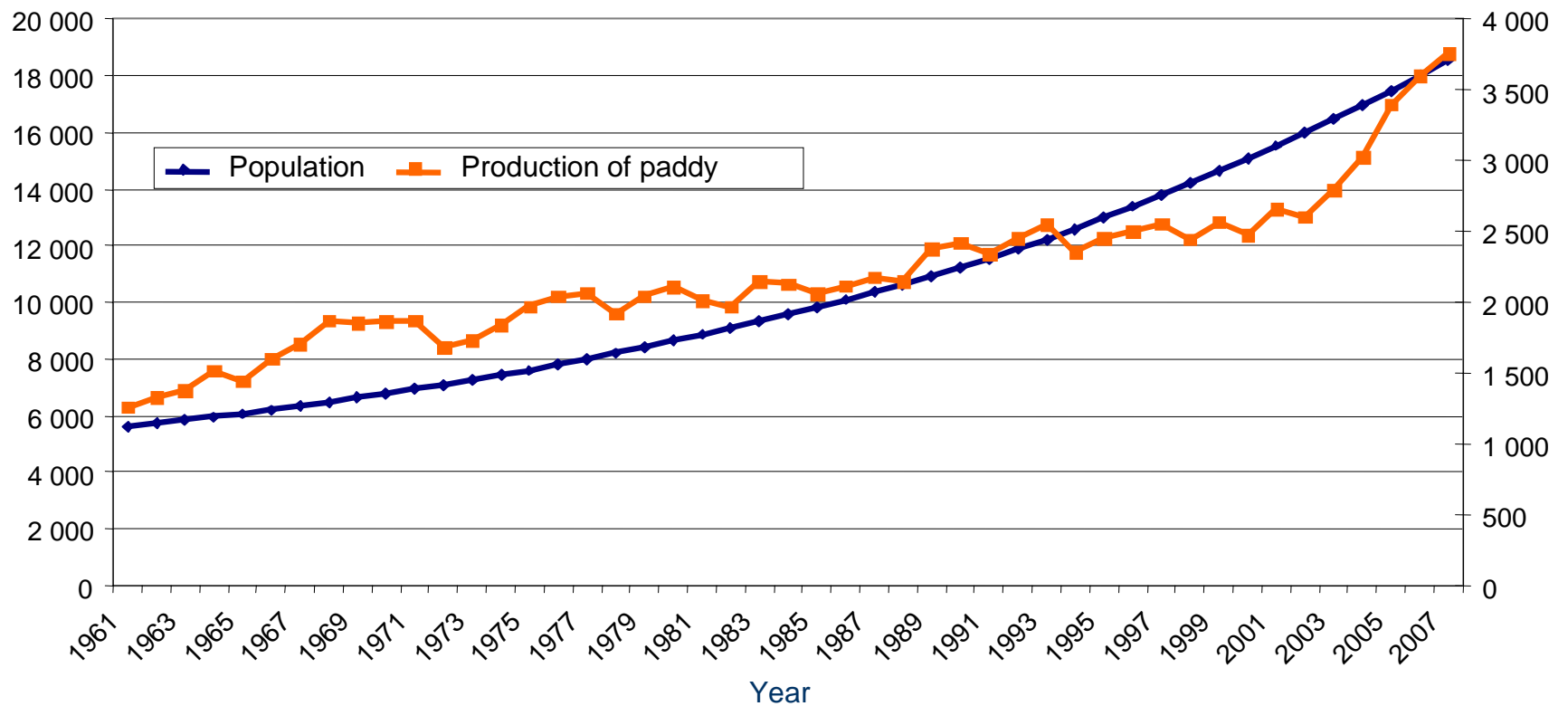
- AS A RESPONSE ON FOOD CHALLENGES
- AS A RESPONSES ON VALUE CHAIN STRUCTURATION : A SUCCESS TRIAL ON CLOVES TRADING

Food context in Madagascar

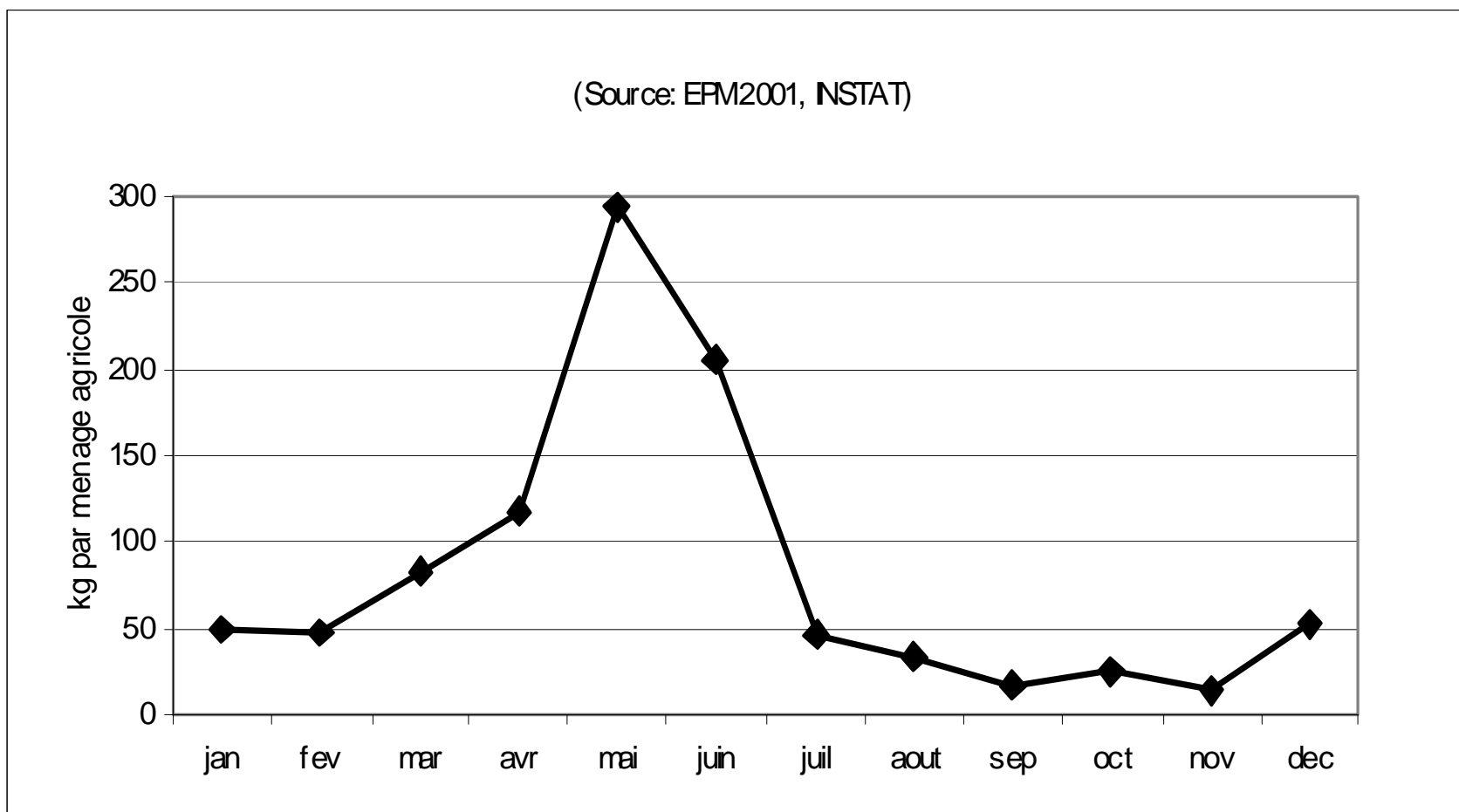
- A dominant product: rice
 - Highest consumption per head of the African continent: 130 kg per year (half of the nutritional energy-giving);
 - Consumption decreased from 180 to 130 kg in the last 25 years (1980-2005) because of a lack of availability ;
 - Expenses on rice represent more than a third of poor households' food budget (Source: Enquête auprès des Ménages INSTAT, 2005).
- Structural national food deficit for the last 30 years due to an increase in population faster than in production : is a catch up possible ?
 - Permanent deficit of the import-export balance of white rice
 - 150.000 to 200.000 T/year on average
 - Some years at less than 50.000 T
 - Highest deficits from 350.000 T in 1983 to 300.000 T in 2005 ;
 - Production growing at a slower pace than population, but there is a catch up tendency according to official sources.

Demographic growth and rice production growth

Production of paddy / Population - Madagascar



High variations of production within a year

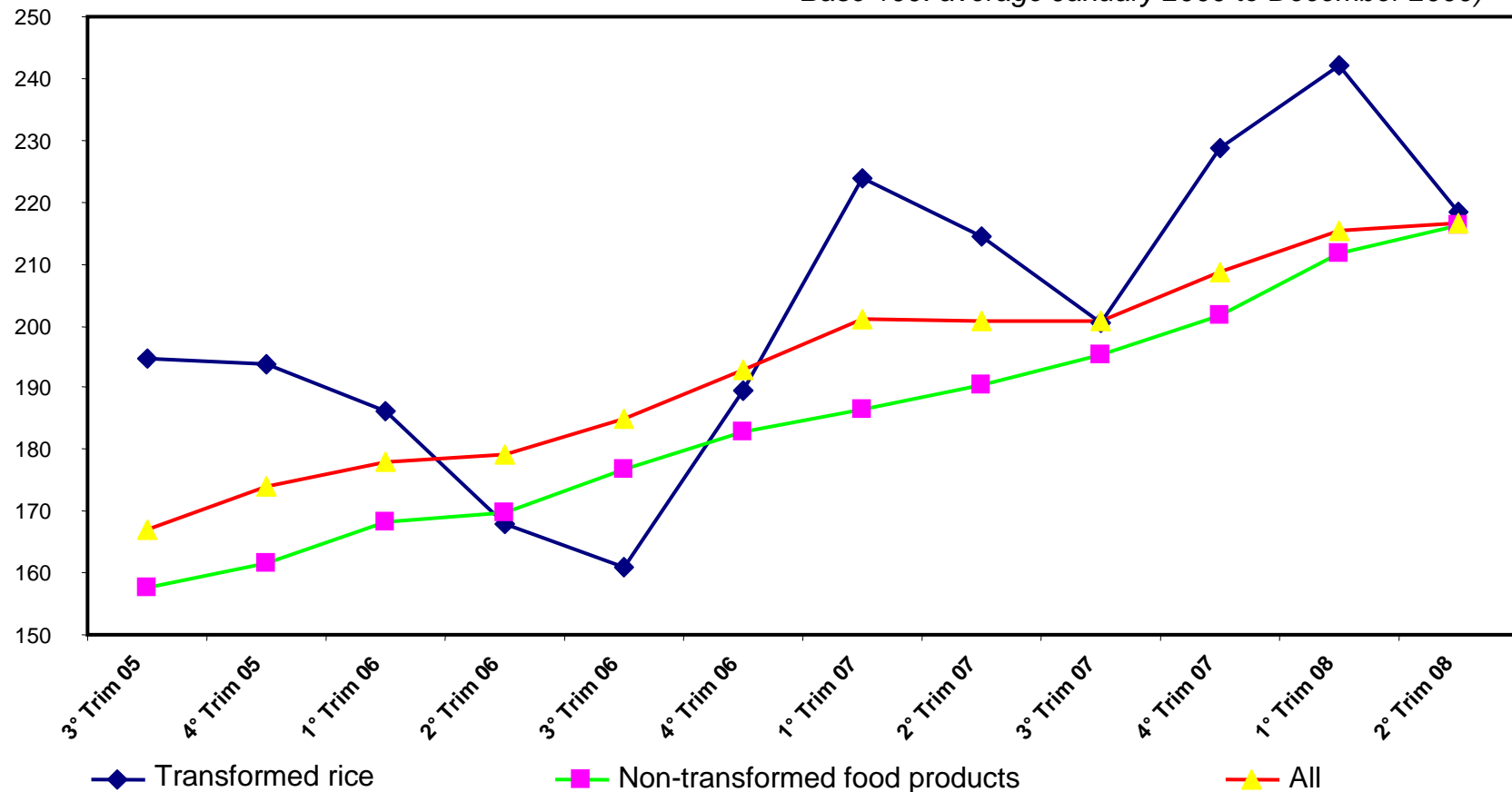


Which brings high variations of rice prices (3T05 - 2T08)

Consumption Price Index

(Source: Institut National de la Statistique)

Base 100: average January 2000 to December 2000)



High contrasts in households' vulnerability on rice

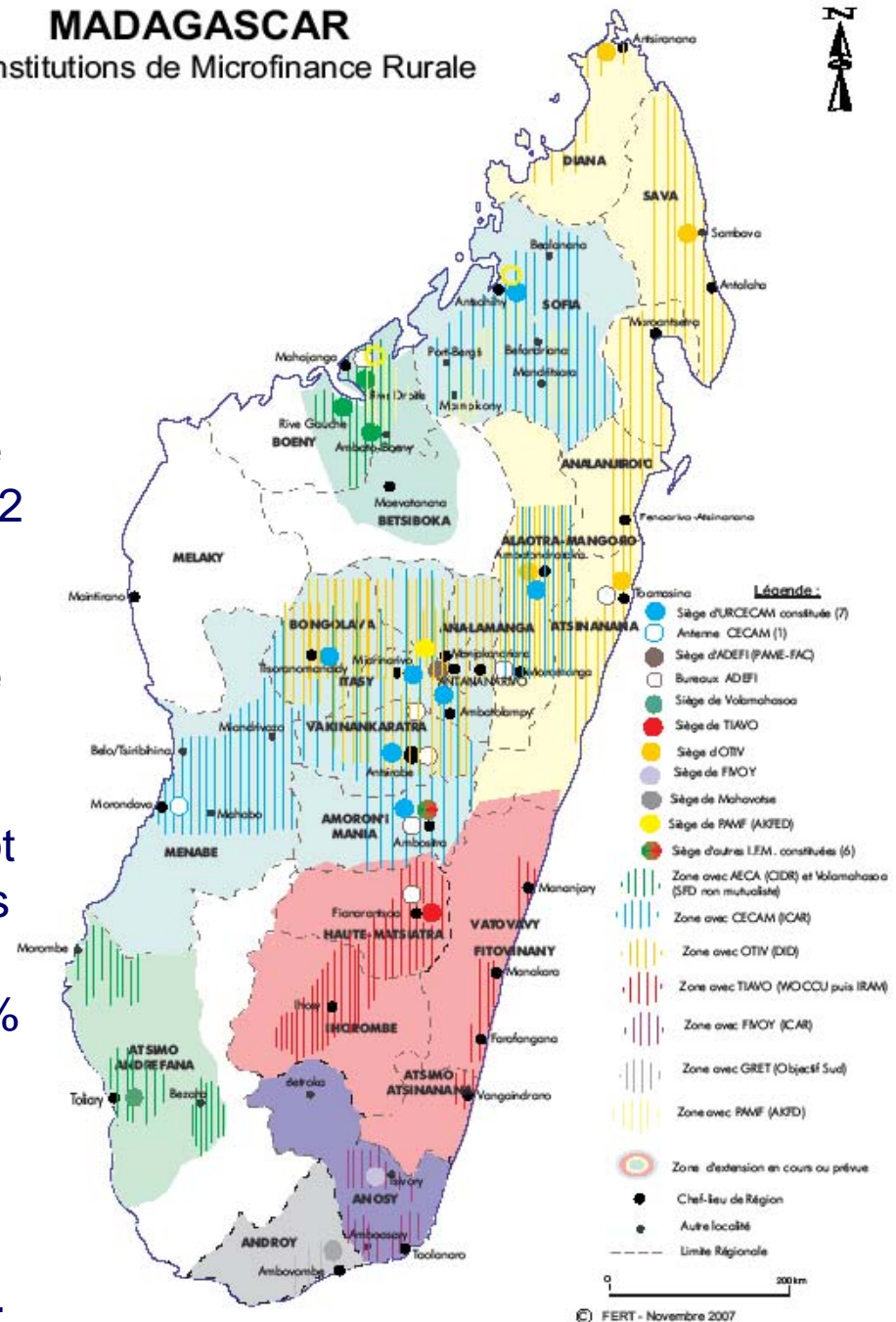
(vulnerability of poor rural households)

- 60% of rice is bought by rural households (most of them being producers themselves);
- 24% of households buy all the rice they consume (mostly urban households);
- 76% of households produce rice.
 - 19% are net sellers households (purchase < sales) ;
 - 11% are self-sufficient (purchase = 0 or = sales);
 - 46% of rural households are net buyers (purchase > sales) .

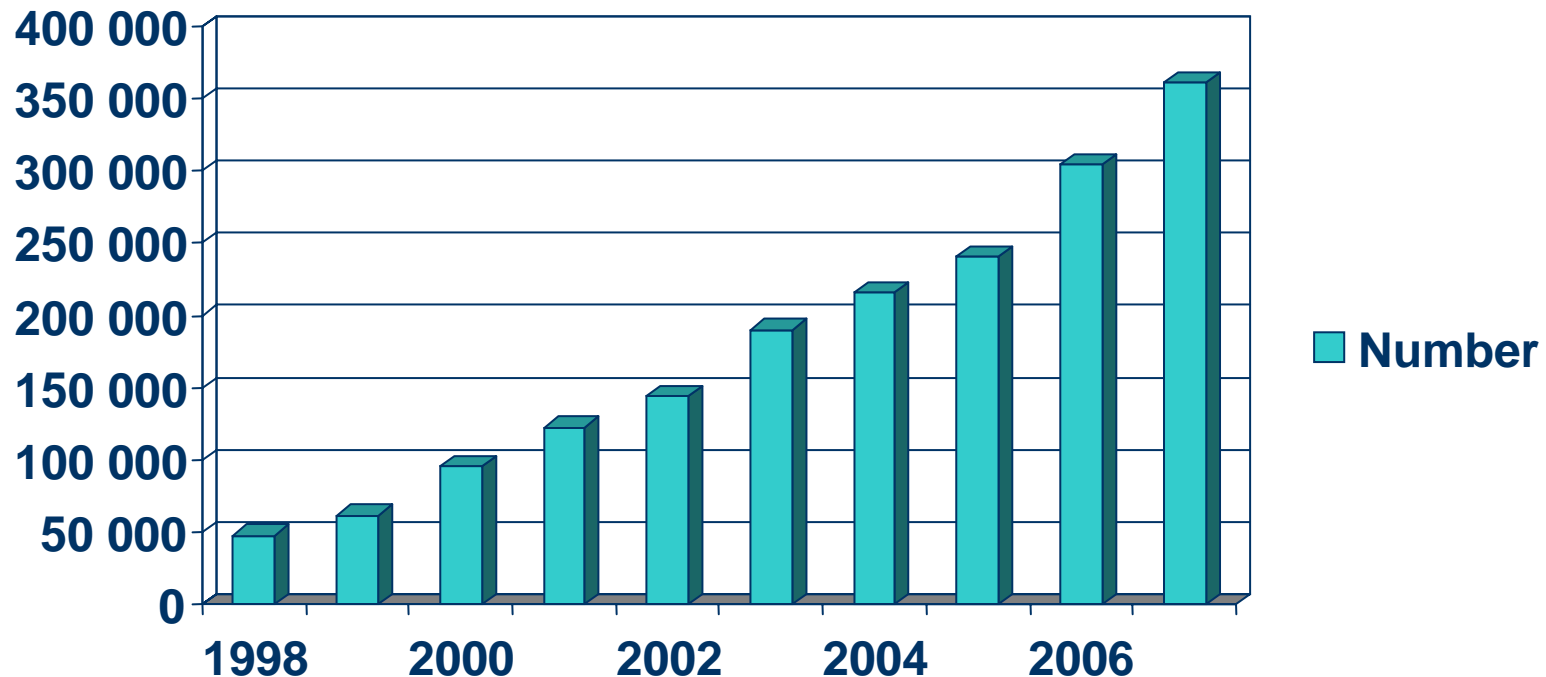
Rural Microfinance

- Out of 30 existing MFIs, only 12 are settled in rural areas (i.e. out of the 22 regions' chefs-lieux = middle towns).
- Out of 1500 rural villages, 320 have access to microfinance services
- 70% of the rural population does not have access to microfinance services
- MFIs services only reach around 5% of rural inhabitants (but up to 40% in some villages)
- Middle or large sized farms use microfinance more: impact > outreach.

MADAGASCAR Les Institutions de Microfinance Rurale

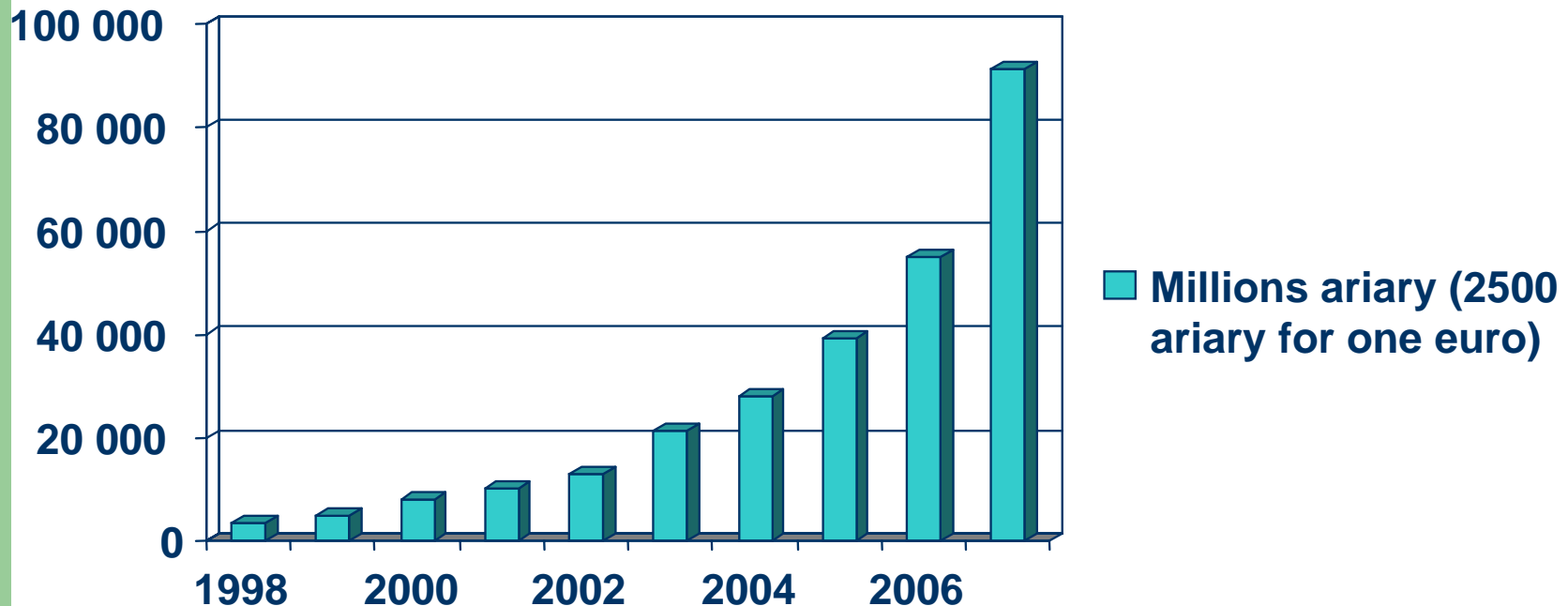


Growth of the number of Micro Finance Institutions clients



Until 2005, the increase of the number of clients has been supported mostly by mutualist networks, three of them (OTIV, CECAM and TIAVO) representing 90% of clients (mainly urban for OTIV and rural for CECAM and TIAVO). Since 2006, three new actors, mainly urban, support this growth (Microcred, PAMF and Accès Banque – no rural institution has received an agreement since)

Outstanding loan portfolios growth of Micro Finance Institutions



In 2007 : global outstanding portfolio in the end of 2007= 36 M°€ of which 40% in the agriculture sector : 14 M°€ outstanding but 20 M°€ disbursed shared out as follows:

- 50% for storage (10 M°€ disbursed, 4 M°€ outstanding end of year)
- 30% for production charges (6 M°€ disbursed, 5 M°€ outstanding end of year)

Financing storage stabilizes local markets

- Village common granary – Description :
 - Storage system which gives access to loans;
 - Producer brings in a common building a part of his production ready for sale (paddy cleaned in standardized identified bags of 50 kg);
 - He receives a loan of 75% of the stored paddy value, at the local market rate (harvest period: may-june);
 - He is free to use this loan on consumption (family celebrations in the harvest period) or for business (second harvest or little cattle farming, crafts or trade);
 - Repayment 5 to 8 months later (interest rate at 3% per month)
 - Outstorage is possible for consumption, sale or production (seeds).

Trying to assess the impact of rural microfinance

- Village common granaries (VCG) : Impacts ?
 - €10 m disbursed ⇔ **65.000 tons stored** under the control of producers themselves in rice productive areas ;
 - 80% of stored volumes sold on local markets
5 to 6 months later ⇔ **local price regulation**;
 - **Additional revenue** for producers : about **+20%** on « harvest time » value of the stored paddy = **+ €25**;

Success story on a cloves value chain

- **TIAVO MFI FINANCES**

- Storage of 400 MT of cloves : 1 euro/kg
- Process to reach ISO CG3 standard for 66 TM:
- Marketing in Europa (sample shipment , pricing...)
- Raising up of a commercial cooperative
- Contracting C&F Rotterdam port 2,9 euro/kg
- Shipment

Impact

- 100% additional revenue for the farmers
- Signed Contract for 600 MT cloves CG3 for this season 2009/2010
- Access to Trading financement for the new cooperative

Many Thanks

