

AGRICULTURAL CREDIT ACT AMENDMENT PROCESS — UPDATE NOTES

By:

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The Agricultural Consultative Forum

FSRP/MATEP

Background

- Current Act devoid of Warehouse Receipt System (WRS)
- Need to formulate a comprehensive agric credit legal framework with WRS
- To guide all market participants
- facilitate developm3nt of a competitive agric marketing environment
- Important to improve inventory credit and agric trade
- Allows issuance of warehouse receipts recognized as documents for transfer of ownership + legal rights to underlying commodities

Three Important Elements of WR as a document

- Evidence of legal relationship between depositor of goods and warehouse operator/owner
- Evidence of title to goods represented by the receipt,
- Person issuing receipt must be in the business or semblance of a business of storing goods on behalf of the public at large

Proposed Amendments provide for:

- Appointment of an authorized agency to regulate a WR, Inventory credit and trade System,
- Certification of warehouse operators
- Definition of duties and obligations of warehouse operators
- Use of WRs as negotiable documents of title

WRS may offer the following advantages:

- Easy access to commodity finance, by use of WRs as collateral, improved crop marketing, reduced trade margins & seasonal price variability,
- Possible for buyers to order without physical sampling of commodities (“sight-unseen trade”)
- Enables a thriving commodity exchange, with greater direct small holder involvement

WRS may offer the following advantages: (2)

- Contributes to development of financing and risk management instruments aimed at improving commodity marketing, helping in deepening financial sector
- Reduces the cost of procuring and maintaining strategic grain reserves by Government

Proposal aims at introducing platform for

- Orderly operation of a credit inventory system for agric. Commodities,
- Orderly trade in agric commodities as a gateway to creation of commodity exchange,
- Recognition of the warehouse receipt system as a document of title and negotiable instrument

Progress made to date (since 2003)

- Recognition of the Agricultural Credit Act, Chapter 224 of the Laws of Zambia as a suitable vehicle for the amendments
- From 2003 MACO initiated consultations with stakeholders on importance of WRS in agric sector, Importance of Amendments to Act

Progress made to date (since 2003)..

- Comments and concerns of the stakeholders incorporated in the proposed amendments
- Concept paper and Cabinet Memorandum prepared
- Circulation of Cab memo and concept note to all Ministries as per requirement
- Comments received incorporated

Way forward

- New Cabinet in place, submit with previous comments and concerns or circulate again?
- Is there any major changes in the agricultural credit Act relating to WRS?
- Need to accelerate and expedite the process for use during the 2006/07 Agricultural Marketing Season

Road Map to the Agricultural Credit Act: Amendment Process

- Justification for the proposed Amendments to the Act submitted to Minister – end Nov 2006
- Draft Cabinet Memorandum based on comments from stakeholders – end November 2006
- Submission to Cabinet/Ministry of Justice December 2006
- Amendment of Act – mid 2007

THANK YOU!