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UN agency expands credit farming scheme in West Africa



Niger farmers can use their crops to get credit.

12 April 2010 – The United Nations Food and Agriculture Organization ([FAO](#)) said today that its credit-based farming project in Niger has been so successful that the agency plans to scale it up and expand into Burkina Faso, Mali and Senegal, which are also suffering food shortages.

“It shows that growing more food is not the only way of increasing poor farmers’ food security. Simple, storage-based credit systems can also play an important role in improving their livelihoods,” [said](#) FAO rural finance expert Ake Olofsson in a statement released today.

The financing scheme is built around warrantage, or inventory credit system. Rather than selling their crops immediately after harvest – when everyone else is selling and prices are lowest – farmers can use it as collateral to obtain credit from a bank and sell at a later date when prices rise.

FAO started a version of the project in Niger in 1999. In exchange for a bank loan, farmers’ groups left their millet, rice and peanuts in a locked warehouse with keys held by both the bank and the group.

The credit gives the smallholders the means to buy essential inputs, such as seeds and fertilizer, for the next planting and also allows them to hold on to the produce longer.

A study of the project in Niger carried out last December found that participating farmers had been able to increase their income by between 19 and 113 per cent in six months. Since they were able to buy better inputs, their yields went up by up to 120 per cent, according to FAO.

“If done properly, warrantage allows farmers to grow more food and increase their income. Everyone stands to gain, including the banks who are happy because they make money too,” Mr. Olofsson said.

He warned, however, that this was not a one-size-fits-all solution. Warrantage necessitates a well-functioning farmer’s association, an interested local bank or other financial institution, and a safe place where the crops can be stored and will not spoil.

In addition, the crop price must have a proven track record of rising in the months after the harvest, and the crop must be recognised by the banking legislation of the country concerned.

The West African region is facing a severe food crisis as a result of low rainfall last year. UNICEF announced last week that nearly 900,000 children in Burkina Faso, Mauritania, Mali, Niger, northern Nigeria and Chad are at risk of malnutrition.

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