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Review of Warehouse Receipt as an instrument for agricultural financing in Serbia

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Abstract

Aim of this paper is to evaluate warehouse receipts as instrument for financing. The warehouse receipt is confirming the ownership of a specific agricultural commodity in stated quality in a specific public warehouse for a specific storage charge. Public warehouse system is widespread worldwide and international experience are showing that system including three components are most effective: (1) licensing procedure for public warehouses by government institution; (2) establishment of the inspection service in charge of public warehouses and (3) Indemnity fund with aim to indemnify warehouse owner under out of court procedure if public warehouse cannot deliver the commodity. When all three public warehouse components are in place, system enhance their value as collateral, commodity under warehouse receipts is easily to trade. Simply said lender are willing to lend against warehouse receipts or traders are willing to take ownership on warehouse receipts because risk of non-delivery is lower due to warehouse receipts' indemnity fund guarantees, licensing procedure and special inspection. Methodology applied in this paper including: desk research, comparative analyse and descriptive statistic. Serbian system established in 2009, consists on all three components. In the first period up to 2014 results are excellent landing amount based on warehouse receipts amounted around 50 million euros, with around 20% lower interest rate compared to similar loans and shorter procedure for loan approval. In 2015. two fraud were occurred in public warehouses. This situation deteriorates trust in Public warehouse system in Serbia. Results of this study is showing that one of the Public warehouse components is newer establish – inspection service in the charge of the public warehouses. Serbia is rear country in the Eastern Europe with failed system of Public warehouses and the lesson learned is that complete system of the Public warehouse should be established in the practice.

Key words: Warehouse receipts, Public Warehouses, Indemnity Fund, Financing in agriculture

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