

# Warehouse Receipt Financing and the Mitigation of Distress Sales

*An Ethnographic Analysis of Cotton Farmers in Sikasso, Mali*

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## ABSTRACT

Smallholder cotton farmers in West Africa are often compelled to engage in distress sales immediately post-harvest due to liquidity constraints and debt obligations, locking them into low prices and perpetuating cycles of poverty. This study investigates the performance of warehouse receipt financing (WRF) as a market-linked instrument designed to mitigate distress sales. Its objective is to ethnographically analyse the mechanisms through which WRF operates and to measure its impact on farmers' selling behaviours and economic outcomes in the Sikasso Region. A 14-month ethnographic study was conducted, employing participant observation, in-depth interviews, and focus group discussions with 42 smallholder farmers, warehouse operators, lenders, and cooperative officials. The research immersed in the seasonal rhythms of cotton production, storage, and sale. WRF adoption reduced immediate post-harvest sales by an estimated 60-70% among participants. A key theme emerged of 'calculated patience', where farmers leveraged stored collateral to negotiate better prices later in the season. However, access was constrained by literacy requirements and perceptions of procedural complexity among the oldest farmers. Warehouse receipt financing demonstrates significant potential to alter detrimental market behaviours by providing farmers with liquidity without forcing immediate sale. Its effectiveness is contingent on addressing socio-cultural barriers to access and trust in formal institutions. Financial institutions should co-design literacy-insensitive application processes with farmer cooperatives. Policymakers are urged to integrate WRF with national price information systems to enhance farmers' bargaining power further. warehouse receipt financing, distress sales, agricultural finance, ethnography, smallholder farmers, Mali This paper provides the first thick-description ethnographic analysis of WRF's on-the-ground implementation and social embeddedness in West Africa, revealing how non-financial barriers fundamentally shape the instrument's efficacy.

**Keywords:** *Warehouse receipt financing, Distress sales, Smallholder agriculture, West Africa, Ethnographic methodology, Agricultural value chains, Post-harvest losses*

### Article Highlights

- WRF adoption reduced immediate post-harvest sales by 60-70% among participating farmers.
- A key finding was the emergence of 'calculated patience' in farmers' selling strategies.
- Access constrained by literacy requirements and perceptions of complexity, especially among older farmers.
- Effectiveness hinges on addressing socio-cultural barriers to access and institutional trust.

### Policy Implication

Financial institutions should co-design literacy-insensitive WRF processes with cooperatives; policymakers must integrate WRF with national price information systems.

*First thick-description ethnography of WRF's on-the-ground implementation in West Africa.*

## ABSTRACT-ONLY PUBLICATION

This is an abstract-only publication. The complete research paper with full methodology, results, discussion, and references is available upon request.

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