



Community grain banks

At a glance

Grain banks often fail. This tool suggests important things to consider for a successful grain bank.

- Is a grain bank is the best project for your community? Will it tackle the underlying causes of food insecurity?
- Grain banks often make very little profit and easily make a loss. They need to be treated as a business if they are to survive.
- All groups in the community should be involved in planning and running the grain bank.
- Think about the purpose of the grain bank, membership (who, and how many members), management, location and resources.
- Before starting, find out the government policy on community grain banks. Are there any standards or regulations to meet?
- There are different types of bank. Which is most suitable for your community's needs? Do they want to be able to borrow grain, or buy it at reduced prices, or just store it together?
- A good Management Committee is essential - 4 to 8 people, including women and men of different ages, ethnic groups and statuses within the community.
- A clear membership system is also very important. Having too many members may reduce the sense of ownership and responsibility among members.
- Most grain banks needs a building – either an existing community building, or a new building – with sufficient storage capacity and good conditions to store grain.
- If a new building is needed, think about location (risk of flooding, landslides and pollution; accessibility; distance to market), ownership of the land and design.
- The quality of incoming stock should be checked and labelled.
- The stock should be protected from pests, flooding, damp, fire, animals and theft.
- If the grain bank will sell stock, the selling price needs to be decided. This should include all costs incurred from when the grain is bought to when it is sold.
- Accurate records of stock, meetings and finance should be kept.
- Money should be kept safe in a bank account or a cash box with multiple locks and key holders.
- It is important to plan for what to do when stocks or cash exceed the immediate needs of the community.

Awareness-raising

Children & youth

Climate & environment

Conflict & peace-building

Corruption & governance

Disaster risk management

Discrimination & inclusion

Food & livelihoods

Gender & sexual violence

Health & HIV

Influencing decision-makers

Migration & trafficking

Water, sanitation & hygiene

? Why use this tool?

Grain banks often fail. It is hard work to make them succeed. However, they can sometimes help communities to have a year-round supply of food. This tool gives guidance on setting up and managing successful grain banks. Many of the principles can also be applied to community-run seed banks.

Alternatives to grain banks:

- Animal destocking and restocking
- Community savings schemes (see **Tool C2 – Savings and credit groups**)
- Self-insurance, for example, when people set aside a sum of money in case harvests fail
- Alternative crops
- Conservation agriculture (see **Tool C2 – Conservation agriculture**)

⇄ A brief description

Different types of grain bank are described. Key questions and considerations are suggested when planning, establishing, stocking and maintaining a grain bank. Common pitfalls to avoid are noted.

? Explaining the words we use

Grain banks – community-based institutions (or based on a cooperative run by a village or a group of villages) that buy and sell grain, and often also store grain.

Seed banks – similar to grain banks but where seeds are stored for planting. They often require more careful management to maintain the quality of seeds.

Insurance – gives protection against loss – if grain is damaged, stolen, or harvests fail, insurance provides money or replacement grain.

🕒 Time taken

It can take up to 3 years to set up and establish a successful grain bank.

🔧 You will need

- A management committee and membership system.
- An inclusive, transparent process for developing a set of rules, including agreement on who can benefit from the grain bank.
- When storing grain (which is usual), an existing good quality building to store the grain, or land on which to build the grain store, and permission to build.
- Materials, tools and labour to build.
- Access to grain to stock the bank.



What does a grain bank do?

Grain banks usually try to address changes in the **availability** and **price** of grain. These changes can occur between **locations** (grain banks are set up to transfer surplus grain from one location to another) and between different **times of the year** (grain banks are set up to store grain from when it is in plenty, so that it is available during the lean season). Some banks **store** farmers' grains; others **lend** grains during hungry times or the planting season; and some **sell** grains at below-market rates. Each of these three systems has advantages and challenges.

The storage system: Members deposit grains into the grain bank after the harvest. A fee is charged for the storage and running cost of the bank. Members then decide when they want to access their grain, according to their need.

Learning: *The storage system is only helpful if warehouses are built and managed well, otherwise, farmers can lose much more grain than they would if they had stored it on their own farms. Is there an advantage in your community storing grain together?*

The loan system: An agreed amount of grain is loaned to each member. It is repaid after harvest along with interest and a fee for running costs.

Learning: *The loan system can be risky. In some contexts poor villagers may not believe they need to pay back the loan, because they see the bank as a form of aid distribution or safety net. This quickly leads to the cereal bank failing or needing to be restocked by an outside agency.*

However, in some places a loan system works. Factors which may help include: not having too many members, building good relationships, using a clear and transparent process to develop and agree rules, and ensuring some grain is set aside for helping the most vulnerable people without repayment.

How could you help people in your community take the lending seriously and repay cereal loans?

The sales system: The management committee sells grain to members, setting a price that is above the cost of buying the initial stocks but below the lean season market price (see below for more information). Each member can buy a specific amount. The income is invested in a savings account with a bank or co-operative.

Learning: *The sales system can be helpful, but ensure you have thought about all the costs*

Cost of cereal at harvest time + cost of transport to bank + cost of storage (warehousing, bagging, labour) + cost of management

Is this much less than the cost of cereal in the lean season? Will it be difficult for a cereal bank to sell below the price that grain traders would sell at anyway?

Awareness-raising
Children & youth
Climate & environment
Conflict & peace-building
Corruption & governance
Disaster risk management
Discrimination & inclusion
Food & livelihoods
Gender & sexual violence
Health & HIV
Influencing decision-makers
Migration & trafficking
Water, sanitation & hygiene

Awareness-raising
Children & youth
Climate & environment
Conflict & peace-building
Corruption & governance
Disaster risk management
Discrimination & inclusion
Food & livelihoods
Gender & sexual violence
Health & HIV
Influencing decision-makers
Migration & trafficking
Water, sanitation & hygiene



Keys to success

- Many grain banks fail. Make sure a grain bank is what you need. Is there a lower risk project that would reduce hunger and food insecurity?
- Strong community ownership is essential for success.
- Check if you need to follow government policies or regulations on grain banks.
- The Management Committee should include men and women, and should be literate, skilled, trained, supported and accountable to members.
- A clear membership system, with clear agreed rights, responsibilities and decision-making responsibilities is needed.
- Use a transparent and inclusive process to develop a clear set of rules that everyone takes the time to understand and agree to. Ensure this covers all aspects, including when the repayment should happen, the amount of interest charged, the required quality of the repaid grain (if repayment is in grain rather than cash), and even where the grain should be delivered to.
- Use the period where rules and processes are being established to build trust between the grain bank management committee and grain bank members. Good relationships and trust are essential for the success of the grain bank. Without this it will fail after one or several disagreements over rules or repayment.
- Agree how to prevent corruption and theft by members, managers or staff. Make the cash and grain records visible for anyone to see.
- Grain bank funds need to be kept safe in a bank account.
- Grain must be protected from pests, damp and other damage.
- Grain should not be sold or loaned at below-market rates when there is no hunger gap, if the market is operating normally. If possible, grain should not be given on credit.
- Grain banks should be stocked and re-stocked immediately after the harvest when there is plenty of produce and the price is low.
- Regular, accurate, up-to-date records should be kept of decisions made, stock quantity and quality, and financial transactions.



What to do

Is a grain bank the right project for your community?

It is very important to think carefully about whether a grain bank is the most appropriate project in your context. Has the community considered the underlying causes of food insecurity? Is a grain bank the best way to try to tackle these causes?

Grain trading can be risky, difficult and competitive. To be sustainable, a grain bank must be managed exceptionally well, and must make enough income to pay staff and labour costs, maintain the building, protect grain, cover any grain losses, and buy more grain later.

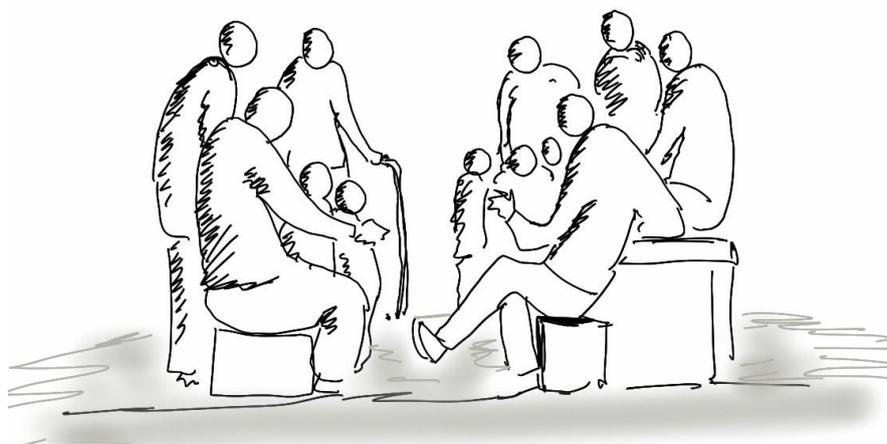
In setting up grain banks, communities are taking on 'market risks' and costs that normally private traders would carry. Most community grain banks intend to ensure that grain is available throughout the year. Given this, it is important to look at grain prices in different seasons for the last few years.

- Would the community have benefited in previous years by storing grain to sell later? *Remember to include all of the costs.*
- Would they have covered the costs and still been able to sell to members at below-market prices?
- What is the risk of prices falling at the wrong time? *Try to find out seasonal cereal prices over the last 5-10 years.*
- In how many years (if any) have prices unexpectedly fallen during the usual lean season?

If the community decides that a grain bank is the best way forward, it is very important to understand that they make very little profit and easily make a loss. Grain banks need to be treated as a business if they are to survive. Even if there are price rises between seasons they must be large for the grain banks to cover their costs.

Before starting

Ensure that all groups in the community are able to take part in planning and running the grain bank: women, men, children, older people, disabled people, and people of different ethnicities.



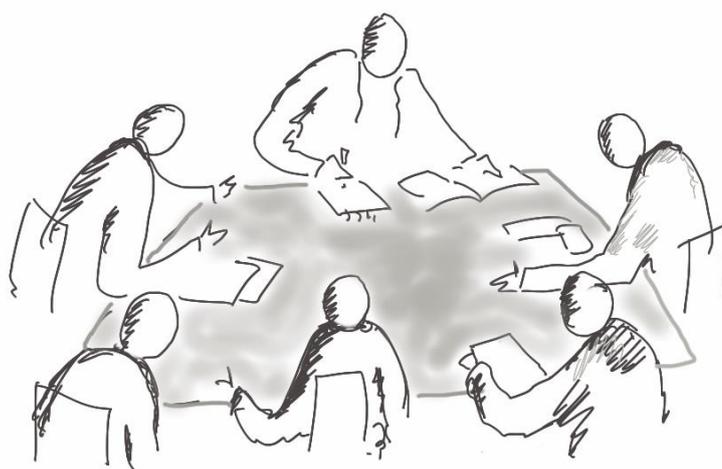
Questions to consider:

- Who will the grain bank serve? How many members will it have?
- What grains will the bank stock? What quantity of stock will be needed? How will you ensure and maintain good quality?
- Who will manage the grain bank once it is set up? (see below on Management Committee)
- Where will the grain bank building be located? (see below)
- What is the government policy on community grain banks? Is approval from any government authorities needed before you start? Are there any standards or regulations that need to be met? Some governments have developed guidelines on establishing grain banks – are these available in your context?
- Where will the resources (labour, time, knowledge and money) come from?
- What kind of bank is most suitable for the community's needs? Do they want to be able to borrow grain, or buy it at reduced prices, or just store it together?

Establish a Management Committee

“Grain banks often fail because of bad decision-making by cumbersome grain bank committees made up of people with little expertise in grain trading. These committees have trouble competing with more agile private traders.”¹

A good Management Committee is essential - 4 to 8 people, including both women and men of different ages, ethnic groups and statuses within the community. The Grain bank Manager may be a paid position. All the members of the Management Committee need the right skills for the roles. For example, the Treasurer and Secretary would need to have excellent literacy and numeracy skills. The Manager needs to be literate, organised, efficient and have excellent management skills. He or she may also need to travel as part of the role. The committee members must be completely trustworthy and must clearly understand their role and responsibilities.



A Management Committee could include the following roles:

- **President or Chair:** responsible for the overall management of the bank, and the contact person with the government or other organisations. They should be a trusted and respected member of the community. It is best that the Chair is elected, rather than a village leader automatically taking this position, and it is also generally better for them to be a woman.
- **Secretary:** responsible for the administration of the committee (organising regular meetings and keeping records of meetings and decisions made).
- **Treasurer:** responsible for the financial management of the grain bank (book keeping, making payments for purchases, collecting fees, dealing with monetary banks etc).
- **Manager:** responsible for the day-to-day running of the bank (stock checking, purchasing and selling stock, keeping records and making sure the store is in good condition).

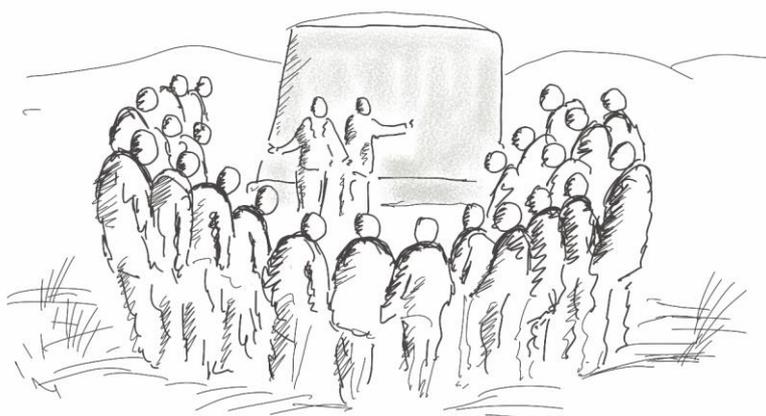
¹ Kent, L. (1998) *Why cereal banks rarely work: A summary of findings* - <http://lasdanaides.files.wordpress.com/2009/02/1998-kent.pdf>

Establish a membership system

A clear membership system is very important. Regular members' meetings should be held, and there should be a membership agreement between the Management Committee and community members who wish to join the grain bank. This should include commitments and responsibilities of both the members and the Management Committee, and the details of how the grain bank will be run.

The most sustainable grain banks develop the rules and regulations in a transparent and collaborative manner with the community. This helps build trust as the community can see that the rules aren't there to make the committee wealthy, but instead to help all community members, and to prioritise helping the most vulnerable people. This process builds relationship and trust and is essential to ensure the long term sustainability of a grain bank.

It is important to think about the inclusion of the most poor in the community. Perhaps these people are unable to contribute in the same way as others in the community. If members are expected to contribute grain, could the poorest people contribute in some other way, such as through time or labour, so that they can still be part of the bank?



What training is necessary?

Who needs to be trained, and on what issues?

Management committee members may need training on:

- Their duties and responsibilities to the community
- Literacy and financial literacy
- Record keeping and financial management
- Storage methods, keeping a stock inventory, managing a building etc.

Members may need training on:

- Their rights and responsibilities regarding the grain bank
- How to prepare the stocks for storage
- How to plan for the year

Who will do the training?

Are there local experts (within government agencies, other villages, local or international organisations) who could provide training and on-going advice and support for the grain bank? What will the cost be? How will this be paid?

When will the training take place?

Training is needed at the start of the process, at times that suit the people being trained. Perhaps different groups of people will need to be trained at different times. Think also about the location of the training – is it safe and accessible for all women and men? Training needs to continue once the grain bank is up and running. It will be important as the grain bank enters new stages and new issues arise.

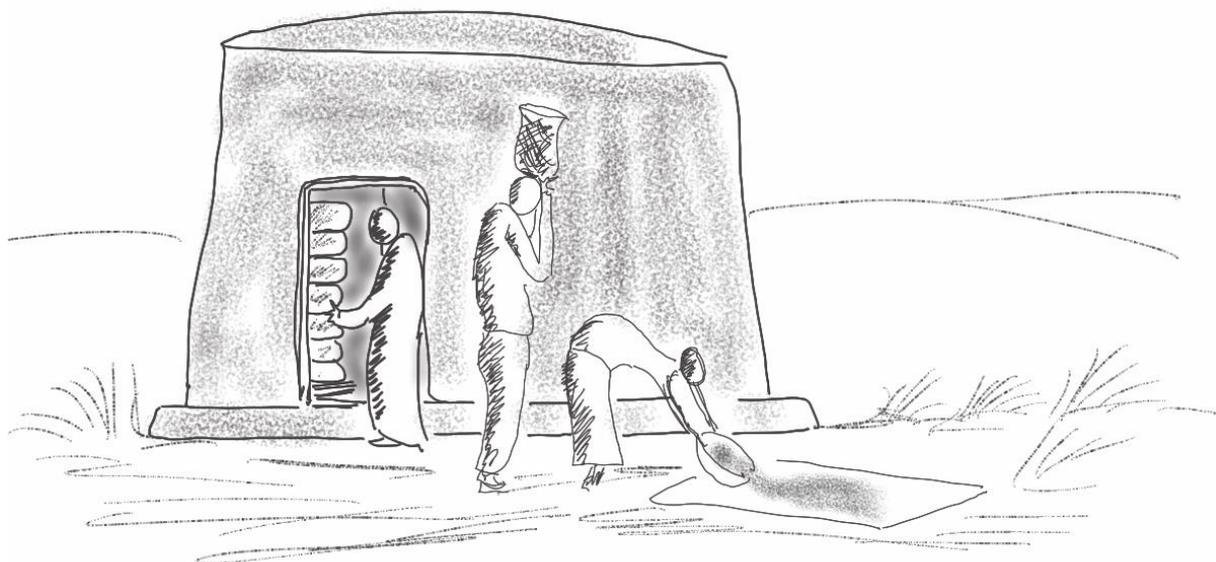
Awareness-raising
Children & youth
Climate & environment
Conflict & peace-building
Corruption & governance
Disaster risk management
Discrimination & inclusion
Food & livelihoods
Gender & sexual violence
Health & HIV
Influencing decision-makers
Migration & trafficking
Water, sanitation & hygiene

Constructing the grain bank warehouse

A grain bank needs a building with sufficient storage capacity and good storage conditions.

The building is important! However, often projects focus on the building, without developing good systems and decision-making procedures etc. A project with a fine building, but poor systems, will fail. Therefore, while it is important to consider and prepare for *where* grain will be stored, all of the other considerations outlined in this tool (*how* the grain bank will work, the management committee, the membership system, training, decision-making procedures etc) are more important. Without these in place, the grain bank building will end up empty!

- Is there a suitable **community building** or will a **new building** be needed?



- The **location** needs to be decided by the community. There should be no risk of flooding, landslides or pollution, and the bank needs to be accessible to all. Consider the distance to the nearest market that sells grain - transportation cost for stocking and re-stocking can be very high.
- If you are constructing a new building, who **owns the land** where the community would like to build? Does the community have **permission** to build a bank there?
- Is there a **local design** that is used for grain banks in the area? What is good about this design? What could be improved? How can the design help protect against potential threats such as heavy rain, dampness, fire, attacks from animals or theft?
- **Who** will do the building work? Are there **skilled labourers** within the community? If not, where could skilled labourers be found? And how much will it cost? How long will it take? Will it affect people's other work? What materials will you use and where will they come from?

Often, members are asked to contribute labour or money towards the construction of the bank. If this happens, it is important to think about members who are unable to contribute in the same way as others, such as elderly or disabled people. How can they be included, without placing unreasonable expectations on them?

Stocking the grain bank

What local varieties of grains will the bank stock? How much of each type of grain will be stocked? The Management Committee and members need to agree this together. It is very important to keep a clear inventory record of stock.

The best time for stocking is often soon after the harvest when the price is low. Where will the stock be sourced from? From contributions from members of the grain bank or purchased from the market? If produce is to be purchased from the market, where will the funds come from? Funds are needed to purchase and transport the produce. Where can you source high quality cereals for the best price?



When purchasing grain from market, it is also important to consider the safety of the grain and people during transportation – especially if an overnight stay is needed.

Awareness-raising

Children & youth

Climate & environment

Conflict & peace-building

Corruption & governance

Disaster risk management

Discrimination & inclusion

Food & livelihoods

Gender & sexual violence

Health & HIV

Influencing decision-makers

Migration & trafficking

Water, sanitation & hygiene

Re-stocking

As with stocking the grain bank, the best time to re-stock is soon after the harvest. Ideally, the funding for re-stocking should come from previous sales of grain and careful management of the money.

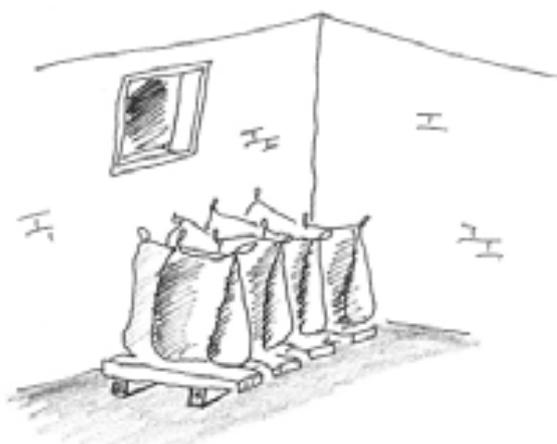
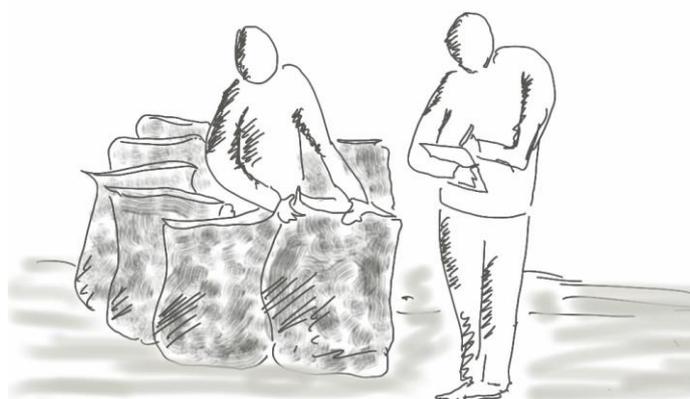
Members themselves can restock after the harvest. Or, the grain bank could buy from local farmers, local markets or regional markets. Cereal from regional markets may be of higher quality but the 'middleman' will have added the profit margin to the price. Some organisations set up cereal bank exchanges between areas with too much grain, and those with too little grain. This allows the areas with too much to maintain a good price for their cereal and helps areas with too little to restock their stores without going through traders.

Ensure the stock is kept in good condition

It is often the responsibility of the grain bank manager to lead on this.

- Check the quality of incoming stock.
- Clearly label the produce and the date it was deposited in the bank. Record all the deposits, withdrawals or purchases of the grains.
- Regularly check the stocks for quality and quantity and keep a clear and accurate record of the condition of the stock. The records should be checked by other people to avoid corruption.
- Ensure that there is no dampness in the building and that the roof doesn't leak.
- Protect the stock from pests and diseases. Treat stock with chemicals to kill or prevent pests if necessary – but always get advice from a trusted agriculturalist on safe use, dosage and handling of any chemicals. (Be aware that input sellers may encourage overuse of chemical pesticides.)
- Use pallets so that none of the stock is touching the ground.
- Ensure the store has good ventilation.
- Protect the stock from flooding, fire, animal attacks and theft.
- Regularly check the structure of the grain bank. If repairs are needed, do them as soon as possible.

Storing the grain in bags raised off the floor, with a tight-fitting door, will help to reduce losses. Turning the bags every few days will help to reduce insect damage.



Awareness-raising
Children & youth
Climate & environment
Conflict & peace-building
Corruption & governance
Disaster risk management
Discrimination & inclusion
Food & livelihoods
Gender & sexual violence
Health & HIV
Influencing decision-makers
Migration & trafficking
Water, sanitation & hygiene

Is an **insurance policy** an option to protect members if stock is damaged or stolen? There is often a cost for such a policy and it would need to be agreed by all members and the management committee. Do local banks offer insurance policies? Are there trustworthy insurance companies in the area? Are there local experts you could ask about this?

Decide the selling price (if using the sales system)

Grain banks must charge members an administration fee at time of deposit or sale. This is used to pay maintenance and running costs, and to protect against losses.

Most grain banks buy when grain is cheap and in plenty, and store until the lean season when grain is very expensive to purchase at market. Others sell throughout the year at normal market prices, but have a mechanism in place for dropping prices during the hunger gap. The sales price of the cereal should always include all costs incurred from when the grain is bought to when it is sold. The committee should look at market prices in neighbouring markets before they calculate the selling price. If selling during the hunger gap, they should sell at lower than the market price but equal to or more than the cost price.

Selling price = cereal price + other costs (such as management + handling + transport + staff)

Credit sales

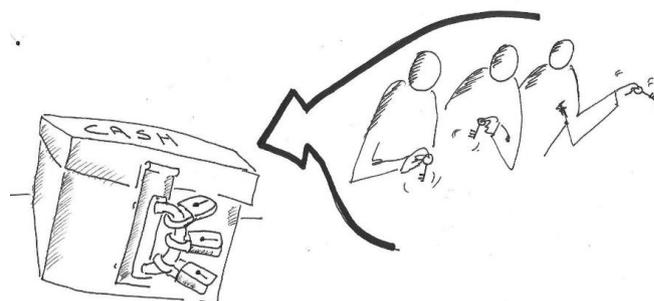
A percentage (10 per cent for example) of the stock could be sold on credit to the poorest people in the community. People could repay in the form of cereal from their next harvest.

It is generally poor practice to sell grain on credit and can easily lead to the bank failing. However, if this approach is chosen, there must be very clear systems and accountability for who qualifies for credit and how repayments will be made.

Good financial systems

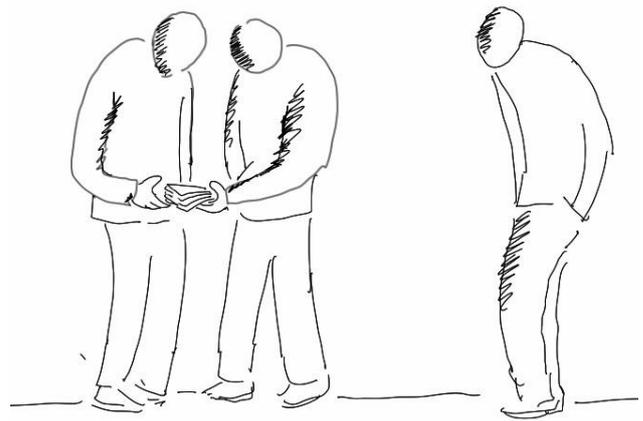
A good accounting system is needed, which records all money transactions in relation to the grain bank, including all purchases and sales of the stock. Wherever possible the management committee should save their funds in a **local bank or microfinance institution** to reduce risk of theft and fraud.

Only where a bank account isn't an option, cash should be kept in a **cash box**. A system is needed whereby the box cannot be opened by just one person. For example, the cash box could be kept in another locked box, within another locked box with different people holding the different keys. Or, the key could be kept in



a different locked box (with a different person holding the key). Or a cashbox could be locked with three different padlocks and the keys kept by three of different people so that the box cannot be opened without the three key-holders being present.

When money transactions take place, ensure another person is present to witness or counter-sign the document. This is to avoid mistakes and prevent mishandling of the money.



What if many people are unable to read or write? What could be done to improve literacy and numeracy so that good records can be kept?

It is also important to plan for what to do when stock or cash exceeds the needs of the community. For example, could the excess money be used for communal village development activities or to leverage change? Could the money buy a piece of equipment or a vehicle that everyone can loan? It is important that these decisions are made openly in consultation with all members.



Finding out more

- Tearfund (2008) *Footsteps 32 – Food security*, article on Developing Food Banks - http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps_31-40/footsteps_32/
- Tearfund (2011) *Disasters and the Local Church* – http://tilz.tearfund.org/en/themes/disasters/disasters_and_the_local_church/

Related tools:

- A1 – Revealing fatalistic beliefs about disasters: information for facilitators [A1: *Disaster risk management-1*]
- A2 – Different ways of adapting to climate change [A2: *Climate & environment-1*]
- A2 – The need to prepare — reducing the effects of disasters [A2: *Disaster risk management-1*]
- A2 – Disasters ball game — understanding shocks and stresses [A2: *Disaster risk management-2*]
- B – Fatalism — can we avoid disasters? (Bible study) [B: *Disaster risk management-1*]
- B – Noah — lessons in preparedness (Bible study) [B: *Disaster risk management-2*]
- B – Preparing for disaster (Bible study) [B: *Disaster risk management-3*]
- B – God of justice and mercy (Bible study) [B: *Disaster risk management-4*]
- B – God's provision for the future (Bible study) [B: *Disaster risk management-5*]