



# COMMUNITY CEREAL BANK

## Introduction

This technical brief presents steps involved in setting up and running a cereal bank. It is based on the actual experience of Nthunguni Community Managed Cereal Bank in Makueni District, Kenya.

## What is a cereal bank?

A cereal bank is a community-based institution involving a village or a group of villages that stocks and manages the operations of acquiring, pricing and supplying grain. The purpose of a cereal bank is to improve food supply in hungry season, especially during extended drought periods. The local community has to decide what sort of cereal bank would best answer its needs.

Grain is bought either from the village, or from elsewhere when the prices are low, just after harvest; it is stored until it is needed, and then sold to the villagers at reasonable price. Everyone benefits. The villagers are paid a better price for their grain, when the market prices are low, and they then have money in their pockets to pay their taxes, school fees, and other expenses. When the market prices are high and granaries are empty, they can buy grain from the cereal bank at a price they can afford. Since the bank is in the village, no one has to travel long distances to buy grain and then transport it back home. Thus, time is saved as well as transportation money.

## Setting up the cereal bank

There is no blueprint when setting up the cereal bank.. However, there are fundamental steps to be observed.

## Decision-making

Decisions on setting up a cereal bank must be based on a commonly felt need in the village such as grain shortage during extended drought periods. Since the whole village must own the store, it is important to have adequate consultations with all categories of people in the village on:

- the kind of store they need,
- location of the store,
- getting the initial grain to start the cereal bank.

Several village consensus-building meetings are essential depending on the size of the village.

## The store

The store should be built in a place where everyone has easy access to it. The place should be secure and easy to guard. The whole village should agree on where to place it. The village should discuss thoroughly on materials to be used in building the store. They must decide whether they need a permanent structure or a temporary structure or a borrowed or rented store

## Getting started

There are three possible ways of getting the grain to the community cereal bank: a loan, a gift (or food aid) or donations from the community. These three different methods could be combined, and this might make the task easier.

### **Considerations when selecting the kind of store**

*A temporary store can be built by villagers themselves; the materials can be found locally and it will be cheap to build. But it will not be very sturdy and will need regular repairs; grain losses are generally higher than from permanent stores because it not easy to protect against insects and vermin.*

*On the other hand a permanent store (made from blocks and cement) can last a long time but are very expensive to build; they will be subject to fewer losses from insects and vermin.*

*Borrowing or renting stores may be cheaper than building one but the owner may suddenly need the building, causing losses or problems.*

technical brief

### Loans

Loans can be either of money or of grain, and sometimes a combination of both. A loan of money is very common and comes with varying conditions. It could be a medium term loan (e.g. 5 years) with or without interest, or a short-term loan (annual or seasonal) with or without interest. It is important that the village understands on what conditions it is given.

### Gifts

Sometimes an outright gift is given by an outside organization. This is used as a rolling fund to continue the operation of the cereal bank into next year. This means that the money earned from the sale of grain in the first year is used to buy the next year's stock. If the cereal bank works well, then there is no more need for outside assistance.

### Community contribution

The whole community can contribute by cultivating a communal field, and when the crop is sold, put the money into the cereal bank. Other crops such as vegetables or fruit tomatoes can be cultivated and sold for purchase of grain to be stored in the cereal bank. Alternatively, individual villagers can each make a contribution of grain to the cereal bank after harvest.

### Starting with money

In areas where there is a surplus of grain production, or where there is exactly the right amount produced to meet people's needs, it is useful to start the cereal bank with money. This enables the cereal bank to pay a good price to the farmers for their grain and there is a good chance that the cereal bank will be able to buy all the grain it needs locally.

In areas where not enough grain is produced to meet the local needs, starting the cereal bank with cash will certainly give the farmers a better price than they would get from the merchants. But the bank will have to go farther a field to find enough grain, and will then have to pay the resulting transport costs. This is possible, but it needs good organization and a good knowledge of the grain markets in order that the bank can buy at the right time in the right place.

Dealing with money will force the management committee of the cereal bank to face up to the realities of the grain market and the competition from traders right from the beginning. It will also allow the management committee to learn how the formal banking system works, because they will have to open an account in a financial bank in the nearest town, manage the accounts of the cereal bank members, and invest the profits.

All of this seems to suggest that this is the way to start a cereal bank. But there is a risk that the village may receive a large sum of money to finance the cereal bank, and then be tempted to use it for other purposes.

### Starting with grain

The main advantage of starting with a stock of grain is that villages, which do not produce enough, even in a good year, can cover all their food needs. If the Management Committee only handles grain, they will not learn how to handle money and understand how the cereal

#### **What can go wrong?**

- *A cereal bank management committee may lack key skills, I*
- *Poor storage causes losses*
- *The members of the cereal bank need to understand how the cereal bank operates. If they fail to understand, they will not repay their debts.*
- *In an area which does not produce grain, it can be a problem finding enough grain to buy.*
- *The rolling fund can be too small to buy enough grain for the cereal bank to operate effectively*
- *If the money is being received from an outside agency, it sometimes arrives too late to buy grain at low prices*
- *Dishonesty in the management committee.*

technical brief

market works. There is always the risk that the village will look on the cereal bank as simply a source of food aid. Thus, it may be better to start the cereal bank with both cash and grain.

### **Composition of a cereal bank**

The cereal bank members are the ones who own the cereal bank. Anyone in the community who is committed to the idea of a cereal bank and who will benefit from it is a member of the Cereal Bank. The cereal bank members should decide on the purpose of the cereal bank; they should decide how it should be run (for example, whether it should be there to serve the interests of the community alone, or to make a profit); and they should supervise all its activities. The cereal bank members normally meet at the beginning and end of each season.

### **Cereal bank management committee**

The cereal bank members elect a management committee, which consists of chairperson, secretary, treasurer, storekeeper and buyers. There can also be deputies for the different posts, in case of sickness or absence.

The management committee is responsible for three main things:

- Managing the day-to-day activities of the cereal bank
- Suggesting to members a sensible social and commercial policy
- Taking stock each year of the cereal bank's activities.
- Answering to the cereal bank members.

The chairperson's job is to be responsible for and oversee the activities of the bank. S/he is also the main point of contact with the outside world.

The secretary's job is to record all the administrative and accounting operations of the cereal bank.

The storekeeper takes in the grain that has been bought for the cereal bank and sells it. S/he is responsible for the upkeep of the store and the condition of the grain in it.

The treasurer is in charge of the money.

The buyers arrange for the cereal bank to buy grain at the best possible price, sometimes travelling long distances and arranging transport for the grain back to the village.

### **Qualities of the management committee**

The success of the cereal bank depends on the competence and commitment of the management committee. So, the committee must consist of people who are honest, upright, dynamic, literate and dedicated to the well-being of the village. The cereal bank members must choose the committee very carefully, and some of the jobs will need different qualities from others. For example, the chairperson must be open-minded, able to get people together, good at negotiating. The secretary must be literate and always available. The treasurer must be honest and able to do some mathematics. It is easy to check up on some of the requirements, like literacy for example, but much less easy to be certain about others like honesty and dedication.

The cereal bank management committee must be made up of men and women, from all sections, classes and ages. The cereal bank committee should be inclusive without being dominated by one group or person.

### **Skills training**

Some of the tasks of the management committee require specific skills. For example the treasurer should have simple accounting skills to effectively manage a system of four books and double entry book-keeping. The system involves keeping four account books, the book of the treasurer, the book of the purchasing officer, the book of the secretary and the book of the storekeeper. Thus, the secretary, treasurer, purchasing officer and storekeeper should be trained on the accounting system. The purchaser will also require skills on effective purchasing.

If the cereal bank members cannot find people with such skills, they must find people with other qualities who are willing to learn. It is often possible to find someone from outside who could come and train the management committee in some of these tasks.

### **Operating a cereal bank**

Determine how much cereal will take the village through the hungry season. This is necessary before any carrying out other operations. The cereal bank is involved with buying and selling grain, but the community can also use it to look after those in need.

### **Buying cereal**

The cereal bank buys up grain just after the harvest when the market price is at its lowest. It buys first from its members, then from the surrounding villages, and finally from traders or other cereal banks in the area.

The price which it purchases grain from its members and the surrounding villages can be higher than the market price, but when it buys from traders, it should not pay more than the market price.

The quantities, which are bought will depend on how much food will be needed to carry the members through the hungry season, which is worked beforehand. It will also depend on how much money is available.

### **Selling cereal**

The cereal bank members should make decisions on when to start selling the grain. They should decide whether to sell throughout the year or during the hungry season. In most cases, selling takes place during the hungry season when most people have run out of food and it is very expensive to buy food in the market. However, it depends a lot on what the cereal bank members want. Some cereal banks sell nearly all year round, replacing their stock when it runs out. This is quite common in areas, which do not produce enough or pastoralist areas, which hardly do any farming. However, selling all the year round requires a good management committee.

Often the cereal bank does not want to sell until the moment when the prices are highest on the open market. This is one of the decisions, which has to be made by the cereal bank members.

The bank sells first to its members. If there is enough grain, it can then sell to non-members. The members pay lower prices than non-members. The sale price must be set in relation to the cost price calculated beforehand. It should be lower than the market price in the neighbouring villages, but it must be equal to or more than the cost price. It is also important that the cereal bank sells the grain in both large and small amounts, since not every one can afford to buy large amounts at a time.

### **Helping the poorest**

Whenever there is not enough, everyone wants to buy from the bank, and since some people are richer than others, the rich could easily buy up all the grain and not leave any for the rest. In this case, the cereal bank must be clear about what its policy is and have a system for regulating buying and selling, otherwise the poorest will never benefit from the existence of the bank.

Options exist for cereal banks to help the poorest. The following are some of the options:

### **Fixing quotas**

This means that the cereal bank works out how much grain the cereal bank has and then allows each member to buy a certain amount. Alternatively, the cereal bank determines how much grain a family needs to buy. For example, the cereal bank might decide that each head of a family can only buy 100kg every 15 days. This also prevents individuals buying large quantities to resell at a profit. Alternatively, the cereal bank can allow people to buy in small

as well as large quantities, then people have a flexibility to buy from the bank whenever they like, and according to how much money they have available.

**Credit**

The cereal bank members can allow people to buy on credit. But if it does so, it must make sure that it determines:

1. How many people are likely to need credit?
2. How much of the grain in the store can it afford to sell on credit?
3. How will it deal with people who do not pay their debts?

**Social fund**

The cereal bank can set up a social fund. For example, it can make each person who buys grain from the bank contribute a small amount to a social fund to assist the poorest in the community.

**For further information, contact:**

Eric Kisiangani  
Practical Action – East Africa  
Box 39493, 00623  
Nairobi  
Kenya  
Email: [eric.kisiangani@itdg.or.ke](mailto:eric.kisiangani@itdg.or.ke)

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