

WFP's LRP Operations in Africa

Assessment and Thoughts on Ways Forward

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*Presented at
World Food Program, Rome*

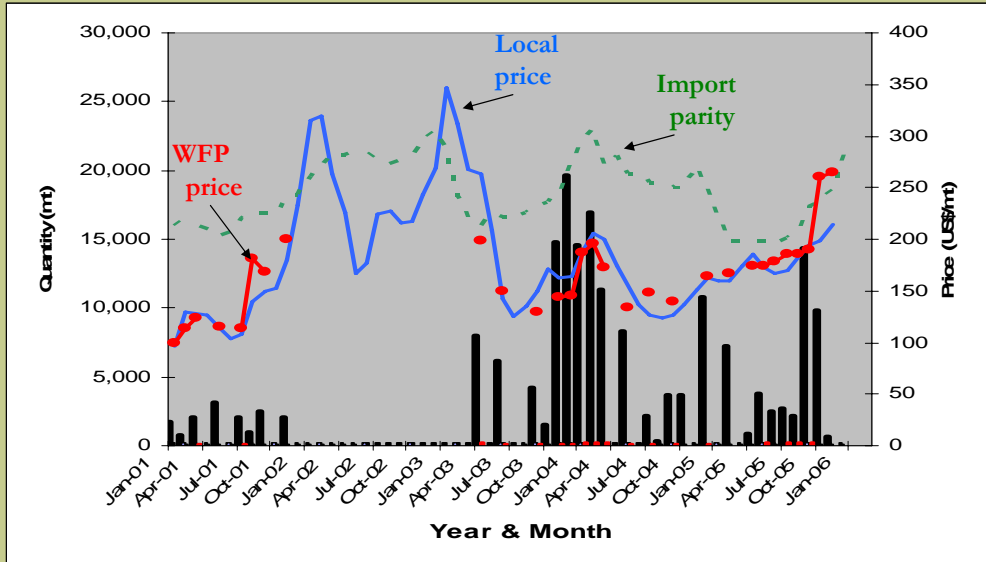
Wednesday, 5 December 2007

Roadmap

- WFP has shown generally good performance in its LRP operations in Africa
 - Although food may often not be the preferred resource for affected households
- Thoughts on ways forward for LRP
 - Smallholder procurement
 - Promoting new market institutions

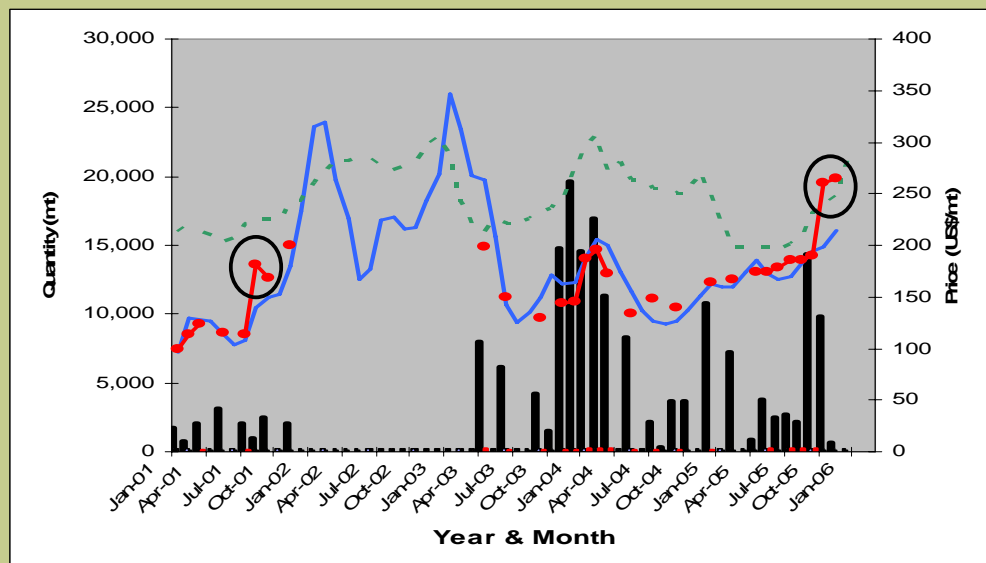
LRP's Track Record- Zambia

WFP Purchases, local wholesale prices, and IPP from SA in Lusaka



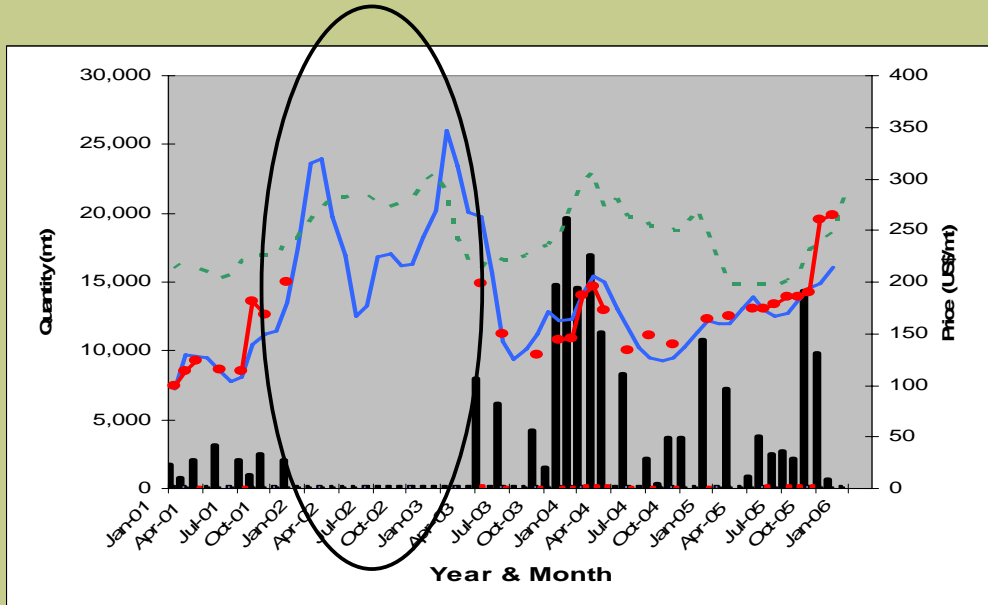
LRP's Track Record- Zambia

Prices Paid – good performance



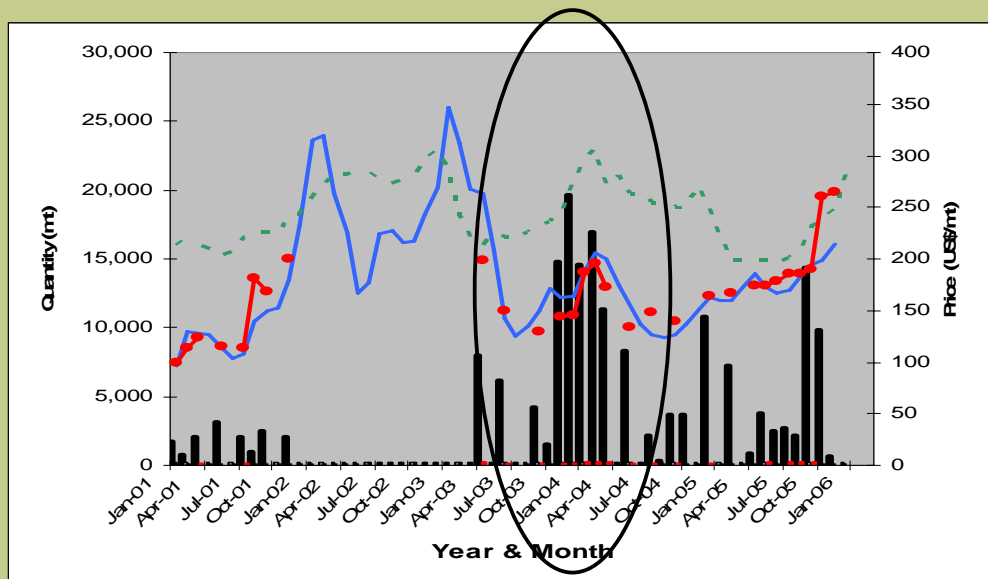
LRP's Track Record - Zambia

Decision to procure or not – good performance



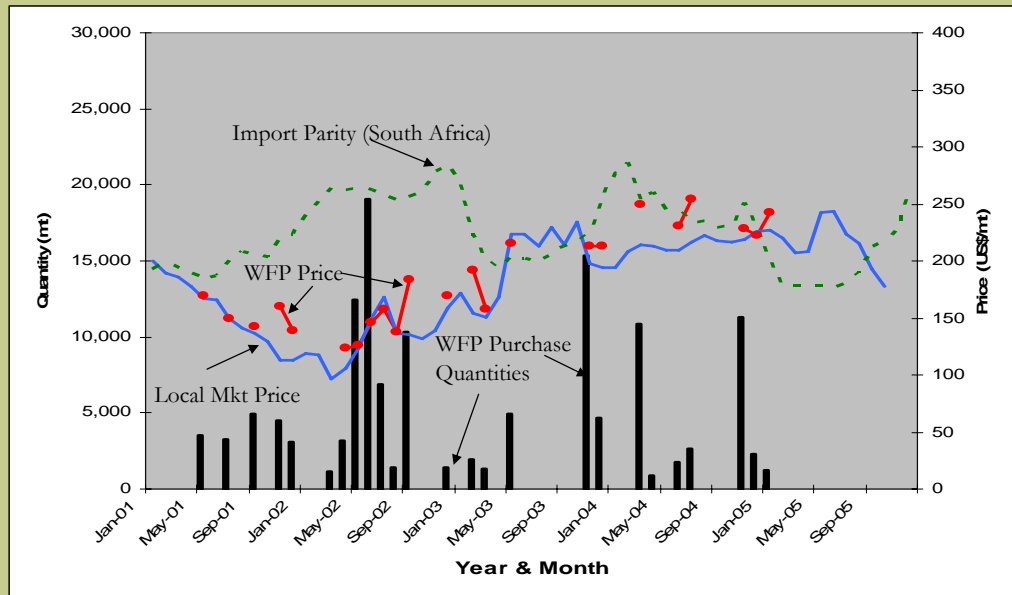
LRP's Track Record - Zambia

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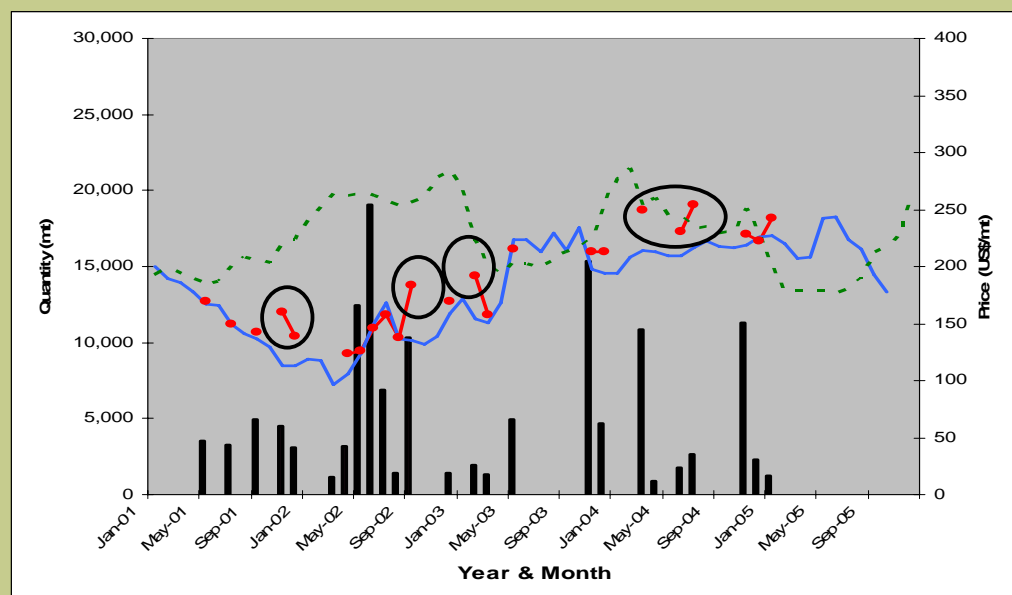
LRP's Track Record – Kenya

WFP Purchases, local wholesale prices, and IPP from SA in Nairobi



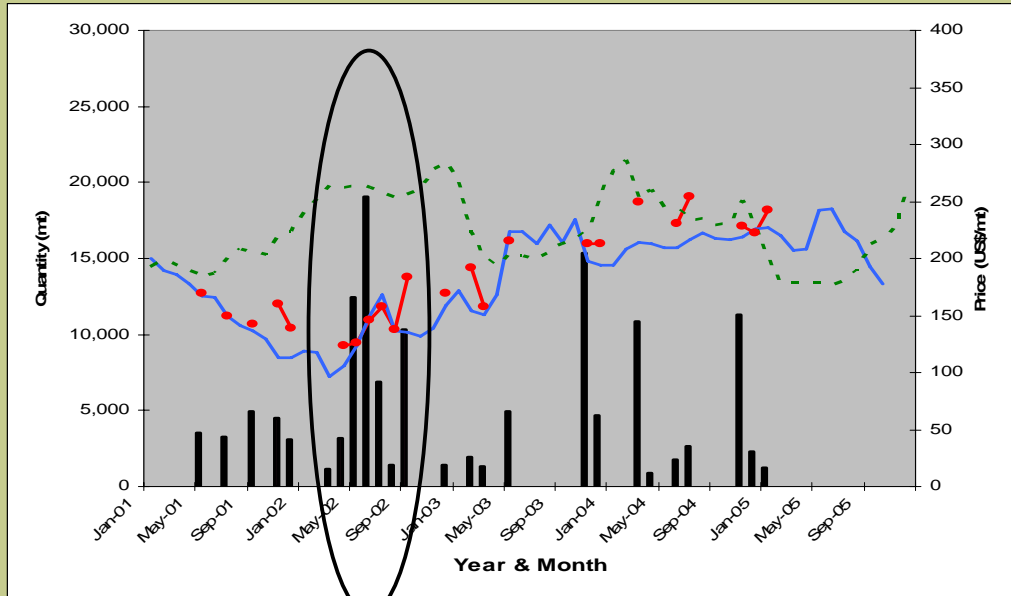
LRP's Track Record – Kenya

Prices Paid – some problems



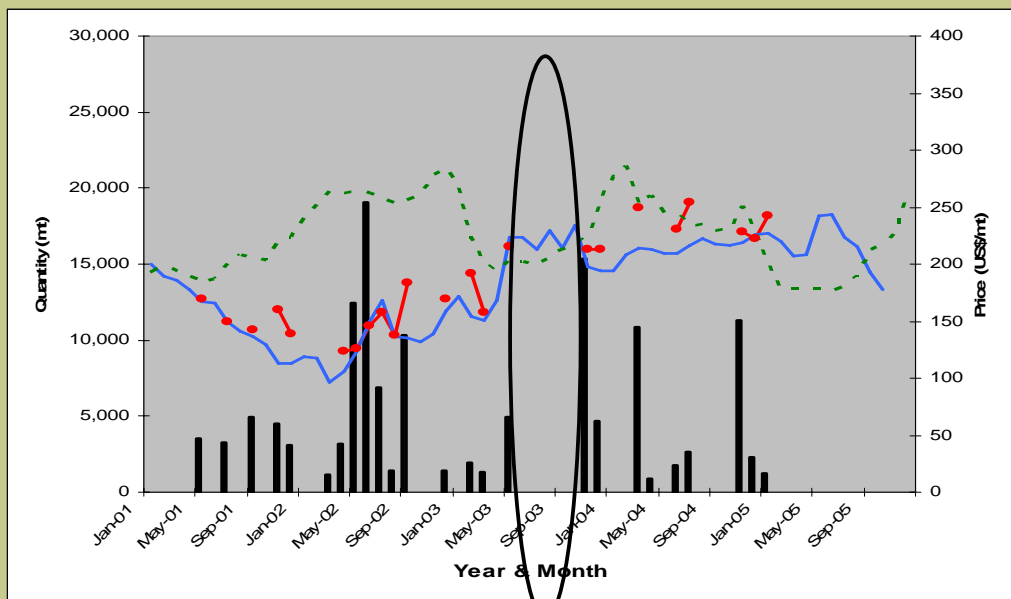
LRP's Track Record – Kenya

Decision to procure or not – good performance



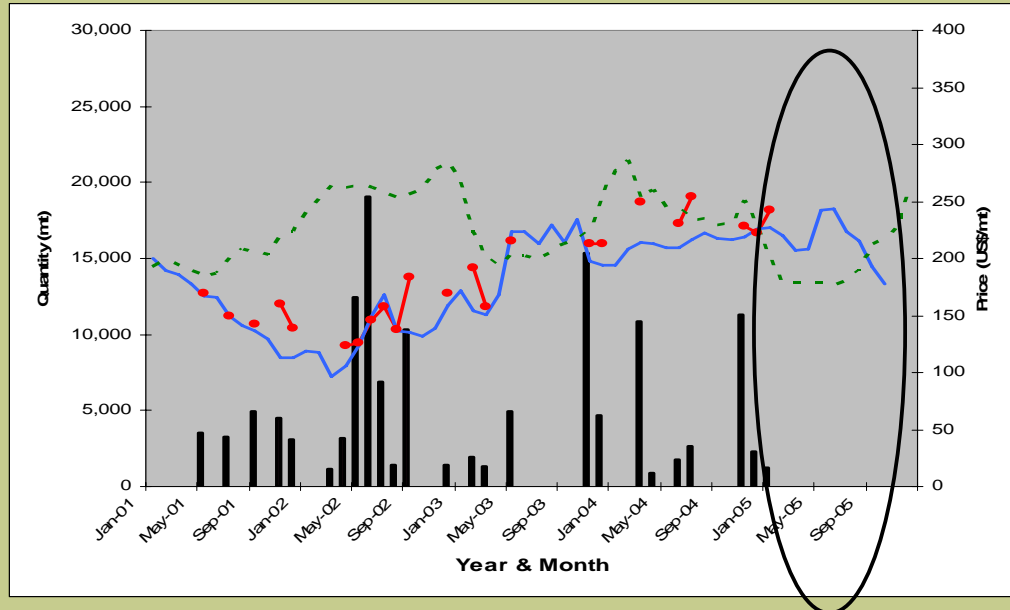
LRP's Track Record – Kenya

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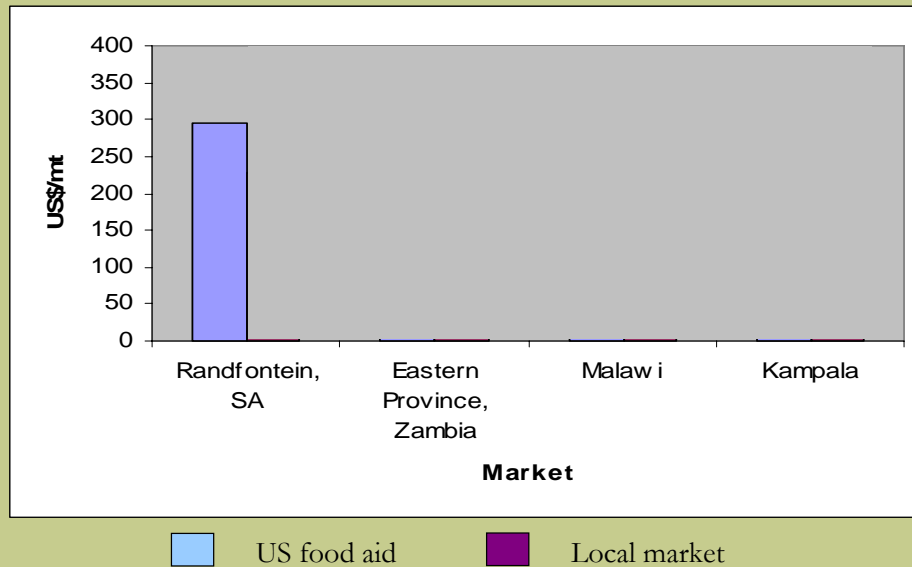


LRP – Feeding More People

- On actual WFP procurement of maize in Kenya, Uganda, and Zambia from 2001-2005:
 - Savings compared to U.S. food aid: US\$67,700,000
 - Extra maize this would purchase: 437,719 mt
 - People this could feed: 1,200,000 for 2 years
 - 1,800 kcal/person/day
 - During at most 8/180 months would U.S. food aid have been cheaper
- Consistent with other findings
- Savings on CSB and maize meal even higher
 - And timeliness advantage even greater

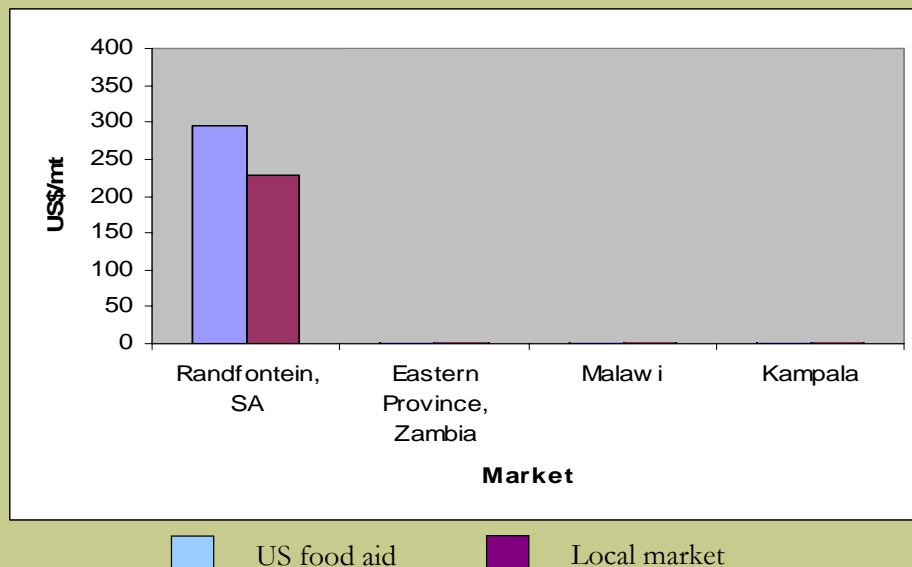
LRP – Feeding More People (2)

Cost of delivered US Food aid vs. Local Prices (April 2007)



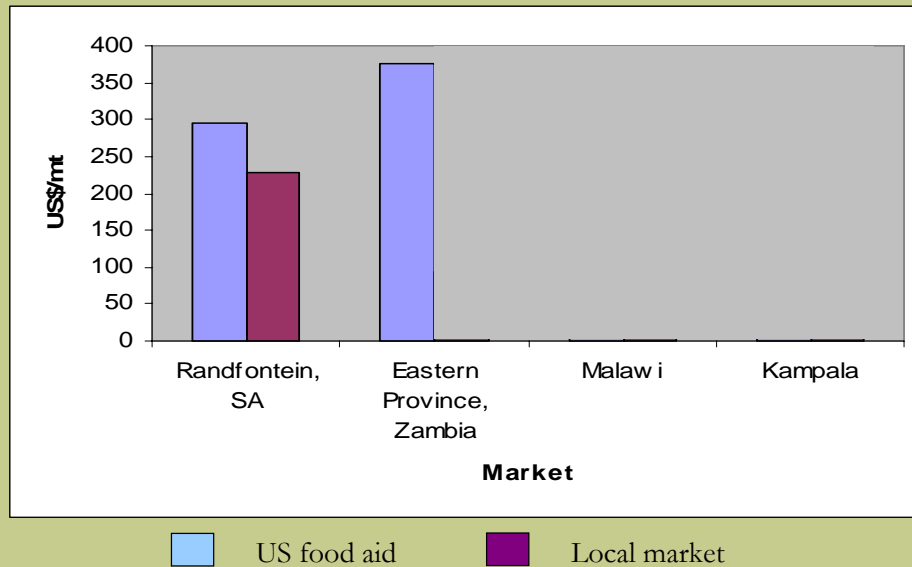
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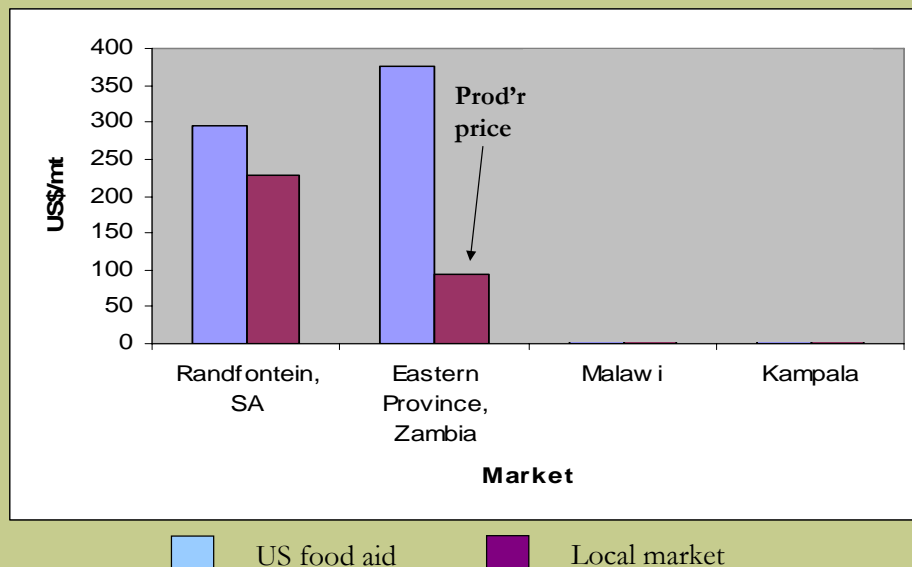
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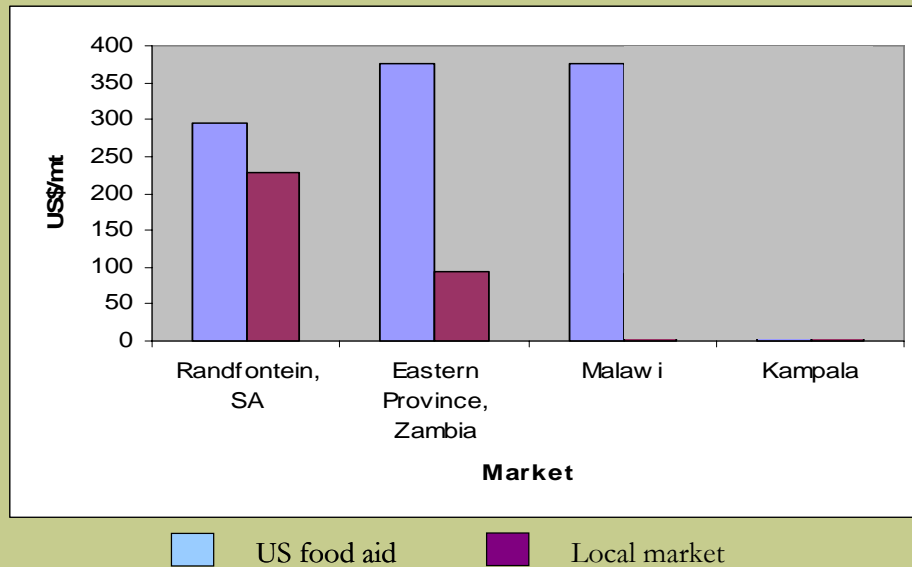
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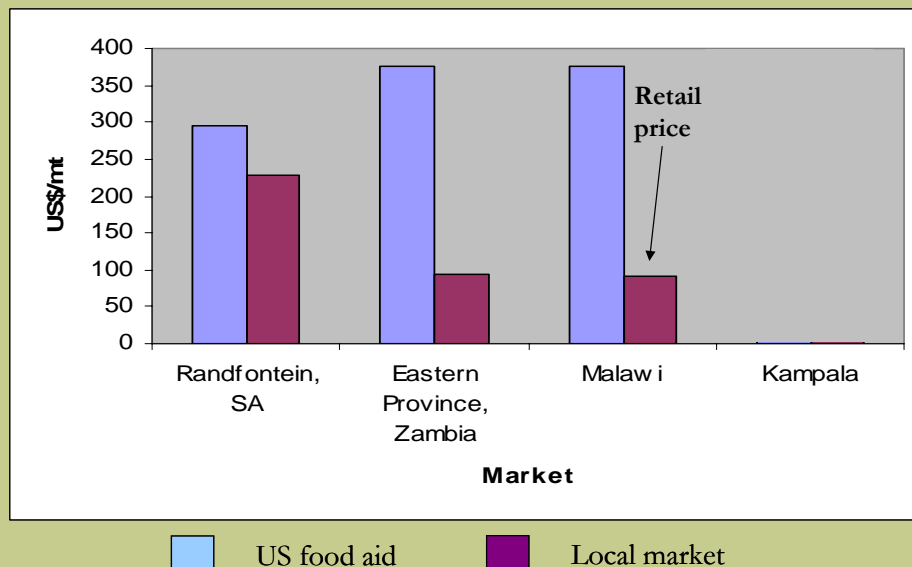
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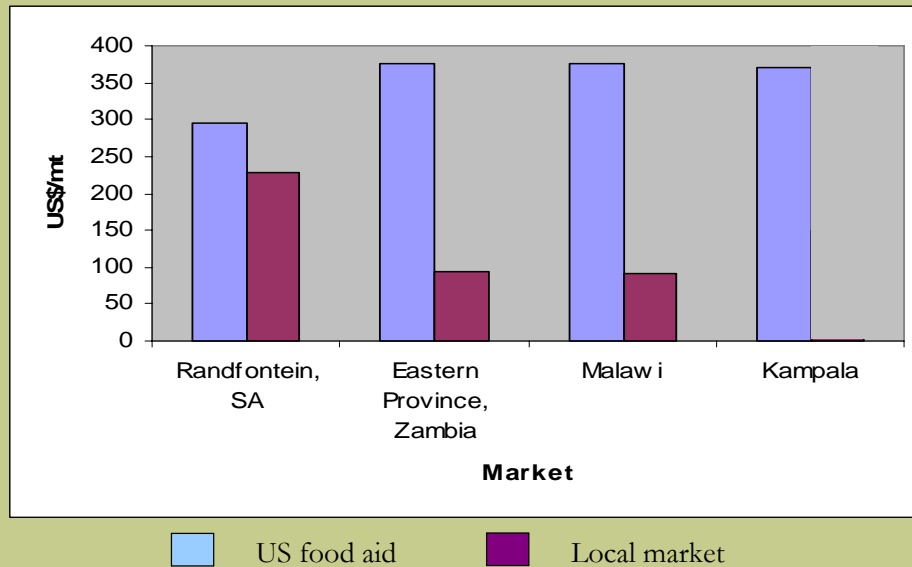
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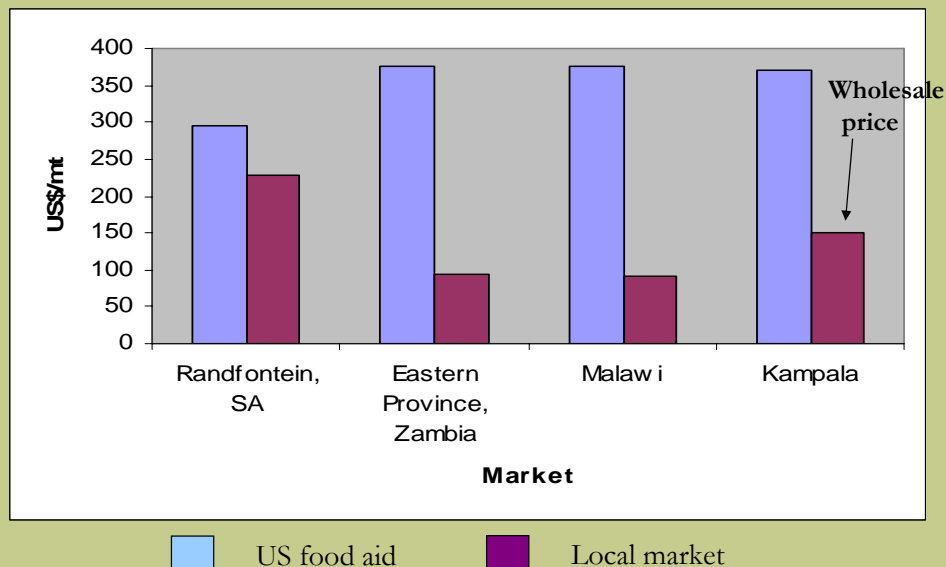
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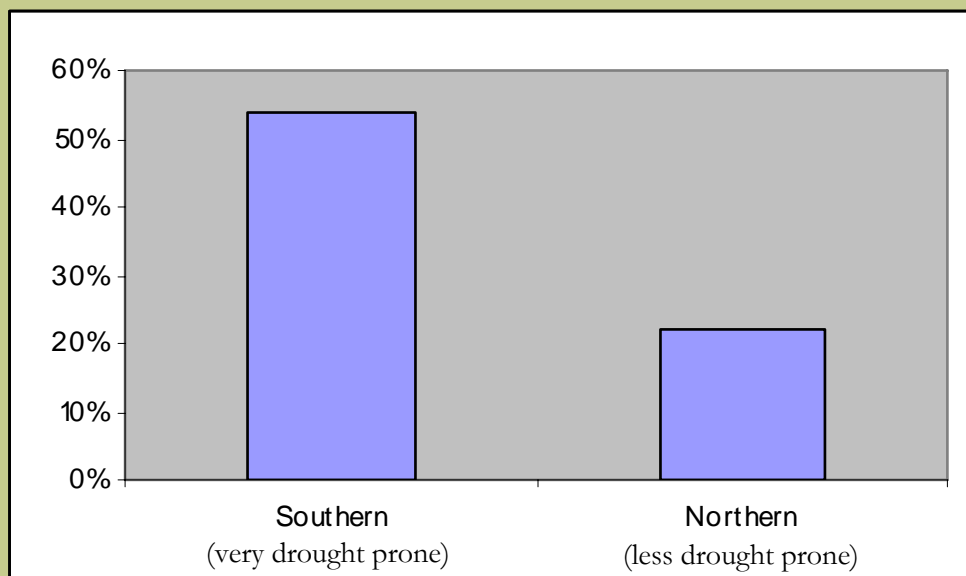
Cost of delivered US Food aid vs. Local Prices (April 2007)



Is food typically the preferred resource?

- Households living in drought prone areas are most reliant on food markets for purchases

Percent Net Buyers of Maize in Two Provinces of Zambia, 2004

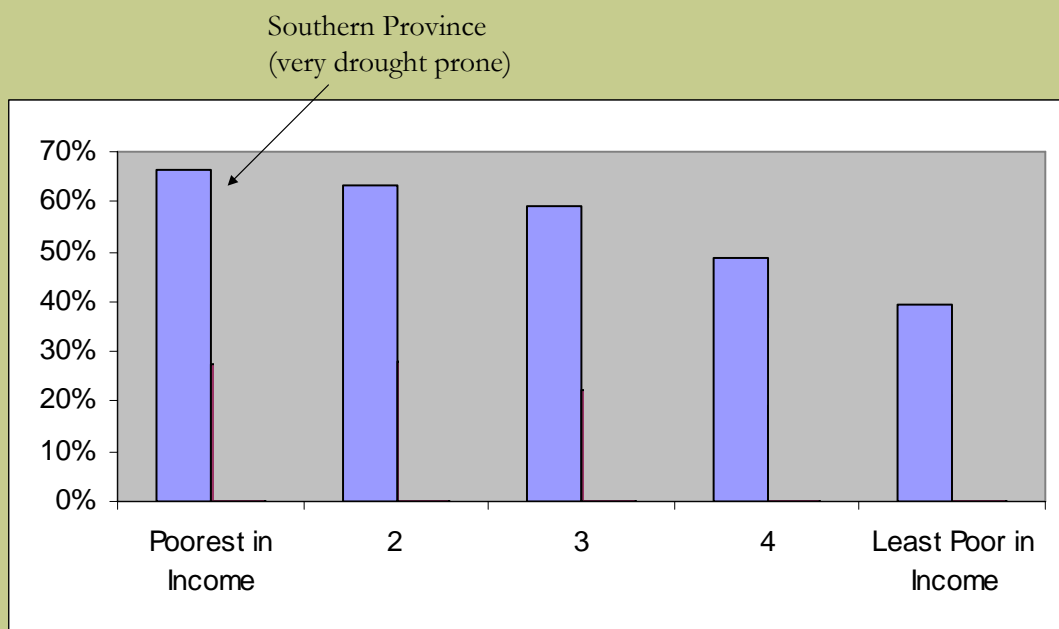


Source: MSU/MACO Supplemental Survey, Zambia, 2004

Markets and the Poor

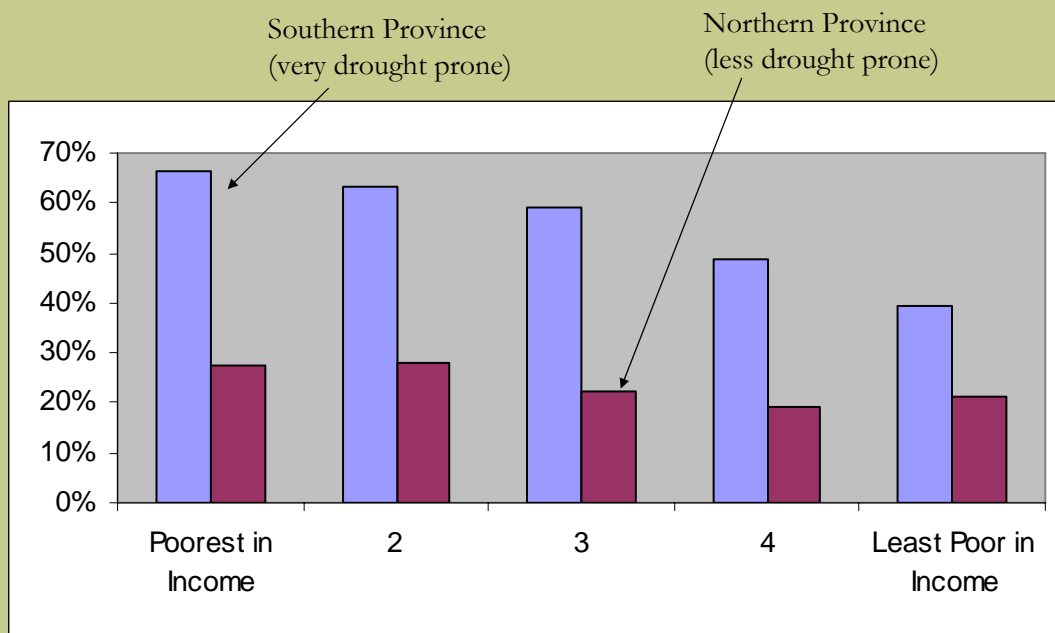
- Within these provinces, the poorest are the most reliant on food purchases

Percent Net Buyers of Maize in Two Provinces of Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

Percent Net Buyers of Maize in Two Provinces of Zambia, by Quintile of Income per capita, 2004

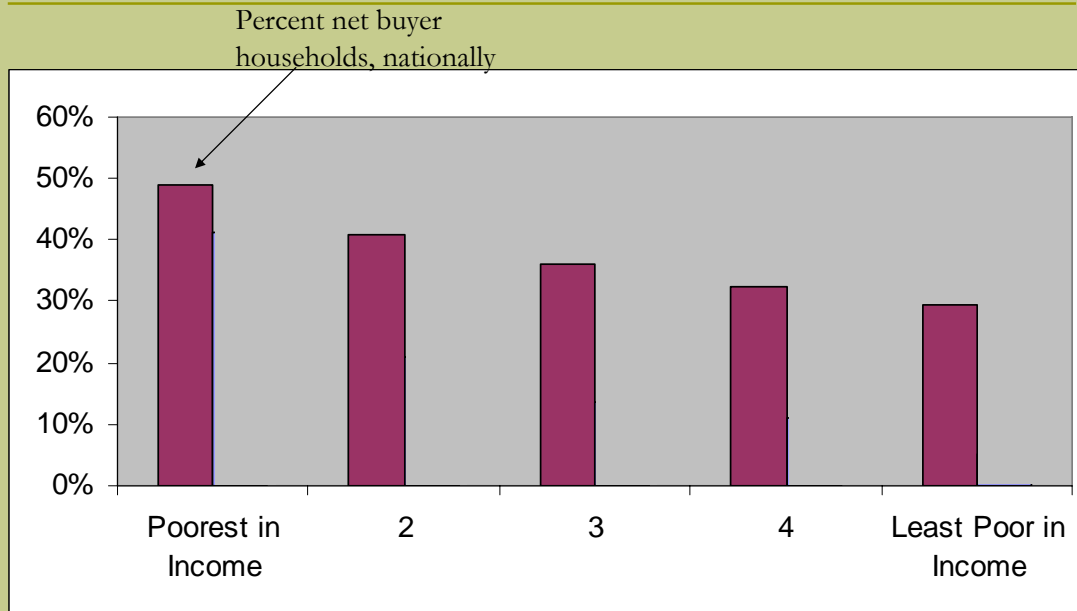


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Markets and the Poor (3)

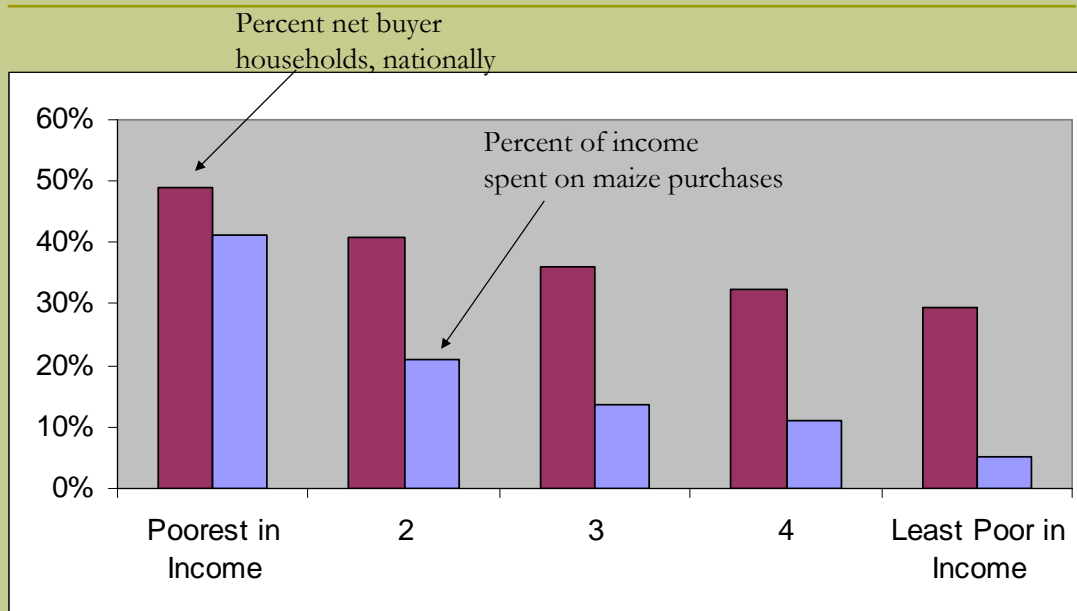
- And the poor spend a much higher share of their income on food staples

Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

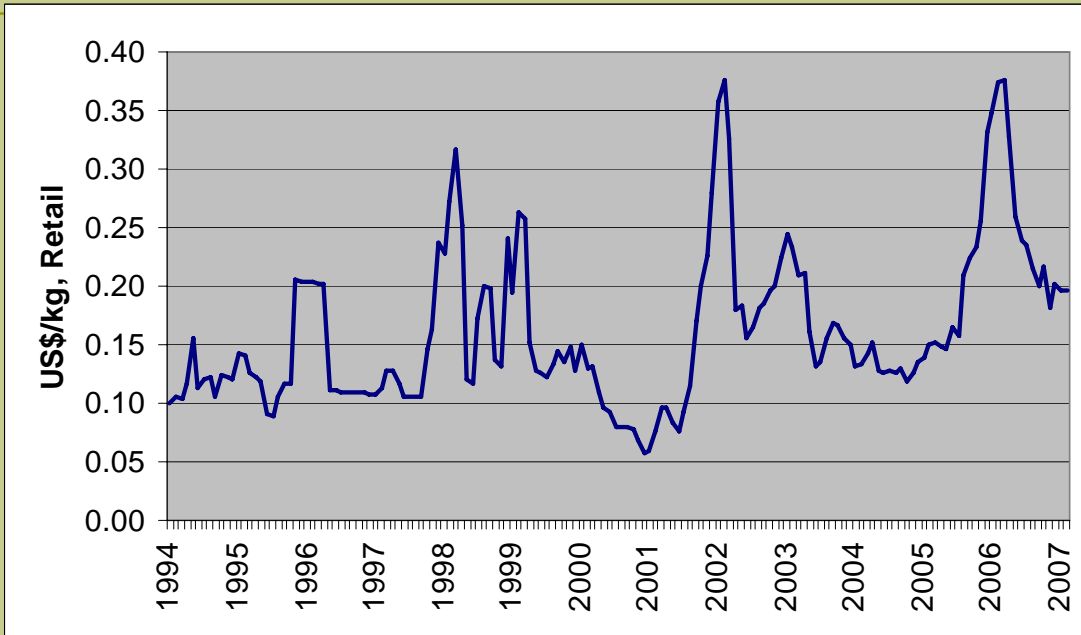
Markets and the Poor (4)

*The poor are more reliant on markets,
not less*

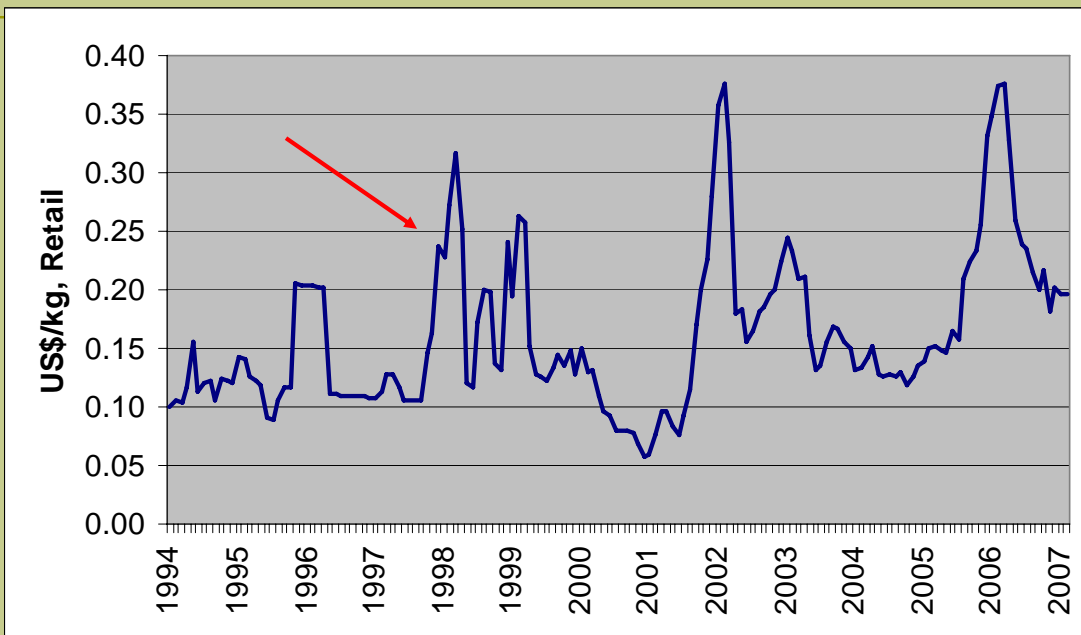
Procurement from Smallholders

- Good goals!
 - Increase smallholder income
 - Help more smallholders establish themselves in the commercial economy
- How to go about this?
- Depends on the assumptions one makes about the marketing systems serving smallholders
 - Are they inefficient?
 - Are they uncompetitive/exploitative?
 - Or are they typically efficient and competitive but high cost and risky?

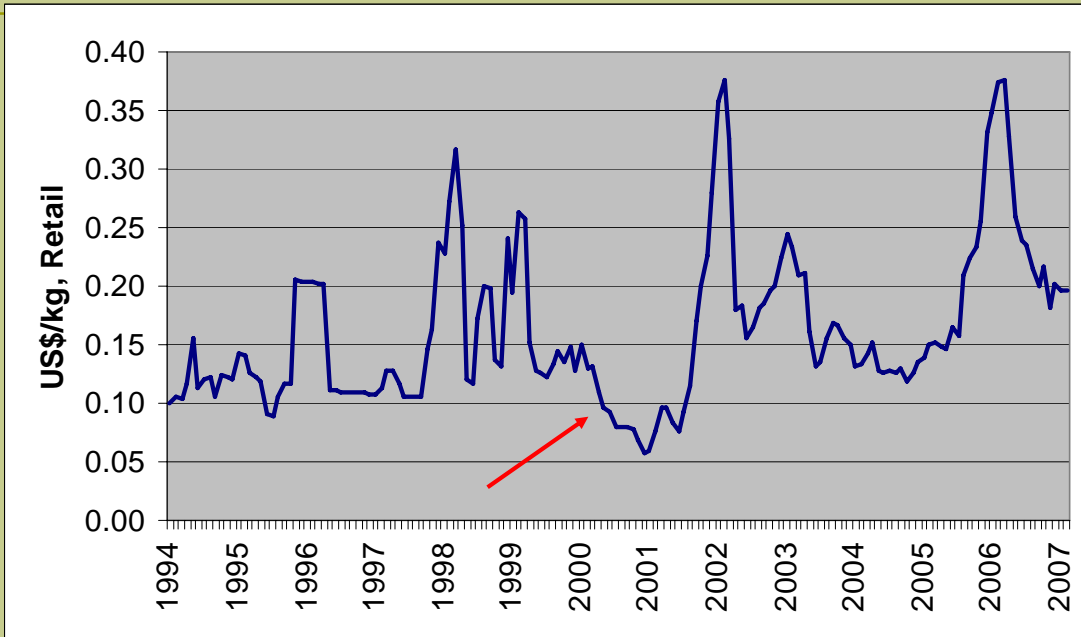
Maize grain prices in Eastern Province, Zambia



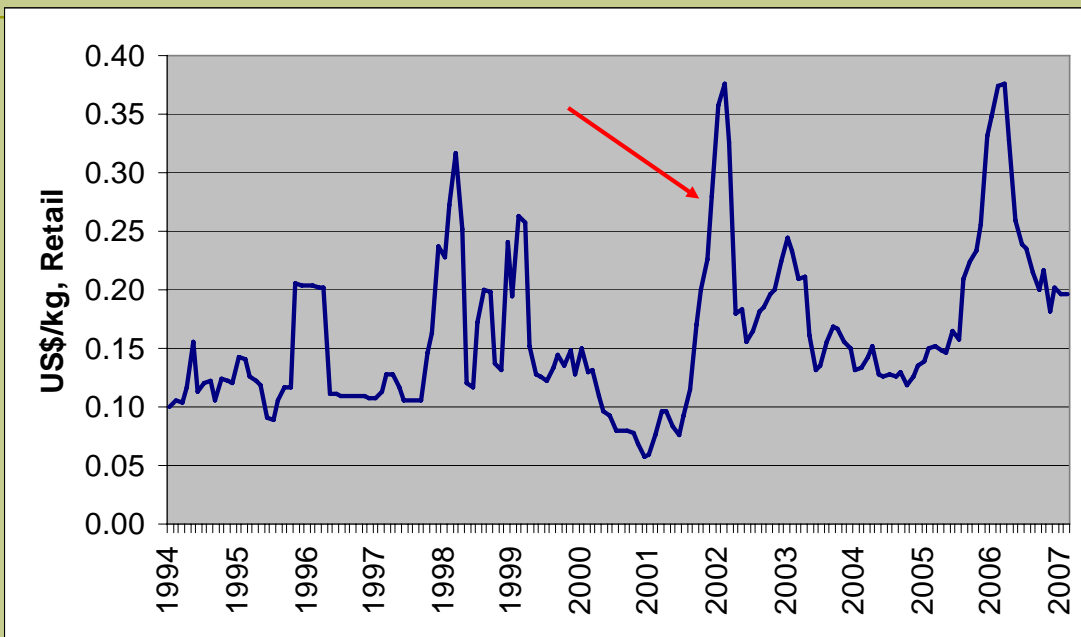
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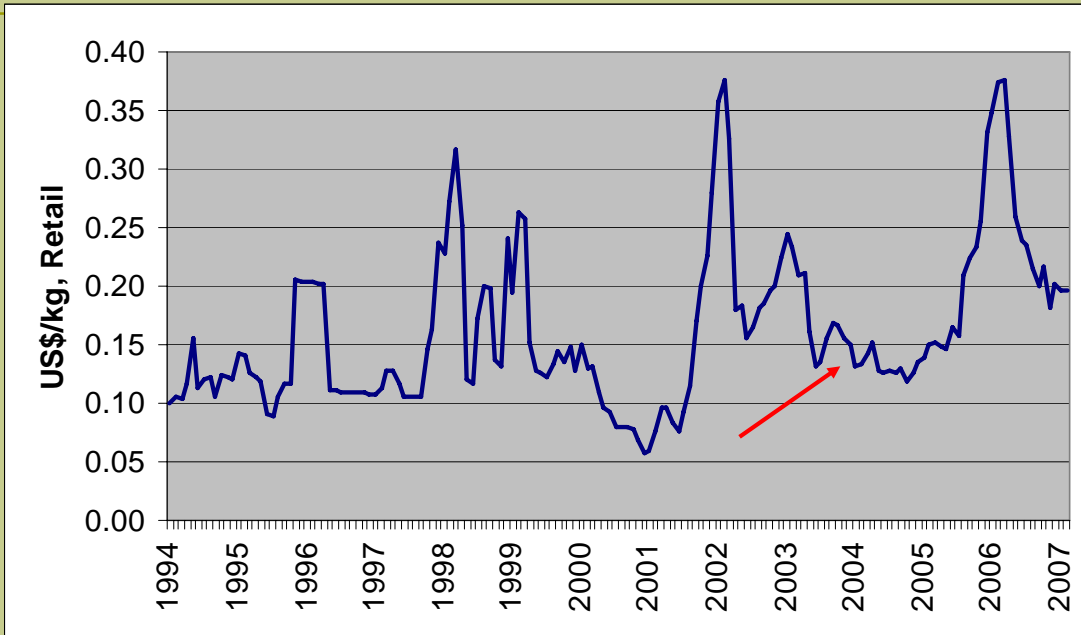
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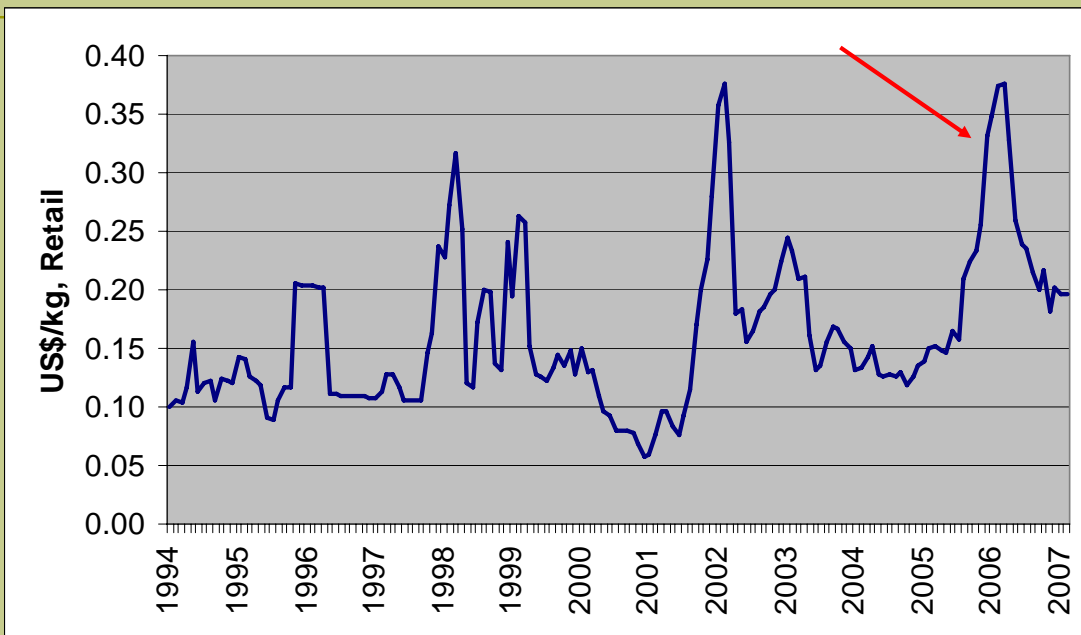
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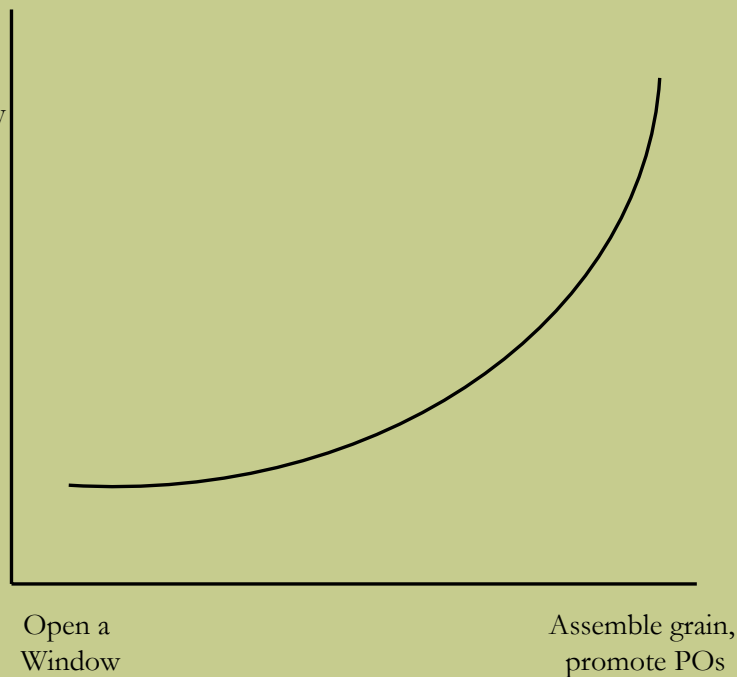
Procurement from Smallholders (2)

- Studies of marketing margins tend to show:
 - Farmers have multiple buyers from whom to choose
 - Costs are very high
 - Returns are variable and low
 - More so, the closer you operate to the farmer

Procurement from Smallholders (3)

Cost

- Cash
- Mgmt time
- Intellectual energy



Another Vision

- Contribute to the long-term development of the trading system
 - “Join the trade”
 - Act like a progressive, forward looking trader
 - Don’t underestimate the costs (and overestimate the benefits) of trying actively to promote POs
 - Let others do this
 - Specifically:
 - Open a window for smallholders
 - Invest time and effort in the broader system

The Smallholder Window

- Set the rules
- Advertise the rules
- Let POs themselves, or with assistance from NGOs, organize to supply that window
- Don’t fall into the trap of promoting POs
 - Lots of money spent by many organizations over many years, with limited progress
- Moving back to assembly would send costs soaring

Market Development

- In the long-run, the only way to help farmers improve their incomes is to reduce costs in the marketing system
- WFP might be able to help do this
 - Join EAGC
 - Consider using commodity exchanges and promoting warehouse receipts
 - But be hard-headed; expect these efforts to pay-off (eventually) in terms of lower procurement costs for WFP and others

Thank you