WFP’s LRP Operations in Africa

Assessment and Thoughts on Ways Forward

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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

Prices Paid – good performance
LRP’s Track Record - Zambia

*Decision to procure or not – good performance*

![Graph showing quantity and price trends over time with an emphasis on decision-making periods.](image-url)
LRP’s Track Record – Kenya

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

Prices Paid – some problems
LRP’s Track Record – Kenya

**Decision to procure or not – good performance**

![Graph showing track record over time](image-url)
LRP’s Track Record – Kenya

**Decision to procure or not – good performance**

![Graph showing quantity and price trends over time.]

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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)

![Graph showing cost of delivered US Food aid vs. Local Prices in Randfontein, Eastern Province, Zambia, and Kampala. The bars indicate that the cost of US food aid is higher than local prices in Randfontein and Eastern Province, Zambia, while Kampala shows a low cost for both US food aid and local market prices.](image-url)
Cost of delivered US Food aid vs. Local Prices (April 2007)
LRP – Feeding More People (2)

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

![Graph showing cost comparison between US food aid and local market prices across different markets.]

- Randfontein, SA
- Eastern Province, Zambia
- Malawi
- Kampala

US food aid vs. Local market

LRP – Feeding More People (2)

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

![Graph showing cost comparison between US food aid and local market prices across different markets with a focus on retail price.]
LRP – Feeding More People (2)

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

![Bar chart showing the cost of delivered US Food aid vs. Local Prices for different markets including Randfontein, Eastern Province, Malawi, and Kampala. The chart compares wholesale price and local market prices.]
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

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

Southern Province (very drought prone)

Source: MSU/MACO Supplemental Survey, Zambia, 2004
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
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
Maize grain prices in Eastern Province, Zambia
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)

<table>
<thead>
<tr>
<th>Cost</th>
<th>Open a Window</th>
<th>Assemble grain, promote POs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
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<tr>
<td>Mgmt time</td>
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<tr>
<td>Intellectual energy</td>
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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