Local and Regional Food Aid Procurement

Successes and Challenges as LRP Moves into its Second Generation

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Outline

- World Food Program’s record in first generation LRP
  - Nature of success
  - Bases for success
- Second generation LRP
  - More complex objectives
- Key issues in 2nd generation LRP
WFP’s record in 1st generation LRP

- High level of procurement
- Highly cost effective
- Improved timeliness
- Market development
  - Maize in Uganda
  - Faffa, Likuni Phala
- Generally good performance not distorting the market

Cost savings = 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 also larger
Maize prices in various SSA markets vs. imported U.S. food aid – April 2007

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

Price to farmers

US$/mt

Randfontein, SA
Eastern Province, Zambia
Malawi
Kampala

Market

US food aid
Local market
Maize prices in various SSA markets vs. imported U.S. food aid – April 2007

![Graph showing maize prices in various SSA markets vs. imported U.S. food aid.](image)

- **US food aid**
- **Local market**

Maize prices in various SSA markets vs. imported U.S. food aid – April 2007

![Graph showing maize prices in various SSA markets vs. retail price.](image)

- **US food aid**
- **Local market**
Maize prices in various SSA markets vs. imported U.S. food aid – April 2007

[Bar chart showing maize prices in various SSA markets vs. imported U.S. food aid.]

Wholesale price
LRP’s Track Record - Zambia

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

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

Decision to procure or not – good performance
LRP’s Track Record - Zambia

Decision to procure or not – good performance

Bases for this Success

- Clear objectives
  - Minimum cost subject to timeliness needs
- Simple decision rule consistent with a market environment
  - Buy locally if $P < IPP
  - Subject to timeliness
- Rigorously applied
Second generation LRP

- P4P (including USAID support to it)
- USDA
- USAID working with NGOs

- More actors
- More complex objectives
  - Explicitly developmental
- More gain (maybe)
- More risk (definitely)

Key issues in 2nd generation LRP

- Benefit:Cost ratio
  - Not clear it will be high
  - M&E critical
  - Need for learning

- Pricing
  - Need for a consistent approach across actors
  - WFP’s plans for forward contracting
Maize grain prices in Eastern Province, Zambia

[Graph showing maize grain prices from 1994 to 2007 with a peak in 1998-99 that triples the prices.]
Maize grain prices in Eastern Province, Zambia

2000-01: Continual decline

2001-02: Quintupled
Maize grain prices in Eastern Province, Zambia

2004-05: Decline

2005-06: > doubled
Key issues in 2nd generation LRP (2)

- Coordination
  - Taking advantage of strengths of different organizations
    - To keep objectives well defined
  - Avoiding uncoordinated purchases

- Who are you really reaching?
  - 2% of Zambian farmers provide 50% of marketed surplus coming out of smallholder sector
    - 10%-20% provide the rest
  - Comparable patterns elsewhere
  - P4P and related approaches will not reach other 80%-90%

Key issues in 2nd generation LRP (3)

- Having the discipline not to buy
Key issues in 2\textsuperscript{nd} generation LRP (3)

- Having the discipline \textit{not} to buy

![Graph showing nominal USD per metric ton over time with import parity from South Africa indicated.](image)
Key issues in 2\textsuperscript{nd} generation LRP (3)

- Having the discipline \textit{not} to buy

Thank you