Local and Regional Food Aid Procurement

An Assessment of Experience in Africa and Elements of Good Donor Practice

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Roadmap

- Context of the debate
  - Structural increases in costs for US food aid
  - Some NGOs re-thinking position on food aid
- Main results of the study
  - Trends and patterns of LRP
  - Cost savings
  - Food safety and quality
  - Effects on local markets
- Wrap-up
- Points for discussion

Context

Transport and administrative costs have risen (the GAO graph)
Transport & admin costs have risen
- Tons shipped per dollar spent have fallen by 27% since 2002
- This change is likely structural, not temporary
  - More emergencies ➔ higher shipping costs
  - Energy prices
  - Worldwide average ocean shipping costs alone rose from $123/mt to $171/mt
- Reforms under current legislation can only go so far in reducing this gap

US commodity prices have risen (yellow maize, gulf ports)
Context (4)

- US commodity prices have risen
  - Highest in over a decade
  - Rise likely to be long-term, given US policy commitments on alternative fuels
    - Ethanol subsidy built into maize price
    - Poor consumers in importing countries adversely affected
  - But costs of production in Uganda, Zambia, Ethiopia … have not risen
  - And higher prices will induce more production in those countries …
  - Leaving even greater scope for LRP

Study Outline

- Overview of WFP activities in Africa
- Cost advantages relative to in-kind food aid
- Efficiency of activities within local markets
- Assessing and managing risks
- Potential modalities
- Framework of guiding principles, information systems, and operational procedures

Lots of detail, we’ll cover only a little
**Definition of terms**

- **International food aid procurement**
  - Purchase of food outside of SSA for use as food aid in SSA
- **Regional procurement**
  - Purchase in one SSA country for delivery to another
- **Local procurement**
  - Purchase in a surplus region of one country for use in a deficit region of the same country
    - Kenya: High Potential Maize Zone to East and Northeast
    - Uganda: Central and east to north
    - Mozambique: North (and sometimes Center) to South (and sometimes Center)

**Trends and Patterns**

WFP Worldwide Food Aid Procurement, 1999-2005

![Graph showing trends and patterns](chart.png)

- Total excluding Iraq
- Total in developing countries
  - Year: 1999 to 2005
  - Units: $100,000 USD
Trends and Patterns (2)

Worldwide Local Procurement of Food Aid by WFP and Others, 1995-2005

- **WFP**
- **Others**

Trends and Patterns (3)

- Most of this procurement takes place in Africa and Asia, in roughly equal proportions
  - 65% in 2005
- But Africa **receives** about twice as much as any other region
  - About 60% in 2005
  - Asia about 30%
- Most procurement within SSA takes place in East and southern Africa
Trends and Patterns (4)

- Blended foods (CSB, Fajia, Likuni Phala) are a rapidly growing component of WFP worldwide procurement.

Local + Regional Procurement
Receipt of locally or regionally procured food (>1% share)

Local & Regional Food Aid Procurement in Africa

Blended

Maize

2001 2002 2003 2004 2005
Year

'000,000 US$
Trends and Patterns (5)

- ... and most are procured in SSA

Cost Savings

- 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
Food Safety and Quality

- Aflatoxin in maize can be a big issue
- But precautions are straightforward
- Maize from WFP is at least as safe and as high quality as normal trade
  - Criticisms have been that WFP has not raised standards high enough beyond the normal trade
- SSA has substantial and growing capacity to produce local versions of CSB
  - And cost savings the largest here

Effects on Local Markets

- Potential to spike prices
  - Clearly a risk …
  - … just as in-kind food aid has potential to depress prices if too much or too late
  - Risk rises with
    - Share of marketable surplus purchased
    - Concentration of purchases in high price season
  - We’ll look at Zambia
Effects on Local Markets (2)

WFP maize procurement as share of local marketed surplus

Effects on Local Markets (3)

Mean WFP maize procurement in Zambia by month (2000-2005), and typical seasonal price pattern
Effects on Local Markets (3)

Mean WFP maize procurement in Zambia by month, and typical seasonal price pattern
Effects on Local Markets (4)

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

Effects on Local Markets (4)

WFP Purchases, local wholesale prices, and IPP from USA in Lusaka
Effects on Local Markets (4)

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

Wrap-up

Transport and administrative costs have risen
Current maize prices in various SSA markets vs. imported U.S. food aid

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

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

**Legend:**
- Blue: US food aid
- Purple: Local market

Wholesale price
Current maize prices in various SSA markets vs. imported U.S. food aid

![Graph showing current maize prices in various SSA markets vs. imported U.S. food aid. The graph compares prices in Randfontein, Eastern Province, Zambia, Malawi, and Kampala.](image)

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

**US$/mt**

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

Current maize prices in various SSA markets vs. imported U.S. food aid

![Graph showing current maize prices in various SSA markets vs. imported U.S. food aid. The graph compares prices in Randfontein, Eastern Province, Zambia, Malawi, and Kampala.](image)

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

**US$/mt**

- **Price to farmers**

- **US food aid**
- **Local market**
Current maize prices in various SSA markets vs. imported U.S. food aid

Current maize prices in various SSA markets vs. imported U.S. food aid
Current maize prices in various SSA markets vs. imported U.S. food aid

- Randfontein, SA
- Eastern Province, Zambia
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- Kampala

**US$/mt**

**Market**

- US food aid
- Local market

Wholesale price
Wrap-up

- There will still be a place for traditional U.S. food aid
  - Especially if South Africa jumps into maize-based ethanol
- But the price patterns just presented will continue to show themselves (periodically) in the future
- Are we really going to argue that U.S. tax payers should pay $370/mt under these circumstances?
  - … or that we should feed ½-¼ as many people as possible?

For Discussion

- Timeliness
- Modalities
  - WFP
  - Agent
  - NGOs
  - Household (cash/vouchers)
- LRP as a developmental tool
- Outlines of a pilot program