

# Local and Regional Food Aid Procurement

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

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*Presented at the Partnership to Cut Hunger and Poverty  
in Africa*

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## Acknowledgements

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- Active collaboration from Anne Marie del Castillo
- Excellent support from Nancy Estes, Alex Deprez, and others at REDSO
- Great openness and data sharing from WFP
  - Nicole Menage, George Simon
- Very good interactions with NGOs in Kenya and Zambia
- Valuable input from John Staatz and Cynthia Donovan at MSU

# Roadmap

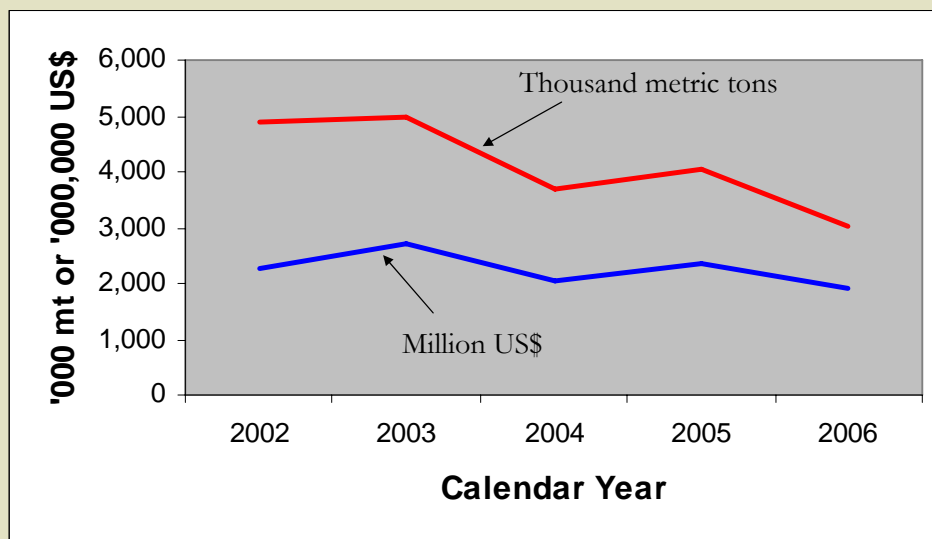
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- Context of the debate
  - Structural increases in costs for US food aid
  - Some NGOs re-thinking position on food aid
- Main results of the study
  - Trends and patterns of LRP
  - Cost savings
  - Food safety and quality
  - Effects on local markets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

# Context

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Transport and administrative costs have risen (the GAO graph)



## Context (2)

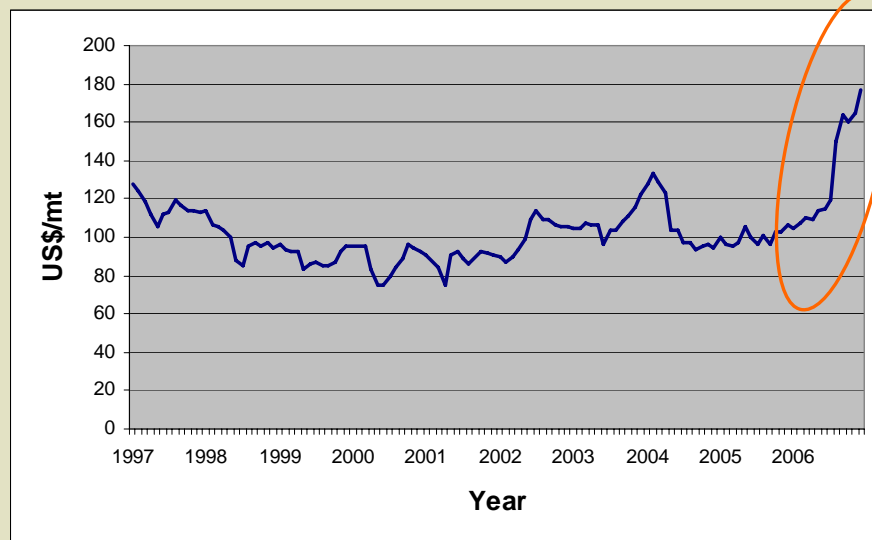
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- Transport & admin costs have risen
  - Tons shipped per dollar spent have fallen by 27% since 2002
  - This change is likely structural, not temporary
    - More emergencies → higher shipping costs
    - Energy prices
    - Worldwide average ocean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

## Context (3)

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



## Context (4)

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- 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

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- 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

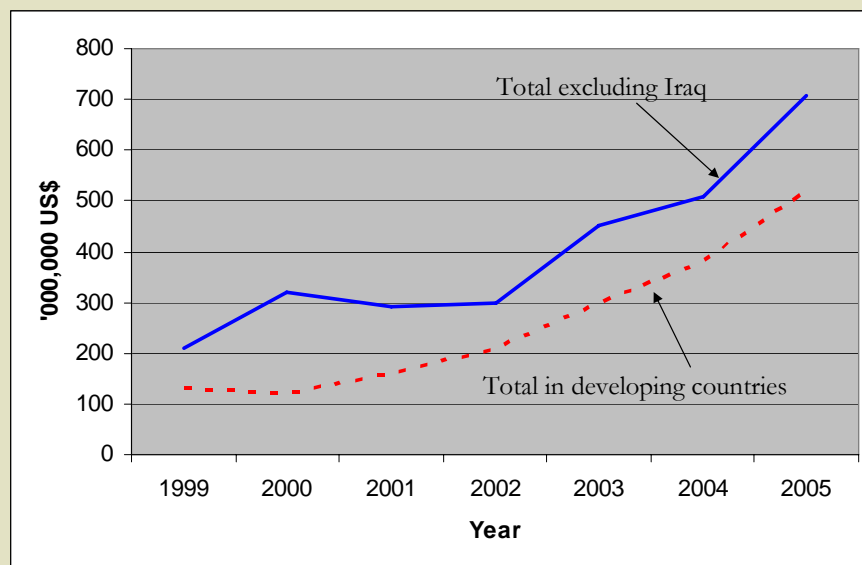
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- International food aid procurement
  - Purchase of food outside of SSA for use as food aid in SSA
- Regional procurement
  - Purchase in one SSA country for delivery to another
- Local procurement
  - Purchase in a surplus region of one country for 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

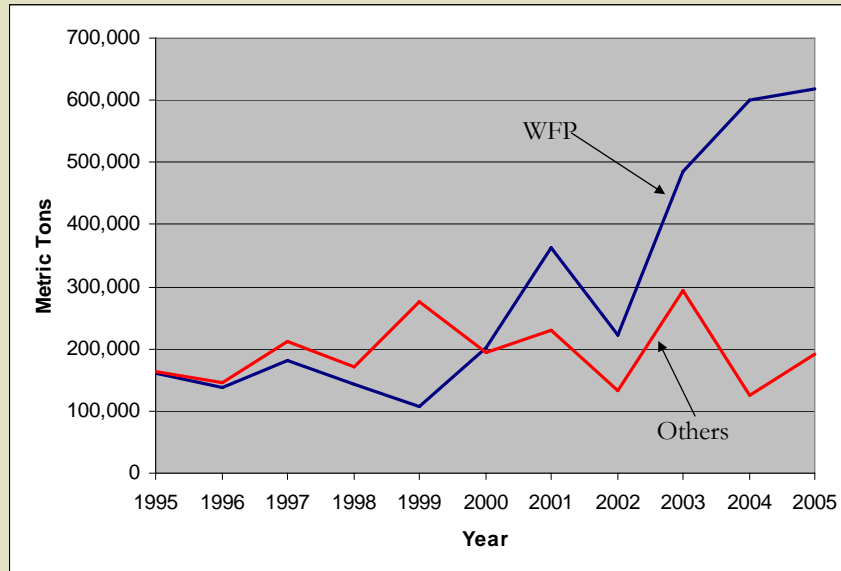
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WFP Worldwide Food Aid Procurement, 1999-2005



## Trends and Patterns (2)

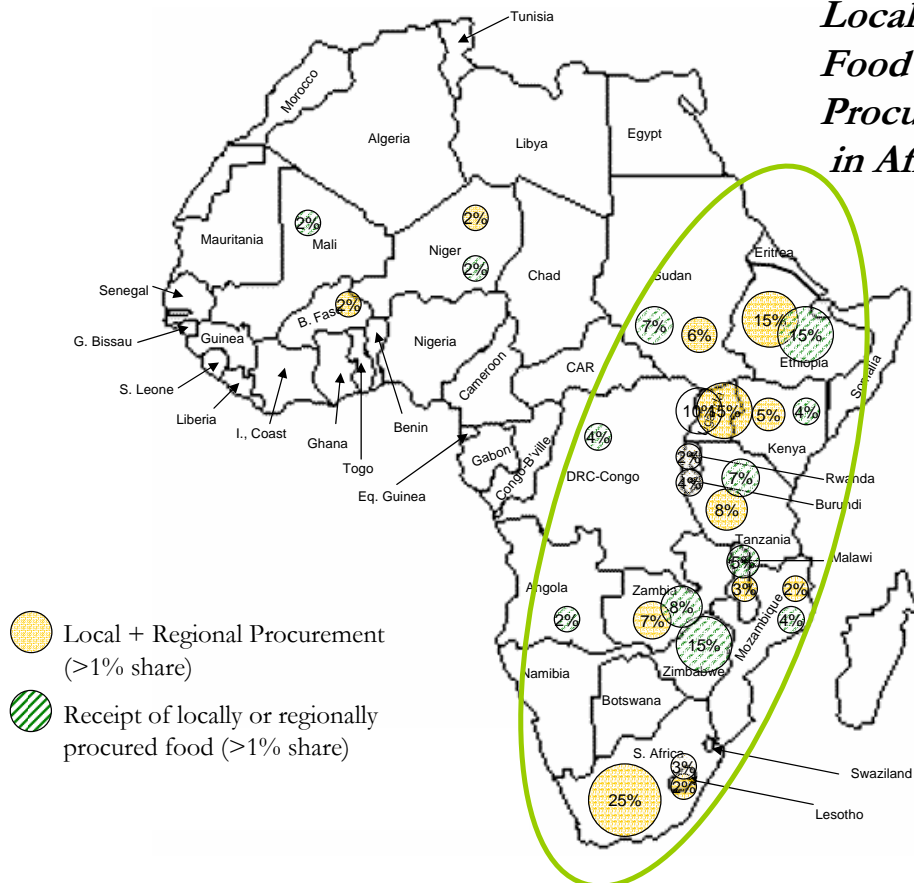
Worldwide Local Procurement of Food Aid by WFP and Others, 1995-2005



## Trends and Patterns (3)

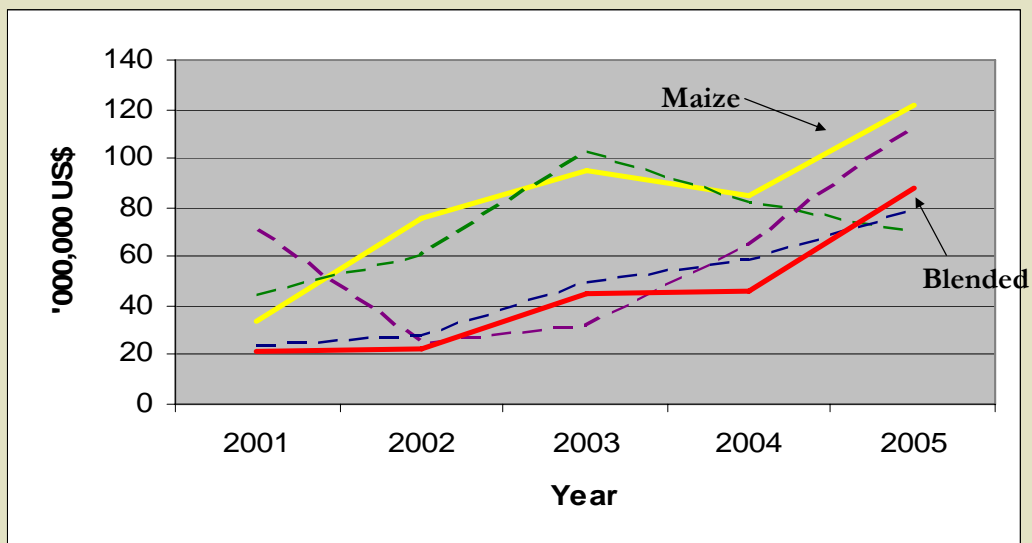
- Most of this procurement takes place in Africa and Asia, in roughly equal proportions
  - 65% in 2005
- But Africa receives about twice as much as any other region
  - About 60% in 2005
  - Asia about 30%
- Most procurement within SSA takes place in East and southern Africa

## Local & Regional Food Aid Procurement in Africa



## Trends and Patterns (4)

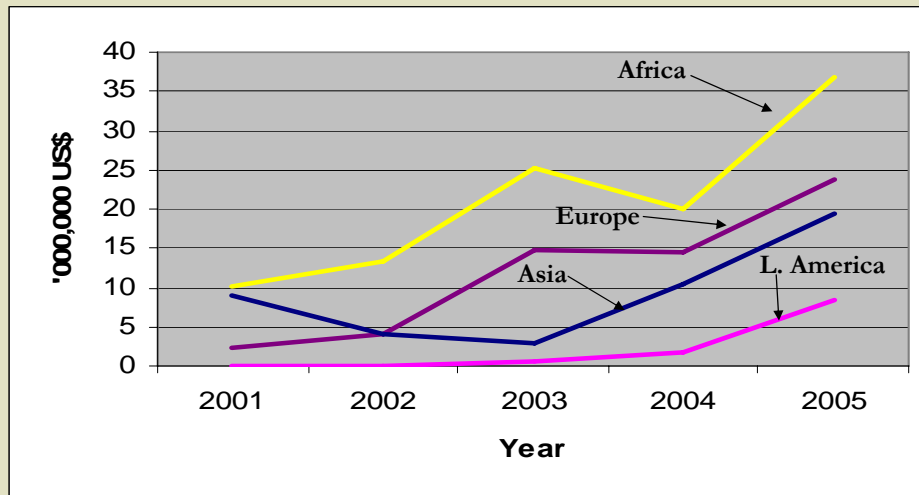
- Blended foods (CSB, *Faffa*, *Likuni Phala*) are a rapidly growing component of WFP worldwide procurement



## Trends and Patterns (5)

- ... and most are procured in SSA

Total Value of WFP Blended Food Procurement, by Continent of Origin



## 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

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- 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

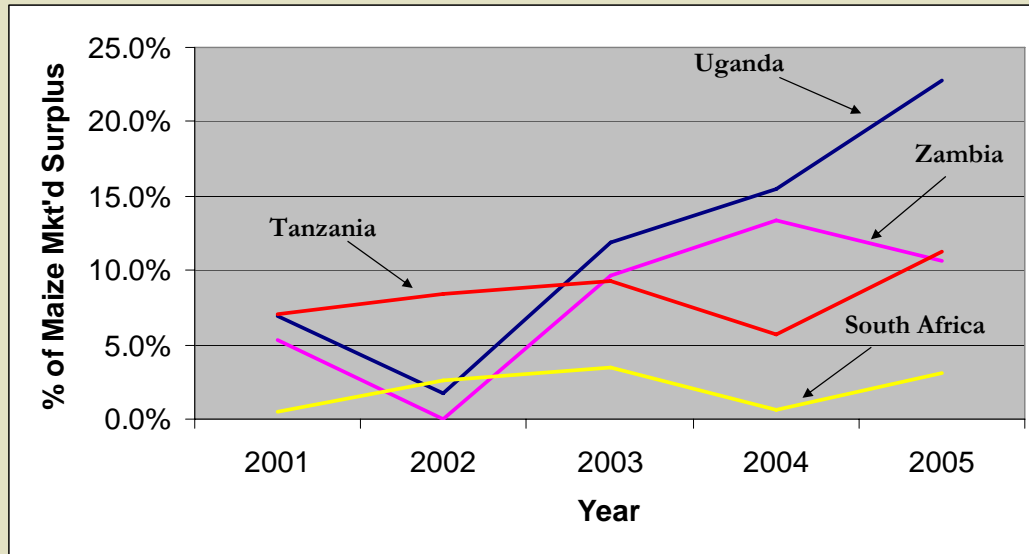
## Effects on Local Markets

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- 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

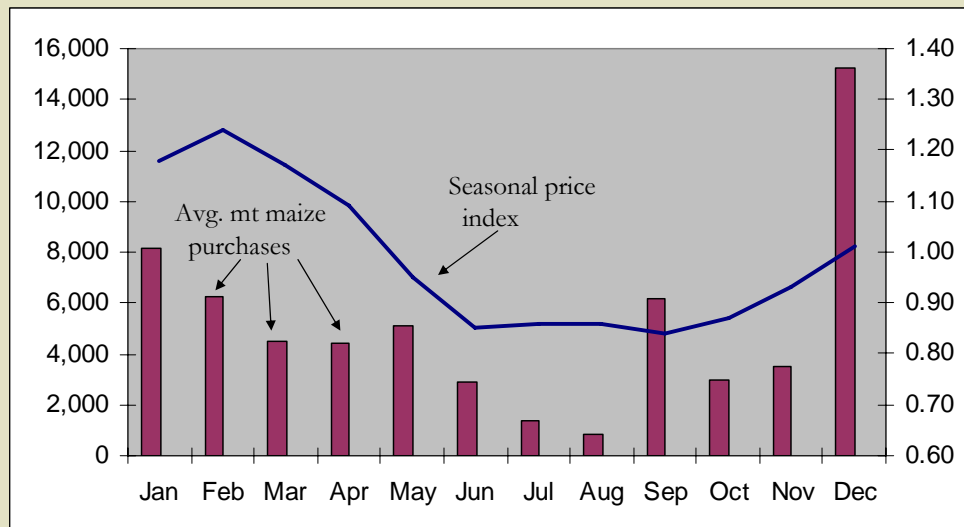
## Effects on Local Markets (2)

WFP maize procurement as share of local marketed surplus



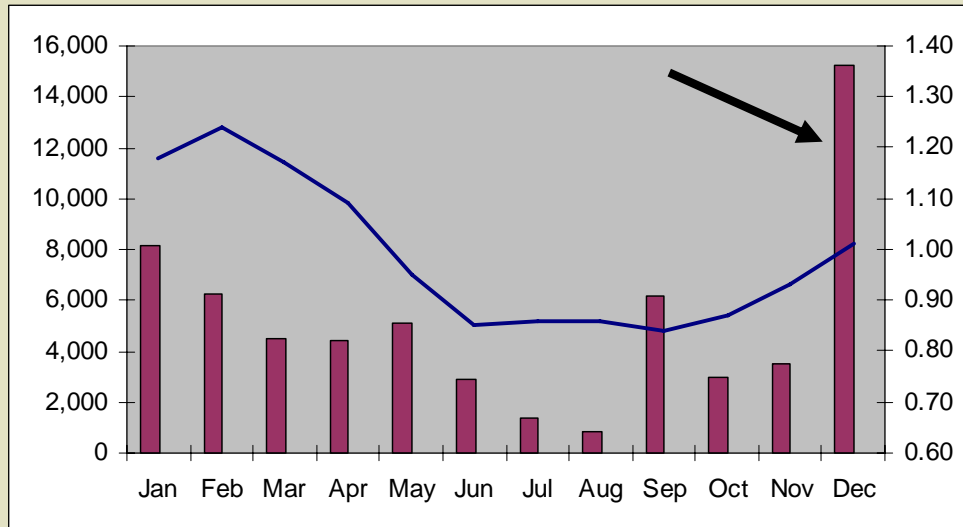
## Effects on Local Markets (3)

Mean WFP maize procurement in Zambia by month (2000-2005), and typical seasonal price pattern



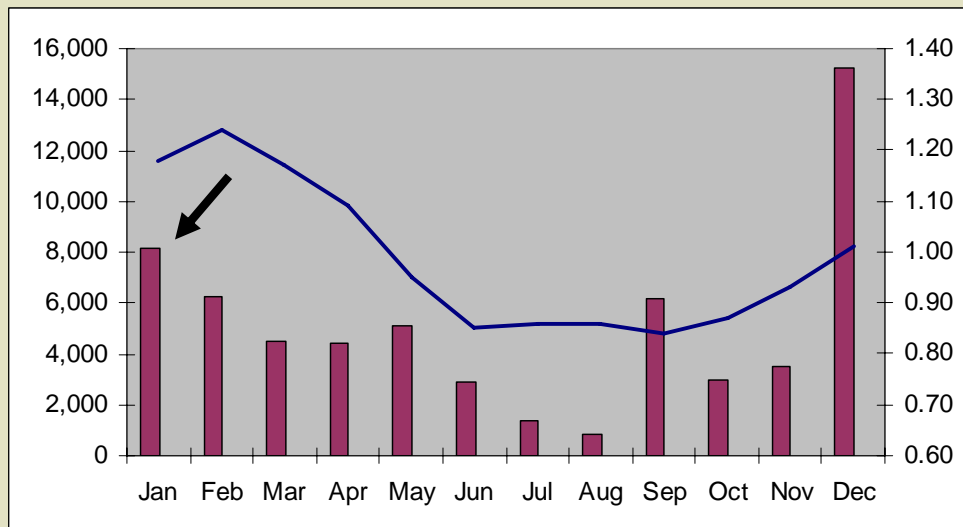
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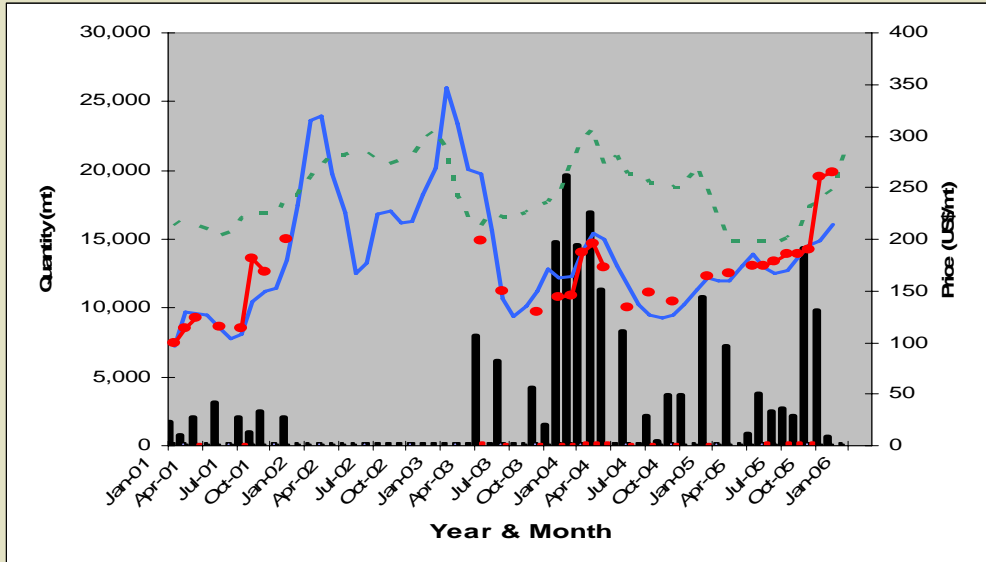
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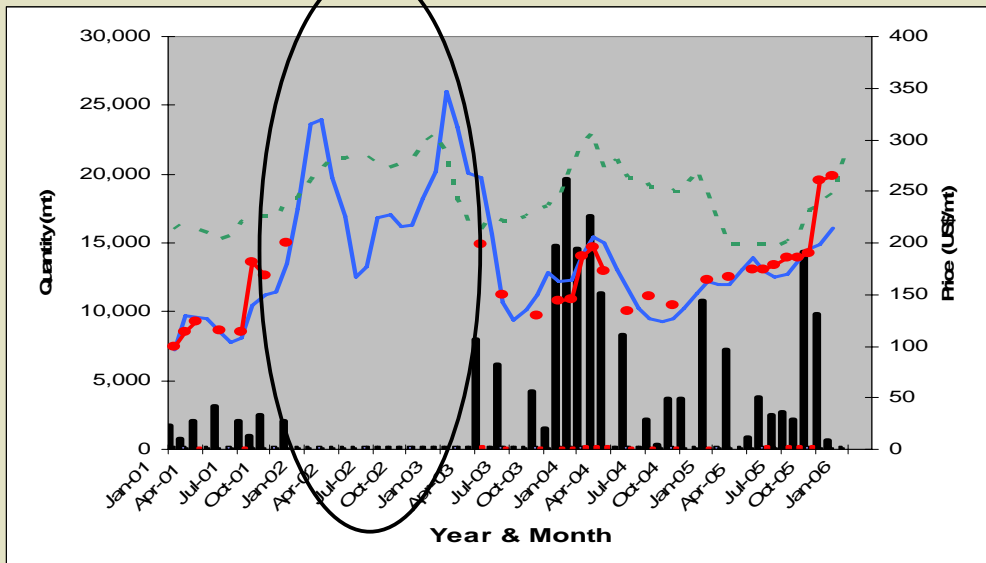
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WFP Purchases, local wholesale prices, and IPP from SA in Lusaka



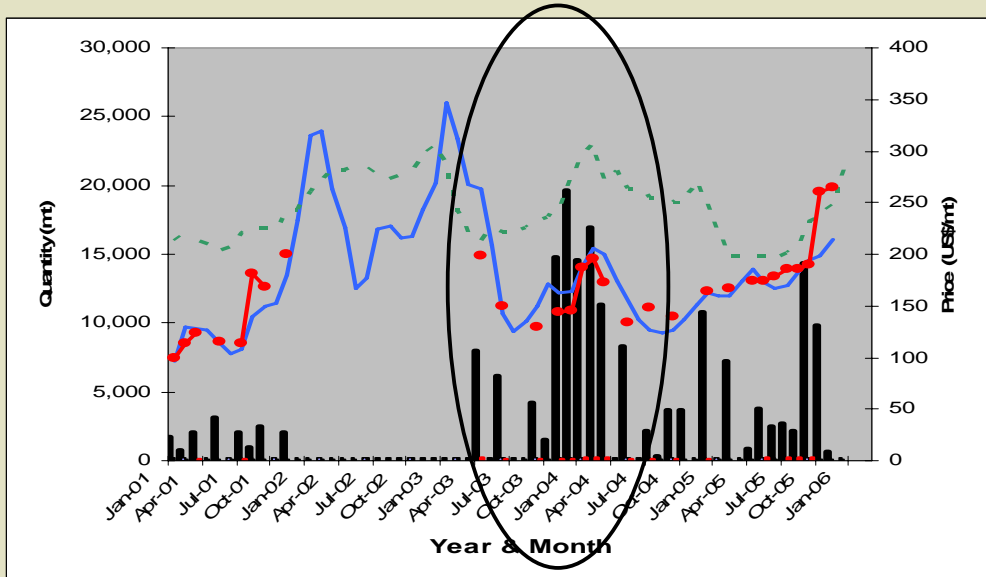
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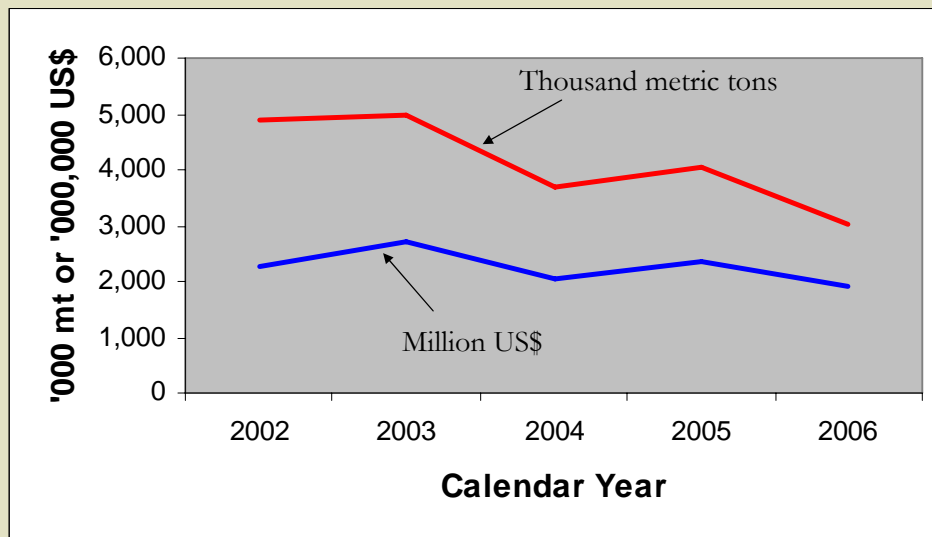
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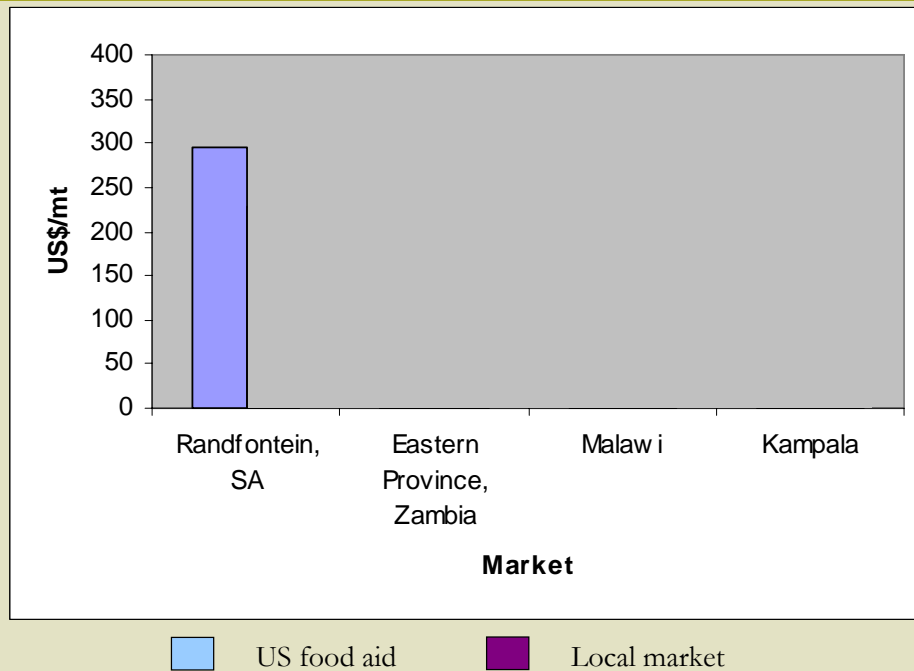


# Wrap-up

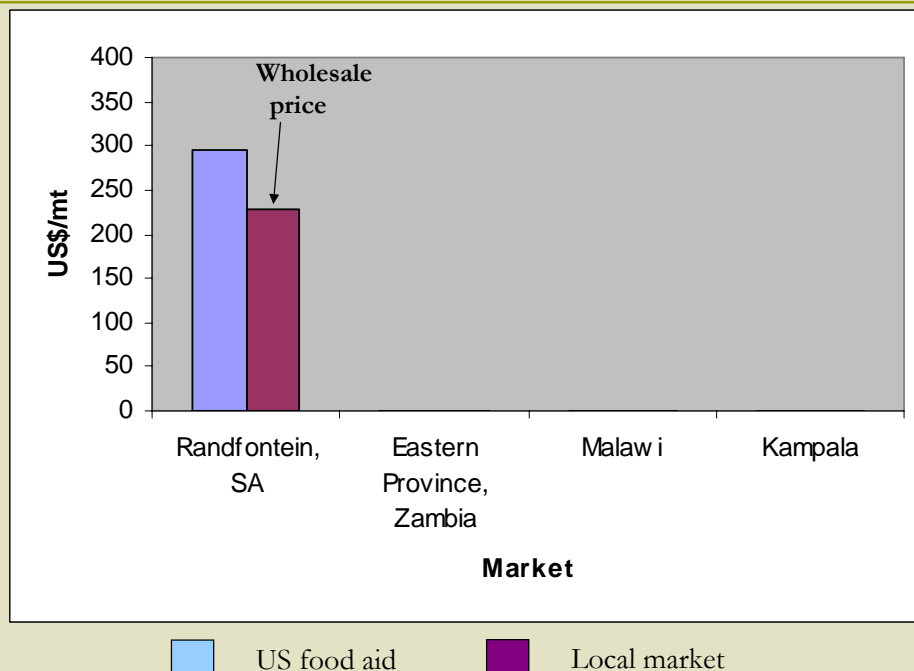
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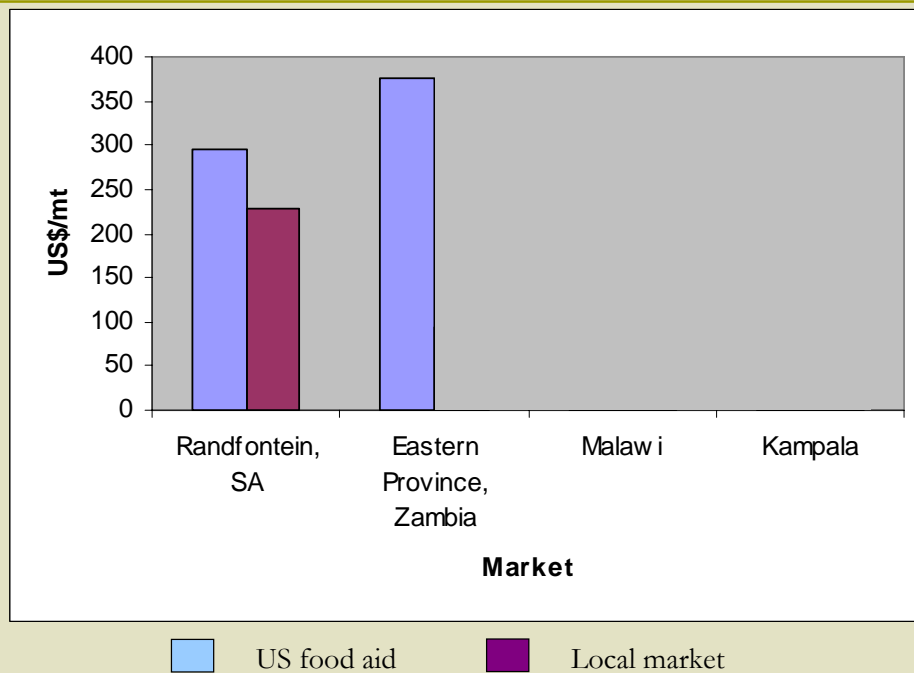
## Current maize prices in various SSA markets vs. imported U.S. food aid



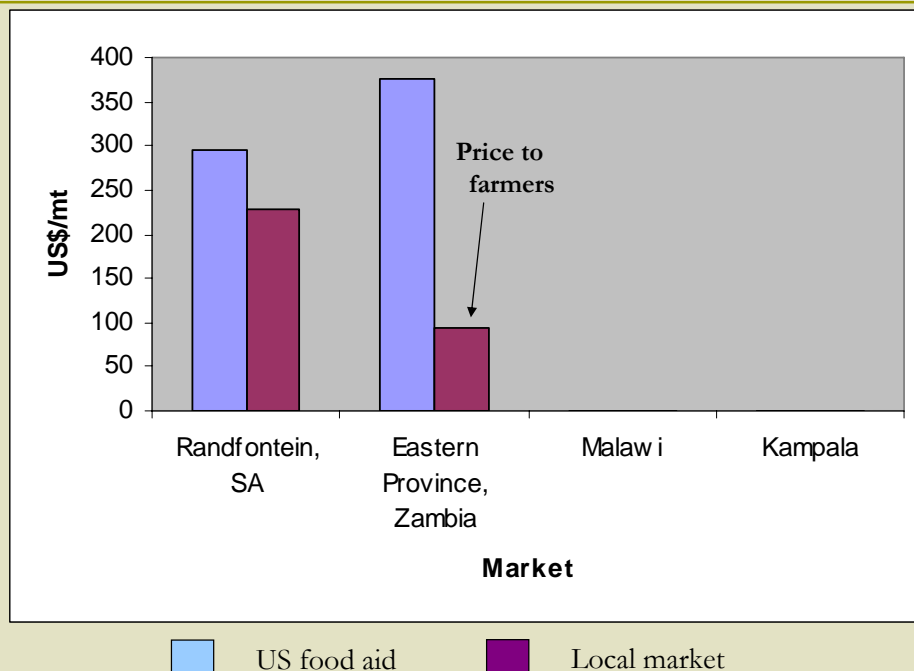
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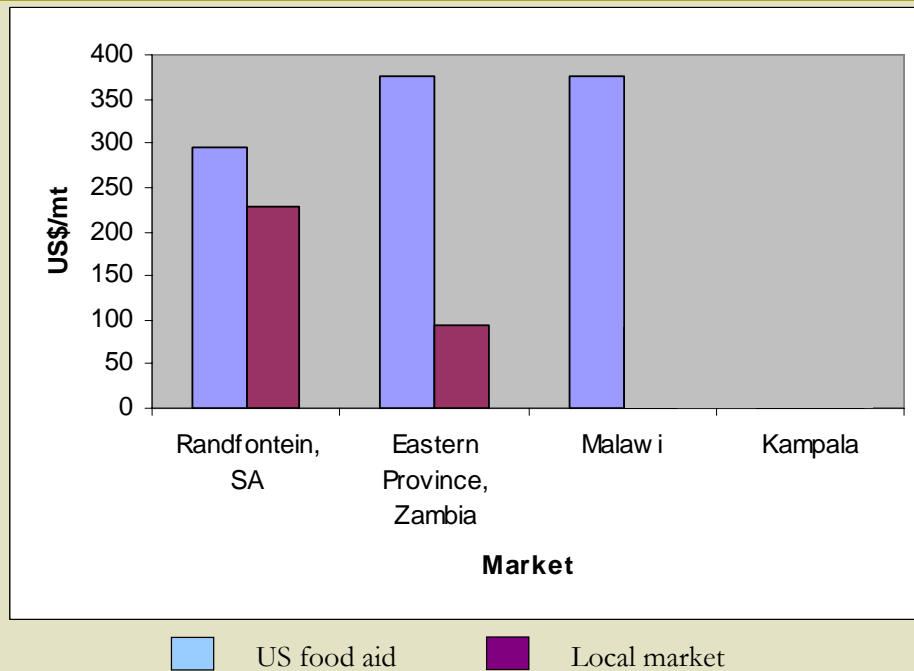
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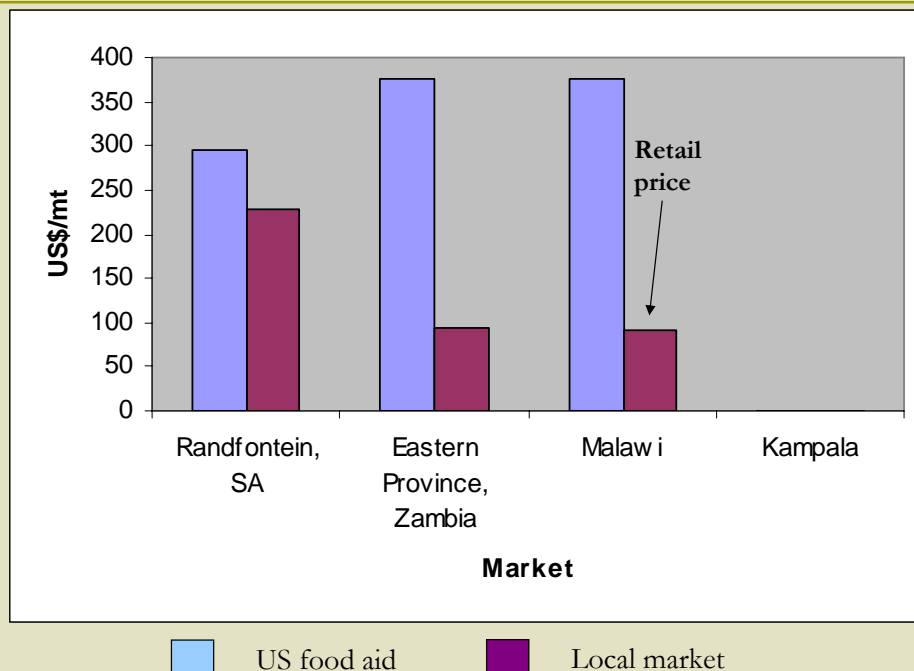
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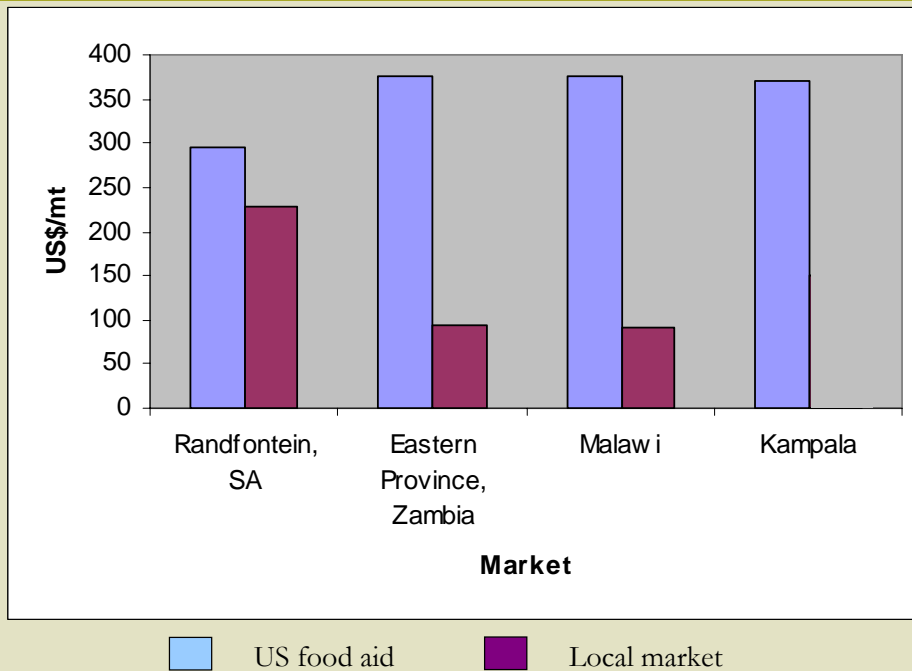


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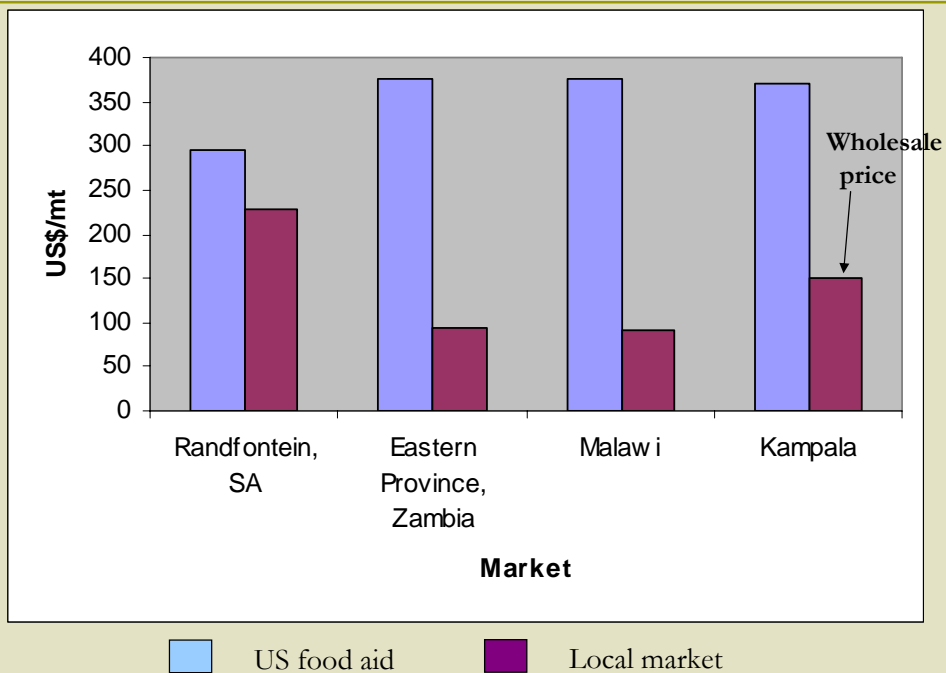




## Current maize prices in various SSA markets vs. imported U.S. food aid



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## Wrap-up

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- 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  $\frac{1}{2}$ - $\frac{1}{4}$  as many people as possible?

## For Discussion

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