

# Food Assistance and Food Supply Chain Development: How Can We Improve the Synergies?



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## Vision Statement

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- Move from crisis management to long-term *structural* food security
- When feasible, use regional markets to mobilize supplies for food aid purposes
- Strengthen local food production and marketing systems to
  - raise incomes
  - reduce the need for food assistance

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## Salient facts about food crises in Southern Africa:

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- Food crises are mainly about low purchasing power (poverty)
  - Since agriculture provides income for the rural poor, when crops/livestock activities fail, the poor's purchasing power ↓
- Poverty is about low agricultural productivity
- Need dependable markets / supply chains to nurture agricultural productivity

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## Salient facts about food crises in Southern Africa (2):

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- Production shortfalls generally do not afflict the whole region

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## Correlation coefficients of maize production, 1990-2003

	Zambia	Zimbabwe	Mozambique	Malawi
South Africa	0.52*	0.67*		
Zambia		0.63*		
Zimbabwe				
Mozambique				0.58*

1.0 = production is completely correlated

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0.0 = production is not correlated at all

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Source: Tschirley et al., 2004

## Correlation coefficients of maize production, 1990-2003

	Zambia	Zimbabwe	Mozambique	Malawi
South Africa	0.52*	0.67*	0.26	0.26
Zambia		0.63*	-0.16	0.28
Zimbabwe			-0.04	0.21
Mozambique				0.58*

1.0 = production is completely correlated

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0.0 = production is not correlated at all

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Source: Tschirley et al., 2004

## Salient facts about food crises in Southern Africa (3):

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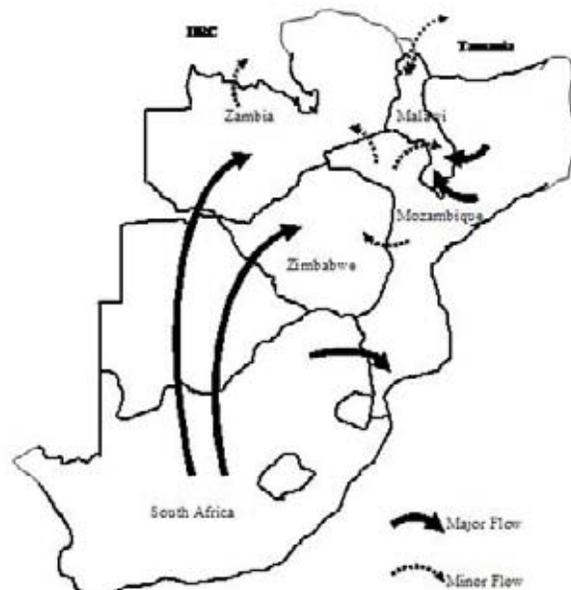
- ❑ Trade flows (not food aid) normally account for the bulk of food inflows to crises areas
- ❑ In 2002/03, trade accounted for  $\frac{3}{4}$  of food inflows needed by Zambia and Malawi

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## Principal regional trade flows in Southern Africa

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## Key points:

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- Humanitarian assistance is necessary during crises
  - But make sure that the response does not undermine
    - long-term development of food markets and livelihood systems
    - Incentives of private trade to move grain in affected areas
- Can humanitarian response be designed to strengthen markets?

## How Can Emergency Response Be Improved?

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1. Strengthen crop forecasting systems
2. Improve food balance sheet procedures
3. Judicious use of local grain purchase
4. Be serious about targeting
5. Design systems to maintain the role of small-scale millers and traders

## How to Improve Emergency Response: (1)

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### □ **Strengthen crop forecasting system**

- Inaccurate crop forecasts lead to inaccurate food balance sheets
  - Especially applies to roots/tubers
  - Large-scale sector
- potential to bring in too much or too little food aid
- Bringing in too much can lead to market gyrations (e.g., Malawi 2002/03) → impede L.R. development of supply chains

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## How to Improve Emergency Response: (2)

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### □ **Improve food balance sheets through**

- better knowledge of extent of substitution across food crops – e.g., maize, cassava, sweet potato, wheat, rice
  - How does change in maize price affect substitution in consumption?
- More attention to informal regional trade
  - Food balance sheets are national, but increasingly, trade flows are regional.
  - Factor in effects of government policy (e.g. export bans, import tariffs)
  - WFP/FEWSNet CBT system – how to expand this?
- **General attention to these issues → less “emergency” food aid required**

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## How to Improve Emergency Response: (3)

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- **Utilize “local purchase” instead of external food aid, especially in good seasons**
- **Can promote smallholder production incentives and regional trade if done right:**
  - need accurate estimates of marketed output
  - provide clear signals about quantities to be purchased
  - in transparent consultation with traders
  - early in season
  - allow small farmers / small traders to benefit (e.g., issue some tenders in small volumes)
- 1/13/2006 ■ **Taking into account informal imports/exports**

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## Local Purchase

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- **Not advisable when regional supplies are below “threshold level” →**
  - Local purchase could make prices go too high
  - requires imports/food aid outside the region
- **General point: Be cautious. Food aid agencies are generally not good traders**

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## How to Improve Emergency Response: (4)

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- **Improve “targeting” – confine distribution to those who can’t afford**
  - Poor targeting can lead to market instability
  - Self-targeted commodities can reduce targeting problems
    - Straight-run maize meal, yellow maize

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## How to Improve Emergency Response: (5)

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- **Market information systems / technical analysis as component of effective use of food aid**
  - Currently \$1 spent on technical analysis per \$1000 of food aid (Barrett and Maxwell)
  - Importance of getting objective information on evolving market conditions out early
  - Reduce panic mentality in the market driven by uncertainty (Mali vs. Niger)

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## Informal Marketing Systems

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- ❑ Most of the poor depend on the informal trading and milling system to acquire their food
- ❑ Informal trading systems more labor-intensive – provides greater “multiplier effects”

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## Formal, large-scale marketing system

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# Informal Marketing Systems

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# NGO Monetization Of Food Aid For Operating Revenue

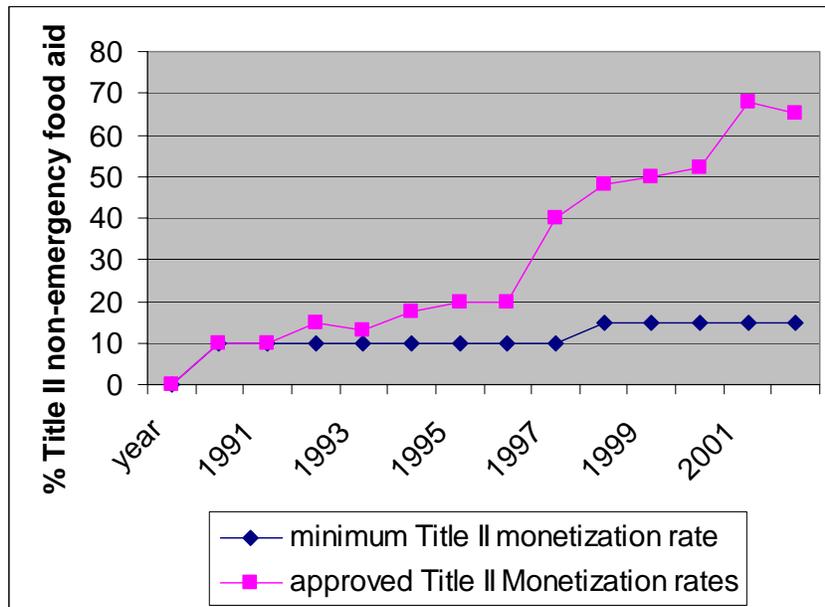
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- ▣ **NGO programs (e.g., education, health) partially funded by “monetizing” US food aid**
  - “non-emergency” food aid
  - > 25% of CARE’s operating budget comes from monetizing US food aid

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## Increased use of Title II Monetization Rates



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Source: Barrett and Maxwell, 2005

## Recommendations

1. **Greater use of local purchase, when feasible**
  - a. **Feasibility determined by**
    - volume of grain to be purchased compared to estimated surplus grain within region
    - estimated price effects
2. **Develop local purchase 'best practices'**
  - a. **Raises information demands on program design**
  - b. **Production and price information systems**
  - c. **Move beyond "central plan" food balance sheets**
3. **More use of self-targeted food aid commodities**

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## Recommendations (2)

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3. Reconsider US cargo preference laws – use the savings for local purchase
4. Broaden NGO revenue base
  - a. So that revenue generation is not in potential conflict with long-term market development
5. Integrity of Bellmon analyses
  - a. Reconsider who should conduct them
6. Emphasize food aid for humanitarian response, de-emphasize for “development” purposes

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## Top 5 “Myths” of Development

*FS III / MSU team view*

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1. “Farmers produce their own food”; more than 1/2 of the farmers may be buying a significant portion
2. “Liberalization means getting states out of the way”; markets don’t arise spontaneously – they must be built
3. “The private sector won’t service remote areas”; they will, if the proper reforms have been enacted
4. “Consumers staple diets are fixed” “maize is life”; price changes influence purchasing patterns and diets
5. “Cash crops are the mother of all poverty”; cash-cropping leads to greater food consumption



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**More Info:**  
<http://www.aec.msu.edu/agecon/fs2/>

