

# WFP's LRP Operations in Africa

## *Assessment and Thoughts on Ways Forward*

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Michigan State University Food Security Group

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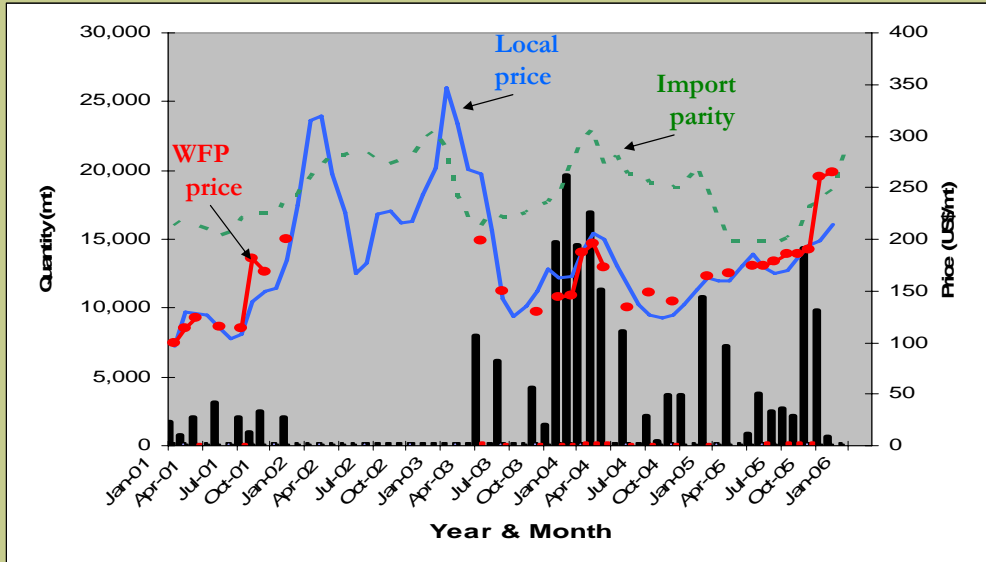
## Roadmap

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- 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

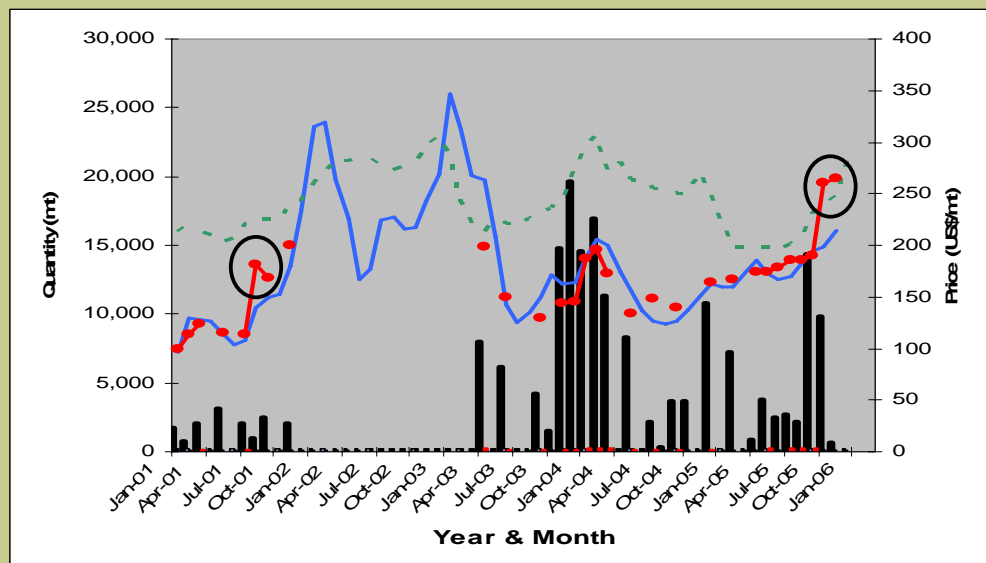
# LRP's Track Record- Zambia

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



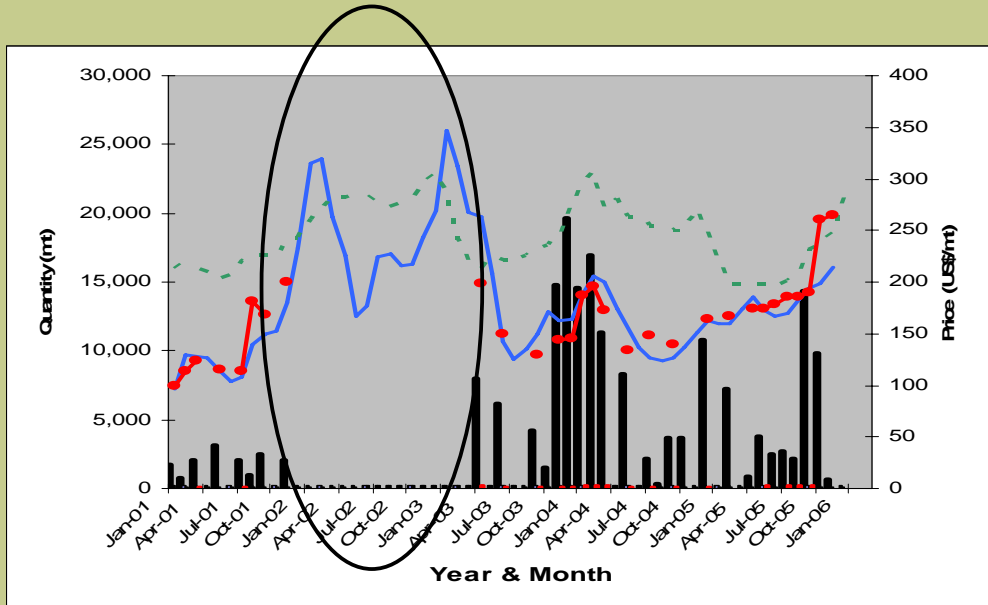
# LRP's Track Record- Zambia

*Prices Paid – good performance*



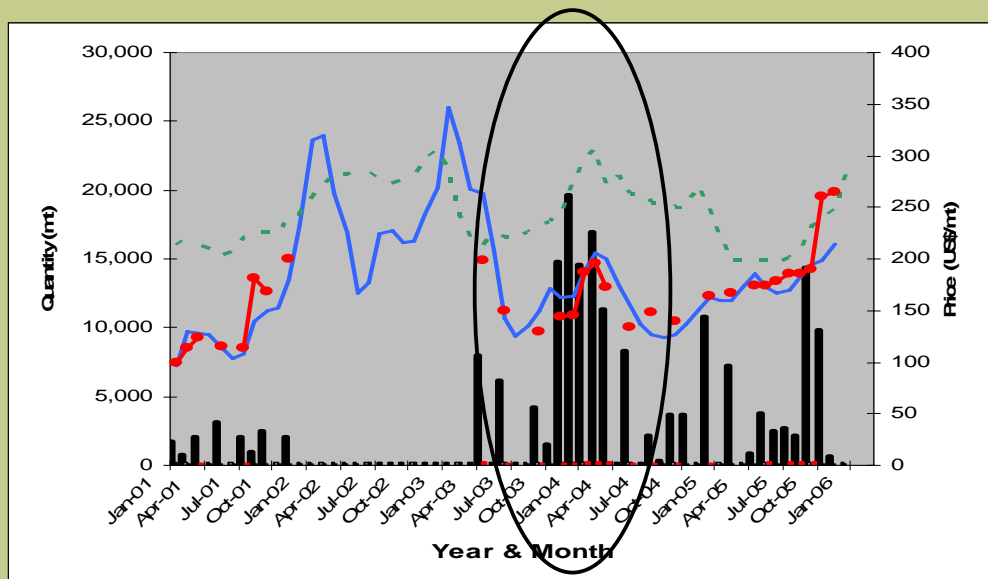
# LRP's Track Record - Zambia

*Decision to procure or not – good performance*



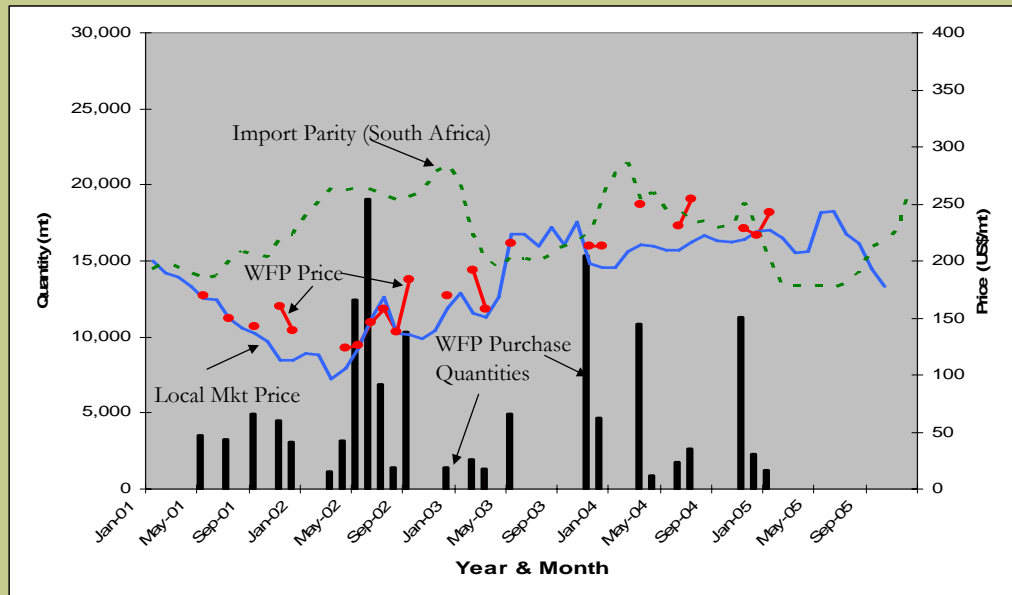
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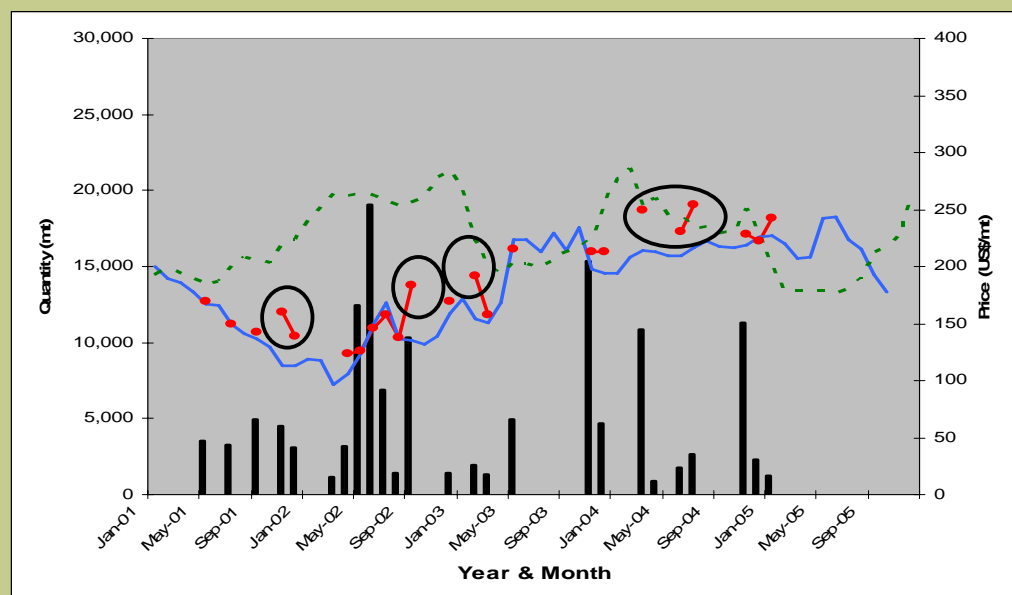
# LRP's Track Record – Kenya

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



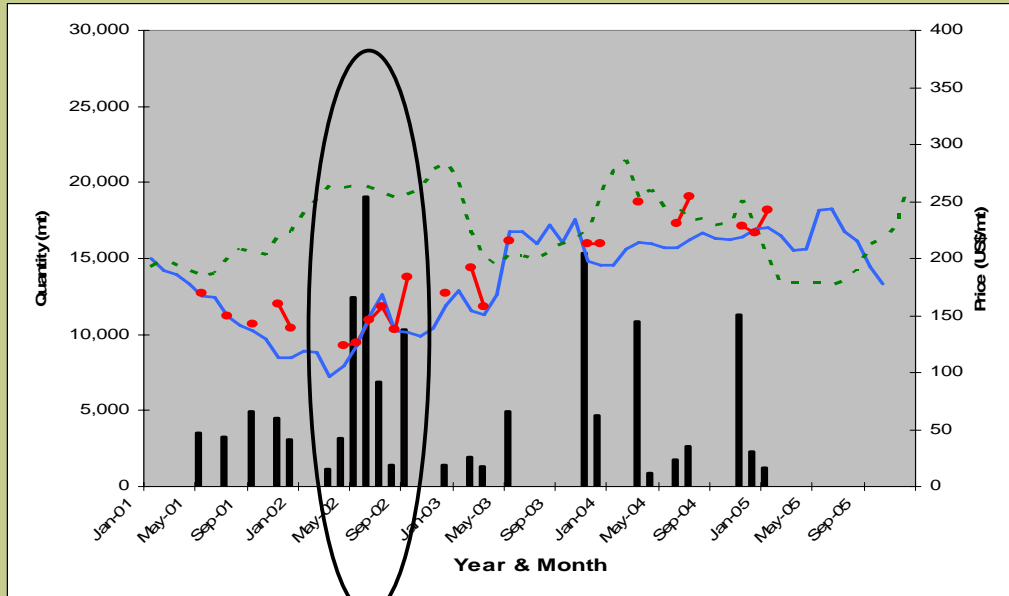
# LRP's Track Record – Kenya

*Prices Paid – some problems*



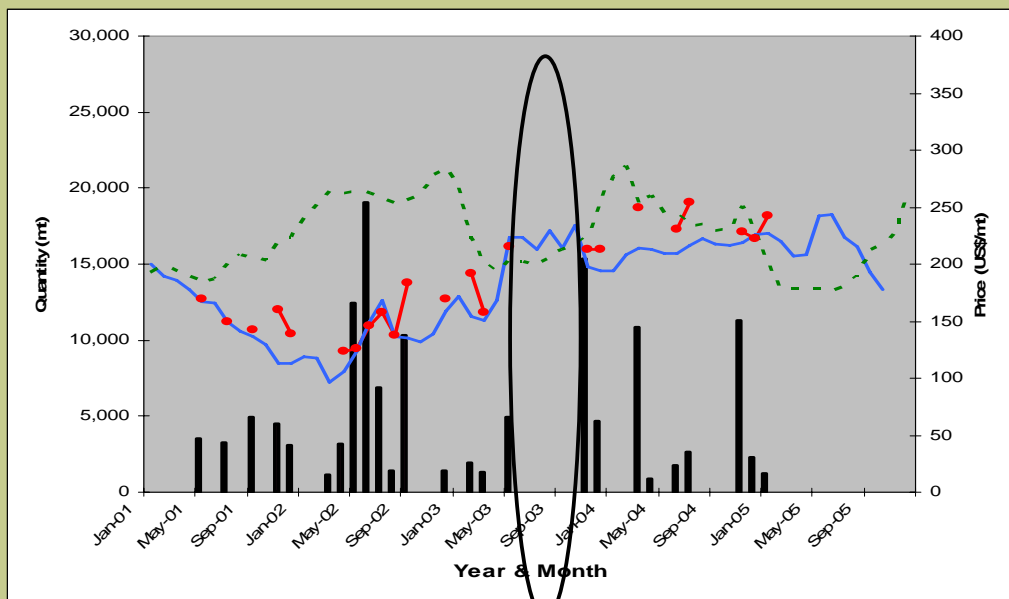
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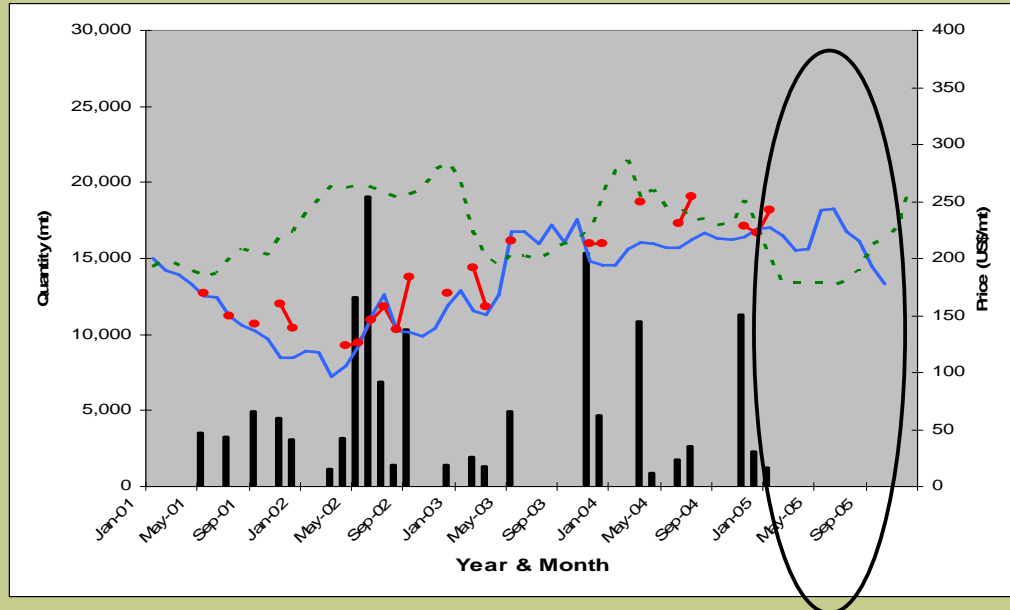
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## LRP's Track Record – Kenya

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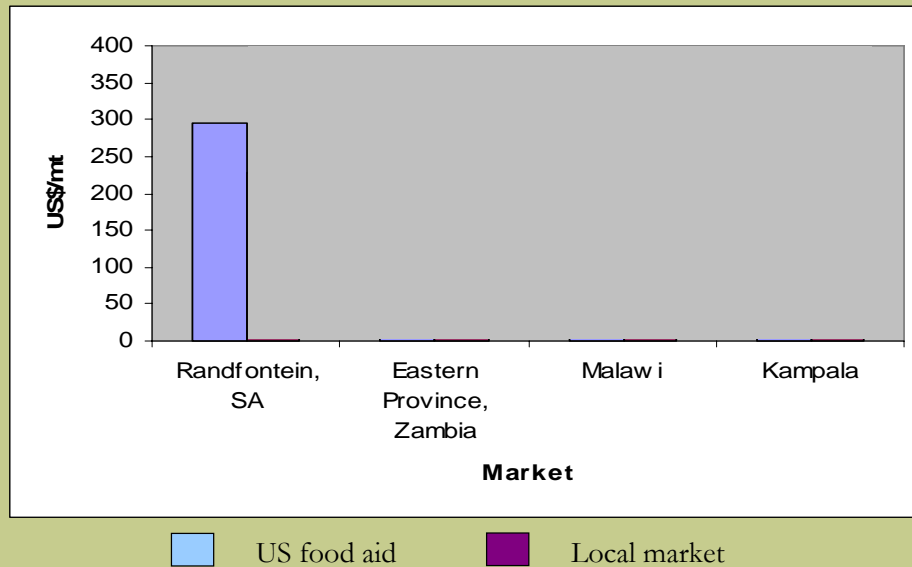


## LRP – Feeding More People

- 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

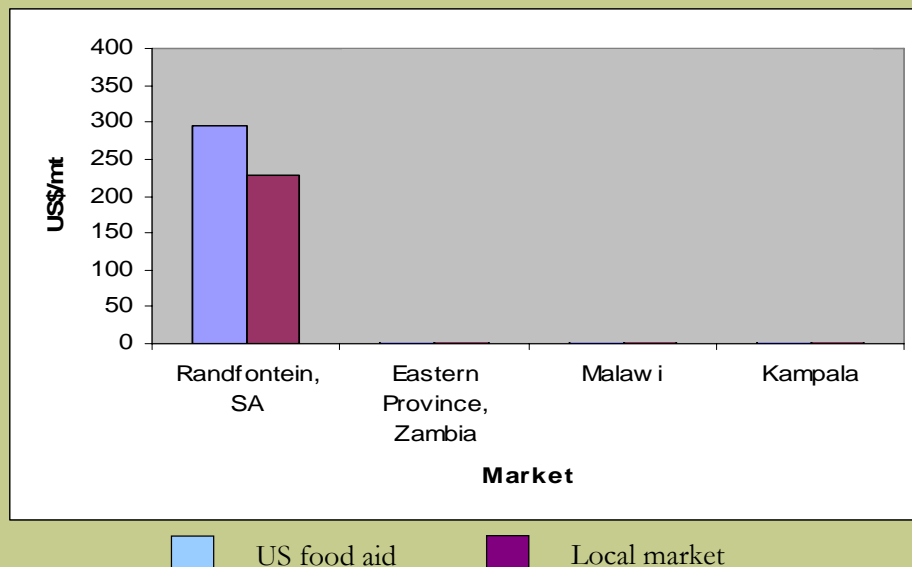
## LRP – Feeding More People (2)

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



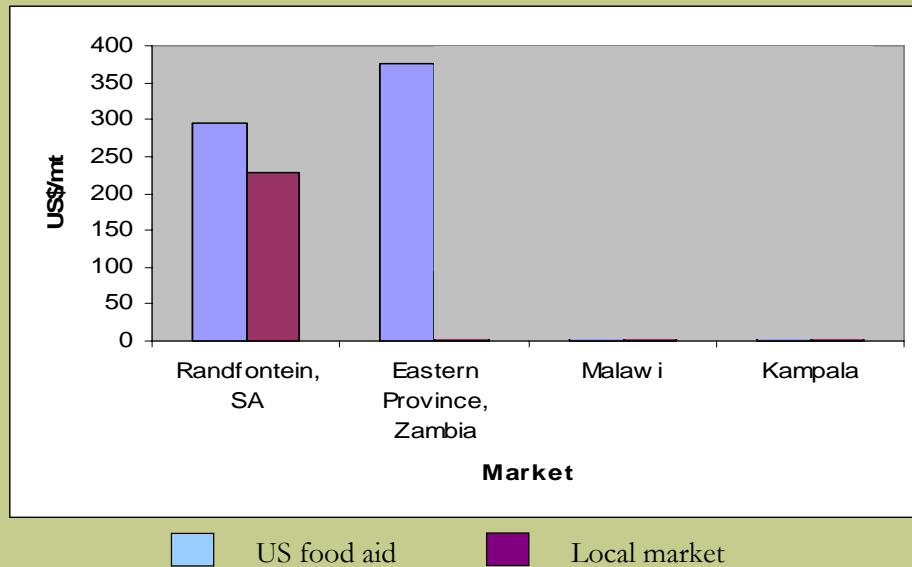
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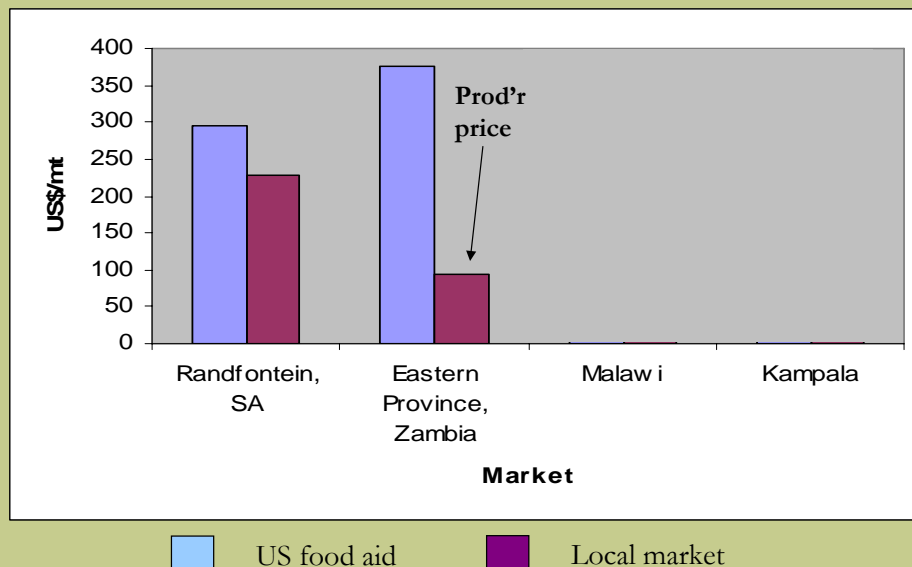
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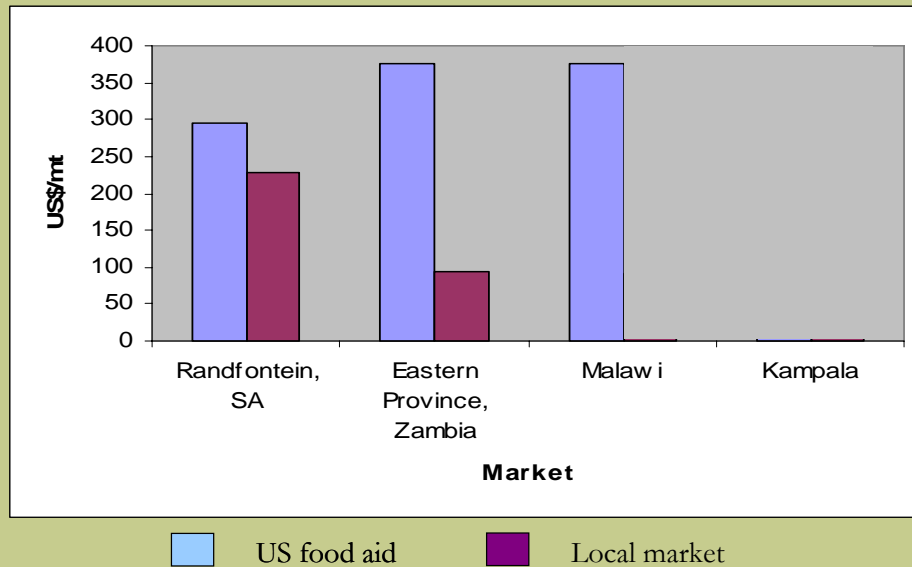
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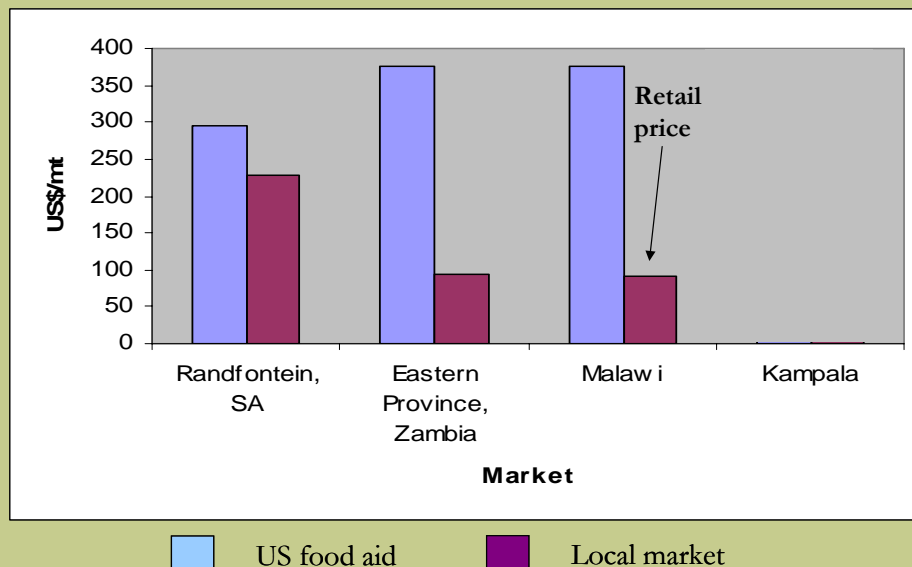
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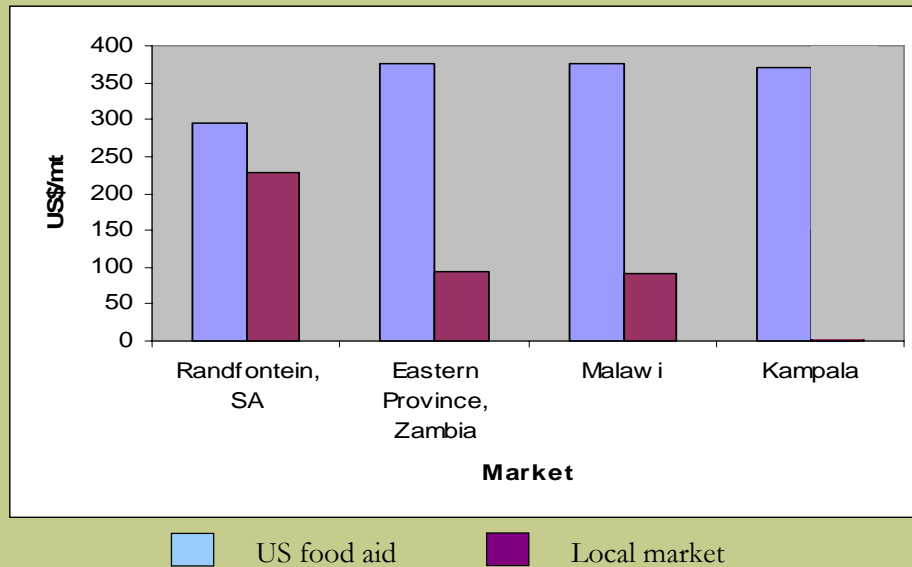
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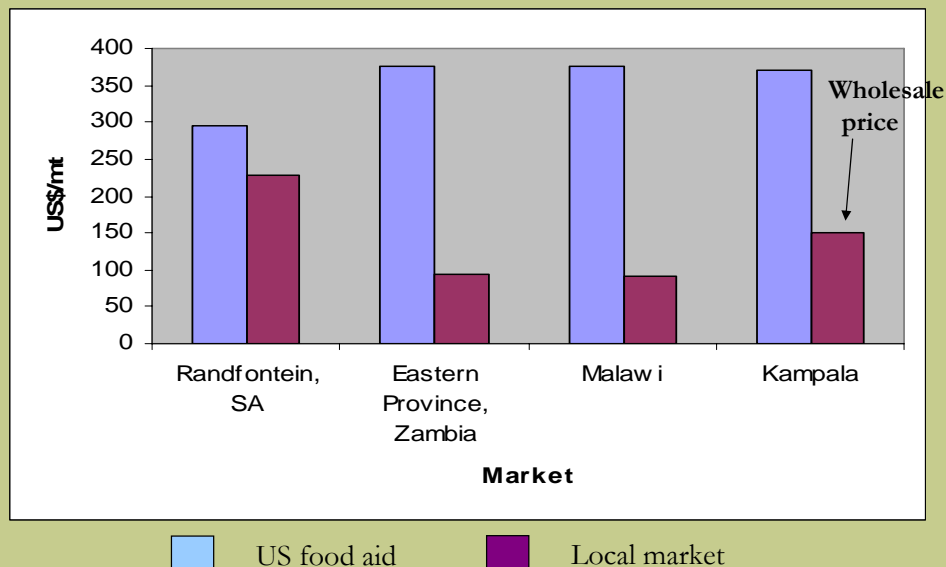
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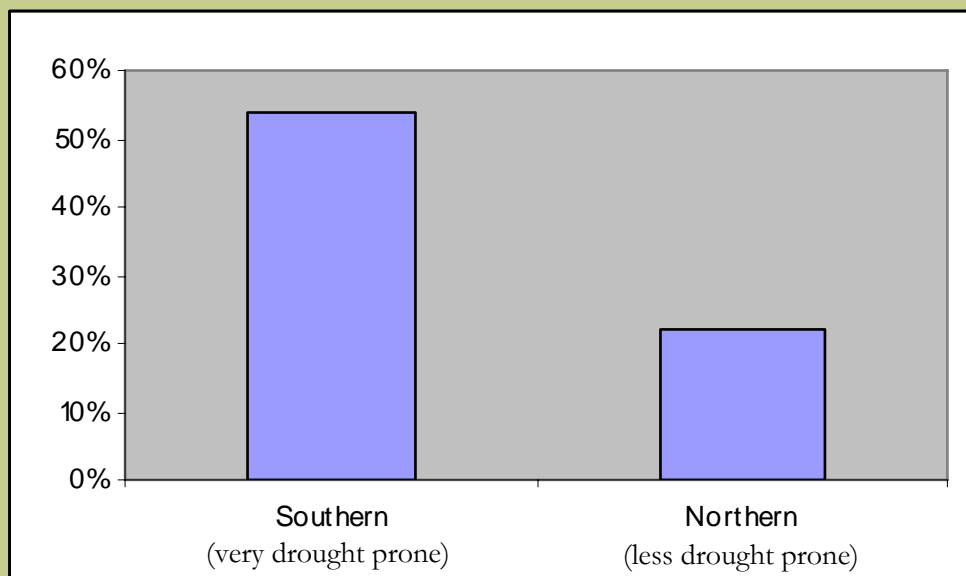
## Is food typically the preferred resource?

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- 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

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Source: MSU/MACO Supplemental Survey, Zambia, 2004

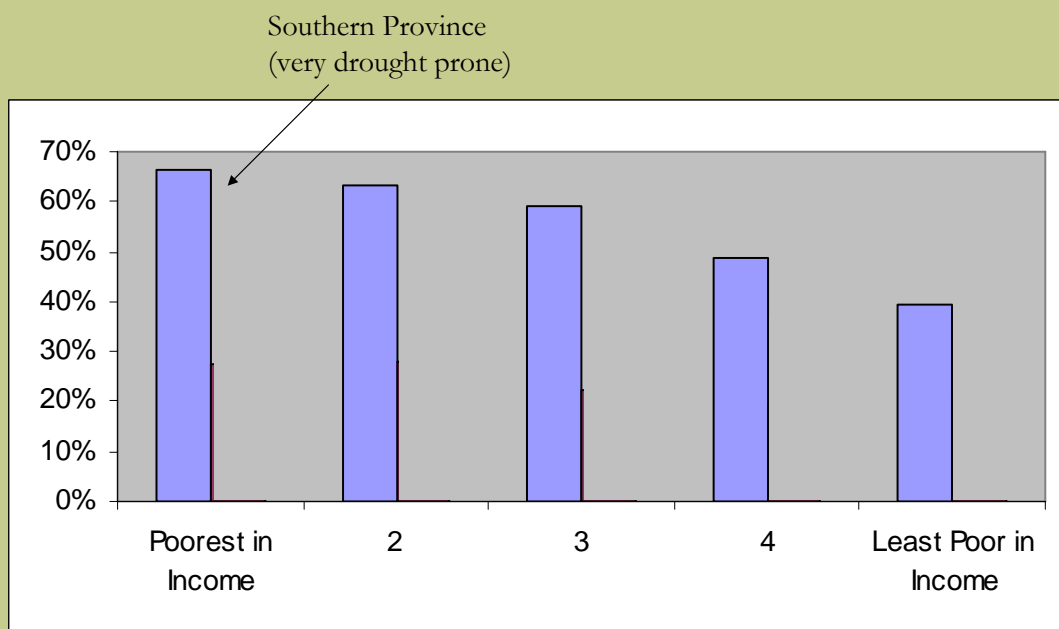
# Markets and the Poor

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- Within these provinces, the poorest are the most reliant on food purchases

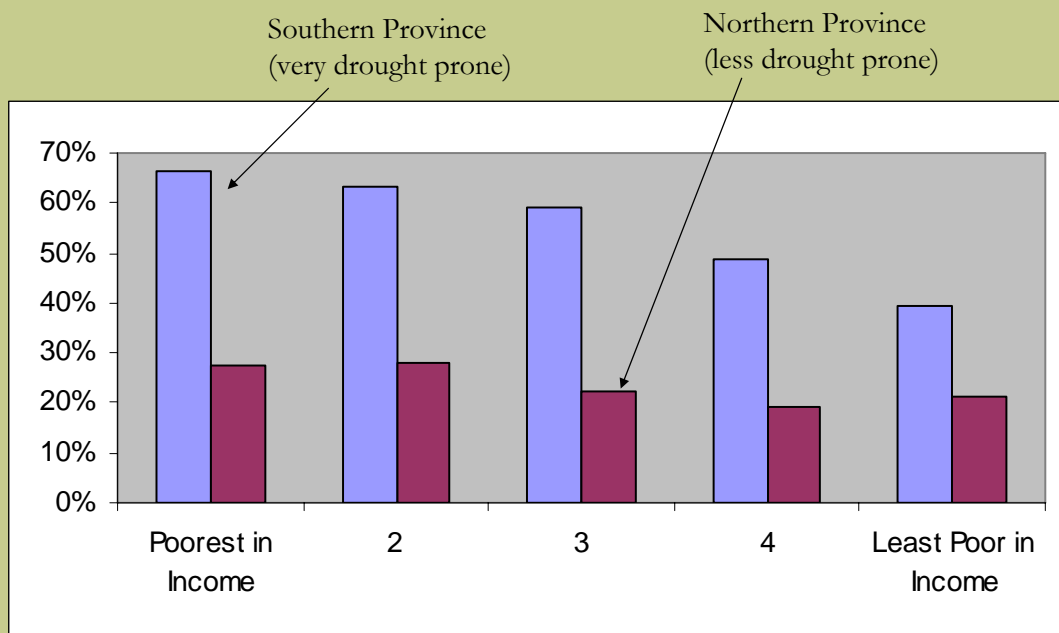
## Percent Net Buyers of Maize in Two Provinces of Zambia, by Quintile of Income per capita, 2004

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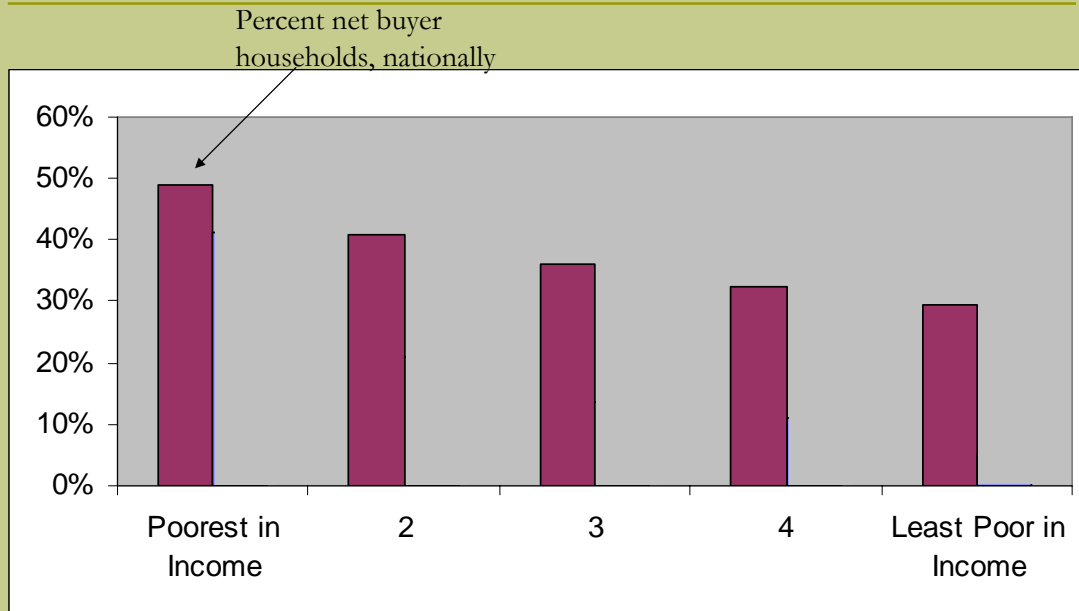


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## Markets and the Poor (3)

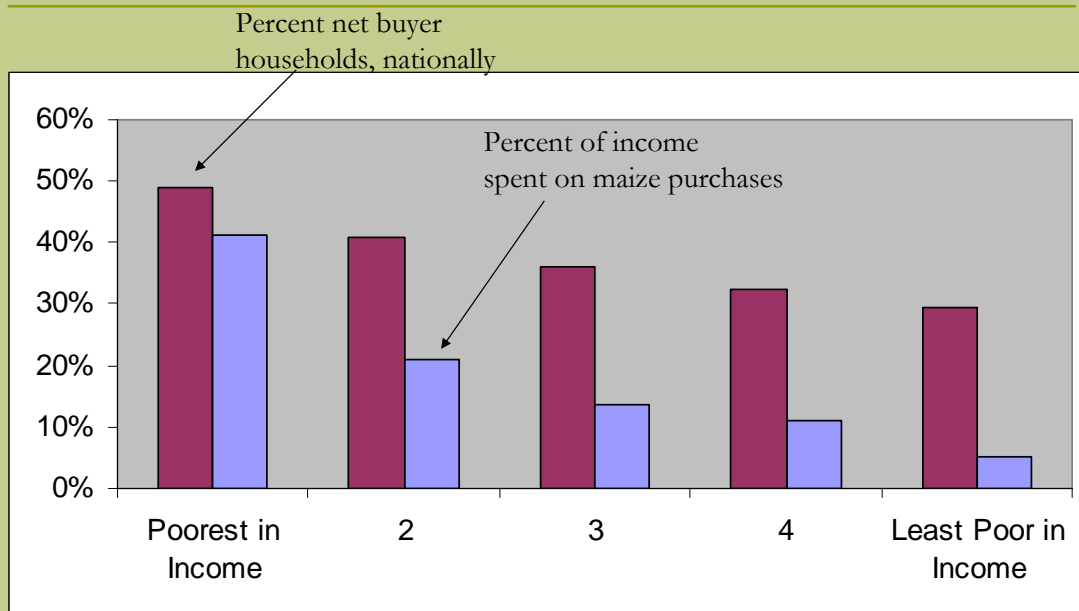
- And the poor spend a much higher share of their income on food staples

## Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

## Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



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## Markets and the Poor (4)

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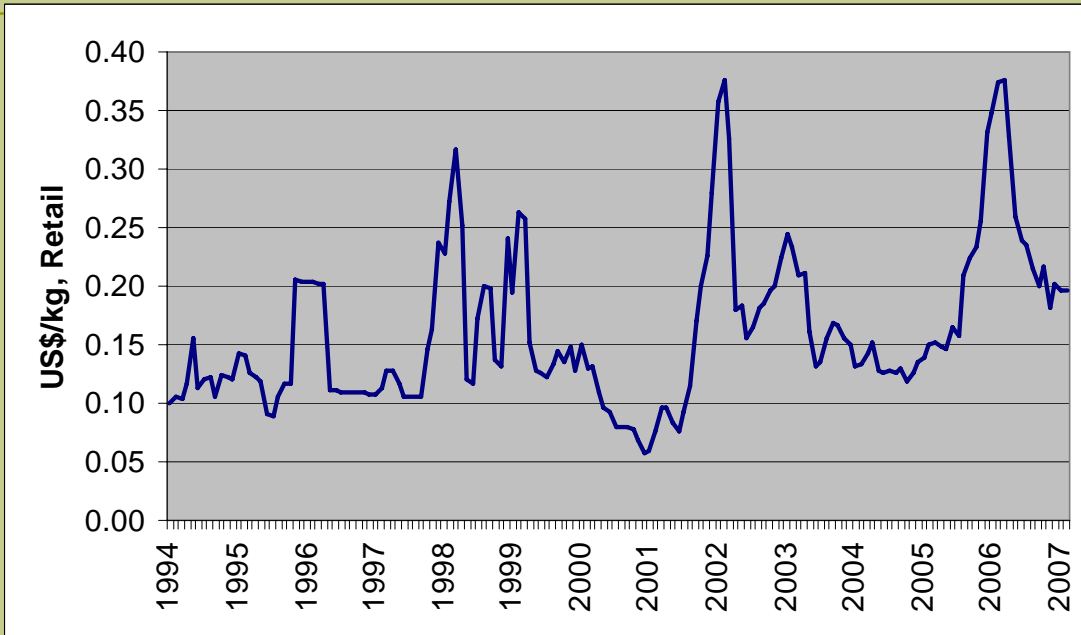
*The poor are more reliant on markets,  
not less*

## Procurement from Smallholders

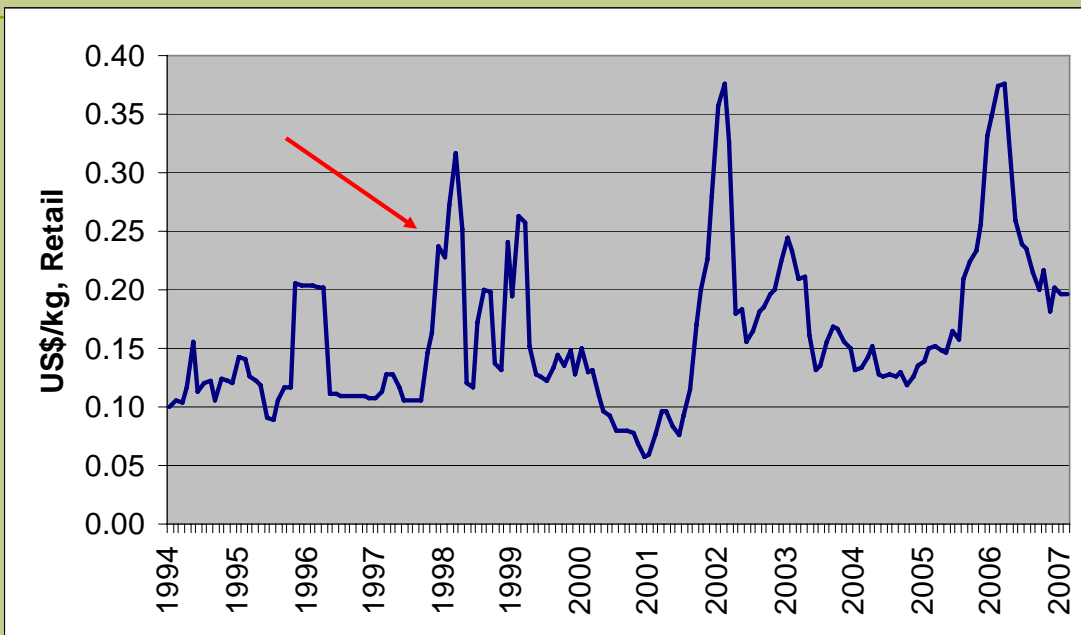
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- Good goals!
  - Increase smallholder income
  - Help more smallholders establish themselves in the commercial economy
- How to go about this?
- Depends on the assumptions one makes about the marketing systems serving smallholders
  - Are they inefficient?
  - Are they uncompetitive/exploitative?
  - Or are they typically efficient and competitive but high cost and risky?

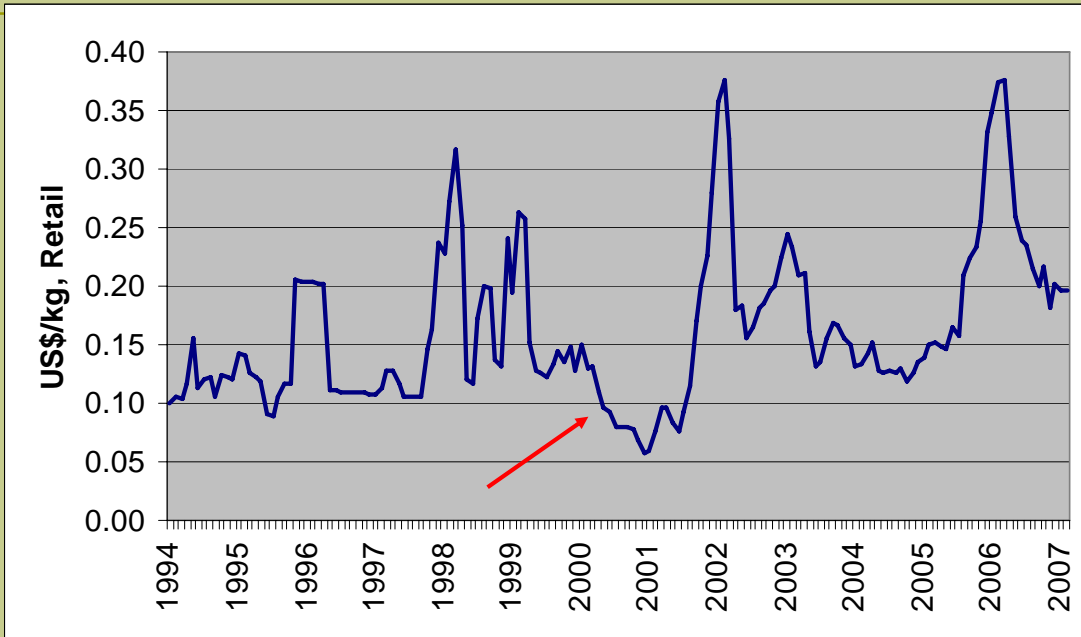
### *Maize grain prices in Eastern Province, Zambia*



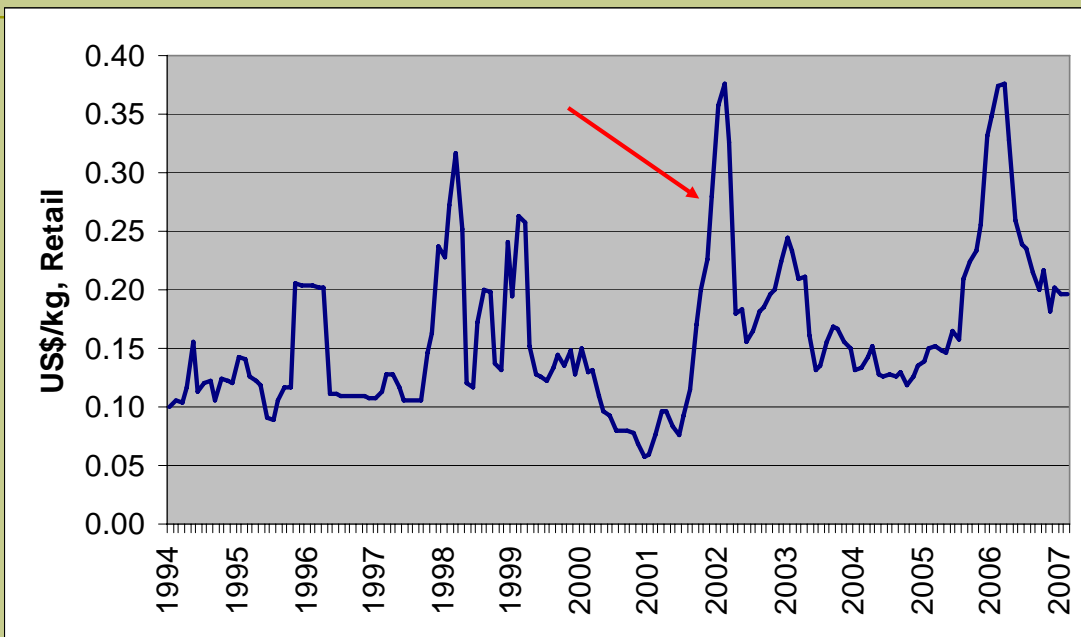
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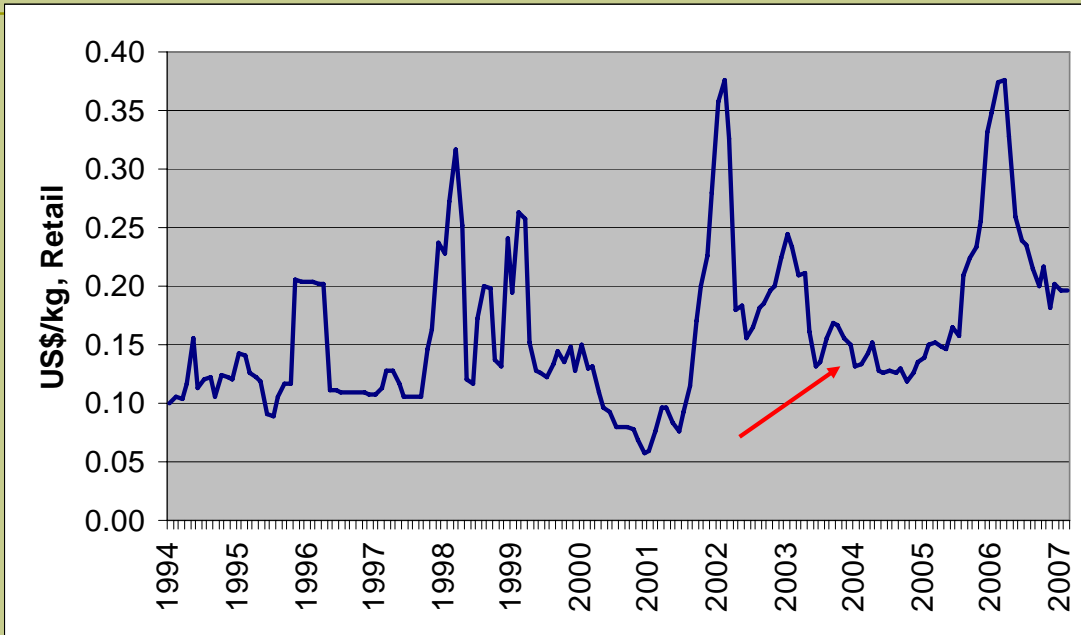
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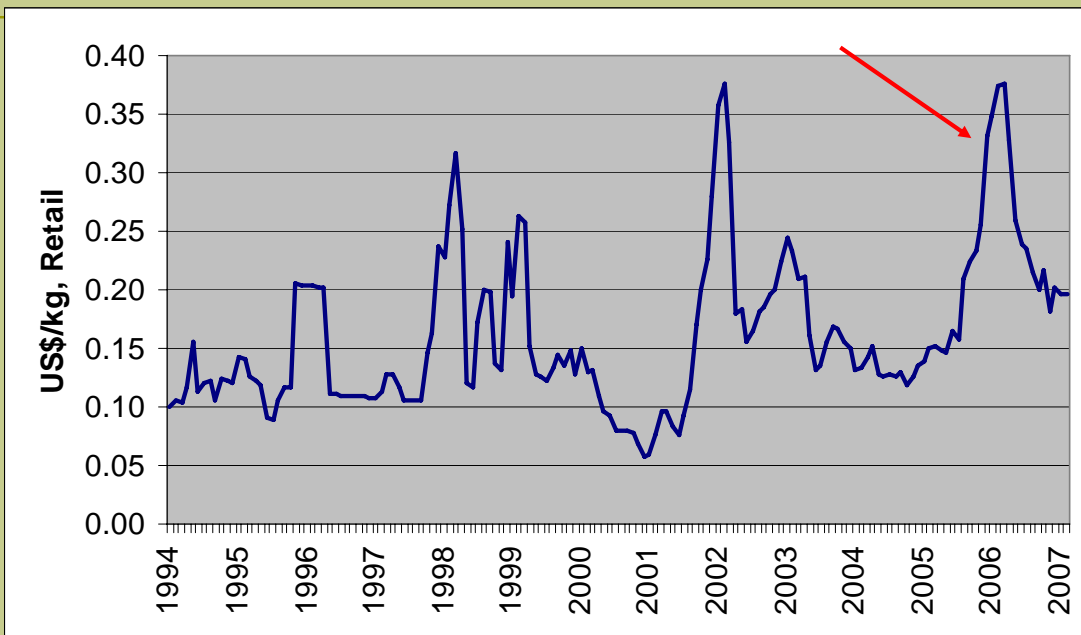
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## Procurement from Smallholders (2)

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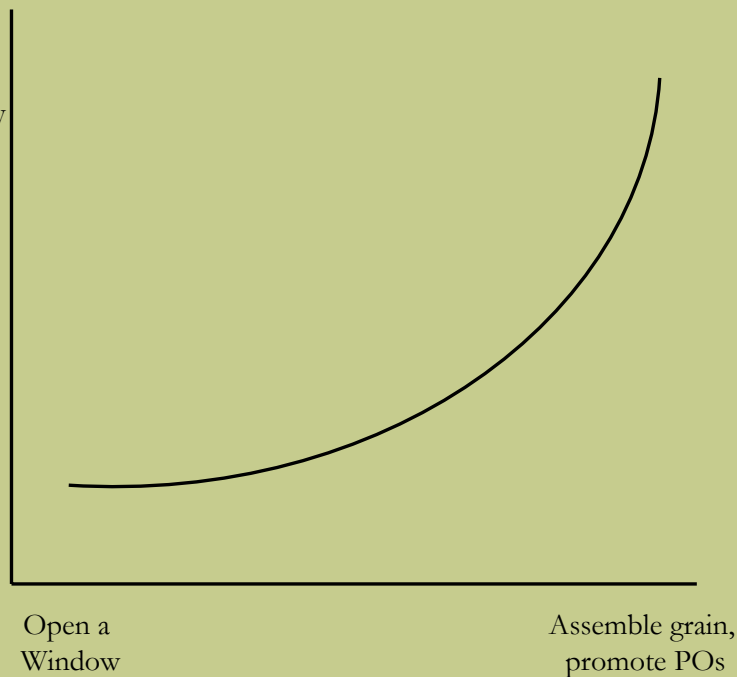
- Studies of marketing margins tend to show:
  - Farmers have multiple buyers from whom to choose
  - Costs are very high
  - Returns are variable and low
    - More so, the closer you operate to the farmer

## Procurement from Smallholders (3)

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**Cost**

- Cash
- Mgmt time
- Intellectual energy



## Another Vision

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- 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

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- 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

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- 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

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*Thank you*