



**INTERNATIONAL AGRICULTURAL WORKSHOP
FOOD RESERVES: STABILIZING MARKETS, INVESTING IN
FARMERS, AND ACHIEVING FOOD SECURITY'**

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FOOD RESERVES

Stabilizing Markets Investing in Farmers and Achieving Food Security

Introduction

As the only participant from the Eastern and Southern Africa region, I would like to base my intervention from the COMESA perspective. I am also privileged to position myself in this manner being the current Chairman of ACTESA which is a specialized agency of COMESA whose objective is to increase productivity and incomes through trade in staple foods. ACTESA is also expected to link smallholder farmers to commodity trade in the region.

Agriculture in COMESA REGION Agriculture is not only the engine of growth, but the most important sector in COMESA. It is therefore highly prioritized in the integration agenda of the region. It will not be possible to achieve economic growth, alleviate hunger, overcome poverty, overall enhancement of food security and even attainment of other aspirations i.e, health, education, industrialization, employment etc without investments in the agricultural sector.

COMESA has adopted a number of common policies and strategies to ensure regional food sufficiency, increase productivity and replace imports on regional basis.

COMESA seeks to achieve the MDGs – especially goal 1 through agriculture growth and therefore COMESA seeks cooperation to increase productivity, improve trade in commodities, value addition, ensure sustainable agriculture, protect biodiversity, a comprehensive development of infrastructure and full participation of farmers in agricultural development.

As already stated, agriculture is the most important economic sector to COMESA i.e.

- Agriculture contributes 32% of regional GDP on average.
- Supplies 65% of raw materials to industry
- And employs 80% of the population in the region.

Unfortunately agricultural output has been on decline in the last 3 decades i.e.

- Per Capital productivity of 2% and below the last 3 decades.

To the region, this trend has implications on food and nutrition security, rendering agriculture's contribution to sustainable growth and development ineffective.

As a consequence of the poor performance of agriculture, we have witnessed an increase in food imports, including food aid. Food imports have been increasing by 13% per year and in 2000 to 2008 food imports tripled from US\$6.3 billion to US\$ 17.2 billion respectively.

To an expansive region like COMESA with an excess of 400 million and a population growth rate of 2½ to 3½% per year, the current level of dependency on imports is not sustainable and poses a serious food security problem. This trend will push the majority of residences in COMESA region below the poverty levels (one US\$ per day).

Food Distribution and Reserve

Before addressing challenges in food distribution and reserves, it is important that the region focuses on agriculture. The major challenges hindering agriculture growth must be addressed.

The CAADP pillars have the necessary elements if applied in the National and Regional Compacts formulation and implementation will ensure growth in the agricultural sector.

Trade can facilitate distribution of food, acknowledging that there are many constraints and numerous market inefficiencies.

There has been investments at National and Regional levels to facilitate trade in staple foods to ensure reserves and efficient distribution.

National governments have put together facilities to stabilize staple foods and ensure availability and adequate reserves.

Kenya government is most renowned in the region as regards management of National Food reserves.

National Governments Reserves and Markets

The National Cereals and Produce Board (NCPB) which is under the ministry of agriculture is mandated to:-

- Procure
- Maintain and store strategic reserves stock of 4 million bags a year (grains include – maize, rice, beans, sorghum, millet). Maize is the main staple food product handled by the National Cereals and Produce Board (NCPB). Its involvement in the maize market has had positive and negative impacts i.e.

Positives

- Price stabilization has assisted producers during bumper years and depressed prices in drought years. This has cushioned both producers and consumers.
- National and Regional Market for farmers and traders.
- The NCPB is the largest individual buyer of grain in East Africa. In the last 5 years, NCPB has procured 347,000 metric tons of maize annually accounting for 11% of Kenya's National consumption (EASC;2010) Uganda and Tanzania being the main sources of this maize.

Negative impacts

- Unpredictability of NCPB actions i.e.
 - Frequent and unpredictable changes in maize import tariffs.
 - Export bans

- Unpredictability of funds availability to NCPB – undermining its mandate.
 - Changes in regulations to the private sector. This leads to overall disincentive to the private traders to invest in procurement and handling of grain.
 - Corruption and mismanagement of NCPB Board
- **The East African Grain Council initiative.** Organization of Grain marketing. Establishing of warehouses and introduction of warehouse receipt systems. The EAGC initiatives have benefits but there are challenges to be addressed.
 - **Commodity Markets.** They are being established at country level. They are government funded i.e Ethiopia, but seeking partnership with the private sector. There are also major challenges to be overcome. They are however open to trade with a wider variety of products.
 - **The WFP purchase for progress initiative (P4P).** The initiative is well intended but there are challenges to be overcome i.e. bulking and quality.

All these marketing initiatives have one major challenge in common. They have no mechanisms to ensure market access to small scale farmers. Delivery regulations by these initiatives isolate small farmers i.e.

- Minimize Bulk
- Standards
- Payment procedure
- Corruption

Regional Reserves

The five countries of East Africa Community have a mixed food balance situation. In the year 2009 to 2010, the East African Grain Council (EAGC) predicts a net regional food deficit of 715,000 metric tons. The EAC has developed a regional food security action plan and policy. The policy is due for signing by heads of state June 2010. The overall objective of strategy is to:

- Address food insecurity, actions including;
 - Promotion of Regional trade – EAC common market
 - Harmonization of standards
 - Regulations such as photo-sanitary (SPS) requirements
 - Development of physical infrastructures
 - Development of insurance instruments to hedge against risks associated with farming, price risks, production risks, food safety risks etc.

With respect to food reserve, the EAC intends to establish a regional mechanism for the management of food reserves. The intention is to setup a food reserve facilitate by 2012 that will be part of a larger mechanism that monitors the food balance in the region through

an information management system. There are many challenges although the idea is welcome.

- Design of an implementation mechanism i.e.
 - Procurement
 - Management and disbursement
 - Other functions

The Role of Farmers Organizations

EAFF is convinced that organized groups of farmers have the potential to play a major role in not only securing and management of food reserves, but also addressing a bigger problem of food security.

One of the solutions to addressing food insecurity is to promote regional trade and markets. Governments of COMESA support regional trade and markets and as a result established the Alliance for Commodity Trade (ACTESA) which is an agency of COMESA whose main goal is to ensure participation of small producers in commodity markets.

Whereas there exists commodity markets initiatives i.e National Government Reserves and Markets, warehousing systems by EAGC, the commodity exchanges, WFP – P4P initiative, the main beneficiaries of these markets are traders. Small producers can only benefit in trade with these different initiatives only when provided with capacity to develop their own business clusters through cooperatives, commodity associations and marketing federations that are legitimately owned by producers with a democratic and transparent governance structures. These business clusters will at some point have capacity to establish business to business linkages with other marketing structures that will ensure that small holders access profitable markets.

Reserves should not only be maintained at national and regional levels, but also at the community level. Farmers organizations and cooperative societies should play a key role in securing food in their respective areas. They should be supported to construct and manage food storage facilities. They are in a position to assist in reduction of post-harvest losses at the farmer level that is in excess of 40% on average in the region.

In conclusion, it is important to note that most market information has benefitted traders who have the logistical capacity to exploit trade opportunities. Given the nation wide geographical spread of farmers organizations, they have a major role to play in supplying information related to food security, outlook in their respective locations. EAFF supports the EAC's proposal to establish a regional food reserve facility linked to regional information systems and is convinced that farmer organizations in addition to other local community groups, can serve as information hubs across the region.

Use or access of international reserves is not desirable to developing countries. We cannot advocate for international reserves knowing very well that we have no capacity to contribute to such a reserve. Global reserves have been used to undermine our agriculture

and attainment of self sufficiency. Our immediate and long term action should be towards investment in our agriculture and factor in food reserve in our agricultural policies and strategies.

We as producers are not against reserves because we need capacity to enable us address emergencies, but need a system of reserves that is well networked starting at the community, national and the region levels. We need a food reserve system that is owned by stakeholders in food security, is transparent, assist stabilize prices, contributes to our agriculture development and provides space for participation and growth of our private sector.



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