2009 FIELD Day Conference
Addressing Food Security: What Are the Approaches?

Moderator: Brinton Bohling, (USAID, EGAT)
Speakers: Jeanne Downing (USAID EGAT/MD)
Ruth Campbell (ACDI/VOCA)
Mariko Scavone (Save the Children)
Dan Norell (World Vision)

Brinton Bohling provided a brief overview of the session.

Rice Value Chains in West Africa and Food Security
Jeanne Downing spoke about the USAID-supported rice study in West Africa, beginning with a discussion of two questions — what are the…

- Constraints to improving competitiveness?
- Strategies for each country in West Africa and for the region?

A primary concern with food security in West Africa, using rice as an example, is that although production has increased threefold, consumption has increased fivefold. This is due to a rapidly growing population, resulting from an increasing birth rate and the *extensification* of cultivation into lower yielding land. A similar zero-change in yield occurred recently in Kenyan maize production.

West Africa must import roughly six million metric tons of rice (about ½ the demand) and rice prices tripled in just four months in 2008 due to the world food crisis, the resulting political decisions of many Asian governments and a systemic mismatch between supply and demand. Almost every government in Africa has policies that rely heavily on subsidies and global increases in rice and cereal production come from the developed world.

Why has production not increased in Africa? A major reason is that governments have overemphasized production while ignoring the value chain. For example, processing cannot keep pace with production in Nigeria and many other countries and logistical issues present another problem when farmers cannot get their crops to market. There also is an overemphasis on tangible constraints and lack of attention paid to intangible constraints such as the policy environment, investment, incentives, perceived risks, etc. Farmers may have access to tools, seeds, etc., but intangible constraints can create barriers.

Another concern is the pervasive mistrust of markets (cultural issues); in the West the private sector is the answer; in Africa, the private sector is not trusted and government intervention (subsidies) will NOT solve these problems. In Asia, there are solid policies that support agricultural production, but the lack of stable policies – and increased risks – in Africa create disincentives for the private sector to invest. Corruption and a lack of transparency, lack of land tenure and promoting production for export rather than for local markets all serve to exacerbate the problem.

Increasing Food Security through Competiveness, Productivity and Trade

Ruth Cambell continued Jeanne Downing's discussion of the rice study with an overview of the strategy the researchers developed to help area governments develop sustainable food security strategies. A major concern at the outset of the research was the potential for tension between two objectives:

1. Increase the competitiveness of rice to drive down the price and benefit poor consumers
2. Help poor smallholder rice producers to get a good price, capture more market share and not get squeezed out by larger firms.

Both the governments in West Africa and the donors shared this concern — one that signaled mistrust of the private sector and even hostility – as Jeanne has already described. However, the rice study found that these two objectives were complementary rather than contradictory. First, though some industrial mills and rice importers are beginning to invest in production, for now and the foreseeable future they must depend on small-scale suppliers to reach scale. They need smallholders to produce the large volumes of quality paddy they need to be profitable and this is an incentive for them to help small producers become more productive and efficient.

Second, the development of a competitive rice industry has the potential to increase the competitiveness of agriculture as a whole due to the need for commercial input supplier networks – products, services and technical assistance; improvements in the enabling environment (land tenure, less government interference in pricing, investments in roads and electricity) and the development of a commercial orientation among smallholders. This last can also help build trust between smallholders and private sector firms.

Even as price of rice drops, and smallholders in some areas get squeezed out, they can apply these benefits to other, more remunerative crops. This realization led the study team to develop a three-track strategy for increasing food security through rice in West Africa.

First, governments and donors need to work together to increase rice VC competitiveness to compete with imported rice. Why?

- To protect against volatility in the world market (Jeanne's discussion of the 2008 *rice crisis*)
- This was not a one-time incident — production in Asia is slowing and the mismatch between supply and demand is bound to increase
- To preserve foreign exchange
- To create jobs, particularly in rural areas.

How can we do that?

Second, identify areas able to produce rice that can compete with imports and in sufficient supply to feed urban and other populations that rely on imports. Such areas will have:

- Comparative advantage for growing rice in the quality and quantity demanded
- Conducive enabling environment provided by government
- Leadership and willingness of the private sector to invest in upgrading.

Third, help government policy shift to a more market-based approach to food security in order to attract needed investments in upgrading by market-oriented farmers and large processing firms through:

- Stable policy environment
- Public investments in infrastructure (roads, primary irrigation, power, etc.)
- Secured access to resources (most notably clear land titles).

Governments in the region must be convinced that letting the private sector operate without continual interference can positively impact food security. There is a need to build trust between value chain stakeholders so mutually beneficial business models can emerge — a time-consuming process that involves bringing stakeholders together, promoting increased transparency, strengthening dispute resolution mechanisms, providing temporary subsidies to reduce risk, etc. Trust creates incentives for increased production; enables more efficient aggregation and marketing; and allows market signals to travel through the value chain, ensuring that production better matches market demand for quality, variety, etc.

The strategy can increase access to rice by rural communities. Many hundreds of thousands of rural families depend on the rice they grow for food and trade or barter small amounts locally. They probably never produce competitively and even if they could compete on price, there often are other crops that would be more remunerative for them to grow. But rice is essential for household food consumption and they need to increase their productivity (labor and land) to free up resources for other crops/economic activities.

How can governments and donors do this? They can take an incremental and partially subsidized approach to the introduction of basic production and post-harvest handling technologies and provide a demonstration effect for replication. They can use non-distortive approaches to develop links between subsistence farmers and a commercial input distribution system; use vouchers, cost-sharing mechanisms with IP to travel out to communities, and provide assistance in setting up agent networks.

In addition, they can address disincentives including insecure land tenure, dependency on government or donor assistance, and adverse cultural norms such as mistrust of the private sector, reticence to invest in food crops, gender-based constraints, etc. They can focus on several different food crops important for nutrition and caloric intake, rather than on only rice to improve regional trade and exploit competitive advantages within West Africa that facilitate trade from “centers of excellence” characterized by comparative advantages and the political and the commercial will to upgrade, to the major deficit areas in the region.

It is critically important to share learning, rather than just information exchange, to ensure that lessons in one country are applied elsewhere. How?

- Remove or reduce tariffs and non-tariff trade barriers
- Harmonize taxation and facilitate its coordination among states
- Establish regional investment incentives
- Coordinate grades and standards
- Creating institutional mechanisms for regional finance
- Invest in and regulate ICT and information systems (market prices, trade leads, new technologies, etc.)
- Engage key actors in sharing new innovations, best practices and experiential knowledge about what works, what does not, and why. (E-consultation is very successful!)

These three rice food security strategies complement each other and create synergies. Combined, they can lead to dramatically increased local rice production sourced from a large number of suppliers and flowing efficiently throughout the West Africa region.

From Food Security to Value Chains

Mariko Scavone presented the Save the Children-Bolivia (SC) experience in transitioning from a large traditional food aid program to one that focuses on market-links and value chains. The three main discussion points were:

- Food Security 2002-2008
- Sustained Market Access 2009- Present
- Title II vs. Sustained Market Access.

SC's value chain work began under the multi-million dollar, Title II Food Security program (2002-2008), concentrating initially on training in production techniques and natural resource management and building infrastructure such as irrigation. SC gained deep knowledge of community institutions, leaders and practices, and developed expertise in mobilizing resources to work directly with rural communities, a model that "leaves a large footprint on the communities".

In 2004, SC made a strategic change and began contextualizing improvements in primary production within value chains. In the years that followed it invested in 14 value chains and facilitated the sale of nearly $1 million in fresh produce and milk, which increased incomes in program intervention areas by an average of 307%. This fundamental change in strategy was accompanied by programmatic changes as well.

During their four years of using the value chain approach, the SC team found that their view of program beneficiaries changed from their traditional perception of the farmers as passive actors and objects of compassion to economic actors who take an active role in determining their own development. The two value chains that SC identified – fresh fruit and milk – had strong market potential and the ability to reach many beneficiaries. And, unlike previous interventions in which SC became directly involved in solving value chain bottle necks, it now knew that value chain actors themselves needed to work in closer collaboration to solve their own problems.

To help producers grow the high quality produce that the market demanded, SC contracted companies to organize producer fairs and to work with them on designing a logo for their products. SC also recognized the need to facilitate relationships between value chain actors so they could meet needs through mutual cooperation. The Sustained Market Access project aims to connect selected producers with selected buyers because not every producer is ready to enter every market, and not every formal buyer is ready to make investments in a long-term relationship with producers.

In the milk value chain SC found low production to be a bottleneck and it did not work with every producer in the intervention zone, selecting instead model producers to pilot a new type of nutritional feed for one month. The pilot program relied on producers to show the benefits of using feed to their neighbors. In addition, SC worked closely with the supply company so it could take over the program and scale it up once SC activities ended.

As each value chain progressed in meeting market demands, actors saw a greater need to collaborate and work together and as the value chain itself matured, the need for credit also grew. However, until producers could show a secure buyer, many were not eligible for micro-loans and SC helped design a financing model where producers sold to a diary and the diary retained a

portion of the sales and made loan payments on behalf of the producers. In addition to giving producers access to credit, the financing also helped a local microfinance organization reverse its negative portfolio and develop new loan technology.

Save the Children's experience between 2002 and 2009 is noteworthy because it encompasses changes in strategy and activities that make a strong platform for learning regarding the transition from an organization engaged in heavy-handed implementation to that of a facilitator using the value chain approach.