



## Smallholder-friendly food procurement P4P's experience

**For five years, the P4P pilot has experimented with innovative procurement modalities, allowing WFP to purchase staple food commodities more directly from low-income smallholder farmers.**

In 2013, WFP bought around US\$ 1.16 billion worth of food for cash, some 80 percent of which came from developing countries (including large regional purchases in India, South Africa and Turkey). Traditionally, this food has been purchased from pre-qualified large-scale suppliers through competitive tenders, ensuring that WFP purchases the greatest quantity of food at the best price in a timely fashion. The P4P pilot has enabled WFP to try new ways of leveraging its procurement footprint to promote agricultural and market development, experimenting with smallholder-friendly procurement models which extend the benefits of WFP procurement to smallholder farmers.

*Continued on page 2*

To learn more about pro-smallholder procurement under the P4P pilot project, read the Final Consolidated Procurement Report [here](#).



World Food Programme

**Dear Friends and Colleagues,**  
P4P is entering an exciting phase as we move forward into 2015. The Strategic Final Evaluation has just been discussed by the WFP Executive Board. This will be followed by the sixth P4P Annual Consultation to seek recommendations from a wide spectrum of stakeholders on the emphasis moving forward beyond the pilot, based upon the experience to date.

WFP has committed to increase its pro-smallholder procurement over the coming years to at least \$100 million annually, which will provide unique opportunities for partnership at scale.

Pro-smallholder market development is being mainstreamed into Country Programmes across most of the pilot countries. It is indeed gratifying that governments where P4P was piloted continue to emphasize the importance of this aspect of WFP's work. We thank our partners across Africa, Latin America and Asia who have joined with us to combine their technical expertise with WFP's demand for staple crops to sustainably link smallholder farmers with commercial markets.

We look forward to our continued partnership in the year ahead.

*Ken Davies*  
P4P Global Coordinator

## Contents

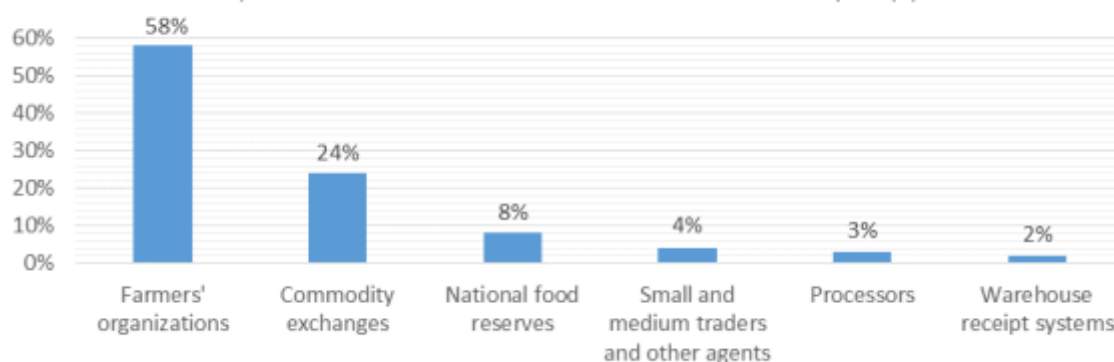
P4P releases final procurement figures **pgs. 1-3**

Mobile factory producing nutritious biscuits in Afghanistan **pgs. 4-5**

Purchase from Africans for Africa results and lessons learned **pgs. 6-7**

P4P in the news, updates and contacts **pg. 8**

P4P procurement modalities: Food source by supplier



P4P recently released the [Final Consolidated Procurement Report \(2008-2013\)](#). During the pilot, WFP bought **US\$ 148 million-worth of food** more directly from smallholder farmers, who also sold an additional **US\$ 60 million-worth of food** to markets beyond WFP. Across the 20 pilot countries, WFP's pro-smallholder procurement increased from 8 percent of all locally procured commodities in 2009, to 22 percent in 2013. These have been key achievements particularly because most farmers and organizations were not marketing collectively before working with P4P. These local purchases have also reduced costs for WFP: throughout the pilot period, some US\$ 42 million were saved as compared to importing the same food commodities.

### Aggregating crops for collective sales

Because smallholder farmers cultivate small plots of land, even with support to increase their agricultural productivity, they are generally unable to produce enough to interest large buyers who purchase food in bulk. This, coupled with the fact that farmers are dispersed in rural areas, requires them to work together. Because of this, P4P and partners have supported smallholder farmers to market their crops collectively through farmers' organizations to access formal markets and earn better prices, for better quality, at the same prices that WFP would have paid to large traders. 58 percent of food bought under P4P (US\$ 90 million-worth) was procured directly from farmers' organizations.

In Ethiopia, Malawi and Zambia, WFP purchased food through [commodity exchanges](#),

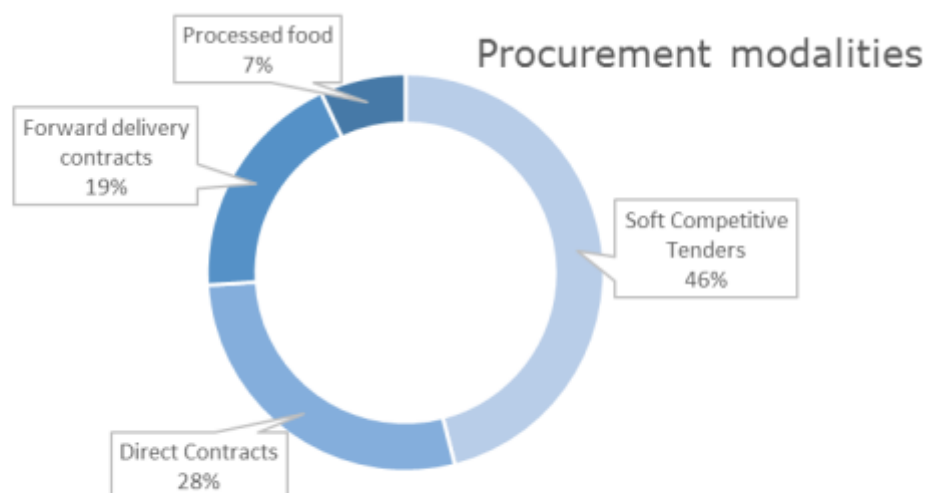
where smallholder farmers through their organizations bid on contracts to provide commodities to buyers, including WFP.

Purchases have also been made through [warehouse receipt systems](#), which are emerging as innovative ways for smallholder farmers to market their crops. In countries like Tanzania and Rwanda, P4P has linked smallholder farmers' organizations to the government's [strategic grain reserves](#), from which WFP buys food. P4P has also built the capacity of small and medium traders to buy from smallholder farmers.

### Smallholder-friendly procurement modalities

WFP procured crops from P4P-supported smallholder farmers using various smallholder-friendly procurement modalities selected based upon the capacity of suppliers. **Direct contracts** have been used to provide lower-capacity farmers' organizations with experience aggregating and marketing their crops collectively. Prices and quantities are negotiated directly with farmers' organizations, based upon market prices for similar quality products on the open market. By building farmers' organization capacity, direct contracts help them move toward more competitive tendering processes.

**Soft competitive tenders** have provided farmers' organizations with tangible experience and the skills required to sell competitively to buyers beyond WFP. Farmers' organizations compete with one another to bid for WFP contracts, in a process similar to traditional competitive tenders, though some requirements are modified. For example, while smallholders must meet WFP's strict food



quality standards, WFP can provide them with bags if needed, deducting the cost from the final payment.

Commodities were also purchased using **forward delivery contracts (FDCs)**, negotiated before planting or before harvest, with an agreed floor price. Prices can then be renegotiated closer to delivery based upon current market prices. FDCs provide farmers with an assured market, helping them plan their production and marketing, and can be used as collateral for credit from banks or other financial service providers. In addition, blended food has been purchased from millers or agro-processors who source raw materials from smallholder farmers. This assists smallholders gain access to a sustainable market beyond WFP.

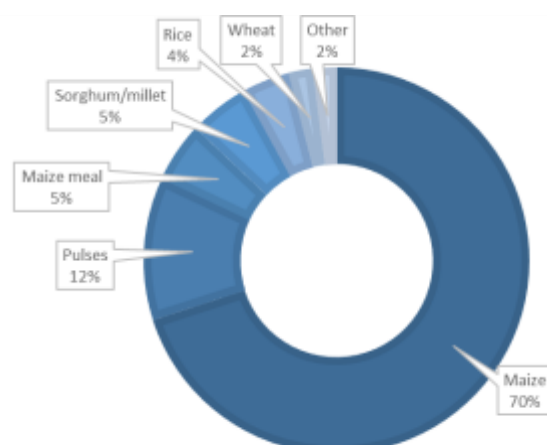
### Diverse crops for WFP programmes

While WFP predominantly purchased maize grain under P4P modalities, commodities diversified throughout the course of the pilot. To enhance the participation of women farmers, WFP began focusing more on pulses. In many contexts, women traditionally grow and market peas and beans – such as [cowpeas in West Africa](#) – while men are often responsible for marketing cereal crops such as maize. These commodities have been used for WFP food assistance, mainly within the country where it was purchased, including [school meals](#), [food for assets](#) or [nutrition](#)

[programmes](#) or rations for refugees or vulnerable populations.

### Addressing challenges with defaults

Side-selling and contract adherence were key challenges faced by P4P, due to difficulties smallholders sometimes faced meeting quantity and quality standards. While WFP has adjusted procurement practices to facilitate the participation of smallholder farmers, it cannot compromise on [quality standards](#). Partners provided on-going capacity development to improve agricultural production, post-harvest handling and organizational management to address challenges. Defaults due to quality on contracts signed under P4P modalities decreased from 22 percent in 2010 to 9 percent in 2013.





## Buying from farmers, baking nutritious biscuits

**In Afghanistan, P4P has introduced a mobile factory to produce High Energy Biscuits (HEB) to reduce malnutrition, boost the local economy and provide smallholder farmers with a sustainable market. Though the new technology faced challenges in the start-up phase, it is now producing nutritious biscuits for sale on the local market and use in WFP emergency response.**

In Afghanistan, P4P has emphasized linking local agricultural production with efforts to improve nutrition. A [variety of efforts](#) are being undertaken to accomplish this goal, including the introduction of Afghanistan's [first mobile biscuit factory](#) composed of seven containers shipped from Italy. The factory was assembled and installed in Jalalabad, and is sourcing wheat for biscuit production from Afghani smallholder farmers. WFP is collaborating with a local company which manages the factory through a commercially-based joint venture.

### Improving local economies

Due to a lack of infrastructure to produce biscuits, the Afghan market is dominated by imported products. The mobile biscuit factory



was introduced in an area where no capacity to produce biscuits existed previously. The initiative aims to develop the local economy and increase the availability of locally-produced fortified food both for sale on the market and WFP's needs. The factory is sourcing part of the soy and wheat used to make HEB from smallholder farmers participating in P4P, providing them with a sustainable market for their produce. Micronutrient-fortified flour is sourced from national mills. The mobile biscuit factory also provides job opportunities for 30 people.

Factory manager Dildar Khan Shinwari says:



“My team is learning valuable skills which they can retain and pass on to others.” He explains that the high quality standards expected from WFP are helping him build a commercially viable business for the local market. “We are learning a lot from WFP, and we are beginning to see the return on our investment.”

So far, US\$ 670,000-worth (400 metric tons) of biscuits have been produced in the mobile biscuit factory. WFP purchased US\$ 607,000-worth (370 metric tons) for use in emergency response. A communication campaign is planned to be undertaken in collaboration with the Ministry of Public Health to promote the benefits of consuming fortified nutritious foods, including HEB.

### **An innovative solution to improve nutrition**

The pioneering design of the mobile biscuit factory is a step towards creating a more sustainable supply of locally-produced nutritious food. The containerized design allows them to be used in a variety of rural or conflict environments, where lack of infrastructure might otherwise make it difficult to produce fortified foods locally. The factories are designed to take up minimal space and be installed quickly. They can be implemented in regions for medium to long term, or can be deployed to different regions of the country as needed. These containerized

factories can be installed and operated by WFP, or, as is the case in Afghanistan, in joint venture with a commercial operator.

### **Lessons learned from a difficult task**

Upon the arrival of the factory in Jalalabad, WFP and its private partner faced a number of technical challenges that delayed start-up. Given the lack of available expertise a food technologist worked with the team in-country to resolve these issues. The technologist developed a comprehensive plan to maximise efficiency and production, optimize the nutritional value and maximise profits. The main lesson learned was the need for a monitoring system to put all parts through a detailed evaluation to resolve all technical difficulties before shipping to a remote location.

One of the greatest challenges faced in Afghanistan is a lack of security. Unexpected events may disrupt work schedules, causing difficulties for the biscuit factory and limiting production.

*Article by Ranait Feeney*

#### **Read more:**

[Biscuit Factory-In-A-Box Shows Its Value In Afghanistan](#)

[Soya production in Afghanistan supports P4P efforts to improve nutrition](#)





## Lessons learned from the Purchase from Africans for Africa initiative

**Purchase from Africans for Africa (PAA Africa) – a pilot project inspired by the Brazilian learning on institutional food procurement – recently released a report on the lessons learned from the first phase of implementation. This report details the joint efforts in five countries to increase smallholder farmers’ access to markets while improving the food security of students.**

[PAA Africa](#) is a collaborative project undertaken by the [Food and Agriculture Organization of the United Nations](#) (FAO), WFP, the governments of Brazil and the United Kingdom, and the governments of each pilot country: Ethiopia, Malawi, Mozambique, Niger and Senegal. WFP has used technical expertise gained and lessons learned through P4P and [home-grown school feeding programmes](#) to manage the procurement of food from smallholder farmers in partnership with governments for school meal programmes.

### **Innovations at the local level**

The [PAA Africa Phase I Learning and Results Report](#) describes some of the innovative models for school feeding which have been tested to contribute to: “the handover efforts of home-grown school feeding programmes to governments, by facilitating government’s engagement and ownership of local purchase initiatives.”

Many of these innovations were made in new procurement modalities. For example, in Ethiopia, funds for procurement were transferred by WFP to the government’s Regional Office of Education. Food was then purchased from a P4P-supported cooperative union for delivery to schools. In Malawi, WFP transferred funds to District Councils, which channelled them to schools to manage food purchases. In Mozambique, a decentralized model was tested, with WFP signing agreements directly with P4P-supported farmers’ associations to supply the programme. The PAA purchases allowed for the provision of school meals for 128,000 students, using 1,000 metric tons of food purchased locally.





Farmers in all of the pilot countries benefited from capacity development delivered by FAO in food production, harvest and post-harvest techniques. This has enabled farmers to produce greater quantities of higher quality food, with average productivity rates reportedly increasing by some 115 percent amongst participating farmers.

### **Successful results to inform second phase**

The report highlights achievements in strengthening inter-agency collaboration and fostering government ownership. For example, PAA Africa has been adopted as part of Malawi's national strategy to strengthen school feeding coverage. In other pilot countries, governments are adopting approaches piloted under PAA Africa in

diverse ways, increasingly engaging with and taking ownership of local purchase programmes to benefit smallholder farmers.

Though innovative procurement modalities have proven effective in supporting the purchase of food from smallholder farmers for use in school feeding projects, further adaptations and improvements are needed. Contract terms, payment mechanisms and timing require further evaluation and strengthening to better foster farmers' participation.

The second phase of PAA Africa began in 2014, to strengthen pilot projects and increase dialogue on policy and programming. It seeks to expand and consolidate local food purchases in national contexts.

#### **Read more:**

[Launch of the report on PAA Africa website](#)

[FAO coverage of the report](#)

[P4P and PAA Africa](#)

[P4P and Home-Grown School Feeding](#)

To learn more about the first phase of PAA Africa, download the [PAA Africa Phase I Learning and Results Report](#). The full report is available in [Portuguese](#) and [English](#), as is the "PAA Africa at a Glance" fact sheet ([Portuguese](#)).



## Smallholder farmers key to achieving Zero Hunger

Executive Director Ertharin Cousin discusses WFP's assistance to smallholder farmers in a video interview about the Zero Hunger Challenge.

Read more [here](#).

## WFP procurement platform builds on P4P lessons

At the World Economic Forum in Davos, Executive Director Ertharin Cousin, highlighted WFP's plans to increasingly link smallholder farmers with private sector buyers under an initiative called the Patient Procurement Platform. The initiative builds off of the lessons learned from P4P while focusing on increased private sector engagement.

Read more [here](#).

## Biofortified foods help fight malnutrition

P4P partner HarvestPlus is scaling up the dissemination of micronutrient rich crops. P4P Global Coordinator Ken Davies speaks about the potential of biofortified foods to support smallholder farmers and fight malnutrition.

Read more [here](#).



## Case studies on institutional procurement

FAO published a series of case studies on institutional procurement programmes in Ghana, El Salvador, Ethiopia, Guatemala, Kenya, Rwanda and Tanzania. The case studies aim to better understand the role of P4P in particular, as well as other similar initiatives such as school feeding and food reserves, assessing the sustainability of these models, their main challenges and policy recommendations for scaling up.

Read more [here](#)

## CONTACT US

### P4P coordination unit

P4P Coordination Unit:  
[wfp.p4p@wfp.org](mailto:wfp.p4p@wfp.org)

Ken Davies, P4P Global Coordinator:  
[Ken.Davies@wfp.org](mailto:Ken.Davies@wfp.org)

### For more information

P4P webpage:  
[www.wfp.org/p4p](http://www.wfp.org/p4p)

Twitter:  
[@WFP\\_P4P](https://twitter.com/WFP_P4P)

### Regional Bureau focal points

François Buratto, Asia:  
[Francois.Buratto@wfp.org](mailto:Francois.Buratto@wfp.org)

Simon Denhere, Eastern and Central Africa:  
[Simon.Denhere@wfp.org](mailto:Simon.Denhere@wfp.org)

Sarah Longford, Southern Africa:  
[Sarah.Longford@wfp.org](mailto:Sarah.Longford@wfp.org)

Nacer Benalleg, West Africa:  
[Nacer.Benalleg@wfp.org](mailto:Nacer.Benalleg@wfp.org)

Hebert Lopez, Latin America and Caribbean:  
[Hebert.Lopez@wfp.org](mailto:Hebert.Lopez@wfp.org)