HIGHLIGHTS OF THE MONTH

- **Honduras** launched the second phase of its P4P programme, funded by the European Union Food Facility. The Government and the EU Ambassador were present [page 5].
- **Rwanda** launched P4P in Gatsibo district, with the participation of the Ministry of Agriculture, the Ambassador of Japan and USAID. Rwanda contracted for the first time 500mt of maize from 2 Farmers’ Organisations (FOS) in April.
- Implementation of P4P in **Sudan** has started, amid a challenging operating environment. Seven FOS, representing close to 5,000 smallholder farmers, have been identified by WFP and partners and are preparing to sell surpluses to WFP in the forthcoming harvest in August [page 2].
- An analysis of the **main reasons for contract defaults** during the first one and a half year of implementation of P4P shows that on average 13% of the food contracts under P4P were defaulted, mainly due to price fluctuations and quality issues [page 3].
- **FAO** and the **World Bank** finalise their report on Post-Harvest Losses in Grain Supply Chains in Africa [page 4].
- **Bill and Melinda Gates Foundation (BMGF)** announced on April 22nd that it has joined the governments of the United States, Canada, Spain, and South Korea in launching a **Global Trust Fund to Support Small Farmers**. WFP’s contribution to supporting smallholder farmers through the P4P pilot programme was cited.

Rwanda

P4P was officially launched in Rwanda on April 28, through a ceremony in Maprocura Cooperative in Gatsibo district, attended by the Ministry of Agriculture, the Japanese Ambassador and USAID. The first P4P training on storage, warehouse management and WFP/P4P procurement procedures took place on 17-18 March. Organized as a training of trainers, a total of 25 lead farmers, agronomists and cooperative leaders of seven Cooperatives in Kirehe district, Eastern Province, were trained by WFP. Only three of the trainees were women, showing the still very low number of women leaders and agronomists in Rwanda.

WFP provided one rub hall to a P4P Cooperative in Kirehe district, to be used for demonstrations by the trainees (3 other rub halls were provided to Cooperatives in Bugesera, Gatsibo and Nyanza districts). The rub halls will serve as both collection points and temporary storage facilities. Participants were encouraged to request additional warehouse equipment (stitching machines, moisture meters etc) to IFAD’s Support Project for the Strategic Transformation of Agriculture (PAPSTA), a P4P partner in the area.

Subsequently, the first two P4P maize contracts were signed with two Cooperatives in Bugesera (100mt) and Gatsibo (400mt) districts, using part of a US$ 1 million contribution from Japan to Rwanda’s new Protracted Relief and Rehabilitation Operation (PRRO). As the harvest in Eastern Province, the main surplus province for maize, was exceptionally high, prices decreased below production costs. As a result, the Government set up minimum prices to cover production costs for its own government purchases. WFP Rwanda decided to use the Government floor price plus a margin to reward quality, as a base for negotiating contracts. This price (US$ 236/mt) was still lower than the lowest regional price (US$ 282/mt from Kampala), making local purchase of maize cost effective. 107mt have been delivered to date and remaining deliveries are expected in May.

IMPLEMENTATION STATUS

21 P4P Pilots:
- **17 Approved Country Implementation Plans (CIP)**: Afghanistan, El Salvador, Ethiopia, Honduras, Guatemala, Kenya, Nicaragua, Burkina Faso, Liberia, Mali, Malawi, Mozambique, Sierra Leone, Sudan, Tanzania, Uganda and Zambia.
- **DRC and Rwanda**: CIPs under development.
- **Laos & Ghana**: development of CIP planned for 2010.
- **P4P Assessments**: all 21 Assessments finalized.
PROCUREMENT UPDATE

AFGHANISTAN
P4P in Afghanistan officially started on 1st April coinciding with the launch of the new PRRO. The P4P strategy in Afghanistan will focus on developing the local capacity to manufacture fortified biscuits and other fortified blended commodities and on the procurement of wheat grain. The first P4P purchases are planned for the upcoming wheat harvest in June-July, in the surplus producing provinces of Herat and Bakh.

During the first quarter of 2010, the focus has been on exploring partnerships around the food processing component of P4P. A mission by the regional food technologist in March assessed the readiness of two private biscuit companies (Sadaf Arya and Dama Cake) to start a production line of High Energy Biscuits (HEB) for WFP, and of another biscuit company (Naseeb Bakery), interested in running a containerized biscuit factory.

The first two biscuit companies will start producing HEB on a trial stage, following which formal agreements will be signed.

Another partnership at an advanced stage of discussion is with the Nutrition Education Initiative (NEI), a Korean NGO working on soybean production and processing. Soy flour would be used to increase the nutritional value of the biscuits.

SUDAN
Implementation of P4P in Sudan has started, amid a challenging operating environment. Seven FOs, representing close to 5,000 smallholder farmers, have been identified by WFP and a variety of partners in Western and Central Equatoria, and are preparing to sell surpluses to WFP in the upcoming harvest in August. A FOs identification and mapping exercise is continuing in collaboration with partners, looking in particular for women associations active in the Greenbelt.

A trial P4P purchase during the previous harvest of 7.5mt of sorghum, contracted directly from Lado Farm, a FO supported by the NGO, Canadian Economic Development Assistance for Southern Sudan (CEDASS), was successfully delivered, but highlighted some initial challenges, in particular:

- In the absence of proper warehousing capacities, farmers get rid of their surpluses immediately after harvest, hence it is difficult to gather the required quantities to honour a WFP (or other buyers’) contract.
- It is difficult to gather sufficient surpluses if the WFP contract is negotiated at the time of harvest, as farmers will not have planted sufficient quantities to allow meaningful surpluses. At planting time, farmers don’t have any incentive to extend cultivation in the absence of an assured market outlet, in a context such as the one of South Sudan.

In order to tackle both these issues:

- Two agreements are under negotiation, with Rural Action against Hunger (RAAH) and World Vision International (WVI), for the construction of two warehouses in Yambio and Maridi districts, to allow grain collection from the contracted FOs.
- WFP Sudan will use forward contracts for the forthcoming round of purchases in August. The process will be as follows:
  1. by end of April, the seven pre-selected FOs will send an offer of maize and/or sorghum to WFP, in relation to the acreage cultivated and previous average yields;
  2. mid June, while the crop is growing, FOs will conduct a yield assessment to confirm or re-estimate initial quantities offered. Based on this second evaluation, WFP will negotiate the price (based on the prevailing Import Parity Price and local market price), prepare forward contracts, dispatch empty bags and initiate the procurement procedure.

Country procurement snapshots

ETHIOPIA
Procurement from small-scale traders and Cooperative Unions (CUs) is ongoing. Tenders worth 1,759 mt have been awarded to three CUs. For 2010, P4P plans to purchase locally a total of 14,000mt of cereal and pulses from CUs and small-scale traders. WFP is also procuring locally made threshing and cleaning machines, developed by a local technical and vocational center in collaboration with Sasakawa Africa Association (SAA), one of the supply side P4P partners in Ethiopia.

LIBERIA
FAO and WFP continued to support farmers to mill and package their rice. In March, over 80mt of milled rice was transferred to WFP warehouses and is now being distributed as girls “take-home rations” under the school feeding programme. Contracts have been issued to five new Cooperatives for another 780mt.

MALAWI
A second “Bid Volume Only” was placed through the Agriculture Commodity Exchange (ACE) in Malawi on 25 March. A Millennium Village Project (MVP) supported FO participation by placing a bid for 300mt of white maize. It did not win, as its bid was higher than others, but it was the first time the FO, through P4P facilitation, participated in the ACE. WFP Malawi is discussing with Partners how to support FOs to participate successfully in the Exchange. The Market Linkages Initiative (MLI) is looking at developing a network of warehouses to be linked with the ACE.

MOZAMBIQUE
With EC support, a maize cleaning and grading machine is being procured for IKURU FO, to support small scale processing of maize. In 2009, P4P FOs defaulted several times due to quality issues, however through trainings under the One UN Joint Programme, quality improved to grade A levels in subsequent deliveries.

UGANDA
Two warehouses in northern and eastern Uganda are under renovation and will start operating as P4P warehouses in mid 2010. In March, WFP obtained a license from Uganda Commodity Exchange to run the warehouse receipt system (WRS) in these facilities.
ANALYSIS OF REASONS OF DEFAULTS

Of the over 51,000mt contracted by P4P in 17 countries from September 2008:
- 6,900mt (13%) were defaulted for various reasons
- 33,600mt (65%) were delivered
- 11,000mt (22%) are ongoing or pending delivery

Breakdown by countries
- The highest incidence of defaults was in El Salvador (34%), Burkina Faso and Malawi (30%), followed by Mozambique (29%) and Kenya (24%) and Uganda (22%).

Breakdown by vendor
- Incidence of defaults is higher among FOs (20% of contracted amounts on average), followed by warehouse receipt systems (12%) and small and medium traders (9%).
- So far, purchases through the Commodity Exchanges in Malawi and Zambia have resulted in zero defaults.

Most common reasons cited:
- Increases in prices during the contract lifetime, coupled with long time lag between contract negotiation, signature, time for collecting commodities from members, to payment by WFP after delivery, increase the temptation of smallholders to side-sell to traders passing by with cash in their hands. Burkina Faso, Guatemala, Kenya, Mozambique and Uganda cited this.
- Late start of procurement by WFP, cited by Liberia, Mali, Malawi and Tanzania. In Tanzania, this was due to the late availability of cash donations for food purchases; the approaching of the rainy season meant quality deterioration in Malawi and difficulty in drying paddy in Liberia.
- Delays in getting credit for aggregation of commodities and to partially pay members upon delivery explained why FOs could not bulk the required amounts in Burkina Faso, El Salvador and Mozambique.
- Quality issues (aflatoxin in Kenya, infestation of weevils in Malawi, high broken kernels in Guatemala).

EMERGING LESSONS ON HOW TO MINIMIZE DEFAULTS

1. Careful timing of procurement is key in countries with limited availability of surpluses like Burkina Faso and Mali: P4P should purchase at the beginning of the harvest season, when surpluses are plenty, and conduct P4P purchases prior to launching regular WFP tenders.
2. Better selection of procurement modalities based on capacity of FO and availability or not of commodities already partly aggregated in FO warehouses. In Burkina Faso and Mali (where FOs are weaker), direct contracts should be signed only when at least part of the commodities have been aggregated by the FO, otherwise—if FO has still to bulk all of the contracted quantity—it is best to sign forward contracts which have a longer time period and allow for adjustments in quantities and prices.
3. To overcome FOs working capital constraints, responsible for most of the defaults, WFP Tanzania started to do partial payments for partial deliveries, for those FOs with some working capital: farmers start delivering part of the contracted amount, for which the FO pays them upfront. The FO delivers to WFP part of the consignment and gets paid, and with this money the FO can pay farmers for the second lot of deliveries.
TANZANIA—FOs leaders are middle men

According to the WFP Field Office in Arusha, Tanzania, the main reason for the default by the P4P targeted Meqabani/ Qash Savings & Credit Cooperative is that several members of its board are themselves middle men or in contact with middle men. They preferred to default on the contract with WFP which had a lower commodity price, knowing that by storing the commodities in the warehouse, the market price would increase and they could get a higher profit. Since prices increase every day at the farm gate level, WFP needs to act fast to ensure that the farmers will not be tempted to sell to other buyers.

• Co-funded by IFC, WB and EC, the “Regional Agriculture and Food Security Forum 2010. Building sustainable small-scale agriculture in Southern Africa”, brought together Governments, private sector, farmers, associations and donors to discuss ways to enhance small-scale farmers’ productivity and involve the private sector (Livingstone, Zambia on 6-9 April). Read more on the Agri-Forum website, http://www.ifc.org/ifcext/africa.nsf/Content/Agriforum.

FAO/WORLD BANK WORKSHOP
ON “REDUCING POST HARVEST LOSSES IN GRAIN SUPPLY CHAINS IN AFRICA”

Co-organised by FAO’s Rural Infrastructure and Agro-industries Division (AGS) and the Agricultural and Rural Development Department (ARD) of the World Bank, the workshop’s objectives were to: (i) discuss the significance of post harvest losses (PHLs) of grains in Africa; (ii) discuss best practices, ongoing activities and institutional arrangements to reduce PHLs of grains; (ii) identify future interventions and define the way forward for future collaboration.

The meeting, held in Rome in March, was attended by technical staff from FAO, the World Bank, WFP, IFAD, UNIDO, AfDB, the European Commission and the Natural Resources Institute (NRI) of the UK. Private sector participants from the grain industry included the East African Grain Council (EAGC), Cereal Growers Association (CGA) of Kenya, Premium Foods Ltd, a grain processor from Ghana, Grain Traders and Processors Association of Malawi, the Food Reserve Agency of Zambia and GrainPro Inc of the USA.

Participants noted that "given the transition from subsistence to market driven systems, interventions to reduce post harvest losses should be considered within the context of commodity value chains, and focus on systemic interventions that improve the efficiency of the chain as a whole, rather than the disjointed, single-point interventions of the past. The central role of the private sector must be recognised, and post harvest losses reduction strategies developed that provide economic incentives to all actors in the chain. This needs to be underpinned with an enabling environment that encourages private sector investment and the partnering of the public and private sectors”.

Sustainable post harvest losses reduction interventions in Africa require:
• strong commitment and support of governments and the donor community;
• existence of a strong domestic demand for grains and grain products as opposed to imports;
• strong trans-disciplinary approaches and institutions that facilitate development and testing of new technologies.

The meeting agreed on the need to develop a community of practice to facilitate the evaluation of innovations and assist in their scaling-up, knowledge management and information sharing on best practices and lessons learned. Such a platform would allow expert knowledge to be channelled into the development agenda and inform investment programmes on the Continent. It was agreed that FAO’s AGS Division and the World Bank’s ARD Department would explore financial and operational modalities for a secretariat to serve the community of practice.

The final workshop report will be posted at http://www.fao.org/ag/ags/index_en.html. For further information, please contact: divine.njie@fao.org or Stepanka.Gallatova@fao.org.
Country partnership updates

Ethiopia
- P4P is partnering with the Commercial Bank of Ethiopia (CBE), the Ethiopian Commodity Exchange (ECX), the Ethiopian Grain Trade Enterprise (EGTE), the Famine Early Warning System (FEWSNet), FAO, IFAD, JICA, the Ministry of Agriculture and Rural development (MOARD), Sasakawa Africa Association (SAA), Selam Technical and Vocational Center (STVC), USAID/COMPETE, and the World Bank.

Kenya
- MOU signed with AGMARK for a joint activity entitled “Building Agro-dealer Output Marketing Capacity”, which will train and equip 200 certified village level agro-dealers in Western, South Rift, Eastern and Central Kenya, and provide matching grants to equip village-level storage facilities with basic warehouse equipment.

Mozambique
- Partnership under discussion with IFDC (International Fertilizer Development Center) under the AGRA Agro-dealer programme and the FAO inputs programme implemented by IFDC. On 6-8 April, P4P assisted in field day exhibitions organized by IFDC in Sussundenga and Barue districts, where farmers, agro input dealers, extension agents and traditional leaders learned about the benefits of seed and fertilizers use and quality issues.

Sierra Leone
- The Ministry of Agriculture, Forestry and Food Security (MAFFS) requested that P4P be fully reflected in an investment plan for social protection and safety nets for vulnerable smallholders under the Comprehensive Africa Agricultural Development Programme (CAADP) compact. MAFFS now considers P4P as a viable market development strategy under the Smallholder Commercialization Scheme of the National Sustainable Agriculture Development Plan.

Tanzania
- WFP/AGRA/RUDI Tripartite Agreement signed for capacity building of 29 Savings & Credit Cooperatives (SACCOS) targeted by P4P. AGRA will fund a comprehensive training package in Swahili, covering 7 modules (leadership and good governance, farming as a business, records keeping, warehousing and warehouse receipt systems, quality control and post harvest management, marketing and purchasing management skills, and doing business with WFP).
- 15 Field Level Agreements were signed with SACCOS and District Agriculture Livestock Offices for the rehabilitation of village warehouses (six village warehouses already rehabilitated, eight more in progress).

Uganda
- MOU signed in March with the Grameen Foundation to implement market information systems through the use of SMS based technology in Kapchorwa and Gulu districts. The initiative will build a network of Community Knowledge Workers, who will use mobile phones to collect and disseminate market information. Limited knowledge of costs of production, coupled with weak access to market information have been identified as partly responsible for poor marketing decisions by smallholder farmers, leading to contract defaults.

HONDURAS—EU funds second phase of P4P

On 13 April, a representative of the new President of Honduras, several Ministers and the EU Ambassador participated in Danli city (90 kms from Tegucigalpa) in the launch ceremony of the second phase of the P4P project, which will benefit 11,300 small farmers in the Departments of Olancho, El Paraíso, La Paz, Comayagua, Lempira, Santa Barbara, Copan, Yoro and Francisco Morazán during the next 22 months. In a subsequent meeting between the President Porfirio Lobo of Honduras, the WFP representative in the country and the EU Ambassador, the head of state expressed his utmost support to the P4P initiative.

The official launch of P4P follows the establishment of the P4P Steering Committee involving the Ministry of Agriculture, the European Delegation and WFP, as a tool to strengthen national capacities for a long term strategy, and to build sustainability for a small farmers’ policy in Honduras through P4P.

With funds from the European Union Food Facility Fund (USD 6.7 million), WFP will buy maize and beans directly from the small-scale farmers, and distribute them to project beneficiaries (mostly children under the WFP School Feeding programme).

The P4P Project in Honduras has been running as a pilot since 2009, with the initial financial support of the Howard G. Buffett Foundation, benefiting 1,100 producers from 4 FOs. WFP partners include BANADESA (National Agriculture Development Bank), Catholic Relief Services (CRS), FAO, the Government of Honduras, IICA, Prolancho Foundation and UNIFEM among others.

EL SALVADOR— Stakeholders’ Workshop

Over 20 public and private sector institutions gathered in El Salvador on 20-21 April to review progress of P4P during a two day workshop hosted by the Ministry of Agriculture and WFP. During the event, entitled “Smallholder agriculture, its profitability and access to markets”, private and public institutions focussed on how to coordinate a wide range of interventions to support smallholder farmers accessing formal agricultural markets in a sustainable and profitable manner.

P4P in El Salvador currently assists 2,500 farmers through 13 FOs. Effective capacity development activities enabled so far the purchase of some 2,700mt of maize and beans from these FOs, linking them to WFP procurement activities under its emergency operations and on behalf of the Government’s national school feeding programme.
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**CALENDAR**

- **21-30 April**: P4P Coordinator on monitoring mission in Mozambique to review progress of the P4P/UN Joint Programme "Building Commodity Value Chains and Market Linkages for Farmers Associations”.
- **28-30 April**: Liberia Learning and Sharing Workshop with P4P partners and participating FOs, to review achievements and challenges during the first year of P4P implementation, document key lessons and define a joint work plan for P4P implementation in the next months. Linkages to the Liberia CAADP in the medium term will also be discussed.
- **3-4 May**: P4P Mali Annual Review with Stakeholders.
- **4 May**: NCBA-CLUSA meeting on “Strengthening Food Security through Innovative Cooperative and Private Sector Approaches”, Capitol Hill, Washington DC.
- **4-7 May**: World Economic Forum on Africa: A New Vision for Agriculture, Dar es Salaam, Tanzania
- **11-12 May**: ACTESA Third Stakeholders meeting and ACTESA Advisory Board, Lusaka.
- **13 May**: Eastern & Southern Africa Regional P4P Meeting with ACTESA stakeholders, Lusaka.
- **18-19 May**: Coalition for African Rice Development (CARD) 3rd General Meeting, Arusha, Tanzania. WFP Sierra Leone and Liberia, where P4P focuses on rice, will participate. CARD aims to respond to the increasing importance of rice production in Africa by building on existing structures, policies and programs, such as the Africa Rice Center (AfricaRice), the Comprehensive Africa Agriculture Development Programme (CAADP) and the Africa Rice Initiative (ARI).

The update is published by the P4P Coordination Unit in Rome, Italy. Contact us at wfp.p4p@wfp.org

External: www.wfp.org/p4p ; Internal: http://go.wfp.org/web/purchaseforprogress