

SUMMARY OF THE FSN FORUM DISCUSSION No. 47
PUBLIC PROCUREMENT OF AGRICULTURAL GOODS
FROM 26 OCTOBER TO 23 NOVEMBER 2009

Proceedings available at

[HTTP://KM.FAO.ORG/FILEADMIN/USER_UPLOAD/FSN/DOCS/PROCEEDINGS_PUBLIC PROCUREMENT.DOC](http://km.fao.org/fileadmin/user_upload/fsn/docs/proceedings_public_procurement.doc)

I. ISSUES RAISED

Participants shared experiences of cases of public procurement where government institutions directly purchase or finance the procurement of agricultural goods. Some of these policies were directed to control price variations and to support specific farmers' groups. Further WFP presented its Purchase for Progress Programme (P4P) which has the aims to connect smallholder farmers to markets.

II. EXAMPLES OF PUBLIC PROCUREMENT (PP) OF AGRICULTURAL GOODS (AG)

India

In India PP of AG feeds the public distribution systems which came into existence with urbanization and the abolition of tenancy. A buffer stock is maintained to absorb price variations and to ensure supply in the event of scarcity.

Many models are available for the PP of perishable and non-perishable AG: (KV Peter).

- Prepayment to farmers and collection after harvest.
- Contract farming and procurement
- Padasekharam as in paddy by group of farmers
- Co-operatives specialised in commodities
- Local commodity dealer who pays on daily market prices
- Commodity auction centres/exchanges, E –exchanges
- Agricultural Export Promotion Zones
- Commodity Futures
- Commodity Banks

The Food Corporation of India (FCI) procures food grains from farmers at minimum support prices fixed by the Agricultural Price Commission based on several parameters. FCI maintains godowns all over the country and releases food grains to states for distribution through Public Distribution System (PDS) as per quota allotted based on intake in previous years. (KV Peter)

Dry- land grains like maize, sorghum, millets and pulses are not covered by Indian procurement policy, with negative effects on the nutritional status. (M.S. Bamji)

The Government of India (GOI) maintains an elaborate set of food grain policies which include public procurement and price support operations, price stabilization through buffer stocks, public food grain distribution, and extensive controls on private trade. Aggregate and household level indicators show that the Indian PP system is costly, generates inefficiencies in the food grain

marketing system (for both the public and the private sector), and often offers few benefits to its intended beneficiaries, the poor. (R. S. Kumar)

Brasil

The Brazilian Program of Acquisition of Food from Family Agriculture, known as PAA, sets to purchase agricultural goods from smallholder farmers. In the Brazilian School Feeding program, it is set that 30% of all procurement should come from family farmers, preferably within the municipality or region. (D. Chmielewska)

Sri Lanka

The Government of Sri Lanka has stipulated a minimum buying price of paddy or unhusked rice seeds, where government-run cooperatives scattered around the country do the purchases. The Government also advances money to these cooperatives to buy paddy from small farmers. The minimum price stipulated has reduced the exploitation by private traders during harvesting time. The Government of Sri Lanka also established nine Dedicated Economic Centers, where the wholesale market transaction takes place, with the Dambulla Center, in the North Central province being among the most successful. This center is made up of 164 stalls which are rented out to private dealers who weigh the stock and take money from the buyer and pay the seller against a commission. (Fredrick Abeyratne)

III. CHALLENGES FOR PUBLIC PROCUREMENT OF AGRICULTURE GOODS

Sustainable food procurement is about taking environmental, social and economic factors into account when making purchasing decisions. (R. S. Kumar)

In countries with poor infrastructure, procurement, storage, transport and distribution are very difficult tasks. In food grains loss during post-harvest is put at 10-15% and 20-30% in fruits and vegetables. Lack of adequate storage facilities, advances not available on time and quality issues (moisture percentage in seeds), has reduced the market share of the cooperatives. What is needed is to optimise the benefits of all above systems and minimise the negative aspects including post harvest losses. Also, Village Grain Banks can save expenses for transport and create security against scarcity. In a country like India where basic infrastructure lacks, village grain banks are a good concept. (KV Peter, F. Abeyratne)

It can be risky to keep food security and public procurement in the hands of big co-operations and governments. Although they appear to be working in the best common interest, their long communication lines and bureaucracy stand in the way of actual progress. (A. Luteijn)

PP in AG which draws on big farmers who can dictate terms and push up the procurement price affects the market price of food grains while disadvantaging the poor and middle class as small and marginal farmers do not have enough grain to sell to the government. If not directed to vulnerable target groups the fixed prices apply to the whole range of farmers – big, middle class and poor farmers – benefiting those with higher production volume. (M.S. Bamji, D. Chmielewska)

IV. PURCHASE FOR PROGRESS

WFP has launched the 5-year pilot programme Purchase for Progress (P4P) that aims to connect smallholder farmers to markets.

Through P4P, WFP is shifting a small percentage of its overall local and regional procurement from the higher levels of the marketing chain (large-scale traders and processors, WFP's traditional suppliers) to the lower levels (farmers' organizations and small/medium-scale traders), WFP tests new ways of buying food such as direct or forward contracts, purchasing through commodity exchanges or warehouse receipt systems.

Through P4P, WFP buys at farmers' organizations level:

- Staple crops, such as maize, sorghum, millet, wheat and rice.
- Pulses, such as cowpeas and beans.
- Blended fortified foods using local commodities, such as maize meal, corn soya blend or cassava flour. (WFP Purchase for Progress Unit)

V. RESOURCES

- International Policy Centre for Inclusive Growth
<http://www.undp-povertycentre.org/>

Purchase for Progress Programme (P4P)

- P4P Homepage
<http://www.wfp.org/purchase-progress>
- Overview P4P Power Point Presentation
http://www.fanrpan.org/documents/d00719/P4P_Connecting_Farmers_to_Markets.pps.
- Video on P4P
<http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp181358.wmv>
- P4P Frequently asked questions
<http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp188839.pdf>
- Local Procurement fact sheet
<http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp179626.pdf>
- Bill and Melinda Gates and WFP
<http://www.un.org/millenniumgoals/2008highlevel/pdf/pr/WFP%20Gates%20Foundation.pdf>
- Rethinking School Feeding in WFP - FAO: FAO Home PPT
<http://www.fao.org/sd/erp/WorkshopJune2009/presentations/ThursdayMorning/faomeeting.ppt>
- P4P Overview Webpage
http://one.wfp.org/p4p/?section=12&sub_section=6
- Can Bill Gates Help Africa Feed Itself?
<http://www.time.com/time/world/article/0,8599,1844632,00.html?xid=rss-topstories>
- Gates and Buffett Foundations Fund Agriculture Market for Overlooked Small Farms
<http://online.wsj.com/article/SB122230173670373419.html>
- UN pledges to buy from poor farmers
http://www.ft.com/cms/s/888a51aa-8a9b-11dd-a76a-0000779fd18c,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F888a51aa-8a9b-11dd-a76a-0000779fd18c.html&_i_referer=http%3A%2F%2Fone.wfp.org%2Fp4p%2F%3Fsection%3D12%26sub_section%3D6
- WFP Helps Connect Farmers in Mozambique to Markets- Video included
<http://www.wfp.org/stories/wfp-helps-connect-farmers-mozambique-markets>

- P4P in Kenya
<http://www.wfp.org/purchase-progress/kenya>
- P4P in Mozambique
<http://www.wfp.org/purchase-progress/mozambique>
- P4P in Uganda
<http://www.wfp.org/purchase-progress/uganda>
- P4P Guatemala
[http://www.iica.int/Esp/conocimiento/actualidad/Documents/Guatemala.%20Poorest%20farmers%20glimpse%20a%20future%20free%20from%20hunger%20\(English\).pdf](http://www.iica.int/Esp/conocimiento/actualidad/Documents/Guatemala.%20Poorest%20farmers%20glimpse%20a%20future%20free%20from%20hunger%20(English).pdf)