

# “WHY WAIT UNTIL THE NEXT FOOD CRISIS?”

IMPROVING FOOD RESERVES  
STRATEGIES IN EAST AFRICA





Photo : A small-scale producer in Northern Uganda in front of her crops. Farmers, through representatives like farmers organisations, can play a key role in the governance and management of reserves to prevent corruption and build trust.  
Credit : Kristin Seljeflot, ACORD

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Front Cover Photo : A young girl preparing maize, a vitally important staple food and source of livelihoods, in Northern Uganda. Credit : Kristin Seljeflot, ACORD

Back Cover Photo : A small-scale trader selling cereal crops in Kisumu, Kenya. Local markets in cereals are an important part of livelihoods in Kenya, meaning price instability can have serious impacts on poverty and welfare. Credit : ACORD

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# ACRONYMS

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<b>CAADP:</b>	Comprehensive African Agriculture Development Programme
<b>CILSS:</b>	Permanent Inter-State Committee for Drought Control in West Africa
<b>EAC:</b>	East African Community
<b>ECOWAS:</b>	Economic Community of West African States
<b>EFSRA:</b>	Ethiopia's Emergency Food Security Reserve Administration
<b>FAO:</b>	United Nations Food and Agriculture Organisation
<b>GDP:</b>	Gross Domestic Product
<b>NCPB:</b>	Kenya's National Cereals and Produce Board
<b>NFRA:</b>	Tanzania's National Food Reserve Agency
<b>P4P:</b>	Purchase for Progress
<b>REC:</b>	Regional Economic Communities
<b>SGR:</b>	Strategic Grain Reserve
<b>WFP:</b>	World Food Programme

# SUMMARY

This report highlights the importance of African countries holding food reserves for promoting food security and price stability. It analyses the food reserves policies of three countries in East Africa – Kenya, Tanzania and Uganda – showing how these can, indeed must, be improved to address hunger.

National food reserves, when designed and implemented effectively, can play a vital role in promoting food security and price stability. After the 2008 food price crisis – when 150 million more people were pushed into poverty worldwide - the UN's Food and Agriculture Organisation (FAO) stated that countries with reserve stocks were 'able to respond more quickly and cheaply than those with limited or no reserves'.<sup>1</sup> Since then, food prices have remained high and/or volatile in most parts of Africa, reducing the incomes of poor people who are mainly net buyers of food. However, although most African countries currently hold food reserves, many are poorly managed, and some hold no stocks at all.

This report focuses on Kenya, Tanzania and Uganda, partly since these countries have very different policies towards food reserves. Both Kenya and Tanzania hold sizeable grain reserves but Uganda holds none and has explicitly rejected doing so, stating that they are expensive and require careful management. Our analysis is that all three countries need to re-examine their policy on food reserves to improve food security for the most vulnerable. Policy towards food reserves should be seen as a complement to other social protection policies.

# REASONS FOR FOOD RESERVES

There are three main purposes in countries holding food reserves: Emergency food reserves can supply food to meet urgent needs in a disaster, such as a drought or flood; the release onto the market of food reserves can affect prices and prevent excessive price fluctuations; and Social Safety Net stocks can provide food for ongoing social protection programmes, such as school feeding programmes or food for work schemes. Overall, food reserves, and price stability, can aid national food self-sufficiency and make the economy more resilient to international shocks.

Food price volatility can be caused by a variety of international and domestic forces. They include crop failures in exporting countries, extreme weather (globally or nationally), speculation on commodity markets and biofuel mandates set by Northern countries (which drive the use of land to produce biofuels rather than food crops). Most of these drivers are outside the control of national governments.

The food price crisis of 2008 prompted a reconsideration of the role of food reserves. An FAO report notes that during the crisis, 11 sub-Saharan African countries released food stocks or imported food onto the market at subsidised prices, while 9 countries used price control measures or restricted private trade. During the crisis, the national food reserves of countries around the world helped control inflation, supported food production and enabled food distribution or subsidised sales to poor and vulnerable people.

In East Africa, however, although government policies helped to curb the rise in prices during 2008, the crisis also demonstrated how uncoordinated the East African response was and how vulnerable the countries were to price rises. Most of the 5 members of the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda) implemented food export restrictions during the crisis even though these violated EAC agreements.<sup>2</sup>

# LESSONS LEARNED

The following six lessons are among the most important that have been learnt about food reserves in Africa, on which most commentators agree.<sup>3</sup>

- The appropriateness, and design, of any reserves depends strongly on the individual country and context. If states decide on, or have, reserves, there are a plethora of key issues to consider, including the size of the reserve, the composition of stocks, the location of storage facilities and buying centres, the duration of interventions and the price bands for buying and selling, all of which are likely to be different in different contexts.<sup>4</sup>
- For public reserves to be effective requires that they are part of a longer-term, broader strategy combining with other policies, such as trade, investment in agriculture and nutrition, and targeted social protection programmes.
- Good governance is critical since a lack of accountability and transparency, and excessive political interference, can undermine the role of reserves.
- Farmers' organisations (and other non-state actors such as civil society groups and the private sector) should participate in the governance and/or management of public stocks to help limit political interference, ensure that clear operational rules are followed, build trust among stakeholders and promote transparency. Yet non-state actors play no formal role in the governance of food reserves in Kenya or Tanzania.
- *Local* food reserves can play a vital role in national strategies by reducing people's vulnerability to natural disasters, market fluctuations and supply shocks. Community grains banks, for example, allow for decentralised or community-based systems of food management.
- Consideration must be given to the role of the private sector in reserves policy so that policy does not unnecessarily crowd out private traders.
- A food reserves policy must have a strong clarity of purpose, and clearly outline what role the reserves should play, what national purposes are being served and who are the intended beneficiaries.



# FOOD RESERVES IN AFRICA

Some 70 per cent of sub-Saharan African countries maintain public food reserves for emergency releases, and several – such as Ghana, Kenya, Malawi, Nigeria, Tanzania and Zambia – also use food reserves to help stabilise prices.<sup>5</sup> Countries such as Ethiopia, Burkina Faso, Mali and Ghana have relatively small public stocks for emergency relief while other states, such as Zambia, Malawi and Nigeria, have larger programmes.

Enhancing food reserves is consistent with the Comprehensive African Agriculture Development Programme (CAADP) framework to which African governments have committed. Pillar 3 of the CAADP framework states that the ‘establishment, stocking, maintenance and management of strategic reserves (at least two to three months supply) is crucial for providing a market for over-production, mechanisms for mobilising reserves for rapid responses and promoting self-sufficiency and self-reliance.’<sup>6</sup>

The effectiveness of national food reserves can be limited when there is a shock to an entire region. Regional reserves could involve countries pooling a certain percentage of their national food stocks into a reserve on which members could draw in an emergency. Regional reserves could provide several advantages, by reducing the costs of purely national reserves, enhancing price stability in the region because of the wider geographical coverage of the reserves and reducing national political interference in their use.<sup>7</sup> However, there are major barriers to establishing regional reserves. The most significant one is that they require a degree of political coordination to which individual states are not generally willing to commit. There are no regional food reserves operating in Africa, despite several attempts to do so, although in West Africa, the Economic Community of West African States (ECOWAS) has begun to establish a regional emergency food reserve.

The East African Community’s (EAC) Food Security Action Plan for 2011-2015 envisages creating a regional food reserve, including an early warning and monitoring system.<sup>8</sup> However, a very small budget is attached to the proposal – just \$1.5 million, compared to spending on national food reserves of \$600 million. It is unclear how much progress will be made in implementing the East African regional reserve; the process is already over two years behind schedule in that it was intended to be created in 2011/12. It is critical that greater and faster progress is made towards establishing the EAC reserve. Such a reserve could help ensure a coordinated regional response in times of crisis and get food where it is needed more quickly, across borders.

# FOOD RESERVES IN KENYA

Over 10 million people in Kenya suffer from chronic food insecurity and poor nutrition, and 2.5 – 4 million often require food assistance. At the same time, food prices, including maize, remain volatile in Kenya, driven by international and national factors. The issue is critical since farming households in Kenya spend around 60 per cent of their incomes on food.<sup>9</sup> Maize is by far the most important food commodity in the Kenyan diet but Kenya has a structural deficit in maize production, amounting to around 10 per cent of total production.

Kenya's Strategic Grain Reserve, established in 2002, is operated by the National Cereals and Produce Board (NCPB), which has the twin mission of maintaining a strategic reserve and stabilising prices. In times of low prices, it attempts to raise producer prices by announcing a purchase price above market prices, and when prices are deemed too high, it can sell its stocks in the market. The Kenyan government promotes price stabilisation and producer support prices for maize in a variety of ways - by importing maize for the reserve, supplying maize to millers at fixed prices, providing input subsidies on maize (mainly for fertilizer), and by imposing variable tariffs on maize imports both at the port of Mombasa and at border crossings with Uganda and Tanzania.<sup>10</sup>

During the 2008 food crisis, the government decided to increase the reserve from 4 million bags (of 90kg), or 1.5 months of the national requirement, to 8 million, or 3 months supply.<sup>11</sup> Yet this increase has not been implemented despite repeated promises.<sup>12</sup> Low food stocks meant that Kenya was largely unprepared for the 2011 drought that affected 3.5 million Kenyans, after three seasons of inadequate rains. Government documents show that plans are to achieve 4 million bags only in 2014/15 and 8 million only by 2016/17.<sup>13</sup>

Kenya produces around 3 million tonnes of maize per year, and around 15 per cent of this is sold to the NCPB and large millers.<sup>14</sup> A majority of Kenyan farmers grow maize but most - around 55 per cent - are net buyers of maize.<sup>15</sup> This means that most farmers (and consumers) benefit from a reduction in maize prices: it is estimated that a 20 per cent fall in maize prices would raise household income by 6 per cent.<sup>16</sup> However, most of the marketed maize surplus in Kenya is produced by medium- and large-scale farmers, who are thus the biggest winners from the NCPB's maize purchases. Studies suggest that NCPB operations increased domestic maize prices by 20 per cent during 1995-2004, increasing rural and urban poverty by transferring income from the majority maize-producing farmers to a small number of larger maize-surplus farmers.<sup>17</sup>

There are various other problems with Kenya's reserves policy. First, the NCPB's mandate is broad, subjecting it to potential conflicts of interest. On the one hand, the NCPB is a commercial trader, just like any other private actor, selling maize and other commodities, often with its own brand names. At the same time, the NCPB carries out social duties on behalf of the government: procuring, storing and maintaining the grain reserve; distributing emergency relief grains; and intervening in markets by fixing prices for wholesale grains.<sup>18</sup> The NCPB has also been beset by corruption and mismanagement which have seriously affected its financial position. Neither is the NCPB sufficiently transparent, and existing procedures for procuring and marketing maize are often opaque; the NCPB is not required, for example, to make public how much maize it has in its stores, despite the fact that it is funded by taxpayers' money.<sup>19</sup>

# FOOD RESERVES IN TANZANIA

Some 39 per cent of Tanzanians are undernourished and four out of 10 children are stunted (low height for age).<sup>20</sup> Food prices in Tanzania remain volatile and have significantly risen in recent years. Although Tanzania is largely self-sufficient in maize and usually a net exporter, a proportion of households are vulnerable to food crises.

Tanzania's National Food Reserve Agency (NFRA) aims to guarantee national food security by procuring, storing and releasing food stocks, and aims to stabilise prices by purchasing food staples in surplus areas and selling at subsidised prices in deficit regions. However, the NFRA deals in only small volumes and has less impact on the market than the NCPB in Kenya. Government purchases (of a maximum of 150,000 tonnes) and releases usually amount to less than 10 per cent of national marketed consumption.<sup>21</sup> The NFRA's price support to producers is temporary only, occurring during procurement, and this support is offset once stocks are released onto the market.<sup>22</sup> The NFRA's main purpose is to address food emergencies rather than to intervene in markets. It operates 30 storage facilities and 90 – 120 buying centres around the country.

Several problems with Tanzania's reserves policy can be highlighted. First, the inability to significantly influence prices is largely due to lack of finance and storage capacity. There are also questions as to whether emergency food releases are targeted at those most in need. A 2011 World Bank report noted that there was 'no good data' on the accuracy of targeting while other survey data show that rural households receiving food distribution benefits are spread fairly evenly over wealth quintiles, rather than targeted at the poorest. Maintaining the reserve at sufficient levels has also been sometimes shown to be a problem. In February/March 2014, for example, the government had to make emergency imports of 20,000 tonnes of maize from Zambia to address acute food shortages; at the time, the grain reserve was at too low a level to address food needs.<sup>23</sup>

# THE ABSENCE OF FOOD RESERVES IN UGANDA

Some 35 per cent of Ugandans are undernourished and 6 per cent survive on one meal a day.<sup>24</sup> Maize production in Uganda is far less than in Kenya and Tanzania and maize is one of four staples, along with plantains (cooking bananas), cassava and sweet potato. Food prices and volatility remain significant problems – throughout 2011, for example, food prices were 143 per cent higher than in 2005-06. As in Tanzania and Kenya, rural households in Uganda spend over half their incomes on food.<sup>25</sup>

Unlike in Kenya and Tanzania, the Ugandan government operates no food reserve and has not attempted to influence staples prices through government purchases. The government's explicit rejection of holding food reserves stands in marked contrast to Uganda's Constitution, which requires the state to 'establish national reserves'.<sup>26</sup> There have been various calls on Uganda to establish food reserves. The FAO notes that 'Uganda needs a food reserve agency that will backstop food security as well as protect farmers and consumers from the extremes of food price volatility'.<sup>27</sup> The government's recent public expenditure review of social protection notes that in such places as Karamoja – Uganda's most food insecure region, where food aid is regularly needed - 'a long term and predictable safety net should be put in place' and that this should include a community-based early warning system and grain reserves.<sup>28</sup> It is unclear, however, whether this suggestion is being implemented.

Although there is no government intervention to influence prices, the World Food Programme in Uganda plays a significant role in buying food through its Purchase for Progress (P4P) programme. The P4P buys maize and beans and distributes these to refugee camps and other places in need of food in the region. Analysis suggests that WFP purchases put upward pressure on maize prices in Uganda and the region.<sup>29</sup>

The need for food reserves in Uganda is compounded by the lack of adequate social protection for the poorest. Uganda has no specific social protection strategy as such, although some policies are in place supporting vulnerable children, older people and the disabled, and there are also cash for work, voucher for work and food for work programmes. However, the public expenditure review of social protection concludes that spending by the government (as opposed to donors) on social protection is 'practically non-existent' aside from spending on social insurance for public sector workers.<sup>30</sup>

# RECOMMENDATIONS

Governments in East Africa, and elsewhere in Africa, need to prepare better for possible food price and climate crises and ensure that their food reserves policies optimally benefit smallholder farmers and other poor people.

## **AFRICAN GOVERNMENTS, INCLUDING THOSE IN KENYA AND TANZANIA, SHOULD:**

- Improve transparency and accountability in policy-making on food reserves
- Ensure that market interventions are better managed and are predictable, operating to clear rules and triggers
- Ensure that there is participation of farmers' organisations, civil society organisations and the private sector in the management and/or governance of food reserves
- Revisit price stabilisation policies to ensure that purchase and selling prices bring about reductions in prices of staples to benefit the majority of farmers who are net buyers
- Review social protection policies to ensure that food reserves policy is aligned and complementary

## **THE EAST AFRICAN COMMUNITY AND MEMBER GOVERNMENTS SHOULD:**

- Step up their commitment to creating a regional food reserve by holding further discussions and conducting research on the optimal design of such a reserve
- Consider increasing financial support to such a reserve to make it genuinely viable

## **THE GOVERNMENT OF KENYA SHOULD, IN ADDITION TO THE ABOVE:**

- Take further steps to root out corruption and improve management in the NCPB
- Separate the NCPB's food reserve function from its commercial activities, making it possible to distinguish between reserve stocks policies, commercial stocks and famine relief stocks. Implement the decision to expand the Strategic Grain Reserve into a strategic food reserve, by including other commodities apart from cereals, such as livestock products and processed food.
- Significantly improve transparency by publishing periodic reports disclosing information on available stocks, procurements and imports, as well as allocations/beneficiaries.
- Review price stabilisation policies to keep maize prices lower to benefit more small farmers and review how the NCPB can source more of its stocks from smallholder farmers

## **THE GOVERNMENT OF TANZANIA SHOULD, IN ADDITION TO THE ABOVE:**

- Improve the quality of the NFRA's storage facilities
- Improve targeting policies under food releases to ensure that those most in need are the beneficiaries
- Ensure that the grain reserve is sufficiently funded and maintained at a level sufficient to cover humanitarian needs
- Consider expanding the reserve to include other foods important for promoting nutrition security

## **THE GOVERNMENT OF UGANDA SHOULD:**

- Revisit the idea of establishing a national food reserve for emergencies
- Review options to protect the most vulnerable from excessive price volatility
- Take much greater steps to establish more comprehensive social protection programmes to address the needs of the most vulnerable



**SECTION 1:**  
WHY FOOD RESERVES?

# INTRODUCTION

This report highlights the importance of African countries holding food reserves for promoting food security and price stability. It analyses the food reserves policies of three countries in East Africa – Kenya, Tanzania and Uganda – showing how these can, indeed must, be improved to address hunger.

National food reserves, when designed and implemented effectively, can play a vital role in promoting food security and price stability. During the 2008 food price crisis – when 150 million more people were pushed into poverty worldwide - 35 countries (of which 11 were in sub-Saharan Africa) released public food stocks from their reserves at subsidised prices, helping to curb food price volatility.<sup>31</sup> The UN's Food and Agriculture Organisation (FAO) stated that countries with reserve stocks were 'able to respond more quickly and cheaply than those with limited or no reserves'.<sup>32</sup>

Since then, food prices have remained high and/or volatile in most parts of Africa, reducing the incomes of poor people who are mainly net buyers of food. Every year, many countries need to provide emergency food aid and this need is rising due to the droughts, floods and poor harvests caused by climate change. In this situation, there has been a resurgence of interest in food reserves, representing a return to the era of the 1970s and 1980s when many countries held significant food stocks but which were privatised or dismantled in the 1990s. However, although most African countries currently hold food reserves, many are poorly managed, and some hold no stocks at all. At the same time, there are no *regional* food reserve mechanisms fully operational in Africa, despite ongoing discussions in different parts of the continent.

This report focuses on Kenya, Tanzania and Uganda partly since these countries have very different policies towards food reserves. Both Kenya and Tanzania hold sizeable grain reserves and provide emergency food aid but Kenya's reserves policy has a much greater role in intervening in the market to try to affect maize prices. Uganda, meanwhile, holds no food reserves; indeed, government policy has explicitly rejected the holding of such reserves, stating that they are expensive and require careful management. Our analysis is that all three countries need to re-examine their policy on food reserves, often in different ways, to improve food security, especially for the most vulnerable.

Policy towards food reserves should also be seen as a complement to other social protection policies. The African Union's Social Policy Framework for Africa, adopted in 2008, argued for a rapid expansion of social protection coverage and endorsed 'an emerging consensus that a minimum package of essential social protection should cover essential health care and benefits for children, informal workers, the unemployed, older persons and persons with disabilities'.<sup>33</sup> A good food reserves policy can contribute to these goals. Yet Kenya, Tanzania and Uganda all have some way to go to match their commitments on social protection.



# 1.1 TYPES OF FOOD RESERVES

There are three main purposes in countries holding food reserves:

- Emergency food reserves supply food to meet urgent needs in a disaster, such as a drought or flood.
- The release onto the market of food reserves (known as buffer stocks or stabilisation reserves) can affect prices and prevent excessive price fluctuations. A government agency buys the commodity when prices are low to build up stocks and sells when prices are high, in order to influence (usually, to lower) domestic prices to protect consumers of food. At other times, government intervention to buy food (notably at harvest time) can raise prices to protect food producers. This balance is, in practice, a very difficult one to strike. Some countries use 'price band' mechanisms which trigger government buying and selling at specified maximum and minimum price levels. Policies can also set floor (i.e., minimum) prices to protect producer incomes in the cases when commodity prices fall.
- Social Safety Net stocks provide food for ongoing social protection programmes that many governments promote, such as school feeding programmes or food for work schemes.

In some countries, a single government agency is tasked with a combination of the above policies, and thus the reserve is deemed a 'strategic reserve'. Most African countries hold 'grain reserves' only - principally maize, rice or wheat – though some hold a larger set of commodities and processed foods, and thus are broader 'food reserves'. Reserves can be held physically, in storage depots around the country, and/or virtually, in a cash fund to buy food at the appropriate time. Reserves can be held at international, national, regional or community level.

This report use the term 'food reserves' as a generic description for all the above reserves, except if stated otherwise.

## 1.2 REASONS FOR HOLDING RESERVES

‘In principle, grain reserves are a ‘win-win’-win-win’ – a win for farmers who know they can sell their output at a guaranteed price; a win for consumers who are no longer exposed to damaging price spikes; and a win-win for governments because (a) the prices set for producers and consumers are such that the reserve should, unlike food subsidies, operate at little cost to the state; and (b) if an emergency response is needed to a shock, the government has physical stocks it can distribute immediately’.  
UN High Level Panel of Experts on Food Security and Nutrition<sup>34</sup>

There are three main reasons for governments’ holding food reserves:

### **RESPONDING TO FOOD SHOCKS AND VULNERABILITY**

Emergency food reserves can quickly provide food aid to victims of disasters, and can be especially effectively delivered if they are well-targeted and part of more comprehensive safety net programmes. The holding of a small emergency food reserve is widely supported in the policy literature and by international institutions such as the World Bank.<sup>35</sup> The arguments in favour of emergency reserves are that they are relatively cheap to operate, as stock sizes are fixed and modest and that, if well-designed, they do not overly distort market prices.<sup>36</sup>

### **PROMOTING FOOD SELF-SUFFICIENCY AND REDUCED RELIANCE ON INTERNATIONAL MARKETS AND PRIVATE TRADERS**

Food reserves, and price stability, can aid national food self-sufficiency and make the economy more resilient to international shocks. Recent food price increases, notably during the 2008 food price crisis, show how volatile international food prices are, meaning that food imports can be hugely costly, whereas holding reserves can reduce dependence on the international market. The alternative to having national food reserves is not to have them, and thus to rely on domestic or international private suppliers of food: this is a risky strategy since private producers have no incentive to hold stocks for social welfare purposes. In times of crisis, only those with sufficient resources can acquire such food and a government not holding reserves is often required to take action against private storers or ‘hoarders’.<sup>37</sup> The lack of food and higher prices can give rise to unrest and riots, as occurred in over 30 countries during the 2008 crisis.

Providing stable prices for farmers can also encourage sufficient agricultural production. Government purchasing from farmers as part of a reserves policy can further stimulate agriculture production and promote smallholders’ welfare. Holding food reserves is not necessary for promoting safety net programmes but the existence of reserves for such purposes can reduce their operational costs.<sup>38</sup>

### **ADDRESSING PRICE VOLATILITY**

Food price volatility can be caused by a variety of international and domestic forces. They include crop failures in exporting countries, extreme weather (globally or nationally), speculation on commodity markets and biofuel mandates set by Northern countries (which drive the use of land to produce biofuels rather than food crops). Most of these drivers are outside the control of national governments. Thus the purchase and release of food reserves held by governments is one instrument for stabilising the domestic price of key staples. A recent FAO review notes that most countries apply price support schemes of one form or another, though this is more common in Asia than in Sub-Saharan Africa; in the latter, only a few countries have consistent and comprehensive price stabilisation programmes.<sup>39</sup> India, Zambia and Kenya are examples of states’ reserves policy helping to stabilise the prices of certain staples at certain times.<sup>40</sup>

The use of reserves is only one instrument available for stabilising prices, however. Trade measures (notably increasing or decreasing import tariffs), increasing financial reserves (rather than physical food reserves), improving farmers storage capacity and social protection policies are other means to influence prices.<sup>41</sup> Policy experience and the literature provides a mixed view of the benefits,

## 1.2 REASONS FOR HOLDING RESERVES

or otherwise, of price stabilisation policies (see box 1). One key issue is *how* these policies are implemented. Another is who are the intended beneficiaries – for price stabilisation policies to work, they must have smallholders farmers as the key target.

### PROBLEMS WITH POLICIES PROMOTING PRICE STABILISATION

A delicate balancing act needs to be performed in policies related to price stabilisation. On the one hand, farm prices need to be high enough to encourage production and secure incomes. On the other hand, food prices need to be low enough to ensure that they are affordable by all. A key issue is that most poor farmers, although they are food producers, are net buyers of food, meaning that they will benefit most from lower not higher food prices.

Some studies suggest that the holding of reserves has reduced price volatility over time. However, in other cases, price stabilisation has failed to work; this is often due to governments making stock releases too late to influence food prices or due to poor governance, whereby government intervention has lacked transparency or predictability, undermining private sector traders.<sup>42</sup> Furthermore, some evidence indicates that stabilisation reserves tend to increase average producer prices, a major problem when the majority of the food insecure (including farmers) are net food buyers. One study suggests that Zambia's Food Reserve Agency, for example, had the effect of raising maize producer prices by 17 per cent during 1996-2008 while Kenya's National Cereals and Produce Board, which manages the country's food reserve, raised averaged maize prices by 20 per cent during 1995-2004.<sup>43</sup> The benefits of such higher prices tend to be captured by larger, wealthier farmers.

The World Bank argues that high food prices resulting from the holding of reserves for price stabilisation purposes tend to increase disparity in agriculture: the wealthiest and largest farmers, who represent the minority of farmers, receive the bulk of the benefits of the reserves programmes. The Bank notes that in Kenya, just 3 per cent of farmers sell 50 per cent of the marketed maize, some of which goes to grain reserve. In Zambia, around 5 per cent of farmers account for half the national maize surplus.<sup>44</sup>

The Bank's basic view is that food stocks are 'not suitable' for addressing the underlying causes of price volatility in Eastern and Southern Africa, stating that price volatility is high because of poor infrastructure and weather shocks, among other reasons.<sup>45</sup> The Bank argues that the solution is investing in agriculture (agricultural research, extension and sustainable land measures etc) and trade logistics and avoiding export and import restrictions.<sup>46</sup>

However, the Bank also concedes that 'public stocks are most effective at mitigating short-term price fluctuations, not influencing longer-term prices'.<sup>47</sup> The need is precisely often to influence short-term prices. The Bank also states that 'foodgrain price stabilisation programmes need to be carefully designed to support long-term agricultural growth by reducing short-term price volatility without distorting long-term prices'.<sup>48</sup> Thus if countries do use public stocks for price stabilisation, they should align this policy with the objective of improving food security of vulnerable households and in ways that promote the private sector, stimulate agricultural growth and permit a gradual long term reduction in food prices.<sup>49</sup>

## 1.2 REASONS FOR HOLDING RESERVES

### AFRICAN COUNTRIES' RESPONSE TO THE 2008 FOOD PRICE CRISIS

The food price crisis of 2008 prompted a reconsideration of the role of food reserves. An FAO report notes that during the crisis, 11 sub-Saharan African countries released food stocks or imported food onto the market at subsidised prices (shown in column 1) while 9 countries used price control measures or restricted private trade (column 2).

1.	2.
Benin	Benin
Cameroon	Cape Verde
Eritrea	Djibouti
Ethiopia	Ethiopia
Kenya	Ivory Coast
Malawi	Malawi
Mauritania	Senegal
Nigeria	Sudan
Sierra Leone	Togo
Senegal	
Togo	

*Source: FAO, Country Responses to the Food Security Crisis: Nature and preliminary implications of the policies pursued, 2009, p.6*

During the 2008 crisis, the national food reserves of countries around the world served several goals: they controlled inflation, supported food production and enabled food distribution or subsidised sales to poor and vulnerable people. ActionAid notes that while countries such as Malawi rebuilt its public food reserves sufficiently to manage and release public stocks and protect itself during the crisis, other countries found that the small size of their reserves reduced them to promoting only safety nets, with little impact on prices.<sup>50</sup>

## 1.2 REASONS FOR HOLDING RESERVES

Some non-African countries, such as Bangladesh, increased the size of their public food stocks (from 1 million to 1.5 million tonnes) which spurred domestic production and helped calm local markets, while Indonesia combined trade policy, food reserves and public distribution systems to protect millions of smallholders by helping to reduce national prices.<sup>51</sup> The Indian government made massive purchases of rice and wheat to enable the release of stocks onto the market to stabilise prices.<sup>52</sup>

In East Africa, Kenya responded to the crisis by, among other things, placing an export ban on maize and by waiving the import tariff on maize (and reducing the tariff on wheat) to encourage cheaper imports. The reason was that Uganda and Tanzania – Kenya’s traditional maize suppliers in times of deficit – were not able to respond to the shortfall in Kenyan production. In fact, Tanzania (along with several other countries) banned maize exports in order to protect its consumers, making imports to Kenya less available. Kenya’s maize imports were bought at world market prices and were extremely expensive – 150,000 tonnes were imported at a cost of \$60 million.<sup>53</sup>

Tanzania responded to the crisis by releasing a portion of its food reserves in late 2008 in order to reduce food prices in areas where they had risen significantly (although Tanzania is not mentioned in the FAO list above); this subsidised food distribution aimed to reach around 400,000 people. The following year the Tanzanian government announced that it would maintain a food stock sufficient for 6-12 months of demand needs in order to ‘ensure conditions of market stability’.<sup>54</sup>

Kenyan and Tanzanian policies helped to curb the rise in prices but the crisis also demonstrated how uncoordinated the East African response was and how vulnerable the countries were to price rises. Indeed, most of the 5 members of the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda) implemented food export restrictions during the 2008 crisis even though these violated EAC agreements.<sup>55</sup> The EAC’s Food Security Action Plan recognises that regional food security is ‘seriously hampered by the frequent imposition of export bans even between districts and within one country’.<sup>56</sup> For Kenya, in particular, the 2008 crisis showed how vulnerable the country is to reliance on (expensive) maize imports.

## 1.3 PROBLEMS AND LESSONS LEARNED

‘National-level reserves can ensure that supplies of emergency food aid are readily available, and grain reserve management can complement other social protection instruments that support national and household food security. The appropriate form, level and financing of such reserves require careful planning, and their management – procurement, storage and release protocols – requires constant vigilance’. UN High Level Panel of Experts on Food Security and Nutrition<sup>57</sup>

As well as possible problems with price stabilisation, critics of food reserves cite other challenges. One is usually cost. Food reserves cost money to build storage facilities, to manage and administer them and to procure stocks. The holding of grain stocks is estimated to cost 15-20 per cent of the value of the stock per year.<sup>58</sup> However, although food storage is undoubtedly costly, so too is the cost of importing food, especially in a crisis when prices are often high. One recent study estimated that storing an additional 105 million tonnes of cereals around the world, which would have been sufficient to mitigate the 2008 food price crisis, would have cost \$1.5 billion, or just \$10 for each of the 150 million people pushed into poverty.<sup>59</sup> Governments clearly need to weigh up carefully the relative costs of holding, as opposed to not holding, reserves.

Other criticisms of food reserves are that their management can lack transparency and predictability and thus crowd out the private sector and that they can be subject to political interference and used for political ends, especially to support favoured political or social groups. These are certainly common problems with food reserves in Africa. However, the fact that some countries’ food reserves have been managed badly in the past, or have contributed little to food security or price stability, does not mean the policy is generally wrong; rather, that policies have been poorly implemented. The following six lessons are among the most important that have been learnt about food reserves in Africa, on which most commentators agree.<sup>60</sup>

First, the appropriateness, and design, of any reserves **depends strongly on the individual country and context**. If states decide on, or have, reserves, there are a plethora of key issues to consider. These include: the size of the reserve, the composition of stocks, the location of storage facilities and buying centres, the duration of interventions, the price bands for buying and selling, procurement and distribution rules, financing issues, rotation (re-stocking) policy, communications strategies, the delivery mechanisms and their targeting. All of these are likely to be different in different contexts.<sup>61</sup>

Second, for public reserves to be effective requires that they are **part of a longer-term, broader strategy** combining with other policies, such as trade, investment in agriculture and nutrition and targeted safety net programmes. Reserves are one instrument that countries can use to promote welfare but are not a magic bullet. Other social protection policies include cash transfers, public works programme and insurance schemes. The UN High Level Panel of Experts on Food Security and Nutrition has noted that ‘national-level grain reserves should be used to complement rather than substitute for more effective social protection interventions’.<sup>62</sup> Food distribution is not always the best policy. When food is available locally, cash transfers or vouchers can often be more useful for those affected than food transfers.<sup>63</sup> When food is not available, however, food distribution will be needed. Good early warning and market information systems are also often required for food reserves to be effective.<sup>64</sup>

Third, **good governance is critical** since, as already noted, the lack of accountability and transparency, and excessive political interference, can undermine the role of reserves. A good reserves policy involves having a number of elements in place: professional management with a strong capacity to analyse market developments and pricing policy, clear rules and triggers for market intervention to ensure transparency and predictability and some independence from the

## 1.3 PROBLEMS AND LESSONS LEARNED

political process.<sup>65</sup> Effective governance is especially important since some reserves programmes have multiple – and conflicting – objectives: it is often difficult to combine support for high prices for (some) farmers and low prices for other farmers and consumers, as well as meeting both urgent (short-term) and chronic (long-term) food security needs.

Fourth, related to the above, also critical is **ensuring that farmers' organisations (and other non-state actors such as civil society groups and the private sector) participate** in the governance and/or management of public stocks.<sup>66</sup> This will help limit political interference, ensure that clear operational and financial rules are followed, build trust among stakeholders and promote transparency. In Malawi's national food reserve system, decisions on when to release stocks are made by a stakeholder committee which includes representatives from smallholder farmers' groups, CSOs and the private sector.<sup>67</sup>

Fifth, **local food reserves can play a vital role** in national strategies. Village or community reserves are constituted by pooling a portion of each family's reserves. Their advantage is that they are immediately accessible and made up of local products so dietary habits are preserved and dependency on products from outside the community is reduced. Women in particular often play the central role in managing local food reserves.<sup>68</sup> Locally owned and well managed mechanisms can reduce people's vulnerability to natural disasters, market fluctuations and supply shocks. Community grains banks allow for decentralised or community-based systems of food management. Warehouse receipt systems, whereby farmers store their stocks for sale at a later date, can play key roles in promoting local storage capacity.<sup>69</sup> A key issue, however, is the size of local reserves. They are often too small to support more than a minority of households or to affect local prices significantly.

Sixth, **consideration must be given to the role of the private sector in reserves policy** so that policy does not unnecessarily crowd out private traders. In some cases, the private sector can be contracted to store reserves. In other cases, the price bands used for stabilising prices should be close to the export and import parity prices (i.e., the price that could be expected for imports and exports) so that private sector is not undermined.<sup>70</sup>

Seventh, and overall, a food reserves policy must have a strong **clarity of purpose**. It should be clear what role the reserves should play, what national purposes are being served and who are the intended beneficiaries. This is especially the case when it comes to price stabilisation policies, which can benefit the poor more than the wealthy, or vice versa. Such clarity is especially needed when reserves strategies fulfil different, and sometimes competing, functions.





**SECTION 2:**  
FOOD RESERVES IN AFRICA  
AND EAST AFRICA

## 2.1 OVERVIEW

A recent FAO review found that 65 per cent of countries surveyed around the world (of 66 in total) maintain public grain stocks.<sup>71</sup> In sub-Saharan Africa, 70 per cent of countries maintain public food reserves for emergency food releases, including several – such as Ghana, Kenya, Malawi, Nigeria, Tanzania and Zambia – that also use food reserves to help stabilise prices.<sup>72</sup> Countries such as Ethiopia, Burkina Faso, Mali and Ghana have relatively small public stocks for emergency relief while other states, such as Zambia, Malawi and Nigeria, have larger programmes.

Examples of food reserves include the following:

- **Ethiopia's** Emergency Food Security Reserve Administration (EFSRA), which has operated since the 1970s, is one of the best-known examples of an emergency reserve that is judged to be well-managed and to provide a reliable source of food aid. EFSRA holds relatively small food stocks for Ethiopia's size - around 400,000 tonnes, enough to meet the needs of the country's food insecure population for 4 months. These stocks have little impact on market prices, and the programme is not aimed at price stabilisation; it provides grain loans to relief agencies to support emergency response and guarantees that the stock will be replenished.<sup>73</sup>
  - **Mali** has held food reserves since 1981 and its integrated food reserve system is also often upheld as an example of an effective food security reserve, with a well maintained transport, storage and communication infrastructure, clear stock management and accounting procedures, trained staff and adequate funding arrangements.<sup>74</sup> It involves an early warning system and a market information system in addition to a food stock. Moreover, smallholder farmers groups and CSOs participate in its oversight structures.<sup>75</sup>
  - **Zambia's** Food Reserve Agency has since 2005 played a highly interventionist role in maize, buying the country's maize surplus, setting maize prices and holding over 350,000 tonnes of maize, over one tenth of the country's production.<sup>76</sup> **Malawi** also maintains a sizeable food reserve that has recently been increased while **Sudan** has a small reserve for domestic intervention in sorghum and millet<sup>77</sup> and **Rwanda** initiated measures in 2010 to re-establish a small strategic reserve of maize and beans purchased from smallholder farmers<sup>78</sup>.
- Nigeria's** Strategic Grain Reserve was established in 1995 to keep the national food security stock and its National Food Reserve Agency was created in 2007. Nigeria has adopted a policy (which is not yet operational) whereby 15 per cent of the total annual grain harvest should be held in reserve: 5 per cent is to be held nationally as a strategic grain reserve and individual states are to hold 10 per cent in buffer stocks.<sup>79</sup>

Enhancing food reserves is consistent with the **Comprehensive African Agriculture Development Programme (CAADP)** framework to which African governments have committed and to which they are supposed to align their agriculture strategies. Pillar 3 of the CAADP framework focuses on promoting food security and requires African governments to have a plan of action to build resilience in order to address chronic food insecurity and mobilize community and national systems to deal with crises. On food reserves, Pillar 3 states:

'The management of food reserves in Africa has been problematic, as complicated management structures, overlapping responsibilities, poor management practices and inadequate reserves make food reserves inefficient and ineffective in emergencies and crises. Lack of skilled managers and financial resources has crippled food reserve systems in Africa yet the establishment, stocking, maintenance and management of strategic reserves (at least two to three months supply) is crucial for providing a market for over-production, mechanisms for mobilising reserves for rapid responses and promoting self-sufficiency and self-reliance.'<sup>80</sup>

## 2.2 REGIONAL RESERVES

The effectiveness of national food reserves can be limited when there is a shock to an entire region. Regional reserves could involve countries pooling a certain percentage of their national food stocks into a reserve on which members could draw in an emergency. Contributing countries can also make cash contributions into a regional food security fund while stocks could be managed by either each host country or by the regional body. Countries could also collect and disseminate regional market information and promote regional risk management, for example by developing regional weather-indexed insurance markets.<sup>81</sup>

Regional reserves could provide several advantages. They could:

- reduce the costs of purely national reserves by pooling some administrative, management and storage facilities
- better enable regional governments to manage differences between areas with food surpluses and those with deficits within the same region
- enhance price stability in the region because of the wider geographical coverage of the reserves reduce national political interference in their use.<sup>82</sup>

However, there are major barriers to establishing regional reserves. The most significant one is that they require a degree of political coordination to which individual states are not generally willing to commit. This is often due to politicians' fear that they may lose political leverage. However, a more justifiable fear is that the country may lose some policy autonomy during a national food crisis. A further barrier is the lack of trust necessary to agree on coordination challenges: countries must agree to a range of matters concerning the location of storage facilities, and the modalities of stock release during crises, for example. The FAO notes bluntly that 'most RECs' [Regional Economic Communities] appear to run into difficulties in attaining collective food security because of divergent interests among member countries'.<sup>83</sup>

There are no regional food reserves operating in Africa, despite several attempts to do so. However, in West Africa, the Economic Community of West African States (ECOWAS) has begun to establish a regional emergency food reserve. This would be 180,000 tonnes (one third of which will be physical reserves, the remainder in financial reserves) sufficient for 30 days consumption, to be distributed through targeted assistance schemes and other safety net programmes. The reserve also envisages a role for NGOs and donors in its governance and management.<sup>84</sup> FAO notes, however, that:

'It is not clear how the management of the regional stock is coordinated with national stocks and how national commitment to the regional stocks initiative is guaranteed when member countries are stepping up their investment to establish or expand national grain reserves at the same time'.<sup>85</sup>

Also in West Africa, members of CILSS – the Permanent Inter-State Committee for Drought Control in West Africa – have committed themselves to establishing a regional food reserve for food emergencies. The suggestion is that members will commit 5 per cent of their national food reserve to a regional reserve and enhance joint information, early warning and surveillance systems.<sup>86</sup> The Southern Africa Development Community announced in 2008 that it would establish a regional reserve but there has been no concrete progress.

# THE EAST AFRICAN COMMUNITY

The East African Community (EAC), which includes Burundi, Kenya, Rwanda, Tanzania and Uganda, formulated in 2011 a Food Security Action Plan for 2011-2015 which envisages creating a regional food reserve. The Plan notes that the constraints to achieving food security in the region include low producer prices for farmers and price volatility and says the Plan is aligned to the CAADP framework and specifically its Pillar 3 covering food security.<sup>87</sup> The Plan calls for improved stability of food supply in the region, emergency preparedness and response and the establishment of a 'regional mechanism for management of strategic food reserve [sic]' in 2011-12. The Plan also calls for the regional reserve to be both physical (i.e, to hold food stocks) and financial (i.e, to hold cash to buy food) and also for the creation of an EAC early warning and monitoring system.<sup>88</sup>

However, a very small budget is attached to the creation of the regional reserve – just \$1.5 million. National food reserves are given much greater priority – total spending on them is envisaged to be \$600 million. In addition, the idea of the regional reserve receives no mention in the main text of the Plan; it is covered only in the tables towards the end of the document. The following page is extracted from the Plan.

It is unclear at this stage how much progress will be made in implementing the East African regional reserve. The process is already over two years behind schedule in that it was intended to be created in 2011/12. There are major problems with coordination in the region as noted above in regard to the 2008 food price crisis.

It is critical that greater and faster progress is made towards establishing the EAC reserve. Such a reserve could help ensure a coordinated regional response in times of crisis and get food where it is needed more quickly, across borders. The existence of a regional early warning and monitoring system would encourage and press national governments to act more quickly and effectively. It could also help overcome some of the problems with national food reserves identified in the next sections.

# THE EAST AFRICAN COMMUNITY

## EAST AFRICAN COMMUNITY, FOOD SECURITY ACTION PLAN FOR 2011-2015, SECTION ON THE REGIONAL RESERVE

Output	Baseline	Target	Actions	Actors	Estimated Coast	Time-frame
Regional mechanism for management of strategic food reserve established	No mechanism for monitoring food availability supply and demand in the region	Regional food balance sheet monitoring mechanism and food reserve facility in place by 2013  Predictable regional based model pegged to regional strategic food reserve to replace ad hoc national based export/import restriction model of food products  Food Security in the EAC monitored.	Establish and introduce EAC Food Information System and regulatory measures to ensure accurate information of available food at any time  Establish sustainable institutional framework for pooling regional food balance sheet  Develop regional food balance sheet on monthly basis  Develop and adopt predictable regional based model for management of regional strategic food reserve Establish food reserve facility both physical and financial Capacity building for key stakeholders	Ministries of Agriculture, Livestock, Fisheries, Trade and Finance, National Food Reserve Agencies and private sector institutions	US\$, 1.5m	2011 – 2012
Capacity for emergency preparedness and response enhanced	Each country has own food reserve of at least 3 months	Member state to have food and feed reserve (taking of energy and protein needs) of at least for 6 months by 2015.	Support establishment and maintenance of food and animal feeds storage facilities at national to household level.  Harmonize and Strengthen capacity of the relevant institutions in food and feeds security emergency response.  Establishment of EAC Early warning system for monitoring food insecurity in the region  Establish an EAC Food and Feeds Security coordination unit at the EAC Secretariat  Develop a livestock emergency preparedness and contingency plan	EAC  Secretariat, Ministries responsible for disaster preparedness, Agriculture and rural development sector ministries, Ministries of Finance and Trade, and the private sector,	US\$ 600m	2011 - 2015

Source: East African Community, EAC Food Security Action Plan, 2011-2015, February 2011, pp, 25-6, 45-6



**SECTION 3:**  
FOOD RESERVES IN KENYA

## 3.1 FOOD INSECURITY

Over 10 million people in Kenya suffer from chronic food insecurity and poor nutrition, and 2.5 – 4 million often require food assistance. In early 2014, one million people were receiving emergency food aid.<sup>89</sup> Around 30 per cent of Kenya's adults and children are undernourished.<sup>90</sup> At the same time, food prices, including maize, remain volatile in Kenya. For example, when global food prices stabilised in 2009 at levels similar to their 2007 level, prices in Kenya continued to rise throughout 2009-11 and remained high relative to world prices.<sup>91</sup> As well as international factors, the high maize price in Kenya was driven by poor production from three consecutive long rains harvests during 2007-09. Other factors that contributed may have been consumption shifts from traditional food staples such as maize to imported commodities such as rice and wheat.<sup>92</sup> Kenya is vulnerable to international food price changes: one study estimates that around 30 per cent of the changes in world market food prices are transmitted to domestic markets in Kenya.<sup>93</sup> The issue is critical since farming households in Kenya spend around 60 per cent of their incomes on food.<sup>94</sup>

Maize is by far the most important food commodity in the Kenyan diet, accounting for 36 per cent of calorie intake, with wheat accounting for 9 per cent, beans 5 per cent and rice 3 per cent.<sup>95</sup> Yet since 2000, it has become clear that Kenya has a structural deficit in maize production, amounting to around 10 per cent of total production. Most of this deficit is usually filled by imports from Uganda and Tanzania. Maize imports amounted to around 411,000 tonnes in 2011/12 and 224,000 tonnes in 2012/13.<sup>96</sup> Kenya is normally able to import sufficient quantities of maize at prices below those in world markets, although, as noted above, in 2008 and 2009 Uganda and Tanzania were not able to make up the shortfall and Kenya imported maize at world market prices.<sup>97</sup> Kenya has to cope with tremendous instability in its maize market, driven by domestic factors such as production shocks caused by the political unrest in 2007/08, by drought, and, as during 2008, by instability in global markets.<sup>98</sup>



## 3.2 THE STRATEGIC GRAIN RESERVE

Kenya has a Strategic Grain Reserve, established in 2002, which is operated by the National Cereals and Produce Board (NCPB), a state corporation which aims to ‘cushion farmers from the effect of over-supply in periods of good weather and to provide a first line of defence for coping with food deficits’.<sup>99</sup> The reserve is mandated to maintain a physical stock of 4 million bags (of 90 kgs) and a cash equivalent of similar volume – thus around 8 million bags in total. According to the government:

‘The mix of grain and cash ensures that on the one hand the government is able to save lives in the case of an emergency by mobilising food to areas not well served by grain markets. On the other hand, cash reserves allow the government to purchase commodities in areas with well functioning markets when an emergency occurs.’<sup>100</sup>

During the food security crisis of 2008, the government decided to allocate more funds to the grain reserve to increase it from 4 million bags, or 1.5 months of the national requirement, to 8 million, or 3 months supply.<sup>101</sup> Yet this increase has not been implemented despite repeated promises.<sup>102</sup> During the three years 2009/10 – 2011/12, Kenya maintained 3 million bags of grain in the reserve and fed 4.3 million people.<sup>103</sup> During 2012/13, Kenya maintained even less - 2.1 million bags. When stocks reached 2.5 million bags in February 2014, even Agriculture Cabinet Secretary Felix Koskei stated:

‘This is not enough. Should there be drought or any other calamity; our country will be in danger. We need more maize and other cereals as well’.<sup>104</sup>

Koskei resorted to appealing to donors to assist the country scale up its food production to tackle perennial food shortages.

Low food stocks meant that Kenya was largely unprepared for the terrible 2011 drought in the Horn of Africa that affected 12 million people, 3.5 million of them in Kenya, after three seasons of inadequate rains. The *Economist* noted in July 2011 that ‘parts of Kenya have recently had a bumper harvest, leaving NGOs to wonder why the government’s strategic grain reserves are so low’.<sup>105</sup>

Despite the unfulfilled agreement to maintain 8 million bags, government documents show that plans are to achieve 4 million bags only in 2014/15, with 6 million in 2015/16 and 8 million only by 2016/17.<sup>106</sup> A 2012 government report notes that ‘with the proposed [funding] allocation, the sub sector will only be able to achieve 3.5 million bags of maize’.<sup>107</sup> The NCPB actually has a grain storage capacity of 28 million bags but current use is only around 13 per cent of this capacity.<sup>108</sup> It operates over 100 silos and depots around the country.

## 3.2 THE STRATEGIC GRAIN RESERVE

### THE ROLE OF THE NCPB

#### COMMERCIAL ROLES

The commercial roles of the Board constitute commercial grain trading, which is its core business. In this respect, the Board deals in various products and offers related services to its clients in competition with other players in the industry. Besides trading in key grain products such as maize, wheat, beans, rice, millet and sorghums, the Board offers the following additional services: Leasing out surplus facilities, grain drying, weighing, fumigation, grain cleaning, grading, warehousing, bagging at silos, clearing and forwarding, and hiring of tarpaulins and dunnages.

Since 2002, the Board has diversified into the marketing of various agricultural inputs such as fertilizers and certified seeds as part of the strategy of enhancing efficient cereal production through the use of affordable quality inputs. This move was undertaken in response to farmers' requirements and the need for the Board to take advantage of its extensive network to move these essential inputs closer to the farmer.

#### STRATEGIC GRAIN RESERVE (SGR)

The Board procures, stores and maintains a Strategic Grain Reserve (SGR) stock of up to four million bags on behalf of the Government to be used for food security. The Government has recently instructed NCPB to beef up the SGR stock to eight million bags. NCPB has the capability to turn over the SGR stock through releases to commercial outlets and/or to social functions upon instructions from the government. The management of the SGR stocks also entails periodic replacement of stocks to facilitate freshening of the grain to ensure that the SGR stock is of high quality at all times.

#### FAMINE RELIEF (FR)

The Board facilitates the procurement, storage, maintenance and distribution of famine relief food to deficit areas, under the National Famine Relief Program, on behalf of the Government. The Board has performed excellently on this role.

Source: NCPB, [http://www.ncpb.co.ke/index.php?option=com\\_content&task=view&id=34&Itemid=50](http://www.ncpb.co.ke/index.php?option=com_content&task=view&id=34&Itemid=50)

Kenya's grain reserve currently holds only maize but the government has plans to transform it into a Strategic Food Reserve to include other critical foodstuffs: powdered milk and canned beef and possibly pulses, dried fish and rice.<sup>109</sup> There is a strong argument for this, to give the state an ability to distribute a variety of nutritious food. The latest Medium-Term Expenditure Framework also notes the government's aim to maintain livestock products in the food reserve from 2014/15 – amounting to 500 tonnes in 2014/15, 1,000 tonnes in 2015/16 and 1,500 tonnes in 2016/17.<sup>110</sup>

## 3.2 THE STRATEGIC GRAIN RESERVE

### PRICE STABILISATION

‘The government has intervened in maize markets in ways that have kept maize prices high and have had little impact on price stability. However, evidence clearly indicates that the current maize market interventions are generally anti-poor, in the sense that they raise prices paid to large-scale farmers at the expense of consumers – especially poor urban households and the majority of poor rural households, who are all net buyers of maize’. World Bank<sup>111</sup>

The Kenyan government promotes price stabilisation and producer support prices for maize in a variety of ways - by importing maize for the reserve, supplying maize to millers at fixed prices, fixing the purchasing price of maize, providing input subsidies on maize (mainly for fertilizer), and by imposing variable tariffs on maize imports both at the port of Mombasa and at border crossings with Uganda and Tanzania.<sup>112</sup>

Kenya’s NCPB has the twin mission of maintaining a strategic reserve and stabilising prices. In times of low prices, it attempts to raise producer prices by announcing a purchase price above market prices, and when prices are deemed too high, it can sell its stocks in the market. Since 2000, NCPB purchases have generally been in the range of 30,000-190,000 tonnes.<sup>113</sup> This is far less than in the 1980s when the NCPB played the dominant role in maize markets, purchasing 600,000-800,000 tonnes per year. Since then, maize markets have been liberalized and private trade plays a larger role.

Kenya produces around 3 million tonnes of maize per year, and around 15 per cent of this is sold to the NCPB and large millers.<sup>114</sup> A majority of Kenyan farmers grow maize but most - around 55 per cent - are net buyers of maize.<sup>115</sup> This means that most farmers (and consumers) benefit from a reduction in maize prices: it is estimated that a 20 per cent fall in maize prices would raise household income by 6 per cent.<sup>116</sup>

By contrast, most of the marketed maize surplus in Kenya is produced by medium- and large-scale farmers in high-potential areas. As noted above, it is estimated that just 10 per cent of farmers account for 83 per cent of the marketed surplus. Thus the biggest winners from the NCPB’s maize purchases are the large-scale farmers. A recent World Bank analysis notes that only 2 per cent of smallholders sell to the NCPB; ‘it is therefore clear that policies that raise prices above market levels have income distributional effects that run counter to the stated poverty reduction goals’.<sup>117</sup>

There is varying evidence on the degree to which the NCPB’s market interventions affect maize prices. A recent FAO analysis notes that the NCPB’s impact on domestic maize prices has been ‘limited’ although it also states that, to achieve more effective price stabilisation, the NCPB needs to be more active and better funded.<sup>118</sup> However, a recent World Bank report criticises the NCPB for having kept domestic prices high since 1995. Studies suggest that NCPB operations increased domestic maize prices by 20 per cent during 1995-2004, increasing rural and urban poverty by transferring income from the majority maize-producing farmers to a very small number of larger maize-surplus farmers.<sup>119</sup> Kenya’s food reserves policy may be having the effect of keeping prices high, and doing too little to address the price volatility of recent years.

An example of this came in December 2013 when the NCPB, in order to boost the grain reserve, spent KShs 3 billion to purchase maize from farmers across the country at a price of KShs 3,000 per 90kg bag. But this price triggered a competition for maize because millers had been paying farmers a much lower price – KShs 2,000 - 2,500 while traders had been offering as low as KShs 1,800 for a 90kg bag. As a consequence of the NCPB purchases, millers and traders adjusted their prices upwards, hurting consumers and farmers who are net buyers of maize.<sup>120</sup>

These studies aside, there appears to be no research that has investigated the extent to which NCPB activities have affected smallholder farmers’ incomes, price expectations and behaviour.<sup>121</sup>

### 3.3 PROBLEMS WITH KENYA'S RESERVES POLICY

A recent FAO analysis highlights a number of positive and negative impacts of the NCPB's operations.<sup>122</sup> As outlined in table 2, the positives include providing emergency food supplies and the view that NCPB purchases have little impact on prices. On the negative side, NCPB decision-making is seen as unpredictable, politicised and slow, and farmers receive payments late.

#### POSITIVE AND NEGATIVES WITH THE NCPB

Intervention	Positive Perspectives	Critical Perspectives
NCPB procurement/ price-setting, food reserve, sales and distribution activities	<p>NCPB's procurement, storage and sales help to cap prices on the upside (to help protect consumers) and on the downside (to remunerate farmers)</p> <p>NCPB's food reserve management is critical in ensuring food cover for deficit areas for 2-3 months</p> <p>NCPB procures a small proportion of total production, therefore can expect low level of influence on market price.</p> <p>NCPB is a technical actor that carries out a mandate assigned by political actors – and seeks to do so in a way that minimises market disruption.</p>	<p>NCPB decision-making is unpredictable, deterring the use of storage and the development of forward contracting, which in turn exacerbates volatility (as the NCPB price is a major signal for the market it has a disproportionate impact on stakeholders' marketing decisions)</p> <p>NCPB decisions – especially price setting – are driven more by funds availability and procurement targets than the goal of adequately remunerating farmers</p> <p>NCPB takes up to 6 months to remunerate farmers, reinforcing farmer susceptibility to 'predatory middlemen' that offer cash on collection</p> <p>NCPB decision-making can be too politicized</p> <p>Slow government decision-making in food security crisis exacerbated uncertainty and shortages.</p>

Source: Adam Gross, 'Impact assessment of alternative approaches to mitigating trade related risk exposure in ESA grain markets (maize)', FAO, undated, p.77

The NCPB's **mandate is broad**, subjecting it to potential conflicts of interest. On the one hand, the NCPB is a commercial trader, just like any other private actor, selling maize, wheat, beans, rice, sorghum and other commodities, often with its own brand names. At the same time, the NCPB carries out certain social duties on behalf of the government: procuring, storing and maintaining the grain reserve; distributing emergency relief grains; and intervening in markets by fixing purchasing and selling prices for wholesale grains.<sup>123</sup> According to Charles Wanguhu at the *Africa Centre for Open Governance*, 'this mixing of functions makes it difficult to distinguish between SGR, commercial, and famine relief stocks and opens the way for improper dealings'.<sup>124</sup>

The government retains extensive **discretionary powers over the NCPB** and management of the grains sector, and the permanent secretaries of various ministries act as the trustees of the NCPB. This has seen the NCPB's management structures and operations exposed to political influence, particularly when it is charged with administering subsidised schemes or distributing relief food.<sup>125</sup>

### 3.3 PROBLEMS WITH KENYA'S RESERVES POLICY

Maize prices are often set for political reasons rather than to help smallholder farmers. An FAO analysis laments that while a recently pared down NCPB has operated more efficiently in recent years than before, maize prices appear to be 'determined politically' rather than set close to import and export parity levels.<sup>126</sup> Government often gives in to farmers calling for higher maize prices. In November 2012, for example, complaints by some farmers as to the low purchase price of maize being offered by the NCPB provoked it to raise its purchase price for maize.<sup>127</sup>

Indeed, the NCPB has been beset by **corruption and mismanagement**, which have seriously affected its financial position. In January 2009, the government dissolved the NCPB after carrying out an audit on its operations and structure, firing some senior managers and reducing the Board's top level management from 14 to four. The dissolution came at a time when investigative bodies were probing a KShs 825 million maize scandal following the disappearance of over 100,000 bags of maize from the reserve.<sup>128</sup> In July 2013, the Kenyan media reported that over 2.5 million bags of maize stored in the reserves were rotting due to a financial crisis at the board, with the effect that its accounts were frozen. A KShs 500 million debt dispute was paralysing all its operations concerning a claim by a supply company for breach of a contract to supply relief maize to the board in 2004. The maize started rotting because the NCPB was unable to afford to fumigate its stocks to protect them from rodents and other pests.<sup>129</sup>

Neither is the NCPB sufficiently **transparent**. Existing procedures for procuring and marketing maize are often opaque; the NCPB is not required, for example, to make public how much maize it has in its stores, despite the fact that it is funded by taxpayers' money.<sup>130</sup> The Kenyan government's CAADP investment plan – *Growth and Food Security through Increased Agricultural Productivity and Trade*, covering 2010-15 – calls for 'increasing transparency and predictability in the management of the Strategic Grain Reserve', but otherwise fails to mention the NCPB.<sup>131</sup>

Transparent and accountable governance could be improved by participation of non-state actors, especially farmers' organisations and civil society groups, in the governance or management of the reserves – but this is not currently the case in Kenya (or Tanzania).

The importance of improving Kenya's food reserves policy is compounded by considering other forms of **social protection** in the country. Kenya's 2010 Constitution commits the state to progressively realise the right to social security while the National Social Protection Policy of 2012 aims to expand coverage of social security. Kenya has a long history of investing in social protection, including in humanitarian food aid, and currently operates 19 safety net programmes. Emergency food aid is the most common type of safety net support, currently targeting around 1.5 million people, or 8 per cent of the population. Safety net programmes include a school feeding programme, a food for assets programme, an urban food subsidy programme and an Orphan and Vulnerable Children programme, the latter of which reached 150,000 households in 2012.<sup>132</sup> In 2010, social protection spending amounted to KShs 57 billion, equivalent to 2.3 per cent of GDP, and much larger than the agriculture budget (in 2013/14, KShs 57 billion was allocated to social protection and KShs 38 billion to agriculture and rural development<sup>133</sup>).

However, nearly half of Kenya's social protection spending in 2010 was pensions for civil servants; only 30 per cent was allocated to safety nets. Donors finance much of Kenya's safety net spending – fully 90 per cent of total government spending on social protection in 2010 went to civil service pensions.<sup>134</sup> A recent World Bank analysis notes that cash transfer programmes in Kenya tend to be small and do not yet provide reliable support to all beneficiary households, while the safety net programmes are 'fragmented and uncoordinated'.<sup>135</sup> The National Food and Nutrition Policy was approved in 2011 but has not been fully implemented.



**SECTION 4:**  
FOOD RESERVES  
IN TANZANIA

## 4.1 FOOD INSECURITY

Food insecurity remains deep in Tanzania. Some 39 per cent of Tanzanians are undernourished, four out of 10 children are stunted (low height for age) and 1 in 20 is wasted (thinness).<sup>136</sup> Food prices in Tanzania remain volatile and have significantly risen in recent years: a survey conducted in May 2012 by Tanzania's *Guardian* newspaper found that the price of both rice and maize flour was three times the level in 2006.<sup>137</sup>

Most maize produced in Tanzania is for subsistence (home consumption) although the marketed share is rising and is estimated to be around 40 per cent of production.<sup>138</sup> As in Kenya, maize is by far the most important source of calories in Tanzania, accounting for 34 per cent of calorie intake. Maize is produced in most parts of the country and covers around 40 per cent of all cultivated land. The southern highlands are the largest maize surplus zone in the country.<sup>139</sup>

Tanzania is largely self-sufficient in maize and usually a net exporter. However, as Tanzania's agriculture investment strategy (the Tanzania Agriculture and Food Security Investment Plan, TAFSIP) notes, 'there will continue to be a proportion of rural households needing special support to help them achieve food security and protect them against shocks'. It calls for maintaining 'adequate food reserves at national level and adequate distribution systems in times of crisis' and also for 'market intervention through [the] strategic grain reserve'.<sup>140</sup>

## 4.2 THE STRATEGIC GRAIN RESERVE

Tanzania established a Strategic Grain Reserve in 1976 following the droughts of 1973-5. In 2008, the reserve became the National Food Reserve Agency (NFRA), which is managed by the Ministry of Agriculture, Food Security and Cooperatives, and has a dual mandate. First, it aims to guarantee national food security by procuring, storing and releasing food stocks efficiently and effectively. Second, it also aims to stabilise prices by purchasing food staples in surplus areas and selling at subsidised prices in deficit regions. Most grain is sold at subsidised prices while some is distributed free and some is sold at commercial prices. However, the NFRA deals in only small volumes and has less impact on the market than the equivalent institution – the NCPB - in Kenya. The NFRA's main purpose is to address food emergencies rather than to intervene in markets.

Tanzania's reserve holds mainly maize, but also a small quantity of sorghum. The NFRA operates in seven zones, which are both surplus and deficit areas – three in the south and one each in Central, Eastern, Northern and Lake/Western region. The NFRA operates 30 storage facilities with a capacity, according to some sources, of 241,000 tonnes<sup>141</sup> although in 2011/12, a government report notes that stocking levels reached a record 278,000 tonnes.<sup>142</sup> The average stockholding during 2009-12 was 137,000 tonnes.<sup>143</sup> Government plans are to increase storage capacity significantly, to 400,000 tonnes. One third of the stock is rotated each year.<sup>144</sup>

Emergency food stock releases are normally made when the country runs short of adequate harvests following droughts or other disasters, and normally target families who are not capable of



## 4.2 THE STRATEGIC GRAIN RESERVE

carrying out normal economic activities.<sup>145</sup> The day to day operations of the NFRA are managed by the Ministry of Agriculture, Food Security and Cooperatives but policy decisions to release food stocks are made by the Disaster Management Department in the Prime Minister's Office. Within districts, households to receive subsidised or free grain are identified by village committees and their eligibility confirmed by local government staff.<sup>146</sup>

The NFRA also operates 90 – 120 buying centres where maize is directly purchased from farmers or warehouses. Most of these centres are in surplus areas of the Southern highlands but their location changes depending on the quality and quantity of maize produced. Government impact on prices is limited. Government purchases do create incentives for farmers to increase production by offering them guaranteed purchases at fixed floor prices that are around 10 per cent higher than market prices.<sup>147</sup> However, government intervention is at a fairly low level, with purchases and releases usually amounting to less than 10 per cent of national marketed consumption.<sup>148</sup> Government purchases usually amount to a maximum of 150,000 tonnes compared to average production of over 3 million tonnes. The NFRA's price support to producers is temporary only, occurring during procurement, and this support is offset once stocks are released onto the market.<sup>149</sup>

### BUDGET ALLOCATIONS TO THE NFRA

Budget	Allocation to the NFRA
2013/14	<p>TShs 110 billion - to purchase 250,000 tonnes of cereals and to construct new grain storage silos to store 10,000 tonnes – this amounted to 12 per cent of the agriculture budget.<sup>150</sup></p> <p>In March 2014, the government said that NFRA purchased 219,896 tonnes of grain during 2013/14.<sup>151</sup></p>
2012/13	<p>Allocation of TShs 30.9 billion – 2.8 per cent of the agriculture budget.<sup>152</sup></p> <p>Actual spending was TShs 43 billion – to purchase 53,000 tonnes of grain. Food aid was distributed to people in 47 local government areas of the country and 16,653 tonnes of cereals was sold by the government to domestic millers to reduce prices.<sup>153</sup></p>
2011/12	n/a
2010/11	Government spent TShs 57 billion purchasing 182,000 tonnes of grain. <sup>154</sup>

## 4.3 PROBLEMS WITH TANZANIA'S RESERVES POLICY

Several problems can be highlighted.

First, Tanzania faces a set of challenges concerning **price setting**. Government maize purchases normally fall below the NFRA's plans due to financial constraints and limited warehouse facilities.<sup>155</sup> Since lack of finance and current storage capacity means that the NFRA is often unable to make enough purchases, it is often unable to significantly influence prices. Between June 2011 and June 2012, for example, maize prices increased by 16 per cent even as the government sold around 215,000 tonnes of maize during the financial year.<sup>156</sup> In addition, a recent FAO analysis notes that there is 'some confusion' on the roles of different government agencies in setting prices and quantities to be purchased. It is envisaged that the Ministry sets the quantity to be purchased and the NFRA sets the annual floor price, but in practice the Minister announces the purchase price for maize (usually at higher levels than the NFRA would otherwise set) during his budget speech in August.<sup>157</sup>

A second problem concerns **storage facilities**. A 2011 survey by an independent consultancy found that some of the NFRA's facilities lacked adequate capacity and were in poor condition. Some storage facilities in the rural areas were hampered by bottlenecks in their operations due to the poor rural road network. Moreover, the study noted that the current status of grain storage facilities around the country – those operated by the private sector as well as the government – was 'hardly known and available information is scattered'. This lack of adequate information on the country's grain storage capacity has sometimes prompted the government to resort to other policies to influence the market, such as export bans.<sup>158</sup> The lack of storage facilities is a general problem in Tanzania, resulting in losses for producers and traders and reducing the competitiveness of agricultural supply chains. Post-harvest losses are estimated at 35 per cent, rising to 50 per cent for fruit and vegetables.<sup>159</sup>

A third set of issues concerns whether emergency food releases are **targeted at those most in need**. A 2011 World Bank report notes that there is 'no good data' on the accuracy of targeting under the NFRA's release of emergency food stocks. It argues that:

'anecdotal reports suggest that while the poor and vulnerable tend to be targeted, there is a tendency for village committees to spread the food more widely, in order to maintain social cohesion, resulting in smaller benefits and greater coverage'.<sup>160</sup>

Other survey data show that rural households receiving food distribution benefits are spread fairly evenly over wealth quintiles. This suggests that better targeting of the poorest is needed. Indeed, media reports suggest that those not in need often benefit from food releases. It was reported in 2013 that the government was planning to 'conduct a special follow-up so as to make sure all aid food offered by the government meets the targeted needs'.<sup>161</sup> It is unclear whether such follow-up has been instituted.

## 4.3 PROBLEMS WITH TANZANIA'S RESERVES POLICY

There often remain problems with getting food reserves to those in need, as in December 2012 when 200 children in Ngorogoro District died of hunger. The Tanzanian media reported that: 'Ironically, while farmers in the Southern Highlands complain that the surplus food stockpiled in their homes is spoiling for lack of markets, residents in Manyara, Shinyanga, Dodoma, Mara, Arusha and Tabora struggle with pangs of hunger.'<sup>162</sup> Some analyses note that the distribution of food stocks between regions is not optimal and there is a poor flow of information between government and other actors.<sup>163</sup> Sometimes, even the subsidised prices of emergency food stocks released by the NFRA are too high for the poorest people to afford, as during the drought that affected parts of southern Tanzania in 2010.<sup>164</sup>

Another concern is over **costs and the size of stocks**. The US Agency for International Development has said that Tanzania needs only around 100,000 tonnes of maize in the reserve to cover shortfalls and claims that the cost of storing one tonne of maize is \$72; therefore, Tanzania's capacity of 241,000 tonnes costs the country over \$10 million in excess costs.<sup>165</sup> However, Tanzania does need sizeable food stocks for emergencies. Although 2013/14 saw a bumper harvest - of 14.3 million tonnes of crops compared to food demand of 12.1 million tonnes - food production is increasingly unpredictable and vulnerable to climate change. In September 2013, it was reported that 47 districts faced a serious food deficit, despite a 12 per cent surplus recorded during the previous season.<sup>166</sup> The Southern Highlands, which contribute about 90 per cent of the maize held in the Strategic Grain Reserve and which in the past enjoyed bumper maize harvests, has in some recent years seen declines in yields due to drought, unreliable rains and worsening diseases.<sup>167</sup>

Maintaining the reserve at sufficient levels has been sometimes shown to be a problem. In February/March 2014, for example, the government had to make emergency imports of 20,000 tonnes of maize from Zambia to address acute food shortages; at the time, the grain reserve was at too low a level to address those food needs.<sup>168</sup> The *Citizen* newspaper reported in September 2013 that 'Tanzania did not have enough major grains in the first six months of this year, exposing the country to a dire shortage in the event of an emergency'. It noted that food reserves dropped so low that they could have fed the country for only 16 days.<sup>169</sup>

Another challenge facing the NFRA is that of **paying farmers on time**. Problems with paying farmers late have sometimes stopped farmers selling to the NFRA. In October 2013, for example, it was reported that the NFRA owed farmers a massive Shs 17 billion for their maize purchases.<sup>170</sup>

As in Kenya, improving the impact of the food reserves on those most in need takes on even greater importance in light of **social protection** coverage in the country. Tanzania operates a variety of social protection programmes in addition to the strategic grain reserve and an input subsidy programme, including a public works programme that reaches nearly 400,000 people, a Most Vulnerable Children programme that supports the health and education of over half a million children and a school feeding programme also reaching over half a million children.<sup>171</sup> However, around 90 per cent of Tanzanians have no social protection. A draft national Social Protection Framework targeting vulnerable groups has been proposed but is on hold, pending approval.<sup>172</sup>



**SECTION 5:**  
THE ABSENCE OF FOOD  
RESERVES IN UGANDA

## 5.1 FOOD INSECURITY

Some 35 per cent of Ugandans are undernourished and 6 per cent survive on one meal a day. A third of Ugandan children are stunted and 15 per cent are underweight.<sup>173</sup> Maize production in Uganda is far less than in Kenya and Tanzania and plays a lesser role in consumer diets: plantains (cooking bananas) are the main staple in Uganda, along with cassava and sweet potatoes as well as maize.

Food prices and volatility remain significant problems – throughout 2011, for example, food prices were 143 per cent higher than in 2005-06. High food prices were likely one of the factors behind the social unrest witnessed in the post-election period in early 2011.<sup>174</sup> As in Tanzania and Kenya, rural households in Uganda spend over half their incomes on food.<sup>175</sup> A study by the International Food Policy Research Institute notes that, despite being landlocked, international food price changes will still be transmitted to Ugandan food prices in a similar way to Kenya and Tanzania.<sup>176</sup>

## 5.2 POLICY TOWARDS FOOD RESERVES

Unlike in Kenya and Tanzania, the Ugandan government operates no food reserve and has not attempted to influence staples prices through government purchases. Indeed, the government's Plan for the Modernisation of Agriculture (PMA) states:

'The government recognises that publicly held food reserves are very expensive under the best of conditions and require careful management to minimize losses due to spoilage. Such schemes have had limited success in other countries but have certainly exerted substantial demands upon public funds. Therefore, government will not adopt any policy to accumulate such stocks unless and until careful studies in Uganda have determined their efficacy.'<sup>177</sup>

Instead, the PMA notes, 'Government will promote national food security through intervention geared towards increasing household incomes by increasing agricultural production and productivity and farm use storage to reduce post-harvest losses'.<sup>178</sup> Consistent with this policy, Uganda's CAADP Investment Plan - the Agriculture Sector Development Strategy and Investment Plan - makes no mention of reserves. This explicit rejection of holding food reserves stands in marked contrast to Uganda's Constitution, which requires the state to 'establish national reserves'.<sup>179</sup>

Although there is no government intervention to influence prices, the World Food Programme (WFP) in Uganda has played a significant role in buying food through its Purchase for Progress (P4P) programme. The P4P buys maize and beans and distributes these to refugee camps and other places in need of food in the region. Analysis suggests that WFP purchases put upward pressure on maize prices in Uganda and the region.<sup>180</sup> A recent FAO analysis critically notes that while the Purchase for Progress programme has ameliorated humanitarian crises in Uganda:

'WFP has inhibited formation of food markets in Uganda through non-commercial procurement, storage and distribution activities, making a commercial storage sector unviable, preventing transparent price discovery, and reinforcing the market power of an "insider club" of "eligible traders" who can perform to WFP tender process.'<sup>181</sup>

There have been various calls on Uganda to establish food reserves. The FAO analysis cited above notes that 'Uganda needs a food reserve agency that will backstop food security as well as protect farmers and consumers from the extremes of food price volatility'.<sup>182</sup> The Uganda chapter of the Eastern

## 5.2 POLICY TOWARDS FOOD RESERVES

and Southern Africa Small Scale Farmers Forum recently called on the government to establish food reserves or granaries in all parts of the country to act as a buffer in times of food crisis.<sup>183</sup> There have also been calls in the media and elsewhere for the government to do more to stabilise food prices.<sup>184</sup>

Uganda's most food insecure region, Karamoja, where food aid is regularly needed, is subject to recurrent shocks. The government's recent public expenditure review of social protection notes that in such places as Karamoja 'a long term and predictable safety net should be put in place' and that this should include a community-based early warning system and grain reserves.<sup>185</sup> It is unclear, however, whether this suggestion is being implemented.

The possible need for food reserves in Uganda is compounded by the lack of adequate **social protection** for the poorest. Uganda has no specific social protection policy as such. It does, however, have a number of policies relating to social protection, such as those concerning vulnerable children, older people and the disabled, and there are around a dozen different social transfer programmes, including cash for work, voucher for work and food for work and food aid programmes. However, a recent government public expenditure review of social protection concludes that expenditure by the government (as opposed to donors) on social protection is 'practically non-existent' aside from spending on social insurance for public sector workers. Indeed, spending on government pensions, which benefit a small minority of people, account for 100 times the amount spent on social care services and social transfers together. Donor expenditure on social protection is dominated by spending on food aid.<sup>186</sup>

# RECOMMENDATIONS

Governments in East Africa, and elsewhere in Africa, need to prepare better for possible food price and climate crises and ensure that their food reserves policies optimally benefit smallholder farmers and other poor people.

## **AFRICAN GOVERNMENTS, INCLUDING THOSE IN KENYA AND TANZANIA, SHOULD:**

- Improve transparency and accountability in policy-making on food reserves
- Ensure that market interventions are better managed and are predictable, operating to clear rules and triggers
- Ensure the participation of farmers' organisations, civil society organisations and the private sector in the management and/or governance of food reserves
- Revisit price stabilisation policies to ensure that purchase and selling prices bring about reductions in prices of staples to benefit the majority of farmers who are net buyers
- Review social protection policies to ensure that food reserves policy is aligned and complementary

## **THE EAST AFRICAN COMMUNITY AND MEMBER GOVERNMENTS SHOULD:**

- Step up their commitment to creating a regional food reserve by holding further discussions and conducting research on the optimal design of such a reserve
- Consider increasing financial support to such a reserve to make it genuinely viable

## **THE GOVERNMENT OF KENYA SHOULD, IN ADDITION TO THE ABOVE:**

- Take further steps to root out corruption and improve management in the NCPB
- Separate the NCPB's food reserve function from its commercial activities, making it possible to distinguish between reserve stocks policies, commercial stocks and famine relief stocks.
- Implement the decision to expand the Strategic Grain Reserve into a strategic food reserve, by including other commodities apart from cereals, such as livestock products and processed food.
- Significantly improve transparency by publishing periodic reports disclosing information on available stocks, procurements and imports as well as allocations/beneficiaries.
- Review price stabilisation policies to keep maize prices lower to benefit more small farmers and review how the NCPB can source more of its stocks from smallholder farmers



# RECOMMENDATIONS

## **THE GOVERNMENT OF TANZANIA SHOULD, IN ADDITION TO THE ABOVE:**

Improve the quality of the NFRA's storage facilities

Improve targeting policies under food releases to ensure that those most in need are the beneficiaries

Ensure that the grain reserve is sufficiently funded and maintained at a level sufficient to cover humanitarian needs

Consider expanding the reserve to include other foods important for promoting nutrition security

## **THE GOVERNMENT OF UGANDA SHOULD:**

Revisit the idea of establishing a national food reserve for emergencies

Review options to protect the most vulnerable from excessive price volatility

Take much greater steps to establish more comprehensive social protection programmes to address the needs of the most vulnerable

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Photo : A small-scale farmer in Northern Uganda. It is vital that East African governments improve their policies on food reserves to benefit small-scale farmers and other poor people. Credit : Kristin Seljeflot, ACORD



Photo : Maize crops in Nakuru, Kenya. Maize is an important staple crop in East Africa, but the Ugandan government does not operate a food reserve or try and stabilise prices through purchases. Credit : Kristin Seljeflot, ACORD



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