

Effects of structural food aid in the form of local purchase and sales of rice on rural development

A case-study of Burkina Faso

Final report



Report to the Netherlands Ministry of
Foreign Affairs (DGIS/DDE/IM)

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Photo cover:

Transport of the millet harvest in the Boucle du Mouhoun

Table of contents

	pag
Administrative map of Burkina Faso	iii
Acknowledgement	iv
Abbreviations	v
Summary	vi
Introduction	1
I. Background	3
II. The cereal market	4
III. Local purchase	8
IV. Rice	13
V. Effects of local purchase	19
VI. Effects of commercial rice imports and monetisation	29
Conclusions and Recommendations	33
List of persons met	37
Literature	38
Annex: Terms of Reference	

Tables and Graphs

Tables

Table 1 Net production and consumption of all cereals in Burkina Faso 1999/2000 – 2005/2006	3
Table 2 Daily energy and protein supplies per caput	3
Table 3 Production in Burkina Faso in MT of secondary cereals	4
Table 4 Production in Burkina Faso of rice and wheat in MT	4
Table 5 WFP's purchases in Burkina Faso by type of products in tons	8
Table 6 Evolution of the SONAGESS purchases by type of product	11
Table 7 Burkina Faso Rice production, imports and availability	13
Table 8 Burkina Faso Rice production, imports and availability using WFP/INTERFAIS data concerning food aid	14
Table 9 Food aid in the form of rice as percentage of total rice consumption	15

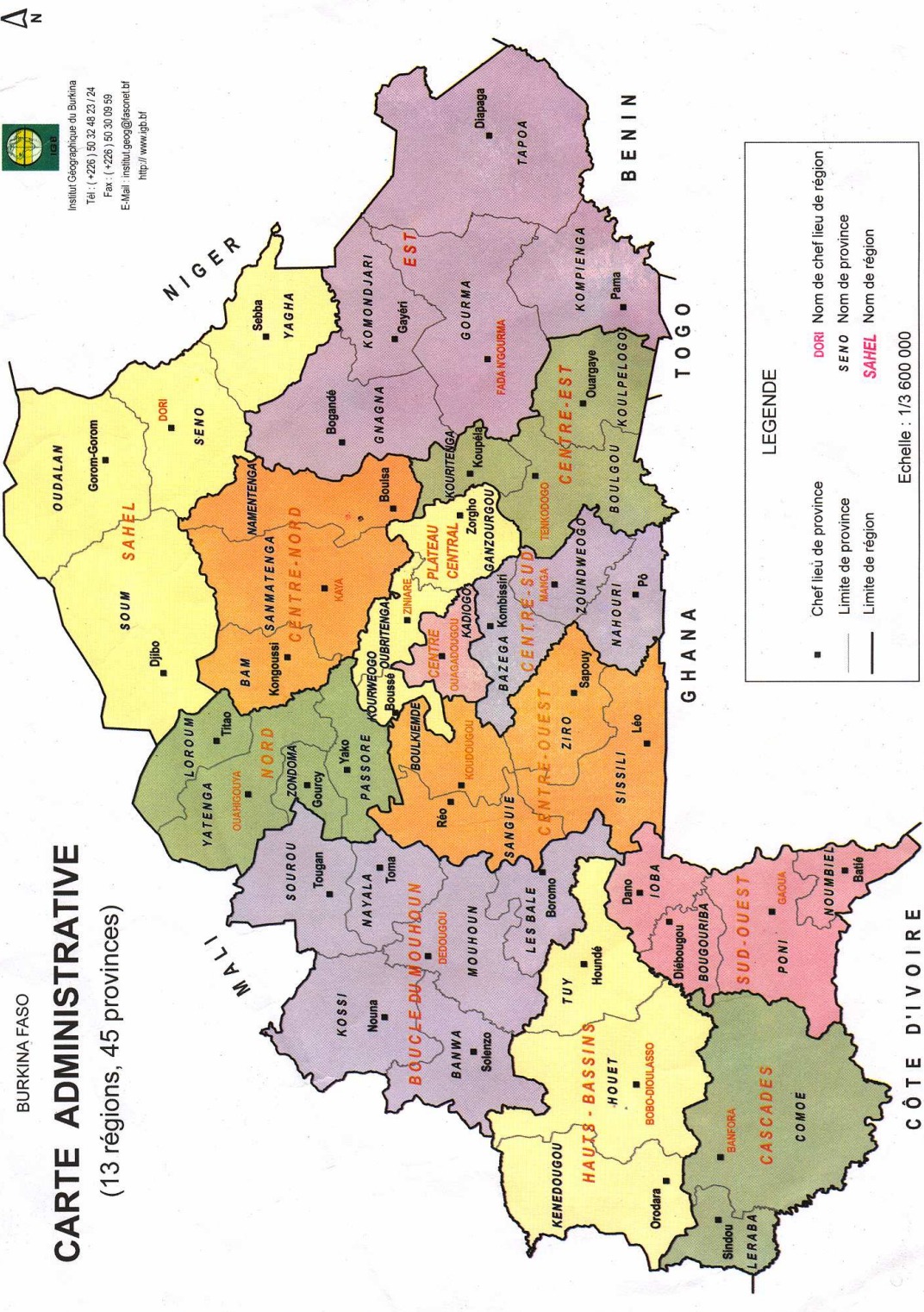
Table 10 Local purchase of secondary cereals in Burkina Faso in MT 2001/02 - 2004/05	19
Table 11 Value of local purchases by WFP between 2001 and 2004	21
Table 12 Cost Recovery Analysis for Rice	30

Graphs

Graph 1 Average evolution of local purchases in the course of one year	9
Graph 2 Retail Price for Rice on sale in Bobo Dioulasso in CFA/MT	17
Graph 3 Area used in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05	22
Graph 4 Yield/ha in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05	22
Graph 5 Total production in MT in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05	23
Graph 6 Secondary cereal production Burkina Faso 2001/02-2005/06	23



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BURKINA FASO
CARTE ADMINISTRATIVE
 (13 régions, 45 provinces)

LEGENDE

- Chef lieu de province
- Limite de province
- Limite de région

DORI Nom de chef lieu de région
 SENO Nom de province
 SAHEL Nom de région

Echelle : 1/3 600 000

Source: PROJET DE LOI (MAD) du 25/06/2001

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Afrique Verte and UGCPA'BM also brought me in contact with their members, and gave me every opportunity to discuss with the farmers.

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Most important, however, was the active cooperation of the population who took ample time to answer my questions and to discuss their issues with me. Without their cooperation I could not have reached the understanding of their problems and difficulties that I now have.

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In spite of everyone's kind cooperation, inevitably they will not all agree with my conclusions. There are several ways to look at things and when the emphasis is laid differently, the outcome may be differently. I have laid the emphasis on the effects of structural food aid on the development of Burkina Faso. It is my hope that this report will contribute to an open discussion about the several aspects of structural food aid.

Abbreviations

AV	Afrique Verte
COPROSUR	Conseil Provincial de Secours d'Urgence et de la Réhabilitation
CIC/B	Le Comité Interprofessionnelle sur les Céréales Burkina
CNSA	Conseil National de Sécurité Alimentaire
CRS	Catholic Relief Services Burkina Faso
CT-CNSA	Comité Technique du Conseil National de Sécurité Alimentaire
MAHRH	Ministère de l'Agriculture, de l'Hydraulique et der Ressources Halieutiques
OAP	Organisation of Agricultural Producers
PDL/UDL	Programme de Développement Local de l'Oudalan
SONAGESS	Société Nationale de Gestion du Stock de Sécurité Alimentaire
SNS	Stock National de Sécurité
UGCPA'BM	Union des Groupements pour la Commercialisation des Produits Agricoles de la Boucle du Mouhoun
WFP	World Food Programme

Summary

The report analyses the effects of structural food aid in the form of monetization and local purchases on rural development in Burkina Faso.

The main suppliers of structural food aid are identified and the way they intervene is described. These suppliers are WFP, CRS, Africare and the Government of Japan. Because of the influence of the Government of Burkina Faso on the market, actions of government organisations are also taken into account. WFP and SONAGESS, a state organization, are the main purchasers of local cereals in Burkina Faso. CRS, Africare and SONAGESS monetise imported rice to use the proceeds for development projects.

The study concludes that, although local purchase is beneficial for the development of the country, until now local farmers who commercialise their cereals have not benefited to a large extent from local purchase. This is due to the fact that insufficient attention has been given to their level of development when introducing tender systems. In order to give these farmers better opportunities it is recommended that they get access to credit, that they do not have to wait such a long time before getting paid, and that they receive training and support. WFP should take the development effects of local purchase into account more than is done at the moment.

Monetisation of subsidised rice is not conform the rules of a liberalised market. The Government of Burkina Faso should decide whether it wishes to have a liberalised market, with all of its positive and negative effects, or whether it prefers to protect its agricultural market, which it appears to be entitled to because of the low development of the sector.

The analyses made to determine the volume of rice that can be sold (Bellmon analyses) do not take into account other effects on rural development and are therefore an insufficient basis for monetization. All partners should cooperate to study all effects of monetization. When analysing the effects of rice sales, quantities of all donors together should be analysed and not the quantity of a single donor only. Proceeds of monetisation are used in very worthwhile rural development projects. Changing from aid in kind to aid in cash would avoid the negative aspects of monetization. In any case, the on-going projects should continue.

Introduction

This report is part of a broader study to analyse the effects of structural food aid on Burkina Faso.

After consultation with the Ministry of Foreign Affairs of the Netherlands (DGIS) it was decided to limit the scope of this report to the effects of local purchase and of monetisation of food.

The other results of the study will be published in a different form.

Terms of reference of the study are attached as Annex.

Structural food aid

In this study structural food aid to Burkina Faso is defined as all food aid that is given a. on a regular basis to the country and b. is not used for emergencies.

This type of food aid includes both food imports as well as food that is locally purchased and distributed to specific groups in the country afterwards.

In the definitions used by WFP/INTERFAIS food aid is reported as shipments or actions involving specific physical quantities of food delivered to a recipient country or acquired within that country with funds provided by an official donor agency or international NGO.

These transactions fall into three categories according to their mode of supply:

- i) Direct transfers - including all food aid originating from a donor country;
- ii) Triangular transactions – food aid purchases or exchanges in one developing country for use as food aid in another country;
- iii) Local purchases – procured in a country and used as food aid in the same country.

All three categories fall under the definition of structural food aid as used in this report except food that is used for relief food aid (emergencies).

The import of food also implies commodities for sale, so-called monetisation, both by NGO's or multilateral agencies as well as by governments.

Methodology

The study has been carried out as follows: it started with research into whether substantial quantities of food-aid were donated to Burkina Faso other than in case of emergencies. Then the main organizations in the field of structural food aid were identified. These were World Food Programme (WFP), Catholic Relief Services Burkina Faso (CRS) and Africare. HQ's of these organizations were contacted for further information. There was also a search for existing literature.

The second phase took place in Burkina during November/December 2005. It consisted of field visits to ongoing projects of WFP, CRS and Africare and discussions with all actors involved. These actors included the target group of the projects, government officials, embassies, officials of WFP, CRS and Africare, other organisations, and last but certainly not least, producers. During this phase it became clear that structural food aid by donors is strongly interwoven with actions of the Government of Burkina Faso in the field of food security. For this reason these actions of the Government became an integral part of the study. Drafts of the relevant parts of the report were sent to each organization. The observations of those organisations that responded have been carefully studied and included in the text, where it was deemed necessary.

Structure of the report

The report starts with a brief introduction of Burkina Faso, followed by a description of the working of the cereal market there which includes the quantity of yearly local production, who is in charge of the food security strategy in the country and which other intervening organisations and governments play a role on this market.

The third chapter gives an overview of local purchases by WFP and SONAGESS (Société Nationale de Gestion du Stock de Sécurité Alimentaire, a state organisation), as well as the way these organisations operate. In this chapter also the activities of two organizations that support farmers, Afrique Verte and UGCPA'BM, are described.

Chapter four describes the imports of rice.

The following two chapters analyze the effects of local purchase (ch. 5) and of commercial imports and monetization of rice (ch. 6) especially on the producers of cereals in Burkina Faso.

The last chapter contains conclusions and recommendations.

I. Background

Burkina Faso is a landlocked Sahelian country of 274.000 km² with in 2004 12.4 million inhabitants. Life expectancy is 42,5 years. GNI per capita is U.S. \$ 360.

Burkina Faso is ranked nr. 175 out of 177 on the Human Development Index 2003.

More than 80% of the population is living in the rural areas.

45% of the population has an income below the poverty line.

There are three climate zones in the country going from south to north: soudan, soudan-sahelian and sahelian.

The two major export items are cotton and cattle. The most important agricultural import products are rice and sugar.

Industrialisation in agriculture is very low. Per 1000 ha arable land 0,5 tractors are available.

The major food items are sorghum, millet and maize. In 2000-2002 these accounted for 66% of the total dietary energy supply¹.

Table 1 gives the net production of all cereals compared to human consumption which is supposed to be 190 kg/caput/year.

Table 1 Net production and consumption of all cereals in Burkina Faso 1999/2000 – 2005/2006

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Net production	2.266.640	1.557.875	2.609.769	3.072.877	3.058.791	2.901.973	3.422.415
Consumption	2.136.799	2.193.939	2.759.749	2.299.000	2.338.520	2.396.822	2.456.713
Balance	129.841	- 636.064	- 149.980	773.877	720.271	505.151	965.702

Source: MAHRH

As can be learnt from these figures, in most years Burkina Faso is self-sufficient in cereals. Notwithstanding these data there are yearly deficits for rice and wheat (wheat is not produced).

This rise in self-sufficiency has lead to a rise in daily energy and protein supplies as shown in table 2.

Table 2 Daily energy and protein supplies per caput

Food Supply	1979-1981	1989-1991	2000-2002
Per caput Dietary Energy Supply kcal/day	1710	2290	2410
Per caput Dietary Protein Supply g / day	51	67	70

Source: FAO

¹ FAO Indicators BF

II. The cereal market

The cereal market in Burkina Faso is liberalised. That implies that there are no major obstacles to trade within the country, nor with other countries. This system of free trade has, as is well-known, its advantages and disadvantages. Burkina was rudely confronted with the disadvantages in the year 2004/2005. In that year cereals were bought by traders and transported to neighbouring countries where, because of the bad harvest, prices were higher. This had as its consequence that there were whole regions of Burkina where no grain was to be found on the market.

The main cereals produced in Burkina are the so-called secondary cereals: millet, sorghum and maize.

Tables 3 and 4 summarise total production of main cereals during 2001/02 – 2004/05

Table 3 Production in Burkina Faso in MT of secondary cereals

Cereal	Millet	Sorghum	Maize	Total
2001/02	1.009.044	1.371.569	606.291	2.986.904
2002/03	994.661	1.373.331	653.081	3.021.073
2003/04	1.184.283	1.610.255	665.508	3.460.046
2004/05	937.630	1.399.302	481.474	2.818.406

Source: MAHRH

Table 4 Production in Burkina Faso of rice and wheat in MT

Year/Cereal	Rice	Wheat
2001/02	109.868	0
2002/03	89.104	
2003/04	91.053	0
2004/05	74.501	0

Source: MAHRH

Food-aid is part of the food strategy and therefore falls under the Minister of Agriculture, MAHRH (Ministère de l'Agriculture, de l'Hydraulique et des Ressources Halieutiques).

The food strategy of Burkina is defined by the Conseil National de Sécurité Alimentaire (CNSA) in which both the Ministry of Agriculture, MAHRH and the donors are represented. Actual decision making is done by the Comité Technique (CTCNSA), represented by its Secrétaire Exécutif (SECNSA). NGO's are underrepresented in these committees; WFP represents all NGO's although it is an U.N. organisation and therefore not a proper NGO.

Also part of MAHRH is the CIC/B (Comité Interprofessionnel Céréalière Burkina) whose members represent all actors in the chain (organisations of producers, traders, transformers of cereals, transporters, importers of equipments and agricultural inputs).

To maintain food security Burkina Faso has a national security stock of 35.000 MT. The task of managing this national security stock is entrusted to SONAGESS. The role of SONAGESS is more limited than that of its predecessor OFNACER which had storage possibilities of 70.000 MT and whose objective was to stabilise prices of agricultural products as well.

On the use of the national security stock is decided by the CNSA.

In case of emergencies distribution of cereals in the regions is executed by an organisation of the state, COPROSUR (Conseils Provinciaux de Secours d'Urgence et de la Réhabilitation). Each COPROSUR is chaired by the High Commissioner of that particular province.

Further to the national security stock an intervention stock has been created that is intended to have a size of 10.000 MT. The purpose of this intervention stock is to supply the structurally deficit areas with cereals and it will also be managed by SONAGESS. On the use of the national security stock is decided by the Government of Burkina. The new contract between the State and SONAGESS concerning this enlargement of functions by SONAGESS has been adopted in the Council of Ministers of 22 June 2005, but until now it has not been signed.

Besides these functions, it is also the task of SONAGESS to sell food donations in kind. Each year the annual gift of Japanese rice from Japan is sold by SONAGESS on the market. The proceeds are then used to finance Burkina-Japanese development projects.

Furthermore the food market is influenced by other intervening organisations, especially WFP, CRS and Africare.

WFP used to import large quantities of food to distribute in its projects. Since a number of years however, WFP has purchased almost all the food it needs for its projects in Burkina within the country itself. Moreover, food for the neighbouring countries in conflict is also bought in Burkina.

CRS and Africare both import not only food that is distributed to the target group in their projects, but also large quantities of rice which is sold to Burkinabè traders. The proceeds of these sales are used to finance their development projects.

Statistics of the Government of Burkina Faso show that, based on an annual consumption norm of 190 kg. of cereals per person, there is in most years a surplus for the country as a whole with deficit-areas being compensated for by the surplus regions.

Yet, many people in the deficit areas doubt these figures and maintain that there are regular shortages of food.

There may be a couple of possible explanations for this:

1. Statistics show the situation in the country. Sufficiency for the country does not necessarily imply that all regions have sufficient food
2. Statistics may show that in a region there is sufficient food available but people's experience is different. One reason for this may be that within the region the food is not fairly distributed.
3. Import and export statistics are insufficient. Therefore it is unknown what quantities of food are bought by traders and sold in neighbouring countries.
4. In case of deficits in the whole Sahelian region traders may have bought the surpluses and transported that to neighbouring countries so that the national deficit of Burkina becomes worse than was to be expected on basis of the national production forecasts.
5. Sometimes there is a difference between data provided on local level and at national level.

6. The consumption norm of 190 kg/person/year is arbitrarily and may not coincide with the really felt needs. It is an average norm when compared to other CILSS countries: Chad has a consumption norm of 159 kg/year whereas Niger has a norm of 242 kg/person/year².

Concentrating too much on macro figures contains the risk of overlooking the situation of specific groups. It is therefore important to pay attention to the income of farmers commercialising secondary cereals.

Figures provided by the MAHRH in Dédougou permit to draw up the following balance-sheet in FCFA³ per ha. for a farmer producing maize, millet and sorghum.

Maize

Revenues in FCFA		Costs in FCFA	
Fertiliser applied ⁴	450.000	Total costs	a. with tractor 181.500
No fertiliser applied			b. with plough 149.000
(after cotton) ⁵	300.000		
		Profit per ha.	
		a. i. tractor and fertiliser	268.500
		ii. tractor, no fertiliser	118.500
		b. i. plough and fertiliser	301.000
		ii. plough, no fertiliser	151.000

Maize is cultivated either on a terrain that requires fertilisation, or on the same plot where previously cotton was grown. As the cotton was fertilised the maize doesn't require further fertilisation.

The break-even points (where revenue=cost) are a sales price of:

- a. i. tractor and fertiliser 40 FCFA/kg
- ii. tractor, no fertiliser 33 F/kg
- b. i. plough and fertiliser 61 F/kg
- ii. plough, no fertiliser 50 F/kg

² Ministère de l'Agriculture, Secrétariat Permanent de la Coordination des Politiques Sectorielles Agricoles : Plan d'Actions sur les Céréales (mil, sorgho, maïs), document final. Mars 2002, pag. 12

³ 1 € = 655 FCFA

⁴ 4500 kg/ha * 100 F

⁵ 3000 kg/ha * 100 F

Millet

Revenues in FCFA		Costs in FCFA		
Improved variety ⁶	150.000	Total costs	a. with tractor	111.250
Local variety ⁷	100.000		b. with plough	78.750
		Profit per ha.		
		a. i. tractor and improved variety		38.750
		ii. tractor and local variety		-11.250
		b. i. plough and improved variety		71.250
		ii. plough and local variety		21.250

Millet is grown on land that has previously been used for cotton and was fertilised for the cotton.

The break-even points are a sales price of:

- a. i. tractor and improved variety 74F/kg
- ii. tractor and local variety 111 F/kg
- b. i. plough and improved variety 53 F/kg
- ii. plough and local variety 79 F/kg

Sorghum

Revenues in FCFA		Costs in FCFA		
Improved variety ⁸	170.000	Total costs	a. with tractor	126.250
Local variety ⁹	120.000		b. with plough	93.750
		Profit per ha.		
		a. i. tractor and improved variety		43.750
		ii. tractor and local variety		-6.250
		b. i. plough and improved variety		76.250
		ii. plough and local variety		26.250

On land cultivated with sorghum normally no fertiliser is applied

The break-even points are a sales price of:

- a. i. tractor and improved variety 74 F/kg
- ii. tractor and local variety 105 F/kg
- b. i. plough and improved variety 55 F/kg
- ii. plough and local variety 78 F/kg

These are static models for one ha and therefore it can not be excluded that economies of scale when working a larger area will make use of the tractor more profitable.

⁶ 1500 kg/ha * 100 F

⁷ 1000 kg/ha * 100 F

⁸ 1700 kg/ha * 100 F

⁹ 1200 kg/ha * 100 F

III. Local purchase

WFP

Table 5: WFP's purchases in Burkina Faso by type of products in tons

Cereals and cowpea	2001/2002	2002/2003	2003/2004	2004/2005	2001/2002-2004/2005
Sorghum	2 899	9 814	139	200	13 052
Maize	0	0	9 093	7 589	16 682
Cowpea	255	392	1 799	2 129	4 575
Total Cereal	2 899	9 814	9 232	7 789	29 734

Source: WFP 2005

WFP's Procurement Policy states: "the main objective of WFP's food procurement is to ensure that appropriate food commodities are available to the beneficiaries in a timely and cost-efficient manner. Consistent with this, WFP purchases must also be fair and transparent"¹⁰.

In General Rule XII.6 of WFP's General Rules and Regulations is written: "...full consideration shall be given to the prospective and actual effects of the programme or project upon local food production, including possible ways and means of increasing such production, and upon the markets for agricultural products produced in the country."

Thus the main objective of WFP's local purchase is to provide food that is both suitable and of good quality, within an indicated time and at a **minimum cost**. These purchases must be carried out according to competitive, fair and transparent procedures. In accordance with the WFP's general policy, purchases are made through restricted consultations.

Currently the WFP's restricted list related to cereal purchases in Burkina comprises more than twenty suppliers. This list is regularly updated as contracts are being fulfilled. Some suppliers complained of some slowness in relationship to the term of payment (beyond the thirty regulatory days). Thus, one to two withdrew at the time of allocation which occurred two months after the supplier submitted his tender which was outdated owing to the evolution of prices in the market.

The WFP's local cereal purchases (maize or maize meal, sorghum, and cowpeas) were estimated at about 29.734 tons of cereals (sorghum, maize grain, and maize meal) in grain equivalent and 4.575 tons of cowpeas between 2001/ 2002 and 2004 /2005 (see table 3). These purchases are meant for the country's programme and for the programmes of other countries such as Ivory Coast, Sierra Leone, Liberia, and Guinea.

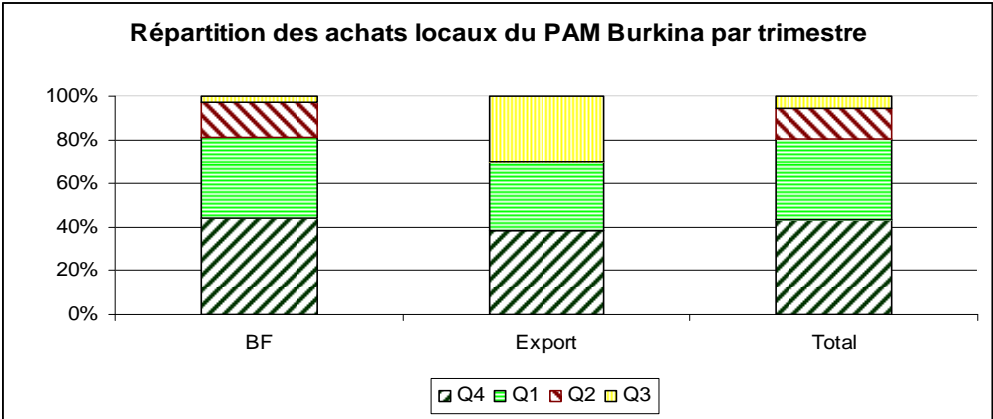
Table 5 shows also that most of WFP's sorghum purchases was carried out in 2002-2003. Maize purchases, which only started in 2003, accounted for the largest share being over 56% of total cereal purchases between 2002 and 2005. Cowpeas purchases have been increasing since 2003/2004 because of the beneficiaries' preference for local cowpeas rather than yellow or green peas offered.

¹⁰ Food Procurement Policy, Executive Director Circular ED96/009, 11 April 1996.

It is worth noting that maize and its by-products as well as cowpeas, have been purchased in Burkina Faso and forwarded to other countries in the sub-region since 2003.

As shown by graph 1 below, cereal purchases are generally affected in the first and the fourth quarters. Purchases for the country-programme of Burkina Faso account on average for 80 % of annual purchases over the period considered. For exports, the rate is about 70% due to the nature of the demand. Recipient countries for these purchases are experiencing conflicts that give rise to greater unscheduled punctual purchases. Due to conflicts in the recipient countries there are more frequent unscheduled purchases. The period immediately following the agricultural harvesting season is propitious to purchases because in general it is characterized by a good market supply level and below-average prices.

Graph 1: Average evolution of local purchases in the course of one and same year.



Source: WFP 2005

Local cereals bought by WFP have to meet the health requirements and standards of quality required at national and international levels (CODEX Alimentarius) for their stocking and for consumption.

WFP solicits the services of SONAGESS for phytosanitary treatment of the products before delivery by the supplier. This provision is an explicit clause in the contract and is at the charge of the supplier.

The quality and quantity control of the product also has to be ensured by the WFP superintendent (Guérimeau Consulting Firm). The same rules apply for food intended for neighbouring countries (Ivory Coast, Sierra Leone, Liberia etc.).

With the purchase of local beans WFP faces the problem that these are not fit for stockage during a long period.

Since the nutritional value of blended foods is higher than of non-blended foods, WFP is exploring the possibilities of blending food locally so as to render imports of these blended products unnecessary as well.

Suppliers, especially farmers' groups and small traders, have a number of complaints however, notably:

- Long delays in payment after delivery without explanation to the supplier. These payments are sometimes perceived as excessively late by suppliers who are themselves faced with imposed delivery-times.
- The time between the date of the bid and the purchase order (PO) is too long. Here progress has been made between 2002/2003 and 2003/2004. The average delay went down from 44 to 28 days. Since prices rise perceptibly from February onwards a too long period tends to discourage future suppliers.
- Tenderers are not informed in time about the outcome of their tender. They are not present at the opening of the bids, and are not informed about the reason when bids are rejected.
- Since small farmers and traders have no access to credit facilities, they are not always able to wait a long period for their payment and therefore sell to the trader at a lower price.

Sonagess

The national security stock is renewed every 3 years by a system of rotation. That means that every year part of the stock is renewed. Tenders are issued by CT/CNSA (Comité Technique du Conseil National de Sécurité Alimentaire). Farmers groups and the large cereal traders are notified when this will happen.

SONAGESS fixes in advance quotas for farmers groups and small traders. Only when farmers groups unable to deliver, may traders take their part.

In order to give the producer a better chance in the tender Sonagess has created more storage facilities in the producing areas. So can farmers groups in the Boucle du Mouhoun deliver their cereals in the warehouse in Dedougou, whereas the trader has to deliver his cereals in the areas where it will be needed.

Because of the danger that traders as well as farmers' groups will agree between them on a minimum price in the bidding, a system of minimum and maximum prices is introduced. To determine this maximum price the average price during the three months November to January in the region where the purchase will be effected is taken and added to this price are costs: transport, packing, bank rates, a profit margin etc. This total then makes the maximum price for Sonagess to purchase.

This price is the same for farmers groups and traders. The only difference is the location of delivery; for the farmers groups within the region and for the trader elsewhere in the country.

Since the communication of a tender already tends to make prices rise it is important for the trader to start collecting immediately at harvest time, otherwise he risks being unable to offer below the maximum price.

Table 6: Evolution of the SONAGESS purchases by type of product (2002-2005 for the SNS)

Cereals	2001/2002	2002/2003	2004/2005	2005/2006	Total
Millet	500.00	5 075.00	400	5 132.1	11 107.1
Sorghum	3 219.20	6 125.00	750	7 084	17 178.2
Maize	944.82	4 196.00		3 150.54	8 291.36
Total	4 664.02	15 396.00	1 150	15 366.64	36 576.66

Source: SONAGESS

In 2002/03 15.396 MT of secondary cereals have been purchased by SONAGESS. Of these 15.000 MT 1.500 tons had been reserved for farmers groups. They only delivered 696 tons however. The rest has been delivered by traders, so that finally 10.000 MT has been delivered by large traders and the remainder by small traders.

At the start of 2006, after a very bad year 2004-05 the stock is minimal. Only 11.463 MT remains in the stores, 1/3^e of the stock. Therefore it is intended to purchase in 2006 15.656 MT for the renewal of the stocks Sonagess. To this must be added 1.400 MT borrowed by WFP from SONAGESS. Besides that SONAGESS hopes to buy 10.000 MT for the stock d'intervention from farmers' groups. These 10.000 MT will be composed of white sorghum, white maize and millet. The quantity of each type of cereal will be determined by the market circumstances.

Apart from this PDL/UDL (Programme de Développement Local de l'Oudalan) borrowed 2.500 MT for the region Sahel from SONAGESS, a quantity that PDL has to buy on the market.

In a contract between CT-CNSA and the supplier is stipulated that the supplier has 60 days to deliver the food. During delivery Sonagess has a maximum of 10 days to analyse the food and deliver a reception note. In order to get paid the supplier has to fill in a form to request payment and deliver this in fivefold to CT-CNSA. CT-CNSA then has to pay within 45 days. In case of non-payment within these 45 days CT-CNSA has to pay an indemnity of 1 promille a day.

This means for the supplier that the time between having his bid accepted and getting paid is more than three months.

Farmers that were interviewed complained that the agents of SONAGESS are not always there when the farmers want to deliver. That means delay for the farmer during which time the cereals may be attacked by insects and the quality deteriorates.

Support to farmers' groups

Farmers groups in Boucle du Mouhoun are supported by two main organizations, namely Afrique Verte (AV) which gives training and support to farmers groups all over the country, and UGCPA'BM (Union des Groupements pour la Commercialisation des Produits Agricoles de la Boucle du Mouhoun) a cooperative of farmers groups in Boucle du Mouhoun.

Both organizations organize courses for their members where they learn about subjects like:

- conservation and stocking of cereals
- commercialisation
- credit
- calculation of a sales price
- management of the group (including transparency and how to solve conflicts)
- construction and management of cereal banks
- keeping administration
- filling in administrative forms like tenders and contracts

Besides that, the organizations help them to fill in administrative papers and contracts, prepare transactions, and inform them of tenders, fairs and credit. Credit on anticipated sales to the organization is given directly by UGCPA'BM and through a banking institution (at a rate of 10%) by Afrique Verte.

An additional advantage of UGCPA'BM is that this organization disposes of a machine to decontaminate the cereals.

Support by these organizations is essential for the farmers groups to be able to deal with the complicated rules that are inherent to purchase by large organizations like WFP and SONAGESS.

Another organization that can play an important role in this field is CIC/B. Contacts have been established between this organization, representing the whole chain, and WFP. It will be interesting to see the development of this organization and especially whether it can make the whole chain cooperate more or whether one layer (e.g. traders) will come to dominate the chain. If it does succeed in getting the different layers to work together in such a way that they all benefit it may be very interesting for farmers' groups to join (UGCPA'BM is a member already).

IV. Rice

Burkina is not by origin a rice producing country. Rice was grown in depressions but on a very limited scale. However, due to the fast growing demand for rice this market has grown considerably.

It is estimated that over 80% of the rice commercialized in Burkina Faso is consumed in urban areas.

Between 1987/88 and 1992/93 an average of 81.333 MT per year of rice was imported, and between 1993/94 – 1998/99 80.768 MT¹¹.

Table 7 shows the growth in imports since that time.

Table 7: Burkina Faso Rice production, imports and availability

Year	Local Production	Commercial Imports	Food aid according to MAHRH	Change in stocks	Total Available	Available per cap/kg
1999-2000	51.815	127.569	15.240	8.632	203.256	18,1
2000-2001	46.574	82.406	12.620	-1.253	140.347	12,2
2001-2002	60.427	157.914	11.311	6.614	236.266	20,1
2002-2003	63.685	153.905	0	3.097	220.687	18,4
2003-2004	52.522	185.617	11.744	0	249.883	20,3
2004-2005	40.976	210.774	6.100	1.450	259.300	20,6
2005-2006 ¹²	59.648					

Note: Local production figures relate to milled rice.

Source: MAHRH Bilans Céréalières Nationaux

Use of the WFP/INTERFAIS figures for the total of food aid in the form of rice given, gives a slightly different outcome (table 8).

¹¹ WFP 2005 Annex 5

¹² Provisional figures

Table 8: Burkina Faso Rice production, imports and availability using WFP/INTERFAIS data concerning food aid

Year	Local Production	Commercial Imports	Food aid according to WFP/INTERFAIS	Change in stocks	Total Available	Available per cap/kg
2001-2002	60.427	157.914	21.859 ¹³	6.614	246.814	21,0
2002-2003	63.685	153.905	3.340 ¹⁴	3.097	224.027	18,7
2003-2004	52.522	185.617	13.542 ¹⁵	0	251.681	20,4
2004-2005	40.976	210.774	15.350 ¹⁶	1.450	268.550	21,3
2005-2006 ¹⁷	59.648					

Note: Local production figures relate to milled rice.

Source: MAHRH Bilans Céréalières Nationaux and WFP/INTERFAIS

The growth in demand for rice reflects both a change in food habits and an increase in (urban) population¹⁸. The local secondary cereals are being replaced by rice which is mostly imported. A problem is that part, not clear how much exactly, of the national rice production remains unsold with the producers. This is explained in a report by HESA/CEDRES¹⁹ by the fact that profit margins for the trader are higher with imported rice.

CRS is of the opinion that lower quality and higher cost of local rice contribute to lower profit margins.

The conclusion of HESA/CEDRES is confirmed by ongoing research by ONRIZ (Observatoire Riz du Burkina) and RIZAO (Réseau des Observatoires Riz de l'Afrique de l'Ouest) on the possibilities for local rice production in Burkina. They come to the conclusion that rice traders are mainly involved in rice importation and do not have an interest in local rice²⁰.

The interest of the consumers in rice can be explained by the fact that the urban citizen has less time to prepare food, and cooking rice takes less time than preparing tô (a local food made of sorghum, millet or maize). The rice monetized by Africare and CRS is parboiled which requires even less cooking time. There is a difference in taste and also with regard to colour between local and imported rice. Also, as imported rice contains less water it swells more during cooking. This gives the impression that imported rice is cheaper because its volume when cooked is greater²¹.

¹³ of which 18.519 for monetisation

¹⁴ of which 3.330 for monetisation

¹⁵ all monetised

¹⁶ all monetised

¹⁷ Provisional figures

¹⁸ The five main secondary centers of Burkina (Bobo Dioulasso, Koudougou, Ouahigouya, Banfora, and Kaya) experience a population growth between 2.5% and 3.2% per year (WB ISDS Report No. 35321) against a general population growth of 2,3% (2004, WB World Development Indicators).

¹⁹ HESA/CEDRES, Projet de recherche TASIM-AO: Rapport final de synthèse ; Commercialisation vivrière paysanne, marchés urbains et options politiques, Janvier 2005, pag. 81

²⁰ As learnt from ONRiz/RIZAO. The report is not finalised as yet so it is not clear why this is the case.

²¹ HESA/CEDRES pag 81

The liberalisation of the food market has placed imported rice in direct competition with local rice. But not only does imported rice prevent the marketing of local rice, it may also be a danger to the producers of secondary cereals. These producers have little or no alternative means of gaining their income. A fall in demand for secondary cereals will therefore have serious repercussions for them. Maybe further export of these cereals to neighbouring countries can make up for this eventual fall in demand. Study should be done to find out the effects of importing rice on the secondary cereal producers and their possibilities for growth.

Part of the rice imports consist of food aid. CRS and Africare import USAID Title II program rice every year to sell on the Burkina market (monetisation) and SONAGESS monetises an annual gift in rice from Japan.

The following table indicates the percentage that rice donations form of total rice consumption per year, according to data provided by MAHRH and by INTERFAIS.

Table 9: Food aid in the form of rice as percentage of total rice consumption

Year	Food aid as % of consumption (data MAHRH)	Food aid as % of consumption (data INTERFAIS)
1999-2000	7,5	
2000-2001	9,0	
2001-2002	4,8	8,9
2002-2003	0	1,5
2003-2004	4,7	5,4
2004-2005	2,4	5,7

Table 9 clearly shows that, although the effects per donor may be limited, the effects of all food-aid in the form of rice for monetization together can be considerable, since the aid appears to attain a level even as high as nine percent of total rice consumption in 2000-2001.

This means that donors who compare their own contribution only to total consumption may conclude that their part is only very small and therefore does not influence markets, but since the quantity of all donors together must be considered it is a serious mistake to examine own contributions separately and not to look at the cumulative effect of all actions of all donors together.

USAID Title II program is used by Africare and CRS to finance their development projects. Africare is completely dependant on the monetisation, CRS has other sources of financing as well.

CRS has a budget for monetisation for the period 2004-2009 of US \$ 13.910.290 and expects a total of 737.605 beneficiaries in the less food secure parts of the country. Their project aims at the following strategic objectifs²²:

‘‘Les Objectifs stratégiques spécifiques du DAP de CRS/BF sont les suivants:

OS1: Améliorer la valeur des produits de contre - saison et des produits de base des paysans pauvres du Burkina Faso

²² Catholic Relief Services/Burkina Faso : P.L 480 Titre II, Proposition de Programme d'assistance au Développement Années Fiscales 2004 – 2009

OS2: Accroître les opportunités d'éducation des enfants du Burkina Faso surtout celles des filles

OS3: Améliorer le Statut sanitaire et nutritionnel des enfants du primaire au Burkina Faso²³

OS4: Accroître les revenus tirés des micro entreprises des femmes rurales pauvres du Burkina Faso

OS5: Accroître la disponibilité des vivres, en faveur des populations en situation de grande insécurité alimentaire au Burkina Faso''.

Africare implements a five-year, \$ 5,514,945 project called the Zondoma Food Security Initiative (ZFSI). Zondoma is a food insecure province north of the capital Ouagadougou. The project's three strategic objectives are²⁴:

1. to increase community capacity to identify, analyze and solve their food security problems
2. to improve agricultural productivity
3. to improve household nutrition.

The mission has visited projects of both organisations and was impressed by the quality of the work done. Both organisations listened well to the target group that fully cooperated with the project²⁵.

SONAGESS handles and monetizes rice provided under bilateral programmes between the Government of Burkina Faso and other governments that since 1992 have included Japan and until 2002, Italy. Japan donates an annual amount of 300 million yen which is used to buy rice in Japan and ship it to Burkina.

CRS and Africare have annually a Bellmon analysis made (to examine whether food donated under the Act "will not result in a substantial disincentive to or interference with domestic production or marketing in that country") including a "Usual Marketing Requirements" test designed to protect normal commercial imports^{26 27}. SONAGESS does not carry out such analyses.

The market structure for imported rice in Burkina Faso can generally be divided into a three tier system.

The first tier comprises the major rice importers e.g. Ets Kanazoe Inoussa, ESMAF, and CORAM. This is an elite group of well financed enterprises that tends towards becoming an oligopoly. In 2003 Ets Kanazoe was estimated to control 50% of the import rice market. The entry of new enterprises to this trade is difficult because a lot of capital is required.

The second tier of market players in the rice market consists of wholesalers who buy from the importers and sell to the third tier of retailers. This wholesale market seems to be fairly competitive. Wholesalers buy rice in lots of between 50 and 2,000 MT from the importers.

²³ La Banque Mondiale assurera le financement total du programme de santé scolaire (note CRS)

²⁴ Africare/Burkina Faso: Title II Development Program Zondoma Food Security Initiative, Fiscal Year 2004 Results Report pag.1

²⁵ In a later publication I hope to expand on those projects.

²⁶ Office of Food for Peace, Bureau for Democracy, Conflict and Humanitarian Assistance DCHA, Strategic Plan for 2006-2010, May 2005, pag. 18

²⁷ Also in the same text: "Bringing the Title II program under the discipline of the WTO would likely require more rigorous analyses.." pag 18

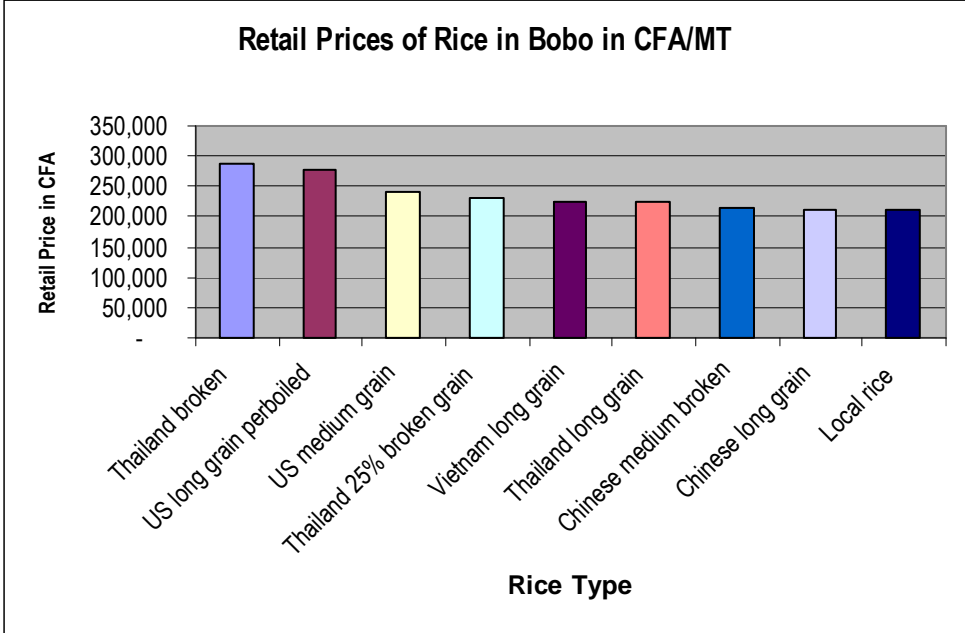
The third tier of market players are semi-wholesalers, or retailers, who generally buy in lots of one to 100 MT. They are to a certain degree dependant of their suppliers because it is these suppliers who give them credit as they themselves are too small to obtain credit with the bank.

Sales by CRS/Africare take place through an open and competitive public tender in lots of 100MT or more, which means to the wholesale market. In that sense the monetisation of rice by CRS/Africare makes the market for rice more open and competitive.

It is claimed that the rice monetised by CRS/Africare does not compete with other kinds of imported rice because of the difference in quality. According to the Bellmon analysis²⁸ two categories of rice are imported:

- Bottom-end imported rice: The most common is #5 long grain. It is 25% broken and imported from Asia (China, India, Pakistan, and Burma).
- Top-end imported rice: consumed solely in well-to-do urban areas due to its price. It is made up of perfumed rice imported from Thailand and Title II parboiled rice.

Graph 2: Retail Price for Rice on sale in Bobo Dioulasso in CFA/MT



Source: Market Survey on December 12, 2004 in FY 2005 Bellmon.

The difference of the USA parboiled rice with other imported rice is described in the Bellmon analysis as follows:

“A recent study conducted in Ouagadougou and Bobo-Dioulasso indicated that USA parboiled rice had an excellent image in the market. It was sold (on average) 20% more than the regular Asian long grain 25% broken white rice and buyers recognized its quality and were ready to pay a premium for it. This was confirmed during this study where some of the consumers who were interviewed in the two cities indicated that parboiled rice among the urban middle class consumers was used during special occasions such as weddings to impress in-laws!”²⁹

²⁸ FY 2005 Bellmon pag 13

²⁹ FY 2005 Bellmon pag 7

“...local rice and Chinese rice are the cheapest products in the market that are preferred by low-income consumers whereas US long grain parboiled rice is a premium product for the upper end of the market.

Three conclusions can be drawn from this analysis namely: a) monetization of Title II rice at premium prices will ensure that it does not compete with local rice; b) given that local production covers only 21% of national demand, then about 80% of the demand gap is met from imports and therefore Title II rice is only displacing other rice imports into Burkina Faso; c) local rice is seasonal and cannot be found on urban markets which reflect the structural and institutional deficiencies in the agricultural sector rather than disincentives from Title II rice.”³⁰

Interesting in these conclusions is that they agree that U.S. Title II rice displaces other rice imports (though it does not mention to what extent those exports are subsidised as well), and that it does not hesitate to make use of the fact that local rice cannot be found on the urban markets.

³⁰ id. pag 11

V. Effects of local purchase

Local purchase has its effects not only on national and local level, but also on household-level. A whole chain is involved, from producers to food transformers to transporters to traders. On the whole, local purchase has many advantages above the importation of food. The population gets the food that it is used to, the local economy is stimulated and not only does foreign exchange remain in the country opposite to when the food is bought outside the country, it also brings in foreign exchange to purchase the food.

As an overwhelming proportion of the population is dependant for its livelihood on the agricultural sector it is very important that there is a market for locally produced products, all the more as worldwide the demand for secondary cereals is very low.

Total local purchase of secondary cereals in Burkina in MT from 2001/02 to 2004/05 is summarised in table 10

Table 10: Local purchase of secondary cereals in Burkina Faso in MT 2001/02 - 2004/05

2001/02			
Cereal	Millet	Sorghum	Maize
Production gross	1.009.044	1371569	606291
Production net	857687	1165834	515347
Commercialised	128653	174875	180372
Local purchase WFP		2899	0
as % of quantity commercialized		1,7	0
Local purchase Sonagess	500	3219	945
as % of quantity commercialized	0,4	1,8	0,5
Local purchase others			
Total local purchase	500	6118	945
LP as % of production	0	0,4	0,2
LP as % of quantity commercialized	0,4	3,5	0,5
2002/03			
Cereal	Millet	Sorghum	Maize
Production gross	994661	1373331	653081
Production net	845462	1167331	555119
Commercialised	126819	175100	194292
Local purchase WFP		9814	0
as % of quantity commercialized		5,6	0
Local purchase Sonagess	5075	6125	4196
as % of quantity commercialized	4	3,5	2,2
Local purchase others	850	1910	509
Total local purchase	5925	17849	4705
LP as % of production	0,6	1,3	0,7
LP as % of quantity commercialized	4,7	10,2	2,4

2003/04			
Cereal	Millet	Sorghum	Maize
Production gross	1184283	1610255	665508
Production net	1006641	1368717	565682
Commercialised	150996	205308	197989
Local purchase WFP		139	9093
as % of quantity commercialized		0,1	4,6
Local purchase Sonagess		0	0
as % of quantity commercialized	0	0	0
Local purchase others			182
Total local purchase	0	139	9275
LP as % of production	0	0	1,4
LP as % of quantity commercialized	0	0,1	4,7
2004/05			
Cereal	Millet	Sorghum	Maize
Production gross	937630	1399302	481474
Production net	796986	1189407	409253
Commercialised	119548	178411	143239
Local purchase WFP		200	7589
as % of quantity commercialized		0,1	5,3
Local purchase Sonagess	400	750	0
as % of quantity commercialized	0,3	0,4	0
Local purchase others	0	0	0
Total local purchase	400	950	7589
LP as % of production	0	0	2
LP as % of quantity commercialized	0,3	0,5	5,3

When we look at the percentages of each intervening organization the highest figures for WFP are 5,6 % of commercialised sorghum in 2002/03 and 5,3% of commercialised maize in 2004/05. For Sonagess these are 4 % for millet and 3,5 % for sorghum and 2,2 % for maize in 2002/03. Each percentage is not too high, but together they attain 4,7 % for millet and 10,2 % for sorghum in 2002/03, and 4,7 % for maize in 2003/04.

So although local purchase as a percentage of total production is quite negligible (the maximum is 2 % of maize in 2003/04), as a percentage of quantities commercialised in some years it is quite important and bound to influence markets.

Table 11: Value of local purchases by WFP between 2001 and 2004

Period	Destination	Cowpea		Cereals		total	
		In US\$	In FCFA	In US\$	In FCFA	in US\$	In FCFA
2001-2004	BF	215 600	124 841 000	6 711 593	3 959 511 971	6 927 193	4 084 352 971
	Export	1 333 539	704 598 750	800 400	415 583 600	2 133 939	1 120 182 350
	Total	1 549 139	829 439 750	7 511 993	4 375 095 571	9 061 132	5 204 535 321

Source: WFP 2005

It appears from table 11 that over the period 2001 – 2004 WFP has locally purchased for over US \$ 9 million, money that has been injected in the country as cash. Should the food have been provided in kind, Burkina would have received \$ 6.927.193 in food only because the remainder of the local purchases was meant for neighbouring countries. Should this aid not have been given at all and the Government of Burkina would have provided the same quantity of food to its population, this would have had a negative effect on the balance of payments of \$ 6.927.193, money that now could be used to import other essential items. So an important difference between local purchase and food aid in kind is that the money used for local purchase, serves as a capital injection in the rural areas.

The effect of local purchase by Sonagess is different from that by WFP, because SONAGESS' local purchases do not bring in new capital from outside. It uses money already available in Burkina for this purpose.

Regarded from a macro level, these local purchases by WFP are very positive. However, the question is in which way this capital injection is used, and which groups of the population profit from it.

It is a pity that no research has been done with regard to the influence of these purchases on market prices. SONAGESS, which follows prices in 48 markets all over the country from week to week, does not have the resources to do the necessary analysis, nor has this been done by another organization. As such an analysis has not been made on national level, it is even harder to answer the question whether these local purchases have influenced the surplus regions in Burkina whence the marketed surplus is supposed to originate.

Such an analysis is even more complicated by the fact that not only are markets in Burkina are interlinked, but as the grain market in Burkina is liberalised, national borders are also no limit to international food transport anymore.

In spite of the problems linked to such an analysis, something can be said about the development of agriculture and agricultural prices.

Traders and farmers are groups that have the potential to profit most from local purchase. Traders involved in transactions with WFP are mostly large traders who buy and sell not only in Burkina but in the whole subregion, looking for those places where profits are highest. Trade benefits from transparency on the markets and fair tender systems. Procurement can contribute to:

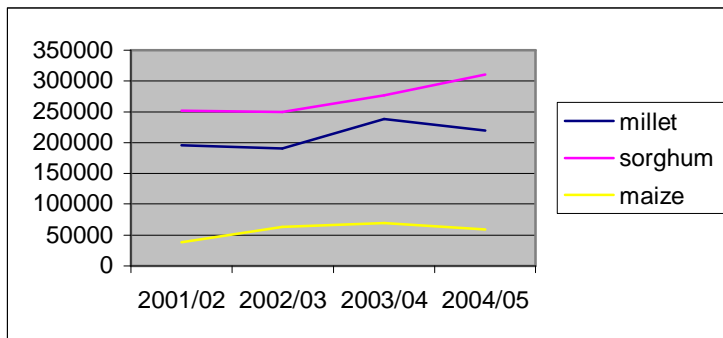
- improved business practices among traders

- investment in infrastructure for storage and quality enhancement
- higher quality standards for the food that is available in the market

The largest group that could benefit from local purchase are the producers though, many households in the rural areas of Burkina Faso.

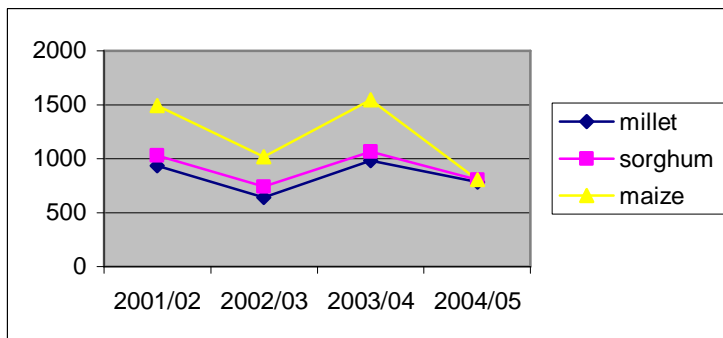
Examination of the region Boucle du Mouhoun provides the following information concerning the total area in ha. used for food production, yields per ha. and the total production of the region in MT.

Graph 3: Area used in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05



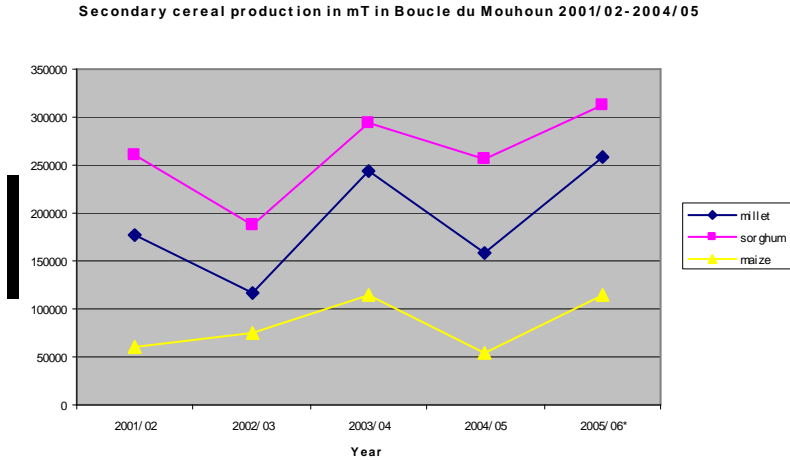
Source: data from MAHRH

Graph 4: Yield/ha in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05



Source: data from MAHRH

Graph 5: Total production in MT in Boucle du Mouhoun for millet, sorghum and maize during 2001/02 – 2004/05

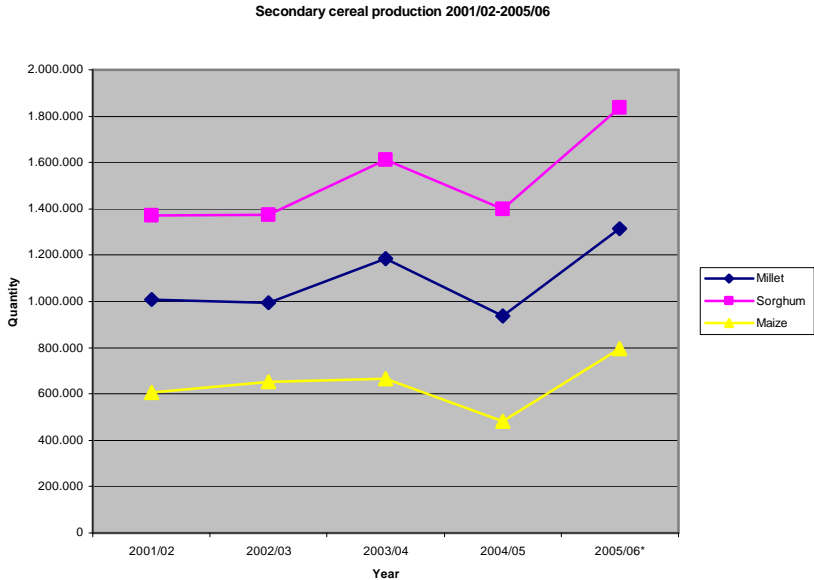


Source: data from MAHRH

For all three products it appears that total production is more closely linked to yield/ha than to expansion of the area used.

The production graph of the Boucle du Mouhoun indicates the same trend for production figures as the production figures for the whole of Burkina Faso (see graph 6), with the exception of the harvest in 2002/03 which was very low for millet and sorghum in the Boucle du Mouhoun but not in the other parts of the country.

Graph 6 : Secondary cereal production Burkina Faso 2001/02-2005/06



Source: data from MAHRH

Graphs 3 and 4 show that no substantial increase in productivity or expansion in acreage consecrated to the production of cereals took place in the Boucle du Mouhoun area. In all Sahelian countries there is lack of arable land so it is not surprising that in Burkina too there is

no substantial increase in land used. The fact, however, that yields have not gone up in a production area like Boucle du Mouhoun in spite of improved seeds and improved agricultural techniques is more annoying.

The market stakeholders interviewed for WFP's study on the impact of local purchases consider that WFP's purchases entail sudden increases in prices of about 5 to 10% in those production areas which supply most of the successful tenderers. This increase did not have negative effects on local consumption because these areas are surplus areas and farmers' stocks were at a relatively stable level. Most often, the beneficiaries of this increase in prices are wholesalers and small producers who have stocks during the period³¹. They have not, however, been able to prove this hypothesis of rising prices due to local purchase. In any case, the effects are only very temporary and disappear within one or two weeks.

For this study interviewed farmers in the Boucle du Mouhoun region indicated that local purchase by institutions like Sonagess and WFP does have an effect on the price paid by the trader. Because of these purchases the trader loses part of his monopoly position and therefore has also to take into account the price the farmer can get elsewhere. The same argument applies to the integration of markets.

Price changes in rice and cotton have their effects on the grain market too. CIC/B writes³² that farmers in the important production areas declared that the rise in cotton prices gave them the possibility to put more emphasis on food security of the household at the expense of marketed food quantities. This is because revenues from cotton enabled them to pay the necessary monetary expenses as well as the repayment of credits used to purchase intrants and equipment.

Rice prices after the devaluation of 1994 have risen strongly compared to the prices of the dry cereals, but following the price rise in these cereals the situation changed rapidly again. Thus, in 1997/98 the price of rice was only 20% higher than that of the flour of dry cereals and in 2005, another very difficult year, dry cereals were not even available on some local markets so that people were obliged to purchase rice.

A price-analysis by Boubacar Diallo and Mbaye Yade, the authors of the WFP report "Impact des achats locaux et regionaux du PAM", etude de cas sur le Burkina Faso" has shown that 2002-2004 prices are close to those of 1996-1998 in the markets in production areas. This while between 2002-2004 consumption prices at the Ouagadougou market were below the 1996-1998 levels for all cereals put together.

They conclude that there has been no rise in cereal nominal prices over such a long period, whereas real prices have decreased. Over the same period however, prices for agricultural inputs and equipment have increased considerably in this period wherein also the devaluation of 1994 took place³³.

We may add that, in contrast to the farmers, the urban population has benefited from a fall in prices over time.

³¹ WFP 2005

³² Ministère de l'Agriculture, Secrétariat Permanent de la Coordination des Politiques Sectorielles Agricoles : Plan d'Actions sur les Céréales (mil, sorgho, maïs), document final. Mars 2002, pag. 19

³³ WFP 2005

Together this leads to the conclusion that real income from cereal crops, especially millet and sorghum, has gone down during this period. Thus, in spite of local purchase, no rise in income for local farmers can be established. Therefore the farmer has not had the financial possibilities to invest and this may explain why yields/ha haven't gone up.

The WFP experiment with local purchase from small producer groups

In 2004 the French Cooperation (FC) funded in Burkina Faso the local purchase of 1 230 tons of cereal through WFP, with as its second objective to increase the incomes of the producers by purchasing directly from producers groups and by-passing the usual commercial intermediaries. To achieve this, the normal WFP procedures could not be followed. WFP HQ therefore gave their consent to WFP/ Burkina that procedures be waived and a restricted consultation to producer associations be opened. This was done on easier conditions than usual, mainly the reduction of batches to 100 tons and the cancellation of the financial guarantee clause (1%).

WFP initiated two distinct consultations: one relating to 630 tons for traders and another for 600 tons, with smaller lots, for producers.

The tender was communicated to 22 producer groups of whom 6 bid. As 5 groups did not provide all the information needed, the time of response of 20 days had to be extended. In the end 6 bids could be considered. The committee decided to allocate the 3 lowest bids 200 MT each. Two of them fulfilled their obligations; the third came afterwards with a revised, higher, price leading to its exclusion. These 200 MT were then included in a following tender in which producer groups had to compete with traders.

For the tender of the 630 tons the three lowest bidders of the previous tender were invited as well as the usual traders. Only one producer group made a bid this time, but with a price higher than all other bids so this tender was allocated to a trader.

From this pilot a number of issues become clear:

- The rules of WFP are too complicated for the average producer group to comply with. The possibility of replying correctly to the offer improves when a group is conducted by Afrique Verte or UGCPA'BM.
- The bids of the producer groups are higher than the bids by the traders, which implies that if price is the determining factor for awarding a contract, as is the case with WFP, in normal circumstances no direct purchase from farmers will take place.
- This means that as long as WFP does not change its criterion for local purchase, the producer groups cannot compete with the traders.

This year WFP/Burkina is again allowed a waiver of procedures so that it can open a restricted consultation to producer associations. Should WFP decide to continue separate bidding in future, then farmers' groups will be able to learn the finesse of marketing procedures and tenders, and the groups will be able to develop.

Such a system will be more in line with Sonagess' system of tendering where it is decided in advance which part will be delivered by traders and which by farmers' groups (in smaller lots).

To the farmers in the region 'Boucle du Mouhoun' of Burkina Faso local purchase has brought a number of positive effects:

- The monopoly position of traders has weakened. Local traders take prices received by the farmers when selling to institutions like Sonagess into account when setting their own prices. This means the producers receive slightly higher prices.
- Higher prices paid to the producers mean not only that the local economy is stimulated, but also that there is higher food-security at household level among these farmer families.
- Support and courses given by associations like UGCPA'BM (Union des Groupements pour la Commercialisation des Produits Agricoles de la Boucle du Mouhoun) and Afrique Verte have made the farmer more conscious of possibilities in the field of marketing outside the own direct environment. The improvement of means of access (desenclavement) and the use of modern means of communication (portable telephone) have also been very important factors in his growing awareness.

Nevertheless, in spite of the many advantages of local purchase, the farmers have not as yet been able to benefit as much as might have been envisaged. This is because there are a number of difficulties for the farmer to overcome before he can sell his food.

- The farmer has been accustomed to selling his products to the trader who is very often from the same village. This trader has an important role within the village. Not only does he purchase the crop, he also acts as the local money-lender. He purchases the crop when it is still growing in the fields, and advances the farmer the money. His rates of interest are high, for one sac of millet the farmer often has to return two sacs, or even more. On the other hand, the trader takes the risk of a bad harvest, no repayment by the debtor etc. He advances money to those people who cannot get a loan elsewhere. Thus the trader plays an important role in the village economy.
- Farmers cannot rely on WFP and SONAGESS for their sales. These organisations buy only when necessary. Also if they don't buy, the farmer has to sell. Relations with the trader deteriorate when the farmer is selling too much to the organisations. The next year the farmer may need the trader again who has not forgotten.
- Since the trader buys throughout the year, not only in Burkina but in the whole subregion, and, besides that, can make use of distress sales from and high-interest loans to farmers with financial problems, it is easier for the trader to sell at a lower price than for the farmers' groups whose interest is to have a reasonable price for their members.
- Buyers like WFP and Sonagess have their own administrative procedures, which are unknown to the farmer.
- Both WFP and Sonagess are large organisations which cannot afford to trade with each farmer separately. That means that farmers have to organize themselves and work together.
- Currently, the WFP's restricted list related to cereal purchases in Burkina comprises more than twenty suppliers who are recognized within the country and in the sub-region for their professionalism and their capacities to provide. This list is updated regularly.
- The level of education of the majority of the farmers is still so low that they cannot do without the support of organisations like UGCPA'BM and Afrique Verte in order to fulfil the administrative obligations involved in delivering to Sonagess and WFP. The art of filling in administrative forms and following the right procedures is something they are not yet used to and is not their vocation.
- Not only is the administrative procedure is very difficult for them, also the quality of the food delivered must be of a high quality as it has to be stocked for a long time.

- The majority of the farmers do not dispose of the machines required to decontaminate the cereals.
- The most important problem the farmers face when subscribing to the tenders of Sonagess and WFP, according to their own responses, is the delay in payment by these organizations. An administrative procedure has to be followed which means that the farmers get paid only weeks or months after delivery. Since they cannot afford to wait so long they prefer to sell to the trader who pays them immediately, even though the trader pays less.
- With WFP the period between the dates of bid and purchase order (PO) is too long. Progress was made here between 2002/2003 and 2003/2004. The average delay went down from 44 to 28 days. Since prices rise perceptibly from February onwards this tends to discourage future suppliers.
- With SONAGESS the time before the supplier is paid is too long for the farmer.
- Tenderers are not informed in time by WFP about the outcome of the tender, they are not present at the opening of the bids and are not informed about the reason for their rejection.
- In most cases the farmers themselves have no access to credit with commercial firms.
- Advances (UGCPA'BM) and loans (Afrique Verte which functions as a guarantee towards the financing institution) have been tried to overcome the problem of delayed payments. Neither WFP Burkina nor SONAGESS are involved in this.
- Farmers' groups are taught by UGCPA'BM and Afrique Verte how to calculate their total costs and required sales price. WFP however does not take this aspect into account when evaluating the bids. WFP buys from the lowest bidder, mostly a trader, irrespective of the price paid to the producer.

According to a recent WFP document³⁴ a new system is being developed in Uganda, the warehouse receipts system. It is described as follows: “A warehouse receipts system is a private sector mechanism supported by the public sector and commercial banks to increase the availability of credit by using stocks as collateral. By depositing grain in a bonded warehouse, a farmer/trader can use the "receipt" as a property right for the stored grain and can provide this as collateral to obtain credit from a commercial bank. Governments provide support by ensuring an appropriate legal and regulatory environment. Such a system can be an important means to release the credit constraint that often hinders farmers and traders from benefiting from market opportunities, such as participation in WFP tenders”.³⁵

If this system is successful, it will be interesting to study the possibilities of introducing it in Burkina as well, so as to ease the needs for credit of the commercialising farmers.

Another effect of locally purchased food that needs to be mentioned is the fact that the local population gets the food it is used to. Food habits are not changed by exposing them to foreign food and no demand is created for foreign food items that are not locally produced. Reduced too is the danger that the population uses seeds of foreign food (e.g. from maize originating in another climate) that are not adapted to the climate or the fertility of the soil. Further, no demand, that will eventually lead to foreign exchange problems, is created for foreign food.

Thus WFP has also replaced imported canned meat/fish with local beans (niébé). Although this decision seems to have been taken by WFP on merely cost-effective grounds, it was a measure to the profit of the livestock sector in Burkina Faso³⁶. No complaints about this change from the side of the receiving population have been reported and the country has benefited from it. The more as the niébé can be consumed and what remains is good fodder for the animals.

³⁴ WFP: Food Procurement in Developing Countries Agenda item 5 Executive Board First Regular Session, Rome 20-23 February 2006, Draft 2

³⁵ par. 81

³⁶ Bronkhorst, Ruud: WFP and the Pastoral sector in Burkina Faso, Mali and Niger, Report to the Ministry of Foreign Affairs of the Netherlands, 2001

VI. Effects of commercial rice imports and monetisation

The advantages of the sale of rice donated by the Government of Japan and USAID for the Government of Burkina are evident: they generate money that can be used for its development projects. If organisations like CRS and Africare then have Bellmon analyses made which calculate how much rice can be sold without negative effects on local production, it seems to be a win-win situation. Besides, if the rice was not sold and its proceeds used for development projects, these projects could not be executed – with all the consequences for the rural population that that implies. The projects of CRS and Africare that were visited during this mission were all very valuable and it would be a great setback if these projects could not continue. As mentioned in ch.4 these projects serve great parts of the country and many people.

This however may not prevent us from analysing other effects on the cereals market and on rural development as a whole.

Rising rice consumption at the expense of secondary cereals consumption has the potential of changing the rural world. 80% of the population depends on the production of secondary cereals. When food habits change rapidly towards the consumption of an imported product, this may have profound effects on the rural population that produces the secondary cereals.

There are two possibilities:

1. a rise in production and sales of local rice, or
2. a rise in rice imports.

Ad 1. Although the study by ONRIZ/RIZAO is not yet completed, their conclusions tend to very good prospects for local rice in Burkina Faso. Of the 800.000 ha that could be exploited until now less than 10% is effectively used to this end. This means that local rice production could rise considerably. December 2005 a national union of rice producers was created. The study will recommend specific measures to support the whole chain including the improvement of commercialisation³⁷.

Some of the producers of secondary cereals will be able change to rice production, so the effects on that part of the rural population will not be too great. For the balance of payments it does not make a difference whether local secondary cereals or local rice are consumed. The question remains however, to what extent local rice can at long term replace the created demand for high-quality Title II rice.

Ad 2. If rice imports rise at the cost of secondary cereals this means that the livelihoods of many rural people will be endangered. A drop in demand for secondary cereals will be no problem if there are alternative income generating activities. As long as there are no good alternatives however, the effects on the producers of secondary cereals will be negative. Added to this must be the negative effects on the balance of payments of importing food instead of growing it (this of course only in case of commercial imports, not of US Title II rice).

At this moment the demand for rice is covered by a. local production, b. commercial imports, and c. monetisation of rice by CSR, Africare and SONAGESS.

Although the benefits in the form of foreign aid (see ch.4 where the projects of CRS and Africare are described that are financed by the revenues) are much higher than the amount lost, it is a fact that in allowing the monetisation of rice, the Burkina Faso Government

³⁷ Information by ONRiz /RIZAO.

foregoes income from taxes which she would have received in case of commercial imports. It is surprising that the Government extends the same tax exemptions to rice meant for monetization as to food aid meant for free distribution.

This subsidy can be shown with the next table taken from CRS' Bellmon analysis.

Table 12: Cost Recovery Analysis for Rice

Cost Recovery Analysis for Rice	
Long Grain #5 Parboiled Rice	Price in \$/MT
FAS spot price (cost)	\$315
Ocean Freight (Foreign flag)	\$ 155
Inland transport	\$102.00
Duties and Taxes	
1. Import Duty (10% of C&F)	\$57.20
2. Processing Fee (1% of C&F)	\$5.72
3. Economic Unions Tax (1.5% of C&F)	\$8.53
4. Imports Verif. Program Support (1% of FAS)	\$3.15
5. Weighing Charge	\$0.94
6. Sales Tax (18% of (C&F+ Duties & Charges))	\$102.96
Conformity Certificate	\$2.50
Total Cost and Freight	\$753
80% of C&F (with taxes)	\$602.4
80% of C&F (without taxes)	\$459.6

The foreign currency to US dollar exchange rate used was FCFA 501 to the US Dollar obtained on December 16, 2004
 Source: FY 2005 Bellmon analysis

The six categories of duties and taxes shown in Table 12 above amounting to US\$ 181/MT are paid by the government of Burkina Faso as part of its contribution to the CRS program. All other commercial food imports in Burkina are subject to these levies. The total cost and freight without taxes amounts to \$ 574,50 against \$ 753 including cost and freight. This implies that the Burkina Faso Government subsidizes this import with an amount of \$178,50 MT, the amount it would have received in case of commercial import. The sales price of \$ 420 – 422 is far below the actual costs, even when subsidized by the Burkina Faso Government.

The above implies that the rules of a liberalised market are not applied to these gifts of rice.

As positive points can be mentioned that CRS/Africare sales take place through an open and competitive public tender. Therefore the monetisation of rice by CRS/Africare makes the market for rice more open and competitive. Also people when purchasing Title II rice invest indirectly in rural development projects, whereas if they had bought commercially imported rice it would have meant a loss of foreign currency for Burkina. Thus given the actual demand for, and local production of, rice this implies a positive influence on the balance of payments.

Since the rules of a free market are suspended in the case of rice gifts, why not suspend them too for imported rice? Higher import duties on imported rice would benefit both the Burkina Government and the development of local rice growing. The economic infant-industry argument³⁸, which implies that an economy should be protected in its early stages from outside competition, can be applied to the rice sector in Burkina. Therefore this sector is entitled to temporarily protection.

The people who do benefit of these monetisation activities by CRS and Africare are first of all those parts of the rural population who are covered by the CRS and Africare projects. Further the top layer of the Burkinabè population who can afford to buy top-market rice. They do not pay the price they would have paid in a free market, but pay a subsidised price. The subsidy is given both by the U.S. and the Burkina governments. Africare is of the opinion that this way the Burkinabè can express their support for, and contribute to, the development of the country.

The fact that rice has become so popular during such a short period is not only due to advantages in preparation and money, but also to the fact that rice was available on the market. Since the liberalisation of the rice market demand has grown rapidly. An interesting question is to what extent this increase in rice consumption was demand-driven and to what extent supply-driven. People in the country have become acquainted with rice among other things because of food aid. In emergency situations this is unavoidable, but the question can be put to what degree this change in food habits has been stimulated by food aid. Unfortunately no studies have been done in Burkina to that effect.

Another fact to take into consideration is the health aspect.

The change by urban populations from secondary cereals to products like rice and bread could bring to the poorer parts of the population a loss of proteins, vitamins, mineral salts and fibres. Richer people can make up for this loss by eating fruits, vegetables and meat or fish.³⁹ On the other hand, an expansion of the local diet of tô only with rice could lead to a more varied diet and therefore be positive.

The decision to allow rice to be freely imported without high taxes is a policy decision. But policy decisions should be based on clear understanding of the effects of different decisions. This understanding should be based on research by its own services, but also by its partners. At the moment CRS and Africare do make analyses to see how much rice can be sold on the market, but these analyses do not fully tackle the future of the rural population because of these rice sales. This means that these analyses can be part of a broader analysis, but on themselves are too limited for policy making.

SONAGESS unfortunately has not published such analyses at all.

Therefore a combined effort should be undertaken by all parties involved in the development of Burkina, government organisations, donors and NGO's like CRS and Africare alike, to study objectively the effects of the sale of rice on the development of the rural populations in Burkina.

³⁸ **infant-industry argument** An argument in support of the retention of a protective import tariff to promote the creation of a local industry. It is held to apply in cases where an industry cannot operate at an optimum least-cost output until it has reached a sufficient size to obtain significant economies of scale. A new industry, therefore, in, say, a developing country, will always be in a competitively vulnerable position vis-à-vis an established industry in an advanced country. It follows that the stage of growth at which the industry (or country) can 'take off' industrially will be postponed indefinitely. The argument concludes that protection is necessary until the industry has reached its optimum size (The Penguin Dictionary of Economics, 6th edition).

³⁹ HESA/CEDRES pag 84

In such a study the beneficial effects of the use of funds from monetization on the same rural development should also be examined. Because this is a dilemma: against the possible negative effects on the rural population of the rice sales, this same rural population benefits largely from the development projects financed by these sales.

Things would be far easier of course if the same amount that is now used for the rice, would be available in cash to Burkina. Not having to import, stock and sell the rice means saving the cost of this, and that money could be utilised for the projects themselves. In this way not only more money would become available, but there would be an end to the loss of funds caused by rice being sold below cost price as well.

From table 12 it can be learned that total cost and freight without taxes is \$ 574,50. Bellmon 2005 expects to be able to realize between \$ 420 – 422 per ton or a loss of some \$ 150 per ton. This means that if these figures can be applied to 2003/04 when 7.069 MT has been imported, an amount of more than a million U.S. \$ has been paid, but not used for the projects (4 million has been paid and only 3 million became available for the projects). Thus if USAID had financed the projects in cash instead of through rice, USAID could have either saved money, or given \$ 1 million more for the projects.

In the project proposal 2004-09 different projections are given. There it is assumed that for 2004 total cost without taxes would amount to US \$ 375 and that the sales price would be \$ 348,15. For a total volume of 5.260 MT this would imply a total revenue of \$ 1.831.269 against costs of \$ 1.972.500, so a loss of \$ 141.231 only.⁴⁰

⁴⁰ Catholic Relief Services/Burkina Faso, P.L 480 Titre II, Proposition de Programme d'Assistance au Développement Années Fiscales 2004 – 2009 pag 101

Conclusions and Recommendations

Conclusions

- Local purchase is, in the case of Burkina Faso in those years that there is a surplus of food, a great step forwards compared with direct transfer.
- Local purchase stimulates the local economy and provides the population with the food it is used to.
- While changing from direct transfer to local purchase not enough attention has been paid to the effects on the producers.
- WFP rules make it impossible to WFP/Burkina to purchase directly from farmers' associations.
- Since real income of producers from cereal crops, especially millet and sorghum, has gone down between 1996-1988 and 2002-2004 in spite of local purchase, the effects of local purchase on the income of the farmers can be considered minimal.
- The absence of a rise in real income implies that the farmer has not had the financial possibilities to invest and this in its turn may explain why yields/ha haven't gone up.
- By insisting on local purchase at the lowest price possible as WFP actually does, there is no guarantee that in future the producer will earn enough to be able to invest.
- Local purchase by institutions like Sonagess and WFP does have an effect on the price paid by the trader. Because of these purchases the trader has lost part of his monopoly position and therefore has also to take into account now the price the farmer can get elsewhere.
- On the other hand, farmers cannot rely on WFP and SONAGESS for their sales. Relations with the trader deteriorate when the farmer is selling too much to the organisations and this may hurt the farmer afterwards.
- CIC/B may succeed in having the whole chain work together in such a way that is beneficial for all layers.
- It is a very positive sign that WFP is exploring the possibilities of blending food locally.
- Although quantities purchased/sold by a single organization may not influence the market very much, this may be different for all organizations together.
- The monetisation of rice has both positive and negative effects.
- The beneficiaries of the sale of rice are the population of the projects that are financed by the rewards of the sale of rice and the urban elite who gets its rice at a subsidised rate.
- The proceeds of the monetisation by CRS and Africare are used for very worthwhile development projects.
- Organizations that look at the effects of their own contribution in food only, should realize that their contribution is part of a total and that therefore an analysis of the effects of their contribution only is insufficient.
- It is very good that Bellmon analyses are made every year. Unfortunately they do not analyse all of the effects of monetisation on the development of the country.
- For the development of Burkina Faso aid in the form of cash is to be preferred above aid in the form of food.
- It is disappointing that development organisations that execute rural development projects do not analyze better the effects of monetisation on the same rural development.

Recommendations

To the Government of Burkina Faso and Donors

- The Government of Burkina Faso should develop a consistent policy for the cereal market, a policy directed to rural development at long term.
- If it is considered advisable to protect (part of) the food market, this can be justified by the infant-industry argument.
- In order to enable the farmers to choose between selling to the local trader and participating in a tender, farmers should have access to credit. There is a need to expand loan facilities to these farmer associations.
- In order to inform the farmers about market prices, more use could be made of radio.
- The efforts of CIC/B to have the whole chain work together should be supported while at the same time it must be prevented that one layer dominates the chain.
- Organisations like Afrique Verte and UGCPA'BM have a very important role to play in the support of the producers. Without their assistance it will be impossible for the vast majority of producers to sell to organisations like WFP and SONAGESS. Therefore these and other organizations that give this kind of support must be provided with sufficient resources to do so.
- A study should be made whether imports of rice have a negative influence on the consumption of secondary cereals and on the revenues of the vast majority of the rural population. Of that study the possibilities of raising exports of secondary cereals so as to neutralise eventual negative consequences should be part.
- The Governments of Burkina Faso, the U.S.A. and Japan should do their utmost to put an end to the negative effects of monetisation while at the same time continuing the ongoing projects.
- A combined effort should be undertaken by all parties involved in the development of Burkina, government organisations, donors and NGO's like CRS and Africare alike, to study objectively the effects of the sale of rice on the development of the rural populations in Burkina.

To Donors

- Donors to WFP should request the Management of WFP in a Board meeting to amend its rules for local purchase in such a way that, in case of local purchase, WFP/Burkina may take effects on the farmers into consideration as well.
- Increase in costs because of this change in policy should be born by the donors to WFP.
- Donors should stimulate WFP in their efforts to blend food locally.
- USAID and the Government of Japan should change from food aid in kind to aid in cash to Burkina Faso.

To organizations intervening in the food market

- Local purchase should be continued and expanded where possible.
- In order to optimise the effects of local purchase on the producers more attention should be paid to the problems that these producers have to face when they want to subscribe to a tender.
- When considering local purchase, WFP should not take price as its main criterion but the development effects of its local purchases.

- In order to enable WFP/Burkina to do so, WFP HQ's has to amend its rules for local purchase.
- WFP should continue its efforts to explore the possibilities to blend food locally, and thus add value locally.
- WFP and SONAGESS should consider paying an advance payment to the farmers association that is selected to deliver.
- Another possibility is that these organisations request a banking institution to provide a loan to the farmers association involved by serving as guarantee for them.
- The possibility of introducing a warehouse receipts system should be studied.
- Organizations involved in sale/purchase of food should coordinate their actions and assess not only all consequences of their own intervention, but also the cumulative effects of all actions of all actors together before taking action.
- CRS and Africare should do their utmost to put an end to the negative effects of monetisation while at the same time continuing the ongoing projects. This implies also carrying out an objective study of all effects of monetisation on rural development.
- Both CRS and Africare should put pressure on USAID to change from gifts in kind to cash.

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