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**ADDIS ABABA**

**ORGANISATION DE L'UNITE  
AFRIQUE  
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**CM/344(Part 2)**

**ESTABLISHMENT OF REGIONAL STOCKS  
OF FOOD GRAINS IN AFRICA**

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Progress Report



ESTABLISHMENT OF REGIONAL STOCKS OF  
FOOD GRAINS IN AFRICA

Progress Report

1. Discussions continue to be held both within Member States as well as in various international platforms concerning the problems of providing adequate food to the increasing populations in the OAU Member States. As far as the OAU itself is concerned, these discussions are concentrated on the ways and means of executing the programme to establish regional food reserves in Africa<sup>1</sup>. The regional food reserves are meant to supplement national strategic reserves, as an insurance against food shortages. Also, the effective operation of regional food reserves is expected, among other things, to stimulate and expand: inter-African trade in foods; exports of African food products to outside the continent; and activities in research and development in food science and technology. These activities would have positive and healthy results on the economies of Member States including the increasing of agricultural production and productivity, saving and earning of foreign currency and sustaining of healthy working labour forces. The present scope of the programme covers wheat, maize, rice and millets and sorghums.

2. Following meetings and discussions that were held between Ministers or representatives from Ministries of Agriculture of nine countries in Eastern Africa, i.e. Burundi, Democratic Republic of the Congo, Kenya, Madagascar, Mauritius, Rwanda, Tanzania, Uganda and Zambia, it was decided to go ahead with the technical examination of possibilities to establish a pilot scheme for the OAU programme in that region. Some of the problems which face such a scheme were discussed between the participants from some of those countries and these were reported on to the Council of Ministers in its last session<sup>2</sup>. It had been agreed during those discussions that a feasibility study be carried out, and, the FAO was kind enough to draw up the terms of reference for such a study (a draft of which was circulated to all Member States) and also to estimate its cost. Attached hereon is a copy of the approved terms of reference on the basis of which the countries concerned have now been asked to request for external aid from UNDP, to finance the feasibility study. The project in Eastern Africa would become the pilot scheme from which it is hoped to obtain experience and expertise for the rest of the programme. It is estimated that the feasibility study would cost US.\$157,400, and that it will take about nine months to complete.

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1. Resolution CM/Res.112(IX).

2. Document CM/321(Part 2).

3. The present position then is that as far as the pilot scheme is concerned, the Member States from the Eastern Africa have been requested to apply to the UNDP for the necessary money to finance its feasibility study. It had been hoped that the OAU could apply on behalf of these States, for such aid from the UNDP, but discussions and correspondence between the General Secretariat and the UNDP indicated that present procedures of the latter do not allow for joint requests of this kind to be submitted by the OAU. However, discussions are continuing between the UNDP and the General Secretariat with a view to eliminating this type of obstacle to joint applications for aid, over which the consent of Member States would already have been received. It is considered that in such cases, and on the basis of such authority from the individual Member States concerned, the General Secretariat should be in a position to apply for external aid on behalf of the group of Member States participating in a given project. This would, however, be for the future. For the present, it should be mentioned that the UNDP appeared favourably disposed towards the request for external aid which the Member States concerned have now been asked to apply for individually from that organization.

4. Elsewhere in Africa, the General Secretariat has written to countries in Western Africa and Northern Africa, inviting them to a meeting at which discussions would be held to see how best the OAU programme on regional food reserves could be implemented in those regions. The Council of Ministers has already approved the necessary funds to pay for the conference services to cover the two meetings within the present financial year. At the proposed meetings, participants from the States within a given region, would be expected to exchange views on the state of demand and supply of staple foods within individual countries, and also on the existing machinery if any, of inter-State co-operation in cases of food shortages. They would also examine future trends in the food production and consumption. Thereafter, this could provide the background from which to discuss ways and means of implementing the OAU programme to establish regional food reserves in that region. It is hoped that the discussions will lead to an agreement over what actions should be taken by the participating States and by the Secretariat, to execute that programme. This call for meetings of Ministers of Agriculture or Representatives from the Ministries of Agriculture (or for Rural Development), follow discussions between officials of the Secretariat and representatives from individual countries of those regions. Such informal discussions were undertaken during visits, conferences and meetings of the OAU or of the FAO. In most cases, there have been exchanges of correspondence confirming the discussions and emphasizing the fact that the original resolution<sup>1</sup> of the OAU on this subject called on Member States "to begin as soon as possible bilateral or regional negotiations with a view to establishing the stocks of food". Basically then, action is expected to be initiated by the Member States within a region either on a bilateral basis or on a regional basis with the aim to ensure that there is sufficient food among them on a national as well as on a group basis to feed their citizens. The same resolution invited the Administrative Secretary General to facilitate the work of Member States in various ways

when executing this programme. It is therefore hoped that the invitation by the Secretariat to the countries in Western and Northern Africa to meetings to discuss this very important programme of the OAU, will receive their enthusiastic support.

5. For the immediate future therefore, it is hoped to launch the feasibility study in Eastern Africa for the pilot scheme for the OAU programme on regional food reserves. Such a study will be carried out under the supervision of the FAO either by the latter's own experts or by a firm of consultants that would be acceptable to both the FAO and the OAU. The General Secretariat is consulting with the FAO on this later aspect, i.e. as to whether the FAO will use its own experts or an external firm of consultants to carry out the required feasibility study in Eastern Africa, and, the results will be notified to the Council of Ministers. The General Secretariat is also preparing for the proposed meetings of the Northern and Western African States at which discussions will be held on how to implement that programme in those regions. As and when appropriate, officials of the General Secretariat will also discuss with sources of external aid, concerning funds to assist in the various stages of the proposed pilot scheme and of the rest of the programme. Although the African Development Bank, UNDP and the World Bank have continuously been informed of the activities relating to the programme, excepting for the UNDP, no formal talks have yet been started regarding the giving of aid. It is considered that these soundings of aid-givers, should be started early enough so as to ensure that no delay occurs in the implementation of the programme.

6. The Council of Ministers is therefore invited to take note of the present stages in the implementation of the programme to establish regional food reserves in Africa as briefly outlined above.

ADDIS ABABA

June 1970.

REGIONAL RESERVE STOCKS OF GRAIN FOR EASTERN AFRICA

TERMS OF REFERENCE FOR A FEASIBILITY STUDY

I. OBJECTIVE:

1. A feasibility study should be carried out on the establishment of multipurpose regional reserve stocks of grain within Eastern African States, which would be additional to any national strategic food reserves, and which would serve the following main purposes:

- (a) to provide supplies for predictable or unpredictable food shortages in any of the participating states;
- (b) to further trade between the participating states, between these with the rest of Africa and with extra-African countries;
- (c) to stimulate increasing agricultural production and productivity in foods, and to provide a focal point for research and development in food science and technology for these purposes.

By using local supplies for initial and replenishment stocks for the regional food reserves, the OAU hopes to attain individual or collective self-sufficiency in staple foods.

CROPS TO BE COVERED:

2. The grains to be covered in the study are maize, wheat, rice and millet and sorghum. Both the initial and replenishment stocks would come from local production of the participating states.

TERRITORIAL COVERAGE:

3. The following countries should be included in the feasibility study: Burundi, Eastern and Southern Provinces of the Democratic Republic of the Congo, Kenya, Madagascar, Mauritius, Rwanda, Tanzania, Uganda and Zambia.

II. CONTENTS OF THE STUDY:

4. The study will consist of country by country careful analysis of the grain supply, trade, marketing and storage situation and outlook in each country according to the outline given below:

A. Relevant Economic and General Factors:

- (i) Population, past trends and projections distinguishing agricultural and non-agricultural;
- (ii) National income and the share originating in agricultural sector;
- (iii) The place of grain and other staple food production and trade in the economy, the place of the grains selected for special study;
- (iv) The geographic distribution of grain production and consumption centres;
- (v) Seasonal and climatic factors and possible correlation of drought or otherwise adverse years with variations in grain and other staple production.
- (vi) Crop forecasting systems in operation or planned.

B. Supply Trends and Prospects:

- (i) Statistics of grain production with special reference to the commodities selected for study, yearly from 1950. As year to year fluctuations are important for this study special care might be taken to ensure that 'abnormal' years are given prominence; for example, if say 1949 was abnormal the appropriate figures might be noted
  - where it is possible to distinguish between production for subsistence and quantities marketed this should be done
  - production forecasts and projections.
- (ii) Statistics of Exports and Imports  
Exports and imports since 1950 of main grains with special reference to those selected for study:
  - imports of grains on concessional terms, e.g. from US and WFP, indicating main sources and "title";
  - imports for relieving emergencies, indicating the area and nature of the emergency, what percentage of consumption did these imports represent;
  - trade forecasts and projections.
- (iii) Demand Trends and Prospects
  - National average consumption levels particularly of grains selected for study, e.g. from food balance sheets; relevant information for sections of the population where appropriate e.g. urban; nutritional requirements in respect of staples during food emergencies;

- Magnitude of observed trends in staple consumption e.g. swing towards wheat;
- to what extent can and does the population turn to lower graded staples, e.g. roots or plantains in times of shortage or high prices and to higher grades under favourable conditions. What possibilities are there for developing low cost grain substitutes and supplements from local sources, e.g. cassava;
- preferences and their strength for particular types of staples; income elasticities of demand for various staples;
- demand forecasts, and projections.

(iv) Areas of Surplus and Deficit in Staples

- Attempt to quantify maximum surplus and shortage for the country combining highest and lowest production, compared with average consumption needs, or in relation to a known or assumed range of consumption;
- Where feasible relate fluctuations in marketed supply to market requirements;
- Define main areas which have normally (a) a surplus of staples in relation to normal requirements, (b) a deficit (c) have sometimes a surplus and sometimes a deficit with a view to indentifying emergency prone areas. What is the state of the communications with these areas?

(v) Departures from average supply trends:

- Magnitude of variability in production of staple crops due to weather conditions;
- To what extent do good and bad seasons coincide in different parts of the country e.g. in the highlands as compared with coastal areas;
- Crop calendar to show how main and secondary harvests for commodities selected are staggered in various production areas, making possible between season transfers;

(vi) Estimation of emergency needs

- The emergency 'gap' to be filled by imports or from reserve stock can hardly be assessed on the basis of statistics of production and supply, which are often inadequate;

- It is therefore necessary to deal with the marketed margin as well as with total production where a national emergency is concerned, to identify the effect on urban and rural consumers;
- In the case of local emergencies within countries past experience may again be more useful than general calculations;
- Attempt to define additional emergency reserve likely to be desirable in terms of magnitude, commodities and geographic distribution in the country. Other bases for estimating emergency needs may be proposed.

(vii) Inclusion of other aspects of reserve stocks, e.g.

- (a) Sub-regional emergency reserves to serve also other African countries;
- (b) Sub-regional reserves including multi-directional trade stocks and market stabilization buffer stocks.

Multipurpose reserves would introduce greater complexity but would confer the advantage of spreading the costs of maintaining stocks over a wider range of activities and could contribute more effectively to market development and economic growth if well managed.

C. Stocks, Storage, Handling and Marketing System:

- (i) Available statistics covering commodity year, for stocks held on farms, at ports, terminals, main centres by the government, privately.
  - Indications of seasonal variations in stock levels;
  - Levels of reserves held for annual carryover, for emergencies, for price stabilization, other.
- (ii) Storage capacity and standards
  - Programmes for expanding and improving, amount and sources of investment for these;
- (iii) General features of existing grain marketing system
  - Management, nature of Government regulatory action and grain board. Private trade.
  - What links, if any, with boards in neighbouring countries?
  - To what extent does the grain board also control export and import decisions?
  - Marketing arrangements for purchasing grain from farmers and selling in Consumption centres;
  - Export and import arrangements and facilities.

(iv) Transport facilities within country and to neighbouring countries in the sub-region.

(v) Capacity and type of additional facilities and arrangements that would be necessary to accommodate additional reserves considered desirable.

D. Costs and Prices:

(i) Trends and up-to-date prices for grains with special reference to those selected for study;

- To producers at various points in various parts of the country, taking into account quality grains;
- At terminals;
- At main consuming centres;
- To consumers;
- Annual and seasonal variations in prices to producers and consumers for as long a period as feasible;
- At what prices has the government authorized exports to be made, to external markets, to neighbouring countries, sales to WFP, if any.

(ii) Capital costs of constructing suitable storage facilities for year to year storage at various points in accordance with official plans. Sources of investment.

(iii) Annual storage costs per ton of various grains in various types and locations of storage in various parts of the country.

- Storage losses.

(iv) Internal transport costs for grains, e.g. per ton/mile or km., by rail, road, lake and coastal freight rates.

(v) Cost of rail, road and water transport to neighbouring countries.

(vi) Ocean freight rates:

- From U.S., Australia, Sweden, Thailand, other
- Between countries of the sub-region.
- With the main African Ports outside the sub-region.

(vii) Total price of imported grains at main centres

- From countries abroad
- From other countries of sub-region.

(viii) Subsidies, taxes, support policies.

(ix) How would costs of maintaining sub-regional multi-purpose reserve stocks compare with those for strategic national food reserves?

(x) To what extent is it possible to identify and evaluate the costs and benefits, including benefits of a general economic and social character, of multipurpose reserves used for market development, price stabilization and as emergency reserves.

(xi) Local supplies would be used for initial and replenishment stocks. This should have favourable effects on foreign exchange balances, general economic growth and agricultural production policies of the participating states.

### III. REGIONAL GRAIN RESERVES:

5. Based on country studies in relation to nine countries described in sections I and II, a group scheme for multi-purpose grain reserves will be proposed:

(i) The scheme will analyse in sufficient detail the structures needed to co-ordinate the grain reserves policies on the national and regional bases for operating regional food reserves. In particular the analysis will include, inter alia:-

(a) the extent to which good and bad seasons coincide and harvest seasons are related in the countries concerned;

(b) relation between areas of likely shortage in one country to deficit or surplus areas in neighbouring countries;

(c) comparison of prices, including transport charges, for supplying deficit areas from the national stocks, and from regional reserves.

(d) possible impact of regional scheme on price stabilization.

(ii) Suggestions will be made for the regional policies in respect of building up the regional grain reserves, their scope and limitation, the co-operative management and utilization. In particular, the following will be examined:

(a) the extent to which marketing boards can work together in purchasing and distributing supplies and in sharing storage facilities and costs;

(b) the type of management arrangements that would be necessary for administering group country reserves including sharing of contributions and charges, drawing rights and conditions, payment and currency arrangements, composition of the co-ordinating committee, definition of emergency or other basis of request for supplies, transport charges and distinguishing the group country reserve from other stocks.

- (iii) Recommendations will be formulated in respect of supplementing national reserve stocks in order to meet emergency demand on national and regional levels. Sizes, types and locations of reserve stock facilities will be proposed, related to the various levels of reserve stocks as indicated by the studies.
- (iv) Proposals for establishment of regional reserve stocks will be outlined with particular attention to:
  - (a) economies that can be effected through co-operation in group country reserves as compared with separate national reserves;
  - (b) sizes, types and locations of regional reserve stocks.
- (v) Description and cost estimates of storage facilities and ancillary equipment required for recommended regional grain reserves. Account will be taken of national storage facilities and in particular will be examined:
  - (a) investment costs;
  - (b) operating costs;
  - (c) foreign exchange component for the above;
  - (d) personnel requirements for operation of the recommended facilities;
  - (e) break even point analysis.
- (vi) Suggestions in respect of sources of financing for the grain reserve programme. The analysis will include discussion of conditions offered by various possible sources, involvement of governments, degree of regional co-operation required and its consequences on the national policies. Possible sources of financing will be examined in respect of:
  - (a) investment capital;
  - (b) revolving funds;
  - (c) operating capital;
  - (d) technical assistance.
- (vii) Analysis will be made of degree of participation of individual countries concerned in the regional scheme and of equitable cost allocations.
- (viii) The studies and analysis mentioned above shall be carried out in sufficient detail to enable immediate undertaking of detailed plans and execution designs as well as preparation of financial dossiers in the sites agreed upon by the government concerned.



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# Establishment of regional stocks of food grains in Africa

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