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ESTABLISHMENT OF REGIONAL STOCKS  
OF FOOD GRAINS IN AFRICA  
A PROGRESS REPORT

CONTENTS

|  | PAGES | TO         |
|--|-------|------------|
| 1. Introduction  | 1     |            |
| 2. Discussions in Rome   | 1 -   | 4          |
| 3. Some of the problems anticipated                                      | 4 -   | 7          |
| 4. Next actions  | 7 -   | 8          |
| 5. In conclusion   | 8     |            |
| 6. Draft Terms of reference for a<br>Feasibility Study in Eastern Africa |       | Attachment |



THE ESTABLISHMENT OF REGIONAL STOCKS OF FOOD GRAINS IN AFRICA  
A PROGRESS REPORT

Introduction:

1. Discussions are continuing on a pilot scheme in Eastern Africa for the programme<sup>1</sup> of the OAU to establish regional stocks of food grains in Africa, while plans are being drawn-up for meetings for countries in Northern and Western Africa, to discuss this programme for those regions. Also, tentative steps have now been taken to interest the UNDP, the African Development Bank, the World Bank and some non-African countries in the financing of this programme.

Discussion in Rome in November 1969:

2. During the 15th bi-annual conference of the FAO, and using the facilities generously offered by that Organization, two meetings were held of Ministers and Representatives of some Eastern African Member States, with the view to agreeing on the next steps to be taken to establish the pilot scheme for this programme. At the same time, discussions were also held with certain other states of the region, which had not previously been participating in the discussions on the pilot scheme up to that time. As a result of these discussions, it is hoped that the region to be covered by the pilot scheme will include nine OAU Member States;

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1. First resolution on the programme - CM/Res.112(IX) of 1967.

i.e. Burundi, Democratic Republic of the Congo, Kenya, Madagascar, Mauritius, Rwanda, Tanzania, Uganda and Zambia. The meetings and discussions were arranged by Mr. J. D. Buliro, the OAU Assistant Secretary-General in charge of food and agricultural matters in the OAU General Secretariat.

3. The meetings discussed, among other things, the Preliminary Assessment on the pilot scheme, which, as reported previously, had been prepared by FAO. The Preliminary Assessment was taken note of. Attention was then concentrated on the draft terms of reference for a Feasibility Study, which were part of the Preliminary Assessment. Some amendments were introduced by the General Secretariat, and were accepted by those present. The final draft of the terms of reference for a Feasibility Study for the pilot scheme as agreed upon in Rome, is attached hereon. It will be noted from these that the objective is to establish multi-purpose regional food reserves, which can be used both for emergency purposes, inter-African or external trade in foods, and for general development and expansion of agricultural production and productivity. It is recalled that the main reason that led to the approval of this programme by the OAU, was to provide an insurance against food shortages resulting from natural events such as floods, drought and insect invasions. However, as a result of discussions held in connection with the pilot scheme, it became obvious that adequate national measures are presently being taken by most of the states concerned to safeguard permanently against shortages in staple grains. The grains being considered for the pilot scheme are maize, wheat and rice. It was also obvious from the discussions that inter-African trade in food was too meagre and required encouragement. This could be expected as a natural development from increasing trade and commercial contacts between Member States, and as arising from the fact that geographical variations and differences in current capacities to finance development, call for such exchanges in foods. Most people are aware that Africa has climates which vary from the hot and humid equatorial rain forests, through cool and humid temperate climates to hot and dry deserts. Rock differences also introduce marked variations in soils and in the latter's productive capacity.

Most people are also aware that the current capacity to pay for overall development, and in particular for agricultural development, varies from Member State to Member State.- with some being at present unable to generate sufficient financial and human resources to pay for an adequate expansion of agricultural production and productivity. These differences, and others that there may be, are in themselves sufficient justification for encouraging inter-African trade in foods. In accordance with the Charter of the OAU, it is logical to promote self-sufficiency in staple foods amongst Member States. There are other development - supporting activities such as price stabilization and research and development, which can be undertaken more economically on a co-operative basis or which would be facilitated by the presence of regional food reserves. Therefore, to make the proposed regional food reserves more economical to maintain, it was agreed to make them multi-purpose, including providing against food emergencies, possible sustenance to agricultural economies through price-stabilization, and as items in inter-African trade.

4. The other aspects included in the terms of reference for the Feasibility Study include country-studies on relevant matters such as local supply and demand of the selected grains, areas of the main production and of consumption, local facilities for storage, handling and marketing of the grains, and the cost and price details. This aspect, which covers each country included in the study, would then be suitably incorporated into a regional concept for regional food reserves.

5. The terms of reference for the Feasibility Study are thus very comprehensive, and it is proposed that with such additions as may be required by other regions, they should serve as model terms of reference for the remaining regions to be covered in the programme for regional food reserves of staple grains. If there is no objection to this procedure, then all that will be necessary, is to forward for approval at an appropriate time, copies of these to each of the countries to be included in a given project. It is appreciated that the participation in regional food reserves by a given state, is most likely to require prior consultation between the Ministry of Agriculture (or of Rural Development), with other Ministries such as the Ministry of Finance, the Ministry of Economic Development and the Ministry of Health.

In fact, it was for this very reason that some Representatives of the countries of Eastern Africa, after generally agreeing to the attached terms of reference in Rome, requested that copies should be forwarded to their homes for formal approval. This has already been done, and replies are being awaited for.

Some of the problems anticipated:

6. As the OAU treads with caution in the execution of this important programme, three main problems are slowly becoming prominent. These relate to what is alluded to above in connection with geographical and other differences which could lead to crop-specialization; to finance; and to over-production of the grains concerned by some non-African countries.
7. As already indicated in paragraph 3, geographical and other differences between Member States, calls for a serious examination of possibilities of crop-specialization. It is generally accepted that "a country will gain by specializing in the production of those commodities in which its 'comparative cost' advantage is greater, exporting these commodities in exchange for commodities in which its comparative cost advantage is less".<sup>2</sup> This is stating the obvious, and pre-supposes a substantial acceptance of the supremacy of economic considerations, and international peace and co-operation in trade. Unfortunately, there is only selective and often unequal co-operation, and no universal peace. Further more, political considerations have led nations to apply (sometimes costly) policies of self-sufficiency in staple foods. Progress in science and technology and in plant breeding - be this in the techniques of crop-growing or in food processing - has tended to encourage such policies of national self-sufficiency in staple foods. At the present juncture, there are very few OAU Member States whose relationship is such that they would allow between themselves a free play of the principle of comparative costs. However, with the present trends towards closer regional co-operation (i.g. the Entente States in western Africa, the Maghreb States in Northern Africa, and the East African Community), and given the present efforts in the OAU, towards closer continental co-operation. the picture is

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2. Definition of the Principle of "Comparative Costs" in J.R. Winton's "A Dictionary of Economic Terms".

slowly changing. Ultimately, the efficient and effective operation of the proposed regional food reserves, although on a multipurpose basis, is most likely to increase the wider application of the principle of comparative costs, thereby helping to effect crop-specialization among Member States. In the meantime, crop-specialization can only be talked of, in the hope that efforts will soon be made by OAU Member States to discuss it, plan for it and carry out among them.

8. The problem of financing the proposed regional reserves-whether it be of the capital costs involved, of the sinking of funds into semi-static reserves, or of the operation of each scheme-was recognized from the very beginning. This problem is accentuated by the fact that the proposed regional food reserves are expected to be supplementary to national reserves - thus calling for expenditure at two levels. However, the possibility of maximizing benefits accruing from inter-African trade, from inter-African self-sufficiency in staple foods which would facilitate mutual sustenance of one another's economy, and from reduced costs arising from co-operative efforts in other related aspects, make it attractive and worthwhile to continue examining how best to finance the proposed regional food reserves. In addition to available local resources, there are possibilities of obtaining external aid from international and bilateral sources. As each project in this programme nears maturity (i.e. the stage of being actually constructed), the General Secretariat will scout around for external aid, and report the results to the countries concerned. The expectation is that, whatever balance that is left by external aid, would be met from local sources. All that can be said at present is that the apparent costs of a given desirable and beneficial project, should not frighten Member States from discussing and planning how that project could be executed. So far, the African Development Bank, the UNDP and the World Bank appear the most likely sources of funds. These are being kept informed of the efforts of the OAU to establish a pilot scheme for this programme. Some of the nations outside Africa have also been contacted in this connection. However, as the Feasibility Study has not been carried out, one would be unwise to press for a definitive reply to, or even apply for, support, excepting perhaps, for aid to finance the study.

9. The existence of surplus grains outside Africa is bound to exert some influences on some Member States vis-a-vis the proposed regional food reserves. Such influence could take several forms, for example they could be offered as imports free or at give-away prices, or on concessional terms including longterm credits. Surpluses could also feature in efforts by some non-African States to gain economic or political advantages, for example purchasing of machinery for grain mills could be coupled with a condition that the supplier of the mills will give grains to be milled in these, at give-away or concessional terms. These and similar possible influences of surpluses from outside Africa would be detrimental to the proposed regional stocks of food grains in Africa, and should not be ignored. But it should be remembered that several communities in Africa and elsewhere, have faced death through starvation in spite of the presence of these huge surplus foods. Most, if not all, the time, these surpluses can only be obtained at a price, and such a price may either be beyond the available means of, or unacceptable to, the governments concerned. Consequently, such surpluses can be classified as "reluctant surpluses" in that although they are known to be in excess of the national strategic reserve needs of the countries concerned, they are nonetheless not easily or cheaply available to some other countries in dire need for them. On the other hand, some of the surplus-countries cannot stop or prevent the surpluses from accumulating. However, the embarrassment of having increasing surpluses, while some communities are starving, does not prevent some of the surplus-countries from exerting some influences the same as or similar to those mentioned above. Member States may therefore be advised to plan for, and depend on, food reserves created by their own efforts, which contribute to their development efforts, and in which they have some control over their administration and fate. It should be admitted, that sometimes some of the surpluses under consideration can be used for beneficial purposes, for example when they are given as grants and then used to generate local funds for local investment in desirable sectors of the national economy. But this type of transaction is the exception rather than the rule.

10. These then are the main problems that are now beginning to intrude themselves into the implementation-path of the OAU programme to establish regional food reserves in Africa. The extent to which these and similar problems would affect each project of this programme, is bound to vary from region to region. What is important is that the Member States in each such a region need to exchange views frankly on their needs and problems, and how best to meet their needs and overcome their problems. The OAU General Secretariat is duty-bound to help as much as is within its means, to the end that the staple foods required by African populations may be assured from the proposed regional food reserves in Africa.

Next Actions:

11. To help in this process of joint discussion, joint planning and joint action to establish regional food reserves, the OAU General Secretariat has suggested to the Council of Ministers that meetings be held in three regions of Africa, i.e. in Northern Africa, Western Africa and in Eastern Africa - the latter being in connection with the proposed pilot scheme. In the case of Northern and Western Africa, these would be the first such meetings to discuss this programme. This is not to say that nothing has been done; no. Individual discussions with Ministers of Agriculture or with Representatives of Member States from these regions, have held at one time or another. These have been followed, in almost all cases, with letters from the Secretariat, confirming the substance of the discussions, and the request that bilateral or regional discussions should be opened to explore how their programme could be implemented in the region concerned.

Experience in preparing for the pilot scheme, has led to the conclusion that similar preparations, should now be started in other regions. The estimates for holding these meetings have been included in the draft 1970/71 Budget which is being presented to the Council of Ministers for approval.

12. The ground is also being prepared for the Feasibility Study of the pilot scheme to be undertaken. There are three stages to this aspect. Firstly, external aid for financing the study has to be obtained, and the costs of the Study allocated between all sources of aid. Next, a team of experts has to be agreed upon, assembled and commissioned to carry out the Study.



Then the Ministers of Agriculture of the nine States concerned will be invited to meet and consider the report of the Study with a view to agreeing on the programming and commissioning of the actual construction of the project. The General Secretariat is anxious to carry out these activities as fast as can be managed, as the pilot scheme is expected to provide the necessary experience, expertise and information, which would facilitate the establishment of food reserves in the other regions. The estimates for some of these activities which fall on the OAU are also included in the draft 1970/71 Budget, which is awaiting approval.

In Conclusion:

13. It cannot be over-emphasized that Africa has got the land and the hands which can adequately feed its present and future populations. Most of the crop failures, which are experienced sometimes by some Member States are mainly due to natural events, but even then, food shortages need not occur if adequate national and regional food reserves are established. The establishment of regional food reserves comprises a programme which the OAU has already accepted, and which is expected to be launched by the proposed pilot scheme in Eastern Africa. Action in this programme in other regions of Africa should now be started. Naturally, the OAU has to effectively play its role of co-ordinating, promoting and intensifying actions by Member State, to the end that the required regional stocks of food grains may be established in Africa as soon as possible.

**REGIONAL RESERVE STOCKS OF GRAIN FOR EASTERN  
AFRICA**

**DRAFT 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, and rice. 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, Democratic Republic of the Congo, Kenya, Madagascar, Mauritius, Rwanda, Tanzania, Uganda and Zambia.

II. OUTLINE FOR COUNTRY STUDY

4. A common starting point is a careful analysis of the grain supply, trade, marketing and storage situation and outlook in each country selected for study. This would include the following elements:

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 variations in  
relation to 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 identifying emergency prone areas. What is the state of the communications with these areas?

(v) Departures from average supply trends

- Annual or seasonal rainfall statistics, over as long a period as feasible, for main producing centres indicating magnitude of variability. Where possible relate to reduction of staples;
- 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 preliminary assessment indicates that statistics of production and supply are inadequate to calculate an emergency "gap" to be filled by special imports or from reserve stocks. This gap was deduced from known previous emergencies (e.g. in 1965-66 in some countries) and abnormal import levels made under commercial or special terms at that time.
- It may also be valuable 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.

- (i) Sub-regional emergency reserves to serve also other African countries;
- (ii) 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, 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?

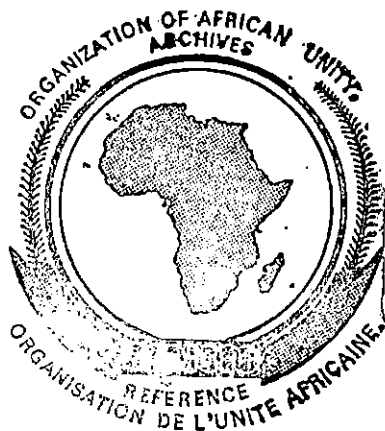
- (x) To what extent is it possible to identify and evaluate the costs and benefits, including benefits of a general economic and social character, of multipurpose reserves used for market development price, stabilization and as emergency reserves.
- (xi) Local supplies would be used for initial and replenishment stocks. This should have favourable effects on foreign exchange balances, general economic growth and agricultural production policies of the participating states.

### III. PROBLEMS AFFECTING GROUPS OF COUNTRIES

3. Country studies prepared in accordance with the outline and II in I/above would need to be combined and co-ordinated to make a sub-regional or group country studies on the co-operative use of emergency or multi-purpose reserves. It is difficult in the abstract to predict and define these matters, but they would include:

- (a) The extent to which good and bad seasons coincide in different countries?
- (b) How are harvest seasons related?
- (c) To what extent are areas of likely shortage in one country related to deficit or surplus areas in neighbouring countries and are there good communications between them?
- (d) How would prices including transport charges compare for supplying deficit areas from the same country or from a near neighbour?

- (e) To what extent can marketing boards work together in purchasing and distributing supplies and in sharing storage facilities and costs?
- (f) Can joint approaches be made to aid giving agencies for technical studies, investment in facilities, training of personnel?
- (g) What economies can be effected through co-operation in group country reserves as compared with a series of separate national reserves, held either as separate static reserves or as multi-purpose reserves?
- (h) 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.



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