

**OMUS GRAIN**  
AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.)

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PROJECT AUTHORIZATION **PD-AA8-443-B1 6250600 (2) ✓**

1. PROJECT NUMBER <b>625-11-150-600</b>	3. COUNTRY Regional - O.E.R.S.	4. AUTHORIZATION NUMBER 0174
2. PROJECT TITLE <b>O.E.R.S. Grain Stabilization Project.</b>		5. AUTHORIZATION DATE April 2, 1971 <i>21p.</i>
		6. PROP DATED <b>March 24, 1971</b>

7. LIFE OF PROJECT

a. Number of Years of Funding: 3  
Starting FY 19 71; Terminal FY 19 73

b. Estimated Duration of Physical Work  
After Last Year of Funding (in Months): \_\_\_\_\_

FUNDING BY FISCAL YEAR (in U.S. \$ or \$ equivalent)	DOLLARS		P.L. 480 CCC + FREIGHT	LOCAL CURRENCY Exchange Rate: \$1 =			
	GRANT	LOAN		U.S. OWNED		HOST COUNTRY	
				GRANT	LOAN	JOINTLY PROGRAMMED	OTHER
Prior through Actual FY	None						
Operational FY 71	250		4,710				
Budget FY 72	440		2,520				
B 11 FY 73	440		2,520				
B 12 FY							
B 13 FY							
All Subsequent FY's							
<b>TOTAL</b>	<b>1,130</b>		<b>9,750</b>				

8. DESCRIBE SPECIAL FUNDING CONDITIONS OR RECOMMENDATIONS FOR IMPLEMENTATION, AND LIST KINDS AND QUANTITIES OF ANY P.L. 480 COMMODITIES

These funds are to be obligated with the Organization of Senegal River Basin States (O.E.R.S.) to undertake a program directed at improving production and effective marketing of domestic food grains. Provision is made for regional contract technicians to be stationed in the cooperating recipient countries. Additional funds will be made available through the sale of P.L. 480 Title II grain in each of the cooperating countries. As the program develops, consideration will be given to loan applications in support of grain stabilization programs from the O.E.R.S.

9. CONDITIONS OF APPROVAL OF PROJECT

Further assistance will be conditioned on the ability to reach a clear understanding of the step by step objectives of the program with the O.E.R.S. It will further depend on evidence that recipient countries are increasingly utilizing their own resources to reach the indicated objectives.

This proposal covers Phase I for a long term program.

(Use continuation sheet if necessary)

Approved as a statement for the life of the project as described in the PROP, subject to the conditions cited in Block 10 above, and the availability of funds. Detailed planning with cooperating country and drafting of implementation documents is authorized.

This authorization is contingent upon timely completion of the self-help and other conditions listed in the PROP or attached thereto.

This authorization will be reviewed at such time as the objectives, scope and nature of the project and/or the magnitudes and scheduling of any inputs or outputs deviate so significantly from the project as originally authorized as to warrant submission of a new or revised PROP.

A.I.D. APPROVAL	SIGNATURE		CLEARANCES		DATE
	Samuel C. Adams		AFR/CWR: WSpencer	<i>20</i>	3/19/71
	Assistant Administrator		AFR/TAC: MPelcher		3/26/71
	DATE		AFR/DP: DShear		3/31/71
			A/CONT AA/AFR: PBarnbaum	<i>PE</i>	4/1/71

NON-CAPITAL PROJECT PAPER

REGION: ADO Dakar

PROJECT NUMBER: 625-11-150-600

PROJECT TITLE: OERS GRAIN STABILIZATION PROJECT

U. S. OBLIGATION SPAN: FY-1971 through FY-1973

GROSS LIFE OF PROJECT FINANCIAL REQUIREMENTS:

U.S. Dollars \$1,130,000

Tons of Food (PL 480) 75,000

I: SUMMARY DESCRIPTION

To undertake programs directed at increasing production and effective marketing of domestic food grains under the sponsorship of the Organization of the Senegal River States (O.E.R.S.), A.I.D. will recruit and finance regional contract technicians in the specialty fields most urgently needed. These technicians will be stationed in the cooperating recipient countries, but will be assigned in accordance with need, on temporary duty, in other countries within the region.

Additional funds will be made available through the sale of P.L.-480 Title II grain shipments in each of the cooperating countries. In principle the United States Government will provide, in line with P.L.-480 policy, grain shipments, as appropriate, for the duration of the program, when it can be demonstrated that these supplies can be effectively utilized. They would be sold during the annual period of scarcity which precedes the harvest period, with the funds so generated deposited in a special account. These funds will be used to (1) finance programs to improve domestic food

grain production, marketing and distribution; and (2) pay essential internal transportation costs of the U.S. grain.

As the program develops, consideration will be given to loan applications in support of grain stabilization programs from the regional organization (O.E.R.S.) when the programs of the member countries have progressed to a point where such additional investment is warranted.

This assistance is conditioned on the ability to reach with the regional organization, and through it, with each recipient country, a clear understanding of the step by step objectives of the program. Additional long-term assistance will depend upon definite evidence that the recipient countries are willing to utilize increasingly their own resources to reach these objectives and to undertake necessary policy changes.

The ultimate objective of each country program will be to attain a degree of self-sufficiency in food grains consistent with comparative economic advantage. In order to accomplish this the governments involved must establish a firm policy to provide, on a national scale, market prices and services for food crops comparable with those provided for export crops. As national capabilities are developed the participating countries will work through the regional organization to develop regional systems of grain production, storage, distribution, pricing and tariff policies.

In support of the above policies each country will establish a National Food Grain Authority composed of high-level officials familiar

with the domestic agricultural situation and its problems. This organization will be responsible for planning, developing and implementing a food grain program.

NON CAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

PROP DATE 3/18/71

Original X

Rev. No.

Project No.: 625-11-150-600

Regional (OERS)

Project Title: OERS Grain Stabilization  
Project

Ap	L/G	Total	Count	Personnel Serv.	Participants	Commodities	
				AID: PASA : Cont	U.S. : Cont	USDA: Cont	Dir & : Cont
				AGENCIES:		CCC:	U.S. Ag:
				FOOD GRAINS:			

Prior  
through  
Act. FY 70

Oper. FY <u>71</u>		250		250		4,710	
B + 1 FY <u>72</u>		440		350	40	2,520	50
B + 2 FY <u>73</u>		440		350	40	2,520	50
B + 3 FY <u>    </u>							

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Table 1  
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Project No. 625-11-150-600

Fiscal Years	AID-Controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	U.S. - owned	Country - owned			Metric Tons (000)	Value & Freight (#000)	World Market Price (\$000)
Prior through Act. FY <u>70</u>							
Oper. FY <u>71</u>					35	4,710	
Budg. FY <u>71</u>					35	4,710	
B + 1 FY <u>72</u>					20	2,520	
B + 2 FY <u>73</u>					20	2,520	
B + 3 FY _____							
All Subs							
Total Life					75	9,720	
1/ 75,000 Tons grain sorghum							

## II. PROJECT SETTING

A review of many studies on the subject of cereal production and storage indicated that the potential for increasing production is equal to basic requirements for many years to come. All the West African countries in the savannah zone experience large annual fluctuations in rainfall. There are also pronounced variations in geographic patterns of rainfall in most years. As a result, crop production, except on irrigated land, varies greatly from year to year and by areas within the region. Serious shortfalls occur on the average of once every four years. Senegal has experienced a food emergency in three of the last four years. It is impossible to forecast good or bad harvests since neither the time cycle nor the geographic pattern of rainfall is regular or predictable.

Another natural limitation on West African Agriculture is the scarcity of highly productive land. Most reports tend to emphasize that only a small percentage of the total land area is under cultivation and that large increases in production can be brought about simply by increasing the area under cultivation. What is not mentioned is that the best land is presently being farmed and that available sources of labor and credit make it virtually impossible to increase acreage by any appreciable extent. Animal traction or mechanical farm implements financed by medium to long term credit are a prerequisite to any significant increase in cultivated acreage. Crop and soils research in the region clearly prove that improved cultural practices can more than double current average yields in most areas. The limited areas under production reflect the primitive farming methods being employed.

Far more land lies fallow each year than soil and climate conditions require. This is caused by the fact that farmers using their primitive tools are physically incapable of farming all of the cultivatable land.

Even though the region is not blessed with huge areas of highly productive land, primitive farming methods rather than poor soils is the primary technical restraint on increasing production of the major food grains. Although adverse climatic conditions and poor soils will continue to cause wide fluctuations in West Africa's cereal production, these natural forces are not the primary reason for the increasing frequency of severe food grain shortage. The more significant causes are found in the national agricultural development policies. For years, major emphasis in agricultural development in West Africa, under both colonial and national governments has been on expansion of production and marketing of a few export crops such as palm oil, peanuts and cotton. Some emphasis has also been given to community development programs and to investments in infrastructure. The promotion of production and marketing of millet, sorghum and corn has been a low priority. In most of the countries in the region problems of food production and marketing are not taken seriously until the emergence of increasingly frequent, and severe, food shortages make such consideration mandatory. Even then the governments of these countries rely on shipments of grains from relief organizations to carry them through difficult periods and do little, if anything, to resolve the basic problems which create these situations.

Specifically, one of the most serious problems has been that price incentives to farmers are not sufficient to induce increases in food grain production commensurate with population growth. This problem was magnified by the continued maintenance of relatively attractive prices, often through subsidies, for peanuts and cotton. During most of the 1960s the prices of millet, sorghum and corn at harvest time have averaged 8 to 10 francs CFA per kilogram. Peanut prices during the same period averaged 20 francs CFA and above. This disparity in prices is highlighted by agricultural experiment station findings on farmer returns from peanuts and millet. When essentially equivalent farming practices are employed for both crops on land of equality, a farmer's net return per hectare and per hour of labor are approximately the same when the prices received are about equal.

Another major difficulty is the lack of effective national markets for food. Lack of a market in which to sell grain in excess of family requirements is a major deterrent to expansion of food grain production. This difficulty was aggravated by successful efforts to establish marketing systems for export crops. In addition, most of the emphasis of the small national agricultural credit and extension services has been, and continues to be, on peanut and cotton production and marketing. It should be mentioned that the only market available is usually that provided by traders or speculators who historically pay very low prices immediately after harvest and resell, during the period of short supply preceding the next harvest--in many cases to the same producers they purchased from.

Differences of 800 to 1,000 percent mark-up are not unknown; however, 300 to 400 percent is more-the average.

The response of West African farmers to the low prices and lack of markets for the major food grains and to the more attractive prices and assured markets for the export crops has been logical. Food grain production in recent years has not kept pace with population growths. This situation has been further aggravated by the rapid trend to urbanization which is attracting a high percentage of the rural youth to the large population centers. Land planted to food crops has decreased appreciably relative to increases in population.

The origin, during the colonial period, of these contrasting agricultural policies and developments in West African agriculture appears to be a basic misconception of the economics of agricultural production and marketing. Traditionally, food grains have been produced almost exclusively on a subsistence basis. Only small fractions of the total production are marketed. Nearly all sales are direct from producers to consumer in small local markets or, as previously mentioned, to traders. Many people, including former colonial officials and their successors in the new national governments, came to believe that the food grains always would be subsistence crops outside the market economy. Moreover, there was general acceptance of the principle that adequate production of food grains would be assured by the producers' own demand for food. The corollary of this concept is that markets and market prices are not important in stimulating increases in food grain production.

In contrast, there was widespread recognition that substantial cash incentives and assured markets had to be offered to producers in order to induce expansion of the production and marketing of peanuts and cotton. Finally, there was little recognition, until food shortages developed, of the possibility that an unbalanced agricultural development policy would have adverse effects on the national food supply.

Other factors that have encouraged national governments to neglect food grains and encourage export crops were the needs for foreign exchange. Also, the political appeal of low food prices to urban voters cannot be ignored. Experience has proven that low food grain prices have failed to protect basic consumer interest. Low prices have led to food shortages which are becoming increasingly serious, and to a reduction in economic growth. A large percentage of the increase in foreign exchange obtained from export crops is being used to purchase rising deficits of food crops. In developing countries such as Senegal, Mali, Guinea and Mauritania, where 80 to 96 percent of the people live on farms, <sup>there exists</sup> a low rate of growth in the total economy. More specifically, in these countries where food grain production is some 50 to 80 percent of total farm output, a low rate of expansion of food grain production has a significantly adverse impact on agricultural and general economic development. Lack of adequate production incentives to farmers, lack of markets for food grains and low farm incomes are the primary reasons for the generally poor performance in the agricultural and general economy.

Ten years after independence there is evidence that the old colonial economic concepts and policies strongly influence national agricultural programs. There is, however, a growing awareness among many government officials that something is radically wrong with these policies and they are beginning to become aware of the need for raising producer prices for food grains and for developing organized market channels. In Mali, for example, producer prices for cereals, although still low, have been increased substantially during the past four years. Farmers have responded by increasing production.

The gap between recognition of the agricultural policy problem and development of effective policies and programs is wide. To bridge this gap requires expertise in agricultural policy formulation and administration. For example, it is not easy to determine the specific producer prices and price ratios that will induce farmers to increase food grain production by a desired quantity. It is even more difficult to develop and to administer the national programs needed to put these policy decisions into effect.

### III. STRATEGY

Basically, it will be necessary to develop: (1) Programs that will enable each of the participating countries to become self sufficient in the production of cereals; and (2) methods for eventual coordination of these programs on a regional basis. This will require significant changes in existing agricultural policies and the initiation and evolution of

ms to implement these policies. Limitations in the availability of trained managerial and technical personnel, in physical and financial resources and in basic production and marketing data will mean that progress will be slow at best. Every effort will need to be made to start small projects taking first things first and, to begin only those programs and activities for which human and financial resources are available either locally or from external sources. Since so many things need to be done this means that a system of priorities must be established even though progress will not be as rapid as if all elements could be initiated simultaneously.

The first necessity is to bring these countries to the point whereby they can: (1) Adopt a policy giving as much attention and support to the production of food crops as traditionally has been given to export crops and (2) implement this strategy. To do so incentives will be necessary to expand the production of cereals, farmers must be assured of accessible markets, reasonable prices and prompt payments. Until farmers are confident that so-called subsistence crops can produce a cash income approximately that of export crops, campaigns to encourage increased production through the use of improved techniques including fertilizer, insecticide, etc. will have little or no effect.

*Incentive prices*

It is clear that the establishment of an effective nationwide grain marketing system cannot be accomplished except over a period of years. Neither the technical and administrative competence, nor the financial resources from local sources, are adequate. It will take time and money

to construct the necessary physical storage facilities to improve transportation infrastructure and to develop the indigenous managerial and technical competence to manage properly such an enterprise. At some stage in the development of the cereals program it will be necessary to establish National Grain Authorities with responsibility for all aspects of the program. Such an authority is now operational in Mali. Concomitantly with the establishment of this authority, steps must be taken to obtain and to upgrade managerial and technical personnel who not only will have the competence and the integrity to handle the financing, buying and accounting affairs, but will also have extensive knowledge of grain storage, grading, transport and handling.

As promptly as trained personnel and financial resources permit, steps should be taken to improve the collection of dependable and timely information from which periodic estimates of crop production can be made, thereby improving both the accuracy and timeliness of forecasts related to the magnitude of surpluses and shortages by areas. In addition to improving the internal operation of the national grain authorities, such steps would make it possible to meet emergencies requiring grain imports in a more timely and efficient manner.

When the national grain authority has reached a reasonable degree of maturity, and crop reporting services have obtained a certain degree of reliability, some arrangement for consultations among the national grain authorities in the area should be initiated. They will have many common interests; and coordination, even on an informal basis, should improve the effectiveness of individual country programs.

During the investigative period limited direct support to this proposed grain stabilization program can be expected from the regional Major Cereals research project. Through this program, research and field trials on corn, millet and sorghum will be continued and expanded to determine local adaptability of new varieties. "Input production packages" will be developed to realize the potential offered by these new high yielding protein-rich varieties. Following the investigative period as emphasis is placed on production, the complementary, supportive role of Major Cereals activities will become increasingly essential to the success of grain stabilization. Work accomplished by four field trial technicians provided by France (FAC) and the United Kingdom (ODA) could afford a firm basis for getting effective extension work underway with farmers to increase production.

The overall strategy of the proposed project is to determine the details of all the foregoing requirements and ultimately to assist the governments to undertake required actions.

#### IV. PLANNED TARGETS

The planned targets for the project are as follows:

##### A. Ultimate

The establishment in each of the cooperating countries of viable National Food Grain Boards composed of high-level officials who are familiar with the domestic agricultural situation and its problems. This organization will be responsible for planning, developing and implementing food grain policy carrying out the following functions:

- Assure reasonable price incentives to producers and reasonable prices to consumers;
- Establish and manage buffer and regulatory stocks of grain;
- Establish and operate efficient assembly and distribution facilities;
- Provide transportation for grain from surplus to deficit areas;
- Reduce seasonal and geographical variations in prices to the extent permitted by reasonably efficient handling, storage and transportation;
- Handle trade in food grains with other countries;
- Participate with the appropriate regional organization and mutually advantageous policies for inter-country grain trade; and
- Assist, in conjunction with the private traders, in creating a truly national and international grain marketing system.

#### Intermediate

The intermediate targets would be accomplished during the initial three year investigative period funded under this PROP. This will include efforts as follows:

1. Determine what changes will be necessary in national agricultural development policies in order to place on the production and marketing of food crops an amount of emphasis comparable to that existing for export crops. Once decisions have been made as to the policy changes which will be required, programs incorporating these basic reforms will be formulated and submitted to

the appropriate governments agencies for their consideration and required political action. The influence of the American team, having researched these problems in depth, will be of paramount importance in convincing the participating governments of the necessity of these actions.

2. Based on the programs that are developed, prepare estimates of the administrative and technical personnel that will be required during the implementation phase. Simultaneously, a survey of available personnel possessing any of these qualifications will be developed in order to determine the requirements for the training program.
3. Initiate training for local personnel who have been selected to staff the programs that have been approved. This training will be conducted in the cooperating countries by the technicians assigned to the project.
4. Survey the existing distribution and marketing facilities for food grains and draw up recommendations for the development of an adequate market system that will insure reasonable access for farmers to buying stations and will provide cash settlements to producers at the time of grain delivery.
5. Determine the price incentives that will be required to motivate farmers to increase production of cereals keeping in mind the world price and that maximum prices to consumers must be realistic. Once the price to the producer has been established steps

should be taken to insure that this information is made available to the farmer on a timely basis.

6. Determine the quantity of grain required to establish an adequate reserve, and from this, calculate the amount of storage capacity required. A survey of existing silos and their general condition will determine the need for construction of additional grain storage facilities.
7. Develop plans for many new storage facilities that may be required keeping in mind local cost factors and efficiency of operation vis-a-vis existing climatic condition.
8. As adequate price incentives and markets become available, develop educational programs involving the use of credit, improved tools, new cultural methods, improved varieties, etc., to be implemented by the agricultural services of the cooperating countries.
9. As adequate price incentives to farmers become available, develop programs to be implemented by agricultural extension organizations utilizing new techniques and agricultural credit.

#### V. COURSE OF ACTION

The commission of the Senegal River States has requested assistance in developing effective programs to increase grain production and to improve storage and marketing systems as part of their effort to initiate rural development programs. These programs have two immediate objectives, namely to increase supplies of food grains and farm income. Ultimately this will benefit the economy of the countries involved since, for the most part, they are based on agriculture.

A. Technical Assistance

During the three-year investigative period funded under this PROP, a team of five technicians will advise the OERS and its four member countries on the development and implementation of cohesive integrated grain stabilization programs which will meet the targets as outlined previously. Emphasis will be placed on those countries whose governments have indicated a willingness and capability to move toward the ultimate target on a timely basis. This team would include the following personnel:

1. General Manager (experienced in grain operations who will also act as team leader).
2. Grain Marketing Pricing Economist.
3. Agricultural Engineer (specialist in grain storage structures).
4. Transportation Expert (grain and grain products).
5. Farm Management/Production Specialist (Phase II).. ~ *agronomist?*
6. Accounting Systems Specialist (experienced in grain accounting).

*I think this  
is overemphasizing  
the marketing  
side*

B. Loans

While no commitments on loan assistance in support of such programs can be made at present, AID will give sympathetic consideration to loan applications from regional entities having the authority to engage in borrowing provided that two or more countries engage in the type of programs described in this proposal and these programs have reached a point to warrant such additional investment.

C. P.L. - 480 Title II

To the extent food grain imports can be effectively used by each cooperating country, the United States--alone or in cooperation with other donors---will provide in line with P.L.-480 policy, grain shipments, as appropriate during each year of the multi-year period of cooperation; such U.S. grain to arrive in time to be sold during the period of extreme need prior to the harvest. Sales proceeds will be utilized to defray essential internal transportation costs of the U.S. grain. All remaining revenues will be deposited in a special account to be released jointly by both governments for purposes contributing directly to the objectives of the program, i.e., development of domestic capabilities for food grain production and distribution. The U.S. Government does not make P.L.-480, Title II commodities available except on the basis of specific requests for purposes which must be explained in detail; therefore, final approval of U.S. grain shipments can only be given when a specific request is received following mutual agreement on country programs which are components of a regional program.

At the end of the three-year investigative period, progress made by the OERS States in formulating programs will be reviewed. If satisfactory progress has been made, AID should consider expanded support to this activity for an extended period of ten years.

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A grant agreement to the Organization of the Senegal River States will be utilized to fund the project.