Building Capacities through Local Production of Processed Foods for School Feeding Activities

May 2012

WFP Food Safety and Quality Unit
ODPFQ, Rome
SUPPLY CHAIN APPROACH

Why WFP is building expertise on processed foods

CHANGING CONTEXT

- Cash vs. In Kind donations (~60 vs. 40 %)
- Food procured locally (~85 %)
- Nutritious foods (~25 %)

WFP purchases more food, among which more sensitive products produced/purchased locally and targeting the most vulnerable

SO THAT SAFE, GOOD QUALITY AND NUTRITIOUS PRODUCTS ARE SUPPLIED TO BENEFICIARIES.

WFP operational practices are switching from:

- End product testing
- To a more proactive and preventive system
AIM
Continuously improve food safety and quality along the supply chain by reducing and preventing safety issues
**Critical points of the WFP supply chain and WFP role/impact**

<table>
<thead>
<tr>
<th>SUPPLY CHAIN ACTORS</th>
<th>WFP ACTIVITIES</th>
<th>APPLICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>FARMERS</td>
<td>Post harvest storage and handling</td>
<td>Corn &amp; Aflatoxin</td>
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<tr>
<td>PROCESSORS</td>
<td>Audits, conformity with international standards</td>
<td>Jointly with UNICEF and MSF</td>
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<td>INSPECTION COMPANIES</td>
<td>Support their capacity in perform their activities</td>
<td>Long Term Agreements to enable to invest more carefully in WFP needs</td>
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<tr>
<td>LABORATORIES</td>
<td>Assessing their needs (guidelines/equipment)</td>
<td>SOPs Guidelines</td>
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<td>TRANSPORTERS</td>
<td>Trainings on the principles of food quality and food safety</td>
<td>Blue Box, a kit of grain testing tools for on-the-spot screening</td>
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<td>WFP STAFF</td>
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</table>
WFP expertise and commodities (some examples related to school feeding)

**WHAT WFP DOES**

- **PRODUCT DEVELOPMENT**
  - Jellified bar
  - Exploratory study on a fortified fruit bar

- **PRODUCT CUSTOMIZATION**
  - Fortified Blended Foods
  - Corn based / Ethiopia
  - Rice based / Asia
  - Wheat based / Sudan

- **PRODUCT IMPROVEMENT**
  - High Energy Biscuits
  - Shelf life
  - Premix composition
  - Proteins (source, level)
  - Packaging
  - Antioxydants…
  - Stability

**PRODUCTS**

- Jellified bar
- Fortified Blended Foods
- High Energy Biscuits
- Fortified biscuits
What is the interest of WFP to develop local products?

**BETTER PROGRAMME EFFICIENCY**
- Local products (customized) are more adapted
- Fresher products who did not have to travel oversea

**STIMULATES LOCAL AGRICULTURE**
- Provide market outlets for local agriculture
- Processed foods offer more opportunities (various RM, switchable)

**REDUCES PIPELINE BREAKS**
- CONTINUOUS – less interruption in the distribution
- REACTIVITY – no lead time between procurement and distribution
Feasibility study:
- **Rationale:** Local School Feeding
- **Target:** on-site school feeding: 1.5 million children to receive a daily ration of fortified biscuits during the school year to increase and maintain enrolment and relieve short-term hunger;
- **Demand:** ~ 30,000 MT/year
- **Buyer:** WFP

**Technical analysis:**
- **Available budget:** several $ million
- **Delay of execution:** 1-2 years from green field
- **Industry** (willingness, investment capability, knowledge-capacity, seriousness, …)
- **Technical specification** to meet (maintenance, complexity, …)
- **Norms and regulations**
- **Quality concerns**
- **Sustainability:** economical, social, environmental
- **Security:** internal (site), external (environment)
- **Raw Material:** availability, quality, cost,
- **Auxiliary material, utilities:** water, power, etc.
Project engineering:
Choice of the technology: 2 strategies
1. Existing factories (investment minimum, mostly private)
2. Turnkey factories (high investment, WFP or partner)

Operational management of the project:
Organization layout: articulating innovative programmes with administrative and financial procedures / agreements

Sustainable management:
Maximizing locally sourced raw materials:
- First 100% imported raw materials
- Then the wheat
- Then substituting imported raw material with locally produced ones (milk vs. soya)
AFGHAN CASE STUDY

How can we produce?

Feasibility Technology Engineering Manage Finance Risk Tests

Needs: 5,890 mt Capacity: 2,000 mt

Needs: 3,700 mt Capacity: 3,200 mt

Needs: 1,983 mt Capacity: 1,200 mt

Needs: 6,555 mt Capacity: 1,200 mt

Needs: 8,553 mt Capacity: 2,000 mt
WFP ERRATIC ORDERS
- Competitive tendering
- Cost Effectiveness challenged by India
- Need time to reduce cost through mass procurement of RM and use of soybean

SPARE CAPACITY
• WFP demand is not the main activity
• WFP contributes to maximize the use of the production tool
• But the changes in safety and quality apply for the rest of the production

INVESTMENT
• 100 % private
• WFP role is only advices
Containerized Food Production Unit

Feasibility Technology Engineering Manage Finance Risk Tests

AFGHAN CASE STUDY
AFGHAN CASE STUDY

Repayment Mechanism

WFP

purchases

CFPU

leased to

LOCAL PARTNER

HEB paid to

repayment (100%)

HEB sold to

Forward contract mechanism

WFP Funding (100% of the initial investment capital)

3rd party payment mechanism repayment of the investment shared between GAIN and WFP
## ANNEX II: Regional approach of HEB local procurement in Afghanistan through P4P

<table>
<thead>
<tr>
<th>Provinces</th>
<th>List of HEB Suppliers in Afghanistan</th>
<th>WFP CO AFG needs in HEB in 2011</th>
<th>Local procurement HEB budget</th>
<th>Locally sourced raw materials</th>
<th>Soy flour (10% of the dough recipe)</th>
<th>Wheat flour (56% of the dough recipe)</th>
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<td>Herat</td>
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<td>Kapisa</td>
<td>Kabul 1 Private factory</td>
<td>2,000</td>
<td>8,553</td>
<td>2,800,000</td>
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<td>1,243</td>
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<td>Parwan</td>
<td>Kabul 1 Private factory</td>
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<td>Laghman</td>
<td>Jalalabad 1 CFPU</td>
<td>1,200</td>
<td>6,555</td>
<td>1,680,000</td>
<td>133</td>
<td>746</td>
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<td>Sar-i-Pul</td>
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<td>TOTAL</td>
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<td>6</td>
<td>9,600</td>
<td>26,724</td>
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*Two shifts/day, 8 hours/shift, 6 days/week, 4 weeks/month, 11 months/year!

**In red the two CFPU's, one in Jalalabad and the second one in Faizabad!
Demand for development of local production of processed foods is increasing but faces structural problems: lack of investment capacity linked to an overall lack of support for the sector, inadequate level of quality management and analytical laboratories, technical know-how that does not enhance local resources at the expense of imports...

Agriculture is being forced to rapidly increase production to feed the growing urban population.

The challenge of a changing food sector is both quantitative and qualitative.

Domestic demand is indeed the main outlet for local agricultural products and an important engine of economic development and enhancement of rural production.

In such context where food industry plays a strategic role in improving the competitiveness of national production, WFP is taking part in this change.