WHAT IS PURCHASE FOR PROGRESS

The vision of Purchase for Progress (P4P) is to promote the development of agricultural markets in such a way that by 2013 at least 500,000 low-income smallholder farmers – the majority of whom are women – will produce food surpluses, sell them at a fair price and increase their incomes.

P4P offers smallholder farmers opportunities to access agricultural markets and supports them to become competitive players in the market place. The project links WFP’s demand for staple food commodities (cereals, pulses and blended foods) with the technical expertise of a wide range of partners to support smallholder farmers boost agricultural production, sell their surplus at a fair price and increase their annual farming incomes. By raising smallholder farmers’ incomes, P4P turns WFP’s local procurement into a vital tool to address global hunger.

P4P fits into a global effort to promote smallholders’ agricultural production and access to markets in the context of addressing food security and poverty.

HOW THE PROJECT WORKS

A five-year pilot programme, P4P is built on three pillars: demand side, supply side partnerships and learning & sharing.

- **Demand** - In 2008, while assisting 103 million people, WFP bought US$1.1 billion worth of food commodities in 73 developing countries. Through P4P, WFP leverages this significant demand for basic food crops and tests new ways to purchase food in order to promote marketing opportunities for smallholder farmers. These new procurement modalities include i) competitive processes, but under conditions favourable to farmers’ organizations and small/medium traders; ii) direct contracting negotiated directly between WFP and farmers’ organizations to purchase food commodities; and iii) forward contracting committing WFP to purchase a certain quantity and quality of a food commodity in the future at an agreed price. P4P also promotes the development of local food processing capacity and links it with smallholder farmers to supply the staple commodities required as raw materials.

- **Supply side partnerships** – WFP links its demand with the expertise, knowledge and resources of supply side partners that support farmers to increase and improve the quality of their production. Through training and capacity building, smallholder farmers will develop the skills and tools to participate in agriculture markets, selling to WFP and other buyers. Access to credit, greater understanding of market dynamics and technical support provided by partners will also facilitate farmers’ engagement in markets beyond WFP’s involvement.

- **Learning and sharing** – P4P envisages gathering and sharing lessons about effective approaches to help smallholder farmers benefit from the sale of their agricultural production. The best practices identified will be mainstreamed into WFP’s policies and programme practices and shared with all other stakeholders (including governments, regional institutions public and private-sector actors in the agricultural sector).

For more information:
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Last update: November 09
QUICK FACTS

Geographic Coverage – 21 countries

Africa – Burkina Faso, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia

Asia – Afghanistan, Laos

Latin America – El Salvador, Guatemala, Honduras, Nicaragua

Global Facts

Beneficiaries: 500,000 farmers

Duration: 5 years (Sept 2008 - Sept 2013)

Total funding: US$115 million allocated to WFP and partner technical capacity for 5 years (food not included).

Key donors – Bill & Melinda Gates Foundation, Howard G. Buffett Foundation, Governments of Belgium, Canada and the United States of America

WFP TESTING NEW WAYS TO BUY FOOD

P4P is an integral part of WFP’s local and regional procurement. It uses part of WFP’s regular local procurement to test new approaches and establish which are best suited to help smallholder farmers:

Competitive processes – Suppliers compete to sell WFP a commodity but under conditions favourable to farmers’ organizations and small/medium traders:

- ‘Soft tenders’ – tenders with less stringent conditions to facilitate bids by smallholders or small/medium traders – e.g. smaller quantities, bid, performance bonds and special bag marking not required, delivery points closer to the supplier’s warehouse

- Cereal fairs – gathering of producers and traders to market their commodities. WFP is able to select the seller based on quality, price of commodities offered and profile of the supplier

- Commodity exchanges – these are trading platforms where sellers (represented by their brokers) register what they have to sell and describe the location and quality of the commodity; WFP places bids to purchase

Direct contracting – at the time of harvest, WFP negotiates a contract to buy a commodity directly with farmers’ organizations. A competitive tender requesting bids by three suppliers is not required.

- Warehouse receipt systems – smallholder farmers deposit their commodities in a certified warehouse in return for a receipt that can be exchanged for cash at a local financial institution. The commodities must meet certain standards of quality and grade. The value of the receipt is equivalent to 60-70% of the market value. The balance is paid after the commodity is sold.

Forward contracting - WFP makes an agreement with a food vendor to deliver a specified quantity and quality of a commodity at some time in the future at a minimum guaranteed price.

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