

Commodity Management: Applying Technical and Market Analysis to Ensure Project Success

ACDI/VOCA is a leader in innovative management of donated U.S. agricultural commodities under programs funded by both USAID and USDA. These programs promote food security and market development around the world and often generate funds to improve livelihoods.

ACDI/VOCA's commodity management expertise is one of its technical strengths. Between 1992 and 2004, ACDI/VOCA managed over 800,000 metric tons (MT) of commodities donated by various parties, but primarily by the U.S. government. In addition to managing commodity under its own USAID P.L. 480 Title II and USDA programs, ACDI/VOCA is building its portfolio of commodity management and monetization contracts whereby its technical expertise is sought and utilized by other organizations.

In all of its programs that include the donation of commodity, whether for sale to generate proceeds for development purposes (monetization) or for distribution, ACDI/VOCA undertakes a rigorous process of ensuring the appropriate commodities are utilized, that any negative impact to local markets and commercial imports is minimized, and that the best monetization or distribution methodology is utilized to enhance the development impact of the process itself.

Analyzing Data to Design the Right Program

During the design process for a food aid program, ACDI/VOCA conducts an assessment of the current market in-country. For all Title II programs, this is a Bellmon Analysis, which determines food aid needs, looks at production and imports, assesses shortages and seasonal variations as well as determines available transportation and storage. This analysis

is utilized to determine potential disincentives to local production and ensure that adequate storage and transportation facilities are in place to facilitate the movement of the commodity and prevent waste. This assessment is critical and is updated every year. ACDI/VOCA also assesses the appropriate tonnage to bring into the country, based on the Usual Marketing Requirements, an assessment of needs and imports into a country, including both commercial and food aid com-



Vitamin A-fortified vegetable oil is one of the commodities ACDI/VOCA manages in Rwanda.

modities. ACDI/VOCA speaks with U.S. commodity groups and in-country traders and buyers while working with the host country government to ensure buy-in and to fully understand government positions regarding genetically modified organisms and food aid. Only after this complete analysis does it then determine appropriate commodities, their specifications and appropriate amounts.

Managing Sales and Distribution

ACDI/VOCA also looks at the market potential in-country and the appropriate methodology for conducting the sale(s) or distribution. In the case of monetization, ACDI/VOCA is one of the few organizations that has experience in selling commodity through outcry auctions and small-lot sealed bid auctions, in addition to traditional negotiated sales. Wherever possible, ACDI/VOCA treats the monetization process as a development tool in and of itself. For example, in a proposed program in the West Bank and Gaza, ACDI/VOCA would monetize directly to Palestinian mills and feed companies. As part of the program, in addition to the monetization process, ACDI/VOCA would oversee training for the potential buyers in importing commodity, thereby facilitating future participation in global commercial transactions by the buyers.

Commodity Management in Focus: Rwanda

A prime example of ACDI/VOCA's expertise in commodity management is the P.L. 480 Title II program in Rwanda. Building upon a short-term monetization-only contract issued by USAID in 1998,

Quick Facts

- Over 570,000 MT monetized under ACDI/VOCA programs, generating approximately \$170 million in proceeds to be used for development purposes
- Over 210,000 MT monetized for other organizations/government agencies, generating \$61 million
- Over 21,000 MT distributed, valued at over \$10 million
- Lead monetizer in two countries
- 12 clients through 2004 including USAID/Rwanda, USAP-EEC, the Italian government, CARE, CRS and FINCA; 2 new contracts signed in 2005



The proceeds generated by monetization often fund further development activities, such as grants to cooperatives and associations like this one in Rwanda.

ACDI/VOCA has since been awarded two consecutive five-year Title II programs in Rwanda by the USAID Office of Food for Peace.

ACDI/VOCA began the current monetization program by conducting a Bellmon Analysis in Rwanda to consider several commodities including vegetable oil, rice and wheat. Analysis confirmed a lipid shortage of 33 grams per person per day, insufficient local artisanal production and nonexistent industrial production. Further, both regional imports and food aid were assessed for tonnage, and a determination was made that there was no significant seasonality to demand. Transportation and storage were then analyzed from Mombasa, Kenya, and Dar es Salaam, Tanzania. Based on this assessment, ACDI/VOCA determined that Vitamin A-fortified vegetable oil and wheat were appropriate commodities to import and monetize under the Title II program.

After establishing a host country agreement with the Rwandan government, ACDI/VOCA began the process of acquiring the commodity. To get it to Kigali, ACDI/VOCA works with the U.S. government in calling forward (or requesting) commodities