

**FINAL REPORT**

## **FOOD AID AND THE MARKET IN ACEH**

**Observation of the impact of food aid to local market, and  
How food aid could be directed to help revive local economy?**

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## Executive Summary

In the aftermath of tsunami the need of food aid is recognised. The tsunami-affected people do not have means to feed themselves. However concerns are raised on the impact of food aid to beneficiaries and local market. There have been many studies on this, especially in Africa that proved the adverse impact of food aid. And Oxfam in Aceh would like to find out the impact of food aid specifically in the local market; and at the same to find out alternative for food aid distribution that not only benefiting the target groups, but also local market.

In Indonesia rice is not only staple food of its inhabitants, but also source of employment of thousands people in the villages. To make sure that rice available throughout the years and at affordable price the government has drawn comprehensive rice policies. One of the instruments for this is by establishing BULOG, a parastatal organisation that has role to keep national stock, helps stabilise rice price and provide rice ration for the vulnerability people, civil servant and military. BULOG has relatively good infrastructure and system for rice distribution throughout Indonesia. Since 2000 the government had started imposing tariff at the level of approximately 30% of world rice price. And in January 2004 she also banned import rice, although exemption to WFP was given after earthquake and tsunami hit Aceh.

Generally food aid sources from imported food and this is also hold true for Aceh. Nevertheless previous studies have revealed that Aceh is rice surpluses province. While national wide there is also enough rice stock that ready to be deployed where there is a crisis. Hence there is no reason to import rice for food aid. In fact the imported rice in surpluses areas might threat price stability, and squeezed the function of existing market structure.

At present market infrastructure of rice trading in Aceh is relatively safe and functions well. Most of the tsunami affected areas are only in coastal areas, and less than 10% of paddy field areas. The surpluses rice areas of the province have not affected and still able to provide enough rice to the people. Therefore by imported rice and create specific logistics and transportation system for food aid distribution, the WFP might lost its opportunity to use cost effectiveness and also missed its chances to help reviving Aceh economy

This study has found out there has been less impact of influx of food aid to market price as well as to price received by farmers. However the food aid distribution has reduced local demand and might threat the existence of small traders. They might disappear and only those with enough capital stay in the market. The study also tries to find alternative food aid distribution through cash and voucher that will help local economy to grow. The research suggests two alternatives for this. First is to utilise BULOG system and infrastructure in term of logistics and transportation for food aid distribution. This will enhance BULOG function and promote BULOG for transparency and good corporate governance. Second is replacing the food based aid to cash or voucher system with local food purchase. This will likely reduce logistics cost and will help local economy and the market to revive. However thorough analysis is necessary to make sure effective cash or voucher distribution occur.

## 0. Background

A major earthquake accompanied by tsunami on December 26, 2004 has severely affected the coast of Aceh province. It is reported that over 200,000 people died, and more than a million people are directly and indirectly affected of which about 700,000 are IDPs. These people have lost all productive assets and valuable goods. In this kind of situation the need of food aid is obvious and indisputable.

However, despite the massive size and duration of this effort, there remain fear about its effectiveness and its longer-term impact to the community: a) how efficient the food aid targeting system is in ensuring that food reaches those who need it the most, b) fear of that large quantities of food aid, if poorly targeted, may depress market prices for food and may result in domestic production disincentives, and possibly threatening the agricultural capacity that once survived in disaster. Their concerns are justified. In Somalia in December 1992, for example, food aid poured into the country, despite the worst of the crisis being over and a good local harvest. The imported food drove down the prices received by local Somali farmers by 75 percent, forcing many of them to abandon their land and join the queues for imported food handouts (Verhagen, 2005). Therefore the aid agencies have to think about the quantity of distributed food or how much is actually needed, for how long, and where to source them?

Through this study Oxfam would like to observe the impact of food aid to market, and to find out “how the food aid should be implemented so that it will not distort the market, instead reviving it”. The first is to look at the impact of food aid to the prices, both prices that received by producers as well as price paid by consumer. The second is to identify alternative to the current food aid distribution in order to revive market, and local economy.

## Methodology

The study is based on secondary and primary data analysis. The first is reports and documents from some relevant organization like Dinas Pertanian (Department of Agriculture), BULOG Aceh, FAO, and others. The second is interviews WFP in Meulaboh and Banda Aceh, and also with traders, rice mill owners, and farmers in Lamno, Sigli, Meulaboh, Lambaro, and Blangbintang. Nevertheless there was no interview with partners of WFP like CRS, CARE, Save the Children, etc. for food aid distribution. It was assumed that food aid policy distribution is determined by WFP. Although in the implementation several problems or obstacles encountered by those international NGO mentioned while distributing aid.

It should be noted here that the study is not a quantitative study. Hence the writer is not trying to make statistical computation, and do generalization of the respondent’s answer. Instead the study is trying to observe the phenomenon that happen in the market and at the farming level in regard to food aid distribution and the impact to the market.

## 1. Context

### Government Policy on Food Security

Rice is still considered the most important grains in Indonesia since this crop is the staple food for majority of the people. In addition millions of people engaged in rice production, rice processing and other post-harvest activities related to rice. Considering the importance of rice, Government of Indonesia has launched many programs to boost rice production in order to meet the demand, and become rice self-sufficient country. Rice is to be made available at all time, in every place at affordable price.

In 1968, the government have established BULOG, a paras-tatal organization with its main function to stabilize price of basic food commodities in line with government food policy. In executing this tasks Bulog implements buffer stock strategy, which buys rice at certain price level during harvest season to absorb supply to prevent declining price. In the leaning month’s market intervention was conducted to smooth-out price fluctuation, as an effort to maintain affordability of lower-income groups to ensure their household food security. Domestic procurement carried-out by Bulog basically to guarantee market for rice farmers to sell their product and to purchase rice for Bulog operation in supplying rice for public service obligation and for national stock reserve. More than three decades the price stabilization strategy was considered effective and contributing significantly to socio-economic stability that provides strong foundation for economic development<sup>1</sup>. In 1984 Indonesia rice production was million metric tons (MMT), and BULOG had an ending stock more than 3.0 MMT. It was the time when food security in this country including households food security was considered very strong, and the primary source of the food supply particularly rice came from domestic production.

In 1998 economic crisis hampered Indonesia had severe impact on every facet of its economy. Numbers of poor people rose significantly and there numbers of malnutrition prevalence increased rapidly. Such conditions forced government to change its strategy particularly on food policy, and it translated, among others by rationalizing the price stabilization strategy. A targeted subsidy program through special market intervention and later changed to rice for the poor (*Raskin*) was introduced. This program was specifically design for strengthening food security of the low-income group and the poor family. A set of criteria was used to determine target beneficiaries and the one eligible to receive

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<sup>1</sup> Unfortunately since January 2003 government change the status of BULOG from parastatal agency to become state owned enterprise that function to conduct public service obligations, and carry out business as commercial organization. Since then BULOG was not supported by special credit.

this subsidized rice can get the ration 20 kg per family per month, with the price of Rp.1,000.-. The program has been launched since 1998 and annually government provides around 2.2 MMT rice distributed to the poor with total subsidy approximately Rp.4.6 trillions.

During the crisis Indonesia turned to IMF and World Bank for loan packages as much as US \$ 43 billions. In exchange is that the government has to liberalize trade, including rice trade. Monopoly right that used be enjoyed by BULOG was dismantled. Domestic market barrier to entry has been relaxed, including the minimum tariff for rice. Statistical data showed that at zero percent tariff the quantity of rice import had doubled from the average of 1,5 MMT per year in 1995-1997 to more than 3.0 MMT in 1998-01. Those statistical data showed that import dependency grew from 4.3% to 9% in 1995-98. In 2000 government started imposing import tariff at the level of approximately 30% of the world rice price. The primary objective of this tariff policy was to protect farmers from further decline in price due to deregulation of domestic rice market, and low price of rice in the world market. Following that in January 2004 the government banned import of rice. However, the government has given exemption to WFP to import rice for aid in Aceh province after earthquake and tsunami hit the province in December 2004. Since 2000 the price of rice received by farmer tends to be stable and recently after the import banned the farmers' price is above the government set price. During the research the average price receive by farmers is IDR 1500, it is above the government set price (through BULOG) amounted as IDR 1330.

### **The importance of Rice in local economy**

Agriculture is a significant contributor of the local economy accounting for 32 percent of the provincial GDP and employing nearly 48 percent of the labor force in the province. Almost all of the 503 coastal villages are rural and 70 percent of their inhabitants relied mostly on agriculture for their livelihoods, food crop production being the main activity, with much smaller contributions from horticulture, tree crops and animal husbandry<sup>2</sup>.

Paddy is planted twice a year in irrigated areas in the wetland, and once a year in non-irrigated areas. Paddy cultivation and rice production is still the most labour-intensive agricultural activities and one of the important source of income for rural communities. Number of peoples engaged in rice production and post-production activities including processing, storage, transport and distribution is enormous.

A farmer reported that for a piece of land with the size of 5000 m<sup>2</sup>, he employs 10 people to prepare the land, putting fertilizer, broadcast the seed, weeding and spraying the pesticide. While to do harvesting the farmer employs about 7 people consist of family labour and the neighbour. The yield of this land was nearly 3 tons of paddies. Another farmer said that he has 1 ha of paddy and he used tractor to plough the land. However he employs neighbour, especially women, to broadcast the seed and to fertilize the soil. About 10 people help him to harvest the yield. A rice mill owner said that if he use full capacity of his rice mill (10 tons/day) he employ 20 people to dry the paddy, to running the mill, and packaging the rice. And some more people involve in the distribution channel.

## **2. Rice supply in Aceh**

According to Ministry of Agriculture data, the province had about 359,500 ha of wetland area (sawah) and about 1,228,000 ha of dry land area. The cropping pattern was dominated by paddy, which accounted for 82 percent or 295,000 ha of the wetland area. Of the total harvested area of 368,000 ha, Aceh Utara (44,000 ha), Pidie (41,000 ha), Bireun (41,000 ha), Aceh Besar (37,000 ha) and Aceh Timur (31,000 ha) dominate (FAO/WFP, 2005).

The agriculture sector has been far less affected by tsunami. On the east coast only very few agriculture field destroyed, except surrounding Banda Aceh and Sigli. On the west coast damaged is much bigger, but large part of rice field was spared by the tidal wave. The Department of Agriculture estimated that the damaged is about 10% to its planted areas.

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<sup>2</sup> FAO Mission report May 2005

The supply of rice in Aceh is basically coming from its production. However during crisis, the province also receives rice from other provinces from National Stock through BULOG. Specifically due to tsunami the province has also received some million metric tons of rice from food aid donor.

The stock for Aceh for the past two year (2003 and 2004) was 100, 000 tons and 70,000 tons respectively. And this year the stock is estimated at 80,000 tons. The BULOG bought around 6%-8% of total harvested.

For many years Aceh has been known as rice surplus province. Data from the department of agriculture showed that in during 2000-2003 (Table 1. Annex) the province has surplus on approximately about 200 thousands tons annually, or on average about 20 percent to its total production. However the lowest surplus occur in 2001, in which surplus is below 100 thousands tons.

Latest report of FAO mission forecast that even in 2005, after tsunami, the Aceh province would still enjoy rice surplus. It is estimated that in 2005 paddy production loss in Aceh from two seasons due to the tsunami at 196 359 tones. This year (2005) paddy output is forecast at 1.47 million tones, some 12 percent below a normal year in Aceh. The Mission's forecast of the rice supply/demand balance<sup>3</sup> for 2005/06 by district is summarized in Table 2. Meanwhile the National Stock of rice in 2005 is 1.427 thousand tons<sup>4</sup>. Having the above figure it is obvious that Aceh, and Indonesia do not need imported rice, included for food aid.

*There is a rice surplus over effective demand/consumption of some 200 000 tones in 2005/06 for Aceh at provincial level. In spite of local crop losses, overall food availability in the affected region is, therefore, more than adequate to cover food needs. Given the relative large rice supplies available in the region, it is recommended that local purchases be made whenever possible in order to meet food aid requirements in the province in order to avoid domestic food markets distortions (FAO mission report May, 2005)*

However following the tsunami it is reported that some metric tons of rice have been imported to Aceh in the name of food aid. Several agencies have distributed food aid for tsunami-affected people. Nevertheless WFP is the biggest food aid relief. Unfortunately, the WFP could not provide exact figure on its stock and the sources. An official of WFP said that sources of WFP food aid are both local and regional purchase plus some in-kind donation.

On 13 January, the stocks of WFP reached 47,357 tones for distribution to the Indonesia victims and they announced the purchase of an additional 30,000 tones from the BULOG. In reality WFP bought 10,000 tons from BULOG Regional Aceh and another 10,000 tons from BULOG Regional Medan. This amount was distributed to the displaced people at the onset of the emergency. Besides these figures, there is also some imported rice. According to the IOM, Thailand and Saudi Arabia have already sent some rice for the relief operations. Bambang Prasetyo, the operation director of BULOG in Jakarta also told the press that the WFP diverted a boat going from Japan to Bangladesh with a load of 12,500 tones of rice for the relief operation in Indonesia. The spokesperson of the WFP in Aceh mentioned that this rice was coming from the US. According to the WFP, the US has already donated some 20,450 tones of rice to tsunami regions, most of it coming from pre-positioned stocks in Dubai<sup>5</sup>. Assuming that the entire above figure is correct, it means that there is already around 100,000 metric tons of rice. However it is not clear whether all the above-mentioned rice is already deployed in Aceh or is still being arranged.

If we look at the figure above, the local purchase from BULOG is only one fifth of the imported rice. One of their arguments about importing rice is that it is cheaper (including transport) to buy rice from the neighbouring country like Thailand than buying in the local market in Indonesia. However,

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<sup>3</sup> The estimated balance is based on the following assumptions: population to grow at annual rate of 1.26 percent; half of missing persons due to earthquake and tsunami actually died in the disaster; a milling rate of 65 percent from paddy to rice. Requirement levels from past years are assumed for food consumption requirement (150 kg/caput of rice), feed, seed (40 kg/ha), post-harvest losses (7 percent), and buffer stock (5 percent of consumption).

<sup>4</sup> Department of Agriculture, Jakarta February 2005

<sup>5</sup> Nico Verhagen, February 2005 Food Aid and Local Production: who will feed Aceh

currently the WFP is negotiating to get a waiver to allow buying rice locally with higher price than import.

### **3. Food Aid**

Based on WFP emergency need assessment in January, it is estimated that 790,000 people require relief food aid for an initial period of three months. Hence within three months a full ration of food aid is made available. WFP Food aid comprised of Rice (0.40 kg), Fortified Noodle (0.033 kg), Canned Fish (0.05 kg), Vegetable Oil 0.02 kg) and Fortified Biscuits (0.03 kg).

These foods are distributed under General Food Distribution to all the tsunami population under the four main eligibility criteria shown below:

- 1) IDPs living in spontaneous camps
- 2) IDPs living in host families including the host family itself
- 3) People indirectly affected by tsunami for example isolated villages due to destroyed road
- 4) People who have lost their livelihood

After a three month of distribution to all IDPs and their host, the WFP will phase out general food distribution gradually through a more targeted distribution, and completely stop by end of December 2005. However from the discussion with WFP in Meulaboh it seems that the general food distribution will continue up to June and they would then concentrate on selective feeding programmes such as School feeding programme, Supplementary feeding and other vulnerable groups-feeding for slightly longer period. The ration would mostly comprised fortified food only.

To distribute food aid the WFP work in partnership with other agencies such as ACF, Save the Children, CRS, etc. Usually food aid distributes monthly in the appointed POSKO (centre), and beneficiaries are already registered in advance. In February the number of food aid beneficiaries is reported about 445,000<sup>6</sup>, while in January it was targeted that at least 300,000 beneficiaries should receive food aid. And in March 2005 about 590,000 beneficiaries received food from WFP, which amounted to about 8,000 metric tons of food distributed to the tsunami-affected people in Aceh. Using the current targeting criteria, the average number of beneficiaries served is about 550,000 per month, consuming about 10,000 MT of food monthly in which rice is 75% of this. Therefore, WFP projected food need for tsunami-affected people in Indonesia for the whole year (2005) is more than 100,000 MT and for rice only is more than 75,000 MT. This figure is only 0.05% of national stock and 38% to Aceh monthly surpluses.

The rice is distributed only in the tsunami-affected areas where most of them are traditionally not rice surplus areas. However interview with beneficiaries and traders in the market revealed that some portions of the food aid, especially rice and fish can are sold to the market to obtain cash. For a kilo of rice food aid IDPs will receive Rp 1800 to Rp 2000. Other than to get cash some IDPs also exchanges their rice food aid to local rice. Few IDPs mentioned that taste of the rice food aid is not good.

In Lamno market a trader reported those 2 days before the Maulid celebration, a traditional celebration for prophet Muhammad birthday, he have bought 4 tons of food aid. While trader in Lambaro said that he bought around 300-400 kg per day. Same situation also happen in Meulaboh where trader in the market also said that he regularly bought 200 a day from IDPs. However he said that if the police knew that he received rice aid he would be captured.

### **4. Impact of food aid on local market**

Rice market in Indonesia in Indonesia is actually an interaction between BULOG system (government rice market) and actual rice market governed by the price system (free market). The composition of those two markets is not well documented. Nevertheless some estimation suggests that the free market account for 80% and the remaining 20% constitutes that which passes through government agencies namely BULOG and its contractors and suppliers. The players on the rice trading are collector traders, rice milling unit (RMU), wholesalers, bazaar traders, and retailers. The scale and extent of those participants are varies from household and small-scale trader to the level of conglomerates which

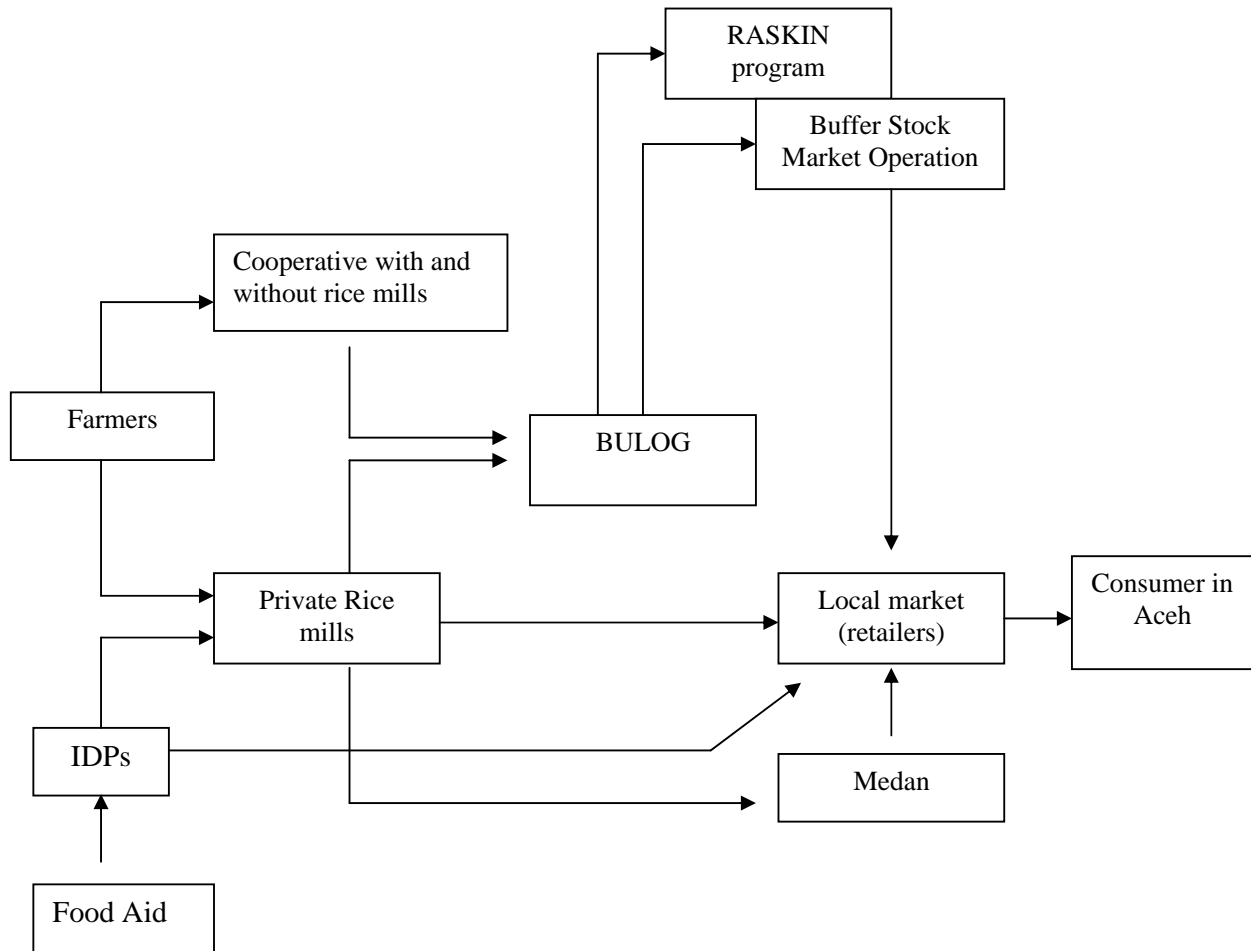
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<sup>6</sup> ACF March 2005. Preliminary Analysis on the food aid reponse to the tsunami crisis.

control RMUs and wholesalers, and often collector traders. Few of those actors have been involved with the government policies on rice procurement through special arrangement with BULOG.

Every year the government through BULOG set a price of paddy and rice in the farm gate and RMUs. Players that have interest to join the government procurement will join the bidding and those that qualified will be BULOG's paddy or rice supplier.

Market in Aceh is very integrated to other provinces in Sumatera through Medan as the gate. Prior to tsunami tons of rice and many other commodities like rubber, and fish transported to Medan. In fact many traders here in Aceh mentioned that they receive capitals from bigger traders in Medan. Rice surpluses from Aceh is regularly transported to Medan for Sumatera market, and some also returned back to Aceh especially for the market in urban areas like Banda Aceh. However there is no figure on how much Aceh's rice is traded to Medan. The flow of rice from farmers to consumer in Aceh can be described as follow:



General observation in local market in many different areas showed that sales of rice have decreased sharply. Traders said that local demand for rice since tsunami has dropped significantly<sup>7</sup>. Since last month there has been growing demand on rice, though it is still slow. One small trader (retailer) in Lambaro said that one month after tsunami only few people came to his shop, and he only able to sell less than 100 kg per day, and recently he sell around 300-500 kg per day. Before tsunami he was able to sell about 1 tons per day. Other wholesaler that also sells retail in Meulaboh market expressed the same thing. He said that is lucky if the sale is above 500 kg a day; it is not comparable to his sales prior to tsunami that could reach few tons a day. Rice mills owner whom said that now he is only used up

<sup>7</sup> Interview with traders in Lambaro, Lamno, Meulaboh

half of his machine capacity also faces same situation. These days he only sells very little to local market.

Traders and rice mill owners said that currently people have so much rice from the aid, and they do not need to buy it. In fact many are selling the rice coming from aid in order to obtain cash. A kilogram of rice from food aid was priced as much as Rp 1800 for low quality and Rp 2000 for good quality. Despite excess supply of rice some traders also mentioned that market is quiet due to low purchasing power, and also the decreasing demand as consequences of number of death toll.

If these kinds of situation happen for sometimes certainly small traders/retailer could not stay in the supply chain. The same will hold true for small rice mills owners. In fact some small rice mills owners have stopped selling its services. The supply chains, especially in the distribution side will convergence and only medium and large traders and rice mills with larger capital will stay; and monopoly of big traders might occur.

When demand is low, and supply increase steadily usually price will tend to be declined. Surprisingly, this report does not show that. It is reported from various interviewed that rice and paddy price relatively stable. Rice price in Banda Aceh is around Rp 3500 – Rp 4000 depends on quality while paddy price in Blangbintang areas is Rp 1500-1600; and the same is in Sigli. In the west coast is reported to be at Rp 1 600/kg (US\$0.18/kg). Farmers on the Northeast coast have received a slightly higher price at Rp 1 700/kg (US\$0.19/kg) due to its location close to Medan, the major wholesale market for the island of Sumatra (FAO, May 2005). Exception is occurring in Lamno where paddy price decline from Rp 1400,00 to Rp 1200. All the prices are above the government (through BULOG) introduced a purchase price of Rp 1 330/kg (US\$0.15/kg) for wet paddy.

There are few explanations to the stability of rice price. The flow of food aid is mostly to coastal areas, and only limited amount to the rice production areas. It means that demand to local market reduce very much as proved by this study. While in the paddy production areas, the situation just slightly changed. The flow of rice to Banda Aceh decreased, and flow of rice to Medan is increasing. One rice miller said that now he sent rice to Medan double than before; and we do not know what is the impact of this flow of rice from Aceh to the farmers and traders that sell rice to Medan market. Moreover, in the last harvest BULOG also bought some of the surpluses, and this year BULOG will increase its purchase.

## **Recommendations**

Based on the discussion with WFP the food aid program will continue till end of the year with gradual shift to selective feeding program such as school feeding program, and feeding program to the most vulnerable group. Nevertheless, at present people seems not yet ready to feed themselves, and yet there is no clear explanation to them where the food aid will last. Therefore many are still assuming that food aid will continue. Meanwhile the cash for work that actually could be used to back up the food security income through creating people purchasing power has not been well planned. Having said this withdrawal of food aid should be carried out carefully especially through monitoring food security situation from different based namely exchange, transfer and production. Currently the livelihood of the affected tsunami people has not yet fully recovered and so food aid is still needed. However there should clear explanation on when the food aid should last. The organisation like Oxfam and other development donor agencies should promote the following to make sure that food security for the people is there, whilst local economy (and the market) will also revive and function:

1. Monitor the food security of their beneficiaries use SPHERE standard monitoring system, and use this for communication/dialog with WFP as necessary. This information should be used as a basis for food aid program withdrawal or phase out strategy including specific target group ration (the most vulnerable group for example), specific target geographic program etc.
2. Purchase food aid locally  
The tsunami has damaged the coastal areas, not the paddy surpluses areas. Market infrastructures in the paddy surpluses areas are still relatively safe and function well. Yet BULOG in Aceh and National wide have enough stock to feed the IDPs and affected tsunami people. Furthermore starting in July many farmers will also harvest rice, so that there will be enough rice. Therefore

there is no reason for food aid agency to import rice. In fact imported rice whilst there is enough stock or surplus might depress the price.

Having imported food the WFP has lost opportunity to help Aceh that is really in need to recover and revive its economy. Purchase food aid locally means injecting fund to local economy. It will keep employment in the rice field, and some more in the processing and distribution. If a hectare of rice field employ 10 people; and yield 7 tons of paddy or 4 tons of rice it can be assumed that the purchase of 1000 tons of rice will contribute to 2500 number of employment in the production only, not yet the processing and distribution. Moreover if a farmer with 0.5 ha, yielded 3 ton of paddy, obtain Rp 800,000 as income, we could also estimate the amount of rupiah that will be generated locally as income for farmers. Similarly we can roughly estimate the multiplier effect if WFP purchase more than 75,000 tons locally. The local purchase will also reduce transportation and logistic cost that incur to importation; unfortunately in this research we have no chances to look at cost effectiveness analysis of imported food versus purchase local food.

For this purpose WFP could work together with BULOG. It has a quite good infrastructure and system of storage and distribution up to sub district level. The BULOG work with farmer cooperatives and rice miller to purchase rice from farmers. To stock up all the purchase it has enough storage facilities under sub regional divisions in the district level. In Aceh there are 6 sub regional divisions, the storage capacity of each sub divisions reaches 65,000 tons. This capacity and its means of transportation have proved to be effective in a crisis situation. In Meulaboh where the storage facilities not damaged by tsunami about 800 tons of rice was mobilised at the aftermath of tsunami. During crisis and continue up to now BULOG with its RASKIN program has reached millions of people in kampong and villages throughout Indonesia. In this program BULOG works in coordination with local government

Utilising the BULOG structure and the infrastructure the WFP will help to strengthen it by improving its efficiency and effectiveness. Moreover, with the fund from food aid the BULOG will no not need commercial credit that yet hampered its capacity to provide cash payment for its supplier. Moreover it will also improve its capacity to help stabilize the price. Yet WFP does not need to duplicate the logistics and transportation that once exist through BULOG, hence reduce the cost. Having this program, the WFP could also help building for transparency and improve good corporate governance of BULOG that have been accused as corrupt and non-efficient organisation.

### 3. Change direct food distribution into cash or vouchers

As was mentioned earlier there is rice surpluses in Aceh and National wide. The market of rice in Aceh is quite established and not disturbed by tsunami. Beside, there are structures and infrastructures already exist. Therefore direct food distribution can be substituted with either cash or voucher intervention. WFP has shown interest in the ideas of vouchers instead of physical food. This is an approach where the registered food beneficiaries are given vouchers or cash. They will use the vouchers to acquire food from pre-determined structures/source as directed by the implementing agencies or WFP. The cash and voucher system will help clear local stock and provide incentive for farmer to keep producing paddy, that means creates employment opportunities. Moreover it the funds that will stay locally will boost the market and local economy.

One good opportunity is the BULOG RASKIN structure; with good consultation with the BULOG and the local government; this could be a good entry point to start cash or voucher system in the provision of food aid. Apart from this structure the community based health centre model (POSYANDU) or women groups model like DASA WISMA in the past could be revisited for distribution and monitoring purposes under the guidance of WFP's partner organisation (CRS, Save The Children, etc).

Vouchers will promote local market ready to provide rice, and save some of the farmers' burden to looking for market. It will also boost the local economy and stimulate the growth of markets. The vouchers system will save WFP cost from those complexes logistical arrangements for storage and transportation of food to various locations, including Implementing Partners distribution cost. Experiences of vouchers in other programme has shown to give beneficiaries some flexibility in picking their entitlements at their convenient, other than the long queue in physical food distribution or miss the food for the whole month if you are absent on the

distribution day. However, voucher has also some weaknesses, and people will prefer cash instead as it has more flexibility. Although there are some cons also for cash based aid<sup>8</sup>. Monitoring is key activities on this.

Both for voucher and cash food aid based local bank could be part of the scheme so that security problem could be reduced. In cash based system beneficiaries could have individual account. The cash based system could be link with livelihood strategies including micro finance program, especially on saving mobilisation for life cycle needs (consumption, health, and education).

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<sup>8</sup> See Harvey. Paul. Cash and Voucher in Emergency. HPG Discussion Paper. ODI. February 2005.

## Annexes

**Table 1. Rice supply and demand balance 2000-2003 (Department Of Agriculture, Aceh 2005)**

District	Production				Consumption				Surplus/Minus			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
Sabang	0.07	0.09	0.10	0.05	3.53	3.60	3.64	3.68	-3.41	- 3.50	-3.53	-3.63
Banda Aceh	1.35	1.12	1.18	0.43	32.60	32.90	33.31	33.63	-31.26	-31.77	-32.13	-33.20
Aceh Besar	110.59	101.52	106.91	105.11	57.34	56.65	57.84	58.14	53.25	44.88	49.08	46.97
Pidie	108.87	100.44	105.64	116.27	89.17	88.96	90.54	92.87	19.70	11.47	15.09	23.40
Bireuen	87.87	75.70	79.62	113.85	64.00	62.86	63.99	69.14	23.87	12.85	15.64	44.70
Aceh Utara	133.52	113.32	119.15	122.64	118.41	116.01	117.99	93.88	15.11	-2.70	1.16	28.75
Lhokseumawe	-	-	-	3.53	-	-	-	25.55	-	-	-	-22.03
Aceh Tengah	34.72	30.93	32.56	28.50	44.01	43.96	44.66	44.61	-9.29	-13.03	-12.09	-16.11
Aceh Timur	145.53	135.13	142.40	83.83	117.57	117.21	119.33	60.86	27.96	17.92	23.08	22.97
Kota Langsa	-	-	-	5.70	-	-	-	19.17	-	-	-	-13.48
Aceh Tenggara	86.23	75.37	79.50	37.24	42.83	41.73	36.87	27.52	43.40	33.64	36.88	9.72
Gayo Lues	-	-	-	36.55	-	-	-	14.68	-	-	-	21.87
Aceh Tamiang	-	-	-	59.48	-	-	-	41.57	-	-	-	18.18
Aceh Jaya	-	-	-	35.43	-	-	-	19.38	-	-	-	16.05
Aceh Barat	140.51	118.21	124.35	45.38	81.72	79.62	81.16	35.64	58.80	38.59	43.18	9.93
Nagan Raya	-	-	-	79.55	-	-	-	31.93	-	-	-	47.62
Simeulue	5.05	4.13	4.58	21.09	9.23	9.19	9.36	11.51	-4.17	-5.05	-4.80	9.58
Aceh Selatan	48.20	43.73	46.16	38.75	51.70	51.56	52.43	34.91	-3.50	-7.84	-6.27	3.84
Aceh Singkil	10.46	10.60	12.04	12.07	19.45	19.66	20.06	20.14	-8.99	-9.06	-8.02	-9.06
Aceh Barat Daya	-	-	-	-	-	-	-	24.66	-	-	-	36.30
<b>Total</b>	<b>912.98</b>	<b>810.28</b>	<b>1314.16</b>	<b>1040.11</b>	<b>731.57</b>	<b>723.92</b>	<b>736.92</b>	<b>763.49</b>	<b>181.40</b>	<b>86.38</b>	<b>117.28</b>	<b>242.39</b>

Table 2 Rice supply and demand balance ('000 tonnes) in marketing year 2005/06 (April/March), by district (FAO, May 2005)

Districts	Production	Food Use	Total Use	Balance
Banda Aceh	0.7	29.0	30.5	- 29.8
Lhokseumawe	3.6	25.7	27.3	- 23.7
Aceh Tengah	29.4	41.9	47.3	- 17.9
Langsa	5.8	18.9	20.4	- 14.6
Aceh Singkil	9.0	19.2	21.9	- 12.9
Aceh Jaya	1.0	11.6	13.6	- 12.6
Sabang	0.1	3.8	4.0	- 3.9
Simeuleu	7.9	9.1	11.5	- 3.6
Aceh Barat	47.9	27.9	34.3	+ 13.6
Aceh Selatan	52.0	30.4	37.3	+ 14.7
Aceh Tenggara	45.1	23.2	28.5	+ 16.6
Aceh Tamiang	60.7	34.6	42.1	+ 18.6
Gayo Lues	37.1	10.2	15.2	+ 21.9
Pidie	119.9	78.9	96.7	+ 23.2
Aceh Timur	89.5	51.0	63.6	+ 25.9
Bireun	96.1	55.4	68.7	+ 27.4
Nagan Raya	63.8	21.9	29.5	+ 34.3
Aceh Barat Daya	61.9	17.7	25.5	+ 36.4
Aceh Utara	140	80.1	99.4	+ 40.6
Aceh Besar	78.3	19.9	29.2	+ 49.1
<b>NAD</b>	<b>949.8</b>	<b>610.4</b>	<b>746.5</b>	<b>203.3</b>