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Administrative and Managerial Matters

For information

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

Update on Food Procurement

Facts and Figures

1. In 2015, WFP purchased 2.2 million mt of food commodities valued at USD 1.07 billion for use in food assistance operations in 72 countries. The largest purchases were bulk foods such as cereals and pulses. The food was procured in 97 countries; 73 percent of it, valued at USD 781 million, came from developing countries.¹ The 737 suppliers included 177 smallholder farmers' organizations supported by WFP initiatives.
2. The tonnage of food purchased was the same as in 2014, but the cost was USD 184 million less as a result of the continued decline in food prices compounded by WFP's strategy of securing savings.

¹ Organization for Economic Co-operation and Development/Development Assistance Committee list of official development assistance recipients.

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TABLE 1: TOP 15 COUNTRIES FROM WHICH WFP PROCURED FOOD IN 2015		
Country of origin	Quantity (mt)	Value (USD)
Turkey	328 634	192 397 577
Russian Federation	200 437	76 622 872
India	199 470	89 461 105
Ukraine	147 811	48 174 546
Ethiopia	119 641	37 525 376
Italy	110 017	58 825 809
Bulgaria	98 496	22 025 448
Sudan	63 328	21 405 120
Indonesia	61 955	45 973 963
Belgium	61 112	37 726 302
Uganda	58 823	20 854 742
South Africa	49 073	20 466 369
Kenya	46 786	16 734 186
Myanmar	45 658	17 394 824
Pakistan	44 548	23 558 573
Grand Total of Top 15	1 635 787	729 146 811
Annual 2015 Grand Total	2 210 851	1 067 922 590

3. The Global Commodity Management Facility (GCMF), which enables WFP to purchase commonly distributed food commodities in anticipation of requests to ensure timely deliveries, supported the purchase of 875,385 mt of food, of which 73 percent was delivered for the East Africa corridor serving operations in the region and for the Yemen emergency operation.
4. WFP procured 42 percent of the food in regions where it operates for use in those regions. In addition, purchases from Turkey, which accounted for 11 percent of total procurement, were used in WFP's response to the crises in Iraq and the Syrian region.
5. Purchases for the Level 3 emergencies in the Central African Republic, Iraq, South Sudan, the Syrian region, Yemen and countries affected by Ebola accounted for 27 percent of the food procured in 2015 and 31 percent of the amount spent on food procurement; the food was procured through local, regional and international purchases from 37 countries.
6. Turkey was the source of 15 percent of the food procured in 2015. WFP's purchases of wheat for distribution in Yemen placed the Russian Federation as the second largest food source.

Food Types

7. Maize, rice, sorghum and wheat accounted for 49 percent of the tonnage of food purchased and for 32 percent of spending on food procurement. Wheat accounted for 36 percent of the cereals purchased.
8. Maize purchases amounted to 257,835 mt valued at USD 76 million, 7 percent of overall food procurement costs in 2015. Maize purchased in Africa for use in African countries accounted for 97 percent; the remaining 3 percent was procured in Latin America for operations in the region. The main origin of maize is Ethiopia, where WFP also purchases directly from smallholder farmers.
9. Rice was primarily sourced in Asia. Of the 280,817 mt procured in the region, 66 percent came from India and was used predominantly for the Syrian regional operation, and 17 percent came from Myanmar for use in operations in that country.

10. In 2015, WFP purchased 251,630 mt of dry pulses valued at USD 150 million. Chickpeas, lentils, beans and split lentils, mainly for operations in the Syrian regional response, accounted for 19 percent of these purchases in terms of volume. Split peas accounted for 98,677 mt of the pulses purchased, primarily for operations in East Africa and Yemen. Of the beans purchased, 92,862 mt were procured locally and regionally, predominantly in East Africa and West Africa.
11. In 2015, WFP continued to procure pre-packed family food parcels for the crises in the Middle East. In 2013 the parcels accounted for 1 percent of the tonnage of food procured; the figure in 2015 was 8 percent. The packages consist of seven or eight foods that provide a balance of proteins, carbohydrates and oils.
12. Specialized nutritious foods accounted for 10 percent of the volume of food procurement in 2015, and 16 percent of the value. Belgium, France and Italy were the main sources. Malawi, Pakistan and South Africa were the main sources for local and regional purchases.

Figure 1: Comparison of 2015 and 2014 WFP purchases of main food commodities

Commodity	% change	2015 volumes (mt)	Main variations
Wheat	143%	392 080	Yemen, Ethiopia
Wheat-soya blend	107%	28 545	Yemen
High-energy biscuits	60%	18 687	Egypt, Syrian Arab Republic, Yemen, Myanmar
Maize meal	43%	38 791	Honduras, Democratic Republic of the Congo
Sugar	26%	48 806	Syrian Arab Republic, Yemen
Wheat flour	22%	173 520	Yemen
Rations	19%	172 579	Syrian Arab Republic, Ukraine, Libya (Iraq down by 80,000 mt)
Split peas	18%	98 677	Yemen, Sudan, Pakistan
Rice	-22%	281 468	Ebola countries, Mali, Haiti
Vegetable oil	-25%	106 007	Syrian Arab Republic
Maize	-26%	257 835	Malawi, Zimbabwe, Somalia, South Sudan

Local and Regional Procurement, including Procurement from Smallholder Farmers

13. Whenever possible, WFP purchases food locally or regionally. The volume of such procurement in 2015 was 925,848 mt valued at USD 443 million. As in 2014, Africa was the source of 59 percent of local and regional purchases by volume, Asia accounted for 37 percent and Latin America for 4 percent.
14. Within Africa, the East and Central region accounted for 42 percent of local and regional purchases; the southern Africa region accounted for 25 percent. The main foods purchased in Africa are maize, sorghum and pulses.
15. WFP extends its procurement capacity to governments to promote the purchase of local foods. In 2015, WFP bought 60,847 mt of food valued at USD 37 million through its trust funds in support of government programmes in Burundi, Colombia, the Dominican Republic, El Salvador, Ethiopia, Guatemala, Honduras, Lesotho, Nepal, the Niger, Paraguay, Rwanda and Zimbabwe. Trust fund purchases are made in accordance with WFP's procurement policies to ensure optimum value, food safety and quality.
16. In 2015, WFP purchased 89,000 mt of food valued at USD 33 million from smallholder farmers through Purchase for Progress, 3 percent of procurement spending. WFP intends to increase this proportion to 10 percent through initiatives such as the Patient Procurement Platform to leverage the successes of Purchase for Progress and facilitate smallholders' access to demand beyond WFP and access to the entire value chain and increase their capacity to produce marketable surpluses.

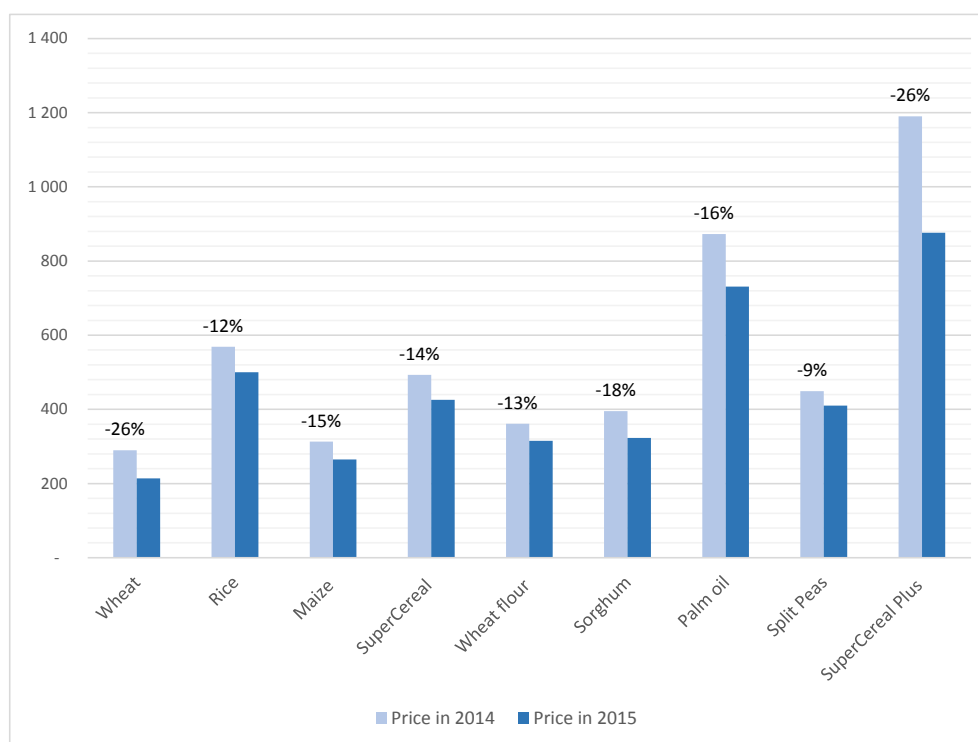
Emergency Support

17. Of the food procured by WFP in 2015, 39 percent was for emergency operations. The six Level 3 emergencies accounted for 27 percent of the food purchased.
18. In 2015, 64 percent of WFP's procurement for emergency operations was linked to the crisis in the Syrian Arab Republic. WFP continued to extend the use of contract modalities such as food supply agreements, which were first utilized in 2013, and have been used for example to procure rice for the Ebola emergency. FSAs reduce lead times because suppliers ensure that stocks are available for immediate use, and can be adapted to fluctuating requirements.
19. In 2015 WFP purchased 93,000 mt of food with support from the GCMF for beneficiaries in South Sudan, using supply corridors through the ports of Djibouti and Mombasa. WFP purchased 587 mt of maize directly from smallholder farmers in South Sudan, an increase of 25 percent from 2014.
20. WFP purchased 177,626 mt of food for Yemen in 2015, valued at USD 64 million, an increase of 100,000 mt from 2014. In May 2015, WFP purchased 130,000 mt of wheat through the GCMF to pre-position stocks in Djibouti to meet increasing needs.

Markets

21. Food prices declined in 2015 compared with the previous year. The Food and Agriculture Organization of the United Nations Food Price Index declined by 20 percent in 2015, the fourth consecutive fall. Abundant food supplies, limited global demand and the appreciation of the US dollar were the main reasons for the downward trend in prices. Cereal prices fell during the year despite an anticipated decrease in world production, and stocks-to-use ratios fell marginally. Output of oilseeds and soybeans fell from the record production level in 2014.
22. Plentiful supplies of wheat caused prices to fall in 2015. WFP benefited from the decline, purchasing wheat grain at the lowest prices in the past five years and wheat flour at correspondingly low prices. Of WFP's wheat purchases in 2015, 50 percent went to Yemen.
23. Large stockpiles from the previous season and declining demand kept export prices for maize at low levels in the second half of 2015. In East Africa, which is WFP's main source of maize, good production led to increased seasonal purchases that resulted in even lower prices. This situation enabled WFP to obtain low prices for corn-based products such as SuperCereal, which are produced mainly in Europe. Figure 2 shows declines of 15 percent for maize and 26 percent for SuperCereal Plus from 2014 levels.
24. Rice prices declined every month from September 2014, and WFP was able to obtain low prices to supply the largest operations that receive rice – the Syrian regional response and West Africa. In the Syrian Arab Republic, prices fell as a result of market factors and the establishment of food supply agreements, which provide discounts for bulk buying.

Figure 2: Average prices for the most common WFP purchases in 2014 and 2015, with percentage change (USD)



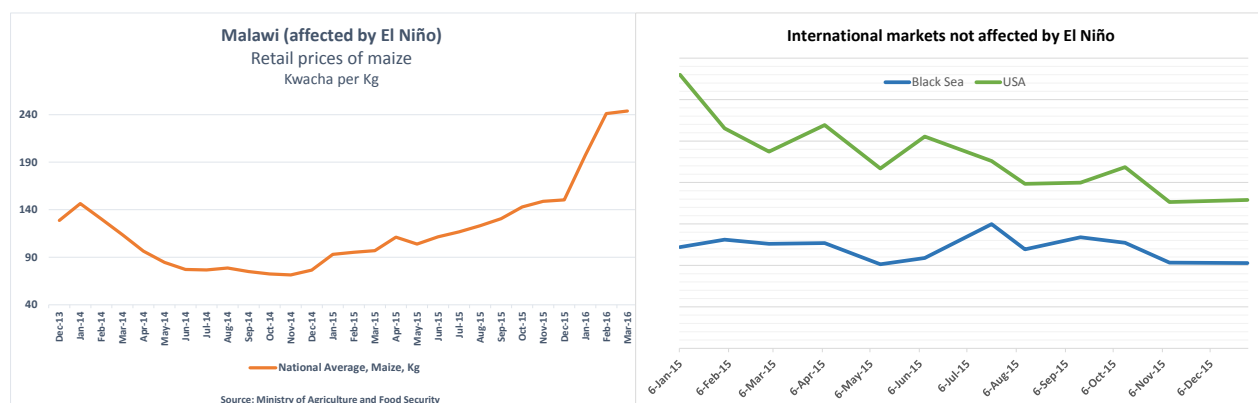
25. By the end of 2015, world sorghum production was forecast to be 2 percent higher than in 2014 and hence prices were expected to decline slightly. In the Sudan, a major supplier for WFP, carry-over stocks meant that prices were unusually stable even in the lean season. WFP procures small volumes out of season and uses the GCMF for bulk post-harvest purchases in India, Mali, the Niger and the Sudan to support operations in West Africa and East Africa.
26. The price of vegetable oils has been declining since 2013. Palm oil production increased from 2014 levels and prices reached their lowest annual level in September 2015; prices in Malaysia and Indonesia were not affected as anticipated by El Niño, and in October 2015 WFP established a food supply agreement for palm oil at USD 155/mt less than in October 2014.
27. Milk product prices have been falling since early 2014 and were at their lowest in August 2015. Purchases of SuperCereal Plus, which includes powdered skim milk, continued at historically low prices through food supply agreements. The prices for ready-to-use supplementary foods also declined in the second half of 2015: Plumpy'Sup produced in Europe, for example, was purchased at less than USD 2,500/mt at the end of 2015 compared with the 2015 average price of USD 2,700/mt and the 2014 average of USD 3,100/mt.

El Niño – Procurement Strategy for Preparedness

28. The current El Niño phenomenon is expected to reach its maximum in the first quarter of 2016 and could persist until early summer. Procurement strategies for preparedness are in place for Kenya, Malawi and Zimbabwe, which are expected to be the countries most strongly affected. This includes sourcing strategies for various items in the food basket and their alternatives that identify preferred locations and contracts based on availability, price and transport requirements.

29. On the basis of market analysis and previous El Niño phenomena, WFP has concluded that international food supplies and prices are unlikely to be affected. The current El Niño phenomenon is unlikely to increase agricultural prices. There are ample supplies of major food types, stock-to-use ratios for wheat and rice are well above ten-year averages and the links between global and domestic prices are weak because domestic prices are driven by country-specific weather, currency, transport costs and trade policies. Research suggests that agricultural prices are unlikely to rise by more than 4 percent as a result of the El Niño, but there might be a larger effect on local maize markets, particularly in Malawi, South Africa and Uganda (Figure 3).

Figure 3: Comparison of maize prices



Global Sourcing Strategy and Generating Efficiencies

30. In mid-2013, WFP launched its four-year Global Procurement Business Plan. This has targets for reductions in process times, increased purchases from smallholder farmers, assurance that all food is safe and of appropriate quality, and value savings. In 2015, WFP saved USD 30 million on food procurement, maintaining the average 3 percent level of savings on annual purchases.
31. WFP's procurement savings approach is partly driven by seasonal purchases, which accounted for 800,000 mt of the 2.2 million mt of food purchased in 2015. Timing procurement to coincide with harvests enables WFP to support smallholder farmers through local purchases. The GCMF and food supply agreements are important in this approach because they allow sourcing food commodities at the optimal buying times, resulting in gains in lead times, higher-quality products and more stable prices.
32. The Supply Chain Division produces market intelligence reports on wheat, rice, maize, beans and vegetable oil. In 2015, the food baskets for several emergency responses in the Middle East were revised on the basis of food prices and availability but maintained similar nutritional outcomes.
33. WFP uses contract modalities such as food supply agreements that enable it to obtain discounts for bulk purchases, minimize lead times and scale its programmes up or down. This is particularly important in uncertain environments such as emergency responses.

Food Safety and Quality Management

34. WFP's supply chain system aims for timely delivery of safe and nutritious foods for beneficiaries. WFP is diversifying its food basket to include more specialized nutritious and processed foods in family food parcels, which accounted for 30 percent of the basket in 2015.
35. In 2015, WFP continued to assess suppliers against its quality management and food safety requirements, particularly for wheat flour, vegetable oil, pasta, high-energy biscuits, date bars, canned food, rations and specialized nutritious foods. If suppliers do not meet its standards, in certain cases WFP indicates the areas for improvement that must be addressed with a view to continuing to do business.
36. With technical and financial support from private-sector partners, WFP conducted 23 spot checks of SuperCereal and high-energy biscuits to detect any deviations in quality or nutritional value

after they enter the supply chain, and continued to engage with international producers to increase the shelf-life of high-energy biscuits.

37. WFP worked with United Nations entities and non-governmental organizations on initiatives involving the standardization of specifications for specialized nutritious foods. Food specifications were also enhanced for micronutrient powder, fortified rice, lentils and couscous.
38. WFP signed multi-year partnership agreements with Amcor Limited and Mars Incorporated in 2015. The partnership with Amcor will focus on improving the packaging of foods for WFP; the partnership with Mars will focus on prevention and management of aflatoxins, particularly in the East Africa region.

Procurement Capacity and Staff Development

39. In 2015, the Headquarters Commodity Procurement Service based in Rome directly handled 54 percent of WFP's food purchases by volume with a view to maximizing economies of scale in several regions. The regional bureaux accounted for 20 percent of food purchases in 2015; country offices accounted for 26 percent.
40. At the end of 2015, WFP had 33 international professional food procurement officers – 5 at Headquarters and 28 in regional bureaux and country offices. Two junior professional officers were funded by Switzerland and worked in the West Africa and East and Central Africa regional bureaux. Fifty staff – predominantly in country offices – completed level-2 public procurement and training certification accredited by the Chartered Institute of Procurement and Supply. Staff participated in training courses for emergency preparedness and response, cash-based transfers and the Logistics Execution Support System.
41. In 2015 the Procurement Division hosted several meetings at which procurement staff discussed ways of preventing bottlenecks and improving its business plan. Working groups at Headquarters developed recommendations on four areas identified by the Global Staff Survey.
42. In November 2015, WFP's Supply Chain Division integrated its logistics and procurement capacities in one division to secure efficiencies along the supply chain.