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UPDATE ON WFP FOOD PROCUREMENT



* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, ODP*: Ms N. Menage tel.: 066513-3597

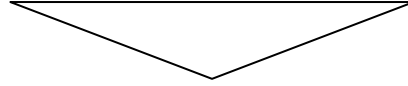
Chief, ODPF**: Mr J. Menkveld tel.: 066513-2114

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Procurement Division

** Food Procurement Service

DRAFT DECISION*



The Board takes note of “Update on WFP Food Procurement” (WFP/EB.A/2010/13-C).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

FACTS AND FIGURES

1. In 2009, WFP procured 2.6 million mt of food valued at US\$965 million in 92 countries.
2. Of this, 80 percent, valued at US\$772 million, was purchased in 75 developing countries.
3. The other 20 percent, valued at US\$193 million, was purchased in developed countries. Three percent of the total commodities procured were bought with contributions restricted to purchase in the donor's country; 17 percent was procured in developed countries as the best market option.
4. Purchases of fortified blended foods and fortified biscuits in developing countries increased from 20,000 mt in 2000 to 168,000 mt in 2009, which was two thirds of all those procured worldwide by WFP.

TABLE 1: WFP FOOD PURCHASES IN 2009, BY DEVELOPMENT ASSISTANCE COMMITTEE (DAC) CATEGORY

DAC Category	Quantity (mt)	Quantity (%)	Value (US\$)	Value (%)
Least developed countries (LDCs)	469 680	18.03	202 845 865	21.02
Low-income countries (LICs) ¹	335 200	12.87	120 533 483	12.49
Lower-middle income countries (LMICs) ²	887 410	34.06	273 661 308	28.35
Upper-middle income countries (UMICs) ³	431 029	16.54	174 662 697	18.10
Developed countries	482 093	18.50	193 489 981	20.05
TOTAL	2 605 412	100.00	965 193 333	100.00
Categories grouped				
LDC/LIC	804 880	30.89	323 379 347	33.50
LMIC/UMIC	1 318 438	50.60	448 324 005	46.45
Subtotal	2 123 318	81.50	771 703 352	79.95
Developed countries	482 093	18.50	193 489 981	20.05
TOTAL	2 605 412	100.00	965 193 333	100.00

¹ Low-income countries: per capita gross national income (GNI) < US\$935 in 2007

² Lower-middle income countries: per capita GNI US\$936–US\$3,705 in 2007

³ Upper-middle income countries: per capita GNI US\$3,706–US\$11,455 in 2007

FOOD PROCUREMENT TRENDS

5. WFP procured the most food, both in value and in quantity, in Asia.
6. In Pakistan WFP purchased the most in value terms: over US\$91 million; while Ukraine is the country where WFP procured the highest volume: over 440,000 mt. Table 2 lists, by value, the top 20 countries in which WFP procured food in 2009.

TABLE 2: TOP 20 DEVELOPING COUNTRIES IN WHICH WFP PROCURED FOOD IN 2009			
Country	Value (US\$)	Country	Value (US\$)
1. Pakistan	91 431 178	11. Myanmar	15 286 281
2. Ukraine	82 604 164	12. Viet Nam	13 689 227
3. India	61 556 992	13. Occupied Palestinian Territory	13 106 735
4. South Africa	60 796 438	14. Kenya	10 770 600
5. Turkey	50 805 727	15. Kazakhstan	10 492 849
6. Uganda	49 778 310	16. Honduras	9 561 679
7. Malaysia	41 551 776	17. China	8 862 726
8. Ethiopia	40 431 278	18. Malawi	8 574 055
9. Indonesia	33 835 542	19. Guatemala	7 195 568
10. Bangladesh	21 256 126	20. Argentina	7 115 971
Grand total – US\$638 703 222			

THE MARKET ENVIRONMENT

7. The prices of most of the food items WFP purchases declined significantly on the international markets in 2009 relative to 2008, notably rice, wheat, maize, cooking oil, blended food and biscuits. In some markets where WFP traditionally buys locally and regionally prices also declined, while in several others they remained high, owing mainly to local factors such as poor harvests. Because the price of wheat showed the greatest decline and there was a great need for it in 2009 in Pakistan and other countries, a higher proportion of wheat was bought than in recent years. This influenced where food was bought and the overall cost of food. Although only 8 percent less food was procured in 2009 than in 2008, the total cost dropped by nearly 32 percent.

STATUS OF PROCUREMENT CAPACITY

8. At the end of 2009, WFP had 38 international professional food procurement officer posts (12 in Headquarters and 26 in the field); 2 junior professional procurement officer posts funded by Belgium and Denmark; and 13 national food procurement officer posts. Of the professional officer posts, 18 were financed from the Programme Support and Administrative (PSA) budget and 8 from funding provided in support of Purchase for Progress (P4P); the remaining 12 international officer posts and the 13 national officer posts were financed from the direct support costs (DSC) of the operations in the countries where the staff are assigned.
9. Food procurement is also carried out by procurement focal points, who often perform other functions as well. Posts financed through DSC are ultimately at the discretion of country directors, who take into consideration resource levels and competing staffing demands. Table 3 shows the current international and national food procurement officer positions in the field.

Food Safety and Quality Assurance Initiatives

11. In a continuing effort to better ensure the safety and quality of the food WFP procures the following activities are underway:
 - Three food technologists are now part of the Food Procurement Service and the nutrition office of the Programme Design Service in Headquarters. This team is actively working to improve food safety, fortification and processing, and optimize production, enhance quality and loss control, as well as diversify the food basket. Frequent quality control visits are being made to producers throughout the world that supply to WFP.
 - Technical exchanges and partnerships have been forged with two private companies that specialize in food preservation and fortification.
 - Although the development of locally produced blended foods and biscuits has occurred over many years, the WFP demand for these commodities has increased tremendously. Therefore, WFP is scaling up the provision of technical support to those countries where local production has lagged behind demand and is actively seeking new suppliers.

2009 Food Procurement Map

12. The 2009 Food Procurement Map has been released, showing which food items were purchased in which countries and for which destinations, along with related information. The map continues to be colour-coded according to the DAC national income categories. This year it was produced on compact disc and an interactive version is available at www.wfp.org.

Procurement on Behalf of Governments

13. WFP is assisting the governments of a number of countries, including Egypt, Ethiopia, El Salvador, Honduras and Peru, to procure food for their own social welfare programmes. Funded by contributions from the governments, the mechanism is managed through trust funds. WFP's procurement policies' processes and procedures are strictly adhered to, including competitive tendering and food fortification, safety and quality assurance. For example, this form of assistance was provided in Ecuador from 2000 to 2009, when the Government returned to procuring for its own programmes. During that period WFP bought almost 268,000 mt of food with a value of US\$286 million on behalf of the Government; the food was handled and distributed through 19 warehouses and 18,000 delivery points countrywide. Since 2007 WFP has assisted the Government of Peru to purchase approximately 56,000 mt of food at a value of almost US\$93 million for a number of government programmes. WFP also procured and transported 60,000 mt of wheat on behalf of the Government of Ethiopia in 2009, with another 90,000 mt of wheat expected to be purchased and moved in 2010.

ACRONYMS USED IN THE DOCUMENT

DAC	Development Assistance Committee
DSC	direct support costs
GNI	gross national income
LDC	least developed country
LIC	low-income country
LMIC	lower-middle income country
P4P	Purchase for Progress
PSA	Programme Support and Administrative
UMIC	upper-middle income country