



World Food Programme  
Programme Alimentaire Mondial  
Programa Mundial de Alimentos  
برنامج الأغذية العالمي

**Executive Board**  
Annual session  
Rome, 10–14 June 2019

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Distribution: General

Agenda item 10

Date: 27 May 2019

WFP/EB.A/2019/10-D

Original: English

Administrative and managerial matters

For information

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

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## Update on food procurement

### Statistical review

1. In 2018, WFP purchased 3.6 million mt of food with a value of USD 1.6 billion. Food was procured in 93 countries, with 79 percent in terms of value sourced from developing countries<sup>1</sup> and the remaining 21 percent from developed countries. The tonnage procured in 2018 was 20 percent higher than that procured in 2017 and 70 percent higher than that of 2013.
2. An increase in cereal purchases was the main reason for the increase and mainly driven by the Level 3 emergency response in Yemen. In 2018, WFP had eight Level 3 emergency responses active, which accounted for about 61 percent of all food procured compared with 48 percent in 2017.

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<sup>1</sup> In terms of the country categorization used by the Development Assistance Committee of the Organisation for Economic Co-operation and Development, 32 percent of total food procured was purchased from least-developed countries, 29 percent from lower-middle-income countries and 15 percent from upper-middle-income countries.

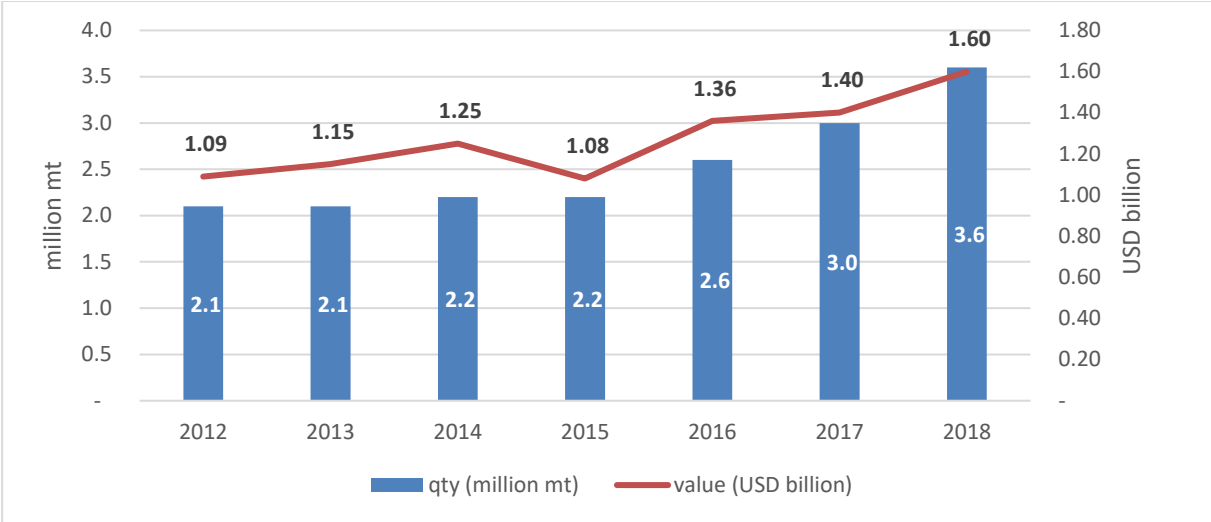
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**Figure 1: WFP procurement figures, 2012–2018**



3. WFP has a network of procurement units in headquarters, the six regional bureaux and 62 country offices, and there are senior procurement staff in areas where high volumes of food are purchased. In 2018, decentralization of the procurement function continued with the Regional Bureau for Asia and the Pacific undertaking the international procurement of rice and high-energy biscuits. International procurement of maize is conducted in the Regional Bureau for East Africa and of date bars in the Regional Bureau for the Middle East, North Africa, Eastern Europe and Central Asia.

WFP office	Quantity (mt)	Value (USD)	Quantity (%)	Value (%)
Headquarters Food Procurement Service	1 610 880	776 686 826	45%	49%
Country office procurement units	1 155 897	514 868 133	32%	32%
Regional bureaux procurement offices	821 734	307 934 267	23%	19%
<b>Total</b>	<b>3 588 511</b>	<b>1 599 489 226</b>	<b>100%</b>	<b>100%</b>

4. In 2018, the Food Procurement Service at headquarters procured the highest volume and value of food, with more than 1.6 million mt valued at USD 776.7 million accounting for 45 percent of WFP global tonnage and 49 percent of the total value procured.
5. Purchases by regional bureaux accounted for 23 percent of the total volume and 19 percent of the total value. The Regional Bureau Nairobi was the second largest purchasing office with 11 percent of the total tonnage and 8 percent of total value procured. Local purchases increased from 22 percent of the total volume in 2017 to 30 percent in 2018, primarily because of the increase in local procurement in Yemen.
6. Almost 50 percent (1.8 million mt) was procured in countries where WFP has ongoing operations. Local purchases were undertaken in countries that recorded surplus stocks as a way of avoiding the disruption of local prices and availability on local markets. Of total food procured, 1.2 million mt is considered as locally grown.

<b>TABLE 2A: TOP TEN PURCHASING OFFICES BY VOLUME</b>		
<b>Purchasing office</b>	<b>Quantity (mt)</b>	<b>% of total quantity</b>
Headquarters	1 610 880	45%
East Africa Regional Bureau	380 981	11%
Asia and the Pacific Regional Bureau	256 430	7%
Yemen	252 671	7%
Ethiopia	133 682	4%
Middle East, North Africa, Eastern Europe and Central Asia Regional Bureau	104 236	3%
Nigeria	93 853	3%
Sudan	87 337	2%
Afghanistan	68 779	2%
Uganda	59 461	2%
<b>Total top 10</b>	<b>3 048 310</b>	
<b>Total purchased 2018</b>	<b>3 588 511</b>	

<b>TABLE 2B: TOP TEN PURCHASING OFFICES BY VALUE</b>		
<b>Purchasing office</b>	<b>Value (USD)</b>	<b>% of total value</b>
Headquarters	776 686 826	49%
East Africa Regional Bureau	120 756 036	8%
Asia and the Pacific Regional Bureau	102 602 982	6%
Yemen	100 219 839	6%
Nigeria	46 139 709	3%
Middle East, North Africa, Eastern Europe and Central Asia Regional Bureau	43 046 642	3%
Syrian Arab Republic	41 329 888	3%
Ethiopia	38 083 042	2%
Democratic Republic of the Congo	35 827 361	2%
Bangladesh	30 534 439	2%
<b>Total top 10</b>	<b>1 335 226 763</b>	
<b>Total purchased 2018</b>	<b>1 599 489 226</b>	

## Sourcing countries

7. The decreased availability of sorghum in the Sudan, and WFP's increased international purchases of pulses, wheat flour and vegetable oil from Turkey (mainly for operations in Yemen) positioned Turkey as once again the main sourcing country in terms of both value and volume.

<b>Country</b>	<b>Quantity (mt)</b>	<b>Country</b>	<b>Value (USD)</b>
Turkey	378 768	Turkey	169 292 737
Romania	254 000	Belgium	83 695 026
Ukraine	252 183	Indonesia	76 242 553
Uganda	197 986	Yemen	75 318 940
Yemen	195 451	Ukraine	63 693 975
United Republic of Tanzania	171 529	Italy	63 077 870
Sudan	167 190	Ethiopia	57 700 011
Ethiopia	159 585	Romania	54 492 000
Indonesia	104 699	Uganda	54 206 657
Belgium	103 980	Sudan	48 762 913
Viet Nam	97 936	Nigeria	46 139 709
Nigeria	93 853	Pakistan	43 338 439
Italy	91 380	United Republic of Tanzania	41 754 732
South Africa	88 558	France	41 419 106
India	83 719	Viet Nam	40 861 233
<b>Total top 15</b>	<b>2 440 816</b>	<b>Total top 15</b>	<b>959 995 903</b>
<b>Total procurement</b>	<b>3 588 511</b>	<b>Total procurement</b>	<b>1 599 489 226</b>

## Global sourcing and efficiency

8. The Food Procurement Service made progress in improving the agility, cost efficiency and reliability of WFP's procurement. Innovative procurement modalities and sourcing strategies for major food commodities were essential tools for meeting increasing demand in 2018.
9. WFP committed to identifying opportunities for achieving best value for money. The introduction of food supply agreements (FSAs), differential contracts and other arrangements ensured that WFP paid competitive market prices.
10. Of the total quantity purchased by headquarters in 2018, 23 percent was through FSAs, compared with 14 percent in 2017. An increased use of this contracting modality for Level 3 emergency responses was noted. There was an increase in FSAs concluded for the procurement of lipid-based nutrient supplements, which resulted in a more balanced supply base and a reduction in the top supplier's share, from 60 percent in 2017 to 50 percent in 2018.
11. In 2018, WFP sourced 60 percent of vegetable oil and 25 percent of sugar requirements through differential contracts. Differential pricing is used to price tradeable commodities, which are quoted on commodities exchanges. The price WFP will pay for the commodity is linked directly to the market price of the product at the moment WFP places an order. This ensures that WFP always pays market prices for the commodities.
12. This type of contract modality reduces the risk of cancellation of contracts and defaults. Suppliers can also better plan their production and availability.

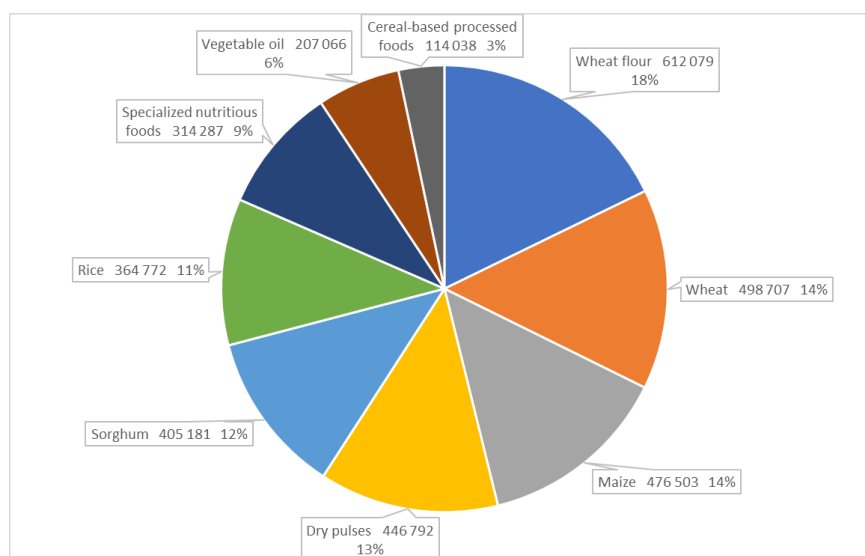
13. The Food Procurement Service pre-positioned large stocks of various commodities during harvest periods. Pre-positioning entails storing commodities in strategic locations in countries such as South Sudan where some areas are difficult to reach during the rainy season, thus reducing the need for costly air transport.
14. In 2018, 56 percent of total food procurement in terms of value was carried out through advance financing from the Global Commodity Management Facility (GCMF). This enabled food to be procured at favourable times and prices (such as during harvest periods) and the optimization of production capacity for processed foods, thus mitigating the risk of insufficient capacity.

### Type of food procured

<b>TABLE 4: DIFFERENCES IN VOLUMES PURCHASED, 2017 VERSUS 2018</b>			
<b>Commodity grouping</b>	<b>2017 quantity (mt)</b>	<b>2018 quantity (mt)</b>	<b>Difference</b>
Wheat flour	278 778	612 079	120%
Wheat	390 463	498 707	28%
Maize	308 258	476 503	55%
Dry pulses	344 220	446 792	30%
Sorghum	613 306	405 181	-34%
Rice	272 968	364 772	34%
Specialized nutritious foods	292 334	314 287	8%
Vegetable oil	172 979	207 066	20%
Cereal-based processed foods	126 857	114 038	-10%
Other	95 582	76 483	-20%
Family parcel	94 567	69 897	-26%
Canned foods	1 551	2 706	74%
<b>Total</b>	<b>2 991 864</b>	<b>3 588 511</b>	<b>20%</b>

15. In 2018, agricultural commodities such as maize, rice, sorghum and wheat accounted for 49 percent of the total quantities purchased, a slight decrease from 53 percent in 2017.

**Figure 2: Main foods procured in 2018 (mt)**



### Specialized nutritious foods

16. During 2018, the volume of specialized nutritious foods purchased rose to 314,287 mt (USD 305.4 million in value). This represented a 9 percent increase on 2017, establishing a new record and accounting for 19 percent of WFP's overall food purchases in terms of value.
17. Of the 314,287 mt of specialized nutritious foods procured, SuperCereal and SuperCereal Plus accounted for 267,011 mt, lipid-based nutrient supplements for 47,227 mt and micronutrient powders for 49 mt.
18. The average prices of specialized nutritious foods declined by 4 percent compared with 2017. SuperCereal and SuperCereal Plus prices remained stable, while prices for lipid-based nutrient supplements declined by 7 percent, mainly because of the lower prices offered by suppliers thanks to increased competition and the establishment of FSAs.

### Cereals and flour

19. In 2017, a record sorghum harvest in the Sudan allowed WFP to source almost 430,000 mt of sorghum for local operations and programmes in neighbouring countries. In 2018, only 120,000 mt of sorghum was purchased from the Sudan because of unfavourable market conditions.
20. WFP purchased 330,000 mt more wheat flour in 2018 than in 2017. The increased quantity was for the Level 3 emergency operation in Yemen, which received 357,391 mt of wheat flour or 58 percent of the total quantity procured. The remaining wheat flour was purchased for operations in Afghanistan, State of Palestine, and the Syrian Arab Republic.
21. In Afghanistan, wheat flour is bought through FSAs with local millers. To address logistics constraints, the country is divided into three regions and procurement is carried out separately for each region. WFP pays competitive prices and contributes to the development of the local milling and fortification industry.
22. In 2018, wheat grain purchases increased by 28 percent compared with 2017. Yemen was the main recipient, with 90 percent of the total wheat purchased.

23. Wheat prices increased by 10 to 20 percent at the end of 2017 and remained at the same levels throughout 2018. Harvests in the Black Sea region – one of the main sourcing regions for WFP purchases – were good, and wheat was available throughout the year. Price increases in the global market reflected challenging conditions in North America.
24. Availability of the white non-genetically modified maize that WFP purchases is influenced more by regional conditions on the African continent than by global markets. In 2018, white maize production was good in East Africa, with high volumes available and lower than average prices, especially in Uganda and the United Republic of Tanzania.

### **Pulses**

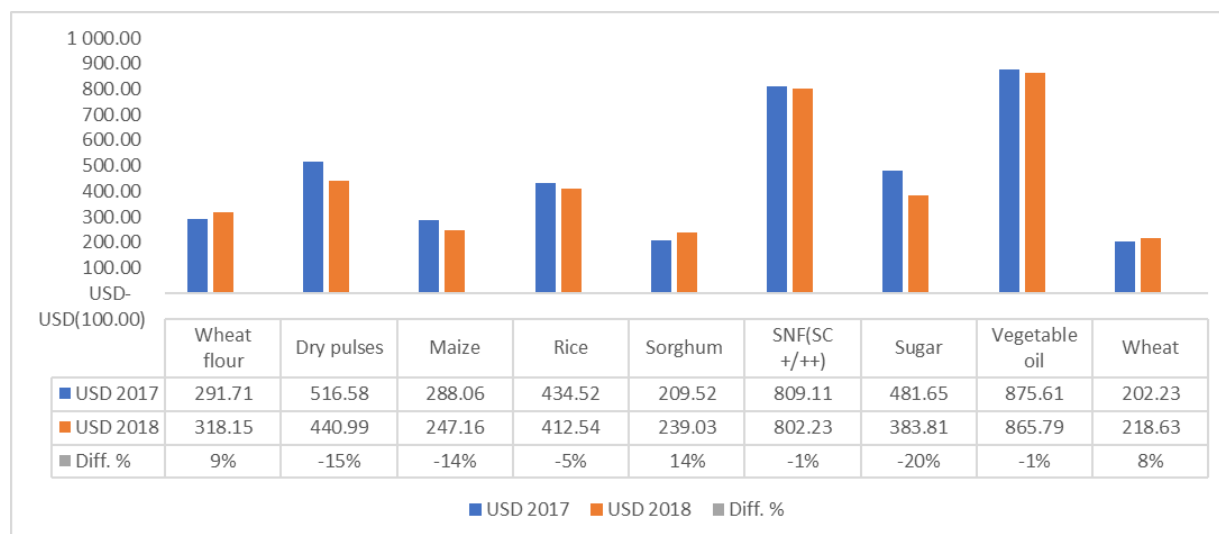
25. In 2018, WFP saw a strong increase of 30 percent on the procured quantities of pulses, reaching a total of 446,000 mt. The amount procured in 2017 totalled 344,000 mt. Pulses are a cheap source of protein and represent a central element of WFP's food basket.
26. The availability and prices of pulses were good in 2018, with prices of some crops, such as chickpeas, dropping by more than 40 percent. This downward trend in prices is expected to have a medium-term impact on chickpea prices as farmers, in the main producing areas such as Canada and the United States of America are switching to alternative crops such as canola and cotton. This crop change will result in reduced availability of chickpeas and higher prices next year.
27. Yellow split peas and lentils also experienced a downward trend in pricing. These pulses were directly affected by India's import ban. India is the main importer and consumer of pulses globally and the ban affected producers worldwide. Consequently, stocks grew at the point of origin, and producers and traders were selling both commodities at discounts. This trend is expected to continue in 2019.

### **Vegetable oil**

28. In late 2018, WFP continued to develop its procurement of certified sustainable palm oil and worked with suppliers to establish a reliable sourcing strategy for this green alternative. In 2018, WFP procured 7,500 mt of certified palm oil, representing 7 percent of the total palm oil purchased; the plan is to increase this share to 20 percent by the end of 2019. Availability is a challenge, but WFP sees opportunities for promising developments in 2020.
29. Prices of refined palm oil have continued to decrease, mainly as a result of a drop in crude palm oil prices in Indonesia and Malaysia, which was caused by a growing stockpile, higher output and a weak outlook for exports. WFP consistently purchased the two cheapest oil types – palm olein and sunflower oil – throughout 2018.

### **Sugar**

30. The multi-year lows and downward trend in world market prices for sugar that started in 2017 continued throughout 2018 because of the substantial increase in sugar production in the main producing areas of Brazil, the European Union and India and the global sugar surplus. This trend, combined with the use of differential contracts, resulted in WFP paying 20 percent less for sugar in 2018 than in 2017.

**Figure 3: Weighted average prices for the most common WFP commodities in 2017 and 2018**

SC: SuperCereal

SNF: specialized nutritious food

### Local and regional procurement from smallholder farmers

31. In 2018, more than 54,000 mt of food for a total value of USD 31 million was purchased from smallholder farmers. The main commodities purchased were maize and maize meal (34,600 mt) and pulses (13,500 mt), and the main sourcing countries were the Democratic Republic of the Congo (USD 14.7 million), Somalia (USD 2.8 million) and Kenya (USD 1.5 million).
32. WFP is also working on a method of tracing the source of more than 1 million mt of agricultural commodities purchased locally from medium-sized and large traders. The food value chain in the countries concerned suggests that the majority of these commodities are grown by smallholder farmers. Purchasing from smallholder farmers has the potential to improve farmers' livelihoods and WFP plans to contribute to such improvements by increasing its "pro-smallholder farmer purchases".
33. Increasing purchases from smallholder farmers involves several challenges such as identifying adequate contracting and pricing mechanisms, ensuring traceability throughout the value chain and increasing the knowledge of farmer organizations and pro-smallholder suppliers and aggregators. WFP continued to implement innovative contract modalities and adjust internal registration processes.
34. New pro-smallholder farmer contract modalities were tested in Honduras, Malawi, the United Republic of Tanzania and Zambia. This proved successful, with more than 15,000 mt of food purchased in these countries.

### Overview of emergency support

35. In 2018, the Food Procurement Service overcame many logistic and operational challenges in sourcing the food required by WFP's beneficiaries. The causes of these challenges ranged from insecurity to food quality concerns and poor infrastructure. For example, at the start of 2018, local transport constraints in Zambia left WFP's suppliers unable to contract sufficient logistics capacity and resulted in delays in the collection of commodities for operations in East Africa. After rapid intervention from WFP's Country Office, Regional Bureau and the Supply Chain Division at headquarters, alternative transport arrangements were made to enable timely collection of commodities.



36. The Food Procurement Service has been stretched by the requirements of Level 3 emergency responses, particularly in Yemen, which in 2018 became the worst human-caused humanitarian crisis of recent times. The level of funding and amount of food procured for WFP's Yemen operation increased drastically, with more than 1 million mt delivered in 2018, and significant investments were made at headquarters and in the field. WFP has significantly increased its local procurement and has entered into FSAs with local suppliers for most of the commodities included in its food basket in order to diversify its sourcing strategy and minimize the risk of pipeline breaks.
37. In various settings, staff of the Food Procurement Service have been deployed to support local and international procurement within 24 hours of the outset of an emergency. International suppliers have been engaged via food supply agreements and other types of contract that ensure full flexibility for cargoes to be diverted from their original contracted destinations, while efforts are being made to increase capacities and shorten lead times in order to meet high and volatile demand.

### **Audit and oversight**

38. A proactive integrity review of food procurement for the Syrian region emergency operation, and internal and external audits of food procurement identified issues and areas of high risk in food procurement processes, including in contracting and vendor management.
39. The Food Procurement Service addressed the underlying causes of these findings by strengthening the standard terms, conditions and templates for contracts; updating the food procurement manual and issuing new guidelines and memoranda during the year; reviewing and updating procedures such as those for damage liquidation, the review and approval process for the import parity form, performance bonds and waivers of competition in order to address high-risk areas and reinforce the segregation of duties, oversight and accountability; and issuing an information memorandum listing all the essential documents in the food procurement process – for tendering, contracting, payments and the evaluation of supplier performance – to facilitate standardization of the filing and retention of procurement documents for audit purposes.
40. A clause on conflicts of interest was included in all international tenders in 2017 and a refined version was introduced in 2018 for gradual inclusion in all WFP tender documents and contracts.
41. As a further safeguard, in 2018 all members of the procurement contracts committee were required to declare on any food procurement decision notes in which they were involved that they had no conflicts of interest or any financial or personal interest in the case under review. Members with such conflicts of interest are replaced by alternates for the reviews concerned.
42. All documents are shared with country offices, regional bureaux and headquarters units and are available on WFP's internal website.
43. All suppliers registered on the electronic tendering platform for specific commodities must be invited to tender for any relevant contract. In exceptional circumstances, a vendor may be excluded from the list, but the exclusion must be clearly documented and reviewed by the vendor management committee.
44. A training package for enhancing the knowledge and skills of food procurement staff in regional bureaux, country offices and headquarters units has been developed and tailored to the training needs of each regional bureau. Roll-out of the training package is planned for 2019.

## **Food safety and quality management**

45. In 2018, the Food Safety and Quality Unit conducted 23 food safety and quality audits in nine countries. Work aimed at enhancing suppliers' capacity to supply specialized nutritious foods was carried out with the Regional Bureau for Southern Africa, with staff of the unit providing technical support and guidance to regional bureau colleagues and suppliers.
46. A protocol for the management of incidents related to food quality, which was finalized in 2018, provides all field staff with guidance on the handling of high-risk commodities such as processed foods. Technical assistance for the management of inspection contracts was provided through the building of a database in which to collect the results of laboratory analyses. The database will facilitate the capture of data from specific data points and the analysis of trends with a view to identifying and addressing underperformance of suppliers and inspection companies.
47. The Food Procurement Service and the Food Safety and Quality Unit have been identifying new suppliers for SuperCereal and SuperCereal Plus because of the limited production capacity of WFP's current suppliers and the scale up of the Yemen operation.
48. The Food Safety and Quality Unit introduced a new scope of work for superintendents aimed at mitigating the risks of introducing new producers.
49. During 2018, WFP carried out training in the hazard analysis and critical control point approach, food safety and quality and packaging integrity for 258 staff members from 50 countries.
50. The Food Safety and Quality Unit contributed to the design and implementation of country strategic plans by incorporating food safety and quality activities into the project documents of five country offices.