



**World Food  
Programme**

**Executive Board  
Annual Session**

**Rome, 25–28 May 2015**

## **ADMINISTRATIVE AND MANAGERIAL MATTERS**

**Agenda item 12**

*For information\**

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## **UPDATE ON WFP FOOD PROCUREMENT**

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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 focal points indicated below, preferably well in advance of the Board's meeting.

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## FACTS AND FIGURES

1. In 2014, WFP purchased 2.2 million mt of food commodities valued at USD 1.25 billion for use in food assistance operations in 73 countries. The 700 suppliers included 220 smallholder farmers' organizations supported by Purchase for Progress or similar programmes working with family farmers such as Purchase from Africans for Africa implemented by the Government of Brazil, the Food and Agriculture Organization of the United Nations and WFP.
2. WFP procured 50 types of food from 92 countries. Even though food baskets are changing to include an increasing variety of food types, bulk commodities continue to dominate purchases.
3. Of the food purchased in 2014, 80 percent valued at USD 945 million was sourced from 74 developing countries; the remaining 20 percent came from developed countries. Table 1 lists the top 15 developing countries in which WFP procured food in 2014.

<b>Country</b>	<b>Quantity (mt)</b>	<b>Value (USD)</b>
Turkey	367 131	246 336 247
India	239 056	116 609 844
Indonesia	83 262	73 526 895
Ethiopia	131 392	48 582 714
Pakistan	56 456	29 980 901
South Africa	62 565	28 055 485
Ukraine	78 850	26 039 899
Myanmar	58 560	23 849 681
United Republic of Tanzania	71 733	23 612 870
Thailand	43 231	22 474 725
Uganda	49 921	20 649 138
Iraq	17 290	20 347 009
Kenya	44 763	18 629 706
Malawi	41 630	17 828 238
State of Palestine	18 887	17 042 068

4. WFP bought 794,800 mt of food through the Global Commodity Management Facility (previously the Forward Purchase Facility), a system that ensures timely deliveries in the supply chain. Of these purchases, 85 percent were for operations in West Africa, East Africa and sub-Saharan Africa. Pre-positioned stocks in Las Palmas enabled WFP to reduce significantly the lead time for distributing food in the three countries in West Africa affected by the Ebola virus disease.
5. WFP procured 50 percent of the food in the regions where it operates for use in those same regions. In 2014, purchases from Turkey for the response to the crises in Iraq and the Syrian Arab Republic accounted for an additional 14 percent. In 55 countries where it operated in 2014, WFP bought locally sourced food to cover a portion of the food

requirements for its projects. Even in challenging environments such as Afghanistan, the Democratic Republic of the Congo, Somalia and South Sudan, WFP bought some food locally. In Ethiopia, Myanmar, the Niger, the Sudan, Uganda and the United Republic of Tanzania, substantial quantities were procured locally for consumption in those countries.

6. Purchases for the Level 3 emergencies – the Central African Republic, Iraq, the Syrian Arab Republic, South Sudan and the Ebola virus disease response – accounted for 37 percent of the food procured in 2014 and 42 percent of spending on food procurement. WFP procured food products for these operations through a combination of local, regional and international purchasing in 33 countries. Procurement for other countries in crisis – Cameroon, Mali, State of Palestine and Yemen – accounted for a further 220,000 mt, 10 percent of the total volume.
7. Turkey was the country from which the most food was purchased in terms of volume – 367,131 mt – and value – USD 246 million. Given that 88 percent of that food was for the operations in Iraq and the Syrian Arab Republic, Turkey’s location enabled WFP to optimize lead times and costs. Turkish vendors also sourced food with minimal lead times from 12 other countries – including Canada, India, Lebanon, the Russian Federation and Ukraine – for processing in Turkey.
8. WFP bought 239,056 mt of food valued at USD 117 million from India, the second largest sourcing country in terms of value. Most of this food – mainly rice – went to the Syrian Arab Republic and West Africa.
9. Ethiopia was the fourth largest sourcing country; most of the food purchased was used for programmes in the country. Food purchased through the Global Commodity Management Facility in Kenya, Malawi, Uganda and the United Republic of Tanzania was used in local operations and in neighbouring countries. Food purchased in Iraq and State of Palestine was used to meet the rapid scale-up in emergency requirements in the region in mid-2014. In Iraq, WFP bought imported food items delivered in the form of pre-packed family parcels. Indonesia continues to be an important source of palm oil, which is used in operations around the world.

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## FOOD COMMODITIES

10. Rice, wheat, maize, sorghum and millet accounted for 48 percent of the volume of food purchased and for 33 percent of spending on food procurement. Rice and maize accounted for 68 percent of the cereal grains purchased. Maize was bought locally or in the region of the recipient country.
11. Rice was sourced mainly in Asia: 300,000 mt – 83 percent – came from India, Myanmar, Pakistan, Thailand and Viet Nam. A number of countries in West Africa purchased small quantities of locally produced rice to support smallholder farmers.
12. Sorghum and millet accounted for 170,000 mt – 16 percent – of the grains procured. Of this, 57 percent was sourced in Mali, the Niger, South Sudan, the Sudan and Uganda; 33 percent of the sorghum came from India.
13. Sources of wheat included Australia, Pakistan and Ukraine. Wheat flour, accounting for 6 percent of all food purchased, was sourced in Turkey to support regional operations and in State of Palestine and Yemen for local operations. In the latter countries WFP procured the wheat flour through suppliers that import large quantities of wheat for milling.

14. In 2014, WFP purchased 248,000 mt of dry pulses worth USD 147 million. Chickpeas, lentils, peas and split peas accounted for 67 percent of these purchases in terms of value; other dry bean varieties accounted for the remaining 33 percent. WFP bought 28,000 mt of canned pulses, a staple food in the Middle East, for the operation in the Syrian Arab Republic.
15. In response to the crises in the Middle East, WFP significantly scaled up its purchases of pre-packed family food parcels consisting of staples regularly consumed by beneficiaries. The packages usually included seven or eight foods providing a balance of proteins, carbohydrates and oils.
16. Special nutritious foods accounted for 17 percent of food procurement spending in 2014 and 10 percent of the quantity. Most of the SuperCereal and ready-to-use supplementary foods were bought in Belgium, France and Italy at a cost of USD 155 million; Turkey and the United States of America were also major suppliers. WFP continues to support local production and purchase of special nutritious foods in Malawi, Nepal, Pakistan, South Africa and Uganda.

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## LOCAL AND REGIONAL PROCUREMENT, INCLUDING FROM SMALLHOLDER FARMERS

17. Whenever possible, WFP purchases food locally or regionally. The value of such procurement is USD 555 million per year. In Africa, the value of local and regional procurement is USD 270 million. Local and regional purchases stimulate trade and encourage emerging markets to develop.
18. Of the 250,000 mt of food purchased in East Africa and central Africa, 95 percent was distributed to beneficiaries in the region. Of the 240,000 mt of food sourced in southern Africa, 59 percent was distributed in the region and 38 percent in other African regions. In West Africa, WFP purchased 85,000 mt of food for operations in the region.
19. WFP extends its procurement capacity to governments to promote the purchase of local foods. Through its trust funds, WFP bought 21,400 mt of food valued at USD 16.9 million on behalf of governments to support social programmes such as school feeding in Burundi, Colombia, the Dominican Republic, El Salvador, Ethiopia, Guatemala, Honduras, Lesotho, Nepal, the Niger, Paraguay, Rwanda and Zimbabwe. Purchases made through the trust funds are implemented in line with WFP's procurement policies to ensure best value and food safety and quality assurance.
20. In 2014, WFP purchased 87,000 mt of food valued at USD 34 million from smallholder farmers through Purchase for Progress, accounting for 3 percent of procurement spending. During the five-year pilot, WFP purchased 366,000 mt of food worth USD 148 million from smallholder farmers. The Procurement Division developed new purchasing modalities such as forward delivery contracts to support smallholder farmers; these will continue to be used as WFP scales up procurement from this source.
21. The independent evaluation of the P4P pilot completed in November 2014 indicated that stakeholders such as governments, financial institutions and community leaders recognize the value of investments in Purchase for Progress modalities and demonstrated the benefits for smallholder farmers, their organizations and communities. WFP is mainstreaming these innovations and best practices and consolidating the knowledge acquired.

22. Over the next three years WFP will increase its direct purchases from small-scale farmers to at least 10 percent of its procurement. To achieve this and to help farmers to access other markets, WFP is developing a new procurement strategy: the Patient Procurement Platform is intended to create a consortium of partners from the public and private sectors – financial institutions, agricultural producers and large-scale food buyers – with a view to increasing the capacity of smallholder farmers to produce quality products by promoting access to inputs, risk-reduction tools and larger markets.

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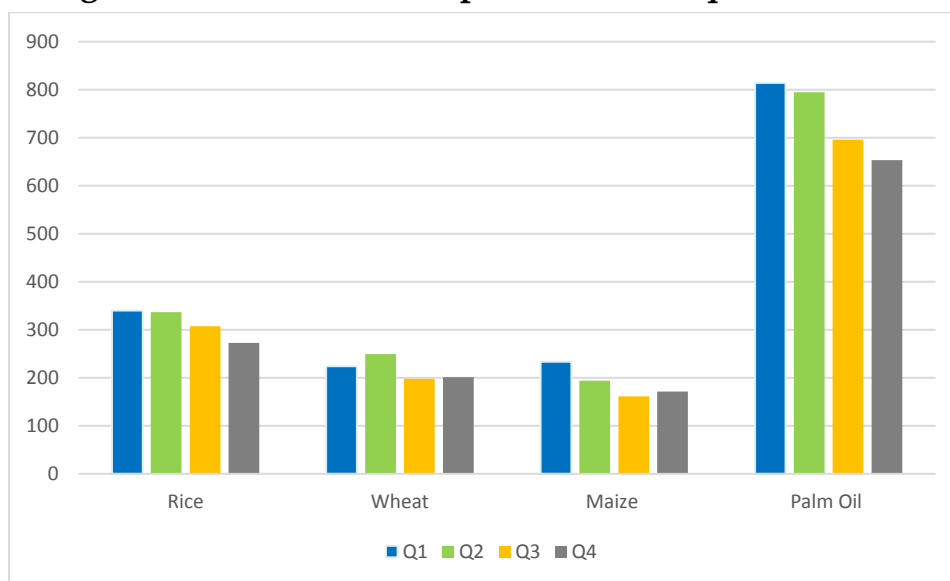
## EMERGENCY SUPPORT

23. In 2014, 47 percent of the food procured by WFP was for emergency operations. The five L3 emergencies alone accounted for 37 percent of WFP's food purchases.
24. The crisis in the Syrian Arab Republic continues to present numerous operational challenges. In 2014, 21 percent of WFP's procurement was linked to this response. WFP introduced innovative contracts such as food supply agreements to reduce lead times and costs; in 2014, 240,000 mt of lentils, chickpeas, bulgur wheat and pasta were used under such contracts. Food supply agreements significantly reduce lead times because suppliers ensure that stocks are available for immediate use.
25. Of the family food parcels for the Syrian Arab Republic, 80 percent are packed in-country with food procured through WFP's bulk sourcing. The remaining 20 percent, for use in Iraq, Libya and State of Palestine as well as the Syrian Arab Republic, are purchased ready-packed from suppliers to ensure timely response. Of the 2.5 million pre-packed food parcels purchased in 2014, valued at USD 125 million, 83 percent were for the emergency in Iraq.
26. In conjunction with the Global Commodity Management Facility, WFP purchased 85,000 mt of food in 2014 for beneficiaries in South Sudan, which is served by two supply corridors from Djibouti and Mombasa. WFP purchased 460 mt of maize directly from smallholder farmers in South Sudan.
27. Emergency food needs grew substantially in Guinea, Liberia and Sierra Leone as a result of Ebola virus disease outbreaks. Between September and December 2014, WFP purchased 75,000 mt of food for beneficiaries in these countries, a threefold increase compared with pre-emergency requirements.

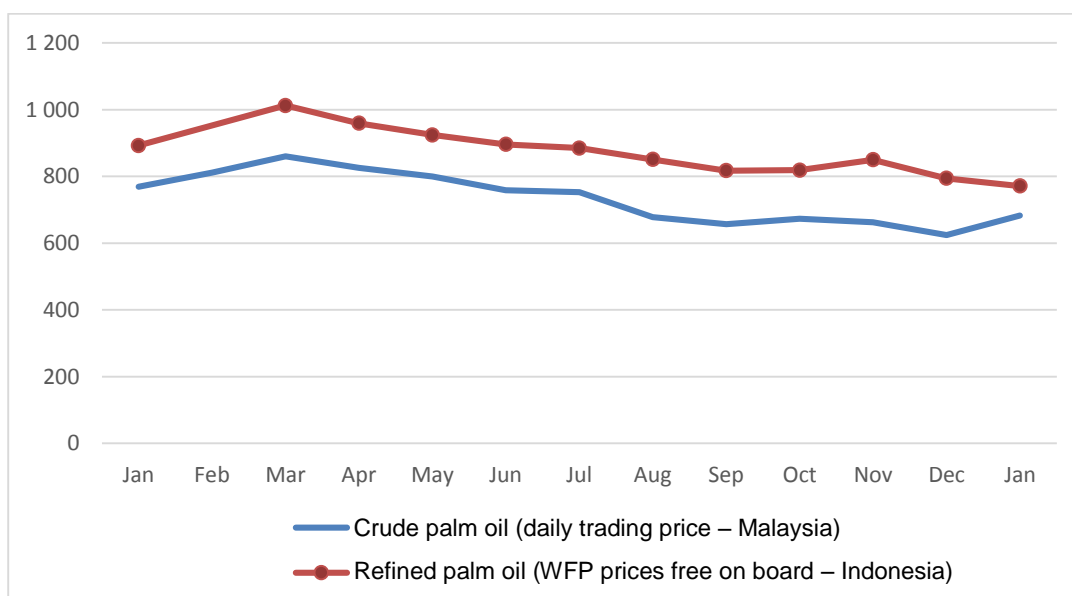
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## MARKET ENVIRONMENT

28. In 2014 the Food Price Index of the Food and Agriculture Organization of the United Nations decreased by 3.7 percent compared with 2013, the third consecutive annual decline. The prices of WFP staples such as rice, maize and palm oil fell sharply in international markets; wheat prices fell moderately.

**Figure 1: Average international market prices for each quarter in 2014 (USD)**

29. High production levels and abundant harvests and stocks, particularly of cereals, were drivers of the fall in food prices. Other indirect factors were import restrictions in the Russian Federation, appreciation of the US dollar against other currencies and the fall in crude oil prices. Cereal prices fell by 12.5 percent from 2013 levels in the light of forecasts of record global food production and ample stocks; the price of maize, a major WFP staple, fell by an average 24.2 percent.
30. Palm oil prices fell by 6 percent because stocks were large and because lower crude oil prices were expected to reduce demand for biodiesel. The prices paid by WFP for palm oil correlated significantly with market prices. The strategy is to follow market indicators such as price fluctuations and make purchases at favourable times.

**Figure 2: Monthly palm oil prices in 2014**

31. The combined costs of maize, sugar, soybeans and skimmed milk powder for processed foods such as SuperCereal Plus largely determine the final cost of the products. The cost of skimmed milk powder, for example, which accounts for 8 percent of SuperCereal Plus, fell by 23 percent between July and December 2014, decreasing the price of the product by USD 150/mt.

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## GLOBAL SOURCING STRATEGY AND GENERATING EFFICIENCIES

32. In line with WFP's three-year procurement business plan, innovative approaches are being developed to ensure steady supply and to minimize costs. The food supply agreements are an example: they were piloted in 2013 and by the end of 2014 WFP had used them to purchase 400,000 mt of food products. The prices established in the food supply agreements were 15 to 20 percent below market spot prices, enabling WFP to generate savings of up to USD 17 million in procuring rice, maize and SuperCereal.
33. WFP has established a procurement savings approach driven by: i) seasonal purchases to maximize local buying in post-harvest periods; ii) the use of market intelligence tools; and iii) optimal contract and price mechanisms. This enabled savings of USD 38 million on food purchases in 2014, representing some 3 percent of WFP's annual food procurement value.
34. In 2013, procurement staff began collaboration with experts from the University of Manitoba in Canada to identify best practices for managing and mitigating food price risks by using market intelligence tools.
35. Monthly and weekly market reports are produced for reference when procuring maize, wheat, rice, vegetable oil and pulses. The 21 reports issued in 2014 covered indicators such as spot prices and futures prices, and market conditions such as import/export bans, weather forecasts and economic indicators affecting 50 percent of WFP's procurement.
36. As a member of WFP's Supply Chain Working Group, the Procurement Division developed the 2015 framework for sourcing strategies. These reflect demand, procurement opportunities and logistics costs for the ten main food types used in operations and cover 90 percent of WFP's annual purchases.

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## FOOD SAFETY AND QUALITY MANAGEMENT

37. WFP's supply chain system aims for timely deliveries of safe and nutritious foods for beneficiaries. WFP is augmenting its capacity to meet the challenges of an evolving food basket that includes more special nutritious and processed foods, which currently account for 30 percent of the basket.
38. In support of local production and processing, WFP's food technologists provided technical expertise on food quality controls, sanitation and factory production for producers of date bars and high-energy biscuits in Afghanistan, Egypt and Jordan. The products are widely used in WFP's school feeding programmes in these countries.
39. The food technologists also carried out 67 supplier audits in 16 countries covering quality assurance, cooking, fortification, packaging and business sustainability. Where suppliers do not meet its standards, WFP indicates the areas requiring improvement with a view to continuing to do business. WFP's audits focus on suppliers producing complex foods such as special nutritious products.



40. WFP is working with private-sector and United Nations entities and non-governmental organizations on initiatives involving special nutritious foods, focusing primarily on cross-sector standardization of food specifications. WFP also works with partners on shelf-life studies and on factory and production standards.

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## PROCUREMENT CAPACITY AND STAFF DEVELOPMENT

41. In 2014, the international purchasing group based in Rome handled 45 percent of WFP's food purchases with the purpose of maximizing economies of scale across multiple regions. The regional bureaux accounted for 25 percent of food purchases in 2014; country offices accounted for 30 percent.
42. At the end of 2014, WFP had 32 international professional food procurement officers – 6 at Headquarters and 26 in regional bureaux and country offices. Three junior professional officers were funded by Switzerland and Germany. Given the importance of ensuring that safe and nutritious food is delivered to beneficiaries, WFP created the post of Chief of Food Quality and Safety in 2014. Nine staff completed level-2 public procurement and training certification accredited by the Chartered Institute of Purchasing and Supply. To drive the business plan, the Procurement Division held regular meetings with all procurement staff to discuss future strategies and other procurement-related issues.
43. In line with the People Strategy and in support of the procurement business plan, the Procurement Division has established four functional profiles: i) global strategy, business development and risk management – mainly Headquarters functions; ii) commodity expertise for in-depth market intelligence for WFP's main food commodities and main goods and services commodity categories including supplier relationships management – mainly Headquarters/regional bureau functions; iii) procurement execution, including local market knowledge, vendor management and risk management – country office/regional bureau/Headquarters functions; and iv) food safety and quality. Staff reassignments and promotions and external hiring are based on these roles and on the country complexity index.