



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

Executive Board
Annual session
Rome, 18–22 June 2018

Distribution: General

Agenda item 10

Date: 25 May 2018

WFP/EB.A/2018/10-C

Original: English

Administrative and managerial matters

For information

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

Update on food procurement

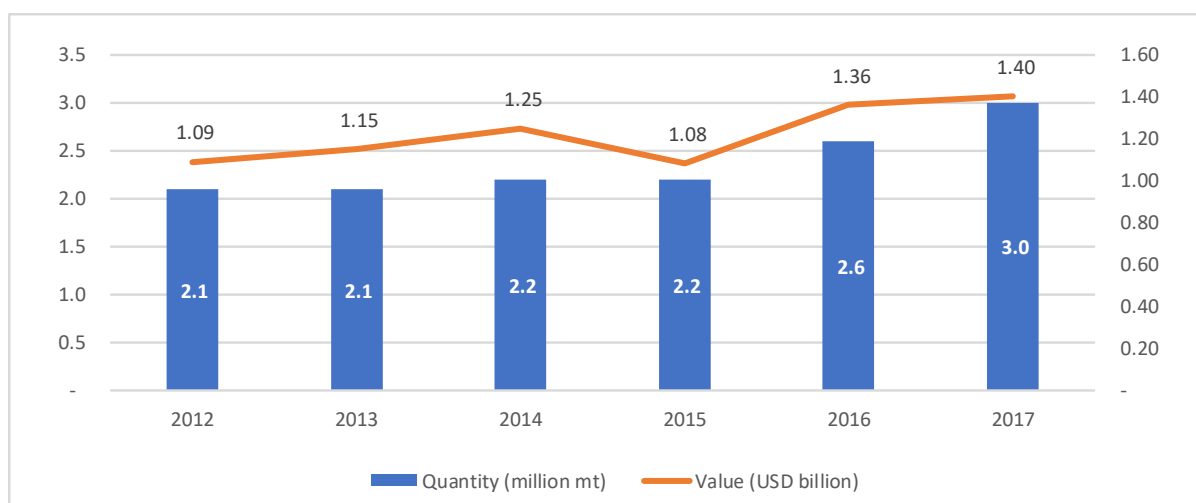
Facts and figures

1. In 2017, WFP purchased 3.0 million mt of food – 400,000 mt or 15 percent more than in 2016. In value terms, the purchased quantities amounted to USD 1.4 billion in 2017, representing an increase of USD 40 million or 3 percent compared with 2016. In 2017, food was procured from more than 100 countries with 74 percent of the total by value being sourced from developing countries, in accordance with WFP's strategy of supporting the development of local and regional markets.
2. The substantial increase in volume, primarily of cereals, was mainly because of the large demand for emergency assistance in Nigeria, South Sudan, the Syrian Arab Republic and Yemen. Level 3 emergency responses accounted for about 48 percent of all food procurement in 2017. End-to-end supply chain planning, enhanced market intelligence, innovative contracting and advance financing allowed WFP to secure supplies in advance of foreseen surges in demand and to take advantage of low prices when markets were favourable.

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Figure 1: WFP procurement figures, 2012–2017

3. To comply with import restrictions enacted by the Government of the Syrian Arab Republic, over the course of 2017 WFP reduced its food procurement from Turkey by 53 percent in value and 43 percent in volume, shifting its sourcing of food for the Syrian response to other countries, including Canada, European Union member states and Viet Nam. To lower the risk of pipeline breaks, where necessary, commodities were substituted with similar products with shorter lead times. Despite these changes, in 2017 WFP continued to procure more food from Turkey than any other country, with food from Turkey accounting for 10 percent in value of WFP's total food procurement and being used primarily for emergency operations in the Syrian Arab Republic and Yemen.
4. Compared with 2016, WFP's local procurement increased significantly in Nigeria (by 58 percent) and the Sudan (by 78 percent). These increases were driven by the demand for food for the continuing Level 3 emergency response in Nigeria and the opportunities offered by historically low prices for sorghum in the Sudan. Market intelligence and a focused procurement strategy helped WFP to take advantage of the Sudan as an important source of sorghum for its operations in the Horn of Africa and South Sudan. The opening up of an overland corridor from the Sudan to South Sudan facilitated the cross-border delivery of approximately 40,000 mt of sorghum.
5. Because of the high demand for non-genetically modified white maize, Southern African countries – particularly Zambia – became an important source of food for WFP's activities in East Africa.
6. Procurement of food from the European Union fell by 7 percent in value compared with 2016. This was mainly because of increased purchases of ready-to-use supplementary food (RUSF) from other countries, including India, Pakistan, South Africa and the United States of America. In terms of the value of the amount procured, SuperCereal Plus is the most significant product sourced outside the European Union.

TABLE 1: TOP 15 SOURCE COUNTRIES IN TERMS OF QUANTITY AND VALUE PROCURED IN 2017				
Country	Quantity (mt)		Country	Value (USD)
Sudan	444 066		Turkey	145 451 479
Ukraine	286 612		Indonesia	86 811 639
Turkey	283 308		Nigeria	85 055 747
Russian Federation	147 554		Sudan	82 248 748
Nigeria	121 792		Italy	80 256 181
Italy	117 975		Ukraine	72 955 265
Indonesia	108 258		France	65 223 586
Uganda	101 082		Belgium	55 983 917
Zambia	100 666		Russian Federation	49 136 711
South Africa	88 387		South Africa	42 621 640
Pakistan	83 246		Rwanda	42 002 714
India	69 342		Uganda	41 979 630
Canada	65 548		Canada	39 916 097
Belgium	65 163		India	39 804 406
Rwanda	55 049		Pakistan	37 461 092
Total top 15	2 138 048		Total top 15	966 908 852
Total procurement	2 991 864		Total procurement	1 401 421 701

Global sourcing and efficiency

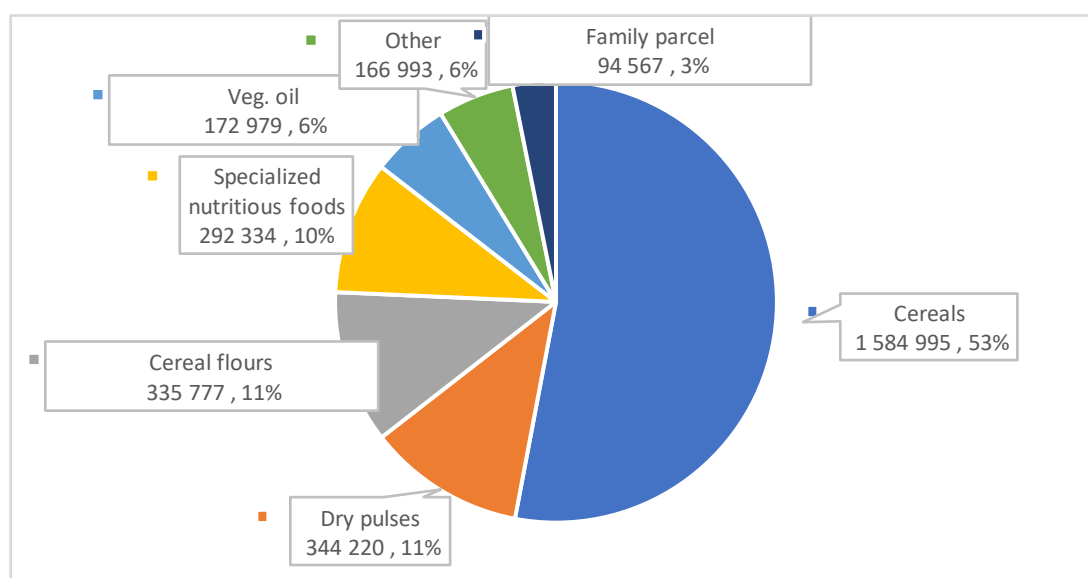
7. WFP's Food Procurement Service achieved significant progress in terms of increased agility, cost efficiency and reliability. Innovative procurement modalities and sourcing strategies for major commodity groups were essential tools in meeting increased demand in 2017.
8. The Food Procurement Service used food supply agreements for 27 percent in value of the food procurement contracted during the year. These agreements are awarded to suppliers through a competitive process and are designed to streamline WFP's procurement processes and yield advantages such as the ability to fix the prices of commodities when markets are favourable, ensure the availability of commodities when needed, reduce administrative processing time and decrease the lead time between when food is required and when it is delivered. By requesting suppliers to have in place pre-agreed minimum stocks ready for dispatch (i.e., stocks that have already been produced, bagged, analysed for quality, etc.), WFP can gain up to one month of lead time.
9. In 2017, WFP introduced differential contracts to its food procurement toolkit and procured 96,000 mt of food through this new contract type. The use of differential contracts for internationally traded commodities is common in the private sector. While the prices offered by suppliers through spot tenders are entirely set by the suppliers themselves, the price offered by a supplier through a differential contract is a combination of a reference price and a premium cost. Reference pricing exchanges such as the Intercontinental Commodity Exchange for sugar and Thomson Reuters Palm Oil Complex for palm oil are used to set the reference price, which is applied to all offers submitted. The premium cost, consisting of the cost of packaging, quality, delivery terms, payment terms and risk, is set by the suppliers individually. This contract modality reduces default rates among suppliers and ensures that WFP pays fair market prices for commodities.

10. The Global Commodity Management Facility is an advance financing facility that WFP can use to procure and deliver commodities to beneficiaries before confirmed donor contributions are available. This tool facilitates the implementation of sourcing strategies and allows WFP to procure food when most beneficial (e.g., during the harvest period) and commit production capacity for processed foods ahead of time, limiting the risk of insufficient capacity. In 2017, 53 percent of total food procurement in terms of value was carried out through the Global Commodity Management Facility.
11. In 2017, the Food Procurement Service achieved savings of more than USD 43 million. Of this total, USD 22 million is attributed to commodity substitutions, such as green peas instead of chickpeas or split peas instead of beans, which enabled WFP to take advantage of low market prices while also satisfying beneficiaries' preferences and maintaining the kilocalorie and nutrient values of food rations. The increased use of contracting modalities such as differential contracts and food supply agreements allowed WFP to save more than USD 8 million in food costs. Additional savings of more than USD 13 million were achieved by taking advantage of opportunities to purchase from local and international markets when prices were low.
12. WFP's commodity specialists regularly review and update the sourcing strategies for commonly procured commodities. This exercise guides the procurement actions to be undertaken, taking into consideration market trends, buying opportunities and potential issues that could affect WFP's supply chain.

Types of food procured

13. In 2017, non-processed cereals – maize, rice, wheat and sorghum – represented 53 percent of all food procurement by quantity, compared with 46 percent in 2016. The strong demand for wheat, sorghum and maize for operations in East Africa and Yemen, together with continuing favourable prices and availability drove up the tonnages purchased in 2017. Because of favourable market prices, wheat was sourced mainly from the Black Sea area, sorghum from the Sudan and maize from countries in Southern Africa.

Figure 2: Main foods procured in 2017 (mt)



Processed foods

14. Despite the unprecedentedly high demand for processed foods in 2017, WFP did not experience significant disruptions in supply throughout the year, achieving record procurement levels of 43,437 mt of lipid-based nutrition supplements and 247,120 mt of SuperCereal. The Food Procurement Service was able to meet the urgent surges in demand for RUSFs for Level 3 emergency responses. The use of food supply agreements for the procurement of lipid-based nutrition supplements ensured a more balanced supply base, with the top supplier accounting for 60 percent of global procurement in 2017 compared with 77 percent in 2016. Through the use of food supply agreements the supplier base was broadened to minimize the risks associated with repeatedly awarding contracts to the same 2 or 3 suppliers on a lowest offer basis. In 2017, WFP entered into food supply agreements for the purchase of lipid-based nutrition supplements with seven suppliers. Procurement of specialized nutritious foods from developing countries increased by 38 percent compared with 2016. WFP continued to collaborate and share information on specifications and supply management for lipid nutrition supplements with other agencies such as the United Nations Children's Fund and the United States Agency for International Development.

Cereals and flour

15. To mitigate the impact of restrictions on the use of Turkish commodities in Syrian operations, during 2017 WFP identified eight new wheat flour suppliers in Italy, Morocco, the Netherlands, Ukraine and the United Arab Emirates. As a result of WFP's proactive efforts, there were no disruptions in the food pipeline for its Syrian operations.

Pulses

16. WFP also had to find alternative sources of pulses for operations in the Syrian Arab Republic. The Food Procurement Service procured more than 30,000 mt of pulses from countries other than Turkey, including Australia, Canada and Hungary, managing to ensure timely delivery despite increased lead times.

Vegetable oil and sugar

17. WFP sourced more than 60 percent of its vegetable oil and sugar requirements through the differential contracts that were adopted in the Food Procurement Service.

Local and regional procurement, including from smallholder farmers

18. Purchases made by regional bureaux and country offices accounted for 46 percent of the total tonnage purchased in 2017. The main commodities purchased at these levels were sorghum (548,000 mt), maize (254,000 mt), wheat flour (252,000 mt), pulses (110,000 mt) and rice (108,000 mt).
19. Purchases from smallholder farmers amounted to USD 30.7 million, a significant increase from the USD 16.7 million reported in 2016. The increase is attributed to the introduction of new contracting modalities such as mandated and conditional contracts. These contracts are smallholder-friendly, providing, for example, that a specified percentage of the volume purchased by traders must be purchased from smallholder farmers and that traders must provide smallholder farmers with free storage for an extended period to allow the smallholders to accumulate stocks. The Food Procurement Service is working with the Programme and Policy Division on the mainstreaming of best practices from the pilot testing of these new modalities into regular procurement processes.
20. In 2019, in conjunction with other stakeholders in WFP, the Supply Chain Division will issue a new policy on local procurement of food.

Overview of emergency support

21. In 2017, food purchases for WFP Level 3 emergency responses accounted for nearly half (48 percent) of total food purchases. During the year, Level 3 emergency responses were activated for the Rohingya crisis on the Bangladesh/Myanmar border and in the Kasai region of the Democratic Republic of the Congo. The Level 3 emergency responses to the Iraq and El Niño emergencies were deactivated in 2017.

Recipient	Quantity	Value (USD)	Quantity (%)	Value (USD) %
Yemen	460 875	147 246 165	32	21
Syrian Arab Republic	451 026	268 788 728	31	39
South Sudan	191 065	72 902 913	13	11
Nigeria	182 416	119 151 261	13	17
Iraq	112 957	54 652 927	8	8
Bangladesh	20 716	13 430 459	1	2
Myanmar	16 086	6 024 304	1	1
Democratic Republic of Congo	11 639	8 933 835	1	1
Grand total	1 446 778	691 130 593	100	100

Level 3 emergencies

- Of all WFP operations, the Level 3 emergency response in Yemen involved the most food in 2017, with 460,875 mt. Wheat and wheat flour were the main commodities procured, representing 80 percent of all the commodities delivered in the operation. Most of the wheat flour was sourced regionally, while wheat was purchased primarily on the international market.
- The emergency response in the Syrian Arab Republic involved the second largest quantity of food, with 451,026 mt. The food distributed was mainly in the form of dry pulses and “family food parcels”, which are family-sized rations distributed monthly that include a range of commodities such as rice, wheat flour and oil. Canada was an important source of pulses for the Syrian operation while family food parcels were assembled in and dispatched from Turkey along the northern border route. Cross-border deliveries into the northern Syrian Arab Republic were not affected by the Syrian Government’s import restrictions.
- The South Sudan emergency response received mainly sorghum, accounting for 60 percent of the total food procured for the operation, and maize, accounting for 15 percent. All the sorghum came from the Sudan and the maize from Uganda and Zambia.
- The Nigeria country office scaled up its operations in 2017, with total food purchases reaching 182,416 mt. Except for specialized nutritious foods, all the commodities in the food basket were procured from the domestic Nigerian market. Through a combination of procurement and programming strategies such as the use of food supply agreements and the substitution of rice with millet or millet with sorghum, WFP was able to reduce the average prices it paid for food on the Nigerian market from USD 1,173/mt in 2016 to USD 948/mt in 2017. Additional purchases from

Global Commodity Management Facility warehouses in neighbouring countries were used to cover any operational food shortfalls.

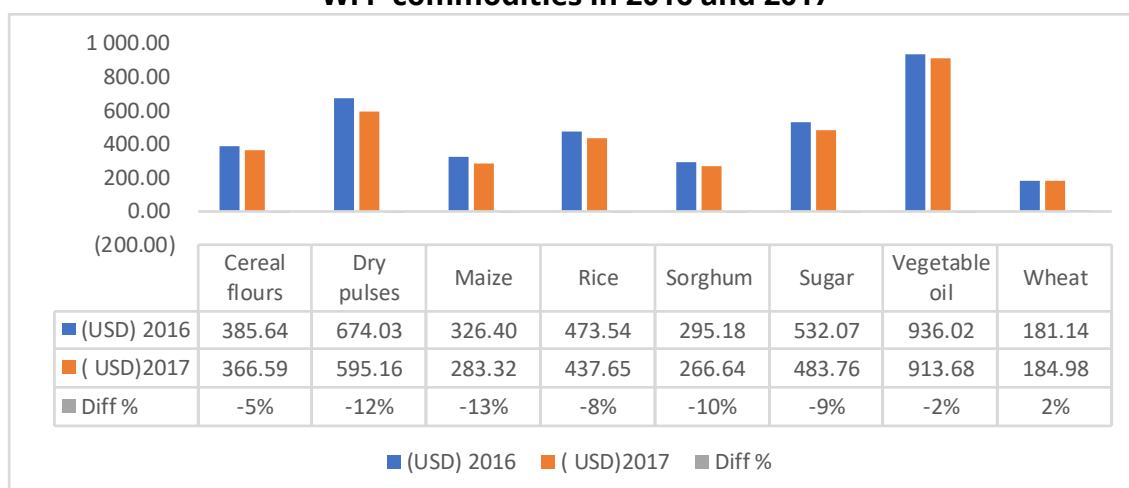
- The operations in Bangladesh and Myanmar and in the Kasai region of the Democratic Republic of the Congo together accounted for 3 percent of all purchases for Level 3 emergency responses in 2017. Both of these operations were categorized as Level 3 emergency responses in the second half of 2017.

Commodity grouping	Quantity (mt)	Value (USD)	% of quantity (mt)	% of value (USD)
Wheat	324 390	66 019 607	22	10
Dry pulses	199 265	130 313 223	14	19
Sorghum	195 765	73 101 357	14	11
Cereal flours	175 840	56 270 289	12	8
Rice	133 334	57 807 315	9	8
Vegetable oil	100 124	94 180 786	7	14
Family parcel	85 346	62 292 796	6	9
Specialized nutritious foods	84 381	81 985 967	6	12
Sugar	49 751	25 096 255	3	4
Cereal based processed foods	36 223	15 181 947	3	2
Other	33 259	20 488 688	2	3
Maize	28 765	7 960 263	2	1
Canned foods	336	432 100	0	0
Grand total	1 446 778	691 130 593	100	100

Market prices

22. In 2017, WFP benefited from decreases in the prices of maize and sorghum, which were driven by the ready availability of these crops in East and Southern Africa. As a result, WFP was able to purchase in regional markets and at favourable prices.
23. With high availability of sorghum and a strong sorghum harvest in the Sudan, sorghum prices reached a record low. During 2017, the Sudan became a leading exporter of sorghum, allowing WFP to purchase more than 400,000 mt of Sudanese sorghum for its operations in East Africa.
24. Prices for wheat also dropped in 2017, because of a good harvest in the Black Sea region complemented by large carryover stocks from 2016, which amounted to 80 million mt of wheat from the Russian Federation.
25. To secure supplies and reduce the costs of pulses, in selected operations, WFP substituted green peas at an average price of USD 350/mt for chickpeas at an average price USD 1,250/mt. This was a major contributing factor in the fall in the cost of pulses for the WFP food basket. In addition, the use of food supply agreements enabled WFP to take advantage of low market prices during the yellow pea harvest.
26. In sugar procurement, the use of differential contracts combined with falling international prices contributed to an overall price reduction of 9 percent during the year.

Figure 3: Weighted average prices for the most common WFP commodities in 2016 and 2017



Audit and oversight

27. The proactive integrity review of WFP's food procurement for the Syrian regional emergency operation identified 20 actions for the supply chain sourcing unit to implement and mainstream. The actions address issues in several thematic areas and include strengthening the standard terms and conditions in contracts, reviewing vendor management processes and strengthening procurement processes in order to mitigate WFP's exposure to risk. The food procurement manual is being revised and updated and guidance on specific procurement processes has been issued.
28. With additional extrabudgetary funds, the Supply Chain Division is implementing a project for addressing the underlying causes of recurrent findings from audits and the proactive integrity review in the areas of vendor management, guidelines and manuals, training and food safety and quality.

Food safety and quality management

29. In 2017, WFP's network of food safety and quality experts was expanded through the deployment of experts to five of the six regional bureaux and to critical countries such as Afghanistan, Jordan, Nigeria and Turkey. WFP continued to benefit from the technical assistance received from private sector companies such as Kemin and DSM and secured new partnerships with Mars and Amcor. These partners supported WFP with their well-established expertise in core areas such as mycotoxin regulation, packaging and product characteristics.
30. Using extrabudgetary funds made available to the Food Safety and Quality Assurance Unit, WFP secured training and knowledge management services from the United Kingdom's Natural Resources Institute. In partnership with the institute, WFP is developing training modules for supply chain and programme staff, which will be rolled out in 2018.
31. During 2017, WFP undertook a review to establish baselines for assessing the quality management systems of its suppliers of high- and medium-risk foods against the international standards of the Global Food Safety Initiative. By the second half of 2017, WFP had audited 56 suppliers in Egypt, Indonesia, Italy, Jordan, Lebanon, Malawi, South Africa, the Syrian Arab Republic, the United Arab Emirates and Zambia. The audits were undertaken jointly by external certified food auditors and WFP's in-house food technology experts. Supplier audits are a core part of vendor management and will help WFP enhance its food safety and quality practices by moving from quality control towards the adoption of industry standards of quality assurance.

32. With the ultimate objective of ensuring better preservation of food quality and safety along the supply chain, WFP engaged an external consultancy firm to analyse its supply chains for processed and specialized nutritious foods, from sourcing to delivery. The analysis will include an assessment of WFP's quality processes against wider industry standards, and a briefing on its findings is expected in the second half of 2018.

Procurement capacity and staff development

33. In 2017, the Food Procurement Service based at headquarters was responsible for 54 percent of WFP's purchases, country offices for 25 percent and regional bureaux for 21 percent. Headquarters procurement staff purchased 15 percent more food than in 2016 and 30 percent more than in 2012. The increase was driven by the demand for food for emergency operations, including those in the Syrian Arab Republic and Yemen, for which the bulk of the food used is procured on international markets because of the limited options for regional or local procurement.
34. Food procurement at headquarters is carried out by a team of commodity specialists in cereals, pulses, oils, sugar and specialized nutritious foods. The team uses best market practices and innovative contract modalities to maximize cost and other efficiencies.
35. Tables 4, 5a and 5b provide information on the procurement actions undertaken by WFP offices in 2017.

Executive office	Quantity (mt)	Value (USD)	Quantity (mt) %	Value (USD) %
HQ Proc.	1 612 485	765 674 833	54	55
CO Proc.	734 575	356 880 047	25	25
RB Proc.	644 804	278 866 821	21	20
Grand total	2 991 864	1 401 421 701	100	100

Purchasing office	Quantity (mt)	% of total quantity (mt)
HQ	1 612 485	54
RB Nairobi	279 221	9
RB Bangkok	172 109	6
RB Johannesburg	122 564	4
Nigeria	121 792	4
Sudan	116 059	4
Yemen	94 820	3
RB Dakar	53 067	2
Myanmar	40 746	1
Jordan	34 905	1
Total top 10	2 647 768	
Total purchased 2017	2 991 864	

TABLE 5B: TOP TEN PURCHASING OFFICES BY VALUE		
Purchasing office	Value (USD)	% of total value (USD)
HQ	765 674 833	55
RB Nairobi	117 902 846	8
Nigeria	85 055 747	6
RB Bangkok	70 366 188	5
RB Johannesburg	51 583 815	4
Yemen	29 792 877	2
RB Dakar	28 008 107	2
Jordan	26 048 799	2
Sudan	23 209 661	2
Egypt	19 054 432	1
Total top 10	1 216 697 305	
Total purchased 2017	1 401 421 701	