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For information

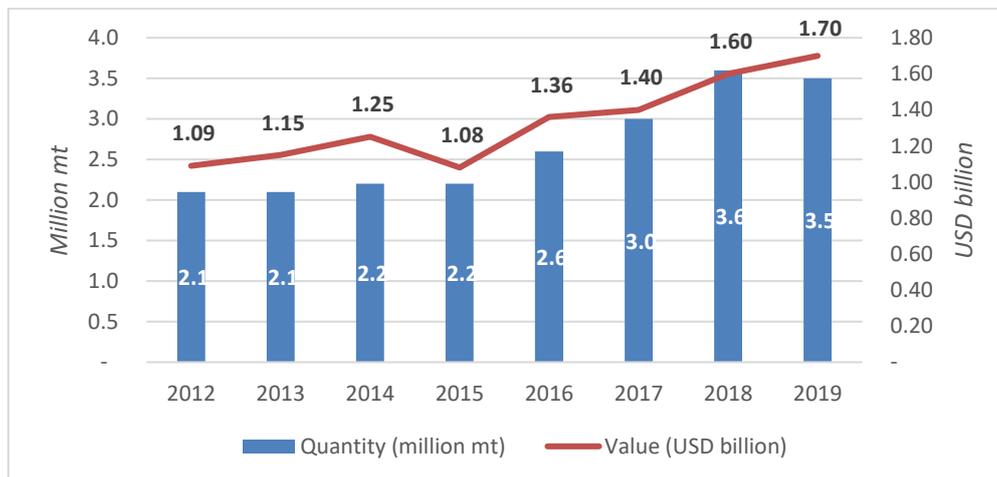
Executive Board documents are available on WFP's website (<http://executiveboard.wfp.org>).

## Update on food procurement

### Statistical review

1. In 2019, WFP purchased 3.5 million mt of food with a value of USD 1.7 billion. Food was procured in 91 countries, with 77 percent in terms of value sourced from developing countries<sup>1</sup> and 23 percent from developed countries. The value of food procured increased by 6 percent in 2019, to USD 1.7 billion compared to USD 1.6 billion in 2018, 64 percent more than in 2012.
2. The Food Procurement Service placed 1,932 orders with 638 suppliers globally in 2019.

**Figure 1: WFP procurement figures, 2012–2019**



<sup>1</sup> In terms of the country categorization used by the Development Assistance Committee of the Organisation for Economic Co-operation and Development, 30 percent of total food procured was purchased from least-developed countries, 20 percent from lower-middle-income countries and 27 percent from upper-middle-income countries.

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3. WFP has a network of procurement units at headquarters, at the six regional bureaux and at 62 country offices. There are senior procurement staff located in areas where high volumes of food are purchased. In general, international procurement of the main commodities is administered at headquarters. Procurement of rice and high-energy biscuits, however, is administered by the Regional Bureau for Asia and the Pacific, procurement of maize, by the Regional Bureau for East and Central Africa, and procurement of date bars, by the Regional Bureau for the Middle East, North Africa, Central Asia and Eastern Europe.

WFP office	Quantity (mt)	Value (USD)	Quantity (%)	Value (%)
Headquarters Food Procurement Service	1 660 220	862 082 899	47	51
Country office procurement units	1 250 100	578 935 429	36	34
Regional bureau procurement units	584 826	251 329 274	17	15
<b>Total</b>	<b>3 495 147</b>	<b>1 692 347 602</b>	<b>100</b>	<b>100</b>

Purchasing office	Quantity (mt)	% of total quantity
Headquarters Food Procurement Service	1 660 220	47
Yemen	248 933	7
RBB	196 360	6
RBN	195 420	6
RBC	133 167	4
Sudan	120 072	3
Syrian Arab Republic	87 362	2
Mozambique	75 331	2
Bangladesh	74 564	2
Burkina Faso	72 750	2
<b>Total top 10</b>	<b>2 864 180</b>	<b>82</b>
<b>Purchases by others not in the top 10</b>	<b>630 967</b>	<b>18</b>
<b>Total purchased 2019</b>	<b>3 495 147</b>	<b>100</b>

Purchasing office	Value (USD)	% of total value
Headquarters Food Procurement Service	862 082 899	51
Yemen	118 515 700	7
RBN	88 424 045	5
RBB	79 654 444	5
Syrian Arab Republic	58 651 130	3
RBC	55 447 374	3
Mozambique	42 276 671	2
Sudan	36 557 312	2
Bangladesh	34 587 296	2
Burkina Faso	28 596 506	2
<b>Total top 10</b>	<b>1 404 793 376</b>	<b>83</b>
<b>Purchases by others not in the top 10</b>	<b>287 554 226</b>	<b>17</b>
<b>Total purchased 2019</b>	<b>1 692 347 602</b>	<b>100</b>

Abbreviations: RBB = Regional Bureau for Asia and the Pacific; RBC = Regional Bureau for Middle East, North Africa, Central Asia and Eastern Europe; RBN = Regional Bureau for East and Central Africa.

4. In 2019, the Food Procurement Service at headquarters procured more food, in terms of both volume and value, than any other WFP office, close to 1.7 million mt, valued at USD 863 million, accounting for 47 percent by tonnage and 51 percent by value of all food procured.
5. The Yemen Country Office was the second largest purchasing office, accounting for 7 percent of total purchases by both volume and value.
6. Purchases in the six regional bureaux accounted for 17 percent of the total volume and 15 percent of the total value.
7. Local purchases increased from 30 percent of the total volume in 2018 to 36 percent in 2019, primarily because of increased local procurement in Yemen. Local procurement was mainly undertaken in countries that recorded surplus stocks in order to minimize the risk of causing deficits and inflating prices in local markets
8. Almost 68 percent of the total volume (2.4 million mt) was procured in countries where WFP has ongoing operations.

### Source countries

9. Turkey remained the top country, in terms of both volume and value, from which WFP procured commodities. The main commodities procured in Turkey were pulses, wheat flour and vegetable oil. The Sudan was second in terms of volume (mainly sorghum), with South Africa second in terms of value (mainly maize).

<b>Country</b>	<b>Quantity (mt)</b>	<b>Country</b>	<b>Value (USD)</b>
Turkey	651 503	Turkey	272 622 523
Sudan, the	237 072	South Africa	85 908 935
South Africa	212 435	Belgium	75 926 369
Romania	147 538	Sudan, the	68 830 412
Ukraine	137 596	Canada	66 484 662
Yemen	127 842	Egypt	64 488 751
Egypt	123 750	Yemen	63 812 418
Canada	105 954	Syrian Arab Republic	55 338 153
United Arab Emirates	92 238	Italy	49 100 292
Myanmar	88 696	France	47 759 960
Belgium	88 128	Rwanda	45 528 417
Syrian Arab Republic	80 961	Mozambique	42 276 671
Mozambique	75 331	Morocco	38 846 903
Bangladesh	74 564	Indonesia	36 680 826
Burkina Faso	72 561	Kenya	36 669 828
<b>Total top 15</b>	<b>2 316 139</b>	<b>Total top 15</b>	<b>1 050 275 120</b>
<b>Total procurement</b>	<b>3 495 147</b>	<b>Total procurement</b>	<b>1 692 347 602</b>

## Global sourcing and efficiency

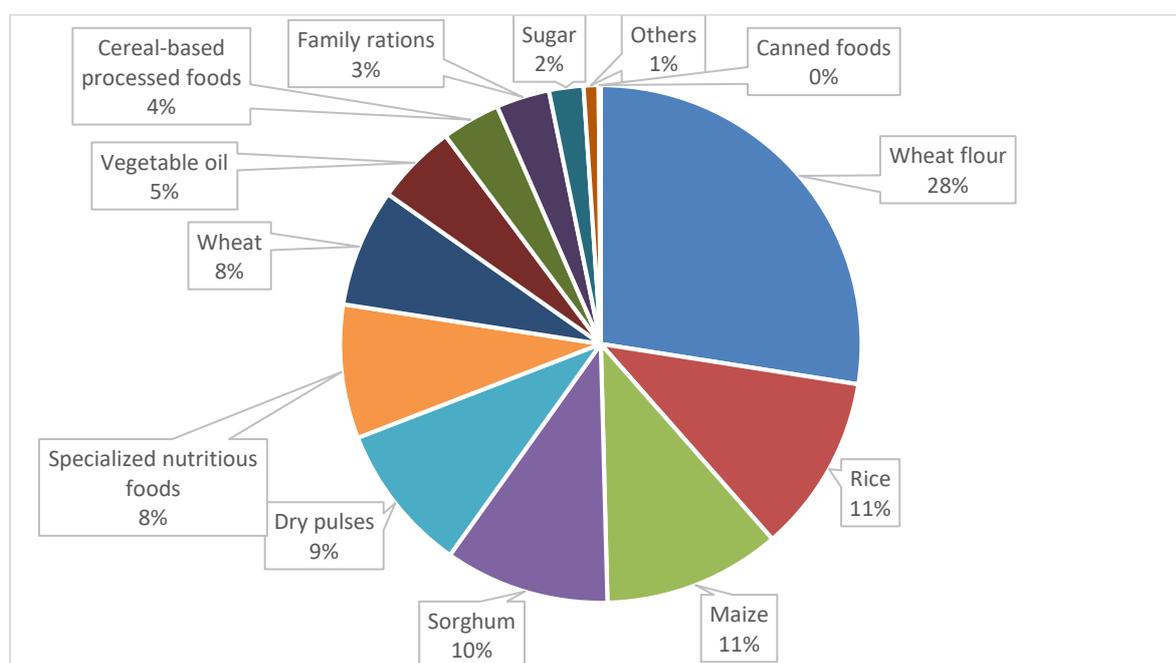
10. In November 2019, WFP's Executive Board approved a new local and regional food procurement policy, which will further strengthen WFP's local and regional procurement, including pro-smallholder procurement, by taking into consideration the cost-efficiency decisions that drive its procurement of food. As part of its effort to achieve the policy's objectives WFP is currently working on an implementation plan to guide local and regional decision making.
11. The Food Procurement Service has continued to introduce innovative ways to improve agility, cost efficiency and reliability in a fair and transparent manner. Sourcing strategies (for major food groups) are developed at the beginning of the year to assist procurement teams in planning to buy at the right time, to achieve good value for money and to procure from the right sources to meet increasing demand.
12. The use of food supply agreements (FSAs) continued to increase in 2019, allowing suppliers to plan and ensure the availability of stock and WFP to place call-off orders when funds were available, thus reducing lead times. For lipid-based nutrient supplements, the use of FSAs with local suppliers increased, ensuring a continuous supply to meet increasing demand and contain prices.
13. WFP sourced vegetable oil and sugar requirements through FSAs with differential pricing modalities tied to commodity exchanges. The prices that WFP pays for those commodities are linked directly to the market price at the moment when WFP places call-off orders. This ensures that WFP pays market-related prices for these commodities. FSAs are concluded for a longer period, fixing the additional costs that are added to the market price at the time of placing an order. Suppliers are obliged to comply with all other WFP contractual terms related to packaging, markings and so on.
14. In 2019, 52 percent of total food procurement in terms of value was carried out through advance financing facilities. That enabled food to be purchased at favourable times and prices (e.g. during harvest periods) and production capacity to be optimized for processed foods, thus mitigating the risk of insufficient capacity and subsequent pipeline breaks. The use of advance financing facilitated the pre-positioning of food in strategic locations (e.g. South Sudan and Kenya), allowing the commodities to be transported to their final destinations immediately upon receipt of funding and thus shortening lead times.
15. In 2019, the Food Procurement Service assisted the Government of Ethiopia in procuring food for use in local programmes based on a service provision model that involved WFP purchasing 200,000 mt of wheat on the international market on the Government's behalf, using government funds, and shipping the wheat to Ethiopia. In 2020, WFP intends to continue broadening its food procurement support for national governments through the use of service provision models.

## Types of food procured

TABLE 4: DIFFERENCES IN QUANTITY OF PURCHASED COMMODITIES, 2018 VERSUS 2019			
Commodity grouping	2018 quantity (mt)	2019 quantity (mt)	Difference (%)
Wheat flour	612 079	960 994	36
Rice	364 772	387 514	6
Maize	476 503	384 867	(24)
Sorghum	405 181	357 307	(13)
Dry pulses	446 792	324 168	(38)
Specialized nutritious foods	314 287	292 230	(8)
Wheat	498 707	257 470	(94)
Vegetable oil	207 066	176 099	(18)
Cereal-based processed foods	114 038	127 246	10
Family rations	69 897	115 465	39
Sugar	54 096	74 693	28
Others	22 388	32 401	31
Canned foods	2 706	4 694	42
<b>Grand total</b>	<b>3 588 511</b>	<b>3 495 147</b>	<b>(3)</b>

16. In 2019, wheat flour purchases increased substantially due to the Level 3 emergency response in Yemen. Agricultural commodities such as maize, rice, sorghum and wheat represented 39 percent of the total quantity purchased, a substantial decrease from 49 percent in 2018.

**Figure 2: Main commodities procured in 2019 (mt)**



## Specialized nutritious foods

17. Specialized nutritious food quantities decreased by 7 percent in 2019 versus 2018. Quantities of lipid-based nutrient supplement products (ready-to-use supplementary food and medium quantity lipid-based nutrition supplement) increased significantly (33 percent), while quantities of both Super Cereal and Super Cereal Plus decreased (by 19 percent and 8 percent respectively), mainly due to food safety incidents in 2019.
18. Local and regional procurement of lipid-based nutrient supplements increased steadily from 2016 to 2019, reaching 63 percent share of the total quantity of such supplements procured globally in 2019. The proportion of local and regional procurement of Super Cereal remained between 22 and 36 percent over the period 2017–2019; there are a limited number of Super Cereal suppliers available in the field and their capacity is significantly less than that of the large international suppliers. For Super Cereal Plus, the introduction in 2017 of the first African supplier – Africa Improved Foods, based in Rwanda – has led to increased regional procurement, reaching 34 percent in 2019.
19. In the last 18 months two major incidents occurred concerning Super Cereal, adversely affecting WFP's capacity to meet demand for the product.
20. The first incident occurred in Kenya in May 2018, when Super Cereal supplied by one of WFP's major suppliers was found to have consistently lower protein levels than normal. In 2019, while the investigation was ongoing, the supplier was contracted as a last resort and production was carried out under a more stringent inspection regime. The WFP Vendor Sanctions Committee subsequently imposed sanctions on the supplier for an indefinite period.
21. The second incident, which occurred in March 2019 in Uganda, was a food safety incident involving health problems and some fatalities following the consumption of Super Cereal from another major WFP supplier. Food Safety and Quality Assurance Unit staff were immediately deployed to investigate. The Super Cereal from that supplier was recalled in Uganda and worldwide use of the product was placed on hold as a precautionary measure. Extensive laboratory testing was carried out on the Super Cereal supplied, and it was ascertained that it had a high concentration of tropane alkaloids (jimson weed). WFP has subsequently implemented an enhanced testing regime for tropane alkaloids. WFP has not placed any further orders with this supplier and is in the process of destroying the remaining stocks.
22. Demand for Super Cereal (CSB+ and WSB+) and Super Cereal Plus (CSB++ and WSB++) has consistently grown over the past few years. The total capacity available from existing suppliers is 213,600 mt per year, well below the 317,510 mt that is expected to be required for 2020.
23. The immediate contingency plan for the supply of specialized nutritious foods is based on several actions:
  - maximizing procurement of lipid-based nutrient supplements to partially replace Super Cereal Plus;
  - maximizing utilization of Africa Improved Foods in Rwanda to cover the demand for Super Cereal Plus in East Africa;
  - utilizing advance financing to optimize allocations to upcoming new suppliers across various regions;
  - maximizing in-kind contributions of Super Cereal from the United States of America; and
  - considering new local and regional suppliers of fortified staple foods.

24. The long-term plan is to increase the current supply base with new suppliers. In 2019, significant efforts were made to identify new suppliers of Super Cereal and Super Cereal Plus. More than 300 companies were approached but there are significant challenges in identifying suppliers willing to make the necessary high investments in their plants. The nature of these products is unique, as Super Cereal is neither a baby food nor a standard flour. The uniqueness of the market for Super Cereal (where WFP represents more than 80 percent of global demand) makes it difficult and risky for suppliers to build new facilities or otherwise invest in new capacity without a long-term commitment by WFP to procure sufficient quantities of the commodity to make the increased investment worthwhile. Three companies have expressed interest and will be ready to produce Super Cereal by the end of 2020, increasing total production capacity by an estimated 35,000 mt per year.

### **Cereals and flour**

25. In 2019, WFP purchased over 2.3 million mt of cereals, 67 percent of total food purchased, with a value of USD 779 million.
26. Purchases of wheat flour, mainly of Turkish origin and for the Level 3 emergency response in Yemen, increased by 60 percent compared to the previous year, reaching almost 1 million mt in 2019. As Yemen represents almost 75 percent of WFP's wheat flour requirements, an assessment was carried out to ascertain whether the main cereal traders had the capacity to store and mill wheat in strategic locations, such as Port Sudan, Oman and the United Arab Emirates. This would increase operational flexibility in the event of a reduction in milling capacity in Yemen and reduce the risk of cargo being rejected upon importation due to lapsed expiry dates.
27. The quantity of wheat procured decreased to 257,500 mt in 2019 owing to reduced milling capacity in Yemen and an increase in wheat flour procurement. Wheat purchases in 2019 were concentrated in the Black Sea region (Ukraine, Romania and the Russian Federation), which reflected availability in the wheat market.
28. Ethiopia was the main wheat recipient in 2019, consuming over 200,000 mt or 78 percent of the total quantity procured. Procurement was undertaken mainly through a service provision model on behalf of the Government of Ethiopia.
29. Sorghum purchasing has steadily increased in recent years, reaching 350,000 mt in 2019. Ninety-six percent was purchased through advance financing mechanisms. The Sudan was the main source country, accounting for 63 percent of sorghum purchased, followed by Burkina Faso (13 percent), Nigeria (7 percent), the Niger (6 percent) and Cameroon (5 percent).
30. South Sudan, the Sudan, Burkina Faso and Ethiopia were the main recipients of sorghum, representing almost 70 percent of the total amount purchased. Nigeria has increased its consumption of sorghum since the end of 2016 due to the food crisis in the north-east of the country.
31. WFP diversified its sorghum supplier base in 2019 to include suppliers from Australia, Ukraine and the United Arab Emirates in order to ensure continuous supply to meet the increasing demand.
32. Rice harvests in China, Thailand and Viet Nam declined in 2019 compared to 2018. World trade was slow, with demand contracting by 3.1 percent as a result of improved harvests in – and reduced import requirements from – Bangladesh, Indonesia, Nepal, Sri Lanka and various West African countries.

33. Maize production in 2019 was characterized by difficult market conditions resulting from unpredictable weather, such as drought and floods, leading to reduced yields, unavailable commodities and volatile food prices. The procurement of maize in bulk (importing on average about 35,000 mt per vessel) using advance financing mechanisms resulted in shorter lead times.

### **Pulses**

34. Procurement of pulses decreased in 2019, mainly due to the carryover of stocks from 2018 to 2019. The main consumers of pulses continued to be the Syrian Arab Republic and Yemen. Procurement was undertaken through advance financing mechanisms (mainly to pre-position stocks in the Eastern and Southern African corridors). The main pulses purchased were beans, lentils, split peas and chickpeas. Procurement of beans, lentils and chickpeas, given the volatility of demand, focused on spot tenders to capture the best prices at specific times. Demand for yellow split peas was more predictable, which allowed for procurement mainly through FSAs that fixed prices but included no commitment to WFP with regard to quantity. Quantities were based on aggregated resourced projected requirements.
35. Beans represented roughly 34 percent of the total pulses procured; this was down from 60 percent in 2018, mainly due to higher bean prices and increased demand for more affordable pulses (lentils and chickpeas). Peas (green peas and split peas) represented 20 percent of the total pulses procured, a decrease compared to 2018, mainly because of a strong preference in the Syrian Arab Republic and Yemen for beans, chickpeas and lentils.
36. There was a worldwide reduction in pulse yields in 2019 as farmers moved to more profitable crops such as canola and cotton. WFP continues its effort to diversify its supplier base and pulse basket, advocating that comparable pulses (chickpeas, lentils, peas, beans) be substituted for one another depending on the current price for each. The main importers of pulses, India and Bangladesh, are returning to the market after a long pause due to domestic surpluses.

### **Rations**

37. Cross-border food supply to the Syrian Arab Republic is a very specific operation for WFP, and there was a high level of uncertainty in 2019 caused by the United Nations Security Council delaying the adoption of a resolution that would authorize the extension of the operation. The operation was extended in the end, but only until mid-2020. This placed additional strain on the operation and delayed the movement of rations into the Syrian Arab Republic. In view of the increased requirements and the need for agility and a quick response, WFP concluded two FSAs with suppliers in the region, covering over 70,000 mt of the amount required for the operation. That made it possible to reduce procurement lead time (the time from the receipt of funds to the delivery of food) from 90 days to just 50 days.

### **Vegetable oil**

38. In the context of WFP's environmental policy and a broader process of greening its procurement practices, WFP has continued the integration of environmental considerations into its procurement processes to promote sustainable palm oil production while adhering to its mandate of cost-efficient procurement. Availability of sustainably produced palm oil remains a challenge, with few suppliers able to produce enough to meet demand. In 2019, 25 percent of the palm olein procured by WFP was sustainably produced, exceeding its target. In its procurement of palm olein over the coming years, WFP will endeavour to continue to increase the proportion of palm olein that is certified as sustainably produced. Overall demand for palm oil has decreased due to large-scale operations, such as the one in Yemen, switching to sunflower oil.

### **Local and regional procurement from smallholder farmers**

39. In 2019, over 96,500 mt of commodities were purchased from smallholder farmers, representing a total value of more than USD 37 million. The main sourcing countries were the Sudan (USD 11 million), the Democratic Republic of the Congo (USD 7.9 million) and Burkina Faso (USD 4.9 million).
40. Purchases from smallholder farmers increased by 79 percent in 2019 compared to the previous year in terms of quantity (54,000 mt in 2018) and by 19 percent in terms of value (USD 31 million in 2018). The increased quantity is mainly attributable to the purchase of significant amounts of sorghum and millet, especially from the Sudan, representing 48 percent of the total.
41. The quantity of food purchased from smallholder farmers increased in 2019; as a share of total food purchased, however, it remained at 2.2 percent because the total quantity of food purchased likewise increased.
42. The increase in quantity of food purchased from smallholder farmers can also be attributed to the gradual introduction of indirect contract modalities, coupled with a reduction in the underreporting of purchases from smallholders through improved internal registration processes. Indirect contract modalities, alongside direct purchasing from smallholders, have enabled WFP to bring purchases from smallholder farmers through traders to scale, guaranteeing transparency and control with respect to transactions between traders and farmers or farmer organizations.

### **Overview of emergency support**

43. The Food Procurement Service procured nearly 1.9 million mt of food for Level 3 emergency responses in 2019, which represented 54 percent of total volume.
44. Each emergency requires a unique procurement approach to facilitate an effective response to increased demand. To that end, the Food Procurement Service develops sourcing strategies and tactical intervention plans to address the requirements for each emergency response operation. It has been actively involved in emergency preparedness activities and in advising governments on emergency preparedness measures. Food procurement staff are regularly deployed to support local and international procurement efforts within 24 hours of the onset of emergencies.
45. Significant investment has been made to expand the WFP supplier base globally so that its food procurement operations can deal with increased demands for food in rapid onset emergencies. International suppliers are engaged through FSAs and other types of contracts to ensure full flexibility that allows cargoes to be diverted from their originally contracted destinations; in addition, efforts are being made to increase capacities and shorten lead times to make it possible to meet high and volatile demand.
46. For the emergency response in the Bolivarian Republic of Venezuela, food stocks had been pre-positioned in Colombia and were at risk of reaching their expiry dates. The need to maintain operational readiness while also mitigating the risk of significant losses was addressed through an innovative agreement struck between the supply chain team of the Regional Bureau for Latin America and the Caribbean and the original rice supplier. It was agreed that the supplier, by reprocessing the commodity, would create pre-positioned commodities that could be readily dispatched when needed.

<b>Recipient</b>	<b>Quantity (mt)</b>	<b>Value (USD)</b>	<b>Quantity (%)</b>	<b>Value (USD, %)</b>
Yemen	926 421	421 859 804	48.83	45.57
Syrian Arab Republic	603 045	318 562 932	31.79	34.41
South Sudan	176 992	80 486 719	9.33	8.69
Mozambique	73 214	40 215 612	3.86	4.34
Nigeria	49 861	20 302 147	2.63	2.19
Democratic Republic of the Congo	40 966	31 335 911	2.16	3.39
Burkina Faso	20 222	9 370 099	1.07	1.01
Niger, the	5 796	2 205 857	0.31	0.24
Mali	683	1 354 562	0.02	0.16
<b>Total</b>	<b>1 897 200</b>	<b>925 693 644</b>	<b>100</b>	<b>100</b>

<b>Commodity grouping</b>	<b>Quantity (mt)</b>	<b>Value (USD)</b>	<b>% of quantity (mt)</b>	<b>% of value (USD)</b>
Wheat flour	815 997	288 912 898	43.0	31.2
Dry pulses	207 745	124 207 163	11.0	13.4
Sorghum	159 692	40 571 207	8.4	4.4
Rice	144 387	65 417 356	7.6	7.1
Vegetable oil	109 040	109 153 302	5.7	11.8
Specialized nutritious foods	106 372	120 611 436	5.6	13.0
Family rations	104 582	57 036 340	5.5	6.2
Cereal-based processed foods	86 397	61 487 469	4.6	6.6
Sugar	70 008	28 665 618	3.7	3.1
Wheat	35 000	8 107 227	1.8	0.9
Maize	34 738	10 087 923	1.8	1.1
Others	20 109	4 866 039	1.1	0.5
Canned foods	3 134	6 569 667	0.2	0.7
<b>Total</b>	<b>1 897 200</b>	<b>925 693 644</b>	<b>100</b>	<b>100</b>

## Oversight

47. In 2019, the Food Procurement Service developed training materials covering the entire procurement process to enhance the knowledge and skills of staff in regional bureaux, country offices and headquarters. Training was carried out successfully in all six regional bureaux.

48. A newly retooled supply chain import parity system was rolled out in November 2019 to enhance import parity price comparisons and allow the Food Procurement Service to better assess the sourcing options.

#### **Food safety and quality management**

49. In 2019, the Food Safety and Quality Assurance Unit conducted 83 food safety and quality audits of suppliers of processed foods, using the services of an external accredited company employing a risk-based approach. As a result, 92 percent of high-risk foods were purchased from audited suppliers.
50. A food incident management protocol was rolled out globally and 118 staff worldwide were trained over four different sessions. By the end of 2019, 68 percent of the FIM committees to be established under the protocol were in place globally. The Food Safety and Quality Unit tested 136 food samples for compliance with specifications and more than 500 food samples for troubleshooting and incident management purposes. The unit also reviewed 24 food and packaging specifications.
51. Together with the Nutrition Division and the Food Procurement Service, the Food Safety and Quality Assurance Unit enhanced the nutritional value and shelf-life of high-energy biscuits through the use of improved micronutrients and better packaging.
52. The unit also upgraded the control of weed seeds from suppliers of Super Cereal; enhanced the supplier audit programme; and issued a new scope of work for inspection companies.