

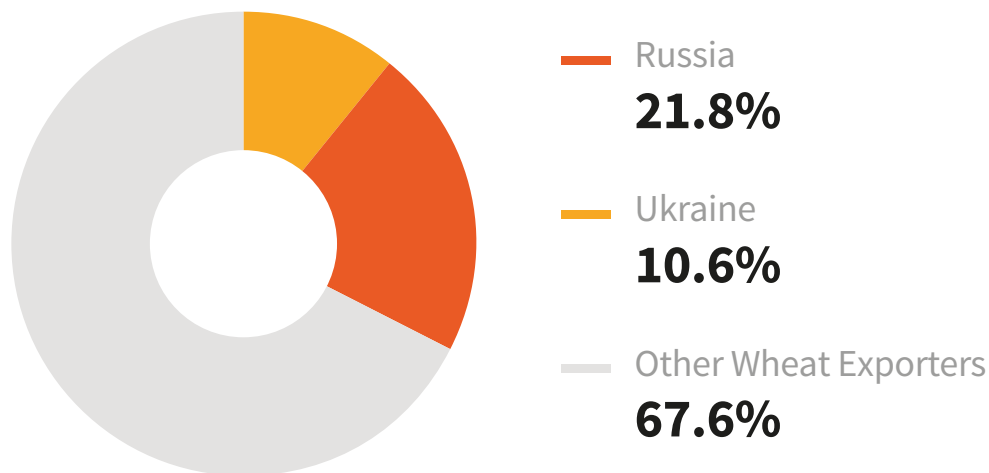
The Impact of the Ukraine War on the Arab Region:

Food Insecurity in an Already Vulnerable Context



An International Wheat Shock

Percentage of Worldwide Wheat Exports (in quantity)



Source: ARI's calculations. Data retrieved from FAO, 2020.

International Price of Wheat (USD/Bu)



Source: Trading Economics, 2022.

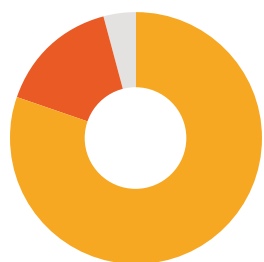
The world prices of wheat surged in February 2022 and reached all-time high levels not seen since 2008, as the Russian invasion of Ukraine triggered supply disruptions from two of the world's largest wheat producers. Amid heavy sanctions and restrictive measures from western economies, exports from the Black Sea have nearly halted.

Dependence of Arab Countries on Wheat Imported from Russia and Ukraine



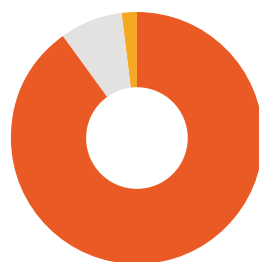
Percentage of Wheat Imports from Russia and Ukraine* (in value)

From Russia From Ukraine From other countries



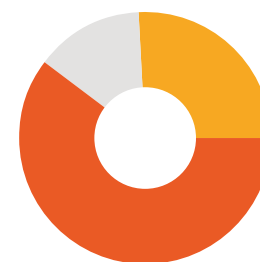
Lebanon

15.5%
80.4%
4.1%



Sudan

90.1%
1.9%
8.0%



Egypt

60.4%
25.6%
14.0%



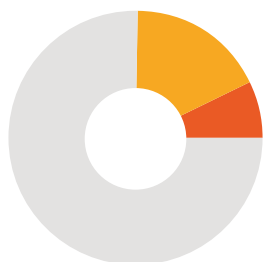
Tunisia

4.1%
48.6%
47.3%



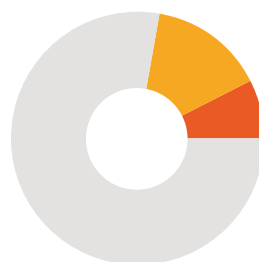
Yemen

26.7%
14.5%
58.7%



Jordan

7.0%
17.7%
57.3%



Morocco

7.4%
14.6%
78.0%



Arab World

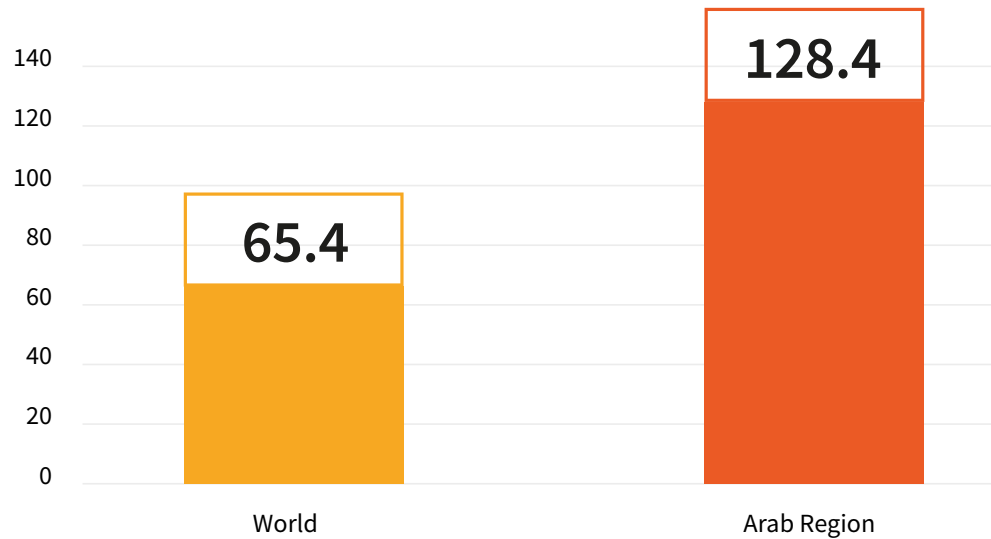
34.4%
15.9%
49.7%

Source: ARI's calculations. Data retrieved from UN Comtrade, 2020.

* This selection includes the Arab countries that are the most dependent on wheat imports from Russia and Ukraine, and that are not oil net-exporters or oil exporters. The countries are listed from most dependent to least dependent.

What Wheat Means for Arab Populations

Total Per-Capita Consumption/Intake of Wheat (kg/yr)



Source: UN-ESCWA's calculations, based on FAOSTAT data.

Arab countries are the greatest consumers of wheat, as the bread loaf is the most important element in Arab populations' daily diets.

“The lower the income is the higher is the consumption of food as a percentage of income”, meaning that the poorest will be affected the most, according to Ernst Engel.

The Ukraine war will cause a change in the Arab region's supply chain of wheat.

With the increased global demand on wheat, these alternative exporters might not be able to fully respond to the region's demand.

The main alternative exporters of wheat for the region are USA, Canada, India, France, Australia and Romania.

The farther we go, the higher the transportation cost premium and the higher the final price of wheat.

What to Expect?

The increase in the price of wheat and food essentials, and their shortage will lead to hunger among the poor and will increase food insecurity, which may trigger food riots.

The increase in the international price of oil will lead to a systemic increase in the prices of goods and services, including foods and beverages, and a higher cost of living more generally.

This shock will have a higher magnitude in oil-importing Arab countries.

Arab countries are either fully reliant on the private sector in buying wheat or reliant partly on private mills and partly on large public mills.

Arab governments will feel the need to step in to buy more wheat publically in order to secure national reserves amid the crisis, which is equivalent to further subsidizing wheat.

Arab countries are facing a multitude of concurrent crises, on top of which the Covid-19 pandemic and its lasting repercussions.

Examples:

- 1) the economic and currency crises in Lebanon as well as the loss of the Beirut Port's wheat silos in the August 4 explosion,
- 2) the conflict in Yemen,
- 3) the political crises in Tunisia and Sudan, etc.

These crises will render Arab countries helpless in the face of this food shock, especially in the countries suffering from a budget deficit and depleted foreign reserves.