

The Middle East Proving Resilient as Food Security Pressures Mount

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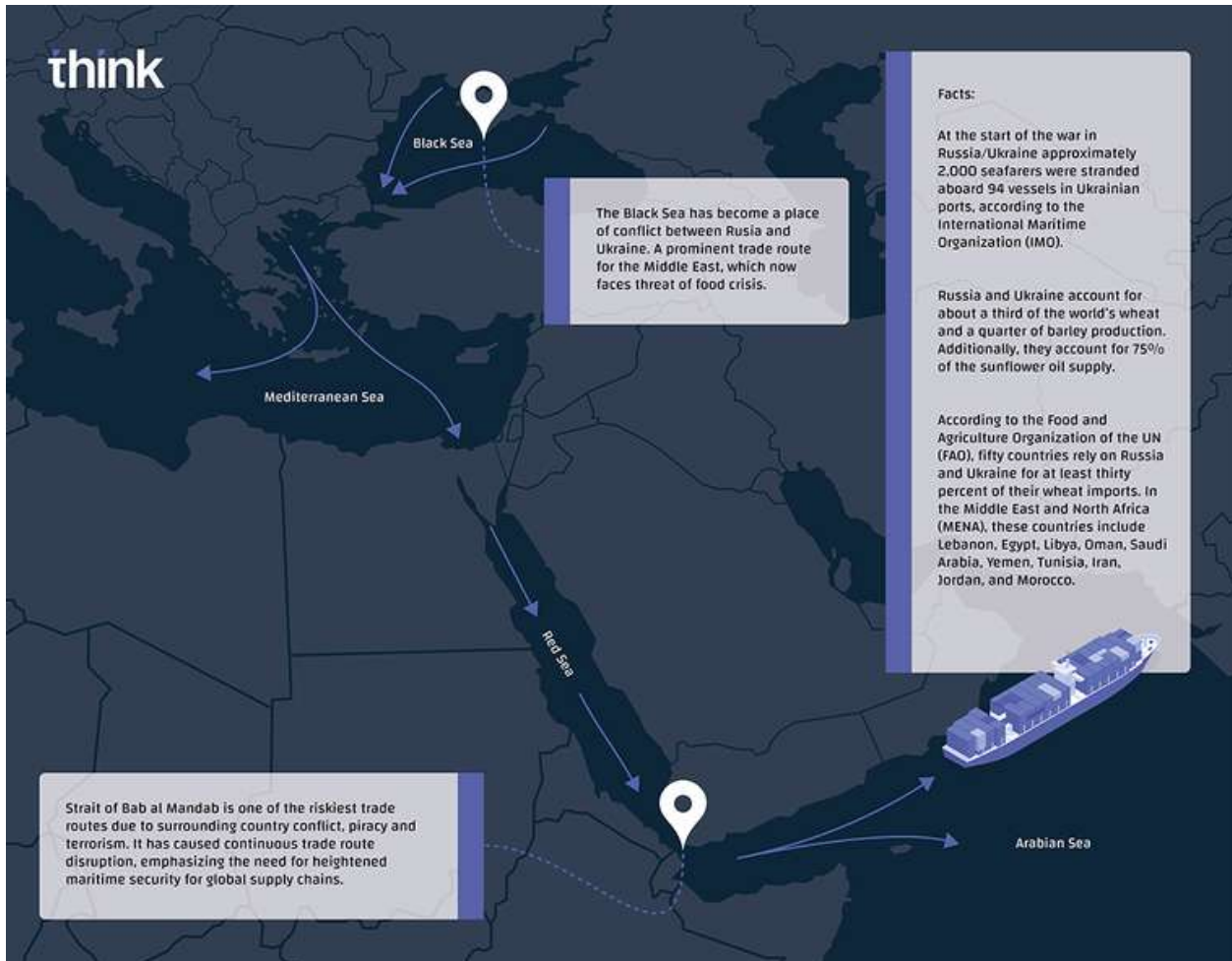
Key Takeaways

- Russia's invasion of Ukraine has disrupted Black Sea grain routes, threatening supply deliveries to import-reliant Middle East countries.
- Egypt, Saudi Arabia and others have taken steps to diversify their grain supply and support regional food security, and the United Nations and Turkey struck a deal securing passage of some grain from Ukrainian ports.
- But the deal has proven shaky and requires renewal by Nov. 19, as Middle East powers find themselves increasingly exposed to the war's impact on food and commodity prices.

War between Russia and Ukraine, two of the world's biggest grain producers, has disrupted critical Black Sea supply routes with potentially devastating effects on food-insecure countries in the Middle East. With the conflict showing little sign of relenting, the United Nations and regional governments have struck deals to try to keep grain flowing and taken measures to support import-reliant populations. These measures include pledges by Gulf Arab leaders to strengthen food security and agreements by Egypt to diversify its wheat supply with new purchases from Europe. But it is not yet clear if those efforts will succeed in averting a regional food crisis as prices of oil and other important staples continue to soar.

Since Russia invaded Ukraine on Feb. 24, Ukrainian ports have come under siege with both countries accusing each other of laying mines in the Black Sea. This has posed an unacceptable risk for vessel operators seeking to load wheat, barley and sunflower seed oil from Ukraine's ports, forcing shipping companies to halt operations. As a result, commodity prices worldwide have soared, and supply chains already under pressure due to the COVID-19 pandemic have faced further shocks. According to the Food and Agricultural Organization (FAO), Russian and Ukrainian supplies account for around a third of the world's wheat production, a quarter of barley output and 75% of sunflower oil supply.

The Middle East relies heavily on imports for food security and has relatively little agricultural output, due in large part to its water scarcity and limited arable land. The region has historically purchased large amounts of wheat, sunflower seed oil and other staples from Russia and Ukraine. Lebanon, Egypt, Libya, Oman, Saudi Arabia, Yemen, Tunisia, Jordan and Morocco purchase at least 30% of their wheat supply from Ukraine and Russia, according to the FAO.



Impact of Russia's war in Ukraine on key trade routes in the region

Some regional countries are more import-reliant than others, with wider exposure to ongoing global inflationary pressures. Others are facing deep droughts that have heightened demand for imports. Yemen, Syria, Lebanon, Egypt and the broader North Africa region would likely be hit hardest by continued disruptions to Russian and Ukrainian grain supplies. Egypt is the world's largest importer of wheat, bringing in between 12 and 13 million tonnes per year. The country has become increasingly reliant on imports to feed its 105 million population, which is growing at 1.9% per year. Before the war, the country sourced over 70% of its wheat supply from the Black Sea. Separately, Yemen, where over a third of the population faces emergency levels of food insecurity, secures nearly 45% of its wheat imports from Russia and Ukraine.

The war has brought the topic of food security to the forefront of the global agenda. U.S. President Joe Biden hosted a food security summit in September 2022 at the United Nations General Assembly, where he announced \$2.9 billion in global food aid. This came after Biden, while visiting Saudi Arabia in July 2022, announced \$1 billion in new food security assistance to the Middle East and North Africa. Further, during the Group of Seven (G7) summit in June, member countries jointly committed \$5 billion to improve global food security, saying the funding would fight hunger in 47 countries.

Regional countries have also taken their own steps to address food insecurity. During President Biden's July 2022 visit to Riyadh, GCC leaders pledged more than \$3 billion over two years to fund projects that align with global infrastructure and investment with the United States. Biden highlighted the importance of protecting freedom of navigation through Middle East waterways, allowing for the flow of commerce and resources throughout the region. President Biden also said Washington had established a new naval task force to partner with Middle East countries to help secure the Red Sea, a passageway whose security has drawn increased scrutiny amid the Black Sea supply disruptions.

Egypt in July secured \$500 million in funding from the World Bank to boost food security amid shortages due to the pandemic and Ukraine war, a package that will primarily support the country's wheat purchases. Cairo is also looking for different wheat suppliers to reduce its reliance on Russian and Ukrainian grain. In June, Egypt made its largest purchase of wheat in ten years, buying supplies from France, Bulgaria and Romania. Also in June, Cairo agreed to purchase 180,000 tonnes of wheat from India. Cairo relies heavily on wheat to produce subsidized bread available to over two-thirds of its population.

There have also been multilateral efforts to address food security in the region. The Jeddah-based Islamic Development Bank Group, a development finance institution whose membership includes 57 countries, in July announced a \$10.54 billion package for food security. The program aims to strengthen members' resilience to food security disruptions, and includes up to \$3.2 billion for emergency food and agricultural supply interventions. The United Nations and others have also sought to help secure trade passageways in the Black Sea. These efforts resulted in a July 24 agreement between Kyiv and Moscow, brokered by Turkey and the United Nations, that led to the resumption of some grain exports from Ukrainian ports. The four-month agreement was embraced as a positive step to alleviate global food security pressures. However, the deal, which requires renewal on Nov. 19, looks increasingly shaky. On Oct. 29, Russia said it had suspended participation in the deal over what it said were Ukrainian attacks on its fleet in Russian-occupied Crimea. Ukraine rejected this as a false pretext to terminate the pact. Following intervention by Turkey, Moscow on Nov. 2 resumed its participation in the deal, saying it had received assurances Kyiv would not use the Black Sea corridor for attacks on Russian interests. The back-and-forth highlights the difficulty of striking safe passage agreements in a rapidly-evolving warzone.

Regional governments and businesses will continue to closely monitor the security situation in the Black Sea as they seek to protect grain supplies. They will closely watch whether the United Nations and others manage to secure a renewal of the grain passage deal by the Nov. 19 deadline. The pact's survival or demise may well serve as a litmus test on the viability of diplomatic efforts to avoid global hunger during a war.

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