



World Food Programme

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IMPACTS OF THE SUSPENSION OF THE BLACK SEA GRAIN INITIATIVE IN EASTERN AFRICA

AUGUST 2023

HIGHLIGHTS

- Wheat consumption represents 67 and 38 percent of total cereal consumption in **Djibouti** and **Sudan**, respectively; in **Ethiopia**, **Kenya**, and **Somalia** wheat consumption accounts for less than 24 percent of total cereal consumption.
- Local wheat production remains below consumption needs across most countries in the Eastern Africa Region, with in-country production ranging between 0-25 percent of the total annual consumption requirements.
- **Djibouti** and **Somalia** rely exclusively on imports to meet their domestic wheat demand. A sizeable portion of wheat demand in **Kenya** and **Sudan** is met by imports (86 and 77 percent, respectively). **Ethiopia** is the only exception as domestic production in 2022 accounted for 82 percent of total wheat consumption needs.
- Considering the high reliance on imports from the Black Sea to meet the domestic wheat demand and weak domestic currencies, wheat availability and prices in **Djibouti**, **Somalia** and **Sudan** are more likely to be influenced by international trade dynamics.
- **Somalia** and **Sudan** are largely dependent on imports from Russia and Ukraine to meet their domestic wheat demand. In 2022, **Somalia** imported 63 percent of wheat required from Ukraine. **Sudan** imports around 85 percent of its annual wheat requirements from the Russian Federation and Ukraine (accounting for 50 and 20 percent of wheat imports, respectively).
- Since July 2022, almost 876,000 MT of food were shipped to **Djibouti**, **Ethiopia**, **Kenya**, **Somalia**, and **Sudan** thanks to the Black Sea Grain Initiative (BSGI), of which more than 343,000 MT of wheat were shipped by WFP.
- The suspension of the BSGI on 17th July 2022, pushed international wheat prices to a five-month high in the following days. Despite the initial spike, international wheat prices eased towards end of July through early August, reaching levels lower than those recorded before the halt of the initiative.
- The favourable production prospects for 2023 in major wheat-producing countries, along with existing carryover stocks from the previous year are likely to offset the suspension of the BSGI initiative.
- However, other factors including the El Niño event forecasted for the end of 2023 add uncertainties on production prospects and the stability of international wheat prices in the medium-to long-term.

BACKGROUND

Ukraine and the Russian Federation produce almost one-third of the world's wheat and barley and half of the world's sunflower oil. In addition, the Russian Federation is among the top global exporters of fertilizers and raw materials required for production.¹ To ensure continuity of supply of vital food items and to curb global food price spikes observed in the aftermath of the outbreak of the conflict in Ukraine; the Russian Federation and Ukraine signed the Black Sea Grain Initiative (BSGI) on 22nd July 2022. Brokered by the United Nations and Türkiye the agreement aimed to establish a mechanism for the safe transportation of grain, related foodstuffs and fertilizers from Ukrainian ports to global markets.

The BSGI ensured the shipment of over 32 million metric tons (MTs) of food commodities from Ukrainian ports.² The World Food Programme (WFP) has shipped more than 725,000 MTs of food to support its humanitarian operations – relieving hunger in some of the hardest hit corners of the world, including Afghanistan, the Horn of Africa and Yemen. When it comes to countries under the WFP Eastern Africa Region, almost 876,000 MTs of food were shipped to Djibouti, Ethiopia, Kenya, Somalia and Sudan, of which more than 343,000 MTs were shipped by WFP.

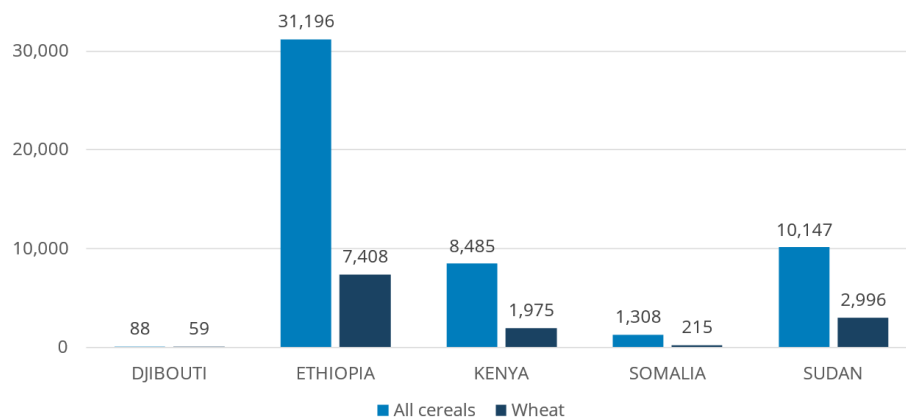
The below analysis highlights the possible risks the Eastern Africa Region might face following the suspension of the BSGI, mainly with respect to wheat – the main commodity imported from the Black Sea ports to the Region. The analysis covers only Djibouti, Ethiopia, Kenya, Somalia, and Sudan – the five countries in the Region that benefitted from the BSGI.

KEY FINDINGS

Wheat consumption: Djibouti, Ethiopia, Kenya, Somalia and Sudan

Wheat constitutes 25 percent of total annual cereal utilization in most countries in the Region, with significant variations depending on local dietary habits. As figure 1 shows, wheat is more widely consumed in **Djibouti** and **Sudan**, where wheat consumption represents 67 and 30 percent of total cereal consumption; in **Ethiopia**, **Kenya**, and **Somalia** consumption of other coarse grains (for instance, teff, maize and sorghum) is more common and wheat consumption accounts for less than 24 percent of the total cereal consumption.

FIGURE 1: WHEAT AND TOTAL CEREAL CONSUMPTION (000 TONNES), 2022 MARKETING YEAR



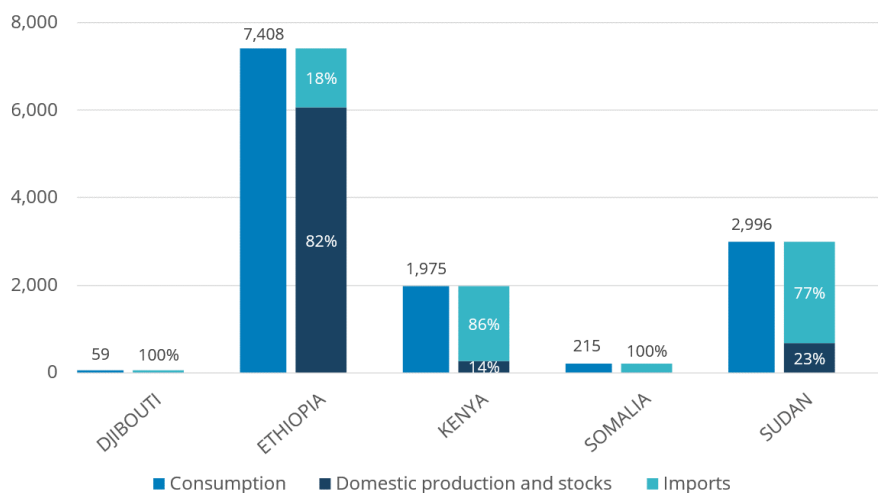
How wheat demand is met: local production and imports

Local wheat production remains below consumption needs across most countries in the Eastern Africa Region, with in-country production ranging between 0-25 percent of the total annual consumption requirements.

Deficits are met through imports from various international suppliers. As figure 2 shows, Djibouti and Somalia rely exclusively on imports to meet the domestic wheat demand – implying that wheat availability and domestic prices are subject to international dynamics. The same applies to Kenya and Sudan, where a sizeable proportion of wheat demand is met by imports (86 and 77 percent, respectively).

As the largest producer of wheat in Sub-Saharan Africa, Ethiopia is the only exception as domestic production accounts for 82 percent of total wheat consumption needs; only 18 percent of wheat demand is met through imports. In an effort to reach self-sufficiency – facing an increasing wheat demand –, the Government of Ethiopia has gradually expanded winter wheat and rain-fed wheat production since 2019. As of result, domestic wheat production increased by 92 percent between 2010 and 2020 and imports decreased by 33 percent in the same reference period.³

FIGURE 2: WHEAT CONSUMPTION AND SOURCES (000 TONNES), 2022 MARKETING YEAR



Wheat consumption: Djibouti, Ethiopia, Kenya, Somalia and Sudan

As table 1 shows, Somalia and Sudan are largely dependent on imports from the Russian Federation and Ukraine to meet their domestic wheat demand. In 2022, Somalia imported 63 percent of wheat required from Ukraine, while the Russian Federation and Ukraine provided more than 90 percent of wheat consumed in Sudan in 2018. According to the latest IPC analysis conducted in Sudan, the country imports around 85 percent of its annual wheat requirements, with over 50 percent coming from the Russian Federation and about 200 percent from Ukraine.⁴

TABLE 1: WHEAT IMPORTS IN EASTERN AFRICA – 2022

Country	Supplier	Rank in wheat imports	Wheat sourced MT (000)	Share in total wheat imports
Ethiopia	Russia	5	59,347	4%
	Ukraine	2	345,567	25%
	Rest of the World		989,692	71%
Kenya	Russia	2	401,903	24%
	Ukraine	6	44,480	3%
	Rest of the World		1,230,155	73%
Somalia	Russia			
	Ukraine	1	83,800	63%
	Rest of the World		49,814	37%
Sudan*	Russia	1	4,586,453	92%
	Ukraine	3	98,429	2%
	Rest of the World		326,783	7%

Source: ITC TradeMap. No data for Djibouti. Latest data available for Sudan dates to 2018

Evolution of international wheat prices since the end of BSGI

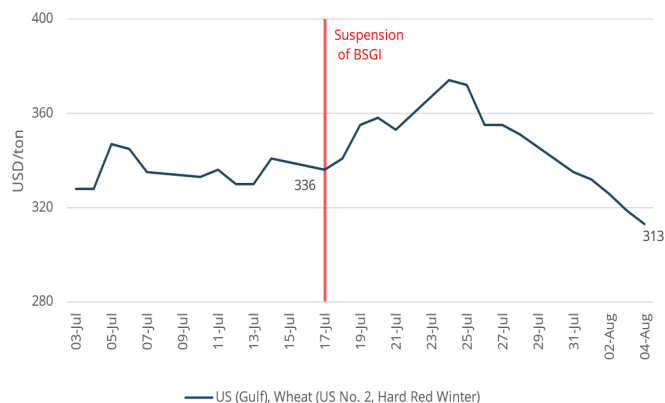
Since July 2022, the BSGI has helped reconnect foodstuffs from ports overlooking the Black Sea to global supply chains, which contributed to a decline in prices on world markets. International food prices have recorded a declining trend since the implementation of the initiative, with the FAO Food Price Index (FFPI) down 21 percent between June 2022-2023.⁵

The suspension of the initiative on 17th July 2022, pushed international wheat prices to a five-month high in the following days (see figure 3 for U.S. Hard Red Winter and Yellow Maize No.2). In addition, international wheat prices in July 2023 averaged USD 681 cents per bushel – that is 16.3 percent lower than July 2022 but up 3 percent compared to June 2023.⁶

Despite the initial spike, international wheat prices eased towards the end of July through early August, reaching levels lower than those recorded before the halt of the initiative. This is due to a combination of different factors:

1. Even though the latest estimates on global wheat production point to a slight decline in 2023/2024 from the 2022/2023 record levels (down 3 percent); carryover stocks from the previous record season combined with new harvests from major global producers are likely to keep world wheat supply ample in the short-to-medium-term.^{7,8}
2. Towards the end of July, Ukraine reached a deal to export grain via Croatian ports⁹ and Lithuania proposed to reroute exports via Baltic ports, which also contributed to the ease in international prices observed.¹⁰

FIGURE 3: INTERNATIONAL WHEAT PRICES (JULY-AUGUST 2023)



The implications of the suspension of the BSGI on the international cereal supply in the medium-to long-term remain difficult to estimate as other factors including the El Niño event forecast for the end of 2023 are likely to add uncertainties to production prospects and the stability of international wheat prices. Wheat production in Australia – the second largest exporter of wheat in the world – is likely to be affected by El Niño, which might reduce international availability and put pressure on international prices towards the end of the year and in early 2024. According to recent forecasts, international wheat prices are likely to average higher than in July by the end of 2023 (at USD 688 cents per bushel in Q4 2023).¹¹

End of the BSGI – What are the Potential Risks for the Region?

Since the implementation of the BSGI in July 2022, WFP transported more than 343,000 metric tons of wheat, helping people in need in Djibouti, Ethiopia, Kenya, Somalia, and Sudan. This accounted for 43 percent of all wheat exported to the Eastern Africa Region through the BSGI since July 2022. Wheat was the key commodity exported to the Eastern Africa region, accounting for 91 percent of all exports through the initiative, mainly for Ethiopia and Kenya (which got almost 263,000 MT of wheat exported by WFP through the BSGI).¹²

TABLE 1: WHEAT IMPORTS IN EASTERN AFRICA – 2022

Exports from Black Sea Grain Initiative (MT 000), July 2022-2023									
Destination country	Sunflower oil		Wheat		Maize		Total		
	Cargo	WFP	Cargo	WFP	Cargo	WFP	Cargo	WFP	
Djibouti	6.2	-	0.5	0.5	0.0	-	6.7	0.5	
Ethiopia	20.0	-	262.8	262.8	0.0	-	282.8	262.8	
Kenya	0.0	-	384.9	25.0	52.6	-	437.5	25.0	
Somalia	0.0	-	53.5	25.0	0.0	-	53.5	25.0	
Sudan	0.0	-	95.3	30.0	0.0	-	95.3	30.0	
Total RBN	26.2	-	797.0	343.3	52.6	-	875.9	343.3	

The implications of the suspension of the BSGI on wheat availability and prices in the Eastern Africa Region remain uncertain as domestic cereal availability and prices variation are subject to different dynamics and therefore difficult to estimate.

For instance, the decline in international grain prices observed since 2022 did not result in the same decrease in domestic prices as other factors strongly influence domestic retail prices.

Availability and price of locally produced commodities are affected by domestic crop production, input and transport costs; while the final price of imported commodities on local market is strongly influenced by the exchange rates and how strong or weak local currencies are vis-à-vis the USD.

Agricultural output in the Region is highly susceptible to climatic disruptions. Intense droughts have impacted the majority of the Horn of Africa in recent years, while some areas, notably Sudan, have grappled with floods, which impact local production and push up domestic prices.

Local currencies have also weakened compared to the USD which, in turn, is pushing up prices of imported goods. Therefore, the combination of these factors has kept domestic food prices well above average in the past years.

Wheat prices in Djibouti, Somalia, and Sudan – where wheat is more widely consumed and where wheat demand is largely made through imports from the Black Sea – are more likely to be vulnerable to international trade dynamics. With the end of the BSGI, WFP's ability to procure wheat for the region might also be affected.

OUTLOOK FOR SELECTED COUNTRIES

The implication of the suspension of the BSGI on local markets would likely vary from one country to another across the Region, however expected to be in line with trends in the international markets. Below highlights possible implications in selected countries.

DJIBOUTI

Djibouti relies heavily on imports to meet its food requirements, including wheat which is a key staple for local diets. Following the suspension of the initiative, the supply and price of wheat and wheat products in local markets is likely to follow patterns observed in international markets, such as those witnessed in 2022.

SUDAN

In **Sudan**, the 2023 wheat production is estimated to be below-average. Typically, the country relies on Russian imports to supplement its local production deficits and meet consumption needs. However, due to the ongoing conflict, importation and milling activities have been disrupted, resulting in a significant rise in wheat flour prices. In the short-term, should the country still be able to import directly from Russia, the suspension of the initiative would have minimal direct impacts on availability. While there were expectations at the start of the conflict in 2022 that wheat availability in the markets would diminish, this did not materialize, indicating that suppliers were able to procure and import from other sources. Prices would remain high in the country due to the ongoing conflict besides other factors.

SOMALIA

Somalia relies on Ukraine for more than 60 percent of its wheat imports and in 2022 WFP Somalia received 25,000 MT of wheat through the Black Sea Grain Initiative, with which WFP was able to provide food assistance to 450,000 people for 5 months.¹³ As the country relies exclusively on imports to meet domestic wheat demand, the suspension of BSGI is likely to push the country to look for alternative sources for wheat, including for the provision of humanitarian assistance. The effects on supply and price in local markets will depend on the prevailing trends in the international markets. The strong correlation observed between seasonal food prices in Somalia and wheat prices originating from Black Sea suggests that any price change in international wheat prices will be transmitted to wheat prices in local markets in Somalia.¹⁴

KENYA AND ETHIOPIA

In Kenya and Ethiopia wheat demand is negligible compared to other coarse grains such as maize and teff. Approximately 29 percent of wheat consumed locally is directly sourced from Ukraine and Russia. Should global supply and prices remain undisrupted, the effect of international trade dynamics on local markets should be minimal in the short term. According to the latest projections, the 2023 harvest in Ethiopia is likely to exceed local demand, which has already slowed down demand for imports.¹⁵ Should the projected record level harvests outweigh local demand, international dynamics – including the suspension of the BSGI – would have a lower impact on Ethiopia in the short term.

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