

Minutes of FSAC National Cluster Meeting

Date	28.04.2022
Venue	Virtual
Attendance	WFP, FAO, OCHA, BHA, CARE, NRC, OXFAM, ACTED, SCI, ADRA, SI, GC, DRC, WC, IRY, IRC, VHI, Samaritan's Purse, FEWS NET, NFDHR, BCHR, TYF, BFD, NMO, RDP, LMMPO, SMEPS, YFCA, KFD, NDEO, MOZN, YDN.

Agenda

1. Action points from the last meeting
2. Review of the MFB Guidelines: presentation and endorsement
3. Russia – Ukraine crisis: trends and impacts at global and country level
4. AOB

1. Action points from the last meeting

- FSAC presented the CCPM 2021 main outcomes. Few action points, aiming at enhancing the Cluster performance in 2022, have been identified. **Suggestions will be reflected into the FSAC 2022 logical framework and work plan, which will be discussed through the next national cluster meeting.**

2. Review of the MFB (UCT) Guidelines: presentation and endorsement

- The presentation focused on the review process of the UCT (MFB) Guidelines including the following:
 - a. **Exchange rate**
 - Review the weekly exchange rate from October 2021 until first week of April 2022
 - The exchange rate USD/YER was 1:865 in early Jan 2022 reaching 1:1,204 end of March 2022 in the Southern Governorates. In Northern Governorates the rate remained stable over the same period ranging from USD: YER 1: 599 and 1:602.
 - MFG TWG recommended to use the use the Jan-March average as it provides a better estimate
 - b. **MFB prices**
 - The cost of MFB increased for all Governorates between Jan and March 2022. On average, the cost of MFB for IRG increased from YER 97,957 in Jan to YER 119,575 in March (representing 22% increase). In the Northern Governorates, MFB increased (on average) from YER 54,322 in January to YER 60,685 in March (representing 12% increase).
 - Overall, especially in the Southern Governorates, the cost of MFB in YER has surpassed the FSAC transfer values recommended in November 2021.
 - TWG members recommended to use the Jan-March average MFB prices.

c. Factoring the buffer

- In calculating the MFB transfer values, a percent buffer is included as top-up of the regional average prices to buffer households' access to commodities, should the costs of the MFB fluctuate and further increase. Two scenarios were presented: i.e., buffer at 10% and 15%
- TWG members recommended applying a buffer of 15% on top of the AOC average as that will ensure the MFB transfer values are equal or above the Governorate specific average.

d. Overall conclusion/recommendation

- Considering the average quarterly MFB prices (Jan-March), adding a 15% buffer, quarterly average exchange rate (Jan-March) and rounding off the eventual transfer values, the following is recommended:
 - Harmonised transfer values of the FSAC MFB for a household of 7 members in the northern governorates will be YER 65,000/household/month and YER 122,500/household/month in the southern governorates. This is equivalent to USD 109/household /month in the northern governorates and USD 106/household/month in the southern governorates. Depending on operational capacity, partners can also provide transfers that are based on the actual size of the household.

e. Endorsement

The updated version of the UCT Guidelines has been endorsed and will come into effect on 1st May 2022.

3. Russia – Ukraine crisis: trends and impacts at global and country level

A. Global market structure in 2021

- The Russian Federation and Ukraine are net exporters of agricultural products and inputs
 - In the wheat sector - the top 7 exporters combined accounted for 79% of international trade in 2021 - the Russian Federation stands out as the top 1 global exporter (32.9 million tons, 18% of global market). Ukraine stood as the fifth largest exporter (20 million tons, 10% global market)
 - Despite the fact that the Russian Federation and Ukraine are among the exporters of maize, barley, and rapeseed, their percentage is lower than in the wheat sector. Regarding sunflower seed oil sector, the Russian Federation and Ukraine accounted for around 65% of the global market
 - Both the Russian Federation and Ukraine are key suppliers to many Least Developed Country (LDC) group, while many others belong to the group of Low-Income Food-Deficit Countries (LIFDCs)
 - Russian Federation plays a leading supplier role. In 2021, the Russian Federation ranked as the top exporter of nitrogen (N) fertilizers (18% of the global market), the second leading supplier of potassium (K) fertilizers and the third for phosphorous (P) fertilizers (13% of the global market. While, Ukraine did not appear as the global exporter for the NPK fertilizers

B. Global price trend in 2021

- Uninterrupted increase of food prices since the second semester of 2020.
- Fertilizers have similarly risen throughout 2021. The most notable increases were registered for nitrogen fertilizer (Urea tripled) with prices of phosphorous fertilizer rising in tandem over the same period
- The rising of food prices trend was already ongoing before the current crisis

C. The Yemeni context up to 2021

- Between 2003 and 2020, total imports rose by 85% while exports fell by 72%
- The total value of imports is now six times that of exports, and food imports alone exceed total exports
- Domestic cereal production currently contributes less than 20% of all food utilization needs, with domestic wheat production contributing between 5–10%
- In 2021, 20% of wheat came from Ukraine and 22% from the Russian Federation
- Statistics about sunflower seed oil and the Yemeni reliance on The Russian Federation and Ukraine are not unavailable
- Though Yemen NPK fertilizers import fluctuated substantially in recent years, it tended to increase through 2005 - 2019 period. No information regarding the Yemeni reliance on The Russian Federation and Ukraine is available.

D. The Yemeni price trend in 2021

- Imported wheat flour
The price of imported wheat increased by 43% (Short Term Average) in the northern governorates comparing with 119% in the southern governorates
- Imported cooking oil
The price of cooking oil increased by 38% (Short Term Average) in the northern governorates comparing with 165% in the southern governorates
- Fertilizer (NPK)
The price of fertilizers decreased by -8% (Short Term Average) in the northern governorates comparing with an increase by 111% in the southern governorates.
- The rising trend was already ongoing before the current crisis

E. 2022 (and beyond) scenarios at global level

- In 2022 Wheat price would increase by 8.7% under the moderate scenario and by 21.5% under the severe shock
- For maize, the increase in 2022 would be to the tune of 8.2% in the moderate case and of 19.5% in the severe scenario
- For other coarse grains, in 2022 prices would rise by 7 to 19.9%, and by 10.5 to 17.9% for other oilseeds
- The global reference price of fertilizer would undergo a 13% increase in 2022/23, relative to its already elevated baseline level. This increase would influence production costs for 2022/23 growing seasons
- In 2022, market impact to be felt in related sectors. A cut in feed wheat and maize availabilities would bolster prices of feed products. This would drive livestock prices up, with the more feed-intensive poultry and pork sectors affected the most

F. Global price trend in 2022 Q1

- In March 2022, compared to already elevated baseline, the FFPI averaged 159.3 points, up 17.9 points (12.6%) from February, the new highest level since its inception in 1990. The latest increase reflects new all-time highs for vegetable oils, cereals and meat sub-indices, while those of sugar and dairy products also rose significantly

G. Yemeni price trend in 2022 Q1

- Imported wheat flour
 - SBA: +17%
 - IRG: +15%
- Imported cooking oil
 - SBA: +17%
 - IRG: +15%
- Fertilizer (NPK)
 - SBA: +17%
 - IRG: -4% (due to a sharp decrease in March)

H. Global and Yemeni price trend in 2022 Q1

- Despite the price growth cannot be solely attributed to the Russian Federation -Ukraine crisis, it undoubtedly contributes to what was an already existing (and rising) trend, both at global and country level. Markets should be further monitored over the next weeks, to better understand their evolution.

I. Risks in 2022 (and beyond)

- Pre-crisis: WFP operation costs +30% due to COVID-19 and inflation
- Short-term impacts: Food aid shipment cancellations
- Medium-term: increased operational costs and time for direct food assistance
- Potential scarcity and/or diversion of humanitarian assistance for food crisis response

4. AoB

- HNO and HRP have been released and are available in the FSAC website.
- The final version of the FSAC 5Ws new monthly reporting template/tool has been circulated. Partners to start use it from April 2022 report.
- FSAC IM will offer an online training session on FSAC's new 5Ws reporting template to ensure partners understand how to fill out the tool and use it.