

## **The Grain Chain: Food Security and Managing Wheat Imports in Arab Countries**

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The food price shocks of 2007–08 and 2010–11 suggest that international wheat prices may be entering a period of increased price volatility. The volatility and upward pressure on wheat prices are probably due to a combination of factors including population growth, income growth, promotion of biofuels, high and volatile fuel prices, and depreciation of the US dollar. Climate change and low global stock-to-use ratios further contribute to increased price volatility. An increase in severe weather events can increase variability in agricultural yields, while relatively low stock levels make the international wheat market more vulnerable to supply disruptions.

Arab countries are particularly vulnerable to increased volatility in international wheat markets since they rely heavily on wheat imports, and short-term demand for wheat in the Arab world is relatively inelastic. In total, Arab countries import about 56 percent of the cereal calories they consume, the largest share of which comes from wheat. Some countries import 100 percent of their wheat consumption needs.

This study considers three critical aspects to the wheat-import supply chain (WISC) and proposes several strategies Arab countries may consider to mitigate import risks:

1. **Strategic storage:** Maintain strategic wheat reserves to weather times of crisis and food supply disruptions and to contribute to domestic and international price stabilization effects.
2. **Logistics:** Promote investments throughout the supply chain that create smooth logistics, improve security, provide a reliable supply of wheat, reduce the base cost of importing wheat, and reduce product losses.
3. **Procurement:** Develop a procurement strategy that leverages strategic partnerships while maintaining a diversified portfolio of suppliers and mitigates import risks through the use of hedging strategies.