



LIBYA

Assessment of the Libyan wheat supply chain

**Quantitative and qualitative
assessment of the short-term
impact of the escalated conflict in
Ukraine on the Libyan wheat supply
chain**

June 2022

Cover photo credit: REACH/Minem Khalifa

About REACH

REACH facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth analysis, and all activities are conducted through inter-agency aid coordination mechanisms. REACH is a joint initiative of IMPACT Initiatives, ACTED and the United Nations Institute for Training and Research - Operational Satellite Applications Programme (UNITAR-UNOSAT). For more information please visit [our website](#). You can contact us directly at: geneva@reach-initiative.org and follow us on Twitter @REACH_info.

SUMMARY

Russia and Ukraine together constituted one third of the world's wheat exports by quantity, respectively 22% and 10%, as well as by monetary value, respectively 18.5% and 9% in 2020.¹²

The escalation of hostilities on the 24th of February 2022 in Ukraine has come with an important disruption of the Ukrainian and Russian supply chains of grains and oilseeds, generating a sudden gap in Ukrainian wheat on the global trade market. The vulnerability to food insecurity of Ukrainian and Russian wheat import-dependent countries, including Libya, is particularly aggravated, especially affecting the poorest population groups.

The decreased availability of Ukrainian and Russian cereals, the disruption of the logistical infrastructure supporting their physical accessibility, and the heavy sanctions and restrictions imposed on Russian economy have had an immediate destabilising effect on financial markets.³ In only two weeks, between the 21st of February and the 7th of March 2022, global wheat prices increased by 57%, remaining the highest they have been since 2008 between March and May 2022.⁴ Similarly, global crude oil and natural gas prices soared from the end of February 2022, remaining respectively at a 7-year record levels between March and May 2022 and a 14-year record levels since March 2022. Natural gas is the main input to produce nitrogen fertiliser, the most widely used fertiliser for major staple crops, including wheat, and whose second biggest global exporter is Russia.^{5,6} This further aggravates the global wheat crisis, fuelling global food prices inflation.⁷

With a particular focus on the Middle East and North Africa (MENA) region, available data shows that 50% of total wheat imports in Arab countries depend on Russia and Ukraine.⁸ It is worth noting that, due to its centrality in the region's daily diet, bread and its price are closely linked to political stability and have historically been motive of political uprising in the MENA region. It is worth recalling the popular protests known as the "Arab Spring" that swept through the region in 2011, as well as the protests in Sudan in 2018,⁹ the Tunisian bread riots in 1983,¹⁰ the 1977 "Bread Intifada" in Egypt.^{11,12,13}

The sudden uncertainty around global wheat availability and the correlated price increase, coupled with the increase in oil prices, threaten global food security. As a matter of fact, 90% of Libya's cereal consumption requirements, mostly wheat and barley, depend on imports,¹⁴ of which 44% (wheat alone accounting for 22%) originated from Ukraine and 16% (wheat alone accounting for 7%) originated from Russia in 2019.^{15,16,17}

¹ Arab Reform Initiative, ["The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context"](#), March 2022

² Observatory of Economic Complexity [Database](#), July 2022

³ European Union, ["EU sanctions against Russia following the invasion of Ukraine"](#), 2022

⁴ [Trading Economics](#), March 2022

⁵ Le Monde, ["The fertilizer market's dependence on Russia puts grain production at risk"](#), April 2022

⁶ World Bank, ["Fertilizer prices expected to remain higher for longer"](#), May 2022

⁷ [Trading Economics](#), March 2022

⁸ Arab Reform Initiative, ["The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context"](#), March 2022

⁹ Al Jazeera, ["Several killed in Sudan as protests over rising prices continue"](#), December 2018

¹⁰ Dakhli L., "The Fair Value of Bread: Tunisia, 28 December 1983–6 January 1984" in *International Review of Social History*, Volume 66, Special Issue S29: When "Adjusted" People Rebel: Economic Liberalization and Social Revolts in Africa and the Middle East (1980s to the Present Day), April 2021, pp. 41 – 68, Cambridge University Press. DOI: <https://doi.org/10.1017/S0020859021000110>

¹¹ Egyptian Streets, ["45 Years On: Remembering the Egyptian Bread Intifada"](#), January 2022

¹² REACH, ["Breaking Down the Chain – Understanding the Supply of Wheat and Bread in Libya"](#), June 2020

¹³ The Guardian, ["Use your loaf: why food prices were crucial in the Arab spring"](#), July 2011

¹⁴ GIEWS, ["Slightly below-average cereal production harvested in 2021"](#), December 2021

¹⁵ Chatham House, [Resource Trade.Earth](#), March 2022

¹⁶ UN Comtrade [Database](#), March 2022

¹⁷ More recent data for the years 2020 and 2021 are less complete or not available, limiting the possibility to disaggregate data and advance descriptive and comparative analysis.

The high dependency of Libya's food security on imports renders it extremely vulnerable to exogenous variables, such as variations on international production volumes, fluctuations on international food prices, as well as oil prices, national and international export volumes, and energy policies. However, compared to other wheat-import-dependent countries in the Middle East and North Africa (MENA),¹⁸ Libya is an oil net-exporter. Oil exports are the load-bearing pillar of the Libyan economy, fuelling government revenues since the pre-Libyan conflict era and accounting for over 60% of the gross domestic product (GDP) in 2019.¹⁹ This means that while an increase in international wheat and oil prices does have an impact on Libya's food consumer prices, this could be compensated by an increase in oil revenues and Libyan public national and foreign currency reserves. In turn, this could help the Libyan authorities to ensure and re-introduce subsidised wheat prices to the Libyan population.

The prevalence of imported wheat in the daily intake of Libyan households, as well as the nodal political importance of wheat flour and bread prices across the country called for an assessment of the Libyan wheat supply chain. Following a consultation with the Libya Cash and Markets Working Group (CMWG), REACH launched a mixed-methods assessment combining a systematic secondary data review of the Minimum Expenditure Basket (MEB) datasets monthly realised by the Joint Market Monitoring Initiative (JMMI) and primary data collection through Key Informant Interviews (KIIs) with professionals working along the Libyan wheat supply chain. The objective was to provide essential qualitative and quantitative visibility on how Libyan wheat supply chain actors have reacted to the sudden disruption of the global wheat supply chain by capturing MEB variations as well as the experiences and perspectives of importers, traders both public and private, and market regulators in terms of trading strategies and mitigation measures adopted.

KEY FINDINGS

Findings do not point towards an ongoing deteriorating situation in terms of wheat flour availability on the Libyan private supply chain, but rather to one which, after an initial drop, **stabilised at a lower level of wheat flour quantity available. What appears to be worsening is the financial accessibility of wheat-derived products** across all stages of the Libyan wheat supply chain.

The absolute national median price of the food portion of the MEB from March to July 2022 (when this report was written) has remained at unprecedentedly recorded heights since the start of the JMMI in 2017. Prices sharply increased from the end of February 2022, with an overall increase of 18% between January and July 2022, peaking in April 2022 at a record price of 865 LYD. As for the case of flour, the national median price of the cheapest flour brand available on the market Libyan market in July 2022 was 19% more expensive than in January 2022.

Despite the inflationary trend of wheat flour price foregoing since 2020, the striking difference in price increase observed across the first half of 2022 compared to the first half of 2021 may be imputable to the escalated conflict in Ukraine since the end of February 2022, the resulting international wheat and crude oil price increase and speculation on international and national markets.

While international and Libyan wheat prices appear to be correlated, the sudden simultaneous increase of both these variables between February and March 2022 may signal the occurrence of two different, yet potentially concomitant, phenomena on the Libyan wheat supply chain: the presence of speculative trading behaviours on the national wheat market and the lack of substantial national wheat stocks/reserves along the Libyan wheat supply chain.

¹⁸ Arab Reform Initiative, [“The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context”](#), March 2022

¹⁹ World Bank, [“Libya Economic Monitor”](#), 2021

Overall, **the availability and financial accessibility of cereals in Libya is found to be potentially further compromised in the medium-term.** As of July 2022, the quantity of cereals globally traded between 2022 and 2023 is forecast to decrease by 2.4%, and specifically by 1.6% for wheat, compared to the estimate levels of 2021.²⁰ This expected decrease in global cereal trade levels may directly play on import-dependent countries' cereal availability and financial accessibility, including Libya's. Furthermore, food-import-dependent countries tend to stockpile less reserves than food-producing countries with those same reserves being inevitably more vulnerable to depletion. This may particularly be true in 2022, as forecasts see global cereal-exporting countries increasing their cereal stocks, further contributing to the decreased share of cereals globally traded, and potentially affecting Libya's future cereal accessibility.²¹ This in turn, suggests the increased structural fragility of the Libyan cereal security system both in terms of availability and financial accessibility in the medium term.

Findings from import KIs revealed that the level of import has remained the same between February and May 2022. Given the pivotal role that the forex rates play on import costs and levels in Libya, their relative stability against the international wheat price increase and the sustained level of wheat imports since February 2022 indicates that **access to LCs may have in turn been unaltered**, and that their value may have actually increased. This is even more likely considering that Libya's net foreign currency reserves are reported to have reached comfortable levels across 2021. **As such, the main short-term impact of the international wheat price increase following the escalated conflict in Ukraine on Libyan national wheat security pertains to wheat flour financial inaccessibility rather than to wheat flour unavailability.**

As a matter of fact, **reported changes at the import level only refer to the price and the origin of wheat flour.** The origin of wheat flour available on the Libyan wheat supply chain has partially changed since the end of February 2022 with a reported increase of wheat flour originating from other North African countries (wheat-import dependent countries themselves) as well as South American countries.

Overall, findings from the KIs suggest **a decreased capacity to source wheat flour** among retailers and wholesalers along the different stages of the private Libyan wheat supply chain, with the majority of KIs reporting a decreased quantity of wheat flour available along the supply chain and a price increase. Wheat flour availability was found to have stabilized on the national market after an initial drop at the end of February 2022. **Despite the stabilisation of wheat flour availability after an initial turbulence, the reported exposure to speculative behaviours across all stages of the Libyan wheat supply chain since February 2022 is likely to have contributed to the erosion of wheat reserves and stocks on a supply chain system level.** A decrease of stocks and reserves across the country considerably increases the supply chain's vulnerability to future shocks, both endogenous and exogenous, as reduced reserves and stocks translate into reduced food security resilience, especially in a country where production levels remain marginal.

Rather than because of the actual sudden interruption of wheat flour imports and input along the supply chain due to the conflict, the decreased availability of wheat flour reported along the Libyan supply chain between February and May 2022 was artificial, mostly driven by anomalous purchasing and selling behaviours in a food system characterized by fragile stocks and regulatory frameworks, triggered by a sudden international uncertainty around wheat availability.

Overall, the financial solvency of traders towards their suppliers along the Libyan wheat supply chain does not seem to have been affected by the increased national and international wheat flour prices between February and May 2022. As a matter of fact, the persistent liquidity crisis and the lack of access

²⁰ FAO, [Crop prospects and food situation - Quarterly Global Report](#), July 2022

²¹ FAO, [Crop prospects and food situation - Quarterly Global Report](#), July 2022

to formal credit along the Libyan wheat supply chain mean that no debt is accumulated along the supply chain; debt is rather transferred to, and borne by, final consumers. **While the Libyan societal expectation of 1 LYD per bread bag at the retail level has mostly been maintained across Libya, the increased price of wheat was found to have materialised in a decreased number of pieces of bread per bag**, driving both consumer's purchasing power erosion as well as decreased consumption.

The structural governmental entities supposed to provide essential goods at subsidised prices, namely the Price Stability Fund (PSF) and the consumer associations (jam'iyats), have not been operating since the end of 2020 across the entire country due to the lack of financial resources from the government. Except for the reported exceptional shipment of subsidised goods to a restricted number of consumer associations in February 2022, subsidised **food items have otherwise been inaccessible in Libya for more than a year, and households, including the most vulnerable, have been exclusively relying on increasing private market prices for their food security since the end of 2020**. No new financial support for private traders along the Libyan wheat supply chain has reportedly been put into place by the Libyan authorities since February 2022.

Overall findings suggest a stagnating situation, whereby the bulk of the country's wheat system is built upon and financially reliant on public structures which have not been functional and have lacked political support and action for the last two years. This gap is filled by an unsupervised private sector whose speculative margin on the country's wheat security remains relentless, and whose prices are at unprecedented heights since March 2022.

CONTENTS

SUMMARY	1
KEY FINDINGS	2
CONTENTS	5
List of Acronyms	6
Geographical Classifications.....	6
List of Figures, Tables and Maps	6
INTRODUCTION	7
METHODOLOGY	9
FINDINGS.....	12
International and Libyan wheat flour prices	12
Fluctuations of the food portion of the Libyan MEB	12
Ramadan's effect on the food portion of the MEB.....	13
Fluctuations of Libyan wheat flour prices	14
Fluctuations of international crude oil and wheat prices	14
Foreign exchange rates	16
Public Libyan wheat supply chain	17
Price Stability Fund & consumer associations	17
Private Libyan wheat supply chain.....	21
Wheat flour sourcing capacity at the retail and wholesale level.....	21
Wheat flour demand at the retail and wholesale level.....	22
Expectations for the next 6 months	24
Wheat Flour Import	24
International Wheat Flour Availability and National Import Levels	25
Wheat and Wheat Flour Origin.....	26
Traders' financial health.....	26
Financial solvency.....	27
Access to Letters of Credit	27
Governmental support to the private wheat flour trade sector	28
CONCLUSIONS	29

List of Acronyms

CBL	Central Bank of Libya
CMWG	Cash and Markets Working Group
FOREX	Foreign exchange
GDP	Gross Domestic Product
JMMI	Joint Market Monitoring Initiative
KI	Key informant
KII	Key informant interview
LC	Letter of credit
MATAHAN	Joint Stock National Company for Flour Mills and Fodders
MENA	Middle East and North Africa
MEB	Minimum Expenditure Basket
NMC	National Milling Company
PSF	Price Stability Fund

Geographical Classifications

- Region:** The highest administrative subdivision of Libya below the national level. There are three regions in Libya: the West (“Tripolitania”), the East (“Cyrenaica”) and the South (“Fezzan”).
- Mantika:** The second administrative subdivision of Libya, or the equivalent of a district or province. Libya currently has 22 mantikas, which are regionally divided as reported by the United Nations Common Operational Dataset.²²
- Baladiya:** The third administrative subdivision of Libya, or the equivalent of a municipality. Libya currently has 100 baladiyas.²³

List of Figures, Tables and Maps

- Figure 1:** % price fluctuations of the food portion of the national MEB in the first six months of the last four years 13
- Figure 2:** Longitudinal overview of the national wheat flour median price fluctuations in Libya (LYD/kg) between 2019 and 2022..... 14
- Figure 3:** Longitudinal overview of the international % price change of crude oil, wheat as well as national % price change of Libyan wheat flour and Libyan food part of the MEB 15
- Figure 4:** Exchange rates and wheat flour price in Libya over the last four years 17
- Figure 5:** Map of the Libyan Wheat Supply Chain as reported in 2020 vs. as retrieved in May 2022 18
- Figure 6:** Number of private retail and wholesale KIs per reported change along the Libyan wheat flour supply chain between February 2022 and May 2022 21
- Figure 7:** number of retail vendors disaggregated by reason provided for the observed change in demand of wheat-derived products in April 2022 24
- Table 1:** Number of KIIs conducted per respondent profile..... 10
- Table 2:** Change in the number of bread pieces per 1 LYD among Libyan vendors between January and May 2022 as documented by the JMMI 23
- Map 1:** Map of the geographical scope of primary data collection 11

²² OCHA, “[Libya Common Operational Dataset](#),” 2017

²³ Ibid.

INTRODUCTION

Russia and Ukraine together constitute one third of the world's wheat exports share, respectively 22% and 10%.²⁴ The escalation of hostilities on the 24th of February 2022, has come with an important disruption of the Ukrainian supply chains of grains (wheat, barley, maize) and oilseeds (sunflower). While the magnitude of the conflict's damage to Ukrainian winter crops remains unknown,²⁵ major Ukrainian export routes have been affected, culminating in the closure of the exporting routes of Odesa and the Black Sea ports, which alone handled 95% of Ukrainian wheat exports in 2020.²⁶ On the 22nd of July 2022, after five months of blockade, Ukrainian grain shipments from the Black Sea ports slowly resumed following the signature of a diplomatically mediated agreement between Ukraine and Russia.²⁷ On the other hand, a series of international sanctions were imposed on Russia's financial institutions and assets, impacting Russia's grain and fertilisers exports, also partially alleviated by the agreement in July 2022.^{28,29}

The decreased availability of Ukrainian and Russian cereals, the disruption of the logistical infrastructure supporting their physical accessibility, and the heavy sanctions and restrictions imposed on Russian economy by the European Union, the United States of America and Canada, among others, have had an immediate destabilising effect on financial markets.³⁰ From the start of the conflict, global wheat prices increased by 57% in only two weeks (between the 21st of February and the 7th of March 2022), peaking at 1252 USD/bushel on the 7th of March 2022 and subsequently at 1281 USD/bushel on the 17th of May 2022 following India's announcement of a wheat export ban.³¹ Global wheat prices between March and May 2022 were the highest they have been in the last fourteen years.³² Since May 2022 international wheat prices have been steadily decreasing, reaching pre-February 2022 levels in August (781 USD/bushel) due to the seasonal increased availability of wheat in Northern Hemisphere exporters.³³

Similarly, global crude oil and natural gas prices soared from the end of February 2022. While crude oil remained the highest it has been in the last seven years between March and May 2022, natural gas first broke a 14-year price record in April 2022, and has continued to increase since then.³⁴ Natural gas is the main input to produce nitrogen fertiliser, the most widely used fertiliser for major staple crops, including wheat, and whose second biggest global exporter is Russia.^{35,36} This further aggravates the global wheat crisis, fuelling global food prices inflation.³⁷

The sudden uncertainty around global wheat availability and the correlated price increase, coupled with the increase in oil prices, threaten the status of global food security. With a particular focus on the Middle East and North Africa (MENA) region, available data shows that 50% of total wheat imports in Arab countries depend on Russia and Ukraine.³⁸ It is worth noting that, due to its centrality in the region's daily diet, bread and its price are closely linked to political stability and have historically been motive of political uprising in the MENA region. It is worth recalling the popular protests known as the "Arab

²⁴ Arab Reform Initiative, "[The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context](#)", March 2022

²⁵ REACH, "[Ukraine – Agrarian sector in proximity to conflict – 22 Feb. to 09 Mar. 2022](#)", March 2022

²⁶ Ibid.

²⁷ Deutsche Welle, "[Ukraine: Obstacles to global grain shipments remain](#)", August 2022

²⁸ Reuters, "[Kremlin says sanctions must be lifted for Russian grain to reach markets](#)", June 2022

²⁹ Carneige, "[What's in the Ukraine Grain Deal for Russia?](#)", July 2022

³⁰ European Union, "[EU sanctions against Russia following the invasion of Ukraine](#)", 2022

³¹ FAO, [Food Price Monitoring Analysis \(FPMA\) Bulletin](#), June 2022

³² [Trading Economics](#), March 2022

³³ FAO, [Food Price Monitoring Analysis \(FPMA\) Bulletin](#), July 2022

³⁴ Natural gas and crude oil prices were sourced from Trading Economics. Available [here](#)

³⁵ Le Monde, "[The fertilizer market's dependence on Russia puts grain production at risk](#)", April 2022

³⁶ World Bank, "[Fertilizer prices expected to remain higher for longer](#)", May 2022

³⁷ [Trading Economics](#), March 2022

³⁸ Arab Reform Initiative, "[The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context](#)", March 2022

Spring” that swept through the region in 2011, as well as the protests in Sudan in 2018,³⁹ the Tunisian bread riots in 1983,⁴⁰ the 1977 “Bread Intifada” in Egypt.^{41,42,43}

The vulnerability to food insecurity of Ukrainian and Russian wheat import-dependent countries, including Libya, is particularly aggravated, especially affecting the poorest population groups. In fact, 90% of Libya’s cereal consumption requirements, mostly wheat and barley, depend on imports, as domestic production is still negligible in terms of quantity.⁴⁴ Libya’s total cereal import requirement in 2019 was around 3.2 million tonnes,⁴⁵ of which wheat from Ukraine constituted 22%, while total Ukrainian cereal imports accounted for 44%,⁴⁶ making it the biggest cereal import partner of Libya.⁴⁷ On the other hand, Russia is the second main cereal trade partner of Libya, accounting, in 2019, for 16% of total Libya cereal imports, with Russian wheat alone constituting 7% of total imports.⁴⁸

Libya relies on imports to cover 75-80% of its overall food needs.⁴⁹ While cereals constitute the bulk of imports, accounting for over 74% of total food imports, Libya also imports meats (ovine, poultry, bovine), dairy products, processed fish, processed tomatoes, amongst others.⁵⁰ The high dependency of Libya’s food security on imports renders it extremely vulnerable to exogenous variables, such as variations on international production volumes, fluctuations on international food prices, as well as oil prices, national and international export and energy policies.

Contrary to other wheat-import dependent MENA countries, Libya is an oil net-exporter with oil exports being the load-bearing pillar of the Libyan economy, fuelling government revenues since the pre-Libyan conflict era and accounting for over 60% of GDP in 2019.⁵¹ However, in 2020, a 9-months-long blockade of Libyan oil ports reduced oil production to a third of 2019 levels, dragging a decrease of the Libyan GDP by 31%, further demonstrating the critical dependency of Libyan GDP on Libyan oil production and export capacity.⁵² This means that while an increase in international wheat and oil prices will impact Libya’s food consumer prices, this may be compensated by an increase in oil revenues and Libyan public national and foreign currency reserves. This, in turn, may potentially help the government to cover and ensure wheat’s subsidised prices to the Libyan population.

Wheat has historically been a highly subsidised good in Libya, and parallel to the private importing supply chain, the public counterpart component is present at all steps along the Libyan wheat supply chain. Part of the country’s wheat is imported through two separate, publicly owned, non-cooperating bodies: the Joint Stock National Company for Flour Mills and Fodders (MATAHAN) based in Tripoli and serving the West, and the National Milling Company (NMC) based in Benghazi, serving the East. Wheat was then distributed at subsidized prices to bakeries and consumers’ associations (jam’iyat) through the Price Stability Fund (PSF).⁵³ The PSF is a Ministry of Economy body and played a pivotal role along the Libyan food supply chain, as it absorbed the market price of certain imported essential goods, and then

³⁹ Al Jazeera, “[Several killed in Sudan as protests over rising prices continue](#)”, December 2018

⁴⁰ Dakhli L., “The Fair Value of Bread: Tunisia, 28 December 1983–6 January 1984” in *International Review of Social History, Volume 66, Special Issue S29: When “Adjusted” People Rebel: Economic Liberalization and Social Revolts in Africa and the Middle East (1980s to the Present Day)*, April 2021, pp. 41 – 68, Cambridge University Press. DOI: <https://doi.org/10.1017/S0020859021000110>

⁴¹ Egyptian Streets, “[45 Years On: Remembering the Egyptian Bread Intifada](#)”, January 2022

⁴² REACH, “[Breaking Down the Chain – Understanding the Supply of Wheat and Bread in Libya](#)”, June 2020

⁴³ The Guardian, [Use your loaf: why food prices were crucial in the Arab spring](#), July 2011

⁴⁴ GIEWS, “[Slightly below-average cereal production harvested in 2021](#)”, December 2021

⁴⁵ GIEWS, “[GIEWS Country Brief Libya – Archives](#)”

⁴⁶ Chatham House, [Resource Trade Earth](#), March 2022

⁴⁷ More recent data for the years 2020 and 2021 are less complete or not available, limiting the possibility to disaggregate data and advance descriptive and comparative analysis.

⁴⁸ UN Comtrade [Database](#), March 2022

⁴⁹ FAO, “[COVID-19 impacts on agri-food value chains: Libya](#)”, 2021

⁵⁰ Ibid.

⁵¹ World Bank, “[Libya Economic Monitor](#)”, 2021

⁵² Ibid.

⁵³ REACH, “[Breaking Down the Chain – Understanding the Supply of Wheat and Bread in Libya](#)”, June 2020

distributed them at subsidized prices across the country to consumers' associations, the latter being small government-run shops.⁵⁴

The Libyan political scenario remains highly uncertain, with limited and unstable access to official exchange rates, to liquidity, to public salaries, and to subsidised goods still constituting chronic and deeply rooted issues in the Libyan economy. The disruption of the main wheat importers' supply chains may profoundly threaten Libya's food security, both in terms of availability and financial accessibility.

The dominant prevalence of imported wheat in the daily energy intake of Libyan households, as well as the nodal political importance of wheat financial accessibility across the country called for an assessment of the Libyan wheat supply chain. Following a consultation with the Libya Cash and Markets Working Group (CMWG), REACH conducted the assessment, with the objective of capturing the short-term impact of this global shock on the Libyan import-reliant wheat supply chain. In the specific, its purpose is to provide essential qualitative and quantitative visibility on how the Libyan wheat supply chain has reacted to the sudden disruption of the global wheat supply chain. It does so by capturing MEB variations, with a special focus on wheat-derived products, as well as the experiences and perspectives of the different players along the supply chain, namely importers, traders, both public and private, and concerned market regulation authorities. In turn, this aims to inform tailored and evidence-based decision making of practitioners involved in the support and protection of Libyan food security as well as in the Libyan trade and economic sector recovery.

METHODOLOGY

Given the exploratory and yet time-bound nature of the present assessment, **a combination of quantitative and qualitative methods of enquiry was deemed most appropriate to achieve the general objective.** A mixed methods approach allowed to combine the quantitative evaluation of the Libyan MEB price change between February and June 2022, with a qualitative snapshot of the way the disruption of the Ukrainian wheat supply chain has been perceived by Libyan wheat importers, traders, and trade regulating authorities.

Quantitative component

The quantitative component of the present assessment consisted of a **systematic secondary data review** of the monthly Joint Market Monitoring Initiative (JMMI) datasets collected and published by REACH up until June 2022. The JMMI datasets constitute a solid and comparable pool of data providing a detailed insight into price fluctuations of the different wheat-derived components of the MEB as well as other imported foods across the country.⁵⁵ A longitudinal and comparative analysis of the national and regional MEB fluctuations of the first six months of the last four years allowed to capture for anomalous changes on a monthly and yearly basis, while accounting for yearly seasonal price fluctuations linked to both the international agricultural cycle as well as to socio-cultural events such as Ramadan, happening approximately in the same time period in the last four years (between April and June). Despite the geographical granularity of the MEB data provided by the JMMI, analysis and conclusions were conducted at the regional and national level to be able to compare findings with the qualitative sampling framework, which was regional. Furthermore, the comparison of the national MEB trend with the global crude oil and wheat price lead to the formulation of indicative quantitative inferences about the potential impact of the disrupted global wheat supply chain on the Libyan MEB wheat components. Data analysis was conducted on Excel spreadsheets through the application of a deductive analytical reasoning responding to the research questions as defined in the [TORs](#).

⁵⁴ REACH, "[Market Systems in Libya](#)", October 2017

⁵⁵ For additional details on the JMMI methodology, please refer to the corresponding [TORs](#).

Qualitative component

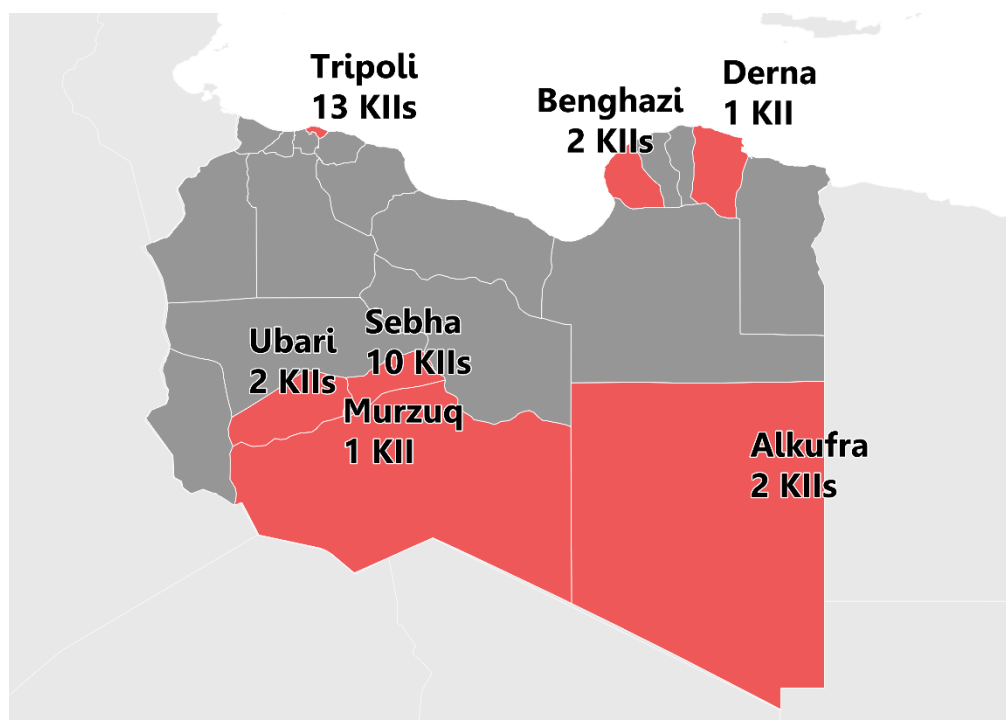
The qualitative and inductive component of the present assessment consisted of primary data collection carried out through **Key Informant Interviews (KIIs)**. This component was designed to provide a qualitative insight into the capacity of the different professional actors working along the Libyan supply chain of imported wheat, to source and sell wheat and – where applicable – bread. As such, KIIs granted the flexibility needed, allowing to probe and explore the different perceptions, lived experiences, and expertise of the different respondents' profiles.

Seven categories of KIs were identified according to their professional roles and positions along the Libyan supply chain of imported wheat: private retailers, jam'iyat, private wholesalers, the PSF, private importers, public importers, and Libyan public authorities.⁵⁶ A total of 31 KIIs were carried out through 7 distinct semi-structured qualitative data collection tools, all employing a mix of closed and open-ended questions. The questions pertaining to each tool tailored the targeted category of KIs (see [Table 1](#)). The **sampling strategy was purely purposive**, complemented by snowball sampling when relevant and possible. While aiming at proportional samples across all regions of Libya, the geographical distribution of interviews varied considerably according to the network of resources on the ground as well as access possibilities. Data was collected and analysed at the mantika level (see [Map 1](#)). The number of interviews per category of KIs is justified by the purpose and timeframe of the assessment, as well as the various access constraints faced (see [Challenges and Limitations](#)). Data collection was carried over the months of May and June 2022 by REACH field staff. Data was analysed through inductive reasoning, driven by a content analysis approach. As such, discussion topics were identified through a bottom-up reasoning consisting in a thorough review process of the interview transcripts, rather than through pre-emptively established topic categories and analytical frameworks.

Table 1: Number of KIIs conducted per respondent profile

Supply chain stage	Public/Private	Profile	South	West	East	Total	Questionnaire
Retail	Private	Private retailers: small shops, supermarkets, bakeries	4	1	3	8	Questionnaire 1
	Public	Consumer associations	4	1		5	Questionnaire 2
Wholesale	Private	Private Wholesalers	4	2	1	7	Questionnaire 3
	Public	PSF	1	1		2	Questionnaire 4
Import (& Processing)	Private	Private importers		2		2	Questionnaire 5
	Public	MATAHAN/NMC		1		1	Questionnaire 6
Institutional Stakeholders	Public	Public authorities directly involved in the regulation of the Libyan trading sector or possessing some degree of national economic policy visibility and knowledge		5	1	6	Questionnaire 7

⁵⁶ The identification of the different professional profiles is based on a previous REACH mapping exercise of the Libyan wheat supply chain conducted in 2020. TORs available [here](#).

Map 1: Map of the geographical scope of primary data collection

Challenges and Limitations

Data collection proved particularly challenging in the West of the country, compared to the East and the South. The barriers to data collection were linked to access and security issues generated by the national security relevance of the assessment topic in Libya. At the time of data collection (May and June 2022) the subject matter of the present assessment was at the centre of the Libyan political debate and of civil tensions, culminating in multiple episodes of business closures, detention and arrest of private traders working along the wheat supply chain, under the governmental accusations of employing illegal speculative wheat flour trading strategies.⁵⁷ These tensions were particularly heightened also due to the concomitant occurrence of the holy month of Ramadan in April 2022, with episodes of panic buying being reported. These issues led to 11 out of 24 potential KIs contacted in Tripoli indicating they preferred not to take part in the assessment. Furthermore, these access constraints may have had a negative influence on the level of detail and clarity provided in the KIs responses. It is worth pointing out that the Libyan wheat supply chain already proved to be a highly sensitive topic in 2019 during a previous REACH mapping exercise.⁵⁸

Relevant profiles were also difficult to access outside of Tripoli due to the sensitivity of the topic, the limited number of players in the market and the security barriers. This resulted in an uneven geographical distribution of the different KI profiles, considerably limiting the possibility to advance geographical comparative analysis.

Challenges related to limited access, long-distance communication, and remote coordination caused considerable delays in the phase of data collection. The relevance of time-sensitive findings might have decreased as a consequence. To mitigate this, up until the analysis stage (July 2022) the assessment team continued to update the list of the secondary literature with new relevant studies and articles, if

⁵⁷ Libya Herald, "[Government attempts at price fixing are distorting prices and causing price rises: Husni Bey](#)", March 2022

⁵⁸ REACH, "[Breaking Down the Chain - Understanding the Supply of Wheat and Bread in Libya](#)", June 2020

released, to ensure that the most accurate and up-to-date information was used to triangulate the primary data collection's findings.

Finally, due to the purposive sampling methods and the small sampling size, findings are indicative only and to be cautiously interpreted, as the pool of KIs likely does not represent the views and experiences of all members of their professional categories. As such, findings are not generalisable to the national wheat flour and bread supply chain level.

FINDINGS

International and Libyan wheat flour prices

This section outlines assessment findings related to the price fluctuations of the national MEB food components, investigating the potential correlation between the MEB trends and the global oil and wheat price trends over the same time period. It intends to facilitate the understanding of the interdependencies and potential causal linkages between the identified MEB trends and the disruption of the Ukrainian wheat supply chain due to the ongoing hostilities. This section does not advance inferences of statistical causation between variables, as the data employed is not complete nor statistically representative. Furthermore, it is acknowledged that the fluctuation of national Libyan prices is influenced by a system of both exogenous and endogenous variables that are not considered in the present analysis. Hence analytical statements are indicative only.

Fluctuations of the food portion of the Libyan MEB

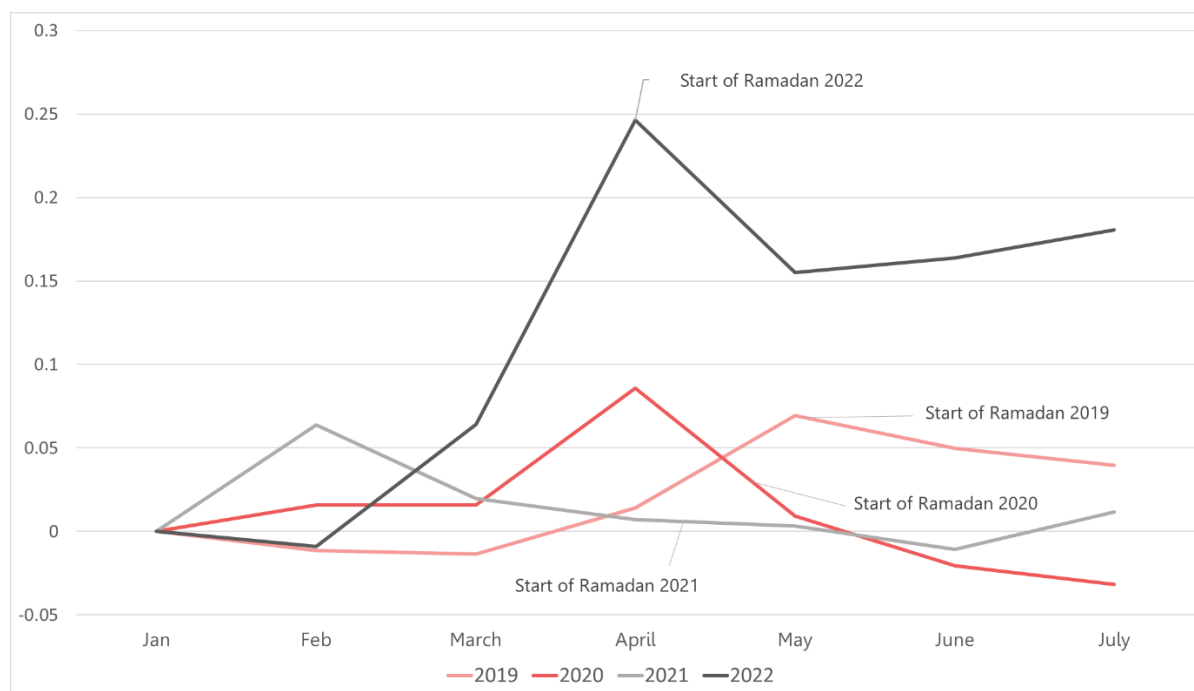
A longitudinal analysis of the food portion of the MEB⁵⁹ across all monitored Libyan baladiyas revealed an overall price increase of 18% between January and July 2022, with a sudden sharp increase started in February 2022 that culminated in April 2022 at a historic increase of 24.6% compared to January 2022 levels, and a record price of 865 LYD. As a matter of fact, the comparison of the MEB food portion trend across the first six months between 2019 and 2022 confirms that **the price increase of the MEB food portion that occurred in the first half of 2022 is the highest across the last 4 years**, as previous years' peaks across the first half compared to January levels were respectively at 6%, 8.6%, and 7% (see [Figure 1](#)).⁶⁰ Despite the slight decrease of the Food MEB registered in May 2022 (-7,3% from April 2022), the absolute national median price from March to July 2022 (when this report was written) has remained at unprecedentedly recorded heights since the start of the JMML in 2017.

As for the regional variance, the price of the food portion of all three regions' MEB peaked in April 2022, with the highest recorded price being in the South, at 929 LYD. The Food portion of the MEB was the highest in the South already in January 2022 and remained such across the whole first half of 2022. On the other hand, the biggest price change across the entire period was recorded in the East, with an overall increase of 31% between January and April 2022.

⁵⁹ The Minimum Expenditure Basket (MEB) represents the minimum culturally adjusted group of items required to support a five-person Libyan household (HH) for one month. The cost of the MEB can be used as a proxy for the financial burdens facing households in different locations. For more information on its definition, please consult the Libya JMML [TORs](#).

⁶⁰ This time frame corresponds to the timeframe over which the JMML in Libya has been recording prices of essential goods aggregated in the MEB indicator. Previous data provided by the JMML on few selected essential goods' price is available up to 2017 but for comparative purposes, only time periods over which the MEB is available were considered.

Figure 1: % price fluctuations of the food portion of the national MEB in the first six months of the last four years



Ramadan's effect on the food portion of the MEB

Due to the fact that the escalation of hostilities in Ukraine and data collection for this assessment both overlapped with the month of Ramadan, current and past market trends during this religious occurrence were investigated. It was crucial to the analysis to account for the distorting market effect that this festivity traditionally has and understand whether the changes observed in the food portion of the MEB trend since February 2022 fall within the yearly Ramadan market effect or if they differ, and if so, how.

All KILs unanimously confirmed that during Ramadan the demand for food increases considerably, and so do market prices. The Libyan national markets reportedly anticipate and prepare for the month-long religious occurrence by increasing supply stocks as well as prices during the month ahead of the official start. From the data (see [Figure 1](#)), it is possible to note that during the last four years, the price of the food portion of the MEB indeed increased during the month ahead of the official start of Ramadan, with the exception of 2021, where prices remained relatively stable. To note, the price increase that occurred ahead of Ramadan in 2020 was anomalously driven up by the restrictive measures imposed in response to COVID-19 as well as the nation-wide oil blockade and reduced issuance of Letters of Credit (LCs) by the Central Bank of Libya (CBL),⁶¹ the former being a trade mechanism managed by the CBL through which Libyan importers are granted access to foreign currency at the official exchange rate. In the case of reduced LCs issuance, importers have to resort to the more expensive unofficial exchange rate available on the black market, in turn making any imported good more expensive.

Yet the price increase that occurred ahead of the 2022 Ramadan was remarkably higher than that of previous years. **This difference may be attributed to the amplified effect that the combination of reduced certainty of international wheat availability as well as international and national market speculative reactions may have had on the food component of the Libyan MEB from February 2022.**

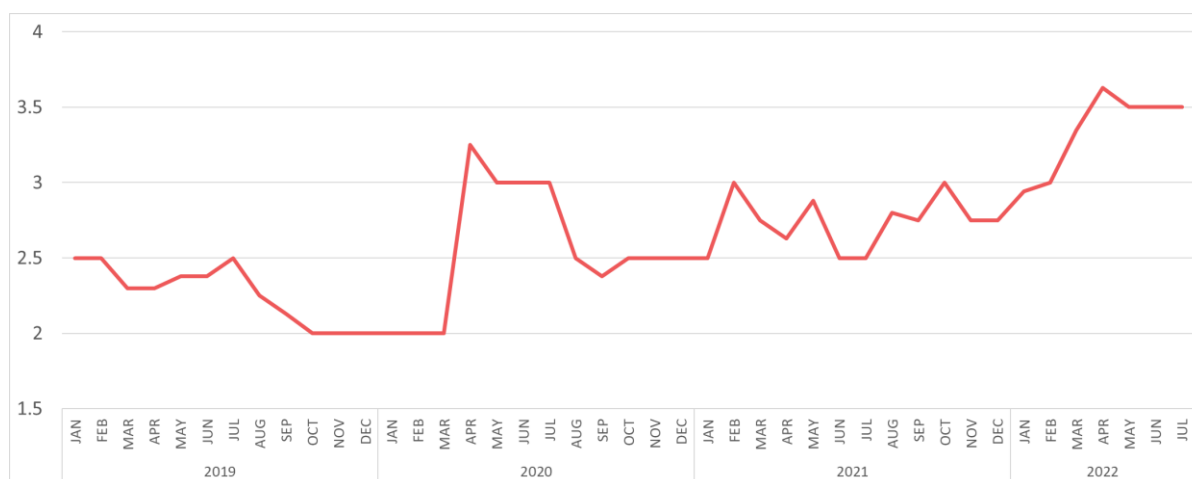
⁶¹ REACH, [Libya's Currency Crisis](#), June 2021

Fluctuations of Libyan wheat flour prices

The highest national median wheat flour retail price recorded since January 2019 was in April 2022, at 3.500 LYD/kg (see Figure 2). Overall, the national median price of the cheapest flour brand available on the Libyan market in June 2022 was 19% more expensive than in January 2022.⁶² While the Libyan wheat flour median price was already slightly on the rise since January 2022, potentially reflecting the increased uncertainty after the missed national presidential elections in December 2021,⁶³ a sharp increase occurred in March 2022 and peaked in April 2022 with a 23% increase since the start of the year. Despite the inflationary trend of wheat flour price foregoing since 2020 (see Figure 2), the striking difference in price increase observed across the first half of 2022 compared to the first half of 2021 may be imputable to the escalated conflict in Ukraine since the end of February 2022 and the international wheat and crude oil price increase.

To note that the percentage increase recorded between February and April 2022 was not the highest of the last four years, but rather the second highest. In 2020, wheat flour prices experienced an exorbitant monthly price increase of 63% between March and April, probably due, as mentioned above, to the concomitance of restrictive measures imposed in response to COVID-19, the nationwide oil blockade, and the reduced LC issuance from the CBL.⁶⁴

Figure 2: Longitudinal overview of the national wheat flour median price fluctuations in Libya (LYD/kg) between 2019 and 2022



Fluctuations of international crude oil and wheat prices

International crude oil and wheat prices sharply increased between February and May 2022, mostly reflecting the global wheat and fossil fuel supply reduction amidst the disruption of exports respectively from Ukraine and Russia, leading to the re-shuffling of the global cereal and oil trade order.⁶⁵ International wheat prices first surged in March 2022 with an increase of 55% compared to January 2021 levels, and subsequently peaked at 63% over January levels in May 2022.⁶⁶ A slight decrease was observed in June, driven by increased seasonal wheat availability in the Northern Hemisphere.⁶⁷

⁶² As per JMMI methodology, only the cheapest available price per item is collected, meaning that changes in middle-market and upmarket goods are not captured

⁶³ Reuters, [Libyan election collapses with no plan out of crisis](#), December 2021

⁶⁴ Ibid.

⁶⁵ FAO, [Food Price Monitoring Analysis \(FPMA\) Bulletin](#), June 2022

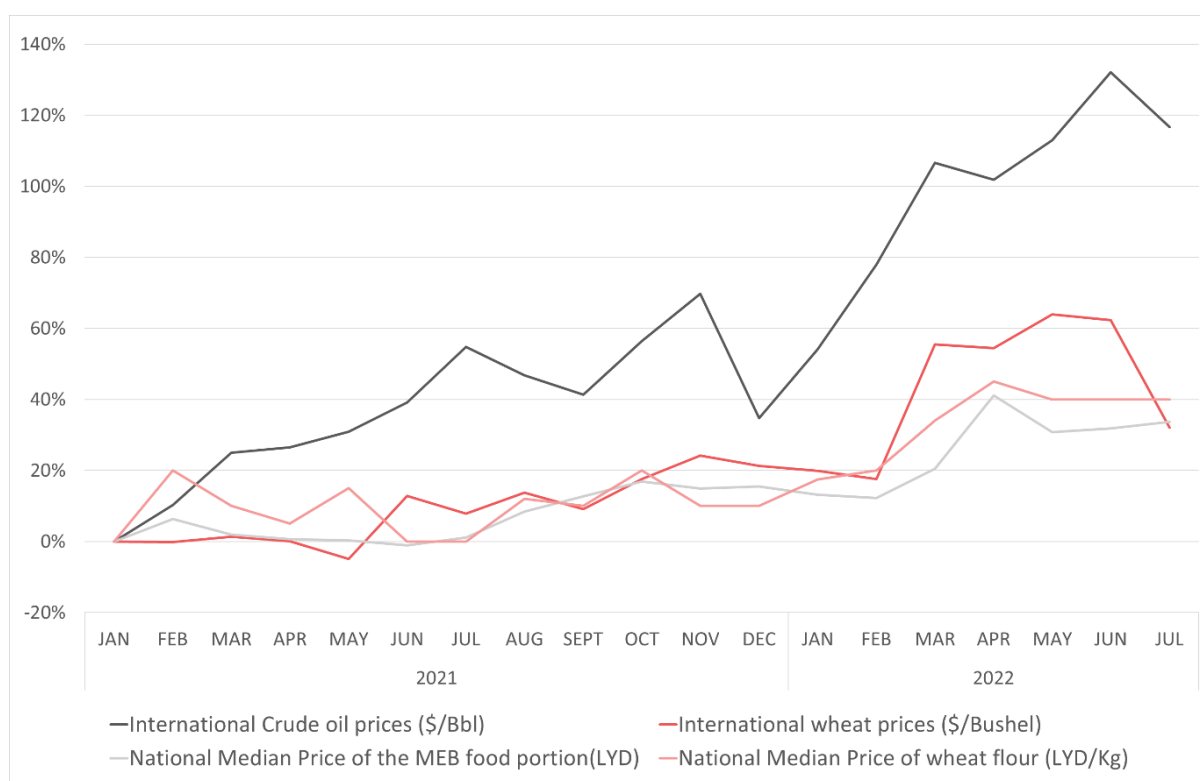
⁶⁶ Data of international wheat prices were sourced from Trading Economics. Available [here](#).

⁶⁷ FAO, [Food Price Monitoring Analysis \(FPMA\) Bulletin](#), July 2022

The comparison of the food portion of the MEB and Libyan wheat flour percentage price fluctuations with that of international wheat and crude oil prices⁶⁸ observed from January 2021 levels (see Figure 3) suggests that, even if the Libyan median price change of wheat flour is proximate and time-bound to the fluctuation of international wheat prices, denoting a positive correlation, wheat flour prices within Libya did not rise as sharply as international wheat prices since February 2022.

While spikes in international fossil fuels prices may aggravate final food prices for Libyan consumers by driving up Libya's importation and transportation costs, the fossil fuel market mostly has a long-term power on food markets, impacting the costs of fertilisers and all associated agricultural outputs. Furthermore, since Libya is a net oil exporter, the sharp rise of international crude oil prices may have had a counter-balancing effect against the rise of international wheat prices by increasing Libyan crude oil revenues, and in turn the value of LCs issued by the CBL, maintaining the level of imports and hence Libyan national wheat flour availability.

Figure 3: Longitudinal overview of the international % price change of crude oil, wheat⁶⁹ as well as national % price change of Libyan wheat flour and Libyan food part of the MEB



Libyan wheat flour prices were already slightly on the rise since December 2021, potentially echoing the international wheat prices increase that occurred between September and November 2021 but remaining within the fluctuation range established across 2021. Nevertheless, the sudden increased steepness of Libyan wheat flour price increase observed from February 2022 (see Figure 3) coincides with the start of the sharp rise of international wheat prices following the escalation of hostilities in Ukraine. **While the correlation between international and Libyan prices appears to be positive, the sudden simultaneous increase of the two variables between February and March may signal the occurrence of two different, yet potentially concomitant, phenomena on the Libyan wheat supply chain: the presence of speculative trading behaviours on the national wheat market and the lack of substantial national wheat stocks/reserves along the Libyan wheat supply chain.** As a

⁶⁸ Data of international crude oil prices were sourced from Trading Economics. Available [here](#)

⁶⁹ Wheat and crude oil international prices reported and analysed in the present assessment are absolute, as recorded at the Chicago Board of Trade each 1st day of the month. More information is available [here](#).

matter of fact, while international markets do anticipate future shortages with price spikes, as happened for international wheat prices right after the escalation of the conflict in Ukraine, national wheat reserves should absorb supply shocks and protect the national wheat supply chain by ensuring that the national demand for consumption is filled and prices remain stable, at least in the short term. As such, the sharpening of the wheat flour price rise documented in Libya from February 2022 may suggest the triggering of wheat flour trading speculative behaviours over potentially weak national wheat reserves along the Libyan supply chain.

As of July 2022, the world's cereal production, utilisation, stock and trade for the year 2022 are all forecast to decrease compared to 2021 estimates.⁷⁰ In particular, what is expected to decrease the most, and thus weight the most on the international cereal availability and accessibility balance for import-dependent countries such as Libya, is global cereal trade, which is expected to decrease by 2.4% in 2022, and specifically by 1.6% for wheat. This forecasted decrease is reportedly attributed to the war-related disruption of Ukraine's cereal supply chain and drop in exports due to the escalated hostilities since February 2022. **This expected decrease in global cereal trade levels may directly play on import-dependent countries' cereal availability and financial accessibility, including Libya's.**

Furthermore, food-import dependent countries tend to stockpile less reserves than food producing countries, with those same reserves being inevitably more vulnerable to depletion. This may particularly be true for 2022, as forecasts see global cereal exporting countries increasing their cereal stocks, further contributing to the decreased share of cereals globally traded, and potentially affecting Libya's cereals accessibility.⁷¹ This in turn suggests the increased structural fragility of the Libyan cereal security system, both in terms of availability and financial accessibility.

Foreign exchange rates

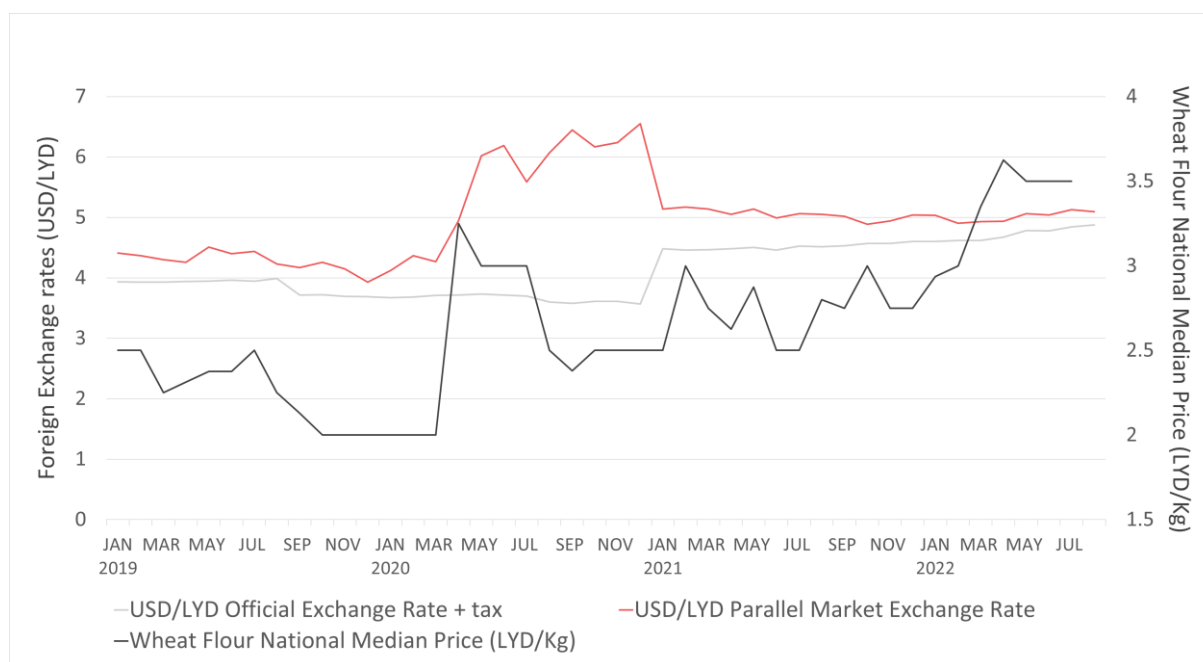
The fluctuations of the unofficial exchange rates on the Libyan parallel market can be a major driver of the final prices of most products on Libyan markets, particularly of imported products such as wheat flour (see [Figure 4](#)).⁷² Data regarding the first half of 2022 shows that, despite the slight upwards trend, the unofficial USD/LYD exchange rate has remained relatively stable, maintaining the stability already established across 2021. The relative stability of the USD/LYD unofficial exchange rate against the increased national median price of wheat flour from February 2022 suggests that the main driver of the price increase is most likely not linked to foreign exchange (forex) issues. This in turn suggests that access to foreign currency at the official exchange rate has remained unaltered across the first half of 2022, successively maintaining unaltered the unofficial exchange rate.

⁷⁰ FAO, [Crop prospects and food situation - Quarterly Global Report](#), July 2022

⁷¹ FAO, [Crop prospects and food situation - Quarterly Global Report](#), July 2022

⁷² REACH, [Libya's Currency Crisis](#), June 2021

Figure 4: Exchange rates and wheat flour price in Libya over the last four years



Findings from import KIs revealed that the level of import has remained the same between February and May 2022 (see [Wheat and wheat flour import](#)). Given the pivotal role that the forex rates play on import costs and levels in Libya, their relative stability against the international wheat price increase and the sustained level of wheat imports since February 2022 indicates that access to LCs may have in turn been unaltered, and that their value may have actually increased. This is even more likely considering that Libya's net foreign currency reserves are reported to have reached comfortable levels across 2021.⁷³ **As such, the main short-term consequence of the international wheat price increase following the escalated conflict in Ukraine on Libyan national wheat security pertains to wheat flour financial inaccessibility rather than to wheat flour unavailability.**

Public Libyan wheat supply chain

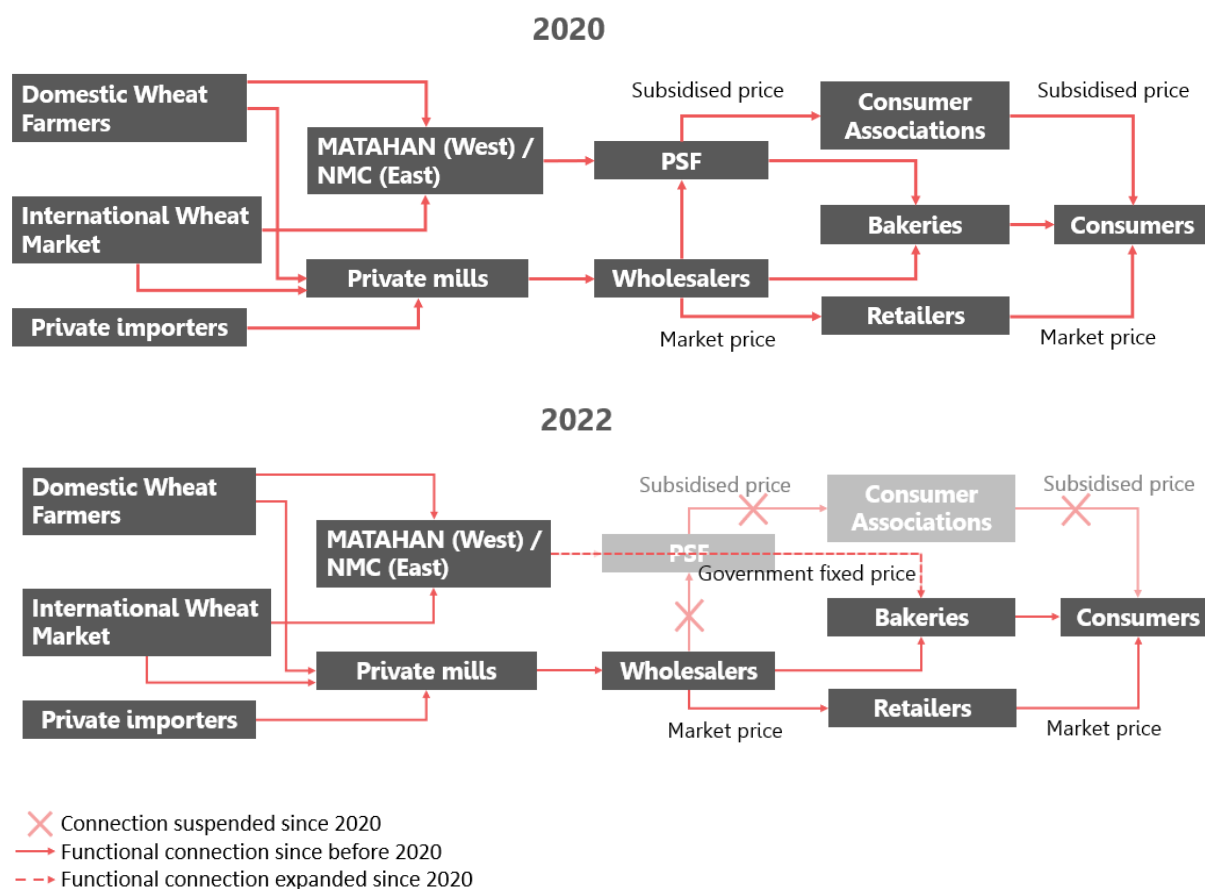
*This section outlines assessment findings related to the KIs conducted with purposively selected **PSF and consumer association KIs**. The purpose is to explore the potential impacts of the escalated conflict in Ukraine on the functioning of the **Libyan wheat flour subsidy system** and to determine the trading strategies and behaviours adopted by public bodies in charge of ensuring the availability of subsidised wheat flour across the country.*

Price Stability Fund & consumer associations

Findings indicate that the structural governmental entities created to provide essential goods at a subsidised price have not been operating since the end of 2020 across the entire country due to the lack of financial resources from both eastern and western governments. This means that no food items have been reportedly accessible at subsidised prices in Libya for more than a year and that households, including the most vulnerable, have been relying entirely on increasing private market prices for their food security since the end of 2020 (see [Figure 5](#)).

⁷³ World Bank, [Libya Economic Monitor](#), September 2022

Figure 5: Map of the Libyan Wheat Supply Chain as reported in 2020 vs. as retrieved in May 2022



The PSF was found to be inactive since the end of 2020 across the entire country due to the interruption of financial support from the government and the CBL. This finding was confirmed by both PSF KIs interviewed, in Tripoli and Sebha, with the last shipment of subsidized goods received in Sebha reported to be in December 2020. Correspondingly, all but one (5/6) KIs from **consumer associations confirmed their complete inactivity** since the end of 2020. In fact, KIs reported that the PSF has not been able to provide the consumer associations (or jam'iyat) either with wheat flour or with other essential goods such as canned tomatoes, cooking oil, rice, pasta and fuel. As such, the absence of wheat flour on public supply chains is not linked to the hostilities in Ukraine, as the situation was such long before the start of hostilities and is rather due to the lack of public funding.

This was also confirmed by the MATAHAN KI, who clarified that while in the past the MATAHAN was the main wheat supply partner of the PSF, it has since stopped all commercial activities with the PSF due to the chronic financial insolvency of the latter, except in rare cases where prepaid orders must be fulfilled. No details about the time of interruption were provided. The MATAHAN reported selling directly to bakeries through the support of the Bakers Syndicate at the governmental fixed price. The government fixed price differs from the subsidised price as the former is a conventionally fixed price more or less in line with private market prices but not subject to fluctuations, potentially constituting a protective instrument for bakeries in case of demand and supply fluctuations.

It is worth stressing that previous literature largely documented the chronic financial dysfunction and insolvency of the PSF since 2014,⁷⁴ resulting in unequal and unstable access to officially subsidized flour

⁷⁴ REACH, [Market Systems in Libya](#), 2017

across the country which manifested in consumer price distortions⁷⁵ and in the development of flour speculation and smuggling activities.⁷⁶ Furthermore, the partial interruption of supply of subsidised goods to some consumer associations by the government was documented in 2020 following the increase of smuggling and illegal trade of subsidised wheat during the first outbreak of COVID-19 in Libya.⁷⁷ Yet no secondary sources explicitly confirmed an intentional blanket defunding of PSF operations by the government. Recent literature documented that the Ministry of Economy was considering “reactivating” the PSF⁷⁸ and debating “re-introducing” the consumer associations system.⁷⁹

The PSF KI in Tripoli also clarified that while subsidisation activities of the PSF have been interrupted for almost two years, the PSF as a governmental institution is still into place, with daily tasks being carried on and PSF employees having been retained. This explains the retrieved secondary literature documenting recent announcements from the PSF,⁸⁰ as well as the fact that REACH was able to interview PSF representatives. Nevertheless, REACH was unable to shed further light on the nature of the activities carried out by the PSF beyond the suspended subsidy mandate.

The **private sector is reported to have filled the supply gap** since the interruption of PSF activities. Yet the lack of effective regulatory supervision has left space for speculative behaviours to thrive on the market of essential goods. The PSF KI in Sebha explained that despite the existence of regulatory codes from the Libyan authorities addressing trading activities and prices for the private food supply chain, these laws are not effectively implemented, enforced, or respected. This finding confirms what has been retrieved from private trader KIs, namely the absence of concrete regulatory or monitoring mechanisms along the private supply chain of wheat derived goods.

Public traders’ opinions on the potential positive effect of increased international oil prices and CBL oil revenues on subsidization levels in Libya were varied, with KIs expecting a positive effect and KIs expecting no change equally divided. Nevertheless, most of them clarified that subsidies are foremost a matter of political commitment rather than of international oil price fluctuations. As such, the political fracture between the West and the East of Libya was reported to impede strategic and effective decision making for the benefit of the country’s food security. At the time of data collection and report writing, the division between the Eastern and Western Governments of Libya had led to the freezing of oil revenues transfer from the National Oil Company (NOC) to the CBL,⁸¹ and to an oil ports blockade in the East of the country, diminishing both oil production and revenues in the West, further hindering any return to the subsidy system.

To further note that in May 2022 no budget law had yet been approved by the Eastern Libyan Government, hindering all public spending for the Western Government, and obliging it to operate under the one twelfth rule, meaning it can only spend what was approved in the previous budget.⁸² This further alters the State’s ability to execute public expenditures, potentially hindering its ability to deliver public services, including subsidies.⁸³

⁷⁵ Libya Herald, [“Most Tripoli bakeries close due to new exchange rate raising flour prices”](#), January 2021

⁷⁶ Libya Herald, [“Fake bakeries receiving subsidized flour for seven years”](#), March 2015

⁷⁷ FAO, WFP, “COVID-19 impacts on Agri-Food Value chains: Libya”, 2021

⁷⁸ Libya Observer, [Economy Ministry discusses reactivating Price Stabilization Fund](#), April 2022

⁷⁹ SADA, [The Head Of The Price Stabilization Fund Responds To A Question Whether Consumer Associations Are The Solution To The Wave Of Price Inflation](#), March 2022

⁸⁰ LANA, [The Price Stabilization Fund announces the arrival of large quantities of basic commodities and calls on consumer associations to receive their allocations before the month of Ramadan](#), March 2022

⁸¹ Libya Update, [Parliament Speaker confirms freezing oil revenues at Libyan Foreign Bank](#), May 2022

⁸² Chatham House, [A deal on state spending can kickstart Libya’s political process](#), May 2022

⁸³ World Bank, [Libya Economic Monitor](#), September 2022

As confirmed by the secondary literature, one PSF KI mentioned the ongoing definition and creation of a new Cereal Bureau by the Western Government.⁸⁴ While the information about how the new bureau will operationalise its mandate, and how different it will be from the PSF, is not in the public domain yet, the KI explained that this new body is part of an explicit governmental effort to renew its credibility and mandate, with the new bureau being an alternative to the flawed PSF.

Overall findings suggest the persistence of a stagnating situation, whereby the bulk of the country's wheat system is built upon and financially reliant on public structures which have not been functional and have lacked political and economic support for the last two years. This gap is filled by an insufficiently regulated and reportedly concentrated private sector whose speculative margin on the country's wheat security remains unaddressed, and whose prices are at historical heights since March 2022.

Exceptional emergency shipments of subsidized wheat since February 2022

From the findings of the first round of KIs with the different professional profiles along the public Libyan wheat supply chain, some inconsistencies emerged regarding the functioning of the PSF, the availability of subsidized wheat flour across the country, and its accessibility by Libyan households through consumer associations. Specifically, while the PSF and consumer associations in the South of Libya were reported to be officially defunded across the entire country, from the first round of KIs it appeared that in operational and practical terms it was not the same case in Tripoli. As a matter of fact, the PSF KI based in Tripoli first reported full functionality, while the only consumer association KI interviewed in Tripoli reported still receiving shipments of essential goods, including wheat flour, from the PSF with no particular change since the end of February 2022 apart from an increase in the prices of wheat products.

As such, a second round of follow-up interviews was conducted with purposively selected KIs to gain more visibility and understanding on the current state of functionality of both the PSF and the consumer associations in the West of the country, investigating potential reasons for the retrieved discrepancy between the West and the South public traders KIs.

One PSF KI clarified that during 2022, despite having been structurally non-operational since 2020, the PSF received exceptional quantities (quantity unspecified) of wheat flour from Libyan mills, which were subsequently distributed to some consumer associations. The KI asserted that these exceptional shipments received by Libyan mills were part of an agreement signed to clear pending financial obligations that the mills had towards the PSF (as milling operations had been interrupted "during the war in past years" and standing debts and orders had not been honoured). In the same way, the consumer associations who were eligible to receive these shipments were reported to have some pending credit towards the PSF. No additional information was provided about the frequency of these shipments, nor the quantities of flour involved. It is worth stressing that the Western Governmental News Agency (GNA) reported the PSF to have received wheat shipments ahead of Ramadan, calling for all consumer associations to claim for the shipment they were entitled to.⁸⁵ This may explain the reason why during the first round of KIs, the PSF KI from Tripoli reported their branch to be able to source and distribute wheat flour and may potentially confirm the occurrence of exceptional subsidised wheat flour shipments to some consumer associations since February 2022. This would explain the reported operability of the consumer association KI in Tripoli during the first round of interviews.

⁸⁴ The creation of the Cereal Bureau was confirmed by the Libyan Government in June 2022. Al Wasat, [The Council of Ministers approves the establishment of the Grain Bureau](#), June 2022

⁸⁵ LANA, [The Price Stabilization Fund announces the arrival of large quantities of basic commodities and calls on consumer associations to receive their allocations before the month of Ramadan](#), March 2022

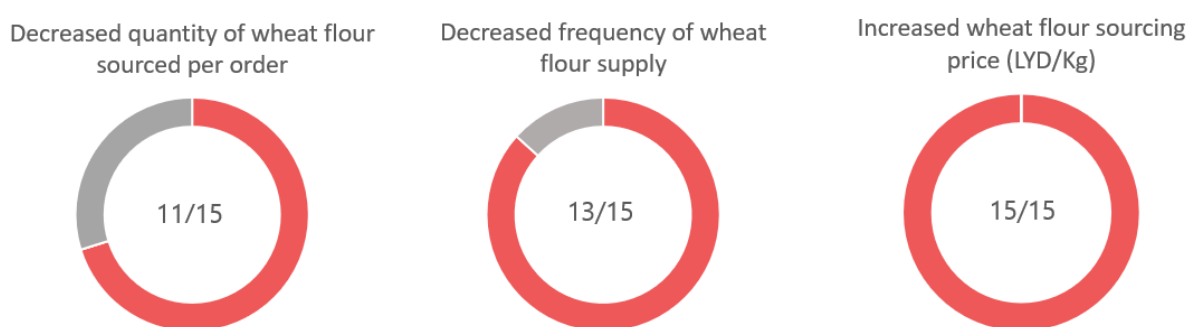
Private Libyan wheat supply chain

*This section outlines assessment findings related to the KIs conducted with purposively selected trade professionals working along the private Libyan wheat supply chain, namely **private retailers and wholesalers**. The purpose is to explore the potential impacts of the conflict in Ukraine on the functioning of the Libyan private wheat supply chain and to determine the trading strategies and behaviours adopted by traders operating along the Libyan supply chain of imported wheat flour in response to these impacts.*

Wheat flour sourcing capacity at the retail and wholesale level

Findings do not point towards an ongoing deteriorating situation in terms of wheat flour availability on the Libyan private supply chain, but rather to one which, after an initial drop, stabilised at a lower level of wheat flour quantity available. What seems to be worsening is the financial accessibility of wheat across all stages of the Libyan wheat supply chain. Findings suggest a decreased capacity to source wheat flour along the different stages of the private Libyan wheat supply chain, both in terms of quantity, price, and frequency (see [Figure 6](#)).

Figure 6: Number of private retail and wholesale KIs per reported change along the Libyan wheat flour supply chain between February 2022 and May 2022



Among the retail and wholesale KIs reporting a reduction in the quantity of wheat flour they can buy per order since the end of February 2022, three explained that the availability of wheat flour dropped radically during the first weeks following the start of the conflict, hitting a low of complete unavailability. After a month, the market recovered in terms of wheat availability, but not to the pre-February 2022 levels, as quantity remained lower while prices remained higher. Findings from import KIs (see [Wheat and wheat flour import](#)) indicate that the quantity of wheat flour imported in Libya has not changed significantly since the end of February 2022, suggesting that the reported decrease in the quantity of wheat flour sourced along the Libyan wheat supply chain is likely the consequence of the international and national price increase or the stockpiling of wheat flour along the supply chain. **Over one third of private trader KIs (6/15) reported that the quantity of wheat flour they are able to supply is insufficient to meet the demand their business faces.**

A focus on the availability of wheat flour at the retail level in April and May 2022 provided by the JMMI confirms a somewhat U-shaped trend in terms of wheat-derived products availability on the private market. While in April 2022 6% of all retailers selling wheat-derived products (flour, bread, pasta, couscous) reported to have noticed a decreased availability of these products compared to February 2022, in May 2022 no respondent reported the decreased availability of any of these products compared to February 2022 levels. While visibility on such indicator for March 2022 is not available, the data suggests that, after a potential initial decreased availability of wheat-derived products along the Libyan wheat supply chain, both linked to the market preparing for the month of Ramadan and speculating over the sudden increase of international wheat prices triggered by the escalated conflict in Ukraine,

trade of wheat derived products may have recovered at the retail level. For the case of bread, it is worth pointing out that the Western Libyan Government announced in early March an action plan which included the prioritization of wheat flour distribution to bakeries through the Bakers Union,⁸⁶ further confirmed by the MATAHAN KI. This may have attenuated the risk of decreased wheat flour availability among bakeries.

Linked to the availability of wheat flour on the market, private retail and wholesale KIs also revealed a decrease in the **frequency** of supply (13/15) and the quantity of **available wheat flour stock** held at the business level (11/15). All respondents but two (13/15) reported having wheat flour stock left at the time of data collection.

These findings suggest that, even though wheat flour is available and circulating on the market, it may have come at the expense of a general decrease of wheat reserves and stocks on a supply chain system level since February 2022. In other words, while the market may have recovered in terms of wheat flour trade, it may not have in terms of stocks and reserves. A general decrease of stocks and reserves held along the different nodes of the supply chain increases considerably the supply chain's vulnerability to future shocks, both endogenous and exogenous, as reduced reserves and stocks translate into reduced food security resilience, especially in a country where production levels remain marginal.

Findings indicate an ongoing deterioration in the financial accessibility of wheat flour, with all private traders KIs unanimously reporting an increase of the purchasing price (LYD/kg) of wheat flour since February 2021 (see [Figure 6](#)). As mentioned above (see [Figure 2](#)), the median retail price of wheat flour reached record levels in April 2022. While half of the retail KIs estimated a price increase of one-third or less (4/8), most wholesale KIs reported an increase of at least half (3/7). One KI explained that between the end of February and May 2022, when the scarcity of wheat flour on the market peaked, they were obliged to accept wheat flour at any price proposed, signalling a loss of downwards trading contractual power and the potential presence of speculative trading behaviours.

While traders' decreased sourcing capacity since February 2022 may have been driven by the occurrence of speculative trading behaviours in an unregulated and concentrated private trade market, in turn triggered by the escalation of the conflict in Ukraine, it may have also temporarily been amplified by Ramadan, which occurred one month after the start of the conflict.

Wheat flour demand at the retail and wholesale level

Consistent with the findings on sourcing capacity, the demand for wheat-derived products fluctuated strongly since February 2022 at all levels of the Libyan wheat supply chain. The majority of retail and wholesale KIs whose businesses normally sell wheat flour (9/12) reported a decrease in the quantity of wheat flour sold per customer since the end of February 2022, while the remaining respondents reported it remained the same. On the other hand, all respondents (12/12) unanimously confirmed to have increased the wheat flour selling price (LYD/kg).

Similarly, the majority of retail KIs selling bread (5/7) reported having increased the selling price of bread. Furthermore, more than half of them (4/7) also reported a decrease in quantity sold per customer, while the remaining KIs reported no change since February 2022. Previous literature has largely documented that in times of financial distress along the Libyan wheat supply chain the most recurrent changes occurring at the retail level usually consist in a decrease in the number of pieces of bread per bag and a decrease in the dimension of bread pieces. Only less commonly retailers increase the price of the bread bag.⁸⁷ As a matter of fact, due to the centrality of bread in the Libyan diet, there has historically been a strong societal expectation for a bag of bread to not cost more than 1 LYD, regardless of circumstances.

⁸⁶ Al Wasat, [The Ministry of Economy in the "unity" government identifies 5 mechanisms to solve the flour crisis](#), March 2022

⁸⁷ REACH, [January–June 2018 Trends Analysis](#), September 2018

As an example, in 2014 1 LYD could purchase a bag of 20 pieces of bread, but by 2018 the average bag of bread was reported to contain only five pieces for the same amount of money. The longitudinal analysis of the JMMI between January 2022 and May 2022 confirmed this phenomenon: **the social contract of 1 LYD per bread bag has mostly been maintained across Libya, with the great majority of vendors decreasing the number of pieces of bread per bag** (see Table 2). **The increase of the selling price of the bag of bread against the unchanged number of bread pieces was also retrieved, but only across a minority of vendors.** As an example, among the minority of vendors selling five pieces of bread per bag both in January and May 2022, the selling price is found to have increased for most of them.

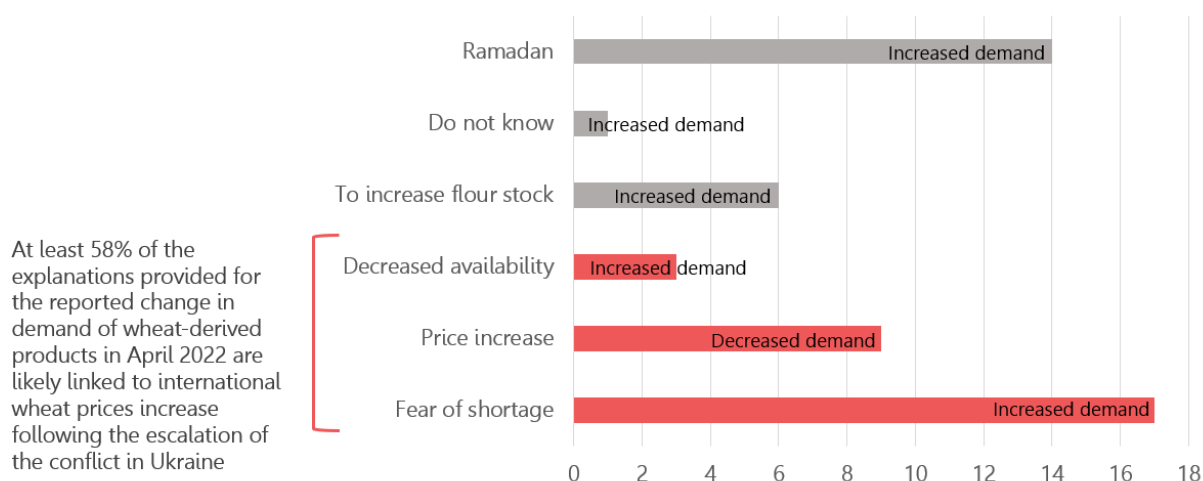
Table 2: Change in the number of bread pieces per 1 LYD among Libyan vendors between January and May 2022 as documented by the JMMI

	January 2022	May 2022
Share of vendors selling less than 5 pieces of bread per bag at 1 LYD out of all vendors selling bread	80%	98%
4 pieces of bread per bag	88%	39%
3 pieces of bread per bag	12%	58%
2 pieces of bread per bag		3%

Beyond the reduced number of bread pieces per bag, the reduced quantity of wheat flour and bread sold per customer against a price increase as reported by KIs also indicates a moderate degree of elasticity of Libyan demand for wheat flour and bread against a price increase. Focusing on the demand for wheat-derived products at the retail level provided a nuanced understanding of the fluctuation in demand reported by retail KIs since February 2022. The JMMI found that in April 2022 almost half (48%) of interviewed retail vendors usually selling wheat-derived products reported a change in the demand of wheat products since the end of February 2022 while almost none reported a change in May 2022. Furthermore, among those clarifying the nature of the mentioned change observed in April 2022 (55%), 79% reported an increase in demand, while the remaining 21% reported a decrease. Delving into the perceived reasons for such demand change in April 2022 (provided by 50% of respondents), the most reported reason was the fear of wheat flour shortages due to the decreased global availability of wheat flour following the escalation of the conflict in Ukraine (34%), reported almost exclusively in the West of the country (14/17). The second most reported reason is the start of Ramadan (28%), followed by the price increase (18%) and households' intention to increase their flour stock (12%). For the latter it was not possible to distinguish whether the households' intention to increase their flour stock was linked to the conflict in Ukraine or the start of Ramadan. As such, according to over half of the people who provided an explanation for the observed change in demand in April 2022, the main driver were the conflict in Ukraine and the international wheat price increase: **either an increased demand driven by fear of unavailability, or a decreased demand driven by unaffordability** (see Figure 7).

These figures confirm the presence of distorted and varying purchasing behaviours at the retail level since February 2022 driven by the escalation of the conflict in Ukraine, and to a lesser degree, by the occurrence of Ramadan. While visibility on the same indicator for March 2022 is not available, May 2022 data indicate the subsequent stabilisation of purchasing behaviours at pre-February 2022 levels.

Figure 7: number of retail vendors disaggregated by reason provided for the observed change in demand of wheat-derived products in April 2022



Overall, data indicate that the temporary wheat unavailability experienced and reported by KIs along the private supply chain between February and May 2022 may have mostly been driven by fear and speculation, and to a lesser degree to a temporary systemic decrease of international and national wheat availability. **Rather than because of the actual sudden interruption of wheat flour imports and input along the supply chain due to the conflict, the decreased availability of wheat flour reported along the Libyan wheat supply chain between February and May 2022 was artificial, mostly driven by anomalous purchasing and selling behaviours in a food system characterized by fragile stocks and regulatory frameworks, triggered by a sudden international uncertainty around wheat availability.**

Expectations for the next 6 months

Expectations reported by private traders along the Libyan wheat supply chain indicate a high degree of pessimism and uncertainty about market trends in the next six months. More specifically, the majority of private trader KIs (10/15) reported expecting a further wheat flour price increase in the next six months from data collection (May 2022), followed by a smaller share reporting not knowing what to expect. However, market uncertainty seems to pertain mostly to price, and only to a lesser degree to quantity, as only two KIs mentioned expecting a further decrease in wheat flour availability across the supply chain. It is worth pointing out that price volatility combined with market price pessimism can be strong drivers of speculative behaviours on the supply chain, especially materialising in stockpiling of goods, resulting in the artificial wheat flour unavailability in light of a further price increase, as well as in the setting of arbitrary selling prices regardless of the actual sourcing price.

Wheat and wheat flour import

This section outlines assessment findings related to the KIIs conducted with purposively selected Libyan importers of wheat flour, both belonging to the private (n=2) and public (MATAHAN) (n=1) supply chains. The purpose is to explore the potential impacts of the conflict in Ukraine on the functioning of the Libyan wheat supply chain and to determine the trading strategies and behaviours adopted by importers operating along the Libyan supply chain of imported wheat flour in response to these impacts.

International wheat and wheat flour availability and national import levels

Findings from import KIs confirm that the quantity of wheat and wheat flour imported into Libya has not changed significantly since the end of February 2022. Reported changes at the import level pertain to rising prices and changes in countries of origin of wheat and wheat flour. Indeed, two out of the three import KIs, both private and public, reported that despite the increased import price, the quantity of wheat flour imported per order has not changed since the end of Feb 2022. Furthermore, the same respondents reported no change in the wheat flour stock volume, nor in the import frequency. To note that both private import KIs reported privileging the import of wheat flour, while the MATAHAN KI only referred to wheat imports. Indeed, the MATAHAN has historically overseen the wheat milling phase within its own milling facilities, with its very same name being an Arabic acronym for “National Mills and Fodders”.

Findings from KIs with institutional stakeholders confirm the unchanged wheat/wheat flour import capacity and unaltered wheat flour availability. Just like among importers, the most reported change among institutional KIs was the increase of national wheat prices since the end of February 2022 (3/6 KIs), while no respondent mentioned a decrease in import quantity. Two institutional stakeholders KIs specified that, against the spikes in national and international wheat prices, the availability of wheat flour remained unaffected, asserting that Libyan public finances are sufficient to cope with the price increase and maintain import quantities unaffected.

The only import KI who reported a decrease in the wheat flour import volume and frequency clarified that this change was not directly caused by unavailability on the international wheat trading market but was rather a change in business strategy in response to the international wheat price volatility. The KI explained that the increased uncertainty over international wheat prices increased the financial risk associated with storing large quantities of wheat. As such, the KI's business reduced its wheat flour stocks, decreasing both the quantity and frequency of imports as well as the risk of financial losses associated with an eventual price decrease. At the time of data collection, the KI reported having a wheat stock that would last between one to two months, adapting the frequency of purchases accordingly against pre-February 2022 stocks which would have a duration of up to six months.

It is interesting to note that, in times of price increase, a speculative business approach would more commonly operate in the opposite way, by purchasing and accumulating wheat stock whose value is expected to grow to increase profit margins. The reported presence of speculative behaviours by the KIs along the supply chain, especially by retailer KIs, does suggest that trading actors along the Libyan wheat supply chain expected prices to further increase, resulting in a degree of financial risk taking at the wholesale level. On the other hand, the importer KI decreasing wheat stocks signals a possible higher degree of financial risk aversion at the import level, as well as a decreased input and availability of wheat flour on the Libyan market.

Related to this last point, it is worth noting that while institutional stakeholders and importers reported no changes in the national wheat flour import capacity and in the quantity of wheat flour imported, the majority of private traders downwards along the wheat supply chain reported the somewhat decreased availability of wheat flour since the end of February 2022. This discrepancy in experience may be explained by the fact that private retail and wholesale actors may be more exposed to speculative bottlenecks along the supply chain stockpiling wheat flour, distorting the quantity of available wheat flour traded on the market and increasing the margin of profit.

All import KIs agreed on the fact that the major cause for the price increase and the change of import partners was the escalation of the conflict in Ukraine since February 2022. On the other

hand, the MATAHAN KI also clarified that the MATAHAN's wheat stock regularly undergoes volume fluctuations, and that these are not linked to prices and availability on the international wheat market but are rather due to the irregular financial coverage and support from the Libyan Western Government, namely the Ministry of Economy. It is worth pointing out that, according to REACH field team reports, public import of wheat through the NMC in the East has not been functional and operating for over two years, with wheat availability being entirely dependent on the private market.

Wheat and wheat flour origin

The origin of wheat and wheat flour available in the Libyan wheat supply chain has partially changed since the end of February 2022, with a reported increase of wheat flour originating from other North African countries as well as South American countries.

Among wholesale and retail KIs, one reported the increased presence of Libyan wheat flour, such as Wadi Al-Rabii flour, while another reported the increased presence of wheat flour imported from Türkiye, Algeria, Egypt, and Tunisia on the market since the end of February 2022. Similarly, among importers one private import KI reported being able to rely exclusively on import partners from Egypt, while the MATAHAN KI reported having changed its wheat import partners from Ukraine to Egypt and Brazil. It is worth pointing out that Tunisia, Egypt, and Algeria are themselves dependent on imports for their wheat security.⁸⁸

The change of wheat and wheat flour origin and of import route intrinsically depends on the geographical location of the import partner. In fact, the import KI reporting no change of import partners had already been importing from Latin American countries, while the import KI reporting a change of import partners used to import from Egypt and Ukraine before the end of February 2022 and reported importing only reduced quantities from Egypt at the time of data collection. The KI importing from Latin American countries also reported unchanged import quantity, frequency, and stock, with only a price increase, suggesting a higher degree of supply stability from that geographical area. On the other hand, wheat-importing countries around the MENA region, whose supply was mostly dependent on Ukrainian and Russian wheat,⁸⁹ may have resorted to increasing wheat imports from neighbouring countries, often wheat importing countries themselves, for emergency and short-term consumption purposes, creating bigger changes in short-distance import routes around the MENA region. **The increased inter-dependency of these import-dependent countries for their short-term wheat supply may aggravate the already fragile overall regional wheat security around the North of Africa.**

Finally, the MATAHAN KI specified that, beyond the international wheat price increase, short-term and ad hoc trade agreements are more expensive than long-term and regular ones. This may signal the absence of adoption of an official long-term wheat supply strategy from the Western Government at the time of data collection, three months after the escalation of the conflict in Ukraine. Instead, findings suggest that the public supply of wheat flour in Libya seems rather to rely on the adoption of ad hoc supplies of wheat from different and potentially alternating import partners.

Traders' financial health

*This section outlines assessment findings related to the KIs conducted with purposively selected Libyan **private retailers, wholesalers, and importers**. The purpose is to explore the possible short-term effects of the international wheat price increase on traders' and importers' businesses financial health, namely in terms of solvency, access to credit and access to foreign currency at the official exchange rate.*

⁸⁸ Ibid.

⁸⁹ Arab Reform Initiative, [“The Impact of the Ukraine War on the Arab Region: Food Insecurity in an Already Vulnerable Context”](#), March 2022

Financial solvency

Overall, the traders' ability to deal with supply payments along the Libyan wheat supply chain does not seem to have been affected by the increased national and international wheat flour prices between February 2022 and May 2022. The great majority of interviewed trader KIs (16/17) reported being able to pay their suppliers since February 2022. Furthermore, most (13/17) reported not expecting any change in their ability to pay their wheat flour suppliers in the next six months from the time of data collection (May 2022). Similarly, among all retail and wholesale KIs, the vast majority (13/15) reported that no change was expected regarding their ability to access credit in the next six months. Regarding the latter, though, **three KIs clarified that it is not going to have an impact on their ability to access credit because they do not run businesses through formal banking credit.**

The majority of the Libyan economy is cash-based. Loan access through banking institutions is not widely available in Libya, and alternative and deferred modes of payments are still limited due to the ongoing banking and liquidity crisis, lack of financial services, lack of trust in financial services, incompatible banking institution payment interfaces, high transactional costs and chronic power cuts.⁹⁰ As previously documented by secondary sources, since the country's plunge into economic crisis, the Libyan banking system has increasingly been risk-averse, drastically reducing the financial services it offers, including payment intermediation and loans.⁹¹

As such any form of payment requiring the involvement or intermediation of formal banking institutions are not widely diffused across all stages of the Libyan wheat supply chain, while informal types of credit are highly dependent on personal relationships and the trust between the trading parties involved. This is confirmed by the JMMI findings of March 2022, where only 9% of retailers interviewed reported supporting card payments, with cash remaining the most widely available and preferred method of payment.⁹² **This means that cash payments usually must be made upfront, and that no debt is accumulated at the import, wholesale, or retail stages. This in turn could potentially explain why the majority of respondents' future solvency and credit access is perceived to be unaffected. Wholesalers and retailers must instead pay higher prices at the moment of purchase and pass the added expense directly to their customers, with debt being transferred downwards to final customers. The latter will likely be the ones to absorb price increases within their household finances and slip further into poverty.** This is further aggravated by the structural absence of banking credit and, for those trying to access liquidity on the black market, mark-ups. In April 2021 the JMMI documented a national average parallel market mark-up fee of 15%.⁹³

Access to Letters of Credit

As mentioned above (see [Foreign exchange rates](#)), the relative stability of foreign exchange rates against the international wheat price increase and the sustained level of wheat imports across the first half of 2022 indicates that access to LCs is likely to have remained unaltered, and that their value may have actually increased. This may even be truer since net foreign currency reserves are reported to have increased across 2021, potentially ensuring the absorption of the sudden international wheat price increase.⁹⁴

Yet, two private trader KIs clarified that the current level of LC accessibility could change positively according to the level of oil revenues, but that this will nevertheless remain mostly dependent on the

⁹⁰ World Bank Group, [Libya Financial Sector Review](#), February 2020

⁹¹ World Bank Group, [Libya Financial Sector Review](#), February 2020

⁹² REACH, [Libya Joint Market Monitoring Initiative \(JMMI\)](#), March 2022

⁹³ REACH, [Libya's Currency Crisis](#), June 2021

⁹⁴ World Bank, [Libya Economic Monitor](#), September 2022

political willingness within Libya's fractured national governance system, rather than on the ongoing international wheat and crude oil price fluctuations. This was confirmed by all institutional KIs (6).

Oil revenues are a highly politically disputed arena, with both the stable crude oil production and the translation of oil revenues into foreign reserves structurally depending on the delicate political equilibrium between the East and West Libyan Governments. The decision to freeze oil revenues transfers from the NOC to the CBL in May 2022 as well as the blockade of Eastern oil terminals in the Sirte Basin, reportedly enforced by Eastern-affiliated armed groups from mid-April up until the end of July 2022, were due to West vs. East Governments disputes over the each other's governments legitimacy.⁹⁵ This closure entailed a drop of Libyan oil production by over a third compared to 2021 levels and a 3.5 billion USD loss, potentially impacting foreign reserves and LC issuance.^{96,97,98}

Governmental support to the private wheat flour trade sector

*This section outlines assessment findings related to the KIs conducted with purposively selected **private retailers, wholesalers, and importers as well as Libyan governmental authorities directly involved in the regulation of the Libyan trading sector or possessing some degree of national economic policy visibility and knowledge**. The purpose is to understand what market mitigating measures have been put into place by the Libyan Government to respond to the Ukrainian wheat crisis and how these may contribute to protecting the Libyan wheat supply chain and Libyan food security.*

At the beginning of March 2022, the Ministry of Economy announced the adoption of multiple measures to contain the negative effects of the looming wheat crisis, including putting into place a wheat flour distribution mechanism with a single set price of 110 LYD per 50 kg bag and restricting the distribution of flour to bakeries through the General Syndicate of Bakeries.⁹⁹ **Yet, the only governmental action mentioned by a minority of private trader KIs is the government attempt to fix a unified wholesale wheat flour price**, confirming the secondary literature on the matter. As a matter of fact, only 7 out of 17 trade and import KIs reported a wholesale fixed price, reportedly being of 240 LYD per 50 kg bag. Still, all respondents clarified that **no stakeholder along the wheat supply chain was abiding to the newly fixed price, both because of its economic inadequacy, as the set price is systematically lower than all the reported actual purchasing wholesale prices by KIs, and because there is no legal framework supporting the enforcement and implementation of such decision-making.**

One institutional stakeholder KI also reported the Western Government's intention to sign import agreements with Russia; the planned shipment of 100,000 tonnes of Russian wheat flour to Libya was confirmed by secondary sources.¹⁰⁰ Finally, one KI also reported the governmental attempt to secure 150,000 tonnes of wheat reserves through public import channels before the month of Ramadan to ensure availability and keep prices low, also reported by secondary sources.¹⁰¹ While the MATAHAN KI confirmed the placement of an order of 100,000 tonnes of wheat flour, the actual delivery of this public order remained unconfirmed at the time of data analysis.

No new financial support for private traders along the Libyan wheat supply chain has reportedly been put into place by the Eastern and Western Governments since February 2022. More specifically, all of the 17 private trader and importer KIs reported being unaware of any new support

⁹⁵ Reuters, [Explainer: What's behind Libya's oil blockade](#), June 2022

⁹⁶ Africa News, [Libya suspends production at largest oilfield](#), April 2022

⁹⁷ The New Arab, [Libyan oil production drops by 35% during month-long blockade](#), May 2022

⁹⁸ Deutsche Welle (DW), [Libya lifts force majeure on oil production in end to blockade](#), July 2022

⁹⁹ Al Wasat, [The Ministry of Economy in the "unity" government identifies 5 mechanisms to solve the flour crisis](#), March 2022

¹⁰⁰ Al Wasat, [Libya's ambassador to Moscow: Negotiations to import grain and flour from Russia](#), May 2022

¹⁰¹ Libya Observer, [Libya seeks to buy 150,000 tons of flour through the public sector](#), March 2022

mechanism put into place since February 2022 by their respective government to ease the effect of the ongoing global wheat prices spikes on the private Libyan wheat market. This is confirmed by institutional stakeholder KIs, with half of them (3/6) reporting no major measures or strategies put into place at the time of data collection.

This scenario depicts a situation whereby the government seems to delegate, through the absence of financial support and the attempted price setting, the financial risk associated with the ongoing global wheat trade uncertainty to the private traders along the Libyan wheat supply chain. Yet, as the fluctuation of wheat-derived products' prices since the end of February 2022 reveals (see [Figure 2](#)), this financial risk does not remain at the wholesale level, but is rather transferred to, and borne by, final consumers.

A minority of private trade and import KIs (5/17) further pointed out that the suspended operability of the Price Stability Fund (PSF) across the country decreases the financial accessibility of wheat flour across the country, as no goods have reportedly been available at subsidized prices on the market since the end of 2020. It was also reported that the inactivity of the PSF has led to the development of a highly concentrated and uncontrolled private food trading market with monopolistic and speculative tendencies. The creation of a new Cereal Bureau by the government, which will replace the PSF and will be in charge of the definition of a unified food security strategy for Libya, was mentioned by multiple KIs across all interviewed profiles and confirmed by the literature, which reported the establishment of such a bureau at the beginning of June 2022 (for further details about the PSF see [Price Stability Fund & consumer associations](#)).¹⁰²

As also mentioned above (see [Price Stability Fund & consumer associations](#)), as of May 2022 no budget law had yet been approved by the Eastern Libyan Government, hindering all public spending of the Western Government, further hindering the State's ability to perform emergency spending or to set up and operationalise national food security strategies.¹⁰³

The overall situation depicted by the findings is one where, after more than three months from the escalation of the conflict in Ukraine, the Libyan Government has not adopted nor announced any official strategy to respond to the looming food security crisis. It has rather adopted a few fragmented and short-term decisions, such as emergency changes of wheat import partners, the creation of a new Cereal Bureau and, according to the findings from the private trade and import KI profiles, an apparently unenforced attempt to fix wheat flour wholesale prices on the national private market. Decreased wheat flour availability and price increase have been confirmed across the entire wheat supply chain, especially from retail and wholesale KIs. Furthermore, the success of efforts to build up wheat strategic reserves through the order of 150,000 tonnes of wheat in March 2022 goes unconfirmed. As such, **Libya's grain security since February 2022 has been left mostly dependent on the concentrated, and reportedly uncontrolled, private market.**

CONCLUSIONS

The objective of this assessment was to facilitate the understanding on how the Libyan wheat supply chain has reacted in the short term to the sudden disruption of the global wheat supply chain triggered by the escalation of the conflict in Ukraine in February 2022. The research included a thorough analysis of the Libyan MEB food portion price fluctuations alongside an exploration of the experiences and perspective of the different professional players across the wheat supply chain, namely importers, traders, both public and private, and concerned market regulation authorities. Following a consultation

¹⁰² Al Wasat, [The Council of Ministers approves the establishment of the Grain Bureau](#), June 2022

¹⁰³ Chatham House, [A deal on state spending can kickstart Libya's political process](#), May 2022

with the Libya CMWG, REACH conducted the assessment, employing a combination of quantitative and qualitative methods of enquiry, respectively a systematic secondary data review of the MEB datasets monthly realised by the JMIMI and primary data collection through KIIs conducted to purposively selected professionals working along the Libyan wheat supply chain. Together, these two methodologies provided distinct and complementary perspectives.

Findings indicate that the escalation of the conflict in Ukraine at the end of February 2022 and the sudden rise of international wheat prices mostly impacted the Libyan wheat supply chain in terms of wheat financial accessibility.

All interviewed KIIs unanimously reported the price increase of wheat flour traded along the different stages of the supply chain up until the retail level, materialising in a documented decrease in the number of pieces of bread per bag usually sold at the retail level for 1 LYD between January and May 2022. This indicates the erosion of final consumers' purchasing power, which also translated in the partial decrease of wheat derived products purchased at the retail level in April and May 2022.

Despite the stabilisation of wheat flour availability after a reported initial drop, most private trader KIIs also notified a decreased quantity of flour along the different stages of the supply chain in May 2022. This decreased availability was found to be artificial, caused by anomalous purchasing and selling behaviours in a food system characterized by fragile stocks and regulatory frameworks. As a matter of fact, Libyan wheat import levels were found to have remained the same since February 2022. The exposure to speculative behaviours across all stages of the Libyan wheat supply chain is found to have contributed to the erosion of wheat reserves and stocks on a supply chain system level, seriously reducing Libya's cereal security resilience to future shocks.

The stagnating political division between the Eastern and Western Libyan Governments translates in unstable security, in disputed Libyan oil revenues, and in chronic political inaction. From an institutional perspective, no major financial measure from the government was found to have been put into place to support private traders along the supply chain since February 2022. Furthermore, entities constitutive of the subsidised wheat supply chain, namely the PSF and consumer associations, were found to be non-operational since the end of 2020 across the entire country due to the lack of financial resources from the government. The majority of public trader KIIs reported that subsidised food items have been inaccessible in Libya for more than a year. This means that households have been exclusively relying on increasing private market prices for their food security since the end of 2020, further leaning towards poverty.

Finally, expectations reported by private traders along the Libyan wheat supply chain indicate a high degree of pessimism and uncertainty about market trends in the next six months. These expectations are confirmed by available estimates for the year 2022/2023, which forecast a decrease in the global cereal production, utilisation, stock, and most of all, trade levels, due to the war-related disruption of Ukraine's cereal supply chain and the increased price of Russian fossil fuels. This expected decrease in global cereal trade levels may directly undermine Libya's capacity to procure and ensure its cereal availability and financial accessibility in the medium term.

In conclusion, the findings of this assessment indicate the need for a systemic re-shaping of the system of policies surrounding the food, and in particular wheat, supply chain in Libya. The gap generated by the absence of substantial political support and effective legal frameworks is found to be filled by a private sector whose margin of profit on the country's wheat security remains relentless, and whose prices are at historical heights since March 2022.

The assessment shed light on how vulnerable the Libyan wheat supply chain is, how it was impacted in the short and medium terms by the escalation of the conflict in Ukraine, and how the absence of a solid

legal framework amplified the negative consequences. As the Libyan political environment struggles to stabilize, the ongoing decline of wheat and wheat flour financial accessibility, compounded by the eroded wheat flour reserves across all stages of the Libyan wheat supply chain and the forecasted decrease in global wheat trade, calls for immediate political action and sustainable solutions.