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English - Or. English

5 November 2024

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Global Forum on Competition

Competition in the Food Supply Chain – Contribution from Yemen

- Session IV -

This contribution is submitted by Yemen under Session IV of the Global Forum on Competition to be held on 2-3 December 2024.

More documentation related to this discussion can be found at: oe.cd/gfc24.

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JT03554724

Competition in the Food Supply Chain

- Contribution from Yemen –

Case study: The analysis of the food supply chain in Yemen

1. The food supply chain in Yemen is a unique example of competition shaped by a combination of local and international factors. Various issues, including the impact of conflict and government policies, influence the competitive landscape, from agricultural production to relying on imports, distribution challenges, and market dynamics. Yemen faces particularly difficult circumstances due to ongoing conflict and economic instability.

2. Yemen's food supply chain circles a range of activities from agricultural production to distribution and consumption. The agricultural sector is essential to this supply chain since it is the part of the main sources of food supply; however, it faces numerous obstacles, including dry climatic conditions and limited arable land. Despite these challenges, Yemeni farmers cultivate various crops such as wheat and barley.

3. Due to limitations in local agricultural production, Yemen heavily relies on food imports to meet its needs. This dependence also creates a competitive environment in the international food market, as Yemen competes with other countries for essential imports like rice, wheat, and cooking oil. Trade policies and global market prices play a crucial role in shaping this competitive landscape. Yemen's significant dependence on food and fuel imports leads to fluctuations in the international market, including price increases and supply disruptions. Local factors such as exchange rates, access to foreign currency, and price controls also impact food costs and households' financial accessibility.

4. In 2020, ACAPS analyzed Yemen's food supply chain and identified financial difficulties—such as unstable exchange rates and limited access to credit—as major issues for traders. The conflict between the Houthis (currently in control of the north) and the internationally recognized Yemeni government over import financing, along with rising transportation costs, further complicated the situation. Additionally, between January 2021 and June 2023, Yemen's food supply chain was significantly affected by the global market, particularly following Russia's invasion of Ukraine in February 2022. This conflict disrupted wheat and fuel supplies from Russia, Ukraine, and India, leading to increased international prices. Yemeni importers initially absorbed these costs but later passed the price hikes onto consumers, reducing households' purchasing power.

5. But still, Yemen has significant advantages that should be leveraged, particularly in the fishing sector. With the longest coastline in the region, Yemen's fishing industry was once the third most important sector of its economy. Despite this significant geographical advantage, the sector suffers from the consequences of the ongoing conflict, particularly due to the crisis in the Red Sea.

6. The war has caused the destruction of fishing boats and infrastructure while restricting access to export markets. The potential of the sector remains constrained by a set of unfavorable factors, including:

- Inadequate infrastructure
- Lack of proper landing sites
- Limited access to electricity

7. Recently, both the FAO and WFP have raised serious concerns about the worsening food security situation in Yemen. As of mid-2024, around 6.1 million people are in "emergency" levels of food insecurity (IPC Phase 4), and acute malnutrition continues to escalate, particularly among children. The Red Sea region has reached "extremely critical" levels for the first time, further exacerbating Yemen's food crisis. The FAO and WFP are urging for urgent humanitarian assistance, financial support, and infrastructure improvements to avert famine.

Possible solutions to improve the food supply chain in Yemen

8. In addition to enhancing the fishing sector, several solutions could be considered to address the challenges of the food supply chain in Yemen such as **improving local agricultural production** (Investing in more efficient irrigation techniques: Yemen faces an arid climate with limited water resources. Investing in more efficient irrigation technologies, such as drip irrigation, could help maximize the use of available water and increase agricultural production) and **stabilizing the economy and the impacts of conflict** (by also facilitating and ensuring safe access to humanitarian aid to meet the immediate food needs of the population).

9. It is also relevant to mention official OECD documents related to the economic problems of countries affected by armed conflicts and crises, such as Yemen. These documents provide essential information on the challenges faced by these countries and propose solutions to help overcome their internal difficulties, particularly in areas such as food distribution, resource management, and economic resilience.

10. The OECD highlights the economic and environmental challenges faced by countries affected by armed conflicts, particularly the impact on food distribution and biodiversity. In a December 2023 report, it stresses how biodiversity loss, exacerbated by conflicts, disrupts ecosystems and worsens food insecurity. This official document proposes solutions, including integrating biodiversity into **development aid**, increasing funding for biodiversity in fragile contexts, strengthening national capacities, and **promoting cooperation among various actors**. It calls for a comprehensive approach linking biodiversity to conflict prevention, sustainability, and development, tailored to the unique needs of fragile regions. Many other OECD reports address these issues, outlining the challenges and proposing solutions to help and support these countries in restoring the richness of their land.

11. In the case of Yemen, the fishery sector, originally one of the main sources of food supply, has been deeply affected by armed conflicts, crises, and biodiversity loss. Not only have internal conflicts impacted the food supply chain, but external conflicts, such as the Russia-Ukraine war, have also severely affected Yemen, particularly in terms of wheat imports, which has further strained the country's food security.

12. Thus, the food supply chain in Yemen presents significant challenges that require a coordinated approach to establish effective regulation and ensure food security. Addressing issues related to local agricultural production, reliance on imports, distribution challenges, and market dynamics is essential. Harnessing the potential of the fishing sector could also contribute to improving the situation. Resolving the ongoing conflict and stabilizing the economy are crucial to creating an environment conducive to a sustainable and resilient food system in Yemen.