

Briefing · August 2022

Ukraine war and the global food system

Key points:

- Russia's invasion of Ukraine has unsettled an already unstable global food system and placed additional pressure on the global economy
- Rising food and energy prices are having ripple effects across the economy, as seen by a jump in inflation, and are deepening the hunger crisis in developing nations
- The food crisis will continue if trade disputes persist and no political consensus is found.

The global food system is in the midst of its [third major food crisis in 15 years](#). [Droughts](#) in major producing regions, excessive [speculation](#) in agricultural markets and [demand for biofuels](#) disrupted the market in 2007/8. Between 2010–2012, [spiraling oil prices](#), [biofuel mandates](#) and trade barriers triggered a new crisis. This year, extreme weather, the worldwide pandemic and a conflict between two agricultural superpowers have pushed cereal and vegetable oil prices [higher than during the 2008 crisis](#), while the [FAO Food Price Index reached its highest level](#) since its inception in 1990 in March 2022.

Together, Russia and Ukraine account for [12% of global calories](#), supplying [28% of globally-traded wheat](#), [29% of barley](#), [15% of corn](#) and [75% of sunflower oil](#). Russia's invasion has thrown these supplies into disarray and unsettled an already-fragile global food system. By [blockading Ukrainian](#) ports and suspending its [fertiliser exports](#), Russia has put Ukrainian farmers and the region's food production under extreme stress – for example, an estimated [30%–50% of the country's wheat fields will not be planted](#) this year, while [20%–30%](#) of winter cereals, maize and sunflower seeds currently planted will not be harvested during the 2022/2023 season.

Market disruption

This has led to substantial global supply constraints for such foodstuffs, causing prices to jump. [Wheat prices soared by 68%](#) in May, compared to the January average, while [fertiliser costs have risen by 30% since the beginning of 2022](#), following an 80% spike last year triggered by high natural gas prices (a key component of fertiliser prices) in Europe.

According to the [World Bank's April 2022 Commodity Markets Outlook](#), high food price inflation has hit several countries across different income divides. The Ukraine conflict has disrupted global patterns of commodity trade, production and consumption in such ways that are likely to keep prices at historically high levels [until the end of 2024](#).

Hunger on the rise

African countries rely heavily on Russia and/or Ukraine for food supplies, having [imported 44% of their wheat](#) from both countries between 2018 and 2020. Countries such as Somalia, Senegal and Egypt rely on one or both of Russia and Ukraine for [between 50% and 100%](#) of their wheat. Eritrea, for instance, sources [all of its wheat](#) from the two countries. Since the start of the year, wheat prices in Kenya have [risen by 58%](#), largely due to the deficit in imports from Ukraine and Russia. These price spikes, along with trade and import disruptions, [are having a devastating impact](#).

The UN has said the war's impact on the global food market alone could [cause up to 13 million more people to go hungry](#), with Arab and African countries most at risk. The World Food Programme estimates that the number of severely food insecure people (defined as those that have run out of food and gone a day or more without eating) [doubled from 135 million pre-pandemic to 276 million](#) at the start of 2022. The ripple effects of the war in Ukraine are expected to drive this number [up to 323 million in 2022](#).

Protectionism intensifying crisis

After months of Russian embargo, Ukraine and Russia reached an [agreement on 22 July](#) to enable the resumption of grain and other agricultural commodity shipments from Ukrainian Black Sea ports. However, ongoing Russian provocations on Ukrainian territory have brought the [agreement to a standstill](#). Amidst this uncertainty, the world's economies have been trying to find solutions to ensure better food access, although these have been undermined by the introduction of [protectionist measures](#) - in an effort to secure domestic sufficiency, governments have been [stockpiling, restricting food trade and banning fertiliser exports](#).

Argentina has [increased taxes on soybean oil and meal exports](#) and lowered the cap on wheat exports. India has [banned wheat exports](#) while Malaysia has [halted chicken exports](#). Export restrictions are generally taken in order to protect the domestic consumer and ensure there are no supply shortages, however they can [intensify global food insecurity](#) and cause price jumps - during the 2007/08 food crisis, export restrictions accounted for [40% of the increase in agricultural prices](#). The scale of current restrictions is greater than in 2007/08, affecting [17.3% of total calories traded globally](#).

Other governments, such as the [US](#), [Ireland](#), [Canada](#), [Mexico](#) and the [EU](#), have suggested increasing food production, which may result in an expansion of cropland. However, according to an [analysis of the EU market](#), increasing cropland is problematic. One driver of the [food price crisis is the cost of fertilisers and the fossil fuels](#) used to produce and transport them. Producing more food would need the use of additional fertilisers and fossil fuels, which could exacerbate climate change and biodiversity loss and [result in minimal price reductions](#).

Cooperation and support key

We have [more than enough food to sustain us](#). To appropriately address food security and increase access, experts call for a proactive approach focused on the [engagement of governments and international development partners](#). It is also essential to continue funding the [World Food Programme's emergency-relief efforts](#). But beyond immediate humanitarian assistance, governments must equip the world's most vulnerable with the safety nets they require to overcome the current crisis, according to the [International Food Policy Research Institute](#). Measures such as cash transfer programmes and enhanced aid to

smallholder farmers, such as access to credit schemes, markets and healthy food, [have the potential to strengthen food system resilience](#) in affected regions such as Sub-Saharan Africa and the Middle East.

Meanwhile the G7 has urged all nations to ["keep their food and agricultural markets open"](#) and work to maintain free trade flows. Protectionist policies are harmful to the global market and governments must work together to [prevent stockpiling](#). Comprehensive action and consensus on what needs to be done in the medium-to-long term will be critical to avoid a lasting crisis.