

WAR IN UKRAINE LEADING TO GLOBAL FOOD CRISIS

June 14, 2022



By *John B. Thomas*

As the war in Ukraine enters its fifth month, the reverberations around the globe continue. In particular the impacts of the war on our global food system are starting to be felt, as the world has been largely cut off from one of its main sources of grain, resulting in a near doubling of the price of wheat and the UN Food and Agriculture Organization's price index reaching an all-time high. As a result, the World Food Programme (the food-assistance branch of the United Nations) predicts acute hunger will increase by 47 million people in 2022, a rise of 17 percent, with most of those affected being in low-income countries. The longer this war continues the more likely it is that this crisis will spread, leading to mass hunger, famine, and malnutrition.

PANDEMIC SUPPLY CHAIN DISRUPTIONS THAT HAVE BEEN PERVASIVE FOR THE PAST TWO YEARS STILL HAVE NOT RESOLVED, ESPECIALLY WITH ONGOING LOCK-DOWNS THROUGHOUT LARGE SWATHS OF CHINA.

The roots of this global food crisis are acute, but made worse by the ongoing crises as well as structural issues with our global food system. On the acute side, there is no question that the war in Ukraine is disrupting the world's breadbasket in a catastrophic way. Before the war, Ukraine alone produced 12% of the planet's wheat, 15% of its corn, and 50% of its sunflower oil. Yet that food which could feed millions has been stuck in warehouses and silos in Ukraine due to the Russian navy's effective blockade of Ukraine's port cities such as Odesa and Chornomorsk, depriving the world of one of its primary sources of staple crops. The World Food Programme has gone so far as to call this blockade "a declaration of war on global food insecurity."



PHOTO BY GENNADIY BURDA VIA WIKIMEDIA COMMONS

Sunflowers for as far as the eye can see, in Poltava Oblast, Ukraine.

The war is exacerbating other ongoing pandemic, climate, and economic issues as well. Pandemic supply chain disruptions that have been pervasive for the past two

years still have not resolved, especially with ongoing lockdowns throughout large swaths of China. Warming temperatures and associated water shortages are affecting crop yields in other parts of the world, reducing the food system's resilience to shocks. Energy prices are astronomical, making it more expensive to produce fertilizer and run farm equipment (fertilizer prices have increased 70% in Kenya, for example)—all this at a time when more food supply is needed. Russia is also a leading supplier of fertilizers and natural gas and although they are not yet subject to western sanctions, sales have been upended by efforts to disrupt the Russian financial system and as a result, Russia has restricted exports. Add these challenges to inflation and rising food costs that are the highest they have been in 40 years, and the acute nature of the global food crisis comes more clearly into view.

BEFORE THE WAR, UKRAINE ALONE PRODUCED 12 PERCENT OF THE PLANET'S WHEAT, 15 PERCENT OF ITS CORN, AND 50 PERCENT OF ITS SUNFLOWER OIL.

Structurally, our global food system is not easily able to adapt to the loss of such a major producer as Ukraine. Only seven countries make up 86% of all wheat exports, and three countries hold 68% of the world's wheat reserves. Conversely, 36 countries rely on Russia and Ukraine for more than 50% of their wheat imports. As such, the global wheat system is extremely concentrated and interconnected. Given this reality, changing to alternate sources of supply will be more difficult (for example, to ship wheat from Argentina to countries in Africa instead of from the Black Sea), further increasing costs. The US is expected to ship more corn to net importing countries to cover some of the balance, putting further pressure on our agricultural system to increase corn production.



For now, the consequences of this crisis are hitting the poorest the hardest. Poor consumers in low-income countries often spend upwards of 50% of their income on food, and so they are extremely sensitive to changes in price, especially for staples like bread. As a result of increased prices, many tens of millions are likely to face mass hunger, famine, malnutrition, and possible starvation. Experts predict that this problem will be acute in low-income countries.

It is unlikely that this crisis will be constrained to low-income countries for long, however. European and American consumers are already facing tough choices due to record high food and energy prices that seem unlikely to abate any time soon.

Global aid agencies have stepped quickly into the fray, committing tens of billions of dollars in food aid. The World Bank recently announced an additional \$12 billion in aid (on top of an earlier package of \$18 billion) for a total of \$30 billion dollars to boost food and fertilizer production, support trade, and support vulnerable households and producers globally. The aim of this assistance is to increase the supply of energy and

fertilizer, help farmers increase plantings and yields, remove policies that block exports and imports, stop diverting food to biofuel, and discourage unnecessary storage.

Ultimately experts believe this crisis will not abate without reintegrating Ukraine's food production into the global food system, a prospect that seems increasingly unlikely in the near term due to the intense escalation in fighting and present lack of negotiations between Russia and Ukraine. Until then, it is likely that food and energy prices will continue to remain high, driving up prices even for staple foods.

To date, the Coop has been largely insulated from these changes, seeing impacts only in the form of increased prices across the board due to inflationary concerns across the economy. But the longer the war ravages on, the more likely it is that these inflationary pressures (and associated high prices) are here to stay. It will take time (and money) to shift to alternative sources of supply, if that is even possible.

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Coop members are not totally powerless to watch this crisis unfold. The World Food Programme runs entirely on donations, and is currently facing a 50% budget shortfall due to the increase in food prices. Donations to the WFP will go directly towards reducing hunger and averting famine in the hardest hit areas of the world.

Beyond that, we can demand that our policymakers remove protectionist trade policies to ensure the food, fertilizers, and humanitarian supplies are exempt from sanctions, and encourage greater market transparency to avoid profiteering behavior. After that, all we can hope for is a swift end to the violence.

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