

WAR IN EUROPE DEEPENS SUPPLY CHAIN ISSUES

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By Hayley Gorenberg

Russia's attack on Ukraine has disrupted farming and exports of grain and sunflower oil around the planet, complicating already tenuous supply chain issues in ways the Coop may feel—even if Brooklyn is almost 5,000 miles away from the current armed conflict.



RENOWNED AS THE “BREADBASKET OF EUROPE,” UKRAINE IS AMONG THE TOP PRODUCERS OF GRAIN

PHOTO BY JOHN MIDGLEY

Renowned as the “breadbasket of Europe,” Ukraine is among the top producers of grain and is the top exporter of sunflower oil in the world, producing almost 46% of all sunflower oil. As farming—and indeed, farmers themselves—are endangered by the weeks-old war, and ports cease to operate normally, markets and then consumers feel the impact. Multiple news sources noted that in March the price for wheat per bushel had risen to the highest level in 14 years, surging nearly 80% over the previous year. Some days recorded consecutive days “at ‘limit up,’ meaning [wheat] reached the highest amount the price of a commodity is allowed to increase in a single day.” As one Coop supplier stated, “This is nearly \$400 or 40% higher than any pricing in the 21st century,” they emailed, anticipating that “all markets will see a price increase in the coming weeks.”



While the impact may be most severe on countries closer to the conflict—those countries that have depended directly upon Ukraine’s production—the entry of additional buyers looking for grain in a more global market will be felt in the United States. By some estimates, Ukraine and Russia “each provide about six percent of the globally traded supply of food energy in kilo calories.” David Beasley, Executive Director of the United Nation’s World Food Program, underscored the harm to this pivotal agricultural region, saying, “the food security impact of the conflict will likely be felt beyond Ukraine’s border, especially on the poorest of the poor.”

Wheat is notably affected, but U.S. production may provide a price buffer for American consumers. With regard to wheat specifically, even as Russia is the world’s largest wheat exporter (accounting for about one-quarter of all exports), the United States is also a net exporter of wheat, according to material received by the Coop’s purchasing department from a vendor—which aligns with information in news sources. The Coop vendor noted that nonetheless, “with nearly one-third of the

world's wheat exports offline or limited, there is severe constraint on the global market, causing prices to increase." Entering into the mix, many countries have sanctioned Russian wheat exports, and Ukraine, previously the fifth-largest wheat exporter (accounting for nine percent of all wheat exports), has halted all exports.

With food prices on the rise, some political analysts are tying the pressures to increased risk for civil unrest, particularly in areas dependent on wheat from Russia and Ukraine, such as swaths of the Middle East and North Africa. Price increases exacerbate pressures exerted by COVID, as well as climate disasters like floods and droughts. In an article in CNN Business on Egypt's recent cap on the price for bread, Nadeen Ebrahim wrote: "For Egypt and other Middle Eastern nations grappling with the ripple effects of the war, [prices are] a cause for concern. Just ten years ago, revolutions across the region toppled longtime dictators partly because of a rise in the price of commodities. 'Bread, freedom, social justice!' was among the most popular chants on the streets of Egypt during Arab Spring protests."

Meanwhile, a Coop vendor wrote that fuel costs are "contributing to everything," ticking off trucking delays, import delays, European logistics in turmoil due to the conflict and soaring oil prices "further increasing finished flour pricing."



General Coordinator Joe Szladek, who manages the Coop's buying departments, first cracked wise when asked about the war's impact, quipping, "We stopped carrying everything from Russia, and we can't get Ukrainian garlic!" but quickly got serious about a melange of pricing impacts. He pointed to the challenge of disaggregating war impacts from higher gas prices and transit issues. "It's a big stew," he said, remarking that prices for food and fuel may not have climbed as high if a "tenuous supply chain" had not already been a significant issue.

"Vendors tell us that the increases in fuel charges are really affecting them," said Szladek. Some of them are weighing overall increases to their product prices, or a fuel surcharge keyed to energy costs. "Distributors are trying to figure out how to make it most palatable," he said. He mentioned "some rumblings from vendors that things are a bit chaotic." Fuel costs also impact the cost of fertilizer, because natural gas is used to produce nitrogen fertilizers.

Szladek pointed out that the intersecting challenges have mounted over time. "These

things take a little while to reverberate through the system,” he said, noting that staffing issues in January and February meant that on occasion, “we weren’t getting entire trucks from distributors, because they couldn’t staff their warehouses.” The problems persist, he said. “We still have distributors occasionally canceling orders. It’s just across the board. It’s kind of whack-a-mole.”

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