

# WAR IN UKRAINE LEADING TO GLOBAL FOOD CRISIS

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PHOTO BY RAIMOND SPEKKING VIA WIKIMEDIA COMMONS

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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member since 2012.

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## 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 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 21<sup>st</sup> century,” they emailed, anticipating that “all markets will see a price increase in the coming weeks.”



PHOTO BY JOHN MIDGLEY

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."



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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