Spotlight | The impact of the war in Ukraine on global food crises

While the war in Ukraine has had devastating impacts on the country and its people, it has also created ripple effects around the world.

When the war began in February 2022 – after eight years of conflict in the eastern parts of the country – the global economy was still recovering from the effects of the COVID-19 pandemic, and many low- and middle-income countries had limited capacity to cope with an additional shock due to growing debt, high inflation, rising commodity prices, slower growth and tightened financial conditions. These macroeconomic challenges intensified with the start of the war and jeopardized the food and nutrition security of millions beyond Ukraine's borders.

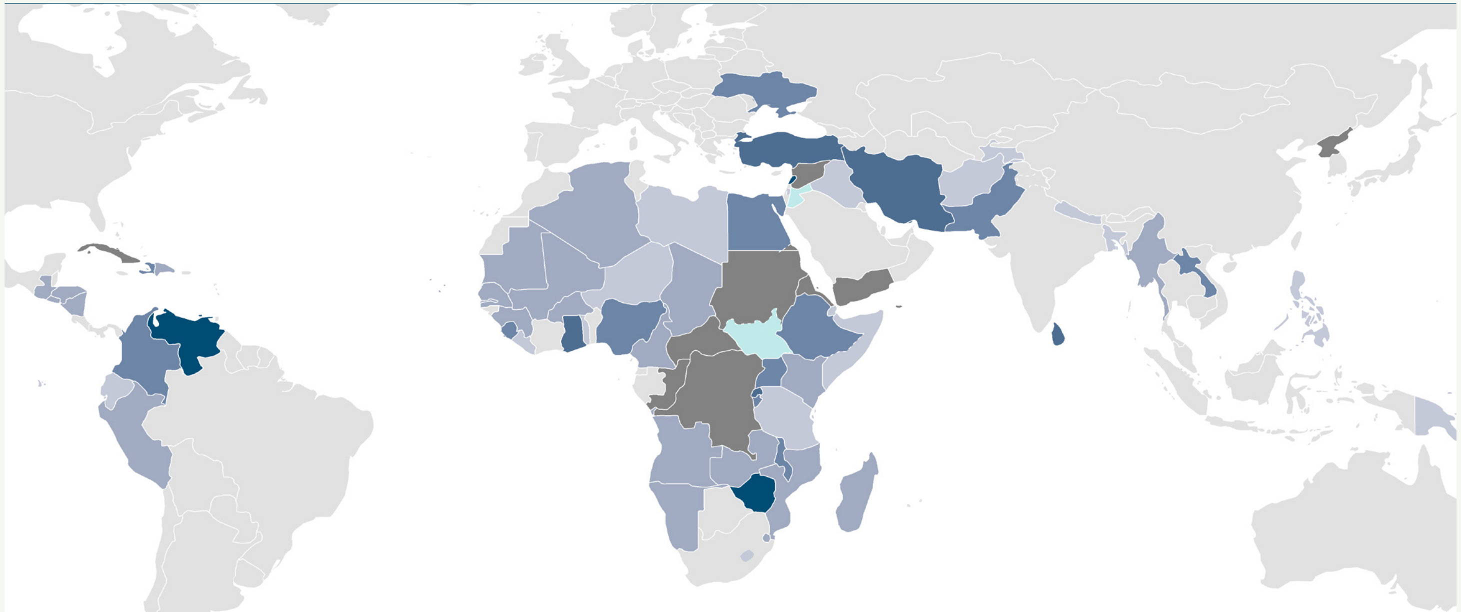
Already high prices rose further with the onset of the war

The Russian Federation and Ukraine were major suppliers of agricultural commodities, exporting around a quarter of the world's wheat and barley and more than two-thirds of its sunflower oil in 2021 (FAOSTAT, February 2023). The war, subsequent closure of Ukrainian Black Sea ports and increase in protectionist trade policies led to a sharp contraction in the global supply of staple goods, causing food prices to rise beyond their pre-war high. In March 2022, the global food price index reached its highest level since FAO records began, with the largest spikes seen in the cereal and vegetable oil indices (FAO, February 2023).

The war also caused already-elevated fertilizer and freight costs to surge, indirectly placing additional upward pressure on food prices by increasing the cost of production and transport. In 2021, the Russian Federation was the top exporter of nitrogen fertilizers, the second leading exporter of potassic fertilizers and the third leading exporter of phosphorous fertilizers (FAO, December 2022). Although sanctions did not target food or fertilizers, full or partial bans on imports of Russian energy commodities and increased transport and insurance costs contributed to higher fertilizer prices, especially nitrogen-based ones, for which natural gas is a key production input. In response, the Russian Federation imposed a series of export restrictions on food and fertilizers,[1] including exports of nitrogen and complex-nitrogen fertilizers, which further complicated the situation (USDA, June 2022).

MAP 1.2

Percentage increase (December 2021–22) in the price of staple foods in GRFC-qualifying countries/territories



<0 percent | 0–10 percent | 11–20 percent | 21–50 percent | 51–100 percent | >100 percent | Data unavailable | Country not selected for analysis

Algeria, Egypt, Iran, Jordan, Rwanda and Türkiye were selected for inclusion in the GRFC only because they were hosting refugee populations in need of humanitarian assistance.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

Source: WFP Dataviz, 2023.

Freight costs also rose dramatically with the lack of access to Black Sea ports, destruction of infrastructure, trade restrictions, increased insurance costs and higher fuel prices. Countries compensated by importing critical components and commodities from different markets, which often increased transit times and costs. Between February and May 2022, the price of transporting dry bulk goods, such as grains, increased by nearly 60 percent and was expected to lead to a nearly 4 percent increase in global food prices (UNCTAD, June 2022).

To address potential supply disruptions shortly after the war began, countries introduced export restrictions on food and fertilizers in the form of bans, quotas, licensing requirements and taxes, which were meant to protect domestic supply and contain price increases. However, these measures came at the expense of global markets, fuelling disruptions and further unsettling prices. At this trend's peak in May 2022, nearly 17 percent of global food

1 See the full list of Russian export restrictions here: https://www.foodsecurityportal.org/tools/COVID-19-food-trade-policy-tracker.

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and feed exports (expressed in calories) were affected by restrictions implemented across 23 countries (IFPRI, January 2023).

International commodity prices have declined but remain well above pre-pandemic levels

Prices for food, fertilizers, energy and freight began to recede mid-2022 due to a variety of factors, but they remain well above pre-pandemic levels. The reduction in commodity exports from the Russian Federation[2] and Ukraine was partially offset by exports from countries such as Argentina, Australia, Brazil, the United Kingdom and the United States of America (UNCTAD, June 2022), and from the European Union. The expiry of some countries' protectionist policies helped to ease upward pressure on commodity prices (IFPRI, January 2023).

An additional factor in the fall in global prices and stabilization of commodity markets was the signing of the Black Sea Grain Initiative by the Russian Federation, Türkiye and Ukraine in July 2022. The agreement allowed for the renewal of agricultural commodity exports from selected Black Sea ports in Ukraine, and the concomitant memorandum of understanding facilitated food and fertilizer exports from the Russian Federation (UN, July 2022). The initiative was extended for 120 days in November 2022 and then again in March 2023 for an unspecified amount of time (UN, March 2023).

Knock-on impacts have contributed to a cost-of-living crisis

The current global inflationary surge started with global supply chain bottlenecks linked to the socioeconomic effects of the COVID-19 pandemic and was then exacerbated by the war in Ukraine. Global inflation has been pushed higher since 2021 due in large part to the increase in food prices, reaching a four-decade high of 8.8 percent in 2022 (IMF, October 2022). The International Monetary Fund (IMF) estimated that, from 2021 to mid-2022, food price inflation alone eroded global living standards at the same rate that headline inflation did over the five years that preceded the COVID-19 pandemic (IMF, September 2022).

While every country was negatively impacted by food price inflation and cost-of-living increases (WB, August 2022; WB, February 2023), the magnitude of these impacts was not homogeneous and greatly depended on countries' exposure and coping capacity. Low- and middle-income countries were more vulnerable (CGIAR, March 2023; IMF, September 2022) and, as a result, millions of people in food-crisis countries/territories were driven back into poverty (UNDP, July 2022). High food prices adversely affect low-income populations, as they spend a larger share of their incomes on food. These households also tended to rely more heavily on cereals and other cheaper, energy-dense foods, which left them more open to the market volatility witnessed during 2021 and 2022 (CGIAR, March 2023).

Increasing magnitude and severity of food crises

The war in Ukraine intensified the magnitude and severity of food crises by exacerbating food access issues at both the macro and household levels. At the start of 2022, many GRFC countries'/territories' economies were under fiscal pressure and vulnerable to additional shocks, and were dragged further into a cycle of high prices, inflation, increasing debt burdens and currency depreciation with the onset of the war.[3] The ability of governments to mitigate risks and insulate citizens from food price inflation and cost-of-living increases through policy measures, such as stimulus payments and subsidies, was limited given their overextended public budgets after the COVID-19 pandemic.

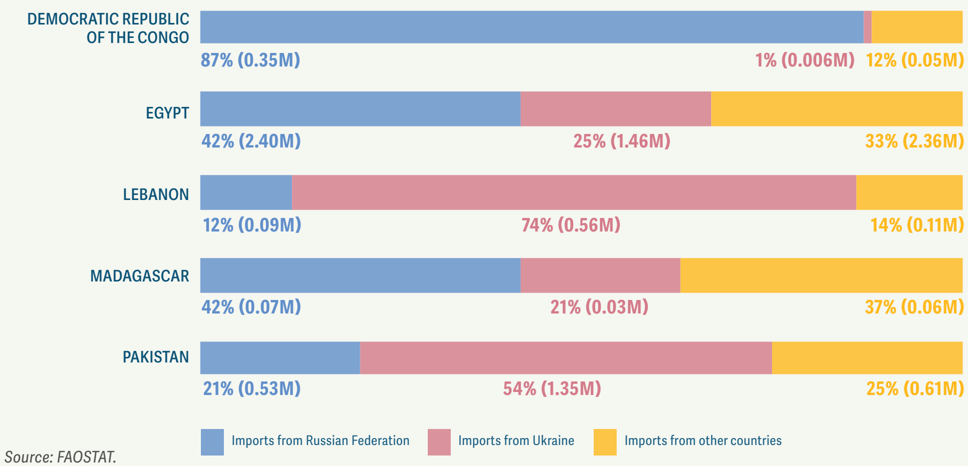
In 2022, 78 percent of the 42 countries/territories identified as major food crises in the GRFC 2023 were net food importers. Many, especially those in Africa and the Middle East, sourced staple foods from the Russian

2 The Central Bank of Russia stopped publishing detailed trade data with the start of the war in Ukraine, making it difficult to gauge the country's trade position. The data available suggests that the volume of Russian commodity exports decreased during the first half of 2022 and then increased during the second half.

3 Many of the countries with food crises had additional underlying drivers that contributed to acute food insecurity and malnutrition, such as conflict and climate shocks.

FIGURE 1.1

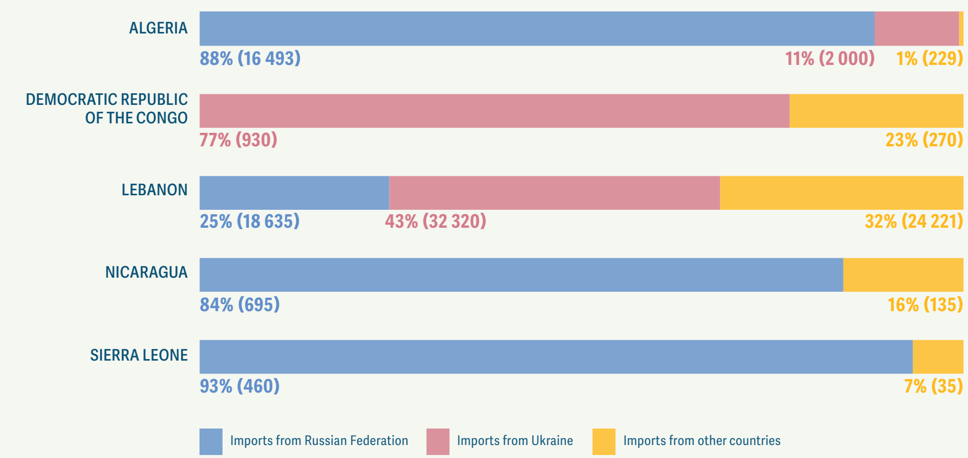
Shares of wheat import volumes from the Russian Federation and Ukraine in 2021, tonnes



Source: FAOSTAT.

FIGURE 1.2

Shares of sunflower oil import volumes from the Russian Federation and Ukraine in 2021, tonnes



Source: FAOSTAT.

Federation and Ukraine in 2021, which further increased their exposure to the price fluctuations in global markets. *See figures 1.1 and 1.2.*[4]

GRFC country/territory import dependence extended to fertilizers from the Russian Federation and Belarus too, with more than 60 percent of them being fully reliant on imports of nitrogenous, phosphate and potash fertilizers – over half of which were countries with major food crises (IFPRI, February 2023). Unlike with food imports, fertilizer dependence was spread across Latin America, Africa, the Middle East and Asia.

Elevated international commodity prices in 2022 meant that GRFC countries/territories were spending more to import less food and fertilizers, which is particularly detrimental to the net food importers (FAO, November 2022). These widening trade deficits then weakened local currencies. The US dollar appreciation compounded currency devaluations as most commodities on the global market are priced in US dollars. As a result, food and fertilizer imports became even more expensive in these domestic markets, fuelling overall price inflation and restarting the high price cycle (UNCTAD, June 2022).

By the end of 2022, food prices had increased in all GRFC countries/territories, with food inflation being over 10 percent in 47 out of the 73 countries/territories (WFP, February 2023). *See map 1.2*. The rate of change varied throughout the year as prices for certain foods adjusted with crop seasonality, currency fluctuations and/or policy actions. Moreover, nearly all of the countries whose currencies lost value at an abnormally fast rate relative to the US dollar in 2022 were GRFC countries/territories (WFP, February 2023). *See map 1.3*.

As GRFC countries/territories sunk deeper into the high price cycle, the ability of governments to cope with the compounding effect of the war in Ukraine was limited by import reliance and high debt obligations after the COVID-19 pandemic. Before the onset of the war, high volumes of debt qualified over 70 countries to participate in the G20 Debt Service Suspension Initiative, and 36 of the eventual 48 participants experienced food crises in 2022 (WB, February 2023). By the end of 2022, over a quarter of GRFC countries/territories had public debt over 60 percent of Gross Domestic Product (GDP) (IMF, October 2022).

Governments took some measures (mostly temporary ones) to lessen the burden of high prices on vulnerable households. Several GRFC countries/territories were part of the group that imposed export restrictions to improve domestic availability and prices of certain goods. For instance, Lebanon is imposing an export ban on milled grain products, bread, sugar, fruits and vegetables through the end of 2023.

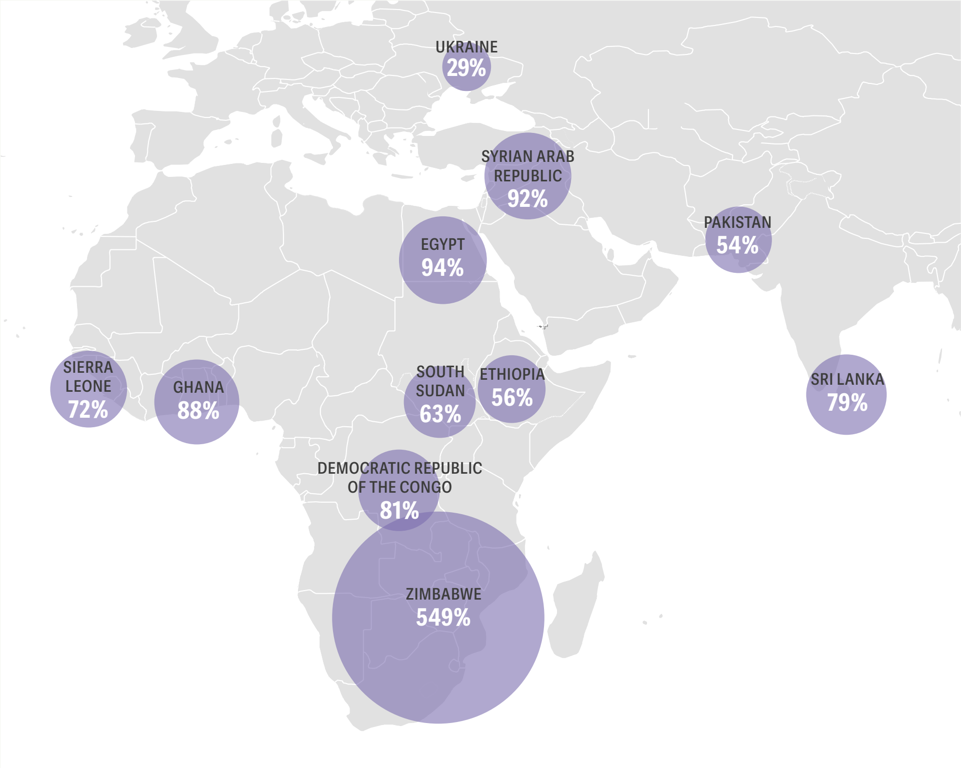
Another group of GRFC countries/territories enacted domestic policies to support vulnerable households. A June 2022 survey by the IMF found that low- and middle-income countries were more likely to implement subsidies, customs duties and/or price freezes rather than cash transfers or voucher programmes (IMF, September 2022). For instance, Ethiopia, Kenya, Nigeria and the United Republic of Tanzania provided production support through fertilizer subsidies while the Government of Honduras distributed seeds and fertilizers to households in extreme poverty in vulnerable regions.

Despite the implementation of policies to insulate citizens, vulnerable households in GRFC countries/territories bore the brunt of the impacts. Many had previously taken on debt, sold assets and/or depleted food stocks to cope with the livelihood losses and inflation from the COVID-19 pandemic and had to continue these practices into 2022 (WB, September 2022). To cope with the further reduction in purchasing power, populations with low incomes in both developed and developing countries may be forced to make trade-offs, such as reducing portions and skipping meals, that negatively affect current and future food and nutrition security (FAO, December 2022).

A 2022 analysis found that food inflation was associated with higher risks for wasting and severe wasting: across all children aged under 5 years, a 5 percent increase in the real price of food was associated with a 9 percent higher risk of wasting and a 14 percent higher risk of severe wasting (IFPRI, December 2022).

MAP 1.3

Food-crisis countries with the largest local currency depreciation relative to the US dollar, December 2022–February 2023



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Source: WFP, February 2023.

4 Total domestic supply of wheat and wheat products, as well as sunflower seed oil, are from 2020. This is the latest data available and indicative of the total supply in 2021 in these countries.