

Position Paper
for
Roundtable Discussion on Global Food Security in Times of War

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1. To what extent do you foresee problems in the coming months relating to food security (in the Netherlands, the EU and/or worldwide), as a result of the war in Ukraine?

- The war in Ukraine has already negatively affected the global food security by triggering the reduction of the volume of grains and oilseeds available on global markets and the increase in farm input prices (i.e., fertilizers and energy).
- This war has compounded multiple ongoing crises, such as increased frequency of droughts and floods (climate change), trade and market distortions (policies), increased conflict and displacement (conflict), and Covid-19 pandemic (economic). These crises drove food and farm input prices to already high levels and volatility.
- Acute food insecurity – both number of people in crisis conditions [193 million in 55 countries] and those highly vulnerable and in stressed conditions – has been rising since 2016, when the Global Network Against Food Crises started monitoring this. The war in Ukraine will increase this already large number further by 33-47 million as projected by the World Food Program.
- Especially negatively affected are the countries in Middle East and Northern Africa, sub-Saharan Africa, and Asian countries, which historically imported large volumes of grains and oilseeds from Ukraine.
- In this Paper, I would like to focus on the period beyond the ‘coming months’, which is more important. Let me explain why. The war in Ukraine is unlikely to end soon, even if it is so difficult for me to accept this as a Ukrainian. This probability and uncertainty are already factoring in the global economic forecasts. The World Bank Commodity Markets Outlook report, released on 4/26/2022, says that the war in Ukraine has dealt a major shock to commodity markets, altering global patterns of trade, production, and consumption in ways that will keep prices at historically high levels through the end of 2024. So, the expected impact will go much beyond the next several months.

¹ This position paper is a product of the staff of The World Bank. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent.

- Just think about it – prior to the war, Ukraine had already exported 80 percent of its planned wheat export for the marketing year 2021/22, 100 percent of barley export, 65 percent of corn export, 60 percent of sunflower oils, and 100 percent of rapeseeds. This is 51 million tons of export altogether, already available on the global markets.
- How much will Ukraine be able to export from 2022 harvest? To export the 2022 harvest Ukraine needs first to produce it. The country and its people are progressing well in this respect. The spring planting has covered about 70 percent of the area planted in 2021. Even if actual agricultural production will be only 50 percent of the 2021 level, a lot of agrifood stocks will be available in Ukraine for export. In fact, these stocks must be exported, as the domestic market cannot absorb it all and cannot store all at once.
- Currently, the maximum annual capacity of Ukraine's export routes alternative to Black Sea is estimated at 18-20 million tons. This includes the export to Poland by railways and trucks, and to the river ports Reni and Ismail on Danube to Romania. Unless the capacity of these routes increases along with the urgent enhancement of logistics and simplifying sanitary and phytosanitary procedures at the border crossing points, the export volumes will be only 35 percent of that before the war.
- The EU, India, USA, and Australia can increase production of wheat and other grains, but only to partially compensate for the lower supply from Ukraine and Russia. Many experts believe that a full replacement is unlikely in the near term. Costly shipping and logistics and high energy and fertilizer prices would prevent large supply response. Many looked at India with hopes of its increased exports few weeks ago, and even Egypt welcomed more wheat imports from India, restricting it in the past over quality and phytosanitary concerns. A few days ago, however, it became clear that this increased export from India will not materialize due to the sharply reduced projections of the 2022 wheat harvest affected by the current extreme heat and drought in main producing areas.
- The high-income countries such as the Netherlands and majority of other EU members will withstand this shock. The EU agricultural production is not expected to decline in 2022/23 even at the increased input prices. Food inflation will rise, but households will be able to cope, and targeted assistance can be provided to low-income households who cannot.
- The food security situation will be different in developing countries, especially large importers of food, who were already hit by the Covid-19 pandemic and now by the historically high food prices and droughts, especially Africa.
- Add to this high energy prices and their negative impact on producing, harvesting, and transporting food during the next several seasons. The increase in energy prices over the past two years has been the largest since the 1973 oil crisis. The sharp rise in prices of energy and fertilizers will reduce food production, particularly in developing economies. Lower input use will weigh on food production and quality,

affecting food availability, rural incomes, and the livelihoods of the poor. Fertilizer prices are 3 times higher, in real terms, in 2022 compared to 2021. By 2024, the World Bank's Commodity Markets Outlook projects, fertilizer prices are expected to fall, but remain at twice their level in 2020.

- The global fertilizer market was already under severe stress before the war. Because nitrogen-based fertilizers are produced from natural gas (or coal in the case of China), high prices of these commodities had already pushed some fertilizer prices to their highest level since 2010. Trade restrictions could further disrupt global fertilizer supplies, as Russia (and Belarus) are important exporters of potassium and nitrogen-based fertilizers. Thus, the impact of the current crisis on the agriculture sector is expected to have long-term effects.

2. *What are the main causes of this?*

- The main cause of the heightened situation on global food and energy markets is the Russian invasion of Ukraine.
- The main causes of increased food insecurity in developing countries are: (i) the increased global food and input prices, which are being transmitted to local markets; (ii) trade restrictions imposed by exporters, which further contribute to the increase in food prices; and (iii) underinvestment in resilient and inclusive agriculture at home.
- Trade restrictions imposed by some exporters put even more pressure on global food prices adding more uncertainty and volatility. Kazakhstan, for example, has recently introduced the export quota for wheat (in the amount of 1 million ton) and wheat flour (in the amount of 300 thousand tons) during April-June 2022. This export quota is restrictive as last year during the same period Kazakhstan exported 1.7 million tons of wheat and 424 thousand tons of flour. The demand this year is probably higher than it was last year, so this quota exacerbates the already heightened pressure on the regional food market in Central Asia.
- Underinvestment in agriculture by developing countries is also a serious problem. It takes various forms. Although the average agricultural productivity in these countries is well below potential, so there is a potential for growth, the public investments in agricultural general support services (i.e., ag research and advisory services, irrigation and other rural infrastructure, SPS, food safety, agrometeorology and other information services, public stocks, etc.) are often low and crowded out by direct farm payments, often in the form of recurrent input and output subsidies rather than investment support of farmers via matching grants. Climate change, bringing more uncertainty and volatility, further weakens supply response. As a result, farmers lack support that help overcome many market failures and now also climate change. This leads to local underproduction and overreliance on food imports.
- For more detailed information, see the recent World Bank reports with many recommendations on how to resolve the problems of low agricultural productivity (*Harvesting Prosperity: Technology and Productivity Growth in Agriculture. 2019*) and

repurpose agricultural public expenditures for more resilient and inclusive agriculture (*Repurposing of Agricultural Policies and Support, January 2022*).

3. What possibilities do you see for resolving these problems?

- In March 2022, the World Bank prepared a note on responding to global food security implications of Russia's invasion of Ukraine for the G7 meeting. Its recommendations are still valid today:
 - a. *Facilitate unhindered food trade:*
 - i. Build international consensus (G7, G20, others) and commitment to avoid export restrictions that exacerbate global food price increases.
 - b. *Support producers:*
 - i. Provide producer support to ensure next season's production, remove input trade barriers, focus on more efficient use of fertilizers, repurpose public policies and expenditures to better support farmers,
 - ii. Replenish Global Agricultural and Food Security Program (GAFSP) managed by the World Bank
 - c. *Support consumers:*
 - i. Scale up nutrition-sensitive social protection programs and scale up early-response financing mechanisms to protect vulnerable households.
 - d. *Invest in sustainable food and nutrition security:*
 - i. Strengthen food systems to make them more resilient to rising risks (conflict, climate, pests, diseases), trade disruptions and economic shocks - balance immediate/short term needs with long-term investment for transforming the food system.
 - ii. The World Bank estimates that one dollar invested in resilience can save three dollars to be spent on humanitarian assistance in the future.
- Critical for the global food security would be to end the war. Without it, global food insecurity will grow direr with each day. As mentioned above, the supply of grain and oilseeds by Ukraine and Russia is not easy to replace by other exporters, while the logistical bottlenecks inside and outside of Ukraine will prevent a full replacement of Black Sea export by Ukraine through alternative routes. Higher farm input prices will reduce the food supply response, especially in low-income countries. So, altogether, if the war continues, global food security will remain under threat.
- The EU and the Netherlands can contribute to resolution of food security problems in the number of ways, including the following:
 - a. Remove all quantitative import restrictions for Ukraine's export, going beyond the current "one year only" proposal. Only a permanent removal of import

quotas for Ukrainian exports is adequate to provide a meaningful support to Ukraine's economy in short run and integrate it in EU value chains in long run.

- b. Support investments in hardware and software on cross-border points with the EU (mainly Poland and Romania) to accelerate Ukraine's agrifood export
- c. Contribute to the preparation and funding of a large-scale, internationally coordinated food assistance and food aid response, for example through the World Bank's managed GAFSP.
- d. Resist the temptation of any temporary export bans or quotas
- e. Rethink the EU CAP. The Russian invasion of Ukraine forces us to acknowledge that agricultural policy has a geopolitical dimension and that making the EU agriculture more productive and sustainable are both critical, rather than increasing sustainability at the expense of productivity, which has been a recent trend.

4. What are your expectations regarding the long-term impact of the war in Ukraine on food security?

- The long-term effects of Russia's invasion are impossible to predict because they depend on how soon and under what conditions the conflict is resolved.
- In a pessimistic scenario, protracted conflict would have a destructive impact on global food security. At the other, more optimistic scenario, rapid resolution of the conflict and Russian withdrawal from Ukrainian territory would allow for quick repair of (so far) limited damage to agricultural production capacities and export infrastructure. Under these circumstances, Ukrainian production and exports might return to pre-conflict levels within perhaps 2-3 years. Which path is taken, hopefully as close as possible to the optimistic extreme, will determine how much suffering not only the Ukrainian people but also hundreds of millions of food insecure individuals worldwide will have to endure in the coming years².
- Even at the optimistic scenario, however, we are likely to see that the cost of food production increases and trade restrictions become a norm. Many countries would backtrack on reforms and revert to the costly food self-sufficiency policies, hurting their food security in the long run. The trust to global markets will further weaken, and more attention will be paid to producing/processing higher-value products locally rather than exporting low-value commodities, often with subsidies.
- More resolve at the international level is needed to help reduce the distortions of agricultural markets and domestic policies, restore the trade, and increase the trust in global markets. Otherwise, the price of the war in Ukraine will exceed all our current estimates.

² See more details in von Cramon-Taubadel, S. (2022): Russia's Invasion of Ukraine – Implications for Grain Markets and Food Security. University of Göttingen, Germany.