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Davit Natroshvili

The War in Ukraine and the Threat of a Global Food Crisis

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Introduction

Russia's invasion of Ukraine has deepened the world food crisis and put millions more at risk of starvation. As a result of the fact that Ukraine and Russia are the world's largest exporters of wheat and grain crops, and since Ukrainian wheat exports have practically ceased, with Russia using its own wheat stocks as a tool to pressure the West, there is a shortage of wheat on the world market and the price has risen to a record high.

The food crisis, in addition to the humanitarian one, also has a political dimension - it is possible that, as in 2008 and 2011, the increase in the prices of food products will lead to political destabilization in certain countries or regions (Harvey, 2022).

Attempts by the West to restore the supply of Ukrainian and Russian wheat to the market have not yet yielded results. In light of the impending crisis, issues related to the volume of food stocks and local yields are becoming more and more important in import-dependent countries. However, the challenge in this regard is the limited availability and increased prices of grains and fertilizers, which puts the food security of import-dependent countries at serious risk. At the same time, the impending food crisis can become an opportunity for individual states to increase their influence in the world.

The World Food Crisis: Causes and Predictions

The food crisis in the world has been deepening over the past two years and is causing existential problems for more and more people. The crisis does not have one specific source - it comes as result of a combination of various factors. However, a few can be singled out among them which most affect the availability of products, the increase in prices, and yields and, therefore, precipitate the food crises. These factors are: conflicts, economic shocks, and weather extremes (FAO, IFPRI, WFP 2022, 22-23).

As a result of the impact of these factors, even before the war in Ukraine, according to “the Global Report on Food Crisis 2022”, 193 million people in the world were already experiencing a food shortage. Their geographical location included 53 countries in Africa, Asia, and Latin America (FAO, IFPRI, WFP 2022, 22). Most of these countries are characterized by a low level of economic development and a high dependence on imports. Therefore, it is expected that the negative changes caused by the Russia-Ukraine war in the world market of food products and, in particular, wheat, will further aggravate the unfavorable situation there in terms of food security. The Food and Agriculture Organization of the United Nations estimates that an additional 11 to 19 million people may find themselves in a food crisis in 2022-2023 as a result of the war (La Tribune, 2022).

The effect of the Russia-Ukraine war

The negative consequences that Russia's invasion of Ukraine could have on world food security came to the attention of the international community shortly after the start of the war. Before the war, Ukraine and Russia supplied the world market with 33% of wheat, 27% of grains, 17% of corn, 24% of sunflower seeds, and 73% of sunflower oil. Many countries facing a food crisis benefited from the import of the aforementioned products. In 2020, 34% of Ukrainian wheat and corn exports, and 73% of Russian wheat exports came to these countries. The largest consumers of Russian and Ukrainian wheat from the countries facing a food crisis were Yemen, Sudan, Nigeria, and Ethiopia, which belong to the group of the most vulnerable countries (FAO, IFPRI, WFP 2022, 29).

Another product that can affect the global food crisis is fertilizer. The largest supplier of fertilizer in the world is the Russian Federation, and, at present, there is no export. Fertilizer exports are directly connected to the grain crop yields in many regions of the world. Honduras, Cameroon, Guatemala, Sierra Leone, Nigeria, Mozambique, and Kenya are particularly dependent on Russian fertilizer (FAO, IFPRI, WFP 2022, 29). Restricting access to fertilizer means that Russia-dependent countries will have lower yields in 2022, and the consumer deficit caused by the crisis in the world grain market will increase even more.

Why wheat and fertilizers are not being exported

90% of Ukrainian wheat exports are carried out through the ports of Odessa, Kherson, and Mariupol, which are currently occupied or blocked by Russia. Consequently, Ukraine cannot export its wheat stocks. Attempts to export wheat from Ukraine by land have so far been unsuccessful, and the few supplies that get through to the world market through the Romanian port of Constanta cannot change the overall picture.¹

In addition to blocking exports, Russia is seizing and destroying wheat stocks in Ukraine. Ukrainian officials and representatives of the international community have repeatedly accused Russia of stealing wheat from the occupied country. At the beginning of June, the vice-president of the Council of Agriculture of Ukraine, Denis Marchuk, said that the Russian occupants had transported 600,000 tons of wheat from eastern Ukraine to Sevastopol, which was then transported to the Middle East by cargo ship (Kottasová, 2022). Shortly before this announcement, satellite images taken by "Maxar Technologies" were published in the

¹ One of the main initiators of wheat export by land was France. However, in this regard, we are facing an important logistical problem - the incompatibility of the railway lines of Ukraine and the EU member states, manifested in the difference between the widths of the tracks. The Ukrainian trains loaded with wheat are not able to cross over into the EU member states, and it will be necessary to create transshipment points at the border, which is an inflexible and time-consuming way of dealing with the large volumes of wheat.

international press, which clearly show Russian ships loading wheat in the port of Sevastopol and then unloading the same ships off the coast of Syria (Marquardt and Lister, 2022). Satellite photos also confirmed the bombing and physical destruction of supplies in eastern Ukraine, which leads to the assumption that Russia is artificially trying to cause a famine in occupied Ukraine (Kottasová, 2022).

In parallel with the destructive acts committed against Ukrainian wheat exports (blockade of ports, appropriation of stocks and physical destruction), Russia is also limiting the supply of its own wheat and fertilizers to the world market, which it explains by the Western economic sanctions and the needs of its domestic market. In order to intensify pressure on the international market, on March 14, the Russian government officially banned the export of wheat from Russia to the countries of the Eurasian Economic Union (Kazakhstan, Kyrgyzstan, Armenia). They explained this step by the need to prevent a price increase in the domestic market. However, in fact, it stopped the possibility of Russian wheat entering the world market through intermediary countries. It is worth noting that the ban on the export of wheat from Russia did not affect Belarus and the Russian-recognized Abkhazia, "South Ossetia", Donetsk or the Lugansk People's Republic (Зуенко, 2022).

All in all, Russia's actions serve to create an artificial shortage in the world grain and fertilizer market, which is a major challenge for global food security, while for Russia it is a means for political bargaining with the West.

Reaction of the West

The West perceives Russia's moves as an attempt to blackmail the rest of the world, and is actively trying to find alternative ways to export Ukrainian wheat for the world market. At the same time, it continues to put diplomatic pressure on Moscow, urging it to lift its blockade of Ukrainian ports, stop destroying Ukrainian wheat supplies, and resume exports of its own wheat and fertilizers (European Council, 2022).

Western leaders discussed the issue of world food security at the summit of the G7 countries, which took place on June 26-28 in Elmau Castle, Germany. In a resolution dealing with food security, the Western leaders described Russia's action as a "geopolitically motivated attack on global food security" and announced the creation of a "Global Alliance for Food Security" to deal with the negative consequences of this attack (G7 2022, 1). The purpose of the alliance includes uniting all important actors in the field of food security in the world, allocating financial resources to help vulnerable countries, increasing diplomatic pressure on Russia, promoting the growth of grain crop yields in the risk regions, and ensuring the openness and functioning of food markets without restrictions. (G7 2022, 2-3)

It was also announced on June 27 that the UK had begun work on technology that would enable the identification of wheat stolen from Ukraine based on DNA analysis, in order to prevent Russia from commercializing it (RFE/RL, 2022).

Russia's response

Russia blames the West for the delay to the export of wheat from Ukraine and tries to place the responsibility entirely on it in the eyes of the international community, while presenting its own position and attitude to the issue as a constructive one. In a televised speech on June 5, Russian President Vladimir Putin extensively discussed the issue of wheat exports, and linked the crisis in the world market to the worsening macroeconomic indicators in recent years and the unreasonable policies of the West. He also put the responsibility for the termination of Ukrainian wheat export entirely on the Western countries, and suggested they use the Russian controlled ports of Berdyansk and Mariupol as ways to export wheat from Ukraine (Latukhina, 2022).

On June 23, at the summit of the BRICS countries, Putin again touched on the topic of wheat, saying that Russia was not restricting the export of Ukrainian wheat and is ready to ensure the safe passage of wheat-laden ships in international waters if Ukraine demines the vicinity of Odessa Port (RBC, 2022).

On July 8, Russian Foreign Minister Sergei Lavrov elaborated on the issue at the G20 Summit, where he stated that Russia, along with Turkey, is ready to take over the passage of wheat-laden ships into the Mediterranean if Ukraine, in turn, clears its own passages from mines or ensures the safe exit of ships from its territorial waters (Vusala, 2022).²

How the rest of the world is reacting to the impending crisis

The world's top five countries by amount of imported wheat in 2021 were: Indonesia, Nigeria, China, Turkey, and Egypt (Workman, 2022), with around 25% of the world's wheat imports coming from these countries. For Indonesia, Nigeria, Turkey, and Egypt, Ukraine and Russia were among the largest suppliers of wheat.³ Therefore, the Russia-Ukraine war is a major challenge for the food security of these countries, necessitating their need to find new wheat markets and import fertilizer to maintain the yield of local crops.

² The role of Turkey as a mediator in the ongoing negotiations on the export of Ukrainian wheat is interesting. On July 13, a meeting of representatives of Ukraine, Russia, Turkey, and the United Nations was held in Istanbul, where it was decided that a coordination center will be opened in Istanbul, which will ensure the safe movement of cargo ships in the Black Sea.

³ Last year, Turkey bought 1.9 billion dollars' worth of wheat from Russia (supplier I) and 471.4 million dollars' worth from Ukraine (supplier II). Also, 50% of Egypt's wheat imports in 2020 came from Russia and Ukraine.

In the current situation, China is a state that can influence the world's grain market, as it owns half of the world's wheat reserves. Between 2014 and 2019, China doubled its reserves from 76 million tons to 150 million (Fickling 2022). According to the US Department of Agriculture, China's current wheat reserves are 142 million tons, which is 51% of the world's reserves, and this allows China to feed its own population autonomously for 18 months (McMillan, 2022). However, whether China will use its stockpiles to fill the world market shortage caused by the Russia-Ukraine war is hard to say. Beijing can change its approach to individual countries and regions according to its existing geopolitical interests. In addition to those geopolitical interests, Beijing's choice may also be influenced by a poor grain harvest in China, which experts predict. According to the statement of the Chinese Minister of Agriculture, China will face great difficulties in terms of food production this year due to the floods in 2021 (Liu, and Kan 2022). In this scenario, it is possible that China will need its own reserves to meet the domestic demand and, therefore, will be more modest about its exports.

Instead of conclusion: Possible impact of the crisis on Georgia

What are the risks of the developments in the wheat market for Georgia's food security? Georgia belongs to the category of countries that are characterized by a high dependence on wheat imports. According to the data of the National Statistics Service, the food consumption of wheat in 2021 was 624 thousand tons. Of this, only 136 thousand tons of wheat were produced locally (self-sufficiency ratio 21.7%), while the rest was met through imports (National Statistics Service of Georgia). 92.1% of those wheat imports came from Russia (Georgian Farmers' Association 2022, 3). Incidentally, the imposition of customs tax on wheat last year by the Russian government has created an increasing trend of flour imports in Georgia, which have gradually replaced wheat imports, and, therefore, wheat stocks in the country have decreased. In the first quarter of 2022, the import of wheat to the country, compared to the same period of the previous year, decreased significantly, while the import of flour increased significantly. Flour is a more perishable product compared to wheat, therefore strategic stocks in the country cannot be created based on it, which is a challenge for food security. In this regard, it is noteworthy that in the first quarter of 2022, 99.1% of flour imports were brought from Russia, which indicates that the demand for Georgian wheat and flour depends on only one supplier - the Russian Federation (Georgian Farmers' Association 2022, 3).

As such, we can identify the factors that represent important challenges for the country's food security. namely:

- The situation on the world market as a result of the Russian invasion of Ukraine, which is characterized by the low availability of wheat and increased prices;
- Low rate of wheat self-sufficiency;

- Shortage of wheat stocks in the country;
- Replacement of wheat imports with flour, which prevents the creation of a long-term strategic stock in the country;
- Almost 100% dependence on Russia for wheat and flour imports.

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