

## **174th Session of the FAO Council**

### **Item 6: The impact of the war in Ukraine on global food security and related matters under the mandate of the Food and Agriculture Organization of the United Nations (FAO)**

The outbreak of the war in Ukraine, involving two major suppliers of food and agricultural commodities to world markets, raised significant concerns about its implications for global food security at a time when the world was on a recovery path from the COVID-19 pandemic.

The war has unsettled global food and energy markets, exposing them to heightened risks, including tighter availabilities due to disruptions in exports from the Russian Federation and Ukraine, unmet import demand, and higher international prices. The 2023 edition of *The State of Food Security and Nutrition in the World (SOFI)* revealed that progress in fighting hunger has been undermined by higher food, energy and agricultural input prices magnified by the war in Ukraine. The report projected that around 23 million more people will face chronic hunger in 2030 compared to a scenario in which the war had not occurred.

The war has increased humanitarian needs in Ukraine. Disruptions to basic services, worsened by events like the destruction of the Kakhovka Dam in June 2023, have deepened the needs of millions of people who were already displaced or required assistance. By directly constraining agricultural production, limiting farming activities, and raising prices, the war has undercut the purchasing power of local populations, leading to increases in food insecurity and malnutrition.

Fortunately, the worst-case scenario of a total halt of supply from either Ukraine or the Russian Federation, or both countries, did not materialize. In Ukraine, the war initially caused the suspension of activities by private grain and crushing operators and the cessation of all commercial shipping operations. However, the European Union's "Solidarity Lanes" and the Black Sea Grain Initiative (BSGI) facilitated exports from Ukraine, allowing over 84 million tonnes of grains and other foodstuffs to be exported from the country between May 2022 and September 2023. In the Russian Federation, despite challenges related to the economic impacts of the conflict, crop production did not face major challenges, with wheat production and exports reaching record high levels in 2022 and 2023.

While international food commodity prices, as measured by the FAO Food Price Index (FFPI), started to increase in mid-2020 and reached a peak in March 2022, they have since declined. As of October 2023, the FFPI was 10.9 percent below its value a year ago and as much as 24.5 percent below its March 2022 level. However, this decline should not be interpreted as market stability, as increased climate variability, rising conflicts and geopolitical tensions, bleak economic prospects, increased agricultural input costs, and sudden changes in trade policies continue to pose uncertainties and significant challenges to global commodity markets.

Declines in the FFPI mask different market developments across commodities. For example, while world wheat prices were at their lowest levels in three years, prices of sugar were at their highest level since 2021, and rice prices increased significantly in recent months driven by export restrictions and unfavourable climatic conditions, particularly due to the El Niño event.

Furthermore, the cessation of the BSGI might have severe implications for global food availability and the stability of world food markets beyond the current marketing year. Considering that the non-marine shipping channels (rail, road, river) used as "Solidarity Lanes" are costlier than maritime shipping, this may reduce prices received by Ukrainian farmers. Low prices combined with increased input costs may lead them to reconsider their product choices in the future, leaning towards more profitable crops, such as oilseeds, which would further reduce the availability of grains on the global markets. At the same time, with the decline of energy prices, world fertilizer prices dropped; however, fertilizer affordability and access continue to represent major challenges, especially in low-income countries.

Immediately after the outbreak of the war, FAO responded swiftly by providing data and information, assessing the risks and impacts, elaborating concrete policy proposals, and organizing briefings for the Members. FAO also co-leads the workstream on food of the United Nations Global Crisis Response Group (GCRG) on Food, Energy, and Finance, established by the United Nations Secretary-General following the eruption of the war. Furthermore, already in April 2022, FAO developed a Rapid Response Plan for Ukraine that was updated subsequently to meet the evolving challenges. With the aim to facilitate access to information by the FAO Members, a dedicated webpage was developed for the crisis which is updated regularly.

*Mr Máximo Torero Cullen, Chief Economist*