

Policy Brief Regional Food Trade



The impacts of the Russia-Ukraine conflict on food prices, food and nutrition security in Africa

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Key Messages

Before the Russia-Ukraine war, global food prices were already higher than the past 10 years, driven by factors such as climate change variability and extremes, and the COVID-19 pandemic, all of which led to food systems and supply chain disruptions.

The food price volatility, fuelled by the conflict, further risks reversing development progress and making it more difficult to attain food and nutrition security goals in many countries that are already experiencing high levels of food and nutrition insecurity. The current food prices are already at a 10-year high and will continue to increase if the war-induced global food supply chain disruptions continue.

There is increased need for strengthening food security and price monitoring mechanisms.

The poor and vulnerable populations, who are already reeling from the economic brunt of the COVID-19 pandemic, which induced income and livelihood losses, stand to be severely affected by food price hikes fuelled by the conflict.

Ensuring functional strategic food reserves is critical for countries in Africa to stabilise food supplies and prices, to support domestic food availability and affordability.

Social safety nets (such as cash transfer programmes) are important for ensuring that vulnerable households are supported in periods of unprecedented increases in food prices.

African countries that largely depend on food imports from Russia and Ukraine should diversify their food supply chains by working with other grain producers to avoid severe domestic food shortages.

African countries should also prioritize investments that increase food production and measures that facilitate food trade, especially intra-Africa regional food trade.

Ensuring the unrestricted flow of staple grains in global markets is important for uninterrupted global food supplies and availability.

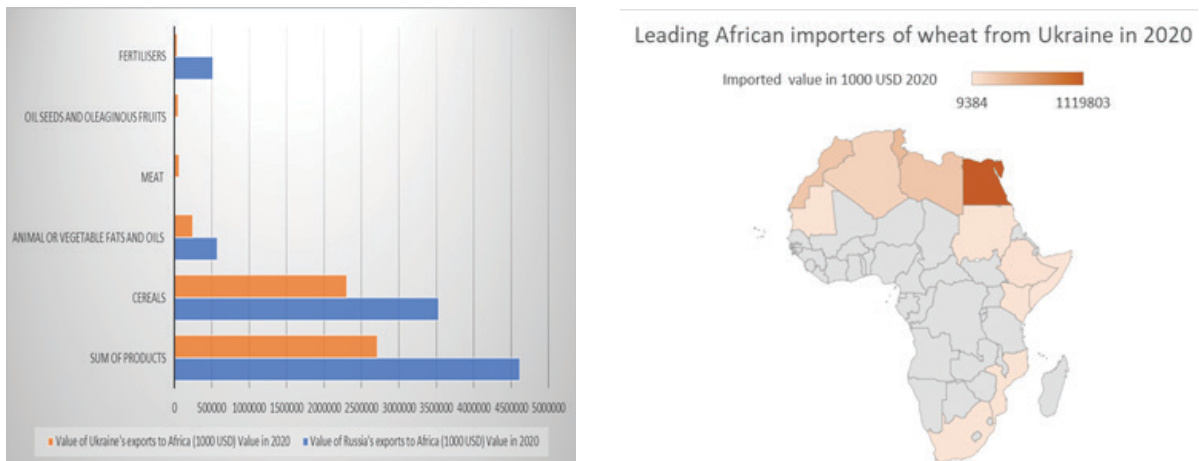
Introduction

Many countries face rising food insecurity levels due to multiple factors such as conflict, climate change, socio-economic conditions, natural hazards, and the COVID-19 pandemic (World Bank, 2022). The growing food insecurity contributes to the reversal of progress in development and threatens the attainment of food security and nutrition goals such as the Malabo Declaration Goals and the Sustainable Development Goals of ending hunger. The food and nutrition security situation remains of concern to many low and middle-income countries, such as those in Africa, with COVID-19 uncertainties and disruptions continuing, slowing economic recoveries and worsening their fiscal capacities (World Bank, 2022).

The Russia-Ukraine war presents a major shock to the global food markets. The escalating tensions in the Black Sea region have heightened risks on global food markets, which are already struggling with increasing prices, supply chain disruptions and a bumpy recovery from the COVID-19 pandemic (AMIS, 2022b). The channels through which the Russia-Ukraine conflict is impacting global food markets include reducing grain supplies, rising energy prices, increasing fertilizer prices, and disrupting trade due to restrictions, and/or shutting down major ports. The impacts of the shock will worsen food price inflation pressures in global and domestic food markets, and affect food and nutrition security, especially of the poor in low-income countries. The global inflationary pressures and multiple existing risks continue to push food prices up, affecting food access and food security.

Many African countries are not self-sufficient and rely on food imports to meet domestic consumption needs. For example, Africa is a net importer of wheat and sunflower oil, and many parts of the continent face severe drought conditions affecting the outlook of food supplies. The majority of the poor in these countries spend a large share of their incomes on food and are vulnerable to food price shocks. Several countries across the continent rely heavily on import supplies from Russia and Ukraine, for products such as wheat, corn and vegetable oil. Figure 1 presents cereals exports from Russia and Ukraine to Africa. The main importers include Egypt, Algeria, Libya, Tunisia, Kenya, Tanzania, South Africa, Mozambique, Mauritania. The disruption of trade in the Black Sea region due to the Russian-Ukraine conflict compound already rising food prices in many domestic markets across the continent. With some countries already experiencing rising food prices even before the conflict, global prices would further fuel inflation of food prices, pushing more people into dire food and nutrition insecurity conditions. This brief discusses changes in global food prices triggered by the conflict and their implications on food and nutrition security in Africa.

Figure 1: Value of Russia's and Ukraine's food exports to Africa in 2020



Source: Authors compilation based on data from International Trade Center - <https://www.intracen.org/>

Overview of trends in global food prices

Food prices are soaring in many countries around the world. The surge in food prices has sparked fears of a new global food price crisis. The FAO Food Price Index (Figure 1) shows that at the beginning of 2022, global prices of major food products increased to high levels close to the global food price crises (2007-2008 and 2010-2011). The increase in food prices in 2021 was mainly due to the recovery in food demand from the global COVID-19 pandemic induced recession and temporary disruptions in logistics as opposed to severe food supply disruptions or continued trade restrictions (Vos, Glauber, Hernandez, & Laborde, 2022a; Vos, Glauber, Hernandez, & Laborde, 2022b). Before the Russia-Ukraine conflict, the prices of major grains were already at record levels (AMIS, 2022a; AGRA, 2022).

The Wheat Price Index indicates a steeply rising trend, especially in February and March 2022 (Figure 2). The escalating Black Sea situation stoked fears of a marked reduction in world export supplies, driving up wheat export prices. For example, in February 2022, Russia set a quota mechanism for grain exports, with a total grain quota of 11 million tons, of which 8 million tons account for wheat only. This is in addition to a floating-rate wheat export tax that the country enacted in June 2021, resulting in a grain export reduction of about 30%¹. The average global maize prices moderately increased in February and early March, driven by the worsening crop prospects in South America. The escalation of the conflict in Ukraine, and uncertainties about export flows in the Black Sea region also influenced global maize prices. Average soybean prices increased sharply in February (by 12 percent month-to-month to more than a nine-year peak) buoyed by projected significant year-to-year reductions in production and supplies in South America due to sustained periods of adverse weather and the unfolding situation in the Black Sea region (AMIS, 2022b). After bouncing back with the global recovery, global rice prices show a decreasing trend back to pre-pandemic levels indicating positive harvest and production prospects (Vos, Glauber, Hernandez, & Laborde, 2022b).

Figure 2: FAO monthly price index in real and nominal terms, January 2000-March 2022

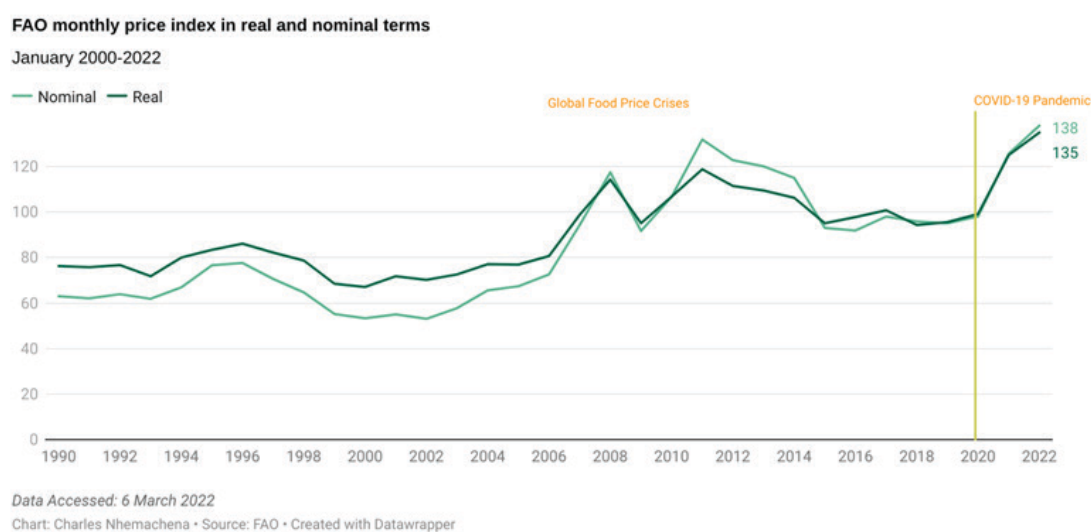
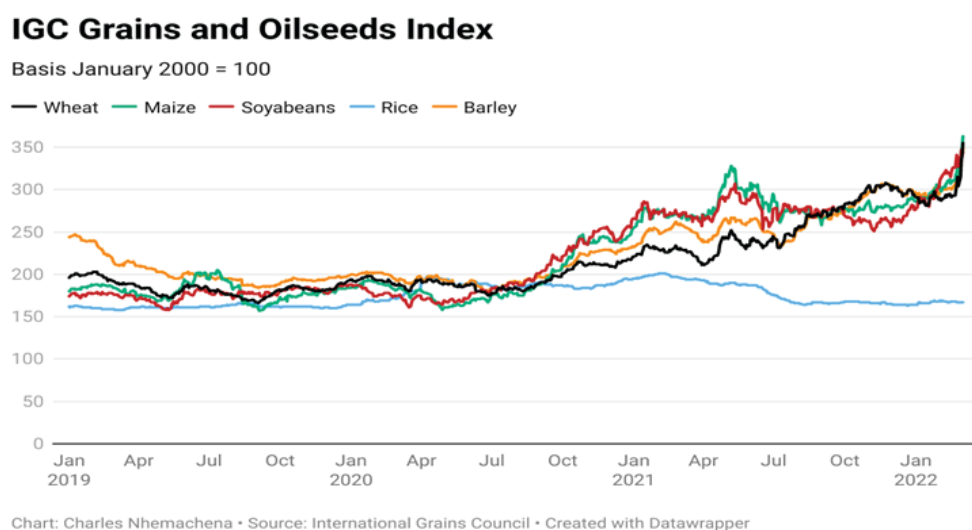


Figure 3: World market prices for cereals and soybeans



Source: Devitt, Stolyarov, & Zinets (2022)

Overview of trends in prices of major cereals in selected African countries

Global commodity price surges have not spared major food security basket commodities in selected AGRA-

¹ <https://gro-intelligence.com/insights/russia-ramps-up-wheat-export-restrictions>. Accessed 14 March 2022

focus countries. Table 1 presents changes in the prices of major cereals in selected African countries. Overall, for the selected countries in markets where prices have significantly surged, the changes indicate increases of between 20 and 95 percent compared to June 2011 prices. The highest increases were for millet, sorghum and maize. Compared to six months ago, current maize prices are higher in most selected markets except in Maputo, Accra, and Kano, where prices have declined against their six months level. Millet prices were lower in Accra and Kano but higher in Ouagadougou and Bamako. Compared to December 2021, January 2022 prices mostly moderately declined or increased across the selected markets, except for the Malawi national average, which showed a high increase of 24.5 percent. Overall, sorghum prices have demonstrated a higher trend in all selected markets, particularly from the past 6 months to 12 years. The only exception is in Accra, Ghana, where sorghum prices consistently declined, probably because sorghum is not a major food security crop in the country. Like global trends, rice prices indicate a declining trend in the selected markets. Rice prices have generally declined compared to their 6-month level except in the selected markets of Tanzania and Malawi. On the other hand, rice prices in all the selected markets have declined, with few markets showing moderate increases over the comparable periods. Despite an increasing trend observed in some markets, the continued monitoring of prices of major cereals and food products are necessary to determine the impacts of the war on food prices and food and nutrition security across the continent.

Table 1: Changes in major cereal prices in selected African Countries

Region	Country	Crop	Market	Last Price	1 Month	6 Months	1 Year	Jan 2020	Jan 2010	Jan 2011	Jan 2012
East Africa	Ethiopia	Maize	Wholesale, Addis Ababa, Ethiopian Birr-real/kg	3.82	-8.61 ↓	-1.04 ↘	46.92 ×	36.43 ×	19.37 ×	67.54 ×	33.10 ×
East Africa	Kenya	Maize	Wholesale, Nairobi, Kenyan Shilling-real/kg	18.21	8.81 ↑	18.17 ×	7.75 ↑	13.74 ↑	-34.12 ↓	12.83 ↑	-35.01 ↓
East Africa	Uganda	Maize	Wholesale, Kampala, Uganda Shilling-real/kg	440.71	-29.02 ↓	0.69 ↗	21.38 ×	13.85 ↑	14.24 ↑	-15.68 ↓	-2.90 ↘
East Africa	United Republic of Tanzania	Maize	Wholesale, Dar es Salaam, Tanzanian Shilling-real/kg	317.84	2.76 ↗	60.36 ×	-2.29 ↘	5.07 ↑	-43.42 ↓	0.26 ↗	-23.61 ↓
Southern Africa	Malawi	Maize	Retail, Lilongwe, Kwacha-real/kg	31.95	12.98 ↑	26.74 ×	-18.60 ↓	-6.72 ↓	-25.49 ↓	2.01 ↗	-44.86 ↓
Southern Africa	Malawi	Maize	Retail, National Average, Kwacha-real/kg	35.21	24.50 ×	28.32 ×	-14.83 ↓	-11.06 ↓	-20.10 ↓	25.21 ×	-24.34 ↓
Southern Africa	Mozambique	Maize	Retail, Maputo, Metical-real/kg	12.35	-33.03 ↓	-5.51 ↓	-25.78 ↓	-14.41 ↓	11.76 ↑	2.83 ↗	12.48 ↑
West Africa	Ghana	Maize	Wholesale, Accra, Ghana Cedi-real/kg	0.89	-1.11 ↘	-5.32 ↓	25.35 ×	53.45 ×	58.93 ×	61.82 ×	-2.20 ↘
West Africa	Nigeria	Maize	Wholesale, Kano, Naira-real/kg	63.19	10.28 ↑	-10.79 ↓	15.23 ×	24.37 ×	12.86 ↑	49.00 ×	37.34 ×
West Africa	Ghana	Millet	Wholesale, Accra, Ghana Cedi-real/kg	0.75	-1.32 ↘	-9.64 ↓	-17.58 ↓	-22.68 ↓	-22.68 ↓	-15.73 ↓	-33.63 ↓
West Africa	Nigeria	Millet	Wholesale, Kano, Naira-real/kg	62.37	8.79 ↑	-9.53 ↓	13.17 ↑	5.27 ↑	9.33 ↑	57.58 ×	
West Africa	Burkina Faso	Millet (local)	Wholesale, Ouagadougou, CFA Franc BCEAO-real/kg	219.43	-1.28 ↘	17.24 ×	27.72 ×	24.84 ×	28.49 ×	52.47 ×	5.67 ↑
West Africa	Mali	Millet (local)	Wholesale, Bamako, CFA Franc BCEAO-real/kg	184.99	-14.33 ↓	26.59 ×	43.79 ×	28.06 ×	13.48 ↑	25.38 ×	-6.94 ↓
East Africa	Uganda	Rice	Wholesale, Kampala, Uganda Shilling-real/kg	1188.98	-1.60 ↘	-3.63 ↘	-9.01 ↓	-26.40 ↓	-30.84 ↓	-14.79 ↓	-50.28 ↓
East Africa	United Republic of Tanzania	Rice	Wholesale, Dar es Salaam, Tanzanian Shilling-real/kg	880.53	-1.15 ↘	11.53 ↑	-3.61 ↘	-25.46 ↓	-32.76 ↓	-16.95 ↓	-41.77 ↓
Southern Africa	Malawi	Rice	Retail, Lilongwe, Kwacha-real/kg	184.35	3.23 ↗	9.67 ↑	1.76 ↗	-5.00 ↓	6.68 ↑	10.57 ↑	-25.76 ↓
Southern Africa	Mozambique	Rice (imported)	Retail, Maputo, Metical-real/kg	23.84	-2.13 ↘	-6.22 ↓	21.02 ×	9.96 ↑	-6.40 ↓	-12.51 ↓	14.84 ↑
West Africa	Burkina Faso	Rice (imported)	Wholesale, Ouagadougou, CFA Franc BCEAO-real/kg	312.27	0.62 ↗	-2.68 ↘	-4.07 ↘	-1.02 ↘	-13.65 ↓	-17.21 ↓	-12.62 ↓
West Africa	Ghana	Rice (imported)	Wholesale, Accra, Ghana Cedi-real/kg	1.45	-2.03 ↘	-0.68 ↘	-3.97 ↘	-17.14 ↓	5.84 ↑	-0.68 ↘	-43.58 ↓
West Africa	Mali	Rice (imported)	Wholesale, Bamako, CFA Franc BCEAO-real/kg	306.91	-0.70 ↘	-0.99 ↘	2.76 ↗	1.47 ↗	0.41 ↗	-3.99 ↘	-4.64 ↘
West Africa	Ghana	Sorghum	Wholesale, Accra, Ghana Cedi-real/kg	0.65	-1.52 ↘	-7.14 ↓	-10.96 ↓	-18.75 ↓	-23.53 ↓	-8.45 ↓	-32.99 ↓
West Africa	Burkina Faso	Sorghum (local)	Wholesale, Ouagadougou, CFA Franc BCEAO-real/kg	181.45	0.62 ↗	13.10 ↑	38.38 ×	38.83 ×	20.42 ×	52.34 ×	4.38 ↗
West Africa	Mali	Sorghum (local)	Wholesale, Bamako, CFA Franc BCEAO-real/kg	172.37	-7.48 ↓	34.22 ×	63.11 ×	36.37 ×	25.31 ×	16.83 ×	-17.23 ↓
East Africa	Ethiopia	Sorghum (red)	Wholesale, Addis Ababa, Ethiopian Birr-real/kg	4.72	-4.45 ↘	19.80 ×	42.17 ×	44.79 ×	39.23 ×	95.04 ×	50.32 ×
East Africa	Ethiopia	Sorghum (white)	Wholesale, Addis Ababa, Ethiopian Birr-real/kg	6.41	10.65 ↑	4.00 ↗	19.53 ×	2.34 ↗	5.20 ↑	61.38 ×	38.97 ×
West Africa	Nigeria	Sorghum (white)	Wholesale, Kano, Naira-real/kg	59.25	12.96 ↑	-11.80 ↓	16.20 ×	17.23 ×	12.17 ↑	53.34 ×	41.64 ×

● = no change; ▲ = low increase (0-5%), ↑ = moderate increase (5-15%), × = high increase (>15%), ↘ = low decrease (0-5%), ↓ = moderate decrease (5-15%), ▼ = high decrease (>15%)

Source: Own construction using data from FAOSTAT. Accessed 6 March 2022
 Note: Last Price is January 2022

Implications of rising food prices on food and nutrition security in Africa

Historically, conflict is a key driver of food price spikes. The price increases and worsening of broader economic conditions, in turn, contributes to further conflict, including in areas that were not involved in the original war themselves (McDonough & Zhou, 2022). The Russia-Ukraine conflict shocked global markets and has put food markets in serious turmoil, despite favourable market conditions before the crisis that seemed to soften prices in 2022 (AMIS, 2022a; AMIS, 2022b). As indicated above, the conflict adds inflationary pressures to already-soaring global food prices, with global food prices have surged since the outbreak of the conflict (Figure 2 above). The impacts of rising global food prices present high food and nutrition risks for millions of poor populations, particularly in many African countries that depend on markets for food supplies.

Even a relatively short-lived surge in food prices will significantly affect food security for the poor and vulnerable people in developing countries (Vos, Glauber, Hernandez, & Laborde, 2022b). The 2021 World Economic Outlook report shows that, in the first quarter of 2021, the rise in global staple food prices explained about 40 percent of overall consumer price increases in low-income countries. This is higher than the contribution in middle-income countries (Figure 3) and implies that surging global food prices threaten food security in many African countries. The food and nutrition security risks are most acute for the poor in low-income countries, where rising food import costs weigh heavily on economies and personal incomes, with food accounting for about half of the consumption baskets and 20 percent of imports (Vos, Glauber, Hernandez, & Laborde, 2022b).

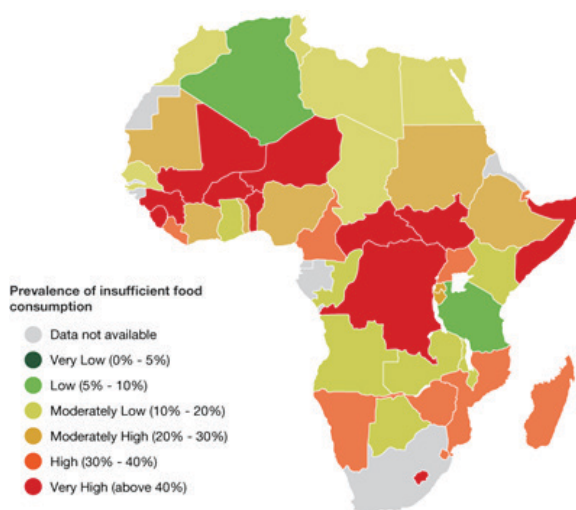
Figure 4: Contribution of staple food prices to consumer price inflation (CPI) by developing-country groups (2020 Q1 to 2021 Q2)



Source: Author construction using data from IMF, World Economic Outlook, October 2021², based on FAOSTAT and FAO GIEWS

Figure 4 shows the prevalence of insufficient food consumption across African countries based on the World Food Programme’s hunger map data. As of 3 March 2022, only Tanzania and Algeria recorded less than 10 percent of their population experiencing insufficient food consumption. The global price increases translate into inflationary domestic food prices, especially in importing countries. This would be devastating in many countries already experiencing high levels of insufficient food consumption and food insecurity. The food trade disruptions impacting food supplies and fuelling food price increases would worsen the already-existing moderate-to-high insufficient food consumption conditions across many countries. Many vulnerable populations that are already struggling to get food, risk being pushed into further worse food security conditions leading to an increase in the number of food-insecure people.

Figure 4: Prevalence of insufficient food consumption

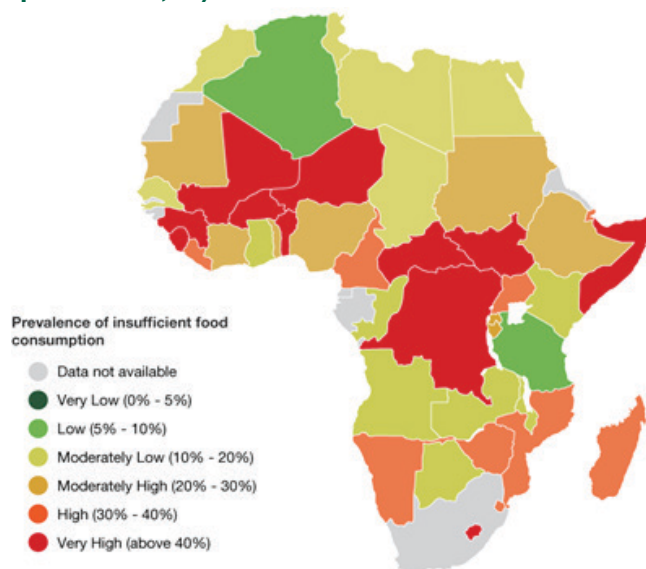


Source: Own construction using data from WFP

² <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>. Accessed 6 March 2021.

Consumer food price inflation, which had already surged in 2021 (Figure 5), is expected to continue in many low-income countries, such as in many African countries. The situation is worsened by the fact that low-income countries have a limited fiscal capacity to protect the purchasing power of low-income families and prevent rising food prices from causing severe food insecurity, and a further deterioration of diets. Given the global impacts of food price inflation, the international community should immediately prioritise strengthening the fiscal capacities of low-income countries through additional financial assistance (AMIS, 2022b). Strengthening social safety nets such as cash transfer programmes are important to help vulnerable households access food in crisis periods.

Figure 5: Domestic consumer food price inflation around the world, January 2022 (year-on-year change in food consumer price index, %)



Source: Adapted from Vos, Glauber, Hernandez, & Laborde (2022a)

Conclusion

Overall, the Russia-Ukraine war is spreading inflationary dynamics even in countries that are not major trading partners of the two. The interconnectedness of global food markets makes many vulnerable countries, such as those in Africa, to feel the impacts of the shock. The escalation of the Russia-Ukraine war would severely impact the food and nutrition security of many African countries as the global food supply chain impacts are transmitted to local markets. The poor and vulnerable populations that spend a significant portion of their incomes on food face the brunt of surging food prices triggered by the conflict. The war in Ukraine also provides an opportunity for African countries to strengthen their food production and trade systems.

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