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PRICE HIKES ARE AGGRAVATING HUNGER

Impacts the war against Ukraine is having on global food security

Food has become more and more expensive over the last two years. This year, prices had already reached an unprecedented level in January. The war in Ukraine has caused them to virtually explode. In March 2022, the UN Food Price Index (FFPI) was almost 13 percent higher than in the previous month, while a price leap of 17 percent was recorded for wheat. Above all for the 1.8 billion people having to live on less than 3.20 US dollars a day, but not only for them, food is thus becoming unaffordable – a reason to be seriously concerned about short- and medium-term global food security.

Nearly a third of globally traded wheat, just below two thirds of sunflower oil and 15 percent of global corn supplies come from Russia and Ukraine. But owing to the war in the region, exports have been stalling. Only in individual cases is Russia trading food and agricultural products with “friendly states”, making imports unsafe and expensive for other countries (cf. Reuters 2022).

In Ukraine, the ports are blocked, and much plant is destroyed, stopping ships from sailing. Transport has reached an almost complete standstill. All that is being exported is small amounts of last year’s harvest

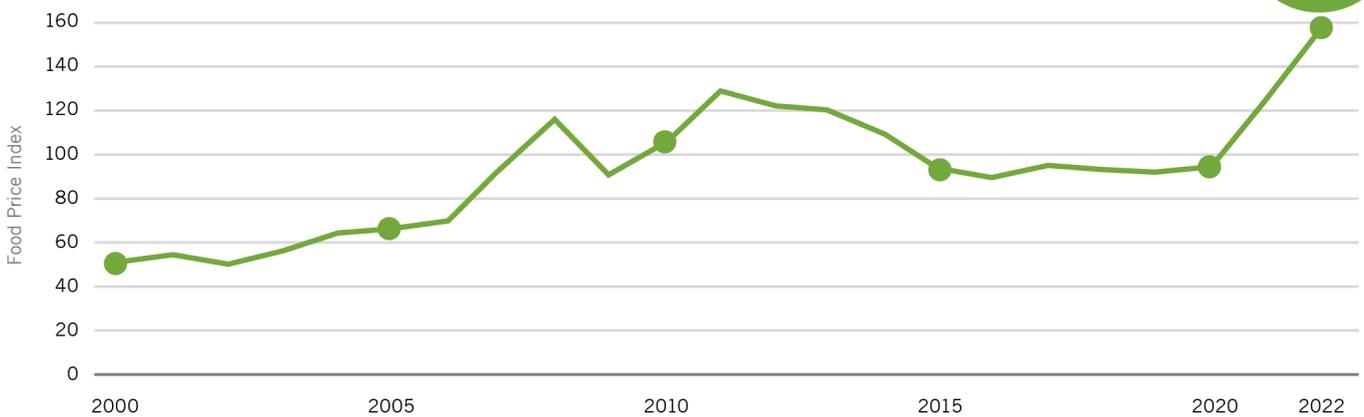
by rail. This is supposed to be the time when corn and sunflower seeds are sown in the fields, and by July, winter wheat ought to be harvested. If neither is possible, be it because of hostilities or a shortage of labor, machinery or fuel, major portions of the coming harvest also threaten to be lost. It can already be assumed that exports from Ukraine will fall by 30 percent. If fighting continues, this share could rise to 60 percent (cf. Cicero 2022).

Crises mutually exacerbating

These developments are immensely dangerous given an already tense global food situation because of the numerous crises. For example, the Corona pandemic has disrupted supply chains world-wide, caused unemployment to rise and thus exhausted the financial reserves of many people. Unresolved crises such as those in Yemen, in Afghanistan or Mali are aggravating hunger just as much as locust plagues and droughts are. As a result of the climate crisis, people in the Horn of Africa are suffering from one of the worst drought periods in decades. In Ethiopia, Somalia and South Sudan, already now, 43 million people no longer have enough to eat. The situation is worsened by rising energy and fertilizer prices. Above all in the poorest countries of the Global South, the impacts are disastrous.

PRICE OF FOOD AT RECORD LEVEL

The Food Price Index (FFPI) of the UN Food and Agriculture Organization FAO (100= mean value 2014 – 2016)



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Already in 2021, 811 million people did not have enough to eat. According to the UN Food and Agriculture Organization (FAO), an additional 13 million people could be driven into hunger. For if food gets more expensive, relief organizations will also require more finance to purchase it. For example, the World Food Programme (WFP) has already had to reduce its aid rations for Yemen (cf. WFP 2022). And with farmers in the Global South no longer being able to afford seed and fertilizer owing to price hikes, crops and harvests are going to shrink – causing poverty and hunger to rise. This is a vicious circle that urgently needs to be stopped.

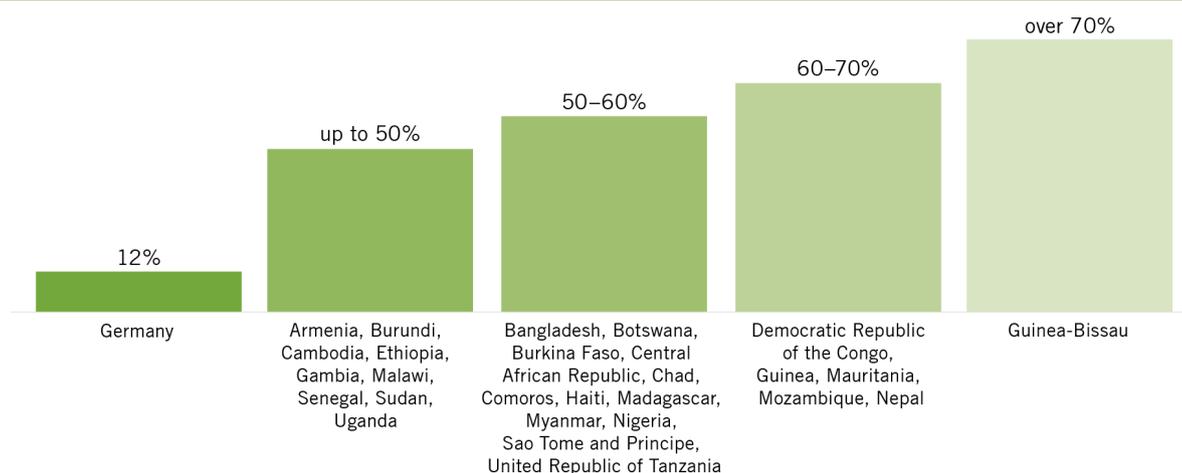
The impacts of increases in food prices are affecting people worldwide. In Germany, too, higher prices for noodles or margarine are going to affect many family budgets. However, on average, they only spend around 12 percent of their income on food (cf. BLE 2021). But in many countries of the Global South, this share is considerably higher (see illustration below). And given the current price hikes, those already having to spend more than 50 percent of their income on food are left with hardly anything to cover the costs of housing, health or children's school education. What makes things even more complicated is that in the Global South, there are hardly any social security systems to protect people from

temporary crisis situations like the current one. The examples from our partner countries (see boxes) illustrate this alarming development.

Investing in viable food systems

That the EU should now make up for a lack of grain supplies from Ukraine by growing crops in ecologically important fallow areas, as is demanded by some in farming, appears to be very myopic. Additional yield – there is mention of four percent of the EU area under cultivation – would hardly contribute to lowering grain prices in the short term and enhancing availability in the next harvesting cycle. Instead of suspending reforms in agriculture, such as the European Green Deal, which is meant to secure the food of coming generations, now is just the right time for the EU to invest in a globally viable food system. This includes, for example, improving agricultural development in the countries of the Global South. What counts is to reduce post-harvest losses through poor warehousing or infestation with diseases or pests. Both site-specific agriculture, including the cultivation of adapted and resistant crops and varieties, and local and regional trade in food have to be strengthened. In this manner, dependence of countries on food imports could be reduced.

HOUSEHOLD EXPENDITURE ON FOOD



Source: FAO DATA 2017, Graphic: WHH

Global food scarcity can also be countered in other areas. In Germany, for example, just below 60 percent of grain grown is used as animal feed, while almost 12 percent goes into generating energy (cf. BLE 2021). In the USA, in 2021, more than 35 percent of the corn harvest and over 40 percent of soy oil were used in biofuel production. Worldwide, 31 million tons of vegetable oil is turned into biodiesel. In terms of calories, this corresponds to the amount required to feed more than 320 million people a year (cf. IFPRI 2022).

Already in 2009, at their summit in L'Aquila, the G8 states had resolved to support smallholders – but concrete results have yet to materialize. In 2015, in Elmau, the G7 states announced the goal of freeing

500 million people from hunger by 2030 – instead, however, the number of people going hungry continues to rise again. This year, chairing the G7 once again, the German Federal Government bears particularly great responsibility. In order to fulfill the Elmau pledge, the G7 have to address combating hunger at a structural level. A doubling of financial efforts is required. Furthermore, the global food system has to be transformed in a manner putting food security and the achievement of the human right to food center stage. This transformation has to take place in a long-term, close partnership at eye-level with the countries affected by hunger; the guideline for it is provided by the Sustainable Development Goals (SDGs).

Bangladesh – relief programs not enough

In Bangladesh, Russia's attack on Ukraine has had an immediate impact on the national food situation. Planned supplies are stuck in Russian and Ukrainian ports, while the prices of wheat, lentils, chickpeas and other staple foods immediately rose in the first week of March. The food consumed most locally has become 10 to 40 percent more expensive. This is especially dramatic given that people in the urban regions have to spend around 48 percent of their monthly income on food, and those in rural areas up to even 70 percent.

Local food market supplies are unstable, and prices continue to rise. Owing to the high costs, meals are no longer provided in schools. Via a Ministry of Trade department, the government is selling food at various places in the cities at a reduced price. What was above all intended for people living on a low income, especially for casual laborers, rickshaw drivers or domestic helps is now being taken advantage of by the middle classes. The government is now seeking alternative sources of supply for wheat and rice, although other countries in the region are already restricting their exports.

Mali – food prices unaffordable

In Mali, all grain varieties – including millet, sorghum and corn – have become more expensive, sometimes by more than 100 percent. And this is the case despite the country importing only little Ukrainian or Russian food. Wheat and flour, imported predominantly via Algeria and Mauritania, have become 30 percent more expensive on the local markets. At the same time, local production has dropped by 10 percent compared to the previous year.

In addition to the effects of climate change, which have an immediate impact on agricultural production, the rising gasoline prices are also heavily affecting the local producers – who are users e.g. of tractors, agricultural power pumps and motorbike taxis. According to an article in the online magazine "Commodafrica", fertilizer prices have been at a high level since September 2021, too. Today, a 50-kilogramm sack of fertilizer costs twice as much as it did in 2020. More than 58 percent of urea imports and over 18 percent of ammonium sulfate come from Russia, while Belarus supplies more than 51 percent of potassium chloride fertilizer. The conflict in Ukraine will therefore have a negative impact on agricultural production and hence on the Malian population's food security.

Early this year, the Economic Community of West African States, Ecowas, imposed tough sanctions on the country, which is governed by a military junta. Its borders have been closed, a trade embargo is in place, financial support has been terminated, and the country's Central Bank assets have been frozen. A month previously, Mali itself had banned the export of grain in order to slow down price increases and secure availability on the market. Given the combined effects of price increases for fuel and fertilizer, the conflicts in the central and northern regions, and the increase in sub-regional prices, forecasts for the country's development are extremely poor. Surveys show that people are now spending up to 75 percent of their income on food. They are eating less frequently and are consuming smaller and less nourishing portions. Vulnerable groups such as displaced people, households accommodating refugees, and the rural population are already acutely threatened. Cancellations of and delays in food deliveries from the port of Odessa announced by the WFP in March 2022 are going to have a negative impact on the Sahel Zone, where food was supposed to be distributed from May on.

Avoiding rash action

Alongside medium- to long-term investment, immediate and determined action is needed to mitigate the pending hunger crisis. Emergency relief measures require major, direct financial efforts. But the message to political decision-makers to do no further harm is just as important. Countries must not resort to any myopic political measures which would aggravate price volatility and global shortages. In particular the price peaks of 2007/08 and 2010/11 as well as recent experiences with the Corona pandemic have shown that measures such as export restrictions or excessive warehousing can have severe negative consequences for world food supplies.

Trading in food and fertilizer has to remain unrestricted, and the effects of high prices must be mitigated by focused support measures such as targeted income transfer and humanitarian aid.

In order to strengthen the level of self-sufficiency in the Global South, engaging in development cooperation for rural regions has to be stepped up. At the same time, the countries affected by hunger are called upon to take action. The goal formulated by the African community of states in the Maputo Declaration 20 years ago to invest ten percent of the countries' national budgets in developing agriculture and in accompanying improvements in food security is still far from being achieved.

What has to be done:

Preventing famine through humanitarian aid

- raising the purchasing power of impoverished people
- expanding food distribution (including school meals)
- closing the financing gap for higher procurement prices

Ensuring food availability in food insecure-regions

- maintaining agricultural supply chains and securing the availability of food (access to warehouse stocks, logistic support, financial aid)
- preventing harvest shortfalls at all costs: facilitating access in particular for smallholders to seed, fertilizer and fuel
- avoiding export restrictions: keeping trade in food, fuel, seed and fertilizer open

Strengthening regional food systems and supporting diversification

- committing to a long-term promoting of rural development in the Global South; in order to achieve this, focusing on reforming and expanding existing instruments and providing for initiatives running for at least 10 years, based on appropriate financing
- strengthening regional (cross-border) trade in agricultural commodities
- supporting food-insecure countries in diversifying their import sources
- refraining from myopic ad-hoc measures such as suspending the Green Deal – now, in particular, making food systems sustainable and resilient
- supporting the establishment and expansion of social security systems

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Bonn/Berlin, 2022-04-29

Contact: Anne-Catrin Hummel and Dr. Rafaël Schneider, Policy and External Relations

Email: policy@welthungerhilfe.de

Deutsche Welthungerhilfe e. V., Friedrich-Ebert-Straße 1, 53173 Bonn
Tel. +49 (0)228 2288-0, Fax +49 (0)228 2288-333, Germany, www.welthungerhilfe.org