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Invasion of Ukraine

Asia's Food Security in Trouble?

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SYNOPSIS

The impact of the Ukraine-Russia conflict on food security in many countries demonstrates how inter-linked the global food system has become. Ripple effects from reduced wheat and fertiliser exports are already causing wheat shortages in the Middle East and fertiliser shortages elsewhere. However, the crisis also offers other major agricultural exporting countries opportunities.

COMMENTARY

THE OUTBREAK of war between Russia and Ukraine on 24 February 2022 has led to massive consequences for food security worldwide, including in Asia. As major grain exporters, Russia and Ukraine account for around 25-30% of the world's global wheat exports and 30% of the world's barley exports. Ukraine also supplies 15% of the world's corn exports.

Food insecurity in Asia brought on by the conflict is exacerbated by other enormous challenges, including export bans, disruptions to the global supply chains from the pandemic, rising energy costs, and climate change impacts. Given a significant amount of the world's fertilisers are produced in Russia, Western sanctions on Russia are causing [fertiliser prices to skyrocket](#).

Asian Responses to Ukraine Crisis

As Asia is a major importer of Ukrainian and Russian grain, vegetable oils, and fertilisers, countries will be forced to find alternative sources. They may also compete to secure the reduced availability of raw agricultural commodities.

The above comes on top of pandemic-induced challenges facing Asian policymakers to achieve food and nutrition security. Consumers will ultimately feel the consequential effects of rising food and energy prices.

One immediate effect of the crisis has been the disruption of grain shipments through the Black Sea, causing a ripple effect of food price spikes worldwide. Since the outbreak of the war, wheat prices have jumped by 21%, barley by 33%, and [various fertilisers by 40%](#). However, the threat of disruptions to Ukraine's planting season suggests that the worst is still yet to come if this year's crops cannot be planted.

In response to these challenges, particularly soaring global food prices and inflation rates, many governments in Asia have put forward measures to safeguard food security amidst fear of food shortages and social and political instability. In Thailand, [South Korea, and the Philippines](#), feed buyers issued buy tenders for feed wheat. Other countries have called for the strengthening of domestic agricultural production.

In China, there is continued pressure from the country's top leaders on farmers to strengthen food security against the backdrop of lingering tensions over the US-China trade war. Recently, President Xi Jinping declared that China [must ensure grain security](#) and reliance on the domestic market to maintain production, while China's lawmakers will review a bill on food security.

In Japan, the ruling Liberal Democratic Party has [adopted a resolution](#) calling on the government to strengthen its food security policy. Elsewhere, India has removed the basic customs duty on edible oils while Malaysia is [imposing price controls](#) and grants to ease cost pressures. Some countries may also start imposing export bans on food items that they deem essential for their domestic consumption, as Indonesia, India, Argentina, and others have done.

Search for Alternative Food Sources

Aside from aiming to boost food production in Asia, some countries may seek alternative markets for imports. For other major agricultural exporters, like Australia and India, the Ukraine-Russia War offers an opportunity to increase production and exports.

With Australian farmers currently experiencing [bumper grain harvests](#), their exports could help fill the gap and reduce the uncertainty in the global grain trade, although the planting seasons are different.

Alternative wheat markets like India, Australia, and the European Union (EU) are expected to increase exports given their [record crops and competitive prices](#). They currently make up 5%, 13%, and 18% of the world's wheat exports, respectively.

For corn, aside from the United States, which accounts for 33% of the world's corn exports, new crop supplies from [Argentina \(22% of the world's corn exports\) and Brazil](#) (17%) are likely to come onto the market in a few months. For barley, Australia and Canada's productions have increased along with the exportable supplies. They hold [26%](#) and 5%, respectively, of the world's barley exports.

Aggravating Factors to the Ukraine Crisis

Increasing food production in Asia and other major agriculture- producing countries to make up for the Ukraine-Russia grain exports may not be straightforward. Russia annually [exports over 50 million tonnes of fertilisers](#), accounting for 13% of the global total, with much going to Asia.

The West's sanctions on Russia have caused disruptions to the global trade of fertiliser and increased costs to farmers. Many freight companies are unwilling to ship bulk supplies of fertilisers out of Russia.

As the disaster in [Sri Lanka's fertiliser policies](#) shows, crop yields immediately drop without synthetic fertilisers. In Brazil, some farmers are trying to use less fertiliser to grow corn. For countries like Australia and United States, which aim to increase agricultural production to capitalise on the crisis, rising fertiliser costs combined with soaring fuel costs mean that farmers are faced with a situation where the cost of [farming is fast overtaking grain prices](#).

Another major challenge is climate change, especially in countries that could help make up the gap in food exports left by Ukraine and Russia. Recent droughts in South America have resulted in a [decline in harvests](#). In the US, farmers in California lost an estimated US\$1.1 billion due to the [ongoing mega-drought](#). China has also suffered from flooding in many agricultural areas.

Near Term Outlook

Any prolonged crisis that disrupts supply chains and farm operations will lead to diminished stocks of important food security items, especially if Ukrainian and Russian farmers cannot plant for the next season. For countries that import fertiliser, increased prices and a shortage could mean planting smaller crop areas and lower yields.

Some countries which have stockpiles may yet be able to tide over the supply crisis. For example, China has reportedly been building up its wheat stocks over the past year and now has [51% of the world's wheat](#) stocks. But for many others, the food situation will inevitably face much uncertainty in the coming months.

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