

How Russia-Ukraine tension could influence Africa's agriculture supplies

"No man qualifies as a statesman who is entirely ignorant of the problems of wheat" -- Socrates. So, wheat and other grains are back at the heart of geopolitics, and African leaders must pay attention, particularly to the rising tensions between Ukraine and Russia, given the role of these two countries in the global agricultural market. For example, Russia produces about 10% of global wheat while Ukraine accounts for 4%. Combined, this is nearly the size of the European Union's total wheat production. This wheat is not just for domestic consumption but for export markets. According to data from Trade Map, in 2020, Russia accounted for 18% of global wheat exports and Ukraine 8%. Together, this is just over a quarter of global wheat exports from just two countries.

Moreover, these countries are also notable players in maize, responsible for a combined maize production of 4%. However, Ukraine and Russia's contribution is even more significant in exports, accounting for 14% of global maize exports in 2020. Ukraine and Russia are also amongst the leading producers and exporters of sunflower oil. In 2020, Ukraine's sunflower oil exports accounted for 40% of global exports, with Russia accounting for 18% of global sunflower oil exports.

Russia's possible invasion of Ukraine has also caused panic amongst some analysts that an intensifying conflict between these two countries and the potential trade disruption would have significant consequences for global food stability. On 22 February 2022 international maize, wheat, soybeans, and sunflower oil prices were up by 21%, 35%, 20% and 11% from a corresponding period a year ago. This is noteworthy as 2021 prices were already elevated.

I share this view, especially concerning global grains and oilseeds prices. These agricultural commodities have also been amongst the key drivers of global food prices since 2020, primarily because of dryness that resulted in poor grains and oilseeds harvest in South America and Indonesia and the rising demand in China and India. Hence, a potential disruption in trade because of the invasion in this significant producing region of the Black Sea would add to elevated global agricultural commodity prices and potentially be consequential to global food prices. We already see the rise in commodities prices just days into this conflict.

However, the scale of the potential upswing in the global grains and oilseed prices would primarily depend on the magnitude of disruption and the time trade would be affected. For now, this can be viewed as an upside risk to global agricultural commodity prices, which are already elevated. In January 2022, the FAO Food Price Index averaged 136 points up by 1% from December 2021 and at its highest since April 2011.

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Vegetable oils and dairy products mainly underpinned the recent increases in the Food Price Index. The vegetable oil prices were supported by the potential poor harvest in South America and Indonesia, mainly soybeans and palm oil, respectively. The added factor now will be sunflower seed, which is mainly produced within the Black Sea region, as I noted above.

Africa perspective

From an African agriculture perspective, the impact of potentially rising tensions in Russia-Ukraine would be felt in the near term through the global agriculture commodity prices channel. There is significant agricultural trade between the African continent and Russia and Ukraine, but mainly in one food commodity, wheat. The African continent imported US\$4,0 billion agricultural products from Russia in 2020, according to data from Trade Map. About 90% of this was wheat, and 6% was sunflower oil. Africa's major importing countries were Egypt, which accounted for nearly half of the imports, followed by Sudan, Nigeria, Tanzania, Algeria, Kenya and my home country, South Africa.

Similarly, Ukraine exported US\$2,9 billion worth of agricultural products to the African continent in 2020. Notably, the figures are roughly the same for the past five years. About 48% of this is wheat, 31% is maize, and the rest include sunflower oil, barley, and soybeans.

Russia and Ukraine's agricultural imports are marginal, less than a billion dollars a year, averaging at US\$1.6 billion in the past three years. The dominant products are fruits, tobacco, coffee, and beverages in both countries.

Beyond Africa

Suppose one casts an eye beyond the African continent. In that case, the Middle East and Asia are other regions that import a substantial volume of grains and oilseeds from Ukraine and Russia, which can also be directly affected by the disruption in trade.

Overall, Russia and Ukraine are vital producers and exporters of global agricultural products and thus demand that every agricultural role-player keeps an eye on the developments in the Black Sea region. In the near term, we will likely experience the impact of the Russia-Ukraine tensions through global price channels, which for a farmer could be beneficial as prices would temporarily see upside pressure. But for a consumer, this would be an undesirable path of food commodities prices.

Depending on how the tension evolves and how the events will influence trade, several countries that rely on Russia and Ukraine for grain supplies could be at risk of supply disruptions.