Implications of the Crisis in Ukraine on West Africa

RBD RAM- situation analysis (to be updated as the situation evolves)

At a time when our region is facing a major food crisis since 2011, and trying to recover from impacts of the COVID19 pandemic, the crisis in Ukraine is further complicating the situation. In the event of a protracted crisis, the region's problems will be exacerbated, with dire economic and political consequences.

Two major food exporters- Russia and Ukraine are important exporters of agricultural and non-agricultural products in our region. In 2020, according to FAO statistics, the cumulative production of sunflower seeds of the two countries was estimated at more than 26.4 million tons, or 50.2% of world production. Dry peas production had reached 3.6 million tons, or 20% of world production. Production in tons of barley, oats, sugar/beet was 28.6 million (18.1% of world production), 4.6 million (18.1% of world production) and 43.1 million (16.1% of world production) respectively. Cumulative wheat production was 110.8 million tons, or 12.4% of world production. With regards to wheat production in particular, Russia is the 3rd world largest producer while Ukraine stands in 9th position. These agricultural products above enter the food system of our region in different ways and some countries in the region are highly dependent on them.

High import dependence of West Africa countries- For several African countries, high dependence on wheat imports from Russia or Ukraine poses an immediate concern. According to FAO estimates, 30% of the wheat consumed in Africa comes from Ukraine and Russia. Russia is the main exporting country to West Africa with the largest importers of wheat being Mauritania, Senegal, Guinea, Sierra Leone, Ghana, Nigeria, Cameroon, Benin, Ivory Coast, Mali, and Liberia. Dependence on wheat imports is particularly high in Mauritania, Mali, Senegal, Cameroon and Benin where just over half of all wheat consumed comes from Russia.

Inflation and high food prices- Pandemic-related supply chain disruptions have already inflated prices for food and other basic staples. Global food prices are already rising along with those of other commodities, and any disruption risks further price shocks as importing countries scramble for supplies in a tightening market. This new crisis is an additionalshock to the above agricultural commodity markets and will impact commodity market prices , which are inherently volatile. Following the outbreak of hostilities between the two countries, the price of wheat reached 344 euros per ton against an average of 200 euros per ton observed in 2021. In the last five days alone, the price of wheat has risen by 14.5%.
This increase in food prices will certainly be transmitted to our region where food prices are already very high. Many countries in the region are already facing constrained fiscal space and a debt crisis and do not have sufficient financial resources to absorb the shock. The cost of managing rising prices is already high for most of the countries in our region. For example, Senegal has granted €76 million in subsidies to curb the effects of rising prices. In 2008, price increases of main food commodities led to hunger riots in several countries of the region, including Senegal, Burkina, Mali, Cameroon, Nigeria, etc.

In addition, oil, especially sunflower oil, is heavily consumed in the region. And as Ukraine and Russia account for nearly 80% of the world's supply of sunflower oil, tsome experts preidt that there will likely be a global shortage of sunflower oil leading to rising prices. The sugar market could also be affected, given that Russia and Urkraine represent nearly 16% of the world production. Sugar consumption is high in the region, notably in the Sahel, driven by rising standards of living and traditional consumption habits.

Disruption of supply chains- Ukrainian ports are closed and the same time many countries put ban on Russian ships. This will fuel further the rise of cereal prices given that the demand remains strong. Buyers are looking for alternative solutions, which translates into higher transaction costs. Also, tensions along the main sea routes in the Black Sea is disrupting the movements of the commercial ships.

Rising cost of transportation - An increase in hydrocarbon is expected. This increase could benefit exporting countries, led by Nigeria. However, the rising price of oil on global markets—induced by the crisis in Europe—will have direct impactsand will result in the increase in the cost of transport and therefore prices of basic necessities.

Rising price of agricultural inputs - The crisis affect the agricultural sector further with an increase in cost of agricultural inputs, such as fertilizers. Our region imports fertilizers and pesticides. The costs of urea and phosphate were already up by 30% and 4% respectively at the end of 2021. To this must be added the risks related to the ban on fertilizers exports from China and Russia until June 2022 that will cause more of an increase in the costs of these agricultural inputs.
The lack of access to fertilizers will have a significant impact on production in the arid areas of our region, particularly in the Sahel where the worst agricultural year since 2011 was recorded, with production declines of 6% to 38%. In these countries where governments subsidize imports of fertilizers, the rise in prices due to the crisis in Ukraine coupled with the impacts of COVID-19 on the mobilization of fiscal resources will greatly weaken the capacity of important fertilizers.

Rising energy costs- Rising energy costs also affect the production of fertilizer, which is often a necessary input for a productive agricultural sector. The costs of urea and phosphate—two major components of fertilizer—had already risen by 30 and 4 percent, respectively, by the end of 2021. These increases, plus fertilizer export bans by China and Russia through at least June 2022, will cause the cost of fertilizer to rise. In the Sahel, low natural soil fertility means that chemical fertilizer is often essential for food production, and several countries have had fertilizer subsidy schemes in place since the Abuja fertilizer summit in 2006 and food price crisis of 2008/2009. Yet, continued climbing prices will further reduce the already narrow fiscal space many African governments are negotiating in the wake of COVID-19. The rising cost of fertilizer will also elevate food costs. Fertilizer scarcity jeopardizes global crop production at a time when some or all of the 13 percent of global corn and 12 percent of global wheat exports from Ukraine could be lost.

Political instability- The crisis will intensify the geopolitics of hydrocarbons. There is a risk to security and political stability for some countries that are already in high demand. Also, the history of the region has shown that tensions between Russia and the Western countries have resulted into political instability in different countries of the region. With the current geopolitic situation in Mali and the Central African Republic, the conflict in Ukraine could trigger additional tensions.

Additional risk of hunger riots-It is important to point out how quickly a rising price for a staple can lead to protests, violence, and, political instability. As seen with recent uprisings in the past decade it’s often a price shock that sets off conflict. Hunger can increase tensions-producing inequality and simultaneously radicalize mass political movements.