Food and energy price inflation triggering a wave of collateral hunger across the globe

2022 April
A crisis that isn’t happening in a vacuum

The economic context

- Working hour losses equivalent to full-time jobs:
  - 258M in 2020
  - 125M in 2021
  - 52M in 2022

- Food inflation is now over 15% in 31 countries

- 22 currencies now a hotspot or in alert

- 60% of low-income countries at high risk or already in debt distress, up from 30% in 2015

- US$ 26 Trillion spent to avoid economic collapse in the first 18 months of the pandemic
GLOBAL FOOD PRICES HAVE BEEN ON THE RISE SINCE MID-2020

FAO’s Food Price Index reaches new all-time highs in February 2022 and again in March 2022

Sources: FAO Food Price Index
Global Supplies & Reserves: A Concentrated Market

- 7 countries* make up 86% of global wheat exports
  - while 3 countries hold 68% of the world's wheat reserves

- 5 countries* make up 78% of global coarse grain exports
  - while 2 countries hold 76% of the world's coarse grain reserves

- 4 countries make up 85% of global corn exports
  - while 2 countries hold 82% of the world's corn reserves

- 5 countries make up 78% of global rice exports
  - while 2 countries hold 82% of the world's rice reserves

- 2 countries make up 87% of global soybean exports
  - while 4 countries hold 93% of the world's soybean reserves

Source: USDA World Agricultural Supply and Demand Estimates March 2022
*Please note that this includes the European Union, which is classified as one entity in line with the USDA WASDE Report
CONFLICT IN ONE OF THE WORLD’S BREADBASKETS

Tracing Ukraine and Russia’s share of some major commodities

Russia and Ukraine provide

- 30% of global wheat exports
- 20% of global maize exports
- 73% of global sunflower oil exports
- 12% of global crude oil exports

Sources: own calculations based on AMIS data, OEC, IFPRI
Logistical challenges of the conflict

Rising costs of insurance premia
War risk premiums have hit $300,000 for some tankers operating in the Black Sea

Vessels stuck in the Black Sea
86 reported merchant ships currently stranded in Ukrainian ports and waters

Sources: Lloyd's List, International Maritime Organization
COMMODITY PRICES

IGC Grains and Oilseeds Index (Jan 2000 = 100)
Fertilizer Index (Jan 2000 = 100)
Crude Oil (Brent) USD/Bbl

Note: This chart represents monthly averages

Sources: IGC, World Bank, Trading Economics
AN UNPRECEDEENTED WORLD

Source: Trading Economics

This chart represents monthly averages, except for April 2022, where the most recent daily data is reported.

2008
No wars
No economic or national security threats in Europe

TODAY
CONFLICT
Syria
Yemen
Ethiopia
Northeast Nigeria

CLIMATE
Back-to-back, major droughts
Multi-year, landscape changing floods
Climate variability and volatility

COVID-19
Massive income losses
Record inflation
Supply chain disruptions
Record debt burdens
ROOT CAUSES

CONFLICT

CLIMATE

COVID-19

COSTS
**GLOBAL ACUTE FOOD INSECURITY NUMBERS**

- **2019**: 150M people facing acute food insecurity
- **2020**: 272M people facing acute food insecurity
- **2021**: 283M people facing acute food insecurity
- **2022**: 276M people facing acute food insecurity

**Scenario 1**
- Conflict is resolved within the next 5-6 weeks

**Scenario 2**
- Conflict continues beyond two months

**Conflict in Ukraine**

**Scenarios & Projections**

- Bringing 2022 estimates to **309M** people facing acute food insecurity
- +33M people facing acute food insecurity
- +47M people facing acute food insecurity

**2022 estimate**: 323M people facing acute food insecurity
**Increasing Needs & Ever More Constrained Funds**

- **2019**: 97M beneficiaries
- **2020**: 115M beneficiaries
- **2021**: 128M beneficiaries
- **2022**: 145M beneficiaries

**US$ 20 Billion Required in 2022**

**Funding Gap**: 50%

**By the end of 2021:**
- +$42M per month in food procurement costs

**Since the conflict in Ukraine began:**
- +$71M per month in food procurement costs

**44% Increase**

Equivalent to 1 daily ration for 3.8M people for a month
**POLICY RECOMMENDATIONS**

- Provide adequate humanitarian assistance to vulnerable groups
- Keep trade flowing and minimize disruptions to supply chains
- Avoid ad hoc policy reactions, export restrictions and import subsidies
- Exempt humanitarian assistance from export bans, extraordinary taxes and duties
- Strengthen market transparency to provide timely information
- Rethink energy and agricultural policies to diversify import sources for food and fuel
- Consider a food, fuel and fertilizer import facility for the poorest and most affected countries
THANK YOU