

# Policy Brief: Global Food Security Update

May 12, 2023

## Insights for What's Ahead:

Some major agricultural producers, including Russia and Canada, are reporting high production of grains. Brokered by the UN and Turkey last July, the Black Sea Grain Initiative has allowed for grain trapped by Russia's invasion to be safely exported from Ukraine's Black Sea ports. With the second renewal of the Deal set to expire on May 18, the UN along with deputy defense ministers of Russia, Ukraine, and Turkey are engaging in talks to extend the deal.

- Russia has seen record production of grains, and Canada's production stands at 33.8 million metric tons (mmt), up 50.9 percent from last year's 22.4 mmt. Rebound production in Canada and the northern plains of the US have eased production shortages from last year; however, price surges remain a risk in the months ahead.
- Drought remains a major issue for US winter wheat production, with 48 percent of production areas (mostly in the Plains) estimated to be in regions experiencing drought as of April 4.
- The future of the Black Sea Grain Initiative (set to expire on May 18) remains uncertain. Russia claims that the Initiative has not allowed its export of agricultural products (which are not under sanctions) and has said it will not extend the deal unless its list of demands is met.

## Ukrainian and Russian Wheat Critical to Middle East and Africa

Since the most critical point of food shortages and food price inflation shortly after the invasion of Ukraine, there has been some brightening in the global outlook, with food prices dropping significantly. The Food and Agriculture Organization of the United Nations (FAO) Food Price Index (FFPI) [averaged](#) 127.2 points in April 2023, up 0.8 points (0.6 percent) from March and standing 31.2 points (19.7 percent) below its value a year ago. April's slight increase in the FFPI after twelve months of consistent decline was led by a steep increase in the sugar price index as well as an increase in the meat price index, while the cereals, dairy, and vegetable oil price indices continued to fall. Averaging 136.1 points in April 2023, the FAO Cereal Price Index is down 2.4 points (1.7 percent) from March and 33.5 points (19.8 percent) below its value one year ago. The decline reflects an international fall in prices for all major grains which outweighed an increase in the price of rice month-on-month.

Complicating the situation, trade policy actions on food and fertilizer surged since the beginning of the war. As of March 13, 2023, 23 countries have implemented 29 food [export bans](#), and 10 have implemented 14 export-limiting measures. Acute food insecurity globally continues to escalate. The FAO and the World Food Programme (WFP) warn that [acute food insecurity](#) during its most recently published outlook period ending in January is likely to deteriorate further in 19 countries or situations. Afghanistan, Ethiopia, Nigeria, South Sudan, Somalia, and Yemen remain at the highest level of alert, as these countries all have populations facing or projected to face starvation.

Overall, while some countries have been seeing improvements in their food supply, concerns remain about the impact of significant global food inflation for grains, which remains at elevated levels. In its April 2023 [Food Security Update](#), the World Bank reports that 70.6 percent of low-income countries, 90.9 percent of lower middle-income countries, and 87.0 percent of upper-middle-income countries have experienced food inflation beyond 5 percent. Additionally, in real terms, food price inflation exceeded

overall inflation (measured as year-over-year change in the overall CPI) in 86.5 percent of the 163 countries for which both overall CPI and food CPI data are available.

According to USDA [data](#) last updated in April, Russian wheat production for marketing year (MY) 2022/2023 stands at 92.0 mmt, up 22.3 percent from last year. However, over the entire July 2022 to June 2023 marketing season, Russia is likely to [export less](#) than its crop would typically allow because of complications related to Western sanctions. Although sanctions do not cover Russian wheat or other grain production, Russian officials have [said](#) its shipments of grains and fertilizers are constrained because sanctions have made it harder for exporters to process payments or to obtain vessels and insurance (in fact, fertilizer sales have risen).

## The Russia-Ukraine Grain Agreement

On July 22, the UN, Turkey, Ukraine and Russia reached a [deal](#) allowing Kyiv to resume exports of grain through the Black Sea. The deal, [renewed](#) for a second time on March 18, 2023 for at least 60 days, enables Ukraine to export grain and other agricultural goods through humanitarian corridors in the Black Sea, including a significant amount of winter wheat and other grains, such as corn, that were stuck in its ports since the invasion. Russia's fertilizer [export revenues soared](#) last year despite a decline in sales volumes. In the first ten months of 2022, Russian fertilizer exports rose to \$16.7 billion, up 70 percent from the same period in 2021.

The deal established a [coordination and monitoring center](#) in Istanbul, staffed by UN, Turkish, Ukrainian, and Russian officials “to carry out general monitoring and coordination of safe navigation in the Black Sea,” [according to](#) Andriy Yermak, President Zelensky's chief of staff. Under the terms of the deal, Russia will not target ports while shipments are in transit; Ukrainian vessels guide cargo ships through waters that have been mined; Turkey, supported by the UN, inspects ships to alleviate Russian fears of weapons smuggling; and Russian exports of grain and fertilizer via the Black Sea are facilitated.

According to [UN data](#), as of May 9, 2023, a total of 29,861,777 tonnes of foodstuffs cargo has traveled outbound via the Black Sea Grain Initiative—a lower figure than before the war but reflecting declines in Ukraine's production. In the eight months [before the invasion](#), 51 million metric tons (approximately 56.2 million tons) of grain alone passed through Ukraine's seven Black Sea ports, according to the WFP. Corn comprised 50 percent of the shipments, followed by wheat at 28 percent, sunflower meal comprising 6 percent with sunflower oil at 5 percent, and 11 percent classified as “other.” (Beyond this, some grain has been exported through land routes, and other grain remains in siloes.)

The UN and deputy defense ministers of Russia, Ukraine, and Turkey [met](#) in Istanbul on May 5 to discuss the extension of the deal ahead of its May 18 expiration. State-owned Russian news agency Tass outlined on the morning of May 3 what Russia [seeks to achieve](#) with an extension of the deal:

“The Russian foreign ministry indicated that a further decision to extend the deal would depend on the reconnection of Rosselkhozbank [Russian state-owned agricultural bank] to the Swift payment system, the resumption of supplies of agricultural machinery, spare parts and services, the lifting of restrictions on insurance and reinsurance, the lifting of the ban on access to ports, the resumption of operation of the Togliatti-Odesa ammonia pipelines, [and] unblocking foreign assets and accounts of Russian companies associated with the production and transportation of food and fertilizers.”

The May 5 meeting [failed](#) to authorize new ships under a new deal. Ahead of the meeting, Russia claimed that the Black Sea Grain Initiative has not allowed for its export of agricultural products. (Russian exports of food and fertilizer are not subject to sanctions; however, Moscow says restrictions on payments, logistics, and insurance are a barrier to shipments.) Russia said it will not extend the deal beyond May 18 unless its list of demands is met to remove obstacles to shipments.

On May 8, Ukraine's reconstruction ministry said that Russia has effectively stopped the deal by [refusing to register](#) incoming vessels. According to the ministry, 90 ships, including 62 vessels for loading, are waiting in Turkey's territorial waters for approval to go to Ukrainian ports.

## Global Wheat Production and Harvest—2023 Estimates for Major Producers

According to USDA's April 2023 [World Agricultural Production](#) report, global wheat production for MY 2022/2023 is projected at 789.0 mmt, up 1.3 percent from last year. Global wheat yield stands at 3.58 tons per hectare (t/ha), up from 3.51 t/ha the year prior. Increased global weight production is heavily supported by record production from Russia, as well as very high production from **Canada** at 33.8 mmt, up 50.9 percent from last year's 22.4 mmt. Production of Canadian spring and durum wheat increased significantly due to [improved soil moisture](#). Spring wheat comprises [71 percent](#) of area planted to wheat in 2022. Canada's wheat yield stands at 3.35 t/ha, up from 2.44 t/ha the year prior. **Argentina's** total wheat production is estimated at 12.6 mmt, down 43.2 percent from last year. Its wheat yield stands at 2.28 t/ha, down from 3.38 t/ha the year prior. Farmers were plagued by persistent drought and late season frosts. Argentina has been facing three years of [unusually dry](#) conditions associated with a triple "La Niña" effect. **Australia** is expected to have another successful wheat harvest, breaking last year's production record by 2.8 mmt. Australia's total wheat production is estimated at 39.0 mmt, up 7.7 percent from last year's record 36.2 mmt.

**Russia's** total wheat yield for MY 2022/2023 is estimated<sup>1</sup> at a record 3.17 tons per hectare (t/ha), up slightly from last month, and up 16.5 percent from last year. The agency estimates [wheat production](#) for 2022/2023 at 92.0 mmt, up 22.3 percent from last year. The estimate includes 68.0 mmt of winter wheat and 24.0 mmt of spring wheat. Total harvested area is estimated at 29.0 million hectares (mha), up 5.0 percent from last year. The report notes that Russia's statistical agency Rosstat published its preliminary final numbers for the 2022 harvest, predicting Russia's wheat harvest at 101.9 mmt (adjusted for Crimea). Its total wheat yield is estimated at 3.50 t/ha (excluding production from Crimea), up 13 percent relative to the 2017 record and 23 percent relative to the five-year average.

**Ukraine's** wheat production for MY 2022/2023 is [estimated](#) at 21.00 mmt, down 36.38 percent from last year. Yield is estimated at 3.93 t/ha, down 11.69 percent. Harvested area is estimated at 5.35 mha, down 27.80 percent. The bulk of Ukraine's wheat for the current marketing year was planted prior to the Russian invasion, but major seasonal work and harvest occurred after it. Winter wheat, planted from early September to mid-November, accounts for 97 percent of total Ukraine wheat production. The State Statistical Service of Ukraine (SSSU)<sup>2</sup> in its January 2023 preliminary report suggested slightly higher production than initially expected.

## US Wheat Production

According to USDA's April 2023 [Wheat Outlook](#), total supplies of US wheat for MY 2022/2023 stand at 2,473 million bushels, up 5 million bushels from March, but down 4.4 percent from one year ago. Wheat exports for June 2022 through February 2023 reached 604 million bushels, down 2 percent from the same period last year. All-wheat exports are unchanged from the previous month at 775 million bushels, the lowest since 1971/72. Wheat prices hit record highs this marketing year and are expected to remain elevated into the next marketing year.

<sup>1</sup> USDA crop production estimates for Russia exclude Crimea, output from all Ukraine oblasts currently under conflict, and any misappropriated production from the conflict zones.

<sup>2</sup> It is unclear whether the SSSU report accounts for production in the oblasts of Donetsk, Luhansk, Zaporizhzhia, and Kherson. The Ukrainian Ministry of Agriculture stopped reporting for these oblasts in August 2022.

Drought remains a [major issue](#) for US winter wheat production, with 48 percent of production areas (mostly in the Plains) estimated to be in regions experiencing drought as of April 4. However, according to USDA's most recent *Winter Wheat and Canola Seedlings* [report](#) released January 2023, the US winter wheat planted area for MY 2023/2024 is projected at 37.0 million acres, up 11 percent from last year and the highest level since 2015/2016. Projected area for Hard Red Winter (HRW) is up 10 percent, with Soft Red Winter forecasted at 20 percent higher. White winter wheat is forecasted up 3 percent from the previous year. USDA will report intended Spring wheat and Durum acreage in its March 31 NASS Prospective Plantings report.

## Despite Improvements, Global Food Insecurity Persists

The United Nations World Food Programme (WFP) reported that in 2022, [345 million people](#) are either acutely food insecure or at high risk across 82 countries with WFP and available data. This is an increase of 200 million people from before the COVID-19 pandemic. Approximately 50 million people are on the brink of famine in 45 countries, including 900,000 people already facing famine or famine-like conditions in parts of Afghanistan, Ethiopia, Somalia, South Sudan, and Yemen. CED will continue to follow this issue as the winter wheat is harvested and spring plantings continue in the Northern Hemisphere.

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