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Global Food Insecurity on the Rise as Black Sea Grain Deal Stalls in Sochi

Global Advisory Report

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On September 4th, Vladimir Putin and Turkish President Erdogan met in Sochi for a high-stakes summit. The main purpose of the meeting was to discuss a possible resurrection of the Black Sea Grain Deal. The deal, signed in July 2022, allowed for Ukrainian Agricultural exports to pass through the Russian blockade of the Black Sea that was implemented at the beginning of the Russian invasion of Ukraine. The deal stayed in place for around 1 year, allowing for a total of 33 million tons of Ukrainian Grain to pass through the previously obstructed shipping channels.

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The United Nations and Turkey were heavily involved in brokering the agreement, both stressing the impact the deal would have in curtailing global food price rises and avoiding a hunger crisis in the Global South. This impact was evident, as grain prices fell by 35% under the deal and 19 million tonnes of Ukrainian commodities were exported to developing nations. In mid-July 2023, Russia announced it would not renew the Black Sea deal. For doing so, Moscow cited the issues it faced in exporting its own fertiliser and other agricultural products, stating it would consider returning to the agreement if their side of the deal is upheld. This decision faced widespread scrutiny, with US officials accusing Russia of using food shortages as a political tool and play for leverage. In the 8 weeks since Russia's withdrawal from the deal, Moscow has embarked upon a campaign of ariel attacks on Ukrainian maritime and agricultural infrastructure in the south of the country. The most recent attack came on September 2nd, with Ukrainian officials reporting a strike consisting of 25 attack drones, only 3 of which hit their intended destination at a port on the Danube River.

Putin & Erdogan Meet in Sochi

During Monday's meeting between the two leaders, Putin claimed that Moscow had been deceived at the expense of humanitarian goals and again highlighted the West's unfulfilled commitments towards Russia. Despite this, he declared that he was not against the Black Sea deal and would be willing to return to it if certain terms were met. Putin is angling for a relaxation of restrictions relating to payments, logistics and insurance of Russian food and fertiliser exports. A key component of this is the reconnecting of the Russian Agricultural Bank to the Western-controlled Swift payment system. Despite Putin's grievances, the West asserts that these claims lack merit and that Russia had enjoyed exemptions to sanctions on its agricultural exports. Claiming that Moscow has exported over 56 million tonnes of grain under the Black Sea deal, earning 41 billion dollars in the process. Due to this impasse, the meeting establishes little change to the status quo as both sides are unlikely to submit to the other's demands.

Alternative Export Options for Ukraine?

Since the beginning of the Russian invasion, Ukraine has attempted to diversify its means of exporting goods. The EU aided this by introducing measures that eliminated tariffs on Ukrainian goods and established ‘solidarity lanes’—alternative logistic routes by land and EU ports to help Ukraine continue exporting agricultural goods despite the war. These measures proved useful initially, as over 45 million tons of agricultural goods have been exported through these solidarity lanes since May 2022.

However, the heavy flow of goods caused logistical issues and ‘bottlenecks’ in the region. Resulting in grain and other exports meant for foreign markets remaining in neighbouring countries, lowering the price and demand for domestic products. This triggered Poland, Slovakia, Hungary and Bulgaria to impose unilateral bans on Ukrainian imports in May 2023 to secure their domestic markets. This decision has come with backlash from other member states, who have highlighted the ‘double standards’ of paying lip service to the Ukrainian cause whilst adopting protectionist policies at their expense. This has exposed serious cracks in the EU’s solidarity in support of Ukraine. It also highlights the cruciality of the Black Sea deal for Ukraine in balancing its export channels.

As a result of this, Kyiv has begun to explore other maritime export options in recent weeks. For instance, ports on the Danube River are now being used to transport commodities to the Black Sea through canals. These ships are then directed to the Romanian ports of Sulina and Constanta, avoiding militarised areas. Whilst Ukraine is making important strides by exploring these alternate options, they are far from establishing a fully reliable means of export. Therefore, the uncertainty facing Ukrainian grain and wheat exports is likely to continue.

Food Security Concerns Continue to Grow

The interruptions in trade have had far-reaching impacts on the international community. As at the outset of the war, grain prices and general food insecurity spiked after Russia’s decision to walk away from the Black Sea Deal in July. Research from the World Food Project (WFP) found that in Africa 80 million people were already suffering acute food insecurity, even before Russia’s snubbing of the deal.

The East of the continent is especially vulnerable, where Ethiopia and Kenya are experiencing significant droughts, whilst three million Sudanese are displaced due to the ongoing civil conflict. Further uncertainty in food supply has the potential to further destabilise the region.

Furthermore, Egypt relies heavily on Russia and Ukraine for wheat, importing 80% of its wheat from the warring states. In the last 2 months, the unstable prices and uncertainty of supply have strained Egypt's foreign currency reserves, limiting its ability to import other agricultural supplies necessary to sustain and develop its farming sector. In the Middle East, states that have little capacity to produce food commodities, such as Qatar, are now facing significant uncertainty in securing their long-term food security.

According to the German Foreign Ministry, 350 million people are currently impacted by acute famine and for every 1 per cent increase in food prices, one million people are pushed into absolute poverty. While a steady rise in food prices is not inevitable in the short term, the uncertainty over supply does little to help those at threat.



