

The Myth of Global Grain Shortages

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Contrary to popular belief, the war in Ukraine has not led to a global shortage of wheat. While global hunger has surged in recent years, the way to address the current food crisis is by focusing on its real causes: financial speculation and corporate profiteering.

NEW DELHI - In recent years, soaring food prices and the growing frequency and intensity of floods, droughts, and other extreme weather events have prompted warnings of a looming grain shortage, potentially spelling disaster for the world's poorest and most vulnerable populations. Although climate change poses the greatest medium to long-term threat to global food security, Russia's invasion of Ukraine is frequently cited as the immediate cause of the current hunger crisis. But this is a red herring.

To be sure, the war has disrupted wheat exports from both Russia and Ukraine, two of the world's leading producers, throwing critical trade relationships into disarray. Given that Ukraine and Russia previously accounted for more than a quarter of global wheat exports, policymakers and commentators attributed the surge in prices in early 2022 largely to supply shortages caused by the conflict.

But while the [global wheat price index](#) rose by around 23% in the months following Russia's invasion, prices began to drop in June 2022. By December, they had returned to pre-war levels. Even when acknowledged, this trend was attributed to the success of the [Black Sea Grain Initiative](#) (BSGI), a United Nations-backed agreement that lifted the Russian blockade of Ukraine's grain exports. Conversely, Russia's [recent decision](#) to [pull out](#) of the deal has raised concerns about its potential effects on the global grain trade.

These concerns are misguided for two reasons. First, the global wheat supply (both total production and the traded amount) has remained steady since the onset of the Ukraine war. The Agricultural Market Information System, administered by the Food and Agriculture Organization of the United Nations, incorporates data from the International Grains Council to provide estimates of supply, usage, and trade. Between July 2021 and June 2022 - a period when wheat prices peaked - global production rose by [five million tons](#) while trade volumes increased by three million tons. Over the same period, stocks rose slightly (by three million tons).

Most notably, the total wheat supply (defined as production plus opening stocks) exceeded utilization by as much as 275 million tons. This surplus challenges the prevailing narrative of a global shortage. Similarly, global supply is [estimated](#) to have exceeded demand between July 2022 and June 2023, suggesting a consistent trend.

Second, governments and the media tend to emphasize specific regional shortages while overlooking increases in production and trade in other parts of the world. In reality, wheat is produced globally, which means that shortages in one region could be offset by increased production in another.

So, what caused the surge in wheat prices? To answer this question, we must follow the money. The global grain market operates as an oligopoly, with the four largest grain traders - Archer-Daniels-Midland, Bunge (which [recently merged](#) with Viterra), Cargill, and Louis Dreyfus - controlling [more](#)

[than 70%](#) of the market and Glencore accounting for another 10%.

In the early stages of the Ukraine war, especially between March and June 2022, the Big Four grain traders reaped record profits and revenues. Cargill's annual revenues [were up 23%](#), to \$165 billion, while Louis Dreyfus's profits [soared by 80%](#). These gains reflected price hikes that were not aligned with real-world demand and supply dynamics.¹

Moreover, grain futures markets experienced a flurry of activity between April and June 2022. Financial investors, including pension funds, [increased their share](#) of long positions in the Paris wheat futures market from 23% in May 2018 to 72% in April 2022. Ten "momentum-driven" hedge funds reportedly earned [\\$1.9 billion](#) by capitalizing on the food-price surge triggered by Russia's invasion of Ukraine. Instead of preventing or containing such financial maneuvers, regulators in the United States and the European Union allowed them to continue unabated.

Surprisingly, most of Ukraine's grain exports did not reach the world's poorest countries. Instead, 81% of the [32.9 million metric tons](#) exported under the BSGI went to high-income and upper-middle-income countries, mostly European countries such as Spain, Italy, and the Netherlands, as well as China and Turkey. Low-income countries received 3% of Ukraine's grain exports and 9% of its wheat (most to Bangladesh). Given that food-importing African countries received only a fraction of these exports, the fears that the deal's breakdown would lead to mass starvation across the continent seem vastly exaggerated.

The BSGI seems to be more about facilitating exports from Ukraine – a laudable goal in its own right – than about addressing world hunger. In addition to the Russian blockade of its maritime routes, Ukraine's overland routes have been compromised by the [implicit import restrictions](#) imposed by Central and Eastern European countries such as Poland, Bulgaria, Hungary, Slovakia, and Romania, which aim to shield struggling local farmers from competitively priced Ukrainian grain. But, as others have [pointed out](#), the BSGI primarily serves the interests of the agribusiness giants trading in Ukrainian grain and the financiers backing them.

While global hunger has surged in recent years, it is not because of a shortage of grain. Instead, plummeting exports, dwindling foreign-exchange revenues, capital flight, and higher debt-servicing costs have diminished many countries' ability to import foodstuffs.

To address these challenges, we must shift our focus. Rather than distribute grain as charity, global policymakers must mitigate impoverished countries' foreign-exchange vulnerabilities and take measures to support increased domestic and regional production of essential food items. We can still win the fight against global hunger, but only if we recognize the real causes of our current predicament.

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