

## The War in Ukraine: Impacts on Global and Canadian Food Production



Over the past several months, you may have seen a variety of articles detailing some of the effects that the war in Ukraine is having on agriculture in Canada and around the world. Ukraine and Russia are two of the world's "breadbaskets", with both countries exporting a combined quarter of the world's wheat. Experts around the world have warned that there could be a looming global food crisis if the war impacts Ukrainian agriculture heavily. This is almost guaranteed to occur now

that the war has been ongoing for over a month.

Food and other agriculture products are global commodities, and sometimes events across the world can have wide-ranging impacts on these global systems. Adding onto these struggles, Russia is the largest exporter of fertilizer, a crucial input for many farmers. Fertilizer prices had already been rising substantially before the invasion of Ukraine. Recent sanctions against Russia as well as other factors have caused fertilizer prices to increase even more drastically, making it much more expensive for farmers to produce food.

The events ongoing in Ukraine are tragic, and unfortunately for most there is little that the average person can do to affect the situation. Yet even across an ocean we can see the effects of the war, with rising food prices caused not only by shortages, but also due to other countries refusing to export their products to ensure they can feed their own population.

However, Canada is in a unique position to try and help with some of the global issues around agriculture products that can arise from the ongoing war.

### How Canadian Farmers Can Help

Canada is one of the only countries with the ability and the climate to increase wheat production to help alleviate the deficit of wheat caused by the ongoing war. While most of the world's wheat is planted in the Fall, Canada has heavy wheat production in the Spring and Summer, meaning our farmers have the opportunity to plant more wheat to help make up for the predicted overall lack of supply.



However, Canada's own breadbasket, the Prairie provinces, are currently recovering from the worst drought in 70 years. Only time and weather will tell if circumstances will allow these farmers to plant more and support strong yields. Rising wheat prices due to current events could theoretically incentivize farmers to plant more, but other crops such as Canola are also rising in price and may be more profitable. With various shortages affecting commodity prices, farmers have had to make difficult decisions on what they will plant this year.

In regards to fertilizer supplies, Canada is also in a position to help. For example, while Russia is the largest exporter of fertilizer, Canada is the largest producer of potash fertilizer in the world, and has the world's largest potash reserves, holding 1.1 billion tonnes.



A crew of workers in front of a mound of potash.

Potash companies in Canada, such as Nutrien, have already been hiring more workers and increasing production to help make up for the ongoing deficit.

However, it will take some time to ramp-up production and it's important to note that successful yields rely on a balance of nutrients, which are sourced from multiple locations – often around the world. Also, fertilizer is generally priced on global markets, so while producing more fertilizer at home should help mitigate some concerns around fertilizer availability, domestic production will not necessarily provide any cost-benefits for Canadian farmers. We also need to closely examine domestic fertilizer needs, to ensure Canadian farmers can access and afford all the nutrients required to meet their obligations to produce more food.

### **How Canadian Farmers are Affected and Food Security**

It is extremely difficult to say how these circumstances will affect the average farmer in Canada, as farms are extremely varied depending on their location, what crops they grow or animals they raise, and the weather they experience that year.

One thing is for certain, the costs of producing food have increased drastically across the board. With fuel costs and fertilizer costs increasing substantially over the past year and even more drastically over the past few months, every farmer will be facing increased costs to grow crops and feed their animals.

While commodity prices such as wheat are very high due to a predicted lack of supply, it will be some time before we can tell if those increased commodity prices outweigh the price increases for crucial inputs to farming operations.

A key aspect to understand about this dynamic between the pricing of farm inputs and commodities is that farmers are “price takers”. A “price taker” does not have the ability to set the price of the product they sell, and therefore has fewer options available to offset their costs of production.

As a quick example, if you owned a clothing store and your supplier increased their prices, you could simply sell your clothing for a higher price to offset those new costs. When a farmers sells their product, they receive whatever price the global market deems it worth. A strawberry that costs \$5 to grow compared to a strawberry that cost \$10 to grow sells at the same price. Due to this factor, the balance between commodity and input prices is critical to the economic viability of farming, putting added emphasis on productivity and efficiency on the farm.

It's also difficult to tell what the eventual impacts will be on consumers, but we expect that current trends regarding food inflation will continue. The war in Ukraine will likely affect the global food chains and supplies, and supply chain issues continue to raise prices for almost all goods.

Canada does have a mitigating role to play in any looming food crises, as we grow far more food than our population can consume. While there will most likely be higher prices at the grocery stores for the foreseeable future, those shelves will at the very least continue to be stocked, and Canada can continue to export to feed those countries struggling with their own food supply.

**If you would like to donate funds to help those out in Ukraine, please consider donating to Unicef Canada.**