

OPPORTUNITIES AND CHALLENGES OF RUSSIA-UKRINE WAR FOR INDIA

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ABSTRACT :Russian invasion of Ukraine and the subsequent sanctions on its economy have sent **g**lobal food prices soaring, threatening to push millions of people, especially those in low-income countries, into starvation.

The painful negative impact of supply disruptions across the globe is disproportionately affecting Low and Middle Income Countries in Africa and Asia. In import-dependent countries of world ,prices of food staples reached levels never seen before, amplifying inequality, hunger, and poverty This has made its impacts felt on the Indian economy also. **The war in Ukraine has strained the Indian economy but, as the West decouples from China, it has also brought opportunity India's way.** Many observers worry that the impact on India's economy could be severe; others are sanguine that India's economy is insulated from the effects of a war that is very far away .

This study, investigates India's susceptibility to the war's disruption on agricultural production, hence food security for the next two years which may

lead to food crisis and finds India is "carving out" opportunities from this challenging situations as the world continues to face hikes in fuel prices and shortage of food grains amid the Russia-Ukraine war..

KEYWORDS: SUPPLY DISRUPTION, POVERTY, OPPORTUNITIES

I. INTRODUCTION

Ukraine and Russia are among the most important producers and exporters of arable crops in the world, particularly of cereals and oilseeds. Production of animal products, however, mainly supplies their domestic markets. Russia and Ukraine accounted for 10% and 3% of global wheat production on average over the past five years, respectively. Russia and Ukraine are the first and fifth largest wheat exporters, accounting for 20% and 10% of global exports, respectively. Both countries play a critical role in supplying wheat to global markets, including to the Middle East and North Africa region, where wheat is the main staple food. Russia and Ukraine are also large producers and exporters of other cereals, particularly of barley, oilseeds, sunflower seeds. Ukraine is the world's largest producer of sunflower seed, followed by Russia.

Together, they account for more than 50% of the global production on average in the marketing years 2016/17 to 2020/21. Most of the production is crushed domestically into sunflower oil and meal. Sunflower oil is also exported to the global market, Ukraine and Russia accounting for 50% and 25% of global sunflower oil exports, respectively (OIL WORLD, 2022[1]). Russia also plays an important role in global energy and fertiliser markets. It is the world's top natural gas exporter, second-largest oil exporter, and the third largest coal exporter; accounting for 20%, 11% and 15% of global exports, respectively, in 2019 (IEA, 2022[2]). Russia is also the world's top exporter of nitrogen fertilisers, and the second and

third leading supplier of potassium and phosphorous fertilisers (FAO, 2022[3]), respectively, accounting for over 15% of global fertiliser exports in 2020 (UNCTAD, Given the importance of Russia and Ukraine for global agricultural and input markets, Russia's aggression against Ukraine and political responses have significant and potentially longer-lasting implications for producers and consumers. Reduced cereals and oilseeds export availability from Ukraine is pushing up international food and feed prices. As the agri-food sector is highly-energy intensive, rising energy and fertilizer prices are translating into higher production costs and contributing to food price increases. The Russian strategy to damage Ukraine's agricultural industry by targeting the country's farms, agricultural equipments, warehouses, markets, highways, bridges, and ports has largely destroyed the agricultural supply chains. Russia's aggression against Ukraine is also threatening global food security (UN Global Crises Response Group on Food, Energy and Finance, 2022[9]). A large number of food-importing countries, many of which fall into the Low-Income Food-Deficit Countries (LIFDCs) category, rely on Russian and Ukrainian food supplies to meet their consumption needs (FAO, 2022[3]; UNCTAD, 2022[4]). Several countries, for instance, receive over half, and up to 100%, of their wheat imports from Russia and Ukraine. This includes a few countries already struggling with internal conflicts and precarious food security situations. These countries need to find alternative sources of supply to meet their consumption needs.

The impact of the food shock is is worst in 48 countries, which are highly dependent on imports from Ukraine and Russia—mostly low-income countries experiencing cost of living crisis. Of those, about half are especially vulnerable due to severe economic challenges, weak institutions, and fragility.

Rising global prices of wheat and sunflower oil, because of the war in Ukraine, have already adversely impacted people in India. . As much as 90 percent of India's annual crude sunflower oil requirement comes from Ukraine and Russia alone. Russia, in turn, is a major destination for Indian tea. These exports are now sure to be reduced given the conflict's impact on global trade in general, and particularly on trade

As a result, policymakers in many countries have introduced fiscal measures to protect people from the current food crisis. r. Meanwhile, as per the World Bank, the commodity prices will remain high till at least 2024 As a result, global food security is under severe pressure. Food security is intimately linked to political stability and therefore, the political impact of global food insecurity will be felt across the world to a varying degree.. In 2022 and 2023, up to 13 million more people could face starvation as a result of this war alone.

II CONCEPT OF FOOD INSECURITY IN CONTEXT OF WAR

Food security is ensured in a country only when sufficient food is available for everyone, if everyone has the means to purchase food of acceptable quality, and if there are no barriers to access.

A person is food insecure when they lack regular access to enough safe and nutritious food for normal growth and development and an active and healthy life. This may be due to unavailability of food and/or lack of resources to obtain food. Food insecurity can be experienced at different levels of severity. FAO measures food insecurity using the Food Insecurity Experience Scale (FIES) shown below: Severe food insecurity is one extreme of the scale, but even moderate food insecurity is worrisome. For those who are moderately food insecure, access to food is uncertain. They might have to sacrifice other basic needs, just to be able to eat. When they do eat, it might be whatever is most readily available or cheapest,

which might not be the most nutritious food. The two fighting countries together account for nearly 30 percent of global wheat exports and between 2017 and 2021, the two countries supplied **nearly 274 million tons (MT)** of wheat to the world.

Countries like **Egypt** and Indonesia rely nearly entirely on these two countries to fill up their wheat coffers. With the war, Ukraine, the world's fifth largest exporter of wheat, is unable to export grains to the world.

Russia is adding further to its list of war crimes by robbing Ukraine of its wheat produce. Faced with sanctions against Russia, most countries are now also unable to turn to the world's largest exporter of wheat, adding to the food insecurity woes. Russia's 2022 invasion disrupted key markets and supply chains for crops and fertilizers that significantly affect global food security. High international food prices have eased gradually, but domestic prices remain high in many low- and middle-income countries. Although still high, fertilizer prices have fallen from their 2022 peaks because of shifting supplies and trade

Domestic food price inflation remains high around the world. Information from the latest month between October 2022 and December 2022 for which food price inflation data are available shows high inflation in almost all low- and middle-income countries, with inflation levels above 5% in 88.2% of low-income countries, 93% of lower-middle-income countries, and 89.0% of upper-middle-income countries and many experiencing double-digit inflation.

In addition, about 85.7% of high-income countries are experiencing high food price inflation. The countries affected most are in Africa, North America, Latin America, South Asia, Europe, and Central Asia. Russia's 2022 invasion disrupted key markets and supply chains for crops and fertilizers that significantly affect global food security.

III IMPACT OF RUSSIA-UKRINE WAR ON INDIAN AGRICULTURE

For India, there have been two direct impacts and another, but no less important one indirect impact. For starters, it pushed up our import bill for both energy and fertilizers. Both these (and the rising price of wheat globally) have also contributed to rising inflation globally, promoting Indian policymakers to raise interest rates in tandem with the rise in global rates. The net result: higher inflation and lower growth for India. The conflict worsened the growth-inflation mix for India. It pushed up crude prices and caused supply side bottlenecks, thereby putting significant upward pressure on inflation. It also raised the fertiliser bill substantially and threatened to derail the budgetary math. Russia Ukraine war has created a silver lining for Indian agriculture by disrupting global agricultural commodity chain due to supply disruptions and that augurs well for the rural economy.

Rural experts opined that post harvesting of crop and clarity on monsoons, rural demand is expected to bounce back strongly which will kick start another growth cycle in the economy.

India is the second-biggest producer of wheat and rice, the two staples. It has a stock of over 850 lakh (85 million) tonnes of them 513 lakh (51.3 million) tonnes with the Food Corporation of India and another 340 lakh (34 million) tonnes. **However**, as the Modi government aims to feed the world with Indian farm produce, it is fighting hard to keep the food inflation down at home. Food inflation reached a 16-month high in March at 7.68 per cent. Prices of vegetables, edible oil, milk, meat, fish and cereals have increased sharply in the past few months. Indian Government has recognized the sudden spike in global prices of wheat which put our food security and those of our neighbours and other vulnerable countries at risk.

The last few years proved extremely volatile for the food value-chain due to issues ranging from the pandemic-induced supply chain disruptions to the impacts of climate change on agriculture.

To add to the already existing woes, the escalation of the Russia-Ukraine conflict has inflicted a major blow to the foundations of the global food security agenda. The biggest victim of the war is agricultural infrastructure whose functions are disrupted due to targeted strikes. The Russian strategy to damage Ukraine's agricultural industry by targeting the country's farms, agricultural equipments, warehouses, markets, highways, bridges, and ports has largely destroyed the agricultural supply chains. This has made its impacts felt on the Indian economy. As Russia is one of the world's largest producers of sunflower oil and wheat, the sanctions on these food products have spiked up their prices contributing to the ongoing inflationary pressure in the Indian economy. One may, however, have a contrarian viewpoint as well. This is because the war, through value-chain disruptions, has made the imports largely uncompetitive in the domestic market. Though axiomatically, the war in that sense has created an "organic protection" for the domestic producers by increasing the tangible and intangible costs of imports,

it needs to be seen whether the domestic producers can grab such an opportunity to capture the large Indian market through better capacity utilisation and spurring up their productivity. However, the problem is not merely with production as far as the Indian food sector is concerned. The age-old agricultural marketing issues keep on plaguing the sector on.

This may help create the basis for self-sufficiency in a range of agricultural products. As price and event shocks impede the food value-chain, there hardly remain much risk management options to combat such risks. Crop insurance and weather derivatives are

largely the instruments that combat production risks. They have nominal penetration in the Indian farm sector. Rather, the farm value-chain gets affected by international trade and events, ever since the late 1990s. If India had to take advantage of the condition of this “organic protection” of its food and agricultural sector and ensure food security, spurring up of production will not help without right marketing and distribution strategies.

V. MEASURES NEEDED TO COMBAT FOOD INSECURITY .

Strong and swift policy action is needed across four areas to mitigate the global food crisis and avert human suffering.

First, **rapidly and adequately support people** vulnerable to food insecurity through humanitarian assistance from the World Food Programme and other organizations, alongside effective domestic fiscal measure.

second, **maintaining open trade**, including within regions, to allow food to flow from surplus areas Third, **increase food production and improve distribution**, including through ensuring adequate access to fertilizers and crop diversification.

Fourth, **investing in climate-resilient agriculture** will be vital to increasing future harvests. The international community must also take decisive action to ensure that the needed financing is in place to deal with the immediate crisis and to strengthen food security in the medium-to-long term. Institutions specialized in food security, such as the World Food Programme and the Food and Agriculture Organization of the United Nations, need to be adequately funded because they play a vital role with their local presence in many nations and an unwavering focus on the human cost of acute food insecurity.

More grants and concessional financing from donors and international organizations, are urgently needed to support cash and in-kind assistance for people suffering most acutely from food insecurity. In some countries, debt relief will also be needed.

VI RUSSIA -UKRINE CONFLICT: AN OPPORTUNITY FOR INDIA

The Russia-Ukraine war has crippled the global supply chain, triggering a global food shortage, and subsequently resulting in high inflation rates in countries . India is home to around 18% of the world's population and accounts for 74% of the South Asian population. It is predicted to be the fastest growing big economy this year. The country's Central Bank predicts that GDP will grow by 7.5% in FY in 2022-23(RBI,2022).

In a country where an average household spends two-thirds of the daily income on buying a vegetarian meal, rising prices of key ingredients following Russia's invasion of Ukraine has made Indians feel the pinch. This may lead to people having little left to spend on other essential items like health and education.

Most people in India depend on agriculture for their livelihood and hence, food availability is not a big problem. However, affordability still is. The Russia-Ukraine war and the consequent supply chain disruptions have only aggravated this concern in India.

The Reserve Bank of India in February last year, before the Ukraine conflict started, had projected average inflation at 4.5 per cent for FY23 as Covid-19 cases were decreasing. However, geopolitical tensions overturned the macroeconomic conditions of the nation as prices of crude oil, metals, and food increased unprecedentedly.

As inflation continues to remain elevated in many nations, financial agencies have predicted that global economic growth is expected to slow down this year. But agencies expect India to

remain in a 'bright spot.' Due to digitization, prudent fiscal policy, and significant financing for capital investments announced in the Budget this year,

India is expected to grow 6.8 per cent in FY23, the IMF has said. According to the agency, India's growth will be the fastest among the major global economies this year. Russia has been selling crude oil at a discounted price to Asian nations, and India is one of them. Indian refiners, who avoided Russian oil before due to costly logistics, have been now eagerly buying discounted crude from Moscow.

India is drawing up a strategy to step up the country's wheat exports following a disruption in global trade as In Ukraine war, India sees an opportunity to export its wheat. : India has launched talks with countries such as Egypt that depend on Russian and Ukrainian wheat so that it can fill the gap created and at least double exports. The government has identified at least nine new markets for Indian produce. Egypt is seen to be the biggest potential market that can open for Indian wheat exporter. Nigeria, Thailand, Vietnam and Turkey are among the other nine markets centre is trying to tap..addition, it is eyeing increasing its share in Bangladesh, Srilanka Korea and West Asia. The consumer affairs, food and public distribution ministry is working to provide adequate storage facilities at five or more ports identified by the Central Warehousing Corp.

India has already seen a rise in its wheat exports, but officials feel the opportunity is greater. The country's wheat exports in the period between April 2021 and January 2022 rose to to \$1.7 billion from \$358 million in the year-ago period. Agricultural and Processed Food Products Export Development Authority (APEDA), a body under the commerce department, has set up a 15-member task group including representatives of various states to draw up a road map for promoting wheat exports. Uttar Pradesh, Madhya Pradesh, Punjab, Haryana,

Rajasthan, Bihar, Gujarat and Maharashtra accounted for around 97% of India's wheat production in 2019-20.

But war on Ukraine shows no sign of subsidence. Its economic and societal adversities have already been felt worldwide but keep evolving, with food and energy being most affected. The South Asian region, which has grappled with surging commodity prices and supply constraints even before the war, is likely to witness further inflation with rising food and oil prices .

Hence, given surging domestic food and nonfood inflation in recent months , in the wake of ill effects of Covid-19, the country's dependence on import such as oil, fertilisers, and edible oil , raises concern about economic stability and possible interventions. The drop in supply has been compounded by other external factors: less than usual supply from other top wheat exporters, a fertilizer shortage, weather abnormalities impacting grain output, price per ton jumping from **USD \$325 to USD \$450**—all severely impacting low-income countries and communities. At a time like this, India's back and forth on its wheat export diplomacy has a magnified impact on global food security as well as its own international standing.

VII CONCLUSION & SUGGESTIONS

Although the Government of India has been actively addressing food security at households for a long time through the **Public Distribution System** and the **National Food Security Act (NFSA) 2013**, there are still concerns related to Food Security in India amidst **increasing population, climate change and global supply chain disruption (Russia-Ukraine War)** that need to be addressed. **THE SHUTTING OF** the window has opened very much a proverbial door for India. It is, indisputably, a golden

moment for India, especially as it looks to shape the world . With the great exodus of multinationals from Russia, there is an opportunity for India to fill the vacuum. Russia has a lot of engineers, accountants, scientists; what it needs is managers. The country needs to be marketed. But it will not be easy. It is a great moment for small and medium companies, India has the will and capacity to mitigate the worst impacts of the global food crisis, with timely support and infrastructure. Study recommends India must adapt and plan long term to address such future shock. It explores the market opportunities the conflict has created. The fear of being sanctioned ensures that bigger multinationals might need to keep out. For smaller companies, the sanctions are also an advantage. Orders that come are often fully paid in advance.

This global food crisis has staggering humanitarian impact and large financial costs. It requires a comprehensive and well-coordinated approach to ensure complementarity and maximum efficiency in resource use.

Highlighting, India's track record of helping its partners in distress, it can be concluded that even in the middle of the COVID-19 pandemic and ongoing conflicts, India has provided food aid in the form of thousands of metric tonnes of wheat, rice, pulses, and lentils to several countries, including our neighbourhood and Africa, to strengthen their food security and thus it can be cautioned that if the Ukraine conflict does not immediately give way to a “meaningful path of dialogue and diplomacy”, there will be “severe repercussions” in the global economy which will derail efforts to secure food security and eradicate hunger.

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