

# **GLOBAL ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS**

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## **THE CRISIS OF THE EXPORT OF UKRAINIAN GRAIN AS A GLOBAL PROBLEM OF HUMANITY**

By starting a war in Ukraine, Russia is dragging down not only Ukraine, but also the whole world into a serious global food crisis. Causing the blockade of Ukrainian seaports and preventing the export of Ukrainian grain, it thereby increases grain prices, that in turn leads to higher prices for other products. At the same time, it is possible to observe how Russia increases the export of its own grain products and limits the supply of foreign products to its territories, in hopes to receive political support and high prices on the world stage. All this quickly can turn into a global catastrophe, and the first consequences will cover the Asia-Pacific region and North Africa, as well as countries with low profits, which are the largest consumers of Ukrainian grain products. Thus, after a few months, the export of wheat decreased by 20 times 43,500 tons in May 2022 against 857,800 tons in May 2021, the export of corn 959,000 tons in May 2022 against 2,245,000 tons in May 2021, and the export of barley twice, 11,600 tons in May 2022 versus 45,000 tons in May 2021 [1]. At the same time, after the russian's invasion, we can emphasize a noticeable increase in wheat prices, namely by 30%. The same situation can be observed in the food sector. Thus, the annual growth of the price index was 20 points, while only a month after the Russian attack, the price index increased by 18 points. The coronavirus, climate shocks, the too low level of global grain reserves and the energy

crisis, which are also caused by Moscow's actions, also contributed to the global crisis. However, it was the full-scale invasion of Ukraine that became the cause of the world problem. So, according to Figures 1 and 2, let's look at the reaction of the world arena to the coronavirus crisis and the invasion of Russia. At the same time, it should be noted, that the increase of wheat prices depended not only on the Russian occupation, but also on the Indian authorities, which limited grain exports to ensure domestic demand, due to a lack of harvest affected by the heat in the country [2]. However, the consequences of the occupation of the water area and attacks on ships will lead to unheard events, namely the death of millions of people due to lack of food, which in turn will lead to social unrest and the fall of governments. We can recall similar events from the time of the "Arab Spring". Although Russian propagandists point to a high rate of Ukrainian exports, so, blocked amount of grain will not be able to influence global partners in any way, the data of the State Statistics Service show that the total amount of grain produced in 2021 was 84 million tons of grain, while the export figures are 42.3 million tons of grain. Thus, about 70–80% of grain is exported, taking into account domestic consumption of 19 million tons, there are still 22.6 million tons of grain in Ukrainian warehouses. The decrease in corn exports reached 29%, barley – by 44%, wheat – by 78%, and instead of the planned 20 million tons, Ukraine was able to export only 3.9 million tons of grain. At the same time, even after attracting international aid and their ability to transport grain, exporting those remains is not such an easy task. Since all the ports are completely full and the unloading of the warehouses is too slow, there is no room for the new harvest, but also the amount of last year's harvest is such that it cannot be exported in a few months. At the same time, Yemen, with a population of 3.5 million suffering from food shortages, can be taken as a vivid example of a serious disaster. The most used grain crop is wheat, which as a national resource is only 3%. Thus, the country needs to import 3 million tons, of which 26% falls on Ukraine. Yes, we see that the share falling on Yemen can really affect the country's situation. So, if the Russian blockade continues in the future, the world market will experience a shortage of grain crops in the amount of 7% of all exports. However, Ukraine-Russian grain pact, subject to its successful implementation, will be able to lower food prices and reduce the deficit in

those states that have a certain dependence on Ukrainian grain. Thus, the grain agreement signed on July 22 in Istanbul is entitled "Initiative for safe transportation of grain and food products from Ukrainian ports". According to its terms, it is assumed that the ports of "Odesa", "Chornomorsk", "Yuzhny" should remain under the control of Ukraine, at the same time, the document does not mention the relaxation of any sanctions against Russia [3]. Thus, it is possible to consider certain advantageous points for the Ukrainian, Russian and, surprisingly, the Turkish side. It should be noted, that Ukraine had no choice but to sign agreements with Russia to export its grain, since the railway transfer provided only a modest amount of exports. Overcrowded grain warehouses created the risk of a massive Russian attack on elevators and other places with a grain and oil harvest, especially in Odesa and Mykolaiv regions. Therefore, the movement of grain must be urgent, not only to direct its resources to countries where they are lacking, but to help its own economy, which is currently going through difficult times. Since grain is the private property not only of businessmen of Ukraine, but also of foreign companies, neglecting the export of grain will lead to the bankruptcy of Ukrainian farmers, who will not be able to ensure the process of processing and sowing grain crops, and foreign companies will not receive the expected profit. In addition, the seasonal strengthening of foreign currency relative to Ukrainian money is a good way to sell national goods at a good price and import foreign exchange earnings at a good rate, which should support the national budget [4]. Note that as a benefit, Ukraine received a safe zone for exporting grain products by sea and the right to operate in territorial waters, and enemy planes, ships or drones will not be able to approach merchant ships. However, the initiative itself can last only for 120 days, which means that such an agreement is not a solution to the problem, but rather an ordinary freezing of the situation in a certain segment. Russia received a certain relaxation of sanctions, although the text of the agreement does not provide for this. That is, there are certain measures that really lift the previously established bans, namely the Council of the European Union lifted restrictions on cross-border transactions for the payment of Russian food products. There was also the unfreezing of the monetary resources of a number of Russian banks, as well as permission for Russian manufacturers and suppliers to import or transport agricultural products,

namely wheat. Therefore, if the current situation does not change, the domestic market of Russia will overflow with agricultural products, and grain prices will collapse. Therefore, in order for manufacturers in the Russian Federation not to declare bankruptcy, the government will have to resort to subsidies and transfer firms to maintenance. Another problem is the sale of fertilizers, which Russia actively supplied to the European market. However, after the artificial reduction of gas prices, similar plants in Europe became unprofitable. Russian products became more in demand, but this led to the inability of Russian national manufacturers to purchase Russian products at such high prices, so the country began to sell them on world markets until a resource shortage occurred in the middle of the country, as a result of which a moratorium was established on the export of nitrogen fertilizers. And although the EU did not impose sanctions on the production of fertilizer, the market does not trust "Russians", in addition, sectoral restrictions lead to the refusal of insurance and the transfer of Russian products. Although at first glance the signing of the grain initiative by Russia was not an understandable phenomenon, since it was considered a significant support for the Ukrainian economy, such problems explain the need to sign such an agreement. In addition, there is an assumption that Russia and France agreed on the redistribution of power in Syria. That is, France does not focus its attention on Syria, so Russia will not increase the number of its troops. And therefore, it will be possible to transfer some troop part to the territory of Ukraine. As for Turkey, it will buy a certain part of gas in Russian rubles and a Russian nuclear power plant is being built in Turkey. There are certain points that concern Europe as well. The Russian president understands well the behavior of European countries: they will trade for gas, and this, in turn, means softening the pressure on the Russian Federation. So, the previous day before the signing of the contract, the Kremlin resumed the delivery of gas through Nord Stream-1, but with the onset of winter, the head of Russia will cut off the supply and begin the intended blackmail. Thus, Ukraine should be ready for any twists and turns of fate and have its own strategies for this case.

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