Food and Fertiliser Crisis

Why in news?

A direct economic impact of Russia's Ukraine war is that prices of food, energy, fertilisers will tend to rise.

How will the conflict add to the food and fertilizer crisis?

- **Food Crisis-** Ukraine is a major foodgrain (wheat and corn) producer.
- Russia is known for its wheat and sunflower oil exports.
- The crisis would
    - spur food inflation
    - propel the poor harvest due to dry spells in South America and Indonesia
    - aggravate the rising demand for wheat and oilseeds in China and India
- **Fertiliser Crisis-** Russia is a major supplier of natural gas to Europe, and the Black Sea area is a major hub of fertiliser production and trade.
- Russia supplies about one-third of Europe's natural gas supply, the main feedstock to major power and chemical producers.
- Russia is the second-largest producer of ammonia, urea, potash and the fifth-largest producer of complex phosphates.
- The country accounts for 23% of the global ammonia export market, 14% of urea, 21% of potash and 10% of complex phosphates.

What will be the potential implications of the food crisis?

- Russia accounts for about 10% of global wheat production while Ukraine has a 4% share.
- Russia and Ukraine are important players in corn production and had a 14% share of global maize exports in 2020.
- These two countries lead in sunflower oil production and have a 40% share in exports.
- **Food security**- The armed conflict between the two countries has raised concerns over food security for the Middle East and Africa.
- Food security has six dimensions - availability, access, utilisation, stability, agency, and sustainability, which are expected to be affected by this crisis.
- **Price rise**- There can be an upside risk to global commodity prices, which have been at an elevated level since April 2021.
- The spikes in the international prices of maize, wheat, soybeans, sunflower oil and dairy products have been reported.
- In the near term, African countries would gauge the impact of the armed conflict through a surge in overall prices compounded by rising food inflation.
- **Profit for countries-** Wheat exporting countries such as Canada, Australia, and the US are likely to benefit from near-term surge in cereals demand.
- Oilseed growing countries such as China, EU nations, Canada, and India can step into a market dominated so far by Russia and Ukraine.
- **Ripple effect**- The armed conflict can have a ripple effect on rising oil and fertiliser prices,

affecting farmers in developing and least-developed countries and straining government finances.

- **Domestic economy**- The overall implication of the conflict would be on the domestic economy.
- Insulating the domestic economy from the crisis calls for a systematic intervention at three levels connecting the farm and landscape for sustainable agriculture, distribution, and tariffication in cross-border trade.
- Agencies such as State Trading corporations, FCI and multinational trading firms can create a resilient and efficient food supply chain and public distribution system.
- Export promotion of fortified foods can help the poor of these nations.

What is the trend of fertilizer production in India?

India is the world's largest urea importer.

- India depends heavily on imports for meeting its fertiliser raw materials and finished products requirements.
- The self-sufficiency in urea production achieved by 2000 was lost due to unfriendly policies which discouraged further investments in the sector for two decades.
- It was further deepened by the privatisation move and closure of a number of plants on account of low energy efficiency.
- Urea imports amount to 8-9 million tonnes per annum mostly from China, Oman, Ukraine, and Egypt but China has restricted urea imports since October 2021.
- On an average, 5 million tonnes of phosphatic fertilisers are imported to India mostly from China, Morocco, Saudi Arabia, Russia and Jordan.
- Potash supplies (around 4 million tonnes a year) are fully imported from Canada, Russia, Belarus Jordan, Lithuania, Israel, and Germany.

How will it influence the fertilizer sector in India?

- **Fertiliser subsidy**- Estimates of fertiliser subsidy allocation of Rs 1.05-lakh crore for 2022-23 in the recent Budget are likely to go faulty on account of the war.
- **Price rise**- Disruption in production in Russia and Ukraine and closure of plants in Europe will result in an increase in fertiliser commodity prices all across the world.
- **Availability**- A shift in product movement from traditional markets will lead to price volatility in the global fertiliser market, which will significantly impact availability.
- Only urea, which still remains under administrative price control, is cheap and affordable to farmers.
- The need of the hour is for the government to tie up alternative supplies quickly and ensure adequate availability of mineral nutrients to the farmers.
- **Need for self reliance**- The conflict highlights the need for self-reliance at least in critical areas such as IT capabilities, banking, technology development and advancing developments in current science.

References

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