

What the Food Crisis Means for Business

By Marc Reverdin

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The looming food crisis

The war in Ukraine has destabilized the world food market since its outbreak. Large stocks of wheat cannot be exported, and some of it is reportedly being stolen by Russia. Through the voice of its former President and Prime Minister Dmitry Medvedev, Russia, which represents one third of the world's wheat exports with Ukraine, has indicated that it may only export to countries that are "friends of Russia," suggesting that its agricultural capacity might be used for political and diplomatic purposes.

This situation has led to a considerable increase in agricultural prices since March 2022, more than 30% above the same level a year earlier. The price of wheat has jumped 60% since the beginning of the year. Several countries have already taken steps to reduce or even ban their exports of agricultural products to other countries, from wheat to palm oil, from corn to sunflower seeds, preferring to keep food sources at home. In Europe, these market malfunctions will fuel inflation and could, coupled with an increase in energy prices, trigger a social crisis as serious as that of the yellow vests in France.

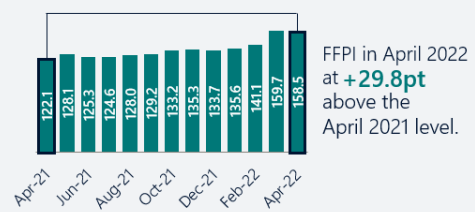
In certain countries in Africa and the Middle East, the pandemic has already greatly weakened food supply chains, and this crisis could result in widespread famine and malnutrition. Nearly 750 million people in 27 countries [depend](#) on Russian and Ukrainian wheat imports for around or more than 50% of their food needs. The substitution of these imports by American or European imports could prove to be terribly costly, and the correlation between rising food prices and political instability is well established.

A staggering situation that could get even worse

There are few solutions to this problem: there will simply be a shortage of wheat and other basic agricultural materials, and the Ukrainian production lost cannot be replaced. At the same time, the arid climate of the last few weeks has dampened hopes, particularly in France, of a good year for agriculture, which would compensate on the international level. Asia and East Africa are suffering from the same heat wave. This has led India to ban its wheat exports.

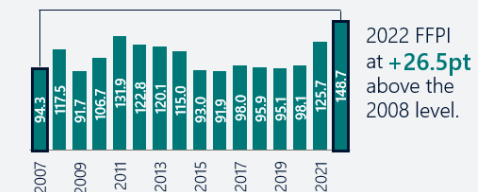
In this context, it is very likely that we are heading toward a global crisis similar to that of 2007–2008, when energy and food prices exploded. However, current trends suggest that the crisis we are heading toward could be more serious, as the number of barriers to trade in agricultural commodities put in place by governments has already surpassed that of 2008. Economic decoupling with Russia, and to a lesser extent, China, has also made the international geopolitical scene much more uncertain.

FAO Food Price Index (FFPI)
April 2021 - April 2022



Source: FAO Food Price Index, 6 May 2022; it consists of the average of meat, dairy, cereals, vegetables oils and sugar price indices weighted with the average export shares of each group.

FAO Food Price Index (FFPI)
2007 - 2022



Source: FAO Food Price Index, 6 May 2022

Steps to take today

In the midst of the pandemic, the attention of the media and public opinion turned to the pharmaceutical industry, reactivating grievances such as profits at the expense of patients, financialization of the activity, forced intermediation between practitioners and patients, even corruption of doctors. The agri-food industry must be prepared to be accused, whatever the reality, of profiting from the current crisis – enrichment on the backs of farmers, intermediation, promotion of unhealthy food, etc.

Companies must be able to demonstrate that everything that can be done has been done. Agri-food companies are at the heart of a social – and no doubt, for some countries, political – crisis. It is crucial that companies be able to show that they have done everything in their power to reduce the consequences of this unprecedented international crisis. They will thus be able to demonstrate that they are not part of the problem, but part of the solution.

To continue the conversation:

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