

# Russia Invasion of Ukraine to Push up Energy, Food Prices

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The United States and its allies are escalating sanctions against Russia as a result of its invasion of Ukraine that could ripple through the world economy, aggravating inflation and supply chain issues, and prompting consumer hoarding of certain staples.

The first impact was on oil markets, which saw the price top \$105 a barrel before U.S. President Joe Biden announced Thursday he would be willing to dip into the nation's strategic petroleum reserves to keep a lid on prices. The chances prices will increase, however, remains strong, with an attendant increase in transportations costs to follow, adding to inflation.

Russia was projected to become the world's biggest oil producer this year, pumping nearly 10.6 million barrels a day, according to *World Population Review*.

"Even though the imports of oil only makes up around 7% of total U.S. imports, it is around a \$13 billion dollar volume," Anthony M. Moore, communications coordinator at theion dollar hs

In the U.S., gasoline and diesel prices are expected to spike in the next 60 days and then ease toward the end of the year, Tom Kloza, global head of energy analysis at the Oil Price Information Service, told the *Chicago Tribune* (Feb. 24).

Reverberations of the crisis in Ukraine are already far-reaching. For example, Archer Daniels Midland Co. is among the companies that halted operations in Ukraine after the country issued new security protocols; ADM employs 630 Ukrainian workers, and 430 workers in Russia, reported *The Wall Street Journal* (Feb. 24).

## IMPACT ON AGRICULTURE

The U.S. has been building a coalition for months in a bid to keep Moscow in check. Biden said that coalition, which includes 27 members of the European Union, represents more than half the global economy. Though the sanctions are aimed at the Russian economy and people close to Vladimir Putin, the impact will not be confined within that country's borders.

Russia and Ukraine account for about a third of global wheat exports, noted Usha C.V. Haley, the W. Frank Barton distinguished chair in international business and professor of management at Wichita State University.

"A prolonged conflict will affect food exports from Ukraine, the world's fourth-largest supplier of wheat and corn, contributing to a global inflationary cycle that in many countries is already the worst in decades," Haley said in an email. "Many parts of the developing world depend on Ukraine's food exports."

## IMPACT ON WHEAT SPECIFICALLY

U.S. wheat and corn prices and futures are up more than 12 percent since the start of the year.

Mary King, restaurant and food services expert at Fit Small Business, said in the U.S., wheat supplies will not be an issue.

"High wheat prices have been a big driver of overall food inflation for the past several months. With fewer supplies coming out of Russia and Ukraine ... U.S. businesses and consumers will definitely pay higher prices for wheat and wheat-derived products."

She added a possible result of this price pressure could be "even more innovation in gluten-free food technologies."

Albert Goldson, executive director of the New York think tank, The Cerulean Council, said Ukraine's importance to grain production and exports "cannot be overstated. Ukraine's average annual yield is three times its domestic needs making them one of the world's largest agricultural exporters," Goldson said in a recent blog post.

"A Russian invasion and occupation will further squeeze an already tightening food market since many governments have, officially and unofficially, limited or even banned outright export of domestic agricultural products. This has been done for the purposes of food security and maintaining affordable food prices to avoid socio-political instability," he added.

#### **FERTILIZER INDUSTRY LIKELY AFFECTED**

Russia also is a leading producer of fertilizer, which already is in short supply. Todd Hultman, lead grain marketing analyst at DTN, said it still is unclear whether U.S. sanctions will hit the Russian fertilizer industry.

"Russia's attack adds to inflationary pressures in the West, disrupts shipping in the Black Sea region, injects fear and increases price volatility in ag markets and may disrupt the ability of Ukrainian farmers to plant and harvest crops in 2022, depending on how events unfold," Hultman said.