

A TRADE HOPE

THE ROLE OF THE BLACK SEA GRAIN INITIATIVE IN BRINGING UKRAINIAN GRAIN TO THE WORLD

20 October 2022



UNITED NATIONS
UNCTAD



PHOTO/MARK GARTEN/ONU

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Today, there is a beacon on the Black Sea. A beacon of hope – a beacon of possibility – a beacon of relief -- in a world that needs it more than ever.

I want to recognize and thank all those who helped make it happen.

To our hosts, President Erdoğan and the government of Türkiye:

Your facilitation and persistence have been essential through every step of this process. (...) Thank you very much.

To the representatives of the Russian Federation and Ukraine:

You have overcome obstacles and put aside differences to pave the way for an initiative that will serve the common interests of all.

António Guterres,

United Nations Secretary-General, on the signing of the Black Sea Grain Initiative, Istanbul, July 2022

ACKNOWLEDGEMENTS

This report would not have been possible without the essential contributions of the Joint Coordination Centre for the Black Sea Grain Initiative, comprised of senior representatives from Ukraine, the Russian Federation, Türkiye and the United Nations, which ensures the safe maritime transportation of grain and other foodstuffs from three key Ukrainian ports in the Black Sea to the rest of the world.

The Global Crisis Response Group convened by the UN Secretary-General played an important role, focusing the world's attention on the food insecurity crisis, providing analysis and calling on the international community to avert the worst cost-of-living crisis in a generation and its devastating impact on billions of people.

INTRODUCTION

As two of the world's largest suppliers of grain, Ukraine and the Russian Federation are important sources of food for many developing countries. However, the war brought grain exports from Ukraine to an almost grinding halt and slowed down exports of grain and fertilizers from the Russian Federation.

Faced with the threat of food insecurity for millions of people around the world, on 22 July, 2022, the United Nations brokered two initiatives. One is the memorandum of understanding between the UN and the Russian Federation to facilitate unimpeded access for their food and fertilizers exports to global markets. The second, and the focus of this analysis, is the Black Sea Grain Initiative (BSGI) signed by the UN, the Russian Federation, Türkiye and Ukraine to resume Ukrainian grain exports via the Black Sea amid the war.

In a short space of time, the BSGI has gathered momentum. Port activity in Ukraine is picking up and large shipments of grain are reaching world markets. The Initiative has helped to stabilize and subsequently lower global food prices, and move precious grain from one of the world's breadbaskets to the tables of those in need.

However, with the BSGI ending in just over a month and its renewal uncertain, the price of some commodities, such as wheat and maize, is rising again. Without The Initiative, there is little hope for providing food security, especially for developing and least developed countries.



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Increasing port activity

As the war erupted in Ukraine, the world watched as valuable grain corridors were closed off. Weekly ship departures from Ukrainian ports plummeted. There was a marginal recovery in subsequent weeks but port departures remained considerably below their 2021 levels. After the signing of the Initiative, there was a gradual rise in ship departures. While shipments are still about 40-50 per cent below the pre-war period, the trend is in the right direction (Figure 1).

Figure 1. Port activity in Ukraine is rising

Number of departures of all cargo ships by week



Source: UNCTAD secretariat, based on data provided by Sea/ (www.sea.live).

The war has caused significant changes in port call patterns in Ukraine and the Black Sea region. While Ukrainian port calls fell, they increased in [Romania](#) and [Bulgaria](#) as Ukrainian traders were seeking alternative viable routes.

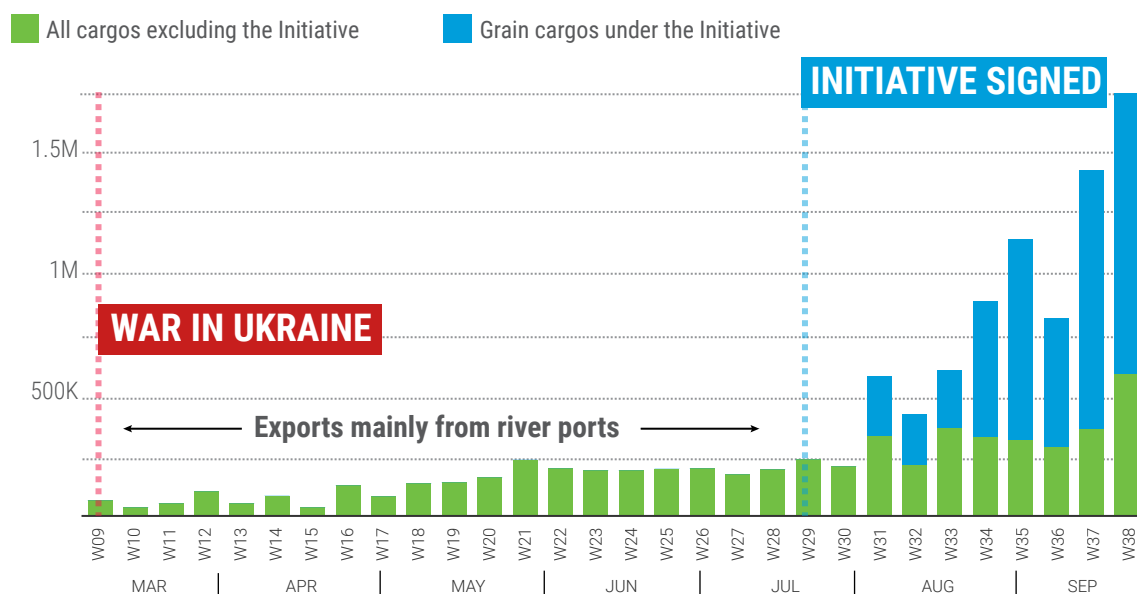
In addition, the halt of operations at Black Sea ports resulted in an important shift: rivers became the main artery of Ukrainian trade. Before the war, more than 90 per cent of ships departed from seaports. Following the invasion, this share dropped to 20 per cent. After the signing of The Initiative (August-September), this share increased to 36 per cent.

However, this increased reliance on river ports came with constraints. Unlike seaports, these river routes were unable to handle large dry bulk vessels and instead catered to small cargo and multipurpose vessels from Ukraine. This resulted in noticeably low volumes traded.

Under the Initiative, these seaports were reopened – Odesa, Chornomorsk, Pivdennyi/Yuzhny. As a result, the number of port calls increased, and more importantly, the volumes carried increased significantly (Figure 2). Even though Danube River ports still account for the majority of vessel departures, seaports account for the majority of the volume shipped, as they are important hubs for much larger vessels.

Figure 2: Ukrainian port exports are rising too

Weekly volume of all cargo shipped from Ukrainian ports (millions of tonnes)

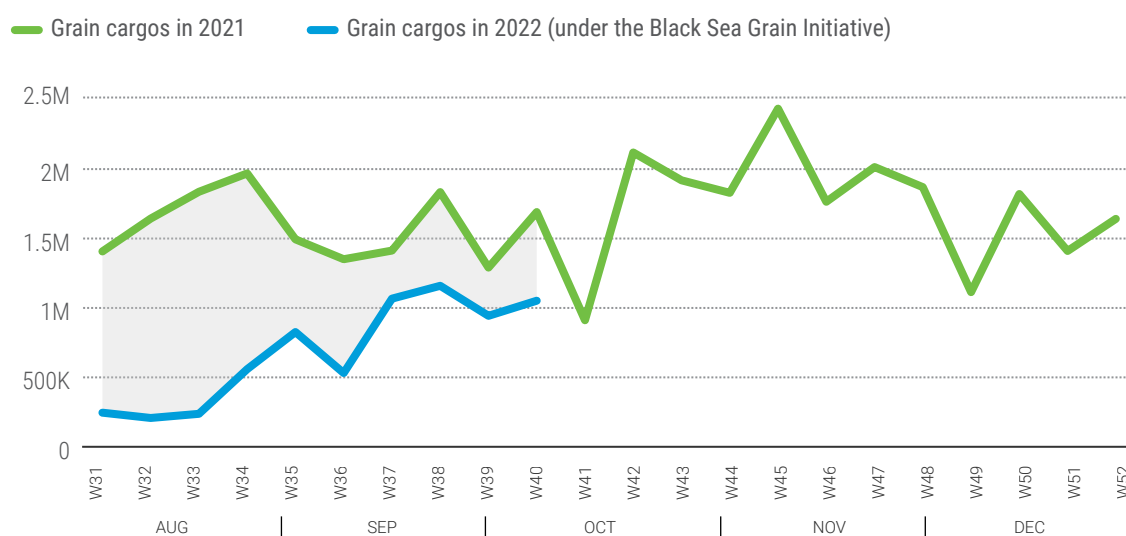


Source: UNCTAD secretariat, based on data provided by Sea/ (www.sea.live) and the Joint Coordination Centre.

As departures of dry bulk carriers from these major ports increased so did the amount of grain traded. Weekly tonnage shipped under the Black Sea Grain Initiative reached 1.2 million tonnes by September. This is still below 2021 levels, but the gap is closing. (Figure 3).

Figure 3: The grain gap is closing but more is needed

Weekly volume of grain shipped from Ukrainian ports, 2021 vs 2022 (millions of tonnes)



Source: UNCTAD secretariat, based on data provided by Sea/ (www.sea.live) and the Joint Coordination Centre.

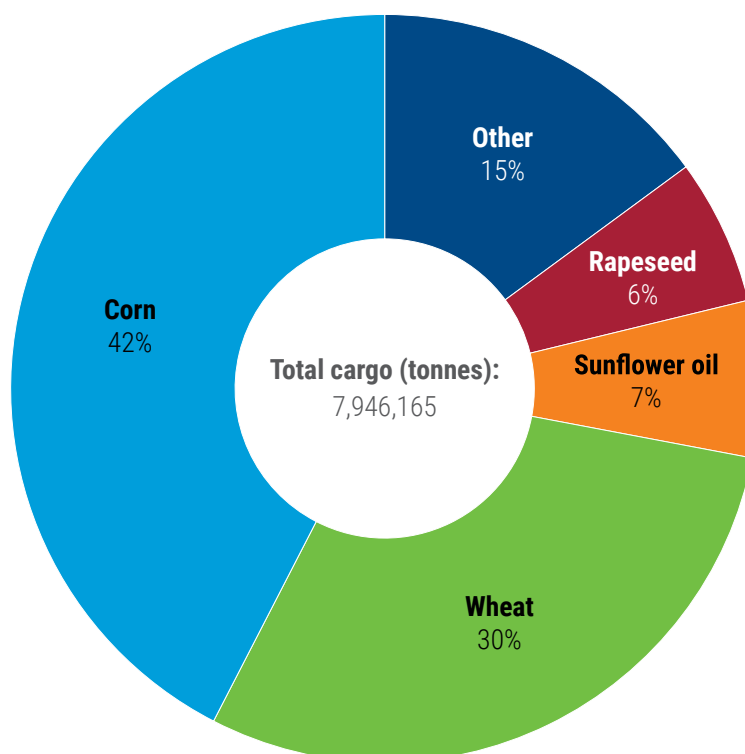


Reopening the grain gates of Ukraine to developing countries

The BSGI reopened the grain gates of Ukraine to the world. As at 17 October 2022, nearly 8 million tonnes of grain and foodstuff have left Ukrainian ports under the Initiative. [And this figure keeps rising every day](#). So far, from the total cargo shipped, maize and wheat account for more than 70 per cent of total exports. (Figure 4).

Figure 4. Food is reaching global markets

Composition of food exports, as a share of total (percentage)



Source: UNCTAD Secretariat based on data from the Joint Coordination Center as at 19 October.

More than 3 million tonnes of maize have left Ukraine since the signing of the Initiative, most of which has gone to developed countries (Figure 5). However, it is important to note that this may refer only to the initial destination, as this grain may be processed or re-exported to other countries. In addition, developed countries rank amongst the world's largest exporters and importers of animal feed of which maize is an important component. It is thus likely that part of this cargo includes maize for feedstock.

In contrast, wheat, a fundamental pillar of food security for the Global South, is mostly going to developing countries (Figure 6). In fact, nearly 20 per cent of wheat exported has gone to least developed countries (LDCs) with vulnerable populations, as those served by the World Food Programme.

Figure 5. Distribution of maize exports

Share of exports of maize to country groups by development status

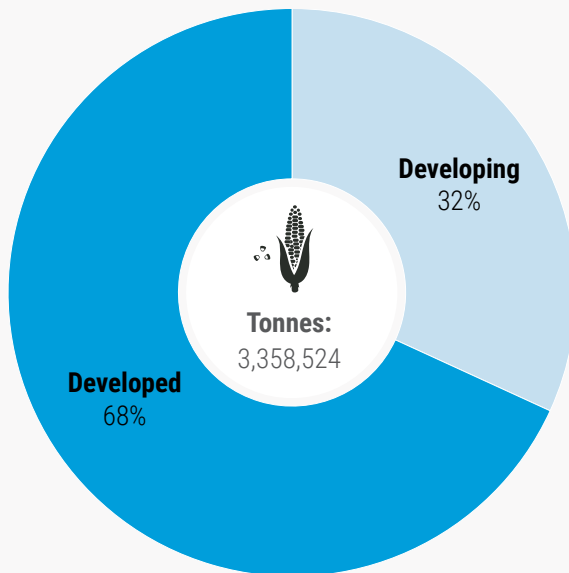
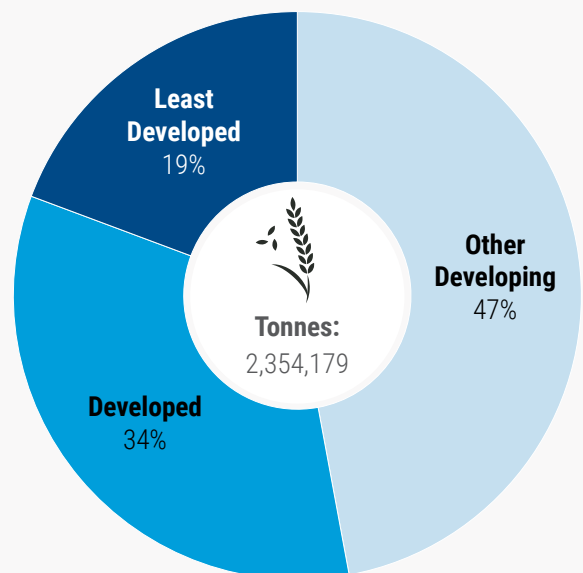


Figure 6. Wheat is mostly going to developing countries

Share of exports of wheat to country groups by development status



Source: UNCTAD secretariat based on data from the Joint Coordination Centre as at 19 October.

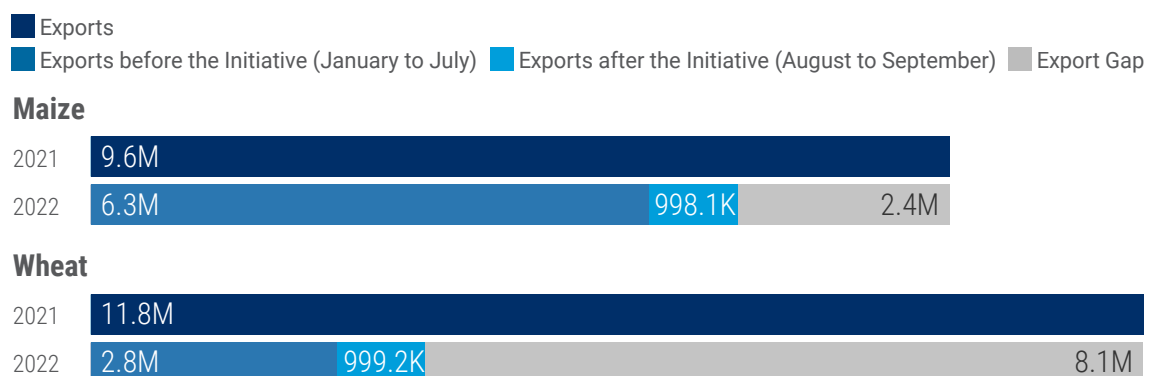
Note: Cargo may be processed and re-exported from the primary destination.

In the short space of time that the Initiative has been in operation, grain exports to developing and least developed countries have started to recover. But more needs to be done to match previous levels of exports.

For instance, close to 1 million tonnes of maize and wheat were sent from Ukraine to developing countries. However, exports between January and September 2022 are still below the export levels in the same period in 2021 (Figure 7). The export gap, the difference between these two periods, is considerable, at 2.4 million tonnes for maize and 8.1 million tonnes for wheat.

Figure 7. Ukrainian exports to developing countries, selected commodities

Exports in tonnes, January to September, 2021 and 2022

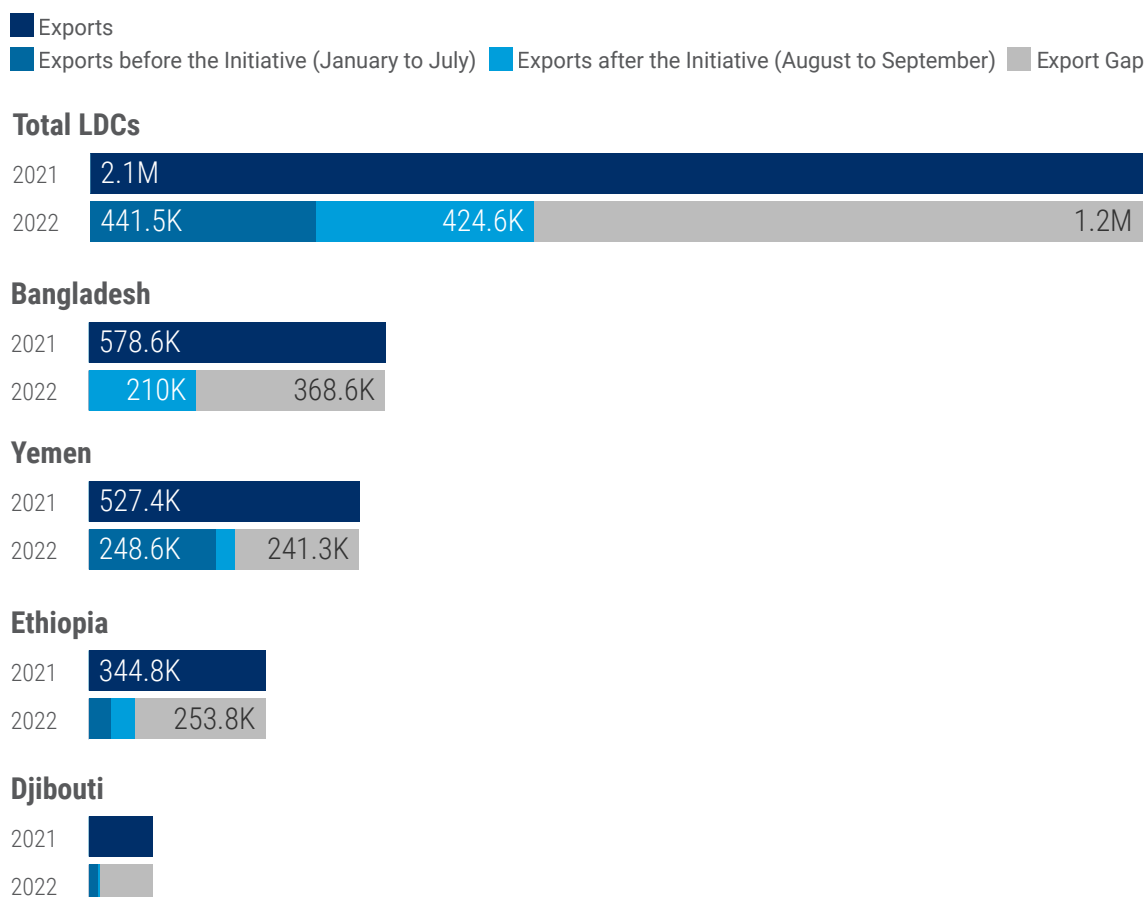


Source: UNCTAD secretariat based on UN Comtrade and data from the Joint Coordination Centre.

The Initiative doubled the amount of wheat shipped to least developed countries between August and September - about half a million tonnes. Nevertheless, wheat exports to LDCs between January and September 2022 have totalled less than one million tonnes. This implies an export gap of 1.2 million tonnes with respect to 2021. The size of the gap may vary from country to country, as shown in figure 8.

Figure 8. Ukrainian wheat exports to least developed countries

Exports in tonnes, January to September, 2021 and 2022



Source: UNCTAD secretariat based on UN Comtrade and data from the Joint Coordination Centre.

Important export gaps remain to be filled. As 2022 comes to a close, demand from developing and least developed countries may not be met without the BSGI. The importance of the BSGI for the most vulnerable nations cannot be underestimated.



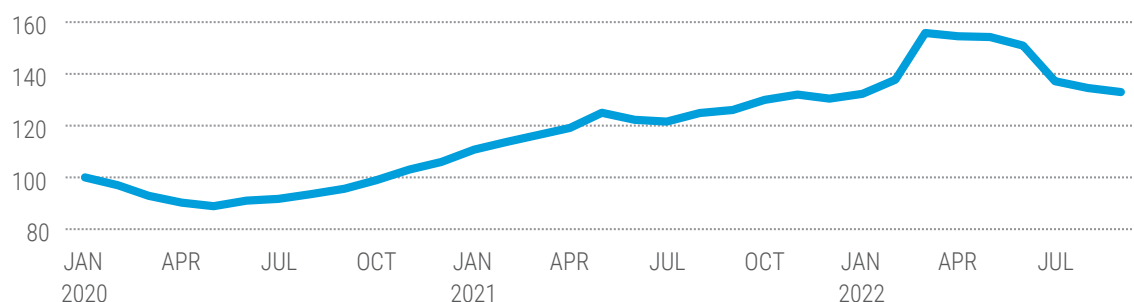
Pushing down food prices

In the last two years food prices have gradually increased due in part to COVID-19 induced disruptions. The war in Ukraine further exacerbated this trend. The BSGI has helped to make grain more available, and it has also helped to ease the pressure on food prices. This in turn has helped to improve global access to food, particularly for the poorest and most vulnerable.

The prospect of the Black Sea Grain Initiative and the reopening of the Black Sea ports helped to push down historically high market prices. Since April 2022, the FAO Food Price index has been on a downward trend (Figure 9).

Figure 9. Food prices have fallen in the last six months

FAO Food Price Index (100=January 2022)

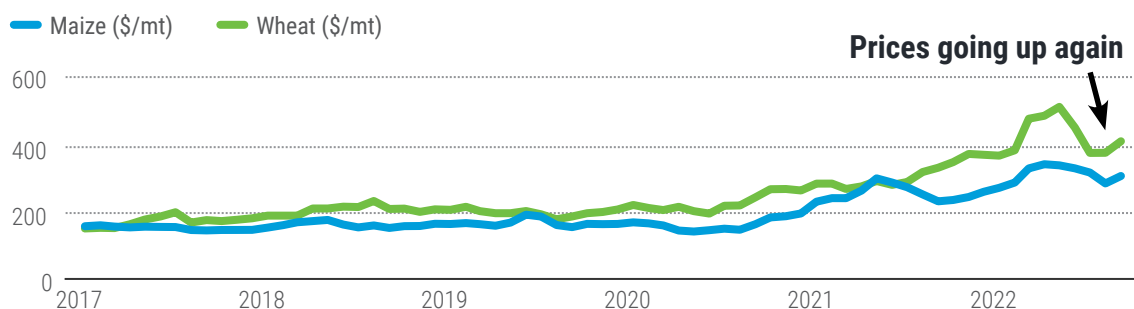


Source: FAO.

However, prices have begun to rise again amid mounting concerns about whether the BSGI will be renewed, and the threat of further disruptions to trade in the Black Sea and the closure of grain corridors (Figure 10).¹

Figure 10. Maize and wheat prices are again rising

In nominal US dollars



Source: UNCTAD secretariat based on World Bank Commodity Price Data (The Pink Sheet).

Wheat and maize prices are still at historically high levels, which continues to weigh on the affordability of basic foods and poses a risk to food security the world over.

This is one more reason why the renewal of the Initiative on 20 November is important for developing countries.

¹ AMIS Market Monitor, 6 October 2022.

The Initiative remains vital for global food security

The urgent threat of rising world hunger and the cost to human life requires an urgent response. Amid these difficult and complex challenges, the Black Sea Grain Initiative provided a measure of stability to our global food supply and especially for developing countries. The Initiative has gathered momentum and everyday ensures that more and more grain reaches the world. It has managed to lessen the blow on the most vulnerable but there is still more to be done to maintain access and restore exports to those in need.

For the time being, the Black Sea Grain Initiative may be our best hope.



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