Increasing Food Prices and Their Impact

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Even before Russian President Putin's decision invade Ukraine, food prices were rising. Last week's ONS (Office for National Statistics), showing that the overall rate of inflation was 6.2% for the twelve months to February, included the item of 'Food and non-alcoholic beverages' at 5.1%.

On Tuesday data analytics firm Kantar announced that grocery price inflation in the UK has reached 5.2% in March, which is the highest they've been since April 2012.

Terazono and Evans, writing in the *Financial Times* last June, described concern among analysts that global prices for food were rising at a rate not seen for a decade: "one closely watched index jumped 40 per cent in May, heightening fears that the inflation initially stoked by pandemic disruption was accelerating" (2021).

Understandably, much emphasis has been focused on the fact that energy prices, increasing because of a sudden jump in demand as economies simultaneously recovered after the pandemic, exacerbated by conflict in Ukraine, will cause living standards of the majority of people to decline. As Bank of England governor Andrew Bailey, speaking at an event in Brussels held by thinktank Bruegel pointed out on Monday, we're likely to face a "historic shock" to incomes in the coming year. Spiking energy prices, he claims, will reduce economic growth and consumer demand (Partington, 2022; Romei and Parker, 2022).

However, whilst energy use fluctuates on a seasonal basis, overall demand reducing during the summer months, patterns of food consumption across the year is much more stable. Though we may eat slightly differently in the summer months, the total amount of food eaten remains broadly consistent (Wunsch, 2022).

An immediate consequence of any rise in food prices will be felt by everyone. And because food cost makes up a larger proportion of the spending of the poorest, those who are already squeezed will be unduly affected by the impending cost-of-living crisis we're entering over coming months (Johnson, 2022).

The New Economics Foundation (NEF) believe that by April almost half of all children could be living in households unable to meet the cost of some basic necessities including food (Stewart, 2022). NEF's calculations are that a third of households, some 23.4 million people, will not have sufficient income to ensure a decent standard of living which would include regular meals.

In January, Jack Leslie, senior economist at the Resolution Foundation, expressed concern that because low-income families experience inflation differently, the impact of rising food prices will create stark choices, "On average the lowest income families spend twice as much on food and housing bills as the richest families" (Resolution Foundation, 2022).

Those on incomes rising at less than the prevailing rate of inflation, especially old-age pensioners and those on benefits which have only been uprated by 3.1%, are inevitably going to find their budgets will be stretched even at the current rate of inflation. Unfortunately, though, because of recent events in Ukraine, the price we pay for food is likely to increase dramatically.

The rise in the price of oil and gas will mean that there will be added costs to every stage of production from farmers, processors/manufacturers, distributors and retailers which will be passed onto customers. Earlier this month, Ronald Kers, who's the chief executive of food company 2

Sisters, informed listeners to BBC's Today programme that because the amount paid to farmers had risen rapidly, including chickens by 50%, UK food prices were likely to increase by 15% this year (Chapman, 2022).

Conflict in Ukraine, a major producer of wheat, barley and corn as well as other food commodities, has greatly increased upward pressure on prices. There's likely to be a serious shortfall in supply. It's hardly surprising that the wholesale price of wheat, according to the Agriculture and Horticulture Development Board is now almost 40% more than this time last year.

Fertiliser, produced from ammonia, nitrogen, potash, urea, phosphates, sulphates and nitrates, and used by farmers in cultivating increases yields is also being affected by a combination of factors (Helmore, 2022). Reduced supply from Russia and Belarus, a major producer of fertiliser, combined with an export ban by China which, concerned about feeding its own citizens, is stockpiling, as well as a Canadian rail strike, means there'll be a shortage of fertiliser. This will put even greater strain on UK farmers' ability to produce normal crop levels during harvest.

The organisation representing the food sector, the Food and Drink Federation (FDF), believe rapidly rising prices for wheat will, as well as increasing the price of bread, a staple across the world, mean a rise in the cost of many other foods. Wheat is used in feed for egg-laying hens which means another essential ingredient in food production, as well as domestic cooking, will probably go up in price. Wheat is also used for feeding pigs and dairy cattle.

Supplies of vegetable oil from Ukraine, where farmers should now be planting this year's crop, is going to be hit by conflict there. Kyle Holland, an analyst at Mintec, the leading provider of food-related commodity pricing and analytics, claims many farmers in Ukraine are not planting the seeds that would produce this year's crop. Sunflower oil, which may be in short supply, is used in processed foods including spreads, ready meals and snacks such as crisps.

Significantly, the UK Government has announced relaxation of rules which allowing food producers to use alternatives for sunflower oil such as rapeseed without needing to change the information on packaging. However, recent poor harvests mean stocks of rapeseed are meaning prices have risen 90% in a year.

This creates a 'domino effect' of a bad situation becoming much worse. According to Standish (2022), simultaneous disturbance to supply because of significantly reduced harvest and fertiliser production problems have, following Russia's invasion of Ukraine, caused world wheat prices to increase by over 21% and barley by 33%.

As if to add to the sense of impending crisis, it was reported that rising inflation in fertiliser, fuel and feed for cattle, is making life so difficult for dairy farmers that many may be forced to give up producing (Wood, 2022). Britain's largest dairy co-operative, Arla Foods UK is concerned that margins in dairy farming, which were already slim, may be wiped out by the inflationary cycle currently being experienced.

Ash Amirahmadi, Arla Food's managing director, argues costs for UK dairy farmers are "unsustainable". Indeed, he stresses, costs being incurred by such farmers are increasing in a way "never experienced before" risking overall supply that's already down by 4% compared to a year ago.

Dairy milk, though less popular than it once was, is still an essential part of British citizens' diet (McCabe, 2021). Arla's Amirahmadi asserts that unless we're prepared to pay more – the cost of a

pint of milk having risen by 17% in the last year – there's a risk that supply may be even more limited which will force prices up anyway.

Rising food prices will undoubtedly mean misery for hard-pressed UK families faced with bills going up for pretty much everything they consume. It's no shock that foodbanks, even before conflict in Ukraine, were experiencing unprecedented levels of demand (Bryant, 2022). Many families, including 'middle earners', previously just about managing to 'make ends meet', frequently referred to as 'Jams', are now having to turn to foodbanks to feed themselves (Forrest, 2022).

As a survey carried out by the Food Standards Agency showed, between April and June last year, 15% of people in England, Wales and Northern Ireland were 'food insecure'. It's certain that without urgent intervention by government, which Chancellor Rishi Sunak shows limited inclination in doing, things for many families and individuals will get a much worse.

Rising food prices create the danger of conflict in other parts of the world. Ngozi Okonjo-Iweala, head of the World Trade Organization, believes that because of conflict in Ukraine, which typically provides half the wheat to the World Food Programme, any shortages may cause riots in South America (where there's already been a 21% food price inflation), Africa and South Asia (Elliott, 2022; Business Standard, 2022).

The UNWFP (United Nations World Food Programme) cite Lebanon where food inflation reached 400% last year following a currency crisis, the pandemic, and the 2020 Beirut port explosion which severely reduced storage capacity. Food price inflation in Lebanon is still in excess of 200%, as is the case in Syria and Sudan (Terazono and Evans, *ibid*).

At the very least, the current crisis should stimulate new thinking about the way in which we currently source our food. As Ronald Kers suggested when interviewed on the *Today* programme, "we may need to start importing less and producing more ourselves". However, as proved by our departure from the EU, creating new, domestic, suppliers, is far from easy or achieved quickly.

In the very short-term in the UK, therefore, we can expect to see a vast increase in 'food poverty'. Families will increasingly struggle to feed their families as described by Drury who cites one family's sudden loss of income which has resulted om their descent into poverty (2022).

Though Headley and Hirvonen (2022), writing in *The Conversation* believe that there are three steps which could be taken to protect the "most vulnerable", including increasing output by food as well as oil producers combined with greater willingness by all governments to offer financial assistance, the signs are not auspicious. Rishi Sunak's lack of urgency in announcing assistance to the poor suggest he's sanguine about their plight in coping with rising prices (Westwater, 2022).

Those who are aged, disabled or have experienced long-term deprivation through no fault of their own, should not, as happened following the global financial crisis of 2008, be forced by rising food prices, into ever-deeper poverty and hopelessness.

Bourke who interviews Tim Lang, professor of food policy at City University, London, who wrote *Feeding Britain: Our food problems and how to fix them* (2021), claims "Solutions lie in moving towards a decentralised system focused on "food defence" (2022). As she explains, Lang believes that this means it's essential to encourage people to eat more sustainably, buy more British produce and take back some control from companies as well as "retraining populations and reinvigorating agricultural universities"

As well as the need for urgent intervention, the current crisis should act as a catalyst for radical change and innovation in the way we develop and source our food. Sustainability and greater care in the way we use land and resources is critical to our collective survival (Yarnit, 2022).

Climate change poses an existential threat. Professor John Roy Porter, professor of agriculture and climate change at Greenwich University, argues that in order to achieve 'food security' it's essential to decrease greenhouse emissions as well as "improving the resilience of the global food system to climate change" (2022).

Foroohar believes concerns which existed before the conflict in Ukraine will be given added impetus (2022). In particular, she claims, the geopolitical instability will lead to more "local for local" production as well as insourcing which will avoid "cross-border trade hitches" and reduce rising costs of energy needed for transport as well as emissions this produces.

Saladino, in an overview of the way to deal with the current crisis for *The Grocer*, 'The foods on the brink of extinction and how we could bring them back', believes that "Long before the war in Ukraine jeopardised global grain supplies, an uneasy reliance on high-input monocultures was revealing itself in the fragility of global food supplies" (2022).

Notably, Saladino explains, of the 6,000 plant species humanity has ever eaten, according to the UN's Food and Agriculture Organization, only 200 currently make significant contributions to food production. Only three, rice, wheat and corn, provide 50% of all calories we consume. If potato, barley, palm oil, soy and sugar (beet and cane) are included, this figure rises to 75%.

Based on his book, *Eating to Extinction: The World's Rarest Foods and Why We Need to Save Them* (2021), Saladino passionately argues that diversity of food is "crucial [to] ensuring we have a sustainable food future in the years to come" (*ibid*).

It must be hoped that revolutionary alteration in food production methods and consumption is the 'sliver-lining' to the current cost of living crisis 'cloud'. If that indeed were to occur, we would have vastly improved sustainability and the environment for future generations.

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