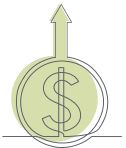


# Russia-Ukraine Crisis and its Impact on Food Prices



## **Russia's invasion of Ukraine will likely have significant impacts on the food and agriculture sector.**

- Russia is the world's largest exporter of wheat and a major food supplier to Europe.
- Ukraine is considered the "breadbasket of Europe." When combined, Russia and Ukraine account for 29% of the global wheat export market.
- Russia is also a significant supplier of fertilizer to global agriculture – including the United States.



## **While U.S. food imports from Russia and Ukraine are small, the pressure this geopolitical situation has on other nations could have a ripple effect on prices at the grocery store in America.**

- The conflict could temporarily drive prices for raw materials and finished goods even higher at a time when the U.S. is already experiencing significant inflation.
- When the cost of raw materials – like corn, wheat, soybeans, and vegetable oils – goes up, the price of the products they are used to make, like bread and pizza dough, also increases.
- Higher corn and soybean prices also increase the price of feed for livestock, which in turn pushes up the cost of meat products.



## **In the coming weeks or months, the impact of the war in Ukraine on the price of gas will likely trickle down to consumers at the checkout counter.**

- Agriculture and food production are energy intensive. Changes to the price of oil and energy have broad ripple effects throughout every step of the supply chain.
- The price of everyday items at the grocery store are determined by the cost of a variety of inputs, including transportation costs.
- The rise of energy prices could impact the cost of food in both the short and long-term. The continued increase in gas prices will impact transportation costs in the near future, and will increase the cost of feed, fertilizer, and other products, although those increased costs won't be felt by consumers for several weeks or months.



**In response to Russia's invasion of Ukraine and the potential impact that it may have on the global food supply chain, the food retail industry is working to source alternate suppliers for these commodities and mitigate against supply changes to meet consumer demand, but there may be some price increases at grocery stores.**

- Any disruption in the global food chain could exacerbate existing supply chain challenges and impact the industry's ability to bring some products to the shelves and keep prices already impacted by inflation as low as possible.
- We are already seeing increased costs at nearly every level of the food supply chain, from the farmers and ranchers who produce food, to the manufacturers who turn raw commodities into the products sold in supermarkets, to the grocers who provide those foods to communities and families.



**Even as supply chain bottlenecks and labor shortages due to the COVID-19 pandemic have impacted the food retail industry's ability to bring some products to shelves, a geopolitical crisis could cause even further disruptions, especially due to the impact on oil and gas prices.**

- Increases in oil and gas prices would further exacerbate already-high production and transportation costs and further contribute to inflationary grocery store price increases while resulting in short-term product shortages on store shelves.
- While the global supply chain is affected by a confluence of factors – materials and ingredients; labor; equipment; transportation logistics capacity; inventory control; cost pressures; and weather-related events – we understand that the ramifications are much more pronounced for shoppers given their relationship with food and consumer products.
- The food retail industry empathizes with consumers who are frustrated by higher prices and occasional lack of availability of their favorite products, and we ask shoppers to bear with us as we adapt and adjust to these supply chain challenges in order to meet their needs.

