

Background information

based on the report “Major changes in the fertilizers market in 2022–2023 and their impact on global food security”

In 2022, decreased fertilizers supply combined with skyrocketing prices for fertilizers and other negative factors, severely increased global food price inflation, resulting altogether in the largest food crisis in modern history. As a consequence, global hunger has reached unprecedented levels, with the direst situation observed in Sub-Saharan Africa and Asia. In 2022 the number of people facing acute hunger reached 262 million in Sub-Saharan Africa (23% of population). In the absence of any support measures, and given the current trends, the number of people facing hunger could reach a catastrophic 418 million in Sub-Saharan Africa alone by 2026.

Other consequences of a reduction of the supply of fertilizers in Sub-Saharan Africa include¹:

- **Degradation of farms’ crop yields** due to underfertilization in key agricultural countries of the region (i.e. Ethiopia, Kenya, Nigeria, South Africa, Mozambique, Democratic Republic of Congo) for the next 5-10 years, resulting in decreased farmers’ profits (reduction of approximately USD 20 billion annually)
- **Rising poverty** due to increased food prices (which already pushed an additional 46 million people below the poverty line of less than USD 3.2 per day in 2022)
- **Increased household spending on food** (increase by USD 78 billion in 2022)
- **Higher regional debt burden** (+USD 1 billion in 2023, up to USD 22 billion)
- Loss of USD 46 bn in regional GDP due to the slowdown of the agricultural sector from 2023 by 2030
- **Increased risk of political unrest and social conflicts:** increased migration to Europe, diseases, military conflicts, radicalization of the population

Various trade restrictions including direct and indirect sanctions against fertilizer producers, as well as various obstacles to trade that followed the implementation of those sanctions, have led to the disruptions in production and transportation of fertilizers, banking services, insurance and other critical elements of the supply chain, which directly reduced global supply by 16 million tons in the period between March of 2022 – April 2023. Combined with other production and trade disruptions (which include rising production costs, trade barriers of Russia and China, military actions, etc.), the global market was deprived of more than 40 million tons of fertilizers and ammonia cumulatively over the period from the beginning of these disruptions until April 2023.

The price hikes as a result of trade restrictions and rising costs have led to a major redistribution of trade flows in favor of the regions that are willing and able to pay the higher prices, leaving those regions that have lesser ability to cope with the increased costs of imports severely undersupplied. Indeed, as our research points out, the price hikes led to a redirection of trade flows in favor of US and Europe, with these two markets drawing an estimated 2 mt of fertilizers away from the Sub-Saharan African region. This, coupled with the 85% increase in the cost of imported fertilizers, in turn has led to a 6% drop in use of fertilizers in the region and an immediate hike in the number of people facing acute hunger.

Despite the statements of officials about the inapplicability of sanctions to fertilizer and food supplies, initiatives to exempt these goods from sanctions regimes were ineffective, since the root causes of the drop in supplies from Russia and Belarus – the alleged connection of fertilizer producers with sanctioned persons, as well as direct restrictions on potash trade – have not been eliminated.

¹ Estimations of the working group based on data from FAO, World Bank, FRED, United Nations and other sources.

We believe that in order to restore the balance in the fertilizer market, it is necessary to initiate a public discussion involving all the stakeholders, assess the situation and the consequences of all relevant decisions (both restrictive ones and measures such as the Black Sea Grain Initiative – the agreement between Russia, Ukraine and the UN to restore shipments of agricultural goods from Ukrainian ports and promote export of fertilizers from Russia) made at the international level, and take effective steps to lift the restrictions on fertilizer supply and prevent similar crises in the future:

- Review and adapt sanction policies on supply of fertilizers and agricultural products, as well as supporting sectors including logistics, banking, etc. that that could cause hunger in Africa and elsewhere.
- Conduct formal investigations through multilateral international institutions to compensate the affected countries as well as implement efficient and workable mechanisms for emergency financial and humanitarian assistance to repair the humanitarian and financial damage inflicted on the most affected countries by sanctions and other unilateral restrictions on fertilizer supplies.
- Develop multi-state financing formats and instruments to fund the restructuring of the global agro-industry in order to increase the availability and affordability of fertilizers and provide the growing global population with food, achieving Zero Hunger, one of the UN sustainable development goals (SDG 2).
- Sustainably boost domestic fertilizer production in Africa, improve technological literacy rates and awareness of fertilizer use among farmers, and support the construction of irrigation schemes.
- Enable access to financing for fertilizer purchases on the global market to African farmers, taking into account the specifics of fertilizer supply using letters of credit.